

## Press Release on Kemira's Financial Statements for 2007

### KEMIRA'S REVENUE UP 11% IN 2007

- Revenue for 2007: EUR 2,810.2 million (2006: EUR 2,522.5 million), up 11%.
- Operating profit totaled EUR 143.1 million (193.7). The operating profit includes write-downs and other non-recurring items, with their net effect on operating profit amounting to EUR -31.5 million (+23.2).
- Operating profit, excluding non-recurring items: EUR 174.6 million (170.5).
- Earnings per share: EUR 0.53 (EUR 0.90).
- The proposed dividend is EUR 0.50 per share (0.48), up 4%.
- Strategy review initiated to enhance the Group's profitability and to ensure future growth.

### OCTOBER-DECEMBER AND FULL-YEAR KEY FIGURES IN 2007

EUR million	10-12/2007	10-12/2006**	Change %	1-12/2007	1-12/2006**	Change %
REVENUE	654.4	669.5	-2	2,810.2	2,522.5	11
EBITDA	31.4	63.2	-50	316.9	317.2	0
EBITDA, %	4.8%	9.4%		11.3%	12.6%	
OPERATING PROFIT	-42.9	21.6	-299	143.1	193.7	-26
Operating profit, %	-6.6%	3.2%		5.1%	7.7%	
Operating profit, excluding non-recurring items	4.1	28.6	-86	174.6	170.5	2
Operating profit, excluding non-recurring items, %	0.6%	4.3%		6.2%	6.8%	
Financial income and expenses	-15.3	-12.7		-51.6	-37.2	
PROFIT BEFORE TAX	-58.0	7.8		93.6	154.2	
Profit before tax, %	-8.8%	1.2%		3.3%	6.1%	
NET PROFIT	-46.0	7.7		61.0	112.2	
EPS, EUR	-0.39	0.06		0.53	0.90	
EPS, EUR, excluding write downs	-0.04	0.06		0.87	0.90	
Capital employed *	2,035.8	1,876.6		2,035.8	1,876.6	
ROCE, % *	7.1%	10.2%		7.1%	10.2%	
Cash flow after investments, excluding acquisitions	-6.3	79.5		-82.5	155.0	
Personnel at period-end	10,007	9,327		10,007	9,327	

\* 12-month rolling average

\*\* Prior year correction included (see page 15)

**REVENUE AND OPERATING PROFIT FOR OCTOBER-DECEMBER AND FULL-YEAR 2007**

In **October-December 2007**, Kemira Group's revenue totaled EUR 654.4 million (October-December 2006: EUR 669.5 million). This fall in revenue was due in particular to the weakened US dollar and underperforming sales in the Kemira Specialty business area compared to previous year. The currency effect lowered revenue by approximately EUR 18 million or 3%. Acquisitions pushed revenue up by EUR 13 million, while divestments decreased it by EUR 5 million.

In the **October-December** period, the Group's operating loss totaled EUR 42.9 million (operating profit EUR 21.6 million). Within the framework of a strategic review currently being conducted by the Group, decisions were made on measures leading to write-downs totaling EUR 47.1 million for the last quarter. These write-downs concern Kemira's business operations in Chemidet, its water treatment operations in Denmark, its hydrogen peroxide operations in the Netherlands and its operations in the United States as well as an investment in a Group-wide enterprise resource planning system. The operating loss also includes other non-recurring items whose net effect amounted to EUR +0.1 million (-7.0). Excluding write-downs and other non-recurring items, operating profit totaled EUR 4.1 million (28.6). The decrease in operating profit was particularly due, in addition to the write-downs, to high year-end raw material and energy prices, the weakened US dollar, a delay in starting up the Uruguay plant, strikes in the Pigments business unit, non-recurring expenses related to staff reductions and fixed cost increases. Operating profit as a percentage of revenue, excluding non-recurring items, decreased from 4.3 % to 0.6 %.

Kemira Group's revenue for **2007** rose by 11% over the previous year, to EUR 2,810.2 million (2,522.5). Acquisitions accounted for EUR 314.9 million of revenue growth, while divestments eroded revenue by EUR 26.9 million. Organic growth in local currencies was 2%. The currency effect decreased revenue by 2% or EUR 54 million.

Revenue by market area was as follows: Europe 67%, North America 23%, South America 4%, Asia 5% and Others 1%.

Kemira's operating profit for **2007** decreased by 26%, to EUR 143.1 million (193.7) and includes write-downs and other non-recurring items, whose net effect amounts to EUR -31.5 million (+23.2). Based on a strategic review, decisions were made on measures leading to write-downs totaling EUR 47.1 million for the last quarter. Excluding non-recurring items, operating profit came to EUR 174.6 million (170.5), representing growth of 2%. Acquisitions contributed EUR 13.7 million to operating profit, while divestments depressed operating profit by EUR 2.4 million. Operating profit as a percentage of revenue, excluding non-recurring items, decreased from 6.8% to 6.2 %. The weakened US dollar had a negative effect on both revenue and operating profit, and the currency effect decreased operating profit by approximately EUR -10 million.

Revenue by business area:

EUR million	10-12/2007	10-12/2006	1-12/2007	1-12/2006
Kemira Pulp&Paper	249.8	264.0	1,018.3	993.3
Kemira Water	188.0	171.5	730.5	467.6
Kemira Specialty	102.0	117.2	425.9	456.2
Kemira Coatings	118.4	109.3	625.2	562.8
Other, including eliminations	-3.8	7.5	10.3	42.6
Total	654.4	669.5	2,810.2	2,522.5

## Operating profit by business area:

EUR million	10-12/2007	10-12/2006	1-12/2007	1-12/2006
Kemira Pulp&Paper	-3.2	20.1	66.8	90.8
Kemira Water	5.2	10.3	45.0	35.3
Kemira Specialty	-13.9	11.1	13.5	45.8
Kemira Coatings	-5.9	-1.5	73.1	72.1
Other	-25.1	-18.4	-55.2	-50.3
Total	-42.9	21.6	143.1	193.7

## Non-recurring items included in operating profit:

EUR million	10-12/2007	10-12/2006	1-12/2007	1-12/2006
Kemira Pulp&Paper	-14.1	0.4	-11.6	11.0
Kemira Water	-3.1	-0.5	-3.1	-0.2
Kemira Specialty	-11.9	1.5	-10.6	3.6
Kemira Coatings	-2.4	-	8.8	16.4
Other	-15.5	-8.4	-15.0	-7.6
Total	-47.0	-7.0	-31.5	23.2

## October-December operating profit excluding write-downs and other non-recurring items:

EUR million	10-12/2007	10-12/2006	10-12/2007	10-12/2006
Kemira Pulp&Paper	10.9	19.7	4.3%	7.5%
Kemira Water	8.3	10.8	4.4%	6.3%
Kemira Specialty	-2.0	9.6	-2.0%	8.2%
Kemira Coatings	-3.5	-1.5	-3.0%	-1.4%
Other	-9.6	-10.0		
Total	4.1	28.6	0.6%	4.3%

## Full-year 2007 operating profit excluding write-downs and other non-recurring items:

EUR million	1-12/2007	1-12/2006	1-12/2007	1-12/2006
Kemira Pulp&Paper	78.4	79.8	7.7%	8.0%
Kemira Water	48.1	35.5	6.6%	7.6%
Kemira Specialty	24.1	42.2	5.7%	9.3%
Kemira Coatings	64.3	55.7	10.3%	9.9%
Other	-40.2	-42.7		
Total	174.6	170.5	6.2%	6.8%

In **October-December** net financial expenses grew to EUR 15.3 million (12.7), due to increases in loans raised and higher market interest rates. The loss before tax came to EUR 58.0 million (profit before tax EUR 7.8 million) and the net loss for the period totaled EUR 46.0 million (net profit EUR 7.7 million). Loss per share totaled EUR 0.39 (+0.06).

In **2007** profit before tax amounted to EUR 93.3 million (154.2) and net profit totaled EUR 67.5 million (112.2). Earnings per share were EUR 0.53 (EUR 0.90).

Current tax came to EUR 25.8 million (42.0), representing an effective tax rate of 27.7%. The effective tax rate was lower than with current tax rate due to the utilization of tax losses and non-taxable gains on assets sold. On the other hand write down of assets increased the effective tax rate.

The company's 2006 Financial Statements and interim reports for 2007 projected an increase in revenue, operating profit and earnings per share on 2006. However, due to an underperforming last quarter and non-recurring items, only revenue showed growth on the previous year's levels. The

Group's financial targets for 2007 were a minimum of 5% organic growth in revenue, a minimum of 10% growth in earnings per share and continuous improvement in return on capital employed. The shortfall in meeting the defined targets was particularly due to weak performance of Kemira Specialty, the weakened US dollar and non-recurring items.

## CAPITAL EXPENDITURE

Gross capital expenditure, excluding acquisitions, totaled EUR 254.4 million (164.7) in 2007. The largest investments involved a chemical plant constructed at the site of a pulp mill in Uruguay, for EUR 43.1 million; a paint factory constructed in the Stockholm area, for EUR 12.4 million; the deployment of a new Group-wide enterprise resource planning system, for EUR 23.3 million; and an environment-related capital investment in Pori, for EUR 17.2 million. Maintenance investments represented some 26% of capital expenditure excluding acquisitions.

The Group recorded EUR 173.8 million (123.5) in depreciation, including EUR 37.9 million as write-downs.

Gross capital expenditure, including acquisitions worth EUR 66.6 million (297.3), totaled EUR 321.0 million (462.0). Cash flow from the sale of assets, including the repayment of Kemapco loans, was EUR 0.2 million in the negative (proceeds of EUR 102.8 million). The Group's net capital expenditure totaled EUR 321.2 million (359.1).

## FINANCIAL POSITION AND CASH FLOWS

The Group maintained a good financial position and liquidity throughout the financial year.

In 2007, the Group reported cash flows of EUR 172.1 million (216.8) from operating activities and showed a negative free cash flow of EUR 149.1 million (-142.3). Net working capital was 15.2% (15.0%) of revenue. Kemira Oyj paid out EUR 58.2 million (43.6) in dividends to its shareholders. On December 31, 2007, the Group's net liabilities stood at EUR 1,003.4 million (827.4).

Interest-bearing liabilities totaled EUR 1,056.1 million. The duration of the Group's interest-bearing loan portfolio at the year-end was 13 months (16).

Equity ratio stood at 39% (December 31, 2006: 39%), while gearing was 92% (December 31, 2006: 76%).

Net financial expenses increased to EUR 51.9 million (37.2), due to increases in loans raised and higher market interest rates. The Group's net financing cost was 5.2%.

Cash and cash equivalents on December 31, 2007 totaled EUR 52.6 million. The unused amount of the revolving credit facility, falling due in 2012, totaled EUR 583.3 million.

In October of 2006, Kemira signed a credit facility enabling six Group companies to sell certain account receivables to a finance company. The related credit risk transfers to the finance company and the receivables are derecognized from the Group companies' balance sheet. The amount of outstanding sold receivables on December 31, 2007, was EUR 23.7 million (15.7).

The Group's most important exchange rate risk arises from USD denominated exports from the euro area. Approximately 75% of the exchange rate risk, equivalent annually to EUR 50 million, due to exposure to the US dollar, was hedged during the year. In addition to exchange rate risk, Kemira Pigments Oy's euro denominated sales are also indirectly exposed to the US dollar, since the world

market pricing of titanium dioxide is based on the US dollar. In addition, the Group is exposed to a USD risk when USD denominated items are converted into euro in the financial statements.

## **RISK MANAGEMENT**

Kemira's risk management, based on the principle of Enterprise Risk Management (ERM), refers to the systematic and proactive identification, assessment and management of various risk categories, such as strategic, operational, hazard and financial risks.

Various Group guidelines and policies specify management objectives, the division of responsibilities and risk limits. Risk ownership remains with the business or function owner, which also assumes responsibility for the related risk management. While the Group's Risk Management function has the role of developing and coordinating risk management and risk management networks within the Group, Kemira's Internal Audit is in charge of assessing the Risk Management function and its measures.

Kemira performs risk identification and assessment by business area, applying a jointly agreed risk self-assessment methodology. Risk reporting by business area can also be supplemented by identifying and assessing risks associated with, for example, various support functions, major manufacturing plants or investment projects. Risk management action plans based on risk assessments are integrated as part of business action plans, by business area.

In order to reap cost benefits and ensure sufficient Group-level control, Kemira manages certain risk management activities on a centralized basis, including the purchase of insurance cover for certain risks, such as general third party and product liability, cargo, property and business interruption insurance for major production sites, as well as the hedging of treasury risks. The Group also manages industrial and business environment, customer and technological intelligence processes on a centralized basis.

Kemira's major strategic and operative risks are associated, for example, with acquisitions, their integration, changes in the industry, human resources, product development, sourcing and competition.

## **RESEARCH AND DEVELOPMENT**

Due to the acquisitions conducted over the previous year, operations expanded markedly. Research and development expenditure totaled EUR 65.9 million (55.1), accounting for 2.3% (2.2%) of revenue. At the end of the year, the number of R&D personnel in a total of 10 countries was 730, with 60% working in Finland. The R&D organization consists of local customer service points and business area specific technology centers involved in more demanding development work, while advanced research is conducted in the Group's research centers located in Finland and managed on a centralized basis. The majority of research costs are borne by business areas, with Group financing supporting more risky long-term research and the utilization of synergies. An innovation contest opened during the year nearly quadrupled the number of inventions on the previous year.

## **ENVIRONMENT AND SAFETY**

The bulk of Kemira's business is in the chemical industry, whose products and operations are governed by numerous international agreements and regional and national legislation all over the world. The Group treats its environmental liabilities and risks in its financial statements in accordance with IFRS. The Kemira Code of Conduct contains up-to-date environmental and health and safety guidelines, compliance with law setting the minimum requirement. Management is not aware of any significant non-compliance conditions with respect to environmental and safety permits.

In 2007, capital expenditure on environmental protection at company sites totaled EUR 30.2 million (12.2) and operating costs EUR 39.1 million (35.4). Capital expenditure of around EUR 17.2 million on the management of the by-products in the Pori titanium dioxide plant represented the most significant single investment project carried out in 2007. In addition to developing new business, the investment also contributes to complying with the requirements set by the environmental permit valid from the end of the year and allows the termination of the stock piling of by-products on the site.

Provisions for environmental remediation measures, EUR 13.6 million (16.8), are mainly related to landfill closures and remediation projects for contaminated soil. The decline in provisions was mainly due to the progress of remediation measures performed, for instance, at the Kokkola site. Management is not aware of any environmental liability cases related to previous operations, which would have any significant effect on Kemira's financial position.

Corporate acquisitions and divestments did not alter the Group's overall environmental liabilities significantly. Regarding two of the sites of the water chemicals business acquired from Cytec Inc., settlements concerning the division of the environmental liabilities observed in analyses are underway in accordance with the acquisition agreement.

The new EU chemicals legislation (REACH) entered into force on 1 June 2007. Registration, testing and risk assessment now required by the legislation increase the costs of chemical substances produced in and imported to the EU. Kemira manufactures within, or imports to, the EU area approximately 250 substances subject to registration and, additionally, about ten substances are subject to authorization. The Group has initiated the preparation of pre-registration and other measures required by the regulatory framework, under the guidance of the Kemira REACH Competence Center established in Finland. The implementation of REACH is not expected to have any major effects on the Group's competitiveness.

The frequency of occupational accidents increased slightly on the previous year, to 6.5 (6.0) accidents per million working hours, but no major industrial accidents accompanied by serious personal injuries or environmental damage occurred in 2007.

Kemira publishes an annual Environmental Report verified by a third party and prepared in accordance with IFRS and the guidelines issued by the European Chemical Industry Council (CEFIC). The report deals, for example, with emissions and effluents, waste, environmental costs, safety and product safety as well as the use of natural resources.

## **HUMAN RESOURCES**

The number of Group employees totaled 10,007 on December 31, 2007 (December 31, 2006: 9,327), while the average payroll numbered 10,008 employees (9,186) in 2007. This growth in staff numbers came from corporate acquisitions carried out during the financial year.

The year-end number of employees in Finland, elsewhere in Europe, the Americas and Asia came to 2,885 (3,020), 4,930 (4,506), 1,709 (1,514) and 483 (287), respectively. On average Kemira Pulp&Paper had 2,315 employees (2,285) on its payroll, Kemira Water 2,189 (1,596), Kemira Specialty 1,066 (1,102), Kemira Coatings 3,883 (3,541) and Group functions 555 (662).

Salaries and wages for 2007 totaled EUR 360.4 million (326.2). Pay is determined by national collective and individual agreements, personal performance and job content. In the context of job evaluation, Kemira applies systems in global use, enabling the Group to ensure fair pay, which is competitive in the market, and provide a framework for employee performance appraisal. Basic pay is



supplemented by performance-based bonus schemes, which cover a large share of Group employees.

Kemira conducts a Group-wide employee opinion survey every year, with a view to evaluating developments in leadership work and the workplace climate. The survey assesses job satisfaction and satisfaction with working conditions, leadership, communication, supervisory/managerial performance and performance on unit and Group level. Its results are compared with those of previous surveys and the corresponding surveys conducted in the industry, and are used as the basis of various development projects. With the response rate at 87% in 2007, the survey's results exceeded the global comparison index and showed a year-on-year improvement in job satisfaction. In particular, the leadership, communication and employee reward system scored better than a year ago. However, work was perceived as somewhat more stressful than a year earlier. Kemira emphasizes the importance of handling survey results on a local basis and the entire staff's involvement in analyzing results and planning and implementing any remedies.

The Kemira Code of Conduct specifies Group principles governing equality. Accordingly, Kemira treats all people equally in recruitment and working conditions, irrespective of race, gender, religious beliefs, political opinions and national and social origin. Kemira aims to achieve equal numbers of applications for vacancies by women and men, equal opportunities for competence development and career progression, equal placement on various organizational levels, equal pay for equal work and equality in other employment terms and conditions. On December 31, 2007, women accounted for 29% (29%) of Group employees and men 71% (71%).

The human resources strategy aims to promote a participative and entrepreneurial culture. The culture module of the Group-wide development program, *Kemira – from Good to Great*, defines the following action areas for strategy implementation: leadership skills, competence, employee involvement, rewarding, resources, safety and wellbeing programs. HR development tools — employee opinion surveys, performance reviews and the 360-degree feedback method — form the basis for HR action planning, with particular attention being paid to the reward system's competitive and motivational aspects. Leadership and personal development also represent an important area. Greater employee empowerment, resource plans based on business strategies and the qualitative elements of employment — such as the diversity of duties, opportunities for employees to have their say in the workplace, others' support and employee wellbeing issues — are among the key areas in HR development. Supervisors/managers monitor and measure these success factors in cooperation with HR professionals.

**KEMIRA PULP&PAPER**

*Kemira Pulp&Paper – the leading global expert in pulp and paper chemistry, its energy and cost-efficient solutions spanning the pulp and paper industry's value chain from pulping to paper coating.*

EUR million	2007	2006	Change %
REVENUE	1,018.3	993.3	3
EBITDA	132.0	137.1	-4
EBITDA, %	13.0%	13.8%	
OPERATING PROFIT	66.8	90.8	-26
Operating profit, %	6.6%	9.1%	
Operating profit, excluding non-recurring items	78.4	79.8	-2
Operating profit, excluding non-recurring items, %	7.7%	8.0%	
Capital employed *	800.3	819.5	
ROCE, % *	8.3%	11.0%	
Capital expenditure, excluding acquisitions	78.4	77.6	
Cash flow after investments, excluding acquisitions	-25.2	65.1	
Personnel at period-end	2,285	2,304	

\* 12-month rolling average

Kemira Pulp&Paper revenue for **October-December** 2007 was EUR 249.8 million (264.0). The downturn in revenue was caused, in particular, by the weakened US dollar and reduced volumes compared to the previous year. The currency effect had an approximately 3% negative impact on revenue.

Kemira Pulp&Paper reported for the last quarter an operating loss of EUR 3.2 million (operating profit of EUR 20.1 million) in 2007. During the quarter, write-downs of EUR 17.1 million were recorded pertaining to the restructuring of the Dutch hydrogen peroxide business and the US business operations. In addition to non-recurring items, operating profit was lowered by the weakened US dollar, the delay in starting the Uruguay plant, smaller volumes, high energy prices and increased fixed costs. Excluding write-downs and other non-recurring items, operating profit totaled EUR 10.9 million (19.7).

Kemira Pulp&Paper's revenue for the full-year **2007** grew by 3%, to EUR 1018.3 million (993.3). Acquisitions pushed revenue up by approximately EUR 50 million, while divestments depressed it by around EUR 12 million. Organic growth in local currencies was 2%. The effect of currencies, particularly of the US dollar, decreased revenue by some EUR 26 million or 3%.

The operating profit for 2007 decreased to EUR 66.8 million (90.8) due, in particular, to write-downs of EUR 17.1 million carried out during the last quarter. In addition, operating profit includes EUR 5.5 million in other non-recurring income. Net effect of all non-recurring items was EUR -11.6 million. Operating profit excluding all non-recurring items declined by 2%, to EUR 78.4 million (EUR 79.8 million). The weakened US dollar had a negative effect on both revenue and operating profit, which was also burdened by the delayed start up of the Uruguay chemical plant. Operating profit excluding non-recurring items stood at 7.7% (8.0%).

In June, Kemira announced its intent to increase production of calcium sulfate pigment, used as paper pigment by 25,000 tons to 175,000 tons. The value of the investment amounts to approximately



EUR 5 million. Kemira's paper pigment production plants are located in Siilinjärvi, Finland. The related calcium sulfate technology has been developed and productized by Kemira in cooperation with the Finnish forest industry and related research communities. Calcium sulfate pigment is used as a filler and coating pigment for paper and cardboard.

In August, Finnish Chemicals Oy, a subsidiary of the Kemira Group, received an EU Commission Statement of Objections concerning the selling of sodium chlorate, with regard to alleged antitrust activities during 1994–2000. Kemira Oyj acquired Finnish Chemicals Oy in 2005. Finnish Chemicals has submitted its reply to the Statement of Objections.

In December, Kemira sold its 50% ownership in a Japanese hydrogen peroxide joint venture company Kemira-Ube Ltd to the other joint venture partner Ube Industries Ltd. Kemira-Ube's net sales total approximately EUR 20 million. Kemira aims to reinforce its services for Japanese pulp and paper chemical customers and is focusing its growing business in Japan on the fully owned Kemira Japan KK.

In autumn, the construction of a chemical plant in Fray Bentos, Uruguay, next to Botnia's pulp mill, was completed. Kemira's chemical plant began operating in November, once the pulp mill had obtained an authorization to begin production some months behind the planned schedule.

Kemira's new Asian Technology Center for the pulp and paper industry began operating in Shanghai during the autumn. This new center is an important link in Kemira's R&D network that now serves customers globally. In addition to the Asian Technology Center, Kemira's R&D network already covers Europe and America. Kemira Pulp&Paper is ramping up its R&D operations in Asia, especially in China, in order to serve its customers efficiently by providing solutions for local needs.

In January 2008, Jyrki Mäki-Kala began his duties as President of Kemira Pulp&Paper, as Harri Kerminen became the CEO of Kemira Oyj.

**KEMIRA WATER**

*Kemira Water – a leading global expert in municipal and industrial wastewater treatment and process and drinking water treatment. Kemira Water provides products, equipment and services for municipal and industrial water treatment.*

EUR million	2007	2006	Change %
REVENUE	730.5	467.6	56
EBITDA	80.5	53.4	51
EBITDA, %	11.0%	11.4%	
OPERATING PROFIT	45.0	35.3	27
Operating profit, %	6.2%	7.5%	
Operating profit, excluding non-recurring items	48.1	35.5	35
Operating profit, excluding non-recurring items, %	6.6%	7.6%	
Capital employed *	442.8	269.2	
ROCE, % *	10.3%	13.4%	
Capital expenditure, excluding acquisitions	51.0	19.4	
Cash flow after investments, excluding acquisitions	-10.7	26.7	
Personnel at period-end	2,384	1,846	

\* 12-month rolling average

Kemira Water's revenue for **October-December** 2007 improved by 10%, year on year, to EUR 188.0 million (171.5). The business area's organic growth in local currencies was 11%.

Operating profit was EUR 5.2 million (10.3) in the last quarter. A write-down of EUR 5.8 million was recorded during the quarter, pertaining to the restructuring of the Danish water treatment chemicals business and the US business operations. Excluding write-downs and other non-recurring items, operating profit totaled EUR 8.3 million (10.8).

For the full-year **2007**, Kemira Water's revenue increased by 56%, to EUR 730.5 million (467.6), particularly due to the acquisition of Cytec's water treatment business in October 2006. Acquisitions accounted for EUR 242.3 million of revenue growth. Demand for Kemira's water treatment chemicals and solutions remained healthy in all market areas. Organic growth in local currencies was 8%. Furthermore, the currency effect had a 4 % negative impact on revenue.

Operating profit for the year stood at EUR 45.0 million (35.3), including non-recurring items whose net effect amounted to EUR -3.1 million (-0.2). During the last quarter of 2007, a write-down of EUR 5.8 million was recorded pertaining to the restructuring of a subsidiary acquired in Denmark and the water treatment chemicals business in the USA. Operating profit excluding non-recurring items totaled EUR 48.1 million (35.5). Operating profit as a percentage of revenue, excluding non-recurring items, decreased from 7.6% to 6.6% due to consolidation of Cytec water treatment business, which had initially a lower profitability.

The second phase of Cytec's water treatment and acrylamide business acquisition by Kemira was confirmed in January. The first phase, which closed in October 2006, included all product lines with the exception of the Botlek site and certain assets of various subsidiaries in Asia/Pacific and Latin America. The second phase completed the transfer of the Botlek site located in the Netherlands. The

aggregate purchase price totaled around EUR 199 million, including the second and last phase purchase prices and the associated costs.

In April, Kemira bought an 80% shareholding in Chongqing Lanjie Tap Water Materials Co., Ltd. This company is a producer of inorganic coagulants and organic polymers for water treatment in the municipality of Chongqing in central China. Its main client base resides in local potable water production. The company's current revenue, in the range of EUR two million annually, is expected to grow rapidly in the years to come.

The acquisition of two companies owned by the Brazilian company Dalquim Industria e Comercio Ltda was completed in April. With a combined annual revenue of around EUR 12 million, these companies manufacture inorganic water treatment coagulants and their main customers include the paper industry and municipalities. In addition to serving the paper industry's growing needs, the acquirees focus on the treatment of municipal drinking and wastewater in the southern states of Brazil. This acquisition will bolster Kemira's goal of intensifying mutual synergy and strengthening its position as the world's leading supplier of pulp, paper and water treatment chemicals in emerging markets.

In the beginning of October, Kemira announced it had agreed to acquire Nheel Química Ltda, Brazil's leading water treatment chemicals company. With this acquisition, Kemira will strengthen its position in the Brazilian and Latin American water treatment market. Nheel Química's production plant is located in Rio Claro, Sao Paulo state. The plant produces the full range of coagulants, which are mainly used for the treatment of drinking water and wastewater. In 2006, Nheel Química's revenue was around EUR 24 million. This acquisition fits well with Kemira's strategy to enhance its position in fast growing emerging markets. Anti-trust approval and the fulfillment of other terms and conditions are required to close the deal.

In the beginning of October, the Finnish city of Oulu introduced a sludge treatment solution based on Kemira's Kemicond concept. Kemicond is a patented sludge treatment solution developed by Kemira. This solution enables considerable reductions in sludge volume, generating significant cost savings for Kemira's customers.

The acquisition of Arkema's coagulant business for water treatment, agreed in the spring, was realized in December. In 2006, the revenue of Arkema's coagulant business for water treatment totaled approximately EUR 19 million. Through this acquisition, Kemira has become the market leader in inorganic coagulants in France and has further reinforced its leading position in Spain. The transaction was confirmed at the beginning of December.

**KEMIRA SPECIALTY**

*Kemira Specialty – the leading expert in specialty chemicals in selected customer segments, serving customers in a wide array of industries, such as the paints, cosmetics, packaging inks, feed and food industries, through its customer-driven solutions.*

EUR million	2007	2006	Change %
REVENUE	425.9	456.2	-7
EBITDA	45.1	77.0	-41
EBITDA, %	10.6%	16.9%	
OPERATING PROFIT	13.5	45.8	-71
Operating profit, %	3.2%	10.0%	
Operating profit, excluding non-recurring items	24.1	42.2	-43
Operating profit, excluding non-recurring items, %	5.7%	9.3%	
Capital employed *	435.3	451.6	
ROCE, % *	3.1%	10.1%	
Capital expenditure, excluding acquisitions	55.0	30.8	
Cash flow after investments, excluding acquisitions	-19.7	53.6	
Personnel at period-end	1,028	1,011	

\* 12-month rolling average

Kemira Specialty's revenue for **October-December** 2007 fell to EUR 102.0 million (117.2), due to lower volumes in ChemSolutions business unit, the continuously fierce competition in the titanium dioxide market and markedly lower sales prices for titanium dioxide in comparison to the previous year. In addition, strikes in the Pori titanium dioxide plant had a negative impact on sales volumes.

Kemira Specialty reported for the last quarter an operating loss of EUR 13.9 million (operating profit of EUR 11.1 million). This operating loss includes EUR 11.9 million in non-recurring losses, inclusive of a write-down of EUR 9.2 million relating to the restructuring of the Chemidet business unit, compared to EUR +1.5 million in October-December 2006. In addition to the write-down, operating loss was due to lower volumes in ChemSolutions business unit, strikes in the Pigments business units, non-recurring expenses related to staff reductions and continuing fierce competition in the titanium dioxide market.

Kemira Specialty's revenue for **2007** decreased by 7%, to EUR 425.9 million (456.2), due to lower volumes in ChemSolutions business unit, continuously fierce competition in the titanium dioxide market and the clearly lower average sales price for titanium dioxide than in the previous year. Due to development of the US housing market, American companies have increased their exports of titanium dioxide to Europe, which has intensified price competition. In addition, the weakening US dollar has further improved the competitive position of American companies in Europe. Furthermore, the currency effect had a 2% negative impact on revenue.

Operating profit for the full-year came to EUR 13.5 million (45.8), including non-recurring items whose net effect amounted to EUR -10.6 million (+3.6). During the last quarter, a write-down of EUR 9.2 million was recorded pertaining to the Chemidet business unit. Operating profit excluding non-recurring items totaled EUR 24.1 million (42.2). This drop in operating profit was due in particular to lower sales volumes in the ChemSolutions and the Chemidet business units, lower sales prices of titanium dioxide, the weak US dollar and strikes in titanium dioxide production.

In March, Kemira acquired Sustainable Nutrition B.V. in the Netherlands from the company's management. Kemira and the acquiree have collaborated in previous years, when Sustainable Nutrition operated as Kemira's sales, marketing and product development partner in the feed industry. The acquisition has strengthened Kemira's customer knowledge, particularly in the European feed market.

In April, Kemira concluded an agreement on acquiring all holdings in the privately owned North American company TRI-K Industries Inc. The transaction also includes Maybrook Inc., a wholly owned subsidiary of TRI-K. TRI-K Industries Inc. is a distributor and producer of specialty ingredients for the cosmetics and personal care markets. Headquartered in New Jersey, US, with additional operations in Massachusetts, TRI-K currently employs 50 people and recorded consolidated revenue of approximately USD 20 million in 2006. This acquisition has expanded Kemira Specialty's offering in the cosmetics business, especially in the field of skin and health care.

In May, Kemira announced the initiation of a process to evaluate ownership alternatives for its business units Pigments and Chemidet. Kemira Pigments produces titanium dioxide pigments in Pori, Finland, and operates a technology center in Germany and the above-mentioned North American cosmetics industry company TRI-K Industries. Kemira Pigments focuses on specialty product markets such as the flexible packaging and cosmetics industries, where it holds leading market positions. Pigments' revenue in 2006 totaled EUR 230 million. Chemidet produces sodium percarbonate for the detergent industry, in Helsingborg, Sweden, its revenue being EUR 54 million in 2006.

The evaluation of ownership alternatives for Pigments was concluded in August, entailing no changes in shareholdings. The preliminary outcome of the evaluation process showed that the market value of the Pigments business unit in the current business and financial environment did not correspond to the expected future value of the business. A decision was therefore taken to halt the evaluation process and concentrate on improving the profitability and cash flow of Pigments. With respect to the Chemidet business unit, the process of assessing different ownership alternatives is continuing.

In July, Kemira announced that it would increase its production capacity of calcium propionate used for the feed and food industries by establishing a production site in China. The investment also includes production capacity for feed additive mixtures.

In the beginning of October, Kemira's subsidiary Kemira Pigments Oy announced that it had initiated negotiations under the Finnish Act on Cooperation within Undertakings with its personnel. The company is pursuing annual savings of around EUR 4.5 million. The objective is to generate these savings through structural reorganization and operational efficiency enhancement. These negotiations concluded in the reduction of 56 employees from the site's organization. The Pori plant currently employs approximately 650 staff in Finland.

In January, Kemira Pigments Oy's Pori titanium dioxide plant obtained a new environmental permit. This permit applies to the continuation of the plant's present operations by raising its capacity from 120,000 tons of pigment to 150,000 tons per year. The permit also applies to increasing the production of sulfuric acid needed by the plant, the utilization of its iron sulfate by-product, the closing of the piling areas for iron sulfate and ilmenite residue located within the plant site, and work on their surface isolation. Part of the iron sulfate, which is formed as a by-product of titanium dioxide production, and which amounts to about 500,000 tons per year, was previously piled on the site. Now it is sold entirely, to be used as a water treatment chemical or in the production of such chemicals.

**KEMIRA COATINGS**

*Kemira Coatings – the leading regional expert in painting and coating solutions in Northern and Eastern Europe, offering services and branded products to consumers, professionals and industry.*

EUR million	2007	2006	Change %
REVENUE	625.2	562.8	11
EBITDA	91.2	88.9	3
EBITDA, %	14.6%	15.8%	
OPERATING PROFIT	73.1	72.1	1
Operating profit, %	11.7%	12.8%	
Operating profit, excluding non-recurring items	64.3	55.7	15
Operating profit, excluding non-recurring items, %	10.3%	9.9%	
Capital employed *	311.0	310.5	
ROCE, % *	23.9%	23.7%	
Capital expenditure, excluding acquisitions	43.5	22.5	
Cash flow after investments, excluding acquisitions	26.0	71.2	
Personnel at period-end	3,789	3,494	

\* 12-month rolling average

Kemira Coatings' revenue for **October-December** 2007 rose by 8%, to EUR 118.4 million (109.3), Organic growth was 6 %.

The last quarter showed an operating loss of EUR 5.9 million (operating loss of EUR 1.5 million), including EUR 2.4 million in non-recurring costs. Due to seasonal variations, the fourth quarter is generally the weakest for Paints & Coatings.

Kemira Coatings' revenue for the full-year **2007** increased by 11%, to EUR 625.2 million (562.8). Indeed, sales development was favorable in all market areas, particularly in Russia and other CIS countries. Organic growth was 9%. Revenue was further boosted by the acquisition of two Russian industrial coating companies completed in April 2007, and the launch of the operations of the Beijing-based sales company in June.

Operating profit for **2007** stood at EUR 73.1 million (72.1), including non-recurring items whose net effect amounted to EUR +8.8 million (+16.4). Excluding the effect of non-recurring items, operating profit increased by 15% to EUR 64.3 million (55.7). Operating profit as a percentage of revenue, excluding non-recurring items, rose from 9.9% to 10.3%.

April saw the completion of the acquisition of two Russian industrial coatings companies. Accordingly, Tikkurila bought 70% holdings in OOO "Gamma" and OOO "Ohtinski zavod poroshkovyh krasok" based in St Petersburg. With revenue of roughly EUR 8 million and a staff of 110, Gamma is a major manufacturer of metal-industry coatings in Russia. Ohtinski zavod poroshkovyh krasok, a manufacturer and marketer of powder coatings, has revenue of approximately EUR 3 million and a staff of 50. This acquisition will strengthen Kemira's position in the Russian metal-industry coatings market.



In May, Kemira Coatings established a new sales company in China. Tikkurila (Beijing) Paints Co., Ltd began operating on May 22, 2007, in Beijing. At the same time, Tikkurila acquired the sales company CEIEC-Feelings, operating in China. CEIEC-Feelings' business operations and its staff of 50 persons have been transferred to the new company. CEIEC-Feelings has been operating since 2002 as the importer of Tikkurila's decorative paints to China and its revenue for 2007 is estimated at approximately EUR 2 million. The completed acquisition is aimed at consolidating a basis for the development of Kemira's market position in the rapidly growing decorative paints market in China.

In August, Kemira announced that it was pursuing its strategy and strengthening its position in the Russian coatings markets. Kemira Coatings (Tikkurila) decided to build a logistics and customer service center in Moscow, in order to be able to respond to the challenges presented by powerful growth and demand. The value of the investment is approximately EUR 20 million. The center will be built in Mytish, Moscow, and its opening is scheduled for the summer of 2008. Kemira Coatings has been exporting paints and coatings to Russia for decades under the Tikkurila brand name. The company also has local production in Russia, totaling six paint factories. These products are sold under brands such as Finncolor and Teks. The objective of the new logistics and customer service center is to bring about a considerable improvement in Tikkurila's customer services in the rapidly growing market in the Moscow area. The center will also include facilities for comprehensive customer training, which is an essential part of Kemira Coatings' marketing.

In August, Alcro-Beckers AB, part of Kemira's paints and coatings business, announced its intention to sell its 50% stake in the Swedish filler producer, Scanspac, to Gyproc AB, part of Saint-Gobain. Scanspac's revenue in 2006 totaled approximately SEK 241 million (EUR 26 million). Scanspac is the leading filler producer in the Nordic area, with production units in Glanshammar and Sala in Sweden. Since Alcro-Beckers AB focuses on paint manufacturing, this divestment supports the unit's strategy. The divestment was completed at the end of September.

Furthermore, Alcro-Beckers AB is building a new paint factory in Nykvarn, south of Stockholm, in connection with the company's logistics center. Production in the new factory was launched towards the end of the year. Alcro-Beckers has been manufacturing paint in the Lövholmen area in central Stockholm since 1902. It sold its production facility in Stockholm city center last year and will relocate its production operations to Nykvarn in early 2008.

## OTHER OPERATIONS

Other operations include corporate expenses not charged to the business areas, such as some research and development costs and the costs of the Kemira Corporate Center. During the year, the Group has particularly invested in harmonizing and enhancing its purchasing and logistics processes, enterprise resource planning (ERP) system and IT services. Development programs and investments of several million euros are aimed at generating cost savings in the forthcoming years as well as increasing the company's agility and flexibility in responding to changes in the business environment. Investments required for the ERP system will deviate from the original plan and corrective actions are required and therefore a write-down of EUR 15 million was carried out during the last quarter.

Other operations also include the water-soluble fertilizers unit, which is not part of Kemira's core business operations. In February, Kemira sold its shareholding (50%) in Kemira Arab Potash Company Ltd (Kemapco), part of Water Soluble, to Arab Potash Company Ltd (APC).

In March, Kemira sold all of its shares in OnePoint Oy, a provider of infrastructure and production support services in the Kokkola Industrial Park, Finland, to Kokkolan Voima, in accordance with a letter of intent signed in December 2006.

During the first quarter of the year, an error was identified and reported in the calculation of the provision recognized in 2006 due to the closure of the Water Soluble unit. This error was corrected retrospectively in the last quarter figures of 2006 in accordance with IAS 8. The provision was increased by EUR 8 million, decreasing the result for the last quarter by the same amount. The tables included in these financial statements provide more detailed information on the correction of this error.

## **KEMIRA OYJ'S SHARES AND SHAREHOLDERS**

On December 31, 2007, Kemira had 16,723 registered shareholders. Of the shares, 17% (21%) were nominee-registered.

The volume of company shares traded on the OMX Nordic Exchange Helsinki totaled 151.6 million at a total trading value of EUR 2,492.9 million. Kemira Oyj shares registered a high of EUR 19.20 and a low of EUR 13.11, the share price averaging EUR 16.42. The share closed at EUR 14.40, showing a 15% price decrease during the year. On December 31, 2007, the company's market capitalization, excluding treasury shares, totaled EUR 1,745 million (2,060).

On August 29, 2007, the State of Finland sold 40,097,420 Kemira Oyj shares to Finnish investors. The sold shares represented 32.1% of Kemira Oyj's shares. As a result of the transaction, the State of Finland's shareholding and voting rights fell to 16.52%. The State of Finland announced that the shares sold were divided between buyers as follows:

- Oras Invest Oy 15.6%
- Jari, Jukka and Pekka Paasikivi 1.5% (0.5% each)
- Varma Mutual Pension Insurance Company 8.00%
- Ilmarinen Mutual Pension Insurance Company 3.60%
- Suomi Mutual Life Assurance Company 1.92%
- Sampo Life Insurance Company 1.45%.

After the transaction, Kemira's main shareholder is Oras Invest Oy and its owners, members of the Paasikivi family.

During the financial year, a total of 77,389 new shares were registered following subscriptions using warrants under the 2001 stock option program. Following the corresponding increase of share capital, on the balance sheet date the company's share capital totaled EUR 221.8 million and the number of registered shares 125,045,000. The 2001 stock option program ended in May 2007.

On December 31, 2007, Kemira held 3,854,465 million treasury shares, representing 3.1% of all outstanding company shares. In February 2007, under the authorization by the Annual General Meeting, Kemira transferred 144,143 treasury shares in its possession to persons covered by the share bonus system for management. In 2007, a total of 18,938 of the shares transferred as part of this incentive plan returned to the company due to terminations of employment, in accordance with the plan's terms and conditions.

## **BOARD OF DIRECTORS AND AUDITORS**

The Annual General Meeting on April 16, 2007 decided that the number of members of the Board of Directors be seven. The AGM elected the following Board members for 2007: Anssi Soila (Chairman), Eija Malmivirta (Vice Chairman), Elizabeth Armstrong, Heikki Bergholm, Ove Mattsson, Kaija Pehu-Lehtonen and Markku Tapio.

In an Extraordinary General Meeting held on October 4, 2007, a decision was made to keep the number of Board members at seven. Pekka Paasikivi was elected as the Chairman and new member of the Board of Directors, and Juha Laaksonen as a new Board member. The current members, Elizabeth Armstrong, Eija Malmivirta, Ove Mattsson, Kaija Pehu-Lehtonen and Markku Tapio were elected to continue as Board members until the end of their current terms.

The Board of Directors met 13 times during 2007.

The AGM elected Aulis Ranta-Muotio as Supervisory Board Chairman, Mikko Elo as the first Vice Chairman and Heikki A. Ollila as the second Vice Chairman, and the following Supervisory Board as members: Pekka Kainulainen, Mikko Långström, Susanna Rahkonen, Risto Ranki and Katri Sarlund. The EGM of October 4, 2007 decided to dissolve the Supervisory Board.

The AGM elected KPMG Oy Ab, Authorized Public Accountants, as the company's auditor, with Pekka Pajamo, Authorized Public Accountant, acting as chief auditor.

### **AGM AND EGM DECISIONS**

In accordance with the decision of the Annual General Meeting of April 16, 2007, a dividend of EUR 0.48 per share was paid. Occurring on April 26, 2007, the total dividend payout totaled EUR 58.2 million.

The AGM decided that the Articles of Association be altered as follows:

- Article 3 be removed, with respect to the minimum and maximum share capital, the minimum and maximum number of shares and voting rights conferred by Company shares;
- Article 4, with respect to the Company's shares being included in the book-entry system, and Article 5, with respect to the procedure governing the dividend record date, be removed;
- Article 7, with respect to the Supervisory Board members' terms, be altered in such a way that a Supervisory Board member's term span the period from his/her election until the end of the next AGM, instead of one year;
- Article 10, with respect to the Supervisory Board's duties, be altered in such a way that the Supervisory Board's duty be to supervise the Company's administration for which the Board of Directors and the Managing Director bear responsibility;
- Article 13 be altered in such a way that "to sign the Company's business name" become "to have the right to represent the Company";
- Article 15 be altered in such a way that the Company has one auditor, who must be a firm of Authorized Public Accountants and, additionally, the stipulation on the auditor's age limit be removed from the said Article 15;
- A reference to the share purchase obligation pursuant to Article 31 be removed from Article 17;
- Clause 2 of Article 18 be removed;
- The terminology of Article 20, with respect to the Annual General Meeting, be specified as required by the new Limited Liability Companies Act and the alterations of the Articles of Association;
- Articles 21–36 be removed, with respect to share redemption;
- Article 37 "In other respects, the regulations of the Companies Act currently in force shall be observed" be removed.

The AGM authorized the Board to decide to issue a maximum of 12,500,000 new shares and/or transfer a maximum of 3,848,877 treasury shares held by the company either against payment or, as part of the implementation of the Company's share-based incentive plan, without payment ("Share issue authorization"). The new shares may be issued and the treasury shares may be transferred to the Company's shareholders in proportion to their current shareholdings in the Company, or through a private placement if the Company has significant financial reasons for doing so, such as financing or implementing mergers and acquisitions, developing its capital structure, improving the liquidity of the Company's shares or if this is justified for the purpose of implementing the Company's share-based incentive plan. Furthermore, the private placement may be carried out without payment only in connection with the implementation of the Company's share-based incentive plan. The subscription

price of new shares and the amount payable for treasury shares shall be recognized under unrestricted equity. The share issue authorization will remain valid until the end of the next AGM. The share issue authorization has not been used.

The AGM decided that a Nomination Committee be re-established in order to enable Kemira to prepare proposals for Board member candidates and Board emoluments, for the next AGM. The right to appoint Nomination Committee members, representing Company shareholders, will rest with the three largest shareholders who account for the largest share of the votes conferred by all of the Company's shares on November 1, preceding the AGM. In November 2007, the following persons were elected to the Nomination Committee: Pekka Timonen, Director General, Prime Minister's Office; Jari Paasikivi, CEO, Oras Invest Oy; and Risto Murto, Senior Vice President, Chief Investment Officer, Varma Mutual Pension Insurance Company. Pekka Paasikivi, Kemira Oyj's Board Chairman, is acting as an expert member of the Nomination Committee.

An Extraordinary General Meeting of Kemira Oyj was held on October 4, 2007. The EGM elected members of the Board of Directors, the number of whom remained at seven. Pekka Paasikivi was elected as the Chairman and new Board member, and Juha Laaksonen was elected as a new Board member. The current members, Elizabeth Armstrong, Eija Malmivirta, Ove Mattsson, Kaija Pehu-Lehtonen and Markku Tapio will continue as members of the Board of Directors until the expiry of their current terms.

The EGM decided to dissolve the Supervisory Board and to amend the Articles of Association as follows:

1. Articles 5 and 8 of the Articles of Association regarding Supervisory Board were deleted; and
2. Articles 4, 7 and 18, items 3 and 7–10 of the Articles of Association were amended so that references to the Supervisory Board and its Chairman, Vice Chairmen and members were deleted.

At its constitutive meeting, the Board of Directors of Kemira Oyj elected members from among the Board for the Audit Committee and the Nomination and Compensation Committee. The Board's Audit Committee members are Juha Laaksonen, Eija Malmivirta and Kaija Pehu-Lehtonen. The Audit Committee is chaired by Juha Laaksonen. The Board's Nomination and Compensation Committee members are Pekka Paasikivi, Ove Mattsson and Markku Tapio. The Committee is chaired by Pekka Paasikivi.

## **APPOINTMENTS IN KEMIRA MANAGEMENT**

At the end of October, Kemira Oyj's Board of Directors appointed Harri Kerminen, M.Sc. (Eng.), MBA, 56, as the new CEO of Kemira Oyj as of January 1, 2008. Previously, Harri Kerminen was President of Pulp&Paper, Kemira's largest business area.

With effect from the same date, Kemira's President and CEO, Lasse Kurkilahti, became Senior Adviser to the Board of Kemira Oyj. Mr. Kurkilahti will remain as Senior Adviser for the first quarter of 2008, after which his contract as President and CEO will come to an end in line with a prior agreement.

Harri Kerminen has held his previous position as President of Kemira Pulp&Paper since 2006. Prior to that, he was responsible for the Kemira Specialty business. In his earlier career with Kemira, he has acted as e.g. Vice President HR of Kemira Chemicals Oy, Manager of the Oulu plants as well as working on various challenging production site projects both in Finland and abroad.

In December, Jyrki Mäki-Kala, 46, was appointed President of Kemira Pulp&Paper and member of Kemira's Management Board as of January 1, 2008. Mr. Mäki-Kala is vacating his post as Vice

President, Finance & Control in Kemira Pulp&Paper business area, prior to which he had occupied several international business management positions in Kemira and in Finnish Chemicals. In his new post, he will report to Kemira's CEO Harri Kerminen.

## **CHANGES IN THE GROUP STRUCTURE**

During the financial year, a number of acquisitions and divestments were made. These are covered in further detail under the sections concerning the various business areas.

## **PARENT COMPANY'S FINANCIAL PERFORMANCE**

The parent company posted revenue of EUR 279.7 million (266.1) and an operating loss of EUR 22.3 million (operating loss EUR 53.1 million). The parent company bears the cost of Group management and administration as well as a portion of research costs.

Parent company's net financial expenses came to EUR 28.9 million (+3.8). Net profit was EUR 2.7 million (2.6) and capital expenditure totaled EUR 54.4 million (30.4), excluding investments in subsidiaries.

## **DIVIDEND PROPOSAL**

The Board of Directors will propose a per-share dividend of EUR 0.50 for 2007, corresponding to a dividend payout ratio of 95%. Excluding non-recurring write-downs the payout ratio is 57%. For the financial year 2006, Kemira paid out a dividend of EUR 0.48 per share. According to the Board's proposal, the dividend record date is March 26, 2008, and the payment date April 2, 2008.

## **STRATEGIC REVIEW AND FINANCIAL TARGETS**

Towards the end of the year 2007, a strategic review was commenced in Kemira Group. Based on that, Kemira is seeking to be a group of global and leading chemical businesses with unique positions in selected customer segments. Kemira aims at:

- High profitability: world-class efficiency and full utilization of synergies
- Continuous growth: reinforcing current customer segments, seizing new business opportunities and segments and strengthening business in the emerging markets
- A performance driven culture, based on shared values, which inspires growth and renewal.

In the framework of the strategic review, decisions have been made to further develop and enhance expertise and business related to chemical water treatment solutions. The basis of Kemira's water treatment solutions lies in an efficient use of water in industrial processes and in society. In order to attain its targets, Kemira will align the operations of Kemira Pulp&Paper and Kemira Water to ensure that all synergy benefits within and between those business areas will be captured. Reflecting the special features of Kemira Coatings business, Kemira has decided to emphasize its independent nature by changing the steering structure to include a separate Board of Directors with partly external members. Kemira Specialty will be developed by maximization of profitability and cash flow.

The purpose of the strategy review is to enhance the Group's profitability and to secure future growth, and the overall review results will be ready during the first half of the year.

Kemira Group's objective is to continuously increase shareholder value. The Group's financial targets include organic growth in sales of more than 5%, operating profit of more than 10%, a positive net cash flow after capital expenditure and dividends paid, and continuous improvement in return on capital employed. Gearing comfort zone is between 40–80%. Kemira's dividend policy aims at a payout of 40–60% of the Group's operative net profit.



**OUTLOOK FOR 2008**

Due to the uncertainty prevailing in the world economy and particularly to the increase in prices of oil-based raw materials and energy, at least first quarter profits will be challenging. Kemira Group's growth is expected to continue moderately in 2008, chiefly through organic growth. As a result of enhancing of production and other operations, operating profit and earnings per share (excluding non-recurring items) are estimated to grow from the 2007 level.

The revenue for Kemira Pulp&Paper and Kemira Water will change due to internal change in customer segments between these business areas in the beginning of 2008. The change will decrease Kemira Water's revenue for 2007 by around EUR 44 million, increase Kemira Pulp&Paper's revenue by around EUR 25 million and decrease eliminations between these businesses by around EUR 19 million. This change will not have a significant effect on the operating profit of the businesses. Kemira Pulp&Paper's and Kemira Water's combined revenue is estimated to grow from the 2007 level.

Global demand from **Kemira Pulp&Paper's** customer industries are estimated to remain good. Restructuring of customer industries' operations in North America and Europe will affect Kemira Pulp&Paper's growth and will put pressure on 2008 result and is requiring counter measures to improve the profitability. Generation of growth for the business area is projected to come principally from the emerging markets, including the first year of operation of the pulp chemical plant in Uruguay. **Kemira Water** is expected to have a good organic growth. During 2008, Kemira Water will focus on the integration of acquirees, new product development and profitability improvement. In **Kemira Specialty** the demand for titanium dioxide, organic acids and sodium percarbonate is expected to be good. The average sales price in euros for titanium dioxide is not expected to rise significantly yet during the first half of the year, despite of some implemented price increases in dollar markets. The demand for **Kemira Coatings'** products are estimated to remain at a good level in most market areas, with the strongest growth anticipated in Russia and other CIS countries.

Helsinki, February 6, 2008

*Board of Directors*

*All forward-looking statements in this review are based on the management's current expectations and beliefs about future events, and actual results may differ materially from the expectations and beliefs such statements contain.*

**For further information, please contact:**

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Kemira will hold a press conference on its 2007 results for the media and analysts at its head office (Porkkalankatu 3) today, starting at 11:00 a.m.



Presentation material is available on our website

[http://www.kemira.com/Group/English/Investors/Presentations/Result\\_presentations/](http://www.kemira.com/Group/English/Investors/Presentations/Result_presentations/).

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**Kemira** is a global group of leading chemical businesses seeking a unique competitive position and a high degree of mutual synergy. Kemira's four business areas: Kemira Pulp&Paper, Kemira Water, Kemira Specialty and Kemira Coatings provide customers with complete solutions, expertise and premium quality products. Kemira serves the pulp and paper industry, water treatment, paint business and chemical industry.

**In 2007**, Kemira recorded revenue of approximately EUR 2.8 billion and had a staff of 10,000 employees. Kemira operates in 40 countries.

## KEMIRA GROUP

The figures are audited.

All figures in this financial report have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

This Financial Statement has been prepared in compliance with IFRS standards. Kemira Group has corrected a previous year error in accordance with IAS 8. The nature of the error is described in the end of the report.

Changes to the accounting policies as of January 1, 2007:

- IFRS 7 (Financial Instruments: Disclosures) has been adopted by the Group in 2007

- Revised IAS 1 (Disclosures about capital) has been adopted by the Group in 2007

The Group assesses that the adoption of the revised standards will not have any material effect on its future financial statements. However, the resulting changes will add disclosures to the Financial Statements.

INCOME STATEMENT	EUR million	10-12/2007	10-12/2006*	2007	2006*
<b>Revenue</b>		<b>654.4</b>	669.5	<b>2,810.2</b>	2,522.5
Other operating income		13.0	17.6	45.9	59.2
Expenses		-636.0	-631.9	-2,539.2	-2,264.5
Depreciation and impairments		-74.3	-33.6	-173.8	-123.5
<b>Operating profit</b>		<b>-42.9</b>	21.6	<b>143.1</b>	193.7
Financial income and expenses		-15.3	-12.7	-51.9	-37.2
Income from associates		0.2	-1.1	2.1	-2.3
<b>Profit before tax</b>		<b>-58.0</b>	7.8	<b>93.3</b>	154.2
Income tax		12.0	-0.1	-25.8	-42.0
<b>Net profit for the period</b>		<b>-46.0</b>	7.7	<b>67.5</b>	112.2
<b>Attributable to:</b>					
Equity holders of the parent		-46.8	6.8	63.7	108.6
Minority interest		0.8	0.9	3.8	3.6
<b>Net profit for the period</b>		<b>-46.0</b>	7.7	<b>67.5</b>	112.2

BALANCE SHEET	EUR million	31.12.2007	31.12.2006*
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill		626.6	581.0
Other intangible assets		112.3	108.9
Property, plant and equipment		984.3	987.1
Holdings in associates		5.5	8.1
Available-for-sale investments		102.2	84.3
Deferred tax assets		5.2	7.7
Defined benefit pension receivables		34.6	24.6
Other investments		6.4	9.5
<b>Total non-current assets</b>		<b>1,877.1</b>	1,811.2
<b>Current assets</b>			
Inventories		311.2	293.2
Receivables			
Interest-bearing receivables		3.2	9.1
Interest-free receivables		548.1	565.4
<b>Total receivables</b>		<b>551.3</b>	574.5
Money market investments - cash equivalents		21.4	35.0
Cash and cash equivalents		31.2	41.1
<b>Total current assets</b>		<b>915.1</b>	943.8
Non-current assets held for sale		35.7	14.4
<b>Total assets</b>		<b>2,827.9</b>	2,769.4
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>		<b>1,072.0</b>	1,069.9
<b>Minority interest</b>		<b>15.3</b>	12.6
<b>Total equity</b>		<b>1,087.3</b>	1,082.5
<b>Non-current liabilities</b>			
Interest-bearing non-current liabilities		431.1	395.1
Deferred tax liabilities		105.5	105.9
Pension liabilities		74.2	66.8
Provisions		18.8	63.3
<b>Total non-current liabilities</b>		<b>629.6</b>	631.1
<b>Current liabilities</b>			
Interest-bearing current liabilities		625.0	508.5
Interest-free current liabilities		473.6	522.9
Provisions		6.2	15.5
<b>Total current liabilities</b>		<b>1,104.8</b>	1,046.9
Liabilities directly associated with non-current assets classified as held for sale		6.2	8.9
<b>Total liabilities</b>		<b>1,740.6</b>	1,686.9
<b>Total equity and liabilities</b>		<b>2,827.9</b>	2,769.4

In connection with the strategic review process, it was decided to classify the assets and liabilities of strategic business unit Chemidet as assets held for sale. The strategic business unit belongs to Kemira Specialty Business Area. There are negotiations on going for disposal. The loss recognised in the income statement amounts to EUR 9.2 million.

The non-current assets held for sale includes also a land area in Porkkala Finland. The sale contract was signed in 2007 but the ownership of the land will transfer in 2008.

\* Year 2006 error has been corrected.

CONSOLIDATED CASH FLOW STATEMENT	EUR million	2007	2006
<b>Cash flows from operating activities</b>			
Adjusted operating profit		281.1	232.0
Interests		-36.3	-30.4
Dividend income		2.0	2.0
Other financing items		-	-1.3
Income taxes paid		-35.6	-45.1
<b>Total funds from operations</b>		<b>211.2</b>	<b>157.2</b>
Change in net working capital		-39.1	59.6
<b>Total cash flows from operating activities</b>		<b>172.1</b>	<b>216.8</b>
<b>Cash flows from investing activities</b>			
Capital expenditure for acquisitions		-66.6	-297.4
Other capital expenditure		-254.4	-164.6
Proceeds from sale of assets		-0.2	102.9
Net cash used in investing activities		-321.2	-359.1
<b>Cash flow after investing activities</b>		<b>-149.1</b>	<b>-142.3</b>
<b>Cash flows from financing activities</b>			
Change in long-term loans (increase +, decrease -)		53.7	173.4
Change in long-term loan receivables (decrease +, increase -)		2.5	1.5
Short-term financing, net (increase +, decrease -)		117.8	33.8
Dividends paid		-60.8	-46.3
Other		12.3	-0.2
<b>Net cash used in financing activities</b>		<b>125.5</b>	<b>162.2</b>
<b>Net change in cash and cash equivalents</b>		<b>-23.6</b>	<b>19.9</b>
Cash and cash equivalents at end of period		52.6	76.2
Cash and cash equivalents at beginning of period		76.2	56.3
<b>Net change in cash and cash equivalents</b>		<b>-23.6</b>	<b>19.9</b>

#### STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the parent							Total
	Share capital	Capital paid-in in excess of par value	Fair value reserve	Exchange differences	Treasury shares	Retained earnings	Minority interests	
Shareholders' equity at January 1, 2006	221.3	257.8	67.1	-33.9	-27.5	520.7	13.7	1,019.2
Net profit for the financial year *	-	-	-	-	-	108.6	3.6	112.2
Dividends paid	-	-	-	-	-	-43.6	-2.8	-46.4
Treasury shares issued to target group	-	-	-	-	0.7	-0.7	-	0.0
Share-based compensation	-	-	-	-	-	1.1	-	1.1
Options subscribed for shares	0.3	0.1	-	-	-	-	-	0.4
Exchange differences	-	-	-	-1.5	-	-	0.4	-1.1
Hedge of net investments in foreign entities	-	-	-	4.5	-	-	-	4.5
Cash flow hedging: amount entered in shareholders' equity	-	-	-4.7	-	-	-	-	-4.7
Acquired minority interest	-	-	-	-	-	-	-2.3	-2.3
Transfer between restricted and non-restricted equity	-	-	0.3	-	-	-0.3	-	0.0
Other changes	-	-	-	-	-	-0.4	-	-0.4
Shareholders' equity at December 31, 2006	221.6	257.9	62.7	-30.9	-26.8	585.4	12.6	1,082.5
Shareholders' equity at January 1, 2007	221.6	257.9	62.7	-30.9	-26.8	585.4	12.6	1082.5
Net profit for the financial year	-	-	-	-	-	63.7	3.8	67.5
Dividends paid	-	-	-	-	-	-58.2	-2.6	-60.8
Available-for-sale assets - change in fair value	-	-	7.2	-	-	-	-	7.2
Treasury shares issued to target group	-	-	-	-	0.8	-0.8	-	0.0
Share-based compensation	-	-	-	-	-	1.1	-	1.1
Options subscribed for shares	0.2	-	-	-	-	-	-	0.2
Exchange differences	-	-	-	-16.2	-	-	0.9	-15.3
Hedge of net investments in foreign entities	-	-	-	6.0	-	-	-	6.0
Cash flow hedging: amount entered in shareholders' equity	-	-	-1.9	-	-	-	-	-1.9
Acquired minority interest	-	-	-	-	-	-	0.4	0.4
Transfer between restricted and non-restricted equity	-	-	0.2	-	-	-0.2	-	0.0
Other changes	-	-	-	-	0.1	0.1	0.2	0.4
Shareholders' equity at December 31, 2007	221.8	257.9	68.2	-41.1	-25.9	591.1	15.3	1,087.3

At the end of the year 2006 there were 3,979,670 treasury shares. Of the shares that were granted in connection with the share-based incentive plan 18,938 were returned to Kemira in 2007. A total of 144,143 shares were issued to key persons based on the incentive plan on February 23, 2007. The total equivalent book value of the shares issued amounted to approx. EUR 255,133. The issue does not materially affect the distribution of ownership and voting power in the company.

Kemira had in its possession 3,854,465 of its treasury shares at December 31, 2007. Their average acquisition share price was EUR 6.73 and the treasury shares represented 3.1% of the share capital and of the aggregate number of votes conferred by all the shares. The equivalent book value of the treasury shares is EUR 6.8 million.

\* Year 2006 error has been corrected.

<b>KEY FIGURES</b>	<b>10-12/2007</b>	<b>10-12/2006*</b>	<b>2007</b>	<b>2006*</b>
Earnings per share, basic and diluted, EUR	-0.39	0.06	0.53	0.90
Earnings per share excluding write-downs, basic and diluted, EUR	-0.05	0.06	0.87	0.90
Cash flow from operations per share, EUR	0.48	0.90	1.42	1.79
Capital expenditure, EUR million	95.1	257.1	321.0	462.0
Capital expenditure / revenue, %	14.5	38.4	11.4	18.3
Average number of shares (1000), basic <sup>1)</sup>	121,191	120,950	121,164	120,877
Average number of shares (1000), diluted <sup>1)</sup>	121,191	121,099	121,194	121,051
Number of shares at the end of the period (1000), basic <sup>1)</sup>	121,191	120,988	121,191	120,988
Number of shares at the end of the period (1000), diluted <sup>1)</sup>	121,191	121,204	121,191	121,204
Equity per share, attributable to equity holders of the parent, EUR			8.85	8.85
Equity ratio, %			38.6	39.2
Gearing, %			92.3	76.4
Interest-bearing net liabilities, EUR million			1,003.4	827.4
Personnel (average)			10,008	9,186

1) Number of shares outstanding, excluding the number of shares bought back.

\* Year 2006 error has been corrected.

<b>REVENUE BY BUSINESS AREA</b>	<b>EUR million</b>	<b>10-12/2007</b>	<b>10-12/2006</b>	<b>2007</b>	<b>2006</b>
Kemira Pulp&Paper		249.8	264.0	1,018.3	993.3
Kemira Water		188.0	171.5	730.5	467.6
Kemira Specialty		102.0	117.2	425.9	456.2
Kemira Coatings		118.4	109.3	625.2	562.8
Other and Intra-Group sales		-3.8	7.5	10.3	42.6
Total Group		654.4	669.5	2,810.2	2,522.5
<b>OPERATING PROFIT BY BUSINESS AREA</b>		<b>10-12/2007</b>	<b>10-12/2006*</b>	<b>2007</b>	<b>2006*</b>
Kemira Pulp&Paper		-3.2	20.1	66.8	90.8
Kemira Water		5.2	10.3	45.0	35.3
Kemira Specialty		-13.9	11.1	13.5	45.8
Kemira Coatings		-5.9	-1.5	73.1	72.1
Other and eliminations		-25.1	-18.4	-55.3	-50.3
Total Group		-42.9	21.6	143.1	193.7

\* Year 2006 error has been corrected.

<b>CHANGES IN PROPERTY, PLANT AND EQUIPMENT</b>	<b>EUR million</b>	<b>2007</b>	<b>2006</b>
Carrying amount at beginning of year		987.1	865.0
Acquisitions of subsidiaries		14.3	151.9
Increases		215.7	154.4
Decreases		-2.5	-42.0
Depreciation and impairments		-133.2	-106.3
Exchange rate differences and other changes		-89.3	-35.9
Net carrying amount at end of period		984.3	987.1
<b>CHANGES IN INTANGIBLE ASSETS</b>	<b>EUR million</b>	<b>2007</b>	<b>2006</b>
Carrying amount at beginning of year		689.9	629.7
Acquisitions of subsidiaries		32.2	71.8
Increases		30.4	18.1
Decreases		-0.3	-0.4
Depreciation and impairments		-40.6	-17.2
Exchange rate differences and other changes		27.4	-12.1
Net carrying amount at end of period		738.9	689.9

CONTINGENT LIABILITIES	EUR million	31.12.2007	31.12.2006
Mortgages		62.1	64.8
Assets pledged			
On behalf of own commitments		6.0	19.5
Guarantees			
On behalf of own commitments		8.3	6.4
On behalf of associates		1.4	32.6
On behalf of others		2.8	1.4
Operating leasing liabilities			
Maturity within one year		22.4	14.9
Maturity after one year		129.0	118.1
Other obligations			
On behalf of own commitments		0.4	0.4
On behalf of associates		2.3	2.3

#### Major off-balance sheet investment commitments

Major amounts of contractual commitments for the acquisition of property, plant and equipment on December 31, 2007 were EUR 16 million for the investment of Kemira Coatings in Russia and EUR 3 million for the environmental investment in Pori.

#### Litigation

The Group has extensive international operations and is involved in a number of legal proceedings incidental to these operations.

Kemira Oyj, Kemira Chemicals, Inc. and Kemira Chemicals Canada, Inc. have received claims or were named in class action lawsuits filed by direct and indirect purchasers of hydrogen peroxide and persalts in US federal and state courts and in Canada.

In these civil actions it is alleged that the US plaintiffs suffered damages resulting from a cartel among hydrogen peroxide suppliers.

To avoid further litigation costs Kemira Oyj and Kemira Chemicals Canada Inc. have made a settlement agreement, pending court approval, in the US direct purchaser class action. As regards the other claims and suits, the proceedings continue.

Finnish Chemicals Oy has received in August 2007 from the European Union Commission a statement of objections in respect to competition law infringements by sodium chlorate producers during 1994-2000 to which statement of objections Finnish Chemicals Oy has given its reply.

#### RELATED PARTY

Related party transactions have decreased due to the sale of Kemira's 50 % stake in Swedish filler producer Scanspac (joint venture) in September 2007.

Transactions with Scanspac represented about 80 % of the Group's related party transactions. Other than that the related party transactions have not changed materially after annual closing 2006.

DERIVATIVE INSTRUMENTS	EUR million				
		Nominal value	31.12.2007 Fair value	Nominal value	31.12.2006 Fair value
<b>Currency instruments</b>					
Forward contracts		942.9	-1.4	389.4	5.5
of which hedges of net investment in a foreign operation		-	-	19.6	2.2
Currency options		123.3	0.3	88.1	0.2
Bought		65.5	0.1	42.8	-
Sold		57.8	0.2	45.3	0.2
Currency swaps		147.2	6.5	115.9	8.4
<b>Interest rate instruments</b>					
Interest rate swaps		174.0	2.3	109.2	4.7
of which cash flow hedge		164.0	2.0	83.8	4.2
Interest rate options		10.0	-	-	-
Bought		10.0	-	-	-
Sold		-	-	-	-
Bond futures		10.0	0.2	10.0	-0.2
of which open		10.0	0.2	10.0	-0.2
<b>Other instruments</b>			Fair value		Fair value
Electricity forward contracts	GWh	833.6	10.0	GWh	1,227.0
of which cash flow hedge	GWh	833.6	10.0	GWh	1,227.0
Propane swap contracts	Tons	-	-	Tons	1,000.0

The fair values of the instruments which are publicly traded are based on market valuation on the date of reporting. Other instruments have been valued based on net present values of future cash flows. Valuation models have been used to estimate the fair values of options.

Nominal values of the financial instruments do not necessarily correspond to the actual cash flows between the counterparties and do not therefore give a fair view of the risk position of the Group.

## BUSINESS COMBINATIONS

### The Cytec water treatment business

Kemira acquired the Cytec Industries, Inc.'s water treating and acryl amide business on October 1, 2006. Cytec's water treatment business consists of water treatment solutions for industrial and municipal water treatment plants. The acquisition includes five production plants of which three are located in the US (Mobile/Alabama, Longview/Washington, and Fortier/Louisiana), and two in Europe (Bradford /UK and Botlek/the Netherlands).

The acquisition of Cytec's water treatment chemicals business is in line with Kemira's growth strategy. It also allows the Group to significantly broaden its current product portfolio and gain greater geographical presence in key markets and inside key customer segments. The acquired business' market regions include the US, South America, Asia and Europe.

The total price of the acquisition is approx. EUR 198.5 million. The acquisition was financed with Kemira Group's own existing financing agreements.

In addition to the purchase of the business through the asset purchase agreement which was closed October 1, 2006, Kemira signed a share purchase agreement to buy the shares of Cytec Manufacturing BV. The closing and payment of the share purchase agreement took place on January 11, 2007. Kemira has also signed transition service agreements with nine Cytec companies concerning certain transactional services with respect of the products of the business (Overseas units). The assets related to these transition service agreements was transferred to Kemira and paid gradually starting on April 1, 2007. One of these asset transfers was in the form of a share purchase of an existing company.

The control over the whole Cytec water treatment business was transferred to Kemira on October 1, 2006. The preliminary purchase price allocation was pending finalization of overseas units, working capital and liabilities. These matters have been finalized since then, resulting in an increase of goodwill mainly from identified defined benefit pensions according to IAS 19.

	Fair values recorded on business combination	Carrying amounts prior to business combination
Intangible assets	15.5	-
Property, plant and equipment	91.0	54.7
Inventories	28.8	27.1
Trade receivables and other receivables	40.6	40.6
Cash and cash equivalents	2.0	2.0
Total assets	177.9	124.4
Interest bearing current liabilities	5.4	5.4
Other liabilities	18.2	18.2
Deferred tax liabilities	1.7	-
Total liabilities	25.3	23.6
Net assets	152.6	100.8
Cost of business combination (net)	198.5	
Goodwill	45.9	
Acquisition cost	198.5	
Cash and cash equivalents in subsidiary acquired	-2.0	
Cash outflow on acquisition	196.5	
Cash outflow on acquisition 2006	166.2	
Cash outflow on acquisition 2007	30.3	
Cash outflow on acquisition	196.5	

The revenue of the acquired unit for January 1 - December 31, 2007 totaled EUR 291.3 million and operating profit EUR 12.3 million.



### The Dalquim coagulant business

Kemira acquired on April 20, 2007 100% of the shares of two companies (Empresa Lajeana Ltda. & Arapoti Saneamento Ltda.) conducting the coagulant business of Dalquim Industria e Comercio Ltda. Dalquim is one of the leading manufacturers of aluminum based coagulants in the South of Brazil. The revenue of the coagulant business is approximately EUR 12 million.

The target companies are located in the south of Brazil and have two production units. Main customer base is the paper industry and municipalities for potable and wastewater treatment. The company will be targeting the fast expanding paper industry and potable and waste water treatment sector in the Southern states of Brazil.

The acquisition fits extremely well in Kemira's strategy to enhance its position and mutual synergies as a world leader in chemicals supply for both pulp&paper and water treatment customers on fast growing emerging markets.

Kemira Water is already present with production in the Bahia region (North East of Brazil) and in the Sao Paulo state. With this acquisition Kemira will significantly broaden its current product portfolio in Brazil and gain strong geographical presence in the southern Brazilian market.

The total price of the acquisition is approx. EUR 10.8 million. Capitalized acquisition costs directly attributable to the combination has not yet been finalized. The acquisition was financed with Kemira Group's own existing financing agreements.

Of the total purchase price of EUR 10.8 million, EUR 1.2 million was allocated to intangible assets coming from existing customer list. The acquisition then results in EUR 9.0 million in goodwill, based on the acquired business's expected future earnings and attainable synergies.

	Fair values recorded on business combination	Carrying amounts prior to business combination
Intangible assets	1.2	-
Property, plant and equipment	0.8	0.8
Inventories	0.2	0.2
Trade receivables and other receivables	1.4	1.4
Cash and cash equivalents	0.1	0.1
Total assets	3.7	2.5
Deferred tax liabilities	0.4	-
Other liabilities	1.5	1.5
Total liabilities	1.9	1.5
Net assets	1.8	1.0
Cost of business combination (net)	10.8	
Goodwill	9.0	
Acquisition cost	10.8	
Cash and cash equivalents in subsidiaries acquired	-0.1	
Cash outflow on acquisition	10.7	

The revenue of the acquired units for April 21 – December 31, 2007 totaled EUR 7.5 million and operating profit EUR 1.7 million.

## Aggregate of other business acquisitions

Kemira made the following acquisitions in 2007: TRI-K Industries Inc. (100%), Sustainable Nutrition B.V. (100%), Dickursby Holding AB (70%), OOO Gamma Industrial Coatings (70%), OOO Tikkurila Powder Coatings (70%), Chongqing Lanjie Tap Water Materials Co. (80%) and the Arkema coagulant business.

These business combinations are individually immaterial.

	Fair values recorded on business combination	Carrying amounts prior to business combination
Trademarks and trade names	3.9	-
Other intangible assets	5.4	4.7
Property, plant and equipment	5.6	4.5
Inventories	4.7	4.7
Trade receivables and other receivables	3.1	2.9
Cash and cash equivalents	0.2	0.2
Total assets	22.9	17.0
Deferred tax liabilities	1.4	-
Long-term liabilities	0.3	0.3
Other liabilities	4.8	4.8
Total liabilities	6.5	5.1
Net assets	16.4	11.9
Cost of business combination (net)	24.0	
Goodwill	7.6	
Acquisition cost	24.0	
Cash and cash equivalents in subsidiaries acquired	-0.2	
Cash outflow on acquisition	23.8	

## Effect of business combinations on revenue and profit

Kemira's revenue for Jan. 1-Dec. 31, 2007 would have been EUR 3,159 million and operating profit EUR 159 million if all of the business combinations carried out during the period had been completed on January 1, 2007.

## DEFINITIONS OF KEY FIGURES

### Earnings per share (EPS)

Net profit attributable to equity holders of the parent  
Average number of shares

### Cash flow from operations

Cash flow from operations, after change in net working capital and before investing activities

### Cash flow from operations per share

Cash flow from operations  
Average number of shares

### Equity per share

Equity attributable to equity holders of the parent  
at end of year  
Number of shares at end of year

### Equity ratio, %

Total equity x 100  
Total assets - prepayments received

### Gearing, %

Interest-bearing net liabilities x 100  
Total equity

### Interest-bearing net liabilities

Interest-bearing liabilities - cash - money market investments

### Return on capital employed (ROCE), %

Operating profit + share of profit or loss of associates x 100  
(Net working capital + property, plant and equipment available for use + intangible assets + investments in associates) <sup>\*)</sup>

<sup>\*)</sup> Average

## PRIOR PERIOD ERROR

An error was discovered related to the financial statements of 2006 and has been corrected retrospectively according to IAS 8. The error was related to the calculation of the provision made for the closure of the Water Soluble business unit and as a result of this the provision was reported 8 million euro too low. This has been corrected to the fourth quarter result of 2006. The income statement of full year 2006 and the balance sheet at December 31, 2006 were changed as follows:

INCOME STATEMENT	EUR million	Reported 2006	Corrected 2006
<b>Revenue</b>		2,522.5	2,522.5
Other income from operations		59.2	59.2
Expenses		-2,256.5	-2,264.5
Depreciation		-123.5	-123.5
<b>Operating profit</b>		<b>201.7</b>	<b>193.7</b>
Financial income and expenses		-37.2	-37.2
Income from associates		-2.3	-2.3
<b>Profit before tax</b>		<b>162.2</b>	<b>154.2</b>
Income tax		-42.0	-42.0
<b>Net profit for the period</b>		<b>120.2</b>	<b>112.2</b>
<b>Attributable to:</b>			
Equity holders of the parent		116.6	108.6
Minority interest		3.6	3.6
<b>Net profit for the period</b>		<b>120.2</b>	<b>112.2</b>

KEY FIGURES	Reported 2006	Corrected 2006
Earnings per share, basic and diluted, EUR	0.96	0.90

BALANCE SHEET	EUR million	Reported 31.12.2006	Corrected 31.12.2006
Equity attributable to equity holders of the parent		1,077.9	1,069.9
<b>Total equity</b>		<b>1,090.5</b>	<b>1,082.5</b>
Provisions		55.3	63.3
<b>Total non-current liabilities</b>		<b>623.1</b>	<b>631.1</b>

Retrospective restated quarterly figures are presented as appendix to this interim report.

## QUARTERLY EARNINGS PERFORMANCE

(Unaudited figures)	1–3	4–6	7–9	10–12	2006 Total
<b>Revenue</b>					
Kemira Pulp&Paper	209.5	257.9	261.9	264.0	993.3
Kemira Water	92.3	102.1	101.7	171.5	467.6
Kemira Speciality	118.6	107.6	112.8	117.2	456.2
Kemira Coatings	118.6	170.3	164.6	109.3	562.8
Other and intra-Group sales	13.9	9.6	11.6	7.5	42.6
<b>Total</b>	<b>552.9</b>	<b>647.5</b>	<b>652.6</b>	<b>669.5</b>	<b>2,522.5</b>
<b>Operating profit</b>					
Kemira Pulp&Paper	26.0	20.4	24.3	20.1	90.8
Kemira Water	6.4	9.6	9.0	10.3	35.3
Kemira Speciality	11.3	11.7	11.7	11.1	45.8
Kemira Coatings	9.6	25.0	39.0	-1.5	72.1
Other including eliminations	-7.8	-15.2	-8.9	-18.4	-50.3
<b>Total</b>	<b>45.5</b>	<b>51.5</b>	<b>75.1</b>	<b>21.6</b>	<b>193.7</b>
Financial income and expenses	-7.1	-5.8	-11.6	-12.7	-37.2
Share of associates' results	-0.9	-0.6	0.3	-1.1	-2.3
<b>Profit before tax</b>	<b>37.5</b>	<b>45.1</b>	<b>63.8</b>	<b>7.8</b>	<b>154.2</b>
Income tax	-10.9	-13.1	-17.9	-0.1	-42.0
<b>Net Profit</b>	<b>26.6</b>	<b>32.0</b>	<b>45.9</b>	<b>7.7</b>	<b>112.2</b>
<b>Attributable to</b>					
Equity holders of the parent	25.8	31.0	45.0	6.8	108.6
Minority interests	0.8	1.0	0.9	0.9	3.6
<b>Net Profit</b>	<b>26.6</b>	<b>32.0</b>	<b>45.9</b>	<b>7.7</b>	<b>112.2</b>
Earnings per share, diluted, EUR	0.21	0.26	0.37	0.06	0.90
Capital employed, rolling					1,876.6
ROCE, %					10.2 %