

KEMIRA GROUP

The figures are unaudited.

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

This Interim Consolidated Financial Statement has been prepared in compliance with IAS 34. 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	1-3/2007	1-3/2006	2006 *
Revenue		673.3	552.9	2,522.5
Other income from operations		6.8	7.8	59.2
Expenses		-597.5	-485.8	-2,264.5
Depreciation		-33.7	-29.4	-123.5
Operating profit		48.9	45.5	193.7
Financial income and expenses		-12.2	-7.1	-37.2
Income from associates		0.6	-0.9	-2.3
Profit before tax		37.3	37.5	154.2
Income tax		-10.0	-10.9	-42.0
Net profit for the period		27.3	26.6	112.2
Attributable to:				
Equity holders of the parent		26.4	25.8	108.6
Minority interest		0.9	0.8	3.6
Net profit for the period		27.3	26.6	112.2

BALANCE SHEET	EUR million		
ASSETS		31.3.2007	31.12.2006
Non-current assets			
Goodwill		632.8	581.0
Other intangible assets		110.3	108.9
Property, plant and equipment		973.8	987.1
Holdings in associates		9.1	8.1
Available-for-sale investments		84.3	84.3
Deferred tax assets		4.8	7.7
Defined benefit pension receivables		23.9	24.6
Other investments		9.0	9.5
Total non-current assets		1,848.0	1,811.2
Current assets			
Inventories		304.9	293.2
Receivables			
Interest-bearing receivables		7.6	9.1
Interest-free receivables		603.4	565.4
Total receivables		611.0	574.5
Money market investments - cash equivalents		20.8	35.0
Bank and cash		35.7	41.1
Total current assets		972.4	943.8
Non-current assets held for sale		3.5	14.4
Total assets		2,823.9	2,769.4
EQUITY AND LIABILITIES		31.3.2007	31.12.2006 *
Equity attributable to equity holders of the parent		1,091.6	1,069.9
Minority interest		13.5	12.6
Total equity		1,105.1	1,082.5
Non-current liabilities			
Interest-bearing non-current liabilities		580.4	395.1
Deferred tax liabilities		123.3	105.9
Pension liabilities		65.5	66.8
Provisions		24.7	63.3
Total non-current liabilities		793.9	631.1
Current liabilities			
Interest-bearing current liabilities		440.9	508.5
Interest-free current liabilities		469.9	522.9
Provisions		14.1	15.5
Total current liabilities		924.9	1,046.9
Liabilities directly associated with non-current assets classified as held for sale		-	8.9
Total liabilities		1,718.8	1,686.9
Total equity and liabilities		2,823.9	2,769.4

Non-current assets held for sale include US- and Canada-based factory sites.

* Prior year correction included

CONSOLIDATED CASH FLOW STATEMENT	EUR million	1-3/2007	1-3/2006	2006
Cash flows from operating activities				
Adjusted operating profit	81.6	59.5	232.0	
Interests	-5.6	-6.1	-30.4	
Dividend income	-	0.9	2.0	
Other financing items	-	1.6	-1.3	
Income taxes paid	-7.8	-10.6	-45.1	
Total funds from operations	68.2	45.3	157.2	
Change in net working capital	-98.2	-65.6	59.6	
Total cash flows from operating activities	-30.0	-20.3	216.8	
Cash flows from investing activities				
Capital expenditure	-78.3	-57.5	-462.0	
Proceeds from sale of assets	-32.5	6.0	102.9	
Net cash used in investing activities	-110.8	-51.5	-359.1	
Cash flow after investing activities	-140.8	-71.8	-142.3	
Cash flows from financing activities				
Change in long-term loans (increase +, decrease -)	118.9	48.1	173.4	
Change in long-term loan receivables (decrease +, increase -)	1.4	0.7	1.5	
Short-term financing, net (increase +, decrease -)	-	74.1	33.8	
Dividends paid	-	-	-46.3	
Other	0.8	0.6	-0.2	
Net cash used in financing activities	121.1	123.5	162.2	
Net change in cash and cash equivalents	-19.7	51.7	19.9	
Cash and cash equivalents at end of period	56.5	108.0	76.2	
Cash and cash equivalents at beginning of period	76.2	56.3	56.3	
Net change in cash and cash equivalents	-19.7	51.7	19.9	

STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the parent									Total
	Share capital	Share issue	Capital paid-in in excess of par value	Other reserves	Fair value reserve	Exchange differences	Treasury shares	Retained earnings	Minority interests	
Shareholders' equity at January 1, 2006	221.3	0.0	257.8	2.8	64.3	-33.9	-27.5	520.7	13.7	1,019.2
Net profit for the financial year	-	-	-	-	-	-	-	25.8	0.8	26.6
Dividends paid	-	-	-	-	-	-	-	-	-	0.0
Treasury shares issued to target group	-	-	-	-	-	-	0.7	-0.7	-	0.0
Share-based compensation	-	-	-	-	-	-	-	-	-	0.0
Options subscribed for shares	-	0.1	-	-	-	-	-	-	-	0.1
Exchange differences	-	-	-	-0.1	-	-2.6	-	-	0.2	-2.5
Hedge of net investments in foreign entities	-	-	-	-	-	2.3	-	-	-	2.3
Cash flow hedging: amount entered in shareholders' equity	-	-	-	-	11.5	-	-	-	-	11.5
Acquired minority interest	-	-	-	-	-	-	-	-	0.3	0.3
Transfer between restricted and non-restricted equity	-	-	-	0.4	-	-	-	-0.4	-	0.0
Other changes	-	-	-	-	-	-	-	-0.2	0.2	0.0
Shareholders' equity at March 31, 2006	221.3	0.1	257.8	3.1	75.8	-34.2	-26.8	545.2	15.2	1,057.5
Shareholders' equity at January 1, 2007	221.6	0.0	257.9	3.1	59.6	-30.8	-26.8	585.3	12.6	1082.5
Net profit for the financial year	-	-	-	-	-	-	-	26.4	0.9	27.3
Dividends paid	-	-	-	-	-	-	-	-	-	0.0
Treasury shares issued to target group	-	-	-	-	-	-	0.9	-0.9	-	0.0
Share-based compensation	-	-	-	-	-	-	-	0.4	-	0.4
Options subscribed for shares	0.1	-	-	-	-	-	-	-	-	0.1
Exchange differences	-	-	-	-	-	-4.0	-	-	-	-4.0
Hedge of net investments in foreign entities	-	-	-	-	-	2.8	-	-	-	2.8
Cash flow hedging: amount entered in shareholders' equity	-	-	-	-	-4.3	-	-	-	-	-4.3
Acquired minority interest	-	-	-	-	-	-	-	-	-	0.0
Transfer between restricted and non-restricted equity	-	-	-	-	-	-	-	-	-	0.0
Other changes	-	-	-	0.1	-	-	-	0.2	-	0.3
Shareholders' equity at March 31, 2007	221.7	0.0	257.9	3.2	55.3	-32.0	-25.9	611.4	13.5	1,105.1

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 13,350 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 3,848,877 of its treasury shares at March 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 6.9 million.

KEY FIGURES	1-3/2007	1-3/2006	2006
Earnings per share, basic and diluted, EUR	0.22	0.21	0.90
Cash flow from operations per share, EUR	-0.25	-0.17	1.79
Capital expenditure, EUR million	78.3	57.5	462.0
Capital expenditure / revenue, %	11.6	10.4	18.3
Average number of shares (1000), basic *)	121,091	120,759	120,877
Average number of shares (1000), diluted *)	121,197	121,028	121,051
Number of shares at the end of the period (1000), basic *)	121,152	120,861	120,988
Number of shares at the end of the period (1000), diluted *)	121,191	121,033	121,204
Equity per share, attributable to equity holders of the parent, EUR	9.01	8.62	8.85
Equity ratio, %	39.2	42.4	39.2
Gearing, %	87.3	65.4	76.4
Net liabilities, EUR million	964.5	690.6	827.4
Personnel (average)	9,431	8,357	9,186

*) Number of shares outstanding, adjusted by the number of shares bought back.

REVENUE BY BUSINESS AREA	EUR million	1-3/2007	1-3/2006	2006
Kemira Pulp&Paper		255.3	209.5	993.3
Kemira Water		170.0	92.3	467.6
Kemira Specialty		103.5	118.6	456.2
Kemira Coatings		135.8	118.6	562.8
Other and Intra-Group sales		8.7	13.9	42.6
Total Group		673.3	552.9	2,522.5

OPERATING PROFIT BY BUSINESS AREA	1-3/2007	1-3/2006	2006
Kemira Pulp&Paper	23.0	26.0	90.8
Kemira Water	11.9	6.4	35.3
Kemira Specialty	10.3	11.3	45.8
Kemira Coatings	12.8	9.6	72.1
Other and eliminations	-9.1	-7.8	-50.3
Total Group	48.9	45.5	193.7

CHANGES IN PROPERTY, PLANT AND EQUIPMENT	EUR million	1-3/2007	1-3/2006	2006
Carrying amount at beginning of year		987.1	864.9	865.0
Acquisitions of subsidiaries		17.0	17.9	151.9
Increases		1.8	28.6	154.4
Decreases		-2.7	-1.9	-42.0
Depreciation and impairments		-28.4	-25.3	-43.3
Exchange rate differences and other changes		-1.0	-26.2	-98.9
Net carrying amount at end of period		973.8	858.0	987.1

CHANGES IN INTANGIBLE ASSETS	EUR million	1-3/2007	1-3/2006	2006
Carrying amount at beginning of year		689.8	629.7	629.7
Acquisitions of subsidiaries		6.2	26.5	71.8
Increases		53.3	2.1	18.1
Decreases		-0.6	-0.1	-0.4
Depreciation and impairments		-4.3	-4.0	-17.2
Exchange rate differences and other changes		-1.3	-3.5	-12.1
Net carrying amount at end of period		743.1	650.7	689.9

CONTINGENT LIABILITIES	EUR million	31.3.2007	31.12.2006
Mortgages		61.1	64.8
Assets pledged			
On behalf of own commitments		19.2	19.5
Guarantees			
On behalf of own commitments		6.5	6.4
On behalf of associates		33.2	32.6
On behalf of others		3.6	1.4
Operating leasing liabilities			
Maturity within one year		14.8	14.9
Maturity after one year		115.2	118.1
Other obligations			
On behalf of own commitments		0.3	0.4
On behalf of associates		2.4	2.3

Litigation

The Group has extensive international operations and is involved in a number of legal proceedings incidental to these operations. The Group does not expect the outcome of any legal proceedings currently pending to have a materially adverse effect upon the Group's consolidated result.

Kemira Chemicals, Inc. has received a grand jury subpoena to produce documents in connection with an investigation by the United States Department of Justice's Antitrust Division, relating to the hydrogen peroxide business in the US. Kemira Oyj, Kemira Chemicals, Inc. and Kemira Chemicals Canada, Inc. have recently 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. The existence of the United States Departments of Justice's Antitrust Division's investigations and the European Commission's ruling in a case of infringement of competition law in May 2006 are relied upon in support of the allegations.

RELATED PARTY

Related party transactions have not changed materially after annual closing 2006.

DERIVATIVE INSTRUMENTS	EUR million		31.3.2007		31.12.2006
		Nominal value	Fair value	Nominal value	Fair value
Currency instruments					
Forward contracts		397.8	2.2	389.4	5.5
of which hedges of net investment in a foreign operation		-	-	19.6	2.2
Currency options					
Bought		38.9	0.1	42.8	-
Sold		35.6	-	45.3	0.2
Currency swaps		148.8	5.5	115.9	8.4
Interest rate instruments					
Interest rate swaps		125.8	4.2	109.2	4.7
of which cash flow hedge		93.2	3.8	83.8	4.2
Interest rate options					
Bought		-	-	-	-
Sold		-	-	-	-
Bond futures		10.0	-	10.0	-0.2
of which open		10.0	-	10.0	-0.2
Other instruments			Fair value		Fair value
Electricity forward contracts	GWh	1076.8	4.6	GWh	1,227.0
of which cash flow hedge	GWh	1076.8	4.6	GWh	1,227.0
Propane swap contracts	Tons	-	-	Tons	1,000.0
					-0.1

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 chemicals product line 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 enables 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 197 million but the amount is subject to the adjustment of net working capital. Capitalized acquisition costs directly attributed to the combination were EUR 2.9 million March 31, 2007. The acquisition was financed with Kemira Group's own cash assets and through existing financing agreements.

In addition to the purchase of the business (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 was on January 11, 2007. Kemira has also signed transition service agreements with nine Cytec companies concerning certain transition services with respect of the products of the business (Overseas units). The assets related to these transition service agreements will be transferred to Kemira and paid gradually starting on April 1 and ending on July 1, 2007.

The control over the whole Cytec water treatment business was transferred to Kemira on October 1, 2006. The purchase price allocation of the Cytec water treatment business has been made for the March 31, 2007 financial statements. The fair values of the business combination's intangible assets consist of global patents, customer related assets and manufacturing knowhow.

Business combination has been done preliminarily since the business transfers of the Overseas units are still on-going according to the plan.

	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	35.0	33.3
Trade receivables and other receivables	34.9	34.9
Cash and cash equivalents	0.3	0.3
Total assets	176.7	123.2
Interest bearing current liabilities	-	-
Other liabilities	12.9	12.8
Deferred tax liabilities	18.0	-
Total liabilities	30.9	12.8
Net assets	145.8	110.4
Cost of business combination (net)	197.1	
Goodwill	51.3	
Acquisition cost	197.1	
Overseas units	-12.5	
Cash and cash equivalents in subsidiary acquired	-0.3	
Cash outflow on acquisition	184.3	

The revenue of the acquired unit for January 1 - March 31, 2007 totaled EUR 69.7 million and operating profit EUR 3.2 million.

DEFINITIONS OF KEY FIGURES

Earnings per share (EPS)

$$\frac{\text{Net profit attributable to equity holders of the parent}}{\text{Average number of shares}}$$

Cash flow from operations

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

Cash flow from operations per share

$$\frac{\text{Cash flow from operations}}{\text{Average number of shares}}$$

Equity per share

$$\frac{\text{Equity attributable to equity holders of the parent at end of quarter}}{\text{Number of shares at end of quarter}}$$

Equity ratio, %

$$\frac{\text{Shareholders' equity} \times 100}{\text{Total assets} - \text{prepayments received}}$$

Gearing, %

$$\frac{\text{Interest-bearing net liabilities} \times 100}{\text{Shareholders' equity}}$$

Net liabilities

Liabilities - bank and cash - money market investments

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
Revenue		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
Operating profit		201.7	193.7
Financial income and expenses		-37.2	-37.2
Income from associates		-2.3	-2.3
Profit before tax		162.2	154.2
Income tax		-42.0	-42.0
Net profit for the period		120.2	112.2
Attributable to:			
Equity holders of the parent		116.6	108.6
Minority interest		3.6	3.6
Net profit for the period		120.2	112.2

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
Total equity		1,090.5	1,082.5
Provisions		55.3	63.3
Total non-current liabilities		623.1	631.1

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

QUARTERLY EARNINGS PERFORMANCE

	2007					2006
(Unaudited figures)	1-3	1-3	4-6	7-9	10-12	Total
Revenue						
Kemira Pulp&Paper	255.3	209.5	257.9	261.9	264.0	993.3
Kemira Water	170.0	92.3	102.1	101.7	171.5	467.6
Kemira Speciality	103.5	118.6	107.6	112.8	117.2	456.2
Kemira Coatings	135.8	118.6	170.3	164.6	109.3	562.8
Other and intra-Group sales	8.7	13.9	9.6	11.6	7.5	42.6
Total	673.3	552.9	647.5	652.6	669.5	2,522.5
Operating profit						
Kemira Pulp&Paper	23.0	26.0	20.4	24.3	20.1	90.8
Kemira Water	11.9	6.4	9.6	9.0	10.3	35.3
Kemira Speciality	10.3	11.3	11.7	11.7	11.1	45.8
Kemira Coatings	12.8	9.6	25.0	39.0	-1.5	72.1
Other including eliminations	-9.1	-7.8	-15.2	-8.9	-18.4	-50.3
Total	48.9	45.5	51.5	75.1	21.6	193.7
Financial income and expenses	-12.2	-7.1	-5.8	-11.6	-12.7	-37.2
Share of associates' results	0.6	-0.9	-0.6	0.3	-1.1	-2.3
Profit before tax	37.3	37.5	45.1	63.8	7.8	154.2
Income tax	-10.0	-10.9	-13.1	-17.9	-0.1	-42.0
Net Profit	27.3	26.6	32.0	45.9	7.7	112.2
Attributable to						
Equity holders of the parent	26.4	25.8	31.0	45.0	6.8	108.6
Minority interests	0.9	0.8	1.0	0.9	0.9	3.6
Net Profit	27.3	26.6	32.0	45.9	7.7	112.2
Earnings per share, diluted, EUR	0.22	0.21	0.26	0.37	0.12	0.90
Capital employed, rolling	1,924.6					1,876.6
ROCE, %	10.2 %					10.2 %