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7 February 2006

Kemira's Financial Statement Press Release for 2005
KEMIRA'S GROWTH CONTINUES

- Revenue: EUR 1,994.4 million (2004: 1,695.1 million), growth of 18%.
- Operating profit: EUR 165.5 million (111.6), up 48%.
- Earnings per share: EUR 0.73 (0.50), growth of 46%.
- Return on capital employed: 9.9% (8.6%).
- Cash flow after capital expenditures excluding acquisitions amounted to EUR 170.8 million (155.4).
- In 2006, revenue, operating profit and earnings per share are estimated to increase on 2005.
- The proposed dividend is EUR 0.36 per share (0.34).

OCTOBER-DECEMBER AND FULL-YEAR KEY FIGURES IN 2005

EUR millions	10-12 2005	10-12 2004*	Change %	1-12 2005	1-12 2004*	Change %
REVENUE	521.5	391.0	33	1,994.4	1,695.1	18
EBITDA	67.2	44.5	51	284.4	232.0	23
EBITDA, %	12.9%	11.3%		14.3%	13.7%	
OPERATING PROFIT	36.4	13.7	166	165.5	111.6	48
Operating profit, %	7.0%	3.5%		8.3%	6.6%	
Financial income and expenses	-8.2	-3.1		-30.5	-12.6	
INCOME BEFORE TAXES	26.9	10.4	159	133.5	95.3	40
NET PROFIT	18.9	15.7	20	91.4	63.8	43
EPS, EUR	0.15	0.13	15	0.73	0.50	46
Capital employed **	1,662.9	1,252.5		1,662.9	1,252.5	
ROCE, % **	9.9%	8.6%		9.9%	8.6%	
Cash flow after capital expenditures, excluding acquisitions	106.8	49.4		170.8	155.4	

* Continuing operations, pro forma

** 12-month moving average

The pro forma figures for 2004 appearing in the text sections of this financial statement press release cover continuing operations, excluding GrowHow, Fine Chemicals, the calcium chloride business and Ecocat. The figures furthermore exclude non-recurring items arising from disposals of these units. To improve comparability, the non-recurring charge of EUR 44.2 million for the water-soluble fertilizer business is not included in pro forma financial expenses for 2004.

REVENUE AND OPERATING PROFIT IN OCTOBER-DECEMBER

In October-December, the Kemira Group's revenue rose by 33% compared with the same period a year earlier and were EUR 521.5 million (October-December 2004: 391.0). The organic growth from continuing operations was 8%. In addition, there were two major acquisitions, Finnish Chemicals (Pulp & Paper Chemicals) and Verdugt (Performance Chemicals, formerly Industrial Chemicals), both completed at the beginning of April 2005. Acquisitions accounted for about EUR 100 million of the increased revenue.

The **Pulp & Paper Chemicals** business area's revenue grew by 50% in October-December, to EUR 215.7 million (143.7), primarily because of the acquisition of Finnish Chemicals in April. Growth excluding acquisitions was 8%. The high capacity utilization rate in the forest industry positively affected the business area's growth. Owing to the labor dispute in Finland in the spring, capacity utilization remained at a high level through the Christmas season for the first time.

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Kemwater's revenue rose by 17% to EUR 93.6 million (79.9) in step with the rise in sales volumes and prices. Kemwater's organic growth in October-December was 10%. The **Performance Chemicals** business area's revenue was up 61% to EUR 127.0 million (79.1). Organic growth from continuing operations, driven principally by increases in the titanium dioxide price, was 21%. The growth was also lifted by the Verdugt acquisition that was carried out at the beginning of April. **The paint business** posted a revenue increase in October-December of 8% to EUR 90.3 million (83.5). Excluding acquisitions, disposals and other structural changes, Paints & Coatings' revenue grew by 6% in October-December.

Kemira's operating profit in October-December increased by 166% and was EUR 36.4 million (13.7). The result includes capital gains on the sale of assets, reorganization expenses and other non-recurring items, the net effect of which was a credit to operating profit of about EUR 11.1 million. A year ago the corresponding item was a gain of 11.8 million. Acquisitions accounted for EUR 9 million of the improved operating profitability.

Raw material prices continued to rise in October-December, as did the price of energy. In October-December, higher prices of raw materials and energy were for a large part passed on into selling prices.

Owing to efficiency-boosting measures, the high utilization rate in the customer industry and the acquisitions that were made, the **Pulp & Paper Chemicals** business area posted an increase in operating profit in October-December of 69% to EUR 21.6 million (12.8). **Kemwater's** operating profit was EUR 7.5 million (-4.0), including non-recurring items, the net effect of which was a gain of EUR 2.2 million. In 2004, the effect of non-recurring items was a charge of EUR 10.6 million. The **Performance Chemicals** business area reported operating profit of EUR 15.3 million (7.3), including EUR 6.2 million of non-recurring items, the largest of which was a one-off capital gain on the sale of the power plant at the Pori site in Finland. In 2004, the effect of non-recurring items was a gain of EUR 3.9 million. For the **Paints & Coatings** business area, the fourth quarter is typically the weakest. Paints & Coatings reported operating profit of EUR 6.8 million (a loss of 3.0), of which non-recurring items accounted for a gain of 9.5 million. The largest item in this amount was the disposal of the coil coating business at the end of November. In October-December 2004, the effect of non-recurring items was a gain of EUR 1.9 million.

BOARD OF DIRECTORS' REVIEW FOR THE FISCAL YEAR 2005

The Kemira Group's comparable revenue increased in 2005 by 18% to EUR 1,994.4 million (2004: 1,695.1). Operating profit was up 48% to EUR 165.5 million (111.6), of which the effect of non-recurring items was a gain of 14.6 million. Earnings per share rose from EUR 0.50 to EUR 0.73, with non-recurring items contributing EUR 0.12. The return on capital employed was 9.9% (8.6%). Cash flow after investments, excluding acquisitions, was EUR 170.8 million (155.4). Including acquisitions, cash flow after investments was EUR 114.8 million negative (107.6). Revenue, operating profit and earnings per share in 2006 are estimated to increase on 2005.

The Board of Directors will propose a dividend of EUR 0.36 per share for the 2005 fiscal year, corresponding to a dividend payout ratio of 49%. The company's dividend policy is a payout of 30-50% of the company's net profit from operations. For the 2004 fiscal year, a dividend of EUR 0.34 per share was paid.

KEY FIGURES

EUR millions	2005	2004*	Change %
REVENUE	1,994.4	1,695.1	18
EBITDA	284.4	232.0	23
EBITDA, %	14.3%	13.7%	
OPERATING PROFIT	165.5	111.6	48
Operating profit, %	8.3%	6.6%	
Financial income and expenses	-30.5	-12.6	

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INCOME BEFORE TAXES	133.5	95.3	40
NET PROFIT	91.4	63.8	43
EPS, EUR	0.73	0.50	46
Capital employed **	1,662.9	1,252.5	
ROCE, % **	9.9%	8.6%	
Cash flow after capital expenditures, excluding acquisitions	170.8	155.4	

* Continuing operations, pro forma

** 12-month moving average

REVENUE AND OPERATING PROFIT

Kemira's revenue in 2005 increased by EUR 299.3 million, i.e. 18%, on 2004 and was EUR 1,994.4 million (1,695.1), of which the recent acquisitions contributed about EUR 235 million. Stripping out acquisitions and disposals, the industrial dispute in the paper industry in the second quarter as well as the reorganization measures at the non-core water-soluble fertilizer unit, organic growth was 4%.

The breakdown of revenue by market area was as follows: Europe 70%, Americas 24%, Asia 5%, Others 1%. The increase in sales in Europe was 18% and in the Americas 35%. Sales in Asia declined by 11% due to reorganization measures at the water-soluble fertilizer unit.

The Group's operating profit rose 48% to EUR 165.5 million (111.6), of which the acquisitions carried out accounted for about EUR 20 million. The effect of non-recurring items was a net gain of EUR 14.6 million, including capital gains on the sale of businesses and other non-recurring income of EUR 55.8 million as well as non-recurring depreciation, provisions and expense items to a total amount of EUR 41.2 million. In 2004, the corresponding net effect of non-recurring items was a gain of EUR 17.4 million. Details of these items for individual business areas are given in the earnings reviews of the business areas.

Prices of raw materials and energy rose substantially during the year. For the most part, but with some time lag, Kemira was successful in passing on the majority of these costs in the form of price increases.

Income before taxes was EUR 133.5 million (95.3) and net profit for the fiscal year was EUR 91.4 million (63.8). Earnings per share were EUR 0.73 (2004: EUR 0.65, of which continuing operations accounted for 0.50).

Taxes for the fiscal year were EUR 42.1 million (31.5), representing an effective tax rate of about 31.5%.

RESEARCH AND DEVELOPMENT

A total of EUR 43.1 million (38.6), or 2.2% of revenue, was spent on research and development. The business units funded development measures connected directly with their business area. By means of Group financing, the Corporate Center supported the strategic projects of fields defined as being growth areas and promoted the utilization of synergies across the Group.

CHANGES IN THE GROUP STRUCTURE

During the year, Kemira carried out a number of acquisitions and disposals of business.

At the beginning of April, Kemira completed the acquisition of Finnish Chemicals, which manufactures bleaching chemicals, and Verdugt, a specialty chemical company that manufactures organic acid derivatives. At the beginning of May, Kemira acquired the remaining 40% holding in Kemiron Companies Inc. The acquisitions are discussed in greater detail in the business area sections of this report.

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At the end of November, the Paints & Coatings business area sold its coil coating business.

CAPITAL EXPENDITURE

Gross capital expenditures excluding acquisitions were EUR 116.4 million (117.3). The largest capital expenditures were the building of a ferrosulphate dryer facility in Pori, Finland, the expansion of calcium sulphate pigment production at Siilinjärvi, Finland, and increases in capacity at the hydrogen peroxide plants. Maintenance investments amounted to about 19% of total capital expenditure. The Group's depreciation amounted to EUR 118.9 million (120.4).

The Group's gross capital expenditures amounted to EUR 401.9 million (165.1), including EUR 285.5 million that was spent on acquisitions. Proceeds from asset sales were EUR 131.5 million (41.7). The Group's net capital expenditures amounted to EUR 270.4 million.

The Group's investments in environmental protection came to EUR 7.4 million (10.3).

FINANCING SITUATION AND TREND IN CASH FLOW

The financing position and liquidity remained good.

Cash flows from operations in 2005 were EUR 155.6 million (231.0). In 2004, the level of net working capital was lowered, and working capital management remained effective during 2005. Net working capital as a percentage of total revenue dropped further, from 17% to 16%. Net cash flows from investing activities were EUR 270.4 million negative (123.4 negative), of which acquisitions accounted for an outflow of EUR 285.5 million. Free cash flow was EUR 114.8 million negative (107.6). The dividend payout was EUR 41.1 million.

The Group's net debt at the end of the year stood at EUR 619.7 million (201.3 million at Dec. 31, 2004). The higher net debt was attributable mainly to the acquisitions made at the beginning of April.

Interest-bearing debt amounted to EUR 676.0 million. The proportion which fixed-interest loans represented within the total amount of the Group's interest-bearing loans was about 41% at the end of the year. Pension loans are considered to be floating rate loans.

The equity ratio at the end of the year was 44% (Dec. 31, 2004: 47%). Gearing was 61% (Dec. 31, 2004: 21%).

The Group's net financial expenses in 2005 were EUR 30.5 million (12.6). The increase in financial expenses was attributable to the greater amount of borrowings to carry out the acquisitions as well as to foreign exchange differences. A loss on foreign exchange of EUR 6.2 million was booked (2004: a foreign exchange gain of EUR 0.5).

Cash and cash equivalents at December 31, 2005, were EUR 56.3 million. In July Kemira signed a new five-year 750 million euro revolving credit facility agreement that replaced the previous EUR 506 million credit facility. The unused amount of the binding credit facility at December 31, 2005, was EUR 678.8 million.

In April, Kemira signed an EUR 600 million domestic commercial paper program that replaced the old EUR 150 million program. Within the framework of the program, Kemira can issue commercial paper with a maturity of less than one year in order to finance Kemira's working capital and other short-term liquidity needs. In addition, the Group took out 10-year bilateral fixed-interest loans to a total amount of EUR 50 million.

PERSONNEL

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The Kemira Group's number of employees grew in step with the acquisitions that were carried out at the beginning of April. The number of the Group's employees at the end of the year was 7,670 (December 31, 2004: 7,137). The average payroll during the year was 7,717 employees (7,110).

Of the personnel at the close of the year, 3,059 worked in Finland, i.e. 40% (Dec. 31, 2004: 2,764), 3,087 elsewhere in Europe, 1,240 in the Americas and 285 in Asia.

PULP & PAPER CHEMICALS

Pulp & Paper Chemicals offers customized solutions for the chemistry needs of the pulp and paper industry.

EUR millions	2005	2004	Change %
REVENUE	738.5	565.5	31
EBITDA	108.7	90.5	20
EBITDA, %	14.7%	16.0%	
OPERATING PROFIT	63.4	44.8	42
Operating profit, %	8.6%	7.9%	
Capital employed *	713.0	452.3	
ROCE, % *	8.8%	9.9%	
Capital expenditure	36.7	26.9	
Cash flow after capital expenditures, excluding acquisitions	57.8	57.0	
Personnel at end of period	2,111	1,728	

* 12-month moving average

The Pulp & Paper Chemicals business area's revenue in 2005 grew by 31% to EUR 738.5 million (565.5), primarily because of the acquisition of Finnish Chemicals in April. Acquired companies accounted for EUR 164 million of total revenue. The industrial dispute in the paper industry in Finland in May-June reduced the business area's revenue by about EUR 30 million. Stripping out acquisitions and the industrial dispute, revenue increased by 3%.

Operating profit rose 42% to EUR 63.4 million (44.8). Apart from the acquisitions that were made, revenue was lifted by the efficiency-boosting measures that were carried out in Europe and North America. The industrial dispute in the paper industry cut about EUR 12 million off of the business area's operating profit, and this lowered the business area's profitability by 1.6 percentage points in the EBITDA and operating profit margins, and by 1.7 percentage points in the return on capital employed. Prices of raw materials and energy rose substantially during the year. The result includes expenses and insurance compensations connected with the accident that occurred in Helsingborg, Sweden, in February as well as reorganization costs, provisions and other non-recurring items. The net effect of these items on operating profit was a charge of about EUR 3.5 million (not including the effect of the industrial dispute). In 2004, the effect of non-recurring items was a gain of EUR 2.3 million.

The purchase of Finnish Chemicals from Erikem Luxembourg S.A. was seen to completion on April 1, 2005. Finnish Chemicals' main product is sodium chlorate, which is used in pulp bleaching. The debt- and cash-free purchase price was EUR 345 million. The acquisition was financed with the Group's own cash assets and using existing financing agreements. Finnish Chemicals has been consolidated in Kemira's figures as of April 1, 2005. Finnish Chemicals contributed EUR 156.9 million to revenue and EUR 15.5 million to operating profit in 2005. The unit's profitability was weakened by the dispute in the Finnish paper industry in the second quarter.

In October, Kemira and Botnia signed an agreement on chemicals deliveries to Botnia's pulp plant in Uruguay. Kemira will build chemical plants producing sodium chlorate, chlorine dioxide and oxygen at the site of the pulp plant that is to be

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built at Fray Bentos in western Uruguay. An alternative for producing hydrogen peroxide will be studied as the project moves ahead. Kemira's total capital expenditure for the already agreed project will be about EUR 60 million. Construction work on the buildings and equipment foundations will get started in Uruguay in the second quarter of 2006. The first equipment installations will be made in mid-2006, and production is scheduled to start up in the third quarter of 2007.

In November, Kemira announced it was investing in paper chemicals production in China at its water chemicals plant near the city of Yixing. The plant is located about 160 kilometers from Shanghai. Paper chemicals production will get underway in the first half of 2006. After investments that will be made during 2006, Kemira's total capital expenditures on water treatment and paper chemicals production in Yixing will be about EUR 7 million.

In December, Kemira announced it was purchasing the Lanxess paper chemicals business. Kemira will thereby become the world's leading supplier of pulp and paper chemicals. Lanxess is a globally operating supplier of paper chemicals, whose main strength is functional wet-end paper chemicals. The Lanxess paper chemicals business generated revenue of about EUR 240 million in 2004. The debt-free price of the business was EUR 88 million, and it is estimated to lift Kemira's earnings per share beginning in 2007. Because the business was previously loss-making and integration costs will be incurred, the acquisition is estimated to affect Kemira's earnings per share negatively by 5-10 cents a share in 2006. The synergy and cost benefits resulting from combining the operations will increase gradually, and in three years they are anticipated to amount to about EUR 20 million annually. Approval by the competition authorities must be obtained before the deal can close.

In line with the strong growth in demand for Kemira's calcium sulphate pigment, Kemira decided to invest EUR 10 million in enlarging the Siilinjärvi pigment plant in Finland. The new production line started up in January 2006.

On October 1, 2005, Lauri Junnila took over as head of the Pulp & Paper Chemicals business area and became a member of the Group's Operational Management Board.

KEMWATER

Kemwater offers water treatment chemicals and customized solutions as well as sludge treatment chemicals for municipal and private water treatment plants and industry.

EUR millions	2005	2004	Change %
REVENUE	363.5	285.3	27
EBITDA	48.0	41.7	15
EBITDA, %	13.2%	14.6%	
OPERATING PROFIT	31.9	14.4*	122
Operating profit, %	8.8%	5.0%*	
Capital employed **	222.7	167.3	
ROCE, % **	15.0%	9.6%*	
Capital expenditure, excluding acquisitions	18.1	26.7	
Cash flow after capital expenditures, excluding acquisitions	22.4	14.1	
Personnel at end of period	1,494	1,461	

* Includes depreciation and a non-recurring expense charge to a total amount of EUR 11.0 million.

** 12-month moving average

Kemwater's revenue was up 27% to EUR 363.5 million (285.3). A marked sales increase was achieved in Europe. Apart from the rise in selling volumes and prices, revenue

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was lifted by Eaglebrook, which operates in North America and was acquired in November 2004, as well as by a few smaller acquisitions, the combined effect of which on revenue in 2005 was EUR 56.1 million, adding EUR 5.3 million to operating profit. Kemwater's organic growth was 8%.

Resulting from increased sales, Kemwater's operating profit rose substantially, to EUR 31.9 million (14.4). The result includes capital gains on the sale of assets, reorganization expenses and other non-recurring items, the net effect of which was a credit to operating profit of about EUR 2.2 million. In 2004, the corresponding item was a charge of EUR 10.6 million. Kemwater suffered from major price increases in its main raw materials – such as aluminum hydrate, chlorine and hydrochloric acid – during the year, particularly in the United States. Higher transport costs in the United States also put pressure on profitability.

At the beginning of May, Kemira acquired the remaining 40% holding in Kemiron Companies Inc.

At the start of December, Mats Jungar was appointed the new head of the Kemwater business area after Lennart Johansson joined another company at the end of October. Mr. Jungar will transfer to Kemira's employ in March 2006, and the business area's chief financial officer, Lennart Albertsson, will be acting head in the interim period.

PERFORMANCE CHEMICALS

Performance Chemicals' products find many uses, such as in printing inks, cosmetics, foods, pharmaceuticals, paints, textiles and detergents.

EUR millions	2005	2004*	Change %
REVENUE	430.5	315.2	37
EBITDA	75.2	62.4	21
EBITDA, %	17.5%	19.8%	
OPERATING PROFIT	41.1	33.0	25
Operating profit, %	9.5%	10.5%	
Capital employed **	408.9	297.6	
ROCE, % **	10.0%	11.1%	
Capital expenditure, excluding acquisitions	34.7	34.0	
Cash flow after capital expenditures, excluding acquisitions	40.5	40.3	
Personnel at end of period	1,414	1,310	

* Continuing operations, pro forma

** 12-month moving average

Lifted by the rise in selling prices of titanium dioxide and the Verdugt acquisition that was carried out at the beginning of April, the Performance Chemicals business area's revenue was up 37% during the year, to EUR 430.5 million (315.2). Organic growth was 11%. Operating profit was EUR 41.1 million (2004: 33.0). The result includes capital gains on the sale of assets, reorganization expenses and other non-recurring items, the net effect of which was a credit to operating profit of about EUR 6.2 million. In 2004, the corresponding item was a gain of EUR 8.7 million. The increases in raw material and energy costs put downward pressure on profits. Verdugt encountered some problems in its production, but toward the end of the year, Verdugt's sales showed a favorable trend, and measures to increase production efficiency moved ahead.

Of Performance Chemicals' revenue, 53% came from the titanium dioxide business. Sales volumes increased on 2004. Specialty products occupied an increased share of sales. Average euro-denominated prices of titanium dioxide were about 7% higher than in 2004.

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The acquisition of Verdugt, a Dutch specialty chemicals company, was seen to completion at the beginning of April. The company was purchased from CVC Capital Partners, a private equity company, and Verdugt's line management. Verdugt's products are formic acid, propionic acid, acetic acid and lactic acid derivatives. The debt- and cash-free purchase price was approximately EUR 145 million. The acquisition was financed with the Group's own cash assets and using existing financing agreements. Verdugt has been consolidated within Kemira's figures beginning in the second quarter. Verdugt's share of revenue in 2005 was EUR 79.4 million and it accounted for EUR 3.6 million of operating profit. In addition, Verdugt has considerable synergies with Kemira's formic acid products. Indeed, sales volumes for formic acid products grew significantly compared to 2004. Prices of formic acid products rose slightly.

Sales volumes of sodium percarbonate, which is used in detergents, increased on 2004, but prices were slightly lower.

The aim of the efficiency-boosting program that was launched at Kemira's Pori site in Finland is to ensure the viability of titanium dioxide production and to achieve annual savings of over EUR 5 million beginning in 2006.

The drying facility for ferrosulphate, a byproduct of titanium dioxide manufacture, went into operation at Pori, Finland, toward the end of the year.

PAINTS & COATINGS

Paints & Coatings business area offers branded products for consumers and professional painters in northern and eastern Europe. The Industrial Coatings unit serves customers in the metal and wood industry.

EUR millions	2005	2004	Change %
REVENUE	457.5	439.9	4
EBITDA	70.0	58.0	20
EBITDA, %	15.3%	13.2%	
OPERATING PROFIT	55.9	38.4	45
Operating profit, %	12.2%	8.7%	
Capital employed *	282.7	295.4	
ROCE, % *	20.2%	13.7%	
Capital expenditure, excluding acquisitions	18.0	12.3	
Cash flow after capital expenditures, excluding acquisitions	52.8	47.4	
Personnel at end of period	2,272	2,288	

* 12-month moving average

The paint business reported a revenue increase during the year of 4% to EUR 457.5 million (439.9). The disposal of the industrial coatings unit in the UK at the turn of the year 2004-2005 reduced revenue by EUR 18.6 million. On the other hand, acquisitions and other structural changes increased revenue by EUR 6.4 million. The paint business achieved organic growth of 7%. Demand for paint products was good in nearly all the main market areas.

Revenue reported by the decorative paints arm was up 9%. Sales of products manufactured locally in Russia continued their robust growth. Revenue reported by the continuing Industrial Coatings businesses grew by 8%. The increase was the strongest in Russia, Poland, Sweden and the Baltic countries.

Operating profit rose by 45% on 2004 and was EUR 55.9 million (38.4). The increase was spurred by the good sales trend, non-recurring items and the structural arrangements that have been made in recent years. The result of the paint business

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includes non-recurring items, the net effect of which was a credit to operating profit of about EUR 9.5 million. The largest item in this amount is the disposal of the coil coating business at the end of November. The effect of non-recurring items in 2004 was a gain of EUR 3.9 million.

At the end of November, Paints & Coatings sold its coil coating business to Teknos Group Oy. The divested business had revenue in 2004 of about EUR 15 million.

In November, Paints & Coatings reached an agreement to purchase Kraski Teks, a Russian paint company. In 2004, Kraski Teks had revenue of 70 million U.S. dollars. The debt-free purchase price is 40 million dollars. The deal entered into force February 3, 2006. The deal made Kemira-owned Tikkurila Russia's leading decorative paint company. Tikkurila and Kraski Teks have an aggregate share of about 20% of Russia's decorative paints market.

OTHER OPERATIONS

The water-soluble specialty fertilizer unit had revenue in 2005 of EUR 65.6 million (120.8) and reported an operating profit of EUR 0.4 million (a loss of 11.3), including non-recurring income of EUR 4.4 million. The share of the results of the water-soluble fertilizer business's associates which is stated below operating profit was a loss of EUR 3.7 million (a loss of 8.6).

In July, Kemira and the other shareholders in Kemira Emirates Fertilizers Company sold their holdings in the company, which has been an affiliate that is part of Kemira's water-soluble fertilizer business. The new owner is the Chilean company SQM Nitratos SA. Following the disposal, Kemira still has a water-soluble specialty fertilizer associate in Jordan and a joint venture in Italy.

Kemira generates electricity based on process heat and owns participations in the Finnish energy companies Pohjolan Voima and Teollisuuden Voima. In 2005, the electricity obtained in this way corresponded to just under half of Kemira's electric power consumption in Finland. The remainder of the electricity is procured on the electricity market. In December, Kemira sold the power plants in Oulu and Pori, Finland, to Pohjolan Voima.

Other operations also include Group-wide expenses which are not charged to the business areas, such as part of the research and development costs and the costs of the Kemira Corporate Center.

KEMIRA OYJ'S SHARES AND SHAREHOLDERS

At the close of the year the company had 16,144 registered shareholders. Of the shares, 17% were nominee-registered (11%). The company had 4,088 million treasury shares at December 31, 2005, representing 3.3% of the entire shares outstanding. Under the authorization by the Annual General Meeting in 2004, in April 2005, Kemira transferred 107,920 treasury shares in its possession to persons covered by the share bonus system for management. Of these shares, 5,680 were returned to the company, in accordance with the terms and conditions of the bonus plan, due to the ending of the prospective recipients' employment.

The trading volume in the company's shares on the Helsinki Stock Exchange during the 2005 calendar year was 65.6 million shares at an aggregate price of EUR 762.0 million. Kemira Oyj's shares registered a high of EUR 14.02 and a low of EUR 9.86, the average share price being EUR 11.59. The last trade in Kemira shares at the end of the year was done at a price of EUR 13.48, which meant a 32.7% price increase during the year. At the end of the year, the company had a market capitalization, excluding treasury shares, of EUR 1,627 million.

During the year, a total of 358,300 new shares were registered following subscriptions with the warrants for 2001. After the corresponding increase in the share capital, the company's share capital at the end of the year stood at EUR 221.3 million and the registered total number of shares in issue was 124,801,600.

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The number of shares can rise further by a maximum of 243,400 through subscriptions made under the 2001 stock option program.

On September 22, 2005, the Finnish State sold 8,000,000 Kemira Oyj shares. As a consequence of the sale of shares, the Finnish State's holding of the share capital and votes in Kemira Oyj fell from 55.1% to 48.7%.

BOARD OF DIRECTORS AND AUDITORS

The Annual General Meeting held on April 5, 2005, set the number of the Board of Directors at seven. The directors elected to seats on the Board for the 2005 fiscal year were Anssi Soila (chairman), Eija Malmivirta (vice chairman), Elizabeth Armstrong, Heikki Bergholm, Ove Mattsson, Kaija Pehu-Lehtonen and Markku Tapio. The Board of Directors met 12 times during 2005.

Aulis Ranta-Muotio was elected chairman of the Supervisory Board, with Mikko Elo as first vice chairman and Heikki A. Ollila as second vice chairman. The AGM elected Pekka Kainulainen, Mikko Långström, Susanna Rahkonen, Risto Ranki and Katri Sarlund as members of the Supervisory Board.

The firm of independent public accountants KPMG Oy Ab was elected as the company's auditor, with Hannu Niilekselä, Authorized Public Accountant, acting as chief auditor.

RESOLUTIONS OF THE ANNUAL GENERAL MEETING

The Annual General Meeting, held on April 5, 2005, resolved to amend the age limit in the Articles of Association such that a person who has reached the age of 68 at the time of election cannot be elected a member of the Board of Directors or the Supervisory Board.

The Annual General Meeting authorized the Board to decide on buying back shares in the Company using distributable funds such that the maximum number of shares to be bought back is 2,156,030. The amount, together with the shares already owned by the company, corresponds to 5 per cent of the share capital of the company and the total voting rights. Shares may be bought back in order to finance acquisitions of assets within the scope of the company's business operations, develop the company's capital structure, provide incentives for the personnel or to be transferred in other ways or be cancelled. The authorization is valid until April 5, 2006. The authorization was not exercised in 2005.

The Annual General Meeting authorized the Board of Directors to decide on transferring a maximum of 6,238,110 treasury shares. The Board of Directors shall have the right to transfer shares in disapplication of shareholders' pre-emptive rights provided that there is a weighty economic reason for the transfer, such as the financing or implementation of mergers, acquisitions and similar arrangements as well as the provision of incentives for the personnel or management, including the transfers under the share ownership plan 2004. The authorization is valid until April 5, 2006. The authorization was not exercised in 2005.

The Annual General Meeting resolved that a Nomination Committee be set up for Kemira to prepare for presentation to the next Annual General Meeting a list of candidates for seats on the Board of Directors and proposals concerning directors' remuneration. In December 2005, the following persons were elected to the Nomination Committee: Pekka Timonen, Chief Counselor, Ministry of Trade and Industry (chairman), Mikko Koivusalo, Head of Capital Market Investments, Varma Mutual Pension Insurance Company, and Olli-Pekka Laine, Managing Director, Tapiola Pension Mutual Insurance Company. Anssi Soila, chairman of the Board of Kemira Oyj, will serve as an expert member of the Nomination Committee.

ENVIRONMENT AND SAFETY

Capital expenditures on environmental protection at company sites totaled EUR 7.4 million (10.3) and operating costs amounted to EUR 33.3 million (40.4). Provisions

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for environmental remediation measures came to EUR 22.9 million, and were slightly higher than in 2004.

The spin-off of the fertilizer business in 2004 meant a considerable reduction in the Group's waste volumes and in various emissions and effluents. The change showed up to the full extent in the emission and effluent statistics for 2005. The acquisitions made in 2005 did not change the Group's environmental situation materially, though electric energy consumption did increase. The direct effect of greenhouse gas emissions trading on Kemira's business operations was reduced decisively when the company sold its power plants in Pori and Oulu, Finland, in December 2005.

A political consensus on the proposal for new chemicals legislation (REACH) was achieved in the EU, as well as the first approval by the Community's administrative bodies. Beginning in 2007, the regulations are expected to increase significantly the costs of registration, testing and risk assessments for existing chemical substances sold in or imported to the EU. At present, Kemira manufactures or imports into the EU area more than 100 substances which are likely to be affected by REACH rules. The Group set up in Finland a REACH competence center to prepare for future registration procedures. The entry into force of REACH regulations is not expected to have significant effects on the Group's competitiveness.

The frequency of occupational incidents at the Group level increased, mainly due to higher frequency of occupational incidents in the acquired businesses. In addition, two major industrial accidents occurred during the year: a sulphuric acid tank rupture in Helsingborg, Sweden, and an explosion at the fine chemicals plant in Äetsä, Finland. The accidents did not cause health effects or environmental damage. The accidents have been fully investigated and corrective measures are underway.

Each year Kemira publishes an Environmental Report that is verified by a third party. Kemira's business practices embody guidelines on the environment, health and safety. Most of the large sites already have certified environmental and safety management systems in use. Integrating these into quality management and into so-called Group certification was started in Finland in 2005.

PARENT COMPANY'S FINANCIAL PERFORMANCE

The parent company had revenue of EUR 235.6 million (246.8). Operating profit was EUR 26.9 million (71.6). The parent company bears the cost of Group management and administration as well as a portion of research costs.

The parent company's net financial expenses amounted to EUR 13.3 million (32.5). Profit before taxes was EUR 60.3 million (63.3). Capital expenditures came to EUR 26.2 million, excluding investments in subsidiaries.

DIVIDEND PROPOSAL

The Board of Directors will propose a dividend of EUR 0.36 per share for the 2005 fiscal year, corresponding to a dividend payout ratio of 49%. For the 2004 fiscal year, a dividend of EUR 0.34 per share was paid. According to the Board's proposal, the record date for the dividend is April 18, 2006, and it will be paid out on April 25, 2006.

OUTLOOK FOR 2006

In 2006, the Kemira Group's full-year revenue, operating profit and earnings per share are estimated to increase on 2005. The high prices of energy and raw materials are projected to continue in 2006, putting negative pressure on profits.

For **Pulp & Paper Chemicals**, capacity utilization in the customer industry is estimated to be good in 2006. The business area's revenue in 2006 is expected to grow compared to 2005, especially due to the acquisitions that have been made. Operating profit is likewise estimated to increase because of an improved capacity utilization rate, the structural changes that have been carried out and the

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acquisition of Finnish Chemicals. The currently high level of raw material prices and especially energy prices will continue to challenge margin development. The purchase of the Lanxess paper chemicals business will have a negative impact on the business area's earnings in 2006, because the business that is to be acquired was previously loss-making, and there will be integration costs.

Demand for **Kemwater's** water treatment chemicals is expected to remain good. During 2006, Kemwater will devote particular attention to growing its new businesses, such as sludge treatment and outsourcing services for industry. The high prices of hydrochloric acid, chlorine and aluminum hydrate, especially in the United States, will put negative pressure on profits. Kemwater's revenue and operating profit are estimated to increase on 2005.

In the **Performance Chemicals** business area, prices of titanium dioxide are estimated to rise during 2006. Demand for titanium dioxide is set to hold steady or grow slightly. The percentage of specialty pigments in Kemira's aggregate sales is estimated to increase. The higher prices of raw materials and especially energy will challenge margin development. The business area's sales of organic acids and acid derivatives as well as sodium percarbonate, which is used in detergents, are also anticipated to develop favorably. Performance Chemicals' revenue and operating profit are estimated to rise.

The **Paints & Coatings** business area is expected to generate higher revenue due to continuing good demand in all its market areas. Operating profit is estimated to grow in step with the good trend in sales and as a result of the structural arrangements that have been carried out in recent years. Revenue and operating profit will get a boost from the Kraski Teks acquisition that was made in Russia.

Helsinki, February 6, 2006

Board of Directors

All forecasts and estimates mentioned in this report are based on management's current judgment of the economic environment and the actual results may be significantly different.

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A press conference on Kemira's results for the 2005 fiscal year will be arranged for the media and analysts at Kemira's head office (Porkkalankatu 3) today at 10.30 a.m. An English-language conference call will be held at 1.00 p.m. We request participants to make their calls 10 minutes before the start of the conference by telephoning +44 207 162 0125.

The Annual Report will be published in week 11. Kemira's Interim Reports in 2006 will be published on May 4, July 27 and October 31.

KEMIRA

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Kemira (www.kemira.com) is a chemicals Group with four business areas: pulp and paper chemicals, water treatment chemicals, industrial chemicals and paints. Kemira's goal is to be the leading company in its areas of operations, with businesses that have wide-ranging synergy and a unique competitive position.