Contents

Board of directors' review

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 financial 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 financial year, a dividend of EUR 0.34 per share was paid.

Key Figures

EUR million	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	
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 rolling average

The pro forma figures for 2004 appearing in the text sections of Board of Directors' review 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

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 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 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.

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

Changes in the Group structure are presented in greater detail in the notes to the financial statements.

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

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 million	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 the end of period	2,111	1,728	

* 12-month rolling 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 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 million	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 the 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 rolling 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 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 million	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 the end of period	**1,414**	1,310	

* Continuing operations, pro forma ** 12-month rolling 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.

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 million	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 the end of period	**2,272**	2,288	

* 12-month rolling 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 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 4,087,760 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. 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 2005 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 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 financial year, corresponding to a dividend payout ratio of 49%. For the 2004 financial 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 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.

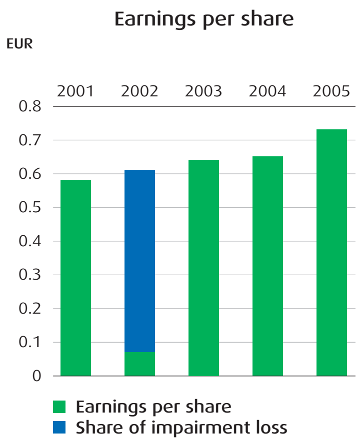
In the Performance Chemicals business area, prices of titanium dioxide are estimated to rise during 2006. Demand for titanium dioxide is set to hold steady or grow slightly. The percentage of specialty pigments in Kemira's aggregate sales is estimated to increase. The higher prices of raw materials and 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.

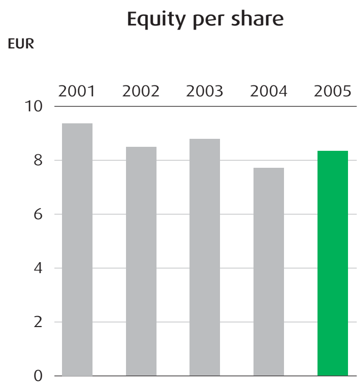
The Paints & Coatings business area is expected to generate higher revenue due to continuing good demand in all its market areas. Operating profit is estimated to grow in step with the good trend in sales and as a result of the structural arrangements that have been carried out in recent years. Revenue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

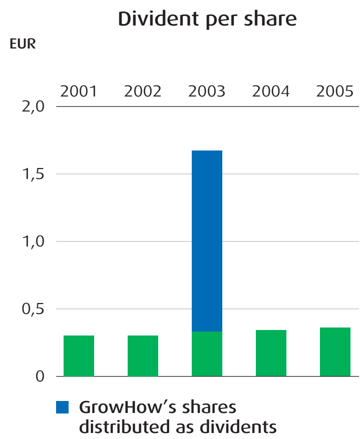
Helsinki, February 6, 2006

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.







Shares and shareholders

Shares and share capital

According to the Articles of Association of Kemira Oyj, the Company's share capital can be in the range of EUR 217 to 850 million. The share capital can be increased or decreased within these limits without amending the Articles of Association. At December 31, 2005, the share capital of Kemira Oyj was EUR 221.3 million and the number of shares outstanding was 124,801,600. Each share carries one vote at general meetings of the shareholders.

In 2005, the Company's share capital was increased 5 times with the subscription of 2001 stock options. Due to the subscriptions, the number of shares outstanding increased by 358,300 new shares and the share capital by EUR 635,429.06. In accordance with the 2001 stock option program, the number of shares outstanding can be further increased by a maximum of 243,400 shares. Kemira Oyj shares are registered within the book-entry system.

Shareholders

At the end of 2005, Kemira Oyj had 16,144 registered shareholders. Nominee-registered shareholders accounted for 17% (11%). The Finnish State held 48.7% of the Company's shares and voting rights at December 31, 2005. On the basis of a resolution passed by Parliament in 2001, the State's holding in the Company can be reduced down to 15%. A new resolution by Parliament is required for a shareholding below this limit.

Purchase obligation of shares

A shareholder whose stake in the Company's total shares outstanding, either alone or together with other shareholders such as defined in the Articles of Association, reaches or exceeds 33 and 1/3 per cent or 50 per cent, is liable, upon the demand of the other shareholders, to purchase their shares and the securities which according to the Companies Act give title to them, in the manner specified in the Articles of Association.

Listing and share trading

Kemira's shares are listed on the Helsinki Stock Exchange. The closing price of Kemira Oyj's share in 2005 was EUR 13.48 marking a 32.7% rise during the year. The highest price of the share was EUR 14.02 and the lowest price was EUR 9.86. The average trading price was EUR 11.59. The taxation value of the share for the 2005 Finnish tax declarations is EUR 9.45.

During the 2005 calendar year, the turnover of Kemira Oyj's share in the Helsinki Stock Exchange amounted to 65.6 million, for a total of EUR 762.0 million. The Company's market capitalization at the end of the year was EUR 1,627 million (excluding treasury shares).

Dividend policy

Kemira aims to distribute a dividend which is 30-50% of its operational net income. The Company's Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.36 per share be paid for the 2005 financial year, corresponding to a dividend payout of 49 % of net income.

Board of directors' authorizations

The Annual General Meeting held on April 5, 2005 authorized the Board to decide on buying back shares in the Company (treasury shares) 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% of the Company's share capital and 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 to be canceled. The authorization is valid until April 5, 2006. During 2005, the Company did not buy back any shares.

In addition, the Annual General Meeting authorized the Board of Directors to decide on transferring a maximum of 6,238,110 treasury shares. The reason for transferring the shares can be the financing or carrying out of acquisitions, divestitures and other arrangements and the paying out of bonuses as incentives for personnel or management, including payouts under the 2004 share-based incentive plan. The authorization is valid until April 5, 2006. At the end of 2005, the Company held 4,087,760 treasury shares.

During the year under review, the Board of Directors of Kemira Oyj did not have valid authorization for the issue of shares, convertible bonds or bonds with warrants.

Management stock options and share-based incentive plan

Kemira currently has a stock option program created in 2001 and a share-based incentive plan set up in 2004.

Stock option program 2001

The Annual General Meeting of Kemira Oyj held on April 3, 2001 passed a resolution on a stock option program whereby members of the Company's management were entitled to receive share options conferring the right to subscribe for a maximum of 2,850,000 Kemira Oyj shares from May 2, 2004 to May 31, 2007. The commencement of the subscription period was conditional and tied to Kemira's consolidated earnings per share after financial items and before taxes and extraordinary items as well as the trend in the price of Kemira Oyj's share in relation to a comparison index. In line with the stock option program, a total of 2,441,600 new Kemira shares were entered into the Trade Register by the end of 2005. At December 31, 2005, the subscription price of the shares, in accordance with the conditions of the stock option program, was EUR 2.47 per share. The subscription price will be lowered by the amount of dividends distributed.

Share-based incentive plan

The Board of Directors of Kemira Oyj decided in spring 2004 on a new equity bonus scheme which is targeted at key personnel and is part of the Group's incentive and commitment-building schemes. The aim of the new bonus scheme is to align the goals of the Group's shareholders and key executives in order to increase the Company's value, to ensure the commitment of key executives and to offer them competitive, ownership-based incentives. Kemira's scheme is in line with the prevailing practice involving a shift from the use of stock options to direct share ownership.

The incentive system is divided into three year-long performance periods, which are the years 2004, 2005 and 2006. Any bonuses earned are to be paid out during the year following the performance period. Payment of a bonus is contingent on achieving set financial targets, which are gauged by the criteria of earnings per share and return on capital employed. Any bonuses are paid in the form of both Kemira shares and a cash component.

Any shares earned through the plan must be held for a minimum of two years after the date of each payment. The shares must be returned to the Company without payment if the key person's employment or service with the Company is terminated of the employee's own accord or by the Company within two years of the payment. In addition, the President and CEO and the members of the Management Boards must retain shares obtained through the scheme at least to the value of their gross annual salary for as long as they remain in the Company's employ. At December 31, 2005, there were 72 persons within the scope of the share-based incentive plan.

The maximum number of Kemira Oyj shares which may be transferred under the incentive scheme during three years is about 510,000. The shares to be transferred under the plan are treasury shares or Kemira Oyj shares obtained in public trading.

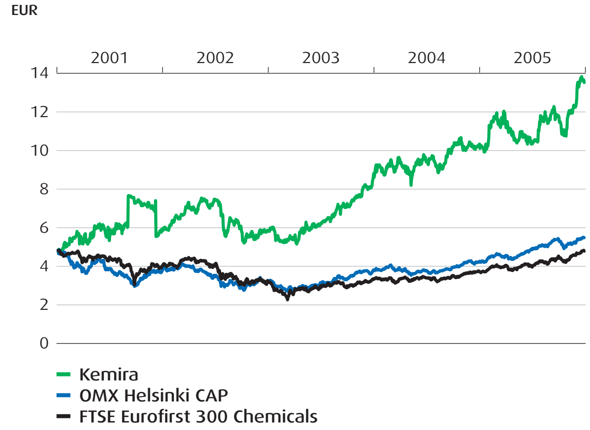
Management shareholding

The members of the Board of Directors and the Supervisory Board as well as the CEO and the CEO's Deputy owned 94,795 Kemira Oyj shares at the end of the year, or 0.08% (0.04%) of all shares outstanding and voting rights (including own shares and shares owned by underage children and controlled entities). The members of the Board are not covered by the stock option program or the share-based incentive plan.

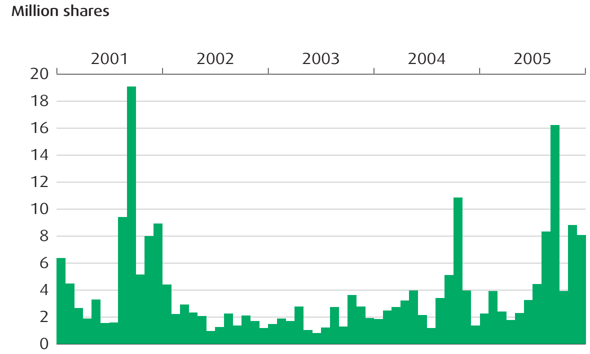
Insider rules

Kemira Oyj complies with the insider guidelines issued by the Helsinki Stock Exchange. Kemira Oyj's insiders in the Company's public insider register and Kemira's permanent company-specific insiders must not trade in the Company's shares during the 30 days prior to the publication of the Company's interim report or financial statement bulletin.

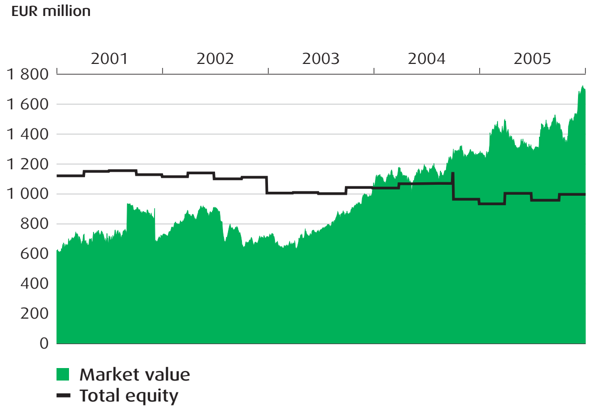
Share price 2001–2005



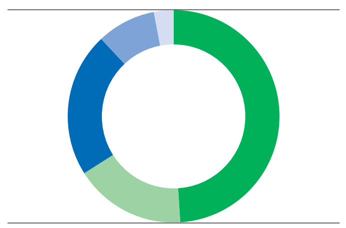
Share turnover on Helsinki Exchanges 2001–2005



Market value 2001–2005



Ownership Dec. 31, 2005



The Finnish State	48.7%
International *)	17.4%
Other Finnish institutions	22.1%
Households	8.5%
Kemira	3.3%

*) Including nominee-registered institutions

DISTRIBUTION OF OWNERSHIP DECEMBER 31, 2005

Number of shares	Number of shareholders	% of shareholders	Shares total	% of shares and votes
1–100	2,834	17.56	195,176	0.16
101–500	7,162	44.36	2,057,643	1.65
501–1,000	3,249	20.13	2,571,718	2.06
1,001–5,000	2,422	15.00	4,969,476	3.98
5,001–10,000	221	1.37	1,680,584	1.35
10,001–50,000	171	1.06	3,636,852	2.91
50,001–100,000	35	0.22	2,483,005	1.99
100,001–500,000	32	0.20	6,724,985	5.39
500,001–1,000,000	9	0.05	6,487,658	5.20
1,000,001–	9	0.05	93,994,503	75.32
Total	**16,144**	**100.00**	**124,801,600**	**100.00**
Including nominee-registered shares			21,032,032	16.85

LARGEST SHAREHOLDERS DECEMBER 31, 2005

Shareholder	Number of shares	% of shares and votes
1. Finnish State	60,753,920	48.68
2. Sampo Life Insurance Company Limited	3,410,940	2.73
3. Varma Mutual Pension Insurance Company	2,095,262	1.68
4. Kaleva Mutual Insurance Company	1,600,000	1.28
5. Tapiola Mutual Pension Insurance Company	1,208,000	0.97
6. The State Pension Fund	900,000	0.72
7. Nordea Bank Finland	842,800	0.68
8. Pohjola Finland Value Investment Fund	842,200	0.67
9. Ilmarinen Mutual Pension Insurance Company	831,620	0.67
10. RZB Austria	785,000	0.63
11. Tapiola General Mutual Insurance Company	592,900	0.48
12. OP Delta Investment Fund	580,664	0.47
13. Etera Mutual Pension Insurance Company	563,700	0.45
14. Evli Bank	548,774	0.44
15. Nordea Life Assurance Finland	444,180	0.36
16. Mutual Insurance Company Pension Fennia	428,400	0.34
17. Kemira GrowHow Pension Fund	387,660	0.31
18. Tapiola Mutual Life Assurance Company	357,100	0.29
19. Equity Fund Nordea Fennia	353,700	0.28
20. Neste Oil Pension Fund	341,500	0.27
Kemira Oyj	4,087,760	3.28
Nominee-registered shares	21,032,032	16.85
Others, total	21,813,488	17.47
Grand total	**124,801,600**	**100.00**

Definitions of key figures

PER SHARE 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

Dividend per share
Dividends paid
Number of shares at end of year

Dividend payout ratio
Dividend per share x 100
Earnings per share

Dividend yield
Dividend per share x 100
Share price at end of year

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

Share price, year average
Shares traded (EUR)
Shares traded (volume)

Price per earnings per share (P/E)
Share price at end of year
Earnings per share

Price per equity per share
Share price at end of year
Equity per share attributable to equity holders of the parent

Price per cash flow per share
Share price at end of year
Cash flow from operations per share

Share turnover, %
Number of shares traded as a percentage of weighted average number of shares

FINANCIAL FIGURES

Interest-bearing net liabilities
Interest-bearing liabilities - cash
- short-term investments

Equity ratio, %
Shareholders' equity x 100
Total assets - prepayments received

Gearing, %
Interest-bearing net liabilities x 100
Shareholders' equity

Interest cover
Operating profit + depreciation
Net financial expenses

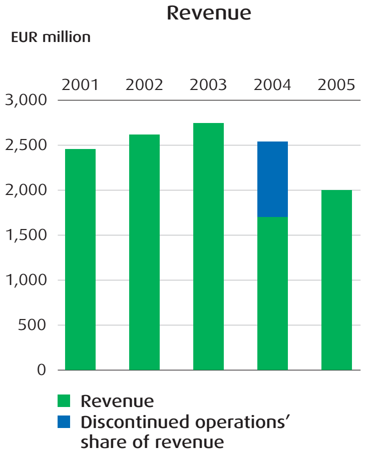
Return on capital invested, % (ROI)
(Profit before taxes + interest expenses + other financial expenses) x 100
Total assets - interest-free liabilities
(average)

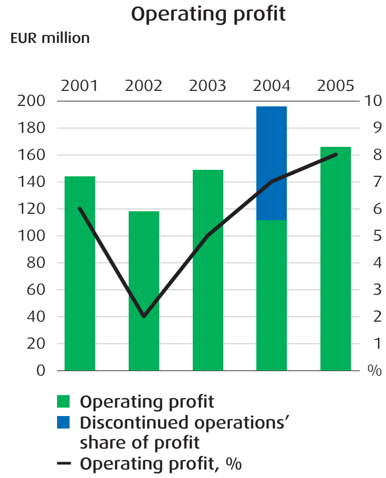
Return on equity, % (ROE)
Net profit attributable to equity holders of the parent x 100
Shareholder equity
(average)

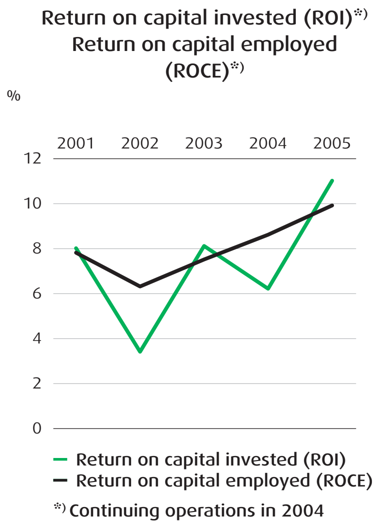
Cash flow return on capital invested (CFROI), %
Cash flow from operations x 100
Total assets - interest-free liabilities
(average)

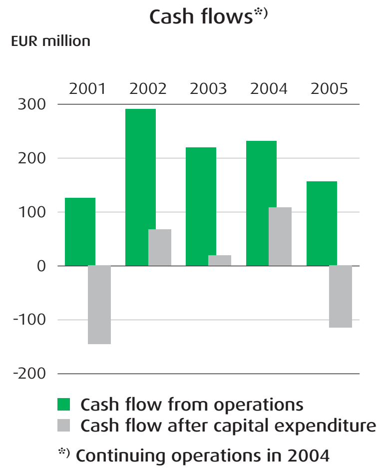
Return on capital employed (ROCE)
Operating profit + income from associates x 100
Net working capital + fixed assets available for use + investments in associates
(average)

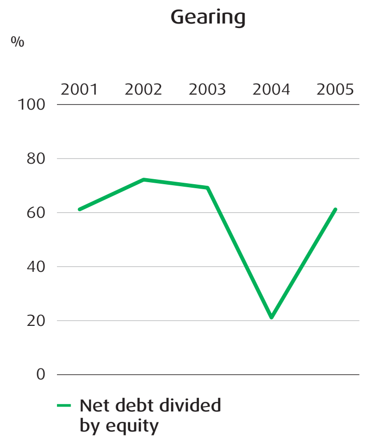
Group key figures

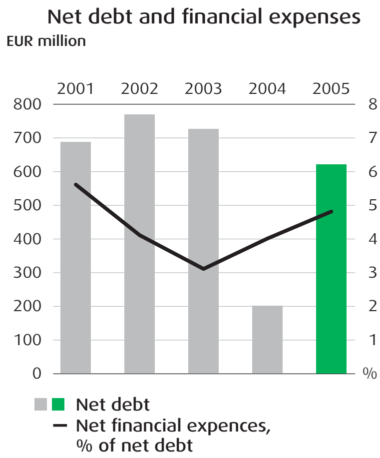


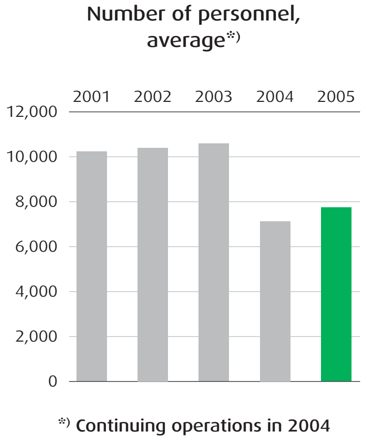


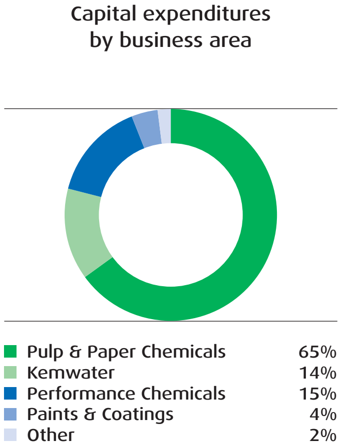


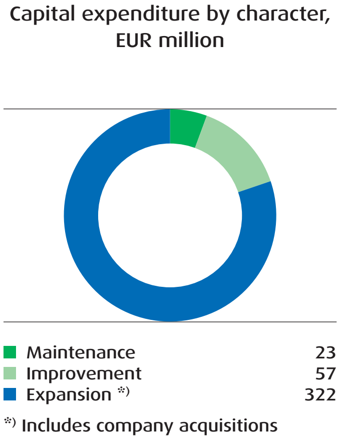












Group key figures

PER SHARE FIGURES

	IFRS				FAS	
	2005	2004	2003	2002	2002	2001
Per share figures						
Earnings per share, EUR [1) 4)]	**0.73**	0.65	0.64		0.07	0.58
Earnings per share, diluted, EUR [1) 4)]	**0.73**	0.65	0.64		0.07	0.58
Cash flow from operations per share, EUR [1)]	**1.29**	2.20	1.85	2.45	2.45	1.03
Dividend per share, EUR [1) 2) 3)]	**0.36**	0.34	1.67	0.30	0.30	0.30
Dividend payout ratio, % [1) 2) 3)]	**49.1**	53.1	51.5		428.6	51.7
Dividend yield [1)]	**2.7**	3.4	18.0		4.6	4.5
Equity per share, EUR [1)]	**8.33**	7.69	8.77	8.47	8.94	9.35
Price per earnings per share (P/E ratio) [1)]	**18.40**	15.63	14.38		94.14	11.50
Price per equity per share [1)]	**1.62**	1.32	1.09	0.78	0.74	0.71
Price per cash flow per share [1)]	**10.45**	4.62	4.97	2.69	2.69	6.48
Dividend paid, EUR million [2) 3)]	**43.5**	40.9	199.6	35.5	35.5	35.8
Share price and turnover						
Share price, year high, EUR	**14.02**	11.69	9.30	8.50	8.50	8.75
Share price, year low, EUR	**9.86**	9.20	5.75	5.75	5.75	5.30
Share price, year average, EUR	**11.59**	10.45	7.39	7.22	7.22	7.36
Share price, end of year, EUR	**13.48**	10.16	9.20	6.55	6.55	6.65
Number of shares traded (1,000), Helsinki	**65,578**	41,991	23,011	24,606	24,606	72,176
% of number of shares	**54**	34	19	21	21	60
Market capitalisation, end of year, EUR million	**1,627.2**	1,222.3	1,087.2	774.0	774.0	792.7
Increase in share capital						
Average number of shares (1,000) [1)]	**120,628**	119,187	118,170	118,170	118,170	121,075
Average number of shares, diluted (1,000) [1)]	**121,024**	120,202	119,270	118,257	118,257	121,185
Number of shares at end of year (1,000) [1)]	**120,714**	120,306	118,170	118,170	118,170	119,208
Number of shares at end of year, diluted (1,000) [1)]	**121,057**	120,707	119,620	118,257	118,257	119,318
Increase in number of shares (1,000)	**306**	2,136	-	-	-	-
Share capital, EUR million	**221.3**	220.7	217.0	217.0	217.0	217.0
Increase in share capital - share options, EUR million	**0.6**	3.7	-	-	-	-

1) Number of shares outstanding, adjusted by the number of shares bought back.
2) The 2005 dividend is the Board of Directors' proposal to the Annual General Meeting.
3) The total cash dividend payout during 2004 for the 2003 financial year was EUR 39 million (EUR 0.33 per share), in addition to which GrowHow shares were distributed as a dividend to a total amount of EUR 161 million (EUR 1.34 per shares). The dividend payout has been calculated according to a dividend of EUR 0.33.
4) In 2004 earnings per share from continuing operations was EUR 0.13 excluding one-off impairment EUR 0.50 per share.

FINANCIAL FIGURES

Income statement and profitability	IFRS 2005	IFRS 2004 Continuing	IFRS 2004	IFRS 2003	IFRS 2002	FAS 2002	FAS 2001
Revenue, EUR million	**1,994**	1,695	2,533	2,738	2,612	2,612	2,454
Foreign operations, EUR million	**1,642**	1,453	2,124	2,282	2,155	2,155	1,967
Sales in Finland, %	**18**	14	16	17	18	18	20
Exports from Finland, %	**21**	27	24	25	23	23	23
Sales generated outside Finland, %	**61**	59	60	58	59	59	57
Operating profit, EUR million [1] [4]	**166**	112	196 [3]	149		40	144
% of revenue	**8**	7	8	5		2	6
Income from associates, EUR million [1]	**-2**	-4	-3	-6		5	0
Financial income and expenses (net), EUR million [2]	**30**	57	68	22		30	31
% of revenue	**2**	3	3	1		1	1
Interest cover [1] [4]	**9**	4	5	12		9	9
Gains and losses on discontinued operations, EUR million	**-**	-	40 [3]	-		-	-
Income before taxes, EUR million [4]	**134**	51	125	121		16	113
% of revenue	**7**	3	5	4		1	5
Net profit for the period (attributable to equity holders of the parent), EUR million	**88**	15	78	76		8	70
Return on capital invested, %	**11**	6	11	8		3	8
Return on equity, %	**9**	2	8	7		1	6
Research and development expenses, EUR million	**43**	39	45	48	46	46	39
% of revenue	**2**	2	2	2	2	2	2
Cash flow							
Cash flow from operations, EUR million	**156**	231	262	219	290	290	125
Disposals of subsidiaries and property, plant and equipment, EUR million	**132**	42	191	36	21	21	27
Capital expenditure, EUR million	**402**	165	215	236	243	243	298
% of revenue	**20**	10	8	9	9	9	12
Cash flow after capital expenditure, EUR million	**-115**	108	238	19	67	67	-146
Cash flow return on capital invested, %	**10**	13	13	11	15	15	7
Balance sheet and solvency							
Non-current assets, EUR million	**1,617**	1,135	1,135	1,534	1,547	1,474	1,415
Shareholders' equity (attributable to equity holders of the parent), EUR million [4]	**1,005**	928	928	1,036	1,001	1,056	1,115
Shareholders' equity including minority interest, EUR million	**1,019**	956	956	1,068	1,017	1,073	1,132
Liabilities, EUR million	**1,312**	1,087	1,087	1,518	1,546	1,418	1,318
Total assets, EUR million	**2,331**	2,043	2,043	2,586	2,563	2,491	2,450
Net liabilities, EUR million	**620**	201	201	725	733	768	686
Equity ratio, %	**44**	47	47	41	40	43	46
Gearing, %	**61**	21	21	68	72	72	61
Personnel							
Personnel (average)	**7,717**	7,110	9,714	10,536	10,377	10,377	10,207
of whom in Finland	**3,146**	2,957	3,986	4,596	4,681	4,681	4,871
Exchange rates							
Key exchange rates (31 December)							
USD	**1.180**	1.362	1.362	1.263	1.049	1.049	0.881
SEK	**9.388**	9.021	9.021	9.080	9.153	9.153	9.301
PLN	**3.860**	4.085	4.085	4.702	4.021	4.021	3.495

1) The income from associates is presented after the financial expenses. Operating profit of years 2001-2002 has been changed by the Group's share of income from associates.
2) Financial income and expenses include impairment and guarantee losses on loan receivables from associated companies totaling EUR 44.2 million in 2004.
3) The one-time item in 2004 from discontinued operations is included in operating profit.
4) The operating profit was decreased by an impairment loss of EUR 78.2 million in year 2002.

Consolidated income statement (IFRS)

	Note	1.1.–31.12. 2005 EUR million	2004 EUR million
Continuing operations			
Revenue	2, 3	**1,994.4**	1,695.1
Other operating income	4	**69.3**	13.8
Cost of sales	5, 6, 7	**-1,779.3**	-1,476.9
Depreciation	9	**-118.9**	-120.4
Operating profit	2	**165.5**	111.6
Financial income and expenses	10	**-30.5**	-56.8
Income from associates	2, 10	**-1.5**	-3.7
Profit before tax		**133.5**	51.1
Income tax	11	**-42.1**	-31.5
Profit from continuing operations		**91.4**	19.6
Discontinued operations			
Profit from discontinued operations	37	**-**	62.6
Net profit for the period		**91.4**	82.2
Attributable to:			
Equity holders of the parent		**88.5**	78.0
Minority interest		**2.9**	4.2
Net profit for the period		**91.4**	82.2
Earnings per share, EUR	12	**0.73**	0.65
Earnings per share, diluted, EUR	12	**0.73**	0.65
Earnings per share, continuing operations, EUR	12, 37	**0.73**	0.13
Earnings per share, discontinued operations, EUR	37	**-**	0.52

Discontinued operations in 2004 include the net profits, sales profits and related taxes of Kemira GrowHow, Fine Chemicals, the Calcium Chloride business and Ecocat.

Due to the retrospective application of IFRS 2 (Share-based Payment) the profit in 2004 increased and interest-free liabilities decreased by EUR 1.8 million in 2004, as according to IFRS 2 the share based payments are accounted for services during the length of the vesting period, i.e. three years.

Consolidated balance sheet (IFRS)

ASSETS	Note	31.12. 2005 EUR million	2004 EUR million
Non-current assets			
Goodwill	13	**558.1**	190.4
Other intangible assets	13	**70.9**	30.7
Property, plant and equipment	14	**864.9**	750.8
Biological assets		**-**	1.2
Investments	15		
Holdings in associates	34	**9.2**	7.8
Available-for-sale investments		**83.7**	124.3
Deferred tax assets	21	**6.8**	2.1
Defined benefit pension receivables		**15.3**	15.4
Other investments		**7.7**	12.6
Total investments		**122.7**	162.2
Total non-current assets		**1,616.6**	1,135.3
Current assets			
Inventories	17	**219.2**	188.0
Receivables	18		
Interest-bearing receivables		**7.0**	2.9
Interest-free receivables		**431.8**	331.9
Total receivables		**438.8**	334.8
Short-term investments	33	**28.3**	356.0
Cash and cash equivalents	33	**28.0**	28.9
Total current assets		**714.3**	907.7
Total assets		**2,330.9**	2,043.0

EQUITY AND LIABILITIES	Note	31.12. 2005 EUR million	2004 EUR million
Equity			
Share capital		**221.3**	220.7
Share issue		**-**	0.1
Capital paid-in in excess of par value		**257.8**	257.5
Treasury shares		**-27.5**	-28.2
Fair value reserve		**64.3**	49.0
Other reserves		**2.8**	2.8
Retained earnings		**486.8**	425.9
Equity attributable to equity holders of the parent		**1,005.5**	927.8
Minority interest		**13.7**	28.2
Total equity		**1,019.2**	956.0
Non-current liabilities			
Interest-bearing non-current liabilities	20, 24, 25	**404.0**	415.8
Deferred tax liabilities	21	**100.5**	63.3
Pension liabilities		**55.4**	50.2
Provisions	22	**94.6**	69.0
Total non-current liabilites		**654.5**	598.3
Current liabilities			
Interest-bearing current liabilities	23, 24, 25	**272.0**	170.4
Interest-free current liabilities		**342.4**	287.7
Current tax liabilities		**14.3**	16.9
Provisions	22	**28.5**	13.7
Total current liabilities		**657.2**	488.7
Total liabilities		**1,311.7**	1,087.0
Total equity and liabilities		**2,330.9**	2,043.0

Consolidated cash flow statement (IFRS)

	2005 EUR million	2004 EUR million
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit	165.5	195.7
Adjustments to operating profit [1]	-26.1	-64.2
Depreciation	118.9	161.5
Interest received	2.5	10.8
Interest paid	-33.7	-32.9
Dividend income	5.5	3.7
Other financing items	-24.5	-2.9
Income taxes paid	-45.5	-24.8
Total funds from operations	162.6	246.9
Change in net working capital		
Change in inventories	-10.0	8.2
Change in current receivables	-23.7	-44.7
Change in interest-free current liabilities	26.7	51.7
Change in net working capital, total	-7.0	15.2
Total cash flows from operations	155.6	262.1
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of subsidiaries companies, net of cash acquired	-285.5	-49.1
Acquisitions of associates	-0.1	-0.2
Purchase of other shares	-3.6	-6.0
Purchase of other property, plant and equipment	-112.7	-159.7
Disposal of Group companies	8.7	135.5
Disposal of associated companies	4.6	16.0
Proceeds from sale of other shares	51.9	2.1
Proceeds from sale of other property, plant and equipment	66.3	37.3
Net cash used in investing activities	-270.4	-24.1
Cash flow before financing	-114.8	238.0
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in long-term loans (increase +, decrease -)	-370.8	-56.5
Change in long-term loan receivables (increase -, decrease +)	5.8	33.2
Short-term financing, net (increase +, decrease -)	191.1	143.0
Dividends paid	-43.2	-41.3
Share issue	0.6	8.5
Other	2.7	-18.1
Net cash used in financing activities	-213.8	68.8
Net change in cash and cash equivalents	-328.6	306.8
Cash and cash equivalents at end of year	56.3	384.9
Cash and cash equivalents at beginning of year	384.9	78.1
Net change in cash and cash equivalents	-328.6	306.8

1) Non-cash flow items included in operating income (e.g. one-time impairments) and gains / losses on the sale of property, plant and equipment.

The above figures cannot be directly delivered from the balance sheet. The cash flows of the business areas are shown with the segment data.

In the cash flow statement the income of insurance payments related to property damage part of Helsingborg sulphuric acid tank accident is reported as part of the cash flows from investing activities. The business interruption compensation is included to cash flows from operation.

Consolidated statement of changes in equity

(EUR million)	Share capital	Share issue	Capital paid-in in excess of par value	Reserve fund	Fair value reserve	Exchange differences	Treasury shares	Retained earnings	Minority interest	Total
	Equity attributable to equity holders of the parent									
Shareholders' equity at January 1, 2004	217.0	-	252.5	3.2	49.1	-54.8	-28.2	597.0	32.2	1,068.0
Net profit for the financial period	-	-	-	-	-	-	-	78.0	4.2	82.2
Dividends paid	-	-	-	-	-	-	-	-199.7	-3.3	-203.0
Shares available for sale - change in valuation	-	-	-	-	-1.6	-	-	-	-	-1.6
Options subscribed for shares	3.7	0.1	5.0	-	-	-	-	0.2	-	9.0
Exchange differences	-	-	-	-	-	2.6	-	-	-0.6	2.0
Hedge of net investment in foreign entities	-	-	-	-	-	4.8	-	-	-	4.8
Cash flow hedging: amount entered in shareholders' equity	-	-	-	-	-0.2	-	-	-	-	-0.2
Acquired minority interest	-	-	-	-	-	-	-	-	-4.5	-4.5
Transfer between restricted and non-restricted equity	-	-	-	0.2	-	-	-	-0.2	-	-
Donations	-	-	-	-	-	-	-	-0.2	-	-0.2
The effect of the change in the tax rate	-	-	-	-	2.0	-	-	-	-	2.0
Other changes	-	-	-	-0.6	-0.3	-	-	-1.8	0.2	-2.5
Shareholders' equity at December 31, 2004	220.7	0.1	257.5	2.8	49.0	-47.4	-28.2	473.3	28.2	956.0
Shareholders' equity at January 1, 2005	**220.7**	**0.1**	**257.5**	**2.8**	**49.0**	**-47.4**	**-28.2**	**473.3**	**28.2**	**956.0**
Net profit for the financial period	-	-	-	-	-	-	-	88.5	2.9	**91.4**
Dividends paid	-	-	-	-	-	-	-	-41.1	-2.1	**-43.2**
Shares available for sale - change in valuation	-	-	-	-	4.1	-	-	-	-	**4.1**
Treasury shares issued to target group	-	-	-	-	-	-	0.7	-0.7	-	**-**
Options subscribed for shares	0.6	-0.1	0.3	-	-	-	-	-	-	**0.8**
Exchange differences	-	-	-	-0.1	-	21.8	-	-	4.1	**25.8**
Hedge of net investment in foreign entities	-	-	-	-	-	-8.3	-	-	-	**-8.3**
Cash flow hedging: amount entered in shareholders' equity	-	-	-	-	11.2	-	-	-	-	**11.2**
Acquired minority interest	-	-	-	-	-	-	-	-	-19.6	**-19.6**
Share-based compensation	-	-	-	-	-	-	-	0.7	-	**0.7**
Other changes	-	-	-	0.1	-	-	-	-	0.2	**0.3**
Shareholders' equity at December 31, 2005	**221.3**	**-**	**257.8**	**2.8**	**64.3**	**-33.9**	**-27.5**	**520.7**	**13.7**	**1,019.2**

Changes in share volume 1,000	Shares outstanding	Treasury Shares	Total
1.1.2004	118,170	4,190	122,360
Share issue (entered into Trade Register in 2005)	53	-	53
Stock options excercised	2,083	-	2,083
31.12.2004	120,306	4,190	124,496
1.1.2005	**120,306**	**4,190**	**124,496**
Options subscribed for shares	**306**	**-**	**306**
Treasury shares issued to target group	**108**	**-108**	**-**
Shares from the share-based arrangement given back	**-6**	**6**	**-**
31.12.2005	**120,714**	**4,088**	**124,802**

The Group's non-restricted shareholders' equity, which limits the parent company's dividend payout, was EUR 420.8 million in 2005 and EUR 346.3 million in 2004. This figure is obtained by subtracting from non-restricted equity the proportion of untaxed reserves which has been transferred to shareholders' equity. Research, establishment and development expenses that have a limiting effect on the distribution of profits have not been capitalized in the balance sheet.

Kemira had in its possession 4,087,760 of its treasury shares at December 31, 2005. Their average share price was EUR 6.73 and they represented 3.3% of the share capital and the aggregate number of votes conferred by all shares.

Notes to consolidated financial statements

1. COMPANY PROFILE AND CONSOLIDATED FINANCIAL STATEMENTS: ACCOUNTING POLICIES

COMPANY PROFILE

Kemira is a chemical group whose operations comprise the following four business areas: Pulp & Paper Chemicals, Kemwater (water treatment chemicals), Performance Chemicals and Paints & Coatings. Kemira is seeking to be an internationally operating group of leading businesses that have a great deal of synergy together and a unique competitive position. Kemira's operations furthermore include the water-soluble fertilizer business that remained a part of Kemira after the spin-off of GrowHow as well as the energy units.

The parent company of the Group is Kemira Oyj. The parent company is domiciled in Helsinki in Finland and its registered address is Porkkalankatu 3, 00101 Helsinki.

CONSOLIDATED FINANCIAL STATEMENTS: ACCOUNTING POLICIES

Basis of preparation

Kemira's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared in compliance with the IAS and IFRS standards that were in force on December 31, 2005 as well as the SIC and IFRIC interpretations. International Financial Reporting Standards (IFRS) refer to the standards and interpretations regarding them which are applied in the EU and have been approved in Finnish accounting legislation and the regulations issued on the basis of it. The notes to the consolidated financial statements are also in accordance with Finnish accounting and company legislation.

The Group adopted IFRS during 2004. The transition date was January 1, 2003.

The consolidated financial statements have been prepared based on original cost unless otherwise disclosed in the accounting policies below. Among the items measured at fair value are available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and share-based payments at their grant date.

Subsidiaries

The consolidated financial statements include the parent company and its subsidiaries. In these companies the parent company has, on the basis of its holding, more than half of the voting rights directly or via its subsidiaries or it otherwise has control. Divested companies are included in the income statement up to the time of sale or until control ceases, and companies acquired during the year are included from the time when the Group has obtained control.

All intra-Group transactions have been eliminated. The purchase method has been used to eliminate mutual shareholdings. The excess of the acquisition cost over fair value of the net assets acquired is allocated partly to the identifiable assets and liabilities. Any excess is recorded as goodwill. For business combinations that occurred before the year 2003 the carrying amount of the goodwill has been treated according to the previous GAAP and that amount is taken as the cost of the goodwill. The splitting of profit for the fiscal year between the parent company's equity holders and minority interests is presented in the income statement. The share of equity attributable to minority interests is stated as an individual item in the balance sheet under equity. Minority interests have been measured at fair value for those acquisitions that were agreed on or after March 31, 2004, and acquisitions made previously are stated at their carrying amount.

Associates

Associated companies are companies in which the Group has a significant influence (holding 20-50 %). Holdings in associated companies are presented in the consolidated financial statements using the equity method. The Group's proportionate share of the associated companies' net profit for the financial year is stated as a separate item in the consolidated income statement.

If the Group's share in an associate's losses exceeds the Group's investment in the associate, additional losses are provided for only to the extent that the Group has incurred legal or constructive obligations on behalf of the associate.

Joint ventures

Joint ventures are companies in which the Group exercises joint control together with other parties. They are included in the consolidated financial statements line by line using the proportionate method.

Foreign subsidiaries

In the consolidated financial statements, the income statements of foreign subsidiaries have been translated into euros using the average exchange rates and the balance sheets have been translated using the rates at the balance sheet date. The translation difference which has arisen in translating the income statement and balance sheet using the different exchange rates, has been recorded as a separate item in equity. Beginning from 2005 goodwill and fair value adjustments to assets and liabilities that arise on the acquisition of a foreign entity are treated as part of the assets and liabilities of the acquired entity and translated at the closing rate. Previously recorded goodwill has been entered in the financial statements at the foreign exchange rate prevailing on the acquisition date.

Hedging of a net investment in a foreign operation is described in the section "Hedge accounting". In the consolidated financial statements, the exchange rate gains and losses of such loans and forward and currency swap contracts are credited or charged to equity, in accordance with the requirements of hedge accounting, against the translation differences arising from the translation of the shareholders' equity amounts of the last confirmed balance sheets of the subsidiaries. Other translation differences affecting shareholders' equity are stated as an increase or decrease in equity.

Items denominated in foreign currency

In their own day-to-day accounting the Group companies translate transactions in foreign currencies into their own functional currency at the rates of exchange prevailing on the dates of the transactions. In the financial statements, foreign currency-denominated receivables and liabilities are measured applying the exchange rates at the balance sheet date, and non-monetary items using the rates on the transaction date. Foreign exchange gains and losses related to normal business operations are treated as adjustments to sales and purchases. Exchange rate differences associated with the hedging of financing transactions and the Group's overall foreign currency position are stated in exchange gains and losses under financial income and expenses. Subsidiaries mainly hedge sales and purchases in foreign currency, in which the hedging instruments used are forward contracts that are taken out, as a rule, with Group Treasury. The effects of subsidiaries' hedging transactions appear as adjustments to the net sales and purchases of the business units.

Revenue

Revenue includes the total invoicing value of products sold and services rendered less, as adjusting items, sales tax, discounts, rebates and foreign exchange differences in trade receivables.

Revenue recognition

Income from the sale of goods is booked to the income statement when the major risks and rewards of ownership of the goods have been transferred to the purchaser. The share of construction contracts is very immaterial. Revenue and costs associated with construction contracts are recognized as revenue and expenses by reference to the stage of completion of the contract activity.

Pension arrangements

The Group has various pension plans in accordance with the local conditions and practices in the countries in which it operates. The plans are generally funded through payments to separate funds or to insurance companies. When an employee has rendered service during a period, the contribution payable to a defined contribution plan is recognized as an expense in the same period.

The effects of defined benefit plans in the Group have been calculated for each arrangement separately. The amount recognized as a defined benefit liability (or receivable) is the net total of the following amounts: the present value of the defined benefit obligation, minus the fair value of plan assets, plus any actuarial gains and less any actuarial losses. Defined benefit plans have been calculated at the Group level by using the projected unit credit method to make an estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods. Actuarial techniques are used to make a reliable estimate and the expenses are booked accordingly. The rate used to discount the present value of post-employment benefit obligations is determined by reference to market yields at the balance sheet date on high quality corporate bonds or government bonds.

The Group has recorded the cumulative actuarial gains and losses of defined-benefit plans in equity in the opening balance sheet on the date of transition to IFRS reporting, January 1, 2003. Subsequently, the portion of actuarial gains and losses for each defined benefit plan is the excess that falls outside the higher of the following: the 10% 'corridor' (of the present value of the pension obligation or fair value of plan assets), divided by the expected average remaining working lives of the employees participating in the plan.

The funded portion of the Finnish system under the Employees' Pensions Act (TEL) and the disability portion are treated as a defined benefit plan in respect of the pension plans that are managed by the Group's own pension funds. Pension fund assets have been measured in accordance with IAS 19 (Employee Benefits). In respect of the TEL plans that are managed by insurance companies, the disability portion is likewise treated as a defined benefit plan towards the end of the year 2004. At the end of the year 2004 the TEL arrangement was changed so that that the arrangements in insurance companies can be defined to be defined contribution plans. Based on actuarial calculations, a major part of the effect of the change has been entered as income in 2004.

Share-based payments

Cash payments received on the basis of share subscriptions on the exercise of stock options under the program decided in 2001 are recorded in share capital or in the capital paid-in in excess of par value. According to the transitional provisions of IFRS 2, no expense has been recognized in the income statement for these options that were granted prior to November 7, 2002.

Stock options of the equity bonus scheme directed at key employees as decided by the Board of Directors on April 27, 2004, are measured at fair value on their grant date, and they are recorded as an expense in the income statement during the vesting period. The assumed amount of the final number of shares and cash payments connected with them is updated on each balance sheet date.

Financing costs

Financing costs are recognized in the income statement as they accrue.

Income taxes

The consolidated financial statements include income taxes, which are based on the taxable results of the Group companies for the accounting period calculated according to local tax rules, and the change in the deferred tax liability and assets

The deferred tax liability has been calculated for all temporary differences, which have been obtained by comparing the book value of each balance sheet item with the taxation value. Deferred tax assets are recognized for deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available against which tax credits and deductible temporary differences can be utilized. In calculating deferred taxes and assets, the tax bases which are in force at the time of preparing the financial statements or which has been enacted by the balance sheet date for the following period.

Research and development expenditure
Research expenditure is expensed as incurred. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development and to use or sell the intangible asset. Most of the Group's development expenditure does not meet the above-mentioned capitalization requirements and is booked to expenses for the year.

Capitalized development costs are included in the item "Other intangible assets" and amortized over their useful life, not exceeding, however, five years.

Property, plant and equipment and intangible assets
Property, plant and equipment and intangible assets (with definite useful life) are stated in the balance sheet at cost, less accumulated depreciation and impairment losses as applicable.

Depreciation is calculated on a straight-line basis from the original acquisition cost in accordance with the useful life of the assets. The most commonly applied depreciation periods according to the Group's accounting policy are as follows:

Machinery and equipment	3–15 years
Buildings and constructions	25 years
Intangible assets	5–10 years

Beginning from 2005 goodwill acquired in a business combination is stated at cost less accumulated depreciation.

Profit on the sale of non-current assets is included in operating income and losses on the sale of assets in operating expenses. Interest expenses are not capitalized as part of the acquisition cost of non-current assets. The costs of major inspections or the overhaul of property plant and equipment items that occur at regular intervals and are identified as separate components are capitalized and depreciated over their useful lives. Depreciation entries on items of property, plant and equipment are discontinued when they are classified as available for sale.

Government grants
Government grants related to property, plant and equipment are presented in the balance sheet by deducting the grant from the carrying amount of those assets. The grants are entered in the income statement in the form of smaller depreciation during the useful life of the asset. Government grants related to research and development are deducted from expenses.

Leases
When the Group is a lessee, all lease contracts in which substantially all the risks and rewards incidental to ownership have been transferred to the Group are classified as finance leases.

At the commencement of the lease term, a finance lease is recognized in the balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payment. Leased assets are presented as part of the Group's fixed assets and the leasing debt is shown as a part of interest-bearing liabilities. In respect of finance lease agreements, the depreciation on the leased property and the interest expense on the debt are shown in the income statement.

In respect of other lease agreements, lease payments are treated as rental expenses.

When the Group is a lessor, it recognizes assets held under a finance lease as a receivable in the balance sheet. Assets held under other lease agreements are included in non-current assets.

Inventories
Inventories are stated at the lower of cost and net realizable value. Cost is determined on a first-in first-out (FIFO) basis or using a weighted average cost formula depending on the nature of the inventory. Net realizable value is the estimated selling price in the normal course of business less the estimated costs of sale. The cost of finished goods and work in process include an allocable proportion of production overheads.

Financial assets, financial liabilities and derivative contracts
When financial assets or liabilities are originally entered in the accounts on the trade date, the Company values them at the acquisition cost, which is equal to the fair value of the consideration given or received for it. For purposes of measurement after the original entry has been made, the company's financial assets are classified as assets at fair value through profit or loss, receivables and loans granted by the Company and available-for-sale assets.

Category	Financial instrument	Measure-ment
Financial assets at fair value through profit or loss	Forward contracts, currency options, currency swaps, forward rate agreements, interest rate futures, interest rate options, interest rate swaps, electricity forwards, certificates of deposit, commercial paper, mutual funds	Fair value
Loans and other receivables	Long-term loan receivables, bank deposits	(Amortized) acquisition cost
Available-for-sale financial assets	Shares	Fair value

Financial assets at fair value through profit or loss are measured at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Financial assets at fair value through profit or loss include those derivatives to which hedge accounting is not applied. In the balance sheet, the items are shown under prepaid expenses and accrued income and accrued expenses and prepaid income. Gains and losses arising from changes in fair value are recognized in the income statement at the time of the transaction. Loans granted by the Company and other receivables include long-term receivables that are valued at amortized cost using the effective interest rate method and accounting for any impairments.

Available-for-sale financial assets are measured at fair value if it is considered that the fair value can be determined reliably. Unrealized changes in the value of available-for-sale financial assets are recorded directly in equity up to the time of sale, at which point they are transferred to the income statement. Available-for-sale financial assets include shares in listed companies and shares in other companies, the largest item of which is the holding in Teollisuuden Voima Oy. Teollisuuden Voima Oy is a private, electricity-generating company that is owned by Finnish industrial and power companies to which Teollisuuden Voima Oy supplies electricity at cost. The company owns and operates two nuclear power plants in Olkiluoto and in the municipality of Eurajoki. In addition to the Olkiluoto nuclear power plant, TVO is a shareholder in the Meri-Pori coal-fired power plant. Kemira Oyj's holding in Teollisuuden Voima Oy has been measured at fair value based on the discounted cash flow resulting from the difference between the market price of electricity and the price at cost.

Financial liabilities are classified as financial liabilities at fair value through profit or loss and other financial liabilities. Financial liabilities at fair value through profit and loss include derivatives to which hedge accounting is not applied.

Category	Financial instrument	Measure-ment
Financial liabilities at fair value through profit or loss	Forwards, currency options, currency swaps, forward rate agreements, interest rate futures, interest rate options, electricity forwards, interest rate swaps	Fair value
Others	Short and long-term loans, pension loans	(Amortized) acquisition cost

The fair values of forward rate agreements, mutual funds as well as publicly listed shares are obtained on the basis of price quotations in functioning markets at the balance sheet date. The value of other financial instruments measured at fair value is defined on the basis of valuation models and information available in the financial markets. For value determination, Kemira uses values calculated on the basis of market data that is entered in the Twin treasury management system.

Changes in the value of forward exchange contracts are calculated by measuring the forward contracts against the forward exchange rates at the balance sheet date and comparing these with the countervalues calculated via the forward exchange rates at the time of entering into the forward exchange contracts. The fair values of currency options are calculated using the Black & Scholes valuation model for options as adapted to Kemira's currency environment. The input data in the valuation, such as the exchange rate of the target currency, the contract exchange rate, the volatility and the risk-free interest rate are obtained from the Reuters system. The fair values of interest rate derivatives are determined using the market values of similar instruments at the balance sheet date. Other derivatives are valued at the market price on the balance sheet date.

All the derivatives that are open at the balance sheet date are measured at their fair value. As a rule, the valuation results of open derivative contracts are booked as a credit or charge to income within financial items in the consolidated financial statements. The Group's embedded derivatives are minor in amount and they are not estimated to have an impact on earnings.

The Company estimates any impairment losses on financial instruments at each balance sheet date. An impairment of a financial asset occurs when an event has been identified that has a negative effect on the future cash flows from the investment. For items measured at amortized cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows from the receivable. This is discounted at the financial asset's original effective interest rate. In items measured at fair value, the fair value determines the impairment. Impairment charges are booked as a charge to financial income and expenses.

Cash and cash equivalents consist of cash on hand, demand deposits and other short-term, highly liquid investments. Items classified as cash and cash equivalents have a maturity not to exceed six months from the time they are acquired. Binding credit facilities are included in current interest-bearing liabilities.

Hedge accounting

According to IAS 39, hedge accounting refers to a method of accounting, the purpose of which is to allocate one or more hedging instruments such that their fair value offsets, in its entirety or partially, the changes in the fair value of the hedged item or the cash flows. Hedge accounting is applied in respect of interest rate risk and the currency risk of a net investment made in a foreign unit. The hedge accounting models used are cash flow hedging and hedging of a net investment in a foreign operation.

In hedging cash flows, the hedge is for the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability in the balance sheet or a highly probable forecast transaction. Interest rate instruments are used as the hedging instruments in hedging cash flows. The IAS 39 definition of hedge accounting is applied solely to selected hedging items. Changes in the fair value of derivative instruments associated with the hedging of cash flows are recognized in equity when they fulfill the criteria for hedge accounting and when the hedge accounting is effective. The ineffective portion is booked to financial income and expense in the income statement. Derivatives to which hedge accounting is not applied are recorded in financial income and expenses through profit or loss.

A net investment made in a foreign operation is hedged against interest rate changes by taking out long-term loans in foreign currency as well as by entering into forward rate agreements and currency swaps. The change in the value of the effective portion of the fair value of derivative contracts fulfilling the criteria for hedging a net investment in a foreign operation is booked directly to consolidated equity. In using forward exchange contracts, the interest rate difference to be left outside the change in value of the hedging relationship is recorded as a credit or charge to financial income and expenses. The gains or losses arising from the hedging of a net investment are entered in the income statement when the net investment is sold. The ineffective portion of the hedging is recognized immediately under financial income and expenses in the income statement. Hedge effectiveness is monitored in the manner required by IAS 39. Effectiveness refers to the capacity of a hedging instrument to offset changes in the fair value of the hedged item or in cash flows from a hedged transaction, which are due to the realization of the risk being hedged. A hedging relationship is considered to be highly effective when the change in the fair value of the hedging instrument offsets changes in the cash flows attributable to the hedged risk in the range of 80–125 per cent. Hedge efficiency is assessed on an ongoing basis, prospectively and subsequently. Testing of hedge efficiency is repeated at each balance sheet date.

Hedge accounting is discontinued when the criteria for hedge accounting are no longer fulfilled. Gains or losses that are reported in shareholders' equity are transferred immediately as financial income and expenses in the income statement if the hedged item is sold or falls due. Gains or losses arising from changes in the fair value of those derivatives that do not qualify as hedge accounting under IAS 39 are reported directly in the income statement.

At the inception of a hedge, the Group has documented the existence of the hedging relationship, and it includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, the objectives of risk management and the strategy for undertaking hedging as well as a description of how hedge effectiveness is assessed.

Own shares

Purchases of own shares (treasury shares) including costs are deducted directly from equity in the Group's financial statements.

Provisions

An obligatory provision is entered in the balance sheet when as a consequence of some previous event there has arisen a legal or constructive obligation and it is probable that this will cause future expenses and the amount of the obligation can be evaluated reliably. A restructuring provision is booked only when a detailed and fully compliant plan has been prepared for it and implementation of the plan has been started or notification of it has been made to those whom the arrangement concerns. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the time value of money is material, provisions will be discounted.

Non-current assets held for sale and discontinued operations

Available-for-sale non-current asset items and asset items connected with discontinued operations are classified according to IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) as held for sale. They are measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Depreciation on these asset items is discontinued at the time of classification. A discontinued operation is entered as a separate business unit or a unit representing a geographical area. The profit or loss of the discontinued operation is stated as a separate item in the Group's income statement.

In the original financial statements for 2004, Kemira GrowHow, which was spun off from Kemira, was presented as a discontinued operation representing a major line of business in accordance with IAS 35 (Discontinued Operations). Under the new IFRS 5 that replaces it, the profit or loss and capital gains after taxes of Kemira GrowHow, Fine Chemicals, the calcium chloride business and Ecocat, which were divested in 2004, are stated as an separate item in the comparative figures for the 2005 income statement. In 2005 the Group did not have discontinued operations, nor did it have non-current assets held for sale at December 31, 2005.

Impairment of assets

In preparing each financial statement, the Group's assets are evaluated to determine whether there are indications that the value of an asset item may be impaired. If there are indications of impairment, the recoverable amount of the assets is estimated. The recoverable amount is the higher of an asset's value in use or fair value less selling costs. Impairment tests are made annually for goodwill and intangible assets with an indefinite useful life and for intangible assets which are not yet ready for use.

Kemira has defined a strategic business unit to be a cash-generating unit. The level of a strategic business unit is one notch down from a business area.

Goodwill impairment is tested by comparing the strategic business unit's recoverable amount with its carrying amount. Kemira does not have material intangible assets with an indefinite useful life other than goodwill. All goodwill has been allocated to the strategic business units.

The recoverable amount of a strategic business unit is defined as its value in use, which consists of the discounted future cash flows to the unit. Estimates of future cash flows are based on continuing use of an asset and on the latest three-year forecasts by the business unit's management. Cash flow estimates do not include the effects of improvements to the performance of the asset item, investments or future reorganizations.

An impairment loss is recognized whenever the carrying amount of an asset or of a cash-generating unit exceeds its recoverable amount. The loss is booked to the income statement. Details of the impairment tests are presented in the Notes to the consolidated financial statements, section 16.

When the circumstances which caused the impairment loss are resolved, the impairment loss is reversed. On reversal, the asset's carrying amount is increased, but not exceeding the amount that it would have been, had there been no impairment loss in prior years. An impairment loss for goodwill is never reversed.

Emission trading

Kemira implemented the accounting for emission allowances according to IFRIC 3 January 1 – March 31, 2005. Due to the withdrawal of IFRIC 3 by the International Accounting Standards Board in June 2005, Kemira changed the accounting policy for emission allowances. Kemira accounts for the carbon dioxide allowances and provisions for emissions according to the currently valid IFRS standards. Carbon dioxide allowances received free of charge are measured at their nominal value (zero).

Key assumptions and policies; necessity of management judgement

In preparing financial statements (e.g. impairment tests), future scenarios and assumptions have to be made, the outcome of which may differ from the original default value. In addition, judgment has to be exercised in adapting accounting policies.

Changes to the accounting policies as of January 1, 2006

In 2006 the Group will apply the following revised standards published by the IASB:

Changes made to the following sections of IAS 39:
- Hedges of forecast intra-Group transactions
- Intra-Group hedges
- Fair value option
- Financial Guarantee Contracts

The change to IAS 19 concerning the alternative method of recording actuarial gains and losses to the full amount directly in equity as well as expansion of the disclosure requirements.

The following IFRIC interpretation will be adopted as of January 1, 2006.

IFRIC 4: Determining whether an Arrangement contains a Lease

The Group estimates that the adoption of the revised standards and the new IFRIC interpretation will not have a material effect on the Group's future financial statements.

Notes to consolidated financial statements

2. SEGMENT DATA

Business segments

At the beginning of 2005 the Group was organized in the following main business areas: Pulp & Paper Chemicals, Kemwater, Performance Chemicals and Paints & Coatings. Intra-Group transfer prices are based primarily on market prices. In some cases, for example, where marketing companies are involved, cost-based prices are used, thereby including the margin (cost plus method).

The assets and liabilities of businesses comprise assets and liabilities which can be allocated, directly or justifiably, to the businesses in question. The assets of the business segments include property, plant and equipment, intangible assets, interest in associated companies, inventories and interest-free receivables. Current interest-free liabilities are included in the liabilities of the business segments.

2005 (EUR million)	Pulp & Paper Chemicals	Kemwater	Performance Chemicals	Paints & Coatings	Other	**Group**
Income statement						
External revenue	708.1	339.1	414.2	457.5	75.5	**1,994.4**
Intra-Group revenue	30.4	24.4	16.3	-	-71.1	**-**
Total revenue	738.5	363.5	430.5	457.5	4.4	**1,994.4**
Operating profit	63.4	31.9	41.1	55.9	-26.8	**165.5**
Income from associates	-0.7	1.6	-	1.3	-3.7	**-1.5**
Other information						
Assets of businesses	954.2	290.5	533.0	321.5	54.9	**2,154.1**
of which holdings in associated companies	1.3	4.8	-	3.0	0.1	**9.2**
Unallocated assets						**176.8**
Consolidated assets, total						**2,330.9**
Liabilities of businesses	121.9	56.5	73.7	64.4	40.2	**356.7**
Unallocated liabilities						**955.0**
Consolidated liabilities, total						**1,311.7**
Capital expenditure	256.2	56.6	62.1	18.0	9.0	**401.9**
Cash flows						
Cash flow from operations	90.4	36.9	53.6	57.4	-82.7	**155.6**
Net capital expenditure	-252.1	-53.1	-40.6	-4.5	79.9	**-270.4**

2004	Pulp & Paper Chemicals	Kemwater	Performance Chemicals	Paints & Coatings	Other	Group
Income statement						
External revenue	533.3	262.0	299.3	439.9	160.6	1,695.1
Intra-Group revenue	32.2	23.3	15.9	-	-71.4	-
Total revenue	565.5	285.3	315.2	439.9	89.2	1,695.1
Operating profit	44.8	14.4	33.0	38.4	-19.0	111.6
Income from associates	-	1.7	-	2.0	-7.4	-3.7
Other information						
Assets of businesses	500.0	244.4	355.7	324.3	76.4	1,500.8
of which holdings in associated companies	-	3.9	-	3.8	0.1	7.8
Unallocated assets						542.2
Consolidated assets, total						2,043.0
Liabilities of businesses	73.4	45.2	49.6	62.1	74.6	304.9
Unallocated liabilities						782.1
Consolidated liabilities, total						1,087.0
Capital expenditure	33.1	66.9	34.0	13.8	17.3	165.1
Cash flows						
Cash flow from operations	83.8	40.0	65.6	51.5	-9.9	231.0
Net capital expenditure	-33.0	-66.0	-25.3	-5.3	6.2	-123.4

Geographical segments

(EUR million)	2005	Continuing operations 2004	Whole Group 2004
Revenue			
Finland	**368.4**	261.8	409.0
Other EU countries	**848.8**	746.3	1,328.6
Rest of Europe	**174.0**	172.7	206.5
North and South America	**479.2**	354.4	362.0
Asia	**103.1**	115.9	155.9
Other countries	**20.9**	44.0	71.4
Total	**1,994.4**	1,695.1	2,533.4
Assets			
Finland	**950.0**	978.6	978.6
Other EU countries	**868.2**	668.2	668.2
Rest of Europe	**44.1**	36.0	36.0
North and South America	**412.6**	307.5	307.5
Asia	**53.6**	52.7	52.7
Other countries	**2.4**	-	-
Total	**2,330.9**	2,043.0	2,043.0
Capital expenditure			
Finland	**236.0**	62.2	93.1
Other EU countries	**63.9**	42.5	59.9
Rest of Europe	**2.8**	3.5	2.4
North and South America	**98.0**	54.6	57.2
Asia	**1.2**	2.3	2.4
Total	**401.9**	165.1	215.0

The revenue of geographical segments is based on location of customers and the total carrying amount of assets is based on geographical location of assets.

Notes to consolidated financial statements

(EUR million)		Continuing operations	Whole Group
3. REVENUE	**2005**	2004	2004
Revenue by business segment			
Pulp & Paper Chemicals	**738.5**	565.5	565.5
Kemwater	**363.5**	285.3	285.3
Performance Chemicals	**430.5**	315.2	388.9
Paints & Coatings	**457.5**	439.9	439.9
GrowHow	**-**	-	858.2
GrowHow and intra-Group sales	**-**	-	-106.2
Other and intra-Group sales	**4.4**	89.2	101.8
Continuing operations total	**1,994.4**	1,695.1	2,533.4
Distribution of revenue by geographic segments, as a percentage of total revenues			
Finland	**18**	14	16
Other EU countries	**43**	45	53
Other European countries	**9**	10	8
North and South America	**24**	21	14
Asia	**5**	7	6
Other countries	**1**	3	3
Total	**100**	100	100

4. OTHER OPERATING INCOME

	2005	Continuing operations 2004	Whole Group 2004
Gains on the sale of property, plant and equipment	**49.5**	8.4	87.3
Rent income	**2.0**	2.0	2.3
Insurance compensation	**6.1**	-	2.6
Consulting	**3.9**	0.8	0.9
Sale of scrap and waste	**0.2**	0.1	0.4
Income from royalties, knowhow and licences	**0.6**	0.3	0.3
Other income from operations	**7.0**	2.2	-4.3
Total	**69.3**	13.8	89.5

Gains on sale of property, plant and equipment in 2005 includes gains on sale of Kemira-house, Oulu research center building, coil coatings business, power plants and other shares.

Whole Groups' gains on sale of fixed assets in 2004 include gains from the sale of Ecocat, Kemira Fine Chemicals, Kemira Engineering and the calsium chloride business.

The insurance payments for the Helsingborg accident are divided between a property damage portion and a business interruption portion. The property damage compensation is based on the value of new investments, and has been accounted for by recording in income an amount equal to the capital expenditure by year-end (EUR 10.6 million). The profit is impacted by the impairment of assets damaged (EUR 0.7 million) and the deductibles and other costs related to the accident (EUR 3.9 million).

(EUR million)		Continuing	
		operations	Whole Group
5. COST OF SALES	**2005**	2004	2004
Change in inventories of finished goods	**-2.2**	29.2	4.6
Own work capitalised 1)	**-6.0**	-7.0	-8.8
Materials and services			
Materials and supplies			
Purchases during the financial year	**888.9**	628.2	1,136.9
Change in inventories of materials and supplies	**2.5**	-31.1	6.3
External services	**21.4**	19.1	50.6
Total materials and services	**912.8**	616.2	1,193.8
Personnel expenses	**366.5**	311.2	441.3
Rents	**21.1**	19.2	27.2
Loss on the sales of property, plant and equipment	**1.6**	1.9	2.2
Other expenses	**485.5**	506.2	586.1
Total	**1,779.3**	1,476.9	2,246.4

1) Own work capitalised comprises mainly wages, salaries and other personnel expenses and changes in inventories relating to self-constructed fixed assets for own use.

In 2005 other expenses included a net increase in long and current provisions amounting to EUR 40.4 million EUR 28.3 million. In 2005 other expenses included write-offs due to decision to reorganize the production at Kemira Chemicals Inc EUR 6.7 million and other impairment of assets at Kemira Kemi AB EUR 2.2 million. 2004 impairments were reversed by EUR 1.4 million due to revised Kemwater strategy.

In 2004 other expenses included an additional EUR 10.7 million impairment charge for a land area at Kemira Kemi AB as well as additional depreciation in the Kemwater business amounting to EUR 9.1 million.

External services include audit fees of EUR 2.1 million (whole Group EUR 2.2 million) and fees for ancillary services of EUR 0.3 million (whole Group EUR 1.4 million) paid to the companies operated by the firm of independent public accountants KPMG, in different countries.

6. RESEARCH AND DEVELOPMENT EXPENSES			
Research and development expenses total	**43.1**	38.6	45.5

7. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL			
Emoluments of the Supervisory Board	**0.1**	0.1	0.1
Emoluments of boards of directors and managing directors 1)	**9.5**	6.7	8.5
Other wages and salaries	**269.3**	250.8	351.7
Pension expenses for defined benefit plans	**12.1**	-24.6	-16.4
Pension expenses for defined contribution plans	**24.4**	32.5	38.3
Other personnel expenses	**51.1**	45.7	59.1
Total	**366.5**	311.2	441.3

1) The emolument of Kemira Oyj's managing director was EUR 1,205,177 (481,974) including bonuses EUR 686,386. The managing director received as part of bonuses 14,200 Kemira shares. In 2004 emolument does not include bonuses. The emolument of Kemira Oyj's deputy managing director was EUR 710,567 (877,568), including bonuses EUR 452,601 (620,457). The deputy managing director received as part of bonuses 7,100 Kemira shares.

Personnel, average			
Pulp & Paper Chemicals	**2,050**	1,753	1,753
Kemwater	**1,479**	1,262	1,262
Performance Chemicals	**1,440**	1,318	1,528
Paints & Coatings	**2,375**	2,401	2,401
GrowHow	**-**	-	2,317
Other	**373**	376	453
Total	**7,717**	7,110	9,714
Personnel in Finland, average	**3,146**	2,957	3,986
Personnel outside Finland, average	**4,571**	4,153	5,728
Total	**7,717**	7,110	9,714

The total personnel of joint ventures that have been consolidated according to the proportionate method of accounting was in average 112 (118 in 2004).

Personnel at year end	**7,670**	7,137	7,137

(EUR million)

8. SHARE-BASED PAYMENTS

Stock options program 2001 The numbers of stock options changed in 2005 and 2004 as follows:	**Number of stock options 2005 000s**	**Average exercise price EUR / share**	Number of options 2004 000s	Average exercise price EUR / share
Stock options outstanding at beginning of period	**549**		2,685	
Options exercised				
March	**-266**	**2.81**	-	-
July	**-3**	**2.47**	-1,969	4.23
August	**-21**	**2.47**	-	-
October	**-**	**-**	-115	2.81
December	**-16**	**2.47**	-52	2.81
Stock options outstanding and exercisable at end of period	**243**	**2.47**	549	2.81

The expense for the stock option program 2001 have not been recorded in the income statement because under the transitional provisions of IFRS 2, only share-based plans decided after Nov. 7, 2002, are recorded in income.

The subscription price of the shares (exercise price), at Dec. 31, 2005, under the terms of the options, was EUR 2.47 per share. The subscription price is lowered by the amount of future dividends. In 2004, the subscription price of EUR 4.23 changed to EUR 2.81 per share following the payout of dividends on GrowHow shares on Oct. 14, 2004. The stock options outstanding at the balance sheet date will lapse on May 31, 2007.

Share-based incentive plan

Under the share – based incentive plan decided by Kemira Oyj's Board of Directors on April 27, 2004, key employees were granted 107,920 Kemira shares on the basis of earnings in 2004. The shares were recorded as an expense and as an increase in equity at the closing share price, EUR 10.35, on the grant date, April 27, 2004. 5,680 shares were returned to Kemira during 2005 because the shares did not qualify according to the two-year ownership requirement. On March 22, 2005, the Board of Directors also made a decision to transfer shares (max. 193,000) to key employees on the basis of achievement of the targets for 2005. The expense entry to be allocated totals 118,335 shares. The shares have been valued at the closing price, EUR 11.66, on the date of grant, March 22, 2005.

The entry for all shares granted is made during the vesting period over three years because the plan specifies a condition that shares obtained after the year in which they were earned must be owned for at least two years. Of the above-mentioned shares, a total of EUR 0,7 million were recorded as an expense in 2005 and, similarly, recorded as an increase in equity. Expected dividends were not taken into account in measuring fair value. The Group recorded cash payment portions of the share ownership plan in liabilities and recorded a total of EUR 2.0 million as expense in 2005. The total expense entry for 2005 for shares and cash payments was EUR 2.7 million.

The share based incentive plan as well as the stock option plan for 2001 are described in greater detail in the section "Shares and shareholders," which follows the Board of Directors' review.

9. DEPRECIATION

Depreciation according to plan	**2005**	Continuing operations 2004	Whole Group 2004
Intangible assets			
Intangible rights	**6.1**	2.5	3.0
Goodwill	**-**	5.3	6.4
Goodwill on consolidation	**-**	11.1	11.4
Other intangible assets	**7.7**	4.3	6.3
Property, plant and equipment			
Buildings and constructions	**17.0**	13.5	18.0
Machinery and equipment	**85.0**	81.5	113.0
Other tangible assets	**3.1**	2.2	3.4
Total	**118.9**	120.4	161.5

(EUR million)

10. FINANCIAL INCOME AND EXPENSES	2005	Continuing operations 2004	Whole Group 2004
Financial income			
Dividend income	**2.6**		0.4
Interest income from long-term investments	**2.1**		3.5
Other interest income	**1.1**		5.5
Other financial income	**2.0**		1.3
Exchange gains	**92.2**		66.7
Total	**100.0**		77.4
Financial expenses			
Interest expenses	**-28.6**		-30.2
Impairment loss [1]	**-**		-44.2
Other financial expenses	**-3.5**		-5.2
Exchange losses	**-98.4**		-65.6
Total	**-130.5**		-145.2
Total financial income and expenses	**-30.5**	-56.8	-67.8
Net financial expenses as a percentage of revenue	**1.5**		2.7
Net interests as a percentage of revenue	**1.3**		0.8
Exchange gains and losses			
Realised	**-23.0**		-9.0
Unrealised	**16.8**		10.1
Total	**-6.2**		1.1
Income from associates			
Share of associates' profits	**2.9**	5.1	5.5
Share of associates' losses	**-4.4**	-8.8	-8.8
Total	**-1.5**	-3.7	-3.3

1) A one-time entry for the water-soluble fertilizer business 2004.

The exchange differences on foreign currency loans and foreign currency derivatives have been credited or charged directly to shareholders´ equity and hedged against the translation differences arising from the consolidation of foreign subsidiaries according to the so called hedge of investment in foreign entities method. In 2005 these foreign exchange net gains were EUR 8.3 million. (In 2004 the net loss was EUR 4.7 million.)

Interest income on long-term investments does not include income from associated companies (EUR 3.5 million). All other financial items constitute income and expenses from entities others than associates.

(EUR million)		Continuing	
		operations	Whole Group
11. INCOME TAXES	**2005**	2004	2004
Income taxes, current year	**35.0**	23.3	30.9
Income taxes, previous years	**6.5**	0.7	0.7
Deferred taxes	**0.3**	6.1	9.4
Other taxes	**0.3**	1.4	1.4
Total	**42.1**	31.5	42.4

Tax losses
Certain Group subsidiaries belonging to continuing operations have tax losses totalling EUR 358.7 million (EUR 374.8 million), which can be applied against future taxable income. All tax losses have not been entered as deferred tax assets because there is uncertainty regarding the extent to which they can be used. A limited right to make deductions applies to about 5% of the tax losses and unlimited deductibility to about 95% of them.

Comparison of taxes calculated according to the current tax rate with taxes according to the income statement			
Tax at the current tax rates	**38.4**		40.9
Taxes from previous financial years	**6.5**		-
Tax-free income / non-deductible expenditure	**3.4**		-3.6
Write-down on shares	**-**		3.8
Unapplied losses during the financial year	**1.5**		7.4
Amortisation of goodwill on consolidation	**-**		3.3
Used tax losses	**-6.3**		-10.8
Others	**-1.4**		1.4
Taxes in the income statement	**42.1**		42.4

12. EARNINGS PER SHARE

Earnings per share			
Profit before taxes	**133.5**	51.1	124.6
Income taxes for the financial year	**-42.1**	-31.5	-42.4
Net profit for the period	**91.4**	19.6	82.2
Attributable to minority interest	**-2.9**	-4.7	-4.2
Attributable to equity holders of the parent	**88.5**	14.9	78.0
Weighted average number of shares [1]	**120,628,237**	119,187,342	119,187,342
Earnings per share, EUR	**0.73**	0.13	0.65

Diluted earnings per share			
Average number of shares [1]	**120,628,237**	119,187,342	119,187,342
Effect of options outstanding (average)	**254,615**	1,014,746	1,014,746
Potential treasury share transaction related to share-based payment arrangement (average)	**140,729**	-	-
Dilutive average number of shares	**121,023,581**	120,202,088	120,202,088
Diluted earnings per share, EUR	**0.73**	0.13	0.65

1) Weighted average number of shares outstanding, adjusted by the number of shares bought back.

(EUR million)

13. INTANGIBLE ASSETS	Intangible rights	Goodwill	Goodwill on consoli-dation	Other intangible assets	Pre-payments	2005 total
Acquisition cost at beginning of year	34.9	61.6	236.6	45.7	5.6	**384.4**
Acquisition of subsidiaries	12.2	-	367.3	19.0	0.1	**398.6**
Other increases	2.3	-	0.4	10.7	-2.8	**10.6**
Decreases	-0.7	-3.7	-7.9	-1.3	-	**-13.6**
Exchange differences and other changes	14.3	-8.8	10.2	0.1	-	**15.8**
Acquisition cost at end of year	63.0	49.1	606.6	74.2	2.9	**795.8**
Accumulated depreciation at beginning of year	-21.2	-22.7	-85.1	-34.3	-	**-163.3**
Accumulated depreciation relating to decreases and transfers	-	3.7	7.9	0.8	-	**12.4**
Depreciation during the financial year	-6.1	-	-	-7.7	-	**-13.8**
Impairment and charges	-	-0.4	0.5	-	-	**0.1**
Exchange differences and other changes	-0.8	0.1	-1.6	0.1	-	**-2.2**
Accumulated depreciation at end of year	-28.1	-19.3	-78.3	-41.1	-	**-166.8**
Net carrying amount at end of year	34.9	29.8	528.3	33.1	2.9	**629.0**

There was no goodwill on consolidation related to associated companies in 2005 and 2004. Apart goodwills the Group did not have material intangible assets with an unlimited economic life.

14. PROPERTY, PLANT AND EQUIPMENT	Land and water areas	Buildings and construc-tions	Machinery and equipment	Other tangible assets	Prepay-ments and non-current assets under construction	2005 total
Acquisition cost at beginning of year	58.6	417.7	1,383.6	43.2	44.1	**1,947.2**
Acquisition of subsidiaries	5.3	51.1	70.2	3.4	0.8	**130.8**
Other increases	0.2	18.9	79.2	1.5	13.8	**113.6**
Disposals of subsidiaries	-0.1	-0.2	-0.3	-	-	**-0.6**
Decreases	-3.3	-23.9	-137.2	-8.1	-0.7	**-173.2**
Exchange differences and other changes	-1.1	-5.8	-2.6	-1.7	-7.2	**-18.4**
Acquisition cost at end of year	59.6	457.8	1,392.9	38.3	50.8	**1,999.4**
Accumulated depreciation at beginning of year	-7.9	-220.4	-939.3	-27.6	-	**-1,195.2**
Accumulated depreciation relating to decreases and transfers	-	10.8	118.9	6.5	-	**136.2**
Depreciation during the financial year	-	-17.0	-85.0	-3.1	-	**-105.1**
Impairment and charges	-	-4.4	-4.5	-	-	**-8.9**
Reversal of impairments	0.2	1.2	-	-	-	**1.4**
Exchange differences and other changes	-	10.8	24.0	2.3	-	**37.1**
Accumulated depreciation at end of year	-7.7	-219.0	-885.9	-21.9	-	**-1,134.5**
Net carrying amount at end of year	51.9	238.8	507.0	16.4	50.8	**864.9**

Kemira's testing process for impairment and the results of it are discussed in Note 16.

15. INVESTMENTS	2005 Holdings in associates	2004 Holdings in associates	2005 Available-for-sale assets	2004 Available-for-sale assets
Carrying amount at beginning of year	**7.8**	27.0	**124.3**	75.8
Income from associates	**-0.8**	-6.6	**-**	-
Increases	**0.1**	0.2	**3.6**	6.0
Increases, acquired subsidiaries	**1.9**	-	**-**	-
Decreases	**-0.2**	-15.3	**-45.3**	-4.8
Transfers	**-**	-6.6	**-**	43.0
Change in fair value	**-**	-	**1.1**	4.0
Exchange differences and other changes	**0.4**	9.1	**-**	0.3
Net carrying amount at end of year	**9.2**	7.8	**83.7**	124.3

	2005	2004
Receivables from associates	**0.3**	-
Other receivables	**22.7**	28.0
Deferred tax assets	**6.8**	2.1

Associated companies are specified in Note 34.

(EUR million)

16. IMPAIRMENT TESTING

The principles and process of testing asset items for impairment are set out in the Group's accounting policies. The Cash Generating Units (CGUs) were the same as last year, apart from some changes in the naming of the reporting levels and Strategic Business Units (SBUs) and splitting one SBU into two parts.

The carrying amounts of fixed assets, including goodwill, by segment as of December 31, 2005, are the following:

Segment	Carrying amount Dec. 31, 2005*)	Dec. 31, 2004*)	of which goodwill Dec. 31, 2005	Dec. 31, 2004
Pulp & Paper Chemicals	725	355	321	75
Kemwater	200	151	69	44
Performance Chemicals	374	224	107	1
Paints and Coatings	174	175	61	71
Total	1,473	905	558	190

*) The assets of corporate center and the water-soluble fertilizer unit are not included

Discount rates were determined for each CGU at two risk levels based on the volatility of cash flows during the period 2001-2005. The range of discount rates at low risk tolerance was 4–19% and at high risk tolerance 4–11%. The growth rate used to extrapolate cash flows beyond the planning period was assumed to be zero.

The impairment test did not reveal any need to record impairment losses.

17. INVENTORIES	2005	2004
Materials and supplies	82.1	75.1
Work in process	4.4	5.4
Finished goods	131.8	106.7
Prepayments	0.9	0.8
Total	219.2	188.0

18. RECEIVABLES

Interest-bearing receivables		
Loan receivables	0.2	0.2
Other receivables	6.8	2.7
Total interest-bearing receivables	7.0	2.9
Interest-free receivables		
Trade receivables	346.2	274.7
Trade receivables from associated companies	0.3	-
Prepayments	2.5	3.3
Accrued income	67.5	34.1
Other receivables	15.3	19.8
Total interest-free receivables	431.8	331.9
Total receivables	438.8	334.8

Loan receivables, trade receivables, accrued income and prepayments does not include over one year due items. Over one year due items include other interest-free receivables EUR 0.6 million (EUR 4.1 million in 2004) and other interest-bearing receivables EUR 6.8 million (EUR 1.3 million in 2004).

Due dates of finance lease agreements		
Within one year	1.0	0.5
After one year but no more than five years	2.3	1.2
Gross investment in finance lease agreements	3.3	1.7
The present value of minimum lease payments		
Within one year	1.0	0.4
After one year but no more than five years	2.1	1.2
Total	3.1	1.6
Future finance charges	0.2	0.1
Gross investment in finance lease agreements	3.3	1.7

(EUR million)

19. RELATED PARTIES DISCLOSURE

Parties are considered to belong to each other's related parties if one party is able to exercise control over the other or substantial influence in decision-making concerning its finances and business operations. The Group's related parties include the parent company, subsidiaries, associated companies and joint-ventures. Related parties also include the members of the Supervisory Board, Board of Directors and the Group's Management Boards, the CEO and his deputy and their near family members. Key management persons are the members of the Group Management Boards.

	2005	2004
Employee benefits of key management personnel		
Wages, salaries and other short-term employee benefits	3.9	3.3
Post-employment benefits	2.3	1.5
Share-based payment	2.4	4.2
Total	8.6	9.0

No loans had been granted to management at Dec. 31, 2005, or Dec. 31, 2004, nor were there contingency items and contingent liabilities on behalf of key personnel. Persons belonging to the Company's key management, including parties closely associated with them, are not involved in substantial business relationships with the Company.

Board of Directors and Supervisory Board emoluments
The members of Kemira Oyj's Board of Directors are paid a monthly emolument and a meeting fee; other compensation is not paid. The chairman of Kemira Oyj's Board of Directors was paid EUR 4,200 monthly, the vice chairman EUR 3,250 monthly and each of the members EUR 2,550 monthly. In addition, a meeting fee of EUR 600 per meeting was paid. A meeting fee is also paid for commitee meetings.

The chairman of Kemira Oyj's Supervisory Board was paid an emolument of EUR 1,000 monthly, the vice chairman EUR 600 monthly and each of the members EUR 500 monthly. In addition, a meeting fee of EUR 200 per meeting was paid.

Management's pension commitments and termination benefits
The managing director of Kemira Oyj is entitled to retire at the age of 60. The managing director's benefit is based on an agreement according to which the maximum remuneration for the managing director is 60% of the pension salary. The related defined-benefit pension commitment of Kemira Oyj at December 31, 2005 was EUR 2.2 million.

The deputy managing director of Kemira is entitled to retire at the age of 60. The maximum remuneration for the deputy managing director is 66% of the pension salary. The possibility is based on the benefits of the supplementary pension foundation that has been closed to new members since January 1, 1991. The supplementary pension foundation's benefits concern all the personnel whose years of service and other conditions concerning the granting of a pension have been fulfilled. Similar arrangements have been made in other Group companies.

The period of notice of Kemira Oyj's managing director is 6 months. In case the company would give notice to the managing director, he will receive an emolument equaling 12 months' salary in addition. The respective periods for the deputy managing director are 6 months and 18 months.

Other related party disclosure
Sales and purchases of goods and services to and from associates as well as open balances with associates are discussed in the note 34 "Associates". The amounts of contingent liabilities on behalf of associates are presented in note 29. Kemira's Finnish pension foundations and funds are legal units of their own and they manage part of the pension assets of the Group's personnel in Finland. The assets include Kemira shares representing 0.15% of the company's shares outstanding.

The pension foundations own 2.6% of Pohjolan Voima stock. Kemira Oyj buys electricity from Pohjolan Voima in proportion to its share of ownership for Group use and also for selling it to outside companies. Sales of electricity to subsidiaries in 2005 were EUR 9.8 million (EUR 13 million) and to outside companies EUR 6.5 million (EUR 5 million). The shareholders can buy electricity from the nuclear powerplant at a price that covers its production expenses. This price has been clearly below the average market prices.

According to the Finnish Companies Act over one percentage ownerships are included in related parties. These ownerships are listed in the paragraph "shares and shareholders" in table "largest shareholders".

Notes to consolidated financial statements

(EUR million)

20. NON-CURRENT INTEREST-BEARING LIABILITIES	2005	2004
Debentures and other bond loans	-	16.5
Loans from financial institutions	321.3	294.7
Loans from pension institutions	74.8	97.3
Other non-current liabilities to others	7.9	7.3
Total	404.0	415.8
Non-current interest-bearing liabilities maturing in		
2007 (2006)	14.6	43.3
2008 (2007)	21.9	103.5
2009 (2008)	9.3	35.8
2010 (2009)	78.5	5.9
2011 (2010) or later	279.7	227.3
Total	404.0	415.8
Interest-bearing liabilities maturing in 5 years or longer		
Loans from financial institutions	232.0	188.8
Loans from pension institutions	44.5	38.1
Other non-current interest-bearing liabilities	3.2	0.4
Total	279.7	227.3

The foreign currency breakdown of non-current loans is presented in management of financial risk, Note 33.
The Group has no convertible bonds.

Debentures and other bond loans				
Loan		Loan currency		
FI 0003008599	1998-2006	EUR	16.5	16.5
Total			16.5	16.5

(EUR million)

21. DEFERRED TAX LIABILITIES AND ASSETS

2005	1.1.2005	Recognised in the income statement	Recognised in equity	Acquired / disposed subsidiaries	31.12.2005
Deferred tax liabilities					
Cumulative depreciation in excess of / less than plan	52.9	6.7	-	21.2	**80.8**
Available-for-sale financial assets	18.0	-	-0.9	-	**17.1**
Pensions	4.1	1.2	-	-	**5.3**
Fair value of acquired subsidiaries [1]	2.8	-	-	11.9	**14.7**
Other	1.0	3.8	-	-	**4.8**
Total	78.8	11.7	-0.9	33.1	**122.7**
Tax assets deducted	-15.5				**-22.2**
Total deferred tax liabilities in the balance sheet	63.3				**100.5**
Deferred tax assets					
Internal stock margin	1.4	-0.1	-	-	**1.3**
Provisions	5.7	1.5	-	-	**7.2**
Tax losses	4.2	11.3	-	-	**15.5**
Pensions	1.0	-0.1	-	-	**0.9**
Other	5.3	-1.2	-	-	**4.1**
Total	17.6	11.4	-	-	**29.0**
Deferred tax liabilities deducted	-15.5				**-22.2**
Deferred tax assets in the balance sheet	2.1				**6.8**

2004	1.1.2004	Recognised in the income statement	Recognised in equity	Acquired / disposed subsidiaries	31.12.2004
Deferred tax liabilities					
Cumulative depreciation in excess of / less than plan	65.5	-3.2	-	-9.4	52.9
Available-for-sale financial assets	18.9	-	-0.9	-	18.0
Pensions	3.2	4.7	-	-3.8	4.1
Fair value of acquired subsidiaries [1]	-	-	-	2.8	2.8
Other	1.6	0.7	-	-1.3	1.0
Total	89.2	2.2	-0.9	-11.7	78.8
Tax assets deducted	-39.9				-15.5
Total deferred tax liabilities in the balance sheet	49.3				63.3
Deferred tax assets					
Internal stock margin	2.4	-1.0	-	-	1.4
Provisions	3.8	1.9	-	-	5.7
Tax losses	9.9	-2.3	-	-3.4	4.2
Impairments	15.3	3.3	-	-18.6	-
Pensions	22.5	-11.5	-	-10.0	1.0
Other	3.5	2.4	-	-0.6	5.3
Total	57.4	-7.2	-	-32.6	17.6
Deferred tax liabilities deducted	-39.9				-15.5
Deferred tax assets in the balance sheet	17.5				2.1

1) The increase in deferred tax asset related to the fair valuation of acquired subsidiaries has been booked to goodwill.

(EUR million)

22. PROVISIONS	Restructuring provisions	Environmental and damage provisions	Other provisions	Total
Non-current provisions				
Balance at beginning of year	2.0	16.2	50.8	**69.0**
Increase in provisions	-	2.0	23.7	**25.7**
Provisions used during the period	-1.2	-	-	**-1.2**
Provisions released during the period	-	-0.2	-	**-0.2**
Increase due tu acquisitions	-	1.3	-	**1.3**
Balance at end of year	0.8	19.3	74.5	**94.6**
Current provisions				
Balance at beginning of year	2.0	2.3	9.4	**13.7**
Increase in provisions	8.4	1.4	6.9	**16.7**
Provisions used during the period	-1.8	-	-	**-1.8**
Provisions released during the period	-0.1	-0.1	0.1	**-0.1**
Balance at end of year	8.5	3.6	16.4	**28.5**

23. CURRENT LIABILITIES	2005	2004
Interest-bearing current liabilities		
Loans from financial institutions	**22.8**	115.4
Loans from pension institutions	**15.7**	15.9
Current portion of other non-current loans	**11.9**	11.4
Finance lease liabilities	**3.4**	2.0
Other interest-bearing current liabilities	**218.2**	25.7
Total interest-bearing current liabilities	**272.0**	170.4
Interest-free current liabilities		
Prepayments received	**2.2**	0.9
Trade payables	**201.0**	146.4
Current provisions	**28.5**	13.7
Current tax liabilities	**14.3**	16.9
Accrued expenses	**121.8**	129.4
Other interest-free current liabilities	**17.4**	11.0
Total interest-free current liabilities	**385.2**	318.3
Total current liabilities	**657.2**	488.7
Accrued expenses		
Personnel expenses	**44.2**	41.4
Items related to revenues and purchases	**21.2**	21.8
Interest	**12.2**	17.2
Exchange rate differences	**9.3**	25.2
Other	**34.9**	23.8
Total	**121.8**	129.4

24. NET LIABILITIES

Interest-bearing non-current liabilities	**404.0**	415.8
Interest-bearing current liabilities	**272.0**	170.4
Short-term investments	**-28.3**	-356.0
Cash and cash equivalents	**-28.0**	-28.9
Total	**619.7**	201.3

(EUR million)

25. FINANCE LEASE LIABILITIES - MATURITY	2005	2004
Finance lease liabilities - minimum lease payments		
Within one year	0.7	0.6
After one year but no more than five years	1.4	1.2
Over five years	1.3	0.2
Total	3.4	2.0
Finance lease liabilities - present value of minimum lease payments		
Within one year	0.5	0.5
After one year but no more than five years	1.2	1.1
Over five years	1.3	0.2
Total	3.0	1.8
Future finance charges	0.4	0.2
Total amount of finance lease liabilities	3.4	2.0

(EUR million)

26. DEFINED BENEFIT PENSION ARRANGEMENTS

Pension arrangements
In the defined benefit plans the benefits are determined based on salary, retirement age, disability, decease or ending of the employment relationship.

The funded portion of the Finnish system under the Employees' Pensions Act (TEL) and the disability portion are treated as a defined-benefit plan in respect of the pension plans that are managed by the Group's own pension funds. Thus, the assets of Kemira's own pension funds are measured according to IAS 19 (Employee Benefits). In respect of the TEL plans that are managed by insurance companies, the disability portion has been treated as a defined-benefit arrangement at December 31, 2003. At the end of 2004 the TEL arrangement was changed so that that the arrangements in insurance companies can be specified as defined contribution plans. Based on actuarial calculations a major part of the difference due to the change has been entered as income in 2004.

According to the exceptions allowed by IFRS 1 the opening balance as at January 1, 2003 does not include accumulated actuarial gains and losses. As Kemira reports according to IFRS after January 1, 2004, the corridor method is used to account for actuarial gains and losses.

Shown below is the effect of defined benefit plan insurance arrangements on the Group's net income and balance sheet as calculated according to the IAS 19 standard. The calculation covers the defined benefit pension arrangements of the Group. The pension liabilities, plan assets and actuarial gains and losses of the businesses acquired and divested have changed obligations and assets.

The assets for defined benefit plans at December 31, 2005 include Kemira Oyj shares at fair value of EUR 2.5 million (EUR 1.8 million), Kemira Oyj's financial assets at fair value of EUR 0.9 (EUR 0.9 million) and real estate properties which are in the Group's own use and have a fair value of EUR 8.2 million (EUR 8.2 million).

	2005	2004
Defined benefit plan, employee benefit obligations		
Present value of unfunded obligations	45.8	40.4
Present value of funded obligations	481.1	443.9
Fair value of plan assets	-543.3	-492.9
Present value of pension obligations	-16.4	-8.6
Unrecognized actuarial gains (+) and losses (-)	53.2	39.7
Net liability (+) / receivable (-)	36.8	31.1
Movements in net liability		
Net liability at start of year	31.1	148.9
Exchange differences on foreign plan	-1.5	0.3
The effect of companies acquired and disposed during the period	2.0	-87.3
Net expense in the income statement	12.1	-24.6
Contributions paid	-6.9	-6.2
Net liability (+) / receivable (-)	36.8	31.1
The amounts in the income statement		
Current service cost	10.2	11.1
Past service costs	2.8	-20.4
Interest on obligation	24.5	26.7
Expected return on plan assets	-23.1	-21.9
Effect of change in Finnish TEL-pension system	-1.1	-18.8
Net actuarial gains (-) / losses of financial year (+)	-0.5	-1.4
Transfer within the system	-0.7	-
Pension expenses (+) / decrease in expenses (-)	12.1	-24.6
Actual return on plan assets		
Actual return on plan assets (+) / expense (-)	57.9	31.1
Principal actuarial assumptions		
Discount rate	4.5 - 5.5%	5.0%
Expected return on plan assets	4.5 - 8.0%	3.0 - 5.0%
Future salary increases	2.6 - 4.5%	3.0 - 4.0%
Future pension increases	1.3 - 3.0%	2.0 - 2.4%

(EUR million)

27. SUPPLEMENTAL CASH FLOW INFORMATION	2005	2004
Acquisition and disposal of subsidiaries		
Acquisition of subsidiaries		
Acquisition cost	318.6	49.9
Cash and cash equivalents at acquisition date	-33.1	-0.8
Cash flow on acquisition net of cash acquired	285.5	49.1
Acquired assets and liabilities		
Net working capital	30.6	3.2
Property, plant and equipment	157.8	25.2
Shares and holdings	1.9	-
Interest-bearing receivables, cash and cash equivalents deducted	1.1	0.4
Other interest-bearing receivables	9.1	-
Interest-bearing liabilities	-246.7	-0.8
Interest-free liabilities	-51.2	-
Minority interest	16.3	-0.9
Goodwill on acquisition	366.6	22.0
Total assets and liabilities of acquired subsidiaries	285.5	49.1
Proceeds from the disposals of subsidiary shares		
Proceeds from the disposal	9.0	196.0
Cash and cash equivalent in disposed companies	-0.3	-60.5
Total cash flow on disposals of subsidiaries	8.7	135.5
Assets and liabilities disposed		
Net working capital	0.6	292.4
Property, plant and equipment	0.5	372.1
Shares	-	-45.0
Interest-bearing receivables, cash and cash equivalents deducted	-	36.4
Other interest-free receivables	-	21.4
Interest-bearing liabilities	-1.4	-301.4
Interest-free liabilities	-	-117.6
GrowHow shares paid as dividend	-	-160.7
Gain/loss on disposal	9.0	37.9
Total assets and liabilities of disposed subsidiaries	8.7	135.5

Notes to consolidated financial statements

(EUR million)

28. BUSINESS COMBINATIONS

Finnish Chemicals
Kemira acquired 100% of Finnish Chemicals' voting rights on April 1, 2005. The main products of Finnish Chemicals are sodium chlorate, sodium hydroxide, chlorine dioxide, and sodium borohydride. Finnish Chemicals sells more than 80 per cent of the company's products to pulp and paper manufacturers, the main product being sodium chlorate for pulp bleaching. The company's share of the European sodium chlorate market is just under 40 percent and it has a 20 percent share in the USA. The company's products are used in other industrial processes as well, notably in water treatment. This deal makes Kemira the sole full-range supplier for the pulp bleaching process globally.

The acquisition cost was EUR 345 million and it consisted of cash and outstanding financial agreements. Part of the acquisition cost has been allocated to customer-related intangible assets, to technology-based intangible assets and to tangible assets according to their fair values. Fair values are based on estimated future cash flows or analyses by outside consultants.

	Fair values recorded on business combination	Carrying amounts prior to business combination
Customer contracts and customer relationships	**16.3**	
Technology-based intangible assets	**2.0**	
Other intangible assets	**2.0**	2.0
Property, plant and equipment	**94.6**	86.1
Other investments	**1.8**	2.2
Inventories	**13.4**	13.4
Trade receivables and other receivables	**37.2**	37.2
Cash and cash equivalents	**19.5**	19.5
Total assets	**186.8**	160.4
Deferred tax liabilities	**20.3**	6.4
Interest bearing long-term liabilities	**110.3**	110.3
Interest bearing current liabilities	**16.2**	16.3
Other liabilities	**38.6**	38.6
Total liabilities	**185.4**	171.6
Net assets	**1.4**	-11.2
Cost of business combination (net)	**238.9**	
Goodwill	**237.5**	
Acquisition cost	**345.9**	
Financial agreements	**-126.5**	
Cash flow effect	**219.4**	

Goodwill of EUR 238 million arose on the acquisition. The goodwill was based both on Finnish Chemicals' anticipated good earnings trend and, above all, on the fact that the acquisition gives Kemira a big boost, making it the world's second largest supplier of pulp and paper chemicals both overall and within the bleaching chemicals segment. Furthermore, the rounded-out product palette within bleaching chemicals is now extensive. The acquisition also offers scope for significant synergy benefits.

During Apr. 1 – Sept. 30, 2005, Finnish Chemicals had revenue of EUR 156.9 million and operating profit of EUR 15.5 million. A prolonged industrial dispute in the pulp and paper industry in Finland weakened both revenue and earnings during the second quarter.

Kemira ChemSolutions b.v. (former Verdugt b.v.)
Kemira acquired 100% of Verdugt BV's voting rights on April 6, 2005. Verdugt produces derivatives of formic, propionic, acetic and lactic acids. These products are mainly used in the food and animal feed industries. Furthermore, the products have various specialty applications in the pharmaceutical and chemical industries. Kemira currently holds the position of the second largest producer of formic acid and its derivatives worldwide.

The acquisition cost was EUR 145 million, and it consisted of cash and outstanding financial agreements. Part of the acquisition cost has been allocated to customer-related intangible assets and to marketing-related intangible assets according to their fair values. Fair values are based on estimated future cash flows or analyses by outside consultants.

(EUR million)	Fair values recorded on business combination	Carrying amounts prior to business combination
Customer contracts and customer relationships	8.6	
Trademarks and trade names	2.5	
Property, plant and equipment	31.7	31.7
Other investments	1.1	1.1
Inventories	8.4	8.4
Trade receivables and other receivables	29.8	29.8
Cash and cash equivalents	13.6	13.6
Total assets	95.7	84.6
Deferred tax liabilities	12.8	9.3
Interest-bearing long-term liabilities	120.2	120.2
Other liabilities	28.5	28.5
Total liabilities	161.5	158.0
Net assets	-65.8	-73.4
Cost of business combination (net)	41.0	
Goodwill	106.8	
Acquisition cost	147.6	
Financial agreements	-120.2	
Cash flow effect	27.4	

Goodwill of about EUR 107 million arose from the acquisition. The following factors contributed to a cost that resulted in the recognition of goodwill: the profitability of the company, possibilities of expansion and synergy benefits. The acquisition of Verdugt is in line with Kemira's strategy of moving increasingly towards value-added products. Through this deal Kemira will achieve the position of global leadership in the production and marketing of organic acid derivatives in selective customer group. There are synergies between Kemira and Verdugt via an expanded product palette and in logistics, marketing and expertise in a number of applications.

During April 1 – Dec. 31, 2005 Verdugt reported revenue of EUR 79.4 million and operating profit of EUR 3.6 million. Profitability was weakened by production related availability problems of some products.

Kemiron Companies Inc.
Kemira purchased the remaining 40% of Kemiron Companies Inc.'s shares on May 3, 2005, and now owns 100% of the voting rights. The purchase price was EUR 38.5 million. Goodwill of EUR 20.9 million arose on the acquisition. Fair values were based on valuation in 2003 and they have not changed materially.

Intangible assets	2.9	2.9
Property, plant and equipment	37.9	37.9
Other investments	1.5	1.5
Inventories	7.9	7.9
Trade receivables and other receivables	18.0	18.0
Cash and cash equivalents	1.1	1.1
Total assets	69.3	69.3
Deferred tax liabilities	4.5	4.5
Interest-bearing long-term liabilities	25.9	25.9
Other liabilities	14.3	14.3
Total liabilities	44.7	44.7
Net assets	24.6	24.6
Acquisition cost (paid in cash)	38.6	
Goodwill on acquisition of a 40% holding in 2005	20.9	

In addition, on the acquisition of 60% of the company in 2003, the goodwill remaining on May 3, 2005, was EUR 18.8 million.

Kemiron's revenue during May 1 – Dec. 31, 2005, was EUR 97.8 million and it posted operating profit of EUR 6.6 million. The company's revenue and operating profit have been included in full in the consolidated figures prior to acquisition of the remaining minority interest.

The effect of the business combinations on revenue and profit
Kemira's revenue for Jan. 1 - Dec. 31, 2005, would have been EUR 2,080 million and operating profit EUR 167 million if all the business combinations carried out during the period had been completed at January 1, 2005.

Notes to consolidated financial statements

(EUR million)

29. COLLATERAL AND CONTINGENT LIABILITIES	**2005**	2004
Loans secured by mortgages in the balance sheet and for which mortgages given as collateral		
Loans from financial institutions	**11.3**	11.7
Mortgages given	**11.5**	11.9
Loans from pension institutions	**57.2**	56.8
Mortgages given	**62.2**	61.6
Other loans	**1.0**	1.1
Mortgages given	**1.2**	1.2
Total mortgage loans	**69.5**	69.6
Total mortgages given	**74.9**	74.7
Contingent liabilities		
Assets pledged		
On behalf of own commitments	**17.5**	26.9
On behalf of others	**-**	2.2
Guarantees		
On behalf of associates	**61.5**	55.4
On behalf of others	**4.2**	1.7
Operating leasing liabilities		
Maturity within one year	**10.6**	2.9
Maturity after one year	**37.7**	13.3
Other obligations		
On behalf of associates	**2.5**	-

There were no collaterals or contingent liabilities related to managing directors, members or deputy members of the board of directors and the supervisory board during 2005 and 2004.

Major off-balance sheet investment commitments
Major amounts of contractual commitments for the acquisition of property plant and equipment were EUR 13 million for the construction of the chemical plant in Uruguay and EUR 10 million for the rebuilding of the sulphuric acid tanks in Helsingborg on December 31, 2005.

Litigation
The Group has extensive international operations and is involved in a number of legal proceedings incidental to those operations. The most material proceedings currently pending include an arbitration case relating to sale of US pigments companies in 2000 and the Statement of Objections from EU Commission received at the end of January 2005 relating to hydrogen peroxide and its downs stream products. At the time of this report the Group does not expect the outcome of any such legal proceedings currently pending to have materially adverse effect upon the Group´s consolidated future result of operations taking into account (EUR 52.4 million) provisions.

Kemira Oyj disclosed in a separate release and in the annual accounts for 2004 to have received from European Commission at the end of January 2005 a Statement of Objections concerning hydrogen peroxide and persalts, with regard to alleged antitrust activities during 1994-2001 in Europe. Kemira has given its response and the proceedings continue.

Kemira Chemicals, Inc. has received a grand jury subpoena seeking documents in connection with an investigation by the United States Department of Justice Antitrust Division relating to the hydrogen peroxide business in the US Kemira Oyj and Kemira Chemicals, Inc. have recently been named in class action lawsuits filed in US federal and state courts by direct and indirect purchasers of hydrogen peroxide and persalts. In these civil actions it is alleged that the US plaintiffs suffered damages resulting from a cartel among hydrogen peroxide and persalts suppliers. The existence of the European Commission’s investigation is relied upon in support of the allegations, but Kemira Oyj and Kemira Chemicals, Inc. have not been informed of any allegation that relates specifically to the US market. Class actions have also been initiated in Canada against Kemira Oyj, Kemira Chemicals, Inc. and Kemira Chemicals Canada, Inc. alleging plaintiffs suffered damages resulting from a cartel among hydrogen peroxide and persalts suppliers. Kemira Oyj, Kemira Chemicals Inc. and Kemira Chemicals Canada, Inc. have not been informed of any allegation that relates specifically to the Canadian market.

(EUR million)

30. DERIVATIVE INSTRUMENTS	2005	2004
Nominal values		
Currency instruments		
Forward contracts *)	314.7	316.7
of which hedges of net investment in a foreign operation	24.7	24.0
Currency options *)		
Bought	94.1	196.6
Sold	111.2	197.2
Currency swaps	121.9	73.7
Interest rate instruments		
Interest rate swaps	160.4	210.2
of which cash flow hedge	69.6	46.7
Interest rate options		
Bought	10.0	27.4
Sold	15.0	36.2
Forward rate agreements	-	-
of which open	-	-
Bond futures	10.0	10.0
of which open	10.0	10.0
Electricity forward contracts (GWh)		
Electricity forward contracts	1,884.0	-
of which cash flow hedge	1,884.0	-

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

Fair values	31.12.2005			31.12.2004		
	Assets gross	Liabilities gross	Total net	Assets gross	Liabilities gross	Total net
Currency instruments						
Forward contracts *)	1.3	-6.7	-5.4	7.2	-4.6	2.6
of which hedges of net investment in a foreign operation	0.1	-3.2	-3.1	0.4	-	0.4
Currency options *)	0.3	-1.2	-0.9	2.3	-1.1	1.2
Bought	-	-0.3	-0.3	0.9	-0.7	0.2
Sold	0.3	-0.9	-0.6	1.4	-0.4	1.0
Currency swaps	0.8	-0.9	-0.1	-	-16.3	-16.3
Interest rate instruments						
Interest rate swaps	3.6	-0.7	2.9	1.9	-5.1	-3.2
of which cash flow hedge	3.4	-0.1	3.3	1.6	-	1.6
Interest rate options	-	-0.2	-0.2	-	-0.4	-0.4
Bought	-	-	-	-	-0.1	-0.1
Sold	-	-0.2	-0.2	-	-0.3	-0.3
Forward rate agreements	-	-	-	-	-	-
of which open	-	-	-	-	-	-
Bond futures	-	-0.1	-0.1	-	-	-
of which open	-	-0.1	-0.1	-	-0.1	-0.1
Electricity forward contracts						
Electricity forward contracts	17.3	-	17.3	-	-	-
of which cash flow hedge	17.3	-	17.3	-	-	-

*) Includes also closed foreign exchange positions. The open position is shown in the hedging section of the currency risk table, note 33.

31. RISK MANAGEMENT

The Kemira Group's risk management is based on the Enterprise Risk Management concept in accordance with the guidelines issued by Kemira Oyj's Board of Directors. In its Code of Business Practices, Kemira has defined risks as uncertain events which could affect the sustainable and ethical achievement of its strategic and operational goals. At Kemira, Enterprise Risk Management (ERM) is defined as being a set of coordinated activities for identifying, assessing and managing all major risk areas, such as strategic, hazard-related, operational and financial risks, in a systematic and proactive way, with the purpose of defining and reaching the desired level of aggregate risk with regard to the Group's risk tolerance while maintaining the continuity of operations at all times.

The Group has in place specific risk policies and manuals defining the management objectives, division of responsibilities and risk limits (where relevant) etc., examples being the Investment Guidelines, Treasury Policy and Competition Law Compliance Policy. The policies are approved by the Board or senior management, and are available on the Group's intranet pages. One of the main principles is that the business or function owner always has risk ownership and therefore also the responsibility for risk management operations. The role of the centralized Kemira Group Risk Management function is to develop and coordinate the risk management activities and networks within the Group. The Internal Audit is not a part of the Group Risk Management function; rather, it is organized separately and also has responsibility for auditing and assessing the efficacy of the risk management function as well as risk management activities across the Group.

To realize economies of scale and ensure better Group-level control where appropriate, certain risk management activities are, however, centralized. These include the purchase of insurance cover for certain risks, such as general and product liability, transports, property and business interruption for the big production sites, and the hedging of treasury risks. Also, the industrial environment, business, customer and technological intelligence processes are coordinated centrally with a view to being able to respond to changing conditions in a more proactive and synergic manner.

In 2005, the risks of each of the Kemira Group Business Areas were identified and assessed according to the principles of Enterprise Risk Management and by using the jointly agreed self-assessment methodology. In addition, the Kemira Group-level risks were assessed in a Kemira Operational Board risk management process. As a result of the assessments, the management of the Kemira Group and the business areas have been provided with risk maps and risk lists. Risk management action plans based on the risk maps and risk lists are integrated into the operational action plans of the businesses. In the future, ERM risk assessment and risk management will be more closely incorporated into the planning processes of the businesses, especially in strategic planning.

Apart from continuous and systematic risk assessment and risk management, the Kemira Group's Enterprise Risk Management system will be enhanced further by setting out in detail how ERM is organized within Kemira, by updating risk management policies and instructions, and by means of increased internal risk reporting.

32. ENVIRONMENTAL RISKS AND LIABILITIES

The bulk of Kemira's business is in the chemical industry, whose products and operations are governed by numerous international agreements and national legislation all over the world. The Group deals with its environmental liabilities and risks in accordance with IFRS regulations and it observes established internal principles and procedures.

Pollution of the soil and ground water caused by previous operations has been studied at all the Group's main sites. Numerous new site assessments or due diligence studies were carried out globally in M&A arrangements that were completed or planned.

The acquisitions and divestments did not alter the Group's environmental liabilities significantly. A site assessment was carried out at a total of seven locations in Europe and the United States in connection with the acquisitions of Finnish Chemicals and Verdugt. Of these, a provision was set up for continuing remediation measures at the Tiel location in the Netherlands.

Significant environmental liabilities are not connected with the purchase of the Lanxess Group's paper chemicals business that was announced at the end of 2005.

The total amount of provisions for environmental remediation was EUR 22.9 million. The largest provisions were for future landscaping of the piling areas connected to the Pori and Helsingborg sites, isolation of the sold waste disposal area at the Kokkola site and reconditioning of the sediment of a lake adjacent to the Vaasa plant. The environmental provision at Helsingborg was increased to cover removal of an old waste pile from the plant area.

Emission trading

The Group had assigned permits and allowances under the European Union's emissions trading directive at total a total of three sites in Finland and Sweden in 2005. In net amount, the assigned allowances at the Group level were 23,055 carbon dioxide tons in surplus. The emission allowances for the two most important sites were transferred to the buyer in connection with the disposals of power plants that were carried out at the end of the year.

33. MANAGEMENT OF FINANCIAL RISKS

The task of Group Treasury is to attend to the management of financial risks in accordance with the treasury policy that is in effect. Treasury policy is approved by the Company's

Board of Directors and it defines the operational principles of treasury management. The Board of Directors approves Treasury annual plan and the maximum permissible amounts of financial risks.

The objective of financial risk management is to protect the company from unfavorable changes occurring in the financial markets and thus to contribute to safeguarding the company's earnings trend and its shareholders' equity. Kemira employs various financial instruments within the limits that have been set. The Group uses only instruments for which the market values and risks can be tracked continually and reliably. Derivative instruments are used only for hedging purposes, not for speculative gain.

Foreign exchange risk

Foreign currency cash flow risk arises from the net currency flows denominated in currencies other than the domestic currency both in the eurozone and outside it. The most important sales currencies are the United States dollar and the Swedish krona. Foreign exchange risk also derives from the translation into euros of income statement and balance sheet items from other currencies. Currency risk is hedged mainly by using forwards and currency options, which at the end of 2005 were less than one year maturity. At the Group level, the hedging entries of the subsidiaries are eliminated. An estimate of the largest foreign currency cash flow risk at this level is given in the table below.

Currency	**USD**	**SEK**	**PLN**	**NOK**	**GBP**	**Others**
(EUR million)						
Net flow	55	37	14	12	9	15
Hedging	42	15	8	3	6	4
Exposure after hedging	13	22	6	9	3	11
Hedge ratio	76%	41%	57%	25%	67%	27%

At the turn of the year in 2005, the foreign currency operative cash flow from for 2006 is estimated to be about EUR 142 million; of which 55% was hedged (the hedge ratio in 2004 was 46%). The hedge ratio is tracked daily. In hedging the total cash flow risk, the neutral level is reached when 50% of the forecast net foreign currency cash flow is hedged. A minimum of 30% and a maximum of 100% of the forecast flow must always be hedged. A ten percent weakening in foreign exchange rates against the euro when applying the rates at the balance sheet date and without hedging would cause a negative impact on earnings of about EUR 6.1 million.

In hedging the net investment in the Group's units abroad, the equity ratio is monitored. In accordance with the Group's policy, equity hedging measures have to be undertaken when a change of +/– 5.0% in the foreign exchange rates causes a change of more than 1.5 percentage points in the equity ratio.

The largest equity amounts of Group companies are in Swedish kronor, United States dollars and Polish zlotys. The objective is to hedge balance sheet risk by keeping foreign currency-denominated liabilities in balance, currency by currency, with the asset items in the balance sheet. Equity items in foreign currency are hedged either with long-term loans or forward contracts.

At the balance sheet date, equity denominated in the Swedish krona is hedged with long term loan, part of equities of United States companies are hedged with long-term loans and a part with forward contracts. The equities of the companies in Canada and the company in Japan have been hedged with forward contracts. The nominal amount of hedges of net investments in foreign operations at the end of 2005 was EUR 143.5 million (2004 EUR 151 million). All in all, these transactions correspond to a 32% hedge ratio.

Interest rate risk

Interest rate risk is associated with management of the Group's loan portfolio. In accordance with the treasury policy, the benchmark of the Group's interest rate risk is the duration, which must be in the range of 6–48 months. In 2006 a change of one percentage point is allowed to cause a maximum change of EUR 15 million in the market value of the asset/liability portfolio. The Group can borrow by way of either fixed or floating rate instruments and use both interest rate swaps and interest rate options as well as forward rate agreements to arrive at a target in accordance with its policy.

The duration of the Group's interest-bearing loan portfolio at the end of 2005 was 20 months. Pension loans are included in this figure, and they are assigned a duration of one year. Excluding interest rate derivatives, the duration is 11 months. At the end of 2005, 41% of the Group's entire loan portfolio, including derivatives and pension loans, consisted of fixed-interest borrowings (2004: 46%). Pension loans are considered to be floating rate loans.

The average interest rate of the Group's long-term loan portfolio is about 4.1%. The most important currencies from the standpoint of the management of interest rate risks are the euro, United States dollar and the Swedish krona.

Fixed-interest financial assets and liabilities are susceptible to price risk arising from changes in interest rates. Floating rate financial assets and liabilities, the interest rate of which changes with market interest rates, are subject to cash flow risk due to interest rates. Investments in equity instruments do not have interest rate exposure.

An increase of one percentage point in the level of interest rates at the end of 2005 would have lowered the market value of the long-term loan portfolio by EUR 8.9 million, including interest rate derivatives, and by EUR 5.2 million without derivatives. The proportion of fixed-interest loans in the loan portfolio has been increased by means of interest rate derivatives. As a consequence of this financial policy, the Group's average interest rate level in general has been higher than the market level of short-term interest rates when low rates prevail and, on the other hand, lower than the market level when high rates prevail. If the level of interest rates rose by one percentage point on January 1, 2006, the interest expense which the Group would pay over the next 12 months would increase by about EUR 3.3 million. Of the Kemira Group's net financing portfolio, including derivatives, 71% will be re-priced during 2006. The Group's average interest rate maturity is 23 months. Floating rate instruments are priced when the next interest rate review is conducted, and the interest rate maturity for fixed-interest instruments is the same as their remaining maturity.

At the balance sheet date, the Group had outstanding interest rate derivatives with a market value of EUR 2.9 million. Part of the interest rate swaps have been taken out to hedge the Group's portfolio, and they are treated in accordance with the principles of hedge accounting set out in IAS 39. The policy regarding hedge accounting is described in the Group's accounting policies.

The price of electricity varies very greatly with the market situation. The Kemira Group largely employs hedging measures on electricity purchases in order to even out raw material costs. In line with its hedging policy, hedges are made in proportion to the existing sales agreements such that the hedges cover the commitments that have been made. The instruments which are used for hedging are electricity forwards on the power exchange. Currency and regional price risks connected with hedges are hedged fully by making agreements in HELEUR amounts. Electricity derivatives are treated in accordance with cash flow hedge accounting, as discussed above. The forecast physical deliveries of the underlying asset, i.e. purchases, are not recorded until the delivery period. If the price of electricity were not hedged and if changes occurred in production volumes or the cost structure, a change of one euro in the market price per megawatt hour would affect profit before taxes by EUR 1.3 million.

Credit risk related to cash flow and fair value

The Group's financial management policy defines the creditworthiness requirements of the counterparties to investment activities and derivative agreements as well as the related investment policy. The Group seeks to minimize its counterparty risk by dealing solely with counterparties who are financial institutions having a good credit rating as well as by spreading out agreements among them.

Group Treasury approves the new banking relationships of subsidiaries. At present, there are 15 approved financial institution counterparties, all of which have a credit rating of at least A, based on Standard & Poor's credit rating information. A counterparty that has received a credit rating below the A level or an unrated counterparty must have a separate approval from the Board of Directors. The maximum risk assignable to the Group's financial institution counterparties at the balance sheet date is EUR 12.8 million. Counterparty risk is monitored on a monthly basis by defining, based on the market values of receivables, the maximum risk associated with each counterparty. For each financial institution, there is an approved limit. Credit risks for financing did not result in credit losses during the financial year.

Counterparty risk in treasury operations is due to the fact that a contractual party to a financing transaction is not necessarily able to fulfill its obligations under the agreement. Risks are related mainly to investment activities and to the counterparty risks of derivative contracts. Group Treasury may invest liquid assets in the corporate paper of Finnish companies to a maximum amount of EUR 150 million. The maximum for an investment in a single company is EUR 30 million, for a period of up to six months. The Group's credit risk equals the amount of its financial receivables at December 31, 2005.

Products are sold only to companies whose credit information does not indicate payment irregularities. The Group does not have significant concentrations of credit risk, because it has an extensive customer base that is spread widely over the world. Credit limits have been set for most customers and they are monitored systematically. Some customers are insured by taking out credit insurance, which is done unit by unit. In addition, document payments are in use, such as letters of credit.

Liquidity risk

The Group's liquidity is safeguarded by means of account overdrafts, money market investments and revolving credit facility. The Group's cash and cash equivalents at the end of 2005 stood at EUR 56.3 million, of which short-term investments totaled EUR 28.3 million and bank deposits EUR 28.0 million. The unused revolving credit facility was EUR 678.8 million.

The Group diversifies its refinancing risk by obtaining financing from different sources in different markets. The Group has bank loans, pension loans, insurance company loans, a Medium Term Note Program as well as short-term domestic and foreign commercial paper programs. The objective is to balance the maturity schedule of the bond and loan portfolio and to maintain a sufficiently long maturity for long-term loans.

The Group has an EUR 600 million domestic commercial paper program enabling it to issue commercial paper with a maximum maturity of one year. In addition, the Group has concluded a five-year revolving credit agreement to a nominal amount of EUR 750 million. At the turn of the year 2005-2006, EUR 71.2 million of this revolving credit facility was in use. The credit contains a covenant according to which the company represents and warrants that its financial state will remain such that the consolidated shareholders' equity is always at least 25 per cent of consolidated total assets (equity ratio).

Loans and other receivables	**2005**		2004	
(EUR million)	**Book value**	**Fair value**	Book value	Fair value
Bank deposit	**28.0**	**28.0**	28.9	28.9
Current investments	**28.3**	**29.1**	356.0	357.3
Non-current loan receivables	**3.9**	**3.9**	9.5	9.5
Total	**60.2**	**61.0**	394.4	395.7

The fair value of current receivables is accounted for by discounting the book value at an effective interest rate of 2.0%–2.2% (2.0%–2.2% in 2004). The fair value of non-current receivables is based on market prices, the effective rate varied in the range of 0.0%–3.5% (0.0–7.0% in 2004).

Interest-bearing loans

(EUR million)	**31.12.2005**		**Maturity**						31.12.2004	
Currency	**Fair value**	**Book value**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011–**	Fair value	Book value
EUR	**207.3**	**203.5**	45.6	10.2	20.2	8.7	7.0	111.8	251.2	250.7
SEK	**90.4**	**90.7**	0.6	0.5	0.2	0.2	0.2	88.9	96.5	95.8
USD	**153.0**	**151.1**	0.8	0.1	0.1	0.3	71.2	78.6	202.8	201.1
Other	**9.3**	**9.2**	3.3	3.8	1.4	0.1	0.1	0.4	10.5	10.8
Total	**460.1**	**454.5**	50.4	14.6	21.9	9.3	78.5	279.7	561.0	558.4

Effective interest rate varied in the range of 0.0–12.0% (0.0–12.0% in 2004).

Current and Non-current interest bearing loans

(EUR million)	**31.12.2005**		**Maturity**						31.12.2004	
Loan type	**Drawn**	**Un-drawn**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011–**	Drawn	Un-drawn
Bonds	**16.5**	**-**	16.5	-	-	-	-	-	16.5	-
Loans from financial institutions	**366.7**	**-**	33.9	14.6	21.9	9.3	7.3	279.7	435.5	-
Revolving credit facility	**71.2**	**678.8**	-	-	-	-	71.2	-	106.5	399.5
Interest-bearing loans total	**454.4**	**678.8**	50.4	14.6	21.9	9.3	78.5	279.7	558.4	399.5
Commercial paper programme	**201.0**	**399.0**	201.0	-	-	-	-	-	-	150.0
Total	**655.4**	**1,077.8**	251.4	14.6	21.9	9.3	78.5	279.7	558.4	549.5

34. ASSOCIATED COMPANIES

			Group Holding %
Aluminium Sulphate Co. of Egypt S.A.E.	Cairo	Egypt	26.1
Biolchim Tunisie	Carthago	Tunisie	12.5
BNH Nya Hembutikerna AB	Stockholm	Sweden	45.1
FC Energia Oy	Ikaalinen	Finland	34.0
FC Power Oy	Ikaalinen	Finland	34.0
Haapaveden Puhdistamo Oy	Haapavesi	Finland	40.5
Haapaveden Ympäristöpalvelut Oy	Haapavesi	Finland	40.5
HD Tech Inc	Ontario	Canada	50.0
Honkalahden Teollisuuslaituri Oy	Joutseno	Finland	50.0
Huron Federal LLC	Delaware	United States	50.0
Kemira Arab Potash Company	Amman	Jordan	49.0
KemMaq JV	Rowley	United States	50.0
Kemwater Phil., Corp.	Manila	Philippines	40.0
Orca Water Technologies, LLC	Ventura	United States	30.0
Scanspac & Co KB	Sala	Sweden	50.0
Scanspac AB	Sala	Sweden	50.0
Swedish Water Corporation AB	Stockholm	Sweden	20.0

(EUR million)

Summarised financial information of associates (companies' total amounts)	**2005**	2004
Assets	**146.4**	110.10
Liabilities	**114.4**	85.0
Revenue	**95.3**	40.4
Net profit for the period	**-2.9**	-13.9
The following transactions took place with associated companies		
Sale of goods	**8.2**	7.4
Sale of services	**2.0**	2.7
Total revenue	**10.2**	10.1
Sale of goods	**6.0**	0.2
Sale of services	**0.9**	0.9
Total revenue	**6.9**	1.1

35. JOINT VENTURES

The Group's joint ventures are Kemira-Ube Ltd and Biolchim S.p.A. and in 2005 Alcro Parti AB. Until the end of September 2004 also Alufluor AB was a joint venture. The Group has a 50% voting right in joint ventures. Consolidated financial statements include shares of the joint ventures' assets, liabilities, income and expenses as follows:

Non-current assets	**7.1**	8.3
Current assets	**15.3**	15.2
Total assets	**22.4**	23.5
Long-term liabilities	**3.2**	4.1
Current liabilities	**8.8**	10.9
Total liabilities	**12.0**	15.0
Revenue	**29.4**	33.5
Costs	**-25.6**	-28.9
Depreciation	**-1.6**	-2.0
Financial income and expenses	**-0.1**	-0.1
Income taxes	**-0.8**	-1.1
Net profit	**1.3**	1.4

36. CHANGES IN GROUP STRUCTURE 2005

Acquisitions of Group companies and new subsidiaries that have been founded

- Kemira acquired all shares in Finnish Chemicals Oy in April.
- Kemira acquired the specialty chemical company Verdugt b.v. in April.
- Kemira established a new service company named One-Point Oy in April.
- Kemira purchased the remaining 40 per cent of the shares in Kemiron Companies Inc. in May.
- Kemira Kemi AB purchased the remaining 40 per cent of the shares in Akvab AB in June.
- Kemira established a new company Kemira S.A. in Uruguay in August.

Divestments of Group companies

- The Group's holding in Kemwater Cristal S.A. decreased from 95.78% to 78.45% and the holding in Kemwater Chimbis S.A. fell from 92.43% to 76.05% in January.
- Kemira Kemi AB sold all but 10% in Scandinavian Silver Eel AB in June.
- Alcro-Beckers AB sold Färgservice i Malmö AB in November.
- Kemira Kemi AB sold its 51% holding in Kemwater Diper Environmental Chemicals Inc. in November.
- Alcro-Beckers AB sold 89% of its shares in RF Golventreprenader AB in December. Accordingly, its subsidiary Runes Färger is no longer included in the Group.

Changes in holdings in Group companies

- Alchim S.R.L. was merged into Kemwater Cristal S.A. in March.
- E.QU.I.P. International Inc. merged into Kemira Chemicals Canada Inc. in April.
- Tikkurila combined its industrial coatings companies and decorative paints companies in Hungary. Tikkurila Coatings Kft was merged into Tikkurila Festék Kft in April.
- Tikkurila Coatings Oy sold its holding in Sia Tikkurila Coatings to Tikkurila Paints Oy in April.
- Kemira Chem Holding BV was transferred from Kemira Oyj to Kemira International Finance BV. in June.
- AS Tikkurila Coatings was merged into AS Vivacolor in October.
- Kemira Kemi AB sold its 100% holding in Kemira KTM d.o.o., Kemira Chemicals AS, Kemira Ibérica S.A. and Kemira Miljö A/S to Kemira Oyj. Kemira Kemi AB sold its 15% share in Kemiron Companies Inc. to Kemira Water Chemicals Inc. in November.
- Kemira Chem Holding B.V., Verdugt Topco B.V., Verdugt Holding Europe B.V. and Verdugt Holding B.V. were merged into Kemira International Finance B.V. in December.

Name changes

Old name	New Name
Multirange B.V.	Kemira Netherland Holding B.V.
Tikkurila Festék Kft	Tikkurila Kft
Färgsam AB	BNH Nya Hembutikerna AB
Kemwater (Yixing) Co., Ltd	Kemira (Yixing) Co., Ltd
SIA Vivacolor	SIA Tikkurila-Vivacolor
UAB Vivacolor	UAB Tikkurila-Vivacolor
AS Vivacolor	AS Tikkurila-Vivacolor
Branschgaranti Service AB	Nordisk Branschgaranti AB
Verdugt BV	Kemira ChemSolutions BV
Kemira S.A.	Kemira Uruguay S.A.

Notes to consolidated financial statements

37. CONTINUING AND DISCONTINUED OPERATIONS

(EUR million) **Consolidated income statement**	**2005**	Continuing operations 2004	[1] Discontinued operations 2004	Whole Group 2004
Revenue	**1,994.4**	1,695.1	838.3	2,533.4
Other operating income	**69.3**	13.8	75.7	89.5
Cost of sales	**-1,779.3**	-1,476.9	-788.8	-2,265.7
Depreciation	**-118.9**	-120.4	-41.1	-161.5
Operating profit	**165.5**	111.6	84.1	195.7
Financial income and expenses	**-30.5**	-56.8	-11.0	-67.8
Income from associates	**-1.5**	-3.7	0.4	-3.3
Profit before tax	**133.5**	51.1	73.5	124.6
Income tax	**-42.1**	-31.5	-10.9	-42.4
Net profit for the period	**91.4**	19.6	62.6	82.2
Attributable to:				
Equity holders of the parent	**88.5**	14.9	63.1	78.0
Minority interest	**2.9**	4.7	-0.5	4.2
Net profit for the period	**91.4**	19.6	62.6	82.2
Earnings per share, EUR	**0.73**	0.13	0.52	0.65
Earnings per share, diluted, EUR	**0.73**	0.13	0.52	0.65

1) Discontinued operations include eliminations.

CASH FLOW STATEMENT

	2005	2004
Cash flows from operating activities		
Continuing operations	**155.6**	231.0
Discontinued operations		31.1
Total cash flows from operations	**155.6**	262.1
Capital expenditure		
Continuing operations	**-401.9**	-165.1
Discontinued operations		-49.9
Total capital expenditure	**-401.9**	-215.0
Proceeds from sale of property, plant and equipment		
Continuing operations	**131.5**	41.7
Discontinued operations		149.2
Total proceeds from sale of property, plant and equipment	**131.5**	190.9
Cash flows from investing activities	**-270.4**	-24.1
Cash flow after capital expenditure		
Continuing operations	**-114.8**	107.6
Discontinued operations		130.4
Total cash flow after capital expenditure	**-114.8**	238.0

38. EVENTS AFTER THE BALANCE SHEET DATE

There have not been any exceptional events after the balance sheet date that have a material effect.

Parent company financial statements (FAS)

INCOME STATEMENT		1.1. – 31.12.	
(EUR million)	Note	2005	2004
Revenue	2	235.6	246.8
Other income from operations	3	44.9	83.8
Cost of sales	4, 5, 6	-232.3	-237.3
Depreciation	7	-21.3	-21.6
Operating income		26.9	71.7
Financial income and expenses	8	-13.3	-32.5
Income before extraordinary items, appropriations and taxes		13.6	39.2
Extraordinary items	9	46.7	24.1
Income before appropriations and taxes		60.3	63.2
Appropriations	7	3.3	1.8
Income taxes	10	-21.3	-3.9
Net income		42.3	61.2

BALANCE SHEET		31.12.	
(EUR Million)	Note	2005	2004
ASSETS			
Non-current assets			
Intangible assets	11	16.1	17.2
Tangible assets	12	105.3	135.3
Investments	13		
Shares in Group companies		874.6	489.5
Holdings in associates		10.4	14.1
Other shares and holdings		11.9	51.8
Treasury shares		-	28.2
Total investments		896.9	583.6
Total non-current assets		1,018.3	736.1
Current assets			
Inventories	14	17.7	16.0
Receivables	15		
Interest-bearing receivables		606.8	376.3
Interest-free receivables		116.4	92.4
Total receivables		723.2	468.7
Securities	16	6.5	338.3
Cash and bank		4.0	11.9
Total current assets		751.4	834.9
Total assets		1,769.7	1,571.0
SHAREHOLDERS' EQUITY AND LIABILITIES			
	Note		
Shareholders' equity	17		
Share capital		221.3	220.7
Share issue		0.0	0.1
Share premium account		257.8	257.5
Treasury shares		-27.5	28.2
Retained earnings		294.9	250.9
Net profit for the financial year		42.3	61.2
Total shareholders' equity		788.8	818.6
Appropriations	18	44.6	49.5
Obligatory provisions	19	54.2	52.4
Non-current liabilities	20		
Interest-bearing long-term liabilities		412.5	328.9
Total long-term liabilities		412.5	328.9
	Note	2005	2004
Current liabilities	21		
Interest-bearing short-term liabilities		397.6	230.6
Interest-free short-term liabilities		72.0	91.0
Total current liabilities		469.6	321.6
Total liabilities		882.1	650.5
Total shareholders' equity and liabilities		1,769.7	1,571.0

CASH FLOW STATEMENT	2005	2004
Funds from operations		
Operating income	27.4	71.6
Adjustments to operating income	-32.8	-62.7
Depreciation	21.3	21.6
Interest income	20.6	18.6
Interest expense	-25.3	-12.7
Dividend received	3.3	3.0
Other financing items	-28.5	3.7
Taxes	-28.1	0.3
Total funds from operations	-42.1	43.4
Change in net working capital		
Inventories	-4.5	4.7
Short-term receivables	-10.0	1.1
Non-interest-bearing short-term liabilities	3.6	10.1
Change in net working capital, total	-10.9	15.9
Cash flow from operations	-53.0	59.3
Capital expenditure		
Acquisitions of Group companies	-381.8	-191.0
Acquisitions of associated companies	-	-10.2
Purchase of shares	-3,6	-
Purchase of other fixed assets	-22.6	-8.6
Disposal of Group companies	-	209.7
Disposed shares	53.6	0.4
Sales of other fixed assets	52.4	-11.9
Total capital expenditure	-302.0	-11.6
Cash flow before financing	-354.9	47.7
Financing		
Change in long-term loans (increase +, decrease -)	554.8	-86.4
Change in long-term loan receivables (increase -, decrease +)	-208.4	185.0
Short-term financing, net (increase +, decrease -)	-310.6	192.2
Increase in shareholdes' equity	0.5	3.8
Increase in share premium	0.3	5.0
Group contribution	24.1	17.1
Dividend paid	-44.7	-39.0
Other	-0.9	-
Financing, total	15.1	277.7
Increase / decrease in liquid funds	-339.8	325.4
Liquid funds at end of year	10.5	350.3
Liquid funds at beginning of year	350.3	24.9
Increase / decrease in liquid funds	-339.8	325.4

Notes to Parent company financial statements

1. ACCOUNTING POLICIES

Basis of preparation
The parent company's financial statements have been prepared in compliance with the relevant acts and regulations in force in Finland (FAS). The Kemira Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and the parent company observes the Group's accounting policies whenever this has been possible. Presented below are principally the accounting policies in which the practice differs from the Group's accounting policies. In other respects, the Group's accounting policies are observed.

Financial assets, financial liabilities and derivative contracts
All financial assets (including shares) and liabilities are booked at their acquisition cost or their value less writedowns, except for derivative instruments, which are measured at their fair value. Changes in the value of financial assets and liabilities, including derivatives, are booked as a credit or charge to income under financial income and expenses. The methods of measuring derivative contracts are discussed in the section on the Group's significant accounting policies.

Pension arrangements
The Company's pension liabilities are handled in part through a pension insurance company and in part through Kemira's own pension foundations. Contributions are based on periodic actuarial calculations and are charged against profits. The Company has entered into a separate pension commitment with the President and CEO.

Share-based incentive scheme for the personnel
The treatment of share-based schemes is discussed in the Group's accounting policies. In the parent company, share-based payments are recorded as an expense in the amounts of the payments to be made.

Income taxes
The Group's accounting policies are applied to income taxes and deferred tax assets and liabilities to the extent permitted under Finnish financial statement practice. The deferred tax liability for the depreciation difference is stated in a note to the financial statements.

Property, plant and equipment and intangible assets
The Group's accounting policies are applied to tangible and intangible assets. In addition, the parent company's financial statements include revaluations of buildings, made in the 1980s, which have been previously depreciated in the consolidated financial statements.

In the parent company, goodwill continues to be amortized, as are intangible assets with an indefinite useful life.

Leases
All leasing payments have been treated as rental expenses.

Extraordinary income and expenses
Extraordinary income and expenses consist of Group contributions received and given, which are eliminated at the Group level.

Treasury shares
In the parent company's financial statements 2004, treasury shares have been entered in the balance sheet as assets and as a non-distributable item under shareholders' equity. Due to the change of Companies Act in 2005 the presentation of the treasury shares has been changed and they have not been presented as assets. Purchases of treasury shares including costs are deducted directly from equity.

(EUR million)	2005	2004

2. REVENUE

Revenue by division		
Pulp & Paper Chemicals	146.6	149.6
Kemwater	26.4	23.5
Performance Chemicals	55.0	64.9
Other, including sales between divisions	7.6	8.8
Total	235.6	246.8

Distribution of revenue by geographic market areas, as a percentage of total net sales		
Finland	66	68
Sweden	8	10
Other European Union countires	14	11
Other European countires	4	5
North and South America	4	3
Asia	4	3
Total	100	100

3. OTHER INCOME FROM OPERATIONS

Gains on the sale of group companies	-	58.5
Gain of mergers	-	10.0
Gains on the sale of fixed assets	28.6	2.0
Rent income	0.7	0.8
Sales of scrap and waste	-	0.1
Other income	15.6	12.4
Total	44.9	83.8

Capital gains on disposal in 2004 include a gain on the sale of shares of Kemira Fine Chemicals Oy and Ecocat, a gain on the transfer of Kemira GrowHow business and a gain on the divestment of the calcium chloride business. Gains on mergers in 2004 include the gains arising on the merger of Kemira Chemicals Oy and Kemira Trading Oy.

Gains on the sale of fixed assets in 2005 include gains on the sale of a power plant in Oulu and the building of Oulu Research Center, gains on the sale of Kemira House and peat bogs and a gain on the sale of shares of Kemira GrowHow.

Other operating income in 2005 includes a gain on the sale of Kemira Emirates Fertilizer Company, company management fees and licensing agreement of Kemira GrowHow.

Other operating income in 2004 includes a payment for a construction project and company management fees.

4. COST OF SALES

Increase/ (decrease) in stocks of finished goods	-4.6	1.4
Own work capitalized	-2.1	-3.4
Materials and services		
Materials and supplies		
Purchases during the financial year	93.7	94.4
Change in inventories of material and supplies	0.6	-0.3
External services	3.3	3.6
Total materials and services	97.6	97.7
Personnel expenses	63.9	66.6
Rents	5.2	4.5
Losses on the sales of fixed assets	0.5	0.8
Other expenses	71.8	69.7
Total	232.3	237.3

Own work capitalized comprises mainly wages, salaries and other expences and changes in inventories relating to self-constructed fixed for own use.

In 2005 costs included a net increase in long and short-term provisions of EUR 1.8 million and in 2004 EUR 2.4 million.

5. RESEARCH AND DEVELOPMENT EXPENSES	2005	2004
Research and development expenses total	10.8	9.2

6. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

Emoluments of the Supervisory Board	0.1	0.1
Emoluments of boards of directors and managing directors [1]	2.3	1.5
Other wages and salaries	49.4	51.1
Pension expenses	7.3	8.8
Other personnel expenses	4.8	5.1
Total	63.9	66.6

1) The emolument of Kemira Oyj's managing director was EUR 1,205,177 (481,974) including bonuses EUR 686,386. Emolument in 2004 does not include bonuses.

Other transactions between related parties are presented in Note 19 to the notes to the consolidated financial statements.

Personnel end of period		
Pulp & Paper Chemicals	456	462
Kemwater	32	33
Performance Chemicals	150	301
Other	331	305
Personnel at year end	969	1,101
Personnel average	1,071	1,202

7. DEPRECIATION

Scheduled depreciation		
Intangible assets		
Intangible rights	0.5	0.5
Goodwill	0.8	0.8
Other intangible assets	3.5	3.0
Tangible assets		
Buildings and constructions	2.5	2.7
Machinery and equipment	13.7	14.2
Other tangible assets	0.3	0.4
Total	21.3	21.6

Decrease in difference between scheduled and actual depreciation		
Other intangible assets	-0.4	-0.1
Buildings and constructions	-0.5	-0.5
Machinery and equipment	-2.3	-0.2
Other tangible assets	-0.1	-1.0
Total	-3.3	-1.8

Notes to Parent company financial statements

(EUR million)

8. FINANCIAL INCOME AND EXPENSES	2005	2004
Financial income		
Dividend income		
Dividend income from Group companies	0.7	2.9
Dividend income from others	2.5	0.1
Total dividend income	3.2	3.0
Interest income		
From long-term investments from Group companies	18.4	12.5
From short-term investments from Group companies	2.7	8.7
From long-term investments from others	-	3.0
From short-term investments from others	1.7	2.1
Total interest income	22.8	26.3
Other financial income		
Other financial income from Group companies	0.1	-
Other financial income from others	0.1	0.1
Other financial income total	0.2	0.1
Exchange gains		
Exchange gains from Group companies	26.4	1.5
Exchange gains from others	14.6	51.0
Total exchange gains	41.0	52.5
Total financial income	67.2	81.9
Financial expenses		
Interest expenses		
Interest expenses to Group companies	-2.6	-3.1
Interest expenses to others	-20.0	-18.6
Total interest expenses	-22.6	-21.7
Other financial expenses	-2.5	-46.5
Exchange losses		
Exchange losses from Group companies	-3.5	-6.8
Exchange losses from others	-51.9	-39.4
Total exchange losses	-55.4	-46.2
Total financial expenses	-80.5	-114.4
Total financial income and expenses	-13.3	-32.5
Exchange gains and losses		
Realized	9.1	-8.9
Unrealized	-23.4	15.1
Total	-14.3	6.2

Financial income and expenses include impairment and guarantee losses on loan receivables from the water-soluble fertilizer business totalling EUR 44.2 million in 2004.

9. EXTRAORDINARY ITEMS	2005	2004
Extraordinary income		
Group contributions received	47.2	24.3
Total	47.2	24.3
Extraordinary expenses		
Group contribution granted	-0.5	-0.2
Total	-0.5	-0.2
Total extraordinary income and expenses	46.7	24.1

10. INCOME TAXES	2005	2004
Income taxes, current year	14.8	11.8
Income taxes, previous years	6.6	0.1
Deferred taxes	-0.7	-8.3
Other taxes	0.6	0.3
Total	21.3	3.9

(EUR million)

11. INTANGIBLE ASSETS	Intangible rights	Goodwill	Advances paid and fixed assets under construction	Other intangible assets	2005 total	2004 total
Acquisition cost at beginning of year	8.0	10.6	2.2	17.3	**38.1**	16.0
Addition due to the merger	-	-	-	-	**-**	19.9
Increases	0.7	-	-	3.6	**4.3**	3.6
Decreases	-	-2.3	-	-0.4	**-2.7**	-1.3
Business transfers	-	-	-	-0.4	**-0.4**	-
Acquisition cost at end of year	8.7	8.3	2.2	20.1	**39.3**	38.2
Accumulated depreciation at beginning of year	-5.5	-6.8	-	-8.7	**-21.0**	-4.2
Accumulated depreciation at the beginning of the year due to the merger	-	-	-	-	**-**	-12.7
Accumulated depreciation relating to decreases and transfers	-	2.0	-	0.2	**2.2**	0.2
Business transfers	-	-	-	0.3	**0.3**	-
Depreciation during the financial year	-0.5	-0.7	-	-3.5	**-4.7**	-4.3
Accumulated depreciation at end of year	-6.0	-5.5	-	-11.7	**-23.2**	-21.0
Net book value at end of year	2.7	2.8	2.2	8.4	**16.1**	17.2

12. TANGIBLE ASSETS

	Land and water areas	Buildings and construct-ions 1)	Machinery and equipment	Other tangible assets	Advances paid and fixed assets under construction	2005 total	2004 total
Acquisition cost at beginning of year	3.2	73.6	204.4	7.9	3.5	**292.6**	46.2
Addition due to the merger	-	-	-	-	-	**-**	241.2
Increases	-	2.8	7.2	-	8.3	**18.3**	26.5
Decreases	-1.4	-28.1	-20.0	-1.9	-	**-51.4**	-21.1
Business transfers	-0.1	-1.8	-7.0	-2.3	-	**-11.2**	-
Acquisition cost at end of year	1.7	46.5	184.6	3.7	11.8	**248.3**	292.8
Accumulated depreciation at beginning of year	-	-29.8	-123.7	-3.9	-	**-157.4**	-22.2
Accumulated depreciation at beginning of year due to the merger	-	-	-	-	-	**-**	-124.8
Accumulated depreciation relating to decreases and transfers	-	12.4	11.9	1.5	-	**25.8**	6.7
Business transfers	-	0.7	3.2	1.2	-	**5.1**	-
Depreciation during the financial year	-	-2.5	-13.7	-0.3	-	**-16.5**	-17.2
Accumulated depreciation at end of year	-	-19.2	-122.3	-1.5	-	**-143.0**	-157.5
Net book value at end of year	1.7	27.3	62.3	2.2	11.8	**105.3**	135.3

1) The acquisition cost of buildings and constructions include revaluations of EUR 0.8 million in 2005 and EUR 5 million in 2004.

13. INVESTMENTS

	Group company shares	Investments in associated companies	Other shares	Treasury shares	2005 total	2004 total
Acquisition cost at beginning of year	489.5	14.1	51.8	28.2	**583.6**	438.2
Addition due to the merger	-	-	-	-	**-**	250.2
Increases	386.9	-	3.7	-	**390.6**	207.2
Decreases	-1.8	-3.7	-43.6	-0.7	**-49.8**	-312.0
Transfer to shareholders' equity; treasury shares	-	-	-	-27.5	**-27.5**	-
Net book value at end of year	874.6	10.4	11.9	-	**896.9**	583.6

Company owns 4,087,760 treasury shares, which nominal value totals EUR 7,249,458 and acquisition value EUR 27,507,910.

Shares and holdings are specified in Note 23.

Because of the change of Companies Act the presentation of treasury shares has been changed in 2005.

(EUR million)	2005	2004
14. INVENTORIES		
Raw materials and supplies	5.5	6.7
Work in process (projects)	-	0.1
Finished goods	11.6	9.2
Advances paid	0.6	-
Total	17.7	16.0
15. RECEIVABLES		
Long-term receivables		
Interest-bearing long-term receivables		
Loan. receivables		
Loan receivables from Group companies	459.7	282.2
Loan receivables from others	-	0.7
Total interest-bearing long-term receivables	459.7	282.9
Interest-free long-term receivables		
Deferred faxes	10.6	10.1
Other receivables	0.7	-
Total interest-free long-tem receivables	11.3	10.1
Total long-term receivables	471.0	293.0
Current receivables		
Interest-bearing short-term receivables		
Loan receivables from Group companies	147.1	93.4
Total interest-bearing short-term receivables	147.1	93.4
Interest-free short-term receivables		
Trade receivables		
Trade receivables from Group companies	11.2	9.0
Trade receivables from others	24.7	24.5
Total trade receivables	35.9	33.5
Prepaid expenses and accrued income		
Prepaid expenses and accrued income from Group companies	54.8	28.0
Accrued income from associates	0.1	0.3
Prepaid expenses and accrued income from others	10.9	19.2
Total prepaid expenses and accrued income	65.8	47.5
Other receivables		
Other receivables from Group companies	0.2	-
Other receivables	3.2	1.3
Total interest-free short-term receivables	3.4	1.3
Total current receivables	105.1	82.3
Total receivables	723.2	468.7
Prepaid expenses and accrued income		
From interests	9.9	7.7
From taxes	0.1	0.1
From exchange differences	3.0	11.0
From Group contribution	47.2	24.3
Other	5.6	4.4
Total	65.8	47.5
16. SECURITIES		
Securities in other companies	6.5	338.3
Total	6.5	338.3

17. SHAREHOLDERS' EQUITY	2005	2004
Share capital at Jan. 1	220.7	217.0
Increase (options)	0.6	3.7
Share capital at Dec. 31	221.3	220.7
Share issue Jan. 1	0.1	-
Share issue	-	3.8
to share capital	-0.1	-3.7
Share issue Dec. 31	-	0.1
Share premium account at Jan. 1	257.5	252.5
Increase (options)	0.3	5.0
Share premium account at Dec. 31	257.8	257.5
Treasury shares at Jan. 1 and Dec. 31	28.2	28.2
Use of treasury shares, incentive plan	-0.7	-
Transfer [1)]	-27.5	-
Transfer from retained earnings	-27.5	-
Treasury shares at Dec. 31	-27.5	28.2
Retained earnings at Jan. 1	312.0	450.7
Net profit for the year	42.3	61.2
Dividends paid	-41.0	-39.0
Revaluation cancelled (Kemira House)	-4.3	-
Share-based incentive plan	0.7	-
Dividends paid (Kemira GrowHow)	-	-160.7
Donations	-	-0.1
Transfer to treasury shares	27.5	-
Retained earnings and net profit for the year at Dec. 31	337.2	312.1
Total shareholders' equity at Dec. 31	788.8	818.6

1) Because of the change of Companies Act the presentation of treasury shares has been changed in 2005.

Treasury shares are no longer presented as assets. Company owns 4,087,760 treasury shares, which nominal value totals EUR 7,249,458 and acquisition value totals EUR 27,507,910.

18. APPROPRIATIONS	2005	2004
Appropriations		
Appropriations in the balance sheets are as follows:		
Buildings and constructions	8.6	9.0
Machinery and equipment	32.4	35.7
Other tangible assets	1.6	2.5
Goodwill	0.4	0.6
Other long-term expenditures	1.6	1.7
Total	44.6	49.5
Change in appropriations		
Appropriations at Jan. 1	49.5	3.3
Addition due to the merger at Jan. 1	-	48.0
Disposition of business	-1.6	-
Change in untaxed reserves	-3.3	-1.8
Appropriations at Dec. 31	44.6	49.5

Deferred tax liabilities on accumulated depreciation were EUR 11.6 million at Dec. 31, 2005 and EUR 12.9 million at Dec. 31, 2004.

(EUR million)	2005	2004
19. OBLIGATORY PROVISIONS		
Long-term provisions		
Pension provision	2.2	1.0
Other obligatory provisions		
Guarantee liability	46.8	44.2
Restructuring provision	-	1.3
Environmental and damage provision	5.2	5.9
Total other obligatory provisions	52.0	51.4
Change of provisions		
Obligatory provisions at Jan. 1	52.4	-
Additions due to the merger Jan. 1	-	5.9
Business transfer	-0.9	-
Decrease of provisions during year	-1.3	-2.7
Increase during the financial year	4.0	49.2
Obligatory provisions at Dec. 31	54.2	52.4
20. LONG-TERM INTEREST-BEARING LIABILITIES		
Debentures and other bond loans	-	16.5
Loans from financial institutions	309.4	258.0
Pension loans	37.8	54.4
Other long-term liabilities	65.3	-
Total	412.5	328.9
Long-term interest-bearing liabilities maturing in		
2007 (2006)	8.3	33.9
2008 (2007)	83.6	93.4
2009 (2008)	7.5	28.9
2010 (2009)	77.9	0.8
2011 (2010) or later	235.2	171.9
Total	412.5	328.9
Interest-bearing liabilities maturing in 5 years or longer		
Loans from financial institutions	224.2	166.8
Pension loans	11.0	5.1
Total	235.2	171.9

Debentures and other bond loans			
Loan	Loan currency		
Kemira Oyj 4.8 %			
24.11.98-06 II JVK. 1998-2006	EUR	16.5	16.5
Total		16.5	16.5

Kemira Oyj has no convertible bonds.

	2005	2004
21. CURRENT LIABILITIES		
Interest-bearing short-term liabilities		
Loans from financial institutions	217.7	111.3
Loans from pension institutions, installment	14.4	14.4
Current portion of other long-term loans to others	11.1	10.7
Other interest-bearing short-term liabilities		
to Group companies	144.7	85.5
to others	9.7	8.7
Total interest-bearing short-term liabilities	397.6	230.6
Interest-free short-term liabilities		
Advances received	0.1	-
Accounts payable		
to Group companies	1.5	1.0
to others	25.0	16.2
Total accounts payable	26.5	17.2
Accrued expenses and prepaid income		
to Group companies	2.1	0.5
to associated companies	0.3	-
to others	41.4	68.2
Total accrued expenses and prepaid income	43.8	68.7
Accrued expenses and prepaid income		
to Group companies	-	4.6
to others	1.6	0.5
Total other interest-free liabilities	1.6	5.1
Total interest-free short-term liabilities	72.0	91.0
Total current liabilities	469.6	321.6
Accrued expenses and prepaid income		
From salaries	11.3	11.1
From interests and exchange differences	16.2	33.3
From taxes	4.7	11.8
From Group contribution	0.5	0.2
Other	11.1	12.3
Total	43.8	68.7
22. COLLATERAL AND CONTINGENT LIABILITIES		
Loans secured by mortgages in the balance sheet and for which mortgages given as collateral		
Loans from pension institutions	7.5	15.3
Other loans	0.8	
Mortgages given	8.3	20.1
Contingent liabilities		
Assets pledged		
On behalf of own commitments	-	5.9
Guarantees		
On behalf of Group companies for loans	63.1	62.5
On behalf of associates	59.9	57.3
On behalf of others	1.4	1.4
Total	124.4	121.2
Leasing liability		
Maturity within one year	5.4	1.1
Maturity after one year	20.3	1.3
Total	25.7	2.4

The nominal values and market values of financing instruments are included in the Notes to the consolidated financial statements.

Environmental risks and liabilities are disclosed in Note 32 to the consolidated financial statements.

Deferred tax liabilities on depreciation difference were EUR 10.5 million in 2005 and EUR 10.1 million in 2004.

Notes to Parent company financial statements

23. SHARES AND HOLDINGS OF KEMIRA OYJ

Shares in subsidiaries	**Group holding %**	**Kemira Oyj holding %**
AS Kemivesi	100	100
Finnish Chemicals Oy	100	100
Kemira Chimie S.A.S.U	100	100
Kemira Cell Spolka z.o.o.	55	55
Kemira Chemicals (Shanghai) Co..Ltd	100	100
Kemira Chemicals (UK) Ltd	100	100
Kemira Chemicals AS	100	100
Kemira Chemicals Brasil Ltda	100	100
Kemira Chemicals Canada Inc.	100	100
Kemira Chemicals Holding Oy	100	100
Kemira Chemicals Korea Corp.	100	100
Kemira Chemie Ges.mbH	100	100
Kemira Chemie GmbH	100	100
Kemira GrowHow A/S	100	100
Kemira GrowHow Espana S.A.	100	100
Kemira GrowHow S.A.	100	100
Kemira GrowHow SCC B.V.	100	100
Kemira Kemi AB	100	100
Kemira Kimya Sanayi ve Ticaret A.S.	51	51
Kemira KTM d.o.o.	100	100
Kemira Iberica S.A.	100	100
Kemira Miljö A/S	100	100
Kemira Nederland Holding B.V.	100	100
Kemira Paper Chemicals Oy	100	100
Kemira Pigments Latin America Ltda	100	50
Kemira Pigments Oy	100	100
Kemira Specialty Chemicals Inc.	100	100
Kemira U.K. Limited	100	100
Kemira Water Chemicals Inc.	100	100
Kemira-Swiecie sp.z.o.o.	65	65
Kemwater (Yixing) Co..Ltd	100	100
Kemwater Services Oy	100	100
OnePoint Oy	100	100
Spruce Vakuutus Oy	100	100
Tikkurila Oy	100	100

Shares in associated companies	**Group holding %**	**Kemira Oyj holding %**
Biolchim S.p.A.	50	50
Kemira Ube Ltd	50	50
Kemwater Phil. Corp.	40	40

Other shares and holdings

American Tree Co	6	6
Ekokem Oy	1	1
Holiday Club Finland Oy	-	-
Liikkeenjohdon Koulutuskeskus Oy	2	2
Luoston Huolto Oy	1	1
Pohjolan Voima Oy	-	-
PVO-Palvelut Oy (Powest Oy)	-	-
Tahkoluodon Polttoöljy Oy	7	7
Teollisuuden Voima Oy	2	2

Board proposal for the distribution of profits

The net profit of Kemira Oyj for the 2005 financial year was EUR 42,310,887 and the distributable equity at December 31, 2005 was EUR 309,657,037. The Group's non-restricted equity was EUR 523,496 thousand. The parent company's payment of dividend is limited by the Group's distributable equity, EUR 420,814 thousand, which is obtained when the share of voluntary reserves that has been transferred to shareholders' equity is subtracted from the non-restricted equity shown in the Consolidated Balance Sheet.

It is proposed to the Annual General Meeting that a dividend of EUR 0.36 per share or EUR 43,456,982 be paid for the financial year.

Helsinki, February 6, 2006

Anssi Soila

Eija Malmivirta

Elizabeth Armstrong

Ove Mattsson

Heikki Bergholm

Markku Tapio

Kaija Pehu-Lehtonen

Lasse Kurkilahti
CEO

Auditors' report

TO THE SHAREHOLDERS OF KEMIRA OYJ

We have audited the accounting records, the financial statements and the administration of Kemira Oyj for the period 1.1.-31.12.2005. The Board of Directors and the Managing Director have prepared the report of the Board of Directors, the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and the parent company financial statements in accordance with prevailing regulations in Finland (FAS). Based on our audit we express an opinion on the consolidated financial statements, the parent company's financial statements and on the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration has been to examine that the members of the Supervisory Board, the Board of Directors and the Managing Director have complied with the rules of the Finnish Companies' Act.

Consolidated financial statements

In our opinion, the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) give a true and fair view of the consolidated results of operations as well as of the financial position. The financial statements are in accordance with prevailing regulations in Finland and can be adopted.

Parent company's financial statements and administration

The financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland.

The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of the parent company's result of operations, as well as the financial position. The financial statements can be adopted and the members of the Supervisory Boards, the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors concerning the distribution of retained earnings is in compliance with the Finnish Companies' Act.

Helsinki, February 7, 2006

KPMG OY AB

Hannu Niilekselä
KHT

Statement of the Supervisory Board

The Supervisory Board of the Kemira Oyj has read the financial statements of the parent company and the Group for 2005 and studied the Auditors' report at its meeting today.

The Supervisory Board advises the 2006 Annual General Meeting that the company has been managed well and that it has no comments to make on the financial statements of the parent company and the Group for 2005. The Supervisory Board proposes that the financial statements of the parent company and the Group be adopted and that the Board of Directors, the Managing Director and his deputy be discharged from liability. The Supervisory Board concurs with the proposal of the Board of Directors for the distribution of profit funds.

Helsinki, February 7, 2006

Aulis Ranta-Muotio	Mikko Elo
Heikki A. Ollila	Susanna Rahkonen
Risto Ranki	Pekka Kainulainen
Mikko Långström	Katri Sarlund

Quarterly earnings trend

(The figures are unaudited)
(EUR million)

					2005					2004
	1-3	4-6	7-9	10-12	Total	1-3	4-6	7-9	10-12	Total
Continuing operations										
Revenue										
Pulp & Paper Chemicals	143.1	171.8	207.9	215.7	738.5	136.7	140.1	145.0	143.7	565.5
Kemwater	82.8	92.0	95.1	93.6	363.5	63.3	71.1	71.0	79.9	285.3
Performance Chemicals	79.0	112.9	111.6	127.0	430.5	70.3	85.3	80.5	79.1	315.2
Paints & Coatings	99.1	138.2	129.9	90.3	457.5	103.4	130.5	122.5	83.5	439.9
Other and intra-group sales	-0.3	11.3	-1.5	-5.1	4.4	20.7	29.3	34.4	4.8	89.2
Total	403.7	526.2	543.0	521.5	1,994.4	394.4	456.3	453.4	391.0	1,695.1
Operating profit										
Pulp & Paper Chemicals	11.6	6.7	23.5	21.6	63.4	10.6	6.1	15.3	12.8	44.8
Kemwater	6.4	9.0	9.0	7.5	31.9	4.8	7.3	6.3	-4.0	14.4
Performance Chemicals	7.7	7.1	11.0	15.3	41.1	4.2	9.4	12.1	7.3	33.0
Paints & Coatings	8.4	20.1	20.6	6.8	55.9	8.0	18.9	14.5	-3.0	38.4
Other including eliminations	-3.8	-3.3	-4.9	-14.8	-26.8	-6.4	-11.1	-2.1	0.6	-19.0
Total	30.3	39.6	59.2	36.4	165.5	21.2	30.6	46.1	13.7	111.6
Financial income and expenses	-3.4	-12.3	-6.6	-8.2	-30.5	-7.2	-0.3	-2.0	-47.3	-56.8
Income from associates	-0.2	0.8	-0.8	-1.3	-1.5	-2.0	-0.8	-0.7	-0.2	-3.7
Profit before taxes	26.7	28.1	51.8	26.9	133.5	12.0	29.5	43.4	-33.8	51.1
Income taxes	-7.5	-8.9	-17.7	-8.0	-42.1	-6.4	-9.1	-21.3	5.3	-31.5
Profit from continuing operations	19.2	19.2	34.1	18.9	91.4	5.6	20.4	22.1	-28.5	19.6
Discontinued operations										
Profit from discontinued operations						23.7	14.8	42.0	-17.9	62.6
Net profit total	19.2	19.2	34.1	18.9	91.4	29.3	35.2	64.1	-46.4	82.2
Attributable to:										
Equity holders of the parent	18.2	18.2	33.4	18.7	88.5	27.9	34.3	63.0	-47.2	78.0
Minority interests	1.0	1.0	0.7	0.2	2.9	1.4	0.9	1.1	0.8	4.2
Net profit	19.2	19.2	34.1	18.9	91.4	29.3	35.2	64.1	-46.4	82.2
Earnings per share, diluted, EUR	0.15	0.15	0.28	0.15	0.73	0.23	0.29	0.52	-0.39	0.65
Capital employed, rolling					1,662.9					1,252.5
ROCE, %					9.9%					8.6%

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