

KEMIRA GROUP

The figures are unaudited.

The comparative figures for 2004 in the Interim report's income statement 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. The post-tax profit of discontinued operations together with the non-recurring items arising from the disposals are shown as a separate line item. The classification is based on IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), that has been followed after 1st January 2005.

The interim financial statement is prepared in accordance with the same (IFRS) accounting principles as the annual financial statement. Exceptions are changes due to the implementation of new or restated standards and IFRIC interpretations. Changes in accounting principles beginning from 1 January 2005 have been described in more detail in the annual financial statement and at the end of this report (emission rights).

Due to the retrospective application of IFRS 2 (Share-based Payment) continuing operation's costs have decreased and profit increased by EUR 1.8 million in 2004. The profit for the period 1-6/2004 decreased by EUR 0.1 million.

INCOME STATEMENT	EUR million	4-6/2005	4-6/2004	1-6/2005	1-6/2004	2004
Continuing operations						
Revenue		526,2	456,3	929,9	850,7	1695,1
Other income from operations		5,8	4,4	11,0	5,2	13,8
Cost of sales		-461,8	-400,1	-813,7	-744,6	-1476,9
Depreciation		-30,6	-30,0	-57,3	-59,5	-120,4
Operating profit		39,6	30,6	69,9	51,8	111,6
Financial income and expenses		-12,3	-0,3	-15,7	-7,5	-56,8
Share of associates' profit		0,8	-0,8	0,6	-2,8	-3,7
Profit before tax		28,1	29,5	54,8	41,5	51,1
Income tax		-8,9	-9,1	-16,4	-15,5	-31,5
Profit from continuing operations		19,2	20,4	38,4	26,0	19,6
Discontinued operations						
Profit from discontinued operations			14,8		38,5	62,6
Net profit		19,2	35,2	38,4	64,5	82,2
Attributable to:						
Equity holders of the parent		18,2	34,3	36,4	62,2	78,0
Minority interest		1,0	0,9	2,0	2,3	4,2
Net profit		19,2	35,2	38,4	64,5	82,2

KEY FIGURES	EUR million	4-6/2005	4-6/2004	1-6/2005	1-6/2004	2004
Equity holders of the parent:						
Earnings per share, EUR		0,15	0,29	0,30	0,53	0,65
Earnings per share, diluted, EUR		0,15	0,29	0,30	0,52	0,65
Earnings per share, basic and diluted, continuing operations, EUR		0,15	0,16	0,30	0,20	0,13
Cash flow from operations per share, EUR		0,14	0,74	-0,08	0,82	2,20
Cash flow from operations per share, continuing operations, EUR		0,14	0,44	-0,08	0,44	1,94
Capital expenditure, continuing operations, EUR million		316,7	32,8	337,0	54,5	165,1
Capital expenditure / net sales, continuing operations, %		60,2	7,2	36,2	6,4	9,7
Average number of shares (1000), basic *)		120 681	118 170	120 556	118 170	119 187
Average number of shares (1000), diluted *)		121 082	119 498	120 960	119 498	120 202
Number of shares at the end of the period (1000), basic *)		120 683	118 170	120 683	118 170	120 306
Number of shares at the end of the period (1000), diluted *)		121 082	119 847	121 082	119 847	120 707
Equity per share, attributable to equity holders of the parent, EUR				7,78	9,03	7,71
Equity ratio, %				39,8	41,9	46,8
Gearing, %				85,1	65,3	21,1
Net liabilities, EUR million				810	718	201
Personnel (average)				7 597	10 708	9 714

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

REVENUE BY BUSINESS AREA	EUR million	4-6/2005	4-6/2004	1-6/2005	1-6/2004	2004
Pulp & Paper Chemicals		171,8	140,1	314,9	276,8	565,5
Kemwater		92,0	71,1	174,8	134,4	285,3
Industrial Chemicals		112,9	85,3	191,9	155,6	315,2
Paints & Coatings		138,2	130,5	237,3	233,9	439,9
Other and Intra-Group sales		11,3	29,3	11,0	50,0	89,2
Total Group		526,2	456,3	929,9	850,7	1695,1
OPERATING PROFIT BY BUSINESS AREA						
Pulp & Paper Chemicals		6,7	6,1	18,3	16,7	44,8
Kemwater		9,0	7,3	15,4	12,1	14,4
Industrial Chemicals		7,1	9,4	14,8	13,6	33,0
Paints & Coatings		20,1	18,9	28,5	26,9	38,4
Other and eliminations		-3,3	-11,1	-7,1	-17,5	-19,0
Total Group		39,6	30,6	69,9	51,8	111,6

BALANCE SHEET

EUR million

ASSETS	30.6.2005	31.12.2004
Non-current assets		
Goodwill	563,6	190,4
Other intangible assets	65,7	30,7
Property, plant and equipment	875,7	752,0
Investments in associates	8,9	7,8
Available-for-sale investments	77,1	124,3
Deferred tax assets	3,0	2,1
Defined benefit pension receivables	16,3	15,4
Other investments	13,6	12,6
Total non-current assets	1 623,9	1 135,3
Current assets		
Inventories	221,8	188,0
Receivables		
Interest-bearing receivables	1,3	2,9
Interest-free receivables	476,5	331,9
Total receivables	477,8	334,8
Short-term placements	21,7	356,0
Cash and cash equivalents	39,8	28,9
Total current assets	761,1	907,7
Non-current assets held for sale	9,4	
Total assets	2 394,4	2 043,0

EQUITY AND LIABILITIES	30.6.2005	31.12.2004
Equity attributable to equity holders of the parent	938,3	927,8
Minority interests	12,9	28,2
Total equity	951,2	956,0
Non-current liabilities		
Interest-bearing long-term liabilities	460,6	415,8
Deferred tax liabilities	96,1	63,3
Pension liabilities	50,5	50,2
Provisions	69,4	69,0
Total non-current liabilities	676,6	598,3
Current liabilities		
Interest-bearing short-term liabilities	410,4	170,4
Interest-free short-term liabilities	340,6	304,6
Provisions	15,6	13,7
Total current liabilities	766,6	488,7
Total liabilities	1 443,2	1 087,0
Total equity and liabilities	2 394,4	2 043,0

The carrying amount of Kemira house in Helsinki is included in non-current assets held for sale.

CASH FLOW STATEMENT	EUR million	1-6/2005	1-6/2004	2004
Cash flows from operations				
Continuing operations		-9,4	51,6	231,0
Discontinued operations			44,9	31,1
Total cash flows from operations		-9,4	96,5	262,1
Capital expenditure				
Continuing operations		-337,0	-54,5	-165,1
Discontinued operations			-35,7	-49,9
Total capital expenditure		-337,0	-90,2	-215,0
Proceeds from sale of fixed assets				
Continuing operations		52,8	15,7	41,7
Discontinued operations			32,2	149,2
Total proceeds from sale of fixed assets		52,8	47,9	190,9
Cash flows from investing activities		-284,2	-42,3	-24,1
Cash flow after capital expenditures		-293,6	54,2	238,0
Change in loans and short-term financing		10,0	-15,6	119,7
Dividends paid		-42,1	-41,2	-41,3
Other financing		2,4	3,4	-9,6
Cash flows from financing activities		-29,7	-53,4	68,8
Net change in cash and cash equivalent		-323,3	0,8	306,8

STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the parent									Total
	Share capital	Share issue	Share premium account	Other funds	Fair value reserve	Translation reserve	Treasury shares	Retained earnings	Minority interests	
Shareholders' equity at 1 January 2004	217,0	0,0	252,5	3,2	49,1	-54,8	-28,2	597,0	32,2	1 068,0
Net profit for the financial year	-	-	-	-	-	0,3	-	62,3	2,3	64,9
Dividends paid	-	-	-	-	-	-	-	-39,0	-2,1	-41,1
Shares available for sale - change in valuation	-	-	-	-	0,7	-	-	-	-	0,7
Exchange differences	-	-	-	-	-	6,3	-	-	0,9	7,2
Hedge of net investments in foreign entities	-	-	-	-	-	-2,8	-	-	-	-2,8
Transfer between restricted and non restricted equity	-	-	-	0,2	-	-	-	-0,2	-	0,0
Donations	-	-	-	-	-	-	-	-0,1	-	-0,1
The effect of the change in the tax rate	-	-	-	-	2,0	-	-	-	-	2,0
Other changes	-	-	-	-	-0,1	-	-	2,0	-0,2	1,7
Shareholders' equity at 30 June 2004	217,0	0,0	252,5	3,4	51,7	-51,0	-28,2	622,0	33,1	1 100,5
Shareholders' equity at 1 January 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 year	-	-	-	-	-	0,2	-	36,4	2,0	38,6
Dividends paid	-	-	-	-	-	-	-	-41,0	-1,0	-42,0
Shares available for sale - change in valuation	-	-	-	-	0,8	-	-	-	-	0,8
Treasury shares issued to target group	-	-	-	-	-	-	0,7	-0,7	-	0,0
Options subscribed for shares	0,6	-0,1	0,3	-	-	-	-	-	-	0,8
Exchange differences	-	-	-	-0,1	-	12,6	-	-	2,3	14,8
Hedge of net investments in foreign entities	-	-	-	-	-	-	-	-6,0	-	-6,0
Cash flow hedging: amount entered in shareholders' equity	-	-	-	-	7,3	-	-	-	-	7,3
Acquired minority interest	-	-	-	-	-	-	-	-	-18,3	-18,3
Transfer between restricted and non restricted equity	-	-	-	0,1	-	-	-	-0,1	-	0,0
Share-based compensation	-	-	-	-	-	-	-	0,5	-	0,5
Donations	-	-	-	-	-	-	-	-0,1	-	-0,1
Other changes	-	-	-	-	-	-	-	-0,9	-0,3	-1,2
Shareholders' equity at 30 June 2005	221,3	0,0	257,8	2,8	57,1	-34,6	-27,5	461,4	12,9	951,2

At the start of the year there were 4,190,000 treasury shares and of them 107,920 were issued to key persons according to the share-based incentive plan.

Kemira had in its possession 4,082,080 of its treasury shares at the 30th of June 2005. Their average acquisition share price was EUR 6.73 and proportion of the share capital 3.3%. They represented 3.3% of the aggregate number of votes conferred by all the shares. The Annual General Meeting has authorised the Board of Directors to decide on the transfer of Kemira shares owned by the Company. The Kemira Oyj Board of Directors is authorised to buy 2,156,030 of the company's own shares.

CONTINGENT LIABILITIES	EUR million	30.6.2005	31.12.2004
Mortgages		74,8	74,7
Assets pledged			
On behalf of own commitments		26,6	26,9
On behalf of others		-	2,2
Guarantees			
On behalf of associates		57,1	55,4
On behalf of others		3,9	1,7
Operating leasing			
Maturity within one year		3,8	2,9
Maturity after one year		15,3	13,3
Other obligations			
On behalf of others		-	-

Statement of Objections and other proceedings with respect to hydrogen peroxide

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 U.S. Kemira Oyj and Kemira Chemicals, Inc. have recently been named in class action lawsuits filed in U.S. federal and state courts by direct and indirect purchasers of hydrogen peroxide and persalts. In these civil actions it is alleged that the U.S. 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 U.S. 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.

DERIVATIVE INSTRUMENTS	EUR million	30.6.2005		31.12.2004	
		Nominal value	Fair value	Nominal value	Fair value
Currency instruments					
Forward contracts		290,2	-11,8	316,7	2,6
of which hedges of net investment in a foreign operation		24,7	-2,0	24,0	0,4
Currency options					
Bought		77,4	-0,4	196,6	0,2
Sold		157,1	-2,2	197,2	1,0
Currency swaps		38,2	-1,8	73,7	-16,3
of which hedges of net investment in a foreign operation		-	-	-	-
Interest rate instruments					
Interest rate swaps		171,9	0,2	210,2	-3,2
of which cash flow hedge		58,1	-0,1	46,7	1,6
Interest rate options					
Bought		10,0	0,0	27,4	-0,1
Sold		15,0	-0,4	36,2	-0,3
Forward rate agreements		0,0	0,0	0,0	0,0
of which open		-	-	-	-
Bond futures		10,0	0,0	10,0	0,0
of which open		10,0	0,0	10,0	-0,1

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

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

Business combinations

Finnish Chemicals

Kemira acquired 100% of Finnish Chemicals' voting rights on 1 April 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 per cent and it has a 20 per cent 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 price was EUR 345 million and it was composed of cash and debt payments. Part of the acquisition price 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.

Goodwill of EUR 239 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. The accounting calculations for the acquisition will be completed in the coming months.

Finnish Chemicals had revenue during the second quarter of EUR 39.9 million and posted operating profit of EUR 1.1 million. A prolonged industrial dispute in the pulp and paper industry in Finland weakened both revenue and earnings during the quarter.

Verdugt B.V.

Kemira acquired 100% of Verdugt B.V.'s voting rights on 6 April 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 biggest producer of formic acid and its derivatives worldwide.

The acquisition price was EUR 145 million and it was paid in cash and by assuming debt. Part of the acquisition price 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 the analyses by outside consultants.

Goodwill of about EUR 106 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. The accounting calculations for the Verdugt acquisition will be completed in the coming months.

Verdugt reported second-quarter revenue of EUR 25.6 million and operating profit EUR 1.0 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 at 3 May 2005 and owns now 100% of the voting rights. The purchase price was EUR 38.5 million. Goodwill of EUR 20.9 million arose on the acquisition.

Emission rights

Kemira implemented the accounting for emission allowances according to IFRIC 3 as from 1 January 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 will account 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).

Kemira has restated the effect in its reported balance sheet for the first quarter of 2005 (decreasing intangible assets by EUR 23.7 million, interest-free liabilities by EUR 16.3 million and equity by EUR 7.4 million). The restatement had no effect on the income statement or cash flows.