Contents

Board of directors' review

All figures in this report have been stated in accordance with IFRS. Because of the spin-off of GrowHow in October, all the Group figures in this report are presented both together with GrowHow and excluding it (continuing operations).

The Kemira Group's key figures in 2004 (including GrowHow for nine months) were the following:

EUR million	1–3	4–6	7–9	10–12	1–12	Change
Net sales						
2004	**717**	**730**	**695**	**391**	**2,533**	-7%
2003	700	672	683	683	2,738	
Operating income						
2004	**54**	**55**	**91**	**-6**	**194**	30%
2003	33	47	49	20	149	
Operating income, % of net sales						
2004	**7.6**	**7.5**	**13.2**	**neg.**	**7.7**	
2003	4.8	7.0	7.1	2.8	5.4	
Income before taxes						
2004	**43**	**51**	**83**	**-54**	**123**	2%
2003	29	41	39	12	121	
Earnings per share, EUR (diluted)						
2004	**0.23**	**0.29**	**0.53**	**-0.42**	**0.63**	-2%
2003	0.16	0.25	0.22	0.01	0.64	
Capital employed (average)						
2004					**1,704**	
2003					1,902	
Return on capital employed						
2004					**11.2%**	
2003					7.5%	
Cash flow after capital expenditures						
2004					**238**	
2003					19	

Consolidated net sales in 2004 were EUR 2,533 million, a decrease of about EUR 200 million on the previous year due to the disposal of businesses and the spin-off of GrowHow as an independent listed company. Operating income was EUR 194 million (2003: 149 million) and income before taxes amounted to EUR 123 million (121 million). Non-recurring items added a total of EUR 18 million to income before taxes and comprise capital gains on the disposal of businesses and assets as well as other one-time income of EUR 152 million and one-time additional write-downs and expense entries totalling EUR 134 million. Details of these items are given in the earnings reviews of the business areas.

The Board of Directors will propose a cash dividend of EUR 0.34 per share for the 2004 financial year, corresponding to a dividend payout ratio of 53%. For the 2003 financial year, a dividend of EUR 0.33 was paid per share. In addition, a dividend corresponding to 1.34 EUR / share was distributed to shareholders in form of Kemira GrowHow shares in October 2004. According to the Board's proposal, the record date for the cash dividend is 8 April 2005 and it will be paid out on 15 April 2005.

Group strategy and structural change

Kemira is strengthening its operations within pulp and paper chemicals, water treatment chemicals, industrial chemicals and paints through both organic growth and acquisitions. All operations, including investments, aim at improving profitability, achieving growth, building a strong competitive position and boosting synergy across the Group.

Divestments of non-core businesses and assets were made during the past year. Ecocat Oy, which manufactures catalytic converters for exhaust gases, was sold in April, its exhaust pipe-manufacturing subsidiary Metpela having been divested in January. Kemira Fine Chemicals Oy was sold in September for a price of over EUR 70 million. At the end of September, the calcium chloride business was sold for about EUR 35 million. Kemira's internal engineering unit was divested in October, and the remaining stake of about 27% in CPS Color Group Oy was divested in November.

The biggest structural arrangement was the listing of the Kemira GrowHow subsidiary on the Helsinki Stock Exchange. Kemira distributed 52.5% of Kemira GrowHow's shares outstanding as an additional dividend to its shareholders. The amount of the dividend payout was EUR 161 million. The total value of the dividend payout was determined according to a share value of EUR 5.35, which was the average trading-weighted price of the Kemira GrowHow share on the first day of trading, including pre-opening trades.

In addition, in the share offering that was arranged Kemira sold 32.6% of GrowHow's shares outstanding. The offer price of all the shares sold, before deducting sales fees and expenses, was EUR 5.25 per share. Kemira's proceeds from the sale of shares were about EUR 90 million after arranging fees, transfer taxes on the dividend payout and other direct expenses connected with the listing (EUR 8 million).

The impact of the share offering and dividend payout on earnings, including the direct arrangement expenses, was a charge to income of EUR 23 million.

Trading in the Kemira GrowHow share commenced on the Pre List of the Helsinki Stock Exchange on 14 October 2004 and on the Main List on 18 October 2004. At the end of the year, Kemira Oyj held 14.6% of GrowHow's shares, and the stake had a value of EUR 47 million.

Kemira Group – continuing operations

GrowHow is treated in the financial statements as a discontinuing business because it was previously a major line of business and an individual segment within Kemira. The other divested units have been part of a present business area (segment) and have thus not been considered to fulfil the criteria of discontinuing operations under IAS 35. Continuing operations encompass the Kemira Group's figures excluding the listed GrowHow.

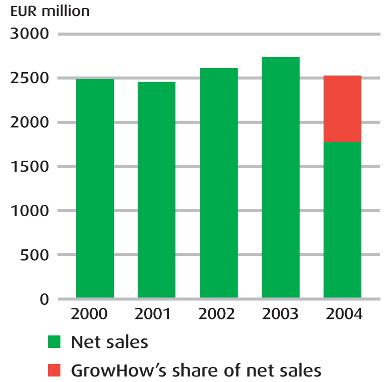
The figures for the Kemira Group's continuing units are the following:

EUR million	1–3	4–6	7–9	10–12	1–12	Change
Net sales						
2004	**436**	**483**	**471**	**391**	**1,781**	8%
2003	384	421	453	387	1,645	
Operating income						
2004	**29**	**45**	**100**	**11**	**185**	68%
2003	26	26	44	14	110	
Operating income, % of net sales						
2004	**6.6**	**9.3**	**21.2**	**2.9**	**10.4**	
2003	6.8	6.2	9.7	3.5	6.7	
Income before taxes						
2004	**19**	**44**	**97**	**-37**	**123**	32%
2003	25	23	37	8	93	
Earnings per share, EUR (diluted)						
2004	**0.08**	**0.24**	**0.61**	**-0.28**	**0.65**	132%
2003	0.13	0.14	0.20	-0.19	0.28	
Capital employed (average)						
2004					**1,286**	
2003					1,308	
Return on capital employed						
2004					**14.1%**	
2003					7.9%	
Equity ratio					**47%**	
Gearing					**21%**	
Cash flow after capital expenditures						
2004					**252**	
2003					39	

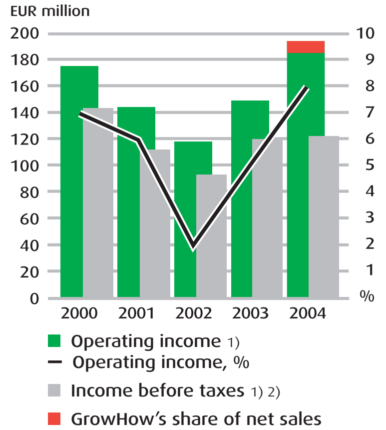
Kemira's net sales excluding GrowHow were EUR 1,781 million, an increase of 8% on the previous year despite disposals of other businesses during the year. Operating income was EUR 185 million (110 million). Income before taxes amounted to EUR 123 million (93 million) including about EUR 25 million of net non-recurring income.

In order to improve comparability Kemira's result is presented on page 111 quarterly by business area excluding GrowHow and the divested business units as well as net of non-recurring income and expenses connected with the spin-off and disposals of business units (so-called comparable structure).

Net sales



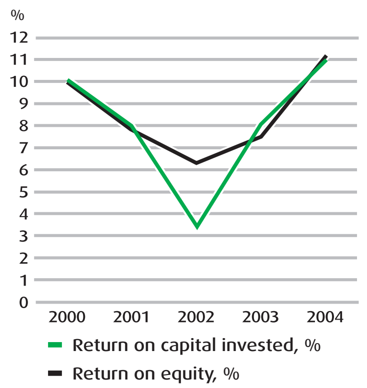
Operating income and results



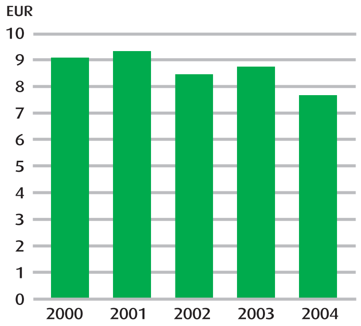
1) In year 2002 excluding impairment loss of EUR 78 million

2) In year 2000 excluding non-recurring income of EUR 162 million on discontinuing operations

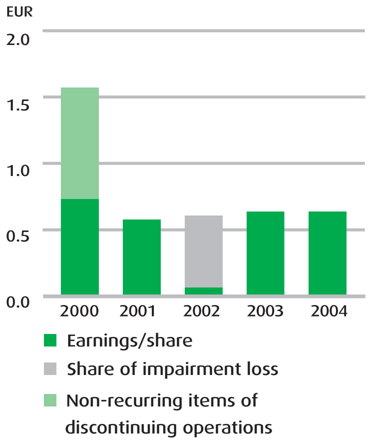
Return on capital



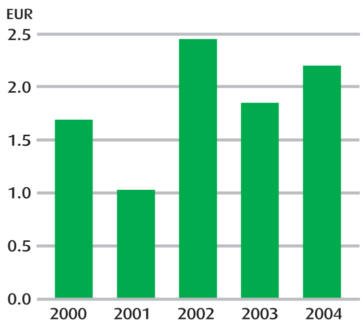
Shareholders' equity/share



Earnings/share



Cash flow/share



Pulp & Paper Chemicals

The Pulp & Paper Chemicals unit offers solutions that are tailored to customers' needs. Our operations are built around thorough expertise relating to the manufacture of pulp and paper, good service and long-term customer relationships.

EUR million	1–3	4–6	7–9	10–12	1–12	Change
Net sales						
2004	**137**	**140**	**145**	**144**	**566**	9%
2003	121	123	140	137	521	
Operating income						
2004	**10.6**	**6.1**	**15.3**	**12.8**	**44.8**	7%
2003	8.7	5.5	19.4*	8.3	41.9*	
Operating income, % of net sales						
2004	**7.8**	**4.4**	**10.6**	**8.9**	**7.9**	
2003	7.2	4.5	13.8	6.1	8.0	
Capital employed (average)						
2004					**452**	
2003					453	
Return on capital employed						
2004					**9.9%**	
2003					9.6%	
Cash flow after capital expenditures						
2004					**50.8**	
2003					28.4	

* Includes a capital gain of EUR 7.6 million on the disposal of Oy Polargas Ab.

The Pulp & Paper Chemicals unit had net sales in October-December of EUR 144 million, up 5% on the figure on the same period a year ago (137). Operating income for the last quarter of the year was EUR 12.8 million (8.3 million).

Full-year net sales increased by 9% and were EUR 566 million (521). All business units – bleaching chemicals, speciality chemicals and pigments and additives – increased their net sales. The growth was partly attributable to the acquisition made in the United States in July 2003 and the acquisition made in France in September 2003. Because about a third of the unit's operations are now located in the United States, the weak exchange rate of the dollar, especially in the latter half of the year, impacted net sales. The business units that showed the best organic growth were bleaching chemicals and calcium sulphate pigments.

In 2004 there were signs of an im-proved business cycle in the pulp and paper industry, and in the latter half of the year this also began to show up in the pulp and paper chemicals business. Profitability improved markedly on 2003, especially during the latter half of the year.

Operating income in 2004 was EUR 44.8 million (41.9 million). In 2003 the result included a non-recurring capital gain of EUR 7.6 million. Earnings in 2004 were improved by non-recurring items (a total gain of EUR 2 million) comprising a credit on pension costs, costs related to the reorganization in North America and a write-off of a pilot equipment taken out from use. Operationally, the earnings improvement on 2003 was about 23% at the operating income level. The return on capital employed was 9.9% (9.6%).

At the end of September, Kemira acquired the Canadian paper chemicals company E.QU.I.P International. Via the deal, Kemira strengthened its presence and increased its product offerings in North America, also gaining important process chemistry know-how. The acquired company has annual net sales of 13 million Canadian dollars. The acquired company contributed about EUR 3 million to 2004 net sales and about EUR 0.5 million to operating income. All in all, the result of North American operations improved markedly on the previous year, despite the interruption of production at the plant in Columbus, Georgia, in the early part of the year. Towards the end of the year, an efficiency-boosting programme was carried through in North America with the aim of trimming fixed costs and raising profitability further.

Kemira is expanding production at its plant in Helsingborg, Sweden, that produces hydrogen peroxide for bleaching, and the company completed a similar debottlenecking investment at the plant in the Netherlands during 2004. Taken together, these capital expenditures will raise hydrogen peroxide production capacity by about 10,000 tonnes, or 5%. In Siilinjärvi the expansion of production of calcium sulphate pigment that is used in coating paper is being planned for 2005.

Kemwater

Kemwater offers products, technology and know-how for the drinking and waste water treatment for municipal and private water treatment plants as well as industry.

EUR million	1–3	4–6	7–9	10–12	1–12	Change
Net sales						
2004	**63**	**71**	**71**	**80**	**285**	33%
2003	43	47	59	66	215	
Operating income						
2004	**4.8**	**7.3**	**6.3**	**-4.0**	**14.4**	-39%
2003	3.9	4.8	8.2	6.9	23.8	
Operating income, % of net sales						
2004	**7.6**	**10.3**	**8.8**	**neg.**	**5.0**	
2003	9.2	10.3	13.8	10.4	11.0	
Capital employed (average)						
2004					**167**	
2003					135	
Return on capital employed						
2004					**9.6%**	
2003					18.5%	
Cash flow after capital expenditures						
2004					**-29.0**	
2003					-16.3	

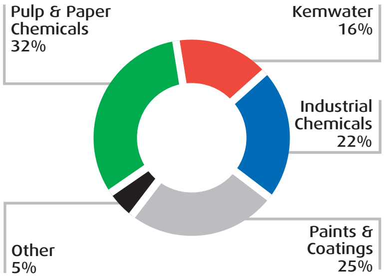
The Kemwater unit’s net sales in October-December rose by 21% on the same period in 2003 and were EUR 80 million (66 million). The unit had an operating profit of running business in October-December of EUR 6.6 million (6.9). However, the reported operating income for the quarter was a loss of EUR 4.0 million, owing to the fact that the unit made a total of about EUR 11 million of extra write-downs and expense entries. The write-down was allocated to the production plants in the Nordic countries, with the aim of centralizing production in this area at a few efficient production units. The expense entry is connected with the reorganization in Italy.

The Kemwater unit’s full-year net sales increased by 33% on 2003 and were EUR 285 million (215 million). The growth in net sales was attributable to the acquisition of a majority holding in the Kemiron company of the United States in August 2003 as well as the acquisition of Eaglebrook in November 2004. Eaglebrook operates in North America and was integrated into Kemiron’s operations. Eaglebrook contributed about EUR 5 million to net sales in 2004 and about 0.8 million to operating income.

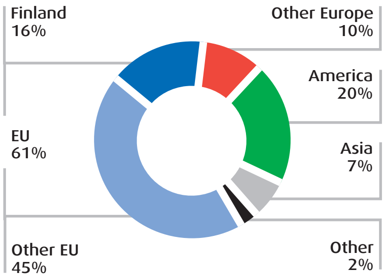
Kemwater’s operating income was EUR 25 million, excluding the above-mentioned non-recurring entries of EUR 11 million. Including the non-recurring entries, operating income was EUR 14.4 million. A year earlier, operating income was EUR 23.8 million. Kemwater suffered from major price increases of raw materials such as aluminium hydrate, iron and hydrochloric acid during the year. The unit’s return on capital employed was 16.0%, excluding non-recurring items (2003: 18.5%), and 9.6% including them.

Kemwater has strengthened its market position not only in North America, where it is now the largest player in the coagulants segment, but also in central Europe through acquisitions and by constructing new production plants. Acquisitions were made in Poland and Slovenia during the summer. Both of the acquired businesses have annual net sales of about EUR 5 million, and their aggregate contribution to net sales in 2004 was about EUR 5 million. The impact on operating income was close to zero.

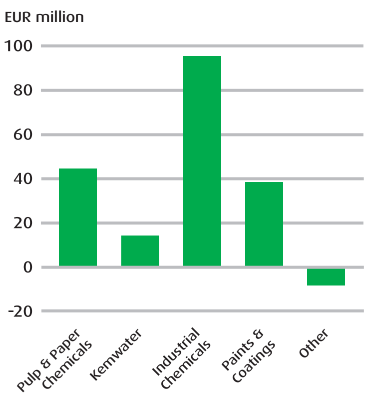
Net sales by business area
(continuing Kemira)



Net sales by region
(continuing Kemira)



Operating income
by business area
(continuing Kemira)



Industrial Chemicals

Industrial Chemicals' products are used in paints, printing inks, cosmetics, detergents, silage, textiles and leather.

EUR million	1–3	4–6	7–9	10–12	1–12	Change
Net sales						
2004	**99**	**113**	**98**	**79**	**389**	-5%
2003	99	117	97	97	410	
Operating income						
2004	**10.3**	**12.7**	**65.5***	**7.3**	**95.8***	+131%
2003	8.2	13.2	8.5	11.5	41.4	
Operating income, % of net sales						
2004	**10.4**	**11.3**	**66.8**	**9.2**	**24.6**	
2003	8.3	11.3	8.8	11.9	10.1	
Capital employed (average)						
2004					**326**	
2003					364	
Return on capital employed						
2004					**29.4%***	
2003					11.4%	
Cash flow after capital expenditures						
2004					**120**	
2003					24.3	

* Includes capital gains on the disposals of the Fine Chemicals unit and the calcium chloride business.

The Industrial Chemicals business area comprises three business units from the beginning of October 2004: the titanium dioxide business, the formic acid business and the unit manufacturing bleaching agents for detergents. Fine Chemicals and the calcium chloride business were sold in September.

Net sales in the last quarter of 2004 were EUR 79 million, as against net sales of EUR 72 million on a corresponding unit basis a year ago. Operating income in October-December was EUR 7.3 million, compared with like-for-like operating income of EUR 9.2 million a year earlier. The result included net non-recurring income of EUR 4.0 million for a one-off pension credit connected with Finnish pension legislation, an increase in the environmental provisions for the unit in Pori as well as additional write-downs for property, plant and equipment in Helsingborg. During the last quarter, earnings at the titanium dioxide plant in Pori were weakened by a maintenance shutdown, which will make it possible to raise the capacity utilization rate during 2005. In addition, higher than expected energy expenses cut into earnings in October-December.

Industrial Chemicals had net sales in 2004 of EUR 389 million (410 million), of which the three continuing business units contributed EUR 315 million (312 million). Industrial Chemicals posted operating income of EUR 95.8 million (41.4 million), including EUR 52 million of capital gains on the disposals of Fine Chemicals Oy and the calcium chloride business. The return on capital employed was 29.4%, including proceeds from the disposal of businesses and 13.4% excluding them (11.4%).

The titanium dioxide unit's sales volumes were up 11% on 2003, but average prices in euros were down 7%. Sales picked up markedly beginning in the second quarter. In May-June, titanium dioxide prices were at their lowest. During the autumn dollar-denominated prices headed upward, but the concurrent weakening in the dollar cut into the earnings improvement brought by higher prices.

The expansion of speciality product capacity at the production plant of the titanium dioxide unit in Pori reached completion towards the end of the year. Also under way in Pori is a construction investment for a dryer facility for ferrosulphate, a by-product of titanium dioxide production. Ferrosulphate is used as a raw material in water treatment and will also be used in the future to a growing extent within the cement industry, an area where ferrosulphate offers a solution to the increasingly stringent environmental legislation requirements in the construction industry.

Sales volumes of formic acid and sodium percarbonate, which is used in detergents, were at the level of 2003. Formic acid derivatives are being developed continuously. A new product that was rolled out during the past year was Denoxium, which improves the management of nitrogen oxide emissions from heavy-duty vehicles, especially in cold conditions.

Paints & Coatings

Paints & Coatings is a paint manufacturer whose brands are well known in its home markets. Within decorative paints there is a wide range of brands for consumers and professional painters. The Coatings unit serves customers in the metal and wood industry.

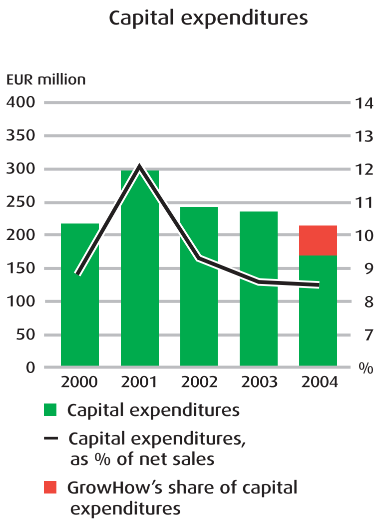
EUR million	1–3	4–6	7–9	10–12	1–12	Change
Net sales						
2004	**103**	**130**	**123**	**84**	**440**	0%
2003	106	127	122	84	439	
Operating income						
2004	**8.0**	**18.9**	**14.5**	**-3.0**	**38.4**	+30%
2003	5.9	13.6	14.9	-4.9	29.5	
Operating income, % of net sales						
2004	**7.7**	**14.5**	**11.8**	**neg.**	**8.7**	
2003	5.6	10.7	12.2	neg.	6.7	
Capital employed (average)						
2004					**295**	
2003					319	
Return on capital employed						
2004					**13.7%**	
2003					9.8%	
Cash flow after capital expenditures						
2004					**46.2**	+242%
2003					13.5	

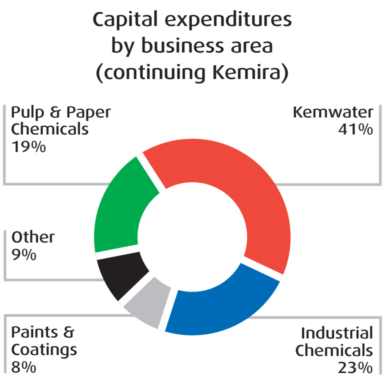
Paints & Coatings reported fourth-quarter net sales at the level of 2003, but earnings improved. Net sales totalled EUR 84 million (84 million). Customarily, the last quarter of the year is the weakest for Paints & Coatings, and the operating loss in October-December was EUR 3.0 million (operating loss of 4.9 million).

Full-year net sales totalled EUR 440 million, on a par with 2003 (439 million). Operating income rose by 30% on the previous year and was EUR 38.4 million (29.5 million). The result of the paints business includes capital gains on the sale of property, plant and equipment, reorganization expenses and other non-recurring items, the net effect of which was a credit of about EUR 3.9 million to operating income. A year ago, the corresponding item was zero. The return on capital employed was 13.7% (9.8%).

Net sales reported by the decorative paints arm were up 3% on the year-ago figure. In certain areas, notably the Baltic countries, growth has been markedly higher than this. The growth in net sales was offset by disposals of the unit's own paint stores in Sweden. The industrial coatings business saw a drop in net sales of 4% on the previous year, due, among other things, to the closure of the unit in the Netherlands towards the end of 2003. The industrial coatings unit operating in the UK was sold at the turn of the year. The unit has been loss-making.

The Paints & Coatings unit's structural arrangements were continued during the year, notably by selling the Irish industrial coatings unit to local management. In September, Paints & Coatings purchased a 51% holding in the Ukrainian company Kolorit Paints. Based in Kiev, the company manufactures water-based lacquers and paint products.





Other operations

When GrowHow was spun off, Kemira retained GrowHow's water-soluble speciality fertilizers unit as part of other operations. The unit buys speciality fertilizers, mainly from its associated companies, and sells them through its own sales organization and distribution channels. The unit's net sales in 2004 were about EUR 121 million and it reported an operating loss of EUR 10 million. The share of associates' net income related to water-soluble speciality fertilizers, which is stated in financial income and expenses, was also EUR 8.7 million in the red. In addition, financial income and expenses include a non-recurring item of EUR 44 million for the water-soluble fertilizers business.

Kemira itself generates electric power and furthermore owns participations in Finnish energy companies, making it more than self-sufficient in the electricity it consumes in Finland. Changes in the price of electricity therefore do not have a material effect on Kemira's energy costs, because sales of surplus electricity act as an offsetting factor. Sales of electricity by Kemira Oyj to its subsidiaries amounted to about EUR 13 million and sales to external parties to about EUR 5 million.

Kemira GrowHow was part of the Kemira Group for the first 9 months of the year. Its net sales for that period totalled EUR 858 million and it generated EUR 35 million of operating income. The effect on earnings of GrowHow's listing and the associated dividend payout, after related expenses, was EUR 23 million negative.

Towards the end of 2004 a change was made in the Finnish TEL employees' pension system. This entailed an altered treatment for pensions handled by insurance companies, whereby defined benefits were changed to a contribution basis. In line with actuarial calculations, Kemira has recognized about 95% of the previously reported liability, or EUR 20 million. This sum is not allocated to the business units.

In Helsingborg a EUR 11 million write-down was made on the value of a land area that is not connected with the plant's present operations. In addition, the result includes EUR 24 million of provisions for various legal proceedings. The deferred capital gain on the sale of shares in CPS Color Group Oy was booked to income when the remaining holding of about 27% was sold in November, improving operating income by EUR 23 million.

Other operations also include Group-wide expenses which are not charged to the business units.

Capital expenditures and R&D

The Group's gross capital expenditures in the cash flow statement, including acquisitions, amounted to EUR 215 million (236 million). GrowHow's investments in the January-September period came to EUR 55 million. Full-year investments for continuing operations were EUR 170 million, or 9% of the net sales generated by continuing operations. The biggest capital expenditure items were the acquisition of the Eaglebrook water chemicals unit, the extension to the Pori titanium dioxide plant and expansions of the hydrogen peroxide plants in the Netherlands and Sweden. Maintenance investments amounted to about 21% of the capital expenditures for continuing operations.

The proceeds from sales of businesses, property, plant and equipment as well as shares were EUR 191 million (36 million). The Group's investments in environmental protection came to about EUR 10 million (10 million).

The Group spent about EUR 46 million (48 million) on research and development, of which some EUR 41 million represented expenditure by continuing operations, or 2.3% of net sales from ordinary activities. The business units funded development measures connected directly with their business area. By means of Group financing, the parent company supported strategic projects of fields defined as being growth areas and promoted the utilization of synergies across the Group.

The R&D organization comprises the research centres in Oulu and Espoo as well as three competence centres. In addition, the business units have their own research units around the world. The research centres are resource pools that are used and funded mainly by the business units and, to some extent, also by the parent company. The competence centres are virtual organizations based on an external network of researchers working in universities and research institutes. The competence centres spur the growth of the Group's core areas by supporting their long-term development projects.

Environment, health and safety

Each year Kemira publishes an Environmental Report verified by a third party. Kemira's business practices embody principles that are set out, notably, in guidelines concerning the environment, health and safety. Certified environmental and safety management systems were in use at more than 90% of the Group's major sites.

Sales of environment and safety related products are an important part of Kemira's business operations and they amounted to about 26% of Group net sales in 2004 (22%). Capital expenditures on environmental protection at the sites totalled EUR 10 million (10 million) and operating costs came to EUR 40 million (47 million). Provisions for environmental remediation measures amounted to EUR 18.5 million, a slight increase on the previous year.

The spin-off of the fertiliser business in 2004 means that the amount of waste as well as many releases into air and water diminished significantly within the Group. Similar change took place in energy consumption and greenhouse gas emissions.

The proposal for the EU's chemicals legislation (REACH) has raised a great deal of discussion. Starting with 2007, REACH is expected to bring a substantial increase in the costs of registering, testing and risk assessment for chemical substances sold within the EU and imported in to the EU. At present, Kemira manufactures or imports about 60 chemical substances which may fall within the scope of REACH. Kemira has assessed the impacts of the major legislative change on its business and does not anticipate that they will distort the competitiveness of the Group.

The directive on greenhouse emissions trading will be applied to energy production at three Kemira sites: in Oulu and Pori in Finland and in Helsingborg, Sweden. The carbon dioxide allowances for individual sites were determined during 2004. Emissions trading got under way at the beginning of 2005. Emissions trading is not expected to have a material impact on Kemira's earnings.

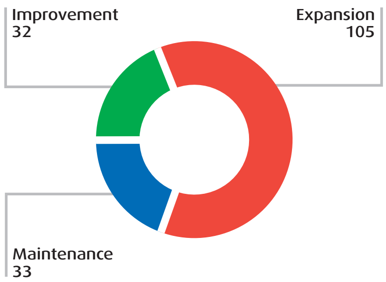
The lowest reported level of occupational incidents of continuing operations was achieved by enhancing safety management.

Financing

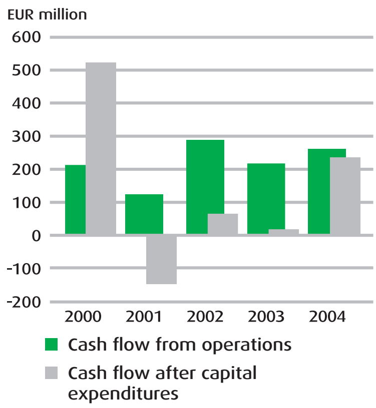
The Group's financing situation improved significantly as a consequence of the disposals of businesses and the listing of GrowHow. Interest-bearing net debt at the end of 2004 stood at EUR 201 million (725 million).

Cash flow from operations was EUR 262 million, or EUR 43 million

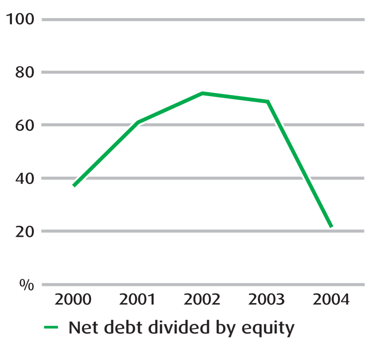
Capital expenditures by character, EUR million (continuing Kemira)



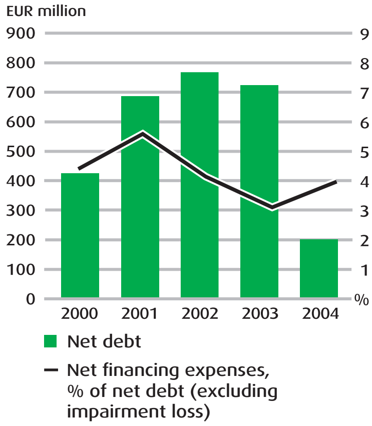
Cash flow



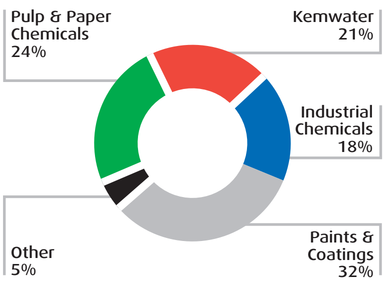
Gearing



Net debt and financing expenses



Personnel by business area



Group personnel 7,137 (end of year)

more than a year ago. The improvement was due mainly to a lowering of working capital. Cash flow after capital expenditures and income from the sale of assets was EUR 238 million (19 million).

The Group's equity ratio at the end of the year was 47%, as against 41% a year earlier. The gearing ratio (net debt as a ratio of shareholders' equity) was 21% (68%).

Net financial expenses totalled EUR 71 million (28). The figure includes a one-off loss entry of a total of EUR 44 million for the water-soluble fertilizer unit. In addition, financial expenses include a (net) EUR 3.3 million of losses booked by associated companies (losses of 5.7 million).

The proportion which fixed-interest loans represented within the total amount of the Group's interest-bearing loans was about 46% at the end of the year. Pension loans are considered to be floating rate loans. During 2004 a bilateral USD 50 million loan was renewed for seven years. At the end of the year liquid funds amounted to EUR 385 million and unused agreed credit facilities totalled about EUR 400 million, or a total of EUR 785 million.

Parent company's financial performance

The parent company's operations include the operations of Kemira Chemicals Oy, a subsidiary that was merged into Kemira Oyj from the beginning of 2004, as well as the sale of energy to Group companies and outside parties in Finland. The parent company had net sales of EUR 247 million (23 million). Operating income was EUR 72 million (a loss of 9.7 million). The parent company bears the cost of Group management and administration as well as part of the Group's research costs.

The parent company's net financial expenses amounted to EUR 33 million (a gain of 33 million). Financial expenses include a guarantee loss provision of EUR 44 million. Income before taxes and appropriations was EUR 63 million (86 million). Capital expenditures totalled EUR 30 million without shares in subsidiaries.

Personnel

The Group had a payroll at the end of the year of 7,137 employees, or 3,361 fewer than a year ago. The spin-off of GrowHow reduced the headcount by about 3,100 employees and divestments of other businesses by about 400 employees. Of the total personnel, an average of 5,728 were employed by Group companies outside Finland.

The parent company had payroll of 1,101 employees at year end, 125 fewer than the total personnel of Kemira Oyj and Kemira Chemicals Oy a year earlier.

A large part of the Group's personnel are covered by various bonus systems that vary from country to country. In addition, the Group has a share-based incentive scheme for top management. The principles of the share-based incentive scheme are discussed under the heading "Shares and Shareholders".

During the year under review the following persons served on the Board of Directors of Kemira Oyj: Anssi Soila, chairman, Eija Malmivirta, vice chairman, Markku Tapio, Elisabeth Armstrong and Ove Mattsson. Matti Packalén had a seat on the Board of Directors up to 6 April 2004, from which date Heikki Bergholm and Kaija Pehu-Lehtonen were appointed to seats on the Board. The Board of Directors' term of office commences from the Annual General Meeting and continues up to the next Annual General Meeting. None of the members of the Board of Directors is an employee of the Group. The Board of Directors met 16 times during 2004. The Board has elected from amongst its number an Audit Committee (chaired by Heikki Bergholm) and a Compensation Committee (chaired by Anssi Soila). In addition, the Annual General Meeting passed a resolution on setting up a Nomination Committee. The Nomination Committee is made up of representatives of the largest shareholders.

Lasse Kurkilahti has been the President and CEO from the beginning of February 2004. The Chief Executive up to the end of January 2004 was Tauno Pihlava. Esa Tirkkonen was the deputy chief executive in 2004.

Ownership
Kemira Oyj had 124,443,300 registered shares at 31 December 2004. During the year, 2,135,700 new shares were registered following the exercise of warrants under Kemira Oyj's stock option scheme.

The Finnish Government's holding in Kemira was 55.25% at 31 December 2004. Foreign institutional investors owned 11.8% of the shares and Finnish institutions and mutual funds 22.5%. Private investors' holdings amounted to 7.1% of the shares outstanding.

The company holds 4,190,000 of its own shares (treasury shares), or 3.4% of the entire shares outstanding. The Board of Directors does not have an authorization from the Annual General Meeting to buy back its own shares or to issue convertible bonds, share options or new shares. The Annual General Meeting authorized the Board of Directors to transfer on treasury shares as well as to sell them via Helsinki Stock Exchange. They can also be used as part of the bonuses which are to be paid to the Group's personnel funds and as employee bonuses (in the event that a decision is taken to introduce them) or else as consideration in acquisitions. The authorization is in force for one year from the resolution of the Annual General Meeting.

Changes in the Group structure
A number of companies or participations were established, acquired or divested during the year. The changes are discussed in the Notes to the Financial Statements and major changes are also dealt with in the sections on the business areas. The biggest change was the listing of the subsidiary Kemira GrowHow Oyj on the Helsinki Stock Exchange in October.

Outlook for 2005
For pulp and paper chemicals, the cyclical down in the client industry is expected to improve. It is expected that the Pulp & Paper Chemicals unit's earnings trend will be subjected to pressure due to increases in raw materials prices and, partly, to shortages of them. Thanks to the acquisition of Finnish Chemicals, the unit's net sales and operating income in 2005 are estimated to grow.

Demand for water treatment chemicals is expected to improve further. In particular, the price increases in iron, hydrochloric acid and aluminium hydrate will depress the earnings trend in the current year. Kemwater's net sales are expected to grow substantially on 2004 thanks to the Eaglebrook acquisition that was made in North America. Operating income is likewise estimated to be higher than that reported in 2004.

Within industrial chemicals, prices of titanium dioxide are expected to rise. Thanks to the expansion investments made by the Industrial Chemicals unit, sales volumes are estimated to be higher than they were in 2004. The United States dollar will have a significant impact on both net sales and earnings. The unit's sales of formic acid and sodium percarbonate, which is used in detergents, are also anticipated to develop favourably. Net sales are estimated to be higher than the figure for industrial chemicals' continuing operations in 2004, especially thanks to the acquisition of Verdugt BV. Thanks to the acquisition, also the operating income of continuing operations is expected to grow from the level of 2004.

Good demand is expected in the paints business. Because some units were sold during 2004, net sales for the entire Paints & Coatings unit will probably be at the level of 2004, but operating income is expected to show a further rise.

Net sales generated by the water-soluble fertilizer business are expected to fall substantially because the basic fertilizer trading operations included in 2004 sales will be discontinued nearly completely. The operating loss is expected to diminish markedly.

The Kemira Group's net sales and operating income are expected to grow from the level of 2004 (excluding the impact of divested businesses). Financial expenses are estimated to diminish clearly compared with last year.

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

Shares and shareholders

Shares and voting rights
Kemira Oyj has 124 443 300 registered shares outstanding. Each share carries one vote at general meetings of shareholders. According to the Articles of Association, the Company's share capital can be in the range of from EUR 217 to 850 million. The share capital can be changed within these limits without amending the Articles of Association. The share capital of Kemira Oyj at present is EUR 221 million. Kemira Oyj shares are registered within the book-entry system.

The state's shareholding
The Finnish State holds 55.25% of the Company's shares and voting rights. On the basis of a resolution passed by Parliament in June 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.

Foreign ownership
During 2004 the number of nominee-registered and foreign owners increased from 5.9% to 11.8%.

Dividend policy
Kemira aims to distribute a dividend which is 30–50% of its net income from operations. The Company's Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.34 per share, or EUR 40,9 million, be paid for the 2004 financial year. This corresponds to a dividend payout of 54% of net income. The record date for the dividend payout will be 8 April 2005, and the dividend will be paid on 15 April 2005.

Listing of Kemira GrowHow, distribution of shares as a dividend and sale of shares
On 4 October, an extraordinary general meeting of Kemira Oyj's shareholders passed a resolution on distributing to Kemira's shareholders 30,034,650 Kemira GrowHow Oyj shares, or 52.5% of Kemira GrowHow's shares outstanding. The amount of the dividend payout was about EUR 161 million, which reduces Kemira Oyj's shareholders' equity. The amount of the dividend payout and its impact on earnings was calculated at a share price of EUR 5.35, which was the trading volume-weighted average price of the GrowHow share on the first day of trading, including opening trades that were part of the arranged sale of shares.

In the arranged sale of shares, Kemira sold a total of 18,650,087 GrowHow shares, representing 32.6% of GrowHow's shares outstanding. In addition to the shares sold in the offering to institutional and retail investors, the amount includes an option to purchase 2,860,443 additional shares that was granted to and exercised to the full by the managers of the Offering in the sale of shares. The selling price of all the shares sold (before deducting sales fees and expenses) was EUR 5.25.

Trading in the GrowHow share commenced on the Pre List of the Helsinki Stock Exchange on 14 October 2004 and on the Main List on 18 October 2004. At the end of the year Kemira's holding of GrowHow shares and voting rights was 14.6%. The value of Kemira Oyj's holding in Kemira GrowHow Oyj as calculated on the share price on the last trading day of year (EUR 5.63 per share) is about EUR 47 million.

Kemira will receive about EUR 90 million of income from the sale of shares after arranging fees, transfer taxes related to the distribution of dividends and other direct expenses connected with the transaction. Within the Kemira Group the impact on earnings of the sale of shares and dividend payout, including expenses connected with the arrangements, is about EUR 23 million negative and will affect earnings in the last quarter.

Increase in share capital
The Board of Directors of Kemira Oyj does not have a currently valid authorization to increase the share capital.

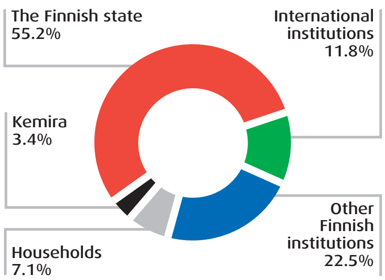
Transfer of own shares
The Company held 4,190,000 of its own shares (treasury shares) at the end of 2004. The Annual General Meeting held in 2004 resolved to authorize Kemira's Board of Directors to decide on transferring the Company's own shares. In accordance with the authorization, shares can be sold through the Helsinki Stock Exchange, be used for the payment of employee bonuses and possible bonuses to the personnel funds provided the Board of Directors decides to introduce such a compensation system and, furthermore, they may be used as consideration in making acquisitions.

Insider rules
The insider regulations issued by the Helsinki Stock Exchange on 28 October 1999 are observed within the Kemira Group.

Listing and share trading
Kemira Oyj's shares have been listed on the Helsinki Stock Exchange since 10 November 1994. In addition to Helsinki, trading in the shares is done through the SEAQ International trading system operated by the London Stock Exchange. Kemira is also part of the PORTAL system in the United States. In the United States, Kemira's shares were issued under Regulation 144A, whereby only qualified institutional buyers permitted under this legislation are allowed to buy and sell the shares. Kemira's shares can also be traded in the United States in the form of ADS shares. One ADS share corresponds to two Kemira shares.

Price and trading volume
The price of Kemira's share on the Helsinki Stock Exchange rose by 10.4% during 2004, whereas the HEX All-Share index rose by 3.3%. The highest price of the share was EUR 11.69 and the lowest price was EUR 9.20. The average trading-weighted share price in 2004 was EUR 10.45. The price of the share at the end of the year was EUR 10.16. The taxation value of the share for Finnish tax declarations for the 2004 tax year is EUR 7.13. Turnover of the share on the Helsinki Stock Exchange totalled

Ownership 31 Dec. 2004



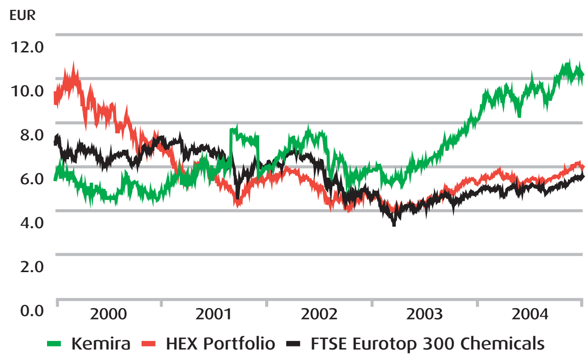
41,990,761 shares, and in euro terms the turnover was EUR 439 million. The market capitalization at the end of 2004 was EUR 1,222 million.

Management stock option program 2001, share-based incentive plan for Kemira's key personnel and share ownership

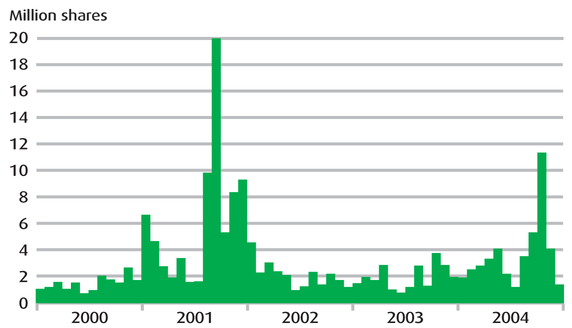
The Annual General Meeting of Kemira Oyj held on 3 April 2001 passed a resolution on a new stock option programme. Members of management who are employed by Kemira Oyj or its subsidiaries were entitled to receive stock options conferring the right to subscribe for a maximum of 2,850,000 Kemira Oyj shares from 2 May 2004 to 31 May 2007.

Commencement of the subscription period was conditional and was tied to Kemira Oyj's consolidated earnings per share after financial items and before taxes

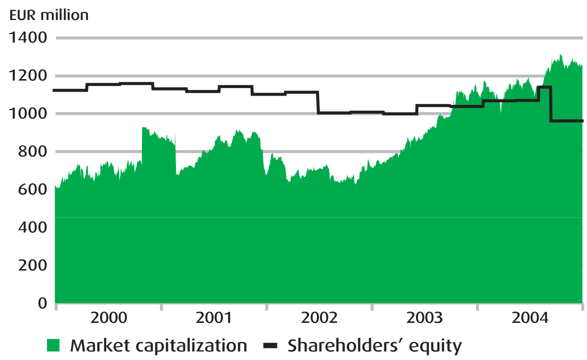
Share price 2000 – 2004



Share turnover on Helsinki Exchanges 2000 – 2004



Market capitalization and equity 2000 – 2004



and extraordinary items as well as the trend in the price of the Kemira Oyj share in relation to a comparison index.

As the above-mentioned conditions were fulfilled, a total of 2,083,300 new Kemira shares were entered into the trade register by the end of 2004. The subscription price of the shares, in accordance with the conditions of the stock option programme, is EUR 2.81 per share after the distribution of shares in Kemira GrowHow Oyj as an additional dividend 14 October 2004. The subscription price is lowered furthermore by the amount of dividends distributed.

In spring 2004 the Board of Directors of Kemira Oyj decided on a new share-based plan targeted at key personnel as part of the Group's incentive and commitment-buildings 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. A competitive, ownership-based incentive plan has been designed as a means of achieving this goal, and ensuring the commitment of key executives. Kemira's scheme is in line with the prevailing practice involving a shift, to an increasing extent, 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 the financial targets set, which are gauged by the criteria of earnings per share (EPS) and return on capital employed (ROCE). 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 have to be returned to the Company without payment if the key person's employment or service in the Group company has terminated so that an employee has given notice or the Company has dismissed an employee within two years from the reward payment. In addition, the President and CEO and the members of the Management Group must retain any shares they have 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. The target group of the new share-based scheme is narrower than the under the incentive plan for key personnel that was previously in use. In 2004 there were 36 persons within the share-based incentive system.

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 scheme can be treasury shares or they may be Kemira Oyj shares obtained in public trading, and therefore the incentive scheme will not have a dilutive effect on the share value.

The members of the Board of Directors and the Supervisory Board as well as the CEO and the CEO's Deputy owned 49,529 Kemira Oyj shares at the end of the year. At year-end, the CEO's Deputy held 16,000 share options. The members of the Board are not within she stock option program or within the share-based incentive system.

Shares and shareholders

Distribution of ownership 31 December 2004

Number of shares	Number of shareholders	% of shareholders	Shares total	% of shares and votes
1 – 50	1,105	7.79	41,264	0.03
51 – 100	1,415	9.97	122,115	0.10
101 – 500	6,423	45.28	1,797,420	1.44
501 – 1,000	2,791	19.67	2,180,980	1.75
1,001 – 5,000	2,062	14.54	4,110,652	3.30
5,001 – 10,000	164	1.16	1,215,919	0.98
10,001 – 50,000	151	1.06	3,162,753	2.54
50,001 – 100,000	34	0.24	2,490,211	2.00
100,001 – 500,000	28	0.20	6,244,705	5.02
500,001 – 1,000,000	7	0.05	5,037,289	4.05
1,000,001 –	6	0.04	83,928,482	67.45
Total	**14,186**	**100.00**	**110,331,790**	
Nominee-registered shares			14,111,510	11.34
Grand total			**124,443,300**	**100.00**

Largest shareholders 31 December 2004

Shareholder	Number of shares 1,000 pcs	% of shares and votes
1. Finnish State	68,754	55.25
2. Sampo Life Insurance Company Limited	4,759	3.82
3. Varma Mutual Employment Pension Insurance Company	2,491	2.00
4. Kaleva Mutual Insurance Company	2,010	1.62
5. Ilmarinen Mutual Pension Insurance Company	1,725	1.39
6. The State Pension Fund	900	0.72
7. Tapiola Mutual Pension Insurance Company	893	0.72
8. Etera Mutual Pension Insurance Company	825	0.66
9. Pohjola Finland Value Investment Fund	670	0.54
10. Nordea Life Assurance Finland Ltd	636	0.51
11. Tapiola General Mutual Insurance Company	613	0.49
12. OP-Delta Investment Fund	500	0.40
13. Pension Fund of Kemira Agro	477	0.38
14. Tapiola Mutual Life Assurance Company	387	0.31
15. Mutual Insurance Company Pension-Fennia	380	0.31
16. Local Government Pensions Institution	371	0.30
17. Fortum Pension Foundation	342	0.27
18. Evli Select Investment Fund	340	0.27
19. Odin Finland Investment Fund	330	0.27
20. Alfred Berg Finland Investment Fund	272	0.22
Kemira Oyj	4,190	3.37
Nominee-registered shares	14,112	11.34
Others, total	18,466	14.84
Grand total	**124,443**	**100.00**

Definitions of key ratios

PER-SHARE DATA

Earnings per share (EPS)
$$\frac{\text{Net income}}{\text{Average number of shares}}$$

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

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

Dividend per share
$$\frac{\text{Dividends paid}}{\text{Number of shares at end of year}}$$

Dividend payout ratio
$$\frac{\text{Dividend per share x 100}}{\text{Earnings per share}}$$

Dividend yield
$$\frac{\text{Dividend per share x 100}}{\text{Share price at end of year}}$$

Equity per share
$$\frac{\text{Equity at end of year}}{\text{Number of shares at end of year}}$$

Share price, year average
$$\frac{\text{Shares traded (EUR)}}{\text{Shares traded (volume)}}$$

Price per earnings per share (P/E)
$$\frac{\text{Share price at end of year}}{\text{Earnings per share}}$$

Price per equity per share
$$\frac{\text{Share price at end of year}}{\text{Equity per share}}$$

Price per cash flow per share
$$\frac{\text{Share price at end of year}}{\text{Cash flow from operations per share}}$$

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

FINANCIAL RATIOS

Interest-bearing net liabilities
Interest-bearing liabilities – cash and equivalents – other current assets (short-term placements)

Equity ratio, %
$$\frac{\text{(Shareholders' equity + minority interests) x 100}}{\text{Total assets – advance payments received}}$$

Gearing, %
$$\frac{\text{Interest-bearing net liabilities x 100}}{\text{Shareholders' equity + minority interests}}$$

Interest cover
$$\frac{\text{Operating income + depreciation}}{\text{Net financial expenses}}$$

Return on capital invested, % (ROI)
$$\frac{\text{(Income before taxes + interest expenses + other financial expenses) x 100}}{\text{Total assets – interest-free liabilities (average)}}$$

Return on equity, % (ROE)
$$\frac{\text{Net income x 100}}{\text{Shareholders' equity + minority interests (average)}}$$

Cash flow return on capital invested (CFROI)
$$\frac{\text{Cash flow from operations x 100}}{\text{Total assets – interest-free liabilities (average)}}$$

Key figures

PER-SHARE DATA

	IFRS			FAS		
	2004	2003	2002	2002	2001	2000
Per-share data						
Earnings per share, EUR [1]	**0.64**	0.64		0.07	0.58	1.64
Earnings per share, diluted, EUR [1]	**0.63**	0.64		0.07	0.58	1.64
Cash flow from operations per share, EUR [1]	**2.20**	1.85	2.45	2.45	1.03	1.69
Dividend per share, EUR [1] [2] [3]	**0.34**	1.67	0.30	0.30	0.30	0.30
Dividend payout ratio, % [1] [2] [3]	**53.1**	51.5		428.6	51.7	18.2
Dividend yield [1]	**3.4**	18.0		4.6	4.5	5.6
Equity per share, EUR [1]	**7.69**	8.77	8.47	8.94	9.35	9.08
Price per earnings per share (P/E) ratio [1]	**15.88**	14.38		94.14	11.50	7.34
Price per equity per share [1]	**1.32**	1.09	0.78	0.74	0.71	0.59
Price per cash flow per share [1]	**4.62**	4.97	2.69	2.69	6.48	3.17
Dividend paid, EUR million [2] [3]	**40.9**	199.6	35.5	35.5	35.8	37.1
Share price and turnover						
Share price, year high, EUR	**11.69**	9.30	8.50	8.50	8.75	6.80
Share price, year low, EUR	**9.20**	5.75	5.75	5.75	5.30	4.92
Share price, year average, EUR	**10.45**	7.39	7.22	7.22	7.36	5.67
Share price, end of year, EUR	**10.16**	9.20	6.55	6.55	6.65	5.40
Number of shares traded (1000), Helsinki	**41,991**	23,011	24,606	24,606	72,176	17,366
% of number of shares	**34**	19	21	21	60	14
Market capitalization, end of year, EUR million	**1,222.3**	1,087.2	774.0	774.0	792.7	667.7
Increase in share capital						
Average number of shares (1000) [1]	**119,187**	118,170	118,170	118,170	121,075	126,623
Average number of shares, diluted (1000) [1]	**120,202**	119,270	118,257	118,257	121,185	126,623
Number of shares at end of year (1000) [1]	**120,306**	118,170	118,170	118,170	119,208	123,645
Number of shares at end of year, diluted (1000) [1]	**120,707**	119,620	118,257	118,257	119,318	123,645
Increases in number of shares (1000)	**2,136**	-	-	-	-	-
Share capital, EUR million	**220.7**	217.0	217.0	217.0	217.0	217.0
Increases in share capital, EUR million	**3.7**	-	-	-	-	-

1) Number of shares outstanding, adjusted by the number of shares bought back.
2) The 2004 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 ratio has been calculated according to a dividend of EUR 0.33.

Kemira went over to IFRS reporting as from 1 January 2004. All the comparative information for 2003 is in accordance with IFRS, as is the balance sheet for 2002. The most essential changes of the IFRS-transition have been disclosed in note 36.
Key figures for 2002 are presented both based on IFRS balance sheet and complete key figures based on FAS (Finnish accounting practice). The key figures for 2001 and 2000 are based on FAS.

FINANCIAL RATIOS

	IFRS			FAS		
	2004	2003	2002	2002	2001	2000
Income statement and profitability						
Net sales, EUR million	**2,533**	2,738	2,612	2,612	2,454	2,486
Foreign operations, EUR million	**2,124**	2,282	2,155	2,155	1,967	2,024
Sales in Finland, %	**16**	17	18	18	20	19
Exports from Finland, %	**24**	25	23	23	23	24
Sales generated outside Finland, %	**60**	58	59	59	57	57
Operating income, EUR million [1] [3]	**194**	149		40	144	175
% of net sales	**8**	5		2	6	7
Share of associates' net income, EUR million [1]	**-3**	-6		5	0	0
Other financial income and expenses (net), EUR million [2]	**68**	22		30	31	31
% of net sales	**3**	1		1	1	1
Interest cover [1]	**5**	12		9	9	11
Impairment loss, EUR million	**-**	-		-78	-	-
Gains and losses on discontinuing operations, EUR million [3]	**-23**	-		-	-	162
Income before taxes and minority interests, EUR million	**123**	121		16	113	307
% of net sales	**5**	4		1	5	12
Net income, EUR million	**76**	76		8	70	208
Return on capital invested, %	**11**	8		3	8	10
Return on equity, %	**8**	7		1	6	9
Research and development expenses, EUR million	**45**	48	46	46	39	48
% of net sales	**2**	2	2	2	2	2
Cash flow						
Cash flow from operations, EUR million	**262**	219	290	290	125	214
Sales of subsidiaries and fixed assets, EUR million	**191**	36	21	21	27	527
Capital expenditure, EUR million	**215**	236	243	243	298	218
% of net sales	**8**	9	9	9	12	9
Cash flow after capital expenditure, EUR million	**238**	19	67	67	-146	523
Cash flow return on capital invested, %	**13**	11	15	15	7	11
Balance sheet						
Non-current assets, EUR million	**1,135**	1,534	1,547	1,474	1,415	1,285
Shareholders' equity, EUR million	**926**	1,036	1,001	1,056	1,115	1,122
Liabilities, EUR million	**1,089**	1,518	1,546	1,418	1,318	1,268
Total assets, EUR million	**2,043**	2,586	2,563	2,491	2,450	2,408
Net liabilities, EUR million	**201**	725	733	768	686	425
Equity ratio, %	**47**	41	40	43	46	48
Gearing, %	**21**	68	72	72	61	37
Personnel						
Personnel (average)	**9,714**	10,536	10,377	10,377	10,207	9,644
of whom in Finland	**3,986**	4,596	4,681	4,681	4,871	4,908
Exchange rates						
Key exchange rates (31 December)						
USD	**1.362**	1.263	1.049	1.049	0.881	0.931
GBP	**0.705**	0.705	0.651	0.651	0.609	0.624
SEK	**9.021**	9.080	9.153	9.153	9.301	8.831

1) As demanded by IFRS, the share of associates' income is presented after the financing expenses. Operating income of previous years has been changed by the Group's share of associates' net income.

2) Excluding the share of the net income of associated companies. 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 businesses has been deducted from operating profit.

Consolidated income statement (IFRS)

	Note	1.1. – 31.12. 2004 EUR million	2003 EUR million
Net sales	1, 32	**2,533.4**	2,738.2
Other income from operations	2	**89.5**	28.0
Cost of sales	3, 4, 5	**-2,244.6**	-2,446.5
Depreciation	6, 32	**-161.5**	-171.0
Loss on spin-off of GrowHow	7	**-22.9**	
Operating profit	32	**193.9**	148.7
Financial income and expenses	8	**-67.8**	-22.0
Share of profit of associates	8, 32	**-3.3**	-5.7
Net financial income and expenses		**-71.1**	-27.7
Profit before taxes and minority interests		**122.8**	121.0
Income tax	9	**-42.4**	-40.5
Minority interest		**-4.2**	-4.5
Net profit		**76.2**	76.0
Earnings per share, EUR	10	**0.64**	0.64
Earnings per share, diluted, EUR	10	**0.63**	0.64

Consolidated balance sheet (IFRS)

	Note	31.12. 2004 EUR million	2003 EUR million
ASSETS			
Non-current assets			
Intangible assets	11	**221.1**	227.6
Property, plant and equipment	12	**752.0**	1,090.6
Investments	13		
Holdings in associates	30	**7.8**	27.0
Available-for-sale financial assets		**124.3**	75.8
Deferred tax assets	18	**2.1**	17.5
Defined benefit pension receivables		**15.4**	11.9
Other investments		**12.6**	83.5
Total investments		**162.2**	215.7
Total non-current assets		**1,135.3**	1,533.9
Current assets			
Inventories	15	**188.0**	390.2
Receivables	16		
Interest-bearing receivables		**2.9**	13.0
Interest-free receivables		**331.9**	570.7
Total receivables		**334.8**	583.7
Other current assets	21, 29	**356.0**	29.5
Cash and cash equivalents	21, 29	**28.9**	48.5
Total current assets		**907.7**	1,051.9
Total assets		**2,043.0**	2,585.8

	Note	31.12. 2004 EUR million	2003 EUR million
EQUITY AND LIABILITIES			
Equity			
Share capital		**220.7**	217.0
Share issue		**0.1**	-
Share premium account		**257.5**	252.5
Treasury shares		**-28.2**	-28.2
Fair value reserve		**49.0**	49.1
Other reserves		**2.8**	3.2
Retained earnings		**347.7**	466.2
Net profit for the period		**76.2**	76.0
Total equity		**925.8**	1,035.8
Minority interests		**28.2**	32.2
Non-current liabilities			
Interest-bearing long-term liabilities	17, 21, 22	**415.8**	506.4
Deferred tax liability	18	**63.3**	49.3
Pension liabilities		**50.2**	161.0
Provisions	19	**69.0**	40.9
Total long-term liabilities		**598.3**	757.6
Current liabilities			
Interest-bearing short-term liabilities	20, 21, 22	**170.4**	296.1
Interest-free short-term liabilities		**306.6**	436.6
Provisions	19	**13.7**	27.5
Total current liabilities		**490.7**	760.2
Total liabilities		**1,089.0**	1,517.8
Total equity and liabilities		**2,043.0**	2,585.8

Consolidated cash flow statement (IFRS)

	2004 EUR million	2003 EUR million
Cash flows from operating activities		
Operating profit	190.6	141.5
Adjustments to operating profit [1]	-59.1	-18.8
Depreciation	161.5	169.8
Interest received	10.8	3.1
Interest paid	-32.9	-37.0
Dividend received	3.7	6.2
Other financing items	-2.9	-3.4
Income taxes paid	-24.8	-29.9
Total funds from operations	246.9	231.5
Change in net working capital		
Change of inventories	8.2	-22.0
Change of short-term receivables	-44.7	-6.4
Change of interest-free short-term liabilities	51.7	16.0
Change in net working capital, total	15.2	-12.4
Net cash from operations	262.1	219.1
Cash flows from investing activities		
Acquisitions of subsidiary companies net of cash acquired	-49.1	-82.7
Acquisitions of associated companies	-0.2	-0.7
Purchase of other shares	-6.0	-0.2
Purchase of other property, plant and equipment	-159.7	-152.4
Disposal of Group companies	135.5	-
Disposal of associated companies	16.0	23.0
Proceeds from sale of other shares	2.1	0.8
Proceeds from sale of other property, plant and equipment	37.3	12.5
Net cash used in investing activities	-24.1	-199.7
Cash flow before financing	238.0	19.4
Cash flows from financing activities		
Change in long-term loans (increase +, decrease -)	-56.5	1.4
Change in long-term loan receivables (increase -, decrease +)	33.2	0.2
Short-term financing, net (increase +, decrease -)	143.0	21.9
Dividends paid	-41.3	-37.1
Share issue	8.5	-
Other	-18.1	-8.5
Net cash used in financing activities	68.8	-22.1
Net increase / decrease in cash and cash equivalents	306.8	-2.7
Cash and cash equivalents at end of year	384.9	78.1
Cash and cash equivalents at beginning of year	78.1	80.8
Net increase / decrease in cash and cash equivalents	306.8	-2.7

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.

Statement of changes in equity

	Share capital	Share issue	Share premium account	Other funds	Exchange differences	Fair value reserve	Treasury shares	Retained earnings	Total
Shareholders' equity at 1 January 2003	217.0	0.0	252.5	3.2	-33.0	29.9	-28.2	559.4	1,000.8
Net profit for the financial year	-	-	-	-	-	-	-	76.0	76.0
Dividends paid	-	-	-	-	-	-	-	-35.5	-35.5
Dividends to minority	-	-	-	-	-	-	-	-1.6	-1.6
Shares available for sale – change in valuation	-	-	-	-	-	18.3	-	-	18.3
Exchange differences	-	-	-	-	-31.7	-	-	-	-31.7
Hedge of net investment in foreign entities	-	-	-	-	9.9	-	-	-	9.9
Cash flow hedging: amount entered in shareholders' equity	-	-	-	-	-	0.9	-	-	0.9
Donations	-	-	-	-	-	-	-	-0.4	-0.4
Other changes	-	-	-	-	-	-	-	-0.9	-0.9
Shareholders' equity at 31 Dec. 2003	217.0	0.0	252.5	3.2	-54.8	49.1	-28.2	597.0	1,035.8
Shareholders' equity at 1 January 2004	**217.0**	**0.0**	**252.5**	**3.2**	**-54.8**	**49.1**	**-28.2**	**597.0**	**1,035.8**
Net profit for the financial year	-	-	-	-	0.4	-	-	76.2	**76.6**
Dividends paid	-	-	-	-	-	-	-	-199.7	**-199.7**
Dividends paid to minority	-	-	-	-	-	-	-	-2.2	**-2.2**
Shares available for sale – change in valuation	-	-	-	-	-	-1.6	-	-	**-1.6**
Share issue	3.7	0.1	5.0	-	-	-	-	-	**8.8**
Exchange differences	-	-	-	-	4.4	-	-	-	**4.4**
Hedge of net investment in foreign entities	-	-	-	-	4.7	-	-	-	**4.7**
Cash flow hedging: amount entered in shareholders' equity	-	-	-	-	-	-0.2	-	-	**-0.2**
Transfer between restricted and non-restricted equity	-	-	-	0.2	-	-	-	-0.2	**0.0**
Donations	-	-	-	-	-	-	-	-0.2	**-0.2**
The effect of change in tax percentage	-	-	-	-	-	2.0	-	-	**2.0**
Other changes	-	-	-	-0.6	-	-0.3	-	-1.7	**-2.6**
Shareholders' equity at 31 Dec. 2004	**220.7**	**0.1**	**257.5**	**2.8**	**-45.3**	**49.0**	**-28.2**	**469.2**	**925.8**

	Acquisition of shares 1000	Share capital 1000	Share premium account	Treasury shares 1000	Total
1.1.2003 and 31.12.2003		118,170		4,190	122,360
1.1.2004	-	118,170	-	4,190	**122,360**
Share issue	-	53	-	-	**53**
Stock options exercised	-	2,083	-	-	**2,083**
Acquisition of treasury shares	-	-	-	-	**-**
31.12.2004	-	120,306	-	4,190	**124,496**

The Group's non-restricted shareholders' equity, which limits the parent company's dividend payout, was EUR 346.3 million in 2004 and EUR 428.7 million in 2003. 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 4,190,000 of its treasury shares at 31st of December 2004. Their average acquisition share price was EUR 6.73 and they represented 3.4% of the share capital and the aggregate number of votes conferred by all shares.

Company profile and summary of significant accounting policies

COMPANY PROFILE

Kemira is a chemical group whose operations comprise the following strategic business units: Pulp & Paper Chemicals, Kemwater (water treatment chemicals), Paints & Coatings and Industrial Chemicals. 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 POLICY

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 came into effect on 31 December 2004 as well as the SIC and IFRIC interpretations.

Kemira adopted IFRS reporting as from 2004 and applied IFRS 1 (First-time Adoption of IFRS). The transition date is 1 January 2003. The differences arising from the transition to IFRS are explained in the reconciliations that are included in note 36 to the consolidated financial statements. The comparison figures 2003 have been restated to comply with IFRS.

The consolidated financial statements have been prepared in accordance with original cost, unless the accounting policies below otherwise report. Among others available-for-sale financial assets, held-for-trading financial assets and held-for-trading financial liabilities have been measured at their fair value.

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 minority interest in net assets and liabilities is presented as a separate item in the consolidated balance sheet and the minority interest in the consolidated profit and loss is entered in the income statement. Minority interest is stated initially at the carrying amount of acquired company's net assets and liabilities. For business combinations for which the agreement date is on or after 31 March 2004, minority interest is measured according to IFRS 3 (Business Combinations) at the proportion of the net fair value of those assets and liabilities.

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 associated companies' net income for the financial year is stated as a separate item in the consolidated income statement under financial costs.

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 in which the Group exercises control together with other parties are included in the consolidated financial statements according to the Group's proportionate holding on a line by line basis.

Overseas 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 year-end exchange rates. The translation difference, which arises in translating the income statement and balance sheet using the different exchange rates, is entered in non-restricted equity. Goodwill has been entered in the financial statements at the foreign exchange rate prevailing on the acquisition date. 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.

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 loans and derivatives are credited or charged, 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 non-restricted shareholders' 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. At the end of the accounting period the unsettled balances of foreign currency transactions are valued at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses related to normal business operations are treated as adjustments to sales and purchases. Exchange rate differences associated with financing and with hedging 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 made, as a rule, with Group Treasury. The effects of subsidiaries' hedging transactions appear as corrections to the net sales and purchases of the business areas.

Net sales

Net sales include the total invoicing value of products sold and services provided less sales tax, discounts, rebates and foreign exchange differences in accounts receivable.

Revenue recognition

Sales income 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 recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity.

Pension arrangements

The Group has various pension schemes in accordance with the local conditions and practices in the countries in which it operates. The schemes 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 for the same period.

The effects of defined benefit plans in the Group have been calculated for each arrangement separately. The amount recognised 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 and the benefit is attributed to periods of service. Pension expenses are recognized to periods of service according to actuarial calculations. The rate used to 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.

In accordance with IFRS 1, actuarial gains and losses on defined benefit plans were entered in the equity at the date of transition on 1 January 2003. Subsequently, the portion of actuarial gains and losses for each defined benefit plan entered in the profit and loss account 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. 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 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 difference due to the change has been entered as income in 2004.

Share-based payments

The payments received from exercised options are added to share capital or share premium account. The employees' stock option has no effect on the income statement.

The new share incentive programme for key personnel (resolution of Board of directors 27 April 2004) is measured at fair value at the time of granting. From the beginning of 2005, the costs from vesting period will be entered in the income statement on an annuity basis.

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 tax liabilities and assets, the tax base which is in force at the time of preparing the financial statements or which has been enacted by the balance sheet date for the following period has been applied.

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 indefinite 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
Goodwill on consolidation	5–20 years
Intangible assets	5–10 years

Goodwill on consolidation arising from large acquisitions is amortized over 6–20 years depending on the useful life of the acquisition. Beginning from 2005 goodwill acquired in a business combination is stated at cost less potential impairment losses. Goodwill is tested for impairment annually.

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.

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.

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 recognises assets held under a finance lease as 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 transaction date, the Company values them at the acquisition cost, which is equal to the fair value of the consideration given or received for it. After being recorded originally, the Company's financial assets are classified as financial assets held for trading, loans and receivables as well as available-for-sale financial assets.

Class	Financial Instrument	Measurement
Held-for-trading financial assets	Forwards, currency options, currency swaps, forward rate agreements, interest rate options, interest rate swaps, certificates of deposit, commercial paper, unit trust	Fair value
Loans and other receivables	Long-term loan receivables, bank deposits	(Amortized) cost
Available-for-sale financial assets	Shares	Fair value

Assets held-for-trading are measured at their fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Held-for-trading financial assets include derivatives to which hedge accounting is not applied. In the balance sheet, the item is shown under prepaid expenses and accrued income and accrued expenses and prepaid income to others. Gains and losses arising from changes in fair value are recognized in the income statement at the time of the transaction. Loans and receivables include long-term receivables that are valued at the amortized cost using the effective interest rate method and accounting for any impairments.

Available-for-sale financial assets are measured at their fair value, if it is considered that their fair value can be reliably determined. Unrealized changes in fair value are booked direct to equity until the moment of sale, at which they are transferred to the income statement. Available-for-sale financial assets consist of holdings in listed companies, the most important of which is Kemira GrowHow Oyj. Of non-listed company holdings the most important is in Teollisuuden Voima Oy, a private energy producer, which is owned by Finnish industrial and energy companies and supplies electricity to its shareholders at cost price. The company owns and operates two nuclear power units in Olkiluoto, Finland. In addition to the Olkiluoto power plants, Teollisuuden Voima is a part owner in the coal-driven power plant at Meri-Pori. Kemira Oyj's holding in Teollisuuden Voima Oy is valued at its fair value based on the discounted cash flows of the difference between the market price and cost price of electricity.

Financial liabilities are classified as either held-for-trading financial liabilities or other financial liabilities. Held-for-trading financial liabilities include derivatives to which hedge accounting is not applied.

Class	Financial Instrument	Measurment
Held-for-trading financial liabilities	Forwards, currency options, currency swaps, forward rate agreements, interest rate options, interest rate swaps	Fair value
Others	Short and long-term loans, pension loans	(Amortized) costs

The fair values of unit trusts and forward rate agreements 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 deal 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 outstanding 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 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. The amount of the impairment in items valued at amortized cost is defined as the difference between the assets' carrying amount and the present value of future cash flows. The rate used in discounting is the 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.

Short-term placements consist of money in cash, money in bank deposits and other short-term, extremely liquid investments. Items classified as short-term placements have a maximum maturity of six months as from the moment of acquisition. Credit limits are included in short-term interest-bearing debts.

Hedge accounting

Hedge accounting under IAS 39 means a type of accounting, the purpose of which is to recognize the wholly or partly offsetting effects of profit or loss of changes in the fair value of the hedging instrument and the hedged item. Hedge accounting is applied in respect of interest rate risk and the currency risk of a net investment made in a foreign unit. The hedging relationship types used for hedge accounting are a cash flow hedge and a hedge of a net investment in a foreign entity.

In cash flow hedge accounting, the hedge applies to balance sheet assets and liabilities or a highly probable forecast transaction for which a given risk has caused changes in the relevant cash flows. Interest rate instruments are used as the hedging instruments in cash flow hedge accounting. The hedge accounting defined by IAS 39 is applied solely to selected hedging items. Changes in the fair value of derivative instruments associated with the cash flow hedge accounting are recognized in shareholders' equity when they fulfil 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. The effectiveness means the portion of the hedging instrument in offsetting the exposure to changes in the hedged items fair value or cash flow attributable to the hedged risk.

A net investment made in a foreign unit is hedged against foreign exchange rate changes by taking out long-term loans in foreign currency as well as by entering into forward contracts and currency swaps. The effective portion of the fair value of derivative contracts fulfilling the criteria for hedge accounting in a net investment in a foreign unit is booked directly to consolidated shareholders' 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 hedge accounting of a net investment are entered in the income statement when the net investment is sold. The ineffective portion is recognized immediately under financial income and expenses in the income statement.

Effectiveness is measured in the manner required by IAS 39. On the basis of continuous assessment, 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. The effectiveness is measured both beforehand and afterwards.

The testing of effectiveness is done every balance sheet date.

Hedge accounting ceases 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 expires. 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 hedging relationship, the Group documents each relationship between the hedging instrument and the hedged item, its risk management objective and strategy for undertaking various hedge transactions as well as how the hedging instrument's effectiveness is assessed.

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

Provisions
A 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 formal 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.

Discontinuing operations
Of divested subsidiaries Kemira GrowHow has been presented as a discontinuing operation. Kemira GrowHow has been a major business area according to IAS 35 (Discontinuing Operations). The income statement, assets, liabilities and cash flow statement of the discontinuing operations is composed of the income statement, balance sheet and cash flow statement of Kemira GrowHow.

The now listed GrowHow comprised mainly the former GrowHow segment. In connection with the listing of GrowHow, the water-soluble special fertilizer business was left with Kemira, and its figures are now included in the other operations of Kemira Group. The income statement of discontinuing operations and continuing operations are presented in the notes to consolidated financial statements.

Impairment of assets
In preparing each year's financial statements, 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 an assets' 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.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable value. The loss is booked to the income statement. Details of the impairment tests are presented at the Notes to the consolidated financial statements, note 14.

When the circumstances which caused the impairment loss are resolved, the impairment loss is reversed. On reversal, the assets' 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.

Key assumptions and policies; necessity of management judgment
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.

New standards applied during 2004
The following standards have been applied for those business combinations for which the agreement date is on or after 31 March 2004. Otherwise, these standards will be applied after 1 January 2005:

IFRS 3 (published 2004) Business Combinations
IAS 36 (improved 2004) Impairment of Assets
IAS 38 (improved 2004) Intangible Assets

Forthcoming changes in accounting policies
The Group will apply the following standards after 1 January 2005:

IAS 1 (improved 2003) Presentation of Financial Statements
IAS 2 (improved 2003) Inventories
IAS 8 (improved 2003) Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (improved 2003) Events after the Balance Sheet Date
IAS 16 (improved 2003) Property, Plant and Equipment
IAS 17 (improved 2003) Leases
IAS 21 (improved 2003) The Effects of Changes in Foreign Exchange Rates
IAS 24 (improved 2003) Related Party Disclosure
IAS 27 (improved 2003) Consolidated and Separate Financial Statements
IAS 28 (improved 2003) Investments in Associates
IAS 31 (improved 2003) Interests in Joint Ventures
IAS 32 (improved 2004) Financial Instruments: Disclosure and Presentation
IAS 33 (improved 2003) Earnings per Share
IAS 39 (improved 2004) Financial Instruments: Recognition and Measurement
IAS 40 (improved 2003) Investment Property
IFRS 2 (published 2004) Share-based Payment
IFRS 4 (published 2004) Insurance Contracts
IFRS 5 (published 2004) Non-current Assets Held for Sale and Discontinued Operations

The Group will follow the following interpretations in 2005:

IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 5 Emission Rights

In accordance with IFRS 3, goodwill is not amortized in 2005. In 2004, amortization of goodwill decreased income by EUR 17.7 million. Appling the other standards is estimated to have no material impact on the balance sheet, income statement or cash flow statement.

Notes to consolidated financial statements

INCOME STATEMENT (EUR million)	Continuing operations 2004	Whole Group 2004	2003
1. NET SALES			
Net sales by division			
Pulp & Paper Chemicals	565.5	565.5	521.0
Kemwater	285.3	285.3	215.4
Industrial Chemicals	388.9	388.9	409.8
Paints & Coatings	439.9	439.9	439.4
Other and intra-Group sales	101.8	101.8	59.4
Continuing operations total	1,781.4	1,781.4	1,645.0
GrowHow		858.2	1,172.5
GrowHow and intra-Group sales		-106.2	-79.3
Total	1,781.4	2,533.4	2,738.2

Distribution of net sales by geographic market areas, as a percentage of total net sales

Finland	16	16	17
Other European Union countries	45	53	49
Other European countries	10	8	15
North and South America	20	14	11
Asia	7	6	6
Other countries	2	3	2
Total	100	100	100

2. OTHER INCOME FROM OPERATIONS

Gains on the sale of fixed assets	74.4	87.3	16.2
Rent income	2.0	2.3	3.1
Insurance compensation	0.0	2.6	2.5
Consulting	0.8	0.9	0.6
Sales of scrap and waste	0.1	0.4	0.4
Income from royalties, knowhow and licences	0.3	0.3	0.2
Other income	2.2	-4.3	5.0
Total	79.8	89.5	28.0

Gains on sale of fixed assets in 2004 include gains from the sale of Ecocat, Kemira Fine Chemicals, Kemira Engineering and the Calcium Chloride business. In 2003, such gains included the sale of the shares in Polargas and Forcit.

3. COST OF SALES

Change in inventories of finished goods	3.2	4.6	-7.1
Own work capitalized [1]	-7.0	-8.8	-6.8
Materials and services			
Materials and supplies			
Purchases during the financial year	665.2	1,136.9	1,276.4
Change in inventories of materials and supplies	-0.1	6.3	-8.5
External services	21.0	50.6	52.4
Total materials and services	686.1	1,193.8	1,320.3
Personnel expenses	323.8	439.5	479.7
Rents	19.3	27.2	26.0
Losses on the sales of fixed assets	2.1	2.2	3.2
Other expenses	524.5	586.1	631.2
Total	1,552.0	2,244.6	2,446.5

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

In 2004 other expenses included a net increase in long and short-term provisions amounting to EUR 28.3 million and in 2003 a net decrease of EUR 1.9 million.
In 2004 other expenses include 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 to a total of EUR 9.1 million.
External services include audit fees of EUR 2.2 million and fees for ancillary services of EUR 1.4 million paid to the companies operated by the firm of independent public accountants KPMG, in different countries.

4. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses total	40.5	45.5	47.7

INCOME STATEMENT (EUR million)

5. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

	Continuing operations 2004	Whole Group 2004	2003
Emoluments of the Supervisory Board	0.1	0.1	0.1
Emoluments of boards of directors and managing directors [1)]	6.7	8.5	7.3
Other wages and salaries	260.5	349.9	361.6
Pension expenses for defined benefit plans	-24.6	-16.4	28.3
Pension expenses for defined contribution plans	33.7	38.3	22.2
Other personnel expenses	47.4	59.1	60.2
Total	323.8	439.5	479.7

1) The emolument, including executed options and fringe benefits, of Kemira Oyj's managing directors was EUR 1,211,348, including profit sharing bonuses of EUR 13,441. The emolument to Kemira Oyj's current managing director was EUR 481,974, which did not include profit sharing bonuses.

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 4,000 monthly, the vice chairman EUR 3,100 monthly and each of the members EUR 2,400 monthly. In addition, a meeting fee of EUR 500 per meeting was paid. A meeting fee is also paid for committee meetings.

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

Persons belonging to the Company's management, including parties closely associated with them, are not involved in substantial business relationships with the Company.

The Board of Directors of Kemira Oyj decided on 27 April 2004 on a new share-based incentive scheme which is targeted at key personnel and is part of the Group's incentive and commitment-building schemes. The scheme is described in the section "Shares and Shareholders". The Group will observe the IFRS 2 standard Share-based Payment from the beginning of 2005. If the standard had been applied in 2004, the Group would have made an expense entry of about EUR 0.3 million in the income statement for 2004. Information about the share-option program is provided for in section "Shares and shareholders" (page 61).

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 31 December 2004 was EUR 991,000.

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 1 January 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 gives 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.

Personnel, average

	Continuing operations 2004	Whole Group 2004	2003
Pulp & Paper Chemicals	1,753	1,753	1,677
Kemwater	1,262	1,262	1,010
Industrial Chemicals	1,528	1,528	1,670
Paints & Coatings	2,401	2,401	2,387
GrowHow		2,317	3,130
Other companies	453	453	662
Total	7,397	9,714	10,536
Personnel in Finland, average	3,082	3,986	4,596
Personnel outside Finland, average	4,315	5,728	5,940
Total	7,397	9,714	10,536

The total personnel of joint ventures that have been consolidated according to the proportionate method of accounting was in average 118 (146 in 2003).

	Continuing operations 2004	Whole Group 2004	2003
Personnel at year end	7,137	7,137	10,498

INCOME STATEMENT (EUR million)	Continuing operations 2004	Whole Group 2004	2003
6. DEPRECIATION			
Scheduled depreciation			
Intangible assets			
Intangible rights	2.6	3.0	3.0
Goodwill	5.3	6.4	6.5
Goodwill on consolidation	11.1	11.4	10.2
Other intangible assets	4.6	6.3	6.5
Tangible assets			
Buildings and constructions	14.0	18.0	20.0
Machinery and equipment	84.3	113.0	121.3
Other tangible assets	2.2	3.4	3.5
Total	124.1	161.5	171.0
7. ONE-TIME ITEMS FROM DISCONTINUING OPERATIONS			
Loss on sale of shares and dividend payout		-14.9	-
Expenses for the above		-8.0	-
Total		-22.9	-
8. FINANCIAL INCOME AND EXPENSES			
Financial income			
Dividend income		0.4	1.1
Interest income from long-term investments		3.5	4.3
Other interest income		5.5	3.4
Other financial income		1.3	0.5
Exchange gains		66.7	166.7
Total		77.4	176.0
Financial expenses			
Interest expenses		-30.2	-36.9
Impairment loss 1)		-44.2	-
Other financial expenses		-5.2	-3.7
Exchange losses		-65.6	-157.4
Total		-145.2	-198.0
Total financial income and expenses		-67.8	-22.0
Net financial expenses as a percentage of net sales 2)		2.7	0.9
Net interests as a percentage of net sales		0.8	1.1
Exchange gains and losses			
Realized		-9.0	22.0
Unrealized		10.1	-12.7
Total		1.1	9.3
Share of associates' net income			
Share of associates' profits		5.5	6.5
Share of associates' losses 3)		-8.8	-12.2
Total		-3.3	-5.7

1) A one-time entry for the water-soluble fertilizer business.
2) Excluding share of associates' net income.
3) Includes impairment losses on loan receivables of EUR 3.0 million in 2003.

Interest expenses are not capitalized in the Group.

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 2004 these foreign exchange net gains were EUR 4.7 million in the retained earnings. (In 2003 the net gain was EUR 9.9 million.)

Interest income on long-term investments includes income from associated companies of EUR 3.5 million. All other financial items constitute income and expenses from entities other than associates.

INCOME STATEMENT (EUR million)	Continuing operations 2004	Whole Group 2004	2003
9. INCOME TAXES			
Income taxes, current year	32.0	30.9	39.7
Income taxes, previous years	0.7	0.7	0.1
Deferred taxes	6.1	9.4	1.4
Other taxes	1.3	1.4	-0.7
Total	40.1	42.4	40.5

Tax losses

Certain Group subsidiaries belonging to continuing operations have tax losses totalling EUR 374.8 million (EUR 413.0 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

	Whole Group 2004	2003
Tax at the current tax rates	40.9	34.9
Tax-free income / non-deductible expenditure	-3.6	-17.9
Write-down on shares	3.8	-14.9
Unapplied losses during the financial year	7.4	34.0
Amortization of goodwill on consolidation	3.3	2.9
Applied tax losses	-10.8	-
Others	1.4	1.5
Taxes in the income statement	42.4	40.5

10. EARNINGS PER SHARE

	Continuing operations 2004	Whole Group 2004	2003
Earnings per share			
Profit before taxes and minority interests	123.0	122.8	121.0
Minority interests	-4.7	-4.2	-4.5
Income taxes for the financial year	-40.1	-42.4	-40.5
Net profit	78.2	76.2	76.0
Weighted average number of shares [1)]	119,187,342	119,187,342	118,170,000
Earnings per share, EUR	0.66	0.64	0.64
Diluted earnings per share			
Average number of shares [1)]	119,187,342	119,187,342	118,170,000
Effect of options outstanding (average)	1,014,746	1,014,746	1,100,157
Diluted average number of shares	120,202,088	120,202,088	119,270,157
Diluted earnings per share, EUR	0.65	0.63	0.64

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

BALANCE SHEET (EUR million)

11. INTANGIBLE ASSETS

	Intangible rights	Goodwill	Goodwill on consolidation	Other intangible assets	Advances paid	**2004 total**	2003 total
Acquisition cost at beginning of year	39.1	68.0	226.7	74.1	1.3	**409.2**	382.9
Acquisition of subsidiaries	2.0	-	23.8	-	-	**25.8**	36.2
Other increases	3.9	0.7	2.7	2.9	3.6	**13.8**	8.7
Divestment of subsidiaries	-3.6	-2.9	-2.2	-8.4	-0.1	**-17.2**	-
Decreases	-4.6	-5.0	-5.3	-17.6	-	**-32.5**	-0.4
Exchange differences and other changes	-1.9	0.8	-9.1	-5.3	0.8	**-14.7**	-18.2
Acquisition cost at end of year	34.9	61.6	236.6	45.7	5.6	**384.4**	409.2
Accumulated depreciation at beginning of year	-23.8	-21.5	-85.0	-51.3	-	**-181.6**	-161.7
Accumulated depreciation relating to decreases and transfers	4.2	5.0	5.3	17.0	-	**31.5**	0.6
Depreciation during the financial year	-3.0	-6.4	-11.4	-6.3	-	**-27.1**	-26.2
Exchange differences and other changes	1.4	0.2	6.0	6.3	-	**13.9**	5.7
Accumulated depreciation at end of year	-21.2	-22.7	-85.1	-34.3	-	**-163.3**	-181.6
Net book value at end of year	13.7	38.9	151.5	11.4	5.6	**221.1**	227.6

There was no goodwill on consolidation related to associated companies in 2004 and 2003.
The Group did not have intangible assets with an unlimited economic life.

12. TANGIBLE ASSETS

	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and fixed assets under construction	**2004 total**	2003 total
Acquisition cost at beginning of year	75.9	575.6	2,298.8	87.2	77.4	**3,114.9**	3,002.3
Acquisition of subsidiaries	0.7	3.0	8.1	2.4	3.3	**17.5**	57.9
Other increases	2.1	21.1	113.8	2.4	9.3	**148.7**	142.1
Divestment of subsidiaries	-20.8	-70.0	-198.6	-14.0	-42.2	**-345.6**	-
Decreases	-2.6	-111.9	-811.0	-26.2	-0.6	**-952.3**	-42.7
Exchange differences and other changes	3.3	-0.1	-27.5	-8.6	-3.1	**-36.0**	-44.7
Acquisition cost at end of year	58.6	417.7	1,383.6	43.2	44.1	**1,947.2**	3,114.9
Accumulated depreciation at beginning of year	-	-312.1	-1,655.0	-57.2	-	**-2,024.3**	-1,925.5
Accumulated depreciation relating to decreases and transfers	-	104.2	803.8	26.0	-	**934.0**	28.8
Depreciation during the financial year	-	-18.0	-113.0	-3.4	-	**-134.4**	-144.8
Additional depreciation		-2.5	-10.3	-0.1		**-12.9**	-
Impairment	-11.0	-	-	-	-	**-11.0**	-4.1
Reversal of impairments	3.1	6.2	-			**9.3**	-
Exchange differences and other changes	-	1.8	35.2	7.1	-	**44.1**	21.3
Accumulated depreciation at end of year	-7.9	-220.4	-939.3	-27.6	-	**-1,195.2**	-2,024.3
Net book value at end of year	50.7	197.3	444.3	15.6	44.1	**752.0**	1,090.6

Kemira's testing process for impairment and the result of it are discussed in Note 14.

13. INVESTMENTS

	Holdings in associates	Available-for-sale assets	Receivables from associates	Other receivables	Deferred tax assets	**2004 total**	2003 total
Acquisition cost at beginning of year	27.0	75.8	64.4	31.0	17.5	**215.7**	249.9
Share of net income of associates	-6.6	-	-	-	-	**-6.6**	-11.7
Increases	0.2	6.0	-	8.1	-	**14.3**	2.8
Decreases	-15.3	-4.8	-64.4	-13.9	-15.4	**-113.8**	-30.4
Transfers	-6.6	43.0	-	-	-	**36.4**	-10.7
Change in fair value	-	4.0	-	-	-	**4.0**	25.4
Exchange differences and other changes	9.1	0.3	-	2.8	-	**12.2**	-6.6
Impairment	-	-	-	-	-	**-**	-3.0
Net book value at end of year	7.8	124.3	0.0	28.0	2.1	**162.2**	215.7

Shares and holdings are specified in Note 30.

BALANCE SHEET (EUR million)

14. KEMIRA PROCEDURE IN IMPAIRMENT TESTING AND ITS RESULTS

The goodwill and other intangible assets with indefinite useful life were tested for impairment in accordance with the annual test requirement of IAS 36. Amortization of goodwill will be ceased effective from January 1, 2005 and the remaining recorded goodwill is subject to annual impairment testing.

Kemira has defined the Business Units (BU) as Cash Generating Unit (CGU). BU level is one reporting level below the primary segment (or Strategic Business Unit - SBU) level. Cash Generating Units were the same than in previous year.

The recorded goodwill is tested for impairment by comparing the recoverable amount of each BU with its carrying amount. Kemira has no other material intangible assets than goodwill with an indefinite useful life. All the goodwill is allocated to Business Units.

The carrying amounts of fixed asset including goodwill by segment as per 31 December, 2004 are the following (EUR million):

Primary segment	Carrying amount	of which goodwill
Pulp & Paper Chemicals	355	75
Kemwater	151	44
Industrial Chemicals	224	1
Paints & Coatings	175	71

The recoverable amount of the BU is based on value in use determined from present value of future cash flows. Cash flow estimates were based on continuing use of assets and on most recent 3-year financial forecasts by business management. Cash flow forecast exclude cash flow effects from planned modifications, expansions and purchases of assets.

Discount rates were determined for each CGU at two risk levels based on the volatility of cash flows during the period 2000–2004. The range of discount rates at low risk tolerance was 7–20% and at high risk tolerance 7–11%.

Growth rate used to extrapolated cash flows beyond the planning period was assumed zero.

The impairment test did not reveal any need for impairment charges. There was neither any reversal of past impairments.

During 2004 Kemira made EUR 24 million worth of one-time additional write-downs. These were based on changed economic lifetime owing to e.g. centralization of production units.

15. INVENTORIES	**2004**	2003
Materials and supplies	**75.1**	132.9
Work in process	**5.4**	34.4
Finished goods	**106.7**	222.0
Advances paid	**0.8**	0.9
Total	**188.0**	390.2

BALANCE SHEET (EUR million)

16. RECEIVABLES	**2004**	2003
Long-term receivables		
Interest-bearing long-term receivables		
Loan receivables from others	**0.0**	0.1
Finance lease receivables	**1.2**	0.0
Other receivables from others	**0.1**	3.9
Total interest-bearing long-term receivables	**1.3**	4.0
Interest-free long-term receivables		
Prepaid expenses and accrued income from others	**0.0**	0.2
Accounts receivable from others	**0.0**	5.8
Other receivables from others	**4.1**	5.1
Total interest-free long-term receivables	**4.1**	11.1
Total long-term receivables	**5.4**	15.1
Current receivables		
Interest-bearing short-term receivables		
Loan receivables from others	**0.2**	4.7
Finance lease receivables	**0.5**	0.0
Other receivables from others	**0.9**	4.3
Total interest-bearing short-term receivables	**1.6**	9.0
Interest-free short-term receivables		
Accounts receivable from associates	**0.0**	4.5
Accounts receivable from others	**274.7**	450.3
Advances paid from others	**3.3**	10.9
Prepaid expenses and accrued income from associates	**0.0**	2.4
Prepaid expenses and accrued income from others	**34.1**	53.6
Other receivables from associates	**0.0**	1.1
Other receivables from others	**15.7**	36.8
Total interest-free short-term receivables	**327.8**	559.6
Total current receivables	**329.4**	568.6
Total receivables	**334.8**	583.7
Due dates of finance lease receivables		
Within one year	**0.5**	
After one year but no more than five years	**1.2**	
Gross investment in finance lease agreements	**1.7**	
The present value of minimum lease payments		
Within one year	**0.4**	
After one year but no more than five years	**1.2**	
Total	**1.6**	
Future finance charges	**0.1**	
Gross investment in finance lease agreements	**1.7**	
Loans to the management of Group companies	**0.0**	0.5

Transactions between related parties

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 Board, the CEO and his deputy and their near family members. Details of loans granted to management are given above and management's compensation are given in the Notes to the consolidated financial statements, note 5. Information about management options are further outlined under "Shares and shareholders" (page 61).

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 2004 were EUR 13 million and to outside companies 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.

BALANCE SHEET (EUR million)

17. LONG-TERM INTEREST-BEARING LIABILITIES	2004	2003
Debentures and other bond loans	16.5	16.5
Loans from financial institutions	294.7	279.7
Loans from pension institutions	97.3	170.2
Other long-term liabilities to others	7.3	40.0
Total	415.8	506.4

Long-term interest-bearing liabilities maturing in

2006 (2005)	43.3	79.3
2007 (2006)	103.5	26.5
2008 (2007)	35.8	86.9
2009 (2008)	5.9	19.7
2010 (2009) or later	227.3	294.0
Total	415.8	506.4

Interest-bearing liabilities maturing in 5 years or longer		
Loans from financial institutions	188.8	159.6
Loans from pension institutions	38.1	125.6
Other long-term interest-bearing liabilities	0.4	8.8
Total	227.3	294.0

The foreign currency breakdown of long-term loans is presented in management of financial risks in note 29.
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

18. DEFERRED TAX LIABILITIES	Consolidated balance sheet 2004	Consolidated balance sheet 2003	Consolidated income statemet 2004	Consolidated income statemet 2003
Deferred tax liabilities				
Cumulative depreciation difference	52.9	65.5	-3.2	-2.7
Available for sale assets [1]	18.0	18.9	-	-
Pensions	4.1	3.2	4.7	-
Fair value of acquired subsidiaries [2]	2.8	-	-	-
Other	1.0	1.6	0.7	3.3
Total	78.8	89.2	2.2	0.6
Tax receivables deducted	-15.5	-39.9		
Total deferred tax liabilities in the balance sheet	63.3	49.3		
Deferred tax assets				
Internal stock margin	1.4	2.4	-1.0	1.0
Provisions	5.7	3.8	1.9	-1.9
Tax losses	4.2	9.9	-2.3	1.0
Impairments	-	15.3	3.3	-0.7
Pensions	1.0	22.5	-11.5	-
Other	5.3	3.5	2.4	-2.9
Total	17.6	57.4	-7.2	-3.5
Deferred tax liabilities deducted	-15.5	-39.9		
Deferred tax assets in the balance sheet	2.1	17.5		

The spin-off of GrowHow reduced deferred tax liabilities by EUR 14.3 million and deferred tax assets by EUR 28.7 million.

1) The decrease in deferred tax liabilities for available-for-sale financial assets of EUR 0.9 million in 2004 and the increase of EUR 7.3 million in 2003 has been booked directly as a decrease in shareholders' equity.
2) The increase in deferred tax assets relating to the fair valuation of acquired subsidiaries has been booked to goodwill.

BALANCE SHEET (EUR million)

19. PROVISIONS

Long-term provisions	Restructuring provisions	Environmental and damage provisions	Deferred income on disposal of CPS	Other provisions	Total
2003					
Balance at beginning of year	5.2	12.9	28.7	2.0	48.8
Increase in provisions	0.1	3.1	-	-	3.2
Provisions used during the period	-1.3	-0.7	-4.7	-	-6.7
Provisions released during the period	-0.1	-4.3	-	-	-4.4
Balance at end of year	3.9	11.0	24.0	2.0	40.9
2004					
Balance at beginning of year	3.9	11.0	24.0	2.0	**40.9**
Increase in provisions [1]	1.4	5.5	-	51.0	**57.9**
Provisions used during the period	-	-	-24.0	-1.7	**-25.7**
Provisions released during the period	-	-0.3	-	-	**-0.3**
Decrease due to sale of companies	-3.3	-	-	-0.5	**-3.8**
Balance at end of year	**2.0**	**16.2**	**0.0**	**50.8**	**69.0**
Short-term provisions					
2003					
Balance at beginning of year	21.8	4.9	-	12.8	39.5
Increase in provisions	4.9	2.8	-	1.0	8.7
Provisions used during the period	-11.0	-0.2	-	-7.5	-18.7
Provisions released during the period	-1.1	-0.9	-		-2.0
Balance at end of year	14.6	6.6	-	6.3	27.5
2004					
Balance at beginning of year	14.6	6.6	-	6.3	**27.5**
Increase in provisions	2.7	0.7	-	4.5	**7.9**
Provisions used during the period	-4.0	-0.4	-	-0.1	**-4.5**
Provisions released during the period	-	-	-	-	**-**
Decrease due to sale of companies	-11.3	-4.6	-	-1.3	**-17.2**
Balance at end of year	**2.0**	**2.3**	**-**	**9.4**	**13.7**

1) In 2004 other provisions include, among others, guarantee losses.

BALANCE SHEET (EUR million)

20. CURRENT LIABILITIES	**2004**	2003
Interest-bearing short-term liabilities		
Loans from financial institutions	**115.4**	194.1
Loans from pension institutions	**15.9**	6.5
Current portion of other long-term loans to others	**11.4**	18.6
Bills of exchange from others	**1.0**	0.9
Finance lease liabilities	**2.0**	44.4
Other interest-bearing short-term liabilities to associates	**0.0**	14.8
Other interest-bearing short-term liabilities to others	**24.7**	16.8
Total interest-bearing short-term liabilities	**170.4**	296.1
Interest-free short-term liabilities		
Advances received from others	**0.9**	6.6
Accounts payable to associates	**0.0**	1.3
Accounts payable to others	**146.4**	217.6
Short-term provisions	**13.7**	27.5
Accrued expenses and prepaid income to others	**146.3**	184.9
Other interest-free short-term liabilities to associates	**0.0**	4.1
Other interest-free short-term liabilities to others	**13.0**	22.1
Total interest-free short-term liabilities	**320.3**	464.1
Total current liabilities	**490.7**	760.2
Accrued expenses		
Personnel expenses	**41.4**	55.5
Items related to net sales and purchases	**21.8**	20.4
Interest	**17.2**	19.9
Exchange rate differences	**25.2**	32.1
Taxes	**16.9**	11.9
Other	**23.8**	45.1
Total	**146.3**	184.9

21. NET LIABILITIES

Interest-bearing long-term liabilities	**415.8**	506.4
Interest-bearing short-term liabilities	**170.4**	296.1
Securities	**-356.0**	-29.5
Cash and bank	**-28.9**	-48.5
Total	**201.3**	724.5

22. FINANCE LEASE LIABILITIES – maturity

Finance lease liabilities – minimum lease payments		
Within one year	**0.6**	6.4
After one year but no more than five years	**1.2**	30.3
Over five years	**0.2**	7.7
Total	**2.0**	44.4
Finance lease liabilities – present value of minimum lease payments		
Within one year	**0.5**	4.4
After one year but no more than five years	**1.1**	26.2
Over five years	**0.2**	7.4
Total	**1.8**	38.0
Future finance charges	**0.2**	6.4
Total amount of finance lease liabilities	**2.0**	44.4

BALANCE SHEET (EUR million)

23. DEFINED BENEFIT PENSION ARRANGEMENTS

Pension arrangements

The Group has several pension arrangements in different countries. In Finland and in the Netherlands pension security has been arranged primarily through the Group's own defined benefit plan pension foundations. In addition the Group has other defined benefit and defined contribution 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 31 December 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 1.1.2003 does not include accumulated actuarial gains and losses. As Kemira reports according to IFRS after 1.1.2004, 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 divested in 2004 have been deducted from liabilities and assets.

The assets for defined benefit plans at 31 December 2004 include Kemira Oyj shares at fair value of EUR 1.8 million (EUR 7.0 million), Kemira Oyj's financial assets at fair value of EUR 0.9 million (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).

	2004	2003
Defined benefit plan, employee benefit obligations		
Present value of unfunded obligations	40.4	58.0
Present value of funded obligations	443.9	1 051.7
Fair value of plan assets	-492.9	-1 004.1
Fair value of pension obligations	-8.6	105.6
Unrecognized actuarial gains (+) and losses (-)	39.7	43.3
Net liability (+)/receivable (-)	31.1	148.9
Movements in net liability		
Net liability at start of year	148.9	157.3
Exchange differences on foreign plan	0.3	-4.6
The effect of companies acquired and sold during the period	-87.3	0.0
Net expense in the income statement	-24.6	28.3
Contributions paid	-6.2	-32.2
Net liability (+)/receivable (-)	31.1	148.9
The amounts in the income statement		
Current service cost	11.1	20.7
Past service costs	-20.4	-3.4
Interest on obligation	26.7	56.7
Expected return on plan assets	-21.9	-45.7
Effect of change in Finnish TEL-pension system	-18.8	0.0
Net actuarial gains (-)/losses of financial year (+)	-1.4	0.0
Pension expenses (+)/decrease in expenses (-)	-24.6	28.3
Actual return on plan assets		
Actual return on plan assets (+)/expense (-)	31.1	127.1
Principal actuarial assumptions		
Discount rate	5.0%	5.0 – 5.7%
Expected return on plan assets	3.0 – 5.0%	4.6 – 8.0%
Future salary increases	3.0 – 4.0%	2.3 – 4.4%
Future pension increases	2.0 – 2.4%	2.0 – 2.9%

BALANCE SHEET (EUR million)

24. SUPPLEMENTAL CASH FLOW INFORMATION	2004	2003
Acquisition and disposal of subsidiaries		
Acquistion of subsidiaries		
Purchase consideration on acquisitions	49.9	90.5
Cash and cash equivalents in acquired companies	-0.8	-7.8
Cash flow on acquisition net of cash acquired	49.1	82.7
Acquired net assets		
Net working capital	3.2	16.1
Property, plant and equipment	25.2	56.8
Shares and holdings	0.0	-10.1
Interest-bearing receivables less cash and cash equivalents	0.4	1.6
Interest-bearing liabilities	-0.8	-3.4
Minority interests	-0.9	-16.8
Goodwill on acquisition	22.0	38.5
Total net assets of acquired subsidiaries	49.1	82.7
Disposals of subsidiary shares		
Cash flow on disposal	196.0	-
Cash and cash equivalent in disposed companies	-60.5	-
Total cash flow on disposals of subsidiaries	135.5	-
Net assets sold		
Net working capital	292.4	-
Property, plant and equipment	372.1	-
Shares	-45.0	-
Interest-bearing receivables less cash and cash equivalents	36.4	-
Other interest-free receivables	21.4	-
Interest-bearing liabilities	-301.4	-
Interest-free liabilities	-117.6	-
GrowHow shares paid as dividend	-160.7	-
Gain/loss on sale	37.9	-
Total net assets of disposed subsidiaries	135.5	-

In the end of 2004 Kemira's SBU Kemwater acquired through its 60% -owned US subsidiary, Kemiron, 100% of the shares in Eaglebrook Inc, a company situated in Chicago, United States, including production facilities in Canada and the US. The new unit, when fully incorporated, will add net sales of around USD 65 million and earnings will be improved by 3–4 million in addition to the possibilities to utilize synergies, e.g. in transportation costs, by optimizing the plant structure in the established combined group.
It will furthermore increase Kemira's presence in the north east of the US and Canada. Since the acquisition was made towards the end of the year the acquisition calculation is not yet fully completed, however the price (or enterprise value) in the transaction was USD 46 million, where payment to the sellers was made on a net debt basis, i.e. adjusted for cash and interest bearing loans in the acquired group.

At the end of September Pulp & Paper Chemicals unit acquired the Canadian paper chemical company E.QU.I.P. International based in Quebec. The acquisition price was EUR 7 million and it was paid with cash. The acquisition price included costs paid to advisors (EUR 0.4 million).
The acquisition price has been allocated to intangible assets, e.g. process chemistry knowhow, technology and customer agreements, according to their fair value which totals approximately EUR 2 million. Fair values are based on estimated net present value of future cash flows. Goodwill (EUR 2 million including deferred taxes) is based on possibilities to utilize synergy benefits and strengthening local marketing position. Net sales of E.QU.I.P. International for the latest financial year (ended 31 July, 2004) was approximately EUR 8.2 million and operating income EUR 0.8 million.

The total price of other acquisitions was about EUR 9 million and they did not have any material impact on the 2004 result.
The aquisitions made during 2004 are explained in more detailed in the Board of Directors' review.

BALANCE SHEET (EUR million)

CASH FLOW STATEMENT, CONTINUING OPERATIONS	2004	2003
Cash flows from operations	**231.0**	190.0
Capital expenditure	**-170.3**	-184.7
Proceeds from sale of fixed assets	**190.8**	34.0
Cash flow from investing activities	**20.5**	-150.7
Cash flow before financing	**251.5**	39.3
Change in loans and short-term financing	**128.5**	-19.2
Dividends paid	**-41.3**	-37.4
Other financing	**-38.4**	4.0
Cash flow from financing activities	**48.8**	-52.6
Net change in cash and cash equivalent	**300.3**	-13.3

CASH FLOW STATEMENT, DISCONTINUING OPERATIONS	2004	2003
Cash flows from operations	**31.1**	29.0
Capital expenditure	**-54.7**	-51.2
Proceeds from sale of fixed assets	**10.0**	2.2
Cash flow from investing activities	**-44.7**	-49.0
Cash flow before financing	**-13.6**	-20.0
Change in loans and short-term financing	**10.2**	43.1
Dividends paid	**0.0**	-0.1
Other financing	**28.8**	-12.1
Cash flow from financing activities	**39.0**	31.0
Net change in cash and cash equivalent	**25.4**	11.0

25. COLLATERAL AND CONTINGENT LIABILITIES

	2004	2003
Loans secured by mortgages in the balance sheet and for which mortgages given as collateral		
Loans from financial institutions	**11.7**	7.3
Mortgages given	**11.9**	7.1
Loans from pension institutions	**56.8**	82.2
Mortgages given	**61.6**	83.9
Other loans	**1.1**	10.8
Mortgages given	**1.2**	11.8
Total mortgage loans	**69.6**	100.3
Total mortgages given	**74.7**	102.8
Contingent liabilities		
Assets pledged		
On behalf of own commitments	**26.9**	38.0
On behalf of others	**2.2**	0.8
Guarantees		
On behalf of associates	**55.4**	67.6
On behalf of others	**1.7**	1.8
Operating leasing		
Maturity within one year	**2.9**	5.3
Maturity after one year	**13.3**	23.9
Other obligations		
On behalf of others	**0.0**	1.6

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 2004 and 2003.

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 the sale of the 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 down-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 provisions.

BALANCE SHEET (EUR million)

26. DERIVATIVE INSTRUMENTS	2004	2003
Nominal values		
Currency instruments		
Forward contracts *)	316.7	263.6
of which hedges of net investment in a foreign operation	24.0	22.0
Currency options *)		
Bought	196.6	502.8
Sold	197.2	558.9
Currency swaps	73.7	80.0
Interest rate instruments		
Interest rate swaps	210.2	198.1
of which cash flow hedge	46.7	9.0
Interest rate options		
Bought	27.4	27.9
Sold	36.2	36.9
Forward rate agreements	0.0	250.0
of which open	-	-
Bond futures	10.0	7.5
of which open	10.0	7.5

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.

Fair values	31.12.2004			31.12.2003		
	Assets gross	Liabilities gross	Total net	Assets gross	Liabilities gross	Total net
Currency instruments						
Forward contracts *)	7.2	-4.6	2.6	2.7	-4.3	-1.6
of which hedges of net investment in a foreign operation	0.4	0.0	0.4	0.4	0.0	0.4
Currency options *)	2.3	-1.1	1.2	10.7	-6.4	4.3
Bought	0.9	-0.7	0.2	7.6	-1.3	6.3
Sold	1.4	-0.4	1.0	3.1	-5.1	-2.0
Currency swaps	0.0	-16.3	-16.3	-	-15.9	-15.9
Interest rate instruments						
Interest rate swaps	1.9	-5.1	-3.2	2.2	-8.4	-6.2
of which cash flow hedge	1.6	0.0	1.6	1.7	-	1.7
Interest rate options	0.0	-0.4	-0.4	0.4	-0.6	-0.6
Bought	-	-0.1	-0.1	0.4	-0.5	-0.5
Sold	-	-0.3	-0.3	-	-0.1	-0.1
Forward rate agreements	0.0	0.0	0.0	0.1	-0.1	0.0
of which open	-	-	-	-	-	-
Bond futures	-	0.0	0.0	-	0.0	0.0
of which open	-	-0.1	-0.1	-	0.0	0.0

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

27. 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 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 where the management objectives, the division of responsibilities, risk limits (where relevant) etc. are defined, 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, but 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.

A project to refine further the Kemira Group ERM framework has been initiated by management. This development effort includes, among other things, the revision of the Group-level ERM principles, supplementary risk mapping in certain areas and the implementation of more coordinated and comprehensive enterprise risk management activities Group-wide. This development project is under the direction of the Vice President, Risk Management, and it is expected to enhance further the competitiveness of the Strategic Business Units and the entire Kemira Group by focusing attention on risks that are central to the adopted strategy and thus result in a better risk-adjusted return on capital.

28. ENVIRONMENTAL RISKS AND LIABILITIES

The bulk of Kemira's business belongs to 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.

Environmental liabilities

Contamination of the soil and ground water caused by past operations has been studied at all the Group's main sites. Numerous site assessments were made in connection with acquisitions and divestments that have been carried out or are in the planning stage, with an emphasis on North America and Europe.

The acquisitions did not alter the Group's environmental liabilities significantly. As part of the acquisition of Eaglebrook Inc. and E.QU.I.P International Inc., a site assessment was carried out at thirteen locations in Canada and the United States.

An environmental due diligence project relating to all the company's industrial sites was carried out in connection with the listing of Kemira GrowHow Oyj. The environmental liabilities stemming from past operations were transferred along with the business operations, with the exception of two joint sites, where Kemira Oyj has been the main operator.

The divestments of Kemira Fine Chemicals Oy (now KemFine Oy) and the calcium chloride business, which were part of the Industrial Chemicals strategic business unit, involved a thorough environmental assessment at the Kokkola site. An adjustment was made to the environmental provisions for the site as a result of the arrangements.

The total amount of provisions for environmental reconditioning was EUR 18.5 million. The largest provisions were for future landscaping of the piling areas at the Pori and Helsingborg sites, isolation of the waste disposal area at the Kokkola site and reconditioning of the sediment of a lake adjacent to the Vaasa plant. For these measures, the environmental provision for Pori was increased in accordance with the plan presented in the new environmental permit application.

Environmental legal affairs

Carbon dioxide allocations in accordance with European Community emissions trading legislation were granted to three sites of the Group.

29. MANAGEMENT OF FINANCIAL RISKS

The task of the Kemira 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 annually the treasury plan and the maximum permissible amounts of financial risks.

The objective of financial risk management is to protect the company from unfavourable 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, such as forward contracts, options and futures, within the framework of the limits which have been set. Only such instruments are used whose 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

The Kemira Group's net investments in foreign units are exposed to currency risk due to changes in foreign exchange rates. Currency flow risk arises from the net currency flows denominated in currencies other than the domestic currency both in the eurozone and outside it. 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 2004 were less than one year in length. At the Group level, the hedging entries of the subsidiaries are eliminated. The estimated composition of the largest commercial currency risks at the Group level is shown below.

Currency (EUR million)	USD	PLN	NOK	SEK	Others
Net flow	41	13	9	5	17
Hedging	21	5	4	2	7
Exposure after hedging	20	8	5	3	10
Hedge ratio	51%	38%	44%	40%	41%

At the turn of the year in 2004, the currency flow from commercial activities for 2005 is estimated to be about EUR 85 million; of which 46% was hedged (the hedge ratio in 2003 was 53%). The hedge ratio is tracked daily. The basic guideline for hedging overall currency flow risk is that a minimum of 50% of the net currency flow that is forecast for the next 12 months is hedged. A minimum of 30% and a maximum of 100% of the forecast flow must always be hedged. In hedging the net investment to the Group's foreign entities, the equity ratio is monitored. 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 point in the equity ratio.

The largest equity amounts of Group companies are in Swedish krona, United States dollars and Polish zloty. The Group strives to hedge balance sheet risk by keeping foreign currency-denominated liabilities in balance, currency by currency, with the asset items in the balance sheet. The shareholders' equity amounts in foreign currency are hedged against exchange rate changes by means of long-term loan agreements, forward contracts and currency swaps. A loan taken out in Swedish krona is used as a hedge for the shareholders' equity of the units in Sweden and, similarly, loans raised in United States dollars hedge the shareholders' equity of the units in the United States. The shareholders' equity of the companies in Japan and Canada is hedged through a forward contract. The total value of net investments made in foreign units was EUR 151 million at the end of 2004. (EUR 153 million.)
The table Interest-bearing loans shows the book values of long-term loans and their maturity breakdown.

Interest rate risk

In order to manage interest rate risks, the Group's borrowing and investments are spread out between fixed and variable interest rate instruments. The company can borrow by way of either fixed or floating rate instruments and use interest rate swaps, forward rate agreements or interest rate options to arrive at a result in accordance with its treasury policy.

At the end or 2004, 46% of the Group's entire loan portfolio, including derivatives and pension loans, consisted of fixed-interest borrowings (33%). Pension loans are considered to be floating rate loans.

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 are not vulnerable to interest rate risk.

Treasury measures the interest rate risk by means of the duration of the loan portfolio and sensitivity analysis. One year is used as the duration of pension loans. The duration of the long-term loan portfolio at the end of 2004 was 40 months including interest rate derivatives and ten months without interest rate instruments.

An increase of one percentage point in the level of interest rates at the end of 2004 would have lowered the market value of the long-term loan portfolio by EUR 7.3 million, including interest rate derivatives and by EUR 2.7 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 treasury 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. A rise of one percentage point in the level of interest rates means that the Group's interest expenses over the next 12 months will increase by about EUR 2 million.

In 2005, according to the interest rate risk limits, the duration of the loan portfolio can very in a range of 6–48 months. In 2005 a change of one percentage point in the interest rate curve is allowed to cause a maximum change of EUR 15 million in the market value of the asset/liability portfolio.

Counterparty risk of financing agreements

Counterparty risk in treasury operations is due to the fact that a contractual party to a financing transaction is not necessarily able to fulfil its obligations under the agreement. Risks are mainly connected with investing funds and with the counterparty risks of derivative contracts. The Group seeks to minimize its counterparty risk by using as its counterparties only financial institutions that have a good credit rating as well as by spreading out agreements among them.

The credit rating requirements of financial institutions who are counterparties of Group Treasury are defined in the Group's treasury policy. (A counterparty that has received a credit rating below the A level or an unrated counterparty must have a separate approval.) At present there are 13 approved financial institution counterparties, all of which have a rating of at least A. The ratings situation in December 2004 is shown below. The classification is based on Standard & Poor's monthly credit ratings.

Standard & Poor's rating	Financial institution counterparty no.	Risk EUR million
AA	1	2.8
AA-	6	1.6
A+	4	4.6
A	1	4.9
A-	1	2.4
Total	13	16.3

The risk shown in the table means that the Group has a receivable from a financial institution counterparty.

Treasury approves the new banking relationships of subsidiaries. Counterparty risk is monitored on a monthly basis by defining from 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. Financial income and expenses include impairment and guarantee losses on loan receivables from associated companies.

Group Treasury may furthermore invest liquid assets in the commercial 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.

Commercial credit risk

The Group's trade receivables are spread out over an extensive customer base in different geographical areas and industries. Credit limits have been set for nearly all customers and they are monitored systematically. Some customers are insured by taking out credit insurance, which is done unit by unit for the entire customer portfolio. In addition, document payments are in use, such as letters of credit.

Liquidity risk

The Group's liquid assets at the end of 2004 amounted to EUR 385 million, of which bank certificates of deposit made up EUR 115 million, commercial paper EUR 109 million, short term money market fund investments EUR 110 million, bank deposits EUR 29 million and other short-term investments EUR 22 million. Unused revolving credit facilities totalled EUR 400 million.

The Group diversifies its liquidity risk by obtaining financing from different sources in different markets. The Group has bank loans, pension loans, insurance company loans, a Medium Term Note Programme as well as short-term domestic and foreign commercial paper programmes. 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's solvency and funding arrangements are safeguarded by maintaining good liquidity and by means of revolving credit facility. The amount of the revolving credit facility is EUR 506 million. 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

(EUR million)	2004		2003	
	Book value	**Fair value**	Book value	Fair value
Bank deposit	**28.9**	**28.9**	48.5	48.5
Short term placements	**356.0**	**357.3**	22.0	22.0
Long term loan receivables	**9.5**	**9.5**	85.7	78.5
Total	**394.4**	**395.7**	183.4	176.2

The fair value of current receivables is calculated by discounting the book value at an effective interest rate of 2%–2.2% (2.0%–2.2% in 2003). The fair value of non-current receivables is based on market prices, the effective interest rate of which varied in the range of 0%–7% (0%–7% in 2003).

Interest-bearing loans

(EUR million)	31.12.2004		Maturity						31.12.2003	
Currency	**Fair value**	**Fair value**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010-**	**Fair value**	**Book value**
EUR	251.2	250.8	27.8	35.6	96.4	30.6	1.7	58.7	354.5	307.8
SEK	96.5	95.8	0.9	1.0	0.7	0.4	0.2	92.6	217.5	141.2
USD	202.8	201.1	110.5	3.8	3.8	3.8	3.7	75.6	95.2	208.5
GBP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	31.4	35.9
Other	10.5	10.8	3.6	2.9	2.6	1.0	0.3	0.5	2.2	7.1
Total	561.0	558.5	142.7	43.2	103.5	35.8	5.9	227.4	700.8	700.5

Effective interest rate varied in the range of 0% – 12% (0% – 18% in 2003).

Short term and long term interest-bearing loans

(EUR million)	31.12.2004		Loan maturity						31.12.2003	
Loan type	**Drawn**	**Un-drawn**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010-**	**Drawn**	**Un-drawn**
Loans from financial institutions	453.0	0.0	36.2	43.2	103.5	35.8	5.9	227.4	585.5	
Revolver credit facility	106.5	399.5	106.5						190.0	316.0
Commercial Paper Programme	0.0	150.0							27.0	123.0
Total	558.5	549.5	142.7	43.2	103.5	35.8	5.9	227.4	802.5	439.0

30. SHARES AND HOLDINGS OF GROUP COMPANIES

			Group holding %
Associated companies			
Aluminium Sulphate Co. of Egypt, S.A.E.	Cairo	Egypt	26.1
Aluminates-Eaglebrook PTY Limited	Morwell	Australia	30.0
Biolchim Tunisie	Carthago	Tunisia	12.5
Haapaveden Puhdistamo Oy	Haapavesi	Finland	40.5
Haapaveden Ympäristöpalvelut Oy	Haapavesi	Finland	40.5
Kemira Arab Potash Company	Amman	Jordan	49.0
Kemwater Phil., Corp.	Manila	The Philippines	40.0
Orca Water Technologies, LLC	Ventura	The 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
KemMaq JV	Rowley	The United States	30.0
Other shares and holdings			
A. Jalander Oy	Muurla	Finland	16.0
Kemira GrowHow Oyj	Helsinki	Finland	14.6

31. JOINT VENTURES

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

(EUR million)	**2004**	2003
Non-current assets	**8.3**	13.4
Current assets	**15.2**	17.8
Total assets	**23.5**	31.2
Long-term liabilities	**4.1**	3.2
Short-term liabilities	**10.9**	14.9
Total liabilities	**15.0**	18.1
Net sales	**33.5**	31.8
Costs	**-28.9**	-27.0
Depreciation	**-2.0**	-2.1
Financial income and expenses	**-0.1**	-0.3
Income taxes	**-1.1**	-0.8
Net income	**1.4**	1.6

32. SEGMENT DATA

Business areas

At the beginning of 2004 the Group was organized in the following main business areas: Pulp & Paper Chemicals, Kemwater, Industrial Chemicals, Paints & Coatings and GrowHow. The GrowHow segment was deconsolidated in connection with the listing of the business on the Helsinki Stock Exchange in 2004, with the exception of water-soluble fertilizers, which are included in items outside the segments. In the comparative information for 2003, GrowHow has been converted in line with GrowHow's deconsolidated structure.

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 tangible and intangible assets, interest in associated companies, inventories and interest-free receivables. Short-term interest-free liabilities are included in the liabilities of the business segments.

2004 (EUR million)	Pulp & Paper Chemicals	Kemwater	Industrial Chemicals	Paints & Coatings	GrowHow	Other	**Group**
Income statement							
External net sales	533.3	262.0	364.7	439.9	780.7	152.8	**2,533.4**
Intra-Group sales	32.2	23.3	24.2	0.0	77.5	-157.2	**-**
Net sales, total	565.5	285.3	388.9	439.9	858.2	-4.4	**2,533.4**
Operating income	44.8	14.4	95.8	38.4	12.0	-11.5	**193.9**
Share of the associates' net income	0.0	1.7	0.0	2.0	0.2	-7.2	**-3.3**
Other information							
Assets of businesses	500.0	244.4	355.7	324.3	0.0	76.4	**1,500.8**
of which holdings in associated companies	0.0	3.9	0.0	3.8	0.0	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	0.0	76.6	**306.9**
Unallocated liabilities							**782.1**
Consolidated liabilities, total							**1,089.0**
Capital expenditure	33.1	69.9	38.7	13.8	54.7	4.8	**215.0**
Depreciation	45.7	18.2	32.5	19.6	37.6	7.9	**161.5**
Additional depreciation	1.7	9.1	1.9	0.1	-	0.1	**12.9**
Impairment on non-current assets	-	0.3	-	-	-	10.7	**11.0**
Cash flows							
Cash flow from operations	83.8	40.0	74.8	51.5	31.1	-19.1	**262.1**
Net capital expenditure	-33.0	-69.0	45.1	-5.3	-44.7	82.8	**-24.1**

2003 (EUR million)	Pulp & Paper Chemicals	Kemwater	Industrial Chemicals	Paints & Coatings	GrowHow	Other	Group
Income statement							
External net sales	483.5	193.6	374.5	439.3	1,097.9	149.4	2,738.2
Intra-Group sales	37.5	21.8	35.3	0.1	74.6	-169.3	-
Net sales, total	521.0	215.4	409.8	439.4	1,172.5	-19.9	2,738.2
Operating income	41.9	23.8	41.4	29.5	44.7	-32.6	148.7
Share of associates' net income	1.7	1.1	-0.1	1.7	0.4	-10.5	-5.7
Other information							
Assets of businesses	592.5	181.4	343.4	336.7	682.5	213.5	2,350.0
of which holdings in associated companies	1.2	2.0	2.4	3.7	4.2	13.5	27.0
Unallocated assets							235.8
Consolidated assets, total							2,585.8
Liabilities of businesses	76.1	40.0	52.2	52.5	109.9	108.4	439.1
Unallocated liabilities							1,078.7
Consolidated liabilities, total							1,517.8
Capital expenditure	73.0	53.0	38.3	13.8	51.2	6.7	236.0
Depreciation	44.3	13.4	34.1	22.7	50.2	6.3	171.0
Impairment on non-current assets	-	-	4.1	-	-	-	4.1
Cash flows							
Cash flow from operations	78.4	33.7	61.9	26.4	29.0	-10.3	219.1
Net capital expenditure	-50.0	-50.0	-37.6	-12.8	-49.0	-0.3	-199.7

Geographical segment	Continuing operations 2004	Whole Group 2004	2003
Net sales			
Finland	276.4	409.0	456.6
Other EU countries	798.5	1,328.6	1,345.9
Rest of Europe	182.5	206.5	410.4
North and South America	357.0	362.0	286.9
Asia	122.9	155.9	170.2
Other countries	44.1	71.4	68.2
Total	1,781.4	2,533.4	2,738.2
Assets (tangible and intangible fixed assets)			
Finland		388.6	530.9
Other EU countries		339.3	482.0
Rest of Europe		10.8	66.1
North and South America		200.1	201.3
Asia		34.3	36.0
Other countries		0.0	1.9
Total		973.1	1,318.2
Capital expenditure			
Finland	67.3	93.1	83.2
Other EU countries	41.5	59.9	53.5
Rest of Europe	2.0	2.4	16.4
North and South America	57.2	57.2	80.7
Asia	2.3	2.4	2.0
Other countries	0.0	0.0	0.2
Total	170.3	215.0	236.0

33. CHANGES IN GROUP STRUCTURE 2004

Acquisitions of Group companies, and new subsidiaries that have been founded

- Kemira GrowHow's Kemphos business was transferred into a new affiliate of Kemira Phosphates Oy. The name of the new company is Kemphos Oy and it is the new master company of Siilinjärvi site beginning January 1, 2004.
- Kemira GrowHow Oyj bought from Lithuanian AB Lifosa its share of ownership from the joint venture company between Kemira GrowHow Oyj and AB Lifosa. After the purchase Kemira GrowHow owns the whole capital stock of UAB Kemira Lifosa.
- Kemira Kemi AB founded a new company named Kemira KTM d.o.o. in June in order to produce water-chemicals in Slovenia.
- Alcro-Beckers AB bought the marketing company named Branschgaranti Service AB in July.
- Kemira Group's holding in Kemwater Chimbis S.A. increased from 58.21% to 92.43 in July.
- Tikkurila Oy acquired 51% of the shares in Ukraine-based company TOB Kolorit Paints in September.
- Kemira GrowHow Oyj established a new company named Agroprom Oy in September.
- Kemira acquired a Canadian paper chemicals company named E.QU.I.P. International Inc. in September.
- AS Kemivesi in Tallinn became fully owned by Kemira when Kemira bought the remaining one-third of the company's shares from AS Tallinnan Vesi in October.
- Kemira acquired the United States based coagulant producer Eaglebrook International Group, Ltd. including companies Eaglebrook Inc and Eaglebrook Inc. of Canada in November.
- Kemira's holding in Färgmästaren J E Englund AB, Färg AB Gamol and Färgservice i Malmö AB increased from 91% to 100%.
- Alcro-Beckers AB established a new (dormant) company named Scanspac Holding II AB, which is the holder of Scanspac & Co KB and Scanspac AB in December.

Divestments of Group companies

- Ecocat Oy sold the company named Metpela Oy in January.
- Alcro-Beckers AB sold the company Tapetlagret Öbergs Färghus i Västerås AB in January. The deal also included the sale of Gemptus AB.
- Kemira sold its holding in Ecocat Oy including companies: Convertitori Catalitici Europa S.r.l., Kemira Katalysatoren GmbH, Metalkat Romania S.A., Metalkat U.S. Inc., and Universal Kat, LLC in April.
- Färghuset i Bollnäs AB was sold in April.
- Kemira sold Kemira Fine Chemicals Oy in September.
- Färghuset i Kristinehamn AB was sold in September.
- Kemira sold its calcium chloride business to the American TETRA Technologies, Inc. and the joint venture basis company Kemax B.V. in September.
- Kemira sold Kemira Engineering Oy in October.
- Hisingens Färghus AB was sold in October.
- Kemwater (Thailand) Ltd was dissolved (dissolution through voluntary liquidation) in October.
- Imagica S.r.l. and Winding Up Oy were liquidated. Tikkurila Coatings (Ireland) Ltd became dormant.
- Kemira GrowHow Oyj with its subsidiaries was listed at Helsinki Stock Exchange on 14 October 2004. Kemira Oyj divided 52.5% of GrowHow's shares as dividends to Kemira Oyj's shareholders and sold about 33% of GrowHow's shares.
- Alcro-Beckers AB sold 81% of its shares in the company named Hässleholms Färg & Miljö AB and Billdals Färghus AB in November.
- Tikkurila Coatings Ltd with its subsidiaries Land Horizon Limited, D. Doran Software Consultants Ltd, B&T Polymers Ltd, Corroless Corrosion Control Limited, Xmac Polymers Ltd, Paints (2000) Ltd, Poeter Paints Ltd, Sissons Paints (UK) Ltd was sold in December.
- Kemira Pigments S.A. was liquidated in December.
- Kemira Trading Oy was merged to Kemira Oyj in December.

Changes in holdings in Group companies within the Group

- Alcro Beckers AB sold the company named TBD S.A. to Tikkurila Oy in January.
- Tikkurila Services Oy was merged to Tikkurila Oy in January.
- Kemira Ibérica S.A. absorbed Aliada Quimica S.A. and Kemira Ibérica International S.L. in January.
- Kemira Kemi AB sold its share (50%) in the company named Alufluor AB to Kemira GrowHow AB in June.
- Kemira GrowHow Holding A/S sold to Kemira Oyj its 100% holding in the company named Kemira GrowHow A/S and its shares in Kemira Arab Potash Company.
- Kemira GrowHow Oyj sold to Kemira Oyj its 50% holding in the company named Biolchim S.p.A. and its 25% holding in the company named Biolchim Tunisie in September.
- Kemira GrowHow Oyj sold to Kemira Oyj its 100% holding in the company named Kemira GrowHow España S.A. in September.
- Kemira GrowHow S.A./N.V.(Belgium) sold to Kemira Oyj its 100% holding in the company named Kemira GrowHow S.A. (France) in September.
- Kemira GrowHow B.V. sold to Kemira Oyj its 100% holding in the company named Kemira Specialty Crop Care B.V. in September.
- AS Vivacolor sold to Tikkurila Paints Oy its 100% holding in the company named UAB Vivacolor.

Name changes

- Kemira Sdn. Bhd. was renamed Kemira GrowHow (M) Sdn. Bhd.
- Kemira GrowHow Oy was renamed Kemira GrowHow Oyj.
- Kemira Chimie S.A. was renamed Kemira Chimie S.A.S.U.
- Färghuset i Malmö AB was renamed Färgmästaren i Eskilstuna AB.

The operative companies of Kemira Group on 31 December 2004 have been listed in Kemira Annual Report on page 44.

34. CONTINUING OPERATIONS AND DISCONTINUING OPERATIONS

Consolidated income statement	Continuing operations		Discontinuing operations	
(EUR million)	**2004**	2003	**2004**	2003
Net sales	**1,781.4**	1,645.0	**858.2**	1,172.5
Other income from operations	**79.8**	23.8	**13.1**	4.2
Cost of sales	**-1,552.0**	-1,438.6	**-798.8**	-1,081.8
Depreciation	**-124.1**	-120.7	**-37.6**	-50.2
Loss on spin – off of GrowHow			**-22.9**	
Operating profit	**185.1**	109.5	**12.0**	44.7
Financial income and expenses	**-58.5**	-10.8	**-9.8**	-16.1
Share of profit of associates	**-3.6**	-6.0	**0.2**	0.4
Net financial income and expenses	**-62.1**	-16.8	**-9.6**	-15.7
Profit before taxes and minority interests	**123.0**	92.7	**2.4**	29.0
Net profit 1)	**78.2**	32.8	**0.8**	43.6
Earnings per share, EUR 1)	**0.66**	0.28	**0.01**	0.36
Earnings per share, diluted, EUR 1)	**0.65**	0.28	**0.01**	0.36
Earnings per share, EUR 2)	**0.65**	0.40	**0.01**	0.24

1) Including Group contributions between Kemira and GrowHow in 2003.

2) Excluding Group contributions

Kemira GrowHow, which was listed in October 2004, has been treated as a discontinuing operation. GrowHow was previously a business segment of the Group. The water-soluble fertilizers that previously belonged to GrowHow were retained by the Group. The income statement for discontinuing operations is presented above and its cash flow statement in connection with the supplemental Cash Flow Information.

The listed GrowHow had assets at 30 September 2004 of EUR 853 million and liabilities of EUR 531 million. At the end of 2003, assets were EUR 804 million and liabilities EUR 627 million.

35. EVENTS AFTER THE BALANCE SHEET DATE

On 28 January 2005 Kemira received an EU Commission Statement of Objections concerning hydrogen peroxide, with regard to alleged antitrust activities during 1994–2001. Kemira will look into the documents delivered by the Commission and will respond to the Statement of Objections.

At the Helsingborg plant in Sweden, a tank rupture occurred on Friday, 4 February 2005, resulting in the spillage of about 11,000 tonnes of sulphuric acid in the plant area and into the sea. A water vapour cloud containing acid droplets was formed. Around ten people were taken to hospital, but they did not sustain serious injury. Because of the accident, the area around the plant perimeter was closed off for just over two days, but no major environmental impacts resulted from the accident. At this stage it is not possible to estimate the economic losses caused by the accident.

On 7 February Kemira announced that it would acquire all holding in the Dutch specialty chemicals company Verdugt BV. The company produces derivatives of formic, propionic, acetic and lactic acids, which are used in e.g. the food and animal feed industries, owing to their antimicrobial properties. Verdugt's net sales total approximately EUR 110 million and its main production plants are located in Tiel, the Netherlands, and Barcelona, Spain. The number of personnel is 130. The transaction is subject to approval by the authorities.

On 7 February Kemira also made public the acquisition of all shares in Finnish Chemicals Oy. Finnish Chemicals has net sales of nearly EUR 250 million, and it employs 470 persons at its five production plants in Finland and the US. The company sells more than 80% of its products to pulp and paper production, the main product being sodium chlorate used in pulp bleaching. The transaction is subject to approval by the authorities.

36. TRANSITION TO IFRS REPORTING

Kemira Comparison figures for 2003 according to IFRS

Kemira went over to IFRS reporting as from 1 January 2004. The opening balance sheet at 1 January 2003 and the comparison figures for 2003 have been converted from reporting in accordance with Finnish accounting practice to IFRS. The Group adopted IFRS 1 (First-time Adoption of IFRS) and used the exemptions from the requirements of IAS 19 (Employee Benefits) and IAS 22 (Business Combinations).

Even previously, Kemira's accounting policy has been based on IAS/IFRS to the extent permitted by Finnish practice. For this reason, most important changes resulting from the transition to IFRS are related to the reporting of employee benefits under IAS 19 and the measurement of available-for-sale assets under IAS 39 (Financial Instruments).

The main differences between IFRS and Finnish practice are the following:

Defined benefit pension plans [1)]

The Group has various pension plans in accordance with the local conditions and practices in the countries where it operates. Under Finnish accounting practice, the Group's pension liabilities are as a rule booked according to local regulations, and pension liabilities in accordance with IAS 19 have been disclosed in the notes to the financial statements. In financial statements according to IFRS, defined benefit pension plans are treated in the manner prescribed in IAS 19.

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. In respect of the TEL plans that are managed by insurance companies, the disability portion is likewise treated as a defined benefit plan.

For defined benefit plans, the liability arising from the difference between the present value of pension obligations and the fair value of plan assets is entered in the opening balance sheet. In accordance with IFRS 1, actuarial gains and losses on defined benefit plans were entered in the balance sheet at the date of transition on 1 January 2003. The corridor method under IAS 19 is applied to actuarial gains and losses arising after the date of transition.

When the transition to IFRS was made, certain items that were previously reported in pension liabilities were regrouped under provisions with the aim of uniform presentation of pension liabilities in the balance sheet.

Financial instruments

Financial assets are classified in the manner prescribed in IAS 39 (Financial Instruments) as financial assets held for trading, receivables originated by the enterprise and available-for-sale assets. Kemira has classified other shares as available-for-sale assets. [1)]

Application of fair value under IAS 39 had a major impact on the measurement of available-for-sale shares [2)]. These primarily included shares in Teollisuuden Voima Oy. The shares included in the class of available-for-sale assets are measured at fair value, whereby the value of the shares in Teollisuuden Voima Oy has been considered to be measurable with a sufficient degree of reliability. In accordance with IAS 39, Kemira enters unrealized changes in the value of available-for-sale shares directly in shareholders' equity up to the time of sale, when they are transferred to the income statement.

Derivatives have previously been entered at fair value in the balance sheet and, all in all, changes in the measurement of financial instruments, with the exception of shares, have not caused major changes in the opening IFRS balance sheet [3)].

Other changes

Forest areas are measured at fair value under IAS 41 (Agriculture) [4)]. Reporting for tangible assets under IAS 16 (Property Plant and Equipment) has been further specified, among other things, in respect of major inspection and overhaul costs occurring at regular intervals [5)]. In the IFRS financial statements, certain loan receivables from associates have been classified, due to the terms of the agreements, as value of investment when the equity of accounting method is applied [4)].

Deferred taxes have been entered for all the above-discussed adjustments to the IFRS balance sheet in the manner prescribed in IAS 12 (Income Taxes) [6)].

Comparison figures

Presented below are the consolidated income statement for 2003 as well as the balance sheets at 31 December 2002 and 31 December 2003 as adjusted in accordance with IFRS. In addition, the earnings trend is presented by business area on a quarterly basis for 2003 as well as reconciliation statements for the previously reported net profit and shareholders' equity.

1) Notes 1–6 refer to adjustments made to equity and net profit in connection with transition to IFRS and are presented in Table "Adjustments to equity and net income for 2003".

INCOME STATEMENT 2003 EUR million	FAS 2003	Effect of transition to IFRS	IFRS 2003
Net sales	2,738.2		2,738.2
Other income from operations	28.1	-0.1	28.0
Cost of sales	-2,452.4	5.9	-2,446.5
Depreciation	-169.8	-1.2	-171.0
Operating income	144.1	4.6	148.7
Financial income and expenses	-23.4	1.4	-22.0
Share of associates' profits	-2.7	-3.0	-5.7
Net financial income and expenses	-26.1	-1.6	-27.7
Income before taxes and minority interests	118.0	3.0	121.0
Income taxes	-39.9	-0.6	-40.5
Minority interests	-4.5		-4.5
Net income	73.6	2.4	76.0

KEY FIGURES	FAS 31.12.2003	IFRS 31.12.2003	FAS 31.12.2002	IFRS 31.12.2002
Earnings per share, EUR [1]	0.62	0.64		
Equity per share, EUR	9.04	8.77	8.94	8.47
Average number of shares (1000)	118,170	118,170	118,170	118,170
Return on equity, %	7	7		
Return on capital invested, %	8	8		
Equity ratio,%	44	41	43	40
Gearing, %	69	68	72	72
Net liabilities, EUR million	761	725	768	733

1) Basic and diluted

BALANCE SHEET EUR million ASSETS	FAS 31.12.2003	Effect of transition to IFRS	IFRS 31.12.2003	FAS 31.12.2002	Effect of transition to IFRS	IFRS 31.12.2002
Non-current assets						
Intangible assets	228.0	-0.4	227.6	221.2	-0.6	220.6
Tangible assets	1,086.2	4.4	1,090.6	1,072.0	4.0	1,076.0
Deferred tax assets	4.8	12.7	17.5	10.6	13.3	23.9
Shares available for sale	10.0	65.8	75.8	20.9	40.4	61.3
Receivables from defined benefit plans		11.9	11.9		15.5	15.5
Other investments	113.3	-2.8	110.5	149.0	0.2	149.2
Total non-current assets	1,442.3	91.6	1,533.9	1,473.7	72.8	1,546.5
Current assets						
Inventories	391.0	-0.8	390.2	358.4	-0.8	357.6
Receivables						
Interest-bearing receivables	13.0		13.0	7.8		7.8
Interest-free receivables	570.8	-0.1	570.7	570.5	-0.5	570.0
Total receivables	583.8	-0.1	583.7	578.3	-0.5	577.8
Securities	29.5		29.5	40.1		40.1
Cash and bank	48.5		48.5	40.7		40.7
Total current assets	1,052.8	-0.9	1,051.9	1,017.5	-1.3	1,016.2
Total assets	2,495.1	90.7	2,585.8	2,491.2	71.5	2,562.7
LIABILITIES AND SHAREHOLDERS' EQUITY						
Shareholders' equity						
Share capital	217.0		217.0	217.0		217.0
Share premium account	252.5		252.5	252.5		252.5
Valuation and other reserves	3.2	49.1	52.3	3.8	29.3	33.1
Own shares	-28.2		-28.2	-28.2		-28.2
Retained earnings	549.7	-83.5	466.2	603.0	-84.8	526.4
Net profit for the financial year	73.6	2.4	76.0	8.2		
Total shareholders' equity	1,067.8	-32.0	1,035.8	1,056.3	-55.5	1,000.8
Minority interests	32.2		32.2	16.4		16.4

	FAS 31.12.2003	Effect of transition to IFRS	**IFRS 31.12.2003**	FAS 31.12.2002	Effect of transition to IFRS	**IFRS 31.12.2002**
Long-term liabilities						
Interest-bearing long-term liabilities	542.5	-36.1	**506.4**	636.9	-34.9	**602.0**
Deferred tax liabilities	39.3	10.0	**49.3**	41.8	1.2	**43.0**
Pension liabilities to defined benefit plans	48.1	112.9	**161.0**	48.1	124.7	**172.8**
Provisions	3.0	37.9	**40.9**	26.8	37.1	**63.9**
Total long-term liabilities	632.9	124.7	**757.6**	753.6	128.1	**881.7**
Current liabilities						
Interest-bearing short-term liabilities	296.1		**296.1**	211.8		**211.8**
Interest-free short-term liabilities	438.6	-2.0	**436.6**	406.6	-1.1	**405.5**
Provisions	27.5		**27.5**	46.5		**46.5**
Total current liabilities	762.2	-2.0	**760.2**	664.9	-1.1	**663.8**
Total liabilities	1,395.1	122.7	**1,517.8**	1,418.5	127.0	**1,545.5**
Total liabilities and equity	2,495.1	90.7	**2,585.8**	2,491.2	71.5	**2,562.7**

STATEMENT OF CHANGES IN EQUITY	Share capital	Share premium account	Other funds	Exchange differences	Fair value reserve	Treasury shares	Retained earnings	Total
Shareholders' equity at 1 January 2003 FAS	217.0	252.5	3.2	-33.0	0.6	-28.2	644.2	1,056.3
IFRS adjustments in								
the opening balance sheet					29.3		-84.8	-55.5
Shareholders' equity at 1 January 2003 IFRS	217.0	252.5	3.2	-33.0	29.9	-28.2	559.4	1,000.8
Net profit for the financial year	-	-	-	-	-	-	76.0	76.0
Dividends paid	-	-	-	-	-	-	-35.5	-35.5
Dividends paid to minority	-	-	-	-	-	-	-1.6	-1.6
Shares available for sale-change in valuation	-	-	-	-	18.3	-	-	18.3
Exchange differences	-	-	-	-31.7	-	-	-	-31.7
Hedges of net investment					-		-	
in foreign entities	-	-	-	9.9	-	-	-	9.9
Cash flow hedging amount entered								
in shareholders' equity	-	-	-	-	0.9	-	-	0.9
Donations	-	-	-	-	-	-	-0.4	-0.4
Other changes	-	-	-	-	-	-	-0.9	-0.9
Shareholders' equity at 31 December 2003	217.0	252.5	3.2	-54.8	49.1	-28.2	597.0	1,035.8

Adjustments to equity and net income for 2003	31.12.2002	31.3.2003	30.6.2003	30.9.2003	31.12.2003
Equity according to FAS	1,056.3	1,059.2	1,048.3	1,071.8	1,067.9
Employee benefits [1]	-108.7	-106.4	-104.2	-102.1	-101.0
Valuation of shares [2]	40.4	40.3	40.3	65.8	65.8
Classification of fixed assets [5]	-0.2	-0.1	-0.1	-0.1	0.3
Finance lease agreements	0.3	0.3	0.3	0.3	0.3
Financial instruments [3]	0.4	0.1	0.1	0.2	2.3
Other adjustments [4]	0.5	0.5	0.5	0.6	-2.4
Deferred tax effects of adjustments [6]	11.8	11.5	11.3	3.6	2.6
Equity according to IFRS	1,000.8	1,005.4	996.5	1,040.1	1,035.8

	1-3/2003	1-6/2003	1-9/2003	2003
Net income according to FAS	17.1	44.7	68.3	73.6
Profits and losses on sale of shares [2]		-0.1	-0.1	-0.1
Employee benefits [1]	2.3	4.5	6.6	3.7
Depreciation of fixed assets [5]	0.0	-0.1	0.0	0.3
Financial instruments [3]	0.5	0.9	1.1	1.9
Other adjustments [4]	0.0	0.0	0.2	-2.8
Deferred tax effects of adjustments [6]	-0.6	-1.0	-1.5	-0.6
Total adjustments to net income	2.2	4.2	6.3	2.4
Net income according to IFRS	19.3	48.9	74.6	76.0

Notes 1–6 refer to the explanations "Kemira's comparison figures for 2003 according to IFRS".

Kemira Oyj financial statements

INCOME STATEMENT		1.1. - 31.12.	
EUR Million	Note	**2004**	2003
Net sales	1	**246.8**	23.1
Other income from operations	2	**74.5**	6.9
Cost of sales	3, 4, 5	**-228.0**	-35.3
Depreciation	6	**-21.6**	-4.3
Operating income		**71.7**	-9.6
Financial income and expenses	7	**-32.5**	32.8
Income before extraordinary items, appropriations and taxes		**39.2**	23.2
Extraordinary items	8	**24.1**	63.3
Income before appropriations and taxes		**63.3**	86.5
Appropriations	9	**1.8**	-0.2
Direct taxes	10	**-3.9**	-25.0
Net income		**61.2**	61.3

BALANCE SHEET
EUR Million

		31.12.	
ASSETS	Note	**2004**	2003
Non-current assets			
Intangible assets	11	**17.2**	10.9
Tangible assets	12	**135.3**	24.8
Investments	13		
Shares in Group companies		**489.5**	402.3
Holdings in associates		**14.1**	5.0
Other shares and holdings		**51.8**	2.7
Treasure shares		**28.2**	28.2
Total investments		**583.6**	438.2
Total non-current assets		**736.1**	473.9
Current assets			
Inventories	14	**16.0**	0.1
Receivables	15		
Interest-bearing receivables		**376.3**	1,133.1
Interest-free receivables		**92.4**	125.8
Total receivables		**468.7**	1,259.0
Securities	16	**338.3**	22.0
Cash and bank		**11.9**	3.0
Total current assets		**834.9**	1,284.1
Total assets		**1,571.0**	1,758.0

LIABILITIES AND SHAREHOLDERS' EQUITY		31.12.	
	Note	**2004**	2003
Shareholders' equity	17		
Share capital		**220.7**	217.0
Share issue		**0.1**	-
Share premium account		**257.5**	252.5
Reserve for treasury shares		**28.2**	28.2
Retained earnings		**250.9**	389.4
Net profit for the financial year		**61.2**	61.3
Total shareholders' equity		**818.6**	948.4
Appropriations	18	**49.5**	3.3
Obligatory provisions	19	**52.4**	-
Long-term liabilities	20		
Interest-bearing long-term liabilities		**328.9**	309.6
Total long-term liabilities		**328.9**	309.6
Current liabilities	21		
Interest-bearing short-term liabilities		**230.6**	409.4
Interest-free short-term liabilities		**91.0**	87.3
Total current liabilities		**321.5**	496.7
Total liabilities		**650.5**	806.3
Total liabilities and shareholders' equity		**1,571.0**	1,758.0

CASH FLOW STATEMENT		
EUR million	**2004**	2003
Funds from operations		
Operating income	**71.6**	-9.7
Adjustments to operating income	**-62.7**	-6.9
Depreciation	**21.6**	4.3
Interest income	**18.6**	33.9
Interest expense	**-12.7**	-26.3
Dividend received	**3.0**	3.1
Other financing items	**3.7**	28.6
Taxes	**0.3**	-9.2
Total funds from operations	**43.4**	17.8
Change in net working capital		
Inventories	**4.7**	-0.1
Short-term receivables	**1.1**	9.6
Non-interest-bearing short-term liabilities	**10.1**	-5.7
Change in net working capital, total	**15.9**	3.8
Cash flow from operations	**59.3**	21.6
Capital expenditure		
Acquisitions of Group companies	**-191.0**	0.0
Acquisition of associated companies	**-10.2**	0.0
Purchase of other fixed assets	**-8.6**	-3.4
Disposal of Group companies	**209.7**	0.0
Disposed shares	**0.4**	7.2
Sales of other fixed assets	**-11.9**	1.1
Total capital expenditure	**-11.6**	4.9
Cash flow before financing	**47.7**	26.5
Financing		
Change in long-term loans (increase +, decrease -)	**-86.4**	-17.7
Change in long-term loan receivables (increase +, decrease -)	**185.0**	-126.7
Short-term financing, net (increase +, decrease -)	**192.2**	-434.8
Increase in share capital	**3.8**	-
Increase in share premium account	**5.0**	-
Group contribution	**17.1**	94.4
Dividend paid	**-39.0**	-35.5
Financing, total	**277.7**	-520.3
Increase / decrease in liquid funds	**325.4**	-493.8
Liquid funds at end of year	**350.3**	24.9
Liquid funds at beginning of year	**24.9**	518.7
Increase / decrease in liquid funds	**325.4**	-493.8

COMPANY PROFILE

Kemira Oyj's wholly-owned subsidiary Kemira Chemicals Oy was merged into the parent company on 1 January 2004. In the merger, the following strategic business units were transferred to the parent company's operations: Pulp & Paper Chemicals, Kemwater (water treatment chemicals) and Industrial Chemicals.

Owing to the merger, the figures for 2003 are not comparable with those for 2004.

Kemira Oyj is domiciled in Helsinki and its registered address is Porkkalankatu 3, 00180 Helsinki.

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 applied.

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 payments

The treatment of share-based schemes is discussed in the Group's accounting policies. The accounting treatment of the parent company's share-based schemes (FAS) will also remain unchanged as from 1 January 2005.

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 and land areas, made in the 1980s, which have been previously depreciated in the consolidated financial statements.

As a departure from the Group's practice as from 1 January 2005, the parent company still records amortization of goodwill and amortization of those intangible assets having an unlimited economic 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.

Own shares

In the parent company's financial statements, treasury shares have been entered in the balance sheet as assets and as a non-distributable item under shareholders' equity.

Notes to Kemira Oyj financial statements

INCOME STATEMENT (EUR million)	**2004**	2003
1. NET SALES		
Net sales by division		
Pulp & Paper Chemicals	**149.6**	-
Kemwater	**23.5**	-
Industrial Chemicals	**64.9**	-
Other	**8.8**	23.1
Total	**246.8**	23.1

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

2. OTHER INCOME FROM OPERATIONS

Gains on the sale of group companies	**47.0**	-
Gain of mergers	**10.0**	-
Gains on the sale of fixed assets	**13.5**	6.9
Rent income	**0.9**	-
Sales of scrap and waste	**0.1**	-
Other income	**3.0**	0.0
Total	**74.5**	6.9

Capital gains on disposal in 2004 include a gain of EUR 41.5 million on the shares of Kemira Fine Chemicals Oy, a gain of EUR 1.2 million on the transfer of Kemira GrowHow business and a gain of EUR 4.2 million on the divestment of the calcium chloride business.
Gains on mergers include the gains arising on the merger of Kemira Chemicals Oy and Kemira Trading Oy.
Gains on the sale of property, plant and equipment in 2004 include a gain on the sale of Ecocat. In 2003, such gains included the gain on the sale of Forcit. Other operating income in 2004 includes a payment for a construction project.

3. COST OF SALES

Increase/ (decrease) in stocks of finished goods	**1.4**	0.0
Own work capitalized	**-3.4**	-
Materials and services		
Materials and supplies		
Purchases during the financial year	**94.4**	13.0
Change in inventories of material and supplies	**-0.3**	-
External services	**3.6**	-
Total materials and services	**97.7**	13.0
Personnel expenses	**68.3**	18.8
Rents	**4.5**	3.7
Losses on the sales of fixed assets	**0.9**	0.1
Other expenses	**58.6**	-0.3
Total	**228.0**	35.3

Own work capitalized comprises mainly wages, salaries and other expenses and changes in inventories relating to self-constructed fixed for own use.
In 2004 costs included a net increase in long and short-term provisions of EUR 2,4 million.

4. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses total	**9.2**	7.0

5. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL	**2004**	2003
Emoluments of the Supervisory Board	**0.1**	0.1
Emoluments of boards of directors and managing directors [1)]	**1.5**	0.6
Other wages and salaries	**51.1**	14.3
Pension expenses	**8.8**	1.9
Other personnel expenses	**6.8**	1.9
Total	**68.3**	18.8

1) The emolument, including executed options and fringe benefits, of Kemira Oyj's managing directors was EUR 1,211,348 including bonuses of EUR 13,441. The emolument to Kemira Oyj's current managing director was EUR 481,974, which did not include profit sharing bonus.

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 an emolument of EUR 4,000 a month, the vice chairman EUR 3,100 a month and each of the members EUR 2,400 a month. A meeting fee of EUR 500 is paid for each meeting.
A meeting fee is also paid for a committee meeting.
The chairman of Kemira Oyj's Supervisory Board was paid a monthly emolument of EUR 1,000, the vice chairmen EUR 600 and each of the members EUR 500 a month. A meeting fee of EUR 200 is paid for each meeting.

Persons belonging to the Company's management, including parties closely associated with them, are not involved in substantial business relationships with the company.

The Board of directors of Kemira Oyj decided on 27 April 2004 on a new share-based incentive scheme which is targeted at key personnel and is part of the Group's incentive and commitment-building schemes. The scheme is described in the section "Shares and Shareholders". The Group will observe the IFRS 2 standard Share-based Payment from the beginning of 2005. If the standard had been applied in 2004, the Group would have made an expense entry of about EUR 0.3 million in the income statement for 2004.

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 31 December 2004 was EUR 991,000.

The deputy managing director is entitled to retire at the age of 60. The maximum remuneration for the deputy managing director is 66% of his pension salary. The possibility is based on the benefits of the supplementary pension foundation that has been closed to new members since 1 January 1991. The scope of the supplementary pension foundation comprises persons who joined the company's employment prior to 1991 and the pension foundation's benefits apply to all the employees 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 managing director's period of notice is 6 months, in addition to which he is paid additional compensation equivalent to 12 months of salary in the event that the company terminates his contract. The corresponding periods for the deputy managing director are 6 months and 18 months.

INCOME STATEMENT (EUR million)	**2004**	2003
Personnel at year end		
Pulp & Paper Chemicals	**462**	-
Kemwater	**33**	-
Industrial Chemicals	**301**	-
Other	**305**	276
Personnel at year end	**1,101**	276
Personnel average	**1,202**	285

6. DEPRECIATION	**2004**	2003
Scheduled depreciation		
Intangible assets		
Intangible rights	**0.5**	0.0
Goodwill	**0.8**	-
Other intangible assets	**3.0**	2.7
Tangible assets		
Buildings and constructions	**2.7**	0.3
Machinery and equipment	**14.2**	1.3
Other tangible assets	**0.4**	0.0
Total	**21.6**	4.3
Decrease in difference between scheduled and actual depreciation		
Intangible assets	**-0.0**	0.0
Other intangible assets	**-0.1**	-0.1
Buildings and constructions	**-0.5**	-0.1
Machinery and equipment	**-0.2**	0.0
Other tangible assets	**-1.0**	0.0
Total	**-1.8**	-0.2

7. FINANCIAL INCOME AND EXPENSES

	2004	2003
Financial income		
Dividends received		
Dividends received from Group companies	**2.9**	2.8
Dividends received from others	**0.1**	0.3
Total dividends received	**3.0**	3.1
Interest income		
From long-term investments from Group companies	**12.5**	16.3
From short-term investments from Group companies	**8.7**	16.7
From long-term investments from others	**3.0**	2.9
From short-term investments from others	**2.1**	0.6
Total interest income	**26.3**	36.5
Other financial income		
Other financial income from Group companies	**0.0**	0.2
Other financial income from others	**0.1**	-
Other financial income total	**0.1**	0.2
Exchange differences		
Exchange differences from Group companies	**1.5**	6.0
Exchange differences from others	**51.0**	90.7
Total exchange differences	**52.5**	96.7
Total financial income	**81.9**	136.5

	2004	2003
Financial expenses		
Interest expenses		
Interest expenses to Group companies	**-3.1**	-3.6
Interest expenses to others	**-18.6**	-21.3
Total interest expenses	**-21.7**	-24.9
Other financial expenses	**-46.5**	-2.0
Exchange differences		
Exchange differences from Group companies	**-6.8**	-28.9
Exchange differences from others	**-39.4**	-47.9
Total exchange differences	**-46.2**	-76.8
Total financial expenses	**-114.4**	-103.7
Total financial income and expenses	**-32.5**	32.8
Exchange gains and losses		
Realized	**-8.9**	13.3
Unrealized	**15.1**	6.6
Total	**6.2**	19.9

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.

8. EXTRAORDINARY ITEMS

	2004	2003
Extraordinary income		
Group contributions received	**24.3**	83.7
Total	**24.3**	83.7
Extraordinary expenses		
Group contribution granted	**-0.2**	-20.4
Total	**-0.2**	-20.4
Total extraordinary income and expenses	**24.1**	63.3

9. CHANGE IN APPROPRIATIONS

	2004	2003
Decrease in depreciation difference	**1.8**	-0.2
Total	**1.8**	-0.2

10. DIRECT TAXES

	2004	2003
Direct taxes on extraordinary items	**4.8**	18.4
Direct taxes, current year	**7.0**	6.5
Direct taxes, previous years	**0.1**	0.0
Deferred taxes	**-8.3**	-
Other taxes	**0.3**	0.1
Total	**3.9**	25.0

BALANCE SHEET (EUR million)

11. INTANGIBLE ASSETS

	Intangible rights	Goodwill	Advances paid and fixed assets under construction	Other intangible assets	**2004 total**	2003 total
Acquisition cost at beginning of year	1.2	0.0	0.9	13.9	**16.0**	13.4
Addition due to the merger	6.4	10.6	0.0	2.9	**19.9**	-
Increases	0.9	0.0	1.3	1.4	**3.6**	2.2
Decreases	-0.4	0.0	0.0	-0.9	**-1.3**	-0.5
Acquisition cost at end of year	8.1	10.6	2.2	17.3	**38.2**	15.1
Accumulated depreciation at beginning of year	-0.5	0.0	0.0	-3.7	**-4.2**	-1.7
Accumulated depreciation at the beginning of the year due to the merger	-4.4	-6.0	0.0	-2.3	**-12.7**	-
Accumulated derpreciation relating to decreases and transfers	0.0	0.0	0.0	0.2	**0.2**	0.1
Depreciation during the financial year	-0.5	-0.8	0.0	-3.0	**-4.3**	-2.6
Accumulated depreciation at end of year	-5.4	-6.8	0.0	-8.8	**-21.0**	-4.2
Net book value at end of year	2.7	3.8	2.2	8.5	**17.2**	10.9

Intangible asset figures are not comparable with those of 2003 due to the change of booking system.

12. TANGIBLE ASSETS

	Land and water areas [1]	Buildings and constructions [2]	Machinery and equipment	Other tangible assets	Advances paid and fixed assets under construction	**2004 total**	2003 total
Acquisition cost at beginning of year	2.7	28.5	14.2	0.5	0.3	**46.2**	47.2
Addition due to the merger	2.3	45.4	177.3	7.8	8.4	**241.2**	-
Increases	0.0	2.6	23.6	0.3	0.0	**26.5**	1.3
Decreases	-1.8	-2.9	-10.6	-0.6	-5.2	**-21.1**	-1.5
Acquisition cost at end of year	3.2	73.6	204.5	8.0	3.5	**292.8**	47.0
Accumulated deprecia-tion at beginning of year	0.0	-12.7	-9.1	-0.4	0.0	**-22.2**	-21.3
Accumulated deprecia-tion at the beginning of year due to the merger	0.0	-15.2	-105.9	-3.7	0.0	**124.8**	-
Accumulated deprecia-tion relating to decreases and transfers	0.0	0.8	5.4	0.5	0.0	**6.7**	0.7
Depreciation during the financial year	0.0	-2.7	-14.2	-0.3	0.0	**-17.2**	-1.6
Accumulated deprecia-tion at end of year	0.0	-29.8	-123.8	-3.9	0.0	**-157.5**	-22.2
Net book value at end of year	3.2	43.8	80.7	4.1	3.5	**135.3**	24.8

1) The acquisition cost and the book value of land and water areas include revaluations of EUR 0.6 million in 2003.
2) The acquisition cost of buildings and constructions include revaluations of EUR 5.0 million in 2004 and 2003.

Tangible asset figures are not comparable with those of 2003 due to the change of booking system.

13. INVESTMENTS

	Group company shares	Investments in associates companies	Other shares	Treasury shares	**2004 total**	2003 total
Acquisition cost at beginning of year	407.3	-	2.7	28.2	**438.2**	438.6
Addition due to the merger	246.3	3.9	0.0	-	**250.2**	-
Increases	191.0	10.2	6.0	-	**207.2**	0.0
Decreases	-355.1	-	43.1	-	**-312.0**	-0.4
Net book value at end of year	489.5	14.1	51.8	28.2	**583.6**	438.2

The company owns 4,190,000 own shares.
Shares and holdings are specified in Note 24.

BALANCE SHEET (EUR million)	**2004**	2003

14. INVENTORIES

Materials and supplies	**6.7**	0.1
Work in process	**0.1**	-
Finished goods	**9.2**	-
Advances paid	**0.0**	-
Total	**16.0**	0.1

15. RECEIVABLES

Long-term receivables		
Interest-bearing long-term receivables		
Loan receivables from Group companies	**282.2**	441.0
Loan receivables from associates	**-**	43.8
Loan receivables from others	**0.7**	-
Total Interest-bearing long-term receivables	**282.9**	484.8
Interest-free long-term receivables		
Deferred tax assets	**10.1**	-
Other receivables	**0.0**	-
Total interest-free long-term receivables	**10.1**	-
Total long-term receivables	**293.0**	-
Current receivables		
Interest-bearing short-term receivables		
Loan receivables from Group companies	**93.4**	648.4
Total interest-bearing short-term receivables	**93.4**	648.4
Interest-free short-term receivables		
Accounts receivable		
Accounts receivable from Group companies	**9.0**	3.7
Accounts receivable from others	**24.5**	0.3
Total accounts receivable	**33.5**	4.0
Advances paid	**0.0**	5.8
Prepaid expenses and accrued income		
Prepaid expenses and accrued income from Group companies	**28.0**	93.3
Accrued income from associates	**0.3**	-
Prepaid expenses and accrued income from others	**19.2**	21.6
Total prepaid expenses and accrued income	**47.5**	114.9
Other interest-free short-term receivables		
Other receivables		
Other receivables	**1.3**	1.1
Total interest-free short-term receivables	**1.3**	1.1
Total current receivables	**82.3**	125.8
Total receivables	**468.7**	1,259.0
Loans to management	**-**	-
Prepaid expenses and accrued income		
From interests	**7.7**	13.4
From taxes	**0.1**	0.9
From exchange differences	**11.0**	16.0
From Group contribution	**24.3**	83.7
Other	**4.3**	0.9
Total	**47.4**	114.9

16. SECURITIES

Securities in other companies	**338.3**	22.0
Total	**338.3**	22.0

17. SHAREHOLDERS' EQUITY	**2004**	2003
Share capital at 1 Jan.	**217.0**	217.0
Increase (options)	**3.7**	-
Share capital at 31 Dec.	**220.7**	217.0
Share issue 1 Jan.		
Share issue	**3.8**	-
to share capital	**-3.7**	-
Share issue 31.12. Dec.	**0.1**	-
Share premium account at 1 Jan.	**252.5**	252.5
Change	**5.0**	-
Share premium account at 31 Dec.	**257.5**	252.5
Reserve for treasury shares at 1 Jan. and 31 Dec.	**28.2**	28.2
Retained earnings at 1 Jan.	**450.7**	424.9
Net profit for the year	**61.2**	61.3
Dividends paid	**-39.0**	-35.4
Dividends paid (Kemira GrowHow Oyj)	**-160.7**	-
Donations	**-0.1**	-0.1
Retained earnings and net profit for the year at 31 Dec.	**312.1**	450.7
Total shareholders' equity at 31 Dec.	**818.6**	948.4

18. APPROPRIATIONS

Appropriations		
Appropriations in the balance sheets are as follows		
Buildings and constructions	**9.0**	0.6
Machinery and equipment	**35.7**	0.8
Other tangible assets	**2.5**	0.0
Intangible rights	**0.0**	0.0
Goodwill	**0.6**	-
Other long-term expenditures	**1.7**	1.9
Total	**49.5**	3.3
Change in appropriations		
Appropriations at 1 Jan.	**3.3**	3.1
Addition due to the merger	**48.0**	-
Change in untaxed reserves	**-1.8**	0.2
Appropriations at 31 Dec.	**49.5**	3.3

Deferred tax liabilities on accumulated depreciations were EUR 12.9 million at 31 Dec. 2004 and EUR 1.0 million at 31 Dec. 2003.

BALANCE SHEET (EUR million)	2004	2003
19. OBLIGATORY PROVISIONS		
Long-term provisions		
Pension provision	1.0	-
Other obligatory provisions		
Guarantee liabilities	44.2	-
Restructuring provision	1.3	-
Environmental and damage provisions	5.9	-
Total other obligatory provisions	52.4	
Change of provisions		
Obligatory provisions at 1 Jan.	-	-
Addition due to the merger	5.9	-
Decrease of provision during year	-2.7	-
Increase during the financial year	49.2	-
Obligatory provisions at 31 Dec.	52.4	

20. LONG-TERM INTEREST-BEARING LIABILITIES

	2004	2003
Debentures and other bond loans	16.5	16.5
Loans from financial institutions	258.0	263.8
Loans from pension institutions	54.4	29.3
Total	328.9	309.6
Long-term interest-bearing liabilities maturing in		
2006 (2005)	33.9	57.5
2007 (2006)	93.4	16.5
2008 (2007)	28.9	75.0
2009 (2008)	0.8	10.0
2010 (2009) or later	171.9	150.6
Total	328.9	309.6
Interest-bearing liabilities maturing in 5 years or longer		
Loans from financial institutions	166.8	11.4
Other long-term interest-bearing liabilities	5.1	139.2
Total	171.9	150.6

Debentures and other bond loans

Loan	currency	2004	2003
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.

21. CURRENT LIABILITIES

	2004	2003
Interest-bearing short-term liabilities		
Loans from financial institutions	111.3	221.1
Loans from pension institutions, instalment	14.4	-
Current portion of other long-term loans		
to others	10.7	10.5
Other interest-bearing short-term liabilities		
to Group companies	85.5	172.2
to others	8.7	5.6
Total interest-bearing short-term liabilities	230.6	409.4

	2004	2003
Interest-free short-term liabilities		
Advances received	0.0	7.7
Accounts payable		
to Group companies	1.0	1.2
to associated companies	0.1	-
to others	16.2	2.3
Total accounts payable	17.2	3.5
Accrued expenses and prepaid income		
to Group companies	0.5	21.5
to others	68.2	54.2
Total accrued expenses and prepaid income	68.7	75.7
Accrued expenses and prepaid income	4.6	-
to Group companies	0.5	0.4
to others	5.1	0.3
Total other interest-free liabilities	91.0	87.3
Total interest-free short-term liabilities	321.6	496.7
Accrued expenses and prepaid income		
From salaries	11.1	4.0
From interests and exchange differences	33.3	44.8
From taxes	11.8	5.2
From Group contribution	0.2	20.4
Other	12.3	1.3
Total	68.7	75.7

22. COLLATERAL AND CONTINGENT LIABILITIES

	2004	2003
Loans secured by mortgages in the balance sheet and for which mortgages given as collateral		
Loans from pension institutions	15.3	3.4
Mortgages given	20.1	5.9
Contingent liabilities		
Assets pledged		
On behalf of own commitments	5.9	4.0
On behalf of Group companies	-	6.1
Guarantees		
On behalf of Group companies		
for loans	62.5	74.2
for leasing obligations	0.0	33.8
for other obligations	0.0	5.8
On behalf of associates	57.3	20.7
On behalf of others	1.4	1.4
Total	121.2	135.9
Leasing liability		
Maturity within one year	1.1	-
Maturity after one year	1.3	-
Total	2.4	-

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

23. DEFERRED TAX ASSETS AND LIABILITIES

	2004	2003
Deferred tax assets	10.1	-

BALANCE SHEET

24. SHARES AND HOLDINGS OF KEMIRA OYJ

Shares in subsidiaries	Group holding %	Kemira Oyj holding %
AS Kemivesi	100	100
Kemira Chimie S.A.S.U.	100	100
Kemira Cell Sp. zo.o.	55	55
Kemira Chem Holding B.V.	100	100
Kemira Chemicals (Shanghai) Co.,Ltd	100	100
Kemira Chemicals (UK) Ltd	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 Espana S.A.	100	100
Kemira GrowHow A/S	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 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 zo.o.	65	65
Kemwater (Yixing) Co.,Ltd	100	100
Kemwater Services Oy	100	100
Multirange B.V.	100	100
Spruce Vakuutus Oy	100	100
Tikkurila Oy	100	100

Shares in associates	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

A. Jalander Oy	16	16
American Tree Co.	6	6
Ekokem Oy	1	1
Kemira GrowHow Oyj	15	15
Kerilon Inc.	100	100
Liikkeenjohdon Koulutuskeskus Oy	2	2
Luoston huolto Oy	1	1
Pohjolan Voima Oy	0	0
PVO-Palvelut Oy (Powest Oy)	0	0
Tahkoluodon Polttoöljy Oy	7	7
Teollisuuden Voima Oy	2	2
Vuorikemia Pori Oy	100	100

Proposal for the distribution of profits

The net profit of Kemira Oyj for the 2004 financial year was EUR 61,194,844 and the distributable equity at 31 December 2004 was EUR 312,062,023. The Group's non-restricted equity was EUR 444,644 thousand. The parent company's payment of dividend is limited by the Group's distributable equity, EUR 346,268 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 0.34 per share or EUR 40,886,122 be paid for the financial year. It is proposed that EUR 500,000 be reserved for the use by the Board of Directors for purposes promoting the common good.

Helsinki, 7 February, 2005

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.–31.12.2004. The financial statements prepared by the Board of Directors and the Managing Director include the report of the Board of Directors, consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and parent company financial statements prepared 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, 8 February 2005

KPMG OY AB

Hannu Niilekselä
Authorised Public Accountant

Statement of the Supervisory Board

The Supervisory Board of Kemira Oyj has read the financial statements of the parent company and the Group for 2004 and studied the Auditors' report at its meeting today.

The Supervisory Board advises the 2005 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 2004. 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, 15 February 2005

Aulis Ranta-Muotio

Mikko Elo   Heikki A. Ollila

Pekka Kainulainen   Mikko Långström

Risto Ranki   Katri Sarlund

Income statement quarterly

(The figures are unaudited)
EUR million

WHOLE GROUP					**2004**					2003
	1–3	**4–6**	**7–9**	**10–12**	**Total**	1–3	4–6	7–9	10–12	Total
Net sales										
Pulp & Paper Chemicals	**136.7**	**140.1**	**145.0**	**143.7**	**565.5**	121.1	122.6	140.4	136.9	521.0
Kemwater	**63.3**	**71.1**	**71.0**	**79.9**	**285.3**	43.2	47.0	58.7	66.5	215.4
Industrial Chemicals	**99.3**	**112.4**	**98.1**	**79.1**	**388.9**	99.4	117.1	96.9	96.4	409.8
Paints & Coatings	**103.4**	**130.5**	**122.5**	**83.5**	**439.9**	105.8	126.9	122.1	84.6	439.4
Other and intra-group sales	**33.3**	**29.3**	**34.4**	**4.8**	**101.8**	14.7	7.1	35.3	2.3	59.4
Total continuing operations	**436.0**	**483.4**	**471.0**	**391.0**	**1,781.4**	384.2	420.7	453.4	386.7	1,645.0
GrowHow	**314.8**	**281.3**	**262.1**	**0.0**	**858.2**	336.9	280.1	251.5	304.0	1,172.5
GrowHow and intra-Group sales	**-33.5**	**-34.8**	**-37.9**	**0.0**	**-106.2**	-21.6	-28.9	-21.9	-6.9	-79.3
Total Group	**717.3**	**729.9**	**695.2**	**391.0**	**2,533.4**	699.5	671.9	683.0	683.8	2,738.2
Operating income										
Pulp & Paper Chemicals	**10.6**	**6.1**	**15.3**	**12.8**	**44.8**	8.7	5.5	19.4	8.3	41.9
Kemwater	**4.8**	**7.3**	**6.3**	**-4.0**	**14.4**	3.9	4.8	8.2	6.9	23.8
Industrial Chemicals	**10.3**	**12.7**	**65.5**	**7.3**	**95.8**	8.2	13.2	8.5	11.5	41.4
Paints & Coatings	**8.0**	**18.9**	**14.5**	**-3.0**	**38.4**	5.9	13.6	14.9	-4.9	29.5
Other including eliminations	**-4.8**	**-0.1**	**-1.8**	**-1.6**	**-8.3**	-0.7	-10.9	-7.2	-8.3	-27.1
Total continuing operations	**28.9**	**44.9**	**99.8**	**11.5**	**185.1**	26.0	26.2	43.8	13.5	109.5
GrowHow	**26.2**	**14.0**	**-5.3**	**-22.9**	**12.0**	9.3	22.7	7.0	5.7	44.7
GrowHow including eliminations	**-0.9**	**-4.1**	**-3.1**	**4.9**	**-3.2**	-1.7	-2.0	-2.0	0.2	-5.5
Total Group	**54.2**	**54.8**	**91.4**	**-6.5**	**193.9**	33.6	46.9	48.8	19.4	148.7
Financial income and expenses	**-10.1**	**-3.3**	**-7.2**	**-47.2**	**-67.8**	-4.7	-5.4	-8.5	-3.4	-22.0
Share of associates' net income	**-1.3**	**-0.7**	**-1.1**	**-0.2**	**-3.3**	0.4	-0.3	-1.2	-4.6	-5.7
Net financial income and expenses	**-11.4**	**-4.0**	**-8.3**	**-47.4**	**-71.1**	-4.3	-5.7	-9.7	-8.0	-27.7
Income before taxes	**42.8**	**50.8**	**83.1**	**-53.9**	**122.8**	29.3	41.2	39.1	11.4	121.0
Income taxes	**-13.5**	**-15.5**	**-18.7**	**5.3**	**-42.4**	-9.2	-11.3	-11.5	-8.5	-40.5
Minority interests	**-1.4**	**-0.9**	**-1.1**	**-0.8**	**-4.2**	-0.8	-0.3	-1.9	-1.5	-4.5
Net income	**27.9**	**34.4**	**63.3**	**-49.4**	**76.2**	19.3	29.6	25.7	1.4	76.0
Earnings per share, diluted. EUR	**0.23**	**0.29**	**0.53**	**-0.42**	**0.63**	0.16	0.25	0.22	0.01	0.64
Capital employed, rolling					**1,704.4**					1,901.6
ROCE, %					**11%**					8%

CONTINUING OPERATIONS EXCLUDING FINE CHEMICALS, THE CALCIUM CHLORIDE BUSINESS AND ECOCAT

EUR million

					2004					2003
	1-3	4–6	7–9	10–12	Total	1–3	4–6	7–9	10–12	Total
Net sales										
Pulp & Paper Chemicals	136.7	140.1	145.0	143.7	565.5	121.1	122.6	140.4	136.9	521.0
Kemwater	63.3	71.1	71.0	79.9	285.3	43.2	47.0	58.7	66.5	215.4
Industrial Chemicals	70.3	85.3	80.5	79.1	315.2	78.6	83.7	78.1	71.7	312.1
Paints & Coatings	103.4	130.5	122.5	83.5	439.9	105.8	126.9	122.1	84.6	439.4
Other and intra-group sales	20.7	29.3	34.4	4.8	89.2	5.7	-6.3	20.0	-11.7	7.7
Total	394.4	456.3	453.4	391.0	1,695.1	354.4	373.9	419.3	348.0	1,495.6
Operating income										
Pulp & Paper Chemicals	10.6	6.1	15.3	12.8	44.8	8.7	5.5	19.4	8.3	41.9
Kemwater	4.8	7.3	6.3	-4.0	14.4	3.9	4.8	8.2	6.9	23.8
Industrial Chemicals	4.2	9.4	12.1	7.3	33.0	6.1	8.8	12.2	9.2	36.3
Paints & Coatings	8.0	18.9	14.5	-3.0	38.4	5.9	13.6	14.9	-4.9	29.5
Other including eliminations	-6.4	-11.0	-1.8	-1.6	-20.8	-0.1	-11.6	-10.0	-9.6	-31.3
Total	21.2	30.7	46.4	11.5	109.8	24.5	21.1	44.7	9.9	100.2
Capital employed, rolling					1,252.5					1,226.5
ROCE, %					8%					8%