kemira

Financial Statements 2002

Contents

This report is a translation of the
original Finnish-language Annual Report.

Board of Directors' review

Despite the slowdown in growth in 2002, the Kemira Group's pulp and paper as well as water treatment chemicals and paints businesses succeeded in improving their earnings from operations. In the Pulp & Paper Chemicals unit this was thanks to the acquisition which was made at the beginning of February of last year. The effect of the recession showed up particularly in Industrial Chemicals' sales of titanium dioxide pigments and in the low yield on pension fund investments, which raised pension expenses.

The spin-off of Agro did not go through. Development of its operations is being continued as an independent unit that is part of the Kemira Group. Agro made sizeable non-cash write-downs on assets.

Consolidated net sales increased by 6 per cent on the previous year and were EUR 2,612 million (2,454 million). Operating income was EUR 45 million (144), representing 2% of net sales (6%). Shares in the earnings of associated companies amounted to a total credit to income of EUR 5.5 million. The Group posted an operating loss in October-December of EUR 60 million (operating income of 17 million). The last quarter was burdened by Agro's exceptional non-cash write-downs totalling 78 million. Full-year operating income includes a total of EUR 11 million of other non-recurring business reorganization expenses that are discussed below.

In addition, the operating result was burdened by a further increase in the contributions to the Group's Finnish pension funds as a consequence of weak investment yields in a depressed market. In the last quarter the market revived somewhat, which meant that the situation improved compared with what was forecast in the third-quarter interim report. Contributions over the full year amounted to EUR 43 million, an increase of about EUR 6.5 million on the figure a year earlier.

Income before taxes and minority interests declined to EUR 16 million from EUR 113 million a year ago. Net of the non-recurring expenses for Agro, the figure was EUR 94 million. Income after taxes was EUR 8.2 million (70 million). Earnings per share were EUR 0.07 (0.58) and stripping out the write-down they were EUR 0.61. About 82% of the Group's net sales came from outside Finland.

The return on equity was 1% (6%). The cash flow return on capital invested was 15% (7%).

Cash flow after capital expenditures and income from the disposal of assets was EUR 67 million (146 million negative). Per-share cash flow from operations was EUR 2.45 (1.03). Equity per share was EUR 8.94 (9.35) and gearing was 72% (61%).

Although net income for the past financial year was weak, mainly as a consequence of non-recurring charges, the Group's cash flow was very strong, and the Board of Directors believes that the business areas will be on an upward trend in the years ahead. Accordingly, the Board of Directors is proposing that the dividend to be paid for 2002 be EUR 0.30 per share (0.30), or a total dividend payout of EUR 35.5 million.

Development of the business areas

In accordance with its strategy that was confirmed in February 2002, Kemira is stepping up its growth in the company's core business areas. Within pulp and paper chemicals as well as water treatment chemicals, the company is seeking to be one of the world's top three companies. This will be accomplished mainly through M&A arrangements. The objective for the paint business is to grow into one of the leading European companies, with a focus on the Baltic Rim operating environment. The industrial chemicals business will be developed by drawing on its present – largely organic – growth potential.

The options for decoupling the entire Kemira Agro business from the Group have been explored in depth. A number of different alternatives have been considered, ranging from a divestment of the Agro business to spinning it off together with an industrial partner or alone. In the present market situation, when Agro's business cycle is judged to be at its weakest in 2003, the spin-off could not be accomplished in a manner that would increase shareholder value. Because at the same time there can be seen in Agro's market certain positive factors which, if they materialize, will lead to an upswing, the Board of Directors has decided to halt the active measures aimed at decoupling Agro from the Kemira Group. The focus of operations will move to devoloping Agro's competitiveness further as an independent unit, whilst strengthening its own identity.

Chemicals

In the fourth quarter Kemira Chemicals had net sales of EUR 274 million (221 million). Full-year net sales totalled EUR 1,058 million, up 17 per cent on the previous year. All the strategic business units continued to grow, led by acquisition-boosted Pulp & Paper Chemicals, but with Kemwater also performing strongly. Fourth-quarter operating income was EUR 26 million (24 million). Full-year operating income was EUR 75 million (91 million), representing 7% of net sales. The above-mentioned pension fund contributions were EUR 6.5 million greater than a year ago. Earnings were furthermore burdened by the shutdowns required for the extension works at the formic acid plant in Oulu and the titanium dioxide plant in Pori as well as by the strikes in the first part of the year and a lower titanium dioxide price than a year ago.

Pulp & Paper Chemicals. Sales by the Pulp & Paper Chemicals unit, which has been designated one of the Group's strategic growth areas, increased by 41%.

Speciality chemicals for the paper industry have enjoyed the strongest growth following Kemira's acquisition in February of Vinings Chemicals Inc. of the USA. The deal put Kemira on the world map as a major supplier of pulp and paper chemicals. By way of the transaction, Kemira has grown from being a strong European supplier of speciality chemicals serving the forest industry into one of the biggest players in this sector worldwide. The purchase price was USD 138 million. On the other hand, the production volumes of the pulp and paper industry have remained at a low level and this has had an effect on the consumption of chemicals.

The profitability of bleaching chemicals fell short of targets, mainly owing to the low price level. Despite the business cycle, the Speciality Chemicals unit has moved ahead according to plan. Sales and earnings generated by sulphur chemicals have decreased in line with the forecast market situation.

The Pulp & Paper Chemicals unit's operating income came in above previous year's level.

Kemira invested EUR 5 million expanding in the Siilinjärvi pigment plant, and the new production line for calcium sulphate pigment will lift the plant's total capacity to 100,000 tonnes. The line will start up at the end of 2003. The manufacturing technology for the calcium sulphate pigment is Kemira-developed and the product is unique by world standards. Due to the greater demand for improved sheet quality, mineral pigments are playing an ever bigger role in the paper coating process and as a filler material. A new speciality chemicals production unit went into operation in Brazil.

Over the next few years Kemira's objective is to grow into one of the world's leading suppliers of pulp and paper chemicals.

Kemwater. The Kemwater unit, which produces water treatment chemicals, reported a rise of 7% in net sales. Operating income was at nearly the previous year's level. Kemwater is pursuing further growth and will strengthen its market position, primarily in its present markets. This trend was most pronounced in central and southern Europe, where water treatment capacity is increasing.

Kemira's Swedish subsidiary Kemira Kemi AB and Anox AB have decided to found a joint venture named Akvab to develop and market combined chemical/biological solutions for water treatment. Kemira has a 60% stake in Akvab and Anox owns 40%.

At the beginning of 2002 an agreement was signed with the Russian company Pigment Corporation whereby Kemira will acquire its water treatment chemicals business. The acquisition is estimated to close fairly soon. Second-stage plans call for building a new water treatment chemicals production line in St Petersburg. The total cost of the deal and the capital expenditure will be about EUR 10 million. Water treatment in St Petersburg is a major development step for Kemira, and the agreement will strengthen Kemira's position as Europe's largest supplier of coagulants.

The **Industrial Chemicals** business unit reported an increase of 1% in its net sales compared with the previous year. The operating result was markedly lower owing to the low price level of titanium dioxide pigment.

Kemira Pigments' sales volumes were 3% higher than in the previous year, but prices were on average 10% lower than a year ago. The titanium dioxide pigment market bottomed out in the summer and product prices headed upward. At the end of the year, prices were at the same level as at the end of 2001. An extensive shutdown was carried out at the Pori plant in August-September in connection with the final phase of an investment to expand capacity. Additional capacity was completed towards the end of the year and it will make possible additional sales of about EUR 20 million.The unit's profitability also suffered from production difficulties and the strikes in the first part of the year.

The calcium chloride business has been stable and capacity utilization rates high. From time to time there has been a shortage of products and the price level was slightly higher than it was the year before.

Within the formic acid business the capacity utilization rates at the plants have likewise been high and there has been a shortage of formic acid and its derivatives on the market. The price level was slightly better than a year ago. A new formic acid production line was completed, several months ahead of schedule, in Oulu at the end of the year. The total costs of the project came to EUR 17 million. The plant's capacity rose from 60,000 tonnes to 80,000 tonnes a year. The increase raised Kemira comfortably to the position of the world's second largest producer of formic acid.

Last year saw the completion of an expansion to the plant that manufactures sodium percarbonate, which is used as a raw material in detergents. The expanded facility has been in full use, sales volumes have risen and the unit's profitability has improved compared with the previous year.

In February 2003 a fire occurred at the titanium dioxide plant in Pori. It did not cause personal injury but did damage the plant's roof structures. Following a brief shutdown, 2/3 of the plant's production went back into operation, and deliveries of goods to customers continued without disturbances. The insurance policies cover the greater part of the property damage and the financial losses caused by the interruption of production.

Kemira Fine Chemicals' sales grew markedly on last year and profitability improved.

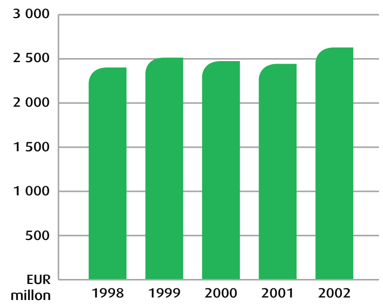
Paints and Coatings

The paint business continued its stable development also in the latter part of the year. Due to the seasonal nature of the business, this is the slowest time of the year. In the fourth quarter Paints and Coatings had net sales of EUR 85 million (83 million). Full-year net sales were EUR 450 million (445 million). Paints and Coatings reported a fourth-quarter operating loss of EUR 9.7 million (operating loss of 9.1 million) and full-year operating income of EUR 25 million (17 million), or 6% of net sales (4%). The savings generated by combining the operations of Tikkurila and Alcro-Beckers, which was acquired at the beginning of 2001, began to show up in earnings. Efficiency-boosting measures resulted in a non-recurring cost of about EUR 7 million during the financial year. The item mainly burdened the fourth-quarter result.

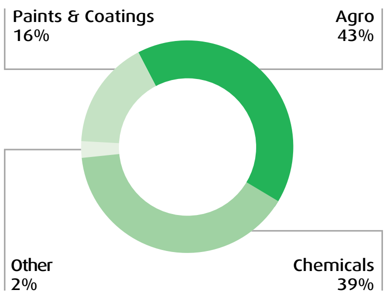
Net sales reported by the decorative paints arm, Tikkurila Deco, were up 3%. Strong growth has continued in the Baltic countries and in Russia. Operating income was burdened by non-recurring expenses connected with winding up the Benetton business, changes made in the Alcro-Beckers distribution chain in Sweden and the disposal of a plant unit that was closed in Finland.

The industrial coatings manufacturer Tikkurila Coatings reported a 3% drop in net sales because investments

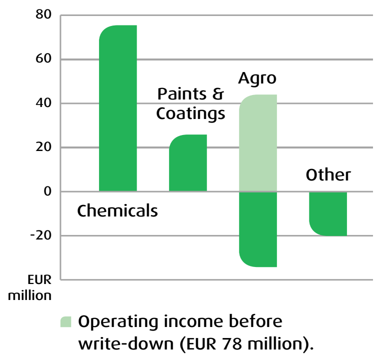
Net sales



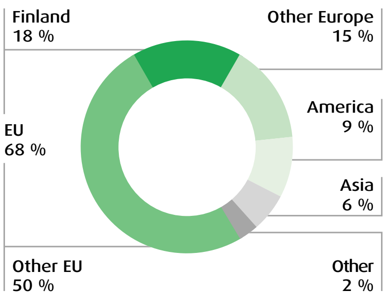
Net sales by business area



Operating income by business area



Net sales by region



by industry and agriculture have remained at a low level owing to the poor economic outlook. Sales growth in the markets of eastern Europe did not suffice to offset the fall in Great Britain and the Netherlands. The decision to close the plant in the Netherlands and the one-off expenses of the reorganization of operations in Great Britain cut into operating income, but on the other hand the changes will bring results.

Towards the end of October Kemira acquired Akzo Nobel Coatings' general industrial liquid coatings business in the Nordic countries. The business had sales of EUR 17 million in 2001. The deal will strengthen significantly the position of Kemira's industrial coatings business in the Nordic countries and the Baltic area.

Agro

Agro, which produces fertilizers, animal feeds and process chemicals, had net sales of EUR 294 million in the last quarter (312 million) and EUR 1,165 million over the full year (1,158 million). Following the record low sales volumes caused by the exceptional weather conditions in the previous year, fertilizer sales volumes grew by 9 per cent last year. Sales volumes in the fourth quarter were up 7 per cent on the same quarter of 2001. Towards the end of the year, fertilizer stocks fell back to the usual level.

Agro reported an operating loss of EUR 34.4 million (operating income of 49 million). In the fourth quarter Agro made an operating loss of EUR 74.2 million (operating income of 9 million). The figure includes EUR 78 million of non-recurring write-downs on the impaired assets of subsidiaries and associated companies. These items do not have an effect on the Group's cash flow. In addition, EUR 4.3 million of one-off expenses due to other structural arrangements was booked (1.8 million). Agro's operating income was at the same level as in 2001.

Demand in the European fertilizer market has not recovered as forecast following the exceptional weather conditions of 2001.

The specialty fertilizer unit reported a marked increase in net sales compared with last year. The volume of NPK fertilizer sales rose by 10%. The unit reported especially strong growth in deliveries to the Baltic countries and eastern central Europe as well as to markets outside Europe. Prices of fertilizers were about 5% lower than in the previous year. The fall in prices was offset in part by the low price of ammonia, which is used as a raw material, as well as by a decrease in fixed costs thanks to efficiency-boosting projects. Operating income was better than a year earlier.

A capital expenditure in Uusikaupunki aiming at raising the level of automation was seen to completion during the year. In Spain, Kemira Agro acquired the entire shares outstanding in the sales company Coferlisa SA, whose principal product is speciality fertilizers. The company was previously a joint venture with a local partner.

Net sales of the unit which manufactures nitrogen fertilizers fell 13% below the previous year's figure, even though the volumes of fertilizer delivered rose by 8%. The price level weakened markedly and at the beginning of the autumn season was on average 10% below the previous year's price, though the price level of nitrogen fertilizers began to firm up again towards the end of the year. Operating income was clearly weaker than last year.

The year saw the completion of the transfer to Tertre, Belgium, of the nitric acid plant that was closed in the Netherlands towards the end of 2000. The transfer investment helped to improve the efficiency of nitric acid production. Agro sold part of the equipment and warehouse facilities of the fertilizer plant in the Netherlands that was closed towards the end of 2000. Negotiations on the sale of the remaining parts are continuing.

The feed phosphate business has developed favourably both in terms of net sales and profitability. The unit's operating income improved. The animal feed business is being strengthened by building a 40,000 tonne feed acid plant in Helsingborg, Sweden. The plant started up in the second half of the year. The product is believed to have good growth possibilities, especially owing to the widening scope of restrictions on the use of antibiotics in animal feeds. A plant that will manufacture potassium nitrate and feed phosphates which is presently under construction in Jordan on a joint venture basis will go into operation in the first part of 2003.

In mid-October, Kemira Agro acquired Kynoch Feeds of South Africa. The company delivers high-quality feed phosphates and other products for animal nutrition. Kynoch Feeds has net sales of 45 million dollars and it employs 233 people. Thanks to the acquisition and the new plant in Jordan, Agro's position will be bolstered significantly, particularly in the Middle East and Asia, where the markets are growing.

A new company, Verdera Oy, was established to handle the biological pesticides business. With a staff of 17 employees at present, Verdera develops, manufactures and markets biological pesticides. After the company was founded, a 20 per cent stake in it was sold to a fund run by BioFund Management Oy. A search is under way for new business partners to strengthen Verdera's operations. Verdera has net sales of EUR 1.7 million and it is the largest company in its field in the Nordic countries. Kemira Agro raised its holding in Farmit Website Oy, which produces an electronic service channel for farmers, to 50%.

The shares in Mykora Oy, Agro's subsidiary which grows and markets champignons, were sold to a domestic entrepreneur who will carry on the business. Mykora had net sales last year of about EUR 7 million and employed 60 people. Operations of the loss-making liquid fertilizer plant in Rozenburg, the Netherlands, were wound up.

Process chemicals continued to have good sales and profitability.

Other units

Kemira Metalkat, which manufactures catalytic converters, reported a decrease in net sales of 13%, to EUR 34 million. The company posted an operating loss of EUR 2.4 million. A year ago it made an operating loss of EUR 2.7 million.

Capital expenditures

The Group's capital expenditures, including acquisitions, totalled EUR 243 million (298 million), or 9% of net sales. Depreciation on fixed assets amounted to EUR 176 million. Disposals of fixed assets and subsidiaries yielded EUR 21 million (27 million). The Group's investments in environmental protection came to about EUR 12 million (14 million).

The Group spent about EUR 46 million on research and development, or about 2% of net sales. The figure does not include capital expenditures.

Environmental protection and management of risks

Environmental protection is an essential part of the Group's operations. The company publishes an Environmental Report annually.

The Group continually pays close attention to ensuring that its operations are safe and that its plants run without disturbances. Functions and operations are evaluated by both internal and external experts. During the year the 13 largest production sites were evaluated in this connection.

Financing

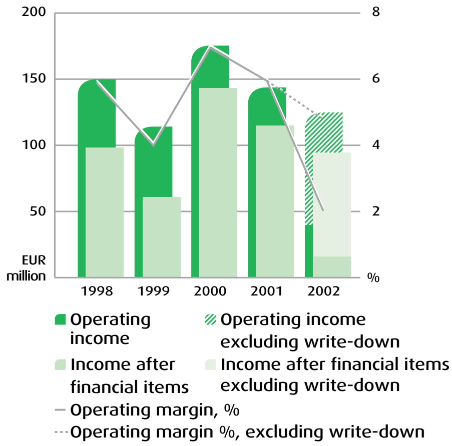
The Group's financial position remained stable. Interest-bearing net debt at the end of 2002 stood at EUR 768 million (686 million). The growth was attributable primarily to the acquisition of Vinings Chemicals Inc.

During the year one new long-term loan of EUR 75 million was taken out, and the amount of short-term loans decreased by EUR 39 million.

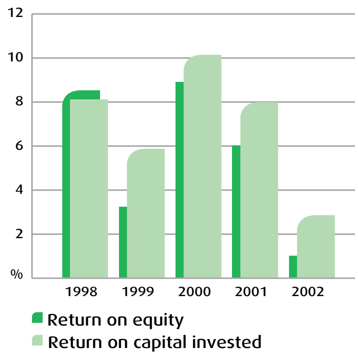
Cash flow before financing was EUR 67 million (-146). The Group's equity ratio was 43% at the close of the year (46%). The gearing ratio (net debt as a ratio of shareholders' equity) was 72%. At the end of the year liquid funds amounted to EUR 81 million and unused agreed credit facilities totalled about EUR 292 million.

Net financial expenses were EUR 29.5 million (EUR 31 million). Foreign exchange differences resulted in

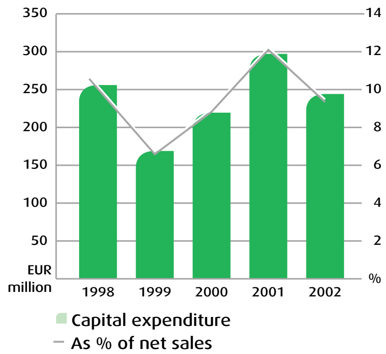
Operating income and result



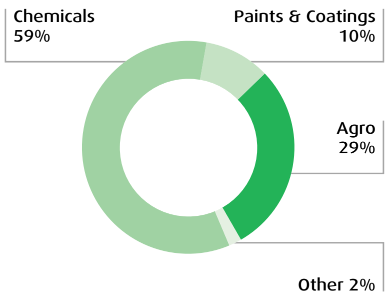
Return on capital



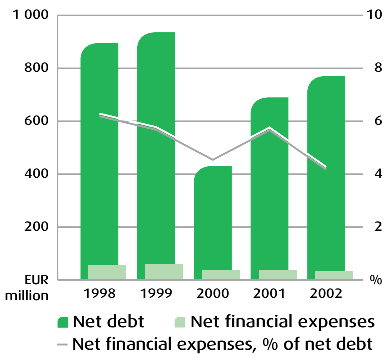
Capital expenditure



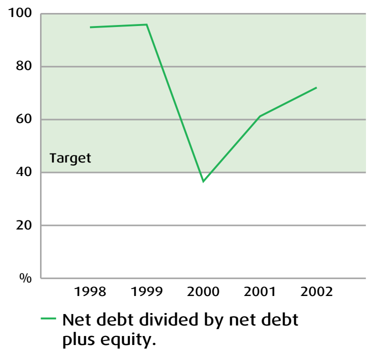
Capital expenditure by business area



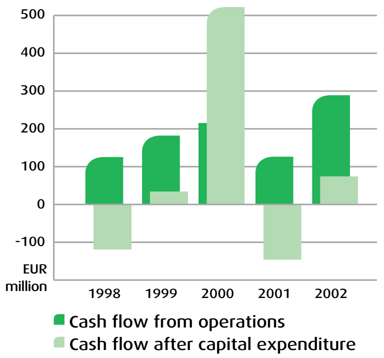
Net debt and financial expenses



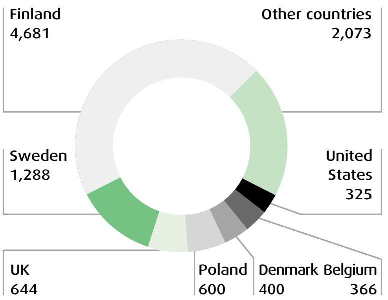
Gearing



Cash flow



Personnel (average)



a net gain of EUR 10 million. The proportion which fixed-interest loans represented within the total amount of the Group's interest-bearing loans was about 37% at the end of the year. Pension loans are considered to be floating rate loans. Owing to the exceptionally low level of interest rates, the change in the market value of interest rate hedging instruments was EUR 9 million negative.

Parent company's financial performance

The parent company's net sales come only from the sale of energy in Finland, both within and outside the Group. The parent company had net sales of EUR 23 million (21 million). The parent company reported an operating loss of EUR 36.3 million (a loss of 14.8 million). The loss was exceptionally large because it includes an EUR 22 million loss booked within the Group as a consequence of the ownership arrangements connected with the decoupling of Agro. The parent company bears the costs of Group management and administration as well as part of the expenses of the research centre in Espoo.

The parent company's net financial income amounted to EUR 127 million (11.6 million). The figure includes large items within the Group: a dividend of EUR 172 million paid by Tikkurila Oy and EUR 56 million of losses on the write-down of internal loans. Income before taxes and appropriations was EUR 185 million (109 million). Capital expenditures amounted to EUR 17 million, including increases in the equity of subsidiaries.

Personnel

The Group employed an average of 10,377 people, or 170 more than in the previous year. Of the total personnel, an average of 5,696 people were employed by Group companies outside Finland.

The parent company had an average payroll of 257 employees, 22 more than a year ago.

In order to achieve Kemira's strategic objectives, a project aiming at developing the organization was launched. The project will seek to improve operational efficiency and develop the organization in line with the requirements for promoting the growth and transformation of the Group's business operations.

The cornerstones of the organizational remake are the formation of a new and smaller Corporate Centre and the establishment of a joint administrative services centre. The Corporate Centre will concentrate on active strategic management. Establishment of Kemira Service will improve the efficiency and quality of administrative and support functions as well as yield Group-wide advantages of scale.

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 option system for top management.

The Annual General Meeting resolved to amend the Articles of Association such that the general meeting of shareholders elects the company's Board of Directors and its chairman and that the Board of Directors elects the company's president and his deputy. During the year under review the following persons served on the Board of Directors of Kemira Oyj: Sten-Olof Hansén (Chairman), Niilo Pellonmaa (Vice Chairman), Ritva Hainari, Eija Malmivirta, Anssi Soila and Tauno Pihlava, the last-mentioned up to 3 April 2002, when the Annual General Meeting elected Matti Packalén to replace him. The other members were re-elected for the term of office beginning from the Annual General Meeting and extending up until the next Annual General Meeting. None of the members of the Board of Directors is an employee of the Group.

Ownership

The Finnish Government's holding in Kemira was 56.2% at 31 December 2002. Foreign institutional investors owned 4.6% of the shares and Finnish institutions and mutual funds 29.1%. Private investors' holdings amounted to 6.7% of the shares outstanding.

The Annual General Meeting resolved to authorize the Board of Directors to purchase the company's own shares on the market such that the company can have in its possession treasury shares up to a maximum of 5% of the company's entire shares outstanding, or 6,118,000 shares. Shares can nevertheless be bought back up to a maximum amount of 1,928,000 shares because the company has in its possession 4,190,000 shares that were previously bought back. The Annual General Meeting furthermore authorized the Board of Directors to transfer on treasury shares following this purchase as well as to sell them via Helsinki Exchanges. 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 relates to a maximum of 6,118,000 of the own shares bought back for the Company. The authorization is in force for one year from the resolution of the Annual General Meeting and so far it has not been excercised.

Changes in the Group structure

A number of companies or participations were established, acquired or divested during the year. The major changes have been discussed in the surveys of the business areas.

Outlook for 2003

Pulp & Paper Chemicals. The unit's market outlook will be affected by the continuing weak demand within the pulp and paper industry, which is a consequence of the general business cycle, especially in the USA. The recession is forecast to continue. The acquisition of Vinings of the USA has strengthened Kemira's position in the global pulp and paper chemistry market significantly: the company's geographical presence has been reinforced and it also offers an expanded palette of products and services. Operating income is expected to improve.

Kemwater. The water treatment chemicals business too is expected to show favourable development, and this is likewise a sector in which Kemira is prepared to grow by way of acquisitions. Operating income is expected to remain at a good level.

Industrial Chemicals. The unit has good prospects for the year. New capacity for different products has been completed, thereby paving the way for growth in sales volumes and earnings. The price level of a number of products has developed positively and the market situation is good. Measured by net sales, titanium dioxide pigments are the unit's largest product by far, and an improvement in their price level will show up in the unit's operating profit, which is expected to rise.

Paints and Coatings. Demand for paints appears moderately good and the general slowdown in the economy is not anticipated to have a significant impact on it. The strong growth in demand for paints is anticipated to continue, especially in Russia and the Baltic countries. The synergy benefits arising from combining the paint businesses of Tikkurila and Sweden's Alcro-Beckers will improve the result of the paint business right during this year. This, coupled with ever-growing demand in the nearby markets, is the basis for the expectations in the paint industry of an improvement in operating income.

Agro. Over the longer term it is believed that the structural transformation in the European fertilizer industry will continue because certain producers have already ended up in financial difficulties. The world's grain stocks are at an exceptionally low level. This has already raised grain prices and as a rule it has previously also showed up as a rise in the prices of fertilizers. The near-term outlook remains shrouded in uncertainty as a consequence of the higher price of energy and transports. Prices during the fertilizer season have so far been lower than they were last year and at the same time the price of the main raw material, natural gas, has risen. Agro's full-year operating income is expected to be somewhat less than last year.

Kemira Group. Although there appears to be no let-up in the difficulties facing the world economy this year, Kemira Group is estimated to report better operating income than it did in 2002. A number of expansion investments became operational towards the end of last year, and the business cycle for titanium dioxide pigment is improving.

The trend in share prices will affect the Group's pension costs because the investment portfolios of Finnish pension funds include about EUR 100 million of listed shares. Financial expenses are forecast to be close to last year's level.

In 2003 the Group structure will be altered such that instead of the Kemira Chemicals business area, the business units will report separately. This means that the reporting units henceforth will be Pulp & Paper Chemicals, Water Treatment Chemicals, Industrial Chemicals, Paints and Coatings and the GrowHow unit, which is Agro's new name.

EARNINGS AND PERSONNEL BY BUSINESS AREA IN 2002	Net sales	Operating income	Personnel average
EUR million			
Chemicals	1,058	75	4,254
Paints and Coatings	450	25	2,505
Agro	1,165	-34	3,041
Other	36	-20	577
Intra-Group sales	-97	-	-
Group total	2,612	46	10,377

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 122,360,000 shares outstanding. Each share carries one vote at general meetings of the 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 217 million. Kemira Oyj shares are registered within the book-entry system.

Dividend policy

Kemira aims to distribute a dividend which is 30 - 50% of its operational net income. The company's Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.30 per share, or EUR 35.5 million, be paid for the 2002 financial year. This corresponds to a dividend payout of 41% of the net income excluding non-recurring items and a dividend payout of 429% of net income. Taking into account the Finnish tax base, this amounts to a taxable dividend of EUR 0.42. The record date for the dividend payout will be 11 April 2003, and the dividend will be paid on 23 April 2003.

Increase in share capital

The Board of Directors of Kemira Oyj does not at present have authorizations to increase the Company's share capital.

Purchase of own shares

The Annual General Meeting held on 3 April 2001 resolved to authorize the company's Board of Directors to purchase a maximum of 6,118,000 of the Company's own shares on the market (share buyback). The authorization was valid for one year from the date of the Annual General Meeting. By the date of the 2002 Annual General Meeting, 4,190,000 shares had been bought back on the basis of the authorization. The Annual General Meeting resolved on 3 April 2002 to continue the share buyback authorization up to the above-mentioned 6,118,000 shares.

In addition, the 2002 Annual General Meeting resolved to continue the authorization to transfer the shares bought back and to extend it such that the shares can be sold through Helsinki Exchanges. After the 2002 Annual General Meeting the company has not purchased or sold its own shares.

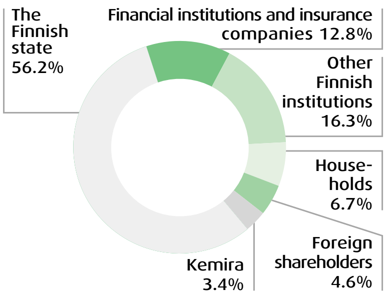
Insider rules

The insider regulations issued by Helsinki Exchanges on 28 October 1999 are observed within the Kemira Group.

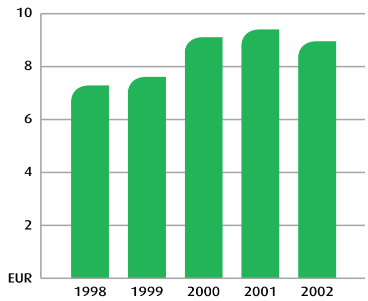
Listing and share trading

Kemira Oyj's shares have been listed on Helsinki Exchanges 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.

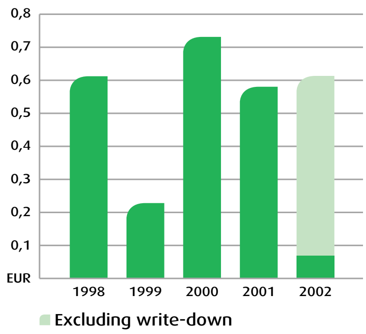
Distrubution of shareholders 31.12.2002



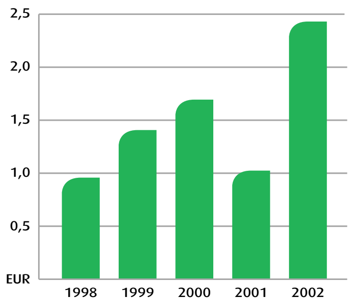
Shareholders' equity/share



Earnings/share



Cash flow/share



Price and trading volume

The price of Kemira's share on Helsinki Exchanges weakened by 1.2% on Helsinki Exchanges during 2002, whereas the HEX index fell by 34.4%. The highest price of the share was EUR 8.50 and the lowest price was EUR 5.75. The price of the share at the end of the year was EUR 6.59. The taxation value of the share for the 2002 Finnish tax declarations is EUR 4.58. Turnover of the share on Helsinki Exchanges totalled 24,605,629 shares, and in euro terms the turnover was EUR 178 million. The market capitalization at the end of 2002 was EUR 779 million.

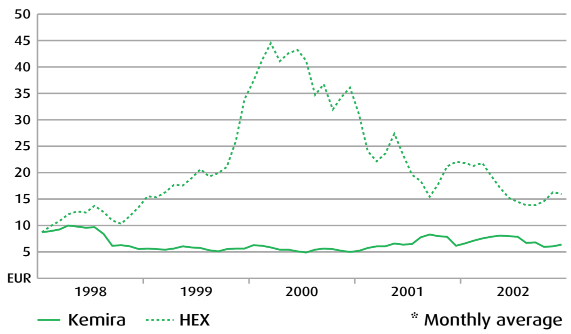
Management bond issue with warrants, stock options and share ownership

The Annual General Meeting of Kemira Oyj held on 3 April 2001 passed a resolution on a new share option programme. Members of management who are employed by Kemira Oyj or its subsidiaries will be entitled to receive share options conferring the right to subscribe for a maximum of 2,850,000 Kemira Oyj shares from 2 May 2004 to 31 May 2007. It is a condition for commencement of the subscription period that Kemira Oyj's consolidated earnings per share after financial items and before taxes and extraordinary items for the financial years 2001–2003 are at least equal to the Kemira Group's earnings per share after financial items and before taxes and extraordinary items for the financial years 1998–2000 plus five (5) per cent, i.e. EUR 2.48, and that Kemira Oyj's share price trend has outperformed a comparison index in the manner described in the terms and conditions of the share options. The said consolidated earnings per share after financial items and before taxes and extraordinary items for the financial year 2001–2002 were 1.73 euros.

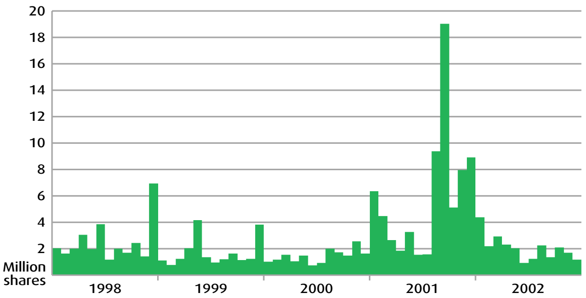
The subscription price is the average price of the Kemira Oyj share weighted for trading volume in 2003 and lowered by double the percentage by which the index of the share price trend of Kemira Oyj's share exceeds the above-mentioned comparison index, and lowered furthermore by the amount of dividends distributed after 31 December 2003. The subscription price will nevertheless be a minimum of the trading-weighted average price of Kemira Oyj's share in January 2001, less the amount of dividends to be paid out after 31 January 2001. As a consequence of exercise of the stock options, the number of the Company's shares can increase by a maximum of 2,850,000 shares and the share capital by the accounting countervalue of an equal number of shares. About 80 people are entitled to receive share options.

The members of the Board of Directors and the Supervisory Board as well as the CEO and the CEO's Deputy owned 44,380 Kemira Oyj shares at the end of the year. This represents 0.04% of the company's shares and voting rights. At the end of the year Kemira Oyj's CEO and the CEO's Deputy held 270,000 share options connected with the 2001 bond loan with warrants.

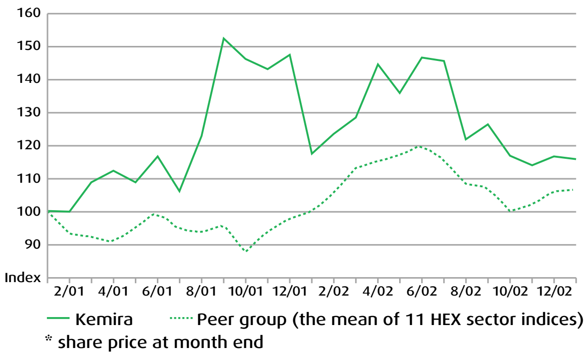
Share price 1998 – 2002*



Share turnover on Helsinki Exchanges 1998 – 2002



Share price development against peer group*



Shares and shareholders

Distribution of ownership 31.12.2002

Number of shares	Number of shareholders	% of shareholders	Shares total	% of shares and votes
1 – 50	1,091	8.51	41,043	0.03
51 – 100	1,109	8.65	89,905	0.07
101 – 500	5,769	44.98	1,578,790	1.29
501 – 1,000	2,593	20.21	2,015,604	1.65
1,001 – 5,000	1,877	14.63	3,674,057	3.00
5,001 – 10,000	156	1.22	1,147,814	0.94
10,001 – 50,000	144	1.12	3,198,793	2.62
50,001 – 100,000	31	0.24	2,463,368	2.01
100,001 – 500,000	40	0.31	9,178,835	7.50
500,001 – 1,000,000	9	0.07	6,111,560	5.00
Over 1,000,000	8	0.06	87,970,342	71.89
Total	**12,827**	**100.00**	**117,470,111**	
Nominee-registered shares			4,889,889	4.00
Grand total			**122,360,000**	**100.00**

20 largest shareholders 31.12.2002

Shareholder	Number of shares 1000 pcs	% of shares and votes
1. Finnish State	68,754	56.19
2. Varma-Sampo Mutual Pension Insurance Company	4,458	3.64
3. Sampo Life Insurance Company Limited	3,219	2.63
4. Ilmarinen Mutual Pension Insurance Company	2,328	1.90
5. Kaleva Mutual Insurance Company	2,104	1.72
6. IF Non-Life Insurance Company Limited	1,738	1.42
7. Suomi Mutual Life Assurance Company	1,180	0.97
8. Pohjola Non-Life Insurance Company Ltd	950	0.78
9. Tapiola Mutual Pension Insurance Company	893	0.73
10. The State Pension Fund	750	0.61
11. Tapiola General Mutual Insurance Company	620	0.51
12. The Central Church Fund	603	0.49
13. The LEL Employment Pension Fund	603	0.49
14. Conventum Finland Value Investment Fund	600	0.49
15. Pension Foundation Neliapila s.r.	577	0.47
16. Nordea Life Assurance Finland Ltd	515	0.42
17. Local Government Pensions Institution	500	0.41
18. The Union of the Evangelical Lutheran parishes of Turku and Kaarina	406	0.33
19. OP-Delta Investment Fund	400	0.33
20. Tapiola Mutual Life Assurance Company	397	0.33
Kemira Oyj	4,190	3.42
Nominee-registered shares	4,890	4.00
Others, total	21,685	17.72
Grand total	**122,360**	**100.00**

PER-SHARE DATA

Earnings per share (EPS)

Income before extraordinary items
+/– minority interest – taxes

Adjusted average number of shares

Earnings per share before one-time impairment

Net income + one-time impairment
– tax effect of one-time impairment

Adjusted average number of shares

Cash flow from operations

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

Cash flow from operations per share

Cash flow from operations

Adjusted average number of shares

Dividend per share

Dividends paid

Number of shares at end of year

Dividend payout ratio

Dividend per share x 100

Earnings per share

Dividend yield

Dividend per share x 100

Share price at end of year

Equity per share

Equity at end of year

Number of shares at end of year

Share price, year average

Shares traded (EUR)

Shares traded (volume)

Share price, end of year

Weighted average share price of the last trading day

Price per earnings per share (P/E)

Share price at end of year

Earnings per share

Price per equity per share

Share price at end of year

Equity per share

Price per cash flow per share

Share price at end of year

Cash flow from operations per share

Share turnover

Number of shares traded as a % of weighted average number of shares

FINANCIAL RATIOS

Net liabilities

Interest-bearing liabilities – cash and bank
– securities

Equity ratio, %

Shareholders' equity + minority interests x 100

Total assets – advance payments received

Gearing, %

Net liabilities x 100

Shareholders' equity + minority interests

Interest cover

Operating income + depreciation

Net financial expenses

Return on capital invested, % (ROI)

Income before extraordinary items + interest expenses
+ other financial expenses x 100

Total assets – interest-free liabilities
(average)

Return on equity, % (ROE)

Income before extraordinary items – taxes
+/- tax effect of extraordinary items x 100

Shareholders' equity + minority interests
(average)

Cash flow return on capital invested (CFROI), %

Cash flow from operations x 100

Total assets – interest-free liabilities
(average)

Key figures

PER-SHARE DATA

Per-share data	2002	2001	2000	1999	1998
Earnings per share, EUR [1) 4) 5) 6)]	0.07	0.58	0.73	0.23	0.61
Earnings per share before one-time impairment, EUR	0.61	0.58	0.73	0.23	0.61
Cash flow from operations per share, EUR	2.45	1.03	1.69	1.41	0.96
Dividend per share, EUR [2)]	0.30	0.30	0.30	0.23	0.29
Dividend payout ratio, % [2)]	428.6	51.7	18.2	100.0	47.2
Dividend yield [2)]	4.6	4.5	5.6	3.8	4.6
Equity per share, EUR [1)]	8.94	9.35	9.08	7.57	7.27
Price per earnings per share (P/E) ratio [1)]	94.14	11.50	7.34	26.57	10.30
Price per equity per share [1)]	0.74	0.71	0.59	0.81	0.90
Price per cash flow per share	2.69	6.48	3.17	4.33	6.50
Dividend paid, EUR million [2)]	35.5	35.8	37.1	29.6	36.8
Share price and turnover					
Share price, year high, EUR	8.50	8.75	6.80	6.90	10.60
Share price, year low, EUR	5.75	5.30	4.92	5.20	5.21
Share price, year average, EUR	7.22	7.36	5.67	5.85	8.06
Share price, end of year, EUR	6.59	6.67	5.36	6.11	6.24
Number of shares traded (1000), Helsinki	24,606	72,176	17,366	20,703	30,277
% of number of shares	21	59	13	16	24
Market capitalization, end of year, EUR million	779.0	795.1	663.0	780.9	803.6
Increase in share capital					
Average number of shares (1000) [3)]	118,171	121,075	126,623	128,318	128,800
Number of shares at end of year (1000) [3)]	118,171	119,208	123,645	127,800	128,800
Increases in number of shares (1000)	-	-	-	-	-
Share capital, EUR million	217.0	217.0	217.0	217.0	216.6
Increases in share capital, EUR million	-	-	-	-	-

1) The change in accounting practice (IAS 12) reduced 1998 taxes by EUR 14.0 million.
2) The 2002 dividend is the Board of Directors' proposal to the Annual General Meeting.
3) Weighted average number of shares outstanding, adjusted by the number of shares bought back.
4) Net income before gain/loss on discontinued operations in 2000.
5) Diluted earnings per share are the same.
6) Earnings / share after gains and losses on discontinued operations was EUR 1.64 million in year 2000.

FINANCIAL RATIOS

Income statement	2002	2001	2000	1999	1998
Net sales, EUR million	2,612	2,454	2,486	2,526	2,413
Foreign operations, EUR million	2,155	1,967	2,024	2,073	1,916
Sales in Finland, %	18	20	19	18	21
Exports from Finland, %	23	23	24	20	19
Sales generated outside Finland, %	59	57	57	62	61
Operating income, EUR million	45	144	175	111	148
% of net sales	2	6	7	4	6
Net financial income and expenses, EUR million	30	31	31	52	51
% of net sales	1	1	1	2	2
Interest cover	8	10	11	6	6
Income before extraordinary items, EUR million	16	113	144	59	97
% of net sales	1	5	6	2	4
Impairment loss, EUR million	78	-	-	-	-
Gains and losses on discontinuing operations	-	-	162	-	-
Income before taxes and minority interests, EUR million	16	113	307	59	97
% of net sales	1	5	12	2	4
Net income, EUR million	8	70	208	30	79
Return on capital invested, %	3	8	10	6	8
Return on equity, %	1	6	9	3	8
Research and development expenses	46	39	48	48	49
% of net sales	2	2	2	2	2

Cash flow					
Cash flow from operations, EUR million	290	125	214	181	123
Sales of subsidiaries and fixed assets, EUR million	21	27	527	18	14
Capital expenditure, EUR million	243	298	218	168	255
% of net sales	9	12	9	7	11
Cash flow after capital expenditure, EUR million	67	-146	523	31	-119
Cash flow return on capital invested %	15	7	11	9	7

Balance sheet					
Non-current assets, EUR million	1,474	1,415	1,285	1,486	1,444
Shareholders' equity, EUR million	1,056	1,115	1,122	968	936
Liabilities, EUR million	1,418	1,318	1,268	1,620	1,504
Total assets, EUR million	2,491	2,450	2,408	2,603	2,453
Net liabilities, EUR million	768	686	425	934	892
Equity ratio, %	43	46	48	38	39
Gearing, %	72	61	37	95	94

Personnel					
Personnel (average)	10,377	10,207	9,644	10,743	10,785
of whom in Finland	4,681	4,871	4,908	5,090	5,155

Exchange rates					
Key exchange rates (31 December)					
USD	1.04870	0.88130	0.93050	1.00460	1.16674
GBP	0.65050	0.60850	0.62410	0.62170	0.70547
SEK	9.15280	9.30120	8.83130	8.56250	9.48736
DKK	7.42880	7.43650	7.46310	7.43300	7.44892

Consolidated income statement

	Note	1.1. – 31.12. 2002 EUR million	2001 EUR million
Net sales	1, 27	**2,612.3**	2,454.4
Share of associates' net income	2, 27	**5.5**	0.4
Other income from operations	3	**13.2**	30.7
Cost of sales	4, 5	**-2,331.2**	-2,180.9
Depreciation	6, 27	**-176.1**	-160.5
One-time impairment	7	**-78.2**	-
Operating income	27	**45.5**	144.1
Financial income and expenses	8	**-29.5**	-31.3
Income before taxes and minority interests		**16.0**	112.8
Income taxes	9	**-5.3**	-40.2
Minority interest		**-2.5**	-2.2
Net income		**8.2**	70.4
Earnings per share, EUR	10	**0.07**	0.58
Earnings per share before one-time impairment, EUR	10	**0.61**	0.58

Consolidated balance sheet

	Note	31.12. 2002 EUR million	31.12. 2001 EUR million
ASSETS			
Non-current assets			
Intangible assets	11	**221.2**	158.7
Tangible assets	12	**1,072.0**	1,078.6
Investments	13		
Holdings in associates		**58.2**	74.4
Other shares and holdings		**20.9**	19.2
Deferred tax assets	18	**10.6**	11.5
Other investments		**90.8**	72.9
Total investments		**180.5**	178.0
Total non-current assets		**1,473.7**	1,415.3
Current assets			
Inventories	14	**358.4**	397.8
Receivables	15		
Interest-bearing receivables		**7.8**	15.1
Other interest-free receivables		**570.5**	551.9
Total receivables		**578.3**	567.0
Securities	21, 25	**40.1**	21.1
Cash and bank	21, 25	**40.7**	48.7
Total current assets		**1,017.5**	1,034.6
Total assets		**2,491.2**	2,449.9

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.12. 2002 EUR million	31.12. 2001 EUR million
Shareholders' equity			
Share capital		**217.0**	217.0
Share premium account		**252.5**	252.5
Own shares		**-28.2**	-21.2
Valuation reserve		**0.6**	-
Other reserves		**3.2**	2.8
Retained earnings		**603.0**	593.6
Net profit for the financial year		**8.2**	70.4
Total shareholders' equity		**1,056.3**	1,115.1
Minority interests		**16.4**	16.6
Long-term liabilities			
Interest-bearing long-term liabilities	17, 21	**636.9**	631.4
Deferred tax liabilities	16, 18	**41.8**	54.1
Provision for liabilities and charges	19	**74.9**	89.6
Total long-term liabilities		**753.6**	775.1
Current liabilities	20		
Interest-bearing short-term liabilities		**211.8**	124.6
Interest-free short-term liabilities		**453.1**	418.5
Total current liabilities		**664.9**	543.1
Total liabilities		**1,418.5**	1,318.2
Total liabilities and shareholders' equity		**2,491.2**	2,449.9

Consolidated cash flow statement

	2002 EUR million	2001 EUR million
Funds from operations		
Operating income	**45.5**	144.1
Adjustments to operating income [1]	**81.0**	-14.7
Depreciation	**176.1**	160.5
Interest income	**8.9**	11.8
Interest expense	**-48.2**	-41.1
Dividend received	**3.2**	1.7
Other financial items	**-1.2**	2.9
Taxes	**-34.3**	-40.5
Total funds from operations	**231.0**	224.7
Change in net working capital		
Inventories	**60.3**	-23.4
Short-term receivables	**31.7**	-1.4
Interest-free short-term liabilities	**-33.2**	-74.8
Change in net working capital, total	**58.8**	-99.6
Cash flow from operations	**289.8**	125.1
Capital expenditure		
Acquisitions of Group companies	**-57.4**	-106.5
Acquisitions of associated companies	**-1.6**	-13.0
Purchase of other shares	**-0.8**	-0.2
Purchase of other fixed assets	**-183.6**	-178.4
Disposal of Group companies	**1.8**	12.1
Disposal of associated companies	**0.1**	1.5
Sales of other shares	**0.4**	0.1
Sales of other fixed assets	**18.5**	12.9
Total capital expenditure	**-222.6**	-271.5
Cash flow before financing	**67.2**	-146.4
Financing		
Change in long-term loans (increase +, decrease -)	**158.5**	-20.3
Change in long-term loan receivables (increase -, decrease +)	**-22.6**	25.5
Short-term financing, net (increase +, decrease -)	**-133.5**	32.6
Dividend paid	**-35.5**	-36.7
Own shares	**-7.0**	-28.8
Other	**-16.1**	-2.7
Financing, total	**-56.2**	-30.4
Increase / decrease in liquid funds	**11.0**	-176.8
Liquid funds at end of year	**80.9**	69.9
Liquid funds at beginning of year	**69.9**	246.7
Increase / decrease in liquid funds	**11.0**	-176.8

1) Non-cash flow items included in operating income (e.g. profits from associated companies) and gains / losses on the sale of net working capital.

Liquid finds according to exchange rates 31.12.2002		
Liquid funds at end of year	**80.9**	68.1
Liquid funds at beginning of year	**68.1**	244.3
Increase / decrease in liquid funds	**12.8**	-176.2
Translation difference of liquid funds	**-1.8**	-0.6
Increase / decrease in liquid funds	**11.0**	-176.8

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

Supplemental cash flow information

	2002 EUR million	2001 EUR million
Acquistion of Group companies		
Purchase consideration on acquisitions	60.2	108.9
Cash and cash equivalents in acquired companies	-2.8	-2.4
Total cash flow on acquistions	57.4	106.5
Acquired net assets		
Net working capital	21.5	28.0
Fixed assets	102.5	71.2
Interest-bearing receivables less cash and cash equivalents	4.1	42.4
Interest-bearing liabilities	-114.0	-108.5
Minority interests	0.0	-1.2
Goodwill on acquisition	43.3	74.6
Total acquired net assets	57.4	106.5
Disposals of subsidiary shares		
Cash flow on disposal	1.4	12.1
Cash and cash equivalent in disposed companies	0.4	0.0
Total cash flow on disposals	1.8	12.1
Net assets sold		
Net working capital	0.4	0.6
Fixed assets	3.7	2.5
Interest-bearing receivables less cash and cash equivalents	0.6	6.5
Interest-bearing liabilities	-	-6.7
Gain/loss on sale	-2.9	9.2
Total net assets sold	1.8	12.1

Statement of changes in equity

	Share capital	Share premium account	Revaluation and other funds	Exchange differences	Valuation reserve	Own shares	Retained earnings	Total
Shareholders' equity at 1 January 2001	217.0	252.5	10.6	-11.7	-	-28.8	682.7	1,122.3
Net profit for the financial year	-	-	-	-	-	-	70.4	70.4
Dividends paid	-	-	-	-	-	-	-36.7	-36.7
Exchange differences	-	-	-	2.1	-	-	-	2.1
Equity hedging	-	-	-	1.9	-	-	-	1.9
Own shares repurchased	-	-	-	-	-	-28.8	-	-28.8
Own shares cancelled	-	-	-	-	-	36.4	-36.4	-
Revaluations as a charge in equity	-	-	-5.9	-	-	-	-25.2	-31.1
Reversal of deferred taxes on revaluation	-	-	-	-	-	-	9.0	9.0
Release of previous deferred tax (IAS 37)	-	-	-	-	-	-	5.9	5.9
Other changes	-	-	-1.9	-	-	-	2.0	0.1
Shareholders' equity at 31 Dec. 2001	217.0	252.5	2.8	-7.7	-	-21.2	671.7	1,115.1

	Share capital	Share premium account	Revaluation and other funds	Exchange differences	Valuation reserve	Own shares	Retained earnings	Total
Shareholders' equity at 1 January 2002	**217.0**	**252.5**	**2.8**	**-7.7**	**-**	**-21.2**	**671.7**	**1,115.1**
Net profit for the financial year	-	-	-	-	-	-	8.2	**8.2**
Dividends paid	-	-	-	-	-	-	-35.5	**-35.5**
Exchange differences	-	-	-	-34.7	-	-	-	**-34.7**
Equity hedging	-	-	-	9.4	-	-	-	**9.4**
Cash flow hedging: amount entered in shareholders' equity	-	-	-	-	0.6	-	-	**0.6**
Repurchase of own shares	-	-	-	-	-	-7.0	-	**-7.0**
Other changes	-	-	0.4	-	-	-	-0.2	**0.2**
Shareholders' equity at 31 Dec. 2002	**217.0**	**252.5**	**3.2**	**-33.0**	**0.6**	**-28.2**	**644.2**	**1,056.3**

The Group's non-restricted shareholders' equity, which limits the parent company's dividend payout, was EUR 442.7 million in 2002 and EUR 511.7 million in 2001. 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.

From 1 January to 31 December 2002 the Group bought back 1,037,000 shares, representing 0.8% of the share capital and the aggregate number of votes conferred by all the shares. The average price of the shares was EUR 6.74. Kemira had in its possession 4,190,000 of its own shares at 31 December 2002. Their average share price was EUR 6.73 and they represented 3.4% of the share capital and the aggregate number of votes conferred by all the shares.

Company profile and summary of significant accounting policies

COMPANY PROFILE

Kemira is a chemicals group whose operations comprise the pulp and paper chemicals, water treatment chemicals and industrial chemicals manufactured by Kemira Chemicals, the products manufactured by Paints and Coatings and the Agro business. Of these segments, pulp and paper chemicals, water treatment chemicals and paints are growth area businesses, and industrial chemicals and Agro's operations are other priority areas. Production activities also include catalytic converters.

The parent company of the Group is Kemira Oyj. The parent company is domiciled in Helsinki and its registered address is Porkkalankatu 3, 00180 Helsinki.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Kemira Group's financial statements have been prepared in compliance with the relevant acts and regulations in force in Finland. The Group's accounting principles are based on International Accounting Standards (IAS) to the extent that observance of them has been possible within the framework of Finnish financial statement practice. Divergences have arisen in respect of pension costs and the valuations of certain financial instruments.

Principles of consolidation

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, and companies acquired during the year are included from the time of acquisition.

All intra-Group transactions have been eliminated. Acquisitions of companies are accounted for under the purchase method of accounting. The excess of the acquisition cost over fair value of the net assets acquired is partly allocated to the identifiable assets and liabilities. Any excess is recorded as goodwill. Goodwill is amortized over its useful life, which has been a maximum of 20 years. To the extent that negative goodwill relates to expectations of future losses and expenses, it has been recognized as income in the income statement when the future losses and expenses are booked. Otherwise the negative goodwill has been recognised as income over the remaining average useful life of the acquired identifiable assets. The minority interest in the net assets and profit and loss of consolidated subsidiaries is reflected as a separate item in the Group´s consolidated balance sheet and income statement.

Associated companies are participating interests in which the Group has a considerable interest (20–50%). Holdings in associated companies are presented in the consolidated financial statements using the equity method of accounting. The Group's proportionate share of the associated companies' net income for the financial year is stated as a separate item in the consolidated income statement. 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. Other companies (voting rights owned less than 20 per cent) have been stated at the lower of cost or fair value in the balance sheet and dividends received from them have been included in the income statement.

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 arising in translating the income statement and balance sheet using the different exchange rates is entered in non-restricted equity. Goodwill has been translated into euros at the foreign exchange rate prevailing on the acquisition date.

Net investments in foreign entities have been hedged against exchange rate changes at the Group level by taking out long-term loans in foreign currency as well as by entering into forward exchange rate agreements and currency swaps. In the consolidated financial statements, the exchange rate gains and losses of such loans and forward and currency swap contracts are credited or charged, in accordance with the requirements of the hedging calculation, 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 the non-restricted shareholders´ equity.

Items denominated in foreign currency, and foreign currency and interest rate derivatives

In their own day-to-day accounting the Group companies translate transactions in foreign currencies into their own accounting 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 on the balance sheet date. Foreign exchange gains and losses related to normal business operations are treated as adjustments to sales and purchases, while those gains and losses associated with financing and hedging of the total foreign exchange position are recorded as financial income and expenses.

Group Treasury hedges the Group's total foreign exchange and interest rate exposures. The effects on income of hedging transactions are reflected in the Group's financial items. Subsidiaries mainly hedge sales and purchases in foreign currency, in which the hedging instruments used are forward contracts made with Group Treasury. The effects of subsidiaries' hedging transactions appear as adjustments to the net sales and purchases of the business areas. At the Group level, the hedging entries of the subsidiaries are eliminated.

All derivatives that are open at the balance sheet date are valued at their market value. As a rule, the valuation results of open derivative contracts are booked to financial items in the consolidated financial statements. The hedge accounting defined in IAS 39 is applied only in exceptional cases to selected hedging items, such as for net investment in a foreign entity, whereby the valuation results of open derivative contracts are entered in shareholders' equity.

The valuation of forward contracts is calculated by valuing the forward contracts against the forward rates on the balance sheet date and comparing them with the countervalues calculated via the forward rates prevailing at the beginning of the contract.

All financial assets and liabilities are booked at acquisition cost or at fair value less write-downs except for derivative instruments, which are valued at their fair value. Changes in value for financial assets and liabilities were booked to financial income and expenses.

The fair value of forex derivatives has been calculated by means of the treasury management system (Twin) that is employed by the Group. The foreign exchange rates, the zero coupon curves and the volatilities used in the valuation are the rates that have been received from Reuters on the last banking day of 2002. The fair value of interest rate derivatives has been calculated by means of the treasury management system except for interest rate options, the value of which is based on the value defined by the counterparties to the agreements.

The management of treasury risks is discussed in greater detail in the notes to the consolidated financial statements . The fair value of derivative contracts that are open on the balance sheet date is set forth in the table of derivative instruments presented on page 35. The foreign exchange rates on the balance sheet date are given on page 13.

Company profile and summary of significant accounting policies

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

Revenue recognition
Sales income is booked to the income statement when the major risks and rewards of ownership of the goods have been transferred to the purchaser. There are no long-term projects.

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 pension funds or to insurance companies. Contributions are based on actuarial calculations and are recognized as expense in the income statement as incurred.

The effect of IAS 19 on the Group's net income and retained earnings has been calculated and disclosed in the notes to the consolidated financial statements, in which the pension liabilities of named defined benefit plans have been calculated at the Group level by using the projected unit credit method. If the accumulated actuarial gains and losses are greater than 10% of the present value of the defined benefit obligation or the fair value of the plan assets, the excess has been presented in the notes, divided by the average remaining working lives of the employees. The Finnish compulsory pension arrangement (TEL) has been accounted for as a defined contribution plan. The pension calculations are performed by actuaries.

Financial costs
Financial 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 liabilities and assets.

The Group's deferred tax liabilities and assets have been calculated according to IAS 12, which is allowed by Finnish legislation. 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 and tax losses are included in the financial statements only if the company considers that the temporary difference or tax loss will probably be realized in the near future and that the taxable unit will probably generate a sufficient amount of taxable income in order to be able to make use of the tax claim. In calculating deferred tax liabilities and assets, the tax rate which is in force at the time of preparing the financial statements or which has been enacted by the balance sheet date has been used.

The income taxes in the income statement of the parent company are direct taxes calculated on an accrual basis. The untaxed reserves of the parent company are shown as a separate item. The deferred tax liability for the untaxed reserves has not been calculated in the balance sheet of the parent company.

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. The majority of the Group's development expenditure does not meet the above-mentioned capitalization requirements and is expensed for the year.

Capitalized development costs are included in the item "Other long-term assets" and amortized over their economic life, not exceeding, however, five years.

Fixed assets and depreciation
Non-current (fixed) assets are stated in the balance sheet at cost, less accumulated depreciation, as applicable. The Group does not make revaluations. Depreciation according to plan is calculated on a straight-line basis from the original acquisition cost in accordance with the useful lifetime of the assets. The most usual estimated useful lives are as follows:

Machinery and equipment	3–15 years
Buildings and constructions	25 years
Other capitalized expenses	5–10 years
Goodwill on consolidation	5–20 years

Profit on the sale of non-current assets is included in operating income and losses on the sale of assets are included in operating expenses. Interest expenses are not capitalized as part of the acquisition cost of non-current assets. Large seldom carried out maintenance works are capitalized and depreciated over their useful lives.

Leasing
Lease payments are treated as rental expenses except for finance lease agreements, in which the leased assets are presented as part of the Group´s fixed assets and the leasing debt is shown as a long-term liability. 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.

Inventories
Inventories are stated at the lower of cost or net realizable value. Cost is determined on a first in first out (FIFO) basis. Net realizable value is the amount which can be realized from the sale of the asset in the normal course of business, after allowing for the costs of realization. The cost of finished goods and work in process include an allocable proportion of production overheads.

Liquid funds
Cash on hand and at banks as well as short-term placements held as financial assets are included in liquid assets.

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 may be impaired. If there are indications of impairment, the assets' recoverable amount is estimated, based on an assets' value in use or net selling price. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable value. The loss is booked to the income statement. If after booking the impairment loss a positive change has occurred in the estimates of the recoverable amount, the impairment loss made in previous years is reversed no more than up to the value which would have been determined for the asset item if an impairment loss had not been booked on it in previous years.

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 fully compliant plan has been prepared for it and implementation of the plan has been started or notification of it has been made to those whom the arrangement concerns.

Extraordinary income and expenses
There were no extraordinary items in the Group's income statement. Extraordinary items of the parent company include Group contributions received and paid.

INCOME STATEMENT (EUR millon)	2002	2001
1. NET SALES		
Net sales by division		
Chemicals	1,058.3	900.8
Paints and Coatings	449.6	445.4
Agro	1,165.2	1,157.8
Other operations	66.8	70.4
Intra-Group invoicing	-127.6	-120.0
Total	2,612.3	2,454.4
Distribution of net sales by geographic market areas, as a percentage of total net sales		
Finland	18	20
Other European Union countries	50	55
Other European countries	15	14
North and South America	9	4
Asia	6	6
Other countries	2	1
Total	100	100

2. SHARE OF ASSOCIATES' NET INCOME

Share of associates' profits	8.4	5.3
Share of associates' losses	-2.9	-4.9
Total	5.5	0.4

3. OTHER INCOME FROM OPERATIONS

Gains on the sale of fixed assets	4.5	13.9
Sales of scrap and waste	0.2	0.2
Sales of energy and water	0.4	0.5
Insurance compensation	0.2	1.2
Consulting	0.8	1.8
Income from royalties, knowhow and licences	0.2	0.8
Rent income	3.3	4.3
Other income	3.6	8.0
Total	13.2	30.7

Gains on the sale of the fixed assets in 2002 include a capital gain of EUR 2.0 million on the sale of Espoo Research Centre land area and sale of Verdera Oy shares. In 2001 the capital gain, EUR 7.8 million, on the sale of Kemira Pernis B.V. was included.

4. COST OF SALES

Change in inventories of finished goods	14.2	-26.5
Own work capitalized [1)]	-9.2	-5.7
Materials and services		
Materials and supplies		
Purchases during the financial year	1,113.5	1,101.6
Change in inventories of materials and supplies	28.9	13.0
External services	51.8	50.5
Total materials and services	1,194.2	1,165.1
Personnel expenses	486.0	448.3
Rents	28.0	24.7
Losses on the sales of fixed assets	1.2	0.8
Other expenses	616.8	574.2
Total	2,331.2	2,180.9

In 2002 costs included a net decrease in long and short-term provisions amounting to EUR 6.3 million, like in 2001.

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.

INCOME STATEMENT (EUR million)	2002	2001
5. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL		
Emoluments of the Supervisory Board	0.1	0.1
Emoluments of boards of directors and managing directors [1)]	5.9	6.7
Other wages and salaries	342.4	310.9
Pension expenses	-	65.4
Pension expense for defined benefit plan	41.7	-
Pension expense for defined contribution plan	35.3	-
Other personnel expenses	60.6	65.2
Total	486.0	448.3

1) Profit sharing bonuses to the management were EUR 0.4 million in 2002 and EUR 0.9 million in 2001.

The members of the Board of Directors are paid a monthly emolument and a meeting fee; other compensation is not paid. The chairman of Kemira Oyj was paid EUR 34,800, the vice chairman EUR 29,080 and each member EUR 23,258. The managing director of Kemira Oyj was paid a salary of EUR 324,472 which did not include profit sharing bonuses.

The chairman of Kemira Oyj's Supervisory Board was paid an emolument of EUR 12,633, the vice chairman EUR 8,025 and each of the members EUR 6,708.

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

Management's pension commitments

The managing director and deputy managing director of Kemira Oyj are entitled to retire at the age of 60. The maximum remuneration 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.

Personnel, average		
Chemicals	4,254	3,894
Paints and Coatings	2,505	2,652
Agro	3,041	3,079
Other companies	577	582
Total	10,377	10,207

Personnel in Finland, average	4,681	4,871
Personnel outside Finland, average	5,696	5,336
Total	10,377	10,207

The total personnel of joint ventures that have been consolidated according to the proportionate method of accounting was in average 146 (68 in 2001).

Personnel at year end	10,094	9,707

6. DEPRECIATION

Scheduled depreciation		
Intangible assets		
Intangible rights	3.8	3.0
Goodwill	5.3	4.5
Goodwill on consolidation	11.5	7.3
Other long-term expenditures	6.9	7.9
Tangible assets		
Buildings and constructions	22.0	19.5
Machinery and equipment	122.5	113.2
Other tangible assets	4.1	5.1
Total	176.1	160.5

Scheduled depreciation for goodwill on consolidation was EUR 11.5 million (EUR 7.4 million in 2001). Reductions in the consolidated negative goodwill in 2001 were EUR 0.1 million.

INCOME STATEMENT (EUR million)	2002	2001

7. IMPAIRMENT

The impairment loss of EUR 78.2 million in the income statement is connected primarily with the impairment of the assets and carrying values of Agro's subsidiaries and associated companies. In addition, the item includes an EUR 7 million expense provision for the decoupling of Agro's pension arrangements from the Group's other pension arrangements.

The impairment loss has been calculated by comparing the book value of the asset with the present value of the estimated future cash flows from continuing use of the asset also taking into account the estimated net cash flows to be received for the disposal of the asset at the end of its useful life. The effects of the impairment loss on the Group's non-current assets is presented in notes 11–13 to the consolidated financial statements.

8. FINANCIAL INCOME AND EXPENSES

	2002	2001
Financial income		
Dividend income	1.4	1.2
Interest income from long-term investments	4.2	4.5
Other interest income	4.7	7.4
Other financial income	0.5	0.9
Exchange gains	10.3	-
Total	21.1	14.0
Financial expenses		
Interest expenses	-48.2	-41.0
Other financial expenses	-2.4	-2.2
Exchange losses	-	-2.1
Total	-50.6	-45.3
Total financial income and expenses	-29.5	-31.3
Net financial expenses as a percentage of net sales	1.1	1.3
Net interests as a percentage of net sales	1.5	1.2
Exchange gains and losses		
Realized	-0.7	3.0
Unrealized	11.0	-5.1
Total	10.3	-2.1

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 matched against the translation differences arising from the consolidation of foreign subsidiaries according to the so-called equity hedging method. In 2002 these foreign exchange net gains were EUR 9.4 million in retained earnings (in 2001 net gain EUR 1.9 million).

There were no financial income and expenses from associates.

9. INCOME TAXES

	2002	2001
Income taxes, current year	-27.5	-38.9
Income taxes, previous years	-4.2	-1.7
Deferred taxes	29.0	0.4
Other taxes	-2.6	-
Total	-5.3	-40.2

INCOME STATEMENT (EUR million)	2002	2001

Tax losses

Certain Group subsidiaries have tax losses, totalling EUR 683.4 million (EUR 653.0 million in 2001), 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. The limited right to make deductions concerns about 3% of the tax losses and the unlimited deduction right about for 97% of the tax losses.

Comparison of taxes calculated according to the current tax rate with taxes according to the income statement

Tax at the current tax rates	5.1	33.9
Tax-free income / non-deductible expenditure	-30.6	-21.2
Write-down on shares	-16.0	-2.3
Unapplied losses during the financial year	41.2	20.5
Amortization of goodwill	3.3	2.3
Withholding taxes from previous financial years	4.1	1.7
Applied tax losses	-1.8	-2.7
Other	-	8.0
Taxes in the income statement	5.3	40.2

10. EARNINGS PER SHARE

Earnings per share

Income before taxes	16.0	112.8
Minority interests	-2.5	-2.2
Income taxes for the financial year	-5.3	-40.2
Net income	8.2	70.4
Weighted average number of shares [1]	118,171,000	121,075,000
Earnings per share, EUR	0.07	0.58

Earnings per share before one-time impairment

Income before one-time impairment and taxes	94.2	112.8
Minority interests	-2.5	-2.2
Income taxes for the financial year	-5.3	-40.2
Tax effect of one-time impairment	-14.5	-
Net income	71.9	70.4
Weighted average number of shares [1]	118,171,000	121,075,000
Earnings / share before one-time impairment, e	0.61	0.58

Diluted earnings per share

Average number of shares [1]	118,171,000	121,075,000
Effect of options outstanding	86,870	109,565
Dilutive number of shares	118,257,870	121,184,565
Diluted earnings per share, EUR	0.07	0.58

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 long-term expenditures	Advances paid	**2002 total**	2001 total
Acquisition cost at beginning of year	33.5	48.9	143.0	76.4	0.9	**302.7**	186.3
Increases	2.6	9.6	73.4	6.8	-0.5	**91.9**	96.4
Decreases	-0.5	-	-	-5.2	-	**-5.7**	-3.8
Exchange differences and other changes	-3.6	-0.8	3.1	-4.7	-	**-6.0**	23.8
Acquisition cost at end of year	32.0	57.7	219.5	73.3	0.4	**382.9**	302.7
Accumulated depreciation at beginning of year	-20.9	-10.8	-65.3	-47.0	-	**-144.0**	-97.6
Accumulated depreciation relating to decreases and transfers	0.1	-	-	1.1	-	**1.2**	-2.5
Depreciation during the financial year	-3.8	-5.0	-11.2	-3.5	-	**-23.5**	-22.8
Exchange differences and other changes	2.5	0.5	-1.4	3.0	-	**4.6**	-21.1
Accumulated depreciation at end of year	-22.1	-15.3	-77.9	-46.4	-	**-161.7**	-144.0
Net book value at end of year	9.9	42.4	141.6	26.9	0.4	**221.2**	158.7

There was no goodwill on consolidation related to associated companies in 2002 and 2001.

12. TANGIBLE ASSETS

	Land and water areas	Buildings and con-structions	Machinery and equipment	Other tangible assets	Advances paid and fixed assets under construction	**2002 total**	2001 total
	76.9	608.2	2,313.8	82.9	95.8	**3,177.6**	2,945.0
Acquisition cost at beginning of year	0.8	41.8	206.4	3.3	-38.4	**213.9**	157.6
Increases	-0.5	-8.9	-30.8	-0.3	-4.0	**-44.5**	-27.3
Decreases	0.2	-18.2	-78.1	-2.6	-7.5	**-106.2**	102.3
Exchange differences and other changes	-3.2	-66.8	-171.0	-	-2.3	**-243.3**	-
Impairment in Agro	74.2	556.1	2,240.3	83.3	43.6	**2,997.5**	3,177.6
Acquisition cost at end of year							
Accumulated depreciation	-	-338.7	-1,702.1	-58.2	-	**-2,099.0**	-1,895.5
at beginning of year							
Accumulated depreciation relating	-	5.0	25.1	0.1	-	**30.2**	16.8
to decreases and transfers	-	-21.7	-120.5	-4.0	-	**-146.2**	-138.1
Depreciation during the financial year	-	50.7	140.2	-	-	**190.9**	-
Impairment in Agro	-	13.7	79.8	5.1	-	**98.6**	-82.2
Exchange differences and other changes	-	-291.0	-1,577.5	-57.0	-	**-1,925.5**	-2,099.0
Accumulated depreciation at end of year	74.2	265.1	662.8	26.3	43.6	**1,072.0**	1,078.6
Net book value at end of year							

13. INVESTMENTS

	Holdings in associates	Other shares and holdings	Receivables from associates	Other investments	Deferred tax assets	**2002 total**	2001 total
	74.4	19.2	48.3	24.6	11.5	**178.0**	147.2
Acquisition cost at beginning of year	0.8	-	-	-	-	**0.8**	-2.0
Share of net income of associates	1.6	0.8	7.7	10.2	-	**20.3**	35.4
Increases	-0.1	-0.4	-	-	-0.9	**-1.4**	-3.5
Decreases	-9.2	-	-	-	-	**-9.2**	-
Transfers	-3.5	1.3	-	-	-	**-2.2**	0.9
Exchange differences and other changes	-5.8	-	-	-	-	**-5.8**	-
Reduction in value	58.2	20.9	56.0	34.8	10.6	**180.5**	178.0
Net book value at end of year							

Shares and holdings are specified in Note 26.

BALANCE SHEET (EUR million)	2002	2001
14. INVENTORIES		
Materials and supplies	118.8	149.1
Work in process	6.3	6.6
Finished goods	231.0	240.0
Advances paid	2.3	2.1
Total	358.4	397.8
15. RECEIVABLES		
Long-term receivables		
Interest-bearing long-term receivables		
Loan receivables from others	0.1	0.1
Other receivables from others	1.1	-
Total interest-bearing long-term receivables	1.2	0.1
Interest-free long-term receivables		
Prepaid expenses and accrued income from others	0.3	0.2
Accounts receivable from others	6.8	4.2
Other receivables from others	4.5	1.2
Total interest-free long-term receivables	11.6	5.6
Total long-term receivables	12.8	5.7
Current receivables		
Interest-bearing short-term receivables		
Loan receivables from associates	-	3.2
Loan receivables from others	3.1	6.5
Other receivables from others	3.5	5.3
Total interest-bearing short-term receivables	6.6	15.0
Interest-free short-term receivables		
Accounts receivable from associates	8.3	10.7
Accounts receivable from others	427.6	426.6
Advances paid from others	15.2	15.6
Prepaid expenses and accrued income from others	78.0	53.1
Other receivables from associates	1.2	3.1
Other receivables from others	28.6	37.2
Total interest-free short-term receivables	558.9	546.3
Total current receivables	565.5	561.3
Total receivables	578.3	567.0
Loans to the management of the Group companies	0.7	0.1

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 and management's compensation are given in the Notes to the consolidated financial statements, notes 5 and 15.

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 0.6 % of the company's shares outstanding.

BALANCE SHEET (EUR million)			2002	2001

16. APPROPRIATIONS

In the consolidated financial statements the appropriations of each individual company have been divided into equity and deferred tax liability. Appropriations in the balance sheets of the Group are accumulated depreciation differences.

	2002	2001
Of which equity	140.9	134.4
Of which deferred tax liability	52.0	49.2
Total accumulated depreciation difference	192.9	183.6

17. LONG-TERM INTEREST-BEARING LIABILITIES

	2002	2001
Debentures and other bond loans	16.5	61.7
Loans from financial institutions	348.5	290.1
Loans from pension institutions	228.7	233.1
Other long-term liabilities to others	43.2	46.5
Total	636.9	631.4

Long-term interest-bearing liabilities maturing in	2002	2001
2004 (2003)	139.6	155.8
2005 (2004)	93.1	47.9
2006 (2005)	28.7	66.9
2007 (2006)	84.1	29.2
2008 (2007) or later	291.4	331.6
Total	636.9	631.4

Interest-bearing liabilities maturing in 5 years or longer	2002	2001
Loans from financial institutions	104.5	103.9
Loans from pension institutions	185.9	226.7
Other long-term interest-bearing liabilities	1.0	1.0
Total	291.4	331.6

Long-term loans by currency (%)	2002	2001
EUR	48	52
SEK	23	30
USD	22	9
DKK	-	1
GBP	5	7
Other	2	1
Total	100	100

The Group has no convertible bonds.

Debentures and other bond loans

Loan		Loan currency	2002	2001
FI 0003008581	1998–2003	EUR	45.2	45.2
FI 0003008599	1998–2006	EUR	16.5	16.5
Total			61.7	61.7

BALANCE SHEET (EUR million)	2002	2001
18. DEFERRED TAX LIABILITIES		
Deferred tax assets and liabilities		
Deferred tax assets at start of period	**20.2**	25.8
Tax assets for deductible losses	**1.5**	-1.7
Tax assets for share value write-downs	**11.8**	-
Tax assets for other deductible temporary differences	**4.0**	-3.9
Deferred tax assets at end of period	**37.5**	20.2
Deferred tax liabilities at start of period	**62.8**	78.4
Tax liabilities for cumulative depreciation differences	**2.8**	-2.5
Tax liabilities for revaluations	**-**	-9.0
Tax liabilities for other temporary differences	**3.0**	-4.1
Deferred tax liabilities at end of period	**68.6**	62.8
Net deferred tax liabilities	**31.1**	42.6
Temporary differences	**12.8**	9.1
Appropriations	**52.0**	49.2
Consolidation entries	**-33.7**	-15.7
Total	**31.1**	42.6

All deferred tax assets and liabilities are presented above. Deferred tax assets were deducted from deferred tax liabilities to the amount of EUR 26.9 million as per 31.12.2002, and to the total of EUR 8.7 million as per 31.12.2001. This shows up as a difference compared to the corresponding figures given in the balance sheet.

The deferred tax liabilities related to untaxed reserves of the Finnish Group companies amounted to EUR 52.0 million in 2002 and EUR 49.2 million in 2001. The deferred tax assets are mainly tax assets from share write-downs, tax losses, finance lease and intra-Group profits.

19. PROVISION FOR LIABILITIES AND CHARGES

	Pension liabilities	Restructuring provisions	Enviromental and damage provisions	Deferred income on disposal of Tikkurila CPS	Other provisions	Total
Long-term provisions						
2001						
Balance at beginning of year	15.0	12.4	9.8	32.6	4.6	74.4
Change in provisions	23.9	-6.3	3.0	-1.6	-3.8	15.2
Balance at end of year	38.9	6.1	12.8	31.0	0.8	89.6
2002						
Balance at beginning of year	38.9	6.1	12.8	31.0	0.8	89.6
Change in provisions	-12.8	-0.9	0.1	-2.3	1.2	-14.7
Balance at end of year	**26.1**	**5.2**	**12.9**	**28.7**	**2.0**	**74.9**
Short-term provisions						
2001						
Balance at beginning of year	-	48.0	10.5	-	1.1	59.6
Change in provisions	-	-24.5	2.1	-	0.9	-21.5
Balance at end of year	-	23.5	12.6	-	2.0	38.1
2002						
Balance at beginning of year	-	23.5	12.6	-	2.0	38.1
Change in provisions	7.0	-1.7	-7.7	-	10.8	8.4
Balance at end of year	**7.0**	**21.8**	**4.9**	**-**	**12.8**	**46.5**

BALANCE SHEET (EUR million)	2002	2001
20. CURRENT LIABILITIES		
Interest-bearing short-term liabilities		
Loans from financial institutions	99.2	13.9
Loans from pension institutions	1.6	1.6
Current portion of other long-term loans to others	61.3	15.7
Bills of exchange from others	1.5	1.0
Other interest-bearing short-term liabilities to associates	-	2.5
Other interest-bearing short-term liabilities to others	48.2	89.9
Total interest-bearing short-term liabilities	211.8	124.6
Interest-free short-term liabilities		
Advances received from others	11.8	13.6
Accounts payable to associates	1.0	2.1
Accounts payable to others	189.6	183.4
Accrued expenses and prepaid income to others	221.6	188.1
Other interest-free short-term liabilities to associates	4.4	-
Other interest-free short-term liabilities to others	24.7	31.3
Total interest-free short-term liabilities	453.1	418.5
Total current liabilities	664.9	543.1
Accrued expenses		
Personnel expenses	51.1	45.3
Items related to net sales and purchases	22.4	15.5
Interest	20.5	14.4
Exchange rate differences	21.2	14.0
Taxes	18.0	2.5
Short-term provisions	46.5	38.1
Other	41.9	58.3
Total	221.6	188.1
21. NET LIABILITIES		
Interest-bearing long-term liabilities	636.9	631.5
Interest-bearing short-term liabilities	211.8	124.6
Securities	-40.1	-21.1
Cash and bank	-40.7	-48.7
Total	767.9	686.3

OTHER NOTES (EUR million)

22. PENSION LIABILITIES ACCORDING TO IAS 19

Pension arrangements

The Group has several pension arrangements in different countries. In Finland, the Netherlands and Great Britain pension security has been arranged primarily through the Group's own defined benefit plan pension foundations. In addition, in Sweden the Group has pension arrangements going beyond statutory pension security. In other countries the pension arrangements are handled in accordance with the local regulations and practices. The above mentioned pension foundation arrangements and the pension arrangements in Sweden are in line with a defined benefit plan in which the benefits are determined on the basis of retirement age, suffering of an injury, the insured's decease or ending of the employment relationship. Pension benefits are determined primarily on the basis of years in employment and the final salary or wages, in accordance with the local regulations. Finnish compulsory pension arrangement (TEL) has been accounted for as defined contribution plan also for those TEL arrangements that are handled through own pension foundations. The Group pays contributions to the pension foundations in accordance with the local practice of each country or it assumes responsibility for the payment of pension benefits through insurance companies. 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 pension arrangements of the Group's pension foundations in the Netherlands and Great Britain, additional pension arrangements in Finland as well as the supplementary pension arrangements borne by companies in Sweden, and it furthermore indicates the differences which application of IAS 19 would have caused in the Group's net income and balance sheet.

At 31 December 2002 the pension funds in Great Britain had a pension liability deficit of EUR 63.3 million, which did not have to be covered immediately in accordance with local accounting regulations. The item has been taken into account in the IAS calculation below.

	2002	2001
Defined benefit plan, employee benefit obligations		
Present value of unfunded obligations	40.3	34.6
Present value of funded obligations	824.1	740.7
Fair value of plan assets	-767.0	-766.5
Fair value of pension obligations	97.4	8.8
Unrecognized actuarial gains and losses (-)	-128.9	-18.0
Net IAS liability / receivable (-)	-31.5	-9.2

In 2002 (2001) the assets for pension arrangements include Kemira Oyj shares at a fair value of EUR 5.0 (5.0) million as well as real-estate properties which are in the Group's own use and have a fair value of EUR 8.2 (5.5) million.

OTHER NOTES (EUR million)	2002	2001
Movements in net liability		
Net liability at start of year	-9.2	10.4
Exchange differences on foreign plan	1.6	-2.0
Liabilities acquired in business combinations / new companies in IAS accounting	8.3	10.9
Net expense in the income statement	9.5	-1.9
Contributions included in net income	-41.7	-26.6
Net liability / receivable (-)	-31.5	-9.2
Pension liabilities included in balance sheet	4.1	4.4
Impact on balance sheet if IAS 19 had been applied	-35.6	-13.6
The amounts in the income statement		
Current service cost	6.9	5.7
Interest on obligation	44.8	43.0
Expected return on plan assets	-44.7	-48.1
Net actuarial gains / losses of financial year (-)	2.5	-2.5
IAS pension expenses / decrease in expenses (-)	9.5	-1.9
Contributions included in net income	41.7	26.6
Impact on net income if IAS 19 had been applied (credit -)	-32.2	-28.5
Actual return on plan assets		
Actual return on plan assets / expense (-)	-40.1	-67.2
Principal actuarial assumptions		
Discount rate	5.0 – 5.7%	5.5 – 5.8%
Expected return on plan assets	4.6 – 8.0%	5.0 – 7.0%
Future salary increases	2.3 – 4.4%	2.0 – 5.0%
Future pension increases	2.0 – 2.9%	2.0 – 2.8%

The financial impact of IAS 19

If IAS 19 had been applied in the consolidated financial statements the net income for 2002 would have been EUR 32.2 (28.5) million higher and shareholders' equity at 31 December 2002 EUR 35.6 (13.6) million higher related to the above-mentioned arrangements.

OTHER NOTES (EUR million)	2002	2001
23. COLLATERAL AND CONTINGENT LIABILITIES		
Loans secured by mortgages in the balance sheet and for which mortgages given as collateral		
Loans from financial institutions	6.6	5.5
Mortgages given	6.4	5.3
Loans from pension institutions	73.0	73.9
Mortgages given	91.3	91.2
Other loans	9.4	8.3
Mortgages given	13.4	13.6
Total mortgage loans	89.1	87.6
Total mortgages given	111.1	110.1
Contingent liabilities		
Assets pledged		
On behalf of own commitments	46.3	46.6
On behalf of others	1.0	1.1
Guarantees		
On behalf of associates	63.9	72.7
On behalf of others	1.6	1.6
Operating leasing		
Maturity within one year	3.3	1.0
Maturity after one year	21.0	9.7
Other obligations		
On behalf of associates	-	1.4
On behalf of others	1.0	1.1

In liabilities for 2002 there are EUR 40.2 million of debts related to finance lease. In 2001 the finance lease included in debts amounted to EUR 46.2 million.

There were no collaterals or contingent liabilities related to managing directors, members or deputy members of board of directors and supervisory board during 2002 and 2001.

Litigation

The Group has extensive international operations and is a defendant or plaintiff in a number of proceedings incidental to those operations. The Group does not expect the outcome of any legal proceedings currently pending, either individually or in the aggregate, to have material adverse effect upon the Group's consolidated financial position or results of operations.

24. ENVIRONMENTAL RISKS, LIABILITIES AND LEGAL AFFAIRS

Environmental risks. The bulk of Kemira's business belongs to chemical industry, whose products and operations are governed by numerous international agreements and national legislation all over the world. The Group's operations in 2002 were in material compliance with the existing regulations, except for fairly small individual cases, and no operationally significant legislation-related difficulties were encountered. The Group deals with its environmental liabilities and risks in accordance with IAS regulations and it observes established internal principles and procedures.

The White Paper entitled "Strategy for a Future Chemicals Policy", which was published by the European Commission, did not yet lead to legislative proposals in 2002. Depending on the final form and implementation of the regulations, the strategy may increase significantly the testing and risk assessment costs for chemicals that already are on the European market. Kemira has evaluated the possible effects of the proposal on present products and businesses and is participating in voluntary risk assessment programmes. The Board of Directors does not expect significant detrimental effects at the Group level because the costs will be divided among the companies operating in the market and over the long term.

The European Commission's "Proposal for a framework Directive for greenhouse gas emissions trading within the European Community - COM (2001)581" was approved by the Council of Ministers. According to the proposal, all the installations covered by the system will be required to have a greenhouse gas permit. The condition for an installation-specific permit is that the company has in its possession an amount of greenhouse gas allowances corresponding to actual emissions. The Member States, or their relevant authorities, will allocate the allowances on the basis of national plans. Allowances can be traded between companies if they choose to do so, but each year companies must submit for cancellation a number of such allowances corresponding to the actual emissions. A company that does not have a sufficient amount of allowances will incur financial sanctions. The first phase of the system, which precedes the so called commitment period under the Kyoto Protocol, will begin in 2005 and last up to the end of 2007. In the initial phase, allowances will be allocated to the participating installations without payment. Kemira has in the EU area four locations which will probably fall within the scope of the above-mentioned scheme.

Environmental liabilities. Contamination of the soil and ground water caused by past operations has been studied at all the Group's main sites. New site assessments were made in connection with business transactions that have been carried out or are in the planning stage.

An investigation was completed on the effect of the EU landfill directive on the company's operations. In line with the assessment, the necessary changes were made to the Group's environment-based provisions for two locations in Finland (Kokkola and Pori). In addition, at the Vaasa plant a plan has been submitted concerning the limited remediation of the sediment of the nearby lake. The consolidated balance sheet contains a reserve to cover the estimated remediation cost.

The acquisition of Vinings Chemicals Inc in the United States involved an extensive environmental due diligence project. A notification of soil contamination, as required by relevant legislation, was submitted to the authorities in respect of three locations. The necessary, limited remediation measures have been undertaken, and significant additional requirements are not pending. The assessment did not reveal major asbestos-related risks.

In connection with the acquisition of the Alcro-Beckers paint business, soil contamination at two sites, caused by past operations, has been taken into account in the purchase agreement and, additionally, appropriate provision has been made. In consecutive studies carried out at the plant in Poland, such contamination of soil and ground water has been observed that remedial action is needed. The authorities are aware of the situation.

Thorough due diligence was carried out as part of the preparations for decoupling Kemira Agro Oy. Soil contamination calling for remedial measures has been observed at two sites in Belgium.

Environmental legal affairs, cases and claims. In Finland, an appeal concerning the waste management permit for Kemira Phosphates Oy's Siilinjärvi plant is still pending in the Supreme Administrative Court. The appealed permit spells out significant conditions concerning future landscaping measures for the piling areas of by-products and wastes. The outcome of the appeal process cannot be forecast.

In the United States, Kemira Chemicals Inc. may possibly be a defendant, to a minor extent, in a class action concerning an external contaminated property. The case is not expected to have significant financial effects.

25. MANAGEMENT OF FINANCIAL RISKS

The Group is exposed to a number of financial risks. The task of Group Treasury is to attend to the management of financial risks in accordance with the financial policy that is in effect. The policy of Kemira's Treasury operations is approved by the company's Board of Directors. The policy defines the operational principles of financial management as well as the maximum permissible amounts of financial risks. In addition, the Board of Directors confirms an action plan for treasury operations each year.

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. The company employs various financial instruments, such as forward rate agreements, 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.

PRICE RISK

Foreign exchange risk

The international nature of operations exposes the Group to foreign exchange 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. At the Group level the largest foreign exchange risks, expressed in millions of euros, are estimated to have the following breakdown in 2003:

Currency (EUR million)	USD	SEK	GBP	PLN	Others
Net flow	142	-17	-15	21	9
Hedging	-79	16	0	1	-3
Exposure after hedging	63	-1	-15	20	6
Hedge ratio	**56%**	**94%**	**0%**	**5%**	**33%**

At year end 2002, currency flow from commercial activities for 2003 is estimated to be about EUR 204 million and on average 50% of this was hedged (the degree of hedging in 2001 was 48%). Forwards and currency options are the principal means of hedging foreign exchange risk. The hedge ratio is tracked daily.

The basic guideline for hedging foreign exchange risks is that 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.

The Group's largest shareholders' equity items are in the Swedish krona, the British pound and the United States dollar. 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.

In hedging the net investment in foreign units, the equity ratio is monitored such that if a change of +/- 5.0% in the foreign exchange rates causes a change of more than 1.5 percentage point in the equity ratio, hedging measures have to be undertaken.

The Group's shareholders' equity amounts in foreign currency are hedged against exchange rate changes by means of long-term loan agreements, forward contracts or currency swaps. At the balance sheet date a Swedish krona-denominated loan of 300 million Swedish kronor is used as a hedge for the shareholders' equity in Sweden and, similarly, a loan raised in United States dollars is hedging the shareholders' equity of a unit in the United States. The shareholders' equity of the company in Japan is hedged with a combination of a currency swap and a forward contract. The Group's shareholders' equity in the Canadian dollar is hedged through a forward contract. The aggregate nominal value of the instruments used to hedge net investments in foreign units was EUR 103 million at the end of 2002. The agreements are treated, in accordance with IAS 39, as the hedging of a net investment in an independent foreign unit. The efficiency of the hedging is monitored in the manner prescribed by the standard.

Currency (EUR million) 31.12.2002	**Equity**	**Hedging**	**Exposure after hedging**
SEK	200	33	167
GPB	100	0	100
USD	52	52	0
CAD	39	14	25
PLN	35	0	35
DKK	34	0	34
Others	58	4	54
Total	**518**	**103**	**415**

Interest rate risk

In order to manage interest rate risks, the Group's borrowing and investments are spread out between fixed and floating interest rate instruments. Other instruments used are interest rate swaps, forward rate agreements and interest rate options. The longest interest rate swaps fall due in 2007. At the end of 2002, 37% of the Group's entire loan portfolio consisted of fixed-interest borrowings including pension loans and derivatives.

Group Treasury measures the interest rate risk by means of the duration of the loan portfolio and sensitivity analysis. The duration of the long-term loan portfolio at the end of 2002 was eleven months including interest rate derivatives and five months without derivatives. One year is used as the duration of pension loans.

An increase of one percentage point in the level of interest rates at the end of 2002 would have lowered the market value of the portfolio of long-term liabilities by EUR 6.7 million including interest rate derivatives and by EUR 2.4 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 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.

In 2003 the duration of the loan portfolio can vary in a range of 6–24 months. In 2003 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 interest rate portfolio.

CREDIT RISK

Financing-related credit risk

Counterparty risk is due to the fact that a contractual party to a financing transaction is not necessarily able to fulfil its obligations under the agreement. Counterparty risks in treasury operations 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.

Counterparty credit rating requirements are defined in the Group's financial 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 about 15 approved financial institution counterparties, all of which have a rating of at least A-. In addition, Group 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.

Commercial credit risk

The Group's 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. For part of the customers credit insurance policies are taken out, either on a business unit basis or for the entire customer portfolio. In other market areas document payments are in use, such as letters of credit.

LIQUIDITY RISK

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 long-term note/bond 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 average maturity of long-term loans (excluding pension loans) was 3.9 years at the turn of the year and by 2005, 57% of them, or EUR 233 million, will fall due. The Group's solvency and funding arrangements are safeguarded by maintaining good liquidity and by means of revolving credit facilities. Syndicated credits contain 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).

The Group has a commercial paper programme providing for the raising of a maximum of EUR 150 million as well as a Euro Commercial Paper (ECP) programme, within which a maximum of USD 200 million can be raised. The ECP programme was used to a very minor extent in 2002. At the end of the year commercial paper programmes amounting to EUR 5 million were in use.

The Group's average liquidity in 2002 was EUR 72 million. At the end of 2002, the Group's liquidity amounted to EUR 81 million as well as an unused revolving credit facility of about EUR 292 million, for a total of EUR 373 million.

DOCUMENTATION RISK

The Group's documentation risk for financing agreements is managed by concentrating the approval of financing agreements within Group Treasury as well as by using standardized agreement models. In loan agreements the company observes the normal terms and conditions of agreement prevailing on the market.

Derivative instruments (EUR million)	31.12.2002 Nominal value	31.12.2002 Fair value	31.12.2001 Nominal value	31.12.2001 Fair value
Currency instruments				
Forward contracts *)	**278.7**	**9.5**	390.4	0.3
of which for equity hedging	**21.1**	**3.8**	42.5	-0.1
Currency options *)				
Bought	**224.9**	**6.1**	152.9	-1.8
Sold	**418.6**	**-0.5**	232.5	0.8
Currency swaps	**145.1**	**-14.1**	114.0	-1.3
of which for equity hedging	**12.5**	**-1.2**	-	-
Interest rate instruments				
Interest rate swaps	**145.4**	**-8.8**	182.2	-3.0
Interest rate options	**92.8**	**-1.1**	20.0	0.1
Bought	**29.6**	**-0.2**	10.0	0.2
Sold	**63.2**	**-0.9**	10.0	0.0
Forward rate agreements	**448.2**	**-0.2**	1,548.0	-0.1
Of which open	**47.7**	**-0.2**	150.0	-0.1
Bond futures	**25.0**	**-0.1**	86.0	0.0
Of which open	**5.0**	**-0.1**	-	-
Other derivatives				
Oil futures	**-**	**-**	0.0	0.0

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

*) Also include closed currency positions. Open positions are shown under Hedging in the foreign exchange risk table.

Fair value of the most important financial instruments which were entered in the balance sheet at their acquisition cost (EUR million)	Balance sheet value 2002	Fair value 2002
Assets		
Loans to associated companies	**41.0**	**51.7**
Short-term deposits with financial institutions	**40.1**	**40.1**
Shareholder's equity and liabilities		
Long-term loans from financial institutions	**355.1**	**323.1**
of which for equity hedging	**85.2**	**86.1**
Pension loans	**228.7**	**232.5**
Bonds and notes	**61.7**	**63.4**
Leasing liabilities	**42.0**	**42.7**

The fair value of contracts has been calculated on the basis of the present value of the cash flows arising from them.
The valuation of financial instruments has been calculated according to the date of the trade, whereas the purchase and sale of financial assets are booked according to the settlement date.

26. SHARES AND HOLDINGS OF GROUP COMPANIES			Holding %
Associated companies			
A/S Ammonia	Fredericia	Denmark	33.3
Alcro-Beckers Barvy Tjeckien	Prague	Czech Republic	25.0
Aluminium Sulphate Co. of Egypt, S.A.E.	Cairo	Egypt	26.1
Biolchim Tunisie	Carthage	Tunisia	25.0
CPS Color Group Oy	Vantaa	Finland	26.4
DA Kemikaalide AS	Tallinn	Estonia	40.0
Farmit Website Oy	Helsinki	Finland	50.0
Färgsam AB	Stockholm	Sweden	20.0
Haapaveden Puhdistamo Oy	Haapavesi	Finland	20.7
Indkoebsselskabet for Kali I/S	Fredericia	Denmark	50.0
Kemax B.V.	Rozenburg	The Netherlands	50.0
Kemira Arab Potash Company	Amman	Jordan	49.0
Kemira Compound Fertiliser (Zhanjiang) Co. Ltd.	Zhanjiang	China	49.0
Kemira Emirates Fertilizers Company (Kefco)	Dubai	United Arab Emirates	30.0
Kemira Kuok Fertilizer Sdn. Bhd.	Kuala Lumpur	Malaysia	30.0
Kemira Thai Co. Ltd	Bangkok	Thailand	49.5
Kemwater Phil., Corp.	Manila	Philippines	40.0
Movere Oy	Lahti	Finland	50.0
Pharmatory Oy	Oulu	Finland	24.0
Oy Polargas Ab	Oulu	Finland	30.0
PK Düngerhandelsgesellschaft m.b.H.	Hannover	Germany	50.0
Scanspac & Co KB	Sala	Sweden	50.0
Scanspac AB	Sala	Sweden	50.0
SECO S.A.	Ribécourt	France	49.7
Superstar Fertilizers Co. Ltd	Bangkok	Thailand	40.0
Swede Pavimenta S.a.s di Carazza & Co	Pecetto	Italy	30.0
Swedish Water Corporation AB	Stockholm	Sweden	20.0
Union Kemira Co.	Abu Dhabi	United Arab Emirates	49.0
Varteko Valduse AS	Pärnu	Estonia	44.8
Other shares and holdings			
A. Jalander Oy		Finland	16.0
Forcit Oy		Finland	15.4
Kemiron Companies Inc.		United States	15.0
Suomen Rehu Oy		Finland	19.9

27. SEGMENT DATA

The Group is organized into the following main business areas: Chemicals, Paints and Coatings, and Agro.

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.

2002

EUR million	Chemicals	Paints and Coatings	Agro	Other	**Group**
Income statement					
External net sales	1,003.2	449.5	1,124.0	35.6	**2,612.3**
Intra-Group sales	55.1	0.1	41.2	-96.4	**-**
Net sales, total	1,058.3	449.6	1,165.2	-60.8	**2,612.3**
Share of the associates' net income	2.9	1.5	-2.6	3.7	**5.5**
One-time impairment	-	-	-78.2	-	**-78.2**
Operating income	74.9	25.4	-34.4	-20.4	**45.5**
Other information					
Assets of businesses	1,089.1	354.4	750.8	85.9	**2,280.2**
of which holdings in associated companies	21.2	3.3	24.6	9.1	**58.2**
Unallocated assets					**211.0**
Consolidated assets, total					**2,491.2**
Liabilities of businesses	138.4	67.4	173.7	82.9	**462.4**
Unallocated liabilities					**956.1**
Consolidated liabilities, total					**1,418.5**
Capital expenditure	143.7	23.5	71.4	4.9	**243.5**
Depreciation	92.4	21.3	57.7	4.7	**176.1**
One-time impairment of fixed assets	-	0.2	52.4	-	**52.6**
Cash flows					
Operations	148.4	61.2	116.9	-36.7	**289.8**
Net capital expenditure	-124.1	-20.8	-61.5	-16.2	**-222.6**
Financing	-17.3	-36.3	-77.5	74.9	**-56.2**

2001

EUR million	Chemicals	Paints and Coatings	Agro	Other	**Group**
Income statement					
External net sales	830.1	445.3	1,121.4	57.6	**2,454.4**
Intra-Group sales	70.7	0.1	36.4	-107.2	**-**
Net sales, total	900.8	445.4	1,157.8	-49.6	**2,454.4**
Share of the associates' net income	3.7	1.6	-3.2	-1.7	**0.4**
Operating income	91.2	16.7	49.4	-13.2	**144.1**

2001 EUR million	Chemicals	Paints and Coatings	Agro	Other	Group
Other information					
Assets of businesses	963.0	375.0	856.9	66.7	**2,261.6**
of which holdings in associated companies	30.3	3.3	32.8	8.0	**74.4**
Unallocated assets					**188.3**
Consolidated assets, total					**2,449.9**
Liabilities of businesses	183.7	85.7	234.8	2.6	**506.8**
Unallocated liabilities					**811.4**
Consolidated liabilities, total					**1,318.2**
Capital expenditure	109.2	126.3	60.9	1.7	**298.1**
Depreciation	78.9	23.0	62.3	-3.7	**160.5**
Cash flows					
Operations	161.6	-19.3	29.2	-46.4	**125.1**
Net capital expenditure	-105.2	-122.2	-43.4	-0.7	**-271.5**
Financing	-56.5	143.9	23.3	-141.1	**-30.4**

Geographical segment

	2002	2001
Net sales		
Finland	**457.8**	487.4
Other EU countries	**1,311.8**	1,350.1
Rest of Europe	**380.6**	337.7
North and South America	**224.4**	104.4
Asia	**167.2**	143.1
Other countries	**70.5**	31.7
Total	**2,612.3**	2,454.4
Assets (tangible and intangible fixed assets)		
Finland	**530.8**	490.8
Other EU countries	**508.9**	591.8
Rest of Europe	**56.2**	64.1
North and South America	**150.0**	52.2
Asia	**44.8**	38.4
Other countries	**2.4**	-
Total	**1,293.1**	1,237.3
Capital expenditure		
Finland	**109.1**	67.6
Other EU countries	**70.3**	207.2
Rest of Europe	**3.7**	14.7
North and South America	**52.4**	7.9
Asia	**1.5**	0.7
Other countries	**6.5**	-
Total	**243.5**	298.1

28. CHANGES IN GROUP STRUCTURE 2002

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

- Kemira Chemicals Oy founded a new holding company, Kemira Chemicals Holding Oy, in January.
- The deal between Kemira and J.P. Morgan Partners, an equity and venture capital company, concerning the acquisition of Vinings Industries of North America was closed on 31 January 2002. The operating companies are Kemira Specialty Chemicals, Inc., Kemira Chemicals, Inc. and Kemira Paper Chemicals Canada, Inc.
- Kemira's holding in PCS Paper Chemicals Systems Vertriebges.mbH of Austria increased from 55% to 100% in January.
- Kemira raised its holding in Färghuset i Malmö AB and Golv & Färghuset Peter Alvefelt AB from 91% to 100%.
- The Group's interest in Comercial de Fertilizantes Liquidos S.A. increased from 50% to 100% in September.
- Kemira Metalkat Oy founded a holding company named Metalkat U.S. Inc. This holding company owns 60% of Universal Kat, Plc.
- The Group's holding in Metalkat Romania S.A. increased from 80% to 89.5%.
- Kemira Agro's Animal Nutrition unit acquired the Kynoch Feeds business in South Africa. A new company, Kemira Phosphates (Pty) Ltd, which is 74% owned by Kemira Phosphates Oy, was established.
- Agro's holding in KK Animal Nutrition increased from 50% to 87%.

Divestments of Group companies

- PCS Paper Chemicals Systems Vertriebges.mbH in Germany was sold in January.
- Alcro-Beckers subsidiary Sundsvalls Färghandel AB was sold in June.
- Kemira Agro's subsidiary Mykora Oy was sold in July.
- Kemira Agro Oy sold 20% of Verdera Oy's shares to BioFund Management Oy in November.
- Kemira Chemicals Canada NRO Inc. was dissolved in December.

Intra-group changes in holdings in Group companies

- Kemira Chemicals Oy sold the entire shares outstanding in Kemira Phosphates Oy to Kemira Agro Oy at the end of July. In consideration, Kemira Chemicals received Agro shares and became an owner of Kemira Agro, with a 15% stake.
- Kemira Oyj sold the entire shares outstanding in Kemira Danmark Holding A/S, together with Kemira Danmark A/S, to Kemira Agro Oy in August.
- Kemira Danmark Holding A/S sold Kemira Miljö A/S to Kemira Kemi AB.
- Kemira Pigments Holding B.V. sold Kemira Agro Rozenburg B.V. and Kemira Agro Pernis B.V. to Kemira Agro Holding B.V.

Name changes

- Within the Paints and Coatings division, A/S Baltic Color (Latvia) was renamed SIA Vivacolor; UAB Baltic Color (Lithuania) was renamed UAB Vivacolor and AS Baltic Color (Estonia) was renamed AS Vivacolor.
- Polifarb Becker Debica SA was renamed TBD S.A. in January.
- Kemira Agro Muurla Oy was renamed Verdera Oy. Kemira Agro Oy's Biocontrol business was transferred to Verdera Oy at the beginning of April.
- Liprokem B.V. was renamed Kemira Specialty Crop Care B.V.
- Tikkurila AB was renamed Tikkurila Coatings AB in June.

Kemira Oyj financial statements

INCOME STATEMENT

EUR million	Note	2002	2001
		1.1. – 31.12.	
Net sales	1	22.8	21.0
Other income from operations	2	0.3	0.6
Cost of sales	3, 4	-57.2	-35.1
Depreciation	5	-2.2	-1.3
Operating income		-36.3	-14.8
Financial income and expenses	6	127.2	11.6
Income before extraordinary items, appropriations and taxes		90.9	-3.2
Extraordinary items	7	94.4	112.1
Income before appropriations and taxes		185.3	108.9
Appropriations	5, 8	-2.2	-0.4
Direct taxes	9	-53.3	-31.6
Net income		129.8	76.9

BALANCE SHEET

EUR million	Note	2002	2001
		31.12.	
ASSETS			
Non-current assets			
Intangible assets	10	11.8	1.0
Tangible assets	11	25.9	23.5
Investments	12		
Shares in Group companies		402.3	451.2
Holdings in associates		5.0	5.0
Other shares and holdings		3.1	3.4
Own shares		28.2	21.2
Other investments		358.1	466.2
Total investments		796.7	947.0
Total non-current assets		834.4	971.5
Current assets			
Receivables	13		
Interest-bearing receivables		201.4	55.4
Interest-free receivables		152.8	149.7
Total receivables		354.2	205.1
Securities	14	514.6	335.8
Cash and bank		4.1	4.3
Total current assets		872.9	545.2
Total assets		1 707.3	1 516.7
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	15		
Share capital		217.0	217.0
Share premium account		252.5	252.5
Reserve for own shares		28.2	21.2
Retained earnings		295.1	260.6
Net profit for the financial year		129.8	77.0
Total shareholders' equity		922.6	828.2
Appropriations	16	3.1	0.9

EUR million	Note	2002	2001
Long-term liabilities			
Interest-bearing long-term liabilities	17	379.3	367.7
Total long-term liabilities		379.3	367.7
Current liabilities	18		
Interest-bearing short-term liabilities		334.0	277.0
Interest-free short-term liabilities		68.3	42.8
Total current liabilities		402.3	319.8
Total liabilities		781.6	687.5
Total liabilities and shareholders' equity		1,707.3	1,516.7

CASH FLOW STATEMENT

EUR million	2002	2001
Funds from operations		
Operating income	-36.3	-14.8
Adjustments to operating income	-0.2	-0.5
Depreciation	2.2	1.3
Interest income	42.6	29.4
Interest expense	-29.6	-16.1
Dividend received	173.1	0.6
Other financing items	-44.2	-11.1
Taxes	-63.3	-32.2
Total funds from operations	44.3	-43.4
Change in net working capital		
Short-term receivables	-12.2	2.1
Non-interest-bearing short-term liabilities	26.8	10.2
Change in net working capital, total	14.6	12.3
Cash flow from operations	58.9	-31.1
Capital expenditure		
Acquisitions of Group companies	-1.2	-12.1
Acquisitions of associated companies	-	-
Purchase of other fixed assets	-15.9	-4.5
Disposal of Group companies	50.2	1.0
Disposal of associated companies	-	-
Sales of other fixed assets	0.9	0.6
Total capital expenditure	34.0	-15.0
Cash flow before financing	92.9	-46.1
Financing		
Change in long-term loans (increase +, decrease -)	97.9	24.1
Change in long-term loan receivables (increase +, decrease -)	108.1	-76.2
Short-term financing, net (increase +, decrease -)	-189.9	-24.1
Group contribution	112.1	109.5
Dividend paid	-35.5	-36.7
Own shares	-7.0	-28.8
Financing, total	85.7	-32.2
Increase / decrease in liquid funds	178.6	-78.3
Liquid funds at end of year	518.7	340.1
Liquid funds at beginning of year	340.1	418.4
Increase / decrease in liquid funds	178.6	-78.3

INCOME STATEMENT (EUR million)	**2002**	2001
1. NET SALES		
Net sales	**22.8**	21.0

Net sales consist of sale of electricity to Finnish Group companies and other external customers in Finland.

2. OTHER INCOME FROM OPERATIONS

Gains on the sale of fixed assets	**0.3**	0.6
Other income	**0.0**	0.0
Total	**0.3**	0.6

3. COST OF SALES

Materials and services		
Materials and supplies		
Purchases during the financial year	**14.4**	14.6
Total materials and services	**14.4**	14.6
Personnel expenses	**12.5**	13.2
Rents	**2.4**	2.4
Losses on the sales of fixed assets	**22.1**	1.0
Other expenses	**5.8**	3.9
Total	**57.2**	35.1

4. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

Emoluments of the Supervisory Board	**0.1**	0.1
Emoluments of the Board of Directors and the managing director 1)	**0.5**	0.4
Other wages and salaries	**8.8**	7.9
Pension expenses	**2.4**	4.2
Other personnel expenses	**0.7**	0.6
Total	**12.5**	13.2

1) The managing director received a remuneration of EUR 324,472 which did not include profit sharing bonuses.

The members of the Board of Directors are paid a monthly emolument and a meeting fee; other compensation is not paid. The chairman of Kemira Oyj received EUR 34,800, the vice chairman EUR 29,080 and each of the members EUR 23,258. The chairman of the Supervisory Board received EUR 12,633 and the vice chairman EUR 8,025 and each of the members EUR 6,708.

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

Management's pension commitments
The managing director and deputy managing director of Kemira Oyj are entitled to retire at the age of 60. The maximum remuneration is 66% of the pension salary. This 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.

Personnel

Personnel, average	**257**	235
Personnel at year end	**335**	233

5. DEPRECIATION	**2002**	2001
Scheduled depreciation		
Intangible assets		
Intangible rights	**0.0**	0.0
Other long-term expenditures	**0.8**	0.1
Tangible assets		
Buildings and constructions	**0.3**	0.3
Machinery and equipment	**1.1**	0.9
Other tangible assets	**0.0**	0.0
Total	**2.2**	1.3
Decrease in difference between scheduled and actual depreciation		
Intangible assets	**0.0**	0.0
Other long-term expenditures	**-1.7**	-0.1
Buildings and constructions	**-0.2**	-0.1
Machinery and equipment	**-0.3**	-0.2
Total	**-2.2**	-0.4

6. FINANCIAL INCOME AND EXPENSES

Financial income		
Dividend income		
Dividend income from Group companies	**172.6**	0.2
Dividend income from associates	**-**	0.0
Dividend income from others	**0.5**	0.4
Total dividend income	**173.1**	0.6
Interest income		
From long-term investments from Group companies	**22.3**	21.2
From short-term investments from Group companies	**15.9**	14.8
From short-term investments from others	**3.3**	5.2
Total interest income	**41.5**	41.2
Other financial income		
Other financial income from Group companies	**0.2**	0.2
Total other financial income	**0.2**	0.2
Exchange differences		
Net exchange differences from Group companies	**-**	-
Net exchange differences from others	**50.6**	5.1
Total exchange differences	**50.6**	5.1
Total financial income	**265.4**	47.1
Financial expenses		
Investment depreciation		
Depreciation in loan receivables	**-56.5**	-
Total investment depreciation	**-56.5**	-
Interest expenses		
Interest expenses to Group companies	**-6.1**	-9.0
Interest expenses to others	**-30.1**	-20.0
Total interest expenses	**-36.2**	-29.0
Other financial expenses	**-0.7**	-0.8
Exchange differences		
Net exchange differences from Group companies	**-44.8**	-5.7
Net exchange differences from others	**-**	-
Total exchange differences	**-44.8**	-5.7
Total financial expenses	**-138.2**	-35.5
Total financial income and expenses	**127.2**	11.6

Exchange gains and losses

Realized	**-5.0**	2.6
Unrealized	**10.8**	-3.2
Total	**5.8**	-0.6

7. EXTRAORDINARY ITEMS

	2002	2001
Extraordinary income		
Group contributions received	96.6	115.6
Total	96.6	115.6
Extraordinary expenses		
Group contribution granted	-2.2	-3.5
Total	-2.2	-3.5
Total extraordinary income and expenses	94.4	112.1

8. CHANGE IN APPROPRIATIONS

	2002	2001
Increase in depreciation difference	-2.2	-0.4
Total	-2.2	-0.4

9. DIRECT TAXES

	2002	2001
Direct taxes on extraordinary items	27.3	32.5
Direct taxes, current year	23.1	-3.6
Direct taxes, previous years	2.8	2.6
Other	0.1	0.1
Total	53.3	31.6

BALANCE SHEET (EUR million)

10. INTANGIBLE ASSETS

	Intangible rights	Other long-term expenditures	2002 total	2001 total
Acquisition cost at beginning of year	0.7	1.1	1.8	1.2
Increases	0.0	11.7	11.7	0.7
Decreases	0.0	-0.1	-0.1	-0.1
Acquisition cost at end of year	0.7	12.7	13.4	1.8
Accumulated depreciation at beginning of year	-0.4	-0.4	-0.8	-0.8
Accumulated depreciation relating to decreases and transfers	-	-	-	0.1
Depreciation during the financial year	0.0	-0.8	-0.8	-0.1
Accumulated depreciation at end of year	-0.4	-1.2	-1.6	-0.8
Net book value at end of year	0.3	11.5	11.8	1.0

11. TANGIBLE ASSETS

	Land and water areas 1)	Buildings and constructions 2)	Machinery and equipment	Other tangible assets	Advances paid and fixed assets assets under construction	2002 total	2001 total
Acquisition cost at beginning of year	2.7	28.4	11.9	0.5	0.3	43.8	40.4
Increases	-	0.0	2.6	-	1.5	4.2	4.6
Decreases	-	-0.1	-0.7	0.0	0.0	-0.8	-1.2
Acquisition cost at end of year	2.7	28.3	13.8	0.5	1.9	47.2	43.8
Accumulated depreciation at beginning of year	-	-12.1	-7.7	-0.4	-	-20.3	-19.4
Accumulated depreciation relating to decreases and transfers	-	0.1	0.3	0.0	-	0.4	0.3
Depreciation during the financial year	-	-0.3	-1.1	0.0	-	-1.4	-1.2
Accumulated depreciation at end of year	0.0	-12.3	-8.5	-0.4	0.0	-21.3	-20.3
Net book value at end of year	2.7	16.0	5.3	0.0	1.9	25.9	23.5

1) The acquisition cost and the book value of land and water areas include revaluations of EUR 0.6 million in 2002 and in 2001.
2) The acquisition cost of buildings and constructions include revaluations of EUR 5.0 million in 2002 and in 2001.

12. INVESTMENTS

	Group company shares	Holdings in associates	Other shares	Investments in Group companies	Own shares	2002 total	2001 total
Acquisition cost at beginning of year	451.3	5.0	3.4	466.1	21.2	947.0	867.4
Increases	1.2	-	0.0	-	7.0	8.2	41.0
Decreases	-50.2	-	-0.3	-	-	-50.5	-37.4
Receivables from Group companies	-	-	-	-108.0	-	-108.0	76.2
Net book value at end of year	402.3	5.0	3.1	358.1	28.2	796.7	947.0

Shares and holdings are specified in Note 20.

BALANCE SHEET (EUR million)	**2002**	2001
13. RECEIVABLES		
Current receivables		
Interest-bearing short-term receivables		
Loan receivables from Group companies	**201.4**	55.4
Total interest-bearing short-term receivables	**201.4**	55.4
Interest-free short-term receivables		
Accounts receivable		
Accounts receivable from Group companies	**3.7**	2.3
Accounts receivable from others	**2.4**	0.2
Total accounts receivable	**6.1**	2.5
Advances paid	**3.8**	2.9
Prepaid expenses and accrued income		
Prepaid expenses and accrued income from Group companies	**105.3**	122.6
Prepaid expenses and accrued income from others	**37.5**	21.5
Total prepaid expenses and accrued income	**142.8**	144.1
Other interest-free short-term receivables		
Other receivables	**0.1**	0.2
Total interest-free short-term receivables	**0.1**	0.2
Total current receivables	**152.8**	149.7
Total receivables	**354.2**	205.1
Loans to management	**-**	-
Prepaid expenses and accrued income		
Interests	**10.8**	11.9
Taxes	**10.6**	0.6
Exchange differences	**14.6**	15.9
Group contribution	**96.5**	115.6
Other	**10.3**	0.1
Total	**142.8**	144.1

14. SECURITIES

Securities in Group companies	**484.4**	332.8
Securities in other companies	**30.2**	3.0
Total	**514.6**	335.8

15. SHAREHOLDERS' EQUITY	**2002**	2001
Share capital at 1 Jan. and 31 Dec.	**217.0**	217.0
Share premium account at 1 Jan. and 31 Dec.	**252.5**	252.5
Fund for own shares at 1 Jan.	**21.2**	28.8
Donations	**7.0**	28.8
Cancellation of own shares	**-**	-36.4
Fund for own shares at 31 Dec.	**28.2**	21.2
Retained earnings at 1 Jan.	**337.6**	326.2
Net profit for the year	**129.8**	76.9
Dividends paid	**-35.5**	-36.7
Purchase of own shares	**-7.0**	-28.8
Donations	**0.0**	0.0
Retained earnings and net profit for the year at 31 Dec.	**424.9**	337.6
Total shareholders' equity at 31 Dec.	**922.6**	828.2

16. APPROPRIATIONS

Appropriations		
Cumulative depreciation difference in the balance sheet is as follows:		
Buildings and constructions	**0.4**	0.3
Machinery and equipment	**0.8**	0.5
Other tangible assets	**0.1**	0.0
Intangible rights	**0.0**	0.0
Other long-term expenditures	**1.8**	0.1
Total	**3.1**	0.9
Change in appropriations		
Appropriations at 1 Jan.	**0.9**	0.5
Change in untaxed reserves	**2.2**	0.4
Appropriations at 31 Dec.	**3.1**	0.9

Deferred tax liabilities on accumulated depreciation differencies were EUR 0.9 million at 31 Dec. 2002 and EUR 0.3 million at 31 Dec. 2001.

17. LONG-TERM INTEREST-BEARING LIABILITIES

Debentures and other bond loans	**16.5**	61.7
Loans from financial institutions	**326.3**	261.5
Loans from pension institutions	**36.5**	44.5
Total	**379.3**	367.7

Long-term interest-bearing liabilities maturing in	2002	2001
2004 (2003)	**129.7**	138.2
2005 (2004)	**65.6**	40.0
2006 (2005)	**16.5**	58.3
2007 (2006)	**75.0**	18.0
2008 (2007) or later	**92.5**	113.2
Total	**379.3**	367.7

Interest-bearing liabilities maturing in 5 years or longer		
Loans from pension institutions	**18.6**	44.5
Other long-term interest-bearing liabilities	**74.0**	68.7
Total	**92.6**	113.2

Debentures and other bond loans

Loan	Loan currency		
Kemira Oyj 4.4% 24.11.98-03 II JVK	EUR	**45.2**	45.2
Kemira Oyj 4.8% 24.11.98-06 II JVK	EUR	**16.5**	16.5
Total		**61.7**	61.7

The Group has no convertible bonds.

18. CURRENT LIABILITIES

Interest-bearing short-term liabilities		
Loans from financial institutions	**37.8**	41.7
Current portion of other long-term loans to others	**149.6**	18.1
Other interest-bearing short-term liabilities		
to Group companies	**132.7**	165.5
to others	**13.9**	51.7
Total interest-bearing short-term liabilities	**334.0**	277.0

Interest-free short-term liabilities		
Advances received	**6.0**	3.0
Accounts payable		
to Group companies	**1.5**	0.4
to others	**2.1**	1.9
Total accounts payable	**3.6**	2.3
Accrued expenses and prepaid income		
to Group companies	**16.0**	5.5
to others	**42.4**	31.7
Total accrued expenses and prepaid income	**58.4**	37.2
Pension liabilities		
Other interest-free liabilites to others	**0.3**	0.3
Total interest-free short-term liabilities	**68.3**	42.8
Total current liabilities	**402.3**	319.8

Accrued expenses and prepaid income		
From salaries	**2.4**	1.7
From interests and exchange differences	**41.1**	28.6
From taxes	-	-
From Group contribution	**2.2**	3.5
Other	**12.7**	3.4
Total	**58.4**	37.2

19. COLLATERAL AND CONTINGENT LIABILITIES

	2002	2001
Loans secured by mortgages in the balance sheet and for which mortgages given as collateral		
Loans from pension institutions	**3.4**	3.4
Mortgages given	**5.9**	5.9
Contingent liabilities		
Assets pledged		
On behalf of own commitments	**0.8**	1.5
On behalf of Group companies	**9.3**	8.6
Guarantees		
On behalf of Group companies		
for loans	**59.2**	95.2
for leasing obligations	**48.5**	46.4
for other obligations	**1.8**	0.7
On behalf of associates	**22.4**	25.0
On behalf of others	**1.4**	1.6
Total	**133.3**	168.9
Letter of Comfort obligations [1]		
On behalf of Group companies		
for credits	-	0.7
for leasing agreements	**0.0**	0.0
Total	**0.0**	0.7

1) Letter of Comfort obligations do not constitute a legal guarantee.

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

20. SHARES AND HOLDINGS OF KEMIRA OYJ

Shares in subsidiaries	Group holding %	Kemira Oyj holding %
Kemira Agro Oy	100	85
Kemira Chemicals Oy	100	100
Kemira Metalkat Oy	100	100
Kemira Pigments Latin America Comercial Limitada	100	50
Kemira Pigments Oy	100	100
Kemira Pigments S.A	100	50
Multirange B.V.	100	100
Spruce Vakuutus Oy	100	100
Tikkurila Oy	100	100

Other shares and holdings		
A. Jalander	16	16
American Tree Co	6.25	6.25
Ekokem Oy Ab	1.42	1.42
Forcit Oy	15.35	15.35
Innopoli Oy	0.72	0.72
Kerilon Inc.	100	100
Liikkeenjohdon koulutuskeskus	2	2
Luoston Huolto Oy	1.33	1.33
Tahkoluodon Polttoöljy Oy	6.75	6.75
Teollisuuden Voima Oy	1.86	1.86
Vuorikemia Pori Oy	100	100

Proposal for the distribution of profits

The net profit of Kemira Oy for the 2002 financial year was EUR 129,797,439 and the distributable equity at 31 December 2002 was EUR 424,906,564. The Group's non-restricted equity was EUR 583,619,000. The parent company's payment of a dividend is limited by the Group's distributable equity, EUR 442,666,000, 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 0.30 per share, or EUR 35,451,300, be paid for the financial year. It is proposed that EUR 500,000 be reserved for use by the Board of Directors for purposes promoting the common good (among other things, for donations to the Kemira Oyj Foundation).

Helsinki, 10 February 2003

Sten-Olof Hansén

Niilo Pellonmaa	Ritva Hainari
Eija Malmivirta	Matti Packalén
Anssi Soila	Tauno Pihlava CEO

Auditors' report

To the shareholders of Kemira Oyj

We have audited the accounting, the financial statements, and the administration of Kemira Oyj for the year ended 31 December 2002. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on administration of the parent company.

We have conducted the audit in accordance with Finnish Standards on auditing. Those standards require that we plan and perform the audit in order 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 administration is to examine that the members of the Supervisory Board and the Board of Directors and the Managing Director have legally complied with the rules of the Finnish Companies Act.

In our opinion 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 Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Supervisory Board and 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 made by the Board of Directors regarding the distribution of distributable earnings is in compliance with the Finnish Companies Act.

Helsinki, 10 February 2003

KPMG WIDERI OY AB

Hannu Niilekselä
Authorized 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 2002 and studied the Auditors' report at its meeting today.

The Supervisory Board advises the 2003 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 2002. 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, 12 February 2003

Timo Kalli　　Kari Rajamäki

Hanna Markkula-Kivisilta　　Risto Ranki

Mikko Långström　　Pekka Kainulainen

Sirpa Hertell

The figures are unaudited

EUR million	1–3	4–6	7–9	10–12	2002 Total	1–3	4–6	7–9	10–12	2001 Total
Net sales										
Chemicals	254.1	280.9	249.4	273.9	1,058.3	225.5	234.7	220.1	220.5	900.8
Paints and Coatings	101.3	134.8	128.7	84.8	449.6	104.3	133.2	124.9	83.0	445.4
Agro	311.5	314.7	245.1	293.9	1,165.2	328.1	288.4	228.9	312.4	1,157.8
Other including eliminations	-10.6	-22.9	-12.1	-15.2	-60.8	-6.5	-20.3	-8.0	-14.8	-49.6
Total	656.3	707.5	611.1	637.4	2,612.3	651.4	636.0	565.9	601.1	2,454.4
Operating income										
Chemicals	24.2	11.6	13.3	25.8	74.9	24.5	25.0	18.2	23.5	91.2
Paints and Coatings	4.6	14.5	16.0	-9.7	25.4	3.5	9.8	12.5	-9.1	16.7
Agro	27.0	11.0	1.8	-74.2	-34.4	30.9	19.5	-9.9	8.9	49.4
Other	-3.2	-10.7	-4.7	-1.8	-20.4	-2.2	0.3	-5.0	-6.3	-13.2
Total	52.6	26.4	26.4	-59.9	45.5	56.7	54.6	15.8	17.0	144.1
Financial expenses	7.5	3.1	13.0	5.9	29.5	8.2	9.8	5.4	7.9	31.3
Income before taxes	45.1	23.3	13.4	-65.8	16.0	48.5	44.8	10.4	9.1	112.8
Net income	31.0	11.9	9.9	-44.6	8.2	34.3	30.0	3.1	3.0	70.4
Earnings per share	0.26	0.10	0.09	-0.38	0.07	0.28	0.24	0.03	0.03	0.58
Earnings per share before one-time impairment	0.26	0.10	0.09	0.16	0.61	0.28	0.24	0.03	0.03	0.58