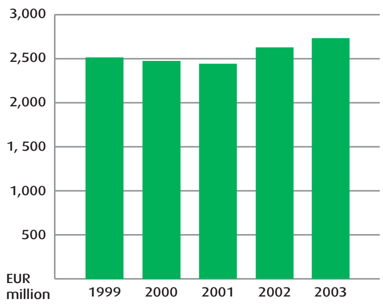
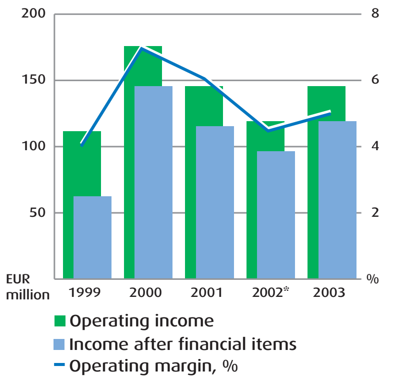
Contents

Net sales

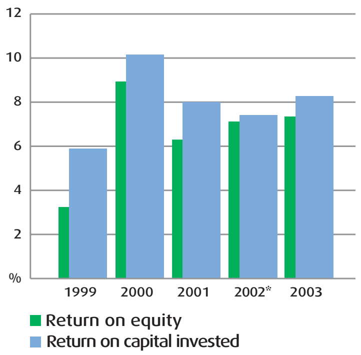


Operating income and result



* Excluding one-time impairment in 2002.

Return on capital



* Excluding one-time impairment in 2002.

To aid comparability, the comparison figures for 2002 are presented in this report net of the EUR 78 million of write-downs made by GrowHow.

EUR million

	1 – 3	4 – 6	7 – 9	10 – 12	1 – 12
Net sales					
2003	**699.5**	**671.9**	**683.0**	**683.8**	**2,738.2**
2002	656.3	707.5	611.1	637.4	2,612.3
Operating income					
2003	**31.0**	**44.9**	**46.5**	**21.7**	**144.1**
2002	52.2	26.7	26.3	13.0	118.2

All the Kemira Group's businesses except GrowHow were able to improve their operating income in 2003 despite the continued slow economic growth in Europe.

Consolidated net sales were up 5% on 2002, rising to EUR 2,738 million (2,612 million). Operating income was EUR 144 million (118 million), representing 5% of net sales (4%). Consolidated operating income in October-December was EUR 22 million (13 million). The weakness of the exchange rates (especially the US dollar) against the euro during the year lowered net sales nearly by EUR 80 million and operating income by about EUR 20 million. Contributions to the Finnish pension funds declined by EUR 26 million thanks to good investment income and a decrease in the pension liability.

Income before taxes and minority interests rose to EUR 118 million from EUR 94 million in 2002. Income after taxes was EUR 74 million (72 million). Total earnings per share were EUR 0.62 (0.61). About 82% of the Group's net sales came from outside Finland.

Return on equity was 7% (5%). The cash flow return on capital invested was 11% (15%).

Cash flow after capital expenditures and income from the disposal of assets was EUR 19 million (67 million). Per-share cash flow from operations was EUR 1.85 (2.45). Equity per share was EUR 9.04 (8.94) and gearing was 69% (72%).

The Board of Directors is proposing that the dividend to be paid for 2003 be raised to EUR 0.33 per share (0.30), or a total dividend payout of EUR 39 million. The proposed dividend is 53% of the company's net income, exceeding slightly both the total dividend payout in 2002 and the level defined in the dividend policy.

Group strategy

Kemira is continuing to strengthen its position in its chosen growth areas. It is seeking growth that will give it a leading position worldwide within pulp and paper chemicals as well as water treatment chemicals, leveraging its expertise based on deep knowledge. Within paints, growth will be sought in the Baltic Rim area and in eastern Europe, including Russia. For industrial chemicals, progress will be based mainly on organic growth, cost position leadership and the creation of added value via the speciality businesses. Within plant nutrients and animal nutrition, added value will be created by means of tailored solutions in accordance with the Food Chain Partner concept and business development will be based on the unit's own cash flow.

Pulp & Paper Chemicals

EUR million

	1 – 3	4 – 6	7 – 9	10 – 12	1 – 12
Net sales					
2003	**121.1**	**122.6**	**140.4**	**136.9**	**521.0**
2002	109.2	124.8	120.8	129.9	484.7
Operating income					
2003	**8.8**	**5.7**	**19.6**	**8.4**	**42.5**
2002	7.7	2.5	7.3	10.5	28.0

Pulp & Paper Chemicals supplies chemicals and services mainly to the pulp and paper industry. The business unit had net sales in October-December of EUR 137 million (130 million) and full-year net sales of EUR 521 million, an increase of 7% (485 million in 2002). Thanks to recent acquisitions, sales grew substantially despite the fact that the main customer sector, the pulp and paper industry, was still suffering from the recession and had low production volumes. Because a large part of operations is in North America, the fall in the dollar slowed down euro denominated sales growth by EUR 19 million.

Accordingly, calculated in terms of foreign exchange rates in 2002, Pulp & Paper Chemicals would have posted growth of 11%. Especially for hydrogen peroxide, the market situation has improved and the trend in product prices has been favourable. The raw material prices of sulphur chemicals have risen, but it has not been possible to pass it on into prices. Operating income in October-December was EUR 8.4 million (10.5 million). Full-year operating income was EUR 43 million (28 million), up 52% and representing 8% of net sales.

In July Kemira strengthened its foothold in North America further with the purchase of Vulcan Materials Company’s pulp and paper chemicals business. The company has annual sales of 80 million dollars and the purchase price was 43.5 million dollars. The transaction resulted in the transfer of about 150 employees to Kemira’s payroll.

In Europe, Kemira strengthened its position by way of two acquisitions. In Germany, it purchased the paper chemicals business of Klebstoffwerke Collodin Dr. Schulz & Nauth GmbH, located in Frankfurt, which has annual sales of about EUR 3.5 million. The other acquisition was the Rhodia’s industrial additives business, which has a plant near Mulhouse in France and has net sales of EUR 16 million. The business comprises products and services mainly for the pulp and paper industry as well as a certain amount of custom manufacture for Rhodia.

These acquisitions strengthened Kemira’s presence in strategically important paper chemicals markets and at the same time expanded its product range. The acquisitions are in line with Kemira’s global growth strategy and contribute to the company’s capability of operating as a one-stop supplier of integrated paper chemicals solutions in line with the trend in customers’ requirements.

A new speciality paper chemical plant was started up in Washington State in the USA, enabling Kemira now to supply AKD size locally to customers in North America. The plant extensions at Krems, the speciality chemicals plant in Austria and at the Siilinjärvi calcium sulphate pigment plant also came on stream successfully during the year. Following the plant extensions and acquisitions, Kemira is the world’s fourth largest player in the pulp and paper chemicals field.

Kemira sold its 30% minority holding in the air gas producer Oy Polargas Ab to L’Air Liquide S.A. of France, which already had a majority holding in Polargas. The divestment was in line with Kemira’s strategy, according to which gas production is not one of the Group’s core businesses. A capital gain of EUR 7.6 million was booked on the sale of Polargas shares.

Kemwater

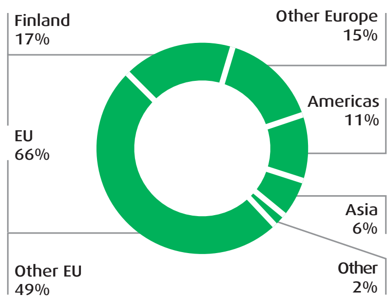
EUR million

	1 – 3	4 – 6	7 – 9	10 – 12	1 – 12
Net sales					
2003	**43.2**	**47.0**	**58.7**	**66.5**	**215.4**
2002	45.0	46.3	43.7	41.4	176.4
Operating income					
2003	**4.1**	**4.8**	**8.0**	**6.8**	**23.7**
2002	4.5	4.1	4.4	4.9	17.9

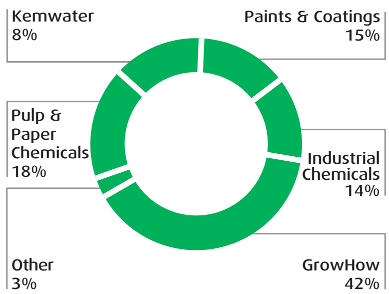
The Kemwater unit, which produces water treatment chemicals, had net sales in October-December of EUR 67 million, a 61% increase on the corresponding period in 2002 (41 million), raising full-year net sales to EUR 215 million (176 million). Operating income in October-December was EUR 6.8 million (4.9 million) and full-year operating income was EUR 24 million (18 million), or 11% of net sales (10%). Keener competition in the Nordic countries ate into profitability, but in continental Europe the unit managed to improve its earnings. The biggest impact on the growth in net sales (18%) and the earnings improvement (30%) nevertheless came from the acquisition in North America, which is discussed below.

Kemira purchased all the shares in Kemwater Services Oy that were owned by the City of Helsinki (49%) and now owns the company in full. Kemwater Services Oy offers drinking and waste water treatment services to municipalities and industry in Finland and the country’s nearby areas.

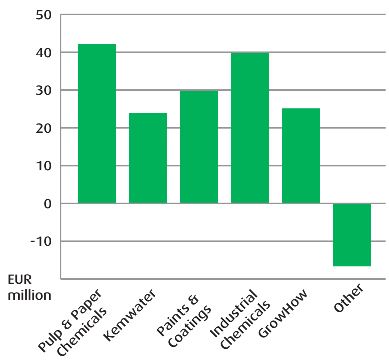
Net sales by region



Net sales by business area



Operating income by business area



Kemira also acquired the entire shares outstanding in Kemwater (Yixing) Co. Ltd. The remaining 11% stake was purchased from Finnfund. Kemwater (Yixing) Co. Ltd is primarily a manufacturer of inorganic coagulants that are used in water treatment. The company operates in the industrial area of the city of Yixing in Jiangsu county. The nearest big cities are Shanghai and Nanking.

The production plant of the Russian company Pigment Corporation in St Petersburg was acquired by Kemira in full, and Kemira is planning to develop the existing production operations further. The total value of the transaction and new investment is about EUR 10 million. The production of the St Petersburg plant goes nearly in its entirety for the treatment of the city's drinking water.

With Ageco of Italy, an agreement was signed according to which Kemira will use Ageco's ferric chloride plant in Lucca and take over Ageco's water treatment business. As a consequence of this, Kemira will become one of Italy's leading water chemicals companies, with a production plant in both Cremona and Lucca, and net sales of about EUR 10 million. The agreement also fits in with Kemwater's business strategy that aims at expanding Kemwater's operations in continental Europe. At present, Kemwater is one of the largest suppliers of coagulants used in water treatment in continental Europe.

An important step ahead was the increase in the company's holding in Kemiron Companies Inc. of the United States from 15% to 60%. The parties have also agreed on terms and conditions on which Kemira can be obligated to purchase the remaining 40% of the shares. Kemiron has annual sales of about 90 million dollars and a payroll of 230 employees. The United States is the world's largest market area for water treatment chemicals, and Kemiron Companies Inc., which manufactures and markets a full range of iron and aluminium-based coagulants, is the second largest player in this field.

Paints & Coatings

EUR million

	1 – 3	4 – 6	7 – 9	10 – 12	1 – 12
Net sales					
2003	**105.8**	**126.9**	**122.1**	**84.6**	**439.4**
2002	101.3	134.8	128.7	84.8	449.6
Operating income					
2003	**5.9**	**13.7**	**14.8**	**-4.7**	**29.7**
2002	4.2	14.0	15.8	-10.1	23.9

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 & Coatings had net sales of EUR 85 million (85 million). Full-year net sales were EUR 439 million (450 million). Paints & Coatings reported a fourth-quarter operating loss of EUR 4.7 million (an operating loss of 10.1 million) and full-year operating income of EUR 30 million (24 million), or 7% of net sales (5%). Raw material costs were higher than a year ago, but the price trend has subsequently dipped. Thanks to various efficiency-boosting measures, fixed costs have been lowered, bringing an improvement in operating income despite the fall in sales.

Net sales generated by decorative paints were down 4% on the year 2002. Due to the unfavourable weather conditions prevailing in the main market areas in the Nordic countries, paint consumption was smaller than a year ago. The renewal of the product range in Poland and Sweden also caused a temporary drop in sales. Strong growth continued in Russia.

The industrial coatings business posted net sales growth of 3% thanks to the good trend in the Nordic countries and Poland, boosted by the acquisition of Akzo Nobel Coatings' Nordic metal industry paints business in autumn 2002. Owing to the weak economic outlook, the customers within industry and agriculture have undertaken only minor investments. The market in Great Britain has remained particularly weak, and the one-off costs of reorganizing operations there burdened net income. The production unit in the Netherlands was wound up at the beginning of 2003. Akzo Nobel Coatings' general industrial liquid coatings business in Hungary was purchased in December. The acquired business fits in excellently with our product range and it strengthens our market position in Hungary appreciably.

Industrial Chemicals

EUR million

	1 – 3	4 – 6	7 – 9	10 – 12	1 – 12
Net sales					
2003	**99.4**	**117.1**	**96.9**	**96.4**	**409.8**
2002	101.5	112.2	87.0	103.0	403.7
Operating income					
2003	**7.9**	**12.8**	**8.1**	**10.8**	**39.6**
2002	11.1	4.6	0.4	10.7	26.8

Industrial Chemicals' products are used, notably, in the manufacture of paints, printing inks, detergents, silage, textiles and fine chemicals as well as in maintaining roads. The business unit's net sales in October-December amounted to EUR 96 million, down 6% on the corresponding period in 2002 (103 million). Full-year net sales were EUR 410 million (404 million). Operating income of EUR 40 million was up 48% on the figure a year ago (27 million) despite the EUR 8 million structural change cost for the Helsingborg site. The weakness of the dollar against the euro lowered net sales by about EUR 15 million and weakened earnings substantially, though this was offset thanks to markedly lower pension costs.

The Pigments unit's sales volumes were 5% higher than in 2002 despite the worldwide decline in demand for the product compared with 2002. Prices were on average 2% lower than in 2002. Euro-denominated prices of titanium dioxide pigments were in decline in the first part of the year and evened out during the summer, but continued downwards towards the end of the year. Prices in euros at the end of the year were nearly 10% lower than at the end of 2002. The fall in the dollar depressed the average selling price in euros, at the same time improving the position of those competitors in Europe whose costs are in dollars. The expansion of the manufacture of speciality anatase products at the Pori titanium dioxide plant and the building of a new packaging line progressed according to schedule, and the projects are estimated to reach completion in December 2004. The capital expenditures support the Pigments unit's paramount strategic objective of being the world's number one supplier within selected speciality product applications, meeting the needs of, for example, the cosmetics, pharmaceutical and food-processing industries.

Demand for calcium chloride has fallen due to the milder-than-usual weather at the end of the year and also as a result of a stronger euro. Earnings were furthermore burdened by the indirect effects on production of the structural change carried out at the Helsingborg site. Demand for formic acid has remained good, and production has benefited from the expansion of manufacturing capacity. Sodium percarbonate, which is used as an environmentally benign bleaching agent in the detergent industry, posted a further improvement in operations compared with 2002.

The fine chemicals unit expanded its operations to custom manufacturing for the pharmaceuticals industry. The unit is successfully carrying out a number of long-term contract manufacturing agreements, and both its net sales and earnings were markedly better than they were a year ago.

GrowHow

EUR million

	1 – 3	4 – 6	7 – 9	10 – 12	1 – 12
Net sales					
2003	**343.3**	**288.5**	**262.3**	**311.3**	**1,205.4**
2002	311.5	314.7	245.1	293.9	1,165.2
Operating income					
2003	**4.6**	**16.1**	**0.2**	**3.9**	**24.8**
2002	28.2	12.8	3.8	1.6	46.4

Kemira GrowHow, which produces plant nutrients, had net sales in October-December of EUR 311 million (294 million) and full-year net sales of EUR 1,205 million, up 3% on the figure a year earlier (1,165 million). The weak dollar and the fall in selling prices of feed phosphates cut into sales growth. Volumes of fertilizers sold rose all in all by about 7% from the low level of 2002. GrowHow reported operating income in October-December of EUR 3.9 million (1.6 million) and full-year operating income of EUR 25 million (46 million). The decline in profitability was mainly a consequence of the fall in euro-denominated export prices owing to a weaker dollar, the sharp drop in selling prices of feed phosphates, the higher price of natural gas, low fertilizer prices in the first part of the year, difficulties in ammonia production and credit losses. The profitability of exports outside Europe also weakened due to higher marine freights.

The Food Chain Partner unit delivers compound fertilizers, plant protection substances and services to agricultural producers in northern and eastern Europe. The unit increased its net sales on the previous year, and volumes of fertilizers sold were also higher. Prices of compound fertilizers were 4-11% higher at the beginning of 2004 than they were a year ago. Of raw materials, ammonia was again markedly more expensive than it was a year earlier.

Kemira GrowHow is replacing its old nitric acid plant in Uusikaupunki with a modern facility. The plant has been built using the latest technology, taking into account both environmental considerations and efficient energy use. The new nitric acid plant will improve further the cost-effectiveness and competitive ability of the Uusikaupunki plants, whilst enhancing their environmental performance. According to plans, the new plant will start up in autumn 2004.

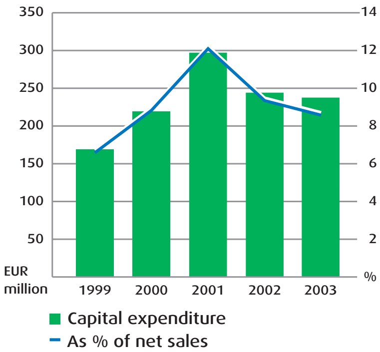
The Kemira Agro Nitrogen unit supplies fertilizers to agricultural customers in Great Britain and continental Europe. The unit's net sales increased substantially from the figure of year 2002. Sales volumes grew strongly compared with the weak year 2002, both in continental Europe and Great Britain. The bulk of the deliveries in the best sales season, the start of the year, were made at cheaper prices than in 2002, and this caused a delay on the effect of improving market prices. The production difficulties at the ammonia plants in Great Britain in the first quarter of 2003 cut about EUR 8 million from operating income because the unit had to purchase ammonia at a high market price. Prices of nitrogen products at the beginning of 2004 are about 18% higher in continental Europe and 24% higher in Great Britain than they were a year ago. The price of natural gas – the most important raw material – was higher than in 2002.

The Specialty Crop Care unit markets tailor-made plant nutrients to farmers of speciality crops worldwide. The unit's sales and profitability declined appreciably compared with 2002. This was attributable above all to exports outside Europe, which suffered from the fall in the dollar against the euro. The sharp rise in transport costs ate into profitability. The new potassium nitrate plant in Jordan, which operates as a joint venture, was started up successfully after the Iraq war ended, but its capacity utilization has so far been low and it is operating at a loss. As a departure from previous practice, the associated company's loss is now reported under financial income and expenses in accordance with IAS reporting standards.

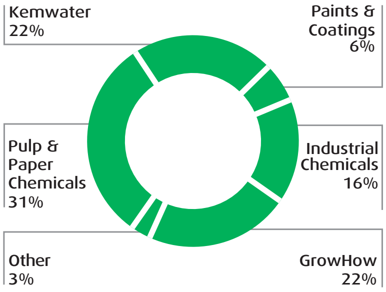
The Animal Nutrition unit supplies feed phosphates and acids to the animal feed industry worldwide. The acquisition made in South Africa increased the unit's net sales markedly compared with the year 2002. The unit's operations have been loss-making because fierce competition has depressed feed phosphate prices. In order to improve the profitability of feed phosphates, GrowHow has discontinued the manufacture of dicalcium phosphate at the loss-making units in Helsingborg, Sweden, and Durban, South Africa. With the winding down of gross overcapacity, the price level has stabilized and there are signs of an incipient rise. The sales and profitability of the Kemphos unit, whose principal product is phosphoric acid, declined owing to the weak dollar against the euro.

Sales of nitrogen-based chemicals to different sectors of industry were down on the 2002 figures due to the maintenance shutdowns that were made at the ammonia plants. Because of the higher price of natural gas, profitability was somewhat below the 2002 level.

Capital expenditure



Capital expenditure by business area



Other units

Ecocat, which manufactures catalytic converters for motor vehicles, reported net sales of EUR 52 million (34 million) and operating income of EUR 4.2 million (an operating loss of 2.4 million in 2002).

Kemira itself generates electric power and furthermore owns participations in Finnish energy companies, making it more than self-sufficient in the electricity it consumes in Finland. Sales of the excess electricity on the market thus act as an internal hedge of electricity costs in other countries.

Kemira sold its 15% holding in Oy Forcit Ab to the company's other shareholders. Forcit produces explosives and dispersions in Finland.

Capital expenditures and R&D

The Group's gross capital expenditures in the cash flow statement amounted to EUR 236 million (243 million), including acquisitions, or 8% of net sales. Depreciation on fixed assets amounted to EUR 170 million. The proceeds from sales of fixed assets and shares were EUR 36 million (21 million). The Group's investments in environmental protection came to about EUR 10 million (12 million).

The Group spent about EUR 48 million on research and development, or about 2% of net sales. Most of this was funded by the business units and the rest was covered by the corporate parent. The business units funded the development activities directly connected with their operational areas. The corporate parent supported the strategic projects of the designated growth business areas and enhanced the utilization of synergy within the Group.

In addition to the R&D-teams within the business units, the Group's R&D-organization includes the research centres in Oulu and Espoo and three competence centres. The research centres are resource pools that are used and financed mostly by the businesses and to some extent also by the corporate parent. The competence centres are virtual organizations based on networks of outsourced resources at universities and research institutes. Corporate financial resources were allocated to the activities of the competence centres with the aim of supporting the development of core areas across the Group.

Environmental protection

The company publishes each year an Environmental Report verified by a third party. The Group's Business Principles contain specific guidelines concerning the environment, health, and safety. Certified environmental and safety management systems are implemented at more than 90% of the major production sites.

Sales of environmentally benign products are an important part of the Group's operations, representing about 22% (20%) of net sales in 2003. Capital expenditures on environmental improvements at the sites totalled EUR 10 million (12 million), and environmental operating costs amounted to EUR 47 million (47 million). The environmental provisions for remedial activities were EUR 17.6 million, or at the same level as in 2002.

The lowest observed level of occupational incidents was achieved thanks to increased efforts in safety management. Apart from a roof fire at the Pori plant, no major accidents occurred.

The much debated proposal for new EU chemicals legislation (REACH) is expected to lead to substantially higher costs of registration, testing and risk assessment for chemical substances marketed in or imported into the EU. At present, Kemira manufactures or imports about 120 substances potentially covered by REACH.

The approved EU directive on greenhouse gas trading will be applied to energy production at five Kemira sites. Maximum CO_2 emission allowances should be allocated to individual sites in 2004, with trading assumed to begin in 2005.

Kemira has evaluated the potential business consequences of these two major legislative changes and expects no material adverse effects.

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 inspected in this connection.

Financing

The Group's financial position remained stable. Interest-bearing net debt at the end of 2003 stood at EUR 761 million (768 million).

Cash flow before financing was EUR 19 million (67 million). Cash flow from operations was EUR 219 million (290 million). Net operating capital increased by EUR 23 million, mainly owing to acquisitions. The Group's equity ratio was 44% at the close of the year (43%). The gearing ratio (net debt as a ratio of shareholders' equity) was 69%.

Net financing expenses amounted to EUR 26 million (24 million). This figure included losses of EUR 2.7 million on the results of associated companies (income of 5.5 million). Foreign exchange differences (net) yielded a gain of EUR 7.6 million. The proportion which fixed-interest loans represented within the total amount of the Group's interest-bearing loans was about 33% at the end of the year. Pension loans are considered to be floating rate loans. The change in the market value of interest rate hedging instruments was a profit of EUR 2.6 million.

The revolving credit facility arranged in 1997 was replaced in June by a new EUR 506 million revolving facility which was signed for a five-year period with a syndicate of 11 banks. In addition, a bilateral EUR 35 million loan with a 10-year maturity was signed. The amount of short-term loans increased by EUR 84 million. At the end of the year, liquid funds amounted to EUR 78 million and unused agreed credit facilities totalled about EUR 316 million.

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 (23 million). The parent company reported an operating loss of EUR 9.7 million (a loss of 36 million). The parent company bears the cost of Group management and administration as well as part of the research costs.

The parent company's net financial income amounted to EUR 33 million (127 million). The figures for the comparison year 2002 included significant intra-Group items: Tikkurila Oy's dividend of EUR 172 million and a write-down of EUR 56 million on internal loans. Income before taxes and changes in provisions was EUR 86 million (185 million). Capital expenditures amounted to EUR 3.4 million.

The parent company's operations will expand from the beginning of 2004 because Kemira Chemicals Oy was merged into it on 1 January 2004.

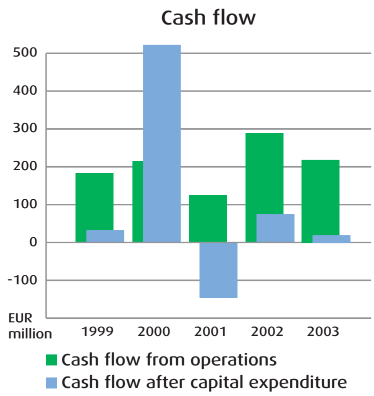
Personnel

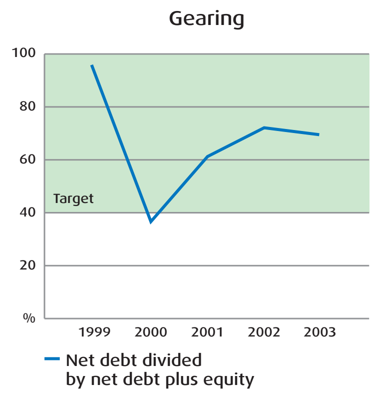
The Group employed an average of 10,536 people, or 159 more than in 2002, mainly due to the corporate acquisitions made in the United States. Of the total personnel, an average of 5,940 people were employed by Group companies outside Finland.

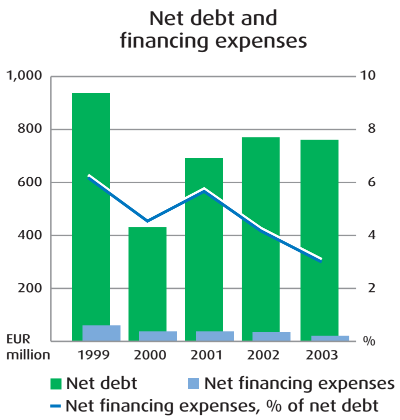
The parent company had an average payroll of 285 employees, 28 more than a year ago.

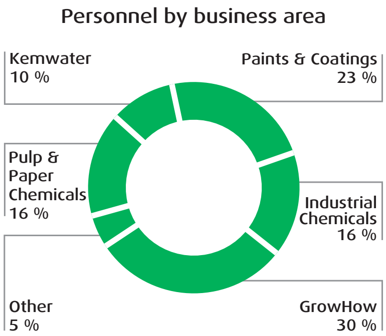
A large part of the Group's personnel are covered by various bonus systems that vary from country to country. In addition, the Group has a stock option scheme for top management. The terms and conditions of the stock option programme which the Annual General Meeting approved in 2001 were fulfilled at the end of 2003 and the Board of Directors has confirmed the programme.

During the year under review the following persons served on the Board of Directors of Kemira Oyj up to the Annual General Meeting held on 8 April 2003: Sten-Olof Hansén (Chairman), Niilo Pellonmaa (Vice Chairman), Ritva Hainari, Eija Malmivirta, Anssi Soila and Matti Packalén. The Annual General Meeting elected Anssi Soila as the new chairman and Eija Malmivirta as vice chairman. Matti Packalén was elected to a new term on the Board of Directors. The persons elected as new members of the Board of Directors were Markku Tapio of the Ministry of Trade and Industry as well as Elizabeth Armstrong and Ove Mattsson, both of whom have strong experience within the international chemical industry. The Board of Directors' term of office commences from the Annual General Meeting









and continues up to the next Annual General Meeting. None of the members of the Board of Directors is an employee of the Group.

Tauno Pihlava has served as the Chief Executive Officer from the beginning of 2000. The Board of Directors has decided to appoint Lasse Kurkilahti, M.Sc. (Econ.) as his successor and the new Chief Executive Officer of Kemira Oyj as from the beginning of February 2004.

Contributions of about EUR 17 million were paid to the Finnish pension funds (43 million in 2002). The reduction was due on the one hand to improved investment income and, on the other, to a reduction in the pension liability due to an amendment to pension legislation.

Ownership

The Finnish Government's holding in Kemira was 56.2% at 31 December 2003. Foreign institutional investors owned 5.9% of the shares and Finnish institutions and mutual funds 27.7%. Private investors' holdings amounted to 6.8% of the shares outstanding.

The company holds 4,190,000 of its own shares (treasury shares), or 3.4% of the entire shares outstanding. The Board of Directors does not have an authorization from the Annual General Meeting to purchase the company's own shares or to float convertible bonds or stock options or new shares except to the extent as may be provided for by the stock option programme for management that was decided in 2001 (a maximum of 2,850,000 shares). The Annual General Meeting 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 will be in force for one year from the passing of the resolution by the Annual General Meeting. The Board of Directors has decided to request that the Annual General Meeting grant it a new authorization to transfer treasury shares and to exercise the authorization for the shares to be subscribed for on the basis of the 2001 stock option programme and as part of the bonuses to be paid to the personnel fund for 2003. A maximum of 2.8 million shares are to be used for these purposes.

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. The biggest change was the merger of Kemira Chemicals Oy into Kemira Oyj which was carried out on 1 January 2004 with the aim of streamlining the organization.

Improvements in profitability

During the past 18 months, Kemira has launched a number of projects aiming at improving profitability. These relate to improving logistics, purchasing and efficiency at the plants and include the establishment of the Group-wide Kemira Service centre. The aim of these projects is to achieve total savings of over EUR 100 million during the next 2-3 years compared to the year 2002, and they concern all strategic business units. The projects have got off to a good start and a number of efficiency-boosting projects are already in progress at the largest production sites. During 2003 we achieved about a quarter of the 100 million euro cost-savings target. We shall reach about half of the target sum during 2004 and all of it by the end of 2005.

As part of the 100 million euro savings programme, in Helsingborg, Sweden, it was decided to reduce potassium sulphate and calcium chloride production and to wind up production of dicalcium phosphate. The costs of the structural change amounted to about EUR 9 million, about half of which consists of the write-down on assets, the other half representing other costs. GrowHow is pushing ahead with its plans to downsize its personnel in Finland by 170 employees by 2005, starting from the beginning of 2003.
In Great Britain, the Coatings unit's negotiations with the staff concerning the combining of two sites were seen to completion towards the end of the year.

Outlook for 2004

Pulp & Paper Chemicals. The low business cycle in the pulp and paper industry is estimated to continue. Kemira has strengthened further its foothold in both North America and continental Europe via the acquisitions discussed above. Pulp & Paper Chemicals has also expanded its range of products and services. Both net sales and operating income are expected to improve on the figure of 2003 despite the challenging operating environment.

Kemwater. Demand for water treatment chemicals is expected to show further favourable development. There will be cost pressures on raw materials, particularly those based on aluminium and iron. The purchase of a majority holding in Kemiron Companies of the United States will increase Kemwater's net sales significantly, and operating income is also believed to improve on 2003 as a result of this acquisition.

Paints & Coatings. The strong growth of the Paints & Coatings unit is expected to continue in Russia, with demand normalizing in the Nordic market area. Net sales are expected to grow. This, together with measures aimed at improving profitability, is expected to generate higher operating income in 2004.

Industrial Chemicals. The outlook for Industrial Chemicals remains positive. After the drop last year, world consumption of titanium dioxide pigments is expected to head upward, and all the major producers have recently announced price increases. They are nevertheless not expected to be able to make any mentionable impact on first-quarter figures. The outlook for the unit's other products is good. The structural changes and the improvement in the cost-effectiveness of production are set to step up operational efficiency. It is believed that both net sales and operating income will improve on the 2003 figures.

Kemira GrowHow. GrowHow's year 2004 has started on a note of markedly higher prices in the fertilizer markets in continental Europe and Great Britain. World grain stocks are at an exceptionally low level, which has lifted grain prices, thereby also supporting prices of fertilizers in the customary fashion. The rise in the capacity utilization rate for the joint venture in Jordan is believed to improve profitability this year. On the other hand, the prolonged high level of natural gas and ammonia prices are raising production costs. Exports outside Europe and the phosphoric acid business are still suffering from the effects of the weak dollar against the euro and from increased freight costs. In the animal feed markets, prices are expected to start heading upward, but are still low. GrowHow's net sales and operating result are estimated to improve on the year 2003.

Kemira Group. The Kemira Group's net sales are estimated to increase and operating income to improve on the figure reported for 2003.

Kemira will go over to IAS/IFRS reporting from the beginning of 2004. The IFRS opening balances and comparison figures for 2003 will be published as a separate bulletin. The biggest changes relate to the reporting of personnel benefits (mainly pension funds) as well as the valuation of certain shares.

EARNINGS AND PERSONNEL BY BUSINESS AREA IN 2003

	Net sales	Operating income	Personnel average
EUR million			
Pulp & Paper Chemicals	521	43	1,677
Kemwater	215	24	1,010
Paints & Coatings	439	30	2,387
Industrial Chemicals	410	40	1,670
Kemira GrowHow	1,205	25	3,130
Other	75	-18	662
Intra-Group sales	-127		
Group total	2,738	144	10,536

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.

The state's shareholding

The Finnish State holds 56.2% of the company's shares and voting rights. On the basis of a resolution passed by Parliament in June 2001, the State's holding in the company can be reduced down to 15%. A new resolution by Parliament is required for a shareholding below this limit.

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 0.33 per share, or EUR 39 million, be paid for the 2003 financial year. This corresponds to a dividend payout of 53% of net income. Taking into account the Finnish tax base, this amounts to a taxable dividend of EUR 0.46. The record date for the dividend payout will be 13 April 2004, and the dividend will be paid on 20 April 2004.

Increase in share capital

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

Transfer of own shares

The company holds 4,190,000 of its own shares (treasury shares). The Annual General Meeting held in 2003 resolved to authorize Kemira's Board of Directors to decide on transferring the company's own shares. In accordance with the authorization, shares can be sold through Helsinki Exchanges, be used for the payment of employee bonuses and possible bonuses to the personnel funds provided the Board of Directors decides to introduce such a compensation system and furthermore be used as consideration in making acquisitions.

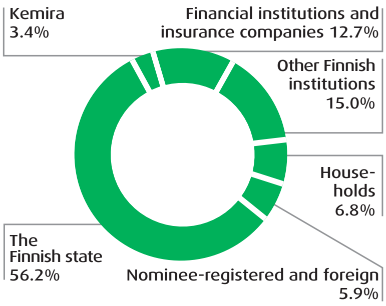
Insider rules

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

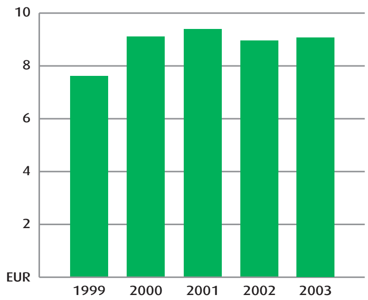
Listing and share trading

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.

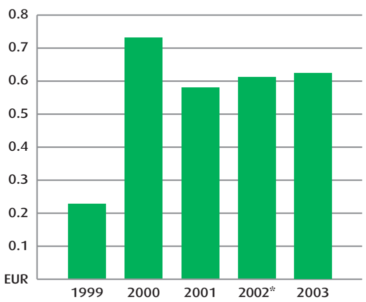
Distribution of shareholders 31.12.2003



Shareholders' equity/share

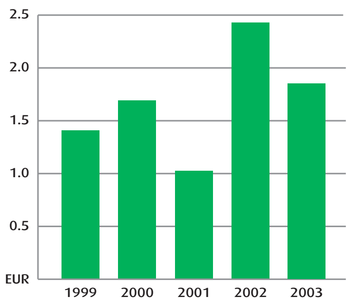


Earnings/share



* Excluding one-time impairment in 2002

Cash flow/share



Price and trading volume

The price of Kemira's share on Helsinki Exchanges rose by 39.6% on Helsinki Exchanges during 2003, whereas the HEX index rose by 4.4%. The highest price of the share was EUR 9.30 and the lowest price was EUR 5.75. The volume-weighted average price in 2003 was EUR 7.39.
The price of the share at the end of the year was EUR 9.20. The taxation value of the share for Finnish tax declarations for the 2003 tax year is EUR 6.398. Turnover of the share on Helsinki Exchanges totalled 23,011,096 shares, and in euro terms the turnover was EUR 170 million. The market capitalization at the end of 2003 was EUR 1,087 million.

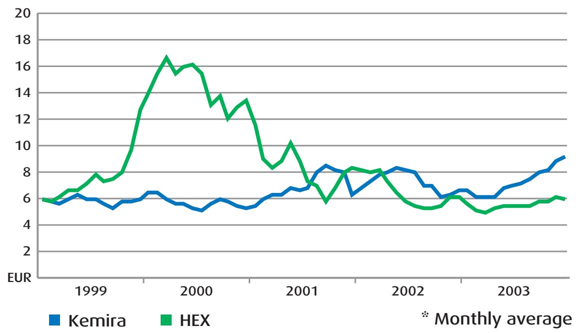
Management stock options and share ownership

The Annual General Meeting of Kemira Oyj held on 3 April 2001 passed a resolution on a new stock option programme. Members of management who are employed by Kemira Oyj or its subsidiaries were entitled to receive stock options conferring the right to subscribe for a maximum of 2,850,000 Kemira Oyj shares from 2 May 2004 to 31 May 2007. 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 5%, 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 stock options. The mentioned consolidated earnings per share after financial items and before taxes and extraordinary items for the financial year 2001–2003 were 2,73 euros. The reference index was also fulfilled.

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 volume-weighted average price of Kemira Oyj's share in January 2001, which was EUR 5.44, less the amount of dividends to be paid out after 31 January 2001. On the basis of the share price trend in 2003, the subscription price of the stock options is EUR 4.56, lowered by the amount of dividends to be paid after 31 December 2003. A total of 2,685,000 stock options have been granted to about 70 persons covered by the scheme. As a consequence of share subscriptions, the company's share capital can increase by a maximum of EUR 4,761,728, and the shares to be subscribed for will represent a maximum of 2.3% of the company's shares and voting rights.

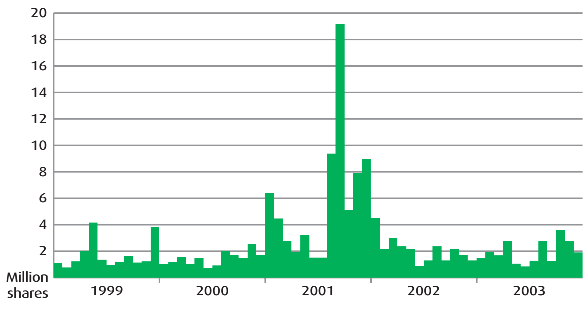
The members of the Board of Directors and the Supervisory Board as well as the CEO and the CEO's Deputy owned 60,075 Kemira Oyj shares at the end of the year. This represents 0.05% of the company's shares and voting rights. At the end of the year Kemira Oyj's CEO and the CEO's Deputy held 270,000 share options.

Share price 1999 – 2003*



* Monthly average

Share turnover on Helsinki Exchanges 1999 – 2003



Distribution of ownership 31 December 2003

Number of shares	Number of shareholders	% of shareholders	Shares total	% of shares and votes
1 - 50	1,098	8.32	41,119	0.03
51 - 100	1,203	9.12	100,001	0.08
101 - 500	5,932	44.97	1,625,366	1.33
501 - 1,000	2,600	19.71	2,019,003	1.65
1,001 - 5,000	1,970	14.94	3,891,259	3.18
5,001 - 10,000	156	1.18	1,172,007	0.96
10,001 - 50,000	146	1.11	3,184,965	2.60
50,001 - 100,000	32	0.24	2,461,712	2.01
100,001 - 500,000	38	0.29	8,780,945	7.18
500,001 - 1,000,000	9	0.07	6,081,210	4.97
1,000,001 -	7	0.05	86,388,782	70.60
Total	**13,191**	**100.00**	**115,746,369**	
Nominee-registered shares			6,613,631	5.41
Grand total			**122,360,000**	**100.00**

Largest shareholders 31 December 2003

Shareholder	Number of shares 1000 pcs	% of shares and votes
1. Finnish State	68,754	56.19
2. Sampo Life Insurance Company Limited	4,759	3.89
3. Varma Mutual Employment Pension Insurance Company	3,303	2.70
4. Kaleva Mutual Insurance Company	2,104	1.72
5. Ilmarinen Mutual Pension Insurance Company	1,880	1.54
6. The State Pension Fund	1,400	1.14
7. Tapiola Mutual Pension Insurance Company	893	0.73
8. Suomi Mutual Life Assurance Company	861	0.70
9. Pohjola Finland Value Investment Fund	800	0.65
10. OP-Delta Investment Fund	682	0.56
11. Tapiola General Mutual Insurance Company	620	0.51
12. Pension Fund of Kemira Agro	577	0.47
13. Pohjola Non-Life Insurance Company Ltd	560	0.46
14. Nordea Life Assurance Finland Ltd	560	0.46
15. Etera Mutual Pension Insurance Company	529	0.43
16. Local Government Pensions Institution	500	0.41
17. Sampo Finland Share Investment Fund	449	0.37
18. Mutual Insurance Company Pension-Fennia	423	0.35
19. Tapiola Mutual Life Assurance Company	397	0.32
20. Fortum Pension Foundation	388	0.32
Kemira Oyj	4,190	3.42
Nominee-registered shares	6,614	5.41
Others, total	21,117	17.25
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)

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 percentage 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	2003	2002	2001	2000	1999
Earnings per share, EUR 2) 3) 4) 5)	0.62	0.07	0.58	0.73	0.23
Earnings per share before one-time impairment, EUR 2) 3) 4) 5)	0.62	0.61	0.58	0.73	0.23
Cash flow from operations per share, EUR	1.85	2.45	1.03	1.69	1.41
Dividend per share, EUR 1)	0.33	0.30	0.30	0.30	0.23
Dividend payout ratio, % 1)	53.2	428.6	51.7	18.2	100.0
Dividend yield 1)	3.6	4.6	4.5	5.6	3.8
Equity per share, EUR	9.04	8.94	9.35	9.08	7.57
Price per earnings per share (P/E) ratio	14.84	94.14	11.50	7.34	26.57
Price per equity per share	1.02	0.74	0.71	0.59	0.80
Price per cash flow per share	4.97	2.69	6.48	3.17	4.33
Dividend paid, EUR million 1)	39.0	35.5	35.8	37.1	29.6
Share price and turnover					
Share price, year high, EUR	9.30	8.50	8.75	6.80	6.90
Share price, year low, EUR	5.75	5.75	5.30	4.92	5.20
Share price, year average, EUR	7.39	7.22	7.36	5.67	5.85
Share price, end of year, EUR	9.20	6.55	6.65	5.40	6.05
Number of shares traded (1000), Helsinki	23,011	24,606	72,176	17,366	20,703
% of number of shares	19	21	60	14	16
Market capitalization, end of year, EUR million	1,087.2	774.0	792.7	667.7	773.2
Increase in share capital					
Average number of shares (1000) 2)	118,170	118,170	121,075	126,623	128,318
Number of shares at end of year (1000) 2)	118,170	118,170	119,208	123,645	127,800
Increases in number of shares (1000)	-	-	-	-	-
Share capital, EUR million	217.0	217.0	217.0	217.0	217.0
Increases in share capital, EUR million	-	-	-	-	-

1) The 2003 dividend is the Board of Directors' proposal to the Annual General Meeting.
2) Weighted average number of shares outstanding, adjusted by the number of shares bought back.
3) Net income before one-time items of discontinued operations in year 2000.
4) Diluted earnings per share are the same.
5) Earnings / share after one-time items was EUR 1.64 million in year 2000.

FINANCIAL RATIOS

Income statement	2003	2002	2001	2000	1999
Net sales, EUR million	**2,738**	2,612	2,454	2,486	2,526
Foreign operations, EUR million	**2,282**	2,155	1,967	2,024	2,073
Sales in Finland, %	**17**	18	20	19	18
Exports from Finland, %	**25**	23	23	24	20
Sales generated outside Finland, %	**58**	59	57	57	62
Operating income, EUR million [1]	**144**	40	144	175	108
% of net sales	**5**	2	6	7	4
Share of associates' net income, EUR million [1]	**-3**	5	0	0	3
Other financial income and expenses (net), EUR million [2]	**23**	30	31	31	52
% of net sales	**1**	1	1	1	2
Interest cover [1]	**12**	9	9	11	6
Income before extraordinary items, EUR million	**118**	16	113	144	59
% of net sales	**4**	1	5	6	2
Impairment loss, EUR million	**-**	78	-	-	-
Gains and losses on discontinuing operations, EUR million	**-**	-	-	162	-
Income before taxes and minority interests, EUR million	**118**	16	113	307	59
% of net sales	**4**	1	5	12	2
Net income, EUR million	**74**	8	70	208	30
Return on capital invested, %	**8**	3	8	10	6
Return on equity, %	**7**	1	6	9	3
Research and development expenses, EUR million	**48**	46	39	48	48
% of net sales	**2**	2	2	2	2

Cash flow					
Cash flow from operations, EUR million	**219**	290	125	214	181
Sales of subsidiaries and fixed assets, EUR million	**36**	21	27	527	18
Capital expenditure, EUR million	**236**	243	298	218	168
% of net sales	**9**	9	12	9	7
Cash flow after capital expenditure, EUR million	**19**	67	-146	523	31
Cash flow return on capital invested %	**11**	15	7	11	9

Balance sheet					
Non-current assets, EUR million	**1,442**	1,474	1,415	1,285	1,486
Shareholders' equity, EUR million	**1,068**	1,056	1,115	1,122	968
Liabilities, EUR million	**1,395**	1,418	1,318	1,268	1,620
Total assets, EUR million	**2,495**	2,491	2,450	2,408	2,603
Net liabilities, EUR million	**761**	768	686	425	934
Equity ratio, %	**44**	43	46	48	38
Gearing, %	**69**	72	61	37	95

Personnel					
Personnel (average)	**10,536**	10,377	10,207	9,644	10,743
of whom in Finland	**4,596**	4,681	4,871	4,908	5,090

Exchange rates					
Key exchange rates (31 December)					
USD	**1.26300**	1.04870	0.88130	0.93050	1.00460
GBP	**0.70480**	0.65050	0.60850	0.62410	0.62170
SEK	**9.08000**	9.15280	9.30120	8.83130	8.56250
DKK	**7.44500**	7.42880	7.43650	7.46310	7.43300

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

2) Excluding the share of net income of associated companies.

Consolidated income statement

	Note	1.1. - 31.12. 2003 EUR million	2002 EUR million
Net sales	1, 29	**2,738.2**	2,612.3
Other income from operations	2	**28.1**	13.2
Cost of sales	3, 4, 5	**-2,452.4**	-2,331.2
Depreciation	6, 29	**-169.8**	-176.1
One-time impairment	7	**-**	-78.2
Operating income	29	**144.1**	40.0
Financial income and expenses	8	**-23.4**	-29.5
Share of associates' net income	8, 29	**-2.7**	5.5
Net financial income and expenses		**-26.1**	-24.0
Income before taxes and minority interests		**118.0**	16.0
Income taxes	9	**-39.9**	-5.3
Minority interest		**-4.5**	-2.5
Net income		**73.6**	8.2
Earnings per share, EUR	10	**0.62**	0.07
Earnings per share before one-time impairment, EUR	10	**0.62**	0.61

ASSETS	Note	31.12. 2003 EUR million	2002 EUR million
Non-current assets			
Intangible assets	11	**228.0**	221.2
Tangible assets	12	**1,086.2**	1,072.0
Investments	13		
Holdings in associates	27	**27.0**	58.2
Other shares and holdings		**10.0**	20.9
Deferred tax assets	17	**4.8**	10.6
Other investments		**86.3**	90.8
Total investments		**128.1**	180.5
Total non-current assets		**1,442.3**	1,473.7
Current assets			
Inventories	14	**391.0**	358.4
Receivables	15		
Interest-bearing receivables		**13.0**	7.8
Other interest-free receivables		**570.8**	570.5
Total receivables		**583.8**	578.3
Securities	21, 26	**29.5**	40.1
Cash and bank	21, 26	**48.5**	40.7
Total current assets		**1,052.8**	1,017.5
Total assets		**2,495.1**	2,491.2

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.12. 2003 EUR million	2002 EUR million
Shareholders' equity			
Share capital		**217.0**	217.0
Share premium account		**252.5**	252.5
Own shares		**-28.2**	-28.2
Valuation reserve		**-**	0.6
Other reserves		**3.2**	3.2
Retained earnings		**549.7**	603.0
Net profit for the financial year		**73.6**	8.2
Total shareholders' equity		**1,067.8**	1,056.3
Minority interests		**32.2**	16.4
Long-term liabilities			
Interest-bearing long-term liabilities	16, 21, 22	**542.5**	636.9
Deferred tax liabilities	17, 18	**39.3**	41.8
Provision for liabilities and charges	19	**51.1**	74.9
Total long-term liabilities		**632.9**	753.6
Current liabilities			
Interest-bearing short-term liabilities	21	**296.1**	211.8
Short-term provisions	19, 20	**27.5**	46.5
Other interest-free short-term liabilities	20	**438.6**	406.6
Total current liabilities	20	**762.2**	664.9
Total liabilities		**1,395.1**	1,418.5
Total liabilities and shareholders' equity		**2,495.1**	2,491.2

Consolidated cash flow statement

	2003 EUR million	2002 EUR million
Cash flows from operating activities		
Operating income	141.5	45.5
Adjustments to operating income [1)]	-18.8	81.0
Depreciation	169.8	176.1
Interest received	3.1	8.9
Interest paid	-37.0	-48.2
Dividend received	6.2	3.2
Other financing items	-3.4	-1.2
Income taxes paid	-29.9	-34.3
Total funds from operations	**231.5**	231.0
Change in net working capital		
Change in inventories	-22.0	60.3
Change in short-term receivables	-6.4	31.7
Change in interest-free short-term liabilities	16.0	-33.2
Change in net working capital, total	-12.4	58.8
Net cash from operations	**219.1**	289.8
Cash flows from investing activities		
Acquisitions of subsidiary companies net of cash acquired	-82.7	-57.4
Acquisitions of associated companies	-0.7	-1.6
Purchase of other shares	-0.2	-0.8
Purchase of other property, plant and equipment	-152.4	-183.6
Disposal of Group companies	-	1.8
Disposal of associated companies	23.0	0.1
Proceeds from sale of other shares	0.8	0.4
Proceeds from sale of other property, plant and equipment	12.5	18.5
Net cash used in investing activities	-199.7	-222.6
Cash flow before financing	**19.4**	67.2
Cash flows from financing activities		
Change in long-term loans (increase +, decrease -)	1.4	158.5
Change in long-term loan receivables (increase -, decrease +)	0.2	-22.6
Short-term financing, net (increase +, decrease -)	21.9	-133.5
Dividends paid	-37.1	-35.5
Own shares	-	-7.0
Other	-8.5	-16.1
Net cash used in financing activities	**-22.1**	-56.2
Net increase / decrease in cash and cash equivalents	**-2.7**	11.0
Cash and cash equivalents at end of year	78.1	80.9
Cash and cash equivalents at beginning of year	80.8	69.9
Net increase / decrease in cash and cash equivalents	**-2.7**	11.0

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

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

Supplemental cash flow information

	2003 EUR million	2002 EUR million
Acquistion of subsidiaries		
Purchase consideration on acquisitions	**90.5**	60.2
Cash and cash equivalents in acquired companies	**-7.8**	-2.8
Cash flow on acquistion net of cash acquired	**82.7**	57.4
Acquired net assets		
Net working capital	**16.1**	21.5
Property, plant and equipment	**56.8**	102.5
Shares and holdings	**-10.1**	-
Interest-bearing receivables less cash and cash equivalents	**1.6**	4.1
Interest-bearing liabilities	**-3.4**	-114.0
Minority interests	**-16.8**	0.0
Goodwill on acquisition	**38.5**	43.3
Total net assets of acquired subsidiaries	**82.7**	57.4
Disposals of subsidiary shares		
Cash flow on disposal	**-**	1.4
Cash and cash equivalent in disposed companies	**-**	0.4
Total cash flow on disposals of subsidiaries	**-**	1.8
Net assets of disposed subsidiaries		
Net working capital	**-**	0.4
Property, plant and equipment	**-**	3.7
Interest-bearing receivables less cash and cash equivalents	**-**	0.6
Interest-bearing liabilities	**-**	-
Gain/loss on sale	**-**	-2.9
Total net assets of disposed subsidiaries	**-**	1.8

Statement of changes in equity

	Share capital	Share premium account	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
Own shares repurchased	-	-	-	-	-	-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
Shareholders' equity at 1 January 2003	**217.0**	**252.5**	**3.2**	**-33.0**	**0.6**	**-28.2**	**644.2**	**1,056.3**
Net profit for the financial year	-	-	-	-	-	-	73.6	**73.6**
Dividends paid	-	-	-	-	-	-	-35.5	**-35.5**
Dividends paid to minority	-	-	-	-	-	-	-1.6	**-1.6**
Exchange differences	-	-	-	-33.0	-	-	-	**-33.0**
Equity hedging	-	-	-	9.9	-	-	-	**9.9**
Cash flow hedging: amount entered in shareholders' equity	-	-	-	-	-0.6	-	-	**-0.6**
Donations	-	-	-	-	-	-	-0.4	**-0.4**
Other changes	-	-	-	-	-	-	-0.9	**-0.9**
Shareholders' equity at 31 Dec. 2003	**217.0**	**252.5**	**3.2**	**-56.1**	**-**	**-28.2**	**679.4**	**1,067.8**

The Group's non-restricted shareholders' equity, which limits the parent company's dividend payout, was EUR 460.8 million in 2003 and EUR 442.7 million in 2002. This figure is obtained by subtracting from non-restricted equity the proportion of untaxed reserves which has been transferred to shareholders' equity. Research, establishment and development expenses that have a limiting effect on the distribution of profits have not been capitalized in the balance sheet.

Kemira had in its possession 4,190,000 of its own shares at 31 December 2003. 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 shares.

COMPANY PROFILE

Kemira is a chemicals group whose operations comprise the following strategic business units: Pulp & Paper Chemicals, Kemwater (water treatment chemicals), Paints & Coatings, Industrial Chemicals and GrowHow (plant nutrients and animal nutrition). The pulp and paper chemicals and water treatment chemicals businesses are targeting growth worldwide. Within paints, growth will be sought in the Baltic Rim area and in eastern Europe, including Russia. For Industrial Chemicals, progress will be based on organic growth that is driven by strong technological know-how, whilst creating added value via speciality products. In the area of plant nutrients and animal nutrition, we are creating added value through tailor-made solutions for the food supply chain. Kemira's operations also include catalytic converters and energy business.

The parent company of the Group is Kemira Oyj. The parent company is domiciled in Helsinki and its registered address is Porkkalankatu 3, 00101 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 the useful life of the assets acquired, 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 useful life of the assets in the same way as goodwill. The minority interest in the net assets and liabilities is presented as a separate item in the Group´s consolidated balance sheet and the minority interest in consolidated profit and loss is stated in the income statement.

Associated companies are participating interests in which the Group has a significant influence (holding 20-50%). Holdings in associated companies are presented in the consolidated financial statements using the equity method 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%) 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 hedge accounting, against the translation differences arising from the translation of the shareholders´ equity amounts of the last confirmed balance sheets of the subsidiaries. Other translation differences affecting shareholders´ equity are stated as an increase or decrease in 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 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 are 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 2003. The fair value of interest rate derivatives has been calculated by means of the treasury management system.

The management of treasury risks is discussed in greater detail in the notes to the consolidated financial statements (page 87). 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 89.

The foreign exchange rates on the balance sheet date are given on page 67.

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. The exemption in IFRS 1, First-time Adoption of International Financial Reporting Standards, has been applied, in the Notes to the consolidated financial statements, in reporting the opening balance of the assets and liabilities of defined benefit plans as from 1 January 2003. All cumulative actuarial gains and losses at the date of the transition to IFRS have been presented as recognized for 1 January 2003. The pension calculations are performed by actuaries.

Financing costs

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

Income taxes

The consolidated financial statements include income taxes, which are based on the taxable results of the Group companies for the accounting period calculated according to local tax rules, and the change in the deferred tax 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 are recognized for deductible temporary differences and tax losses to the extent that it is probably that taxable profit will be available against which tax credits and deductible temporary differences can be utilized. In calculating deferred tax liabilities and assets, the used tax rate is in force at the time of preparing the financial statements or it has been enacted by the balance sheet date.

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 intangible 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 common estimated useful lives are as follows:

Machinery and equipment	3–15 years
Buildings and constructions	25 years
Goodwill on consolidation	5–20 years
Intangible assets	5–10 years

Goodwill on consolidation arising from large acquisitions will be amortized over 6-20 years depending on the useful life of the acquisition. Profit on the sale of non-current assets is included in operating income and losses on the sale of assets in operating expenses. Interest expenses are not capitalized as part of the acquisition cost of non-current assets. The costs of major inspections or the overhaul of property plant and equipment items that occur at regular intervals and are identified as separate components are capitalized and depreciated over their useful lives.

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 overhead.

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.

Cash flow projections have been calculated on the base of reasonable and supportable assumptions. They are based on the most recent financial plans and forecasts that have been approved by management. Cash flow projections beyond the period covered by the most recent plans and forecasts are normally estimated by extrapolating the projections using a steady or declining growth rate. The discount rate is the weighted average cost of capital. It is a pre-tax rate and reflects current market assessments of the time value of money at the time of review and the risks related to the assets.

Cash-generating units are the smallest identifiable groups of assets that generate cash inflows from continuing use and that are largely independent of the cash inflows from other assets or groups of assets.

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. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the time value of money is material, provisions will be discounted.

Extraordinary income and expenses

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

Transition to IAS/IFRS reporting

The Group will report its 2004 financial statements in accordance with IAS/IFRS. The IFRS opening balances and comparison figures for 2003 will be released before publication of the interim report for January – March 2004.

The Group's accounting policies have previously been based on IAS. To the extent that Finnish practice has not permitted IAS reporting, it has not been possible to apply IAS. Departures have arisen in respect of IAS 19, Employee Benefits, and IAS 39, Financial Instruments. There have also been divergences, among other things, in the valuation of shares classified as Available-for-sale Financial Assets. However, even in earlier years, derivatives have been reported at their fair value in the balance sheet in accordance with IAS. The transition to IFRS will furthermore involve a review of the scope of certain other accounting policies.

INCOME STATEMENT (EUR million)	2003	2002

1. NET SALES

Net sales by division

	2003	2002
Pulp & Paper Chemicals	521.0	484.7
Kemwater	215.4	176.4
Paints & Coatings	439.4	449.6
Industrial Chemicals	409.8	403.7
GrowHow	1,205.4	1,165.2
Other operations	74.8	56.4
Intra-Group invoicing	-127.6	-123.7
Total	2,738.2	2,612.3

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

	2003	2002
Finland	17	18
Other European Union countries	49	50
Other European countries	15	15
North and South America	11	9
Asia	6	6
Other countries	2	2
Total	100	100

2. OTHER INCOME FROM OPERATIONS

	2003	2002
Gains on the sale of fixed assets	16.3	4.5
Rent income	3.1	3.3
Insurance compensation	2.5	0.2
Consulting	0.6	0.8
Sales of scrap and waste	0.4	0.2
Sales of energy and water	0.0	0.4
Income from royalties, knowhow and licences	0.2	0.2
Other income	5.0	3.6
Total	28.1	13.2

The capital gain on the sale of fixed assets in 2003 includes capital gains on the sale of Polargas and Forcit shares. The capital gain in 2002 includes a gain of EUR 2.0 million on the sale of Espoo Research Centre land area and sale of Verdera Oy shares.

3. COST OF SALES

	2003	2002
Change in inventories of finished goods	-7.1	14.2
Own work capitalized [1]	-6.8	-9.2
Materials and services		
Materials and supplies		
Purchases during the financial year	1,276.4	1,113.5
Change in inventories of materials and supplies	-8.5	28.9
External services	52.4	51.8
Total materials and services	1,320.3	1,194.2
Personnel expenses	483.5	486.0
Rents	27.1	28.0
Losses on the sales of fixed assets	3.2	1.2
Other expenses	632.2	616.8
Total	2,452.4	2,331.2

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

In 2003 costs included a net decrease in long and short-term provisions amounting to EUR 1.9 million and in 2002 EUR 6.3 million.

4. RESEARCH AND DEVELOPMENT EXPENSES

	2003	2002
Research and development expenses total	47.7	46.0

INCOME STATEMENT (EUR million)	2003	2002
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)	7.3	5.9
Other wages and salaries	361.6	342.4
Pension expenses for defined benefit plans	30.9	41.7
Pension expenses for defined contribution plans	23.4	35.3
Other personnel expenses	60.2	60.6
Total	483.5	486.0

1) The emolument of Kemira Oyj's managing director was EUR 422,104, including profit sharing bonuses totalling EUR 14,264.

The members of Kemira Oyj's Board of Directors are paid a monthly emolument and a meeting fee; other compensation is not paid. The chairman of Kemira Oyj's Board of Directors was paid EUR 4,000 monthly, the vice chairman EUR 3,100 monthly and each of the members EUR 2,400 monthly. In addition, a meeting fee of EUR 350 per meeting was paid.

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

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 and termination benefits

The managing director and deputy managing director of Kemira Oyj are entitled to retire at the age of 60. The managing director's benefit is based on an agreement according to which the maximum remuneration for the managing director is 60% of the pension salary.

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

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

Personnel, average

	2003	2002
Pulp & Paper Chemicals	1,677	1,611
Kemwater	1,010	868
Paints & Coatings	2,387	2,505
Industrial Chemicals	1,670	1,775
GrowHow	3,130	3,041
Other companies	662	577
Total	10,536	10,377
Personnel in Finland, average	4,596	4,681
Personnel outside Finland, average	5,940	5,696
Total	10,536	10,377

The total personnel of joint ventures that have been consolidated according to the proportionate method of accounting was in average 146 (146 in 2002).

Personnel at year end	10,498	10,094

INCOME STATEMENT (EUR million)	2003	2002

6. DEPRECIATION

Scheduled depreciation	2003	2002
Intangible assets		
Intangible rights	3.0	3.8
Goodwill	6.4	5.3
Goodwill on consolidation	10.3	11.5
Other intangible assets	6.5	6.9
Tangible assets		
Buildings and constructions	19.9	22.0
Machinery and equipment	120.2	122.5
Other tangible assets	3.5	4.1
Total	169.8	176.1

7. IMPAIRMENT IN 2002

The impairment loss of EUR 78.2 million in 2002 in the income statement is connected primarily with the impairment of the assets and carrying values of GrowHow's (former Agro's) subsidiaries and associated companies. In addition, the item includes an EUR 7 million expense provision for the decoupling of GrowHow's pension arrangements from the Group's other pension arrangements.

The impairment loss on the carrying value 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 12-13 to the consolidated financial statements.

8. FINANCIAL INCOME AND EXPENSES

Financial income	2003	2002
Dividend income	1.1	1.4
Interest income from long-term investments	4.1	4.2
Other interest income	3.4	4.7
Other financial income	0.2	0.5
Exchange gains	7.6	10.3
Total	16.4	21.1
Financial expenses		
Interest expenses	-36.4	-48.2
Other financial expenses	-3.4	-2.4
Total	-39.8	-50.6
Total financial income and expenses	-23.4	-29.5
Net financial expenses as a percentage of net sales [1)]	0.9	1.1
Net interests as a percentage of net sales	1.1	1.5
Exchange gains and losses		
Realized	22.0	-0.7
Unrealized	-14.4	11.0
Total	7.6	10.3
Share of associates' net income		
Share of associates' profits	6.5	8.4
Share of associates' losses	-9.2	-2.9
Total	-2.7	5.5

1) Excluding share of associates' net income.

Interest expenses are not capitalized in the Group.

The exchange differences on foreign currency loans and foreign currency derivatives have been credited or charged directly to shareholders´ equity and hedged against the translation differences arising from the consolidation of foreign subsidiaries according to the so-called equity hedging method. In 2003 these foreign exchange net gains were EUR 9.9 million in retained earnings. (In 2002 the net gain was EUR 9.4 million.).

Interest income from long-term investments includes EUR 3.8 million interest income from associates. There were no other financial income and expenses from associates.

INCOME STATEMENT (EUR million)	2003	2002

9. INCOME TAXES

Income taxes, current year	39.7	-27.5
Income taxes, previous years	-	-4.2
Deferred taxes	0.7	29.0
Other taxes	-0.5	-2.6
Total	39.9	-5.3

Tax losses

Certain Group subsidiaries have tax losses, totalling EUR 661.9 million (EUR 683.4 million in 2002), 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 4% of the tax losses and the unlimited deduction right 96% 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	34.9	5.1
Tax-free income / non-deductible expenditure	-17.9	-30.6
Write-down on shares	-14.9	-16.0
Unapplied losses during the financial year	34.0	41.2
Amortization of goodwill	2.9	3.3
Withholding taxes from previous financial years	-	4.1
Applied tax losses	-	-1.8
Others	0.9	-
Taxes in the income statement	39.9	5.3

10. EARNINGS PER SHARE

Earnings per share

Income before taxes	118.0	16.0
Minority interests	-4.5	-2.5
Income taxes for the financial year	-39.9	-5.3
Net income	73.6	8.2
Weighted average number of shares 1)	118,170,000	118,170,000
Earnings per share, EUR	0.62	0.07

Earnings per share before one-time impairment

Income before impairment and taxes	118.0	94.2
Minority interests	-4.5	-2.5
Income taxes for the financial year	-39.9	-5.3
Tax effect of one-time impairment	-	-14.5
Net income	73.6	71.9
Weighted average number of shares 1)	118,170,000	118,170,000
Earnings per share before one-time impairment, EUR	0.62	0.61

Diluted earnings per share

Average number of shares 1)	118,170,000	118,170,000
Effect of options outstanding	-	86,870
Dilutive number of shares	118,170,000	118,256,870
Diluted earnings per share, EUR	0.62	0.07

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

BALANCE SHEET (EUR million)

11. INTANGIBLE ASSETS	Intangible rights	Goodwill	Goodwill on consolidation	Other intangible assets	Advances paid	**2003 total**	2002 total
Acquisition cost at beginning of year	32.0	57.7	219.5	73.3	0.4	**382.9**	302.7
Acquisition of subsidiaries	5.3	10.8	20.5	-	-	**36.6**	85.0
Other increases	3.3	-	1.2	3.3	0.9	**8.7**	6.9
Decreases	-	-0.2	0.3	-0.5	-	**-0.4**	-5.7
Exchange differences and other changes	-1.5	-0.3	-14.4	-2.0	-	**-18.2**	-6.0
Acquisition cost at end of year	39.1	68.0	227.1	74.1	1.3	**409.6**	382.9
Accumulated depreciation at beginning of year	-22.1	-15.3	-77.9	-46.4	-	**-161.7**	-144.0
Accumulated depreciation relating to decreases and transfers	-	-	0.3	0.3	-	**0.6**	1.2
Depreciation during the financial year	-3.0	-6.4	-10.3	-6.5	-	**-26.2**	-27.5
Exchange differences and other changes	1.3	0.2	2.9	1.3	-	**5.7**	8.6
Accumulated depreciation at end of year	-23.8	-21.5	-85.0	-51.3	-	**-181.6**	-161.7
Net book value at end of year	15.3	46.5	142.1	22.8	1.3	**228.0**	221.2

There was no goodwill on consolidation related to associated companies in 2003 and 2002.

12. TANGIBLE ASSETS	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and fixed assets under construction	**2003 total**	2002 total
Acquisition cost at beginning of year	74.2	556.1	2,240.3	83.3	43.6	**2,997.5**	3,177.6
Acquisition of subsidiaries	1.4	13.0	35.2	3.6	4.7	**57.9**	59.7
Other increases	0.9	16.8	85.5	5.6	32.9	**141.7**	165.2
Decreases	-0.7	-5.0	-35.2	-0.4	-1.4	**-42.7**	-44.5
Exchange differences and other changes	-0.8	-5.6	-31.0	-5.0	-2.3	**-44.7**	-117.2
Impairment	-	-	-	-	-	**-**	-243.3
Acquisition cost at end of year	75.0	575.3	2,294.8	87.1	77.5	**3,109.7**	2,997.5
Accumulated depreciation at beginning of year	-	-291.0	-1,577.5	-57.0	-	**-1,925.5**	-2,099.0
Accumulated depreciation relating to decreases and transfers	-	4.3	24.3	0.2	-	**28.8**	30.2
Depreciation during the financial year	-	-19.9	-120.2	-3.5	-	**-143.6**	-148.6
Impairment	-	-	-4.1	-	-	**-4.1**	190.9
Exchange differences and other changes	-	-5.2	22.9	3.2	-	**20.9**	101.0
Accumulated depreciation at end of year	-	-311.8	-1,654.6	-57.1	-	**-2,023.5**	-1,925.5
Net book value at end of year	75.0	263.5	640.2	30.0	77.5	**1,086.2**	1,072.0

13. INVESTMENTS	Holdings in associates	Other shares and holdings	Receivables from associates	Other investments	Deferred tax assets	**2003 total**	2002 total
Acquisition cost at beginning of year	58.2	20.9	56.0	34.8	10.6	**180.5**	178.0
Share of net income of associates	-11.7	-	-	-	-	**-11.7**	0.8
Increases	0.7	2.1	-	-	-	**2.8**	20.3
Decreases	-15.2	-0.7	4.8	-9.3	-5.8	**-26.2**	-1.4
Transfers	-	-10.7	6.4	-6.4	-	**-10.7**	-9.2
Exchange differences and other changes	-5.0	-1.6	-	-	-	**-6.6**	-2.2
Impairment	-	-	-	-	-	**-**	-5.8
Net book value at end of year	27.0	10.0	67.2	19.1	4.8	**128.1**	180.5

Shares and holdings are specified in Note 27.

BALANCE SHEET (EUR million)	2003	2002
14. INVENTORIES		
Materials and supplies	133.7	118.8
Work in process	34.4	6.3
Finished goods	222.0	231.0
Advances paid	0.9	2.3
Total	391.0	358.4

15. RECEIVABLES

	2003	2002
Long-term receivables		
Interest-bearing long-term receivables		
Loan receivables from others	0.1	0.1
Other receivables	3.9	1.1
Total interest-bearing long-term receivables	4.0	1.2
Interest-free long-term receivables		
Prepaid expenses and accrued income from others	0.2	0.3
Accounts receivable from others	5.8	6.8
Other receivables from others	5.1	4.5
Total interest-free long-term receivables	11.1	11.6
Total long-term receivables	15.1	12.8
Current receivables		
Interest-bearing short-term receivables		
Loan receivables from others	4.7	3.1
Other receivables from others	4.3	3.5
Total interest-bearing short-term receivables	9.0	6.6
Interest-free short-term receivables		
Accounts receivable from associates	4.5	8.3
Accounts receivable from others	450.3	427.6
Advances paid from others	10.9	15.2
Prepaid expenses and accrued income from associates	2.4	-
Prepaid expenses and accrued income from others	53.7	78.0
Other receivables from associates	1.1	1.2
Other receivables from others	36.8	28.6
Total interest-free short-term receivables	559.7	558.9
Total current receivables	568.7	565.5
Total receivables	583.8	578.3
Loans to the management of Group companies	0.5	0.7

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, note 5. Information about management options are further outlined under "Shares and shareholders".

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.

In 2002 Kemira GrowHow Oy sold 3.6 hectares of land in Espoo to the pension foundation for EUR 1.6 million. The pension foundations own 4.6% of Pohjolan Voima stock. Kemira Oyj buys electricity from the company for company use and sells it to outside companies. Sales of electricity to subsidiaries in 2003 were EUR 17.4 million and to outside companies EUR 5.7 million.

BALANCE SHEET (EUR million)	2003	2002
16. LONG-TERM INTEREST-BEARING LIABILITIES		
Debentures and other bond loans	16.5	16.5
Loans from financial institutions	279.7	348.5
Loans from pension institutions	208.2	228.7
Other long-term liabilities to others	38.1	43.2
Total	542.5	636.9
Long-term interest-bearing liabilities maturing in		
2005 (2004)	79.1	139.6
2006 (2005)	26.3	93.1
2007 (2006)	86.7	28.7
2008 (2007)	19.6	84.1
2009 (2008) or later	330.8	291.4
Total	542.5	636.9
Interest-bearing liabilities maturing in 5 years or longer		
Loans from financial institutions	159.6	104.5
Loans from pension institutions	163.5	185.9
Other long-term interest-bearing liabilities	7.7	1.0
Total	330.8	291.4

Long-term loans by currency, (%)

	2003	2002
EUR	43	48
USD	29	22
SEK	21	23
GBP	5	5
Other	2	2
Total	100	100

The Group has no convertible bonds.

Debentures and other bond loans

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

17. DEFERRED TAX LIABILITIES	Consolidated balance sheet		Consolidated income statement	
	2003	2002	2003	2002
Deferred tax liabilities				
Cumulative depreciation difference	51,0	52,0	-2.7	2.8
Other temporary differences	18,2	16,6	3.3	3.0
Total deferred tax liabilities	69,2	68,6	0.6	5.8
Deferred tax assets				
Tax losses	9,9	8,9	1.0	1.5
Share depreciations	15,3	16,0	-0.7	11.8
Other temporary differences	9,5	12,6	-3.1	4.0
Total deferred tax assets	34,7	37,5	-2.8	17.3

All deferred tax assets and liabilities are presented above. Deferred tax assets were deducted from deferred tax liabilities to the amount of EUR 29.9 million as per 31.12.2003, and to the total of EUR 26.9 million as per 31.12.2002. 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 51.0 million in 2003 and EUR 52.0 million in 2002. The deferred tax assets are mainly tax assets from share write downs, tax losses, finance leases and intra-Group profits.

BALANCE SHEET (EUR million)	2003	2002

18. 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 companies are mainly accumulated depreciation differences.

	2003	2002
Of which equity	**134.3**	140.9
Of which deferred tax liabilities	**51.0**	52.0
Total accumulated depreciation difference	**185.3**	192.9

19. PROVISIONS

	Pension liabilities	Restructuring provisions	Enviromental and damage provisions	Deferred income on disposal of Tikkurila CPS	Other provisions	Total
Long-term provisions						
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
2003						
Balance at beginning of year	26.1	5.2	12.9	28.7	2.0	74.9
Change in provisions	-14.5	-1.3	-1.9	-4.7	-1.4	-23.8
Balance at end of year	**11.6**	**3.9**	**11.0**	**24.0**	**0.6**	**51.1**

	Pension liabilities	Restructuring provisions	Enviromental and damage provisions	Deferred income on disposal of Tikkurila CPS	Other provisions	Total
Short-term provisions						
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
2003						
Balance at beginning of year	7.0	21.8	4.9	-	12.8	46.5
Change in provisions	-7.0	-7.2	1.7	-	-6.5	-19.0
Balance at end of year	**-**	**14.6**	**6.6**	**-**	**6.3**	**27.5**

BALANCE SHEET (EUR million)	2003	2002
20. CURRENT LIABILITIES		
Interest-bearing short-term liabilities		
Loans from financial institutions	194.1	99.2
Loans from pension institutions	6.5	1.6
Current portion of other long-term loans to others	18.6	61.3
Bills of exchange from others	0.9	1.5
Other interest-bearing short-term liabilities to associates	14.8	-
Other interest-bearing short-term liabilities to others	61.2	48.2
Total interest-bearing short-term liabilities	296.1	211.8

	2003	2002
Interest-free short-term liabilities		
Advances received from others	6.6	11.8
Accounts payable to associates	1.3	1.0
Accounts payable to others	217.6	189.6
Short-term provisions	27.5	46.5
Accrued expenses and prepaid income to others	186.9	175.1
Other interest-free short-term liabilities to associates	4.1	4.4
Other interest-free short-term liabilities to others	22.1	24.7
Total interest-free short-term liabilities	466.1	453.1
Total current liabilities	762.2	664.9
Accrued expenses		
Personnel expenses	55.5	51.1
Items related to net sales and purchases	20.4	22.4
Interest	19.9	20.5
Exchange rate differences	34.1	21.2
Taxes	11.9	18.0
Other	45.1	41.9
Total	186.9	175.1

21. NET LIABILITIES

Interest-bearing long-term liabilities	542.5	636.9
Interest-bearing short-term liabilities	296.1	211.8
Securities	-29.5	-40.1
Cash and bank	-48.5	-40.7
Total	760.6	767.9

22. FINANCE LEASE LIABILITIES

The Group's finance lease liabilities and interest payments mature as follows:

	2003		
	Total payments	Interest	Debt
Within one year; 2004	5.6	1.5	4.1
After one year but not more than five years; 2005–2009	28.4	3.9	24.5
Over five years; 2010 or later	7.7	0.4	7.3
Present value of minimum lease payments	41.7	5.8	35.9

OTHER NOTES (EUR million)

23. PENSION LIABILITIES ACCORDING TO IAS 19

Pension arrangements

The Group has several pension arrangements in different countries. In Finland, the Netherlands, Great Britain and Belgium pension security has been arranged primarily through the Group's own defined benefit plan pension foundations. In addition, the Group has other defined benefit and defined contribution pension arrangements.

In the defined benefit plans the benefits are determined based on salary, retirement age, suffering of an injury, the insured's decease or ending of the employment relationship.

Finnish compulsory pension arrangement (TEL) has been accounted for as defined contribution plan. There are features in the plan which make it difficult to determine whether the TEL plan should be accounted for as a defined benefit plan or a defined contribution plan. If the current determination were changed, it could have a material effect on the figures presented below. Since the employer carries the ultimate responsibility for the return on plan assets in own funds, those TEL arrangements that are handled through own pension foundations are accounted for as defined benefit plans under IAS 19. 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 defined benefit pension arrangements of the Group's pension foundations as described above and is based on independent actuarial valuations. It furthermore indicates the differences which application of IAS 19 would have caused in the Group's net income and balance sheet.

According to the exemptions allowed by IFRS 1 the opening balance as at 1.1.2003 does not include accumulated actuarial gains and losses. As Kemira reports according to IFRS/IAS after 1.1.2004, the corridor method is used to account for actuarial gains and losses.

Defined benefit plan, employee benefit obligations	**2003**
Present value of unfunded obligations	**58.0**
Present value of funded obligations	**1,039.3**
Fair value of plan assets	**-1,025.3**
Fair value of pension obligations	**72.0**
Unrecognized actuarial gains and losses (-)	**41.8**
Net IAS liability/receivable (-)	**113.8**

In 2003 the assets for pension arrangements include Kemira Oyj shares at a fair value of EUR 7.0 million as well as real-estate properties which are in the Group's own use and have a fair value of EUR 8.2 million.

OTHER NOTES (EUR million)	2003
Movements in net liability	
Net liability at start of year	112.4
Exchange differences on foreign plan	-4.6
Net expense in the income statement	36.9
Contributions included in net income	-30.9
Net liability/receivable (-)	113.8
Pension liabilities included in balance sheet	46.3
Impact on balance sheet if IAS 19 had been applied	67.5
The amounts in the income statement	
Current service cost	28.1
Interest on obligation	55.2
Expected return on plan assets	-46.4
Net actuarial gains/losses of financial year (-)	-
IAS pension expenses/decrease in expenses (-)	36.9
Contributions included in net income	30.9
Impact on net income if IAS 19 had been applied (credit -)	6.0
Actual return on plan assets	
Actual return on plan assets/expense (-)	126.0
Principal actuarial assumptions	
Discount rate	5.0 – 5.7%
Expected return on plan assets	4.6 – 8.0%
Future salary increases	2.3 – 4.4%
Future pension increases	2.0 – 2.9%

The financial impact of IAS 19

If IAS 19 had been applied in the consolidated financial statements, the net income for 2003 would have been EUR 6.0 million lower.

The amount deducted from shareholders' equity at 31 December 2003 as a result from applying IFRS 1 would have decreased the group's equity by EUR 67.5 million related to the above-mentioned arrangements.

Reporting according to IFRS will not require material adjustments to net income or balance sheet for other employee benefits.

OTHER NOTES (EUR million)	2003	2002
24. COLLATERAL AND CONTINGENT LIABILITIES		
Loans secured by mortgages in the balance sheet and for which mortgages given as collateral		
Loans from financial institutions	7.3	6.6
Mortgages given	7.1	6.4
Loans from pension institutions	82.2	73.0
Mortgages given	83.9	91.3
Other loans	10.8	9.4
Mortgages given	11.8	13.4
Total mortgage loans	100.3	89.0
Total mortgages given	102.8	111.1
Contingent liabilities		
Assets pledged		
On behalf of own commitments	38.0	46.3
On behalf of others	0.8	1.0
Guarantees		
On behalf of associates	67.6	63.9
On behalf of others	1.8	1.6
Operating leasing		
Maturity within one year	5.3	3.3
Maturity after one year	23.9	21.0
Other obligations		
On behalf of others	1.6	1.0

In liabilities for 2003 there are EUR 35.9 million of debts related to a finance lease. In 2002 the corresponding figure was EUR 40.2 million.

There were no collaterals or contingent liabilities related to managing directors, members or deputy members of the board of directors and the supervisory board during 2003 and 2002.

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.

Other commitments

Kemira's ownership in Teollisuuden Voima Oy is 1.9% and with its pension foundations Kemira owns a 4.6% stake in Pohjolan Voima Oy, which owns over 50% of Teollisuuden Voima Oy. Teollisuuden Voima has a nuclear power plant in Finland. The shareholders can buy electricity from the nuclear power plant at a price that covers its production expenses. This price has been clearly below the average market prices.

25. ENVIRONMENTAL RISKS, LIABILITIES AND LEGAL AFFAIRS

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 2003 were in material compliance with the existing regulations, except for fairly small individual cases, and no operationally significant legislation- or permit-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.

Environmental liabilities

Pollution 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 acquisitions and divestments that have been carried out or are in the planning stage, with an emphasis on the United States.

The acquisition of a majority holding in Kemiron Inc. involved an extensive environmental due diligence project. Environmental liability risks that are significant at the Group level were not observed and remedial requirements were not brought forth. At two sites, steps were taken to cover liability risk through agreement and insurance arrangements. In due diligence connected with the acquisition of Vulcan Performance Chemicals in the United States, significant environmental risks were not observed at the three locations included in the transaction.

The total amount of provisions for environmental reconditioning was EUR 17.6 million. The largest provisions are for future landscaping of the piling areas at the Pori, Kokkola and Helsingborg sites, the reconditioning of the sediment of a lake adjacent to the Vaasa plant and contaminated land areas at certain Kemira SA/NV's properties in Belgium.

Environment legal affairs, cases and litigation

An appeal concerning the waste management permit for Kemira Phosphates Oy's Siilinjärvi plant is still pending in the Supreme Administrative Court. The appealed judgement spells out significant regulations concerning future landscaping measures for by-products and wastes in the piling areas. The European Court of Justice issued a statement concerning the matter. The outcome of the appeal process cannot be forecast. In 2004 the site will apply for a new environmental permit that provides for reprocessing the environmental issues connected with the piling areas.

In the United States, Kemira Chemicals Inc. may possibly be a defendant, to a minor extent, in a class action and at one so-called Superfund site. Both cases concern external properties that have already been reconditioned. They are not expected to have significant financial effects.

26. 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 treasury 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 commercial foreign exchange risks, expressed in millions of euros, are estimated to have the following breakdown in 2004:

Currency (EUR million)	USD	GBP	HUF [1]	PLN [2]	Others
Net flow	68	-72	30	24	41
Hedging	-53	41			30
Exposure after hedging	15	-31	30	24	11
Hedge ratio	**78%**	**57%**	**0%**	**0%**	**73%**

1) Hungarian forint 2) Polish zloty

At the turn of the year in 2003, the currency flow from commercial activities for 2004 is estimated to be about EUR 235 million, of which 53% was hedged (the degree of hedging in 2002 was 50%). Currency risk is hedged mainly by using forwards and currency options, which at the end of 2003 were less than one year in length. The degree of hedging is tracked daily.

The basic guideline for hedging overall currency flow risk is that a minimum of 50% of the net currency flow that is forecast for the next 12 months is hedged. A minimum of 30% and a maximum of 100% of the forecast flow must always be hedged.

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 to the Group's foreign entities, 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 loan of 400 million Swedish kronor is used as a hedge for the shareholders' equity of the units in Sweden and, similarly, loans raised in United States dollars hedge the shareholders' equity of the units in the United States. The shareholders' equity of the company in Japan and in Canada are hedged with forward contracts. The aggregate nominal value of the instruments used to hedge net investments in foreign units was about EUR 153 million at the end of 2003. The agreements are treated, in accordance with IAS 39, as the hedging of a net investment in an independent foreign entity. The efficiency of the hedging is monitored in the manner prescribed by the standard.

Currency (EUR million)	Equity exposure 31 Dec. 2003 after hedging
SEK	171
GPB	85
DKK	32
PLN	31
USD	21
CAD	4
Others	64
Total	**408**

Interest rate risk

In order to manage interest rate risks, the Group's borrowing and investments are spread out between fixed and variable interest rate instruments. The company can borrow by way of either fixed or floating rate instruments and use interest rate swaps, forward rate agreements or interest rate options to arrive at a result in accordance with its policy. The longest interest rate swaps fall due in 2011. At the end of 2003, 33% of the Group's entire loan portfolio, including derivatives and pension loans, consisted of fixed-interest borrowings. Pension loans are considered to be floating rate loans.

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 2003 was 12 months including interest rate derivatives and four months without interest rate 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 2003 would have lowered the market value of the long-term loan portfolio by EUR 7.3 million, including interest rate derivatives and by EUR 2.5 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 2004 the duration of the loan portfolio can vary in a range of 6-24 months. In 2004 a change of one percentage point in the interest rate curve is allowed to cause a maximum change of EUR 15 million in the market value of the asset/liability portfolio.

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

LIQUIDITY RISK

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

The Group's solvency and funding arrangements are safeguarded by maintaining good liquidity and by means of revolving credit facilities. The old revolving credit facility was repaid and a new, larger revolving credit facility was arranged in June 2003. The new five-year revolving credit facility is EUR 506 million in total amount. The credit contains a covenant according to which the company represents and warrants that its financial state will remain such that the consolidated shareholders' equity is always at least 25 per cent of consolidated total assets (equity ratio). The average maturity of long-term loans (excluding pension loans) was 4.2 years at the turn of the year and by 2009 will fall due 57% of them, or EUR 437 million, of which EUR 189 million can be renewed within the limits of revolving credit facility.

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 not used in 2003. At the end of the year, other commercial paper programmes amounting to EUR 27 million were in use. On average, EUR 47 million of the programmes was used during the year.

The Group's average liquidity in 2003 was EUR 70 million. At the end of 2003, the Group's liquidity amounted to EUR 78 million as well as an unused revolving credit facility of about EUR 316 million, giving a total available liquidity of EUR 394 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	**31.12.2003**		31.12.2002	
(EUR million)	**Nominal value**	**Fair value**	Nominal value	Fair value
Currency instruments				
Forward contracts *)	**256.6**	**0.0**	278.7	9.5
Of which equity hedging	**19.2**	**0.4**	21.1	3.8
Currency options *)				
Bought	**502.8**	**6.3**	224.9	6.1
Sold	**558.9**	**-2.0**	418.6	-0.5
Currency swaps	**79.9**	**-15.9**	145.1	-14.1
Of which equity hedging	**0.0**	**0.0**	12.5	-1.2
Interest rate instruments				
Interest rate swaps	**198.1**	**-6.2**	145.4	-8.8
Interest rate options			92.8	-1.1
Bought	**27.9**	**-0.5**	29.6	-0.2
Sold	**36.9**	**-0.1**	63.2	-0.9
Forward rate agreements	**250.0**	**0.0**	448.2	-0.2
Of which open	**0.0**	**0.0**	47.7	-0.2
Bond futures	**7.5**	**0.0**	25.0	-0.1
Of which open	**7.5**	**0.0**	5.0	-0.1

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 valuated based on net present values of future cash flows. A valuation model has been used to estimate the fair values of options.

*) Including 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 to the balance sheet at their acquisition cost (EUR million)	**Balance sheet value 2003**	**Fair value 2003**	Balance sheet value 2002	Fair value 2002
Assets				
Loans to associated companies	**64.5**	**73.6**	41.0	51.7
Short-term deposits with financial institutions	**24.5**	**24.5**	40.1	40.1
Shareholder's equity and liabilities				
Long-term loans from financial institutions	**487.7**	**495.0**	355.1	323.1
Of which equity hedging	**134.3**	**135.7**	85.2	86.1
Pension loans	**208.2**	**212.7**	228.7	232.5
Bonds and notes	**16.5**	**17.3**	61.7	63.4
Leasing liabilities	**35.9**	**35.9**	40.2	40.2

The fair value of the contracts has been calculated on the basis of the present value of the cash flow arising from them.

The valuation of financial instruments has been calculated according to the date of trade, whereas the purchase and sale of financial assets are booked according to the settlements date.

27. SHARES AND HOLDINGS OF GROUP COMPANIES

			Group 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	40.5
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
Kay Fertilizer Sdn. Bhd.	Kuala Lumpur	Malaysia	30.0
Kemira GrowHow (Thailand) Limited	Bangkok	Thailand	49.5
Kemwater Phil., Corp.	Manila	Philippines	40.0
Movere Oy	Lahti	Finland	33.3
Pharmatory Oy	Oulu	Finland	24.0
PK Düngerhandelsgesellschaft m.b.H.	Hannover	Germany	50.0
Scanspac & Co KB	Sala	Sweden	50.0
Scanspac AB	Sala	Sweden	50.0
SECO Fertilisants 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 Company L.L.C.	Dubai	United Arab Emirates	49.0
KemMaq L.L.C.	Rowley	USA	30.0
Other shares and holdings			
A. Jalander Oy		Finland	16.0
Suomen Rehu Oy		Finland	19.9

28. JOINT VENTURES

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

	2003	2002
Non-current assets	**13.4**	15.3
Current assets	**17.8**	16.8
Total assets	**31.2**	32.1
Long-term liabilities	**3.2**	3.3
Short-term liabilities	**14.9**	15.9
Total liabilities	**18.1**	19.2
Net sales	**31.8**	34.4
Costs	**-27.0**	-29.7
Depreciation	**-2.1**	-1.9
Financial income and expenses	**-0.3**	-0.4
Income taxes	**-0.8**	-0.9
Net income	**1.6**	1.5

29. SEGMENT DATA

The Group was reorganized in 2003 into the following main business areas: Pulp & Paper Chemicals, Kemwater, Paints & Coatings, Industrial Chemicals and GrowHow.

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.

2003 **EUR million**	Pulp & Paper Chemicals	Kemwater	Paints & Coatings	Industrial Chemicals	GrowHow	Other	**Group**
Income statement							
External net sales	483.5	193.6	439.3	374.5	1 172.7	74.6	**2,738.2**
Intra-Group sales	37.5	21.8	0.1	35.3	32.7	-127.4	**-**
Net sales, total	521.0	215.4	439.4	409.8	1 205.4	-52.8	**2,738.2**
Operating income	42.5	23.7	29.7	39.6	24.8	-16.2	**144.1**
Share of the associates' net income	1.7	1.1	1.7	-	-8.6	1.4	**-2.7**
Other information							
Assets of businesses	592.5	181.4	336.7	343.4	747.7	148.3	**2,350.0**
of which holdings in associated companies	1.2	2.0	3.7	2.4	12.4	5.3	**27.0**
Unallocated assets							**145.1**
Consolidated assets, total							**2,495.1**
Liabilities of businesses	76.1	40.0	52.5	52.2	177.7	40.6	**439.1**
Unallocated liabilities							**956.0**
Consolidated liabilities, total							**1,395.1**
Capital expenditure	73.0	53.0	13.8	38.3	51.6	6.3	**236.0**
Depreciation	44.3	13.4	20.7	34.0	50.9	6.5	**169.8**
Impairment of fixed assets	-	-	-	4.1	-	-	**4.1**
Cash flows	78.4	33.7	26.4	61.9	26.4	-7.7	**219.1**
Cash flow from operations	-50.0	-50.0	-12.8	-37.6	-49.4	0.1	**-199.7**
Net capital expenditure	-7.0	-2.1	-17.6	-5.6	30.5	-20.3	**-22.1**

2002 EUR million	Pulp & Paper Chemicals	Kemwater	Paints & Coatings	Industrial Chemicals	GrowHow	Other	Group
Income statement							
External net sales	447.9	160.3	449.5	364.1	1 124.0	66.5	2,612.3
Intra-Group sales	36.8	16.1	0.1	39.6	41.2	-133.8	-
Net sales, total	484.7	176.4	449.6	403.7	1 165.2	-29.9	2,612.3
One-time impairment	-	-	-	-	-78.2	-	-78.2
Operating income	28.0	17.9	23.9	26.8	-31.8	-24.8	40.0
Share of the associates' net income	1.9	0.7	1.5	-0.1	-2.6	4.1	5.5
Other information							
Assets of businesses	553.2	129.1	354.4	399.7	750.8	93.0	2,280.2
of which holdings in associated companies	14.3	1.8	3.3	5.1	24.6	9.1	58.2
Unallocated assets							211.0
Consolidated assets, total							2,491.2
Liabilities of businesses	75.3	20.8	67.4	107.7	173.7	17.5	462.4
Unallocated liabilities							956.1
Consolidated liabilities, total							1,418.5
Capital expenditure	96.4	11.1	23.5	34.8	71.4	5.8	243.0
Depreciation	47.7	10.9	21.3	32.9	57.7	5.6	176.1
Impairment of fixed assets	-	-	0.2	-	52.4	-	52.6
Cash flows							
Cash flow from operations	51.8	31.8	61.2	63.9	116.9	-35.8	289.8
Net capital expenditure	-92.3	-7.0	-20.8	-23.4	-61.5	-17.6	-222.6
Cash flow from financing	-8.8	-2.0	-36.3	-6.4	-77.5	74.8	-56.2

Geographical segment

	2003	2002
Net sales		
Finland	456.6	457.8
Other EU countries	1,345.9	1,311.8
Rest of Europe	410.4	380.6
North and South America	286.9	224.4
Asia	170.2	167.2
Other countries	68.2	70.5
Total	2,738.2	2,612.3
Assets (tangible and intangible fixed assets)		
Finland	529.8	530.8
Other EU countries	479.3	508.9
Rest of Europe	65.9	56.2
North and South America	201.3	150.0
Asia	36.0	44.8
Other countries	1.9	2.4
Total	1,314.2	1,293.1
Capital expenditure		
Finland	83.2	109.1
Other EU countries	53.5	70.3
Rest of Europe	16.4	3.7
North and South America	80.7	52.4
Asia	2.0	1.5
Other countries	0.2	6.5
Total	236.0	243.5

30. CHANGES IN GROUP STRUCTURE IN 2003

Acquisitions by Group companies and newly founded subsidiaries

– Kemira's holding in Kemwater (Yixing) Co. Ltd of China increased from 89% to 100%.
– Kemira purchased from the City of Helsinki its holding in Kemwater Services Oy, thereby increasing Kemira's holding from 51% to 100%.
– Kemira's Swedish subsidiary Kemira Kemi AB and Anox AB founded a joint venture named Akvab. Kemira has a 60% stake in Akvab and Anox 40%.
– Kemira Chemicals Oy's holding in AS Kemivesi increased from 50.10% to 66.72%.
– Kemira Chemicals Holding Oy acquired all the shares in ZAO Kemira Eko, a water chemicals company that operates in St Petersburg.
– Kemira GrowHow founded a subsidiary named Kemira GrowHow Latinoamericana S.A. in Argentina.
– OOO Mineralresurs, the Russian subsidiary of of Kemira GrowHow Oy, purchased all the shares in ZAO Agropromchimia, a fertiliser producing company in Vyborg.
– Kemira GrowHow Oy increased its ownership in Verdera Oy from 80% to 98.6%.
– Kemira acquired a majority holding in Kemiron Companies Inc. of North America, its interest in the company rising from 15% to 60%. A new holding company named Kemira Water Chemicals Inc. was founded.
– Kemira's holding in Kemwater Brasil S.A. increased from 51% to 70.5%.

Intra-Group changes in holdings in Group companies

- The Phosphates Oy business within Kemira Kemi AB, Helsingborg, is now handled by Kemira GrowHow AB (previously the dormant company Kemira Bioteknik AB).
- Kemira Pigments Oy sold Kemira Pigments KFT to Kemira GrowHow Oy in February.
- In Hungary Kemira Pigments KFT and Kemira Agro Hungary Ltd merged into Kemira GrowHow KFT.
- The Group's holding in Aliada Quimica de Portugal Ltd fell from 74.0% to 50.1%.
- Kemira International Finance B.V. was merged into Kemira Pigments Holding BV, after which the company's new name is Kemira International Finance B.V.
- Kemira Kemi AB sold Kemira Chimie S.A. to Kemira Chemicals Oy in November.
- Tikkurila Paints Oy sold its 50% interest in Tikkurila Coatings AB and Tikkurila Coatings Sp. z o.o to Tikkurila Coatings Oy.
- Kemira Paper Chemicals Inc. and Kemira Chemicals US Inc. were merged into Kemira Chemicals, Inc. in February.
- Kemira Paper Chemicals Canada Inc. was merged into Kemira Chemicals Canada Inc. in February.
- PCS Paper Chemicals Systems Vertrieb Ges.mbH was merged into Kemira Chemie Ges.mbH in June.
- Kemira Chemicals Oy was merged with Kemira Oyj 1.1.2004.
- Alcro-Beckers Sp. z o.o was sold to TBD S.A. and merged into TBD S.A.
- Tikkurila Paints Oy's subsidiary Imagica s.r.l. sold its business to Create s.r.l. in January.
- Kemira GrowHow's dormant subsidiary Kemira Agro Asia Ltd was wound up.

Name changes

- Alcro-Beckers Norge A/S's name was changed to Tikkurila Norge A/S and Alcro-Beckers Danmark A/S's name was changed to Tikkurila Danmark A/S.
- Kemira Agro Oy's name was changed to Kemira GrowHow Oy, Kemira Ltd's name was changed to Kemira GrowHow Ltd, Comercial de Fertilizantes Liquidos S.A.'s name was changed to Kemira GrowHow España S.A., Kemira Agro Hungaria KFT's name was changed to Kemira GrowHow KFT, Kemira Agro Holdings Ltd's name was changed to Kemira GrowHow Holdings Ltd, Kemira Danmark A/S's name was changed to Kemira GrowHow A/S, Kemira S.A./N.V's name was changed to Kemira GrowHow S.A./N.V, SIA Kemira Agro Latvija's name was changed to SIA Kemira GrowHow, Kemira Agro Poland Sp. z o.o's name was changed to Kemira GrowHow Sp. z o.o, AS Kemira Agro Eesti's name was changed to AS Kemira GrowHow, UAB Kemira Agro Vilnius's name was changed to UAB Kemira GrowHow, Kemira Agro U.K. Ltd's name was changed to Kemira GrowHow U.K. Ltd, Kemira Agro Holding B.V's name was changed to Kemira GrowHow Holding B.V, Kemira Agro Rozenburg B.V's name was changed to Kemira GrowHow B.V, Kemira Danmark Holding A/S's name was changed to Kemira GrowHow Holding A/S, Kemira Thai Co. Ltd's name was changed to Kemira GrowHow Thailand Ltd.
- Kemira Metalkat Oy's name was changed to Ecocat Oy.
- Kemira Engrais S.A's name was changed to Kemira GrowHow S.A, Kemira Deutschland GmbH's name was changed to Kemira GrowHow GmbH.
- Nokian Laatumaalit Oy's name was changed to Winding Up Oy, Golv och färghuset Peter Alvefelt AB's name was changed to Hisingens Färghus AB.
- Kemira Pigments Holding B.V.'s name was changed to Kemira International Finance B.V.
- Kemira Ireland Ltd was renamed Kemira GrowHow Ireland Ltd.

Kemira Oyj financial statements

INCOME STATEMENT		1.1. - 31.12.	
EUR million	Note	**2003**	2002
Net sales	1	**23.1**	22.8
Other income from operations	2	**6.9**	0.3
Cost of sales	3, 4, 5	**-35.3**	-57.2
Depreciation	6	**-4.3**	-2.2
Operating income		**-9.6**	-36.3
Financial income and expenses	7	**32.8**	127.2
Income before extraordinary items, appropriations and taxes		**23.2**	90.9
Extraordinary items	8	**63.3**	94.4
Income before appropriations and taxes		**86.5**	185.3
Appropriations	9	**-0.2**	-2.2
Direct taxes	10	**-25.0**	-53.3
Net income		**61.3**	129.8

BALANCE SHEET		31.12.	
EUR million	Note	**2003**	2002
ASSETS			
Non-current assets			
Intangible assets	11	**10.9**	11.8
Tangible assets	12	**24.8**	25.9
Investments	13		
Shares in Group companies		**402.3**	402.3
Holdings in associates		**5.0**	5.0
Other shares and holdings		**2.7**	3.1
Own shares		**28.2**	28.2
Investments in Group companies and participating interests		**484.8**	358.1
Total investments		**923.0**	796.7
Total non-current assets		**958.7**	834.4
Current assets			
Inventories	14	**0.1**	-
Receivables	15		
Interest-bearing receivables		**33.3**	201.4
Interest-free receivables		**125.8**	152.8
Total receivables		**159.1**	354.2
Securities	16	**637.1**	514.6
Cash and bank		**3.0**	4.1
Total current assets		**799.3**	872.9
Total assets		**1,758.0**	1,707.3

LIABILITIES AND SHAREHOLDERS' EQUITY		31.12.	
		2003	2002
Shareholders' equity	17		
Share capital		**217.0**	217.0
Share premium account		**252.5**	252.5
Reserve for own shares		**28.2**	28.2
Retained earnings		**389.4**	295.1
Net profit for the financial year		**61.3**	129.8
Total shareholders' equity		**948.4**	922.6
Appropriations	18	**3.3**	3.1

EUR million	Note	**2003**	2002
Long-term liabilities			
Interest-bearing long-term liabilities	19	**309.6**	379.3
Total long-term liabilities		**309.6**	379.3
Current liabilities	20		
Interest-bearing short-term liabilities		**409.4**	334.0
Interest-free short-term liabilities		**87.3**	68.3
Total current liabilities		**496.7**	402.3
Total liabilities		**806.3**	781.6
Total liabilities and shareholders' equity		**1,758.0**	1,707.3

CASH FLOW STATEMENT		
EUR million	**2003**	2002
Funds from operations		
Operating income	**-9.7**	-36.3
Adjustments to operating income	**-6.9**	-0.2
Depreciation	**4.3**	2.2
Interest income	**33.9**	42.6
Interest expense	**-26.3**	-29.6
Dividend received	**3.1**	173.1
Other financing items	**28.6**	-44.2
Taxes	**-9.2**	-63.3
Total funds from operations	**17.8**	44.3
Change in net working capital		
Inventories	**-0.1**	-
Short-term receivables	**9.6**	-12.2
Non-interest-bearing short-term liabilities	**-5.7**	26.8
Change in net working capital, total	**3.8**	14.6
Cash flow from operations	**21.6**	58.9
Capital expenditure		
Acquisitions of Group companies	**0.0**	-1.2
Purchase of other fixed assets	**-3.4**	-15.9
Disposal of Group companies	**0.0**	50.2
Disposed shares	**7.2**	-
Sales of other fixed assets	**1.1**	0.9
Total capital expenditure	**4.9**	34.0
Cash flow before financing	**26.5**	92.9
Financing		
Change in long-term loans (increase +, decrease -)	**-17.7**	97.9
Change in long-term loan receivables (increase +, decrease -)	**-126.7**	108.1
Short-term financing, net (increase +, decrease -)	**180.4**	-189.9
Group contribution	**94.4**	112.1
Dividend paid	**-35.5**	-35.5
Own shares	**0.0**	-7.0
Financing, total	**94.9**	85.7
Increase / decrease in liquid funds	**121.4**	178.6
Liquid funds at end of year	**640.1**	518.7
Liquid funds at beginning of year	**518.7**	340.1
Increase / decrease in liquid funds	**121.4**	178.6

INCOME STATEMENT	2003	2002
EUR million		
1. NET SALES		
Net sales	23.1	22.8

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

2. OTHER INCOME FROM OPERATIONS

	2003	2002
Gains on the sale of fixed assets	6.9	0.3
Other income	0.0	0.0
Total	6.9	0.3

3. COST OF SALES

	2003	2002
Increase/ (decrease) in stocks of finished goods	0.0	-
Materials and services		
Materials and supplies		
Purchases during the financial year	13.0	14.4
Total materials and services	13.0	14.4
Personnel expenses	18.8	12.5
Rents	3.7	2.4
Losses on the sales of fixed assets	0.1	22.1
Other expenses	-0.3	5.8
Total	35.3	57.2

4. RESEARCH AND DEVELOPMENT EXPENSES

	2003	2002
Research and development expenses total	7.0	3.4

5. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

	2003	2002
Emoluments of the Supervisory Board	0.1	0.1
Emoluments of boards of directors and managing directors [1]	0.6	0.5
Other wages and salaries	14.3	8.8
Pension expenses	1.9	2.4
Other personnel expenses	1.9	0.7
Total	18.8	12.5

1) The emolument of Kemira Oyj's managing director was EUR 422,104, including profit sharing bonuses totalling EUR 14,264.

The members of Kemira Oyj's Board of Directors are paid a monthly emolument and a meeting fee; other compensation is not paid. The chairman of Kemira Oyj's Board of Directors was paid EUR 4,000 monthly, the vice chairman EUR 3,100 monthly and each of the members EUR 2,400 monthly. In addition, a meeting fee of EUR 350 per meeting was paid.

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

The managing director and deputy managing director of Kemira Oyj are entitled to retire at the age of 60. The managing director's benefit is based on an agreement, according to which the maximum remuneration for the managing director is 60% of the pension salary. The maximum remuneration for the deputy managing director is 66% of the pension salary. The possibility is based on the benefits of the supplementary pension foundation that has been closed to new members since 1 January 1991.

The supplementary pension foundation's benefits concern all the personnel whose years of service and other conditions concerning the granting of a pension have been fulfilled. Similar arrangements have been made in other Group companies.

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

	2003	2002
Personnel		
Personnel, average	285	257
Personnel at year end	276	335

6. DEPRECIATION

	2003	2002
Scheduled depreciation		
Intangible assets		
Intangible rights	0.0	0.0
Other intangible assets	2.7	0.8
Tangible assets		
Buildings and constructions	0.3	0.3
Machinery and equipment	1.3	1.1
Other tangible assets	0.0	0.0
Total	4.3	2.2
Decrease in difference between scheduled and actual depreciation		
Intangible assets	0.0	0.0
Other intangible assets	-0.1	-1.7
Buildings and constructions	-0.1	-0.2
Machinery and equipment	0.0	-0.3
Other tangible assets	0.0	-
Total	-0.2	-2.2

7. FINANCING INCOME AND EXPENSES

	2003	2002
Financing income		
Dividend income		
Dividend income from Group companies	2.8	172.6
Dividend income from others	0.3	0.5
Total dividend income	3.1	173.1
Interest income		
From long-term investments from Group companies	16.3	22.3
From short-term investments from Group companies	16.7	15.9
From long-term investments from others	2.9	-
From short-term investments from others	0.6	3.3
Total interest income	36.5	41.5
Other financing income		
Other financing income from Group companies	0.2	0.2
Other financing income total	0.2	0.2
Exchange differences		
Exchange differences from Group companies	6.0	-
Exchange differences from others	90.7	50.6
Total exchange differences	96.7	50.6
Total financing income	136.5	265.4
Financing expenses		
Impairment of investments		
Write-down of loans receivable	0.0	-56.5
Total impairments	0.0	-56.5
Interest expenses		
Interest expenses to Group companies	-3.6	-6.1
Interest expenses to others	-21.3	-30.1
Total interest expenses	-24.9	-36.2

	2003	2002
Other financing expenses	-2.0	-0.7
Exchange differences		
From Group companies	-28.9	-44.8
Exchange differences from others	-47.9	-
Total exchange differences	-76.8	-44.8
Total financing expenses	-103.7	-138.2
Total financing income and expenses	32.8	127.2

Exchange gains and losses		
Realized	13.3	-5.0
Unrealized	6.6	10.8
Total	19.9	5.8

8. EXTRAORDINARY ITEMS

Extraordinary income	2003	2002
Group contributions received	83.7	96.6
Total	83.7	96.6

Extraordinary expenses	2003	2002
Group contribution granted	-20.4	-2.2
Total	-20.4	-2.2
Total extraordinary income and expenses	63.3	94.4

9. CHANGE IN APPROPRIATIONS

	2003	2002
Decrease in depreciation difference	-0.2	-2.2
Total	-0.2	-2.2

10. DIRECT TAXES

	2003	2002
Direct taxes on extraordinary items	18.4	27.3
Direct taxes, current year	6.5	23.1
Direct taxes, previous years	0.0	2.8
Other taxes	0.1	0.1
Total	25.0	53.3

NOTES TO KEMIRA OYJ FINANCIAL STATEMENTS
BALANCE SHEET (EUR million)

11. INTANGIBLE ASSETS

	Intangible rights	Other intangible assets	2003 total	2002 total
Acquisition cost at beginning of year	0.7	12.7	13.4	1.8
Increases	0.5	1.7	2.2	11.7
Decreases	0.0	-0.5	-0.5	-0.1
Acquisition cost at end of year	1.2	13.9	15.1	13.4
Accumulated depreciation at beginning of year	-0.5	-1.2	-1.7	-0.9
Accumulated depreciation relating to decreases and transfers	0.0	0.1	0.1	0.1
Depreciation during the financial year	0.0	-2.6	-2.6	-0.8
Accumulated depreciation at end of year	-0.5	-3.7	-4.2	-1.6
Net book value at end of year	0.7	10.2	10.9	11.8

12. TANGIBLE ASSETS

	Land and water areas 1)	Buildings and construc-tions 2)	Machinery and equipment	Other tangible assets	Advances paid and fixed assets under construction	2003 total	2002 total
Acquisition cost at beginning of year	2.7	28.3	13.8	0.5	1.9	47.2	43.8
Increases	0.0	0.1	1.2	-	0.0	1.3	4.2
Decreases	0.0	0.0	-0.8	0.0	-0.7	-1.5	-0.8
Acquisition cost at end of year	2.7	28.4	14.2	0.5	1.2	47.0	47.2
Accumulated depreciation at beginning of year	-	-12.4	-8.5	-0.4	0.0	-21.3	-20.3
Accumulated depreciation relating to decreases and transfers	0.0	0.0	0.7	0.0	0.0	0.7	0.4
Depreciation during the financial year	0.0	-0.3	-1.3	0.0	0.0	-1.6	-1.4
Accumulated depreciation at end of year	0.0	-12.7	-9.1	-0.4	-	-22.2	-21.3
Net book value at end of year	2.7	15.7	5.1	0.1	1.2	24.8	25.9

1) The acquisition cost and the book value of land and water areas include revaluations of EUR 0.6 million in 2003 and 2002.
2) The acquisition cost of buildings and constructions include revaluations of EUR 5.0 million in 2003 and 2002.

13. INVESTMENTS

	Group company shares	Other shares	Investments in Group companies	Own shares	2003 total	2002 total
Acquisition cost at beginning of year	407.3	3.1	358.1	28.2	796.7	947.0
Increases	0.0	0.0	0.0	0.0	0.0	8.2
Decreases	0.0	-0.4	0.0	0.0	-0.4	-50.5
Receivables from Group companies	-	0.0	126.7	0.0	126.7	-108.0
Net book value at end of year	407.3	2.7	484.8	28.2	923.0	796.7

Shares and holdings are specified in Note 22.

NOTES TO KEMIRA OYJ FINANCIAL STATEMENTS BALANCE SHEET (EUR million)	**2003**	2002

14. INVENTORIES

Raw materials and supplies	**0.1**	-

15. RECEIVABLES

Current receivables		
Interest-bearing short-term receivables		
Loan receivables from Group companies	**33.3**	201.4
Total interest-bearing short-term receivables	**33.3**	201.4
Interest-free short-term receivables		
Accounts receivable		
Accounts receivable from Group companies	**3.7**	3.7
Accounts receivable from others	**0.3**	2.4
Total accounts receivable	**4.0**	6.1
Advances paid	**5.8**	3.8
Prepaid expenses and accrued income		
Prepaid expenses and accrued income from Group companies	**93.3**	105.3
Prepaid expenses and accrued income from others	**21.6**	37.5
Total prepaid expenses and accrued income	**114.9**	142.8
Other interest-free short-term receivables		
Other receivables		
Other receivables	**1.1**	0.1
Total interest-free short-term receivables	**1.1**	0.1
Total current receivables	**125.8**	152.8
Total receivables	**159.1**	354.2
Loans to management	**-**	-

Prepaid expenses and accrued income		
From interests	**13.4**	10.8
From taxes	**0.9**	10.6
From exchange differences	**16.0**	14.6
From Group contribution	**83.7**	96.5
Other	**0.9**	10.3
Total	**114.9**	142.8

16. SECURITIES

Securities in Group companies	**615.1**	484.4
Securities in other companies	**22.0**	30.2
Total	**637.1**	514.6

17. SHAREHOLDERS' EQUITY

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.	**28.2**	21.2
Own shares repurchased	**0.0**	7.0
Fund for own shares at 31 Dec.	**28.2**	28.2
Retained earnings at 1 Jan.	**424.9**	337.6
Net profit for the year	**61.3**	129.8
Dividends paid	**-35.4**	-35.5
Purchase of own shares	**0.0**	-7.0
Donations	**-0.1**	0.0
Retained earnings and net profit for the year at 31 Dec.	**450.7**	424.9
Total shareholders' equity at 31 Dec.	**948.4**	922.6

18. APPROPRIATIONS	**2003**	2002
Appropriations		
Appropriations in the balance sheets are as follows:		
Buildings and constructions	**0.6**	0.4
Machinery and equipment	**0.8**	0.8
Other tangible assets	**0.0**	0.1
Intangible rights	**0.0**	0.0
Other long-term expenditures	**1.9**	1.8
Total	**3.3**	3.1
Change in appropriations		
Appropriations at 1 Jan.	**3.1**	0.9
Change in untaxed reserves	**0.2**	2.2
Appropriations at 31 Dec.	**3.3**	3.1

Deferred tax liabilities on accumulated depreciations were EUR 1.0 million at 31 Dec. 2003 and EUR 0.9 million at 31 Dec. 2002

19. LONG-TERM INTEREST-BEARING LIABILITIES

Debentures and other bond loans	**16.5**	16.5
Loans from financial institutions	**263.8**	326.3
Loans from pension institutions	**29.3**	36.5
Total	**309.6**	379.3
Long-term interest-bearing liabilities maturing in		
2005 (2004)	**57.5**	129.7
2006 (2005)	**16.5**	65.6
2007 (2006)	**75.0**	16.5
2008 (2007)	**10.0**	75.0
2009 (2008) or later	**150.6**	92.5
Total	**309.6**	379.3
Interest-bearing liabilities maturing in 5 years or longer		
Loans from pension institutions	**11.4**	18.6
Other long-term interest-bearing liabilities	**139.2**	74.0
Total	**150.6**	92.6

Debentures and other bond loans

Loan	Loan currency		
Kemira Oyj 4,4 % 24.11.98-03 I JVK, 1998-2003	EUR	**-**	45.2
Kemira Oyj 4,8 % 24.11.98-06 II JVK, 1998-2006	EUR	**16.5**	16.5
Total		**16.5**	61.7

Kemira Oyj has no convertible bonds.

NOTES TO KEMIRA OYJ FINANCIAL STATEMENTS BALANCE SHEET (EUR million)

20. CURRENT LIABILITIES

	2003	2002
Interest-bearing short-term liabilities		
Interest-bearing short-term liabilities	84.9	37.8
Loans from financial institutions		
Current portion of other long-term loans to others	201.6	149.6
Other interest-bearing short-term liabilities		
to Group companies	117.3	132.7
to others	5.6	13.9
Total interest-bearing short-term liabilities	409.4	334.0
Interest-free short-term liabilities		
Advances received	7.7	6.0
Accounts payable		
to Group companies	1.2	1.5
to others	2.3	2.1
Total accounts payable	3.5	3.6
Accrued expenses and prepaid income		
to Group companies	21.5	16.0
to others	54.2	42.4
Total accrued expenses and prepaid income	75.7	58.4
Other short-term liabilites to others	0.4	0.3
Total interest-free short-term liabilities	87.3	68.2
Total current liabilities	496.7	402.3

	2003	2002
Accrued expenses and prepaid income		
From salaries	4.0	2.4
From interests and exchange differences	44.8	41.1
From taxes	5.2	-
From Group contribution	20.4	2.2
Other	1.3	12.7
Total	75.7	58.4

21. COLLATERAL AND CONTINGENT LIABILITIES

	2003	2002
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	4.0	0.8
On behalf of Group companies	6.1	9.3
Guarantees		
On behalf of Group companies		
for loans	74.2	59.2
for leasing obligations	33.8	48.5
for other obligations	5.8	1.8
On behalf of associates	20.7	22.4
On behalf of others	1.4	1.4
Total	135.9	133.3

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

22. SHARES AND HOLDINGS OF KEMIRA OYJ

	Group holding %	Kemira Oyj holding %
Shares in subsidiaries		
Kemira GrowHow Oy	100	85
Kemira Chemicals Oy	100	100
Ecocat Oy	100	100
Kemira Pigments		
Latin America Commercial 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
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 Oyj for the 2003 financial year was EUR 61,309,628 and the distributable equity at 31 December, 2003 was EUR 450,710,559. The Group's non-restricted equity was EUR 595,115,000. The parent company's payment of dividend is limited by the Group's distributable equity, EUR 460,800,000, 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 0.33 per share or EUR 38,996,100 be paid for the financial year. It is proposed that EUR 500,000 be reserved for the use by the Board of Directors for purposes promoting the common good (among other things, for the donations to the Kemira Oyj Foundation).

Helsinki, 9 February 2004

Anssi Soila

Elizabeth Armstrong	Eija Malmivirta
Ove Mattsson	Matti Packalén
Markku Tapio	Lasse Kurkilahti 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 2003. 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 2004

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 2003 and studied the Auditors' report at its meeting today.

The Supervisory Board advises the 2004 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 2003. 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 2004

Timo Kalli

Heikki A. Ollila

Pekka Kainulainen

Mikko Långström

Susanna Rahkonen

Risto Ranki

Katri Sarlund

(The figures are unaudited)	1-3	4-6	7-9	10-12	2003 Total	1-3	4-6	7-9	10-12	2002 Total
EUR million										
Net sales										
Pulp & Paper Chemicals	121.1	122.6	140.4	136.9	521.0	109.2	124.8	120.8	129.9	484.7
Kemwater	43.2	47.0	58.7	66.5	215.4	45.0	46.3	43.7	41.4	176.4
Paints & Coatings	105.8	126.9	122.1	84.6	439.4	101.3	134.8	128.7	84.8	449.6
Industrial Chemicals	99.4	117.1	96.9	96.4	409.8	101.5	112.2	87.0	103.0	403.7
GrowHow	343.3	288.5	262.3	311.3	1,205.4	311.5	314.7	245.1	293.9	1 165.2
Other including eliminations	-13.3	-30.2	2.6	-11.9	-52.8	-12.2	-25.3	-14.2	-15.6	-67.3
Total	699.5	671.9	683.0	683.8	2,738.2	656.3	707.5	611.1	637.4	2 612.3
Operating income										
Pulp & Paper Chemicals	8.8	5.7	19.6	8.4	42.5	7.7	2.5	7.3	10.5	28.0
Kemwater	4.1	4.8	8.0	6.8	23.7	4.5	4.1	4.4	4.9	17.9
Paints & Coatings	5.9	13.7	14.8	-4.7	29.7	4.2	14.0	15.8	-10.1	23.9
Industrial Chemicals	7.9	12.8	8.1	10.8	39.6	11.1	4.6	0.4	10.7	26.8
GrowHow	4.6	16.1	0.2	3.9	24.8	28.2	12.8	3.8	-76.6	-31.8
Other	-0.3	-8.2	-4.2	-3.5	-16.2	-3.5	-11.3	-5.4	-4.6	-24.8
Total	31.0	44.9	46.5	21.7	144.1	52.2	26.7	26.3	-65.2	40.0
Financial income and expenses	-4.9	-5.7	-8.8	-4.0	-23.4	-7.5	-3.1	-13.0	-5.9	-29.5
Share of associates' net income	0.4	-0.3	-1.2	-1.6	-2.7	0.4	-0.3	0.1	5.3	5.5
Net financial income and expenses	-4.5	-6.0	-10.0	-5.6	-26.1	-7.1	-3.4	-12.9	-0.6	-24.0
Income before taxes	26.5	38.9	36.5	16.1	118.0	45.1	23.3	13.4	-65.8	16.0
Net income	17.1	27.5	23.7	5.3	73.6	31.0	11.9	9.9	-44.6	8.2
Earnings per share	0.14	0.24	0.20	0.04	0.62	0.26	0.10	0.09	-0.38	0.07
Earnings per share before one-time impairment	0.14	0.24	0.20	0.04	0.62	0.26	0.10	0.09	0.16	0.61