KEMIRA'S INCOME AFTER FINANCIAL ITEMS ROSE TO EUR 144 MILLION FOR YEAR 2000

- Net sales EUR 2 486 million (2 526 million in 1999)
- Operating income EUR 175 million (111 million)
- Income after financial items EUR 144 million (59 million)
- Net income EUR 208 million (30 million)
- Earnings per share without non-recurring items EUR 0.73 (0.23)
- Proposed dividend EUR 0.30 per share (0.23)

Major structural portfolio changes were carried out within the Kemira Group in 2000. Businesses with annual net sales of about EUR 600 million were divested and in turn businesses with net sales of some EUR 250 million were acquired. Kemira Agro and Kemira Pigments improved their earnings markedly. Tikkurila and Kemira Chemicals also stayed on track for good profitability.

Despite the divestments, consolidated net sales remained at nearly the previous year's level and were EUR 2 486 million (2 526 million in 1999). Growth in continuing operations was 11%. Operating income was EUR 175 million (111 million). Operating income was 7% of net sales (4%). Interests in the earnings of associated companies were a loss of EUR 0.5 million.

Income before taxes, minority interests and non-recurring items rose to EUR 144 million from EUR 59 million a year earlier. The result was thus more than double that of the previous year, not counting in non-recurring net gains connected with the structural transformation. The non-recurring items for discontinuing businesses include capital gains of EUR 245 million on the disposals of Pigments' units and CPS, as well as costs and write-downs of EUR 82 million to cover the closure of nitrogen fertilizer production at Rozenburg. Income after taxes was EUR 208 million (EUR 30 million). Earnings per share excluding non-recurring items were EUR 0.73 (0.23) and total earnings per share including non-recurring items were EUR 1.64 (0.23).

About 81% of consolidated net sales was generated outside Finland.

Return on equity was 9.0% (3.2%). The cash flow return on capital invested was 11% (9%).

Cash flow after capital expenditures and income from disposals of assets was EUR 523 million (31 million). Cash flow from operations per share excluding non-recurring items was EUR 1.69 (1.41). Equity per share was EUR 9.08 (7.57) and the gearing ratio was 37% (95%).

The Board of Directors proposes that a dividend of EUR 0.30 per share (0.23) be paid for the 2000 financial year, or a total dividend payout of EUR 37.1 million (29.6 million), representing 18% of total net earnings and 41% of net earnings without non-recurring items.

CARRYING OUT THE NEW STRATEGIC FOCUS

A good year ago the Board of Directors decided to overhaul its business strategy in such a way that in the future the Group will concentrate on fields that have promising growth prospects and are less dependent on economic cycles than is the industry on average. In accordance with the new strategy, Kemira will seek growth within paper and pulp chemicals, water treatment chemicals and paints. Other core business areas are specialty fertilizers and industrial chemicals. The structural transformation dictated by the new strategy has progressed rapidly. The proportion of cyclically sensitive and capital-intensive operations was reduced - bringing a marked increase in shareholder value - already in the second quarter by divesting the weakly profitable titanium dioxide plants in the United States and the Netherlands for a sale price of USD 403 million.

Tikkurila’s tinting system business (CPS) was sold for about EUR 200 million through transactions that were completed at the beginning of October. Kemira remained a minority shareholder in the colourant business with an interest of about 28% with the objective of exploiting the latent shareholder value represented by the growth potential of the colourant business. The deal freed the paints business from the factors constraining its growth. Kemira Safety, a non-core business, was sold for USD 17 million in the second quarter.

The divested units had aggregate net sales in the first part of the year of EUR 220 million and generated operating income of EUR 11 million. The positive cash flow from the sales of the companies and assets inclusive of the tax effects amounted to about EUR 527 million, which will go towards expanding the growth areas.

To separate the nitrogen fertilizer business from the Group, Kemira Agro has carried out internal preparations and held talks with third parties. The closure of nitrogen fertilizer production in Rozenburg is part of this process. The improvement in the market will give additional time for finding a solution that maximizes shareholder value, and this will therefore be the only major yet-to-be-completed disposal in carrying out the new strategy. Concurrently, the focus of operations has been moved towards growth and acquisitions.

In November an agreement was signed on the acquisition of Alcro-Beckers AB, Sweden’s largest manufacturer of decorative paints. The deal entered into force 1 January 2001. Kemira’s position in the UK was strengthened by purchasing the industrial coatings business of Mason Coatings.

The purchase of Krems Paper Chemicals was completed in September and it will increase the volume of the Kemira Chemicals’ Pulp & Paper unit by a good 10% annually. The water treatment chemicals business was beefed up by acquiring a 15% interest in Kemiron Inc., one of the largest full-range manufacturers of coagulants in the United States.

It was decided to streamline the Group’s business structure by combining Kemira Pigments Oy, which manufactures titanium dioxide, with Kemira Chemicals’ Industrial Chemicals unit. The Kemphos phosphorus business, the Bolifor feed phosphates and the potassium sulphate business, all of which are connected with the food supply chain, would be transferred from Kemira Chemicals to Kemira Agro. Kemira Chemicals’ formic acid business would be transferred from the Pulp & Paper unit to the Industrial Chemicals unit, as would the previously independent Chemicals’ unit Kemira Fine Chemicals. The transfers aim to strengthen the strategic focus according to which Kemira Chemicals will concentrate on industrial customers, Agro on customers who are part of the food supply chain and Tikkurila on paint customers. The transfers of businesses came into effect on 1 January 2001.

Following these realignments, Kemira Chemicals’ net sales will increase by about EUR 50 million and its operating income will improve substantially because Pigments’ operating income is significantly better than that of businesses transferred to Agro. Agro’s net sales will increase by about EUR 120 million and its operating income is expected to improve.

KEMIRA CHEMICALS

The Group’s fastest growing area was again Kemira Chemicals, whose net sales rose by 10% to EUR 767 million (697 million). Of the strategic business units, Pulp & Paper Chemicals and Kemwater continued to grow, whereas Industrial Chemicals’ net sales were slightly below the previous year’s figure. Kemira Fine Chemicals also grew.

Kemira Chemicals posted operating income of EUR 69 million (83 million in 1999), or 9% of net sales (12%). This figure included about EUR 13 million of non-recurring write-downs on assets as well as about EUR 4 million of additional costs arising from the strikes in the spring. The greater expense of raw materials and transport costs due to the high price of oil has led to higher overall costs, which could not in all cases be passed on into product prices.

Sales by the Pulp & Paper Chemicals unit, which has been named one of the Group’s strategic growth areas, increased by 14%. The growth was largely organic because the industry which Pulp & Paper Chemicals serves experienced a period of strongly rising sales in 2000. It was not until right at the end of the year that signs of a slight slowdown began to appear. The hydrogen peroxide market has improved, particularly in North America. The other products of the Pulp and Paper unit have also performed well and the unit has succeeded in maintaining its good profitability.

By way of a deal concluded at the beginning of September, Kemira Chemicals purchased Krems Paper Chemicals from Neste Chemicals Oy. The sizing agent business of the Finnish Oy Chemec Ab was a part of this deal. The purchase price was about EUR 34 million and the companies have net sales of EUR 35 million. Through this acquisition, Kemira will become the world’s most integrated and versatile manufacturer of paper sizings and gained a strong foothold within speciality chemicals for the paper industry in Europe’s German-speaking region.

Expansion investments continued in many areas. An extension to the specialty chemicals plant was completed in Vaasa, Finland, and in Helsingborg, Sweden debottlenecking projects will be carried out at the hydrogen peroxide plant. The capital expenditure project for the paper sizing plant in Brazil is moving ahead according to plans.

The markets of the Kemwater business unit developed as expected and growth continued in Eastern and Southern Europe. Kemwater’s net sales grew by 7%, though operating income was below last year’s figure owing to non-recurring write-downs on assets. Kemwater is another of the Kemira Chemicals units which belong to the Group’s strategic growth areas.

The most important of Kemwater’s growth projects was the purchase of a 15% stake in Kemiron Inc, the United States’ largest manufacturer of a full range of coagulants. The company had net sales last year of USD 50 million. By way of the deal Kemwater gained entry into the world’s largest single market area for water treatment chemicals. The transaction also included an option for Kemira to increase its holding in the company to a majority interest. At the company in China, Kemwater (Yixing) Co. Ltd, the shareholding was increased to 60%.

Two acquisitions were made in Europe. The market position was further strengthened by purchasing Luebny závody a.s., a Czech manufacturer of aluminium sulphate, and the ferrichloride business of Solvay S.A. of Spain. In Pori, Finland the manufacture of magnesium-free iron coagulant was expanded. Kemwater Services Oy concluded a major agreement for developing the water supply in Kosovo. In St Petersburg, studies are being made of possibilities to team up with local suppliers to carry on cooperation in waste water treatment.

It was a difficult year for Industrial Chemicals. The only unit that fared well was Kemphos, which manufactures phosphoric acid in Siilinjärvi, Finland. Its result too was burdened by the lower price of phosphoric acid, though this was partially offset by the high exchange rate of the US dollar.

The units that manufacture animal feeds and detergent chemicals had difficulties adjusting the market prices to compensate for the rises in raw material costs. The markets for phosphoric acid and calcium chloride have evened out and the fall in prices has come to a halt or has swung upwards in some markets. Of the detergent chemicals units, Industrial Chemicals sold its sodium tripolyphosphate business, which had net sales of about EUR 39 million and reported a loss on operations. Following the divestment, Kemira Chemicals will close its sodium tripolyphosphate manufacturing operations in Helsingborg, Sweden, resulting in a non-recurring charge of about EUR 10 million.

Within detergent raw materials the aim is to concentrate on bleaching chemicals, notably sodium percarbonate. Demand for the product has got off to a good start and its production in Helsingborg will be more than doubled.

Kemira Fine Chemicals increased both its net sales and operating income.

TIKKURILA

Of Tikkurila's businesses, tinting systems were sold, causing net sales to fall by 3% from last year's figure, to EUR 345 million. Tikkurila Paint's net sales grew by 6%, whereas Coatings' net sales fell by 9% as a consequence of disposals of businesses in Great Britain. Operations improved markedly in Russia, Poland and Sweden. Tikkurila CPS was sold in the autumn. The figures for CPS's tinting machines are included in net sales up to the end of August and colourants up to the end of September.

Tikkurila's operating income improved and was EUR 27 million (23 million in 1999), or 8% of net sales (6%). Operating income includes EUR 1.4 million of other operating income from the Tikkurila Coatings' arrangements in the UK as well as EUR 0.9 million from the disposal of the Italian company Matherson S.p.A., a previous CPS unit which manufactures colour cards. As part of the arrangements connected with the operations in Poland, a one-off write-down was made to cover the closure of alkyd production. In Finland, Tikkurila Paints revamped its marketing. The cost impact of these measures was a total of about EUR 4 million.

The sale of Tikkurila CPS's tinting system business took place in two parts. CPS sold a 50% portion of its holding in the tinting machine business to Swisslog AG of Switzerland. In another transaction, the colourant business was sold to a newly founded company, in which Kemira retained a 28% holding. In the first part of the year, the net sales of the operations divested, including Swisslog's share of the tinting machine business, amounted to about EUR 118 million. The sale price totalled about EUR 200 million, or nearly twice the units' net sales last year, calculated on Kemira's proportional interest in the units. The capital gain on the deals before taxes was about EUR 96 million, taking into account Kemira's remaining minority interest in the new company.

The disposal of Tikkurila CPS eliminated any conflict of interests, which in certain cases has been detrimental to the sales of tinting systems to Tikkurila's global competitors in the paints business and which furthermore constrained the growth of Tikkurila Paints and Coatings.

In November an agreement was signed on the acquisition Alcro-Beckers AB, Sweden's largest manufacturer of decorative paints. Alcro-Beckers had net sales in 2000 of about EUR 190 million, including the industrial coatings business in Poland that was included in the deal. The purchase price was about EUR 180 million. Alcro-Beckers' largest production plants are in Sweden and Poland and it also has operations in Denmark, Norway, Germany and Finland. Via this deal, the combined decorative paints business is now the largest in the Nordic countries and one of the large players in Europe. The business was made a part of the Kemira Group as from 1 January 2001.

Tikkurila’s OOO Kraski Tikkurila subsidiary in Moscow started up operations in the spring. In line with its growth strategy, Tikkurila purchased the 40% stake in Tikkurila Baltcolor Sp. z o.o. held by the Polish partner Baltchem S.A. Tikkurila Paints and Tikkurila Coatings now own 100% of the company’s shares on a 50-50 basis. The company, which is now called Tikkurila Polska Sp. z o.o., produces and markets both decorative paints and industrial coatings on the Polish market. As part of the Alcro-Beckers deal, Tikkurila acquired Polifarb Debica, an important unit in Poland.

Tikkurila strengthened its position in the UK by purchasing the industrial coatings business of Mason Coatings. Manufacture of its products will be moved to the plants in Bury and West Bromwich.

KEMIRA AGRO

Implementation of Kemira’s new strategy, according to which Agro is prioritizing specialty fertilizers, was set in motion right from the beginning of the year by dividing Agro into two new strategic business units: Kemira Agro Specialties (KAS) and Kemira Agro Nitrogen (KAN). Kemira aims to peel off Kemira Agro Nitrogen in line with its strategy.

Kemira Agro’s vision is to be a primary partner in cooperation and supplier within the food supply chain. To implement the new strategy, the parts of Kemira Chemicals which are connected with the food supply chain were transferred to Agro as from 1 January 2001. The businesses transferred were animal feed phosphates, phosphoric acid and potassium sulphate.

Kemira Agro had net sales of EUR 1 116 million (1 015 million) and operating income of EUR 23 million (an operating loss of EUR 39 million). Fertilizer prices headed upwards in the first quarter of the year and kept rising throughout the rest of the year. Prices of nitrogen fertilizers were 40-90% higher in different markets at the end of the year and prices of NPK fertilizers 20-35% higher in the EU than they were a year earlier. Competition in the area of NPK compound fertilizers got tougher in Agro’s main markets outside Europe. Within raw materials, the price of natural gas rose sharply, taking a big bite out of the upside brought by the price increases, though part of the natural gas purchases are hedged through a fixed-price contract.

In order to improve its position in the Russian and Baltic markets, Kemira Agro has increased its holding in the Lithuanian company UAB Kemira-Lifosa from 33% to 51%. The joint ventures producing compound fertilizers both in Lithuania and Malaysia got up to speed and the NPK plant in Zhanjiang, China, was completed in December, when it started up trial production. A plant that will manufacture water-soluble urea phosphate will go into operation in the United Arab Emirates in February. The joint project that was started together with Arab Potash Company to produce potassium nitrate and dicalcium phosphate in Jordan has moved ahead according to plans and production will start up in the summer 2002.

Major structural changes took place in Western Europe, Kemira Agro's main market area. Owing to the reduced demand for products and to cheap imports, the European fertilizer industry closed about 30 plants by the end of 2000. About 3 million tonnes of nitrogen fertilizer capacity and 1 million tonnes of NPK fertilizer capacity came off the market. In June, Kemira Agro closed the Pernis plant in the Netherlands and in December the Rozenburg plant, bringing about a total reduction of 560 000 tonnes of NPK/DAP capacity and nearly 1 million tonnes of nitrogen fertilizer capacity. The latter closure resulted in charges to income in 2000 totalling about EUR 82 million, which are presented in the income statement line: ”Non-recurring items from discontinuing operations”. All these moves are believed to improve the health of the sector and to enable Agro's fertilizer operations to develop as part of Western Europe's high-quality and competitive food supply chain.

KEMIRA PIGMENTS

As a consequence of divestments of businesses, Kemira Pigments' net sales declined by 37% to EUR 307 million. Sales volumes were about 44% smaller than they were a year ago after the unit in the United States was divested at the beginning of April and the unit in the Netherlands at the beginning of May. The divested units had net sales in the first part of the year of EUR 97 million and posted an operating loss of EUR 3 million. In 1999 the net sales of the divested units were EUR 326 million. The sales volumes of the remaining unit in Pori grew by 9% and average prices rose by nearly 14% on the same period a year ago.

Kemira Pigments posted operating income of EUR 54 million (35 million in 1999).

Demand for titanium dioxide pigment grew significantly in 2000 compared with the previous year in all the market areas, but most of all in Western Europe. The strong growth in demand led to a tight delivery situation, pushing up prices several times during the year. The latest price increase notifications were made towards the end of 2000.

From the beginning of 2001, Kemira Pigments is part of Kemira Chemicals' Industrial Chemicals unit.

OTHER UNITS

Kemira Metalkat, which manufactures catalytic converters, reported net sales growth of 14% to EUR 40 million. Operating income was EUR 2.8 million, as against EUR 3.1 million a year earlier.

Kemira Safety, which manufactures personal respiratory protective devices, was sold to the American company Scott Technologies Inc for USD 17 million, resulting in a capital gain of EUR 12 million. The business was transferred to the buyer as from the beginning of May.

GROUP FINANCIAL PERFORMANCE

Consolidated operating income was EUR 175 million (111 million), representing 7% of net sales. Income before taxes and minority interests was EUR 307 million (59 million), including non-recurring income in a net amount of EUR 162 million. Net financial expenses were EUR 31 million (52 million). Income after taxes was EUR 208 million (30 million). The cash flow return on invested capital was 11%.

CAPITAL EXPENDITURE

The Group's capital expenditures totalled EUR 218 million (168 million), or 9% of net sales. Capital expenditures increased on the previous year, when no major acquisitions were made. The Alcro-Beckers acquisition does not yet show up in the figures for 2000. Depreciation on fixed assets amounted to EUR 171 million. Disposals of assets including the sales of subsidiaries generated EUR 527 million (18 million). The Group's investments in environmental protection amounted to EUR 9 million (13 million).

The Group spent about EUR 48 million on research and development, or about 2% of net sales. The figure does not include capital expenditures.

ENVIRONMENTAL PROTECTION AND MANAGEMENT OF RISKS

Environmental protection is an essential part of the Group's operations. The verified Environmental Report is a part of the Annual Report.

The Group continually pays particular attention to ensuring that its operations are safe and its plants run without disturbances. Operations are also evaluated together with the risk management units of insurance companies. During the year the 12 largest production sites were thus evaluated. Both the environmental protection and risk management organizations were strengthened and centralized within Group Administration.

FINANCING

The Group's financial position strengthened substantially as a consequence of the divestments of businesses. Interest-bearing net debt at the end of 2000 stood at EUR 425 million (934 million). New loans were not raised during the year and a substantial part of the short term-loans was repaid.

Cash flow before financing was EUR 523 million (31 million). The Group's equity ratio was 48% at the end of the year (38%). The gearing ratio (net debt as a ratio of shareholders' equity) was 37%. The amount of liquid funds grew markedly on the previous year, totalling EUR 247 million at the end of the year. Unused agreed credit facilities amounted to about EUR 422 million.

Net financing expenses were EUR 31 million (52 million). The increase in costs due to the rise in interest rates was compensated by lower net debts, a gain on foreign exchange and by measures taken to hedge interest rate risks. The proportion which fixed-interest loans represent within the total amount of the Group's interest-bearing long-term loans (including pension loans, which are considered to be floating rate loans) was about 51% at the end of the year. Foreign exchange gains amounted to EUR 1.5 million (a foreign exchange loss of EUR 1.6 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 21 million (27 million). Operating loss was EUR 0.3 million (a profit of 3.5 million). The parent company bears the cost of Group management and administration.

The reason for the fall in net sales was that in the previous year the parent company sold a substantial part of its electric power business.

The parent company's net financial expense totalled EUR 7.4 million (income 16.5 million). Income before taxes and appropriations was EUR 170 million (102 million). Capital expenditures amounted to EUR 20 million, including increases in the equity of subsidiaries.

PERSONNEL

The Group employed an average of 9 644 people, or 1 099 less than in the previous year. Of the total personnel, an average of 4 736 were employed by Group companies outside Finland.

The parent company had an average payroll of 120 employees, 12 less than a year ago.

During the year under review the following persons served on the Board of Directors of Kemira Oyj: Sten-Olof Hansén (Chairman), Niilo Pellonmaa (Vice Chairman), Timo Kaisanlahti, Eija Malmivirta, Anssi Soila and Tauno Pihlava. At its meeting on 13 December 2000 the Supervisory Board elected the previous directors to seats on the Board for the term beginning 1 January 2001, except for Timo Kaisanlahti, who was replaced by Ritva Hainari. Of the members of the Board of Directors, only CEO Tauno Pihlava is employed by the Kemira Group.

A large part of the Group's personnel are covered by various bonus systems that vary from country to country. In addition, the Group has a share option system for top management.

OWNERSHIP

The Finnish government's holding in Kemira was 53.4% at 31 December 2000. The proportion held by institutional investors outside Finland was 15.1%, whereas Finnish institutional investors and mutual funds held 20.8% of the shares. Private investors' holdings amounted to 6.7% of the shares outstanding.

In accordance with the authorization granted by the Annual General Meeting, the company repurchased a total of 4 155 000 of its own shares (share buyback) by 31 December 2000 at an average price of EUR 5.54/share. In addition, the company has in its possession 1 000 000 shares which it purchased in 1999, giving the company a total holding of 4.0% of Kemira's shares outstanding.

CHANGES IN THE GROUP STRUCTURE

Various companies or participations were established, acquired or divested during the year. Because the changes made during the financial year were major in size and import, the financial statement information of both continuing and divested businesses are given separately in the Notes to the consolidated financial statements.

OUTLOOK FOR THE FUTURE

- KEMIRA CHEMICALS

The market outlook for the Pulp & Paper Chemicals unit remains good thanks to continuing strong demand in the Pulp and Paper industry. Recently, however, there has been increased uncertainty concerning economic growth. The transfer of the formic acid business to Industrial Chemicals will take with it both net sales and operating income, thereby cutting into Pulp & Paper Chemicals' growth.

The Kemwater unit is expected to continue growing at a strong rate and its strategy will be implemented by centralizing operations within larger units.

The titanium dioxide pigment business that was transferred to Industrial Chemicals has continued to enjoy good demand, though the slowing economic growth in the United States may lower demand in the North American market. New titanium dioxide capacity will come on stream to a limited extent and the price level of the product is expected to hold up well throughout the current year too. In addition, Industrial Chemicals' result will be improved by the formic acid business that was transferred from Pulp & Paper Chemicals, as well as by the melding of Kemira Fine Chemicals into Industrial Chemicals. On the other hand, a factor that will lower net sales and operating income is the transfer of the Kemphos phosphoric acid business, feed phosphates and potassium sulphate business, which are connected with the food supply chain, to Kemira Agro from the beginning of 2001.

Of Industrial Chemicals' other products, the sales volumes of calcium chloride are expected to grow and its price level to move in a better direction. In line with an agreement that has been signed, Industrial Chemicals will get out of its detergent phosphate business, thus eliminating the loss that was booked last year. The other detergent raw material, sodium percarbonate, has done well on the market and operations are expected to show further favourable development.

As a consequence of the structural arrangements carried out and the strength of the operating environment, Kemira Chemicals' full-year operating income will increase markedly on last year's.

- TIKKURILA

The divestment of Tikkurila CPS will make possible stronger growth of the mainline paints business. An example in point is the net sales generated by Alcro-Beckers, which became a part of Tikkurila from the beginning of the year. The joint growth prospects of Tikkurila and Alcro-Beckers are better than ever before, especially in Russia, the Baltic countries and Poland, where the growth potential of the overall market is substantial.

The paints business is estimated to report better earnings this year than it did in 2000.

- KEMIRA AGRO

Grain stocks around the world were smaller at the end of 2000 than they have been in recent years. Owing to the prohibition on the use of meat and bone meal (MBM), there will probably be an increasing need for soy beans and cheap feed grain in Europe in step with an accelerating shift to feed phosphates. Global nutrient demand is forecast to grow by 1%. In Western Europe the quantities are still declining slightly, but thanks to the closures of local fertilizer industry capacity and limitations on cheap imports, fertilizer supply and demand will be in better balance than they have been for a long time. This is also reflected by the fact that the stocks of West European producers are smaller than they were last year. The positive expectations are also strengthened by the agreement between China and the World Trade Organization, WTO.

Kemira Agro will continue its preparations aimed at getting out of nitrogen fertilizer production. Although prices, especially of nitrogen fertilizers, have risen markedly, the high price of natural gas and the strong dollar will push up raw material costs, thereby eating into the upside brought by higher prices, especially in the first half of the year. Thereafter the price of natural gas too is expected to stabilize at a lower level.

On the horticultural and specialty fertilizer side as well as within process chemicals, the favourable trend is expected to continue.

Kemira Agro's full-year operating income is expected to improve on last year's figure.

- KEMIRA GROUP

The most significant of the external factors of uncertainty influencing Kemira's result are the trend in the United States economy and the resultant exchange rate of the dollar as well as the global trend in the price of energy. Furthermore, the solution leading to the divestment of Kemira Agro's nitrogen fertilizer business may also have an important impact. This year the Kemira Group's operating income is expected to exceed last year's figure. As a consequence of acquisitions that will be made, net debt and net financing costs will increase this year, but the net operational result is nevertheless expected to improve on last year's.

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.

INCOME STATEMENT	10-12/2000	10-12/1999
EUR million		
Net sales	571,5	619,1
Share of associates' profits	-3,2	1,8
Other income from operations	9,6	25,6
Cost of sales	-588,6	-685,2
Depreciation	48,8	51,4
Operating income	38,1	12,7
Financing income and expenses	-6,3	-15,4
Net income before non-recurring items, taxes and minority items	31,8	-2,7
Non-recurring items from discontinuing operations	2,2	-
Income before taxes and minority interests	34,0	-2,7
Direct taxes	-0,9	-6,3
Income before minority interests	33,1	-9,0
Minority interests	-0,1	-1,3
Net income	33,0	-10,3

	2000	1999
Net sales	2486,0	2526,2
Share of associates' profits	-0,5	2,8
Other income from operations	30,9	32,6
Cost of sales	-2170,3	-2262,5
Depreciation	-171,3	-188,1
Operating income	174,8	111,0
Financing income and expenses	-30,5	-52,4
Net income before non-recurring items,		

taxes and minority items	144,3	58,6
Non-recurring items from discontinuing operations	162,2	-
Income before taxes and minority interests	306,5	58,6
Direct taxes	-96,3	-27,8
Income before minority interests	210,2	30,8
Minority interests	-2,4	-0,9
Net income	207,8	29,9

Further on , the income statement has been specified separately according to the continuing and the discontinuing operations.

KEY FIGURES	2000	1999
Earnings per share, EUR	0,73	0,23
Cash flow from operations per share, EUR	1,69	1,41
Capital expenditure, EUR million	218	168
Average number of shares (1000) *)	126623	128318
Equity per share, EUR	9,08	7,57
Equity ratio, %	48,0	38,0
Gearing, %	37,0	95,0
Net liabilities, EUR million	425	934
Personnel (average)	9644	10743

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

EARNINGS BY BUSINESS AREA EUR million	Net sales 10-12/2000	10-12/1999
Kemira Chemicals	210,4	182,5
Tikkurila	51,3	79,7
Kemira Agro	281,8	240,6
Kemira Pigments	53,2	128,6
Other and Intra-Group sales	-25,2	-12,3
Total group	571,5	619,1

	2000	1999
Kemira Chemicals	766,9	697,0
Tikkurila	345,3	357,5
Kemira Agro	1 115,5	1014,7
Kemira Pigments	306,8	488,5
Other and Intra-Group sales	-48,5	-31,5
Total group	2 486,0	2526,2

	Operating income 10-12/2000	10-12/1999
Kemira Chemicals	24,2	23,3
Tikkurila	-4,3	-5,3
Kemira Agro	13,8	-31,7
Kemira Pigments	14,8	16,6
Other and Intra-Group sales	-10,4	9,8
Total group	38,1	12,7

	2000	1999

Kemira Chemicals	69,4	83,2
Tikkurila	27,1	23,1
Kemira Agro	22,9	-38,8
Kemira Pigments	53,8	34,9
Other and Intra-Group sales	1,6	8,6
Total group	174,8	111,0

BALANCE SHEET EUR million

ASSETS	31.12.2000	31.12.1999
Non-current assets		
Intangible assets	88,7	79,7
Tangible assets	1 049,5	1 328,2
Investments	138,3	77,6
Total non-current assets	1 276,5	1 485,5
Current assets		
Inventories	348,7	455,9
Receivables		
Interest-bearing receivables	11,2	23,4
Other interest-free receivables	515,9	549,7
Total receivables	527,1	573,1
Securities	199,0	42,4
Cash and bank	47,7	46,0
Total current assets	1 122,5	1 117,4
Total assets	2 399,0	2 602,9

LIABILITIES AND SHAREHOLDERS´ EQUITY		
Shareholders´ equity		
Share capital	217,0	217,0
Own shares	-28,8	-5,8
Other shareholders´ equity	934,1	756,5
Total shareholders´ equity	1 122,3	967,7
Minority interests	18,0	15,2
Long-term liabilities		
Interest-bearing long-term liabilities	573,3	848,8
Deferred tax liabilities	52,6	56,6
Provisions for liabilities and charges	74,4	39,2
Total long-term liabilities	700,3	944,6
Current liabilities		
Interest-bearing short-term liabilities	98,2	173,5
Interest-free short-term liabilities	460,2	501,9
Total current liabilities	558,4	675,4
Total liabilities	1 258,7	1 620,0
Total liabilities and shareholders´ equity	2 399,0	2 602,9

A dividend payout of EUR 29.4 million, and EUR 23.0 million for the purchase of the company’s own shares have been booked as a reduction in shareholders’ equity during the report period.
EUR 1.4 million in translation and foreign exchange differences has been booked as an decrease in equity.

The Kemira Group's financial statements have been prepared in compliance with the acts and regulations in force in Finland and in accordance with the Group's uniform accounting principles. The Group's accounting principles are based on International Accounting Standards (IAS). Accordingly, the financial statements also correspond to IAS, with the exception of accounting for pension expenses, IAS 19, which entered into force on 1 January 1999.

Kemira has in its possession 5 155 000 of its own shares. Their proportion of the share capital was 4.0% and they represented 4.0% of the aggregate number of votes conferred by all the shares.

During 23 May to 31 December 2000 Kemira purchased its own shares on the stock market. The shares are intended for the personnel funds operating within the Group for the payment of bonuses that may be payable, for the payment of incentive compensation to management staff in lieu of cash, provided that the Supervisory Board/Board of Directors decides to introduce this kind of incentive compensation system for management staff, as well as for use as consideration in acquisitions. The buyback was for 4 155 000 shares, representing 3.2% of the share capital and 3.2% of the aggregate votes conferred by all the shares. The average price of the shares was EUR 5.54.

COLLATERAL CONTINGENT LIABILITIES
EUR million

	31.12.2000	31.12.1999
Loans secured by mortgages in the balance sheet and for which mortgages given as collateral		
Loans from financial institutions	4,0	10,0
Mortgages given	2,3	9,9
Loans from pension institutions	74,3	89,1
Mortgages given	103,0	110,9
Other loans	7,1	6,6
Mortgages given	5,6	6,9
Total mortgage loans	85,4	105,7
Total mortgages given	110,9	127,7
Mortgages		
Assets pledged		
On behalf of own commitments	13,5	7,0
On behalf of others	1,1	1,1
Guarantees		
On behalf of associates	36,0	39,7
On behalf of others	2,7	4,2
Operating leasing		
Maturity within one year	4,8	5,1
Maturity after one year	12,6	13,8
Other obligations		
On behalf of associates	1,3	1,2
On behalf of others	1,1	1,0

FINANCIAL INSTRUMENTS 30.12.2000
EUR million

	Nominal value	Fair value
Currency instruments		
Forward contracts	417,6	10,5
Currency options		
Bought	208,0	2,8
Sold	257,2	-2,3

Currency swaps	95,1	-9,8
Interest rate instruments		
Interest rate swaps	220,9	-3,3
Forward rate agreements	10,0	0,0
Of which open	-	-
Bond futures	6,0	0,0
Of which open	2,0	0,0

31.12.1999	Nominal value	Fair value
Currency instruments		
Forward contracts	318,9	1,9
Currency options		
Bought	5,8	0,1
Sold	11,6	-0,5
Currency swaps	183,2	-9,9
Interest rate instruments		
Interest rate swaps	173,9	-3,6
Forward rate agreements	290,0	0,0
Of which open	-	-
Bond futures	2,0	0,0
Of which open	-	-

Financial leases have been booked in the balance sheet in fixed assets and interest-bearing liabilities.

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

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

Derivative instruments are used solely for hedging purposes, not for speculative gain.

CASH FLOW STATEMENT EUR million	2000	1999
Cash flow from operations	213,9	180,9
Capital expenditure	-218,3	-168,1
Sale of assets	527,2	18,5
Cash flow before financing	522,8	31,3
Financing	-364,5	-38,4
Increase / decrease in liquid funds	158,3	-7,1

FINANCIAL TARGETS

	2000	Goal >2001
Growth rate %	11	>10
Operating income % of sales	8	>10
EPS growth %	217	>10
Cash flow return on capital invested CFROI %	11	>10
Gearing (%)	37	40-100

QUARTERLY FINANCIAL DEVELOPMENT
EUR million

	I/2000	II/2000
Net sales		
Kemira Chemicals	182,0	183,2
Tikkurila	90,1	105,8
Kemira Agro	305,6	285,5
Kemira Pigments	133,0	66,9
Other including eliminations	-3,5	-7,6
Total	707,2	633,8
Operating income		
Kemira Chemicals	21,5	16,0
Tikkurila	7,4	13,2
Kemira Agro	0,4	10,6
Kemira Pigments	7,2	14,4
Other including eliminations	-0,5	12,8
Total	36,0	67,0
Financing income and expenses	12,5	8,6
Income before extraordinary items and taxes	23,5	58,4
Net income	16,0	82,6
Earnings per share	0,13	0,33

	III/2000	IV/2000
Net sales		
Kemira Chemicals	191,3	210,4
Tikkurila	98,1	51,3
Kemira Agro	242,6	281,8
Kemira Pigments	53,7	53,2
Other including eliminations	-12,2	-25,2
Total	573,5	571,5
Operating income		
Kemira Chemicals	7,7	24,2
Tikkurila	10,8	-4,3
Kemira Agro	-1,9	13,8
Kemira Pigments	17,4	14,8
Other including eliminations	-0,3	-10,4
Total	33,7	38,1
Financing income and expenses	3,1	6,3
Income before extraordinary items and taxes	30,6	31,8
Net income	76,2	33,0
Earnings per share	0,03	0,24

DISCONTINUING OPERATIONS

The Kemira Pigments business and the CPS unit, or the Tikkurila Group's colour processing business, were sold because they were not core businesses. Kemira Agro's production in Rozenburg was also closed. Kemira Pigments Inc. was sold on 31 March 2000 and Kemira Pigments B.V. on 30 April 2000. The remaining company, Kemira Pigments Oy, was transferred to the Kemira Chemicals business area as from 1 January 2001. The portion of the tinting machine business that belonged to the CPS group was sold on 31 August 2000, and the colour processing systems business was sold on 30 September 2000. The Board of Directors of Kemira Oyj decided to wind up Kemira Agro Rozenburg, and production was closed in December 2000. The closure of production resulted in a non-recurring charge to earnings of EUR 82,5 million.

Income statement

The results of the above-mentioned companies are included in the income statement for businesses to be discontinued up to the time they ceased to be a part of the Group. The net amount of the capital gains on divestments of the companies and the non-recurring expenses for Kemira Agro Rozenburg are stated as non-recurring items within the income statement for businesses to be discontinued.

INCOME STATEMENT CONTINUING OPERATIONS EUR million	2000	1999
Net sales	2 124,0	1 920,2
Share of associates' profits	-0,5	2,7
Other income from operations	28,2	29,7
Cost of sales	-1 833,9	-1 698,6
Depreciation	-150,3	-139,5
Operating income	167,5	114,5
Financing income and expenses	-23,4	-32,9
Net income before group contribution, taxes and minority items	144,1	81,6
Group contribution	-3,3	6,7
Net income before taxes and minority items	140,8	88,3
Direct taxes	-50,7	-29,7
Net income before minority interests	90,1	58,6
Minority interests	-1,1	-0,4
Net income	89,0	58,2

INCOME STATEMENT DISCONTINUING OPERATIONS EUR million	2000	1999
Net sales	362,0	606,0
Share of associates' profits	-	0,1
Other operating income	2,7	3,0
Cost of sales	-336,4	-563,9
Depreciation	-21,0	-48,7
Operating income	7,3	-3,5
Financing income and expenses	-7,1	-19,5
Net income before group contribution, taxes and minority interests	0,2	-23,0
Group contribution	3,3	-6,7

Direct taxes	1,1	1,8
Minority interests	-1,3	-0,4
Net income before discontinuance	3,3	-28,3
Gain on discontinuance	244,7	-
Provision for employee termination	-22,3	-
Provision for cleaning and contracts	-17,7	-
Impairment loss	-42,5	-
Tax on discontinuance	-46,7	-
Net income after taxes	118,8	-28,3
Total Group, net income from ordinary activities	92,3	29,9