KEMIRA Press Release

KEMIRA GROUP INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2000

KEMIRA's EARNINGS IMPROVE SUBSTANTIALLY

- Net sales: EUR 1 915 million (Jan.–Sept. 1999: EUR 1 907 million)
- Operating income: EUR 137 million (98 million)
- Income after financial items: EUR 113 million (61 million)
- Net income: EUR 175 million (40 million)
- Earnings per share: EUR 0.49 (0.31)

The Kemira Group's net sales in the January-September period of the current year remained at the level of the previous year despite disposals of businesses and were EUR 1 915 million (1 907 million). Growth in ongoing operations was 9%. Growth continued in Kemira's core business areas: chemicals for the pulp and paper industry, water treatment chemicals and paints. The titanium dioxide market was also buoyant. Prices of industrial chemicals and fertilizers have bottomed out and the market is improving.

Consolidated operating income in the third quarter was EUR 34 million (25 million). The figure for this year includes about EUR 14 million of write-downs on assets. Operating income for January-September was EUR 137 million, up 39% on the previous year and representing 7% of net sales (5%). Operating income for the first half of the year included about EUR 8 million of extra costs resulting from the strikes that hit Finland's chemical and forest industries in the spring as well as a capital gain of EUR 12 million on the disposal of Kemira Safety. Interests in the results of associated companies amounted to a total of EUR 2.7 million.

Non-recurring items from discontinued businesses include capital gains of EUR 244 million on the disposal of the Pigments' units and CPS as well as a provision of EUR 84 million for the closure of nitrogen fertilizer production in Rozenburg.

Income before taxes and minority interests was EUR 273 million (61 million) and income after taxes was EUR 175 million (40 million). Earnings per share net of non-recurring items were EUR 0.49 (0.31). Cash flow from the sale of assets was EUR 518 million. Cash flow after expenditures and income from the sale of assets was EUR 509 million (44 million negative). Per-share cash flow from operations was EUR 1.35 (0.55). Equity per share was EUR 8.85 (7.56) and gearing was 39% (103%).

The average number of the Group’s employees in January-September was 9 892 (10 436 at previous year end).

STUCTURAL REALIGNMENT

In line with the new strategy that was decided in autumn 1999, the Group’s core growth areas are chemicals for the pulp and paper industry, water treatment chemicals and paints. The structural realignment dictated by this strategy has progressed according to plans. The proportion of cyclically sensitive and capital-intensive operations was reduced 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 colour processing system business (CPS) was sold for about EUR 200 million through transactions that were completed at the end of September. Kemira will remain 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 business. Kemira Safety, a non-core business, was sold for USD 17 million in the second quarter. The aggregate net sales of the divested units were EUR 220 million in the reporting period and they generated operating income of EUR 10 million. The positive cash flow inclusive of the estimated tax effect amounts to EUR 518 million, which can be channelled into expanding the core 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 objective is to find a solution by the turn of the year. The closure of the nitrogen fertilizer production in Rozenburg is part of this process.

The core growth areas will also be developed through acquisitions. 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 line coagulant producers in the United States.

It was decided to streamline the Group’s business structure by combining Kemira Pigments Oy, which manufacturers titanium dioxide, with Kemira Chemicals’ Industrial Chemicals unit. Pigments will continue to operate as a separate company. The Kemphos phosphorus business, the Bolifor feed phosphates and the potassium sulphate business, which are parts of the food chain, will be transferred from Kemira Chemicals to Kemira Agro. Kemira Chemicals’ formic acid business will be transferred from the Pulp & Paper unit to the Industrial Chemicals unit.

Following these realignments, Kemira Chemicals’ net sales will remain at roughly the previous level but its operating income will improve substantially because Pigments’ operating income is significantly better than that of businesses which are being transferred to Agro. Agro’s net sales will increase less, as part of the transferred sales are internal. The realignment is expected to improve Agro’s operating income. The transfers of businesses will come into effect on 1 January 2001.

KEMIRA CHEMICALS

Kemira Chemicals’ net sales grew by 8 % on the previous year and were EUR 556 million. Third quarter operating income was EUR 7.7 million (EUR 19 million), which included about EUR 14 million of non-recurring write-downs on assets. Operating income in the January-September period was EUR 45 million (EUR 60 million). The greater expense of raw materials and transport costs due to the high price of oil has led to higher overall costs. Operating income for the nine months ended 30 September was 8 % of net sales.

The Pulp & Paper Chemicals unit’s net sales grew by 10 %. There is a record rate of capacity utilization in the Pulp and Paper industry. The hydrogen peroxide market has improved, particularly in North America. By way of a deal concluded at the beginning of September, Kemira Chemicals purchased Krems Paper Chemicals from Neste Chemicals Oy. The purchase price was about 34 million and the company has net sales of EUR 35 million. Through this acquisition, Kemira will become the world’s most integrated and versatile manufacturer of paper sizings.

The Kemwater unit’s net sales rose by 3 %. Operating income declined on the previous year, primarily due to a non-recurring expense charge. Kemira purchased a 15 % interest in Kemiron Companies, Inc., the United States’ largest full line coagulants manufacturer, which has estimated net sales of EUR 72 million. Through this deal Kemwater gained entry into the world’s largest single market area for water treatment chemicals. Kemira also strengthened its market position in the Czech Republic and its nearby areas, where it purchased an aluminium sulphate plant that will round out its existing operations in the region. Following the deal the Czech subsidiary Kemwater ProChemie is estimated to double its net sales to EUR 2.8 million.

Net sales generated by the Industrial Chemicals business unit fell by 4 %. The markets for phosphoric acid and calcium chloride have evened out and the fall in prices has come to a halt or has already swung upward in some markets. Industrial Chemicals has sold its sodium tripolyphosphate business, which had net sales for the nine months ended 30 September of about EUR 26 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 sodium percarbonate, an oxygen-based product that disintegrates in use harmlessly into water and oxygen. Demand for the product has got off to a good start and its production in Helsingborg will be more than doubled.

Kemira Fine Chemicals' sales fell 8 % short of the previous year's figure. Profitability was also slightly down on the previous year owing to maintenance costs and the timing of certain deliveries.

TIKKURILA

Tikkurila's net sales were up 6 % on last year and were EUR 294 million. Tikkurila Paints' net sales grew by 4 % and CPS's by 17 %, whereas Coatings' net sales declined by 7 % as a consequence of disposals of businesses in Great Britain. Operations improved markedly in Russia, Poland and Sweden. The financial data for CPS's tinting machines are no longer included in the figures for September, but colourants have been included up the end of September. Tikkurila's operating income improved and was EUR 11 million in July-September and EUR 31 million during the entire nine-month period (EUR 28 million), representing 11 % of net sales (10 %). Operating income includes EUR 1.1 million of other operating income from the Coatings' arrangements in Great Britain 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.

At the beginning of October, Tikkurila CPS sold its colour processing system business in two stages. First a 50 % interest in the tinting machine business was sold to Swisslog AG of Switzerland. In a second transaction, the colourant business was sold to a new company, in which Kemira will retain a 28 % holding. The net sales of the operations divested, including Swisslog's share of the tinting machine business, amounted to about EUR 130 million in 1999.

The total sale price was about EUR 200 million or nearly twice the net sales of the units, measured in terms of Kemira's holding. The capital gain on the deals before taxes was about EUR 94 million, taking into account Kemira's remaining minority interest in the new company.

The disposal of Tikkurila CPS will eliminate any possible conflict of interests which in certain cases may have been detrimental to the sales of colour processing systems to Tikkurila’s global competitors in the paints business and which furthermore constrained the growth of Tikkurila Paints and Coatings.

KEMIRA AGRO

Kemira Agro’s net sales were EUR 834 million, up 8 % on the figure a year earlier. The sales volume of plant nutrients grew by about 2 %. Prices of straight nitrogen products in Europe have swung to good growth and are up by 20-50 % compared to prices a year ago. Prices of NPK compound fertilizers have also risen compared with last year, though to a considerably lesser extent. A large part of the first quarter deliveries were still made at prices agreed towards the end of last year, which meant that the rise could not start feeding into earnings until the second quarter. The high price of natural gas is also cutting into the earnings improvement resulting from increases in the prices of products. Earnings were also burdened by the prolonged shutdown at the amonia plant in Great Britain, including related maintenance costs.

The Horticulture unit saw its net sales rise by about 31 % and Process Chemicals’ net sales were up 8 % on the previous year. Both units had good profitability.

Kemira Agro’s operating income for January-September was EUR 9.1 million (a loss of 7.1 million in Jan.-Sept. 1999), or 1 % of turnover. The result for July-September was an operating loss of EUR 1.9 million (a loss of 14.3 million in Jan.-Sept. 1999). In the second quarter Agro booked a total of about EUR 84 million of charges connected with the closure of nitrogen fertilizer production in Rozenburg. These items are shown in the income statement line “Non-recurring items for the closure of operations”.

To improve its position in the Russian and Baltic market, Kemira Agro has increased its stake in the Lithuanian company UAB Kemira-Lifosa from 33 % to 51 %.

KEMIRA PIGMENTS

Kemira Pigments’ net sales were down 30 % on the previous year, to EUR 254 million. Operating income in January-September was EUR 39 million (EUR 18 million), or 15 % of net sales (5 %). Third quarter operating income was EUR 17 million (EUR 3.3 million). Sales volumes were about 37 % smaller than they were a year ago because the Group divested the unit in the United States 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. The sales volumes of the remaining unit in Pori grew by 12 % and average prices rose by nearly 11 % on the same period a year ago.

OTHER OPERATIONS

Kemira Metalkat had net sales of EUR 31 million, up 12 % on the previous year. Operating income was EUR 3.7 million (EUR 3.7 million).
Kemira Safety’s figures are included in the consolidated figures up to the end of April.

CAPITAL EXPENDITURES

The Group’s capital expenditures on fixed assets, including acquisitions, were EUR 181 million (EUR 117 million). Income from the sale of shares and assets was EUR 518 million (EUR 3 million) and net capital expenditures amounted to a net positive cash flow of EUR 337 million (EUR 115 million). Full-year gross capital expenditures are estimated to be about EUR 210 million (EUR 168 million).

FINANCING

Net financing expenses in the January-September period were EUR 24 million (EUR 37 million). Foreign exchange gains amounted to EUR 3.9 million. Fixed-interest loans amounted to about 67 % of the total amount of interest-bearing long-term loans (excluding pension loans, which are not considered to be fully fixed-interest liabilities).

Interest-bearing net debt was EUR 441 million, down EUR 493 million on the figure at the end of last year thanks to substantial capital gains on the sale of assets.

In accordance with an authorization granted by the Annual General Meeting, the company purchased its own shares (share buyback) during the summer in a total amount of 1 885 000 by 30 September at an average price of EUR 5.63 per share. In addition, the company has 1 million shares which it bought back last year.

FULL-YEAR OUTLOOK

The market outlook for Kemira Chemicals’ Pulp & Paper unit is good, in step with the continuing strong demand in the pulp and paper industry. Because the acquisition of Krems Paper Chemicals was not finalized until the beginning of September, it will not have time to make a significant impact on this year’s figures. Kemwater’s growth strategy will be implemented by focusing on larger units.

The results of the Industrial Chemicals unit will be burdened by the weak price level of phosphoric acid, its value-added products and calcium chloride as well as by a one-off charge of about EUR 10 million for closing down the Group’s sodium tripolyphosphate production. The closure will in turn improve earnings in future by eliminating the recurring losses. Kemira Chemicals’ full-year operating income will be markedly below the result reported a year ago.

The divestment of Tikkurila CPS was carried out at the beginning of October, with the Group retaining an interest of only about 28 % in the new colour processing systems company. This will mean an annualized reduction of about one third in Tikkurila’s net sales in future, and a somewhat greater reduction in operating income. This year Tikkurila’s operating income is estimated to improve on last year’s even though the figures for Tikkurila CPS are no longer included in the fourth quarter. The subsidiary OOO Kraski Tikkurila, which started up production in the vicinity of Moscow in the spring, will give Tikkurila improved possibilities for expansion and for boosting the efficiency of operations via local production.

Kemira Agro’s preparations for peeling off its nitrogen fertilizer production are progressing and the objective is to find a solution, by the turn of the year, for disposing of the business. This will nevertheless not have time to bring about the desired impact on operations this year. Although the prices of nitrogen fertilizers in particular have swung to clear growth, the high price of natural gas and the strong dollar are raising raw material costs and eating up the benefit brought by higher selling prices. Kemira Agro’s full-year operating income is nevertheless expected to improve on last year’s. Over the longer term, China’s membership of the WTO is expected to have a salutory effect on the fertilizer market. The structural change sweeping through the European fertilizer industry appears to be bringing supply and demand into better balance and strengthening the market. Within horticultural and speciality fertilizers as well as within process chemicals the trend is expected to remain positive.

The market outlook for titanium dioxide pigment is good and the price level has remained strong. Although Kemira Pigments has sold off two thirds of its operations, it is estimated to achieve a result that is a clear improvement on the previous year’s earnings.

This year the Kemira Group’s operating income is expected to improve on last year’s figure. Net income will furthermore be improved by non-recurring capital gains on disposals of businesses as well as by lower financing costs as net debt diminishes thanks to the strong cash flow.

KEMIRA GROUP JANUARY-SEPTEMBER 2000

(the figures are unaudited)

INCOME STATEMENT EUR million	1-9/2000	1-9/1999	1999
Net sales	1914,5	1907,1	2526,2
Shares of associates' profits	2,7	2,0	2,8
Other income from operations	20,5	7,0	32,6
Cost of sales	-1678,5	-1681,1	-2262,5
Depreciation	-122,5	-136,7	-188,1
Operating income	136,7	98,3	111,0
Financing income and expenses	-24,2	-37,0	-52,4
Income before non-recurring items, taxes and minority interests	112,5	61,3	58,6
Non-recurring items from discontinuing operations	160,0	-	-
Income before taxes and minority interests	272,5	61,3	58,6
Direct taxes *)	-95,4	-21,4	-27,8
Income before minority interests	177,1	39,9	30,8
Minority interest	-2,3	0,3	-0,9
Net income	174,8	40,2	29,9

INCOME STATEMENT EUR million	7-9/2000	7-9/1999
Net sales	573,5	615,0
Shares of associates' profits	1,6	1,0
Other income from operations	0,4	2,0
Cost of sales	-505,2	-546,7
Depreciation	-36,6	-46,4
Operating income	33,7	24,9
Financing income and expenses	-3,1	-12,3
Income before non-recurring items, taxes and minority interests	30,6	12,6
Non-recurring items from discontinuing operations	96,0	-
Income before taxes and minority interests	126,6	12,6
Direct taxes *)	-48,7	-4,1
Income before minority interests	77,9	8,5

Minority interest	-1,7	0,3
Net income	76,2	8,8

*) Taxes constitute a proportion, calculated from the review period on a pro data basis, of the estimated full year taxes.

Key figures	1-9/2000	1-9/1999	1999
Earnings per share, EUR	0,49	0,31	0,23
Cash flow from operations per share, EUR	1,35	0,55	1,41
Capital expenditure, EUR million	181	117	168
Average number of shares (1000) **)	127372	128491	128318
Equity per share, EUR	8,85	7,56	7,57
Equity ratio, %	43,9	37,4	38,0
Gearing, %	39,0	102,6	95,0
Net liabilities EUR million	441	1012	934
Personnel (average)	9892	10794	10743

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

BALANCE SHEET
EUR Million

	30.9.2000	31.12.1999
Non-current assets		
Intangible assets	89,5	79,7
Tangible assets	1121,8	1328,2
Investments	139,0	77,6
Total non-current assets	1350,3	1485,5
Current assets		
Inventories	328,7	455,9
Receivables		
Interest-bearing receivables	25,4	23,4
Other interest-free receivables	537,4	549,7
Total receivables	562,8	573,1
Securities	291,3	42,4
Cash and bank	48,2	46,0
Total current assets	1231,0	1117,4
Total assets	2581,3	2602,9

	30.9.2000	31.12.1999

Shareholders' equity		
Share capital	217,0	217,0
Own shares	-16,4	-5,8
Other shareholders' equity	913,7	756,5
Total shareholders' equity	1114,3	967,7
Minority interests	16,7	15,2
Long-term liabilities		
Interest-bearing long-term liabilities	643,9	848,8
Deferred tax liabilities	52,9	56,6
Provision for liabilities and charges	159,7	39,2
Total long-term liabilities	856,5	944,6
Current liabilities		
Interest-bearing short-term liabilities	136,8	173,5
Interest-free short-term liabilities	457,0	501,9
Total current liabilities	593,8	675,4
Total liabilities	1450,3	1620,0
Total liabilities and shareholders' equity	2581,3	2602,9

A dividend payout of EUR 29,4 million, and EUR 10,6 million for the purchase of the company’s own shares have been booked as a reduction in shareholders’ equity during the report period. EUR 10.8 million in translation and foreign exchange differences has been booked as an increase 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 2 885 000 of its own shares. Their proportion of the share capital was 2.2% and they represented 2.2% of the aggregate number of votes conferred by all the shares.

During 23 May to 30 September 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 1 885 000 shares, representing 1.5% of the share capital and 1.5% of the aggregate votes conferred by all the shares. The average price of the shares was EUR 5.63.

CASH FLOW STATEMENT

EUR million	1-9/2000	1-9/1999	1999
Cash flow from operations	172,0	70,6	180,9
Capital expenditure	-180,6	-117,2	-168,1
Sale of assets	518,0	2,6	18,5
Cash flow before financing	509,4	-44,0	31,3
Financing	-258,3	49,5	-38,4
Increase / decrease in liquid funds	251,1	5,5	-7,1

EARNINGS BY BUSINESS AREA

Net sales, EUR million

	1-9/2000	1-9/1999	1999
Kemira Chemicals	556,5	514,5	697,0
Tikkurila	293,9	277,8	357,5
Kemira Agro	833,7	774,0	1014,7
Kemira Pigments	253,6	359,9	488,5
Other and Intra-Group sales	-23,2	-19,1	-31,5
Total Group	1 914,5	1907,1	2526,2

	7-9/2000	7-9/1999
Kemira Chemicals	191,3	169,2
Tikkurila	98,0	101,7
Kemira Agro	242,6	215,4
Kemira Pigments	53,8	131,0
Other and Intra-Group sales	-12,2	-2,3
Total Group	573,5	615,0

Operating income, EUR million

	1-9/2000	1-9/1999	1999
Kemira Chemicals	45,2	59,9	83,2

Tikkurila	31,4	28,4	23,1
Kemira Agro	9,1	-7,1	-38,8
Kemira Pigments	39,0	18,3	34,9
Other and Intra-Group sales	12,0	-1,2	8,6
Total Group	136,7	98,3	111,0

	7-9/2000	7-9/1999
Kemira Chemicals	7,7	19,4
Tikkurila	10,8	15,3
Kemira Agro	-1,9	-14,3
Kemira Pigments	17,4	3,3
Other and Intra-Group sales	-0,3	1,2
Total Group	33,7	24,9

CONTINGENT LIABILITIES
EUR million

	30.9.2000	31.12.1999
Mortgages	122,2	127,7
Assets pledged		
On behalf of own commitments	13,1	7,0
On behalf of others	0,0	1,1
Guarantees		
On behalf of associates	36,9	39,7
On behalf of others	4,0	4,2
Operating leasing		
Maturity within one year	4,5	5,1
Maturity after one year	7,7	13,8
Other obligations		
On behalf of associates	1,3	1,2
On behalf of others	1,0	1,0

FINANCIAL INSTRUMENTS 30.9.2000
EUR million

	Nominal value	Fair value
Currency instruments		
Forward contracts	448,5	1,1
Currency options		
Bought	18,5	0,5
Sold	32,0	-0,5
Currency swaps	103,6	-14,0
Interest rate instruments		
Interest rate swaps	225,7	-1,3
Forward rate agreements	10,0	0,0
Of which open	-	-

Bond futures	4,0	0,0
Of which open	-	-

FINANCIAL INSTRUMENTS 31.12.1999
EUR million

	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.

.