KEMIRA
ANNUAL REPORT
1995

CONTENTS

ANNUAL GENERAL MEETING

The Annual General Meeting of Kemira Oy will be held on Wednesday, 10 April 1996 at 2:00 p.m. in the Helsinki Fair Centre (Congress Wing, Auditorium C1). Attendance is open to shareholders who have been registered no later than on 29 March 1996 in the company's list of shareholders kept by the Central Share Register of Finland Co-Operative. To have the right to participate in the Annual General Meeting, a shareholder must notify the company of his intention to attend no later than 4:00 p.m. on Tuesday 9 April 1996 by letter to the address Kemira Oy, Secretary to the Board of Directors, P.O. Box 330, 00101 Helsinki, Finland, by telefax +358-0-132 1375 (Kemira Oy, Secretary to the Board of Directors) or by telephone +358-0-132 1703 (Arja Korhonen) during office hours daily from 8:00 a.m. to 4:00 p.m.

PROFIT AND LOSS INFORMATION

Kemira will publish information on its 1996 financial year in Finnish, Swedish, and English as follows:

Interim Report 4 months	*11 June 1996*
Interim Report 8 months	*10 October 1996*
Financial Statement Bulletin	*February 1997*
Annual Report	*March 1997*

These reports can be ordered from Kemira Oy, Group Communications, tel. (int'l) +358-0-13 211, fax (int'l) +358-0-132 1627.

Business areas
Kemira is an international chemical group whose main business areas are various chemicals, titanium dioxide pigments, plant nutrients and paints.

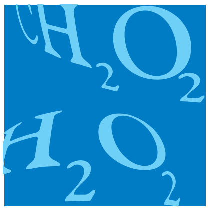
Operating principles
Kemira supplies its customers with tailor-made and quality products and services. In its operations, Kemira observes good business practices and principles that respect the environment.

Objectives
Kemira's prime objective is satisfied customers and good profitability in all the company's business areas. Kemira strives to be a major player worldwide in its main business areas. It achieves this through a motivated, multiskilled personnel and superior technology, and by means of innovative solutions for assuring sustainable development.

Strategy
Kemira deploys its strengths to increase shareholder value.

Strengths
- *a focus on four core business areas*
- *strong know-how in the markets*
- *technology and quality leadership*
- *environmentally acceptable products*

Increasing shareholder value
- *through the controlled growth of its main business areas, presently with a special emphasis on Chemicals and Pigments*
- *by continually improving efficiency*
- *by maintaining a positive cash flow*
- *by strengthening the balance sheet*
- *by increasing earnings per share*



KEMIRA CHEMICALS
Kemira Chemicals is a major producer of chemicals for the pulp and paper industry and a manufacturer of other industrial chemicals. It is also the leading European manufacturer of water treatment chemicals. Kemira Chemicals has production facilities in 15 countries. Net sales in 1995 were FIM 2,496 million and the operating income was FIM 379 million, which represents 26% of the operating income of the main business areas. The number of personnel was 2,251 people.

KEMIRA PIGMENTS
Kemira Pigments is the third largest manufacturer of titanium dioxide pigments in its main market areas, Europe and the United States. Its plants are located in Finland, the Netherlands and the United States. The main users of its products are the paint, paper and plastics industries. Net sales in 1995 were FIM 2,161 million and the operating income was FIM 255 million, which represents 18% of the operating income of the main business areas. The number of personnel was 1,971 people.

KEMIRA AGRO
Kemira Agro is Europe's second largest producer of plant nutrients. It has production facilities in eight countries. The main products are crop and horticultural nutrients, agricultural chemicals and technical products. Net sales in 1995 were FIM 5,742 million and the operating income was FIM 655 million, which represents 46% of the operating income of the main business areas. The number of personnel was 3,476 people.

TIKKURILA
Tikkurila is among Europe's leading paint manufacturers. Its main products are decorative paints as well as woodfinishes and coatings for the metal industry. Tikkurila has production facilities in eight countries. Tinting systems and colourants are a fast-growing area in which Tikkurila is at the forefront of technological development worldwide. Net sales in 1995 were FIM 1,352 million and the operating income was FIM 144 million, which represents 10% of the operating income of the main business areas. The number of personnel was 1,585 people.

OTHERS
Kemira Fibres is the third largest manufacturer of viscose fibres in Europe, Vihtavuori produces blasting explosives and ammunition, Kemira Metalkat manufactures catalytic converters and Kemira Safety makes respiratory protective equipment. The companies' production facilities are in Finland. Kemira Oy is the parent company of the Group. Aggregate 1995 net sales of these companies was FIM 1,194 million, representing 10% of consolidated net sales. The personnel numbered a total of 1,617 people.

Financial targets

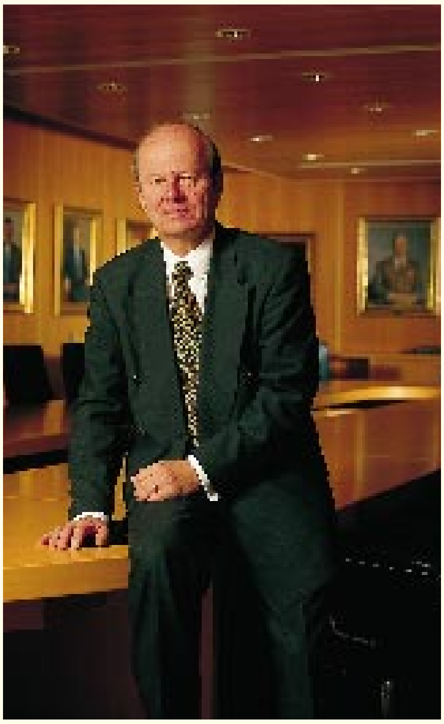
	Target *	**1995**	1994	1993
Return on capital invested, %	15	**13.3**	9.1	7.9
Return on equity, %	16	**13.9**	9.6	17.0 **
Operating income, % of net sales	10	**10.8**	8.4	6.6
Income before taxes, % of net sales	5	**5.8**	2.8	(0.8)
Equity ratio, %	40	**30**	26	14
Gearing, %	100	**126**	170	386
Cash flow after capital expenditure, FIM million	>500	**1,016**	787	526

* Medium term target
** In 1993 the tax credit raised the return on equity by 11 precentage points.

CHAIRMAN'S REVIEW

1995 was the best year the chemical industry has so far seen in the 1990s. The growth that got under way in the previous year continued, the price level strengthened and the cost structure of most companies was again in good shape after the restructuring measures that were carried out during the recession.

Both Kemira's operating income and its net income hit an all-time high. As a ratio of net sales, operating income reached the second best level in the post-1980 period. The previous peak was in 1988 thanks to the titanium dioxide boom.



Kemira Chemicals improved its result compared with the previous year. In the latter part of the year, the growth rate of the Pulp and Paper unit slowed down owing to a decline in demand from the paper industry. During the year a decision was taken to build a hydrogen peroxide plant in Sweden and a peracetic acid plant in Finland. Both decisions are examples of Kemira Chemicals' commitment to producing chemicals used in chlorine-free pulp bleaching.

The strengthening of the titanium dioxide market continued for the greater part of the year. The price level rose in both Europe and America. Towards the end of the year, demand weakened as economic growth slowed and customers wound down their stocks. The consumption of titanium dioxide pigment is nevertheless continuing its even growth at an annual rate of 2.5% to 3%. The growth in consumption in the years ahead can be satisfied as a result of debottlenecking investments that have been announced by a number of producers. One such capital project is in progress at Kemira Pigments. These capital expenditures will enable it to retain its global market share.

The agribusiness posted a good result in 1995. In particular, there was an improvement in the result for Great Britain and the Benelux countries. The world's grain stockpiles diminished towards the end of the year, falling to the lowest level since the 1970s. The EU reacted to this by further reducing set-aside acreage from 12% to 10% and by limiting exports of grain. The disruptive effect of Eastern imports eased, because cost factors in these countries are being fed into export prices, which are already at nearly the Western level. Together these factors will keep the profitability of plant nutrient production in the EU area at a good level. After the past years of cost cutting, Kemira Agro is again very competitive, and in these conditions it is well positioned for a continued positive trend in operations.

The paint business was burdened in 1995 by the price increase in raw materials, which could not be factored into product prices. Tikkurila further strengthened its position in the Baltic countries. It continued to bolster its worldwide market position within tinting systems. The company is the world's second largest producer of tinting systems.

Of the other companies, there is reason to mention the weakening of the result of Kemira Fibres Oy, which was due to the higher price of raw materials (dissolving pulp and caustic soda). Before long, the situation will probably even out due to the drop in the price of pulp.

1995 was Kemira's first full year on the Helsinki Stock Exchange. The share price trend exceeded the HEX index, in which faltering share prices predominated. At the end of the year the price of the Kemira share was 7% higher than it was at the beginning of the year.

The company strengthened its capital structure during 1995. The equity ratio at the end of the year was 30%, and the objective is to reach a 40% level during the years ahead.

The 1990s have seen a streamlining of the Group structure. The most significant event of the past year was the discontinuance of part of the plant protection business. In future the objective is to strengthen the four core businesses (Chemicals, Pigments, Agro and Tikkurila). The priority areas for growth are again Kemira Chemicals and Kemira Pigments, but growth will also be sought for the others within the framework of the cash flow and the capital expenditure funds earmarked for them. Kemira's future capital expenditures will be about FIM 1 billion annually (6% to 8% of net sales). This corresponds to the normal level of the EU chemical industry.

Measures carried out by society have an essential impact on investments by the chemical industry. For example, various environmental fees are major cost factors. From the standpoint of industry, the harmonization of fees in the EU area is the best alternative. In a harmonized situation, it is possible to forecast the cost structure of production on a long-term basis, making it easier to take capital expenditure decisions. This places the profitability of new investments on a more certain basis than when a short-term national environmental fee model is used.

In closing, I wish to express my thanks to our customers and other constituent groups for their good cooperation.

A vote of thanks also to all our Kemira people for their contribution to the company's success during the past year. Without this positive effort on the part of our personnel, the result we posted would not have been possible.

Heimo Karinen
CEO
Chairman of the Board

BOARD OF DIRECTORS' REVIEW

The Board of Directors of Kemira Oy in 1995. From the left, Leif Ekström, Juhani Kari, Esa Tirkkonen, Heimo Karinen (Chairman), Timo Mattila (Vice Chairman) and Sten-Olof Hansén.

The favourable development of the markets in which Kemira operates, particularly the plant nutrient markets in Europe, as well as the strong competitive position following the restructuring actions taken by the Group contributed to the profitability improvement again last year. Net income after taxes for the financial year more than doubled from the previous year, reaching FIM 552 million. The Board of Directors is proposing that a dividend of FIM 1.50 per share, or FIM 181.2 million, be paid for the 1995 financial year. This corresponds to a dividend payout of 33% on net income for the year.

NET SALES

Group net sales totalled FIM 12,352 million, an increase of 6% on the previous year. The improvement in the European nutrient markets together with strong volumes in the pulp and paper chemicals sector, were the main factors contributing to the increase. The strengthening of the Finnish markka had the opposite effect. Using 1994 exchange rates, net sales grew by 8% compared to the previous year. Some 79% of the Group's net sales came from outside Finland.

The table on page 9 shows the distribution of the Group's net sales by business area.

KEMIRA CHEMICALS

Net sales of Kemira Chemicals grew by 7%, to FIM 2,496 million. Of the three strategic business units – Pulp & Paper Chemicals, Kemwater and Industrial Chemicals – particularly the two first-mentioned enjoyed strengthening demand. Towards the end of the year, however, the temporary shutdowns of the pulp and paper industry slowed down the chemicals deliveries to that sector.

Operating income of Kemira Chemicals was FIM 379 million, 11% higher than the previous year. The operating margin was 15%.

At Pulp & Paper Chemicals a decision was made to build a hydrogen peroxide plant in Helsingborg, Sweden. The plant is scheduled for completion in the summer of 1997. A new plant to produce peracetic acid will be built in Oulu, Finland. The expansion of the polyelectrolyte plant in Vaasa, Finland, is proceeding as planned. The debottlenecking of the formic acid plant, also in Oulu, was completed by the end of the year.

The operations of Kemwater include an expansion of the production facilities in the Czech Republic. A production plant based on the Ferix water treatment chemical (granular ferric sulphate) from Finland will also be built in Thailand as a joint venture with a local company. A decision was made to set up a new company in the United Kingdom, Kemwater UK Ltd, as well as to form a joint venture in Brazil to tap the fast growing South American market. Kemwater has acquired a majority stake in Kemipol in Poland and Ferriklor AB in Sweden. The agreement to sell Kemira Water Treatment, Inc. together with a licence of the Kemwater concept for the US markets was finalized in February 1996.

The Industrial Chemicals unit has been enjoying favourable market conditions for phosphoric acid, with stronger demand and higher prices. However, the feed phosphates business has not been able to pass the cost increases on to its customers to a corresponding extent. The Swedish subsidiary Aminkemi AB was sold during the first four months of the year.

KEMIRA PIGMENTS

Net sales of Kemira Pigments decreased by 4% and totalled FIM 2,161 million. The decline was caused by the stronger Finnish markka, especially against the US dollar. Also, considerably lower volumes than a year ago during the second half of the year contributed to the decline.

During the first half of the year the titanium dioxide markets continued to develop favourably both in respect of volumes and prices. The weakening economic growth in the main markets of Kemira Pigments combined with the destocking of customers' inventories led to almost 10% lower volumes for the year, the decline taking place in the second half of the year. The operating income was 28% higher than in the previous year, totalling FIM 255 million. The operating margin was 12%.

The capital investment programme to eliminate bottlenecks in the production processes both in Pori, Finland and in Rotterdam, the Netherlands, is proceeding as planned. The construction of the waste acid neutralization plant in Pori is expected to be finished during 1996. The facility for the removal of nickel has been put into operation in Rotterdam. Kemira Pigments Inc. has a majority share in a joint venture which has been set up in Georgia, USA, for the construction of a natural gas pipeline crossing the Savannah river from South Carolina to Georgia. The pipeline will make lower cost natural gas available to the plant.

KEMIRA AGRO

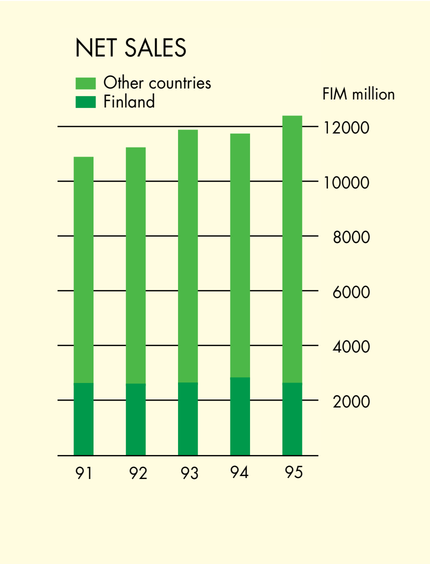
Kemira Agro's net sales were FIM 5,742 million, up by 9% on the previous year. The increase was caused by the strengthening markets in the United Kingdom and continental Europe, resulting in higher prices and sales volumes of plant nutrients. The markets have been improving as a result of the record low world inventory levels of cereals combined with the improved supply/demand balance due to the increased consumption of plant nutrients and the significant amount of closed capacity in Western Europe. Operating income was 78% higher than in the previous year, totalling FIM 655 million. The operating margin was 11%, reflecting the improvements in both production efficiency and the market environment. Operating income was negatively impacted by FIM 53 million in additional depreciation mainly charged to cover restructuring efforts in Denmark.

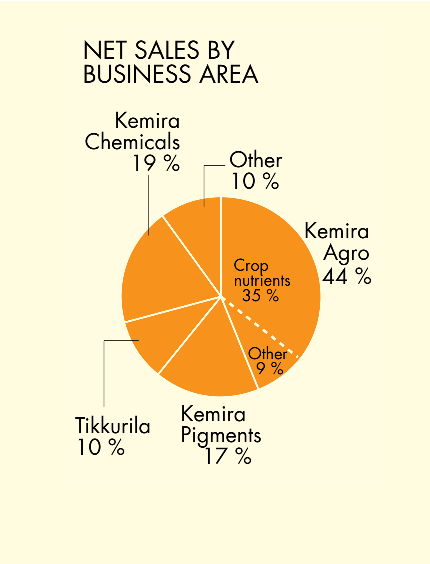
The relocation of the Willebroek nitric acid plant to Tertre, Belgium, was completed succesfully and the plant is in production. A new methylene urea plant is under construction in Harjavalta, Finland, and it is expected to be ready in the second half of 1996. A new ammonia receiving facility is being built by Kemira Ince Ltd in the United Kingdom. Kemira Agro is participating in a project to evaluate the potential to build a gas terminal for the importation of liquified natural gas in Rotterdam.

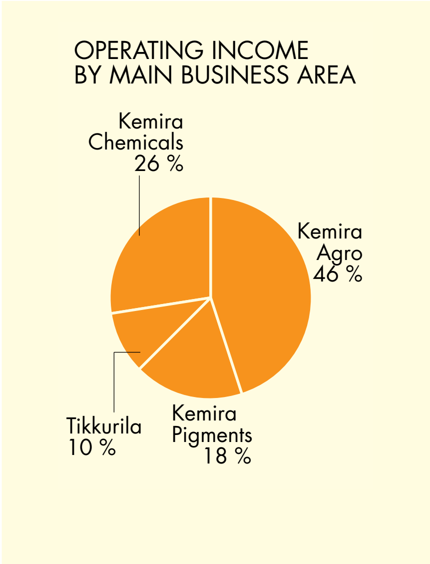
The joint venture in India, Jain Kemira Fertilizers Pvt. Ltd., started to manufacture liquid plant nutrients in Jalgaon, Maharashtra. New sales companies have been established in Poland, Estonia, Hungary, Russia and Lithuania. At the beginning of the year Kemira Agro made a four-year agreement with Dow Chemicals covering the supply of specialty monomers from the fine chemicals plant in Kokkola, Finland. The beet herbicide business was sold in July. As of 1 January 1996 the operations of the fine chemicals unit were incorporated under the name Kemira Fine Chemicals Oy. The pallet-making subsidiary in Ireland, as well as the remaining half of the Dutch flower trading operation Hiljo B.V. were sold during the first four months of the year.

TIKKURILA

The Tikkurila Group's net sales grew by 7% on the previous year to FIM 1,352 million. Export volumes continued to grow, consisting of both traditional paints sold on the nearby markets as well as colour processing systems marketed worldwide. The rapid increases of petrochemical raw material prices in the first half of the year had a negative ef-







fect on profitability. The trend turned downward during the summer, easing the pressure on costs during the second half of the year. Operating income was FIM 144 million, compared with FIM 143 million in the previous year. The operating margin was 11%. Operating income includes +FIM 30 million (in 1994 +FIM 9 million) representing the net of other operating income and expense, consisting mainly of the gain on the sale of the non-paint-related polyurethane business and certain restructuring costs in the United Kingdom.

The new colourant plant in the Netherlands went into operation in January 1995. A new sales company, Tikkurila Ltda, has been set up in São Paulo, Brazil, to supply colour processing systems to South and Central America and the Caribbean. A colourant manufacturing company was established in South Africa. A decision has been made to build a new colourant plant in Finland to expand the existing capacity. As of 1 July, Tikkurila and Becker Acroma Ltd formed Becker Acroma Kemira Ltd (BAK). This unit, a local market leader, will handle the two companies' woodfinishing businesses in the United Kingdom. The paint production in Leyton, the United Kingdom, is being streamlined and to a great extent transferred to the West Bromwich plant. Paint production was started in St. Petersburg, Russia, by a Tikkurila subsidiary, AO Finncolor.

OTHERS

Net sales of Kemira Fibres declined by 7% from the previous year, to FIM 575 million. The decline was a result of the stronger Finnish markka and the sale of the yarn texturizing business as of 1 May 1995. Also during the second half of the year the demand for viscose fibres was soft and sales volumes fell. Consequently, production levels have been adjusted to the market conditions, and measures are being taken to further reduce manufacturing costs. The increases in raw material prices, particularly dissolving pulp and caustic soda, had a major negative impact on profitability. Operating income was a loss of FIM 43 million compared with a profit of FIM 38 million the year before. Late in the year the pulp price trend turned around, resulting in a somewhat more favourable raw material situation. The search for solutions to reduce the biological oxygen demand in effluents in order to meet the future environmental regulations without major investments is continuing.

Net sales of Vihtavuori, which produces explosives and ammunition, were FIM 159 million (FIM 154 million in 1994). The sales growth sprang from increasing exports of sporting and hunting gunpowders. Operating income was FIM 18 million compared with FIM 28 million in the previous year. The decline was due to higher costs to achieve export sales as well as to somewhat lower prices for explosives on the domestic market.

Kemira Metalkat's net sales were FIM 137 million, up 20% from the previous year due to stronger sales volumes. Operating income improved by FIM 2 million on the previous year, though the unit posted a loss of FIM 3 million.

Kemira Safety continued its strong sales growth, to FIM 76 million – up by 14% on the previous year – as the new protective mask and the Autoflow blower unit were introduced on the markets. The rapid increases in raw material prices started to reverse during the year. Operating income increased by nearly 50% to FIM 15 million from last year's FIM 10 million.

GROUP FINANCIAL PERFORMANCE

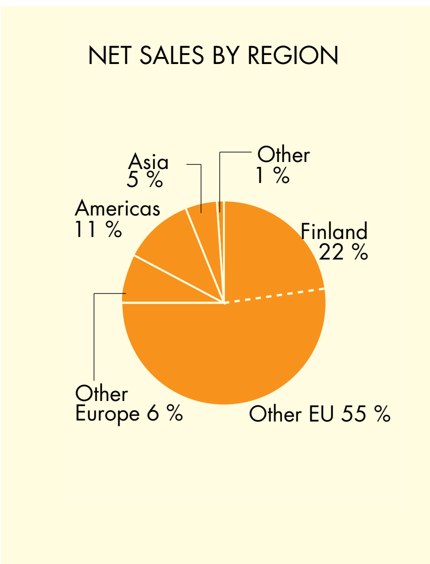
The Group's financial result continued to improve. Operating income increased by 35% to FIM 1,337 million (FIM 988 million in 1994), representing an 11% margin. Net income before taxes and minority interests more than doubled to FIM 721 million (FIM 327 million in 1994). The improvement was due to improved demand in the main markets of the Group's core businesses, most notably in the European plant nutrient markets, as well as to cost benefits achieved through restructuring and cost cutting over the past few years. The net income after tax improved to FIM 552 million in 1995, from FIM 228 million in 1994. Taxes include the effect of the change in the Finnish corporate tax rate from 25% to 28% in calculating the deferred tax liability. The Group was still able to utilize tax losses from prior years, thus keeping the tax rate at a low level (23%). This will be more limited in coming years, and the effective tax rate for the Group will be higher.

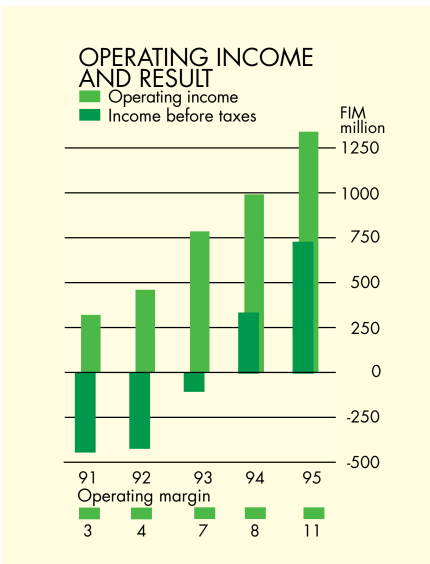
The table on page 9 shows the Group's operating income by business area.

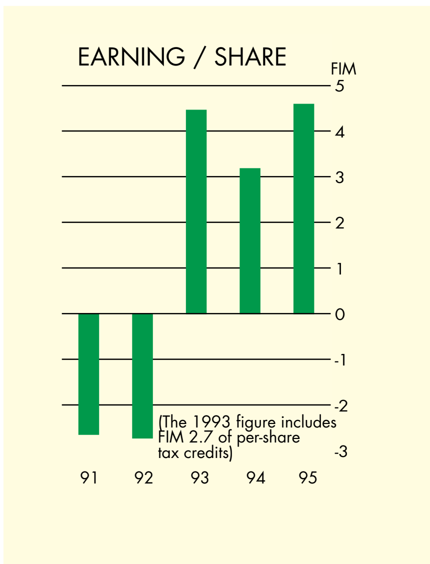
CAPITAL EXPENDITURE

The Group's capital expenditure increased to FIM 927 million (FIM 657 million in 1994). This represents 7.5% of net sales in 1995. Group capital spending on environmental protection amounted to FIM 140 million. All major capital expenditure projects have been discussed in the review of the business areas.

The Group's spending on research







and development was approximately FIM 241 million, or about 2% of net sales. The research and development activities are business-oriented and are typically carried out at the operating subsidiary level.

FINANCING

The financial position of the Group continued to strengthen considerably. The interest-bearing net debt declined by FIM 1,085 million to FIM 5,262 million at the end of 1995 (FIM 6,347 million at the end of 1994). Most of the decline can be attributed to the strong cash flow. At the same time the stronger Finnish markka reduced the translated balance sheet value of debts in other currencies. The Group's solvency rose by 4 percentage points and was 30% at the end of the year. Liquidity remained at a good level. At the end of the year liquid funds amounted to FIM 1,271 million.

Net financing costs were FIM 619 million, compared with FIM 587 million the year before. The increase was due to the currency exchange losses incurred during the first four months of the year, which have partly reversed during the latter part of the year. The fact that a high share of the Group's borrowing is in fixed interest rates did not allow the Group to benefit from decreasing interest rates in the markets. The closing of certain interest rate swaps prematurely impacted financial expenses negatively. In addition, the FIM 29 million one-time charge arising from the buy-back of the lease agreement in Sweden concerning the Kemira Kemi AB facilities has been booked to 1995 financial expenses even though the agreement was signed in January 1996. The buy-back will give the Group more flexibility both in the business operations on the site as well as in the financing of the facility.

The Group's financing and treasury functions are managed through the parent company in Finland and financing companies in Belgium and the Netherlands. As of the beginning of 1995 a greater share of the operative activities of the financing companies has been concentrated within the parent company.

PARENT COMPANY'S FINANCIAL PERFORMANCE

The parent company's net sales include only sales of energy in Finland, both within and outside the Group. The net sales of the parent company increased to FIM 208 million (FIM 166 million in 1994). Operating income was a loss of FIM 54 million (a loss of FIM 240 million in 1994). The parent company bears the cost of the Group management and administration.

The parent company's net financing expenses increased to FIM 146 million (FIM 53 million in 1994). Net income before taxes and appropriations was FIM 172 million (a loss of FIM 22 million in 1994). The parent company's capital expenditure was FIM 77 million, which includes the amounts used for equity increases in the subsidiaries.

PERSONNEL

The Group employed an average of 10,900 people, or 256 less than in the previous year. Of the total, an average of 4,775 people were employed in Group companies outside Finland.

The parent company's payroll totalled an average of 145 employees, 4 less than a year ago.

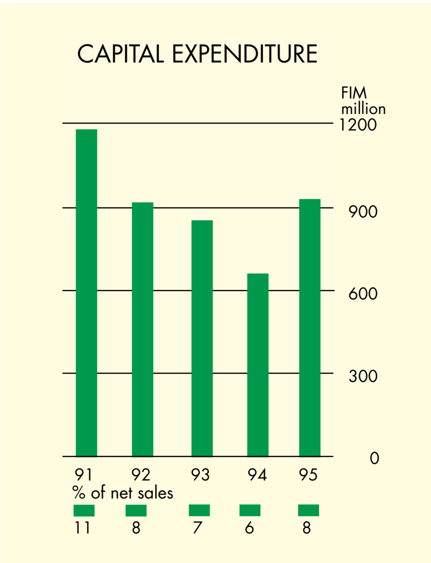
Total wages and salaries paid to Group employees were FIM 1,865 million (FIM 1,827 million in 1993), and to parent company employees FIM 29 million (FIM 28 million). Salaries and emoluments paid to members of the Supervisory Board, the members of the Boards of Directors and the managing directors totalled FIM 37 million for the Group (FIM 28 million) and FIM 4 million for the parent company (FIM 4 million). The growth is mainly due to changes in the corporate structure.

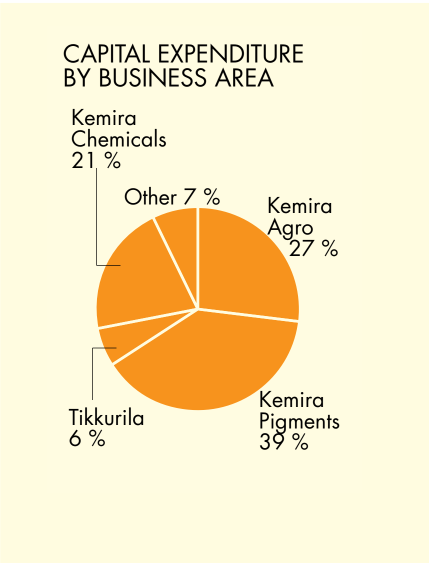
During the year the following persons served on the Board of Directors of Kemira Oy: Heimo Karinen (Chairman), Timo Mattila (Vice Chairman), Juhani Kari, Esa Tirkkonen, Leif Ekström and Sten-Olof Hansén, the last two as non-executive directors. At its meeting on 7 December 1995 the Supervisory Board elected the same six members to the Board for the period of office beginning on 1 January 1996.

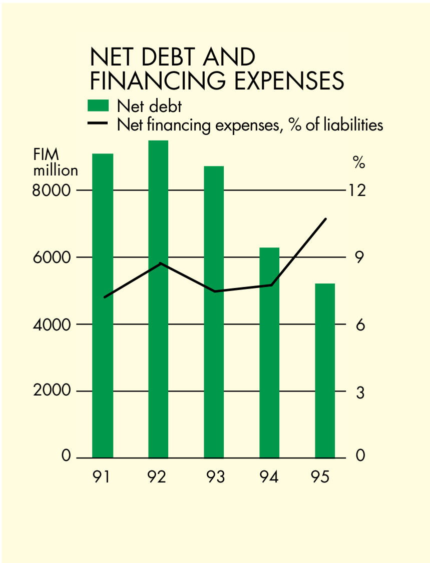
OWNERSHIP

The ownership of the Finnish Government has stayed at 72.3%. The share of institutional investors outside Finland has decreased from 21.7% to 16.8%, the share of Finnish institutional investors and mutual funds has increased from 4.7% to 9.8% and the share of private investors has decreased from 1.3% to 1.1% of the shares.

The Annual General Meeting of shareholders authorized the Board of Directors to issue 22 million new shares within one year of 26 April 1995. The Board has not used this authorization. The Annual General Meeting also decid-







ed to create a stock option plan for the top management of the Group. Consequently, the Board has issued options on 1,280,000 shares which are reserved for the top management, including the executive members of the Board. This represents about 1% of the total number of shares.

CHANGES IN THE GROUP STRUCTURE

Various companies have been established during the year as mentioned under the review of business areas above. The changes in the Group structure are presented in more detail on page 29.

OUTLOOK FOR THE FUTURE

The announced new investments of the pulp and paper industry combined with the continuing growth of totally chlorine-free bleaching is expected to increase the demand for pulp and paper chemicals over the longer term. In the short term the shutdowns and production curtailments will have a negative impact on the sales volumes of pulp and paper chemicals. Geographical expansion into Eastern European and Far East markets is expected to bring growth to the water treatment chemicals business. Industrial Chemicals will continue to exploit mature products. The profitability of Kemira Chemicals is expected to remain at a good level.

After a slow start of the year the demand for titanium dioxide is expected to grow further, provided that the economic growth continues at the long-term average rate. Although raw material prices are also expected to rise, the profitability of Kemira Pigments is expected to remain at the present level.

Kemira Agro is expected to continue its strong performance due to the improved supply/demand balance of plant nutrients in Europe and the good competitive structure of Kemira Agro following drastic cost-cutting measures. The world cereal inventory continues to be at a record low level, causing pressures to increase the world's agricultural production. World plant nutrient consumption is expected to increase. Also, consumption in Western Europe is expected to increase again following the European Commission's decision to further cut the set-aside requirement for cultivated land within the European Union from 12% to 10%. The effect of rising raw material costs is limited as the Group is self-sufficient in ammonia and phosphoric acid. The profitability of Kemira Agro is expected to remain at a good level.

The strong growth in the sales of colour processing systems including colourants is expected to continue. The slump in the Nordic construction industry is expected to continue during 1996, allowing for only small growth in the traditional paint business. The emerging markets in the Baltic countries and Russia will be target areas for further growth. Profitability is expected to remain at a good level.

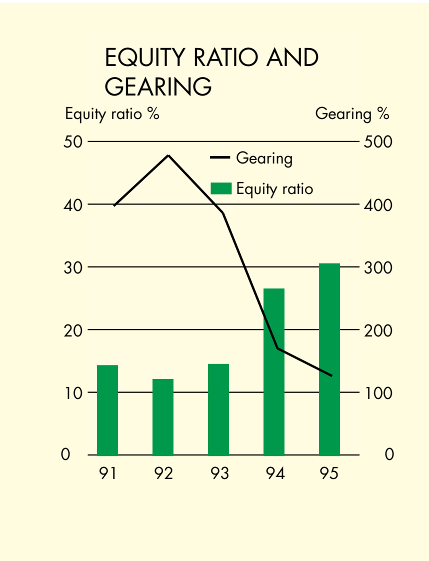
Group financing costs are expected to decline as a consequence of reduced debt levels.

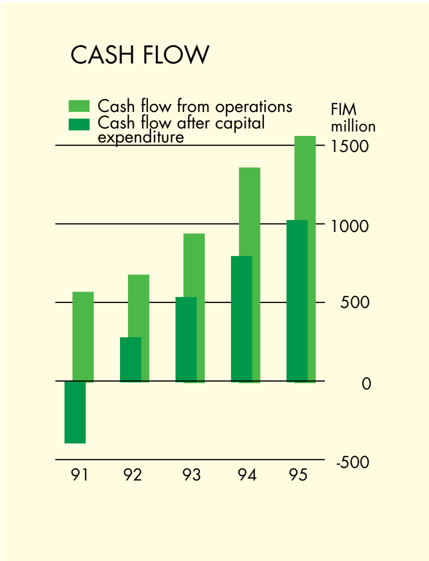
In spite of lower sales volumes than anticipated for Kemira Pigments and Kemira Chemicals in the early part of the year, the prospects for the Kemira Group in 1996 are promising. The Group expects that 1996 will be a year of good financial performance. Capital expenditures in 1996 are expected to be at a higher level than in 1995 in order to ensure further growth. The Group will also continue to focus on efficiency improvement and cash flow generation to further strengthen the balance sheet.

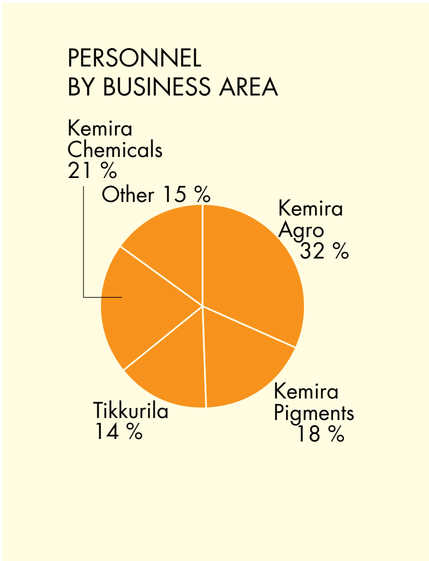
EARNINGS BY BUSINESS AREA IN 1995

FIM million	Net sales	Operating income	Income before extraordinary items
Kemira Chemicals	2,496	379	216
Kemira Pigments	2,161	255	152
Kemira Agro	5,742	655	495
Tikkurila	1,352	144	118
Other*	1,194	(96)	(263)
Intra-Group sales	(593)	–	–
Total Group	12,352	1,337	718

*) Includes other businesses, Group administration and eliminations from operating income and income before extraordinary items.







SHARES AND SHAREHOLDERS

SHARES AND VOTING RIGHTS

The nominal value of the Kemira Oy share is FIM 10 and each share confers one vote at meetings of shareholders. The number of shares in 1995 was 120,800,000. At present the share capital of Kemira Oy is FIM 1,208 million. According to the Articles of Association, the company's share capital can be in the range of from FIM 850 million to 3,400 million. The share capital can be changed without amending the Articles of Association provided that it remains within these limits.

Kemira Oy shares are registered within the book-entry system.

DIVIDEND POLICY

Kemira aims to distribute a dividend which in the long term is competitive with that of major Finnish companies and with foreign chemicals groups, nevertheless taking into account the company's result and capital requirement at any given time. The company's Board of Directors proposes to the Annual General Meeting that a dividend of FIM 1.50 per share, or FIM 181.2 million, be paid for the 1995 financial year. This corresponds to a dividend payout of 33% on the consolidated net income for the year.

INCREASE IN SHARE CAPITAL

At the Annual General Meeting held on 26 April 1995, the company's Board of Directors received authorization to increase the company's share capital by a maximum of FIM 220 million through a rights issue in one or more instalments. The authorization gives the Board of Directors the right to derogate from shareholders' preferential right to subscribe shares if from the company's standpoint there is a weighty financial consideration, such as the financing of an acquisition by accepting an investment in kind against shares. This authorization shall be in effect for one year from the date of the Annual General Meeting. The Board of Directors has not exercised its share issue authorizations by the time of the preparation of the financial statements for the year.

LISTING AND SHARE TRADING

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

PRICE TREND AND TRADING VOLUME

The highest price of the Kemira share in 1995 was FIM 39.8 and the lowest price was FIM 31.8. At the end of the year the price of the share was FIM 36.5. Turnover of the shares on the Helsinki Stock Exchange totalled 22,413,728 shares and the turnover in Finnish markka was FIM 802.9 million. Turnover of the share in the SEAQ trading system on the London Stock Exchange was 24,502,908 shares. Applying the average share price during the year, this corresponds to a turnover of about FIM 880 million when converted to Finnish markka. The market capitalization at the end of 1995 was FIM 4.4 billion, and on14 February 1996 it was FIM 5.0 billion, with the price of the share at FIM 41.80.

MANAGEMENT STOCK OPTION AND SHARE OWNERSHIP

The Annual General Meeting of Kemira Oy decided, on 26 April 1995, to float an issue of bonds with warrants targeted at the management of the Kemira Group. The amount of the issue which has been subscribed is FIM 640,000. Each member of the Board of Directors who was employed by Kemira Oy was entitled to subscribe a maximum of FIM 80,000 of options. The maturity of the issue is five years beginning on 2 May 1995, the interest is 6% and the issuing price was 100%. The issue of bonds with warrants gives management the right to subscribe a maximum of 1,280,000 shares in the company between 1 December 1998 and 31 January 2002 at a price of FIM 40 per share. These subscriptions can increase the company's share capital by a maximum of FIM 12.8 million. The issuers of the loan cannot hand over the bonds with warrants to a third party before 1 December 1998.

The members of the company's Board of Directors owned 4,500 shares of Kemira Oy at the end of the year. This is 0.004% of the company's shares and voting rights. The members of the Supervisory Board did not own the company's shares. The issue of bonds with warrants entitling holders to Kemira Oy shares has been subscribed by the members of the Kemira Oy Board of Directors in the amount of FIM 260,000, which corresponds to 520,000 warrants. These warrants entitle their holders to subscribe 520,000 shares. If the issue of bonds with warrants were counted, the members of the Board of Directors would have 0.43% of the shares and voting rights.

INVESTOR RELATIONS

Kemira Oy

Esa Tirkkonen,
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Kaj Friman, Group Treasurer,
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Jarmo Lappalainen, IR analyst,
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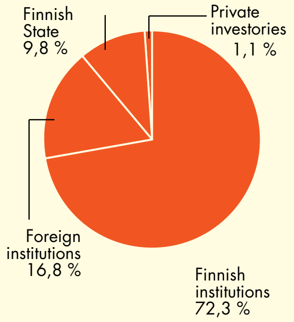
DISTRIBUTION OF SHAREHOLDERS 31 DECEMBER 1995

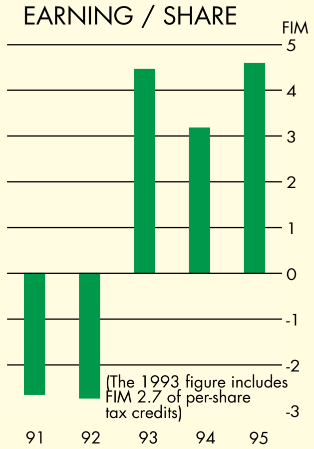
Number of shares	Number of shareholders	% of shareholders	Shares, total	% of shares and votes
1 – 50	663	18.88	27,176	0.02
51 –100	656	18.68	62,027	0.05
101 – 1000	1,813	51.64	776,437	0.64
1001 – 5000	287	8.17	595,615	0.49
5001 – 10000	20	0.57	160,550	0.13
10001 – 100000	48	1.37	1,656,800	1.37
100001 – 500000	18	0.51	4,126,000	3.42
500001 – 1000000	2	0.06	1,407,000	1.17
Over 1000000	4	0.12	91,697,760	75.91
Total	3,511	100.00	100,509,365	83.20
Nominee-registered shares			20,290,635	16.80
Grand total			120,800,000	100.00

DISTRIBUTION OF SHAREHOLDERS

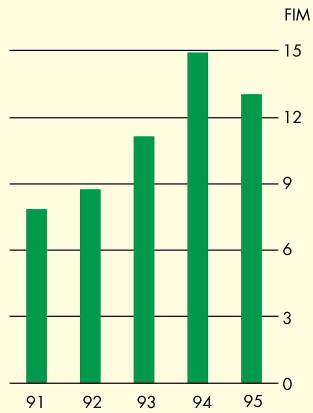
31 Dec 1995



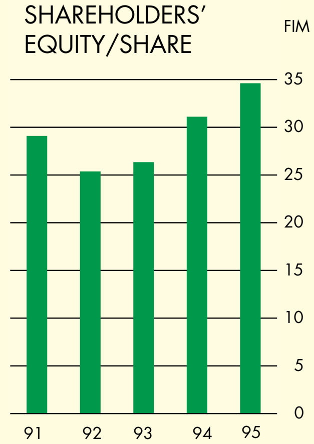
EARNING / SHARE



CASH FLOW/SHARE



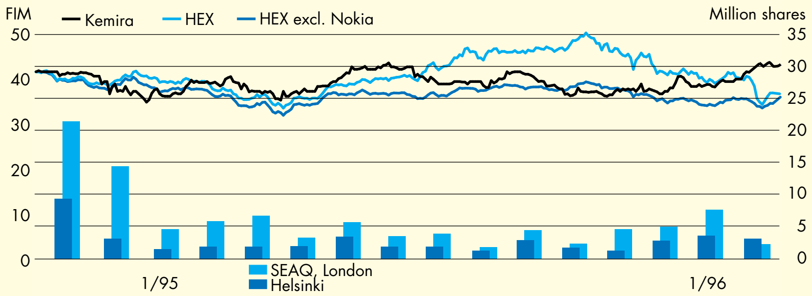
SHAREHOLDERS' EQUITY/SHARE



LARGEST SHAREHOLDERS

	Shareholder	Number of shares	% of votes
1.	Finnish State	87,297,760	72.27
2.	Pension Insurance Company Ilmarinen	2,150,000	1.78
3.	Pohjola Insurance Company Ltd	1,150,000	0.95
4.	Suomi Mutual Life Assurance Company	1,100,000	0.91
5.	Pension Varma Mutual Insurance Company	763,500	0.63
6.	The Local Government Pensions Institution	643,500	0.53
7.	Industrial Insurance Company Ltd	495,000	0.41
8.	Pension Foundation Neliapila s.r.	485,000	0.40
9.	Salama Life Assurance Company Ltd	407,000	0.34
10.	Nova Life Insurance Company Ltd	291,500	0.24
11.	Unit Trust UBF-Growth	291,000	0.24
12.	Otso Loss of Profits Insurance Company Ltd	255,000	0.21
13.	Kaleva Mutual Insurance Company	250,000	0.21
14.	Evli-Select Mutual Fund	219,500	0.18
15.	Syp-Invest Oy	203,000	0.17
16.	Tapiola General Mutual Insurance Company	155,000	0.13
17.	Finnair Oy Pension Fund	155,000	0.13
18.	Sampo Insurance Company Limited	150,000	0.12
19.	Finnish Export Credit Ltd	141,000	0.12
20.	Kansallis-Forest Unit Trust	140,000	0.12
21.	Tapiola Mutual Pension Insurance Company	135,000	0.11
22.	Postipankki Oy Pension Foundation	120,000	0.10
23.	Partita Ltd	120,000	0.10
24.	Neste Corporation Joint Pension Foundation	113,000	0.09
25.	Finnish National Fund for Research	100,000	0.08
26.	Co-operative Dairies Pension Fund	75,000	0.06
27.	Sampo Enterprise Insurance Company Limited	75,000	0.06
28.	Alko Pension Foundation	73,000	0.06
29.	The Church Central Fund	69,000	0.06
30.	Esso Pension Fund	65,000	0.05
31.	The Finnish Association of Graduate Engineers TEK	63,500	0.05
32.	PT Pension Foundation	62,000	0.05
33.	Turku Evangelical Lutheran Parishes	57,000	0.05
34.	The Seamen's Pension Fund	55,000	0.05
35.	Tapiola Mutual Life Assurance Company	50,000	0.04
36.	Instrumentarium Joint Pension Foundation	48,000	0.04
37.	Garantia Insurance Company Ltd	47,000	0.04
38.	Finnish Broadcasting Company Pension Foundation	43,500	0.04
39.	Mutual Fund Diana Equity	42,000	0.03
40.	Sirius International Insurance Corp.	40,000	0.03
41.	Pension Foundation for the White-collar Employees of ABB Strömberg	40,000	0.03
42.	Pension Foundation for the Blue-collar Employees of ABB Strömberg	40,000	0.03
43.	Raision Tehtaat Oy Ab	36,000	0.03
44.	Selin Finnish Equity Fund	34,000	0.03
45.	Maj and Tor Nessling Fund	32,500	0.03
46.	Pension Fund for Dairy Personnel	32,000	0.03
47.	oy Shell ab Pension Fund	30,000	0.03
48.	Olympia Air Travel Ltd	30,000	0.03
49.	Finnish Red Cross	28,300	0.02
50.	Foundation for Economic Education	28,000	0.02
Nominee-registered shares		20,290,635	16.80
Others, total		1,982,805	1.64
Grand total		120,800,000	100.00

SHARE PRICE AND TURNOVER



KEY FIGURES

PER-SHARE DATA

	1995	1994	1993	1992	1991
PER-SHARE DATA [1]					
Earnings per share, FIM [2]	**4.6**	3.1	4.4	(2.7)	(2.6)
Net income per share, FIM [2]	**4.6**	2.5	1.8	(3.4)	(4.5)
Cash flow from operations per share, FIM	**13.0**	14.9	11.1	8.7	7.8
Dividend per share, FIM [3]	**1.5**	0.4	–	–	–
Dividend payout ratio, % [3]	**32.8**	12.9	–	–	–
Dividend yield [3]	**4.1**	1.2			
Equity per share, FIM	**34.3**	30.8	26.1	25.1	28.8
Price per earnings per share (P/E) ratio	**8.0**	11.0	–	–	–
Price per equity per share	**1.1**	1.1	–	–	–
Price per cash flow per share	**2.8**	2.3	–	–	–
Dividend paid, FIM million [3]	**181.2**	48.3	–	–	–
SHARE PRICE AND TURNOVER					
Share price, year high, FIM	**39.8**	38.2	–	–	–
Share price, year low, FIM	**31.8**	34.0	–	–	–
Share price, year average, FIM	**36.0**	37.7	–	–	–
Share price, end of year, FIM	**36.5**	34.0	–	–	–
Number of shares traded (1000), Helsinki	**22,414**	11,432	–	–	–
% of number of shares	**19**	12	–	–	–
Number of shares traded (1000), SEAQ	**24,503**	18,824	–	–	–
% of number of shares	**20**	20	–	–	–
Market capitalization, end of year, FIM million	**4,409**	4,107	–	–	–
INCREASES IN SHARE CAPITAL [1]					
Average number of shares (1000)	**120,800**	91,877	85,175	78,800	75,240
Number of shares at end of year (1000)	**120,800**	120,800	87,300	78,800	78,800
Increases in the number of shares (1000) [4]	**–**	33,500	8,500	–	10,000
Share capital, FIM million	**1,208**	1,208	873	788	788
Increases in share capital, FIM million [4]	**–**	335	85	–	150

[1] Adjusted for the 20-for-1 share split which took effect in1994.
[2] 1993 earnings per share include FIM 2.7 of per-share tax credits.
[3] The 1995 dividend is the Board of Directors' proposal to the Annual General Meeting.
[4] The increase in share capital took place at the very end of 1990, therefore, the increase was not registered in 1990. The increase of FIM 50 million was recorded in the share capital account in 1991.

FINANCIAL RATIOS

	1995	1994	1993	1992	1991
INCOME STATEMENT					
Net sales, FIM million	**12,352**	11,698	11,838	11,195	10,848
Foreign operations, FIM million	**9,760**	8,910	9,237	8,635	8,264
Sales in Finland, %	**21**	24	22	23	24
Exports from Finland, %	**24**	21	19	17	16
Sales generated outside Finland, %	**55**	55	59	60	60
Operating income, FIM million	**1,337**	988	782	457	317
% of net sales	**11**	8	7	4	3
Net financing income and expenses, FIM million	**619**	587	681	823	610
% of net sales	**5**	5	6	7	6
Net income before extraordinary items, FIM million	**718**	402	101	(366)	(293)
% of net sales	**6**	3	1	(3)	(3)
Extraordinary income and expenses, FIM million	**3**	(74)	(196)	(46)	(140)
Net income before taxes and minority interests, FIM million	**721**	327	(95)	(412)	(433)
% of net sales	**6**	3	(1)	(4)	(4)
Net income, FIM million	**552**	228	149	(264)	(336)
Return on capital invested, %	**13**	9	8	5	6
Return on equity, % *)	**14**	10	17	(10)	(8)
CASH FLOW					
Cash flow from operations, FIM million	**1,572**	1,371	944	685	588
Sales of fixed assets, FIM million	**371**	73	432	500	210
Capital expenditure, FIM million	**927**	657	850	915	1,180
% of net sales	**8**	6	7	8	11
Cash flow after capital expenditure, FIM million	**1,016**	787	526	270	(382)
BALANCE SHEET					
Fixed assets and other long-term investments, FIM million	**7,803**	8,212	9,114	9,912	9,907
Shareholders' equity, FIM million	**4,146**	3,722	2,274	1,977	2,269
Liabilities, FIM million	**9,606**	10,560	13,724	14,837	14,057
Total assets, FIM million	**13,772**	14,294	16,005	16,845	16,360
Net liabilities, FIM million	**5,262**	6,347	8,810	9,588	9,136
Equity ratio, %	**30**	26	14	12	14
Gearing, %	**126**	170	386	478	397
PERSONNEL					
Personnel (average)	**10,900**	11,156	11,446	12,648	14,321
of whom in Finland	**6,125**	6,141	6,294	6,684	7,281
EXCHANGE RATES					
Key exchange rates (31 December)					
USD	**4.3586**	4.7432	5.7845	5.2370	4.1250
GBP	**6.7410**	7.4090	8.5540	7.9360	7.7180
NLG	**2.7185**	2.7337	2.9812	2.8883	2.4124
SEK	**0.6546**	0.6358	0.6945	0.7386	0.7429
DKK	**0.7862**	0.7794	0.8549	0.8392	0.6974
BEF	**0.1482**	0.1490	0.1602	0.1578	0.1318

*) In 1993 the tax credit increased the return on equity by 11 percentage points.

DEFINITIONS OF KEY RATIOS

$$\text{Earnings per share (EPS)} = \frac{\text{Net income +/– extraordinary items}}{\text{Adjusted average number of shares}}$$

$$\text{Net income per share} = \frac{\text{Net income}}{\text{Adjusted average number of shares}}$$

$$\text{Cash flow from operations per share} = \frac{\text{Cash flow from operations}}{\text{Adjusted average number of shares}}$$

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

$$\text{Dividend payout ratio} = \frac{\text{Dividend per share}}{\text{Net income per share}} \times 100$$

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

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

Net liabilities = Interest-bearing liabilities – cash, bank and other short-term investments

$$\text{Equity ratio, \%} = \frac{\text{Shareholders' equity + minority interests}}{\text{Total assets less advance payments received}} \times 100$$

$$\text{Gearing, \%} = \frac{\text{Net liabilities}}{\text{Shareholders' equity + minority interests}} \times 100$$

$$\text{Return on capital invested, \% (ROI)} = \frac{\text{Income before extraordinary items + interest expenses + other financing expenses}}{\text{Total assets less interest-free liabilities (average)}} \times 100$$

$$\text{Return on equity, \% (ROE)} = \frac{\text{Income before extraordinary items less taxes +/– tax effect of extraordinary items}}{\text{Shareholders' equity + minority interests (average)}} \times 100$$

CONSOLIDATED INCOME STATEMENT

(FIM million, except for per-share data)	Note	Year ended 31 December 1995	1994
Net sales	1	**12,352.0**	11,697.7
Other income from operations	2	**168.9**	109.3
Cost of sales	3,4	**(10,165.2)**	(9,844.0)
Depreciation	5	**(1,018.9)**	(974.6)
Operating income		**1,336.8**	988.4
Financing income and expenses	6	**(618.7)**	(586.7)
Income before extraordinary items, taxes and minority interests		**718.1**	401.7
Extraordinary income and expenses	7	**2.8**	(74.3)
Income before taxes and minority interests		**720.9**	327.4
Direct taxes	8	**(168.9)**	(97.9)
Net income before minority interests		**552.0**	229.5
Minority interests		**0.3**	(1.1)
Net income		**552.3**	228.4
Earnings per share, FIM	9	**4.6**	3.1

CONSOLIDATED BALANCE SHEET

FIM million	Note	31 December 1995	1994
ASSETS			
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS	10		
Intangible assets			
Intangible rights		**11.7**	11.6
Goodwill		**14.5**	16.7
Goodwill on consolidation		**41.1**	61.3
Other long-term expenditures		**55.3**	55.2
		122.6	144.8
Tangible assets			
Land and water areas		**576.7**	584.7
Buildings and constructions		**1,786.5**	1,940.8
Machinery and equipment		**4,316.8**	4,844.1
Other tangible assets		**195.3**	201.3
Advances paid and fixed assets under construction		**466.0**	191.1
		7,341.3	7,762.0
Securities and other long-term investments			
Shares and holdings in associated companies	16	**188.9**	208.0
Other shares and holdings	16	**59.3**	53.5
Loan receivables		**91.3**	43.8
		339.5	305.3
INVENTORIES AND FINANCIAL ASSETS			
Inventories			
Materials and supplies		**955.1**	945.5
Work in process		**117.8**	114.5
Finished goods		**1,158.2**	979.7
Advances paid		**9.6**	10.4
		2,240.7	2,050.1
Receivables	11		
Accounts receivable		**1,945.8**	2,142.6
Loan receivables		**82.3**	70.3
Prepaid expenses and accrued income		**200.3**	234.6
Other receivables		**228.8**	349.4
		2,457.2	2,796.9
Securities and other short-term investments		**975.8**	1,073.8
Cash and bank		**295.3**	161.4
Total assets		**13,772.4**	14,294.3

FIM million	Note	31 December 1995	1994
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY	12, 13		
Restricted			
Share capital		**1,208.0**	1,208.0
Share premium account		**1,235.7**	1,225.1
Revaluation reserve		**69.3**	72.6
Total restricted equity		**2,513.0**	2,505.7
Non-restricted			
Retained earnings		**1,080.8**	988.0
Net income for the financial year		**552.3**	228.4
Total non-restricted equity		**1,633.1**	1,216.4
Total shareholders' equity		**4,146.1**	3,722.1
MINORITY INTERESTS		**19.9**	12.2
LIABILITIES	13, 14		
Long-term			
Debentures and other bond loans		**65.1**	447.3
Loans from financial institutions		**1,075.4**	1,956.5
Loans from pension institutions		**2,527.4**	2,905.8
Pension liabilities		**117.0**	126.2
Provisions for liabilities and charges		**527.1**	533.9
Other long-term liabilities		**1,015.3**	984.0
		5,327.3	6,953.7
Current			
Bills of exchange		**0.2**	46.3
Current portion of loans from financial institutions		**1,031.3**	628.6
Current portion of other long-term loans		**53.5**	164.7
Current portion of loans from pension institutions		**22.8**	15.4
Other interest-bearing liabilities		**741.8**	434.1
Advances received		**80.1**	103.8
Accounts payable		**1,099.4**	1,208.2
Accrued expenses and prepaid income		**1,060.2**	801.1
Other current liabilities		**189.8**	204.1
		4,279.1	3,606.3
Total liabilities		**9,606.4**	10,560.0
Total liabilities and shareholders' equity		**13,772.4**	14,294.3

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FIM million	Year ended 31 December 1995	1994
BUSINESS OPERATIONS		
Funds from operations		
Operating income	**1,336.8**	988.4
Adjustments to operating income *)	**(179.7)**	(43.6)
Depreciation	**1,018.9**	974.6
Financing income and expenses	**(611.1)**	(525.1)
Extraordinary items	**(30.5)**	(67.4)
Dividends	**(48.3)**	–
Taxes	**(99.5)**	(30.5)
Total funds from operations	**1,386.6**	1,296.4
Change in net working capital		
Inventories	**(190.6)**	164.6
Short-term receivables	**263.6**	(38.1)
Non-interest-bearing short-term liabilities	**112.3**	(52.2)
Change in net working capital, total	**185.3**	74.3
CASH FLOW FROM OPERATIONS	**1,571.9**	1,370.7
CAPITAL INVESTMENTS		
Investments in fixed assets	**(926.6)**	(656.9)
Sales of fixed assets	**371.2**	73.4
Capital investments, total	**(555.4)**	(583.5)
CASH FLOW BEFORE FINANCING	**1,016.5**	787.2
FINANCING		
Change in long-term loan receivables	**(46.0)**	13.0
Change in long-term loans	**(1,286.2)**	(1,579.3)
Short-term financing, net	**337.6**	(1,095.7)
Increase in share capital	**–**	1,221.5
Other	**13.9**	(42.0)
Financing, total	**(980.7)**	(1,482.5)
Increase / decrease in liquid funds	**35.8**	(695.3)
Liquid funds at end of year	**1,271.1**	1,235.3
Liquid funds at beginning of year	**1,235.3**	1,930.6
Increase / decrease in liquid funds	**35.8**	(695.3)

*) Non-cash flow items included in operating income (e.g. results of associated companies) and gains and losses on the sale of fixed assets.

The above figures cannot be directly derived from the balance sheets owing to changes, e.g., in the Group structure and foreign exchange rates.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Finnish accounting legislation allows the financial statements of Finnish companies to be prepared in accordance with a set of accounting principles that is substantially in compliance with International Accounting Standards. Kemira Oy prepares its consolidated financial statements in accordance with accounting principles allowed by the legislation. The consolidated financial position and results of operations of Kemira Oy as presented in the accompanying consolidated balance sheets and income statements comply, in all material respects, with International Accounting Standards.

The financial statements are presented in Finnish markka and are prepared under the historical cost convention. In certain cases the figures have been modified by the revaluation of certain fixed assets in previous years.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the parent company, Kemira Oy, and companies in which it owns, directly or indirectly through subsidiaries, over 50 percent of the voting rights. Certain real estate and housing companies, and captive insurance companies, as well as companies that had no operations during the financial year, have not been consolidated. However, the effect of these companies on the Group's results and distributable reserves, in cases of any significance, has been consolidated using the equity method. Companies acquired during the accounting period are consolidated from the date the responsibility for their operations was transferred to the Group. Similarly, units or companies sold during the fiscal year are included in the income statement up to the date of disposition.

All intra-Group transactions have been eliminated as part of the consolidation process. Acquisitions of companies are accounted for under the purchase (past-equity) method of accounting. The excess of the acquisition cost over fair value of the net assets acquired is recorded as goodwill and is amortized over its useful life, not exceeding ten years. The interests of minority shareholders in the net assets and profit and loss of consolidated subsidiaries is reflected as a separate item in the Group's consolidated balance sheet and income statement.

Associated companies are those in which the Group has an equity interest of between 20 and 50 percent. Holdings in associated companies are presented in the consolidated financial statements using the equity method. The associated companies' share of the net income for the financial year, calculated on the basis of the Group's proportionate ownership, is included in income and expenses from operations. Other companies (voting rights owned less than 20 percent) are stated at cost in the balance sheet and dividends received are included in the statements of profit and loss.

FOREIGN CURRENCY ITEMS AND DERIVATIVE CONTRACTS

In day-to-day accounting of each Group company, transactions in foreign currencies are translated 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 financing income and expenses.

Derivative contracts to hedge currency and interest rate risks have been entered in the income statement simultaneously with the commitment hedged. Derivative contracts which are not considered as hedging instruments are valued in the financial statements at the market price. The interest portion of currency forwards is periodized as interest income and expense, and the differences in the foreign exchange rates are booked as a credit or charged to income when the item that is hedged through them has been credited or charged to income in the financial statements.

In the consolidated financial statements, the income statements of foreign subsidiaries have been translated into Finnish markka amounts from the beginning of 1995 using the average exchange rates and the balance sheets have been translated using the year-end exchange rates. In previous years the income statements too were translated into Finnish markka using the year-end exchange rates. The change does not have a material effect on the result. The translation difference, which arises in translating the income statement and balance sheet using the different exchange rates, is entered in non-restricted equity.

Exchange rate differences arising from long-term foreign currency-denominated loans and forward or currency swap contracts are credited or charged against the translation differences that have arisen in the elimination of intra-Group ownership to the extent that the ownership has been financed by using loan capital. The remaining exchange differences from intra-Group elimination, if any, are recorded directly to non-restricted shareholders' equity.

From the beginning of 1996, the foreign currency-denominated shareholders' equity amounts of subsidiaries are protected against exchange rate changes by means of the so-called equity hedging method using long-term foreign currency-denominated loans as well as forward and currency swap contracts. In the consolidated financial statements, the exchange rate gains and losses of such loans and derivative contracts are credited or charged against the translation differences arising from the translation of the shareholders' equity amounts of the last confirmed balance sheets of the subsidiaries.

The foreign exchange rates on the balance sheet date are given on page 13.

PENSIONS AND COVERAGE OF PENSION LIABILITIES

The Group has various pension schemes in accordance with the local conditions and practices in the countries in which it operates. Contributions are based on periodic actuarial calculations and are charged against profits. The schemes are generally funded through payments to separate funds or to insurance companies.

Most of the Group's Finnish companies have voluntary supplementary pension funds, in which the method of calculating the pension liability changed in line with the change in pension legislation that came into force at the beginning of 1996. The change has been prepared for by leaving the contributions for these supplementary pension funds largely unpaid and by increasing their pension liability deficit in the 1995 financial statements. This increase in the pension liability deficit has not been taken into account in the pension figures for the Group because under the new rules for calculating the pension liability, the funds no longer have a pension liability deficit.

The parent company's pension arrangements have been handled in a similar way within the separate pension funds.
Uncovered pension liabilities of the funds are included in the balance sheet as pension liabilities and as valuation items on the assets side.

NET SALES

Net sales represents the total of the invoice values of goods sold and services provided, less sales taxes and certain other sales related expenses including credit losses on sales.

EXTRAORDINARY INCOME AND EXPENSES

Extraordinary income and expenses consist of items not included in normal business operations, such as exceptionally large one-time expenses arising from the closures of plants and the reorganization of operations and divestments of entire businesses.

Income and expenses of recurring nature and connected with operations, for example, gains and losses on the sales of fixed assets, are included in operating income.

Extraordinary items of the parent company include Group contributions received and paid.

DIRECT TAXES

The consolidated financial statements include direct taxes, which are based on the taxable results of the Group companies for the accounting period calculated according to local tax rules, and the change in the deferred tax liability arising from the untaxed reserves. Provision for deferred tax liability for timing differences has been made, however, deducting, in each year, the impact of any tax losses available for carry forward using the latest tax rate.

In calculating the deferred tax liability for the untaxed reserves of Finnish companies, the 28 % tax rate that came into force from the beginning of 1996 has thus been used and the increase in the deferred tax liability resulting from the increase in the tax rate is included in the taxes for 1995.

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

RESEARCH AND DEVELOPMENT EXPENDITURE

Research expenditure is expensed. Development expenditure is also expensed except for major projects for which investment decisions have been made. These are capitalized. Capitalized development costs are presented in the item "Other long-term expenditures" and amortized over their economic life, nevertheless within at least five years.

FIXED ASSETS AND DEPRECIATION

Fixed assets are generally stated at cost, except for certain land and water areas and buildings which are stated at revalued amounts, less accumulated depreciation, as applicable.

Depreciation is calculated on a straight-line basis so as to write off carrying value of fixed assets over their expected useful lives. The depreciation periods adopted are as follows:

Machinery and equipment	3 – 15 years
Buildings and constructions	25 years
Other capitalized expenses	5 – 10 years

As a general rule, interest expense is not capitalized, except in the United States. However, interest expenses related to capital borrowed to finance major capital investment projects can, when specifically approved by the Board, be capitalized as part of the total investment costs.

Gains and losses on the sale of fixed assets are included either in income and expenses on operations or in extraordinary items, depending on the nature of the transaction.

LEASING

Leasing payments are treated as rental expenses except for finance leasing agreements, in which the leased property is presented as part of the Group's fixed assets and the leasing debt is shown as a long-term liability. In respect of finance leasing agreements, the depreciation on the leased property and the interest expense on the debt are shown in the income statement instead of leasing rents.

INVENTORIES

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

SECURITIES AND OTHER SHORT-TERM INVESTMENTS

Securities and other short-term investments are a part of the Company's cash management and are stated at lower of cost or market.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT	**1995**	1994
FIM million		

NOTE 1. NET SALES

Net sales by division

Kemira Chemicals	**2,496.2**	2,335.8
Kemira Pigments	**2,160.5**	2,243.2
Kemira Agro	**5,742.0**	5,256.8
Tikkurila	**1,352.0**	1,261.3
Other operations	**1,194.5**	1,166.8
Intra-Group invoicing	**(593.2)**	(566.2)
Total	**12,352.0**	11,697.7

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

Finland	**22**	24
Other European Union countries	**55**	53
Other European countries	**6**	5
North and South America	**11**	12
Asia	**5**	4
Other countries	**1**	2
Total	**100**	100

NOTE 2. OTHER INCOME FROM OPERATIONS

Gains on the sale of fixed assets	**80.3**	23.5
Sales of scrap and waste	**3.0**	10.9
Share of associated companies' profits	**35.5**	27.8
Insurance compensation	**4.5**	4.4
Income from royalties and licences	**0.5**	2.8
Rent income	**7.1**	2.9
Other income	**38.0**	37.0
Other income from operations, total	**168.9**	109.3

Gains on the sale of fixed assets include, among others, gains on the sale of the Polymers business and the Kemira Fibres' textured yarn line.

NOTE 3. COST OF SALES

Materials and supplies		
Purchases during the financial year	**6,147.1**	5,625.2
Change in inventories of materials and supplies	**(37.2)**	(47.1)
Change in inventories of finished goods	**(228.5)**	48.2
Own work capitalized *)	**(55.4)**	(59.8)
External services	**715.0**	765.6
Personnel expenses	**2,401.7**	2,348.7
Rents	**125.6**	123.5
Share of associated companies' losses	**9.5**	26.5
Losses on the sales of fixed assets	**3.2**	2.8
Other expenses	**1,084.2**	1,010.4
Cost of sales, total	**10,165.2**	9,844.0

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

NOTE 4. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

Emoluments of the Supervisory Board, boards of directors and managing directors*)	**36.8**	28.0
Other wages and salaries	**1,828.3**	1,798.6
Pension expenses	**206.0**	216.5
Other personnel expenses	**330.6**	305.6
Personnel expenses in the income statement, total	**2,401.7**	2,348.7
Monetary value of fringe benefits	**14.4**	13.9
Total	**2,416.1**	2,362.6

*) The increase is mainly due to changes in the Group structure. Profit sharing bonuses to the management were FIM 1.2 million in 1995 and FIM 1.1 million in 1994.

The reduction in pension expenses is mainly due to the fact that Finnish companies have not paid contributions to the supplementary pension funds in 1995. Because of the change in pension legislation, the Group is not estimated to incur pension expenses for the supplementary pension funds in 1996, either. The contributions paid to the supplementary pension funds, which are included in pension expenses for 1994, amounted to FIM 10.3 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT	1995	1994
FIM million		

Management's pension commitments

Whereas pension commitments of the Group companies to their employees vary, the management of each Group company is treated in the same way as the other permanent staff of that particular company. However, for the managing director of Tikkurila Oy, the pension regulations of the parent company apply and the retirement age of the managing director of Viljavuuspalvelu Oy has been lowered from 65 years to 63 years.

Personnel

	1995	1994
Personnel, average	**10,900**	11,156
Personnel at year end	**10,516**	10,899
Personnel in Finland, average	**6,125**	6,141
Personnel outside Finland, average	**4,775**	5,015
Total	**10,900**	11,156

NOTE 5. DEPRECIATION

	1995	1994
Scheduled depreciation		
Intangible assets		
Intangible rights	**3.3**	4.4
Goodwill	**3.9**	5.1
Goodwill on consolidation	**18.7**	13.6
Other long-term expenditures	**14.0**	11.7
Tangible assets		
Buildings and constructions	**152.8**	124.5
Machinery and equipment	**806.9**	797.8
Other tangible assets	**19.3**	17.5
Depreciation, total	**1,018.9**	974.6

Depreciation in 1995 includes about FIM 53 million of depreciation in excess of plan connected with reorganizations.

NOTE 6. FINANCING INCOME AND EXPENSES

	1995	1994
Financing income and expenses		
Dividend income	**7.7**	5.0
Interest income from long-term investments	**0.9**	6.3
Other interest income	**151.1**	116.9
Other financing income	**4.7**	22.4
Exchange gains and losses	**(37.1)**	(30.3)
Interest expenses	**(704.0)**	(680.9)
Redemption costs on a leasing agreement	**(29.0)**	–
Other financing expenses	**(13.0)**	(26.1)
Financing income and expenses, total	**(618.7)**	(586.7)
Net financing expenses as a percentage of net sales	**5.0**	5.0
Net interests as a percentage of net sales	**4.5**	4.8
Exchange gains and losses		
Realized	**(29.3)**	31.3
Unrealized	**(7.8)**	(61.6)
Exchange gains and losses, total	**(37.1)**	(30.3)

In January 1996, Kemira Kemi AB redeemed the finance leasing agreement concerning the Helsingborg plants. The redemption led to a one-time financing cost of FIM 29 million, which was entered as an expense already in 1995. The redemption does not cause changes in the Group's balance sheet structure, because according to the Kemira Group's accounting policy, the leasing agreement was already included in the Group's fixed assets and liabilities.

Interest cost capitalized was FIM 1.1 million (1994: FIM 4.3 million).

Exchange differences on foreign currency loans have been credited or charged against translation differences arising in the elimination of cross-ownership to the extent that the share purchase has been financed with borrowed capital. In the consolidated financial statements, FIM 6 million of gains on foreign exchange in connection with loans (FIM 168 million in 1994) has been booked against translation differences.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

FIM million

NOTE 7. EXTRAORDINARY INCOME AND EXPENSES

	1995	1994
Extraordinary income		
Gains on the sale of fixed assets and lines of business	**199.2**	34.5
Other extraordinary income	**–**	1.2
Total	**199.2**	35.7
Extraordinary expenses		
Cost of closure and reorganization	**31.0**	89.1
Write-downs on shares and other fixed assets	**165.4**	10.6
Other extraordinary expenses	**–**	10.3
Total	**196.4**	110.0
Extraordinary income and expenses, total	**2.8**	(74.3)

NOTE 8. DIRECT TAXES

	1995	1994
Direct taxes, current year	**(90.4)**	(30.1)
Direct taxes, previous years	**(9.1)**	(0.3)
Change in deferred tax	**(69.4)**	(67.5)
Total	**(168.9)**	(97.9)

The change in imputed deferred taxes in 1995 is mainly due to the growth in untaxed reserves and the change in the tax rate in Finland from 25 % to 28 %, whereby the deferred taxes arisen from untaxed reserves have been calculated using this higher tax rate in 1995. The calculated tax expense related to extraordinary items was FIM 0.7 million in 1995 and FIM (14.6) million 1994.

NOTE 9. EARNINGS PER SHARE

	1995	1994
Net income	**552.3**	228.4
Extraordinary items	**(2.8)**	74.3
Tax effect of extraordinary items	**0.7**	(14.6)
Net income before extraordinary items	**550.2**	288.1
Weighted average number of shares outstanding *)	**120,800,000**	91,876,712
Earnings per share	**4.6**	3.1

*) Adjusted for the 20-for-1 stock split which took effect on 17 August 1994.

BALANCE SHEET

NOTE 10. FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS

Intangible rights	1995	1994
Acquisition cost at beginning of year	**116.7**	120.7
Increases	**4.2**	2.8
Decreases	**(1.1)**	(0.2)
Exchange gains and losses	**(2.0)**	(6.6)
Acquisition cost at end of year	**117.8**	116.7
Accumulated depreciation at end of year	**(106.1)**	(105.1)
Net book value at end of year	**11.7**	11.6

Goodwill	1995	1994
Acquisition cost at beginning of year	**32.5**	34.5
Increases	**2.2**	1.2
Exchange gains and losses	**(1.0)**	(3.2)
Acquisition cost at end of year	**33.7**	32.5
Accumulated depreciation at end of year	**(19.2)**	(15.8)
Net book value at end of year	**14.5**	16.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET	1995	1994
FIM million		
Goodwill on consolidation		
Acquisition cost at beginning of year	**281.4**	290.6
Increases	**1.4**	13.2
Decreases	**(3.8)**	(1.2)
Exchange gains and losses	**(5.4)**	(21.2)
Acquisition cost at end of year	**273.6**	281.4
Accumulated depreciation at end of year	**(232.5)**	(220.1)
Net book value at end of year	**41.1**	61.3
Other long-term expenditures		
Acquisition cost at beginning of year	**212.8**	207.9
Increases	**14.7**	11.0
Decreases	**(0.5)**	(1.2)
Exchange gains and losses	**(0.8)**	(4.9)
Acquisition cost at end of year	**226.2**	212.8
Accumulated depreciation at end of year	**(170.9)**	(157.6)
Net book value at end of year	**55.3**	55.2
Land and water areas		
Acquisition cost at beginning of year	**584.7**	622.4
Increases	**0.9**	0.7
Decreases	**(9.7)**	(2.6)
Exchange gains and losses	**0.8**	(35.8)
Net book value at end of year	**576.7**	584.7
Buildings and constructions		
Acquisition cost at beginning of year	**3,165.1**	3,209.1
Increases	**75.0**	132.3
Decreases	**(57.1)**	(33.6)
Exchange gains and losses	**(19.4)**	(142.7)
Acquisition cost at end of year	**3,163.6**	3,165.1
Accumulated depreciation at end of year	**(1,377.1)**	(1,224.3)
Net book value at end of year	**1,786.5**	1,940.8
Machinery and equipment		
Acquisition cost at beginning of year	**11,689.6**	12,070.3
Increases	**536.3**	526.6
Decreases	**(326.5)**	(82.5)
Exchange gains and losses	**(200.4)**	(824.8)
Acquisition cost at end of year	**11,699.0**	11,689.6
Accumulated depreciation at end of year	**(7,382.2)**	(6,845.5)
Net book value at end of year	**4,316.8**	4,844.1
Other tangible assets		
Acquisition cost at beginning of year	**438.8**	442.2
Increases	**11.0**	6.1
Decreases	**(5.4)**	(1.5)
Exchange gains and losses	**(0.6)**	(8.0)
Acquisition cost at end of year	**443.8**	438.8
Accumulated depreciation at end of year	**(248.5)**	(237.5)
Net book value at end of year	**195.3**	201.3
Advances paid and fixed assets under construction		
Acquisition cost at beginning of year	**191.1**	270.8
Change	**278.9**	(66.9)
Exchange gains and losses	**(4.0)**	(12.8)
Net book value at end of year	**466.0**	191.1
Shares and holdings in associated companies		
Net book value at beginning of year	**208.0**	125.4
Share of net income of associated companies	**25.9**	1.3
Increases	**0.3**	3.9
Decreases	**(14.4)**	1.5
Transfers	**(13.7)**	91.1
Exchange differences and other changes	**(17.2)**	(15.2)
Net book value at end of year	**188.9**	208.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET	1995	1994
FIM million		
Other shares and holdings		
Net book value at beginning of year	**53.5**	66.5
Increases	**0.9**	3.7
Decreases	**(2.7)**	–
Transfers	**8.4**	(15.4)
Exchange differences	**(0.8)**	(1.3)
Net book value at end of year	**59.3**	53.5

Shares and holdings are specified in Note 16.

NOTE 11. RECEIVABLES

	1995	1994
Receivables from associated companies		
Accounts receivable from associated companies	**14.1**	7.6
Loan receivables from associated companies	**20.0**	30.8
Other receivables from associated companies	**0.9**	89.3
Loans to the management of the Group companies	**0.1**	–
Receivables due in one year or longer		
Loan receivables	**16.9**	17.3
Prepaid expenses and accrued income	**0.1**	–
Other receivables	**26.3**	5.0
Total	**43.3**	22.3

NOTE 12. SHAREHOLDERS' EQUITY

	1995	1994
Share capital at beginning of year	**1,208.0**	873.0
Increase in share capital	**–**	335.0
Share capital at end of year	**1,208.0**	1,208.0
Share premium account at beginning of year	**1,225.1**	338.3
Share premium	**–**	886.5
Transfer from retained earnings	**10.6**	2.4
Transfer to retained earnings	**(0.4)**	(0.3)
Other changes	**0.4**	(1.8)
Share premium account at end of year	**1,235.7**	1,225.1
Revaluation reserve at beginning of year	**72.6**	72.0
Transfer from retained earnings	**0.3**	1.6
Transfer to retained earnings	**(3.6)**	–
Other changes	**–**	(1.0)
Revaluation reserve at end of year	**69.3**	72.6
Restricted equity at end of year	**2,513.0**	2,505.7
Non-restricted equity at beginning of year	**1 216.4**	991.0
Net profit for the year	**552.3**	228.4
Dividends paid	**(48.3)**	–
Exchange differences	**(58.7)**	2.6
Transfer from retained earnings	**3.9**	0.3
Transfer to retained earnings	**(10.8)**	(4.0)
Other changes	**(21.7)**	(1.9)
Non-restricted equity at end of year	**1,633.1**	1,216.4
Total shareholders' equity at end of year	**4,146.1**	3,722.1

The parent company's payment of a dividend is limited by the Group's distributable equity, FIM 946.2 million (1994: FIM 561.6 million), which is obtained when the amount of untaxed reserves transferred to the shareholders' equity account is subtracted from the non-restricted shareholders' equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET	1995	1994
FIM million		

NOTE 13. UNTAXED RESERVES

In the consolidated financial statements the untaxed reserves of each individual company have been divided into equity and deferred tax liability which is included in provision for liabilities and charges.

	1995	1994
Untaxed reserves in the balance sheets of the Group companies are as follows:		
Cumulative depreciation difference	**822.6**	665.8
Transitional reserve	**115.6**	180.7
Other untaxed reserves	**7.5**	9.9
Total	**945.7**	856.4
Of which equity	**686.9**	654.8
Of which deferred tax liability	**258.8**	201.6
Total	**945.7**	856.4
Change in untaxed reserve, increase (+) decrease (–)		
Cumulative depreciation difference	**177.4**	(626.8)
Transitional reserve	**(65.0)**	(32.7)
Other untaxed reserves	**(2.4)**	(10.0)
Total	**110.0**	(669.5)

NOTE 14. LIABILITIES

Long-term interest-bearing liabilities maturing in	1995	1994
1997 (1996)	**358.7**	1,087.3
1998 (1997)	**143.8**	486.1
1999 (1998)	**248.4**	719.2
2000 (1999)	**542.4**	249.4
2001 (2000) or later	**3,389.9**	3,751.6
Total	**4,683.2**	6,293.6
Pension liabilities	**117.0**	126.2
Provision for liabilities and charges	**527.1**	533.9
Total long-term interest-bearing liabilities	**5,327.3**	6,953.7
Interest-bearing liabilities maturing in 5 years or longer		
Debentures and other bond loans	**–**	118.6
Loans from financial institutions	**15.2**	52.5
Loans from pension institutions	**2,443.2**	2,890.0
Other long-term interest-bearing liabilities	**931.5**	690.5
Total	**3,389.9**	3,751.6

Pension liabilities	1995	1994
Uncovered liabilities of pension funds	**75.7**	82.8
Other pension liabilities	**41.3**	43.4
Total	**117.0**	126.2

Provisions for liabilities and charges	1995	1994
Deferred fax liabilities	**317.0**	256.3
Provisions for reorganization	**140.2**	254.1
Other provisions	**69.9**	23.5
Total	**527.1**	533.9

Provisions for liabilities and charges are expected to fall due in a year at the earliest. Short-term provisions are included in accrued expenses and prepaid income. The deferred tax liabilities related to the untaxed reserves of the Finnish Group companies amounted to FIM 258.8 million in 1995 and to FIM 201.6 million 1994.

Debentures and other bond loans

Loan	Loan currency	1995	1994
1988–1997	FIM	**2.1**	4.3
1993–1998	FIM	**63.0**	63.0
1993–2001	USD	**–**	118.6
1991–1996	LUF	**–**	119.1
1993–1996	USD	**–**	142.3
Total		**65.1**	447.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET	1995	1994
FIM million		
Long-term loans by currency, %		
FIM	**44**	44
SEK	**15**	11
BEF	**9**	9
USD	**8**	6
DKK	**8**	7
GPB	**6**	6
NLG	**4**	8
DEM	**2**	5
Other	**4**	4
Total	**100**	100

Other long-term liabilities include a FIM 0.6 million issue of bonds with warrants offered to senior management. The issue is described in greater detail on page 10.

The Group has no convertible bonds.

Liabilities to associated companies		
Accounts payable to associated companies	**7.8**	2.9
Other short-term liabilities to associated companies	**3.3**	8.4
Current liabilities		
Interest-free liabilities	**2,429.5**	2,317.2
Current portion of long-term loans	**1,107.6**	808.7
Other interest-bearing liabilities	**742.0**	480.4
Total	**4,279.1**	3,606.3
Net liabilities		
Interest-bearing long-term liabilities	**4,683.2**	6,293.6
Interest-bearing short-term liabilities	**1,849.5**	1,289.1
Securities and short-term investments	**(975.8)**	(1,073.8)
Cash in bank	**(295.3)**	(161.4)
Total	**5,261.6**	6,347.5

NOTE 15. COLLATERAL AND CONTINGENT LIABILITIES

Mortgages as collateral		
Loans secured by mortgages in the balance sheet	**1,047.4**	911.4
For which mortgages given as collateral	**1,141.3**	1,040.0
Contingent liabilities		
Assets pledged		
On behalf of own commitments	**52.0**	19.0
On behalf of others	**91.0**	191.0
Guarantees		
On behalf of associated companies	**116.5**	149.4
On behalf of others	**52.0**	56.8
Leasing obligations	**37.5**	33.1
Other obligations		
On behalf of associated companies	**28.6**	18.8
On behalf of others	**46.3**	42.5

Litigation

The Group has extensive international operations and is a defendant or plaintiff in a number of proceedings incidental to those operations. In particular, in March 1994, a lawsuit for damages of unspecified amount was filed in the State Court of Chatham County in Savannah, Georgia, the United States, against Kemira Pigments Inc. (formerly, Kemira, Inc.). In addition, punitive damages are sought in the amount of U.S.$60 million.

The lawsuit has been brought by 14 Savannah residents who claim that the proximity of the titanium dioxide pigments plant has lowered property values and, accordingly, demand compensation for possible declines in real estate values and detrimental effects on their health. In addition, a petition for class action treatment has been filed on behalf of all other persons who live within a radius of possible airborne emissions from the plant. Although it is not possible to predict the outcome of these proceedings, Kemira Pigments Inc. believes that these claims are unsubstantiated and a class action would be without merit.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
BALANCE SHEET
FIM million

NOTE 16. SHARES AND HOLDINGS OF GROUP COMPANIES

		Holding %	Book value FIM million
Associated companies *)			
Aluminium Sulphate Co of Egypt	Egypt	26	16.0
Alufluor AB	Sweden	50	18.0
A/S Ammonia	Denmark	33	2.3
Cobelaz S.A.	Belgium	84	1.3
Convertitori Catalitici Europa S.r.l.	Italy	40	0.5
AS Dual Agro Kemikaalid	Estonia	40	0.1
Oy Finnrock Ab	Finland	20	0.4
IFK I/S	Denmark	50	0.8
Jain Kemira Fertilizers Pvt. Ltd	India	45	1.1
Kemax V.O.F.	The Netherlands	50	0.0
Kemira Algérie S.A.	Algeria	40	0.2
Kemira-Ube, Ltd	Japan	50	13.5
Kemira Trading Oy	Finland	100	2.9
KemRhône S.A.R.L.	France	50	1.7
AS Kemivesi	Estonia	40	1.9
Vakuutusosakeyhtiö Tulenvara	Finland	99	5.7
A/S Latvijas Krasas	Latvia	39	2.1
Nord Kaolin Co. / Norplex Inc.	United States	20	11.4
Oy Polargas Ab	Finland	30	67.9
SECO S.A.	France	50	10.0
Spruce Insurance Ltd.	Ireland	100	21.4
Superchart I/S	Denmark	50	8.1
Superstar Fertilizers Co. Ltd	Thailand	40	1.6
AS Raales	Estonia	42	0.0
Total			188.9
Other shares and holdings			
Ekokem Oy Ab	Finland	3	1.1
Hage Co. Ltd	Hungary		0.7
Peder P. Hedegaard A/S	Denmark	5	7.1
Primex Ltd	United States	7	2.2
Thomas Jourdan PLC	United Kingdom	19	6.7
Vierumäen Kuntokylä Oy	Finland	8	1.8
Other shares of Kemira Oy			17.6
Other			22.1
Total other shares			59.3
Total Kemira Group shares and holdings			248.2

*) Including such wholly owned companies that have been consolidated according to the equity method. Real estate and housing companies are included in other shares.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17. CHANGES IN THE GROUP STRUCTURE IN 1995

Acquisitions and divestments of Group companies and new subsidiaries

– Kemira Kemi AB sold its subsidiary Aminkemi AB.
– Kemira Kemi AB's associated companies Kemipol Co. Ltd in Poland and Ferriklor AB in Sweden became subsidiaries.
– Kemira N.I. Ltd sold its subsidiary The Pallet Centre Ltd.
– Kemira S.A. sold its subsidiary Kencica Willebroek N.V. and S.A. Sabfran, Brunelle & Cie.
– Kemira Agro Oy established new marketing subsidiaries Kemira Agro Poland Sp. z.o.o., Kemira Agro Hungary Ltd. Co, ZAO Kemira Agro in Russia and AS Kemira Agro Eesti in Estonia.
– Kemira Agro Holding B.V. established a new subsidiary Multirange B.V. in the Netherlands.
– Kemira Agro Holding B.V. sold the remaining 50 % of Hiljo B.V.
– Kemira Agro Holding B.V. sold its subsidiary Terra Nigra France S.A.
– Tikkurila Oy established a new subsidiary Tikkurila Ltda in Brazil.
– Tikkurila Oy's subsidiary AS Eesti Värv established UAB Baltic Color in Lithuania.
– Tikkurila Oy's subsidiary Tikkurila Ltd in the United Kingdom established a joint venture Becker Acroma Kemira Ltd (BAK), of which it owned 50 % at the end of the year.
– Winter-Bouts B.V. established a new subsidiary Winter-Bouts Ltd in South Africa.
– Kemira Coatings Ltd. established a new subsidiary Industrial Coatings Western Ltd in the United Kingdom.
– Kemira Pigments Holding B.V. established new subsidiaries Kemira Agro Pernis B.V. and Kemira Agro Rozenburg B.V.
– Kemira Pigments Inc. is a majority owner in a new joint venture called the Savannah Energy Cooperative, L.L.C.

Ownership changes of subsidiaries

– Kemira Color Europe B.V. and its subsidiaries Kemira Color B.V. and Kemira Color N.V. were transferred from the ownership of Tikkurila Oy to the ownership of Kemira Coatings Ltd.
– Kemira Engrais S.A. was transferred from the ownership of Kemira Agro Rozenburg B.V. to the ownership of Kemira S.A./N.V.
– Kemira Agro Services S.A. was transferred from the ownership of Kemira Agro Holding B.V. to the ownership of Kemira S.A./N.V.
– Kemira Agro Oy acquired Kemira Sdn.Bhd from Kemira Oy.
– Kemira Pernis B.V. transferred its business operations to Kemira Agro Pernis B.V. and Kemira B.V. transferred its business operations to Kemira Agro Rozenburg B.V.

Name changes

– Macpherson Woodfinishes Ltd was renamed Northern Universal Coatings Ltd.
– Kemira Agro Benelux S.A. was renamed Kemira Agro Services S.A.
– Kemira Svenska AB was renamed Kemira Pigments AB.
– Kemira Chemidet GmbH was renamed Kemira Industriechemikalien GmbH.

KEMIRA OY FINANCIAL STATEMENTS

INCOME STATEMENT

FIM million	Note	Year ended 31 December 1995	1994
Net sales	1	**208.0**	166.5
Other income from operations	2	**2.9**	41.7
Cost of sales	3, 4	**(253.4)**	(433.7)
Depreciation	5	**(11.2)**	(14.0)
Operating income		**(53.7)**	(239.5)
Financing income and expenses	6	**(145.7)**	(53.0)
Income before extraordinary items, untaxed reserves and taxes		**(199.4)**	(292.5)
Extraordinary income and expenses	7	**371.6**	271.0
Income before untaxed reserves and taxes		**172.2**	–21.5
Decrease in the cumulative depreciation difference	6	**5.7**	1,010.0
Change in other untaxed reserves	8	**49.0**	21.0
Direct taxes	9	**(59.6)**	(12.7)
Net income		**167.3**	996.8

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FIM million	Year ended 31 December 1995	1994
BUSINESS OPERATIONS		
Funds from operations		
Operating income	**(53.7)**	(239.6)
Depreciation	**11.2**	14.0
Financing income and expenses	**(118.8)**	(36.4)
Extraordinary items	**371.6**	412.5
Dividends	**(48.3)**	–
Taxes	**(37.7)**	(10.7)
Total funds from operations	**124.3**	139.8
Change in net working capital		
Inventories	**–**	662.4
Short-term receivables	**217.1**	589.5
Non-interest-bearing short-term liabilities	**114.2**	(532.2)
Change in net working capital, total	**331.3**	719.7
CASH FLOW FROM OPERATIONS	**455.6**	859.5
CAPITAL INVESTMENTS		
Investments in fixed assets	**(77.3)**	(2.6)
Sales of fixed assets	**1.2**	1,992.5
Capital investments, total	**(76.1)**	1,989.9
CASH FLOW BEFORE FINANCING	**379.5**	2,849.4
FINANCING		
Change in long-term loan receivables	**1.2**	(846.1)
Change in long-term loans	**(636.4)**	(3,197.0)
Short-term financing, net	**87.8**	(467.9)
Increase in share capital	**–**	1,221.5
Other	**(0.7)**	–
Financing, total	**(548.1)**	(3,289.5)
Increase / decrease in liquid funds	**(168.6)**	(440.1)
Liquid funds at end of year	**1,041.2**	1,209.8
Liquid funds at beginning of year	**1,209.8**	1,649.9
Increase / decrease in liquid funds	**(168.6)**	(440.1)

BALANCE SHEET

FIM million	Note	31 December 1995	1994
ASSETS			
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS	10		
Intangible assets			
Intangible rights		**1.0**	1.3
Other long-term expenditures		**1.3**	1.5
		2.3	2.8
Tangible assets			
Land and water areas		**16.2**	16.2
Buildings and constructions		**117.7**	123.2
Machinery and equipment		**17.1**	18.5
Other tangible assets		**0.8**	0.9
		151.8	158.8
Securities and other long-term investments			
Shares and holdings in subsidiaries	17	**2,316.1**	2,243.8
Other shares and holdings	17	**18.1**	18.0
Loan receivables		**997.9**	999.0
		3,332.1	3,260.8
VALUATION ITEMS	11	**45.3**	23.8
RECEIVABLES	12		
Accounts receivable		**16.4**	22.8
Advances paid		**1.2**	0.9
Loan receivables		**66.1**	534.3
Prepaid expenses and accrued income		**566.4**	308.8
Other receivables		**2.7**	3.2
		652.8	870.0
Securities and other short-term investments		**1,038.7**	1,209.6
Cash and bank		**2.5**	0.2
Total assets		**5,225.5**	5,526.0
LIABILITIES AND SHAREHOLDERS'EQUITY			
SHAREHOLDERS' EQUITY	13		
Restricted			
Share capital		**1,208.0**	1,208.0
Share premium account		**1,200.0**	1,200.0
Total restricted equity		**2,408.0**	2,408.0
Non-restricted			
Retained earnings		**707.4**	(240.4)
Net income for the financial year		**167.3**	996.8
Total non-restricted equity		**874.7**	756.4
Total shareholders' equity		**3,282.7**	3,164.4
UNTAXED RESERVES			
Cumulative depreciation difference	14	**21.8**	27.5
Other untaxed reserves	14	**55.0**	104.0
Total untaxed reserves		**76.8**	131.5
LIABILITIES	15		
Long-term			
Debenture and other bond loans		**65.1**	67.3
Loans from financial institutions		**123.2**	417.3
Pension loans		**484.0**	613.5
Pension liabilities		**45.3**	23.8
Other long-term liabilities		**0.6**	59.6
		718.2	1,181.5
Current liabilities			
Loans from financial institutions		**483.6**	591.2
Current portion of other long-term loans		**84.3**	39.6
Other interest-bearing liabilities		**285.2**	301.6
Accounts payable		**23.6**	17.3
Accoued expenses and prepaid income		**269.9**	95.8
Other current liabilities		**1.2**	3.1
		1,147.8	1,048.6
Total liabilities and shareholders' equity		**5,225.5**	5,526.0

NOTES TO KEMIRA OY FINANCIAL STATEMENTS

INCOME STATEMENT

FIM million	1995	1994

NOTE 1. STATEMENT

Net sales	**208.0**	166.5

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

NOTE 2. OTHER INCOME FROM OPERATIONS

Gains on the sale of fixed assets	**0.8**	37.3
Other income	**2.1**	4.4
Other income from operations, total	**2.9**	41.7

NOTE 3. COST OF SALES

Materials and supplies		
Purchases during the financial year	**185.6**	157.1
External services	**11.3**	12.7
Personnel expenses	**32.4**	69.8
Rents	**15.3**	17.5
Losses on the sales of fixed assets	**2.7**	178.8
Other expenses	**6.1**	(2.2)
Cost of sales, total	**253.4**	433.7

NOTE 4. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

Emoluments of the Supervisory Board, board of directors and managing director*)	**3.6**	3.6
Other wages and salaries	**24.9**	24.4
Pension expenses	**1.3**	37.4
Other personnel expenses	**2.6**	4.4
Personnel expenses in the income statement, total	**32.4**	69.8
Monetary value of fringe benefits	**0.6**	0.5
Total	**33.0**	70.3

*) Total sum of which FIM 0.1 million as profit sharing bonuses in 1995.

The parent company's pension expenses include the 1994 Pension Foundation contributions for people already in retirement, for whom Kemira Oy has assumed the pension liability, which accordingly has not been transferred to the subsidiaries.

Management's pension commitments

The pension commitments to the management of the company do not differ from those to other permanent staff.

Personnel

Personnel, average	**145**	149
Personnel at year end	**140**	147

NOTE 5. DEPRECIATION

Scheduled depreciation		
Intangible assets		
Intangible rights	**0.4**	0.4
Other long-term expenditures	**0.7**	1.0
Tangible assets		
Buildings and constructions	**5.5**	5.5
Machinery and equipment	**4.5**	7.0
Other tangible assets	**0.1**	0.1
Depreciation, total	**11.2**	14.0
Decrease in difference between scheduled and actual depreciation		
Intangible rights	**–**	0.5
Other long-term expenditures	**–**	1.0
Buildings and constructions	**2.2**	332.1
Machinery and equipment	**3.4**	655.3
Other tangible assets	**0.1**	21.1
Total change	**5.7**	1,010.0

NOTE 6. FINANCING INCOME AND EXPENSES

Financing income and expenses		
Dividend income from Group companies	**7.8**	6.6
Dividend income from others	**0.7**	0.3
Tax credit of dividend income	**2.8**	2.3
Interest income from long-term investments, Group companies	**75.0**	86.5
Interest income from long-term investments, others	**–**	4.1
Interest income from short-term investments, Group companies	**17.9**	21.4
Interest income from short-term investments, others	**113.8**	67.5
Other financing income from Group companies	**2.0**	2.6
Exchange differences	**(55.2)**	(10.6)
Interest expenses to Group companies	**(27.7)**	(72.3)
Interest expenses to others	**(279.9)**	(147.0)
Other financing expenses	**(2.9)**	(14.4)
Financing income and expenses, total	**(145.7)**	(53.0)

	1995	1994
Exchange gains and losses		
Realized	**(28.3)**	6.0
Unrealized	**(26.9)**	(16.6)
Exchange gains and losses, total	**(55.2)**	(10.6)

NOTE 7. EXTRAORDINARY INCOME AND EXPENSES

Extraordinary income		
Group contributions received	**459.8**	312.8
Extraordinary expenses		
Group contributions granted	**(88.2)**	(41.8)
Extraordinary income and expenses, total	**371.6**	271.0

NOTE 8. CHANGE IN UNTAXED RESERVES

Decrease in cumulative depreciation difference	**5.7**	1,010.0
Decrease in transitional reserve	**49.0**	21.0
Total	**54.7**	1,031.0

NOTE 9. DIRECT TAXES

Direct taxes, current year	**57.5**	12.6
Direct taxes, previous years	**1.6**	–
Other	**0.5**	0.1
Total	**59.6**	12.7

BALANCE SHEET

FIM million

NOTE 10. FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS

Intangible rights		
Acquisition cost at beginning of year	**4.4**	79.7
Increases	**0.2**	0.1
Decreases	**–**	(75.4)
Acquisition cost at end of year	**4.6**	4.4
Accumulated depreciation at end of year	**(3.6)**	(3.1)
Net book value at end of year	**1.0**	1.3
Other long-term expenditures		
Acquisition cost at beginning of year	**28.1**	132.9
Increases	**0.5**	1.1
Decreases	**–**	(105.9)
Acquisition cost at end of year	**28.6**	28.1
Accumulated depreciation at end of year	**(27.3)**	(26.6)
Net book value at end of year	**1.3**	1.5
Land and water areas		
Acquisition cost at beginning of year	**16.2**	218.6
Decreases	**–**	(202.4)
Net book value at end of year	**16.2**	16.2
Buildings and constructions		
Acquisition cost at beginning of year	**167.8**	1,432.2
Decreases	**–**	(1,264.4)
Acquisition cost at end of year	**167.8**	167.8
Accumulated depreciation at end of year	**(50.1)**	(44.6)
Net book value at end of year	**117.7**	123.2
Machinery and equipment		
Acquisition cost at beginning of year	**79.3**	5,117.3
Increases	**4.2**	1.4
Decreases	**(2.8)**	(5,039.4)
Acquisition cost at end of year	**80.7**	79.3
Accumulated depreciation at end of year	**(63.6)**	(60.8)
Net book value at end of year	**17.1**	18.5

The book value of production machinery was FIM 1.1 million as at 31 December 1995 and FIM 2.2 million the year before.

Other tangible assets		
Acquisition cost at beginning of year	**2.8**	261.9
Decreases	**–**	(259.1)
Acquisition cost at end of year	**2.8**	2.8
Accumulated depreciation at end of year	**(2.0)**	(1.9)
Net book value at end of year	**0.8**	0.9
Advances paid and fixed assets under construction		
Acquisition cost at beginning of year	**–**	148.7
Change	**–**	(148.7)
Net book value at end of year	**–**	–
Shares in Group companies		
Net book value at beginning of year	**2,243.8**	1,403.3
Increases	**72.4**	2,067.7
Decreases	**(0.1)**	(1,235.9)
Transfers	**–**	8.7
Net book value at end of year	**2,316.1**	2,243.8

BALANCE SHEET

FIM million	1995	1994
Other shares and holdings		
Net book value at beginning of year	**18.0**	117.0
Increases	**0.1**	0.2
Decreases	**–**	(90.5)
Transfers	**–**	(8.7)
Net book value at end of year	**18.1**	18.0
Taxable values of real estate and securities included in long-term investments		
Land and water areas	**3.9**	5.0
Buildings and constructions	**85.3**	86.3
Shares in subsidiaries	**2,479.7**	2,441.6
Other shares and holdings	**28.2**	30.5

To the extent that taxation values have not been confirmed for shares and holdings, book values have been used.

Fixed asset revaluations		
Land and water areas	**3.5**	3.5
Buildings	**30.0**	30.0

NOTE 11. VALUATION ITEMS

Pension liabilities at beginning of year	**23.8**	91.4
Increase during year	**21.5**	0.6
Decrease during year	**–**	(68.2)
Pension liabilities at end of year	**45.3**	23.8

The growth in the uncovered pension liability during 1994 is due to the compulsory increase in the uncovered liability of pension funds. The decrease in pension liability is due to transfers of pension liabilities in corporatizing the former divisions. The growth in the pension liability in 1995 is due mainly to a change in the manner of calculating the pension liability for voluntary supplementary pension funds and preparing for the change.

NOTE 12. RECEIVABLES

Receivables from Group and associated companies		
Accounts receivable from Group companies	**14.4**	14.6
Accounts receivable from associated companies	**1.4**	–
Loan receivables from Group companies	**997.6**	998.4
Other receivables from Group companies	**842.9**	1,107.2
Loans to the management	**–**	–
Receivables due in one year or longer	**–**	–

NOTE 13. SHAREHOLDERS' EQUITY

Share capital at beginning of year	**1,208.0**	873.0
Increase in share capital	**–**	335.0
Share capital at end of year	**1,208.0**	1,208.0
Share premium account at beginning of year	**1,200.0**	313.5
Share premium	**–**	886.5
Share premium account at end of year	**1,200.0**	1,200.0
Restricted equity at end of year	**2,408.0**	2,408.0
Non-restricted equity at beginning of year	**756.4**	(240.4)
Net profit for the year	**167.3**	996.8
Dividends paid	**(48.3)**	–
Donations	**(0.7)**	–
Non-restricted equity at end of year	**874.7**	756.4
Total shareholders' equity at end of year	**3,282.7**	3,164.4

NOTE 14. UNTAXED RESERVES

Untaxed reserves		
The cumulative depreciation difference by fixed assets items		
Buildings and constructions	**9.3**	11.5
Machinery and equipment	**11.9**	15.3
Other tangible assets	**0.6**	0.7
Total	**21.8**	27.5
Other untaxed reserves		
Transitional reserve	**55.0**	104.0
Total	**76.8**	131.5
Change in untaxed reserves		
Untaxed reserves at beginning of year	**131.5**	1,162.5
Change of untaxed reserves in income statement	**(54.7)**	(1,031.0)
Untaxed reserves at end of year	**76.8**	131.5

NOTE 15. LIABILITIES

	1995	1994
Long-term interest-bearing liabilities maturing in		
1997 (1996)	**14.0**	348.9
1998 (1997)	**55.5**	14.8
1999 (1998)	**117.8**	76.6
2000 (1999)	**2.3**	102.9
2001 (2000) or later	**483.3**	614.5
Total	**672.9**	1,157.7
Pension liabilities	**45.3**	23.8
Total long-term liabilities	**718.2**	1,181.5
Interest-bearing liabilities maturing in 5 years or longer		
Loans from pension institutions	**483.3**	612.8
Other long-term interest-bearing liabilities	**–**	1.7
Total	**483.3**	614.5
Pension liabilities		
Uncovered liabilities of pension funds	**36.4**	15.3
Other pension liabilities	**8.9**	8.5
Total	**45.3**	23.8

Debentures and other bond loans

Loan		Loan currency		
4/88/052	1988–1997	FIM	**2.1**	4.3
8300	1993–1998	FIM	**63.0**	63.0
Total			**65.1**	67.3

Other long-term liabilities include a FIM 0.6 million issue of bonds with warrants offered to senior management. The issue is described in more detail on page 10.

The company has no convertible bonds.

Liabilities to Group and associated companies		
Long-term liabilities to Group companies	**–**	47.4
Accounts payable to Group companies	**0.6**	0.4
Other short-term liabilities to Group companies	**480.9**	321.3
Current liabilities		
Interest-free liabilities	**294.7**	116.2
Current portion of long-term loans	**388.5**	536.4
Other interest-bearing liabilities	**464.6**	396.0
Total	**1,147.8**	1,048.6

NOTE 16. ASSETS PLEDGED AND CONTINGENT LIABILITIES

Assets pledged		
On behalf of Group companies	**45.0**	–
Guarantees		
On behalf of Group companies for loans	**2,252.4**	2,304.3
On behalf of Group companies for leasing agreements	**916.1**	1,034.3
On behalf of Group companies for other commitments	**536.9**	594.5
On behalf of associated companies	**116.5**	149.4
On behalf of others	**29.5**	32.8
Total	**3,851.4**	4,115.3
Mortgages		
Loans secured by mortgages	**34.1**	69.0
Mortgages given as security	**50.0**	70.0
Letter of Comfort obligations *)		
On behalf of Group companies for credits	**59.3**	76.1
On behalf of Group companies for leasing agreements	**39.6**	47.6
On behalf of Group companies for other commitments (swap contracts and forward rate agreements)	**38.2**	76.3
Total	**137.1**	200.0

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

NOTES TO KEMIRA OY FINANCIAL STATEMENTS
BALANCE SHEET
FIM million

NOTE 17. SHARES AND HOLDINGS OF KEMIRA OY

		Net income for the year*) FIM million	Number of shares	Holding %	Nominal value million	Book value FIM million
Share in subsidiaries						
Kemira Agro Oy	Finland	495	7,000,000	100	FIM 700	710.0
Kemira Chemicals Oy	Finland	216	3,811,000	100	FIM 381	381.1
Kemira Fibres Oy	Finland	(50)	1,540,000	100	FIM 154	154.0
Kemira Finance B.V.	The Netherlands	5	280,023	100	NLG 280	256.5
Kemira Metalkat Oy	Finland	(11)	320,000	100	FIM 32	32.0
Kemira Pigments Oy	Finland	152	4,672,500	100	FIM 467	477.3
Kemira Safety Oy	Finland	14	150,000	100	FIM 15	15.0
Tikkurila Oy	Finland	118	1,024,998	100	FIM 205	230.2
Vihtavuori Oy	Finland	10	50,000	100	FIM 50	51.3
Spruce Insurance Ltd	Ireland	5	50,000	100	FIM 5	5.0
Vakuutusosakeyhtiö Tulenvara	Finland	0	298	99	FIM –	3.7
Total						2,316.1
Other shares and holdings						
Ekokem Oy Ab	Finland		250	1	FIM 1	0.5
Forcit Oy	Finland		7,614	15	FIM 1	1.7
Innopoli Oy	Finland		6,667	1	FIM 1	0.7
Liikkeenjohdon Koulutuskeskus	Finland		3	2	FIM –	0.2
Sifida Investment Company	Luxemburg		110	1	USD –	0.2
Tahkoluodon Polttoöljy Oy	Finland		135	7	FIM –	0.1
Teollisuuden Voima Oy	Finland		13,278,464	2	FIM 13	13.4
Shares in housing and real estate companies						1.0
Shares in telephone companies						0.1
Other						0.2
Total						18.1
Total Kemira Oy shares and holdings						2,334.2

*) Net income before extraordinary items, changes to untaxed reserves and taxes. If a direct subsidiary of Kemira Oy forms a subgroup, the net income is the consolidated result.

PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The net profit of Kemira Oy for the 1995 financial year was FIM 167,323,353 and the distributable equity at 31 December 1995 was FIM 874,753,784. The Group's non-restricted equity at 31 December 1995 was FIM 1,633,132,000. The parent company's payment of a dividend is limited by teh Group's distributable equity, FIM 946,237,000, 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 for the financial year of 15%, or FIM 181,200,000, be paid on the registered share capital of FIM 1,208,000,000. It is proposed that FIM 2,500,000 be reserved for use by the Board of Directors for purposes promoting the common good (among other things, for donations to the Kemira Oy Foundation).

Helsinki, 19 February 1996

Heimo Karinen

Timo Mattila *Juhani Kari*

Esa Tirkkonen *Leif Ekström*

Sten-Olof Hansén

AUDITORS' REPORT

To the shareholders of Kemira Oy

We have audited the accounting records and the financial statements, as well as the administration by the Supervisory Board, the Board of Directors and the Managing Director of Kemira Oy for the year ended 31 December 1995. 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 the company´s administation.

We have conducted our audit in accordance with Finnish Generally Accepted Auditing Standards. 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 the administration has been to examine that the Supervisory Board, the Board of Directors and the Managing Director have 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 result of operations, as well as of the financial position. The financial statements can be adopted and the members of the Supervisory Board, theBoard 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 on how to deal with the retained earnings is in compliance with the Finnish Companies Act.

We have acquainted ourselves with the interim financial statements made public by the company during the year. It is our understanding that the interim financial statements have been prepared in accordance with the rules and regulations governing the preparation of such statements in Finland.

Helsinki, 20 February 1996

KPMG WIDERI OY AB
Hannu Niilekselä
Authorized Public Accountant

STATEMENT OF THE SUPERVISORY BOARD

The Supervisory Board of Kemira Oy has read the financial statements of the parent company and the Group for 1995 and studied the Auditors' report at its meeting today.

The Supervisory Board advises the 1996 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 1995. 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 deputies be discharged from liability. The Supervisory Board concurs with the proposal of the Board of Directors for the distribution of profit funds.

Chairman Timo Kalli and members Kari Rajamäki and Veli Sundbäck, whose terms of office expired at the 1995 Annual General Meeting, were re-elected. In place of Ulla-Maj Jern and Tarja Halonen, Max Arhippainen and Helena Rissanen were elected. On the retirement of Arja Alho, Esko Seppänen, Timo Järvilahti and Mirja Ryynänen from the Supervisory Board, the Annual General Meeting elected Reijo Laitinen, Martti Korhonen, Esko Jokiniemi and Jarmo Laivoranta as members. Kari Rajamäki was elected as second deputy chairman.

The following terms of office expire at the 1996 Annual General Meeting: Veli Sundbäck, Hanna Markkula-Kivisilta, Maija Perho and Jarmo Laivoranta, all members elected in conformance with the present Articles of Association.

Helsinki, 22 February 1996

Timo Kalli	*Heikki A. Ollila*
Kari Rajamäki	*Veli Sundbäck*
Hanna Markkula-Kivisilta	*Maija Perho*
Max Arhippainen	*Esko Jokiniemi*
Martti Korhonen	*Reijo Laitinen*
Jarmo Laivoranta	*Helena Rissanen*

KEMIRA CHEMICALS

The water of many rivers in Western Europe is treated and used several times before it ends up in the sea. Shown in the picture is the River Moldau, which flows through Prague.

NET SALES AND RESULT

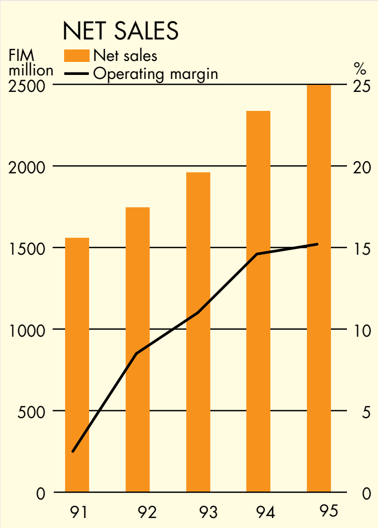
Kemira Chemicals performed very well in 1995. Net sales grew by 7% and were FIM 2,496 million (FIM 2,336 million in 1994). Similarly, operating income continued its growth from the previous year's high level and was 15% of net sales. Operating income was FIM 379 million, or 11% greater than in 1994. During the year under review, the growth in both operating income and sales was mainly attributable to the Pulp & Paper Chemicals strategic business unit. Kemwater and Industrial Chemicals reached their profit targets.

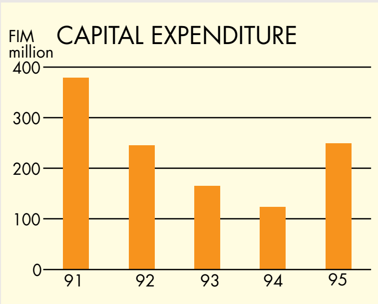
Net sales were influenced in particular by two factors: the growing amounts of deliveries to the forest industry and the strengthening of the Finnish markka. The effect of the cyclical upswing was of course positive, but the appreciation of the Finnish markka ran against this and had a mainly negative effect. In particular, the fall in the value of the Swedish krona weakened the markka-amount net sales of the Swedish subsidiary Kemira Kemi AB.

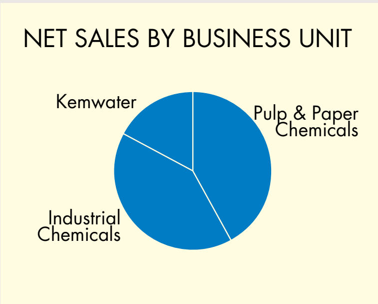
Net sales of the Pulp & Paper Chemicals unit rose by 12% and were FIM 1,110 million. Kemwater's net sales grew by 6% and were FIM 460 million. Industrial Chemicals saw its net sales drop by 6%, to FIM 1,081 million. The fall was due to the divestment of

KEMIRA CHEMICALS

FIM million	1995	1994
Net sales	**2,496**	2,336
Cost of sales	**(1,892)**	(1,762)
Depreciation	**(225)**	(233)
Operating income	**379**	341
Net financing expenses	**(163)**	(156)
Income before extraordinary items	**216**	185
Capital invested (average)	**2,407**	2,451
Return on capital invested %	**16**	15
Capital expenditure	**195**	256
Personnel (average)	**2,251**	2,221







MANAGEMENT

President: Yrjö Sipilä
President's deputy:
Carsten Olsson
Pulp & Paper Chemicals:
Juhani Lindholm
Kemwater: Kjell Stendahl
Industrial Chemicals:
Ingvar Pettersson

Yrjö Sipilä

Aminkemi AB. If Aminkemi's net sales are not taken into account, Industrial Chemicals' net sales remained at the previous year's level.

MARKET SITUATION

In the first part of the year, the economy was expanding at a good pace. Towards the end of the year, a marked slowdown in demand was evident as the pulp and paper industry began mill shutdowns. The most important customer group for Kemira Chemicals, the pulp and paper industry, launched a vigorous programme of investments in both of the company's main market areas, Finland and Sweden. This increase in capacity bodes well for the future.

The market for water treatment chemicals showed stable development. In the Nordic countries and Spain, the development was even and largely like that of the previous year. In continental Europe, the price level of iron chemicals used in wastewater treatment fell due to tougher competition. The companies in Eastern Europe developed favourably in line with plans, and there was increased demand in both the drinking water and wastewater operational areas.

The Industrial Chemicals business unit markets its products to a number of industries. The demand for phosphoric acid on the world market strengthened markedly, causing world market prices to swing upward. Phosphoric acid production benefited from this, but at the same time price pressures moved downstream to feeds and industrial phosphates. The margins on these products were squeezed, putting pressure on product prices.

DEVELOPMENT OF OPERATIONS

Kemira Chemicals' strategy is to develop all three of its business units: Pulp & Paper Chemicals, Kemwater and Industrial Chemicals. The main growth and development areas are bleaching chemicals, speciality chemicals and the Kemwater business.

At the beginning of the year, Aminkemi AB was sold and towards the end of the year a decision was taken to dissolve the KemRhône cooperation agreement concerning the marketing of water treatment chemicals in France. In early 1996 a licensing agreement was made covering the Kemwater concept in the US and involving also the sale of Kemira Water Treatment Inc.

Now the strategy is streamlined and new divestments are not contemplated. Instead, all the business units will be further developed.

During 1995 an extension to the formic acid plant in Oulu, Finland, was completed. The largest capital expenditure decision during the year concerned the building of a hydrogen peroxide plant in Helsingborg, Sweden. The plant will be completed in the summer 1997 and it will have a capacity of 50,000 t/a. Similarly, at Pulp & Paper Chemicals a polyelectrolyte plant is under construction in Vaasa, Finland, and a peracetic acid plant in Oulu, Finland.

Kemwater is expanding its production in the Czech Republic. In Thailand, a Ferix station is under construction. Towards the end of the year, a decision was taken to launch a joint venture in Brazil.

Kemira Chemicals' Swedish subsidiary, Kemira Kemi AB, concluded and agreement in January 1996 concerning the buy-back of the lease agreement relating to its Helsingborg plants. The buy-back will have no effect on the balance sheet of the Kemira Group, as the agreement has been entered according to Kemira accounting principles under assets and liabilities.

PERSONNEL

Kemira Chemicals employed an average of 2,251 people during the year.

The number of personnel hardly changed, except for Oulu, where the adjustment following the winding up of fertilizer production is still continuing. In assessing the personnel-related key figures, the changes that took place during the establishment of independent companies at the beginning of 1994 must be taken into account, notably the cross-agreements on manufacturing between Kemira Chemicals and Kemira Agro at a number of plant sites in Finland.

RESEARCH AND DEVELOPMENT

Additional inputs were made into research during the year under review and these inputs are continuing. Kemwater's key targets apart from the development of new products are the removal of heavy metals and the recycling of wastewater sludge. Pulp & Paper Chemicals is concentrating on derivates of hydrogen peroxide and formic acid, bleaching and speciality chemicals for the paper industry. The most important development areas for Industrial Chemicals are derivates of phosphoric acid, calcium chloride and feed phosphates as well as applications of these products.

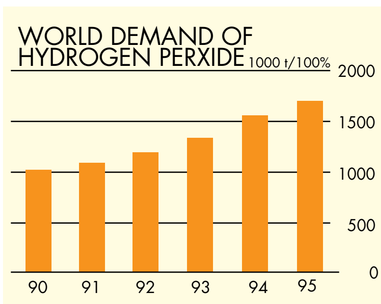
In accordance with its elected strategy, Kemira Chemicals is focusing on its growth areas: chemicals for the pulp and paper industry, water treatment chemicals and selected industrial chemicals.

OUTLOOK FOR THE FUTURE

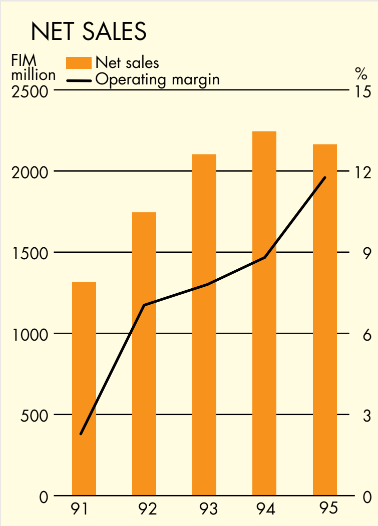
It is believed that production in the pulp and paper industry will pick up in mid-year or somewhat earlier. The capacity utilization of customer companies has a direct impact on the sales volumes of Pulp & Paper Chemicals. On the other hand, new manufacturing units are coming on stream during 1996–1997, and this will increase demand and thus offset the effect of shutdowns.

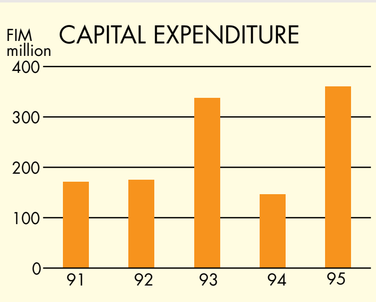
Demand for water treatment chemicals is fairly stable on the market of the Nordic countries and Spain. Over the longer term, growth is expected to come from Kemwater's new plants, particularly those in Eastern Europe.

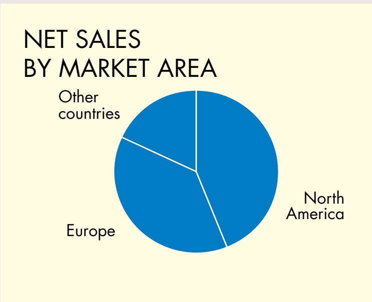
The products of Industrial Chemicals are mainly affected by the general economic situation. On the other hand, the price of phosphoric acid is expected to remain strong.



KEMIRA PIGMENTS







MANAGEMENT

Managing director: Kari Autio
Savannah plant: Risto Ojala
Pori plant: Matti Lumme
Rotterdam plant:
Seppo Matikainen

Kari Autio

NET SALES AND RESULT

Net sales of Kemira Pigments in 1995 were FIM 2,161 million, down 4% on the previous year (FIM 2,243 million in 1994). The drop in net sales was mainly due to the strengthening of the Finnish markka, particularly against the US dollar, as well as to lower sales volumes.

Operating income grew by 28% and was FIM 255 million (FIM 199 million in 1994).

MARKET SITUATION

The development of the titanium dioxide market in 1995 can be considered exceptional. From the start of the year, demand was very strong in Europe, Asia and Latin America. The growth in demand also led to price increases.

After the summer, customers began to slim their stocks of titanium dioxide and this, coupled with the slowdown in the economy, led to a substantial cooling off of demand. In the latter part of the year a slight decline in prices was observable in some of the markets in Asia and Latin America. The market trend in North America was more balanced and prices rose towards the end of the year.

The availability of high grade titanium dioxide ores became more difficult during 1995 when an important mine located in Sierra Leone had to be closed when it came under attack by rebel forces. Raw material was nevertheless available from other suppliers, but prices rose. The full effect of the price increases on costs will be seen in 1996.

BUSINESS DEVELOPMENT

Kemira Pigments continued to carry out the development programme, launched in the previous year, which aims at debottlenecking the production at the plants in Pori, Finland, and Rotterdam, the Netherlands. The development programme has proceeded according to plans.

Environmental protection is an essential part of business development. An important element in the abovementioned development programme is the new wastewater neutralization plant which, when completed, will make possible a harmless level of effluents at the Pori plant. The neutralization plant will be completed on schedule during the current year.

In October a new nickel removal plant became operational in Rotterdam. The plant recovers nickel originating from the raw materials and prevents it from being discharged into the environment.

At the plant in Savannah, a gas emission recovery system was implemented as well as several smaller environmental investments.

Investments by Kemira Pigments in 1995 totalled FIM 360 million.

Kemira Pigments B.V. Rotterdam received ISO 9001 quality certification in August. Kemira Pigments thus became the first, and so far the only multisite titanium dioxide producer to have all of its plants ISO 9001 certified.

The number of personnel employed by Kemira Pigments remained at the same level as in the previous year and was 1,971.

Kemira Pigments introduced a new product name and trademark in October. The intention is to unify the image of Kemira Pigments' sites and products worldwide.

KEMIRA PIGMENTS

FIM million	**1995**	1994
Net sales	**2,161**	2,243
Cost of sales	**(1,700)**	(1,845)
Depreciation	**(206)**	(199)
Operating income	**255**	199
Net financing expenses	**(103)**	(95)
Income before extraordinary items	**152**	104
Capital invested (average)	**2,333**	2,453
Return on capital invested %	**11**	10
Capital expenditure	**360**	146
Personnel (average)	**1,971**	1,971

RESEARCH AND DEVELOPMENT

Research and development continued to concentrate on the development of production technology and environmental protection as well as new products. The product range was supplemented with a new rutile slurry intend-

Large quantities of the titanium dioxide pigment manufactured at the plant in Savannah are needed on the huge construction sites for the Atlanta Olympic Games. In the Olympic sailing contest to be organized in Savannah, one of the prospective contestants in the Finn Class is John Potter III, who is sponsored by Kemira Pigments.

KEMIRA PIGMENTS

The new Kemira Pigments trademark.

ed for the paper industry. Also, a laminate pigment grade reached the production stage in Savannah.

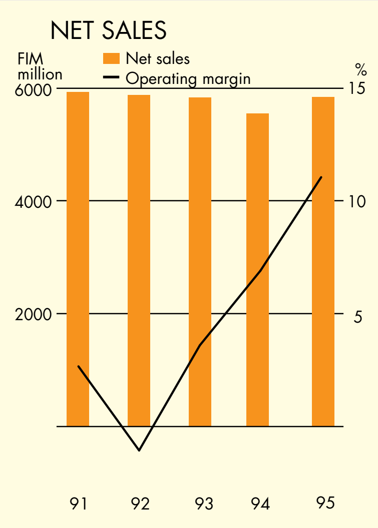
Research operations at the Pori plant were geared towards the ongoing development programme that will boost output in Pori by 30% whilst also improving environmental protection. At the Rotterdam plant, preparations were made for putting new finishing section technology into operation. This will make possible the manufacture of new types of pigments in 1996.

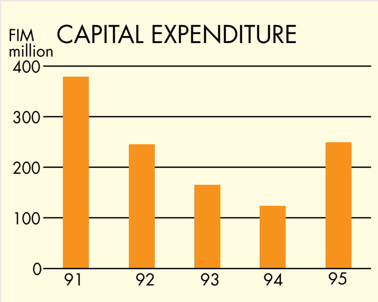
OUTLOOK FOR THE FUTURE

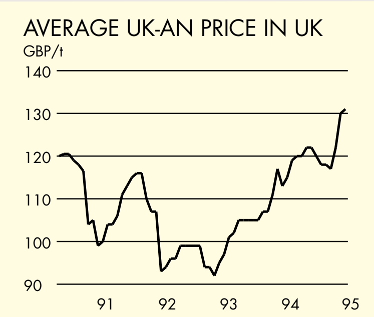
The forecast slowdown in the European economy will also affect the demand for titanium dioxide pigments. There will be downward pressure on prices until economic growth improves. In North America the economic trend and the market situation for titanium dioxide appear more stable.

There will be marginally more new capacity in the field during the year as production bottlenecks are removed. If the economy recovers, the balance between supply and demand that prevailed a year ago may also be established during the current year. Because of the rise in the level of costs, strong growth in the financial result is not expected in 1996.

KEMIRA AGRO







MANAGEMENT

President: Tauno Pihlava
Executive Vice President:
Rauno Valkonen
Agriculture: Timo Lainto
Horticulture: Timo Törmälä
Process Chemicals: Henry Cambier
Fine Chemicals: Risto Keränen

Tauno Pihlava

Due to the depletion of the world's stockpiles of grain, the cultivation of grain is being stepped up in Europe.

NET SALES AND RESULT

Net sales of Kemira Agro grew by 9% and were FIM 5,742 million (FIM 5,257 million in 1994). Thanks to the increase in net sales and the rise in sales volumes and prices, Kemira Agro's result in Great Britain and continental Europe improved substantially compared with the previous year. Operating income totalled FIM 655 million (FIM 368 million), 78% more than in the year before.

KEMIRA AGRO

FIM million	1995	1994
Net sales	**5,742**	5,257
Cost of sales	**(4,663)**	(4,501)
Depreciation	**(424)**	(388)
Operating income	**655**	368
Net financing expenses	**(160)**	(228)
Income before extraordinary items	**495**	140
Capital invested (average)	**3,877**	4,672
Return on capital invested %	**18**	9
Capital expenditure	**249**	123
Personnel (average)	**3,476**	3,648

MARKET SITUATION

Draught in some parts of the world and floods in others, together with the general neglect of inputs into agricultural production in the CIS countries, lowered the harvest level.

This affected the EU's agricultural policy and led to an increase in cultivated acreage and the use of nutrients. The EU's set-aside acreage obligation, which in 1994 was 15%, dropped to 12% to correct the harvest level and to satisfy the grain requirement. The use of nutrients in Europe grew during the 1994–1995 season, by 4% calculated as nitrogen. The price level of both locally produced and imported fertilizers strengthened – by as much as 18% in Great Britain.

BUSINESS UNITS

Kemira Agro's strategy is primarily to serve plant nutrient customers, but the business will also obtain value added from synergistic industrial markets and fine chemicals operations.

There are four business units: Agriculture, Horticulture, Process Chemicals and Fine Chemicals. The profit centres of the various regions nevertheless post separate operational results.

Agriculture

The plant nutrient business of the Agriculture unit began an upswing in 1994, and this trend continued upward during 1995. The consumption and sales volumes of plant nutrients grew by 2.8% in Europe and by 0.9% worldwide.

The prices of raw materials and intermediate products rose and remained at a high level. Integrated companies were able partly to buffer the effects of the rise in the price level, as did Kemira, which is self-sufficient in ammonia and phosphoric acid.

Kemira Agro also benefited from the difficult structural change and cost efficiency projects that it has carried out in previous years.

Horticulture

Sales by the Horticulture business grew according to plan. The trend was positive in Eastern Europe and Russia. The strengthening of operations also continued in other export areas. The liquid fertilizer plant Kemira Jain Fertilizers Pvt. Ltd began operations in India in August. The sales organizations were beefed up. The new product Reciclean was registered for use in the Netherlands. It is used for desinfection of irrigation systems in greenhouses. A new series of products for golf fields was brought out on the market in France.

The Horticulture unit began the marketing of branded goods last year and gradually all the products will be sold globally under the common trademark Grow-How®.

Process Chemicals

Process Chemicals sells industrial customers products such as urea, various acids, gases and ammonia. The unit's sales grew by 23% on the previous year.

Demand for the products remained good thanks to the high capacity utilization in the chemical industry. Major new commercial agreements were concluded. The effects of the agreements will be felt mainly in 1996, which means that the unit's outlook is good even if the rate of growth in the chemical industry does level off.

New products have been developed for biological water treatment, and new nitrate salts are under development.

Fine Chemicals

The Fine Chemicals unit entered into an important four-year agreement with Dow Chemical Company: the plant in Kokkola, Finland, will supply Dow with a monomer to be used in the manufacture of special polymers. The value of the agreement is more than FIM 100 million.

The sugar beet herbicide business was sold to the German company AgrEvo GmbH. In the same connection, it was agreed that the distribution of AgrEvo's products would be transferred to Kemira Agro in Finland and the Baltic countries.

The sale of carboxine to Russia was restarted after the conclusion of large deals.

The fine chemicals and flotation chemicals operations were formed into a separate company named Kemira Fine Chemicals Oy, which went into operation as from the beginning of 1996.

The new trademark of the Horticulture business unit.

OPERATIONS BY REGIONAL UNITS

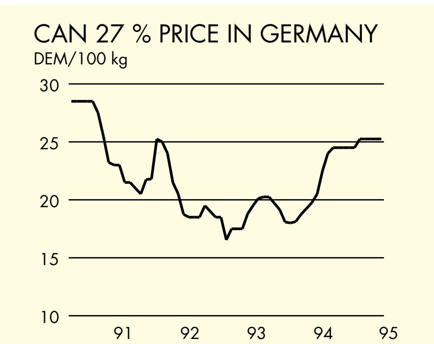
Net sales of the **Kemira Agro Finland** grew by 1% and were FIM 1,893 million (FIM 1,876 million in 1994). Operating income remained at a very satisfactory level, even though it declined on the previous year mainly because of higher raw material prices. Sales of plant nutrients fell to a normal level in view of the amount of cultivated acreage. Smaller domestic sales were offset by rising exports.

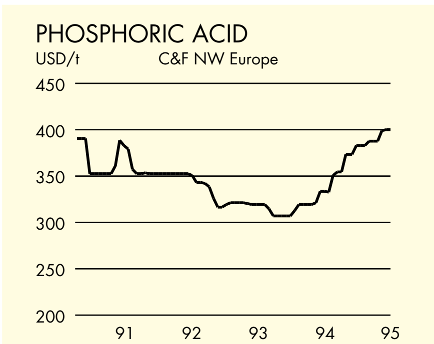
The prices of plant nutrients were maintained at the previous year's level. Part of the cost rise in raw materials was eliminated by improvements in logistics.

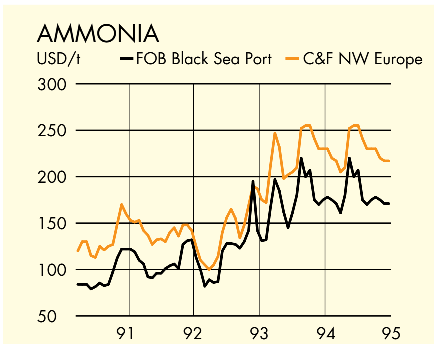
The fertilizer plant in Siilinjärvi, Finland, posted record production figures.

All of Kemira Agro's domestic subsidiaries (A. Jalander Oy, Viljavuuspalvelu Oy and Mykora Oy) increased their sales and also their operating income by a clear margin.

Net sales of **Kemira Agro Denmark** improved by 16% and were DKK 1,662 million (DKK 1,433 million in 1994). The increase was due to higher sales volumes of NPK and nitrogen fertilizers as well as to the improved price level. Sales of special products, i.e. feed phosphate and potassium nitrate, also grew. A three-year development programme was started in Denmark.







Net sales of **Kemira Agro UK** grew by 17% and were GBP 195 million (GBP 167 million in 1994). The main reasons for the increase were the rise in the price level of plant nutrients and the growth in sales volumes as well as the growth in sales of the products of both Process Chemicals and Horticulture.

The improved result was also due to the favourable cost trend in the raw material and functions chain. Notably, direct deliveries from the production plant to the farmer increased. The Ince fertilizer plant and the ammonia plant in Hull had a high rate of capacity utilization.

The strongest market for plant nutrients was in the United Kingdom. Nitrogen fertilizers used in grassland cultivation showed especially good growth.

Among European countries, the UK market has shown the fastest development in a positive direction. Contributing factors are the value of the pound against other currencies as well as the competitiveness of the British farmer.

Net sales of **Kemira Agro Holland** were NLG 475 million (NLG 424 million in 1994). The rise of 12% was due to the increased demand for nitrogen fertilizers and to the improved price level as well as to the growth in sales of Process Chemicals' products. The plants in both Rozenburg and Pernis had a high rate of capacity utilization.

Net sales of **Kemira Agro Belgium** were BEF 6,410 million (BEF 5,589 million in 1994). The business grew briskly, product prices improved and sales volumes were up. Process Chemicals also boosted its sales significantly and registered a substantial increase in operating income.

Apart from the market situation, a rapid improvement in performance also came from the significant rationalization and savings measures carried out in previous years as well as the income obtained from the relocation of the Willebroek nitric acid plant.

CAPITAL EXPENDITURE

The major capital expenditure by Kemira Agro was the relocation of the nitric acid plant from Willebroek to Tertre in Belgium. The move was carried out in record time. The project also came in clearly under its cost estimate.

To ensure the ammonia supply for Ince, which is the main production unit in Great Britain, it was decided to build an ammonia import terminal. The project will be completed in February 1996 and assure that the nitric acid plants stay in operation during the shutdown of the ammonia plant later on in the spring.

The capital expenditures in Denmark are aiming to improve the quality level of fertilizer production and the efficiency of production as well as to increase the production of speciality products such as feed phosphate and potassium nitrate.

Numerous smaller investments are being carried out in the Netherlands with the aim of making production increasingly environmentally friendly and safe whilst increasing cost effectiveness.

The most important capital project under way in Finland is the building of a methylene urea plant in Harjavalta. The plant will be completed in the autumn of the current year. Another major investment was the upgrading of the raw materials reception and handling equipment at the plant in Uusikaupunki.

DEVELOPMENT PROJECTS

Several projects connected with the environment and safety were launched during the year, among them a company-wide production safety project that aims to survey safety at Kemira Agro's production sites and to draw up a development programme.

PERSONNEL

In addition to the quality management projects, a personnel development project was launched with the aim of renewing the corporate culture towards empowerment.

The average number of personnel was 3,476 people (3,648 people in 1994).

OUTLOOK FOR THE FUTURE

The grain surpluses on the world market in past years have swung to a shortfall. The amount of grain stockpiled is markedly less than a two months' requirement. In the EU area, efforts will be made to limit grain exports instead of the previous export subsidies. Similarly, the EU's set-aside acreage obligation has been lowered to 10% in 1996 and there is pressure to lower it further.

In Eastern Europe there is political support for developing agriculture and raising the level of output. As for the CIS countries, the neglect of inputs into agricultural production is reflected in the form of markedly lower harvest levels. Concurrently, the realities of production and transport costs have made the fertilizer industry in the area more interested than heretofore in its own domestic market, where increasing demand must be satisfied mainly by domestic output.

The European fertilizer industry has continued to carry out its structural change. The arrangements in the fertilizer industry of Southern Europe and the Mediterranean region in particular have reached the final stage and production is just about in equilibrium.

Against this background it appears that Kemira Agro's high capacity utilization can be continued. This coupled with continuing development of cost-effectiveness and the product range can be expected to keep the company competitive in the years ahead.

The foundation of Kemira Agro's operations is its declared goal of maintaining one of the best levels of production competitiveness among the European fertilizer companies, channelling capital expenditure into projects that improve production efficiency, capacity utilization and environmental acceptability as well as continuously developing customer service and giving close attention to customers' needs.

Tikkurila increased the diversity of its range of masonry products by acquiring the paint business of Lemminkäinen Oy.

TIKKURILA

FIM million	1995	1994
Net sales	**1,352**	1,261
Cost of sales	**(1,141)**	(1,060)
Depreciation	**(67)**	(58)
Operating income	**144**	143
Net financing expenses	**(26)**	(35)
Income before extraordinary items	**118**	108
Capital invested (average)	**1,022**	1,089
Return on capital invested %	**15**	13
Capital expenditure	**60**	85
Personnel (average)	**1,585**	1,590

NET SALES AND RESULT

Net sales of the Tikkurila Group in 1995 grew by 7% and were FIM 1,352 million (FIM 1,261 million in 1994). Net sales of the parent company Tikkurila Oy were FIM 852 million (FIM 790 million in 1994). Net sales of the Group's largest subsidiary, Kemira Coatings Ltd and its subsidiaries, were GBP 47 million as against GBP 45 million in the previous year. Net sales developed favourably in all the Group companies.

Operating income of the Tikkurila Group was FIM 144 million (FIM 143 million in 1994). The result was weakened by the strong rise in raw material prices in the first half of the year, which could not be fully passed on into selling prices. The reorganization of business functions in Great Britain had a substantial effect on the Group's net sales and operating income.

MARKET SITUATION

The Tikkurila Group has a share of about three per cent of the European paint market, and Tikkurila is among Europe's ten largest paint manufacturers. Other leading manufacturers are Akzo Nobel, ICI, Total Peintures, BASF and Hoechst.

Tikkurila's fastest growing business area is tinting systems. The Group is the market leader in this field in Europe and the second largest supplier of these systems worldwide.

The Tikkurila Group has a tripartite marketing strategy. Decorative paints are marketed primarily in the Nordic countries and Finland's nearby areas. The market area of industrial coatings is all of Europe and Southeast Asia, and tinting systems are sold on every continent.

Tikkurila manufactures decorative paints in Finland, Estonia, Latvia and Russia. The product range is versatile and covers all indoor and outdoor painting jobs.

Within industrial surface treatment, the Group's strongest areas are anticorrosion, woodfinishing as well as coil coating products. Tikkurila manufactures industrial coatings in Finland, Great Britain, the Netherlands and Belgium.

The production of colourants is centred mainly on Finland and the Nether-

Tikkurila's tinting expertise has broken new ground with the introduction of the Maestro tinting system for the surface treatment of leather.

lands, where a new plant was put into operation in the spring 1995. Production also got started in South Africa in 1995.

The recession in the new building market continued in Finland, but renovations compensated in part for the meagre new production. Within industrial building, faint signs of a recovery began to appear. Tikkurila concentrated on marketing branded products and continued its extensive customer training.

Exports of the parent company's decorative paints continued on a good trend. The most important export countries for the whole range were Russia, Hungary, the Baltic countries, Poland and Sweden. Specialty products were mainly exported to the EU area.

In the Baltic area, successful production and marketing cooperation was continued with the Swedish company Alcro-Beckers. A/O Finncolor, which operates in St Petersburg, Russia, began the manufacture of water-based products and gave up its own retail stores.

The slight growth of the export industry increased the sales of paints for the metal industry, but the total markets for the wood industry contracted, and this also impacted Tikkurila's sales volumes.

Tikkurila strengthened its position as a supplier of industrial coatings in the Baltic area, especially to the Estonian woodworking industry. In Hungary and Poland, sales of industrial coatings were in line with expectations, and exports to Russia swung to growth.

Sales of tinting systems continued to grow strongly. A sales company was established in Brazil to serve the fast developing markets in South America. Tikkurila delivered an Instacolor tinting system to India. This is the country's first system based on modern technology. Elsewhere in Asia and the Middle East, good results were also achieved in the marketing of tinting systems.

In continental Europe, tinting systems continue to enjoy a good market. The newest breakthrough is the tinting of retail paints, whereas previously the main emphasis was on the tinting of trade paints.

CAPITAL EXPENDITURE

In Finland, Tikkurila acquired the paint business of Lemminkäinen Oy. The largest single investment in fixed assets was the extension to the office building in Vantaa. Among the most important capital expenditures for production were the new Winter-Bouts B.V. colourant factory in Sittard, the Netherlands, the Latvijas Krasas silicate paint factory in Riga, Latvia as well as production equipment for A/O Finncolor in St Petersburg, Russia.

RAW MATERIALS

The prices of raw materials continued to rise strongly in the first half of 1995 but the rise tapered off in the latter part of the year. Owing to increased demand, raw materials were not always obtained according to normal delivery times.

PERSONNEL

The Tikkurila Group had a payroll of 1,531 employees at the end of 1995, or 31 less than in the previous year. Of the personnel, 838 people were employed in Finland.

RESEARCH AND DEVELOPMENT

Product development was guided by Tikkurila's own environmental, health and safety objectives as well as the requirements of the EMAS regulations. An audit according to the EMAS regulations of the European Union was carried out at Tikkurila's plants in Finland in November. The company's environmental management system was observed to comply with the requirements of the regulations.

Tikkurila developed a solvent-free series of colourants for the tinting of decorative paints as well as tinting systems for the surface treatment of leather and the dyeing of textiles. Development work aimed at utilizing tinting technology is continuing in other areas outside the paint industry.

Water-based paints that will be manufactured at the St Petersburg factory were developed for the Russian market. New wood preservative stains were developed for the continental European market.

The range of products intended for the painting of products of the metal industry and for anticorrosion was expanded with the addition of new water-based paints.

BUSINESS DEVELOPMENT

Tikkurila and Becker Acroma Ltd, a subsidiary of the Swedish Beckers, established a joint venture in Great Britain which will manufacture industrial woodfinishes. The company is the market leader in its field in Great Britain.

Kemira Coatings continued to concentrate its operations within its key areas and sold off the polyurethane production that was part of its polymer business.

Tikkurila established a sales company in Brazil. Winter-Bouts B.V. moved into new premises in the Netherlands and began the manufacture of colourants in South Africa. To be able to meet the growing demand for colourants, it was decided to build a colourant factory in Vantaa, Finland, during 1996.

Consolidating Baltic operations together with Alcro-Beckers within the Baltic Colour unit brought synergy advantages in production and marketing. In Lithuania a sales company was started, which will market paint products manufactured in Estonia and Latvia.

With the purchase of Lemminkäinen Oy's paint business, plasters for repair jobs as well as additional paints and coatings were added to Tikkurila's range of masonry products.

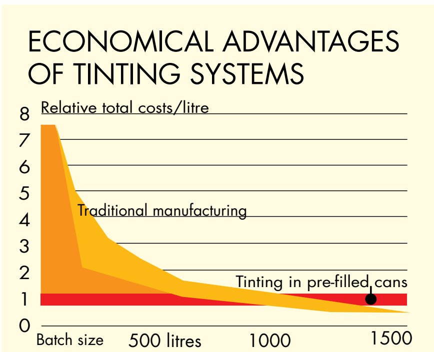
OUTLOOK FOR THE FUTURE

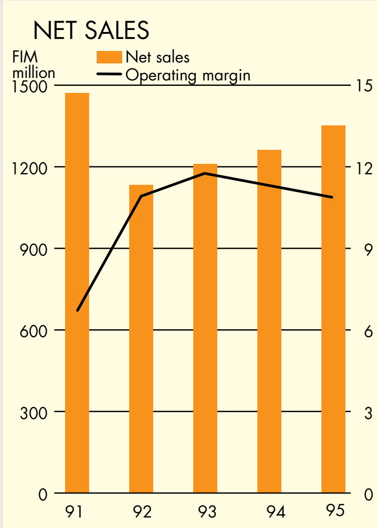
The recession in the construction industry is continuing in Finland. Renovations undertaken in part with government support somewhat offset the small volume of new building. The situation in the export industry will continue to be good, probably at least in the first half of 1996, and this will affect the demand for industrial coatings in Finland.

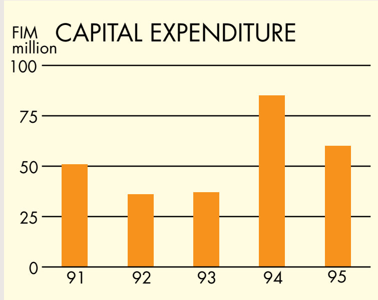
The Kemira Coatings Ltd focus on its key strategic areas will give the company an opportunity to improve its performance. In Sweden the positive development is continuing, and the appreciation of the Swedish krona will contribute to higher earnings.

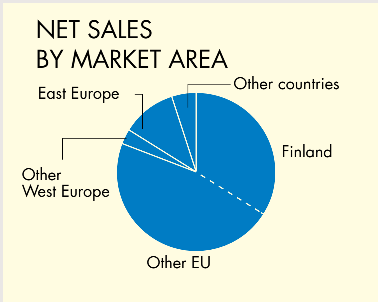
There are good conditions for the positive development of Tikkurila's paint business in the Baltic countries, Russia and continental Europe. The objective for the sales of tinting systems is to expand into new market areas. Furthermore, the utilization of tinting outside the paint industry will likely have a positive effect on the growth of this business area.

International operations are again growing in significance for the Tikkurila Group. Finland will nevertheless be the Group's most important market area also in the future.









MANAGEMENT

President: Raimo Piironen
Decorative Paints: Visa Pekkarinen
Industrial Coatings: Tapio Käär
Colour Processing Systems:
Vesa Aulanko
Kemira Coatings Ltd: Peter Leech

Raimo Piironen

Fire-safe materials are used in the upholstery of public buildings today. The product range of Kemira Fibres includes fire-retardant Visil fibre. Shown in the picture is the national theatre in Prague.

KEMIRA FIBRES

Kemira Fibres Oy posted a very weak result in its second year of operations. There were two main reasons for this. Throughout the year, the prices of raw materials rose much faster than product prices. In the latter half of the year, demand furthermore slacked off and it was not possible to sell capacity output.

The company's net sales declined by 7% and were FIM 575 million (FIM 620 million in 1994). Operating income was FIM 43 million negative (FIM 38 million positive in 1994). The drop in net sales was due in part to the divestment of business operations. The texturized yarns business was sold on 1 May 1995 to SH-Filaments, a company that was established for this purpose. The company's shareholders are the management of the former business as well as a regional and a local development company. Operations are continuing in the previous plant and offices.

It was a two-sided year for viscose staple fibres. In the first part of the year, demand was good and exceeded the delivery capability. In the summer and early autumn, demand plummeted and towards the end of the year production had to be reined in sharply. The fall in demand concerned all synthetic fibres and textile products fairly generally, both in the main market area in Western Europe and on other markets, such as the Far East. The prices of products, which rose appreciably in the early part of the year, sank towards the end of the year.

The prices of the main raw material, dissolving pulp, rose very steeply until the third quarter of the year. Towards the end of the year, the cycle evened out and it has turned, at least so far, into a decline.

In order to lower the company's internal costs, cuts in personnel also had to be made to adjust to the economic situation. The number of personnel in viscose production declined by about 50 people. The business that was sold off employed about 80 people. The average number of personnel in Kemira Fibres in 1995 was 604 people (669).

The Chemicals unit recovers and sells the sodium sulphate that is generated as a byproduct of the viscose staple process. In addition it sells certain trading products such as caustic soda and carbon disulphide. The unit's result was good.

The year saw the completion of the most important development investment – the second phase of the development project for nonwoven fibres. Among other positive effects, this will improve the evaporation capacity. Also under way is the company's overhaul of its information systems.

The profit centre organization that was started at the beginning of the year proved to work well. In particular, cooperation between different functions has been further improved. During the year, core chains were defined and teamwork was further developed.

In terms of environmental protection, it was again a record year. Discharges of zinc and solids into the watercourses were at the previous year's level. A new record was again set in the total recovery of carbon disulphide.

Following the ruling of the Supreme Administrative Court in April, the permit conditions acquired legal force and call for, amongst other things, an essential reduction of discharges causing oxygen demand over a two-year period. Because of the company's financial situation, an application was sent to the Ministry of the Environment for a grace period in respect of the entry into force of the permit conditions. The ministry rejected the application in late November. Attempts are still being made to find new alternatives for resolving the issue without major capital expenditure.

The outlook for 1996 is not good. Demand in the textile sector is expected to remain at a low level in the first half of the year. The situation in the nonwoven sector is better than this and fairly stable. Raw materials prices are expected to decline somewhat. Kemira Fibres will again develop its internal productivity.

Vihtavuori's efficient and environmentally sound Kemiitti 510 emulsion explosive was put into use at the Outokumpu Chrome mine in Kemi, Finland.

VIHTAVUORI

Net sales of Vihtavuori Oy were FIM 159 million (FIM 154 million in 1994). Operating income was FIM 18 million (FIM 28 million in 1994). The rise in net sales was due to the increased exports of smokeless powders for sports and hunting to Europe and the USA. The rise in exports nevertheless coincided with a weakening in domestic demand in both the blasting explosives and defence equipment sectors.

The result for 1995 was satisfactory but nevertheless fell short of the 1994 result. The reason for the weakened result was an emphasis on exports – which involved extra costs – and a drop in the prices of blasting explosives.

The largest investments were the complete overhaul of the information management system, the building of a new packaging facility for reloading propellants as well as the plant built at the Keminmaa mine of Outokumpu Chrome Oy to assure the delivery of Kemiitti 510, a more effective emulsion explosive. The Kemiitti 510 project was carried out in cooperation with the mine.

The capital project carried out in 1993–1995 for the manufacture of Kemix cartridged explosives, which are part of the emulsion explosives technology business, has proved to be a success. Not only is the product environmentally acceptable, it also causes less shock waves than conventional blasting explosives. Product development within blasting explosives is geared almost entirely to new emulsion-based products that replace conventional products as well as to loading technology.

Further cutbacks are expected in orders from the Finnish Defence Forces. Exports of propellants will also be temporarily on the decline during 1996. One reason for this is a short-term reduction in demand following a change in United States legislation. Additional exports are expected to come from defence equipment components to the EU area. During 1996, the demand for blasting explosives is expected to be at its lowest level in many years.

The development of catalytic converters is continuing without interruption at Kemira Metalkat because the standards limiting maximum exhaust emissions for vehicles are becoming increasingly stringent in Europe and the United States.

KEMIRA METALKAT

Kemira Metalkat had net sales of FIM 137 million, up by 20% on the previous year's FIM 114 million. Although Kemira Metalkat is still involved in an intense market penetration effort during which high outlays for development and marketing cut into profits, the operating income for the financial year improved by FIM 2 million and the cash flow after capital expenditures was positive.

The most important export countries were Germany, Spain, Great Britain and Italy. Exports accounted for 91% of net sales.

The volumes of vehicles manufactured in Europe, Metalkat's main area, have still not risen to the pre-recession level and competition within original equipment catalytic converters has become tougher all the time. In Asia there is beginning to be some demand for catalytic converters as the legislation continues to develop.

The development of catalytic converters for vehicles and small combustion engines has been carried ahead with the aim of complying with the new standards that will come into force at the turn of the millennium. In product development, as in its other functions, Metalkat has internalized the principle of continuous improvement.

Marketing efforts have been directed at new areas, the United States and Asia, with the objective of generating substantial net sales by the end of the millennium. Volume growth is expected already this year in India, where the assembly of catalytic converters is starting up under a licensing agreement.

Kemira Safety's two new products were the Autoflow powered filtering devices (in the picture) and the NBC mask M-95 for military and civilian use.

KEMIRA SAFETY

The result of Kemira Safety for 1995 was good. Net sales were FIM 76 million (FIM 66 million). The about 14% growth in net sales was mainly attributable to Kemira Safety's new protective mask and to the Autoflow powered filtering devices. Operating income was FIM 15 million (FIM 10 million). Capital spending amounted to FIM 6 million. Cash flow after capital expenditures was well into the black.

The strong rise in raw materials prices, which began in the previous year, peaked in 1995. Price competitiveness was improved by bringing out new products and improving production technology. The most important new products, which went into production and were brought out on the market, were the NBC M-95 mask, the Civic evacuation hood, which is intended for emergency situations, and the Autoflow powered filtering devices that are designed for use on premises where there is a danger of explosion. During the past year, a new Pro 2000 series of filters was also made ready to go into production and gained approval in tests by the authorities. The products will be brought out on the market in 1996.

The major capital expenditures were an extension to a building and the automated production lines for the Pro 2000 series of filters. The extension, which will be completed in early 1996, will bring more production space and additional resources for laboratory work and product development.

The product range has been strengthened with the addition of a number of new products that are believed to have the potential for gaining a significant market share in future years in Western Europe, the main market area. Earnings are expected to be at the good level that has been achieved in previous years.

KEMIRA OY

Kemira Oy comprises Group management and administration as well as certain service functions. Kemira Oy's net sales consist of the sale of electricity to the Group's companies in Finland and to outside companies. Net sales for 1995 were FIM 208 million (FIM 166 million). Slightly more than half of the net sales came from outside the Group.

In addition to the energy business, the parent company handles the Group's financing and certain other corporate service functions. The parent company's paramount task is the Group's strategic management. It sets objectives for the Group and the subsidiaries, defines operating principles and contributes to exploiting the Group's internal synergies.

Kemira Oy employed an average of 145 people.

INTRODUCTION AND PURPOSE

This is the third annual environment report of the Kemira Group. As a part of the Annual Report, it aims at providing a fair and balanced view of the overall environmental position of the Group.

The report contains a review of annual developments in the following main fields of interest:

- Environment policy and management systems
- Environment protection at the production plants
- Product development and environment business
- Data on environmental releases, waste, energy and safety
- Environmental investments and operating costs
- Environmental risks, liabilities and legal issues
- Environmental communication

There are currently no agreed standards on environmental reporting and accounting. The Group has chosen the guidelines issued by CEFIC[1] and the very recent discussion paper by the Accounting Advisory Forum of the European Commission[2], to serve as a framework for developing environment reporting. Instead of standalone reports, the Group favours compact reporting on important environmental topics and figures in conjunction with financial reporting. For the third consecutive year, the environment report is also subject to external verification against the guidelines mentioned above. (See the verification statement at the end of the report.)

The environment report deals with Kemira Group companies, in line with the consolidation policy adopted in financial reporting.

ENVIRONMENT POLICY AND MANAGEMENT SYSTEMS

Implementation of the revised Group environment policy, published in 1994, continued at the Group companies. The commitment of the Group to external environmental policies and programmes remained unchanged.

The main Group companies initiated an extensive updating of their internal risk management manuals. In Finland, Kemira Chemicals Oy issued new policies on the environment and occupational safety. Kemira Agro Oy started a safety and health project to assess the position of all its sites and initiate necessary development programmes.

Progress with Responsible Care at Group companies was in line with the overall expansion of this voluntary chemical industry programme.

Regarding environmental management systems, the Group-level reporting scheme was further expanded and integrated. Management of environmental risks was also strengthened, as was the top-level reporting of environmental issues.

Tikkurila Oy, which already holds a certificate according to the BS 7750 standard, is now ready to go with the EMAS scheme in Finland, as soon as the national administrative scheme is completed. Similar developments are under way at the Kemira Pigments Oy Pori plant. In the Netherlands, corresponding practical progress is being made in accordance with the voluntary covenants between the chemical industry and the Dutch authorities. The Group also contributed actively to the rapid development of the environmental management standards of the ISO 14000 series.

ENVIRONMENT PROTECTION AT THE PRODUCTION PLANTS

Kemira Pigments. At the Pori plants of Kemira Pigments Oy in Finland, the construction of a waste water treatment plant is on schedule. This major neutralization plant for all dilute waste waters will come on stream at the end of 1996, thereby stopping completely any acidic discharges into the sea. Following extensive environmental im-

[1]CEFIC (European Chemical Industry Council) Guidelines on Environmental Reporting for the European Chemical Industry, 1993.
[2]Environmental Issues in Financial Reporting. Document of the Accounting Advisory Forum. Commission of the European Union, December 1995.

Figure 1

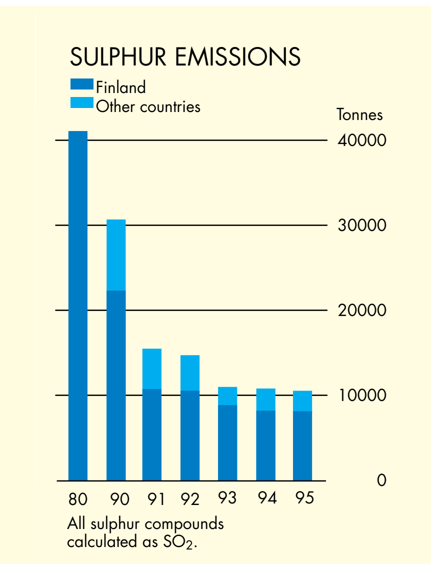


Figure 2

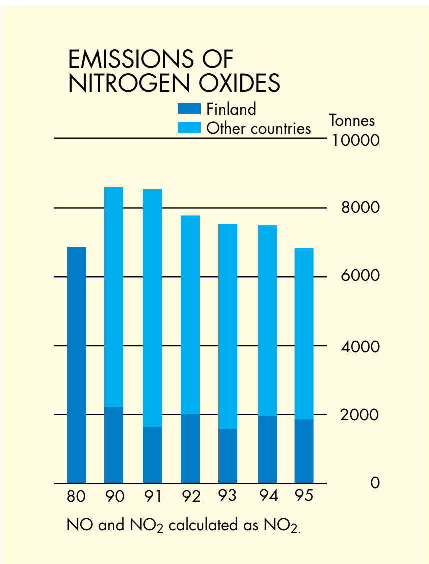
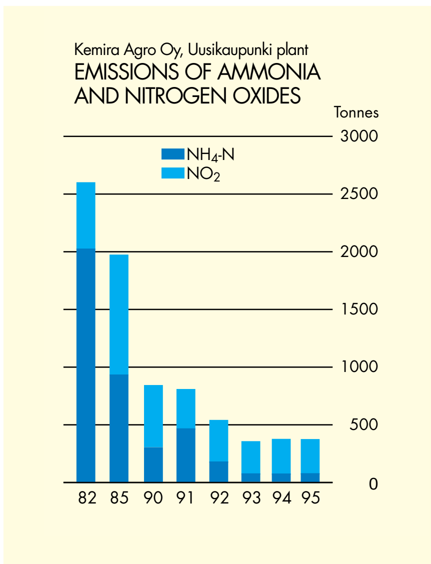


Figure 3



pact assessments, permits are pending for the treatment unit and the new landfill for solid neutralization residues. A total of 165 million FIM has been devoted to these projects. Furthermore, a decision was taken to invest FIM 18 million to upgrade reactor gas cleaning.

Kemira Pigments B.V., Botlek, the Netherlands, presented a Company Environmental Plan and first progress report to the Dutch authorities, resulting in an overall acceptance and positive statement of the plan. The nickel effluent removal plant was completed and put into operation. New noise measurements confirmed the efficiency of recent isolation measures.

Kemira Pigments Inc., Savannah, began construction of scrubbers to handle emergency venting and maintenance releases of titanium tetrachloride, as well as digester emissions. A comprehensive air emission survey was completed to support a new permit application in 1996. Waste water ponds were modified to improve solids removal. These investments amount to a total of USD 9.5 million.

Kemira Chemicals. At Kemira Kemi AB, Helsingborg, Sweden, sulphur dioxide releases into the air declined further, and the extremely low emission level is well established. Internal control and reporting systems for accidental releases were further developed. Progress was also made in the isolation of the landfill and in sludge treatment. Decommissioning of the old sulphuric acid plants is in the final phase.

The Kemwater business unit, with more than twenty water treatment chemical plants around the world, put closed waste water systems into operation at several plants. New dust filters and more efficient gas cleaning units were also installed. At Kemifloc, the Czech Republic, chlorine based raw material was changed to oxygen in the new production process. Kemira Ibérica S.A. improved environmental safety of the storages and production equipment in Tarragona, Spain.

At the Finnish sites of Kemira Chemicals Oy (Oulu, Siilinjärvi, Vaasa), production increased again without significant changes in releases. Three new permits came into force, mainly fixing the environmental performance levels already achieved. At the Oulu plants, significant steps were taken to demolish old plant units to reduce environmental risks. At Siilinjärvi, further improvements were made in fluorine recovery and water management. At the Vaasa plant, water systems were developed to prevent diffuse leakages into cooling water. The sediment of the small, nearby lake is under investigation for possible needs to undertake remedial measures, connected with the pending Water Court permit for increased use of cooling water.

Kemira Agro. The Uusikaupunki plant reduced nutrient losses into the air and water (Figure 3). The nitrogen load on the sea diminished in particular, thanks to enhanced water collection and recycling systems. At Kokkola, carbon dioxide emissions decreased significantly due to the startup of the recovery plant. Improvements were also made in the environmental safety of the sulphuric acid production. A biofilter was installed at the Harjavalta plant to reduce emissions of odorous gases from the production of organo-mineral fertilisers. The construction of safety basins and control equipment for the sulphuric acid storage tanks was completed.

In Fredericia, Denmark, Kemira Danmark A/S brought on stream a gas-fired combined cycle power plant, thereby reducing carbon dioxide emissions. Sewage systems were further improved to prevent nutrient losses with rain water. At Noerresundby, the odour removal efficiency of the new gas scrubber in the superphosphate plant was demonstrated by measurements.

Kemira Ince in Chester, UK, agreed to invest GBP 1.9 million to reduce decisively the ammonia emissions and surplus scrubber liquors from the NPK fertilizer plant. NOx emissions from the nitric acid production were substantially lower than any previous year. The

Figure 4

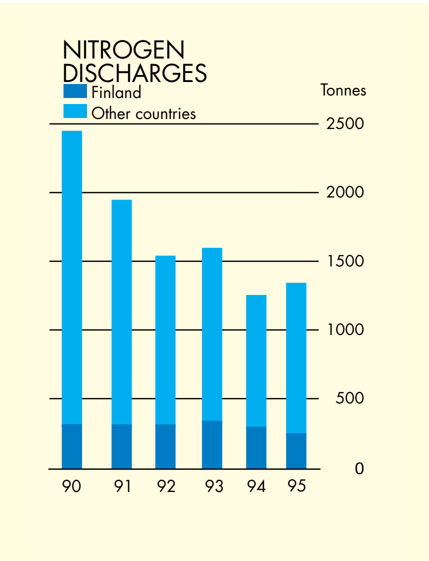
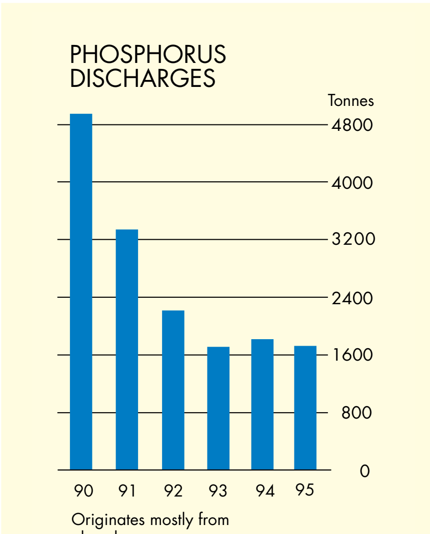
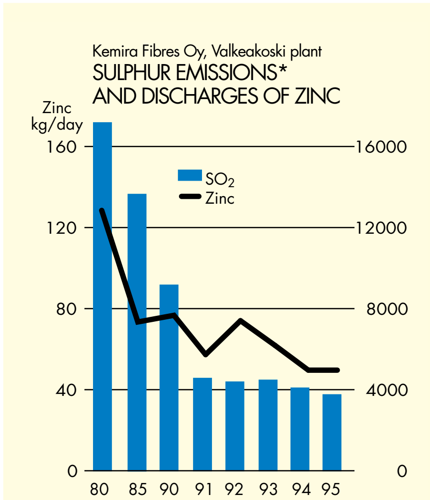


Figure 5



Originates mostly from phosphogypsum.

Figure 6



*Consists of carbon disulphide (CS_2), hydrogen sulphide (H_2S) and sulphur dioxide.

company also achieved a gold award from the national Chemical Industries Association (CIA) for excellent safety performance over five years.

Kemira S.A./N.V., which operates several plants in Belgium and France, started a third nitric acid plant in Tertre, thus eliminating emissions and risks associated with transports from Willebroek. Upgrading of the ammonia plant will also reduce environmental risks. Demolition work continued to improve environmental safety at Tertre as well as at Willebroek, where all production has now been discontinued. At the Longlier plant, a decision was taken to install new filters for dust removal.

In the Netherlands, Kemira Agro Pernis B.V. continued investigations and R&D efforts to reduce discharges of gypsum and its impurities. A plan of further reduction measures must be submitted to the authorities in 1996. At Kemira Agro Rozenburg B.V., an investment project is starting to make a significant reduction in the ammonia releases from the CAN-plant. Improvements were also made in liquid fertilizer storage safety and noise control.

Tikkurila. The newest production units of Tikkurila Oy started without significant environmental impacts. At the Tikkurila plant in Finland, recycling systems for process waste waters were further developed. Kemira Coatings Ltd., UK, improved air monitoring in the woodfinishing production. Kemira Color B.V., Dordrecht, Holland, reduced VOC emissions into the air considerably by increasing the share of waterborne and high solid coatings.

Kemira Fibres. An economic downturn forced the company to change its plans for a biological waste water treatment unit at the Valkeakoski plant. The Ministry of Environment is studying a new application for a time extension concerning the measures required by the waste water permit issued by the Highest Water Court. Alternative technologies are under investigation. At the same time, the Valkeakoski plant again reached a record low level in the releases of reduced sulphur compounds into the air (Figure 6). Significant waste reduction was also achieved.

Vihtavuori. A new sewage connection to the municipal waste water treatment plant is in the final phase, as well as the planning of a neutralization unit. In 1996 these measures will stop any acidic discharges into the nearby lake.

PRODUCT DEVELOPMENT AND ENVIRONMENT BUSINESS

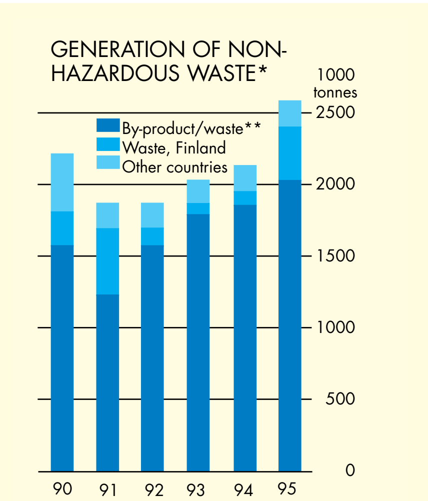
The eco-business, or the sales of environment- and safety-related products and services, grew very favourably. These sales, comprising over 20 product groups, now amount to approximately FIM 1,090 million, up 13% from the corresponding figure in the previous year (see Figure 12). This accounts for almost 9% of the Group net sales. It should be noted, however, that there are no generally accepted definitions of environmental business.

Sales of chemicals for environmental applications remain the largest segment, with a share of 69%. At Kemira Chemicals, steady growth was demonstrated in water treatment chemicals. The upturn of the pulp and paper industry provided room for excellent growth in hydrogen peroxide and oxygen chemicals, replacing chlorine in bleaching. Several capacity expansions or new plants came on stream in these businesses, or are under construction in various countries.

Sales of environmental equipment showed a very good growth of 15 %. This group consists of catalytic converters, water treatment technology, filters, noise control equipment and environmental engineering services. Kemira Metalkat Oy developed new market areas for catalytic converters, and expanded licence-based production.

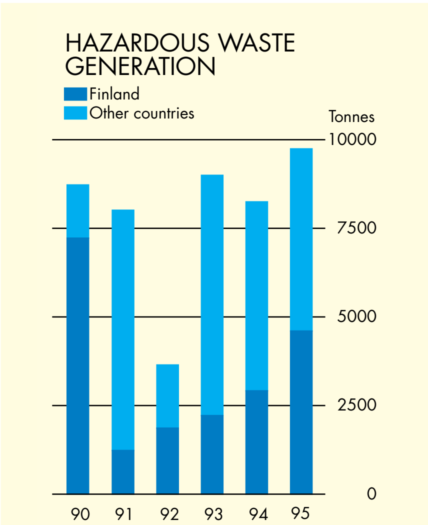
An increasing amount of waste (or co-products, depending on the definitions used) was turned into salable products by stepping up efforts in product development and marketing.

Figure 7



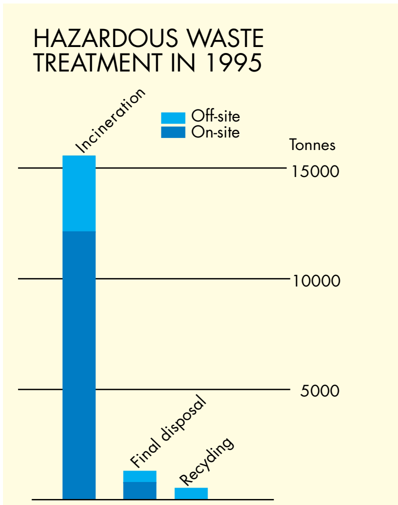
* Wet weight. For definitions, see data table 1.
** Comprises three major material streams, which are piled on site in Finland. The classification of these as waste is a matter of interpretation.

Figure 8



See data table for definitions.

Figure 9



On-site incineration not reported in the data table as waste which is finally disposed of.

A growth of 20 % within this business segment was mainly due to the increased sales of CoCoat, the gypsum pigment product of Kemira Chemicals Oy at Siilinjärvi, Finland. At Kemira Pigments Inc., Savannah, sales of gypsum products clearly outweigh the generation of gypsum waste from neutralization.

Alternative, more environmentally benign products are most familiar to final consumers. Within this fast expanding segment, Kemira Agro Horticulture sells a growing number of green products for forest vitalization, biological control, organic farming and conventional horticultural applications. Markets for chlorine-free viscose, manufactured by Kemira Fibers Oy, expanded considerably.

Not included within the statistics are environment-driven paints and coatings. These range from solvent-free, water-based products to high-solid applications, technical products eliminating VOC emissions, and products where heavy metals or other hazardous constituents have been replaced because of environmental requirements.

In addition to developing existing environmental businesses, the Group companies were active in numerous R&D programmes aiming at cleaner technologies, new products for direct environmental applications, or products with less environmental impacts. Parts of these projects are funded internationally, or they are co-projects with other (chemical) industry, or are proposed in collaboration with environmental authorities. The costs of these projects represent a very significant part of all R&D efforts of the Group. The Group also started a strategic survey of environmental threats and opportunities in key businesses to evaluate the appropriateness of existing R&D programmes.

DATA[3] ON ENVIRONMENTAL RELEASES, WASTE, ENERGY AND SAFETY

Group companies now operate more than 60 production sites in 21 countries. All the major sites (17) and most of the smaller ones (31) are covered by the Group environmental reporting system, which has been in place since 1990. Despite the increased number of sites reporting, the data can be reasonably compared with the figures of the previous year. The releases of the remaining plants, many of which are joint ventures, do not distort the overall picture.

[3] The data within this report has been compiled from statistics from many sites and sources. Whilst every effort has been made to ensure that the information is neither incomplete nor misleading, it cannot be considered as reliable as the financial data published in the annual report.

For the first time, the present report covers occupational safety and resource use. Some indicator statistics are shown in the table on accidents, use of water, as well as the consumption of fuels and electricity.

Improved performance can be noted in most air emissions and heavy metal discharges. The production levels were considerably higher in 1995, a fact that should be kept in mind when comparing the absolute figures, especially those for waste, with previous years.

ENVIRONMENTAL INVESTMENTS AND OPERATING COSTS[4]

Environmental costs totalled FIM 412 million, or 3.3% of the Group net sales. This includes environmental investments and operating costs, but not any interest costs, depreciation or costs of environment-related R&D and the eco-business. Furthermore, the costs of safety and occupational health are excluded. The costs of fines, penalties and third party compensations are included.

Capital expenditures on environmental projects totalled approximately FIM 140 million. This is a more than three-fold increase on the previous

[4] For a definition of these, see the document mentioned in footnote 2.

Figure 10

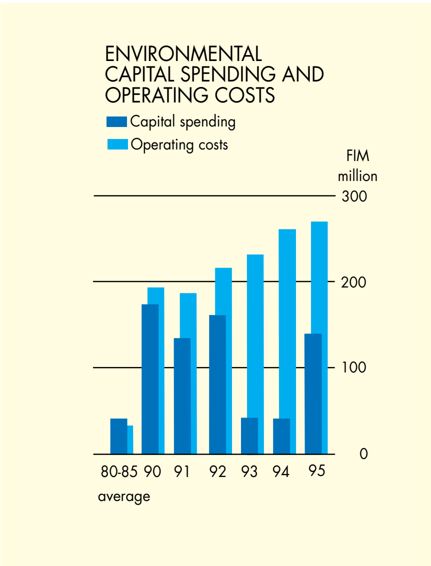


Figure 11

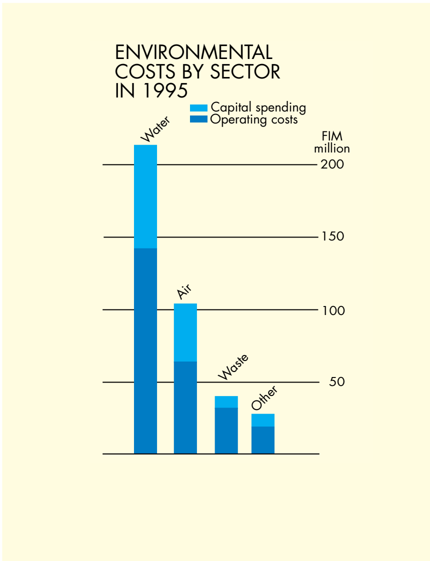
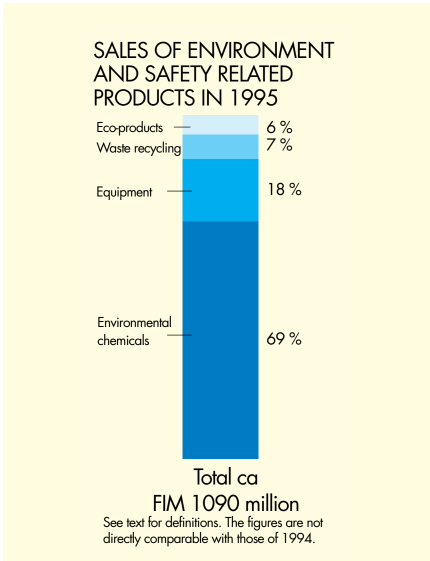


Figure 12



year, but it does not reach the highest annual levels experienced in late 1980s and in 1990. The step-up is explained by new, extensive projects at the plants of Kemira Pigments (see page 49–50). Environmental investments represented 15% of all investments.

Environmental operating costs totalled FIM 272 million, thus continuing their slow but steady rise. This level and trend are typical for chemical companies which have already invested a good deal in environmental protection.

ENVIRONMENTAL RISKS, LIABILITIES AND LEGAL ISSUES

The Group has extensive international operations in the chemical industry. Its production, products and other activities are therefore subject to several types of environmental laws and regulations, risks, and potential liabilities. This part of the report deals with environmental risks which could have direct or indirect financial implications at the Group level.

Environmental laws and permits

The production sites of the Group companies were in overall compliance with the relevant environmental laws and permits. On three sites, where non-compliance was observed, the authorities are aware of the situation and corrective action has been initiated. There are no criminal prosecutions pending.

Several new environmental laws, directives and individual permits came into force, especially within the European Union. The direct effects of these on the Group businesses were not significant. At two individual plants, as described in the section on production, new local permit requirements have been proposed or are pending, which could have a significant negative effect on that particular business. The outcome of these cases cannot so far be fully predicted, but management does not expect adverse financial effects for the Group as a whole. Significant difficulties in obtaining the necessary permits to expand or continue industrial operations were not encountered.

Accidents, occasional releases and damages

Occasional releases were reported from six sites, but significant environmental impacts were not observed. In most cases, the releases consisted of inorganic acids caused by start-ups or shut-downs or technical faults. The Group companies paid a total of FIM 0.2 million in compensation for damage or as penalties because of sudden releases.

The Group companies experienced no significant material damage because of accidents at the production plants or in transport. However, a total of three persons died in fatal accidents during the year. These occurred at Ferriklor AB, Kvarntorp, Sweden and at Kemira Agro Rozenburg B.V., the Netherlands. The Kemira Group deeply regrets these human losses.

Environmental liabilities

The Group has assessed environmental risks and liabilities related to past operations, specifically those concerning contaminated soil, at all important Group-owned properties. Several new investigations and audits were conducted to clarify the situation further. The mergers, acquisitions and divestments did not change the potential environmental liabilities significantly during 1995.

In cases where no surveys or detailed investigations exist, the best technical estimates have been used to assess the risk. The Group also anticipates forthcoming environmental liability legislation to update these risk assessments. In addition, the Group started gradually building up a general provision for long-term de-commissioning costs. The Group has also used extensive contractual means to protect its interests.

According to the accounting policy adopted, the Group has made necessary provisions for soil clean-up operations and corresponding decommissioning when the following conditions have been met:

1. The company has a legal or contractual obligation to undertake a clean-up.

2. The company management has decided that a liability exists and is committed to remedial action.

3. The amount of loss or debt has been estimated with reasonable accuracy.

At present, such an external or contractual requirement to undertake a clean-up exists at four sites, and appropriate provisions have been made. The costs of clean-up at these sites are not material. Remedial action is continuing at eight sites. The costs of current clean-up activities are reported as environmental operating costs (see above).

There were no environment-related product liabilities or restrictions having material adverse effects.

Legal cases

The lawsuit against Kemira Pigments Inc. in Savannah, Georgia, USA, as described in the previous report, is still pending with no significant changes during the year. In addition to an undefined compensation sum, punitive damages are sought in the amount of USD 60 million. Kemira Pigments Inc. is of the opinion that the claims are unsubstantiated and without merit.

The compensation claim against Kemira Chemicals Oy in Siilinjärvi, Finland was settled for an unsubstantial amount.

Environmental taxes and fees

Environmental taxes, set on a regular basis by the authorites in various countries, amounted to approximately FIM 64 million within the Group. For the most part, this amount derives from carbon dioxide taxes which are included in the prices of fuels and electricity. Several new taxes came into force or were officially proposed during the year, especially in Europe. Although the impact of the proposed taxes cannot be fully predicted, the costs of them are not expected to be material for the Group.

ENVIRONMENTAL COMMUNICATION

The Group published an annual environment report. The Group and the Group companies dealt with environmental issues extensively in their magazines and newsletters. Extensive public environmental information was provided as a part of the ongoing Responsible Care initiatives.

ENVIRONMENTAL DATA FOR THE KEMIRA GROUP

The figures for 1995 include data from 8 additional, small sites.

	1990	1993	1994	**1995**	Trend[12]
Releases into water (tonnes)					
Chemical Oxygen Demand (COD)[1]	• •	9,900	8,907	**10,192**	
Nitrogen (N)	2,500	1,562	1,288	**1,374**	–
Phosphorus (P)[2]	4,952	1,697	1,796	**1,703**	– –
Metals (Hg+Cd+Pb+Cr+As)[3]	• •	39	26	**20**	– –
Releases into air (tonnes)					
Particulates	1,950	1,180	1,536	**1,762**	–
Sulphur dioxide (SO_2)[4]	23,138	10,908	10,719	**10,454**	– –
Nitrogen oxides (NO_2)[5]	8,546	7,524	7,481	**6,814**	–
Carbon dioxide (CO_2), 1000 tn.			• •	**3,540**	
Volatile organics (VOC)[6]	• •	823	839	**812**	+ –
Volatile inorganics (VIC)[7]	• •	6,900	6,555	**4,503**	–
Heavy metals[8]	• •	<1	<1	**<1**	+ –
Waste[9] (tonnes)					
Hazardous wastes, total	8,669	8,995	8,247	**9,742**	+ –
– Off-site landfill	• •	3,188	3,892	**5,111**	
– Off-site incineration	• •	3,115	4, 354	**3,440**	
– On-site landfill	• •	1,218	• •	**727**	
– Other treatment	• •	1,474	• •	**464**	
Non-hazardous wastes, 1,000 tn.	2,254	2,206	2,265	**2,269**	+ –
Resources					
Fuel consumption (TJ)[10]			• •	**60,500**	
Purchased electricity (TJ)			• •	**6,740**	
Total				**67,240**	
Cooling water volume, million m^3			• •	**450**	
Waste water volume, million m^3			• •	**300**	
Safety					
Number of accidents[11] per million working hours			• •	**21.8**	
Reference data					
Group net sales, FIM million	11,382	11,838	11,698	**12,352**	
Environmental capital expenditure	185	44	43	**140**	+ –
Environmental operating costs	192	234	263	**272**	+
Total environmental costs, % of net sales	3.3	2.3	2.6	**3.3**	+ –

1 Estimate. In this case, mainly caused by inorganic discharges, and hence not a very relevant parameter for the Group. The rise is due to increased number of sites measuring this release.
2 Originates mostly from phosphogypsum.
3 Mostly chromium (Cr^{3+}).
4 All sulphur compounds calculated as SO_2.
5 Nitric oxide and nitrogen dioxide calculated as NO_2.
6 VOC is a sum of volatile organic compounds.
7 Sum of ammonia, hydrogen chloride and six other simple inorganic compounds, mostly ammonia in this case.
8 Sum of Pb, Hg, Cd, Cr, As, Co, Ni.
9 Waste as defined in EU legislation. Does not include mining by-products, on-site incineration, waste which is further processed into products at the sites, or sold as a co-product to external recycling. Figures are on wet basis.
10 Terajoules, or 10^{12} Joules.
11 Accidents causing an employee absence of three or more days, including the day of incidence.
12 Long-term trend of this pollutant or item during the past years.

VERIFICATION STATEMENT

Together with KPMG Environmental Advisers (UK), we have reviewed the basis of the "Kemira Group Environment Report 1995". We have conducted our review based on the request of Kemira. The report is the responsibility of and has been approved by the Kemira Oy Board of Directors. The inherent limitations of completeness and accuracy of the data are set out in the report.
Our review has consisted of the following procedures:

- making enquiries of management responsible for compiling the report;
- an examination of relevant supporting information;
- review in more detail of the systems for gathering and reporting environmental data at operating level at two sites outside Finland and one site in Finland, selected by us.

Based on our review we have satisfied ourselves that:
- the statements made in the report are supported by underlying information;
- the data have been properly collated from information provided by the sites;
- for the three sites visited, data have been properly extracted from their information systems;
- Kemira has made reasonable endeavours to give a fair and balanced disclosure of information on environmental performance, where material;
- the report is consistent with the CEFIC guidelines on environmental reporting for the European Chemical Industry. Kemira has also taken the first steps to incorporate the recommendations of the Accounting Advisory Forum on Environmental Issues in Financial Reporting, an advisory body to the Commission of the European Union, in its reporting of environmental costs and liabilities.

Helsinki, 19 March 1996

KPMG WIDERI OY AB

Hannu Niilekselä
Authorized Public Accountant

GROUP COMPANIES

31 January1996

Company	Group holding %	Country	
Kemira Oy		Finland	
Kemira Chemicals Oy	100	Finland	■
Kemira Kemi AB	100	Sweden	■
Kemira Chimie S.A.	100	France	■
Kemira Chemicals AS	100	Norway	■
Kemira Kemi (UK) Ltd	100	United Kingdom	▲
Kemira Miljö A/S	100	Denmark	■
Scandinavian Silver Eel AB	100	Sweden	■
Aliada Quimica S.A.	100	Spain	●
Kemira Ibérica S.A.	100	Spain	■
Aliada Quimica de Portugal Lda.	74	Portugal	■
Kemifloc a.s.	51	Czech Republic	■
Kemira Industriechemikalien GmbH	100	Germany	▲
Ferriklor AB	92	Sweden	■
Kemipol Co. Ltd	51	Poland	■
Kemira Chem Holding B.V.	100	The Netherlands	●
Kemira Peroxides B.V.	100	The Netherlands	■
Kemwater B.V.	100	The Netherlands	■
Kemira Kemax B.V.	100	The Netherlands	●
Kemira Papierchemikalien GmbH	100	Germany	▲
Kemira Chemicals Inc.	100	United States	●
Kemira Water Treatment Inc.	100	United States	■
Kemira Paper Chemicals Inc.	100	United States	▲
Kemira Paper Chemicals Canada Inc.	100	Canada	▲
Kaanaan Ruskorae Oy [1)]	100	Finland	■
Kemira Pigments Oy	100	Finland	■
Kemira Holdings Inc.	100	United States	●
Kemira Pigments Inc.	100	United States	■
Kemira Pigments AB	100	Sweden	▲
Kemira Kereskedelmi KFT	100	Hungary	▲
Kemira Pigments Holding B.V.	100	The Netherlands	●
Kemira Pigments B.V.	100	The Netherlands	■
Kemira Pigmente GmbH	100	Germany	▲
Kemira Services Holland B.V.	100	The Netherlands	□
Kemira International Finance B.V.	100	The Netherlands	□
Kemira Agro Rozenburg B.V.	100	The Netherlands	■
Kemira Agro Pernis B.V.	100	The Netherlands	■
Kemira Pigments S.A. [2)]	100	Belgium	▲
Kemira Agro Oy	100	Finland	■
Kemira Agro U.K. Ltd.	100	United Kingdom	●
Kemira Ince Ltd	100	United Kingdom	■
Kemira Ltd	100	United Kingdom	■
Kemira N.I. Ltd	100	United Kingdoma	■
Kemira Ireland Ltd	100	Ireland	▲
Kemira Danmark A/S	100	Denmark	■
Kemira Deutschland GmbH	100	Germany	▲
Kemira Shipping A/S	100	Denmark	▲
Kemira Thai Co. Ltd	50	Thailand	▲
Kemira S.A./N.V.	100	Belgium	■
Battaille S.A.	100	Belgium	■
Engrais Battaille S.A.	100	Belgium	■
Kemira Engrais S.A.	100	France	▲

■ = production
▲ = marketing
● = holding
□ = service

■ Kemira Chemicals
■ Kemira Pigments
■ Kemira Agro
■ Tikkurila
■ Other

Kemira Agro Services S.A.	100	Belgium	□
Comercial de Fertilizantes Liquidos S.A.	50	Spain	▲
Viljavuuspalvelu Oy	80	Finland	□
Mykora Oy	100	Finland	■
A. Jalander Oy	100	Finland	■
SiA Kemira Agro Latvija	100	Latvia	▲
Kemira Agro Holding B.V.	100	The Netherlands	●
Kemira B.V.	100	The Netherlands	●
Multirange B.V.	100	The Netherlands	■
Kemira Pernis B.V.	100	The Netherlands	●
Kemira Bio Control B.V.	100	The Netherlands	●
ZAO Kemira Agro	100	Russia	▲
Kemira Agro Poland Sp. z.o.o.	100	Poland	▲
Kemira Sdn. Bhd.	100	Malaysia	▲
Kemira Agro Hungary Ltd Co.	100	Hungary	▲
AS Kemira Agro Eesti	60	Estonia	▲
Kemira Fine Chemicals Oy	100	Finland	■
UAB Kemira Agro Vilnius	100	Lithuania	▲
Tikkurila Oy	100	Finland	■
Dickursby Färg AB	100	Sweden	▲
Winter-Bouts B.V.	100	The Netherlands	■
Winter-Bouts Ltd	100	South Africa	■
AS Eesti Värv	75	Estonia	■
UAB Baltic Color	75	Lithuania	▲
A/O Finncolor	100	Russia	■
Tikkurila Ltda	100	Brazil	▲
Tikkurila Ltd	100	United Kingdoma	●
Kemira Coatings Ltd	100	United Kingdom	■
Kemira Color Europe B.V.	100	The Netherlands	●
Kemira Color B.V.	100	The Netherlands	■
Kemira Color N.V.	100	Belgium	■
Kemira Coatings (Ireland) Ltd	100	Ireland	▲
Northern Universal Coatings Ltd	100	United Kingdom	▲
Industrial Coatings Western Ltd	100	United Kingdom	▲
Southern Coatings Services Ltd	65	United Kingdom	□
Kemira Fibres Oy	100	Finland	■
Kemira Engineering Oy [3]	100	Finland	□
Vihtavuori Oy	100	Finland	■
Kemira Finance B.V.	100	The Netherlands	●
Kemira International Services S.A.	100	Belgium	□
Kemira Metalkat Oy	100	Finland	■
Metpela Oy	100	Finland	■
Kemira Katalysatoren GmbH	100	Germany	▲
Kemira Safety Oy	100	Finland	■
Kemira Safety Ltd	100	United Kingdom	▲

[1] Owned in equal shares by Kemira Chemicals Oy and Kemira Pigments Oy.
[2] Owned in equal shares by Kemira Pigments Oy and Kemira Pigments BV.
[3] Owned in equal shares by Kemira Chemicals Oy, Kemira Pigments Oy and Kemira Agro Oy.

Companies not operative in 1995 are excluded.

ADMINISTRATION

According to the Articles of Association of Kemira Oy, the Supervisory Board, the Board of Directors and the managing director are in charge of the company's management. The Supervisory Board is elected by the Annual General Meeting. The Board of Directors and the managing director are appointed by the Supervisory Board.

The principal task of the Supervisory Board is to oversee that the company's affairs are managed in accordance with healthy business principles and with a view to ensuring profitability. It also decides on matters involving a considerable expansion of operations, and decides on guidelines to be issued to the Board of Directors in far-reaching matters or important issues of principle.

SUPERVISORY BOARD

Timo Kalli, Chairman
Heikki A. Ollila, Vice Chairman
Kari Rajamäki, Vice Chairman
Veli Sundbäck
Hanna Markkula-Kivisilta
Maija Perho
Max Arhippainen
Esko Jokiniemi
Martti Korhonen
Reijo Laitinen
Jarmo Laivoranta
Helena Rissanen

The terms of Jarmo Laivoranta, Hanna Markkula-Kivisilta, Maija Perho and Veli Sundbäck will expire in 1996.

Staff representatives
(right of attendance and expression of views, no voting rights)
Jukka Virta
Jorma Luukkonen
Kirsti Lehtimäki
Pertti Kautto
Tauno Korhonen

AUDITORS

KPMG Wideri Oy, Ab
responsible auditor
Hannu Niilekselä,
Authorized Public Accountant

BOARD OF DIRECTORS

Heimo Karinen
Born 1939, M.Sc. (eng.)
With Kemira since 1964
Chief Executive Officer, Chairman of the Board since 1991

Oversees Kemira Chemicals, Kemira Pigments, corporate planning, personnel and communications

Owns 2,000 Kemira shares and 160,000 options

Timo Mattila
Born 1943, Lic.tech.
With Kemira since 1972
Executive Vice President since 1990
Vice Chairman of the Board since 1991

Oversees Vihtavuori, Kemira Safety, Kemira Metalkat, corporate R&D, environmental management and audit management

Owns 1,500 Kemira shares and 120,000 options

Juhani Kari
Born 1944, LL.M.
With Kemira since 1969
Member of the Board since 1990
Executive Vice President since 1995

Oversees Tikkurila and legal and insurance affairs

Owns 500 Kemira shares and 120,000 options

Esa Tirkkonen
Born 1949, M.Sc.(eng.)
With Kemira since 1974
Member of the Board since 1991
Executive Vice President since 1995
Oversees Kemira Agro, Kemira Fibres, finance, treasury, energy and Group synergy

Owns 500 Kemira shares and 120,000 options

Leif Ekström
Born 1942, M.Sc.(econ.)
Member of the Board since 1994
Does not own Kemira shares

Sten-Olof Hansén
Born 1939, D.Sc.(econ.)
Member of the Board since 1994
Does not own Kemira shares

OTHER GROUP ADMINISTRATION

Kaj Friman
Born 1953
Secretary to the Supervisory Board and Board of Directors
Treasury

Raija Arasjärvi
Born 1957
Finance

Reino Airikkala
Born 1940
Corporate planning

Eero Sipilä
Born 1953
Personnel

Donald Jonasson
Born 1943
Environmental management

Mikko Sivonen
Born 1941
Energy

Botho Simolin
Born 1938
Group communications

MANAGEMENT OF THE CORE BUSINESS AREAS

Yrjö Sipilä
Born 1949, M.Sc.(econ.)
With Kemira since 1975
President of Kemira Chemicals Oy since 1990*

Kari Autio
Born 1945, M.Sc.(eng.)
With Kemira since 1971
Managing director of Kemira Pigments Oy since 1987*

Tauno Pihlava
Born 1946, M.Sc.(eng.)
With Kemira since 1970
President of Kemira Agro Oy since 1994*

Raimo Piironen
Born 1949, M.Sc.(econ.)
With Kemira since 1982
President of Tikkurila Oy since 1988

* Year of appointment as head of the division according to the previous organizational structure.

BOARDS OF DIRECTORS OF THE PRINCIPAL SUBSIDIARIES 1995

KEMIRA CHEMICALS OY
Heimo Karinen
Timo Mattila
Reino Airikkala
Carsten Olsson
Yrjö Sipilä

KEMIRA PIGMENTS OY
Heimo Karinen
Timo Mattila
Juhani Kari
Kari Autio
Kaj Friman
Risto Ojala

KEMIRA AGRO OY
Heimo Karinen
Esa Tirkkonen
Kaj Friman
Tauno Pihlava
Timo Lainto
Rauno Valkonen

TIKKURILA OY
Juhani Kari
Esa Tirkkonen
Raimo Piironen
Kari Autio
Birgit Hämäläinen

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• *Area code from 12 October 1996*

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