ANNUAL GENERAL MEETING

The Annual General Meeting of Kemira Oyj will be held on Tuesday, 11 April 2000 at 4.00 p.m. in the Kemira House, Porkkalankatu 3, 00180 Helsinki. Attendance is open to shareholders who by 6 April 2000 have been entered in the company's Shareholders' Register which is kept by Finnish Central Securities Depository Ltd and have given notification of their intention to attend the meeting no later than by 7 April 2000, 4.00 p.m. Shareholders wishing to attend the meeting are kindly requested to register with Ms Arja Korhonen or Ms Seija Mörsky, Kemira Oyj, P.O. Box 330, FIN-00101 Helsinki, Finland; e-mail *arja.korhonen@kemira.com*; telefax +358 10 862 1375; telephone +358 10 8611 on weekdays from 8.00 a.m. to 4.00 p.m.

The proposal of the Board of Directors of Kemira Oyj for the dividend to be paid out for the 1999 financial year is EUR 0.23 per share. The record date of the dividend payment is 14 April 2000 and the date of the payment 26 April 2000.

PROFIT AND LOSS INFORMATION

Kemira will publish information on its 2000 financial year in Finnish, Swedish and English as follows:

- Interim Report 3 months 9 May 2000
- Interim Report 6 months 3 August 2000
- Interim Report 9 months 7 November 2000
- Financial Statement Bulletin February 2001
- Annual Report March 2001

These reports can be ordered from Kemira Oyj, Group Communications, tel. +358 10 8611, fax +358 10 862 1797 or by e-mail at *postitus@kemira.com*.
Financial reports and press releases will be published in Finnish and English also on the Group's Internet pages at *www.kemira.com*.

INVESTOR RELATIONS

Kemira Oyj
Kaj Friman, Vice President, Treasury and Group Communications, tel. +358 10 86 21704,
e-mail: *kaj.friman@kemira.com*.

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

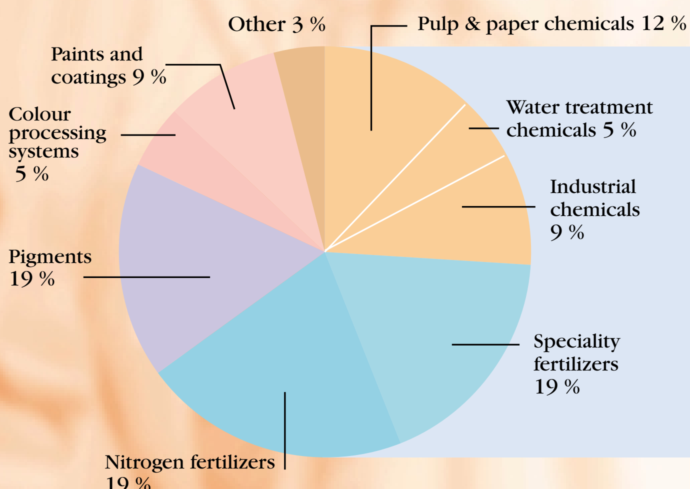
CONTENTS

STRATEGY

Our strategy is to concentrate on fields requiring many-sided competence within the chemical industry. We will seek growth within paper and pulp chemicals, water treatment chemicals and paints. Those fields have promising growth prospects and are less dependent on economic cycles than is the industry average. Other priority areas are speciality fertilizers and industrial chemicals.

FINANCIAL TARGETS

	1999	2000	Target from 2001
Net sales, growth %	5		over 10
Operating income, % of net sales	4	Restructur-	over 10
Earnings per share, growth %	neg.	ing year	over 10
Cash flow return on capital invested, %	9		over 10
Gearing, %	95		40–100



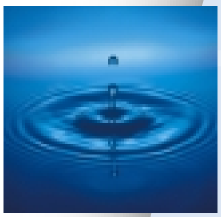
1999 net sales EUR 2,526 million

RESTRUCTURING

For titanium dioxide pigments and nitrogen fertilizers - the fields falling outside the new core business - we will seek, by way of co-operation or ownership arrangements, solutions that enhance their cash flow generation potential. The growth potential of the Tikkurila CPS unit, which has specialized in colour processing systems, will be promoted by separating it out from the paint business.

BUSINESS AREAS

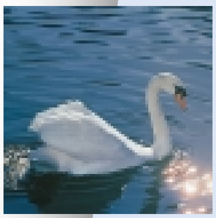
KEMIRA CHEMICALS



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. It has production facilities in 24 countries.

Net sales in 1999, EUR million	697
% of Group net sales	26
Operating income, EUR million	83
% of Group operating income	75
Personnel at 31.12.	3,046

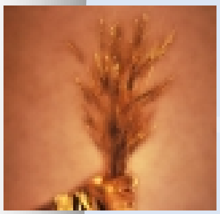
TIKKURILA



Tikkurila is one of Europe's leading paint manufacturers. Its main products are decorative paints, wood finishes and coatings for the metal industry. Tikkurila has production facilities in 15 countries.

Net sales in 1999, EUR million	357
% of Group net sales	14
Operating income, EUR million	23
% of Group operating income	21
Personnel at 31.12.	2,283

KEMIRA AGRO



Kemira Agro is one of Europe's largest producers of speciality fertilizers for crops and horticulture. It has production facilities in 10 countries.

Net sales in 1999, EUR million	1,015
% of Group net sales	38
Operating income, EUR million	-39
% of Group operating income	-35
Personnel at 31.12.	2,812

KEMIRA PIGMENTS

The main users of titanium dioxide pigments are the paint, paper and plastics industries. Kemira Pigments' plants are located in Finland, the Netherlands and the United States. Kemira is peeling off the two last-mentioned.

Net sales in 1999, EUR million	488
% of Group net sales	19
Operating income, EUR million	35
% of Group operating income	31
Personnel at 31.12.	1,705

OTHER COMPANIES

Kemira Metalkat manufactures catalytic converters and Kemira Safety makes respiratory protective equipment. Kemira Oyj is the parent company of the Group, and it is responsible for the Group's strategic management, administration, finance and other corporate services as well as the sale of energy. These three companies had aggregate net sales in 1999 of EUR 77 million, representing 3% of consolidated net sales. The number of personnel at the end of the year was 455 people.

TO THE READER

For Kemira, the 2000 decade is opening in the midst of a reassessment of the Group's business mix. Towards the end of 1999 we took a decision to sharpen the focus of our Group strategy.

Our objective is a more stable profit-making ability and faster growth within paper and pulp chemicals, water treatment chemicals and paints. Speciality fertilizers and industrial chemicals generate cash flow. We will lower substantially the proportion of capital-intensive, cyclically sensitive business from the present level. This will mean ownership and cooperation arrangements within the titanium dioxide pigment and nitrogen fertilizer businesses.

In 1999 the world economy rebounded smartly, spurred by brisk growth in the United States and Asia. Within the European chemical industry the signs of an upswing began to show up in the latter months of the year.

Most of Kemira's business areas developed favourably during the year under review, but despite this the Group's financial result weakened compared with the previous year. This was attributable above all to the large non-recurring costs incurred by Kemira Agro and to the low prices of fertilizers.

Environmental issues are of central importance to Kemira. Environmental issues place great demands on the chemical industry, but at the same time solutions to them offer new opportunities for us to develop our operations. We offer our customers products and services that enable them to deal with environmental issues efficiently. Last year the environmental business generated EUR 313 million of income, or a good 12 per cent of our net sales. This business will account for a growing share of our operations in coming years.

We aim to focus particular attention on research and development. At the same time we will exploit more widely than ever before our own expertise and the synergies among our business areas. An example of a unifying factor is water: we supply products and know-how to municipalities and industry for the purification of drinking and waste water as well as for the treatment of process water in the paper industry. We also manufacture water-borne paints and water-soluble speciality fertilizers. A special Water Research Centre has been set up in conjunction with our research centre in Oulu, Finland.

Now that our operations are shifting from products of the heavy basic chemical industry towards integrated customer solutions, we must ensure that our people have new knowledge, skills and capabilities. Development of the personnel and rewards for good work are one of the main focuses of our attention.

The outlook for 2000 is encouraging, both for Kemira and elsewhere. Asia is expected to recover and reach nearly the growth rate of past years, whereas Europe may rival the United States' growth figures. In step with improved export prospects, the chemical industry is expected to continue its steady growth. CEFIC, the European chemical industry's umbrella organization, has forecast growth of 3.5% in 2000.

By realigning our strategy, we will achieve a more efficient use of capital and improve the Group's cash flow. A sharper focus will also enable us to step up our R&D activities and to direct growth towards fields with the most stable business outlook. Our clear-cut objective is to increase Kemira's shareholder value. Although these major changes will take time, I nevertheless believe that Kemira's structure and earnings ability will be substantially better even by the end of 2000.

I wish to thank our customers, shareholders and other stakeholders for their contributions during the past year. A special vote of thanks goes to our personnel for the good job they have done, and I furthermore believe that as we give our people a greater say in how things are done at our company sites, we will at the same time create a strong spirit of cooperation across a Kemira that is undergoing fundamental renewal.

Tauno Pihlava
CEO

BOARD OF DIRECTORS' REVIEW

1999 was a spotty year for the Kemira Group. The positive trend continued for both Kemira Chemicals and Kemira Pigments, both of which improved their earnings markedly. Kemira Agro suffered from the oversupply of nitrogen fertilizers and record-low prices. Tikkurila in turn fared well in the Finnish and Scandinavian market, but sales in Russia again trailed the previous year. Similarly, sales of Tikkurila's CPS tinting machines fell clearly short of the previous year's figure.

Consolidated net sales were up 5% on the previous year and were EUR 2,526 million (2,413 million in 1998). Operating income was EUR 111 million (148 million in 1998), which includes EUR 28 million of non-recurring net costs. Operating income was 4% of net sales.

The members of the Board of Directors of Kemira Oyj in 1999 were (from the left) Vice Chairman Timo Mattila, Juhani Kari, Tauno Pihlava, as from 1 June, Chairman Heimo Karinen, Esa Tirkkonen, Leif Ekström and Sten-Olof Hansén.

Income before taxes and minority interests fell to EUR 59 million, from EUR 97 million a year earlier. Taking into account the non-recurring costs of the structural change, the Group's net income before extraordinary items was near the previous year's level. Income after taxes was EUR 30 million (EUR 79 million in 1998). Earnings per share were EUR 0.23 (0.61).

The major factors that influenced the trend in net sales were the fast growth in the sales of Kemira Chemicals' pulp and paper chemicals (in part thanks to the previous year's acquisitions) as well as the marked growth in the sales volumes of Kemira Pigments' titanium dioxide pigments. About 82% of the Group's net sales came from outside Finland.

The table on page 12 shows the breakdown of consolidated net sales among the different business areas.

Return on equity was 3.2%. The cash flow return on capital invested was 9%. The Group's gearing ratio was 95%.

The Board of Directors proposes that a dividend of EUR 0.23 per share be paid for the 1999 financial year, or a total dividend payout of EUR 29.6 million.

NEW STRATEGIC FOCUS

In order to improve competitiveness and profitability, the Board of Directors decided to overhaul its business strategy in such a way that in the future the Group will concentrate on fields that have promising growth prospects and are less dependent on economic cycles than is the industry average. In accordance with the new strategy, Kemira will seek growth within paper and pulp chemicals, water treatment chemicals and paints. Other priority areas are speciality fertilizers and industrial chemicals.

For the fields falling outside the new core business (titanium dioxide pigments and nitrogen fertilizers) solutions that enhance their cash flow generation potential will be sought by way of co-operation or ownership arrangements. The growth potential of the Tikkurila CPS unit, which has specialized in colour processing systems, will be promoted by separating it out from the paint business either by listing it on the stock exchange or by means of other M&A arrangements.

The arrangements concerning Kemira Pigments have progressed the farthest now that sale agreements have been signed for the divestment of the plants in the United States and the Netherlands. Plans concerning Tikkurila CPS are also expected to be implemented this year. It is more difficult to set a time for the arrangements concerning Kemira Agro's nitrogen fertilizer business, but the objective is nevertheless to find a solution already during the current year.

The cash flow from the arrangements will be used for the accelerated expansion of the above-mentioned growth areas, both organically and via acquisitions. Kemira considers eastern Central Europe, Russia, North America, and the Far East to be its geographical growth areas.

In connection with Kemira's strategy process, the Board of Directors confirmed the new financial targets for the Group's profitable growth. At the same time attention will be paid to the efficient use of capital and to the Group's balance sheet structure. The objectives are set forth in the table on page 4.

KEMIRA CHEMICALS

The Group's fastest growing area was again Kemira Chemicals, whose net sales rose by 11% to EUR 697 million (630 million in 1998). All three strategic business units – Pulp & Paper Chemicals, Kemwater and Industrial Chemicals – grew. Kemira Fine Chemicals also grew further.

Kemira Chemicals posted operating income of EUR 83 million (75 million in 1998), or 12% of net sales (12%). Operating income for the September-December period was 27 million, compared with EUR 20 million in the same period a year earlier. While the previous year's change in the actuarial assumptions for calculating the liability of Finnish pension funds resulted in a non-recurring cost of about EUR 4 million as a contribution to the supplementary pension foundation, another change brought a nearly equally large credit to income last year.

Sales by the Pulp & Paper Chemicals unit, which has been named one of the Group's strategic growth areas, grew by 18%. About half of the growth was generated thanks to the acquisitions made in 1998 (the hydrogen peroxide plants in South Korea and Canada). The remainder represented organic growth, because the production volumes of the pulp and paper industry developed favourably as the year wore on.

Demand for hydrogen peroxide held up well and prices have risen slightly. The other products of the Pulp & Paper unit have also sold well, and the unit has been able to keep up its good profitability. The unit invested about EUR 5 million in its plant in Vaasa, with the aim of expanding the speciality chemicals business and improving the efficiency of AKD sizing production and product quality.

In line with its worldwide growth strategy, the Pulp & Paper Chemicals unit is strengthening its market position in South America significantly by building a paper chemicals plant in the Brazilian state of Parana and by bringing in its own expertise to serve the local paper industry. Production of sizing and speciality chemicals used in the paper industry is estimated to get started towards the end of this year.

The markets of the Kemwater business unit developed as expected and growth continued in Eastern and Southern Europe. Kemwater's net sales grew by 7%, though operating income was below last year's figure owing to start-up costs and credit loss provisions. Kemwater is another of the Kemira Chemicals units that belongs to the Group's strategic growth areas.

Many of the regional expansions of the operations that were launched by Kemwater in the previous year resulted in larger costs compared with normal operations, though they did not generate corresponding income. Kemwater Brasil S.A. invested EUR 3.1 million in a water chemicals plant that is to be built in Salvador in northern Brazil. The new plant will manufacture solid iron sulphate and it is estimated to be completed in the first half of this year. This will make Kemira Brasil the market leader within water chemicals in Brazil.

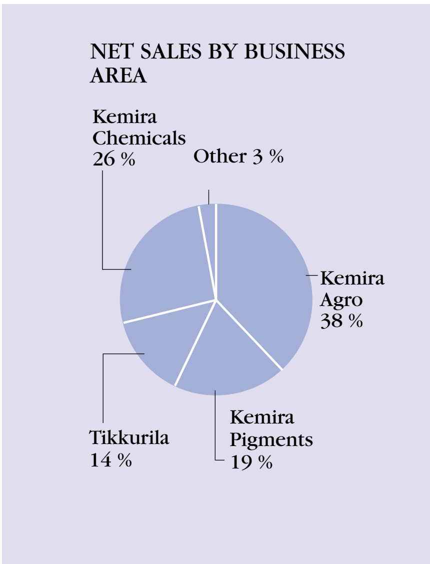
At the beginning of last year an agreement entered into effect by which Kemira Chemicals purchased from the Solvay company of Belgium, its ferrichloride production located in Rheinberg, Germany. Kemwater will double the unit's production and at the same time modernize the plant's production technology so that energy consumption and waste water flows can be lowered significantly. The cost of the capital project is EUR 2.7 million.

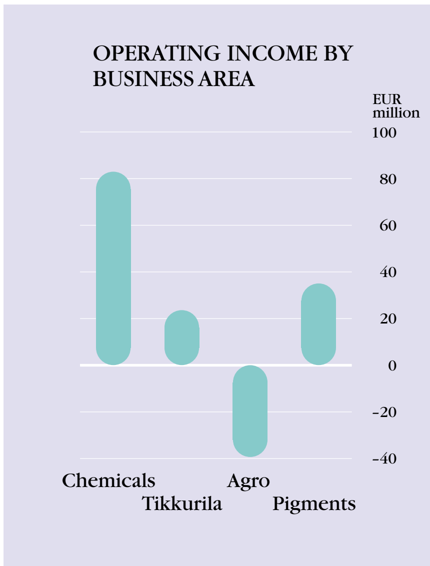
In Pori, Kemwater is upgrading its Ferix plant so that it will be able also to produce a very pure iron-based coagulant that is suitable for the purification of drinking water. In order to gain a foothold in the growing Chinese market, Kemira Chemicals signed an agreement on establishing a joint venture manufacturing water treatment chemicals in China in the vicinity of Shanghai and Nanking. Kemira Chemicals' interest in the new Kemwater (Yixing) Co. Ltd is initially 49%. Finnfund has an 11% stake in the company.

Kemwater and the City of Helsinki established a joint service company in the water treatment field. Kemwater has a 51% stake in the company.

Sales by the Industrial Chemicals unit were up 4%. The market situation for phosphoric acid is still stable, but there has been continued tough competition within down-stream products made from phosphoric acid (feed and detergent phosphates). The exceptionally large-scale shutdown at the Siilinjärvi plants caused additional costs. EUR 12 million was invested on Siilinjärvi to develop the site's production and ensure its competitiveness. The calcium chloride market is tight, because substitute products are putting pressure on prices and, additionally, raw materials are becoming more expensive. Operations of the sodium percarbonate plant that was completed in the previous year showed positive development and the future outlook is good and the new product has been well received by customers.

Kemira Fine Chemicals increased both its net sales and operating income. The unit is a custom manufacturer of demanding fine chemicals and last year it signed a five-year agreement with Monsanto concerning the manufacture of the active ingredient in a new wheat fungicide.





TIKKURILA

Tikkurila's net sales fell 1% short of the previous year's figure and were EUR 357 million (361 million in 1998). Sales of decorative paints in Finland were brisker than last year, whereas the economic crisis in Russia still kept sales volumes small. Worldwide sales of colorants grew further, but this was offset by the sales of tinting machines, which were markedly smaller than they were a year earlier.

Operating income was EUR 23 million (33 million in 1998), or 6% of net sales. Operating income in the September-December period was EUR 1.6 million, compared with an operating loss of 0.8 million in the same period a year earlier. Credit loss provisions primarily for receivables from Russia were booked in a total amount of EUR 3.1 million, of which about a quarter came in the last three-month period.

The control system of Tikkurila's Monicolor plant in Vantaa was renewed and at the same time production capacity was raised significantly. In the vicinity of Moscow, construction work got started on a second paint plant that Tikkurila will operate in Russia. The target is to start production in the first half of this year. Deliveries by the company's plants in St Petersburg picked up towards the end of the year. In Western Europe testing of a new marketing concept was started during the year in co-operation with the Italian company Benetton.

A colorant plant was completed in Singapore towards the end of the year. In China too a unit that will manufacture components for colour processing systems will be built.

In line with the new strategic focus, the Group's objective is to promote the growth potential of the paint business by divesting Tikkurila CPS either entirely or in part.

KEMIRA AGRO

Kemira Agro's net sales declined by 2% and were EUR 1,015 million. The volume of sales in Western Europe was at the previous year's level. Overseas exports outside Europe grew significantly, up 35% on the previous year. On the other hand, the plant nutrient markets in Finland's nearby areas in the Baltic countries and Poland were in decline.

Prices of plant nutrients fell further, by 5-15%, particularly within nitrogen fertilizers in Western Europe and they ended at an all-time low level. New capacity, the cost advantage which Russian nitrogen products enjoy owing to cheap natural gas, and China's absence as a purchaser of nitrogen products have all been factors keeping prices of these products low. At present it nevertheless appears that prices bottomed out towards the end of the year. Owing to the risks posed by the East European countries and the Baltic area, credit loss provisions were increased by total of EUR 6 million.

The fall in the prices and sales volume of plant nutrients was reflected in the company's operating income, which fell significantly and was a loss of EUR 39 million. In the September-December period operating income was EUR 37 million negative, whereas a year earlier it was EUR 19 million negative. Operating income in the last four months of the year includes a total of EUR 23 million of non-recurring costs that are mainly connected with the company's structural change.

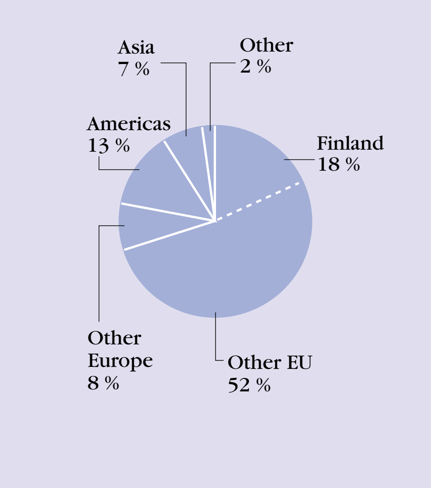
In line with the Group's strategic policy, Kemira Agro will focus on speciality fertilizers and withdraw from the nitrogen fertilizer business either in part or totally. In anticipation of this change, the company's organization was divided into two parts in January 2000: the speciality fertilizer business and the nitrogen fertilizer business.

NPK fertilizer production was wound up at Pernis in the Netherlands and plans call for also closing the phosphoric acid, sulphuric acid and MAP/DAP phosphorus fertilizer plants in the summer of this year. Kemira Agro booked a total of EUR 39 million of non-recurring costs for the past financial year, the bulk of which was related to the arrangements at Pernis.

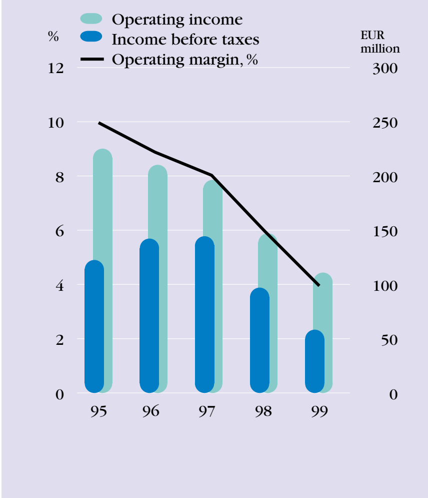
In accordance with the memorandum of intent that was signed in the previous year, Kemira Agro established a joint venture that will manufacture potassium nitrate, which is a speciality fertilizer, and dicalcium phosphate, a raw material used in feeds, in Jordan. The capital project, which is to be completed in 2002, is based on local raw materials and Kemira-developed cost-effective technology.

In Italy, Kemira Agro acquired a 50% interest in Biolchim S.p.A, which markets horticultural fertilizers. A joint venture that will manufacture urea phosphate was established in the United Arab Emirates. The new company will build a new plant in Dubai with the objective of starting production by the end of 2000.

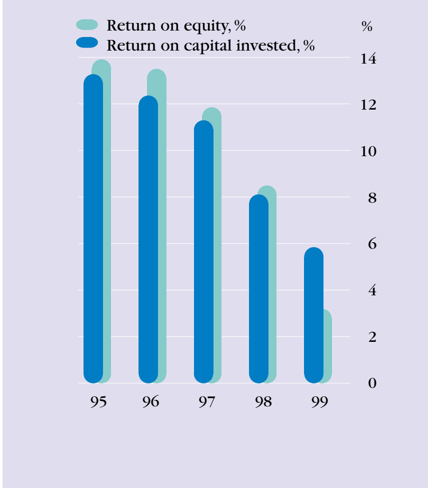
The joint ventures in Dubai, Jordan and Italy will enable Kemira Agro to expand its operations, according to its specialization strategy, in the irrigation fertilizer markets in the Mediterranean countries as well as in the Middle East and



NET SALES BY REGION



OPERATING INCOME AND RESULT



RETURN ON CAPITAL

Far East. In Denmark, potassium nitrate production was expanded, and the plant extension is being continued through a new investment that is expected to be completed in the autumn of 2000.

NPK projects in Southeast Asia progressed according to plans and the plant of a joint venture in Malesia, in which Kemira Agro has a 30% holding, started up in mid-1999. Construction works on the plant in China continued ahead and the facility is expected to reach completion in the autumn of 2000. Kemira Agro has a 49% interest and Finnfund a 26% interest in the joint venture in China.

In Finland, Kemira Agro purchased an 20% holding in the Suomen Rehu animal feed business, thereby strengthening the logistics co-operation that has already been started.

The development programme that was launched at the beginning of 1998 at Kemira Agro has progressed according to plans. Its objective is to achieve a significant improvement in earnings, which will show up to the full extent in 2001.

KEMIRA PIGMENTS

Kemira Pigments' net sales rose by 15% and were EUR 488 million. Average selling prices for titanium dioxide pigments during the year were at the previous year's level. Selling prices in the September-December period were about 2% lower than prices in the May-August period and prices in the last four months of 1998.

Sales volumes of titanium dioxide pigments were 13% higher than they were a year earlier. The sales volume in the last four months of the year was 25% higher than it was in the last four months of the previous year, a situation that may be partly attributable to the precautions taken by customers on the eve of the new millennium.

Demand was in decline in Europe and Asia in the previous year, but it swung to strong growth during 1999, particularly after the January-April period. In North America demand remained good, though in Latin America it was weak throughout the year.

Changes in the titanium dioxide industry continued when the American company Huntsman Chemicals acquired Tioxide from ICI. Kemira is also peeling off its plants in the United States and the Netherlands.

Kemira Pigments' operating income was EUR 35 million (22 million in 1998), or 7% of net sales. Operating income in the September-December period was EUR 18 million, as against EUR 10 million in the previous four month period and EUR 7 million in the last four month period of the previous year. A change in the actuarial assumptions for calculating the liability of Finnish pension funds resulted in a non-recurring reversal of about EUR 3 million in contributions to the supplementary pension foundation in the September-December period, whereas in the previous year the change resulted in having to book a one-off expense of the same size.

The debottlenecking project at the Pori plant was completed according to plans towards the end of the 1999. Thereafter the Pori unit's production capacity will be 120,000 tonnes a year.

OTHER UNITS

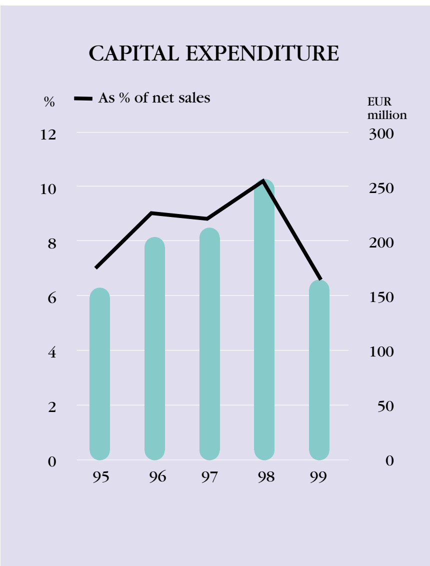
Kemira Metalkat, which manufactures catalytic converters, reported net sales growth of 19%, to EUR 36 million. Operating income was EUR 3.1 million, as against EUR 1.7 million a year earlier. Net sales by Kemira Safety, which manufactures personal protection equipment, were down 1%, to EUR 14 million. Operating income was EUR 0.9 million (1.3 million in 1998).

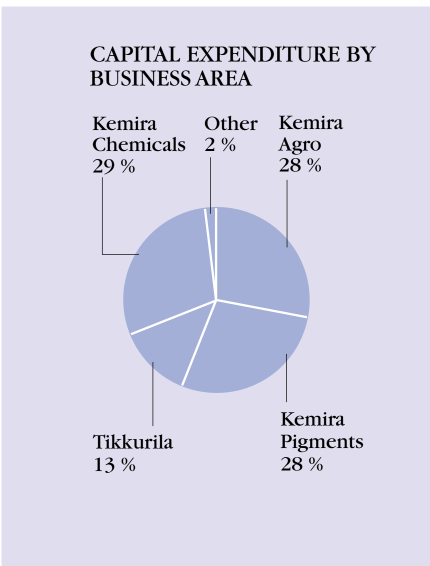
GROUP FINANCIAL PERFORMANCE

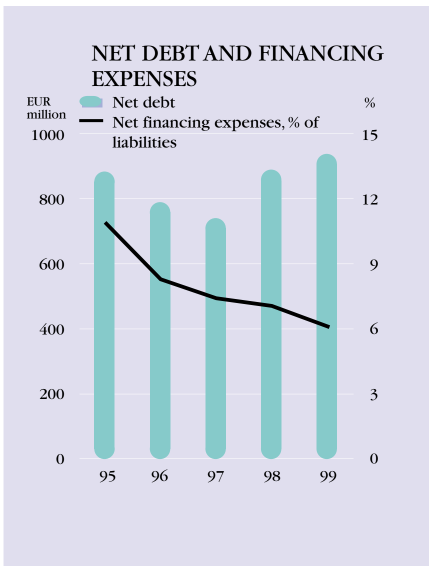
The Group's operating income was EUR 111 million (148 million in 1998), or 4% of net sales. This figure includes a total of EUR 28 million of non-recurring net costs. Income before taxes and minority interests was 59 million (97 million in 1998). Net financial expenses were EUR 52 million (51 million in 1998). Income after taxes was EUR 30 million (79 million in 1998). The effective tax rate rose from 20% to 47%. The increase in the effective tax rate was mainly due to the non-recurring costs booked. As was reported in the previous year's financial statements, taxes in the 1998 income statement were reduced by an EUR 14 million deferred taxes item which resulted from a review of the accounting policy in line with changed IAS rules. The return on capital invested was 5.9% (8.3%).

CAPITAL EXPENDITURE

The Group's capital expenditures totalled 168 million (255 million in 1998), or 6.7% of net sales. Capital expenditures were at a clearly lower level than they were a year earlier because no major acquisitions were made. Depreciation on fixed assets amounted to EUR 188 million. Proceeds on the sale of fixed assets amounted to EUR 18 million (14 million in 1998), whereby net capital expenditures were 150 million, or 5.9% of net sales. The Group's environmental







protection investments were EUR 13 million. All the most important capital expenditures are discussed in the reviews of the business areas.

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

ENVIRONMENTAL PROTECTION AND MANAGEMENT OF RISKS

Environmental protection is an essential part of the Group's operations, and a verified Environmental Report is included in this Annual Report.

The Group continually pays particular attention to ensuring that its operations are safe and its plants run without disturbances. In view of this, operations are also evaluated together with the risk management units of insurance companies.

The Kemira Group made the changeover to the year 2000 without any significant problems.

FINANCING

The Group's financial position remained stable. Interest-bearing net debt at the end of 1999 stood at EUR 934 million (892 million at the end of 1998). The strengthening of the United States dollar, the British pound and the Swedish krona against the euro raised the consolidation values of loans taken out in these currencies. This lead to an increase in net debt. During the year two new loans were raised in a total amount of EUR 25 million and with maturities of about 10 years.

Cash flow before financing was EUR 31 million (119 million negative in 1998). The Group's equity ratio was 38% at the close of the year (39%). The gearing ratio (net debt as a ratio of shareholders' equity) was 95%. The amount of liquid funds remained at the same level as during the previous year. At the end of the year they amounted to EUR 88 million and unused agreed credit facilities amounted to about 260 million.

Net financing expenses were EUR 52 million (51 million in 1998). The increase in costs due to the rise in interest rates was partially compensated by smaller losses on foreign exchange as well as to measures taken for hedging interest rate risks. The proportion which fixed-interest loans represent within the total amount of the Group's interest-bearing long-term loans (excluding pension loans, which are not considered to be fixed-interest liabilities) was 41% at the end of the year. Foreign exchange losses amounted to EUR 1.6 million (a foreign exchange loss of EUR 5.4 million in 1998).

PARENT COMPANY'S FINANCIAL PERFORMANCE

The parent company's net sales come only from the sale of energy in Finland, both within and outside the Group. The parent company had net sales of EUR 27 million (32 million in 1998). Operating income was EUR 3.5 million (an operating loss of EUR 6.7 million in 1998). The parent company bears the cost of Group management and administration.

The parent company and the Eläkesäätiö Neliapila pension foundation sold a significant part of their electric power business for EUR 30 million. The deal yielded a capital gain of about EUR 9 million for the parent company. For Eläkesäätiö Neliapila, the capital gain contributed to lowering contributions to the fund.

The parent company's financial income amounted to EUR 16.5 million (8.2 million in 1998). Income before taxes and appropriations was EUR 102 million (108 million in 1998). The parent company's capital expenditures amounted to EUR 67 million, including increases in the equity of subsidiaries.

PERSONNEL

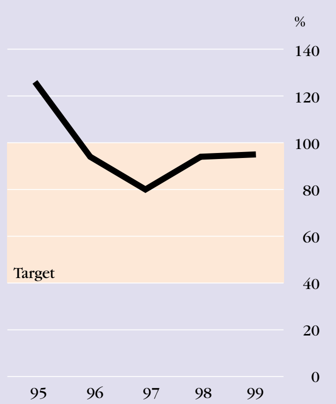
The Group employed an average of 10,743 people, or 42 less than in the previous year. Of the total personnel, an average of 5,653 people were employed by Group companies outside Finland.

The parent company had an average payroll of 132 employees , one less than a year ago.

The Group's total salaries and wages were EUR 353 million (338 million in 1998) and the parent company's total salaries and wages were EUR 5.2 million (4.8 million in 1998). Salaries and remuneration paid to the Supervisory Board, the members of the Board of Directors and the managing directors totalled EUR 8.3 million for the Group (EUR 8.2 million in 1998) and EUR 0.9 million for the parent company (0.8 million in 1998).

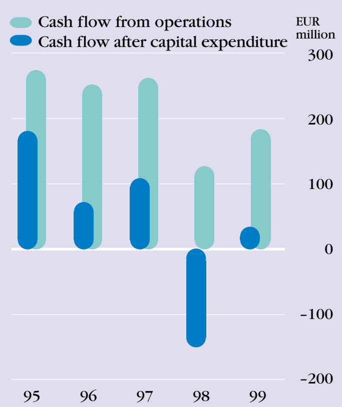
During the year under review the following persons served on the Board of Directors of Kemira Oyj: Heimo Karinen (Chairman), Timo Mattila (Vice Chairman), Juhani Kari, Esa Tirkkonen, Tauno Pihlava as of 1 June, Leif Ekström and Sten-Olof Hansén, the last two of whom served as non-executive directors. At its meeting on 16 December 1999, the Supervisory Board elected the following six persons to seats on the Board of Directors for the period of office beginning on 1 January 2000: Sten-Olof Hansén (Chairman), Niilo Pellonmaa (Vice Chair-

GEARING

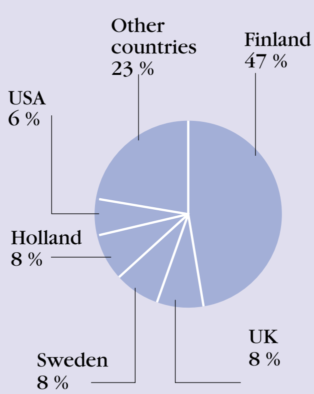


Net debt divided by net debt plus equity.

CASH FLOW



PERSONNEL



The average number of personnel in 1999 was 10,743.

man), Timo Kaisanlahti, Eija Malmivirta, Anssi Soila and Tauno Pihlava.

CEO and Chairman Heimo Karinen retired at the end of 1999 and Tauno Pihlava was elected to succeed him as CEO effective 1 January 2000.

A large part of the Group's personnel are covered by various bonus systems that vary from country to country. In addition, the Group has a share option system for top management. This is discussed in greater detail on pages 13.

On the basis of an authorization granted to the Board of Directors by the Annual General Meeting, the company bought back a total of 1,000,000 of its own shares during the summer at an average price of EUR 5.82. The authorization was for purchasing a total maximum amount of 2% of the shares outstanding and the shares are to be used in paying profit-related bonuses to the personnel funds in the event that the funds choose this mode of payment.

OWNERSHIP

The Finnish government's holding in Kemira was 53.4% at 31 December 1999. The proportion held by institutional investors outside Finland was 19.0%, whereas Finnish institutional investors and mutual funds held 21.3% of the shares. Private investors' holdings amounted to 6.3% of the shares outstanding.

CHANGES IN THE GROUP STRUCTURE

Various companies or participations were established, acquired or divested during the year, as discussed in the review of the business areas above. The changes in the Group structure are presented in more detail on page 35.

OUTLOOK FOR THE FUTURE

The rise in the rate of capacity utilization that got under way within the pulp and paper industry towards the end of 1999 and the improvement in the demand for paper products are expected to continue in the current year. This is expected to have a positive impact on the market situation for pulp and paper chemicals. The market for water treatment chemicals appears stable, and the companies that were established or acquired last year are expected to get up to good speed. The price of phosphoric acid may fall, but at present this is offset by the high exchange rate of the dollar against the euro. It is believed that Kemira Chemicals' operating income will remain at the present level or grow in 2000.

Demand for titanium dioxide pigments is expected to be good and average prices to rise higher than last year's when the price increases that were announced towards the end of last year come into effect at the beginning of the current year. This year's net sales will be highly dependant on the timing of the closing of the divestment of the US and Dutch operations, whereas it is not expected to have any major impact on the operating income. It is believed that Kemira Pigments' operating income will improve on last year's.

No essential improvement is likely to take place in the world markets for agricultural products during 2000. Recently a number of West European and American fertilizer producers have announced plant closures to cut capacity, and prices have headed upwards. On the other hand, China is curtailing its imports of NPK compound fertilizers, and this will probably lead to smaller export volumes than before. The higher cost of natural gas due to the rise in oil prices will lift costs in continental Europe. Although the horticultural fertilizer business in expected to show continued positive development, and the profit-boosting programme that was started last year is progressing according to plans, it is believed that the operating result within the framework of Kemira Agro's present structure will still be in the red. Disposal of the nitrogen fertilizer business is expected to improve the result in coming years, but it is so far not possible to estimate the one-off impacts of the arrangement.

Demand for Tikkurila's paints is expected to grow both in the established markets and in those which are just beginning to expand. Growth prospects are promising, particularly in Russia, the Baltic countries and Poland. Operating income is expected to improve on last year's. In order to ensure the continued growth of both the paint and colour processing system business, Kemira intends to separate the colour processing business out from the paint business either by listing it on the stock exchange or through other ownership arrangements

2000 is expected to be a year of great changes for Kemira, because the company is withdrawing from a significant part of its previous core businesses. At the most, net sales may drop by about a third from the present level as a consequence of the divestments. The funds realized from the disposals will be applied towards expanding Kemira's business operations in chosen growth areas: pulp and paper chemicals, water treatment chemicals and paints. The objective is to regain the previous level of net sales within 3-5 years. This will also call for acquisitions over the next few years. Although Kemira Agro's operating result will remain weak, the operating result of the other three large businesses is expected to improve. Net financial expenses are estimated to remain at the previous level or to rise only slightly from the present level. The Group's result for the current year is expected to improve on last year's earnings.

Beginning this year, Kemira will report its results quarterly. The table on page 69 presents the quarterly financial development for 1999 and 1998.

EARNINGS AND PERSONNEL BY BUSINESS AREA IN 1999

EUR million	Net sales	Operating income	Income before extraordinary items	Personnel, average
Kemira Chemicals	697	83	59	3,138
Tikkurila	357	23	19	2,301
Kemira Agro	1,015	–39	–59	2,951
Kemira Pigments	488	35	15	1,752
Others*	85	9	25	601
Intra-Group sales	–116			
Group, total	2,526	111	59	10,743

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

All forecasts and estimates are based on management's current judgement of the economic environment, and the actual results may differ significantly.

SHARES AND SHAREHOLDERS

SHARES AND VOTING RIGHTS

The nominal value of the shares of Kemira Oyj was deleted in accordance with the resolution of the Annual General Meeting, and at the same time the share capital was redenominated in euros. The number of shares is 128,800,000 and each share confers one vote at the meetings of shareholders. According to the Articles of Association, the company's share capital can be in the range of from EUR 217 to 850 million. The share capital can be changed within these limits without amending the Articles of Association. The share capital of Kemira Oyj at present is EUR 217 million. Kemira Oyj shares are registered within the book-entry system.

DIVIDEND POLICY

Kemira aims to distribute a dividend which 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 will propose to the Annual General Meeting that a dividend of EUR 0.23 per share, or EUR 29.6 million, be paid for the 1999 financial year. This corresponds to a dividend payout of 100% of the net income for the year. Taking into account the Finnish tax base, this amounts to a taxable dividend of EUR 0.32. The record date for the dividend payout will be 14 April 2000, and the dividend will be paid on 26 April 2000.

INCREASE IN SHARE CAPITAL

The Board of Directors of Kemira Oyj does not at present have authorizations to increase the company's share capital. During the past year the share capital was increased by a transfer of EUR 0.4 million from the share premium account, whereby the share capital is now EUR 217 million.

PURCHASE OF OWN SHARES

On 7 April 1999, the Annual General Meeting passed a resolution to authorize the company's Board of Directors to purchase a maximum of 2,576,000 of the company's own shares on the market in order to create a share-tied incentive system for the company's personnel. The authorization is valid for one year from the date of the Annual General Meeting. During June 15 to August 13 Kemira Oyj purchased 1,000,000 of its own shares at an average price of EUR 5.82. The shares are at present in the company's ownership but they will be sold on to the personnel funds operating within the company.

INSIDER RULES

In accordance with the decision of the Board of Directors of Kemira Oyj, the Kemira Group has placed in use insider rules pursuant to the Guidelines for Insiders issued by Helsinki Exchanges on 28 October 1999. A list of insiders including their shareholdings is given on page 66 of the Annual Report.

LISTING AND SHARE TRADING

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

PRICE AND TRADING VOLUME

The price of Kemira's share on Helsinki Exchanges weakened by 2.1% on Helsinki Exchanges during 1999, whereas the HEX index rose by 162%. The highest price of the share was EUR 6.90 and the lowest price was EUR 5.20. The price of the share at the end of the year was EUR 6.11. The taxation value of the share in 1999 was EUR 4.309. Turnover of the share on Helsinki Exchanges totalled 20,702,853 shares, and in euro terms the turnover was EUR 121 million. The market capitalization at the end of 1999 was EUR 781 million.

MANAGEMENT BOND ISSUE WITH WARRANTS, STOCK OPTIONS AND SHARE OWNERSHIP

On 26 April, 1995, the Annual General Meeting of Kemira Oyj passed a resolution to float an issue of bonds with warrants targeted at the management of the Kemira Group. The amount of the bond loan is EUR 100,912.76. Each member of the Board of Directors who was employed by Kemira Oyj was entitled to subscribe for a maximum of EUR 13,455.03 of the 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 for a maximum of 1,200,000 shares in the company between 1 December 1998 and 31 January 2002 at a price of EUR 6.73 per share. These subscriptions can increase the company's share capital by a maximum of EUR 2.02 million. Participating in the bond loan has been subject to a restriction on transfer of the bonds to a third party before 1 December 1998. The bonds with warrants were subscribed for by 16 persons.

In accordance with the terms and conditions of the issue of bonds with warrants, individuals who have participated in the issue can subscribe for half of the shares exercisable with warrants or sell half of the warrants they own after 1 December 1998. At present, no one had sold their warrants or converted them into shares.

The Annual General Meeting of Kemira Oyj resolved on 22 April 1998 to offer stock options for subscription by the company's management. The total amount of the stock options is 2,850,000 options and they entitle their holders to subscribe a total of 2,850,000 Kemira Oyj shares. The then chairman of the Board of Directors of Kemira Oyj was offered 170,000 options and the other executive directors of Kemira Oyj at that time were offered 120,000 options each. The stock option programme covers a total of about 50 persons.

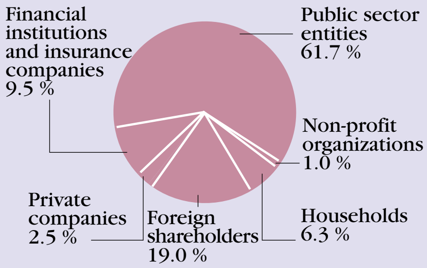
The share subscription period will commence on 1 May 2001 and end on 31 May 2004. It is a condition for commencement of the subscription that the consolidated income of Kemira Oyj after financial items and before taxes and extraordinary items for the financial years 1998 –2000 is a minimum of EUR 3.53 per share. In order to reach this objective, net income for 2000 after financial items must be EUR 2.32 per share. Similarly, it is a further condition that the price of Kemira Oyj's share has developed better than that of a peer group.

The subscription price is the average

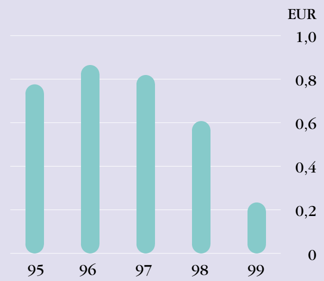
DISTRIBUTION OF OWNERSHIP (31 Dec 1999)

Number of shares	Number of shareholders	% of shareholders	Shares total	% of shares and votes
1 – 50	1,079	8.07	42,968	0.03
51 – 100	1,070	8.00	83,522	0.07
101 – 1,000	9,068	67.83	3,856,823	2.99
1,001 – 5,000	1,897	14.19	3,586,626	2.79
5,001 – 10,000	118	0.88	914,445	0.71
10,001 – 100,000	101	0.76	3,118,365	2.42
100,001 – 500,000	19	0.14	4,472,900	3.47
500,001 – 1,000,000	8	0.06	5,942,563	4.61
Yli 1,000,000	9	0.07	82,865,517	64.34
Total	13,369	100.00		
Nominee-registered shares			23,916,271	18.57
Grand total			128,800,000	100.00

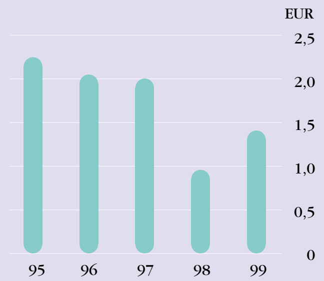
DISTRIBUTION OF SHAREHOLDERS (31 Dec 1999)



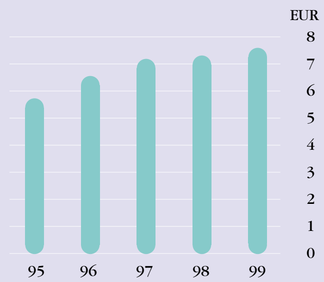
EARNINGS/SHARE



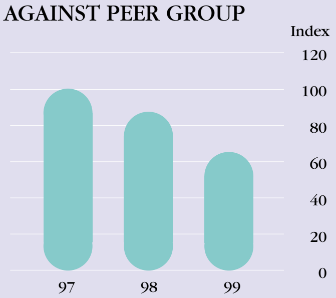
CASH FLOW/SHARE



SHAREHOLDERS' EQUITY/SHARE



SHARE PRICE DEVELOPMENT AGAINST PEER GROUP



20 LARGEST SHAREHOLDERS (31 Dec 1999)

Shareholder	Number of shares	% of shares and votes
1. Finnish State	68,753,920	53.38
2. Sampo Group	4,691,000	3.64
(Sampo Insurance Company Ltd 850,000)		
(Industrial Insurance Company Ltd 1,480,000)		
(Sampo Enterprise Insurance Company Ltd 450,000)		
(Otso Loss of Profits Insurance Company Ltd 425,000)		
(Sampo Life Insurance Company Ltd 1,486,000)		
3. Ilmarinen Mutual Pension Insurance Company Ltd	3,603,500	2.80
4. Pohjola Group	2,920,000	2.27
(Pohjola Non-Life Insurance Company 1,780,000)		
(Pohjola Life Insurance Company Ltd 1,140,000)		
5. Varma-Sampo Mutual Pension Insurance Company	2,349,697	1.82
6. Suomi Mutual Life Assurance Company	1,260,000	0.98
7. Tapiola Mutual Pension Insurance Company	1,012,400	0.79
8. The Local Government Pensions Institution	800,000	0.62
9. Tapiola General Mutual Insurance Company	713,500	0.55
10. Norvestia Oyj	760,000	0.59
11. Kaleva Mutual Insurance Company	700,000	0.54
12. Pension Foundation Neliapila s.r.	577,160	0.45
13. Mutual Insurance Company Pension-Fennia	541,903	0.42
14. Tapiola Mutual Life Assurance Company	455,500	0.35
15. Odin Norden	313,500	0.24
16. Neste Pension Foundation s.r.	270,000	0.21
17. Seligson & Co. Fund Management Company Plc	255,500	0.20
18. The LEL Employment Pension Fund	247,500	0.19
19. Finnish Broadcasting Company Pension Foundation s.r	245,500	0.19
20. The Church Central Fund	228,500	0.18
Kemira Oyj	1,000,000	0.78
Nominee registered shares*	23,916,271	18.57
Other total	13,184,649	10.24
Grand total	128,800,000	100.00

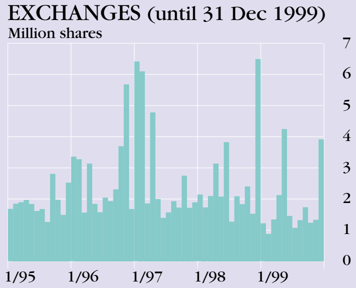
* Information of the holding of Franklin Resources Inc. in Kemira Oyj is given on page 69.

price of the company's share on Helsinki Exchanges, weighted for trading in the year 2000, and lowered by double the percentage figure by which an index calculated on the share trend of Kemira Oyj's share exceeds the arithmetic average index calculated in a similar manner on the share trend in the shares of a peer group. The subscription price of the share will furthermore be lowered by the amount of dividends distributed from 1 June 1998 to 31 May 2001 to the extent that the total amount exceeds one euro per share and the dividends to be distributed after 1 June 2001 will be subtracted in their entirety. The subscription price is nevertheless a minimum of EUR 10.41 less the amount of dividends distributed after 1 June 1998.

The Supervisory Board appointed for the company a new Board of Directors, which began discharging its duties at the beginning of 2000. The members of the present Board of Directors and the Supervisory Board as well as the Managing Director and the Deputy Managing Director owned 27,080 Kemira Oyj shares at the end of the year. This represents 0.02% of the company's shares and voting rights. The issue of bonds with warrants entitling holders to Kemira Oyj shares has been subscribed for by the Managing Director and the Deputy Managing Director in the amount of EUR 16,818.79, which corresponds to 200,000 share options. The Managing Director and the Deputy Managing Director have subscribed for 290,000 Kemira Oyj share options. These warrants and share options entitle their holders to subscribe for a total of 490,000 shares.

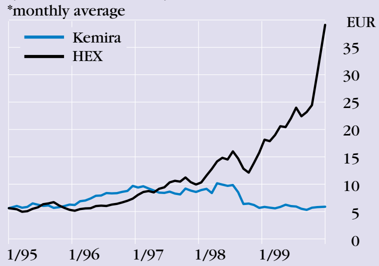
The members of the Board of Directors and the Supervisory Board as well as the Managing Director and the Deputy Managing Director hold 0.40% of the company's shares and voting rights, including those conferred through the issue of bonds with warrants and the stock options.

SHARE TURNOVER ON HELSINKI EXCHANGES (until 31 Dec 1999)



SHARE PRICE* (until 31.12.1999)

*monthly average



KEY FIGURES

PER-SHARE DATA

	1999	1998	1997	1996	1995
Per-share data					
Earnings per share, EUR [1]	**0.23**	0.61	0.81	0.86	0.77
Net income per share, EUR [1]	**0.23**	0.61	0.81	0.86	0.77
Cash flow from operations per share, EUR	**1.41**	0.96	2.00	2.05	2.25
Dividend per share, EUR [2]	**0.23**	0.29	0.29	0.27	0.25
Dividend payout ratio, % [2]	**100.0**	47.2	35.3	31.4	32.8
Dividend yield, % [2]	**3.8**	4.6	3.3	2.7	4.1
Equity per share, EUR [1]	**7.57**	7.27	7.16	6.53	5.77
Price per earnings per share (P/E) ratio [1]	**26.57**	10.30	10.60	11.43	8.00
Price per equity per share [1]	**0.81**	0.90	1.20	1.50	1.07
Price per cash flow per share	**4.33**	6.50	4.30	4.78	2.74
Dividend paid, EUR million [2]	**29.6**	36.8	36.8	34.7	30.5
Share price and turnover					
Share price, year high, EUR	**6.90**	10.60	10.34	10.09	6.71
Share price, year low, EUR	**5.20**	5.21	7.65	6.05	5.30
Share price, year average, EUR	**5.85**	8.06	9.01	8.06	6.02
Share price, end of year, EUR	**6.11**	6.24	8.61	9.81	6.17
Number of shares traded (1000), Helsinki	**20,703**	30,277	33,241	33,276	22,480
% of number of shares	**16**	24	26	27	19
Market capitalization, end of year, EUR million	**780.9**	803.6	1,109.2	1,262.9	741.5
Increase in share capital					
Average number of shares (1000) [3]	**128,318**	128,800	128,800	122,090	120,800
Number of shares at end of year (1000) [3]	**127,800**	128,800	128,800	128,800	120,800
Increases in number of shares (1000)	**–**	–	–	8,000	–
Share capital, EUR million	**217.0**	216.6	216.6	216.6	203.2
Increases in share capital, EUR million	**–**	–	–	13.5	–

[1] The change in accounting practice (IAS 12) reduced 1998 taxes by EUR 14.0 million.
[2] The 1999 dividend is the Board of Directors' proposal to the Annual General Meeting.
[3] Weighted average number of shares outstanding, adjusted by the number of shares bought back.

FINANCIAL RATIOS

	1999	1998	1997	1996	1995
Income statement					
Net sales, EUR million	**2,526**	2,413	2,420	2,266	2,234
Foreign operations, EUR million	**2,073**	1,916	1,955	1,764	1,789
Sales in Finland, %	**18**	21	19	22	20
Exports from Finland, %	**20**	19	22	24	25
Sales generated outside Finland, %	**62**	61	59	54	55
Operating income, EUR million	**111**	148	198	210	225
% of net sales	**4**	6	8	9	10
Net financing income and expenses, EUR million	**52**	51	53	67	104
% of net sales	**2**	2	2	3	5
Interest cover	**6**	6	7	6	4
Income before extraordinary items, EUR million	**59**	97	145	143	121
% of net sales	**2**	4	6	6	5
Extraordinary income and expenses, EUR million	**–**	–	–	–	–
Income before taxes and minority interests, EUR million	**59**	97	145	143	121
% of net sales	**2**	4	6	6	5
Net income, EUR million[1)]	**30**	79	104	104	93
Return on capital invested, %	**6**	8	11	12	13
Return on equity, %[1)]	**3**	8	12	14	14
Cash flow					
Cash flow from operations, EUR million	**181**	123	257	250	272
Sales of fixed assets, EUR million	**18**	14	61	26	62
Capital expenditure, EUR million	**168**	255	211	202	156
% of net sales	**7**	11	9	9	7
Cash flow after capital expenditure, EUR million	**31**	–119	107	73	179
Cash flow return on capital invested, %	**9**	7	14	14	15
Balance sheet					
Non-current assets, EUR million	**1,486**	1,444	1,404	1,366	1,312
Shareholders' equity, EUR million [1)]	**968**	936	923	840	697
Liabilities, EUR million	**1,620**	1,504	1,458	1,601	1,616
Total assets, EUR million	**2,603**	2,453	2,389	2,447	2,316
Net liabilities, EUR million	**934**	892	745	798	885
Equity ratio, % [1)]	**38**	39	39	35	30
Gearing, %	**95**	94	80	94	126
Personnel					
Personnel (average)	**10,743**	10,785	10,392	10,631	10,900
of whom in Finland	**5,090**	5,155	5,176	5,945	6,125
Exchange rates					
Key exchange rates (31 December)					
USD	**1.00460**	1.16674	1.09686	1.28033	1.36414
GBP	**0.62170**	0.70547	0.66122	0.75559	0.88202
NLG	**2.20371**	2.20371	2.12352	2.23322	2.18714
SEK	**8.56250**	9.48736	8.66346	8.81110	9.08300
DKK	**7.43300**	7.44892	7.48079	7.61395	7.56262
BEF	**40.33990**	40.33990	40.50225	41.03333	40.11940
FIM	**5.94573**	5.94573	5.94573	5.94573	5.94573

[1)] The change in accounting practice (IAS 12) reduced 1998 taxes by EUR 14.0 million.

CONSOLIDATED INCOME STATEMENT

	Note	1.1. – 31.12. **1999** **EUR million**	1998 EUR million
Net sales	1, 28	**2,526.2**	2,412.7
Share of associates' profits	2, 28	**2.8**	5.0
Other income from operations	3	**32.6**	16.4
Cost of sales	4, 5	**–2,262.5**	–2,115.3
Depreciation	6, 28	**–188.1**	–170.7
Operating income	28	**111.0**	148.1
Financing income and expenses	7	**–52.4**	–50.7
Income before extraordinary items, taxes and minority interests		**58.6**	97.4
Extraordinary items	8	**–**	–
Income before taxes and minority interests		**58.6**	97.4
Direct taxes	9	**–27.8**	–19.3
Income before minority interests		**30.8**	78.1
Minority interest		**–0.9**	0.5
Net income		**29.9**	78.6
Earnings per share, EUR	10	**0.23**	0.61

CONSOLIDATED BALANCE SHEET

	Note	31.12. 1999 EUR million	1998 EUR million
ASSETS			
Non-current assets	28		
Intangible assets	11	**79.7**	68.7
Tangible assets	12	**1,328.2**	1,307.6
Investments	13		
Holdings in associated companies		**50.7**	41.6
Other shares and holdings		**8.4**	7.9
Other investments		**18.5**	18.4
Total investments		**77.6**	67.9
Total non-current assets		**1,485.5**	1,444.2
Current assets	28		
Inventories	14	**455.9**	429.2
Receivables	15		
Interest-bearing receivables		**23.4**	18.2
Other interest-free receivables		**549.7**	466.0
Total receivables		**573.1**	484.2
Securities	22	**42.4**	39.9
Cash and bank	22	**46.0**	55.6
Total current assets		**1,117.4**	1,008.9
Total assets		**2,602.9**	2,453.1

	Note	31.12. 1999 EUR million	1998 EUR million
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	16, 17		
Share capital		**217.0**	216.6
Share premium account		**252.5**	252.9
Revaluation reserve		**8.3**	8.5
Own shares		**–5.8**	–
Other reserves		**4.2**	3.8
Retained earnings		**461.6**	375.5
Net profit for the financial year		**29.9**	78.6
Total shareholders' equity		**967.7**	935.9
Minority interests		**15.2**	13.3
Long-term liabilities			
Interest-bearing long-term liabilities	18, 22	**848.8**	785.4
Deferred tax liabilities	19	**56.6**	63.5
Provision for liabilities and charges	20	**39.2**	44.0
Total long-term liabilities		**944.6**	892.9
Current liabilities	21		
Interest-bearing short-term liabilities	22	**173.5**	202.6
Interest-free short-term liabilities	28	**501.9**	408.4
Total current liabilities		**675.4**	611.0
Total liabilities		**1,620.0**	1,503.9
Total liabilities and shareholders' equity		**2,602.9**	2,453.1

CONSOLIDATED CASH FLOW STATEMENT

	1999 EUR million	1998 EUR million
Funds from operations		
Operating income	**111.0**	148.1
Adjustments to operating income [1]	**–6.5**	1.3
Depreciation	**188.1**	170.7
Interest income	**6.4**	10.7
Interest expense	**–56.2**	–55.8
Dividend received	**4.2**	4.4
Other financing items	**0.1**	–7.5
Extraordinary items	**–**	–
Taxes	**–31.5**	–38.2
Total funds from operations	**215.6**	233.7
Change in net working capital		
Inventories	**–26.7**	–45.1
Short-term receivables	**–83.5**	–18.7
Interest-free short-term liabilities	**75.5**	–47.2
Change in net working capital, total	**–34.7**	–111.0
Cash flow from operations	**180.9**	122.7
Capital expenditure		
Acquisitions of Group companies	**–4.1**	–76.9
Acquisitions of associated companies	**–**	–7.3
Purchase of other shares	**–9.9**	–0.3
Purchase of other fixed assets	**–154.1**	–171.0
Disposal of Group companies	**–**	0.2
Disposal of associated companies	**–**	4,9
Sales of other shares	**0.3**	0.4
Sales of other fixed assets	**18.2**	8.6
Total capital expenditure	**–149.6**	–241.4
Cash flow before financing	**31.3**	–118.7
Financing		
Change in long-term loans (increase +, decrease -)	**18.6**	60.0
Change in long-term loan receivables (increase -, decrease +)	**0.6**	4.9
Short-term financing, net (increase +, decrease -)	**–20.2**	52.6
Dividend paid	**–36.8**	–36.8
Other	**–0.6**	–7.6
Financing, total	**–38.4**	73.1
Increase / decrease in liquid funds	**–7.1**	–45.6
Liquid funds at end of year	**88.4**	95.5
Liquid funds at beginning of year	**95.5**	141.1
Increase / decrease in liquid funds	**–7.1**	–45.6

The above figures cannot be directly derived from the balance sheets owing to changes, e.g., in the Group structure and foreign exchange rates. The cash flows of the business areas are shown in the segment data (p. 34).

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Kemira Group's financial statements have been prepared in compliance with the relevant acts and regulations in force in Finland and in accordance with the Group's uniform accounting principles. The Group's accounting principles are based on International Accounting Standards (IAS). Accordingly, the financial statements also correspond to IAS, with the exception of accounting for pension expenses, IAS 19, which entered into force on 1 January 1999. Its effects on the consolidated income statement and shareholders' equity are discussed and presented in Notes 23 and 24 to the consolidated financial statements.

Principles of consolidation

The consolidated financial statements include the accounts of the parent company, Kemira Oyj, 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 of accounting. 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. Goodwill is amortized over the useful life of the assets acquired, which since 1998 has as a rule been a maximum of 5 years. Should a longer amortization period be justified, it is a maximum of 10 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.

Companies in which the Group has a participating interest are associated companies, in which the interest is 20-50%. Holdings in associated companies are presented in the consolidated financial statements using the equity method of accounting. Under the equity method the Group's proportionate share of the associated companies' net income for the financial year is included in income and expenses from operations. Joint ventures that are owned on a fifty-fifty basis with another shareholder and in which the voting rights and management responsibility are divided evenly between the shareholders have been consolidated according to the proportionate method of accounting. Other companies (voting rights owned less than 20 percent) are stated at cost in the balance sheet and dividends received are included in the income statement.

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

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 financial instruments to hedge currency and interest rate risks have been recorded in the income statement simultaneously with the commitment hedged. Derivative financial instruments which are not considered as hedging instruments are valued in the financial statements at the market price in accordance with conservative accounting practice. The interest portion of currency forwards is recorded as interest income and expense over the terms of the contract, and the differences in the foreign exchange rates are booked as a credit or charged to income when the underlying hedged transaction 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 euro amounts using the average exchange rates and the balance sheets have been translated using the year-end exchange rates. The translation difference, which arises in translating the income statement and balance sheet using the different exchange rates, is entered in non-restricted equity.

The Group seeks to hedge the translation risk of its investment in the net assets of foreign subsidiaries, which includes the original cost of ownership plus any undistributed post-acquisition profits and losses of those subsidiaries. Accordingly, the foreign currency-denominated shareholders' equity in the Group's non-Finnish subsidiaries are hedged against exchange rate changes 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 forward and currency swap 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. Other translation differences affecting shareholders' equity are stated as an increase or decrease in the non-restricted shareholders' equity.

The foreign exchange rates on the balance sheet date are given on page 17.

Pension arrangements

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

The parent company's pension arrangements have been handled within the separate pension funds. The uncovered liabilities of pension funds are presented in the parent company's financial statements in short-term interest-free receivables and in short-term interest-free liabilities.

In 1999, IAS 19 was not applied, but the effect of applying the standard on the Group's net income and retained earnings has been calculated and stated in Notes 23-24. The liability resulting from the changeover to applying IAS 19, which came into force in 1999, has been calculated at the Group level so that the accumulated entitlement has been periodized over the time of the employment according to the accrual rules for pension arrangements (Projected Unit Credit method). The pension calculations are based on studies carried out by actuaries.

Net sales

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

Extraordinary income and expenses

Extraordinary income and expenses consist of items not incurred in the normal course of business, 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 and asset.

The Group's deferred tax liabilities and assets have been calculated according to IAS 12 which came into force from the beginning of 1998 and which is allowed by the Finnish legislation. The deferred tax liability has been calculated for all significant temporary differences, which have been obtained by comparing the book value of each balance sheet item and the taxation value. Deferred tax assets are included in the financial statements only if the company considers that the temporary difference or tax loss will probably be realized in the near future and that the taxable unit will probably generate a sufficient amount of taxable income in order to be able to make use of the tax claim. Tax assets on confirmed losses have been stated observing particular caution. In calculating the deferred tax liability, the tax rate enacted at the time of preparing the financial statements has been applied.

The effect of the change that has been made in calculating taxes has been reported in its entirety in the direct taxes for 1998 and for revaluation items it is included directly in shareholders' equity. The figures for comparison years have not been changed. The effect of the change on taxes for 1998 is discussed in the Notes to the financial statements.

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, not exceeding, however, five years.

Fixed assets and depreciation

Non-current (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
Goodwill on consolidation	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 of operations or in extraordinary items, depending on the nature of the transaction. In recent years, new revaluations have not been made within the Group.

Large, seldom performed maintenance works

Large, seldom performed maintenance works are treated as a capital expenditure as from 1999 and acquisition costs are depreciated over their useful lifetimes (IAS 37). Previously, provisions for expenses were booked for them in advance. The effect of the change on net income and shareholders' equity is stated in Note 16.

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 Group's cash management and are stated at lower of cost or market.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT (EUR million)	**1999**	1998

1. NET SALES

Net sales by division

Kemira Chemicals	**697.0**	629.7
Tikkurila	**357.5**	360.5
Kemira Agro	**1,014.7**	1,030.3
Kemira Pigments	**488.5**	422.9
Other operations	**84.5**	84.4
Intra-Group invoicing	**–116.0**	–115.1
Total	**2,526.2**	2,412.7

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

Finland	**18**	21
Other European Union countries	**52**	53
Other European countries	**8**	8
North and South America	**13**	11
Asia	**7**	5
Other countries	**2**	2
Total	**100**	100

2. SHARE OF ASSOCIATES' PROFITS

Share of associates' profits	**4.9**	5.8
Share of associates' losses	**–2.1**	–0.8
Total	**2.8**	5.0

3. OTHER INCOME FROM OPERATIONS

Gains on the sale of fixed assets	**14.1**	3.2
Sales of scrap and waste	**0.5**	0.2
Insurance compensation	**10.1**	2.6
Income from royalties, knowhow and licences	**0.5**	3.6
Rent income	**3.0**	2.6
Other income	**4.4**	4.2
Total	**32.6**	16.4

The capital gain on the sale of fixed assets in 1999 includes a EUR 9.2 million gain on the disposal of shares in power utilities.

4. COST OF SALES

Change in inventories of finished goods	**–6.1**	–20.5
Own work capitalized [1]	**–6.6**	–5.2
Materials and services		
Materials and supplies		
Purchases during the financial year	**1,075.9**	1,124.8
Change in inventories of materials and supplies	**1.1**	–22.1
External services	**85.7**	23.9
Total materials and services	**1,162.7**	1,126.6
Personnel expenses	**456.6**	439.1
Rents	**34.3**	23.9
Losses on the sales of fixed assets	**0.3**	–1.1
Other expenses	**621.3**	552.5
Total	**2,262.5**	2,115.3

In 1999 costs included a reduction in long-term provision for liabilities and charges in a total amount of EUR 4.8 million (an increase of EUR 1.9 million in 1998).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT (EUR million)	**1999**	1998

5. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

Emoluments of the Supervisory Board	**–**	–
Emoluments of boards of directors and managing directors [1)]	**8.3**	8.2
Other wages and salaries	**344.8**	329.5
Pension expenses	**40.6**	40.2
Other personnel expenses	**62.9**	61.2
Total	**456.6**	439.1

[1)] Profit sharing bonuses to the management were EUR 0.5 million in 1999 and EUR 0.7 million in 1998

Management's pension commitments
The managing director and deputy managing director of Kemira Oyj are entitled to retire at the age of 60. This possibility is based on the benefits of the supplementary pension foundation that has been closed to new members since 1 January 1991. The supplementary pension foundation's benefits concern all the personnel whose years of service and other conditions concerning the granting of a pensions have been fulfilled. Similar arrangements have been made in the other Group companies.

Personnel, average		
Kemira Chemicals	**3,138**	3,114
Tikkurila	**2,301**	2,214
Kemira Agro	**2,951**	3,071
Kemira Pigments	**1,752**	1,794
Other companies	**601**	592
Total	**10,743**	10,785

Personnel in Finland, average	**5,090**	5,155
Personnel outside Finland, average	**5,653**	5,630
Total	**10,743**	10,785

The total personnel of joint ventures that have been consolidated according to the proportionate method of accounting was in average 279 (206 in 1998).

Personnel at year end	**10,436**	10,508

6. DEPRECIATION

Scheduled depreciation		
Intangible assets		
Intangible rights	**2.0**	1.6
Goodwill	**1.2**	1.1
Goodwill on consolidation	**4.5**	4.2
Other long-term expenditures	**6.1**	4.0
Tangible assets		
Buildings and constructions	**23.5**	22.7
Machinery and equipment	**145.5**	133.7
Other tangible assets	**5.3**	3.4
Total	**188.1**	170.7

Scheduled depreciation for goodwill on consolidation was EUR 4.5 million (EUR 4.2 million in 1998). No depreciation has been made in the negative goodwill in 1999 and 1998.

7. FINANCING INCOME AND EXPENSES

Financing income		
Dividend income	**0.7**	1.1
Interest income from long-term investments	**1.1**	0.7
Other interest income	**5.3**	7.8
Other financing income	**0.5**	0.4
Total	**7.6**	10.0

INCOME STATEMENT (EUR million)	**1999**	1998
Financing expenses		
Interest expenses	**–56.2**	–53.6
Other financing expenses	**–2.2**	–1.6
Exchange losses	**–1.6**	–5.5
Total	**–60.0**	–60.7
Total financing income and expenses	**–52.4**	–50.7
Net financing expenses as a percentage of net sales	**2.1**	2.1
Net interests as a percentage of net sales	**2.0**	1.9
Exchange gains and losses		
Realized	**1.8**	2.8
Unrealized	**–3.4**	–8.3
Total	**–1.6**	–5.5

Interest expenses were not capitalized during the 1999 financial year. In 1998 capitalized interest expenses amounted to EUR 0.1 million.
The exchange differences on foreign currency loans and foreign currency derivatives have been credited or charged directly to shareholders' equity and matched against the translation differences arising from the consolidation of foreign subsidiaries according to the so called equity hedging method. In 1999 these foreign exchange losses totalled EUR 11.4 million (in 1998 foreign exchange gains were EUR 3.1 million).

There were no financing income and expenses from associates.

8. EXTRAORDINARY ITEMS

There were no extraordinary income or expenses in 1999 and 1998.

9. DIRECT TAXES

	1999	1998
Direct taxes, current year	**–30.9**	–37.7
Direct taxes, previous years	**–0.5**	–0.5
Deferred taxes	**3.6**	4.9
Tax related to changes in accounting practices	**–**	14.0
Total	**–27.8**	–19.3

Deferred tax liabilites and tax assets have been calculated according to IAS regulations, effective from 1 Jan. 1998. The change in accounting practises has reduced taxes EUR 14.0 million in the 1998 income statement. In addition a EUR 9.4 million tax liability has been calculated for previous years' revaluations. This amount has been deducted from the 1998 equity.

There were no calculated tax expenses related to extraordinary items in 1999 and in 1998.

Certain Group subsidiaries have tax losses which can be applied against future taxable income. According to the principle of prudence, all tax losses have not been entered as deferred tax assets because there is uncertainty regarding the extent to which they can be used.

10. EARNINGS PER SHARE

	1999	1998
Income before extraordinary items and taxes	**58.6**	97.4
Minority interests	**–0.9**	0.5
Direct taxes of the financial year	**–27.8**	–19.3
Net income	**29.9**	78.6
Weighted average number of shares [1)]	**128,318,000**	128,800,000
Earnings per share, EUR	**0.23**	0.61

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET (EUR million)

11. INTANGIBLE ASSETS

	Intangible rights	Goodwill	Goodwill on consoli-dation [1]	Other long-term expen-ditures	Advances paid	**1999 total**	1998 total
Acquisition cost at beginning of year	31.6	12.7	71.8	62.9	0.3	**179.3**	148.6
Increases	2.4	1.2	0.8	16.6	–	**21.0**	36.2
Decreases	–	–	–	–	–	**–**	–0.7
Exchange differences and other changes	–	0.2	–0.6	5.0	0.1	**4.7**	–4.8
Acquisition cost at end of year	34.0	14.1	72.0	84.5	0.4	**205.0**	179.3
Accumulated depreciation at beginning of year	–22.0	–5.9	–45.4	–37.3	–	**–110.6**	–104.5
Accumulated depreciation relating to decreases and transfers	–	–	–	–	–	**–**	–0.6
Depreciation during the financial year	–2.0	–1.2	–4.5	–6.1	–	**–13.8**	–10.9
Exchange differences and other changes	0.2	–	0.2	–1.3	–	**–0.9**	5.4
Accumulated depreciation at end of year	–23.8	–7.1	–49.7	–44.7	–	**–125.3**	–110.6
Net book value at end of year	10.2	7.0	22.3	39.8	0.4	**79.7**	68.7

[1] There was no goodwill on consolidation or negative goodwill on consolidation related to associates in 1999.

12. TANGIBLE ASSETS

	Land and water areas [1]	Buildings and construc-tions [2]	Machinery and equipment [3]	Other tangible assets	Advances paid and fixed assets under construction	**1999 total**	1998 total
Acquisition cost at beginning of year	98.6	601.3	2,361.1	88.1	66.2	**3,215.3**	3,136.8
Increases	0.6	21.7	110.6	7.0	–2.8	**137.1**	211.6
Decreases	–0.3	–1.1	–3.1	–	–	**–4.5**	–3.7
Exchange differences and other changes	5.4	–15.8	27.7	–2.4	1.4	**16.3**	–129.4
Acquisition cost at end of year	104.3	606.1	2,496.3	92.7	64.8	**3,364.2**	3,215.3
Accumulated depreciation at beginning of year	–	–296.0	–1,561.0	–50.7	–	**–1,907.7**	–1,847.4
Accumulated depreciation relating to decreases and transfers	–	0.3	–4.9	–	–	**–4.6**	29.4
Depreciation during the financial year	–	–23.5	–145.5	–5.3	–	**–174.3**	–159.8
Exchange differences and other changes	–	23.9	24.2	2.5	–	**50.6**	70.1
Accumulated depreciation at end of year	–	–295.3	–1,687.2	–53.5	–	**–2,036.0**	–1,907.7
Net book value at end of year	104.3	310.8	809.1	39.2	64.8	**1,328.2**	1,307.6

[1] The acquisition cost and book value of land and water areas include EUR 23.3 million revaluations in 1999 and in 1998.

[2] The acquisition cost of buildings and constructions include EUR 20.1 million revaluations in 1999 and in 1998. Book value was EUR 8.6 million at the end of 1999 and EUR 9.5 million at the end of 1998.

[3] Non-depreciated capitalized interest expenses included in buildings were EUR 0.5 million in 1999 (EUR 0.4 million in 1998), in machinery and equipment EUR 2.4 million in 1999 (EUR 2.3 million in 1998). Interest expenses were not capitalized in 1999. Interest expenses capitalized on machinery and equipment in 1998 amounted to EUR 0.1 million.

13. INVESTMENTS

	Holdings in associates	Other shares and holdings	Receivables from associates	Other investments	**1999 total**	1998 total
Acquisition cost at beginning of year	41.6	7.9	0.8	17.6	**67.9**	70.5
Share of net income of associates	1.5	–	–	–	**1.5**	3.0
Increases	9.7	0.3	–	–	**10.0**	7.6
Decreases	–	–0.3	–	–	**–0.3**	–5.4
Transfers	–	–	–	–	**–**	–1.9
Exchange differences and other changes	–2.1	0.3	0.1	–	**–1.7**	–0.8
Reduction in value	–	0.2	–	–	**0.2**	–0.3
Receivables from associates	–	–	–	–	**–**	0.3
Other receivables	–	–	–	–	**–**	–5.1
Net book value at end of year	50.7	8.4	0.9	17.6	**77.6**	67.9

Shares and holdings are specified in Note 27.

14. INVENTORIES

	1999	**1998**
Materials and supplies	**187.1**	165.8
Work in process	**15.1**	19.0
Finished goods	**252.3**	241.8
Advances paid	**1.4**	2.6
Total	**455.9**	429.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET (EUR million)	**1999**	1998
15. RECEIVABLES		
Long-term receivables		
Interest-bearing long-term receivables		
Loan receivables from associates	**–**	0.8
Loan receivables from others	**–**	0.1
Other receivables from others	**0.1**	0.1
Total interest-bearing long-term receivables	**0.1**	1.0
Interest-free long-term receivables		
Prepaid expenses and accrued income from others	**4.3**	0.3
Accounts receivable from others	**5.5**	10.7
Other receivables from others	**0.8**	0.6
Total interest-free long-term receivables	**10.6**	11.6
Total long-term receivables	**10.7**	12.6
Current receivables		
Interest-bearing short-term receivables		
Loan receivables from associates	**2.6**	–
Loan receivables from others	**9.5**	3.2
Other receivables from others	**11.3**	14.0
Total interest-bearing short-term receivables	**23.4**	17.2
Interest-free short-term receivables		
Accounts receivable from associates	**4.1**	3.6
Accounts receivable from others	**471.6**	393.3
Advances paid from others	**2.7**	1.8
Prepaid expenses and accrued income from others	**22.5**	26.0
Other receivables from associates	**0.9**	0.2
Other receivables from others	**37.2**	29.5
Total interest-free short-term receivables	**539.0**	454.4
Total current receivables	**562.4**	471.6
Total receivables	**573.1**	484.2
Loans to the management of the Group companies	**–**	0.1

16. SHAREHOLDERS' EQUITY

	Share capital	Share premium account	Revaluation-reserve and other funds	Translation reserve	Retained earnings	Total
Shareholder's equity at 1 Jan.1998	216.6	252.9	17.9	–18.3	454.2	923.3
Change in accounting principles [1]	–	–	–	–	–9.2	–9.2
Net profit for the financial year	–	–	–	–	78.6	78.6
Dividends paid	–	–	–	–	–36.8	–36.8
Exchange differences	–	–	–	–18.6	–	–18.6
Other changes	–	–	–1.0	–	–0.4	–1.4
Transfers	–	–	–4.6	–	4.6	–
Shareholder's equity at 31 Dec. 1998	216.6	252.9	12.3	–36.9	491.0	935.9
Shareholder's equity at 1 Jan. 1999	216.6	252.9	12.3	–36.9	491.0	**935.9**
Change in accounting principles [1]	–	–	–	–	18.6	**18.6**
Net profit for the financial year	–	–	–	–	29.9	**29.9**
Dividends paid	–	–			–36.8	**–36.8**
Exchange differences	–	–	–	26.6	–	**26.6**
Own shares	–	–	–	–	–5.8	**–5.8**
Other changes	–	–	0.2	–	–0.9	**–0.7**
Transfers	0.4	–0.4	–	–	–	**–**
Shareholder's equity at 31 Dec. 1999	**217.0**	**252.5**	**12.5**	**–10.3**	**496.0**	**967.7**

[1] The change in accounting principles includes a charge of EUR 9.2 million for the deferred tax liability on revaluations (IAS 12) in 1998, and an increase in equity of EUR 18.6 million after taxes for the change in accounting policy for major maintenance works (IAS 37). The change in accounting policy for maintenance works, after tax, was a charge of EUR 0.1 million in the income statement in 1999.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET (EUR million)

The Group's non-restricted shareholders' equity, which limits the parents company's dividend payout, was EUR 351.4 million in 1999 and EUR 318.1 million in 1998. This figure is obtained by adding to retained earnings the net income for the financial year and subtracting from it the proportion of untaxed reserves which has been transferred to shareholders' equity and own shares. Research, establishment and development expenses that have a limiting effect on the distribution of profits have not been capitalized in the balance sheet.

Details of the company's breakdown of shareholders' equity and the regulations of the Articles of Association are given on page 14. In 1999 the company purchased 1,000,000 of its own shares, which represent 0.8% of the aggregate votes conferred by all the shares and 0.5% of the share capital.

17. APPROPRIATIONS

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

	1999	1998
Of which equity	**134.3**	136.0
Of which deferred tax liability	**54.8**	53.8
Total accumulated depreciation difference	**189.1**	189.8

18. LONG-TERM INTEREST-BEARING LIABILITIES

Debentures and other bond loans	**61.7**	61.7
Loans from financial institutions	**398.6**	293.2
Loans from pension institutions	**296.4**	334.1
Other long-term liabilities to associated companies	**0.4**	–
Other long-term liabilities to others	**91.7**	96.4
Total	**848.8**	785.4
Long-term interest-bearing liabilities maturing in		
2001 (2000)	**44.6**	29.8
2002 (2001)	**33.6**	50.5
2003 (2002)	**192.8**	39.8
2004 (2003)	**150.7**	175.7
2005 (2004) or later	**427.1**	489.6
Total	**848.8**	785.4
Interest-bearing liabilities maturing in 5 years or longer		
Loans from financial institutions	**99.7**	145.2
Loans from pension institutions	**283.9**	274.9
Other long-term interest-bearing liabilities	**43.5**	69.5
Total	**427.1**	489.6

Other long-term liabilities include a EUR 0.1 million issue of bonds with warrants offered to senior management. The issue is described in greater detail on page 10.

Long-term loans by currency, %		
EUR	**35**	–
FIM	**18**	46
SEK	**15**	14
BEF	**1**	7
USD	**11**	9
DKK	**5**	6
GBP	**7**	7
NLG	**–**	6
DEM	**–**	2
Other	**8**	3
Total	**100**	100

The Group has no convertible bonds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET (EUR million)			**1999**	1998
Debentures and other bond loans				
Loan		Loan currency		
FI 0003008581	1998-2003	EUR	**45.2**	45.2
FI 0003008599	1998-2006	EUR	**16.5**	16.5
Total			**61.7**	61.7

19. DEFERRED TAX LIABILITIES

	1999	1998
Deferred tax liabilities	**82.3**	82.6
Deferred tax assets	**25.7**	18.9
Net deferred tax liabilities	**56.6**	63.5
Temporary differences	**9.1**	14.7
Untaxed reserves	**54.8**	53.8
Consolidation entries	**–7.3**	–5.0
Total	**56.6**	63.5

Deferred tax liabilities and tax assets have been calculated according to IAS regulations, effective from 1 January 1998.

The deferred tax liabilities related to untaxed reserves of the Finnish Group companies amounted to EUR 54.8 million in 1999 and EUR 53.8 millon in 1998. The deferred tax assets are mainly tax assets from tax losses, finance lease and intra-Group profits.

20. PROVISION FOR LIABILITIES AND CHARGES

	1999	1998
Pension liabilities		
Uncovered liabilities of pension funds	**0.4**	0.7
Other pension liabilities	**18.3**	22.8
Total	**18.7**	23.5
Other provisions for liabilities and charges		
Provisions for reorganization	**7.0**	6.8
Provision for accidents and enviromental liabilities	**7.5**	6.8
Other provisions	**6.0**	6.9
Total	**20.5**	20.5
Total provision for liabilities and charges	**39.2**	44.0

Provisions for liabilities and charges are expected to fall due in a year at the earliest. Short-term provisions (EUR 20.8 million in 1999 and EUR 12.4 million in 1998) are included in accrued expenses and prepaid income.

21. CURRENT LIABILITIES

	1999	1998
Interest-bearing short-term liabilities		
Loans from financial institutions	**28.6**	40.0
Loans from pension institutions	**3.2**	3.8
Current portion of other long-term loans to others	**19.4**	21.5
Bills of exchange from others	**2.4**	2.1
Other interest-bearing short-term liabilities to associates	**1.2**	0.5
Other interest-bearing short-term liabilities to others	**118.7**	134.7
Total interest-bearing short-term liabilities	**173.5**	202.6
Interest-free short-term liabilities		
Advances received from others	**18.5**	17.1
Accounts payable to associates	**0.8**	0.6
Accounts payable to others	**235.3**	195.5
Accrued expenses and prepaid income to others	**202.3**	168.2
Other interest-free short-term liabilities to others	**45.0**	27.0
Total interest-free short-term liabilities	**501.9**	408.4
Total current liabilities	**675.4**	611.0

Accrued expenses
Accrued expenses and prepaid income in 1999 include mainly salaries, personnel expenses, interests and taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET (EUR million)	**1999**	1998

22. NET LIABILITIES

Interest-bearing long-term liabilities	**848.8**	785.4
Interest-bearing short-term liabilities	**173.5**	202.6
Securities	**–42.4**	–39.9
Cash and bank	**–46.0**	–55.6
Total	**933.9**	892.5

23. PENSION LIABILITIES ACCORDING TO IAS 19

Present value of funded obligations as at 31.12.1998	**830.4**	–
Fair value of plan assets as at 31.12.1998	**–836.9**	–
Present value of unfunded obligations as at 31.12.1998	**6.1**	–
Net liability in the balance sheet as at 31.12.1998	**–0.4**	–
Increase in the liability in 1999	**7.7**	–
Liability at 31.12.1999	**7.3**	–
Increase in the net liability is the following:		
Current service cost	**10.6**	–
Interest on obligation	**44.4**	–
Expected return on plan assets	**–40.9**	–
Other	**0.5**	–
Contributions to pension plans	**–6.9**	–
Total	**7.7**	–

24. THE FINANCIAL IMPACT OF IAS 19

If IAS 19 had been applied in the consolidated financial statements and the increase in liabilities resulting from the changeover had been entered in its entirety in the income statement, earnings for 1999 would have been EUR 7.7 million smaller, shareholders' equity EUR 7.3 million smaller (EUR 0.4 million larger at 31 December 1998) and net debt EUR 7.3 million larger (EUR 0.4 million smaller at 31 december 1998) than in the financial statements prepared at 31 December 1999.

25. COLLATERAL AND CONTINGENT LIABILITIES

Loans secured by mortgages in the balance sheet and for which mortgages given as collateral		
Loans from financial institutions	**10.0**	8.2
Mortgages given	**9.9**	9.9
Loans from pension institutions	**89.1**	111.2
Mortgages given	**110.9**	142.1
Other loans	**6.6**	1.1
Mortgages given	**6.9**	5.7
Total mortgage loans	**105.7**	120.5
Total mortgages given	**127.7**	157.7
Contingent liabilities		
Assets pledged		
On behalf of own commitments	**7.0**	10.4
On behalf of others	**1.1**	1.1
Guarantees		
On behalf of associates	**39.7**	24.4
On behalf of others	**4.2**	8.3
Leasing obligations [1)]	**5.1**	4.8
Other obligations		
On behalf of associates	**1.2**	1.1
On behalf of others	**1.0**	1.0

In liabilities there are EUR 55.5 million of debts related to finance lease.

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

1) Commitments for paying leasing rents in future years total EUR 13.8 million.

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

26. MANAGEMENT OF FINANCIAL RISKS

The Group's Treasury functions are managed on a centralized basis. Treasury Management functions as an internal bank via which the subsidiaries handle all their borrowing, investment and hedging needs. Treasury Management also sees to the investment of liquid funds, the management of interest rate and foreign exchange risk as well as the maintenance of cash pools. The policy of Kemira's Treasury operations is approved by the company's Board of Directors. In addition, the Management Board confirms an action plan for treasury operations each year. The objective of financial risk management is to protect the company from unfavourable changes occurring in the financial markets and thus to contribute to safeguarding the company's earnings trend and its shareholders' equity. The company employs various financial instruments, such as forward rate agreements, options and futures, within the framework of the limits which have been set. Only such instruments are used whose market values and risks can be tracked continually and reliably within the company's risk management system. Derivative instruments are used only for hedging purposes, not for speculative gain.

Foreign exchange risk

The introduction of the euro has reduced the Group's currency flow exposure. The majority of the Group's production in the euro zone is also sold within the area. Currency flow risk nevertheless arises from net currency flows in other currencies than the home currency, both within and outside of the euro zone. Also, the translation into euro of the result and balance sheet items of companies outside of the euro zone causes currency risk.
Currency flow exposure is hedged selectively in such a way that already assured foreign currency flows are hedged completely and a part of the forecast cash flows are hedged, to an increasing extent, the more probable it is that the flow will materialize. The basic guideline is that a minimum of 30% of the foreign currency flow that is forecast for the next 12 months must be hedged. Each subsidiary is separately responsible for taking its own hedging decisions. The hedging undertaken by the subsidiaries is supplemented, according to the Group's needs, by means of Group-level hedging measures that are carried out by Group Treasury and for which the limit set for 1999 was EUR 35 million. On a monthly basis, an average of about EUR 14 million of this limit was in use. As part of this position, measures are taken to ensure that both external and internal borrowing and lending in foreign currency are nearly fully in balance. Hedging measures at the Group level had limits relating to both the nominal value and the market value, and the actual figures were tracked daily. In future the monitoring of currency flow exposure will be changed because as a rule 50 % of the net foreign currency flow that is forecast for the next twelve months will be hedged. This includes both hedging orders submitted by subsidiaries and hedging at the group level. Treasury Management has an authorisation to diverge by +/- EUR 100 million from this 50 % level. The hedging of this forecast cash flow must nevertheless always be a minimum of 30 % and a maximum of 100 %. Use of the limits are tracked daily. In 1999 the total volume of all external foreign exchange contracts and options was about EUR 4000 million. This figure includes transactions made both on behalf of subsidiaries and at the group level.
The Group strives to hedge balance sheet risk by keeping foreign currency-denominated liabilities in balance, currency by currency, with the asset items in the balance sheet. The foreign currency-denominated shareholders' equity items of subsidiaries are hedged against foreign exchange fluctuations in accordance with the so-called equity hedging method by means of long-term foreign currency-denominated loans as well as by forward rate agreements and currency swaps. Because euro interest rates are clearly lower than, say, the interest rates for the US dollar and the British pound, balance sheet hedging by means of foreign currency loans results in a substantial cost, which is taken into account when taking decisions regarding hedging. In hedging balance sheet risk, the equity ratio was monitored such that if a change of +/- 2.5% in the foreign exchange rates caused a one percentage point change in the equity ratio, hedging measures had to be undertaken. For 2000, the new range of fluctuation for changes in foreign exchange rates is +/- 5 %, which may cause a max. 1.5 percentage point change in the equity ratio. In practice this means that in the balance sheet the value of unhedged shareholders' equity could be a maximum of EUR 500 million in 1999, whereas in future this limit will be EUR 375 million. The degree of hedging of shareholders' equity in currencies outside the euro area was about 25% at the end of 1999. The largest unhedged exposures are in Swedish kronor and British pounds.

Interest rate risk

In accordance with the Group's risk management policy, the objective is to hedge against significant interest rate risks. In order to manage interest rate risks, the Group's borrowing and investments are spread out between fixed and variable interest rate instruments. In addition, interest rate swaps and forward rate agreements are used actively, as are other derivatives. A maximum of 50% of the Group's long-term liabilities can be fixed-rate borrowings. At the end of 1999, 28% of the Group's entire loan portfolio consisted of fixed-interest borrowings. Pension loans are considered to be variable-interest loans. Treasury Management also monitors the duration of the loan portfolio as well as its sensitivity to changes in the interest rate curve. The average duration of the entire loan portfolio at the end of 1999 was about 16 months, with the duration for pension loans set at one year. In 2000 the duration of the loan portfolio can very in a range of 6 - 24 months. In 1999 a change of one percentage point in the interest rate curve was allowed to cause a maximum change of EUR 13.5 million in the market value of the asset/liability portfolio. During 1999 a change of one percentage point would have led on average to a change of about EUR 8 million in the asset/liability porfolio. For 2000, the new limit is EUR 15 million. By a decision of the Management Board, the limits can be changed in accordance with the market situation. As a consequence of this policy, the Group's average interest rate level has in general been higher than the market level of short-term interest rates when low rates prevail and, on the other hand, lower than the market level when high rates prevail.

Counterparty risk

Counterparty risk is due to the fact that a contractual party to a financing transaction is not necessarily able to fulfil its obligations under the agreement. Counterparty risks in treasury operations are mainly connected with investing funds and with the counterparty risks of derivative contracts. The Group accepts as its counterparty only financial institutions that have a good credit rating. At present there are more than 20 approved counterparties. A counterparty that has received a credit rating under the A level or that is unrated must have a separate approval. At present this condition applies only to a few counterparties. Before being accepted as a counterparty, the financial institution must go through a special approval process. In addition, Treasury Management approves the new banking relationships of subsidiaries. Counterparty risk is monitored on a monthly basis by defining from the market values of receivables the maximum risk associated with each counterparty. For each financial institution, there is an approved limit. Of these limits, the maximum amount in use at the turn of the year was 33 %. Short-term investments are made in liquid instruments that have a low risk. Credit risks in treasury operations did not result in credit losses during the financial year.

Funding risk

The Group diversifies its funding risk by obtaining financing from different sources in different markets. The Group has bank loans, pension loans, insurance company loans, a Medium Term Note Programme as well as short-term domestic and foreign commercial paper programmes. The objective is to balance the maturity schedule of the bond and loan portfolio and to maintain a sufficiently long maturity for long-term loans. The Group's solvency and funding arrangements are safeguarded by maintaining good liquidity and by means of revolving credit facilities. The Group has a commercial paper programme, providing for the raising of a maximum of EUR 150 million as well as a Euro Commercial Paper (ECP) programme, within which a maximum of USD 200 million can be raised. The ECP programme was used to a very minor extent in 1999. The Group's average liquidity in 1999 was EUR 91 million. At the end of 1999 the liquidity was EUR 88 million as well as an unutilized revolving credit facility of about EUR 260 million, or a total of EUR 348 million. The management of liquidity is being developed continually through more effective use of the Group's cash pool arrangements. The introduction of the euro from the beginning of 1999 and the euro cash pool that is to be developed as a consequence of it will facilitate the management of liquid funds considerably. As plans now stand, a euro cash pool will be started up stage by stage during 2000.

Documentation risk

The Group's documentation risk of financing agreement is managed by concentrating the approval of financing agreements within Group Treasury as well as by using standardized agreement models.

Financial instruments	**31.12.1999**		31.12.1998	
	Nominal value	**Fair value**	Nominal value	Fair value
Currency instruments				
Forward contracts	**318.9**	**1.9**	378.9	–4.2
Of which for hedging of future currency flows	**47.7**	**3.2**	125.2	–2.5
Currency options				
Bought	**5.8**	**0.1**	38.7	0.9
Sold	**11.6**	**–0.5**	59.3	–0.9
Currency swaps	**183.2**	**–9.9**	198.9	–5.6
Interest rate instruments				
Interest rate swaps	**173.9**	**–3.6**	120.5	–6.3
Forward rate agreements	**290.0**	**–**	321.2	0.1
Of which open	**–**	**–**	15.8	0.1
Bond futures	**2.0**	**–**	–	–
Of which open	**–**	**–**	–	–

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

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

27. SHARES AND HOLDINGS OF GROUP COMPANIES

			Holding %
Associated companies [1]			
A/S Ammonia	Fredericia	Denmark	33.3
Alufluor AB	Helsingborg	Sweden	50.0
Aluminium Sulphate Co. of Egypt, S.A.E.	Cairo	Egypt	26.1
Aquanorm V.O.F.	Gorinchem	The Netherlands	50.0
Corob India PVT.LTD	Mumbai	India	25.5
DA Kemikaalide AS	Tallinn	Estonia	40.0
Farmit Website Oy	Helsinki	Finland	33.3
Indkoebsselskabet for Kali I/S	Fredericia	Denmark	50.0
Kemax B.V.	Rozenburg	The Netherlands	50.0
Kemira Arab Potash Company	Amman	Jordan	48.0
Kemira Compound Fertiliser (Zhanjiang) Co. Ltd.	Zhanjiang	China	49.0
Kemira Emirates Fertilizer Company (Kefco)	Dubai	United Arab Emirates	39.8
Kemira Kuok Fertilizer Sdn. Bhd.	Kuala Lumpur	Malaysia	30.0
Kemira Thai Co. Ltd	Bangkok	Thailand	49.5
Kemira Trading Oy	Helsinki	Finland	100.0
Kemira-Ube Ltd	Tokyo	Japan	50.0
Kemwater Phil., Corp.	Manila	Philippines	40.0
Kemwater (Yixing) Co., Ltd	Yixing City	China	49.0
KK Animal Nutrition (Pty) Ltd.	Durban	South Africa	50.0
Movere Oy	Lahti	Finland	40.0
Oy Polargas Ab	Oulu	Finland	30.0
PK Düngerhandelsgesellschaft m.b.H.	Hannover	Germany	50.0
Seco S.A.	Ribécourt	France	49.9
Superstar Fertilizers Co. Ltd	Bangkok	Thailand	40.0
Spruce Vakuutus Oy	Helsinki	Finland	100.0
Swedish Water Corporation AB	Stockholm	Sweden	25.0
UAB Kemira Lifosa	Kedainiai	Lithuania	33.1
Union Kemira Co.	Abu Dhabi	United Arab Emirates	49.0
Varteko Valduse AS	Pärnu	Estonia	41.8

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

Other shares and holdings		
Ekokem Oy Ab	Finland	3.0
Peder P. Hedegaard A/S	Denmark	5.0
Vierumäen Kuntokylä Oy	Finland	8.0
Forcit Oy	Finland	15.4
Suomen Rehu Oy	Finland	19.9

A list of consolidated subsidiaries is on pages 70–71.

28. SEGMENT DATA

Primary segment - business segment

The Group is organized into the following main business areas: Kemira Chemicals, Tikkurila, Kemira Agro and Kemira Pigments.

Intra-Group transfer prices are based primarily on market prices. In some cases, for example, where marketing companies are involved, cost-based prices are used, thereby including the margin (so-called cost plus method).

The assets and liabilities of businesses comprise asssets and liabilities which can be allocated, directly or justifiably, to the businesses in question. The assets of the business segments include tangible and intangible assets, interest in associated companies, inventories and non-interest-bearing receivables. Short-term non-interest-bearing liabilities are included in the liabilities of the business segments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Sagment data (EUR million)

1999	Kemira Chemicals	Tikkurila	Kemira Agro	Kemira Pigments	Other	**Group**
Income statement						
External net sales	629.4	357.3	1,000.4	477.7	61.4	**2,526.2**
Intra-Group sales	67.6	0.2	14.3	10.8	–92.9	**–**
Net sales, total	697.0	357.5	1,014.7	488.5	–31.5	**2,526.2**
Share of associates' profits	2.9	–	–0.5	–	0.4	**2.8**
Operating income	83.2	23.1	–38.8	34.9	8.6	**111.0**
Other information						
Assets of businesses	777.2	297.5	792.5	538.4	58.5	**2,464.1**
of which holdings in associated companies	29.3	–	16.5	0.6	4.3	**50.7**
Unallocated assets						**138.8**
Consolidated assets, total						**2,602.9**
Liabilities of businesses	112.1	59.1	231.4	93.0	6.0	**501.6**
Unallocated liabilities						**1,118.4**
Consolidated liabilities, total						**1,620.0**
Capital expenditure	48.9	22.6	47.4	46.2	3.0	**168.1**
Depreciation	56.0	18.1	64.2	46.2	3.6	**188.1**
Cash flow						
Operations	75.0	27.5	36.5	55.1	–13.2	**180.9**
Capital expenditure	–48.5	–20.5	–46.3	–46.2	11.9	**–149.6**
Financing	–14.5	–5.8	3.7	–1.4	–20.4	**–38.4**

1998						
Income statement						
External net sales	566.6	360.5	1,011.1	411.8	62.7	**2,412.7**
Intra-Group sales	63.1	–	19.2	11.1	–93.4	**–**
Net sales, total	629.7	360.5	1,030.3	422.9	–30.7	**2,412.7**
Share of associates' profits	4.0	–	–0.1	–	1.1	**5.0**
Operating income	75.1	32.6	18.7	22.3	–0.6	**148.1**
Other information						
Assets of businesses	707.2	285.2	771.8	485.6	63.3	**2,313.1**
of which holdings in associated companies	26.7		9.1	0.6	5.2	**41.6**
Unallocated assets						**140.0**
Consolidated assets, total						**2,453.1**
Liabilities of businesses	149.2	82.0	195.9	87.5	–106.2	**408.4**
Unallocated liabilities						**1,095.5**
Consolidated liabilities, total						**1,503.9**
Capital expenditure	126.3	22.8	62.1	40.4	3.9	**255.5**
Depreciation	48.2	16.1	57.2	44.1	5.1	**170.7**
Cash flow						
Operations	79.4	9.0	19.4	37.4	–22.5	**122.7**
Capital expenditure	–125.3	–15.4	–61.0	–37.9	1.8	**–237.8**
Financing	57.0	7.6	15.0	–8.3	1.8	**73.1**

Secondary segment - Geographical segment

	1999	1998
Net sales		
Finland	**453.5**	497.2
Other EU countries	**1,324.5**	1,275.3
Rest of Europe	**211.7**	206.1
North and South America	**328.9**	267.7
Asia	**167.8**	124.5
Other countries	**39.8**	41.9
Total	**2,526.2**	2,412.7
Assets (tangible and intangible fixed assets)		
Finland	**535.5**	531.1
Other EU countries	**603.8**	608.8
Rest of Europe	**34.5**	27.9
North and South America	**190.0**	170.9
Asia	**42.4**	37.6
Other countries	**1.7**	–
Total	**1,407.9**	1,376.3
Capital expenditure		
Finland	**77.6**	82.7
Other EU countries	**58.9**	71.0
Rest of Europe	**9.8**	8.6
North and South America	**20.4**	52.3
Asia	**1.3**	40.8
Other countries	**0.1**	0.1
Total	**168.1**	255.5

29. CHANGES IN GROUP STRUCTURE

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

- A. Jalander Eesti Oü, a wholly-owned subsidiary of A. Jalander Oy that was established in Estonia, began operations.
- Kemira Agro Oy acquired a 50% stake in the Italian company Biolchim S.p.A., which will operate as a joint venture.
- Tikkurila Paints Oy established a wholly-owned subsidiary in Moscow. The company's name is OOO Kraski Tikkurila.
- Kemira Agro Oy established an associated company in Dubai, United Arab Emirates, together with Union Kemira Co. and Emirates Food Company (EFC). The holdings are 30%, 20% and 50%, respectively. The company's name is Kemira Emirates Fertilizer Company (Kefco).
- Kemira Agro Oy acquired a 33.3% holding in Farmit Website Oy, a company in Helsinki.
- Kemira Agro Oy established an associated company in Jordan under the name Kemira Arab Potash Company. Its stake in the company is 48%. The new company is owned by Kemira Danmark A/S.
- Kemira Chemicals Oy established an associated company in China under the name Kemwater (Yixing) Co., Ltd. The stake in the company is 49%.
- Kemira Chemicals Oy established in Hungary a wholly-owned marketing company named Kemira Chemicals Hungaria KFT.
- On 21 December 1999 Kemira Chemicals Oy established in Canada a company named Kemira Chemicals Canada NRO, Inc.
- In January 2000 Kemira Chemicals Oy and the City of Helsinki established a company named Kemwater Services Oy, which will be engaged in the treatment of waste water. Kemira Chemicals Oy has a 51% holding in the company and the City of Helsinki has 49%.
- Kemira Agro increased its ownership in Chinese Kemira Compound Fertiliser (Zhanjiang) Co. Ltd. from 35% to 49%.

Changes in holdings in Group companies within the Group

- Kemira N.I. Ltd was merged with Kemira Agro U.K. Ltd, and Kemira Agro U.K. Ltd became the parent company of Kemira Ireland Ltd.
- Kemira Chemicals Oy sold the company named Kemira Kemwater GmbH to Tikkurila Coatings Oy. The company's name was changed to Tikkurila Coatings GmbH.
- Corob S.p.A. was merged with Taotek S.p.A. on 31 December 1999. In connection with the merger, Taotek S.p.A.'s name was changed to Corob S.p.A.
- In Denmark Kemira Oyj established a company named Kemira Danmark Holding A/S, to which Kemira Danmark A/S was transferred from the ownership of Kemira Agro Oy and Kemira Miljø A/S was transferred from the ownership of Kemira Kemi AB.

Name changes

- Taotek North America Inc changed its name to Corob North America Inc.
- Taotek Asia Ltd was renamed Corob Ltd.
- AS Tikkurila International Coatings was renamed AS Tikkurila Coatings.
- Kemira Color B.V.'s name was changed as from 1 January 2000 to Tikkurila Coatings B.V.
- Kemira Coatings Ltd's name was changed as from 1 January 2000 to Tikkurila Coatings Ltd.
- Kemira Coatings (Ireland) Ltd's name was changed as from 1 January 2000 to Tikkurila Coatings (Ireland) Ltd.

KEMIRA OYJ FINANCIAL STATEMENTS

INCOME STATEMENT (EUR million)

	Note	1.1. – 31.12. 1999	1998
Net sales	1	**27.2**	31.7
Other income from operations	2	**9.8**	0.5
Cost of sales	3, 4	**–32.5**	-37.1
Depreciation	5	**–1.0**	-1,8
Operating income		**3.5**	-6.7
Financing income and expenses	6	**16.5**	8.2
Income before extraordinary items, appropriations and taxes		**20.0**	1.5
Extraordinary items	7	**81.6**	106.1
Income before appropriations and taxes		**101.6**	107.6
Appropriations	5	**0.0**	0.8
Direct taxes	9	**–28.4**	-30.4
Net income		**73.2**	78.0

CASH FLOW STATEMENT (EUR million)

	1999	1998
Funds from operations		
Operating income	**3.5**	-6.7
Depreciation	**1.0**	1.7
Interest income	**31.0**	26.0
Interest expense	**–22.5**	-17.4
Dividend received	**1.3**	3.5
Other financing items	**17.4**	2.9
Taxes	**–20.4**	-23.7
Total funds from operations	**11.3**	-13.7
Change in net working capital		
Short-term receivables	**–2.7**	30.0
Non-interest-bearing short-term liabilities	**7.5**	-41.1
Change in net working capital, total	**4.8**	-11.1
Cash flow from operations	**16.1**	-24.8
Capital expenditure		
Acquisitions of Group companies	**–66.3**	-9.7
Acquisitions of associated companies	**–**	-1.4
Purchase of other fixed assets	**–0.8**	-0.6
Disposal of associated companies	**–**	0.8
Sales of other fixed assets	**0.2**	0.3
Total capital expenditure	**–66.9**	-10.6
Cash flow before financing	**–50.8**	-35.4
Financing		
Change in long-term loans (increase +, decrease -)	**120.8**	94.5
Change in long-term loan receivables (increase -, decrease +)	**–47.6**	-90.4
Short-term financing, net (increase +, decrease -)	**–28.3**	124.8
Group contribution	**109.1**	62.4
Dividend paid	**–36.8**	-36.8
Other	**–5.9**	-0.1
Financing, total	**111.3**	154.4
Increase / decrease in liquid funds	**60.5**	119.0
Liquid funds at end of year	**337.0**	276.5
Liquid funds at beginning of year	**276.5**	157.5
Increase / decrease in liquid funds	**60.5**	119.0

BALANCE SHEET (EUR million)

	Note	31.12. 1999	1998
ASSETS			
Non-current assets			
Intangible assets	10	**0.4**	0.3
Tangible assets	11	**21.4**	21.9
Investments	12		
Shares in Group companies		**434.7**	380.0
Holdings in associates		**5.0**	5.0
Other shares and holdings		**3.1**	3.1
Own shares		**5.8**	-
Total investments		**477.3**	429.7
Other investments		**925.9**	817.8
Total non-current assets		**947.7**	840.0
Current assets			
Receivables	13		
Interest-bearing receivables		**114.1**	70.6
Interest-free receivables		**123.4**	136.7
Total receivables		**237.5**	207.3
Securities	14	**334.3**	272.3
Cash and bank		**2.7**	4.2
Total current assets		**574.5**	483.8
Total assets		**1,522.2**	1,323.8

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	1999	1998
Shareholders' equity	15		
Share capital		**217.0**	216.6
Share premium account		**252.5**	252.9
Reserve for own shares		**5.8**	-
Retained earnings		**184.9**	149.5
Net profit for the financial year		**73.2**	78.0
Total shareholders' equity		**733.4**	697.0
Appropriations	16	**0.5**	0.5
Long-term liabilities			
Interest-bearing long-term liabilities	17	**525.2**	385.1
Interest-free long-term liabilities	18	**–**	1.5
Total long-term liabilities		**525.2**	386.6
Current liabilities	19		
Interest-bearing short-term liabilities		**217.5**	202.8
Interest-free short-term liabilities		**45.6**	36.9
Total current liabilities		**263.1**	239.7
Total liabilities		**788.3**	626.3
Total liabilities and shareholders' equity		**1,522.2**	1,323.8

NOTES TO KEMIRA OYJ FINANCIAL STATEMENTS
INCOME STATEMENT (EUR million)

1. NET SALES

	1999	1998
Net sales	**27.2**	31.7

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

2. OTHER INCOME FROM OPERATIONS

	1999	1998
Gains on the sale of fixed assets	**9.3**	0.1
Other income	**0.5**	0.4
Total	**9.8**	0.5

3. COST OF SALES

	1999	1998
Materials and services		
Materials and supplies		
Purchases during the financial year	**20.8**	25.6
External services	**–**	0.2
Total materials and services	**20.8**	25.8
Personnel expenses	**6.4**	5.9
Rents	**2.3**	2.5
Losses on the sales of fixed assets	**0.0**	0.0
Other expenses	**3.0**	2.9
Total	**32.5**	37.1

4. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

	1999	1998
Emoluments of the Supervisory Board	**0.1**	0.0
Emoluments of boards of directors and managing directors [1)]	**0.9**	0.8
Other wages and salaries	**4.2**	4.0
Pension expenses	**0.7**	0.6
Other personnel expenses	**0.5**	0.5
Total	**6.4**	5.9

1) Performance-related bonuses were not paid to management in 1999, whereas in 1998 performance-related bonuses amounted to EUR 0.03 million.

Management's pension commitments
The managing director and deputy managing director of Kemira Oyj are entitled to retire at the age of 60.This possibility is based on the benefits of the supplementary pension foundation that has been closed to new menbers since 1 January 1991.The supplementary pension foundation's benefits concern all the personnel whose years of service and other conditions concerning the granting of a pension have been fulfilled.

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

Personnel	1999	1998
Personnel average	**132**	133
Personnel at year end	**133**	130

5. DEPRECIATION

	1999	1998
Scheduled depreciation		
Intangible assets		
Intangible rights	**0.1**	0.1
Other long-term expenditures	**0.0**	0.1
Tangible assets		
Buildings and constructions	**0.3**	0.9
Machinery and equipment	**0.6**	0.7
Other tangible assets	**0.0**	0.0
Total	**1.0**	1.8
Decrease in difference between scheduled and actual depreciation		
Intangible assets	**0.0**	0.0
Other long-term expenditures	**–0.1**	0.0
Buildings and constructions	**–0.2**	0.4
Machinery and equipment	**0.3**	0.4
Total	**0.0**	0.8

6. FINANCING INCOME AND EXPENSES

	1999	1998
Financing income		
Dividend income		
Dividend income from Group companies	**–**	2.8
Dividend income from associates	**1.6**	0.5
Dividend income from others	**0.2**	1.5
Total dividend income	**1.8**	4.8
Interest income		
From long-term investments from Group companies	**26.5**	25.5
From short-term investments from Group companies	**12.6**	8.5
From short-term investments from others	**1.8**	3.6
Total interest income	**40.9**	37.6
Other financing income		
Other financing income from Group companies	**0.2**	0.2
Other financing income from others	**0.0**	0.1
Other financing income total	**0.2**	0.3
Exchange differences		
Exchange differences from Group companies	**75.2**	–
Exchange differences from others	**–69.3**	–
Total exchange differences	**5.9**	–
Total financing income	**48.8**	42.7
Financing expenses		
Interest expenses		
Interest expenses to Group companies	**–2.1**	0.5
Interest expenses to others	**–29.7**	–23.8
Total interest expenses	**–31.8**	–23.3
Other financing expenses	**–0.5**	–0.8
Exchange differences		
Exchange differences from Group companies	**–**	–24.7
Exchange differences from others	**–**	14.3
Total exchange differences	**–**	–10.4
Total financing expenses	**–32.3**	–34.5
Total financing income and expenses	**16.5**	8.2
Exchange gains and losses		
Realized	**17.7**	3.4
Unrealized	**–11.8**	–13.8
Total	**5.9**	–10.4

7. EXTRAORDINARY ITEMS

	1999	1998
Extraordinary income		
Group contribution received	**96.1**	112.0
Total	**96.1**	112.0
Extraordinary expenses		
Group contribution granted	**2.9**	2.5
Write-downs on shares	**11.6**	3.4
Total	**14.5**	5.9
Total extraordinary income and expenses	**81.6**	106.1

8. CHANGE IN APPROPRIATIONS

	1999	1998
Decrease in depreciation difference	**0.0**	0.8
Total	**0.0**	0.8

9. DIRECT TAXES

	1999	1998
Direct taxes on extraordinary items	**22.8**	29.7
Direct taxes, current year	**5.6**	0.6
Direct taxes, previous years	**0.0**	0.1
Other	**0.0**	0.0
Total	**28.4**	30.4

10. INTANGIBLE ASSETS

	Intangible rights	Other long-term expenditures	**1999 total**	1998 total
Acquisition cost at beginning of year	0.6	1.2	**1.8**	2.0
Increases	0.1	0.1	**0.2**	0.0
Decreases	0.0	–0.8	**–0.8**	–0.2
Acquisition cost at end of year	0.7	0.5	**1.2**	1.8
Accumulated depreciation at beginning of year	–0.4	–1.1	**–1.5**	–1.4
Accumulated depreciation relating to decreases and transfers	0.0	0.8	**0.8**	0.0
Depreciation during the financial year	0.0	–0.1	**–0.1**	–0.1
Accumulated depreciation at end of year	–0.4	–0.4	**–0.8**	–1.5
Net book value at end of year	0.3	0.1	**0.4**	0.3

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

11. TANGIBLE ASSETS	Land and water areas [1]	Buildings and constructions [2]	Machinery and equipment	Other tangible assets	Advances paid and fixed assets under construction	**1999 total**	1998 total
Acquisition cost at beginning of year	2.7	28.2	9.5	0.5	0.1	**41.0**	40.6
Increases	0.0	0.0	0.5	0.0	–0.1	**0.4**	0.6
Decreases	0.0	0.0	–1.2	0.0	0.0	**–1.2**	–0.2
Acquisition cost at end of year	2.7	28.2	8.8	0.5	0.0	**40.2**	41.0
Accumulated depreciation at beginning of year	0.0	–11.2	–7.5	–0.4	0.0	**–19.1**	–17.6
Accumulated depreciation relating to decreases and transfers	0.0	0.0	1.2	0.0	0.0	**1.2**	0.1
Depreciation during the financial year	0.0	–0.3	–0.6	0.0	0.0	**–0.9**	–1.6
Accumulated depreciation at end of year	0.0	–11.5	–6.9	–0.4	0.0	**–18.8**	–19.1
Net book value at end of year	2.7	16.7	1.9	0.1	0.0	**21.4**	21.9

1) The acquisition cost and the book value of land and water areas include revaluations of EUR 0.6 million in 1999 and in 1998.

2) The acquisition cost of buildings and constructions include revaluations of EUR 5.0 million in 1999 and in 1998.

12. INVESTMENTS	Holdings in associates	Group company and other shares	Investments in Group companies	Own shares	**1999 total**	1998 total
Acquisition cost at beginning of year	5.0	383.1	429.7	–	**817.8**	720.5
Increases	0.0	66.4	0.0	5.8	**72.2**	11.1
Decreases	0.0	–11.7	0.0	–	**–11.7**	–4.2
Receivables from Group companies	0.0	0.0	47.6	–	**47.6**	90.4
Net book value at end of year	5.0	437.8	477.3	5.8	**925.9**	817.8

Shares and holdings are specified in Note 21.

Taxable values of real estate and securities included in non-current assets	**1999**	1998
Land and water areas	**0.5**	0.5
Buildings and constructions	**14.3**	14.3
Shares in subsidiaries	**481.5**	421.5
Other shares and holdings	**5.4**	4.6

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

13. RECEIVABLES

	1999	1998
Long-term receivables		
Interest-free long-term receivables		
Receivable from pension liability at 1 Jan.	**1.5**	1.4
Transfer to other short-term interest-free receivables	**–1.5**	–
Increase / Decrease	**–**	0.1
Receivables from pension liability at 31 Dec.	**–**	1.5
Total interest-free long-tem receivables	**–**	1.5
Total long-term receivables	**–**	1.5
Current receivables		
Interest-bearing short-term receivables		
Loan receivables from Group companies	**114.1**	70.6
Total interest-bearing short-term receivables	**114.1**	70.6
Interest-free short-term receivables		
Accounts receivable		
Accounts receivable from Group companies	**3.2**	2.7
Accounts receivable from others	**1.0**	1.8
Total accounts receivable	**4.2**	4.5
Advances paid	**0.1**	0.1
Prepaid expenses and accrued income		
Prepaid expenses and accrued income from Group companies	**111.0**	124.7
Prepaid expenses and accrued income from others	**6.7**	5.9
Total prepaid expenses and accrued income	**117.7**	130.6
Other interest-free short-term receivables		
Receivables from pension liability at 1 Jan.	**–**	–
Transfer from long-term receivables	**1.5**	–
Decrease	**–0.2**	–
Receivable from pension liability at 31 Dec.	**1.3**	–
Other receivables		
Other receivables	**0.1**	–
Total other interest-free short-term receivables	**1.4**	–
Total interest-free current receivables	**123.4**	135.2
Total receivables	**237.5**	207.3
Loans to the management	**–**	–

	1999	1998
Prepaid expenses and accrued income		
From interests	**9.9**	11.5
From exchange differences	**5.9**	2.8
From Group contribution	**96.1**	112.0
Other	**5.8**	4.3
Total	**117.7**	130.6

14. SECURITIES

	1999	1998
Securities in Group companies	**308.2**	249.0
Securities in other companies	**26.1**	23.3
Total	**334.3**	272.3

15. SHAREHOLDERS' EQUITY

	1999	1998
Share capital at 1 Jan.	**216.6**	216.6
Change	**0.4**	–
Share capital at 31 Dec.	**217.0**	216.6
Share premium account at 1 Jan.	**252.9**	252.9
Change	**–0.4**	–
Share premium account at 31 Dec.	**252.5**	252.9
Fund for own shares at 1 jan.	**–**	–
Purchase of own shares	**5.8**	–
Funf for own shares at 31 Dec.	**5.8**	–
Retained earnings at 1 Jan.	**227.5**	186.3
Net profit for the year	**73.2**	78.0
Dividends paid	**–36.8**	–36.8
Purchase of own shares	**–5.8**	–
Donations	**0.0**	0.0
Retained earnings and net profit for the year at 31 Dec.	**258.1**	227.5
Total shareholders' equity at 31 Dec.	**733.4**	697.0

16. APPROPRIATIONS

	1999	1998
Appropriations		
Appropriations in the balance sheets are as follows:		
Buildings and constructions	**0.0**	–0.2
Machinery and equipment	**0.4**	0.7
Other tangible assets	**0.1**	0.1
Intangible rights	**0.0**	0.0
Other long-term expenditures	**0.0**	–0.1
Total	**0.5**	0.5
Change in appropriations		
Appropriations at 1 Jan.	**0.5**	1.3
Change in untaxed reserves	**0.0**	–0.8
Appropriations at 31 Dec.	**0.5**	0.5

Deferred tax liabilities on accumulated depreciations was EUR 0.1 million at 31 Dec.1999 and EUR 0.1 million at 31 Dec.1998.

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

17. LONG-TERM INTEREST-BEARING LIABILITIES

	1999	1998
Debentures and other bond loans	**61.7**	61.7
Loans from financial institutions	**380.7**	258.0
Loans from pension institutions	**56.3**	65.3
Other long-term liabilities	**26.5**	0.1
Total	**525.2**	385.1
Long-term interest-bearing liabilities maturing in		
2001 (2000)	**45.5**	0.4
2002 (2001)	**8.7**	17.5
2003 (2002)	**174.3**	7.1
2004 (2003)	**142.2**	134.8
2005 (2004) or later	**154.5**	225.3
Total	**525.2**	385.1
Liabilities maturing in 5 years or longer		
Loans from pension institutions	**56.3**	65.3
Other long-term liabilities	**98.2**	160.0
Total	**154.5**	225.3

Debentures and other bond loans

Loan		Loan currency	1999	1998
FI 0003008581	1998-2003	EUR	**45.2**	45.2
FI 0003008599	1998-2006	EUR	**16.5**	16.5
Total			**61.7**	61.7

The Group has no convertible bonds.

18. LONG-TERM INTEREST-FREE LIABILITIES

	1999	1998
Pension liabilities		
Uncovered liabilities of pension funds	**0.1**	0.1
Other pension liabilities	**1.4**	1.4
Transfer to other interest-free liabilities	**–1.5**	-
Total	**–**	1.5

19. CURRENT LIABILITIES

	1999	1998
Interest-bearing short-term liabilities		
Loans from financial institutions	**87.6**	101.0
Current portion of other long-term loans to others	**11.5**	30.8
Other interest-bearing short-term liabilities		
to Group companies	**79.2**	57.6
to others	**39.2**	13.4
Total interest-bearing short-term liabilities	**217.5**	202.8

Repayments of other long-term loans include EUR 0.1 million of bonds with warrants targeted at management. Details of the issue are given on page 14.

	1999	1998
Interest-free short-term liabilities		
Accounts payable		
to Group companies	**0.0**	0.0
to others	**3.0**	2.7
Total accounts payable	**3.0**	2.7
Accrued expenses and prepaid income		
to Group companies	**3.9**	6.7
to others	**37.4**	27.2
Total accrued expenses and prepaid income	**41.3**	33.9
Pension liabilities		
Transfer from interest-free long-term liablities	**1.5**	-
Change in pension liabilities	**–0.3**	-
Total pension liabilities	**1.2**	-
Other interest-free liabilities to others	**0.1**	0.3
Total interest-free short-term liabilities	**45.6**	36.9
Total current liabilities	**263.1**	239.7
Accrued expenses and prepaid income		
From salaries	**0.9**	0.9
From interests and exchange differences	**26.9**	22.4
From taxes	**7.6**	6.6
From Group contribution	**0.2**	0.2
Other	**5.7**	3.8
Total	**41.3**	33.9

20. COLLATERAL AND CONTINGENT LIABILITIES

	1999	1998
Loans secured by mortgages in the balance sheet and for which mortgages given as collateral		
Loans from pension institutions	**4.3**	5.0
Mortgages given	**5.0**	5.0
Contingent liabilities		
Assets pledged		
On behalf of own commitments	**0.2**	3.5
On behalf of Group companies	**10.9**	10.9
Guarantees		
On behalf of Group companies		
For loans	**70.0**	121.2
For leasing obligations	**54.1**	50.5
For other obligations	**7.7**	1.1
On behalf of associates	**20.2**	22.8
On behalf of others	**1.9**	2.2
Total	**153.9**	197.8
Letter of Comfort obligations [1]		
On behalf of Group companies		
For credits	**0.2**	2.0
For leasing agreements	**3.7**	4.5
Total	**3.9**	6.5

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

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

21. SHARES AND HOLDINGS OF KEMIRA OYJ

Shares in subsidiaries			Holding %
Kemira Agro Oy	Helsinki	Finland	100
Kemira Chemicals Oy	Helsinki	Finland	100
Kemira Pigments Holding B.V.	Rotterdam	The Netherlands	17.8 [1]
Kemira Metalkat Oy	Helsinki	Finland	100
Kemira Pigments Oy	Helsinki	Finland	100
Kemira Safety Oy	Helsinki	Finland	100
Tikkurila Oy	Helsinki	Finland	100
Spruce Vakuutus Oy	Helsinki	Finland	100
Kemira Danmark Holding A/S	Fredericia	Denmark	100
Other shares and holdings			
Ekokem Oy Ab		Finland	1.4
Forcit Oy		Finland	15.4
Innopoli Oy		Finland	0.7
Liikkeenjohdon koulutuskeskus		Finland	2.0
Luoston Huolto Oy		Finland	1.3
Tahkoluodon Polttoöljy Oy		Finland	6.8
Teollisuuden Voima Oy		Finland	1.9
Shares in housing and real estate companies			
Shares in telephone companies			

[1] The ownership of the Group is 100%.

PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The net profit of Kemira Oy for the 1999 financial year was EUR 73,241,803 and the distributable equity at 31 December 1999 was EUR 258,105,760. The Group's non-restricted equity was EUR 485,650,000. The parent company's payment of a dividend is limited by the Group's distributable equity, EUR 351,388,000, which is obtained when the share of untaxed reserves that has been transferred to shareholders' equity and own shares are subtracted from the non-restricted equity shown in the Consolidated Balance Sheet.

It is proposed to the Annual General Meeting that a dividend of EUR 0.23 per share, or EUR 29,624,000, be paid for the financial year. It is proposed that EUR 500,000 be reserved for use by the Board of Directors for purposes promoting the common good (among other things, for donations to the Kemira Oyj Foundation).

Helsinki, 14 February 2000

Sten-Olof Hansén

Niilo Pellonmaa *Timo Kaisanlahti*

Eija Malmivirta *Tauno Pihlava*

Anssi Soila

AUDITORS' REPORT

To the shareholders of Kemira Oyj

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 Oyj for the year ended 31 December 1999. 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 administration.

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, the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors on how to deal with the retained earnings is in compliance with the Finnish Companies Act.

Helsinki, 16 February 2000

KPMG WIDERI OY AB

Hannu Niilekselä
Authorized Public Accountant

STATEMENT OF THE SUPERVISORY BOARD

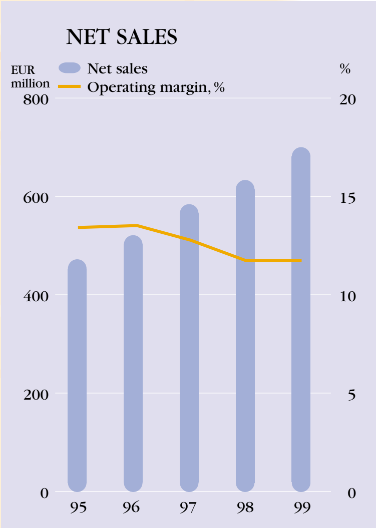
The Supervisory Board of Kemira Oyj has read the financial statements of the parent company and the Group for 1999 and studied the Auditors' report at its meeting today.

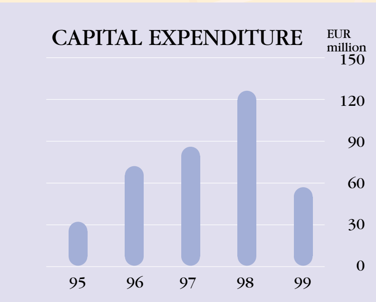
The Supervisory Board advises the 2000 Annual General Meeting that the company has been managed well and that it has no comments to make on the financial statements of the parent company and the Group for 1999. The Supervisory Board proposes that the financial statements of the parent company and the 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.

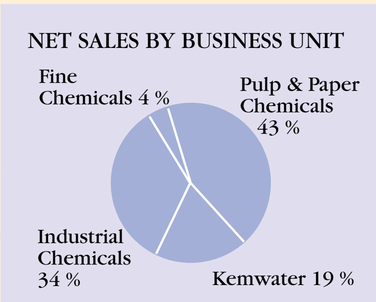
Helsinki, 17 February 2000

Timo Kalli	*Kari Rajamäki*
Hanna Markkula-Kivisilta	*Helena Rissanen*
Risto Ranki	*Sirpa Hertell*
Pekka Kainulainen	*Mikko Långström*

KEMIRA CHEMICALS







NET SALES AND PROFITS UP

It was a mixed year for Kemira Chemicals. There was wide variation among different products and different market areas: some products had good sales, whereas others faced conditions that were even tantamount to a price war. The chemical industry's difficulties in the wake of the Asian crisis continued in many fields. Within the pulp and paper industry, which is our most important customer group, business was depressed in the early months of the year, but by mid-year the demand for paper products and the price of pulp recovered. In the latter part of the year an upswing was already under way.

Kemira Chemicals continued its brisk growth in 1999. Net sales rose by 11% and were EUR 697 million (1998: EUR 630 million). Operating income was up 11% to EUR 83 million (EUR 75 million).

All the strategic business units increased their sales. Net sales of the Pulp and Paper Chemicals unit rose by 18% and were EUR 326 million. Kemwater's net sales were up 7% to EUR 145 million. Industrial Chemicals' net sales were EUR 256 million, an increase of 4%. Kemira Fine Chemicals Oy reported net sales of EUR 30 million, up 15%.

A LARGELY GOOD MARKET TREND

Pulp & Paper Chemicals. The rise in the rate of capacity utilization at pulp and paper mills in the latter half of the year showed up quickly in the sales volumes of the Pulp & Paper Chemicals unit.

The market situation for hydrogen peroxide varied from place to place. In Europe and Asia there was marginal growth, but in the United States and Canada it was quite brisk. This was due mainly to the fact that the American pulp industry went over to ECF bleaching and it was also attributable to the rise in the level of mechanical pulp bleaching. The price level of hydrogen peroxide was relatively stable and slightly rising.

Kemwater. The market for water treatment chemicals developed in line with expectations. Growth continued in eastern and southern Europe. The situation in the developing countries varied according to the economic situation of each country. In Asia the situation showed slight signs of a rebound, but a recovery to pre-crisis levels still does not seem to have taken place. The Chinese market was the most buoyant. In certain areas of the established markets in Europe there were price pressures that affected the result of the Kemwater unit. Russia's exports have not yet recovered to the level preceding the devaluation, but signs of a revival can be seen there, too.

Industrial Chemicals. The price of phosphoric acid and demand for the product held steady. The appreciation against the euro of the United States dollar, which is used as the pricing currency for phosphoric acid, increased the phosphoric acid unit's margin, though it was burdened by an extensive shutdown for repairs. Value added products made from phosphoric acid - feed phosphates and detergent phosphates - faced continuing tough competition, resulting in a higher cost in dollars of phosphoric acid. It was difficult for Industrial Chemicals to factor this increase into prices.

The sodium percarbonate plant that was completed in Helsingborg, Sweden, in the previous year operated according to expectations and its ECOX product has been well received by customers. The sales outlook for

KEMIRA CHEMICALS

EUR million	**1999**	1998	1997	1996	1995
Net sales	**697**	630	582	520	472
Cost of sales	**–558**	-507	-462	-407	-371
Depreciation	**–56**	-48	-45	-42	-38
Operating income	**83**	75	75	71	63
Net financing expenses	**–24**	-19	-17	-20	-27
Income before extraordinary items	**59**	56	58	51	36
Capital invested (average)	**596**	524	453	415	405
Return on capital invested %	**13**	14	17	18	16
Capital expenditure	**56**	126	86	72	33
Personnel (average)	**3,138**	3,114	2,845	2,283	2,251

MANAGEMENT

President: Yrjö Sipilä
Pulp & Paper Chemicals: Juhani Lindholm
Kemwater: Lennart Johansson
Industrial Chemicals: Harri Kerminen

Yrjö Sipilä

Alongside pulp and paper chemicals as well as paints, one of the Kemira Group's most important growth areas is water, spearheaded by the operations Kemwater. Pulp & Paper Chemicals and Kemira Agro have plenty of water-related synergy. Water management is one of the future cornerstones of Kemira's operations.

the product looks good over the next few years.

Calcium chloride had to compete with substitute products. Calcium chloride gets its raw material from the hydrochloric acid arising in the manufacture of calcium sulphate. In 1999 the marketing of potassium sulphate was difficult because China was almost entirely absent from the market, and potassium sulphate production had to be curtailed. For this reason, the hydrochloric acid needed to make calcium chloride was not generated, and Industrial Chemicals had to increase its purchases of hydrochloric acid from outside suppliers.

Kemira Fine Chemicals. The company's most important area of expertise is life sciences products, which the large companies in the field use as their raw materials. Demand is growing rapidly because life sciences companies are concentrating on research and development along with marketing.

GREEN CHEMISTRY GAINS GROUND

Kemira Chemicals engaged in a wide-ranging dialogue on the company's future guidelines and we announced our new vision: A Vision of Green Chemistry. This vision defines the priorities for our future operations. Important growth areas in the years ahead are water management, recycling and environmental chemicals. These three areas are involved in all the sectors in which Kemira Chemicals operates. In 1999 a Water Research Centre was set up in Oulu. Another joint research project, which will concentrate on recycling, was set in motion in Helsingborg.

New information management systems have now been in use for the first year, and the feedback on them has been good. At some plants and companies, development work in this area is still going on. At present the information management programme mainly involves introducing a process organization, for which about 500 Kemira Chemicals staff were trained during the year. Process organization training has been extended to reach from top management right down to the shop floor level. Concurrently, the process organization will be rounded out by deploying a core competence approach across our units.

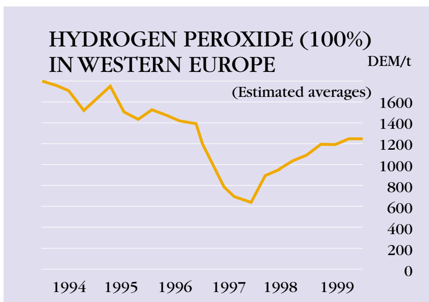
The changeover to the year 2000 was made without problems.

Pulp & Paper Chemicals. The two hydrogen peroxide plants that were purchased in Korea and Canada a year ago were integrated into Kemira Chemicals' operations. Both companies have performed well in accordance with plans. Following these two acquisitions, Kemira is the world's fifth largest producer of hydrogen peroxide and it operates in all the main market areas in Europe, North America and Asia.

During the report year the accent in development work was on speciality chemicals for the paper industry. A decision was taken to build an extension to the AKD wax plant in Vaasa, Finland. AKD wax is used as a paper sizing. Another investment that is geared towards speciality chemicals is the building of a plant in Brazil. The company that is to be established will serve Brazil's paper industry, making available to it Kemira's expertise within paper sizing and other speciality chemicals.

Kemwater. At Kemwater several modernization and plant extension investments that have already been started up are in progress, including an expansion of the ferrichloride business in Germany, increasing the manufacture of aluminium sulphate in the Czech Republic and a plant investment in Brazil.

In 1999 acquisitions were largely on hold, with only one new company being purchased for the Kemwater family in addition to Solvay's ferrichloride business in Germany: an interest



Original source: Bleaching Chemicals

in a Chinese company that manufactures polyaluminium chloride. By way of this investment we gained a foothold in the growing Chinese market for water treatment chemicals. The new company, Kemwater (Yixing) Co. Ltd will be developed in step with growth in the market.

Kemwater and the City of Helsinki established a joint service company in the water treatment field. Kemwater has a 51 % stake in the company.

Industrial Chemicals. The unit continued to concentrate on developing ECOX percarbonate grades and on ensuring its ability to produce this product.

Kemira Chemicals wants to offer total solutions to its customers in the pulp and paper industry. A part of this integrated programme is hydrogen peroxide, which is produced at Kemira Chemicals' plants in Europe, North America and Asia.

GROWTH HINGES ON RESEARCH AND DEVELOPMENT

Research and development are the key condition for the continuing growth of Kemira Chemicals. At Kemira Chemicals, research is organized under the business units, which direct research in line with market demands. The research priority is projects run by or for Pulp & Paper Chemicals and Kemwater. Each year Kemira Chemicals spends about 2.5% of its net sales on research and development. The most important research results have centred on speciality chemicals for the paper industry and the development of pulp bleaching. At Kemwater a number of new iron-based coagulant solutions have been developed for water treatment plants. The Krepro waste water sludge recycling system was also developed further.

GOOD FUTURE PROSPECTS

The economic outlook for 2000 is by and large positive. The rise in the degree of capacity utilization in the paper industry, which got under way late in 1999, and the improvement in the demand for paper products are likely to continue on into the first part of 2000.

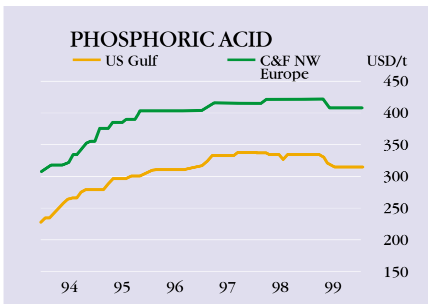
Kemwater's markets appear stable and we believe that many of the new joint ventures that have been established in recent years will get up to speed.

The market outlook for Industrial Chemicals' products is spottier. Slight price pressures are affecting the price of phosphoric acid, but at present these are offset by the high exchange rate of the dollar against the euro. The market prospects for potassium sulphate are unstable and it is not likely that production cutbacks affecting this product can be avoided in 2000. The calcium chloride market appears stable. It is also believed that the market for feed phosphates will hold up, though detergent phosphates are facing price pressures.

Kemira Chemicals will continue to develop all its units, with an accent on the development of speciality chemicals for the paper industry as well as on Kemwater's new projects and boosting market share.

Kemira Chemicals has prepared a new strategic process that seeks to generate new business and growth. The process is based on the core competence approach and on making wide-ranging use of the company's expertise in all areas of development work. New growth will be sought in the three synergy areas that are connected with the unit's present businesses: water chemistry expertise, recycling and environmental chemicals.

Kemira Chemicals' earnings in 2000 are expected to remain good.



Source: Fertilizer Week

TIKKURILA

EARNINGS HIT BY THE FALL IN EASTERN EXPORTS

Tikkurila had net sales in 1999 of EUR 357 million (361 million in 1998). Operations outside Finland accounted for 75% of Tikkurila's net sales.

Operating income was EUR 23 million (33 million in 1998), or 6% of net sales. Operating income was mainly reduced by the significant fall in exports to the east and outlays on new markets.

MARKET SITUATION

A strong market for Tikkurila Paints. The company manufactures paint products for consumers and professional painters. Its production plants are located in Finland, Estonia, Latvia, Russia, Poland and Italy. In addition, Tikkurila has sales companies in Sweden, Lithuania, Hungary and the UK.

Paint sales were very good in Finland. The weather favoured house painters during the outdoor painting season. Economic activity was also at a fairly good level, leading to a pickup in building construction and in the housing market. Market share in Sweden was increased as a result of structural changes in trade channels.

A number of new product releases, such as tinted interior lacquers, were well received. Benetton interior paints were brought out on the new product market and full-scale marketing of the products got started in the UK. In addition, marketing was launched in Sweden, Finland and Japan, and it is getting under way in Central Europe.

Despite the crisis in Russia, St Petersburg-based ZAO Finncolor succeeded in maintaining its dealer network intact. In part, this was attributable to the expansion of the company's own production. Russia's economic situation has begun to improve, and there are already clear signs of a revival in trade.

Tikkurila Baltcolor Sp. z o.o. in Szczecin, Poland, a company that is run jointly by Tikkurila and Baltchem, operated in accordance with plans. The Hungarian sales company Tikkurila Festék Kft. has continued its positive development. The customer network has been strengthened further and Tikkurila products have achieved a permanent foothold in Hungary.

The economic crisis in Russia and its repercussions in the Baltic countries cut into the earnings of Baltic Color, the joint venture between Tikkurila Paints and Alcro-Beckers. The company has nevertheless further strengthened its leading position in the Baltic Rim.

Uneven markets for Tikkurila Coatings. The company manufactures and markets paints and coatings for industry. Production plants are located in Finland, the UK, the Netherlands, and Poland. The unit has sales companies in Sweden, Ireland, Estonia, Russia and Hungary.

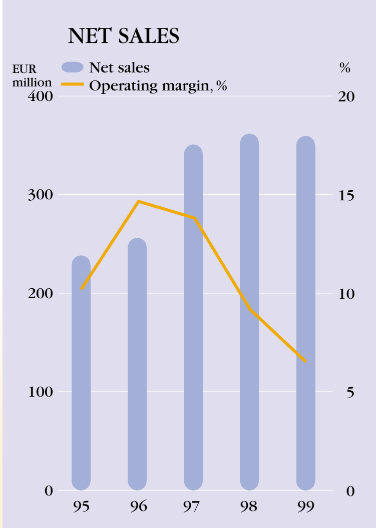
The plant in Finland increased its sales, with the largest growth coming in products for the woodworking industry. New, water-borne products were introduced in both the metal and woodworking industry. Sales of coil coatings declined in the first months of the year owing to the weak market situation for the end product – coated thin sheet – but they picked up considerably in the latter months of the year in both the domestic and export markets.

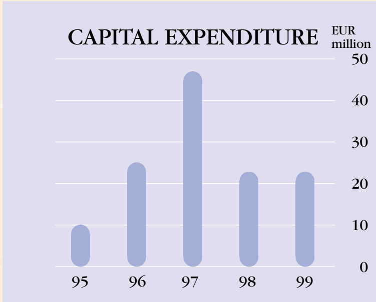
The shrinkage in the total market for the Finnish metal industry has also led to a reduced need for paints used by this industry. Exports, however, are growing, especially to Russia.

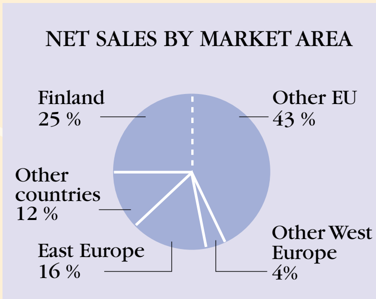
The overseas subsidiaries fared reasonably well. Dickursby Färg AB in Sweden was slightly behind last year's sales figures, primarily owing to the weak sales of coil coatings.

Tikkurila Coatings has a solid position in the Baltic furniture and joinery industry. Sales to the metal industry

TIKKURILA					
EUR million	**1999**	1998	1997	1996	1995
Net sales	**357**	361	349	255	237
Cost of sales	**–316**	-312	-288	-208	-202
Depreciation	**–18**	-16	-13	-10	-11
Operating income	**23**	33	48	37	24
Net financing expenses	**–4**	-5	-4	-4	-4
Income before extraordinary items	**19**	28	44	33	20
Capital invested (average)	**234**	211	181	170	172
Return on capital invested %	**10**	16	27	22	15
Capital expenditure	**23**	23	47	25	10
Personnel (average)	**2,301**	2,214	1,902	1,520	1,585







MANAGEMENT

Tikkurila Oy
President: Raimo Piironen
Tikkurila Coatings Oy
President: Tapio Käär
Tikkurila CPS Oy
President: Raimo Piironen
Vice President: Vesa Aulanko
Tikkurila Paints Oy
President: Visa Pekkarinen
Tikkurila Services Oy
President: Tom Nurmi

Raimo Piironen

both directly and through dealers have grown considerably. Sales by the Estonian subsidiary AS Tikkurila Coatings have developed favourably and the unit has expanded its operations.

The new products which the plant in Poland manufactures according to Tikkurila's formulas now already outsell old products. The sales company in Budapest, Tikkurila Coatings Kft, strengthened its position on the Hungarian market.

Kemira Color B.V., the plant in the Netherlands, performed satisfactorily. The company in the UK, Kemira Coatings Ltd, had a poor year in 1999. The reasons for this are a strong pound against the other euro currencies as well as a contraction in the total market for paints used in the metal industry. The market in Ireland, however, has developed well.

Tikkurila CPS has great potential. Tikkurila CPS is the world's leading supplier of advanced tinting systems and its products are mainly delivered to the paint industry on all continents. The product range includes all the components of colour processing systems: colourants, equipment, software and tools for colour marketing.

CPS produces colourants in Australia, South Africa, the Netherlands, Singapore, Finland and the United States. Corob manufactures tinting machines in India, Italy, Finland, Uruguay and the United States. CPS and Corob furthermore have sales companies in Sweden, the UK and Germany as well as service units in China and Australia.

The colourant plant Tikkurila Inc. in the United States is getting up to speed, as is the tinting machine plant Corob North America Inc. Tikkurila CPS (SEA) Pte Ltd started up colourant production in Singapore in the late 1999.

The situation in the main market in Europe was according to expectations, but in Eastern Europe market disturbances, particularly in Russia, had somewhat of an impact on sales volumes. The market in South America and Asia was affected for most of the year by the weaker economic situation, causing growth to fall somewhat short of expectations.

CPS has launched new systems in nearly all its markets, and the use of systems that are already on the market has increased. In several markets CPS has only just started ascending its growth curve.

For economic reasons, the paint industry has invested cautiously in machines, and especially the introduction of new tinting systems has slowed down or been postponed. Branches of industry outside the paint industry have discovered large tinting equipment, and sales of colourants to other industrial sectors, particularly to the leather industry, have also increased substantially.

OUTLAYS FOR DEVELOPING THE DOMESTIC AND EXPORT MARKETS

Tikkurila seeks to be always a step ahead of others in matters related to the environment and quality. Most of its production and sales companies already have certified quality or environmental systems, or the development of such systems has been started.

In Vantaa, EUR 2 million was invested in the Monicolor plant which was built in 1975 and is still one of the world's most highly automated paint plants. The operations control system complete with software and equipment was modernized in line with future challenges. Concurrently, production capacity will increase significantly.

Tikkurila Paints has continued its long-term actions to strengthen its market position in Russia, and it has started construction works on a second paint plant in Ramenskoye, to the southeast of Moscow. The project, including equipment, will have a cost of about EUR 5 million. Plans call for starting up production at OOO Kraski Tikkurila in the first half of 2000.

Revamping of Temaspeed Colour Service, which was brought out on the industrial paint market at the turn of the year 1998-99, progressed according to plans. The environmentally sound Temaspeed tinting system that represents the latest technology in the field means an improvement in stock turnover and makes it easier than ever before to expand the product range by adding new products.

Product development on industrial wood finishes has been advanced by investing in a highly modern testing laboratory (Customer Service Center). By means of production-scale painting line equipment, product performance can be checked in various surface treatment conditions, at the same time offering customers the possibility of testing new solutions.

The Tikkurila CPS colourant plant that started up in Singapore towards the end of the year will serve the developing markets in Asia and the Indian subcontinent. In 1999 approval was given for investing in a new production unit that will be located in China.

Tikkurila CPS has started an extensive information system project that will be instrumental in supporting the operations of its new worldwide organization. In addition, functional models and product solutions have been developed for different types of tinting systems.

New machines have been developed for point-of-sale tinting. At the same time, new solutions for tinting in plants have been developed.

AN INCREASE IN SKILLED PERSONNEL

The Tikkurila Group had a payroll of 2,282 employees at the end of 1999, an increase of 100 on the previous year. The number of employees who worked in Finland was 938. The personnel's professional skill was further developed systematically. Tikkurila employees were the first within the Finnish paint industry to obtain professional qualification in the chemical industry.

THE ENVIRONMENT AND QUALITY ARE KEY AREAS FOR PRODUCT DEVELOPMENT

Environmental aspects were again the motive force behind Tikkurila Paints' product development in 1999. Aesthetic requirements have also been gaining prominence.

A number of interior paints have M1 approval, meaning that their emissions are minimal. In the development of exterior paints, particular attention has been paid to technical quality and weather resistance.

The emphasis in Tikkurila Coatings' product development has been on industrial coatings and paint systems that bring significant reductions in solvent emissions whilst improving the quality and durability of surface treatment as well as overall economy.

Products developed for the metal industry include water-borne stoved enamels and air-drying dip coatings as well as so-called high-build coatings that enable customers to achieve the required film thickness and quality even with a single application. Product development within industrial wood finishes has centered particularly on water-borne and UV-cured products in cooperation with customers. A new generation PVC plastisol that has an extended lifetime was brought out on the market and the new coil coating complies with the very latest in health and environmental protection requirements.

At CPS too, sales of environmentally compliant alternatives are growing continuously. Accordingly, the bulk of the resources employed in developing colourants goes towards these products.

Customized solutions and flexibility are increasingly important aspects of the tinting business. Paint Composer, a system that enables the user to select not only the colour of paint but also its grade or other characteristics, is already available in a demo and pilot version at Tikkurila.

Tikkurila's R&D expenses amounted to 3.3% of net sales in 1999.

The changeover to the year 2000 took place without problems.

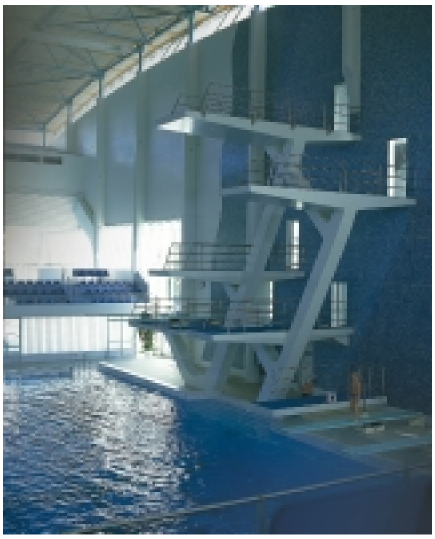
THE FUTURE PROMISES STRONG GROWTH

The paint industry is one of CPS's main client sectors. In some cases the development of both the paint and tinting business has been clearly hampered by the conflict of interest arising from this dual role. This is why Kemira has decided to separate these business areas clearly apart from each other. How this is to be done will probably be worked out during the first half of 2000.

The worldwide reorganization of the tinting business has resulted in a more market-oriented way of working, and it is believed that this will bring positive results. In the years ahead, strong growth in sales is anticipated in North and South America as well as Asia, and the prospects in Europe too are very favourable. Because marketing inputs only begin to produce results over the medium term, CPS has made outlays on cultivating several new market areas. The current year is expected to bring strong growth that also has good potential further out.

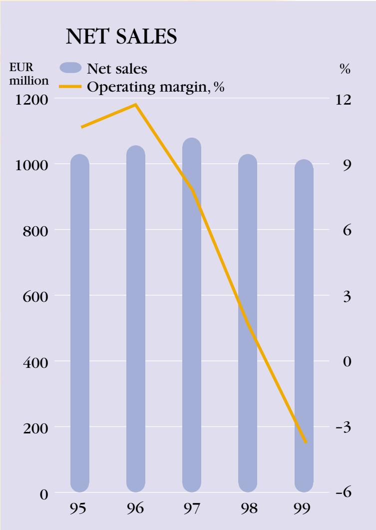
Tikkurila Paints decorative paints and Tikkurila Coatings' industrial coatings have promising growth prospects in Eastern Europe, especially in Poland and Russia. Growth within industrial coatings is also anticipated in the Baltic countries. The Tikkurila companies are striving to reinforce further their position in their existing markets. Concurrently, Tikkurila is on the lookout for new business opportunities and new market areas.

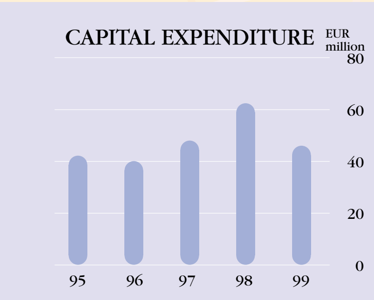
The Valassaari Lighthouse on the west coast of Finland is the work of Henri Lepaute, who designed the Eiffel Tower. Thanks to paints supplied by Tikkurila Coatings, the graceful structure that was completed in 1886 will live on for years.

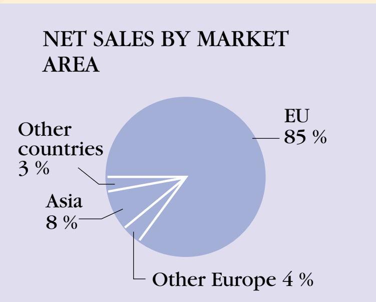


In the summer of 2000 the European Swimming Championships will be held at the Mäkelänrinne Swimming Hall in Helsinki. Tikkurila Coatings supplied products that were used in painting the hall's ceiling structures, and Tikkurila Paints' products were used on the indoor walls.

KEMIRA AGRO

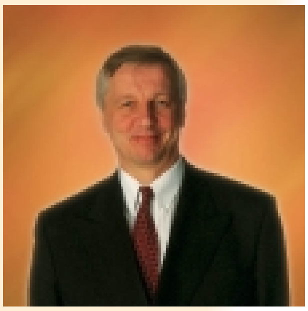






MANAGEMENT

President: Risto Keränen
Vice President:
Rauno Valkonen
Agriculture: Timo Lainto
Horticulture: Hannu Virolainen
Process Chemicals: R.A. Chorlton



Risto Keränen

LOW PRICES PUSH THE RESULT INTO THE RED

Kemira Agro's net sales remained slightly below the previous year's level and were EUR 1,015 million (1,030 million in 1998). The company reported an operating loss of EUR 39 million (operating income of 19 million in 1998). The figure includes EUR 39 million of non-recurring net costs that were mainly incurred in closing the Pernis plant.

CONVENTIONAL FERTILIZERS DOWN, SPECIAL PRODUCTS UP

Agriculture. The sales and also the profitability posted by Kemira Agro's largest strategic business unit declined further.

The use of nutrients worldwide declined by about 2%. The weak situation of agriculture has led to a shrinkage in the demand for fertilizers, putting pressure on prices. For example, the prices of maize and soya were the lowest in a decade. In addition, there was an abundance of grain in storage.

It was a difficult year for the world's fertilizer industry. Prices fell further, by 5-15 %, particularly within nitrogen fertilizers in Western Europe and they ended at an all-time low level. China remained absent from the urea market, and this also cut into the demand for nitrogen. At the same time, new ammonia and urea capacity came on stream. The price of natural gas was very low in Russia, making production there very competitively priced.

In the EU the 10% compulsory set-aside acreage requirement is continuing up to 2006. The import of fertilizers to Europe has remained at the same level as in previous years, about 25% of aggregate use. The use of nitrogen in Western Europe declined by slightly less than a per cent, the use of phosphorus by about 2% and the consumption of potassium by about 4%. The consumption of nutrients in Western Europe is continuing to fall at an annual rate of 0.5-1%. Concurrently, the efficiency of fertilizer use is improving.

Owing to contracting markets and persistently large imports, Western Europe now has substantial overcapacity in fertilizer production. The association of European fertilizer producers, EFMA, defended Western Europe's markets, especially against East European producers, by initiating a number of anti-dumping projects, with partial success. Towards the end of the year, plant closures and plans to close down capacity were announced. These will bring a total reduction of about 1.5 million tonnes in the aggregate production volume. The calculated overcapacity in Western Europe is about 3 million tonnes.

After several years of holding fairly steady, the price of diammonium phosphate headed downhill in the second half of the year. The slide has nevertheless now evened out. The fall is due to new capacity in India, Australia and Morocco that is coming on to the market. The price of potassium remained stable throughout the year. The EU has set a minimum price on potassium imports, and this has helped to keep prices at a reasonable level. The market situation for potassium sulphate has nevertheless been weak, mainly owing to the lack of purchases by China, and the prevailing situation has sent prices downwards.

The weak profitability of the nitrogen fertilizer business also led to major closures of capacity in the United States. Kemira Agro decided to close down the sulphuric acid, phosphoric

KEMIRA AGRO

EUR million	**1999**	1998	1997	1996	1995
Net sales	**1,015**	1,030	1,079	1,056	1,030
Cost of sales	**–990**	-954	-941	-871	-849
Depreciation	**–64**	-57	-53	-59	-71
Operating income	**–39**	19	85	126	110
Net financing expenses	**–20**	-17	-21	-23	-27
Income before extraordinary items	**–59**	2	64	103	83
Capital invested (average)	**663**	645	602	595	652
Return on capital invested %	**–5**	5	14	21	18
Capital expenditure	**47**	62	48	40	42
Personnel (average)	**2,951**	3,071	3,117	3,415	3,475

acid, diammonium phosphate and NPK fertilizer production at the Pernis plant in the Netherlands.

Kemira Agro's overseas exports grew substantially (35%) compared with the previous year, especially thanks to the positive trend in exports to China. On the other hand, the business in the Baltic countries and Poland slumped because the use of fertilizers contracted as a consequence of the fall in food exports from these countries to Russia. The recession caused financing difficulties for retailers and wholesalers, and Kemira Agro's previously small provisions for credit losses notched up in 1999. The fertilizer market in the Baltic countries and Poland also felt the brunt of competition from Russia.

The devaluation of the rouble made the export of fertilizers from Finland to Russia unprofitable. Kemira Agro has launched a capital project for building a blending plant in the vicinity of Moscow in order to ensure a presence in this developing market area. The products to be put on the local market will mainly be intended for special cultivation and home gardening.

Sales on the Finnish market fell by about 6%.

Horticulture. Kemira Agro's Horticulture business unit developed in line with plans. Sales grew by 28% and profitability remained good. There was growth especially in the demand for fully water-soluble fertilizers that are added to irrigation water. The price level held fairly steady throughout the year.

Process Chemicals. Operations of the Process Chemicals business unit mainly comprise intermediate and end products of the nitrogen industry as well as inorganic acids. The products have enjoyed good demand, but the weak market situation for fertilizer nitrogen has been reflected clearly in the form of increased competition. Accordingly, product prices have fallen to some extent. The unit has nevertheless kept up its good profitability. The Process Chemicals business will be transferred away from Kemira Agro as part of the ownership arrangements being made in the nitrogen industry.

An NPK compound fertilizer plant based on a new cost-efficient process started up in Malaysia. Its products will be used in oil palm and vegetable plantations. According to Kemira's new strategy, speciality fertilizers such as NPK are one of the operational priorities.

IMPROVED PRODUCTION RELIABILITY

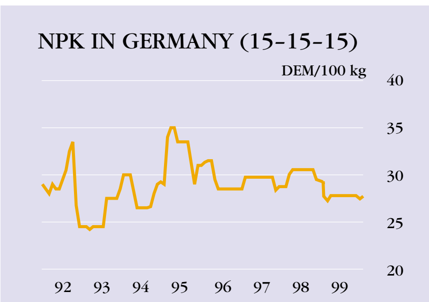
Within production the emphasis was on improving safety, reliability, quality and cost management. Total output grew despite the closure of NPK fertilizer production at Pernis. The accident rate fell by 44% and during the second half of the year it was already at a good international level. In materials handling at the Rozenburg plant a fire broke out in the first part of the year, though its effect on deliveries was nevertheless minor. A very regrettable accident that claimed the life of one man occurred in Uusikaupunki on 11 January 2000.

The changeover to the year 2000 took place without information technology problems.

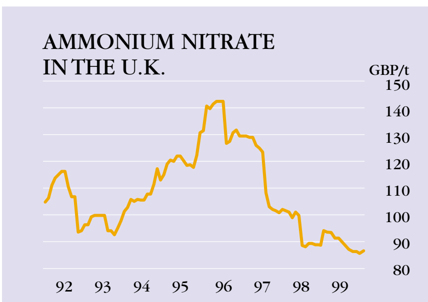
An expansion of potassium nitrate production at Fredericia and a modernization of the Uusikaupunki fertilizer line contributed to bringing the plants' production up to good levels of output and quality during the year.

HIGH AMMONIA PRODUCTION COSTS

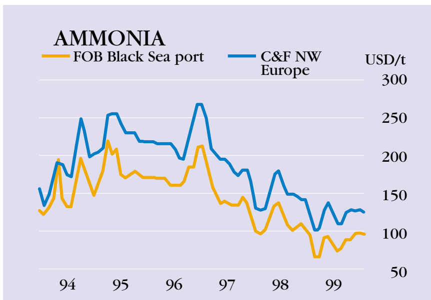
Higher oil prices raised the price of natural gas and the trend is continuing. This has an essential impact on the production costs of ammonia, particularly in continental Europe. At the same time, the average price of ammonia has been at its lowest point since



Source: Fertecon



Source: Farm Brief



Sorce: Fertecon

1993. New ammonia capacity is coming on stream in Indonesia, Malaysia, Argentina and Venezuela, and this will fuel oversupply on the market. Capacity has already been closed and it is expected that more closures will be made in future.

CONCENTRATING ON SPECIALITY FERTILIZERS

In accordance with the new strategy that Kemira announced in October, Kemira Agro's speciality fertilizers will be one of Kemira's business priorities. New ownership alternatives will be sought for the nitrogen fertilizer business, which comprises about half of Kemira Agro's present net sales.

To facilitate the implementation of Kemira's new strategy, in January 2000 the Kemira Agro organization was divided into two business areas: speciality fertilizers and nitrogen fertilizers.

Agriculture expands into the Far East. During the year an NPK plant based on a new cost-effective process started up in Malaysia. The plant is a joint venture with Kuok (Singapore) Limited. The construction works on the NPK plant in China were able to move ahead in the autumn when the cooperation partner's share of the financing came through. Together with Finnfund, Kemira owns a 75% stake in this joint venture that will go into operation in the autumn of 2000.

Commercialization and further development of the KEMIRA LORIS satellite-controlled precision fertilizing system was continued in the European market.

In Finland Kemira Agro purchased a 20% stake in the Suomen Rehu feed business with the aim of strengthening cooperation in logistics and marketing.

Horticulture strengthens its position in the Middle East. The Horticulture business is growing mainly in areas outside Europe, where its sales and marketing organization is being reinforced.

Potassium nitrate production was expanded successfully in Denmark, where production will be boosted further through a new investment project that will start up in the autumn of 2000.

New projects that will expand the production of fully water-soluble fertilizer components got under way in Jordan and the United Arab Emirates. In Jordan the partner in cooperation is Arab Potash Company. The plant, which will become operational in 2002, will manufacture potassium nitrate and dicalcium phosphate, with sales of the latter product being handled by Kemira Chemicals. The product to be produced in the United Arab Emirates is urea phosphate, and the partner of Kemira Agro and its associated company Union Kemira is Emirates Food Company. The plant will start up in 2001.

ADDITIONAL RESEARCH FUNDING

Within Kemira Agro's research effort, alongside conventional R&D activities an essential part is played by the Ventures unit which concentrates on carrying ahead longer-term research projects that have a higher risk. Kemira Agro's business based on speciality fertilizers will call for a relatively larger research outlay in future. At present about 1% of net sales is spent on research.

A POSITIVE OUTLOOK FOR SPECIALITY FERTILIZERS

There is not expected to be any essential improvement in the world market for agricultural products during 2000.

Recently a number of West European producers (apart from Kemira, Norsk Hydro, BASF, Fertiberia) have announced closures of plant capacity, sending prices upward. On the other hand, China is cutting down on imports of NPK fertilizers, which means that volumes are likely to be smaller than previously. China is also expected to be absent from the urea market. Nor is any change likely to take place in the sharply reduced use of fertilizers in Russia in the near future.

The Horticultural fertilizer business is set to continue developing favourably.

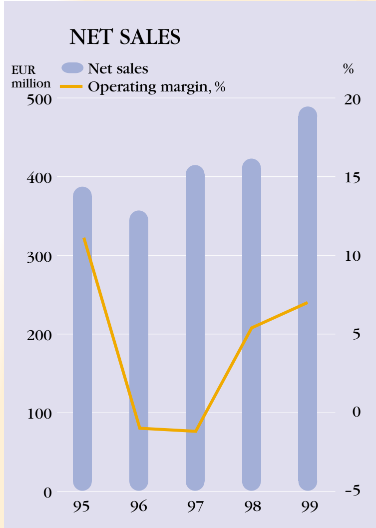
Kemira Agro's EUR 34 million profit-boosting programme has progressed according to plans and its full impact on earnings will feed through in 2001.

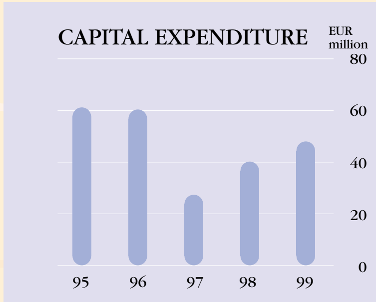
Kemira Agro's strategy is to withdraw from the nitrogen fertilizer business in part or completely. This will have major implications for Kemira Agro's business orientation. Henceforth the company will concentrate on developing its speciality fertilizer business.

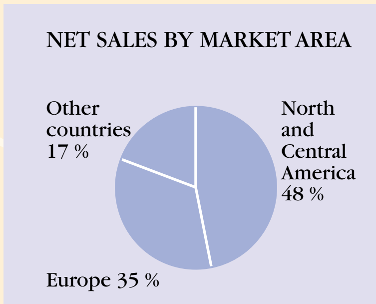
Kemira Agro's business based on speciality fertilizers will call for a relatively larger research outlay in future. The use of slow-release fertilizer in growing strawberries is being monitored on Kemira's test farm.

KEMIRA PIGMENTS

Kemira Pigments continually develops new products to meet its customers' needs. Development work on two new grades of titanium dioxide pigment was completed and the products were presented to customers.







OPERATING INCOME UP 50%

Kemira Pigments had net sales of EUR 488 million, an increase of 15% on the previous year (1998: EUR 423 million). The average prices of titanium dioxide pigment remained at roughly the previous year's level, but Kemira Pigments' sales volumes grew substantially. Operating income rose by 57% and was EUR 35 million (1998: EUR 22 million).

DEMAND IS GROWING SLOWLY

Over the past 10 years demand for titanium dioxide pigment has nevertheless grown at the same rate as gross domestic product in the industrial countries, which are the largest users

KEMIRA PIGMENTS

EUR million	**1999**	1998	1997	1996	1995
Net sales	**488**	423	412	355	383
Cost of sales	**–407**	-357	-374	-318	-305
Depreciation	**–46**	-44	-44	-40	-35
Operating income	**35**	22	-6	-3	43
Net financing expenses	**–20**	-19	-21	-19	-17
Income before extraordinary items	**15**	3	-27	-22	26
Capital invested (average)	**403**	385	400	411	392
Return on capital invested %	**9**	6	-2	-1	11
Capital expenditure	**46**	40	27	60	61
Personnel (average)	**1,752**	1,794	1,851	1,939	1,971

MANAGEMENT

President: Frits Visser
Sales & Marketing: Matti Lapinleimu
Savannah plant:
G.L. Roberts, III
Pori plant: Jukka Lehtonen
Rotterdam plant:
Philip Bouman

Frits Visser

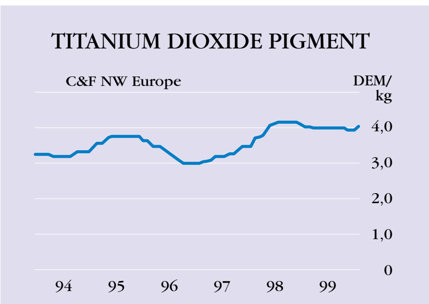
of TiO_2. The growth has thus been even, but fairly modest. According to estimates at the moment, worldwide consumption of TiO_2 will grow over the long term by 2-3% and will scarcely rise at a faster rate later on, either. On the other hand, there can be great annual fluctuation in demand owing to the cyclical sensitivity in this industry.

THE MARKET PICKS UP

Demand for titanium dioxide pigments rebounded after the downhill slide a year ago. The first part of the year was slow, but towards year-end all producers, Kemira Pigments included, were hard pressed to satisfy the strong demand. This was attributable both to the trend in the TiO_2 cycle itself and also to the fact that the main customers, i.e. the paint, plastics and paper industry, topped up their stocks to be prepared for the millennium changeover.

Although the TiO_2 industry has become increasingly global, the markets nevertheless behave in different ways in different parts of the world. In North America there was good demand throughout the year, and in Asia demand improved markedly towards the end of the year, whereas the Latin American market was flat.

Price increases were carried out in all the markets. The rises started off in Asia in the summer, with Europe following suit in the autumn and last of all, at the beginning of 2000, prices in the United States headed upwards. In Latin America too prices are rising, though slowly.



Source: ICIS-LOR Group Ltd.

CONSOLIDATION IN THE INDUSTRY

Consolidation is moving ahead in the titanium dioxide industry. In the autumn the Kemira Group announced its change in strategy, according to which the Kemira Pigments business no longer belongs to the Group's core business areas. Ownership arrangements concerning the Kemira Pigments business are in progress, and it is believed that they will be carried out during 2000.

A major acquisition was made in the industry during the report year when the world's third largest producer - Tioxide - was ultimately sold to Huntsman Chemicals.

BOOSTING PRODUCTION EFFICIENCY

The structural transformation projects under way at all sites moved ahead according to plans. The objective of the projects is to cut annual costs by a total of EUR 44 million by the start of 2001 at the latest. The Pori plant will account for about EUR 17 million of this figure. The efficiency boosting programme at Pori has already been largely completed.

Debottlenecking at the Pori plant was completed in December, raising the plant's production capacity to 120,000 tonnes a year.

Because sales of speciality products have developed favourably, additional investments have been made in the UV-Titan business. Even though speciality product capacity at the Pori plant is currently being doubled, it was decided to expand it further. The extension works have progressed smoothly, and the new capacity will come on stream in the latter half of 2000. The expansion of FinnTi production was completed during the report year.

NEW PRODUCTS UNDER DEVELOPMENT

Worldwide and local product development programmes continued. Development work on two new grades of titanium dioxide pigment were completed and the products were introduced to customers. The products are a multipurpose, high-gloss and high-durability KEMIRA 635 pigment which the Rotterdam plant manufactures for the paint industry and KEMIRA UDA Prime anatase slurry, which is produced by the Savannah plant for the paper industry.

New products that are marketed to the plastics and laminate paper industry and came on to the market in the previous year strengthened their position on this market.

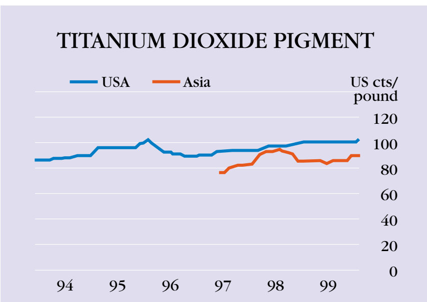
The division pushed ahead with development work on pigmentary and transparent titanium dioxide grades, which are intended for uses in the plastics industry. In addition to plastic grades, the Speciality Products unit concentrated on microfine transparent titanium dioxide products that are used in paints and cosmetics. Development work was also done on titanium chemicals.

Test methods that are used in quality control were harmonized at all three production plants, promoting the communication of more uniform information to customers and further ensuring product quality.

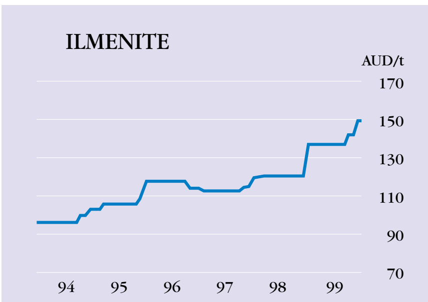
Introduction of an SAP R/3 system went smoothly at all the Kemira Pigments units, both at plants and in the sales offices, during 1999. The changeover to the year 2000 went without any problems.

POSITIVE EXPECTATIONS FOR 2000

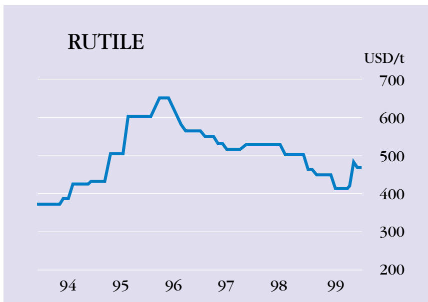
Sales of titanium dioxide pigment got off to a brisk start during the current year. In spite of the US producers' stocks being larger than normally, full-year expectations for 2000 are positive. The TiO_2 cycle is still in an upswing and the market is expected to remain good.



Source: ICIS-LOR Group Ltd.



Source: Industrial Minerals



Source: Industrial Minerals

KEMIRA METALKAT

Kemira Metalkat's favourable trend in operations continued in 1999 and we posted the best result in our history. Both net sales and operating income came in ahead of budget. Net sales grew by 19% to EUR 36 million (30 million in 1998). Operating income was EUR 3.1 million (1.7 million in 1998).

Net sales during the past year consisted mainly of deliveries of catalytic converters to the European automotive industry. The long-awaited market for small combustion engines got under way and significant sales volumes are expected within a couple of years.

Metalkat's product range is extensive and series sizes vary greatly. For this reason, during the report year we paid particular attention to costs and the efficiency of manufacturing and operations.

Customer wishes were a special focus of product development. Catalytic converter systems were jointly developed to meet the requirements of increasingly tougher emission norms. Several approvals of catalytic converters for small combustion engines were obtained from the authorities.

EUR 1.3 million was spent on capital projects. The investments were aimed at improving and ensuring high-calibre operations and quality in all subareas.

Net sales and earnings in 2000 will fall because certain car models for which we are supplying equipment will be removed from production, and new deliveries of the same size will not yet start up during the current year.

The development of the emission-control systems of the future in close cooperation with customers is one of Kemira Metalkat's key areas. The photograph shows a Maserati being tested at the Metalkat engine laboratory.

KEMIRA SAFETY

Kemira Safety's result was satisfactory. Net sales were EUR 14.2 million (14.4 million in 1998) and operating income was EUR 0.9 million (1.3 million in 1998).

Military protective masks accounted for a smaller share of net sales, 6% as against 15% a year earlier. By contrast, net sales generated by respiratory protective devices for industrial use and other occupational safety applications continued their growth in all three product groups: masks, filters and powered respiratory protectors.

Thanks to product development and improvements in product safety, our sales increased in all the main market areas: Western Europe, Scandinavia and Finland. Large outlays on product development and marketing, coupled with the fast pace of capital expenditures on new products and production equipment nevertheless cut into our earnings in 1999.

We brought out on the market Proflow2, a new battery-powered motorized respiratory protector, and a new generation industrial protective mask – Promask. Both products won the unreserved approval of their users and a good position was established on the market. All three product groups now have strong core products: Promask within protective masks, the Pro2000 series within filters and the Proflow family within motorized respiratory protectors. Capital investments went for raising production capacity, new products and information technology.

We will be able to increase our market share in the current year, too. Net sales are expected to grow strongly in the main market area. We achieved an important foothold in the nuclear power industry in Great Britain, and we believe that this will strengthen Kemira Safety's position as a European manufacturer of respiratory protective devices. In addition, we got off to a good start in the United States and Australia. This further boosts our growth potential. Earnings are expected to improve.

Kemira Safety brought out on the market a new powered respiratory protector named Proflow2, as well as Promask, a new generation industrial protective mask. These products will contribute to strengthening the company's position as a European manufacturer of respiratory protective devices.

KEMIRA OYJ

Kemira Oyj comprises Group management and administration as well as certain service functions. Kemira Oyj's net sales consist of the sale of electricity to the Group's companies in Finland and to outside companies. Net sales for 1999 were EUR 27 million (EUR 32 million), of which 52% came from outside the Group.

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. In addition to the energy business, the parent company handles the Group's financing and certain other headquarters service functions.

Kemira Oyj employed 132 (133) people in the average.

KEMIRA GROUP ENVIRONMENTAL REPORT 1999

INTRODUCTION AND PURPOSE

This report is the seventh consecutive annual environmental report by Kemira in the 90s. The structure of the reports has not changed, while the content has been gradually developed in accordance with the relevant European reporting guidelines[1,2]. In addition to this regular annual disclosure, Kemira issued a comprehensive standalone Product Stewardship report in 1999.

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

SUMMARY

The overall situation in environmental protection did not change substantially at the production sites. Most releases into water declined slightly from the previous year, while those into the air showed both minor increases and decreases. Hazardous waste generation increased due to one-time remediation activities and growth in fine chemicals production.

Major environmental investment projects were not conducted or initiated. Thus, the capital expenditures on environmental protection declined by about 16% from the previous year. This was counterbalanced by 8% growth in environmental operating costs.

The environmental business continued on a steady growth curve. Sales of environment and safety-related products totaled EUR 313 million (EUR 264 million in 1998).

The year was not fully satisfactory in respect of safety. The number of significant environmental spills and industrial accidents increased. In occupational safety, the number of lost-time incidents was reduced to all-time low levels, particularly in Kemira Agro. However, one employee died in an accident at the Uusikaupunki plant in Finland in January, 2000.

Many sites obtained ISO 14001 certificates or were actively developing environmental management systems.

Kemira was accepted as a component of the newly launched worldwide Dow Jones Sustainability Group Index. In Finland, Kemira again earned an award for good annual environmental reporting.

ENVIRONMENTAL STRATEGY

Kemira published in October a new strategy, which is expected to have positive consequences also for the environmental protection and sustainable development activities within the Group. With the planned divestment of the nitrogen fertilizer and titanium dioxide businesses, the portfolio of the Group is becoming environmentally lighter. In practice, it is anticipated that most of the Groups' environmental releases into the air and water will decrease significantly. A substantial reduction is also expected to take place in energy intensity and greenhouse gas releases, as well as in environmental costs. Actual changes will depend on the extent of realization of the planned reorganization, as well as on the precise nature of the projected business growth.

Furthermore, the strategic reorientation emphasizes growth in the environmental businesses. For example, clean water has been selected as one of the growth components. The strategy and core values of Kemira Chemicals, one of the growth companies, were also sharpened along these environment-driven lines.

ENVIRONMENTAL POLICY AND MANAGEMENT SYSTEMS

Much of the progress continued to centre on developing ISO 14001 environmental management systems.

Within Kemira Chemicals, the Pulp & Paper business unit obtained ISO 14001 certificate covering its operations in Helsingborg. Certification of Industrial Chemicals is expected in 2000 at the same site. The hydrogen peroxide plant at Ulsan, South Korea, also got final approval for its plant-specific ISO 14001.

In the Kemwater business unit the Flix plant of Kemira Ibérica S.A. in Spain received EMAS and ISO 14001

[1] CEFIC (European Chemical Industry Council): Health, Safety and Environmental Reporting Guidelines. November 1998.

[2] "Communication on the Interpretation of Certain Articles in the Fourth and Seventh Accounting directives." European Commission, 98/C 16/04.

Figure 1

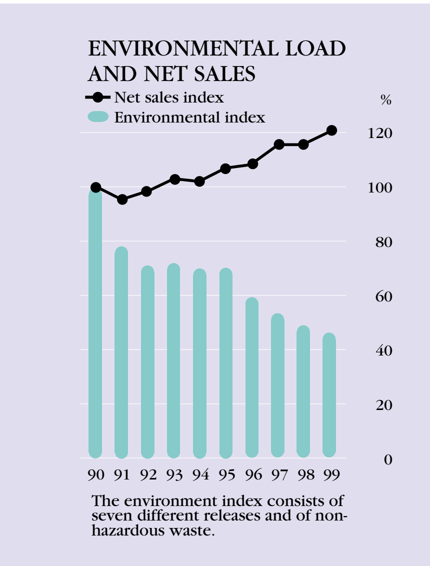


Figure 2

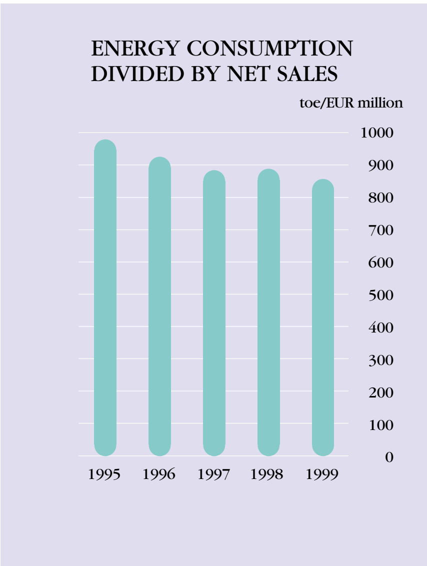
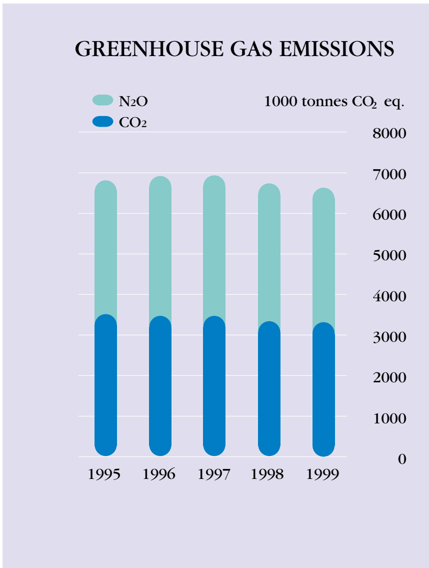


Figure 3



certificates. The Lauterbourg plant in France is preparing for certification in 2000. The Prerov plant in the Czech Republic obtained endorsement for the Responsible Care programme.

At the Siilinjärvi plants in Finland, a safety assessment was conducted according to the ISRS (International Safety Rating) system. The Oulu plant continued to incorporate ISO 14001 into the overall management system.

Kemira Pigments reached the voluntary targets set in the EMS system of the Pori plant in Finland. The plant also passed a safety audit according to the Seveso II directive and started application of the safety management system. At Kemira Pigments B.V., Rotterdam, the Netherlands, authority approval was obtained for the company environmental plan and a safety programme was started with the aim of fulfilling the national implementation of the Seveso II directive.

Kemira Agro started developing ISO 14001 for all major fertilizer plants in Europe. The Tertre plant in Belgium expects to be certified in 2000 and the Rozenburg plant in the Netherlands started a similar development effort.

ENVIRONMENT PROTECTION AT THE PRODUCTION PLANTS

Kemira Chemicals. Kemira Kemi AB, Helsingborg, Sweden, successfully investigated possibilities for reducing waste to landfills. A permit was obtained for using significant amounts of waste and by-products as alternative raw materials. Permits to expand hydrochloric acid production were also issued. The planned expansion includes the construction of a new treatment plant for reducing the HCl emissions.

The Ulsan hydrogen peroxide plant in South Korea reduced energy and solvent consumption substantially by changing operational conditions. The Maitland plant in Canada completed a VOC survey and an environmental risk assessment, and it obtained a waste generation permit. Steam is now purchased from a neighbouring company, which is also responsible for associated emissions.

The Kemwater business unit reduced waste at Kvarntorp, Sweden, by starting the recycling of acidic sludge filtrate. The total recycling of aluminium hydrate allowed the Police plant in Poland to reach zero process waste disposal. The Rozenburg plant in the Netherlands also minimized waste by increasing its filtration capacity. The Fredrikstad plant in Norway renewed chlorine detectors. The Prerov plant in the Czech Republic obtained permits to double capacity and improved safety control.

Kemira Chemicals B.V., Rozenburg, completed five environmental improvement projects mainly to reduce VOC, noise and waste. A new chemical storage was also built.

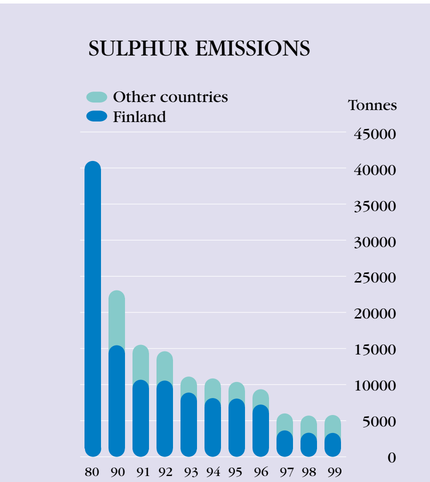
The Oulu plants in Finland made improvements in odour and noise control as well as in safety equipment. Recycling of aluminum oxide and further processing of soot were investigated. The plant also obtained a waste management permit and submitted an application for a renewal of the waste water permit.

At the Siilinjärvi plants and mine in Finland, the extensive renovation of phosphoric acid and energy production facilities improved environmental and safety controls. Air and water releases remained very low, and enhanced water recycling diminished nitrogen discharges below target values. The plant also obtained a renewed waste water permit and an important new waste management permit. The latter, even if still not final, may impose new requirements for the rehabilitation of the piling and storage of areas for by-products and waste.

The Kokkola plant completed demolition of an old sulphuric acid unit, and removed 10,400 m^3 of surface soil that was contaminated with mercury for final off-site disposal. In addition, a soil and ground water survey of heavy metals was conducted on the whole site without significant new findings. Sulphur emissions increased by one third due to temporary heat exchanger problems at the sulphuric acid plant.

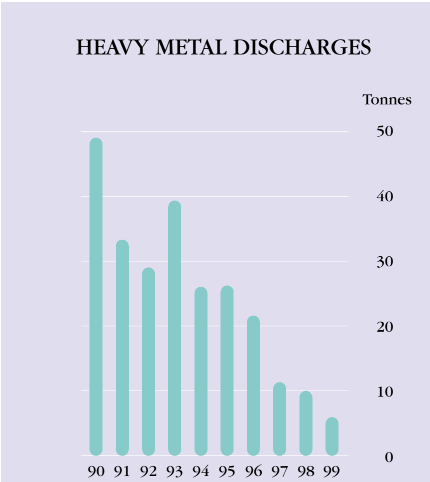
Kemira Pigments. Kemira Pigments Inc., Savannah, made numerous modifications to prevent low pH excursions

Figure 4



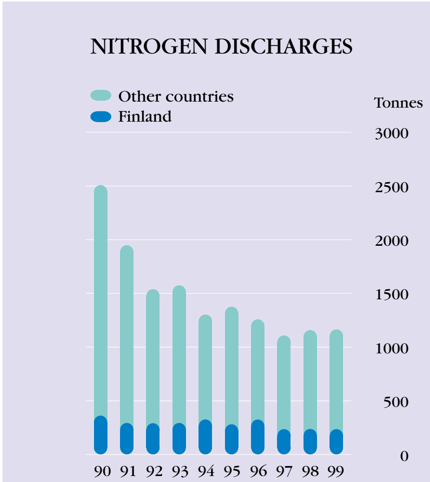
All sulphur compounds calculated as SO_2.

Figure 5



Sum of five different heavy metals, mostly chromium.

Figure 6



in plant ditches. Crossflow oxidation scrubbers were upgraded to improve chlorine control. An extensive soil and ground water survey on the site did not reveal significant reportable contamination. The authorities issued two consent orders and proposed two others, mainly dealing with occasional releases into the air.

The Pori plant managed to keep low levels in all releases after the major investment projects reported in previous years. The renewal programmes of digester gas scrubbing systems and jet mill dust separation were completed. Some difficulties were encountered in complying with the strict limit on NO_x in power plant releases, requiring more efficient operational control. A project for building a new gypsum landfill was started. An important waste management permit was also obtained, mainly putting the EU landfill regulations in place for the piling and future rehabilitation of waste and by-products at the site. Sales of by-products remained at a high level thanks to the efforts of a new business unit.

Kemira Agro. At the Uusikaupunki plants, nitrogen discharges diminished because of closer spillage control. An estimated amount of 5 tonnes of phosphorus leaked accidentally into the sea from a broken phosphoric acid loading line in February.

The Harjavalta plant in Finland further improved water recycling in its methylene urea production and reduced packaging waste. The plant also decided to take part in an extensive ground water management programme with the authorities, the city and other local industry.

The Fredericia plant in Denmark improved energy efficiency and investigated nitrous oxide emissions from its nitric acid production. Kemira S.A./N.V. stopped production at the smaller sites in Longlier and Sombreffe in Belgium. The Tertre plant obtained a new waste water permit for the entire site and the company continued with soil and ground water investigations at both Tertre and Willebroek.

Kemira Agro decided to stop production at the Pernis site in the Netherlands, partly due to difficulties in meeting forthcoming environmental requirements in a profitable manner. Pending that, the plant continued with investigations and pilot-tests of gypsum re-use (Pro-Gips) and made preliminary surveys for reducing dust emissions and nitrogen discharges.

Kemira Agro Rozenburg B.V. installed low-NO_x burners in its boilers to reduce NO_x-emissions by about 50%. The plant had two environmental incidents leading to major spills of nitrogen into the water, and complaints were made of heavy smoke caused by the fire.

In the UK, the Ince plant investigated possiblities to reduce air emissions from the NPK plant and NO_x from the ammonia production. The Environment Agency issued tighter limits for NO_x from nitric acid production as well as for ammonia discharges into surface water. The bunding of storage tanks was scheduled to the end of 2001.

Tikkurila. VOC emissions from Tikkurila's production continued to decrease in 1999. One objective of the modernization of the plant automation at the Tikkurila Paints plants in Vantaa, Finland and Szczecin, Poland was to reduce environmental releases. Similar improvements were made by Tikkurila Coatings at Bury in the UK.

PRODUCT DEVELOPMENT AND ENVIRONMENTAL BUSINESS

For a comprehensive discussion of this topic, the reader is referred to our specific report entitled 'Products and the Environment'.

Sales of environment- and safety-related products and services totalled EUR 313 million in 1999 (see Figure 12). Growth accelerated to 19% thanks to a step-up in chlorine-free bleaching agents, water treatment chemicals and environmental equipment. Environment-driven businesses now account for more than 12% of the Group's net sales.

Market growth, price development and the first full year of consolidation

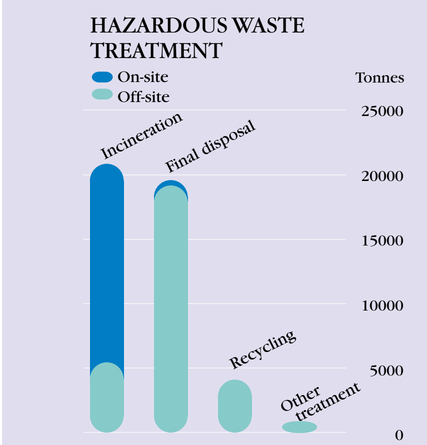
Figure 7

Number of incidents per million working hours.

Figure 8

* Comprises three major material streams, which are piled on site in Finland. The classification of these as waste is a matter of interpretation.

Figure 9



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

of the two newly acquired plants boosted the sales of hydrogen peroxide by Kemira Chemicals by as much as 75%. The Kemwater business unit continued its solid growth, with sales up 10% on the previous year, mainly by building new production facilities and strengthening the existing markets around the world. Recycling and use of secondary raw materials (the Green Concept) was intensified. The first full-scale municipal sludge recovery and treatment process (Krepro) will be built by Kemwater for the city of Malmö, Sweden.

Strong growth also continued in the environmental equipment businesses of Kemira Metalkat and Kemira Safety. Sales of catalytic converters and personal protection devices rose by 15-20%.

Sales of co-products and products developed from waste decreased by about 10%. On the other hand Kemira Agro Horticulture advanced substantially the sales of biocontrol products and organo-mineral fertilizers.

Tikkurila Paints concentrated on expanding the market for indoor paints that are free of solvents as well as alkylphenoletoxylates. Tikkurila Coatings focused on industrial coatings and coating systems which can substantially reduce solvent emissions in painting while at the same time improving durability, quality and the overall economy of the final applications. Customers are increasingly adopting this approach to comply with the EU's VOC-directive.

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

The overall production volumes were practically the same as in 1998. Three newly acquired, medium-sized sites were included in the reporting system for the first time. However, most of the reported environmental indicators here can reasonably well be compared to the figures for the previous year.

Not unexpectedly, total energy consumption remained at the same level as in 1998. However, the Group's eco-efficiency, measured in terms of energy use per net sales, improved by 4 percentage points.

Releases of sulphur compounds, nitrogen oxides and dust into the air increased slightly after sharing a continuous downward trend in the 1990s. The same was true for carbon dioxide, but these increases were not significant. Volatile inorganic emissions decreased to an all-time low due to improved gas scrubbing within Kemira Agro. Volatile organic compounds also diminished further, thanks to Tikkurila's production efforts.

Waste water volumes and releases were somewhat lower than in 1998. This was especially true for nitrogen and the sum of most toxic heavy metals, which was halved. Discharges of phosphorus were up slightly, mainly originating from production at Kemira Agro Pernis. The closure of this site will be reflected in significantly reduced Group totals for phosphorus, suspended solids and certain heavy metals in 2000.

Non-hazardous waste generation remained static. By-products of the two key sites in Finland diminished mainly due to water mass balance differences, as waste figures are given on a wet basis. Deliveries of hazardous waste for external final disposal and incineration increased substantially. This is largely explained by a one-time removal of contaminated soil from the Kokkola site in Finland and the growth in Kemira Fine Chemicals' production.

The environment index in Figure 1 summarizes the developments explained above. The value of the index is practically the same as in 1998, while the business volume is almost 5% higher. The environmental performance of the Group improved by more than one half during the 1990s, and this trend is expected to continue due to the announced changes in the business portfolio.

[3] The data in this report have 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.

Figure 10

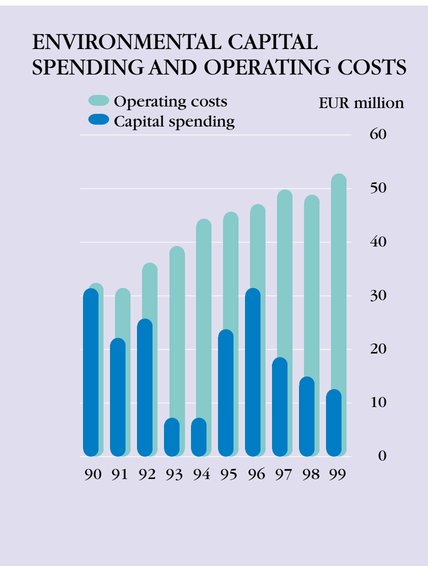


Figure 11

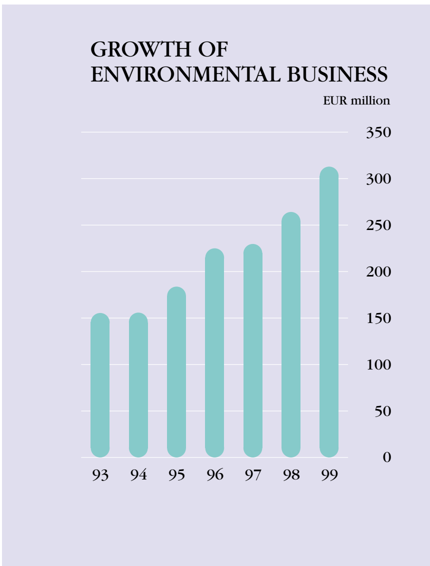
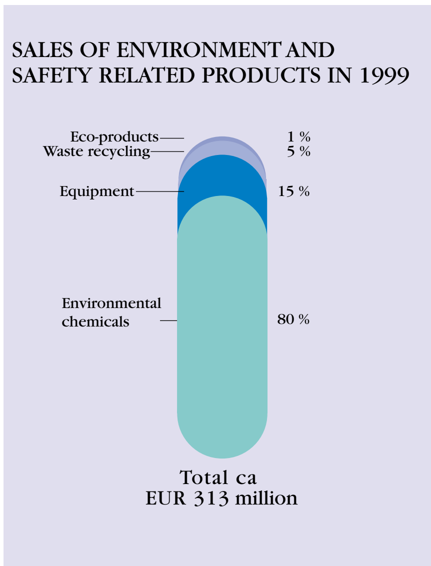


Figure 12



ENVIRONMENTAL INVESTMENTS AND OPERATING COSTS

The Group's capital expenditures on environmental projects declined by about 16%, to EUR 13 million (Figure 10) or about 7.5% of all investments.

Environmental operating costs rose by approximately 8% to an all-time high of EUR 53 million. The increase was the most pronounced in the titanium dioxide and fertilizer businesses.

Environmental costs totaled EUR 65 million, with practically no change from the previous year. These costs correspond to 2.6% of Group net sales, on a par with the previous year. As the announced change in the Group's business portfolio will progress, these costs are expected to decrease further.

ENVIRONMENTAL RISKS, LIABILITIES AND LEGAL ISSUES

Compliance and permits. Overall compliance with site-level permit conditions was satisfactory in 1999. A non-compliance situation was observed at four sites. The authorities have been informed and corrective action has been taken.

Kemira Pigments Inc., Savannah, received two final Consent orders regarding environmental issues as well as two proposals for such orders by Georgia Environmental Protection Division. One of the proposed orders, regarding a failed calciner stack test, was finalized in January, 2000.

New environmental permits or renewals of existing ones were again issued to many of the reporting sites, often spelling out tighter limits for specific releases.

The waste management permits issued to the Pori and Siilinjärvi plants in Finland contained significant requirements concerning future measures in the piling and rehabilitation of by-products and waste at the two sites. However, there were no conditions causing significant immediate action, and the Siilinjärvi permit is subject to an appeal in the Highest Administrative Court. The outcome of these cases cannot yet be fully predicted. At Kemira Agro Pernis, the plant closure has stopped all permit procedures, which were expected to have adverse effects on that particular business.

No significant difficulties were encountered in obtaining the necessary environmental permits to expand or to continue industrial operations.

Accidents, occasional releases and environmental impacts. The number of industrial accidents and environmental incidents reported by the sites increased from the previous year. The following cases caused local environmental impacts or concern:

– February: A broken loading line in the harbour of the Kemira Agro Uusikaupunki plant in Finland caused leakage of 5 tonnes of phophorus in the form of acid. This may increase eutrophication of the sea water close to the plant.
– April: A fire broke out in the fertilizer storage building of Kemira Agro Rozenburg, the Netherlands, causing property damage, heavy smoke formation and a spill of about 7 tonnes of calcium ammonium nitrate compounds into the river.
– September: Approximately 6 tonnes of fuel oil was found to have leaked into the river from a storage tank of the granulation plant at Kemira Agro Pernis, the Netherlands.
– September: 400 tonnes of urea ammonium nitrate leaked from a storage tank at Kemira Agro Rozenburg.
– November: A fire on the roof of the Kemira Pigments Pori plant in Finland caused property damage and smoke formation.

Other reported spills and accidents did not cause significant environmental impacts outside the plant areas. All accidents were investigated in detail and reported to the authorities, and appropriate insurance procedures have been undertaken.

Kemira Pigments Inc. had eight reportable releases of chlorine, caustic and sulphuric acid in Savannah, Georgia. The Group companies paid approximately EUR 0.2 million in compensation for environment-related damage, or in penalties.

Lost-time incidents showed a good trend, decreasing by about 22% from the previous year. However, a fatal accident occurred on 11 January 2000 at the Kemira Agro Uusikaupunki plant in Finland. One employee died after falling from the roof of a fertilizer sludge reactor during maintenance work. The Kemira Group deeply regrets this loss of life.

Environmental liabilities. Soil and ground water contamination and other risks associated with past activities have been assessed at all major Group-owned properties. Several complementary investigations were reported on.

Mergers and acquisitions or plant closures did not change the environmental liabilities significantly in 1999. Detailed environmental due diligence projects were conducted in connection with the completed acquisitions and with the pending divestment of the titanium dioxide business.

At present, there is a requirement or commitment to undertake a limited clean-up at five sites, and appropriate provisions have been made. Remedial action or demolition were carried out at six sites. The costs of current clean-up activities are reported as environmental operating costs (see above). The Group also continued to build up a reserve for unforeseen remediation costs.

Kemira Chemicals removed soil contaminated by mercury at the Kokkola plants (see above), but the cost was not significant. Investigations of arsenic in the sediment of the small lake close to the Vaasa plants are continuing. Ground water clean-up was temporarily halted at Kemira Kemi AB, Helsingborg, Sweden, because of low residual levels achieved. In December elevated concentrations of hexachlorobenzene were found in the sediment, mussels and fish in the plants' harbour basin. Investigations of the sources and releases of organochlorine compounds are going on at Helsingborg and Kokkola.

At the Tertre plant of Kemira Agro in Belgium, manganese nitrate was found in waste water due to subsurface transport from a neigbouring industrial property.

Legal cases. There were no significant environmental legal cases pending against the Group companies.

Environmental taxes and fees. Environment-based taxes totaled EUR 11.5 million calculated on a net basis, on a par with 1998. Proposed increases in environmental taxation are not expected to hurt the competitive position of the Group.

ENVIRONMENTAL COMMUNICATION

Kemira was pleased to become a component of the Dow Jones Sustainability Group Index in September. This new, worldwide index comprises 229 companies selected as top performers in different branches of business, based on extensive questionnaires and benchmarking surveys. The index has been designed to help ethical and sustainable investors globally.

Kemira's first Product Stewardship report (Products and the Environment) was issued in the summer. The response has been positive among many interest groups. The report gives information on the overall environmental life cycles of major products and discusses product development and chemicals management within the Group.

Kemira Oyj achieved a second award for good annual environmental reporting in Finland in a comparison of publicly listed companies. Kemira Pigments Oy was granted the first environmental award of the City of Pori for its good results in water protection and other environmental management.

The web pages of Kemira Oyj and the Group companies (www.kemira.com) contain a growing amount of business-specific environmental reports and other information for the customers and the public.

ENVIRONMENTAL DATA FOR THE KEMIRA GROUP

	1990	1996	1997	1998	**1999**
Releases into water, tonnes					
Chemical Oxygen Demand (COD)[1]	••	9,776	5,616	5,694	**5,397**
Nitrogen (N)	2,500	1,258	1,121	1,163	**1,019**
Phosphorus (P)[2]	4,952	1,717	1,993	1,933	**1,967**
Suspended solids, 1,000 tonnes[2]	934	795	841	799	**773**
Metals (Hg+Cd+Pb+Cr+As)	49	21	12	10	**5.3**
Metals (Hg+Cd+Pb+Cr+As+Cu+Ni+Zn)			••	48	**66.8**
Releases into air, tonnes					
Particulates	1,950	1,504	1,364	896	**936**
Sulphur dioxide (SO_2)[3]	23,138	9,106	5,765	5,630	**5,687**
Nitrogen oxide (NO_2)[4]	8,546	6,345	6,202	5,840	**5,951**
Carbon dioxide (CO_2), 1,000 tonnes		3,445	3,508	3,326	**3,344**
Volatile organics (VOC)[5]	••	484	369	374	**321**
Volatile inorganics (VIC)[6]	••	4,305	3,508	3,152	**2,594**
Waste[7], tonnes					
Hazardous waste, total	8,669	21,185	8,153*	8,795	**26,092**
– Off-site landfill	••	12,105	4,274	5,117	**19,479**
– Off-site incinertion	••	3,206	1,845	2,926	**5,630**
– On-site landfill	••	2,390	362	375	**118**
– other treatment	••	3,484	1,672	377	**864**
Non-hazardous, 1,000 tonnes	2,254	2,159	2,308	2,278	**2,170**
Natural resources					
Fuel consumption, ktoe[8]		1,758	1,791	1,777	**1,773**
Purchased electricity, TJ		5,300	5,500	5,700	**5,800**
Total, ktoe		2,101	2,148	2,146	**2,150**
Cooling water volume, million m^3, appr.		407	399	393	**398**
Waste water volume, million m^3, appr.		86	78	82	**76**
Safety					
Number of incidents[9] per million working hours		21.2*	18.2*	16.3	**12.7**
Reference data, EUR million					
Group net sales	2,087	2,266	2,420	2,413	**2,526**
Environmental capital expenditure	31.1	31.3	18.5	15.0	**12.6**
Environmental operating costs	32.3	47.1	49.8	48.8	**52.6**
Total environmental costs, % of net sales	3.0	3.5	2.8	2.6	**2.6**

1 Estimate. In this case, mainly caused by inorganic discharges, and hence not a very relevant parameter for the Group.
2 Originates mostly from phosphogypsum.
3 All sulphur compounds calculated as SO_2.
4 Nitric oxide and nitrogen dioxide calculated as NO_2.
5 VOC is a sum of volatile organic compounds.
6 Sum of ammonia, hydrogen chloride and six other simple inorganic compounds, mostly ammonia in this case.
7 Waste as defined in EU legislation. Reported figures do 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.
8 1,000 tonnes of oil equivalent. Includes fuel as a raw material.
9 Incidents causing an employee absence of at least one day.
* These figures have been changed because of a redefinition.

VERIFICATION STATEMENT

At the request of Kemira, we have reviewed the basis of the “Kemira Group Environmental Report 1999”. The report is the responsibility of and has been approved by the Board of Directors of Kemira Oyj. The inherent limitations of completeness and the 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 one site outside Finland and one site in Finland, selected by us.

Based on our review we are assured that:
- the statements made in the report are supported by underlying information;
- the data has been properly collated from information provided by the sites;
- for the two sites visited, data has been properly extracted from their information systems.

The report has been prepared in line with the *CEFIC Health, Safety and Environmental Reporting Guidelines*, excluding information on occupational illnesses and distribution incidents. Kemira’s approach to reporting continues to be in line with the European Commission interpretative communication concerning certain articles of the fourth and seventh Council Directives on accounting and, where appropriate, meets the requirements of International Accounting Standard IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. It is our opinion that the Kemira Group Environmental Report 1999 gives, in all material respects, a fair and balanced view on the group’s environmental performance.

Helsinki, 16 February 2000

KPMG WIDERI OY AB

Hannu Niilekselä
Authorized Public Accountant

SUMMARIES OF MAIN PRESS RELEASES

JANUARY

Kemira Chemicals' Kemwater business unit will build a coagulant plant in northern Brazil. The plant will produce solid ferric sulphate, which has been developed by Kemwater. The product will be used in the production of drinking water and in the treatment of municipal and industrial waste water. The capital expenditure is EUR 3 million.

FEBRUARY

Kemira Fine Chemicals Oy, a subsidiary of **Kemira Chemicals**, and Monsanto Europe S.A. signed a 5-year contract for custom-manufacturing of silthiopham, the active ingredient of Monsanto's new wheat fungicide. The value of the contract is EUR 33 million.

Tikkurila Coatings upgraded its tinting system for industrial coatings. Temaspeed Colour Service comprises modernised base paints, colourants, tinting equipment and software. The new system has only two base paints and 11 tinting colourants. The role of service is emphasized in the new concept.

MARCH

Kemira Pigments initiated a EUR 18 million efficiency improvement programme at their titanium dioxide pigments production plant in Savannah, Georgia. The programme is to be completed by the end of 2000.

Kemira Agro and the Italian manufacturer of water-soluble horticultural fertilizers Biolchim S.p.A. entered into an agreement whereby 50 % of Biolchim shares were acquired by Kemira Agro. Biolchim is Italy's most important manufacturer and distributor of water-soluble horticultural fertilisers. The Mediterranean is an important strategic area for the Kemira Agro Horticulture unit.

APRIL

Tauno Pihlava was appointed as the new CEO of **Kemira Oyj** as from 1 January 2000.

Kemira Chemicals decided to invest nearly EUR 12 million in development of its Siilinjärvi site in Finland and ensuring that it remains competitive.

MAY

Risto Keränen was appointed as the President of **Kemira Agro Oy** and Frits Visser as the President of **Kemira Pigments Oy** as from 1 July 1999.

Kemira Chemicals signed a joint venture contract with Jiangsu Yixing Purifying Agent Plant and the Finnish Fund for Industrial Cooperation (Finnfund) for the founding of a company producing mainly inorganic coagulants for water treatment in the province of Jiangsu, China.

JUNE

The Supervisory Board of **Kemira Oyj** approved an investment in potassium nitrate and dicalcium phosphate production in Aqaba, Jordan. The new company will be held on a joint venture basis by Kemira and the Arab Potash Company in Jordan. Total investment in the plant will be EUR 90 million. A letter of intent concerning the investment was signed in 1998.

Kemira Agro announced its plan to close down the NPK fertilizer granulation plant in Pernis, the Netherlands, as well as the nitric acid plant and the ammonium nitrate plant connected with the NPK plant.

Kemira Oyj decided to start repurchasing the company's shares according to authorization granted at the annual general meeting of shareholders. The decision allows for a possible repurchase of a maximum of 2,576,000 shares through the Exchange at current market prices. This corresponds to max. 2 percent of Kemira Oyj's issued share capital. The shares will be used for the payment of bonuses to the personnel funds operating within the company.

Kemira Chemicals' strategic business unit Pulp & Paper Chemicals decided to invest about EUR 5 million in its Speciality Paper Chemicals plant in Vaasa, Finland to further expand its sizing chemicals business with emphasis also on AKD production efficiency and product quality.

Tikkurila Coatings and Technical Coatings Co. North America in the USA signed a cooperation agreement which includes exchanging information and manufacturing and promoting each other's products in their respective areas of market dominance. The agreement covers special products for the metal-working industry, coil coating of sheet metal, and can coatings for metal packaging.

Kemira Chemicals and the City of Helsinki signed a letter of intent to establish a joint venture company in the water utilities field. Kemira Chemicals would hold 51% and Helsinki 49% of the proposed company. The company, Kemwater Services Oy, will make use of the special skills acquired by the parties in the field of drinking and wastewater purification.

JULY

Emirates Food Company (EFC), **Kemira Agro** and Union Kemira entered into an agreement to establish a new joint venture company called Kemira Emirates Fertilizer Company (Kefco) in Dubai, United Arab Emirates. EFC will have a 50% shareholding in Kefco, Kemira Agro 30% and Union Kemira 20%. The company will start production of urea phosphate. The plant will be located in the Jebel Ali Free Zone in Dubai and its production capacity will be 30,000 t/a.

Tikkurila Paints established a subsidiary named OOO Kraski Tikkurila in Moscow. The new company will build facilities for paint production and warehousing in Ramenskoye, to the south-east of Moscow. Production is scheduled to start before the summer of 2000.

SEPTEMBER

Kemira Chemicals' Kemwater unit announced it was making further investment in its plants in Pori, Finland and Rheinberg, Germany. Both plant manufacture coagulants for water treatment.

The Kemira Group was included as a component in the worldwide environmental Dow Jones Sustainability Group Index. This index assesses companies on the basis both of their economic factors and performance in sustainable development.

OCTOBER

A new company established by Avena Group and **Kemira Agro** acquired the animal feed producer Suomen Rehu Oy from Cultor Oyj, a subsidiary of Danisco A/S. Kemira holding of the new company is 20%.

Kemira decided to sharpen up Group strategy to improve competitiveness and profitability. The Kemira Group will focus on areas with sound growth prospects and below average dependancy on economic cycles. Kemira will seek growth in pulp and paper chemicals, water treatment chemicals, as well as in paints and coatings. Other areas of focus will include speciality fertilizers and industrial chemicals.

NOVEMBER

Malmö Water, the municipal potable and waste water company of the Malmö city, Sweden, decided to install the Krepro process for the treatment of sewage sludge. The total investment in Malmö is estimated at EUR 7.3 million. The Krepro prcess has been developed by **Kemira Chemicals**' Kemwater unit.

DECEMBER

Kemira Chemicals will build a paper chemicals plant in Parana state, Brazil. The production of sizing and speciality chemicals used in papermaking will start by the end of 2000, generating a turnover of EUR 9 million at the first stage.

The supervisory board of **Kemira Oyj** appointed the new board for the company for the new term of office from 1 January 2000 on. The chairman of the board would be Sten-Olof Hansén and the Vice Chairman Niilo Pellonmaa, and the other members would be Eija Malmivirta, Anssi Soila, Timo Kaisanlahti and Tauno Pihlava. Esa Tirkkonen was appointed deputy to the CEO.

Kemira Agro announced its intention to bring to an end the production of phosphoric acid, sulphuric acid and MAP/DAP phosphate fertilizers in Pernis, the Netherlands, by July 2000.

Tikkurila was in negotiations for increasing its ownership in a paint factory in Szczecin, Poland. The jointly owned company Tikkurila Baltcolor Sp. z o.o. started operating a year earlier. According to plans, the negotiations aiming at a 100 per cent ownership by Tikkurila would be brought to conclusion in early 2000.

JANUARY 2000

The Kemira Oyj Board of Directors confirmed the appointment of a management board. The task of the management board is to act in a preparatory capacity to the board of directors. The management board consists of Tauno Pihlava, CEO, chairman, Esa Tirkkonen, Executive Vice President, deputy chairman, and members consisting of Group division presidents and senior vice presidents in Group management.

Kemira Agro was reorganized into two units: Kemira Agro Nitrogen (KAN) and Kemira Agro Specialities (KAS). Kemira Agro's commercial activities will continue as before.

Tikkurila CPS will invest into a new plant for tinting system components in Shanghai, China. Production is due to start in early 2001.

FEBRUARY 2000

Kemira announced the sale of its titanium dioxide pigment production units and related businesses in Savannah, Georgia, USA and in Rotterdam, the Netherlands, to Kerr-McGee Chemical Corporation LLC. The purchase price is approx. EUR 400 million.

The press releases can be read in full on Kemira's Internet pages at www.kemira.com.

ADMINISTRATION

According to the Articles of Association of Kemira Oyj, the company's affairs are managed by a Supervisory Board, a Board of Directors and a managing director. One or more deputy managing directors can be named for the company. The Supervisory Board is composed of a minimum of eight and a maximum of ten members, all of whom are elected by the Annual General Meeting for one year at a time, counting from the Annual General Meeting at which the election was held. The Annual General Meeting elects one member as chairman and a maximum of two vice chairmen.

The Board of Directors, which is elected by the Supervisory Board, comprises a minimum of four and a maximum of eight members. The Supervisory Board elects one member as chairman and one member as vice chairman.

SUPERVISORY BOARD

The task of the Supervisory Board is to oversee that the company's affairs are managed according to sound business principles and with a view to profitability, in observance of the regulations of the Articles of Association, resolutions of meetings of shareholders and other confirmed standing rules. It is the task of the Supervisory Board to decide, within the limits indicated by the Articles of Association, on the number of members of the Board of Directors, to appoint and dismiss the managing director, deputy managing directors and members of the Board of Directors as well as to determine their compensation. It also decides on matters concerning a considerable constriction or expansion of operations, and decides on instructions to be given to the Board of Directors concerning matters of wide-ranging import or which are important in principle. The Supervisory Board gives its statement to the Annual General Meeting concerning the parent company and consolidated financial statements and the Auditors' Report as well as decides on calling meetings of shareholders. The emoluments of the Supervisory Board are decided by the Annual General Meeting.

The Supervisory Board meets about six times a year. During the past financial year the Supervisory Board met eight times.

BOARD OF DIRECTORS

The task of the Board of Directors is to prepare matters that will be dealt with at meetings of shareholders and meetings of the Supervisory Board as well as to see to the implementation of decisions of the meetings of shareholders and the Supervisory Board. Its task is also to appoint and dismiss other officers upon a proposal by the managing director and to determine their compensation. The Board of Directors handles those administrative tasks that do not belong to the Supervisory Board or which have not been assigned to the managing director or to other individuals. The Board of Directors decides on the transfer and pledging of property as well as grants and cancels authorizations to sign the company's business name. The Board of Directors also handles the other tasks in its competence under the Companies Act.

The Board of Directors is responsible for duly organizing the company's accounting and overseeing the management of its funds. The Board of Directors is also responsible for seeing to it that the company's financial statements give correct and sufficient information and that the income statement and balance sheet have been prepared in conformity with the acts and regulations in force in Finland and following the Group's uniform accounting practices, which are based on the International Accounting Standards (IAS).

The company maintains an internal control system for the purpose of ensuring the reliability of financial reporting and to provide protection against significant misuse or loss of company assets. The internal control system is supported by approved policies and procedures which are observed at all Group companies as well as by an internal audit department whose staff operate in accordance with the procedures and principles confirmed by the Board of Directors.

The Board of Directors of Kemira Oyj met 19 times during the financial year.

MANAGING DIRECTOR

According to the Articles of Association, the task of the managing director, whose title is Chief Executive Officer, is to manage and develop the company and the Group in accordance with the instructions and regulations issued by the Board of Directors. The managing director is responsible for ensuring that the interests of the company and the Group are taken into account at subsidiaries and associated companies that are owned by the parent company. The managing director likewise implements the decisions of the Board of Directors. The managing director of Kemira Oyj since 1.1.2000 has been Tauno Pihlava. The managing director's deputy has been Esa Tirkkonen from the same date.

AUDITORS

The Annual General Meeting elects as auditors a minimum of one and a maximum of three ordinary auditors and as needed one deputy auditor. One of the auditors must be an auditor approved by the Central Chamber of Commerce. The auditor of Kemira Oyj is the firm of public accountants KPMG Wideri Oy Ab, with Hannu Niilekselä acting as responsible auditor.

The members of the Board of Directors of Kemira Oyj in 2000: (from the left) Anssi Soila, Eija Malmivirta, Tauno Pihlava, Chairman Sten-Olof Hansén, Vice Chairman Niilo Pellonmaa and Timo Kaisanlahti. With the exception of Tauno Pihlava, the new Board members are non-excutive directors.

SUPERVISORY BOARD

Timo Kalli, Chairman, b. 1947, farmer.
Member of Parliament.

Kari Rajamäki, I Vice Chairman, b. 1948, M.Sc.(Admin.).
Member of Parliament.

Hanna Markkula-Kivisilta, II Vice Chairman, b. 1965, M.Sc.(Pol.Sc.).
Member of Parliament.

Helena Rissanen, b. 1949, chairman of the Union of Salaried Employees in Industry in Finland.

Risto Ranki, b. 1948, Licentiate in Political Science, B.Sc.
Deputy Director General of the Ministry of Trade and Industry.

Sirpa Hertell, b. 1955, horticulturist.
Secretary General of the Green Women's Association.

Pekka Kainulainen, b. 1941, Lic.Tech.
Managing Director: Oy Liikkeenjohdon koulutuskeskus Ab.
Chairman of the Board: Amer Group Plc.
Vice Chairman of the Board: Yleiselektroniikka Oy.
Member of the Board: Oy Talentum Ab.
600 Kemira shares.

Mikko Långström, b. 1940, M.Sc.(Econ.), B.Sc.(Eng.).
Managing Director: Longinvest Oy.
11,100 Kemira shares.

Employee representatives (right of attendance and expression of views, no voting rights):

Pertti Kautto, b. 1945, safety manager.
Represents managerial employees.
815 Kemira shares.

Jorma Luukkonen, b. 1945, work planner.
Represents technical employees.
500 Kemira shares.

Oili Kuusjärvi, b. 1947, copyist.
Represents clerical employees.

Jukka Virta, b. 1942, operator.
Represents workers.
165 Kemira shares.

Tauno Korhonen, b. 1946, operator.
Represents workers.

AUDITORS

KPMG Wideri Oy Ab, with **Hannu Niilekselä**, Authorized Public Accountant, acting as responsible auditor.

BOARD OF DIRECTORS

Sten-Olof Hansén, b. 1939, D.Sc.(Econ.), Chairman.
Chairman of the Board at Urho Tuominen Oy, Medinet International Oy, Vetcare Oy, Innomedica Oy.
Member of the Board at Perlos Oyj, Liikesivistysrahasto, Turun Seudun Osuuspankki.
2,605 Kemira shares.

Niilo Pellonmaa, b. 1941, M.Sc.(Econ.), Vice Chairman.
Chairman of the Board at PMJ-Automec Oyj, Rocla Oyj.
Member of the Board at Finvest Oyj, Asko Oyj, Uponor Oyj, Menire Oyj.
11,000 Kemira shares.

Eija Malmivirta, b. 1941, M.Sc.(Eng.).
Chairman of the Board at Merei Energy Oy Ltd.
Member of the Board at VR-Group Ltd, Tosco Corporation.
500 Kemira shares.

Anssi Soila, b. 1949, M.Sc.(Eng.&Econ.).
Chairman of the Board at Sponda Oy, Årcarton AB, Normet Oy.
Member of the Board at Leonia Oy, Lindström Oy.

Timo Kaisanlahti, b. 1962, D.LL., M.Sc.(Econ.).
Government Counsellor at the Ministry of Trade and Industry.
Member of the Board at FY-Industries Oy.
Member of the Supervisory Board: Mortgage Society of Finland.

Tauno Pihlava, b. 1946, M.Sc.(Eng.).
Chief Executuve Officer of Kemira Oyj.
200 Kemira shares and 250,000 share options.

MANAGEMENT BOARD

Tauno Pihlava, Chairman.
See above (Board of Directors).

Esa Tirkkonen, Vice Chairman, b. 1949, M.Sc.(Eng.)
Executive Vice President and CFO of Kemira Oyj.

Juhani Kari, b. 1944, LL.M.
Senior Vice President of Kemira Oyj.

Yrjö Sipilä, b. 1949, B.Sc.(Econ.).
President of Kemira Chemicals Oy.

Raimo Piironen, b. 1949, B.Sc.(Econ.).
President of Kemira Chemicals Oy.

Risto Keränen, b. 1949, Lic.Tech.
President of Kemira Agro Oy.

Frits Visser, b. 1942, M.Sc.
President of Kemira Pigments Oy.

OTHER GROUP ADMINISTRATION

Raija Arasjärvi, b. 1957, M.Sc.(Econ.)
Finance

Kari Autio, b. 1945, M.Sc.(Eng.)
Business Development

Kaj Friman, b. 1953, LL.M., B.Sc.(Econ.)
Secretary to the Supervisory Board and Board of Directors
Treasury and Group Communications

Timo Leppä, b. 1957, M.Sc.(Eng.), CEFA
Corporate Planning

Timo Mattila, b. 1943, Lic.Tech.
Chairman of the Board of Kemira Metalkat Oy and of Kemira Safety Oy.

Orvo Rauma, b. 1940, B.Sc.(Econ.)
Human Resources

Aarno Salminen, b. 1956, M.A.
Environmental Management

Eero Sipilä, b. 1953, M.Sc.
Human Resources (from 1 March 2000)

Mikko Sivonen, b. 1941, M.Sc.(Eng.)
Energy

INSIDERS

The statutory insiders of Kemira Oyj include the members of the Supervisory Board and of the Board of Directors (see above) as well as the Chief Executive Officer (see above) and his deputy, Esa Tirkkonen (1,075 Kemira shares).

In addition, the following persons are regarded as insiders (in parentheses the number of Kemira shares owned by the person):

Juhani Kari, Senior Vice President (1,075),
Yrjö Sipilä, President, (1,575),
Raimo Piironen, President, (250),
Risto Keränen, President, (200),
Frits Visser, President, (0),
Raija Arasjärvi, Group Controller (660),
Kaj Friman, Group Treasurer and
VP Group Communications (1,702),
Anneli Juutinen, Secretary (0),
Liisa Karonen, Secretary (0),
Arja Korhonen, Secretary (0) and
Kirsti Laakso, Administrative Assistant (0).

INVESTMENT ANALYSIS

The following banks and brokerage firms are known to have prepared an investment analysis of Kemira in 1999:

Alfred Berg Finland Oy
Kluuvikatu 3
00100 Helsinki
Finland

Aros Securities
P.O. Box 786
00101 Helsinki
Finland

D. Carnegie Ab
Finland Branch
Eteläesplanadi 12
00130 Helsinki
Finland

Conventum Securities Ltd
Aleksanterinkatu 44
00100 Helsinki
Finland

Crédit Agricole Indosuez
Cheuvreux International Ltd
CU Building St Helens
1 Undershaft
London EC3P 3DQ
U.K.

Credit Suisse First Boston (Europe) Ltd
One Cabot Square
London E14 4QJ
U.K.

Den Danske Bank
Holmens Kanal 2 – 12
1092 Copenhagen K
Denmark

Dresdner Kleinwort Benson
20 Fenchurch Street
London EC3P 3DB
U.K.

Enskilda Research
P.O. Box 630
00101 Helsinki
Finland

Evli Securities Plc
Aleksanterinkatu 19
P.O. Box 1081
00101 Helsinki
Finland

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
U.K.

Handelsbanken Markets
P.O. Box 315
00131 Helsinki
Finland

Mandatum Stockbrokers Ltd
P.O. Box 117
00121 Helsinki
Finland

Merita Securities Oy
Fabianinkatu 29 B
00020 Merita
Finland

Merrill Lynch International Ltd
20 Farringdon Road
London EC1M 3NH
U.K.

Opstock Securities Ltd
P.O. Box 362
00101 Helsinki
Finland

Salomon Smith Barney
Victoria Plaza
111 Buckingham Palace Road
London SW1W 0SB
U.K.

WestLB Research GmbH
Elisabethstrasse 44-46
40217 Düsseldorf
Deutschland

GLOSSARY

ACE
Agricultural, construction and earthmoving (equipment).

AKD wax
The active ingredient in AKD sizing used in paper manufacture. Sizing makes paper less water absorbing and controls its printing properties. AKD = alkylketenedimer.

Alkyd paint
An outdoor or indoor paint that is based on an air-drying alkyd binder. Alkyd is an oil-modified polyester resin. Alkyd paint dries faster than conventional oil paint.

Aluminium sulphate
Mainly used in the paper industry. Also used as a coagulant in water purification. It is generally made from aluminium hydroxide using sulphuric acid.

Ammonia
A basic chemical that is produced from natural gas and is mainly a nitrogen-containing raw material in fertilizers.

Ammonium nitrate (AN)
A nitrogen fertilizer.

Anatase
A certain type of titanium dioxide pigment used by the paper industry in particular.

Audit
A systematic, independent and documented inspection or evaluation in which operations are compared with given requirements or guidelines. An audit can be performed by an external party or by an internal expert.

Calcium ammonium nitrate (CAN)
A nitrogen fertilizer. Ammonium nitrate into which powdered limestone is mixed as part of the production process.

Calcium chloride
An industrial salt that is made from limestone using hydrochloric acid. It has a variety of uses such as in dust binding on roads, oil drilling and applications in the food-processing industry.

Can coatings
Can coatings for the beverage and food industry. The coating acts as an insulating layer between the food product and the can or cap.

Carbon sink
A part of the earth that permanently removes carbon dioxide from the atmosphere and binds it in organic compounds. The most important carbon sinks are the world's oceans and forests.

CEFIC
The umbrella organization of the European Chemical industry (Confédération Européenne des Fédérations de l'Industrie Chimique).

Chemical Oxygen Demand (COD)
A quantity connected with waste waters. It mainly serves to measure the ability of organic substances to consume oxygen in water.

Coagulant
Precipitates impurities in water.

Coil coating
A method of coating metal sheets.

Compound fertilizer
A fertilizer that contains in every granule a number of elements that are essential for plants.

CPS
Colour Processing Systems.

Diammonium phosphate (DAP)
A nitrogen and phosphorus fertilizer for crops and horticulture.

Dicalcium phosphate (DCP)
A raw material for animal feed, manufactured from raw phosphate and limestone.

ECF bleaching
Elemental chlorine free pulp bleaching.

ECOX
Product name for sodium percarbonate. Used as detergent bleach.

EHS
Environment, Health and Safety.

EMAS
(Eco-Management and Audit Scheme)
An environmental management system that is based on a European Community regulation. Industrial companies can register for it voluntarily.

Environmental business
The sale of products and services that are used directly for environmental protection or are closely related to it.

Environmental chemical
A chemical that is used for environmental protection purposes or closely connected to it. For example, chemicals used in treating waste water.

Environmental disclosure
A yearly report by a company on the releases caused by its operations as well as their environmental impacts, liabilities, costs, legislative compliance and other related environmental issues of major importance. It is becoming an increasingly integral part of the financial reporting.

Environmental management system
A company's regular, documented description of how it acts in managing environmental affairs. The main components are the drawing up of an environmental policy, the setting and measuring of objectives as well as auditing.

Environmental report
A company's public report that is free-form in terms of its content and deals with environmental issues connected with the company's operations. It is published either separately or as part of the Annual Report at discretionary intervals.

Environmental technology
Equipment used for environmental protection purposes.

Ferix
Product name. Granular ferrisulphate, a water treatment chemical.

Ferrichloride
An iron-based water treatment chemical.

Ferrous sulphate
An iron-based water treatment chemical or a raw material used in such chemicals. It is generated as a byproduct in the manufacture of titanium dioxide pigment. Also used in feeds.

FinnTi
Product name for titanium dioxide pigment.

Formamide
A solvent and raw material used in the chemical and pharmaceutical industries, a derivative of formic acid.

Formic acid
Manufactured from carbon monoxide and methanol. Mainly used in silage additives as well as in the textile, pharmaceutical and rubber industries.

Greenhouse gases
Gases that promote heating of the atmosphere, the most important of which are carbon dioxide, methane and laughing gas (nitrous oxide).

HAZOP
A risk analysis method that is used in the process industry to improve working methods and the technical safety of equipment.

Hydrogen peroxide
A reactive oxygen chemical that is used especially in the environmentally sound bleaching of pulp, and also as a disinfectant and in environmental applications. Its raw materials are hydrogen and the oxygen found in air.

IFA
International Fertilizer Industry Association.

Ilmenite
The raw material of titanium dioxide pigment, an ore which has a relatively low concentration of titanium.

ISO
The International Standards Organization.

ISO 14001
An International standard that defines the requirements of an environmental management system. A company or institution that complies with the requirements can obtain a certificate according to the standard.

KREPRO
The Kemwater Recycling Process separates metals, heavy metals, phosphorus and carbon out from waste water sludge and recirculates them for useful purposes.

LORIS (KEMIRA LORIS)
(Local Resource Information System)
A satellite-controlled precision farming system.

Methylene urea
A slow-acting nitrogen fertilizer.

Monocalcium phosphate (MCP)
A feed raw material that is manufactured using limestone and pure phosphoric acid.

Nitric acid
A basic chemical that is made from ammonia by catalytic combustion. An important intermediale in fertilizer manufacture.

Nitrogen (N)
An element that is essential for the growth of plants.

Nitrogen oxides
Mainly nitrogen monoxide (NO) and nitrogen dioxide (NO_2). Nitrogen gases that are formed as emissions in combustion and, for example, in the manufacture of nitric acid. Nitric oxides cause acidification and impair air quality.

NK fertilizer
Fertilizer containing nitrogen and potassium.

NPK fertilizer
A compound fertilizer containing nitrogen, phosphorus and potassium as its main nutrients. A number of trace elements can also be added to it.

Organic mineral fertilizer
Composed of both organic substances (e.g. peat) and inorganic salts.

Peracetic acid
A reactive acid chemical that is used in the environmentally sound bleaching of pulp.

Phosphate
A phosphorus compound which occurs in natural ores and is used as a raw material in fertilizers, animal feeds and detergents.

Phosphogypsum
A gypsum that is formed as a byproduct in the manufacture of phosphoric acid.

Phosphoric acid
An acid that is manufactured from phosphate concentrate using sulphuric acid and is used as a raw material in products such as compound fertilizers, feed phosphates, detergents and processed foods.

Phosphorus (P)
An element that is essential for life. One of the three main nutrients in fertilizers. It is obtained by processing phosphate-containing ores.

Pickling liquor
An acidic solution that is used to surface coat metals.

PK fertilizer
Fertilizer containing phosphorus and potassium.

Plastisol
Precoated thin sheet for roofing.

Polyaluminium chloride
A chemical coagulant that is used in the treatment of drinking water and waste water.

POP
Persistent Organic Pollutant.

Potassium (K)
An element. One of the three main nutrients in compound fertilizers. It is excavated mainly in salt mines in the form of potassium chloride.

Potassium nitrate
A nitrogen and potassium fertilizer that is used in horticulture.

Potassium sulphate
A sulphur and potassium fertilizer used in horticulture, or the raw material for fertilizer.

Process chemicals
Products that are primarily sold to the process industry, such as nitric acid, ammonia and technical urea.

ProGips
Product name. Gypsum raw material used by the construction industry.

Responsible Care (RC)
The chemical industry’s voluntary, worldwide environmental and safety programme.

Rutile ore
A raw material in titanium dioxide pigment. It contains a large amount of titanium dioxide.

Sodium percarbonate
A raw material in detergents. It is made from soda using hydrogen peroxide.

Sodium tripolyphosphate (STPP)
Used in detergents as builder to soften the water. Prevents dirt particles from adhering back to the garment.

Straight fertilizer
A fertilizer containing one plant nutrient.

Sulphur dioxide
An industrial gas which is used mainly by the forest industry and is manufactured, for example, by burning elementary sulphur or by means of its recovery from process gases. It is also an acidification-causing emission that is produced when sulphur-containing fuels are burnt.

Sulphuric acid
A widely used basic chemical that is produced from sulphur dioxide gas. The raw gas is obtained from the roasting of certain ores, or by burning elementary sulphur.

Stabilization
Bringing to a permanent state. For example, the chemical composition of a hazardous waste can be changed or the solubility in water of the waste can be lowered by means of various treatment techniques

Tinting system
A method of producing coloured paint. The system comprises (base paints,) tinting colourants, tinting formulae, dispensing machines, shakers, colour matching systems, PC software, and colour cards.

TiO_2
Titanium dioxide.

Titanium dioxide pigment
A white pigment. An important raw material in the manufacture of paint, paper, plastics and printing ink. It is manufactured from titanium-containing ores and slag in a complex process involving the use of sulphuric acid or chlorine and numerous auxiliary chemicals. The methods of manufacture are the sulphate process and the chloride process.

UC cured product
Lacquer or paint cured by ultra-violet radiation.

Ultrafine TiO_2
A very fine crystal titanium dioxide that is invisible in the product application and protects against UV radiation.

Urea
A single-nutrient fertilizer that contains a large amount of nitrogen and is manufactured from ammonia and carbon dioxide. It is also used in resin adhesives.

Water chemical
A chemical used in treating water.

VIC
(Volatile Inorganic Compounds)
These compounds include ammonia, chlorine and fluorine that are formed as emissions mainly from the processes of the basic inorganic industries.

VOC
(Volatile Organic Compounds)
These compounds are mainly solvents which in normal conditions evaporate into the air, notably with effects on the generation of ozone.

QUARTERLY FINANCIAL DEVELOPMENT (The figures are unaudited)

EUR million

	1999 I/99	**II/99**	**III/99**	**IV/99**	1998 I/98	II/98	III/98	IV/98
Net sales								
Kemira Chemicals	**172.5**	**172.8**	**169.2**	**182.5**	150.3	164.5	159.8	155.0
Tikkurila	**79.0**	**97.1**	**101.7**	**79.7**	91.1	99.8	101.1	68.5
Kemira Agro	**289.9**	**268.7**	**215.4**	**240.6**	330.0	275.8	218.4	206.0
Kemira Pigments	**107.6**	**121.3**	**131.0**	**128.6**	107.7	117.0	106.8	91.4
Other including eliminations	**–9.3**	**–7.5**	**–2.3**	**–12.3**	–8.4	–9.6	–6.8	–5.7
Total	**639.7**	**652.4**	**615.0**	**619.1**	670.7	647.5	579.3	515.2
Operating income								
Kemira Chemicals	**19.4**	**21.1**	**19.4**	**23.3**	22.3	23.3	12.4	17.1
Tikkurila	**1.9**	**11.2**	**15.3**	**–5.3**	10.1	13.1	11.2	–1.8
Kemira Agro	**5.1**	**2.1**	**–14.3**	**–31.7**	15.7	14.7	0.3	–12.0
Kemira Pigments	**5.4**	**9.6**	**3.3**	**16.6**	6.1	9.2	0.9	6.1
Other including eliminations	**–2.2**	**–0.2**	**1.2**	**9.8**	–0.7	–1.0	–0.8	1.9
Total	**29.6**	**43.8**	**24.9**	**12.7**	53.5	59.3	24.0	11.3
Financing expenses	**12.6**	**12.1**	**12.3**	**15.4**	12.8	11.0	11.1	15.8
Income before extra-ordinary items and taxes	**17.0**	**31.7**	**12.6**	**–2.7**	40.7	48.3	12.9	–4.5
Net income	**11.8**	**19.6**	**8.8**	**–10.3**	29.0	32.5	8.9	8.2
Earnings per share	**0.09**	**0.15**	**0.07**	**–0.08**	0.23	0.25	0.07	0.06

THE HOLDING OF FRANKLIN RESOURCES INC.

Franklin Resources Inc. has notified Kemira Oyj that its holdings of the company's shares and voting rights on the dates below were as follows:

	Shares	% of shares	% of votes
01.04. 1999			
Mutual fund holdings	3,864,502	3.00	3.00
Assets managed under agreement	4,351,248	3.38	3.38
Total			6,38
05.05.1999			
Mutual fund holdings	7,745,202	6.01	6.01
Assets managed under agreement	5,150,248	4.00	4.00
Total			10.01
27.05.1999			
Mutual fund holdings	7,719,002	5.99	5.99
Assets managed under agreement	5,146,808	4.00	4.00
Total			9.99

These shares are included in nominee-registered shares because Franklin Resources Inc. has not registered the shares it owns within the book-entry register kept by Finnish Central Securities Depository Ltd.

GROUP COMPANIES

31 December 1999

Company	Group holding %	Location	
Kemira Oyj		Finland, Helsinki	
Kemira Chemicals Oy	100	Finland, Helsinki	■
Kemira Kemi AB	100	Sweden, Helsingborg	■
Kemira Chimie S.A.	100	France, Lauterbourg	■
Kemira Chemicals AS	100	Norway, Gamle Fredrikstad	■
Kemwater Cristal S.A.	73	Rumania, Bucharest	■
Alchim S.R.L.	73	Rumania, Tulcea	■
Societatea Comercala Chimbis S.A.	50	Rumania, Bistrita	■
Scandinavian Silver Eel AB	100	Sweden, Helsingborg	■
Aliada Quimica S.A.	100	Spain, Barcelona	●
Kemira Ibérica S.A.	100	Spain, Barcelona	■
Kemira lbérica Internacional S.L.	100	Spain, Barcelona	●
Aliada Quimica de Portugal Lda.	74	Portugal, Estarreja	■
Kemira Chimica S.p.A.	100	Italy, Ossona	■
Kemifloc a.s.	51	Czech Republic, Prerov	■
Kemwater Närke AB	92	Sweden, Kumla	■
Kemipol Sp.z.o.o.	51	Poland, Police	■
Kemira Kopparverket KB	100	Sweden, Helsingborg	●
Ahlbo Kemi AB	100	Sweden, Helsingborg	●
Kemwater Brasil S.A.	51	Brazil, São Paulo	■
Kemwater de México, S.A. de C.V.	51	Mexico, Tlaxcala	■
Kemwater ProChemie s.r.o.	60	Czech Republic, Bakov nad Jizerou	■
Kemwater Diper Environmental Chemicals Inc.	51	Turkey, Izmir	■
Kemira Fine Chemicals Oy	100	Finland, Kokkola	■
Kemira Chemicals (UK) Ltd	100	United Kingdom, Harrogate	▲
Kemira Chemie GmbH	100	Germany, Hanau	■
Kemira Chemie Ges.mbH	100	Austria, Vienna	■
Kemira Chem Holding B.V.	100	The Netherlands, Rotterdam	●
Kemira Chemicals B.V.	100	The Netherlands, Rozenburg	■
Prospector B.V.	100	The Netherlands, Rozenburg	●
Kemwater B.V.	100	The Netherlands, Rotterdam	■
Kemira Kemax B.V.	100	The Netherlands, Rozenburg	●
Kemira Chemicals S.A./N.V.	100	Belgium, Wavre	▲
Kemira Chemicals Inc.	100	United States, Savannah, GA	●
Kemira Paper Chemicals Inc.	100	United States, Savannah, GA	▲
Kemira Paper Chemicals Canada Inc.	100	Canada, Dorion, Que.	▲
Kemira Chemicals Korea Corporation	100	South Korea, Ulsan	■
Kemira Chemicals Canada Inc.	100	Canada, Maitland, Ont.	■
Kemira Chemicals U.S. Inc.	100	United States, Philadelphia, PA	▲
Kemira Chemicals Canada NRO, Inc.	100	Canada, Maitland	□
Kemira Chemicals Hungaria KFT	100	Hungary, Budapest	▲
AS Kemivesi	50	Estonia, Tallinn	■
Kemwater (Thailand) Ltd	49	Thailand, Bangkok	■
Kemira Pigments Oy	100	Finland, Pori	■
Kemira Holdings Inc.	100	United States, Savannah, GA	●
Kemira Pigments Inc.	100	United States, Savannah, GA	■
Kemira Pigments AB	100	Sweden, Helsingborg	▲
Kemira Pigments Kereskedelmi KFT	100	Hungary, Budapest	▲
Kemira Pigments Holding B.V.	100	The Netherlands, Rotterdam	●
Kemira Pigments B.V.	100	The Netherlands, Rozenburg	■
Kemira Pigmente GmbH	100	Germany, Cologne	▲
Kemira Services Holland B.V.	100	The Netherlands, Rotterdam	□
Kemira International Finance B.V.	100	The Netherlands, Rotterdam	□
Kemira Agro Rozenburg B.V.	100	The Netherlands, Europoort Rt	■
Kemira Agro Pernis B.V.	100	The Netherlands, Rotterdam	■
Kemira Finance B.V.	100	The Netherlands, Rozenburg	●
Kemira Pigments S.A. [1]	100	Belgium, Wavre	▲
Kemira Pigments Asia Pacific Pte. Ltd.	100	Singapore	▲
Kemira Pigments Latin America Comercial Ltda.	100	Chile, Santiago	▲

Company	Group ho
Kemira Agro Oy	
Kemira Agro Holdings Ltd	
Kemira Agro U.K. Ltd	
Kemira Ltd	
Kemira Ireland Ltd	
Kemira S.A./N.V.	
Battaille S.A.	
Engrais Battaille S.A.	
Kemira Engrais S.A.	
Kemira Agro Holding B.V.	
Kemira B.V.	
Kemira Pernis B.V.	
Kencica Speciaalmeststoffen B.V.	
Kemira Deutschland GmbH	
Comercial de Fertilizantes Liquidos S.A.	
Viljavuuspalvelu Oy	
Mykora Oy	
A. Jalander Oy	
A. Jalander Eesti Oü	
SiA Kemira Agro Latvija	
ZAO Kemira Agro	
Kemira Agro Poland Sp. z o.o.	
Kemira Sdn. Bhd.	
Kemira Agro Hungary Ltd Co.	
AS Kemira Agro Eesti	
UAB Kemira Agro Vilnius	
AS Fertimix	
Biolchim S.p.A.[2]	
Tikkurila Oy	
Tikkurila Paints Oy	
AS Baltic Color	
UAB Baltic Color	
ZAO Finncolor	
OOO Kraski Tikkurila	
Tikkurila Festék KFT	
Imagica Ltd	
Spetra S.r.l.	
A/S Baltic Color [2]	
Tikkurila Baltcolor Sp. z o.o. [3]	
Tikkurila Coatings Oy	
Kemira Coatings Ltd [5]	
Kemira Coatings (Ireland) Ltd [6]	
Northern Universal Coatings Ltd	
Industrial Coatings Eastern Ltd	
Industrial Coatings Northern Ltd	
Industrial Coatings Western Ltd	
Southern Coatings and Services Ltd	
Universal Surface Coatings Ltd	
Chiltern Surface Coatings Ltd	
Dickursby Färg AB [3]	
Tikkurila Ltd	
Becker Acroma Ltd [2]	
Becker Acroma (Ireland) Ltd [2]	
AS Tikkurila Coatings	
Tikkurila Coatings KFT	
ZAO Tikkurila Coatings	
Tikkurila Coatings GmbH	
Tikkurila CPS Oy	
Winter-Bouts B.V.	

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

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

...lding %	Location	
100	Finland, Helsinki	■
100	United Kingdom, Ince	●
100	United Kingdom, Ince	■
100	United Kingdom, Ince	■
100	Ireland, Dublin	▲
100	Belgium, Wavre	■
100	Belgium, Basècles	■
100	Belgium, France, Fresnes s/ Escaut	■
100	France, Ribécourt	▲
100	The Netherlands, Vondelingenplaat Rt	●
100	The Netherlands, Vondelingenplaat Rt	●
100	The Netherlands, Vondelingenplaat Rt	●
100	The Netherlands, Maastricht	▲
100	Germany, Hannover	▲
50	Spain, Valencia	▲
80	Finland, Mikkeli	□
100	Finland, Kiukainen	■
100	Finland, Muurla	■
100	Estonia, Tallinn	■
100	Latvia, Riga	▲
100	Russia, Moscow	▲
100	Poland, Warsaw	▲
100	Malaysia, Kuala Lumpur	▲
100	Hungary, Hódmezóvásárhely	▲
100	Estonia, Tallinn	▲
100	Lithuania, Vilnius	▲
100	Estonia, Tallinn	■
50	Italy, Bologna	■
100	Finland, Vantaa	□
100	Finland, Vantaa	■
50	Estonia, Tallinn	■
50	Lithuania, Vilnius	▲
100	Russia, St. Petersburg	■
100	Russia, Moscow	■
100	Hungary, Budapest	▲
100	United Kingdom, Uxbridge	▲
100	Italy, Modena	■
50	Latvia, Riga	■
60	Poland, Sczcecin	■
100	Finland, Vantaa	■
100	United Kingdom, Bury	■
100	Ireland, Cork	▲
100	United Kingdom, Heywood	▲
100	United Kingdom, Colchester	▲
100	United Kingdom, North Shields	▲
75	United Kingdom, Bristol	▲
75	United Kingdom, Sutton	▲
100	United Kingdom, Sutton-in-Ashfield	▲
100	United Kingdom, Aylesbury	▲
100	Sweden, Spånga	▲
100	United Kingdom, Haverhill	●
50	United Kingdom, Haverhill	■
50	Ireland, Bray	▲
100	Estonia, Tallinn	▲
100	Hungary, Budapest	▲
100	Russia, St. Petersburg	▲
100	Germany, Hanau	▲
100	Finland, Vantaa	■
100	The Netherlands, Sittard	■

Company	Group holding %	Location	
Kemira Color B.V. 7)	100	The Netherlands, Dordrecht	■
Winter-Bouts GmbH	100	Germany, Hamburg	▲
Winter-Bouts South Africa (Pty) Ltd	100	South Africa, Edenvale	■
Tikkurila Ltda	100	Brazil, São Paulo	▲
Tikkurila Pty Ltd	100	Australia, Wetherill Park	■
Corob International AG	50	Switzerland, Aarau	□
Corob Oy	50	Finland, Ulvila	■
Corob Color Robots B.V.	50	Holland, Eindhoven	●
Corob S.p.A.	50	Italy, Modena	■
Corob Scandinavia AB	50	Sweden, Gothenburg	▲
Corob CPS Service Systems Ltd	50	United Kingdom, Henley	▲
Corob Sudamericana S.A.	50	Uruguay, Montevideo	■
Corob North America Inc.	50	United States, Charlotte, NC	■
Corob Ltd	50	Hong Kong	▲
Matherson S.p.A.	100	Italy, Bergamo	■
Tikkurila Inc.	100	United States, Philadelphia, PA	■
Tikkurila CPS (SEA) Pte Ltd	100	Singapore	■
Tikkurila Services Oy	100	Finland, Vantaa	□
Kemira Engineering Oy 4)	100	Finland, Helsinki	□
Kemira Metalkat Oy	100	Finland, Laukaa	■
Metpela Oy	100	Finland, Laitila	■
Convertitori Catalitici Europa S.r.l.	100	Italy, Genova	■
Kemira Katalysatoren GmbH	100	Germany, Wiesbaden	▲
Kemira Safety Oy	100	Finland, Vaasa	■
Kemira Safety Ltd	100	United Kingdom, Bromsgrove	▲
Kemira Danmark Holding A/S	100	Denmark, Fredericia	●
Kemira Danmark A/S	100	Denmark, Fredericia	■
Kemira Miljö A/S	100	Denmark, Esbjerg	■

1) Owned in equal shares by Kemira Pigments Oy and Kemira Pigments B.V.
2) Joint venture.
3) Owned in equal shares by Tikkurila Coatings Oy and Tikkurila Paints Oy.
4) Owned in equal shares by Kemira Chemicals Oy, Kemira Pigments Oy and Kemira Agro Oy.
5) From 1 January 2000 Tikkurila Coatings Ltd
6) From 1 January 2000 Tikkurila Coatings (Ireland) Ltd
7) From 1 January 2000 Tikkurila Coatings B.V.

Companies not operative in 1999 are excluded.

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