

Kemira Group Interim Report January–September 2005
KEMIRA REPORTS STRONG EARNINGS IN JULY-SEPTEMBER

- Revenue: EUR 543.0 million (453.4 million in July-September 2004), up 20%.
- Operating profit: EUR 59.2 million (46.1 million), up 28%.
- Earnings per share: EUR 0.28 (0.17), up 65%.
- Return on capital employed: 9.3% (8.2%).
- Free cash flow: EUR 71.9 million (78.7 million).
- Full-year revenue, operating profit and earnings per share are estimated to increase strongly on the comparable figures for 2004.

KEY FIGURES

EUR millions	7-9 2005	7-9 2004*	Change %	1-9 2005	1-9 2004*	Change %	1–12 2004*
REVENUE	543.0	453.4	20	1,472.9	1,304.1	13	1,695.1
EBITDA	90.0	76.2	18	217.2	187.5	16	232.0
EBITDA, %	16.6%	16.8%		14.7%	14.4%		13.7%
OPERATING PROFIT	59.2	46.1	28	129.1	97.9	32	111.6
Operating profit, %	10.9%	10.2%		8.8%	7.5%		6.6%
Financial income and expenses	-6.6	-2.0		-22.3	-9.5		-12.6
INCOME BEFORE TAXES	51.8	43.4	19	106.6	84.9	26	95.3
NET PROFIT	34.1	22.1	54	72.5	48.1	51	63.8
EPS, EUR	0.28	0.17	65	0.58	0.37	57	0.50
Capital employed **	1,524.8	1,265.1		1,524.8	1,265.1		1,252.5
ROCE, % **	9.3%	8.2%		9.3%	8.2%		8.6%
Free cash flow	71.9	78.7		-221.7	91.5		107.6

* Continuing operations, pro forma

** 12-month rolling average

The pro forma figures for 2004 appearing in the text sections of this Interim Report cover continuing operations, excluding GrowHow, Fine Chemicals, the calcium chloride business and Ecocat. The figures furthermore exclude non-recurring items arising from disposals of these units. To improve comparability, the non-recurring charge of EUR 44.2 million for the water-soluble fertilizer business is not included in pro forma financial expenses for 2004.

REVENUE AND OPERATING PROFIT IN JULY–SEPTEMBER

In July-September the Kemira Group's revenue rose by 20% compared with the same period a year earlier and was EUR 543.0 million (July-September 2004: 453.4 million). The main factors driving growth were the acquisition of Finnish Chemicals by the Pulp & Paper Chemicals business and the Verdugt acquisition within Industrial Chemicals, both completed at the beginning of April. The higher business volume also stemmed from the acquisitions made at the end of 2004 by the Pulp & Paper Chemicals business as well as within water treatment chemicals. The acquisitions accounted for approximately EUR 104 million of the growth in the revenue, whereas revenue was reduced by the disposal of the industrial coatings business in the UK at the turn of the year (a drop in revenue of EUR 5.2 million) as well as by the cut-back in the operations of the non-core water soluble speciality fertilizers unit (a revenue decrease of EUR 27.5 million). Stripping out acquisitions and disposals as well as the reorganization measures in the water soluble fertilizers business, organic growth was 4%.

In July-September, operating profit increased by 28% to EUR 59.2 million (46.1). The acquisitions made added approximately EUR 10 million to operating profit. The result includes capital gains on asset disposals of EUR 2.7 million (2.8 million).

Kari Savolainen

2 November 2005

(7)

Raw material prices increased moderately in July-September compared with the previous quarter, whereas the price of energy rose markedly. Kemira succeeded in passing part of the raw material cost increases into selling prices.

REVENUE AND OPERATING PROFIT IN JANUARY–SEPTEMBER

In January–September Kemira's revenue grew by 13% compared with the same period a year ago and was EUR 1,472.9 million (January–September 2004: 1,304.2 million), of which acquisitions accounted for approximately EUR 206 million. Stripping out acquisitions and disposals, the industrial dispute in the paper industry in the second quarter as well as the reorganization measures in the water soluble fertilizer business, organic growth was 3%.

In January–September the Group's operating profit was up 32% to EUR 129.1 million (97.9), of which the acquisitions made accounted for approximately EUR 16 million. The result includes capital gains on asset disposals of EUR 6.2 million (8.3 million). The industrial dispute in the Finnish paper industry in May-June cut into Pulp & Paper Chemicals' operating profit by about 12 million euros in the second quarter. The operating profit of the Industrial Chemicals business was lifted by the Verdugt acquisition and the rise in selling prices of titanium dioxide. The Industrial Chemicals business area's operating profit for January-September of last year included EUR 7.2 million of non-recurring income. The growth in the operating profit reported by the Paints & Coatings business area was attributable to the good sales trend as well as to the structural arrangements that have been carried out over the past years.

Income before taxes in the January–September period was EUR 106.6 million (84.9 million). Earnings per share were EUR 0.58 (2004: EUR 1.05, of which continuing operations accounted for 0.37).

A total of EUR 32.3 million (29.2 million), or 2.2% of revenue, was spent on research and development.

CAPITAL EXPENDITURE

In January-September, the Group's gross capital expenditures excluding acquisitions were smaller than the depreciation recorded.

The Group's gross capital expenditures in January–September amounted to EUR 363.5 million (89.3 million). Gross capital expenditures excluding acquisitions amounted to EUR 78.0 million (74.9 million) and proceeds from asset disposals totalled EUR 56.0 million (20.8 million). The largest capital expenditures were the building of a ferrosulphate dryer facility in Pori, Finland, and the increases in production at the calcium sulphate pigment plant in Siilinjärvi, Finland. Full-year gross capital expenditures, excluding acquisitions, are estimated to be similar to those in 2004 (117.3 million). The Group recorded depreciation in January–September of EUR 88.1 million (89.6).

FINANCING SITUATION AND TREND IN CASH FLOW

The financing position and liquidity remained good.

Cash flows from operations in January–September amounted to EUR 85.8 million (160.0 million). Working capital decreased by about EUR 34 million in the third quarter of the year. Net cash flows from investing activities were EUR 307.5 million negative (68.5 million negative), of which acquisitions accounted for EUR 285.5 million. Cash flow after capital expenditures was EUR 221.7 million negative (91.5 million). In April dividends totalling EUR 41.0 million were paid to the shareholders of Kemira Oyj.

The Group's net debt at the end of September stood at EUR 727.2 million (201.3 million at 31 Dec. 2004). The higher net debt was attributable mainly to the acquisitions made at the beginning of April.

Interest-bearing debt amounted to EUR 774.3 million. The proportion which fixed-interest loans represented within the total amount of the Group's interest-bearing loans was about 52% at the end of September. Pension loans are considered to be floating rate loans.

The equity ratio at the end of September was 42% (31 Dec. 2004: 47%). Net gearing was 73% (31 Dec. 2004: 21%).

Kari Savolainen

2 November 2005

(7)

In the January–September period, the Group's net financial expenses were EUR 22.3 million (9.5 million). The increase in financial expenses was attributable to the greater amount of borrowings to carry out the acquisitions as well as to foreign exchange differences. Within financing activities, a foreign exchange loss of EUR 5.1 million was booked (a loss of EUR 1.7 million).

Liquid assets at the close of the period amounted to EUR 46.9 million. In July Kemira signed a new five-year 750 million euro revolving credit facility agreement that replaced the previous EUR 506 million credit facility. The unused amount of the binding credit facility at 30 September 2005 was EUR 680.2 million.

PERSONNEL

The number of the Group's employees increased due to the acquisitions made at the beginning of April. The number of the Group's employees at the end of the report period was 7,724 (31 December 2004: 7,137), of whom 3,099, i.e. 40%, worked in Finland (31 Dec. 2004: 2,764).

PULP & PAPER CHEMICALS

The Pulp & Paper Chemicals business area offers pulp and paper chemicals solutions that are tailored to customers' needs.

EUR millions	7-9		Change	1-9		Change	1-12
	2005	2004		2005	2004		
REVENUE	207.9	145.0	43	522.8	421.8	24	565.5
EBITDA	34.5	26.5	30	74.3	66.2	12	90.5
EBITDA, %	16.6%	18.3%		14.2%	15.7%		16.0%
OPERATING PROFIT	23.5	15.3	54	41.8	32.0	31	44.8
Operating profit, %	11.3%	10.6%		8.0%	7.6%		7.9%
Capital employed *	624.2	457.5		624.2	457.5		452.3
ROCE, % *	8.7%	8.8%		8.7%	8.8%		9.9%
Capital expenditure	14.8	14.7		249.9	27.2		33.6
Free cash flow	10.4	0.5		-197.7	22.3		50.7
Personnel at end of period							
	2,116	1,759		2,116	1,759		1,728

* 12-month rolling average

In July–September the Pulp & Paper Chemicals business area's revenue grew by 43% to EUR 207.9 million (145.0), notably thanks to the acquisition of Finnish Chemicals in April. Following the industrial dispute in the Finnish paper industry, which came to an end at the start of July, demand for pulp and paper chemicals in Finland returned to a good level. Organic growth in the July-September period, excluding acquisitions, amounted to 4%.

Operating profit in July–September rose by 54% to EUR 23.5 million (15.3). In addition to the acquisitions made, operating profit was lifted by the efficiency-boosting measures carried out in Europe and North America. The rise in raw material prices levelled off in the third quarter of the year, whereas the price of energy rose markedly. Pulp & Paper Chemicals succeeded in partially passing on the higher raw material costs into selling prices.

In January-September, Pulp & Paper Chemicals generated an increase in revenue of 24% to EUR 522.8 million (421.8 million). Acquired companies accounted for EUR 108 million of revenue. The industrial dispute in the paper industry in Finland in May–June reduced the business area's revenue by about EUR 30 million. Stripping out acquisitions and the industrial dispute, revenue increased by 2%. Operating profit in January-September was EUR 41.8 million (32.0). The industrial dispute cut about EUR 12 million off of operating profit. The result includes an EUR 2.5 million provision for the tank accident that occurred at the Helsingborg plant in February.

In October, Kemira and Botnia signed an agreement on chemicals deliveries to Botnia's pulp plant in Uruguay. Kemira will build chemicals plants producing sodium chloride, chlorine dioxide and oxygen at the site of the pulp plant that will be located at Fray Bentos in western Uruguay. An alternative for producing hydrogen peroxide will be worked out as the project moves ahead. Kemira's total capital expenditure will be about EUR 60 million. Construction work on the buildings and equipment foundations will get started in Uruguay in the second quarter of

Kari Savolainen

2 November 2005

(7)

2006. The first equipment installations will be made in mid-2006 and pulp production is scheduled to start up in the third quarter of 2007.

On 1 October 2005, Lauri Junnila took over as president of the Pulp & Paper Chemicals business area and became a member of the Group's Operational Management Board.

KEMWATER

Kemwater offers water treatment chemicals and solutions as well as sludge treatment chemicals for municipal and private water treatment plants and industry.

EUR millions	7-9 2005	7-9 2004	Change %	1-9 2005	1-9 2004	Change %	1-12 2004
REVENUE	95.1	71.0	34	269.9	205.4	31	285.3
EBITDA	13.4	10.9	23	37.1	31.6	17	41.7
EBITDA, %	14.1%	15.4%		13.7%	15.4%		14.6%
OPERATING PROFIT	9.0	6.3	43	24.4	18.4	33	14.4*
Operating profit, %	9.5%	8.9%		9.0%	9.0%		5.0%*
Capital employed **	211.7	162.3		211.7	162.3		167.3
ROCE, % **	9.6%*	16.9%		9.6%*	16.9%		9.6%*
Capital expenditure	4.0	7.4		50.1	23.9		66.9
Free cash flow	3.6	7.8		-24.6	1.6		-26.0
Personnel at end of period	1,489	1,225		1,489	1,225		1,461

* Includes depreciation and a non-recurring expense charge to a total amount of EUR 11 million. Excluding these items, the return on capital employed in July-September 2005 was 14.7%.

** 12-month rolling average

Kemwater's revenue in July-September was up 34% to EUR 95.1 million (71.0 million). In addition to the rise in sales volumes and selling prices, revenue got a boost from Eaglebrook, which was acquired in November 2004 and operates in North America. Kemwater's organic growth in July-September was 7%.

Thanks to increased sales, Kemwater's operating profit was up 43% to EUR 9.0 million (6.3 million). Of the main raw materials, the prices of aluminium hydrate, chlorine and hydrochloric acid continued to surge in the United States. Prices of recycled iron were at the previous quarter's level. In July-September, Kemwater managed partly to pass on the price increases in raw materials into selling prices and, additionally, the effect of the price increases was reduced by using alternative sources of raw materials.

In January-September, Kemwater's revenue grew by 31% to EUR 269.9 million (205.4 million). Organic growth was 7%. Operating profit rose by 33% to EUR 24.4 million (18.4 million).

At the end of October Lennart Johansson, the former president of Kemwater, joined another company. The business area's CFO, Lennart Albertsson, will be the acting head of Kemwater until Johansson's successor has been chosen.

INDUSTRIAL CHEMICALS

Industrial Chemicals' products are used, notably, in paints, printing inks, foods, pharmaceuticals, cosmetics, textiles and detergents.

EUR millions	7-9 2005	7-9 2004*	Change %	1-9 2005	1-9 2004*	Change %	1-12 2004*
REVENUE	111.6	80.5	39	303.5	236.1	29	315.2
EBITDA	19.3	19.4	-1	50.7	47.7	6	62.4
EBITDA, %	17.3%	24.0%		16.7%	20.2%		19.8%

Kari Savolainen

2 November 2005

(7)

OPERATING PROFIT	11.0	12.1	-9	25.8	25.7	0	33.0
Operating profit, %	9.9%	15.0%		8.5%	10.9%		10.4%
Capital employed **	370.3	301.3		370.3	301.3		297.6
ROCE, % **	8.9%	11.6%		8.9%	11.6%		11.1%
Capital expenditure	9.8	6.4		53.7	24.8		34.9
Free cash flow	9.8	23.7		-17.9	34.8		40.3
Personnel at end of period							
	1,442	1,221		1,442	1,221		1,310

* Continuing operations, pro forma

** 12-month rolling average

Boosted by the rise in selling prices of titanium dioxide and the Verdugt acquisition at the beginning of April, Industrial Chemicals' revenue in July–September increased by 39% to EUR 111.6 million (80.5 million). Organic growth was 10%. In July–September, operating profit was EUR 11.0 million (July–September 2004: 12.1 million, including EUR 2.5 million of non-recurring income). During the report period, Verdugt continued to encounter some problems in production. Within organic salts, the higher prices of raw materials and energy squeezed profitability.

Of the Industrial Chemicals business area's revenue in July–September, 56% came from the titanium dioxide business. Average prices of titanium dioxide in euros were about 7% higher in July–September than a year earlier. Raw material and energy costs saw a strong increase in July–September compared with the second quarter. Sales volumes of titanium dioxide were similar to July–September 2004.

With the acquisition of Verdugt, the sales volumes of formic acid products increased from the level reached in the same period of 2004. Prices of formic acid products rose slightly. The sales volumes of sodium percarbonate, which is used in detergents, rose compared with the previous year, but prices fell slightly short of the same period a year earlier.

In January–September, Industrial Chemicals generated an increase in revenue of 29% to EUR 303.5 million (236.1 million). Organic growth was 8%. Operating profit amounted to EUR 25.8 million (January–September 2004: 25.7 million, including EUR 7.2 million of non-recurring income).

The efficiency plan at Kemira's Pori site in Finland aims at securing the future position for titanium dioxide pigment production in Pori and achieving annual cost savings in excess of EUR 5 million from 2006 onwards.

PAINTS & COATINGS

The Paints & Coatings business area offers branded decorative paint products for consumers and professionals in northern and eastern Europe. The Industrial Coatings unit serves customers in the metal and wood industry.

EUR millions	7-9		Change	1-9		Change	1–12
	2005	2004		2005	2004		
REVENUE	129.9	122.5	6	367.2	356.4	3	439.9
EBITDA	24.4	19.3	26	60.2	56.2	7	58.0
EBITDA, %	18.8%	15.8%		16.4%	15.8%		13.2%
OPERATING PROFIT	20.6	14.5	42	49.1	41.4	19	38.4
Operating profit, %	15.9%	11.8%		13.4%	11.6%		8.7%
Capital employed *	286.4	301.8		286.4	301.8		295.4
ROCE, % *	16.8%	12.5%		16.8%	12.5%		13.7%
Capital expenditure	4.2	3.9		13.9	11.4		13.8
Free cash flow	63.3	56.5		34.1	44.0		47.4
Personnel at end of period							
	2,312	2,354		2,312	2,354		2,288

* 12-month rolling average

Revenue generated by the paint business in July–September rose by 6% to EUR 129.9 million (122.5 million). The industrial coatings unit in the UK was sold at the turn of the year, resulting in a decrease in revenue of EUR 5.2 million. Continuing operations reported a revenue rise of 10% in July–September. Revenue was lifted by the

Kari Savolainen

2 November 2005

(7)

good demand for paints in nearly all the main market areas. Raw material costs, which have remained at a high level, were factored into selling prices.

Revenue reported by the decorative paints arm was up 11%. Sales of products manufactured locally in Russia continued their robust growth. Revenue reported by the continuing Industrial Coatings businesses grew by 8%. The increase was the strongest in Russia, Poland, Sweden and the Baltic countries.

Operating profit in July-September rose by 42% on last year and was EUR 20.6 million (14.5 million). Revenue growth was spurred by the good sales trend and the structural arrangements that have been made in recent years.

In January-September the Paints & Coatings business posted a revenue increase of 3% to EUR 367.2 million (356.4 million). Continuing operations reported a revenue rise of 7%. Operating profit rose 19% to EUR 49.1 million (41.4 million). Last year's operating profit included non-recurring income of EUR 2.0 million.

In October, Paints & Coatings sold its coil coating business to Teknos Group Oy. In 2004, the divested business had revenue of about EUR 15 million.

OTHER OPERATIONS

The water-soluble speciality fertilizers unit had revenue in July-September of EUR 14.7 million (42.2 million) and reported an operating profit of EUR 0.6 million (a loss of 2.0 million). The losses of the water-soluble fertilizer business's associated companies, which are stated below operating profit, totalled EUR 1.3 million (a loss of 2.2 million). The water-soluble speciality fertilizers unit had revenue in January-September of EUR 52.8 million (106.1 million) and reported an operating loss of EUR 0.1 million (a loss of 3.4 million). The losses of the water-soluble fertilizer business's associated companies totalled EUR 2.4 million (a loss of 7.4 million).

In July, Kemira and the other shareholders in Kemira Emirates Fertilizers Company sold their holdings in the company, which has been an affiliate that is part of Kemira's soluble fertilizer business. The new owner is the Chilean company SQM Nitratos SA. After the divestment, in the area of water-soluble speciality fertilizers, Kemira continues to have an associated company in Jordan and a joint venture in Italy.

Kemira generates electric power and owns participations in Finnish energy companies. With the acquisition of Finnish Chemicals, Kemira itself uses all its electric power in Finland.

Other operations also include Group-wide expenses which are not charged to the business areas, such as part of the research and development costs and the costs of the Kemira Corporate Centre.

KEMIRA OYJ'S SHARES AND SHAREHOLDERS

The company had a market capitalization, excluding treasury shares, at the end of September of EUR 1,422 million.

In January-September, 342,200 new shares were registered following subscriptions with the warrants for 2001. After the corresponding increase in the share capital, the company's share capital at the end of September stood at EUR 221.3 million and the registered total number of shares in issue was 124,785,500. The number of shares can rise by a maximum of 259,500 through subscriptions made under the 2001 stock option programme.

On 22 September 2005, the Finnish State sold 8,000,000 Kemira Oyj shares. As a consequence of the sale of shares, the Finnish State's holding of the share capital and votes in Kemira Oyj fell from 55.1% to 48.7%.

OUTLOOK FOR THE REMAINDER OF THE YEAR

Kemira is strengthening its operations within pulp and paper chemicals, water treatment chemicals, industrial chemicals and paints and coatings through both organic growth and acquisitions. All our operations are geared to a continuous improvement in profitability, achieving growth, building a unique competitive position and boosting synergy across the Group.

Kari Savolainen

2 November 2005

(7)

In the Pulp & Paper Chemicals business area, the capacity utilization of the customer industry is estimated to be good during the latter part of the year. The price rises in raw materials and especially in energy are putting pressure on earnings. The business area's revenue and operating profit in 2005 are set to increase substantially on 2004, particularly thanks to the acquisitions made.

Within Kemwater, demand for water treatment chemicals is expected to remain good during the rest of the year. The high prices of hydrochloric acid, chlorine and aluminium hydrate in the United States are exerting pressure on earnings. Kemwater's full-year revenue is expected to grow substantially compared with 2004 thanks to the Eaglebrook acquisition and higher sales volumes and selling prices. Operating profit is likewise estimated to be substantially higher than that reported in 2004.

Within Industrial Chemicals, no changes are expected in titanium dioxide prices during the latter part of the year. Demand is anticipated to hold steady in the last quarter and sales volumes are estimated to grow slightly compared with the same period a year ago. Increased prices of raw materials and energy are squeezing earnings. The business area's sales of organic acids and organic acid derivatives as well as sodium percarbonate, which is used in detergents, are anticipated to develop favourably during the latter part of the year. Full-year revenue is estimated to show a substantial increase on the figures Industrial Chemicals reported for continuing operations in 2004. An increase in operating profit is also expected.

In Paints & Coatings, the busiest season of the year is over. As a result of the sale of business operations in 2004 and 2005, full-year revenue for the Paints & Coatings business area is expected to be on a par with the previous year, but operating profit is expected to show a substantial rise.

Full-year revenue generated by the water-soluble fertilizer business that remained a part of Kemira following the spin-off of GrowHow is estimated to fall. The operating loss is expected to diminish.

The Kemira Group's full-year revenue, operating profit and earnings per share in 2005 are estimated to increase strongly on the comparable figures posted in 2004.

Helsinki, 2 November 2005

Board of Directors

All forecasts and estimates mentioned in this report are based on the current judgement of the economic environment and the actual results may be significantly different.

For further information, contact:

Timo Leppä, Senior Vice President, Group Communications, tel. +358 10 86 21700

Päivi Antola, Investor Relations Manager, tel. +358 10 86 21140

A press conference on Kemira's January-September results will be arranged for the media and analysts at Kemira's head office (Porkkalankatu 3) today at 10.30 a.m. An English-language conference call will be held at 1.00 p.m. We request participants to make their calls about 10 minutes before the start of the conference by telephoning +44 20 7162 0080.

The financial statement press release for 2005 will be published on 7 February 2006.

KEMIRA

Kemira (www.kemira.com) is a chemicals Group with four business areas: pulp and paper chemicals, water treatment chemicals, industrial chemicals and paints. Kemira's goal is to be the leading company in its areas of operations worldwide, with businesses that have wide-ranging synergy and a unique competitive position.