

Kemira



**Kemira –
from Good to Great**

CEO Lasse Kurkilahti

Interim Report Q1 - Q3, 2004

Kemira Interim Report Q1 – Q3, 2004

- **Result Q1-3, 2004**
- **Restructuring**
- **New Kemira**

July-September 2004 in brief

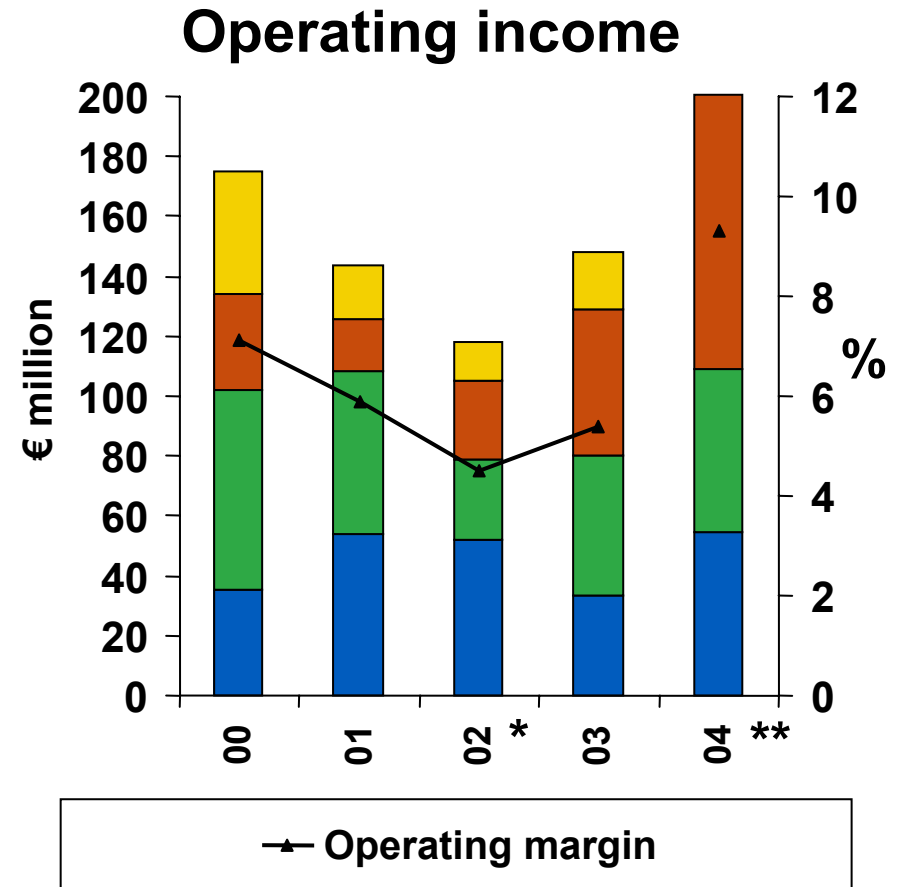
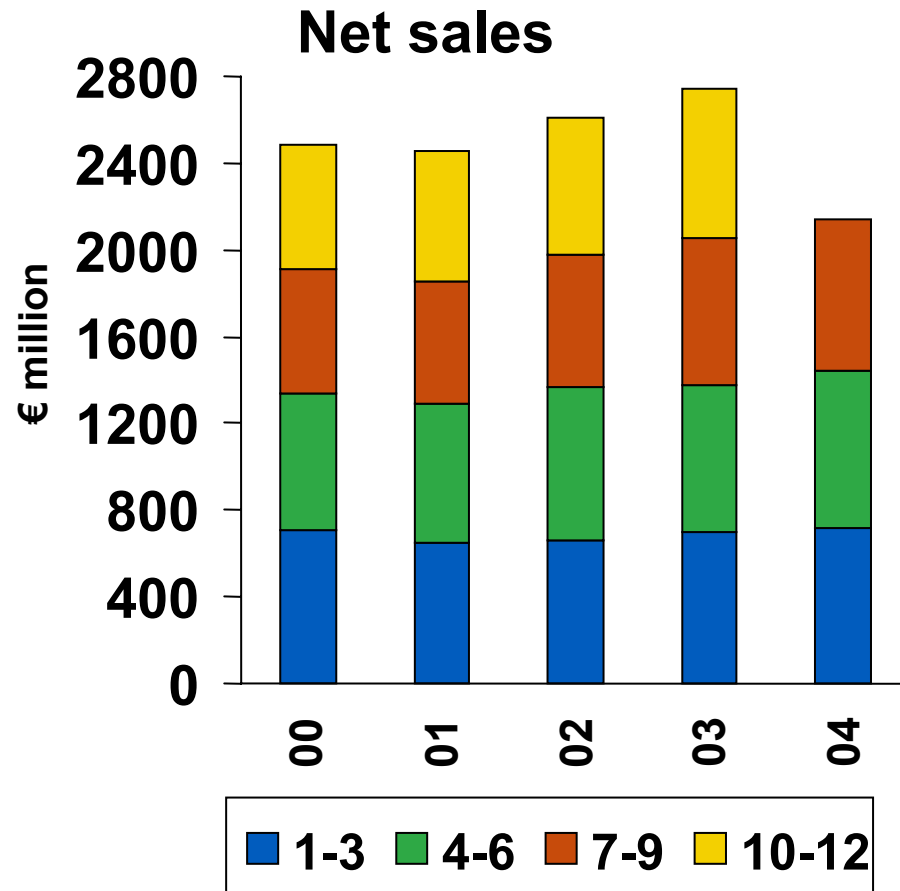
	Q3 2004	Q3 2003	Change
Net sales	695	683	2%
Operating income	91 *	49	86%
Earnings/share, €	0.52 *	0.22	136%
Cash flow after capital exp.	136	37	368%

* Including 52 m€ of extraordinary gain

January-September 2004 in brief

	Q1-3 2004	Q1-3 2003	Change
Net sales	2,142	2,054	4%
Operating income	200	129	55%
Earnings/share, €	1.05	0.63	67%
Cash flow after capital exp.	190	-22	
Equity ratio	45%	40%	
Gearing	47%	76%	
Capital employed	1,870	1,904	
Return on capital employed	11%	8%	
Personnel, average	10,552	10,455	

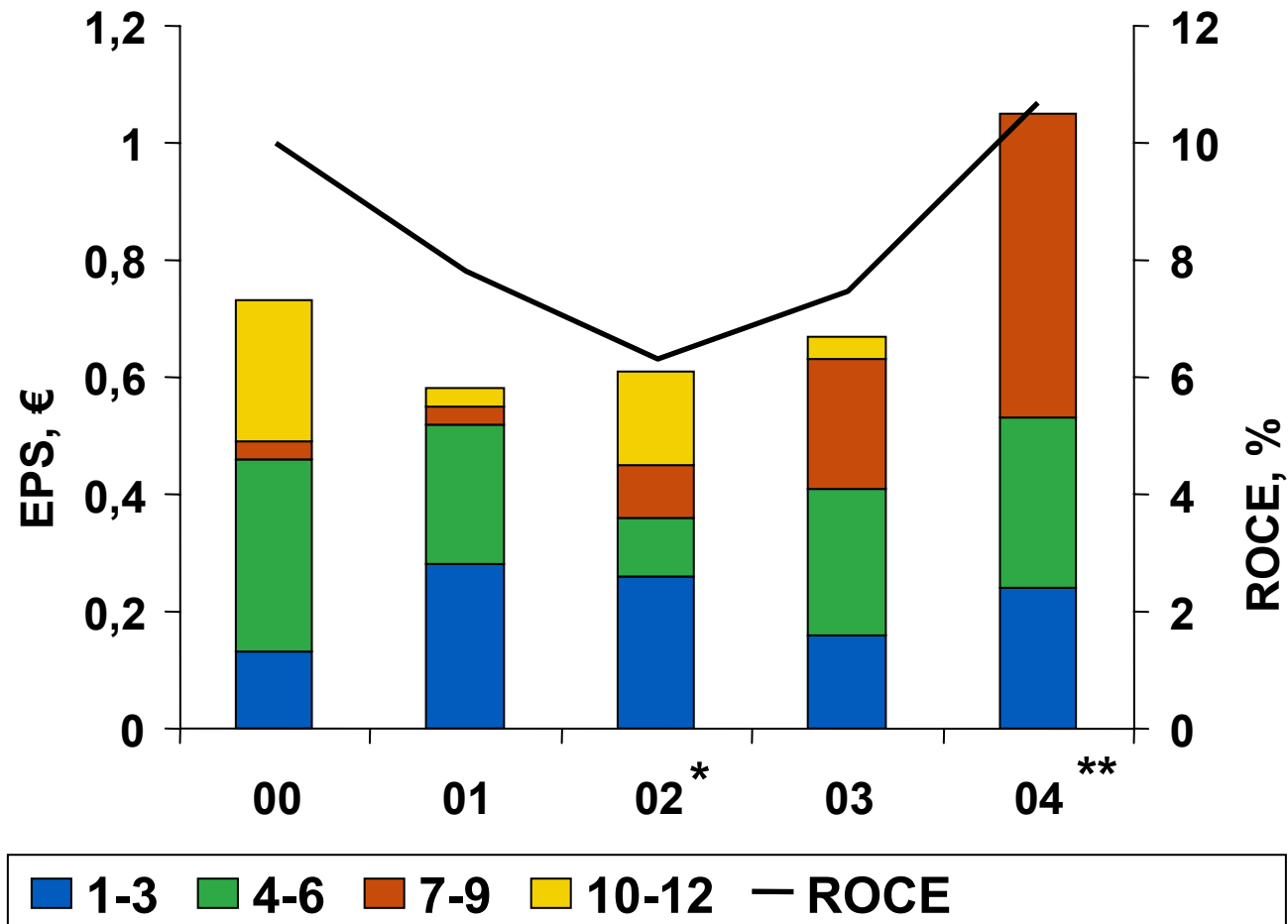
Kemira Group



* Excluding write-down of 78 m€ in 2002

** Including 52 m€ extraordinary gain in Q3

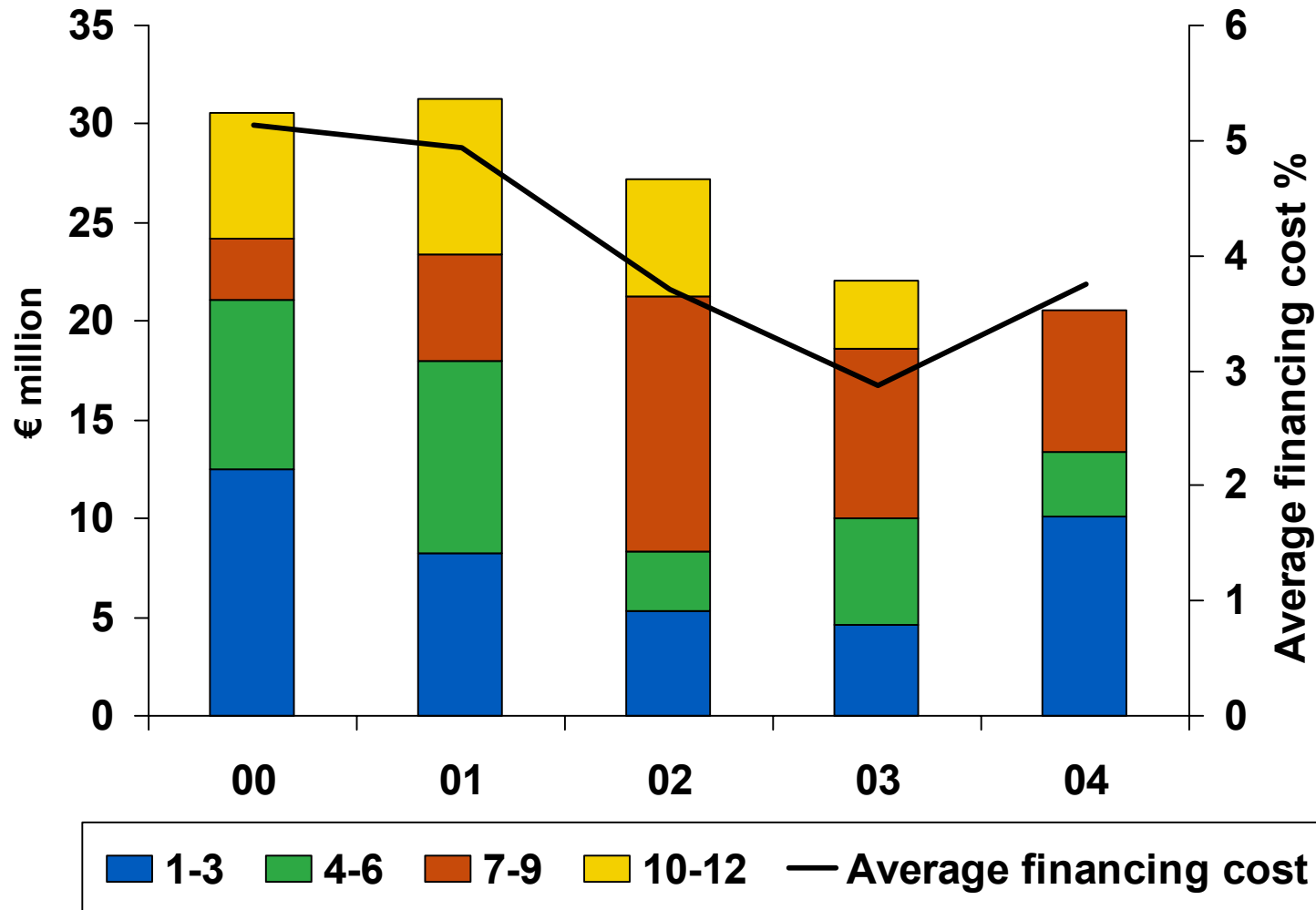
Earnings/share and return on capital employed (ROCE)



* Excluding write-down of 78 m€ in 2002

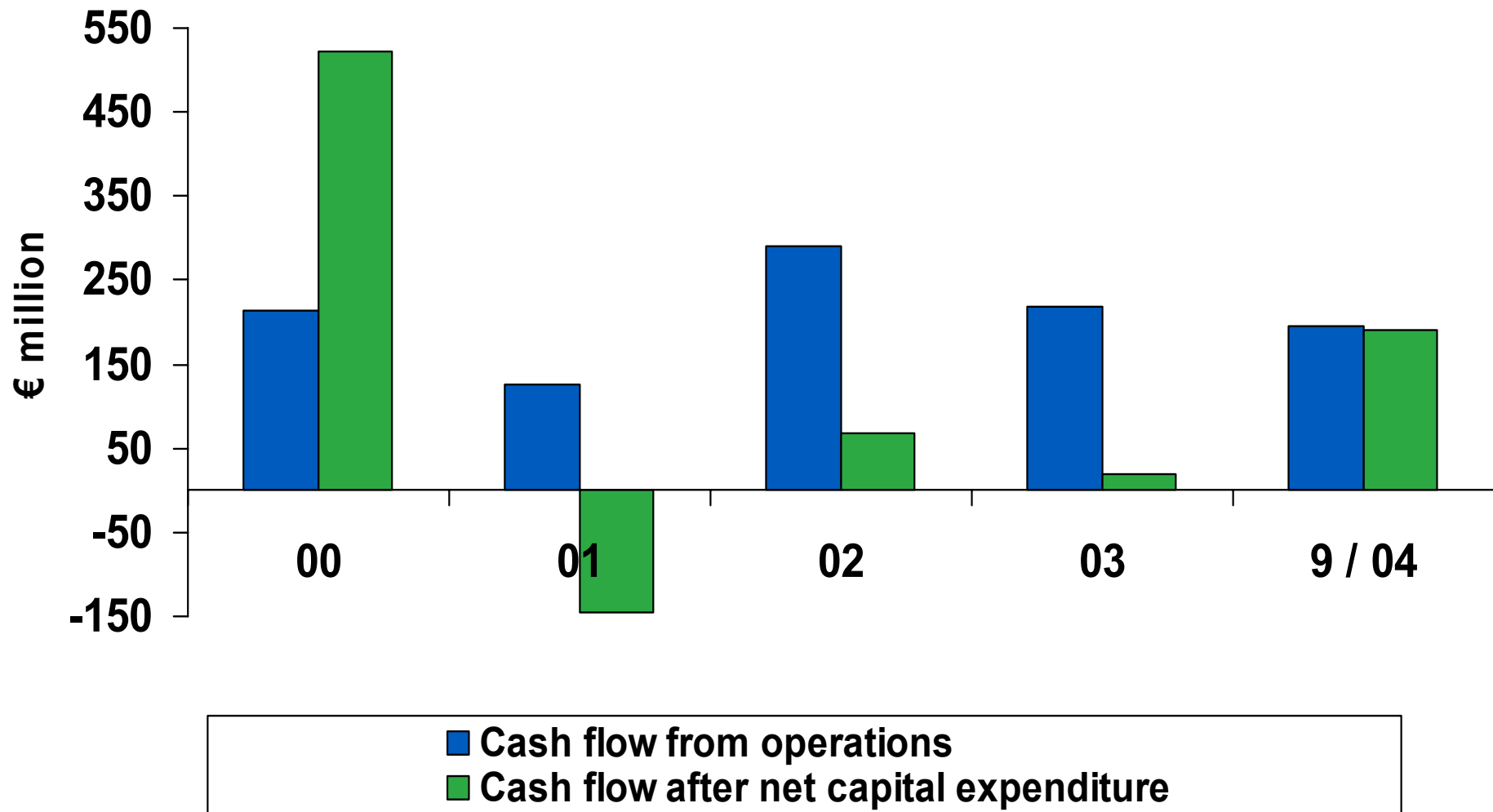
** Including 52 m€ extraordinary gain in Q3

Net financing expenses *



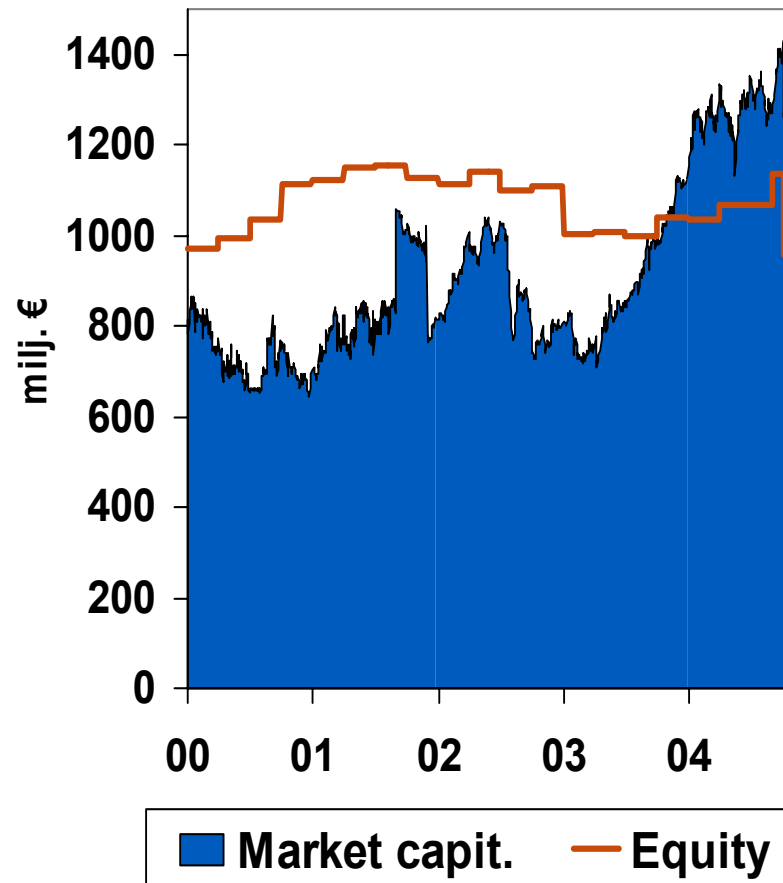
* Excluding share of associates' net income.

Cash flow



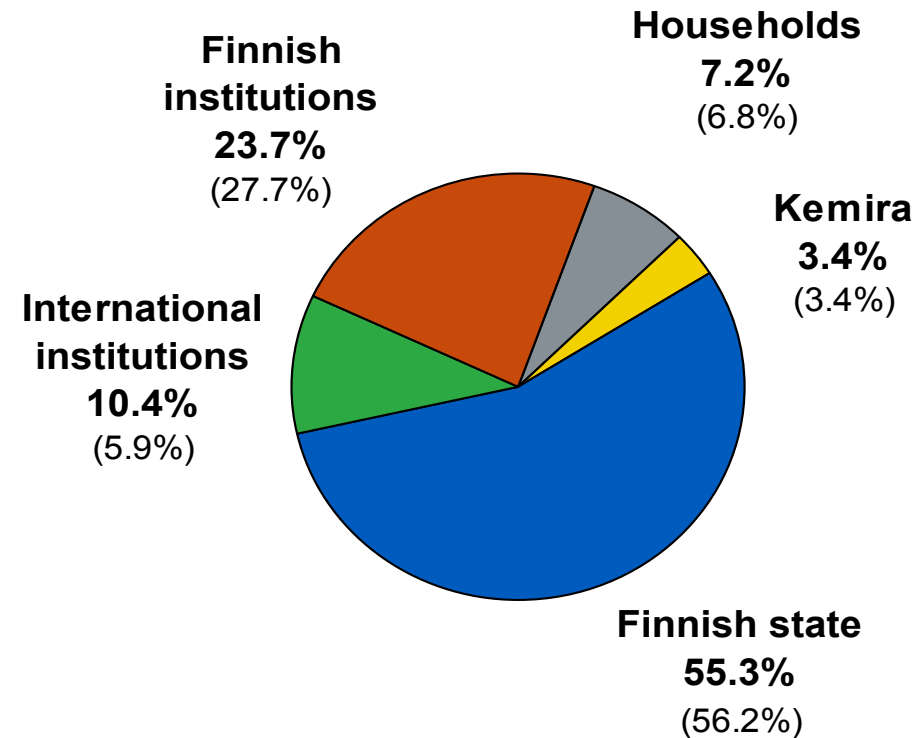
Shares and ownership

Market capitalisation & equity



Ownership 19 Oct. 2004

(31 Dec. 2003)



Minimum state ownership 15%

Outlook for 2004

■ Kemira Group

- Due to restructuring, Group net sales will be lower than last year
- Group operating income and net profit are expected to grow on last year
- Net sales of continuing businesses are expected to grow on last year
- Operating income and net profit of continuing businesses are expected to grow on last year

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.

The logo for Kemira, featuring the word "Kemira" in white, bold, sans-serif capital letters on a blue rectangular background. A thin green horizontal bar is positioned at the top of the blue rectangle.

Kemira

Restructuring

Targets for 2004

- **Improve efficiency and result**
- **Clean out major idle capital**
- **Build acquisition cash**
- **Do strategic work to find unique positions**

Focus on core businesses

- **Kemira GrowHow listed successfully**
- **Calcium chloride business sold to Tetra Technologies Inc.**
- **Kemira Fine Chemicals Oy sold to 3i**
- **Kemira Engineering Oy sold to PIC**
- **Kemira Ecocat sold to Eqvitec**
- **Metpela sold to Godarp**
- **Other asset divestments** (M/S Kemira, Kotkaniemi manor, Hedegaard shares, land and buildings in Bury)

Cash flow from sale of businesses excluding GrowHow totalled 135 m€

Growth by investments and acquisitions

- **Pulp & Paper:** Investment in hydrogen peroxide, Rozenburg, Helsingborg
Acquisition: E.Q.U.I.P International, Canada
- **Kemwater:** Acquisition: Zlotniki, Poland
Acquisition: Belinka, Slovenia
- **Industrial Chemicals:** Investment in ferrous sulphate, Pori
- **Paints & Coatings:** Acquisition: Kolorit Paints (51%), Ukraine

Cash flow to investments and acquisitions totalled about 139 m€

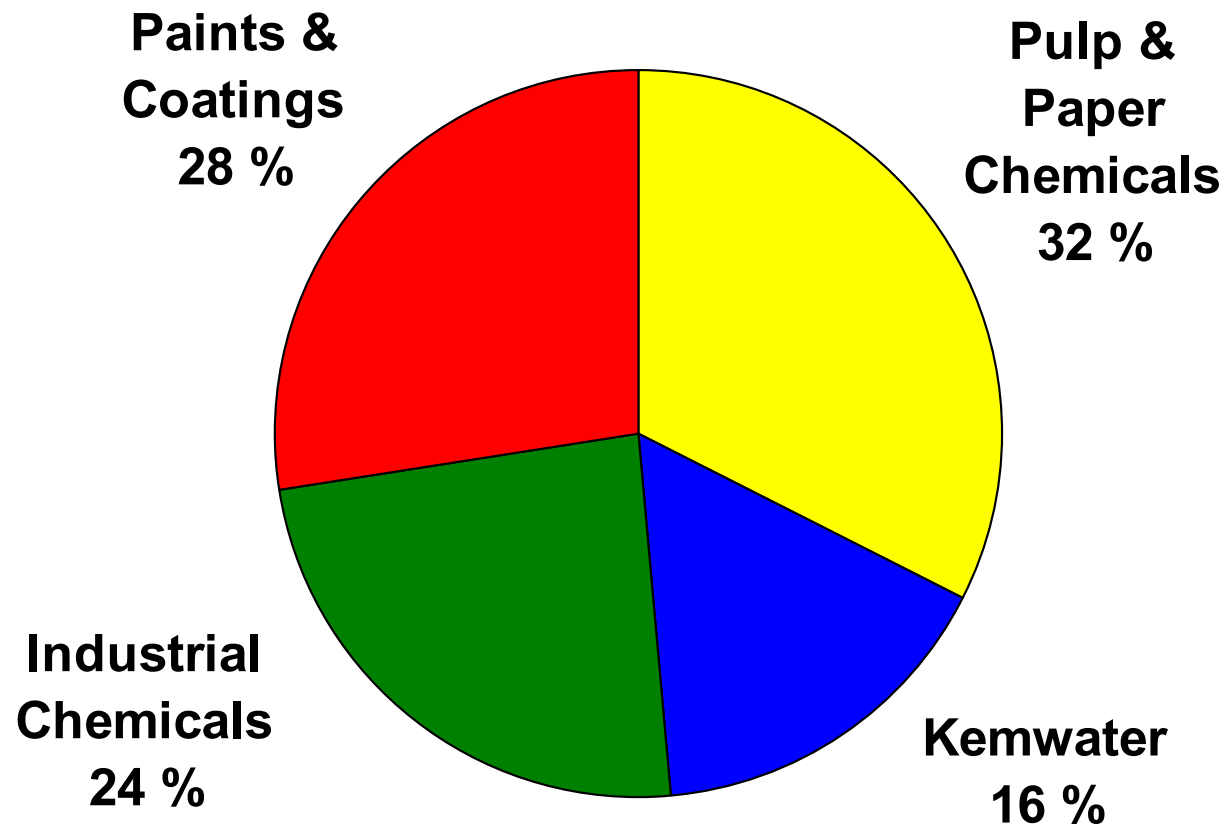
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Kemira

**New Kemira
Starting point**

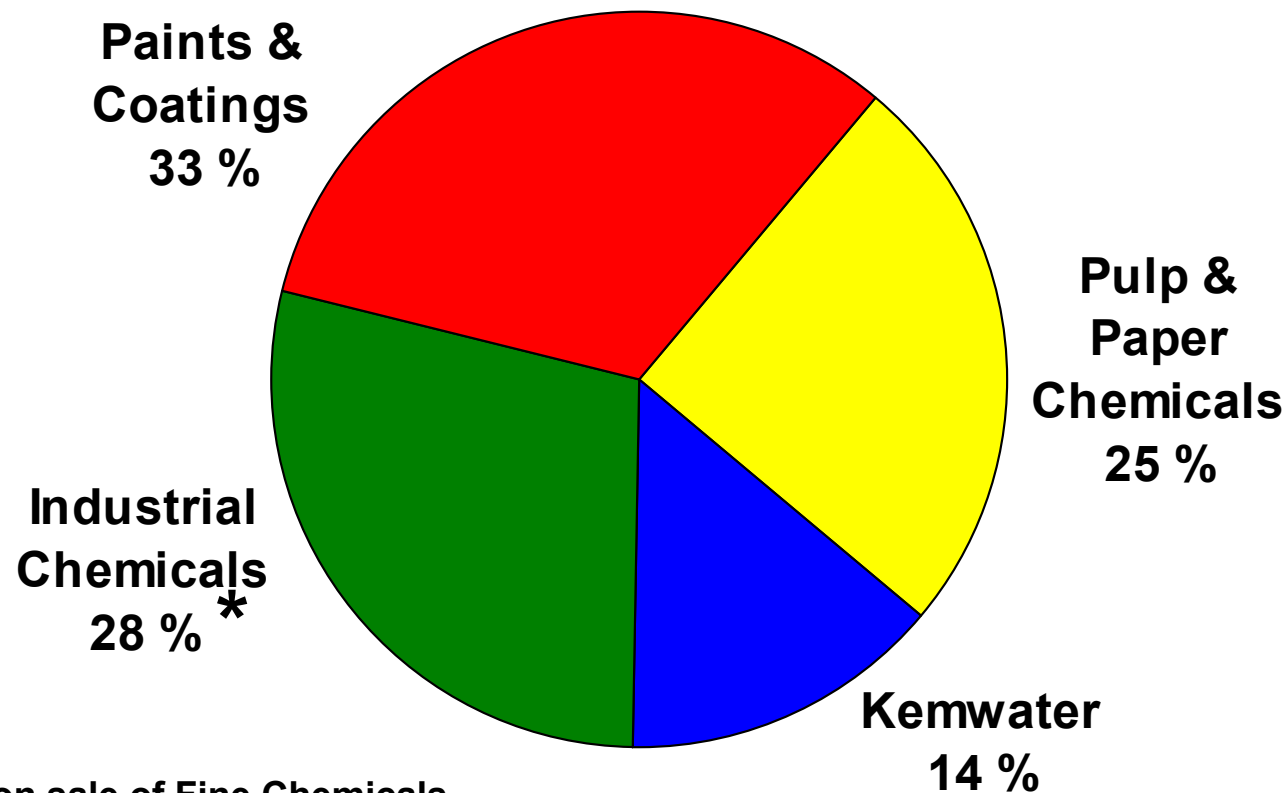
New Kemira

Net sales Q1-3 / 2004: 1,391 m€



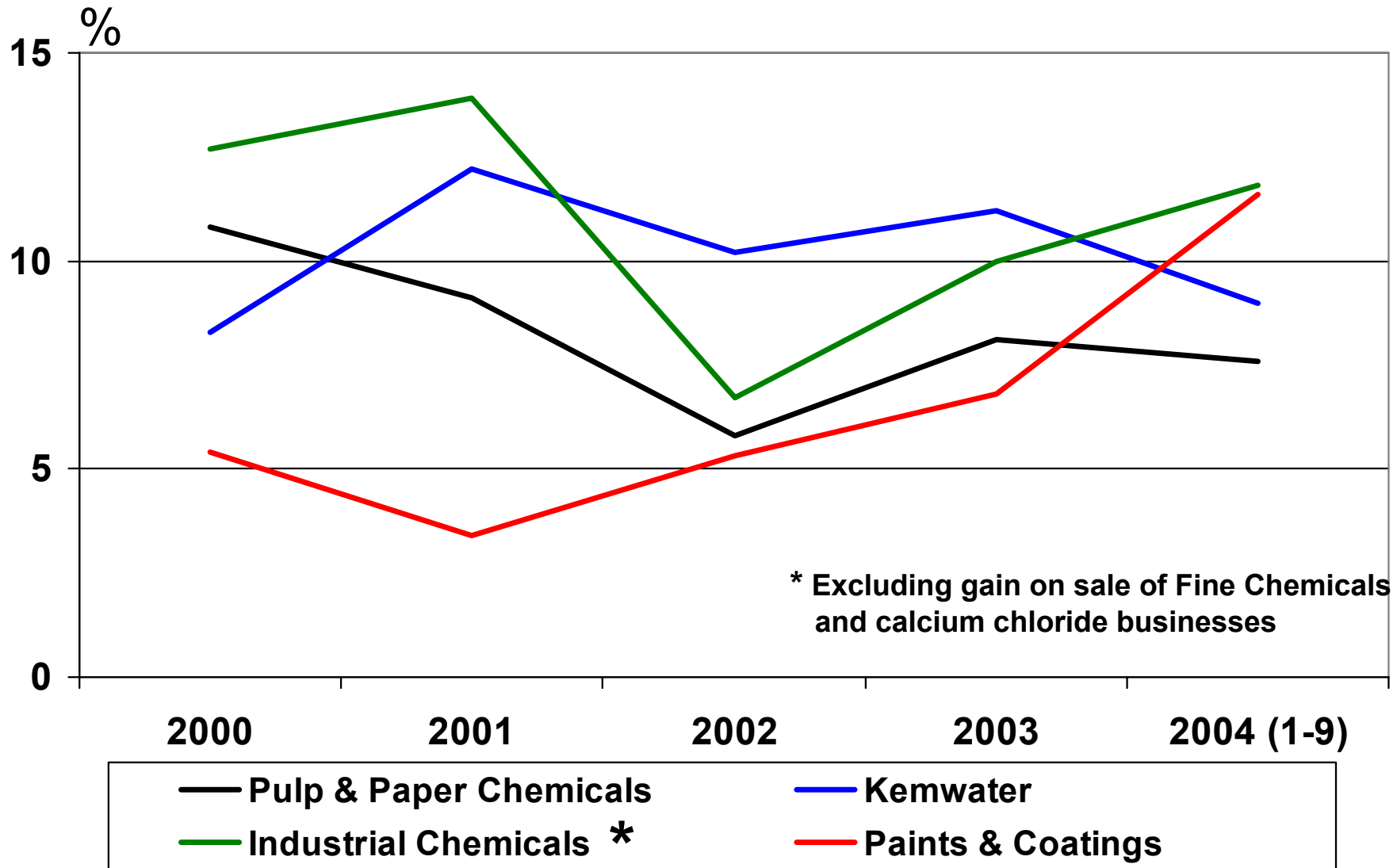
New Kemira

**Operating income Q1-3 / 2004:
122 m€ = 9% of net sales***

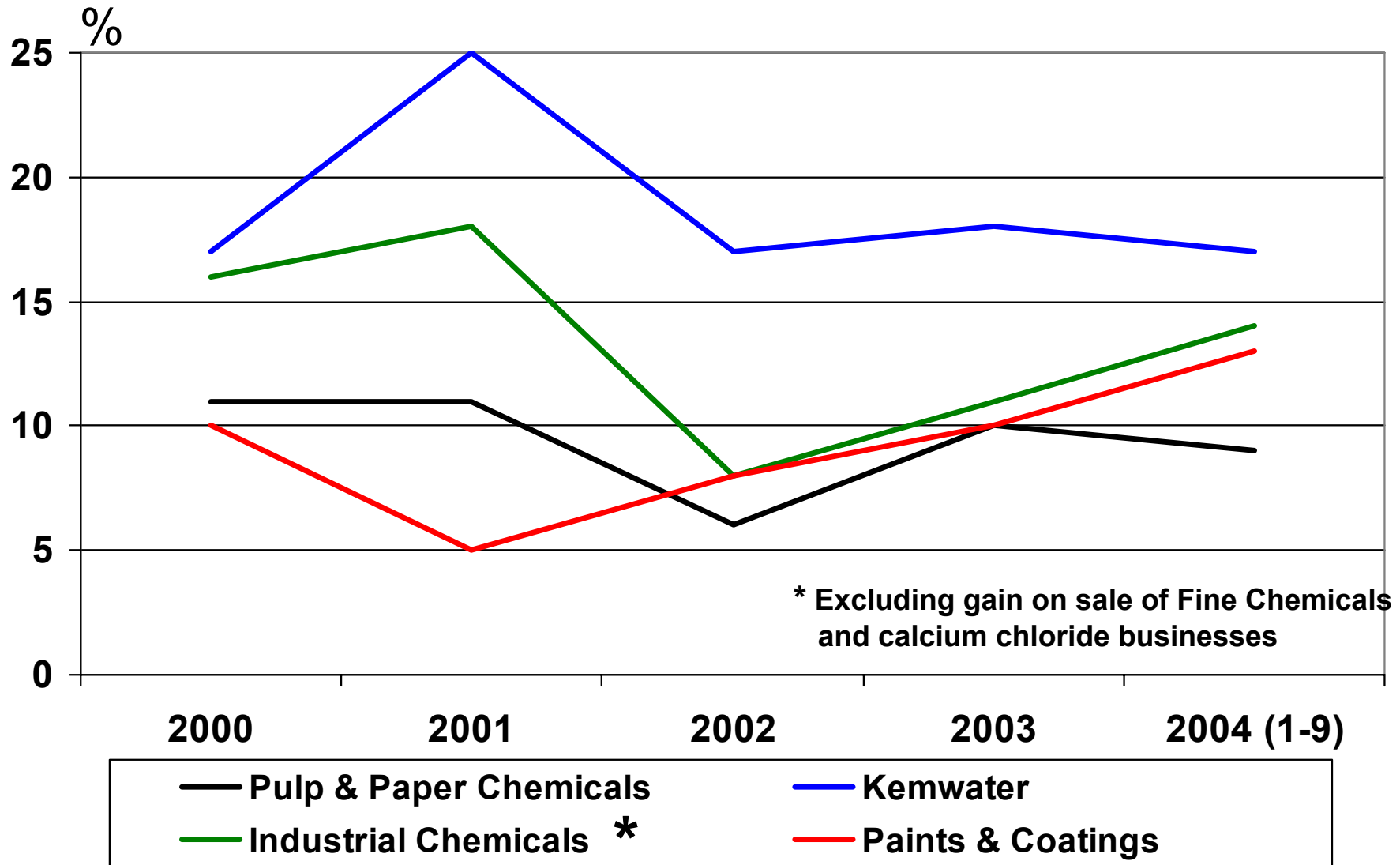


* Excluding gain on sale of Fine Chemicals and calcium chloride businesses

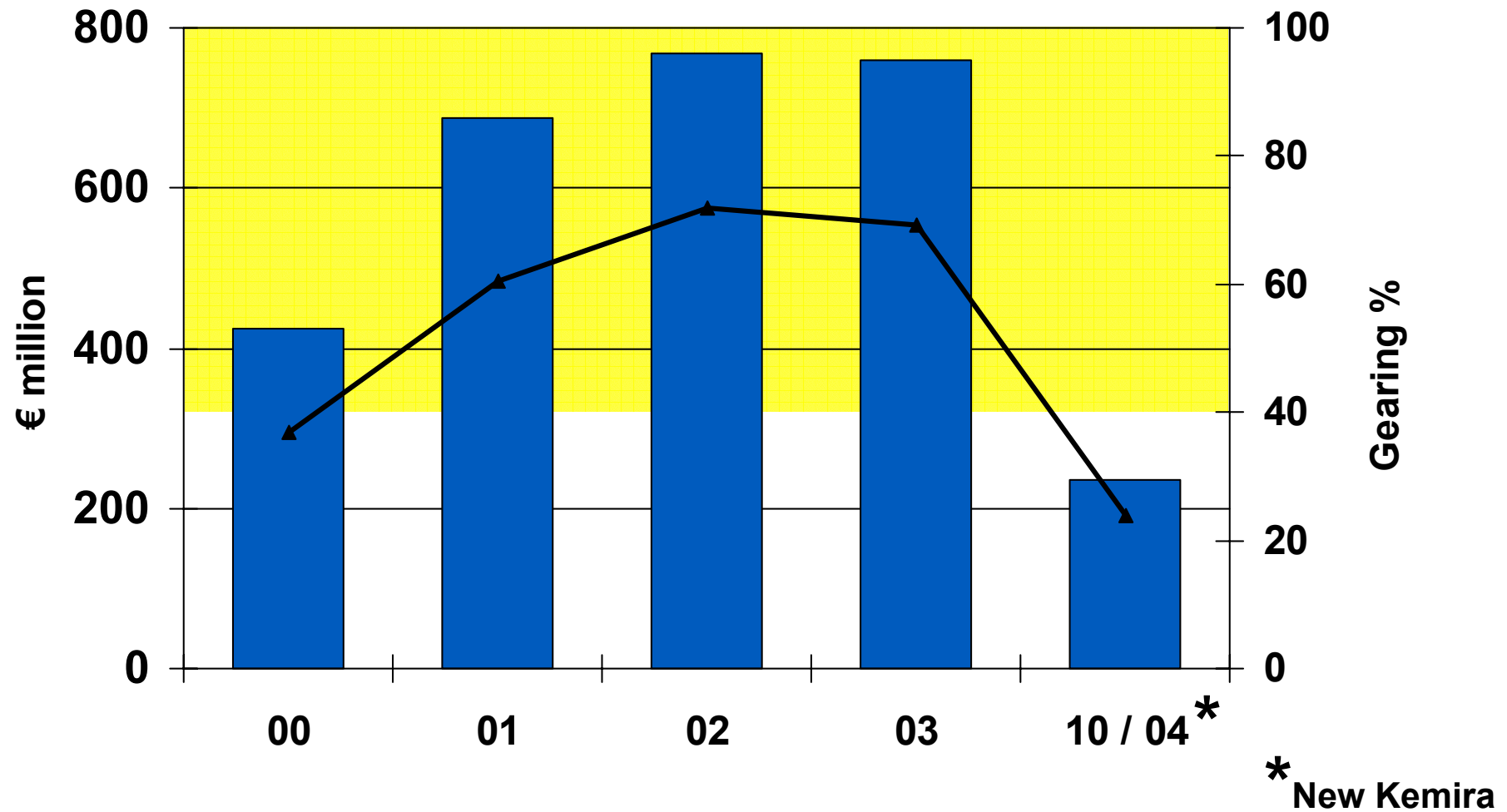
Earnings before interests and taxes % (EBIT)



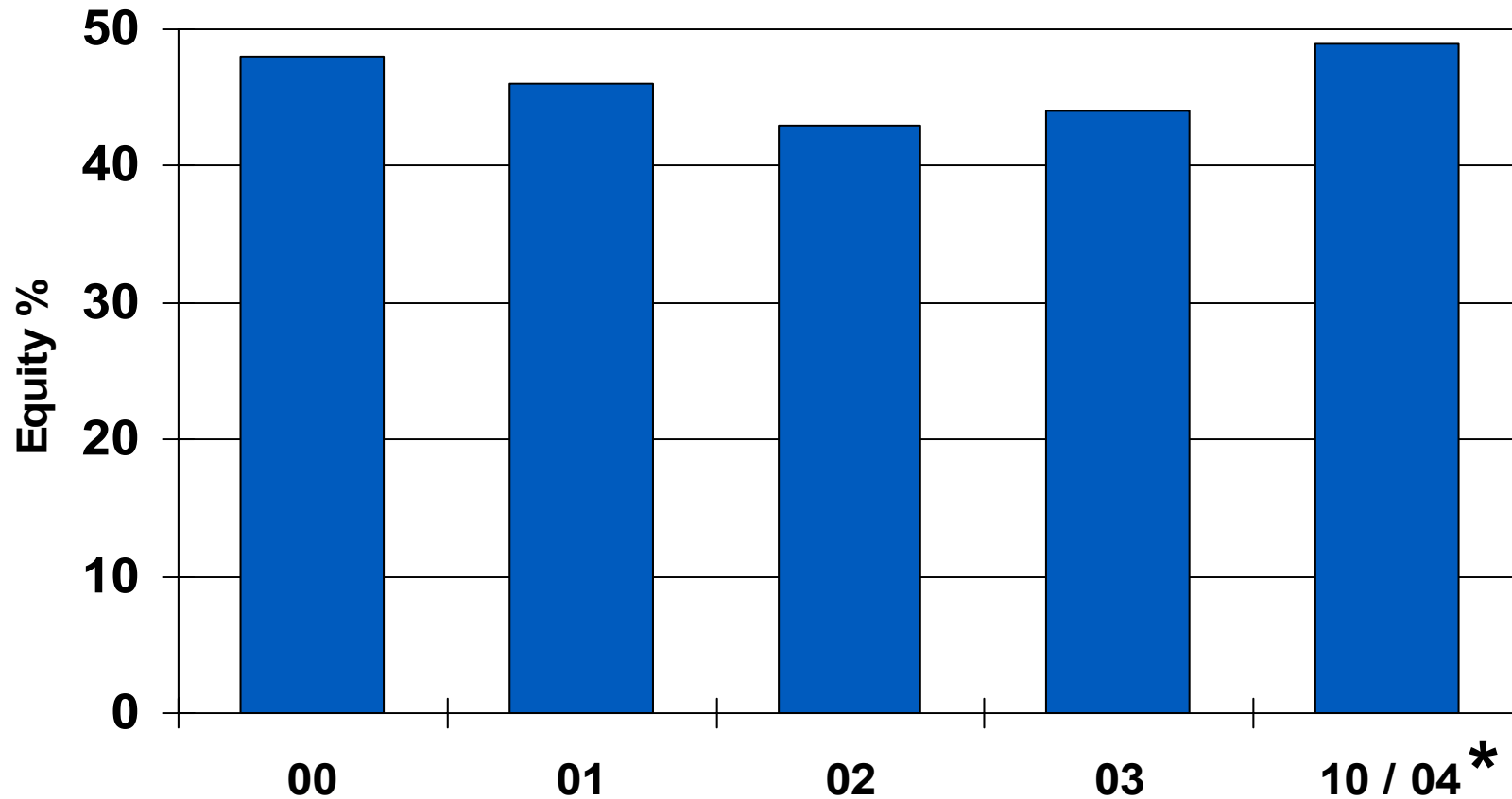
Return on capital employed % (ROCE)



Net debt

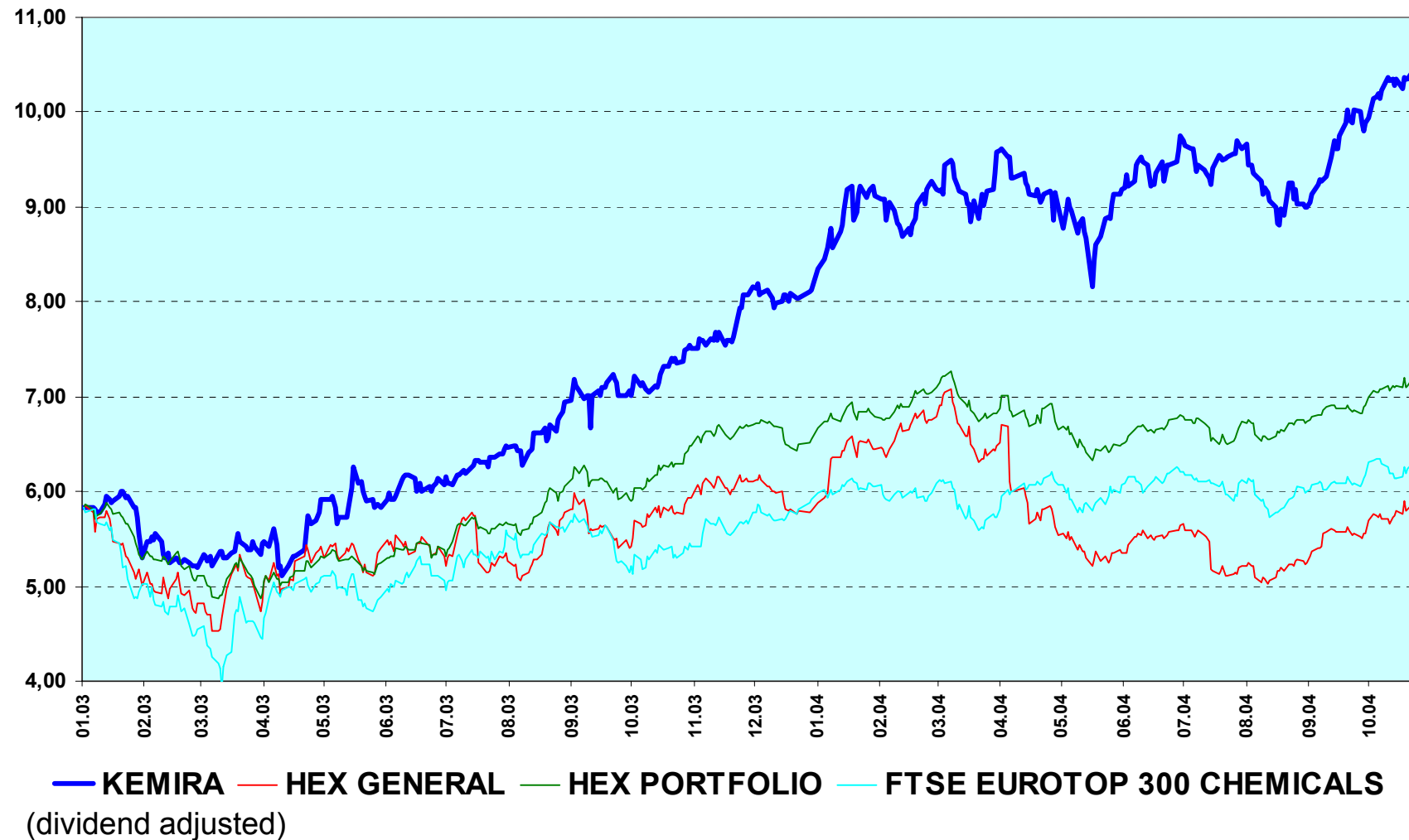


Equity ratio

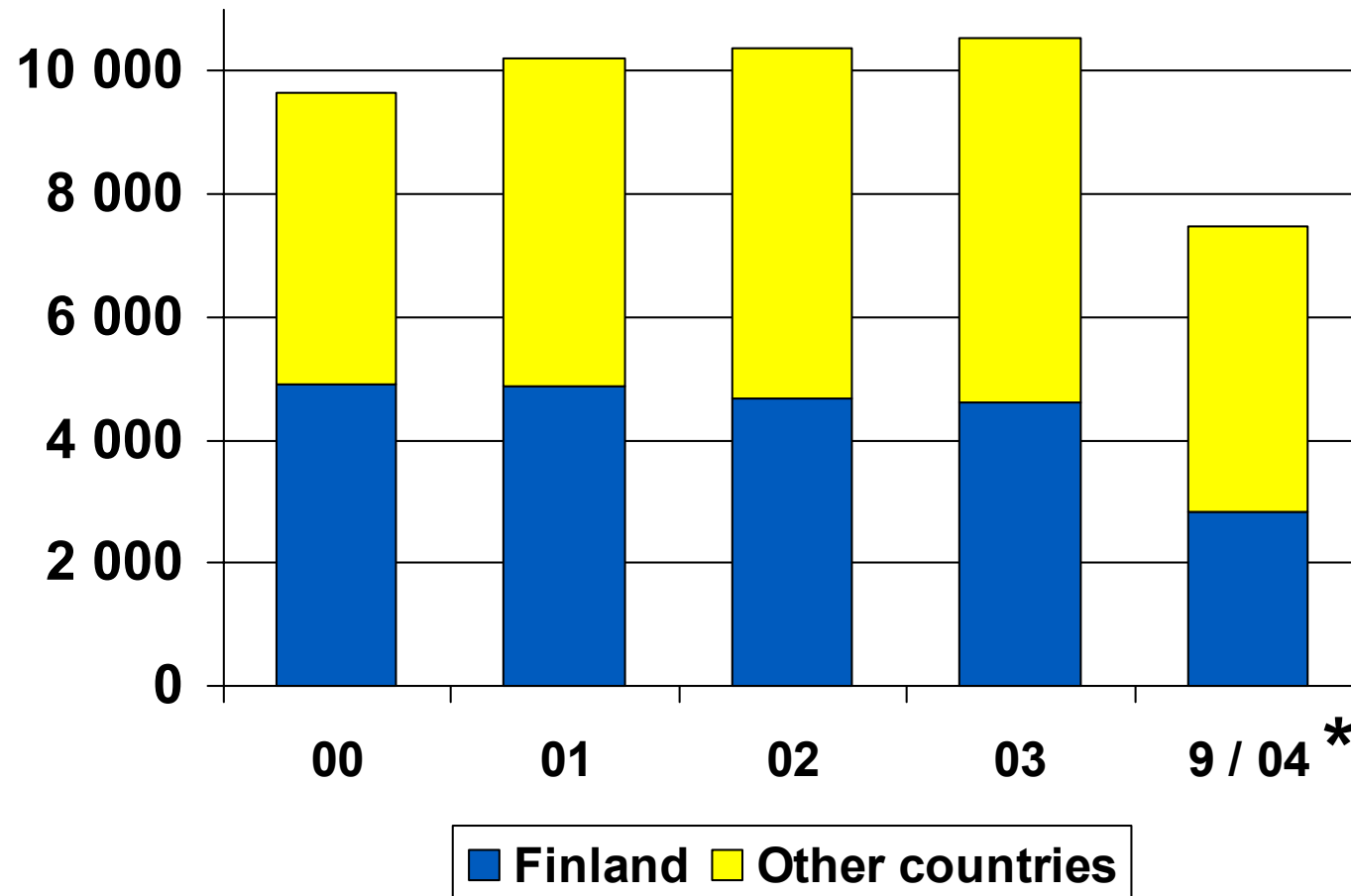


* New Kemira

Positive development of Kemira share



Personnel



* New Kemira

New Kemira, starting point

	NEW KEMIRA	KEMIRA 2003
■ Business areas	4	5
■ Net sales *	ca. 1.8 bn €	2.7 bn €
■ Operating income **	9%	5%
■ ROCE *	13%	7%
■ Equity ratio ***	49%	41%
■ Net debt ***	236 m€	725 m€
■ Gearing ***	24%	68%
■ Personnel ***	7,130	10,536

* rolling 12 months

** Q1-3, 2004

*** after spin-off of GrowHow

The logo consists of a vertical blue bar with a green horizontal bar at the top. The word "Kemira" is written vertically in white, bold, sans-serif font within the blue bar.

Kemira

New Kemira Strategy

Kemira strategy

- **Kemira strengthens its four main business areas through organic growth and acquisitions**
 - Pulp and paper chemicals
 - Water treatment chemicals
 - Industrial chemicals
 - Paints and coatings

- **Strategic priorities when allocating financial resources**
 - Improve profitability
 - Ability to create growth
 - Build a unique position
 - Create corporate synergy

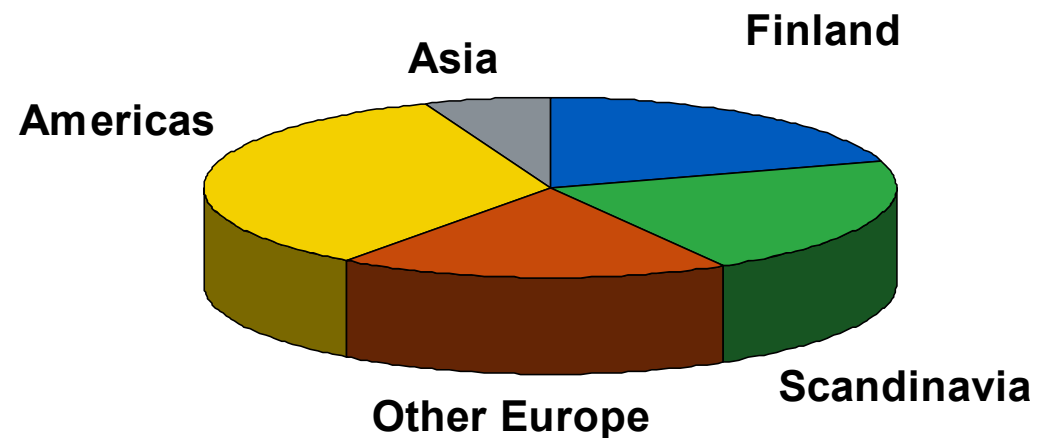
Pulp & Paper Chemicals

- Pulp & Paper Chemicals is one of the leading paper chemical suppliers globally
- Net sales 422 m€ Q1-3 / 2004, 30% of the new Kemira

Good market position

■ Global	No 5
■ Europe	No 4
■ US	No 4
■ Nordic	No 2

Operating in main markets

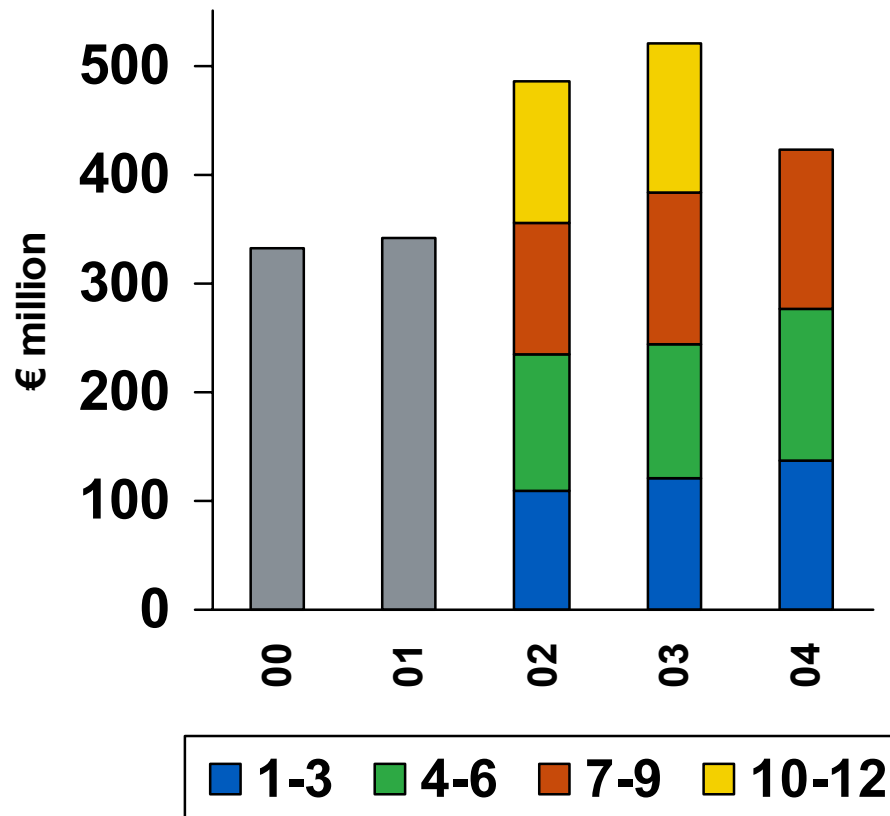


Pulp & Paper Chemicals

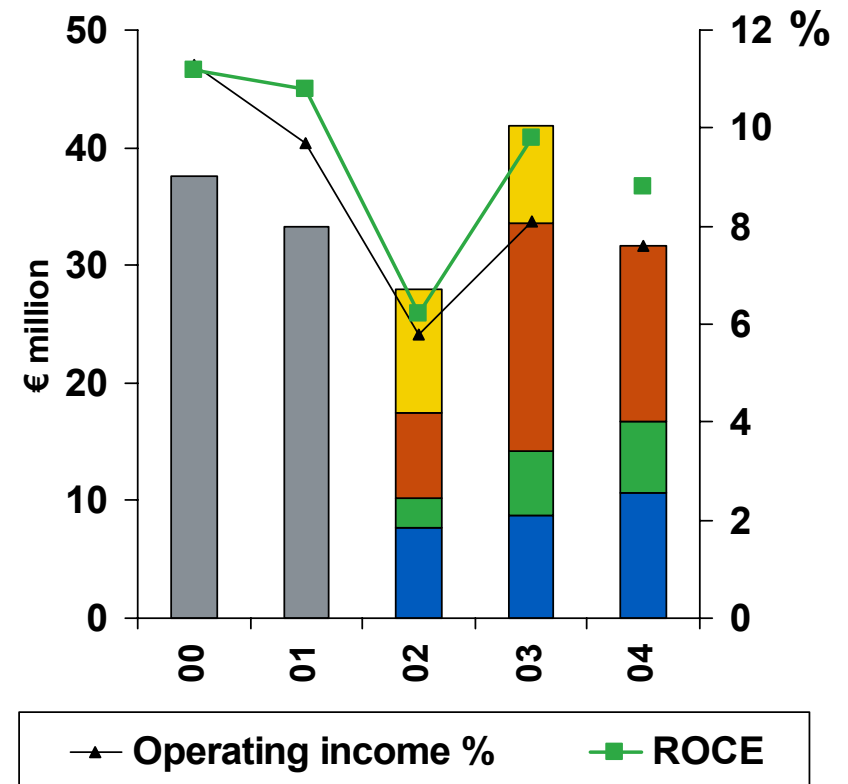
- Q3 net sales were 3% higher and operative result 30% higher than a year earlier
- Q1-3 operating income was 8% of net sales and ROCE 9%, both slightly below last year
- Acquisition of E.Q.U.I.P International => position strengthened in North America
- Expansion of hydrogen peroxide production in Helsingborg, Sweden
- Expansion of paper coating pigment (calcium sulphate) production in Siilinjärvi, Finland

Pulp & Paper Chemicals

Net sales



Operating income & ROCE



The figures are not fully comparable due to changes in business structure.

Outlook for 2004

■ Pulp & Paper Chemicals

- Low business cycle of the pulp & paper industry is forecast to improve
- Tight competition will continue and higher raw material prices will affect profitability towards the end of the year
- Strengthened position and expanded products and services portfolio, particularly in Northern America
- Full-year net sales expected to grow on last year
- Operative result is estimated to improve on last year, regardless tight competition

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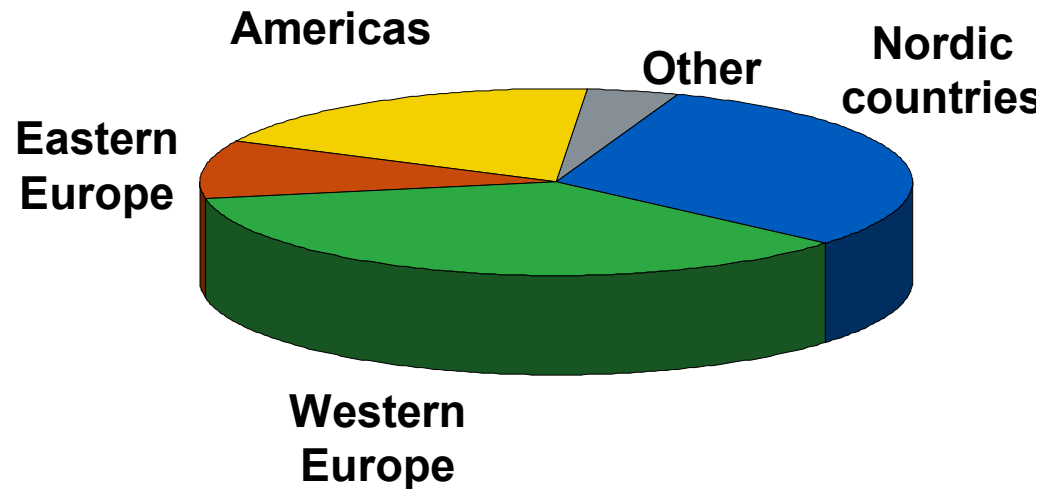
Kemwater

- Kemwater has a globally leading position as a supplier of coagulation chemicals to municipal waterworks. Also, it provides solutions for the management of industrial waste water and sludge problems.
- Net sales 205 m€ Q1-3 / 2004, 16% of the new Kemira

Leading market positions (coagulants)

■ Global	No 1
■ US	No 2
■ Europe	No 1
■ Nordic	No 1

Good geographical coverage

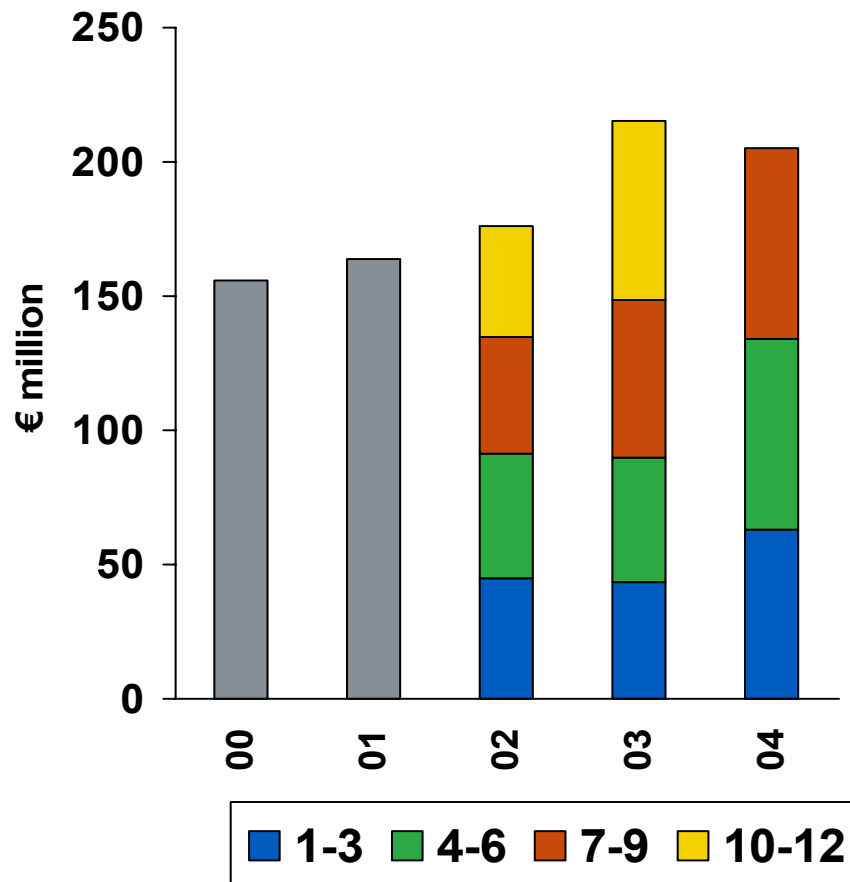


Kemwater

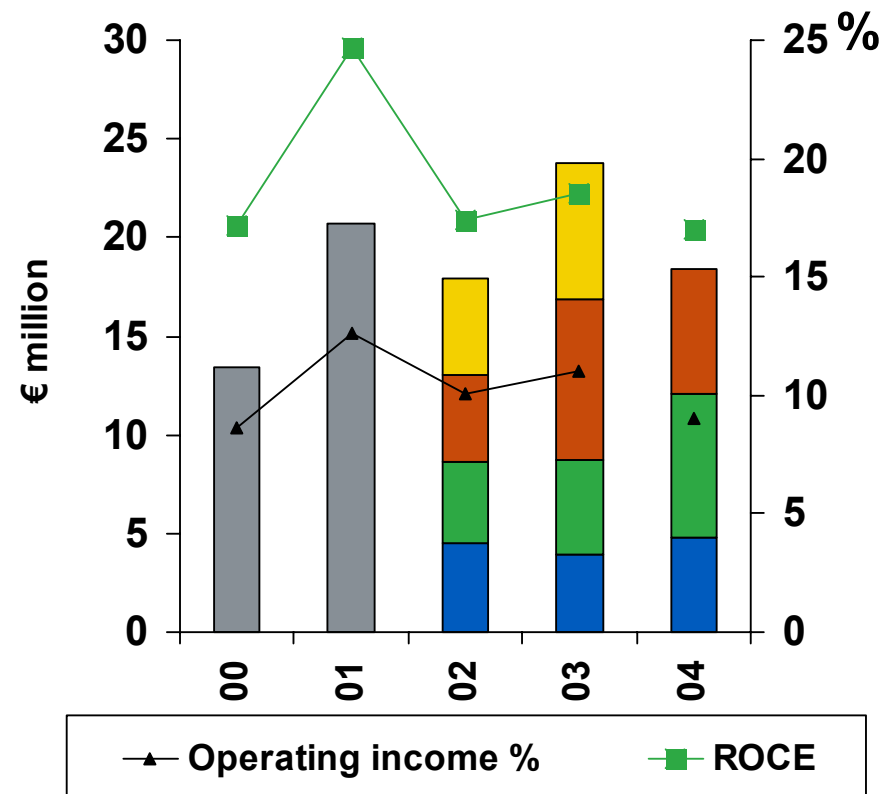
- **Q3 net sales were up 21% on last year and operating income 23% down due to higher prices of raw materials and restructuring of business in Italy**
- **Q1-3 operating income was 9% of net sales and ROCE 17%, both slightly below last year's figure**
- **Acquisitions strengthened water treatment position in Poland and Slovenia**
- **A number of plant investments in water chemicals production are underway in Europe and the US**
- **Kemira-developed Kemicond method has been taken in use in Stockholm**

Kemwater

Net sales



Operating income & ROCE



The figures are not fully comparable due to changes in business structure.

Outlook for 2004

■ Kemwater

- Demand is expected to continue to grow
- Rise in raw materials prices burdens profitability; this is in part compensated by alternative raw materials, better selling prices and rising sales volumes
- Net sales are expected to grow and operating income to be slightly better compared to last year

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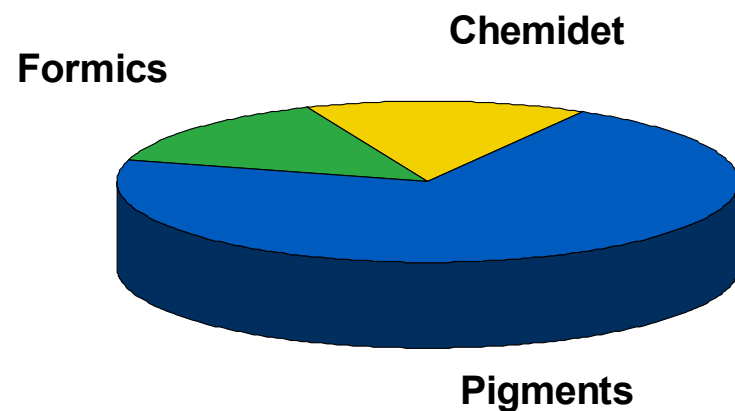
Industrial Chemicals

- Industrial Chemicals is a world-class specialist with a strong technology base and a leading position in attractive speciality product markets
- Net sales 310 m€ Q1-3 / 2004, 24% of the new Kemira

Good market position

- TiO₂ leading producer of printing inks
- Formics No 2 globally
- Chemidet No 3 globally

New business structure



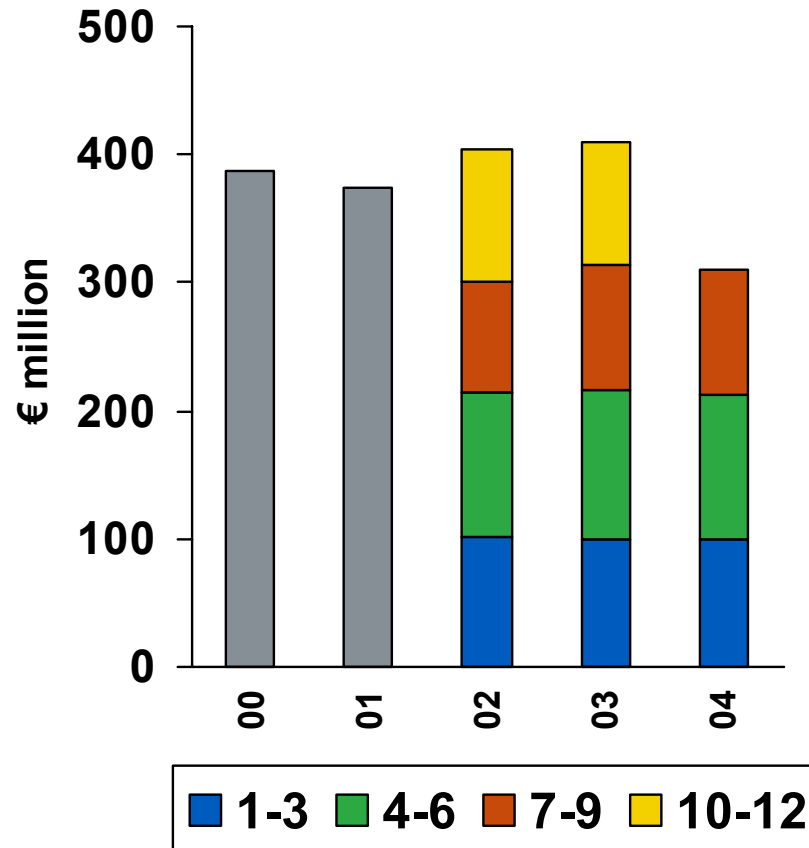
Industrial Chemicals

- **Q3 net sales were at last year's level and operative result was 59% higher***
- **Q1-3 operative result* was 12% of net sales and ROCE 14%*, both clearly better than last year**
- **Average TiO2 prices were 8% below last year's level, sales volumes were 12% higher than a year ago**
- **After a slow start of the year, demand for formic acid has continued stable**
- **Demand for sodium percarbonate continued good in Q3**

*Excluding capital gain on sale of the Fine Chemicals and calcium chloride businesses.

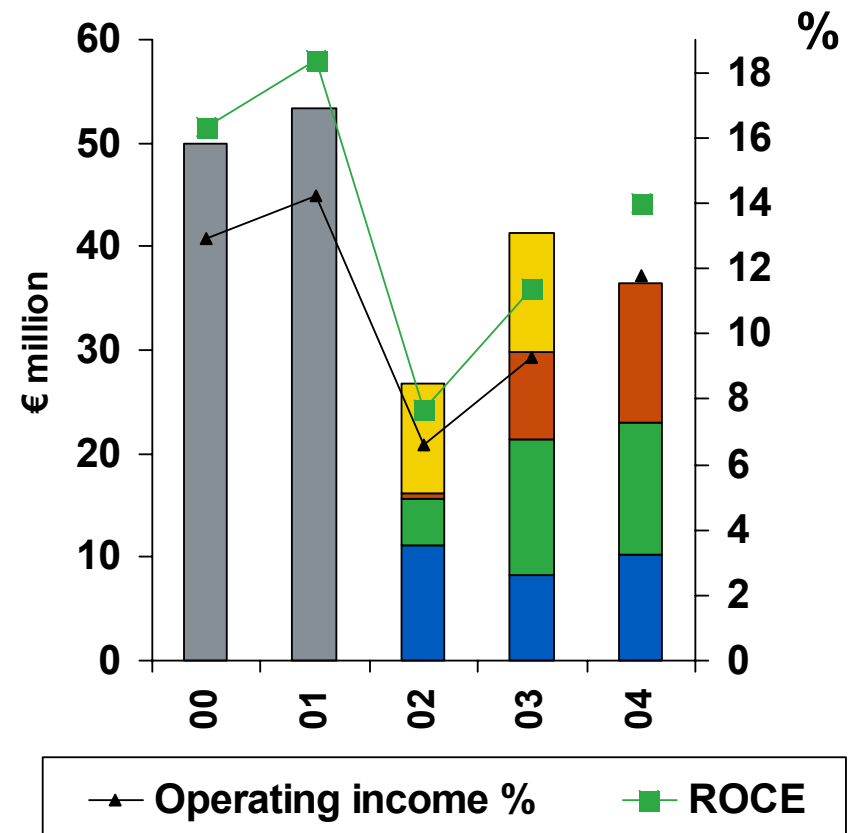
Industrial Chemicals

Net sales



The figures are not fully comparable due to changes in the business structure.

Operating income & ROCE



In Q3, 2004 excluding capital gain on sale of the Fine Chemicals and calcium chloride businesses.

Outlook for 2004

■ Industrial Chemicals

- Prices of titanium dioxide have been lower than last year, however demand has picked up and prices are expected to rise gradually
- Demand for formic acid and sodium percarbonate is expected to continue stable
- Net sales are estimated be less than last year due to divestments
- Operative result is believed to improve on last year
- With the present structure, net sales and operating income are expected to improve compared to last year

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Paints & Coatings

- Paints & Coatings grows in the Baltic Rim area and eastern Europe, including Russia. The business has strong local brands.
- Net sales 356 m€ Q1-3 / 2004, 28% of the new Kemira

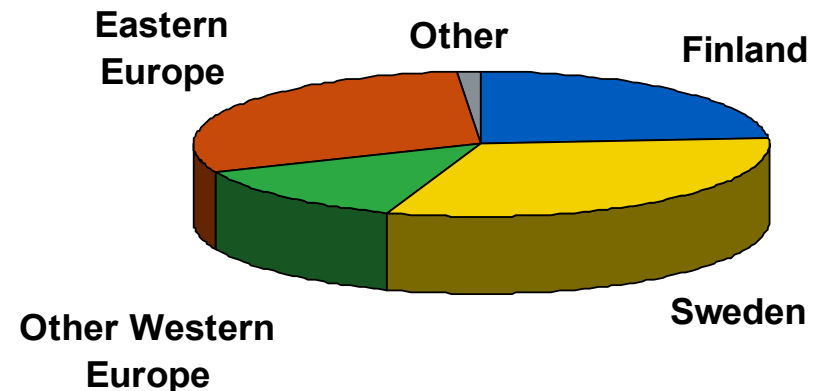
Leading market positions

■ Finland	No 1 *
■ Sweden	No 1
■ Baltic countries	No 1 *
■ Poland	No 2
■ Russia	Best-known brand

in decorative paints

* and industrial paints

Selected markets

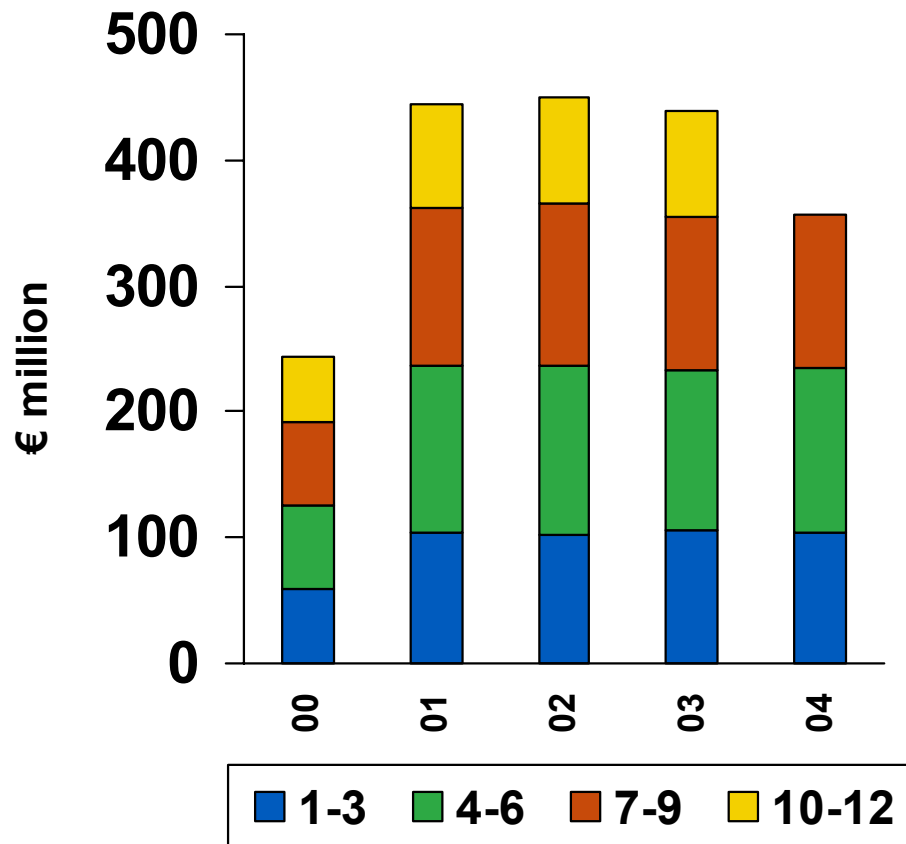


Paints & Coatings

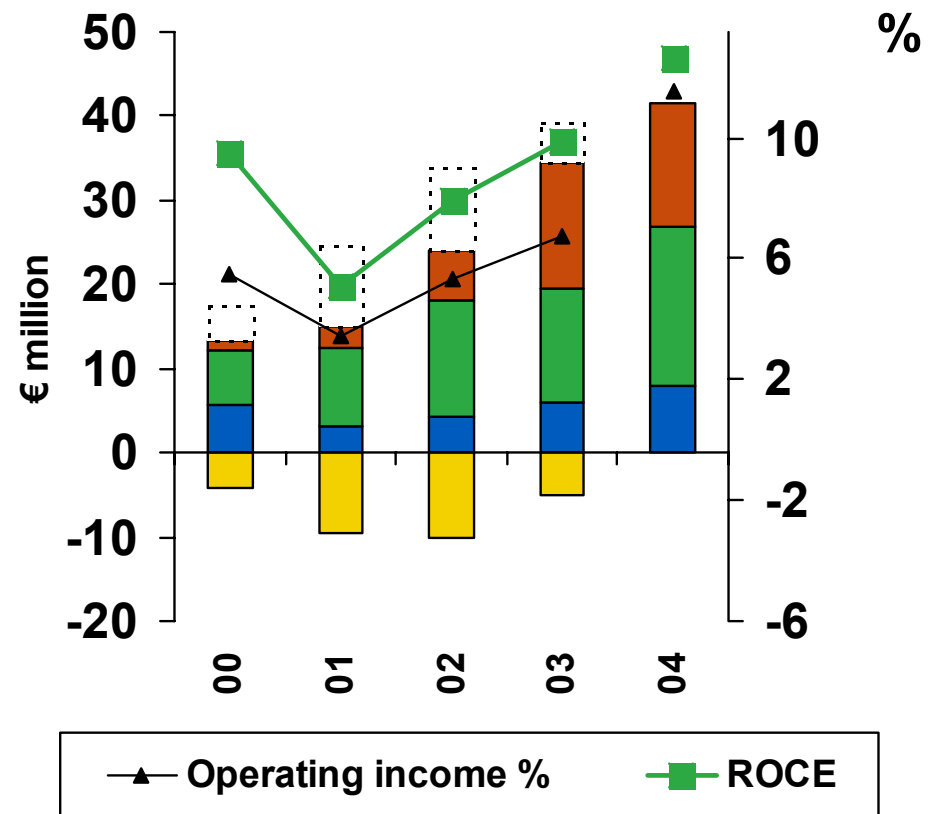
- **Q3 net sales and operating income were at the same level as last year**
- **Q1-3 operating income was 12% of net sales and ROCE 13%, both clearly above last year's figures**
- **Industrial coatings business in Great Britain was restructured**
- **Acquisition of 51% of Kolorit Paints of Ukraine to strengthen our local position**

Paints & Coatings

Net sales



Operating income & ROCE



Outlook for 2004

■ **Paints & Coatings**

- **Net sales are expected to remain at last year's level**
- **Growth continues in Russia and the Baltic countries**
- **Business in Russia more and more based on local production**
- **Operating income is believed to be better than last year**

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Future Kemira

- **A global group of leading businesses with high mutual synergy**
- **Businesses with unique competitive positions**

Future Kemira

- **Strong organic growth with continuous flow of new products**
- **Strong market positions built through acquisitions and mergers**

Future Kemira

- **High and continuously improving internal efficiency, which contributes to better profitability**
- **Participative corporate culture**

Kemira targets - FAST

FOCUS – focus actions

AMBITION – more efficiency, profit and growth

SPEED – speed up action

TEAMWORK – effective cooperation

KEMIRA – FROM GOOD TO GREAT