

Just add **kemira**

Kemira Reports Strong Earnings  
in July – September

## **Transformation Continues**

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2 November 2005



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## **July – September Group Highlights**

# Strong Earnings in July – September

- Revenue up 20% from Q3/2004
- EBIT up 28%
- EPS up 65% to EUR 0.28
- ROCE up to 9.3% from 8.2%

# Growth Boosted by Acquisitions

	<b>Q3/05</b>	Q3/04*	<b>Change</b>	<b>Organic growth</b>	2004*
Revenue (MEUR)	<b>543.0</b>	453.4	<b>20%</b>	<b>4%</b>	1,695.1
EBIT (MEUR)	<b>59.2</b>	46.1	<b>28%</b>		111.6
EPS (EUR)	<b>0.28</b>	0.17	<b>65%</b>		0.50
ROCE, %	<b>9.3</b>	8.2			8.6
Free cash flow (MEUR)	<b>71.9</b>	78.7			107.6

\*Continuing operations, pro forma

# Q3 Revenue up 20%, EBIT up 28%

## Revenue

- + Price increases
- + Volumes
- + Acquisitions
- Divestments
- Water-soluble fertilizer restructuring

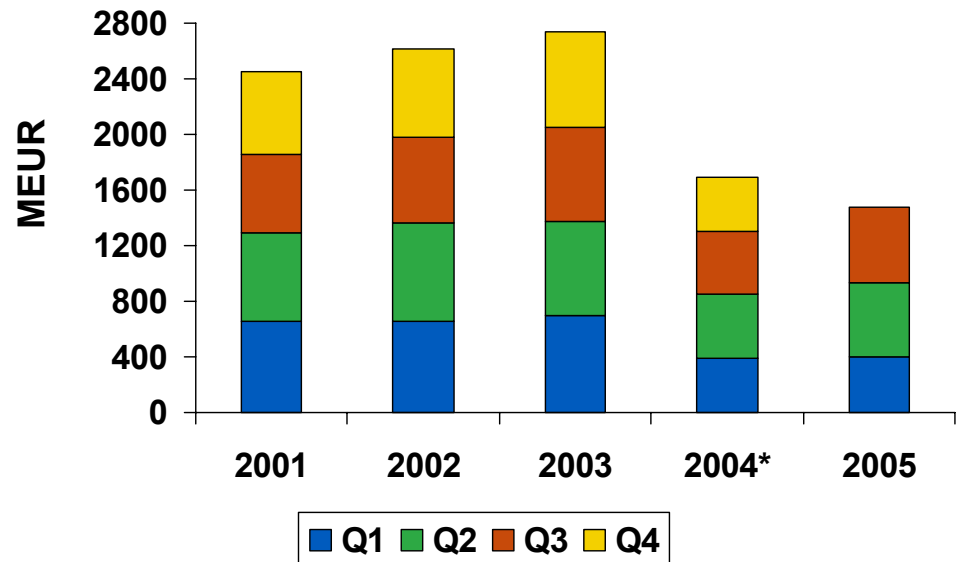
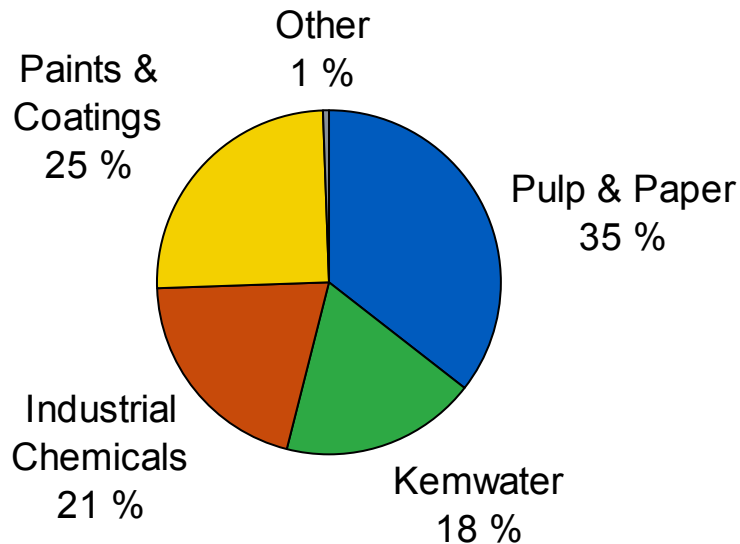
## EBIT

- + Price increases
- + Volumes
- + Acquisitions
- + Divestments
- + Currency impact
- + Depreciation
- Raw material and energy prices

**Kemira**

**January – September**

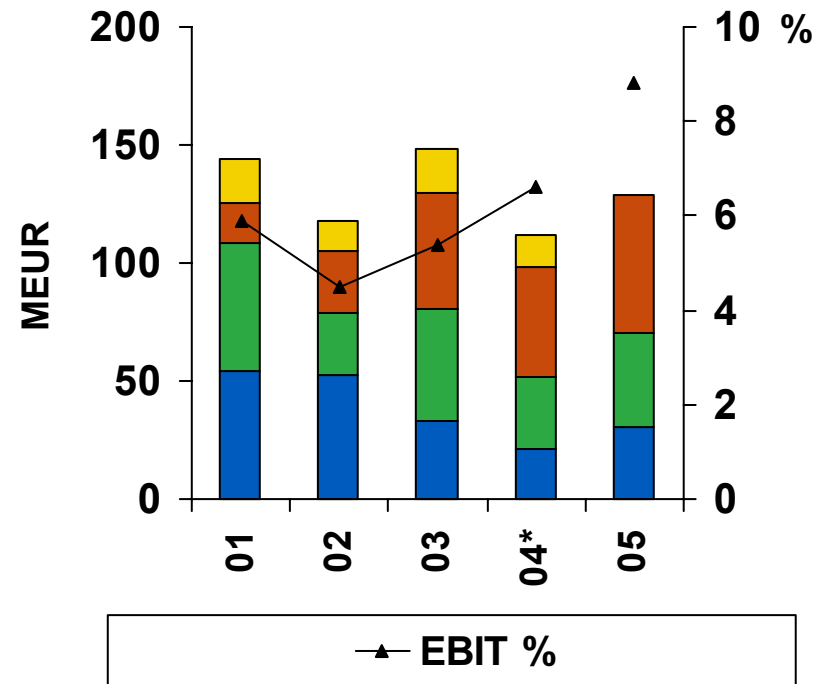
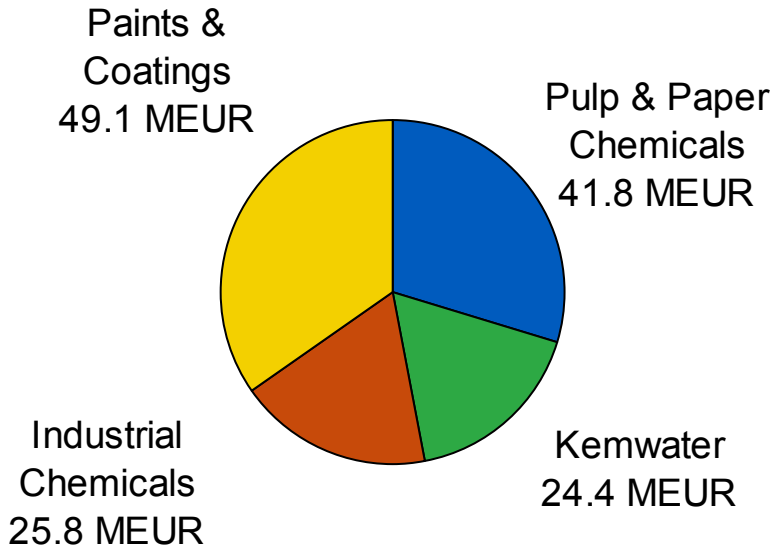
# Revenue in January – September



Total in Q3/2005 YTD: 1,472.9 MEUR, +13%  
(Q3/2004: 1,304.1 MEUR)

\*Continuing operations

# EBIT in January – September

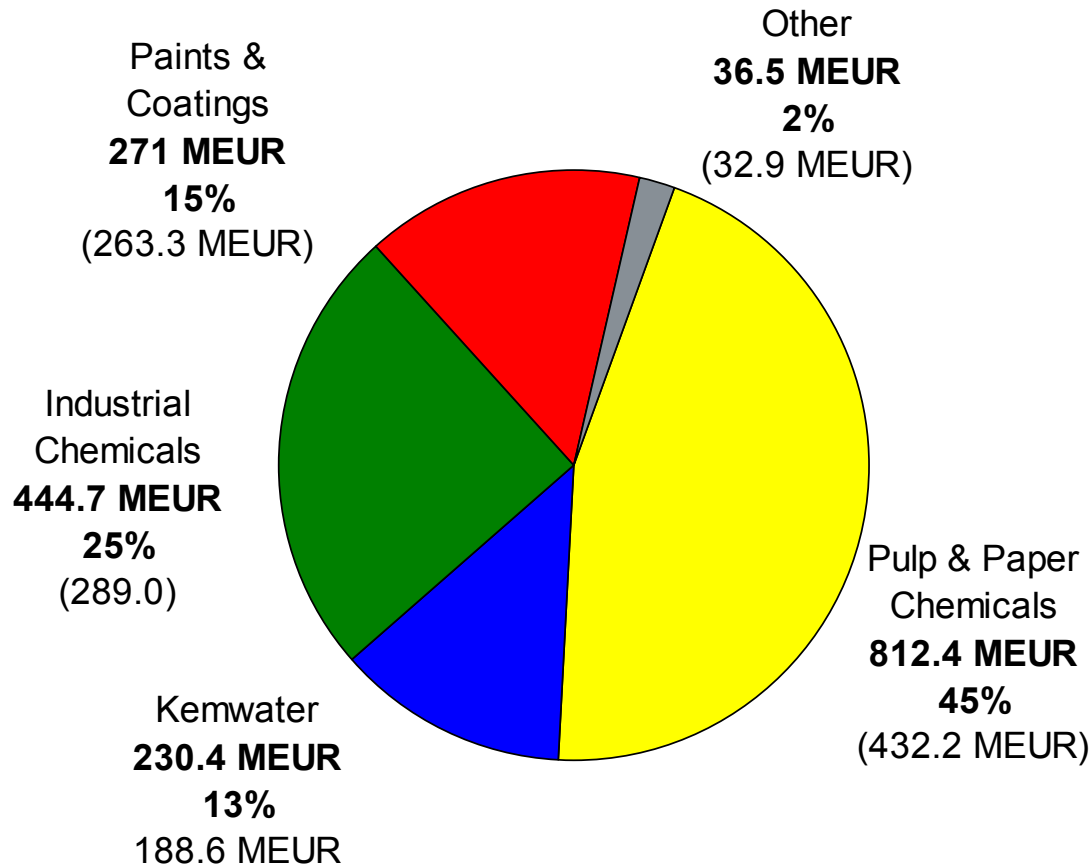


Total in Q3/2005 YTD: 129.1 MEUR, +32%  
 (Q3/2004: 97.9 MEUR)  
 The pie chart excludes Other and eliminations.

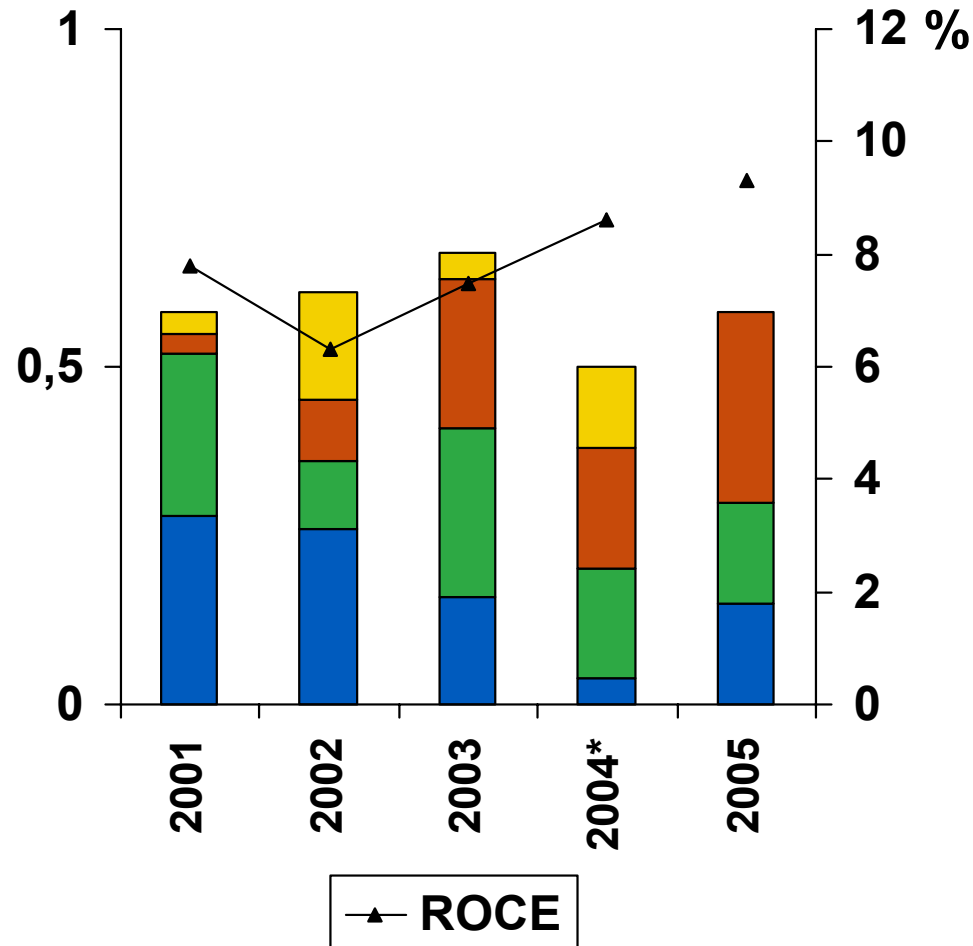
\*Continuing operations. Excluding a write-down of 78 MEUR in Q4/02

# Capital Employed by Business Area 30 Sept 2005

30 September 2005: 1,795 MEUR  
(31 Dec 2004: 1,206 MEUR)



# EPS & ROCE



\* Continuing operations excluding a non-recurring charge of 44.2 MEUR in Q4/04. Q4/02 excludes a write-down of 78 MEUR.

# Balance Sheet

	<b>30 Sept 05</b>	31 Dec 04
Equity ratio, %	<b>42</b>	47
Gearing, %	<b>73</b>	21
Capital employed (MEUR)	<b>1,794.5</b>	1,205.9
Personnel	<b>7,724</b>	7,137

# Cash Flows in January – September

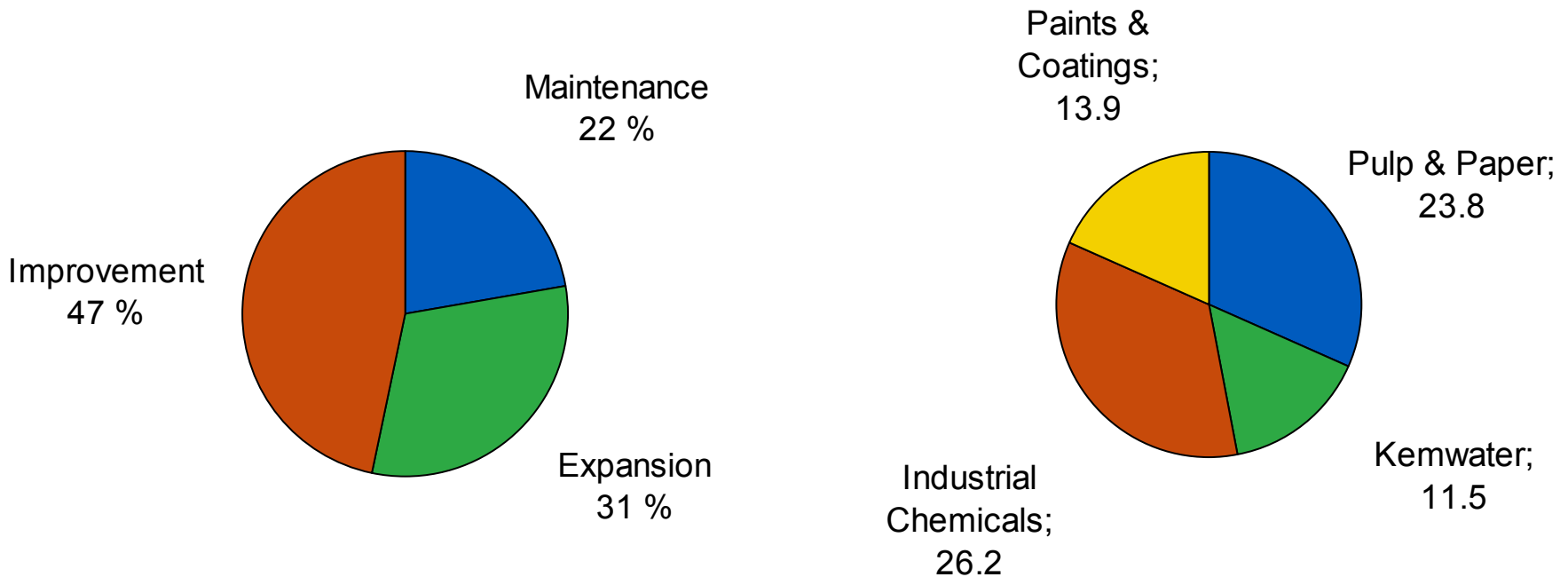
MEUR	Q1-Q3/05	Q1-Q3/04*	2004*
Cash flows from operations	<b>85.8</b>	160.0	231.0
Acquisitions	<b>-285.5</b>	-14.4	-47.8
CapEx excl. acquisitions	<b>-78.0</b>	-74.9	-117.3
Sale of fixed assets	<b>56.0</b>	20.8	41.7
Cash flows from investing activities	<b>-307.5</b>	-68.5	-123.4
Free cash flow	<b>-221.7</b>	91.5	107.6

\*Continuing operations, pro forma

# CapEx Excluding Acquisitions

Total in January – September 2005: **78.0 MEUR** (Q1-Q3/2004: 63.8)

Depreciation in January – September 2005: **88.1 MEUR** (Q1-Q3/2004: 89.6)



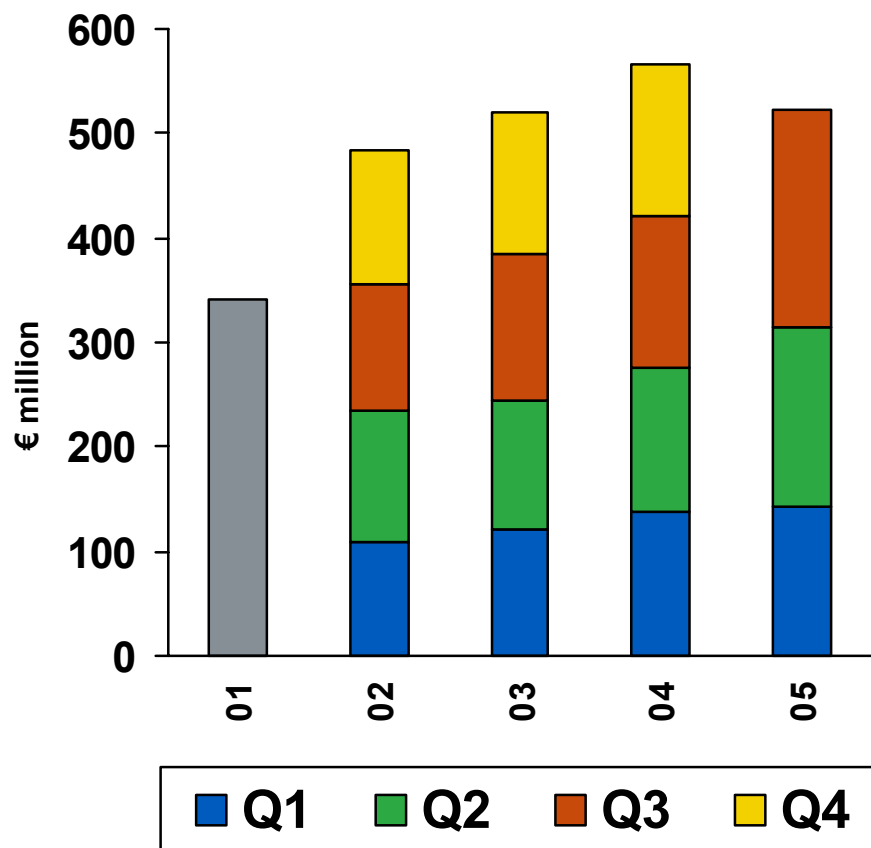
**July – September  
Business Area Highlights**

# Pulp & Paper Chemicals in Q3

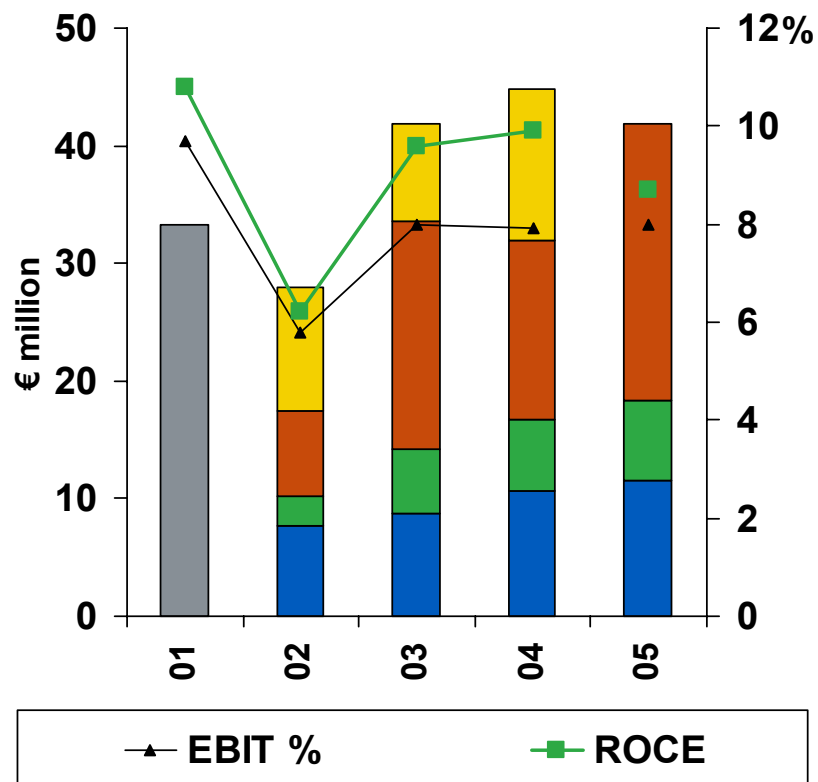
- Revenue up by 43% to EUR 207.9 million
  - Acquisitions of Finnish Chemicals and E.Q.U.I.P.
  - Organic growth 4%
- EBIT up by 54% to EUR 23.5 million, ROCE 8.7% (8.8%)
  - Efficiency measures
  - Rise in raw material prices levelled off, price of energy rose markedly
  - Higher raw material costs were partially passed along into selling prices
- Kemira selected as chemicals supplier for Botnia's pulp mill in Uruguay
- Integration of Finnish Chemicals proceeding well

# Pulp & Paper Chemicals

## Revenue



## EBIT & ROCE



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

# Pulp & Paper Chemicals' Outlook

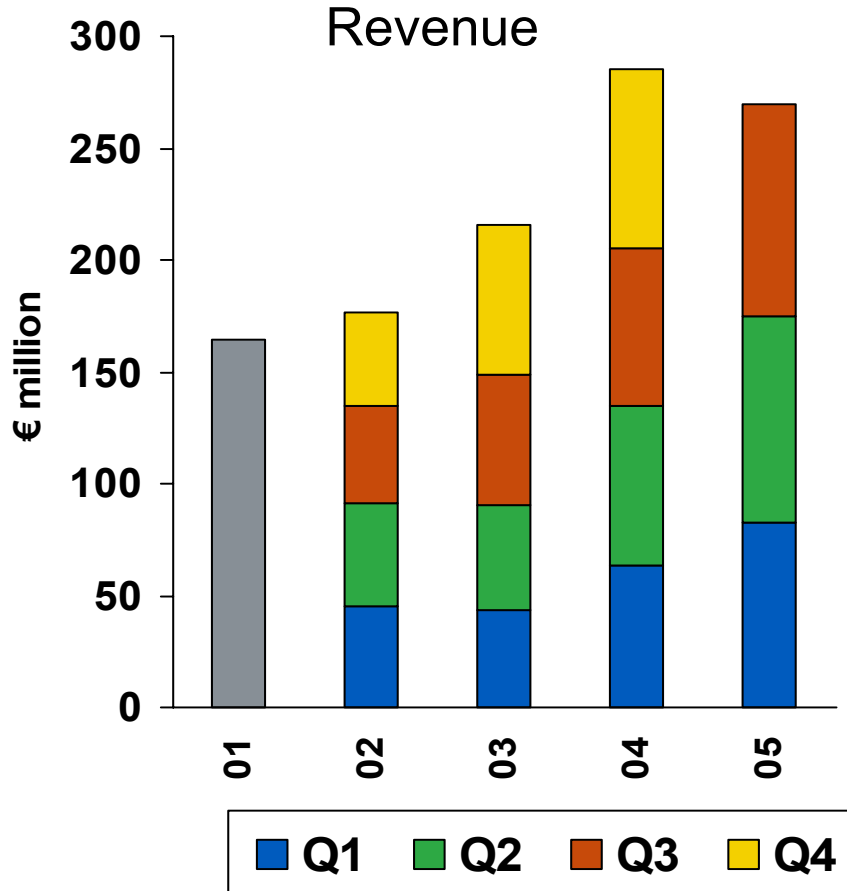
- Capacity utilization of the customer industry estimated to be good during the latter part of the year
- Price rises in raw materials and especially in energy putting pressure on earnings
- 2005 revenue and EBIT estimated to increase substantially on 2004, particularly thanks to the acquisitions made

# Kemwater in Q3

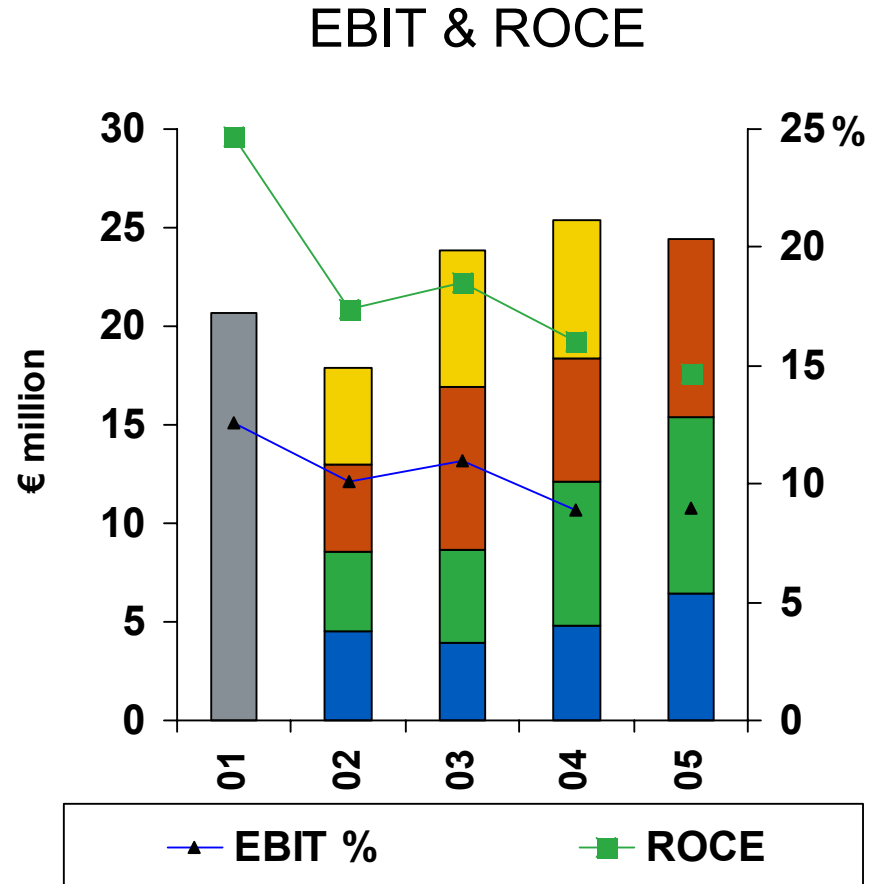
- Revenue up by 34% to EUR 95.1 million
  - Volumes and prices up
  - Acquisition of Eaglebrook in November 2004
  - Organic growth 7%
- EBIT up by 43% to EUR 9.0 million, ROCE 14.7%\* (16.9%)
- Raw material prices continued to grow in the US
  - Higher raw material costs were partly passed along into selling prices
  - Alternative raw materials

\*Excluding the non-recurring expenses of 11 MEUR in Q4/04

# Kemwater



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



Q4/04 excluding extra write-downs and costs of 11 MEUR.

# Kemwater's Outlook

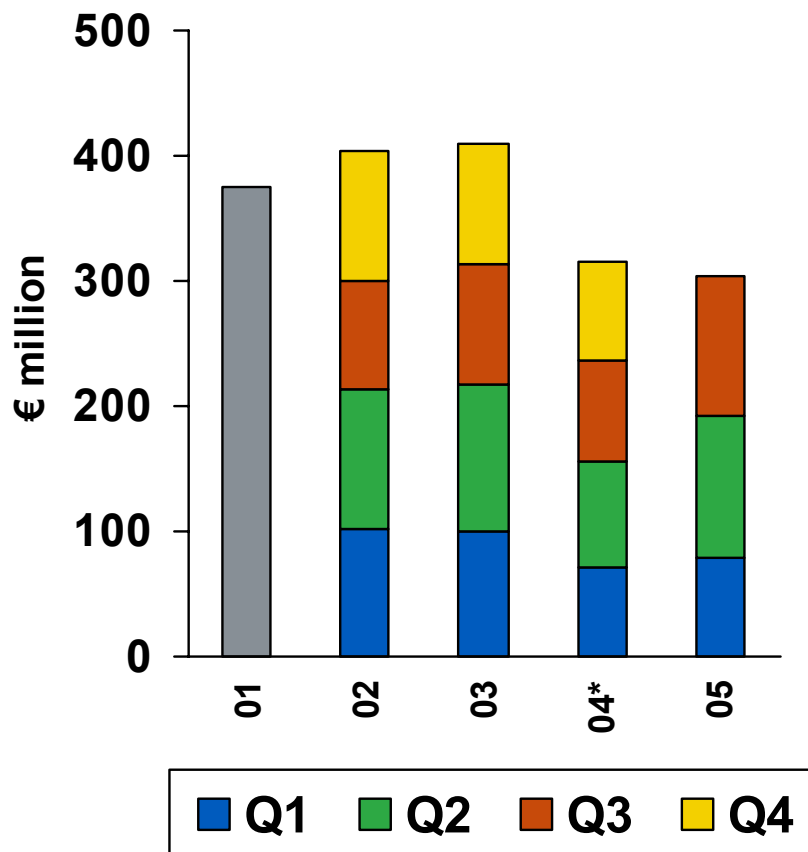
- Demand for water treatment chemicals expected to remain good during the rest of the year
- Price increases in raw materials especially in the US putting earnings under pressure
- Full year revenue estimated to grow substantially thanks to the Eaglebrook acquisition and higher sales volumes and selling prices
- EBIT estimated to be substantially higher than that reported in 2004

# Industrial Chemicals in Q3

- Revenue up by 39% to EUR 111.6 million
  - Organic growth 10%
  - Average prices of TiO<sub>2</sub> in euros up 7%, volumes on a par with Q3/04
  - Acquisition of Verdugt
- EBIT was EUR 11.0 million (EUR 9.6 million, excl. non-recurring income)
- ROCE 8.9% (11.6%)
- Target for the efficiency plan in the TiO<sub>2</sub> plant in Pori, Finland 5 MEUR / year
- Integration of Verdugt to SBU Organic Acids and Salts proceeding well
  - Still some problems in the production

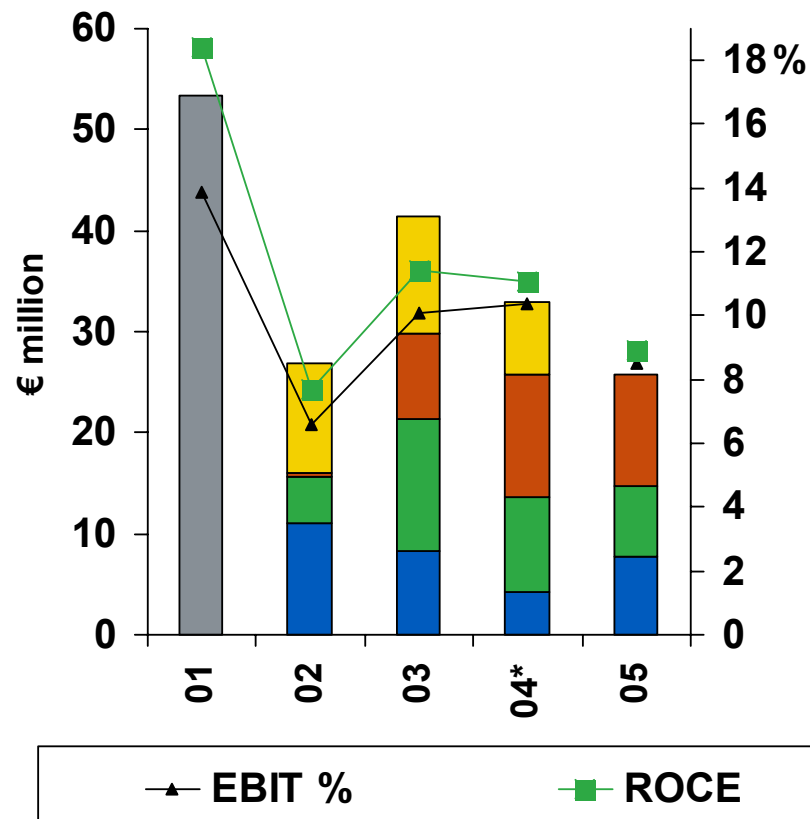
# Industrial Chemicals

## Revenue



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

## EBIT & ROCE



\*Continuing operations

# Industrial Chemicals' Outlook

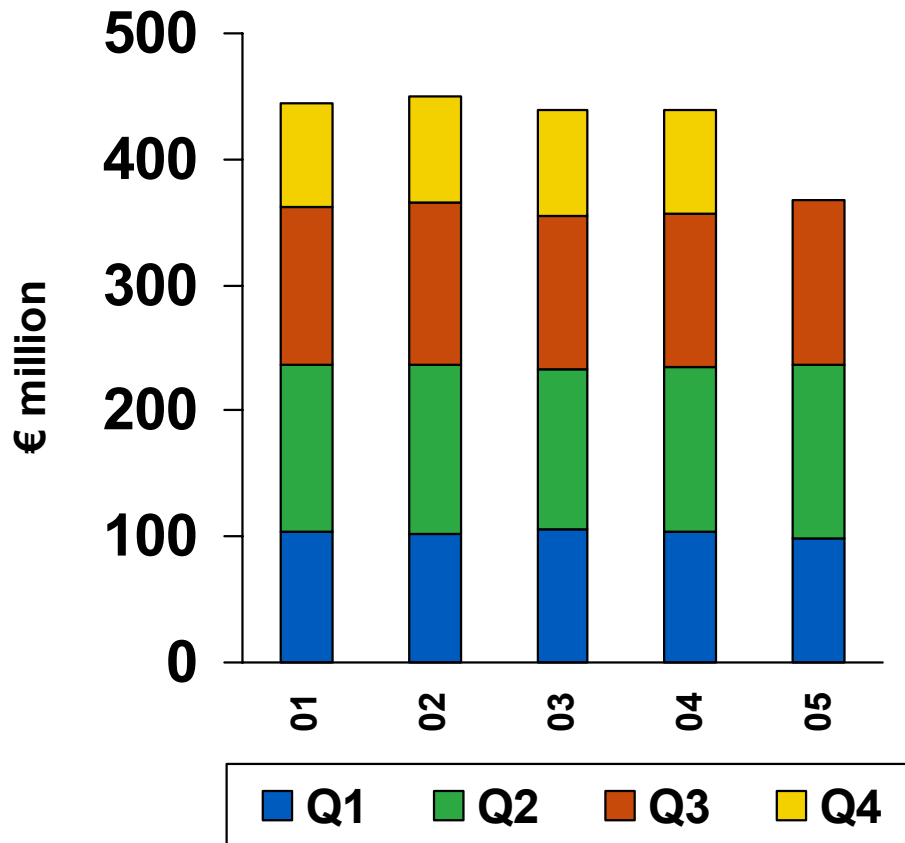
- No changes expected in TiO<sub>2</sub> prices during Q4. Demand anticipated to hold steady and sales volumes estimated to grow slightly compared with Q4/04
- Increases in the prices of raw materials and energy squeezing earnings
- Sales of organic acids, organic acid derivatives and sodium percarbonate anticipated to develop favourably in Q4
- Full-year revenue estimated to show a substantial increase on the figures for continuing operations in 2004. An increase in EBIT is also expected

# Paints & Coatings in Q3

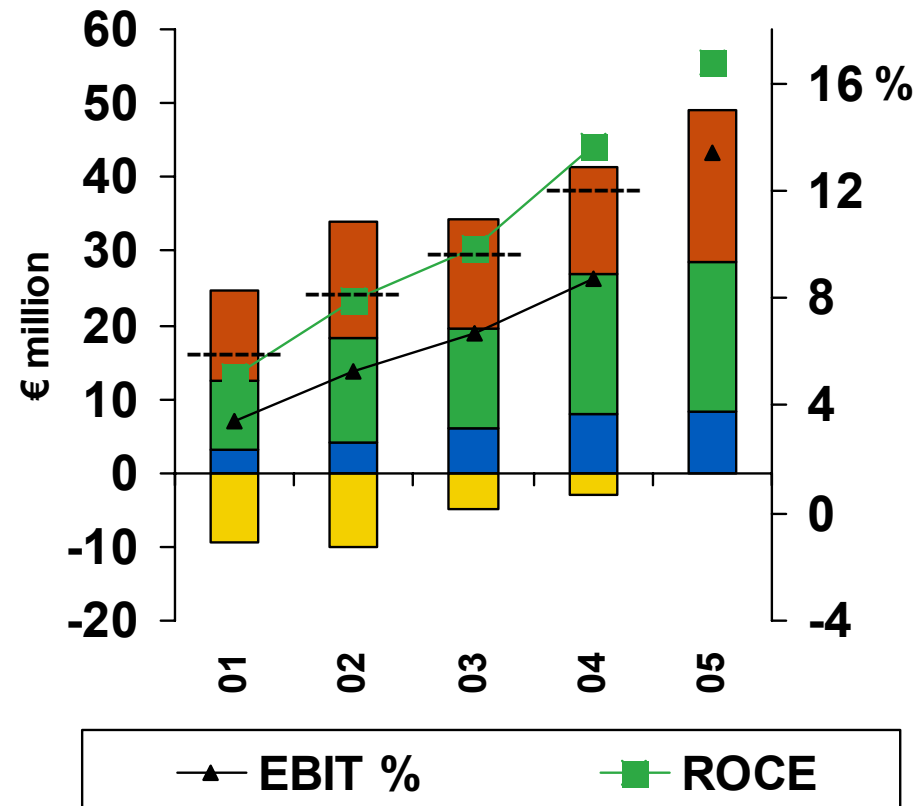
- Revenue up 6% to EUR 129.9 million
  - Continuing operations +10%
  - Good demand for paints in most of the main markets
  - Growth in Russia continued
- EBIT up by 42% to EUR 20.6 million, ROCE 16.8% (12.5%)
  - High raw material costs were factored into selling prices
- Coil coating business sold to Teknos Group in October

# Paints & Coatings

## Revenue



## EBIT & ROCE



# Paints & Coatings' Outlook

- Due to the divestments made in 2004 and 2005, full-year revenue expected to be on a par with 2004
- EBIT estimated to increase substantially

# Outlook for 2005 – Kemira Group

- Kemira Group's full-year revenue, EBIT and earnings per share in 2005 are estimated to increase strongly on the comparable figures for 2004

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.

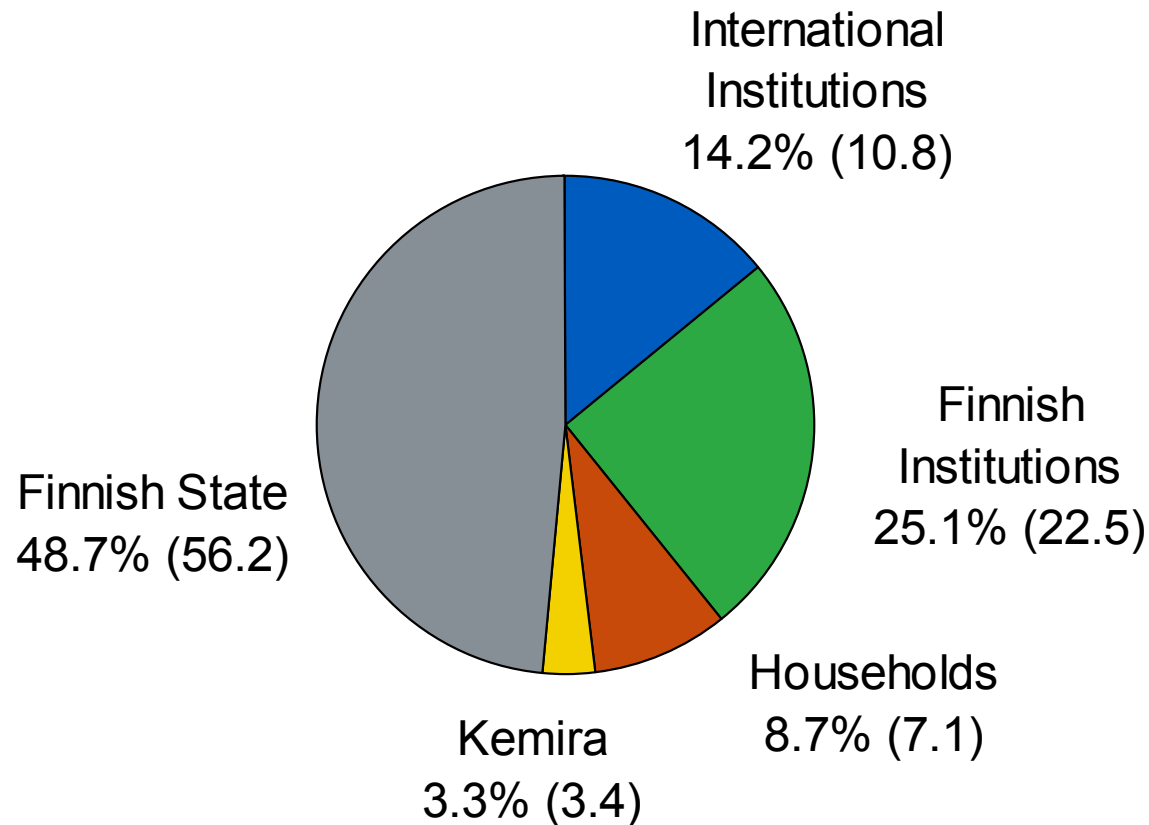
## **Development of the Kemira Share**

# Shareholder Value



# Shareholders 28 October 2005

(29 October 2004)



Minimum state ownership 15%

## Execution

# Goal

A **global** group of **leading** chemicals businesses with **unique** positions and high mutual **synergy**

- Great **profitability**, continuous improvement
- Continuous **growth**: organic and through M&A
- Participative, entrepreneurial company **culture**

→ **More ambition, more dynamics**

# Kemira from Good to Great

## Operatives & Strategy

All our actions lead towards World Class Operative Efficiency.

Our strategy is unique, sharp and clear.

Our work is based on our strategy every day.

## Culture

We have a strong, participative and entrepreneurial culture.

We will create it through an open dialogue.

Everyone can influence their work, and get rewarded for good performance.

People enjoy their work at Kemira.

## Brand

We are regarded as the leading expert in Chemical Solutions.

The strong brand increases our competitiveness.

**Brand Promises:**

- Reliable
- Cooperative
- Responsible
- Proactive

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