

## Third Quarter Results 2006

### Focus to Value Creation

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31 October 2006



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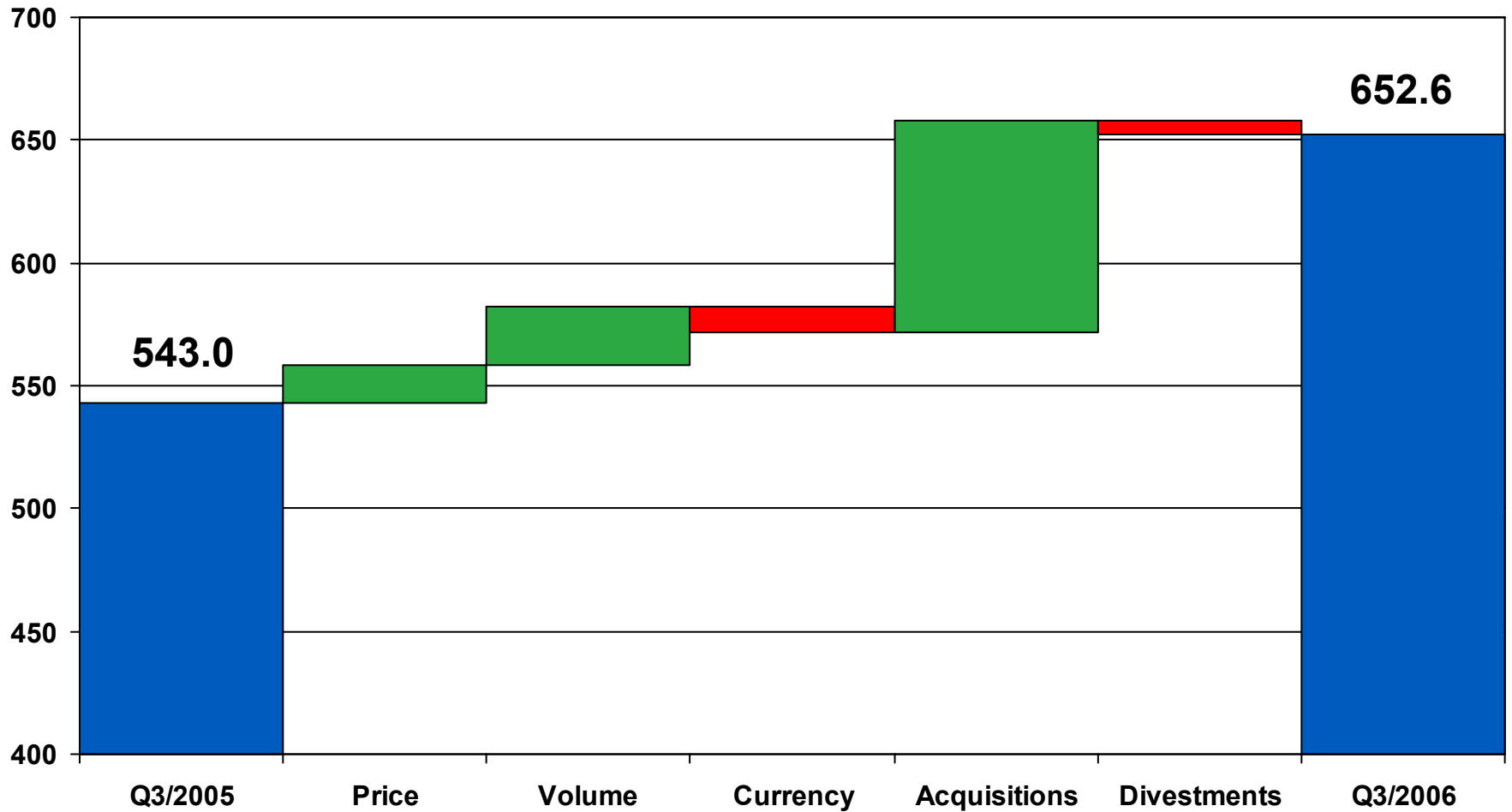
## **Q3 and Q1-Q3 Group Highlights**

# Growth Boosted by Acquisitions

	<b>Q3/06</b>	Q3/05	<b>Change</b>	<b>Organic growth</b>
Revenue (MEUR)	<b>652.6</b>	543.0	<b>20%</b>	<b>5%</b>
EBIT (MEUR)	<b>75.1</b>	59.2	<b>27%</b>	
EBIT, %	<b>11.5</b>	10.9		
EPS (EUR)	<b>0.37</b>	0.28	<b>32%</b>	
ROCE, %	<b>11.2</b>	9.3		
Cash flow after CapEx, excl. acquisitions (MEUR)	<b>73.0</b>	72.0		

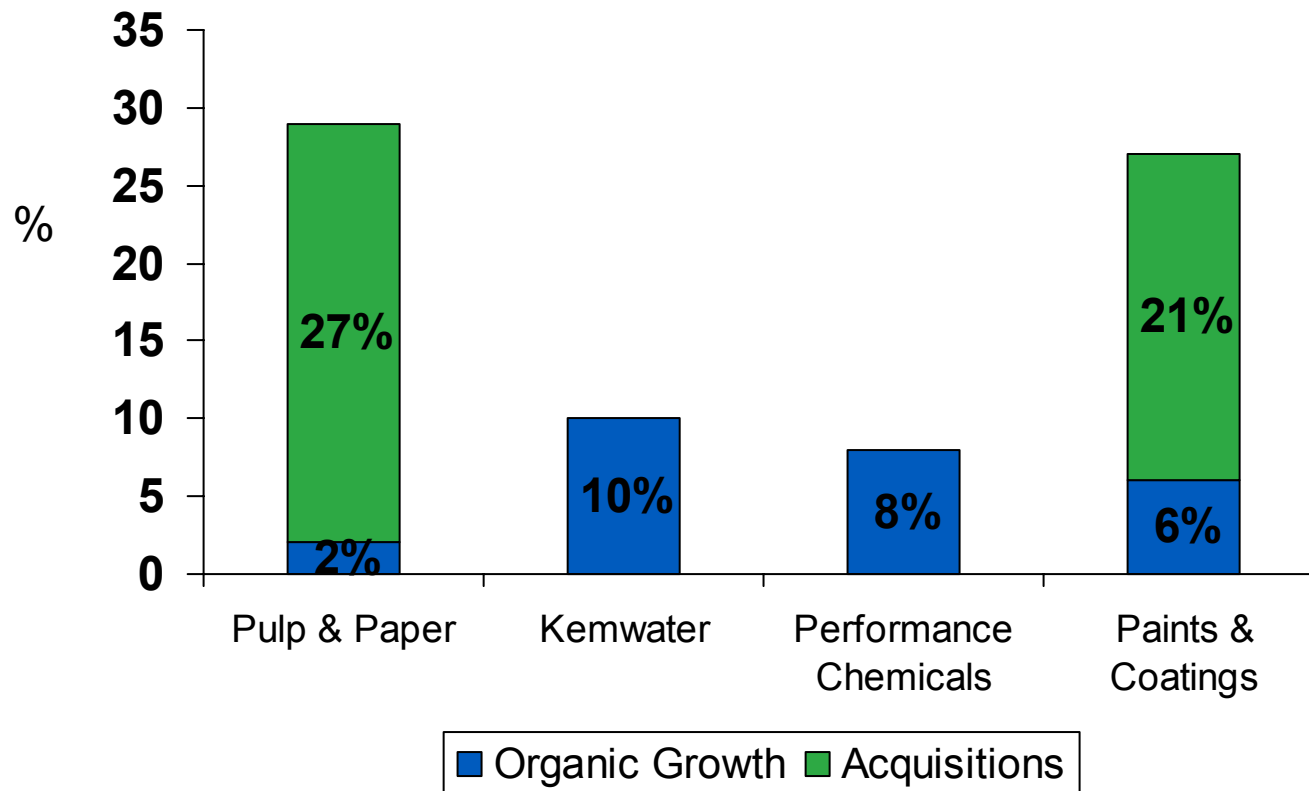
# Revenue up 20% in Q3

MEUR



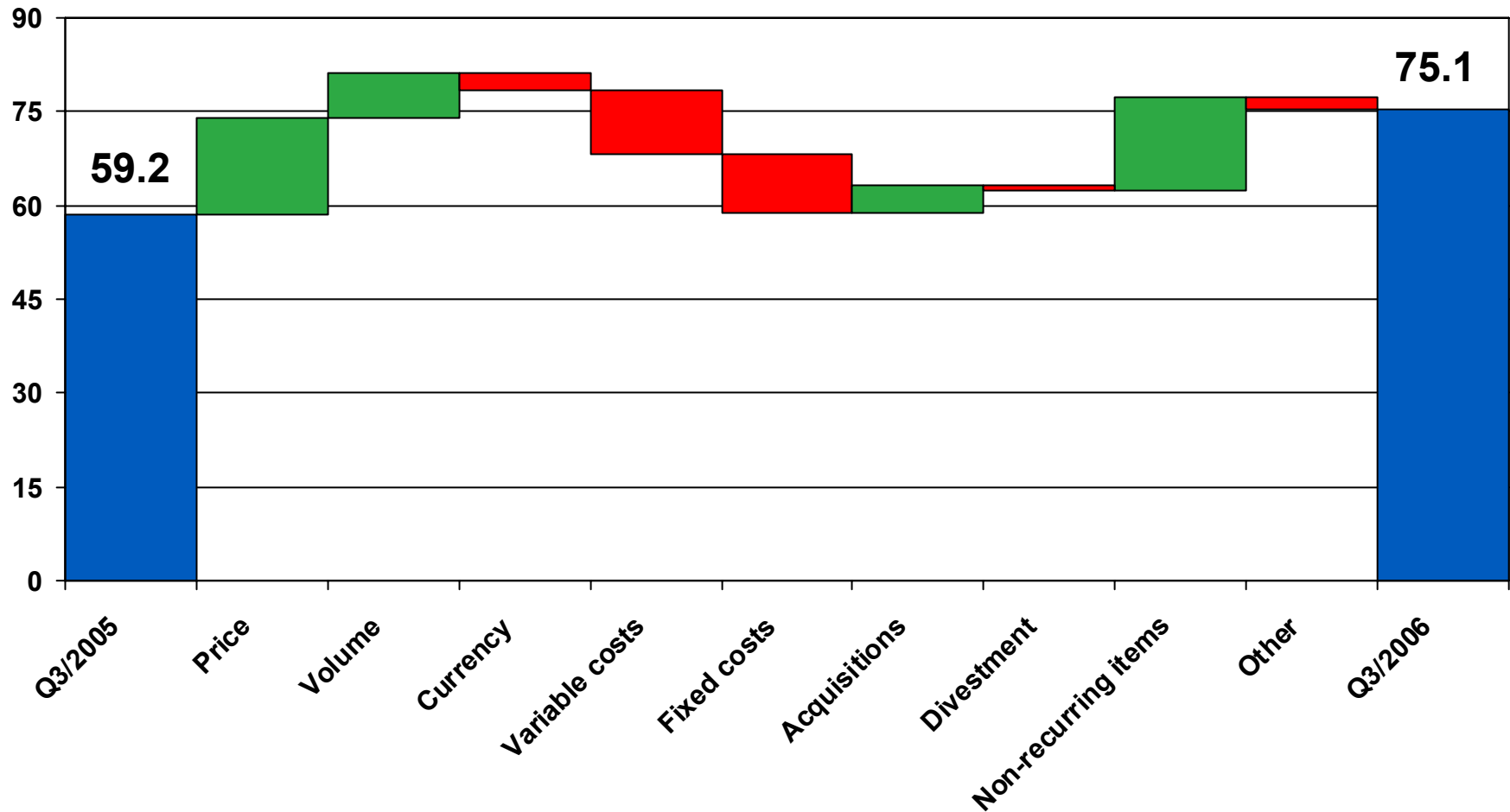
# Revenue up 20% in Q3

■ Q3 organic growth 5%



# EBIT up 27% in Q3

MEUR

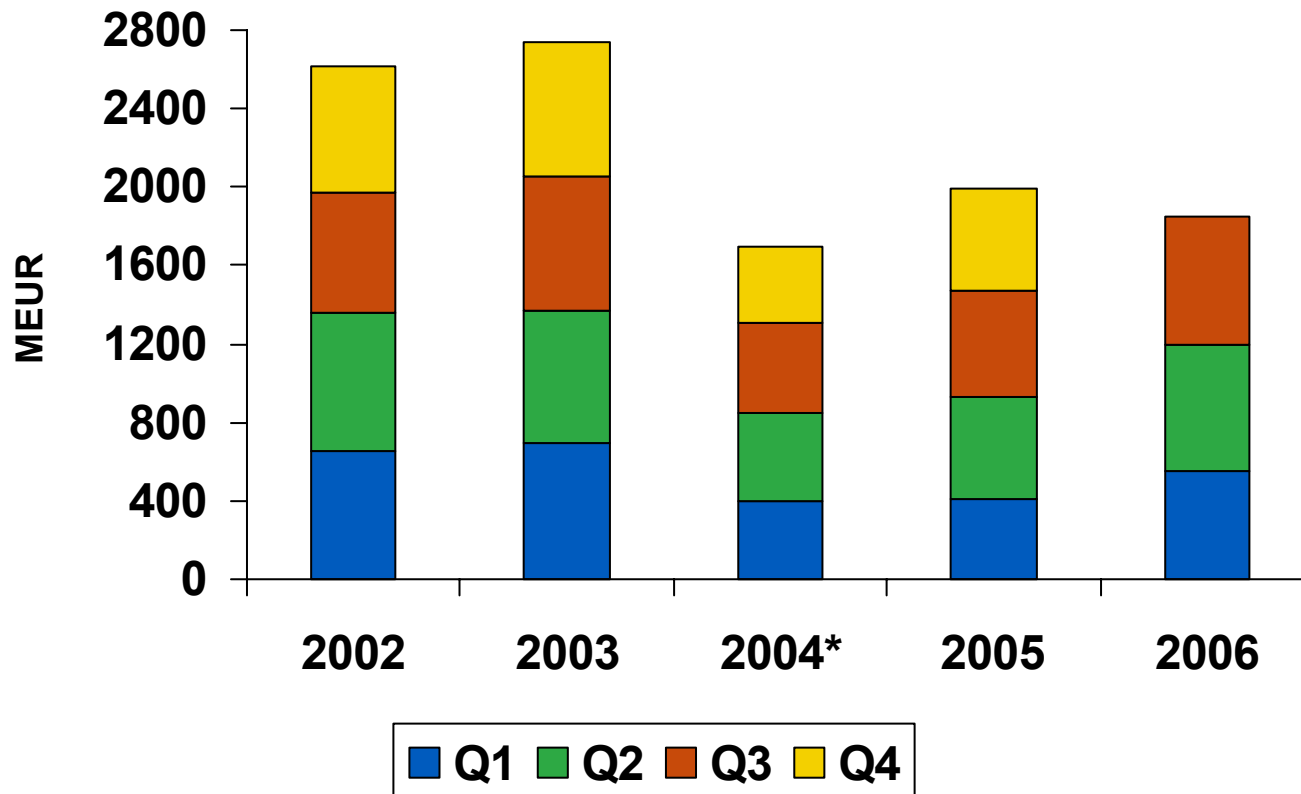


# Non-Recurring Items

EUR million	<b>Q3/06</b>	Q3/05	2005
Pulp & Paper	<b>3.0</b>	-0.7	-3.4
Kemwater	-	-	2.2
Performance Chemicals	-	-	6.1
Paints & Coatings	<b>13.1</b>	-	9.5
Other	-	1.9	0.2
Total	<b>16.1</b>	1.2	14.6

# Revenue Development 2002-2006

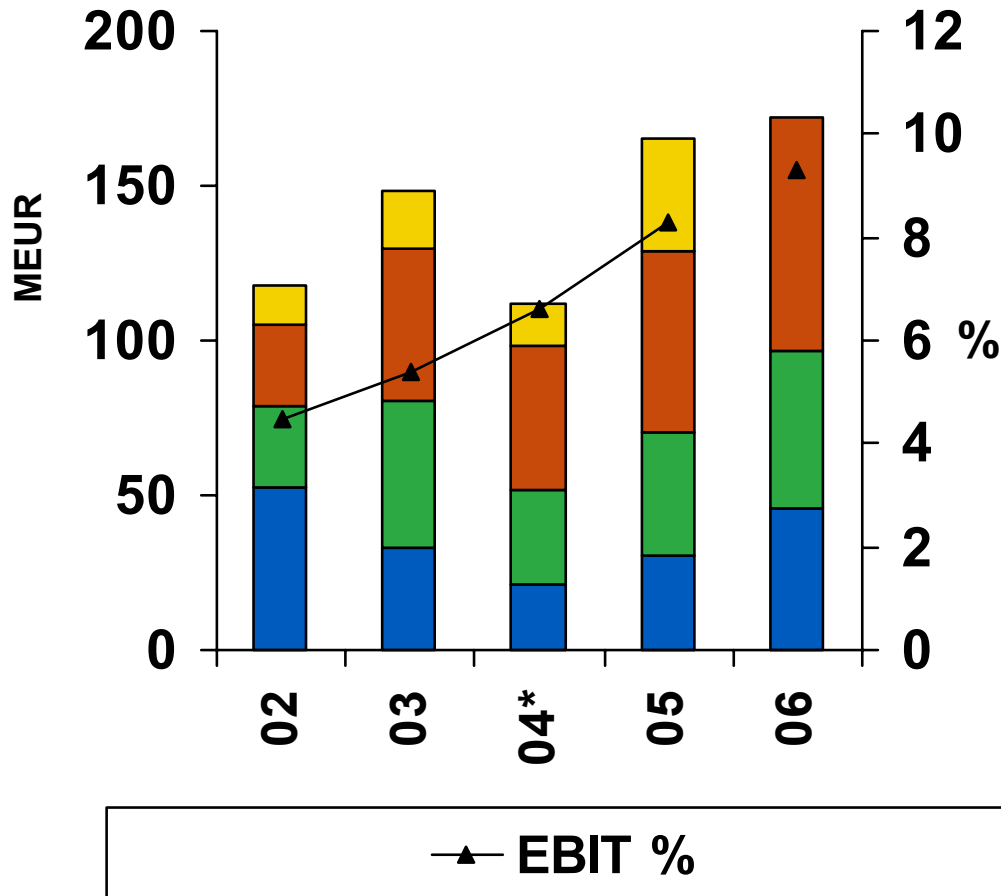
Q1-Q3/2006: 1,853.0 MEUR, +26%  
(Q1-Q3/2005: 1,472.9 MEUR)



\*Continuing operations

# EBIT by Quarter

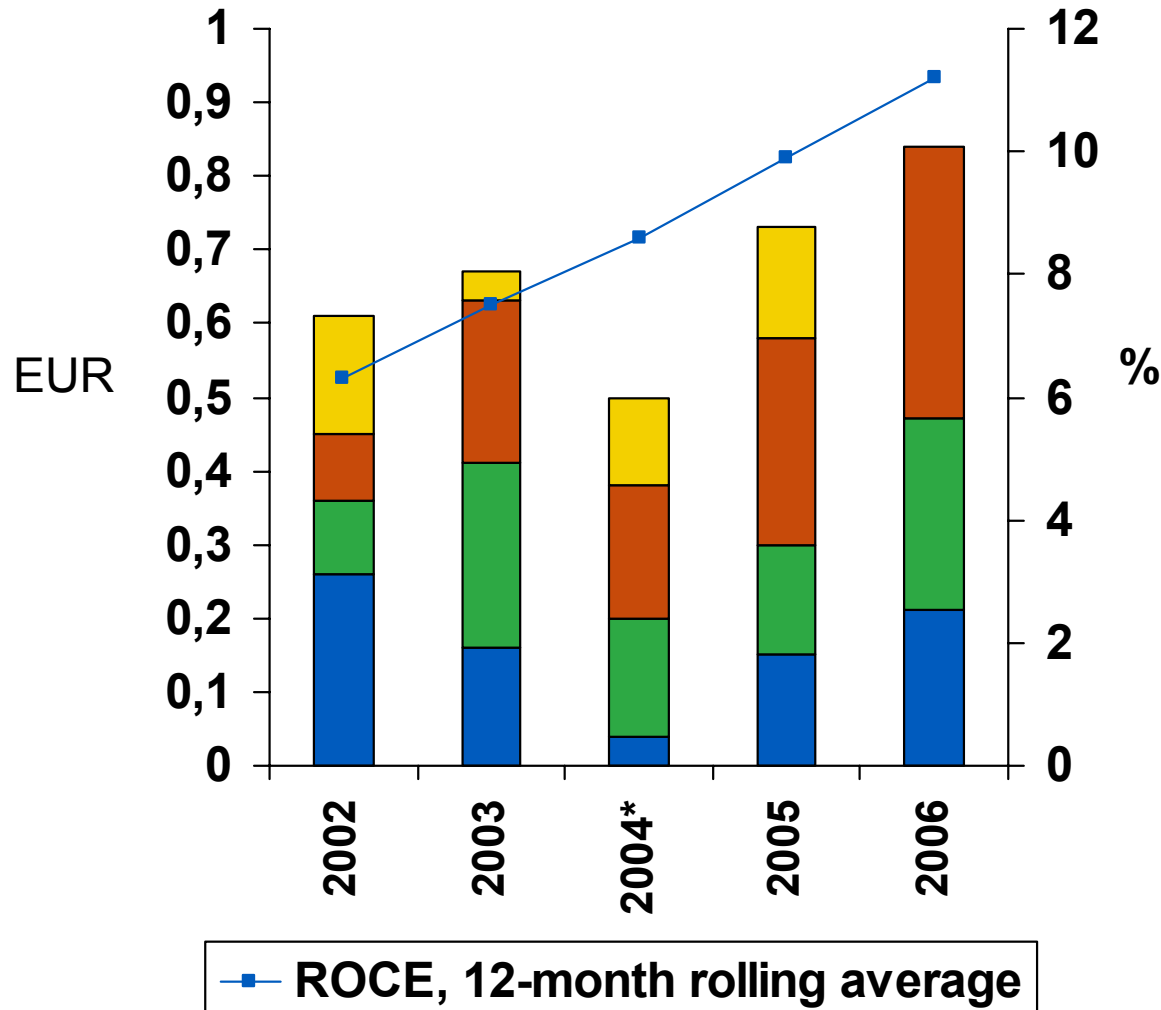
Q1-Q3/2006: 172.1 MEUR, +33%  
(Q1-Q3/2005: 129.1 MEUR)



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

# EPS up by 32% in Q3 to EUR 0.37

## ROCE from 9.3% to 11.2%



\* 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

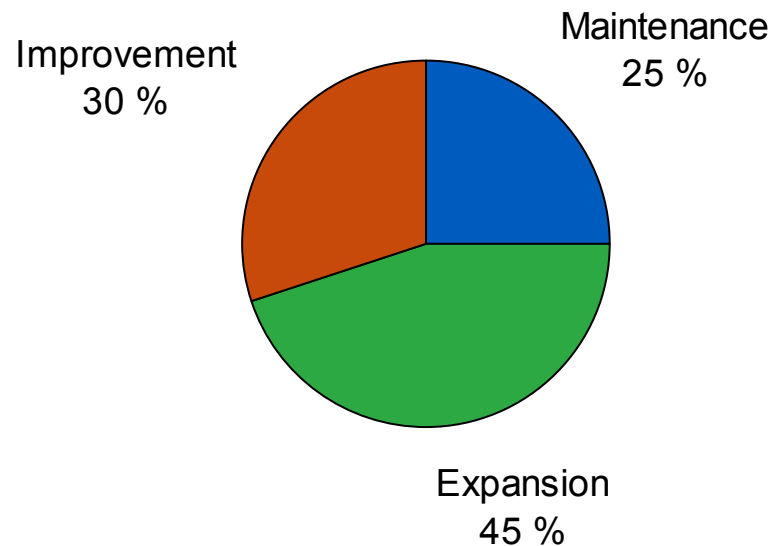
	<b>30 Sept 06</b>	31 Dec 05
Net debt (MEUR)	<b>712.6</b>	619.7
Equity (MEUR)	<b>1,086.5</b>	1,019.2
Equity ratio, %	<b>42</b>	44
Gearing, %	<b>66</b>	61
Capital employed (MEUR)	<b>1,867.7</b>	1,766.2
Personnel	<b>9,119</b>	7,670

# Cash Flows, Q1–Q3

MEUR	Q1–Q3/06	Q1–Q3/05
Cash flows from operations	<b>108.1</b>	85.8
Acquisitions	<b>-108.1</b>	-285.5
CapEx excl. acquisitions	<b>-96.8</b>	-78.0
Sale of fixed assets	<b>64.2</b>	56.0
Cash flows from investing activities	<b>-140.7</b>	-307.5
Free cash flow	<b>-32.6</b>	-221.7

# CapEx Excluding Acquisitions

- CapEx Q1–Q3/06: 96.8 MEUR (Q1–Q3/05: 78.0)
  - Investment in the chemical plant in Uruguay 22.4 MEUR
- Depreciation in Q1–Q3/06: 89.9 MEUR (Q1–Q3/05: 88.1)



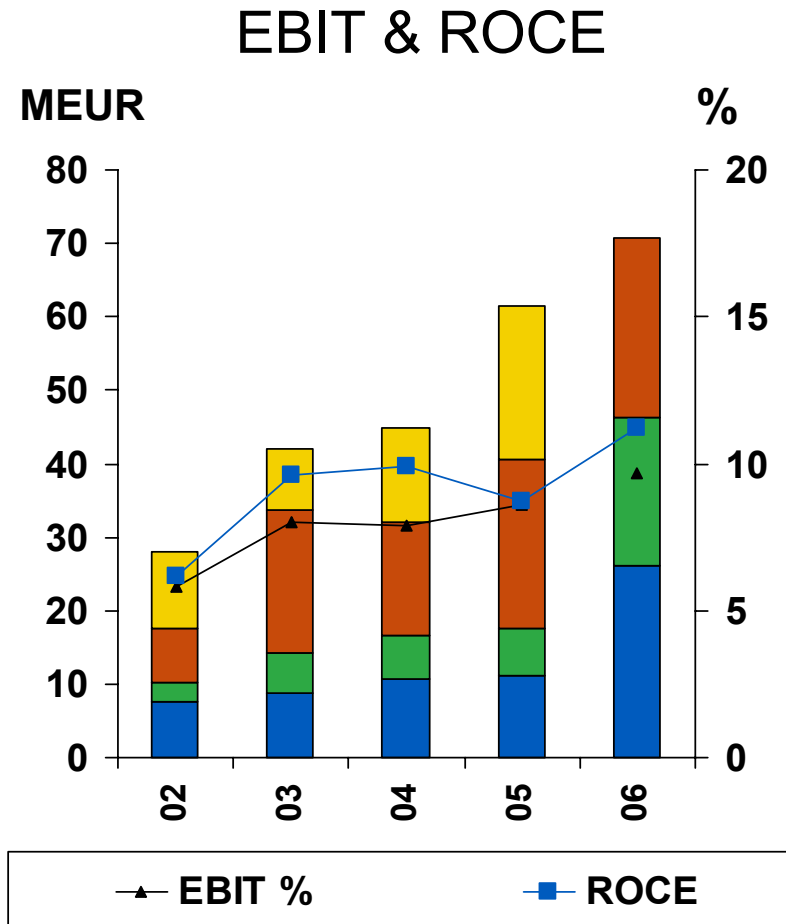
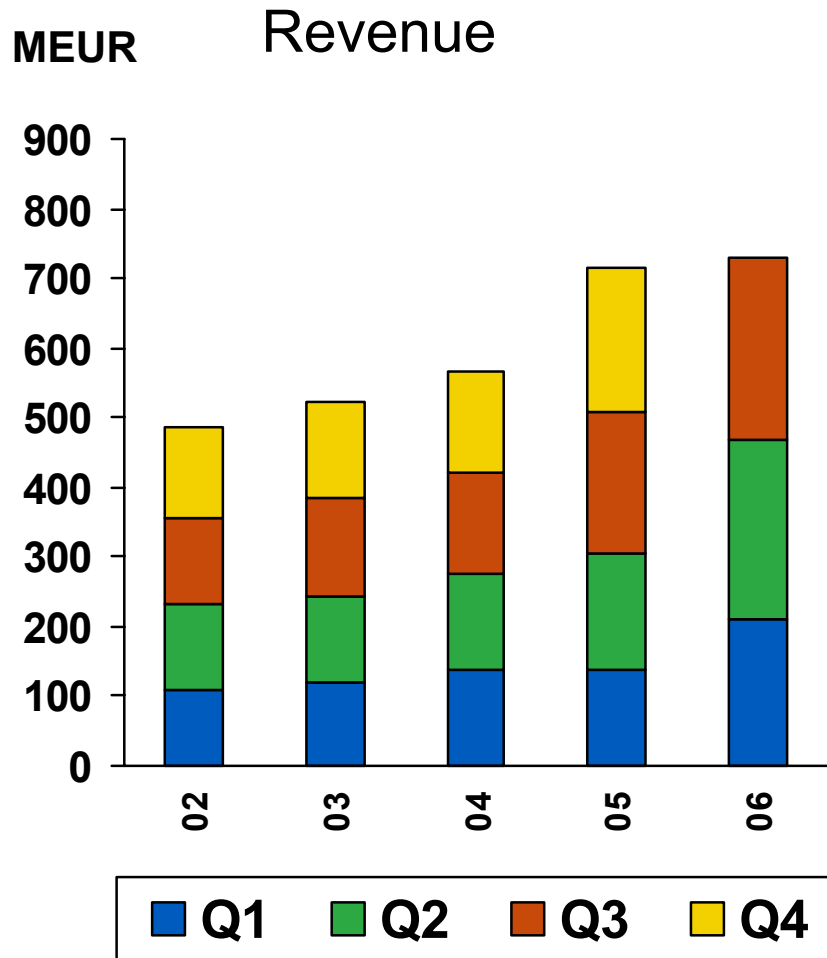
## **Business Area Highlights**

# Pulp & Paper Chemicals in Q3

- Revenue up 29%
  - Organic growth 2%
  - Integration of Lanxess paper chemicals progressing well
  - Sales depressed by the Finnish pulp industry's maintenance downtimes
  
- EBIT up 5%, ROCE 11.2% (8.6%)
  - One-time income of 3.0 MEUR (-0.7 MEUR)
  - Lanxess paper chemicals +0.8 MEUR
  - Pulp industry's maintenance downtimes

	<b>Q3/06</b>	Q3/05	Ch%	<b>2005</b>
Revenue, MEUR	<b>261.9</b>	202.5	29	<b>715.3</b>
EBIT, MEUR	<b>24.3</b>	23.1	5	<b>61.5</b>
EBIT, %	<b>9.3</b>	11.4		<b>8.6</b>

# Pulp & Paper Chemicals



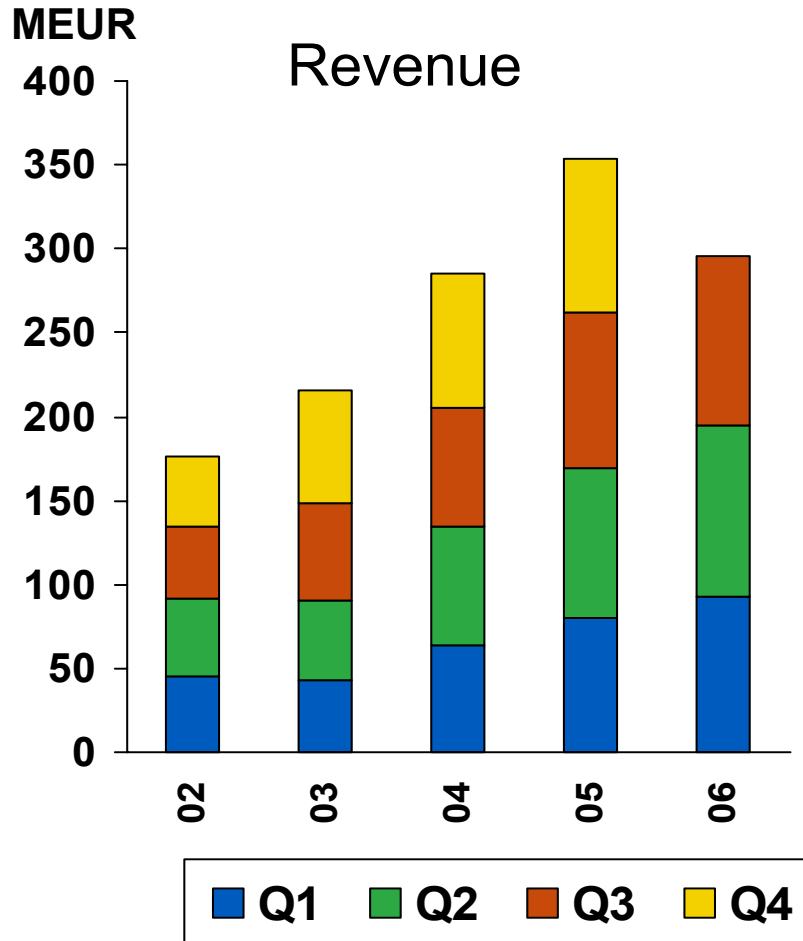
The figures are not fully comparable.

# Kemwater in Q3

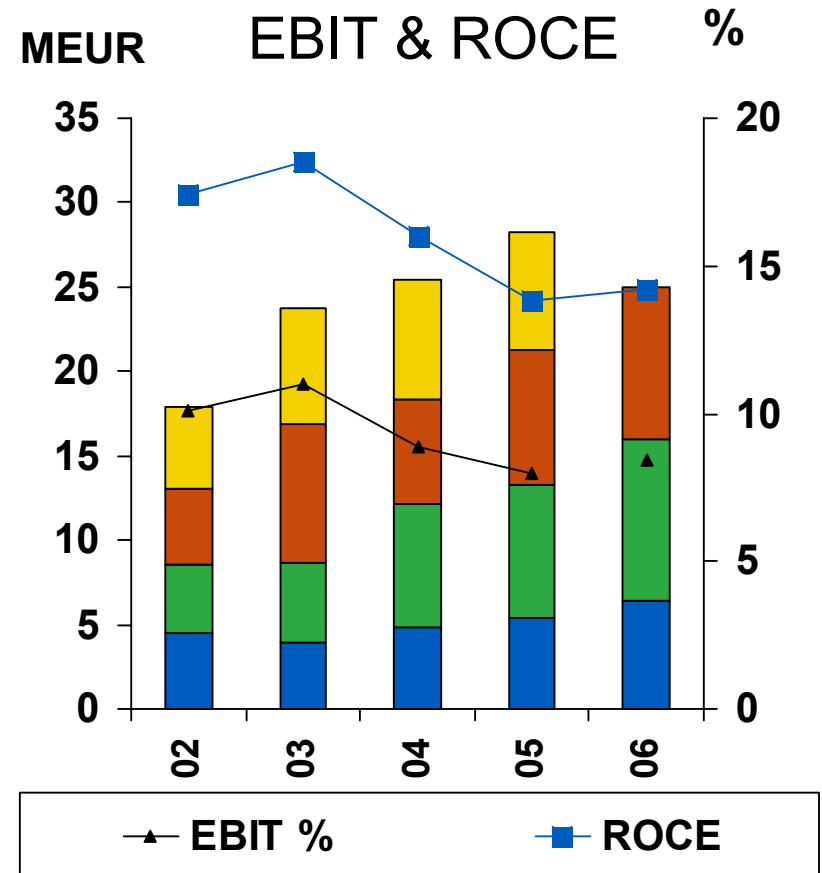
- Revenue up 10%
  - All growth organic
  - Sales increased in all market areas
- EBIT up 13%, ROCE 14.2% (13.5%)
- Acquisition of Cytec water treatment was completed 1 October
  - Projected to raise EPS from 2007
- Acquisitions of Parcon A/S and Oy Galvatek Ab

	<b>Q3/06</b>	Q3/05	Ch%	<b>2005</b>
Revenue, MEUR	<b>101.7</b>	92.5	10	<b>353.2</b>
EBIT, MEUR	<b>9.0</b>	8.0	13	<b>28.2</b>
EBIT, %	<b>8.8</b>	8.6		<b>8.0</b>

# Kemwater



The figures are not fully comparable.



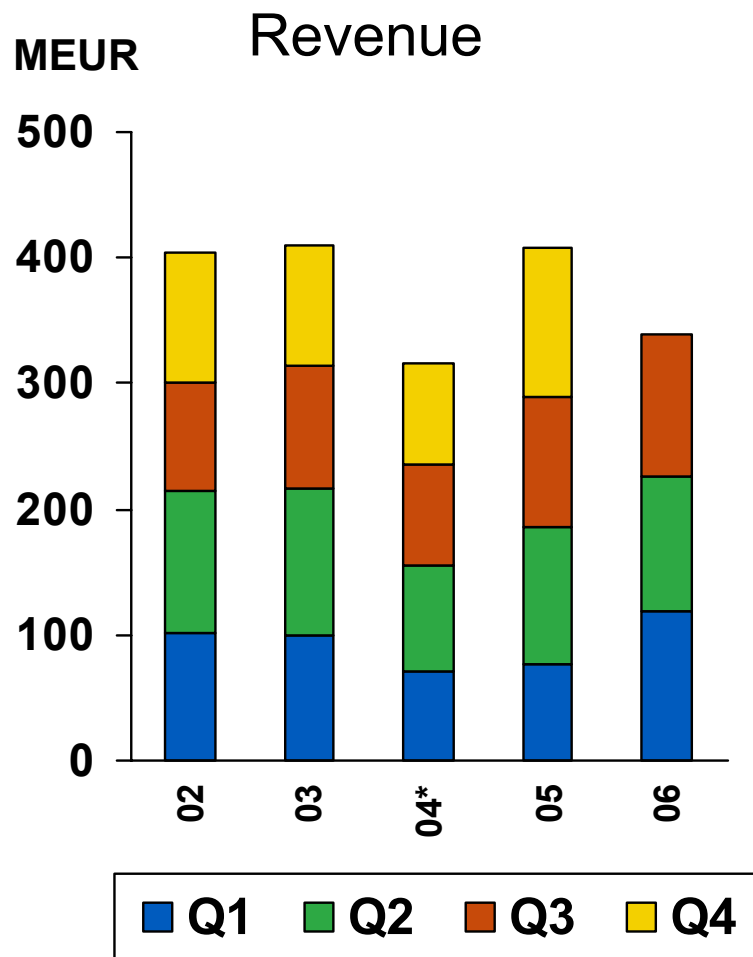
Q4/04 excluding extra write-downs and costs of 11 MEUR.

# Performance Chemicals in Q3

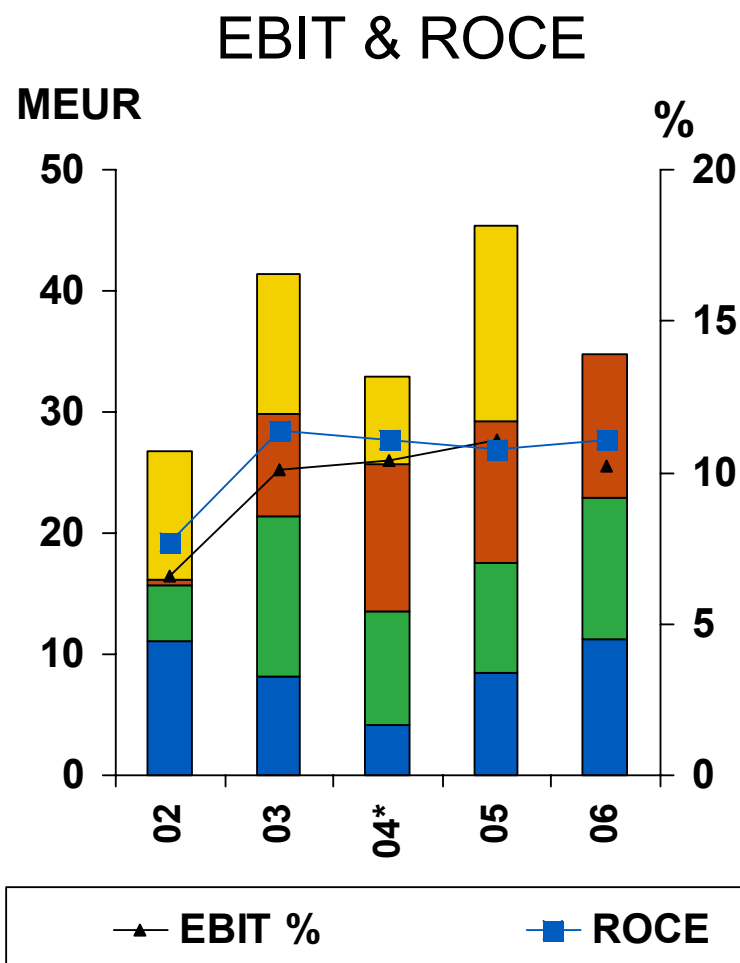
- Revenue up 8%
  - All growth organic
  - Strong sales in organic acids and acid derivatives
  - A scheduled maintenance downtime in TiO<sub>2</sub> production
  - Prices of TiO<sub>2</sub> at last year's level, prices expected to rise in 2007
  
- EBIT at last year's level, ROCE 11.1% (9.6%)
  - Maintenance downtime

	<b>Q3/06</b>	Q3/05	Ch%	<b>2005</b>
Revenue, MEUR	<b>112.8</b>	104.2	8	<b>408.4</b>
EBIT, MEUR	<b>11.7</b>	11.7	-	<b>45.4</b>
EBIT, %	<b>10.4</b>	11.2		<b>11.1</b>

# Performance Chemicals



The figures are not fully comparable.



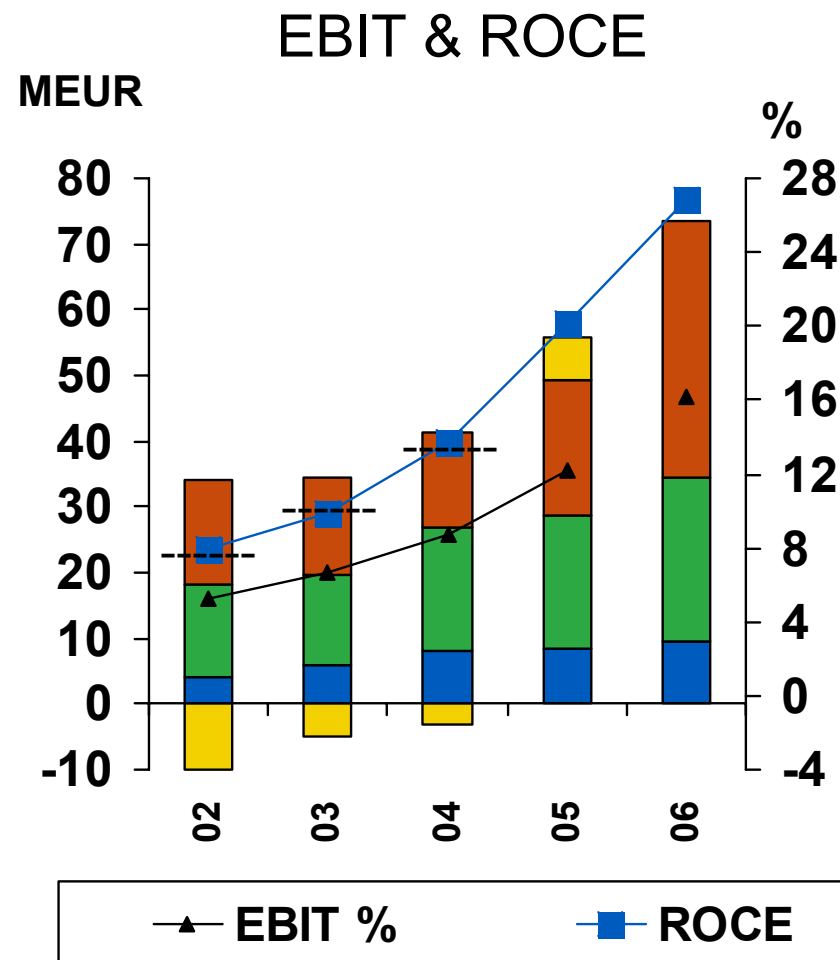
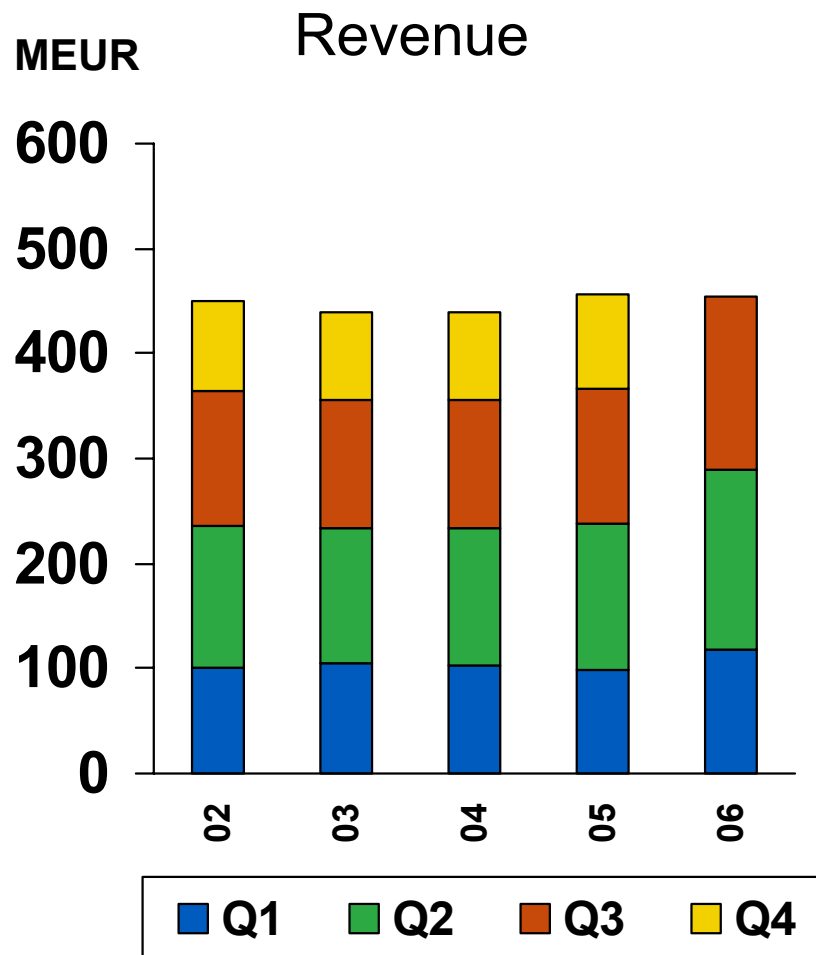
\*Continuing operations

# Paints & Coatings in Q3

- Revenue up 27%
  - Organic growth 6%
  - Integration of Kraski Teks progressing well
  
- EBIT up 89%, ROCE 26.9% (16.8%)
  - One-time income of 13.1 MEUR from the sale of a factory site in Stockholm
  - Acquisition of Kraski Teks +2.9 MEUR
  
- A new sales company in Kazakhstan
- 100% shareholding in Finncolor in the Czech Republic acquired

	<b>Q3/06</b>	Q3/05	Ch%	<b>2005</b>
Revenue, MEUR	<b>164.6</b>	129.9	27	<b>457.5</b>
EBIT, MEUR	<b>39.0</b>	20.6	89	<b>55.9</b>
EBIT, %	<b>23.7</b>	15.9		<b>12.2</b>

# Paints & Coatings



# Outlook

- Kemira Group expects to continue its growth during the fourth quarter of 2006
  - Previous acquisitions and organic growth
  - On average, raw material prices are projected to remain unchanged during the rest of the year
- Kemira's full-year revenue, operating profit and earnings per share are expected to increase markedly from 2005 levels.

*All forward-looking statements in this report are based on the management's present expectations and beliefs about future events, and the actual results may differ materially from the expectations and beliefs contained in the forward-looking statements.*

**Kemira**

**Looking Forward**

# Strategic Goal

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

- Great **profitability**, continuous improvement (EPS, ROCE)
- Continuous **growth**, organic and through M&A
  - Expansion into emerging markets
  - Solution provider leadership driven by customer needs
- Participative, entrepreneurial company **culture**
- Continuous shareholder value creation

→ **Primary focus in profitability**

*New emphasis in blue*

# Primary Focus in Profitability

- Streamlining the production network
- Professional attitude towards customers and suppliers
- Economies of scale, utilizing the leading position
- Internal synergies to use
- Idle / low productive capital out

→ **World class internal efficiency**

# Organic Growth > 5% / Year

- Extended sales
  - New customers
  - New geographies
  - Cross-selling
- New products and applications/solutions
  - Strong R&D
  - New Sales Ratio up

# Expansion into Emerging Markets

	Brazil / Lat. America	Russia / CIS	India & Neighbours	China
Pulp & Paper	Production & sales activities	Production & sales activities	Sales activities	Production & sales activities
Kemwater	Production & sales activities	Production & sales activities		Production & sales activities
Perf. Chem.	Production & sales activities	Sales activities	Sales activities	Sales activities
Paints & Coat.		Production & sales activities		Sales activities

## Current activity

- Emerging markets (Eastern Europe, South-America, Asia): ~ 13% of sales
- BRIC countries: ~ 9% of sales

- Production & sales activities
- Sales activities

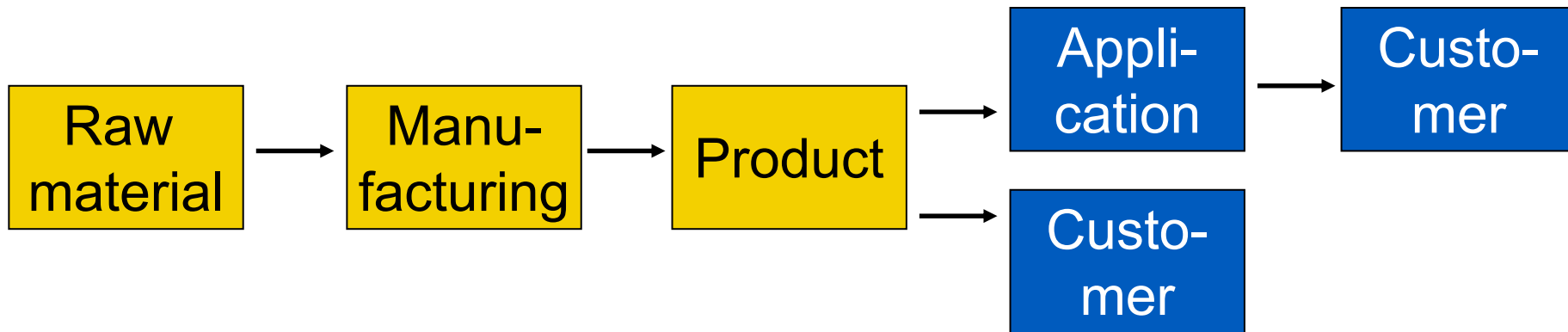
	Brazil / Lat. America	Russia / CIS	India & Neighbours	China
Pulp & Paper	**	*	**	**
Kemwater		**	*	**
Perf. Chem.	*	*	*	**
Paints & Coat.		**		*

## Future Kemira ambition

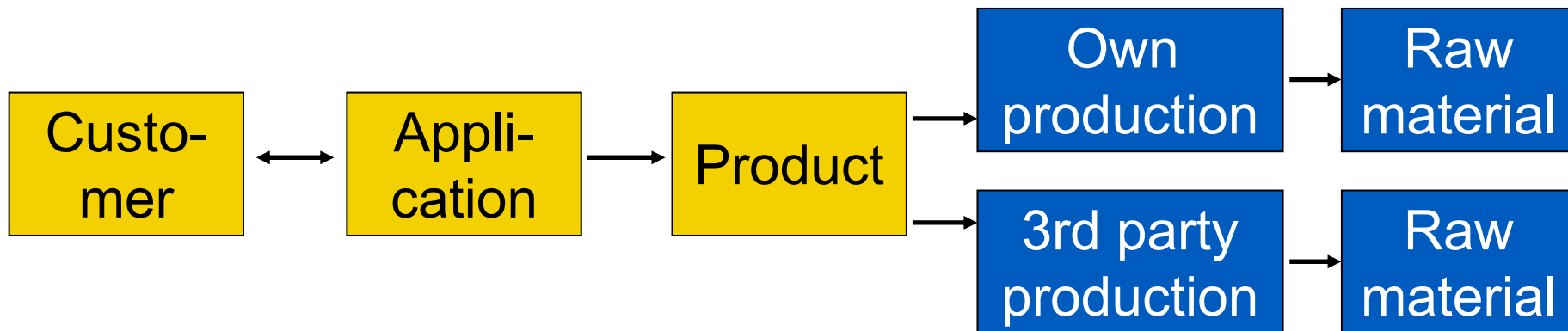
- \*\* Active strengthening
- \* Some strengthening

# From Manufacturing to Customer Specific Solutions

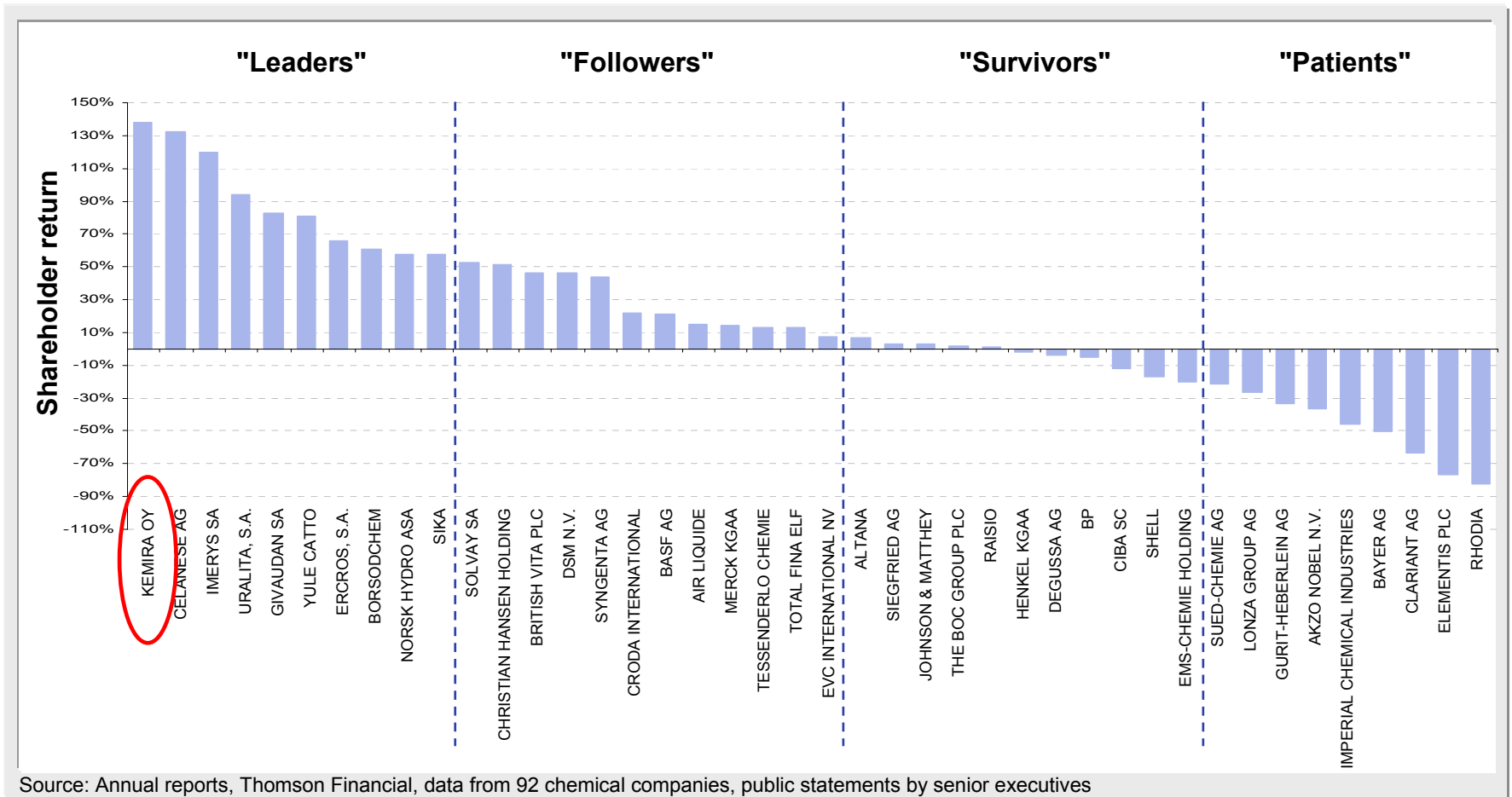
■ Traditional chemicals production chain:



■ New approach:



# Shareholder Value Creation 2000-2004



Source: Arthur D. Little

# Transformation Program “From Good to Great”

## Operational Efficiency & 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 work for a strong, participative, 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 want to be regarded as the leading expert in our areas of Chemical Solutions.
- *The strong brand increases our competitiveness.*
- *Brand promises:*
  - ✓ *Reliable*
  - ✓ *Cooperative*
  - ✓ *Responsible*
  - ✓ *Proactive*

Just add

**Kemira**