

Kemira to concentrate on water and fiber businesses

- New strategy confirmed – focus on water and fiber
- Tikkurila to be spun off into a public company
- New customer based organisation
- Guidance for 2008 changed
- Cost reduction programme initiated

Kemira's Board of Directors has made a strategic decision to concentrate on water and fiber related businesses in the future. Kemira will initiate a spin-off process to turn Tikkurila, its Coatings business area, into a public company owned by Kemira's current shareholders and potential new shareholders on the Helsinki Stock Exchange. This will take place during the first half of 2009. Kemira will remain as a shareholder in the Coatings company, widely known as Tikkurila, in order to retain the value upside in Tikkurila's shares.

"These structural changes are part of the strategic development plan for Kemira and they aim at continuous growth of the long term shareholder value" says *Pekka Paasikivi*, Chairman of the Board of Kemira Oyj. "The listing of Tikkurila will increase transparency of Kemira's businesses and it will be a good way to enhance the value of Kemira's total business portfolio. The creation of a new public company and positive effects that the structural change will have on Kemira's development will benefit also other stakeholders" Paasikivi continues.

"According to our strategy we will first concentrate on reinforcing the balance sheet, generating positive cash flow and improving profitability. During the second phase we will seek strong organic growth", says Harri Kerminen, President and CEO of Kemira Oyj. "Structural changes and our customer focused strategy will help us achieve our financial targets for growth, cash flow and balance sheet structure during 2009".

Kemira will organize its businesses into three customer based segments with P/L responsibilities. Water is the common denominator for all these segments. The Paper segment will focus on serving customer segments in the pulp and paper industry, while the Water segment will concentrate on serving customer segments in municipal and industrial water treatment. A new segment Oil and Mining will further develop businesses in the growing application areas of the oil, gas and mining industries where water treatment chemicals are of great importance.

The new organization will be effective from the beginning of October 2008. Financial reporting will change over to the new structure from the beginning of 2009.

Profitability

"Unfavourable development of raw material prices and energy-related costs that we anticipated earlier have together with a weak US dollar affected our result. Kemira's operative full-year profits and earnings per share are expected to remain below last year's level due to the current business environment", states *Harri Kerminen*.

"We will take decisive action to improve the profitability by increasing our income and lowering our costs. Effective cross-selling, active pricing, completing current integration programs, increasing the utilization rates of our production units, building a lean global logistics network and cutting costs to increase our internal efficiency are examples of the concrete actions that we are going to take" Kerminen concludes.

The annual cost savings target is over EUR 50 million, excluding Kemira Coatings. The planned savings programme may also lead to a reduction of approximately 1000 persons worldwide from Kemira's payroll, including potential sale of businesses. Streamlining of the global functions may lead to for example to the consolidation of production sites, the R&D facilities and the warehouse network. A cost savings programme will be prepared taking into account of all local requirements before any decisions are made. Further briefings on these decisions will be given during Q3.

Invitation to press conference

Kemira is pleased to invite the media and analysts to attend a press conference in which Kemira President and CEO *Harri Kerminen* will present the decisions made by Kemira Oyj's Board of Directors today and mentioned in this release. The press conference will take place today at 4.15 pm at Kemira House, Porkkalankatu 3, Helsinki. The press conference will be held in Finnish. A conference call (in English) will begin today at 5.30 pm Helsinki time. In order to participate in the conference call, please dial +44 (0)20 7162 0025. Please call in some minutes prior to ensure the operators have sufficient time to take your name and company affiliation.

Presentation material will be available on our website (www.kemira.com) under Investors – Presentations. During the conference call, the presentation can be followed at this address:

<http://wcc.webeventsolutions.com/view/wl/r.htm?e=113056&s=1&k=CD464DAD9603BA8D7E3EDE91547146F9&cb=genesys>

The conference call will be recorded, and you can listen to the sound file on our website the next day.

Kemira Oyj
Timo Leppä, Executive Vice President, Group Communications

For further information please contact

Kemira Oyj
Harri Kerminen, President and CEO
Tel. +358 10 862 1801

Kemira will be a focused company, the best in water and fiber management chemistry.

In 2007, Kemira recorded revenue of approximately EUR 2.8 billion and had a staff of 10,000. Kemira operates in 40 countries.

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