

# Marked Increase in Operating Profit in Q2

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## Kemira in Brief

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# Freshwater Offers Potential

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- The world uses fresh water
  - **70%** for irrigation
  - **22%** for industry
  - **8%** for domestic use *(World Water Assessment Programme, WWAP)*
- Freshwater consumption has more than doubled since the World War II and is expected to rise another **25%** by 2030, mainly due to world population growth from **6.6 billion** currently to about **8 billion** *(The Pacific Institute: Water scarcity and climate change 2009)*
- Rising water demand and the lack of adequate sanitation facilities are key reasons why almost **900 million people** lack access to safe drinking water and up to **5 million** people die each year from water-related illness *(Unesco)*
- Every day, **2 million tons** of human waste are disposed of in water courses *(WWAP)*
- In developing countries, **70%** of industrial wastes are dumped untreated into waters where they pollute the usable water supply *(WWAP)*



# Kemira Focuses on Water

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- **Full utilization of shared competencies**
  - Water quality management
  - Common product range
- **Uniform Kemira**
  - Common objectives
  - Common way of working
- The objective is to list Tikkurila on the stock market when the market situation so allows
- **Tikkurila's goal is to be the market leader** in decorative paints and in selected wood and metal coatings in chosen markets, and grow profitably



## Kemira excluding Tikkurila: ~75% is Water Related

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- Revenue excluding Tikkurila in 2008 ~2 billion €



## Kemira Group – Q2 Highlights

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## Operative EBIT from Continuing Businesses Increased by 52%

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- Revenue from continuing businesses\* fell only by 5% in Q2/2009 compared to Q2/2008
  - Lower volumes in Paper and Tikkurila
  - Excluding Tikkurila, revenue increased by 2%
- Operative EBIT from continuing businesses increased by 52%, or 18.4 M€
  - Fixed cost down by 22 M€ compared to Q2/2008
  - Good performance in Water
- In January-June, cash flows after investments were strongly positive, 49.5 M€ (-65.7)
  - Reduction of working capital and CapEx
- Balance sheet strengthened



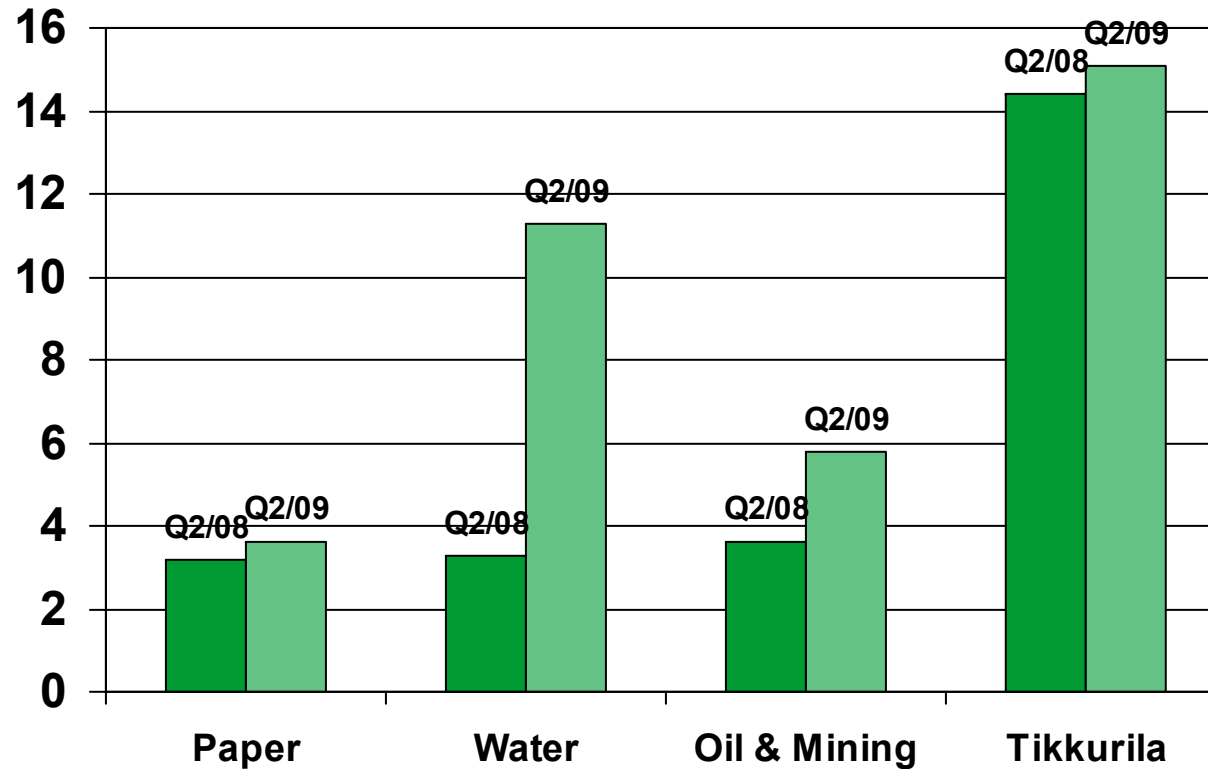
\*In the figures for continuing businesses, the impact of the titanium dioxide business that was transferred to a JV is excluded.

## Key Figures Q2

(M€)	Q2/2009	Q2/2008 Continuing	Q2/2008 Reported	2008
Revenue	650.9	686.4	741.5	2,832.7
Operative EBIT	53.8	35.4	37.2	132.6
Operative EBIT, %	8.3	5.2	5.0	4.7
Operative EPS (EUR)	0.25		0.12	0.29
EPS (EUR)	0.23		0.15	-0.02
Equity ratio, %	35		37	34
Gearing, %	104		99	107
CapEx excl. acquisitions	23.4		48.9	161.0
Free cash flow after investments	83.9		-56.7	2.7
Personnel	9,139		10,673	9,405

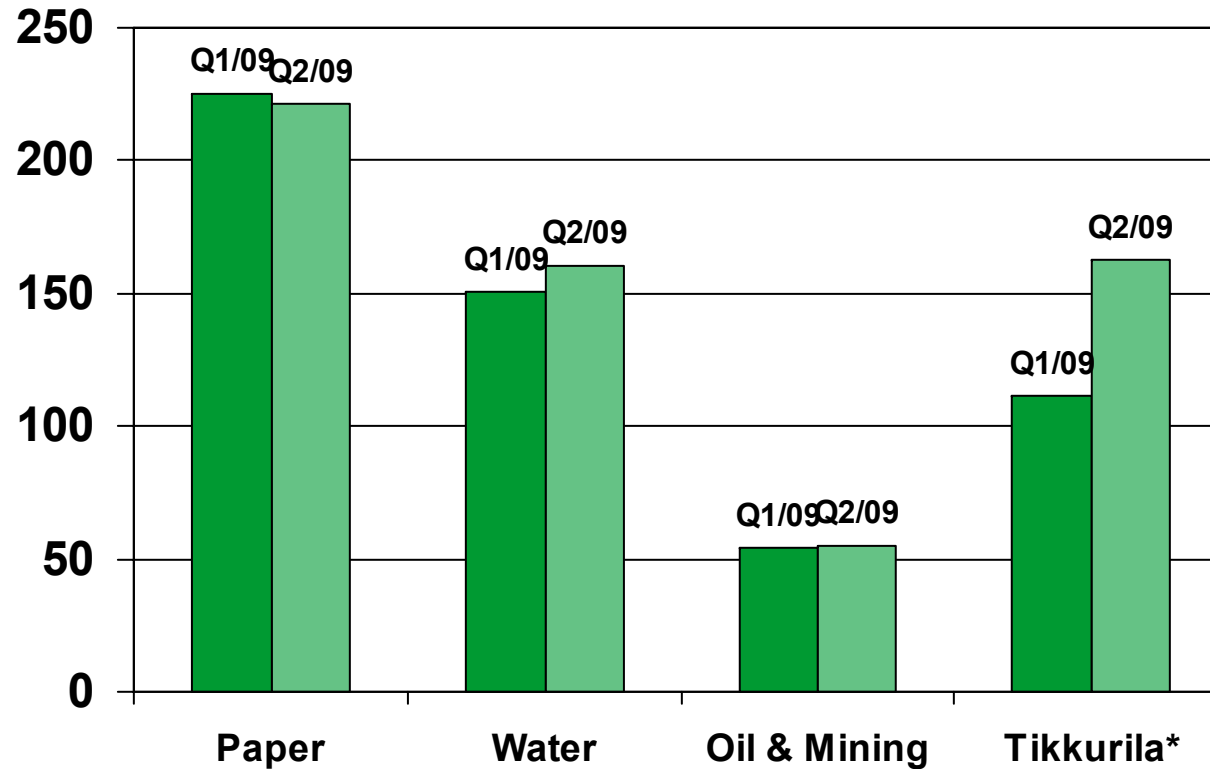
## EBIT excl. Non-Recurring Items, % of Revenue Q2/2009 vs. Q2/2008

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## Revenue Q2/2009 vs. Q1/2009

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\*Seasonal effect

## Key Figures H1

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(M€)	<b>H1/2009</b>	<b>H1/2008</b> Continuing	<b>H1/2008</b> Reported
Revenue	<b>1,259.6</b>	<b>1,315.7</b>	<b>1,425.1</b>
Operative EBIT	<b>81.9</b>	<b>61.3</b>	<b>64.4</b>
Operative EBIT, %	<b>6.5</b>	<b>4.7</b>	<b>4.5</b>
Operative EPS (EUR)	<b>0.30</b>		<b>0.21</b>
EPS (EUR)	<b>0.28</b>		<b>0.27</b>
Equity ratio, %	<b>35</b>		<b>37</b>
Gearing, %	<b>104</b>		<b>99</b>
CapEx excl. acquisitions	<b>36.1</b>		<b>87.5</b>
Free cash flow after investments	<b>49.5</b>		<b>-65.7</b>

## Cash Flows

M€	H1/2009	H1/2008	2008
Funds from operations	98.9	72.9	118.9
Change in net working capital	-11.2	-58.3	-28.7
<b>Cash flows from operations</b>	<b>87.7</b>	<b>14.6</b>	<b>90.2</b>
CapEx excl. acquisitions	-36.1	-87.5	-161.0
Acquisitions	-3.7	-3.9	-180.8
Sale of assets	1.6	11.1	254.3
<b>Free cash flow</b>	<b>49.5</b>	<b>-65.7</b>	<b>2.7</b>

## Balance Sheet

	30 Jun 09	31 Dec 08
Net debt (M€)	1,033.7	1,049.1
Equity (M€)	991.4	976.0
Capital employed (M€)*	2,031.4	2,062.8
Net Working Capital (M€)	371.2	358.6
Equity ratio, %	35	34
Gearing, %	104	107

\*12-month rolling average

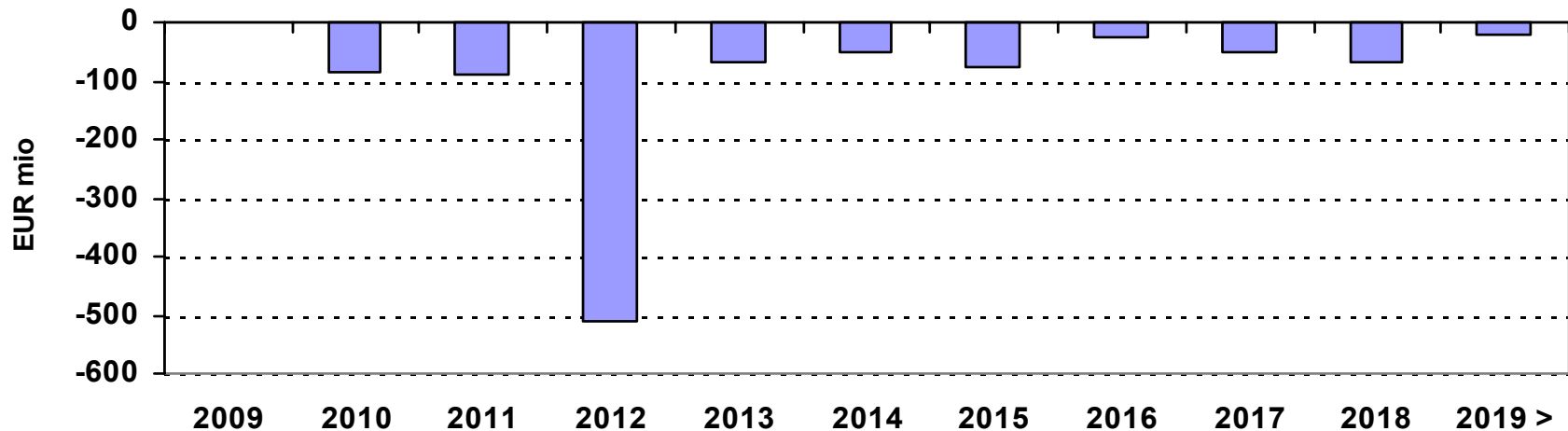
- Net debt decreased thanks to positive cash flows.

## No Refinancing Needs in the Near Future

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- Kemira has diversified loan portfolio from different sources.
- The unused amount of the Revolving Credit Facility (RCF) was 313 M€ on June 30
- Due to improved liquidity position, the unused amount of the RCF will increase by 40 M€ up to 353 M€ by the end of July 2009
- The existing RCF of 750 M€ will be renegotiated in 2011

**Maturity of External Net Debt**



## Segments – Q2 Highlights

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## Paper

- Revenue decreased by 8%
  - Customer demand continued to be weak
  - Sales was on the level of Q1/2009
- Operative EBIT 8.0 M€ (7.6)
  - Sales price increases and fixed cost savings compensated lower sales volumes
  - Variable cost increase, impact -3 M€
- JV established in China in January has started off according to the plan
- 6 production plants in NA have been shut down. Polymer production in Columbus, USA will be shut down in 2009



M€	Q2/09	Q2/08	H1/09	H1/08	2008
Revenue	221.6	241.1	446.6	488.8	1,003.3
Operative EBIT	8.0	7.6	15.5	20.0	41.5
Operative EBIT, %	3.6	3.2	3.5	4.1	4.1

# Water

- Excellent result in Q2
- Revenue increased by 11%
  - Demand in municipal water treatment remained good
  - Weakening demand in some industrial customer segments
  - Acquisition of Nheel Química, impact on revenue 7 M€
- Operative EBIT 18.2 M€ (4.7)
  - Sales price increases, for the most part in H2/2008
  - Fixed cost savings
  - Variable cost decrease, impact +3 M€
  - Nheel Química, impact 2 M€



M€	Q2/09	Q2/08	H1/09	H1/08	2008
Revenue	160.7	144.4	311.4	280.7	583.7
Operative EBIT	18.2	4.7	28.6	10.8	25.0
Operative EBIT, %	11.3	3.3	9.2	3.8	4.3

# Oil & Mining

- Revenue declined by 17%
  - In the oil and gas industry, high oil stocks and weak demand undermined prices. Upstream operations were at the lowest level in more than a year
  - In the mining industry, volumes and prices remained low due to the recession's impact
  
- Operative EBIT 3.2 M€ (2.4), EBIT-% rose to 5.8% (3.6%)
  - Lower sales volumes
  - Variable cost decrease, impact +3 M€



M€	Q2/09	Q2/08	H1/09	H1/08	2008
Revenue	55.2	66.8	109.6	134.3	275.4
Operative EBIT	3.2	2.4	5.2	4.3	8.4
Operative EBIT, %	5.8	3.6	4.7	3.2	3.1

# Tikkurila

- Very good result despite lower volumes and currencies
- Revenue declined by 21%
  - Slowdown in new construction and in building material sales
  - Currency exchange effect -25 M€
- Operative EBIT 24.5 M€ (29.7), EBIT-% rose to 15.1% (14.4%)
  - Fixed cost savings on track
  - Currency exchange effect -3 M€
  - Variable cost increase, impact -7 M€
- Logistics and service center near Moscow has started out well



M€	Q2/09	Q2/08	H1/09	H1/08	2008
Revenue	162.4	205.7	273.6	350.9	648.1
Operative EBIT	24.5	29.7	28.5	41.4	59.2
Operative EBIT, %	15.1	14.4	10.4	11.8	9.1

## Other (Specialty Chemicals and Group Expenses)

### Specialty chemicals

- Specialty product lines based on a niche strategy
  - Organic salts and acids for the food, feed, and pharmaceutical industries
- Demand was good, with good price level and profitability



M€	Q2/09	Q2/08	H1/09	H1/08	2008*
Revenue	71.7	111.8	156.9	228.6	414.8
Operative EBIT	-0.1	-6.9	4.1	-11.9	-1.6

\*1–8/2008 includes the titanium dioxide business

## Kemira Group's Outlook

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- Kemira's revenue in 2009 is expected to fall compared to 2008 due to reduced demand in customer industries, especially in Tikkurila and in pulp and paper chemicals.
- Operating profit in continuing business operations, excluding non-recurring items, is expected to increase from the previous year's EUR 126.3 million.

# Focus

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- Implementation of the **water strategy**
  - Developing the company based on its strengths
- **Integration** of the company
- Gearing
  - <100% with cash flow management
  - <80% by listing Tikkurila and exiting TiO2 JV
- Creating new
  - Research and product development
- Focusing on geographical areas and products in which Kemira has a competitive edge

Cash flow ↑

EBIT % ↑

Costs ↓

Gearing ↓

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