

SBU Paper Chemicals

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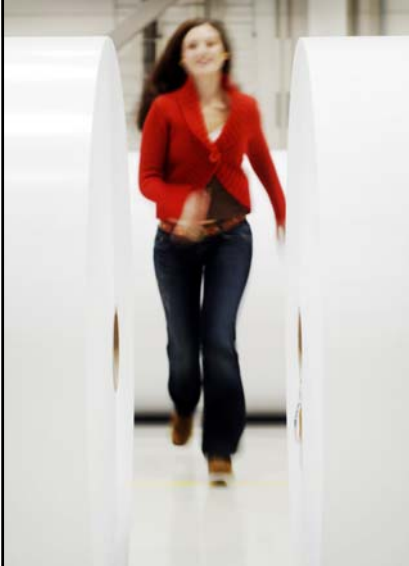
Capital Markets Day
12 September 2006

SBU Paper Chemicals Strategy Vision Statement



**Recognized leading paper chemicals
company and a preferred partner providing
valued solutions and capabilities globally**

SBU Paper Chemicals Strategy Key Elements

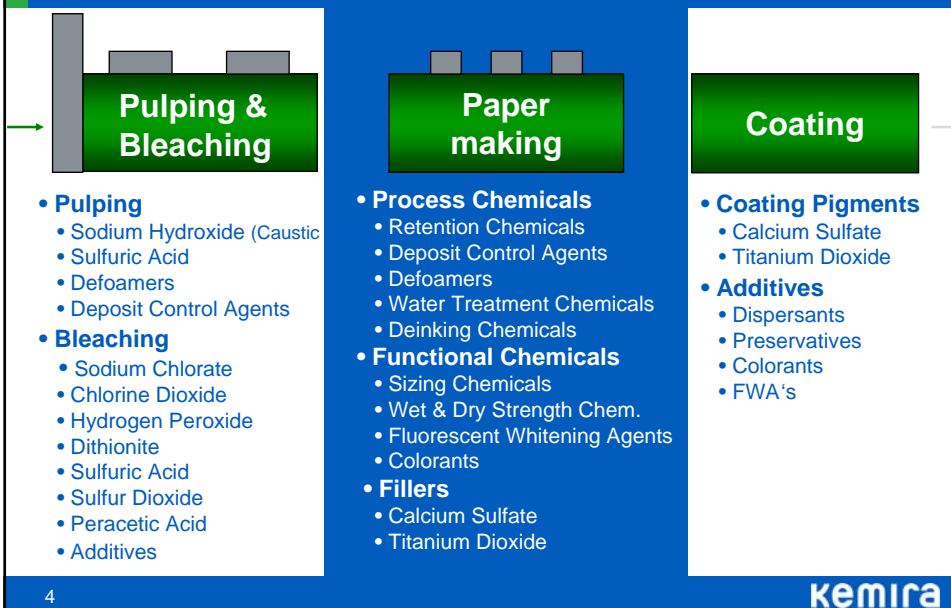


- Select the right, most viable future customers and incorporate into customer strategies
- Globally align and unify key business targets and capabilities for the whole SBU
- Penetration into Asia/China
- Strengthen technology leadership and capitalize on it
- To sell value/new business concepts profitably

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SBU Paper Chemicals Product Offering Today



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SBU Paper Chemicals Analysis of Product Portfolios 1/2

■ Process chemicals

- Require strong on site mill presence by Kemira representatives, providing valued solutions to customers
- The focus will be in development of technology and offerings in mature markets like NA & W Europe. The usage of chemicals will continue to grow
- In emerging markets the focus will be on building local organisation, training people & select local manufacturing

■ Functional chemicals

- Require strong on site presence in the initial phase, but the business is generally perceived as low service demand
- Some part of the Colorants & FWA's range requires continuous customers service
- Thus focus in optimizing cost position in both mature and emerging markets

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SBU Paper Chemicals Analysis of Product Portfolios 2/2

	BL Process	BL Sizing & Wet Strength	BL Colorants & FWA's
Mill vs. Corporate decision-making	70/30	20/80	30/70
Customer value appreciation	Process efficiency	Paper quality	Paper quality
After-sales service need	High	Low	Low
Value in Service vs. Product	80/20	30/70	30/70
Logistic sensitivity	Low	ASA - Med Other - High	FWA - High Dye - Med
Strategic focus for PC	Growth & Innovativeness	Profitability & Growth	Profitability

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SBU Paper Chemicals Global Presence



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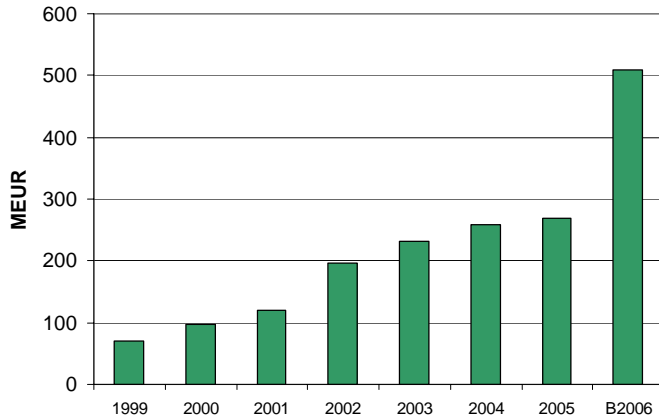
SBU Paper Chemicals Key Milestones 2000-2006

Acquisition (Revenue)	Year	Cumulative Revenue	Position	Strategic Fit
Krems 35 Meur	2000	96 Meur	6	Central Europe Complete Sizing package
Vinings 108 Meur	2002	196 Meur	5	North America foothold Defoamers Deinking
Vulcan 68.5 Meur	2003	233 Meur	5	Strengthen N.A Defoamers Polymers
Lanxess 240 Meur	2006	510 Meur	3	Asia FWA, Colorants #1 in ASA

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SBU Paper Chemicals Revenue 1999–2006



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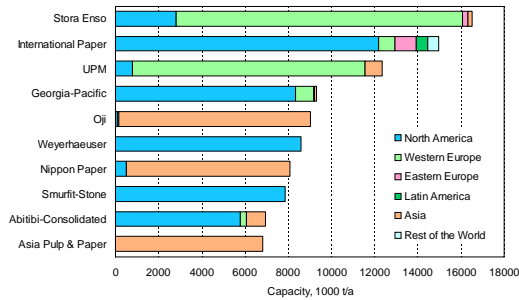
SBU Paper Chemicals Sales & Personnel by Region

Paper Chemicals	
Revenue Personnel	
210	771
240	478
30	53
30	40
510	1342

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SBU Paper Chemicals Key Customers



- Customer base in Europe and NA will have very little or no growth. New players will grow in Asia.
- More consolidation to be expected
- Poor profitability of customers makes them seek savings everywhere
- Customers' behaviour differs (value appreciation & price sensitivity), and we need to understand the underlying needs and treat them accordingly

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SBU Paper Chemicals Business Drivers

- Pressure on paper prices will force the industry to look at competitiveness of the whole chain
- Lower basis weights and more fillers and coatings are the main trends for paper products
- Upgrading of paper qualities leads to use of more chemicals
- The price of energy (in all its forms) is rising and this puts additional pressure to energy intensive industries
- Recycled fibres are increasing as a raw material, and environmental concerns have an increasing impact production, e.g. in water usage
- New pulp capacity mainly into Latin America
- Paper making moves closer to consumers; to Asia / China

Conclusion: Build strong relationships with leading Pulp and Paper companies globally and tackle changes by acting, not reacting

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SBU Paper Chemicals Market Position by Product Group

Product Group	Market size 2005, M€	Growth Rate % 2005-2015	PPC's Market Position	Market share % value (M€)	
Functional Chemicals	4100	4.4	#3	7.3	300
Process Chemicals	2400	4.7	#3	8.8	210
Total	6500	4.5	#3	7.8	510

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SBU Paper Chemicals Main Competitors

Product Groups	Pulp & Paper Chemicals Suppliers					
	Kemira	Ciba	Hercules	Eka	BASF	Nalco
Process Chemicals	★★★★	★★★	★★★★★	★★	★★★	★★★★★
Sizing & Wet Strength	★★★	★★	★★★★	★★★	★★	★
Colorants	★★★★	★★★			★★	
Net Sales	510	580	710	265	270	475

Market Presence

- ★ small
- ★★★ medium
- ★★★★★ strong

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SBU Paper Chemicals Summary

- Average paper chemical growth is 3.7%, i.e. higher than average growth for paper and paperboard (2.5%)
- Continued growth targeting Process Chemicals and Asia
- Complete portfolio covering product, technology and application know-how
- Good track record on integrating acquired companies
- Creates value by driving cost out of the paper manufacturing process and helping to increase the production efficiency and the profitability of the customer
- Experienced and motivated global team

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