Segment Water

Capital Markets Day
September 9, 2008
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Strategy Statements

- To be recognized as a leading water treatment chemical supplier to municipal customers
  - by developing a low cost position in EMEA & NA and
  - by entering into emerging markets in Latin America, China, Russia and Ukraine

- To become a preferred supplier of water treatment chemicals to industry
  - by creating a profitable and focused business, developed from existing competences, products and market channels

Total Water Chemical Market

Total World Water Market 280 B€

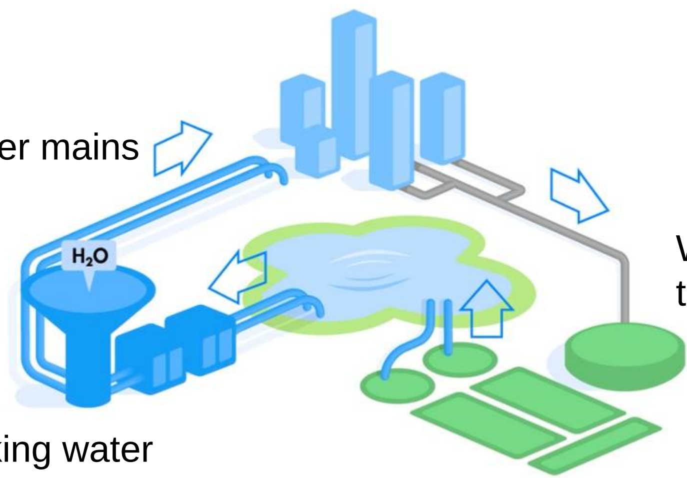
Global Water Treatment Chemicals Market 20 B€, Growth 5%

Regions	Applications	Chemicals
LA 1B€	Industrial Process Water 3.4 B€	Coagulants 1.7 B€
Middle East & Africa 2.5 B€	Bottled Water, Swimming Pools etc. 3.5 B€	pH Adjusters & Softeners 2.1 B€
NA 4.8 B€	Municipal Drinking Water 3.8 B€	Flocculants 2.2 B€
APAC 5.1 B€	Municipal Wastewater 4.0 B€	Biocides & Disinfectants 2.4 B€
Europe 6.6 B€	Industrial Wastewater 5.3 B€	Scale Inhibitors & Dispersants 2.7 B€
		Oxidants, Media, Defoamers, etc 4.4 B€
		Corrosion Inhibitors 4.5 B€

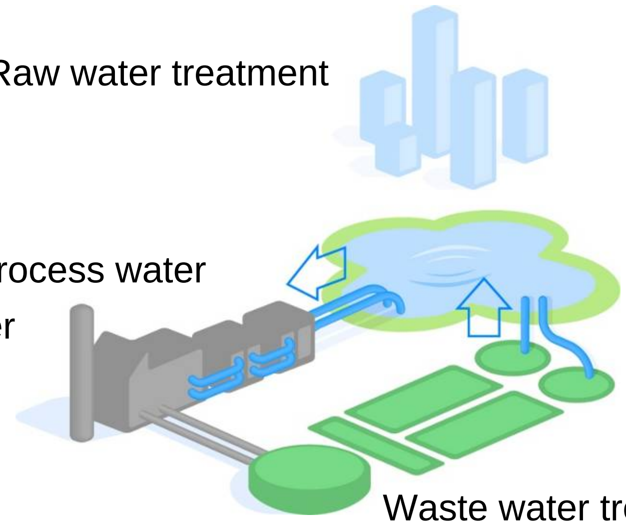
Source: PIRA/ Estimate for 2008

Customer Segments

- **Municipal water segment**



- **Industrial water segment**



Kemira offerings:

- Coagulants
- Flocculants
- Odor control
- Bulking sludge control
- Disinfection
- Sludge management

Structure by Customer Segments

Customer segment Municipal Water

Customer segment Industrial Water

Segment Water common functions

Coagulant manufacturing & HSEQ
Business development
Application management
By-product sourcing and management
Business control

Kemira global functions

Human Resources, Global Sourcing & Supply Chain, Polymer manufacturing, Research and Development, Marketing Communications, Legal and IT

Customer Segment Municipal Water

Municipal

Business Description

- The municipal water treatment market consists of waste water and drinking water treatment
- Market size for coagulants and flocculants 2.2 B€
- Major market drivers:
  - stricter regulations on effluent
  - population growth
  - increased needs for sanitation
- Chemicals are bought on tenders – mainly on price

- Kemira is the world number 1 supplier of coagulants and world number 5 in flocculants for municipal customers with global coverage
- Economies of scale in sales, applications, technology, supply chain; limited in coagulant manufacturing
- By-product / waste material utilization provides cost advantage

Municipal
Top Ten Customers

Customers per Continent	M€	Total M€
Customer A	10	
Customer B	7	
Customer C	4	
Customer D	3	
Customer E	3	
Customer F	3	
Total Europe including Russia		30
Customer A	7	
Customer B	3	
Total North America		10
Customer A	4	
Total Latin America		4
Customer A	3	
Total Africa		3
Total top 10 customers		47 M€
Of total Municipal sales		14%

20 top customers cover ~20% of total sales
Total number of customers ~ 5000

Municipal

Key Market Drivers

Regulatory, Political & Environmental Trends	Economy & Industry Trends	Technology Trends
• Stricter effluent regulations • Demands on disinfection - restrictions on chlorine • Polluted water sources • Sludge disposal restrictions and increasing costs • REACH	• Need for more WWT facilities • Limited capital available • Privatizations of public services • Escalating raw material costs • Higher energy prices	• Desalination • Effluent disinfection • Waste water reuse • Membrane technologies • Biogas to reduce sludge volumes and to create energy

Customer Buying Behavior/Criteria

- Municipalities **tender** their business on 1-3 year contracts and it is awarded based on the **fixed, lowest total cost /price.**
- Renewal of business often based on performance
- Customers are **risk averse**

Spending

Municipalities Water treatment spending:

• Facilities/Infrastructure	60%
• Operations	30%
• Chemicals	10%

Municipal
Business Concept

Customer and target market

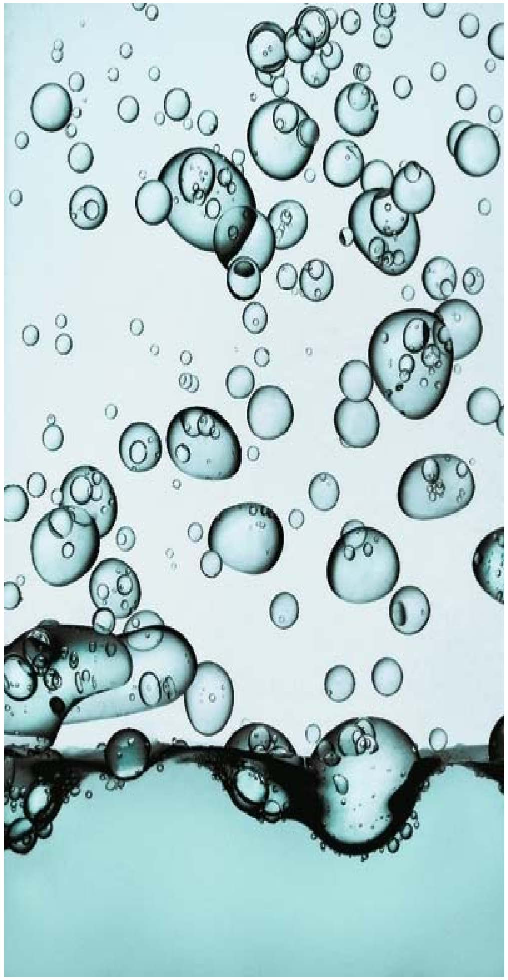
- Customers are municipalities and operator companies
- Customers select their potential suppliers based on reliability and product offerings
- Public tender process and business is awarded based on lowest total cost/price

Products

- Low cost coagulants
- Dry and emulsion based flocculants
- Dedicated product range for disinfection, odor control, scale inhibition and bulking sludge control

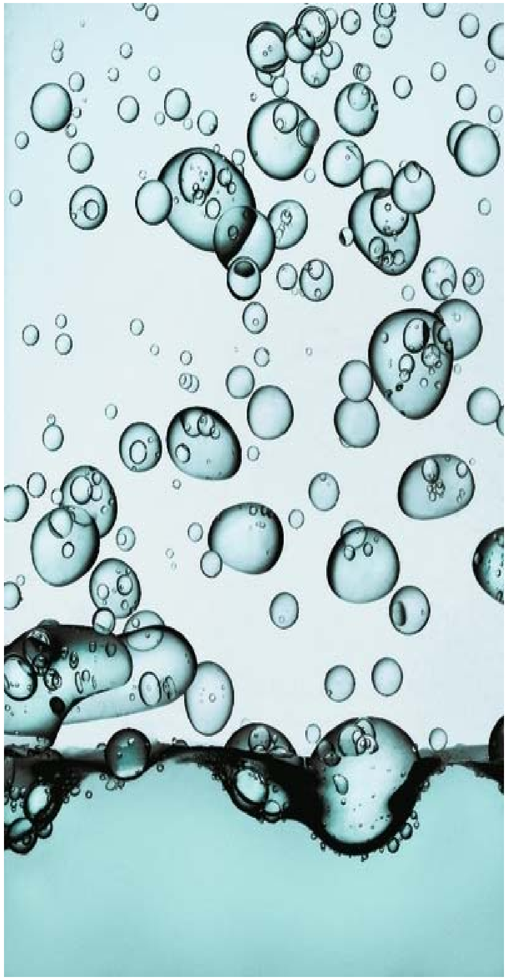
Partnerships and cooperation concept

- By-product raw materials are sourced from steel mills and TiO_2 producers
- Product range extension through partnerships (desalination, membranes etc)



Municipal
Basis of Success

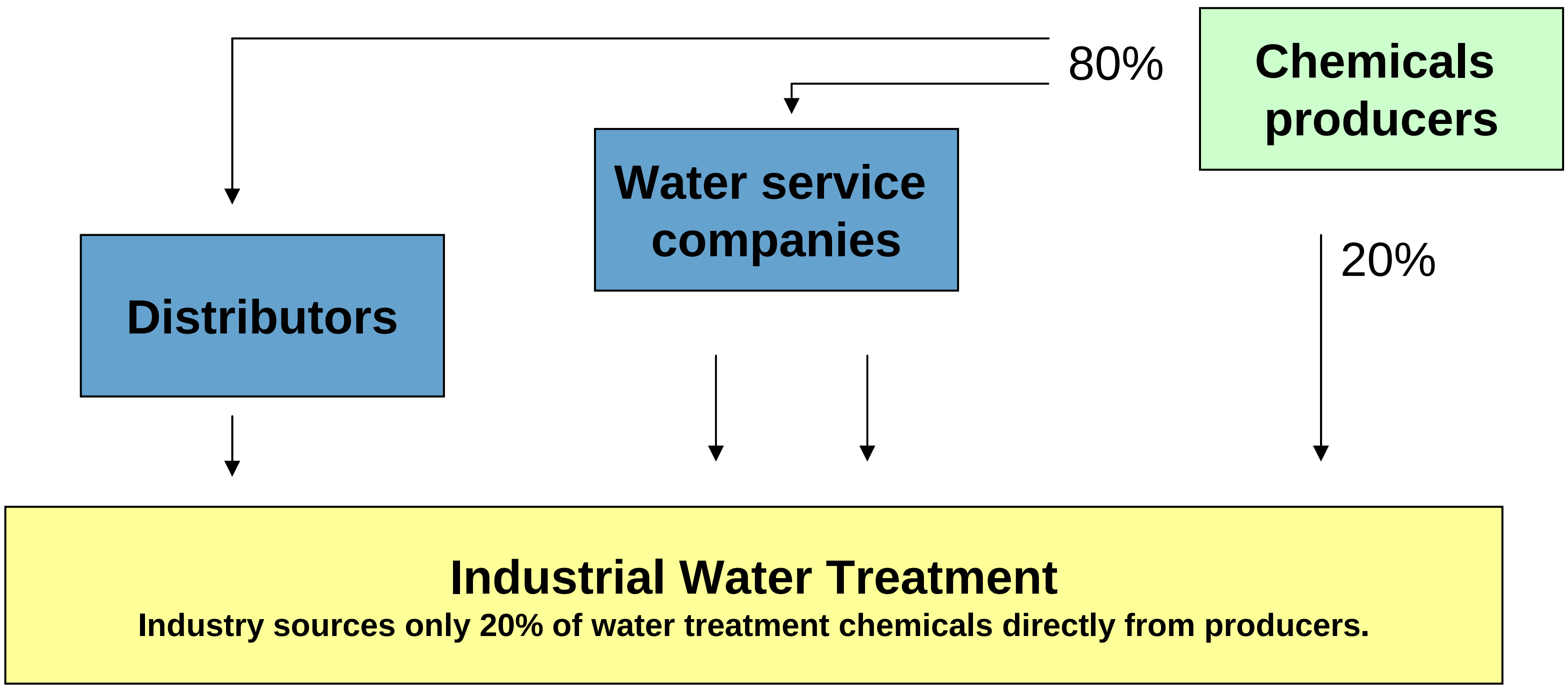
- Manufacturing and sales in 37 countries
- Application knowledge in waste and drinking water treatment
- Waste raw material / By-product utilization in coagulant manufacturing
- Public tender process management
- Supply chain management



Customer Segment Industrial Water

Industrial

Business Description



Competitors

- Major industrial water service companies Nalco, GE Water and Ashland/Drew
- Major competitors in flocculants SNF, Ciba, Nalco, Ashland and Hengju
- Major competitors in coagulants, Feralco, AKZO, General Chemical and PVS

Total Industrial Water Chemicals Market

World Market for Water Treatment Chemicals in Industry is 8.7 B€

Sub-segments	Market B€
Power Generation	2.5
Refineries	1.3
Pulp & Paper	1.2
Metal & Mining	0.8
Food & Beverage	0.7
Oil & Gas	0.5
Other ultra pure water (Incl Electrochemical, Pharmaceuticals)	0.5
Sugar	0.4
Other (Chemical ind. etc.)	0.9

Product	Market B€	Growth %
Coagulant & Flocculants	2.7	5.8%
Corrosions &Scale Inhibitors	1.8	4.1%
Biocides	1.4	4.5%
Ion Exchange	1.3	4.2%
Activated Carbon	0.8	4.2%
pH adjusters & Others	0.7	4.2%

Product range: coagulants, flocculants, defoamers, scale inhibitors, biocides and dispersants

*Source: GWI Report 2007. Original numbers in USD converted to EUR

Business Description

- The industrial water treatment market is split in raw, process, waste water and sludge treatment
- Major market drivers:
  - stricter regulations
  - economic growth in emerging markets
  - lack of high quality raw water
- Market growth > GDP
- Industrial water market is fragmented

- Kemira is well positioned to capture market share based on existing operations in 37 countries, application knowledge and broad product range
- By-product / waste material utilization provides cost advantage

Industrial
Top Ten Customers

Customers per Continent	M€	Total M€
Customer A	6	
Customer B	6	
Customer C	4	
Customer D	3	
Customer E	3	
Customer F	2	
Total Global customers		24
Customer A	5	
Customer B	2	
Total North America		7
Customer A	5	
Total Europe		5
Customer A	2	
Total Latin America		2
Total top 10 customers		38 M€
Of total Industrial sales		17%

20 top customers covers ~20% of total sales
Kemira has ~ 3000 direct industrial customers and ~ 1200 distributors

Industrial

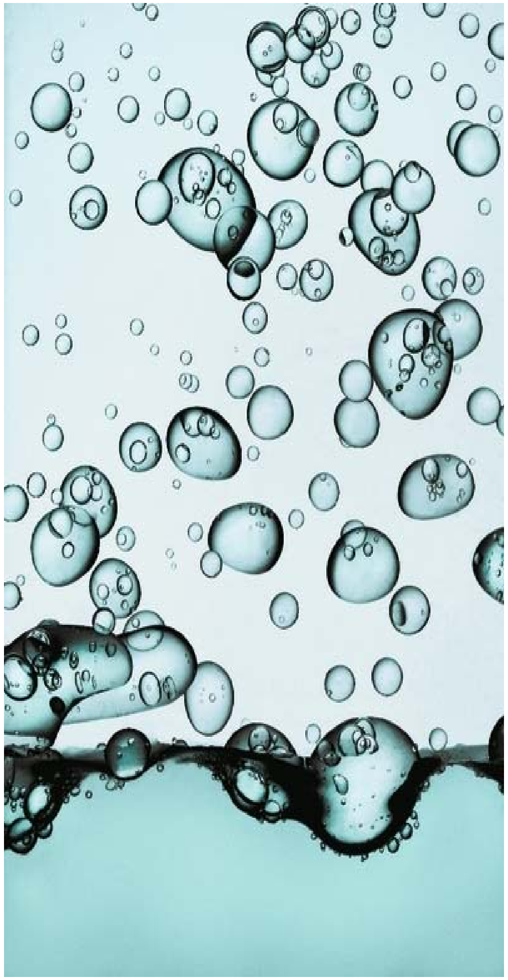
Key Market Drivers

Regulatory, Political & Environmental Trends	Economy & Industry Trends	Technology Trends
• Stricter effluent regulations • Shortage of clean water • REACH	• Higher energy and raw material costs • Globalization and consolidation • Increased recycling and waste recovery • Increased outsourcing of non-core activities • Growth in emerging markets	• Desalination • Effluent disinfection • Waste water reuse • Membrane technologies

Customer Buying Behavior/Criteria

- Direct customers: price, supplier´s performance and reliability
- Distributors: required quality, lowest price
- Increasing bidding practices in direct sales
- CAPEX restrictions for non-core water treatment activities

Industrial
Business Concept



Customer and target market

- Main industry sub-segments: power stations, food & beverage, metal, construction, chemical, sugar
- Channels to market: distributors, global and regional water treatment service companies and direct
- Regions: Europe, NA, Brazil, Russia and China/APAC

Product and/or service concept

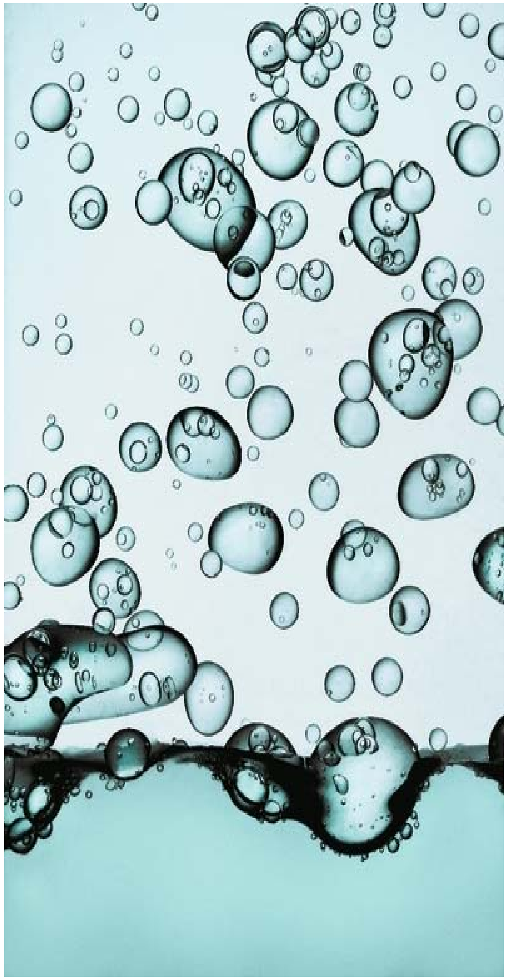
- Offer an industrial product portfolio based on our existing in-house products (coagulants, flocculants, biocides, defoamers, scale inhibitors, disinfectants)
- Offer different levels of service / technical support depending on sales channel

Partnerships and cooperation concept

- Develop partnerships with global water companies for application development
- Establish regional / local alliances with distributors and water treatment service companies.
- By-product raw material are sourced from steel mills and TiO_2 producers

Basis of Success

- Manufacturing and sales in 37 countries
- Application knowledge in wastewater and water treatment
- Waste raw material / By-product utilization in coagulant manufacturing
- Among the broadest in-house product portfolio in water treatment
- Re-allocated and focused resources (sales, marketing & technical)



Kemira