

# Committed to Clean Water

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# 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



# Challenges Related to Water Usage

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- Sufficiency of clean water
- Increasing energy consumption
- The social and economical development of the world depends on the availability of clean water and the environmentally economical use of water and energy
- **Shrinking the water footprint is even more important in the future**



## Paper

- 10 l of water / A4 paper sheet



## Beer

- 75 l of water / glas of beer



## Leather

- 16,000 l of water / kg



## Industrial products

- 8 million l of water / vehicle (value \$ 100,000)

The water footprint consists of the total use of water in the value chain. For instance, the water footprint of beer also includes the water needed to grow barley. Regarding industrial products, the water footprint is evaluated against the product's value; on average 80 l / \$. Source: [www.waterfootprint.org](http://www.waterfootprint.org)

## Kemira Group – Q1 Highlights

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## EBIT from Continuing Businesses\* Increased by 9%

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- EBIT from continuing businesses increased by 9% in Q1 compared to Q1/2008
  - Sales price increases, cost savings, good demand for specialty chemicals
  - Excluding Tikkurila, EBIT from continuing businesses increased by 70%
- Revenue from continuing businesses fell only by 3%
  - Lower volumes in paints and coatings and in pulp and paper chemicals
  - Excluding Tikkurila, revenue from continuing businesses increased by 3%

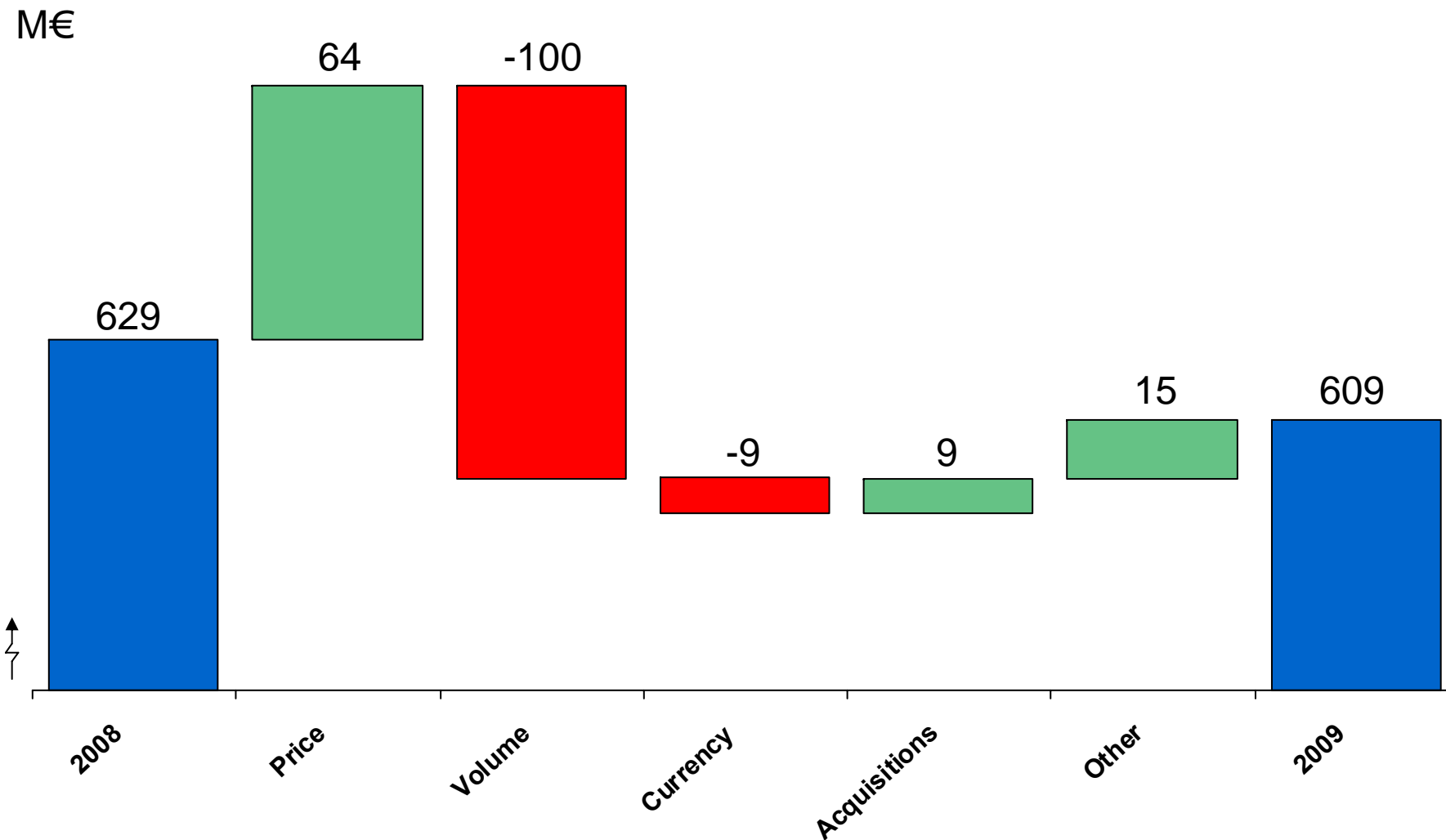
\*In the figures for continuing businesses, the impact of the titanium dioxide business that was transferred to a joint venture is excluded, as well as non-recurring items.



## Key Figures

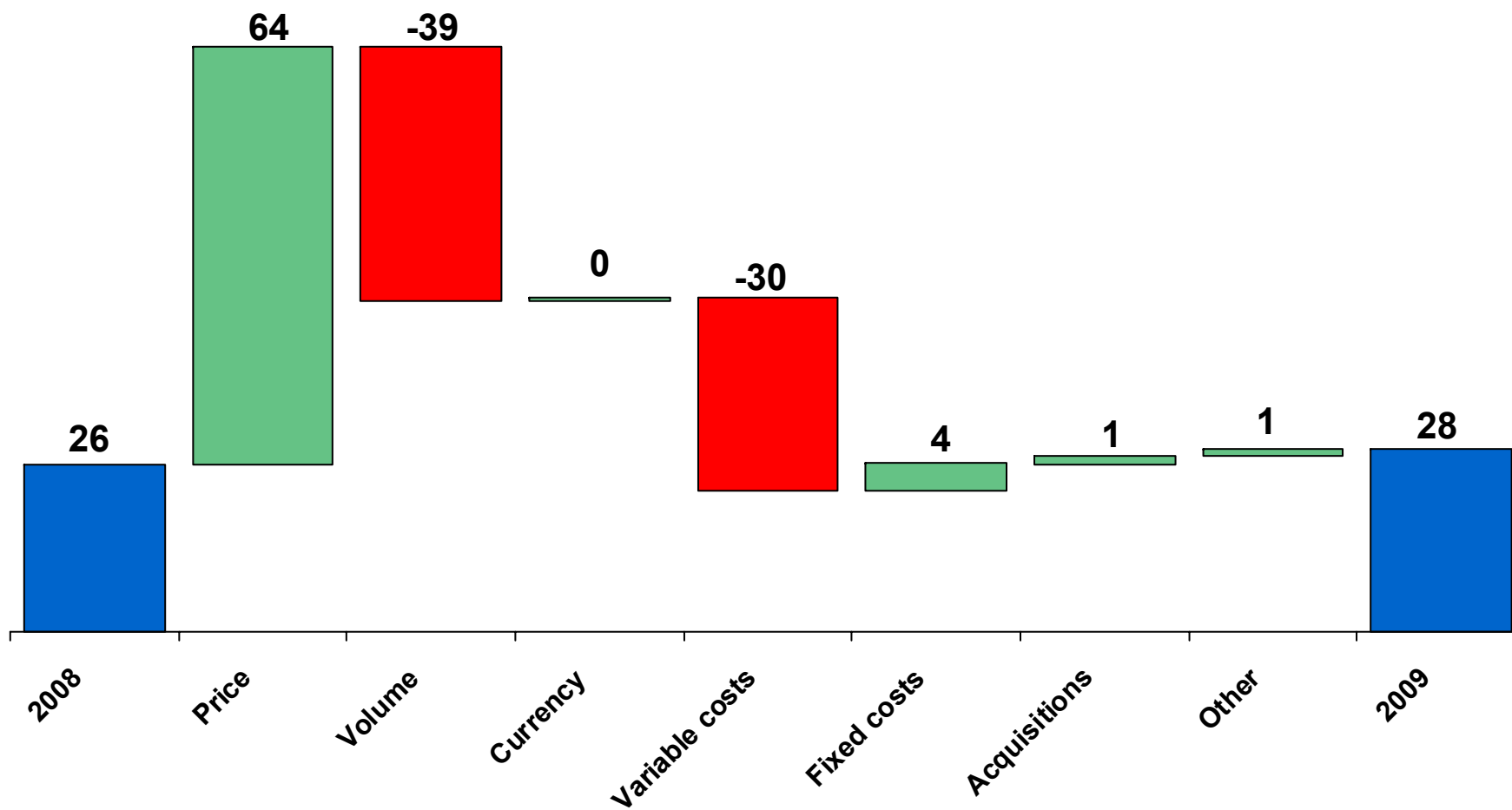
(M€)	Q1/2009	Q1/2008 Continuing	Q1/2008 Reported	2008
Revenue	608.7	629.3	683.6	2,832.7
Operative EBIT	28.1	25.8	27.2	132.6
Operative EBIT, %	4.6	4.1	4.0	4.7
Operative EPS (EUR)	0.05		0.09	0.29
EPS (EUR)	0.05		0.12	-0.02
Equity ratio, %	34		36	34
Gearing, %	113		99	107
CapEx excl. acquisitions	12.7		38.6	161.0
Free cash flow after investments	-34.4		-9.0	2.7
Personnel	8,926		10,138	9,405

# Revenue from Continuing Businesses Q1/2009 vs. Q1/2008



# EBIT from Continuing Businesses Q1/2009 vs. Q1/2008

M€



## Balance Sheet

	31 Mar 09	31 Dec 08
Net debt (M€)	1,095.0	1,049.1
Equity (M€)	970.5	976.0
Capital employed (M€)*	2,068.5	2,062.8
Net Working Capital (M€)	416.4	358.6
Equity ratio, %	34	34
Gearing, %	113	107

\*12-month rolling average

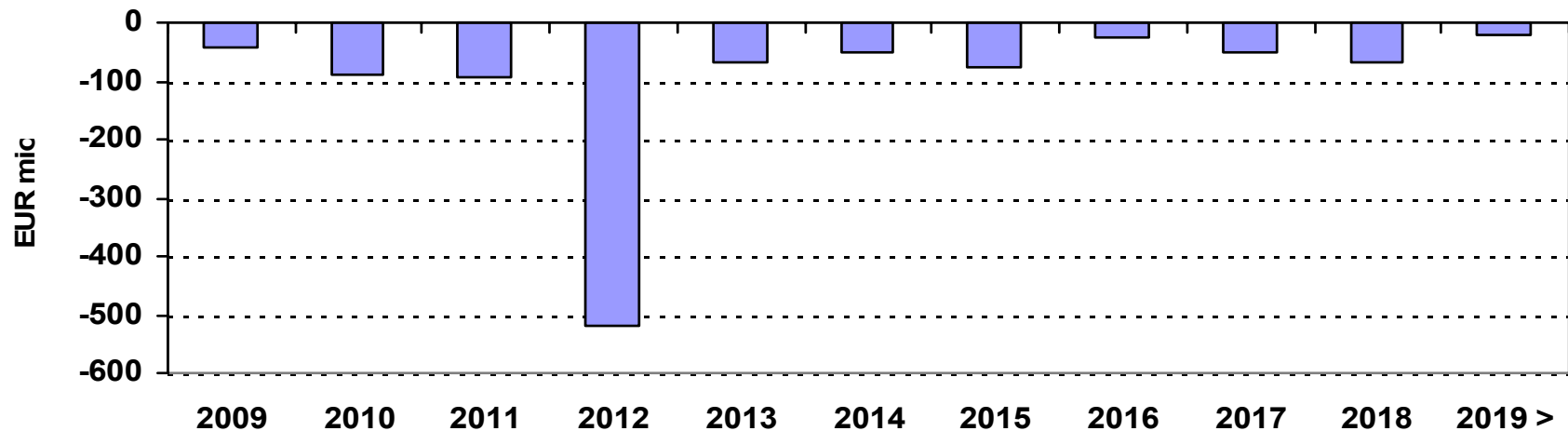
- Net debt increased due to weaker cash flows and currency exchange rates.

## No Refinancing Needs in the Near Future

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- Kemira has diversified loan portfolio from different sources.
- The unused amount of the RCF as of March 31 was 304 M€. Utilization of the RCF increased 50 M€ from year end as less funding from commercial paper market was raised and as company increased liquidity position in form of cash.
- The existing RCF 750 M€ will be renegotiated in 2011.

Maturity of External Net Debt



## Segments – Q1 Highlights

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## Paper

- Revenue decreased by 9%
  - Customer demand weakened
- Operative EBIT 7.5 M€ (12.4)
  - Lower sales volumes -17 M€
  - Sales price increase 25 M€
  - Variable cost increase, impact -15 M€



- 6 production plants in NA have been shut down. Polymer production in Columbus, USA will be shut down in 2009.
- The AKD wax production line in Vaasa, Finland was shut down in March.
- An AKD JV was established in China in January.

M€	Q1/09	Q1/08	2008
Revenue	225.0	247.7	1,003.3
Operative EBIT	7.5	12.4	41.5
Operative EBIT, %	3.3	5.0	4.1

# Water

- 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 6 M€
- Operative EBIT 10.4 M€ (6.2)
  - Sales price increase 13 M€
  - Lower sales volumes -4 M€
  - Variable cost increase, impact -5 M€



M€	Q1/09	Q1/08	2008
Revenue	150.7	136.3	583.7
Operative EBIT	10.4	6.2	25.0
Operative EBIT, %	6.9	4.5	4.3

## Oil & Mining

- Revenue declined by 19%
  - Weaker demand in the mining industry
  
- Operative EBIT 2.0 M€ (1.9)
  - Volume decrease -9 M€
  - Variable cost decrease, impact +3 M€
  - Sales price increase 8 M€
  
- Oil & Mining is based on Kemira's water competence and water treatment product range
  - Using Kemira's existing organization, production facilities and R&D network to strengthen its presence outside North America



M€	Q1/09	Q1/08	2008
Revenue	54.4	67.5	275.4
Operative EBIT	2.0	1.9	8.4
Operative EBIT, %	3.7	2.8	3.1

# Tikkurila

- Revenue declined by 23%
  - Slowdown in new construction and in the sales of building materials
  - Currency exchange effect -17 M€
  
- Operative EBIT 4.0 M€ (11.7)
  - Volume decrease -12 M€
  - Variable cost increase, impact -7 M€
  - Sales price increase 9 M€
  
- Logistics and service center near Moscow was introduced in February.
- Tikkurila's savings program was launched in January. Target: 25 M€ annual savings.



M€	Q1/09	Q1/08	2008
Revenue	111.2	145.2	648.1
Operative EBIT	4.0	11.7	59.2
Operative EBIT, %	3.6	8.1	9.1

## Other

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- Specialty chemicals
- Group expenses



### Specialty chemicals

- Specialty product lines based on a niche strategy
- Demand was good, with good price level and profitability
- Effective operations, excellent products and application know-how

M€	Q1/09	Q1/08	2008
Revenue	85.2	116.8	414.8
Operative EBIT	4.2	-5.0	-1.6
Operative EBIT, %	4.9	-4.3	-0.4

## Kemira Group's Outlook

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- The market situation is challenging in many of Kemira's customer industries. General economic trends are generating major uncertainties in customers' and Kemira's business operations.
- During the second quarter of the year, Kemira's revenue is expected to fall compared to the second quarter of 2008 due to reduced demand in customer industries.
- Operating profit excluding non-recurring items is expected to decrease in Tikkurila, but rise in the rest of the Group due to the efficiency-boosting measures.

## 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

Cash flow



EBIT %



Costs



Gearing



# Kemira's Segments Bringing Different Opportunities to the Group

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- **Municipal water treatment:** Kemira's strength globally, not cyclical
  - **Industrial water treatment:** Opportunity to increase market share
  - **Oil & Mining:** Opportunity to increase market share
  - **Paper:** Adaptation according to the customer industry
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- **Tikkurila:** Will be even stronger when the market picks up again

Water  
is the  
connection

**Focusing on geographical areas and products in which Kemira has a competitive edge**



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