

Jari Rosendal, President and CEO  
March 24, 2017  
Annual General Meeting 2017

# Profitability improvement continued in 2016

**kemira**

# Kemira today

Kemira is a global chemicals company serving customers in water-intensive industries

**2.4**

Revenue in  
EUR billion

**12.8 %**

Operative  
EBITDA margin

**4 818**

Personnel



**63**

Manufacturing sites



**110**

Ship-to-countries



**32 000**

Shareholders

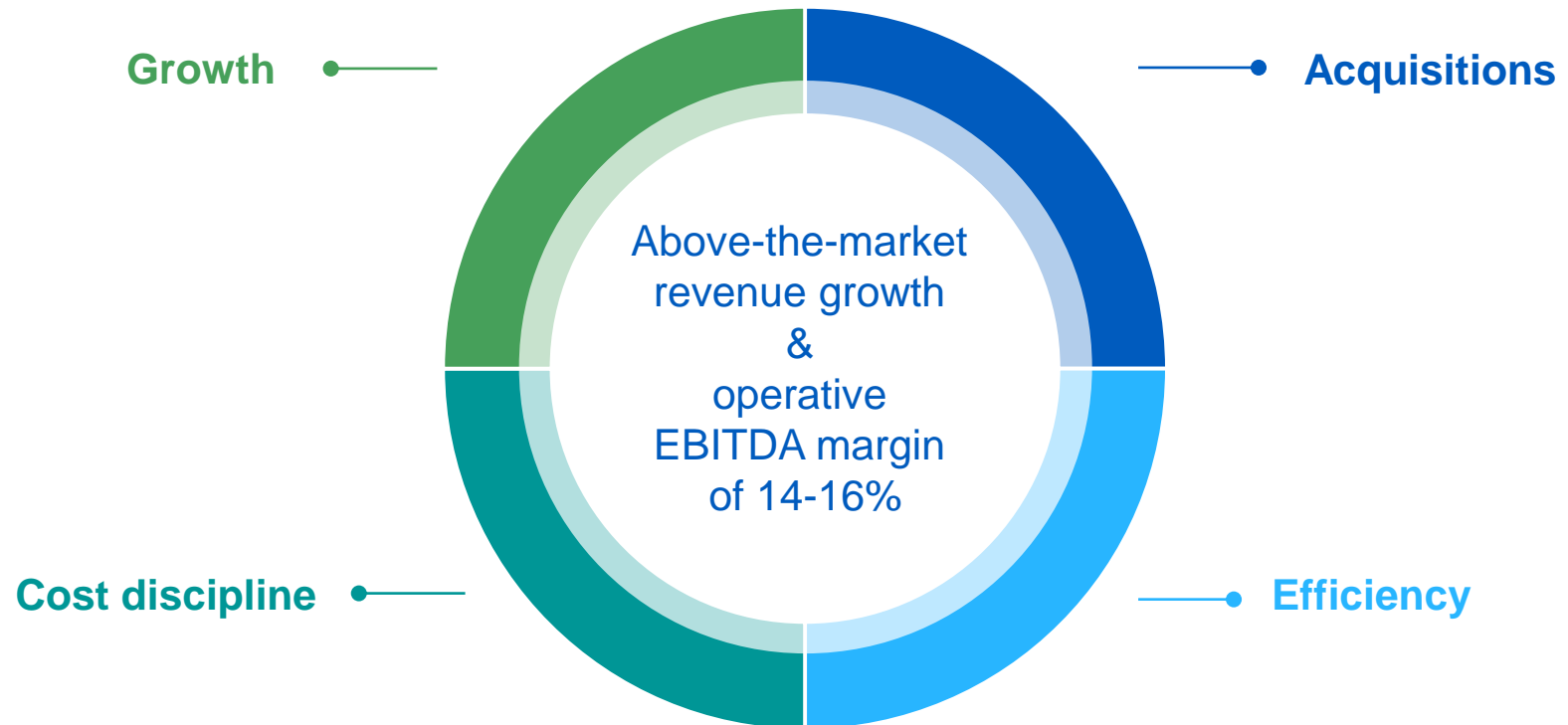


Pulp & Paper

Oil & Mining

Municipal & Industrial

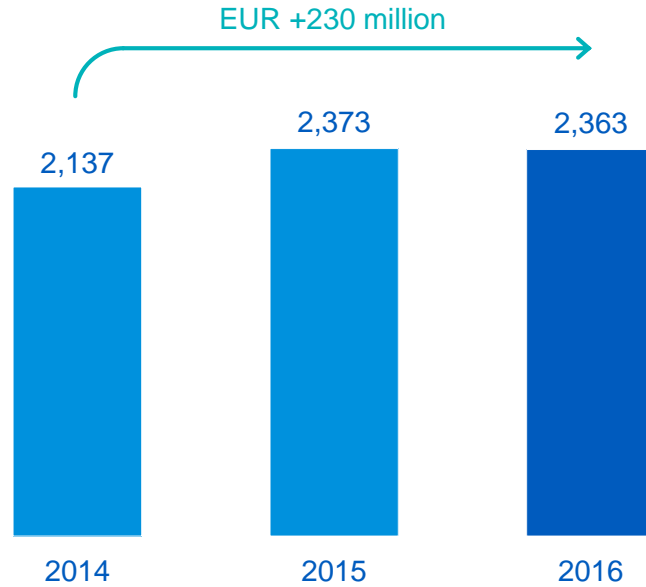
# Our strategy for profitable growth



# Clear improvement in operative EBITDA in 2014-2016

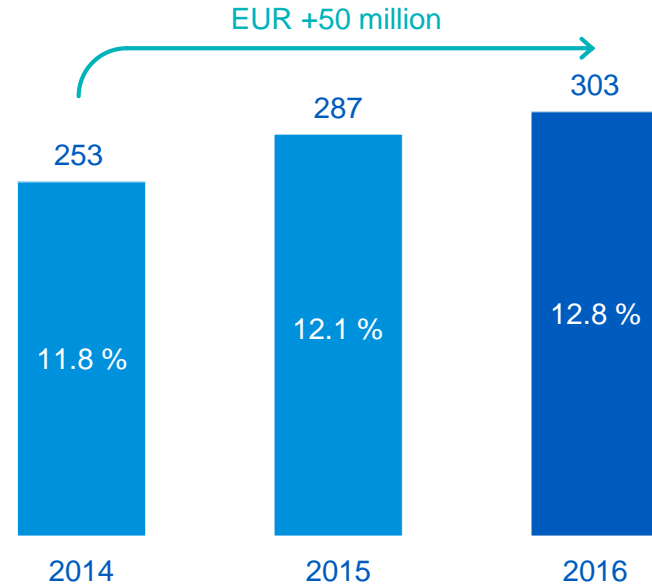
## Revenue

EUR million



## Operative EBITDA and operative EBITDA-%

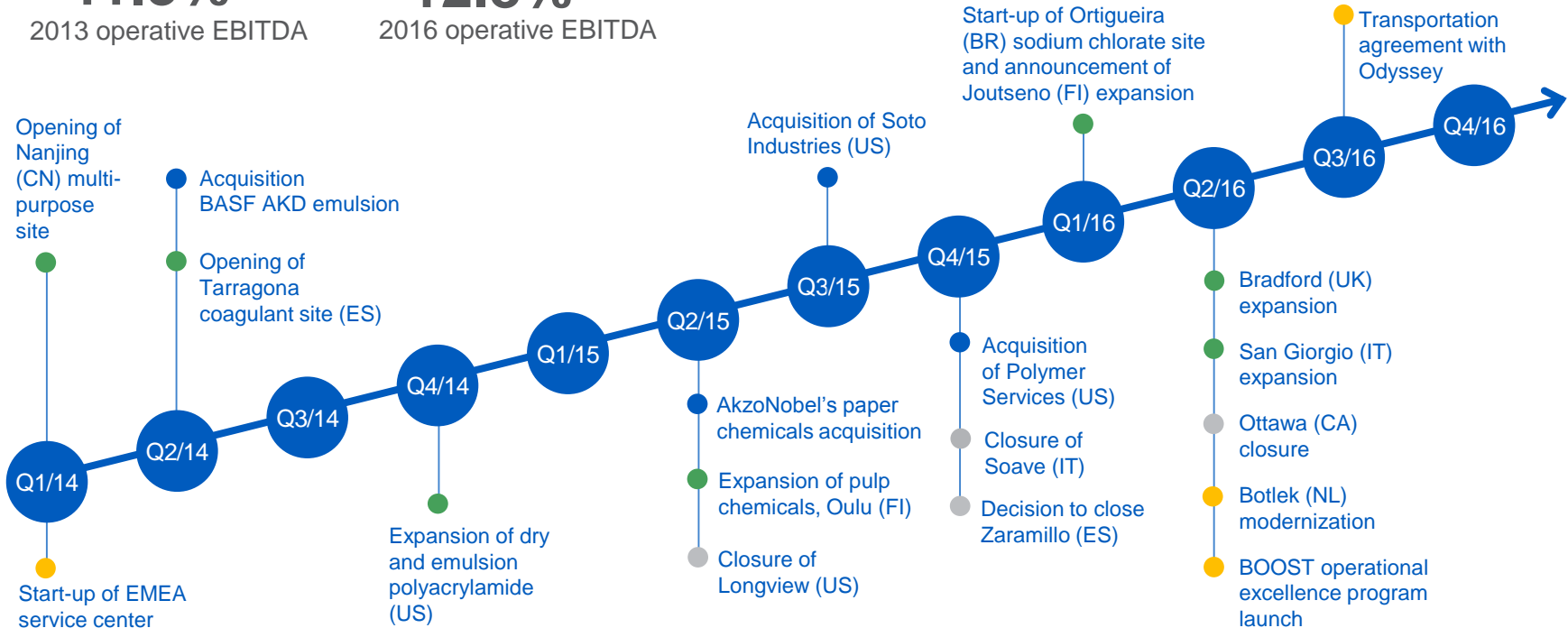
EUR million



# Profitable growth – achievements & ongoing projects

● Opening / expansion of site   ● Acquisition   ● Operational efficiencies   ● Closure of site

**11.3%** → **12.8%**  
2013 operative EBITDA      2016 operative EBITDA



# Financial highlights 2016

- Revenue at approximately prior year level
- Operative EBITDA improvement driven by increased sales volumes, margin to 12.8%
- Profitability improved in the two largest segments
- EPS supported by higher profitability as well as gain on the sale of electricity assets

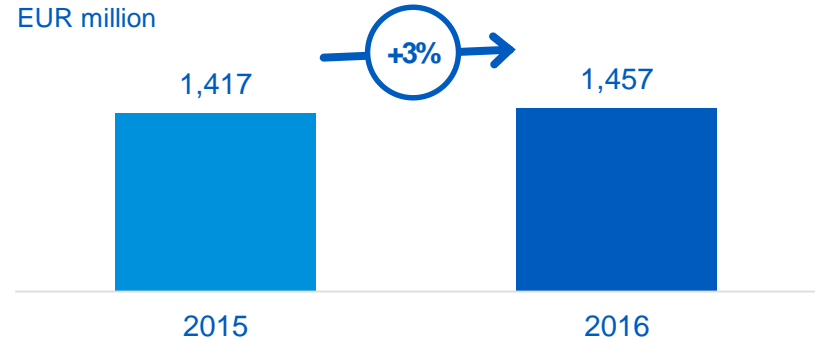
EUR million (except ratios)	2016	2015	Δ%
Revenue	2,363	2,373	0
<b>Operative EBITDA</b>	<b>303</b>	<b>287</b>	<b>+5</b>
<b>of which margin, %</b>	<b>12.8%</b>	<b>12.1%</b>	<b>-</b>
Operative EBIT	170	163	+4
of which margin, %	7.2%	6.9%	-
Net profit	92	71	+29
<b>Earnings per share, EUR</b>	<b>0.60</b>	<b>0.47</b>	<b>+28</b>

# Pulp & Paper – Substantial improvement in profitability

- Volume growth continued in 2016
  - Organic growth impacted by sales prices
- Operative EBITDA margin 13.4%
  - Synergy capture ahead of initial plan
  - Successful start-up in Brazil
  - Higher capacity utilization
- Investment in Joutseno, Finland
  - Proceeding on time and in budget
  - Good investment for the long-term

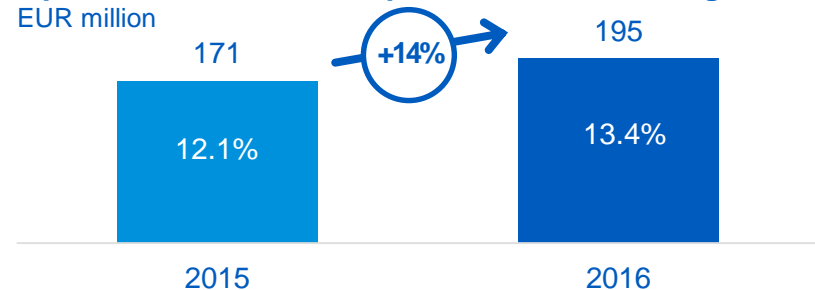
## Revenue and reported growth

EUR million



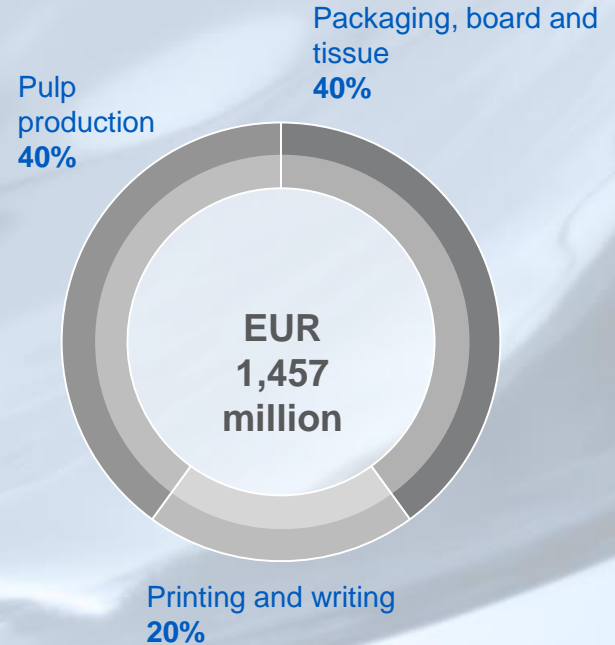
## Operative EBITDA and operative EBITDA margin

EUR million



# Pulp & Paper – Driving for profitable growth

- Pulp & Paper chemicals market expected to grow at 1% CAGR 2015-2020
- Kemira aims to grow at double the market rate
- Volume growth expected to be driven by
  - Increasing online shopping
  - Growing middle class in emerging markets
  - Recycling of board and paper
- Kemira the only company that delivers bleaching, process and functional chemicals



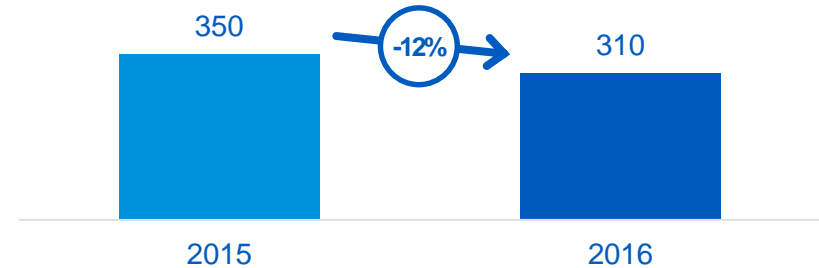


# Oil & Mining – Volatile shale market impacted Kemira

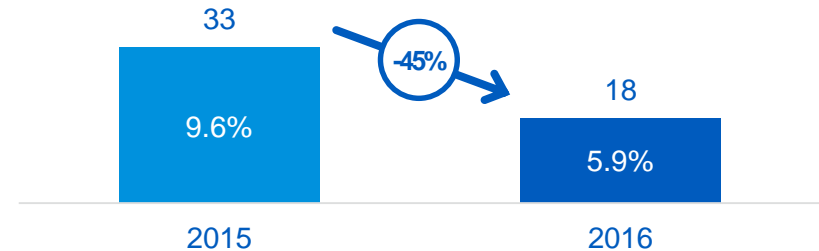
- Revenue declined in 2016 mainly due to low activity in shale oil & gas fracking
  - Shale market seems to have bottomed during summer
- Revenue in Mining and Other industries declined driven by pricing
- Investments proceeding in CEOR\*
  - Long sales cycle and competitive environment
- New clients won in oil sands

\* CEOR = Chemical Enhanced Oil Recovery

**Revenue and reported growth**  
EUR million

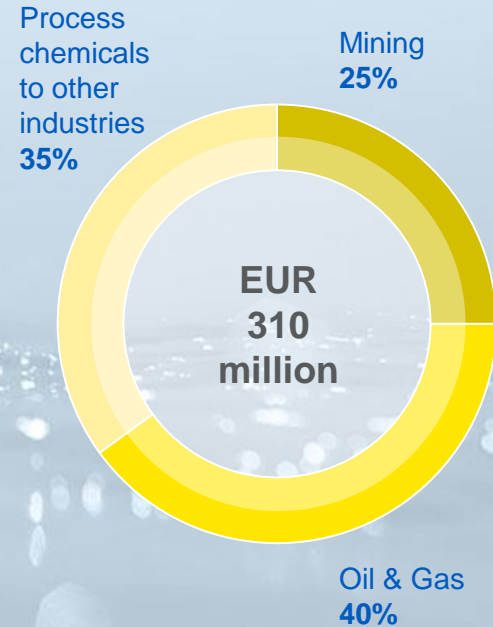


**Operative EBITDA and operative EBITDA margin**  
EUR million



# Oil & Mining – Turnaround in shale business in the end of the year

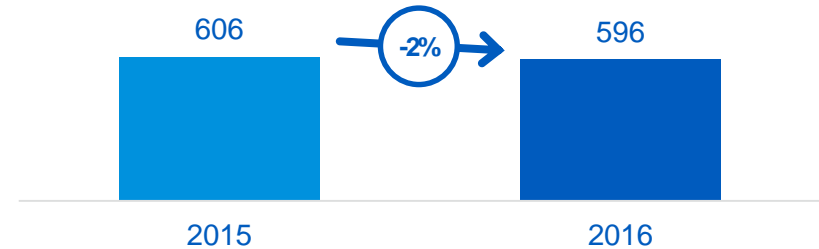
- Shale business is the largest part of Oil & Gas, revenue around EUR 60 million in 2016, down around 60% from its peak
- Kemira's polymers are used for friction reduction in hydraulic fracturing, i.e. fracking
- Market share defended successfully, now cautiously optimistic about the market turnaround



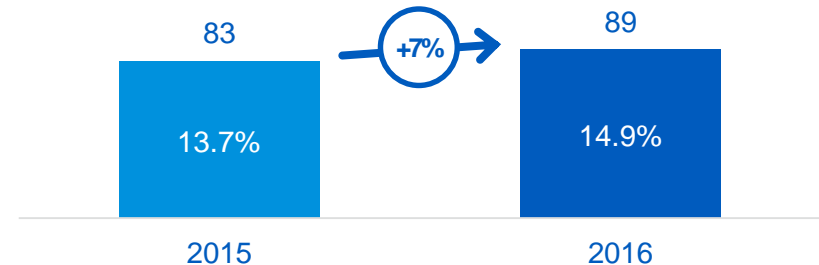
# Municipal & Industrial – Strong improvement in profitability

- Solid volume growth in 2016
  - Decreasing sales prices kept organic growth at flat
  - Negative currency development leading to lower absolute revenue
- Strong improvement in profitability
  - Higher sales volumes
  - Customer focus
  - Lower input costs

**Revenue and reported growth**  
EUR million



**Operative EBITDA and operative EBITDA margin**  
EUR million



# Municipal & Industrial – Site layout further optimised

M&I serves around 6,000 municipalities and 3,000 industrial customers

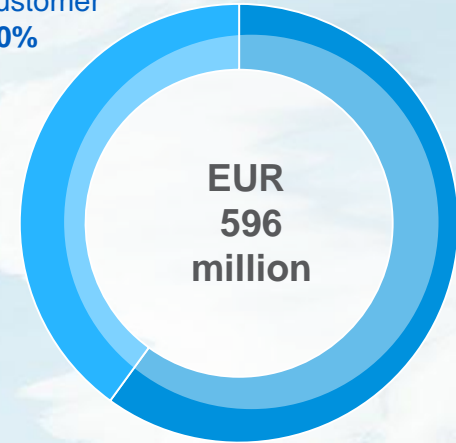
- Viable economic radius for coagulants ~500km leading to high number of sites and barrier to entry for imported products
- Current site layout with 29 coagulant sites serves well the existing customer base



● Coagulant sites

✕ Closed sites during 2016

Industrial customer  
40%



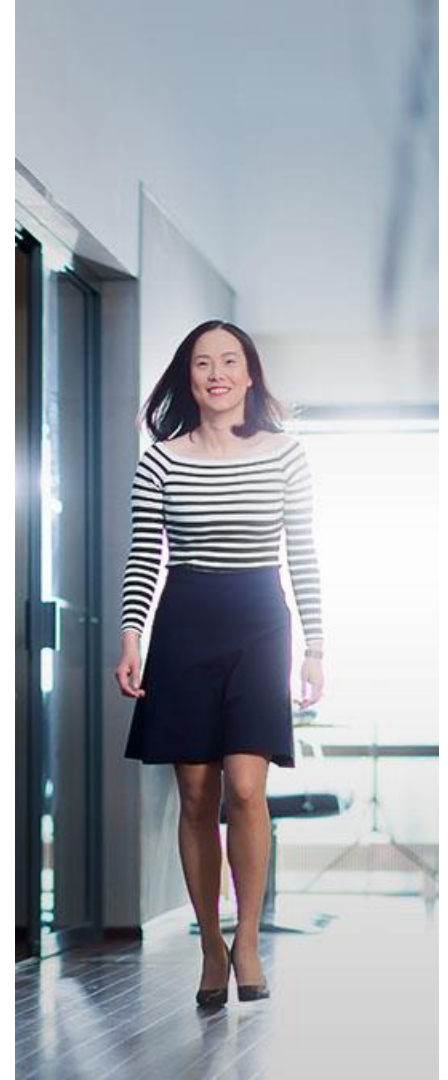
EUR  
596  
million

Municipalities  
60%

# Innovation and R&D – cornerstone for competitive edge

- Kemira has built expertise in chosen fields of chemistry and customer applications since decades
- Around 1,230 granted patents represent the vast amount of knowhow
  - 48 new patents and 14 new products launched in 2016
- Currently 250 R&D experts located in Finland, USA and China
- Latest development areas, e.g.
  - Lighter and stronger board
  - Sludge dewatering
  - Tailored polymers for harsh conditions (CEOR\*)

\* CEOR = Chemical Enhanced Oil Recovery

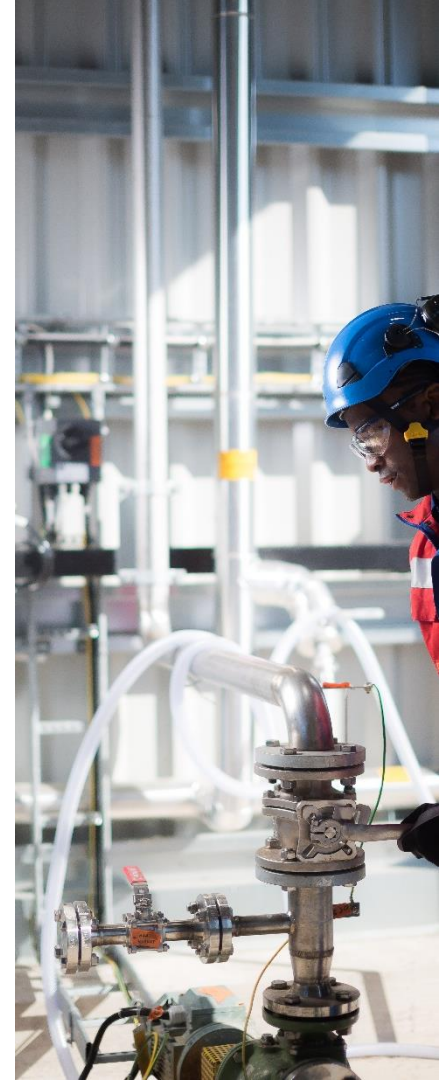


# Corporate responsibility contributing to value creation



# Successful milestones in multiple areas

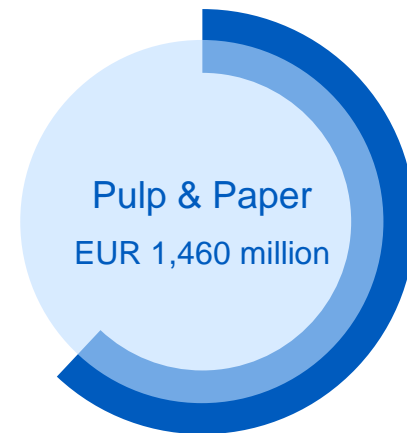
- Thanks to efforts on Kemira's safety culture, safety performance improved to record levels
  - Frequency of reported injuries decreased to 3.4 compared to 7.2 (per million working hours)
- Excellent result in Climate Change Report
  - Kemira recognized by the CDP and classified with A- score for its actions on climate change
- Top position in Regi Investor Relations Survey
  - Kemira ranked #1 Finnish Large Cap Company by sell-side analysts



# Kemira to streamline segments and organisational structure

On March 9, Kemira announced the plan to merge two segments

- Oil & Mining ja Municipal & Industrial will merge into new segment Industry & Water
- The main objectives are to simplify way of working and further improve service to its customers
- Oil & gas will continue as key industries
- New organisation is expected to start on June 1, and is planned to deliver annual savings of EUR 15-20 million



Operative  
EBITDA

13.4%



In bleaching, process and functional chemicals



Operative  
EBITDA

11.8%



In water treatment chemicals in Europe and North America



In dry and emulsion polyacrylamides



# Summary – Drivers for profitability improvement in 2017

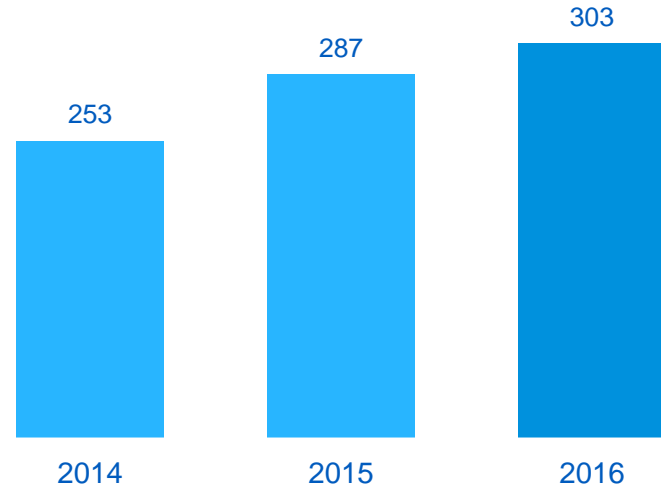
## Positives – Major self-help actions to support profitability

- Synergy capture
- Full contribution of the new site in Brazil
- New chlorate line in Finland (Q4 2017)
- BOOST program (e.g. logistics)
- Capacity utilization
- Internal efficiency

## Uncertainties

- Macroeconomic and political uncertainties, and their consequences to raw material prices and currencies

**Operative EBITDA**  
EUR million



# Outlook for 2017

Kemira expects its operative EBITDA to increase from the prior year (2016: EUR 302.5 million)

EUR million	2014	2015	2016	2017 outlook
Operative EBITDA	253	287	303	"Increase"



Petri Castrén, CFO | March 24, 2017

Annual General Meeting 2017

# Financial highlights 2016

**kemira**

# Income statement (IFRS)

EUR million	2016	2015
<b>Revenue</b>	<b>2,363.3</b>	<b>2,373.1</b>
Other operating income	5.1	7.1
Operating expenses	-2,084.2	-2,116.4
Depreciations, amortizations and impairments	-137.2	-131.2
<b>Operating profit</b>	<b>147.0</b>	<b>132.6</b>
Finance costs (net)	-19.1	-30.8
Share of profit or loss of associates	0.1	0.3
<b>Profit before tax</b>	<b>128.0</b>	<b>102.1</b>
Income taxes	-30.1	-24.9
<b>Net profit for the period</b>	<b>97.9</b>	<b>77.2</b>
Equity owners of the parent	91.8	71.0
Non-controlling interests	6.1	6.2
<b>Earnings per share for net profit attributable to the equity owners of the parent company (EUR per share)</b>	<b>0.60</b>	<b>0.47</b>

# Kemira as a tax payer

- Kemira has business operations in approximately 40 countries and is responsible tax payer
- We report and pay taxes in the country, where revenue is generated in accordance with local legislation
- In Europe Kemira operates in the principal business model
  - A major part of profits accrued in Finland
  - EUR 7.8 million income taxes paid in Finland

EUR million	2016	2015
<b>Profit before taxes</b>	<b>128.0</b>	<b>102.1</b>
Income taxes	30.1	24.9
Effective tax rate	23.5%	24.4%
Taxes paid	23.2	12.3

# Balance sheet

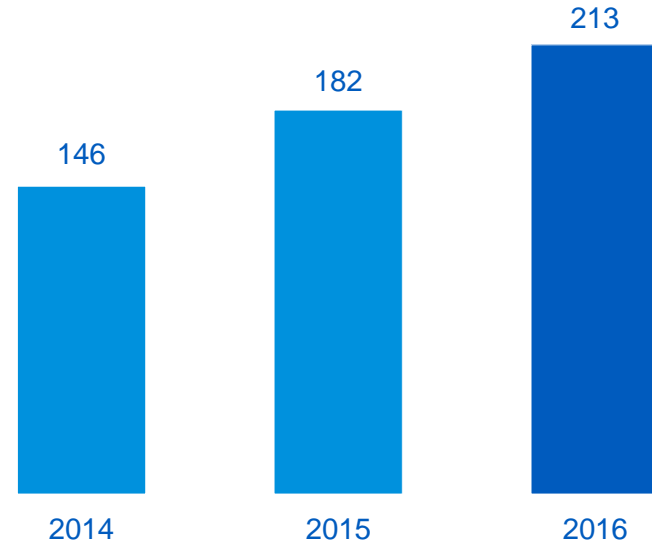
Million euro	2016	2015
Goodwill*	522	518
Other intangible assets	116	135
Property, plant and equipment	916	815
Shares and other investments	268	357
Inventories*	217	207
Receivables	409	411
Cash and cash equivalents	173	152
<b>Total assets</b>	<b>2,621</b>	<b>2,595</b>
Equity	1 183	1 193
Interest-bearing liabilities	807	794
Interest-free liabilities	631	608
<b>Total equity and liabilities</b>	<b>2,621</b>	<b>2,595</b>

\* Key audit matter

# Investments into growth

- In 2015-2017 Kemira is investing into growth more than on average
- Largest investments
  - New chlorate plant in Brazil
  - New chlorate line in Joutseno, Finland
  - Capacity additions due to acquisition of AkzoNobel paper chemicals business
  - Polymer capacity additions in Italy and UK
- In 2017 capital expenditure is expected to be approximately EUR 200 million

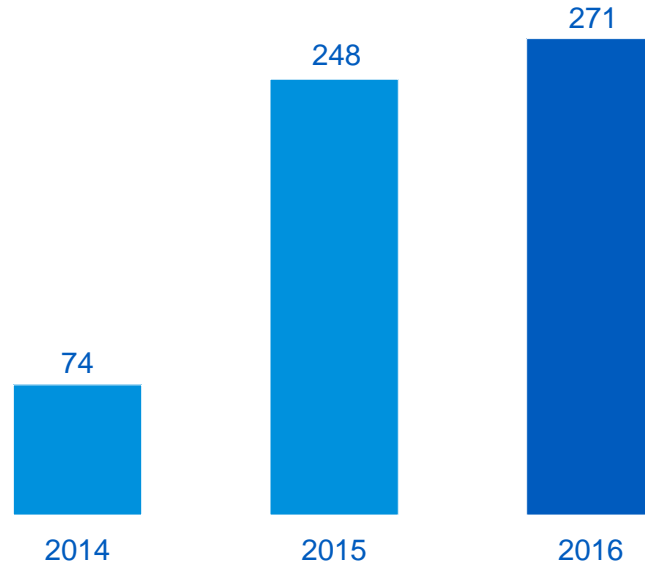
**Capital expenditure excluding acquisitions**  
EUR million



# Cash flow improvement continued

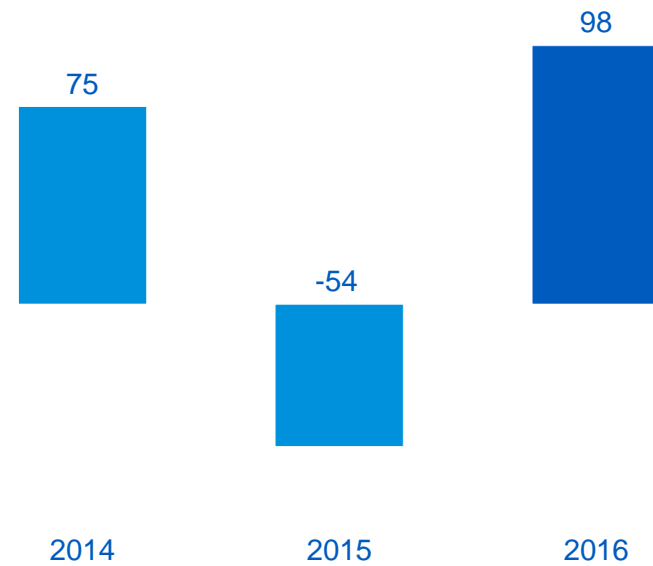
## Cash flow from operations

EUR million



## Cash flow after investing activities

EUR million



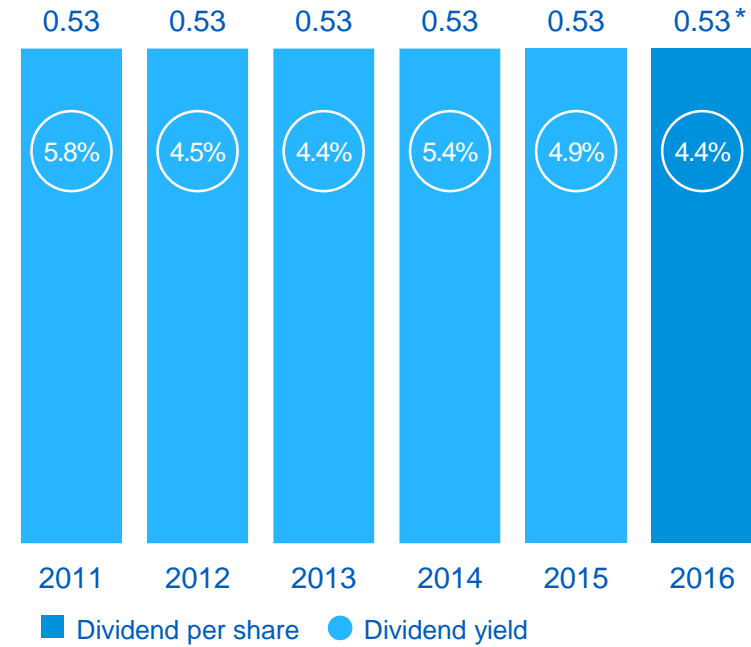


# Key figures

EUR million, except ratios	2016	2015
Net debt	634	642
Equity, %	45 %	46 %
Gearing, %	54 %	54 %
Net debt / operative EBITDA	2,1	2,2
Operative ROCE, %	9,9 %	9,8 %

# Kemira's dividend policy is to pay a stable and competitive dividend

- Board of Directors' proposal to the AGM a dividend of EUR 0.53 per share
- On Dec 31, 2016, Kemira Oyj's distributable funds totaled EUR 822.0 million
- Dividend totaled EUR 81 million, 88% earnings per share
- Dividend yield is 4.4%
  - Yield in relevant indices
    - EuroStoxx Chemicals 2.3%
    - OMX Helsinki 25 3.5%



\* BoD proposal to the AGM  
Kemira's dividend yield calculated using the share price at year-end

Where water  
meets chemistry™

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