Kemira

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Water is the connection

AGENDA

Kemira business overview

”Fit for Growth” restructuring program

Segment overview

Outlook 2013

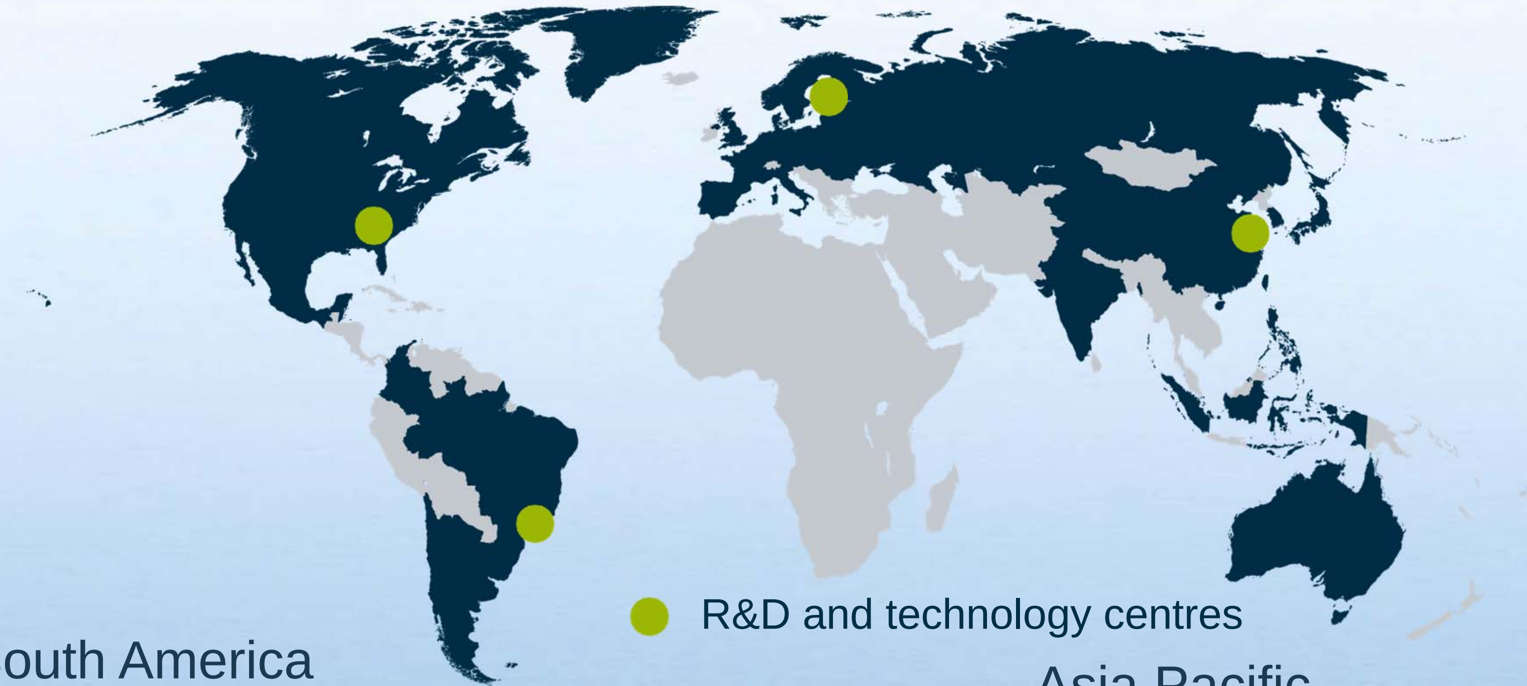
The Kemira definition of the value chain of WQQM*

*Water quality and quantity management

Kemira – global EUR 2.2 billion chemicals company

NAFTA
Revenue: EUR 689 million (31%)
Personnel: 1,280

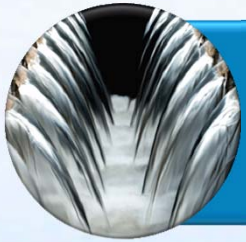
EMEA
Revenue: EUR 1 233 million (55%)
Personnel: 2,800



South America
Revenue: EUR 173 million (8%)
Personnel: 420

Asia Pacific
Revenue: EUR 146 million (6%)
Personnel: 350

Three strategic priorities for achieving profitable growth



Improving efficiency

Substantially growing and strengthening emerging market presence

Further sharpen the strategy – strengthening focus on WQQM*

Simplicity

EBIT >10%

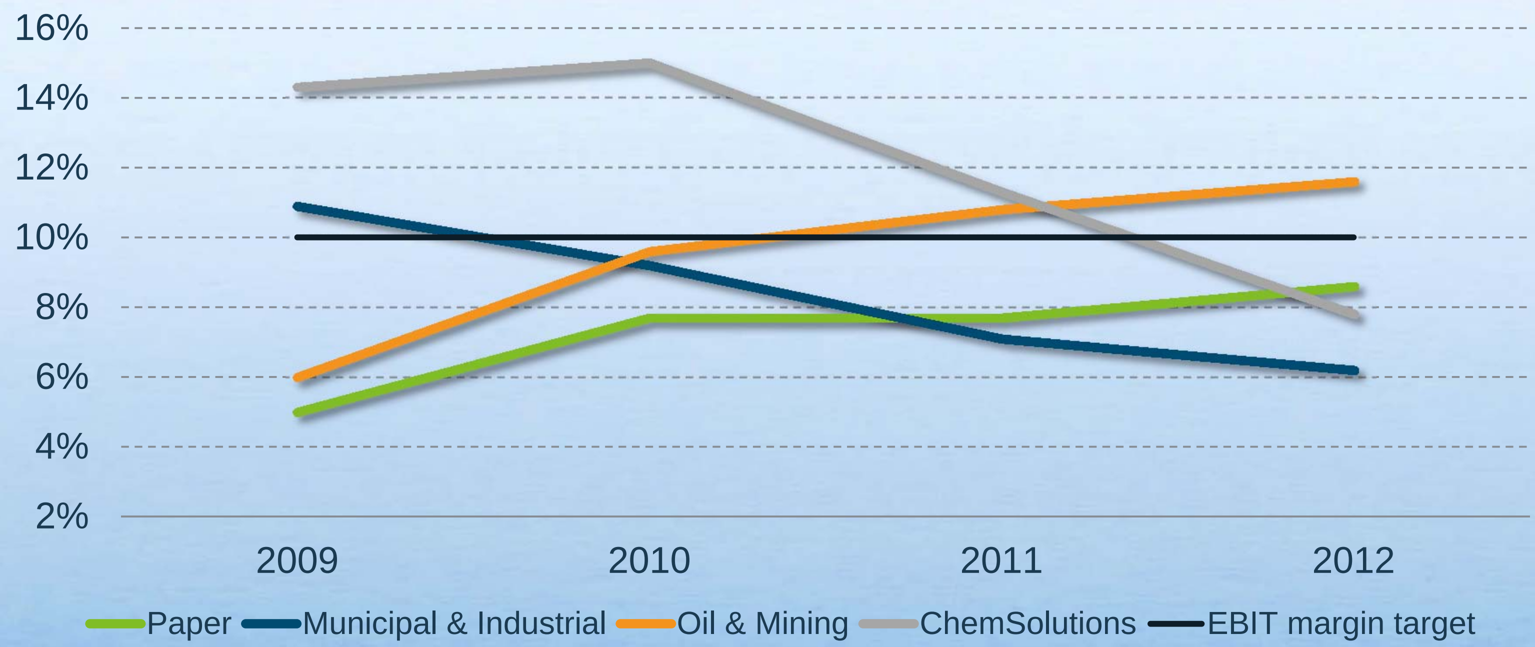
Growth above market average

*Water quality and quantity management

”Fit for Growth” launched to achieve 10% EBIT margin in 2014, EUR 60 million net cost savings

- Product mix optimization and growth driving profitability improvement in Paper and in Oil & Mining
- Implemented cost savings and efficiency improvements will boost margins in Municipal & Industrial and ChemSolutions

Kemira operative EBIT margin trend by segments



Significant structural change ongoing

New organization in operation since October, 2012

- Accelerating growth, especially in the emerging markets and reducing complexity
- New performance management system introduced to focus the whole organization on value creation

Personnel reduction (EUR 30 milllion cost savings)

- Up to 600 employees, 12% of the total workforce
- Most of the co-determination negotiations have been accomplished

Manufacturing network optimization (EUR 21 million cost savings)

- Almost 20% of all production sites either decided to be closed or under review

Leaner operation (EUR 9 million cost savings, significant NWC improvement)

- NWC* ratio target is 11% in 2014 (12.8% in 2012, 13.4% in 2011)

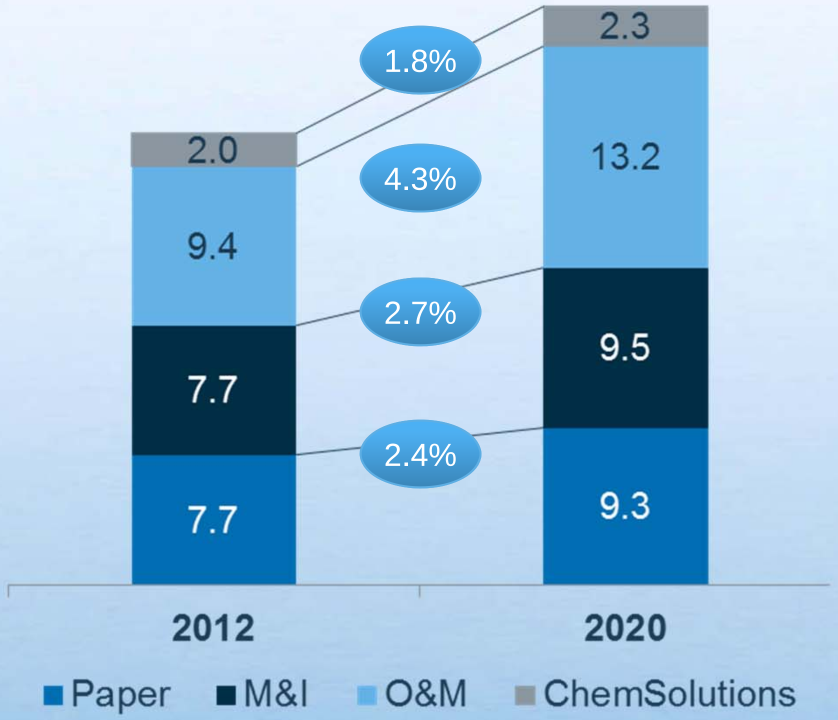
Sharpened strategy will be presented in April, 2013

*Net working capital

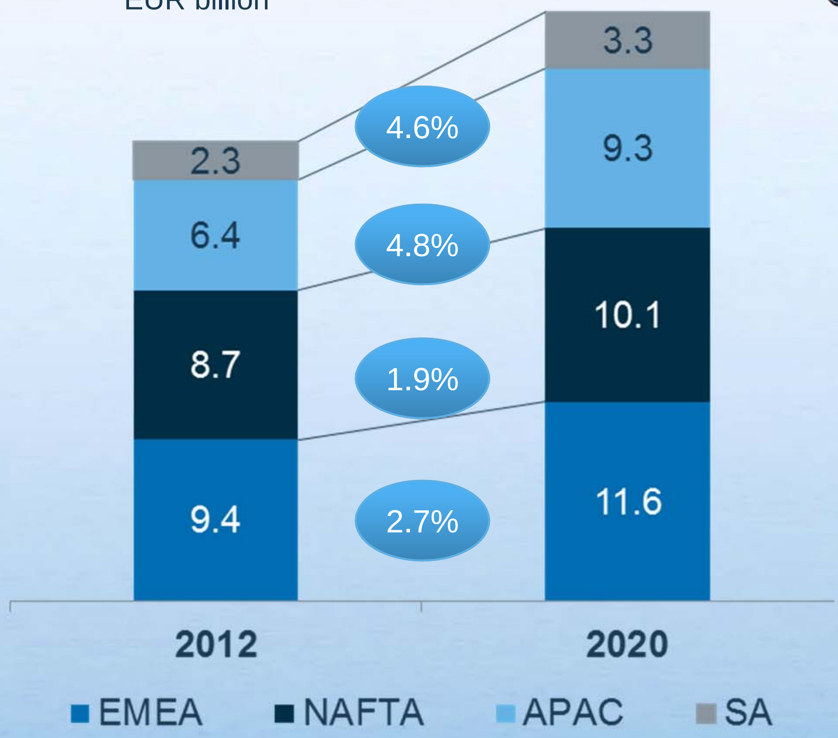
Strong market growth with Oil & Mining as well as in APAC and SA

Kemira market size in 2012: EUR 27 billion and in 2020: EUR 34.1 billion, CAGR 3.1%

Kemira accessible market size per segment 2012-2020
EUR billion



Kemira accessible market size per region 2012-2020
EUR billion



Source: Management estimation based on various sources

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Well established in a competitive market

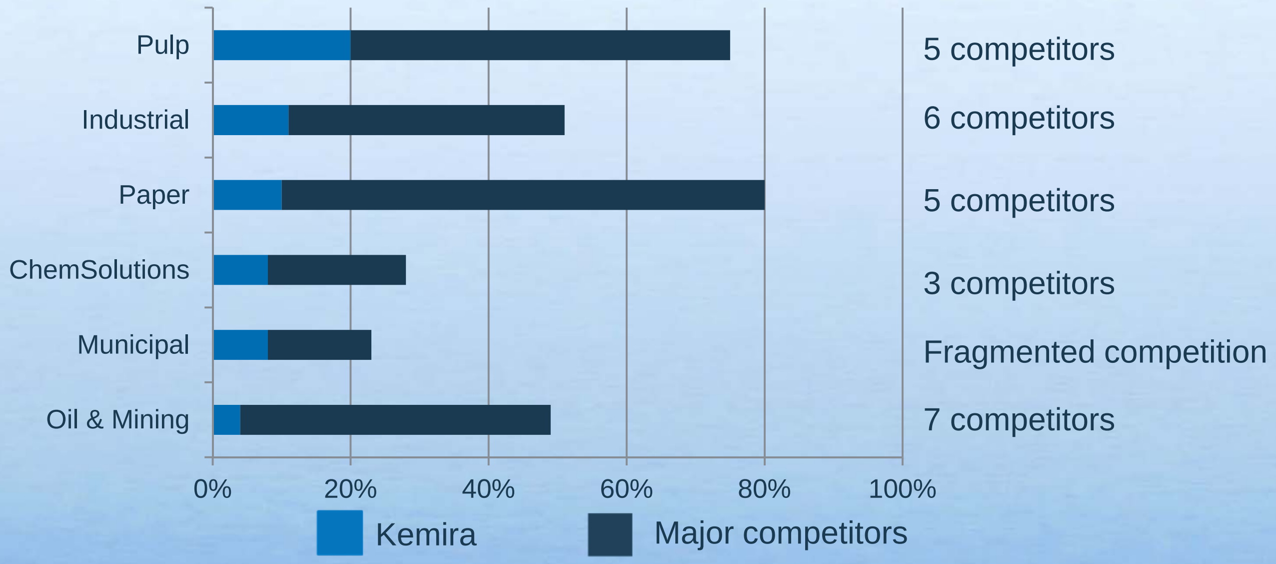
Strong position in pulp and paper businesses – growth via innovation and further emerging market penetration

Growing Oil & Gas market: Kemira has capabilities to further increase market share

Consolidation is likely to continue

- The market consists of eight global players and numerous local players
- Kemira, Ecolab, BASF, Clariant, SNF, Ashland, GE Water, AkzoNobel

Total market share* of biggest players



*2012 figures. Management estimate for Kemira's accessible markets

Kemira has clear competitive advantages

Further portfolio renewal and efficiency improvements still required

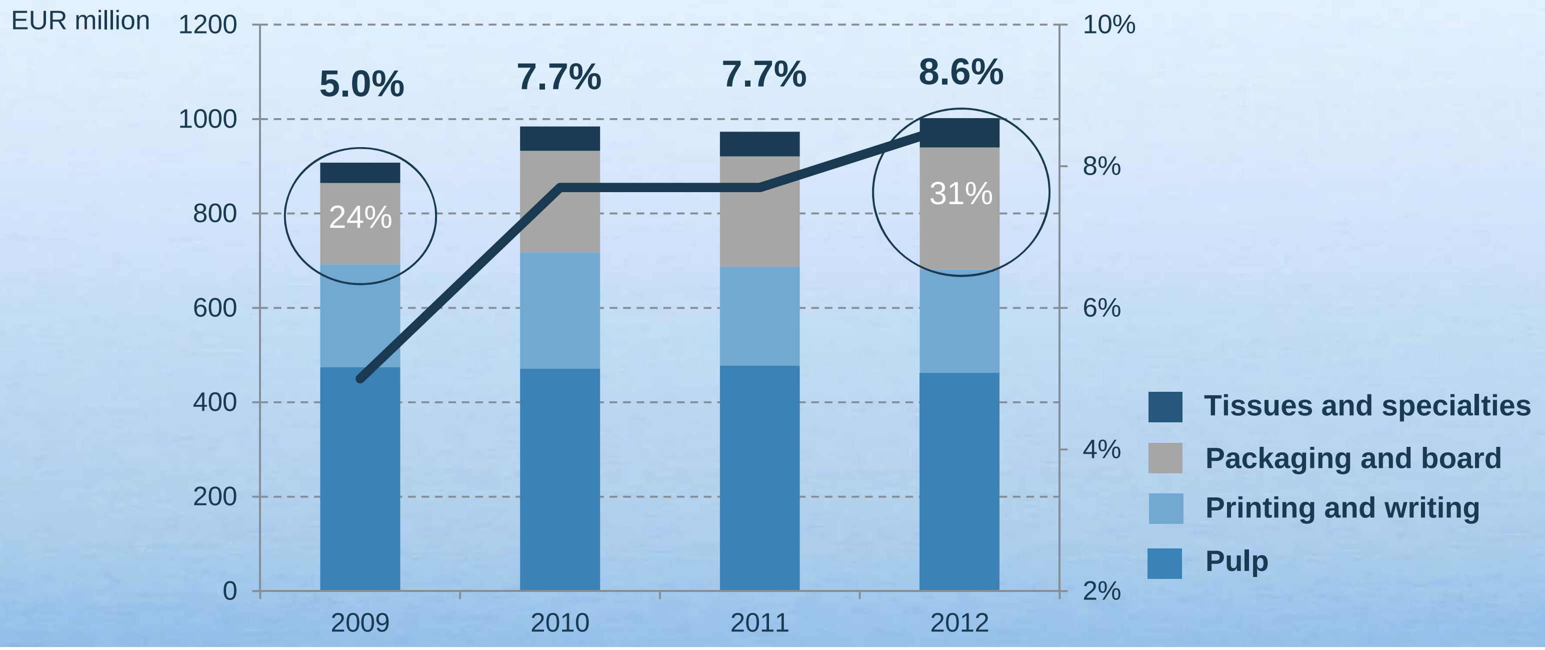
Kemira strengths in its accessible market:

1. One of the leading global supplier to the paper industry with long-term commitment
2. Capability to tailor products and services to customers' needs based on innovation and profound manufacturing capabilities
3. Strong innovation platform
4. High quality products and reliable supplier

Paper – Packaging and board driving growth

- Over 5% market growth* in APAC (Packaging and Board) and SA (Pulp)
- Newsprint share of Paper segment revenue less than 4%
- Tissue and fiber based packaging markets are expected to grow over 4%*
- Trend towards recycled fiber and lighter paper qualities will increase the chemicals consumption

Paper segment revenue split and operative EBIT margin



*Expected market growth 2013-2020

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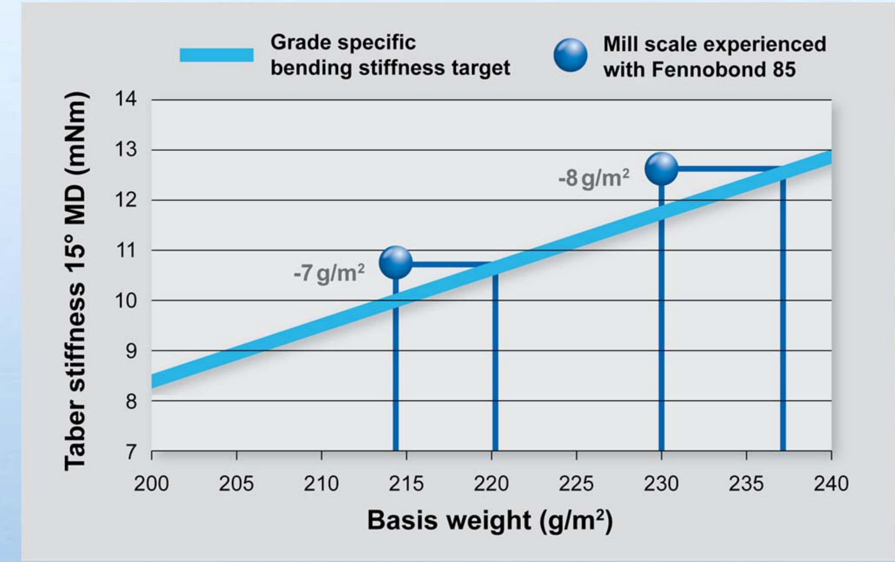
Understanding customers' needs is a key competitive advantage

- Kemira's **Fennobond** enables yield advantage resulting in 5%-10 % lighter* end customer product
- Chemicals helps customers to optimize their raw material use e.g fiber consumption
- Customers' process efficiency improves by using right chemistry



*Source: MetsäBoard

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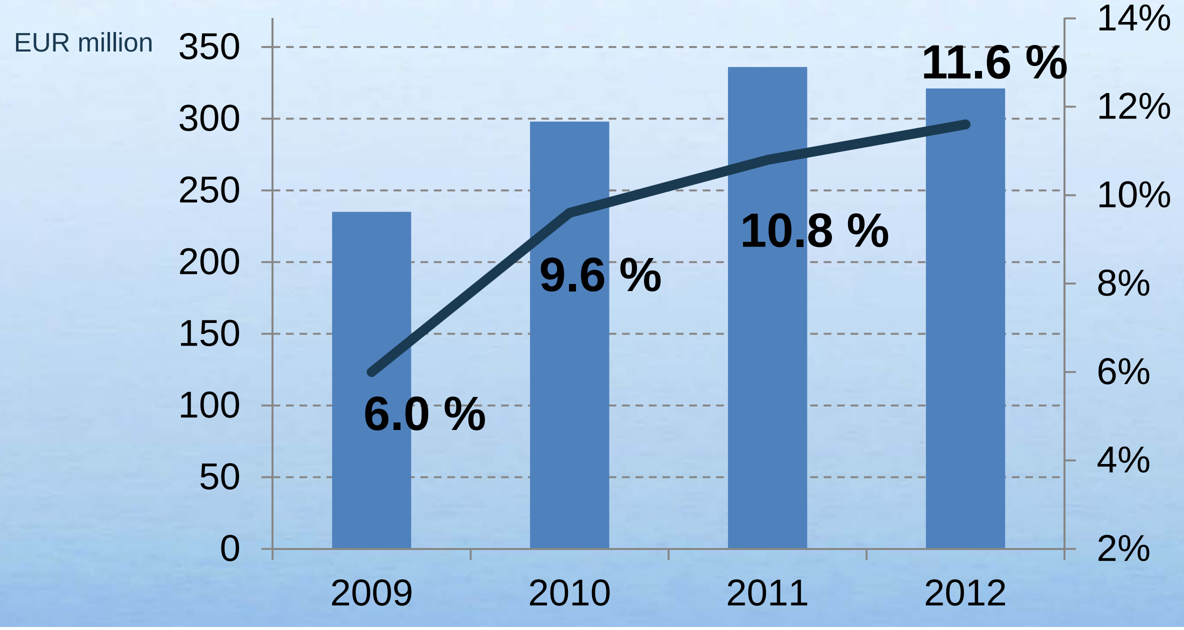
Oil & Mining – Good base for growth

- Atlanta R&D center ensuring continuous competence development
- 60% polymer capacity expansion finalized at the end of 2012
- Small acquisitions targeted to gain stronger market position
- Portfolio rebalancing by exiting low-margin product sales to be finalized by the end of 2013 (approximately EUR 10 million negative impact in 2013)

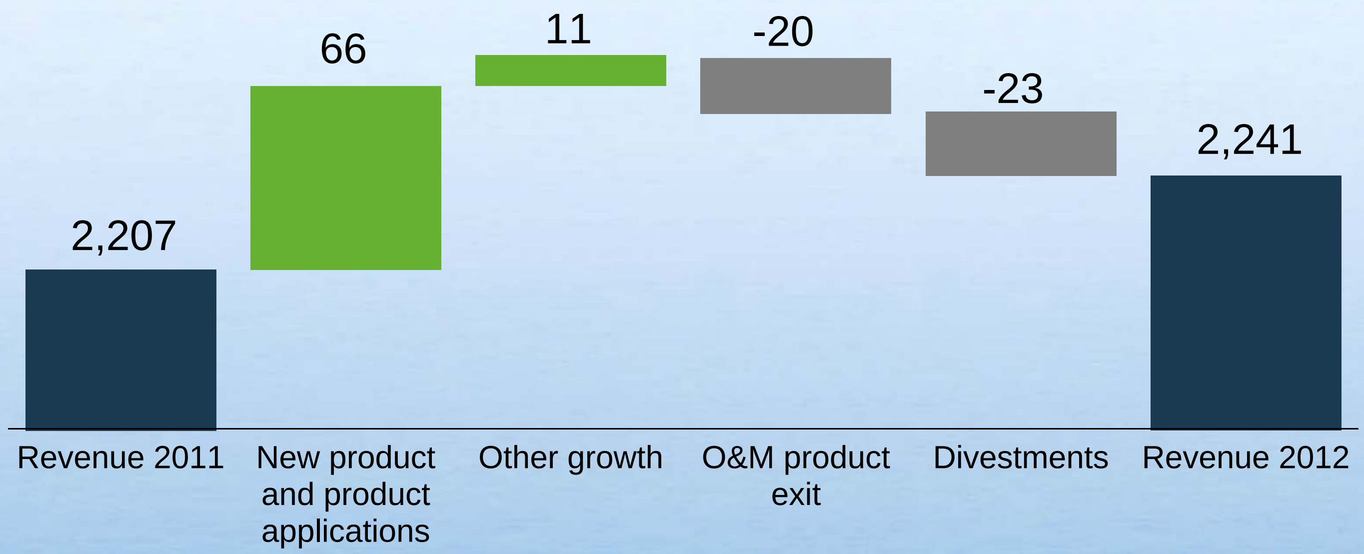
Oil & Mining segment revenue and operative EBIT margin



Revenue growth generated through new innovative solutions

- New product and application sales* generated EUR 106 million in 2012 (40 in 2011)
  - New products and product applications on average generate 15% higher gross margins
  - Most of the new sales in 2012 from oil and gas, especially friction reducers used in hydraulic fracturing
- Kemira spends roughly 2% of its revenue on R&D

Kemira revenue bridge 2011-2012, EUR million

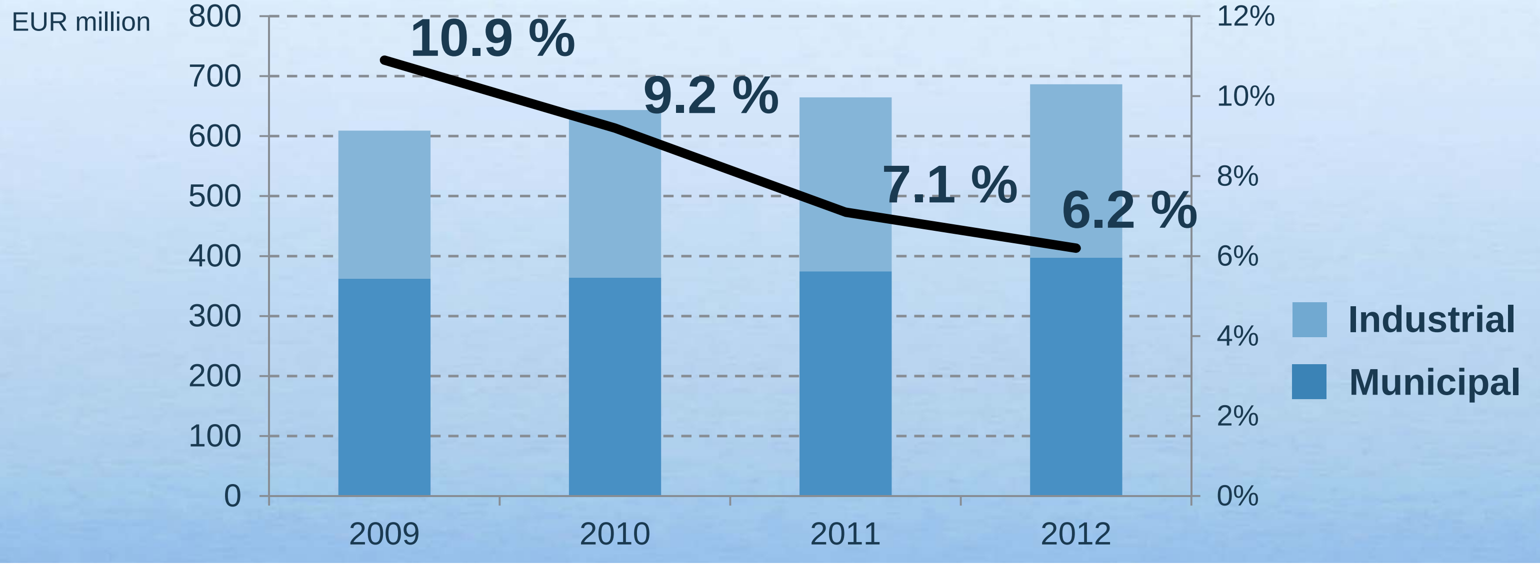


*New product and application sales = products and applications launched within the past 5 years

Municipal & Industrial - ”Fit for Growth” to drive profitability turnaround

- Manufacturing network optimization reduces cost volatility
- Cost savings through site closures, M&I operates at 40 sites (over 20% of the sites decided to be closed, sold or under review)
- Customer segmentation improves efficiency
- Q1 2012 negatively impacted by higher maintenance costs, Q4 2012 by clearance of inventory of low-margin products

Municipal & Industrial segment revenue split and operative EBIT margin



Municipal & Industrial is currently optimizing the production footprint for inorganic coagulants

- New site investments in Tarragona & Dormagen will yield quick returns thanks to improved network optimization. Fixed costs will be reduced by 40% and raw material costs are expected to decline by 20% in the specific market region

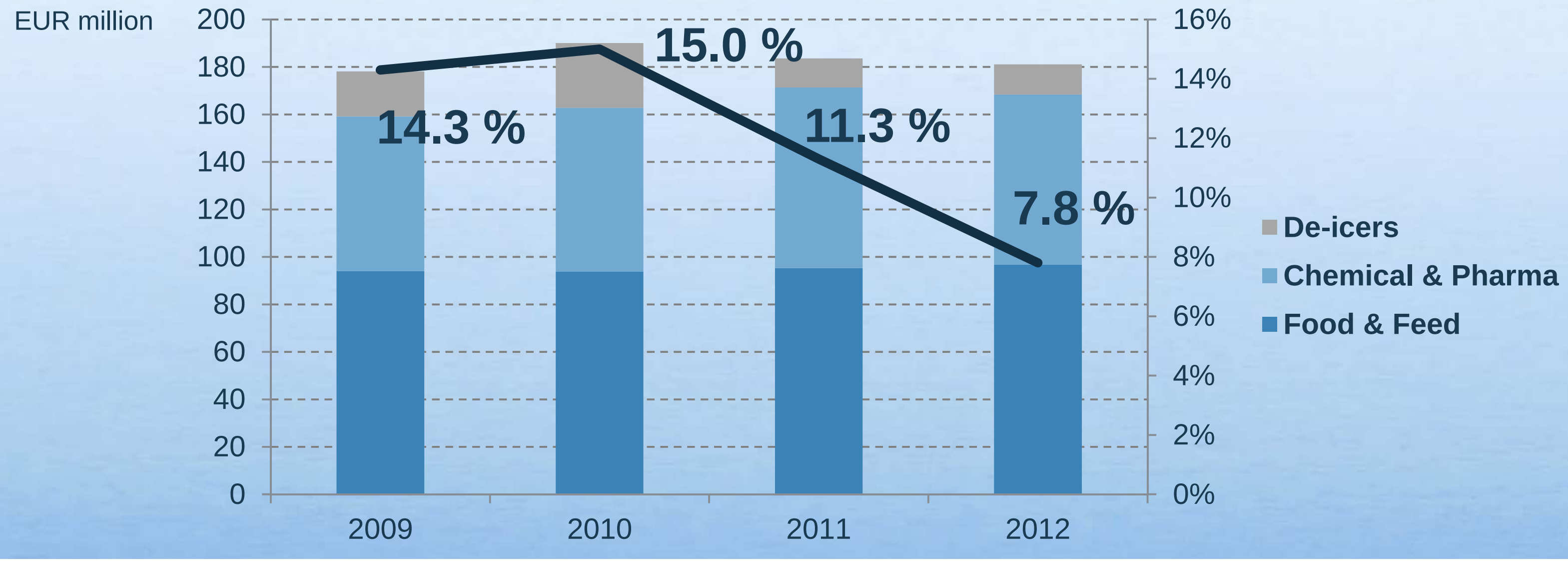
Coagulant production footprint optimization…		**… in order to increase profitability**
Raw material* costs	→	**Access to raw materials** Best use of available cheap raw materials
+		
Fixed costs of plants	→	**Reduced cost of footprint** Close plants to reduce overcapacity in network
+		
Freights to customers	→	**Delivery to customers** High freights require plants to be close to customer clusters
Minimize		

*Copperas, magnetite, scrap iron, spent pickling liquor, liquid chlorine, sulphuric acid, hydrochloric acid

ChemSolutions - ”Fit for Growth” will improve profitability

- Raw material prices and maintenance shutdown impacted profitability in 2012
- “Fit for Growth” to return profitability above 10% EBIT margin by 2014
- Focus on formic acid and related derivatives
- Maximize output of Kemira’s formic acid plant in Oulu

ChemSolutions revenue* split and operative EBIT margin



*Divestment of food and pharmaceutical businesses will have approximately EUR 50 million impact on revenue in 2013

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Kemira target is to reduce 50% of the total # of SKU’s*

- SKU reduction as part of the focus on lean operation will lead to significant cost savings
- In ChemSolutions’ Oulu formic acid plant 70% SKU reduction was identified leading to EUR 2 million annual EBIT improvement
- SKU reduction in Oulu accomplished by merging trade names and deleting small SKUs

Kemira SKU reduction target

ChemSolutions portfolio

*Stock-keeping units

Good balance between sales and raw material prices

Largest product categories (accounting for ~55% of Kemira's revenue) and most relevant businesses:

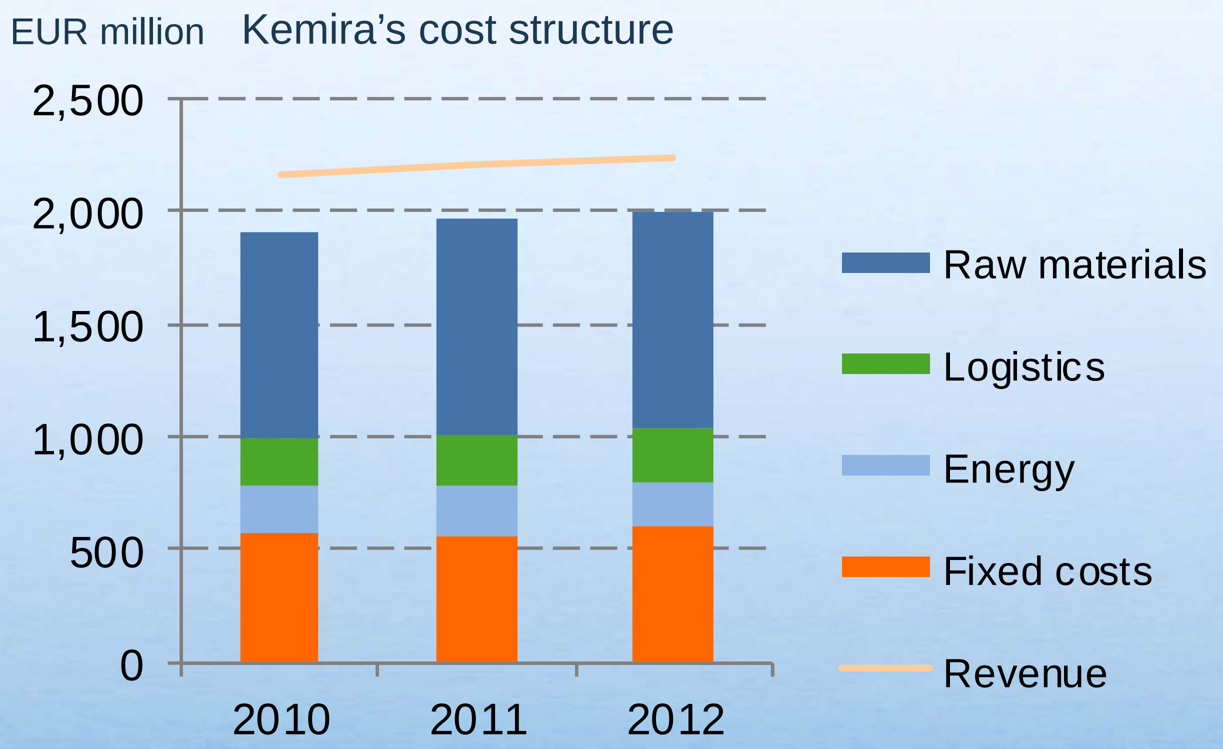
- Polymers: Oil & Mining, Paper wet-end and industrial customer segment
- Electrolysis products: pulp customer segment
- Coagulants: municipal customer segment

Kemira sales prices vs variable costs

*12-month rolling change vs previous year, meur, excl. Tikkurila and Pigments

Constant efficiency improvements needed to maintain operational excellency and compensate for the cost inflation

- Fixed costs includes personnel expenses, maintenance cost and leases
- Expected ”Fit for Growth” savings EUR 50 million in 2013
- TOP 10* raw materials account for 45% of raw material spend



*From 1 to 10: Acrylic Acid, Cationic monomer, Acrylonitrile, Fatty acid, Petroleum solvents, Propionic acid, Aluminium Hydrate, Sodium hydroxide, Sulphuric acid, Hydrochloric acid

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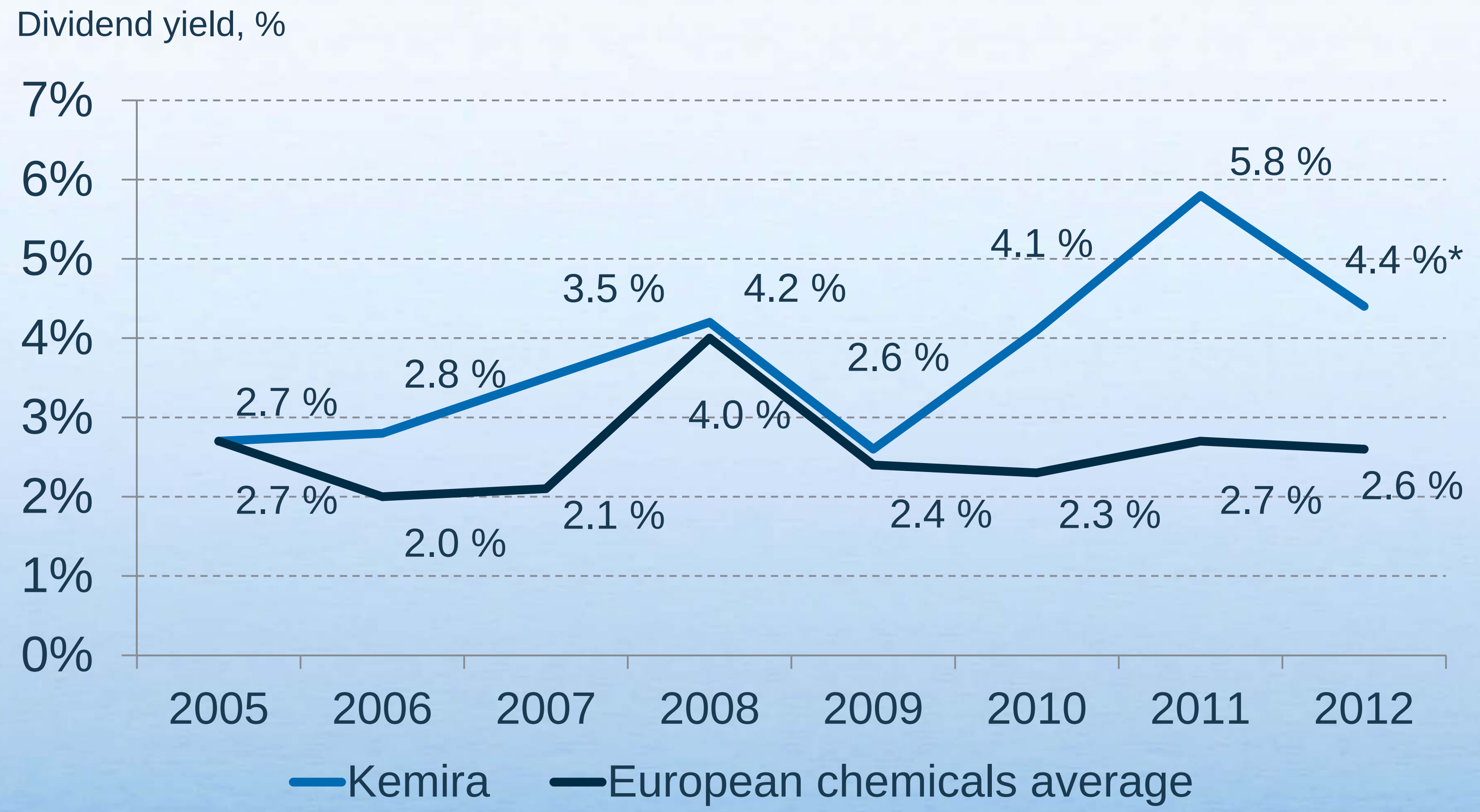
Kemira dividend yield among the highest in the sector

- Dividend proposal for the AGM 2013 is EUR 0.53, 69% of the operative net profit in 2012
- Kemira's target is to have positive cash flow after investments and dividends



*based on dividend proposal to the AGM 2013

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Operative EBIT will be significantly higher in 2013

Outlook for 2013

Revenue in local currencies and excluding divestments expected to increase 0%-5% in 2013 compared to 2012

-Jan-Dec 2012 revenue: EUR 2,240.9 million

Operative EBIT expected to increase more than 15% in 2013 compared to 2012

- Jan-Dec 2012 operative EBIT: EUR 154.1 million

Creating shareholder value

Substantial earnings improvement potential

- ”Fit for Growth” program
- New organization fosters growth in high margin businesses
- Strict cash flow management

Organic growth

- Leverage mature markets with existing strengths
- Well established position in US Oil and Gas markets
- Packaging and Board driving growth in Asia

Strong balance sheet

- Good funding position
- Relevant financial assets
- Smaller M&A possible also short term, if criteria are all met

- **Strong focus on shareholder returns**
- **40% - 60% dividend payout policy (based on operative net profit)**

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