



**kemira**

100 years of  
chemistry

# Capital Markets Day 2020

November 19, 2020

# Capital Markets Day 2020

## AGENDA (EET):

14:00 Opening remarks,  
Mikko Pohjala, Head of Investor Relations

## PRESENTATIONS:

14:00 Jari Rosendal, President and CEO + Q&A\*  
14:25 Antti Salminen, Industry & Water + Q&A\*  
14:50 Harri Eronen, Pulp & Paper + Q&A\*  
15:15 Video interview with Matthew Pixton, CTO  
15:25 Petri Castrén, CFO  
15:45 Q&A via audio line  
~16:00 Summary and wrap-up by CEO  
~16:05 CMD concludes

\*questions via webcast platform



**Jari Rosendal**  
President and CEO



**Petri Castrén**  
CFO



**Antti Salminen**  
President, Industry  
& Water



**Harri Eronen**  
SVP, Pulp & Paper,  
EMEA



**Matthew Pixton**  
CTO (video interview on  
biobased chemistry)

# Capital Markets Day 2020

## Q&A VIA WEBCAST PLATFORM

Questions can be submitted through the form in the webcast window during the presentations. Questions are only visible to the moderator.

## Q&A VIA TELEPHONE CONFERENCE AT THE END

Telephone lines open at approximately 15.45 EET

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United Kingdom Toll: +44 3333000804

United States Toll: +1 6319131422

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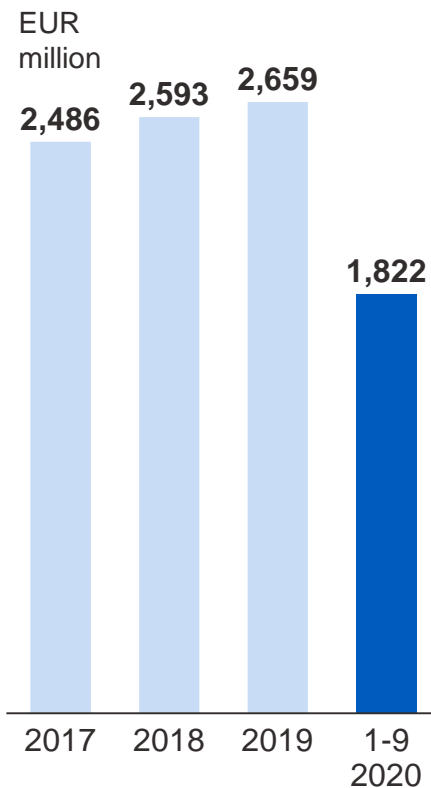
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# Fundamentally stronger Kemira

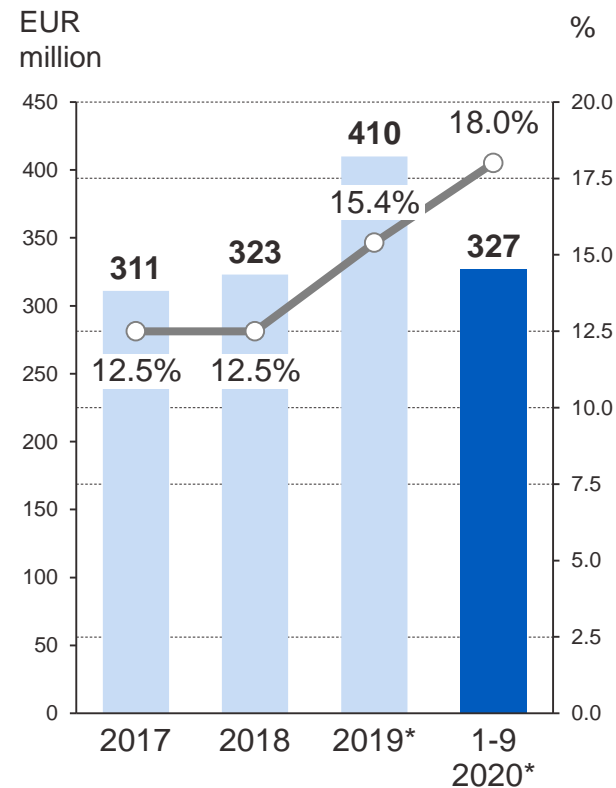
JARI ROSENDAL, PRESIDENT AND CEO  
NOVEMBER 19, 2020

# We have delivered since our last CMD in 2017

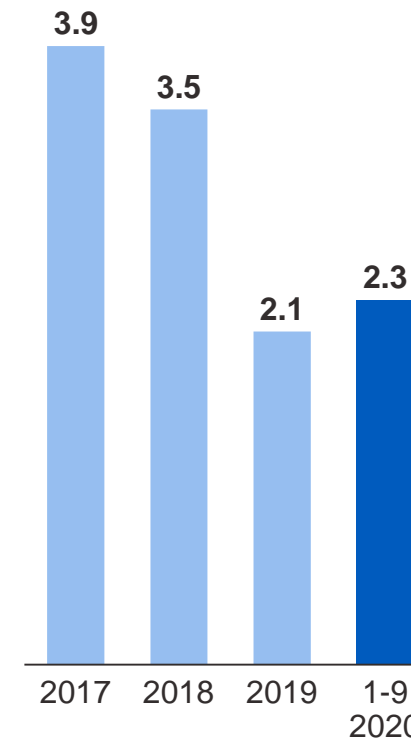
## REVENUE



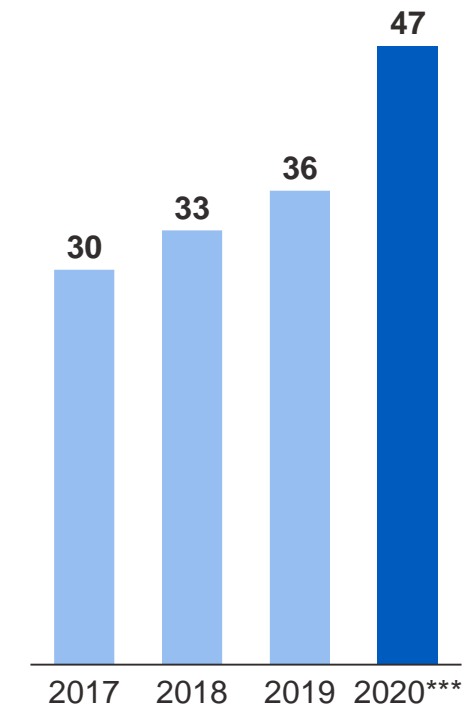
## OPERATIVE EBITDA



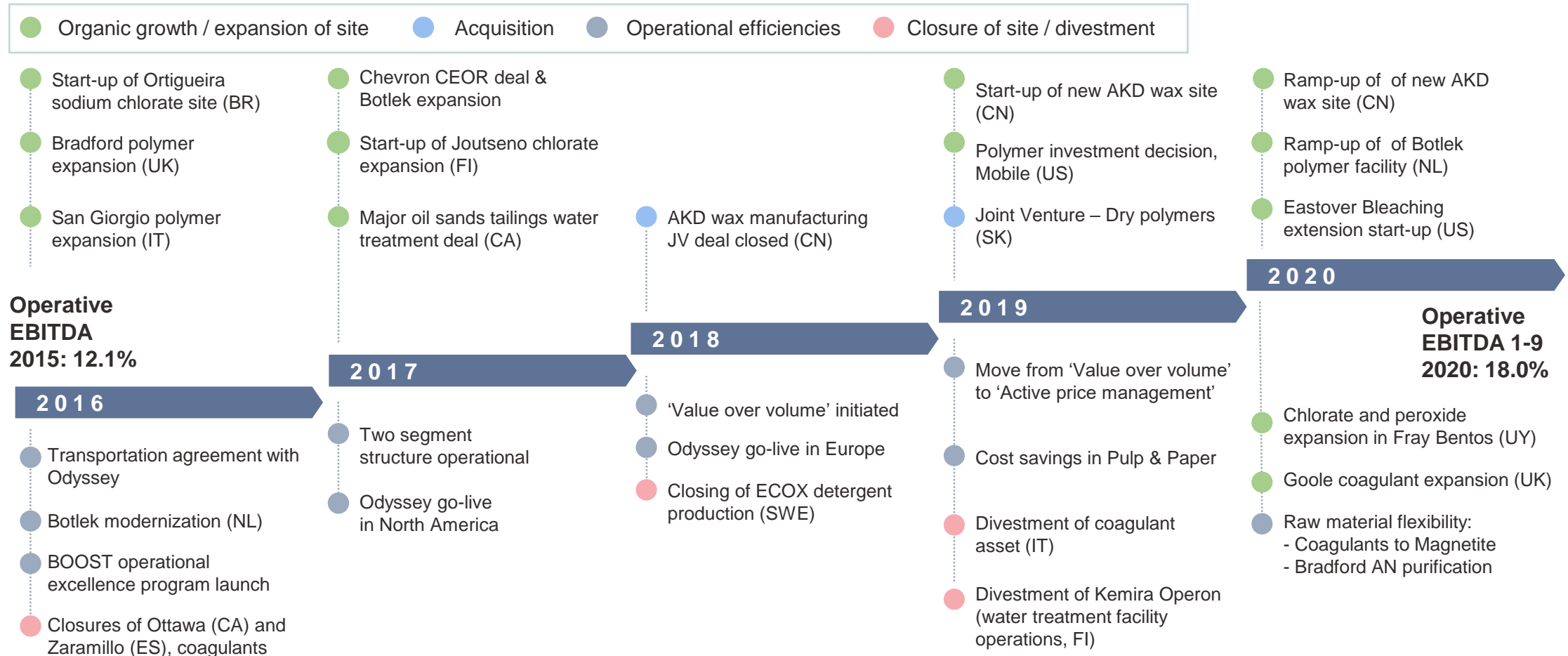
## TRIF\*\*



## NET PROMOTER SCORE



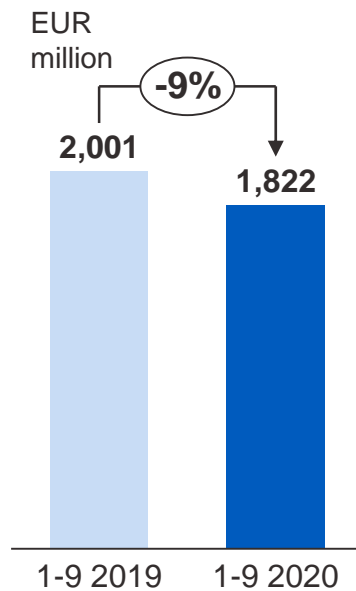
# Strengthening the foundation and improving profitability



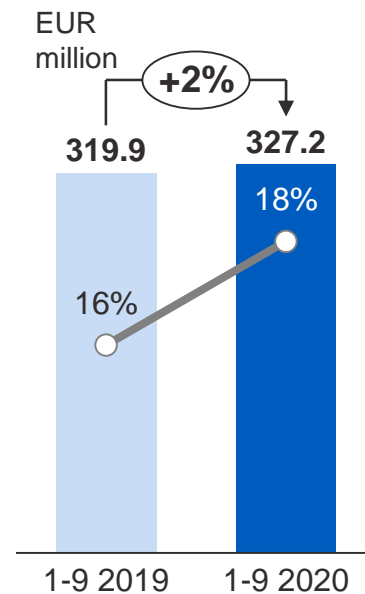
# 1-9 2020: Solid performance in a challenging environment

## STRONG PROFITABILITY DESPITE LOWER SALES VOLUMES

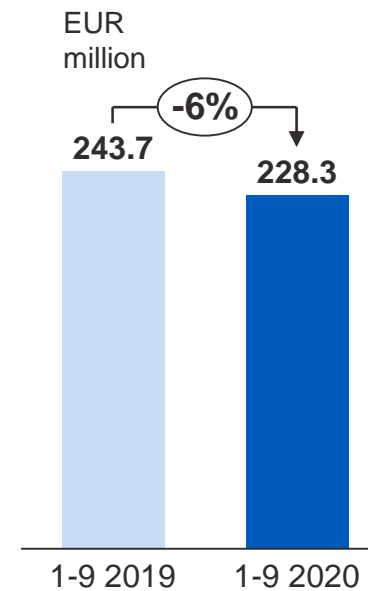
### REVENUE



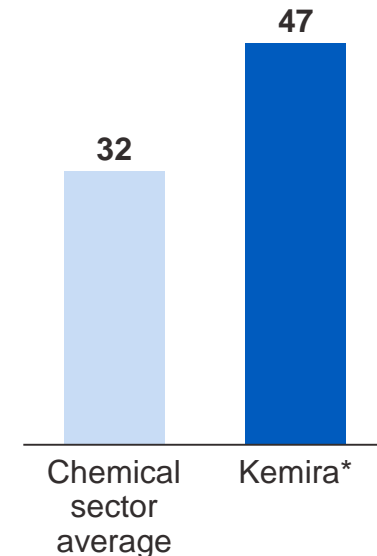
### OPERATIVE EBITDA & MARGIN



### CASH FLOW FROM OPERATING ACTIVITIES



### NET PROMOTER SCORE



\*Average NPS score in 2020, data in 2020 limited due to a 6-month break in interviews following COVID-19



# We have a strong commitment to sustainability

## FIVE THEMES AS SUSTAINABILITY FOCUS AREAS

### SAFETY

Safe production and use of our products throughout their lifecycle, strong safety culture

### PEOPLE

Strong company culture, diversity and commitment to people

### WATER *We help ensure safe clean water for people and nature*

Solutions to provide safe clean water with water-related risks managed effectively

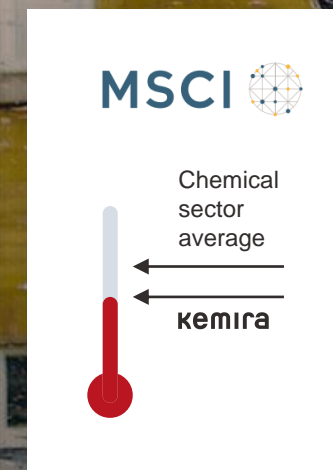
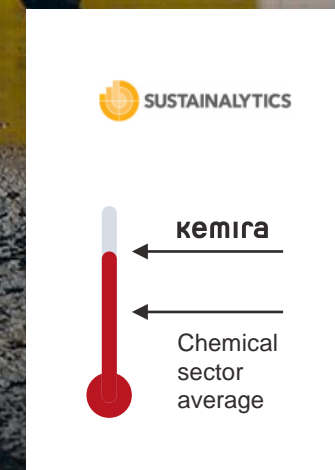
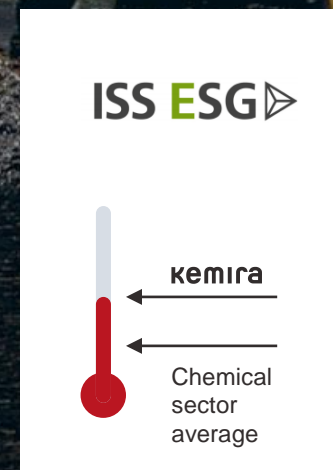
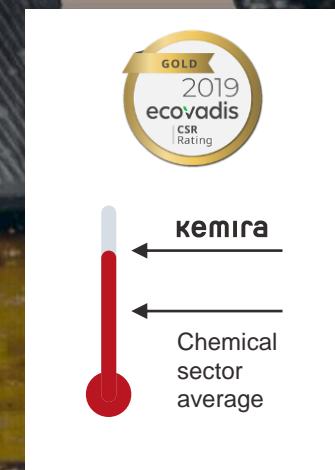
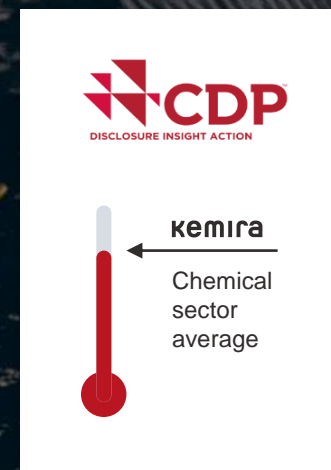
### CIRCULARITY *We are making the circular bioeconomy a reality*

Improve customer resource efficiency; increase biobased and recycled raw material use

### CLIMATE *Kemira will help build a carbon neutral society*

Ambition to be carbon neutral by 2045, and -30% CO<sub>2</sub> emissions by 2030 (Scope 1 and Scope 2 emissions)

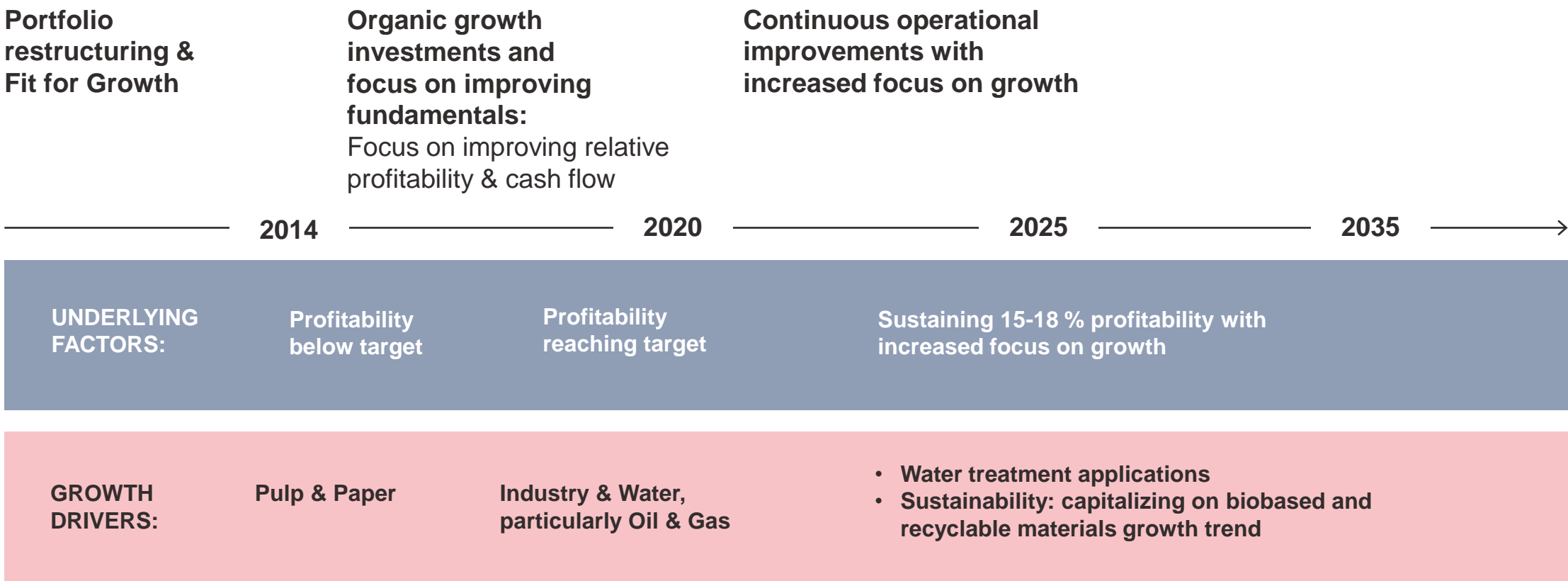
\*) Includes people, operations (environment) and chemical safety





# Looking to the future

# After several years of focusing on improving the business fundamentals, we are now increasing focus on growth



# Global megatrends largely favor Kemira – sustainability becoming a key driver for the long term

CHANGING DEMOGRAPHICS		GROWING ENVIRONMENTAL AWARENESS			
<div>↓</div> <p>Growing middle-class and urbanization</p> <p>Higher use of water and tissue</p>	<div>↓</div> <p>Changing lifestyles with growth in e-commerce</p> <p>Higher use of packaging and board</p>	<div>↓</div> <p>More efficient use of scarce natural resources</p> <p>Chemicals to support circular economy needs</p>	<div>↓</div> <p>Focus on biobased and recyclable materials for our customers</p> <p>Alternatives to fossil fuel based solutions</p>	<div>↓</div> <p>Tightening environmental regulation</p> <p>Increased need for water treatment</p>	<div>↓</div> <p>Climate change mitigation</p> <p>Increased need for water treatment</p>
					



**SUSTAINABILITY WILL BE  
A KEY DRIVER FOR FUTURE GROWTH**

# **Customer behavior is changing with an increased focus on sustainability**

## **Pulp & Paper**

Customers desire for biodegradable and recyclable products - growing need for biobased chemicals

Customer product portfolio will evolve when going further into the bioeconomy – totally new uses for fiber

## **Industry & Water**

Overall sustainability focus driven by consumers

Growing market for circular products with high share of recycled content

**TO SUPPORT OUR CUSTOMERS IN  
THE SHIFT TOWARDS HIGHER SUSTAINABILITY,  
WE WILL:**

Address growing recyclability and biodegradability demand for products

Gradually transform our product portfolio to more biobased

Reduce the use of fossil-fuel based carbon as raw material

**TO INCREASE THE SUSTAINABILITY  
OF OUR OPERATIONS,  
WE WILL:**

Increase the share of recycled material in our products



# WE WANT TO ENSURE PROFITABLE GROWTH BY BECOMING THE LEADING PROVIDER OF SUSTAINABLE CHEMICAL SOLUTIONS FOR WATER-INTENSIVE INDUSTRIES

<p>CURRENT REVENUE</p> <p><b>~100 MEUR</b></p> <p>FROM BIOBASED PRODUCTS</p>	<p>TARGET REVENUE IN 2030</p> <p><b>&gt;500 MEUR</b></p> <p>FROM BIOBASED PRODUCTS</p>
<p>CURRENT SHARE</p> <p><b>12%</b></p> <p>OF RENEWABLE CARBON OF ALL CARBON CONTAINING RAW MATERIALS</p>	<p>TARGET SHARE IN 2030</p> <p><b>40%</b></p> <p>OF RENEWABLE CARBON OF ALL CARBON CONTAINING RAW MATERIALS</p>



# What will the sustainability focus mean for our businesses?



## Pulp & Paper

- Increase focus on circularity as customers are demanding recyclability and biodegradability
- Focus investments in sustainable pulp, packaging and tissue applications. Limit investments in declining printing & writing applications.
- Explore new competencies, e.g. barrier solutions to capture market growth opportunities



## Industry & Water

- Increase focus and investments on water treatment
- In Oil & Gas, direct focus to growing and less volatile CEOR and oil sands tailings businesses
- Explore new markets for water treatment, particularly in APAC
- Explore new competencies and product lines within water treatment

# Maintaining a close eye on profitability, while investing in sustainable growth



## PROFITABILITY

### Continuous focus

- Disciplined price and cost management
- Capitalizing on completed investments in China, Netherlands and the U.S.
- Complexity reduction

### Profitability improvement actions

- Further profitability improvement in Process and Functional chemicals
- Further improvement in profitability in Asia-Pacific: growth and new investments playing a key role
- Oil & Gas: organizational restructuring completed; organization ready for growth when demand picks up



## GROWTH

### On-going investments

- Polymers: Mobile, U.S.A, South Korea
- Coagulants: Goole, UK
- Bleaching: Uruguay

### Future investments

- Continue to focus on top four product groups (bleaching, polymers, coagulants, sizing), particularly on water treatment side
- Selective acquisitions to enter new regions or to add new competencies
- Capital expenditure to be increasingly allocated towards biobased opportunities



# We will focus on profitable growth driven by sustainability

**1.**

**Look for above-the-market growth both organically and inorganically, particularly in water treatment.**

**2.**

**Aim to become the leading provider of sustainable chemical solutions for water-intensive industries.**

**3.**

**Financial target for operative EBITDA updated to 15-18%.**

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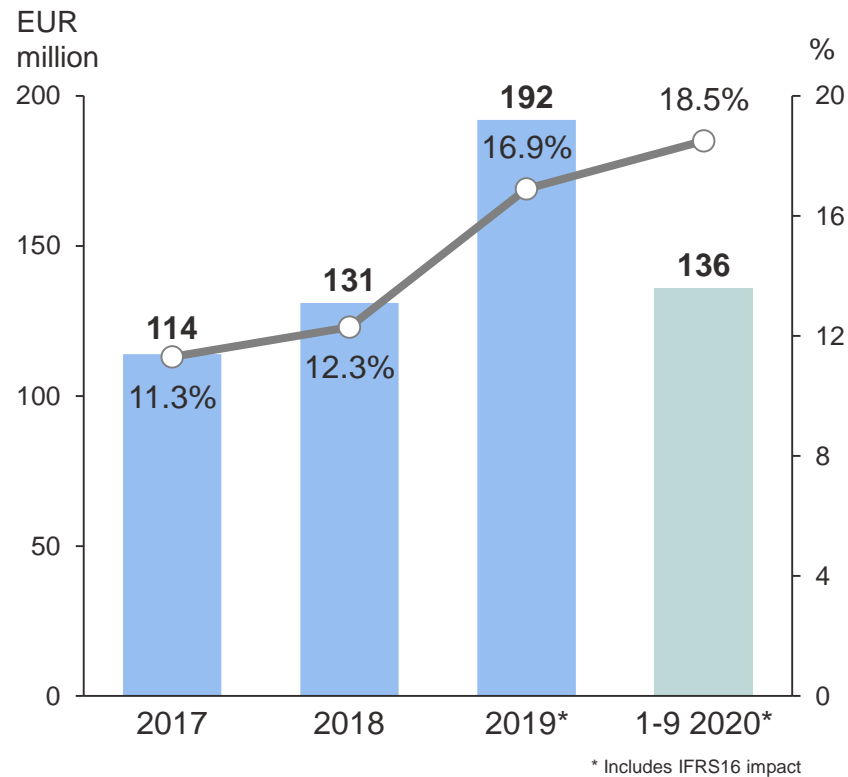
# Industry & Water: Increasing focus on water treatment

ANTTI SALMINEN  
PRESIDENT, INDUSTRY & WATER



# We have strengthened our business and improved profitability since 2017

## OPERATIVE EBITDA AND OPERATIVE EBITDA MARGIN DEVELOPMENT



### 1. BUSINESS FUNDAMENTALS:

- Two segments merged into one in 2017
- Streamlining of business and product portfolio, including optimization of organization and manufacturing network
- Diversification of Oil & Gas business to include CEOR and oil sands tailings

### 2. PROFITABILITY FOCUS:

- From value over volume to active price management
- Significant profitability improvement, particularly in North American water treatment

### 3. ENGAGEMENT SCORES:

- Customer satisfaction (NPS): clearly above chemical sector average at 53 in 2020\*; positive feedback on Kemira's handling of COVID-19
- Safety scores: 85/100
- Employee engagement scores: 75/100

\*average NPS in 2020, data in 2020 limited due to a 6-month break in interviews following COVID-19

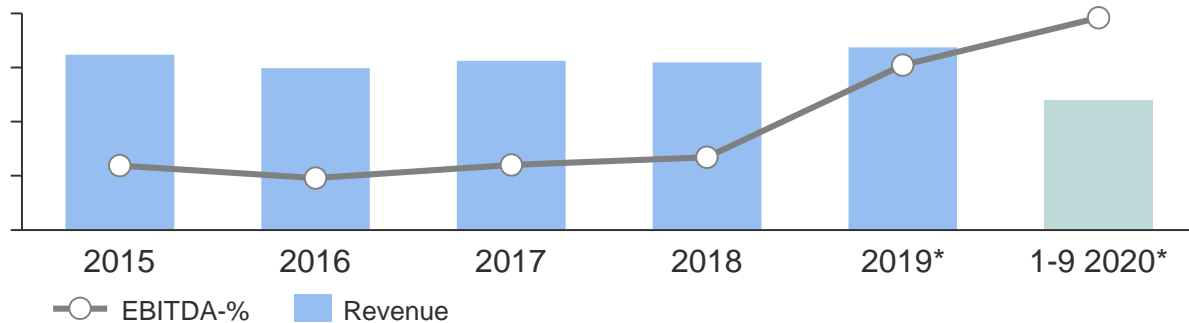


# We have significantly improved profitability in North American water treatment

## Key actions since 2017 to improve profitability

- Organization restructuring in 2018
- Disciplined price and cost management
- Focus on customer profitability

## NORTH AMERICA WATER TREATMENT REVENUE AND MARGIN DEVELOPMENT



\* Includes IFRS16 impact



# Our polymer investment in the Netherlands serves growing CEOR market



- Capacity addition announced in October 2017, facility fully operational with positive EBITDA contribution as of Q1 2020
- Manufacturing facility serves offshore CEOR
- Investment includes capacity addition as well as improves backward integration
- Multi-year extension to current contract with Ithaca Energy announced in September 2020. The extension will ensure good utilization of the facility going forward.

Investment around EUR 30 million,  
EBITDA contribution high single-digit millions (annualized)

# Profitability has remained strong in 2020 despite volatility in shale

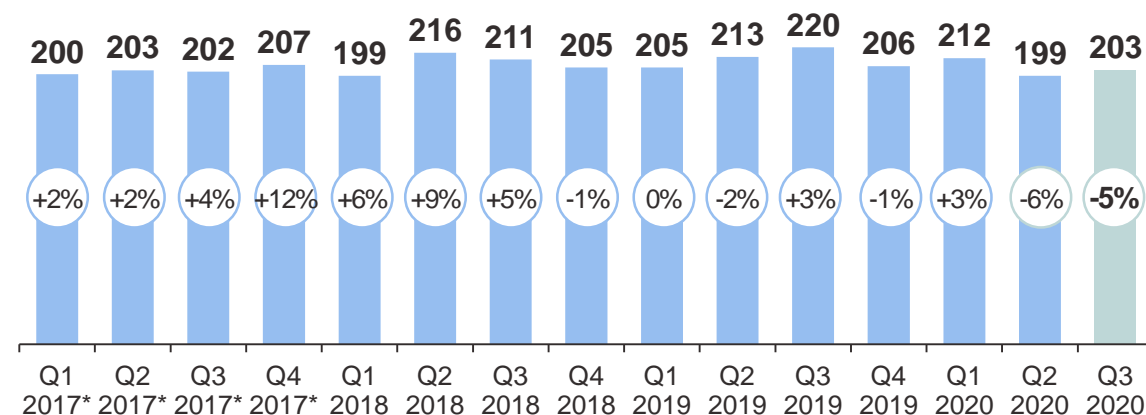
## WATER TREATMENT 1-9 2020

**Revenue:** Municipal water treatment (2/3 of water treatment revenue) revenue grew slightly, industrial water treatment revenue (1/3 of water treatment revenue) declined high single-digits

**Profitability:** Sales prices remained solid with clear support from variable and fixed cost tailwind

## WATER TREATMENT REVENUE AND ORGANIC GROWTH 2017- 1-9 2020

EUR million



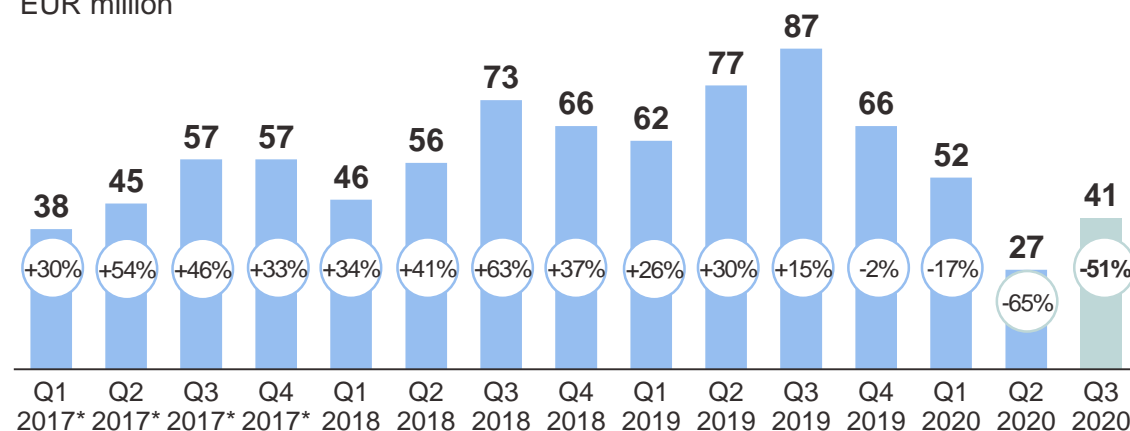
## OIL & GAS 1-9 2020

**Revenue:** Significantly down due to shale and oil sands tailings, slight growth in CEOR revenue

**Profitability:** Clearly impacted by revenue decline, restructuring measures taken to compensate some of the headwinds

## OIL & GAS REVENUE AND ORGANIC GROWTH 2017- 1-9 2020

EUR million



\*2017 revenue = restated figures



# Looking to the future



# COVID-19 impact clear on shale, but remaining I&W business areas continue to be resilient short and long-term





	SHORT TERM IMPACT OF COVID-19	LONG TERM IMPACT OF COVID-19	EXPECTED CAGR 2020-2026*
<b>Municipal Water Treatment</b>	Marginal drop in volumes due to lower activity mainly in the hospitality industry	Expected to grow with around GDP No changes to previous views	3-4%
<b>Industrial Water Treatment</b>	Temporarily lower industrial activity has decreased chemical demand by 5-10%	Expected to recover with economy and continue to grow with around GDP No changes to previous views	3-4%
<b>Oil Sands Tailings Treatment</b>	Volumes lower than expected for Kemira's end market, expected to recover in 2021	No impact on the long-term tailings treatment demand	8-9%
<b>Chemically Enhanced Oil Recovery (cEOR)</b>	No impact on active projects and projects in planning phase <ul style="list-style-type: none"> <li>Projects long-term in nature, project breaks are expensive</li> </ul>	No impact expected	~15%
<b>Shale Oil &amp; Gas</b>	Sharp drop in fracking activity leading to -70% of Friction Reducer demand for 2020 compared to 2019 Market bottom in Q2 followed by modest sequential pick-up during Q3	Industry expected to recover gradually by 2025 Shale role in future global oil supply to be confirmed	15-20%

\*Kemira estimates

# APAC, CEOR and oil sands tailings provide strong growth opportunities

GROWING NEED FOR POLYMERS		
<p>↑</p> <p><b>WATER TREATMENT IN APAC</b></p> <ul style="list-style-type: none"> <li>• Largest and fastest growing water treatment market</li> <li>• Expected market CAGR ~5% until 2030</li> <li>• Fragmented market; many local players with local manufacturing</li> </ul>	<p>↑</p> <p><b>OIL SANDS TAILINGS</b></p> <ul style="list-style-type: none"> <li>• Market growth driven by regulatory liability to treat tailings from oil sands in Canada</li> <li>• Market expected to grow significantly into 2030s with tailings remediation demand expected to continue for at least the next 50 years</li> </ul>	<p>↑</p> <p><b>CEOR</b></p> <ul style="list-style-type: none"> <li>• Exploration and drilling of new oil wells increasingly expensive; ensuring most efficient use of current wells</li> <li>• Market expected to grow clearly until 2030, more moderate growth until 2050</li> </ul>
<p><b>KEMIRA POSITION</b> Mainly export business, focus on premium segment</p>	<p><b>KEMIRA POSITION</b> Strong relationship with all oil sands operators</p>	<p><b>KEMIRA POSITION</b> Serving customer in the North Sea, several other customer pilots ongoing</p>

# Regulation continues to support growth in European water treatment market

Regulation under update	Comments & Implications
 <b>Urban Wastewater Treatment Directive (UWWT)*</b>	<ul style="list-style-type: none"> <li>• Basis for wastewater treatment business in Europe</li> <li>• Target to better enforce existing legislation in all countries</li> <li>• Other potential improvement areas: energy efficiency and micropollutants control</li> <li>• Revised directive will increase use of coagulants and polymers in non-compliant countries</li> <li>• New regulation expected to be fully operational in late 2025</li> </ul>
 <b>Water Framework Directive (WFD)</b>	<ul style="list-style-type: none"> <li>• Regulation evaluated to be fit for purpose and won't be opened for changes</li> </ul>
 <b>Drinking Water Directive (DWD)</b>	<ul style="list-style-type: none"> <li>• Only minor changes with small impact: <ul style="list-style-type: none"> <li>– New tighter limits for Lead and Chromium in drinking water</li> </ul> </li> <li>• New regulation is expected to be fully operational in 2025</li> </ul>
 <b>Water Reuse regulation</b>	<ul style="list-style-type: none"> <li>• New EU wide regulation (no additional national implementation required) defining minimum quality standards for water reuse in agriculture</li> <li>• The regulation does not incentivize increased water reuse, however clear quality standards are hoped to boost water reuse</li> </ul>
<b>Estimated to increase water treatment chemical demand by ~40 MEUR / p.a. in the long term</b>	

\* most relevant for Kemira



# Water treatment customers focus increasingly on sustainability

- Consumers increasingly aware of sustainability issues
- Water treatment customers increasingly focused on reducing CO<sub>2</sub> footprint
- Kemira survey shows customers are willing to pay a premium for biobased products
- Micropollutant removal and disinfection leading themes currently in sustainable water management



**Growing market for sustainable and circular products.  
Also biobased products growing in importance.**



# We will increase focus on water treatment to further improve sustainability of portfolio

**24%**

of current raw materials  
from recycled sources

Already

**up to 80%**

of raw materials from  
recycled sources in  
coagulants

## WE WILL CREATE AN ACTION PLAN TO FURTHER IMPROVE THE SUSTAINABILITY PROFILE OF THE I&W PORTFOLIO

Further improve the circularity of our business  
by increasing share of recycled materials

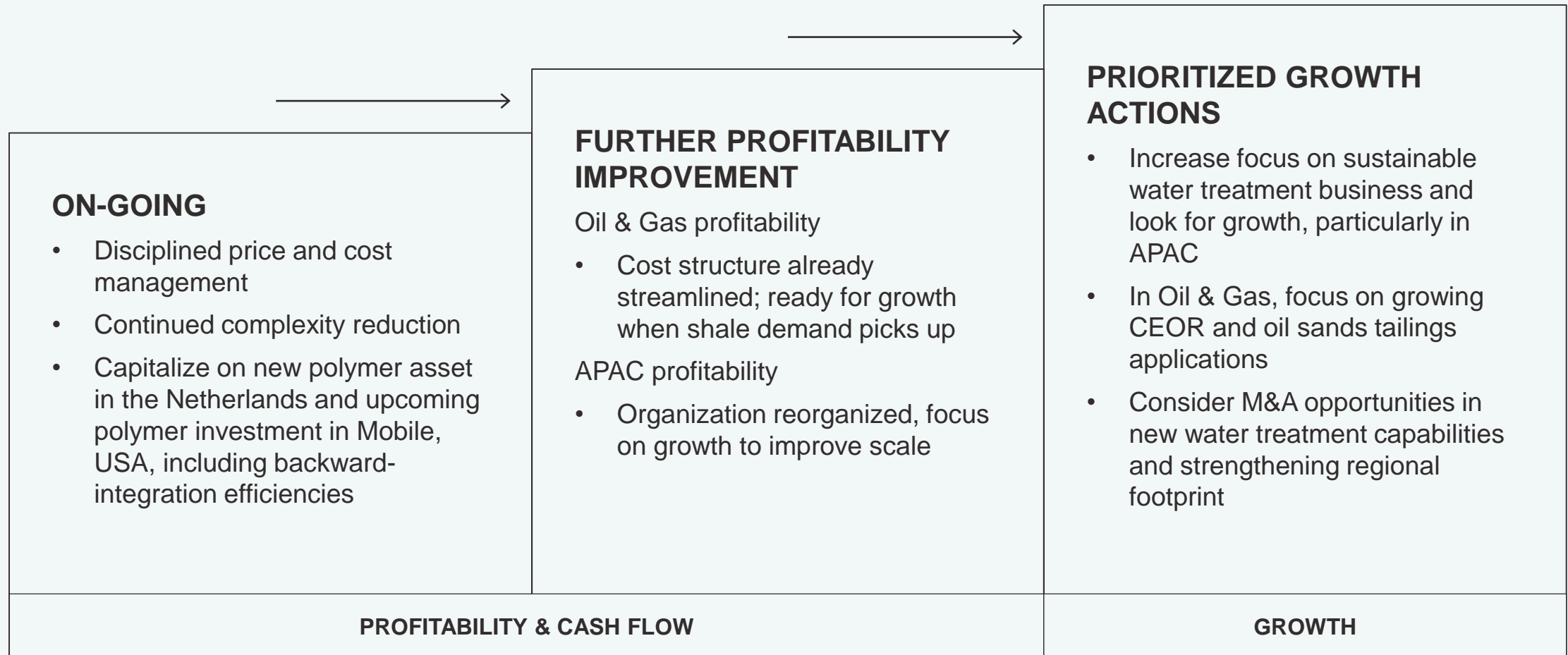
Start building a biobased polymer portfolio

Increase segment focus on water treatment  
applications and capabilities

Increase Oil & Gas focus on growing and  
less volatile businesses, i.e. CEOR and  
Oil Sands tailings. Expected recovery in shale  
provides near-term growth opportunities.



# Our focus is to maintain profitability while increasing focus on growth

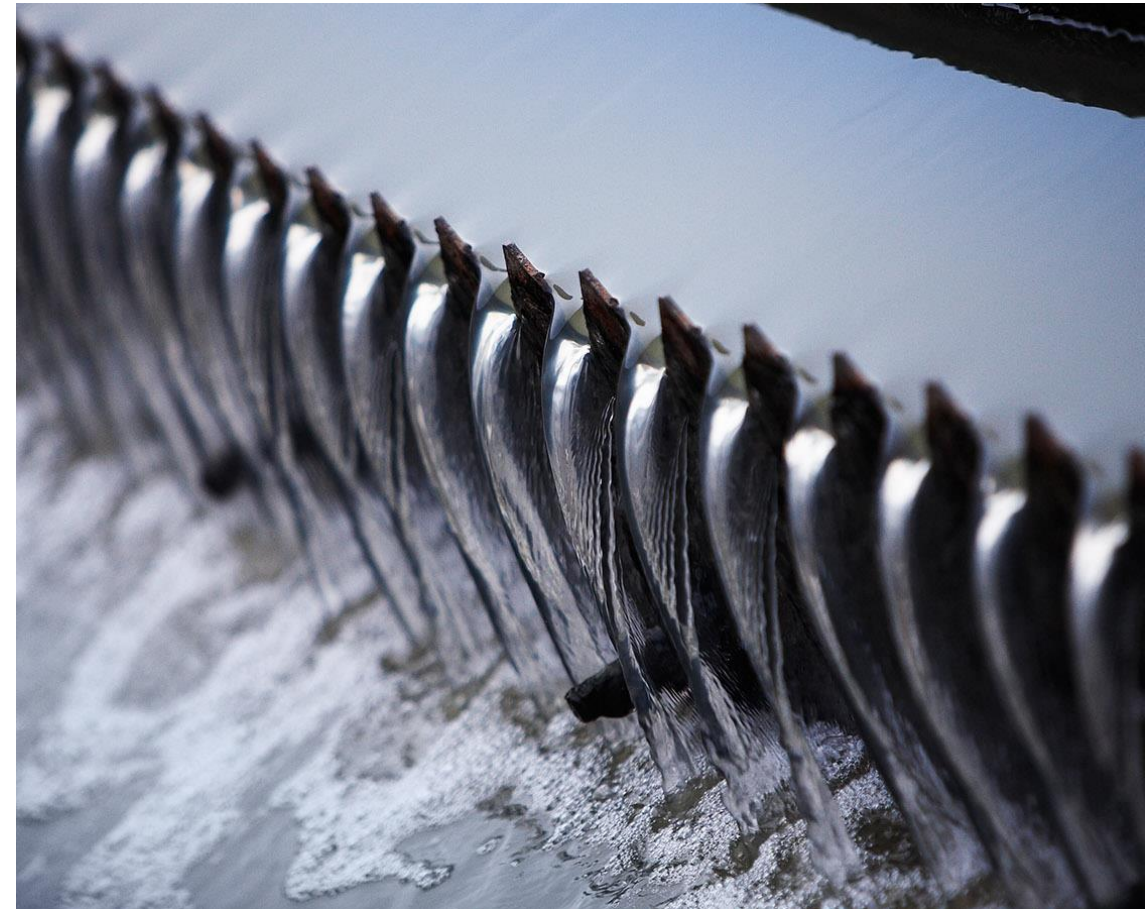


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# We have strong positions particularly in EMEA water treatment

	Market position	Market outlook
<b>EMEA</b>		
Water treatment <sup>1,2)</sup>	#1	→
<b>North America</b>		
Water treatment <sup>1)</sup>	#1	→
<b>APAC</b>		
Water treatment <sup>2)</sup>	#9	↗
<b>Oil &amp; Gas</b>		
CEOR <sup>2)</sup>	#6	↗
Shale <sup>2)</sup>	#2	↗
Oil Sands Tailings <sup>2)</sup>	#2	↗



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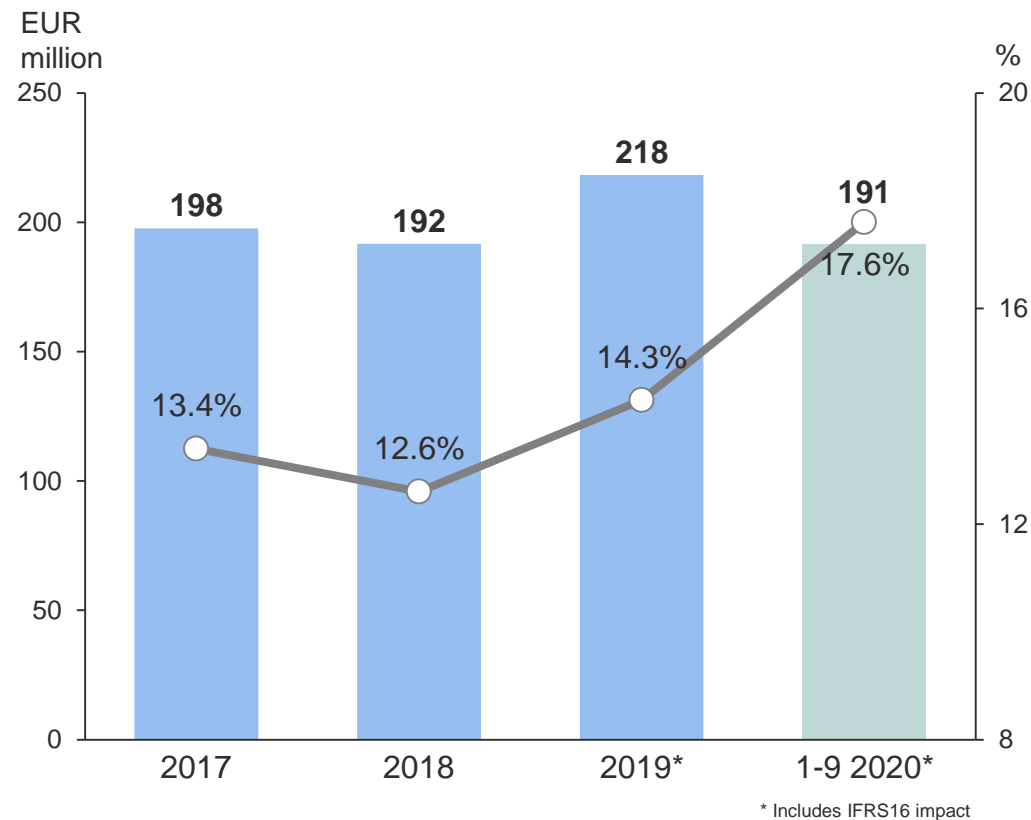
# Pulp & Paper: Building on our improved profitability

**HARRI ERONEN**  
SVP, PULP & PAPER, EMEA



# We have strengthened our business and improved profitability since 2017

## OPERATIVE EBITDA AND OPERATIVE EBITDA MARGIN DEVELOPMENT



### 1. BUSINESS FUNDAMENTALS:

- Focus on growing segments and product lines
- Complexity reduction: streamlining P&P product portfolio from 1,100 to 800 products
- Organizational changes implemented to improve efficiency

### 2. PROFITABILITY FOCUS:

- Value over volume and active price management in 2018-2019
- New investments in bleaching improving efficiency and contributing positively to operative EBITDA

### 3. ENGAGEMENT SCORES:

- Customer satisfaction (NPS): clearly above chemical sector average at 41 in 2020\*; positive feedback on Kemira's handling of COVID-19
- Safety score: 90/100
- Employee engagement score: 82/100

\*average NPS in 2020, data in 2020 limited due to a 6-month break in interviews following COVID-19

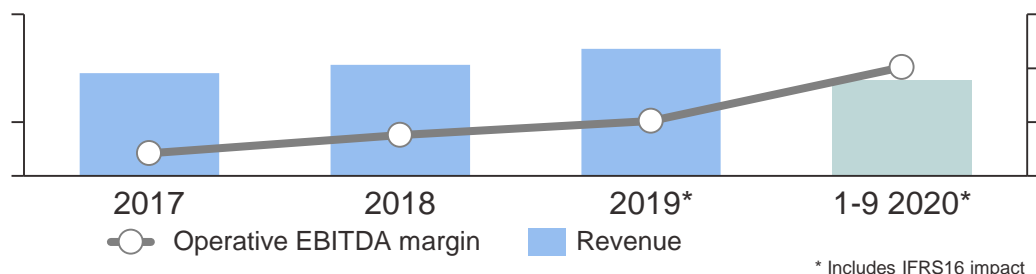


# We have significantly improved profitability in Asia-Pacific

## Key actions behind Asia-Pacific profitability improvement

- Result of systematic and hard work to improve profitability and reduce complexity
- Focus on disciplined price and cost management and customer profitability
- Growth leveraging fixed cost structure
- Improved efficiency and expanded capacity following recent investments

## APAC REVENUE AND OPERATIVE EBITDA MARGIN DEVELOPMENT



## AKD WAX INVESTMENT IN CHINA IMPROVING ASIA-PACIFIC PROFITABILITY

- Manufacturing facility fully operational with positive EBITDA contribution as of Q1 2020
- Capacity expansion: produces mainly high-quality AKD wax and water treatment chemicals
  - AKD is a sizing chemical used in board and paper to create resistance against liquid absorption. Enables Kemira to capitalize on growing sustainable packaging trend.
- Increases degree of backward-integration and brings efficiencies and cost savings. Enables self-sufficiency in all regions globally.

Investment around EUR 70 million,  
EBITDA contribution EUR double-digit millions  
(annualized)

# Upcoming investments will further strengthen our long-term performance

<p><b>BLEACHING EXPANSION IN URUGUAY</b></p> <ul style="list-style-type: none"> <li>• Multi-year agreement with UPM-Kymmene includes bleaching capacity to existing Fray Bentos mill as well as new 2.1 million ton pulp mill in Paso de los Toros.</li> <li>• Expansion of both sodium chlorate and hydrogen peroxide at the existing Fray Bentos chemical island site</li> <li>• The extension will support long-term growth in bleaching, one of Kemira's strategic focus areas</li> <li>• Financial contribution expected as of 2023, investments to take place in 2021-2022</li> </ul>	<p><b>SOUTH KOREA</b></p> <ul style="list-style-type: none"> <li>• Joint Venture with Yongsan Chemicals, Kemira minority shareholder</li> <li>• Polymer investment in a growing market; efficiency improvement from backward-integration</li> <li>• Premium dry polymer products: paper and packaging mills in APAC and water treatment facilities as end customers</li> <li>• Will support strengthening competitive position in APAC</li> <li>• Scheduled opening in H1 2021, ramp-up by the end of 2021.</li> </ul>
<p>INVESTMENT AROUND USD 30 MILLION</p>	<p>EQUITY INVESTMENT AROUND EUR 5 MILLION</p>

# Pulp & Paper profitability has been strong in 2020 despite unprecedented situation

## REVENUE:

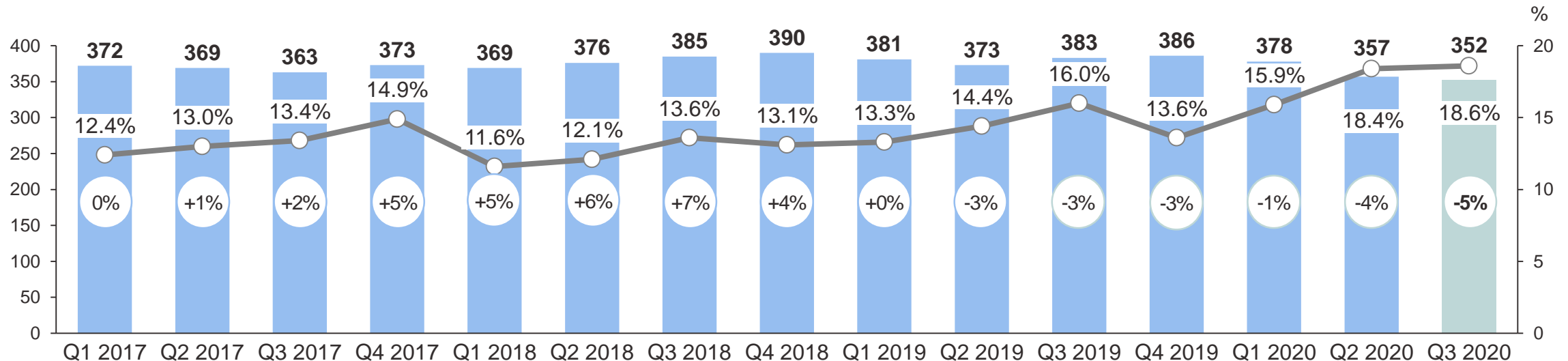
- Economic slowdown impacted overall volumes, particularly in printing & writing applications
- Pulp, packaging and tissue revenue remained solid
- Printing and writing revenue declined

## PROFITABILITY:

- Improved profitability due to good management of variable and fixed costs. Efficiency improvements and capacity expansion from the AKD wax investment in China contributed positively.

## REVENUE, ORGANIC REVENUE GROWTH (Y-ON-Y) AND OPERATIVE EBITDA MARGIN\*

EUR million



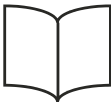

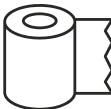



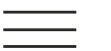

\* Includes IFRS16 impact from Q1 2019 onwards





# Looking to the future

# Markets impacted by COVID-19 in the short term, long-term drivers remain solid

	SHORT TERM IMPACT OF COVID-19	LONG TERM IMPACT OF COVID-19	EXPECTED CAGR 2020-2026*
<b>Graphic Paper</b> 	Demand declined, particularly advertising-driven paper consumption and office paper demand  Printing & Writing demand expected to decline by up to 20% in 2020	Structural decline and digitalization likely to accelerate  Some recovery on print advertisement and office paper possible after situation normalizes	
<b>Tissue</b> 	High demand in H1/2020  Increased demand for more high-quality virgin fiber based (at-home) tissue and hygiene products	Resilient demand  Megatrends (growing middle-class, growing GDP of emerging countries) remain intact	
<b>Packaging</b> 	Strong demand for online and packaged daily consumer goods.  Higher consumer demand will only partly offset the falling demand for industrial and B2B-transport packaging	E-commerce growth to accelerate  Other megatrends (plastics replacement, growing urban middle class) remain unchanged	
<b>Pulp</b> 	Pulp demand solid  Wastepaper collection and sorting interrupted	Demand supported by packaging and tissue demand  Efficient pulp mills coming online forcing high cost and old pulp mills out of market	

Sources: RISI, Hawkins Wright, Pöyry, management estimation

# From our existing markets, we see growth opportunities in Asia-Pacific and in Pulp

<p><b>ASIA-PACIFIC</b></p> <ul style="list-style-type: none"><li>• Customer demand to shift increasingly to Asia-Pacific with most of new board and paper production capacity expected in the region</li><li>• Big customers expected to capture larger share of the region's market; emerging sustainability focus of consumers to benefit larger suppliers</li><li>• Fragmented chemical market with many small and local producers provides opportunities for further consolidation</li></ul>	<p><b>PULP</b></p> <ul style="list-style-type: none"><li>• Growth in pulp expected to be driven by increasing need for packaging and tissue</li><li>• Demand to shift more towards market pulp and recycled pulp</li><li>• New investments expected to concentrate in Northern Europe and South America</li></ul>
<p><b>KEMIRA POSITION</b></p> <p>Focused on larger and financially healthy producers Customer market consolidation could create opportunities for Kemira to differentiate with full product portfolio offering</p>	<p><b>KEMIRA POSITION</b></p> <p>Well-positioned to capture selected growth opportunities in Northern Europe and South America through existing strong customer relationships</p>



# We are looking to transform our portfolio more towards biobased products

## CUSTOMERS SEEKING ADDED VALUE FROM SUSTAINABILITY AND BIOMATERIALS

- Maximizing biocontent in end-products to differentiate from plastic applications -> **recyclability** of products key
- Pulp & Paper companies making increasing investments to renew and broaden wood-based end-product portfolio
- Many Pulp & Paper customers announcing ambitious sustainability targets related to CO<sub>2</sub> emission reduction and more efficient water usage

## WE WILL BECOME THE LEADING PROVIDER OF SUSTAINABLE CHEMICAL SOLUTIONS FOR WATER-INTENSIVE INDUSTRIES

- Kemira's aim is to improve customer resource efficiency, particularly in pulp and packaging
- 12% of all carbon containing raw materials used in Kemira is already renewable
- Ambition to create a green portfolio in the long term
- Key product lines strength, sizing and barriers as well as retention chemicals
- **Kemira's current biobased solutions:** e.g. sizing agents, such as Sunflower ASA and AKD wax, and rosin

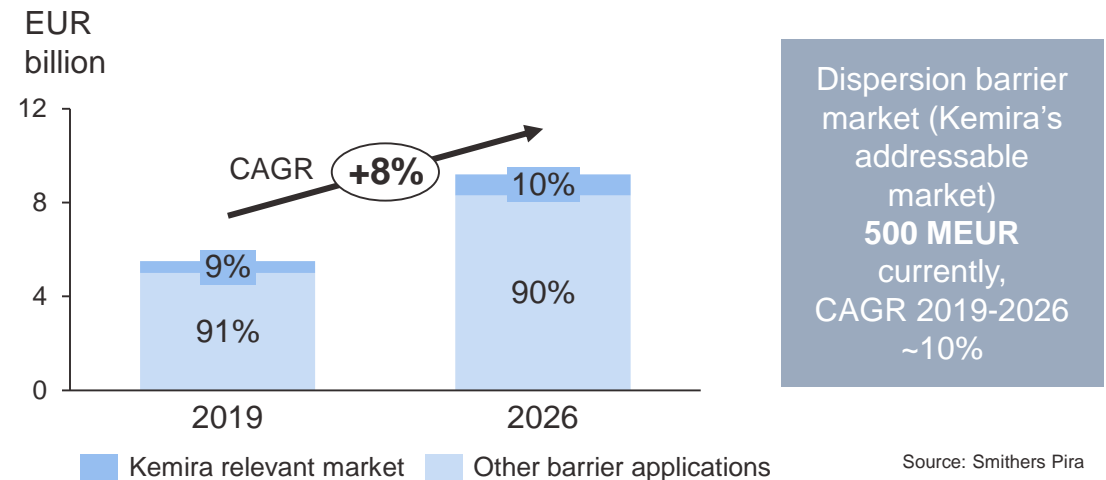
# Barrier market provides interesting opportunities in the long term

- Consumers expect significantly more sustainable packaging from brand-owners
- Brand owner initiatives Phasing out "non-recyclable" packaging materials
- Sustainability focus:
  - Plastic replacement
  - Shift towards green and renewable materials from fossil-based materials

## Regulations:

- Restrictions to use fluorinated chemicals (PFAS)
- Global restrictions to move away from single-use plastics (e.g. SUP-directive)

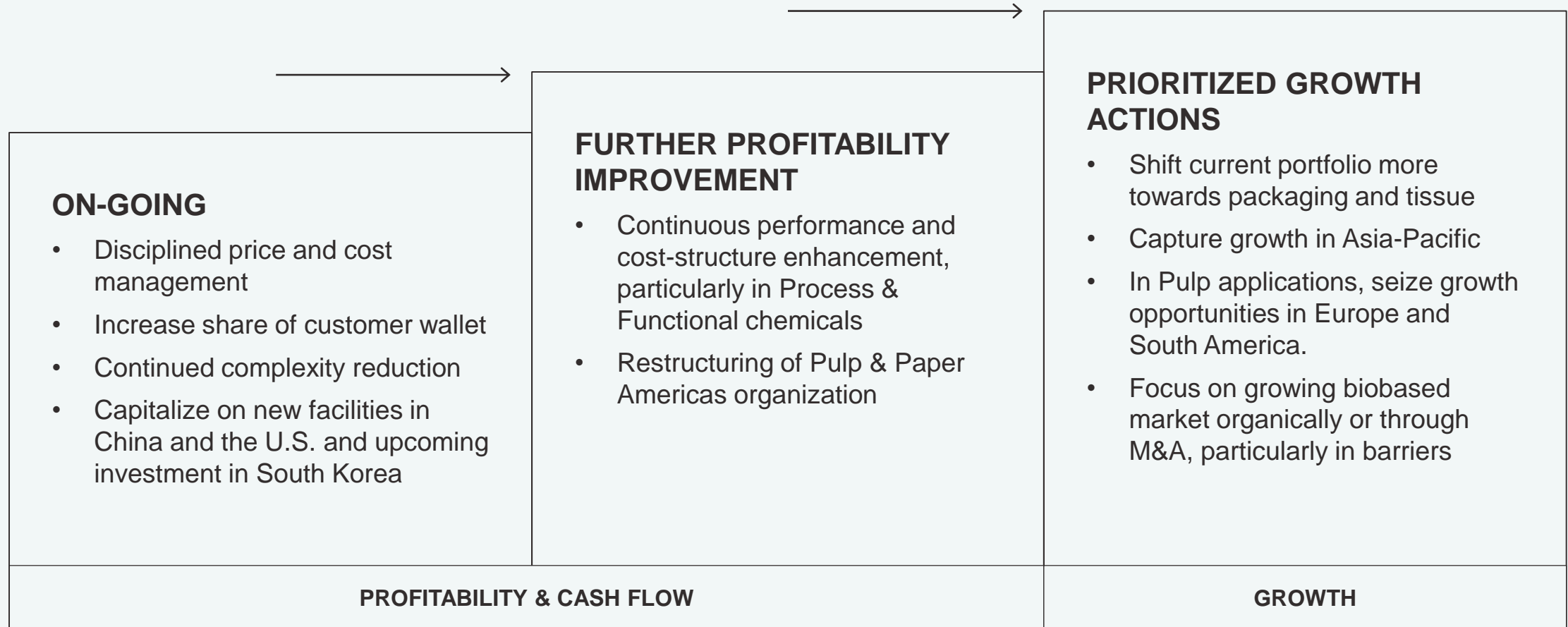
## THE BARRIER MARKET IS EXPECTED TO GROW RAPIDLY



## KEMIRA BARRIER SOLUTIONS

- Kemira barriers being trialed with several customers in EMEA and North America
- Product partly biobased, aim to increase biobased content further in upcoming barrier versions

# Our focus is to maintain profitability while increasing focus on growth





**kemira** 100 years of  
chemistry

# We have a strong position particularly in EMEA

	PULP	PACKAGING & TISSUE	PRINTING & WRITING
<b>EMEA</b>			
Market position	#1/2	#1/2	#1/2
Market outlook	→	→	→
<b>North America</b>			
Market position	#3/4	#3	#2/3
Market outlook	→	→	→
<b>APAC</b>			
Market position	n.a.	#1/2	#1/2
Market outlook	→	→	→
<b>South America</b>			
Market position	#2	#2/3	#2/3
Market outlook	→	→	→

CAPITAL MARKETS DAY

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chemistry

# Strong foundation to build on

PETRI CASTRÉN  
CFO

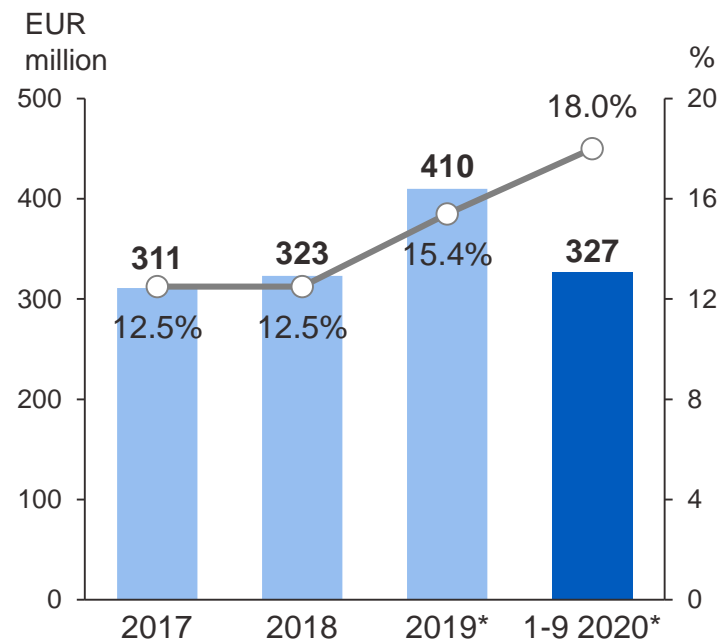




# We have delivered on our three promises from CMD 2017

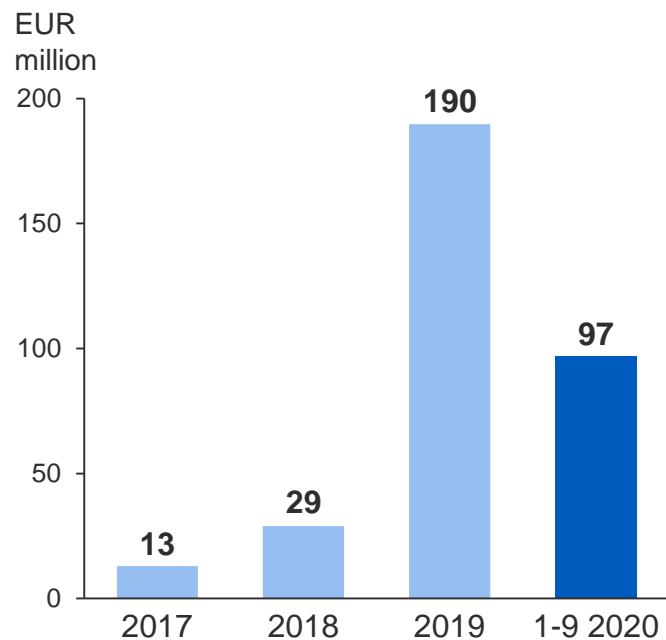
## HIGHER PROFITABILITY

### OPERATIVE EBITDA OPERATIVE EBITDA MARGIN



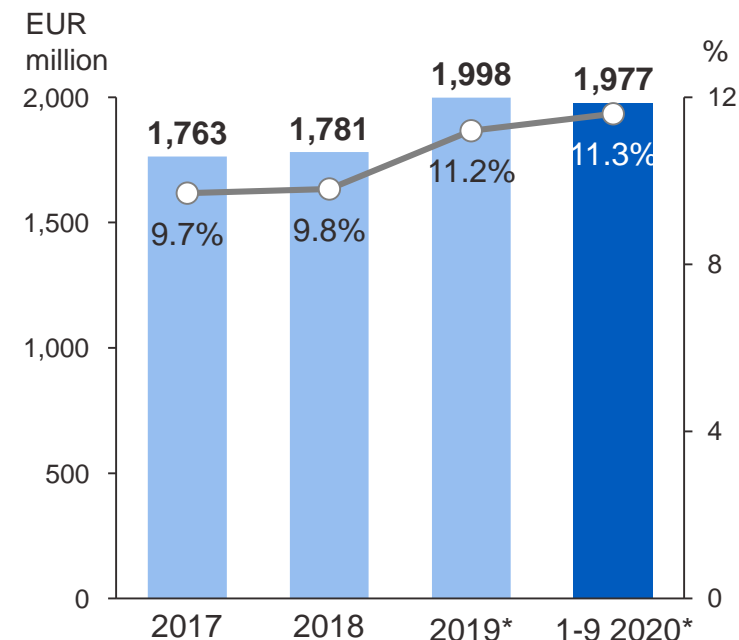
## IMPROVED CASH FLOW

### CASH FLOW AFTER INVESTING ACTIVITIES



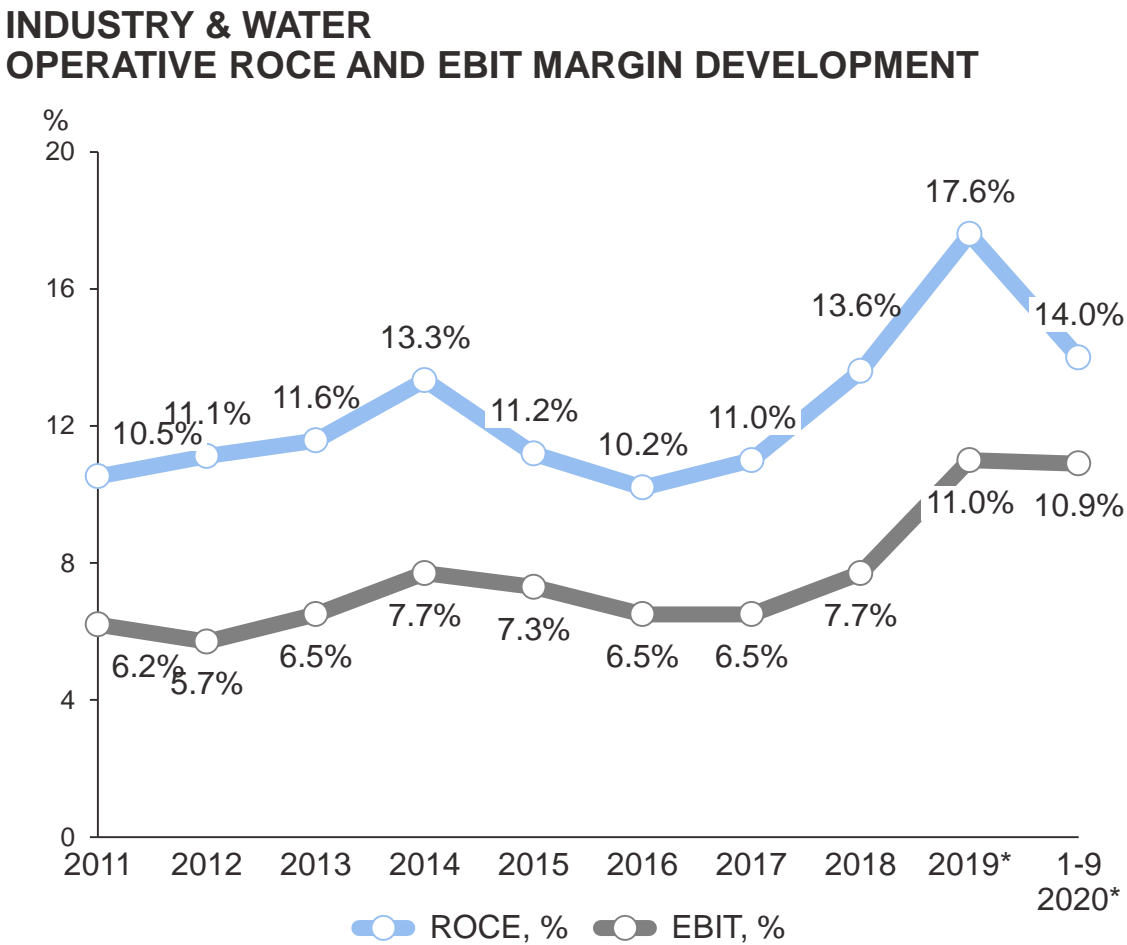
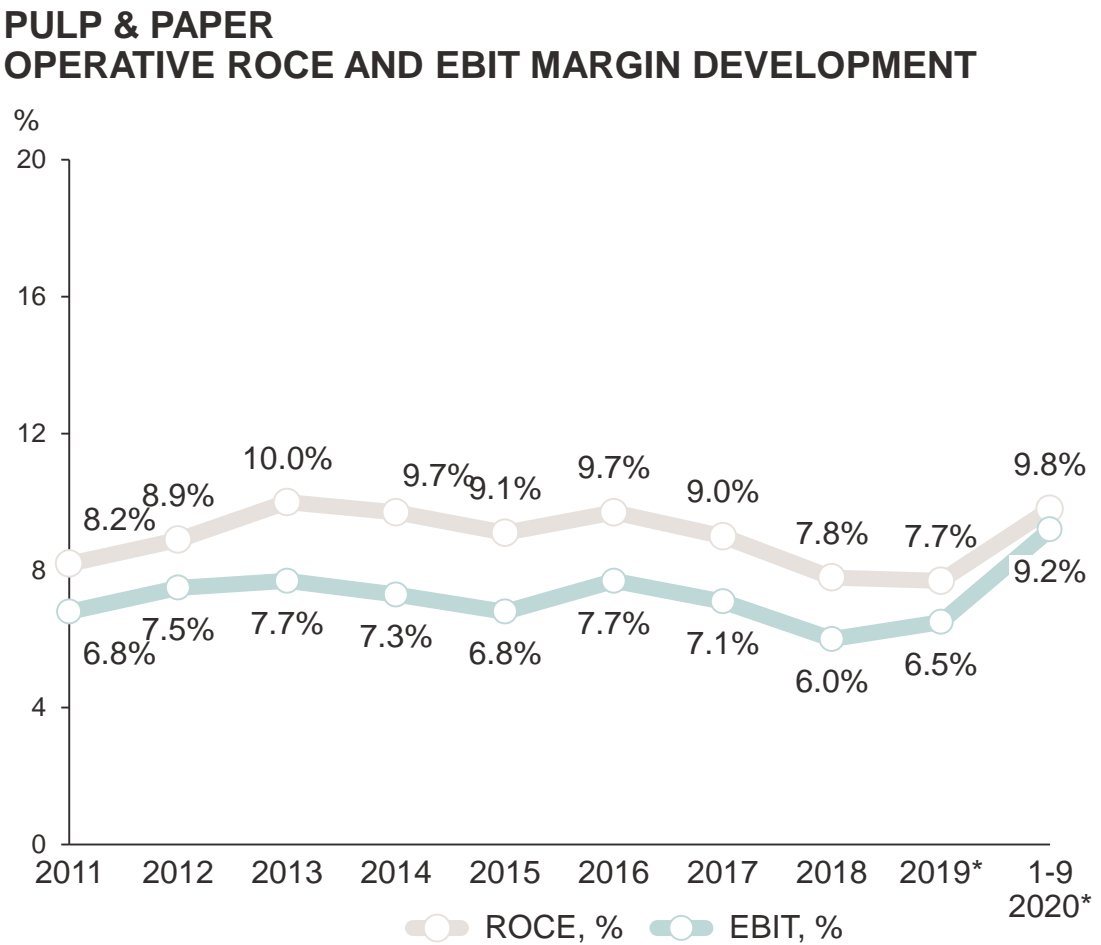
## EFFICIENT CAPITAL RETURNS

### CAPITAL EMPLOYED OPERATIVE ROCE % (rolling 12 months)



\* Includes IFRS16 impact

# Operative ROCE and EBIT margins have improved in recent years



\* Includes IFRS16 impact

# Stronger foundation is based on three pillars

**1.**

## **CUSTOMER PROFITABILITY**

- Increased focus on customer-level profitability since 2017
- Share of low margin customers has decreased by over 40% since end of 2016
- More concentrated customer base; number of customers down by 25% from 2016 to 2020

**2.**

## **EFFICIENCY OF OPERATIONS**

- Two-segment structure EUR 15 million
- Operational excellence program : cost savings of around EUR 20 million reached by 2019
  - E.g. outsourcing of transportation logistics
- Reduction in variable costs following investments in backward integration
- Revenue / sales representative grew by 13% from 2016-2019

**3.**

## **PRODUCT PORTFOLIO AND MIX**

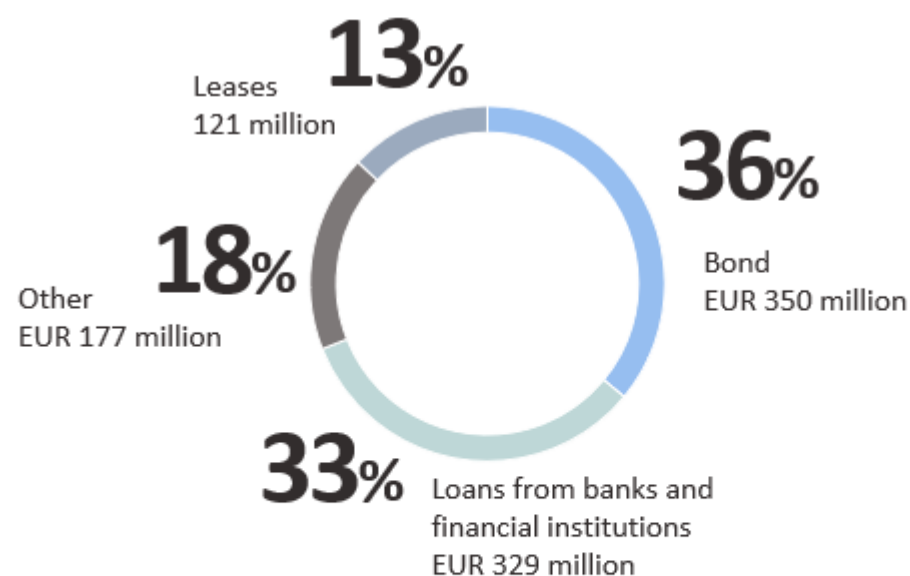
- We have clearly simplified the product portfolio: number of products decreased by over 30% from 2017 to 2020
- Investments focused to key product groups: the share of four largest product groups increased from around 78% to 82% of revenue from 2017 to 2020



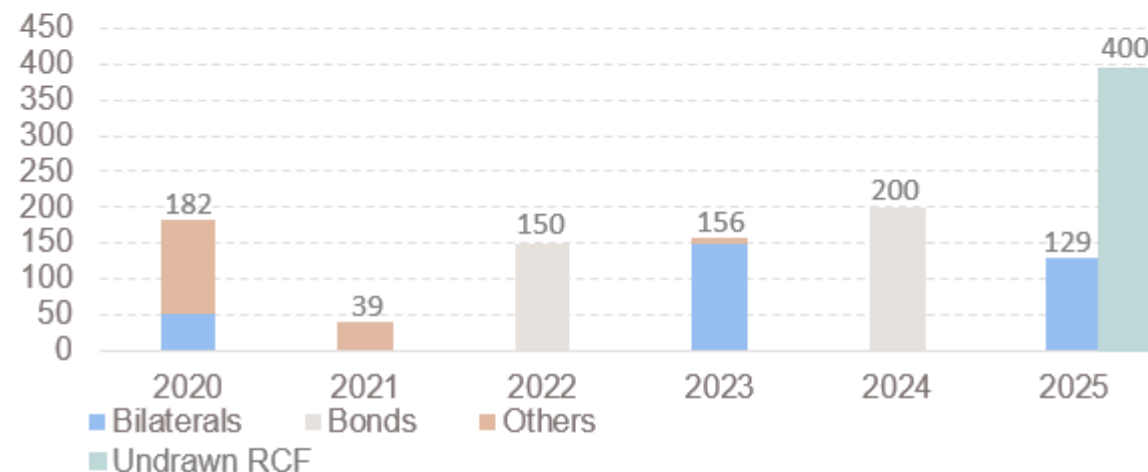
# Healthy financial position

## DEBT AND LIQUIDITY AS OF SEPTEMBER 30, 2020

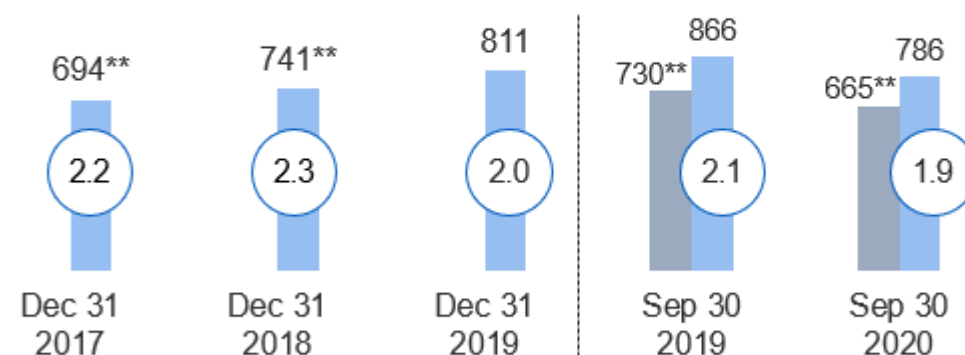
- Total interest-bearing debt EUR 972 million
- Liquidity EUR 186 million + undrawn RCF of EUR 400 million



## MATURITY PROFILE EXCLUDING LEASES



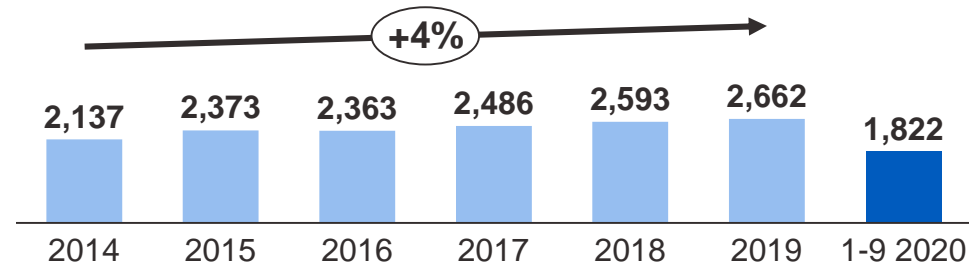
## NET DEBT (EUR million) AND LEVERAGE RATIO\*



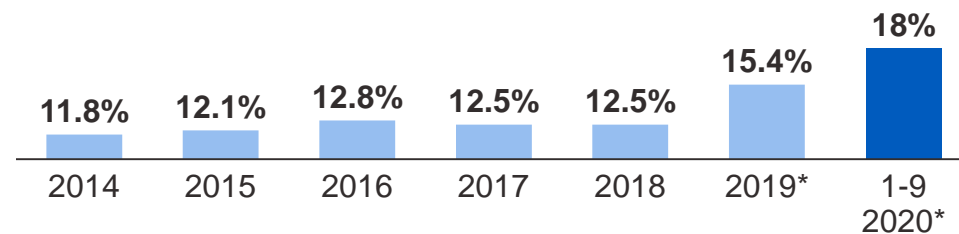
\* Leverage ratio = Net debt / last 12 months operative EBITDA \*\* pre-IFRS 16 figures

# Focus on building sustainable growth- target for operative EBITDA margin updated

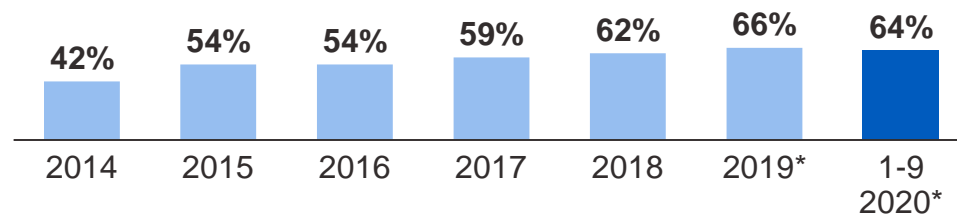
## 1. ABOVE-THE MARKET GROWTH (UNCHANGED)



## 2. OPERATIVE EBITDA MARGIN 15-18% (UPDATED)



## 3. GEARING BELOW 75% (UNCHANGED)



\* Includes IFRS16 impact

### NEXT STEPS

- Build further growth organically and via partnerships
- Growth opportunities: water treatment, CEOR, Oil sands tailings, APAC, pulp, recovery in shale
- Consider M&A to support profitable growth

### NEXT STEPS

- Maintain operative EBITDA margin within updated range
- Disciplined price and cost management
- Capitalize on recent and upcoming investments
- Profitability improvement actions

### NEXT STEPS

- Maintain gearing below financial target range of 75%
- Capability to temporarily increase if clear plan to reduce leverage

# Capital allocation principles

## CAPITAL ALLOCATION PRIORITIES

**Balanced capital allocation between:**

### **Profitable growth**

- Investments supporting profitable growth
- Selective M&A opportunities

### **Shareholder returns**

- A competitive and over-time increasing dividend

## CAPITAL EXPENDITURE

- Continue to focus on key product areas: bleaching, coagulants, polymers and sizing chemicals
- Capex expected to be around similar levels in coming years
  - Sustainability shift will result in changes in capex allocation priorities
  - Capex increasingly allocated towards biobased opportunities

## M&A

- Solid balance sheet allows us to look for M&A opportunities to enable profitable growth
- Areas of interest: water treatment competences, geographic footprint, biobased competences



# The dividend policy has been updated

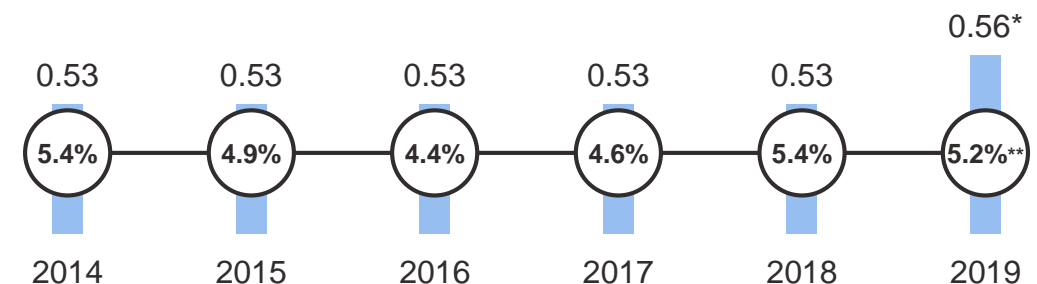


## KEMIRA'S NEW DIVIDEND POLICY

Competitive and over-time increasing dividend  
No fixed payout ratio

## We have a solid dividend track record

■ Dividend per share    ○ Dividend yield



\*AGM authorized the Board to decide on a dividend payment of max. EUR 0.56 at its discretion to be paid in two installments in May and November. The first installment, EUR 0.28 per share, was paid on May 14, 2020 and the second installment on November 5, 2020

\*\*Dividend yield as of Sep 30, 2020

# Factors to watch for in 2021

## FACTORS IMPACTING OPERATIVE EBITDA DEVELOPMENT IN 2021



### SUPPORTING

- Contribution from recent investments
- Restructuring in Pulp & Paper Americas
- Shale market and tailings market expected to recover gradually from 2020 level
- Part of fixed cost savings to continue



### UNCERTAINTIES

- Uncertainty related to global economic situation and its impact on customer volumes and Kemira sales volumes
- Raw material price development
- FX development



### POSSIBLE NEGATIVE FACTORS

- Time lag to pass raw material price increases to sales prices



# Investment highlights



1

## **Strong profitability improvement track record**

Focus on profitable sustainable growth  
Operative EBITDA margin target updated

2

## **Attractive dividend**

Updated dividend policy: competitive and over-time increasing dividend

3

## **Increased focus on sustainability**

Kemira will become the leading provider of sustainable chemical solutions for water-intensive industries



**kemira** 100 years of  
chemistry