Pulp & Paper: Building on our improved profitability

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We have strengthened our business and improved profitability since 2017

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

**BLEACHING EXPANSION IN URUGUAY**
- 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.
- Expansion of both sodium chlorate and hydrogen peroxide at the existing Fray Bentos chemical island site
- The extension will support long-term growth in bleaching, one of Kemira’s strategic focus areas
- Financial contribution expected as of 2023, investments to take place in 2021-2022

**SOUTH KOREA**
- Joint Venture with Yongsan Chemicals, Kemira minority shareholder
- Polymer investment in a growing market; efficiency improvement from backward-integration
- Premium dry polymer products: paper and packaging mills in APAC and water treatment facilities as end customers
- Will support strengthening competitive position in APAC
- Scheduled opening in H1 2021, ramp-up by the end of 2021.

**INVESTMENT AROUND USD 30 MILLION**

**EQUITY INVESTMENT AROUND EUR 5 MILLION**
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*

* 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

| Graphic Paper | Demand declined, particularly advertising-driven paper consumption and office paper demand | Structural decline and digitalization likely to accelerate |
| High demand in H1/2020 | Printing & Writing demand expected to decline by up to 20% in 2020 | Some recovery on print advertisement and office paper possible after situation normalizes |

### LONG TERM IMPACT OF COVID-19

| Tissue | Resilient demand |
| Increased demand for more high-quality virgin fiber based (at-home) tissue and hygiene products | Megatrends (growing middle-class, growing GDP of emerging countries) remain intact |

### EXPECTED CAGR 2020-2026*

| Packaging | E-commerce growth to accelerate |
| Strong demand for online and packaged daily consumer goods. | Other megatrends (plastics replacement, growing urban middle class) remain unchanged |
| Higher consumer demand will only partly offset the falling demand for industrial and B2B-transport packaging | +2-3% |

| Pulp | Demand supported by packaging and tissue demand |
| Pulp demand solid | Efficient pulp mills coming online forcing high cost and old pulp mills out of market |
| Wastepaper collection and sorting interrupted | +1-2% |

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Sources: RISI, Hawkins Wright, Pöyry, management estimation
From our existing markets, we see growth opportunities in Asia-Pacific and in Pulp

### ASIA-PACIFIC
- Customer demand to shift increasingly to Asia-Pacific with most of new board and paper production capacity expected in the region
- Big customers expected to capture larger share of the region’s market; emerging sustainability focus of consumers to benefit larger suppliers
- Fragmented chemical market with many small and local producers provides opportunities for further consolidation

### PULP
- Growth in pulp expected to be driven by increasing need for packaging and tissue
- Demand to shift more towards market pulp and recycled pulp
- New investments expected to concentrate in Northern Europe and South America

### KEMIRA POSITION
- Well-positioned to capture selected growth opportunities in Northern Europe and South America through existing strong customer relationships

- Focused on larger and financially healthy producers
- Customer market consolidation could create opportunities for Kemira to differentiate with full product portfolio offering
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 CO₂ 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)

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

**ON-GOING**
- Disciplined price and cost management
- Increase share of customer wallet
- Continued complexity reduction
- Capitalize on new facilities in China and the U.S. and upcoming investment in South Korea

**FURTHER PROFITABILITY IMPROVEMENT**
- Continuous performance and cost-structure enhancement, particularly in Process & Functional chemicals
- Restructuring of Pulp & Paper Americas organization

**PRIORITIZED GROWTH ACTIONS**
- Shift current portfolio more towards packaging and tissue
- Capture growth in Asia-Pacific
- In Pulp applications, seize growth opportunities in Europe and South America.
- Focus on growing biobased market organically or through M&A, particularly in barriers

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kemira 100 years of chemistry
We have a strong position particularly in EMEA

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Source: Kemira estimates