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KEMIRA OYJ CAPITAL MARKETS DAY

EVENT DATE/TIME: September 26, 2024 / 11:00AM UTC

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PRESENTATION

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

A very warm welcome to Kemira's Capital Markets Day 2024. If you don't know me, my name is Mikko Pohjala from Kemira's Investor Relations, and I'll be your host and moderator for today's event. We're very pleased to see such a great crowd here in Helsinki and also an even greater crowd there crowd on the other side of the Kemira, so a warm welcome to you both to this hybrid event.

On behalf of the whole Kemira team, I can say that we're very excited to host this year's Capital Markets Day as we do believe that we're in a very exciting phase as a company, and we're very excited and eager to tell you about the next steps on our strategy.

Now this year, we've been very active in roadshow and with Petri and Antti, and there are the same themes that come up every now and again. So how and when will Kemira grow and whether the margins currently are sustainable? These are only some of the topics that we will cover during today alongside the new financial targets that we published yesterday.

You might have also seen that we announced in the organizational model in August. And today's agenda has been really built around these new business units. And during the presentation, during the event today, you will hear why we are now better positioned to capture the growth opportunities with this new business model and organizational model.

Before I let Antti take over, a couple of remarks on the practicalities of today. So you have seen that the agenda is quite tight, but we have thought that it is important that we have also some informal discussions so we reserve plenty of time for that. And we do encourage you to take the opportunity to meet our people here, and the whole leadership team is here present, so do take the opportunity to meet the Kemira people here.

Now in terms of the events, so we're aiming for a three hour event, but we do have flexibility with the final Q&A, so we can go a bit beyond 5:00 if there are any questions. After each presentation, there is a short Q&A. So we do -- and I do encourage you to ask a lot of questions here in the audience.

And if we are following us online, so there is a small box beneath the screen, so you can ask your question there, and it will become -- it will come to me, and I will then moderate the questions. But with this very short introductory remarks, I think we're ready to kick off. We're excited to have you here, and we hope you do enjoy the Capital Markets Day.

And with this, I'll ask Antti to come to the stage and kick off the presentations.

Antti Salminen *Kemira Oyj - President, Chief Executive Officer, Member of the Management Board*

Hole, let's go, as they say. So a warm welcome on my behalf as well to the Kemira's Capital Markets Day and really glad to see so many of you here today, and also online. So I'm, of course, a bit -- a lot excited actually and very honored to be in this position, my first Capital Markets Day as the CEO of the company, which -- for which I have been working for more than 13 years in both of the business units and the operations, knowing it inside out, I would say.

And it's been really, really interesting to build with the organization, the new strategy and start kind of defining the future new Kemira. And of course, this is a very important milestone on that journey that we are now looking at kind of how we have defined the strategy, how have we planned to change a bit the organization to support the execution of the strategy and how we have defined the new long-term financial targets.

So we'll look at all of these aspects now as we move forward in this. I will start from the three, I think, main messages that I have for everybody here. So first of all, we are structurally in a very different place in terms of margins than we have ever before been. You've seen it already. Previous year was the highest ever, but we have several consecutive really strong quarters before that.

And that is a result of long-time effort that we have put into it. So we've started several years back to really streamline the processes and the operations, streamline the portfolio, both business, and the product portfolio, and we worked on the -- I was confused with the technology here.

It's good, but I'm still on the first book here. So basically -- and then as a last thing, we worked a lot with the pricing capabilities that we have. And very honestly, I believe that we have been developing a business model where we are, in terms of margin generation in a very different place than we have ever been.

The second point is the growth. So we are accelerating our growth strategy. You all know that we've had this sustainability driven growth strategy in place already for two years. We have reshaped it a bit, but the fundamental stay the same. So we are planning to grow, especially in the water domain. And one of the big drivers is the sustainability developed in this world. And I think we are really well positioned to capture that growth.

And then, of course, with the changes, the new organization, some cultural changes. We're working on the incentive structure of the company and all these kind of things, we will be executing faster the changes that are needed. As in any case, our strategy is in the end, all about the execution.

So basically, let's then look at a little bit deep kind of evidence behind why I have such confidence to say this. So the financials, you of course, have all followed and you know where we are today in terms of margins, the absolute EBITDA generated, a completely different level than ever before and also a very strong balance sheet.

So this kind of gives us the confidence that the growth strategy is viable and we can execute on it. Sustainability. At the same time, we have been executing very well on our CO2 emission targets reduction. So we are well on track to meet our SBTI targets in terms of the emissions, which is just one part of the sustainability mission, but a good indicator and high indicator that we actually are a front runner in this front.

And then, of course, finally, all this is visible in the share price, and we've been outperforming the EURO Stoxx Chemicals Index also basically creating shareholder value in this development. And as I mentioned, the strategy has been already the fundamentals, the base strategy has been in place for a couple of years already, and we have started executing it.

And next, we look at some of the kind of steps or evidence on that. So basically, we've done a lot of small steps very carefully to implement the strategy. And again, in this position where we are, I think it's important to be careful and make sure that we hold on to these new margin levels as we execute the growth strategy.

So we've been announcing several small capacity expansions in coagulants, which are the core product line in the water business. So that's exactly building the growth in the water domain. We've been establishing the growth accelerator unit basically with the target to develop these new solutions to new markets, which I will be talking more about in a minute and which also the other presenters will touch upon.

And as the last -- we will be also announcing several joint development efforts and partnerships with the biotech companies, which is all about developing the renewable solutions portfolio for us. And as the last step, we just recently announced the entry to the activated carbon market by a small acquisition in UK. So these are all steps which are exactly on those domains, which we see the growth avenues for Kemira going forward.

And then the latest thing is, of course, the new organization. And let's look at that and the drivers behind it a bit more. So the new organization, of course, the biggest thing that you see outside from that is that instead of having two business segments, we will be reporting three business units.

The biggest of them will be the water solution, which is also the area where we expect the biggest growth to come. And then the two others are serving more or less the old Pulp & Paper segments market. So fiber essential serving the pulp industry. And then the packaging and hygiene solutions are serving the packaging board industries and the related industries there. So really, that is the kind of a model to outside.

Now, what drove this change is that we wanted to create an organization that is capable of executing the growth strategy. We need to create an organization which is more transparent in terms of which customer segments we actually serve and which kind of business model and bring the business units closer to customers, be more agile, be faster in implementation and more strategically focused.

What you don't see in this outside presentation of that are some of the major changes that we've done internally to achieve these goals. And the one of the most important changes is that we will bring a big part of our current R&D organization into the business units.

So all those people that work with the direct product development and commercialization of those will be essential part of the commercial organization as close to the customer as possible. So we can really answer to the actual needs of the markets much faster.

And then there will be a strong centralized unit developing those future technology platforms, which are not commercializable next year or a year after, but which will be building the platform for the long-term growth potential of the company. Then we also centralized the manufacturing under one central operations unit.

And the logic behind that is that we want to make absolutely sure that we keep the focus on the operational excellence and the cost efficiency. Whilst we grow, we need to understand that at the same time, we need to fund the growth in investment. And one way to fund and finance them is to get the efficiencies out of the supply chain behind. And that's the right driver there.

And then thirdly, we are also increasing the resources in the strategy and M&A area, a certain a big part of the growth is dependent on our capabilities there. And there are other smaller changes, but I think this describes very well. Why did we do this and what are the major changes there?

And I think this will enable us to achieve then the long-term financial targets that we have just established and communicated, i.e., grow over 4%. And whilst doing that maintaining operative EBITDA margin between 18% and 21%. And as a new target, we then introduced the return on capital employed target.

And why we wanted to have that included in this portfolio of targets is that, of course, when we have a growth strategy, we need to make sure that we invest our money wisely there and keep our eye on capital efficiency. So this is the framework that we will be going through, and Petri will be explaining much more in detail what goes behind this later on today.

Then all of these three business units, they have a very clear distinct role in executing our strategy. So the Water Solutions is the clear kind of growth segments where we expect the biggest growth to come. And also most of the investments most probably going in there, but also the packaging and hygiene solutions has actually a really big role in this growth.

I've been talking a lot about this emerging fiber economy and basically the natural fibers replacing all the best materials in many areas. And this unit has a really big role in capitalizing that potential in our business. And then the fiber essentials is the unit kind of supplying where all this fiber pulps are basically supporting the feedstock in a sense for that customer industry. And it's a really profitable business for us and provides the cash generation that helps us to invest into growth in other areas.

Now, regarding the strategy. The three priority areas that we have defined in the strategy are here. And the first one is expanding in Water, and that has been there already for a couple of years now. So clearly, the biggest growth potential we see driven by the regulation, driven by the fast development of that market, and more consciousness overall about and importance of the quality of and quantity of water globally.

So we see with our leading position globally in the water chemicals market, a really good position for us to capture that growth potential from that market. And we are expecting all the kind of longer horizon to double that business. That's kind of the ambition of having really water-focused company, Kemira is really water-focused company.

The second strategic priority is the renewable chemistry. So we are building a kind of leading renewable solutions portfolio because one of the challenges this world faces is the decarbonization, and basically chemical industry is chemicals are needed in many places in our customer businesses as well.

And it's our mission to replace as big part of those as possible with renewable bio-based chemistry. So that will both kind of improve our own sustainability in terms of replacing some of the existing solutions, but it will especially provide us new growth opportunities in areas where we kind of are not yet, but will be the leading provider of these solutions. And these are relevant across the businesses.

So short term, I see the biggest potential in the packaging and hygiene area where basically the customers are more willing to pay for those, but long term, that will be an essential part of the water-related strategy as well. And there, we have announced already earlier that the target of making more than EUR500 million revenue by 2030 from the renewable solutions, we are very well on track on reaching that target. So we are exactly proceeding towards the express target.

And then the third one, the third strategic priority is about unlocking the new growth platforms. So that is developing new businesses for Kemira, which are adjacent to what we do today, but growing inherently faster than our base markets. And there, we are looking market segments that basically either we have the same customer base that we are serving.

So we know the customers, we deal with them, we have the relationship, but we will be providing completely new technological solutions, chemistry solutions, which we don't have in the portfolio yet, which, in many cases, by the way, nobody in the world has in the portfolio yet, or it will be looking at our technology base, where do we really master as a chemical solution provider and applying that to some adjacent business areas where we are not playing today.

And I've been using in several instances that the textile business, as an example, textiles are fibers. And we have been working we are the world leader in fiber chemistry for the Pulp & Paper industry. So I don't think anybody else is in better position to capture those growth potentials there. And there are several others.

So we are working on all the time developing the pipeline so that we have more of this growth avenues for the future, which are close enough to us so that we don't start diversifying again to two different areas. It's creating the long-term platform for future growth of Kemira.

These are the three strategic priorities. And when we are successful in executing on our strategy and growth ambitions, how will the future Kemira then look like. Well, the organic growth target, if you just do the math, will lead us to somewhere around EUR4 billion company by 2030.

That will mean that we will need to continue to grow and support our existing customers in the base businesses, that will be the foundation of everything. We need to have profitable business, big volume business with existing customers in the existing areas because that is the backbone of the whole business model. But then we will need to be also capable to grow in the growing water solutions areas, and to be able to commercialize and capitalize on these renewable chemistry opportunities that we have.

And then, of course, on top of that, as I said in the beginning, we have a strong balance sheet and M&A plays a key role in our growth strategy. We have a really active pipeline of targets, mostly small and medium-sized, some bigger fishes as well, and we're actively working on those.

But it's impossible to put any date or exact kind of target number on those, all of you know how difficult that game is. So we are confident that it will play a role in the kind of future shaping up future Kemira, but what kind of role exactly at which particular date, it doesn't make any sense to say that or on at, but just that you get the picture.

Now, then when you want to change a company that admittedly has not grown too much previously into this growth company. You need to have a good strategy. You need to understand which technologies you need and where do you go and you need to organize for it, but I think also a really important part of that is to be able to create a culture that is fostering that growth. And next, I'll talk a little bit about that.

So we have today a really strong culture in Kemira, very healthy culture. We have high safety focus, people focus, customer focus. All of these are reflected if you look at our internal employee satisfaction surveys, customer satisfaction survey. So basically, there is growth really strong culture there, which we need to maintain and build on.

We have really focused portfolio. People have been working hard the past couple of years to kind of have our portfolio as focused as possible. And the approach that we have is really customer-centric. We are close to our customers. And the kind of well-oiled machine beneath our excellent operations where basically our we're not only efficient, but we're also punctual so that delivery accuracy, the dependability by the customers is one of the key features.

And those we whilst we change the company and culture, those we need to absolutely maintain. And we are -- everybody knows that and we are committed to that. And those also lay the foundation for maintaining the high-margin levels as we have the efficient backbone there.

But then when you want to create a growth culture in the company, the whole mindset has to be changed to a growth mindset. They need to be more courage, more openness to new ideas, speed in execution. We need to be more nimble and more agile. And of course, we need to continue to further increase the focus on customers. And not only their customers today's needs, but customers' future needs, because that's what we are building on what will happen in these customer industries in the future. And how are we ready to capture that before anybody else?

And innovation will play a key role in this. I mean, innovation inside Kemira innovation, but also being open to innovation from outside from partners, from start-ups, adding that to our portfolio and making us capable to grow. And that, I think, will make us the leading provider of sustainability solutions for our target industries in the end.

Now, so then the new organization, as I mentioned, you've seen the nominations and names. And I think this is another aspect that actually tells quite a lot about the strong culture we have. We have been able to nominate the people into this top position from our internal talent pool. The way that we manage the talent has been growing people into these positions that I believe, and I'm really confident that I will be having a really great leadership team going to next year, who is committed to this growth agenda that we have.

And as I mentioned, there are other tools that we need. So we are also renewing the incentive scheme for this top management so that, that will be more growth-oriented, ensuring that everybody is fully committed to executing on the growth plans. Sustainability. I've mentioned several times, sustainability is important for us from several prospects.

And I think it's one of the aspects that sets us apart from competition. For us, sustainability is not only the internal focus, I showed already the CO2 reduction and so forth, but for us, really big part of sustainability is not only our footprint, but our handprint. So basically, what we do with our solutions at customer processes? We help customers to save energy, water, virgin fiber, and we are kind of emit less into the nature. So that's the, I think, the more important part of sustainability for us.

And depending how you estimate roughly 60% of our solutions actually help customers in these efficiency gains. More than if you look at the footprint, the internal part, more than 70% of our electricity is emission-free. Almost half of our raw materials are byproducts or waste streams from other industries. Being that's real circular economy. So I honestly think that this is one of the things that sets us apart from most of the competition and will help us to execute on a growth strategy.

So to finalize, recapturing the three most important points here. So we are accelerating the growth driven by the sustainability and especially in the water domain. We have structurally very different margin levels today than ever in the history, and we know that we can maintain them whilst investing in the growth. And the execution will be faster and more dedicated than ever before.

So with these words, I will end my part, and we will move into the Q&A.

QUESTIONS AND ANSWERS

Mikko Pohjala ***Kemira Oyj - Vice President - Investor Relations***

Well, thank you very much. Now we're ready for questions. After this will be a relatively short Q&A, then there will be a longer one at the end, and I do ask you to utilize to break for questions, but let's start here from the audience. I've got a number here on the webcast, too, but let's start here. Actually, Robin has a hand up there.

Robin Santavirta *Carnegie Investment Bank - Analyst*

Robin Santavirta, Carnegie. First of all, thanks, Antti, for a good presentation and wrap-up on the updated data strategy. Now my question is related to the growth target a bit more than or more than 4% organic sales growth. I guess that's a bit more than not the current growth of the underlying business, which I guess is something like 2% to 3%, is the intention now to take market share in the current sort of businesses or rather to invest in for example, water solution businesses that grow more.

And also, I guess you have been very successful on the value of our volumes are down. So are you now changing that to meet board in terms of the volume growth. So those are on growth. Thanks.

Antti Salminen *Kemira Oyj - President, Chief Executive Officer, Member of the Management Board*

Thanks for being, first of all, it will be, as I mentioned, it has to be meaning both. So in order to reach this growth ambition, we need to be looking at the base businesses where we operate and see additional pockets of growth in doors, but also a big part of this will need to come from these new application areas or new technologies, which we don't have in portfolio at the moment.

So not taking market share from our direct competition. So we need both. Otherwise, this is not possible. And when it comes to the value over volume, we will not discard that principle because that's why we have communicated this target framework. But where we this, we must and we want to and we can retain the new level of profitability.

So we can't sacrifice too much value for volumes here, of course, we want volume growth, but that needs to be additional coming with the same kind of margins than we have today. So it will be more value and volume Thanks.

Robin Santavirta *Carnegie Investment Bank - Analyst*

Thanks. And can I just when you say both what kind of areas in water treatment that water solutions, what are the areas the new areas that you are looking at.

Antti Salminen *Kemira Oyj - President, Chief Executive Officer, Member of the Management Board*

I'd like to skip that question now and I'll leave that to you who will be very soon presenting and definitely answering exactly to your question there.

Robin Santavirta *Carnegie Investment Bank - Analyst*

And a quick one, a quick one, if I may, on M&A. I guess that's a topic on everybody's mind. Can you just briefly sort of describe what are you looking at? Is it on big M&A transformative M&A? Or is it more of a bolt-on type of growth M&A?

Antti Salminen *Kemira Oyj - President, Chief Executive Officer, Member of the Management Board*

As I mentioned, we have a healthy pipeline. There are all kinds of targets there, mostly kind of And predominantly, we want to step carefully. So if it's a big fish, something more transformative, we need to be very careful about that. We have a lot of firepower, but we don't want to exhaust that in something like if it doesn't make sense from a holistic business perspective.

And there are a lot of lot of the smaller bolt-on type of targets both in kind of technology companies, somebody may start-ups part of a bigger corporations technologies that might fit to our portfolio and so forth. So there's a lot of good opportunities in that domain, which we will be kind of a working on, but we don't exclude the opportunity for something bigger, but it has to be really contributing to the overall business model that we have.

Robin Santavirta *Carnegie Investment Bank - Analyst*

Thank you.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

Further question. Martin, please go ahead. You'll get the microphone in a second.

Unidentified Participant

Yeah, you mentioned at the beginning of your speech, the stronger or the structurally stronger margins at Kemira and due to the pricing strategy, can you elucidate how house and how you achieve that and in which areas and how do you see this pricing strategy to continue?

Antti Salminen *Kemira Oyj - President, Chief Executive Officer, Member of the Management Board*

Yeah. So first of all, pricing strategy or kind of pricing capability was the last step in a long journey to achieve this margin. So we started really from portfolio renewal focusing, I mean, we have half of the products in our portfolio today compared to seven years ago that helped to maintain the profitability when you kind of focus on those products that are profitable.

Then there was a lot of operational excellence work, streamlining the operations and the cost base which contributes to that. And then the last step was work to work on the pricing capabilities. And there it, of course, starts from understanding your position in the value chain.

So what's your actual pricing power vis-a-vis the customers, but then it also includes a lot of really mundane work on the processes and tools and capabilities and frameworks on how do you price in which part of a market. We've got coke production so a lot of kind of these kind of work as well.

And yes, we will continue on that area. We will continue to maintain what we have achieved and further seek improvements on that area as well.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

And Petri, and we will talk about this theme a bit later in their presentations. One, we can one quick question, Martin.

Unidentified Participant

Just briefly. And again, sorry to follow up on the M&A strategy, and I understand your point that are small targets, medium-sized ours could be bigger, but do you have a financial discipline and how does that look like that the Air Force on for, of course, small is irrelevant, but for medium size or larger targets, do you have a, let's say, a maximum threshold to say EBITDA, including excluding synergies, would be then the seeding. Thanks.

Antti Salminen *Kemira Oyj - President, Chief Executive Officer, Member of the Management Board*

Like in many other areas, we have actually really well good discipline and well-defined frameworks and processes for all these kind of things. And that's why also and Petri will talk more about this kind of a guide, drive a regulatory framework that we have, both in terms of the financial long-term financial targets so that we'll be giving the kind of a framework within which we need to operate there.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

Any further very quick questions before we move forward on the agenda. As I said there is a longer Q&A at the end. And do you have a quick question? Thanks.

Unidentified Participant

Antti from Danske. So quick one on volatility, of course, exiting oil and gas makes you less volatile how we should think about the new margin target and the volatility of, what are the ups and downs you see?

Antti Salminen *Kemira Oyj - President, Chief Executive Officer, Member of the Management Board*

Well, yes, that's why we have the target framework and there you get it. So basically, I mean, there is volatility in terms of know both the volumes, but also margins. The water business that we have is very stable in terms of kind of that our business volatility, but of course, that the raw material volatility that impacts it and the profits in it.

And then Pulp & Paper has a little bit more volatility. But longer-term, we basically believe in that as well. And as you mentioned, divesting the oil and gas has helped a lot in that area. And that's why we are communicating a bucket frame of plan for that because there will be quarters that will be worse and then there will be quarters that will be bit better, and that's the nature of the business. What is the kind of fluctuation. The amplitudes are much smaller than they ever were before.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

And good to remind, it's a group financial level target, not necessarily for each business unit as such. But with this, Antti will be here for the final Q&A, but we move forward on the agenda to the second strategic priority, namely the renewable solutions. And with this, I ask Sampo Lahtinen, to come to the stage.

Sampo Lahtinen *Kemira Oyj - EVP, Research & Innovation*

Okay. Let's talk about innovation. Let's talk about renewable chemistries. And I'd like to start with a personal note. I've dedicated all my career to innovation and renewable chemistries. I've held several positions in chemical industry, in biotech industry, leading innovation. Currently leading growth accelerated unit for Kemira.

So really putting those innovations into the market. I've had a fairly large role in defining Kemira strategy in the renewables. So my background is in biotech, biochemistry, microbiology, those sort of domains. But I really love to talk about this stuff. It's really close to my heart. I hope you love to listen to that as well.

But so let's Kemira has a target of reaching EUR500 million revenue by the end of 2030 from renewable solutions. I will give you three case examples on how exactly we are going to reach that EUR500 million revenue. But before we do so, let's look at the base first. So here on the left-hand side of the graph, you see this beautiful blue area.

Those are products that Kemira's portfolio of revenue in 2023. The blue part of the graph is chemistries and products that do not have any fossil-based carbon. In fact, they don't have any carbon. Those are the coagulants, those are the lithium products. So that's a very good sustainable base for our businesses.

And then on the top corner, you see the renewable chemistries. So we already today have significant portion of our revenue and significant revenue from these renewable chemistries. These are typically chemistries for paper and board industry, sizing chemistries, performance chemistries, and also increasingly more products for the water treatment chemistry.

And then we have the fossil-based chemistry. So those are products that do have a carbon backbone. As is the norm in the industry, that's typically a fossil-based backbone. But now that we grow this renewable share of our portfolio, we will do it so by increasing the revenue by introducing new renewable products to the market, but also by switching some of those fossil-based products into renewable products.

So what sort of avenues does the chemical company have when we want to reach and increase our renewable portion? Basically, we have four different paths. So as said, we have a base of renewable products and one way of moving closer towards this EUR500 million target is to increase that base.

So increase the sales of these existing products. Great. But then we have three other avenues, and they relate to product innovation. We have a product conversion. We have new chemistries, new renewable chemistries. And then we have this exploration, longer-term innovation.

Product conversion. We take existing products, very beautiful, well-working product. We make it in existing plant, but we changed the feedstock, the raw material from a fossil-based feedstock into renewable feedstock. And by doing so, we can provide and convert products into renewables, product conversion. I have an example of that.

Then new chemistries, new renewable chemistries. In that case, we take existing raw material feedstocks that is out in the market. We take that. We buy that. We formulate that into new products for Kemira, for Kemira's customers, and we sell it, and that is product innovation, focusing on renewables.

And then, of course, we have the exploration. This is really the long-term transformational innovation. So we actually work on things that are not in the market in the first place. So we really innovate on the feedstock level to create new building blocks for us that we can then build into Kemira products and provide those to our customers completely unique chemistries that nobody has. So that is the third innovation group. Obviously, that makes the most time, but it also has the highest upside.

So let's as said, I told you I have three examples on the product conversion side. I will talk about the mass balance approach, on the new chemistry side, let's talk a little bit about the renewable coatings. And then with the acceleration, we have the case of Alpha Glucans. So those three we will now go through.

You will hear the word partnership here a few times. So that's a very core part of our strategy. So what we want to do is we want to identify the best innovators in the field and not just our field but other fields. Take the best innovations, partner with the players and bring those innovations to our market, to our customers, and that is one key pillar of the strategy.

So product conversion. We started this work a couple of years back, and we started it from water treatment. For water treatment, we provide polymers, really good polymers. They are extremely effective. Our customers love them. Our customers critically need them. Their processes don't work if they don't have these polymers.

Until recently, they have only been available as fossil-based versions, which is the chemical one. But now over the last couple of years, we've been able to provide this very same extremely good chemicals in renewable version. So we started in '22, launched the first product in '23. We made a proper sales rollout. We started to get the first sales. And in '24, we have seen really nice growth, really nice return response from the market. We are not surprised we were expecting, but we are quite pleased.

Obviously, if you look at the Kemira's total revenue, they are I mean, it starts from scratch. So it's not going to be a massive business in the beginning, but we really like the growth that we are seeing this year in the water treatment space. Some very nice cities like Helsinki and Barcelona are examples of cities who are taking this opportunity to buy the same effective chemistry as a renewable version.

And we have also, this year, made significant steps to expand this same logic, the same offering to Pulp & Paper. So we have new products for paper and board industry and we've seen really nice return or response from our customers and also that part is growing extremely nicely this year. So from there, we will go strength to strength. We will expand the further products. We will expand into other geographies, including Americas where we already have the first customers. And the way we do this, that's the mass balance.

So mass balance really is a certification system. So in order to be able to provide these products using the same plants, you need to certify the plant, the products and the feedstocks. And you need to be able to, in auditable fashion so that pound for pound, the renewable feedstocks you buy, you sell.

So this is the system. This is the mass balance system, and we've been doing a lot of work in getting more and more plants we can now deliver this, and now we are seeing the dividends of that work. Okay. I promised you three examples. So here's the second one. This is on the new product innovation side and the case example that I talk here is renewable coatings.

Coatings is massively broad topic, as you have plant seed coatings and house coatings and all kinds of coatings. But when we talk about coatings, we talk about coatings of paper packaging. Classic example is your paper cup. You have a paper cup, but in order to use very often today, you put the plastic coating inside, sometimes even outside.

And that coating provides a barrier between the liquid in the cup and the paper outside. And that barrier that is typically plastic, and we don't really want to put plastic in those cups. It's not so great to increase the plastic waste, obviously, we see some compromises in the recycling and in the biodegradation.

So there's a large unmet need to replace these fossil based on plastic coatings in these products. But it's not only the cups. There are all kinds of coatings and barriers that are needed by this industry.

We need grease barriers to hold your pizza, tasting nice and also the cardboard also looking a little bit more nice. We need oxygen barrier, gas barriers to give the flavors and spices inside your food. We may need vapor barriers. So all kinds of different barrier needs. And today, the answers there used in the industry, you put aluminum foil, maybe on plastic, maybe some fossil chemistries. So big, big unmet need to make this paper packaging more sustainable, and that's where we work.

And an example that we have mentioned earlier is the PHA chemistry. We are partnered with Denier Scientific, who is a leading or leading provider of PHA, very promising chemistry. We made really good progress this year in the proof of concepting and value chain adoption.

But in the barrier space, in the coating space, we actually have a lot broader program. Many other chemistries as well because there are so many other needs as well. So but unfortunately, as you can imagine, we cannot talk about specific customer cases or how they are going, but I just want to be here and tell you that we have a very good program that and we are we have seen a lot of progress this year in the coating space.

Last example is this exploration, transformation and innovation. And in this industry, not so often we get to talk about really transformation and innovation. Actually, in any industry, that's not very common. But here, we really have something that potentially could be one of them. So when we talk about alpha glucans, it's actually not a chemistry. It's not one product. It's not one application. It's a new way of making polymers, new technology platform. By the use of enzymes, designed enzymes very, very high biotech.

We can make an engineer purposefully, certain biopolymers for certain applications. The technology has been developed by our partners, IFF. They call it DEB, Designed Engineered Biopolymers. And we have collaborated with them for since 2020 to bring that technology into products in our market, to our customers. And just this week, we announced a new major milestones.

So we have completed construction of a market entry unit, with another partner, Chemigate in KokemÃ¤ki, Finland. So this gets us from a pilot scale, which we've had for some time a bit larger market entry scale, allowing certain, of course, longer customer trials and certain early mover business as well moving forward.

So really, real concrete step forward towards scale. And we also announced that we are evaluating a full-scale investment together with IFF at Kotka, Finland. Evaluation, obviously, technical, economic evaluation. That's about as much as I can tell at the moment, but extremely exciting news and stay tuned.

Okay. So let's summarize the three examples. And this figure here is completely illustrative, but what I want to communicate here is that with these cases only, we have the potential to reach the EUR500 million. Of course, the longer-term potential of these technologies, but we also have many other things that are part of the pipeline.

These three, we have talked about earlier, so I feel comfortable sharing an update about those with you, but we are very happy with the pipeline, with the progress. And as Antti mentioned and the technologies we have, they are truly differentiating. I mean, we know it. We see it. We are the leaders here.

Good. Just one more slide I do have just maybe reiterate this, what Antti already mentioned. So let's talk about Kemira innovation in a bit more higher level. So we are really making changes here. So we put the product development, the commercialization of the new products closer to the business to provide the real intimacy and agility, that allows us to be more successful in the short term.

But at the same time, we are really putting more effort in the longer-term research and innovation as well because we want to also do the right work to make sure that Kemira is extremely successful company also long term, not just in next five years, but 15 and beyond. So that's why we are doing it, and we believe it's the right thing to do.

Now, with that, let's move to the Q&A, right, Mikko.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

Well, thank you sample for your insights, several questions on online, but let's start here, Andreas.

Andres Castanos *Berenberg Bank - Analyst*

Andres Castanos, Berenberg. Could you please explain what does it take to take the PHA coating product to do such an advance stage, this proof of concept in terms of how does it functionality works against oil based competitor products? How is the possibility to produce at scale at a cost efficient at price point. Can you give us a sense on the milestones achieved so far? Thank you.

Sampo Lahtinen *Kemira Oyj - EVP, Research & Innovation*

Excellent question. So regarding the scale, that's why we have a partner who has this at scale. In fact, the world's biggest scale now that innovation in coating is quite different in terms of the market adoption versus what we do in let's say, performance chemicals with the board customer because the value chain adoption is a lot longer.

And not only you have to be able to coat the paper, but we can do it again, a very nice barrier, but then you need to be taking that paperboard and convert that into a product. So you need to validate that, then you need to take that maybe to a brand owner who needs to sort of validate that and do all their testing and then you go to retail or restaurant so that the value chain adoption is a lot longer than it is as strength chemistry, for example, we just put it in the wet plant and of course, and works well.

So that's why it's taking much more time. But we and that's why we are working with all these steps to pull that through. But we are in the right place and doing the right things with the right partners and work collaborating across the value chain to make this happen. Performance wise very good product.

Andres Castanos *Berenberg Bank - Analyst*

Can I continue on that? It seems that down to 2030, the total sales here illustrate that this is not that big in the coating, but that's a mass market bank. It seems it's a no-brainer for the Starbucks cup to be coated by your somebody else is via barriers. So what is the potential? And what is the price difference with -- compared to the sort of peak out in the US now.

Sampo Lahtinen *Kemira Oyj - EVP, Research & Innovation*

Well you're on the right track, that the potential is obviously bigger than the nice out there that we have. Maybe to clarify, the area of barrier is massive and where we are really focusing and exiting is certain segment of that. That's what the disparate dispersants or certain types of barriers, which is still pretty big. And so overall, the potential is larger. But because of this very long value chain adoption as well, we are kind of taking steps here.

But obviously, the long-term potential is lot smaller now in terms of the price difference or that's not the type of it may be information I would like to publicly share, but if you have a premium product, it typically has some premium, it should have some premium. But of course, we know that that has to be palatable to the value chain, and that's what we are working on.

Unidentified Participant

Thank you. And can I ask the EUR500 million or what is the profitability of the renewable chemical business compared to the group? And I know you don't want to say exactly, but just so we understand, is it clearly more profitable, clearly less profitable.

Sampo Lahtinen *Kemira Oyj - EVP, Research & Innovation*

Our sort of mindset is at least neutral or better. That's what we are Efrain mandate.

Unidentified Participant

Thank you.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

We'll take one more question. Maybe I'll ask answer now. Martin will save your question for the final Q&A.

Unidentified Participant

So yes, on Serasa from SEB. So your group has a return on capital employed target of 16%-plus. So how does this impact your EBITDA life with your R&D processes under what kind of KPIs you have under of your work being measured in your everyday life.

Sampo Lahtinen *Kemira Oyj - EVP, Research & Innovation*

Actually, really happy that you asked about because there's a point that I missed on this those three paths. And the point I wanted to also make is that if you look at it closely, we have very not so capital intensive growth path here. So for the for the product conversion, it's basically no capital.

The capital needed typically for the product innovations, typically because we get to utilize a lot of our current assets, they are very, very lean in terms of the capital needs. And even in this more transformational innovation. If you look at the context of chemical industry, we are very asset light in terms of the demand.

So with the group targets on the efficacy are very much fitting with what we do on an innovation space. And we've got it gives us a good framework where to work and maybe not did not work as well. Thank you.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

And there are several questions online on the competitive landscape, and we will take those at the end and move forward on the agenda for the sake of time. And then with this, we move to another key strategic priority, namely the Water Solutions, and I will welcome to Tuija Pohjolainen-Hiltunen to the stage.

Tuija Pohjolainen-Hiltunen *Kemira Oyj - EVP, Water Solutions*

Hello, everybody. Really nice to be here today with you to tell something about our water story. And I have personally been 30 years in water business, 30 years in different roles, started with the technology systems supplier for wastewater treatment plants, mainly in China and Mexico.

That time quite a long time ago feels now it was the starting point of when both China and Mexico actually started to require from their industrial plants in this particular case, pulp and paper mills to treat the wastewater. So it was there new era of requirements turning into business opportunities after that I have been general contractor for Romania, Russia, nice places always what I told right on my carrier, and that was also very interesting in Romania, we were rehabilitating drinking water treatment plant and in Russia, building wastewater treatment plant.

So all this gives us a big perspective how the requirements of the society has changed with this water treatment practicalities now 15 years in Kemira in this chemical business, which opens up another perspective for last 15 years where chemistry has been helping to meet those water treatment requirements. So when we are saying that we are doubling the water treatment.

It comes from this confidence, which I have achieved by looking at this market for 30 years. I have seen the origin when the organic matter was the only thing everybody was worried about that. They're called organic stuff into the rivers and waters and lakes, and that needs to be removed.

That was kind of the first step we saw in 70's, 80's then came the phosphorus. Algae was growing in all the water bodies when a lot of phosphorus ended up there. So that was the next step that the both Europe, North America and even Asia was worried about unease today, worried about and more and more.

So we as a human beings here on the planet, we are requiring cleaner water and that is what is driving this business. So it's nice to be in the business, which actually then makes world a better place.

What is history why we are today here talking about doubling the revenues in this water area. The positive baseline is, of course, the enabler like Antti was explaining. We have come a long way in optimizing our business processes a long way to have a discipline in both on cost side and in the pricing side, sales side and what is really our stronghold in this pricing side is that we are a market leader.

It gives us a good position in offering our values to the customer and our market position, especially in coagulants which is the main water treatment chemistry. We have very strong positions, number one here in Europe, among numbers among the top3 ones in US. So it gives us a good place to play this game.

And then this what Antik already referred to is this commercial excellence, which we have really and developed during the last years, particularly, I would say that during COVID period when everything was very volatile. And after COVID, it really forced us to manage our inflammation when it comes to cost side and on how to react to that how our supply chain is able to cope with those challenges and then how to put that into our pricing decisions.

So all the steps are behind our commercial excellence capabilities and I would almost say that surprising, but it was a positive outcome of COVID that it forced us really to be very data-driven and really trust on our systems, which gives us all these tools to do it. And then it, of course, takes people.

We are in people business. So people are understanding the importance of discipline in our pricing decisions and we have done really good work there with our teams, really big kudos to them. They are doing excellent job every day when they make the pricing decisions based on all these, these fact, that's why I think that we are confident in saying that we are structurally in better pricing position today.

And then the third thing, which really gives us an excellent place in in this business and going forward is the supply security, which also Andy also mentioned, especially water-based business chemistry when it comes to coagulation is really very much a logistic driven as well.

We deliver the products to our customers and the supply security is that it comes out of our manufacturing site in good quality, most to the customer on the quality and in time, that is something where we really excel. And during COVID time and after COVID time, we were so surprised of how our customers were rating us.

So I need to brag a little bit for our team there, all this Net Promoter Score measurement, how customers are giving their opinion of your services and how satisfied they are to your services. We started in 2019 before COVID hit, our level was 37 net promoter score.

Not really may be perfect, but not that terrible. During COVID. We improved every day, the customer satisfaction, same time when we increase the prices going out of the COVID still increasing gradually.

So our customers see the value both in application support what we give to them. They know how to use the chemistry to get the best out of it. And the price they pay is worth the value. The supply security is extremely important for the municipal players and also industrial, they need the chemistry to run their water processes.

So all this, what we do and what our growth will be based on requires that customers like us, they are satisfied with us and that gives a great basis for the growth. So talking about the bit that the handprint, what Antti also referred to and footprint. I mean, our products before anybody even mentioned the word sustainability, 30 years ago, nobody used that word. We were in this business and all what we do is to make better water.

That is our product. It's better drinking water or it's a better wastewater before it ends up into the water body. And there is maybe, if you simplify a little bit, there's three things in the wastewater. What you really don't like also you don't like it in drinking water. But let's think now for a moment about wastewater.

You don't like that organic matter. That's a carbon. You don't want that in the water because then it makes again, dirty river, dirty lake. Phosphorus as I mentioned is a another one. And then later on now when the analytics has improved and the smaller and smaller components can be identified. People talk about micropolitans, but that's coming in a little bit in the future. So I will talk about that.

But today, it's mainly the organic matter and the phosphorus. So our products are removing 90% of the phosphorus of the water. If you use that coagulation, that's nice. You take it out of the water stream and water goes cleaner to the river. You can also remove 30% of that organic matter away from it. You can separate it, you can squeeze water out of it and you can turn that into biogas. That is a renewable fuel.

So just mentioning a couple of nice cities which are our customers that it gives you a little bit context. For example, that phosphorus removal box where we are essential part of their cleaner wastewater before it goes to water party without phosphorus. Oslo, Chicago, Vienna, nice places, right? Several UK cities, I mean UK starts to be as good as Nordics in Europe. They are very strict with their water treatment requirements.

Then if we think about cities who are using chemistries in order to get the sludge out and turn that sludge into biogas cities like Miami, nice place. If you have a chance, go and take a look into that digester, beautiful and a nice chemistry boosting 30% more yield of the biogas. When you use the our chemistry the coagulation.

More sludge dewatering customers like Sampo mentioned also, Barcelona is using our sludge dewatering chemistry and they are the ones who are now happy to also use the Biomass balance product. They want to be the fourth runner in this kind of green transformation. And even if there's no regulatory requiring such a move, they want to show the way that's where they want to go.

So I mentioned also the micropollutant that has not been so far a requirement to remove, not either from the wastewater or from the drinking water, but we all can read almost every day in the newspaper that people don't want to drink pharmaceutical residual. If the neighbor has been eating painkillers, do you want to get that through the water body to your class, probably not.

PFAS is in every newspaper. It comes from the [Corridex] production, Teflon production that is polluting several areas in Europe and US already today and the residues are ending up into the ground water. So it's a really a massive issue coming more and more to the attention of us consumers and we really don't want to get that into our drinking water.

So first place where you want to stop it is the waste water before you discharge the water back to the river or lake, you simply use technology to remove it. That is part of what we talk about micropollutants removal. It is expected to grow until 2030 about 5% to 6%. It is already an existing market in the drinking water side. I'll talk a little bit more about it in the coming slide. But let's look first a little bit how the base business that traditional wastewater treatment that grows about 2% to 3% very steadily, very little volatility as we discussed because no matter what the economic cycle is, you still need drinking water, you still need to treat your wastewater. That is keeping that very steady business, not very high growth numbers, but still it's there.

Especially phosphorus removal is pushing and pulling that, that growth there. Then we all know that APAC is a growing water treatment market today, China is still the biggest growing market in the world in the water treatment area. There, we of course understand that the geopolitics is a big question mark with China.

So we really consider carefully what kind of steps to take there, but nothing removes the fact that China market is a huge attractive water treatment market. And what is really positive with the China compared to the other Asian markets with this environmental actions is that China actually already has built infrastructure to treat wastewater.

So it's not starting from nothing is built where to do the chemistry if you don't have the facility ready. So China has that and they are also very diligently putting regulatory requirements in place or at least writing the legislation. Now, it's a little bit economic downturn, kind of pushing their interest to execute that and require actually all those measures to be taken. So some slowness there for sure in China.

And even if the other countries in APAC might not be as a and yet with the infrastructure in place it is coming and there are of course pockets of very advanced base for treatment systems. Like we all know, Vietnam has several, Indonesia has also quite a lot, India has here and there. So a bit more scattered but it's still there and it's going to be there. So one way or the other, we want to get to that market as well. But with the very careful steps.

And then the top one is really energy efficiency or energy neutrality as EU is putting it, -- EU is going to require wastewater treatment plants to produce as much energy as they are consuming. And that is part of this urban wastewater treatment directive draft which is on its way to be taken for timing, not yet there, but it will clearly boost the growth of biogas production because biogas can be made out of that sludge which anyway is produced in those ways to our treatment plants.

Also the driver for that energy efficiency and energy neutrality is the green transition which of, especially in Europe. We want to be more or less, we want to be less dependent on fossil fuels like -- Natural gas, especially in this geopolitical situation, when the natural gas is coming from the east and situation is what it is.

So this biogas is a is a clear opportunity to replace the fossil based fuel with the bio based fuel and it can be turned into biomethane, which is then very close to the quality of biogas, -- sorry natural gas. So, Spain, for example, one of the countries in Europe who has really suffered from this political situation and not getting all the natural gas they need is now building several biogas and biomethane plans for themselves.

So there is a clear drive to replace that fossil based fuel in their own operations. So those are kind of the growth drivers which we are hoping into and really we see that change coming already today. I don't want to repeat all the regulatory details, but it's there for you in case you want to go and search a bit Google or use whatever search engine and, find more information, but it's good to know that EU legislation is driven by this urban wastewater treatment directive. It will take force in several steps and it's good to remember that many countries are applying those rules already before the actual deadlines and effective dates are there.

So this is kind of the last moment when you should comply. And drinking water directive is going to regulate PFAS that is also going to move. There are countries like Sweden as an example who is already moving 2026, first requirements coming in place.

And talking about that urban wastewater treatment directive where phosphorus, for example, is limited. It's good to realize that some areas in Europe are still not even following the earlier directive. And now this puts a lot of pressure to the countries that before the new one comes, they should actually clean up the house, and get the non-compliant countries as well.

It's a little bit so that the northern part of Europe including in fact, UK outside of EU are very compliant and having very tight limits and the South where you go, there is a little bit less actions actually taken. So there will be a pressure especially in South Europe to get this done and a little bit in the East side as well.

So and then comes even the further requirements in place and renewable energy directive is really pushing that biogas and biomethane and there's very ambitious requirements in the EU to grow that the biofuel production.

North America has similar a little bit different way of putting it in place. But Clean Water Act is driving their phosphorus removal requirements and then natural public drinking water standards are then dictating how to work with the, with the micropolitans as an example.

And good example of the Clean Water Act is, for example, this mentioned our customer Chicago, they just got into this, the situation which this act is requiring that every time when they renew their operating permit, which is for big cities, usually every five years, they will get a tighter phosphorus limit and that means immediately more efficient phosphorus removal and coagulants are the work horse of that work. So massive increase in sales to Chicago to help them to meet their targets is now ongoing and it's a real business. So these are perfect opportunities.

So in a nutshell, very shortly, micro bullet and removal, activated carbon is one of those workhorses which already today is used in the drinking water treatment, mainly for color and odor removal and taste, not yet considered to be needed for micropollutants removal. But that's an area where we really want to go into.

And we acquired now a small first step in UK, where we have now Norit’s reactivation site as part of our portfolio. It's a first little step but that will be stepping in our journey. So starting with that.

There is also other technologies, plenty of startups, developing other absorbent technologies to remove sometimes only particular molecule, for example PFAS type of molecules. And we are also looking into those to complement the portfolio.

Biogas, I already talked quite a lot about, but it has really interesting growth trajectory. And as I mentioned, Spain is one who is investing plenty to this biomethane production and therefore we are expanding our coagulant plant in Spain, our existing that are going aside. So that will serve both this biogas and the phosphorus removal growing needs in in that south area.

And we are also looking into industrial process water service area. This is a bit adjacent to our present business. We are selling already about EUR600 million into industrial water treatment. It's mainly ending up into the raw and wastewater treatment in industry very often through distributors or resellers or service companies. And also we sell some other chemical components to other formulation.

So we see this also as part of this energy efficiency and as part of the growing adjacent market, something interesting for us. So this is something we are going to take a look into.

So summarizing all that. So we have an organic growth opportunities mentioning already Spain. We are expanding in Gul as well in UK, we are expanding in Norway. Those are all serving this European changing market situation where legislation drives for more phosphorus removal.

And then we are looking into digital services which will be also part of the part of the especially of these efficiency requirements and sustainability requirements of the customers helps to save energy also in the waste water treatment plants. And then we definitely need to look into the inorganic opportunities because doubling the business organically might take a bit too long.

So we definitely need to have something in the portfolio to build on. So, it's really summarizing what already said we are really committed to maintain that the commercial, excellent platform which we have built here. We really have a good methodology and people are delivering very well in that commercial excellence and pricing domain. That's something what we definitely want to keep up and we want to make decisions which are then leading to the strategic choices.

Of course, the organizational change will help us to focus really on the growth areas. And we are looking forward to having those development resources coming from R&D to work together with us closer to the customer interface. So really positively looking forward to that.

So final words, we will be the ones growing. There is plenty of drive coming out of the legislative requirements. We are committed to maintain the margins. That is something in our DNA already now and there's plenty of opportunities as we see both organically and inorganically. So it will take now our hard work to get there and this is the plan and happy to hear if you have any questions.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

Thank you, Tuija for your energy. I have many questions online. But shall we start here? Is there any brave questions before we go into the break? Maybe we can kick off here. I have a question. How do you think about targeting the water filtration market through ultra filtration membranes.

That's an interesting question we have considered, I think many times in camera history of going into either equipment business cause membranes is of course part of the equipment or becoming a system and solution provider because membranes systems are part of some bigger in the unit of water treatment.

So far, we have said that it is so different business model. We are not a project based equipment suppliers really by our DNA that we have not actually taken step that way. If you mean only of the membrane materials, it's also so far a little bit too far away, very competitive market as well. So at the moment, we are not looking into membranes either.

Any questions here, then otherwise continue address.

Unidentified Participant

It is really remarkable. The profitability changed in the last few years. And I, and you describe your efforts to increase pricing and to improve the customer service. But I also wonder about the peers and your competitors and about the costs in general for the industry, what has changed in these few years, maybe for them and potentially also for you?

Yeah, I think even competitors noticed after the COVID years, when the raw material costs were really skyrocketing that nobody will survive, if we are not going into massive price increases and everybody had to find their way to get the cost into the price.

It was probably a learning curve for the whole industry realized because it has never happened in history before that those cost increases were so massive. And I think it was a lesson learned in this industry, in general, in all chemical suppliers that we need to be more agile in getting the cost into the price and maintaining it in a certain level.

I mean, everybody for sure enjoys a better profit abilities rather than low profit abilities. So at least that's what we have learned that we need to be very quick and agile in getting the cost into the prices and then maintaining it as much as possible and competition is very much disciplined as well, I must say, in many places. Also, we talked with [Miko] here one day that there is quite a lot of private equity interest in this market as well, which may also bring some more discipline into this kind of price discussions.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

[And I think that's a fair discussion] (multiple speakers)

Unidentified Participant

What makes you think that the competition will keep being disciplined?

Well, you never know, I mean, of course, somebody might get desperate, but that's the case. That's why you need to be more than a price tag. You must have like you saw, you must have the application knowledge, we must be able to advise our customers how to use the chemistry. We are advising them how to optimize the chemistry. So we use a lot of these anti digital solutions. There are other anti that we can help them to really minimize it. If they don't need it much or then use more. If they actually need it for their performance, we can help them with digital tools to reduce electricity consumption.

So all this and supply security. So if we don't have satisfied customers, it's more difficult to fight against the, if somebody decides to, skip the excellent practice what we have at the moment,

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Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

We will take two more questions before we go on the break and then we can have more questions at the end. So we start with Robin.

Unidentified Participant

I'll just continue on the previous questions. What is the setup with competitors profitability over the past few years? Because we can see you have done an excellent job and it's also internal stuff, but also the pricing. How would you describe competitors? The profitability has that also improved in line with yours or?

We don't really comment on competitors profitability. --

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

Many of them are private equity players. So I guess it's hard to have full transparency, for example, particularly in the US market, for example.

Unidentified Participant

And maybe trying another way is there a competitive advantage that you have or have realized now?

I hope you noticed my competitive advantage is -- .

But, in the current market environment is that cost skyrocketed for everybody. Was there something so that you realize you're better, you have a better cost base, you're more efficient, you're better sort of focused into the areas. What is needed now?

I can at least say that we did excellent job. I mean, of course, everybody was shocked when such a cost increase hits you. Of course, in history, nobody has ever seen it. So of course, it was very tough moment. But for some reason, we are excellent in handling challenging situations and emerging situations in camera, everybody put their best effort in place and we managed to find the ways both on cost side and then in pricing side. So I would say that the people in the company were the ones who found the solution and strive.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

So I guess it's fair to say that we have a very efficient supply chain. We have a lot of recycled raw materials. So up to 80% in Coagulant. So that's obviously good to bear in mind that is difficult to replicate for many competitors. We take one more and -- you go ahead.

Unidentified Participant

Yes, one more about these prices and costs and you mentioned that you have to be and you have become also a more a child with the costs and prices. Like, can you give us a couple of examples like concrete examples, what have changed and how do you avoid that? It doesn't work both ways when costs start to come down.

Yeah. Of course, concrete examples are, that you are careful what, what kind of terms and conditions you accept in the tenders. So if there are terms which do not allow you to move with the price in the long term, you simply don't take such a contract or you try to negotiate it to a different direction.

So you need to understand the consequence of your pricing decision. And this is what I referred to that. Our team has really built this capability when it was so difficult to forecast that we understand what certain pricing decision means during the contract.

And so that's one of the examples. And of course, I mean, there is no such a system that you will never be forced to reduce any price. Of course, that the mechanism, what you accept it, it's fair both ways, but it needs to secure your margin what you actually need from there. So you need to be a bit ruthless in the scope of business you take. And we have been relatively ruthless during those years when it was improving.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

Thank you. Before we go into break, one more strategic question to have comes in several questions from online. So do you think that PFAS cleanup is a chemical absorption opportunity or membrane opportunity or both?

Yeah, it probably will be both. But if you think today, the drinking water treatment plants who have already today, the activated carbon filtration, they already have the basic workhorse there to remove some of the PFAS. And let's remember, it's not only PFAS, for example, EU is going to require micropollutants removal.

So it's not only focusing on the PFAS, so it can also have some pharmaceutical residues. And so activated carbon will most probably be the most typical solution for micropollutants removal to start with. And then for sure there is coming technologies, for example, in US, there is a lot of startup companies coming with the new absorbents to remove particularly for example, this PFAS.

So it might be in a way kind of polishing step after the activated carbon and that is something what we are also looking into that. How far can the activated carbon take you? And what else do you need? Yeah, that that's kind of my view there.

Good. Maybe we stop here, we can continue at during the final Q&A. So we pinched some time from the break actually a fair bit. So, we'll continue at 15:45 finish time. So there is coffee. If you're here in Helsinki, if you are following online, there will be a couple of videos to keep you entertained and if you are in Helsinki, so do have a look at the demo points here to have a look at our products. But we'll continue at 15:45. Thank you.

All right, warm. Welcome back from the break to the second part of, of today's Capital Markets Day. So we have three presentations ahead of us and then we'll have the final Q&A when we have, when you can present questions to all of the presenters. But without much further ado we move forward to the next presentation and I invite to the stage Antti Matula to represent our new business unit, Fiber Essentials.

Antti Matula

So like Mikko said, welcome back from the break. Good Afternoon. At the moment, we have two completely new things on stage. So one being me. I've been with the company for almost 23 years, but I'm a new member of the global leadership team. But more interestingly, we have a completely new business unit in the company.

And small detail, again, on the time spent of me spending in the company after this is the first time that we actually publicly say that we have a business unit, which has an objective mandate to deliver cash. So first time in company history, at least based on my knowledge.

And I got 15 minutes, three topics, one background and then objectives on this new business unit. Then I'm going to talk about the product portfolio and competitive advantage, what we might be able to utilize within different market segments, but especially against the competition. And then thirdly, despite us being a cash machine, very well-lubricated one, there's also quite a bit of expansion opportunities for us. So three topics.

And we're still in the middle of the design of the new structure in the company, but if I put it this way, so Tuija is roughly north of EUR1 billion. Harri is also north of EUR1 billion. If we look at this business unit, this is a little bit of south of EUR 1 billion mark. And working from the left on the slide.

So how we actually look in terms of what the engine has inside, half of the business is chlorate. And chlorate, it's an intermediate. It's a precursor for chlorine dioxide, which is the most important. The single most important component when we produce chemical pulp.

And why that is interesting is that if you think about the chemical market globally, but also the chemical pulp market growing in South America, and the end markets which are growing and actually touching completely new markets, not only Pulp & Paper, you want to be in a relatively good market position when the end market is growing. And chlorate is the tool in our toolbox that allows us to take it.

The other ones we have hydrogen peroxide, much smaller, but it's still the second most important component in the bleaching. And by the way, when I refer to bleaching, it's not only just changing the color of the pulp, that's one part. The other part of the story is that this relatively difficult sequence of different chemicals in the pulp production line, it actually changes the properties of the fiber. So without this bleaching stage, you're not able to utilize the product in these new markets at all. So it's really good to understand.

Then also, we have a good position, especially in the Nordics when it comes to caustic. In-house production, very profitable. And then also we are partnering and having a significant role in the traded market. And the other part, the green section of the pie, that's mainly different sulfur derivatives and chlor-alkali products where we operate mainly in the Northern Europe.

And from the geographical split, 80% of our business is in the mature markets. But I would not be worried about that one because our position, which I explained in the next slide, is relatively strong on delivering the cash promise.

In the mature markets in Europe, we have six sites. In North America, we have two sites. In South America, tapping into this growth of the chemical island approach, we have two sites. And Asia is without any sites, and there's a strategic reason for that one.

And then on the right, if I quickly summarize the strengths of our business, it's the customer, it's the people. Our product differentiation is relatively limited. Chlorate is chlorate, peroxide is peroxide. We make a difference when we work with our customers. And we have a really good track record that we have really loyal, really good customers. They are not only satisfied, but they actually love us. And that allows us to work even more closer with the customers and has -- gives us a let's say, competitive advantage.

If we pick the biggest one, chlorate, and again, working from left to right. So the regional market capacities of the chlorate, they really more or less mimic the pulp production capacity. And you can see that half of the world's pulp production capacity is in North America. We have access to that market, but we intentionally don't play that market as a whole.

So we actually have more or less consolidated our efforts, including our assets in Southeast USA. where that's the home of a very actually the fiber source, which they use for the raw material is really specific for that area. It's relatively long, and it's really good in fluff pulp, really good in hygiene products and tissue, creating a promising and favorable position for all the partners playing in that market. So we actually have a number one position in that very nice submarket in North America.

In Europe, our stronghold is our key customers in the Nordics despite the fact that we work with all our customers in whole of Europe, but really depending on our position and competitive advantage, again, at the customer interface.

South America, I touched at the very end of the presentation, but this APAC, the other region where we have, let's say, significant growth opportunities, we have a special role for that region. Again, coming back to the point that we're trying to run the machine in the best possible way. And this is truly a global market. So we actually do utilize the Asian market as a valve, like a balancing region.

So when there's a reason to push volumes to the Asian market, we do it. If there's a reason coming from our, let's say, core market to squeeze volume out from the Asian market, we do it. And that gives us an advantage to run our global asset network in the best possible way.

Again, delivering -- if I put that kind of background information into one and think about what is expected from this new business unit. And let's look at the one in the middle. So number one priority for us, our team, my team is to make sure that we secure, safeguard and deliver on the promise of being the most profitable business unit. That drives all our actions and activities, including strategic initiatives.

On the average annual growth on a group level and also this return of capital, we, at the moment, are below the target. But that's excluding if we intend not to invest. So what is very -- or let's say, the common denominator for this business is big chemistry. So it's a big product for us. It's big product and critical products for our customers, and it does have a big cost impact to our customers as well. So if we intend to invest, go with the selective expansions, it, of course, means that it's a big exercise for the business unit and Kemira as well on a group level.

So it means that: A, if we go forward, we deliver on the growth, double the group level; B, we have a threshold internally built that if we want to expand, we need to be able to contribute on the return of capital as well.

So all of that control is within the management, in the hands of the management of the group. Then on the right side, if we think about this machine of running and delivering on cash. It's a pretty simple playbook despite the fact that the world is rather complicated. It's about improving our agility as a team, as an organization, but also investing into things in terms of production technology, which actually makes us more nimble.

So our ability to run down assets faster or ramp up assets faster what we do today as an example. And then on the cash flow part, making sure that the customers love us, having to be able to provide an optimal price point and being very diligent with our cost structure. So it's rather simple in my way.

Now for the second part of the presentation. So whenever there is a transformation at hand, you have a possibility to play the winning deck. So there's two aspects to this one. So as said, the product differentiates in our business is relatively limited, but we know for a fact that there is handprint and footprint desires from our customer interface. Again, working closely, co-creating with the customers, we know that Harri, for example, is playing the handprint, how to help the customer to win at their marketplace.

But then again, thinking about this big chemistry, if we want to and if we intend and are willing to help to improve the footprint, that's us with the big chemistry. So quarter of the emissions comes from chemicals, half of that is chlorate.

Now, for example, with Metsa Group, we have an aligned target to make sure that whatever we do in terms of delivery for the bleaching stages regarding chlorate is emission-free, again, giving us a competitive advantage. Another thing which is not visible on the slide, digital transformation. So I've been here for quite some time, and we have been working ever since to increase the experience, expertise and knowledge on how to harness data. And we started to do that in a very simple application, how to improve the efficiency, change the landscape in water treatment, retention, et cetera, at the paper machines.

Now, I think the maturity is good enough, so we can start to push that also towards the pulp mills, helping them to become more predictable on what's happening in the pulp process in different unit processes, taking down downtime, creating value. And part of that value, of course, we want to take as well.

And on top of the value creation, that also allows us to make sure that we are a little bit different compared to our peers when it comes to competition. So again, limited product differentiation, but in order to differentiate, you need to do something else.

Electricity. Chloride being the biggest one, electricity is the most important raw material for us. It's a cost driver for us, and we also need to have access to that raw material. Especially in Finland, we have been able to build a very good competitive advantage based on the ownership of PVO and TVO.

So basically, what this means to us and to our customers that we can provide a partnership where all the chlorate in Finland, from all the plants in Finland can be produced with our own electricity. Now of course, there's this advantage of having the access, but also there's a small benefit of us utilizing our own assets when the market becomes volatile.

So just to give you a detail. So Olkiluoto 3 is the largest in Northern Europe in terms of single unit producing energy. It is the third largest in the world. So if you have access to that type of scale, you will definitely benefit.

And Finland, of course, is by far, most secured with the electricity. And if you look at the map in Southeast US where we have two chlorate plants, we are, of course, safeguarded, but it's tapping into the market electricity and with the local nuclear plants.

In South America, we have two chemical islands, but there, it's there's like -- it's symbiotic relationship, and I will explain that in one minute. We are provided by green electricity from our customer mill and exchange, we will then provide them with the bleaching agents. So the pulp mill when it runs, it has excess electricity. And then with the commercial deal with a partner like Kemira in exchange, they will get a bleaching agent. So it actually works very nicely to get them.

And then spinning from that point to the last topic, which is the growth opportunities. So again, really focusing on South America and why South America is important. It is the home of clearly the most competitive fiber in the world.

So if you imagine that there is compared to -- especially to the areas where we live compared to the Nordic Hemisphere, the harvesting sequence is much faster. Within four to five years, you are able to harvest woodchips. It gives you a cost advantage. The woodchips are and the forest is located in plantations next to the pulp mill.

There's no logistical cost. From the pulp mill, there's a big harbor with the shipping lines all over the world. So you have scale, you have access and you have distribution network. And basically, it means that, again, playing with the numbers, the cash cost of a modern pulp mill, which is 3 times or 4 times the size of the average pulp mill here is completely different.

So these are big, big moneymaking machines and they don't actually need a supplier who's willing to send them a truckload of chloride, they need a partner. And this partnership, of course, in terms of growth is something that we are really betting on as well.

So here is an example. The picture is from Uruguay, Fray Bentos, and we have had two investments there. The original in early 2000 when it was still owned by Metsa Fiber, and then the latest one 2023, so extending the capacity. So now we can also serve the next-door pulp mill of UPM as well.

And the logic and kind of the business model of a chemical island is exactly like I said. So we are partnering up. They have excess electricity. We have capability to convert that into a bleaching agent, which they desperately need. It is a very big critical and also cost component for them. So they cannot have a pulp mill without somebody producing chlorate and chlorine dioxide.

It's capital investment. The capital investment is relatively large. So it takes commitment, of course, from us as well, but then again, the returns are quite lucrative. It's a good business case.

And with that selective investment approach, I still would like to highlight that we are here to fuel the growth of Harri and Tuija and also Petri as well, but also that we have options. And working from bottom up, so strong cash generation, definitely our number one target and how we're going to do it, secure the EBITDA capability and make sure that we are running the machine as lubricated as possible.

So that's the new business unit. And now, Mikko, if there's any questions?

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

All right. Thank you for your CMDW, Antti. Ready for questions. Maybe let's start with Martin.

Unidentified Participant

Thank you, Martin Roediger from Kepler Room. You say your customers love you and you have a high customer loyalty. Why is that the case? Given the fact that your products are kind of commodity and customers theoretically could easily switch from you as a supplier to other suppliers. I give you three answers and maybe you can give me what you think is the best answer.

Number one, you have a much better service, others are not willing to provide to your customers. Secondly, you are very close to your clients because your production plants are next door and therefore, you can offer a quick supply and thus also have lower transportation costs. Number three, you have such low production costs and you are also willing to accept a lower margin than your competitors. And this is why you can offer a lower price than your competitors.

Antti Matula

Thank you for the question. I think the right answer is one and two and then something else. You're right, there needs to be a reason why the customers want to work with us and, and I would maybe slice and dice that a little bit. So especially in, in Europe, in the Nordic countries where we have really long, I mean, decade long relations with our customers.

They know that we are able to, to deliver, they know that they can ask us to, you know, stretch and bend and you know, help them really to achieve their targets and, and they know that we know that then at some point, there's a benefit of that as well through the collaboration.

In South America, it is exactly like you said that we are next door to our customers. So basically that decision has to be made long before the investment decision that hey, you need to, that you are willing to work with this company with these people.

And at the very end, I always say this also internal internally that it doesn't really matter about the portfolio or anything else. It's people who are selling, people who are buying and then people creating trust over one another. So that's also important that we make sure that there is this trust between us and the customer that we are able to do to deliver. These products are the ones that they really need. So this supply security is utmost important.

Unidentified Participant

Thanks. Can I ask how much of if you look at all the, this segment, how much is energy of the cost base? Roughly?

Antti Matula

You may ask, that's a very good question. If, I answer it this way. So in chloride, it is significant. So more than 90% of the chloride is related to energy.

Unidentified Participant

And how much of the chloride you produced in Finland?

Antti Matula

70%.

Unidentified Participant

And all of that energy need is supplied. -- All right. So that's an excellent position you have in that segment. Can you ship -- how far can you ship the end chloride?

Antti Matula

chloride is truly global and, and like I was explaining that this Asia or the strategic decision on the Asia, it is defined based on the fact that from Freyventus, which is Uruguay from East over which is Southeast US and also from ads, we can ship, we can back and ship material to Asia,

Unidentified Participant

Right? So it's real. So you don't, you're not because as you say, you have a strong growth in South Latin America when it comes to pulp production. And in Finland, the fiber costs are very high at the moment. So you essentially can ship from Finland as well. It's yeah, it's an excellent

Antti Matula

And vice versa. That's the whole thinking here.

Unidentified Participant

Can I ask what is, what is the competitive this yesterday announced a huge pulp mill investment in Brazil. What is the competitive advantage for you to get the Chemical Island set up on that type of plant? Whether it's important to have, you know, Brazilian exposure? Is it important to have worked with -- before or?

Antti Matula

That's an excellent question and really good timing. I mean, we heard the news yesterday. If I may, I will answer it this way. So in South America, there's basically two big players able to provide the partnership. It is us and, and Nuran and you basically don't need to have any exposure to Brazil.

I mean, we both in terms of peers, we have exposure in the Brazilian customer interface, et cetera. It's more about again, reliability and the track record of able to work with the given investment time schedule. And then again, it's not five years, it's 15 years contract, the mill is there until it's been written off. So it's a really long partnership. What we are talking about.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

Thanks. And I'll take a quick question here and before we go to the next presentation. So let me have a look. Is there still room to improve operational efficiency in this business unit?

Antti Matula

There always is. And if I give a practical example, so like I was saying in the presentation, so it's not always about expansion or de bottlenecking investments. I mean, it can be a technical advantage that we change something in our cell rooms in the actual chloride cells to make them more nimble. So that could be one.

Then also, despite the fact that we are really good in demand forecasting, if we are able to really excel and get even better in demand forecasting, that allows us of course, to take risks but still make sure that we are able to deliver based on the supply need of the customer. But also with the minimal networking capital. And of course, this networking capital, as we all know, it binds bounds cash, which we want to release and fuel the investment and strategic initiatives of Tuya, for example,

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

Good. There's still some questions, I'll take those at the end. So we thank anti at this point. And then we continue with the fiber theme and move to packaging and hygiene solutions, the other new business unit, and I welcome Harri to the stage.

Harri Eronen *Kemira Oyj - Interim President - Pulp and Paper, Member of the Management Board*

So good afternoon on my behalf as well. It's great to be here today, actually, and I'm happy to introduce the other new business unit called Packaging and Hygiene Solutions today. I have spent a good amount of my career in Pulp & Paper industry value chain, more than 25 years actually. And it's great to see the excitement and the new opportunities that this sustainability transformation is actually providing to all those value chain players.

A couple of words about the objectives of the unit. The unit is actually business unit is mandated as a dual mandate. Firstly, we need to maintain and improve our profitability. Secondly, we need to create and drive growth, not only in our base business, but on those high-growth adjacent markets. I will get to the details during the presentation. But first, let's start with the basics.

The true strength of the unit is actually the highly engaged professional employees who tried customer satisfaction day in, day out. We have seen our customer satisfaction score. Tuija was mentioning the NPS, Net Promoter Score. We have seen it grow from 33 to 53, so a 20-point improvement over the last five or six years. What the customers say about our capabilities. They appreciate our consistent reliability under any conditions. They actually appreciate our technical know-how.

And surprisingly, our process knowledge and process expertise of their processes. That's a great way to increase the customer loyalty. We have deliberately chosen to be the forerunners in sustainable solutions, as you have heard today. And customers do recognize that.

Good example of the recognition is that what Antti was mentioning in a side comment of his presentation is the showing sustainability target that we established jointly with Metsa Group a year ago. The aim of that collaboration and joint development is to develop a fossil-free raw material or even a fossil-free end product to our -- one of the key customers. So that's an excellent example about the collaboration we do with the customers.

Antti was mentioning also that we operate business of north of EUR1 billion. If we look at the portfolio of customer segments, we have here on the left-hand side, it says 65% on these growing areas of packaging and hygiene. About 10 years ago, it looked completely different. So we have increased the exposure on this -- intentionally and strategically have increased the exposure on this segment by more than 10% points over the years, and we will continue to do so going forward as well.

We all know the mega trends which drive these developments, the urbanization, the growing middle-class, consumer awareness of this more sustainable solutions and demand for those solutions. So let's take a quick look what the -- how we see those markets develop over the next years. So there is an underlying growth of 2%. And given our already strong presence in those markets, we believe that we are in a good position to actually at least grow with that market growth in line with that market growth.

We have actually, if we look at our history as Kemira and Antti was mentioning, we have too many Antti S. by the way. Antti S. was already mentioning it already earlier that we have actually developed and evolved as a company. We started with a simple straightforward transactional product sales. Then we evolved more towards the applications, we call it water treatment or the sizing and so forth.

Now we talk about the solution. So we want to be the first phone call away from the, when the customer has a need for comprehensive solution. And let's see what it means to our customers in this space.

You have heard terms handprint and footprint. Whatever we do, it's about improving our customers' footprint. It's not the simplest. I use words simple, but if we want to improve the sustainability targets or goals of our customers, the simplest way or easiest way to do it is take one of those Sampo's renewable materials and do a drop in replacement, direct impact on the customers' sustainability profile.

But it's not always about the sustainable chemistry. Already today, we have been able to reduce or we have allowed our customers to produce same amount of packaging by area with 10% less fibers. And that's with the conventional chemistries. Think about the potential when we can convert that fossil-based chemistry into renewables. That's an added lever or additional lever for those sustainability solutions.

On the low right-hand corner, you see an example of what happens when we bring the digital intelligence into equation with our expertise with our chemistry and know-how. Four hours reduction in the downtime may not sound like a lot. But when you consider these modern machines operating at 93%, 94% time efficiencies, four hours out of around about 40 is a significant reduction.

I started the opening slide with the dual mandate. Let's start to work towards that dual mandate, and what we need to do, what we will do. Our unit will be contributing positively to group-level ROCE target. We have systematically worked with our portfolio earlier, like Antti Salminen was mentioning, and we will need to continue working with the portfolio simplification going forward because that's the backbone for continued margin management as well as operational efficiency.

We still have ambition to grow actually. And if I look at our growth ambition, for example, in APAC, we have just recently established legal entity in India and are making significant acceleration to penetrate that fast-growing market in the near future. But I want to dive a bit deeper on these topics on the next slide, actually. So just to put the customer base and the growth initiatives on to perspective.

So like I said, we run efficient base business with the positive contribution to companies for ROCE. We need to continue doing that going forward. We have identified in our existing customer base, significant cross-sales opportunities. We have a wide portfolio of products in our use, which actually serves the needs of our customers almost end-to-end.

We have a significant share of customers who already buy multiple products out of that portfolio. Having said that, we also have a few customers or some customers who only buy a single product. So to enhance that cross-sales actually allows us to use the same resources and get additional revenue and income.

Then on the outer circle, we have those high-growth adjacent markets, actually, which I will talk a bit more in the next slide. So if we look at the four areas, molded fiber, textile renewable chemistry solutions and digital services. I'll start with the molded fiber. Some of you have seen the samples here in the demonstration, I'll try to put it very simply, what those molded fiber products are. Molded fiber products are fiber paste, three -- formed in a three-dimensional form in a single unit.

If we take the traditional conventional paperboard production, you form it in two dimensional, you take it offline and you convert or you will call it in the shape of a box of chocolate or cosmetics. So actually, those products have same requirements from us as consumers. So you can imagine that our portfolio -- already existing chemical portfolio fits quite nicely into that molded fiber market.

Molded fiber current estimated addressable market size, about EUR300 million, growing 7% -- excess of 7% per annum. It's not growing evenly. It's growing globally, but it's not growing evenly in all the regions. The fastest growth is happening in Asia. Luckily, we are extremely well present in Asia already. So we have a local strong presence in Asia.

Then we go to the textile fibers. We look at the fiber production. And when we talk about Kemira's accessible chemical market for textiles, we are talking about textile recycling man-made cellulosic fibers, whether those are novel technologies or conventional nonwoven type of markets.

Current market size is estimated to be 700 , round about -- more than half of that size is with the conventional nonwoven market. So the other half is growing faster than -- significantly faster than that 8%. There, the similarities, again, for agencies to our existing business. It's quite -- to put it very simply, those products, what they produce. They need functionality like paper. So functionality on the garment, whether that's stain repellent or strength or whatever, they need that functionality. We can provide them also process efficiency.

And the third one is actually our bread and butter. They are all water-intensive industries. So they need that water treatment. So good opportunity for us. I will skip the renewable solutions. You have heard quite a bit from Sampo today and move on to the digital services directly.

So I see digital services myself, not a stand-alone product, but actually complementing our offering. It's giving us a competitive edge over our competitors. With actually and it has two objectives to it actually. So if I look what we can do with that being a differentiating factor, we can either increase our market share, increase our chemical sales, digital serving as an enabler, but it has also a role of generating revenue on its own. So dual mandate for digital services as well.

So where are we? What are we going to do it? And when are we going to do it? So molded fiber, what have we been doing? So we have gone through our portfolio. We know what we have. We know what we are missing. We are actively developing a few gaps we have identified in the portfolio. We have talked to the brand owners. We have talked to the producers this year, end of last year. We're really building the awareness of Kemira on that market. And '25 is the year when we will deploy our dedicated sales force to go after those markets.

Textile fibers. Pretty much the same thing. '24 has been building the portfolio, especially primarily at this stage for the existing nonwoven market. Next year, we will be deploying, again, Petri will be deploying a sales team to go after that market.

I'm eagerly waiting for this renewable chemistry solutions from our R&I, research and innovation actually. I have customers lined up for Alpha Glucan, for example, already. So they are equally waiting for those demonstration volumes from us next year. And then when we look at the digital services, Antti Salminen showed in his presentation, is the steps we have taken to build a strong foundation. It was mentioning the SimAnalytics. We acquired the small startup company a few years back to accelerate our development in these digital services solutions.

And then we have been successful in penetrating on the port market with those solutions. And we next year, like Antti Matula saying, we will penetrate to the pulp market as well with those solutions. So the path is paved, so to say.

So before concluding, I'd like to leave you with three takeaways. I'm truly excited about the opportunities that the sustainability-driven solutions provide us not only for this business unit, but for Kemira as a whole. Of course, there are opportunities for operational improvements, and we are ready to take that challenge. But please keep in mind that there is still room for growth, both in the base business as well as in this high-growth adjacent markets, where we have right to play, right to win.

Thank you, Q&A.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

All right. Let us move to Q&A. Any questions from the audience? Otherwise -- well, Andres, you start.

Andres Castanos-Mollor *Berenberg, Gossler & Co. KG - Analyst*

So the textile cellulose market has been established for decades and you identified it already in the previous Capital Markets Day that you wanted to target it. I understand too that in the meantime, you have been developing the products -- the gaps in the portfolio that you need to address this market. Can you explain why did it take long? Why couldn't you move faster on this?

Harri Eronen *Kemira Oyj - Interim President - Pulp and Paper, Member of the Management Board*

Yes. Of course, there are a couple of aspects to the textile market, as you know. It's the conventional nonwoven type and then the novel technologies to name a few (technical difficulty) infinite fibers. And I think if we look at that part, the development of the market and the technology has taken longer than we initially anticipated.

We know it's emerging. It's coming, but it's just taking longer. We take on conventional side to nonwovens. And actually, that -- the market is to our estimation, about EUR450 million chemicals, roundabout the market size, relevant chemicals to us. It's already occupied. It's growing at the rate of 2%. So you have to find that differentiating factor. And we are, for example, working a bio-based binder. Binder market is half of that market. So we are actually developing a bio-based binder to substitute to give us that competitive edge.

Andres Castanos-Mollor *Berenberg, Gossler & Co. KG - Analyst*

Maybe a follow-up to this, Harri. The question related to textiles, again, why are you not partnering with bigger textile players to grow your textile?

Harri Eronen *Kemira Oyj - Interim President - Pulp and Paper, Member of the Management Board*

We are partnering. We are partnering. We have -- and we know we talk about the new novel stuff. So we have a horse in every race basically. We just have to see who crosses the finish line first. So we are spreading our bets on this, all these. So we talk with all of them at the moment.

Andres Castanos-Mollor *Berenberg, Gossler & Co. KG - Analyst*

Let me continue from online. And if you digest questions here in the audience. So the question is what is the most attractive growth area in your opinion? Or are they all relevant?

Harri Eronen *Kemira Oyj - Interim President - Pulp and Paper, Member of the Management Board*

They are all relevant. That's a good question. They are all relevant. But I think if you look at the execution capability and when they materialize, molded fiber market is the most ready now. And then we come back to this digital service solutions and then the textile. It's not in order of importance, but it's order of when the markets are ready.

Andres Castanos-Mollor *Berenberg, Gossler & Co. KG - Analyst*

Then I'll continue online. So could you talk more about the Chinese value chain in packaging and hygiene, given the value chain is not fully established in that region? So how do you see our position in the value chain, I guess, in general, the packaging and hygiene market in China?

Harri Eronen *Kemira Oyj - Interim President - Pulp and Paper, Member of the Management Board*

We are -- we have been in China for more than a decade, almost 20 years, actually. So we are established value chain player there. And actually, that's where we are making most of the inroads with the brand owners and the producers on this molded fiber product. So we are actually established value chain player in China.

And if you look at the converters or the producers, they are all there. It's the usual household name, the Tetra Pak, the they're all there as well.

Andres Castanos-Mollor *Berenberg, Gossler & Co. KG - Analyst*

Good. Then I'll continue -- you mentioned you have customers lined up for Alpha Glucan. So our customers are willing to pay a premium for renewable products?

Harri Eronen *Kemira Oyj - Interim President - Pulp and Paper, Member of the Management Board*

We see two angles, actually, and that's a good question again because if we wait for Europeans to follow the regulations, then they have to pay the premium finally. Now -- but those markets where brand owners are already ready to do it today to a certain extent because they see the value in their own marketing efforts in -- when they put the product on the display.

So consumer-driven products like hygiene and packaging, they see the marketing value in it, mainly in North America. Europeans are regulation-driven. So that's a bit challenging here to push it through. And the regulation will only take place on this packaging and packaging waste materials by 2030, if I recall correctly in my year.

Andres Castanos-Mollor ***Berenberg, Gossler & Co. KG - Analyst***

And maybe we'll wrap up with a final quick question if you can answer this quickly. So what is the latest development that you see in our end markets?

Harri Eronen ***Kemira Oyj - Interim President - Pulp and Paper, Member of the Management Board***

Latest development?

Andres Castanos-Mollor ***Berenberg, Gossler & Co. KG - Analyst***

Yes.

Harri Eronen ***Kemira Oyj - Interim President - Pulp and Paper, Member of the Management Board***

We saw the recovery taking place quite nicely early in the year, actually, and now it has kind of stalled. The recovery will come, but against all actually or expectations, predictions, it's actually stalled for the second half of this year. So -- and we see it from the interest rates that the growth has stalled a bit, and it will come, but it will be pushed towards -- more towards next year.

Mikko Pohjala ***Kemira Oyj - Vice President - Investor Relations***

And market -- or market expansion is that it continues to cover gradually.

Harri Eronen ***Kemira Oyj - Interim President - Pulp and Paper, Member of the Management Board***

Yes, exactly.

Mikko Pohjala ***Kemira Oyj - Vice President - Investor Relations***

No change to that. But I guess we conclude this Q&A and for the sake of time, so -- and then we need to move forward on the agenda. So I'll welcome our familiar face to many of you. So our Chief Financial Officer Petri will wrap up the presentation. So Petri a warm welcome.

Petri Castren ***Kemira Oyj - Chief Financial Officer, Member of the Management Board***

Well, first of all, I must thank you for really having the attention span of listening to all the presentations. It has been 2.5 hours and extremely good questions both online as well as here in the audience. Well as Mikko said, I am somewhat familiar face which actually allowed me the benefit of the -- I was actually looking at my notes from two years ago when we had our last capital Market Day in London.

And during that meeting, the key themes were really about growth and it was about resilience. So we were balancing those two topics. And I think everybody now understands the environment for the last couple of years has been really difficult. Growth has in particularly in our space has been in really difficult to get by.

We saw a significant downturn in pop on paper industry and in macroeconomics clearly as well. However, that resilience that really, it has proved and served us really well and which is of course visible in our results. And you are just questioning how come you are so resilient that how come ?

We have been actually been able to improve our profitability the way we have and we are a little bit of an outlier in the chemical industry. I'll try to try to address that. The renewed strategy is really about growth and not, but not forgetting about profitability. And I'll start with the financial targets right away. And you really ought to see that as a result of that growth strategy, not as targets or something on its own.

And this really ought to be looked at as a totality combination. So let's look at them. So rightly, somebody was asking, is that 4% growth, is it faster than your addressable market? Yes, it is. Our current addressable market is estimated to be maybe 2% to 3%.

So obviously, if we want to grow or as we want to grow over the long cycle over the cycles, long term, at an average rate of more than 4% each annually, it requires that. Yes, we do something differently which allows us to address new markets, new growth markets. We may need to invest a bit more, particularly some of the new renewable chemistries. We need to look at investments and then of course, potentially some of the adjacencies may require some additional investments as well.

We may need to also increase over time. Our investment, for example, in innovation in R&D so far, we believe that we are very efficient in terms of our R&D. But at the same time, long term growth ambition does require some investment and therefore I move on to over to the profitability target, the operative EBITA. So we improve it not by a small amount.

I think 3% points move in a profitability target is a meaningful increase from 15% to 18% to 18% to 21%. However, some people are asking is that an ambitious target when we have in the last year and a half been in the very comfortably in that range and actually above the midpoint.

Our answer to you is that this is actually, you ought to be seeing this profitability target as a guardrail, not as an ambition. Some people are presenting the financial profitability targets that they want to transition the business and improve the business towards that. Now, that's a guardrail of how we intend to run and how we intend to invest into our growth that we need to do.

Similarly, we introduced a new KPI for financial targets, the capital efficiency return on operative return on capital employed at 16%. You may also say that well, last year and a half, you're above 20%. What type of target that is? Well, this is long term target and our strategy is to use the M&A tool and anybody knows that you cannot exercise an M&A strategy and maintain a capital efficiency over 20%.

So this ought to be seen by you as another guardrail of what type of financial ratios we're looking at as we are focusing on the growth. And I still want to say that absent of M&A, I don't see any sort of pressures that would be sort of an any changes that would be putting pressure on the existing level of capital efficiency that we have. So this is really accommodating potentially ambi somewhat ambitious M&A strategy.

And Tuija was talking about the whole water story was labelled as doubling the water. So, the organic growth opportunities will take some time before that would allow it to double. So clearly, we are looking at the M&A opportunities there.

Also, these targets are group targets. We already talked about quite a bit that these are not PU level targets. So business units have their own different financial profiles and this group level target is something that you should be looked at as an entirety. Some of the numbers that Harry, Tuija and Antti were shown those were sort of a trading 12 month numbers.

So we don't get have really fully very detailed financial plans per these business segments. We're in the middle of that process, but they give you an idea of what type of business profiles these different business units have.

The one thing of course, that you all should be benefiting and typically you investors like is that the move to three segment reporting will increase transparency. So we it will increase the transparency of our financials, it will increase the transparency of various business drivers what is driving this. Already today you probably saw some detail that we have not talked about in the past.

But quickly a few words about the financial profiles. Of course, water, high profitability, high growth opportunities internally. And of course, very capital efficient business. So that's all clear and of course, not only the system. Not only it being in the part of our heart of our sustainability strategy, but of course, because of financials also support why it is at the heart of our growth strategy.

Fiber, yes, it is capital intensive business, but it is a profitable business. And as Antti is mentioning that we have a sort of it's meant the purpose is to be cash generator, yes, it is. But there is sort of the caveat that if we find good growth opportunities, we can invest, invest in those even of those new opportunities may not quite yield to 16% return on capital. Although I think that shouldn't fall much short of that.

And then packaging and hygiene solutions. Currently capital efficient business falls a bit short of that. That profitability target. Clearly there's efficiencies to be gained, how you talked about those efficiencies and some of those are really to be executed in relatively short time frame.

New operations unit. So again, we are balancing growth and profitability and this is the way how we are aiming for further efficiencies. I was prepared to talk about the high satisfaction of our customers and high service quality, but I will not repeat that. You heard all of that from Tuija and Harri which is absolutely true.

The one thing which is clearly changing now is that currently we are running our manufacturing footprint. It's run by the business segments, our terminology today, but and they are largely run regionally. So by consolidating them all, we will actually be running them centrally. And then of course, we are also consolidating into that same operations unit, all of the sourcing activities, all of the supply chain activities.

So for example, as an example, for roughly EUR300 million of inventory management, it will have total end to end responsibility of that. Now, we don't have plans yet, but I expect that this should result in tangible reduction opportunities and in terms of reduction targets for that unit.

Oops. So clearly, we will be building on strengths. So that's a great place to be. Now, next couple of slides, I'll move and talk about a little bit more and give some examples of why we are more profitable? What's behind the sustainability of our profitability?

First, I'll come back to this business portfolio or particularly the divestment of our oil and gas business. A number of reasons why we did that. We talked about that. Yes, it was diluting overall to our margins. There are also the sustainability reasons. It clearly clarifies our sustainability point, but it also significantly reduced the cyclicality of our business.

Oil and gas was always the biggest, biggest part or biggest cyclical part of our business and you'll see some slides to demonstrate that or some facts to demonstrate that. It was also on average, significantly more working capital.

Even though the customers were large, we still have to build significant work in inventory positions. For example, our oil sands, tailings customers that was a very much of a seasonal business. Also, our shale business was very much of a last mile service business. So we needed to have a sort of a local warehouse network and ability to serve to the oil well as to the chemistry. We expanded the networking capital requirements, really pleased to have that out of way.

And also CapEx if you look at again, so those red points in each year, they typically were expansion investments that were really going into the polymer industry, polymer manufacturing, but really driven by the oil and gas, oil, and gas demand. And the fact of it is that we would have -- this would have continued for us to be really meaningful in or relevant in size.

We would have had to continue that, continue in that business, continue to invest into that business, which again, in turn would have made us even more cyclical business. So good to be out of that business. Then some other sort of this is not a full bridge, but I will give you some data points on and some examples of what helps us to be profitable.

I'll start from the bottom. So the portfolio simplification, the oil and gas divestment alone enhanced group margins by about a percentage point compared to 23 numbers. And there were years when that dilution was greater than 1-percentage-points. '23 wasn't even a bad year for, I guess there were some years that were significantly more difficult.

In '22, we already divested our colorants businesses that has a lot of the same characteristics as the oil and gas, it was networking capital heavy, it was diluting our profitability. Commercial excellence. I don't, I mean, it's really data driven. I was prepared to give some more examples but Tuija already covered them, but we really have a good understanding of the larger bid situation where our competition will likely bid.

And we can estimate that because we know what the raw material sources are. We know what the distance from the customer is. We know what they will be that actually allows us to sort of focus our efforts to those places where it makes sense for us.

All right. I'm speeding up because I need to have -- time is running up. Another -- sort of what we will be doing, a lot of people are asking about how much are you -- will you be investing into our assets? Last few years, our CapEx has been about 5% to 6% of sales, and 3% to 4% of that has been maintenance and improvement, which has left 1% to 2% of growth. And that has been sort of enough. We sort of expect that same level or slightly higher level of CapEx will be enough to sort of help us with this transition to renewable chemistries.

It will be enough to continue on the same path like adding these coagulant investments that Tuija was talking about. Those are, by the way, very nice investments from the CFO point of view. They are sort of -- we are already capacity-constrained. They're investing into existing sites. So they typically are very, very fast payback, good return investment, sort of no-brainers from the investment point of view.

Few words about our balance sheet. We are obviously -- Antti stated that we are in very good shape. Yes, we are. We are about EUR750 million of gross debt, excluding leases. So that takes us about -- and net debt leverage about 0.6times. So obviously, it does leave a lot of room and a lot of ability to invest into both organic -- into good organic and good inorganic opportunities.

We have some debt coming due in the next -- next year, we'll be refinancing. There are some bankers who are here, so that's the message to you. And we basically have estimated that we have -- we can easily borrow up to about EUR1 billion or actually more than EUR1 billion and still maintain an investment-grade debt profile. That's sort of a financial guideline how we are looking at ourselves. That's the mindset.

Talking about M&A strategy. So there's a balance. We want to use the tool to execute and accelerate our strategy. We are disciplined. The way we have looked at it, the best way, the best types of M&A opportunities for us are really sort of small bolt-Ons or midsized deals, and of course, in the water space or in the renewable space. That's where we have the most synergies, whether they are customer synergies, sales synergies, cost synergies, technology access, whatever. That's where we have the most synergies.

And how it ties to the valuation? When you have meaningful synergies, we actually -- I think we can be much more competitive in going after some of even more attractive or so-called perceived higher valuation assets because we have so many synergies in place. And obviously, that's driving our M&A strategy quite a bit. So a strong preference for small to midsize M&A. And I say the question, we sort of define midsize up to about a EUR500 million, EUR0.5 billion of value.

Summarizing, capital policies. So yes, we are continuing our dividend policy. So we want to maintain our dividend policy of competitive dividend and also over time increasing. We are investing into growth and we are investing into M&A to accelerate that growth.

We're soon closing Q3. So the planning is starting to shift already towards the '25 execution. And typically at this time, we are sort of looking at what are the factors. This is not yet any sort of guidance on 2025, but these are sort of what we see as impacting the planning for '25.

So far, our crystal ball is clearly saying that the good solid demand in water demand is continuing. There's -- it's a very nice, nice market, and that's a foundation of ours. We have some new assets coming online. We just actually issued a press release that our ASA expansion in China is complete, and we have an opening ceremonies of -- in -- very soon, in weeks, I believe.

And then, of course, Antti M, among the many Anttis, is benefiting of the benefits that we have from the cost advantage or the backward integration to electricity assets in Finland.

Uncertainties. I put the -- the recovery in pulp and paper is still in the uncertainty area. Harri is more bullish that it has now been pushed back to '25. Certainly, it stalled this year. And how strongly the recovery will be next year or how it will continue, that's an uncertainty. And that's, of course, very much a macroeconomic. Macro drives that, FX and those are always there.

We have seen a very high level of inflation. And of course, it has impacted our fixed costs. This year, our fixed costs are running globally, about 4% higher than last year. Now that the -- and it's mostly salaries. Now that the inflation is slowing down or has slowed down, of course, we cannot allow that level of fixed cost increase going forward, so that's something that we will be tackling relatively hard, that we will tackle that fixed cost inflationary pressures.

Summarizing, we have strong ambition to grow. I hope I gave you some examples of why we have structurally higher margin profiles. I'd actually give you a couple of more data points which I forgot to mention here. Our North American water business, in five years, it has increased its revenue by more than 50%, while improving profitability well over 5-percentage-points. That's significant.

In APAC, in pulp and paper, we have more than doubled both the relative as well as the absolute EBITDA contribution. And those were areas that, at some point, were weak areas. Not five years ago anymore in case of water, but we have been also, not only on building our strengths but actually building on -- turning some of the weaknesses into strengths and North America water, for example, is one of those.

I still say that Tuija's business benefits of the scale. And we do have scale in that, particularly in the coagulant business, where many of our competitors are clearly smaller than us. So we can build a pipeline connection to take a side stream from a plastics manufacturer.

We buy raw materials to our plants ship load at a time. Smaller competitors don't do that. And so there are tangible sourcing benefits that we have because of our scale, in particular in the coagulant business. Finally, third point, we do have attractive growth opportunities, both organically and inorganically.

With that, I guess the idea is that you can give me some questions and then -- before we move over to the general Q&A.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

All right. As said, this is the Q&A for Petri. So already plenty online, but let's start again here. So maybe, Henri, you may start.

Harri Eronen *Kemira Oyj - Interim President - Pulp and Paper, Member of the Management Board*

Henri Parkkinen from OP Financial Group. Just one question regarding the Industrial & Water Americas. You mentioned that revenue was up 50% during last five years. And at the same time, the margin was up by 5- percentage-points. What are the main reasons? Was it cost cutting? Or did you have some old nonprofitable contracts? Or how was this possible?

Petri Castren *Kemira Oyj - Chief Financial Officer, Member of the Management Board*

I think Tuija covered that. Most of that is the part of the commercial excellence in terms of growing the revenue in that part. So really being able to identify the opportunities where there is, not being too aggressive in terms of pricing, but understanding where we actually -- there's money on the table, so we understand where our competition is, what their cost base is, what -- where they can bid and where they cannot bid.

And understanding those. So that actually is -- it's not only that the overall market has floated up, but it's actually -- that we have understand better the places where we have, really, pricing power and utilizing that. So I think there's a lot of that. But it's that commercial excellence. That's part of it. That's the main part of it. Then of course, on the cost side, there are some of those scale benefits that I was alluding to just a minute ago.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

Then we move to the second row. Anssi, you go ahead.

Unidentified Participant

Yes. Actually, a couple of questions if you may. First, about your return on capital target and if I understood correctly, it includes some M&A opportunities. But what kind of implied organic ROCE we should expect?

Petri Castren *Kemira Oyj - Chief Financial Officer, Member of the Management Board*

Well, first of all, long-term modelling M&A is not easy. How that will impact your return on capital employed depends on what we buy, how much we pay, how do we allocate the purchase price, how profitable it is, what sort of depreciation schedules we're using and it gets very complicated.

But absolutely, it does take into account a meaningful amount of M&A. And then also, as I said, as a marker, that absent of M&A, I don't see any significant pressures on the current level of capital efficiency. So this ought to be really seen as a guardrail for the M&A strategy, not as how we run the current level of business. We wouldn't be sacrificing the capital efficiency absent of M&A opportunities.

Unidentified Participant

And then about the electricity. I understand Mangala pricing, but do you have, like, exposure on spot prices? And is it, let's say, easy to avoid this spot price hours? And is it possible, like, with the adjusting capacity utilization?

Petri Castren *Kemira Oyj - Chief Financial Officer, Member of the Management Board*

We have ability to adjust capacity utilization. And I would rather say that's probably an opportunity that Antti will sort of focus on in the future, how can we be even more flexible with our production so that we could actually not avoid the most expensive hours. That's probably not anything we need to do even now, but actually benefit of the zero cost of really, really cheap hours, take even bigger benefit of those.

So I think it's more like that we see there's more opportunities on the production flexibility than risk. So yes, typically, we don't have much of exposure to spot pricing, particularly now that -- where we are. Now there may be some times when suddenly, one of the backward integrated assets goes off-line. That's a temporary situation. But other than that, we can -- we really rather use that to our benefit than see that as a disadvantage.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

Then there was a question on the third row. [Sammu], go ahead.

Unidentified Participant

[Sammu Wilhelmsen] from [Nordic Credit Research]. Maybe two questions that align with each other. First of all, you said that you target long-term capital structure, which includes use of debt within the investment grade.

Given that you mentioned guardrails on M&A on return on capital employed and then the profitability, but why haven't you, for example, quantified in terms of net debt-to-EBITDA or gearing? Because, for example, your balance sheet is quite strong. You said that, previously, it has been targeted gearing of less than 75% and it was around 20% in June. So if you could get some rationale behind that?

Petri Castren *Kemira Oyj - Chief Financial Officer, Member of the Management Board*

Well, I'll make a little light of that. When you talk about gearing outside of Scandinavia, you have a blank face. The rest of the world is really looking at leverage, not balance sheet in terms of financial strength and financial profile.

So in that sense, I think it was a bit outdated to talk about gearing still. And then our view is that setting the financial profile description as you want to invest -- want to maintain an investment grade debt profile, I think that's more meaningful than us trying to estimate what that is in terms of leverage because that may depend on times.

Maybe it will be depending on what type of business portfolio you have. And I would think that even -- your representing credit research, that should actually give more comfort to your customers.

Unidentified Participant

Yes. Agree on that, though. Then another question related to that, that you are publicly rated. This above, like, credit rating something that you would consider pursuing on at some point?

Petri Castren *Kemira Oyj - Chief Financial Officer, Member of the Management Board*

Only if we do more meaningful debt raising. And that, of course, would likely be only needed if we do more significant M&A. So current level of debt when we are refinancing EUR100 million to EUR200 million tickets, every once in a while. Public debt rating is not really relevant in my mind.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

Just take one more question from Martin and then we'll ask Antti on the stage.

Martin Roediger *Kepler Cheuvreux - Analyst*

Martin Roediger, Kepler Cheuvreux. Sorry, I have to nail down on one specific question. This is the financial discipline M&A. And I understand that a target company with -- offering high synergies is more attractive for you.

Other companies in the chemical space who look for M&A, they have a kind of discipline saying, we pay 12 times EV EBITDA before synergies, and including synergies, it is, for example, 7 times EV EBITDA. Is it the way you are also thinking or are you more generous and would also go for higher multiples?

Petri Castren *Kemira Oyj - Chief Financial Officer, Member of the Management Board*

We probably haven't seen and haven't executed enough of M&A that it would really make sense to us to be that precise. I mean, the companies who have been -- who are already serial acquirers, and they can demonstrate that they've done this and this and this acquisitions and they fall to this, it makes probably more sense for them to put this sort of a tight financial guardrails.

But of course, we understand also where we are trading. And of course, we understand the sort of -- I don't consider, really, a dilution, but people who may think, from the valuation multiple point of view, a dilution impact if we were to buy something at 12 times. So it better have a good, good, good synergy story and improve our growth profile.

So we wouldn't be doing more expensive M&A and just rely on rerating. There would need to be a benefit, industrial logic. I talk about industrial logic and synergies a lot when we're looking at M&A cases.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

Good. Maybe with this, so just to note the time, so I've used -- we've used up the three-hour time that I said at the start, so if you need to drop out on the line, do feel free to do so. Here in the audience, we'll keep you engaged for a while still. So we move now to the final Q&A and ask the CEO, Antti, also come on the stage. And I have plenty of questions on the webcast tool, but we'll not make it too long. So Antti, welcome here as well.

You may ask questions from all and let's continue with the financial targets. They seem to be the whole topic of the day when the audience digest questions. So start -- we'll start with the EBITDA margin range. So it is somewhat wide at 300 bps, so could you help us with the assumptions for the low and upper ends of the range, what could be the drivers?

Petri Castren *Kemira Oyj - Chief Financial Officer, Member of the Management Board*

Well, if you'll look at the cycles that we've gone through in the last few years, I don't think 300 bps is not sort of -- it gives a huge amount of -- we actually faced -- I think those were years '20 and '21, when variable costs were increasing between 30% and 40% each year. And that's why -- and that's the time when we actually were comfortable that we can move those prices to our customers, but it takes some time.

And we were talking about this lag effect at that time. If we were to see an environment like that, clearly, it would short-term impact the profitability. Again, speculating because we don't know what the situation is. But on the face of it, I would feel comfortable that we have the capabilities to move that cost -- move those costs, but it will take some time. So there may be a temporary time when margins might be pressured. That's an example on the -- about down area.

Then, of course, we have some of these new technologies coming online. And looking at some of the renewable space and let's assume that the market really takes up. Typically, when you start to go after the market, initially, you may have some production beating problems and stuff like that.

So even if the underlying business is really healthy and then -- and market and business will be profitable, even enhancing to your profitability in the beginning, there may be times, there may be periods when margins went to be pressured on that one. So it's sort of a general guardrail of how we are and how we operate.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

Okay. Let's still continue one more question from online, then we can go to the audience. Again, related to financial targets. So the organic growth target, is this purely a volume-driven target? Or does it also include some pricing? So how do we think about that, the 4%?

Petri Castren *Kemira Oyj - Chief Financial Officer, Member of the Management Board*

I think it's a mix of both.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

Yes, indeed. I see many hands. So maybe we'll take Robin now.

Robin Santavirta *Carnegie Investment Bank - Analyst*

I was wondering, when I look at the organic growth of -- although your profitability has improved, you have had excellent performance there, the top-line growth hasn't been very strong over several years. I know you target more than 4% of organic growth and you had good reasons.

But I'm just wondering how that goes hand-in-hand with the CapEx sort of expectations, I guess, with the same type of CapEx as historically, your growth would be much faster. How does that -- what are the sort of key things that would drive that?

Petri Castren *Kemira Oyj - Chief Financial Officer, Member of the Management Board*

If I answer first and then I'll actually put Antti on spot of actually how to do that. But basically, yes, that is one of the reasons why we are increasing the CapEx guidance a little bit from 5% to 6%, where we have been to 6% to 7%. So that 1-percentage-point of CapEx, it's alone. It's EUR30 million roughly each year of further investment into adding capacity.

Then granted, we do have some unutilized capacity right now, particularly serving some of the areas in the -- what I call now, the pulp and paper market, both on the fiber economy side as well as on the packaging and on hygiene side. So every growth volume does not need to have a new CapEx behind it.

Antti Salminen *Kemira Oyj - President, Chief Executive Officer, Member of the Management Board*

You have actually exhausted 2/3 of my answer, the last part being, of course, that again, it's a guideline for over the years type of a CapEx profile. So guaranteed if, for instance, again, some of the renewables take off really quickly, even if some -- those are maybe not that capital-intensive investments, but if we need to invest in two consecutive years to build up the capacity as the world sucks the materials, then there will be years when the CapEx will be higher in terms of percentage. And then after that, we will need to have a couple of years to tell over.

Robin Santavirta *Carnegie Investment Bank - Analyst*

Can I do one more?

Mikko Pohjala ***Kemira Oyj - Vice President - Investor Relations***

Fire away.

Robin Santavirta ***Carnegie Investment Bank - Analyst***

And it's maybe a trivial question, but maybe good to clarify. So in terms of the raw material portfolio, what is the average time span of sort of pricing? So if there is a change, how long does it take in the spot price? Could you sort of expand on that?

Antti Salminen ***Kemira Oyj - President, Chief Executive Officer, Member of the Management Board***

You mean the average price duration of our raw material contracts or the transfer to the sales prices?

Robin Santavirta ***Carnegie Investment Bank - Analyst***

Right. No, not with the -- just when you purchase raw material.

Antti Salminen ***Kemira Oyj - President, Chief Executive Officer, Member of the Management Board***

There are, of course, all the possible varieties within the portfolio. But I would say typically, we have annual contracts regarding the raw materials. We are not very much exposed to the spot markets of any particular main raw materials.

Robin Santavirta ***Carnegie Investment Bank - Analyst***

So you have sort of visibility for.

Antti Salminen ***Kemira Oyj - President, Chief Executive Officer, Member of the Management Board***

We have certain visibility. Then some of the contracts come with maybe 2 times a year adjustment points or whatever, but we have certain quite good visibility, yes.

Petri Castren ***Kemira Oyj - Chief Financial Officer, Member of the Management Board***

And some of those may have formulas behind them.

Robin Santavirta ***Carnegie Investment Bank - Analyst***

Right. And what is the trend of that raw material portfolio at the moment?

Antti Salminen ***Kemira Oyj - President, Chief Executive Officer, Member of the Management Board***

Going to next year, we're looking at the flattish performance. So there are some pressures up and some down, but relatively flattish.

Mikko Pohjala ***Kemira Oyj - Vice President - Investor Relations***

Obviously, that is subject into the prevailing economic conditions as a disclaimer here. So I see Anssi, you had a question.

Unidentified Participant

Yes. Actually, one about your pricing and again, electricity. Like, how much of electricity surcharges you have in place? And is it a significant factor? And if so, could you maybe give us some, even, ballpark in terms of sensitivity?

Petri Castren *Kemira Oyj - Chief Financial Officer, Member of the Management Board*

I wouldn't call surcharges. I would rather call them that they are some type of formula clauses that if the market price of electricity would rise and I'm talking about the Finnish, the Nordic market in particular, so I don't think I want to go into more detail, but there are sort of formulas.

So of course, and also typically looked at monthly average price of electricity. So they may impact next month if the cost of electricity is high any given month. Typically, they impact the next month. There may be, in some cases, where they impact current months costing or invoicing, sorry. So -- but I don't want to give you the sort of thresholds and -- or the formulas. I think those are business-privy topics.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

I'll take a couple of questions from online. This is, Antti, for you. In reality, are there a viable M&A bolt-on type of acquisitions, for example, in the packaging and hygiene solutions division?

Antti Salminen *Kemira Oyj - President, Chief Executive Officer, Member of the Management Board*

In reality, yes, there are. Again, as we started this, so there are a lot of different types of potential M&A targets. There are those that are more technology driven that can increase or improve our portfolio regarding, say, the oil and grease barriers, for instance, or it could be something else. So there are chemical technologies by which we could enhance our portfolio and our capabilities on that market.

And there are those companies, smaller and bigger, sometimes kind of part of some other chemical company. Then there are -- on that space, of course, there are some opportunities for market consolidation. But as you saw, that's not the kind of focus point of our strategy. So it's more like creating a better portfolio for the future growth, but definitely, there are.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

And let's continue with the question still from online, maybe perhaps this is, Antti, also for you. Would you miss oil and gas for growth -- for growth targets? So the organic growth target, is it -- would oil and gas being important for that?

Antti Salminen *Kemira Oyj - President, Chief Executive Officer, Member of the Management Board*

For the oil, again, as Petri very clearly explained here, oil and gas was very cyclical business. And now in good times when the oil market booms, that was historically one of our growth drivers. So clearly, that business had a growth potential. It would have enhanced that. But then when you see the oil crashes, you see that all of that is wiped away and maybe some on top of that.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

I think I saw a hand there. [Jonni] go ahead.

Unidentified Participant

[Jonni Szamval], Nordea. Maybe, Petri, one question on the operation function you were speaking about, enhancing your operations on that side. So could we speak a bit about cash flows and working capital levels now with the current structure? So how much potential you see there? And what kind of working capital levels we should be looking going forward?

Petri Castren *Kemira Oyj - Chief Financial Officer, Member of the Management Board*

Actually, we are already relatively, I would say, pretty good. And some people would call me modest when I say that. Because around 10%, 11% working capital level of sales in our industry is actually already a pretty good number. So in that sense, let's be realistic, so it's not EUR50 million or EUR100 million that you can easily squeeze out of that. But there are some things which I believe is possible.

Antti Salminen *Kemira Oyj - President, Chief Executive Officer, Member of the Management Board*

I will call you modest.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

Anything else in the audience? Or shall I continue from the let's not make it too long. So still a couple of questions I'll ask. If anything from the audience, so you can digest those. But a question about water treatment goals. So maybe Antti, you can start. If need be, Tuija can sort of support you.

So how should we think about growth in water treatment, which is very dependent on regulatory changes that might be relatively volatile between geographies and also over the years? So how do you think about the growth going forward?

Antti Salminen *Kemira Oyj - President, Chief Executive Officer, Member of the Management Board*

Yes. Well, again, regulation is a clear driver, as Tuija very well explained here. And regulation, of course -- I don't believe that, in this world that we live in, regulation has any volatility as such, the regulation will come and will dictate the needed discharge limits for waste water treatment plants and the cleanness of the drinking water. There, however, is some uncertainty regarding the execution time of that regulation, so that may vary.

Some geographies, again, as Tuija said, Southern Europe hasn't even implemented fully the previous regulations. So you need to, in that sense, geographically understand where the push is biggest. And again, how we have approached that is that, for instance, for this phosphorus discharge limits in Europe, UK actually implemented discharge limits that were kind of in the preparation in EU.

They stole those and implemented them much faster than EU did. And we invested in additional capacity in UK exactly for that growth market.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

Are you happy with the answer, Tuija?

Tuija Pohjolainen-Hiltunen *Kemira Oyj - EVP, Water Solutions*

Very, very happy. That was exactly what I said. It's not volatile at all. It only takes, like, phases when it's getting executed, that demand. And we are really on top of -- by understanding the local market, understanding the regional market. So -- and the same in US, we know which cities are next waiting for their permit to be renewed, and then there will be a new phosphorus limit. So very stable view forward.

Mikko Pohjala ***Kemira Oyj - Vice President - Investor Relations***

And now that you have the mic, Tuija, I'll ask you a question. So there is a lot of innovation in water filter technologies aiming at reducing chemicals, just water treatment. So how do you see these innovations? And do you expect this market to develop?

Tuija Pohjolainen-Hiltunen ***Kemira Oyj - EVP, Water Solutions***

Well, I have always answered that question that water treatment is never a market for one technology only. I mean, there is -- water has so many components in it that you need biological treatment for the wastewater. You need mechanical filtration for drinking water and you need chemistry to support all that. And now talking about that PFAS, you will need for different micropollutants and different PFAS concentrations, various technologies.

So I would say that the question is what technology you want to deliver and provide to the customer base. You cannot handle the present, not even with the novel filtration technologies. You cannot handle everything. So it will always be a combination. And chemistry will be there in that combination to support all the other technologies.

Antti Salminen ***Kemira Oyj - President, Chief Executive Officer, Member of the Management Board***

Maybe if I just build on that a little bit.

Mikko Pohjala ***Kemira Oyj - Vice President - Investor Relations***

Sure.

Antti Salminen ***Kemira Oyj - President, Chief Executive Officer, Member of the Management Board***

The other fact, if you think about the robust core of our business in water treatment, that's the traditional wastewater treatment business. And those facilities are kind of multi-dozen million investments. And the average age of infrastructure is not -- we are not talking about 10 or 20 years, we are talking about 40 or 50 years.

And those -- that infrastructure is built on a combination of biological and chemical water treatment. That infrastructure does not go away. So as long as we operate the waste water treatment through that infrastructure, the very traditional coagulation and flocculation technology will be the driving -- no matter what innovation comes. I mean, it doesn't replace that.

To replace that would need such a big CapEx investments from the very poor municipalities that I don't see as -- nothing is happening very fast on that space. We have enough -- plenty of time to react if any kind of disruptive changes come to the technologies.

Tuija Pohjolainen-Hiltunen ***Kemira Oyj - EVP, Water Solutions***

Absolutely. And maybe one more, if you allow, Mikko, somebody was talking about that membrane. It's a very interesting area, have been also working myself on membranes earlier, typical setup. If you take desalination, for example, our customer, Los Angeles in US West Coast, we are providing pretreatment coagulation to keep the membrane open as long as possible.

So it's a perfect combination of technologies. Our coagulation takes the rough part of the work like a working horse. And then it goes to the very sensitive membrane to make the clean water. So you can't do either without, so you need both.

Mikko Pohjala ***Kemira Oyj - Vice President - Investor Relations***

And I have one more question for you, Tuija. Then we take final question from the audience. So still to clarify, what makes you confident on the sustainability of the current good margins in the water treatment business?

Tuija Pohjolainen-Hiltunen *Kemira Oyj - EVP, Water Solutions*

Yes, that's the question we have been maybe answering five times already with the different words. You remember our Net Promoter Score. I mean, customers do trust us. The chemistry we provide adds value to the customer.

Our capability to have a supply security for those very, very urgent demands of those waters in every condition, for example, during hurricane season in US and after COVID when there was a lack of raw materials, we didn't miss one delivery. And many companies missed a lot of deliveries during those hard times.

So those components make the customer think that, "Is this worth the money I pay?" "Is this service worth the money?" And then you need to have that agility, what Petri was very well explaining, agility or understanding of the market, how far does my truck reach and what is my competitor's interest to get here. What could be their best pricing.

So all that data-driven decision-making of where does it make sense to be. And then also understanding where it does not make sense to be and walk away. You don't need to get every customer.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

Good. Maybe final question from the audience, then I have one more from the line, then we close it. It doesn't get too long. Anything from the audience here? No, then I have a final question that is actually, Sampo, for you. Then maybe we'll start here and then, Sampo, you may add if you have something. So can you talk about the competitive landscape on the renewable side? Do you want to want to cover? Shall we ask Sampo to take it?

Antti Salminen *Kemira Oyj - President, Chief Executive Officer, Member of the Management Board*

Well, I can start very briefly and then Sampo has much more details on this -- maybe for the rest of the evening if we need that. But that's kind of -- it's a very wide domain and the competitive landscape cannot be described very easily because there are very different players on that. There are the kind of basic biotech companies providing the backbones and then there are some of our direct competition who are working with some of these guys to develop the formulations like we are doing.

And there are startups and there are kind of technology departments of big chemical companies. And there's kind of a -- because everybody is naturally interested on that. And it's a lot about selecting the right horses on which you bet and having a couple of horses in the race because you really can't know today which one will be the winning one. But maybe Sampo, maybe you want to elaborate a bit on that?

Sampo Lahtinen Senior Vice President of Growth Accelerator

Sampo Lahtinen *Kemira Oyj - EVP, Research & Innovation*

Yes. A bit. So this is my first CMD, and I was told to not comment too much on the competition, but at the high level, we can say, of course, we follow the inventions, the new product introductions in the field, also what the competitions are communicating and yes, there's some activity here and there. I'm talking about our main competition, and you can fill the blanks.

But we really don't see the same level of activity, same vision, same consistency in how we communicate, how we really introduce and give also the reason why we do these things. So we have a strong reason to believe that -- well, obviously, we are not the only ones working with these solutions because it's such an obvious trend.

But we feel that we have the right strategy and the right setup and the right technologies and the right partnership and the right commercial teams to put this in the market. And that's why we feel that we are in a very competitive position against our dear peers in the market.

Mikko Pohjala *Kemira Oyj - Vice President - Investor Relations*

And Sampo now that you have the mic, so I'll take back my promise and this is the final question. So, far the biomass balance approach in chemicals has been unable to attract meaningful premium to existing products, would you agree? And how do you think about this for Kemira?

Sampo Lahtinen ***Kemira Oyj - EVP, Research & Innovation***

So far, historically, that probably has been the case. But then meet Kemira, so we have actually been able to find that sweet spot in certain products in certain markets where we know that -- and we also have maybe now more skills and more availability for certain raw materials where we are able to find a place where there is a premium that is not too high, but still good enough for us to maintain the profitability level.

So I would say at the high level, historically, that's probably true. But we are an example that you can also do it if you do it right.

Mikko Pohjala ***Kemira Oyj - Vice President - Investor Relations***

Good. And there are still some questions online, but I think we need to call it a day. We'll try to get back to you in the coming days. So this sort of concludes the Q&A part. Antti, do you want to say some closing remarks of the day?

Antti Salminen ***Kemira Oyj - President, Chief Executive Officer, Member of the Management Board***

Well, just very briefly, again, returning back to those three main points that I had. So basically, as we have been trying to kind of explain from many angles, we are structurally in a very different place when it comes to the maintaining the margins in this business.

We have a clear growth strategy and very well-defined avenues on which we will be growing. And we have -- we are renewing the company, the organization, incentive system culture to drive for the speed on executing on that growth. So I think that's the main story here.

And with this, I'd just like to thank you, everybody, for the interest and attention and being here. So it's been great to see such a big crowd and many more online. So a big thanks for everybody for attending.

Mikko Pohjala ***Kemira Oyj - Vice President - Investor Relations***

Thank you. And this now concludes the webcast. There will be a replay available on the website, but thank you for attending online and also here in the audience in Helsinki. Thank you.

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