



# **Business Overview 2019**

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# Problem solvers by nature

In 2020, Kemira celebrates its 100th anniversary. At a moment like this it is natural to look back and to look forwards, but, before we do that, let's see where we stand right now. The year 2019 was among the most profitable in Kemira's history. Our revenue for 2019 was EUR 2.7 (2018: 2.6) billion with our operative EBITDA reaching a record level of EUR 410 million (323 million) with a margin of 15.4% (12.5%).

## A WINNING STRATEGY

Our excellent result coincides with our anniversary but is no coincidence. It is rather an outcome of the strategic choices we have made over the years. Our branch strategy has been to focus on pulp & paper, oil & gas and water treatment, and our geographical strategy has been to acquire a sustainable presence in the European, North American and Asia-Pacific markets. Both strategies are bringing expected results.

On our anniversary we stand on the shoulders of previous generations but also before a new dawn. This is a humbling realization, but also a source of commitment and confidence. Our culture - one that celebrates problem solving - got us where we are today, but also holds promises for a better and increasingly prosperous tomorrow.

## A HERITAGE IN CHEMISTRY SOLUTIONS FOR SOCIETAL CHALLENGES

Over the years Kemira has made numerous successful acquisitions and is today one company with many legacies and histories. All the companies that together make up our current Kemira share one fundamental property: they were founded to solve some of the most pressing problems of their time using chemistry. For example, in the 1800s it meant fighting famine with industrial chemistry. When Kemira was founded in 1920, its main job was to provide fertilizers for Finnish farmers.

In the early 1900s, the rapidly growing forestry industry gave birth to numerous new business opportunities in chemistry. From bleaching to biocides, and from industrial





Our excellent result is no coincidence. It is built on a century of chemistry expertise.

water treatment to different polymers. Kemira seized these opportunities and developed world class know-how in pulp and paper chemistry.

Today, water, the lifeblood of human existence, is what we focus on in all of our business segments. Over the past century our engineers have worked together with our partners to address major water treatment challenges and found sustainable solutions to major industrial problems.

**OUR JOURNEY HAS TAUGHT US TWO THINGS MORE THAN ANYTHING: PROBLEM SOLVING AND COLLABORATION**

Over the years we have overcome challenges that our clients have presented and problems of our own. We've had our hair-raising moments, but have always come out stronger as a company and better equipped to help our customers. Some of our growth has been organic, some has happened through

acquisitions. The biggest and most lasting value of the latter has been the know-how that we have been able to contribute and the lessons we have learned in the science and art of collaboration. Magic happens when the right combination of people with a strong sense of purpose are presented with the right problem in a supportive environment.

We are now in a strong position to continue solving society's challenges through chemistry. Our robust customer satisfaction results show that we have the trust of our most important partners. At the same time, our most recent employee survey shows high engagement around Kemira's safety climate, culture, purpose and strategy. This - together with our excellent financial position - shows us that we are fit and ready to take on the future.

**RISING TO THE SUSTAINABILITY CHALLENGE**

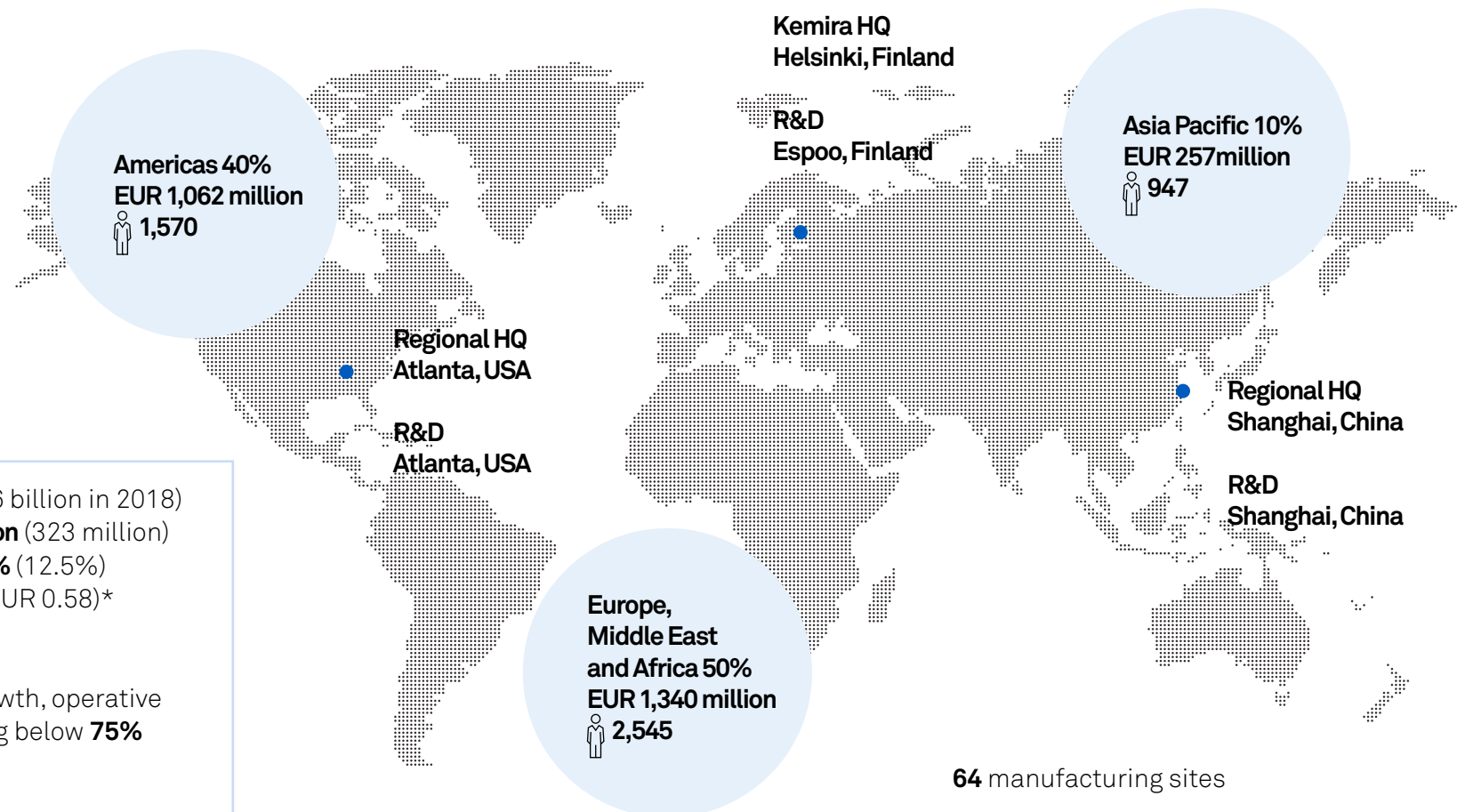
This cultivation of know-how, together with a deep understanding of our customers' needs are our strongest assets in the years to come as we face unprecedented environmental and societal challenges. Currently our innovation efforts are focused on improving resource efficiency and replacing fossil-based raw materials where possible, especially in packaging, where we are developing bio-based barriers as well as improving the durability, strength and lightness of materials.

This is where we stand as we set our sights on Kemira's next century. The world's challenges are huge, but we know, from experience, that they can be overcome with science, ingenuity and collaboration.

**JARI ROSENDAL  
PRESIDENT AND CEO**

## Key figures 2019

**Kemira** is a global chemicals company serving customers in water intensive industries. We provide expertise, application know-how and chemicals that improve our customers' product quality, process and resource efficiency. Our focus is on pulp & paper, oil & gas and water treatment. Kemira shares are listed on Nasdaq Helsinki Ltd.



Revenue **EUR 2.7 billion** (EUR 2.6 billion in 2018)  
 Operative EBITDA **EUR 410 million** (323 million)  
 Operative EBITDA margin **15.4%** (12.5%)  
 Earnings per share EUR **0.72** (EUR 0.58)\*

Financial targets:  
 Above-the-market revenue growth, operative EBITDA margin **15–17%**, gearing below **75%**

Total employees **5,062**

\*2019 financial figures and targets reflect the IFRS 16 accounting change.



<p>OPERATIVE EBITDA 2019</p> <p>EUR <b>410</b> million</p> <p><b>15.4%</b></p> <p>2018: EUR 323 MILLION, 12.5%</p>		<p>REVENUE 2019</p> <p>EUR <b>2.7</b> billion</p> <p>2018: EUR 2.6 BILLION</p>	
<p>CLIMATE CHANGE: SCOPE 1 AND SCOPE 2 EMISSIONS</p> <p>2019: <b>98.6%</b></p> <p>TARGET 2030: -30% 2018: 100 (BASELINE)</p>	<p>WORKPLACE SAFETY, TRIF</p> <p>2019: <b>2.1</b></p> <p>TARGET 2020: 2.0 2018: 3.5</p>	<p>PRODUCTS DESIGNED FOR RESOURCE EFFICIENCY, % REVENUE</p> <p>2019: <b>53%</b></p> <p>TARGET 50% BASELINE AVERAGE 2018: 51%</p>	<p>EMPLOYEE ENGAGEMENT SCORE</p> <p><b>79</b></p> <p>TARGET: ABOVE THE INDUSTRY AVERAGE 73</p>

## OUR PURPOSE

**We enable our customers to improve their water, energy and raw material efficiency**

### GLOBAL TRENDS



#### Growing middle class and urbanization

- Higher use of water, energy, tissue and board
- E-commerce/online shopping



#### Scarcity of resources

- New materials to enable a circular economy
- Material and resource efficiency



#### Regulation

- Safe drinking water
- More stringent wastewater discharge limits

### OUR CUSTOMERS

**Pulp & paper  
Water treatment  
Oil & gas**



### OUR OFFERING

We provide expertise, application know-how and chemicals that improve our customers' product quality, process and resource efficiency

### OUR VISION

**Our vision is to be the first choice in chemistry for water intensive industries**

### OUR STRATEGY

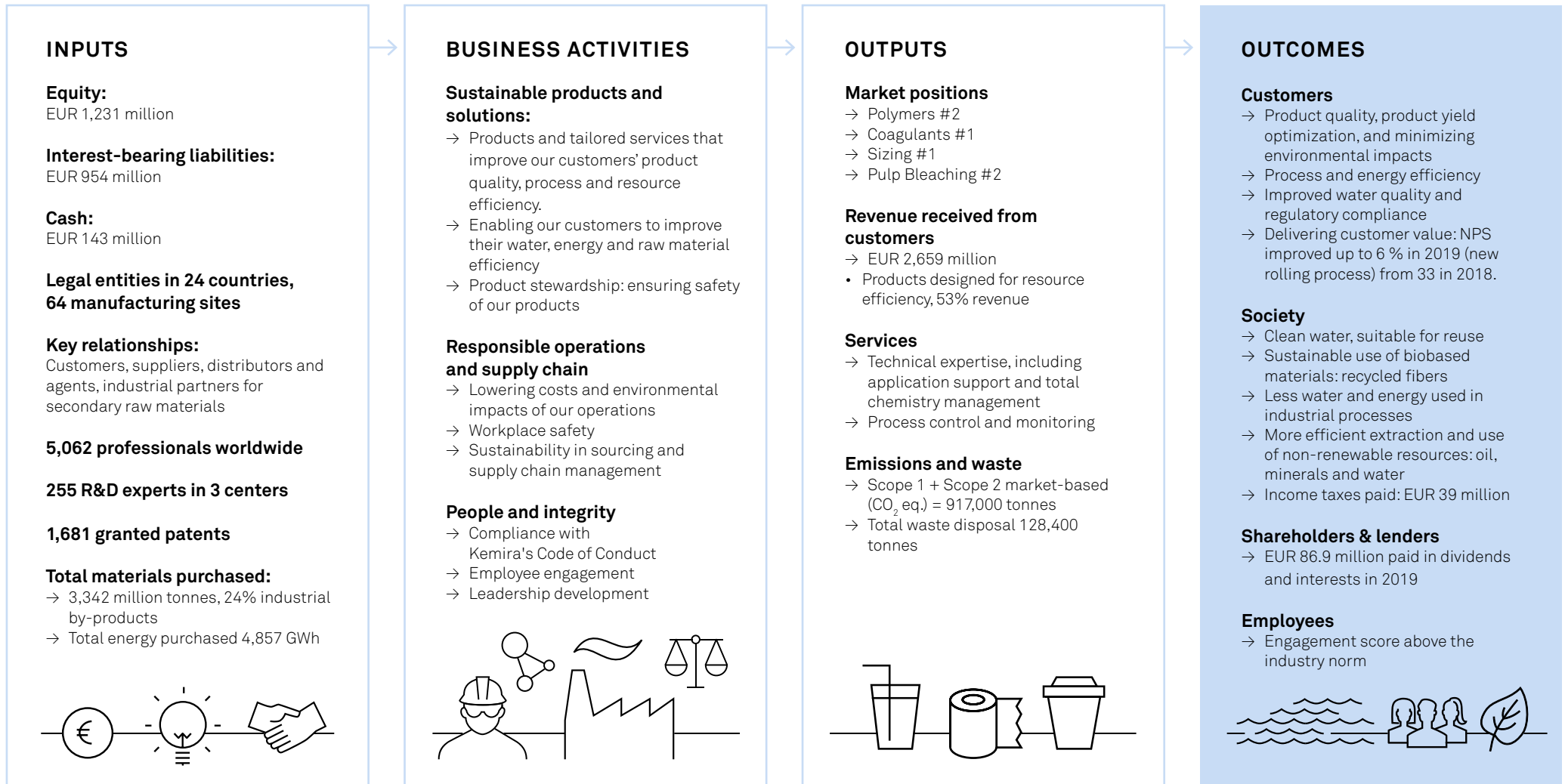
Kemira is a great product company with chemistry and selling of chemicals at the core of our business. We win with best suited products and tailored services.

Our target is to grow above the market with an operative EBITDA margin of 15–17%

## OUR VALUES

**We drive performance and innovation. We are dedicated to customer success. We care for people and the environment. We succeed together.**

## Business model



## Global megatrends favor Kemira

MEGATREND	IMPACT	HOW KEMIRA BENEFITS FROM THE MEGATREND, FOR EXAMPLE
<b>GROWING MIDDLE CLASS &amp; URBANIZATION</b>	Increased use of water, energy, tissue and board	Water reuse and treatment, absorbency and softness of tissue, lightweight high-quality board, energy savings in oil production are a few examples of how our chemistry can be utilized.
	Fast growth in e-commerce/online shopping	Our chemistry solutions support production of light and strong packaging board in a growing market.
<b>SCARCITY OF RESOURCES</b>	New materials to enable a circular economy	Single-use plastics can be partially replaced with fiber-based products where we play a key role through pulp and paper chemistry.
	Higher efficiency in material and resource use	With our chemistry, customers can enhance their resource efficiency: e.g. reuse of water, less energy needed in oil production, and lighter board, creating cost savings.
<b>REGULATION</b>	Safe drinking water	Our products are used to purify the equivalent of 320 million people's annual water usage – and the demand for safe drinking water is growing globally.
	More stringent wastewater discharge limits	Wastewater discharge limits are tightening and with our water treatment chemicals, customers can meet these limits.





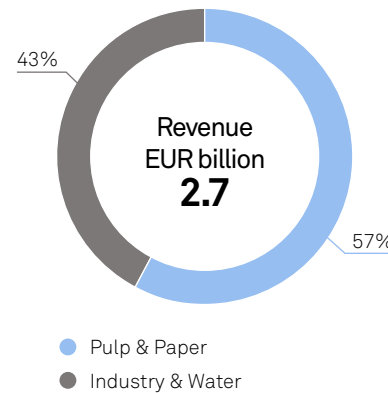
## OUR BUSINESS FOCUS

In Pulp & Paper, we have unique expertise in applying chemicals and in helping pulp and paper producers innovate and constantly improve their operational efficiency and reduce environmental impact. Kemira is the only company in the industry with a major global presence in pulp, packaging and paper chemicals. Thanks to an increased focus on this business, combined with strategic investments and selective acquisitions, we have been able to grow and become the global market leader in pulp, paper and packaging chemicals for industries.

Industry & Water supports municipalities and water-intensive industries in the efficient and sustainable utilization of resources. In water treatment, we help in optimizing every stage of the water cycle. In Oil & Gas applications, our chemistries enable improved yield from existing reserves and reduced water and energy use.

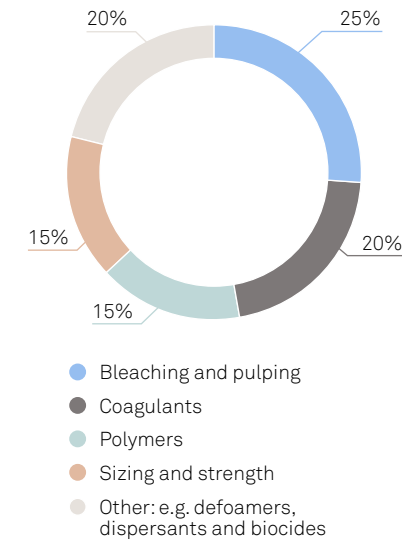
From the product category point of view, we will continue to focus on four main areas: bleaching and pulping, sizing and strength, polymers, and coagulants. In these categories, which comprise over 80% of our Group's revenue, we have application know-how, enough scale and most importantly, growing customer demand. Our recent investments have been in the first three categories as we have added capacity to fuel growth.

**SEGMENT SPLIT %**



**PRODUCTS %**

Revenue by product category rounded to the nearest 5%

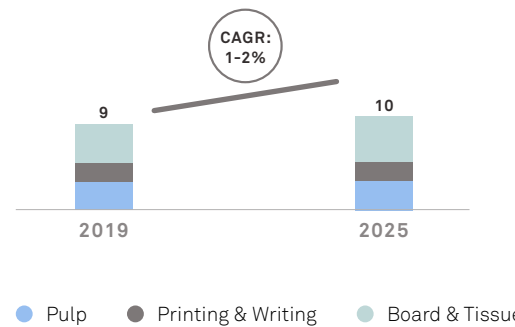


## OUR PRESENCE IN GROWING MARKETS

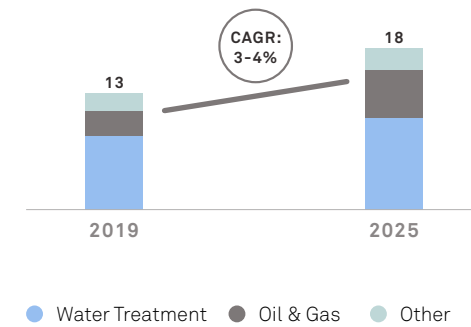
Both of our segments, Pulp & Paper and Industry & Water, operate in growing markets with a combined expected annual market growth rate of around 2–3%. Growth is driven by global megatrends such as the growing middle class and urbanization, resource-efficiency, and regulation.

In 2019, organic growth for the Group was 0%, of which Pulp & Paper had -2% and Industry & Water had 4% organic growth, driven by higher sales prices.

**PULP & PAPER RELEVANT MARKET**  
EUR billion



**INDUSTRY & WATER RELEVANT MARKET**  
EUR billion



## Our strategy

We succeed with best-suited products and tailored services that improve our customers' product quality, process and resource efficiency. Our target is to grow above-the-market with an operative EBITDA margin of 15–17%. The gearing target is below 75%.

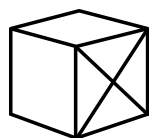
### OUR STRATEGIC ENABLERS



#### CUSTOMER EXCELLENCE

Customer intimacy and ability to capture value

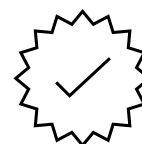
Optimized service levels



#### PRODUCT & SERVICE EXCELLENCE

Best suited products in terms of performance, resource efficiency and cost

Complemented with service and application knowledge

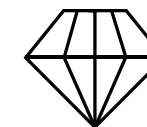


#### OPERATIONAL EXCELLENCE

Safe, sustainable and efficient production, operations and processes

Reliable deliveries

Efficient sourcing



#### MARGIN EXCELLENCE

Improvement of profitability across all products and regions

Optimized output from our assets

## OUR PRIORITY SUSTAINABLE DEVELOPMENT GOALS



Kemira develops technologies and solutions that enable customers to recycle and reuse water resources.

We want to enhance the opportunities for people to live the kind of life that they aspire to, and access to clean, safe water is critical to achieving that.



Chemistry is at the heart of enabling the circular economy, and we have a key role in helping our customers achieve their circularity and sustainability ambitions.

As experts in chemistry, we enable circularity through the design of our products and increasingly adopt circular economy business models in our own operations.

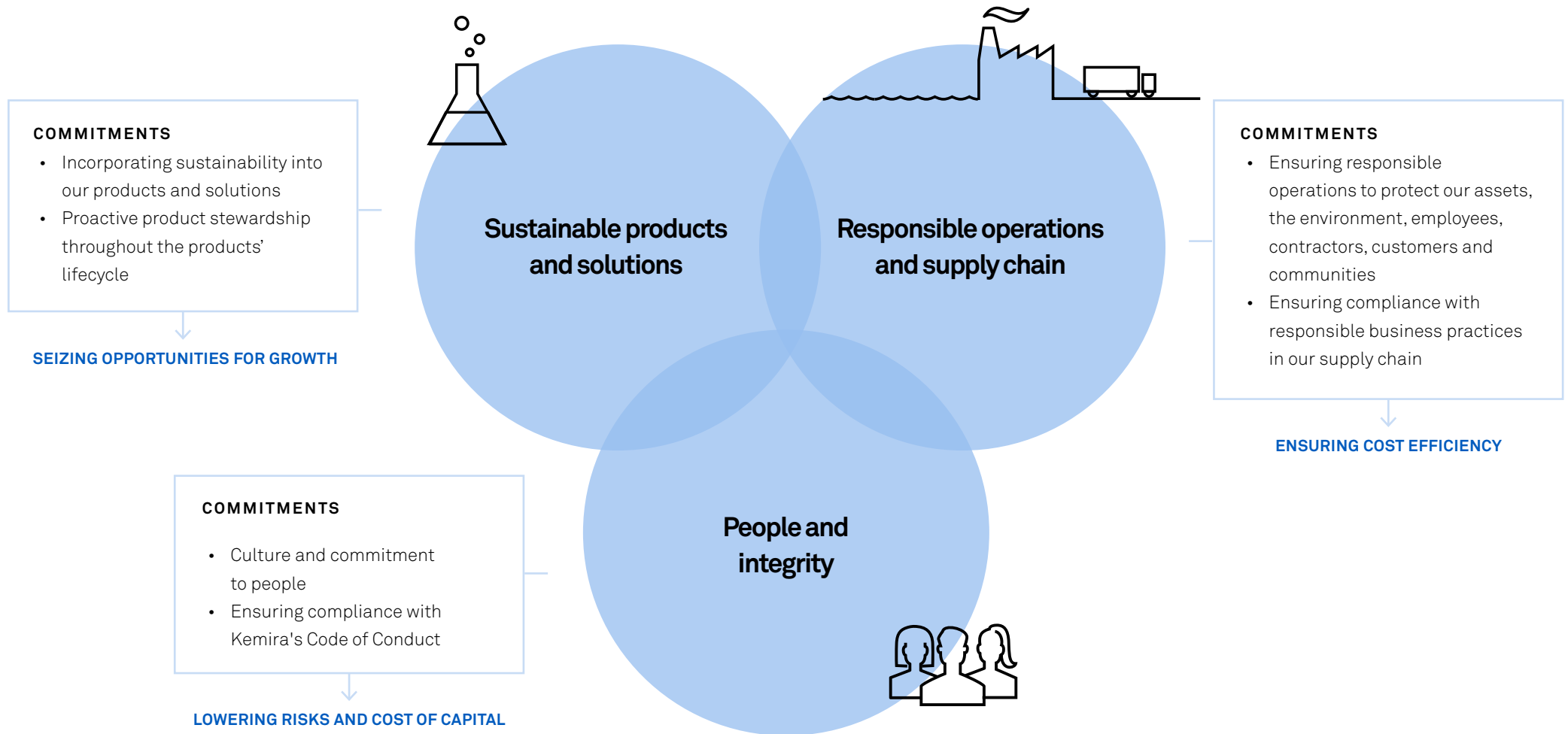


Our target is to reduce Scope 1 and Scope 2 greenhouse gas emissions by 30% by 2030 (compared to 2018) and our ambition is to be carbon-neutral by 2045.

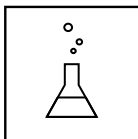
Our climate response focuses on innovating for energy efficiency both in our own operations and those of our customers, sourcing low carbon energy and electrification.

[Read more about how Kemira adds to the SDGs in the Corporate Sustainability section of the report](#)

## HOW WE MANAGE SUSTAINABILITY



# Risks and opportunities



## SUSTAINABLE PRODUCTS AND SOLUTIONS

### OPPORTUNITIES

- Products to capitalize on global trends for recycling, e-commerce, growing middle class, tightening regulation and scarcity of resources.
- Products enabling our customers' product quality, process and resource efficiency.
- Products addressing the transition towards low-carbon and enabling a circular economy.
- Growing regulatory demands for stricter water treatment requirements and to replace plastics in single-use products.

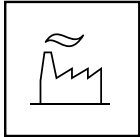
### RISKS

- Disruptive technologies in our value chain, slow renewal of our product portfolio and lack of differentiation, and failure to commercialize new products and service concepts.
- Regulatory constraints related to our products or use of our products are always evolving. The outcome of regulatory processes can lead to a ban, authorization or restrictions of use, which can affect our ability to place products on the market.

### MANAGEMENT APPROACH

We focus our innovation work on products addressing global trends and resource efficiency. This is based on systematic monitoring of market developments, competitive activities, and emerging technologies to enable responsiveness to changing customer needs. Our approach to collaborative product development is aimed at ensuring a fast response to market needs and effective product launches through targeted marketing activities and training of sales.

All our products, raw materials and intermediates need to comply with all applicable chemical regulatory requirements in the countries where we manufacture and / or sell chemicals. We actively monitor changes both in chemical legislation and in regulations relating to the use of our products by customers. Our Product Lifecycle Management process covers assessments on regulatory compliance, human health impact, safety issues and environmental impact in every lifecycle phase, from conception and development to manufacturing and sales, and finally to product elimination.



## RESPONSIBLE OPERATIONS AND SUPPLY CHAIN

### OPPORTUNITIES

- Digital solutions and streamlining of our business processes to improve our operational efficiency and asset utilization.
- Our globally integrated management system provides a platform for change management and to quickly comply with new regulatory requirements and stakeholder expectations.
- Raw material portfolio and energy mix is developing to reflect the needs of a circular and low-carbon economy.

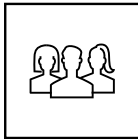
### RISKS

- Chemical operations involve harmful and hazardous substances controlled with a wide range of physical and chemical parameters. Malfunction in processes can lead to incidents with possible impact on environment, employee health and safety, or our assets. This can happen due to human behavior, technical failures or process safety deficiencies.
- Failure to develop safety management practices may increase risk of safety incidents causing supply and manufacturing disruptions.
- Raw material supply disruptions due to force majeure situations at market or single source.
- Failure by our vendors/suppliers to meet or comply with local environmental regulations.
- Some of our major product lines are very energy-intensive with an environmental impact through carbon emissions. There are regulations emerging which set a price for carbon emissions.

### MANAGEMENT APPROACH

Our integrated management system provides a solid platform for systematic risk management and continuous improvements in competences, procedural, technical and physical protection mechanisms. We systematically develop and implement certifiable management systems for environment, occupational health and safety, quality, and energy management. Legal reviews of changing regulatory requirements are a part of management frameworks, and legal compliance issues are part of management system reviews.

Our strategic sourcing through segmentation and the supplier management program aims to manage and develop performance and good governance throughout our supply chains, to reduce our risks related to the availability of raw materials, price volatility, and non-compliance, as well as to responsible business practices. Other measures include backward integration for critical raw materials and reducing the number of single/sole situations, as well as effective contingency plans for core materials. We secure cost-effective energy supply through strategic investments and by hedging.



## PEOPLE AND INTEGRITY

### OPPORTUNITIES

- Ability to attract, retain and develop the right mix of talent, leveraging our strong employer brand and globally diverse, results-orientated, and collaborative work environment.
- Culture of talent management, performance management and development, and employee engagement.
- Strong leadership competences, skilled technical expertise/industry knowhow and competent workforce.

### RISKS

- Operating in 40 countries with sales to over 100 countries creates an environment characterized by multiple ethics and compliance risks, including risk of corruption, fraud, competition compliance, trade compliance and human rights.
- Failure to enable safety culture development.
- Non-compliance with Code of Conduct and related policies.

### MANAGEMENT APPROACH

To implement our strategy, we must ensure that we have committed people, a strong leadership bench and the indispensable competencies in place to implement our strategy. We need to invest in a strong culture and commitment to people to retain our talents in a highly competitive employee market.

- Continued emphasis on talent and succession development to ensure we have a strong platform for the future, through growing leadership and talents from within the organization.
- Focus on performance management, employee engagement, learning and development, and building a strong employer brand which includes a market competitive employee brand promise.
- Continued development of safety culture by the whole organization.

We continuously develop our management practices to ensure compliance with regulatory requirements and high ethical standards. We have a global Ethics & Compliance program in place to monitor and mitigate any observed risks or violations.

- Continued communication and training for Code of Conduct and channels for feedback of violations.



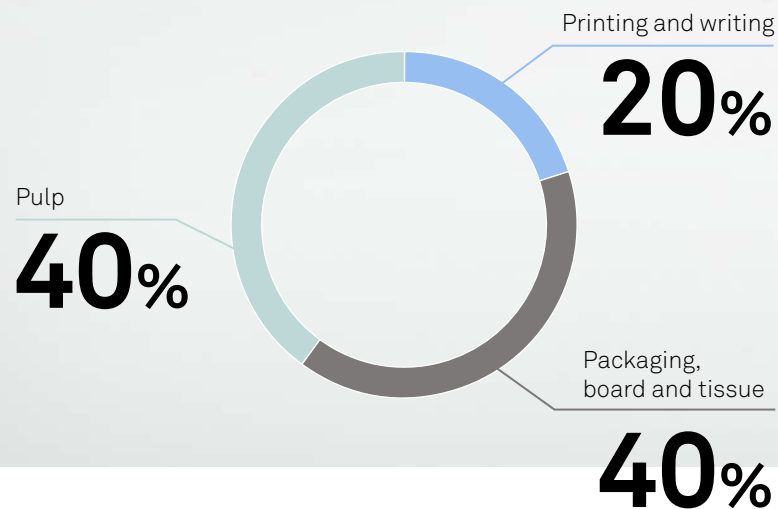
PULP & PAPER

# Leading global chemical provider to the growing pulp and paper industry



Global megatrends, such as urbanization, a growing middle class, and sustainability, are shaping the pulp and paper industry. We work in close cooperation with industry-leading companies to address these trends, and the evolving needs and opportunities. Combining best-in-class application expertise, latest technologies for smart process management and a complete chemistry portfolio, we help customers improve their process efficiency, productivity and end-product quality.

KEMIRA PULP & PAPER CUSTOMERS



## KEMIRA'S EXPERTISE HELPS PULP AND PAPER PRODUCERS

### PULP

The beauty of all kinds of paper grades begins with the right pulp quality. We work together with pulp producers to reach targeted pulp properties for strength, brightness and cleanliness. We can help producers improve total production efficiency and save costs. Our chemical island concept and in-house patented technology development show the commitment we have in the industry.

### BOARD

Producing strong, lightweight, visually appealing, protective and safe packaging board requires special expertise in chemistry. With the help of our broad experience, board producers can add value to board making and tailor products that meet the strictest of end-use demands – from food safety to brand appeal.

### TISSUE

Tissue is largely driven by the end-user preferences for softness, strength, absorbency, flexibility and sustainability. It is extremely lightweight and produced at very high speeds, which makes runnability a challenge. We help tissue makers optimize to the highest machine productivity, while at the same time enhancing sheet quality to fully meet end-user requirements.

### PRINTING AND WRITING PAPER

Using deep paper-chemistry expertise, Kemira can help paper producers create profitable new grades for dynamic digital markets, and squeeze costs out of present paper-making operations.



## PULP & PAPER – SOLID BUSINESS WITH A GOOD TRACK RECORD

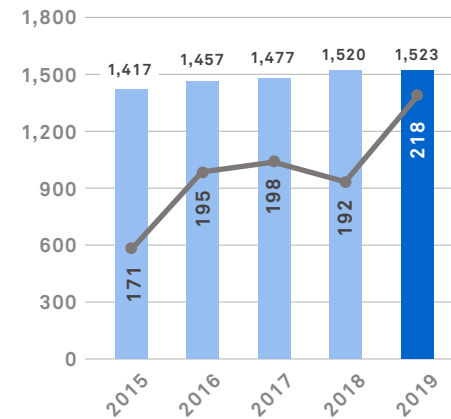
Growth in the use of pulp and paper chemicals is driven by higher production volumes for board and tissue grades. Kemira has unique expertise in chemical applications, and we are well-placed to help our pulp and paper producing customers to innovate and constantly improve their operational efficiency and end-product quality. We are working to support our customers through the transition to a bio-based economy, by enabling production with fewer inputs, lower environmental impact and a reduced water footprint. We have invested in an AKD wax capacity expansion project in China and a joint venture in South Korea for dry polymer capacity.

### MARKET ENVIRONMENT

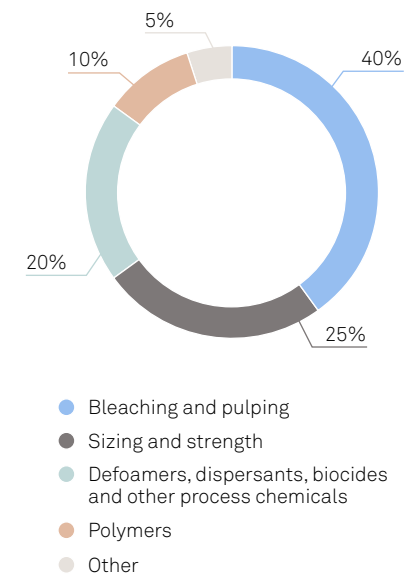
- #1 Solenis (Paper)\*
- #2 Kemira (Pulp and paper) ~16%
- #3 Nouryon (Pulp)
- #4 Ecolab (Paper)
- #5 Kurita(Paper)

\*Solenis-BASF combined entity

**REVENUE AND OPERATIVE EBITDA**  
EUR million



**REVENUE BY PRODUCT CATEGORY**  
%



**INDUSTRY & WATER**

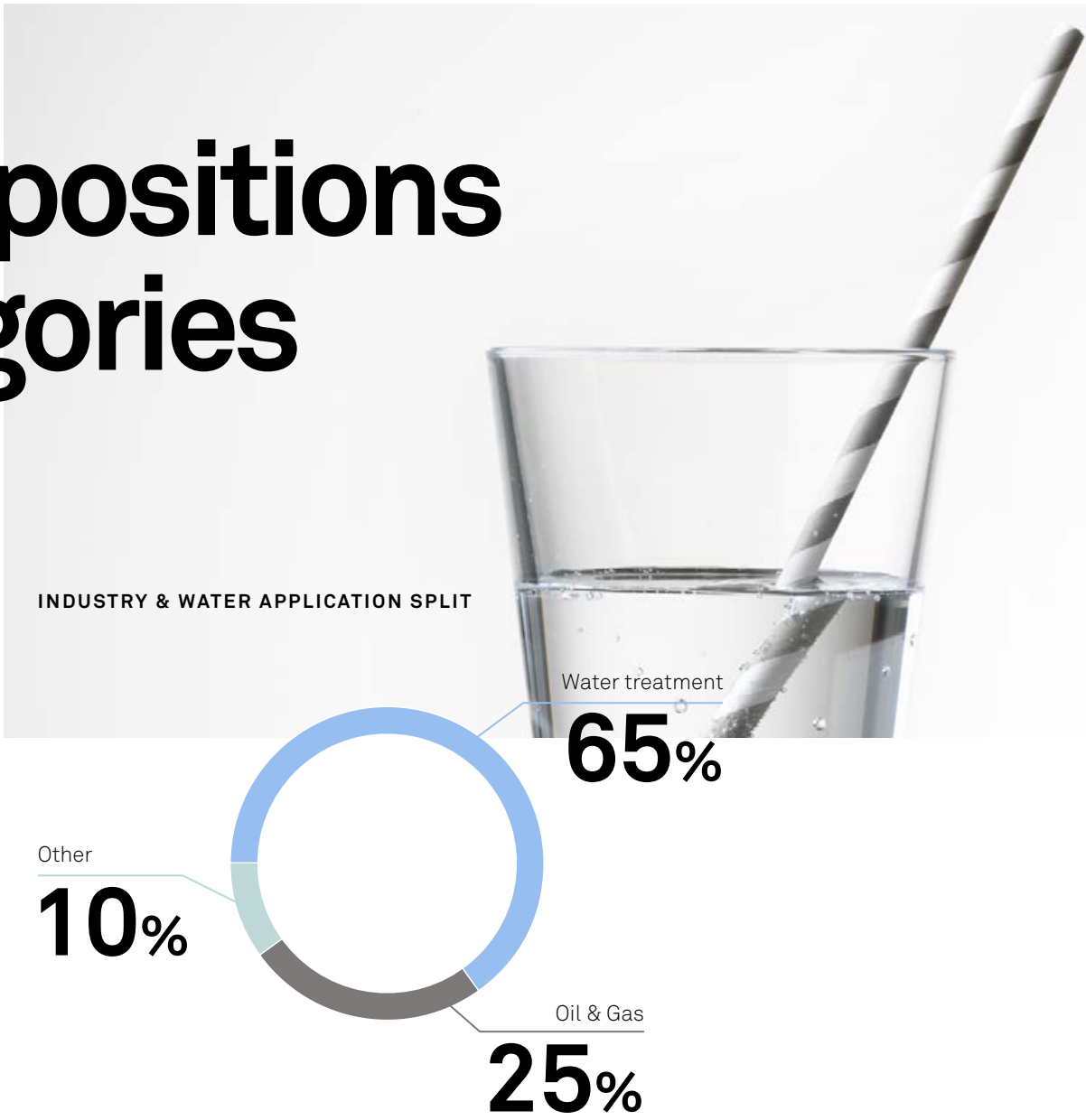
# Strong market positions in chosen categories

People are putting more demands on our water resources all the time. The more we produce, manufacture, consume, and dispose, the more water we use. How can we replenish the water cycle and keep up with our growing needs?

To help water treatment plant operators do this, while optimizing the total cost of ownership, at Kemira we work in close cooperation with customers to reduce expenses for energy, labor and chemicals, while safely achieving the targeted water quality.

In oil and gas, our chemistries enable improved yield from existing reserves and reduced water and energy use.

Our deep R&D and application knowhow, secure supply network and complete technology portfolio are some of the reasons why we are a safe, efficient and sustainable partner for our customers.



## KEMIRA'S EXPERTISE HELPS CUSTOMERS IN THE INDUSTRY AND WATER SEGMENT

### RAW WATER

Drinking water producers are faced with deteriorating quality of raw water, as well as tightening regulations. With Kemira's R&D and technology expertise, we can help to meet the requirements for safe drinking water. Our reliable and responsible supply chain ensures the peace of mind municipalities need for steady delivery.

### WASTEWATER

Effective wastewater treatment plants are vital around the world. They face tight operating budgets, tighter regulation, and are constantly looking for ways to improve efficiency. Chemicals can bring substantial energy-savings in the wastewater treatment process. Using coagulants can save up to 50% of aeration energy in organic removal. Our unique range of water treatment expertise and products offer solutions to all wastewater challenges.

### INDUSTRIAL WATER

Each process water system is different and requires customized products, depending on the water quality, branch of industry and process parameters. With the right technologies, water can be reused through several cycles. We help customers optimize the total cost of process, with lower energy and water consumption, and keep equipment running reliably with less maintenance required.

### OIL & GAS

Oil and gas producers are searching for ways to produce more with less. Our operations in shale and conventional oil recovery are designed to help operators produce more with less resources. In oil sands, Kemira's water treatment expertise and know-how from oil and gas customers creates a unique market position. We add value to customers' mandatory tailings treatment process.



## INDUSTRY & WATER – STRONG GROWTH DRIVEN BY OIL & GAS

The water treatment market is driven by regulation. We are the only manufacturer offering a full product portfolio of coagulants, polymers and other water treatment chemicals. This makes our position in the market unique.

In Oil & Gas, we are well-positioned in the shale industry and we are growing fast in water treatment related to unconventional oil recovery in Canada, and polymers used in Chemical Enhanced Oil Recovery (CEOR). In CEOR, we are currently investing in new polymer manufacturing capacity in Europe and in North America.

### KEMIRA #1 IN COAGULANTS IN EUROPE AND NORTH AMERICA

#### Main competitors in

##### coagulants:

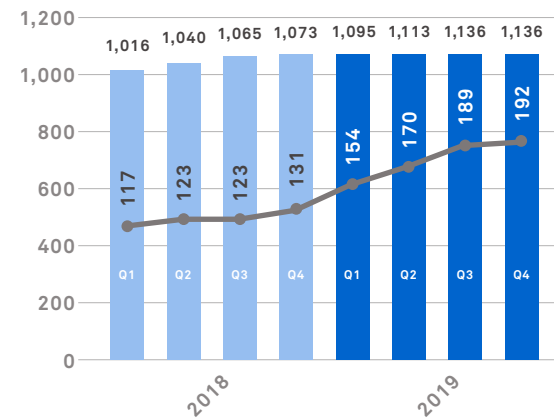
- Feralco (Europe)
- Kronos (Europe)
- Chemtrade (North America)
- USAlco (North America)

### KEMIRA GLOBALLY #2 IN POLYMERS USED IN WATER TREATMENT AND OIL & GAS APPLICATIONS

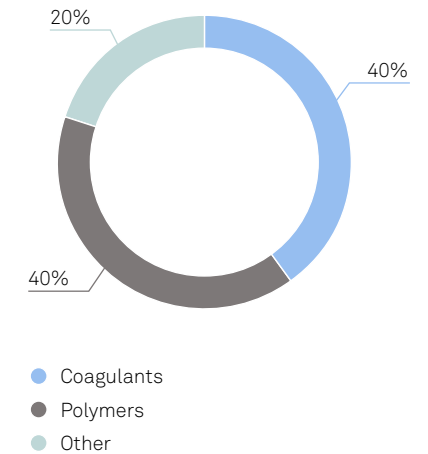
#### Main competitors in polymers:

- SNF
- Solenis
- Solvay (only Oil & Gas)

**REVENUE AND OPERATIVE EBITDA ROLLING 12 MONTHS**  
EUR million



**REVENUE BY PRODUCT CATEGORY**  
%



# Kemira

**KEMIRA** is a global chemicals company serving customers in water intensive industries. We provide best suited products and expertise to improve our customers' product quality, process and resource efficiency. Our focus is on pulp & paper, oil & gas and water treatment. In 2019, Kemira had annual revenue of around EUR 2.7 billion and over 5,000 employees. Kemira shares are listed on the Nasdaq Helsinki Ltd.

**[WWW.KEMIRA.COM](http://WWW.KEMIRA.COM)**

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