



UPM



Interim Report Q3 2024

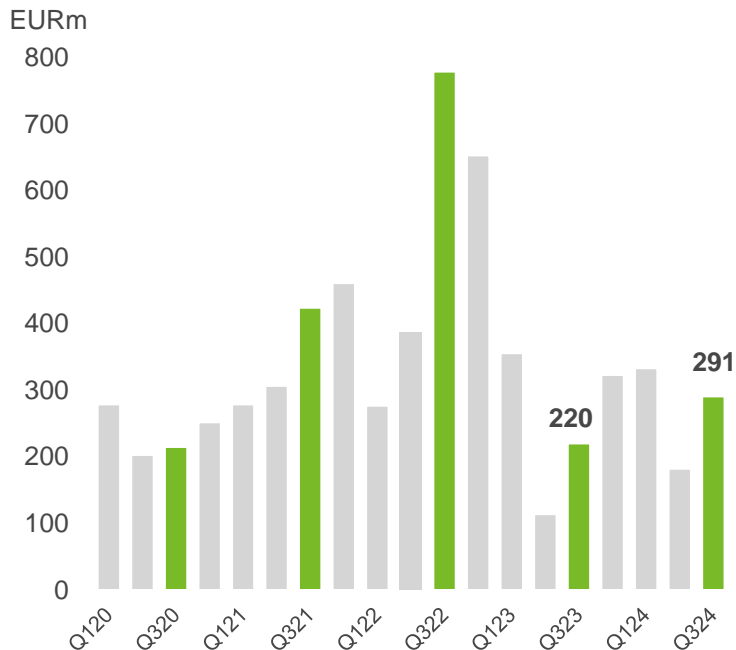
Massimo Reynaudo  
President and CEO  
29 October 2024

UPM **BIOFORE** - BEYOND FOSSILS

# Q3 2024: Comparable EBIT +32% from last year in a challenging market



## Comparable EBIT



## Q3 2024 in brief

- Sales decreased by 2% to EUR 2,521 million (2,584 million in Q3 2023)
- Comparable EBIT increased by 32% to EUR 291 million, 11.5% of sales (220 million, 8.5%)
- Demand recovery for UPM's products slowed down
- UPM Paso de los Toros pulp mill was in full production
- UPM acquired Grafityp in Belgium to accelerate growth in UPM Raflatac

# Demand for UPM products slowed down in Q3 after encouraging start of the year



Active consumers

Modest demand growth for UPM products

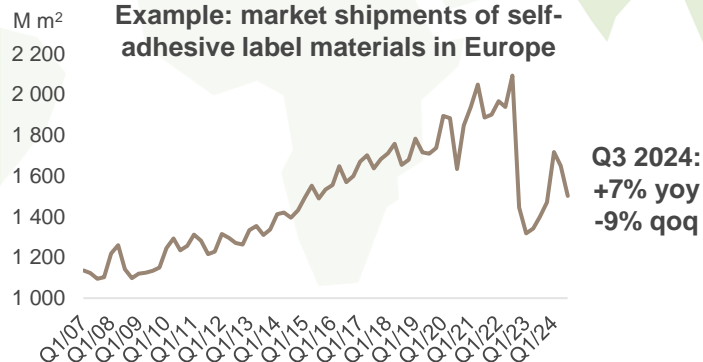
Cautious consumers  
Low construction  
Weak renewable fuels

Demand slowed from strong start of the year for most UPM products

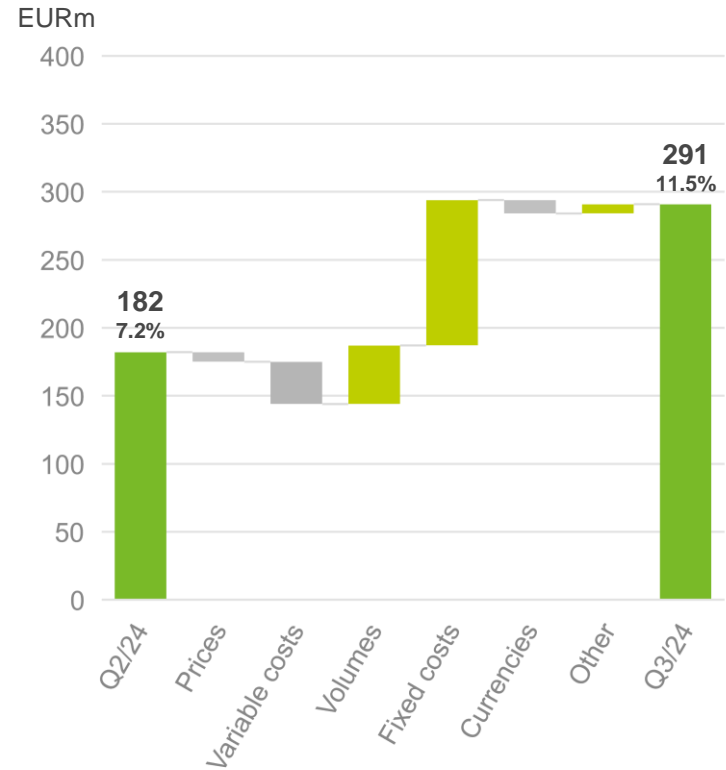
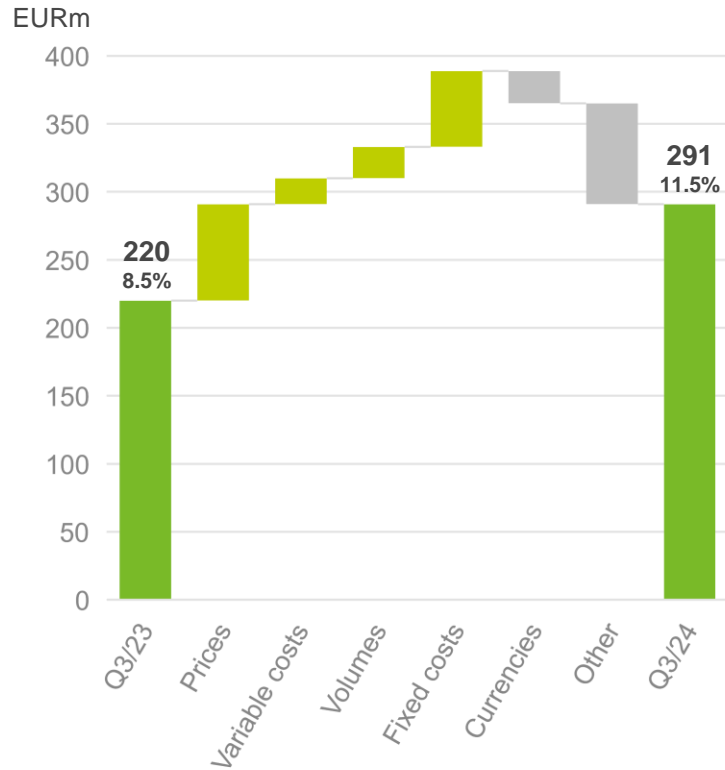
Cautious consumers

Soft markets for pulp and fine papers during the summer

Solid demand for advanced materials

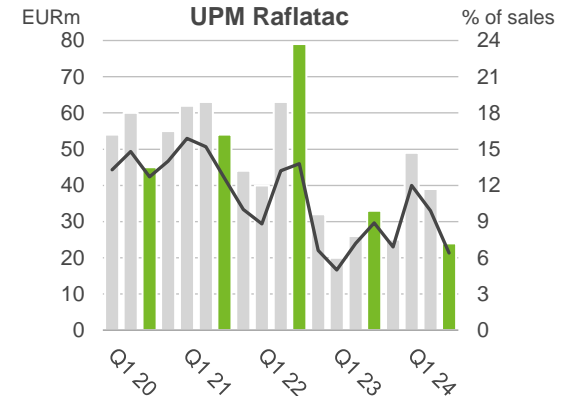
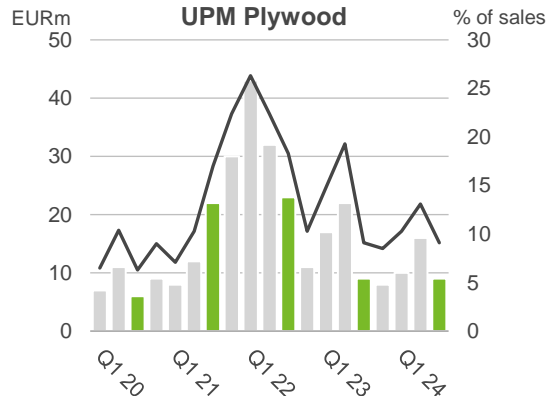
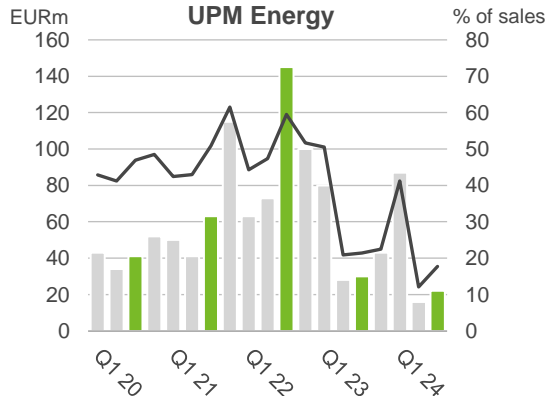
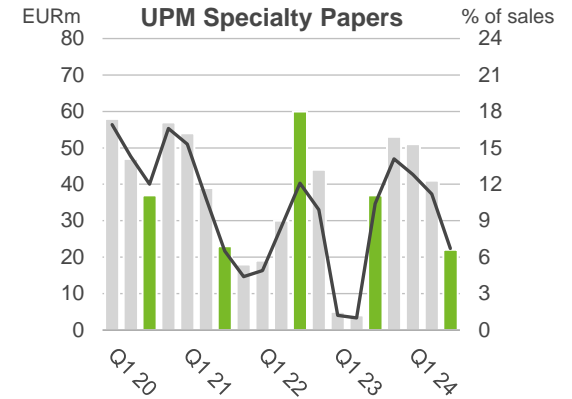
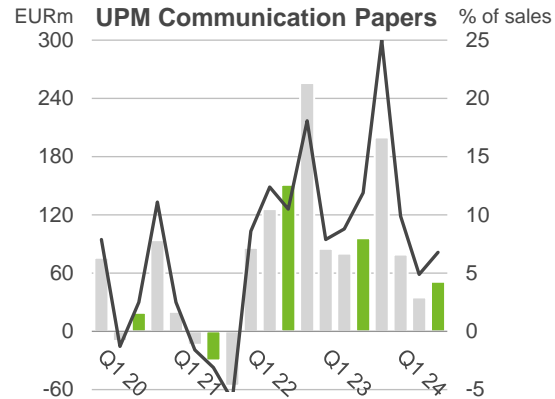
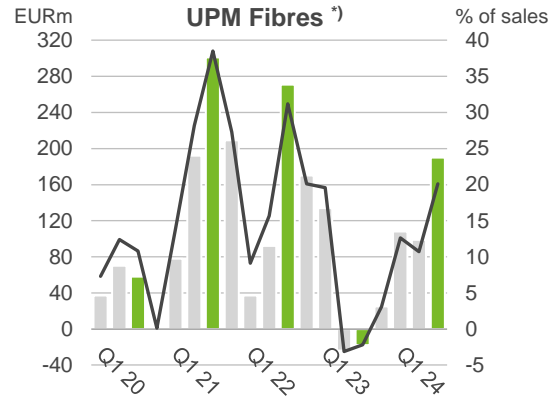


# Comparable EBIT in Q3 2024



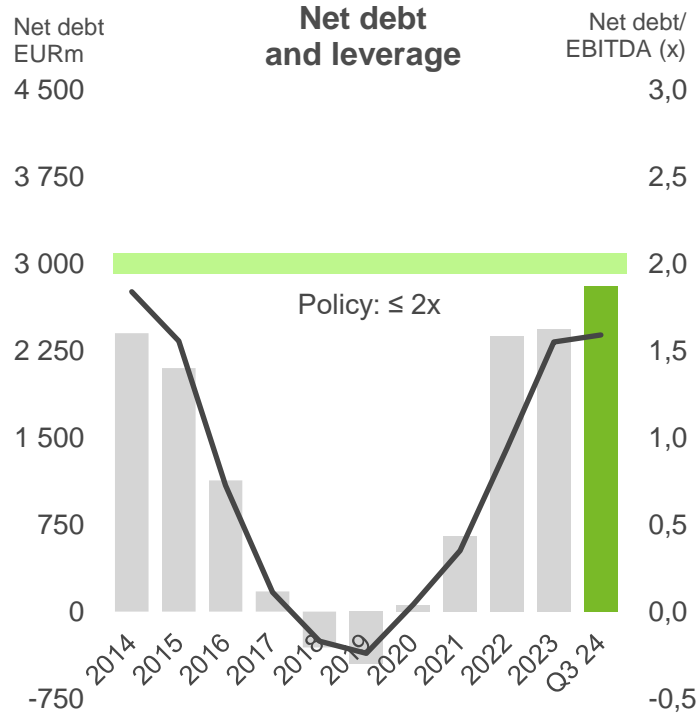


# Comparable EBIT by business area



UPM **BIOFORE-BEYOND** FOSSILS \*) Year 2021 restated, UPM Biofuels moved to Other Operations as of 1 January 2022

# Strong financial position

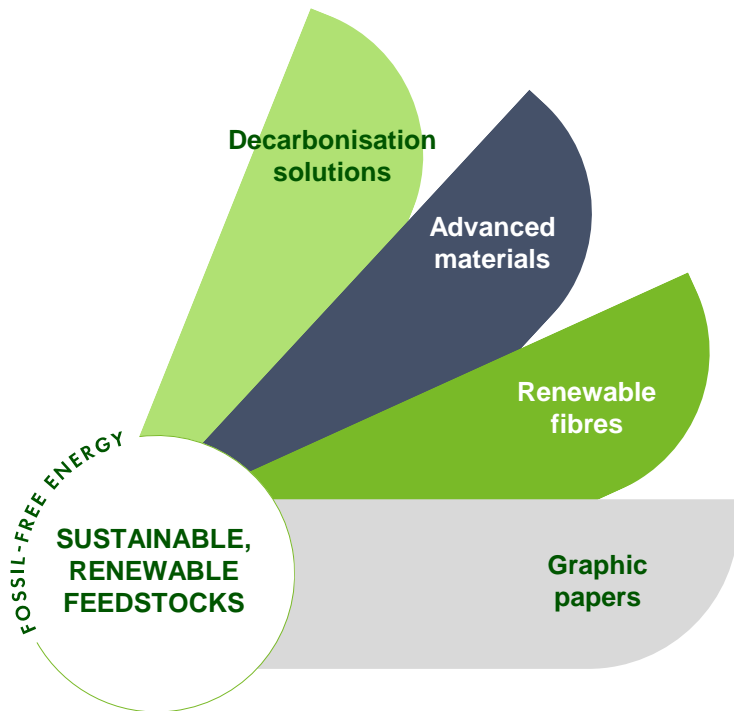


- Net debt EUR 2,804m at the end of Q3 2024
- Net debt / EBITDA 1.59
- Cash funds and committed credit facilities EUR 3.7bn at the end of Q3 2024
- No financial covenants
- UPM issued its fourth Green Bond in August
- The first dividend instalment for year 2023 (EUR 400m) was paid in Q2 2024, the second will be paid on 7 November 2024

# Outlook for 2024

- UPM's comparable EBIT in Q4 2024 is expected to be on similar level or increase from Q4 2023 (EUR 323 million).
- UPM's comparable EBIT in full-year 2024 is expected to be on similar level or increase from 2023.

# Our business portfolio, leveraging the competitive business platforms



UPM portfolio provides growth in

- **Decarbonisation solutions:**  
biochemicals, biofuels, CO<sub>2</sub>-free energy
- **Advanced materials:**  
adhesive materials, specialty papers, plywood
- **Renewable fibres:**  
pulp, other bioproducts

Sustainable, renewable feedstocks, about 600,000ha forests owned, over 500,000ha plantations under management





# Decarbonisation solutions: Launch, scale up, maximise value



## TODAY

- Low electricity prices during the summer
- Weak renewable fuels market
- Political decisions support gradual recovery in the renewable fuel markets
- Preparing to launch the Biochemicals business

## ACCELERATING PERFORMANCE

- Maximise value on the electricity markets
- Biofuels turnaround
- Sequential start-up at Leuna

## NEXT GROWTH STEPS

- Heating, data centers, traffic, industrial decarb
- Entry to SAF
- Testing technology and securing feedstock supply in Biofuels
- Plan further expansion in Biochemicals



# Advanced materials: Strengthen competitiveness to accelerate growth



## TODAY

- Slow recovery in demand
- Lower performance in Raflatac and Specialty Papers
- Good performance in Plywood

## ACCELERATING PERFORMANCE

- Simplification
- Productivity improvement
- Fixed and variable cost reduction

## NEXT GROWTH STEPS

- Capture the market recovery in volumes
- Organic growth
- Grafityp acquisition
- Possible M&A
- Adjacent market opportunities



# Renewable fibres: Capture the full benefit of the Uruguay investment, optimize in Finland



## TODAY

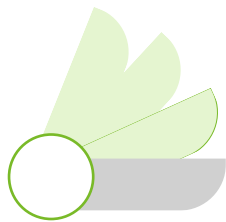
- Soft pulp market during the summer
- World-class low-cost platform in Uruguay
- Full production at both mills in Uruguay
- Wood costs in Finland on unsustainable level

## ACCELERATING PERFORMANCE

- Optimize in Uruguay for maximum returns
- Railway to full use in Q4
- Temporary downtime to manage profitability in Finland
- Efficiency measures in Pulp, Forest, Timber in Finland

## NEXT GROWTH STEPS

- Expand in Uruguay to full potential
- Optimise value generation in Finland



## Graphic papers: Strong cash flow generation continues



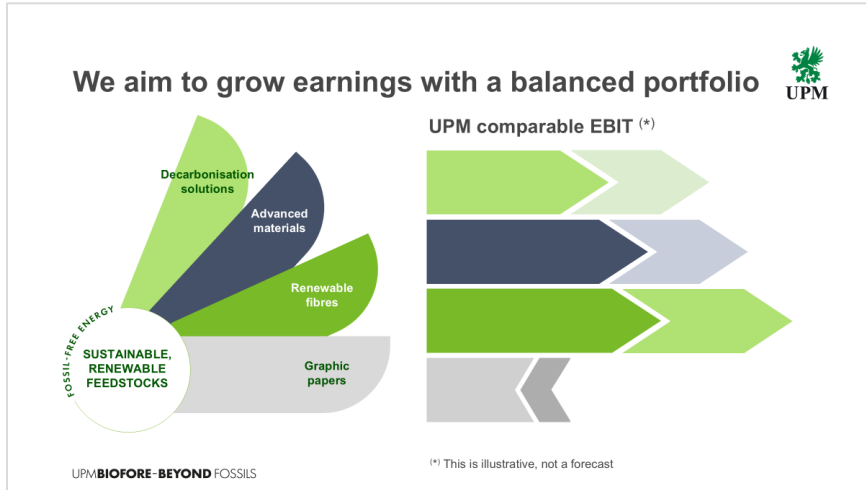
### TODAY

- Stable demand YTD
- Profitability and deliveries recovered from Q2
- Closure of Hürth newsprint mill in Q3

### ACCELERATING PERFORMANCE

- Closure of Nordland Papier PM3 in Q4
- Optimise product, service mix
- Disciplined cost management
- Focus on free cash flow generation

# Priority to improve competitiveness and performance – this supports our growth ambition



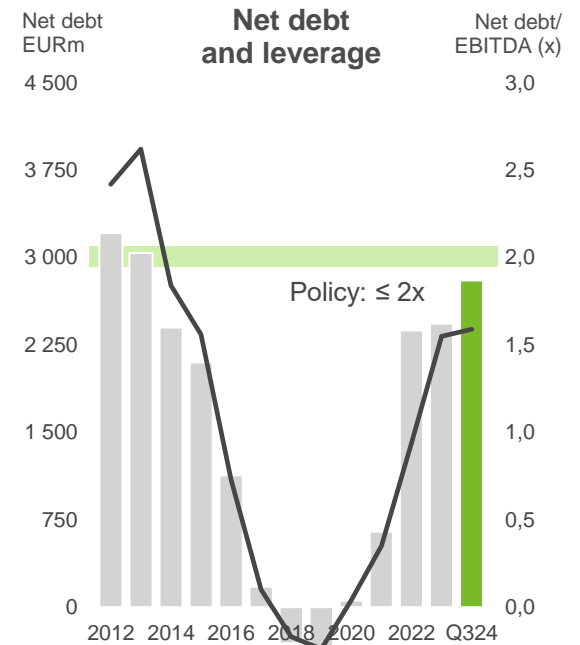
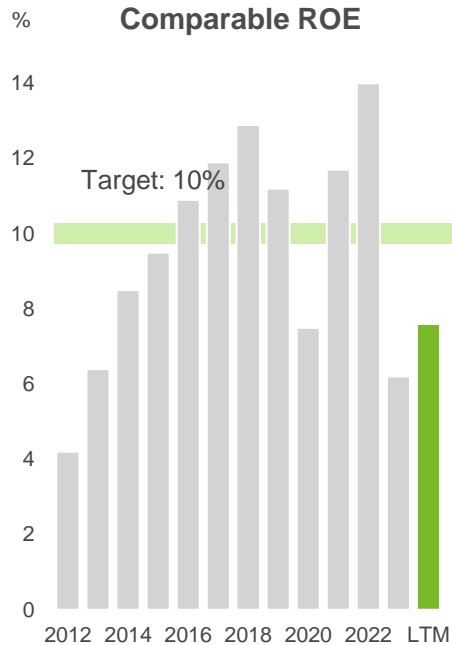
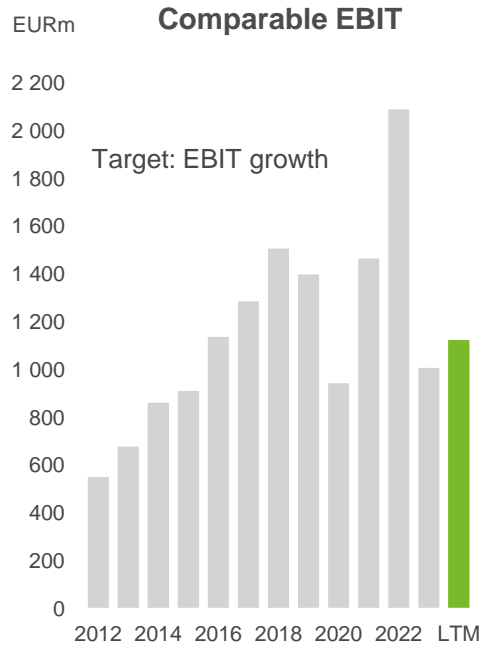
# Summary

- UPM improved its Q3 comparable EBIT by 32%
- UPM Paso de los Toros in full production
- Demand recovery slowed down after encouraging start of the year
- Priority to further improve competitiveness and performance
- Setting up to capture the recovery and future growth in our product markets

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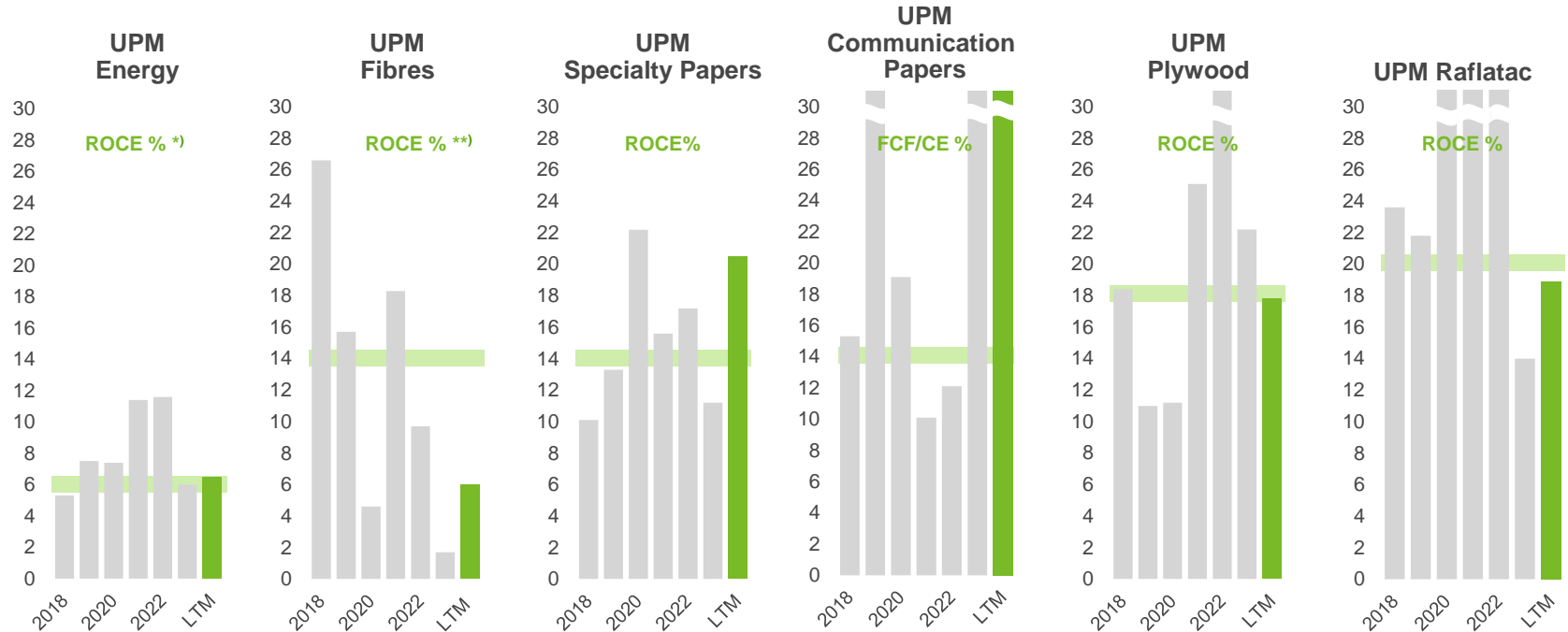


# Group financial performance and targets





# Business area long-term return targets

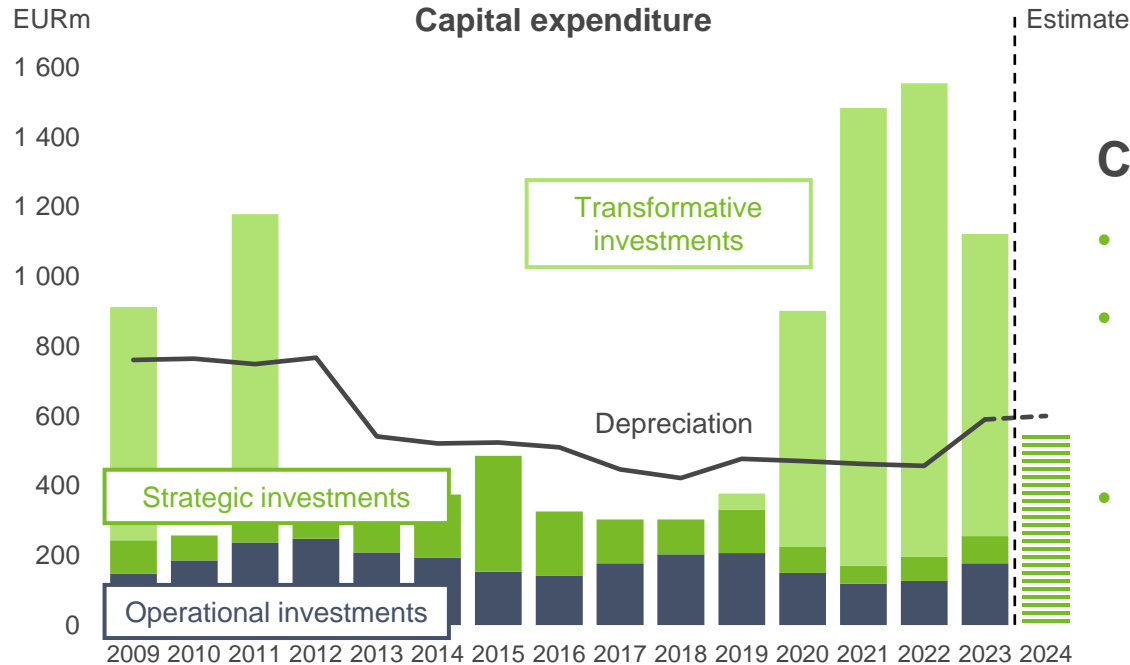


\*) shareholdings in UPM Energy valued at fair value

\*\*) Year 2021 restated, UPM Biofuels moved into Other Operations as of 1 January 2022.

Long-term return target

# Major investment cycle coming to an end



## Capex 2024 estimate

- Total EUR 550m
- Includes EUR 300m on the UPM Leuna biochemicals project in Germany
- Operational investment needs consistently low

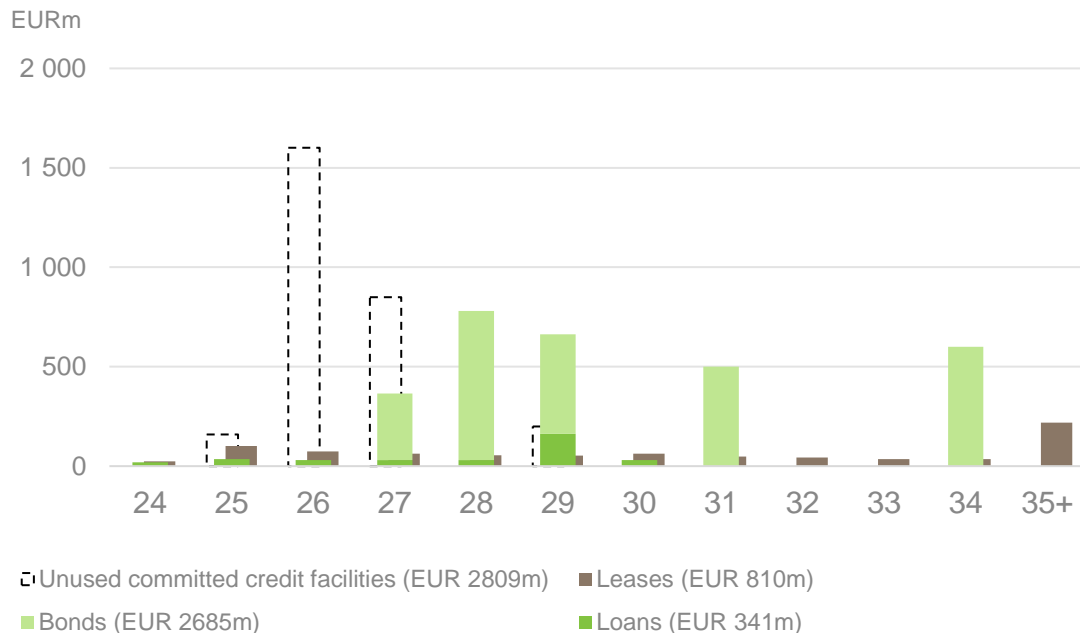
# Maintenance shutdowns in 2024 and 2025

| Timing   | Unit   |
|----------|--|
| Q1-Q2 24 | Olkiluoto nuclear power plant OL3  |
| Q2 24    | Olkiluoto nuclear power plant OL1 and OL2<br>UPM Paso de los Toros pulp mill<br>UPM Fray Bentos pulp mill<br>UPM Pietarsaari pulp mill |
| Q1-Q2 25 | Olkiluoto nuclear power plant OL3  |
| Q2 25    | Olkiluoto nuclear power plant OL1 and OL2<br>UPM Paso de los Toros pulp mill<br>UPM Kymi pulp mill                                     |
| Q3 25    | UPM Kaukas pulp mill   |
| Q4 25    | UPM Fray Bentos pulp mill  |

Maintenance shutdowns have an impact on

- Maintenance costs
- Production volumes
- Operational efficiency

# Maturity profile and liquidity



Liquidity on 30 September 2024 was EUR 3.7bn (cash funds and unused committed credit facilities)

UPM's committed credit facilities:

- EUR 159m rolling committed overdraft facility maturing 2025
- EUR 400m bilateral revolving credit facilities (EUR 100m maturing 2026, EUR 100m maturing 2027, EUR 200m maturing 2029)
- EUR 1 500m committed syndicated revolving credit facility maturing 2026
- EUR 750m committed syndicated revolving credit facility maturing 2027

No financial covenants

# UPM's main currency exposures

- Key currency exposures USD, GBP and JPY
- Policy to hedge an average of 50% of the estimated net currency cash flow for the next 12 months

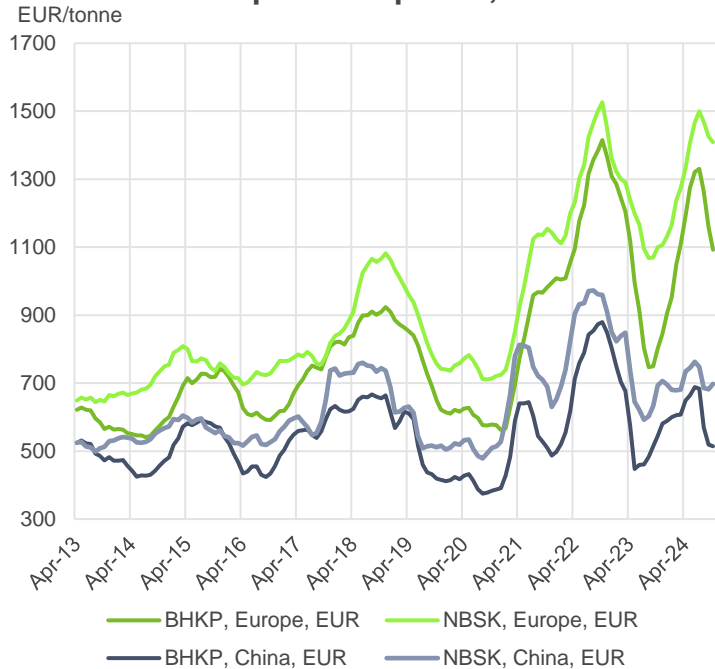
Estimated annual foreign currency net cash flow, before hedging

|      | USD   | GBP | JPY | Others |
|------|-------|-----|-----|--------|
| EURm | 1,290 | 230 | 120 | 10     |

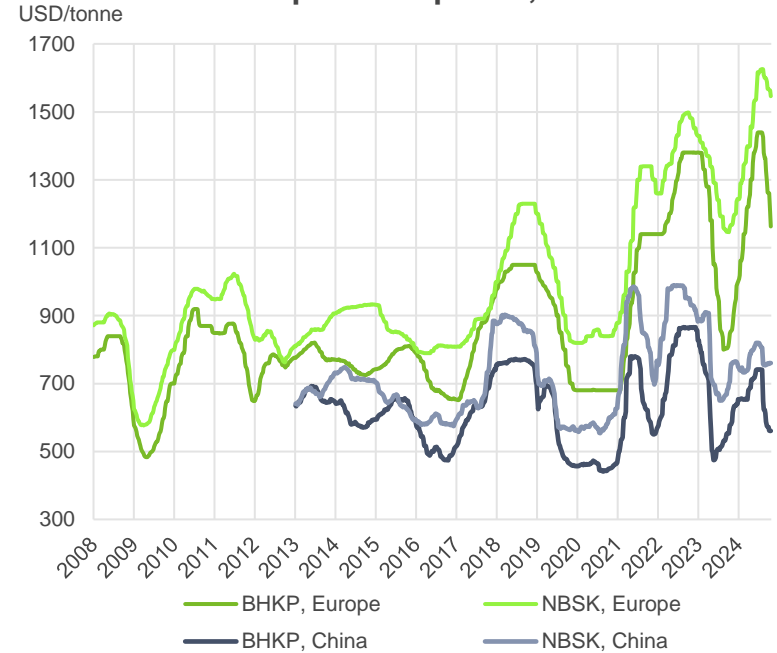
# Chemical pulp market prices



Pulp market prices, EUR

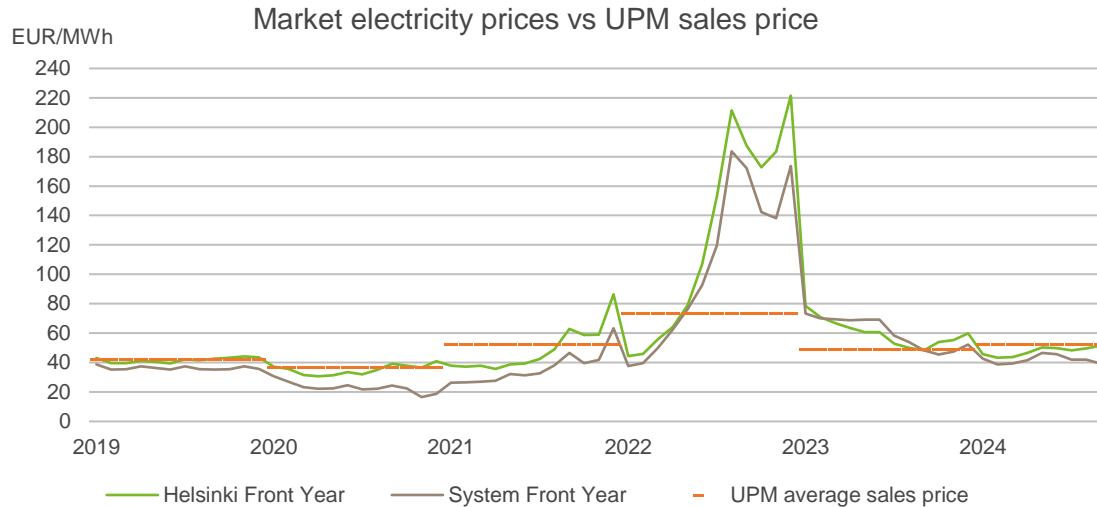


Pulp market prices, USD



Source: FOEX Indexes Ltd

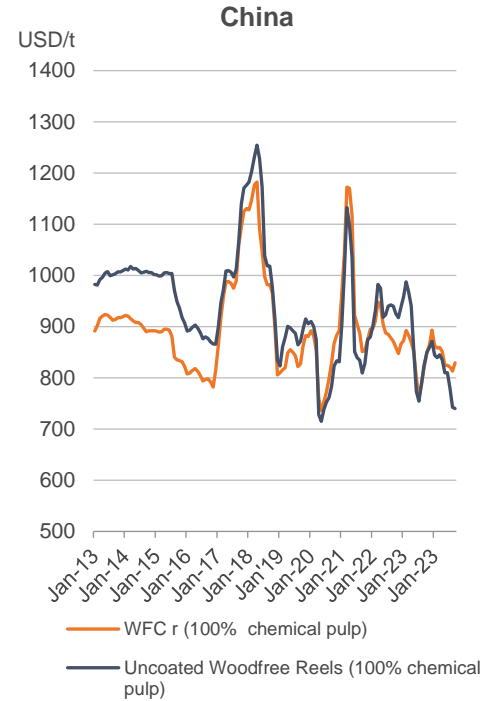
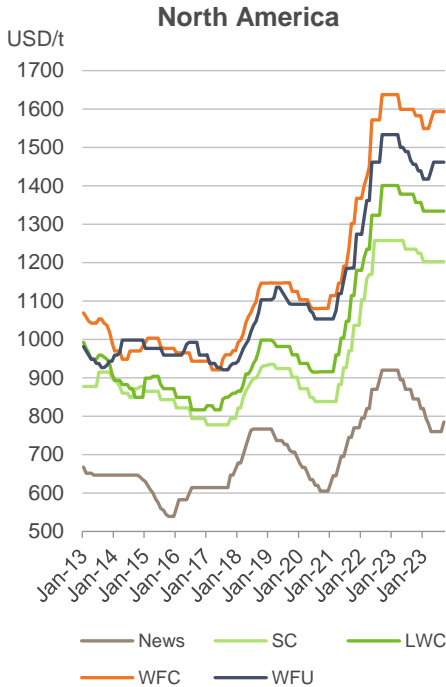
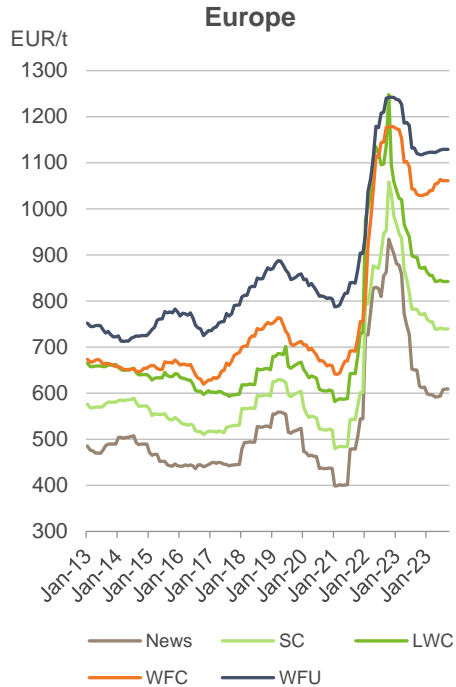
# Electricity market prices



| UPM Energy profitability | 2019 | 2020 | 2021 | 2022 | 2023 | 9M/2024 |
|--------------------------|------|------|------|------|------|---------|
| Comparable EBIT, EURm    | 185  | 171  | 270  | 381  | 182  | 124     |
| % of sales               | 44.4 | 45.0 | 51.3 | 52.0 | 29.0 | 26.8    |

# UPM Communication Papers

## Graphic paper prices



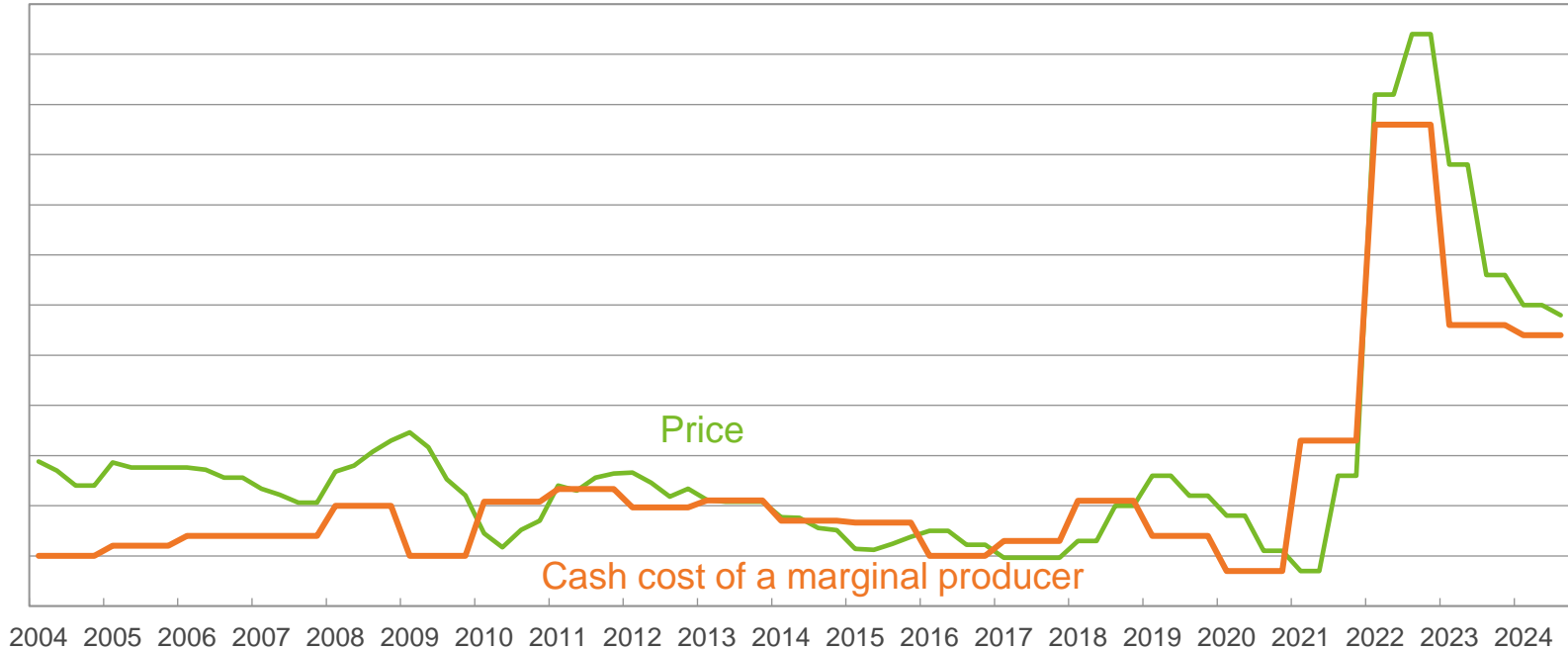
Sources: PPI, RISI



# Paper price vs. cash cost of marginal cost producer



EUR/t



Sources: PPI, RISI, AFRY

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