



UPM Half Year Financial Report 2024

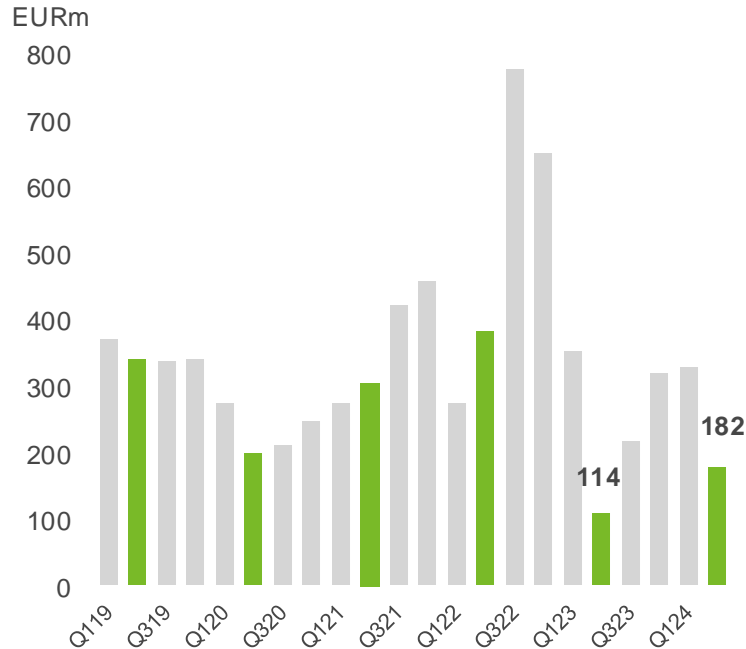
Massimo Reynaudo
President and CEO
23 July 2024

UPM **BIOFORE - BEYOND FOSSILS**

Q2 2024: Comparable EBIT +60% from last year, UPM Paso de los Toros reached full capacity



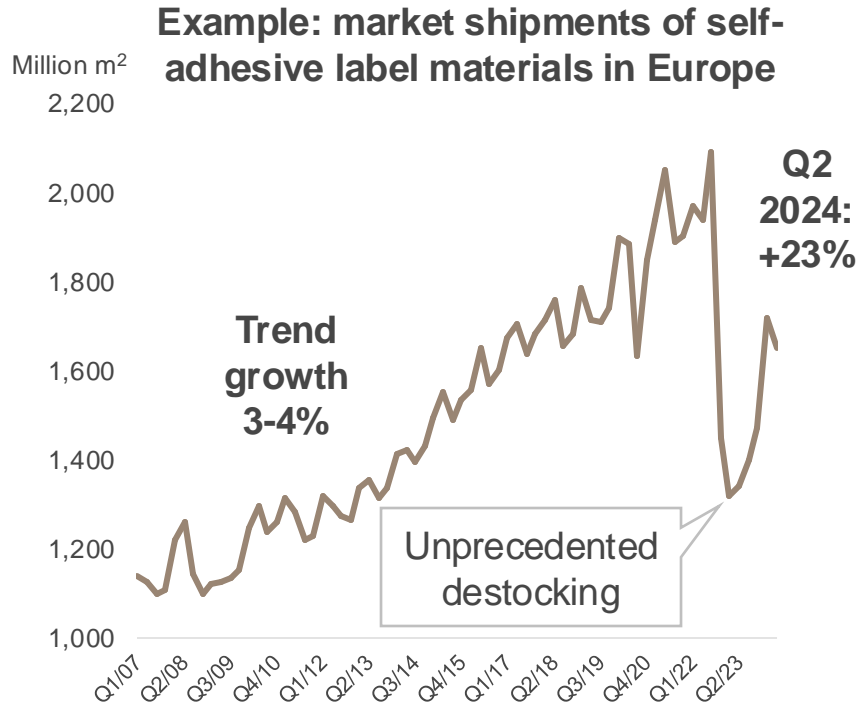
Comparable EBIT



Q2 2024 in brief

- Sales totalled EUR 2,546m (2,558m in Q2 2023)
- Comparable EBIT increased by 60% to EUR 182m, 7.2% of sales (114m, 4.5%)
- Moderate recovery in many product markets
- UPM Paso de los Toros pulp mill reached nominal capacity before its first maintenance shutdown in June
- Unusually high maintenance activity with three pulp mills and all nuclear power plant units having scheduled maintenance

Moderate market recovery



- Gradual recovery in most product markets during H1 2024
- Demand development moderated in Q2 2024 after the strong Q1
- Underlying consumer demand moderately improving
- Global pulp markets were further tightened by supply-side restrictions

UPM Paso de los Toros reached full run

- The mill reached nominal capacity for a full month before the first maintenance shutdown
- The first two-week maintenance shutdown was taken in June as scheduled
- In April, the railway from the mill to UPM's port terminal in Montevideo was taken into use
- Now the mill has moved from ramp-up to regular production
- Attractive business platform in Uruguay with highly competitive cash costs – productive and sustainable plantations, two pulp mills with best available techniques and efficient logistics



Heavy maintenance and political strikes in Finland held back performance in H1 2024

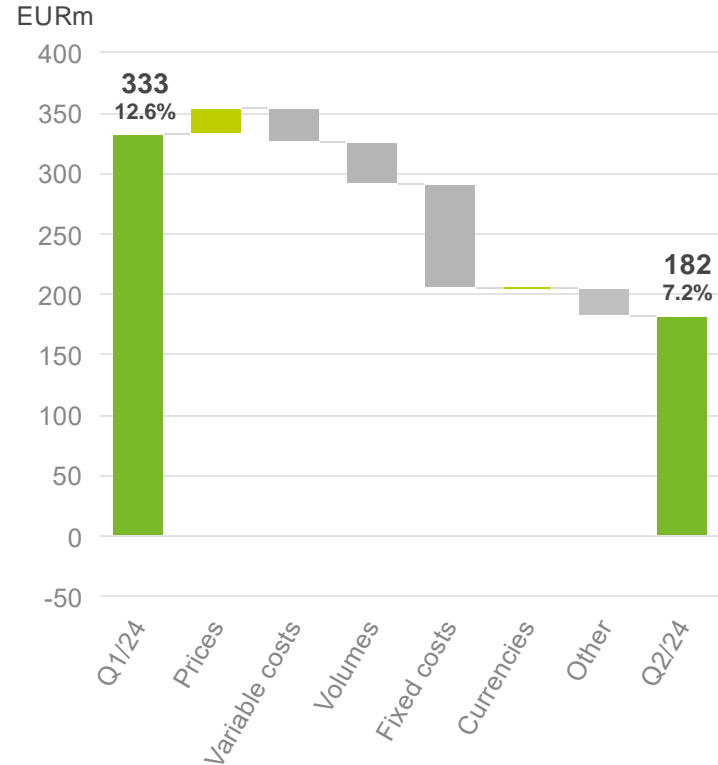
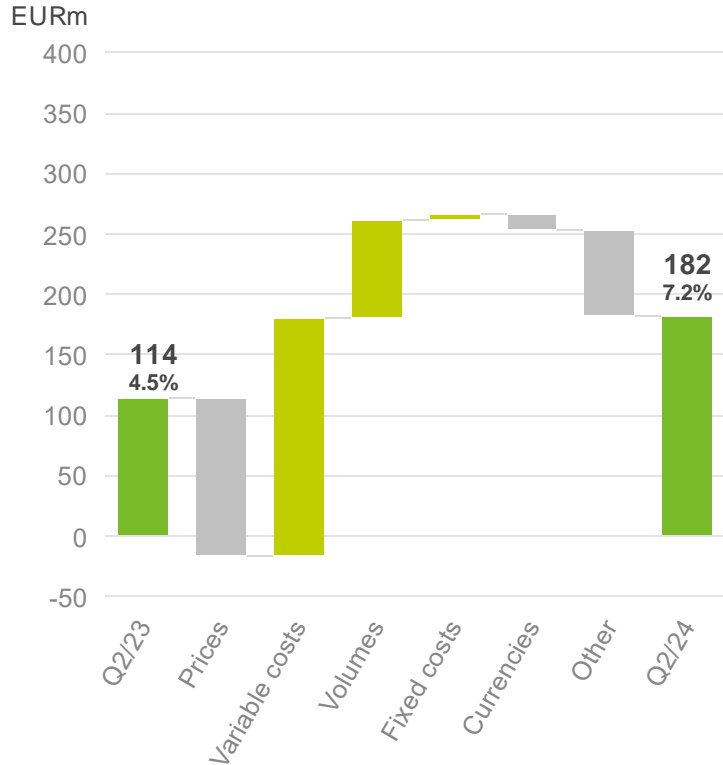


- High maintenance activity in H1 2024, total impact of EUR 140m (*)
 - Q2 2024: EUR 130m (*), Q1 2024: EUR 10m(*)
 - Successful maintenance shutdowns at three pulp mills, including the first shutdown at UPM Paso de los Toros
 - Prolonged shutdowns at the Olkiluoto nuclear power plant, including the first shutdown at OL3
- No major maintenance shutdowns scheduled for H2 2024
- The political strikes in Finland impacted H1 2024 by approximately EUR 40m (*)



*) figures include the impact on fixed costs, and the impact of lost volumes

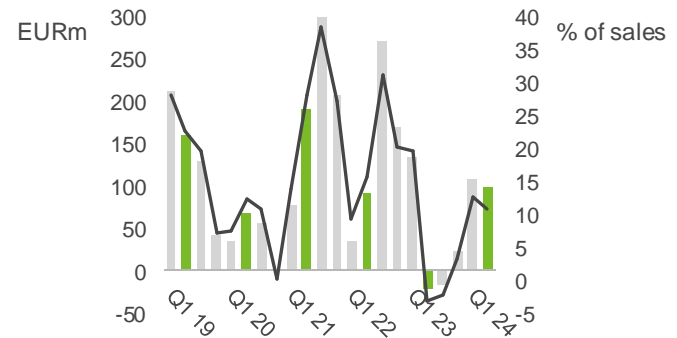
Comparable EBIT in Q2 2024



UPM Fibres

- UPM Paso de los Toros reached nominal capacity
- Scheduled maintenance shutdowns at the Paso de los Toros, Fray Bentos and Pietarsaari pulp mills, impact EUR 100m

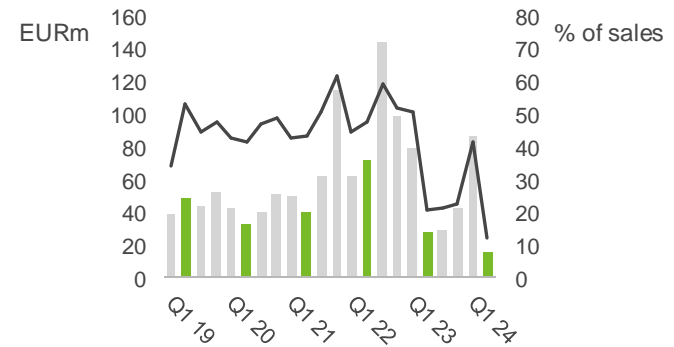
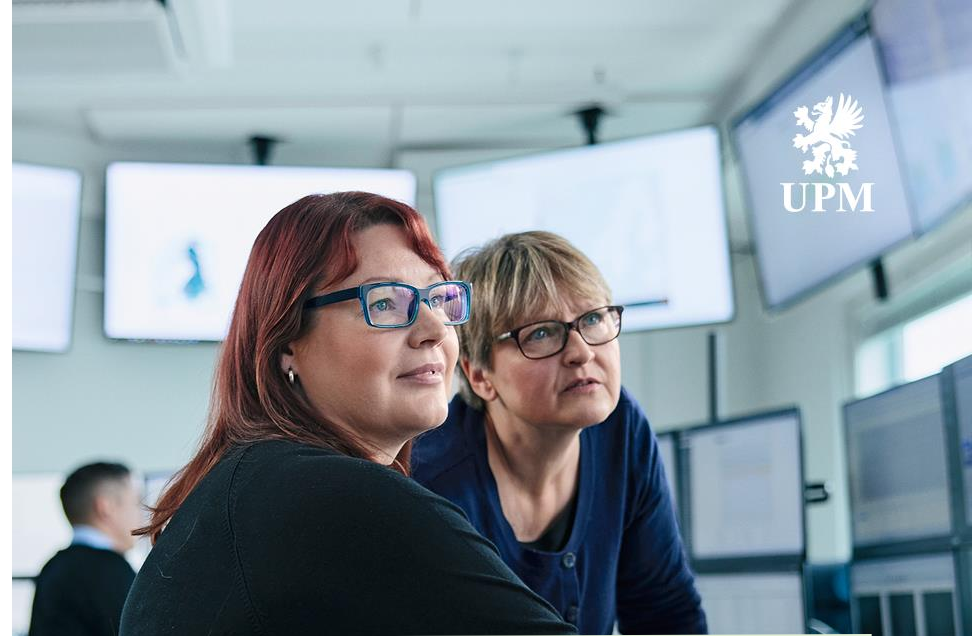
- Pulp deliveries +16% from last year
- Average pulp sales price +8% from last year, +12% from Q1
- Global pulp demand was good and varied depending on end-uses



UPM Energy

- Scheduled maintenance shutdown at the Olkiluoto 1, 2 and 3 nuclear power plant units, impact EUR 30m
- Good hydropower volumes

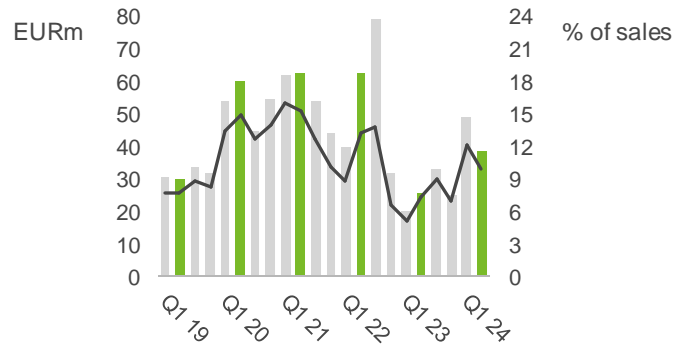
- Average electricity sales price +12% from last year, -29% from Q1
- Electricity prices and consumption seasonally lower



UPM Raflatac

- Deliveries recovered from last year's lows
- Successful margin management

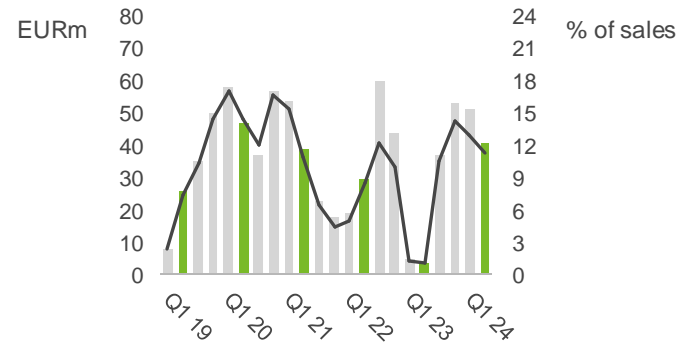
- European market demand recovered, up 23% from last year, -4% from Q1



UPM Specialty Papers

- Deliveries recovered from last year, especially in specialty grades
- Focus on margin management and cost saving actions in variable and fixed costs

- Demand for specialty grades was good
- Demand for fine papers in Asia stabilised

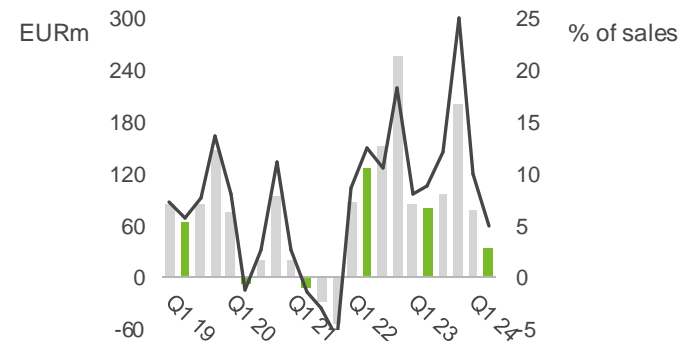


UPM Communication Papers

- Deliveries impacted by lower demand after the restocking in Q1 and the political strikes in Finland
- Plans to close Hürth newsprint mill and one fine paper machine (PM3) at Nordland Papier in Germany



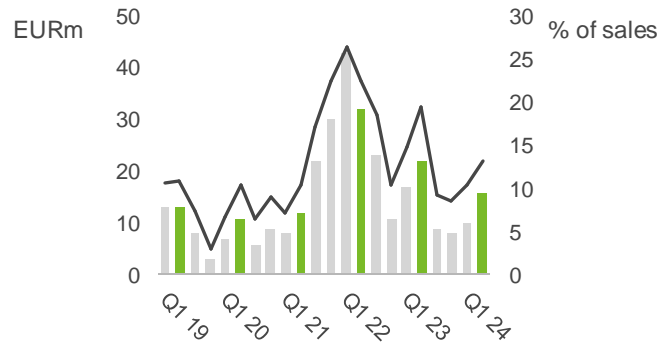
- Average sales price -12% from last year, -1% from Q1
- European market demand +4% from last year



UPM Plywood

- Full run operations in seasonally good market

- Market activity improved but was still at low level
- EU anti-dumping measures on the birch plywood imports from Russia entered into force

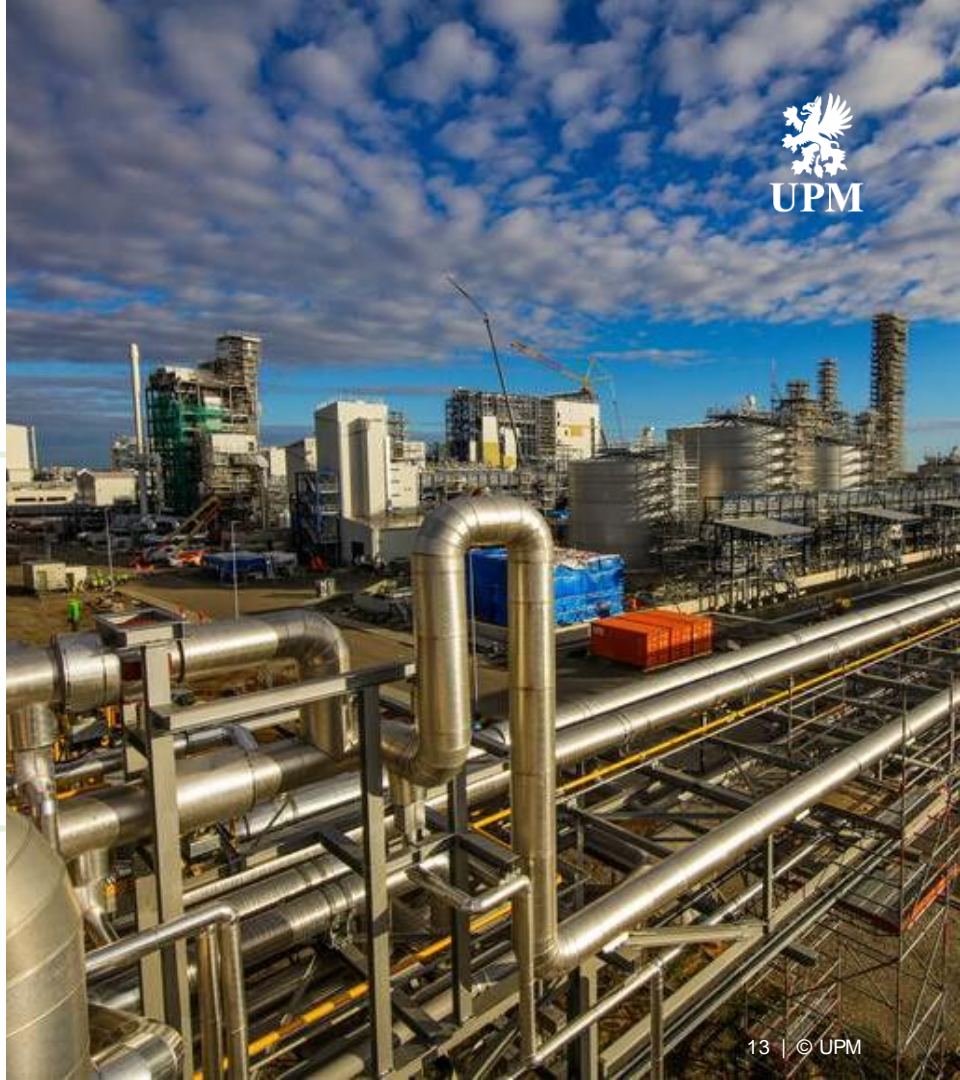


Other operations

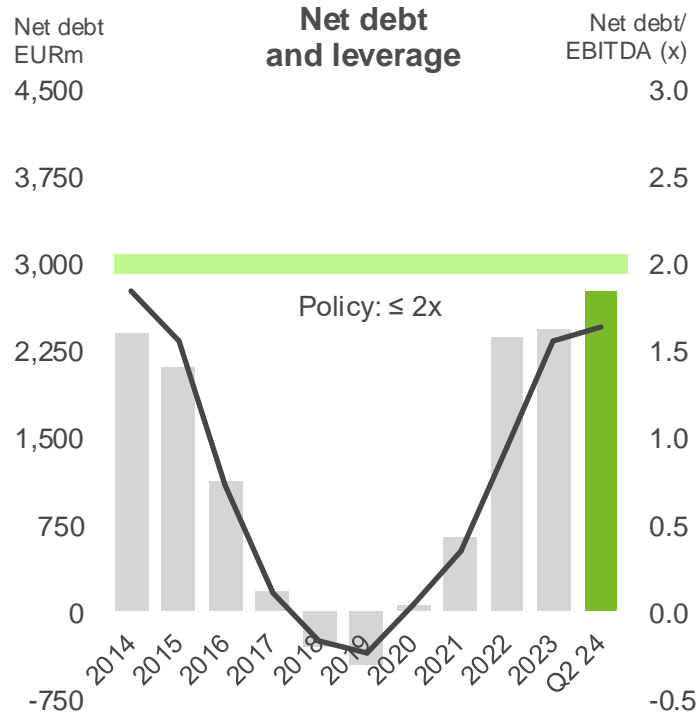
- Preparations in full speed for UPM Biochemicals production and business launch by the end of 2024

- Advanced renewable fuels market remained soft, impacted by fuel imports and upstream emission reductions from outside Europe
- UPM Biofuels performance remained at the level of previous quarter

- Other operations also includes UPM Forest and UPM's R&D and new business development



Strong financial position



- Net debt EUR 2,763m at the end of Q2 2024
- Net debt / EBITDA 1.64
- Cash funds and committed credit facilities EUR 3.3bn at the end of Q2 2024
- No financial covenants
- The first dividend instalment for year 2023 (EUR 400m) was paid in Q2 2024

Outlook for 2024



- UPM's full-year 2024 comparable EBIT is expected to increase from 2023, supported by higher delivery volumes, the ramp-up and optimisation of the UPM Paso de los Toros pulp mill, and lower fixed costs. Demand for many UPM products is expected to gradually improve as the destocking seen in 2023 is over. The market conditions for renewable fuels are expected to be weaker than last year. UPM continues to manage margins and take actions to reduce variable and fixed costs.
- In H2 2024, comparable EBIT is expected to be higher than in H1 2024. This improvement is expected to come especially from UPM Fibres, with the full pulp capacity available and pulp price levels starting at a higher level than at the start of the year.
- There are no major maintenance shutdowns scheduled for the company in H2 2024, whereas H1 2024 was impacted by unusually high maintenance activity and political strikes in Finland. The timing of the annual energy-related refunds is expected to support the result in Q4.

The new collective labour agreements create a good basis for the development of our businesses in Finland



- In Q2, we struck five new business-specific collective labour agreements in Finland in good co-operation with employee representatives
- These mutually beneficial agreements support our long-term competitiveness and ability to serve our customers
- The new collective agreements will have a two-year contract period



UPM Communication Papers adjusting capacity with customer demand and ensure competitiveness



- Plans to close Hürth newsprint mill and one fine paper machine (PM3) at Nordland Papier in Germany latest by the end of 2024
- Annual reductions of 330,000 tonnes of newsprint paper capacity and 280,000 tonnes of uncoated fine paper capacity
- The number of positions affected is estimated approximately at 345
- The planned actions are estimated to result in annual fixed cost savings of EUR 45 million



UPM Raflatac accelerates growth in Graphics by acquiring Grafityp



- UPM Raflatac has acquired Grafityp, a Belgian-based company to further accelerate its growth in graphics solutions
- Strengthens UPM Raflatac's competitive positioning in this attractive product segment, expands its portfolio and gives access to high-value new technologies
- UPM Raflatac's new strategic Graphics self-adhesive business was established after acquiring AMC AG and its graphics business in 2022
- Typical graphics applications e.g. indoor and outdoor advertising, signage and vehicle wrapping
- Graphics global market size is approximately EUR 4bn and it grows about 4-5% pa



Biofuels growth plan makes progress, additional actions to secure key competitive advantages



- Future demand growth for advanced renewable fuels is attractive
- Major part of the basic engineering completed for the potential biofuels refinery in Rotterdam
- New proprietary technology related to processing the desired UPM integrated feedstocks validated at a demonstration scale
- Testing the new technology on flexible feedstock options at a larger scale, and securing the feedstock supply is expected to take approximately two years
- Differentiated, competitive and sustainable feedstock range will be the key to ensuring profitability over market cycles and potential regulatory developments



UPM Biochemicals preparing for the start of production



- Commissioning of UPM Leuna biochemical refinery proceeds at full speed towards start-up by the end of 2024
- Business function teams and the operations team are in place and the core processes required to run the business are established
- Work is progressing according to the plan and in budget
- Commercial activities have continued to proceed with strong progress in qualifying our products for key end-uses
- Partnership with Nokian Tyres was launched in June enabling us to enter the large volume tyres markets with our Renewable Functional Fillers (RFF)



CREATING THE FUTURE

UPM CAPITAL MARKETS DAY

5 SEPTEMBER 2024

VENUE:

LSEG (London Stock Exchange Group) and through a webcast

Summary

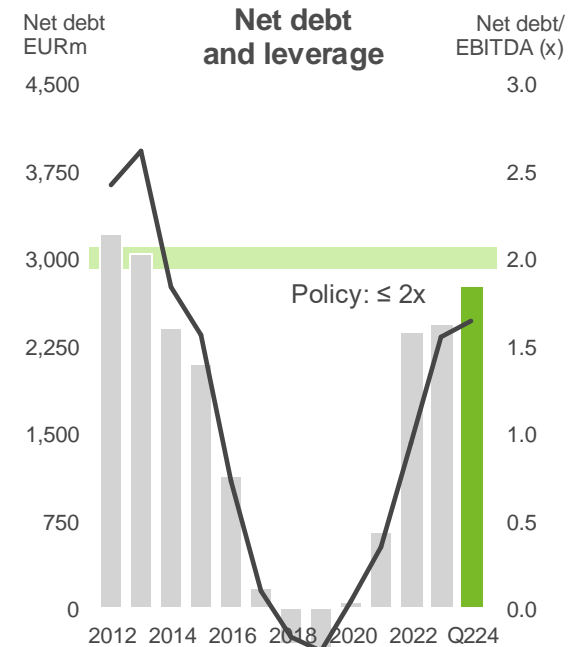
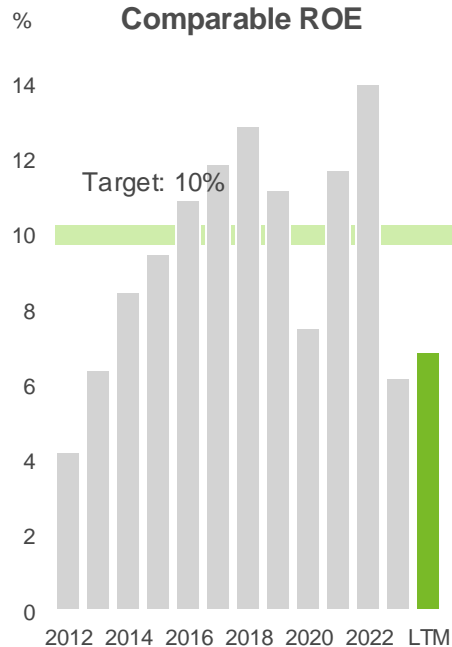
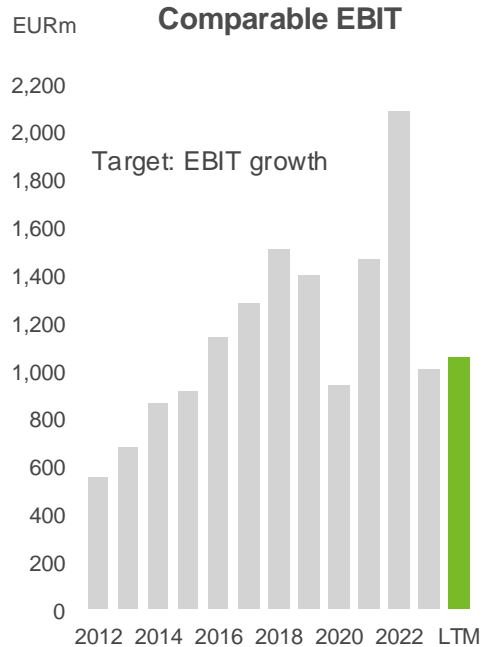


- Q2 comparable EBIT increased by 60% from last year
- UPM Paso de los Toros reached full run
- Unusually heavy maintenance activity during Q2
- Comparable EBIT is expected to increase in H2 2024
- UPM Raflatac accelerates growth in Graphics with an acquisition
- UPM Biofuels growth plan updated, additional actions to secure key competitive advantages
- UPM Biochemicals preparing for the business launch
- Welcome to UPM Capital Markets Day on 5 September in London!

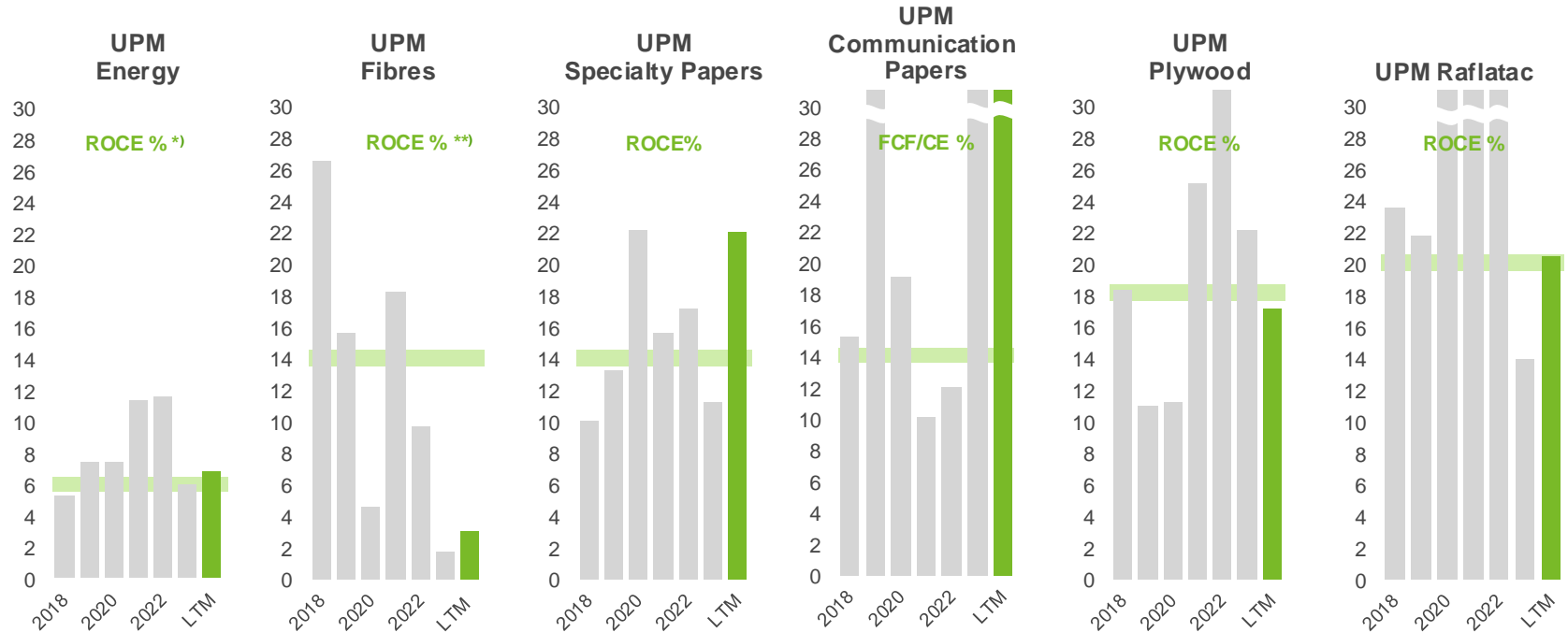
UPM **BIOFORE**
BEYOND FOSSILS



Group financial performance and targets



Business area long-term return targets



*) shareholdings in UPM Energy valued at fair value

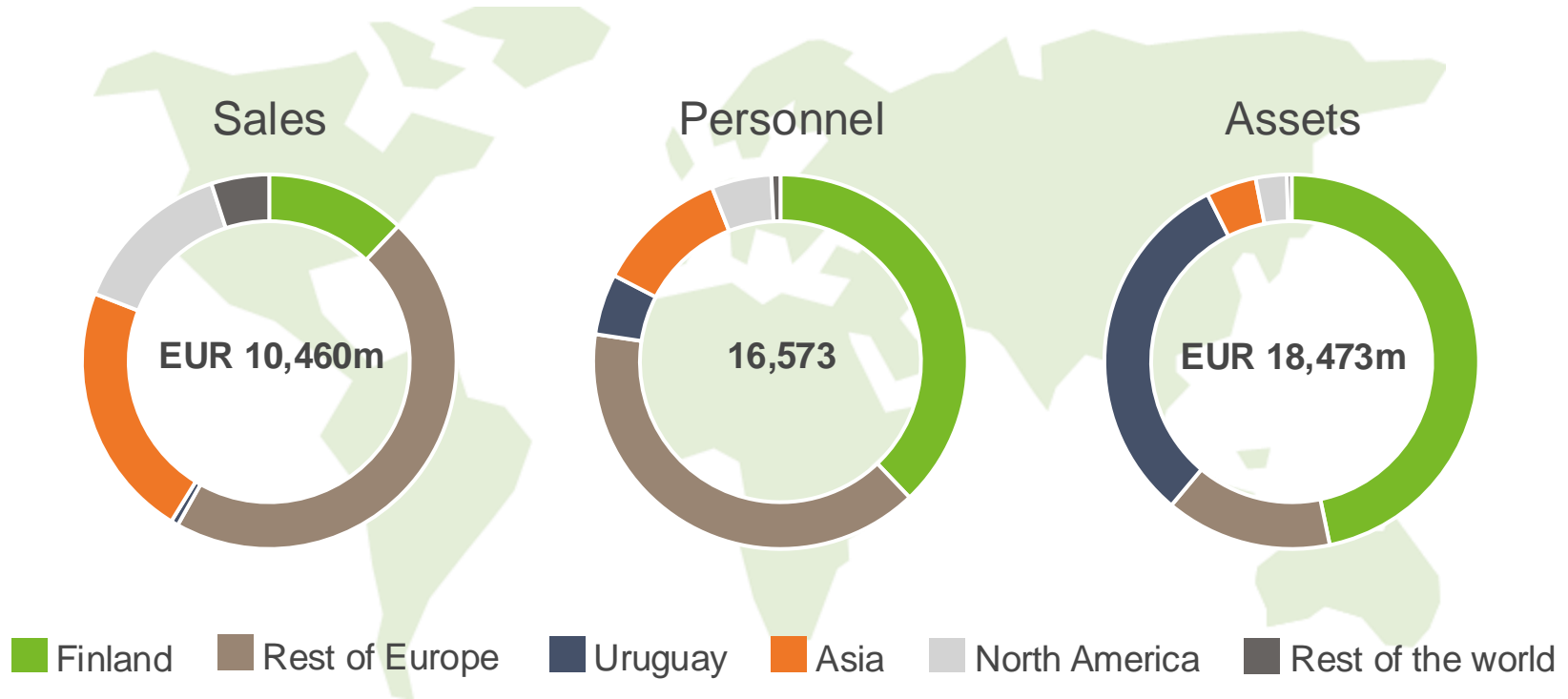
**) Year 2021 restated, UPM Biofuels moved into Other Operations as of 1 January 2022.

Long-term return target

Spearheads for growth – strong business platforms for growth

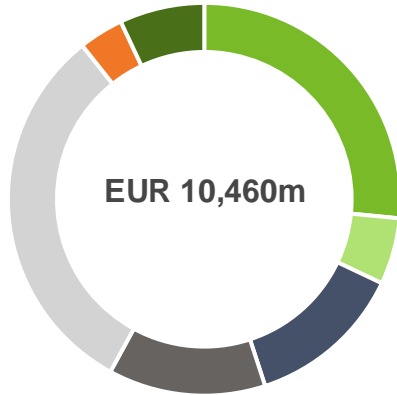


Global strengths and opportunities

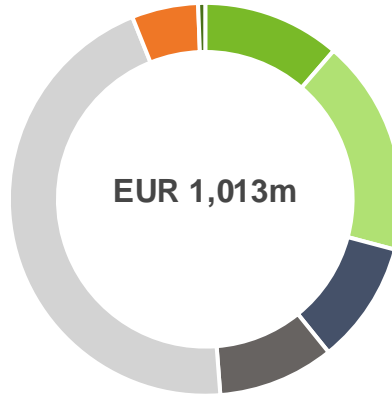


UPM by business area in 2023

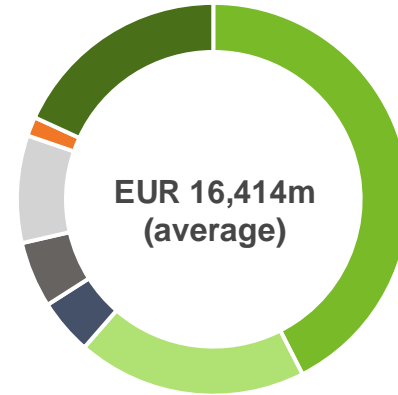
Sales



Comparable EBIT

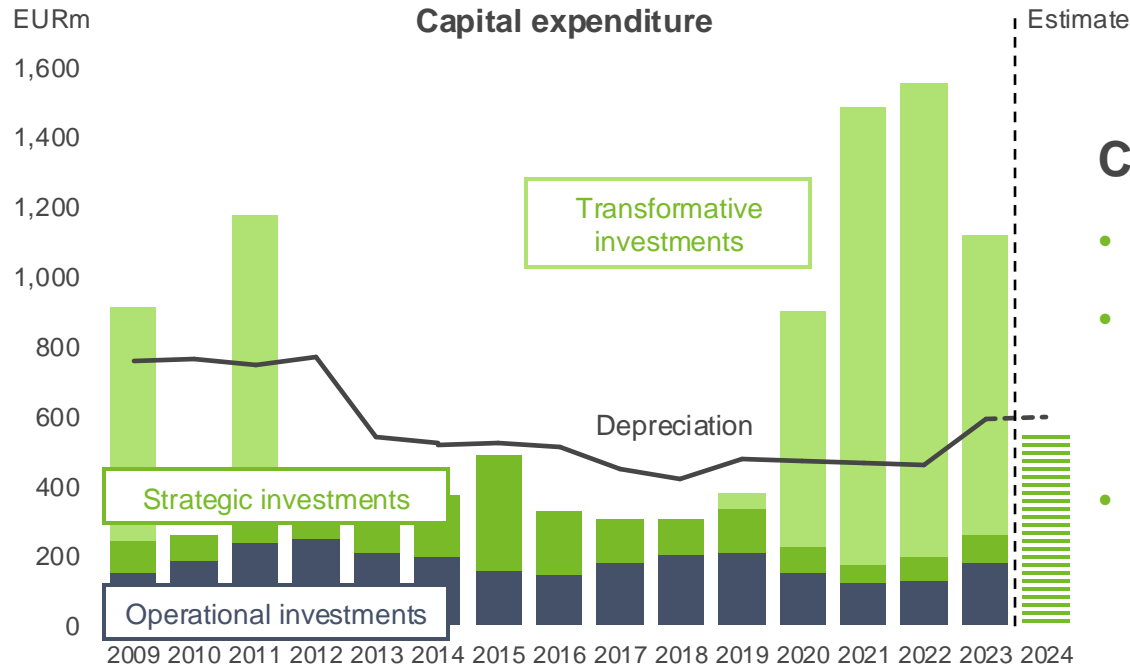


Capital employed



■ Fibres
 ■ Energy
 ■ Raflatac
 ■ Specialty Papers
 ■ Communication Papers
 ■ Plywood
 ■ Other

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 2023 and 2024

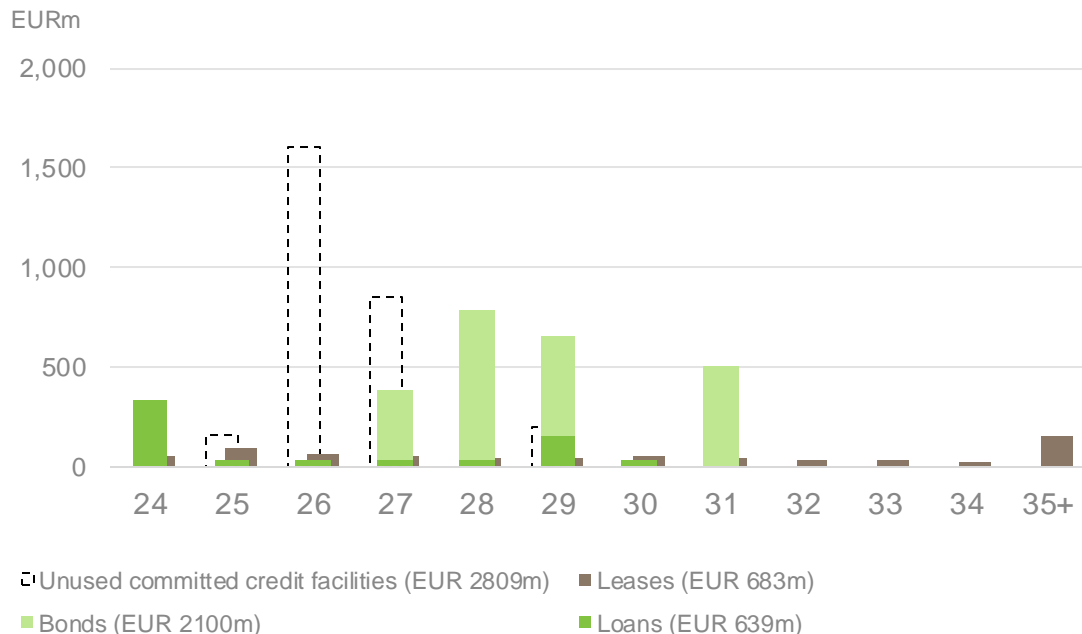
Significant maintenance shutdowns
in 2023 and 2024

Timing	Unit
Q2 23	Olkiluoto nuclear power plant OL1 and OL2 UPM Lappeenranta Biorefinery (turnaround) UPM Kymi pulp mill
Q3-Q4 23	UPM Kaukas pulp mill
Q1-Q2 24	Olkiluoto nuclear power plant OL3
Q2 24	Olkiluoto nuclear power plant OL1 and OL2 UPM Paso de los Toros pulp mill UPM Fray Bentos pulp mill UPM Pietarsaari pulp mill

Maintenance shutdowns have an impact on

- Maintenance costs
- Production volumes
- Operational efficiency

Maturity profile and liquidity



Liquidity on 30 June 2024 was EUR 3.3bn (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

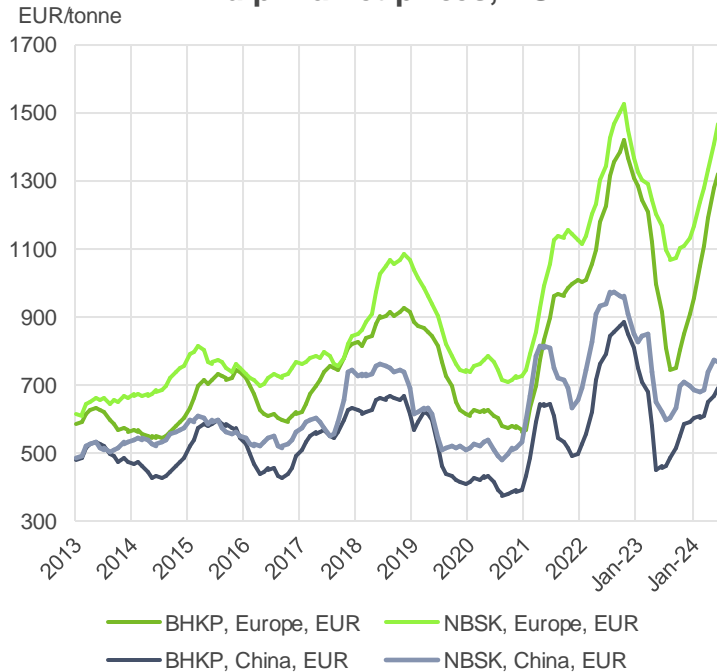
	USD	GBP	JPY	Others
EURm	1,480	250	110	80

UPM Fibres

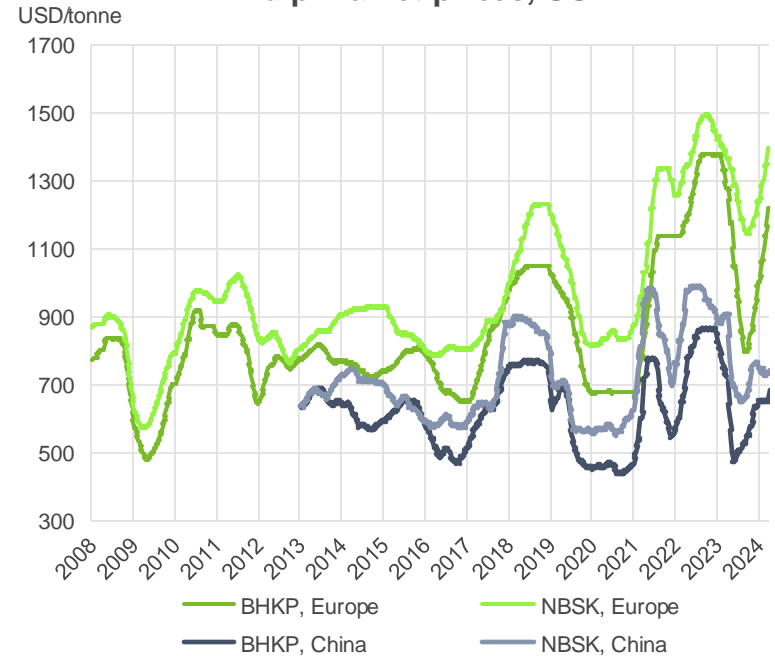
Chemical pulp market prices



Pulp market prices, EUR

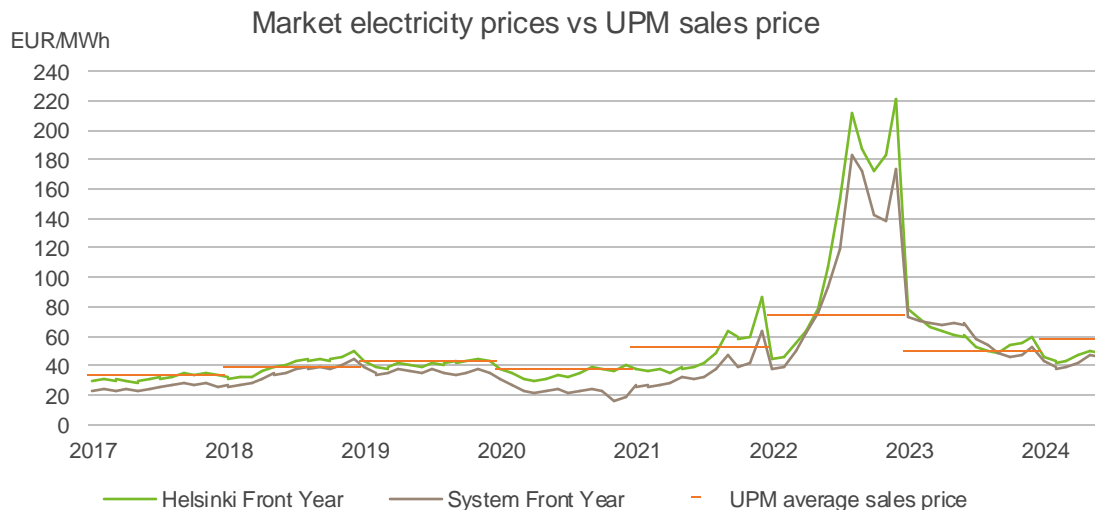


Pulp market prices, USD



Source: FOEX Indexes Ltd

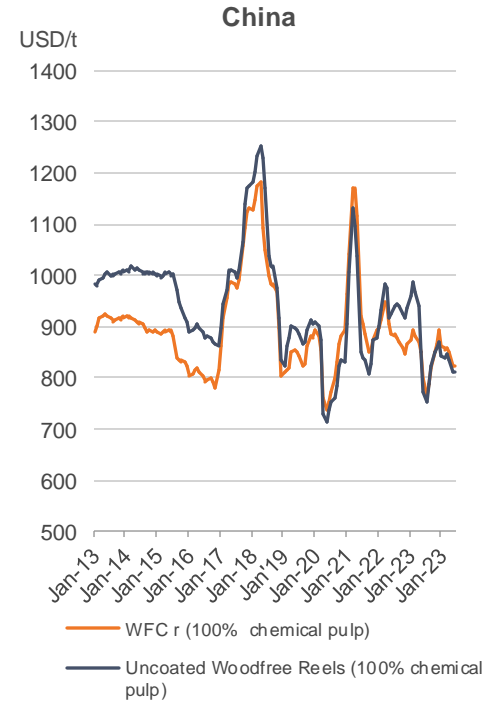
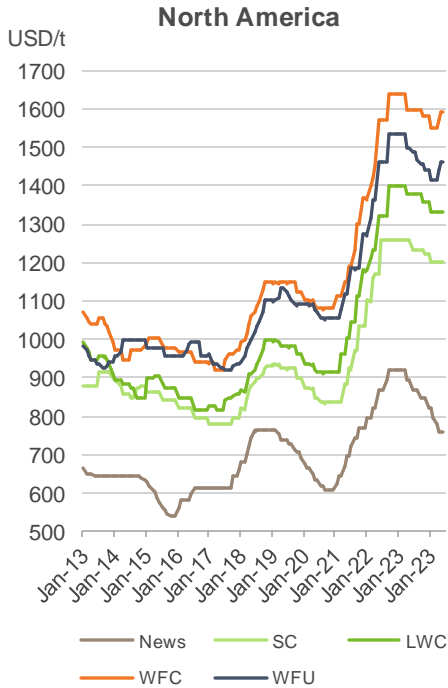
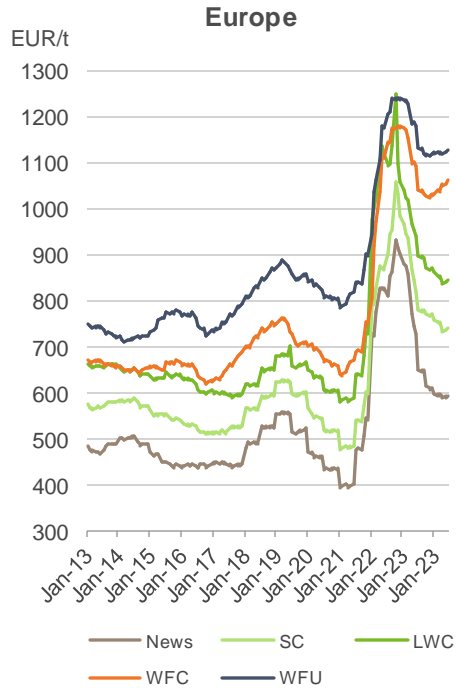
Cost efficient generation enables robust profitability in changing market environment



UPM Energy profitability	2019	2020	2021	2022	2023	H1/2024
Comparable EBIT, EURm	185	171	270	381	182	102
% of sales	44.4	45.0	51.3	52.0	29.0	30.1

UPM Communication Papers

Graphic paper prices

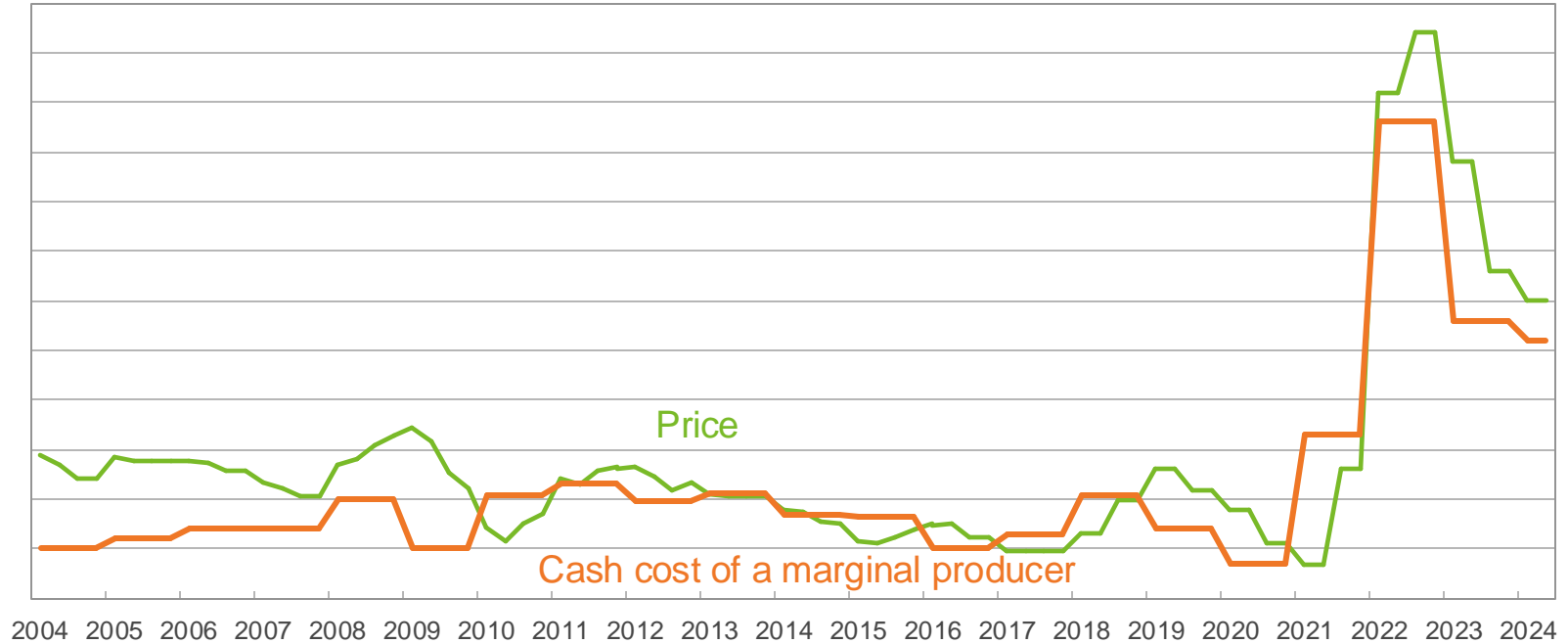


Sources: PPI, RISI

Paper price vs. cash cost of marginal cost producer



EUR/t



Sources: PPI, RISI, AFRY

UPM **BIOFORE**
BEYOND FOSSILS

