



UPM



Interim Report Q1 2024

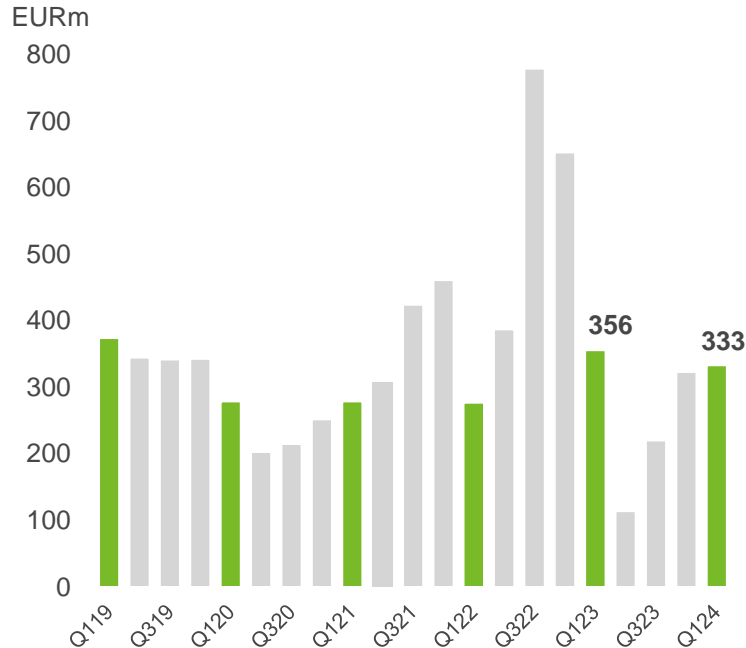
Massimo Reynaudo  
President and CEO  
25 April 2024

UPM **BIOFORE-BEYOND** FOSSILS

# Q1 2024: positive start to the year, growth projects contributed to earnings



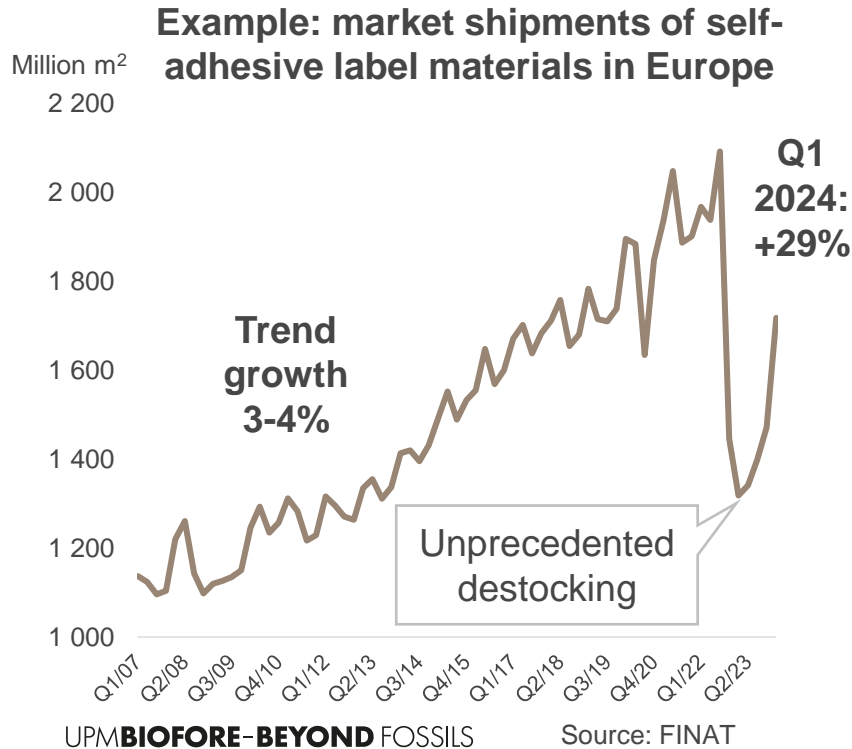
## Comparable EBIT



## Q1 2024 in brief

- Sales decreased by 5% to EUR 2,640m (2,787m in Q1 2023)
- Comparable EBIT decreased by 6% to EUR 333m, 12.6% of sales (356m, 12.8%)
- Successful margin management and recovering market demand continued
- UPM Paso de los Toros reached positive EBIT
- Preparations for production and business launch by the end of 2024 at UPM Leuna

# Market demand recovering after unprecedented destocking in 2023



- Gradual recovery in most product markets continued in Q1 2024, having started in H2 2023
- Underlying consumer demand improving and destocking over
- In 2023, market shipments in most products were well below end-use demand and long-term trends due to destocking
- The long-term growth prospects remain intact and attractive

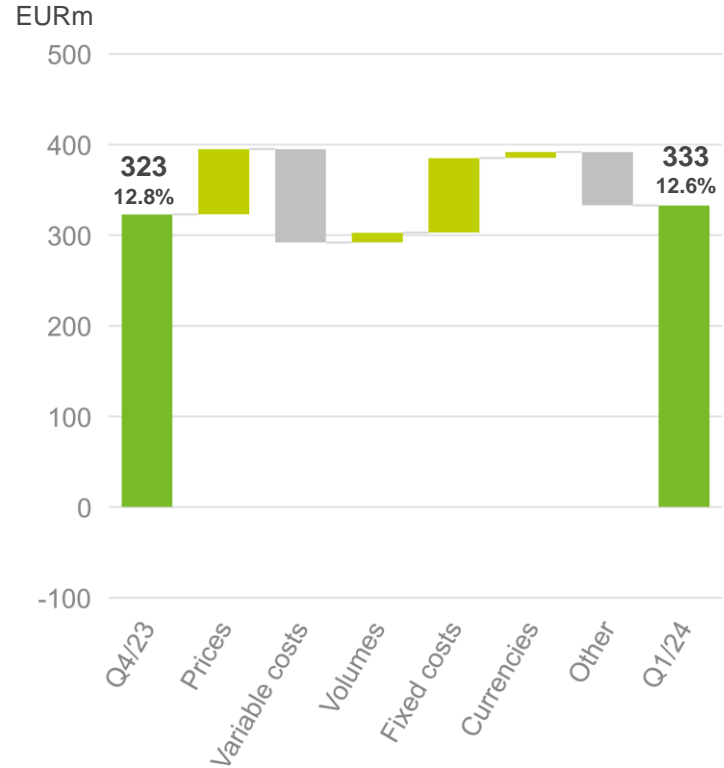
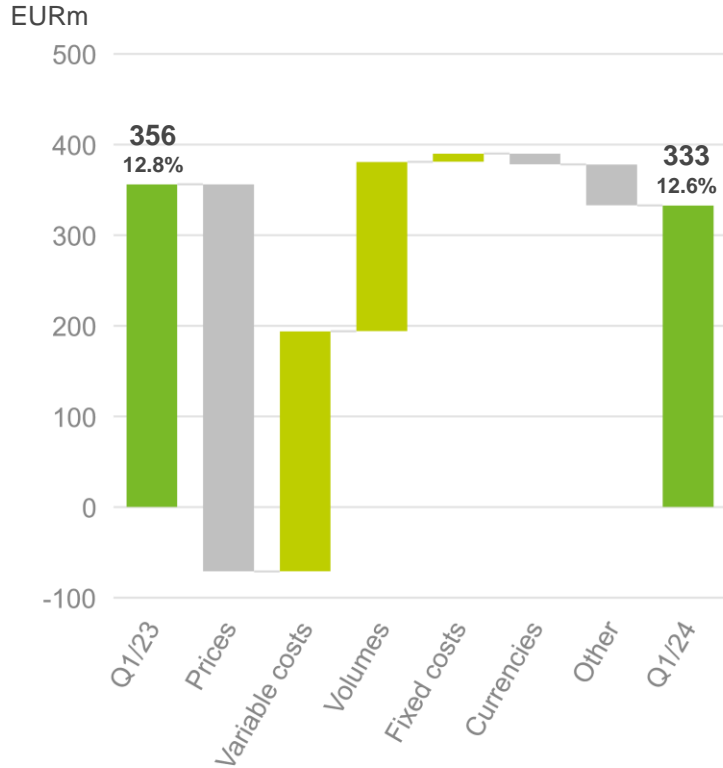
# UPM Paso de los Toros ramp-up progressing well



- The mill reached positive Q1 EBIT, production at 83% of capacity
- In April, the railway from the mill to UPM's port terminal in Montevideo was taken into use
- A two-week maintenance shutdown will be taken in June 2024 after a full year of operations
- One of the most competitive pulp mills in the world with best available techniques and highly competitive cash costs of about USD 280 per delivered tonne once in full production and optimised

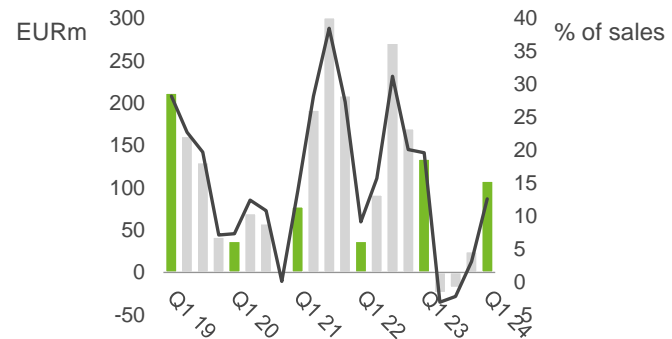


# Comparable EBIT in Q1 2024



# UPM Fibres

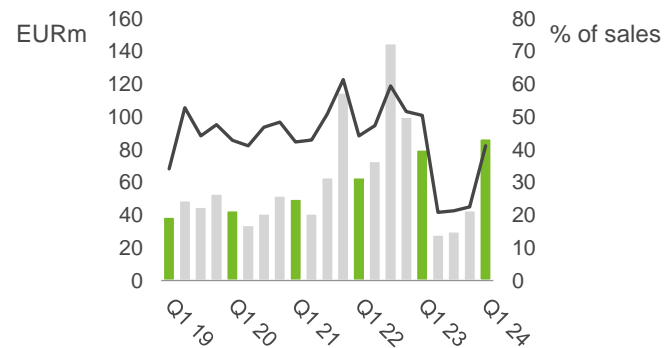
- UPM Paso de los Toros reached positive EBIT, production at 83% of capacity
- Political strike impacted production in Finland
- Pulp deliveries +71% from last year
- Average pulp sales price -23% from last year, +13% from Q4
- Global pulp demand was good, European demand improved



# UPM Energy

- Seasonally strong start to the year
- Good hydropower optimisation
- OL3 contributed well on the strong markets – started its maintenance shutdown in March

- Average electricity sales price +12% from last year, +24% from Q4
- Electricity consumption boosted by cold winter weather

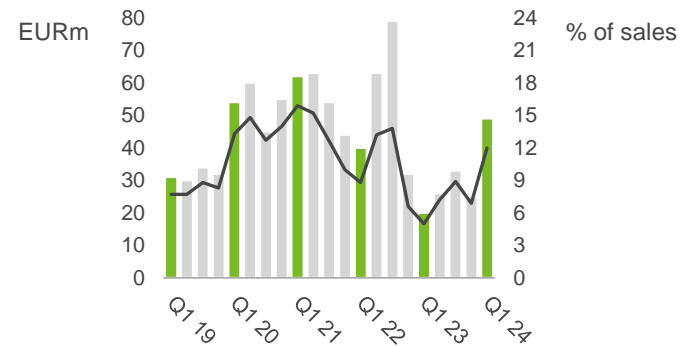


# UPM Raflatac

- Deliveries continued to recover, especially in films and specials
- Successful margin management



- European market demand continued to recover, up 29% from last year, +16% from Q4



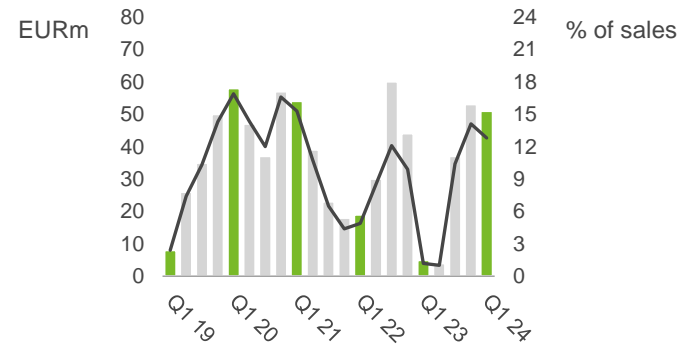


# UPM Specialty Papers

- Deliveries continued to recover, especially in specialty grades
- Successful margin management



- Demand for specialty grades continued to recover
- Demand for fine papers in Asia was solid

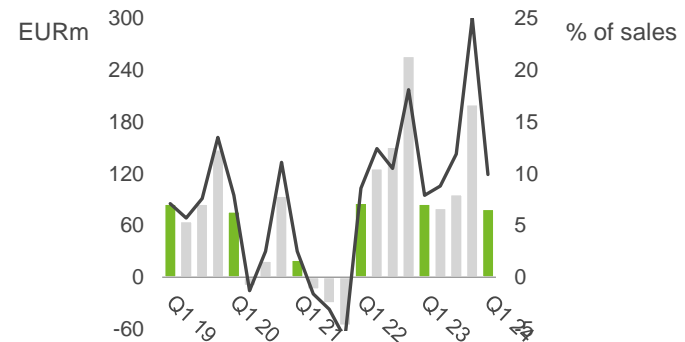


# UPM Communication Papers

- Successful margin management
- Lower fixed costs
- Successful mitigation of political strikes



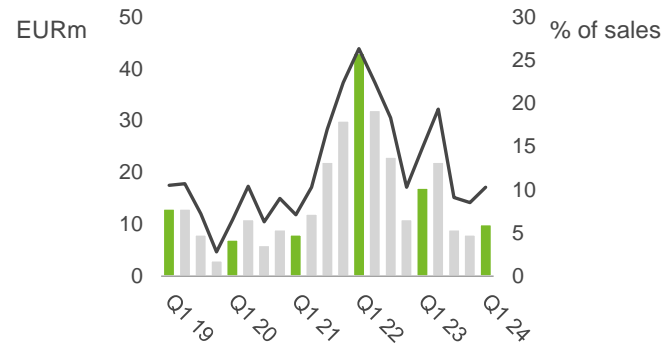
- Average sales price -18% from last year, +1% from Q4
- European market demand +5%



# UPM Plywood

- Solid performance in the low-volume environment
- Temporary lay-offs to align capacity to demand

- Market activity remained low, destocking has ended

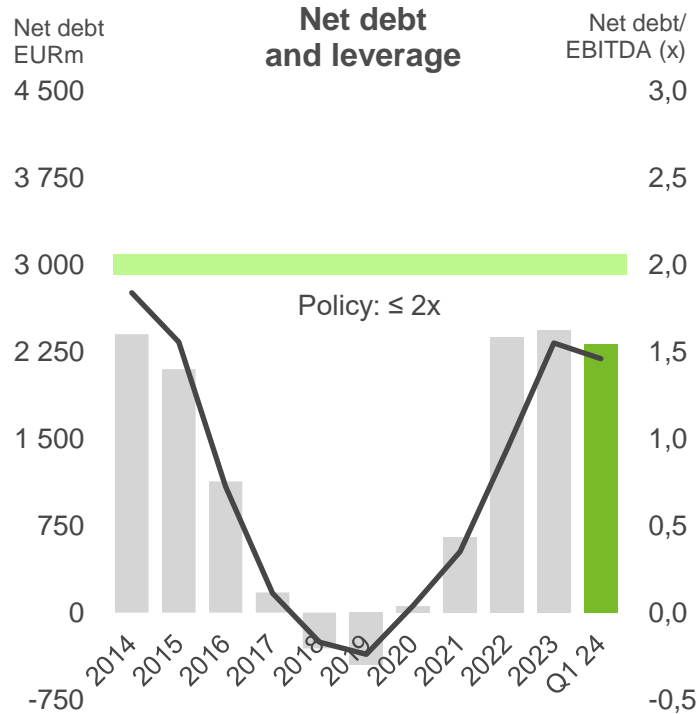


# Other operations

- Preparations in full speed for UPM Biochemicals production and business launch by the end of 2024
  - Interest in bio-based MEG and renewable functional fillers strong in Europe
- 
- UPM Biofuels margins lower
  - Advanced renewable fuels market prices decreased – input costs remained elevated
  - Basic engineering continues at Rotterdam



# Strong financial position



- Net debt EUR 2,312m at the end of Q1 2024
- Net debt / EBITDA 1.46
- Cash funds and committed credit facilities EUR 3.5bn at the end of Q1 2024
- No financial covenants

# Outlook for 2024

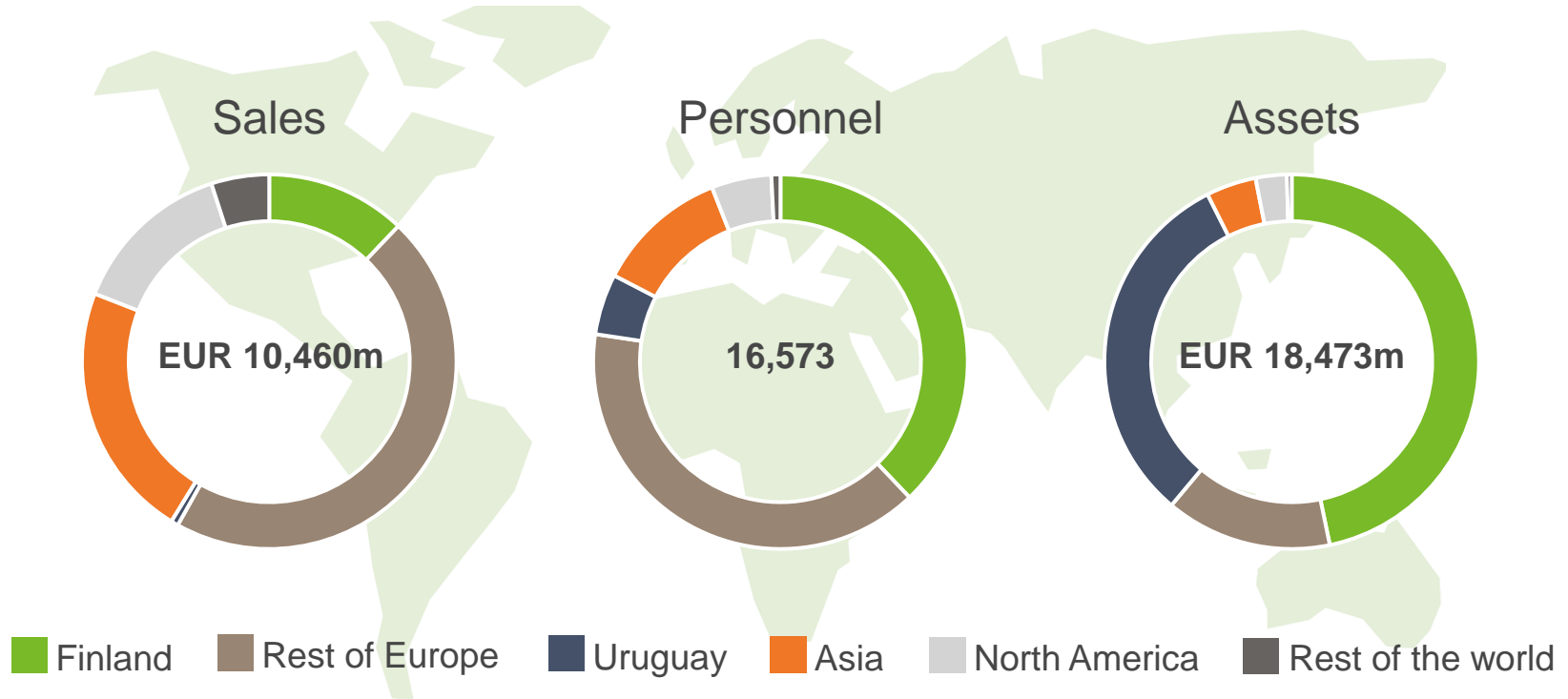


- UPM's full-year 2024 comparable EBIT is expected to increase from 2023, supported by higher delivery volumes, continued ramp-up and optimisation of the UPM Paso de los Toros pulp mill, and lower fixed costs.
- Demand for many UPM products is expected to continue to improve gradually as the destocking seen in 2023 is over. The year has started with lower price level for advanced renewable fuels than last year. UPM continues to manage margins and take actions to reduce variable and fixed costs.
- In H1 2024, comparable EBIT is expected to be lower than in H2 2023, due to the timing of the energy-related refunds in Q4 2023 and unusually high maintenance activity in Q2 2024. Planned maintenance shutdowns will take place in UPM Paso de los Toros, UPM Fray Bentos and UPM Pietarsaari pulp mills and all three units of the Olkiluoto nuclear power plant.

# Spearheads for growth – strong business platforms for growth



# Global strengths and opportunities







# CREATING THE FUTURE

UPM CAPITAL MARKETS DAY

5 SEPTEMBER 2024

VENUE:

LSEG (London Stock Exchange Group) and through a webcast

# Summary

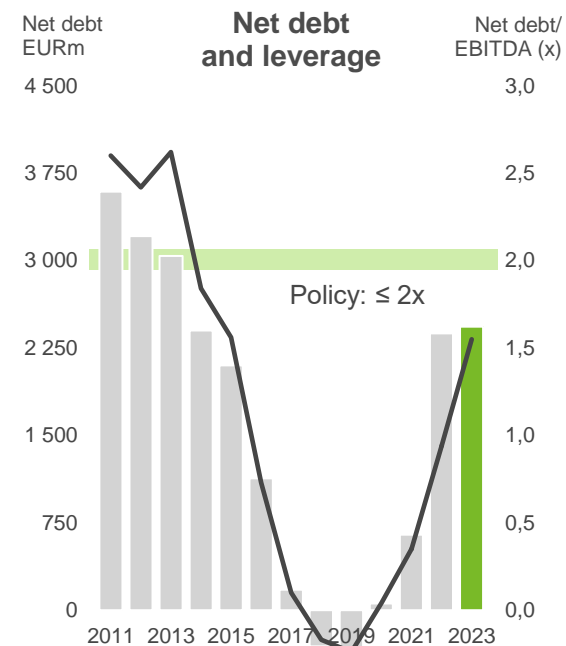
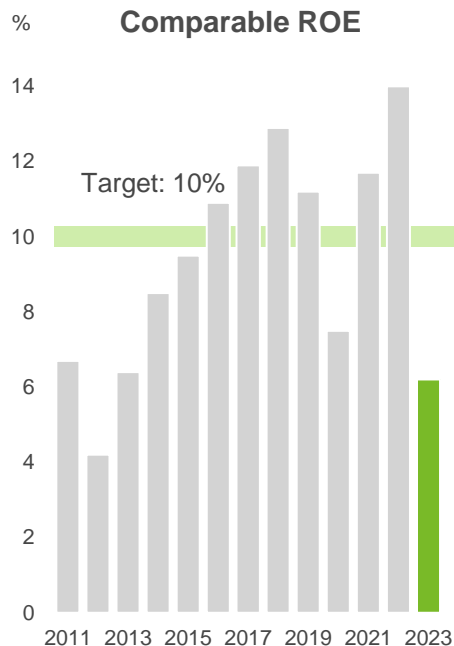
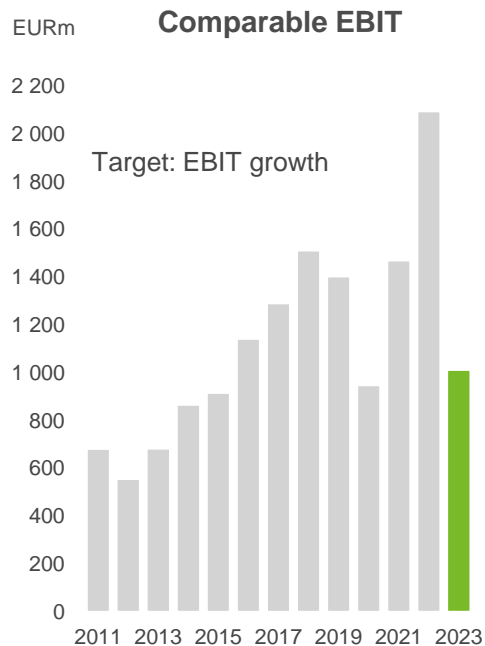


- Q1 adds to the confidence on a robust performance this year
- Successful margin management and recovering market demand continued in most businesses
- UPM Paso de los Toros and the OL3 delivered good contribution to earnings
- Welcome to UPM Capital Markets Day on 5 September in London!

UPM **BIOFORE**  
**BEYOND** FOSSILS

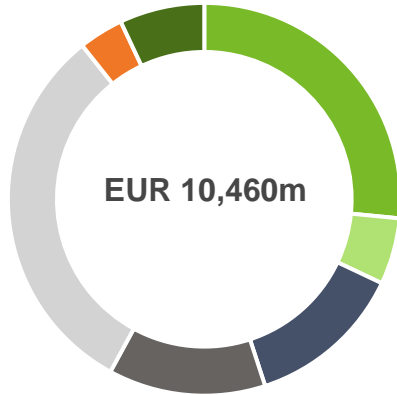


# Group financial performance and targets

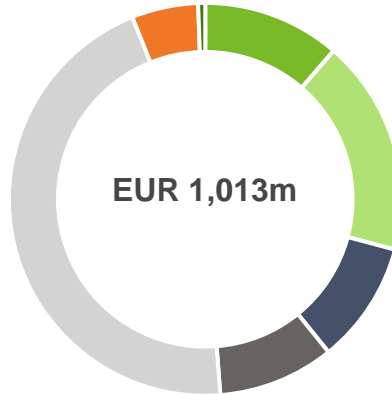


# UPM by business area in 2023

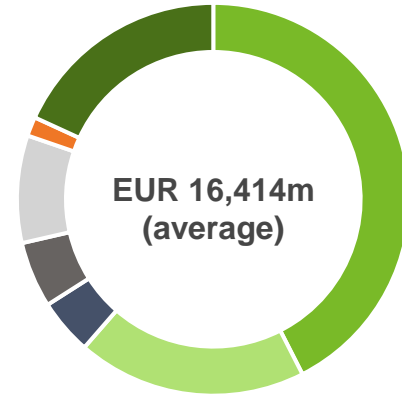
Sales



Comparable EBIT



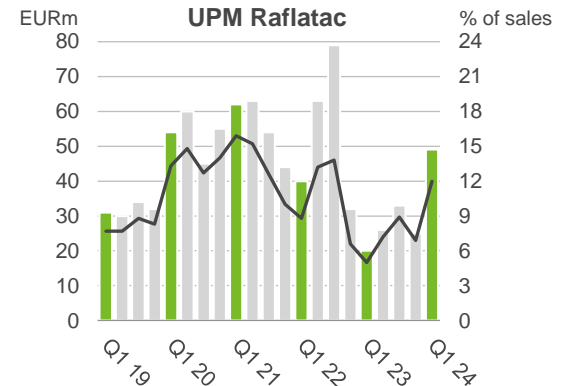
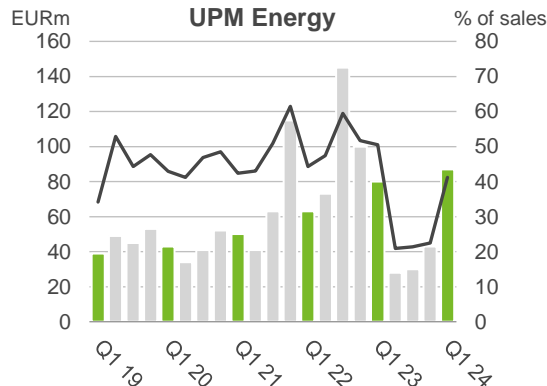
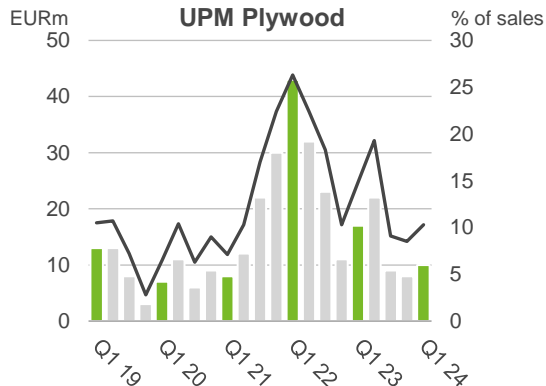
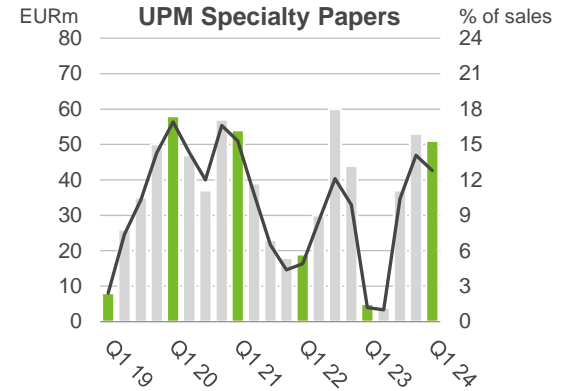
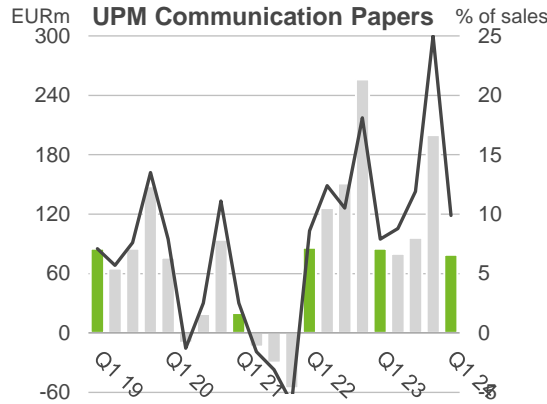
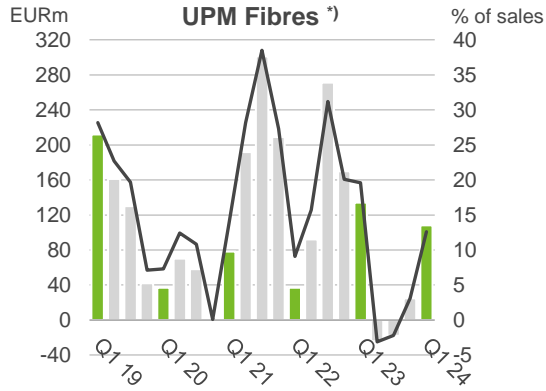
Capital employed



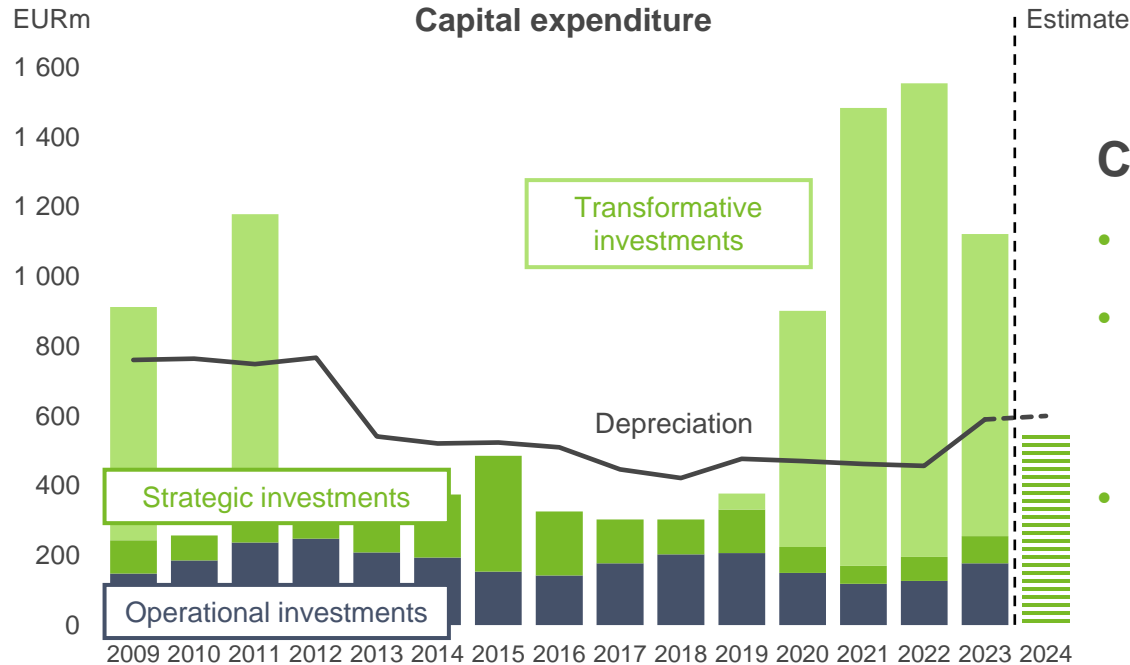
■ Fibres 
 ■ Energy 
 ■ Raflatac 
 ■ Specialty Papers 
 ■ Communication Papers 
 ■ Plywood 
 ■ Other



# Comparable EBIT by business area



# 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

# Transformative growth investments set to deliver



## UPM Paso de los Toros

First full year of production 2024  
Grows UPM Pulp by over 50%



## OL3

First full year of production 2024  
Grows UPM Energy by nearly 50%



## UPM Leuna

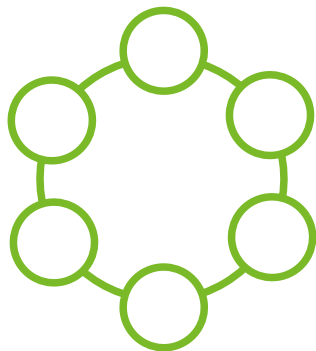
Start-up by the end of 2024  
New growth business





# Illustrative 5-year capital allocation<sup>\*)</sup> (2023–2027)

**Performance focus**  
Strong operating cash flow



**Attractive dividend**  
EUR ~4–4.5bn

**High return investments**  
EUR ~3.5–4.5bn

**Strong balance sheet**

Net debt/  
EBITDA  
< 2X

Maintain headroom

<sup>\*)</sup> This is not a forecast

# We create a future beyond fossils

Biofore strategy drives stakeholder value creation and our transformation as the frontrunner of bioeconomy



## Growth

- We respond to megatrends and meet customers' changing needs
- We create new markets and enable sustainable choices

## Performance

- Continuous improvement
- Agile operating model
- Corporate synergies

## Innovation

- We creating new business and competitive advantage
- We replace fossils with biomaterials

## Responsibility

- Renewable & sustainable solutions
- Responsible operations and value chain

## Portfolio choices

- Strategic access to sustainable renewable raw materials
- Investing in businesses with strong long-term fundamentals for growth and high barriers to entry
- Effective capital allocation with attractive returns

# Our climate commitment



## WE ACT THROUGH FORESTS

Committed to climate-positive forestry and enhancing biodiversity



## WE ACT THROUGH EMISSION REDUCTIONS

-65% from own CO<sub>2</sub> emissions  
-30% from CO<sub>2</sub> emissions of supply chain



## WE ACT THROUGH PRODUCTS

Innovative products  
Scientifically verifying the climate impact of all our products



THE Paris...  
CLIMATE 10 years  
PLEDGE Early

# Towards net-zero emissions (UPM 2023)



## WE ACT THROUGH FORESTS

**-4.8**  
MtCO<sub>2</sub>eq

**Carbon sink**  
Carbon absorbed in  
trees and soil

**Long-term  
carbon storage**  
Long-term storage  
in trees and soils

## WE ACT THROUGH EMISSION REDUCTIONS (SCOPE 1, 2, 3)

**+3.7**  
MtCO<sub>2</sub>

**Scope 1 and 2  
emissions**  
from own energy  
generation and  
purchased energy

**+7.6**  
MtCO<sub>2</sub>eq

**Scope 3 emissions**  
from value chain  
(purchased goods and  
services, logistics, etc.)

## WE ACT THROUGH PRODUCTS

**-5.4**  
MtCO<sub>2</sub>

**Carbon  
substitution**  
Fossil energy  
substitution

**+1.5**  
MtCO<sub>2</sub>

**Temporary  
carbon storage**  
Carbon stored in  
wood-based  
products' lifetime

**-5.2**  
MtCO<sub>2</sub>

**Carbon substitution**  
Avoided emissions by  
replacing fossil-  
based products

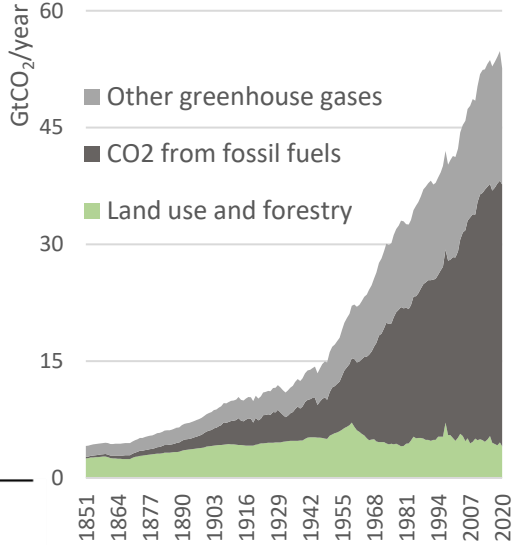
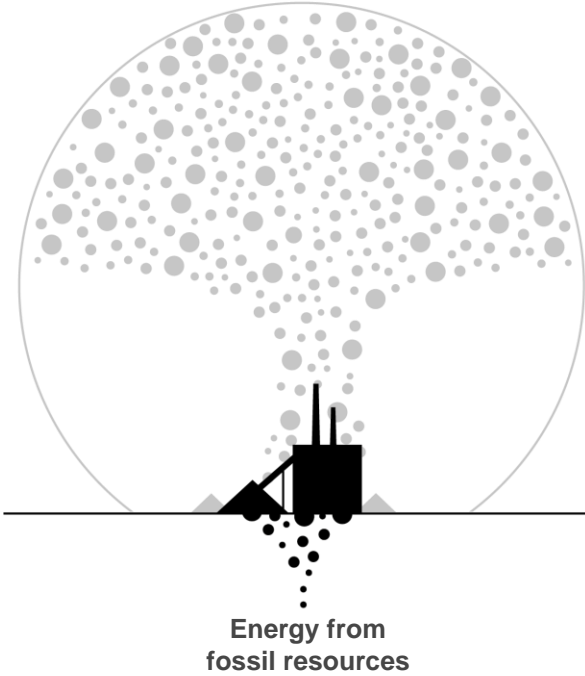
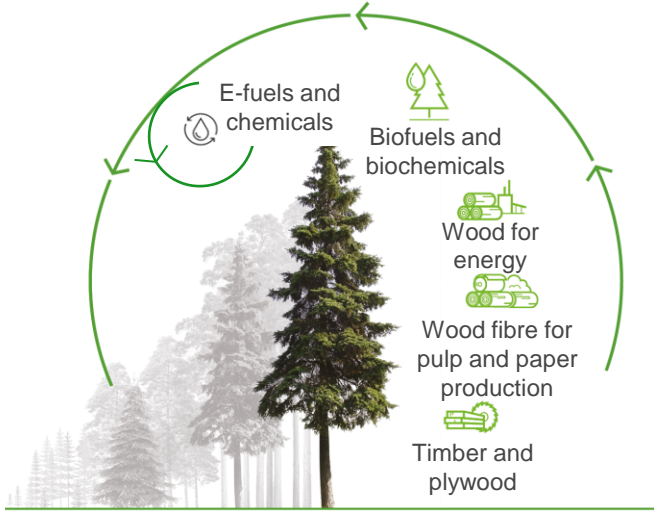
# Bioeconomy offers a sustainable alternative to fossil-based economy



Biomass use is not increasing CO<sub>2</sub> to carbon cycle

Use of fossil resources increases CO<sub>2</sub> amount

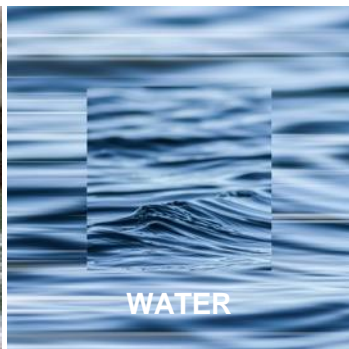
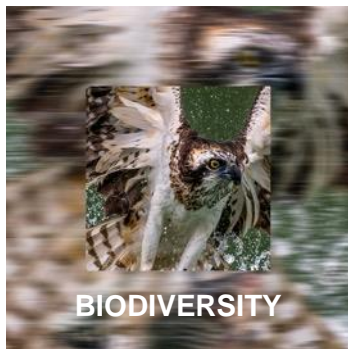
Use of fossils has increased global CO<sub>2</sub> -emissions



Source: IEA, Our World in Data

# FOREST ACTION

The **UPM Forest Action** programme takes a holistic view, covering the five fundamentals of responsible forestry:





UPM

# External recognitions

Member of  
**Dow Jones  
Sustainability Indices**

Powered by the S&P Global CSA

**MSCI**  
ESG RATINGS



CCC B BB BBB A AA AAA



CLIMATE FORESTS



**World  
Benchmarking  
Alliance**



# Maintenance shutdowns in 2023 and 2024

Significant maintenance shutdowns  
in 2023 and 2024

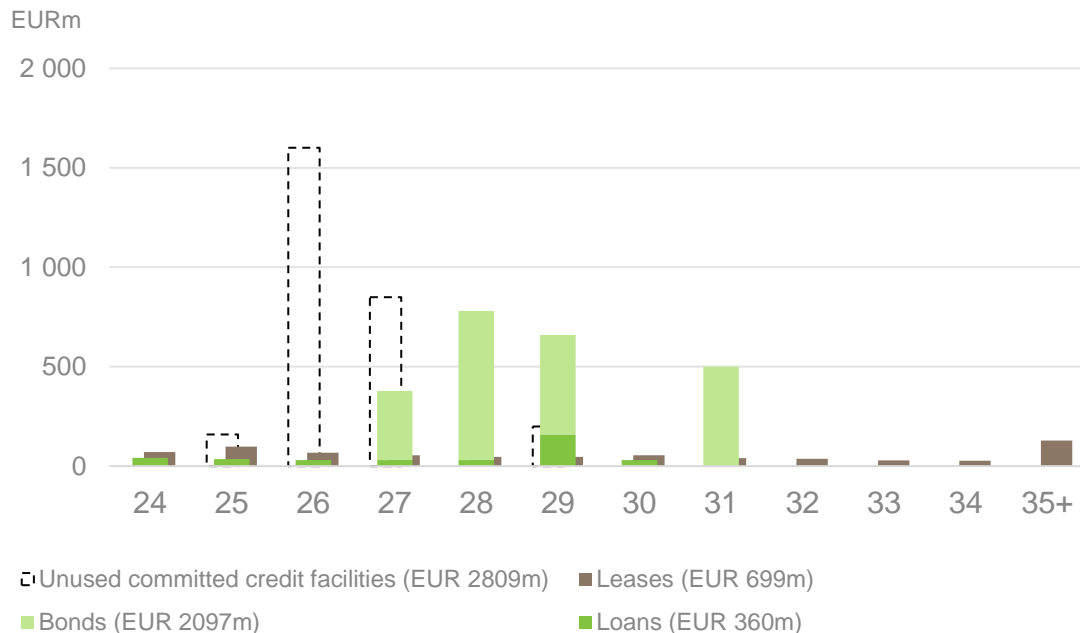
Timing	Unit
Q2 23	Olkiluoto nuclear power plant OL1 and OL2 UPM Lappeenranta Biorefinery (turnaround) UPM Kymi pulp mill
Q3-Q4 23	UPM Kaukas pulp mill
Q1-Q2 24	Olkiluoto nuclear power plant OL3
Q2 24	Olkiluoto nuclear power plant OL1 and OL2 UPM Paso de los Toros pulp mill UPM Fray Bentos pulp mill UPM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

Maintenance shutdowns have an impact on

- Maintenance costs
- Production volumes
- Operational efficiency



# Maturity profile and liquidity



Liquidity on 31 March 2024 was EUR 3.5bn (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

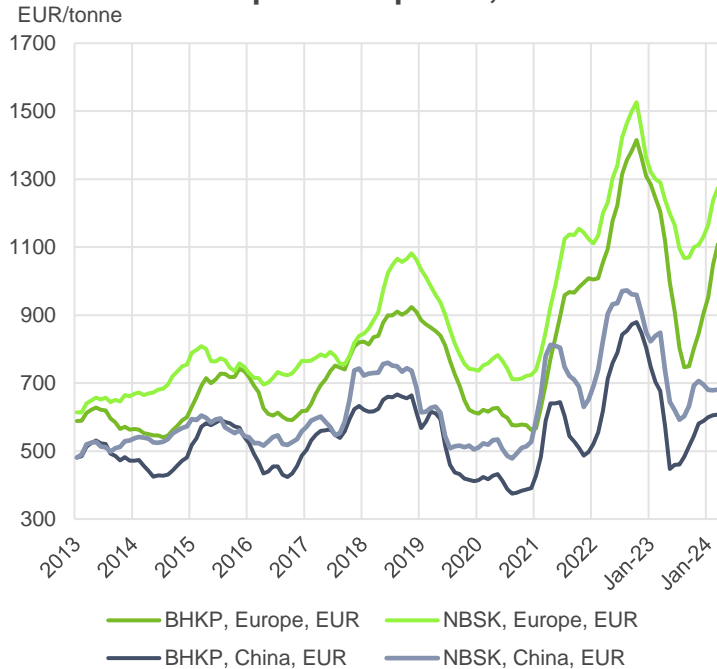
	USD	GBP	JPY	Others
EURm	1,560	260	120	20

# UPM Fibres

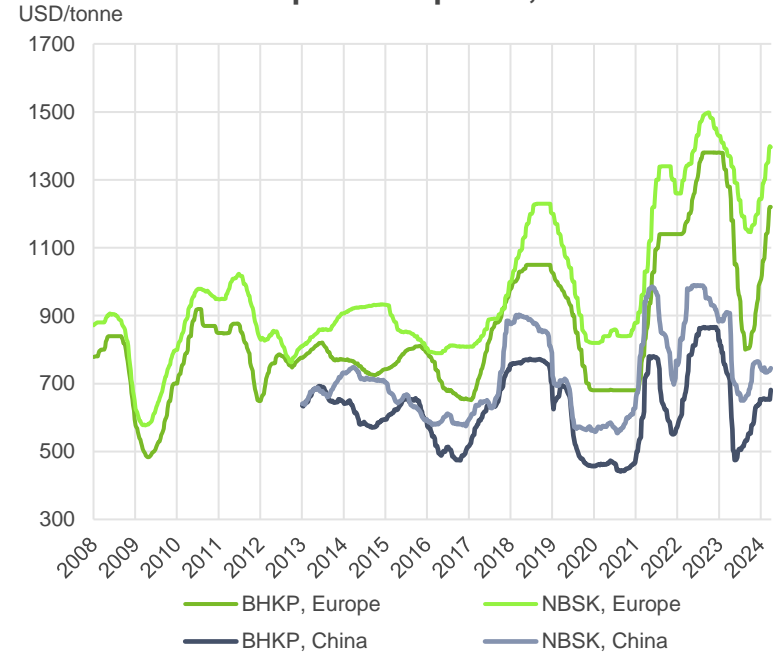
## Chemical pulp market prices



### Pulp market prices, EUR

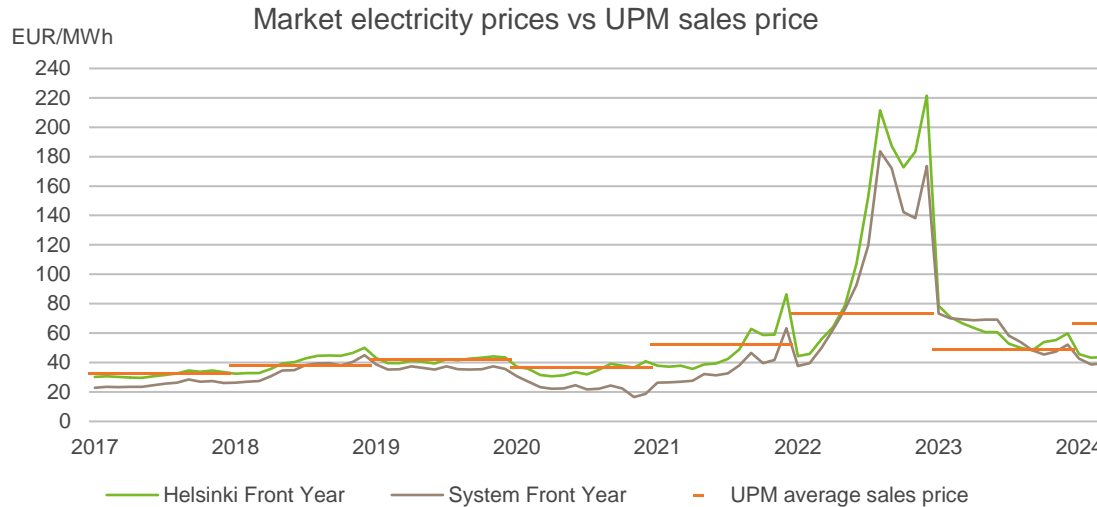


### Pulp market prices, USD



Source: FOEX Indexes Ltd

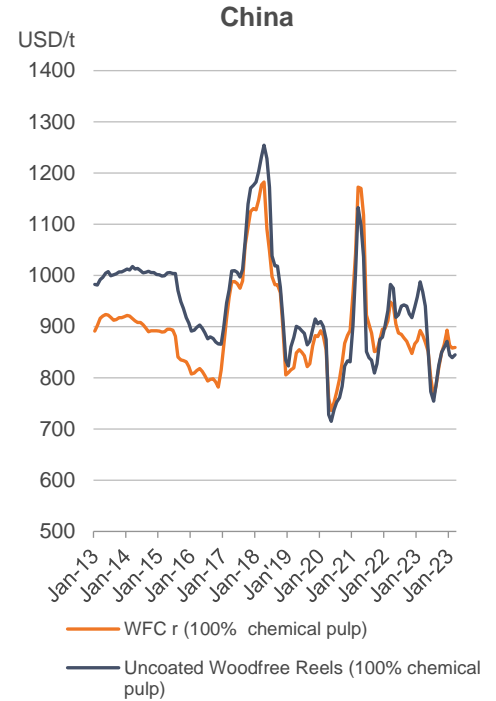
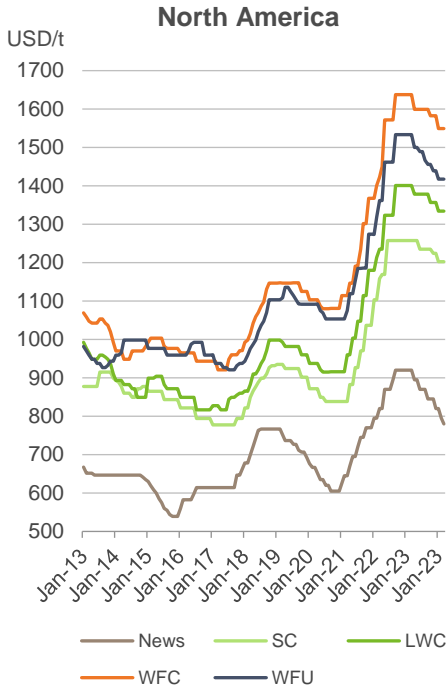
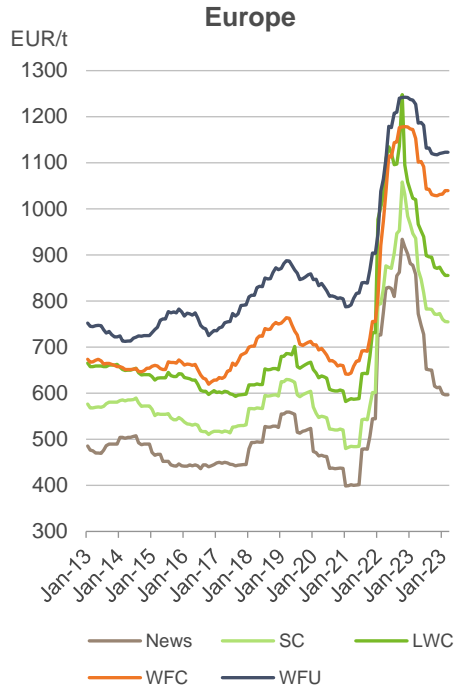
# Cost efficient generation enables robust profitability in changing market environment



UPM Energy profitability	2019	2020	2021	2022	2023	Q1/2024
Comparable EBIT, EURm	185	171	270	381	182	87
% of sales	44.4	45.0	51.3	52.0	29.0	41.2

# UPM Communication Papers

## Graphic paper prices

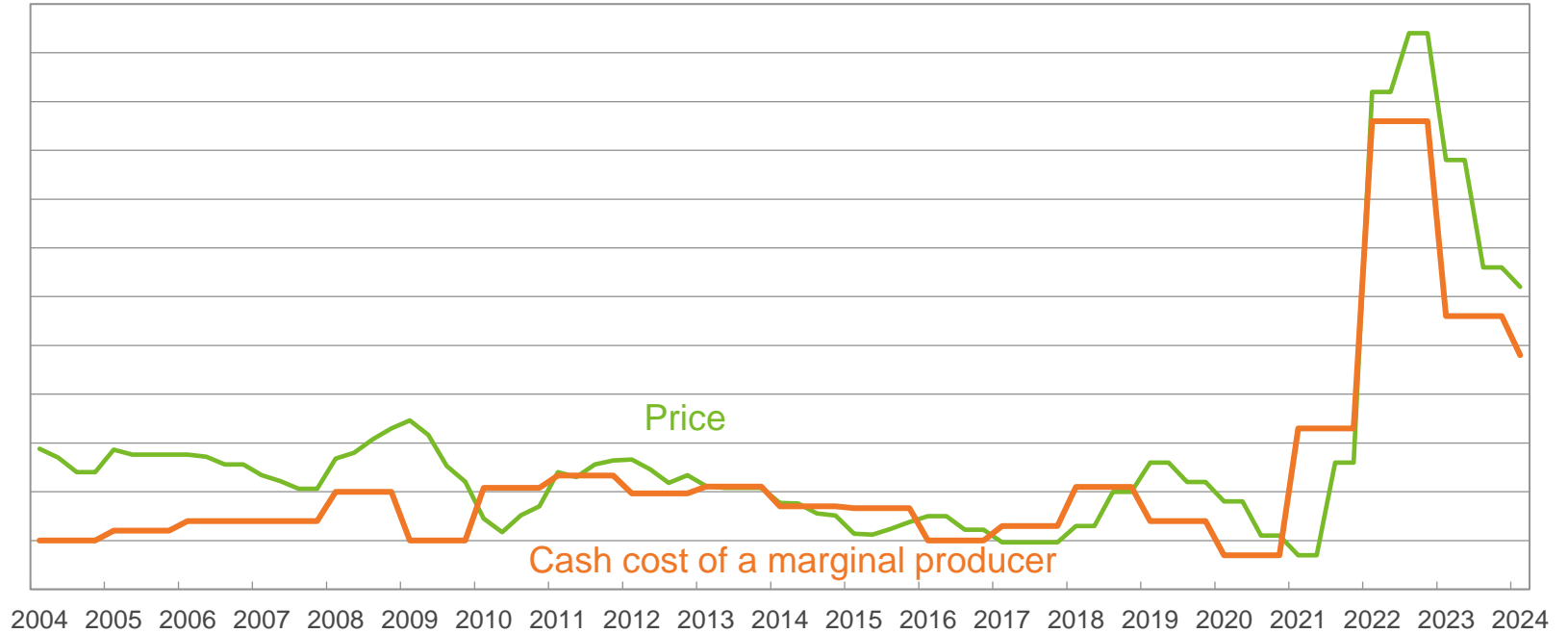


Sources: PPI, RISI

# Paper price vs. cash cost of marginal cost producer



EUR/t



Sources: PPI, RISI, AFRY

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