

Forestry & Paper

UPM Second Quarter Results:

Paper Pulp, European Graphic Paper & Specialty Insights

Key message: *UPM plans major graphic paper capacity cuts, yet further rationalisation remains necessary. Meanwhile, tariffs and a weaker dollar are disrupting European shipments into the US, amplifying market pressures.*



UPM

Paper Pulp, European Graphic Paper & Specialty Insights

Financial Performance: EBITDA slumped -28% YoY (-39% QoQ), missing consensus by -27%, driven by weaker pulp (-18% YoY) and graphic paper (-5% YoY) prices, tariff-related disruptions to Chinese orders, and heavy maintenance downtime (Paso de los Toros, Kymi, Olkiluoto). Net debt climbed to €3.31bn, pushing net debt/EBITDA to 2.1x (vs. 1.8x in Q1).

Graphic Paper (Sappi read-through, partly Mondi): Demand fell -9% YoY in Europe and -12% YoY in the US, keeping marginal producers below cash cost. UPM's graphic paper margins came under renewed pressure, signalling continued pain for Sappi Europe's coated grades and Mondi's uncoated woodfree.

Self-Adhesive Label Materials (Sappi exposure): Market resilience held, with North American shipments +3% YoY, but Europe softened -1% YoY—implying a mixed backdrop for Sappi's Specialty Packaging segment.

Outlook: H2 comparable EBIT guided at €425–650mn vs €413mn in H1 25A (and €709mn YoY), reflecting softer pulp realisations, lingering tariff-driven China weakness, ongoing structural declines in graphic paper (-9% YoY Europe Q2), but some H2 relief from lower seasonal energy costs, Q4 energy refunds, and incremental uplift from SE Asia/US Advanced Materials growth capex.

Tariffs impact: Q1's positive momentum was derailed as tariffs fuelled trade uncertainty, dampening Fibres and Communication Papers demand and further pressuring the \$.

Key Takeaways: Graphic paper weakness deepens (-9% Europe demand, -4% YoY prices), negative for Sappi's coated grades and Mondi's UWF; self-adhesive label materials relatively resilient but softening; energy/pulp easing partly offsets stubborn Finnish wood cost inflation, implying regional margin divergence.

UPM Group (€mn)	Q2 24A	Q1 25A	Q2 25A	YoY	QoQ
Sales	2 546	2 646	2 400	-6%	-9%
Comparable EBITDA	359	421	257	-28%	-39%
EBITDA margin (%)	14,1%	15,9%	10,7%	(339)	(520)
Comparable EBIT	182	287	126	-31%	-56%
EBIT margin (%)	7,1%	10,8%	5,3%	(190)	(560)
Net debt	2 763	2 954	3 310	20%	12%
Net debt/EBITDA	1,6	1,8	2,1	29%	20%

Source: Chronux Research, Company

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UPM Fibres: # 3 producer globally (Finland: 2,4Mt of softwood & Uruguay 3.4Mt of hardwood)

Pulp under pressure – Financial Performance (46% of Group EBITDA): Revenue fell -9% QoQ (-17% YoY) as prices dropped -18% YoY/-6% QoQ, deliveries rose +6% YoY but fell -17% QoQ due to planned mill maintenance, and EBITDA slumped -39% YoY/-41% QoQ with margins contracting to 14.1%.

Pulp markets: Trade tensions disrupted Chinese orders mid-quarter before a late recovery, while tissue sector demand remained relatively resilient.

Finland Operations: Profitability remains marginal under high wood costs and a weaker euro, with the Kaukas mill extending its Q3 shutdown by two months to curb losses.

Pulp Price Sensitivity: UPM remains highly sensitive to pulp prices. A €50/t change in the average pulp price equates to a around €170mn annual swing in EBIT.

UPM Fibres (€mn)	Q2 24A	Q1 25A	Q2 25A	YoY	QoQ
Sales	922	1 010	838	-9%	-17%
EBITDA	194	202	119	-39%	-41%
EBITDA margin (%)	21,0%	20,0%	14,2%	(684)	(580)
FV gain/(loss) of forest assets and wood harvest	(8)	2	9	-213%	350%
D&A and impairments	(87)	(79)	(72)	-17%	-9%
EBIT	99	126	55	-44%	-56%
EBIT margin (%)	10,7%	12,5%	6,6%	(417)	(591)
Items affecting comparability in EBIT					
Comparable EBIT	99	126	56	-43%	-56%
Comparable EBIT margin (%)	10,7%	12,5%	6,7%	(405)	(579)
Capital employed	7 112	7 298	6 680	-6%	-8%
ROCE (%)	5,6%	6,9%	3,3%	(230)	(360)
Pulp deliveries (kt)	1 126	1 433	1 192	6%	-17%
Average selling price (€/t)	819	705	703	-14%	0%

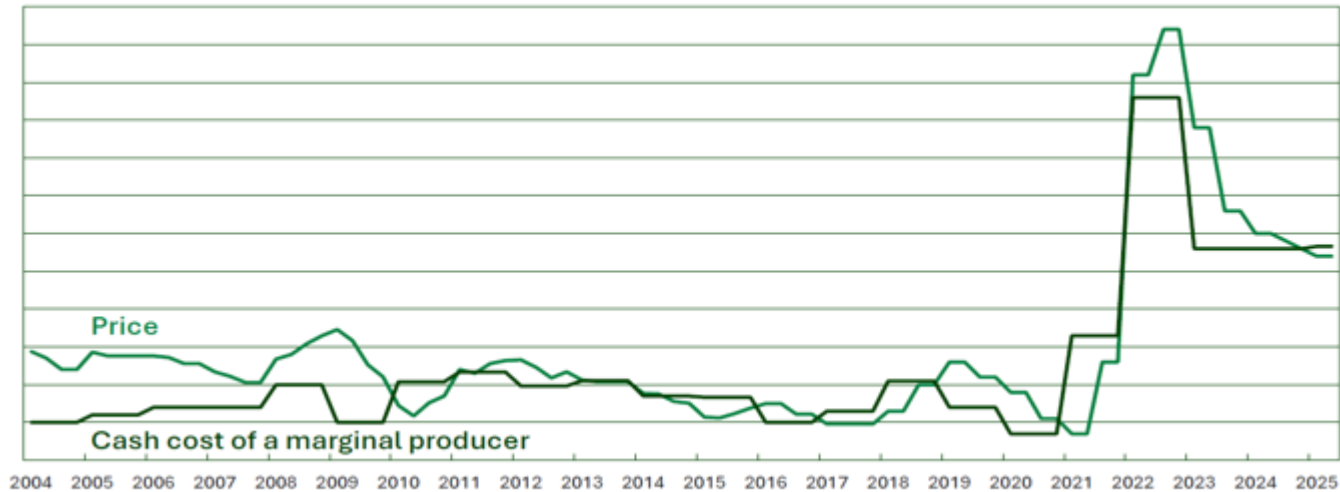
Source: Chronux Research, Company

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Graphic Paper Markets: Second quarter 2025

- 📦 **European graphic paper demand:** Q2 demand was -9% lower YoY. By substrate, magazine demand fell -11%, while fine papers decreased by -8%.
- 📦 **European paper margins:** The marginal cost producer in Europe is currently now cash negative.
- 📦 **North America graphic paper demand:** Q2 (April-May) demand was -12% lower YoY for magazine papers.

Europe graphic paper price vs. the cash cost of the marginal cost producer (€/t)



Source: Chronux Research, UPM, PPI, RISI, AFRY

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UPM Communication Papers: #1 in Europe (10 paper mills in Europe and the US)

Weak demand - Financial Performance (8% of group EBITDA): Trade uncertainties have significantly affected demand from the US customers and underlying demand in Europe was weak, coupled with lower prices and unfavourable FX moves. Accordingly, revenue slumped by -11% YoY (-5% QoQ) and EBITDA collapsed by -59% YoY (-68% QoQ). The EBITDA margin slipped to 3,3% (from 7,2% in Q2 24A).

Graphic Paper: Deliveries weakened by -6% YoY (+1% QoQ), while realised selling prices came under pressure, falling by -5% YoY (-6% QoQ).

Costs: Variable costs and fixed costs decreased YoY mainly due to lower fibre costs and asset exits. QoQ variable costs were too lower driven by energy and fibre, while fixed costs picked up due to higher maintenance.

Two mill closures (Ettringen & Kaukas) to remove ~570kt, ~13% of their capacity, aimed at restoring asset utilisation and lowering fixed costs by €70mn/yr: The Ettringen uncoated mechanical paper mill in Germany closes in July 2025, removing around 270Kt/yr. UPM has now confirmed the closure if their 300Kt/yr coated mechanical Kaukas mill in Finland. The mill will be closed by the end of the year with a total restructuring charge of around €78mn. The Kaukas closure represents around 8% of European coated mechanical capacity and 4% of coated paper capacity.

UPM Communication Papers (€mn)	Q2 24A	Q1 25A	Q2 25A	YoY	QoQ
Sales	711	664	630	-11%	-5%
EBITDA	51	65	21	-59%	-68%
EBITDA margin (%)	7,2%	9,8%	3,3%	(384)	(646)
D&A and impairments	57	(23)	(20)	-135%	-13%
EBIT	(77)	(22)	(2)	-97%	-91%
EBIT margin (%)	-10,8%	-3,3%	-0,3%	1 051	300
Comparable EBIT	35	52	5	-86%	-90%
Comparable EBIT margin (%)	4,9%	7,8%	0,8%	(413)	(704)
Capital employed	1 120	1 109	1 033	-8%	-7%
ROCE (%)	12,4%	18,9%	2,1%	(1 030)	(1 680)
Paper deliveries (kt)	790	731	740	-6%	1%
Average selling price (€/t)	900	908	851	-5%	-6%

Source: Chronux Research, Company

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UPM Specialty Papers: # 1 globally with labelling, packaging materials in China, Finland, Germany

Financial Performance (19% of group EBITDA): Revenue slumped by -11% YoY (-12% QoQ) with EBITDA too down significantly (-17% YoY and -19%). Despite this, the EBITDA margin was relatively robust at 14,6%.

Deliveries fell by -4% YoY (-7% QoQ): Label, release base and packaging papers were soft in Europe. The market was also affected by uncertainty around trade tariffs. Growth in the label, release base and packaging papers softened in the US towards the end of the quarter. Demand in China was sluggish.

Realised selling prices: Pricing weakened by -7% YoY (-6% QoQ).

UPM Specialty Papers (€mn)	Q2 24A	Q1 25A	Q2 25A	YoY	QoQ
Sales	367	374	328	-11%	-12%
EBITDA	58	59	48	-17%	-19%
EBITDA margin (%)	15,8%	15,8%	14,6%	(117)	(114)
D&A and impairments	(17)	(16)	(17)	0%	6%
EBIT	38	43	30	-21%	-30%
EBIT margin (%)	10,4%	11,5%	9,1%	(121)	(235)
Capital employed	796	739	705	-11%	-5%
ROCE (%)	20,7%	23,1%	17,5%	(320)	(560)
Paper deliveries (kt)	358	368	343	-4%	-7%
Average selling price (€/t)	1 025	1 016	956	-7%	-6%

Source: Chronux Research, Company



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The crux of the matter

South Africa
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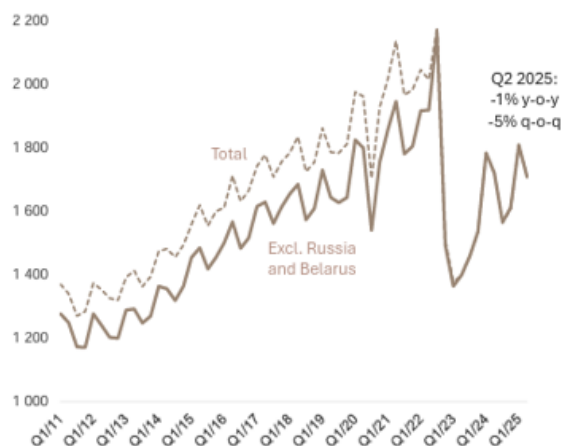
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UPM Adhesives Materials: 2nd largest producer of self-adhesive label materials globally

Financial Performance (19% of group EBITDA): Revenue improved by +7% YoY (-2% QoQ). Meanwhile, EBITDA softened by -2% YoY (flat QoQ). Accordingly, the EBITDA margin reached 11,5%. Higher delivery volumes were more than offset by lower prices and higher costs.

Self-adhesive label materials market in the second quarter: European and North American markets for self-adhesive label materials proved to be resilient amid uncertainty; however North American shipments improved +3% YoY, while volumes in Europe softened by -1% YoY. There were some signs of recovery in China but from a low level.

Europe market self-adhesive shipments (mm2)



Source: Chronux Research, FINAT

North American market self-adhesive shipments (mm2)



Source: Chronux Research, FINAT

UPM Adhesive Materials (€mn)	Q2 24A	Q1 25A	Q2 25A	YoY	QoQ
Sales	397	434	425	7%	-2%
EBITDA	50	49	49	-2%	0%
EBITDA margin (%)	12,6%	11,3%	11,5%	(107)	24
D&A and impairments	11	(13)	(14)	-227%	8%
EBIT	39	27	28	-28%	4%
EBIT margin (%)	9,8%	6,2%	6,6%	(324)	37
Capital employed	723	787	900	24%	14%
ROCE (%)	21,7%	18,4%	15,4%	(630)	(300)

Source: Chronux Research, Company

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