



UPM financial statements release 2023

Massimo Reynaudo
President and CEO
1 February 2024

UPM **BIOFORE** - BEYOND FOSSILS

UPM's earnings recovery continued in Q4, growth projects set to deliver



Full year 2023

- Solid results in the challenging environment, record operating cash flow, strong financial position
- Exceptional downturn especially in European markets
- Successful margin management, cost reduction actions and capacity adjustments
- UPM Paso de los Toros and OL3 contributed significantly to UPM's deliveries during H2

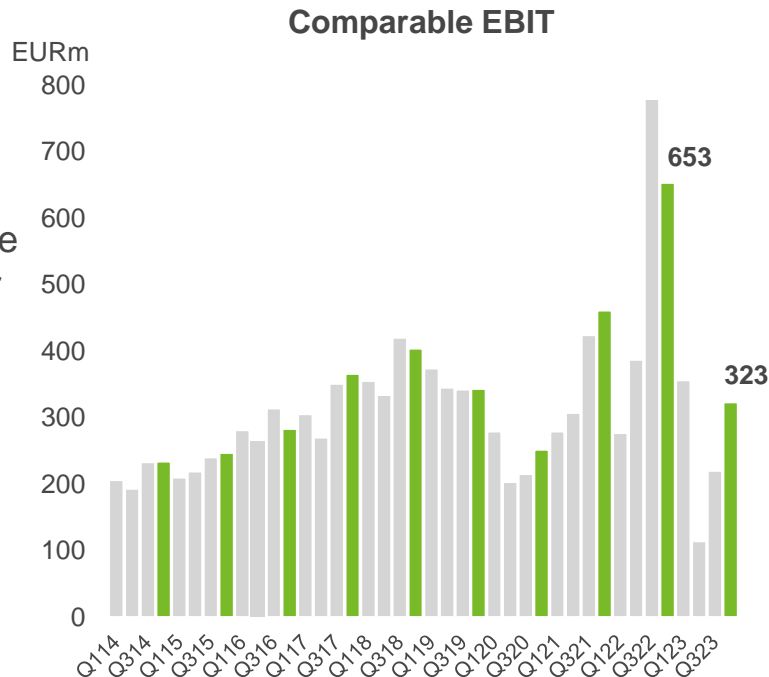
Q4 2023

- Q4 comparable EBIT continued to recover, increasing by 47% from Q3
- Successful margin management continued
- Gradual improvement in many product markets from earlier quarters

Q4 2023: earnings recovery continued, growth projects set to deliver



- Sales decreased by 22% to EUR 2,531m (3,231m in Q4 2022)
- Comparable EBIT decreased by 51% to EUR 323m, 12.8% of sales (653m, 20.2%)
- Pulp and electricity prices significantly lower than in the previous year, but increased from the previous quarter
- Demand for many of UPM's products continued to gradually recover from previous quarters
- Successful margin management, decisive action to reduce variable and fixed costs and to adjust capacity
- UPM Paso de los Toros pulp mill and the OL3 nuclear power plant unit contributed significantly to deliveries

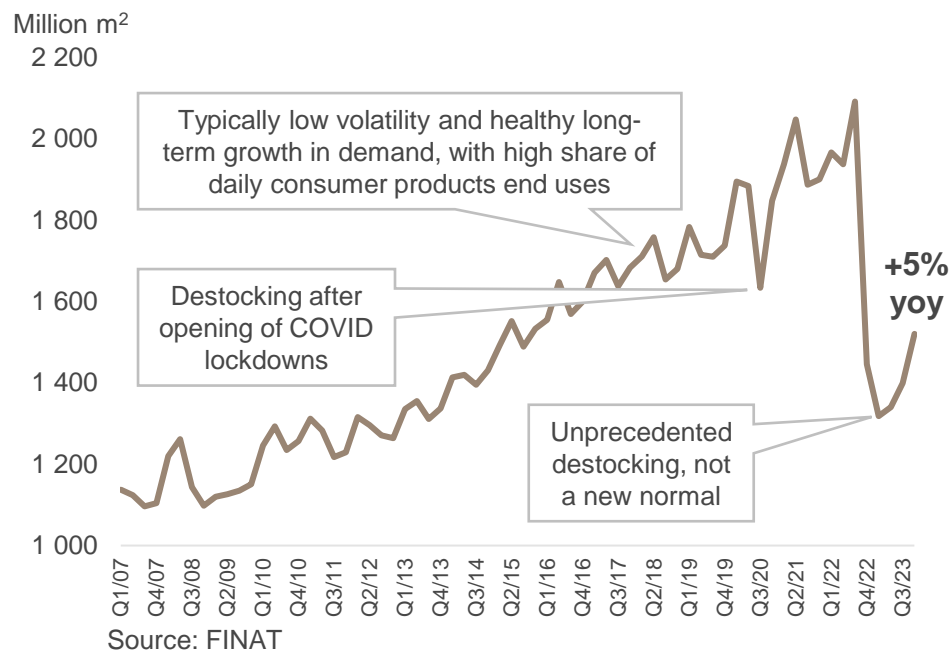


Focus on margin management as destocking has largely phased out



- Market shipments in 2023 in most products well below end-use demand and long-term trends due to destocking
- Consumers impacted by inflation, interest rates and uncertainty, affecting underlying end use-demand
- Destocking is estimated to be largely over
- Gradual recovery in many product markets in Q4
- The long-term growth prospects remain intact and attractive

Example: market shipments of self-adhesive label materials in Europe impacted by destocking

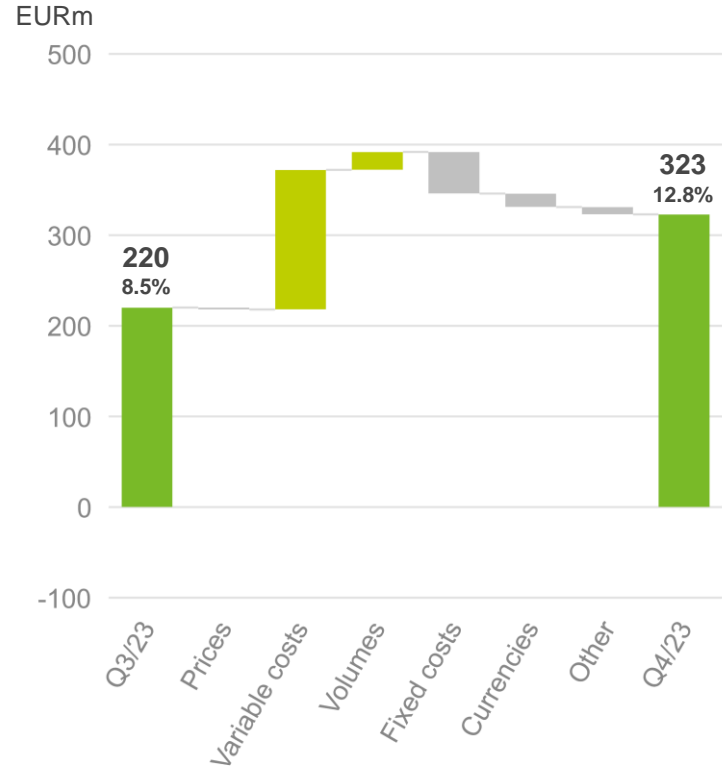
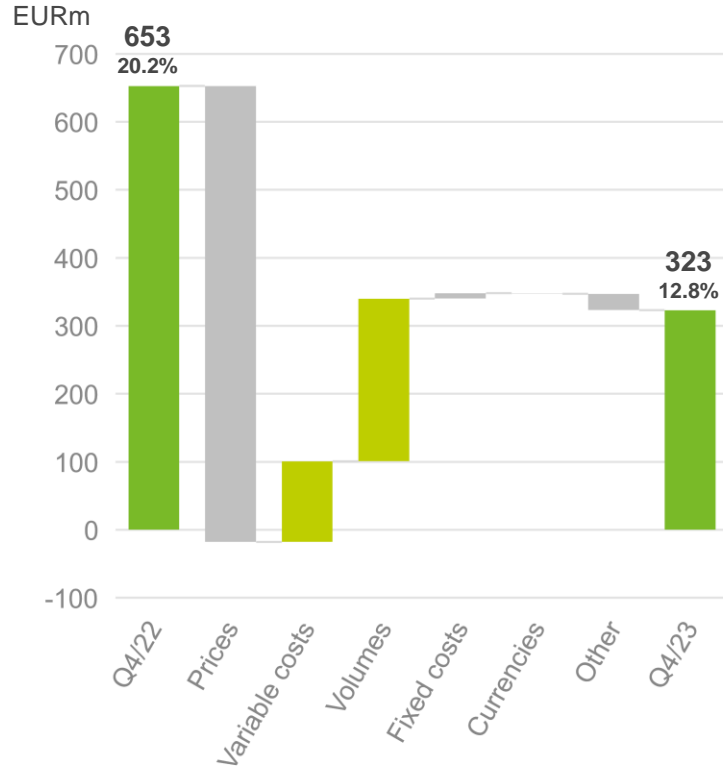


UPM Paso de los Toros ramp-up progressing

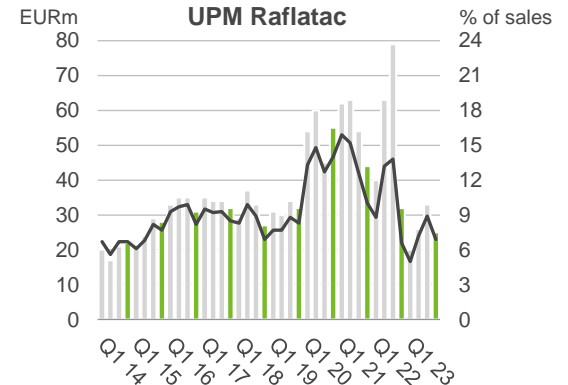
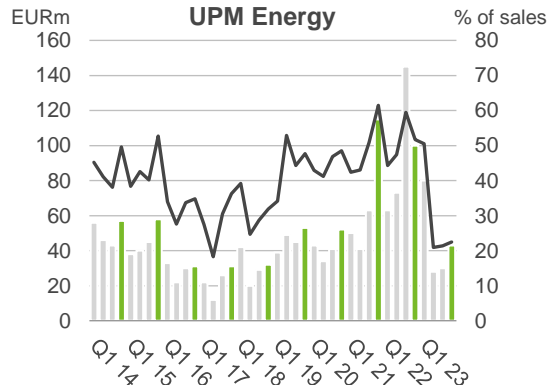
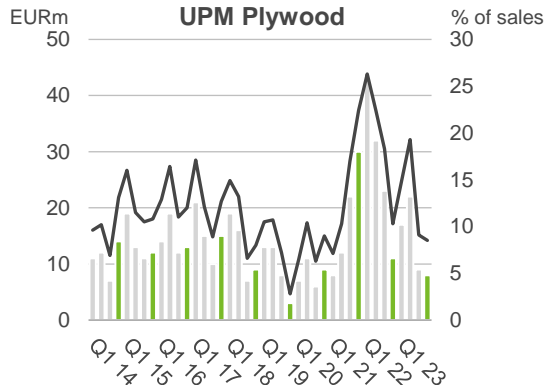
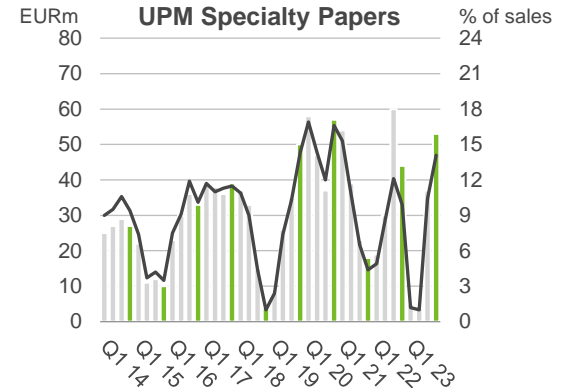
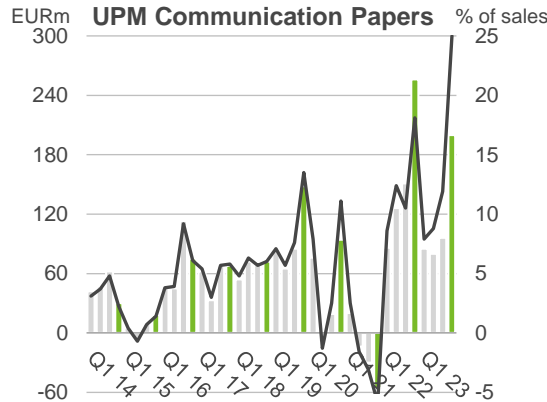
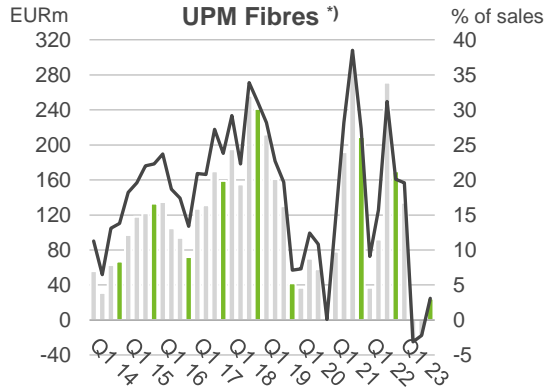
- Q4 production of the mill remained at the same level as in Q3 due to ramp-up issues
- The issues holding back production in Q4 have been resolved and 2024 has started with good volumes
- Production reached about 850,000 tonnes in 2023 and is expected to more than double in 2024
- The mill was EBITDA positive in H2 2023 and is expected to turn EBIT positive during H1 2024
- Highly competitive cash costs of about USD 280 per delivered tonne once in full production and optimised
- Will grow our pulp business by more than 50%, about 60% of UPM's pulp capacity now in Uruguay



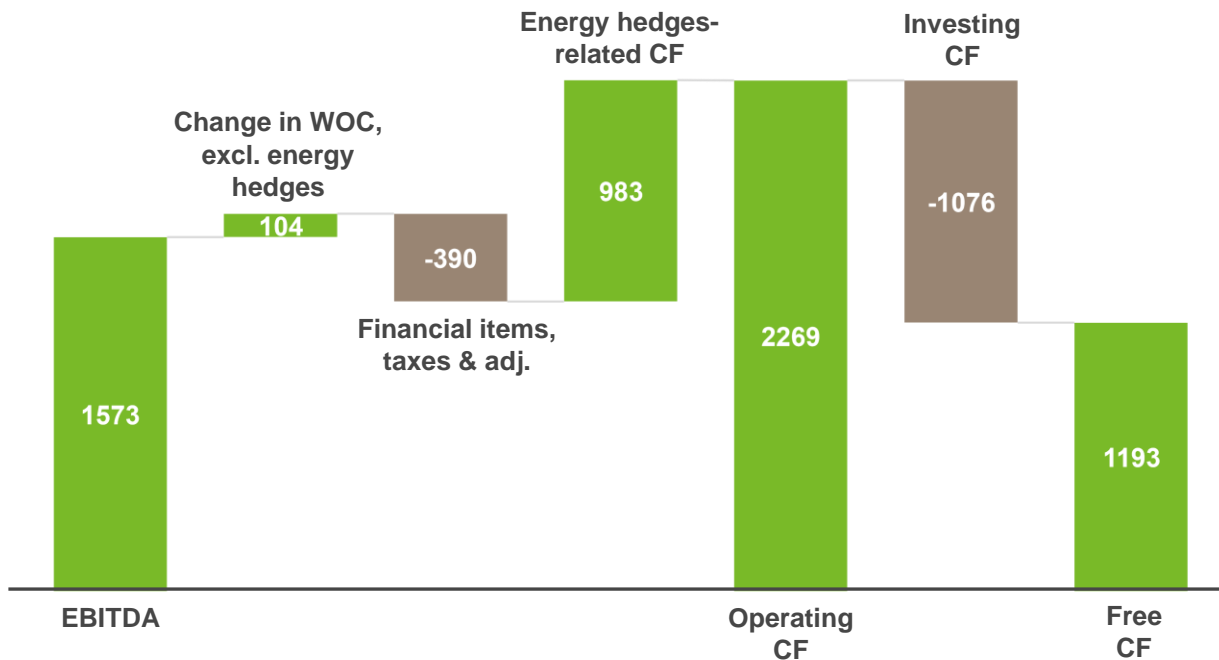
Comparable EBIT in Q4 2023



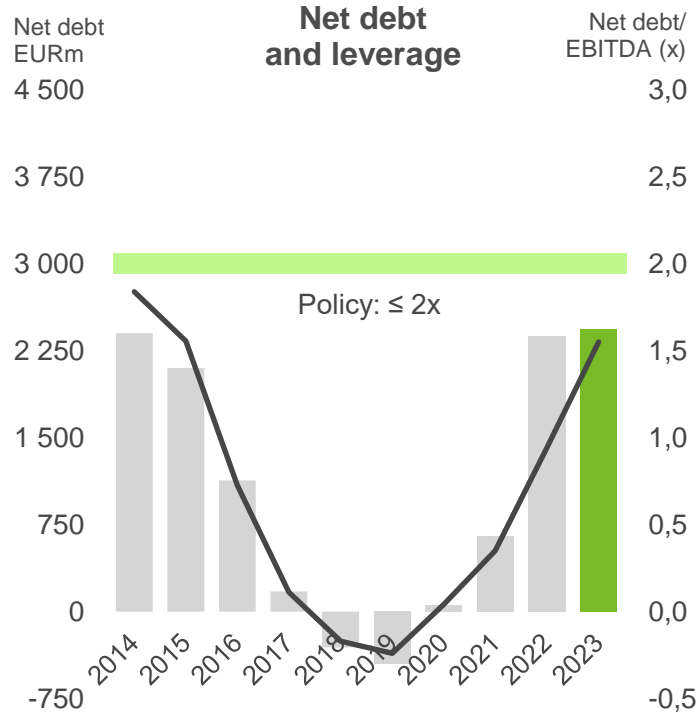
Comparable EBIT by business area



2023 record operating cash flow supported by cash inflow from energy hedges



Strong financial position



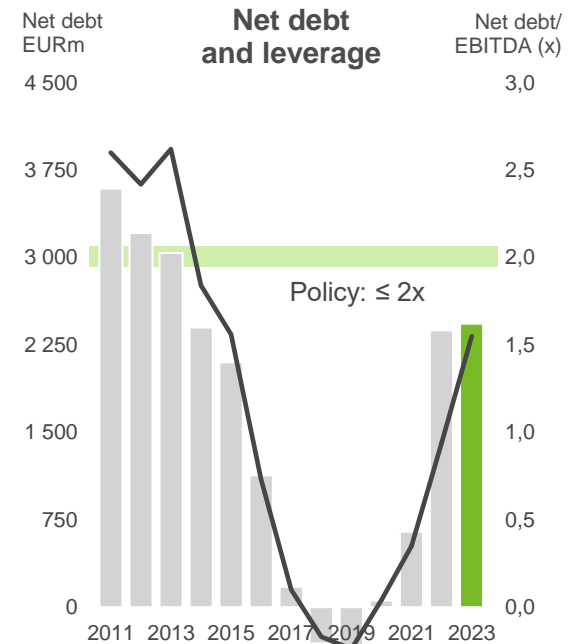
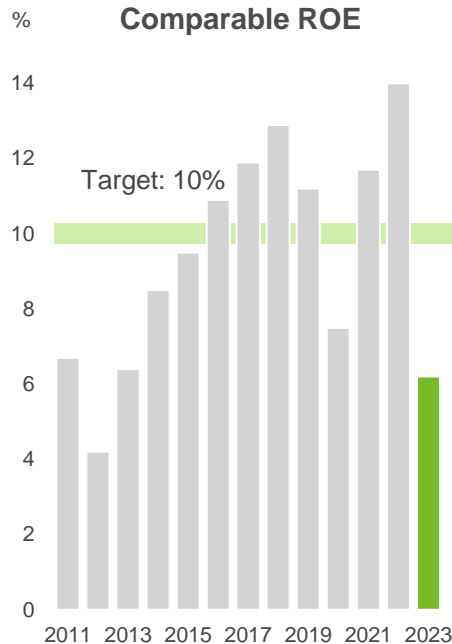
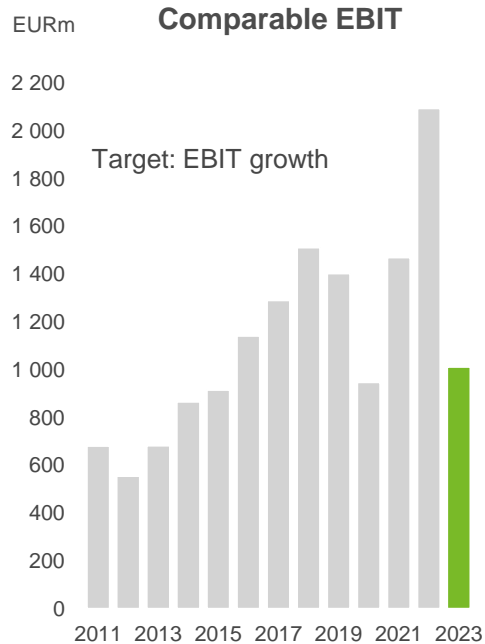
- Net debt EUR 2,432m at the end of Q4 2023
- Net debt / EBITDA 1.55
- Cash funds and committed credit facilities EUR 3.6bn at the end of 2023
- No financial covenants
- UPM paid the dividend of EUR 1.50 per share for 2022 in two instalments. The first was paid on 21 April 2023 and the second instalment of EUR 0.75 per share was paid on 2 November 2023

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 optimization 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 largely over. The year starts 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 H1 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.

Group financial performance and targets



Transformative growth investments set to deliver



UPM Paso de los Toros

First full year of production 2024
Highly competitive mill and platform
Grows UPM Pulp by over 50%



UPM Leuna

Start-up by the end of 2024
New growth business
in biochemicals

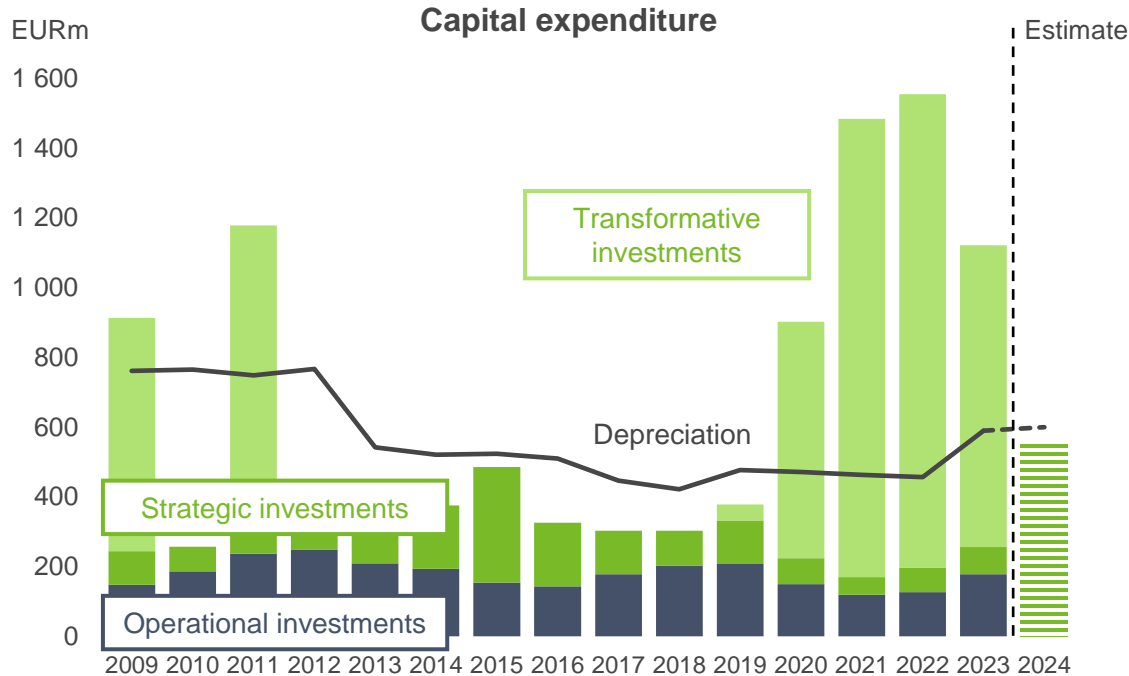


OL3

First full year of production 2024
Strong platform of CO2-free energy
Grows UPM Energy by nearly 50%



Major investment cycle coming to an end



Capex estimate for 2024

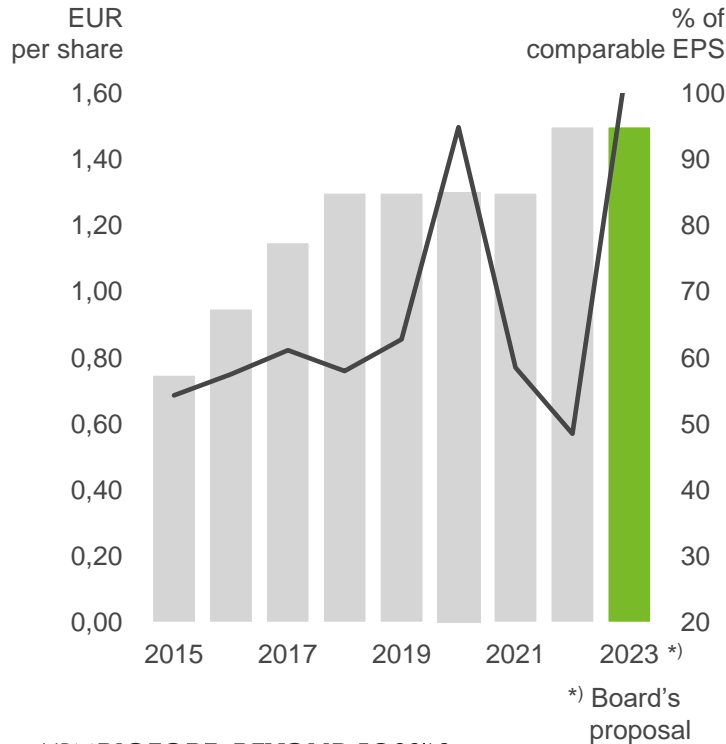
- Total EUR 550m
- Includes EUR 300m on the UPM Leuna biochemicals project in Germany
- Operational investment needs consistently low

Strong performance and cash flow in Communication Papers

- Consistently adjusting to meet profitable customer demand in line with long-term market outlook
- Communication Papers' 5-year cumulative free cash flow totals EUR 1.9bn (2019–2023)
- Total capacity reduction of 1,080kt during 2023, or 18%, annual fixed cost savings of approx. EUR 100m



Dividend proposal: EUR 1.50 per share



Dividend policy

- UPM aims to pay attractive dividends, targeting at least half of the comparable earnings per share over time

Dividend proposal for 2023

- EUR 1.50 (1.50) per share, totalling EUR 800m
- 107% of 2023 comparable EPS

Our focus areas in the near future



Performance



**Investments
to deliver**



**Future
growth**



**People and
culture**

Summary



- Solid 2023 results in the challenging environment, with record operating cash flow and strong financial position
- Exceptional downturn in early 2023 especially in European markets
- Successful margin management, decisive action to reduce costs and adjust capacity, growth projects started production
- UPM delivered recovering earnings during H2 2023
- UPM expects increasing comparable EBIT in 2024 from 2023
- Major investment cycle is coming to an end, growth projects set to deliver
- The Board proposes an unchanged dividend of EUR 1.50 per share for 2023

UPM **BIOFORE**
BEYOND FOSSILS



2023: exceptional downturn on the markets, successful margin management, record cash flow



2023 vs. 2022:

Sales

EUR 10,460m  -11%

EBITDA

EUR 1,573m  -38%

Comparable EBIT

EUR 1,013m  -52%

Comparable EPS

EUR 1.40  -55%

Comparable ROE

6.2%  -7.8pp

Operating cash flow

EUR 2,269m  +1,762m

Net debt

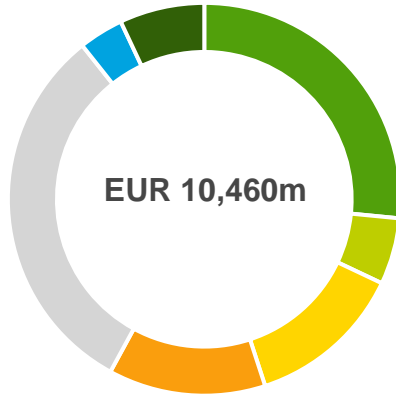
EUR 2,432m  +58m

Net debt / EBITDA

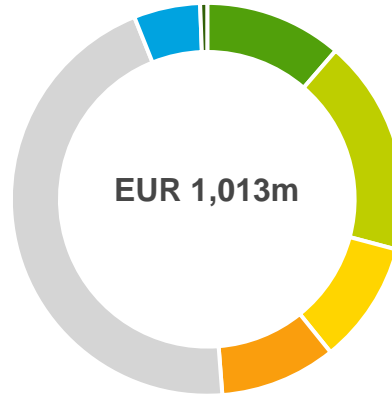
1.55x  +0.61x

UPM by business area in 2023

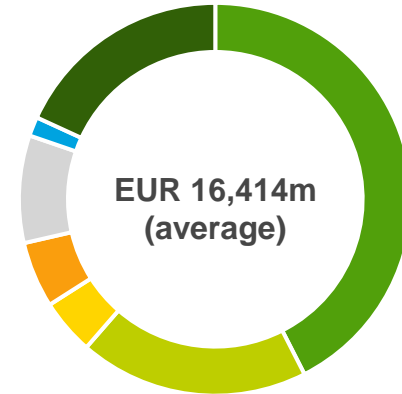
Sales



Comparable EBIT

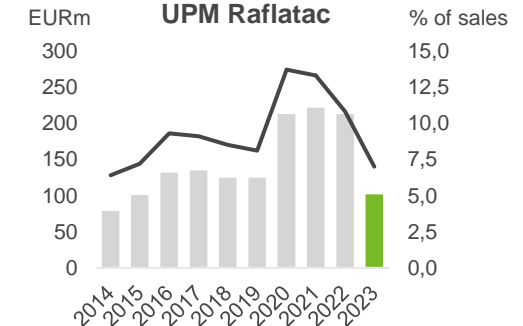
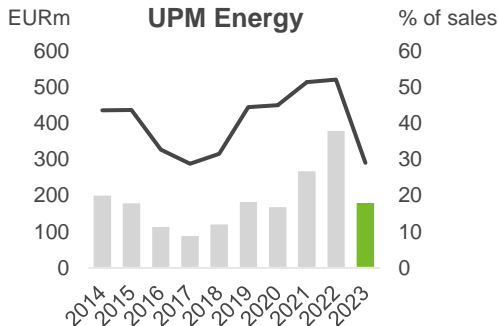
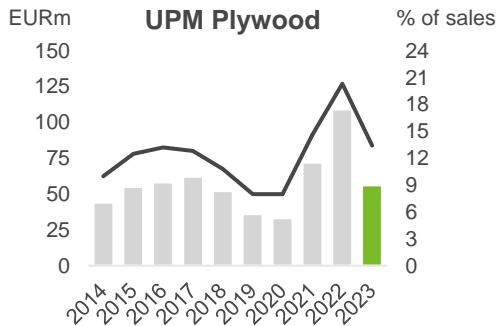
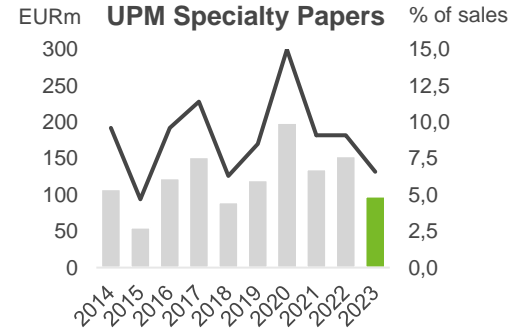
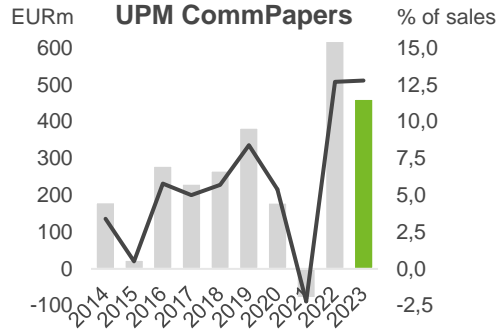
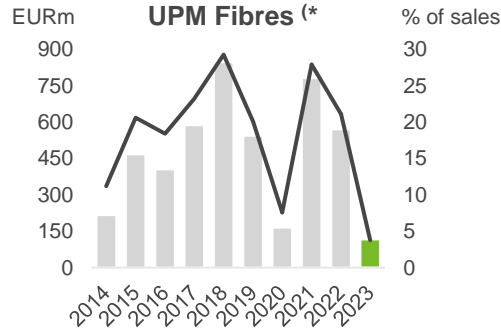


Capital employed

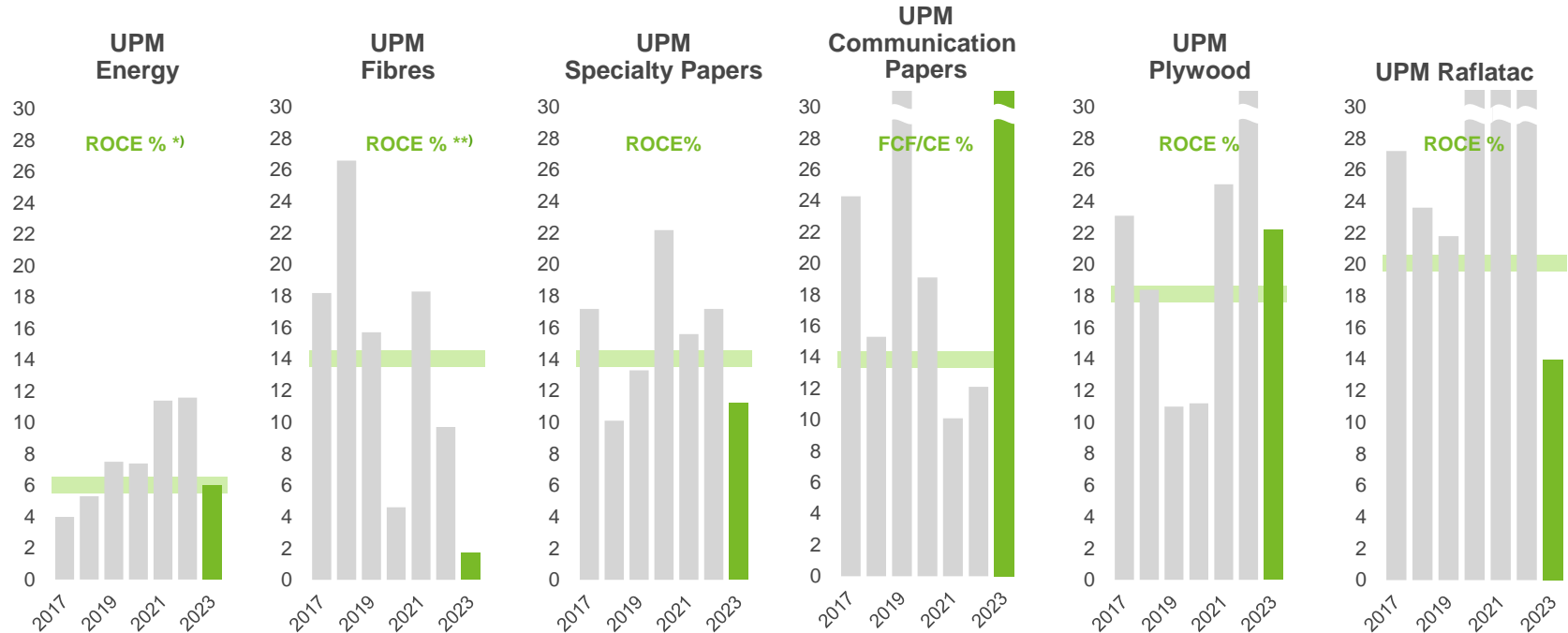


■ Fibres
 ■ Energy
 ■ Raflatac
 ■ Specialty Papers
 ■ Communication Papers
 ■ Plywood
 ■ Other

Comparable EBIT by business area

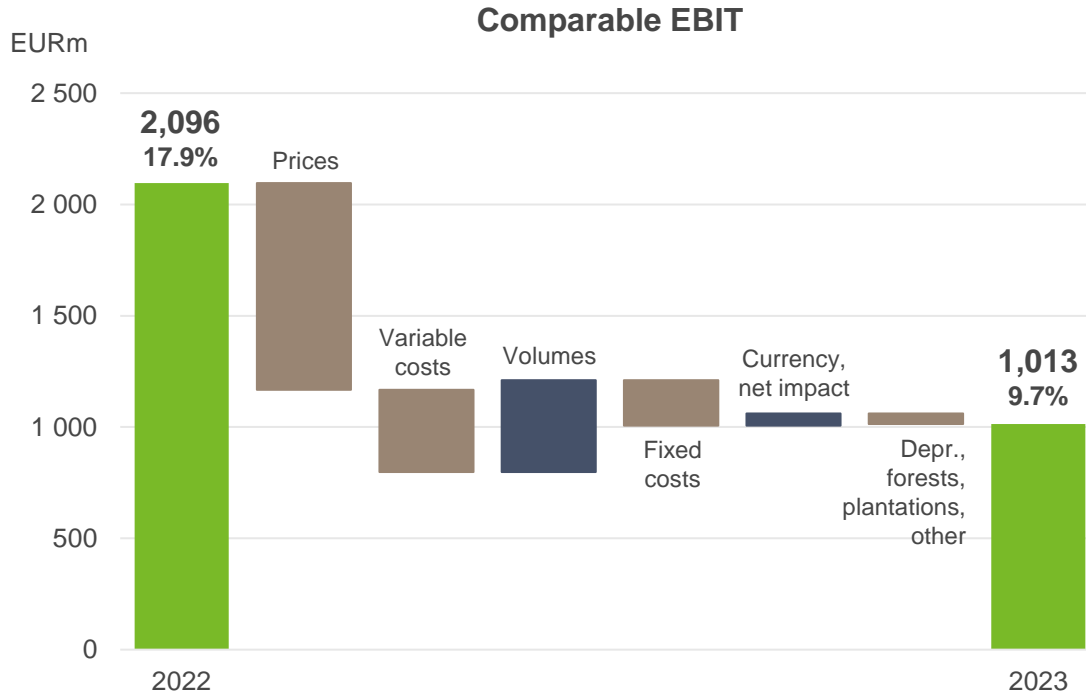


Business area long-term return targets

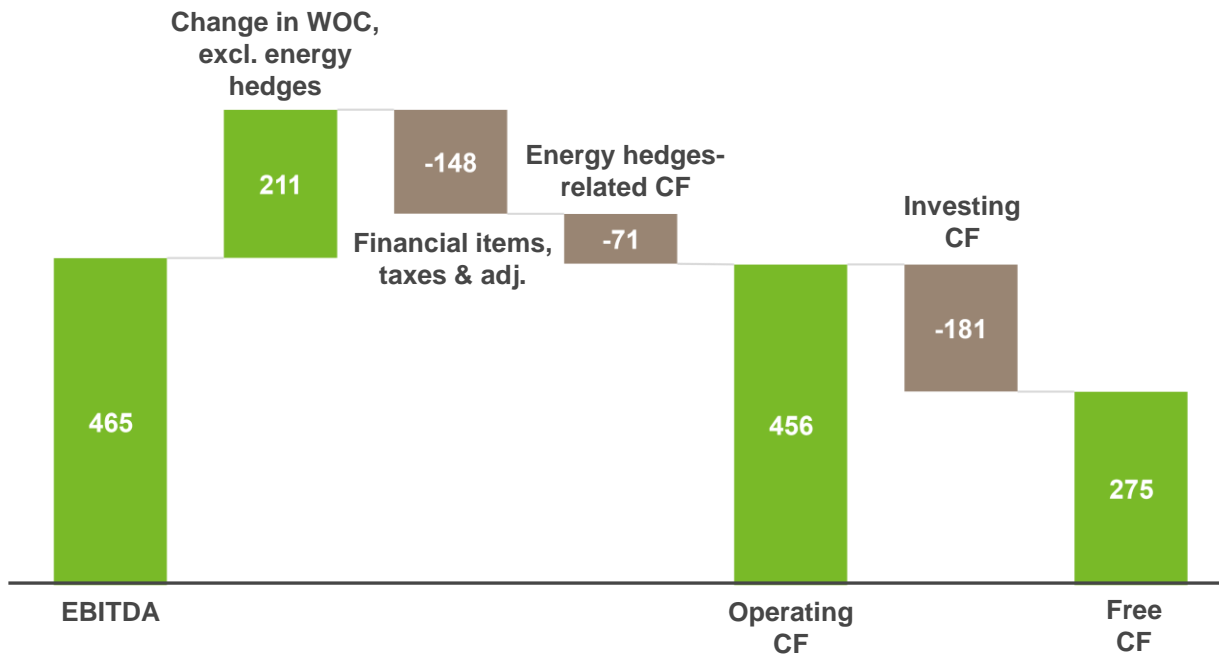


*) shareholdings in UPM Energy valued at fair value
 **) Year 2021 restated, UPM Biofuels moved into Other Operations as of 1 January 2022.

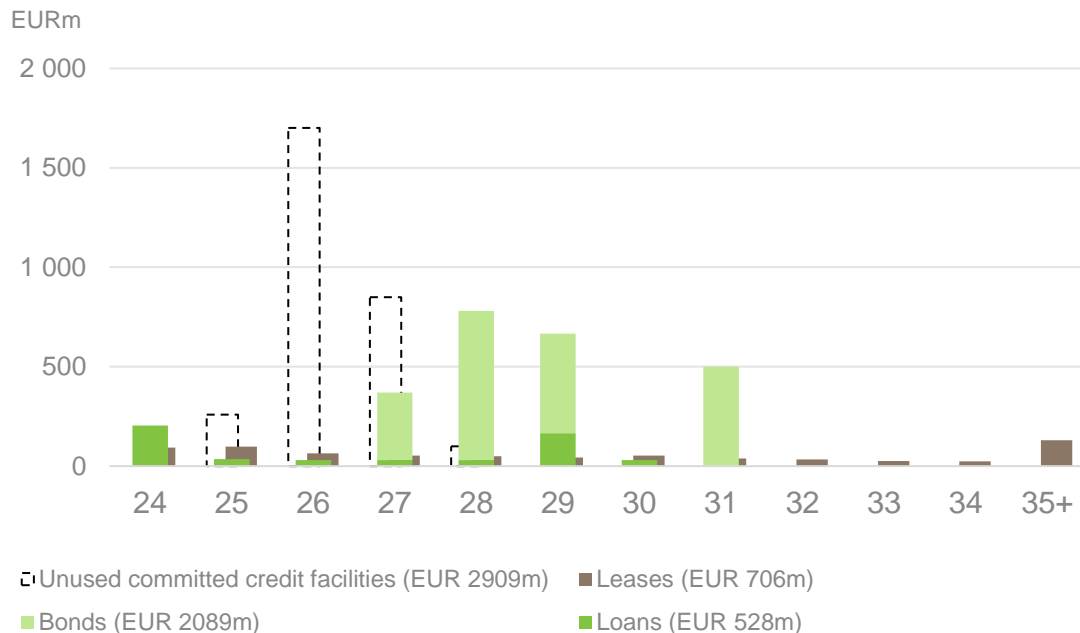
Comparable EBIT in 2023 vs. 2022



Q4 2023 cash flow supported by working capital release



Maturity profile and liquidity



Liquidity on 31 December 2023 was EUR 3.6bn (cash funds and unused committed credit facilities)

UPM's committed credit facilities:

- EUR 159m rolling committed overdraft facility maturing 2025
- EUR 500m bilateral revolving credit facilities (EUR 100m maturing 2025, EUR 200m maturing 2026, EUR 100m maturing 2027 and EUR 100m maturing 2028)
- EUR 1 500m committed syndicated revolving credit facility maturing 2026
- EUR 750m committed syndicated revolving credit facility maturing 2027

No financial covenants

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 OL1, OL2 and OL3
Q2 24	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

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	1,460	260	130	30

We create a future beyond fossils

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



Growth

- We respond to megatrends and meet customers' changing needs
- Creating new markets and enabling sustainable choices

Performance

- Continuous improvement
- Agile operating model
- Corporate synergies

Innovation

- Creating new business and competitive advantage
- Replacing fossils with biomaterials

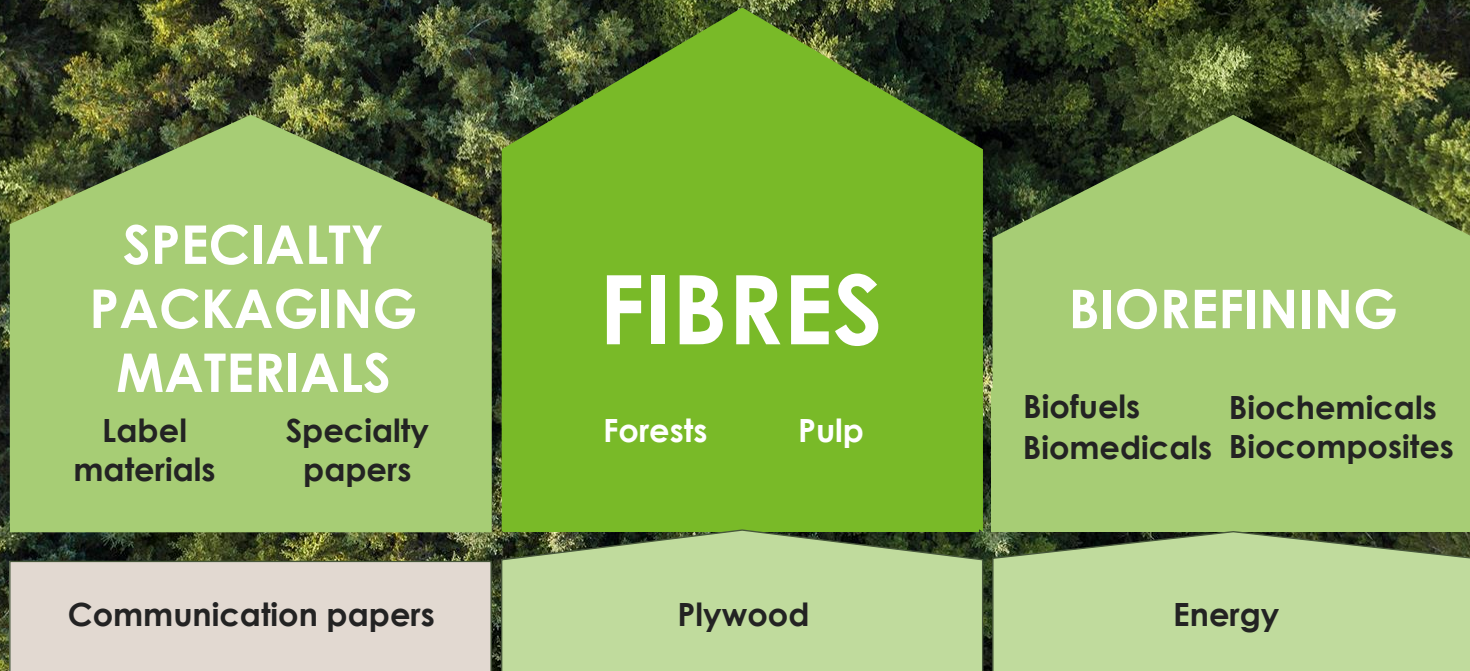
Responsibility

- Renewable & sustainable solutions
- Responsible operations and value chain

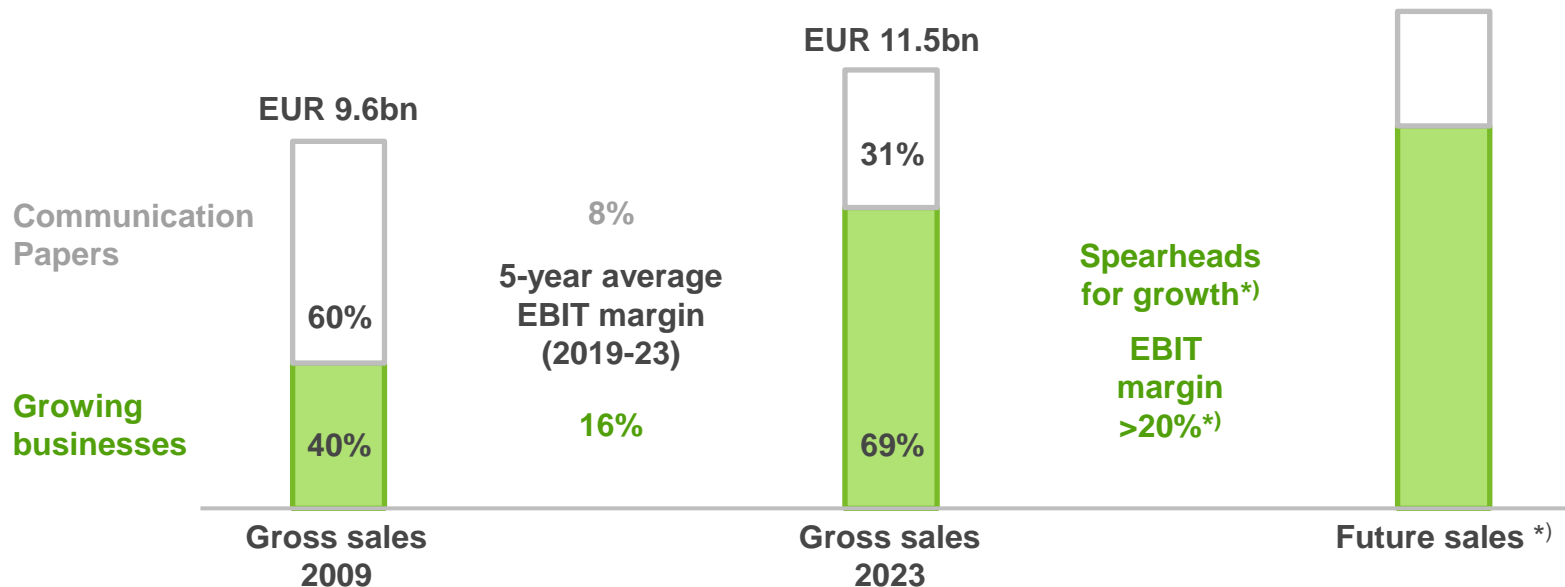
Portfolio choices

- 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

Long-term value creation driven by our spearheads for growth



Transformation continues – business mix drives earnings and shareholder value



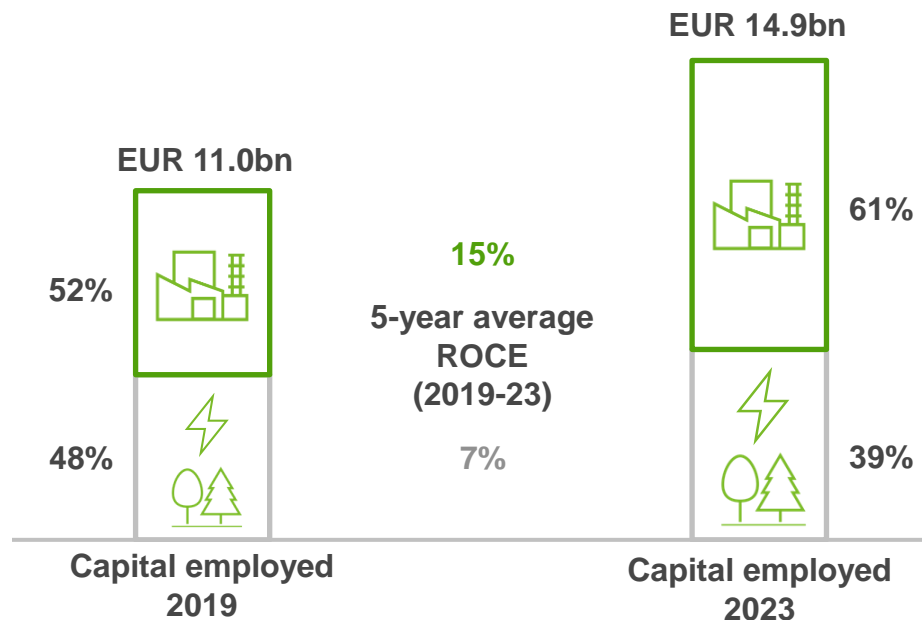
*) This is an illustration, not a forecast

Growth investments have increased capital employed, significant earnings potential as they start to contribute



Industrial operations:
Further growth,
attractive return targets

Forest and energy assets:
Sustainable value creation



Our climate commitment



WE ACT THROUGH FORESTS

Committed to climate-positive forestry and enhancing biodiversity



WE ACT THROUGH EMISSION REDUCTIONS

-65% from own CO₂ emissions
-30% from CO₂ 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 2022)



WE ACT THROUGH FORESTS

-2,3

MtCO₂eq

Carbon sink

Trees and soil

**Long-term
carbon storage**

Trees and soil

WE ACT THROUGH EMISSION REDUCTIONS

+4,5

MtCO₂

**Own
emissions**

Scope 1 ja 2

+5,0

MtCO₂

**Value chain
emissions**

Scope 3

WE ACT THROUGH PRODUCTS

-2,0

MtCO₂

**Fossil
energy
substitution**

+1,6

MtCO₂

**Temporary
carbon storage**

Wood-based
products

-5,8

MtCO₂

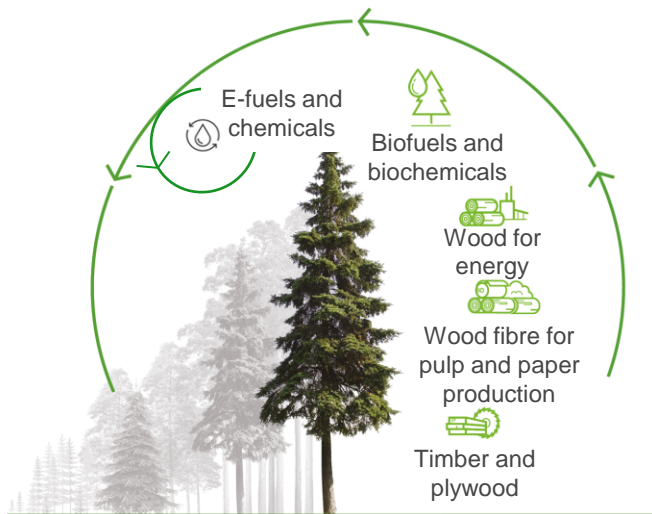
**Fossil-based
products
substitution**

BIO

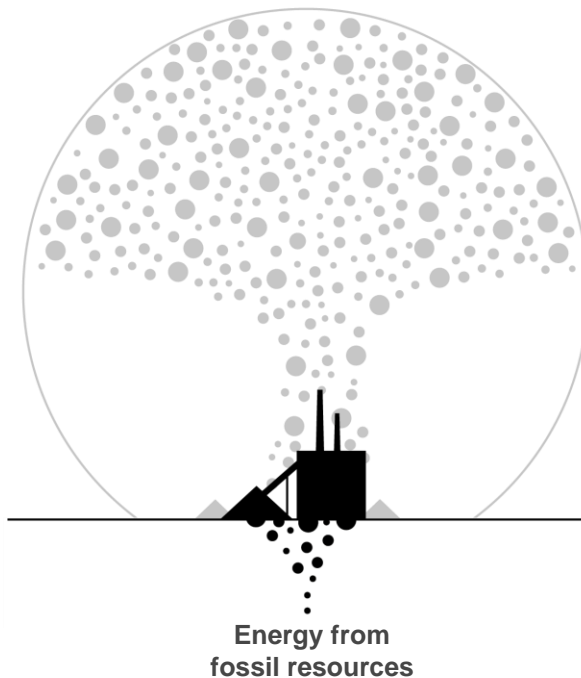
Bioeconomy offers a sustainable alternative to fossil-based economy



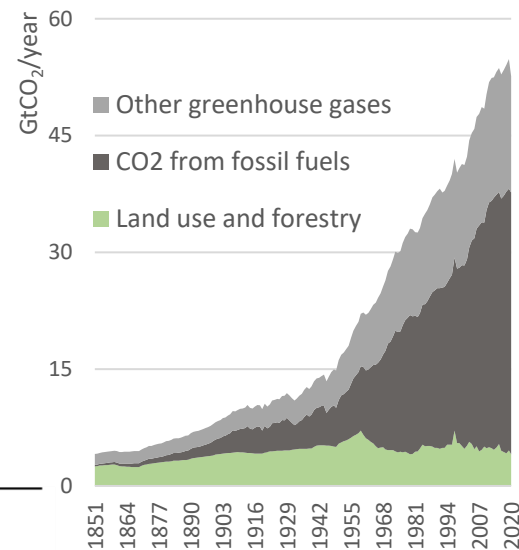
Biomass use is not increasing
CO₂ to carbon cycle



Use of fossil resources
increases CO₂ amount



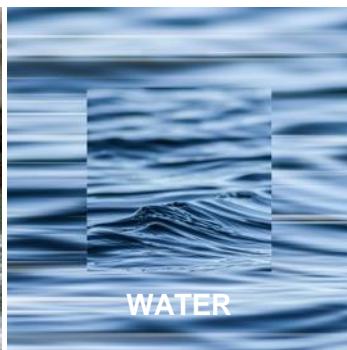
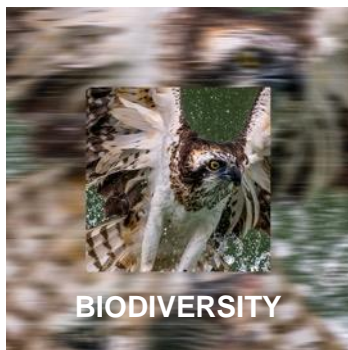
Use of fossils has increased
global CO₂-emissions



Source: IEA, Our World in Data

FOREST **ACTION**

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



Leader in responsibility

Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA

MSCI
ESG RATINGS

AAA

CCC B BB BBB A AA **AAA**



UPM Paso de los Toros ramp-up progressing



UPM Paso de los Toros will grow UPM Pulp by over 50%

Highly competitive cash cost of
USD 280 per delivered tonne of pulp



Pulp mill and deep seaport
terminal in Montevideo
Jobs and other opportunities
for the residents of the region



Pulp is used in tissue,
specialty and packaging
papers, for example



USD 3.47 billion investment
Total annual capacity
of 2.1 million tonnes of
eucalyptus pulp



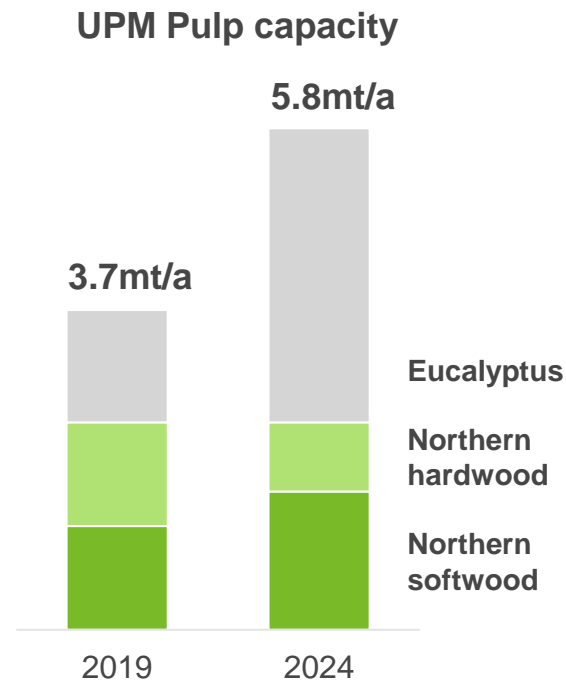
Started up in April 2023



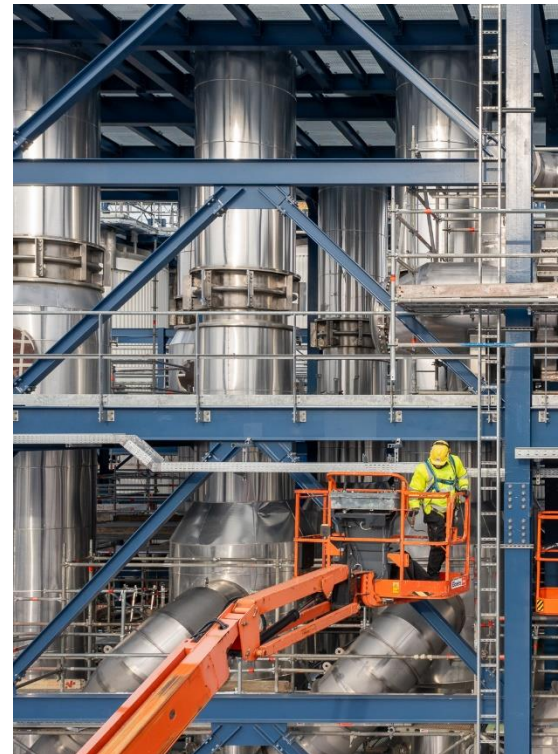
Transformative step in UPM's pulp business and in UPM's future earnings



- Significant step for UPM's future earnings
 - One of the most competitive mills in the world
 - Expected cash cost level of USD 280 per delivered tonne of pulp*)
 - Attractive returns in various market scenarios
 - Carefully prepared to ensure long-term competitiveness and to minimise risks both in the project phase and during continuous operations
- Step change in UPM's pulp business



UPM Leuna biochemicals refinery project progressing at full speed



New business in wood-based biochemicals

Responding to strongly growing demand for sustainable solutions



Industrial scale biorefinery in Leuna, Germany



Alternatives to fossil materials in various consumer-driven end-uses



EUR 1,180 million investment
Total annual capacity of 220,000 tonnes



Scheduled to start up by the end of 2024



UPM creates a totally new sustainable business with large growth potential



- Major milestone in UPM's transformation
- UPM biochemicals respond to the customers' increasing needs for renewable alternatives
- Current supply is limited and high-quality biochemicals are priced at a premium
- Sustainable wood supply, unique technology, existing infrastructure and proximity to customers enables a good cost position
- ROCE target of 14% for UPM Biochemicals business



Moving forward with biofuels growth plans

Basic engineering phase of a next generation biorefinery



Potential industrial scale biofuels biorefinery



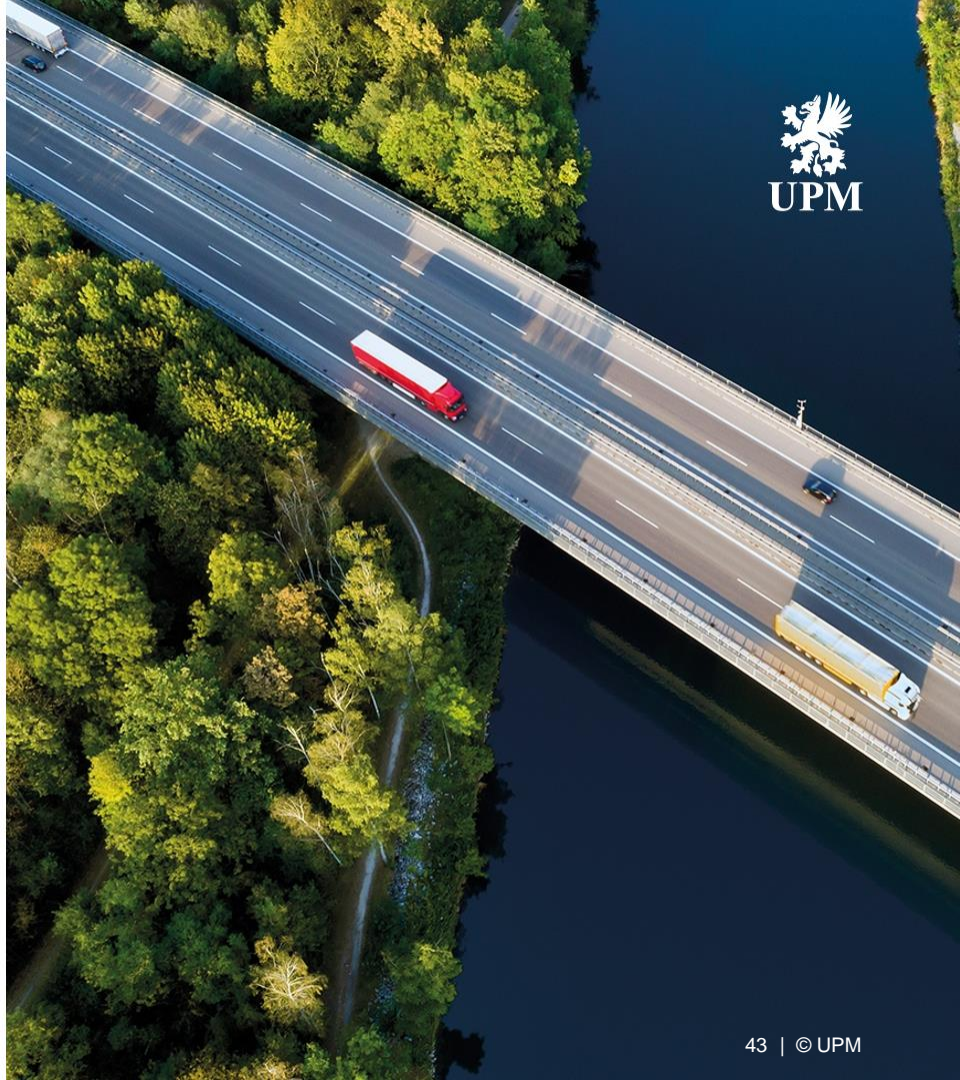
Products would significantly reduce carbon footprint in the road transport and aviation



Capacity would be up to 500,000t of renewable fuels incl. sustainable jet fuel



Potential investment in Rotterdam, the Netherlands.



OL3 in regular commercial electricity production

We create a future beyond fossils: OL3 grows UPM Energy's carbon free electricity generation by nearly 50%

Reliable CO₂-free baseload energy to support the electrification of the society

Finland's electricity self-sufficiency significantly improved, carbon neutral generation to about 90%

UPM's agile and competitive energy business platform opens growth opportunities in the green transition

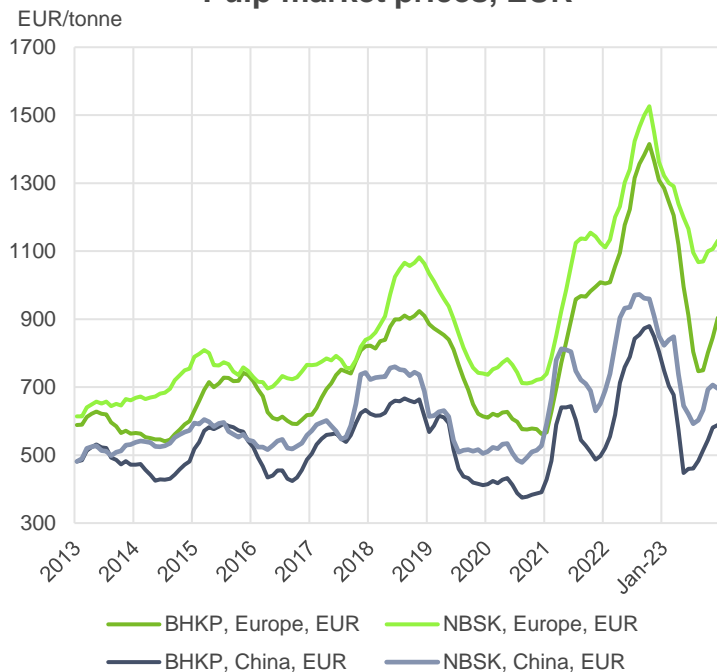


UPM Fibres

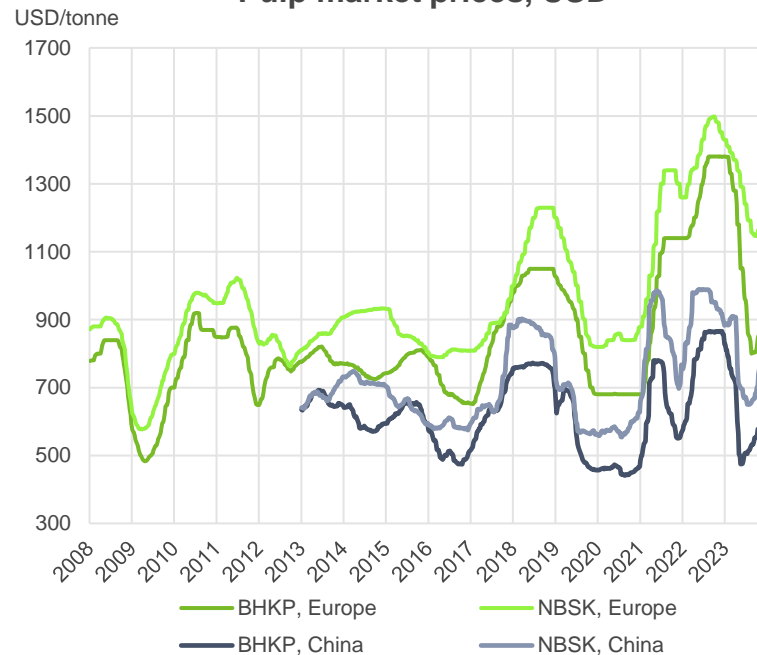
Chemical pulp market prices



Pulp market prices, EUR

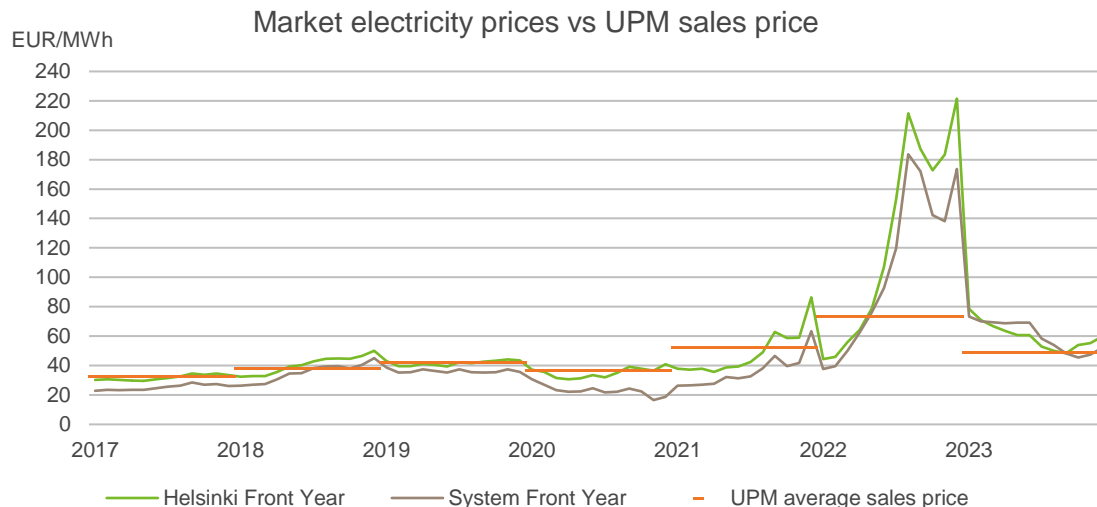


Pulp market prices, USD



Source: FOEX Indexes Ltd

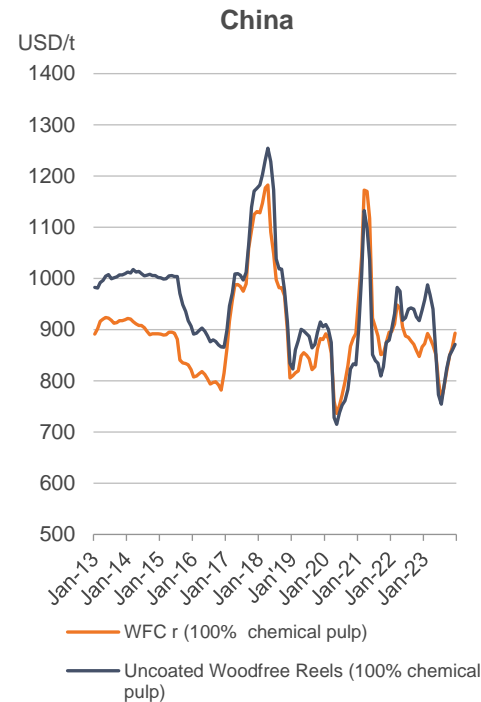
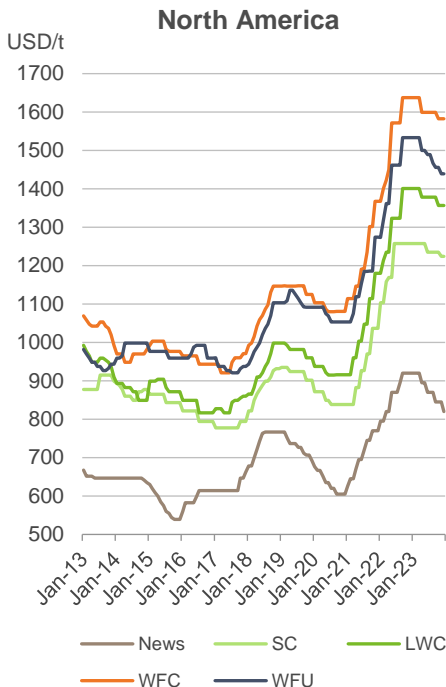
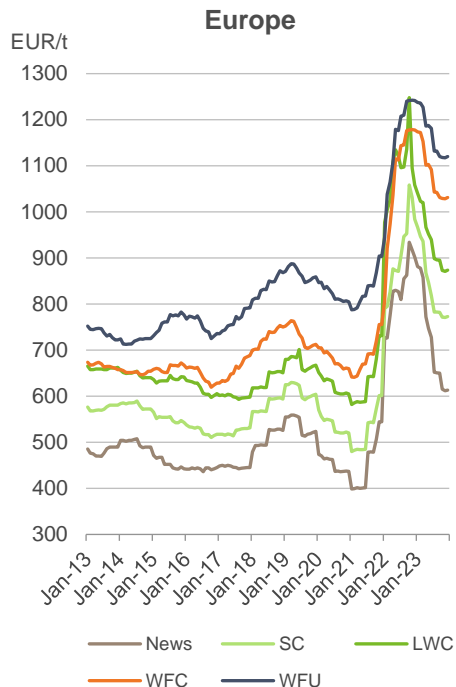
Cost efficient generation enables robust profitability in changing market environment



UPM Energy profitability	2018	2019	2020	2021	2022	2023
Comparable EBIT, EURm	123	185	171	270	381	182
% of sales	31.5	44.4	45.0	51.3	52.0	29.0

UPM Communication Papers

Graphic paper prices

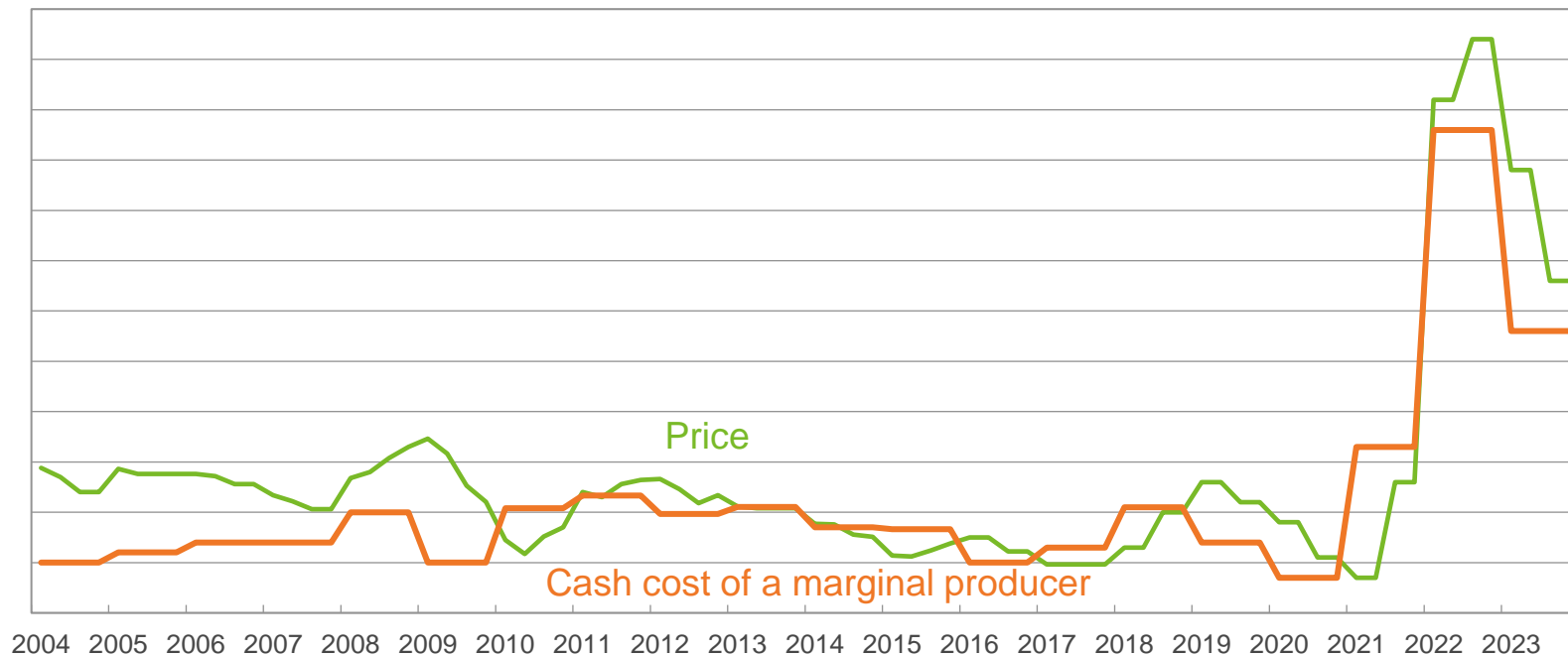


Sources: PPI, RISI

Paper price vs. cash cost of marginal cost producer



EUR/t



Sources: PPI, RISI, AFRY

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