



# Review by the President and CEO

President and CEO  
Massimo Reynaudo  
4 April 2024

# Results 2023



# Solid 2023 results in the challenging environment



## 2023 in figures

Sales EUR **10.5bn**  
-11%

Comparable EBIT EUR **1,013m**  
-52%

Operating cash flow EUR **2,269m**  
*new record*

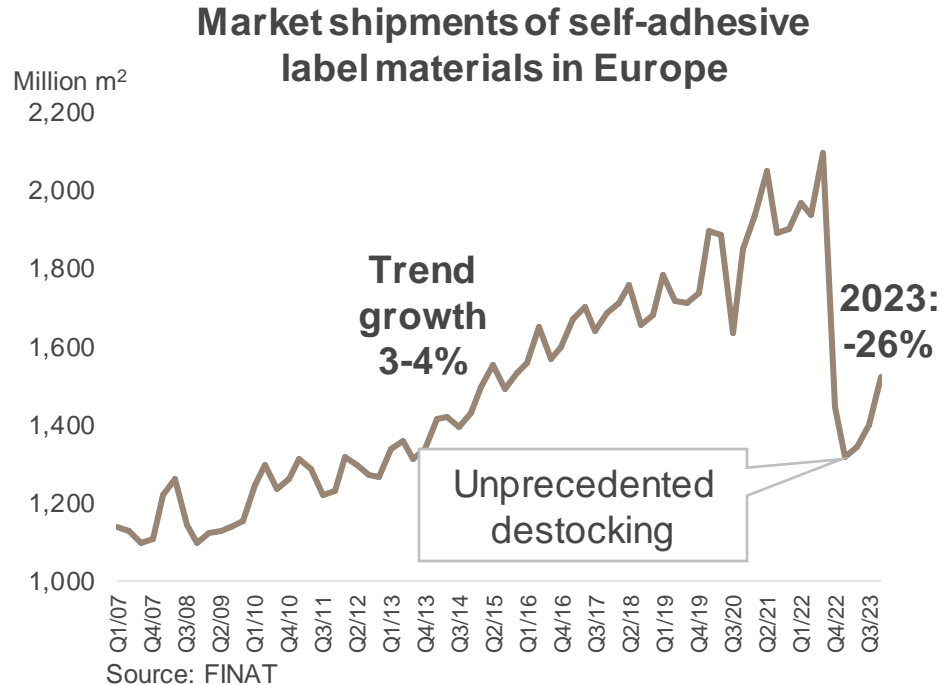
Net debt EUR **2,432m**  
+2%

Net debt / EBITDA **1.55x**

## 2023 in brief

- Solid results, record operating cash flow, strong financial position
- Exceptional downturn in Europe
- Successful margin management, cost reductions and capacity adjustments
- Transformative growth projects Paso de los Toros and OL3 started production

# Focus on margin management during unprecedented destocking in 2023



- 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
- Gradual recovery since H2 2023, destocking is largely over
- The long-term growth prospects remain intact and attractive

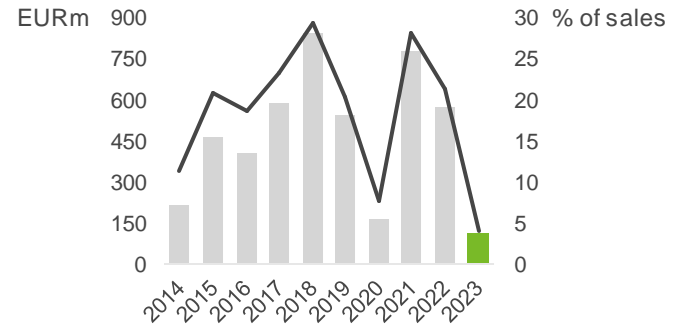
## UPM FIBRES

# Fibres for the future

- UPM Paso de los Toros started production in April 2023, EBITDA positive in H2 2023
- UPM pulp deliveries grew by 50%
- Wood costs in Finland elevated



- UPM's average pulp sales price decreased by 28%
- Global pulp shipments grew by 4%, European shipments -17%
- Weak sawn timber markets

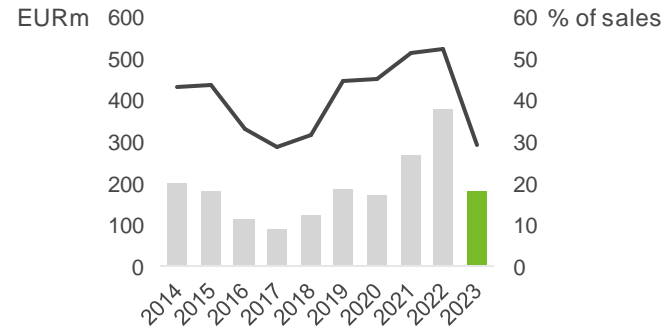


# Pioneer in low emissions

- OL3 started regular commercial production in May 2023
- Successful hydropower optimization
- Second largest electricity producer in Finland



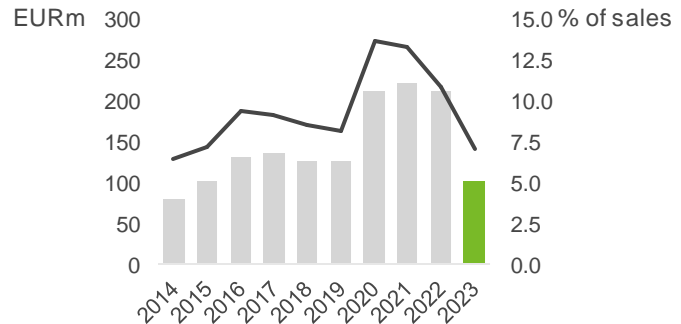
- Average electricity sales price decreased by 33%
- European electricity consumption was unusually low



## UPM RAFLATAC

# Labelling a smarter future beyond fossils

- Successful margin management
  - Cost reductions and capacity adjustments
  - Successful integration of AMC AG
- 
- European market shipments -26% impacted by destocking
  - Higher average sales prices





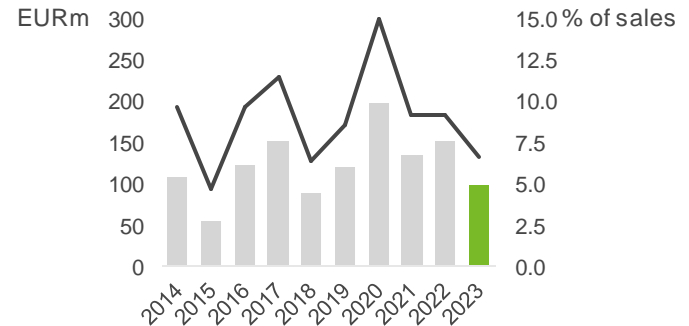
## UPM SPECIALTY PAPERS

# Special by nature

- Successful margin management
- Focus on cost competitiveness
- Commercial success with co-creation partnerships



- Lower average sales prices
- Market demand in Europe weaker, impacted by destocking and lower consumer confidence





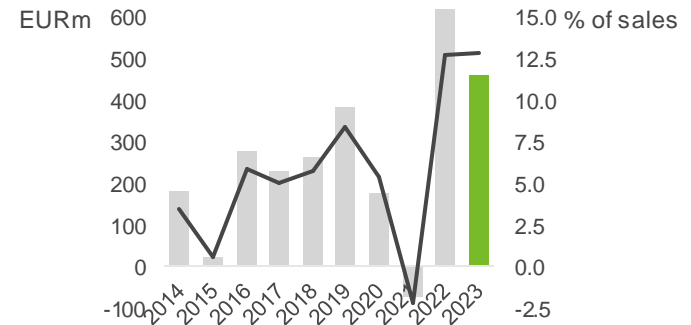
## UPM COMMUNICATION PAPERS

# Driving the value of paper

- Successful margin management
- Capacity reduction of 18% during the year, with fixed cost reduction impact of EUR 100m
- Strong cash flow: FCF/CE 48%



- Average paper sales price -5%
- European market deliveries -24%
- Lower variable costs

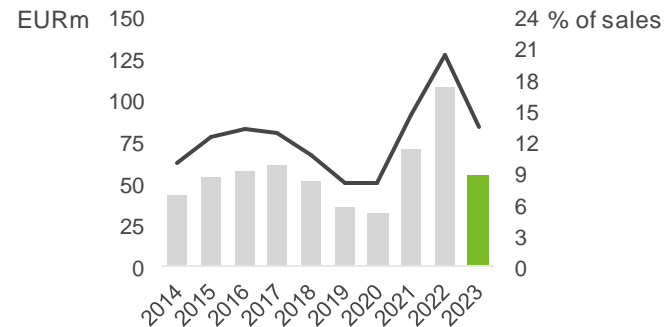


## UPM PLYWOOD

# Responsibility made easy

- Solid performance in slow markets
- Efficient margin management
- Finalised EUR 10 million investment at the Joensuu mill

- Low demand in construction-related end uses
- Good demand in the LNG tanker business
- Higher average sales prices



# Responsibility drives our success



# Our responsibility commitments build on leading global standards



➤ PROUD TO  
BE MOVING  
FORWARD  
FASTER  
FOR 2030 ➤



THE Paris...  
CLIMATE 10 years  
PLEDGE Early

SUSTAINABLE  
DEVELOPMENT  
GOALS

2030  
TARGETS

6 CLEAN WATER  
AND SANITATION



7 AFFORDABLE AND  
CLEAN ENERGY



8 DECENT WORK AND  
ECONOMIC GROWTH



12 RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION



13 CLIMATE  
ACTION



15 LIFE  
ON LAND



# Selected responsibility highlights in 2023

Fossil CO<sub>2</sub>  
emissions

**3.7Mt**

-17%

Employee  
engagement

**70%**

Unchanged

Female representation in  
senior and managerial roles

**32.3%**

+1pp

Biodiversity  
index

**+**

Net positive

Raw material spend covered  
by our Supplier Code

**98%**

+2pp

Total recordable  
injury frequency

**5.2**

-12%

# 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



**World  
Benchmarking  
Alliance**

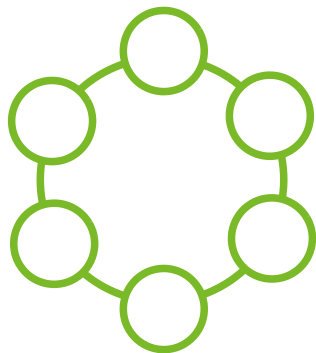




# Capital allocation

# 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

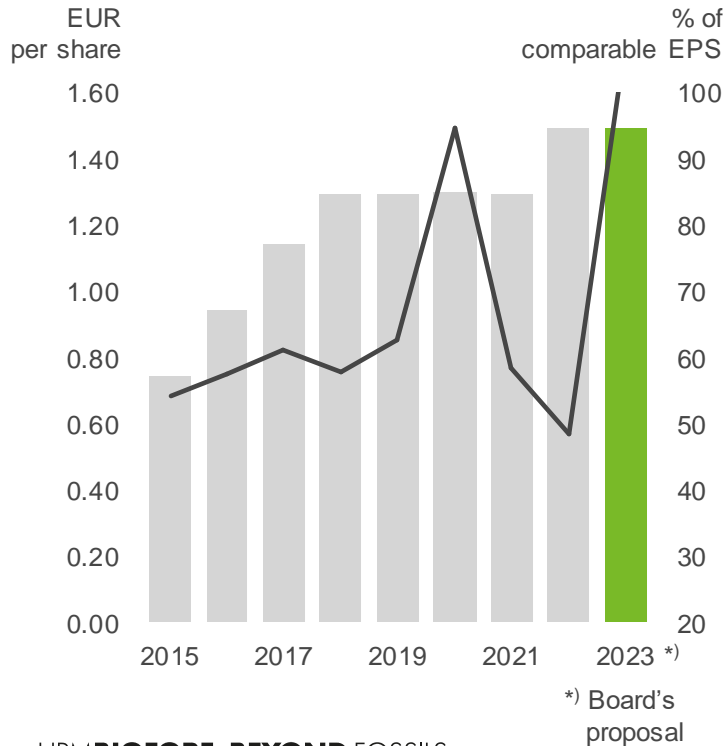
**Strong balance sheet**



Maintain headroom

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

# Dividend proposal: EUR 1.50 per share



## Dividend policy

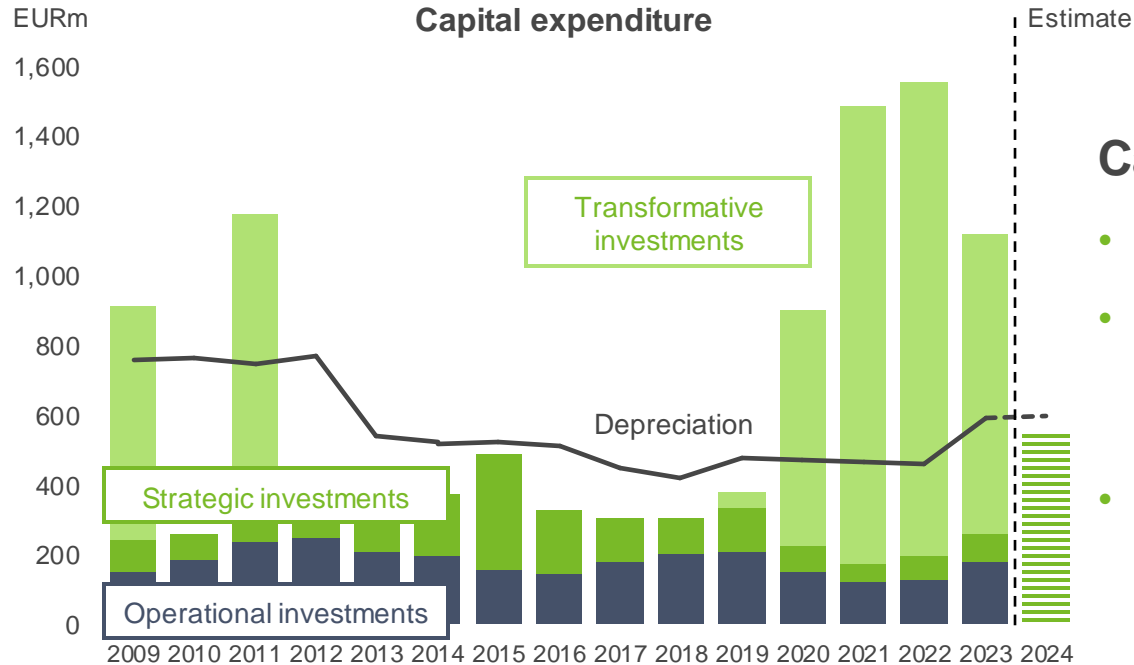
- UPM aims to pay attractive dividends, targeting at least half of the comparable earnings per share over time

## Dividend proposal for 2023

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



# 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

# Growth projects set to deliver

# 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





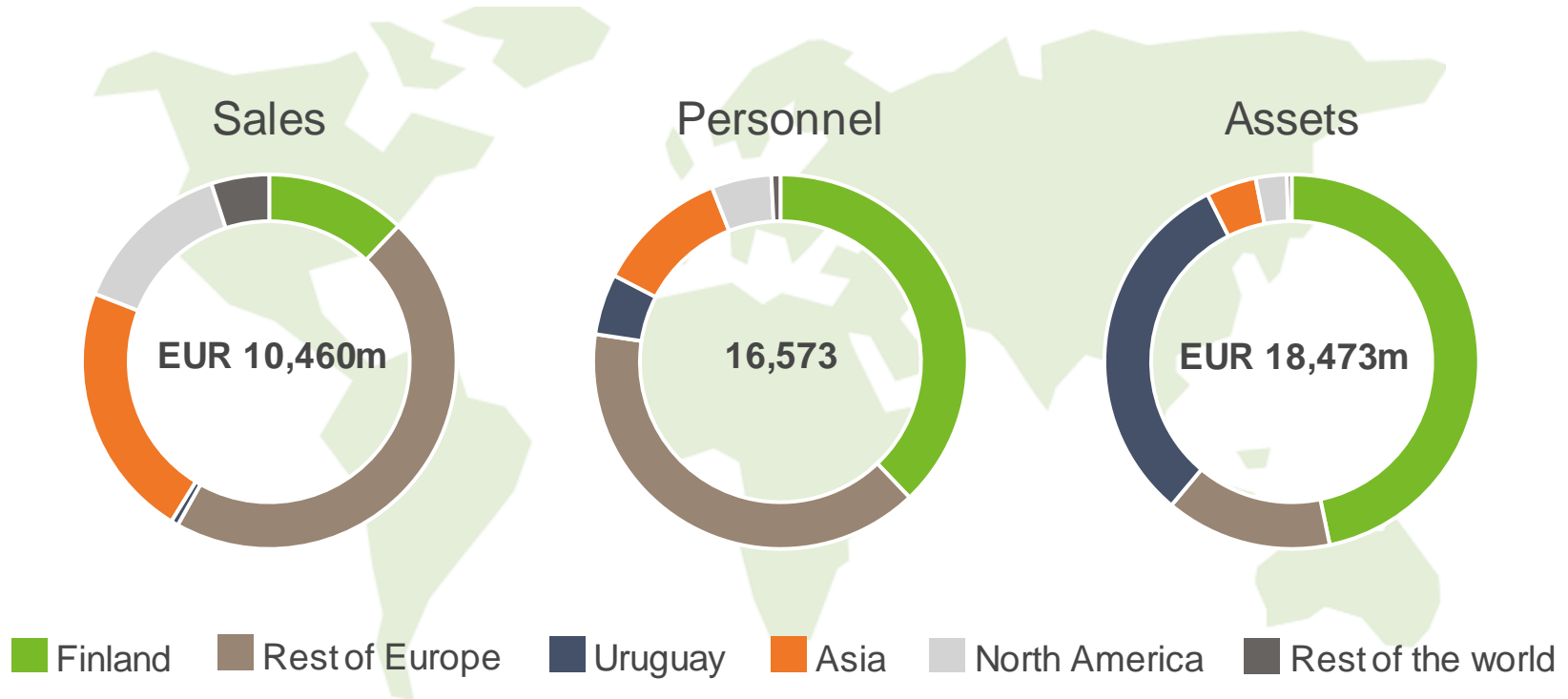
# Opportunities for the future



# Spearheads for growth – strong business platforms for growth



# Global strengths and opportunities



# 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

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

