Sappi Group
(Sappi Limited)
FIRST QUARTER: FISCAL YEAR 2024
FINANCIAL RESULTS AND OPERATIONAL DATA ENDED 31 DECEMBER 2023

7 FEBRUARY 2024

This report is being furnished to The Bank of New York Mellon as trustee for the Senior Notes of Sappi Papier Holding GmbH due 2026 issued pursuant to the indentures dated as of March 12, 2019; and the Senior Notes of Sappi Papier Holding GmbH due 2028 issued pursuant to the indentures dated as of March 10, 2021; in each case pursuant to Section 4.03 of the indentures governing such Senior Notes.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Except for historical information contained herein, statements contained in this report may constitute ‘‘forward-looking statements.’’ The words ‘‘believe’’, ‘‘anticipate’’, ‘‘expect’’, ‘‘intend’’, ‘‘estimate’’, ‘‘plan’’, ‘‘assume’’, ‘‘positioned’’, ‘‘will’’, ‘‘may’’, ‘‘should’’, ‘‘risk’’ and other similar expressions, which are predictions of or indicate future events and future trends and which do not relate to historical matters, identify forward-looking statements. In addition, this document includes forward-looking statements relating to our potential exposure to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity price risk. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond our control and may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements (and from past results, performance or achievements). Certain factors that may cause such differences include but are not limited to:

- the highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclicality, such as levels of demand, production capacity, production, input costs including raw material, energy and employee costs, and pricing);
- the impact on our business of adverse changes in global economic conditions;
- unanticipated production disruptions (including as a result of planned or unexpected power outages);
- changes in environmental, tax and other laws and regulations;
- adverse changes in the markets for our products;
- the emergence of new technologies and changes in consumer trends including increased preferences for digital media;
- consequences of our leverage, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed;
- adverse changes in the political situation and economy in the countries in which we operate or the effect of governmental efforts to address present or future economic or social problems;
- the impact of restructurings, investments, acquisitions, dispositions and other strategic initiatives (including related financing), any delays, unexpected costs or other problems experienced in connection with dispositions or with integrating acquisitions or implementing restructuring or other strategic initiatives, and achieving expected savings and synergies; and
- currency fluctuations.

For a discussion of the above factors and certain additional factors, refer to the document entitled “Risk Report” attached to the 2023 Annual Integrated Report as disclosed in the “Bond Reporting Requirements” section of our webpage (www.sappi.com) under “Sappi Papier Holdings”. These factors are not necessarily all of the important factors that could cause our actual results to differ materially from those expressed in any forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results.

You are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are made as of the date of this report or as of the date specified therein and are not intended to give any assurance as to future results. We undertake no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or circumstances or otherwise.

First Quarter Results

for the period ended December 2023

sappi

"Sappi is a leading global provider of everyday materials made from woodfibre-based renewable resources. As a diversified, innovative and trusted leader focused on sustainable processes and products, we are building a more circular economy by making what we should, not just what we can."

Our raw material offerings (such as dissolving pulp, wood pulp, biomaterials and timber) and end-use products (packaging papers, speciality papers, graphic papers, casting and release papers and forestry products) are manufactured from woodfibre sourced from sustainably managed forests and plantations, in production facilities powered, in many cases, with bio-energy from steam and existing waste streams.

Together with our partners, Sappi works to build a thriving world by acting boldly to support the planet, people and prosperity.

	Quarter ended		
	Dec 2023	**Dec 2022**	**Sept 2023**
Key figures: (US$ million)			
Sales	**1,272**	1,660	1,381
Operating profit (loss) excluding special items[1] [4]	**86**	225	65
Special items – loss (gain)[2] [4]	**179**	(6)	80
EBITDA excluding special items[1] [4]	**156**	290	168
Profit (Loss) for the period	**(126)**	190	(40)
Basic earnings per share (US cents)	**(23)**	34	(7)
EPS excluding special items (US cents)[3]	**8**	30	6
Net debt[3]	**1,216**	1,241	1,085
Key ratios: (%)			
Operating profit (loss) excluding special items to sales[4]	**6.8**	13.6	4.7
Operating profit (loss) excluding special items to capital employed (ROCE)[3] [4]	**9.8**	24.7	7.2
EBITDA excluding special items to sales[4]	**12.3**	17.5	12.2
Net debt to EBITDA excluding special items[4]	**2.0**	0.9	1.5
Covenant leverage ratio[3]	**1.9**	0.9	1.4
Interest cover[3]	**9.8**	17.6	11.2
Net asset value per share (US cents)[3]	**404**	447	438

[1] *Refer to note 2 to the group results for the reconciliation of EBITDA excluding special items and operating profit excluding special items to operating profit by segment and profit for the period.*

[2] *Refer to note 2 to the group results for details on special items.*

[3] *Refer to supplemental information for the definition of the term.*

[4] *The definition of special items has been amended from fiscal 2024 to exclude the price fair value adjustment of plantations which was previously included as part of special items. The price fair value adjustment of plantations is therefore included in the current year's EBITDA excluding special items and operating profit (loss) excluding special items. The prior year comparatives for special items continue to include the price fair value adjustment of plantations.*

Highlights for the quarter

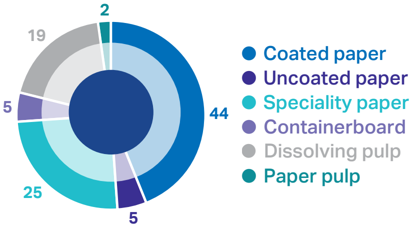
EBITDA excluding special items
US$156 million (Q1 FY23: US$290 million)

Net debt of
US$1,216 million (Q1 FY23: US$1,241 million)

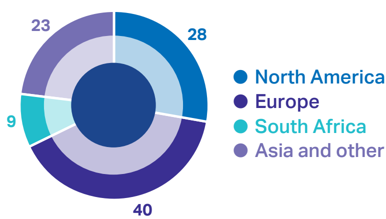
EPS excluding special items
8 US cents (Q1 FY23: 30 US cents)

Production at Stockstadt and Lanaken Mills in Europe permanently ceased

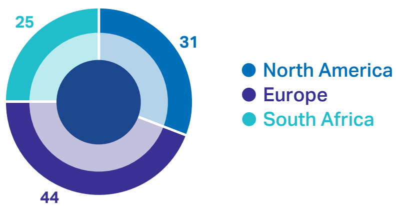
Sales by product* (%)



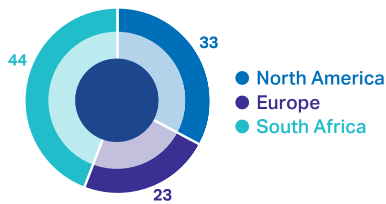
Sales by destination* (%)



Sales by source* (%)



Net operating assets (ex corporate)** (%)



* *For the period ended December 2023.*
** *As at December 2023.*

Commentary on the quarter[1]

Within the context of ongoing challenging global macroeconomic conditions and weak paper markets, the group delivered EBITDA excluding special items (EBITDA) of US$156 million, which was in line with guidance provided in the prior quarter. Profitability was negatively impacted by approximately US$45 million due to the lower production volumes associated with the planned maintenance shutdowns at the Saiccor, Ngodwana and Cloquet Mills offset somewhat by a US$26 million positive plantation fair value price adjustment[2]. We recognise that our forestry assets are an integral part of the South African business and we have therefore taken the decision to include the forestry valuation in our EBITDA, thereby aligning with many of our peers.

Paper markets remained unpredictable, and demand was still under pressure from low consumer confidence, high interest rates and ongoing geopolitical instability. Group sales volumes[3] were down 12% compared to the prior year and we continue to optimise production rates to match sales. Despite the tough conditions, selling prices during the quarter were reasonably stable for most products. Significant year-on-year cost savings across all regions enabled the business to mitigate some of the impact of lower sales.

Demand for dissolving pulp (DP) was robust, buoyed by high downstream viscose staple fibre (VSF) operating rates in China. Despite favourable demand and tight supply dynamics, the hardwood DP market price[4] continued to be range bound by subdued VSF selling prices due to sluggish textile and apparel markets, especially in Europe and China, influenced by low consumer confidence. DP prices peaked at US$900 per ton but subsequently decreased to US$880 per ton at quarter end. This reduction was attributed to lower VSF pricing as the Chinese market entered the seasonally slow period ahead of the Chinese Lunar New Year. The scheduled maintenance shutdowns during the quarter at all three DP mills impacted profitability for the segment and reduced sales volumes to 6% below the prior year.

Graphic papers demand showed signs of a muted recovery from the lows of the third quarter of FY2023 as downstream inventory levels normalised through the supply chain. Sales volumes were 14%

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(1) *"year-on-year" or "prior/previous year" is a comparison between Q1 FY2024 versus Q1 FY2023; "quarter-on-quarter" or "prior/previous quarter" is a comparison between Q1 FY2024 and Q4 FY2023.*

(2) *From fiscal 2024, EBITDA excluding special items now includes the plantation fair value price adjustment which was previously included as part of special items.*

(3) *Sales volumes excluding forestry.*

(4) *Market price for imported hardwood dissolving pulp into China issued daily by the CCF Group.*

below the prior year but improved by 6% compared to the prior quarter. A key element of Sappi's Thrive strategy is to reduce exposure to declining graphic paper markets and to ensure higher capacity utilisation in our graphic assets. The rationalisation of our European graphic paper capacity gained momentum during the quarter with the closure of the Stockstadt Mill and subsequent carouselling of sales volumes to alternate assets. The consultation process for the closure of the Lanaken Mill was also concluded late in the quarter.

Profitability of the packaging and speciality papers segment was impacted by lower South African containerboard sales due to the planned maintenance shut at the Ngodwana Mill, sluggish underlying European demand and residual destocking across a number of product categories. On a positive note, demand for paperboard in North America showed signs of recovery as customer inventories normalised. Sales volumes for the segment were 14% below the prior year.

Earnings per share excluding special items for the quarter was 8 US cents, which was substantially below the 30 US cents in the prior year and reflective of the more challenging operating environment. Special items reduced earnings by US$179 million and were primarily related to US$169 million in restructuring and closure costs associated with the closure of the Lanaken Mill.

CASH FLOW AND DEBT

Net cash utilised for the quarter was US$69 million compared to the US$23 million generated in the prior year. The lower cash generation was primarily due to reduced profitability. Capital expenditure of US$75 million was above last year due to the planned increased expenditure related to the Somerset PM2 conversion and expansion project during the period.

Net debt of US$1,216 million was US$25 million below last year but higher relative to the record lows of the prior quarter. This was due to the net cash utilised and a negative currency translation effect of US$56 million due to a weaker US Dollar on our Euro-denominated debt. Liquidity comprised cash on hand of US$533 million and US$678 million from the committed unutilised revolving credit facilities (RCF) in South Africa and Europe. Sappi's progress in significantly reducing net debt levels over the past two years has positioned the business and the balance sheet well to navigate the tougher economic climate and cyclical downturns.

Operating review for the quarter

Employees

5,410

Sales offices **12**

Production facilities **10**

EUROPE

€ million	Dec 2023	Sept 2023	Jun 2023	Mar 2023	Dec 2022
	Quarter ended				
Sales – tons 000's	**494**	469	434	438	568
Sales	**534**	537	543	592	783
Operating profit (loss) excluding special items	**2**	(50)	(16)	–	73
Operating profit (loss) excluding special items to sales (%)	***0.4***	*(9.3)*	*(2.9)*	*–*	*9.3*
EBITDA excluding special items	**26**	2	3	20	91
EBITDA excluding special items to sales (%)	***4.9***	*0.4*	*0.6*	*3.4*	*11.6*
RONOA pa (%)	***0.8***	*(18.2)*	*(5.5)*	*–*	*23.8*

The performance of the European business improved from the low of the prior quarter as sales volumes increased. Year-on-year cost savings were achieved, and the region also benefited from a once-off government energy-related subsidy of EUR17 million. Good progress was made in the strategic restructuring programme within the region as the closure of the Stockstadt Mill was successfully completed during the quarter. The Lanaken Mill consultation process was concluded and production at the mill ceased late in December 2023.

Graphic papers sales volumes increased 9% quarter-on-quarter as downstream inventory levels slowly normalised. However, underlying demand in Europe remained weak with sales volumes 12% below the prior year. Selling prices came under pressure and were 5% down on the prior quarter.

Market conditions for the packaging and speciality papers segment remained challenging driven by substantially reduced demand for consumer goods in the European region. The packaging categories in particular were impacted by overcapacity and weak demand in board markets which exerted downward pressure on selling prices. Sales volumes for the segment were 18% below last year.

Variable costs declined by 20% compared to the prior year due to substantial reduction in prices across all major input cost categories. Fixed costs declined 4% year-on-year primarily due to initial personnel savings associated with the closure of Stockstadt Mill.

Employees

2,073

Sales offices 6

Production facilities 4

NORTH AMERICA

US$ million	Quarter ended Dec 2023	Sept 2023	Jun 2023	Mar 2023	Dec 2022
Sales – tons 000's	**320**	360	305	330	378
Sales	**398**	431	395	458	526
Operating profit (loss) excluding special items	**23**	37	4	43	91
Operating profit (loss) excluding special items to sales (%)	***5.8***	*8.6*	*1.0*	*9.4*	*17.3*
EBITDA excluding special items	**46**	60	27	66	114
EBITDA excluding special items to sales (%)	***11.6***	*13.9*	*6.8*	*14.4*	*21.7*
RONOA pa (%)	***6.8***	*10.9*	*1.2*	*12.6*	*27.6*

Within the context of tough market conditions, the North American business delivered another solid set of results, notwithstanding the scheduled maintenance shutdown at the Cloquet Mill. Demand in paper markets continued to slowly recover.

In the graphic papers segment, sales volumes decreased 5% compared to the prior quarter, aligning with typical seasonal trends. Although downstream inventories began normalising during the quarter, underlying demand for graphic papers remained weak particularly in the magazine and catalogue categories. Selling prices were resilient and stable quarter-on-quarter despite the challenging market conditions.

The packaging and speciality papers segment was impacted by residual destocking in certain product categories, but overall market conditions showed signs of improvement. Sales volumes increased 6% compared to the prior quarter and order activity accelerated towards the end of the quarter, which will boost capacity utilisation in the next quarter.

Underlying demand within the pulp segment remained robust. However, sales volumes were affected by the scheduled maintenance shutdown at the Cloquet Mill. Selling prices for DP remained flat and increased for BCTMP compared to the prior quarter but were substantially below the elevated levels of the previous year.

Variable costs were 6% below the previous year as input costs reduced across all major categories. Fixed costs were well controlled and 2% below last year due to lower maintenance costs.

Employees

4,591

Sales offices **3**

Production facilities **5**

SOUTH AFRICA

ZAR million	Quarter ended Dec 2023	Sept 2023	Jun 2023	Mar 2023	Dec 2022
Sales – tons 000's	**592**	740	773	765	722
Sales	**6,011**	7,154	6,781	6,604	6,602
Operating profit (loss) excluding special items[1]	**1,124**	1,426	942	959	1,109
Operating profit (loss) excluding special items to sales (%)[1]	***18.7***	*19.9*	*13.9*	*14.5*	*16.8*
EBITDA excluding special items[1]	**1,517**	1,854	1,335	1,332	1,514
EBITDA excluding special items to sales (%)[1]	***25.2***	*25.9*	*19.7*	*20.2*	*22.9*
RONOA pa (%)[1]	***14.0***	*18.6*	*12.5*	*12.7*	*15.0*

[1] *The definition of special items has been amended from fiscal 2024 to exclude the price fair value adjustment of plantations which was previously included as part of special items. The price fair value adjustment of plantations is therefore included in the current year's EBITDA excluding special items and operating profit (loss) excluding special items. The prior year comparatives for special items continue to include the price fair value adjustment of plantations.*

The South African business delivered a good performance for the quarter taking into account the negative impact of the planned maintenance shutdowns at the Ngodwana and Saiccor Mills. Profitability was supported by a weaker Rand/US Dollar exchange rate, which benefited the pulp segment, and the inclusion of a positive ZAR484 million plantation fair value price adjustment. The forestry fair value adjustment will in future be included in EBITDA as we recognise that plantations are an integral part of our South African business.

The scheduled maintenance shutdowns at the Ngodwana and Saiccor Mills reduced DP sales volumes which were 5% below last year. However, production of DP was more stable following the challenges of last year. The weaker Rand/US Dollar exchange rate was insufficient to offset the substantial year-on-year reduction in US Dollar selling prices.

Although underlying containerboard demand in local markets remains healthy, elevated downstream inventories suppressed demand and necessitated an increase in containerboard sales to export markets. In addition, the Ngodwana Mill maintenance shutdown also impacted the profitability of the segment, with sales volumes decreasing by 28% compared to the prior quarter. The graphic paper categories struggled in a weak domestic climate.

Variable costs were 3% below last year driven by delivery and chemical savings, offset somewhat by higher energy and wood costs. Fixed costs were 18% above last year primarily related to higher maintenance costs associated with the scheduled shutdowns, which were not included in the comparative period.

POST BALANCE SHEET EVENTS

On 18 January 2024, Sappi issued a notice of early redemption of the remaining ZAR1.165 billion (US$63.7 million) Sappi Southern Africa's 5.25% senior unsecured convertible registered bonds due 26 November 2025. Bondholders who do not want their bonds to be redeemed for cash may exercise their conversion rights at any time up to close of business on Tuesday, 5 March 2024.

OUTLOOK

The global economy has yet to show signs of significant improvement and we anticipate demand for many of our products will continue to be impacted by weak consumer sentiment and low economic growth. Order activity for paper products is slowly improving and it appears the extended destocking cycle has concluded across the majority of our key product categories.

Dissolving pulp demand remains robust supported by high VSF operating rates and a positive differential between VSF and cotton pricing. The seasonal slowdown of the textile industry in China associated with the Lunar New Year celebrations has historically exerted short-term pressure on DP pricing in the second quarter. However, we anticipate that underlying textile demand will likely drive positive pricing momentum after the holiday period, further supported by a tight DP supply landscape.

Packaging and speciality papers markets in North America and South Africa are steadily improving. European markets remain weak, and recovery may take longer in this region.

Although we anticipate a further small rebound in graphic paper sales volumes through FY2024 as value chain inventory levels normalise, we believe that the market remains in oversupply. We will complete the restructuring and closure of the Lanaken Mill during the second quarter and anticipate that reduced fixed costs and improved capacity utilisation in the remaining European assets will yield significant cost savings through the second half of the year.

Cost inflation remains a risk in the second quarter as paper pulp prices are rising. In addition, the Middle East conflict is impacting shipping routes which will likely increase logistics costs for the business.

Capital expenditure for FY2024 is expected to be in the region of US$500 million and as previously communicated, includes approximately US$154 million for the Somerset PM2 conversion and expansion project.

We anticipate a substantial cash outflow in the second quarter related to the closure of the two European mills and the dividend payment. Sappi is well positioned with healthy cash reserves and liquidity to fund this outflow.

Good progress is being made in our key strategic focus areas to reduce exposure to graphic paper and grow our packaging business. The European restructuring programme and capital investment in North America to increase our paperboard capacity will strengthen our long-term competitive position and deliver sustained value for our stakeholders.

Taking into account the protracted macroeconomic uncertainty, we anticipate that EBITDA for the second quarter of FY2024 will be similar to that of the first quarter.

On behalf of the board

SR Binnie
Director

GT Pearce
Director

07 February 2024

Forward-looking statements

Certain statements in this release that are neither reported financial results nor other historical information, are forward-looking statements, including but not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. The words "believe", "anticipate", "expect", "intend", "estimate", "plan", "assume", "positioned", "will", "may", "should", "risk" and other similar expressions, which are predictions of or indicate future events and future trends and which do not relate to historical matters, identify forward-looking statements. In addition, this document includes forward-looking statements relating to our potential exposure to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity price risk. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond our control and may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements (and from past results, performance or achievements). Certain factors that may cause such differences include but are not limited to:

- *the highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclicality, such as levels of demand, production capacity, production, input costs including raw material, energy and employee costs, and pricing);*
- *the impact on our business of adverse changes in global economic conditions;*
- *unanticipated production disruptions (including as a result of planned or unexpected power outages);*
- *changes in environmental, tax and other laws and regulations;*
- *adverse changes in the markets for our products;*
- *the emergence of new technologies and changes in consumer trends including increased preferences for digital media;*
- *consequences of our leverage, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed;*
- *adverse changes in the political situation and economy in the countries in which we operate or the effect of governmental efforts to address present or future economic or social problems;*
- *the impact of restructurings, investments, acquisitions, dispositions and other strategic initiatives (including related financing), any delays, unexpected costs or other problems experienced in connection with dispositions or with integrating acquisitions or implementing restructurings or other strategic initiatives, and achieving expected savings and synergies;*
- *currency fluctuations.*

We undertake no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or circumstances or otherwise.

Condensed group income statement

US$ million	Note	Quarter ended Dec 2023	Quarter ended Dec 2022
Sales		**1,272**	1,660
Cost of sales		**1,084**	1,332
Gross profit		**188**	328
Selling, general and administrative expenses		**100**	96
Other operating (income) expenses		**179**	–
Share of (profit) loss from equity accounted investees		**2**	1
Operating profit (loss)	3	**(93)**	231
Net finance costs		**14**	–
Finance costs		**26**	25
Finance income		**(10)**	(23)
Net foreign exchange gain		**(2)**	(2)
Profit (Loss) before taxation		**(107)**	231
Taxation		**19**	41
Profit (Loss) for the period		**(126)**	190
Basic earnings per share (US cents)	4	**(23)**	34
Weighted average number of shares in issue (millions)		**559.3**	566.2
Diluted earnings per share (US cents)	4	**(23)**	32
Weighted average number of shares on fully diluted basis (millions)		**605.7**	602.7

Condensed group statement of other comprehensive income

US$ million	Quarter ended Dec 2023	Quarter ended Dec 2022
Profit (Loss) for the period	**(126)**	190
Other comprehensive income, net of tax		
Items that will not be reclassified subsequently to profit or loss	**–**	–
Actuarial gains (losses) on post-employment benefit funds	**–**	–
Tax effect	**–**	–
Items that may be reclassified subsequently to profit or loss	**25**	70
Exchange differences on translation of foreign operations	**16**	39
Movements in hedging reserves	**10**	35
Tax effect	**(1)**	(4)
Total comprehensive income for the period	**(101)**	260

Condensed group balance sheet

US$ million	Note	Dec 2023	Reviewed Sept 2023
ASSETS			
Non-current assets		**3,907**	3,742
Property, plant and equipment		**2,985**	2,886
Right-of-use assets		**68**	69
Plantations		**535**	488
Deferred tax assets		**79**	75
Goodwill and intangible assets		**101**	88
Equity accounted investees		**10**	9
Other non-current assets		**129**	127
Current assets		**2,000**	2,054
Inventories		**823**	777
Trade and other receivables		**634**	658
Derivative financial assets		**6**	14
Taxation receivable		**4**	4
Cash and cash equivalents		**533**	601
Total assets		**5,907**	5,796
EQUITY AND LIABILITIES			
Shareholders' equity			
Ordinary shareholders' interest		**2,261**	2,445
Non-current liabilities		**2,074**	2,035
Interest-bearing borrowings		**1,341**	1,329
Lease liabilities		**60**	61
Deferred tax liabilities		**411**	394
Defined benefit and other liabilities		**262**	251
Current liabilities		**1,572**	1,316
Interest-bearing borrowings		**317**	266
Lease liabilities		**31**	30
Trade and other payables		**910**	908
Provisions	8	**185**	80
Derivative financial liabilities		**8**	3
Taxation payable		**36**	29
Shareholders for dividend		**85**	–
Total equity and liabilities		**5,907**	5,796
Number of shares in issue at balance sheet date (millions)		**559.9**	558.8

Condensed group statement of cash flows

	Quarter ended	
US$ million	Dec 2023	Dec 2022
Profit (Loss) for the period	**(126)**	190
Adjustment for:		
Depreciation, fellings and amortisation	**87**	80
Taxation	**19**	41
Net finance costs	**14**	–
Defined post-employment benefits paid	**4**	(5)
Plantation fair value adjustments	**(48)**	(24)
Asset impairments	**2**	–
(Profit) Loss on disposal of held-for-sale assets	**–**	1
Net restructuring provisions	**136**	–
(Profit) Loss on disposal and written-off assets	**(1)**	–
Other non-cash items	**34**	11
Cash generated from operations	**121**	294
Movement in working capital	**(43)**	(174)
Closure and restructuring costs paid	**(43)**	–
Finance costs paid	**(13)**	(39)
Finance income received	**9**	7
Taxation (paid) refund	**(10)**	(3)
Cash generated from operating activities	**21**	85
Cash utilised in investing activities	**(90)**	(62)
Capital expenditure	**(75)**	(58)
Proceeds on disposal of assets	**1**	–
Proceeds on held-for-sale assets	**–**	10
Other non-current and intangible asset movements	**(16)**	(14)
Net cash (utilised)	**(69)**	23
Cash effects of financing activities	**(1)**	(243)
Proceeds from interest-bearing borrowings	**40**	–
Repayment of interest-bearing borrowings	**(35)**	(238)
Capital lease repayments	**(6)**	(5)
Net movement in cash and cash equivalents	**(70)**	(220)
Cash and cash equivalents at beginning of period	**601**	780
Translation effects	**2**	33
Cash and cash equivalents at end of period	**533**	593

Condensed group statement of changes in equity

	Quarter ended	
US$ million	Dec 2023	Dec 2022
Balance – beginning of period	**2,445**	2,358
Profit (Loss) for the period	**(126)**	190
Other comprehensive income for the period	**25**	70
Issue of shares	**–**	3
Dividend –15 US cents	**(84)**	(85)
Share-based payment reserve	**1**	2
Balance – end of period	**2,261**	2,538
Comprising		
Ordinary share capital and premium	**702**	780
Non-distributable reserves	**115**	115
Foreign currency translation reserves	**(248)**	(191)
Hedging reserves	**(47)**	(51)
Retained earnings	**1,739**	1,885
Total equity	**2,261**	2,538

Notes to the condensed group results

1. Basis of preparation

The condensed consolidated interim financial statements for the quarter ended December 2023 are prepared in accordance with the International Financial Reporting Standards, IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards as issued by the IASB and are consistent with those applied in the previous annual financial statements.

The preparation of these condensed consolidated financial statements was supervised by the Chief Financial Officer, GT Pearce, CA(SA) and were authorised for issue on 7 February 2024.

The results are unaudited.

2. Segment information

	Quarter ended	
Metric tons (000's)	**Dec 2023**	**Dec 2022**
Sales volume		
North America	**320**	378
Europe	**494**	568
South Africa – Pulp and paper	**357**	381
Forestry	**235**	341
Total	**1,406**	1,668
Which consists of:		
Pulp	**335**	357
Packaging and speciality papers	**285**	332
Graphic papers	**551**	638
Forestry	**235**	341

2. Segment information continued

US$ million	Quarter ended Dec 2023	Quarter ended Dec 2022
Sales		
North America	**398**	526
Europe	**575**	800
South Africa – Pulp and paper	**307**	355
Forestry	**14**	20
Delivery costs revenue adjustment[1]	**(22)**	(41)
Total	**1,272**	1,660
Which consists of:		
Pulp	**268**	343
Packaging and speciality papers	**369**	479
Graphic papers	**643**	859
Forestry	**14**	20
Delivery costs revenue adjustment[1]	**(22)**	(41)
Operating profit (loss) excluding special items[3]		
North America	**23**	91
Europe	**2**	75
South Africa	**60**	63
Unallocated and eliminations[2]	**1**	(4)
Total	**86**	225
Which consists of:		
Pulp	**35**	58
Packaging and speciality papers	**11**	64
Graphic papers	**39**	106
Unallocated and eliminations[2]	**1**	(3)
Special items – (gains) losses[3]		
North America	**–**	1
Europe	**176**	1
South Africa	**3**	(5)
Unallocated and eliminations[2]	**–**	(3)
Total	**179**	(6)

(1) *Relates to delivery costs netted off against revenue.*
(2) *Includes the group's treasury operations and insurance captive.*
(3) *The definition of special items has been amended from fiscal 2024 to exclude the price fair value adjustment of plantations which was previously included as part of special items. The price fair value adjustment of plantations is therefore included in the current year's EBITDA excluding special items and operating profit (loss) excluding special items. The prior year comparatives for special items continue to include the price fair value adjustment of plantations.*

2. **Segment information** continued

US$ million	Quarter ended Dec 2023	Dec 2022
Operating profit (loss) by segment		
North America	**23**	90
Europe	**(174)**	74
South Africa	**57**	68
Unallocated and eliminations[2]	**1**	(1)
Total	**(93)**	231
EBITDA excluding special items[3]		
North America	**46**	114
Europe	**28**	93
South Africa	**81**	86
Unallocated and eliminations[2]	**1**	(3)
Total	**156**	290
Which consists of:		
Pulp	**53**	76
Packaging and speciality papers	**34**	88
Graphic papers	**68**	129
Unallocated and eliminations[2]	**1**	(3)

[2] *Includes the group's treasury operations and insurance captive.*

[3] *The definition of special items has been amended from fiscal 2024 to exclude the price fair value adjustment of plantations which was previously included as part of special items. The price fair value adjustment of plantations is therefore included in the current year's EBITDA excluding special items and operating profit (loss) excluding special items. The prior year comparatives for special items continue to include the price fair value adjustment of plantations.*

2. Segment information continued

Reconciliation of EBITDA excluding special items to profit for the period and operating profit excluding special items to operating profit

Special items cover those items which management believes are material by nature or amount to the operating results and require separate disclosure.

		Quarter ended	
US$ million	Note	Dec 2023	Dec 2022
EBITDA excluding special items[3]		**156**	290
Depreciation and amortisation		**(70)**	(65)
Operating profit excluding special items[3]		**86**	225
Special items – gains (losses)		**(179)**	6
Plantation price fair value adjustment[3]		**–**	6
Net restructuring provisions	8	**(136)**	–
Profit (Loss) on disposal and written-off assets		**1**	–
Asset impairments		**(2)**	–
Profit (Loss) on disposal of held-for-sale assets		**–**	(1)
Insurance recoveries		**4**	3
Fire, flood, storm and other events	8	**(46)**	(2)
Operating profit (loss)		**(93)**	231
Net finance costs		**(14)**	–
Profit (Loss) before taxation		**(107)**	231
Taxation		**(19)**	(41)
Profit (Loss) for the period		**(126)**	190
Net operating assets			
North America		**1,364**	1,333
Europe		**964**	1,321
South Africa		**1,809**	1,793
Unallocated and eliminations[2]		**(66)**	(69)
Total		**4,071**	4,378

[2] *Includes the group's treasury operations and insurance captive.*

[3] *The definition of special items has been amended from fiscal 2024 to exclude the price fair value adjustment of plantations which was previously included as part of special items. The price fair value adjustment of plantations is therefore included in the current year's EBITDA excluding special items and operating profit (loss) excluding special items. The prior year comparatives for special items continue to include the price fair value adjustment of plantations.*

2. Segment information continued

US$ million	Quarter ended Dec 2023	Dec 2022
Reconciliation of net operating assets to total assets		
Segment assets	**4,071**	4,378
Deferred tax assets	**79**	51
Cash and cash equivalents	**533**	593
Trade and other payables	**910**	796
Provisions	**185**	2
Derivative financial instruments	**8**	7
Taxation payable	**36**	55
Shareholders for dividend	**85**	–
Liabilities associated with assets held for sale	**–**	262
Total assets	**5,907**	6,144

3. Operating profit (loss)

US$ million	Note	Quarter ended Dec 2023	Dec 2022
Included in operating profit are the following items:			
Depreciation and amortisation		**70**	65
Fair value adjustment on plantations (included in cost of sales)			
Fellings		**17**	15
Growth		**(22)**	(18)
Price		**(26)**	(6)
		(31)	(9)
Net restructuring provisions	8	**136**	–
(Profit) Loss on disposal and written-off assets		**(1)**	–
Asset impairments		**2**	–
(Profit) Loss on disposal of held-for-sale assets		**–**	1
Insurance recoveries		**(4)**	(3)

4. Earnings per share

US$ million	Quarter ended Dec 2023	Dec 2022
Basic earnings per share (US cents)	**(23)**	34
Headline earnings per share (US cents)	**(22)**	34
EPS excluding special items (US cents)	**8**	30
Weighted average number of shares in issue (millions)	**559.3**	566.2
Diluted earnings per share (US cents)	**(23)**	32
Diluted headline earnings per share (US cents)	**(22)**	32
Weighted average number of shares on fully diluted basis (millions)	**605.7**	602.7
Calculation of headline earnings		
Profit (Loss) for the period	**(126)**	190
(Profit) Loss on disposal and write off of property, plant and equipment	**(1)**	–
Asset impairments	**2**	–
(Profit) Loss on disposal of held-for-sale assets	**–**	1
Tax effect of above items	**–**	(1)
Headline earnings	**(125)**	190
Calculation of earnings excluding special items		
Profit (Loss) for the period	**(126)**	190
Special items after tax	**177**	(6)
Special items	**179**	(6)
Tax effect	**(2)**	–
Finance costs	**–**	(15)
Tax special items	**(5)**	–
Earnings excluding special items	**46**	169

5. Financial instruments

The group's financial instruments that are measured at fair value on a recurring basis consist of derivative financial instruments and investment funds. These have been categorised in terms of the fair value measurement hierarchy as established by IFRS 13 *Fair Value Measurement* per the table below.

			Fair value[1]	
US$ million	Classification	Fair value hierarchy	**Dec 2023**	**Reviewed Sept 2023**
Investment funds[2]	FV through OCI	Level 1	**5**	4
Derivative financial assets	FV through PL	Level 2	**6**	14
Derivative financial liabilities	FV through PL	Level 2	**8**	3

[1] *The fair value of the financial instruments are equal to their carrying value.*
[2] *Included in other non-current assets.*

There have been no transfers of financial assets or financial liabilities between the categories of the fair value hierarchy.

The fair value of all external over-the-counter derivatives is calculated based on the discount rate adjustment technique. The discount rate used is derived from observable rates of return for comparable assets or liabilities traded in the market. The credit risk of the external counterparty is incorporated into the calculation of fair values of financial assets and own credit risk is incorporated in the measurement of financial liabilities. The change in fair value is therefore impacted by the following inputs, the movement of the interest rate curves, by the volatility of the applied credit spreads, and by any changes to the credit profile of the involved parties.

There are no financial assets and liabilities that have been remeasured to fair value on a non-recurring basis.

The carrying amounts of other financial instruments which include cash and cash equivalents, trade and other receivables, certain investments, trade and other payables and current interest-bearing borrowings approximate their fair values.

6. Capital commitments

US$ million	**Dec 2023**	**Reviewed Sept 2023**
Contracted	**225**	269
Approved but not contracted	**353**	320
	578	589

7. Interest-bearing borrowings, lease liabilities and cash and cash equivalents

US$ million	Dec 2023	Reviewed Sept 2023
Non-current and current interest-bearing borrowings	**1,658**	1,595
Non-current and current lease liabilities	**91**	91
Less: Cash and cash equivalents	**(533)**	(601)
Net debt	**1,216**	1,085
As at December 2023 the group was in compliance with its debt covenants:		
Covenant leverage ratio	**1.9**	1.4
Interest cover	**9.8**	11.2

8. Material balance sheet movements

Since the 2023 financial year-end, the Euro and the ZAR have strengthened by approximately 4.4% and 3.3% respectively against the US Dollar, the group's presentation currency. This has resulted in an increase of the group's European and South African assets and liabilities, which are held in the aforementioned functional currency, on translation to the presentation currency at period-end.

Provisions

Closure and restructuring costs of US$34 million (€32 million) and US$135 million (€125 million) respectively were raised during the quarter for the closure of Lanaken Mill within our European segment.

9. Related parties

There has been no material change, by nature or amount, in transactions with related parties since the 2023 financial year-end.

10. Events after balance sheet date

Notification was issued in January 2024 for the early redemption of the residual ZAR1,164,690,000 5.25% Convertible Bonds issued by Sappi's wholly owned subsidiary, Sappi Southern Africa Limited, on 25 November 2020. Bond investors may request a conversion of the bonds to equity before 5 March 2024. In the event that all outstanding bonds are redeemed prior to 11 March 2024 (at the effective conversion price of ZAR29.4621), up to 39.5 million Sappi Limited ordinary shares could be issued before that date.

11. Accounting standards, interpretations and amendments to existing standards that are not yet effective

There has been no significant change to management's estimates in respect of new accounting standards, amendments and interpretations to existing standards that have been published which are not yet effective and which have not yet been adopted by the group.

Supplemental information

(this information has not been audited or reviewed)

General definitions

Average – averages are calculated as the sum of the opening and closing balances for the relevant period divided by two

Capital employed – shareholders' equity plus net debt

Covenant leverage ratio – net debt divided by last 12 months' EBITDA excluding special items as defined by our bank covenants

EBITDA excluding special items – earnings before interest (net finance costs), taxation, depreciation, amortisation and special items

EPS excluding special items – earnings per share excluding special items and certain once-off finance and tax items

Fellings – the amount charged against the income statement representing the standing value of the plantations harvested

Headline earnings – as defined in circular 1/2021, issued by the South African Institute of Chartered Accountants in March 2021, which separates from earnings all separately identifiable remeasurements. It is not necessarily a measure of sustainable earnings

It is a Listings Requirement of the JSE Limited to disclose headline earnings per share

Interest cover – last 12 months' EBITDA excluding special items to net interest adjusted for refinancing costs

NBSK – Northern Bleached Softwood Kraft pulp. One of the main varieties of market pulp, produced from coniferous trees (ie spruce, pine) in Scandinavia, Canada and northern USA. The price of NBSK is a benchmark widely used in the pulp and paper industry for comparative purposes

Net assets – total assets less total liabilities

Net asset value per share – net assets divided by the number of shares in issue at balance sheet date

Net debt – current and non-current interest-bearing borrowings and lease liabilities, bank overdrafts less cash and cash equivalents

Net debt to EBITDA excluding special items – net debt divided by the last 12 months' EBITDA excluding special items

Net operating assets – total assets (excluding deferred tax assets and cash) less current liabilities (excluding interest-bearing borrowings, lease liabilities and overdraft)

Operating profit – profit from business operations before deduction of net finance costs and taxes

Supplemental information continued

(this information has not been audited or reviewed)

Non-GAAP measures – the group believes that it is useful to report certain non-GAAP measures for the following reasons:

- these measures are used by the group for internal performance analysis
- the presentation by the group's reported business segments of these measures facilitates comparability with other companies in our industry, although the group's measures may not be comparable with similarly titled profit measurements reported by other companies
- it is useful in connection with discussion with the investment analyst community and debt rating agencies

These non-GAAP measures should not be considered in isolation or construed as a substitute for GAAP measures in accordance with IFRS

ROCE – annualised return on average capital employed. Operating profit excluding special items divided by average capital employed

RONOA – return on average net operating assets. Operating profit excluding special items divided by average net operating assets

Special items – special items cover those items which management believes are material by nature or amount to the operating results and require separate disclosure. Such items would generally include profit or loss on disposal of property, investments and businesses, asset impairments, restructuring charges, non-recurring integration costs related to acquisitions, financial impacts of natural disasters and settlement gains or losses on defined benefit obligations

The above financial measures are presented to assist our shareholders and the investment community in interpreting our financial results. These financial measures are regularly used and compared between companies in our industry

Summary Rand convenience translation

	Quarter ended	
	Dec 2023	**Dec 2022**
Key figures (ZAR million)		
Sales	**23,821**	29,226
Operating profit excluding special items[1]	**1,611**	3,961
Special items – (gains) losses[1]	**3,352**	(106)
EBITDA excluding special items[1]	**2,921**	5,106
Profit for the period	**(2,360)**	3,345
Basic earnings per share (SA cents)	**(422)**	591
Net debt[1]	**22,249**	21,112
Key ratios (%)		
Operating profit excluding special items to sales	**6.8**	13.6
Operating profit excluding special items to capital employed (ROCE)[1]	**9.9**	24.7
EBITDA excluding special items to sales	**12.3**	17.5

(1) *Refer to supplemental information for the definition of the term.*

The above financial results have been translated into Rand from US Dollar as follows:
- *assets and liabilities at rates of exchange ruling at period-end; and*
- *income, expenditure and cash flow items at average exchange rates.*

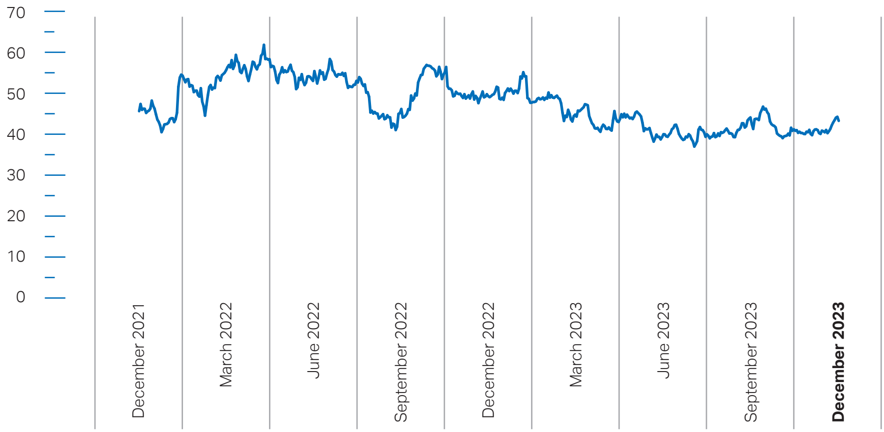
Supplemental information continued

(this information has not been audited or reviewed)

Exchange rates

	Dec 2023	Sept 2023	Jun 2023	Mar 2023	Dec 2022
Exchange rates:					
Period-end rate: US$1 = ZAR	**18.2969**	18.9299	18.8338	17.7927	17.0119
Average rate for the quarter: US$1 = ZAR	**18.7269**	18.6387	18.6817	17.7489	17.6063
Average rate for the year to date: US$1 = ZAR	**18.7269**	18.1791	18.0221	17.6792	17.6063
Period-end rate: €1 = US$	**1.1037**	1.0572	1.0912	1.0841	1.0704
Average rate for the quarter: €1 = US$	**1.0763**	1.0881	1.0887	1.0729	1.0220
Average rate for the year to date: €1 = US$	**1.0763**	1.0679	1.0612	1.0475	1.0220

Sappi share price – December 2021 to December 2023



sappi

Sappi has a primary listing on the JSE Limited and a Level 1 ADR programme that trades in the over-the-counter market in the United States

Our purpose

Sappi exists to build a thriving world by unlocking the power of renewable resources to benefit people, communities and the planet.

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ISIN code: ZAE000006284
Issuer code: SAVVI

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