

Second Quarter Results

for the period ended March 2024



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			Half-year ended	
	Mar 2024	Mar 2023	Dec 2023	Mar 2024	Mar 2023
Key figures (US\$ million)					
Sales	1,352	1,442	1,272	2,624	3,102
Operating profit (loss) excluding special items ^{(1) (4)}	116	101	86	202	326
Special items – loss (gain) ^{(2) (4)}	46	(7)	179	225	(13)
EBITDA excluding special items ^{(1) (4)}	183	167	156	339	457
Profit (Loss) for the period	29	69	(126)	(97)	259
Basic earnings per share (US cents)	5	12	(23)	(17)	46
EPS excluding special items (US cents) ⁽³⁾	12	11	8	20	41
Net debt ⁽³⁾	1,366	1,225	1,216	1,366	1,225
Key ratios (%)					
Operating profit (loss) excluding special items to sales ⁽⁴⁾	8.6	7.0	6.8	7.7	10.5
Operating profit (loss) excluding special items to capital employed (ROCE) ^{(3) (4)}	13.0	10.7	9.8	11.2	17.9
EBITDA excluding special items to sales ⁽⁴⁾	13.5	11.6	12.3	12.9	14.7
Net debt to EBITDA excluding special items ⁽⁴⁾	2.2	1.0	2.0	2.2	1.0
Covenant leverage ratio ⁽³⁾	2.3	0.9	2.0	2.3	0.9
Interest cover ⁽³⁾	9.9	16.3	9.8	9.9	16.3
Net asset value per share (US cents) ⁽³⁾	387	447	404	387	447

⁽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

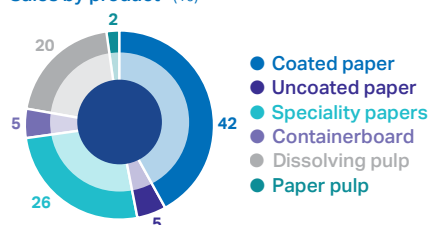
EBITDA excluding special items
US\$183 million (Q2 FY23: US\$167 million)

EPS excluding special items
12 US cents (Q2 FY23: 11 US cents)

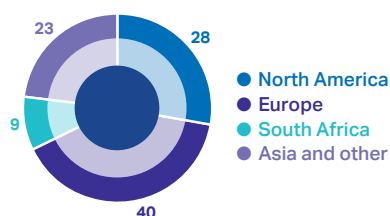
Net debt of
US\$1,366 million (Q2 FY23: US\$1,225 million)

Closures of Stockstadt and
 Lanaken Mills completed

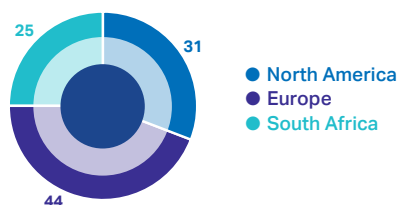
Sales by product* (%)



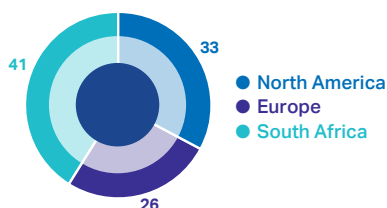
Sales by destination* (%)



Sales by source* (%)



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



* For the period ended March 2024.

** As at March 2024.

Commentary on the quarter⁽¹⁾

Operating performance for the second quarter was slightly ahead of expectations, with the group delivering EBITDA⁽²⁾ excluding special items of US\$183 million, which was 10% above the prior year. The increase was primarily due to an improvement from the pulp segment and significant cost savings, which included a 9% reduction in cash fixed costs following the closures of the Stockstadt and Lanaken Mills in Europe. Included in EBITDA was a positive plantation fair value price adjustment of US\$3 million. A modest recovery in global paper markets was observed following the extended destocking cycle in 2023 but underlying market conditions generally remained subdued due to the challenging macroeconomic environment.

Dissolving pulp (DP) demand was strong throughout the quarter, boosted by a tight supply landscape, low downstream inventory levels and high viscose staple fibre (VSF) operating rates following the Chinese Lunar New Year celebrations. The hardwood DP spot market price⁽³⁾ responded positively and increased by US\$60/ton, to end the quarter at US\$940/ton. Sales volumes for the pulp segment increased by 2% year-on-year. Profitability for the segment was further supported by significant cost savings, particularly for wood and chemicals.

The gradual recovery of graphic papers demand continued throughout the quarter as downstream value chain inventories normalised causing sales volumes to increase by 7% compared

to the prior year. However, there has been a structural decline in demand from the highs of 2022. Operating rates in our European graphic papers assets increased substantially during the quarter due to the successful transfer of sales volumes from the closed Stockstadt and Lanaken Mills. Selling prices were stable during the quarter despite the soft market conditions. The combination of increased sales volumes and cost savings facilitated a year-on-year improvement in profitability for the segment.

Packaging and speciality papers demand rebounded during the quarter. Sales volumes improved by 9% compared to the prior year, with a mixed performance across the regions. A strong recovery of demand in North America facilitated a

⁽¹⁾ "year-on-year" or "prior/previous year" is a comparison between Q2 FY2024 versus Q2 FY2023; "quarter-on-quarter" or "prior/previous quarter" is a comparison between Q2 FY2024 and Q1 FY2024.

⁽²⁾ EBITDA in this report excludes special items.

⁽³⁾ Market price for imported hardwood dissolving price into China issued daily by the CCF Group.

return to full paperboard capacity utilisation at the Somerset Mill during the quarter. Although sales volumes also improved in Europe, the market conditions remained challenging and the underlying demand for many of our products was negatively impacted by weak downstream consumer sentiment in the region. Underlying demand in South Africa was healthy, but sales volumes continued to be impacted by overstocked paper supply chains. Selling prices came under significant pressure in the second half of FY2023 and were 13% below the prior year. Cost savings were insufficient to offset the negative impact of the lower selling price and profitability for the segment declined compared to last year.

Earnings per share excluding special items for the quarter was 12 US cents, which was slightly above the 11 US cents in the prior year. Special items reflected a net expense of US\$46 million due primarily to closure and restructuring costs for the Stockstadt and Lanaken Mills.

CASH FLOW AND DEBT

Net cash utilised for the quarter of US\$234 million was principally due to a cash outflow of US\$133 million for the closure and restructuring of the Stockstadt and Lanaken Mills, a dividend payment of US\$84 million and a seasonal working capital investment of US\$45 million. Capital expenditure of US\$65 million was below that of last year due to the phasing of capital spending for the Somerset PM2 conversion and expansion project, which will be more heavily weighted towards the second half of FY2024.

Net debt of US\$1,366 million was US\$150 million above last quarter. This was due to the net cash utilised as discussed above, offset by a positive currency translation effect of US\$31 million due to a stronger US Dollar on our Euro-denominated debt and a US\$57 million conversion of debt to equity associated with Sappi Southern Africa's 5.25% senior unsecured convertible registered bonds. Liquidity comprised cash on hand of US\$392 million and US\$662 million from the committed unutilised revolving credit facilities (RCF) in South Africa and Europe.

Operating review for the quarter

Employees

4,558

Sales offices

Production
facilities

12
8



EUROPE

	Quarter ended				
	Mar 2024	Dec 2023	Sept 2023	Jun 2023	Mar 2023
€ million					
Sales – tons 000's	495	494	469	434	438
Sales	540	534	537	543	592
Operating profit (loss) excluding special items	10	2	(50)	(16)	–
<i>Operating profit (loss) excluding special items to sales (%)</i>	1.9	0.4	(9.3)	(2.9)	–
EBITDA excluding special items	32	26	2	3	20
<i>EBITDA excluding special items to sales (%)</i>	5.9	4.9	0.4	0.6	3.4
RONOA <i>pa (%)</i>	4.2	0.8	(18.2)	(5.5)	–

Profitability of the European business continued to recover slowly from the lows of the second half of FY2023. The improvement was driven by increased year-on-year sales volumes and cost savings, offset to some extent by selling price reductions across all product categories. A notable increase in capacity utilisation was achieved due to the successful transfer of Stockstadt and Lanaken sales volumes to our other assets following the termination of production at both mills in the prior quarter.

Domestic European demand for graphic papers showed signs of recovery during the quarter but remains substantially lower than two years ago. Higher sales volumes and cost savings more than offset lower selling prices, leading to improved profitability for the segment compared to last year. Despite the challenging market environment, selling prices were relatively stable quarter-on-quarter. Production and sales volumes of coated mechanical paper from the Kirkniemi Mill were negatively impacted during the quarter

by political strikes in Finland, which closed the nation's ports for more than four weeks during the period.

Packaging and speciality papers sales volumes improved relative to both the prior year and quarter as inventory levels normalised following the unprecedented stock build of last year. The generally weak European economy continued to negatively impact consumer confidence and sluggish underlying demand exerted pressure on selling prices, which were significantly lower year-on-year.

Variable costs were 16% below last year, driven by lower purchased pulp and wood costs. However, variable costs increased from the prior quarter on the back of rising pulp prices, which were boosted by supply disruptions in Europe due to the Finnish port strikes and mechanical failures at several European pulp mills. Fixed costs were 17% below the prior year due to the strategic restructuring of the European business.

Employees
2,073

Sales offices
Production
facilities

6
4



NORTH AMERICA

	Quarter ended				
	Mar 2024	Dec 2023	Sept 2023	Jun 2023	Mar 2023
US\$ million					
Sales – tons 000's	361	320	360	305	330
Sales	450	398	431	395	458
Operating profit (loss) excluding special items	29	23	37	4	43
<i>Operating profit (loss) excluding special items to sales (%)</i>	6.4	5.8	8.6	1.0	9.4
EBITDA excluding special items	51	46	60	27	66
<i>EBITDA excluding special items to sales (%)</i>	11.3	11.6	13.9	6.8	14.4
RONOA <i>pa (%)</i>	8.4	6.8	10.9	1.2	12.6

The North American business delivered a good performance despite a slower-than-expected recovery in demand for graphic papers. A strong increase in paperboard sales volumes combined with cost savings offset lower selling prices for packaging.

Graphic papers demand improved sequentially, but at a slower pace than anticipated, as the market recovery continues to be hampered by weak demand in the magazine and catalogue categories. Selling prices were resilient during the quarter and combined with lower costs ensured margins remained healthy despite the lower sales volumes.

Sales volumes for packaging and speciality papers rebounded strongly, particularly for paperboard, driving a

return to full capacity utilisation of our Somerset PM1 machine during the quarter. Selling prices were 14% below the peak in the prior year.

Demand in the pulp segment was strong and sales volumes for Verve⁽⁴⁾ were 16% higher than the previous year. Pulp sales volumes included 49,000 tons of paper pulp⁽⁵⁾. Selling prices for both dissolving pulp and bleached chemi-thermomechanical pulp (BCTMP) were below last year but increased relative to the prior quarter supported by the improving pulp market conditions.

Variable costs were 9% below last year, with savings achieved for all major input categories. Fixed costs were 5% above the prior year primarily due to higher personnel costs.

⁽⁴⁾ Verve is the brand name for Sappi dissolving pulp.

⁽⁵⁾ Pulp sales included 46 000 tons of high yield bleached chemi-thermomechanical pulp (BCTMP) and 3 000 tons of kraft market pulp.

Operating review for the quarter continued

Employees

4,591

Sales offices

3

Production facilities

5



SOUTH AFRICA

	Quarter ended				
	Mar 2024	Dec 2023	Sept 2023	Jun 2023	Mar 2023
ZAR million					
Sales – tons 000's	611	592	740	773	765
Sales	6,418	6,011	7,154	6,781	6,604
Operating profit (loss) excluding special items ⁽¹⁾	1,358	1,124	1,426	942	959
Operating profit (loss) excluding special items to sales (%) ⁽¹⁾	21.2	18.7	19.9	13.9	14.5
EBITDA excluding special items ⁽¹⁾	1,736	1,517	1,854	1,335	1,332
EBITDA excluding special items to sales (%) ⁽¹⁾	27.0	25.2	25.9	19.7	20.2
RONOA pa (%) ⁽¹⁾	16.4	14.0	18.6	12.5	12.7

⁽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 solid performance with profitability benefiting from significant cost savings and a ZAR56 million forestry fair value price adjustment.

Demand for Verve⁽⁴⁾ was robust during the quarter as VSF operating rates increased following the Chinese Lunar New Year. A weaker ZAR/USD exchange rate more than offset the lower year-on-year USD selling prices resulting in improved margins for the segment.

Depressed global containerboard demand and relatively low international market prices continued to create an

opportunity for imports leading to ongoing elevated downstream inventory levels within our customer base. However, margins remained stable as cost savings offset the slightly lower sales volumes and pricing compared to the prior year.

Office paper and newsprint markets remained challenging with cost savings being the key driver for margin preservation for the graphic papers segment.

Variable costs were 7% below the prior year due to lower wood, chemical and delivery costs. Fixed costs were well managed with a year-on-year increase of 6%.

⁽⁴⁾ Verve is the brand name for Sappi dissolving pulp.

DIRECTORATE

At the Annual General Meeting (AGM) on 07 February 2024, Sir Nigel Rudd retired as Independent Chairman and from all other board positions including his role as Chairman of the Nomination and Governance Committee and member of the Human Resources and Compensation Committee. Mr Nkateko (Peter) Mageza retired as an Independent Non-executive Director and from all other board positions including his role as Chairman of the Audit and Risk Committee and member of the Human Resources and Compensation Committee.

Mr Nkululeko Sowazi was appointed by the board as Chairman effective from 08 February 2024. Mr Sowazi also assumes the chairmanship of the Nomination and Governance Committee and resigned his position as a member of the Audit and Risk Committee.

The appointment of Ms Zola Malinga as Chairman of the Audit and Risk Committee was approved by shareholders at the AGM on 07 February 2024.

On 08 May 2024, the board approved the appointments of Independent Non-executive Directors Mr James Lopez and Mr Louis von Zeuner as members of the Human Resources and Compensation Committee.

POST-BALANCE SHEET EVENTS

On 10 April 2024, the Sappi Southern Africa SSA08 ZAR1.5 billion public bond was refinanced. The new ZAR1.5 billion bond was placed in three-year (ZAR600 million), five-year (ZAR600 million) and seven-year (ZAR300 million) tranches to spread the

maturity profile of the Sappi Southern Africa debt maturities. The bond has two sustainability key performance indicators, making it the first Sappi bond with such targets and successfully leveraging the benefits of our sustainable finance framework.

OUTLOOK

The third quarter is seasonally the weakest in terms of demand for our products. However, market sentiment is generally improving across all of our product segments and Sappi is well positioned with healthy cash reserves and liquidity to manage current market uncertainties.

Dissolving pulp demand remains healthy, buoyed by low inventory levels across the VSF value chain. VSF pricing has faced downward pressure in recent weeks, which could be a risk for DP pricing in the third quarter. However, the high operating rates through the VSF value chain and relatively constrained DP supply landscape continue to offer support for DP prices.

Graphic papers demand is expected to continue its slow recovery in the third quarter, but the market fundamentally remains in oversupply and industry operating rates remain below historical levels. Our European restructuring programme has significantly increased our capacity utilisation which, combined with the fixed cost savings, is expected to improve our competitive position. We continue to diligently adapt our product and market mix to match demand in North America ahead of the Somerset PM2 conversion and expansion in 2025.

The sale of the Stockstadt Mill site is on track to be concluded in the third quarter.

Packaging and speciality papers markets continue to improve across all regions, and we expect good demand in North America and South Africa. Market conditions in Europe generally remain subdued due to the persistently weak economy and low consumer confidence.

Variable costs have reduced substantially from the peak in 2023 but have plateaued in the second quarter and remain above historical levels for many of our input categories. Globally, pulp market prices have started rising, which could negatively impact the profitability of our paper businesses, particularly in Europe where proactive margin management will be required. In the third quarter, the Saiccor and Somerset Mills will take scheduled maintenance shuts, which will have an estimated impact of US\$30 million on group profitability.

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 remain committed to disciplined capital allocation as we execute our strategy to reduce exposure to graphic papers markets while investing for growth in renewable packaging, dissolving pulp and biomaterials.

The plantation fair value price adjustment for the third quarter is expected to be slightly negative due to higher fuel costs and discount rates. Notwithstanding the gradual improvement in paper markets and taking into consideration the planned maintenance shuts in the quarter, we anticipate that EBITDA⁽²⁾ (excluding the fair value price adjustment) for the third quarter of FY2024 will be below that of the second quarter but substantially above last year.

On behalf of the board

SR Binnie
Director

GT Pearce
Director

09 May 2024

⁽²⁾ EBITDA in this report excludes special items.

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 cyclicity, 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		Reviewed Half-year ended	
		Mar 2024	Mar 2023	Mar 2024	Mar 2023
Sales		1,352	1,442	2,624	3,102
Cost of sales		1,143	1,238	2,227	2,570
Gross profit		209	204	397	532
Selling, general and administrative expenses		101	86	201	182
Other operating (income) expenses		37	10	216	10
Share of (profit) loss from equity accounted investees		1	–	3	1
Operating profit (loss)	3	70	108	(23)	339
Net finance costs		17	18	31	18
Finance costs		25	29	51	54
Finance income		(6)	(9)	(16)	(32)
Net foreign exchange gain		(2)	(2)	(4)	(4)
Profit (Loss) before taxation		53	90	(54)	321
Taxation		24	21	43	62
Profit (Loss) for the period		29	69	(97)	259
Basic earnings per share (US cents)	4	5	12	(17)	46
Weighted average number of shares in issue (millions)		571.6	568.1	565.5	567.1
Diluted earnings per share (US cents)	4	5	12	(17)	43
Weighted average number of shares on fully diluted basis (millions)		580.9	606.7	574.8	605.7

Condensed group statement of other comprehensive income

US\$ million	Quarter ended		Reviewed Half-year ended	
	Mar 2024	Mar 2023	Mar 2024	Mar 2023
Profit (Loss) for the period	29	69	(97)	259
Other comprehensive income, net of tax				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
	–	(2)	–	(2)
Actuarial gains (losses) on post-employment benefit funds	–	(3)	–	(3)
Tax effect	–	1	–	1
<i>Items that may be reclassified subsequently to profit or loss</i>	(31)	(65)	(6)	5
Exchange differences on translation of foreign operations	(23)	(63)	(7)	(24)
Movements in hedging reserves	(9)	(3)	1	32
Tax effect	1	1	–	(3)
Total comprehensive income for the period	(2)	2	(103)	262

Condensed group balance sheet

US\$ million	Note	Reviewed	
		Mar 2024	Sept 2023
ASSETS			
Non-current assets		3,832	3,742
Property, plant and equipment		2,911	2,886
Right-of-use assets		73	69
Plantations		533	488
Deferred tax assets		84	75
Goodwill and intangible assets		97	88
Equity accounted investees		10	9
Other non-current assets	8	124	127
Current assets		1,962	2,054
Inventories		831	777
Trade and other receivables		691	658
Derivative financial assets		8	14
Taxation receivable		4	4
Cash and cash equivalents		392	601
Assets held for sale	9	36	–
Total assets		5,794	5,796
EQUITY AND LIABILITIES			
Shareholders' equity			
Ordinary shareholders' interest		2,319	2,445
Non-current liabilities		2,123	2,035
Interest-bearing borrowings		1,406	1,329
Lease liabilities		67	61
Deferred tax liabilities		396	394
Defined benefit and other liabilities		254	251
Current liabilities		1,352	1,316
Interest-bearing borrowings		263	266
Lease liabilities		22	30
Trade and other payables		939	908
Provisions	8	73	80
Derivative financial liabilities		4	3
Taxation payable		51	29
Total equity and liabilities		5,794	5,796
Number of shares in issue at balance sheet date (millions)		599.4	558.8

Condensed group statement of cash flows

US\$ million	Quarter ended		Reviewed Half-year ended	
	Mar 2024	Mar 2023	Mar 2024	Mar 2023
Profit (Loss) for the period	29	69	(97)	259
<i>Adjustment for:</i>				
Depreciation, felling and amortisation	86	83	173	163
Taxation	24	21	43	62
Net finance costs	17	18	31	18
Defined post-employment benefits paid	(10)	(13)	(14)	(18)
Plantation fair value adjustments	(31)	(30)	(79)	(54)
Asset impairments	3	–	5	–
(Profit) Loss on disposal of held-for-sale assets	–	–	–	1
Net restructuring provisions	5	–	141	–
(Profit) Loss on disposal and written-off assets	–	–	(1)	–
Other non-cash items ⁽¹⁾	5	–	47	11
Cash generated from operations	128	148	249	442
Movement in working capital	(45)	99	(88)	(75)
Closure and restructuring costs paid	(133)	–	(176)	–
Finance costs paid	(25)	(26)	(38)	(65)
Finance income received	7	8	16	15
Taxation (paid) refund	(17)	(11)	(27)	(14)
Dividend paid	(84)	(85)	(84)	(85)
Cash (utilised by) generated from operating activities	(169)	133	(148)	218
Cash utilised in investing activities	(65)	(95)	(155)	(157)
Capital expenditure	(65)	(83)	(140)	(141)
Proceeds on disposal of assets	1	1	2	1
Proceeds on held-for-sale assets	–	–	–	10
Additions to non-current and intangible asset	(1)	(13)	(17)	(27)

⁽¹⁾ Other non-cash items for the half-year ended March 2024 include accruals for closure costs at Lanaken of US\$33 million (€30 million), non-cash movements in the defined benefit liabilities and plan assets of US\$12 million (2023: US\$11 million) and share-based charges of US\$3 million (2023: US\$3 million).

Condensed group statement of cash flows continued

	Quarter ended		Reviewed Half-year ended	
	Mar 2024	Mar 2023	Mar 2024	Mar 2023
US\$ million				
Net cash (utilised) generated	(234)	38	(303)	61
Cash effects of financing activities	95	(74)	94	(317)
Proceeds from interest-bearing borrowings	175	–	215	–
Repayment of interest-bearing borrowings	(74)	(68)	(109)	(306)
Capital lease repayments	(6)	(6)	(12)	(11)
Net movement in cash and cash equivalents	(139)	(36)	(209)	(256)
Cash and cash equivalents at beginning of period	533	593	601	780
Translation effects	(2)	–	–	33
Cash and cash equivalents at end of period	392	557	392	557

Condensed group statement of changes in equity

	Reviewed Half-year ended	
	Mar 2024	Mar 2023
US\$ million		
Balance – beginning of period	2,445	2,358
Profit (Loss) for the period	(97)	259
Other comprehensive income for the period	(6)	3
Issue of shares	58	3
Dividend – 15 US cents	(84)	(85)
Share-based payment reserve	3	3
Balance – end of period	2,319	2,541
Comprising		
Ordinary share capital and premium	739	745
Non-distributable reserves	114	108
Foreign currency translation reserves	(247)	(211)
Hedging reserves	(55)	(53)
Retained earnings	1,768	1,952
Total equity	2,319	2,541

Notes to the condensed group results

1. Basis of preparation

The condensed consolidated interim financial statements for the quarter and half-year ended March 2024 are prepared in accordance with and contain the information required by IAS 34 *Interim Financial Reporting* and the SA financial reporting requirements. The accounting policies applied in the preparation of these interim financial statements 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 09 May 2024.

The condensed consolidated financial statements for the half-year ended March 2024, which include condensed group balance sheet, condensed group income statement, condensed group statements of other comprehensive income, changes in equity and cash flows and notes to the condensed group results, have been reviewed by KPMG Inc., who expressed an unmodified review conclusion. The auditor's report should therefore be read in conjunction with these condensed consolidated financial statements.

2. Segment information

Metric tons (000's)	Quarter ended		Half-year ended	
	Mar 2024	Mar 2023	Mar 2024	Mar 2023
Sales volume				
North America	361	330	681	708
Europe	495	438	989	1,006
South Africa – Pulp and paper	384	399	741	780
Forestry	227	366	462	707
Total	1,467	1,533	2,873	3,201
Which consists of:				
Pulp	377	368	712	725
Packaging and speciality papers	327	299	612	631
Graphic papers	536	500	1,087	1,138
Forestry	227	366	462	707

Notes to the condensed group results continued

2. Segment information continued

US\$ million	Quarter ended		Reviewed Half-year ended	
	Mar 2024	Mar 2023	Mar 2024	Mar 2023
Sales				
North America	450	458	848	984
Europe	586	640	1,161	1,440
South Africa – Pulp and paper	326	351	633	706
Forestry	14	21	28	41
Delivery costs revenue adjustment ⁽¹⁾	(24)	(28)	(46)	(69)
Total	1,352	1,442	2,624	3,102
Which consists of:				
Pulp	311	316	579	659
Packaging and speciality papers	420	440	789	919
Graphic papers	631	693	1,274	1,552
Forestry	14	21	28	41
Delivery costs revenue adjustment ⁽¹⁾	(24)	(28)	(46)	(69)
Operating profit (loss) excluding special items⁽³⁾				
North America	29	43	52	134
Europe	11	1	13	76
South Africa	72	54	132	117
Unallocated and eliminations ⁽²⁾	4	3	5	(1)
Total	116	101	202	326
Which consists of:				
Pulp	52	38	87	96
Packaging and speciality papers	18	22	29	86
Graphic papers	42	39	81	145
Unallocated and eliminations ⁽²⁾	4	2	5	(1)

⁽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		Reviewed Half-year ended	
	Mar 2024	Mar 2023	Mar 2024	Mar 2023
Special items – (gains) losses⁽³⁾				
North America	2	–	2	1
Europe	31	–	207	1
South Africa	5	(12)	8	(17)
Unallocated and eliminations ⁽²⁾	8	5	8	2
Total	46	(7)	225	(13)
Operating profit (loss) by segment				
North America	27	43	50	133
Europe	(20)	1	(194)	75
South Africa	67	66	124	134
Unallocated and eliminations ⁽²⁾	(4)	(2)	(3)	(3)
Total	70	108	(23)	339
EBITDA excluding special items⁽³⁾				
North America	51	66	97	180
Europe	35	23	63	116
South Africa	92	75	173	161
Unallocated and eliminations ⁽²⁾	5	3	6	–
Total	183	167	339	457
Which consists of:				
Pulp	70	56	123	132
Packaging and speciality papers	40	46	74	134
Graphic papers	68	62	136	191
Unallocated and eliminations ⁽²⁾	5	3	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.

Notes to the condensed group results continued

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.

US\$ million	Note	Quarter ended		Reviewed Half-year ended	
		Mar 2024	Mar 2023	Mar 2024	Mar 2023
EBITDA excluding special items⁽³⁾		183	167	339	457
Depreciation and amortisation		(67)	(66)	(137)	(131)
Operating profit excluding special items⁽³⁾		116	101	202	326
Special items – gains (losses)		(46)	7	(225)	13
Plantation price fair value adjustment ⁽³⁾		–	12	–	18
Net restructuring provisions	8	(5)	–	(141)	–
Profit (Loss) on disposal and written-off assets		–	–	1	–
Asset impairments		(3)	–	(5)	–
Profit (Loss) on disposal of held-for-sale assets		–	–	–	(1)
Insurance recoveries		(2)	(4)	2	(1)
Fire, flood, storm and other events	8	(36)	(1)	(82)	(3)
Operating profit (loss)		70	108	(23)	339
Net finance costs		(17)	(18)	(31)	(18)
Profit (Loss) before taxation		53	90	(54)	321
Taxation		(24)	(21)	(43)	(62)
Profit (Loss) for the period		29	69	(97)	259

⁽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	Reviewed Half-year ended	
	Mar 2024	Mar 2023
Net operating assets		
North America	1,395	1,403
Europe	1,094	1,265
South Africa	1,760	1,693
Unallocated and eliminations ⁽²⁾	2	(13)
Total	4,251	4,348
Reconciliation of net operating assets to total assets		
Segment assets	4,251	4,348
Deferred tax assets	84	53
Cash and cash equivalents	392	557
Trade and other payables	939	806
Provisions	73	2
Derivative financial instruments	4	6
Taxation payable	51	53
Liabilities associated with assets held for sale	–	180
Total assets	5,794	6,005

⁽²⁾ Includes the group's treasury operations and insurance captive.

Notes to the condensed group results continued

3. Operating profit (loss)

US\$ million	Note	Quarter ended		Reviewed Half-year ended	
		Mar 2024	Mar 2023	Mar 2024	Mar 2023
Included in operating profit are the following items:					
Depreciation and amortisation		67	66	137	131
Fair value adjustment on plantations (included in cost of sales)					
Fellings		19	17	36	32
Growth		(28)	(18)	(50)	(36)
Price		(3)	(12)	(29)	(18)
		(12)	(13)	(43)	(22)
Net restructuring provisions	8	5	–	141	–
(Profit) Loss on disposal and written-off assets		–	–	(1)	–
Asset impairments		3	–	5	–
(Profit) Loss on disposal of held-for-sale assets		–	–	–	1
Insurance recoveries		2	4	(2)	1

4. Earnings per share

	Quarter ended		Reviewed Half-year ended	
	Mar 2024	Mar 2023	Mar 2024	Mar 2023
US\$ million				
Basic earnings per share (US cents)	5	12	(17)	46
Headline earnings per share (US cents)	5	12	(16)	46
EPS excluding special items (US cents)	12	11	20	41
Weighted average number of shares in issue (millions)	571.6	568.1	565.5	567.1
Diluted earnings per share (US cents)	5	12	(17)	43
Diluted headline earnings per share (US cents)	5	11	(16)	43
Weighted average number of shares on fully diluted basis (millions)	580.9	606.7	574.8	605.7
Calculation of headline earnings				
Profit (Loss) for the period	29	69	(97)	259
(Profit) Loss on disposal and write-off of property, plant and equipment	–	–	(1)	–
Asset impairments	3	–	5	–
(Profit) Loss on disposal of held-for-sale assets	–	–	–	1
Tax effect of above items	–	–	–	(1)
Headline earnings	32	69	(93)	259
Calculation of earnings excluding special items				
Profit (Loss) for the period	29	69	(97)	259
Special items after tax	41	(4)	218	(10)
Special items	46	(7)	225	(13)
Tax effect	(5)	3	(7)	3
Finance costs	–	–	–	(15)
Tax special items	(1)	–	(6)	–
Earnings excluding special items	69	65	115	234

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.

US\$ million	Classification	Fair value hierarchy	Fair value ⁽¹⁾	
			Reviewed	
			Mar 2024	Sept 2023
Investment funds ⁽²⁾	FV through OCI	Level 1	5	4
Derivative financial assets	FV through PL	Level 2	8	14
Derivative financial liabilities	FV through PL	Level 2	4	3

⁽¹⁾ The fair value of the financial instruments is 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, the volatility of the applied credit spreads, and 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 that 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

	Reviewed	
	Mar 2024	Sept 2023
US\$ million		
Contracted	286	269
Approved but not contracted	276	320
	562	589

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

	Reviewed	
	Mar 2024	Sept 2023
US\$ million		
Non-current and current interest-bearing borrowings	1,669	1,595
Non-current and current lease liabilities	89	91
Less: Cash and cash equivalents	(392)	(601)
Net debt	1,366	1,085
As at March 2024, the group was in compliance with its debt covenants:		
Covenant leverage ratio	2.3	1.4
Interest cover	9.9	11.4

8. Material balance sheet movements

Since the 2023 financial year-end, the Euro and the ZAR have strengthened and weakened by approximately 2.1% and 0.3% respectively against the US Dollar, the group's presentation currency. This has resulted in an increase in the group's European assets and liabilities and a decrease in the group's South African assets and liabilities, which are held in the aforementioned functional currency, on translation to the presentation currency at period-end.

Ordinary shareholders' interest

In March, the group issued 39.5 million ordinary shares amounting to US\$58 million to settle the residual ZAR1.2 billion 5.25% Convertible Bonds issued by Sappi's wholly owned subsidiary, Sappi Southern Africa Limited, on 25 November 2020.

Other non-current assets

All remaining members of the South African defined benefit fund were transferred to the provident fund on 28 February 2024. This resulted in a settlement loss of US\$2 million (ZAR37 million).

Provisions

Closure costs of US\$62 million (€58 million) included in "Fire, flood, storm and other events" and restructuring costs of US\$140 million (€129 million) included in "Net restructuring provisions" were raised during the half-year for the closure of our Stockstadt and Lanaken Mills within our European segment.

9. Assets held for sale

The held-for-sale assets relate to the land and buildings of the group's Stockstadt Mill, which was closed during the prior year.

10. Related parties

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

11. Events after balance sheet date

On 10 April 2024, the Sappi Southern Africa SSA08 US\$79 million (ZAR1.5 billion public bond) was refinanced. The new US\$79 million (ZAR1.5 billion bond) was placed in three-year US\$32 million (ZAR600 million), five-year US\$32 million (ZAR600 million) and seven-year US\$16 million (ZAR300 million) tranches to spread the maturity profile of the Sappi Southern Africa debt maturities. The bond has two sustainability KPIs, making it the first Sappi bond with such targets.

In May 2024, the group received US\$47 million (€43 million) proceeds for the sale of the group's Stockstadt held-for-sale assets.

12. 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 1/2023, as issued by the South African Institute of Chartered Accountants, 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 the 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		Half-year ended	
	Mar 2024	Mar 2023	Mar 2024	Mar 2023
Key figures (ZAR million)				
Sales	25,523	25,594	49,338	54,841
Operating profit excluding special items ⁽¹⁾	2,190	1,793	3,798	5,763
Special items – (gains) losses ⁽¹⁾	868	(124)	4,231	(230)
EBITDA excluding special items ⁽¹⁾	3,455	2,964	6,374	8,079
Profit for the period	547	1,225	(1,824)	4,579
Basic earnings per share (SA cents)	96	216	(323)	807
Net debt ⁽¹⁾	25,775	21,796	25,775	21,796
Key ratios (%)				
Operating profit excluding special items to sales	8.6	7.0	7.7	10.5
Operating profit excluding special items to capital employed (ROCE) ⁽¹⁾	13.2	10.9	11.1	17.6
EBITDA excluding special items to sales	13.5	11.6	12.9	14.7

⁽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.

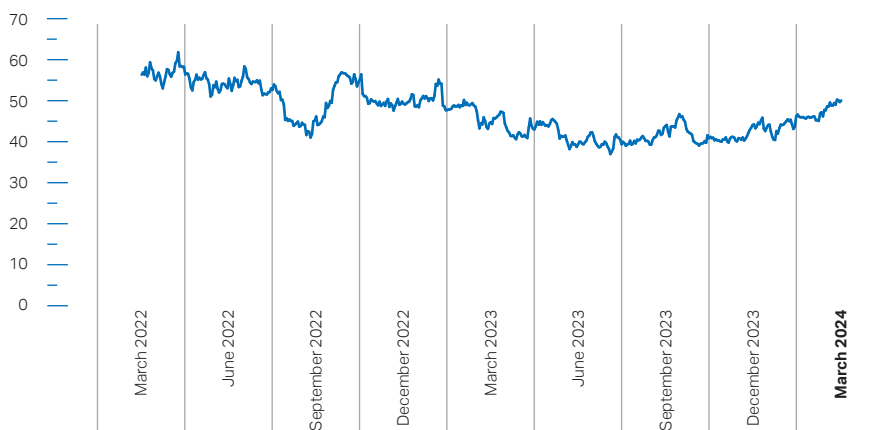
Supplemental information continued

(this information has not been audited or reviewed)

Exchange rates

	Mar 2024	Dec 2023	Sept 2023	Jun 2023	Mar 2023
Exchange rates:					
Period-end rate: US\$1 = ZAR	18.8688	18.2969	18.9299	18.8338	17.7927
Average rate for the quarter: US\$1 = ZAR	18.8776	18.7269	18.6387	18.6817	17.7489
Average rate for the year to date: US\$1 = ZAR	18.8027	18.7269	18.1791	18.0221	17.6792
Period-end rate: €1 = US\$	1.0795	1.1037	1.0572	1.0912	1.0841
Average rate for the quarter: €1 = US\$	1.0860	1.0763	1.0881	1.0887	1.0729
Average rate for the year to date: €1 = US\$	1.0811	1.0763	1.0679	1.0612	1.0475

Sappi share price – March 2022 to March 2024



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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