Sappi Group
(Sappi Limited)
THIRD QUARTER: FISCAL YEAR 2023
FINANCIAL RESULTS AND OPERATIONAL DATA ENDED
2 JULY 2023

3 AUGUST 2023

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 2022 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.

sappi

Third Quarter Results

for the period ended June 2023

"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			Nine months ended	
	Jun 2023	**Jun 2022**	**Mar 2023**	**Jun 2023**	**Jun 2022**
Key figures (US$ million)					
Sales	**1,326**	1,818	1,442	**4,428**	5,373
Operating profit (loss) excluding special items[1]	**41**	300	101	**367**	720
Special items – loss (gain)[2]	**(15)**	34	(7)	**(28)**	55
EBITDA excluding special items[1]	**106**	371	167	**563**	948
Profit (Loss) for the period	**40**	199	69	**299**	510
Basic earnings per share (US cents)	**7**	35	12	**53**	91
EPS excluding special items (US cents)[3]	**5**	39	11	**46**	94
Net debt[3]	**1,176**	1,530	1,225	**1,176**	1,530
Key ratios (%)					
Operating profit (loss) excluding special items to sales	**3.1**	16.5	7.0	**8.3**	13.4
Operating profit (loss) excluding special items to capital employed (ROCE)[3]	**4.4**	29.8	11.0	**13.6**	24.5
EBITDA excluding special items to sales	**8.0**	20.4	11.6	**12.7**	17.6
Net debt to EBITDA excluding special items	**1.2**	1.4	1.0	**1.2**	1.4
Covenant leverage ratio[3]	**1.2**	1.4	0.9	**1.2**	1.4
Interest cover[3]	**9.6**	12.2	13.4	**9.6**	12.2
Net asset value per share (US cents)[3]	**446**	421	447	**446**	421

(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.*

Highlights for the quarter

EBITDA excluding special items

US$106 million

(Q3 FY22: US$371 million)

Net debt of

US$1,176 million

(Q3 FY22: US$1,530 million)

Profit for the period

US$40 million

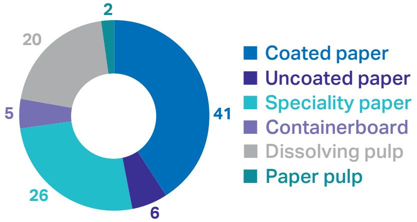
(Q3 FY22: US$199 million)

EPS excluding special items

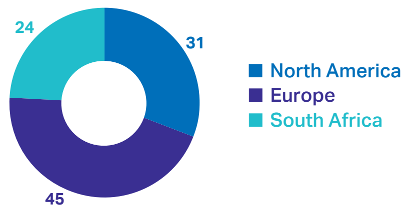
5 US cents

(Q3 FY22: 39 US cents)

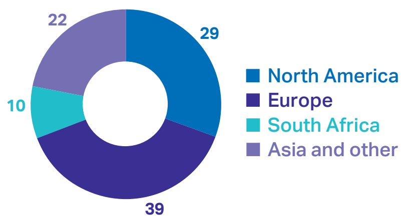
SALES BY PRODUCT* (%)



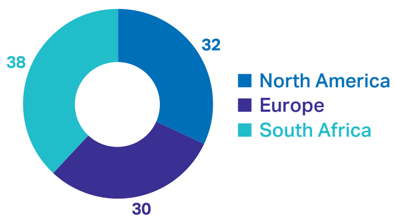
SALES BY SOURCE* (%)



SALES BY DESTINATION* (%)



NET OPERATING ASSETS (EX CORPORATE)** (%)



* *For the period ended June 2023.*

** *As at June 2023.*

Commentary on the quarter[1]

The group faced persistent challenges in the global economy and encountered ongoing weakness in paper and pulp markets, leading to a reduction in EBITDA to US$106 million for the quarter ended June 2023. Specifically, the paper businesses experienced a significant downstream destocking cycle. Customers reduced their inventories in anticipation of lower prices, thereby affecting demand. In response, we proactively curtailed excess production in Europe and North America, implemented various cost-saving initiatives across our operations, and applied measures to optimise working capital. The profitability of the South African business was more stable, bolstered by the dissolving pulp business. Despite the challenging economic environment, we generated cash in the quarter and liquidity in the group remained strong.

Demand for dissolving pulp (DP) remained positive supported by sustained high operating rates for viscose staple fibre (VSF) and a recovery in pricing for alternative textile fibres such as cotton. However, the hardwood DP market price[2] declined from US$920/ton to US$870/ton during the quarter, driven primarily by the weak Chinese Renminbi exchange rate against the US Dollar, relatively low VSF pricing and the sluggish global economy. Our mills were fully sold supported by long-term contracts. Enhanced plant stability at the Saiccor Mill and the absence of maintenance shuts at the Ngodwana and Cloquet Mills resulted in improved production volumes for the segment. Operations in the comparative quarter of last year were constrained by the floods in South Africa, and contributed to the pulp segment increasing sales volumes by 46% year-on-year. The higher sales volumes offset the negative impact of lower selling prices and the segment maintained flat year-on-year EBITDA margins.

Continued weakness in graphic paper markets during the quarter was driven primarily by the destocking cycle and negative consumer sentiment. Selling prices remained resilient at 5% above

[1] *"year-on-year" or "prior/previous/last year" is a comparison between Q3 FY2023 versus Q3 FY2022; "quarter-on-quarter" or "prior/previous/last quarter" is a comparison between Q3 FY2023 and Q2 FY2023.*

[2] *Market price for imported hardwood dissolving pulp into China issued daily by the CCF Group.*

last year's levels, despite facing a 45% reduction in sales volumes compared to the prior year. However, the combination of reduced sales volumes and higher costs had an adverse effect on segmental EBITDA, leading to a substantial decline in margins compared to the previous year's highs.

Similarly, weak trading conditions and high inventory levels were observed in the packaging and speciality papers segment where sales volumes decreased by 26% compared to the prior year. Although year-on-year selling prices were higher and variable costs were lower, the impact of the lower sales volumes resulted in reduced profitability in the segment.

Earnings per share excluding special items for the quarter was 5 US cents, a decrease from the 39 US cents in the prior year. Special items increased earnings by US$15 million due to a positive plantation fair value adjustment of US$20 million offset primarily by insurance-related adjustments.

CASH FLOW AND DEBT

Net cash generated for the quarter of US$73 million was impacted by the lower profitability and was thus substantially below the US$170 million in the prior year. Capital expenditure of US$62 million was aligned with the anticipated spend for the year. Working capital reduced by US$89 million.

Despite the difficult economic environment and the share buyback of US$22 million during the quarter, further progress was made towards our net debt target of US$1 billion. Net debt decreased by US$49 million from the prior quarter to US$1,176 million.
A stronger Euro/US Dollar exchange rate resulted in Euro-denominated debt being converted at a higher rate and negatively impacted net debt by US$105 million for the year to date. Liquidity remains healthy with cash on hand of US$504 million and US$668 million from unutilised committed revolving credit facilities (RCF) in South Africa and Europe.

Europe

Sales offices 12

Production facilities 10

EUROPE

€ million	Quarter ended Jun 2023	Mar 2023	Dec 2022	Sept 2022	Jun 2022
Sales – tons	**434**	438	568	757	780
Sales	**543**	592	783	982	943
Operating profit excluding special items	**(16)**	–	73	102	173
Operating profit excluding special items to sales (%)	***(2.9)***	*–*	*9.3*	*10.4*	*18.3*
EBITDA excluding special items	**3**	20	91	130	200
EBITDA excluding special items to sales (%)	***0.6***	*3.4*	*11.6*	*13.2*	*21.2*
RONOA pa (%)	***(5.5)***	*–*	*23.8*	*30.7*	*49.0*

The weak European economy and ongoing downstream destocking created difficult trading conditions for our European business. Production was proactively adjusted to align with lower market demand and working capital was managed accordingly. Despite benefiting from a 4% increase in year-on-year selling prices, the region's profitability was negatively impacted by variable cost inflation and lower sales volumes.

The destocking cycle and uncertain economic outlook caused a 47% decrease in year-on-year sales volumes of graphic papers. The packaging and speciality papers segment also experienced a decline but at a relatively lower rate of 34%. Sales volumes in both segments were flat compared to the prior quarter signalling that the destocking cycle has potentially reached its lowest point.

Variable costs across most input categories reduced during the quarter although this was partially offset by reduced operational efficiencies due to the extensive operational downtime. Fixed costs were 7% below the prior year predominantly due to personnel cost savings.

North America

Sales offices | 6
Production facilities | 4

NORTH AMERICA

US$ million	Quarter ended Jun 2023	Mar 2023	Dec 2022	Sept 2022	Jun 2022
Sales – tons	**305**	330	378	423	437
Sales	**395**	458	526	586	566
Operating profit excluding special items	**4**	43	91	121	97
Operating profit excluding special items to sales (%)	***1.0***	*9.4*	*17.3*	*20.6*	*17.1*
EBITDA excluding special items	**27**	66	114	143	118
EBITDA excluding special items to sales (%)	***6.8***	*14.4*	*21.7*	*24.4*	*20.8*
RONOA pa (%)	***1.2***	*12.6*	*27.6*	*37.1*	*29.2*

Paper sales volumes declined sharply during the quarter due to ongoing destocking throughout the supply chain. The region's profitability was adversely impacted by a combination of 30% lower sales volumes, higher variable costs and flat selling prices relative to the prior year.

Sales volumes of graphic paper reduced by 46% compared to the previous year and were 21% below the prior quarter. The contraction in sales volumes for packaging and speciality paper was comparatively less severe, with declines of 37% and 9% from the prior year and previous quarter respectively.

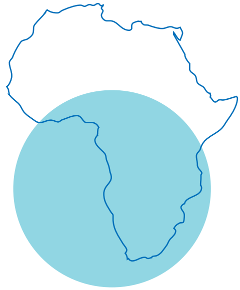
In the pulp segment, overall sales volumes were marginally better than last year as bleached hardwood kraft (BHK) market sales were able to offset lower volumes for bleached chemi-thermomechanical pulp (BCTMP) and somewhat lower volumes for Verve[3]. However, profitability of the segment was impacted by a reduction in selling prices for both Verve[3] and BCTMP, which dropped from the highs of the prior year.

Variable costs reduced during the quarter but the benefits were insufficient to offset the reduction in net selling prices, which decreased 7% compared to the prior quarter. Fixed costs were 9% below the prior year primarily driven by reductions in maintenance and personnel costs.

[3] *Verve is the brand name for Sappi dissolving pulp.*

Operating review for the quarter

continued



South Africa

Sales offices 6

Production facilities 5

SOUTH AFRICA

ZAR million	Quarter ended Jun 2023	Mar 2023	Dec 2022	Sept 2022	Jun 2022
Sales – tons	**773**	765	722	801	654
Sales	**6,781**	6,604	6,602	6,326	4,202
Operating profit excluding special items	**942**	959	1,109	1,511	214
Operating profit excluding special items to sales (%)	***13.9***	*14.5*	*16.8*	*23.9*	*5.1*
EBITDA excluding special items	**1,335**	1,332	1,514	1,881	556
EBITDA excluding special items to sales (%)	***19.7***	*20.2*	*22.9*	*29.7*	*13.2*
RONOA pa (%)	***12.5***	*12.7*	*15.0*	*21.4*	*3.0*

Profitability of the South African business was stable relative to the prior quarter and significantly higher than the previous year. Higher sales volumes for Verve[3] and a weaker Rand/US Dollar exchange rate offset cost inflation.

Verve[3] sales volumes more than doubled compared to the previous year due to improved plant stability and operating rates following an annual maintenance shut at the Saiccor Mill. Sales volumes in the prior year had been constrained by a scheduled maintenance shut at the Ngodwana Mill and the floods in KwaZulu-Natal, which impacted both operations and sales. A reduction in year-on-year average US Dollar selling prices was more than offset by the significantly weaker Rand/US Dollar exchange rate, which boosted Rand selling prices by 15%.

Containerboard demand was lower due to a downstream inventory build as customers imported product at the end of 2022. Nonetheless, higher year-on-year selling prices offset cost inflation and improved margins for the segment.

Demand for office paper and newsprint slowed during the quarter as improved global logistics and falling international market prices created an opportunity for imports. Nevertheless, higher selling prices offset cost inflation resulting in year-on-year margin gains for these product categories.

[3] *Verve is the brand name for Sappi dissolving pulp.*

The region continued to adjust to the challenges posed by poor domestic rail service, necessitating reliance on road transport routes. Variable costs were 3% higher than the prior year driven by substantially higher wood, energy and chemical costs, which were partially offset by lower ocean freight delivery costs. Fixed costs increased by 6%, predominantly due to higher labour costs.

POST-BALANCE SHEET EVENTS

On 06 July 2023, it was announced that a consultation process has been initiated at the Stockstadt Mill involving management and the Works Council to discuss the future of the mill. This process includes considering the potential closure of the mill and the sale of the site. Consequently, the pulp mill and paper machine may cease operations. In light of these developments, we anticipate incurring a net asset impairment and additional costs related to restructuring and closure.

OUTLOOK

Weak global macroeconomic conditions and a slower than anticipated recovery in the Chinese economy continue to weigh on general consumer sentiment.

DP demand remains strong but there are mixed influences on pricing as the high VSF operating rates and a recovery in cotton prices are offset by lower paper pulp prices. DP market prices have reduced by a further US$30 per ton in July, however, the relatively low stocks of VSF in the value chain may provide some resistance against further price deterioration.

The paper businesses face short-term challenges as the destocking cycle is taking longer than expected. The uncertain economic outlook and reducing commodity prices will likely add pressure as customers are reluctant to build stock and are opting to manage their paper supply on a just-in-time basis. There are, however, indications that the destocking cycle is nearing completion and it is expected that demand will gradually improve throughout the fourth quarter. Sappi is well positioned to benefit from a recovery.

Capital expenditure is estimated to be US$410 million for FY2023 and includes US$79 million for the Somerset PM2 conversion and expansion project. Management remains committed to continued disciplined capital allocation.

Despite the challenging market conditions, liquidity remains healthy and we will continue to diligently manage working capital through production curtailment and adapt our product mix to match demand.

Despite the slow recovery of paper demand and notwithstanding continued margin pressure in all of our market segments, EBITDA in the fourth quarter is likely to be marginally above that of the third quarter.

On behalf of the board

SR Binnie
Director

GT Pearce
Director

03 August 2023

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; and*
- *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 Jun 2023	Quarter ended Jun 2022	Nine months ended Jun 2023	Nine months ended Jun 2022
Sales		**1,326**	1,818	**4,428**	5,373
Cost of sales		**1,200**	1,449	**3,770**	4,399
Gross profit		**126**	369	**658**	974
Selling, general and administrative expenses		**79**	107	**261**	320
Other operating (income) expenses		**(8)**	(2)	**2**	(9)
Share of (profit) loss from equity accounted investees		**(1)**	(2)	**–**	(2)
Operating profit	3	**56**	266	**395**	665
Net finance costs		**14**	22	**32**	75
Finance costs		**25**	27	**79**	83
Finance income		**(7)**	(3)	**(39)**	(6)
Net foreign exchange gain		**(4)**	(2)	**(8)**	(2)
Profit before taxation		**42**	244	**363**	590
Taxation		**2**	45	**64**	80
Profit for the period		**40**	199	**299**	510
Basic earnings per share (US cents)	4	**7**	35	**53**	91
Weighted average number of shares in issue (millions)		**561.2**	564.6	**565.1**	562.6
Diluted earnings per share (US cents)	4	**7**	33	**50**	86
Weighted average number of shares on fully diluted basis (millions)		**599.9**	602.4	**603.9**	600.0

Condensed group statement of other comprehensive income

US$ million	Quarter ended Jun 2023	Quarter ended Jun 2022	Nine months ended Jun 2023	Nine months ended Jun 2022
Profit for the period	**40**	199	**299**	510
Other comprehensive income, net of tax				
Items that will not be reclassified subsequently to profit or loss	**–**	(24)	**(2)**	(34)
Actuarial gains (losses) on post-employment benefit funds	**–**	(32)	**(3)**	(60)
Tax effect	**–**	8	**1**	26
Items that may be reclassified subsequently to profit or loss	**(72)**	(148)	**(67)**	(79)
Exchange differences on translation of foreign operations	**(73)**	(129)	**(97)**	(56)
Movements in hedging reserves	**1**	(22)	**33**	(23)
Tax effect	**–**	3	**(3)**	–
Total comprehensive income for the period	**(32)**	27	**230**	397

Condensed group balance sheet

US$ million	Note	Jun 2023	Reviewed Sept 2022
ASSETS			
Non-current assets		**3,536**	3,430
Property, plant and equipment		**2,764**	2,705
Right-of-use assets		**76**	76
Plantations		**406**	382
Deferred tax assets		**54**	46
Goodwill and intangible assets		**92**	89
Equity accounted investees		**9**	8
Other non-current assets		**134**	123
Derivative financial instruments		**1**	1
Current assets		**2,165**	2,799
Inventories		**756**	780
Trade and other receivables		**520**	939
Derivative financial assets		**3**	8
Taxation receivable		**4**	1
Cash and cash equivalents		**504**	780
Assets held for sale	9	**378**	291
Total assets		**5,701**	6,229
EQUITY AND LIABILITIES			
Shareholders' equity			
Ordinary shareholders' interest	8	**2,489**	2,358
Non-current liabilities		**2,008**	2,347
Interest-bearing borrowings		**1,329**	1,688
Lease liabilities		**64**	66
Deferred tax liabilities		**378**	361
Defined benefit and other liabilities		**237**	232
Current liabilities		**1,204**	1,524
Interest-bearing borrowings		**267**	171
Lease liabilities		**20**	18
Trade and other payables		**695**	1,045
Provisions		**2**	4
Derivative financial liabilities		**9**	21
Taxation payable		**46**	25
Liabilities associated with assets held for sale	9	**165**	240
Total equity and liabilities		**5,701**	6,229
Number of shares in issue at balance sheet date (millions)		**558.1**	565.2

Condensed group statement of cash flows

	Quarter ended		Nine months ended	
US$ million	Jun 2023	Jun 2022	Jun 2023	Jun 2022
Profit for the period	**40**	199	**299**	510
Adjustment for:				
Depreciation, fellings and amortisation	**82**	84	**245**	270
Taxation	**2**	45	**64**	80
Net finance costs	**14**	22	**32**	75
Defined post-employment benefits paid	**(5)**	(5)	**(23)**	(16)
Plantation fair value adjustments	**(38)**	(3)	**(92)**	(14)
(Profit) Loss on disposal of held-for-sale assets	**–**	–	**1**	–
Equity accounted investees impairments	**–**	(3)	**–**	(3)
(Profit) Loss on disposal and written-off assets	**–**	24	**–**	44
Other non-cash items	**(4)**	(12)	**7**	(31)
Cash generated from operations	**91**	351	**533**	915
Movement in working capital	**89**	(71)	**14**	(348)
Finance costs paid	**(33)**	(14)	**(98)**	(52)
Finance income received	**7**	2	**22**	5
Taxation (paid) refund	**(14)**	(7)	**(28)**	(15)
Dividend paid	**–**	–	**(85)**	–
Cash generated from operating activities	**140**	261	**358**	505
Cash utilised in investing activities	**(67)**	(91)	**(224)**	(241)
Capital expenditure	**(62)**	(93)	**(203)**	(234)
Proceeds on disposal of assets	**–**	–	**1**	1
Proceeds on held-for-sale assets	**–**	–	**10**	–
Other non-current asset movements	**(5)**	2	**(32)**	(8)

Condensed group statement of cash flows continued

US$ million	Quarter ended Jun 2023	Quarter ended Jun 2022	Nine months ended Jun 2023	Nine months ended Jun 2022
Net cash generated (utilised)	**73**	170	**134**	264
Cash effects of financing activities	**(130)**	(4)	**(447)**	(15)
Proceeds from interest-bearing borrowings	**–**	1	**–**	48
Repayment of interest-bearing borrowings	**(102)**	1	**(408)**	(46)
Share repurchase	**(22)**	–	**(22)**	–
Capital lease repayments	**(6)**	(6)	**(17)**	(17)
Net movement in cash and cash equivalents	**(57)**	166	**(313)**	249
Cash and cash equivalents at beginning of period	**557**	440	**780**	366
Translation effects	**4**	(36)	**37**	(45)
Cash and cash equivalents at end of period	**504**	570	**504**	570

Condensed group statement of changes in equity

US$ million	Nine months ended Jun 2023	Nine months ended Jun 2022
Balance – beginning of period	**2,358**	1,970
Profit (Loss) for the period	**299**	510
Other comprehensive income for the period	**(69)**	(113)
Issue of shares	**3**	6
Dividend – 15 US cents	**(85)**	–
Share repurchases	**(22)**	–
Share-based payment reserve	**5**	6
Balance – end of period	**2,489**	2,379
Comprising		
Ordinary share capital and premium	**683**	806
Non-distributable reserves	**109**	116
Foreign currency translation reserves	**(243)**	(168)
Hedging reserves	**(52)**	(60)
Retained earnings	**1,992**	1,685
Total equity	**2,489**	2,379

1. Basis of preparation

The condensed consolidated interim financial statements for the quarter and nine months ended June 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 nine months ended June 2023 comprised 39 weeks whereas the nine months ended June 2022 comprised 40 weeks.

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 03 August 2023.

The results are unaudited.

2. Segment information

	Quarter ended		Nine months ended	
Metric tons (000's)	Jun 2023	Jun 2022	Jun 2023	Jun 2022
Sales volume				
North America	**305**	437	**1,013**	1,335
Europe	**434**	780	**1,440**	2,418
South Africa – Pulp and paper	**399**	286	**1,179**	1,131
Forestry	**374**	368	**1,081**	1,072
Total	**1,512**	1,871	**4,713**	5,956
Which consists of:				
Pulp	**378**	259	**1,103**	1,043
Packaging and speciality papers	**296**	399	**927**	1,207
Graphic papers	**464**	845	**1,602**	2,634
Forestry	**374**	368	**1,081**	1,072

2. Segment information continued

US$ million	Quarter ended Jun 2023	Quarter ended Jun 2022	Nine months ended Jun 2023	Nine months ended Jun 2022
Sales				
North America	**395**	566	**1,379**	1,614
Europe	**595**	1,011	**2,035**	2,801
South Africa – Pulp and paper	**341**	246	**1,047**	987
Forestry	**21**	22	**62**	64
Delivery costs revenue adjustment[1]	**(26)**	(27)	**(95)**	(93)
Total	**1,326**	1,818	**4,428**	5,373
Which consists of:				
Pulp	**313**	226	**972**	913
Packaging and speciality papers	**413**	545	**1,332**	1,557
Graphic papers	**605**	1,052	**2,157**	2,932
Forestry	**21**	22	**62**	64
Delivery costs revenue adjustment[1]	**(26)**	(27)	**(95)**	(93)
Operating profit (loss) excluding special items				
North America	**4**	97	**138**	248
Europe	**(16)**	190	**60**	312
South Africa	**50**	13	**167**	158
Unallocated and eliminations[2]	**3**	–	**2**	2
Total	**41**	300	**367**	720
Which consists of:				
Pulp	**23**	12	**119**	146
Packaging and speciality papers	**19**	84	**105**	207
Graphic papers	**(4)**	204	**141**	365
Unallocated and eliminations[2]	**3**	–	**2**	2
Special items – (gains) losses				
North America	**7**	–	**8**	(29)
Europe	**1**	–	**2**	18
South Africa	**(22)**	56	**(39)**	85
Unallocated and eliminations[2]	**(1)**	(22)	**1**	(19)
Total	**(15)**	34	**(28)**	55

(1) *Relates to delivery costs netted off against revenue.*
(2) *Includes the group's treasury operations and insurance captive.*

2. Segment information continued

US$ million	Quarter ended Jun 2023	Quarter ended Jun 2022	Nine months ended Jun 2023	Nine months ended Jun 2022
Operating profit (loss) by segment				
North America	**(3)**	97	**130**	277
Europe	**(17)**	190	**58**	294
South Africa	**72**	(43)	**206**	73
Unallocated and eliminations[2]	**4**	22	**1**	21
Total	**56**	266	**395**	665
EBITDA excluding special items				
North America	**27**	118	**207**	321
Europe	**5**	218	**121**	404
South Africa	**71**	35	**232**	220
Unallocated and eliminations[2]	**3**	–	**3**	3
Total	**106**	371	**563**	948
Which consists of:				
Pulp	**42**	31	**174**	201
Packaging and speciality papers	**43**	108	**177**	281
Graphic papers	**18**	232	**209**	463
Unallocated and eliminations[2]	**3**	–	**3**	3

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

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 believe are material by nature or amount to the operating results and require separate disclosure.

	Quarter ended		Nine months ended	
US$ million	Jun 2023	Jun 2022	Jun 2023	Jun 2022
EBITDA excluding special items	**106**	371	**563**	948
Depreciation and amortisation	**(65)**	(71)	**(196)**	(228)
Operating profit excluding special items	**41**	300	**367**	720
Special items – gains (losses)	**15**	(34)	**28**	(55)
Plantation price fair value adjustment	**20**	(16)	**38**	(44)
Profit (Loss) on disposal and written-off assets	**–**	(24)	**–**	(44)
Profit (Loss) on disposal of held-for-sale assets	**–**	–	**(1)**	–
Equity-accounted investees impairment reversal	**–**	3	**–**	3
Insurance recoveries	**10**	24	**9**	24
Fire, flood, storm and other events	**(15)**	(21)	**(18)**	6
Operating profit	**56**	266	**395**	665
Net finance costs	**(14)**	(22)	**(32)**	(75)
Profit before taxation	**42**	244	**363**	590
Taxation	**(2)**	(45)	**(64)**	(80)
Profit for the period	**40**	199	**299**	510

2. **Segment information** continued

US$ million	Nine months ended Jun 2023	Jun 2022
Net operating assets		
North America	**1,360**	1,300
Europe	**1,267**	1,509
South Africa	**1,603**	1,712
Unallocated and eliminations[2]	**(4)**	19
Total	**4,226**	4,540
Reconciliation of net operating assets to total assets		
Segment assets	**4,226**	4,540
Deferred tax assets	**54**	50
Cash and cash equivalents	**504**	570
Trade and other payables	**695**	1,113
Provisions	**2**	4
Derivative financial instruments	**9**	4
Taxation payable	**46**	26
Liabilities associated with assets held for sale	**165**	–
Total assets	**5,701**	6,307

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

3. Operating profit (loss)

	Quarter ended		Nine months ended	
US$ million	**Jun 2023**	Jun 2022	**Jun 2023**	Jun 2022
Included in operating profit are the following items:				
Depreciation and amortisation	**65**	71	**196**	228
Fair value adjustment on plantations (included in cost of sales)				
Changes in volume				
Fellings	**17**	13	**49**	42
Growth	**(18)**	(19)	**(54)**	(58)
	(1)	(6)	**(5)**	(16)
Plantation price fair value adjustment	**(20)**	16	**(38)**	44
	(21)	10	**(43)**	28
(Profit) Loss on disposal and written-off assets	**–**	24	**–**	44
Asset impairments	**(1)**	–	**–**	–
(Profit) Loss on disposal of held-for-sale assets	**–**	–	**1**	–
Equity-accounted investees impairment reversal	**–**	(3)	**–**	(3)
Insurance recoveries	**(10)**	(24)	**(9)**	(24)

4. Earnings per share

US$ million	Quarter ended Jun 2023	Quarter ended Jun 2022	Nine months ended Jun 2023	Nine months ended Jun 2022
Basic earnings per share (US cents)	**7**	35	**53**	91
Headline earnings per share (US cents)	**7**	35	**53**	93
EPS excluding special items (US cents)	**5**	39	**46**	94
Weighted average number of shares in issue (millions)	**561.2**	564.6	**565.1**	562.6
Diluted earnings per share (US cents)	**7**	33	**50**	86
Diluted headline earnings per share (US cents)	**7**	33	**50**	88
Weighted average number of shares on fully diluted basis (millions)	**599.9**	602.4	**603.9**	600.0
Calculation of headline earnings				
Profit (Loss) for the period	**40**	199	**299**	510
(Profit) Loss on disposal and write off of property, plant and equipment	**–**	–	**–**	20
(Profit) Loss on disposal of held-for-sale assets	**–**	–	**1**	–
Equity-accounted investees impairment reversal	**–**	(3)	**–**	(3)
Tax effect of above items	**–**	–	**(1)**	(5)
Headline earnings	**40**	196	**299**	522
Calculation of earnings excluding special items				
Profit (Loss) for the period	**40**	199	**299**	510
Special items after tax	**(12)**	18	**(22)**	26
Special items	**(15)**	34	**(28)**	55
Tax effect	**3**	(16)	**6**	(29)
Finance costs	**–**	–	**(15)**	–
Tax special items	**–**	6	**–**	(5)
Earnings excluding special items	**28**	223	**262**	531

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] Jun 2023	Fair value[1] Reviewed Sept 2022
Investment funds[2]	FV through OCI	Level 1	**4**	6
Derivative financial assets	FV through PL	Level 2	**4**	9
Derivative financial liabilities	FV through PL	Level 2	**9**	21

(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, 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	Jun 2023	Reviewed Sept 2022
Contracted	**309**	108
Approved but not contracted	**380**	255
	689	363

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

US$ million	Jun 2023	Reviewed Sept 2022
Non-current and current interest-bearing borrowings	**1,596**	1,859
Non-current and current lease liabilities	**84**	84
Less: Cash and cash equivalents	**(504)**	(780)
Net debt	**1,176**	1,163
As at June 2023 the group was in compliance with its debt covenants:		
Covenant leverage ratio	**1.2**	0.9
Interest cover	**9.6**	15.6

8. Material balance sheet movements

Since the 2022 financial year-end, the Euro and the ZAR have strengthened and weakened by approximately 11.34% and 3.75% respectively against the US Dollar, the group's presentation currency. This has resulted in an increase of the group's European assets and liabilities and a decrease of 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

The group issued 1.6 million ordinary shares in December 2022, amounting to US$3 million, to settle just over 2.9% of its subsidiary's convertible bond initial offering of ZAR1.8 billion.

During April and May, the group repurchased 9,256,685 ordinary shares for US$22 million (ZAR400 million) in accordance with its general authority to repurchase shares.

Cash and interest-bearing borrowings

In October 2022, the group offered to purchase for cash a portion of its outstanding 3.125% Senior Notes due in 2026. The result of this tender offer was a repurchase of US$206 million (€210 million) of nominal Senior Notes in the tender offer at a purchase price of 92.41%, yielding a gain of US$15 million (€15 million) net of the accelerated amortisation of upfront costs.

Inventories, trade and other receivables and trade and other payables

The decrease in inventories, trade and other receivables and trade and other payables is largely attributable to lower demand and subsequent lower operating rates.

9. Held-for-sale assets and liabilities

In the prior fiscal year on 29 September 2022, Sappi signed an agreement, subject to certain conditions precedent, to sell its three European graphic paper mills, being Kirkniemi, Stockstadt and Maastricht, to Aurelius Investment Lux One Sarl. The suspensive conditions were regretfully not met and therefore the transaction lapsed. The group continues to hold these graphic paper mills as held-for-sale. The balance sheet values have been updated to June and include trade receivables of US$99 million (€91 million) previously excluded from held-for-sale under the former transaction. There was no impact on the income statement.

	US$ million
Property, plant and equipment	128
Right-of-use assets	11
Other non-current assets	17
Inventories	108
Trade and other receivables	114
Assets held for sale	**378**
Other non-current liabilities	39
Other current liabilities	126
Liabilities associated with assets held for sale	**165**
Net assets classified as held for sale	**213**

10. Related parties

There has been no material change, by nature or amount, in transactions with related parties since the 2022 financial year-end.

11. Events after balance sheet date

On 06 July 2023, the group announced that it had begun a consultation process for the potential closure of its Stockstadt Mill within its European segment. Estimated pre-tax restructuring and asset impairment charges of US$55 million (€52 million) are expected to be incurred in the fourth fiscal quarter.

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 the 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

(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 believe 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, non-cash gains or losses on the price fair value adjustment of plantations 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		Nine months ended	
	Jun 2023	**Jun 2022**	**Jun 2023**	**Jun 2022**
Key figures (ZAR million)				
Sales	**24,772**	28,382	**79,802**	82,796
Operating profit excluding special items[1]	**766**	4,683	**6,614**	11,095
Special items – (gains) losses[1]	**(280)**	531	**(505)**	848
EBITDA excluding special items[1]	**1,980**	5,792	**10,146**	14,608
Profit for the period	**747**	3,107	**5,389**	7,859
Basic earnings per share (SA cents)	**133**	550	**954**	1,397
Net debt[1]	**22,149**	25,097	**22,149**	25,097
Key ratios (%)				
Operating profit excluding special items to sales	**3.1**	16.5	**8.3**	13.4
Operating profit excluding special items to capital employed (ROCE)[1]	**4.5**	30.0	**13.3**	24.1
EBITDA excluding special items to sales	**8.0**	20.4	**12.7**	17.6

[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:

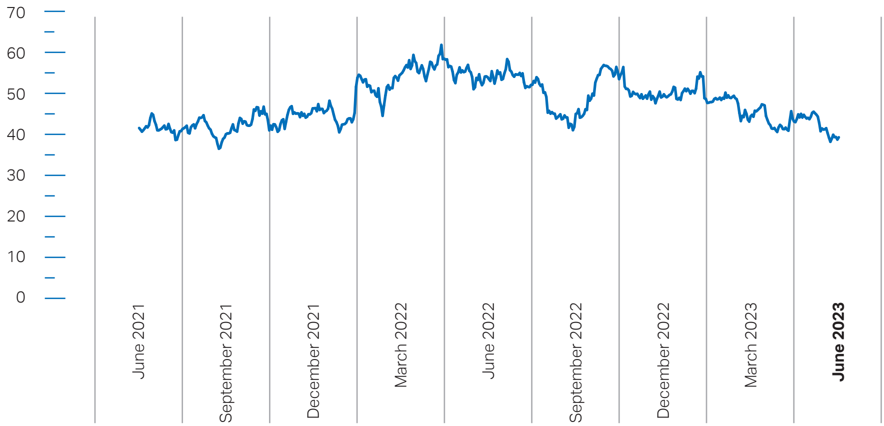
- assets and liabilities at rates of exchange ruling at period-end; and
- income, expenditure and cash flow items at average exchange rates.

(this information has not been audited or reviewed)

Exchange rates

	Jun 2023	Mar 2023	Dec 2022	Sept 2022	Jun 2022
Exchange rates:					
Period-end rate: US$1 = ZAR	**18,8338**	17,7927	17,0119	18,1537	16,4033
Average rate for the quarter: US$1 = ZAR	**18,6817**	17,7489	17,6063	17,0501	15,6115
Average rate for the year to date: US$1 = ZAR	**18,0221**	17,6792	17,6063	15,7829	15,4097
Period-end rate: €1 = US$	**1,0912**	1,0841	1,0704	0,9801	1,0429
Average rate for the quarter: €1 = US$	**1,0887**	1,0729	1,0220	1,0066	1,0638
Average rate for the year to date: €1 = US$	**1,0612**	1,0475	1,0220	1,0853	1,1108

Sappi share price – June 2021 to June 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

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Our purpose

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

SOUTH AFRICA

Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
South Africa

Private Bag X9000
Saxonwold, 2132
South Africa

www.computershare.com

UNITED STATES ADR DEPOSITARY

The Bank of New York Mellon
Investor Relations
PO Box 11258
Church Street Station
New York, NY 10286-1258
Tel +1 610 382 7836

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