Sappi Group
(Sappi Limited)
SECOND QUARTER: FISCAL YEAR 2022
FINANCIAL RESULTS AND OPERATIONAL DATA ENDED
3 APRIL 2022

12 MAY 2022

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;
- the Covid-19 pandemic;
- 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 2021 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

SECOND QUARTER RESULTS

for the period ended March 2022

SECOND QUARTER RESULTS

"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 and 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.

EBITDA excluding special items

US$337 million

(Q2 FY21: US$112 million)

Net debt of

US$1,793 million

(Q2 FY21: US$2,070 million)

Profit for the period

US$188 million

(Q2 FY21: loss of US$23 million)

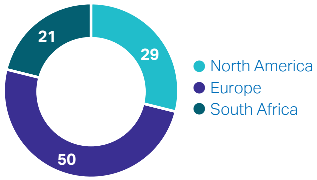
EPS excluding special items

35 US cents

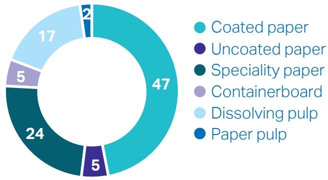
(Q2 FY21: loss of 1 US cent)

Highlights for the quarter

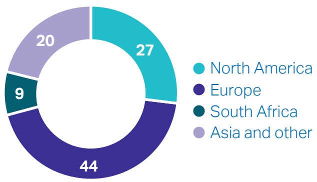
Sales by source* (%)



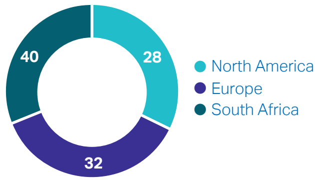
Sales by product* (%)



Sales by destination* (%)



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



* *For the period ended March 2022.*
** *As at March 2022.*

	Quarter ended			Half-year ended	
	Mar 2022	Mar 2021	Dec 2021	**Mar 2022**	Mar 2021
Key figures: (US$ million)					
Sales	**1,858**	1,284	1,697	**3,555**	2,447
Operating profit excluding special items[1]	**259**	31	161	**420**	47
Special items – loss (gain)[2]	**29**	12	(8)	**21**	12
EBITDA excluding special items[1]	**337**	112	240	**577**	210
Profit (Loss) for the period	**188**	(23)	123	**311**	(40)
Basic earnings per share (US cents)	**33**	(4)	22	**55**	(7)
EPS excluding special items (US cents)[3]	**35**	(1)	20	**55**	(2)
Net debt[3]	**1,793**	2,070	1,917	**1,793**	2,070
Key ratios: (%)					
Operating profit (loss) excluding special items to sales	**13.9**	2.4	9.5	**11.8**	1.9
Operating profit (loss) excluding special items to capital employed (ROCE)[3]	**25.8**	3.2	16.5	**20.9**	2.5
EBITDA excluding special items to sales	**18.1**	8.7	14.1	**16.2**	8.6
Net debt to EBITDA excluding special items	**2.0**	6.5	2.8	**2.0**	6.5
Covenant leverage ratio[3]	**2.0**	6.7	2.9	**2.0**	6.7
Interest cover[3]	**9.5**	3.7	6.7	**9.5**	3.7
Net asset value per share (US cents)[3]	**417**	345	353	**417**	345

[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.*

Commentary on the quarter[1]

The group generated EBITDA excluding special items of US$337 million, which was three times that of the prior year. Tight global paper markets were the principal factor behind the quarter's success and enabled the implementation of higher selling prices which offset extraordinary cost inflation. The Russian-Ukrainian conflict triggered renewed volatility in global commodity markets and further disrupted already constrained global supply chains, which intensified cost inflation across all regions and all product segments.

Sales volumes in the pulp segment increased by 9% compared to the prior year on the back of robust demand and improved logistics in South Africa. Pulp sales volumes of 396,000 tons included 51,000 tons of BCTMP[2] and market pulp. The hardwood dissolving pulp (DP) market price[3] rebounded during the latter part of the quarter following positive momentum in global commodity markets including viscose staple fibre (VSF), cotton and polyester. Rising global paper pulp prices, driven by supply constraints due to unplanned production downtime, provided further support for both DP and BCTMP pricing. DP production volumes for the quarter were approximately 57,000 tons below expectation at Saiccor Mill due to unplanned Eskom[4] power outages, raw material supply disruptions and operational challenges which severely disrupted the mill stability. However, the equipment related to the Saiccor Mill expansion project performed in line with expectations. In spite of the negative impacts of congestion and inefficiencies associated with the Durban port, sales volumes were optimised and combined with lower than planned production, effected a reduction of the excess DP inventory from 100,000 tons to 44,000 tons.

A significant recovery in graphic paper demand combined with a reduction in supply, ongoing logistical challenges, and a prolonged labour strike at Finnish paper mills led to an unprecedented global shortage of graphic paper. Sales volumes for the segment increased 12% year-on-year and the tight market dynamics allowed all assets to run at

(1) "year-on-year" or "prior year" is a comparison between Q2 FY2021 versus Q2 FY2022; "quarter-on-quarter" or "prior quarter" is a comparison between Q1 FY2022 and Q2 FY2022.
(2) BCTMP = Bleached thermo mechanical pulp.
(3) Market price for imported hardwood dissolving pulp into China issued daily by the CCF Group.
(4) Eskom is a South African electricity public utility.

full operating rates during the quarter. In order to compensate for escalating cost pressures, a series of selling price increases and energy/freight surcharges were implemented which facilitated margin restoration for the segment.

Packaging and speciality papers sales volumes grew 13% year-on-year, driven by robust global demand and renewed volume growth in Europe. Successful selling price increases and mix improvement offset rising costs and aided margin expansion for the segment. However, periodic contractual commitments deferred some increases in selling prices, particularly in Europe, that are required to restore margins to normalised levels.

Earnings per share excluding special items for the quarter was 35 US cents, which was a further improvement on the 20 US cents in the prior quarter and was indicative of the steadily improving profitability of the group. Special items for the quarter reflected a net expense of US$29 million, which included a negative plantation fair value adjustment of US$13 million and write-off of fixed assets at European mills of US$20 million.

Cash flow and debt

Net cash generated for the quarter was US$105 million, compared to a utilisation of US$53 million in the prior year. This increase was due to significantly improved operating performance, offset somewhat by a rise in working capital related to the higher sales volumes and the inflationary impact of inventories and accounts receivables. For the quarter, working capital as a ratio to net sales of 10% and capital expenditure of US$69 million were in line with expectations.

Progress towards our FY2022 strategic objective to significantly reduce net debt was bolstered by the strong cash generation during the quarter. Net debt of US$1,793 million was US$277 million less than the prior year and is reflective of the substantially improved profitability of the group. In terms of the relevant banking facilities, the covenant leverage ratio reduced to 2.0 times at the end of March 2022, which was a considerable improvement on the 6.7 times last year and 2.9 times in the prior quarter. Liquidity comprised cash on hand of US$440 million and US$689 million from the undrawn committed revolving credit facilities (RCF) in South Africa and Europe.

Operating review for the quarter

Europe

EUR million	Quarter ended Mar 2022	Dec 2021	Sept 2021	Jun 2021	Mar 2021
Sales – tons	**801**	837	757	733	669
Sales	**839**	740	589	536	483
Operating profit (loss) excluding special items	**98**	11	(21)	(15)	(8)
Operating profit (loss) excluding special items to sales (%)	***11.7***	*1.5*	*(3.6)*	*(2.8)*	*(1.7)*
EBITDA excluding special items	**124**	40	12	14	23
EBITDA excluding special items to sales (%)	***14.8***	*5.4*	*2.0*	*2.6*	*4.8*
RONOA pa (%)	***29.1***	*3.4*	*(6.6)*	*(4.7)*	*(2.5)*

A highlight for the quarter was the turnaround of the European business, which achieved a strong second quarter EBITDA of €124 million. The success was despite geopolitical uncertainty and significant input cost inflation.

A decision was taken to suspend sales into Russia and Belarus. Sales to this region in FY2021 represented approximately 3% of European and 1.5% of group sales revenue. However, tight global markets will enable us to place the volumes elsewhere. Purchases of raw materials from this region were negligible and we secured alternative sources of supply where necessary.

The European business was exposed to energy and pulp inflation as it is the least pulp-integrated and is the largest buyer of natural gas within the group. Natural gas and energy costs in Europe soared during the quarter and remain extremely volatile. Similarly, chemical, pulp and delivery costs escalated substantially and therefore the implementation of a series of selling price increases and energy surcharges were required to offset the significantly higher costs.

The market for graphic paper tightened further during the quarter driven by a strong recovery in demand post-Covid-19 combined with supply reduction related to production capacity exiting the market and extended labour strikes in Finland. Sales volumes in the segment were 17% higher than the prior year with all assets running at full operating rates. Customer demand exceeded our supply and orders were managed on an allocation basis and the order book curtailed to six months. Selling price increases implemented during the quarter offset rising costs and restored margins for the segment.

The packaging and speciality papers business experienced strong sales growth of 29% versus the prior year. Robust demand for containerboard, self-adhesives and consumer packaging, as well as a faster than expected ramp-up of sales volumes of label papers from Gratkorn Mill, contributed to the improvement. Selling price increases during the quarter boosted margins in the segment but will need to rise further as periodic contracts mature to restore margins across all product categories.

Variable costs were 51% higher than the prior year and are reflective of the extraordinary inflationary environment. Fixed costs were 19% higher than the prior year due to bad debt provisions related to Russia and personnel cost increases.

North America

US$ million	Quarter ended Mar 2022	Dec 2021	Sept 2021	Jun 2021	Mar 2021
Sales – tons	**445**	453	418	420	426
Sales	**536**	512	458	438	408
Operating profit (loss) excluding special items	**88**	63	65	31	11
Operating profit (loss) excluding special items to sales (%)	***16.4***	*12.3*	*14.2*	*7.1*	*2.7*
EBITDA excluding special items	**114**	89	90	57	35
EBITDA excluding special items to sales (%)	***21.3***	*17.4*	*19.7*	*13.0*	*8.6*
RONOA pa (%)	***26.4***	*19.1*	*19.5*	*9.1*	*3.3*

The North American business delivered another excellent quarter with EBITDA of US$114 million. Tight markets and significantly higher year-on-year selling prices across all product segments contributed to this achievement. However, cost inflation and ongoing logistical supply chain challenges remained as noteworthy headwinds for the business.

Strong demand for graphic paper combined with reduced supply maintained the favourable market dynamics. Sales volumes in the graphic paper segment were slightly higher year-on-year, with volumes constrained by production capacity and low inventory levels. Good progress in product mix optimisation and selling price increase realisation facilitated substantial margin improvement in the segment. Similarly, the packaging and speciality papers business continued to strengthen with year-on-year sales volume growth of 9% and improvement in product mix and price increase realisation driving margin growth.

Sales volumes for the pulp segment were 4% higher than the prior year and included 49,000 tons of high yield BCTMP and 2,000 tons of market pulp. Demand for Sappi Verve[5] remained strong, but erratic vessel and container availability continued to create logistical challenges and inventory levels remain elevated. A combination of higher costs and lower net selling prices resulted in quarter-on-quarter margin squeeze for the Verve business.

Extraordinary cost inflation across all input categories lifted year-on-year variable costs by 14%. Fixed costs were well managed, and the 3% growth was primarily due to the implementation of annual personnel increases.

[5] *Sappi Verve – brand name for dissolving pulp.*

Operating review for the quarter continued

South Africa

ZAR million	Quarter ended Mar 2022	Dec 2021	Sept 2021	Jun 2021	Mar 2021
Sales – tons	**812**	737	720	769	744
Sales	**6,229**	5,765	4,320	4,764	4,743
Operating profit excluding special items	**911**	1,310	793	744	438
Operating profit excluding special items to sales (%)	***14.6***	*22.7*	*18.4*	*15.6*	*9.2*
EBITDA excluding special items	**1,231**	1,603	1,100	1,029	707
EBITDA excluding special items to sales (%)	***19.8***	*27.8*	*25.5*	*21.6*	*14.9*
RONOA pa (%)	***12.9***	*19.0*	*11.8*	*11.2*	*6.6*

The South African business was impacted by significant cost increases, lower net selling prices for DP and production challenges at Saiccor Mill.

Demand for Sappi Verve remained robust and improved conditions at the Durban port and the regular breakbulk vessel facilitated a 9% quarter-on-quarter increase in sales volumes. Unfortunately, unplanned Eskom power outages, raw material supply disruptions and equipment challenges disrupted the Saiccor Mill operational stability and led to a 57,000 ton shortfall in Sappi Verve production for the quarter. The combination of increased sales volumes and lower than planned production resulted in excess inventory reducing to 44,000 tons. Good progress on the Saiccor Mill expansion ramp-up allowed for the earlier than planned conversion of the calcium cooking line to magnesium during the quarter.

Expanding fruit export markets and constrained paper imports into South Africa contributed towards healthy market dynamics for packaging paper. Packaging sales volumes were 1% below the prior year, constrained by production capacity and lower inventory levels following a strong first quarter. Office and newsprint paper markets tightened considerably due to the global shortage of paper and with most newsprint imports into the country originating from Russia. Customer demand exceeded supply for all paper categories.

Year-on-year variable costs rose 23% due to inflation across all categories. Fixed costs increased by 10% primarily due to the Saiccor Mill expansion, additional personnel costs, maintenance and silviculture expenses.

Outlook

Markets across all of our key product segments remain encouraging and selling prices continued to rise in April. Continuing tight graphic paper markets provide an opportunity to maintain profitability in Europe and North America. Additionally, the demand in the packaging and specialities segment remains robust.

DP market indicators remain positive despite operating curtailments in April within the textile value chain in China due to another wave of Covid-19 infections. The differential between cotton and VSF prices continues to be elevated, which should support DP pricing. Subsequent to quarter-end, the market price for hardwood DP increased sharply to US$1,100 per ton. The benefit of the improved DP pricing will be realised in the fourth quarter due to the lag in certain contractual pricing. DP sales volumes in the third quarter will be lower than the prior quarter due to scheduled annual maintenance shuts at Cloquet, Ngodwana and Saiccor Mills, which will have an estimated US$50 million impact on profitability.

In early April, heavy rainfall and extreme storms in the KwaZulu-Natal province of South Africa led to widespread flooding and destruction of infrastructure. Saiccor, Tugela and Stanger Mills, as well as the export warehouse facilities at the Durban port, were impacted and production was temporarily halted. There was no material damage to any of the plants and mill operations resumed from 21 April 2022. Although the Port of Durban officially resumed operations, export deliveries could be negatively impacted for some time due to damage to access roads, congestion and limited availability of vessel space. The estimated impact of the floods was described in a SENS announcement issued on 21 April 2022. We anticipate that there will be no material impact on EBITDA for the year. However, after external insurance proceeds, the estimated net loss of approximately US$28 million will be reflected as a special item expense in the third quarter.

An inflationary macroeconomic environment continues to exert pressures on our cost base across all regions. Additionally, geopolitical volatility within Europe poses a risk to energy and natural gas supplies in the region. We therefore anticipate delivery, chemicals and energy costs to increase further in the third quarter. To counteract the cost inflation, we will continue to focus on improved operating efficiencies, price and mix management.

As previously disclosed, capital expenditure is estimated to be US$395 million for FY2022.

In light of the favourable operating environment, the group is in a strong position to maintain the recent momentum and the underlying EBITDA for the third quarter should be consistent with that of the second quarter subject to the impacts of the annual maintenance shuts.

On behalf of the board

SR Binnie
Director

GT Pearce
Director

12 May 2022

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 Covid-19 pandemic;*
- *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 Mar 2022	Quarter ended Mar 2021	Reviewed Half-year ended Mar 2022	Reviewed Half-year ended Mar 2021
Sales		**1,858**	1,284	**3,555**	2,447
Cost of sales		**1,506**	1,163	**2,950**	2,224
Gross profit		**352**	121	**605**	223
Selling, general and administrative expenses		**105**	95	**213**	180
Other operating (income) expenses	7	**17**	7	**(7)**	8
Share of profit from equity accounted investees		**–**	–	**–**	–
Operating profit	3	**230**	19	**399**	35
Net finance costs		**26**	46	**53**	80
Finance costs		**27**	32	**56**	56
Finance income		**(1)**	(2)	**(3)**	(5)
Net fair value loss on financial instruments		**–**	16	**–**	29
Profit (Loss) before taxation		**204**	(27)	**346**	(45)
Taxation		**16**	(4)	**35**	(5)
Profit (Loss) for the period		**188**	(23)	**311**	(40)
Basic earnings per share (US cents)	4	**33**	(4)	**55**	(7)
Weighted average number of shares in issue (millions)		**561.8**	547.4	**561.7**	546.9
Diluted earnings per share (US cents)	4	**32**	(4)	**52**	(7)
Weighted average number of shares on fully diluted basis (millions)		**602.3**	603.9	**602.1**	602.7

Condensed group statement of other comprehensive income

US$ million	Note	Quarter ended Mar 2022	Quarter ended Mar 2021	Reviewed Half-year ended Mar 2022	Reviewed Half-year ended Mar 2021
Profit (Loss) for the period		**188**	(23)	**311**	(40)
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss		**23**	96	**(10)**	96
Actuarial gains (losses) on post-employment benefit funds	7	**5**	100	**(28)**	100
Tax effect	7	**18**	(4)	**18**	(4)
Items that may be reclassified subsequently to profit or loss		**147**	(7)	**69**	159
Exchange differences on translation of foreign operations		**142**	(9)	**73**	161
Movements in hedging reserves		**9**	6	**(1)**	–
Movement in available for sale financial assets		**–**	(1)	**–**	(1)
Tax effect		**(4)**	(3)	**(3)**	(1)
Total comprehensive income for the period		**358**	66	**370**	215

Condensed group balance sheet

US$ million	Note	Reviewed Mar 2022	Sept 2021
ASSETS			
Non-current assets		**4,179**	4,255
Property, plant and equipment		**3,271**	3,325
Right-of-use assets		**108**	110
Plantations		**469**	477
Deferred tax assets	7	**56**	59
Goodwill and intangible assets		**113**	110
Equity accounted investees		**9**	10
Other non-current assets	7	**153**	164
Current assets		**2,290**	1,931
Inventories		**937**	841
Trade and other receivables		**886**	703
Derivative financial assets		**17**	4
Taxation receivable		**–**	7
Cash and cash equivalents		**440**	366
Assets held for sale		**10**	10
Total assets		**6,469**	6,186
EQUITY AND LIABILITIES			
Shareholders' equity			
Ordinary shareholders' interest		**2,344**	1,970
Non-current liabilities		**2,802**	2,907
Interest-bearing borrowings		**1,987**	2,062
Lease liabilities		**93**	94
Deferred tax liabilities	7	**346**	345
Defined benefit and other liabilities		**373**	400
Derivative financial liabilities		**3**	6
Current liabilities		**1,323**	1,309
Interest-bearing borrowings		**127**	132
Lease liabilities		**26**	24
Trade and other payables		**1,141**	1,131
Provisions		**5**	10
Derivative financial liabilities		**7**	4
Taxation payable		**17**	8
Total equity and liabilities		**6,469**	6,186
Number of shares in issue at balance sheet date (millions)		**561.8**	561.5

Condensed group statement of cash flows

US$ million	Quarter ended Mar 2022	Quarter ended Mar 2021	Reviewed Half-year ended Mar 2022	Reviewed Half-year ended Mar 2021
Profit (Loss) for the period	**188**	(23)	**311**	(40)
Adjustment for:				
Depreciation, fellings and amortisation	**91**	99	**186**	198
Taxation	**16**	(4)	**35**	(5)
Net finance costs	**26**	46	**53**	80
Defined post-employment benefits paid	**(6)**	(7)	**(11)**	(14)
Plantation fair value adjustments	**(6)**	(18)	**(11)**	(41)
Asset impairments	**–**	7	**–**	7
Equity accounted investees impairments	**–**	1	**–**	1
Net restructuring provisions	**(1)**	–	**–**	–
(Profit) Loss on disposal and written off assets	**20**	(2)	**20**	(2)
Other non-cash items	**–**	8	**(19)**	21
Cash generated from operations	**328**	107	**564**	205
Movement in working capital	**(143)**	(72)	**(277)**	(61)
Finance costs paid	**(10)**	(21)	**(38)**	(55)
Finance income received	**2**	2	**3**	5
Taxation (paid) refund	**(4)**	(3)	**(8)**	8
Cash generated from operating activities	**173**	13	**244**	102
Cash utilised in investing activities	**(68)**	(66)	**(150)**	(155)
Capital expenditure	**(69)**	(70)	**(141)**	(152)
Proceeds on disposal of assets	**1**	3	**1**	3
Other non-current asset movements	**–**	1	**(10)**	(6)

US$ million	Quarter ended Mar 2022	Quarter ended Mar 2021	Reviewed Half-year ended Mar 2022	Reviewed Half-year ended Mar 2021
Net cash generated (utilised)	**105**	(53)	**94**	(53)
Cash effects of financing activities	**(6)**	5	**(11)**	109
Proceeds from interest-bearing borrowings[1]	**(1)**	510	**47**	644
Repayment of interest-bearing borrowings[1]	**–**	(498)	**(47)**	(521)
Lease repayments	**(5)**	(7)	**(11)**	(14)
Net movement in cash and cash equivalents	**99**	(48)	**83**	56
Cash and cash equivalents at beginning of period	**334**	410	**366**	279
Translation effects	**7**	(12)	**(9)**	15
Cash and cash equivalents at end of period	**440**	350	**440**	350

[1] *Proceeds from short-term refinancing transactions and repayments of short-term financing transactions relating to the group's revolving credit facilities were previously presented on a gross basis as part of "Proceeds from interest-bearing borrowings" and "Repayment of interest-bearing borrowings", respectively. Due to the short-term nature of refinancing the revolving credit facilities (less than three months) and to achieve better presentation of the movement in cash balances, cash flows from short-term refinancing transactions are now being presented, as allowed by IAS 7* Statement of Cash Flows, *on a net basis, as opposed to a gross basis, as previously presented. The comparative numbers have been adjusted by US$421 million for the quarter and US$659 million for the half-year ended March 2021 respectively on both proceeds and repayments of interest-bearing borrowings.*

US$ million	Quarter ended Mar 2021	Half-year ended Mar 2021
Previously reported		
Proceeds from interest-bearing borrowings	**931**	**1,303**
Repayment of interest-bearing borrowings	**(919)**	**(1,180)**

Condensed group statement of changes in equity

US$ million	Reviewed Half-year ended Mar 2022	Mar 2021
Balance – beginning of period	**1,970**	1,632
Profit (Loss) for the period	**311**	(40)
Other comprehensive income for the period	**59**	255
Convertible bond – equity portion	**–**	37
Share-based payment reserve	**4**	5
Balance – end of period	**2,344**	1,889
Comprising		
Ordinary share capital and premium	**894**	851
Non-distributable reserves	**129**	119
Foreign currency translation reserves	**(145)**	(199)
Hedging reserves	**(44)**	(44)
Retained earnings	**1,510**	1,162
Total equity	**2,344**	1,889

Notes to the condensed group results

1. Basis of preparation

The condensed consolidated interim financial statements for the quarter and half-year ended March 2022 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 half-year ended March 2022 comprised 27 weeks whereas the half-year ended March 2021 comprised 26 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 12 May 2022.

The condensed consolidated financial statements for the half-year ended March 2022 have been reviewed by KPMG Inc., who expressed an unmodified review conclusion. The auditor's report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report, together with the accompanying financial information, from the issuer's registered office. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the company's auditors.

2. Segment information

Metric tons (000's)	Quarter ended Mar 2022	Quarter ended Mar 2021	Half-year ended Mar 2022	Half-year ended Mar 2021
Sales volume				
North America	**445**	426	**898**	847
Europe	**801**	669	**1,638**	1,327
South Africa – Pulp and paper	**439**	414	**845**	710
Forestry	**373**	330	**704**	638
Total	**2,058**	1,839	**4,085**	3,522
Which consists of:				
Pulp	**396**	362	**784**	660
Packaging and speciality papers	**422**	373	**808**	680
Graphic papers	**867**	774	**1,789**	1,544
Forestry	**373**	330	**704**	638

US$ million	Quarter ended Mar 2022	Quarter ended Mar 2021	Reviewed Half-year ended Mar 2022	Reviewed Half-year ended Mar 2021
Sales				
North America	**536**	408	**1,048**	792
Europe	**943**	583	**1,790**	1,157
South Africa – Pulp and paper	**386**	296	**741**	501
Forestry	**23**	19	**42**	36
Delivery costs revenue adjustment[(2)]	**(30)**	(22)	**(66)**	(39)
Total	**1,858**	1,284	**3,555**	2,447
Which consists of:				
Pulp	**345**	248	**687**	441
Packaging and speciality papers	**547**	390	**1,012**	717
Graphic papers	**973**	649	**1,880**	1,292
Forestry	**23**	19	**42**	36
Delivery costs revenue adjustment[(2)]	**(30)**	(22)	**(66)**	(39)

[(2)] *Relates to delivery costs netted off against revenue.*

2. Segment information continued

US$ million	Quarter ended Mar 2022	Quarter ended Mar 2021	Reviewed Half-year ended Mar 2022	Reviewed Half-year ended Mar 2021
Operating profit (loss) excluding special items				
North America	**88**	11	**151**	9
Europe	**110**	(9)	**122**	(9)
South Africa	**60**	29	**145**	46
Unallocated and eliminations[1]	**1**	–	**2**	1
Total	**259**	31	**420**	47
Which consists of:				
Pulp	**51**	16	**134**	31
Packaging and speciality papers	**78**	27	**123**	35
Graphic papers	**129**	(12)	**161**	(20)
Unallocated and eliminations[1]	**1**	–	**2**	1
Special items – (gains) losses				
North America	**–**	1	**(29)**	1
Europe	**16**	(3)	**18**	(2)
South Africa	**14**	10	**29**	9
Unallocated and eliminations[1]	**(1)**	4	**3**	4
Total	**29**	12	**21**	12

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

2. Segment information continued

US$ million	Quarter ended Mar 2022	Quarter ended Mar 2021	Reviewed Half-year ended Mar 2022	Reviewed Half-year ended Mar 2021
Operating profit (loss) by segment				
North America	**88**	10	**180**	8
Europe	**94**	(6)	**104**	(7)
South Africa	**46**	19	**116**	37
Unallocated and eliminations[1]	**2**	(4)	**(1)**	(3)
Total	**230**	19	**399**	35
EBITDA excluding special items				
North America	**114**	35	**203**	62
Europe	**140**	28	**186**	63
South Africa	**81**	47	**185**	82
Unallocated and eliminations[1]	**2**	2	**3**	3
Total	**337**	112	**577**	210
Which consists of:				
Pulp	**69**	33	**170**	64
Packaging and speciality papers	**102**	53	**173**	88
Graphic papers	**164**	24	**231**	55
Unallocated and eliminations[1]	**2**	2	**3**	3

[1] *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 believes are material by nature or amount to the operating results and require separate disclosure.

US$ million	Note	Quarter ended Mar 2022	Quarter ended Mar 2021	Reviewed Half-year ended Mar 2022	Reviewed Half-year ended Mar 2021
EBITDA excluding special items		**337**	112	**577**	210
Depreciation and amortisation		**(78)**	(81)	**(157)**	(163)
Operating profit excluding special items		**259**	31	**420**	47
Special items – gains (losses)		**(29)**	(12)	**(21)**	(12)
Plantation price fair value adjustment		**(13)**	(1)	**(28)**	3
Net restructuring provisions		**1**	–	**–**	–
Profit (Loss) on disposal and written off assets		**(20)**	2	**(20)**	2
Asset impairments		**–**	(7)	**–**	(7)
Equity accounted investees impairments		**–**	(1)	**–**	(1)
Fire, flood, storm and other events	7	**3**	(5)	**27**	(9)
Operating profit		**230**	19	**399**	35
Net finance costs		**(26)**	(46)	**(53)**	(80)
Profit (Loss) before taxation		**204**	(27)	**346**	(45)
Taxation		**(16)**	4	**(35)**	5
Profit (Loss) for the period		**188**	(23)	**311**	(40)

2. Segment information continued

US$ million	Reviewed Mar 2022	Sept 2021
Net operating assets		
North America	**1,357**	1,322
Europe	**1,520**	1,478
South Africa	**1,934**	1,815
Unallocated and eliminations[1]	**(8)**	(7)
Total	**4,803**	4,608
Reconciliation of net operating assets to total assets		
Segment assets	**4,803**	4,608
Deferred tax assets	**56**	59
Cash and cash equivalents	**440**	366
Trade and other payables	**1,141**	1,131
Provisions	**5**	10
Derivative financial instruments	**7**	4
Taxation payable	**17**	8
Total assets	**6,469**	6,186

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

3. Operating profit (loss)

US$ million	Quarter ended Mar 2022	Quarter ended Mar 2021	Reviewed Half-year ended Mar 2022	Reviewed Half-year ended Mar 2021
Included in operating profit are the following items:				
Depreciation and amortisation	**78**	81	**157**	163
Fair value adjustment on plantations (included in cost of sales)				
Changes in volume				
Fellings	**13**	18	**29**	35
Growth	**(19)**	(19)	**(39)**	(38)
	(6)	(1)	**(10)**	(3)
Plantation price fair value adjustment	**13**	1	**28**	(3)
	7	–	**18**	(6)
Net restructuring provisions	**(1)**	–	**–**	–
(Profit) Loss on disposal and written off assets	**20**	(2)	**20**	(2)
Gain on remeasurement	**–**	–	**–**	–
Asset impairments	**–**	7	**–**	7
Equity accounted investees impairments	**–**	1	**–**	1

4. Earnings per share

US$ million	Note	Quarter ended Mar 2022	Quarter ended Mar 2021	Reviewed Half-year ended Mar 2022	Reviewed Half-year ended Mar 2021
Basic earnings per share (US cents)		**33**	(4)	**55**	(7)
Headline earnings per share (US cents)		**36**	(3)	**58**	(7)
EPS excluding special items (US cents)		**35**	(1)	**55**	(2)
Weighted average number of shares in issue (millions)		**561.8**	547.4	**561.7**	546.9
Diluted earnings per share (US cents)		**32**	(4)	**52**	(7)
Diluted headline earnings per share (US cents)		**34**	(3)	**55**	(7)
Weighted average number of shares on fully diluted basis (millions)		**602.3**	603.9	**602.1**	602.7
Calculation of headline earnings					
Profit (Loss) for the period		**188**	(23)	**311**	(40)
(Profit) Loss on disposal and written off assets		**20**	(2)	**20**	(2)
Asset impairments		**–**	7	**–**	7
Equity accounted investees impairments		**–**	1	**–**	1
Tax effect of above items		**(5)**	(2)	**(5)**	(2)
Headline earnings		**203**	(19)	**326**	(36)
Calculation of earnings excluding special items					
Profit (Loss) for the period		**188**	(23)	**311**	(40)
Special items after tax		**20**	12	**8**	10
Special items		**29**	12	**21**	12
Tax effect		**(9)**	–	**(13)**	(2)
Finance costs		**–**	7	**–**	20
Tax special items	7	**(11)**	–	**(11)**	–
Earnings excluding special items		**197**	(4)	**308**	(10)

5. Financial instruments

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

			Fair value[1]	
US$ million	Classification	Fair value hierarchy	Reviewed Mar 2022	Reviewed Sept 2021
Investment funds[2]	FV through OCI	Level 1	**5**	6
Derivative financial assets	FV through PL	Level 2	**17**	4
Derivative financial liabilities	FV through PL	Level 2	**10**	10

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

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

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

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

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

6. Capital commitments

	Reviewed	
US$ million	Mar 2022	Sept 2021
Contracted	**165**	116
Approved but not contracted	**155**	144
	320	260

7. Material balance sheet movements

Other non-current assets

In October 2021, the group purchased a group annuity contract for US$508 million to transfer US$535 million of the North American region's retiree pension obligations to an insurance company. The pension obligations were remeasured to their present value, as required, prior to settlement resulting in an actuarial loss of US$33 million. The resulting settlement gain of US$26 million, net of professional fees, was recorded in profit or loss.

Deferred tax assets and liabilities

On 23 February 2022, the South African Minister of Finance announced that the corporate income tax rate would be reduced from 28% to 27%, effective from years of assessment ending on or after 31 March 2023. The estimated impact of this rate change to the income statement was a credit of US$11 million.

Based on its operating performance during fiscal year 2021 and for the six months ended March 2022, the North American segment recognised net deferred tax assets that had previously been derecognised related to actuarial losses on its defined benefit plans with US$18 million recognised directly in other comprehensive income in March 2022.

8. Related parties

There has been no material change, by nature or amount, in transactions with related parties since the 2021 financial year-end.

9. Events after balance sheet date

Subsequent to quarter end, the group received conversion notices for a portion of its South African subsidiary's convertible bond, comprising just over 6% of the initial offering of ZAR1.8 billion. The conversions were settled by the issue of approximately 3.4 million Sappi Limited shares. Thereafter the face value of the convertible bond reduced to ZAR1.22 billion.

Additionally, severe weather and flooding occurred during April 2022 in the KwaZulu-Natal province in South Africa, in which some of our South African operations are located. This resulted in widespread damage to infrastructure which will take some time to restore. Although there was no material damage to any of our plants, the immediate focus will be on reinstating logistical supply chains for raw materials and finished goods. Mill operations have resumed with Tugela and Stanger Mills fully operational as of 21 April 2022. Production at Saiccor Mill has started up in a phased manner and output will take a few days to ramp up to full capacity. The estimated impact of the lost production at the three mills is approximately 23,000 tons, mainly dissolving pulp. In addition, approximately 45,000 tons of inventory (including dissolving pulp of 30,000 tons) was damaged in the warehouses. Insurance is in place for business interruption and inventory damage subject to normal excesses and Sappi's insurance captive first loss provisions.

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

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

Supplemental information

(this information has not been audited or reviewed)

General definitions

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

Capital employed – shareholders' equity plus net debt

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

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

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

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

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

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

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

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

Net assets – total assets less total liabilities

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

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

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

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

(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

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

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, 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		Half-year ended	
	Mar 2022	Mar 2021	**Mar 2022**	Mar 2021
Key figures: (ZAR million)				
Sales	**28,266**	19,192	**54,458**	37,510
Operating profit excluding special items[(1)]	**3,940**	463	**6,434**	720
Special items – (gains) losses[(1)]	**441**	179	**322**	184
EBITDA excluding special items[(1)]	**5,127**	1,674	**8,839**	3,219
Profit for the period	**2,860**	(344)	**4,764**	(613)
Basic earnings per share (SA cents)	**509**	(63)	**848**	(112)
Net debt[(1)]	**26,294**	30,959	**26,294**	30,959
Key ratios: (%)				
Operating profit excluding special items to sales	**13.9**	2.4	**11.8**	1.9
Operating profit excluding special items to capital employed (ROCE)[(1)]	**25.6**	3.2	**21.6**	2.4
EBITDA excluding special items to sales	**18.1**	8.7	**16.2**	8.6

(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.

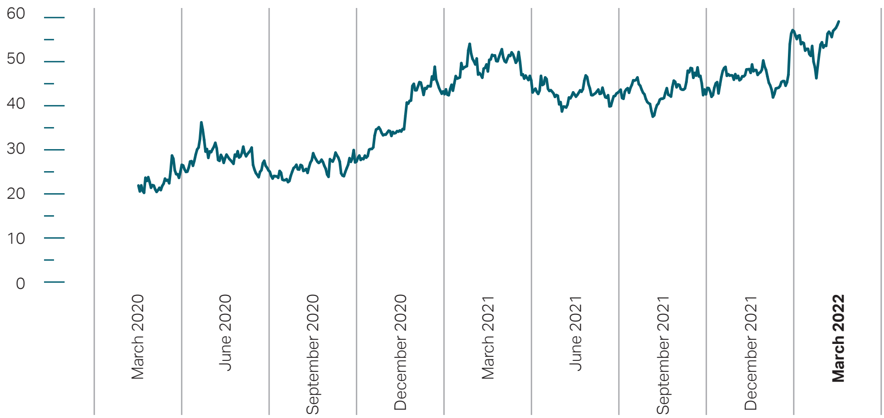
Supplemental information continued

(this information has not been audited or reviewed)

Exchange rates

	Mar 2022	Dec 2021	Sept 2021	Jun 2021	Mar 2021
Exchange rates:					
Period end rate: US$1 = ZAR	**14.6650**	15.9996	14.9659	14.1487	14.9558
Average rate for the quarter: US$1 = ZAR	**15.2130**	15.4148	14.5837	14.1593	14.9469
Average rate for the year to date: US$1 = ZAR	**15.3186**	15.4148	14.8505	14.9379	15.3290
Period end rate: €1 = US$	**1.1055**	1.1370	1.1716	1.1935	1.1798
Average rate for the quarter: €1 = US$	**1.1214**	1.1447	1.1802	1.2042	1.2074
Average rate for the year to date: €1 = US$	**1.1335**	1.1447	1.1955	1.2005	1.1987

Sappi share price – March 2020 to March 2022



sappi

Registration number: 1936/008963/06
JSE code: SAP
ISIN code: ZAE000006284
Issuer code: SAVVI

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

JSE Sponsor:
Rand Merchant Bank (a division of FirstRand Bank Limited)

This report is available on the Sappi website: www.sappi.com

THE OAK TREE GROUP

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