

Chief Financial Officer's report



“The **Thrive** strategy provides the group with the flexibility to adapt to a changing external environment.”

Glen Pearce, Chief Financial Officer (CFO)

Section 1: Financial highlights

US\$ million	2024	2023	% change
Sales	5,458	5,809	(6)
Adjusted EBITDA	684	731	(6)
Operating profit excluding special items	407	432	(6)
Profit for the year	33	259	(87)
Adjusted EBITDA to sales %	12.5	12.6	n/a
Operating profit excluding special items to sales %	7.5	7.4	n/a
Operating profit excluding special items to capital employed (ROCE) %	10.8	12.3	n/a
Net cash (utilised) generated	(306)	210	n/m
Net debt	1,422	1,085	31
Basic earnings per share (US cents)	6	46	(87)

The group reported steady quarterly operational improvements during the year as sales volumes (excluding forestry sales volumes) recovered, selling prices stabilised and the fixed cost base was adjusted by the closure of excess capacity in Europe. The average operating rate of the group improved from 69% last year to 80% resulting in EBITDA excluding special items and the plantation fair value price adjustment (Adjusted EBITDA) of US\$684 million and a margin of 12.5%. The net cost of closing capacity in Europe at the Stockstadt and Lanaken Mills amounted to US\$234 million, and combined with the Somerset Mill paper machine conversion costs of US\$160 million, were the main contributors to the resulting cash utilised of US\$306 million for the year. The cash outflows were funded by opening cash reserves as gross debt remained stable year-on-year.

The graphic papers segment recorded a 2% improvement as sales volumes recovered during the second half of the year. European operating rates improved markedly following the mill capacity closures and the successful transfer of volumes to the remaining operations. Net selling prices stabilised, arresting the downward trend of the prior year. Total fixed and variable costs per ton reduced by 4% contributing to an Adjusted EBITDA margin of 10% for the year.

Section 1 *continued*

Financial highlights *continued*

Packaging and speciality papers sales volumes increased by 8% as demand recovered across most categories. Selling prices were under pressure after the peaks of the previous year and reduced by 9% year-on-year. The reduction was partially offset by total cash costs per ton reducing by 3% resulting in a reduced Adjusted EBITDA margin of 7% relative to the prior year of 12%.

Sales volumes for the pulp segment in the prior year benefited from the previous year's high stock levels. Although sales volumes in the current year were down 5%, the segment experienced strong demand and sales volumes followed production output. Net selling prices and total cash costs per ton reduced by 1% and 5% respectively. As a result, the Adjusted EBITDA margin improved from 18% to 23%.

The group utilised cash of US\$306 million after a reduction in net working capital of US\$29 million, closure and

restructuring costs of US\$280 million and capex of US\$458 million. Profit for the year of US\$33 million (LY = US\$259 million) included special item costs of US\$225 million. Adjusted earnings per share reduced from US52 cents to US41 cents. The directors declared a dividend of US14 cents per share at three times earnings cover adjusted for non-cash items.

Segment reporting

Our reporting is based on the geographical location of our businesses, ie, Europe, North America and South Africa.

The selected product line information is reviewed by our Executive Committee in addition to the geographical basis upon which the group is managed. This additional information is presented in this report to assist our stakeholders in obtaining a complete understanding of our business.

Exchange rates and their impact on the group's results

The group reports its results in US Dollar and, as such, the main foreign exchange rates used in the preparation of the financial statements were:

	INCOME STATEMENT AVERAGE RATES		BALANCE SHEET CLOSING RATES	
	2024	2023	2024	2023
€1 = US\$	1.0843	1.0679	1.1164	1.0572
US\$1 = ZAR	18.5357	18.1791	17.1162	18.9299

Two of our three geographic business units (Europe and South Africa) have home or 'functional' currencies of Euro and ZAR respectively. The results and cash flows of these two non-US Dollar units are translated into US Dollar at the average exchange rate for the reporting period in order to arrive at the consolidated US Dollar results and cash flows. The balance sheet values are translated into US Dollar at the closing rates. When exchange rates differ from one period to the next, the impact of translation from the functional currency to reporting currency can be significant.