

Chief Financial Officer's report continued

Section 2: Financial performance

The discussion in this section focuses on the group financial performance in 2024 compared with 2023. A detailed discussion, in local currencies, of each of our three operating regions follows in section 3.

Income statement

Our group financial results can be summarised as follows:

	2024	2023	% change
Sales volume (metric tons '000)	5,967	6,282	(5)
US\$ million			
Sales revenue	5,458	5,809	(6)
Variable manufacturing and delivery costs	(3,299)	(3,538)	(7)
Fixed costs	(1,712)	(1,788)	(4)
Sundry items ¹	(40)	(51)	(22)
Operating profit excluding special items	407	432	(6)
Special items	(225)	(52)	n/a
Operating profit	182	380	(52)
Net finance costs	(67)	(49)	37
Taxation	(82)	(72)	14
Net profit	33	259	(87)
Adjusted EPS (US cents)	41	52	(21)

¹ Sundry items include all income and costs not directly related to manufacturing operations such as debtor securitisation costs, commissions paid and received and results of equity-accounted investments.

Sales volume

In 2024, sales volume decreased by 315,000 tons compared with 2023. The regional and product segment contributions to sales volume are shown below:

Sales volume Metric tons '000	2024	2023	% change
North America	1,410	1,373	3
Europe	1,969	1,909	3
South Africa	2,588	3,000	(14)
Group	5,967	6,282	(5)
Pulp	1,445	1,517	(5)
Packaging and speciality papers	1,348	1,251	8
Graphic papers	2,163	2,124	2
Forestry	1,011	1,390	(27)

Pulp volumes decreased by 5% for the year driven by increased levels of planned maintenance, which was not in the prior year, and production disruptions. Market conditions for dissolving wood pulp (DWP) continued to be favourable, supported by tight supply and strong demand, which was supported by high downstream viscose staple fibre (VSF) operating rates and low inventory levels.

Packaging and speciality papers volumes were up 8% following a rebound in paperboard demand in North America which facilitated a return to full paperboard capacity utilisation at the Somerset Mill.

Graphic papers volumes were up 2% for the year. Graphic papers markets gradually recovered from the lows of the prior year as the downstream value chain inventories normalised. However, there has been a structural decline in demand from the highs of 2022.

Section 2 *continued*

Financial performance *continued*

Capacity utilisation improved to an average of 80% for the group as we reduced production downtime to 743,000 tons compared to 1.9 million tons in the prior year following the closure of capacity at the Stockstadt and Lanaken Mills. Operating rates in our European graphic papers assets increased substantially during the year due to the successful transfer of sales volumes from the closed Stockstadt and Lanaken Mills.

	2024 %	2023 %
Sales volume to capacity		
North America	78	74
Europe	75	55
South Africa	87	89
Group	80	69

Sales revenue

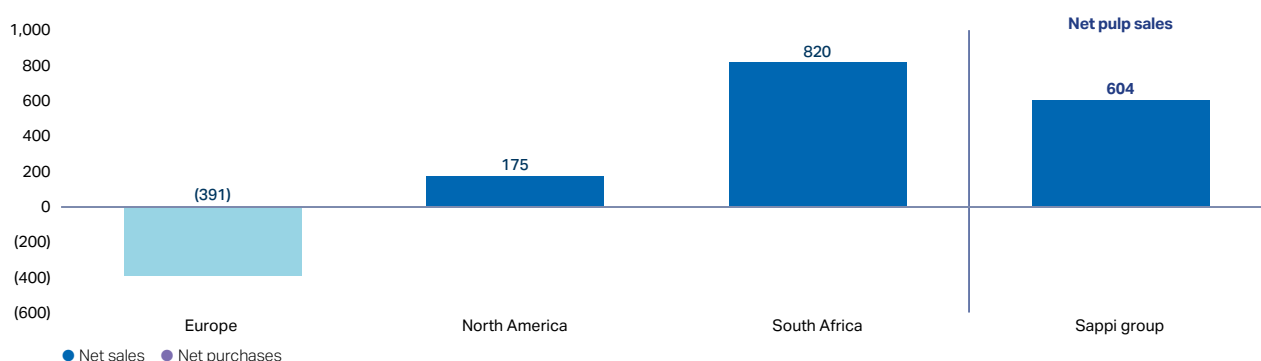
Consolidated sales volumes (including forestry volumes) were down on last year as discussed above, resulting in sales revenue reducing by US\$351 million. The weaker US Dollar resulted in a positive US\$20 million conversion impact.

Variable and delivery costs

Variable and delivery costs decreased by US\$239 million from 2023. The lower sales volumes accounted for 5% of the decrease. Wood costs and energy costs per ton of product sold decreased by 15% and 8% year-on-year respectively while other main cost categories decreased between 2% and 7%.

The net pulp purchases and sales of the Sappi group are detailed in the graph below.

Sappi group pulp (US\$ million)



The table below reflects the breakdown of variable and delivery costs by type.

Variable manufacturing and delivery costs US\$ million	2024	2023	% change
Wood	714	829	(14)
Energy	529	569	(7)
Chemicals	823	852	(3)
Pulp and other	784	835	(6)
Delivery	449	453	(1)
Group	3,299	3,538	(7)

Chief Financial Officer's report continued

Section 2 continued

Financial performance continued

Fixed costs

Fixed costs decreased by US\$76 million from fiscal 2023 following the closure of the Stockstadt and Lanaken Mills. The decrease in 'Other' is mainly a change to inventory movement during fiscal 2024 as a result of a stock increase. The stronger Euro resulted in an increase in US Dollar costs (US\$3 million). Excluding the currency impact, fixed costs decreased by US\$79 million.

Details of the make-up of fixed costs are provided in the table below.

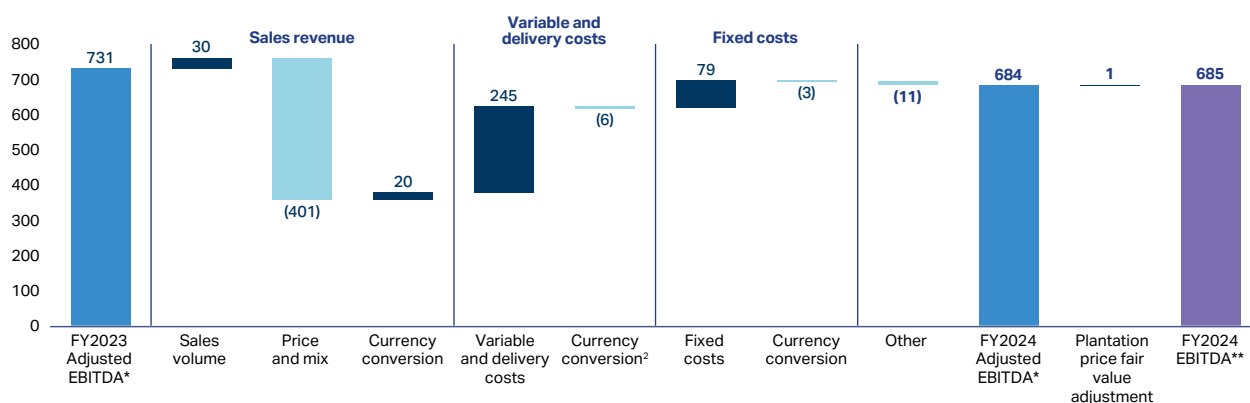
Fixed costs US\$ million	2024	2023	% change
Personnel	1,035	1,024	1
Maintenance	235	248	(5)
Depreciation	272	292	(7)
Other	170	224	(24)
Group	1,712	1,788	(4)

Adjusted EBITDA and operating profit excluding special items

Adjusted EBITDA decreased to US\$684 million, 6% lower than the previous year. Operating profit excluding special items decreased from US\$432 million last year to US\$407 million in 2024.

The EBITDA bridge reflected in the graph below shows the impact on profitability from lower selling prices offset by higher sales volumes (excluding forestry sales volumes), reduced variable and fixed costs.

Reconciliation of EBITDA excluding special items: 2024 compared to 2023¹ (US\$ million)



Notes:

¹ All variances were calculated excluding Sappi Forestry.

² 'Currency conversion' reflects translation and transactional effect on consolidation.

* Adjusted EBITDA = EBITDA excluding special items and plantation price fair value adjustment.

** EBITDA = EBITDA excluding special items.

Section 2 *continued*

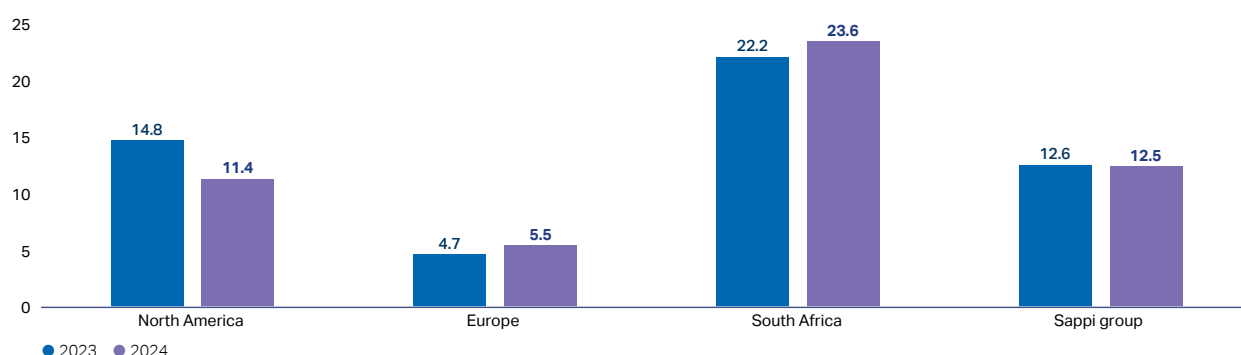
Financial performance *continued*

The tables below detail the Adjusted EBITDA of the business for both 2024 and 2023 and the margins of each.

Adjusted EBITDA by region

US\$ million	2024	2023
North America	201	267
Europe	129	124
South Africa	340	332
Corporate and other	14	8
Group	684	731

Adjusted EBITDA margin by region (%)



Adjusted EBITDA by product category

US\$ million	2024	2023
Pulp	284	238
Packaging and speciality papers	127	214
Graphic papers	259	271
Other	14	8
Group	684	731

Operating profit excluding special items by region

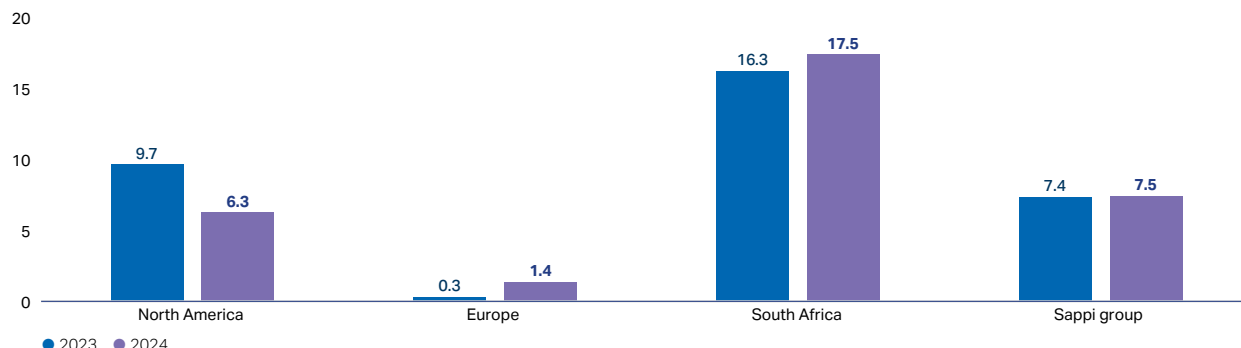
US\$ million	2024	2023
North America	110	175
Europe	33	8
South Africa	252	244
Corporate and other	12	5
Group	407	432

Chief Financial Officer's report continued

Section 2 continued

Financial performance continued

Operating profit excluding special items margin by region (%)



Operating profit excluding special items by product category

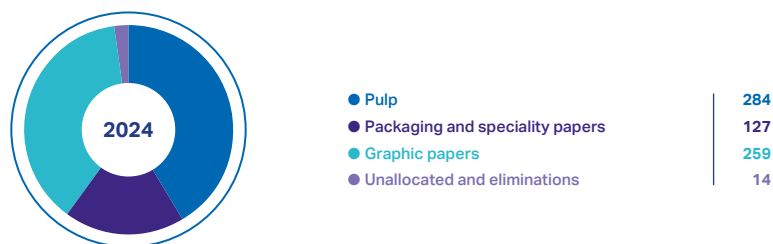
US\$ million

	2024	2023
Pulp	171	162
Packaging and speciality papers	66	119
Graphic papers	158	145
Other	12	6
Group	407	432

In the chart below, 60% of the group's Adjusted EBITDA originates from growing markets in the pulp and packaging and speciality papers segments. The graphic papers segment, which contributes 38% of the Adjusted EBITDA remains an important strategic component as we focus on the commercial print market.

Adjusted EBITDA by product

2024: US\$684 million



For information regarding the financial performance of the regions, please refer to section 3 of this report.

Key operating targets

Our financial targets and performance against the key operating targets are dealt with in the Our strategy and performance section.

Section 2 *continued*

Financial performance *continued*

Special items

Special items consist of those items which management believe are material by nature or amount, to the results for the year and require separate disclosure. A breakdown of special items for 2024 and 2023 is reflected in the table below:

Special items – gain/(loss) US\$ million	2024	2023
Plantation price fair value adjustment	–	123
Net restructuring provisions	(134)	(77)
Profit/(loss) on disposal, written-off assets and incremental costs	(3)	3
Asset impairments reversals/(impairments)	24	(233)
Reversal of loss/(loss) on held-for-sale assets	–	181
Profit/(loss) on disposal of held-for-sale assets	10	(1)
Insurance recoveries	5	7
Fire, flood, storm and other events	(127)	(55)
Total	(225)	(52)

The net impact of special items in 2024 was US\$225 million. The major components are described below:

- Restructuring provisions of US\$134 million were raised largely related to the closure of our Lanaken Mill
- Fixed asset impairments reversals of US\$30 million and US\$3 million were recognised at our Lanaken and Stockstadt Mills respectively. This was offset by fixed asset impairments at our Westbrook Mill of US\$5 million and intangible asset impairments of US\$4 million incurred within our European segment
- A profit on held-for-sale assets of US\$10 million was recorded on the sale of our Stockstadt Mill
- Insurance recoveries of US\$5 million largely relate to insurance claims on fire damaged plantations in South Africa
- A number of additional special item charges were recorded which include among others Stockstadt and Lanaken Mills closure costs of US\$54 million, business interruption losses at Ehingen, Kirkniemi, Somerset, Saiccor and Ngodwana Mills amounting to US\$38 million, fire and snow damaged timber of US\$20 million, incremental insurance costs of US\$3 million and a pension settlement loss of US\$2 million.

Net finance costs

US\$ million	2024	2023
Finance costs	104	107
Finance income	(28)	(48)
Net foreign exchange gains	(9)	(10)
Total	67	49

Finance costs of US\$67 million were higher than the prior year due to lower average cash balances.

Chief Financial Officer's report continued

Section 2 *continued*

Financial performance *continued*

Taxation

A regional breakdown of the tax charge is provided below.

US\$ million	Profit/(loss) before tax	Tax (charge)/relief	Effective tax rate %
Europe	(214)	(13)	(6)
North America	98	(22)	22
South Africa	231	(46)	20
Total	115	(82)	71

The difference between the European effective and statutory tax rate is due to the utilisation of assessed losses on profits in Austria and Finland and unrecognised losses in Belgium and Germany originating from the closure costs incurred at the Lanaken and Stockstadt Mills.

The North American effective tax rates are below the statutory tax rate due to prior year adjustment credits.

The South African effective tax rate is below the statutory tax rate, mainly due to special tax allowances.

Net profit, earnings per share and dividends

After taking into account net finance costs and taxation, our net profit and earnings per share for 2024, with comparatives for 2023, were as follows:

US\$ million	2024	2023
Operating profit	182	380
Net finance costs	67	49
Profit before taxation	115	331
Taxation	82	72
Profit for the period	33	259
Weighted average number of shares issued (millions)	582.4	563.6
Basic earnings per share (US cents)	6	46

The directors have elected to declare a dividend of US14 cents per share at three times earnings cover adjusted for non-cash items amounting to a gross dividend of approximately US\$84 million (FY2023 = US\$84 million).