

Section 3: Regional business performance

Below we discuss the performance of the regional businesses. The discussion is based on performance in local currencies as we believe this facilitates a better understanding of the revenue and costs in the European and South African operations.

North America

Metric tons '000	2024	2023	% change
Sales volume	1,410	1,373	3
Pulp	437	483	(10)
Packaging and speciality papers	456	375	22
Graphic papers	517	515	0

	US\$ million 2024	US\$ million 2023	% change	US\$ per ton 2024	US\$ per ton 2023	% change
Sales	1,759	1,810	(3)	1,248	1,318	(5)
Variable manufacturing and delivery costs	(1,048)	(1,061)	(1)	(743)	(773)	(4)
Contribution	711	749	(5)	505	545	(7)
Fixed costs	(568)	(551)	3	(403)	(401)	0
Sundry items and consolidation entries	(33)	(23)	43	(24)	(17)	41
Operating profit excluding special items	110	175	(37)	78	127	(39)
Adjusted EBITDA	201	267	(25)	143	194	(26)

Capacity utilisation improved by 4% to 78% in North America as sales volumes increased by 3%. Strong demand recovery in the packaging and speciality papers segment was offset by a reduction in pulp sales. Net selling prices were under pressure as variable costs reduced and supply chains normalised. As a result, contribution margins per ton reduced by 7% to US\$505 per ton. Fixed costs, which included major shuts at Somerset and Cloquet Mills, were well-controlled in an inflationary environment. The strategic project to convert and expand the Somerset Mill PM2 from coated woodfree paper to solid bleached sulphate (SBS) paperboard incurred approximately US\$160 million capital expenditure during the year. The project is planned to start up in April 2025 at a total cost of US\$418 million.

Chief Financial Officer's report continued

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Europe

Metric tons '000	2024	2023	% change
Sales volume	1,969	1,909	3
Packaging and speciality papers	465	452	3
Graphic papers	1,504	1,457	3

	€ million 2024	€ million 2023	% change	€ per ton 2024	€ per ton 2023	% change
Sales	2,167	2,455	(12)	1,101	1,286	(14)
Variable manufacturing and delivery costs	(1,457)	(1,637)	(11)	(740)	(858)	(14)
Contribution	710	818	(13)	361	428	(16)
Fixed costs	(663)	(774)	(14)	(337)	(405)	(17)
Sundry items and consolidation entries	(17)	(37)	(54)	(9)	(19)	(53)
Operating profit excluding special items	30	7	329	15	4	275
Adjusted EBITDA	119	116	3	60	61	(2)

European sales volumes for both packaging and speciality papers and graphic papers improved by 3% relative to the previous year. Net selling prices reduced by 14% after peaking at historic highs during the prior year. Similarly, variable costs reduced by 14% with energy and chemical costs recording the largest percentage reductions. Fixed costs reduced by 14% following the closure of the Stockstadt and Lanaken Mills. As a result, capacity utilisation improved from 55% to 75%, reducing the fixed cost per ton by €68 per ton to €337 per ton. The full impact of the closure of the two mills on fixed costs only took effect from the middle of the third quarter onwards. Retrenchment and closure costs totalled US\$280 million and were offset by the sale of the Stockstadt Mill land during Q3 for €43 million (US\$46 million). The contract for the sale of the Lanaken Mill subsidiaries was concluded on 25 October 2024 for US\$44 million (€40 million). Funds were received during Q1 of fiscal 2025.

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South Africa

Metric tons '000	2024	2023	% change
Sales volume*	1,577	1,610	(2)
Pulp	1,008	1,034	(3)
Packaging and speciality papers	427	424	1
Graphic papers	142	152	(7)

	ZAR million 2024	ZAR million 2023	% change	ZAR per ton 2024	ZAR per ton 2023	% change
Sales*	25,505	25,687	(1)	16,173	15,955	1
Variable manufacturing and delivery costs	(15,348)	(16,815)	(9)	(9,732)	(10,444)	(7)
Contribution	10,157	8,872	14	6,441	5,511	17
Fixed costs	(7,878)	(7,453)	6	(4,996)	(4,629)	8
Sundry items and consolidation entries	2,392	3,017	(21)	1,517	1,873	(19)
Operating profit excluding special items	4,671	4,436	5	2,962	2,755	8
Adjusted EBITDA	6,302	6,035	4	3,996	3,748	7

* Excludes Forestry.

The South African business delivered another record Adjusted EBITDA of ZAR6.302 billion for the year in a challenging environment. A reduction in pulp and graphic papers sales volumes were partially offset by volume increases in packaging papers. Pulp sales were affected by vessel delays at the Durban port which increased to 22 days during Q2 and improved to 11 days by the end of the year following a concerted effort by port authorities to address port inefficiencies. The reduction in variable costs was mainly attributed to lower wood and chemical costs in the second half of the year. Fixed costs were well-controlled taking into account the increase in maintenance and insurance costs which were above inflationary adjustments.

Major sensitivities

Some of the more important factors which impact the group's Adjusted EBITDA, based on current anticipated revenue and cost levels, are summarised in the table below:

Sensitivities	Change	Europe € million	North America US\$ million	South Africa ZAR million	Translation impact* US\$ million	Group US\$ million
Net selling prices	1%	24	21	304	–	59
Dissolving wood pulp prices	1%	–	3	182	–	13
Variable costs	1%	14	10	162	–	32
Sales volume	1%	7	8	120	–	22
Fixed costs	1%	6	5	73	–	15
Paper pulp price	1%	5	2	8	–	7
Oil price	1%	3	1	2	–	3
ZAR/US\$ (weakening)	10 cents	–	–	107	(2)	4
€/US\$ (weakening)	10 cents	(1)	(5)	–	(11)	(17)

* Based on currency impact on translation of Adjusted EBITDA.

The table demonstrates that Adjusted EBITDA excluding special items is most sensitive to changes in the selling prices of our products.

The calculation of the impact of these sensitivities assumes all other factors remain constant and does not consider potential management interventions to mitigate negative impacts or enhance benefits.