4 FY23

sappi

FY23 Q 4 Results — the period ended September 2023

Highlights for the year

EBITDA excl special items	Profit for the period	Net debt	EPS excl special items	Dividend
US$731 million	US$259 million	US$1,085 million	52 US¢	15 US¢/share
FY22: US$1,339 million	FY22: US$536 million	FY22: US$1,163 million	FY22: 138 US¢	FY22: 15 US¢

Highlights for the quarter

EBITDA excl special items	Loss for the period	EPS excl special items
US$168 million	US$40 million	6 US¢
FY22 Q4: US$391 million	FY22 Q4: profit US$26 million	FY22 Q4: 44 US¢

		Quarter ended			Year ended	
	US$ million	**Sep 2023**	Sep 2022	Jun 2023	**Sep 2023**	Sep 2022
Key figures	Sales	**1,381**	1,923	1,326	**5,809**	7,296
	Operating profit (loss) excl special items[1]	**65**	318	41	**432**	1,038
	Special items loss (gain)[1]	**80**	213	(15)	**52**	268
	EBITDA excluding special items[1]	**168**	391	106	**731**	1,339
	Profit (Loss) for the period	**(40)**	26	40	**259**	536
	Basic EPS (US cents)	**(7)**	5	7	**46**	95
	EPS excluding special items (US cents)[1]	**6**	44	5	**52**	138
	Net debt[1]	**1,085**	1,163	1,176	**1,085**	1,163
Key ratios (%)	Operating profit excl special items[1] to sales	**4.7**	16.5	3.1	**7.4**	14.2
	ROCE[1] Operating profit excluding special items[1] to capital employed	**7.2**	34.4	4.4	**12.3**	27.9
	EBITDA excl special items[1] to sales	**12.2**	20.3	8.0	**12.6**	18.4
	Net debt to EBITDA excl special items[1]	**1.5**	0.9	1.2	**1.5**	0.9
	Covenant leverage ratio	**1.4**	0.9	1.2	**1.4**	0.9
	Interest cover[1]	**6.4**	15.6	9.6	**6.4**	15.6
	Net asset value per share[1] (US cents)	**438**	417	446	**438**	417

1 See published results for detail on special items, the definition of the terms, reconciliations and supplemental information about key ratios.

Commentary on the year

A satisfactory set of results under particularly difficult circumstances following the records achieved in FY22.

A persistently volatile and challenging macro-economic environment: The widespread disruption caused by ongoing geopolitical instability, weak global economic growth, rising interest rates, and an under-performing Chinese economy negatively impacted markets for our products.

The unfavourable trading conditions faced in 2023 were further exacerbated by a prolonged period of downstream inventory destocking.

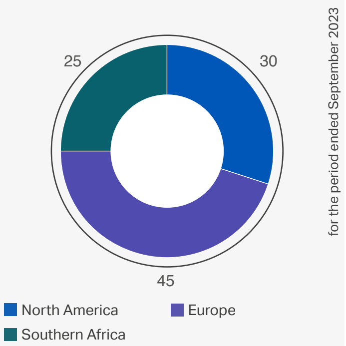
Despite 2023 being one of the most challenging down cycles experienced in the pulp and paper industry, the group further reduced debt to US$1,085 million, the lowest level in 30 years.

Graphic paper demand declined sharply and remained weak due to weak consumer confidence and inventory destocking.

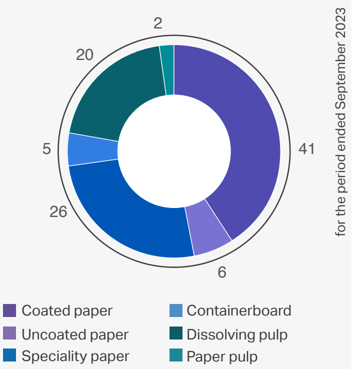
We made the difficult decision to close the Stockstadt Mill and initiated a consultation process for the potential closure of the Lanaken Mill shortly after year-end.

Net operating assets and sales distribution

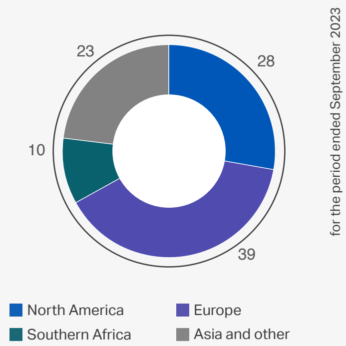
Sales by source (%)



Sales by product (%)

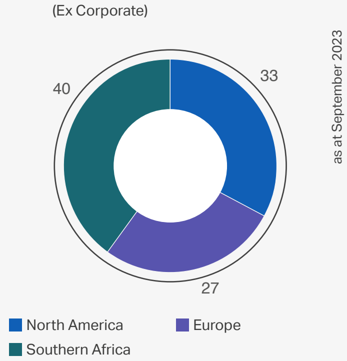


Sales by destination (%)



Net operating assets (%)

(Ex Corporate)



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

Outlook

Persistent global macroeconomic challenges and subdued consumer sentiment continue to impact demand for many of our products.

Dissolving pulp markets appear more positive and paper pulp pricing has also moved into an upward trajectory, which will benefit our high yield pulp sales.

It has become apparent that graphic paper demand has experienced a permanent structural decline.

Sappi remains committed to its strategy to reduce exposure to graphic paper markets and will pro-actively manage overcapacity through: • Conversion and expansion of the Somerset PM2 graphic paper asset to solid bleached sulphate paperboard in 2025 and • Rationalisation of European capacity to improve utilisation of the remaining graphic paper assets and improve the fixed cost position of the business through closure of the Stockstadt Mill and potentially the Lanaken Mill.

Although short term challenges persist, the long-term favourable outlook for our sustainably produced packaging and speciality paper products remains unchanged. We do not expect meaningful recovery in FY24Q1. Sappi is well positioned to benefit from the cycle's upturn.

Variable costs have reduced, from the FY23 H1 peak but remain high relative to historical levels. Global pulp prices have started rising in recent weeks and wood costs remain elevated. Recent heightened geopolitical turmoil may cause additional volatility in energy markets.

Cost inflation is therefore a risk in the coming quarters. We continue to proactively implement cost containment initiatives to mitigate the risk of higher costs.

We are well positioned to navigate market challenges in the coming year. We remain encouraged by the increasing resilience of our business and opportunities for growth in our packaging and pulp segments. Through our Thrive25 strategy we are committed to strengthening our competitive position and delivering sustained shareholder value.

Our estimated US$500 million FY24 capital expenditure programme is focused on operational efficiencies, enhancing our product offerings, improving our environmental footprint and growing our packaging business.

Notwithstanding the gradual recovery of pulp and paper markets, taking the scheduled maintenance shuts into consideration, FY24Q1 EBITDA is anticipated to be below that of the fourth quarter of FY2023.

Stockstadt Mill closure

On 10 October 2023, Sappi announced the conclusion of the consultation process for the closure of Stockstadt Mill. A social plan for employees has been agreed and an agreement has been signed for the sale of the site. Closure of the site should be completed during the first calendar quarter of 2024. Once all closure elements are taken into account, the impact is expected to be cash neutral.

Lanaken Mill potential closure

On 10 October 2023 Sappi also announced that it has commenced a consultation process on the potential closure of the Lanaken Mill.

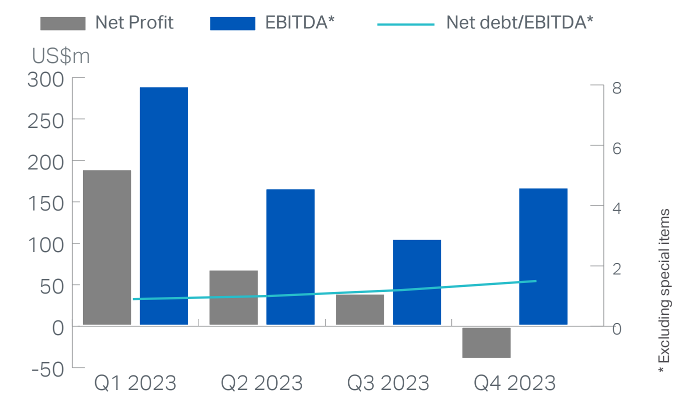
Dividend

Dividend number 90 — 15 US cents per share — will be paid to shareholders on 15 January 2024. It was declared after year-end and not included as an FY23 liability as it will be funded from cash reserves. The dividend is covered 3.2 times by basic earnings per share, excluding special items.

A stronger balance sheet

A stronger balance sheet with a significantly reduced debt profile — the lowest net debt since the early 1990s — and healthy cash reserves provides us with flexibility to navigate the headwinds of cyclical downturns and positions the business well to deliver on our Thrive25 strategy to reduce exposure to graphic paper markets while investing for growth in our target markets.

Q-on-Q earnings, Pro it & Debt



Our purpose

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

Our business strategy

Through collaboration and innovation we will grow profitably, using our strength as a sustainable and diversified global woodfibre group, focused on dissolving pulp, graphic, packaging and speciality papers, and biomaterials. Our strategy demands a clear focus on four key fundamentals: Grow our business • Sustain our financial health • Drive operational excellence • Enhance trust.

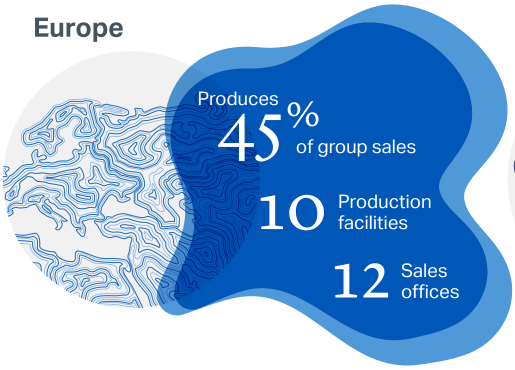
Our sustainability strategy

We will create long-term value for all stakeholders from relevant sustainable woodfibre products and through ongoing improvement in key areas.

Our commitment to sustainability underpins our strategy and is based on being a trusted, transparent, and innovative partner in building a biobased circular economy.

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

Europe



Profitability was severely impacted by ongoing production curtailments required to manage extremely weak demand for our paper products.

Cost savings were insufficient to offset the substantially lower sales volumes and lower pricing compared to the prior year.

The graphic paper markets' destocking cycle began to ease during Q4 and sales volumes improved slightly from the very deep third quarter trough. Demand is unlikely to return; the region will continue to face significant overcapacity, necessitating extended periods of commercial downtime.

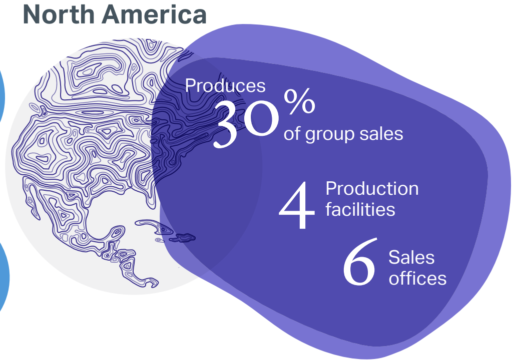
Recognising that these low operating rates are unsustainable we announced consultations at Stockstadt and Lanaken Mills.

Packaging and speciality paper demand continued to be influenced by elevated downstream inventories. Sales volumes recovered slightly to 4% above the prior quarter but remained 28% below last year. Destocking is nearing completion, but the uncertain macroeconomic environment appears to be suppressing underlying consumer demand. Pricing came under pressure; profitability for the segment remained reflective of the industry's challenges.

Variable costs declined 20% year-on-year driven by a substantial reduction in prices for all major cost categories with the exception of wood. Fixed costs were 10% below last year primarily due to personnel and maintenance cost savings.

Marco Eikelenboom
Chief Executive Officer
Sappi Europe

North America



Profitability improved from the Q3 lows. Full year EBITDA of US$267 million was the second highest in the region's history.

Strategic investments in recent years in pulp and packaging and speciality papers have created a more resilient and diversified product portfolio, significantly enhancing profitability and buffering the business from the impact of cyclical economic swings.

Expansion and conversion of Somerset PM2 from coated wood free paper to solid bleached sulphate paperboard progressed well and is on track for a 2025 start-up.

Graphic paper demand improved; sales volumes were 24% better than Q3, but still 28% below last year. Despite downward pressure, selling prices were relatively stable.

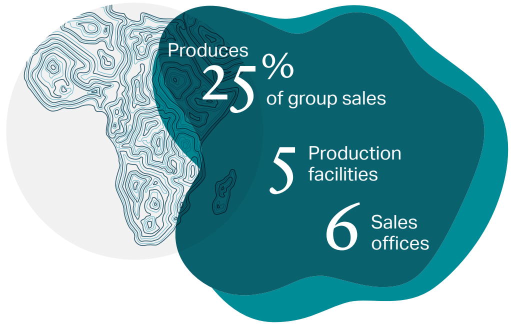
Demand for packaging and speciality papers improved but remained relatively subdued as customers continued to address high inventory levels. Sales volumes were 33% below the prior year.

Pulp sales volumes were 28% higher year-on-year as capacity became available for external sales due to lower integration into our own packaging paper assets in Europe and North America where we curtailed operations. Year-on-year pricing was down.

Year-on year variable costs decreased 11%, driven in part by higher internal pulp integration and lower purchased pulp pricing. Fixed costs decreased 10% due to personnel and maintenance savings.

Mike Haws
President and Chief Executive Officer
Sappi North America

Southern Africa



The business delivered a record ZAR6,035 billion EBITDA for FY23; an excellent achievement within a challenging local operating environment with significant power and transport infrastructure headwinds. The success was broad-based with good performance across all product segments.

Q4 demand for Verve was strong; sales volumes rose 2% year-on-year. Production at Saiccor Mill improved but the segment's profitability was negatively impacted by higher costs and a significant reduction in year-on-year average US$ pricing, only partially offset by a weaker ZAR/US$ exchange rate.

Containerboard sales volumes were 17% higher than last year. But sales were constrained by the Ngodwana Mill PM1 upgrade. Elevated inventory levels in the downstream value chain and competition from imports suppressed demand but higher selling prices boosted profitability.

Newsprint and office paper markets weakened during the quarter and pricing came under pressure. Higher year-on-year sales volumes and pricing were insufficient to offset cost inflation, resulting in a small margin erosion.

Variable costs were 4% above the prior year driven by substantially higher wood, energy and chemicals costs, partly offset by lower ocean freight delivery costs.

Fixed costs were 8% higher than last year due to higher personnel, maintenance and insurance costs.

Alex Thiel
Chief Executive Officer
Sappi Southern Africa

Our values As OneSappi, we do business safely, with integrity and courage, making smart decisions that we execute with speed.

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