

Sappi Limited
 Registration number: 1936/008963/06
 JSE code: SAP
 ISIN code: ZAE000006284
 Issuer code: SAVVI
 ("Sappi" or "the Group")

Results for the first quarter ended December 2025

	Reviewed Quarter ended		
US\$ million	Dec 2025	Dec 2024	% Change
Revenue	1 287	1 363	-6%
Adjusted EBITDA	90	203	-56%
EBITDA excluding special items	81	202	-60%
Profit (loss) for the period	(37)	70	N/M
Net debt	1 951	1 406	39%
Headline EPS (US Cents)	(6)	12	N/M
Basic EPS (US Cents)	(6)	12	N/M
Adjusted EPS (US Cents)	(3)	14	N/M
Net asset value (US Cents)	385	407	-5%

N/M - Not meaningful

Sappi uses renewable resources to make woodfibre-based products. We are a diversified, innovative and trusted leader focused on sustainable processes and products, and are building a circular economy that benefits the world.

Our pulp, packaging and speciality papers, graphic papers and biomaterials are manufactured from woodfibre sourced from sustainably managed forests, in production facilities which, in many cases use internally generated bioenergy. Many of our operations are energy self sufficient.

We have manufacturing operations on three continents and sell our products in more than 150 countries. Our global presence allows us to optimise for different markets, while sharing best practices and the latest technological achievements.

Together with our partners, we work to build a thriving world by acting boldly to support Prosperity, People and Planet while upholding our Principles.

Commentary on the quarter⁽¹⁾

The group delivered an Adjusted EBITDA of US\$90 million for the first quarter. Market conditions remained challenging during the quarter with ongoing macroeconomic pressures, subdued consumer confidence and overcapacity driving pricing declines across all product segments. In particular, lower dissolving wood pulp (DWP) prices and a stronger ZAR/USD

exchange rate significantly impacted profitability in the Southern African region. In North America, the scheduled maintenance shut at the Somerset Mill and further unplanned operational disruptions affected production, sales volumes and costs. These adverse impacts were partially offset by ongoing group-wide strategic cost saving initiatives and the annual energy refunds in Europe. The forestry fair value price adjustment for the quarter was a loss of US\$9 million due to declining domestic wood prices in South Africa.

Demand for DWP continued to be solid supported by high downstream viscose staple fibre (VSF) industry operating rates and relatively low inventories in the value chain. Sales volumes for the pulp segment were 10% higher than last year driven by a 13% increase in DWP volumes. However, the segment faced substantial pricing pressure with net US\$ selling prices 12% below the prior year. Subdued textile fibre pricing combined with low paper pulp prices, which continued to incentivise paper pulp substitution by some non-integrated VSF producers, contributed to a US\$33 per ton decline in the hardwood DWP price⁽²⁾ during the quarter to approximately US\$785 per ton. High yield pulp⁽³⁾ sales were intentionally reduced due to low external selling prices and increased internal integration into the paperboard grades in North America. The higher segmental sales volumes were insufficient to offset the stronger ZAR/USD exchange rate and materially lower prices, which reduced year-on-year profitability of the segment.

Sales volumes for the packaging and speciality papers segment improved by 6% year-on-year, driven by volume growth in all three regions. Underlying demand for containerboard in South Africa remained healthy but paperboard markets in North America and Europe continue to be challenged by weak demand and oversupply. Profitability of the segment was negatively impacted by lower pricing, which was 4% below last year, and higher costs due primarily to the scheduled maintenance shut at Somerset Mill, operational disruptions in North America and the ramp-up of Somerset Mill PM2 with its associated low fixed cost absorption.

Graphic papers sales volumes declined by 9% compared to last year, primarily due to the reduction in capacity in North America after the conversion of Somerset Mill PM2 to paperboard. The market continued to face significant headwinds, driven by global oversupply and the ongoing structural decline in demand, which placed sustained pressure on selling prices. North American prices proved more resilient than those in Europe due to a tighter regional supply-demand balance. However, the production issues in North America impacted margins and overall segment profitability declined. Despite this, margins remained above historical trend levels.

Adjusted earnings per share for the quarter was a loss of 3 US cents, which was substantially below the profit of 14 US cents in the prior year and reflective of the weaker market conditions and exchange rate headwinds. Special items reduced earnings by US\$17 million and were mainly related to costs associated with the proposed graphic papers joint venture with UPM, asset impairments and the settlement of a post-retirement medical aid liability in South Africa.

Cash flow and debt

Net cash utilised for the quarter was US\$3 million compared to the US\$62 million utilised in the prior year. This was largely due to a working capital inflow of US\$10 million and lower capital expenditure of US\$56 million compared to the US\$101 million in the prior year, which included payments for the Somerset Mill PM2 conversion and expansion project. The reduced

capex reflects our “Back to Basics” approach, prioritising essential spend to maintain asset integrity amid ongoing macroeconomic weakness. Net debt increased to US\$1,951 million (Q1 FY2025 US\$1,406 million). In terms of the relevant banking facilities, the net debt/EBITDA leverage covenant ratio increased to 4.9 times, which was within the revised covenants agreed with the banks.

In January 2026, the international revolving credit facility (RCF) was renewed for a new five-year term, at a slightly increased level of EUR550 million. In addition, a new EUR200 million five-year term loan was taken up to repay short-term debt, and funding of this new facility took place in early February 2026.

Liquidity was well managed and remained satisfactory with cash on hand of US\$143 million and US\$608 million from the committed unutilised RCF in South Africa and Europe. Liquidity improved further after quarter-end with the increased international RCF and the new term loan.

Proposed joint venture with UPM

On 04 December 2025, the group announced that it had signed a non-binding letter of intent with UPM-Kymmene Corporation (UPM) regarding the potential formation of a 50/50 joint venture for graphic papers in Europe, subject to the fulfilment of regulatory and other customary conditions precedent. The proposed joint venture will combine Sappi’s European graphic paper operations (Gratkorn Mill, Ehingen Mill, Maastricht Mill, Kirkniemi Mill, and Sappi Europe’s wood supply joint ventures) with UPM’s Communications Paper business in Europe, the UK and the USA.

The rationale for the proposed transaction reflects the long-term structural decline of the European graphic paper industry, which continues to face pressure from falling demand, high energy costs, excess production capacity, and broader macroeconomic challenges. The parties intend to sign definitive agreements during the first half of 2026 and expect to complete the transaction by the end of 2026, subject to the fulfilment of all conditions precedent. Shareholders are referred to the SENS announcement published on the Stock Exchange News Service of the JSE on 04 December 2025 for further details of the proposed transaction.

Outlook

A challenging global macroeconomic environment and persistent geopolitical and trade tensions continue to disrupt market stability and dampen consumer demand, negatively impacting our industry. Against this backdrop, we remain focused on executing the “Back to Basics” phase of our Thrive strategy, closely monitoring external developments while prioritising strong cost discipline and targeted operational efficiency improvements to strengthen the balance sheet and maintain agility during this period of market weakness.

Although demand for Sappi’s DWP remains robust, the seasonal slowdown in China’s textile industry during the Lunar New Year typically creates pricing pressure in the second quarter. However, rising paper pulp prices in China have narrowed the differential with DWP, while a stronger Renminbi has supported US\$ pricing, driving a recent recovery in the DWP market price from US\$785 to around US\$805 per ton.

Containerboard demand in South Africa is anticipated to be strong in the second quarter driven by favourable grape and pome fruit forecasts, but selling prices are likely to be constrained by soft international markets. Packaging and speciality papers markets in Europe and North America remain challenging, with the resulting competitive pricing environment presenting a continued headwind for the industry. Nevertheless, we maintain a strong competitive position in North America and continue to focus on balancing volume/price dynamics. We expect the Somerset Mill PM2 paperboard volumes to steadily increase through the quarter.

Graphic papers markets continue to decline; however, the rate of contraction has stabilised in line with historical levels of approximately 6% to 8% per annum, and market conditions are expected to remain steady during the quarter. Our focus for this segment is to maximise capacity utilisation and optimise product allocation across our asset base, particularly in North America where market conditions are more favourable. In Europe, we are focused on the proposed joint venture transaction with UPM, which we expect to close by the end of 2026, subject to regulatory approvals and conditions precedent.

An annual maintenance shut is scheduled for the Saiccor Mill in the second quarter, which is expected to reduce earnings by approximately US\$15 million. We anticipate that the forestry fair value price adjustment will be negative in the second quarter due to lower wood pricing in South Africa.

Significant weakening of the USD against both the ZAR and the EUR is expected to negatively impact profitability in South Africa and will likely result in a nominal increase in net debt in US Dollar terms for our Euro-denominated borrowings.

Our capital expenditure forecast for FY2026 has reduced further from US\$290 million to approximately US\$260 million as we scale back spending to essential maintenance and regulatory activities only, to proactively manage the balance sheet and preserve cash.

Taking into account the challenging macroeconomic environment, exchange rate headwinds and depressed DWP pricing, we anticipate that Adjusted EBITDA for the second quarter of FY2026 will be below that of the first quarter of FY2026.

On behalf of the board

SR Binnie
Director

GT Pearce
Director

03 February 2026

⁽¹⁾ “year-on-year” or “prior/previous/last year” is a comparison between Q1 FY2026 versus Q1 FY2025; “Quarter-on-quarter” or “prior/previous/last quarter” is a comparison between Q1 FY2026 and Q4 FY2025.

⁽²⁾ *Market price for imported hardwood dissolving pulp into China issued daily by the CCF Group.*

⁽³⁾ *High yield pulp = bleached chemi-thermomechanical pulp (BCTMP)*

This results announcement is the responsibility of the directors. It is only a summary of the information in the full results for the first quarter ended December 2025 and does not contain full or complete details. Any investment decisions should be based on the full results for the first quarter ended December 2025 accessible from 04 February 2026 via the JSE link and also available on the home page of the Sappi website at www.sappi.com.

The JSE link is as follows:

<https://senspdf.jse.co.za/documents/2026/JSE/ISSE/SAVVI/SAPQ1DEC25.pdf>

04 February 2026

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