

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

Results for the second quarter ended March 2026

US\$ million	Quarter ended			Reviewed Half-year ended		
	Mar 2026	Mar 2025	% Change	Mar 2026	Mar 2025	% Change
Revenue	1 334	1 347	-1%	2 621	2 710	-3%
Adjusted EBITDA	52	107	-51%	142	310	-54%
EBITDA excluding special items	(49)	90	N/M	32	292	-89%
Profit (loss) for the period	(413)	(20)	N/M	(450)	50	N/M
Net debt	1 964	1 670	18%	1 964	1 670	18%
Headline EPS (US Cents)	(22)	(3)	N/M	(28)	9	N/M
Basic EPS (US Cents)	(68)	(3)	N/M	(74)	8	N/M
Adjusted EPS (US Cents)	(8)	1	N/M	(11)	15	N/M
Net asset value (US Cents)	311	407	-24%	311	407	-24%

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⁾

Against a challenging operating backdrop characterised by persistent macroeconomic headwinds, subdued consumer demand, ongoing geopolitical trade tensions and the escalating conflict in the Middle East, the group delivered Adjusted EBITDA of US\$52 million in the second quarter. Although sales volumes increased year-on-year, selling prices declined across all regions. In particular, dissolving wood pulp (DWP) prices were significantly lower than last year. Profitability was further adversely impacted by the strengthening of the ZAR/US\$ exchange rate. Encouragingly, North American paperboard volumes increased by 27% year-on-year, reflecting continued progress in the ramp-up of Somerset Mill PM2. In Europe, underlying profitability benefited from solid sales volumes and ongoing fixed-cost savings initiatives. The forestry fair value price adjustment for the quarter resulted in a negative revaluation of

US\$101 million. While hardwood timber export prices from South Africa remained stable in US Dollar terms, the ZAR-denominated prices declined materially due to the strengthening of the ZAR against the US Dollar, thereby impacting the fair value of our plantations.

Demand for DWP remained robust during the quarter, supported by the typical seasonal uplift following the Chinese New Year with the associated high viscose staple fibre (VSF) industry operating rates and healthy order backlogs. However, the pulp segment's net US Dollar selling price was 12% lower than the prior year, which adversely impacted profitability. In addition, a scheduled maintenance shut at the Saiccor Mill reduced earnings by US\$10 million. Market conditions shifted materially late in the quarter following escalation of the conflict in the Middle East, leading to higher oil, energy and logistics costs and increased cost pressure across the textile value chain. Rising petrochemical input costs narrowed polyester's traditional cost advantage over cellulosic fibres, while sharply higher sulphur and sulphur-based chemical prices increased VSF production costs. Against the backdrop of rising input costs and improving fibre demand, VSF fibre producers implemented price increases. In addition, Bleached Eucalyptus Kraft (BEK) pulp prices in China, an increasingly important reference point for DWP, also trended higher albeit more moderately. These factors created a more supportive pricing environment for DWP, with hardwood DWP prices⁽²⁾ increasing by US\$60 per ton to close the quarter at US\$845 per ton.

The packaging and speciality papers segment faced significant challenges from subdued demand, excess capacity in Europe, and depressed selling prices, resulting in continued pressure on profitability. This was further exacerbated by poor absorption of fixed costs associated with Somerset Mill PM2, which remains in its commercial ramp-up phase. Encouragingly, our segmental sales volumes increased by 10% year-on-year. Demand for containerboard in South Africa remained healthy, supported by continued strength in agricultural end-markets. However, selling prices continued to be constrained by weak global dynamics and competitive imports. Despite the excess industry capacity in Europe, we increased sales volumes by 12% in the region. The market in North America was also highly competitive and market prices for paperboard declined significantly compared to last year. While the commercial ramp-up of PM2 is progressing at a slower pace than initially anticipated, sales traction improved steadily during the quarter and market feedback on product quality was positive.

Graphic papers sales volumes declined by 5% year-on-year but increased by 3% compared to the prior quarter, with the year-on-year decline remaining below the contraction experienced in the broader market. The lower volumes were primarily attributable to the North American operations following the planned capacity reduction associated with the conversion of Somerset Mill PM2. Overall segment profitability improved year-on-year, supported by fixed-cost savings in Europe and resilient pricing in North America, which more than offset the volume impact. Despite the continued structural decline in graphic papers demand, our disciplined strategic approach to aligning our capacity with market demand continues to deliver tangible benefits, enabling the segment to generate stable earnings.

Adjusted earnings per share for the quarter was a loss of 8 US cents, compared to a profit of 1 US cent in the prior year, reflecting the challenging operating environment. Special items reduced earnings by US\$289 million, largely due to impairments of US\$276 million related primarily to European graphic paper assets and the North American high yield pulp asset. The impairments reflect continued weakness in European graphic papers markets and their ongoing structural decline. High yield pulp markets also remain materially weaker.

Cash flow and debt

Net cash utilised during the quarter amounted to US\$53 million, significantly lower than the US\$207 million utilised in the prior year. This improvement primarily reflected reduced capital expenditure and the suspension of dividend payments. In line with our previously communicated commitment to restrict capital allocation to essential maintenance, capital expenditure for the quarter was US\$44 million. This was substantially below the US\$182 million incurred in the prior year, which included expansionary capital related to the Somerset Mill PM2 conversion and expansion project.

Despite the weak profitability, net debt only increased by US\$13 million to US\$1,964 million compared to the previous quarter. The increase was attributable to the net cash outflow for the quarter, partially offset by a favourable foreign exchange translation impact of US\$45 million resulting from the strengthening of the US Dollar against the Euro on the group's Euro-denominated debt. Under the leverage covenant applicable to the group's relevant banking facilities, the net debt to Adjusted EBITDA ratio increased to 6.1 times. Given the continued difficult and uncertain market conditions and elevated volatility, we proactively negotiated a suspension of the leverage covenant testing until March 2027, which was unanimously supported by our banking group. This suspension is subject to customary conditions applicable to such relief and applies only for the duration of the suspension period.

Liquidity remained well managed during the quarter, with cash on hand of US\$192 million and access to a further US\$632 million of committed, undrawn revolving credit facilities in Europe and South Africa.

Proposed joint venture with UPM

Sappi shareholders are referred to the announcement released on the Stock Exchange News Service of the JSE Limited on 04 December 2025 regarding the proposed formation of a graphic papers joint venture in Europe between Sappi Papier Holding GmbH and UPM-Kymmene Corporation. Sappi continues to engage constructively with UPM and relevant stakeholders regarding the proposed European graphic papers joint venture. Work is progressing in line with the targeted timeline for the signing of definitive agreements in the first half of 2026. Completion of the transaction remains subject to the signing of definitive agreements, receipt of all required regulatory approvals and fulfilment of customary conditions precedent, with closing anticipated by the end of 2026. A circular to Sappi shareholders seeking approval of the transaction will be issued in due course following the signing of the definitive agreements. The European Commission's merger control review is progressing and entered Phase II on 28 April 2026. We remain confident in the strong strategic rationale of this partnership.

Outlook

The operating environment remains challenging, with a weak global macroeconomic backdrop and persistent geopolitical and trade tensions continuing to undermine market confidence and consumer demand. The escalating conflict in the Middle East has further increased uncertainty in global markets and contributed to higher global oil prices, which are expected to place upward pressure on fuel-related delivery and logistics costs. In addition, ongoing conflict-related disruptions to global supply chains increases the risk of supply constraints and is likely to result in cost inflation across certain raw material categories, particularly chemicals. We continue to monitor these developments closely and will seek to mitigate their impact through disciplined cost management and selective alternate sourcing initiatives where possible.

Demand for DWP is expected to remain strong into the third quarter, supported by robust downstream textile fibre demand and pricing momentum across the value chain. Elevated energy, chemical and logistics costs in the value chain, together with higher textile fibre prices, continue to support a more favourable pricing environment for DWP. Against this backdrop, hardwood DWP prices have increased further in recent weeks, rising to approximately US\$880 per ton. Due to pricing mechanisms and contractual sales structures, the full benefit of these higher prices is expected to be realised progressively over the next two quarters.

In the third quarter, the packaging and speciality papers segment is expected to continue facing headwinds from ongoing pressure on selling prices across our key markets. In North America, sales volumes are expected to grow as we continue to expand our paperboard customer base. We remain focused on actively balancing volume and price dynamics.

Graphic papers markets are expected to continue their structural decline in line with historical trends. In response, we remain focused on optimising capacity utilisation and product allocation across our asset

base while implementing recently announced price increases in Europe and North America to help offset rising input costs.

An annual maintenance shut at the Ngodwana Mill is scheduled for the third quarter and is expected to reduce earnings by approximately US\$23 million. The forestry fair value price adjustment for the quarter is anticipated to be negative, primarily as a result of higher fuel costs.

Foreign exchange volatility remains a key risk to the group's financial performance. Sustained weakness in the US Dollar may negatively affect South African earnings, given the exposure to US Dollar-denominated export revenues. In addition, movements in the US Dollar against the Euro may impact reported net debt levels as Euro-denominated borrowings are translated into US Dollar.

The forecast for capital expenditure for FY2026 has been reduced by a further US\$10 million to approximately US\$250 million and is limited to essential maintenance and mandatory regulatory activities. This disciplined approach to capital allocation reflects the group's continued focus on proactively managing the balance sheet, preserving liquidity and maintaining financial flexibility.

Against a backdrop of continued market uncertainty arising from ongoing trade tensions, escalating geopolitical conflicts, and their broader indirect effects on global macroeconomic conditions, input costs and currency movements, we are adopting a cautious outlook. On this basis, Adjusted EBITDA for the third quarter of FY2026 is likely to be below that of the second quarter of FY2026.

On behalf of the board

SR Binnie
Director

GT Pearce
Director

06 May 2026

(1) "year-on-year" or "prior/previous/last year" is a comparison between Q2 FY2026 versus Q2 FY2025; "quarter-on-quarter" or "prior/previous/last quarter" is a comparison between Q2 FY2026 and Q1 FY2026.

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

This results announcement has been prepared in compliance with the JSE Listings Requirements and is the responsibility of the directors. It is only a summary of the information in the full results for the second quarter ended March 2026 and does not contain full or complete details. Any investment decisions should be based on the full results for the second quarter ended March 2026 accessible from 07 May 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/SAPQ226.pdf>

07 May 2026

JSE Sponsor: RAND MERCHANT BANK (A division of FirstRand Bank Limited)