Section 5: Balance sheet

Summarised balance sheet

(US$ million)	2025	2024
Property, plant and equipment	**3,414**	3,241
Right-of-use assets	**103**	79
Plantations	**560**	562
Net working capital	**567**	489
Other assets	**271**	317
Net post-employment liabilities	**(95)**	(110)
Other liabilities	**(592)**	(661)
Employment of capital	**4,228**	4,000
Equity	**2,308**	2,578
Net debt	**1,920**	1,422
Capital employed	**4,228**	4,000

Sappi has 16 production facilities in nine countries, capable of producing approximately 3.7 million tons of pulp and 4.8 million tons of paper. For more information on our mills, their production capacities and products, please refer to the **Where we operate** section.

The capacity replacement value of property, plant and equipment for insurance purposes has been assessed at approximately US$21 billion.

Property, plant and equipment

The cost and depreciation related to our property are set out in the table below.

Book value of property, plant and equipment (US$ million)	2025	2024
Cost	**9,567**	9,141
Accumulated depreciation and impairment	**6,153**	5,900
Net book value	**3,414**	3,241

Property, plant and equipment additions amounted to US$486 million during the year. This was offset by depreciation of US$269 million. Impairments amounted to US$70 million.

Plantations

We regard ownership of our plantations in South Africa as a key strategic resource as it provides access to low-cost fibre for pulp production and ensures continuity of supply on an important raw material input source.

The South African region has access to approximately 405,000 hectares of land of which approximately 264,000 hectares are planted with pine and eucalyptus. These plantations provide approximately 69% of the wood requirements for our South African mills.

Our plantations are valued on the balance sheet at fair value less the estimated costs of delivery, including harvesting and transport costs. In notes 2, 3, 4 and 11 to the financial statements, we provide more detail on our accounting policies for plantations, how we manage our plantations as well as the major assumptions used in the calculation of fair value.

Chief Financial Officer's report continued

Section 5 continued: Balance sheet continued

Working capital

The component parts of our working capital at the 2025 and 2024 fiscal year-ends are shown in the table below:

Net working capital (US$ million)	2025	2024
Inventories	**823**	836
Trade and other receivables	**682**	771
Trade and other payables and provisions	**(938)**	(1,118)
Net working capital	**567**	489

Optimising working capital remains a key focus area for us and appropriate targets are incorporated into the management incentive schemes for all businesses. The working capital investment is seasonal and typically peaks during the third quarter of each financial year.

Net working capital increased to US$567 million in 2025 from US$489 million in 2024. The material movements in working capital are discussed below:

- Inventories decreased by US$13 million, caused mainly by an unfavourable currency translation impact of US$15 million
- Receivables decreased by US$89 million on lower selling prices and an unfavourable currency translation impact of US$15 million
- Payables decreased by US$180 million largely due to decreases in trade payables, bonus accruals, and a favourable currency translation impact of US$22 million.

Post-employment liabilities

We operate various defined benefit pension/lump sum plans, post-employment healthcare subsidies and other employee benefits in the various countries in which we operate. A summary of defined benefit assets and liabilities (pension and post-employment healthcare subsidies) is as follows:

Defined benefit liabilities US$ million	2025	2024
Defined benefit obligation	**(438)**	(529)
Fair value of plan assets	**345**	422
Asset ceiling	**(2)**	(3)
Net balance sheet liability	**(95)**	(110)
Cash contributions to defined benefit plans/subsidies	**11**	24
Income statement charge (credit) to profit or loss	**(13)**	(15)
Cash contributions deemed 'catch-up'*	**3**	14

* *'Catch-up' is cash contributions paid to defined benefit plans in excess of current service costs.*

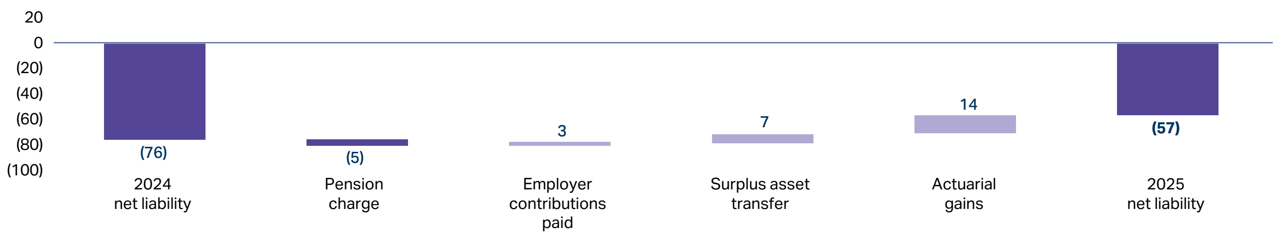
Gross liabilities from all our plans decreased by US$91 million from US$529 million to US$438 million over the year. The main driver of the overall decrease in gross liabilities is related to the closure of the Lanaken Mill in addition to the transfer of remaining members from the Defined Benefit Fund to a provident umbrella fund in the South African business.

Fair value of plan assets decreased by US$77 million from US$422 million to US$345 million. Similarly, the decrease in assets related to the closure of the Lanaken Mill in addition to the transfer of remaining members from the defined benefit fund to a provident umbrella fund in the South African business.

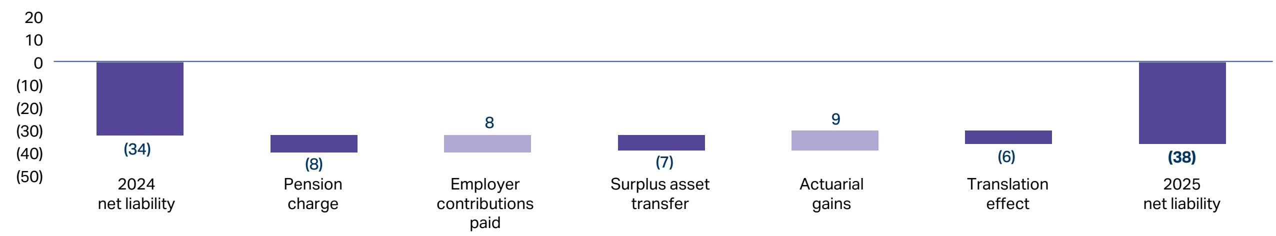
Included in the liability and asset movements above is a US$6 million loss resulting from movements relative to the reporting currency.

Section 5 continued: Balance sheet continued

Sappi Limited post-retirement medical aid subsidy balance sheet movement (US$ million)



Sappi Limited defined benefit pensions balance sheet movement (US$ million)



Equity

Year-on-year, equity decreased by US$270 million to US$2,308 million as summarised below:

Equity reconciliation (US$ million)	2025
Equity as at September 2024	2,578
Loss for the year	(177)
Dividend paid	(85)
Share-based movements	7
Movement in hedging reserves	3
Actuarial gains	16
Foreign currency movements	(34)
Equity as at September 2025	2,308

The group realised a loss for the year of US$177 million, paid dividends of US$85 million and recorded a US$34 million foreign currency translation loss. These were offset by share-based credits of US$7 million, hedging gains of US$3 million and actuarial gains of US$16 million.

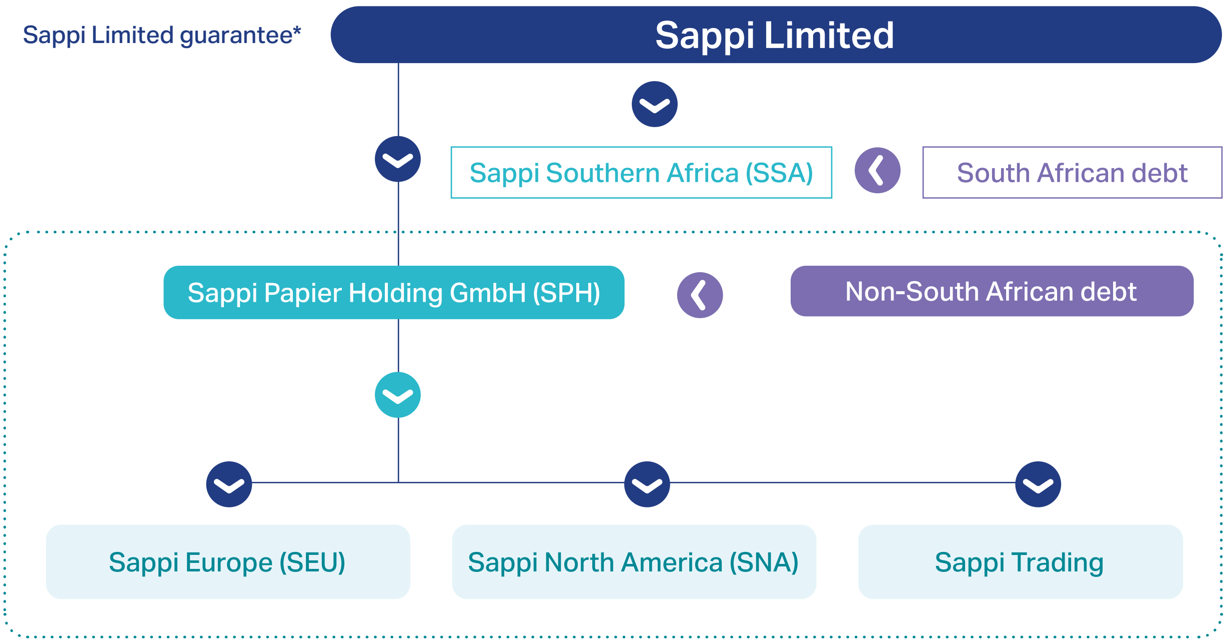
Chief Financial Officer's report continued

Section 5 continued: Balance sheet continued

Debt
Debt is a major source of funding for the group. In the management of debt, we focus on net debt, which is the sum of current and non-current interest-bearing borrowings and bank overdrafts, net of cash and cash equivalents.

Debt funding structure
The Sappi group principally takes up debt at two legal entities. Sappi Southern Africa Limited issues debt in the local South African market for its own funding requirements and Sappi Papier Holding GmbH (SPH), which is Sappi's international holding company, issues debt in the international money and capital markets to fund our non-South African businesses. SPH's long-term debt is supported by a Sappi Limited guarantee and the financial covenants on certain of its debt agreements are based on the ratios of the consolidated Sappi Limited group. The covenants applicable to the debt of these two entities and their respective credit ratings are discussed below.

The diagram below depicts our debt funding structure.



** Sappi Limited provides guarantees for long-term non-South African debt.*

Below we highlight the main financing activities that occurred during the year:
- New EUR300 million 2032 SPH public bond, to repay the EUR240 million 2026 SPH public bond
- Extension of the SPH EUR280 million securitisation programme to 2028.

Section 5 continued: Balance sheet continued

Structure of net debt and liquidity

We consider the group liquidity position to be strong, with cash on hand of US$219 million at financial year-end, and US$602 million from unutilised committed revolving credit facilities.

The structure of our net debt as at September 2025 and 2024 is summarised below:

US$ million	2025	2024
Long-term debt	**1,642**	1,611
Senior unsecured debt	**1,346**	1,286
Securitisation funding	**243**	293
IFRS16 *Leases**	**122**	95
Less: short-term portion	**(68)**	(63)
Net short-term debt (cash)	**277**	(188)
Overdrafts, RCF and short-term loans	**428**	65
Short-term portion of long-term debt	**68**	63
Less: Cash	**(219)**	(317)
Net debt	**1,920**	1,422

* *IFRS 16 accounting standard adopted from fiscal 2020.*

Movement in net debt

The movement of our net debt from fiscal 2024 to fiscal 2025 is summarised in the table below:

	US$ million
Net debt at September 2024	**1,422**
Increase of IFRS 16 *Leases*	**51**
Net cash utilised in 2025	**369**
Currency translation, fair value and other non-cash adjustments	**78**
Net debt at September 2025	**1,920**

Chief Financial Officer's report continued

Section 5 continued: Balance sheet continued

Group debt profile

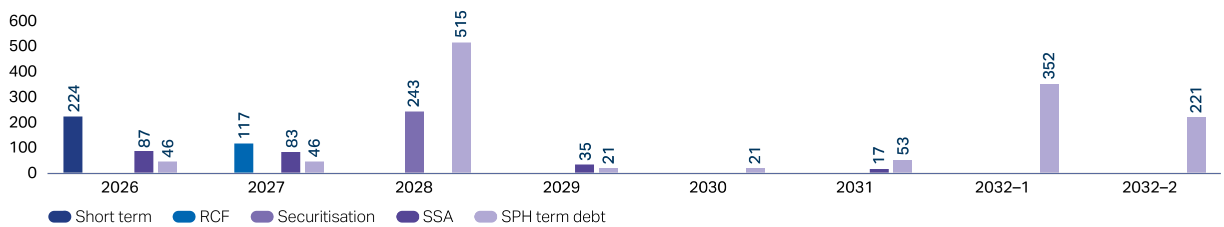
We show the major components and maturities of our net debt as at September 2025 below. These are split between the debt in South Africa and the debt outside South Africa.

	Amount US$ million	Interest rates (local currencies)	Fixed/ variable	MATURITY (SAPPI FISCAL YEARS) 2026	2027	2028	2029	Thereafter
South Africa								
SAA10 public bond	35	8.40%	Variable		35			
SAA11 public bond	35	8.60%	Variable				35	
SAA12 public bond	17	8.70%	Variable					17
Commercial paper	87	7.70%	Variable	87				
IFRS 16 *Leases*	31	Various	Mixed	7	7	7	7	3
Gross debt	205							
Less: Cash	(83)			(83)				
Net South African debt	121			10	42	7	42	20
Non-South African								
Securitisation (US$)	89	5.80%	Variable			89		
Securitisation (EUR)	154	3.40%	Variable			154		
IFRS 16 *Leases*	91	Various	Mixed	19	18	14	10	31
OeKB term loan 1 (EUR)	155	4.80%	Fixed	21	21	21	21	73
OeKB term loan 2 (CAD)	40	3.90%	Fixed	13	13	13		
OeKB term loan 2 (EUR)	37	1.30%	Fixed	12	12	12		
Trade finance (EUR)	68	2.20%	Variable	68				
Revolving credit facility	117	3.50%	Variable		117			
Other bank debt (EUR)	154	3.60%	Variable	154				
Commercial paper	2	2.70%	Variable	2				
2028 public bonds (EUR)	469	3.63%	Fixed			469		
2032 public bonds (EUR)	352	4.50%	Fixed					352
2032 bonds (US$)	221	7.50%	Fixed					221
IFRS adjustments	(15)							(15)
Gross debt	1,934							
Less: Cash	(136)			(136)				
Net non-South African debt	1,798			154	182	771	30	661
Net group debt	1,920			164	224	778	72	682

The majority of our non-South African long-term debt is guaranteed by Sappi Limited, the group holding company.

The debt maturity profile for Sappi fiscal years is shown below:

Debt maturity profile (US$ million)



Excludes IFRS 16 Leases *with an average time to maturity of approximately four years.*

Bank covenants

Non-South African covenants

Financial covenants apply to US$232 million of our non-South African bank debt, the EUR515 million revolving credit facility and the non-South African securitisation facility.

The applicable covenants are described below and are calculated on a rolling last-four-quarter basis and must be met at the end of each fiscal quarter.

- Ratio of group net debt to EBITDA should not be more than 4.0 times. Please note, as announced in the October 2025 press release, this covenant was increased for the next 12 months to provide additional covenant headroom while the Sappi group has a higher leverage ratio due to the confluence of market factors described in the press release
- Ratio of group EBITDA to net interest expense should not be less than 2.50-to-1.

South African covenants

Separate covenants also apply to the revolving credit facility of our Southern African business.

These covenants are calculated on a rolling last-four-quarter basis and require that at the end of March and September each year, with regard to Sappi Southern Africa Limited and its subsidiaries:

- The ratio of net debt to equity at the end of March and September is not greater than 65%; and
- The ratio of EBITDA to net interest paid is not less than 2.50-to-1.

Below we show the group financial covenants for the financial year ended September 2025:

Non-South African covenants	Sept 2025	Covenant
Net debt to EBITDA	**3.62**	<4.00
EBITDA to net interest	**5.96**	>2.50
South African covenants		
Net debt to equity	**0.64%**	<65%
EBITDA to net interest	**35.1**	>2.50

In addition to the financial covenants referred to above, our bonds and certain of our bank facilities contain customary affirmative and negative covenants restricting, among other things, the granting of security, incurrence of debt, the provision of loans and guarantees, mergers and disposals and certain restricted payments. As regards dividend payments, in terms of the international bond indentures, any cash dividends paid may not exceed 50% of net profit excluding special items after tax and certain other adjustments, calculated on a cumulative basis.

Credit ratings

Global Credit Ratings: South African national scale rating:

Sappi Southern Africa Limited: AAA (za)/A1+(za)/Stable Outlook (May 2025).

Moody's

Sappi Corporate Family Rating: Ba2/NP/Stable Outlook (December 2024).

SPH Debt Rating:

- 2028/2032 Euro Bonds: Ba2/Stable Outlook (December 2024)
- 2032 US$ Bond: B1/Stable Outlook (December 2024).

Fitch Ratings

Group Long-Term Issuer Default Rating: BB+ Stable Outlook (February 2025).

SPH Unsecured Debt Rating:

- 2028 and 2032 Euro Bonds and 2032 US$ Bond: BB+ Stable Outlook (February 2025).

Conclusion

The disruptive and adverse external influences experienced during fiscal 2025 coincided with the completion of a major conversion project at Somerset Mill PM2. The combined consequence, amongst numerous other outcomes, was an increase in net debt to over US$1,900 million. The **Thrive** strategy is predicated on sustaining our financial health by targeting net debt at approximately US$1 billion.

To achieve our targeted net debt, a 'Back to Basics' theme was introduced which emphasised production optimisation, stringent cost control and debt reduction. The initiatives were started during the fourth quarter of fiscal 2025 with the announcement of capacity closures in Europe, a pause on dividend payments and restricting capital expenditure to below US$300 million for fiscal 2026 and 2027. The short-term focus of the group will be the ramp-up of volumes on the converted machine at the Somerset Mill, manage the macroeconomic uncertainties in Europe and reduce the net debt to our targeted levels.

The medium to longer term strategy to invest in growth opportunities and achieve our sustainability goals remains intact.

GT Pearce
Chief Financial Officer

05 December 2025