

Chief Financial Officer's report



“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.”

Glen Pearce, Chief Financial Officer (CFO)

Section 1: Financial highlights

US\$ million	2025	2024	% change
Sales	5,420	5,458	(1)
Adjusted EBITDA	501	684	(27)
Operating profit excluding special items	176	407	(57)
(Loss) Profit for the year	(177)	33	n/m
Adjusted EBITDA to revenue (%)	9.2	12.5	n/a
Operating profit excluding special items to revenue (%)	3.2	7.5	n/a
Operating profit excluding special items to capital employed (ROCE) (%)	4.3	10.8	n/a
Net cash utilised	(369)	(306)	n/m
Net debt	1,920	1,422	35
Basic earnings per share (US cents)	(29)	6	n/m

Market disruptions, production challenges, adverse currency movements and the delay in a major expansion project made for a character-building year. The group demonstrated its resilience by effectively managing production capacity, advancing cost-efficiency initiatives and maintaining financial liquidity in a volatile environment. The technical ramp-up of the expansion project in North America exceeded expectations and there was positive feedback from customers. The North American business is now competitively positioned in a growing paperboard market. Our European operations announced further rationalisation initiatives to counter the adverse macroeconomic conditions and the South African operations recovered well in the final quarter of the fiscal following production challenges earlier in the year. Market demand for South African products was strong but selling prices were under pressure from the adverse macroeconomic sentiments.

The challenges described above resulted in Adjusted EBITDA margin reducing from 12.5% last year to 9.2% during the current fiscal. The group achieved an Adjusted EBITDA of US\$501 million (LY = US\$684 million) and recorded special items of US\$170 million, which included asset impairments of US\$70 million and restructuring costs of US\$39 million. Net finance costs increased to US\$89 million due to higher debt levels and as a result of the special items and increased finance costs, the group made a loss of US\$177 million. Net cash utilised of US\$369 million for the fiscal was due to lower profitability, a working capital outflow of US\$89 million, dividend payment of US\$85 million and capital expenditure of US\$496 million.

Net debt increased to US\$1,920 million (LY = US\$1,422 million) as a result of the cash utilised and the negative currency translation effect on our Euro-denominated debt being converted at a higher rate. The adverse currency impact for the year was US\$73 million. The lower profitability during the last three quarters combined with the increase in net debt resulted in the leverage ratio increasing close to our debt covenant of 4x. Our banking group supported increasing our leverage covenant levels for the next 12 months to provide sufficient headroom over the period.

Section 1 continued:

Financial highlights continued

The graphic papers segment recorded a 5% volume reduction which was less than the structurally declining markets in North America and Europe. The global oversupply and the uncertainty of US tariffs compounded the problems facing the market and resulted in selling price pressure. The group responded by managing production in line with demand and implementing cost reduction initiatives. In South Africa, demand for newsprint and office paper was weak with competition from imports providing added pressure to an already oversupplied market. Adjusted EBITDA margin reduced from 10% last year to 8% resulting in an Adjusted EBITDA of US\$192 million (LY = US\$259 million).

All three regions contributed to the packaging and specialty papers sales volumes increasing by 8%. The growth in volumes obscures the underlying challenges faced in the different markets. European volumes were below pre-Covid-19 levels as the region struggled with low demand and North American volumes were significantly impacted by the completion of the conversion of the Somerset Mill PM2. Adverse mix variances were recorded as part of the start-up volumes planned on the new machine. The South African region experienced a strong second half of the year following a successful citrus season but were constrained by an extended maintenance shut at Ngodwana Mill in the second quarter. The adverse mix combined with extended shuts and low capacity utilisation reduced Adjusted EBITDA margin from 7% to 4% in the current

year. As a consequence Adjusted EBITDA reduced from US\$127 million last year to US\$65 million in the current year.

The pulp segment recorded a favourable net selling price mix change as external sales volumes of lower priced bleached chemi-thermo mechanical pulp (BCTMP) were reduced to support the increased packaging papers production at Somerset Mill. BCTMP volumes reduced 23% and dissolving wood pulp (DWP) volumes increased 2% resulting in average selling prices for the segment remaining flat relative to the previous year. DWP selling prices, however, experienced a substantial decline through the year from a peak of US\$970 per ton in the first quarter to US\$798 per ton in the third quarter. There was a recovery to US\$818 per ton by the end of the fiscal. The DWP selling price pressure caused Adjusted EBITDA margins to reduce from 24% last year to 20% for fiscal 2025.

Segment reporting

Our reporting is based on the geographical location of our businesses, ie, Europe, North America and South Africa.

The selected product line information is reviewed by our Executive Committee in addition to the geographical basis upon which the group is managed. This additional information is presented in this report to assist our stakeholders in obtaining a complete understanding of our business.

Exchange rates and their impact on the group's results

The group reports its results in US Dollar and, as such, the main foreign exchange rates used in the preparation of the financial statements were:

	INCOME STATEMENT AVERAGE RATES		BALANCE SHEET CLOSING RATES	
	2025	2024	2025	2024
EUR1 = US\$	1.1057	1.0843	1.1727	1.1164
US\$1 = ZAR	18.0678	18.5357	17.2722	17.1162

Two of our three geographic business units (Europe and South Africa) have home or 'functional' currencies of Euro and ZAR respectively. The results and cash flows of these two non-US Dollar units are translated into US Dollar at the average exchange rate for the reporting period in order to arrive at the consolidated US Dollar results and cash flows. The balance sheet values are translated into US Dollar at the closing rates. When exchange rates differ from one period to the next, the impact of translation from the functional currency to reporting currency can be significant.