

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 2 of this Circular apply *mutatis mutandis* throughout this document including this cover page.

Sappi Shareholders are referred to the Notice of Annual General Meeting which contains details about the actions required by them in relation to the Specific Authority Resolution and other resolutions set out in the Notice of Annual General Meeting. If you are in any doubt as to the action that you should take, please consult your broker, CSDP, banker, legal advisor, accountant or other professional advisor immediately.

If you have disposed of all of your Sappi Shares, this Circular together with the Notice of Annual General Meeting should be forwarded to the purchaser to whom, or the broker, CSDP or agent through whom you disposed of your Sappi Shares.

This Circular does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of, issue or purchase any security in any jurisdiction.

sappi

Sappi Limited

(Incorporated in the Republic of South Africa)

(Registration number 1936/008963/06)

Share code: SAP ISIN: ZAE000006284

("Sappi" or the "Company")

CIRCULAR TO SAPPI SHAREHOLDERS

relating to the granting and approval of a specific authority for Sappi directors to allot and issue up to a maximum of 66,000,000 Sappi Shares for the purpose of the conversion of the Convertible Bonds as a specific issue for cash in terms of section 5.51 of the Listings Requirements.

Financial Advisor



Legal Advisor



**Auditor and Independent
Reporting Accountant**



Company Sponsor



Date of issue: Thursday, 17 December 2020

This Circular is available in English only. Copies of this Circular may be obtained from the registered office of Sappi and the Sponsor whose addresses are set out in the "Corporate Information and Advisors" section of this Circular, as well as in electronic form from the Company's website (<https://www.sappi.com>) from Thursday, 17 December 2020 to Wednesday, 3 February 2021.

CORPORATE INFORMATION AND ADVISORS

BUSINESS ADDRESS AND REGISTERED OFFICE

108 Oxford Road
Houghton Estate
Johannesburg
Gauteng
2198
South Africa

PO Box 52264
Saxonwold
Johannesburg
Gauteng
2132
South Africa

COMPANY REGISTRATION NUMBER

1936/008963/06

COMPANY SECRETARY

Ami Mahendranath

SHARE CODES

JSE: SAP
ISIN: ZAE000006284

CONVERTIBLE BOND CODES

Stock Code: SSACB1
ISIN: ZAU000017147

WEBSITE

<https://www.sappi.com>

DIRECTORS

MV Moosa – Independent Non-Executive and Lead Independent Director
SR Binnie – Executive Director and Chief Executive Officer
NP Mageza – Independent Non-Executive
GT Pearce – Executive Director and Chief Financial Officer
B Mehlomakulu – Independent Non-Executive
ZN Malinga – Independent Non-Executive
MA Fallon – Independent Non-Executive
ANR Rudd – Independent Non-Executive and Chairman
RJAM Renders – Independent Non-Executive
JM Lopez – Independent Non-Executive
BR Beamish – Independent Non-Executive
JE Stipp – Independent Non-Executive

Place of Incorporation: South Africa

Date of incorporation: 17 December 1936

FINANCIAL ADVISOR

Rand Merchant Bank
(A division of FirstRand Bank Limited)
4 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton, 2146
(PO Box 650149, Benmore, 2010)

AUDITOR AND INDEPENDENT REPORTING ACCOUNTANT

KPMG
85 Empire Road
Parktown
Johannesburg
2193
(Private Bag 9, Parkview, 2122)

COMPANY SPONSOR

UBS South Africa Proprietary Limited
64 Wierda Road East, Wierda Valley
Sandton, 2146
South Africa
(PO Box 652863, Benmore, 2010)

LEGAL ADVISOR

Bowman Gilfillan Inc.
11 Alice Lane
Sandton, 2196
South Africa
(PO Box 785812, Sandton, 2146)

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank
Johannesburg, 2196, South Africa
(Private Bag X9000, Saxonwold, 2132)

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DEFINITIONS AND INTERPRETATIONS

In this Circular and the annexures hereto, unless otherwise stated or the context clearly indicates a contrary intention, the following words and expressions shall bear the meaning assigned to them hereunder. Words in the singular shall include the plural and vice versa, words signifying any one gender shall include the other genders and references to natural persons shall include juristic persons and associations of persons:

“Annual General Meeting”	the annual general meeting of the Company to be held entirely through electronic communication on Wednesday, 3 February 2021 at 14:00 as detailed in the Notice of Annual General Meeting posted to Sappi Shareholders on the same date as the date of this Circular;
“Annual General Meeting Notice”	notice of Annual General Meeting posted with this Circular;
“Board”	board of directors of Sappi;
“Business Day”	any day other than a Saturday, Sunday or statutory public holiday in South Africa;
“Circular”	this bound document, dated Thursday, 17 December 2020, including the annexures thereto;
“Companies Act”	Companies Act, No. 71 of 2008, as amended, including the Companies Regulations;
“Companies Regulations”	means the Companies Regulations, 2011, as promulgated in terms of section 223 of the Companies Act, as amended from time to time;
“Conversion Price”	means the conversion price of the Convertible Bonds as set out in section 4 of this Circular as adjusted in accordance with the Terms and Conditions;
“Convertible Bond Offering”	the offering of Convertible Bonds by Sappi Southern Africa to qualifying international and local institutional investors, as announced by the Company on 18 November 2020;
“Convertible Bondholder(s)”	holder/s of Convertible Bonds from time to time;
“Convertible Bonds”	the ZAR denominated senior unsecured convertible registered bonds issued by Sappi Southern Africa on or about 25 November 2020, that are convertible into Sappi Shares, further details of which are set out in paragraph 4 of this Circular;
“CSDP”	Central Securities Depository Participant defined as a “participant” in section 1 of the Financial Markets Act and appointed by individual Sappi Shareholders for purposes of, and in regard to, Dematerialisation of Documents of Title for the purpose of incorporation into Strate;
“Dealing Day(s)”	has the meaning ascribed thereto in the Terms and Conditions;
“Dematerialise” or “Dematerialised” or “Dematerialisation”	the process by which securities held in certificated form are converted to or held in electronic form as uncertificated securities and recorded in a sub-register of securities holders by a CSDP;
“Dematerialised Shareholders”	holders of Dematerialised Shares;
“Dematerialised Shares”	Sappi Shares which have been Dematerialised in terms of the requirements of Strate and the ownership of which is no longer evidenced by physical Documents of Title but by electronic records;
“Directors”	directors of Sappi as set out in Annexure 2;
“Documents of Title”	share certificates, certified transfer deeds, balanced receipts, or any other documents of title as the case may be;
“Fair Bond Value”	the price determined in good faith by an independent financial advisor of international repute or with appropriate expertise as being the average of such mid-market prices per ZAR10,000 in principal amount of the Convertible Bonds as displayed from such source or sources (if any) as such independent financial advisor shall consider appropriate as at the close of business on each Dealing Day during the Fair Bond Value Calculation Period, provided that where no such source is available in respect of any such Dealing Day as aforesaid, such mid-market price in respect of such Dealing Day shall be such price determined in such manner as is determined in good faith to be appropriate by such independent financial adviser;
“Fair Bond Value Calculation Period”	the period of 10 consecutive Dealing Days commencing on the Dealing Day following the date of the Fair Value Redemption Notice;
“Fair Value Redemption Notice”	has the meaning ascribed thereto in the Salient terms of the Convertible Bonds in paragraph 4;
“Financial Markets Act”	Financial Markets Act, No. 19 of 2012, as amended;

“IFRS”	International Financial Reporting Standards as issued by the International Accounting Standards Board;
“JSE”	as the context requires, either: (i) the JSE Limited, a public company incorporated in accordance with the Laws of South Africa under registration number: 2005/022939/06 and licensed as an exchange under the Financial Markets Act; or (ii) the securities exchange operated by the aforementioned company;
“Last Practicable Date”	Wednesday, 9 December 2020, the last practicable date prior to the finalisation of this Circular;
“Law”	any law (including all statutes and subordinated legislation), constitution, treaty, regulation, rule, directive, rulings, standards, ordinance, by-laws, principle of common law, order or decree of any governmental entity (including any judicial or administrative interpretation thereof) and having the force of law, from time to time (including any securities laws or requirements of any stock exchanges);
“Listings Requirements”	the Listings Requirements of the JSE, as amended from time to time by the JSE;
“Long Stop Date”	31 March 2021;
“Pro forma Financial Information”	the <i>pro forma</i> financial information including the <i>pro forma</i> consolidated income statement of Sappi for the year ended 27 September 2020, the <i>pro forma</i> consolidated balance sheet of Sappi as at 27 September 2020 and the related <i>pro forma</i> financial effects;
“Rand” or “R” or “ZAR”	South African Rand, the official currency of South Africa;
“Sappi” or “the Company”	Sappi Limited, with registration number 1936/008963/06, a limited liability public company duly incorporated in accordance with the Laws of South Africa and listed on the main board of the JSE under equities code SAP, ISIN: ZAE000006284;
“Sappi Group”	Sappi and its Subsidiaries;
“Sappi Shares”	ordinary shares in the share capital of Sappi with a par value of ZAR1 each;
“Sappi Shareholders”	holders of Sappi Shares from time to time;
“Sappi Southern Africa”	Sappi Southern Africa Limited, with registration number 1951/003180/06, a limited liability public company duly incorporated in accordance with the Laws of South Africa and a wholly owned subsidiary of the Company;
“SENS”	the Stock Exchange News Service of the JSE;
“South Africa”	Republic of South Africa;
“Specific Authority”	the approval of ordinary resolution number 5 as set out in the Notice of Annual General Meeting;
“Specific Authority Resolution”	ordinary resolution number 5 as set out in the Notice of Annual General Meeting, in terms of which, if approved, the Company shall be authorised to issue Sappi Shares to those holders of the Convertible Bonds who have exercised their rights to convert the Convertible Bonds into Sappi Shares, in each case in accordance with the Terms and Conditions;
“Sponsor”	UBS South Africa Proprietary Limited, with registration number 1995/011140/07 a limited liability private company duly incorporated in accordance with the Laws of South Africa, being the sponsor to Sappi;
“Strate”	the share settlement and clearing system utilised by the JSE for all share transactions concluded on the JSE, managed by Strate Proprietary Limited, with registration number 1998/022242/07 a limited liability private company duly incorporated in accordance with the Laws of South Africa;
“Subsidiary or Subsidiaries”	shall have the meaning given thereto in the Companies Act;
“Terms and Conditions”	the terms and conditions on which the Convertible Bonds were issued, copies of which are available for inspection;
“Transfer Secretaries”	Computershare Investor Services Proprietary Limited, with registration number 2004/003647/07, a limited liability private company incorporated in accordance with the Laws of South Africa, being the transfer secretaries of Sappi; and
“VWAP”	volume weighted average price.

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(Registration number: 1936/008963/06)

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CIRCULAR TO SAPPI SHAREHOLDERS

1. INTRODUCTION

Sappi Shareholders are referred to the announcement on SENS, dated 18 November 2020, in which Sappi announced the successful placement of the Convertible Bonds. The Convertible Bonds were issued by Sappi Southern Africa on the Issue Date, being Wednesday, 25 November 2020 and will be listed on the main board of the JSE within four months following the Issue Date of the Convertible Bond Offering.

Details of all issues of Sappi Shares as contemplated in this Circular will be announced through SENS in compliance with the Listings Requirements.

Salient details of the Convertible Bonds are provided in paragraph 4 below.

In order for the Convertible Bonds to be capable of being convertible into Sappi Shares in accordance with the Terms and Conditions, the Company requires the necessary shareholder approvals in the form of the Specific Authority. The Company has therefore proposed that the Specific Authority Resolution be approved by Sappi Shareholders at the Company's upcoming Annual General Meeting. Whilst the Specific Authority Resolution is contained in the Notice of Annual General Meeting posted to Sappi Shareholders on the same date as the date of this Circular, the Company has prepared this Circular for purposes of setting out the disclosures required to be made by the Company in connection with the Specific Authority.

The purpose of this Circular is therefore to furnish information to Sappi Shareholders to enable them to make an informed decision as to whether or not they should vote in favour of the Specific Authority Resolution which relates to the granting and approval of a Specific Authority to the Directors to allot and issue up to a maximum of 66,000,000 Sappi Shares to Convertible Bondholders who elect to convert the Convertible Bonds. The Specific Authority Resolution is set out in the Notice of Annual General Meeting as ordinary resolution number 5 and the rationale for the Specific Authority Resolution is explained in paragraph 3 below.

2. USE OF PROCEEDS AND RATIONALE FOR THE ISSUE OF THE CONVERTIBLE BONDS

Sappi Southern Africa intends using the funds raised by it under the Convertible Bond Offering to fund the remaining capital expenditure to expand the production capacity at Sappi Southern Africa's Saiccor mill located in Umkomaas, South Africa and for related improvement initiatives. At the time of the Convertible Bond Offering, the Saiccor expansion project was approximately 80% complete and is expected to contribute an additional capacity of 110,000 tons. The additional capacity is fully contractually committed to existing customers and the expansion project is expected to be completed by mid-2021.

3. RATIONALE FOR PROPOSED SPECIFIC AUTHORITY RESOLUTION

The Convertible Bonds are currently cash-settled instruments for accounting purposes. If Sappi Shareholders do not approve the issuance of Sappi Shares upon conversion of the Convertible Bonds, then the Convertible Bonds will remain subject to cash settlement.

Cash settlement of the Convertible Bonds will require significant cash reserves, which could constrain the Sappi Group's ability to invest in existing and new projects, fund ongoing business activities, retire or service outstanding debt and pay dividends, all of which could adversely affect its results of operations and financial condition.

Furthermore, while the Convertible Bond remains a cash-settled instrument, in terms of the accounting treatment under IFRS 9 *Financial Instruments*, it will be recorded as a financial liability and an embedded derivative. The embedded derivative is accounted for at fair value and marked-to-market movements are accounted for in the income statement for each reporting period. An increase in the value of the embedded derivative would negatively impact earnings per share, while a decrease in the value of the embedded derivative would positively impact earnings per share. This accounting treatment introduces volatility in earnings which does not represent the underlying operational performance of the Sappi Group.

Subject to the Specific Authority being granted, the Convertible Bonds will be convertible into Sappi Shares. Should this be the case, the Convertible Bonds will be accounted for as a compound financial instrument under IAS 32 *Financial Instruments: Presentation*. Accordingly, the Convertible Bonds will be carried at amortised cost, while the associated equity instrument (equity component) is capitalised to equity. There is no requirement to account for the fair value movements of the equity component. Consequently, there will be no volatility in earnings relating to the Convertible Bonds once the Specific Authority has been obtained.

Subject to obtaining the Specific Authority, conversion of the Convertible Bonds will be convertible into Sappi Shares at an Initial Conversion Price of ZAR 33.1636, representing a 32.5% premium to the reference share price of ZAR 25.0291 as set out in section 4 below. At the Initial Conversion Price, the number of Sappi Shares to be issued upon conversion of the Convertible Bonds will be 54,276,372 Sappi Shares, representing 9.4% of the number of existing Sappi Shares in issue as at the Last Practicable Date.

The Terms and Conditions provide that the Conversion Price will be adjusted on the occurrence of certain events which include dividend payments, other payments to shareholders and where buybacks are done at more than a 5% premium to the closing prices of the five trading days prior to the buyback. If such adjustments result in a reduction of the Conversion Price, the number of Sappi Shares to be issued in the event of a conversion of the Convertible Bonds will be increased. In the event that an adjustment of the Conversion Price occurs in accordance the Terms and Conditions, the Company will publish a SENS announcement with such updated Conversion Price.

Sappi Shareholders are accordingly requested to approve the Specific Authority for Sappi's directors to allot and issue a maximum of 66,000,000 Sappi Shares, issuable upon conversion of the Convertible Bonds.

Subject to obtaining the Specific Authority, the Convertible Bonds will be convertible into Sappi Shares. If, after the passing of the Specific Authority, a Convertible Bondholder exercises its right to convert the Convertible Bonds to Sappi Shares, Sappi Southern Africa shall delegate its obligation to redeem the Convertible Bonds to the Company upon which the Company shall allot and issue, or transfer and deliver, the Sappi Shares and register the relevant Convertible Bondholder (or its nominee) in the register of shareholders of the Company five Business Days after the conversion of the Convertible Bond.

4. SALIENT TERMS OF THE CONVERTIBLE BONDS

The salient features of the Convertible Bonds are as follow:

Issuer:	Sappi Southern Africa;
Listing:	The Issuer will apply for the Convertible Bonds to be listed and admitted to trading on the Main Board of the JSE within four months following the "Issue Date" of the Convertible Bond Offering, being 25 November 2020;
Securities offered:	ZAR denominated senior unsecured convertible registered bonds convertible into Sappi Shares;
Issue size:	ZAR1,800,000,000; 54,276,372 Sappi Shares at the time of the convertible bond issuance;
Status of the Convertible Bonds	The Convertible Bonds will constitute direct, unconditional, unsubordinated and (subject to the negative pledge condition) unsecured obligations of the Issuer ranking equally among themselves and at least equally with all other existing and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application;
Denomination:	ZAR 10,000 ("Principal Amount") per bond, to be offered in a minimum trading size of ZAR 2,000,000 being 200 bonds of ZAR 10,000 each;
Initial Underlying shares:	Ordinary shares of the Company, with a par value of ZAR 1 each, listed on the Main Board of the JSE;
Coupon:	5.25% per annum, payable semi-annually in arrears on 26 May and 26 November of each year, commencing on 26 May 2021 (each an "Interest Payment Date"). If any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be adjusted in accordance with the Modified Following Business Day Convention as set out in the terms and conditions of the Convertible Bonds. Interest will be calculated on the basis of a 365 day year and the actual number of days elapsed in an interest period;
Reference Share Price:	ZAR 25.0291, being the VWAP of Sappi Shares on the JSE from market open to the pricing of the Convertible Bond Offering on 18 November 2020;
Conversion Premium:	32.50% over the Reference Share Price;
Initial Conversion Price:	ZAR 33.1636;
Conversion Price	The conversion price in effect on the relevant conversion date, as adjusted on the occurrence of certain events which include dividend payments, other payments to shareholders and where buybacks are done at more than a 5% premium to the closing prices of the five trading days prior to the buyback, in accordance with the Terms and Conditions;
Initial Conversion Ratio	301.5354 Shares per Bond;
Conversion Period:	At any time from 90 days after the Issue Date of the Convertible Bonds until the earlier of (i) the seventh day preceding the Final Redemption Date or (ii) if the Convertible Bonds have been called for redemption prior to the Final Redemption Date, the seventh day preceding the relevant redemption date;
Settlement upon conversion:	Subject to the approval of the Specific Authority hereunder, the Convertible Bonds will be convertible into Sappi Shares at the Conversion Price. If the Specific Authority hereunder is not approved, then the Convertible Bonds will be settled in cash;

Fair market call:	For so long as the Specific Authority has not been passed, the Issuer may, at any time, by giving notice not later than 10 Dealing Days prior to the Long Stop Date (a "Fair Value Redemption Notice") elect to redeem all but not some of the Convertible Bonds at the greater of (i) 102% of the Principal Amount of the Convertible Bonds, together with accrued interest to (but excluding) the date fixed for redemption and (ii) 102% of the Fair Bond Value of the Convertible Bonds, together with accrued interest to (but excluding) the date fixed for redemption, whereupon the Convertible Bonds will be redeemed on the date falling 15 Dealing Days after the end of the Fair Bond Value Calculation Period;
Early Redemption: (at the option of the Issuer)	The Issuer may redeem all but not some only of the Convertible Bonds at their Principal Amount together with accrued interest up to, but excluding, the date of redemption: (i) on or at any time after the twenty-first day following the third (3rd) anniversary of the Issue Date, if the VWAP of a Sappi Share exceeds 130% of the Conversion Price on no less than 20 out of any 30 consecutive Dealing Days ending not earlier than the fifth Dealing Day prior to the date on which notice of redemption is given by the Company to Convertible Bondholders; or (ii) at any time if more than 85% of the Convertible Bonds originally issued have been converted and/or redeemed and/or purchased and cancelled;
Bondholder Put	Bondholders may at their option require the Convertible Bonds to be redeemed, in the event of a change of control or a de-listing of the Sappi Shares, in each case, at their principal amount plus accrued interest;
Dividend Protection	Full dividend protection by way of an adjustment to the Conversion Price;
Redemption price at maturity:	100% of the Principal Amount; and
Final Redemption Date	26 November 2025 (5 years and 1 day from the Issue Date).

5. RELATED PARTY MATTERS

No related parties (as defined in the Listings Requirements) have participated in the bookbuilding process in connection with the Convertible Bond Offering and no Convertible Bonds have been issued to any related party (as defined in the Listings Requirements).

6. SHARE CAPITAL

The authorised share capital and issued share capital of the Company, at the Last Practicable Date, is set out below:

Authorised	
Sappi Shares of ZAR1 each	725,000,000
'A' ordinary shares of ZAR1 each	19,961,476
Issued	
Sappi Shares of ZAR1 each	552,860,538
'A' ordinary shares of ZAR1 each*	Nil
Treasury shares**	6,761,527

* Sappi repurchased the full 19,961,476 'A' ordinary shares in August 2019 at par value upon their vesting date. The 'A' ordinary shares were unlisted but ranked *pari passu* with the ordinary shares in all respects except for dividend entitlements where the 'A' ordinary shares were entitled to 50% of the dividends payable on the ordinary shares. The 'A' ordinary shares had the same voting rights as ordinary shares but were not listed on the JSE.

** Comprises 6,761,527 Sappi Shares held by The Sappi Limited Performance Share Incentive Trust. These shares may be utilised to meet the requirements of the trust.

The authorised share capital and issued share capital of the Company if the Specific Authority is granted and the Convertible Bonds are converted into Sappi Shares (assuming the full number of Sappi Shares is issued referred to above is issued, which will depend on the ultimate Conversion Price) will be as follows:

Authorised	
Sappi Shares of ZAR1 each	725,000,000
'A' ordinary shares of ZAR1 each	19,961,476
Issued	
Sappi Shares of ZAR1 each	607,136,924
'A' ordinary shares of ZAR1 each	Nil
Treasury shares*	6,761,527

* Comprises 6,761,527 Sappi Shares held by The Sappi Limited Performance Share Incentive Trust. These shares may be utilised to meet the requirements of the trust.

7. EXPENSES

It is estimated that Sappi's expenses relating to this Circular and the Convertible Bond Offering will amount to approximately ZAR30,602,192 (excluding Value Added Tax thereon) as detailed below. Other than set out below, Sappi has incurred no preliminary expenses in relation to this Circular.

Nature of expense	Paid/Payable to	R
JSE documentation inspection fee	JSE	110,148
Printing, publication and distribution	The Oak Tree Group	268,144
Trustee and Transfer Secretary Fees	TMF Group and Computershare	93,900
Sappi legal advisors	Bowmans	2,000,000
Auditor and Independent Reporting Accountants	KPMG	380,000
Bookrunner fees	RMB/Morgan Stanley	27,000,000
Bookrunner legal counsel	Webber Wentzel	750,000
	Total	30,602,192

8. PRO FORMA FINANCIAL INFORMATION

The *Pro Forma* Financial Information set out in this Circular, consists of the *pro forma* financial effects, the *pro forma* consolidated balance sheet as at 27 September 2020 and the *pro forma* consolidated income statement for the year ended 27 September 2020 (the "*Pro Forma* Financial Information"), in order to reflect:

- the issue of the Convertible Bonds; and
- the subsequent shareholder approval for the issue of Sappi Shares upon conversion of the Convertible Bonds,

assuming that the Convertible Bonds are issued and the subsequent approval for the issue of Sappi Shares took place on 30 September 2019 (start of the 2020 financial year) for the purposes of the *pro forma* adjustments to the *pro forma* consolidated income statement and on 27 September 2020 (end of the 2020 financial year) for purposes of the *pro forma* adjustments to the *pro forma* consolidated balance sheet. The Sappi Group's financial year-end is on the Sunday closest to the last day of September. Accordingly, the 2020 financial year was from 30 September 2019 to 27 September 2020 (52 weeks) and the 2019 financial year from 01 October 2018 to 29 September 2019 (52 weeks).

The *Pro Forma* Financial Information is presented for illustrative purposes only. The *pro forma* adjustments and *Pro Forma* Financial Information set out in this Circular are based on available information and certain assumptions and estimates that the Board believe are reasonable. The *Pro Forma* Financial Information does not purport to be indicative of what the financial position and results of operations would have been if the issue of the Convertible Bonds and the subsequent shareholder approval for the issue of Sappi Shares upon conversion of the Convertible Bonds occurred on a different date, or the effect and impact thereof, going forward.

The *Pro Forma* Financial Information has been prepared using accounting principles that are consistent with IFRS and the accounting policies adopted by Sappi in the audited consolidated annual financial statements for the year ended 27 September 2020. The *Pro Forma* Financial Information is presented in accordance with the Listings Requirements, the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants and ISAE 3420 (Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information Included in a Prospectus).

The Directors are responsible for the compilation, contents, accuracy and preparation of the *Pro Forma* Financial Information giving effect to the issue of Convertible Bonds and the subsequent approval for the issue of Sappi Shares upon conversion of the Convertible Bonds. Their responsibility includes determining that the *Pro Forma* Financial Information has been properly compiled on the basis stated, that the basis is consistent with the accounting policies of Sappi and that the *pro forma* adjustments are appropriate for the purposes of the *Pro Forma* Financial Information disclosed pursuant to the Listings Requirements.

The *Pro Forma* Financial Information should be read in conjunction with the Independent Reporting Accountant's assurance report presented in Annexure 1, the information included in this Circular under the headings "Rationale for the Proposed Specific Authority Resolution" and "Salient Terms of the Convertible Bonds".

PRO FORMA FINANCIAL EFFECTS BASED ON THE AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF SAPPI FOR THE YEAR ENDED SEPTEMBER 2020

	Before ⁽¹⁾	Pro forma after Issue of Convertible Bonds ⁽²⁾	Pro forma after approval for the issue of Sappi Shares on conversion ⁽³⁾	Change (%) ⁽⁴⁾
Net asset value per share (cents)	299	299	301	1%
Tangible net asset value per share (cents)	278	278	281	1%
Basic earnings per share (cents)	(25)	(24)	(25)	0%
Diluted earnings per share (cents)	(25)	(24)	(22)	(12%)
EPS excluding special items	(5)	(5)	(5)	0%
Basic headline earnings per share (cents)	(19)	(19)	(19)	0%
Diluted headline earnings per share (cents)	(19)	(19)	(18)	(5%)
Weighted average number of shares in issue (millions)	545.5	545.5	545.5	0%
Weighted average number of diluted shares in issue (millions)	547.7	547.7	602.0	10%
Number of shares in issue (millions)	546.1	546.1	546.1	0%

Notes and assumptions:

1. Extracted from the audited consolidated annual financial statements of Sappi for the year ended 27 September 2020.

Convertible Bonds (prior to approval for the issue of Sappi Shares on conversion)

2. The "Pro forma after Issue of Convertible Bonds" column reflects the pro forma impact of the issue of the Convertible Bonds prior to shareholder approval for the issue of Sappi Shares upon conversion of the Convertible Bonds.

The effects on basic earnings per share, diluted earnings per share, EPS excluding special items basic headline earnings per share, and diluted headline earnings per share are calculated on the basis that the issue of the Convertible Bonds was effective on 30 September 2019, while the effects on net asset value per share and tangible net asset value per share are calculated on the basis that the issue of the Convertible Bonds was effective on 27 September 2020 for purposes of presenting the pro forma effects thereof on Sappi, based on the following assumptions:

- The Convertible Bonds are cash-settled instruments.
- At initial recognition, the embedded derivative is valued using option pricing methodologies with fair value movements recognised through profit and loss.
- The balance of the cash received is classified as a financial liability at amortised cost.

It should be noted that the pro forma effects do not include the earnings effect of the application of the proceeds from the issue of the Convertible Bonds. Refer to the pro forma consolidated balance sheet and the pro forma consolidated income statement for the detailed notes and assumptions to the pro forma financial effects.

3. Convertible Bonds (after approval for the issue of Sappi Shares on conversion):

The "Pro forma after approval for the issue of Sappi Shares on conversion" column reflects the pro forma impact for the issue of the Convertible Bonds, subsequent to shareholder approval for the issue of Sappi Shares upon conversion of the Convertible Bonds.

The effects on basic earnings per share, diluted earnings per share, basic headline earnings per share, EPS excluding special items and diluted headline earnings per share are calculated on the basis that the issue of the Convertible Bonds and the subsequent shareholder approval for the issue of Sappi Shares upon conversion of the Convertible Bonds was effective on 30 September 2019, while the effects on net asset value per share and tangible net asset value per share are calculated on the basis that the issue of the Convertible Bonds and the subsequent shareholder approval for the issue of Sappi Shares upon conversion of the Convertible Bonds was effective on 27 September 2020 for purposes of presenting the pro forma effects thereof on Sappi, based on the following assumptions:

- The Convertible Bonds constitutes a compound financial instrument of which the liability component is initially recognised at amortised cost.
- The balance of the cash received is classified as equity.

The diluted earnings per share and diluted headline earnings per share decreases with the issue of the approved Sappi Shares due to the dilutive impact of the 54.3 million assumed increase in the weighted average number of diluted Sappi Shares on conversion.

Refer to the pro forma consolidated balance sheet and the pro forma consolidated income statement for the detailed notes and assumptions to the pro forma financial effects.

4. The percentage change represents the impact of issue and shareholder approval of the conversion of the Convertible Bonds to Sappi Shares.

PRO FORMA CONSOLIDATED BALANCE SHEET

US\$ million	Before ⁽¹⁾	Issue of Convertible Bonds ⁽²⁾	Note	Pro forma after issue of Convertible Bonds as at 27 September 2020	Approval for issue of ordinary shares ⁽⁵⁾	Note	Pro forma after approval for issue of ordinary shares ⁽⁶⁾
ASSETS							
Non-current assets	3,891			3,891			3,891
Property, plant and equipment	3,103			3,103			3,103
Right of use assets	101			101			101
Plantations	419			419			419
Deferred tax assets	59			59			59
Goodwill and intangible assets	113			113			113
Equity accounted investees	11			11			11
Other non-current assets	85			85			85
Current assets	1,564	103		1,667	-		1,667
Inventories	673			673			673
Trade and other receivables	584			584			584
Derivative financial instruments	3			3			3
Taxation receivable	19			19			19
Cash and cash equivalents ⁽³⁾	279	103	3	382			382
Assets held for sale	6			6			6
Total assets	5,455	103		5,558	-		5,558
EQUITY AND LIABILITIES							
Shareholders' equity	1,632	-		1,632	14		1,646
Ordinary share capital and share premium	710			710	14	5.2	724
Non-distributable reserves	101			101			101
Foreign currency translation reserve	(245)			(245)			(245)
Hedging reserves	(40)			(40)			(40)
Retained earnings	1,106			1,106			1,106
Non-current liabilities	2,700	103		2,803	(14)		2,789
Interest-bearing borrowings (4.1)	1,861	84	4.1	1,945	-	5.1	1,945
Lease liabilities	81			81			81
Deferred tax liabilities (5.2)	304			304	5	5.2	309
Derivative financial instruments (4.2)	9	19	4.2	28	(19)	5.2	9
Defined benefit liabilities	364			364			364
Other non-current liabilities	81			81			81
Current liabilities	1,123	-		1,123	-		1,123
Interest-bearing borrowings	270			270			270
Lease liabilities	24			24			24
Overdrafts	-			-			-
Trade and other payables	797			797			797
Provisions	19			19			19
Derivative financial instruments	2			2			2
Taxation payable	11			11			11
Total equity and liabilities	5,455	103		5,558	-		5,558
Number of shares in issue at balance sheet date (millions)	546.1			546.1			546.1
Net asset value per share (cents)	299			299			301
Tangible net asset value per share (cents)	278			278			281

Notes to the pro forma consolidated balance sheet for Sappi as at 27 September 2020:

The pro forma consolidated balance sheet has been prepared on the assumption that the issue of the Convertible Bonds and the subsequent shareholder approval for the issue of Sappi Shares upon conversion of the Convertible Bonds are effective as at 27 September 2020.

1. All the adjustments reflected in the pro forma consolidated financial information are expected to have a continuing effect, unless otherwise noted. Extracted from the audited consolidated annual financial statements of Sappi for the year ended 27 September 2020.

Convertible Bonds (prior to approval for the issue of Sappi Shares on conversion)

2. The "Issue of Convertible Bonds" column illustrates the impact on the consolidated balance sheet as at 27 September 2020 for the issue of the Convertible Bonds, prior to the approval for the issue of Sappi Shares upon conversion of the Convertible Bonds.
3. Cash and cash equivalents are increased by US\$103 million, being the proceeds from the issue of the Convertible Bonds of US\$105 million, less estimated transaction costs of US\$5 million.
4. Prior to the approval for the issue of Sappi Shares upon conversion of the Convertible Bonds, the Convertible Bonds are cash-settled instruments. These instruments are accounted for as follows:
 - a financial liability at amortised cost according to IFRS 9: Financial instruments, and
 - an embedded derivative (equity option) through profit and loss.

At initial recognition, the embedded derivative is valued using option pricing methodologies. The balance of the cash received is classified as a financial liability at amortised cost.

4.1 Financial liability

Financial liabilities are increased by US\$84 million (being the difference between the proceeds of the Convertible Bonds of US\$105 million and the value of the embedded derivative of US\$19 million, less transaction costs of US\$2 million, resulting in a net adjustment of US\$84 million).

Subsequent to initial recognition, the financial liability increases at every reporting period by an effective interest charge that is capitalised to property, plant and equipment in the consolidated balance sheet on the basis that the proceeds of the Convertible Bonds will be applied to property plant and equipment that meet the qualifying asset criteria according to IAS 23: Borrowing Costs. Capitalisation ceases when the activities necessary to prepare the asset for its intended use are substantially complete.

4.2 Embedded derivative

The embedded derivative has been valued at US\$19 million using option pricing methodologies. Subsequent to initial recognition, the embedded derivative is revalued at every reporting period with gains and losses accounted for as part of net finance costs in the consolidated income statement, until shareholder approval for the issue of the shares upon conversion of the Convertible Bonds is obtained.

Inputs to the option valuation model performed on 18 November 2020 for initial recognition are set out below:

Input	Inception
Implied volatility range	23% to 26%
Credit spread	5.1%
Reference share price	R25.0291

Convertible Bonds (after approval for the issue of Sappi Shares on conversion)

5. The "Approval for the issue of Sappi Shares on conversion" column illustrates the impact on the consolidated balance sheet as at 27 September 2020 for the issue of the Convertible Bonds, subsequent to shareholder approval for the issue of Sappi Shares upon conversion of the Convertible Bonds.

The accounting treatment of the Convertible Bonds will change and the Convertible Bonds will constitute a compound financial instrument. These instruments are accounted for as follows according to IAS 32: Financial Instruments: Presentation.

- a financial liability (debt portion); and
- an equity instrument (equity portion).

At initial recognition, the financial liability is valued by calculating the present value of the future cash flows at an effective interest rate for a similar bond without a conversion option. The balance of the proceeds is classified as equity. The debt and equity components are reduced with their pro rata share of the transaction costs incurred.

5.1 Financial liability (debt portion)

At initial recognition, the Convertible Bonds are recognised as a financial liability at amortised cost based on a similar financial instrument without a conversion option. Accordingly, the Convertible Bonds are valued at US\$84 million, being the amortised cost of US\$86 million less the pro rate transaction costs of US\$2 million attributable to the financial liability.

Subsequent to initial recognition, the financial liability increases at every reporting period by an effective interest charge that is capitalised to property, plant and equipment in the consolidated balance sheet on the basis that the proceeds of the Convertible Bonds will be applied to property plant and equipment that meet the qualifying asset criteria according to IAS 23: Borrowing costs. Capitalisation ceases when the activities necessary to prepare the asset for its intended use are substantially complete.

5.2 Equity portion

Once shareholder approval is granted, the equity portion of the compound financial instrument is capitalised to share capital and premium.

The value of the equity portion of the compound instrument is calculated as the gross proceeds from the issue of the Convertible Bonds of US\$105 million less the value of the financial liability of US\$86 million, resulting in US\$19 million, net of its share of transaction costs calculated of US\$Nil million and deferred tax of US\$5 million, being capitalised to share capital and premium.

6. This represents the position as at 27 September 2020 subsequent to shareholder approval for the issue of Sappi Shares upon conversion of the Convertible Bonds.

PRO FORMA CONSOLIDATED INCOME STATEMENT

US\$ million	Issue of Convertible Bonds ⁽²⁾		Pro forma after issue of Convertible Bonds		Approval for issue of ordinary shares ⁽⁶⁾		Pro forma after approval for issue of ordinary shares
	Before ⁽¹⁾	Note	Note	Note	Note	Note	
Revenue	4,609			4,609			4,609
Cost of sales	4,210			4,210			4,210
Gross profit	399			399			399
Selling, general and administrative expenses	337			337			337
Other operating (income) expenses	100			100			100
Share of profit from equity accounted investees net of tax	-			-			-
Operating profit (loss)	(38)	-		(38)	-		(38)
Net finance costs	88	(5)		83	5		88
Finance costs	93		4	93		8	93
Finance income	(5)		4	(5)		8	(5)
Net foreign exchange gains	-			-			-
Fair value financial instruments	-	(5)	3	(5)	5	7	-
Profit (loss) before taxation	(126)	5		(121)	(5)		(126)
Taxation charge	9	1	5	10	(1)	9	9
Profit (loss) for the year	(135)	4		(131)	(4)		(135)

Notes to the pro forma consolidated income statement for Sappi for the year ended 27 September 2020:

The pro forma consolidated income statement has been prepared on the assumption that the issue of the Convertible Bonds and the subsequent shareholder approval for the issue of Sappi Shares upon conversion of the Convertible Bonds are effective as at 30 September 2020.

All the adjustments reflected in the pro forma consolidated financial information are expected to have a continuing effect unless otherwise noted.

1. Extracted from the audited consolidated annual financial statements of Sappi for the year ended 27 September 2020.

Convertible Bonds (prior to approval for the issue of Sappi Shares on conversion)

2. The "Issue of Convertible Bonds" column illustrates the impact on the consolidated income statement for the year ended 27 September 2020 for the issue of the Convertible Bonds, prior to the approval for the issue of Sappi Shares upon conversion of the Convertible Bonds.

3. As discussed in note 4.2 to the pro forma consolidated balance sheet, the embedded derivative recognised at inception of the issue of the Convertible Bonds is measured at fair value and marked-to-market at each reporting date, resulting in a fair value income of US\$2 million. The fair value of the embedded derivative is calculated using option pricing methodologies and amounts to US\$19 million at inception and US\$14 million after 12 months.

Inputs to the option valuation model performed on 18 November 2020 at initial recognition are set out below:

Input	Inception	After 12 months
Implied volatility range	23% to 26%	23% to 26%
Credit spread	5.1%	5.1%
Reference share price	R25.0291	R25.0291

4. Finance costs arising from the amortisation of the Convertible Bonds for the year ended 27 September 2020, net of finance income generated are capitalised to property, plant and equipment on the basis that the proceeds of the Convertible Bonds will be applied to property plant and equipment that meet the qualifying asset criteria according to IAS 23: Borrowing Costs. Capitalisation ceases when the activities necessary to prepare the asset for its intended use are substantially complete.

5. Current and deferred tax has been adjusted as follows:

- The deferred tax on the temporary difference between the carrying value and tax base of property, plant and equipment resulting from the capitalisation of the interest expense and the deferred tax on the temporary difference between the carrying value and tax base of the Convertible Bond is offset by the decrease of income tax expense for the deductibility of the net interest expense on the Convertible Bond and the transactions costs.
- Deferred tax expense of US\$1 million is recognised at 28% of the fair value movement of the embedded derivative.

Convertible Bonds (after approval for the issue of Sappi Shares on conversion):

6. The "Approval for the issue of Sappi Shares on conversion" column illustrates the impact on the consolidated income statement for the year ended 27 September 2020 for the issue of the Convertible Bonds, subsequent to shareholder approval for the issue of Sappi Shares upon conversion of the Convertible Bonds.

7. On shareholder approval, no embedded derivative is recognised and the equity portion of the compound instrument arising on initial recognition of the Convertible Bonds is recognised against share capital and premium.

8. Finance costs arising from the amortisation of the Convertible Bonds for the year ended 27 September 2020, net of finance income generated are capitalised to property, plant and equipment on the basis that the proceeds of the Convertible Bonds will be applied to property plant and equipment that meet the qualifying asset criteria according to IAS 23: Borrowing Costs. Capitalisation ceases when the activities necessary to prepare the asset for its intended use are substantially complete.

9. Tax expense has been recognised subsequent to shareholder approval and the issue of Sappi shares for the following:

- The deferred tax on the temporary difference between the carrying value and tax base of property, plant and equipment resulting from the capitalisation of the interest expense and the deferred tax on the temporary difference between the carrying value and tax base of the Convertible Bond is offset by the decrease of income tax expense for the deductibility of the net interest expense on the Convertible Bond.

9. OVERVIEW OF THE BUSINESS AND PROSPECTS

- 9.1 Sappi is a global diversified wood-fibre company focused in providing dissolving wood pulp, packaging and specialty papers, graphic papers, as well as biomaterials and biochemicals to our direct and indirect customer base across more than 150 countries.
- 9.2 Sappi has over 12,800 employees in over 35 countries and manufacturing operations on three continents (ten production facilities in Western Europe, four in North America and five in Southern Africa) which produce approximately:
- 9.2.1 5.7 million tons per year of paper;
- 9.2.2 2.6 million tons per year of paper pulp; and
- 9.2.3 1.4 million tons per year of dissolving pulp.
- 9.3 Sappi has a primary listing on the JSE and a Level 1 ADR programme that trades in the over-the-counter market in the United States of America.
- 9.4 Sappi Shareholders are referred to pages 6, 31, 36 to 43, 62 and 114 to 117 of Sappi's 2020 integrated annual report which is available on Sappi's website (<https://www.sappi.com/investors>) for further information on Sappi's business, operations and the Board's analysis of the Company's prospects. Sappi Shareholders are also advised that a copy of the 2020 integrated annual report has been posted to Sappi Shareholders along with this Circular.

10. INFORMATION RELATING TO THE DIRECTORS

10.1 Directors

The full names, functions, date of appointment, ages, nationalities, business addresses, qualifications, and experience of the Directors are set out in Annexure 2 to this Circular.

10.2 Directors' Interests in Securities

As at the Last Practicable Date, the following Directors (and their Associates as defined in the Listings Requirements), including Directors who have resigned in the last 18 months, had indirect and direct beneficial interests in the Company:

Executive Directors

Name	Direct beneficial 2020	Indirect beneficial 2020	Total	Percentage holding
SR Binnie	360,000	Nil	360,000	0.065%
GT Pearce	155,877	Nil	155,877	0.028%
M Fallon	5,000	Nil	5,000	0.000%
V Moosa	Nil	576,542	576,542	0.105%
ANR Rudd	250,000	Nil	250,000	0.045%
J McKenzie	Nil	6,500	6,500	0.001%

There have been no changes in the interests of the Directors, or Directors who have resigned in the previous 18 months, between the end of the preceding financial year and the Last Practicable Date.

10.3 Directors' Interests in Transactions

No Director, including Directors of the Company who have resigned in the last 18 months, has or has had a material beneficial interest, whether direct or indirect, in any transaction which was effected by the Company during the current or immediately preceding financial year, or during an earlier financial year and which remains in any respect outstanding or unperformed.

10.4 Directors' Remuneration

No Director's remuneration will be varied as a result of the issue of Sappi Shares upon conversion of the Convertible Bonds.

11. LITIGATION STATEMENT

The Directors are not aware of any other legal or arbitration proceedings arising in relation to the Company, including any proceedings that are pending or threatened, which may have or have had in the recent past, being at least the previous 12 (twelve) calendar months, a material effect on the Sappi Group's financial position.

12. ANNUAL GENERAL MEETING AND REQUIRED ACTION

The Specific Authority Resolution and the other resolutions set out in the Notice of Annual General Meeting will be considered and, if deemed fit, adopted at the Annual General Meeting to be held at 14:00 on Wednesday, 3 February 2021. The Notice of Annual General Meeting has been posted to Sappi Shareholders on the same date as this Circular and Sappi Shareholders are advised to carefully read both the Notice of Annual General Meeting and this Circular.

13. SHARE TRADING HISTORY

The share trading history of Sappi on the JSE up to the Last Practicable Date is set out in Annexure 3 of this Circular.

14. RESPONSIBILITY STATEMENT

The current Directors, whose names appear under "Corporate Information and Advisors", collectively and individually accept full responsibility for the accuracy of the information given in this Circular, and certify that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Circular false or misleading, and that they have made all reasonable inquiries to ascertain such facts, and that this Circular contains all information required by Law and the Listings Requirements. All the Directors have read, and understand and agree with, the contents of this Circular and have authorised the chief financial officer of the Company, by way of powers of attorney granted to him, to sign this Circular on their behalf.

15. CONSENTS

Each of the advisors whose names appear on the front cover of this Circular have consented and have not, prior to the Last Practicable Date, withdrawn their written consents to the inclusion of their names and, where applicable, reports in the form and context in which they appear in this Circular.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of Sappi during normal business hours (excluding Saturdays, Sundays and public holidays) from the date of issue of this Circular up to and including 3 February 2021:

- the memoranda of incorporation of Sappi and its Subsidiaries;
- the annual financial statements of Sappi for the three financial years ended 30 September 2018, 2019 and 2020;
- a copy of the Terms and Conditions;
- written consents as referred to in paragraph 15 above; and
- a signed copy of this Circular.

17. INCORPORATION OF INFORMATION BY REFERENCE

17.1 Section 11.61 of the Listings Requirements allows for certain required Listings Requirements information, ordinarily prescribed for inclusion into a circular to shareholders, to rather be incorporated by way of website referencing.

17.2 In this regard, the Company's website has been set up to allow Sappi Shareholders, should they so wish, to review, read and download, *inter alia*, the information referenced in the table below. In accessing and utilising the Company's website, it is important to note that the Company makes available such information purely for the use by and convenience of the Sappi Shareholders and for no other purposes and, accordingly, accepts no responsibility for the use of any such information by any other person save for the purposes as hereinto explained. The information below is incorporated by reference to the 2020 Sappi Integrated Annual Report a copy of which is available on <https://www.sappi.com/investors>:

Item	Reference in the 2020 Sappi Integrated Annual Report
Business insights	Pages 62
Description of Business and Prospects	Pages 6 to 31
Details of material loans	Pages 114 to 117
Details of material risks	Pages 36 to 43

By order of the Board



Glen Thomas Pearce

Chief Financial Officer
Sappi Limited
108 Oxford Road
Houghton Estate
Johannesburg
Gauteng, 2198
South Africa

17 December 2020

ANNEXURE 1: INDEPENDENT REPORTING ACCOUNTANT'S REPORT

Independent Reporting Accountant's assurance report on the compilation of *pro forma* financial information of the Sappi Group

The Directors
Sappi Limited
108 Oxford Road
Houghton Estate
Johannesburg
Gauteng
2198
South Africa

10 December 2020

TO THE DIRECTORS OF SAPPI LIMITED

INTRODUCTION

The definitions in the Circular to Sappi Shareholders to which this letter is attached apply, *mutatis mutandis*, to this independent reporting accountant's assurance report on the compilation of the *pro forma* financial information of the Sappi Group (the "**Report**").

We have completed our assurance engagement to report on the compilation of the *pro forma* financial information of the Sappi Group by the directors of Sappi (the "**Directors**"). The *pro forma* financial information consists of:

- the *pro forma* net asset value per share and *pro forma* tangible net asset value per share of the Sappi Group, the *pro forma* consolidated balance sheet of the Sappi Group, including a reconciliation showing all of the *pro forma* adjustments to the share capital, reserves and other equity items relating to the Sappi Group, and the related notes, set out in Section 8 to this Circular (collectively, the "**Pro forma Balance sheet**"), as if each of the issuance of the Convertible Bonds, and the issuance of the Convertible Bonds subsequent to Sappi Shareholder approval of the Specific Authority, on a 'standalone' basis (collectively "**Transactions**"), had taken place on 27 September 2020; and
- the *pro forma* basic earnings per share ("**EPS**"), *pro forma* diluted EPS, *pro forma* EPS excluding special items, *pro forma* basic headline EPS and *pro forma* diluted headline EPS of the Sappi Group, the *pro forma* consolidated income statement of the Sappi Group and the related notes (collectively, "**Pro forma Income statement**"), as if the Transactions had taken place on 30 September 2019.

The *Pro forma* Balance sheet and the *Pro forma* Income statement are collectively referred to as the "**Pro forma Financial Information**" of the Sappi Group for purposes of this Report. The applicable criteria on the basis of which the Directors have compiled the *Pro forma* Financial Information of the Sappi Group is specified in the Listings Requirements of the JSE Limited ("**JSE Listings Requirements**") and described in Section 8 to this Circular.

The purpose of the *Pro forma* Financial Information of the Sappi Group included in the Circular is solely to illustrate the impact of the Transactions on the unadjusted audited consolidated financial statements of the Sappi Group for the year ended 27 September 2020 ("**Audited Financial Statements**") as if the Transactions had been undertaken on 30 September 2019 for purposes of the *Pro forma* Income statement and on 27 September 2020 for purposes of the *Pro forma* Balance sheet. Accordingly, we do not provide any assurance that the actual outcome of the Transactions, subsequent to their implementation, will be as presented in the *Pro forma* Financial Information of the Sappi Group.

As part of this process, the basic EPS, diluted EPS, EPS excluding special items, basic headline EPS and diluted headline EPS, net asset value per share and tangible net asset value per share, the consolidated income statement and the consolidated balance sheet of the Sappi Group prior to the Transactions have been extracted by the Directors from the Audited Financial Statements.

Directors' Responsibility for the *Pro forma* Financial Information of the Sappi Group

The Directors are responsible for compiling the *Pro forma* Financial Information of the Sappi Group on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the Section 8 to the Circular ("**Applicable Criteria**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditor (IRBA Code), which is founded on fundamentals principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

KPMG Inc. applies the International Standard on Quality Control 1, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent Reporting Accountant's responsibilities

Our responsibility is to express an opinion, based on our procedures performed, about whether the *Pro forma* Financial Information of the Sappi Group has been compiled, in all material respects, by the Directors on the basis of the Applicable Criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420, Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information Included in a Prospectus which is applicable to an engagement of this nature, issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the *Pro forma* Financial Information of the Sappi Group has been compiled, in all material respects, on the basis of the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on the Audited Financial Statements used in compiling the *Pro forma* Financial Information of the Sappi Group, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *Pro forma* Financial Information of Sappi Group other than the Audited Financial Statements.

The purpose of the *Pro forma* Financial Information of the Sappi Group included in the Circular is solely to illustrate the impact of the Transactions on a 'standalone' basis had been undertaken on 30 September 2019 for purposes of the *Pro forma* Income statement and on 27 September 2020 for purposes of the *Pro forma* Balance sheet. Accordingly, we do not provide any assurance that the actual outcome of the Transactions on a 'standalone' basis, subsequent to their implementation, will be as presented in the *Pro forma* Financial Information of the Sappi Group.

A reasonable assurance engagement to report on whether the *Pro forma* Financial Information of the Sappi Group has been properly compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the *Pro forma* Financial Information of the Sappi Group provides a reasonable basis for presenting the significant effects directly attributable to the Transactions and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to the Applicable Criteria; and
- The *Pro forma* Financial Information of the Sappi Group reflects the proper application of those *pro forma* adjustments to the unadjusted Audited Financial Statements.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the Transactions in respect of which the *Pro forma* Financial Information of the Sappi Group has been compiled and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *Pro forma* Financial Information of the Sappi Group.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *Pro forma* Financial Information of the Sappi Group has been compiled, in all material respects, on the basis of the Applicable Criteria.

Restriction on use

This Report has been prepared for the purpose of satisfying the requirements of the JSE Listings Requirements, and for no other purpose.

Yours faithfully

KPMG Inc.

Per C Basson
Chartered Accountant (SA)
Registered Auditor
Director

85 Empire Road
Parktown, Johannesburg, 2193

10 December 2020

ANNEXURE 2: DIRECTORS INFORMATION

1. DIRECTORS AND MANAGEMENT OF SAPPI AND ITS MAJOR SUBSIDIARIES

The full names, nationalities, ages, business addresses and functions of the current Directors up to the Last Practicable Date, are set out below. Unless stated otherwise, each of the persons below is South African.

Director and Nationality	Age	Business Address	Function
MV Moosa (South African)	63	108 Oxford Road Houghton Estate Johannesburg, Gauteng, 2198 South Africa	Independent Non-Executive
SR Binnie (British)	53	108 Oxford Road Houghton Estate Johannesburg, Gauteng, 2198 South Africa	Chief Executive Officer
NP Mageza (South African)	65	108 Oxford Road Houghton Estate Johannesburg, Gauteng, 2198 South Africa	Independent Non-Executive
GT Pearce (South African)	57	108 Oxford Road Houghton Estate Johannesburg, Gauteng, 2198 South Africa	Chief Financial Officer
B Mehlomakulu (South African)	47	108 Oxford Road Houghton Estate Johannesburg, Gauteng, 2198 South Africa	Independent Non-Executive
ZN Malinga (South African)	42	108 Oxford Road Houghton Estate Johannesburg, Gauteng, 2198 South Africa	Independent Non-Executive
MA Fallon (British)	62	108 Oxford Road Houghton Estate Johannesburg, Gauteng, 2198 South Africa	Independent Non-Executive
ANR Rudd (British)	73	108 Oxford Road Houghton Estate Johannesburg, Gauteng, 2198 South Africa	Chairman and Independent Non-Executive
RJAM Renders (Dutch)	67	108 Oxford Road Houghton Estate Johannesburg, Gauteng, 2198 South Africa	Independent Non-Executive
JM Lopez (American)	61	108 Oxford Road Houghton Estate Johannesburg, Gauteng, 2198 South Africa	Independent Non-Executive
BR Beamish (British and South African)	63	108 Oxford Road Houghton Estate Johannesburg, Gauteng, 2198 South Africa	Independent Non-Executive
JE Stipp (American)	61	108 Oxford Road Houghton Estate Johannesburg, Gauteng, 2198 South Africa	Independent Non-Executive

The full names, nationalities, ages, business addresses and functions of the current directors of Sappi's major Subsidiary, Sappi Southern Africa Limited up to the Last Practicable Date, are set out below. Unless stated otherwise, each of the persons below is South African.

Director and Nationality	Age	Business Address	Subsidiaries' Executive Management functions
PG Moodley (South African)	44	108 Oxford Road Houghton Estate Johannesburg, Gauteng, 2198 South Africa	Chief Financial Officer
SR Binnie (British)	53	108 Oxford Road Houghton Estate Johannesburg, Gauteng, 2198 South Africa	Director
GT Pearce (South African)	57	108 Oxford Road Houghton Estate Johannesburg, Gauteng, 2198 South Africa	Director
AVC Thiel (South African)	59	108 Oxford Road Houghton Estate Johannesburg, Gauteng, 2198 South Africa	Chief Executive Officer

INFORMATION ON DIRECTORS OF SAPPI

NON-EXECUTIVE DIRECTORS OF SAPPI

Sir Nigel Rudd (Independent Chairman)

Sir Nigel Rudd has held various senior management and board positions in a career spanning more than 35 years. He founded Williams plc in 1982 and the company went on to become one of the largest industrial holding companies in the United Kingdom. He was knighted by the Queen for services to the manufacturing industry in the UK in 1996 and holds honorary doctorates from Loughborough and Derby Universities.

Brian Richard Beamish (Independent)

Mr Beamish is a qualified mechanical engineer with over 40 years of management, business and leadership experience in capital intensive industries. He was appointed to the Lonmin Board in 2013 and served as Chairman from May 2014 until June 2019 when the corporate action with Sibanye-Stillwater completed. He also served as Chair of the Nomination Committee and a member of the Remuneration and Safety, Health and Environment Committees. His senior executive career was spent within Anglo American, where his final role until retirement was that of Group Director Mining and Technology, before which he was the CEO of the Base Metals Division.

Michael Anthony Fallon (Independent)

Mr Fallon retired as an Executive Director of Nippon Sheet Glass Company Limited (NSG Group) at the end of June 2012. Prior to retirement, Mr Fallon was President of NSG's Global Automotive Division, with 17,500 employees, heading up all the glass and glazing operations in the key automotive regions across the world. With annual sales of around €6 billion, the NSG Group is one of the world's largest manufacturers of glass and glazing products for the building, automotive and speciality glass sectors. His management and leadership experience extends across a wide range of functions from plant management, sales and marketing and supply chain to general management, including mergers and acquisition experience.

During his 30-year career in a highly competitive industry, he held a wide range of roles, including President of Pilkington operations in North America and has been a director and chairman of companies in the United Kingdom, New Zealand and Finland. In his last four years at NSG, he was both a main board director and leader of their Global Automotive Division. He was responsible for leading and developing the strategic direction and ultimately the performance and governance of this business. His leadership and experience covered all aspects of the business, from its research and development, sales and marketing, 30 manufacturing sites, supply chain, including 150 warehouses and distribution centres, purchasing, human resources and finance.

James Michael Lopez (Independent)

Mr Lopez is the former President and CEO of Tembec Inc (2006-2017) having progressed through management, senior management and executive positions within Tembec since 1989. In 2017 Mr Lopez successfully negotiated the sale of Tembec Inc, a manufacturer of lumber, pulp, paper/paperboard and specialty cellulose and a global leader in sustainable forest management practices.

Mr Lopez previously served as Co-Chairman of the Bi-National Softwood Lumber Council. Previous Chairmanships included the Softwood Lumber Board, Forest products Innovation, Ontario Forest Products Association and Forest Products Association of Canada.

Nkateko Peter Mageza (Independent)

Mr Mageza joined the Sappi board after having held senior executive positions across a wide range of industries. He is a former Group Chief Operating Officer and Executive Director of Absa Group Limited, Assistant General Manager at Nedcor Limited and Chief Executive Officer of Autonet, the Road Passenger and Freight Logistics division of Transnet Limited. He was previously a director at MTN Group Ltd.

Zola Nwabisa Malinga (Independent)

Mrs Malinga, a Chartered Accountant, has extensive experience in investment banking and corporate finance. She is the founder and Executive Director of Jade Capital Partners, a women-owned investment holding company which invests in the property and industrial sectors. She was previously a director in the Real Estate Finance Division of Standard Bank where she was also a member of the Executive and Deal Approval Committees. Prior to this, she was an Investment Banker at Standard Bank and a Corporate Finance Consultant at Investec Bank Limited. Mrs Malinga previously served as a non-executive director on Sasol Inzalo Limited, Hospitality Property Fund Limited and Grindrod Limited.

Dr Bonakele Mehlomakulu (Independent)

Dr Boni Mehlomakulu holds a PhD in Chemical Engineering from the University of Cape Town. Her career started at Sasol before joining the Department of Science and Technology occupying various management roles. Her recent executive role was a Chief Executive Officer of the South African Bureau of Standards, the position she held for nine years. In addition to her non-executive directorship at Sappi Limited, she also serves as a non-executive director at Hulamin Limited. Her past directorships include PBMR (Pty) Ltd, Nuclear Energy Corporation of South Africa, Eskom Holdings SOC Limited and the Technology Innovation Agency, as well as having served as the Deputy Chair of Unisa Council and a country representative on the Council of International Standards Organisation (ISO, Geneva).

Mohammed Valli Moosa (Valli) (Independent)

Mr Moosa has held numerous leadership positions across business, government, politics and civil society in South Africa and internationally. Mr Moosa has expertise in finance, general business and mining. He has extensive leadership experience in the public and private sector. He is also an international expert on sustainable development and climate change.

Mr Moosa previously served as Chairman of the world's biggest platinum producer, Anglo Platinum Ltd and as Chairman of Sun International Ltd. He served on the boards of the financial services group, Sanlam Limited, which has operations in South Africa, India, the United Kingdom and in a number of African countries. He served on the board of transport and logistics company, Imperial Holdings. Imperial operates in Sub-Saharan Africa, Brazil, the Netherlands, Germany and the United Kingdom. He participated in establishing two Johannesburg-based private equity funds and the investment house, Lereko Investments.

He was South African Minister of Constitutional Development; the President of the International Union for the Conservation of Nature; Chairman of the UN Commission for Sustainable Development; Chairman of WWF(SA) and he served as a member of the National Executive Committee of the African National Congress until 2009 and currently serves on the steering committee of the Tokyo-based Innovation for a Cool Earth Forum.

Robertus Johannes Antonius Maria Renders (Independent)

Currently a business consultant, Mr Renders was a member of the board of Duropack GmbH from 2012 until the end of May 2015, as well as Chief Executive Officer of Duropack from May 2013 until May 2015. From 2006 to 2010, he served as Chairman of OTOR Société Anonyme, a leading packaging provider in France. Between 1989 and 2006 he held various positions at Svenska Cellulosa Aktiebolaget (SCA), a leading global producer of hygiene products and packaging solutions, including Mill Manager at SCA Packaging De Hoop, Managing Director of SCA Packaging De Hoop, President of SCA Packaging Containerboard, President of SCA Packaging Europe and Senior Vice President Special Project Global Packaging for SCA Group. He has various consulting positions and is also the Chairman of the Supervisory Board of Walki Group Oy based in Espoo (Finland), a company specialised in sustainable packaging and engineered material solutions.

Janice Elaine Stipp (Independent)

Ms Stipp retired from Rogers Corporation in 2018 where she served as Senior Vice-President (2017 to 2018), Chief Financial Officer and Treasurer from 2015. Prior to that, Ms Stipp was employed at several companies in senior financial positions, including Tecumseh Products, Acument Global Technologies, GDAX Automotive and TI Group Automotive Systems. Ms Stipp holds a Bachelor's degree in Accounting from Michigan State University and a Master of Business Administration from Wayne State University. She is a Certified Public Accountant and a Chartered Global Management Accountant.

Ms Stipp is currently non-executive director and Chair of the Audit Committee of ArcBest Corporation. She serves on commercial vehicle Group (CVG)'s Board and is currently on the Audit committee and Chair of Governance & Nomination Committee.

EXECUTIVE DIRECTORS OF SAPPI**Stephen Robert Binnie (Chief Executive Officer)**

Mr Binnie was appointed Chief Executive Officer of Sappi Limited in July 2014. He joined Sappi in July 2012 as Chief Financial Officer designate and was appointed Chief Financial Officer and executive director from 01 September 2012. Prior to joining Sappi, he held various senior finance roles and was previously Chief Financial Officer of Edcon for 10 years after having been in a senior finance role at Investec Bank Limited for four years.

Glen Thomas Pearce (Chief Financial Officer)

Mr Pearce joined Sappi Limited in June 1997 as Financial Manager and subsequently held various senior finance roles in South Africa and in Belgium before being promoted to Chief Financial Officer and executive director of Sappi Limited in July 2014. Prior to joining Sappi, he worked at Murray & Roberts Limited from 1992 to 1996.

INFORMATION ON DIRECTORS OF SAPPI'S MAJOR SUBSIDIARY, SAPPI SOUTHERN AFRICA LIMITED**Stephen Robert Binnie (Director)**

See details above.

Glen Thomas Pearce (Director)

See details above.

Alexander van Coller Thiel (Chief Executive Officer of Sappi Southern Africa)

Mr Thiel joined Sappi in December 1989 as the Executive Assistant to the Executive Chairman in Johannesburg. In April 1993, as part of Sappi's expansion into Europe, he moved to Brussels as the Administration Manager reporting to the Managing Director of Sappi Europe. With the creation of Sappi Europe, he was appointed in February 1998 as Manager Marketing Intelligence, reporting to the Sales and Marketing Director. He led the project to implement the sales, marketing and distribution modules of SAP across the European business. In January 2003, he became the Director Logistics, reporting to the Chief Executive Officer of Sappi Europe. He was appointed as Group Head Procurement of Sappi Limited in January 2008 and Integration Executive, in charge of the integration of the acquired M-real business into Sappi's operations in September 2008.

He led a project to redefine and implement Sappi's 'go-to-market' strategy in Europe from October 2009. Mr Thiel was appointed Chief Executive Officer of Sappi Southern Africa with effect from 01 December 2010. In this role he has supported Sappi Southern Africa's management to streamline the South African kraft, fine paper and dissolving wood pulp divisions into a single business unit, close the Adamas Mill, sell the Enstra and Cape Kraft Mills and the Sappi Usutu operations in Swaziland. He has helped management to grow dissolving wood pulp operation at the Ngodwana and Saiccor Mills.

Pramy Moodley (Chief Financial Officer)

Ms Moodley joined Sappi Southern Africa Limited in June 2002 and subsequently held various financial roles before being promoted to Chief Financial Officer and executive director of Sappi Southern Africa Limited in January 2017.

ANNEXURE 3: SHARE TRADING INFORMATION

Set out in the table below are the aggregate volumes and values and the highest and lowest prices traded in the Sappi Shares in respect of:

- each day over the 30 trading days preceding the Last Practicable Date;
- each month over the twelve months prior to the date of issue of this Circular; and
- each quarter over the two years prior to the twelve-month period.

Quarterly	High (Rand per share)	Low (Rand per share)	Value (Rand, in million)	Volume (Shares traded)
2019				
First Quarter (January – March)	79.80	65.21	7,155	96,898,446
Second Quarter (April – June)	70.53	52.98	6,975	115,988,838
Third Quarter (July – September)	55.29	36.29	8,577	195,009,755
Fourth Quarter (October – December)	47.40	35.82	13,114	333,006,825
2020				
First Quarter (January – March)	43.52	19.15	4,631	152,394,836
Second Quarter (April – June)	34.82	19.41	3,041	120,314,341
Third Quarter (July – September)	29.50	21.75	2,192	86,906,207
Fourth Quarter (October – December)	33.75	22.91	2,745	100,505,147
Monthly				
2020				
January	43.52	38.13	1,305	31,448,395
February	35.88	29.18	1,589	48,304,656
March	30.75	19.15	1,737	72,641,785
April	22.82	19.41	776	36,973,985
May	27.56	21.5	954	39,220,243
June	34.82	26.41	1,311	44,120,113
July	29.50	24.5	874	32,212,062
August	26.42	22.29	733	30,534,768
September	26.54	21.75	585	24,159,377
October	28.20	22.91	1,055	40,228,864
November	29.00	23.05	1,282	47,714,722

30-day trading history prior to the Last Practicable Date.

Daily	High (Rand per share)	Low (Rand per share)	Value (Rand, in million)	Volume (Shares traded)
29 Oct 2020	26.67	23.52	39	1,600,895
30 Oct 2020	24.27	23.09	33	1,381,681
02 Nov 2020	24.54	22.99	17	720,609
03 Nov 2020	24.39	23.45	30	1,252,311
04 Nov 2020	24.97	23.88	24	973,415
05 Nov 2020	25.86	24.65	37	1,436,597
06 Nov 2020	27.34	25.46	92	3,446,114
09 Nov 2020	27.43	26.02	27	1,014,586
10 Nov 2020	27.32	25.33	39	1,470,508
11 Nov 2020	30.06	26.97	70	2,426,707
12 Nov 2020	28.75	25.75	32	1,197,125
13 Nov 2020	26.86	25.79	16	604,506
16 Nov 2020	27.37	25.86	32	1,186,969
17 Nov 2020	27.76	26.56	16	584,548
18 Nov 2020	27.11	23.51	289	11,404,575
19 Nov 2020	29.16	26.45	143	5,169,785
20 Nov 2020	27.68	26.23	28	1,063,323
23 Nov 2020	28.90	27.14	33	1,196,825
24 Nov 2020	28.34	26.85	48	1,777,963
25 Nov 2020	28.38	27.11	42	1,502,502
26 Nov 2020	28.98	27.62	36	1,281,770
27 Nov 2020	29.20	28.00	90	3,125,634
30 Nov 2020	29.70	27.86	141	4,878,350
01 Dec 2020	29.35	28.01	36	1,232,779
02 Dec 2020	31.94	29.00	62	2,016,828
03 Dec 2020	34.33	31.42	110	3,321,835
04 Dec 2020	33.97	33.02	49	1,474,580
07 Dec 2020	34.07	32.96	60	1,778,321
08 Dec 2020	33.75	33.12	91	2,737,218
09 Dec 2020	34.32	32.25	78	2,387,891



THE OAK TREE GROUP

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