

**Sappi Group  
(Sappi Limited)  
THIRD QUARTER: FISCAL YEAR 2020  
FINANCIAL RESULTS AND OPERATIONAL DATA ENDED  
28 JUNE 2020**

**30 JULY 2020**

**This report is being furnished to The Bank of New York Mellon as trustee for the Senior Secured Notes of Sappi Papier Holding GmbH due 2022 issued pursuant to the indentures dated as of March 12, 2015; and the Senior Secured Notes of Sappi Papier Holding GmbH due 2023 issued pursuant to the indentures dated as of March 31, 2016; in each case pursuant to Section 4.03 of the indentures governing such Senior Notes.**

**On 31 August 2016, Sappi has released all existing security previously granted to secure certain indebtedness, including these Senior Notes.**

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Except for historical information contained herein, statements contained in this report may constitute “forward-looking statements.” The words “believe”, “anticipate”, “expect”, “intend”, “estimate”, “plan”, “assume”, “positioned”, “will”, “may”, “should”, “risk” and other similar expressions, which are predictions of or indicate future events and future trends and which do not relate to historical matters, identify forward-looking statements. In addition, this document includes forward-looking statements relating to our potential exposure to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity price risk. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond our control and may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements (and from past results, performance or achievements). Certain factors that may cause such differences include but are not limited to:

- the highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclicity, such as levels of demand, production capacity, production, input costs including raw material, energy and employee costs, and pricing);
- the impact on our business of adverse changes in global economic conditions;
- the Covid-19 pandemic;
- unanticipated production disruptions (including as a result of planned or unexpected power outages);
- changes in environmental, tax and other laws and regulations;
- adverse changes in the markets for our products;
- the emergence of new technologies and changes in consumer trends including increased preferences for digital media;
- consequences of our leverage, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed;
- adverse changes in the political situation and economy in the countries in which we operate or the effect of governmental efforts to address present or future economic or social problems;
- the impact of restructurings, investments, acquisitions, dispositions and other strategic initiatives (including related financing), any delays, unexpected costs or other problems experienced in connection with dispositions or with integrating acquisitions or implementing restructuring or other strategic initiatives, and achieving expected savings and synergies; and
- currency fluctuations.

For a discussion of the above factors and certain additional factors, refer to the document entitled “Risk Report” attached to the 2019 Annual Integrated Report as disclosed in the “Bond Reporting Requirements” section of our webpage ([www.sappi.com](http://www.sappi.com)) under “Sappi Papier Holdings”. These factors are not necessarily all of the important factors that could cause our actual results to differ materially from those expressed in any forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results.

You are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are made as of the date of this report or as of the date specified therein and are not intended to give any assurance as to future results. We undertake no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or circumstances or otherwise.



sappi

# Third quarter results

for the period ended June 2020



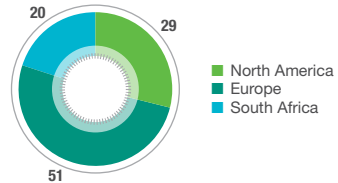
# Third quarter results

“ Sappi is a global diversified woodfibre company focused on providing dissolving pulp, packaging and speciality papers, graphic papers as well as biomaterials and biochemicals to our direct and indirect customer base across more than 150 countries. ”

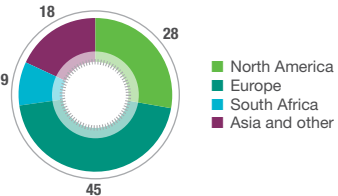
Our dissolving pulp products are used worldwide mainly by converters to create viscose fibre for fashionable clothing and textiles, as well as other consumer products; quality packaging and speciality papers are used in the manufacture of such products as soup sachets, luxury carry bags, cosmetic and confectionery packaging, boxes for agricultural products for export, tissue wadding for household tissue products and casting release papers used by suppliers to the fashion, textiles, automobile and household industries; our market-leading range of graphic papers are used by printers in the production of books, brochures, magazines, catalogues, direct mail and many other print applications; biomaterials include nanocellulose, fibre composites and lignosulphonate; biochemicals include second generation sugars.

The wood and pulp needed for our products are either produced within Sappi or bought from accredited suppliers. Sappi sells almost as much as it buys.

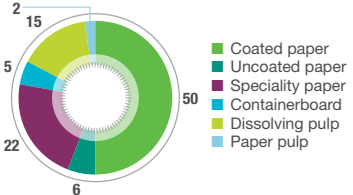
Sales by source\* (%)



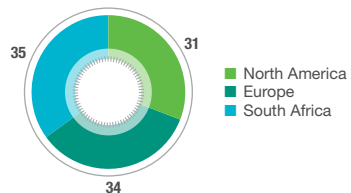
Sales by destination\* (%)



Sales by product\* (%)



Net operating assets\*\* (%)



\* For the period ended June 2020.

\*\* As at June 2020.

# Highlights for the quarter

EBITDA excluding special items  
**US\$26 million**  
(Q3 2019: US\$118 million)

Loss for the period  
**(US\$73 million)**  
(Q3 2019: Profit of US\$8 million)

**Severe impact**  
from Covid-19 on profitability

Net debt  
**US\$1,977 million**  
(Q3 2019: US\$1,728 million)

EBITDA from packaging  
and specialities segment  
**increases 109%**

	Quarter ended			Nine months ended	
	Jun 2020	Jun 2019	Mar 2020	Jun 2020	Jun 2019
<b>Key figures: (US\$ million)</b>					
Sales	<b>907</b>	1,371	1,308	<b>3,517</b>	4,292
Operating profit (loss) excluding special items <sup>(1)</sup>	<b>(52)</b>	48	52	<b>62</b>	293
Special items – loss (gain) <sup>(2)</sup>	<b>20</b>	2	29	<b>56</b>	7
EBITDA excluding special items <sup>(1)</sup>	<b>26</b>	118	131	<b>296</b>	502
Profit (loss) for the period	<b>(73)</b>	8	2	<b>(47)</b>	161
Basic earnings per share (US cents)	<b>(13)</b>	1	–	<b>(9)</b>	30
EPS excluding special items (US cents) <sup>(3)</sup>	<b>(10)</b>	4	4	<b>(1)</b>	33
Net debt <sup>(3), (4)</sup>	<b>1,977</b>	1,728	1,879	<b>1,977</b>	1,728
<b>Key ratios: (%)</b>					
Operating profit (loss) excluding special items to sales	<b>(5.7)</b>	3.5	4.0	<b>1.8</b>	6.8
Operating profit (loss) excluding special items to capital employed (ROCE) <sup>(3)</sup>	<b>(5.6)</b>	5.2	5.4	<b>2.3</b>	10.7
EBITDA excluding special items to sales	<b>2.9</b>	8.6	10.0	<b>8.4</b>	11.7
Net debt to EBITDA excluding special items	<b>4.1</b>	2.4	3.3	<b>4.1</b>	2.4
Covenant leverage ratio <sup>(3)</sup>	<b>4.0</b>	2.4	3.1	<b>4.0</b>	2.4
Interest cover <sup>(3)</sup>	<b>6.2</b>	9.6	7.5	<b>6.2</b>	9.6
Net asset value per share (US cents) <sup>(3)</sup>	<b>326</b>	375	335	<b>326</b>	375

<sup>(1)</sup> Refer to note 2 to the group results for the reconciliation of EBITDA excluding special items and operating profit excluding special items to operating profit by segment, and profit for the period.

<sup>(2)</sup> Refer to note 2 to the group results for details on special items.

<sup>(3)</sup> Refer to supplemental information for the definition of the term.

<sup>(4)</sup> Net debt for the nine months ended June 2020 is higher than September 2019 due to the adoption of IFRS 16 Leases at the beginning of the fiscal year 2020 resulting in an increase of US\$92 million and due to the acquisition of Matane Mill on 3 November 2019 for US\$160 million.



## Commentary on the quarter

The overall economic effect of the Covid-19 pandemic and related lockdowns, changes in consumer behaviour and logistical challenges, had a severe impact on the business in the quarter. Previously weak graphic paper and dissolving pulp (DP) markets were further affected by significant declines in demand and lower sales prices. DP and graphic paper sales volumes were 29% and 40% lower respectively. In response, a number of cost-containment initiatives were implemented which, along with a positive currency movement, resulted in fixed costs being US\$67 million less than the equivalent quarter last year. Consequently, the group generated EBITDA excluding special items of US\$26 million compared to US\$118 million in the equivalent quarter last year, which led to a decline in profitability and a loss of US\$73 million for the quarter.

We developed a comprehensive Covid-19 action plan, where our priority remains the safety of our people. Our mills and other operations apply stringent guidelines to mitigate the spread of Covid-19. This ensured that we continued to operate in a safe and uninterrupted manner where demand for our products permitted. The group's focus on the preservation of liquidity and cash flow resulted in a number of steps that were taken during the quarter. These included the cost containment initiatives mentioned above, a reduction in capital expenditure, delays to major annual maintenance shuts, furloughing of staff where possible and a focus on optimising working capital.

The growth of the packaging and specialties business continued, with sales volumes increasing by 11%, and combined with lower input costs and delayed annual maintenance shuts at Ngodwana and Tugela, offset some lower selling prices. As a consequence, profitability in the segment more than doubled. This business has proven resilient in difficult economic circumstances and supports our strategy to diversify the product portfolio into higher margin and growing segments.

The lockdowns and the corresponding economic slowdown had a serious impact on graphic paper demand. Many companies including retailers and consumer-related businesses reduced advertising spend and printers halted production. Due to depressed demand and our focus on reducing inventory,

we implemented 490,000 tons of commercial downtime across the group within the segment, reducing EBITDA by US\$125 million and graphic paper inventory by 63,000 tons. Pricing declined moderately in most markets, in line with variable costs.

The DP segment experienced a rapid downturn in demand as retail stores globally were shut in response to the Covid-19 pandemic and clothing sales were particularly hard hit. This led to a chain reaction throughout the supply chain as orders were cancelled. There were some volume gains in the Chinese market which partially offset greater volume reductions from our major customers. In response to the lower demand, we curtailed 93,000 tons of production, and switched some capacity at Ngodwana and Cloquet to paper pulp production, both for internal consumption as well as external sale. In total 86,000 tons of BCTMP and kraft paper pulp were sold from Matane, Ngodwana and Cloquet in the quarter and were included in the segment sales volumes.

Earnings per share excluding special items was a loss of 10 US cents, compared to the profit of 4 US cents earned in the equivalent quarter last year. Special items reduced earnings by US\$20 million and related mainly to the write-down of the Umkomaas Lignin (Lignotech) joint venture and the mechanical breakdowns at the Stockstadt and Alfeld Mills.

### Cash flow and debt

Net cash utilised for the quarter was US\$67 million, compared to the US\$17 million in the equivalent quarter last year. The increase in cash utilisation was due to lower cash generation from operations and increased finance costs, offset by lower capital expenditure.

Cash taxes for the quarter were a receipt of US\$13 million, principally due to a refund following a tax review in South Africa.

Net debt increased by US\$98 million from the prior quarter to US\$1,977 million as a result of the cash utilised in the quarter and the US\$30 million impact of currency movements on the translation of Euro and ZAR debt.

Liquidity comprised cash on hand of US\$190 million and US\$503 million available from the group's committed revolving credit facilities.

## Operating review on the quarter

### Europe

EUR million	Jun 2020	Quarter ended			
		Mar 2020	Dec 2019	Sep 2019	Jun 2019
Sales	<b>420</b>	606	619	633	637
Operating profit (loss) excluding special items	<b>(32)</b>	25	33	21	18
<i>Operating profit (loss) excluding special items to sales (%)</i>	<b>(7.6)</b>	4.1	5.3	3.3	2.8
EBITDA excluding special items	<b>(1)</b>	54	62	51	46
<i>EBITDA excluding special items to sales (%)</i>	<b>(0.2)</b>	8.9	10.0	8.1	7.2
<i>RONOA pa (%)</i>	<b>(9.5)</b>	7.2	9.5	6.0	5.1

Lockdown restrictions across the globe, and the related economic impacts, led to significant declines in graphic paper demand across Europe and in key export markets. Despite areas of strength in packaging and specialties, EBITDA excluding special items slipped into a loss for the quarter.

Demand for coated paper was particularly weak, with market volumes in Europe declining 47% and 35% for coated woodfree and mechanical papers respectively. This resulted in the curtailment of 369,000 tons of production in order to both match demand and reduce inventory levels. Average selling prices held steady compared to the prior quarter, while variable costs increased slightly due to higher softwood pulp prices.

Certain categories of packaging and specialties paper were unaffected by Covid-19, including food and hygiene-related packaging. Other products in non-essential and luxury categories experienced a significant drop in demand which, along with the fire at PM3 at Alfeld, contributed towards sales volumes that were 4% below those of last year. Average net sales prices declined slightly slower than the reductions in variable costs, and along with improved product mix, drove an improvement in overall profitability for the segment despite the lower sales volumes.

Variable costs in Euro were 6% lower year-on-year, driven by lower pulp, latex and wood costs. Fixed costs were 13% lower year-on-year, a reduced headcount and temporary unemployment contributed principally to the savings.

## Operating review on the quarter continued

### North America

US\$ million	Jun 2020	Quarter ended			
		Mar 2020	Dec 2019	Sep 2019	Jun 2019
Sales	<b>267</b>	387	370	394	343
Operating profit (loss) excluding special items	<b>(32)</b>	4	1	17	(9)
<i>Operating profit (loss) excluding special items to sales (%)</i>	<b>(12.0)</b>	1.0	0.3	4.3	(2.6)
EBITDA excluding special items	<b>(7)</b>	31	25	39	11
<i>EBITDA excluding special items to sales (%)</i>	<b>(2.6)</b>	8.0	6.8	9.9	3.2
<i>RONOA pa (%)</i>	<b>(9.5)</b>	1.2	0.3	5.9	(3.0)

Strong sales volume growth in the packaging and specialties segment was insufficient to offset the unprecedented reduction in demand for graphic paper and dissolving pulp which arose from the Covid-19 pandemic. This resulted in an EBITDA excluding special items loss for the quarter of US\$7 million.

Graphic paper sales volumes declined 43% compared to the equivalent quarter last year, impacted by the economic lockdown in the US and the concomitant reduction in print advertising. Commercial downtime of 107,000 tons was implemented in the quarter. Pricing was also adversely impacted by the weak demand, with prices 8% below those of last year.

Packaging and specialties segment volumes grew 67% year-on-year, with strong growth in both the coated one side and paperboard packaging products. Average net selling prices

for paperboard continue to improve as product mix shifts towards the higher value products. Casting Release volumes were negatively impacted by lockdowns in China, Italy, India and Brazil hindering sales.

Lower DP demand resulted in additional paper pulp production at Cloquet, both for internal consumption and third-party sales. Despite the additional production, approximately 17,000 tons of downtime was necessary at the pulp mill. Average sales prices were 26% below those of the prior year.

Variable costs were 10% below last year, with lower purchased paper pulp, energy and chemicals prices being only partially offset by some inefficiencies resulting from the lower operating rate. Fixed costs declined 14% with savings in personnel costs from the furloughing of some employees and SG&A savings the main contributors.



## South Africa

ZAR million	Jun 2020	Quarter ended			
		Mar 2020	Dec 2019	Sep 2019	Jun 2019
Sales	<b>3,650</b>	4,223	3,843	5,467	4,720
Operating profit excluding special items	<b>266</b>	321	324	998	496
<i>Operating profit excluding special items to sales (%)</i>	<b>7.3</b>	7.6	8.4	18.3	10.5
EBITDA excluding special items	<b>562</b>	626	618	1,290	754
<i>EBITDA excluding special items to sales (%)</i>	<b>15.4</b>	14.8	16.1	23.6	16.0
<i>RONOA pa (%)</i>	<b>4.2</b>	5.2	5.6	18.2	9.0

While Covid-19 had relatively little impact on the packaging sales volumes in the South African business, DP and other paper products experienced significantly weaker demand, which impacted sales and profitability in the quarter. The postponement of the Ngodwana, Tugela and Saiccor annual maintenance shuts, weaker Rand/US Dollar exchange rate and lower input costs were mitigating factors.

DP sales volumes were 21% below those of the prior quarter and necessitated 76,000 tons of commercial downtime. US\$ sales prices declined 3% quarter-on-quarter; however, a weaker US\$/ZAR exchange rate improved the effective Rand prices.

Packaging and specialties volumes and prices were flat year-on-year. The shift of the Ngodwana shut, which allowed an additional 30,000 tons to be produced, and lower variable and fixed costs contributed to an improved result for this segment.

Newsprint and uncoated woodfree volumes were severely impacted by the lockdown in South Africa, declining by more than 60% year-on-year.

Variable costs declined 12% year-on-year, driven mainly by lower wood, chemicals and energy costs. Fixed costs reduced by 11% over the same period, mainly as a result of the postponement of scheduled annual maintenance shuts at both Ngodwana and Saiccor to the next financial year.

## Outlook

As indicated in the Covid-19 update issued on 30 March 2020, we will not be providing a profit forecast or guidance as the potential impact of the virus cannot be estimated reliably. We expect the slow recovery in our markets to progress in the coming quarter and estimate sales volumes of 75% and 70% of prior year levels for DP and graphic papers respectively.

Current liquidity headroom in the group remains good, with cash deposits at the end of the quarter of US\$190 million and committed revolving credit facilities of approximately US\$503 million. As previously communicated, due to the uncertainty regarding short-term trading conditions and to ensure we have adequate liquidity for the duration of this difficult period, we negotiated the suspension of our credit facility financial covenants from June 2020 to March 2021. This suspension is subject to customary conditions for this kind of relief, which only apply during the suspension period, and include no dividend payments, limitations on incurrence of indebtedness, maximum capex spending limits, a minimum liquidity requirement and no M&A activity without prior bank approval.

Demand for DP appears to have reached a low point in late May. Subsequently we have seen a steady recovery in demand. We will continue to make some additional paper pulp at Cloquet for internal use, foregoing some less profitable DP sales. Pricing remains under pressure as viscose staple fibre pricing and operating rates remain at depressed levels. Logistics problems at the Durban port, and a reduction in the number of container ships docking in South Africa, partially as a result of port issues, are currently hampering a further recovery in sales volumes.

The packaging and specialties segment continues to grow, and with much of our volumes sold into the food and hygiene sector, should be more resilient during the crisis. As lockdowns ease in various parts of the world and various industries recover, we expect demand for products such as release liner and digital imaging to accelerate and qualification of new products to resume.

We believe that the decline in graphic paper demand in Europe and the US due to Covid-19 reached a low in June, and a slow recovery is underway as economies open and retail and advertising activity increase. Significant capacity reduction in the US and Europe by our competitors, along with our own paper machine closures at Westbrook and Stockstadt mills, should result in improved operating rates in the new financial year.

As a result of the *force majeure* declaration at the Saiccor expansion project, completion is now estimated in the third quarter of FY2021. Work on the expansion recommenced fully in July. All remaining material discretionary projects and major maintenance shuts have been moved out as late as practically possible. As a result, capital expenditure in the last quarter is expected to be approximately US\$110 million.

On behalf of the board

**S R Binnie**  
Director

**G T Pearce**  
Director

30 July 2020

## Forward-looking statements

Certain statements in this release that are neither reported financial results nor other historical information, are forward-looking statements, including but not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. The words “believe”, “anticipate”, “expect”, “intend”, “estimate”, “plan”, “assume”, “positioned”, “will”, “may”, “should”, “risk” and other similar expressions, which are predictions of or indicate future events and future trends and which do not relate to historical matters and may be used to identify forward-looking statements. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond our control and may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements (and from past results, performance or achievements). Certain factors that may cause such differences include but are not limited to:

- the highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclicity, such as levels of demand, production capacity, production, input costs including raw material, energy and employee costs, and pricing);
- the impact on our business of a global economic downturn;
- the Covid-19 pandemic;

- unanticipated production disruptions (including as a result of planned or unexpected power outages);
- changes in environmental, tax and other laws and regulations;
- adverse changes in the markets for our products;
- the emergence of new technologies and changes in consumer trends including increased preferences for digital media;
- consequences of our leverage, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed;
- adverse changes in the political situation and economy in the countries in which we operate or the effect of governmental efforts to address present or future economic or social problems;
- the impact of restructurings, investments, acquisitions, dispositions and other strategic initiatives (including related financing), any delays, unexpected costs or other problems experienced in connection with dispositions or with integrating acquisitions or implementing restructuring and other strategic initiatives and achieving expected savings and synergies; and
- currency fluctuations.

We undertake no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or circumstances or otherwise.

## Condensed group income statement

US\$ million	Note	Quarter ended		Nine months ended	
		Jun 2020	Jun 2019	Jun 2020	Jun 2019
<b>Sales</b>		<b>907</b>	1,371	<b>3,517</b>	4,292
Cost of sales		<b>895</b>	1,236	<b>3,200</b>	3,722
Gross profit		<b>12</b>	135	<b>317</b>	570
Selling, general and administrative expenses		<b>68</b>	86	<b>256</b>	273
Other operating expenses		<b>16</b>	4	<b>55</b>	14
Share of profit (loss) from equity accounted investees		-	(1)	-	(3)
<b>Operating profit (loss)</b>	3	<b>(72)</b>	46	<b>6</b>	286
Net finance costs		<b>24</b>	28	<b>67</b>	65
Finance costs		<b>24</b>	32	<b>70</b>	76
Finance income		<b>(1)</b>	(2)	<b>(4)</b>	(6)
Net foreign exchange gain		<b>1</b>	(2)	<b>1</b>	(5)
<b>Profit (loss) before taxation</b>		<b>(96)</b>	18	<b>(61)</b>	221
Taxation		<b>(23)</b>	10	<b>(14)</b>	60
<b>Profit (loss) for the period</b>		<b>(73)</b>	8	<b>(47)</b>	161
<b>Basic earnings per share (US cents)</b>	4	<b>(13)</b>	1	<b>(9)</b>	30
Weighted average number of shares in issue (millions)		<b>546.1</b>	542.7	<b>545.3</b>	541.7
<b>Diluted earnings per share (US cents)</b>	4	<b>(13)</b>	1	<b>(9)</b>	29
Weighted average number of shares on fully diluted basis (millions)		<b>547.4</b>	546.4	<b>546.9</b>	547.9

## Condensed group statement of other comprehensive income

US\$ million	Quarter ended		Nine months ended	
	Jun 2020	Jun 2019	Jun 2020	Jun 2019
Profit (loss) for the period	(73)	8	(47)	161
<b>Other comprehensive income, net of tax</b>				
<b><i>Items that will not be reclassified subsequently to profit or loss</i></b>				
Actuarial gains (losses) on post-employment benefit funds <sup>(1)</sup>	-	-	35	-
Tax effect on above item and tax rate changes	-	-	(3)	-
<b><i>Items that may be reclassified subsequently to profit or loss</i></b>				
Exchange differences on translation of foreign operations	22	32	(156)	15
Movements in hedging reserves	3	3	(5)	(7)
Tax effect on above items	(1)	(1)	2	1
<b>Total comprehensive income for the period</b>	<b>(49)</b>	42	<b>(174)</b>	170

<sup>(1)</sup> The group remeasured its post-employment benefit funds as at March 2020 in light of the Covid-19 pandemic resulting in actuarial gains of US\$35 million.

## Condensed group balance sheet

US\$ million	Note	Reviewed	
		Jun 2020	Sep 2019
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>3,869</b>	3,789
Property, plant and equipment		<b>3,025</b>	3,061
Right-of-use assets	1	<b>94</b>	–
Plantations	5	<b>411</b>	451
Deferred tax assets		<b>119</b>	106
Goodwill and intangible assets		<b>109</b>	54
Equity-accounted investees		<b>20</b>	31
Other non-current assets		<b>91</b>	86
<b>Current assets</b>		<b>1,503</b>	1,834
Inventories		<b>731</b>	709
Trade and other receivables		<b>563</b>	718
Derivative financial assets		<b>7</b>	3
Taxation receivable		<b>12</b>	11
Cash and cash equivalents		<b>190</b>	393
<b>Total assets</b>		<b>5,372</b>	5,623
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Ordinary shareholders' interest		<b>1,781</b>	1,948
<b>Non-current liabilities</b>		<b>2,558</b>	2,461
Interest-bearing borrowings		<b>1,779</b>	1,713
Lease liabilities	1	<b>74</b>	–
Deferred tax liabilities		<b>296</b>	328
Defined benefit and other liabilities		<b>400</b>	418
Derivative financial liabilities		<b>9</b>	2
<b>Current liabilities</b>		<b>1,033</b>	1,214
Interest-bearing borrowings		<b>291</b>	181
Lease liabilities	1	<b>23</b>	–
Trade and other payables		<b>675</b>	969
Provisions		<b>20</b>	6
Derivative financial liabilities		<b>5</b>	7
Taxation payable		<b>19</b>	51
<b>Total equity and liabilities</b>		<b>5,372</b>	5,623
Number of shares in issue at balance sheet date (millions)		<b>546.1</b>	542.8



## Condensed group statement of cash flows

US\$ million	Quarter ended		Nine months ended	
	Jun 2020	Jun 2019	Jun 2020	Jun 2019
<b>Profit for the period</b>	<b>(73)</b>	8	<b>(47)</b>	161
<i>Adjustment for:</i>				
Depreciation, fellings and amortisation	<b>91</b>	89	<b>282</b>	263
Taxation	<b>(23)</b>	10	<b>(14)</b>	60
Net finance costs	<b>24</b>	28	<b>67</b>	65
Defined post-employment benefits paid	<b>(7)</b>	(9)	<b>(23)</b>	(31)
Plantation fair value adjustments	<b>(22)</b>	(20)	<b>(69)</b>	(69)
Asset impairments	-	-	<b>11</b>	11
Asset impairment reversals	-	-	-	(8)
Equity investment impairment	<b>10</b>	-	<b>10</b>	-
Net restructuring provisions	<b>5</b>	-	<b>18</b>	-
(Profit) Loss on disposal and written off assets	<b>(1)</b>	1	<b>(1)</b>	4
Other non-cash items <sup>(1)</sup>	<b>21</b>	11	<b>43</b>	41
<b>Cash generated from operations</b>	<b>25</b>	118	<b>277</b>	497
Movement in working capital	<b>20</b>	20	<b>(70)</b>	(147)
Finance costs paid	<b>(48)</b>	(16)	<b>(101)</b>	(45)
Finance income received	<b>1</b>	1	<b>4</b>	5
Taxation (paid) refund	<b>13</b>	(5)	<b>(30)</b>	(51)
Dividend paid	-	-	-	(92)
<b>Cash generated from operating activities</b>	<b>11</b>	118	<b>80</b>	167
<b>Cash utilised in investing activities</b>	<b>(78)</b>	(135)	<b>(425)</b>	(339)
Capital expenditure	<b>(74)</b>	(135)	<b>(256)</b>	(336)
Proceeds on disposal of assets	-	1	-	2
Acquisition of subsidiary	<b>(2)</b>	-	<b>(160)</b>	-
Other non-current asset movements	<b>(2)</b>	(1)	<b>(9)</b>	(5)
<b>Net cash (utilised) generated</b>	<b>(67)</b>	(17)	<b>(345)</b>	(172)
<b>Cash effects of financing activities</b>	<b>(7)</b>	(489)	<b>144</b>	44
Proceeds from interest-bearing borrowings	<b>154</b>	49	<b>358</b>	607
Repayment of interest-bearing borrowings	<b>(154)</b>	(538)	<b>(197)</b>	(563)
Lease repayments	<b>(7)</b>	-	<b>(17)</b>	-
<b>Net movement in cash and cash equivalents</b>	<b>(74)</b>	(506)	<b>(201)</b>	(128)
Cash and cash equivalents at beginning of period	<b>268</b>	720	<b>393</b>	363
Translation effects	<b>(4)</b>	12	<b>(2)</b>	(9)
<b>Cash and cash equivalents at end of period</b>	<b>190</b>	226	<b>190</b>	226

<sup>(1)</sup> Other non-cash items for the nine months ended June 2020 primarily relate to non-cash movements in the defined benefit liabilities and plan assets of US\$22 million (2019: US\$25 million) and share-based charges of US\$8 million (2019: US\$10 million).

## Condensed group statement of changes in equity

US\$ million	Nine months ended	
	Jun 2020	Jun 2019
Balance – beginning of period	1,948	1,947
Profit for the period	(47)	161
Other comprehensive income for the period	(127)	9
Shareholders for dividend	–	(92)
Transfers of vested share options	(1)	–
Share-based payment reserve	8	8
<b>Balance – end of period</b>	<b>1,781</b>	<b>2,033</b>
<b>Comprising</b>		
Ordinary share capital and premium	706	863
Non-distributable reserves	97	139
Foreign currency translation reserves	(233)	(173)
Hedging reserves	(45)	(34)
Retained earnings	1,256	1,238
<b>Total equity</b>	<b>1,781</b>	<b>2,033</b>

# Notes to the condensed group results

## 1. Basis of preparation

The condensed consolidated interim financial statements for the quarter and nine months ended June 2020 are prepared in accordance with the International Financial Reporting Standards, IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards as issued by the IASB and are consistent with those applied in the previous annual financial statements except for the changes arising from the adoption of the new accounting pronouncement detailed below, which became effective in the current period.

The preparation of these condensed consolidated financial statements was supervised by the Chief Financial Officer, G T Pearce, CA(SA) and were authorised for issue on 30 July 2020.

The results are unaudited.

### Going concern

As a result of the Covid-19 pandemic, the group expects demand to be low for dissolving pulp and graphic paper in the short term which will result in lower than expected revenue. The group's focus is to preserve liquidity and cash flow and has implemented various cost saving measures across all operations, curtailed excess production and where possible deferred non-essential capital expenditure and applied measures to optimise working capital. The directors have reviewed the group's financial position, existing borrowing facilities and cash on hand, and are satisfied that the group will continue as a going concern for the foreseeable future.

## Notes to the condensed group results continued

### 1. Basis of preparation continued

#### Adoption of accounting standards in the current year

The group adopted IFRS 16 *Leases* on 30 September 2019 applying the modified retrospective transition approach and has not restated comparatives. IFRS 16 introduced a single on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. The group's leasing activities mainly relate to the lease of premises, vehicles and equipment.

In applying IFRS 16 for the first time, the group has used the following practical expedients as permitted by the standard:

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 29 September 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at the adoption date as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the adoption date
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

The change in accounting policy affected the following items in the balance sheet on 30 September 2019:

- property, plant and equipment – decrease of US\$1 million\*
- right-of-use assets – increase of US\$91 million
- other long-term liabilities – decrease of US\$2 million\*
- lease liabilities – increase of US\$92 million.

\* *Finance leases, previously recognised under IAS 17 Leases, were reclassified to right-of-use assets and lease liabilities.*

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## 2. Segment information

Metric tons (000's)	Quarter ended		Nine months ended	
	Jun 2020	Jun 2019	Jun 2020	Jun 2019
<b>Sales volume</b>				
North America	307	320	1,100	991
Europe	540	789	2,128	2,440
South Africa – Pulp and paper	310	375	1,037	1,189
Forestry	205	369	830	992
<b>Total</b>	<b>1,362</b>	1,853	<b>5,095</b>	5,612
Which consists of:				
Dissolving pulp	289	285	974	932
Packaging and specialities	327	295	861	820
Graphics	541	904	2,430	2,868
Forestry	205	369	830	992

US\$ million	Quarter ended		Nine months ended	
	Jun 2020	Jun 2019	Jun 2020	Jun 2019
<b>Sales</b>				
North America	267	343	1,024	1,072
Europe	461	715	1,815	2,214
South Africa – Pulp and paper	187	307	689	991
Forestry	8	21	44	58
Delivery costs revenue adjustment <sup>(2)</sup>	(16)	(15)	(55)	(43)
<b>Total</b>	<b>907</b>	1,371	<b>3,517</b>	4,292
Which consists of:				
Dissolving pulp	166	244	606	815
Packaging and specialities	315	326	904	920
Graphics	434	795	2,018	2,542
Forestry	8	21	44	58
Delivery costs revenue adjustment <sup>(2)</sup>	(16)	(15)	(55)	(43)

<sup>(2)</sup> Relates to delivery costs netted off against revenue.

## Notes to the condensed group results continued

### 2. Segment information continued

US\$ million	Quarter ended		Nine months ended	
	Jun 2020	Jun 2019	Jun 2020	Jun 2019
<b>Operating profit (loss) excluding special items</b>				
North America	(32)	(9)	(27)	10
Europe	(35)	20	29	81
South Africa	14	34	57	199
Unallocated and eliminations <sup>(1)</sup>	1	3	3	3
<b>Total</b>	<b>(52)</b>	48	<b>62</b>	293
Which consists of:				
Dissolving pulp	(8)	35	1	189
Packaging and specialities	25	3	68	26
Graphics	(70)	7	(10)	75
Unallocated and eliminations <sup>(1)</sup>	1	3	3	3
<b>Special items – (gains) losses</b>				
North America	–	–	6	13
Europe	8	(3)	37	2
South Africa	4	1	1	(16)
Unallocated and eliminations <sup>(1)</sup>	8	4	12	8
<b>Total</b>	<b>20</b>	2	<b>56</b>	7
<b>Operating profit (loss) by segment</b>				
North America	(32)	(9)	(33)	(3)
Europe	(43)	23	(8)	79
South Africa	10	33	56	215
Unallocated and eliminations <sup>(1)</sup>	(7)	(1)	(9)	(5)
<b>Total</b>	<b>(72)</b>	46	<b>6</b>	286
<b>EBITDA excluding special items</b>				
North America	(7)	11	49	71
Europe	(1)	52	128	176
South Africa	30	52	113	251
Unallocated and eliminations <sup>(1)</sup>	4	3	6	4
<b>Total</b>	<b>26</b>	118	<b>296</b>	502
Which consists of:				
Dissolving pulp	8	49	49	232
Packaging and specialities	46	22	132	81
Graphics	(32)	44	109	185
Unallocated and eliminations <sup>(1)</sup>	4	3	6	4

<sup>(1)</sup> Includes the group's treasury operations and insurance captive.



## 2. Segment information continued

### Reconciliation of EBITDA excluding special items and operating profit excluding special items to segment operating profit and profit for the period

Special items cover those items which management believe are material by nature or amount to the operating results and require separate disclosure.

US\$ million	Quarter ended		Nine months ended	
	Jun 2020	Jun 2019	Jun 2020	Jun 2019
<b>EBITDA excluding special items</b>	<b>26</b>	118	<b>296</b>	502
Depreciation and amortisation	<b>(78)</b>	(70)	<b>(234)</b>	(209)
<b>Operating profit excluding special items</b>	<b>(52)</b>	48	<b>62</b>	293
Special items – gains (losses)	<b>(20)</b>	(2)	<b>(56)</b>	(7)
Plantation price fair value adjustment	<b>5</b>	1	<b>14</b>	14
Acquisition costs	<b>–</b>	–	<b>(5)</b>	–
Net restructuring provisions	<b>(5)</b>	–	<b>(18)</b>	–
Profit (Loss) on disposal and written off assets	<b>1</b>	(1)	<b>1</b>	(4)
PPE impairments	<b>–</b>	–	<b>(11)</b>	(11)
PPE impairment reversals	<b>–</b>	–	<b>–</b>	8
Equity investment impairments	<b>(10)</b>	–	<b>(10)</b>	–
Fire, flood, storm and other events	<b>(11)</b>	(2)	<b>(27)</b>	(14)
<b>Operating profit</b>	<b>(72)</b>	46	<b>6</b>	286
Net finance costs	<b>(24)</b>	(28)	<b>(67)</b>	(65)
<b>Profit before taxation</b>	<b>(96)</b>	18	<b>(61)</b>	221
Taxation	<b>23</b>	(10)	<b>14</b>	(60)
<b>Profit for the period</b>	<b>(73)</b>	8	<b>(47)</b>	161

US\$ million	Nine months ended	
	Jun 2020	Jun 2019
<b>Net operating assets</b>		
North America	<b>1,352</b>	1,177
Europe	<b>1,477</b>	1,609
South Africa	<b>1,493</b>	1,583
Unallocated and eliminations <sup>(1)</sup>	<b>22</b>	25
<b>Total</b>	<b>4,344</b>	4,394
<b>Reconciliation of net operating assets to total assets</b>		
<b>Segment assets</b>	<b>4,344</b>	4,394
Deferred tax assets	<b>119</b>	104
Cash and cash equivalents	<b>190</b>	226
Trade and other payables	<b>675</b>	838
Provisions	<b>20</b>	6
Derivative financial instruments	<b>5</b>	4
Taxation payable	<b>19</b>	42
<b>Total assets</b>	<b>5,372</b>	5,614

<sup>(1)</sup> Includes the group's treasury operations and insurance captive.

## Notes to the condensed group results continued

### 3. Operating profit

US\$ million	Quarter ended		Nine months ended	
	Jun 2020	Jun 2019	Jun 2020	Jun 2019
Included in operating profit are the following items:				
Depreciation and amortisation	<b>78</b>	70	<b>234</b>	209
Fair value adjustment on plantations (included in cost of sales)				
Changes in volume				
Fellings	<b>13</b>	19	<b>48</b>	54
Growth	<b>(17)</b>	(19)	<b>(55)</b>	(55)
	<b>(4)</b>	–	<b>(7)</b>	(1)
Plantation price fair value adjustment	<b>(5)</b>	(1)	<b>(14)</b>	(14)
	<b>(9)</b>	(1)	<b>(21)</b>	(15)
Net restructuring provisions <sup>(1)</sup>	<b>5</b>	–	<b>18</b>	–
(Profit) Loss on disposal and written off assets	<b>(1)</b>	1	<b>(1)</b>	4
PPE impairment reversals <sup>(1)</sup>	–	–	–	(8)
PPE impairments <sup>(1)</sup>	–	–	<b>11</b>	11
Equity investment impairments <sup>(1)</sup>	<b>10</b>	–	<b>10</b>	–

<sup>(1)</sup> The announced closure of Stockstadt PM2 within our European segment resulted in restructuring charges of US\$18 million and asset impairment charges of US\$11 million. An equity accounted investment within the South African region was impaired by US\$10 million. In the nine months ended June 2019, asset impairments of US\$11 million were recorded, mainly relating to the Westbrook Mill, partially offset by impairment reversals of US\$8 million at our Tugela and Stanger Mills.

#### 4. Earnings per share

US\$ million	Quarter ended		Nine months ended	
	Jun 2020	Jun 2019	Jun 2020	Jun 2019
Basic earnings per share (US cents)	(13)	1	(9)	30
Headline earnings per share (US cents)	(12)	2	(6)	31
EPS excluding special items (US cents)	(10)	4	(1)	33
Weighted average number of shares in issue (millions)	546.1	542.7	545.3	541.7
Diluted earnings per share (US cents)	(13)	1	(9)	29
Diluted headline earnings per share (US cents)	(12)	2	(6)	30
Weighted average number of shares on fully diluted basis (millions)	547.4	546.4	546.9	547.9
<b>Calculation of headline earnings</b>				
Profit for the period	(73)	8	(47)	161
(Profit) Loss on disposal and written off assets	(1)	1	(1)	4
PPE impairment reversals	–	–	–	(8)
PPE impairments	–	–	11	11
Equity investment impairments	10	–	10	–
Tax effect of above items	(1)	1	(4)	(1)
<b>Headline earnings</b>	<b>(65)</b>	10	<b>(31)</b>	167
<b>Calculation of earnings excluding special items</b>				
Profit for the period	(73)	8	(47)	161
Special items after tax	16	5	44	10
Special items	20	2	56	7
Tax effect	(4)	3	(12)	3
Refinancing costs	–	9	–	9
<b>Earnings excluding special items</b>	<b>(57)</b>	22	<b>(3)</b>	180

## Notes to the condensed group results continued

### 5. Plantations

Plantations are stated at fair value less cost to sell at the harvesting stage. In arriving at plantation fair values, the key assumptions are estimated prices less cost of delivery, discount rates and volume and growth estimations.

Mature timber that is expected to be felled within 12 months from the end of the reporting period is valued using unadjusted current market prices. Mature timber that is to be felled in more than 12 months from the reporting date is valued using a 12 quarter rolling historical average price. Immature timber is valued using a discounted cash flow method taking into account the growth cycle of a plantation.

The fair value of plantations is a Level 3 measure in terms of the fair value measurement hierarchy as established by IFRS 13 *Fair Value Measurement*.

US\$ million	Reviewed	
	Jun 2020	Sep 2019
Fair value of plantations at beginning of year	<b>451</b>	466
Additions	<b>2</b>	2
Gains arising from growth	<b>55</b>	73
Fire, flood, storm and other events	<b>(6)</b>	(4)
In-field inventory	<b>(1)</b>	(3)
Gain arising from fair value price changes	<b>14</b>	19
Harvesting – agriculture produce (fellings)	<b>(48)</b>	(71)
Translation difference	<b>(56)</b>	(31)
Fair value of plantations at end of period	<b>411</b>	451

## 6. Financial instruments

The group's financial instruments that are measured at fair value on a recurring basis consist of derivative financial instruments and investments funds. These have been categorised in terms of the fair value measurement hierarchy as established by IFRS 13 *Fair Value Measurement* per the table below.

US\$ million	Classification	Fair value hierarchy	Fair value <sup>(1)</sup>	
			Jun 2020	Reviewed Sep 2019
Investment funds <sup>(2)</sup>	FV through OCI	Level 1	<b>7</b>	7
Derivative financial assets	FV through PL	Level 2	<b>7</b>	3
Derivative financial liabilities	FV through PL	Level 2	<b>14</b>	9

<sup>(1)</sup> *The fair value of the financial instruments are equal to their carrying value.*

<sup>(2)</sup> *Included in other non-current assets.*

There have been no transfers of financial assets or financial liabilities between the categories of the fair value hierarchy.

The fair value of all external over-the-counter derivatives is calculated based on the discount rate adjustment technique. The discount rate used is derived from observable rates of return for comparable assets or liabilities traded in the market. The credit risk of the external counterparty is incorporated into the calculation of fair values of financial assets and own credit risk is incorporated in the measurement of financial liabilities. The change in fair value is therefore impacted by the movement of the interest rate curves, by the volatility of the applied credit spreads, and by any changes to the credit profile of the involved parties.

There are no financial assets and liabilities that have been remeasured to fair value on a non-recurring basis.

The carrying amounts of other financial instruments which include cash and cash equivalents, trade and other receivables, certain investments, trade and other payables, bank overdrafts and current interest-bearing borrowings approximate their fair values.

## Notes to the condensed group results continued

### 7. Capital commitments

US\$ million	Reviewed	
	Jun 2020	Sep 2019
Contracted	122	194
Approved but not contracted	69	167
	191	361

### 8. Material balance sheet movements

Since the 2019 financial year-end, the ZAR has weakened by approximately 14% against the US Dollar, the group's presentation currency. This has resulted in a similar decrease of the group's South African assets and liabilities and equity, which are held in the aforementioned functional currency, on translation to the presentation currency.

#### Property, plant and equipment, goodwill and intangible assets and long-term interest-bearing borrowings

The acquisition of Matane mill has resulted in an increase in property, plant and equipment and goodwill and intangible assets and was funded with long-term interest-bearing borrowings from the OeKB bank of US\$181 million (EUR74 million and CAD129 million). Refer to note 9 for more details on the acquisition.

#### Right-of-use assets and lease liabilities

The adoption of IFRS 16 *Leases* resulted in the group recognising right-of-use assets and lease liabilities. Refer to note 1.



## 9. Acquisition

On 3 November 2019, Sappi acquired the 270,000 ton Matane high yield hardwood pulp mill, in Quebec, Canada, from Rayonier Advanced Materials Inc ("Rayonier") for US\$160 million, which included cash consideration paid to Rayonier of US\$158 million and a US\$2 million loss on a forward foreign exchange contract designated as a cash flow hedge. The acquisition will increase Sappi's pulp integration for its packaging businesses and lower Sappi's costs of pulp, reduce its volatility of earnings throughout the pulp cycle and provide certainty of supply. The last 12 months' annual sales were US\$159 million. The acquisition was financed from internal cash resources and available debt facilities. Matane will form part of the North America segment and external high yield pulp sales will be reported as part of dissolving pulp and internal sales will be incorporated into packaging and specialties.

Provisional fair values of assets acquired and liabilities assumed as at the acquisition date are as follows:

	US\$ million
Property, plant and equipment	<b>84</b>
Intangibles and goodwill	<b>63</b>
Inventories	<b>19</b>
Trade receivables	<b>14</b>
Prepayments and other assets	<b>1</b>
Trade payables	<b>(5)</b>
Pension liabilities	<b>(8)</b>
Other payables and accruals	<b>(8)</b>
Net cash outflow on acquisition	<b>160</b>

Revenue of US\$56 million has been earned from the acquisition date.

## 10. Related parties

Sappi's equity accounted investment of Umkomaas Lignin (Pty) Limited was fully impaired in the quarter ended June 2020 by US\$10 million due to difficult trading conditions largely related to Covid-19.

## Notes to the condensed group results continued

### 11. Events after balance sheet date

On 9 July 2020, Sappi announced, after following exhaustive consultative processes announced in February 2020, the closure of its Paper Machine 2 at its Stockstadt Mill in Germany as well as Paper Machine 9 and the energy complex at its Westbrook Mill in the USA.

Once-off restructuring charges related to Stockstadt amount to approximately EUR27 million (EUR15 million cash; EUR12 million non-cash), of which EUR22 million was incurred in Q2 2020, and estimated restructuring charges related to Westbrook amount to US\$14 million (US\$11 million cash; US\$3 million non-cash) in addition to approximately US\$8 million of accelerated depreciation to be recorded during the second half of calendar 2020.

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### 12. Accounting standards, interpretations and amendments to existing standards that are not yet effective

There has been no significant change to managements estimates in respect of new accounting standards, amendments and interpretations to existing standards that have been published which are not yet effective and which have not yet been adopted by the group.

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## Supplemental information (this information has not been audited or reviewed)

### General definitions

**Average** – averages are calculated as the sum of the opening and closing balances for the relevant period divided by two

### Broad-based Black Economic

**Empowerment (B-BBEE) charge** – represents the IFRS 2 non-cash charge associated with the B-BBEE transaction implemented in fiscal 2010 in terms of B-BBEE legislation in South Africa

**Capital employed** – shareholders' equity plus net debt

**Covenant leverage ratio** – net debt divided by last 12 months EBITDA excluding special items as defined by our bank covenants

**EBITDA excluding special items** – earnings before interest (net finance costs), taxation, depreciation, amortisation and special items

**EPS excluding special items** – earnings per share excluding special items and certain one-off finance and tax items

**Fellings** – the amount charged against the income statement representing the standing value of the plantations harvested

**Headline earnings** – as defined in circular 1/2019, issued by the South African Institute of Chartered Accountants in December 2019, which separates from earnings all separately identifiable remeasurements. It is not necessarily a measure of sustainable earnings.

It is a Listings Requirement of the JSE Limited to disclose headline earnings per share

**Interest cover** – last 12 months EBITDA excluding special items to net interest adjusted for refinancing costs

**NBSK** – Northern Bleached Softwood Kraft pulp. One of the main varieties of market pulp, produced from coniferous trees (ie spruce, pine) in Scandinavia, Canada and northern USA. The price of NBSK is a benchmark widely used in the pulp and paper industry for comparative purposes

**Net assets** – total assets less total liabilities

**Net asset value per share** – net assets divided by the number of shares in issue at balance sheet date

**Net debt** – current and non-current interest-bearing borrowings and leased liabilities, bank overdrafts less cash and cash equivalents

**Net debt to EBITDA excluding special items** – net debt divided by the last 12 months EBITDA excluding special items

**Net operating assets** – total assets (excluding deferred tax assets and cash) less current liabilities (excluding interest-bearing borrowings, lease liabilities and overdraft)

**Operating profit** – a profit from business operations before deduction of net finance costs and taxes

### Non-GAAP measures

The group believes that it is useful to report certain non-GAAP measures for the following reasons:

- these measures are used by the group for internal performance analysis
- the presentation by the group's reported business segments of these measures facilitates comparability with other companies in our industry, although the group's measures may not be comparable with similarly titled profit measurements reported by other companies
- it is useful in connection with discussion with the investment analyst community and debt rating agencies

These non-GAAP measures should not be considered in isolation or construed as a substitute for GAAP measures in accordance with IFRS

**ROCE** – annualised return on average capital employed. Operating profit excluding special items divided by average capital employed

**RONOA** – return on average net operating assets. Operating profit excluding special items divided by average net operating assets

**Special items** – special items cover those items which management believe are material by nature or amount to the operating results and require separate disclosure. Such items would generally include profit or loss on disposal of property, investments and businesses, asset impairments, restructuring charges, non-recurring integration costs related to acquisitions, financial impacts of natural disasters, non-cash gains or losses on the price fair value adjustment of plantations and alternative fuel tax credits receivable in cash

*The above financial measures are presented to assist our shareholders and the investment community in interpreting our financial results. These financial measures are regularly used and compared between companies in our industry.*

## Supplemental information (this information has not been audited or reviewed)

### Summary Rand convenience translation

	Quarter ended		Nine months ended	
	Jun 2020	Jun 2019	Jun 2020	Jun 2019
<b>Key figures: (ZAR million)</b>				
Sales	<b>16,303</b>	19,711	<b>56,214</b>	61,102
Operating profit excluding special items <sup>(1)</sup>	<b>(935)</b>	690	<b>991</b>	4,171
Special items – (gains) losses <sup>(1)</sup>	<b>359</b>	29	<b>895</b>	100
EBITDA excluding special items <sup>(1)</sup>	<b>467</b>	1,697	<b>4,731</b>	7,147
Profit for the period	<b>(1,312)</b>	115	<b>(751)</b>	2,292
Basic earnings per share (SA cents)	<b>(240)</b>	21	<b>(138)</b>	423
Net debt <sup>(1)</sup>	<b>34,074</b>	24,332	<b>34,074</b>	24,332
<b>Key ratios: (%)</b>				
Operating profit excluding special items to sales	<b>(5.7)</b>	3.5	<b>1.8</b>	6.8
Operating profit excluding special items to capital employed (ROCE) <sup>(1)</sup>	<b>(5.7)</b>	5.2	<b>2.3</b>	10.8
EBITDA excluding special items to sales	<b>2.9</b>	8.6	<b>8.4</b>	11.7

<sup>(1)</sup> Refer to supplemental information for the definition of the term.

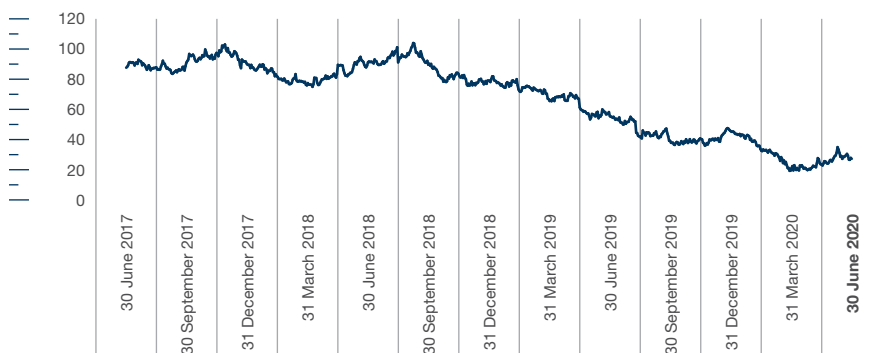
The above financial results have been translated into Rands from US Dollars as follows:

- assets and liabilities at rates of exchange ruling at period end; and
- income, expenditure and cash flow items at average exchange rates.

## Exchange rates

	Jun 2020	Mar 2020	Dec 2019	Sep 2019	Jun 2019
<b>Exchange rates:</b>					
Period end rate: US\$1 = ZAR	<b>17.2350</b>	17.6300	14.0326	15.1563	14.0808
Average rate for the quarter: US\$1 = ZAR	<b>17.9747</b>	15.2605	14.7241	14.6831	14.3772
Average rate for the year to date: US\$1 = ZAR	<b>15.9835</b>	14.9919	14.7241	14.3464	14.2363
Period end rate: EUR1 = US\$	<b>1.1219</b>	1.1142	1.1177	1.0939	1.1370
Average rate for the quarter: EUR1 = US\$	<b>1.1005</b>	1.1033	1.1066	1.1123	1.1236
Average rate for the year to date: EUR1 = US\$	<b>1.1035</b>	1.1050	1.1066	1.1282	1.1335

## Sappi share price – June 2017 to June 2020



# sappi

Registration number: 1936/008963/06

JSE code: SAP

ISIN code: ZAE000006284

Issuer code: SAVVI

Sappi has a primary listing on the JSE Limited and a Level 1 ADR programme that trades in the over-the-counter market in the United States

## South Africa

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## United States ADR Depository

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