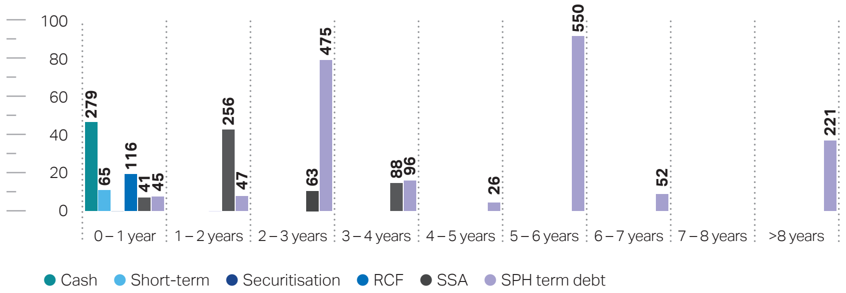
Chief Financial Officer's report continued

Section 5 continued

A diagram of the debt maturity profile for Sappi fiscal years is shown below:

Debt maturity profile (US$ million)



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

Covenants

Non-South African covenants

Financial covenants apply to US$360 million of our non-South African bank debt, the €525 million RCF and the non-South African securitisation facility.

However, in view of the uncertainty due to Covid-19 the banking group has agreed to suspend the measurement of financial covenants until September 2021. This suspension is subject to normal conditions for this kind of assistance, which only apply during the suspension period, and include no dividend payments, maximum capex spending limits, a minimum liquidity requirement and no M&A activity without prior bank approval. Covenant measurement will commence again with effect from the December 2021 quarter.

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

South African covenants

Separate covenants also apply to the RCF of our Southern African business.

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

- the ratio of net debt to equity at the end of March and September is not greater than 65%, and
- the ratio of EBITDA to net interest paid is not less than 2.5-to-1.

Below we show that for the year ended September 2020 the South African financial covenants were comfortably met.

South African covenants	2020	Covenant
Net debt to equity	11.82%	<65%
EBITDA to net interest	7.61	>2.50

Section 5 continued

Credit ratings

Global Credit Ratings: South African national rating
Sappi Southern Africa Limited: AA (za)/A1+(za)/Stable Outlook (June 2020)

Moody's
Sappi Corporate Family Rating: Ba2/NP/Stable Outlook (February 2020)
SPH Debt Rating:

- 2023/2026 Bonds and RCF: Ba2/Stable Outlook (February 2020)
- 2032 Bonds: B1

S&P Global Ratings
Corporate Credit Rating: BB- /B/Stable Outlook (September 2020)
SPH Debt Rating:

- 2023/2026/2032 Bonds and RCF: BB- Stable Outlook (September 2020)

Section 6

Share price performance

Sappi share price – September 2018 to September 2020.

Sappi share price – September 2017 to September 2020 (ZAR/share)

Conclusion

The consequences of the pandemic will have a prolonged impact on the Sappi business and will change the timing of our long-term plans but not the principles. In the short to medium term we will focus on sustainable financial health and driving operational excellence. Strengthening the balance sheet by reducing debt, growing EBITDA and cash generation and optimising processes globally will receive the highest attention.

The medium- to long-term strategy will focus on new opportunities by expansions or conversions with a view to commercialising new products at scale. Opportunities in our growth segments of DP and packaging and speciality papers will be explored in conjunction will growth in adjacent businesses. Underlying all the above initiatives will be a drive towards finding sustainable solutions with our customers and communities to meet the changing business and environmental needs.

Fiscal 2020 provided challenges few would have anticipated. We have weathered the storm and vindicated earlier strategic decisions. The year ahead will be challenging, but less so when compared to the year before.

GT Pearce
CFO