Sappi Group
(Sappi Limited)
FIRST QUARTER: FISCAL YEAR 2015
FINANCIAL RESULTS AND OPERATIONAL DATA ENDED
28 DECEMBER 2014

11 February 2015

This report is being furnished to The Bank of New York Mellon as trustee for (i) the Senior Secured Notes of Sappi Papier Holding GmbH due 2018 and 2021 issued pursuant to the indentures dated as of April 14, 2011 and (ii) the Senior Secured Notes of Sappi Papier Holding GmbH due 2017 and 2019 issued pursuant to the indentures dated as of July 05, 2012, in each case pursuant to Section 4.03 of the indentures governing such Senior Secured 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, may be used to 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 cyclicality, 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 the global economic downturn;
- 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 2014 Annual Integrated Report as disclosed in the "Bond Reporting Requirements" section of our webpage (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

Inspired by life

living with sappi

FIRST QUARTER RESULTS
for the period ended December 2014

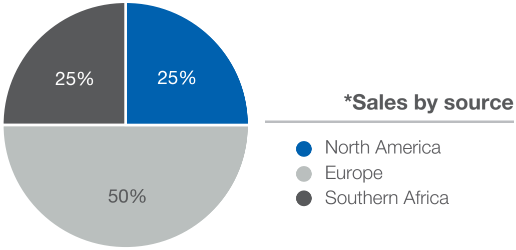
1st quarter results

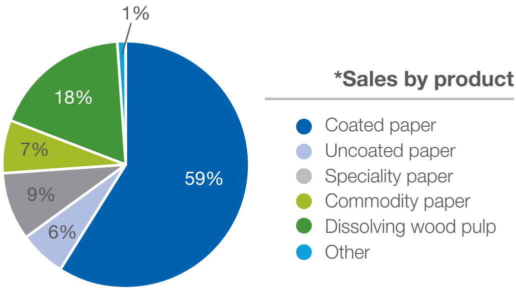
Sappi works closely with customers, both direct and indirect, in over 100 countries to provide them with relevant and sustainable paper, paper pulp and dissolving wood pulp products and related services and innovations.

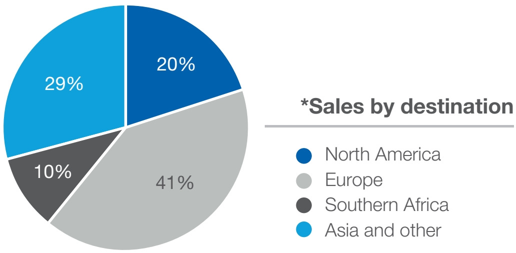
Our market-leading range of paper products includes: coated fine papers used by printers, publishers and corporate end-users in the production of books, brochures, magazines, catalogues, direct mail and many other print applications; casting release papers used by suppliers to the fashion, textiles, automobile and household industries; and in our Southern African region, newsprint, uncoated graphic and business papers, premium-quality packaging papers, paper-grade pulp and dissolving wood pulp.

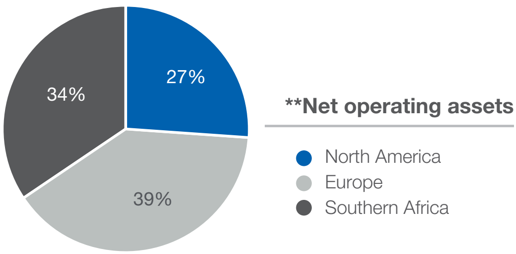
Our dissolving wood pulp products are used worldwide by converters to create viscose fibre, acetate tow, pharmaceutical products as well as a wide range of consumer products.

The pulp needed for our products is either produced within Sappi or bought from accredited suppliers. Across the group, Sappi is close to 'pulp neutral', meaning that we sell almost as much pulp as we buy.









* *for the period ended December 2014*
** *as at December 2014*

Highlights for the quarter

- Profit for the period US$24 million (Q1 2014 US$18 million)
- EPS excluding special items 5 US cents (Q1 2014 2 US cents)
- EBITDA excluding special items US$145 million (Q1 2014 US$147 million)
- Net debt US$2,040 million, down US$340 million year-on-year

	Quarter ended		
		Restated[(1)]	
	Dec 2014	Dec 2013	Sept 2014
Key figures: (US$ million)			
Sales	**1,377**	1,499	1,505
Operating profit excluding special items[(2)]	**74**	60	124
Special items – losses (gains)[(3)]	**5**	(10)	48
EBITDA excluding special items[(2)]	**145**	147	200
Profit for the period	**24**	18	68
Basic earnings per share (US cents)	**5**	3	13
Net debt[(4)]	**2,040**	2,380	1,946
Key ratios: (%)			
Operating profit excluding special items to sales	**5.4**	4.0	8.2
Operating profit excluding special items to capital employed (ROCE)[(5)]	**9.7**	7.0	15.4
EBITDA excluding special items to sales	**10.5**	9.8	13.3
Return on average equity (ROE)[(5)]	**9.1**	6.4	24.7
Net debt to total capitalisation[(5)]	**65.8**	68.0	65.1
Net asset value per share (US cents)	**202**	215	199

(1) Restated for the adoption of IFRS 10 Consolidated Financial Statements. Refer to page 11, note 2 to the group results for more detail.
(2) Refer to page 18, note 11 to the group results for the reconciliation of EBITDA excluding special items and operating profit excluding special items to segment operating profit, and profit for the period.
(3) Refer to page 18, note 11 to the group results for details on special items.
(4) Refer to page 21, supplemental information for the reconciliation of net debt to interest-bearing borrowings.
(5) Refer to page 20, supplemental information for the definition of the term.

Commentary on the quarter

Operating performance in the quarter was in line with expectations and the equivalent quarter last year. The group generated an EBITDA excluding special items of US$145 million, operating profit excluding special items of US$74 million and profit for the period of US$24 million.

The Specialised Cellulose business continued to generate good returns during the quarter, with EBITDA excluding special items of US$70 million. US Dollar prices for dissolving wood pulp remain under pressure in all market segments due to excess market supply as well as the weak margins in the viscose staple fibre sector. The decline in cotton and polyester prices and large cotton reserves are compounding the pricing pressures. The weaker Rand/Dollar exchange rate has enabled the South African mills to maintain Rand pricing, while good variable and fixed cost control across the business is helping to maintain margins.

The European business benefited from lower fixed costs after the disposal of the Nijmegen mill, higher sales prices for coated woodfree paper as well as an improved performance from the specialities business at Alfeld.

A planned extended annual maintenance shut and the completion of a number of capital projects in the North American business had a significant impact on costs during the quarter resulting in an operating loss for the quarter. However, the underlying performance improved, particularly in the coated paper business, as a result of higher selling prices. In the current pricing environment, the decision to produce paper pulp for own consumption as well as dissolving wood pulp at the Cloquet pulp mill also enhanced profitability.

The paper business in South Africa continues to show steady improvement, while the transition from graphic paper grades to packaging paper commenced during the quarter.

Net finance costs for the quarter were US$37 million, a reduction from the US$48 million in the equivalent quarter last year.

Earnings per share for the quarter were 5 US cents, compared with 3 US cents (including a gain of 1 US cent in respect of special items) in the equivalent quarter last year.

There were no major special items for the quarter. The net charge of US$5 million includes a self-insured mechanical failure at the Ngodwana mill.

Cash flow and debt

Net cash utilised for the quarter was US$121 million, lower than the net cash utilised of US$133 million in the equivalent quarter last year. The cash outflow for the quarter was mainly as a result of a seasonal increase in working capital. Capital expenditure in the quarter of US$68 million was marginally less than the US$71 million spent in the equivalent quarter last year.

Net debt of US$2,040 million is down substantially from US$2,380 million at the end of the restated equivalent quarter last year as a result of the strong cash generation in the past financial year and the translation benefit of the weaker Euro on the Euro denominated debt. As previously announced, the net debt increased compared to the US$1,946 million as of the end of the prior quarter as a result of the seasonal increase in cash utilisation.

Liquidity comprises cash on hand of US$329 million and US$512 million available from the undrawn committed revolving credit facilities in South Africa and Europe.

Operating review for the quarter

Europe

	Quarter ended Dec 2014 € million	Quarter ended Sept 2014 € million	Quarter ended Jun 2014 € million	Quarter ended Mar 2014 € million	Quarter ended Dec 2013 € million
Sales	**547**	561	543	603	581
Operating profit excluding special items	**12**	26	12	14	3
Operating profit excluding special items to sales (%)	***2.2***	*4.6*	*2.2*	*2.3*	*0.5*
EBITDA excluding special items	**42**	58	39	48	38
EBITDA excluding special items to sales (%)	***7.7***	*10.3*	*7.2*	*8.0*	*6.5*
RONOA pa (%)	***4.0***	*8.6*	*4.0*	*4.6*	*1.0*

In this seasonally slower quarter, the performance of the European business improved compared to that of the equivalent quarter last year. This was despite the €12 million cost and lost margin impact of the paper machine upgrade at the Gratkorn mill. The improvement was largely as a result of higher average sales prices for coated woodfree paper and lower fixed costs, with variable costs flat year-on-year. Coated mechanical paper prices and volumes remain under pressure.

The weaker Euro negatively affected US Dollar denominated variable costs, particularly for paper pulp, compared to the prior quarter. Conversely, paper exports from Europe benefited from the weaker Euro and largely offset the effect of increased pulp costs.

The disposal of the Nijmegen mill in the previous financial year assisted in reducing fixed costs for the business.

The quarter saw a further improvement in the operating and sales performance of the Alfeld speciality mill with a better product mix and average pricing level.

North America

	Quarter ended Dec 2014 US$ million	Quarter ended Sept 2014 US$ million	Quarter ended Jun 2014 US$ million	Quarter ended Mar 2014 US$ million	Quarter ended Dec 2013 US$ million
Sales	**353**	390	380	382	365
Operating (loss) profit excluding special items	**(4)**	25	(9)	5	(3)
Operating (loss) profit excluding special items to sales (%)	***(1.1)***	*6.4*	*(2.4)*	*1.3*	*(0.8)*
EBITDA excluding special items	**15**	43	10	22	17
EBITDA excluding special items to sales (%)	***4.2***	*11.0*	*2.6*	*5.8*	*4.7*
RONOA pa (%)	***(1.6)***	*9.8*	*(3.5)*	*1.9*	*(1.2)*

Profitability for the business was similar to that of the equivalent quarter last year despite a planned extended annual maintenance shut at the Somerset mill and a number of completed capital projects. These negatively impacted the quarter by approximately US$10 million in additional expenses and lost margin compared to the equivalent quarter last year.

Coated paper sales in this seasonally slower quarter were only marginally below those of the prior year, despite the extended Somerset mill shut. However, prices and the selling mix improved, both compared to the prior quarter and the equivalent quarter last year.

Dissolving wood pulp sales volumes were lower as the Cloquet mill commenced periodic hardwood paper pulp production runs to eliminate most of its paper pulp purchases.

The release business continues to be adversely affected by weak demand in China. Pricing in European markets was also negatively impacted by the weaker Euro.

Variable costs were generally flat with the prior quarter and lower than last year. Lower cost fibre, from use of own-make Cloquet pulp production, as well as lower starch and latex costs have offset higher wood costs resulting from low inventory levels in the supply chain.

Fixed costs were well controlled and lower than the equivalent quarter last year, despite additional cost related to the extended cold outage at the Somerset mill.

Sappi Southern Africa

	Quarter ended	Quarter ended	Quarter ended	Quarter ended	Restated[1] Quarter ended
	Dec 2014 ZAR million	Sept 2014 ZAR million	Jun 2014 ZAR million	Mar 2014 ZAR million	Dec 2013 ZAR million
Sales	**3,812**	3,972	3,781	3,942	3,488
Operating profit excluding special items	**706**	634	653	765	568
Operating profit excluding special items to sales (%)	***18.5***	*16.0*	*17.3*	*19.4*	*16.3*
EBITDA excluding special items	**863**	827	810	897	761
EBITDA excluding special items to sales (%)	***22.6***	*20.8*	*21.4*	*22.8*	*21.8*
RONOA pa (%)	***19.1***	*16.7*	*16.2*	*18.6*	*14.1*

(1) Restated for the adoption of IFRS 10 Consolidated Financial Statements. Refer to note 2 to the group results for more detail.

The Southern African business had an improved performance this past quarter, with exchange rate gains on export sales and variable cost savings contributing positively.

Dissolving wood pulp volumes and Rand pricing increased compared to the equivalent quarter last year but were flat compared to the prior quarter. The weaker Rand/Dollar exchange rate offset Dollar based declines in prices during the quarter.

The South African paper business delivered an improved performance due to the effective control of fixed and variable costs as well as improved pricing for packaging grades. Sales volumes were flat year-on-year, but lower than the prior quarter due to weaker specialities and office paper markets.

Production in the quarter at the Ngodwana mill was impacted by a boiler tube leak during December. However, sales for the quarter were not affected by this incident.

Outlook

Graphic paper markets remain challenging, but appear to be marginally better than originally anticipated, in both Europe and North America. Paper demand has in general declined at a lower rate and price expectations have been met. Exchange rate volatility may affect selling prices, particularly in Europe.

The dissolving wood pulp market is under further pressure, consistent with pressure on viscose, polyester and cotton. Prices in US Dollars have declined further than expected. The lower prices are likely to be substantially offset by a weaker Rand/Dollar exchange rate and our ability to swing the Cloquet pulp mill between dissolving wood pulp and paper pulp.

Currency movements affect margins in our European and Southern African businesses, having both transactional and translational effects. A weaker Euro and Rand in relation to the US Dollar support both local and export pricing for these businesses, historically offsetting any input cost increases as a result of the weaker currency.

Capital expenditure in 2015 is expected to be below US$300 million and will focus largely on the efficiency improvement investments at our Kirkniemi and Gratkorn mills.

As discussed when reporting last quarter's result, we are evaluating opportunities to utilise our cash resources to refinance a portion of our debt in order to lower future interest costs. We expect to reduce net debt levels by year-end to below those of the prior year.

Our outlook for the year, based on current market conditions, is for the operating performance to be broadly similar to 2014. The expected improvement in the paper businesses will be offset by lower US Dollar dissolving wood pulp pricing and the projects at Gratkorn and Somerset mills. In addition, at current exchange rates, the translation of Euro and Rand results to Dollars may be negatively impacted compared to the prior year.

On behalf of the board

S R Binnie
Director

G T Pearce
Director

11 February 2015

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 cyclicality, 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;*
- *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

	Note	Reviewed Quarter ended Dec 2014 US$ million	Reviewed Quarter ended Dec 2013 US$ million
Sales		**1,377**	1,499
Cost of sales		**1,224**	1,339
Gross profit		**153**	160
Selling, general and administrative expenses		**84**	94
Other operating expenses (income)		**2**	(2)
Share of profit from equity investments		**(2)**	(2)
Operating profit	3	**69**	70
Net finance costs		**37**	48
Net interest expense		**40**	48
Net foreign exchange gain		**(2)**	(1)
Net fair value (gain) loss on financial instruments		**(1)**	1
Profit before taxation		**32**	22
Taxation		**8**	4
Profit for the period		**24**	18
Basic earnings per share (US cents)		**5**	3
Weighted average number of shares in issue (millions)		**524.5**	521.7
Diluted earnings per share (US cents)		**5**	3
Weighted average number of shares on fully diluted basis (millions)		**529.1**	523.4

Condensed group statement of comprehensive income

	Reviewed Quarter ended Dec 2014 US$ million	Reviewed Quarter ended Dec 2013 US$ million
Profit for the period	**24**	18
Other comprehensive loss, net of tax		
Items that must be reclassified subsequently to profit or loss	**(12)**	(42)
Exchange differences on translation of foreign operations	**(8)**	(54)
Movements in hedging reserves	**(4)**	13
Movement on available for sale financial assets	**–**	(1)
Total comprehensive income (loss) for the period	**12**	(24)

Condensed group balance sheet

	Reviewed	Reviewed	Reviewed Restated
	Dec 2014 US$ million	Sept 2014 US$ million	Dec 2013 US$ million
ASSETS			
Non-current assets	**3,410**	3,505	3,707
Property, plant and equipment	**2,758**	2,841	3,012
Plantations	**419**	430	451
Deferred tax assets	**141**	138	96
Other non-current assets	**92**	96	148
Current assets	**1,735**	1,960	1,835
Inventories	**708**	687	771
Trade and other receivables	**688**	731	776
Taxation receivable	**10**	14	17
Cash and cash equivalents	**329**	528	178
Assets held for sale	**–**	–	93
Total assets	**5,145**	5,465	5,542
EQUITY AND LIABILITIES			
Shareholders' equity			
Ordinary shareholders' interest	**1,059**	1,044	1,122
Non-current liabilities	**3,069**	3,198	3,322
Interest-bearing borrowings	**2,238**	2,311	2,444
Deferred tax liabilities	**270**	272	267
Other non-current liabilities	**561**	615	611
Current liabilities	**1,017**	1,223	1,098
Interest-bearing borrowings	**131**	163	114
Other current liabilities	**865**	1,035	971
Taxation payable	**21**	25	8
Liabilities associated with assets held for sale	**–**	–	5
Total equity and liabilities	**5,145**	5,465	5,542
Number of shares in issue at balance sheet date (millions)	**525.3**	524.2	522.5

Condensed group statement of cash flows

	Reviewed Quarter ended **Dec 2014** **US$ million**	Reviewed Restated Quarter ended Dec 2013 US$ million
Profit for the period	**24**	18
Adjustment for:		
Depreciation, fellings and amortisation	**85**	102
Taxation	**8**	4
Net finance costs	**37**	48
Defined post-employment benefits paid	**(14)**	(17)
Plantation fair value adjustments	**(18)**	(26)
Net restructuring provisions	**1**	1
Other non-cash items	**14**	6
Cash generated from operations	**137**	136
Movement in working capital	**(136)**	(149)
Net finance costs paid	**(52)**	(56)
Taxation paid	**(3)**	(1)
Cash utilised in operating activities	**(54)**	(70)
Cash utilised in investing activities	**(67)**	(63)
Capital expenditure	**(68)**	(71)
Net proceeds on disposal of assets and businesses	**–**	6
Other movements	**1**	2
Net cash utilised	**(121)**	(133)
Cash effects of financing activities	**(61)**	(43)
Net movement in cash and cash equivalents	**(182)**	(176)
Cash and cash equivalents at beginning of period	**528**	352
Translation effects	**(17)**	2
Cash and cash equivalents at end of period	**329**	178

Condensed group statement of changes in equity

	Reviewed Quarter ended **Dec 2014** **US$ million**	Reviewed Quarter ended Dec 2013 US$ million
Balance – beginning of period	**1,044**	1,144
Total comprehensive income (loss) for the period	**12**	(24)
Transfers from the share purchase trust	**5**	4
Transfers of vested share options	**(4)**	(4)
Share-based payment reserve	**2**	2
Balance – end of period	**1,059**	1,122

Notes to the condensed group results

1. Basis of preparation

The condensed consolidated interim financial statements for the three months ended December 2014 have been prepared in accordance with the Listings Requirements of the JSE Limited, International Financial Reporting Standard, (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 and are consistent with those applied in the previous annual financial statements.

The preparation of this condensed consolidated interim financial information was supervised by the Chief Financial Officer, G T Pearce CA(SA).

The interim results for the three months ended December 2014 and December 2013 as set out on pages 8 to 19 have been reviewed in accordance with the International Standard on Review Engagements 2410 by the group's auditors, Deloitte & Touche.

Their unmodified review report is available for inspection at the company's registered office. The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the company's auditors.

2. Restatement

Change in accounting arising after the adoption of IFRS 10 *Consolidated Financial Statements*

The group adopted IFRS 10 in the 2014 financial year. IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. In addition, specified assets or a portion of an investee is considered to be a deemed separate entity and should be consolidated provided that those assets are, in substance, ring-fenced from other creditors.

Subsequent to the release of the December 2013 results, an interpretation of a discussion paper issued by the Financial Services Board in South Africa (which stated that, although the insurance industry is governed by contractual arrangements, cell captives are not legally ring-fenced in the event of liquidation) was released. Following the interpretation, the group consequently deconsolidated its assets with its South African insurer.

The impact of this change on the December 2013 financial results is as follows:

	As previously reported US$ million	Adjustment US$ million	Restated US$ million
Condensed group balance sheet			
Other non-current assets	116	32	148
Cash and cash equivalents	210	(32)	178
Condensed group statement of cash flows			
Cash and cash equivalents at beginning of period	385	(33)	352
Translation effects	1	1	2
Cash and cash equivalents at end of period	210	(32)	178
Net debt	2,348	32	2,380

There is no impact on profit or loss or equity for the period.

	Reviewed Quarter ended **Dec 2014** **US$ million**	Reviewed Quarter ended Dec 2013 US$ million
3. Operating profit		
Included in operating profit are the following items:		
Depreciation and amortisation	**71**	87
Fair value adjustment on plantations (included in cost of sales)		
Changes in volume		
Fellings	**14**	15
Growth	**(17)**	(18)
	(3)	(3)
Plantation price fair value adjustment	**(1)**	(8)
	(4)	(11)
Net restructuring provisions	**1**	1
Profit on disposal of property, plant and equipment	**–**	(1)
Asset impairment reversals	**–**	(2)

	Reviewed Quarter ended Dec 2014 US$ million	Reviewed Quarter ended Dec 2013 US$ million
4. Headline earnings per share		
Headline earnings per share (US cents)	**5**	3
Weighted average number of shares in issue (millions)	**524.5**	521.7
Diluted headline earnings per share (US cents)	**5**	3
Weighted average number of shares on fully diluted basis (millions)	**529.1**	523.4
Calculation of headline earnings		
Profit for the period	**24**	18
Asset impairment reversals	**–**	(2)
Profit on disposal of property, plant and equipment	**–**	(1)
Tax effect of above items	**–**	–
Headline earnings	**24**	15

	Reviewed Dec 2014 US$ million	Reviewed Sept 2014 US$ million	Reviewed Dec 2013 US$ million
5. Capital commitments			
Contracted	**105**	104	99
Approved but not contracted	**127**	126	250
	232	230	349

	Reviewed Dec 2014 US$ million	Reviewed Sept 2014 US$ million	Reviewed Dec 2013 US$ million
6. Contingent liabilities			
Guarantees and suretyships	**20**	23	34
Other contingent liabilities	**16**	26	11
	36	49	45

7. Plantations

Plantations are stated at fair value less estimated 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 (pre-tax weighted average cost of capital), and volume and growth estimations.

Expected future price trends and recent market transactions involving comparable plantations are also considered in estimating fair value. Mature timber that is expected to be felled within 12 months from the end of the reporting period are valued using unadjusted current market prices. Immature timber and mature timber that is to be felled in more than 12 months from the reporting date are valued using a 12 quarter rolling historical average price which, taking the length of the growth cycle of a plantation into account, is considered reasonable.

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.*

	Reviewed	Reviewed	Reviewed
	Dec 2014	Sept 2014	Dec 2013
	US$ million	US$ million	US$ million
Fair value of plantations at beginning of year	**430**	464	464
Gains arising from growth	**17**	65	17
In-field inventory	**(1)**	(1)	(1)
Gain arising from fair value price changes	**1**	7	4
Harvesting – agriculture produce (fellings)	**(14)**	(57)	(14)
Translation difference	**(14)**	(48)	(19)
Fair value of plantations at end of year	**419**	430	451

At September 2013, plantations amounting to US$86 million were disclosed as assets held for sale. In accordance with IAS 41 *Agriculture*, these plantations were carried at fair value. At December 2013, gains arising from growth amounted to US$1 million, the price fair value adjustment amounted to US$4 million and timber worth US$1 million was felled in these plantations.

8. Financial instruments

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

		Fair value(1)		
		Reviewed	Reviewed	Reviewed
	Fair value hierachy	**Dec 2014 US$ million**	Sept 2014 US$ million	Dec 2013 US$ million
Available for sale assets	Level 1	**9**	10	10
Available for sale assets	Level 2	**–**	–	39
Derivative financial assets	Level 2	**11**	13	19
Derivative financial liabilities	Level 2	**20**	59	108

(1) The fair value of the financial instruments are equal to their carrying value.

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 move of the interest rate curves, by the volatility of the applied credit spreads, and by any changes of 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 value of assets and liabilities (excluding plantations) which are held for sale, are considered to be below their net recoverable amount.

The carrying amounts of other financial instruments which include accounts receivable, certain investments, accounts payable and current interest-bearing borrowings approximate their fair values.

9. Material balance sheet movements

Cash and cash equivalents and other current liabilities

The decrease in cash and cash equivalents and other current liabilities is largely due to seasonal working capital movements.

Interest-bearing borrowings and other non-current liabilities

Interest-bearing borrowings and other non-current liabilities decreased largely due to the weakening of the Euro against the US Dollar, the repayment of the amount due under the OëkB term loan and a lower utilisation of our on-balance sheet securitisation facility due to lower trade receivables.

10. Post-balance sheet event

The group has entered into an agreement to transfer one of its European defined benefit pension schemes to an industry-wide pension fund. The transfer is currently subject to regulatory audit and is expected to be recorded in the quarter ending March 2015.

11. Segment information

		Quarter ended **Dec 2014** **Metric tons (000's)**	Quarter ended Dec 2013 Metric tons (000's)
Sales volume			
North America		**333**	348
Europe		**775**	836
Southern Africa –	Pulp and paper	**426**	403
	Forestry	**228**	257
Total		**1,762**	1,844
Which consists of:			
Specialised cellulose		**300**	286
Paper		**1,234**	1,301
Forestry		**228**	257

		Reviewed Quarter ended **Dec 2014** **US$ million**	Reviewed Quarter ended Dec 2013 US$ million
Sales			
North America		**353**	365
Europe		**684**	790
Southern Africa –	Pulp and paper	**325**	327
	Forestry	**15**	17
Total		**1,377**	1,499
Which consists of:			
Specialised cellulose		**243**	247
Paper		**1,119**	1,235
Forestry		**15**	17

	Reviewed Quarter ended Dec 2014 US$ million	Reviewed Quarter ended Dec 2013 US$ million
Operating profit (loss) excluding special items		
North America	**(4)**	(3)
Europe	**15**	4
Southern Africa	**63**	56
Unallocated and eliminations(1)	**–**	3
Total	**74**	60
Which consists of:		
Specialised cellulose	**56**	55
Paper	**18**	2
Unallocated and eliminations(1)	**–**	3
Special items – losses (gains)		
North America	**–**	(1)
Europe	**1**	–
Southern Africa	**4**	(10)
Unallocated and eliminations(1)	**–**	1
Total	**5**	(10)
Segment operating profit (loss)		
North America	**(4)**	(2)
Europe	**14**	4
Southern Africa	**59**	66
Unallocated and eliminations(1)	**–**	2
Total	**69**	70
EBITDA excluding special items		
North America	**15**	17
Europe	**53**	52
Southern Africa	**77**	75
Unallocated and eliminations(1)	**–**	3
Total	**145**	147
Which consists of:		
Specialised cellulose	**70**	74
Paper	**75**	70
Unallocated and eliminations(1)	**–**	3

(1) Includes the group's treasury operations and our insurance captive.

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.

	Reviewed Quarter ended **Dec 2014** **US$ million**	Reviewed Quarter ended Dec 2013 US$ million
EBITDA excluding special items	**145**	147
Depreciation and amortisation	**(71)**	(87)
Operating profit excluding special items	**74**	60
Special items – (losses) gains	**(5)**	10
Plantation price fair value adjustment	**1**	8
Net restructuring provisions	**(1)**	(1)
Profit on disposal of property, plant and equipment	**–**	1
Asset impairment reversals	**–**	2
Fire, flood, storm and other events	**(5)**	–
Segment operating profit	**69**	70
Net finance costs	**(37)**	(48)
Profit before taxation	**32**	22
Taxation	**(8)**	(4)
Profit for the period	**24**	18

	Reviewed Dec 2014 US$ million	Reviewed Restated Dec 2013 US$ million
Segment assets		
North America	**1,004**	1,030
Europe	**1,495**	1,698
Southern Africa	**1,305**	1,566
Unallocated and eliminations(1)	**(15)**	(10)
Total	**3,789**	4,284
Reconciliation of segment assets to total assets		
Segment assets	**3,789**	4,284
Deferred taxation	**141**	96
Cash and cash equivalents(2)	**329**	178
Other current liabilities	**865**	971
Taxation payable	**21**	8
Liabilities associated with assets held for sale	**–**	5
Total assets	**5,145**	5,542

(1) Includes the group's treasury operations and our insurance captive.

(2) The comparative period has been restated for the change in accounting arising after the adoption of IFRS 10 Consolidated Financial Statements by an amount of US$32 million. Refer to note 2 for more detail.

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

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

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

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

SG&A – selling, general and administrative expenses

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; and
- 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

Capital employed – shareholders' equity plus net debt

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 once-off finance and tax items

Headline earnings – as defined in circular 2/2013, reissued by the South African Institute of Chartered Accountants in December 2013, which separates from earnings all separately identifiable re-measurements. It is not necessarily a measure of sustainable earnings. It is a Listings Requirement of the JSE Limited to disclose headline earnings per share

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 bank overdrafts (net of cash, cash equivalents and short-term deposits)

Net debt to total capitalisation – net debt divided by capital employed

Net operating assets – total assets (excluding deferred tax assets and cash) less current liabilities (excluding interest-bearing borrowings and overdraft). Net operating assets equate to **segment assets**

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

ROE – annualised return on average equity. Profit for the period divided by average shareholders' equity

RONOA – return on average net operating assets. Operating profit excluding special items divided by average segment 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 **Dec 2014**	Restated Quarter ended Dec 2013
Key figures: (ZAR million)		
Sales	**15,439**	15,201
Operating profit excluding special items(1)	**830**	609
Special items – losses (gains)(1)	**56**	(101)
EBITDA excluding special items(1)	**1,626**	1,491
Profit for the period	**269**	183
Basic earnings per share (SA cents)	**51**	30
Net debt(1)	**23,664**	25,061
Key ratios: (%)		
Operating profit excluding special items to sales	**5.4**	4.0
Operating profit excluding special items to capital employed (ROCE)(1)	**9.6**	6.9
EBITDA excluding special items to sales	**10.5**	9.8
Return on average equity (ROE)(1)	**9.0**	6.3
Net debt to total capitalisation(1)	**65.8**	68.0

(1) Refer to page 20, 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.*

Reconciliation of net debt to interest-bearing borrowings

	Dec 2014 US$ million	Sept 2014 US$ million	Restated(1) Dec 2013 US$ million
Interest-bearing borrowings	**2,369**	2,474	2,558
Non-current interest-bearing borrowings	**2,238**	2,311	2,444
Current interest-bearing borrowings	**131**	163	114
Cash and cash equivalents	**(329)**	(528)	(178)
Net debt	**2,040**	1,946	2,380

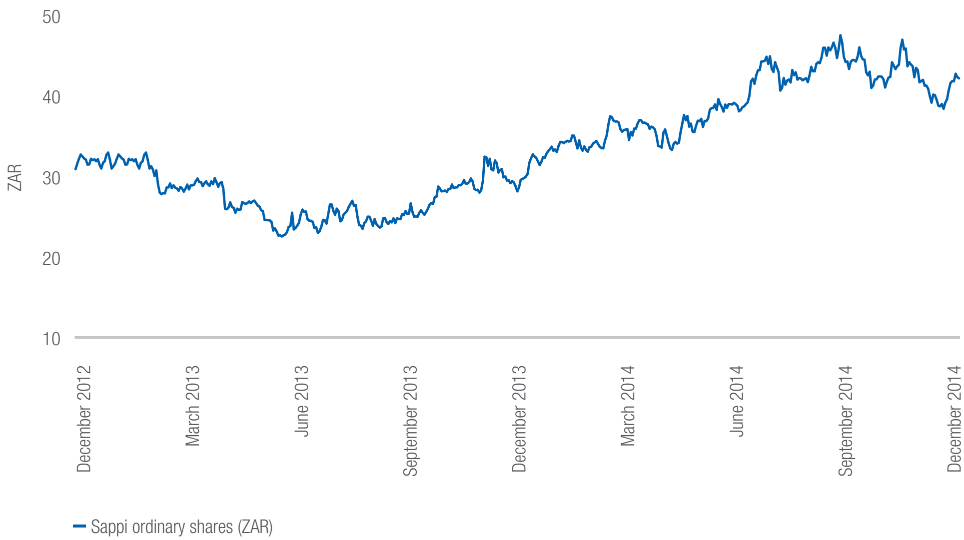
(1) Restated for the change in accounting arising after the adoption of IFRS 10 Consolidated Financial Statements. Refer to note 2 for more detail.

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

Exchange rates

	Dec 2014	Sept 2014	Jun 2014	Mar 2014	Dec 2013
Exchange rates:					
Period end rate: US$1 = ZAR	**11.6001**	11.2285	10.5890	10.5760	10.5300
Average rate for the Quarter: US$1 = ZAR	**11.2122**	10.7456	10.5340	10.8443	10.1406
Average rate for the YTD: US$1 = ZAR	**11.2122**	10.5655	10.5072	10.4938	10.1406
Period end rate: €1 = US$	**1.2177**	1.2685	1.3649	1.3753	1.3742
Average rate for the Quarter: €1 = US$	**1.2504**	1.3280	1.3717	1.3705	1.3607
Average rate for the YTD: €1 = US$	**1.2504**	1.3577	1.3676	1.3656	1.3607

Sappi ordinary shares (JSE:SAP)



Notes

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(Registration number 1936/008963/06)
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JSE Code: SAP
ISIN: ZAE000006284

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

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