Sappi Group
(Sappi Limited)
THIRD QUARTER: FISCAL YEAR 2015
FINANCIAL RESULTS AND OPERATIONAL DATA ENDED
28 JUNE 2015

07 August 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 2021 issued pursuant to the indentures dated as of April 14, 2011; (ii) the Senior Secured Notes of Sappi Papier Holding GmbH due 2017 issued pursuant to the indentures dated as of July 05, 2012; and (iii) the Senior Secured Notes of Sappi Papier Holding GmbH due 2022 issued pursuant to the indentures dated as of March 12, 2015; 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

THIRD QUARTER RESULTS

for the period ended June 2015

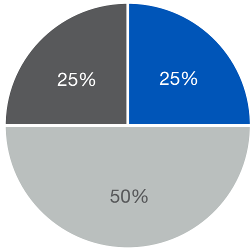
3rd quarter results

Sappi works closely with customers, both direct and indirect, in over 160 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.

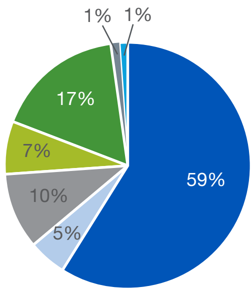
Our dissolving wood pulp products are used worldwide by converters to create viscose fibre, acetate tow, pharmaceutical products as well as a wide range of consumer products.

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.



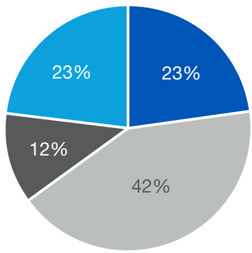
***Sales by source**

- North America
- Europe
- Southern Africa



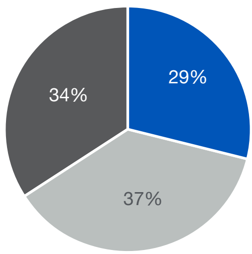
***Sales by product**

- Coated paper
- Uncoated paper
- Speciality paper
- Commodity paper
- Dissolving wood pulp
- Paper pulp
- Other



***Sales by destination**

- North America
- Europe
- Southern Africa
- Asia and other



****Net operating assets**

- North America
- Europe
- Southern Africa

* *for the period ended June 2015*
** *as at June 2015*

Highlights for the quarter

- EPS excluding special items 2 US cents (Q3 2014 2 US cents)
- Profit for the period US$4 million (Q3 2014 US$17 million)
- EBITDA excluding special items US$109 million (Q3 2014 US$140 million)
- Net debt US$1,917 million (Q3 2014 US$2,286 million)

	Quarter ended			Nine months ended	
	Jun 2015	Jun 2014	Mar 2015	**Jun 2015**	Jun 2014
Key figures: (US$ million)					
Sales	**1,272**	1,484	1,338	**3,987**	4,556
Operating profit excluding special items(1)	**43**	67	104	**221**	222
Special items – losses (gains)(2)	**8**	(2)	(68)	**(55)**	(16)
EBITDA excluding special items(1)	**109**	140	170	**424**	458
Profit for the period	**4**	17	56	**84**	67
Basic earnings per share (US cents)	**1**	3	11	**16**	13
EPS excluding special items (US cents)(3)	**2**	2	11	**18**	10
Net debt(4)	**1,917**	2,286	1,916	**1,917**	2,286
Key ratios: (%)					
Operating profit excluding special items to sales	**3.4**	4.5	7.8	**5.5**	4.9
Operating profit excluding special items to capital employed (ROCE)(3)	**5.7**	7.8	13.5	**9.8**	8.7
EBITDA excluding special items to sales	**8.6**	9.4	12.7	**10.6**	10.1
Return on average equity (ROE)(3)	**1.4**	5.9	20.4	**10.4**	7.8
Net debt to total capitalisation(3)	**63.1**	66.3	62.8	**63.1**	66.3
Net asset value per share (US cents)	**213**	222	216	**213**	222

(1) Refer to page 19, note 10 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.
(2) Refer to page 19, note 10 to the group results for details on special items.
(3) Refer to page 21, supplemental information for the definition of the term.
(4) Refer to page 22, supplemental information for the reconciliation of net debt to interest-bearing borrowings.

Commentary on the quarter

The third quarter is seasonally the weakest for Sappi. In addition, the pulp mill upgrade at Gratkorn and planned annual maintenance shuts in all three regions reduced profit by approximately US$27 million when compared to the equivalent quarter last year. Furthermore, the North American business experienced significant pressure as a result of the stronger US Dollar, which led to increased imports of coated paper and reduced competitiveness in the export market. The group generated EBITDA excluding special items of US$109 million, operating profit excluding special items of US$43 million and profit for the period of US$4 million.

The Specialised Cellulose business continued to generate solid returns during the quarter, with EBITDA excluding special items, of US$56 million. The planned annual maintenance shuts at Saiccor and Ngodwana reduced margins relative to the prior quarter. US Dollar prices for dissolving wood pulp remained constant compared to the prior quarter, though the South African mills benefited from a weakening ZAR/USD exchange rate.

The performance of the European business was adversely impacted by the higher cost of raw materials due to the stronger US Dollar and additional pulp purchases during the upgrade of the recovery boiler at Gratkorn. The market for graphic paper continues to decline in Western Europe. However, the weaker Euro made exports more competitive and profitable.

The abovementioned strengthening of the US Dollar negatively impacted our North American business during the quarter resulting in lower coated paper sales volumes and lower margins for the release paper business. The domestic graphic paper market was also weaker than expected.

In the South African paper business, the virgin fibre packaging grades continue to show good demand growth. However, newsprint and recycled packaging paper demand were flat.

Earnings per share excluding special items for the quarter was 2 US cent, as it was in the equivalent quarter last year.

Cash flow and debt

Net cash generation for the quarter was US$25 million, compared to US$44 million net cash utilised in the equivalent quarter last year. The improvement in cash generation was primarily due to lower working capital and interest costs during the quarter. Capital expenditure in the quarter was US$49 million and mainly related to maintenance and efficiency improvement projects.

Net debt of US$1,917 million was flat compared to the prior quarter and US$369 million below that of the equivalent quarter last year as a result of cash generation from operations, debt repayments and favourable exchange rates on the translation of our debt. Cash resources were used in the quarter to repay a maturing ZAR450 million bond in South Africa, and the maturity of the €330 million international securitisation facility was extended to 2018.

Liquidity comprises cash on hand of US$351 million and US$490 million from the committed revolving credit facilities in South Africa and Europe.

Operating review for the quarter

Europe

	Quarter ended Jun 2015 € million	Quarter ended Mar 2015 € million	Quarter ended Dec 2014 € million	Quarter ended Sept 2014 € million	Quarter ended Jun 2014 € million
Sales	**567**	590	547	561	543
Operating profit excluding special items	**5**	24	12	26	12
Operating profit excluding special items to sales (%)	***0.9***	*4.1*	*2.2*	*4.6*	*2.2*
EBITDA excluding special items	**35**	54	42	58	39
EBITDA excluding special items to sales (%)	***6.2***	*9.2*	*7.7*	*10.3*	*7.2*
RONOA pa (%)	***1.7***	*8.0*	*4.0*	*8.6*	*4.0*

During this seasonally slow quarter, graphic paper sales volumes were 5% below those of the prior quarter and stable year-on-year. Overall sales volumes were 1% up on the equivalent quarter last year as a result of the continued growth in speciality packaging paper sales. The upgrade of the recovery boiler at Gratkorn had a once-off impact on operating profit of €10 million during the quarter.

Average net sales prices in Euro were flat compared to the prior quarter and up 3% compared to the equivalent quarter last year, primarily due to the impact of the weaker Euro/Dollar exchange rate on export sales pricing. Variable costs were impacted by the upgrade to the recovery boiler at Gratkorn and higher raw material costs due to the weaker Euro exchange rate.

The speciality paper business continued to grow sales volumes, compared to both the prior quarter and the equivalent quarter last year, and we are pursuing further growth opportunities in this market at our Maastricht and Ehingen Mills.

North America

	Quarter ended **Jun 2015** **US$ million**	Quarter ended Mar 2015 US$ million	Quarter ended Dec 2014 US$ million	Quarter ended Sept 2014 US$ million	Quarter ended Jun 2014 US$ million
Sales	**313**	342	353	390	380
Operating profit (loss) excluding special items	**(7)**	7	(4)	25	(9)
Operating profit (loss) excluding special items to sales (%)	***(2.2)***	*2.0*	*(1.1)*	*6.4*	*(2.4)*
EBITDA excluding special items	**11**	26	15	43	10
EBITDA excluding special items to sales (%)	***3.5***	*7.6*	*4.2*	*11.0*	*2.6*
RONOA pa (%)	***(2.7)***	*2.7*	*(1.6)*	*9.8*	*(3.5)*

The North American graphic paper markets were impacted negatively by the strong US Dollar in the quarter. A combination of increased imports of coated paper, particularly from Asia, and a decline in exports resulted in lower than expected sales volumes. Apparent consumption in the local market was also weaker.

Dissolving wood pulp sales volumes were lower than both the prior quarter and the equivalent quarter last year as we maximised own-make fibre production for the paper machines at Cloquet in order to improve profitability.

The release paper business continued to be impacted by weaker than expected sales volume in the coated fabrics segment in Asia and by European pricing which was negatively affected by a stronger US Dollar/Euro exchange rate.

Variable costs were lower than the equivalent quarter last year as lower chemicals, fibre and energy prices more than offset higher wood prices. We also realised the benefit of our variable usage improvement programmes. Raw material costs remained flat and variable usage improved following difficult operating conditions in the prior quarter as a result of the extreme weather conditions experienced in the Northeast US.

Southern Africa

	Quarter ended Jun 2015 ZAR million	Quarter ended Mar 2015 ZAR million	Quarter ended Dec 2014 ZAR million	Quarter ended Sept 2014 ZAR million	Quarter ended Jun 2014 ZAR million
Sales	**4,002**	3,817	3,812	3,972	3,781
Operating profit excluding special items	**538**	772	706	634	653
Operating profit excluding special items to sales (%)	***13.4***	*20.2*	*18.5*	*16.0*	*17.3*
EBITDA excluding special items	**707**	947	863	827	810
EBITDA excluding special items to sales (%)	***17.7***	*24.8*	*22.6*	*20.8*	*21.4*
RONOA pa (%)	***14.3***	*20.4*	*19.1*	*16.7*	*16.2*

The Southern African business achieved higher average prices and volumes compared to both the equivalent quarter last year and the prior quarter. Operating profit for the quarter was impacted by ZAR204 million as a result of the planned annual maintenance shuts at Ngodwana and Saiccor.

The weaker Rand/US Dollar exchange rate has improved demand for our virgin fibre paper packaging, while the slow domestic growth and an oversupplied recycled-based packaging paper market has placed pressure on sales for recycled containerboard.

Dissolving wood pulp pricing continued to be supported by the weaker Rand/Dollar exchange rate as well as higher US Dollar pricing in China. Demand remained strong and sales volumes were up on both the prior quarter as well as the equivalent quarter last year.

Post quarter-end, we announced the sales of our Enstra Mill's recycled packaging paper business and Cape Kraft paper mill. This is in line with our strategic focus on the virgin fibre packaging business in South Africa.

Outlook

Graphic paper markets remain challenging and currency movements are having a significant impact on trade flows. These negatively affected our US business while improving export margins for our European coated paper business. The European business continues to face pressure from higher pulp prices.

Dissolving wood pulp prices in China have risen steadily over the past four months and this should translate into higher short-term fixed prices with our major customers. The weaker Rand/US Dollar exchange rate will support the profitability of this business in South Africa.

Capital expenditure in the last quarter of fiscal 2015 is expected to be approximately US$80 million (US$245 million for the full year) and is focused largely on maintenance projects and efficiency improvement investments.

We expect to reduce net debt levels during the fourth quarter. Any proceeds received from the sale of Cape Kraft, Enstra and/or the Twello forestry assets before year-end would further reduce net debt.

We expect that the regional operating performance for the year will be broadly similar to 2014 despite a number of significant once-off impacts from various capital projects. At current exchange rates, the translation of Euro and Rand results to US Dollar will adversely impact the group results. Nevertheless, due to lower interest costs, earnings per share excluding special items for the full year are expected to be substantially better than that of the prior year.

On behalf of the board

S R Binnie
Director

G T Pearce
Director

07 August 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	Quarter ended Jun 2015 US$ million	Quarter ended Jun 2014 US$ million	Nine months ended Jun 2015 US$ million	Nine months ended Jun 2014 US$ million
Sales		**1,272**	1,484	**3,987**	4,556
Cost of sales		**1,161**	1,325	**3,523**	4,044
Gross profit		**111**	159	**464**	512
Selling, general and administrative expenses		**79**	94	**247**	283
Other operating expenses (income)		**3**	(2)	**(48)**	(3)
Share of profit from equity investments		**(6)**	(2)	**(11)**	(6)
Operating profit	2	**35**	69	**276**	238
Net finance costs		**23**	42	**157**	138
Net interest expense		**27**	43	**153**	140
Net foreign exchange gain		**(3)**	(1)	**(9)**	(4)
Net fair value (gain) loss on financial instruments		**(1)**	–	**13**	2
Profit before taxation		**12**	27	**119**	100
Taxation		**8**	10	**35**	33
Profit for the period		**4**	17	**84**	67
Basic earnings per share (US cents)		**1**	3	**16**	13
Weighted average number of shares in issue (millions)		**526.3**	522.6	**525.5**	522.3
Diluted earnings per share (US cents)		**1**	3	**16**	13
Weighted average number of shares on fully diluted basis (millions)		**532.4**	526.7	**531.3**	525.6

Condensed group statement of comprehensive income

	Quarter ended Jun 2015 US$ million	Quarter ended Jun 2014 US$ million	Nine months ended Jun 2015 US$ million	Nine months ended Jun 2014 US$ million
Profit for the period	**4**	17	**84**	67
Other comprehensive income (loss), net of tax				
Items that will not be reclassified subsequently to profit or loss	**–**	–	**(10)**	–
Actuarial losses on post-employment benefit funds	**–**	–	**(10)**	–
Tax effect of above item	**–**	–	**–**	–
Items that must be reclassified subsequently to profit or loss	**(22)**	(4)	**(8)**	(56)
Exchange differences on translation of foreign operations	**(30)**	2	**(10)**	(57)
Movements in hedging reserves	**9**	(4)	**2**	3
Movement on available for sale financial assets	**–**	(2)	**–**	(2)
Tax effect of above items	**1**	–	**–**	–
Total comprehensive income (loss) for the period	**(18)**	13	**66**	11

Condensed group balance sheet

	Jun 2015 US$ million	Reviewed Sept 2014 US$ million
ASSETS		
Non-current assets	**3,284**	3,505
Property, plant and equipment	**2,595**	2,841
Plantations	**419**	430
Deferred tax assets	**141**	138
Other non-current assets	**129**	96
Current assets	**1,669**	1,960
Inventories	**678**	687
Trade and other receivables	**631**	731
Taxation receivable	**9**	14
Cash and cash equivalents	**351**	528
Total assets	**4,953**	5,465
EQUITY AND LIABILITIES		
Shareholders' equity		
Ordinary shareholders' interest	**1,120**	1,044
Non-current liabilities	**2,763**	3,198
Interest-bearing borrowings	**2,050**	2,311
Deferred tax liabilities	**265**	272
Other non-current liabilities	**448**	615
Current liabilities	**1,070**	1,223
Interest-bearing borrowings	**218**	163
Other current liabilities	**826**	1,035
Taxation payable	**26**	25
Total equity and liabilities	**4,953**	5,465
Number of shares in issue at balance sheet date (millions)	**526.4**	524.2

Condensed group statement of cash flows

	Quarter ended Jun 2015 US$ million	Quarter ended Jun 2014 US$ million	Nine months ended Jun 2015 US$ million	Nine months ended Jun 2014 US$ million
Profit for the period	**4**	17	**84**	67
Adjustment for:				
Depreciation, fellings and amortisation	**82**	89	**247**	281
Taxation	**8**	10	**35**	33
Net finance costs	**23**	42	**157**	138
Defined post-employment benefits paid	**(15)**	(19)	**(46)**	(57)
Plantation fair value adjustments	**(17)**	(21)	**(69)**	(70)
Net restructuring provisions and loss on disposal of assets and businesses	**1**	(4)	**4**	(3)
Non-cash employee benefit liability settlement	**1**	–	**(69)**	–
Other non-cash items	**3**	4	**20**	17
Cash generated from operations	**90**	118	**363**	406
Movement in working capital	**16**	(29)	**(97)**	(119)
Net finance costs paid	**(21)**	(50)	**(111)**	(136)
Taxation paid	**(12)**	(4)	**(16)**	(1)
Cash generated from operating activities	**73**	35	**139**	150
Cash utilised in investing activities	**(48)**	(79)	**(153)**	(195)
Capital expenditure	**(49)**	(57)	**(163)**	(190)
Cash flows on disposal of assets and businesses	**–**	(22)	**–**	(10)
Other movements	**1**	–	**10**	5
Net cash generated (utilised)	**25**	(44)	**(14)**	(45)
Cash effects of financing activities	**(77)**	(13)	**(110)**	(60)
Net movement in cash and cash equivalents	**(52)**	(57)	**(124)**	(105)
Cash and cash equivalents at beginning of period	**399**	307	**528**	352
Translation effects	**4**	(2)	**(53)**	1
Cash and cash equivalents at end of period	**351**	248	**351**	248

Condensed group statement of changes in equity

	Nine months ended Jun 2015 US$ million	Nine months ended Jun 2014 US$ million
Balance – beginning of period	**1,044**	1,144
Total comprehensive income for the period	**66**	11
Transfers from the share purchase trust	**10**	5
Transfers of vested share options	**(5)**	(5)
Share-based payment reserve	**5**	5
Balance – end of period	**1,120**	1,160

Notes to the condensed group results

1. Basis of preparation

The condensed consolidated interim financial statements for the quarter and nine months ended June 2015 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 these condensed consolidated interim financial statements was supervised by the Chief Financial Officer, G T Pearce, CA(SA).

The results are unaudited.

	Quarter ended **Jun 2015** **US$ million**	Quarter ended Jun 2014 US$ million	Nine months ended **Jun 2015** **US$ million**	Nine months ended Jun 2014 US$ million
2. Operating profit				
Included in operating profit are the following items:				
Depreciation and amortisation	**66**	73	**203**	236
Fair value adjustment on plantations (included in cost of sales)				
Changes in volume				
Fellings	**16**	16	**44**	45
Growth	**(17)**	(16)	**(50)**	(52)
	(1)	–	**(6)**	(7)
Plantation price fair value adjustment	**–**	(5)	**(19)**	(18)
	(1)	(5)	**(25)**	(25)
Net restructuring provisions and loss on disposal of assets and businesses	**1**	(4)	**4**	(3)
Asset impairment reversals	**–**	–	**–**	(3)
Employee benefit liability settlement	**1**	–	**(69)**	–
Black Economic Empowerment charge	**–**	1	**1**	2

	Quarter ended Jun 2015 US$ million	Quarter ended Jun 2014 US$ million	Nine months ended Jun 2015 US$ million	Nine months ended Jun 2014 US$ million
3. Earnings per share				
Basic earnings per share (US cents)	**1**	3	**16**	13
Headline earnings per share (US cents)	**1**	9	**16**	17
EPS excluding special items (US cents)	**2**	2	**18**	10
Weighted average number of shares in issue (millions)	**526.3**	522.6	**525.5**	522.3
Diluted earnings per share (US cents)	**1**	3	**16**	13
Diluted headline earnings per share (US cents)	**1**	9	**16**	17
Weighted average number of shares on fully diluted basis (millions)	**532.4**	526.7	**531.3**	525.6
Calculation of headline earnings				
Profit for the period	**4**	17	**84**	67
Asset impairment reversals	**–**	–	**–**	(3)
Loss on disposal of assets and businesses	**–**	27	**–**	25
Tax effect of above items	**–**	1	**–**	1
Headline earnings	**4**	45	**84**	90
Calculation of earnings excluding special items				
Profit for the period	**4**	17	**84**	67
Special items after tax	**8**	(5)	**(51)**	(16)
Special items	**8**	(2)	**(55)**	(16)
Tax effect	**–**	(3)	**4**	–
Refinancing costs	**–**	–	**63**	–
Earnings excluding special items	**12**	12	**96**	51

	Jun 2015 US$ million	Reviewed Sept 2014 US$ million
4. Capital commitments		
Contracted	**87**	104
Approved but not contracted	**93**	126
	180	230
5. Contingent liabilities		
Guarantees and suretyships	**14**	23
Other contingent liabilities	**14**	26
	28	49

6. 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*.

	Nine months ended Jun 2015 US$ million	Reviewed Year ended Sept 2014 US$ million
Fair value of plantations at beginning of year	**430**	464
Gains arising from growth	**50**	65
In-field inventory	**(1)**	(1)
Gain arising from fair value price changes	**19**	7
Harvesting – agriculture produce (fellings)	**(44)**	(57)
Translation difference	**(35)**	(48)
Fair value of plantations at end of period	**419**	430

7. 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 instruments 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
	Fair value hierarchy	**Jun 2015 US$ million**	Sept 2014 US$ million
Available for sale assets	Level 1	**8**	10
Derivative financial assets	Level 2	**48**	13
Derivative financial liabilities	Level 2	**2**	59

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

8. Material balance sheet movements

Since the 2014 financial year-end, the ZAR and Euro have weakened by approximately 9% and 12% respectively to the US Dollar, the group's presentation currency, resulting in a similar decrease of the group's assets and liabilities held in the aforementioned functional currencies on translation to the presentation currency.

Trade and other receivables, cash and cash equivalents and other current liabilities

The decrease in cash and cash equivalents is largely attributable to working capital movements.

Interest-bearing borrowings

In March 2015, the group placed an aggregate principal amount of US$502 million (€450 million) senior secured notes due 2022 at a coupon of 3.375% per annum. In addition, the group increased its US$391 million (€350 million) revolving credit facility to US$519 million (€465 million) and extended the maturity date to March 2020. The proceeds of the new notes together with cash on hand and drawings of US$112 million (€100 million) under the US$519 million (€465 million) revolving credit facility were used to early redeem Sappi's US$279 million (€250 million) senior secured notes due

2018 and the US$300 million senior secured notes due 2019. As a result of the early redemption, once-off charges of US$62 million (of which US$10 million was non-cash), which includes the pre-arranged call premiums on the early redemption of the notes and the unwinding of an interest rate currency swap, were recorded in net finance costs.

During the financial year, the group utilised cash on hand of US$61 million (ZAR750 million) to repay it's South African bond due April 2015. Of this amount, US$37 million (ZAR450 million) was repaid in the June quarter.

Other non-current liabilities

During the prior quarter, the group transferred one of its European defined benefit pension funds to an industry-wide pension fund which resulted in a net liability derecognition of US$66 million (€59 million).

9. Post balance sheet event

In July 2015, Sappi Southern Africa announced the sales of its Enstra Mill's recycled packaging paper business to the Corruseal Group and it's Cape Kraft recycled packaging mill to the Golden Era Group. These announced disposals are in line with Sappi Southern Africa's strategy to unlock value from non-core assets and free up resources for investment in dissolving wood pulp, virgin containerboard and other new business opportunities. Sappi will receive just short of US$49 million (ZAR600 million) from the two transactions.

10. Segment information

		Quarter ended	Quarter ended	Nine months ended	Nine months ended
		Jun 2015 Metric tons (000's)	Jun 2014 Metric tons (000's)	**Jun 2015 Metric tons (000's)**	Jun 2014 Metric tons (000's)
Sales volume					
North America		**294**	362	**948**	1,079
Europe		**792**	783	**2,395**	2,492
Southern Africa –	Pulp and paper	**436**	423	**1,286**	1,253
	Forestry	**283**	275	**744**	849
Total		**1,805**	1,843	**5,373**	5,673
Which consists of:					
Specialised cellulose		**282**	305	**849**	886
Paper		**1,240**	1,263	**3,780**	3,938
Forestry		**283**	275	**744**	849

		Quarter ended Jun 2015 US$ million	Quarter ended Jun 2014 US$ million	Nine months ended Jun 2015 US$ million	Nine months ended Jun 2014 US$ million
Sales					
North America		**313**	380	**1,008**	1,127
Europe		**627**	745	**1,981**	2,362
Southern Africa –	Pulp and paper	**315**	341	**952**	1,014
	Forestry	**17**	18	**46**	53
Total		**1,272**	1,484	**3,987**	4,556
Which consists of:					
Specialised cellulose		**216**	258	**664**	755
Paper		**1,039**	1,208	**3,277**	3,748
Forestry		**17**	18	**46**	53
Operating profit (loss) excluding special items					
North America		**(7)**	(9)	**(4)**	(7)
Europe		**5**	16	**48**	39
Southern Africa		**44**	62	**173**	189
Unallocated and eliminations(1)		**1**	(2)	**4**	1
Total		**43**	67	**221**	222
Which consists of:					
Specialised cellulose		**43**	55	**152**	181
Paper		**(1)**	14	**65**	40
Unallocated and eliminations(1)		**1**	(2)	**4**	1
Special items – losses (gains)					
North America		**–**	3	**–**	2
Europe		**4**	(5)	**(51)**	(4)
Southern Africa		**–**	–	**(15)**	(14)
Unallocated and eliminations(1)		**4**	–	**11**	–
Total		**8**	(2)	**(55)**	(16)
Segment operating profit (loss)					
North America		**(7)**	(12)	**(4)**	(9)
Europe		**1**	21	**99**	43
Southern Africa		**44**	62	**188**	203
Unallocated and eliminations(1)		**(3)**	(2)	**(7)**	1
Total		**35**	69	**276**	238

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

	Quarter ended Jun 2015 US$ million	Quarter ended Jun 2014 US$ million	Nine months ended Jun 2015 US$ million	Nine months ended Jun 2014 US$ million
EBITDA excluding special items				
North America	**11**	10	**52**	49
Europe	**38**	54	**152**	172
Southern Africa	**58**	77	**216**	235
Unallocated and eliminations(1)	**2**	(1)	**4**	2
Total	**109**	140	**424**	458
Which consists of:				
Specialised cellulose	**56**	70	**191**	226
Paper	**51**	71	**229**	230
Unallocated and eliminations(1)	**2**	(1)	**4**	2

(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.

	Quarter ended Jun 2015 US$ million	Quarter ended Jun 2014 US$ million	Nine months ended Jun 2015 US$ million	Nine months ended Jun 2014 US$ million
EBITDA excluding special items	**109**	140	**424**	458
Depreciation and amortisation	**(66)**	(73)	**(203)**	(236)
Operating profit excluding special items	**43**	67	**221**	222
Special items – (losses) gains	**(8)**	2	**55**	16
Plantation price fair value adjustment	**–**	5	**19**	18
Net restructuring provisions and loss on disposal of assets and businesses	**(1)**	4	**(4)**	3
Asset impairment reversals	**–**	–	**–**	3
Employee benefit liability settlement	**(1)**	–	**56**	–
Black Economic Empowerment charge	**–**	(1)	**(1)**	(2)
Fire, flood, storm and other events	**(6)**	(6)	**(15)**	(6)
Segment operating profit	**35**	69	**276**	238
Net finance costs	**(23)**	(42)	**(157)**	(138)
Profit before taxation	**12**	27	**119**	100
Taxation	**(8)**	(10)	**(35)**	(33)
Profit for the period	**4**	17	**84**	67

	Jun 2015 US$ million	Jun 2014 US$ million
Segment assets		
North America	**1,029**	1,022
Europe	**1,334**	1,703
Southern Africa	**1,225**	1,505
Unallocated and eliminations[(1)]	**21**	(31)
Total	**3,609**	4,199
Reconciliation of segment assets to total assets		
Segment assets	**3,609**	4,199
Deferred taxation	**141**	98
Cash and cash equivalents	**351**	248
Other current liabilities	**826**	931
Taxation payable	**26**	17
Total assets	**4,953**	5,493

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

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

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

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

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 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

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 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**

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

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

SG&A – selling, general and administrative expenses

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 **Jun 2015**	Quarter ended Jun 2014	Nine months ended **Jun 2015**	Nine months ended Jun 2014
Key figures: (ZAR million)				
Sales	**15,368**	15,632	**46,464**	47,871
Operating profit excluding special items[1]	**520**	706	**2,576**	2,333
Special items – losses (gains)[1]	**97**	(21)	**(641)**	(168)
EBITDA excluding special items[1]	**1,317**	1,475	**4,941**	4,812
Profit for the period	**48**	179	**979**	704
Basic earnings per share (SA cents)	**9**	34	**186**	135
Net debt[1]	**23,392**	24,206	**23,392**	24,206
Key ratios: (%)				
Operating profit excluding special items to sales	**3.4**	4.5	**5.5**	4.9
Operating profit excluding special items to capital employed (ROCE)[1]	**5.6**	7.8	**9.7**	8.8
EBITDA excluding special items to sales	**8.6**	9.4	**10.6**	10.1
Return on average equity (ROE)[1]	**1.4**	5.9	**10.3**	7.9
Net debt to total capitalisation[1]	**63.1**	66.3	**63.1**	66.3

(1) Refer to page 21, 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.*

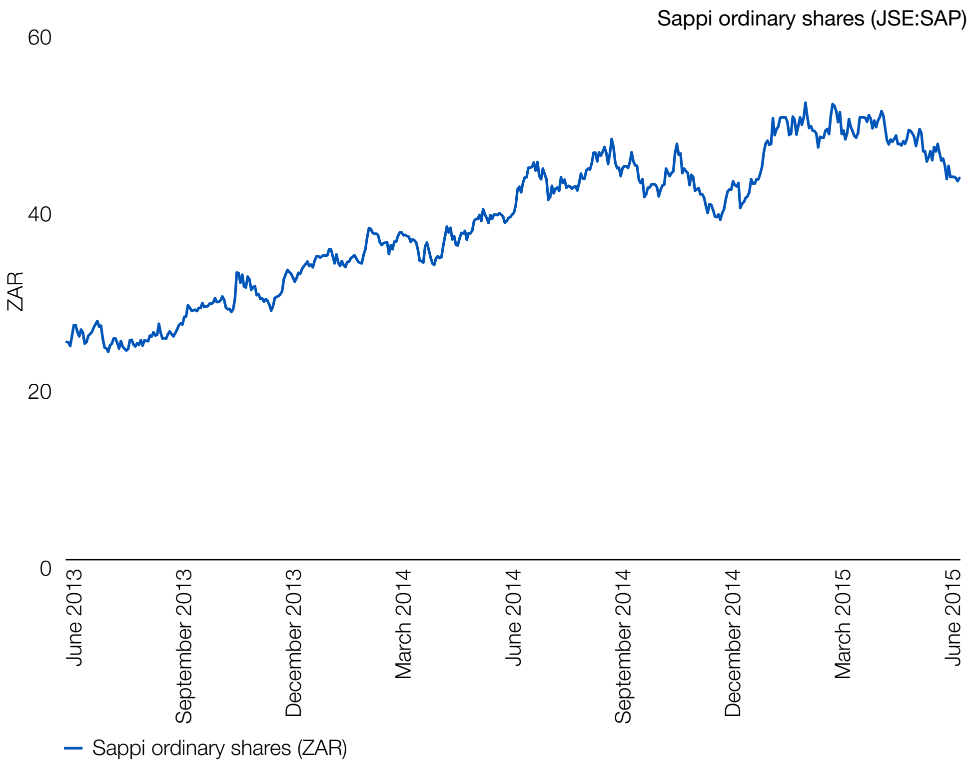
Reconciliation of net debt to interest-bearing borrowings

	Jun 2015 US$ million	Sept 2014 US$ million
Interest-bearing borrowings	**2,268**	2,474
Non-current interest-bearing borrowings	**2,050**	2,311
Current interest-bearing borrowings	**218**	163
Cash and cash equivalents	**(351)**	(528)
Net debt	**1,917**	1,946

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

Exchange rates

	Jun **2015**	Mar 2015	Dec 2014	Sept 2014	Jun 2014
Exchange rates:					
Period end rate: US$1 = ZAR	**12.2025**	12.0450	11.6001	11.2285	10.5890
Average rate for the Quarter: US$1 = ZAR	**12.0820**	11.7236	11.2122	10.7456	10.5340
Average rate for the YTD: US$1 = ZAR	**11.6540**	11.4552	11.2122	10.5655	10.5072
Period end rate: €1 = US$	**1.1166**	1.0889	1.2177	1.2685	1.3649
Average rate for the Quarter: €1 = US$	**1.1060**	1.1316	1.2504	1.3280	1.3717
Average rate for the YTD: €1 = US$	**1.1627**	1.1910	1.2504	1.3577	1.3676



Notes

(Registration number 1936/008963/06)
Issuer Code: SAVVI
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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