

**SAPPI GROUP  
(Sappi Limited)  
THIRD QUARTER FISCAL YEAR 2010 FINANCIAL RESULTS AND  
OPERATIONAL DATA ENDED JUNE 27, 2010**

**August 02, 2010**

**This report is being furnished to The Bank of New York Mellon as trustee of the Senior Secured Notes due 2014 (the “Notes”) of PE Paper Escrow GmbH pursuant to Section 4.03 of the indenture governing the Notes, dated as of July 29, 2009.**

## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

Except for historical information contained herein, statements contained in this report may constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995.

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, which do not relate to historical matters, identify forward-looking statements. In addition, this document includes forward-looking statements relating to the potential exposure of the Sappi group 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 the control of the Sappi group and may cause its actual results, performance or achievements to differ materially from anticipated future results, performance or achievements express 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;
- the impact on the business of the Sappi group of the global economic downturn;
- pulp and paper production, production capacity, input costs (including raw materials, energy and employee costs) and pricing levels in North America, Europe, Asia and southern Africa;
- any major disruption in production at key facilities of the Sappi group;
- changes in environmental, tax and other laws and regulations;
- adverse changes in the markets for products of the Sappi group;
- any delays, unexpected costs or other problems experienced with any business acquired or to be acquired and achieving expected savings and synergies;
- consequences of the leverage of the Sappi group, including as a result of adverse changes in credit markets that affect the ability of the Sappi group to raise capital when needed;
- adverse changes in the political situation and economy in the countries in which the Sappi group operates or the effect of governmental efforts to address present or future economic or social problems;

- the impact of future investments, acquisitions and dispositions (including the financing of investments and acquisitions) and any delays, unexpected costs or other problems experienced in connection with dispositions; and
- the risk that the acquisition of the coated paper business and certain related uncoated paper business activities of M-real Corporation (the “Acquisition”) will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; that expected revenue synergies and cost savings from the Acquisition may not be fully realized or realized within the expected time frame; that revenues following the Acquisition may be lower than expected; or that any anticipated benefits from the consolidation of the business may not be achieved.

We urge you to read the information contained in the sections entitled “Item 3—Key Information—Selected Financial Data”, “Item 3—Key Information—Risk Factors”, “Item 4—Information on the Company”, “Item 5—Operating and Financial Review and Prospects”, “Item 10—Additional Information—Exchange Controls” included in the Form 20-F filed by Sappi Limited with the U.S. Securities and Exchange Commission on December 11, 2009 and note 30 to the group annual financial statements of Sappi Limited included in such Form 20-F. 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 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

3rd Quarter

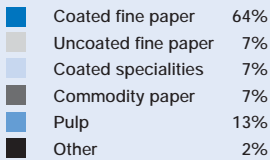
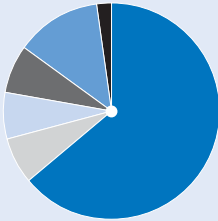
results for the period  
ended June 2010

*Great ideas start on paper.*

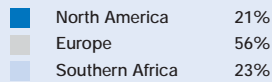
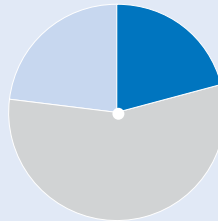


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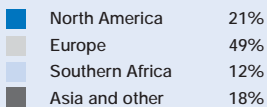
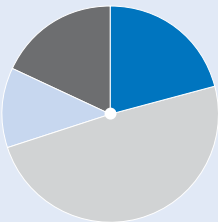
Sales by product group\*



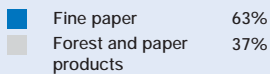
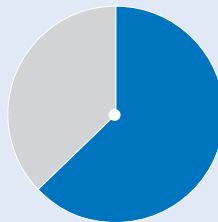
Sales by source\*



Sales by destination\*



Net operating assets\*\*



\* for the period ended June 2010

\*\* as at June 2010

# 3rd Quarter results

## Financial summary for the quarter

- EPS of 12 US cents (favourably impacted by 10 US cents special items); Q3 2009: loss of 12 US cents per share (unfavourably impacted by 2 US cents special items)
- Operating profit excluding special items US\$75 million; Q3 2009: US\$13 million loss
- Demand continued to improve
- Prices for coated woodfree paper increased
- Prices of raw material inputs increased
- Liquidity strong

|  | Jun 2010     | Quarter ended |          | Nine months ended |          |
|--|--------------|---------------|----------|-------------------|----------|
|  |              | Mar 2010      | Jun 2009 | Jun 2010          | Jun 2009 |
| <b>Key figures: (US\$ million)</b>   |              |               |          |                   |          |
| <b>Sales</b>   | <b>1,602</b> | 1,576         | 1,316    | <b>4,798</b>      | 3,816    |
| <b>Operating profit (loss)</b>   | <b>154</b>   | 28            | (7)      | <b>183</b>        | 56       |
| Special items – (gains) losses <sup>1</sup>                                | <b>(79)</b>  | 26            | (6)      | <b>27</b>         | (61)     |
| Operating profit (loss) excluding special items <sup>2</sup>               | <b>75</b>    | 54            | (13)     | <b>210</b>        | (5)      |
| EBITDA excluding special items <sup>3</sup>                                | <b>176</b>   | 156           | 93       | <b>525</b>        | 281      |
| <b>Basic earnings (loss) per share (US cents)</b>                          | <b>12</b>    | (6)           | (12)     | <b>(3)</b>        | (16)     |
| Net debt <sup>4</sup>  | <b>2,337</b> | 2,429         | 2,770    | <b>2,337</b>      | 2,770    |
| <b>Key ratios: (%)</b>   |              |               |          |                   |          |
| <b>Operating profit (loss) to sales</b>                                    | <b>9.6</b>   | 1.8           | (0.5)    | <b>3.8</b>        | 1.5      |
| Operating profit (loss) excluding special items to sales                   | <b>4.7</b>   | 3.4           | (1.0)    | <b>4.4</b>        | (0.1)    |
| Operating profit (loss) excluding special items to Capital Employed (ROCE) | <b>7.3</b>   | 5.1           | (1.1)    | <b>6.6</b>        | (0.2)    |
| EBITDA excluding special items to sales                                    | <b>11.0</b>  | 9.9           | 7.1      | <b>10.9</b>       | 7.4      |
| Return on average equity (ROE) <sup>5</sup>                                | <b>15.0</b>  | (7.3)         | (12.7)   | <b>(1.4)</b>      | (5.4)    |
| Net debt to total capitalisation <sup>5</sup>                              | <b>57.6</b>  | 59.1          | 57.5     | <b>57.6</b>       | 57.5     |

<sup>1</sup> Refer to page 16 for details on special items.

<sup>2</sup> Refer to page 16, note 9 to the group results for the reconciliation of operating profit excluding special items to operating profit (loss).

<sup>3</sup> Refer to page 16, note 9 to the group results for the reconciliation of EBITDA excluding special items to profit (loss) before taxation.

<sup>4</sup> Refer to page 18, Supplemental Information for the reconciliation of net debt to interest-bearing borrowings.

<sup>5</sup> Refer to page 17, Supplemental Information for the definition of the term.

The table above has not been audited or reviewed.

## Commentary on the quarter

Demand for our products continued to grow during the quarter and the financial performance of the group improved significantly compared to a year ago and also improved compared to the previous quarter. The North American business performed strongly during the quarter and there was a significant improvement in the southern African results. Despite increasing prices for coated fine paper, the performance of our European business has been constrained by an 18% increase in variable costs compared to a year ago, largely due to pulp price increases.

Sales increased to US\$1.6 billion, up 22% compared to a year earlier and up 2% compared to the March quarter.

Average prices realised by the group were 4% higher than a year ago in US dollar terms. Coated woodfree paper prices increased in Europe during the quarter. In addition, the southern African and North American businesses were favourably impacted by higher pulp prices. As an example, the NBSK pulp price increased to US\$976 per ton at the end of June, an increase of US\$87 per ton since March.

Variable costs for the group increased as a result of higher input prices, particularly pulp and wood costs in both Europe and North America. Fixed costs, however, were 5% lower than the prior quarter.

The synergies achieved from the European Acquisition have reached our announced level of €120 million of synergies per annum, ahead of the target date of 2011.

Special items for the quarter amounted to a gain of US\$79 million, which mainly comprised a plantation fair value gain of US\$108 million and a charge of US\$23 million in respect of the Black Economic Empowerment transaction approved by shareholders in April. Although the plantation fair value adjustment is large for the quarter, it is only US\$2 million for the year to date. With effect from this quarter we have applied a refined estimate of fair value which we expect to more accurately reflect the long-term value of the plantations (see Note 3).

Operating profit excluding special items was US\$75 million for the quarter, a substantial improvement compared to the US\$13 million loss a year ago and an improvement on the March quarter. Including special items, operating profit was US\$154 million, compared to a loss of US\$7 million in the equivalent quarter last year.

Net finance costs of US\$57 million were US\$5 million lower than in the prior quarter as a result of foreign currency exchange movements and the repayment of US\$235 million of long-term debt out of cash in the last two quarters.

Earnings per share for the quarter were 12 US cents (including a gain of 10 US cents in respect of special items), compared to a loss of 12 US cents (including a loss of 2 US cents in respect of special items) a year ago.

## Cash flow and debt

Cash generated from operations was US\$188 million for the quarter, which was higher than the US\$77 million a year ago largely due to improved profitability. Net cash generated (after investing activities) for the quarter was US\$24 million, which was lower than the US\$106 million a year ago, primarily as a result of the working capital movements reflecting sales growth and finance costs paid, which had been much lower in the equivalent period last year. Finance costs paid in the equivalent period last year were reduced by the US\$55 million benefit of unwinding fixed-to-floating interest rate swaps. Capital expenditure for the quarter was US\$41 million and year to date was US\$130 million. This is in line with our aim to limit capital expenditure for the full year to approximately US\$200 million.

Net debt decreased to US\$2.3 billion for the quarter as a result of cash generated and currency movements. An early repayment of €80 million (US\$99 million), comprising the December 2010 instalment of the €400 million OekB loan was made during the quarter. Liquidity remains strong and cash and cash equivalents were US\$534 million at the end of the quarter. The €209 million (US\$259 million) revolving credit facility remains undrawn.

## Operating Review for the Quarter

### Sappi Fine Paper

|  | Quarter<br>ended<br>June 2010<br>US\$ million | Quarter<br>ended<br>June 2009<br>US\$ million | %  | Quarter<br>ended<br>March 2010<br>US\$ million |
|--|---|---|----|--|
| Sales  | 1,220   | 1,020   | 20 | 1,208  |
| Operating profit   | 36  | 24  | 50 | 50   |
| Operating profit to sales (%)                                | 3.0   | 2.4   | 25 | 4.1  |
| Special items – losses (gains)                               | 1   | (33)  | –  | (7)  |
| Operating profit (loss) excluding special items              | 37  | (9)   | –  | 43   |
| Operating profit (loss) excluding special items to sales (%) | 3.0   | (0.9)   | –  | 3.6  |
| EBITDA excluding special items                               | 110   | 75  | 47 | 120  |
| EBITDA excluding special items to sales (%)                  | 9.0   | 7.4   | 23 | 9.9  |
| RONOA pa (%)   | 4.8   | (1.0)   | –  | 5.3  |

The Fine Paper business achieved an operating profit excluding special items of US\$37 million for the quarter compared to a loss of US\$9 million a year ago, due to a continued good performance from North America and a gradual improvement of the European business as a result of higher sales volumes and prices, largely offset, however, by the increase in pulp and other input costs.



## Europe

|   | Quarter<br>ended<br>June 2010<br>US\$ million | Quarter<br>ended<br>June 2009<br>US\$ million | %<br>change<br>(US\$) | %<br>change<br>(Euro) | Quarter<br>ended<br>March 2010<br>US\$ million |
|---|---|---|-----------------------|-----------------------|--|
| <b>Sales</b>  | <b>873</b>                                    | 729   | 20                    | 26                    | 866  |
| <b>Operating profit</b>                               | <b>11</b>                                     | –   | –                     | –                     | 9  |
| <b>Operating profit to sales (%)</b>                  | <b>1.3</b>                                    | –   | –                     | –                     | 1.0  |
| Special items – losses (gains)                        | <b>2</b>                                      | 4   | –                     | –                     | (5)  |
| Operating profit excluding special items              | <b>13</b>                                     | 4   | 225                   | 241                   | 4  |
| Operating profit excluding special items to sales (%) | <b>1.5</b>                                    | 0.5   | 171                   | 170                   | 0.5  |
| EBITDA excluding special items                        | <b>68</b>                                     | 62  | 10                    | 17                    | 64   |
| EBITDA excluding special items to sales (%)           | <b>7.8</b>                                    | 8.5   | –                     | –                     | 7.4  |
| RONOA pa (%)  | <b>2.5</b>                                    | 0.7   | 276                   | 272                   | 0.7  |

The European business' coated paper shipments continued to grow during the quarter. European industry coated woodfree paper shipments increased by 18%, comprising a 10% increase in shipments to Europe and a 55% increase in exports from Europe compared to a year ago.

Our prices for coated woodfree paper were increased in April, and again in June, but to date these increases have only partly offset the effect of the increase in pulp prices and other input cost increases on our margins. Prices for coated mechanical paper did not increase during the quarter. Further selling price increases are required in order to achieve reasonable margins.

Average prices realised in Euro for the quarter were flat compared to the equivalent quarter last year and 6% up compared to the prior quarter in Euro terms.

## North America

|  | Quarter<br>ended<br>June 2010<br>US\$ million | Quarter<br>ended<br>June 2009<br>US\$ million | %<br>change | Quarter<br>ended<br>March 2010<br>US\$ million |
|--|---|---|-------------|--|
| Sales  | 347   | 291   | 19          | 342  |
| Operating profit   | 25  | 24  | 4           | 41   |
| Operating profit to sales (%)                                | 7.2   | 8.2   | -           | 12.0   |
| Special items – (gains)                                      | (1)   | (37)  | -           | (2)  |
| Operating profit (loss) excluding special items              | 24  | (13)  | -           | 39   |
| Operating profit (loss) excluding special items to sales (%) | 6.9   | (4.5)   | -           | 11.4   |
| EBITDA excluding special items                               | 42  | 13  | 223         | 56   |
| EBITDA excluding special items to sales (%)                  | 12.1  | 4.5   | 171         | 16.4   |
| RONOA pa (%)   | 10.0  | (4.9)   | -           | 16.0   |

The North American business continued to improve its performance as a result of strengthening demand, good operating rates and improving pulp prices. Demand levels continued to improve and US industry shipments of coated woodfree paper for the quarter increased by 31% compared to a year ago.

After more than a year of declining coated paper prices in the North American market, prices started to rise during the quarter. Prices realised for coated paper were 7% below a year ago, and were flat compared to the prior quarter. We announced price increases on coated woodfree paper reels and certain sheet grades during the quarter. Pulp prices continued to increase during the quarter.

Well controlled cost levels, a strong performance in the speciality business and strong market pulp results continued in the quarter. The decline in operating profit compared to the March quarter was driven by the timing of major planned maintenance.

## Southern Africa – Forest and Paper Products

|   | Quarter<br>ended<br>June 2010<br>US\$ million | Quarter<br>ended<br>June 2009<br>US\$ million | %<br>change<br>(US\$) | %<br>change<br>(Rand) | Quarter<br>ended<br>March 2010<br>US\$ million |
|---|---|---|-----------------------|-----------------------|--|
| Sales   | 382   | 296   | 29                    | 14                    | 368  |
| Operating profit (loss)   | 118   | (31)  | –                     | –                     | (4)  |
| Operating profit (loss)<br>to sales (%)                         | 30.9  | (10.5)  | –                     | –                     | (1.1)  |
| Special items – (gains) losses                                  | (83)  | 20  | –                     | –                     | 16   |
| Operating profit (loss) excluding<br>special items              | 35  | (11)  | –                     | –                     | 12   |
| Operating profit (loss) excluding<br>special items to sales (%) | 9.2   | (3.7)   | –                     | –                     | 3.3  |
| EBITDA excluding special items                                  | 62  | 11  | 464                   | 396                   | 37   |
| EBITDA excluding special items<br>to sales (%)                  | 16.2  | 3.7   | 337                   | 337                   | 10.1   |
| RONOA pa (%)  | 7.9   | (2.4)   | –                     | –                     | 2.7  |

The performance of the southern African business improved significantly in the quarter compared to the equivalent quarter last year and the prior quarter driven partly by improved pulp prices. Average NBSK pulp prices in the quarter were 60% higher than the equivalent quarter last year and 12% higher than the prior quarter. An eighteen day harbours and railways strike during the quarter resulted in delayed shipments, unfavourably impacting sales volumes by 15,000 tons.

The chemical cellulose business achieved higher output from the Saiccor Mill and benefited from increased product prices. In the domestic market demand for packaging paper was strong, as it was in the international markets where prices were also increasing. However, although demand for coated paper improved, demand for other fine paper and newsprint was weak.

## Directorate

Mr Valli Moosa, a Director of Sappi's Broad Based Black Economic Empowerment Partner, Lereko Limited, has been appointed a non-executive director of Sappi Limited with effect from 1 August 2010.

# Outlook

Although demand in most of our markets has continued growing, our outlook remains cautious in light of ongoing uncertainty in global economies and demand levels.

In Europe, prices for coated woodfree paper have risen twice since April 2010 and we have announced further increases of at least 7% from September 2010, which we believe are necessary to start restoring margins. Prices for coated mechanical paper started to rise in July 2010 but remain low. North American prices for coated paper are also increasing gradually.

The rate of increase of pulp prices started flattening in the latter part of the quarter and we expect a period of softer pulp prices over the next few months.

Demand for our products in Europe is expected to further accelerate in the fourth financial quarter, and our European order books are firm. Order books in our other businesses have lengthened.

The costs of our non-pulp raw material inputs have started increasing and we are actively managing our processes to minimise the impact of such increases. We expect that pulp input costs will continue to affect the performance of our European business.

Under current market conditions, we expect operating profit (excluding special items) as well as net cash generation to continue to improve in our fourth financial quarter.

On behalf of the board

R J Boöttger  
Director

M R Thompson  
Director

2 August 2010

sappi limited

(Registration number 1936/008963/06)

Issuer Code: SAVVI

JSE Code: SAP

ISIN: ZAE000006284

## 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, which do not relate to historical matters, identify forward-looking statements. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and company plans and objectives to differ materially from those expressed or implied in the forward-looking statements (or from past results). Such risks, uncertainties and factors include, but are not limited to, the impact of the global economic downturn, the risk that the European Acquisition ("Acquisition") will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected, expected revenue synergies and cost savings from the Acquisition may not be fully realised or realised within the expected time-frame, revenues following the Acquisition may be lower than expected, any anticipated benefits from the consolidation of the European paper business may not be achieved, the highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclicity, such as levels of demand, production capacity, production, input costs including raw material, energy and employee costs, and pricing), adverse changes in the markets for the group's products, consequences of substantial leverage, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed, changing regulatory requirements, possible early termination of alternative fuel tax credits, unanticipated production disruptions (including as a result of planned or unexpected power outages), economic and political conditions in international markets, the impact of investments, acquisitions and dispositions (including related financing), any delays, unexpected costs or other problems experienced with integrating acquisitions 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.

We have included in this announcement an estimate of total synergies from the Acquisition and the integration of the acquired business into our existing business. The estimate of synergies is based on assumptions which in the view of our management were prepared on a reasonable basis, reflect the best currently available estimates and judgements, and present, to the best of our management's knowledge and belief, the expected course of action and the expected future financial impact on our performance due to the Acquisition. However, the assumptions about these expected synergies are inherently uncertain and, though considered reasonable by management as of the date of preparation, are subject to a wide variety of significant business, economic and competitive risks and uncertainties that could cause actual results to differ materially from those contained in this estimate of synergies. There can be no assurance that we will be able to successfully implement the strategic or operational initiatives that are intended, or realise the estimated synergies. This synergy estimate is not a profit forecast or a profit estimate and should not be treated as such or relied on by shareholders or prospective investors to calculate the likely level of profits or losses for Sappi.

## Group income statement

|   | Note | Quarter ended<br>Jun 2010<br>US\$ million | Reviewed<br>Quarter ended<br>Jun 2009<br>US\$ million | Nine months ended<br>Jun 2010<br>US\$ million | Reviewed<br>Nine months ended<br>Jun 2009<br>US\$ million |
|---|------|---|---|---|---|
| <b>Sales</b>  |      | 1,602                                     | 1,316   | 4,798   | 3,816   |
| Cost of sales   |      | 1,314                                     | 1,272   | 4,288   | 3,510   |
| Gross profit  |      | 288                                       | 44  | 510   | 306   |
| Selling, general and administrative expenses                        |      | 108                                       | 90  | 329   | 273   |
| Other operating expense (income)                                    |      | 29  | (31)  | 9   | (17)  |
| Share of profit from associates and joint ventures                  |      | (3)                                       | (8)   | (11)  | (6)   |
| <b>Operating profit (loss)</b>                                      | 3    | 154                                       | (7)   | 183   | 56  |
| Net finance costs   |      | 57  | 70  | 192   | 131   |
| Net interest  |      | 68  | 44  | 226   | 116   |
| Net foreign exchange gains  |      | (7)                                       | (1)   | (16)  | (12)  |
| Net fair value (gain) loss on financial instruments                 |      | (4)                                       | 27  | (18)  | 27  |
| <b>Profit (loss) before taxation</b>                                |      | 97  | (77)  | (9)   | (75)  |
| Taxation  |      | 33  | (15)  | 9   | (1)   |
| Current   |      | (2)                                       | 3   | 1   | 7   |
| Deferred  |      | 35  | (18)  | 8   | (8)   |
| <b>Profit (loss) for the period</b>                                 |      | 64  | (62)  | (18)  | (74)  |
| <b>Basic earnings (loss) per share (US cents)</b>                   |      | 12  | (12)  | (3)   | (16)  |
| Weighted average number of shares in issue (millions)               |      | 516.0                                     | 515.8   | 515.7   | 471.5   |
| <b>Diluted basic earnings (loss) per share (US cents)</b>           |      | 12  | (12)  | (3)   | (16)  |
| Weighted average number of shares on fully diluted basis (millions) |      | 529.4                                     | 515.8   | 515.7   | 471.5   |

## Group statement of comprehensive income

|   | Quarter ended<br>Jun 2010<br>US\$ million | Reviewed<br>Quarter ended<br>Jun 2009<br>US\$ million | Nine months ended<br>Jun 2010<br>US\$ million | Reviewed<br>Nine months ended<br>Jun 2009<br>US\$ million |
|---|---|---|---|---|
| Profit (loss) for the period                              | 64  | (62)  | (18)  | (74)  |
| <b>Other comprehensive (loss) income, net of tax</b>      | (54)                                      | 244   | (78)  | (43)  |
| Exchange differences on translation of foreign operations | (43)                                      | 243   | (69)  | (44)  |
| Movements in hedging reserves                             | (11)                                      | -   | (9)   | -   |
| Movement on available for sale financial assets           | -   | 1   | -   | 1   |
| Deferred tax effects on above                             | -   | -   | -   | -   |
| <b>Total comprehensive income (loss) for the period</b>   | 10  | 182   | (96)  | (117)   |

# Group balance sheet

|  | Jun 2010<br>US\$ million | Reviewed<br>Sept 2009<br>US\$ million |
|--|--------------------------|---------------------------------------|
| <b>ASSETS</b>  |                          |                                       |
| <b>Non-current assets</b>                                  | <b>4,310</b>             | 4,867                                 |
| Property, plant and equipment                              | 3,424                    | 3,934                                 |
| Plantations  | 550                      | 611                                   |
| Deferred taxation  | 49                       | 56                                    |
| Other non-current assets                                   | 287                      | 266                                   |
| <b>Current assets</b>                                      | <b>2,250</b>             | 2,430                                 |
| Inventories  | 795                      | 792                                   |
| Trade and other receivables                                | 846                      | 868                                   |
| Cash and cash equivalents                                  | 534                      | 770                                   |
| Assets held for sale                                       | 75                       | -                                     |
| <b>Total assets</b>  | <b>6,560</b>             | 7,297                                 |
| <b>EQUITY AND LIABILITIES</b>                              |                          |                                       |
| <b>Shareholders' equity</b>                                |                          |                                       |
| Ordinary shareholders' interest                            | 1,719                    | 1,794                                 |
| <b>Non-current liabilities</b>                             | <b>3,099</b>             | 3,662                                 |
| Interest-bearing borrowings                                | 2,253                    | 2,726                                 |
| Deferred taxation  | 348                      | 355                                   |
| Other non-current liabilities                              | 498                      | 581                                   |
| <b>Current liabilities</b>                                 | <b>1,742</b>             | 1,841                                 |
| Interest-bearing borrowings                                | 597                      | 601                                   |
| Bank overdraft   | 21                       | 19                                    |
| Other current liabilities                                  | 1,062                    | 1,165                                 |
| Taxation payable   | 43                       | 56                                    |
| Liabilities associated with assets held for sale           | 19                       | -                                     |
| <b>Total equity and liabilities</b>                        | <b>6,560</b>             | 7,297                                 |
| Number of shares in issue at balance sheet date (millions) | 519.5                    | 515.7                                 |

## Group cash flow statement

|  | Quarter<br>ended<br>Jun 2010<br>US\$ million | Reviewed<br>Quarter<br>ended<br>Jun 2009<br>US\$ million | Nine months<br>ended<br>Jun 2010<br>US\$ million | Reviewed<br>Nine months<br>ended<br>Jun 2009<br>US\$ million |
|--|--|--|--|--|
| <b>Profit (loss) for the period</b>                  | 64   | (62)   | (18)   | (74)   |
| Adjustment for:                                      |  |  |  |  |
| Depreciation, fellings and amortisation              | 116  | 125  | 365  | 336  |
| Taxation   | 33   | (15)   | 9  | (1)  |
| Net finance costs                                    | 57   | 70   | 192  | 131  |
| Post-employment benefits                             | (15)   | (13)   | (48)   | (32)   |
| Plantation fair value adjustment                     | (108)  | 25   | (2)  | (44)   |
| Other non-cash items                                 | 41   | (53)   | 57   | (45)   |
| <b>Cash generated from operations</b>                | 188  | 77   | 555  | 271  |
| Movement in working capital                          | (84)   | 93   | (186)  | 25   |
| Net finance costs                                    | (35)   | –  | (128)  | (54)   |
| Taxation paid  | (4)  | (3)  | (8)  | (5)  |
| Dividends paid                                       | –  | –  | –  | (37)   |
| <b>Cash retained from operating activities</b>       | 65   | 167  | 233  | 200  |
| <b>Cash utilised in investing activities</b>         | (41)   | (61)   | (130)  | (726)  |
| Capital expenditure and other<br>non-current assets  | (41)   | (59)   | (130)  | (138)  |
| Acquisition  | –  | (2)  | –  | (588)  |
| Net cash generated (utilised)                        | 24   | 106  | 103  | (526)  |
| <b>Cash effects of financing activities</b>          | (179)  | (57)   | (244)  | 979  |
| <b>Net movement in cash and cash<br/>equivalents</b> | (155)  | 49   | (141)  | 453  |

## Group statement of changes in equity

|   | Nine months<br>ended<br>Jun 2010<br>US\$ million | Reviewed<br>Nine months<br>ended<br>Jun 2009<br>US\$ million |
|---|--|--|
| Balance – beginning of period                   | 1,794  | 1,605  |
| Total comprehensive loss for the period         | (96)   | (117)  |
| Dividends paid                                  | –  | (37)   |
| Rights offer                                    | –  | 575  |
| Costs directly attributable to the rights offer | (5)  | (31)   |
| Issue of new shares                             | 19   | 45   |
| Transfers (to) from the share purchase trust    | (6)  | 2  |
| Share-based payment reserve                     | 13   | 7  |
| <b>Balance – end of period</b>                  | <b>1,719</b>                                     | <b>2,049</b>   |



# Notes to the group results

## 1. Basis of preparation

The condensed financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting and the AC 500 standards as issued by the Accounting Practices Board in South Africa. Apart from the adoption of IFRS 8 "Operating Segments", the accounting policies and methods of computation used in the preparation of the results are consistent, in all material respects, with those used in the annual financial statements for September 2009 which are compliant with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The results are unaudited.

## 2. Adoption of IFRS 8 "Operating Segments"

The adoption of IFRS 8 "Operating Segments" did not have an impact on the group's reported results or financial position.

IFRS 8 requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are components of an entity for which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and assessing performance. Prior year segment disclosure has been restated as reflected in note 9.

|  | Quarter<br>ended<br>Jun 2010<br>US\$ million | Reviewed<br>Quarter<br>ended<br>Jun 2009<br>US\$ million | Nine months<br>ended<br>Jun 2010<br>US\$ million | Reviewed<br>Nine months<br>ended<br>Jun 2009<br>US\$ million |
|--|--|--|--|--|
| <b>3. Operating profit</b>                                       |  |  |  |  |
| Included in operating profit are the following non-cash items:   |  |  |  |  |
| Depreciation and amortisation                                    | 101  | 106  | 315  | 286  |
| Fair value adjustment on plantations (included in cost of sales) |  |  |  |  |
| Changes in volume  |  |  |  |  |
| Fellings   | 15   | 19   | 50   | 50   |
| Growth   | (15)   | (20)   | (48)   | (52)   |
|  | -  | (1)  | 2  | (2)  |
| Plantation price fair value adjustment <sup>(1)</sup>            | (108)  | 25   | (2)  | (44)   |
|  | (108)  | 24   | -  | (46)   |
| Included in other operating expense (income) are the following:  |  |  |  |  |
| Asset impairments (impairment reversals)                         | 1  | 1  | (12)   | 6  |
| Loss (profit) on disposal of property, plant and equipment       | -  | -  | 1  | (1)  |
| Profit on disposal of investment                                 | -  | -  | (1)  | -  |
| Restructuring provisions raised                                  | 5  | 2  | 46   | 10   |
| Integration costs  | -  | 3  | -  | 3  |
| BEE charge   | 23   | -  | 23   | -  |
| Fuel tax credit  | -  | (37)   | (51)   | (37)   |

<sup>(1)</sup> In the third quarter of fiscal 2010 the group changed the estimates used to derive the prices of timber that are used to calculate the fair value of its plantations. The change impacts the estimate of the expected future cash flows that are used in calculating the present value of mature and immature timber except for the timber that is expected to be felled in the next 12 months from balance sheet date. Before the change, Sappi used period end spot prices to estimate the fair value of the above timber; the group now uses a 12 quarter rolling average price, as this reflects the fair value of the plantations more accurately. This change has increased the value of plantations by US\$28 million.

|   | Quarter<br>ended<br>Jun 2010<br>US\$ million | Reviewed<br>Quarter<br>ended<br>Jun 2009<br>US\$ million | Nine months<br>ended<br>Jun 2010<br>US\$ million | Reviewed<br>Nine months<br>ended<br>Jun 2009<br>US\$ million |
|---|--|--|--|--|
| <b>4. Headline earnings (loss) per share *</b>                      |  |  |  |  |
| Headline earnings (loss) per share (US cents)                       | 13   | (12)   | (6)  | (15)   |
| Weighted average number of shares in issue (millions)               | 516.0  | 515.8  | 515.7  | 471.5  |
| Diluted headline earnings (loss) per share (US cents)               | 12   | (12)   | (6)  | (15)   |
| Weighted average number of shares on fully diluted basis (millions) | 529.4  | 515.8  | 515.7  | 471.5  |
| <b>Calculation of headline earnings (loss) *</b>                    |  |  |  |  |
| Profit (loss) for the period  | 64   | (62)   | (18)   | (74)   |
| Asset impairments (impairment reversals)                            | 1  | 1  | (12)   | 6  |
| Loss (profit) on disposal of property, plant and equipment          | -  | -  | 1  | (1)  |
| Profit on disposal of investment                                    | -  | -  | (1)  | -  |
| Tax effect of above items   | -  | -  | -  | -  |
| Headline earnings (loss)  | 65   | (61)   | (30)   | (69)   |

\*Headline earnings disclosure is required by the JSE Limited.

|                                  |    |    |                          |                           |
|----------------------------------|----|----|--------------------------|---------------------------|
| <b>5. Capital expenditure</b>    |    |    |                          |                           |
| Property, plant and equipment    | 42 | 54 | 120                      | 147                       |
|                                  |    |    | Jun 2010<br>US\$ million | Sept 2009<br>US\$ million |
| <b>6. Capital commitments</b>    |    |    |                          |                           |
| Contracted                       |    |    | 62                       | 62                        |
| Approved but not contracted      |    |    | 135                      | 126                       |
|                                  |    |    | 197                      | 188                       |
| <b>7. Contingent liabilities</b> |    |    |                          |                           |
| Guarantees and suretyships       |    |    | 43                       | 44                        |
| Other contingent liabilities     |    |    | 8                        | 8                         |
|                                  |    |    | 51                       | 52                        |

With the cessation of production at the Usutu Pulp Mill, Sappi is undertaking an environmental assessment to determine whether there are any potential environmental obligations at the site. The nature and amount of any such obligations cannot be measured reliably until the assessments have been completed.

#### 8. Material balance sheet movements year on year

##### Transfers to assets held for sale and liabilities associated with assets held for sale

With the cessation of production at the Usutu Pulp Mill, the assets and the liabilities forming part of this disposal group, consisting mainly of plantations, have been classified as held for sale.

##### Early repayment of interest-bearing borrowings

An early repayment of the first instalment on a syndicated loan with Österreichische Kontrollbank of €80 million (US\$99 million), due in December 2010, was made in June 2010.

An amount of US\$29 million of our 7.5% Guaranteed Notes due 2032 was repurchased in the open market during the quarter for US\$24 million.

## 9. Segment information

### Restatement of prior year disclosures

Sappi Fine Paper South Africa is now reported as part of the Forest and Paper Products segment in accordance with the geographical management of our business. The table below shows the effect of this change for the quarter and nine months ended June 2009:

|  | Restated<br>Quarter ended<br>Jun 2009<br>US\$ million |            |          |
|--|---|------------|----------|
|  | As previously<br>reported                             | Adjustment | Restated |
| <b>Fine Paper</b>  |   |            |          |
| Sales  | 1,098   | (78)       | 1,020    |
| Operating profit   | 19  | 5          | 24       |
| Net operating assets   | 3,715   | (205)      | 3,510    |
| <b>Forest and Paper Products – Pulp and paper operations</b> |   |            |          |
| Sales  | 204   | 78         | 282      |
| Operating profit   | (26)  | (5)        | (31)     |
| Net operating assets   | 1,790   | 205        | 1,995    |

|  | Restated<br>Nine months ended<br>Jun 2009<br>US\$ million |            |          |
|--|---|------------|----------|
|  | As previously<br>reported                                 | Adjustment | Restated |
| <b>Fine Paper</b>  |   |            |          |
| Sales  | 3,208   | (226)      | 2,982    |
| Operating profit   | (16)  | 1          | (15)     |
| Net operating assets   | 3,715   | (205)      | 3,510    |
| <b>Forest and Paper Products – Pulp and paper operations</b> |   |            |          |
| Sales  | 567   | 226        | 793      |
| Operating profit   | 71  | (1)        | 70       |
| Net operating assets   | 1,790   | 205        | 1,995    |

The information below is presented in the way that it is reviewed by the chief operating decision-maker as required by IFRS 8 "Operating Segments".

|  |                           | Quarter ended<br>Jun 2010 | Restated<br>Reviewed<br>Quarter<br>ended<br>Jun 2009 | Nine months<br>ended<br>Jun 2010 | Restated<br>Reviewed<br>Nine months<br>ended<br>Jun 2009 |
|--|---------------------------|---------------------------|--|----------------------------------|--|
|  |                           | Metric tons<br>(000's)    | Metric tons<br>(000's)                               | Metric tons<br>(000's)           | Metric tons<br>(000's)                                   |
| <b>Sales volume</b>                                    |                           |                           |  |                                  |  |
| Fine Paper –   | North America             | 335                       | 300  | 1,002                            | 919  |
|  | Europe                    | 939                       | 746  | 2,802                            | 2,061  |
|  | <b>Total</b>              | <b>1,274</b>              | <b>1,046</b>   | <b>3,804</b>                     | <b>2,980</b>   |
| Forest and Paper Products –                            | Pulp and paper operations | 416                       | 425  | 1,291                            | 1,190  |
|  | Forestry operations       | 292                       | 218  | 704                              | 649  |
| <b>Total</b>   |                           | <b>1,982</b>              | <b>1,689</b>   | <b>5,799</b>                     | <b>4,819</b>   |
|  |                           | <b>US\$ million</b>       | <b>US\$ million</b>                                  | <b>US\$ million</b>              | <b>US\$ million</b>                                      |
| <b>Sales</b>   |                           |                           |  |                                  |  |
| Fine Paper –   | North America             | 347                       | 291  | 1,009                            | 955  |
|  | Europe                    | 873                       | 729  | 2,675                            | 2,027  |
|  | <b>Total</b>              | <b>1,220</b>              | <b>1,020</b>   | <b>3,684</b>                     | <b>2,982</b>   |
| Forest and Paper Products –                            | Pulp and paper operations | 361                       | 282  | 1,062                            | 793  |
|  | Forestry operations       | 21                        | 14   | 52                               | 41   |
| <b>Total</b>   |                           | <b>1,602</b>              | <b>1,316</b>   | <b>4,798</b>                     | <b>3,816</b>   |
| <b>Operating profit (loss) excluding special items</b> |                           |                           |  |                                  |  |
| Fine Paper –   | North America             | 24                        | (13)   | 82                               | (36)   |
|  | Europe                    | 13                        | 4  | 42                               | (4)  |
|  | <b>Total</b>              | <b>37</b>                 | <b>(9)</b>   | <b>124</b>                       | <b>(40)</b>  |
| Forest and Paper Products                              |                           | 35                        | (11)   | 76                               | 27   |
| Corporate and other                                    |                           | 3                         | 7  | 10                               | 8  |
| <b>Total</b>   |                           | <b>75</b>                 | <b>(13)</b>  | <b>210</b>                       | <b>(5)</b>   |
| <b>Special items – (gains) losses</b>                  |                           |                           |  |                                  |  |
| Fine Paper –   | North America             | (1)                       | (37)   | (51)                             | (29)   |
|  | Europe                    | 2                         | 4  | 10                               | 4  |
|  | <b>Total</b>              | <b>1</b>                  | <b>(33)</b>  | <b>(41)</b>                      | <b>(25)</b>  |
| Forest and Paper Products                              |                           | (83)                      | 20   | 48                               | (43)   |
| Corporate and other                                    |                           | 3                         | 7  | 20                               | 7  |
| <b>Total</b>   |                           | <b>(79)</b>               | <b>(6)</b>   | <b>27</b>                        | <b>(61)</b>  |
| <b>Operating profit (loss)</b>                         |                           |                           |  |                                  |  |
| Fine Paper –   | North America             | 25                        | 24   | 133                              | (7)  |
|  | Europe                    | 11                        | –  | 32                               | (8)  |
|  | <b>Total</b>              | <b>36</b>                 | <b>24</b>  | <b>165</b>                       | <b>(15)</b>  |
| Forest and Paper Products                              |                           | 118                       | (31)   | 28                               | 70   |
| Corporate and other                                    |                           | –                         | –  | (10)                             | 1  |
| <b>Total</b>   |                           | <b>154</b>                | <b>(7)</b>   | <b>183</b>                       | <b>56</b>  |
| <b>EBITDA excluding special items</b>                  |                           |                           |  |                                  |  |
| Fine Paper –   | North America             | 42                        | 13   | 140                              | 40   |
|  | Europe                    | 68                        | 62   | 220                              | 146  |
|  | <b>Total</b>              | <b>110</b>                | <b>75</b>  | <b>360</b>                       | <b>186</b>   |
| Forest and Paper Products                              |                           | 62                        | 11   | 154                              | 86   |
| Corporate and other                                    |                           | 4                         | 7  | 11                               | 9  |
| <b>Total</b>   |                           | <b>176</b>                | <b>93</b>  | <b>525</b>                       | <b>281</b>   |

|                             |              | Quarter<br>ended<br>Jun 2010 | Restated<br>Reviewed<br>Quarter<br>ended<br>Jun 2009 | Nine months<br>ended<br>Jun 2010 | Restated<br>Reviewed<br>Nine months<br>ended<br>Jun 2009 |
|-----------------------------|--------------|------------------------------|--|----------------------------------|--|
|                             | US\$ million | US\$ million                 | US\$ million   | US\$ million                     | US\$ million   |
| <b>Net operating assets</b> |              |                              |  |                                  |  |
| Fine Paper –                |              |                              |  |                                  |  |
| North America               | 949          | 1,035                        | 949  | 1,035                            |  |
| Europe                      | 2,070        | 2,475                        | 2,070  | 2,475                            |  |
| <b>Total</b>                | <b>3,019</b> | 3,510                        | <b>3,019</b>   | 3,510                            |  |
| Forest and Paper Products   | 1,785        | 1,995                        | 1,785  | 1,995                            |  |
| Corporate and other         | 49           | 72                           | 49   | 72                               |  |
| <b>Total</b>                | <b>4,853</b> | 5,577                        | <b>4,853</b>   | 5,577                            |  |

#### Reconciliation of operating profit (loss) excluding special items to operating profit (loss)

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.

|  |            |      |             |      |
|--|------------|------|-------------|------|
| <b>Operating profit (loss) excluding special items</b>     | <b>75</b>  | (13) | <b>210</b>  | (5)  |
| <b>Special items</b>                                       | <b>79</b>  | 6    | <b>(27)</b> | 61   |
| Plantation price fair value adjustment                     | 108        | (25) | 2           | 44   |
| Restructuring provisions raised                            | (5)        | (2)  | (46)        | (10) |
| (Loss) profit on disposal of property, plant and equipment | –          | –    | (1)         | 1    |
| Profit on disposal of investment                           | –          | –    | 1           | –    |
| Asset (impairments) impairment reversals                   | (1)        | (1)  | 12          | (6)  |
| Fuel tax credit  | –          | 37   | 51          | 37   |
| Integration costs  | –          | (3)  | –           | (3)  |
| BEE charge   | (23)       | –    | (23)        | –    |
| Insurance proceeds   | 1          | –    | 1           | –    |
| Fire, flood, storm and related events                      | (1)        | –    | (24)        | (2)  |
| <b>Operating profit (loss)</b>                             | <b>154</b> | (7)  | <b>183</b>  | 56   |

#### Reconciliation of EBITDA excluding special items and operating profit (loss) excluding special items to profit (loss) before taxation

|   |           |       |            |       |
|---|-----------|-------|------------|-------|
| EBITDA excluding special items                  | 176       | 93    | 525        | 281   |
| Depreciation and amortisation                   | (101)     | (106) | (315)      | (286) |
| Operating profit (loss) excluding special items | 75        | (13)  | 210        | (5)   |
| Special items – gains (losses)                  | 79        | 6     | (27)       | 61    |
| Net finance costs                               | (57)      | (70)  | (192)      | (131) |
| <b>Profit (loss) before taxation</b>            | <b>97</b> | (77)  | <b>(9)</b> | (75)  |

#### Reconciliation of net operating assets to total assets

|  |              |       |              |       |
|--|--------------|-------|--------------|-------|
| Net operating assets                             | 4,853        | 5,577 | 4,853        | 5,577 |
| Deferred tax                                     | 49           | 38    | 49           | 38    |
| Cash and cash equivalents                        | 534          | 796   | 534          | 796   |
| Other current liabilities                        | 1,062        | 1,017 | 1,062        | 1,017 |
| Taxation payable                                 | 43           | 58    | 43           | 58    |
| Liabilities associated with assets held for sale | 19           | –     | 19           | –     |
| <b>Total assets</b>                              | <b>6,560</b> | 7,486 | <b>6,560</b> | 7,486 |

# Supplemental Information *(this information has not been reviewed)*

## General definitions

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

**BEE charge** – Represents the IFRS 2 non-cash charge associated with the Black Economic Empowerment (BEE) transaction implemented as envisaged in the 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 (i.e. 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

**Headline earnings** – as defined in circular 3/2009 issued by the South African Institute of Chartered Accountants, separates from earnings all separately identifiable re-measurements. It is not necessarily a measure of sustainable earnings. It is a listing 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 overdraft (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 taxation and cash and cash equivalents) less current liabilities (excluding interest-bearing borrowings and bank overdraft)

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

**ROE** – 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 net operating assets

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

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

# Supplemental Information *(this information has not been reviewed)*

## Summary and convenience translation

|  | Quarter ended<br>Jun 2010 | Quarter ended<br>Jun 2009 | Nine months ended<br>Jun 2010 | Nine months ended<br>Jun 2009 |
|--|---------------------------|---------------------------|-------------------------------|-------------------------------|
| <b>Key figures: (ZAR million)</b>  |                           |                           |                               |                               |
| Sales  | 12,147                    | 11,344                    | 36,278                        | 35,949                        |
| Operating profit (loss)  | 1,168                     | (60)                      | 1,384                         | 528                           |
| Special items – (gains) losses *   | (599)                     | (52)                      | 204                           | (575)                         |
| Operating profit (loss) excluding special items *                            | 569                       | (112)                     | 1,588                         | (47)                          |
| EBITDA excluding special items *   | 1,334                     | 802                       | 3,970                         | 2,647                         |
| Basic earnings (loss) per share (SA cents)                                   | 91                        | (103)                     | (23)                          | (151)                         |
| Net debt *   | 17,820                    | 21,880                    | 17,820                        | 21,880                        |
| <b>Key ratios: (%)</b>   |                           |                           |                               |                               |
| Operating profit (loss) to sales   | 9.6                       | (0.5)                     | 3.8                           | 1.5                           |
| Operating profit (loss) excluding special items to sales                     | 4.7                       | (1.0)                     | 4.4                           | (0.1)                         |
| Operating profit (loss) excluding special items to Capital Employed (ROCE) * | 7.4                       | (1.1)                     | 6.7                           | (0.2)                         |
| EBITDA excluding special items to sales                                      | 11.0                      | 7.1                       | 10.9                          | 7.4                           |
| Return on average equity (ROE)   | 15.1                      | (12.5)                    | (1.4)                         | (6.4)                         |
| Net debt to total capitalisation *   | 57.6                      | 57.5                      | 57.6                          | 57.5                          |

\* Refer to page 17, Supplemental Information for the definition of the term.  
The above financial results have been translated into ZAR 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

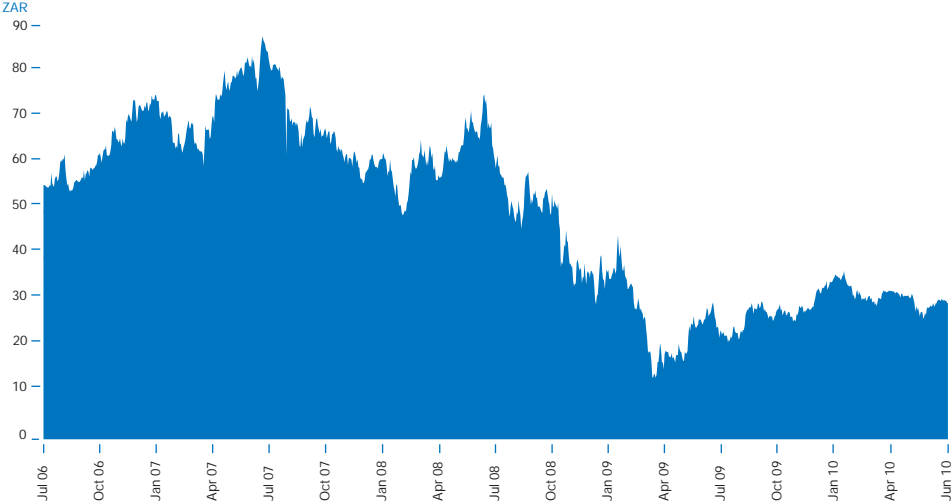
|   | Jun 2010<br>US\$ million | Sept 2009<br>US\$ million |
|---|--------------------------|---------------------------|
| Interest-bearing borrowings             | 2,871                    | 3,346                     |
| Non-current interest-bearing borrowings | 2,253                    | 2,726                     |
| Current interest-bearing borrowings     | 597                      | 601                       |
| Bank overdraft                          | 21                       | 19                        |
| Cash and cash equivalents               | (534)                    | (770)                     |
| <b>Net debt</b>                         | <b>2,337</b>             | <b>2,576</b>              |

## Exchange rates

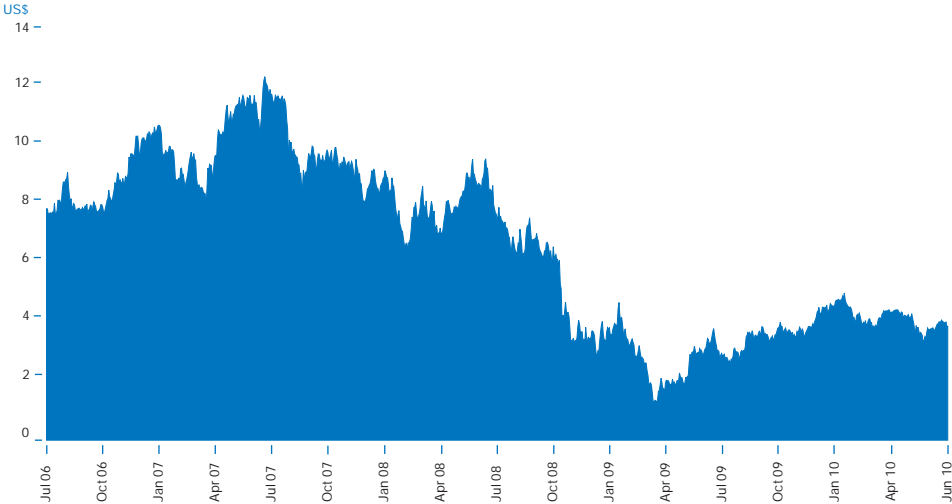
|  | Jun 2010 | Mar 2010 | Dec 2009 | Sept 2009 | Jun 2009 |
|--|----------|----------|----------|-----------|----------|
| <b>Exchange rates:</b>                     |          |          |          |           |          |
| Period end rate: US\$1 = ZAR               | 7.6250   | 7.4298   | 7.5315   | 7.4112    | 7.8990   |
| Average rate for the Quarter: US\$1 = ZAR  | 7.5821   | 7.5597   | 7.5009   | 7.7174    | 8.6197   |
| Average rate for the YTD: US\$1 = ZAR      | 7.5610   | 7.5302   | 7.5009   | 9.0135    | 9.4205   |
| Period end rate: EUR 1 = US\$              | 1.2377   | 1.3413   | 1.4397   | 1.4688    | 1.4054   |
| Average rate for the Quarter: EUR 1 = US\$ | 1.2937   | 1.3891   | 1.4737   | 1.4317    | 1.3651   |
| Average rate for the YTD: EUR 1 = US\$     | 1.3845   | 1.4302   | 1.4737   | 1.3657    | 1.3432   |

The financial results of entities with reporting currencies other than the US Dollar are translated into 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.

# Sappi ordinary shares\* (JSE: SAP)



# US Dollar share price conversion\*



\* Historic share prices revised to reflect rights offer



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