Sappi Group
(Sappi Limited)
FOURTH QUARTER: FISCAL YEAR 2015
FINANCIAL RESULTS AND OPERATIONAL DATA ENDED
27 SEPTEMBER 2015

12 November 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

FOURTH QUARTER RESULTS

for the period ended September 2015

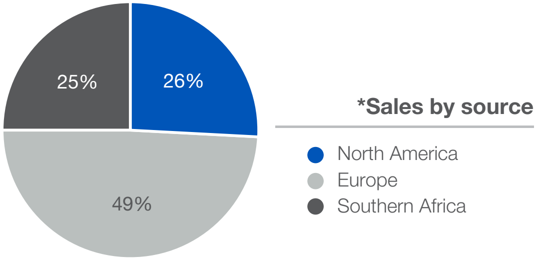
4th quarter results

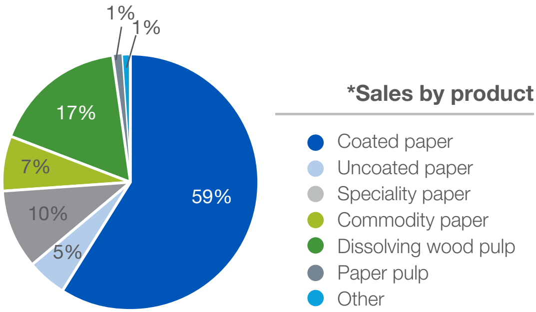
Sappi works closely with customers, both direct and indirect, in over 160 countries to provide them with relevant and sustainable paper, paper pulp and dissolving wood pulp products and related services and innovations.

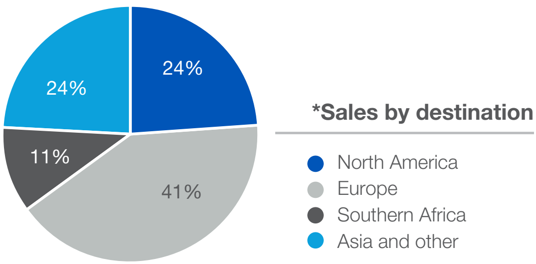
Our market-leading range of paper products includes: coated fine papers used by printers, publishers and corporate end-users in the production of books, brochures, magazines, catalogues, direct mail and many other print applications; casting release papers used by suppliers to the fashion, textiles, 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.

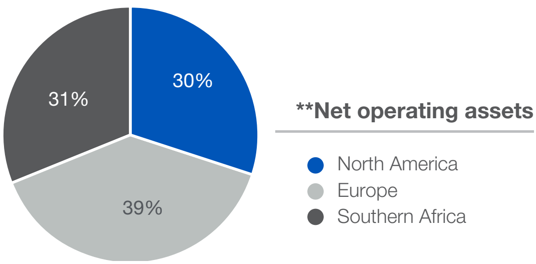
Our dissolving wood pulp products are used worldwide by converters to create viscose fibre, acetate tow, pharmaceutical products as well as a wide range of consumer products.

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.









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

Highlights for the quarter

- EPS excluding special items
  16 US cents (Q4 FY14 12 US cents)
- EBITDA excluding special items
  US$201 million (Q4 FY14 US$200 million)
- Profit for the period
  US$83 million (Q4 FY14 US$68 million)

Highlights for the year

- EPS excluding special items
  34 US cents (FY14 22 US cents)
- EBITDA excluding special items
  US$625 million (FY14 US$658 million)
- Profit for the period
  US$167 million (FY14 US$135 million)
- Net debt US$1,771 million, down
  US$175 million year-on-year

	Quarter ended			Year ended	
	Sept 2015	Sept 2014	Jun 2015	**Sept 2015**	Sept 2014
Key figures: (US$ million)					
Sales	**1,403**	1,505	1,272	**5,390**	6,061
Operating profit excluding special items[1]	**136**	124	43	**357**	346
Special items – losses (gains)[2]	**1**	48	8	**(54)**	32
EBITDA excluding special items[1]	**201**	200	109	**625**	658
Profit for the period	**83**	68	4	**167**	135
Basic earnings per share (US cents)	**16**	13	1	**32**	26
EPS excluding special items (US cents)[3]	**16**	12	2	**34**	22
Net debt[4]	**1,771**	1,946	1,917	**1,771**	1,946
Key ratios: (%)					
Operating profit excluding special items to sales	**9.7**	8.2	3.4	**6.6**	5.7
Operating profit excluding special items to capital employed (ROCE)[3]	**18.7**	15.4	5.7	**12.4**	10.8
EBITDA excluding special items to sales	**14.3**	13.3	8.6	**11.6**	10.9
Return on average equity (ROE)[3]	**31.1**	24.7	1.4	**16.2**	12.3
Net debt to total capitalisation[3]	**63.6**	65.1	63.1	**63.6**	65.1
Net asset value per share (US cents)	**193**	199	213	**193**	199

(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

All regions increased their profitability during the fourth quarter. In addition to stronger seasonal demand, the markets for graphic paper and dissolving wood pulp have improved since the third quarter. The group generated EBITDA, excluding special items, of US$201 million and operating profit, excluding special items, of US$136 million, both above the equivalent prior year quarter. This was despite the translation impact of a weaker Euro on EBITDA of US$10 million. Profit for the period increased by 22% to US$83 million due to the higher operating profits and lower interest costs.

US Dollar spot prices for dissolving wood pulp in China have risen steadily in recent months, driven by improved conditions for viscose staple fibre. This impact, combined with the weaker ZAR/USD exchange rate, contributed towards the Specialised Cellulose business generating improved returns during the quarter, with EBITDA excluding special items of US$90 million.

The European business was adversely affected by increased pulp prices, but demand for coated paper was solid and helped offset the variable cost pressures when compared to the equivalent quarter last year. In addition, the profitability of the speciality packaging business continues to improve.

The coated paper market in North America remains challenging and the business continues to experience significant pressure as a result of the stronger US Dollar. However, a number of actions to regain sales volumes and to lower costs have resulted in a much improved result in this seasonally stronger quarter.

Strong containerboard demand combined with excellent variable cost control enabled the South African packaging business to continue its trend of improving performance.

Earnings per share excluding special items for the quarter was 16 US cents, an improvement over the 12 US cents generated in the equivalent quarter last year.

Year ended September 2015 compared to year ended September 2014

The execution of our strategy delivered significantly higher earnings in 2015. The refinancing of the higher cost debt and the continued reduction in net debt resulted in significantly lower ongoing interest charges. The completion of a number of major capital projects in Europe and North America will lower our cost base further in the coming years.

The group's EBITDA excluding special items was US$625 million, a decrease of US$33 million compared to the prior year, with improved operating performances in each of the regions in their underlying currencies. The translation of the European results to US Dollars negatively impacted the group EBITDA by US$36 million for the year. Operating profit excluding special items for the year was US$357 million compared to US$346 million in the prior year. Special items amounted to a gain of US$54 million, and comprised mainly of gains from the transfer of the Sappi Dutch pension fund to a general fund and plantation fair value pricing, offset by once-off losses resulting from mechanical breakdowns and plantation fires.

Net finance costs for the year were US$182 million, an increase from the US$177 million in the prior year as a result of one-time charges of US$61 million associated with the refinancing of the 2018 and 2019 bonds.

Net profit for the year increased by 24% to US$167 million.

Cash flow and debt

Net cash generated for the quarter was US$159 million, compared with US$288 million in the equivalent quarter last year. The comparative period last year included proceeds from the sale of the Usutu forests of approximately ZAR1 billion (US$97 million). Capital expenditure in the quarter was US$85 million compared to US$105 million a year ago.

Net cash generated for the financial year was US$145 million, following the US$243 million generated last year, which included the proceeds from the sale of the Usutu forests.

Net debt at financial year-end decreased to US$1,771 million as a result of the cash generated and gains on the translation of Euro-denominated debt.

At the end of September 2015, liquidity comprised cash on hand of US$456 million and US$537 million from the committed revolving credit facilities in South Africa and Europe.

Operating review for the quarter

Europe

	Quarter ended **Sept 2015 € million**	Quarter ended Jun 2015 € million	Quarter ended Mar 2015 € million	Quarter ended Dec 2014 € million	Quarter ended Sept 2014 € million
Sales	**609**	567	590	547	561
Operating profit excluding special items	**23**	5	24	12	26
Operating profit excluding special items to sales (%)	***3.8***	*0.9*	*4.1*	*2.2*	*4.6*
EBITDA excluding special items	**51**	35	54	42	58
EBITDA excluding special items to sales (%)	***8.4***	*6.2*	*9.2*	*7.7*	*10.3*
RONOA pa (%)	***7.8***	*1.7*	*8.0*	*4.0*	*8.6*

During this seasonally stronger quarter, graphic paper sales volumes were 7% above those of the prior quarter and 5% above those of the equivalent quarter last year, with particular strength in the woodfree coated segment.

Average net sales prices in Euro were marginally up compared to the prior quarter and 4% higher than the equivalent quarter in the prior year, primarily due to the impact of the weaker Euro/Dollar exchange rate on export sales pricing and the graphic paper price increases implemented in the past quarter. Variable costs were 7% higher than the equivalent quarter last year, mainly due to increased paper pulp prices. Fixed costs were 2% lower than the equivalent quarter last year.

The speciality paper business continued to improve its sales volumes and prices compared to both the prior quarter and equivalent quarter last year.

North America

	Quarter ended **Sept 2015 US$ million**	Quarter ended Jun 2015 US$ million	Quarter ended Mar 2015 US$ million	Quarter ended Dec 2014 US$ million	Quarter ended Sept 2014 US$ million
Sales	**369**	313	342	353	390
Operating profit (loss) excluding special items	**31**	(7)	7	(4)	25
Operating profit (loss) excluding special items to sales (%)	***8.4***	*(2.2)*	*2.0*	*(1.1)*	*6.4*
EBITDA excluding special items	**50**	11	26	15	43
EBITDA excluding special items to sales (%)	***13.6***	*3.5*	*7.6*	*4.2*	*11.0*
RONOA pa (%)	***12.2***	*(2.7)*	*2.7*	*(1.6)*	*9.8*

The North American business recovered in a seasonally stronger quarter that includes no scheduled maintenance shuts. This was despite the continued impact of the strong US Dollar on the graphic paper markets in the US. Coated paper demand was initially slower than expected, although orders picked up during August and September. Coated paper sales volumes were flat year-on-year, with net sales prices slightly lower.

Dissolving wood pulp sales volumes were higher than the prior quarter, with improved pricing being driven by a recovery in viscose staple fibre prices. We continue to produce own-make fibre for the paper machines at Cloquet in order to improve profitability in this period of high hardwood paper pulp prices.

The release paper business continued to experience weak demand from China, with the strong US Dollar/Euro exchange rate impacting European pricing.

Variable costs were lower than the equivalent quarter last year, mainly as a result of lower chemical costs. Wood costs, though still high, have declined in recent months and wood inventory levels are returning to historical norms. Fixed costs remain tightly controlled and were slightly lower than those of the equivalent quarter last year.

Southern Africa

	Quarter ended Sept 2015 ZAR million	Quarter ended Jun 2015 ZAR million	Quarter ended Mar 2015 ZAR million	Quarter ended Dec 2014 ZAR million	Quarter ended Sept 2014 ZAR million
Sales	**4 556**	4 002	3 817	3 812	3 972
Operating profit excluding special items	**1 047**	538	772	706	634
Operating profit excluding special items to sales (%)	***23.0***	*13.4*	*20.2*	*18.5*	*16.0*
EBITDA excluding special items	**1 228**	707	947	863	827
EBITDA excluding special items to sales (%)	***27.0***	*17.7*	*24.8*	*22.6*	*20.8*
RONOA pa (%)	***28.1***	*14.3*	*20.4*	*19.1*	*16.7*

The Southern African business achieved higher average prices and volumes compared to both the equivalent quarter last year and the prior quarter. Demand for virgin fibre paper packaging grades remains good, and the recycled containerboard market showed signs of improvement.

Dissolving wood pulp pricing was positively impacted by higher US Dollar prices in China as well as the weaker Rand/US Dollar exchange rate. Demand remained strong and sales volumes were higher than both the prior quarter and the equivalent quarter last year.

Variable costs remain well controlled and were flat year-on-year, with lower energy and chemical costs offsetting increased fibre costs. Fixed costs were also below those of last year.

Post quarter-end, we received approval from the Competition Commission authorities for the sale of the Enstra and Cape Kraft mills. Both transactions are expected to be realised by December 2015.

Directorate

Post quarter-end we announced the retirement of Dr Danie Cronjé as independent Chairman of the board at the end of February 2016. Sir Nigel Rudd, currently the lead independent director, will succeed Dr Cronjé as independent Chairman of the company with effect from 01 March 2016. We further announced the appointment of Mr Rob Jan Renders as independent non-executive director to the board of directors of Sappi Limited with effect from 01 October 2015.

Outlook

Dissolving wood pulp markets have improved this year as a result of higher pricing and improved operating rates for viscose staple fibre in China. Higher hardwood paper pulp prices are also impacting dissolving wood pulp supply as some swing producers continue to manufacture paper pulp rather than dissolving wood pulp.

Graphic paper markets in Europe are slightly better than anticipated, albeit they are still expected to decline. Production at our mills is full and export pricing is benefiting from a weaker Euro. However, the business faces pressure from higher pulp prices. In North America, the strong US Dollar continues to impact graphic paper trade flows negatively.

We expect the first quarter to show an improvement in EBITDA excluding special items and a substantial increase in earnings per share excluding special items, compared to the equivalent quarter last year, as a result of improved operating performance and lower interest charges. However, a severe drought is currently being experienced in many parts of South Africa and may adversely impact our mill production and consequent profitability, should normal summer rainfall not be forthcoming.

Based on current market conditions, and assuming current exchange rates, we expect that EBITDA excluding special items in the 2016 financial year will be higher than 2015. As a result of lower expected interest costs, offset somewhat by increased cash taxes, we expect strong growth in our earnings per share excluding special items.

Capex during 2016 is expected to be in line with 2015 and is focused largely on energy and debottlenecking projects in South Africa, together with the annual maintenance at the mills.

Depending on market conditions, we are considering utilising some of our cash reserves to repay and refinance a portion of our debt in order to lower our future interest costs. We expect to reduce our net debt further over the course of the year and reduce our financial leverage towards our target of two times net debt to EBITDA.

On behalf of the board

S R Binnie
Director

G T Pearce
Director

12 November 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, 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 Sept 2015 US$ million	Quarter ended Sept 2014 US$ million	Reviewed Year ended Sept 2015 US$ million	Reviewed Year ended Sept 2014 US$ million
Sales		**1,403**	1,505	**5,390**	6,061
Cost of sales		**1,170**	1,326	**4,693**	5,370
Gross profit		**233**	179	**697**	691
Selling, general and administrative expenses		**86**	69	**333**	352
Other operating expenses (income)		**13**	36	**(35)**	33
Share of profit from equity investments		**(1)**	(2)	**(12)**	(8)
Operating profit	2	**135**	76	**411**	314
Net finance costs		**25**	39	**182**	177
Net interest expense		**27**	45	**180**	185
Net foreign exchange gain		**(2)**	(3)	**(11)**	(7)
Net fair value (gain) loss on financial instruments		**–**	(3)	**13**	(1)
Profit before taxation		**110**	37	**229**	137
Taxation		**27**	(31)	**62**	2
Profit for the period		**83**	68	**167**	135
Basic earnings per share (US cents)		**16**	13	**32**	26
Weighted average number of shares in issue (millions)		**526.4**	523.3	**525.7**	522.5
Diluted earnings per share (US cents)		**16**	13	**31**	26
Weighted average number of shares on fully diluted basis (millions)		**531.5**	529.1	**531.2**	526.6

Condensed group statement of comprehensive income

	Quarter ended Sept 2015 US$ million	Quarter ended Sept 2014 US$ million	Reviewed Year ended Sept 2015 US$ million	Reviewed Year ended Sept 2014 US$ million
Profit for the period	**83**	68	**167**	135
Other comprehensive income (loss), net of tax				
Items that will not be reclassified subsequently to profit or loss	**(53)**	(152)	**(63)**	(152)
Actuarial losses on post-employment benefit funds	**(86)**	(152)	**(96)**	(152)
Tax effect of above item	**33**	–	**33**	–
Items that must be reclassified subsequently to profit or loss	**(137)**	(39)	**(145)**	(95)
Exchange differences on translation of foreign operations	**(138)**	(14)	**(148)**	(71)
Movements in hedging reserves	**2**	(26)	**4**	(23)
Movement on available for sale financial assets	**(1)**	–	**(1)**	(2)
Tax effect of above items	**–**	1	**–**	1
Total comprehensive loss for the period	**(107)**	(123)	**(41)**	(112)

Condensed group balance sheet

	Reviewed **Sept 2015** **US$ million**	Reviewed Sept 2014 US$ million
ASSETS		
Non-current assets	**3,174**	3,505
Property, plant and equipment	**2,508**	2,841
Plantations	**383**	430
Deferred tax assets	**162**	138
Other non-current assets	**121**	96
Current assets	**1,711**	1,960
Inventories	**595**	687
Trade and other receivables	**650**	731
Taxation receivable	**10**	14
Cash and cash equivalents	**456**	528
Assets held for sale	**28**	–
Total assets	**4,913**	5,465
EQUITY AND LIABILITIES		
Shareholders' equity		
Ordinary shareholders' interest	**1,015**	1,044
Non-current liabilities	**2,806**	3,198
Interest-bearing borrowings	**2,031**	2,311
Deferred tax liabilities	**245**	272
Other non-current liabilities	**530**	615
Current liabilities	**1,091**	1,223
Interest-bearing borrowings	**196**	163
Other current liabilities	**865**	1,035
Taxation payable	**30**	25
Liabilities associated with assets held for sale	**1**	–
Total equity and liabilities	**4,913**	5,465
Number of shares in issue at balance sheet date (millions)	**526.4**	524.2

Condensed group statement of cash flows

	Quarter ended Sept 2015 US$ million	Quarter ended Sept 2014 US$ million	Reviewed year ended Sept 2015 US$ million	Reviewed year ended Sept 2014 US$ million
Profit for the period	**83**	68	**167**	135
Adjustment for:				
Depreciation, fellings and amortisation	**78**	90	**325**	371
Taxation	**27**	(31)	**62**	2
Net finance costs	**25**	39	**182**	177
Defined post-employment benefits paid	**(10)**	(13)	**(56)**	(70)
Plantation fair value adjustments	**(37)**	(16)	**(106)**	(86)
Net restructuring provisions and loss on disposal of assets and businesses	**2**	26	**6**	23
Non-cash employee benefit liability settlement	**1**	–	**(68)**	–
Other non-cash items	**12**	(3)	**32**	14
Cash generated from operations	**181**	160	**544**	566
Movement in working capital	**86**	153	**(11)**	34
Net finance costs paid	**(24)**	(26)	**(135)**	(162)
Taxation paid	**–**	–	**(16)**	(1)
Cash generated from operating activities	**243**	287	**382**	437
Cash utilised in investing activities	**(84)**	1	**(237)**	(194)
Capital expenditure	**(85)**	(105)	**(248)**	(295)
Cash flows on disposal of assets and businesses	**1**	97	**1**	87
Other movements	**–**	9	**10**	14
Net cash generated	**159**	288	**145**	243
Cash effects of financing activities	**(17)**	24	**(127)**	(36)
Net movement in cash and cash equivalents	**142**	312	**18**	207
Cash and cash equivalents at beginning of period	**351**	248	**528**	352
Translation effects	**(37)**	(32)	**(90)**	(31)
Cash and cash equivalents at end of period	**456**	528	**456**	528

Condensed group statement of changes in equity

	Reviewed Year ended Sept 2015 US$ million	Reviewed Year ended Sept 2014 US$ million
Balance – beginning of period	**1,044**	1,144
Total comprehensive loss for the period	**(41)**	(112)
Transfers from the share purchase trust	**10**	12
Transfers of vested share options	**(5)**	(7)
Share-based payment reserve	**7**	7
Balance – end of period	**1,015**	1,044

Notes to the condensed group results

1. Basis of preparation

The condensed consolidated preliminary financial statements for the year ended September 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 preliminary 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 preliminary condensed consolidated financial statements was supervised by the Chief Financial Officer, G T Pearce, CA(SA).

The preliminary financial statements for the year ended September 2015 as set out on pages 8 to 20 have been reviewed in accordance with the International Standard on Review Engagements 2410 by the group's auditors, Deloitte & Touche. Their unmodified review report is available for inspection at the company's registered office. The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the company's auditors.

	Quarter ended **Sept 2015** **US$ million**	Quarter ended Sept 2014 US$ million	Reviewed Year ended **Sept 2015** **US$ million**	Reviewed Year ended Sept 2014 US$ million
2. Operating profit				
Included in operating profit are the following items:				
Depreciation and amortisation	**65**	76	**268**	312
Fair value adjustment on plantations (included in cost of sales)				
Changes in volume				
Fellings	**13**	14	**57**	59
Growth	**(15)**	(16)	**(65)**	(68)
	(2)	(2)	**(8)**	(9)
Plantation price fair value adjustment	**(22)**	–	**(41)**	(18)
	(24)	(2)	**(49)**	(27)
Net restructuring provisions and loss on disposal of assets and businesses	**2**	26	**6**	23
Impairment of goodwill	**–**	1	**–**	1
Asset impairments	**–**	3	**–**	–
Employee benefit liability settlement	**1**	(21)	**(68)**	(21)
Black Economic Empowerment charge	**1**	–	**2**	2

	Quarter ended Sept 2015 US$ million	Quarter ended Sept 2014 US$ million	Reviewed Year ended Sept 2015 US$ million	Reviewed Year ended Sept 2014 US$ million
3. Earnings per share				
Basic earnings per share (US cents)	**16**	13	**32**	26
Headline earnings per share (US cents)	**16**	14	**32**	31
EPS excluding special items (US cents)	**16**	12	**34**	22
Weighted average number of shares in issue (millions)	**526.4**	523.3	**525.7**	522.5
Diluted earnings per share (US cents)	**16**	13	**31**	26
Diluted headline earnings per share (US cents)	**16**	14	**31**	31
Weighted average number of shares on fully diluted basis (millions)	**531.5**	529.1	**531.2**	526.6
Calculation of headline earnings				
Profit for the period	**83**	68	**167**	135
Asset impairments	**–**	3	**–**	–
Loss on disposal of assets and businesses	**–**	4	**–**	29
Impairment of goodwill	**–**	1	**–**	1
Tax effect of above items	**–**	(2)	**–**	(1)
Headline earnings	**83**	74	**167**	164
Calculation of earnings excluding special items				
Profit for the period	**83**	68	**167**	135
Special items after tax	**4**	47	**(47)**	31
Special items	**1**	48	**(54)**	32
Tax effect	**3**	(1)	**7**	(1)
Refinancing costs	**(2)**	–	**61**	–
Recognition of deferred tax asset	**–**	(53)	**–**	(53)
Earnings excluding special items	**85**	62	**181**	113

	Reviewed **Sept 2015** **US$ million**	Reviewed Sept 2014 US$ million
4. Capital commitments		
Contracted	**60**	104
Approved but not contracted	**73**	126
	133	230
5. Contingent liabilities		
Guarantees and suretyships	**13**	23
Other contingent liabilities	**11**	26
	24	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*.

	Reviewed Year ended **Sept 2015** **US$ million**	Reviewed Year ended Sept 2014 US$ million
Fair value of plantations at beginning of year	**430**	464
Gains arising from growth	**65**	65
Fire, flood, storms and related events	**(7)**	–
In-field inventory	**(1)**	(1)
Gain arising from fair value price changes	**41**	7
Harvesting – agriculture produce (fellings)	**(57)**	(57)
Translation difference	**(88)**	(48)
Fair value of plantations at end of period	**383**	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	Reviewed
	Fair value hierarchy	**Sept 2015 US$ million**	Sept 2014 US$ million
Available for sale assets	Level 1	**8**	10
Derivative financial assets	Level 2	**46**	13
Derivative financial liabilities	Level 2	**5**	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 to the credit profile of the involved parties.

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

The carrying amounts of other financial instruments which include 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 24% 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.

Deferred tax assets

The increase is largely attributable to the deferred tax raised on actuarial losses incurred by our North American pension liability as a result of increased longevity.

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

The decrease in trade and other receivables, cash and cash equivalents, and other current liabilities is largely attributable to seasonal working capital movements.

Assets held for sale

During the quarter, the group announced the sale of it's Enstra and Cape Kraft mills. In accordance with the accounting standard, IFRS 5 *Non-current assets Held for Sale and Discontinued Operations,* the assets and associated liabilities of these entities have been separately classified on the condensed group balance sheet.

Shareholders' equity

Profit for the year of US$167 million was offset by unrealised actuarial losses on post-employment benefit funds of US$63 million and unrealised translation losses of US$148 million largely from the weakening of the ZAR to the US Dollar.

Interest-bearing borrowings

In March 2015, the group placed an aggregate principal amount of US$504 million (€450 million) senior secured notes due 2022 at a coupon of 3.375% per annum. In addition, the group increased its US$392 million (€350 million) revolving credit facility to US$521 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$521 million (€465 million) revolving credit facility were used to early redeem Sappi's US$280 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$61 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$54 million (ZAR750 million) to repay it's South African bond due April 2015.

Other non-current liabilities

During the year, 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). This transfer, together with the translation effects of the abovementioned weaker currencies and the associated currency gains on certain hedging instruments were partially offset by actuarial losses incurred on the group's defined benefit obligations.

9. Post balance sheet event

During October 2015, Sappi Southern Africa received competition commission approval for both, the sale of our Enstra mill to the Corruseal Group and the sale of our Cape Kraft mill to the Golden Era Group. The Enstra sale was concluded on 02 November 2015 and the Cape Kraft sale is expected to be concluded by the end of November 2015.

10. Segment information

		Quarter ended Sept 2015 Metric tons (000's)	Quarter ended Sept 2014 Metric tons (000's)	Year ended Sept 2015 Metric tons (000's)	Year ended Sept 2014 Metric tons (000's)
Sales volume					
North America		357	375	1,305	1,454
Europe		847	811	3,242	3,303
Southern Africa –	Pulp and paper	482	453	1,768	1,706
	Forestry	247	212	991	1,061
Total		1,933	1,851	7,306	7,524
Which consists of:					
Specialised cellulose		312	313	1,161	1,199
Paper		1,374	1,326	5,154	5,264
Forestry		247	212	991	1,061

		Quarter ended Sept 2015 US$ million	Quarter ended Sept 2014 US$ million	Reviewed Year ended Sept 2015 US$ million	Reviewed Year ended Sept 2014 US$ million
Sales					
North America		369	390	1,377	1,517
Europe		679	745	2,660	3,107
Southern Africa –	Pulp and paper	341	354	1,293	1,368
	Forestry	14	16	60	69
Total		1,403	1,505	5,390	6,061
Which consists of:					
Specialised cellulose		244	258	908	1,013
Paper		1,145	1,231	4,422	4,979
Forestry		14	16	60	69

	Quarter ended Sept 2015 US$ million	Quarter ended Sept 2014 US$ million	Reviewed Year ended Sept 2015 US$ million	Reviewed Year ended Sept 2014 US$ million
Operating profit (loss) excluding special items				
North America	**31**	25	**27**	18
Europe	**25**	36	**73**	75
Southern Africa	**83**	59	**256**	248
Unallocated and eliminations[1]	**(3)**	4	**1**	5
Total	**136**	124	**357**	346
Which consists of:				
Specialised cellulose	**79**	62	**231**	243
Paper	**60**	58	**125**	98
Unallocated and eliminations[1]	**(3)**	4	**1**	5
Special items – losses (gains)				
North America	**–**	–	**–**	2
Europe	**4**	37	**(47)**	33
Southern Africa	**(12)**	2	**(27)**	(12)
Unallocated and eliminations[1]	**9**	9	**20**	9
Total	**1**	48	**(54)**	32
Segment operating profit (loss)				
North America	**31**	25	**27**	16
Europe	**21**	(1)	**120**	42
Southern Africa	**95**	57	**283**	260
Unallocated and eliminations[1]	**(12)**	(5)	**(19)**	(4)
Total	**135**	76	**411**	314
EBITDA excluding special items				
North America	**50**	43	**102**	92
Europe	**57**	77	**209**	249
Southern Africa	**97**	77	**313**	312
Unallocated and eliminations[1]	**(3)**	3	**1**	5
Total	**201**	200	**625**	658
Which consists of:				
Specialised cellulose	**90**	77	**281**	303
Paper	**114**	120	**343**	350
Unallocated and eliminations[1]	**(3)**	3	**1**	5

(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 Sept 2015 US$ million	Quarter ended Sept 2014 US$ million	Reviewed Year ended Sept 2015 US$ million	Reviewed Year ended Sept 2014 US$ million
EBITDA excluding special items	**201**	200	**625**	658
Depreciation and amortisation	**(65)**	(76)	**(268)**	(312)
Operating profit excluding special items	**136**	124	**357**	346
Special items – (losses) gains	**(1)**	(48)	**54**	(32)
Plantation price fair value adjustment	**22**	–	**41**	18
Net restructuring provisions and loss on disposal of assets and businesses	**(2)**	(26)	**(6)**	(23)
Impairment of goodwill	**–**	(1)	**–**	(1)
Asset impairments	**–**	(3)	**–**	–
Employee benefit liability settlement	**(1)**	–	**55**	–
Black Economic Empowerment charge	**(1)**	–	**(2)**	(2)
Fire, flood, storm and other events	**(19)**	(18)	**(34)**	(24)
Segment operating profit	**135**	76	**411**	314
Net finance costs	**(25)**	(39)	**(182)**	(177)
Profit before taxation	**110**	37	**229**	137
Taxation	**(27)**	31	**(62)**	(2)
Profit for the period	**83**	68	**167**	135

	Reviewed **Sept 2015** **US$ million**	Reviewed Sept 2014 US$ million
Segment assets		
North America	**1,007**	1,013
Europe	**1,313**	1,472
Southern Africa	**1,066**	1,289
Unallocated and eliminations(1)	**13**	(35)
Total	**3,399**	3,739
Reconciliation of segment assets to total assets		
Segment assets	**3,399**	3,739
Deferred taxation	**162**	138
Cash and cash equivalents	**456**	528
Other current liabilities	**865**	1,035
Taxation payable	**30**	25
Liabilities associated with assets held for sale	**1**	–
Total assets	**4,913**	5,465

(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 Black Economic Empowerment (BEE) transaction implemented in fiscal 2010 in terms of 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 **Sept 2015**	Quarter ended Sept 2014	Year ended **Sept 2015**	Year ended Sept 2014
Key figures: (ZAR million)				
Sales	**18,150**	16,172	**64,486**	64,037
Operating profit excluding special items(1)	**1,759**	1,332	**4,271**	3,656
Special items – losses (gains)(1)	**13**	516	**(646)**	338
EBITDA excluding special items(1)	**2,600**	2,149	**7,478**	6,952
Profit for the period	**1,074**	731	**1,998**	1,426
Basic earnings per share (SA cents)	**204**	140	**380**	273
Net debt(1)	**24,641**	21,851	**24,641**	21,851
Key ratios: (%)				
Operating profit excluding special items to sales	**9.7**	8.2	**6.6**	5.7
Operating profit excluding special items to capital employed (ROCE)(1)	**18.6**	15.2	**11.8**	10.8
EBITDA excluding special items to sales	**14.3**	13.3	**11.6**	10.9
Return on average equity (ROE)(1)	**30.9**	24.4	**15.5**	12.3
Net debt to total capitalisation(1)	**63.6**	65.1	**63.6**	65.1

(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

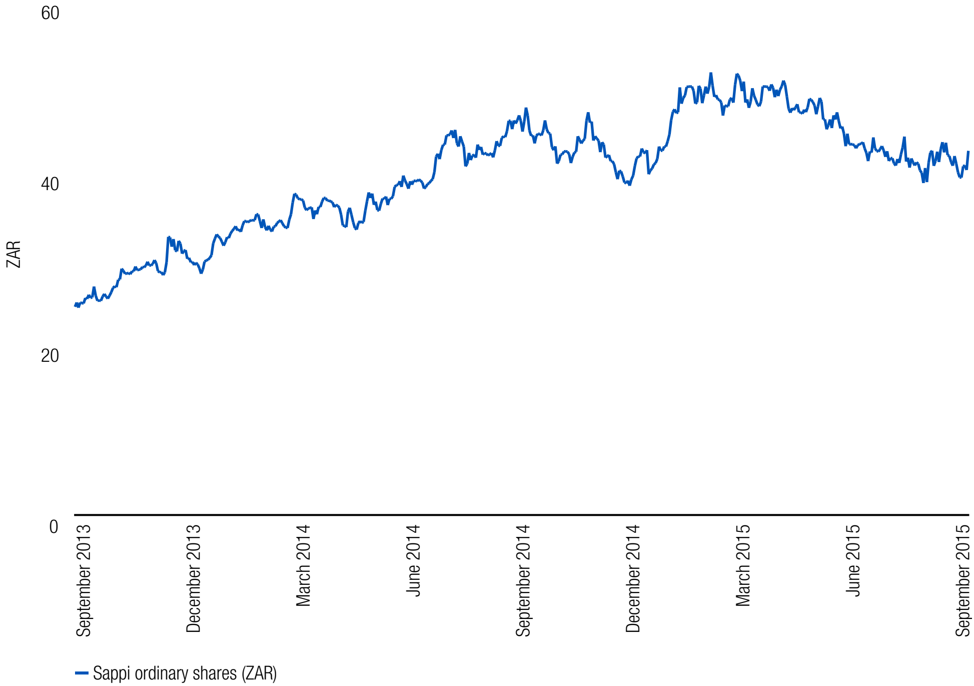
	Sept 2015 US$ million	Sept 2014 US$ million
Interest-bearing borrowings	**2,227**	2,474
Non-current interest-bearing borrowings	**2,031**	2,311
Current interest-bearing borrowings	**196**	163
Cash and cash equivalents	**(456)**	(528)
Net debt	**1,771**	1,946

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

Exchange rates

	Sept **2015**	Jun 2015	Mar 2015	Dec 2014	Sept 2014
Exchange rates:					
Period end rate: US$1 = ZAR	**13.9135**	12.2025	12.0450	11.6001	11.2285
Average rate for the Quarter: US$1 = ZAR	**12.9364**	12.0820	11.7236	11.2122	10.7456
Average rate for the YTD: US$1 = ZAR	**11.9641**	11.6540	11.4552	11.2122	10.5655
Period end rate: €1 = US$	**1.1195**	1.1166	1.0889	1.2177	1.2685
Average rate for the Quarter: €1 = US$	**1.1125**	1.1060	1.1316	1.2504	1.3280
Average rate for the YTD: €1 = US$	**1.1501**	1.1627	1.1910	1.2504	1.3577

Sappi ordinary shares (JSE:SAP)



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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