Sappi Group
(Sappi Limited)
SECOND QUARTER: FISCAL YEAR 2017
FINANCIAL RESULTS AND OPERATIONAL DATA ENDED
02 APRIL 2017

15 May 2017

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 2017 issued pursuant to the indentures dated as of July 05, 2012; (ii) the Senior Secured Notes of Sappi Papier Holding GmbH due 2022 issued pursuant to the indentures dated as of March 12, 2015; and the Senior Secured Notes of Sappi Papier Holding GmbH due 2023 issued pursuant to the indentures dated as of March 31, 2016; in each case pursuant to Section 4.03 of the indentures governing such Senior Notes.

On 31 August 2016, Sappi has released all existing security previously granted to secure certain indebtedness, including these Senior 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, 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 adverse changes in global economic conditions;
- 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 2016 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

Second quarter results

for the period ended March 2017

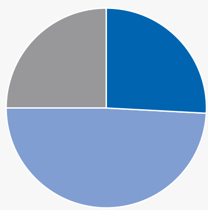
2nd quarter results

Sappi is a global diversified woodfibre company focused on providing graphic/printing papers, packaging and speciality papers, dissolving wood pulp as well as products in adjacent fields including nanocellulose and lignosulphonate to our direct and indirect customer base across more than 150 countries.

Our market-leading range of graphic paper products are used by printers in the production of books, brochures, magazines, catalogues, direct mail and many other print applications; quality packaging and speciality papers are used in the manufacture of such products as soup sachets, luxury carry bags, cosmetic and confectionery packaging, boxes for agricultural products for export, tissue wadding for household tissue products and casting release papers used by suppliers to the fashion, textiles, automobile and household industries; our dissolving wood pulp (specialised cellulose) products are used worldwide by converters to create viscose fibre for fashionable clothing and textiles, pharmaceutical products as well as a wide range of consumer and household products.

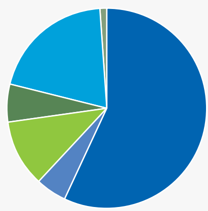
The wood and pulp needed for our products is either produced within Sappi or bought from accredited suppliers. Across the group, Sappi is close to 'pulp neutral', meaning that we sell almost as much pulp as we buy.

Sales by source*



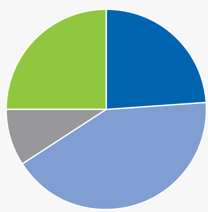
North America – 26%
Europe – 49%
Southern Africa – 25%

Sales by product*



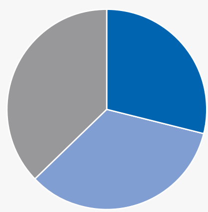
Coated paper – 57%
Uncoated paper – 5%
Speciality paper– 11%
Commodity paper – 6%
Dissolving wood pulp – 20%
Other – 1%

Sales by destination*



North America – 24%
Europe – 42%
Southern Africa – 9%
Asia and other – 25%

Net operating assets**



North America – 29%
Europe – 34%
Southern Africa – 37%

* *For the period ended March 2017.*
** *As at March 2017.*

Highlights for the quarter

- EBITDA excluding special items US$208 million (Q2 2016 US$195 million)
- Profit for the period US$88 million (Q2 2016 US$100 million)
- EPS excluding special items 17 US cents (Q2 2016 16 US cents)
- Net debt US$1,329 million, down US$323 million year-on-year

	Quarter ended			Half-year ended	
	Mar 2017	Mar 2016	Dec 2016	**Mar 2017**	Mar 2016
Key figures: (US$ million)					
Sales	**1,316**	1,294	1,309	**2,625**	2,578
Operating profit excluding special items[1]	**145**	133	136	**281**	245
Special items – (gains) losses[2]	**3**	(22)	(7)	**(4)**	(33)
EBITDA excluding special items[1]	**208**	195	201	**409**	370
Profit for the period	**88**	100	90	**178**	175
Basic earnings per share (US cents)	**16**	19	17	**33**	33
EPS excluding special items (US cents)[3]	**17**	16	16	**33**	29
Net debt[3]	**1,329**	1,652	1,338	**1,329**	1,652
Key ratios: (%)					
Operating profit excluding special items to sales	**11.0**	10.3	10.4	**10.7**	9.5
Operating profit excluding special items to capital employed (ROCE)[3]	**20.5**	19.3	19.5	**19.8**	17.7
EBITDA excluding special items to sales	**15.8**	15.1	15.4	**15.6**	14.4
Net debt to EBITDA excluding special items	**1.7**	2.4	1.7	**1.7**	2.4
Interest cover[3]	**7.7**	6.5	7.7	**7.7**	6.5
Net asset value per share (US cents)[3]	**290**	210	270	**290**	210

(1) *Refer to page 15, note 2 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 15, note 2 to the group results for details on special items.*
(3) *Refer to page 21, supplemental information for the definition of the term.*

Commentary on the quarter

Operating performance in the quarter improved principally as a result of buoyant dissolving wood pulp (DWP) markets, which boosted sales volumes and selling prices. This success was despite the impact of a significantly stronger Rand/Dollar exchange rate, which reduced profitability in the South African region. The group generated EBITDA excluding special items of US$208 million, an increase of 7% over the same quarter in 2016. Profit for the period decreased from US$100 million to US$88 million due to a US$18 million positive after tax plantation fair value adjustment that occurred last year.

The specialised cellulose business benefited from strong demand and favourable pricing for DWP, which followed the trends for viscose staple fibre, cotton and polyester. The average Dollar prices in the quarter were above those of the prior quarter and the equivalent quarter last year, driven mainly by higher average DWP prices in the Chinese market.

Profit from Europe was under pressure as a result of rapidly rising raw material costs, particularly purchased pulp and latex, and a soft graphic paper market. However the speciality packaging business continued to achieve strong sales growth and profit margins.

Higher DWP pricing, increased packaging and release paper volumes, and the continued focus on cost and efficiency gains more than offset a decline in coated paper volumes and prices for the US business, leading to an improved year-on-year result.

The paper business in South Africa had a positive quarter, with higher sales volumes in the containerboard and newsprint categories. However, the stronger Rand/Dollar exchange rate impacted sales prices somewhat, particularly for exports.

Net finance costs were US$24 million, a reduction from the US$25 million in the equivalent quarter last year.

Earnings per share excluding special items were 17 US cents, a slight improvement over the 16 US cents generated in the equivalent quarter last year. Special items for the quarter resulted in a loss of US$3 million.

Cash flow and debt

Net cash generated was US$20 million, compared to the US$90 million generated in the equivalent quarter last year. The decrease was due to the payment of the 2016 dividend during the quarter and increased cash taxes. Capital expenditure of US$45 million was in line with the equivalent quarter last year.

Net debt of US$1,329 million was substantially lower than the US$1,652 million at the end of the equivalent quarter last year as a result of strong cash generation in the 2016 financial year and the translation benefit of the weaker Euro on the Euro denominated debt.

Since quarter end we have repaid the 2017 US$400 million bonds utilising our existing cash resources. This will lower the ongoing net interest charge by approximately US$21 million per annum.

Liquidity at quarter end comprised cash on hand of US$703 million and US$569 million available from undrawn committed revolving credit facilities.

Operating review for the quarter

Europe

	Quarter ended				
	Mar 2017 € million	Dec 2016 € million	Sept 2016 € million	Jun 2016 € million	Mar 2016 € million
Sales	**581**	602	579	540	604
Operating profit excluding special items	**29**	40	31	25	33
Operating profit excluding special items to sales (%)	***5.0***	*6.6*	*5.4*	*4.6*	*5.5*
EBITDA excluding special items	**56**	69	61	53	62
EBITDA excluding special items to sales (%)	***9.6***	*11.5*	*10.5*	*9.8*	*10.3*
RONOA pa (%)	***10.3***	*14.3*	*11.0*	*8.6*	*11.0*

The profitability of the European business declined compared to both the prior quarter (which included an additional accounting week) and the equivalent quarter last year. Coated paper sales prices stabilised during the quarter, but were 4% below those of the equivalent quarter last year.

The specialities business attained a stronger sales quarter against both comparative periods, with higher volumes offsetting slightly lower rigid packaging prices.

The weaker Euro assisted export sales of speciality packaging papers.

All major variable cost categories, with the exception of latex, declined relative to last year. During the quarter hardwood pulp and latex prices rose rapidly and, along with the weaker Euro, impacted margins in the latter half of the quarter. Fixed costs were well controlled and lower than in the equivalent quarter last year.

North America

	Quarter ended				
	Mar 2017 US$ million	Dec 2016 US$ million	Sept 2016 US$ million	Jun 2016 US$ million	Mar 2016 US$ million
Sales	**335**	354	360	325	339
Operating profit (loss) excluding special items	**14**	8	25	(2)	13
Operating profit (loss) excluding special items to sales (%)	***4.2***	*2.3*	*6.9*	*(0.6)*	*3.8*
EBITDA excluding special items	**34**	28	43	18	32
EBITDA excluding special items to sales (%)	***10.1***	*7.9*	*11.9*	*5.5*	*9.4*
RONOA pa (%)	***5.8***	*3.3*	*10.2*	*(0.8)*	*5.2*

Profitability of the North American business increased compared to the prior year driven by higher DWP pricing, growth in specialities and packaging sales volumes as well as lower variable costs, more than offsetting declines in coated paper volumes and pricing.

The US coated paper market remained under pressure due to weak demand and lower pricing led by the strong Dollar and a rise in imports. Coated paper sales volumes and prices were 3% and 5% respectively below those of the equivalent period last year as a result.

The DWP business benefited from the improved Dollar pricing during the quarter and substantially lower delivery costs improved margins further.

Packaging paper demand was positively impacted by the seasonally strong pet food industry demand and the continued ramp-up of our new speciality packaging grades, leading to a 20% increase in the segment's volumes compared to the prior year. The casting and release paper business recovered during the quarter with Chinese sales particularly strong post the Chinese New Year.

Ongoing procurement and efficiency initiatives together with lower market prices for wood and energy led to lower variable costs for the quarter. Fixed costs were well controlled.

Southern Africa

	Quarter ended				
	Mar 2017 ZAR million	Dec 2016 ZAR million	Sept 2016 ZAR million	Jun 2016 ZAR million	Mar 2016 ZAR million
Sales	**4,818**	4,230	4,760	4,306	4,568
Operating profit excluding special items	**1,317**	1,169	1,256	1,050	1,255
Operating profit excluding special items to sales (%)	***27.3***	*27.6*	*26.4*	*24.4*	*27.5*
EBITDA excluding special items	**1,489**	1,364	1,441	1,215	1,430
EBITDA excluding special items to sales (%)	***30.9***	*32.2*	*30.3*	*28.2*	*31.3*
RONOA pa (%)	***30.5***	*27.8*	*31.1*	*26.2*	*32.2*

The South African business continued to deliver strong margins, with improved Dollar selling prices for DWP, higher sales volumes and reverting the annual Ngodwana shut to the third quarter offsetting increased variable costs and a stronger Rand/Dollar exchange rate.

DWP sales volumes rose compared to both the prior quarter and equivalent quarter last year. The higher Dollar prices did not fully offset the impact of the stronger Rand/Dollar exchange rate for the period. A planned annual maintenance shut at Saiccor Mill commenced at the end of the quarter and we expect to have resolved the economiser tube leak issues that impacted production at the mill over the past few quarters.

The paper business experienced a strong recovery in sales volumes this past quarter compared to both comparative periods. Containerboard and newsprint sales were particularly healthy, and the outlook for containerboard remains strong due to an anticipated year-on-year growth in fruit exports.

Variable and fixed costs were above last year and related mainly to wood, energy and personnel, albeit the increases were below inflation.

Directorate

Dr Boni Mehlomakulu joined the board as an independent non-executive director and as a member of the Social, Ethics Transformation and Sustainability committee, with effect from 01 March 2017.

Outlook

Subsequent to the steady increase in the second quarter, DWP prices have moderated during April 2017. This follows a similar trend in viscose staple fibre, cotton and polyester pricing. Nonetheless, market dynamics appear favourable, with demand growth continuing to exceed our long-term forecast of 4% and only limited capacity addition is expected in the next two years.

Graphic paper markets in Europe and the United States remain sluggish, although orders in Europe improved in late March and April. Rising paper pulp and latex prices, along with a weaker Euro have started to place pressure on European margins, with paper price increases originally scheduled for April only offering partial relief.

Demand for speciality packaging continues to grow and we are making good progress with the conversion projects we recently announced for Europe and North America. These will further boost production capacity in these grades.

Capital expenditure in 2017 is expected to be approximately US$350 million. This includes the next phase of the DWP debottlenecking project at Ngodwana Mill, the Somerset Mill wood-yard and the initial phases of the speciality packaging conversions at Maastricht and Somerset Mills.

Based on current market conditions; in particular the higher paper pulp and latex prices and the current Rand/Dollar exchange rate, we expect the group's operating performance in the third quarter to be slightly below that of the equivalent quarter in 2016. However, the full year result is likely to be above that of the prior year.

During the course of 2017 we expect to reduce net debt further through positive cash generation and for the net interest expense to decline following the repayment of the maturing 2017 bonds in April.

On behalf of the board

S R Binnie
Director

G T Pearce
Director

15 May 2017

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, 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 adverse changes in global economic conditions;*
- *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 restructurings or 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 Mar 2017 US$ million	Reviewed Quarter ended Mar 2016 US$ million	Reviewed Half-year ended Mar 2017 US$ million	Reviewed Half-year ended Mar 2016 US$ million
Sales		**1,316**	1,294	**2,625**	2,578
Cost of sales		**1,094**	1,048	**2,176**	2,138
Gross profit		**222**	246	**449**	440
Selling, general and administrative expenses		**81**	93	**163**	175
Other operating expenses (income)		**1**	1	**5**	(8)
Share of profit from equity investments		**(2)**	(3)	**(4)**	(5)
Operating profit	3	**142**	155	**285**	278
Net finance costs		**24**	25	**49**	50
Net interest expense		**27**	27	**54**	54
Net foreign exchange gain		**(3)**	(2)	**(5)**	(4)
Profit before taxation		**118**	130	**236**	228
Taxation		**30**	30	**58**	53
Profit for the period		**88**	100	**178**	175
Basic earnings per share (US cents)	4	**16**	19	**33**	33
Weighted average number of shares in issue (millions)		**534.5**	529.7	**533.0**	528.6
Diluted earnings per share (US cents)	4	**16**	18	**33**	33
Weighted average number of shares on fully diluted basis (millions)		**548.0**	541.4	**545.9**	538.4

Condensed group statement of comprehensive income

	Quarter ended Mar 2017 US$ million	Reviewed Quarter ended Mar 2016 US$ million	**Reviewed Half-year ended Mar 2017 US$ million**	Reviewed Half-year ended Mar 2016 US$ million
Profit for the period	**88**	100	**178**	175
Other comprehensive income (loss), net of tax				
Items that may or are reclassified subsequently to profit or loss	**15**	(8)	**48**	(87)
Exchange differences on translation of foreign operations	**16**	(15)	**49**	(86)
Movements in hedging reserves	**(2)**	9	**(1)**	–
Tax effect of above items	**1**	(2)	**–**	(1)
Total comprehensive income (loss) for the period	**103**	92	**226**	88

Condensed group balance sheet

	Note	Reviewed Mar 2017 US$ million	Reviewed Sept 2016 US$ million
ASSETS			
Non-current assets		**3,113**	3,171
Property, plant and equipment		**2,430**	2,501
Plantations	5	**454**	441
Deferred tax assets		**147**	152
Derivative financial instruments		**2**	1
Other non-current assets		**80**	76
Current assets		**2,005**	2,006
Inventories		**652**	606
Trade and other receivables		**579**	642
Derivative financial instruments		**62**	44
Taxation receivable		**9**	11
Cash and cash equivalents		**703**	703
Total assets		**5,118**	5,177
EQUITY AND LIABILITIES			
Equity			
Ordinary shareholders' interest		**1,551**	1,378
Non-current liabilities		**2,265**	2,325
Interest-bearing borrowings		**1,483**	1,535
Deferred tax liabilities		**280**	272
Other non-current liabilities		**502**	518
Current liabilities		**1,302**	1,474
Interest-bearing borrowings		**549**	576
Other current liabilities		**722**	854
Derivative financial instruments		**6**	2
Taxation payable		**25**	42
Total equity and liabilities		**5,118**	5,177
Number of shares in issue at balance sheet date (millions)		**534.8**	530.6

Condensed group statement of cash flows

	Quarter ended Mar 2017 US$ million	Reviewed Quarter ended Mar 2016 US$ million	Reviewed Half-year ended Mar 2017 US$ million	Reviewed Half-year ended Mar 2016 US$ million
Profit for the period	**88**	100	**178**	175
Adjustment for:				
Depreciation, fellings and amortisation	**80**	73	**163**	150
Taxation	**30**	30	**58**	53
Net finance costs	**24**	25	**49**	50
Defined post-employment benefits paid	**(12)**	(13)	**(21)**	(24)
Plantation fair value adjustments	**(16)**	(38)	**(42)**	(54)
Net restructuring provisions	**–**	1	**–**	4
Profit on disposal of assets held for sale	**–**	(1)	**–**	(16)
Other non-cash items	**9**	10	**20**	20
Cash generated from operations	**203**	187	**405**	358
Movement in working capital	**(26)**	(22)	**(123)**	(122)
Net finance costs paid	**(24)**	(22)	**(41)**	(58)
Taxation paid	**(32)**	(4)	**(66)**	(22)
Dividend paid	**(59)**	–	**(59)**	–
Cash generated from operating activities	**62**	139	**116**	156
Cash (utilised in) generated from investing activities	**(42)**	(49)	**(79)**	(47)
Capital expenditure	**(45)**	(45)	**(82)**	(85)
Net proceeds on disposal of assets	**1**	(3)	**3**	38
Other movements	**2**	(1)	**–**	–
Net cash generated	**20**	90	**37**	109
Cash effects of financing activities	**(10)**	(22)	**(16)**	(94)
Proceeds from interest-bearing borrowings	**(9)**	(3)	**5**	–
Repayment of interest-bearing borrowings	**(1)**	(19)	**(21)**	(94)
Net movement in cash and cash equivalents	**10**	68	**21**	15
Cash and cash equivalents at beginning of period	**681**	383	**703**	456
Translation effects	**12**	6	**(21)**	(14)
Cash and cash equivalents at end of period	**703**	457	**703**	457

Condensed group statement of changes in equity

	Reviewed Half-year ended Mar 2017 US$ million	Reviewed Half-year ended Mar 2016 US$ million
Balance – beginning of period	**1,378**	1,015
Total comprehensive income for the period	**226**	88
Dividend	**(59)**	–
Transfers from the share purchase trust	**4**	12
Transfers of vested share options	**(2)**	(5)
Share-based payment reserve	**4**	4
Balance – end of period	**1,551**	1,114

Notes to the condensed group results

1. Basis of preparation

The condensed consolidated interim financial statements for the quarter and half-year ended March 2017 are prepared in accordance with International Financial Reporting Standard, IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements.

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

The condensed consolidated interim financial statements for the half-year ended March 2017 have been reviewed by KPMG Inc, who expressed an unmodified review conclusion. The auditor's report does not necessarily report on all of the information contained in these 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.

2. Segment information

	Quarter ended		Half-year ended	
	Mar 2017 Metric tons (000s)	Mar 2016 Metric tons (000s)	**Mar 2017 Metric tons (000s)**	Mar 2016 Metric tons (000s)
Sales volume				
North America	**329**	331	**682**	661
Europe	**839**	834	**1,706**	1,670
Southern Africa – Pulp and paper	**408**	404	**772**	790
Forestry	**262**	241	**506**	500
Total	**1,838**	1,810	**3,666**	3,621
Which consists of:				
Specialised cellulose	**303**	289	**584**	544
Paper	**1,273**	1,280	**2,576**	2,577
Forestry	**262**	241	**506**	500

Notes to the condensed group results continued

2. Segment information continued

	Quarter ended Mar 2017 US$ million	Reviewed Quarter ended Mar 2016 US$ million	Reviewed Half-year ended Mar 2017 US$ million	Reviewed Half-year ended Mar 2016 US$ million
Sales				
North America	**335**	339	**689**	682
Europe	**619**	666	**1,270**	1,325
Southern Africa – Pulp and paper	**347**	277	**636**	545
Forestry	**15**	12	**30**	26
Total	**1,316**	1,294	**2,625**	2,578
Which consists of:				
Specialised cellulose	**283**	238	**530**	447
Paper	**1,018**	1,044	**2,065**	2,105
Forestry	**15**	12	**30**	26
Operating profit excluding special items				
North America	**14**	13	**22**	26
Europe	**31**	36	**74**	68
Southern Africa	**99**	80	**183**	147
Unallocated and eliminations[1]	**1**	4	**2**	4
Total	**145**	133	**281**	245
Which consists of:				
Specialised cellulose	**99**	84	**181**	146
Paper	**45**	45	**98**	95
Unallocated and eliminations[1]	**1**	4	**2**	4
Special items – (gains) losses				
North America	**–**	3	**–**	3
Europe	**1**	(2)	**1**	2
Southern Africa	**–**	(25)	**(7)**	(40)
Unallocated and eliminations[1]	**2**	2	**2**	2
Total	**3**	(22)	**(4)**	(33)
Segment operating profit (loss)				
North America	**14**	10	**22**	23
Europe	**30**	38	**73**	66
Southern Africa	**99**	105	**190**	187
Unallocated and eliminations[1]	**(1)**	2	**–**	2
Total	**142**	155	**285**	278

[1] *Includes the group's treasury operations and our insurance captive.*

2. Segment information continued

	Quarter ended Mar 2017 US$ million	Reviewed Quarter ended Mar 2016 US$ million	Reviewed Half-year ended Mar 2017 US$ million	Reviewed Half-year ended Mar 2016 US$ million
EBITDA excluding special items				
North America	**34**	32	**62**	63
Europe	**59**	68	**134**	133
Southern Africa	**112**	91	**210**	170
Unallocated and eliminations[1]	**3**	4	**3**	4
Total	**208**	195	**409**	370
Which consists of:				
Specialised cellulose	**111**	94	**206**	168
Paper	**94**	97	**200**	198
Unallocated and eliminations[1]	**3**	4	**3**	4

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 Mar 2017 US$ million	Quarter ended Mar 2016 US$ million	Half-year ended Mar 2017 US$ million	Half-year ended Mar 2016 US$ million
EBITDA excluding special items	**208**	195	**409**	370
Depreciation and amortisation	**(63)**	(62)	**(128)**	(125)
Operating profit excluding special items	**145**	133	**281**	245
Special items – gains (losses)	**(3)**	22	**4**	33
Plantation price fair value adjustment	**1**	26	**12**	28
Net restructuring provisions	**–**	(1)	**–**	(4)
Profit on disposal of assets held for sale	**–**	1	**–**	16
Black Economic Empowerment charge	**(1)**	(1)	**(1)**	(1)
Fire, flood, storm and other events	**(3)**	(3)	**(7)**	(6)
Segment operating profit	**142**	155	**285**	278
Net finance costs	**(24)**	(25)	**(49)**	(50)
Profit before taxation	**118**	130	**236**	228
Taxation	**(30)**	(30)	**(58)**	(53)
Profit for the period	**88**	100	**178**	175

[1] *Includes the group's treasury operations and our insurance captive.*

Notes to the condensed group results continued

2. Segment information continued

	Reviewed Mar 2017 US$ million	Reviewed Mar 2016 US$ million
Segment assets		
North America	**989**	1,013
Europe	**1,194**	1,324
Southern Africa	**1,277**	1,026
Unallocated and eliminations[(1)]	**55**	4
Total	**3,515**	3,367
Reconciliation of segment assets to total assets		
Segment assets	**3,515**	3,367
Deferred taxation	**147**	157
Cash and cash equivalents	**703**	457
Other current liabilities	**722**	759
Derivative financial instruments	**6**	–
Taxation payable	**25**	43
Total assets	**5,118**	4,783

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

3. Operating profit

	Quarter ended Mar 2017 US$ million	Reviewed Quarter ended Mar 2016 US$ million	Reviewed Half-year ended Mar 2017 US$ million	Reviewed Half-year ended Mar 2016 US$ million
Included in operating profit are the following items:				
Depreciation and amortisation	**63**	62	**128**	125
Fair value adjustment on plantations (included in cost of sales)				
Changes in volume				
Fellings	**17**	11	**35**	25
Growth	**(15)**	(12)	**(30)**	(26)
	2	(1)	**5**	(1)
Plantation price fair value adjustment	**(1)**	(26)	**(12)**	(28)
	1	(27)	**(7)**	(29)
Net restructuring provisions	**–**	1	**–**	4
Profit on disposal of assets held for sale	**–**	(1)	**–**	(16)

4. Earnings per share

	Quarter ended Mar 2017 US$ million	Reviewed Quarter ended Mar 2016 US$ million	Reviewed Half-year ended Mar 2017 US$ million	Reviewed Half-year ended Mar 2016 US$ million
Basic earnings per share (US cents)	**16**	19	**33**	33
Headline earnings per share (US cents)	**16**	19	**33**	31
EPS excluding special items (US cents)	**17**	16	**33**	29
Weighted average number of shares in issue (millions)	**534.5**	529.7	**533.0**	528.6
Diluted earnings per share (US cents)	**16**	18	**33**	33
Diluted headline earnings per share (US cents)	**16**	18	**33**	30
Weighted average number of shares on fully diluted basis (millions)	**548.0**	541.4	**545.9**	538.4
Calculation of headline earnings				
Profit for the period	**88**	100	**178**	175
Profit on disposal of assets held for sale	**–**	(1)	**–**	(16)
Tax effect of above items	**–**	–	**–**	4
Headline earnings	**88**	99	**178**	163
Calculation of earnings excluding special items				
Profit for the period	**88**	100	**178**	175
Special items after tax	**3**	(15)	**(2)**	(22)
Special items	**3**	(22)	**(4)**	(33)
Tax effect	**–**	7	**2**	11
Earnings excluding special items	**91**	85	**176**	153

Notes to the condensed group results continued

5. Plantations

Plantations are stated at fair value less estimated cost to sell at the harvesting stage. In arriving at plantation fair values, the key assumptions are estimated prices less cost of delivery, discount rates (pre-tax weighted average cost of capital), and volume and growth estimations.

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

The fair value of plantations is a Level 3 measure in terms of the fair value measurement hierarchy as established by IFRS 13 *Fair Value Measurement.*

	Reviewed	Reviewed
	Mar 2017 US$ million	Sept 2016 US$ million
Fair value of plantations at beginning of year	**441**	383
Gains arising from growth	**30**	56
Fire, flood, storm and other events	**(4)**	(13)
In-field inventory	**–**	(1)
Gain arising from fair value price changes	**12**	64
Harvesting – agriculture produce (fellings)	**(35)**	(56)
Disposals	**–**	(1)
Translation difference	**10**	9
Fair value of plantations at end of period	**454**	441

6. Financial instruments

The group's financial instruments that are measured at fair value on a recurring basis consist of 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	**Mar 2017 US$ million**	Sept 2016 US$ million
Investment funds[(2)]	Level 1	**7**	7
Derivative financial assets	Level 2	**64**	45
Derivative financial liabilities	Level 2	**6**	2

(1) *The fair value of the financial instruments are equal to their carrying value.*
(2) *Included in other non-current assets.*

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 cash and cash equivalents, accounts receivable, certain investments, accounts payable and current interest-bearing borrowings approximate their fair values.

Notes to the condensed group results continued

7. Capital commitments

	Reviewed Mar 2017 US$ million	Reviewed Sept 2016 US$ million
Contracted	**141**	42
Approved but not contracted	**349**	71
	490	113

8. Contingent liabilities

	Reviewed Mar 2017 US$ million	Reviewed Sept 2016 US$ million
Guarantees and suretyships	**6**	10
Other contingent liabilities	**17**	11
	23	21

9. Material balance sheet movements

Inventories, trade and other receivables and other current liabilities

The increase in inventories with a decrease in both trade and other receivables and other current liabilities is largely attributable to seasonal working capital movements.

10. Related parties

There has been no material change, by nature or amount, in transactions with related parties since the 2016 financial year-end.

11. Events after balance sheet date

The group repaid its US$400 million public bond due July 2017 during the call window period in April 2017 from available cash resources.

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

Broad-based Black Economic Empowerment (BBBEE) charge – represents the IFRS 2 non-cash charge associated with the BBBEE transaction implemented in fiscal 2010 in terms of BBBEE 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 2/2015, issued by the South African Institute of Chartered Accountants in October 2015, 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

Interest cover – last 12 months EBITDA excluding special items to net interest adjusted for refinancing costs

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, bank overdrafts less cash and cash equivalents

Net debt to EBITDA excluding special items – net debt divided by the last 12 months EBITDA excluding special items

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

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 audited or reviewed)

Summary Rand convenience translation

	Quarter ended		Half-year ended	
	Mar 2017	Mar 2016	**Mar 2017**	Mar 2016
Key figures: (ZAR million)				
Sales	**17,405**	20,474	**35,664**	38,650
Operating profit excluding special items[1]	**1,918**	2,104	**3,818**	3,673
Special items – (gains) losses[1]	**40**	(348)	**(54)**	(495)
EBITDA excluding special items[1]	**2,751**	3,085	**5,557**	5,547
Profit for the period	**1,164**	1,582	**2,418**	2,624
Basic earnings per share (SA cents)	**218**	299	**454**	496
Net debt[1]	**17,843**	25,531	**17,843**	25,531
Key ratios: (%)				
Operating profit excluding special items to sales	**11.0**	10.3	**10.7**	9.5
Operating profit excluding special items to capital employed (ROCE)[1]	**20.0**	19.9	**19.9**	18.0
EBITDA excluding special items to sales	**15.8**	15.1	**15.6**	14.4

[1] *Refer to page 21, supplemental information for the definition of the term.*

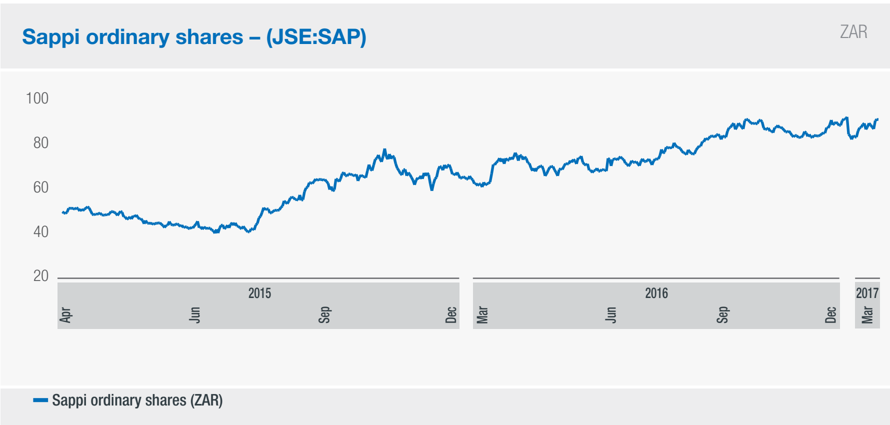
The above financial results have been translated into Rand from Dollar as follows:
– assets and liabilities at rates of exchange ruling at period end; and
– income, expenditure and cash flow items at average exchange rates.

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

continued

Exchange rates

	Mar 2017	Dec 2016	Sept 2016	Jun 2016	Mar 2016
Exchange rates:					
Period end rate: US$1 = ZAR	**13.4259**	13.7386	13.7139	15.0650	15.4548
Average rate for the quarter: US$1 = ZAR	**13.2260**	13.9155	14.1648	15.0053	15.8226
Average rate for the year to date: US$1 = ZAR	**13.5861**	13.9155	14.7879	14.9966	14.9921
Period end rate: €1 = US$	**1.0652**	1.0516	1.1226	1.1117	1.1166
Average rate for the quarter: €1 = US$	**1.0656**	1.0814	1.1150	1.1304	1.1020
Average rate for the year to date: €1 = US$	**1.0738**	1.0814	1.1111	1.1097	1.0994



Registration number: 1936/008963/06
JSE code: SAP
ISIN code: ZAE000006284
Issuer code: SAVVI

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