Continued success of our strategy and the benefits of a weaker ZAR/USD exchange rate delivered significant earnings gains.

Ongoing projects to improve our cost position and enhance our competitiveness in graphic paper improved operating performance.

Initiatives to accelerate growth in speciality packaging in Europe and North America boosted volumes and lifted margins. We continue to seek opportunities to shift production from graphic paper to various speciality packaging grades.

Improved cash generation has resulted in the group achieving the targeted leverage of less than two times net debt to EBITDA earlier than expected. The reduction in net debt and refinancing of high cost debt will result in lower ongoing interest charges.

The fourth quarter was characterised by buoyant dissolving wood pulp (DWP) markets, strong growth in speciality packaging sales and cost savings across the group. These helped to offset the effect of lower graphic paper volumes and selling prices.
Demand for DWP remains favourable and recent gains in the spot prices in China indicate that the market is currently tightly supplied. We therefore expect higher average USD pricing during Q1FY2017. We do not currently foresee any impact from the drought in South Africa on Saiccor Mill production during Q1FY2017.

Graphic paper markets continue to be weak in Europe and the United States. Variable cost reductions in both regions continue to be important as prices remain under pressure. While the prices of most inputs are not expected to continue to reduce in the coming year, we believe savings in variable costs can be achieved as a result of the group procurement and efficiency initiatives currently underway.

We believe that demand for our speciality packaging grades will continue to grow and we will therefore look to allocate more of our graphic paper capacity to these products.

The first quarter of our 2017 financial year will comprise 14 weeks instead of the typical 13 week quarter. This is in order to adjust our reporting periods closer to the calendar periods. This will result in increased sales compared to comparative quarters.

Based on current market conditions; in particular the recent strengthening of the Rand relative to the US Dollar, stronger US Dollar pricing for DWP and weaker paper demand and pricing in Europe, we expect the group’s performance in 2017 to be broadly in line with 2016.

We expect to reduce net debt levels further during the course of 2017 and are considering utilising some cash reserves to repay the maturing 2017 bonds in order to lower future finance costs.

Capex expenditure in FY2017 is expected to increase to approximately US$350 million as we continue the debottlenecking of DWP production at Ngodwana and Saiccor and seek to take advantage of our strong growth in speciality packaging.
## Southern Africa

- **Paper mills:** 1
- **Paper and specialised cellulose mill:** 1
- **Specialised cellulose mill:** 1
- **Sawmill:** 4
- **Sales offices:** 4

### Forests

492,000ha

### The business

Continued to strengthen in the quarter.

### Higher average net selling prices

For containerboard, tissue and office papers, tight fixed cost control and an improved sales mix contributed to the enhanced margins when compared to the equivalent quarter last year.

### DWP pricing

Was lifted by higher US Dollar spot prices in China.

### Demand remained strong

And sales volumes improved versus the prior quarter.

### Variable costs were well controlled

With lower fibre, chemical and energy costs compared to the prior quarter.

### Fixed costs remained below those of the prior year

Post the disposal of the Cape Kraft and Enstra Mills in December 2015.

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## Europe

- **Paper mills:** 6
- **Speciality paper mill:** 1
- **Sales offices:** 16

### Forests

492,000ha

### The business

Continued to strengthen in the quarter.

### Higher average net sales prices

In Euro were marginally down compared to both the prior quarter and the equivalent quarter last year, largely as a result of weak demand in the summer months for coated woodfree and coated mechanical paper.

### Improved coated web and packaging volumes as well as lower variable costs offset the abovementioned headwinds.

### DWP sales volumes

Were higher than both the prior quarter and equivalent quarter last year as we sought to benefit from improved selling prices and proactively offset any potential drought impact in South Africa.

### The release paper business

Continues to experience weak sales volumes into China and lower average sales prices due to the sales mix.

### Ongoing procurement and efficiency initiatives along with favourable markets for purchased pulp, chemicals, wood and energy led to lower average variable costs. Fixed costs were less than in the prior quarter due to the absence of scheduled annual maintenance shifts in the fourth quarter.

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## North America

- **Paper mill:** 1
- **Speciality paper mill:** 1
- **Paper and specialised cellulose mill:** 1
- **Sales offices:** 4

### Mills

Marks Gardner

President and Chief Executive Officer
Sappi North America

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## Fourth quarter and year-end results – September 2016

Alex Thiel

Chief Executive Officer
Sappi Southern Africa

Berry Wiersum

Chief Executive Officer
Sappi Europe

Mark Gardner

President and Chief Executive Officer
Sappi North America

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