1936
2016

sappi

Inspired by life

Fourth quarter results

for the year ended September 2016

4th 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.

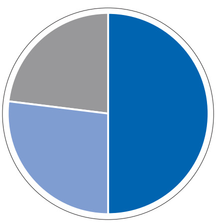
The wood and pulp needed for our products is either produced within Sappi or bought from accredited suppliers. Across the group, Sappi is close to 'pulp neutral', meaning that we sell almost as much pulp as we buy.

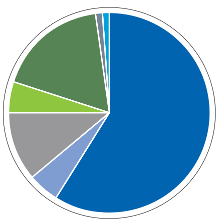
Highlights for the year

- EBITDA excluding special items US$739 million (FY15 US$625 million)
- Profit for the period US$319 million (FY15 US$167 million)
- EPS excluding special items 57 US cents (FY15 34 US cents)
- Net debt US$1,408 million, down US$363 million year-on-year
- Dividend of 11 US cents declared

Highlights for the quarter

- EBITDA excluding special items US$209 million (Q4 FY15 US$201 million)
- Profit for the period US$112 million (Q4 FY15 US$83 million)
- EPS excluding special items 18 US cents (Q4 FY15 16 US cents)





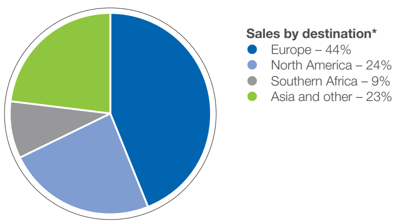
** for the period ended September 2016*

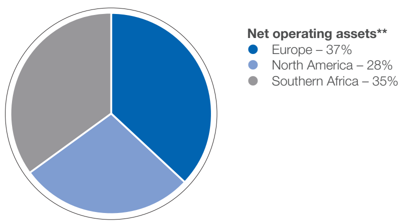
Cover picture: "Leine Guard M barrier paper from Sappi offers many advantages and meets our high standards. We are very happy with our Tree of Tea teabag envelopes," says Tobias Reiner, Product Manager for Tree of Tea at mymuesli GmbH.

Financial highlights

	Quarter ended			Year ended	
	Sept 2016	Sept 2015	June 2016	**Sept 2016**	Sept 2015
Key figures: (US$ million)					
Sales	**1,340**	1,403	1,223	**5,141**	5,390
Operating profit excluding special items[1]	**145**	136	97	**487**	357
Special items – (gains) losses[2]	**(25)**	1	1	**(57)**	(54)
EBITDA excluding special items[1]	**209**	201	160	**739**	625
Profit for the period	**112**	83	32	**319**	167
Basic earnings per share (US cents)	**21**	16	6	**60**	32
EPS excluding special items (US cents)[3]	**18**	16	11	**57**	34
Net debt[3]	**1,408**	1,771	1,583	**1,408**	1,771
Key ratios:					
Operating profit excluding special items to sales	**10.8**	9.7	7.9	**9.5**	6.6
Operating profit excluding special items to capital employed (ROCE)[3]	**20.9**	18.7	14.0	**17.5**	12.4
EBITDA excluding special items to sales	**15.6**	14.3	13.1	**14.4**	11.6
Net debt to EBITDA excluding special items	**1.9**	2.8	2.2	**1.9**	2.8
Interest cover[3]	**7.3**	4.4	7.0	**7.3**	4.4
Net asset value per share (US cents)[3]	**260**	193	223	**260**	193

[1] *Refer to page 16, 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 16, note 2 to the group results for details on special items.*
[3] *Refer to page 22, supplemental information for the definition of the term.*





* *for the period ended September 2016*
** *as at September 2016*

Year ended September 2016 compared to year ended September 2015

The continued success of our strategy implementation and the benefits of a weaker Rand/Dollar exchange rate delivered further significant gains in earnings. Ongoing projects to improve our cost position and enhance our competitiveness in graphic paper ensured an improved operating performance. Furthermore, initiatives to accelerate growth in speciality packaging in Europe and North America have boosted volumes and lifted margins. We continued 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 group's EBITDA excluding special items was US$739 million, an increase of US$114 million, or 18%, on the prior year. Operating profit excluding special items for the year was US$487 million compared to US$357 million in the prior year. Special items amounted to a gain of US$57 million, comprised mainly of a plantation fair value gain as a result of the weaker Rand and the resultant increase in local timber prices.

Net finance costs for the year were US$121 million, a decrease from the US$182 million in the prior year as a result of both lower debt levels and one-time refinancing charges incurred in 2016.

Net profit for the year increased by 91% to US$319 million.

Fourth quarter commentary

The 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. The group generated EBITDA excluding special items of US$209 million and operating profit excluding special items of US$145 million, both above that of the equivalent quarter last year. Profit for the period increased by 35% to US$112 million due to the improved operating profits and a plantation fair value gain.

Spot prices for DWP in China have risen steadily in recent months as a smaller than expected cotton crop boosted the demand for DWP and downstream viscose staple fibre markets continued to be strong. The Specialised Cellulose business delivered improved returns during the quarter, with EBITDA excluding special items of US$96 million.

Consistent with the earlier quarters this year, the European business delivered enhanced profitability, with lower variable costs more than offsetting reduced volumes and prices compared to the equivalent quarter last year. There was accelerated growth and margin improvement within our speciality packaging business.

Improved year-on-year sales volumes and lower variable costs could not offset the decline in average selling prices in our North American business. However, profitability was higher than that of the prior quarter due to seasonally stronger sales volumes and higher DWP prices.

Higher average net selling prices and lower fixed costs in the South African business facilitated an improved operating performance compared to the prior year, more than offsetting the lost sales volumes post the disposal of the Cape Kraft and Enstra Mills in December 2015.

Earnings per share excluding special items for the quarter was 18 US cents.

Cash flow and debt

Net cash generated for the quarter was US$168 million, compared to US$159 million in the equivalent quarter last year. Capital expenditure in the quarter was US$97 million compared to US$85 million a year ago and encompasses a number of energy and efficiency projects across the group.

Net cash generation for the financial year was US$359 million (FY2015 US$145 million), which included proceeds from the sale of Cape Kraft and Enstra mills of US$39 million.

Net debt at financial year-end decreased to US$1,408 million as a result of the cash generation. This equates to leverage of 1.9 times EBITDA, achieving our long-term target of less than two times leverage.

At the end of September 2016, liquidity comprised cash on hand of US$703 million and US$595 million from the unutilised committed revolving credit facilities in South Africa and Europe.

During the quarter, all existing security previously granted to secure certain indebtedness of Sappi Papier Holding GmbH (SPH) was released. Sappi was required to meet various release conditions and having met these conditions the bank and public debt of SPH has now reverted to a senior unsecured status.

Operating review for the quarter

Europe

	Quarter ended				
	Sept 2016 € million	Jun 2016 € million	Mar 2016 € million	Dec 2015 € million	Sept 2015 € million
Sales	**579**	540	604	601	609
Operating profit excluding special items	**31**	25	33	29	23
Operating profit excluding special items to sales (%)	***5.4***	*4.6*	*5.5*	*4.8*	*3.8*
EBITDA excluding special items	**61**	53	62	59	51
EBITDA excluding special items to sales (%)	***10.5***	*9.8*	*10.3*	*9.8*	*8.4*
RONOA pa (%)	***11.0***	*8.6*	*11.0*	*9.7*	*7.8*

During this seasonally stronger quarter, graphic paper sales volumes were 9% above those of the prior quarter, but 4% below those of the equivalent quarter last year.

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. The improved cost competitiveness of the industry together with lower paper pulp prices has increased the pressure on selling prices.

Lower raw material prices and ongoing cost reduction initiatives ensured variable costs were 9% lower than last year.

Sales of our speciality packaging papers grew by 15% year-on-year, continuing to outpace average market growth rates of 1% to 5% for the products we produce. Average selling prices continued to be stable.

North America

	Quarter ended				
	Sept 2016 US$ million	Jun 2016 US$ million	Mar 2016 US$ million	Dec 2015 US$ million	Sept 2015 US$ million
Sales	**360**	325	339	343	369
Operating profit (loss) excluding special items	**25**	(2)	13	13	31
Operating profit (loss) excluding special items to sales (%)	***6.9***	*(0.6)*	*3.8*	*3.8*	*8.4*
EBITDA excluding special items	**43**	18	32	31	50
EBITDA excluding special items to sales (%)	***11.9***	*5.5*	*9.4*	*9.0*	*13.6*
RONOA pa (%)	***10.2***	*(0.8)*	*5.2*	*5.2*	*12.2*

The North American business recovered in a seasonally stronger quarter that had no scheduled maintenance shuts. The strong Dollar, low paper pulp prices and an oversupplied coated freesheet market continued to put pressure on selling prices. Improved coated web and packaging volumes as well as lower variable costs offset these 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 our 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 shuts in the fourth quarter.

Southern Africa

	Quarter ended				
	Sept 2016 ZAR million	Jun 2016 ZAR million	Mar 2016 ZAR million	Dec 2015 ZAR million	Sept 2015 ZAR million
Sales	**4,760**	4,306	4,568	3,993	4,556
Operating profit excluding special items	**1,256**	1,050	1,255	949	1,047
Operating profit excluding special items to sales (%)	***26.4***	*24.4*	*27.5*	*23.8*	*23.0*
EBITDA excluding special items	**1,441**	1,215	1,430	1,119	1,228
EBITDA excluding special items to sales (%)	***30.3***	*28.2*	*31.3*	*28.0*	*27.0*
RONOA pa (%)	***31.1***	*26.2*	*32.2*	*25.2*	*28.1*

The Southern African 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.

Directorate

In October 2016, we announced the retirement of Mrs Bridgette Radebe and Mr Frits Beurskens, at the end of February 2017, as independent non-executive directors after serving for 12 and five years respectively.

Mrs Radebe was appointed to the board in May 2004 and was appointed to the Social, Ethics, Transformation and Sustainability Committee in February 2012. Mr Beurskens was appointed to the board in October 2011 and served on the Audit Committee and chaired the Audit Committee of Sappi Europe.

Dividends

On 09 November 2016, the directors declared a dividend (number 86) of 11 US cents per share (US$60 million) which will be paid to shareholders on 17 January 2017. This dividend was declared after year-end and was not included as a liability at the end of the financial year.

The 2016 dividend was covered five times by basic earnings per share. The group aims to declare ongoing annual dividends, and over time achieve a long-term average earnings to dividend ratio of three to one.

Outlook

Demand for DWP remains favourable and recent gains in spot prices in China indicate that the market is currently tightly supplied. We therefore expect higher average Dollar pricing in the first quarter of fiscal 2017. The concerns regarding possible Saiccor production losses due to drought conditions in South Africa have lessened in the past few months after some late winter rains. We do not currently foresee any impact from drought in the first quarter.

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 under way.

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.

Capex expenditure in 2017 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.

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.

On behalf of the board

S R Binnie
Director

G T Pearce
Director

10 November 2016

Dividend announcement

The directors have resolved to declare a gross dividend (number 86) of 11 US cents per share, payable in ZAR at an exchange rate of (US$1 = ZAR) 13.56686, being ZAR 149.23546 cents per share, for the year ended 25 September 2016 out of income, in respect of Sappi ordinary shares in issue on the record date as detailed below. Holders of Sappi "A" ordinary unlisted shares in issue on the record date shall be entitled to receive 5.5 US cents per share being 50% of the ordinary dividend so declared.

The South African dividend tax rate is 15% and the net dividend payable to shareholders who are not exempt from dividend tax is ZAR 126.85014 cents per share. Sappi currently has 541 446 223 ordinary shares in issue. The income tax reference number is 9175203711.

In compliance with the JSE Listings Requirements the salient dates in respect of the dividend are detailed below:

Declaration and finalisation date:	10 November 2016
Last day to trade to qualify for the dividend:	10 January 2017
Shares commence trading ex-dividend:	11 January 2017
Record date:	13 January 2017
Payment date:	17 January 2017

Dividends payable to shareholders on the South African register will be paid in South African Rand and all dividends attributable to holders of the ADR shares on the NYSE will be dealt with in accordance with their custody agreements in place with their local custodian.

Certificated shareholders who previously held their shares on the UK register, which has subsequently been discontinued, shall be paid in Pound Sterling at the ruling exchange rate at the time.

No currency elections are permitted.

All shareholders need to ensure that their current bank mandates with their service providers are up to date. Furthermore, shareholders who have not yet done so, should submit their service providers with their tax numbers and other relevant information for dividend tax purposes. Where shareholders qualify for withholding tax exemptions they need to ensure that such exemption applications have been lodged with their service providers.

Certificated and own name shareholders can call Computershare in South Africa on 0861 100 950 for assistance in this regard.

Share certificate will not be dematerialised or rematerialised from 11 January 2017 to 13 January 2017, both days inclusive.

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 Sept 2016 US$ million	Quarter ended Sept 2015 US$ million	Year ended Sept 2016 US$ million (Reviewed)	Year ended Sept 2015 US$ million
Sales		**1,340**	1,403	**5,141**	5,390
Cost of sales		**1,093**	1,170	**4,270**	4,693
Gross profit		**247**	233	**871**	697
Selling, general and administrative expenses		**79**	86	**336**	333
Other operating (income) expenses		**(1)**	13	**–**	(35)
Share of profit from equity investments		**(1)**	(1)	**(9)**	(12)
Operating profit	3	**170**	135	**544**	411
Net finance costs		**23**	25	**121**	182
Net interest expense		**25**	27	**124**	180
Net foreign exchange gain		**(2)**	(2)	**(2)**	(11)
Net fair value (gain) loss on financial instruments		**–**	–	**(1)**	13
Profit before taxation		**147**	110	**423**	229
Taxation		**35**	27	**104**	62
Profit for the period		**112**	83	**319**	167
Basic earnings per share (US cents)		**21**	16	**60**	32
Weighted average number of shares in issue (millions)		**530.4**	526.4	**529.4**	525.7
Diluted earnings per share (US cents)		**21**	16	**59**	31
Weighted average number of shares on fully diluted basis (millions)		**542.6**	531.5	**540.3**	531.2

Condensed group statement of comprehensive income

	Quarter ended Sept 2016 US$ million	Quarter ended Sept 2015 US$ million	Year ended Sept 2016 US$ million	Year ended Sept 2015 US$ million
			Reviewed	
Profit for the period	**112**	83	**319**	167
Other comprehensive income (loss), net of tax				
Items that will not be reclassified subsequently to profit or loss	**(12)**	(53)	**(12)**	(63)
Actuarial losses on post-employment benefit funds	**(20)**	(86)	**(20)**	(96)
Tax effect of above item	**8**	33	**8**	33
Items that must be reclassified subsequently to profit or loss	**94**	(137)	**42**	(145)
Exchange differences on translation of foreign operations	**93**	(138)	**38**	(148)
Movements in hedging reserves	**–**	2	**4**	4
Movement on available for sale financial assets	**–**	(1)	**–**	(1)
Tax effect of above items	**1**	–	**–**	–
Total comprehensive income (loss) for the period	**194**	(107)	**349**	(41)

Condensed group balance sheet

	Reviewed Sept 2016 US$ million	Sept 2015 US$ million
ASSETS		
Non-current assets	**3,171**	3,174
Property, plant and equipment	**2,501**	2,508
Plantations	**441**	383
Deferred tax assets	**152**	162
Derivative financial instruments	**1**	41
Other non-current assets	**76**	80
Current assets	**2,006**	1,711
Inventories	**606**	595
Trade and other receivables	**642**	645
Derivative financial instruments	**44**	5
Taxation receivable	**11**	10
Cash and cash equivalents	**703**	456
Assets held for sale	**–**	28
Total assets	**5,177**	4,913
EQUITY AND LIABILITIES		
Shareholders' equity		
Ordinary shareholders' interest	**1,378**	1,015
Non-current liabilities	**2,325**	2,806
Interest-bearing borrowings	**1,535**	2,031
Deferred tax liabilities	**272**	245
Other non-current liabilities	**518**	530
Current liabilities	**1,474**	1,091
Interest-bearing borrowings	**576**	196
Other current liabilities	**854**	860
Derivative financial instruments	**2**	5
Taxation payable	**42**	30
Liabilities associated with assets held for sale	**–**	1
Total equity and liabilities	**5,177**	4,913
Number of shares in issue at balance sheet date (millions)	**530.6**	526.4

Condensed group statement of cash flows

			Reviewed	
	Quarter ended Sept 2016 US$ million	Quarter ended Sept 2015 US$ million	**Year ended Sept 2016 US$ million**	Year ended Sept 2015 US$ million
Profit for the period	**112**	83	**319**	167
Adjustment for:				
Depreciation, fellings and amortisation	**79**	78	**308**	325
Taxation	**35**	27	**104**	62
Net finance costs	**23**	25	**121**	182
Defined post-employment benefits paid	**(15)**	(10)	**(51)**	(56)
Plantation fair value adjustments	**(40)**	(37)	**(120)**	(106)
Net restructuring provisions	**–**	2	**4**	6
Profit on disposal of assets held for sale and other assets	**1**	–	**(15)**	–
Non-cash employee benefit liability settlement	**(8)**	1	**(8)**	(68)
Other non-cash items	**4**	12	**31**	32
Cash generated from operations	**191**	181	**693**	544
Movement in working capital	**70**	86	**4**	(11)
Net finance costs paid	**(4)**	(24)	**(91)**	(135)
Taxation paid	**(2)**	–	**(56)**	(16)
Cash generated from operating activities	**255**	243	**550**	382
Cash utilised in investing activities	**(87)**	(84)	**(191)**	(237)
Capital expenditure	**(97)**	(85)	**(241)**	(248)
Net proceeds on disposal of assets	**5**	1	**44**	1
Other movements	**5**	–	**6**	10
Net cash generated	**168**	159	**359**	145
Cash effects of financing activities	**(29)**	(17)	**(130)**	(127)
Net movement in cash and cash equivalents	**139**	142	**229**	18
Cash and cash equivalents at beginning of period	**542**	351	**456**	528
Translation effects	**22**	(37)	**18**	(90)
Cash and cash equivalents at end of period	**703**	456	**703**	456

Condensed group statement of changes in equity

	Reviewed Year ended Sept 2016 US$ million	Year ended Sept 2015 US$ million
Balance – beginning of period	**1,015**	1,044
Total comprehensive income (loss) for the period	**349**	(41)
Transfers from the share purchase trust	**14**	10
Transfers of vested share options	**(7)**	(5)
Share-based payment reserve	**7**	7
Balance – end of period	**1,378**	1,015

Notes to the condensed group results

1. Basis of preparation

The condensed consolidated preliminary financial statements for the year ended September 2016 have been prepared in accordance with the Listings Requirements of the JSE Limited, the framework concepts and measurement recognition requirements of International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and containing the minimum information required by IAS 34 *Interim Financial Reporting*. 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 group 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 condensed consolidated financial statements for the year ended September 2016 as set out on pages 8 to 21 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.

2. Segment information

	Quarter ended Sept 2016 Metric tons (000's)	Quarter ended Sept 2015 Metric tons (000's)	**Year ended Sept 2016 Metric tons (000's)**	Year ended Sept 2015 Metric tons (000's)
Sales volume				
North America	**363**	357	**1,329**	1,305
Europe	**822**	847	**3,252**	3,242
Southern Africa – Pulp and paper	**429**	482	**1,626**	1,768
Forestry	**274**	247	**1,046**	991
Total	**1,888**	1,933	**7,253**	7,306
Which consists of:				
Specialised cellulose	**302**	312	**1,111**	1,161
Paper	**1,312**	1,374	**5,096**	5,154
Forestry	**274**	247	**1,046**	991

Notes to the condensed group results continued

	Quarter ended Sept 2016 US$ million	Quarter ended Sept 2015 US$ million	Year ended Sept 2016 US$ million	Year ended Sept 2015 US$ million
			Reviewed	
2. Segment information continued				
Sales				
North America	**360**	369	**1,367**	1,377
Europe	**646**	679	**2,582**	2,660
Southern Africa – Pulp and paper	**318**	341	**1,136**	1,293
Forestry	**16**	14	**56**	60
Total	**1,340**	1,403	**5,141**	5,390
Which consists of:				
Specialised cellulose	**262**	244	**929**	908
Paper	**1,062**	1,145	**4,156**	4,422
Forestry	**16**	14	**56**	60
Operating profit (loss) excluding special items				
North America	**25**	31	**49**	27
Europe	**35**	25	**131**	73
Southern Africa	**88**	83	**305**	256
Unallocated and eliminations[(1)]	**(3)**	(3)	**2**	1
Total	**145**	136	**487**	357
Which consists of:				
Specialised cellulose	**84**	79	**294**	231
Paper	**64**	60	**191**	125
Unallocated and eliminations[(1)]	**(3)**	(3)	**2**	1

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

			Reviewed	
	Quarter ended Sept 2016 US$ million	Quarter ended Sept 2015 US$ million	**Year ended Sept 2016 US$ million**	Year ended Sept 2015 US$ million
2. Segment information continued				
Special items – (gains) losses				
North America	**(10)**	–	**(6)**	–
Europe	**2**	4	**6**	(47)
Southern Africa	**(19)**	(12)	**(62)**	(27)
Unallocated and eliminations[1]	**2**	9	**5**	20
Total	**(25)**	1	**(57)**	(54)
Segment operating profit (loss)				
North America	**35**	31	**55**	27
Europe	**33**	21	**125**	120
Southern Africa	**107**	95	**367**	283
Unallocated and eliminations[1]	**(5)**	(12)	**(3)**	(19)
Total	**170**	135	**544**	411
EBITDA excluding special items				
North America	**43**	50	**124**	102
Europe	**68**	57	**261**	209
Southern Africa	**101**	97	**352**	313
Unallocated and eliminations[1]	**(3)**	(3)	**2**	1
Total	**209**	201	**739**	625
Which consists of:				
Specialised cellulose	**96**	90	**339**	281
Paper	**116**	114	**398**	343
Unallocated and eliminations[1]	**(3)**	(3)	**2**	1

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

Notes to the condensed group results continued

2. Segment information continued

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.

Reviewed

	Quarter ended Sept 2016 US$ million	Quarter ended Sept 2015 US$ million	**Year ended Sept 2016 US$ million**	Year ended Sept 2015 US$ million
EBITDA excluding special items	**209**	201	**739**	625
Depreciation and amortisation	**(64)**	(65)	**(252)**	(268)
Operating profit excluding special items	**145**	136	**487**	357
Special items – gains (losses)	**25**	(1)	**57**	54
Plantation price fair value adjustment	**24**	22	**64**	41
Net restructuring provisions	**–**	(2)	**(4)**	(6)
Profit on disposal of assets held for sale and other assets	**(1)**	–	**15**	–
Asset impairments	**(2)**	–	**(2)**	–
Employee benefit liability settlement	**8**	(1)	**8**	55
Black economic empowerment charge	**–**	(1)	**(1)**	(2)
Fire, flood, storm and other events	**(4)**	(19)	**(23)**	(34)
Segment operating profit	**170**	135	**544**	411
Net finance costs	**(23)**	(25)	**(121)**	(182)
Profit before taxation	**147**	110	**423**	229
Taxation	**(35)**	(27)	**(104)**	(62)
Profit for the period	**112**	83	**319**	167

	Reviewed Sept 2016 US$ million	Sept 2015 US$ million
2. Segment information continued		
Segment assets		
North America	**967**	1,007
Europe	**1,256**	1,313
Southern Africa	**1,182**	1,066
Unallocated and eliminations[1]	**19**	13
Total	**3,424**	3,399
Reconciliation of segment assets to total assets		
Segment assets	**3,424**	3,399
Deferred taxation	**152**	162
Cash and cash equivalents	**703**	456
Other current liabilities	**854**	860
Derivative financial instruments	**2**	5
Taxation payable	**42**	30
Liabilities associated with assets held for sale	**–**	1
Total assets	**5,177**	4,913

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

	Quarter ended Sept 2016 US$ million	Quarter ended Sept 2015 US$ million	Reviewed Year ended Sept 2016 US$ million	Year ended Sept 2015 US$ million
3. Operating profit				
Included in operating profit are the following items:				
Depreciation and amortisation	**64**	65	**252**	268
Fair value adjustment on plantations (included in cost of sales)				
Changes in volume				
Fellings	**15**	13	**56**	57
Growth	**(16)**	(15)	**(56)**	(65)
	(1)	(2)	**–**	(8)
Plantation price fair value adjustment	**(24)**	(22)	**(64)**	(41)
	(25)	(24)	**(64)**	(49)
Net restructuring provisions	**–**	2	**4**	6
Profit on disposal of assets held for sale and other assets	**1**	–	**(15)**	–
Asset impairments	**2**	–	**2**	–
Employee benefit liability settlement	**(8)**	1	**(8)**	(68)

Notes to the condensed group results continued

		Reviewed		
	Quarter ended Sept 2016 US$ million	Quarter ended Sept 2015 US$ million	**Year ended Sept 2016 US$ million**	Year ended Sept 2015 US$ million
4. Earnings per share				
Basic earnings per share (US cents)	**21**	16	**60**	32
Headline earnings per share (US cents)	**21**	16	**58**	32
EPS excluding special items (US cents)	**18**	16	**57**	34
Weighted average number of shares in issue (millions)	**530.4**	526.4	**529.4**	525.7
Diluted earnings per share (US cents)	**21**	16	**59**	31
Diluted headline earnings per share (US cents)	**21**	16	**57**	31
Weighted average number of shares on fully diluted basis (millions)	**542.6**	531.5	**540.3**	531.2
Calculation of headline earnings				
Profit for the period	**112**	83	**319**	167
Asset impairments	**2**	–	**2**	–
Profit on disposal of assets held for sale and other assets	**1**	–	**(15)**	–
Tax effect of above items	**(2)**	–	**3**	–
Headline earnings	**113**	83	**309**	167
Calculation of earnings excluding special items				
Profit for the period	**112**	83	**319**	167
Special items after tax	**(18)**	4	**(39)**	(47)
Special items	**(25)**	1	**(57)**	(54)
Tax effect	**7**	3	**18**	7
Refinancing costs	**–**	(2)	**23**	61
Earnings excluding special items	**94**	85	**303**	181

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	
	Sept 2016 US$ million	Sept 2015 US$ million
Fair value of plantations at beginning of year	**383**	430
Gains arising from growth	**56**	65
Fire, flood, storm and related events	**(13)**	(7)
In-field inventory	**(1)**	(1)
Gain arising from fair value price changes	**64**	41
Harvesting – agriculture produce (fellings)	**(56)**	(57)
Disposals	**(1)**	–
Translation difference	**9**	(88)
Fair value of plantations at end of period	**441**	383

6. Financial instruments

The group's financial instruments that are measured at fair value on a recurring basis consist of cash and cash equivalents, derivative financial instruments and available for sale financial assets. These have been categorised in terms of the fair value measurement hierarchy as established by IFRS 13 *Fair Value Measurement* per the table below.

		Fair value[1] Reviewed	
	Fair value hierarchy	**Sept 2016 US$ million**	Sept 2015 US$ million
Available for sale assets[2]	Level 1	**7**	8
Derivative financial assets	Level 2	**45**	46
Derivative financial liabilities	Level 2	**2**	5

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

Notes to the condensed group results continued

6. Financial instruments continued

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.

		Reviewed	
		Sept 2016 US$ million	Sept 2015 US$ million
7.	**Capital commitments**		
	Contracted	**42**	60
	Approved but not contracted	**71**	73
		113	133
8.	**Contingent liabilities**		
	Guarantees and suretyships	**10**	13
	Other contingent liabilities	**11**	11
		21	24

9. Material balance sheet movements

Assets held for sale

During the financial year, the conditions precedent related to the sale of the group's Enstra and Cape Kraft mills were fulfilled. Proceeds of US$39 million were received and a combined profit on disposal of US$13 million was recorded.

Interest-bearing borrowings and derivative financial instruments

During the year, the group issued an aggregate principal amount of €350 million (US$389 million) in senior secured notes due 2023 at a coupon of 4.00% per annum. The proceeds from these notes were used to redeem the full amount of the group's US$350 million senior secured notes due 2021 at a price of 103.313% of the principal amount thereof. The coupon on the notes redeemed was 6.625%. In August 2016, the security provided in terms of these 2023 notes, the notes due 2017 and 2022 as well as the €465 million (US$522 million) revolving credit facility was released due to the group having achieved certain financial covenants in terms of the respective agreements.

During the quarter, the group's US$400 million senior notes due July 2017 and the associated interest rate currency swap were reclassified to short term. The group intends to repay the bond using a combination of cash resources and existing committed facilities.

As at the 2015 financial year-end, the group had drawn €50 million (US$56 million) from its €465 million (US$522 million) revolving credit facility. This amount as well as the amounts due under the OekB term loan of €18 million (US$20 million), the group's ZAR255 million (US$17 million) and ZAR500 million (US$34 million) public bonds which matured in April 2016 and June 2016 respectively were repaid from existing cash resources.

10. Related parties

There has been no material change, by nature or amount, in transactions with related party since the 2015 financial year-end.

11. Events after balance sheet date

The directors have resolved to declare a gross dividend (number 86) out of income earned for the financial year ended September 2016 of 11 US cents per ordinary share in issue on the record date, being 13 January 2017. The dividend is payable in ZAR at an exchange rate of (US$1 = ZAR) 13.56686, being ZAR 149.23546 cents per share. Holders of Sappi "A" ordinary unlisted shares, issued in terms of the BBBEE scheme, are entitled to receive 5.5 US cents per share (ZAR 74.61773 cents per share) being 50% of the ordinary dividend declared.

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		Year ended	
	Sept 2016	Sept 2015	**Sept 2016**	Sept 2015
Key figures: (ZAR million)				
Sales	**18,981**	18,150	**76,025**	64,486
Operating profit excluding special items[1]	**2,054**	1,759	**7,202**	4,271
Special items – (gains) losses[1]	**(354)**	13	**(843)**	(646)
EBITDA excluding special items[1]	**2,960**	2,600	**10,928**	7,478
Profit for the period	**1,586**	1,074	**4,717**	1,998
Basic earnings per share (SA cents)	**299**	204	**891**	380
Net debt[1]	**19,309**	24,641	**19,309**	24,641
Key ratios: (%)				
Operating profit excluding special items to sales	**10.8**	9.7	**9.5**	6.6
Operating profit excluding special items to capital employed (ROCE)[1]	**20.6**	18.6	**18.7**	11.8
EBITDA excluding special items to sales	**15.6**	14.3	**14.4**	11.6

[1] *Refer to page 22, 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.

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

Exchange rates

	Sept 2016	Jun 2016	Mar 2016	Dec 2015	Sept 2015
Exchange rates:					
Period-end rate: US$1 = ZAR	**13.7139**	15.0650	15.4548	15.2865	13.9135
Average rate for the Quarter: US$1 = ZAR	**14.1648**	15.0053	15.8226	14.1577	12.9364
Average rate for the YTD: US$1 = ZAR	**14.7879**	14.9966	14.9921	14.1577	11.9641
Period-end rate: €1 = US$	**1.1226**	1.1117	1.1166	1.0977	1.1195
Average rate for the Quarter: €1 = US$	**1.1150**	1.1304	1.1020	1.0968	1.1125
Average rate for the YTD: €1 = US$	**1.1111**	1.1097	1.0994	1.0968	1.1501

Sappi ordinary shares (JSE:SAP)

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