sappi

Inspired by life

Q3 Fact Sheet 2014

3rd Quarter results for the period ended June 2014

highlights

Continued **year-on-year improvement** in quarterly performance

Usutu and **Nijmegen** Mill transactions completed

Specialised Cellulose business remains **sold out**

EPS 3 US cents (Q3 2013 loss of 9 US Cents)

EBITDA excluding special items US$140 million (Q3 2013 US$88 million)

Net debt US$2,286 million (Q3 2013 US$2,331 million)

Financial highlights	Q3 FY2014	Q3 FY2013
Profit (loss) for the period	US$17 million	(US$47 million)
Earnings (loss) per share	US3 cents	(US9 cents)
EBITDA excl special items	US$140 million	US$88 million
Net debt	US$2,286 million	US$2,331 million

outlook

The **stronger** than expected **coated woodfree paper market**, coupled with excellent ongoing cost control has led to **steady progress** in the **European business**, an important **cash contributor** to the group. **Two important capital projects** at **Gratkorn** and **Kirkniemi** are underway, allowing us to make further headway in improving the financial performance of this business.

There are early signs that the **North American graphic paper business** will see **improved returns** with **good volumes** and **higher pricing** going forward.

The **South African paper packaging business** continues to benefit from **healthy demand** due to a good fruit export season.

Despite continued pressure on dissolving wood pulp prices in a competitive market and weak **viscose staple fibre** pricing, **demand remains strong** and our mills are essentially **sold out for the remainder of the year**.

The fourth quarter is a seasonally stronger quarter and we believe that the result for the quarter will continue the trend of **improved year-on-year quarterly performance** which we have experienced throughout 2014.

For more detail on, and the nature of forward-looking statements — please refer to the published results.

focus FY2014

Over the next two years, we will continue our focus on having a cleaner, stronger balance sheet so that we can then accelerate our growth in adjacent businesses.

Achieve cost advantages

We work to lower fixed and variable costs, increase cost efficiencies and invest for cost advantages.

Optimise and rationalise declining businesses

Recognising the decreasing demand for graphic paper, we manage our capacity to strengthen our leadership position in these markets, realising their strategic importance to the group and maximising their significant cash flow generation.

Moderate investments in growth opportunities

We will make smaller investments in existing areas with strong potential growth, including pulp, speciality grades and packaging papers.

Our targets

ROCE >12%

Net debt/EBITDA
2.0 times

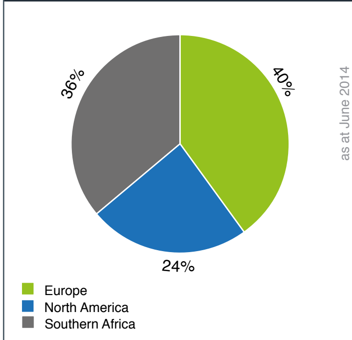
sappi

Q3 2014

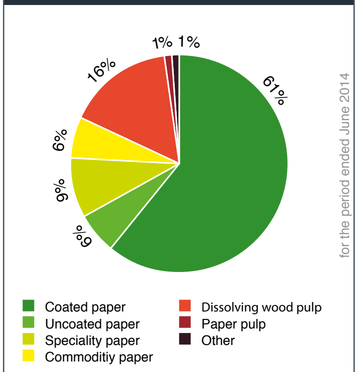
"To actively transform Sappi into a growing and profitable diversified woodfibre group, focused on specialised cellulose, cash generative and profitable paper businesses, and other high margin industrial products which will provided value to our customers and wealth to our shareholders and people."

strategic goal

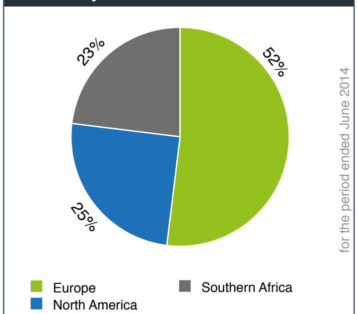
Net Operating Assets



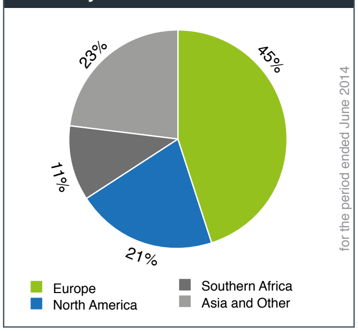
Sales by product



Sales by source



Sales by destination



Key figures

US$ million	Quarter ended Jun 2014	Quarter ended Restated[1] Jun 2013	Quarter ended Mar 2014	Nine months ended Jun 2014	Nine months ended Restated[1] June 2013
Sales	**1,484**	1,417	1,573	**4,556**	4,395
Operating profit excluding special items[2]	**67**	5	95	**222**	113
Special items – (gains) losses[2]	**(2)**	19	(4)	**(16)**	(16)
EBITDA excluding special items[2]	**140**	88	171	**458**	373
Profit (loss) for the period	**17**	(47)	32	**67**	(33)
Basic earnings (loss) per share (US cents)	**3**	(9)	6	**13**	(6)
Net debt[2]	**2,286**	2,331	2,248	**2,286**	2,331
Key ratios (%)					
Operating profit excl special items[2] to sales	**4.5**	0.4	6.0	**4.9**	2.6
Operating profit excluding special items[2] to capital employed (ROCE)[2]	**7.8**	0.5	11.0	**8.7**	4.2
EBITDA excl special items[2] to sales	**9.4**	6.2	10.9	**10.1**	8.5
Return on average equity (ROE)[2]	**5.9**	(13.5)	11.3	**7.8**	(3.1)
Net debt to total capitalisation[2]	**66.3**	63.5	66.2	**66.3**	63.5
Net asset value per share (US cents)	**222**	257	219	**222**	257

This table has not been audited or reviewed.

1 Restated for the adoption of ISA 19 (Revised) Employee Benefits and IFRS 10 Consolidated Financial Statements
2 Refer to the published results for details on special items, the definition of the terms and the reconciliation of EBITDA excluding special items to profit/loss for the period.

An upgrade to Gratkorn Mill's pulp production facilities and improvements to its papermaking capabilities, expected to be completed mid 2015, will secure a significantly lower cost base. The investment increases PM11's weight range and ensures long-term emission limits compliance.

A new power plant, at Kirkniemi Mill, expected to be operational early 2016, will significantly improve cost competitiveness and profitability by reducing energy costs and securing energy supply. The plant can potentially use 100% solid biomass such as bark from the mill's debarking process.

Registration number: 1936/008963/06
Issuer code: SAWI I **JSE Code:** SAP I **ISIN:** ZAE000006284

www.sappi.com

Regional summary of 3rd quarter results

Europe

Berry Wiersum
Chief Executive Officer
Sappi Europe

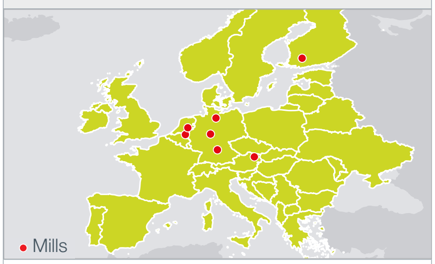
During this seasonally slow quarter, albeit stronger than expected, overall sales volumes were approximately 2% lower year-on-year, despite growth in speciality paper volumes and stable coated woodfree volumes.

The coated mechanical market remains weak, both domestically and globally.

Average Euro net sales prices were lower across all products compared to the equivalent quarter in the prior year, but flat compared to the prior quarter.

Savings in variable, fixed and logistics costs enabled the business to improve the year-on-year performance despite the lower sales prices. The weaker profitability compared to the prior quarter is largely due to seasonally lower sales volumes.

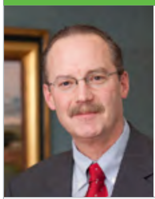
Nijmegen Mill was disposed of to an affiliate of the American Industrial Acquisition Corporation on 16 June 2014 and will in future manufacture packaging paper.



7 Paper mills
16 Sales offices

Produces
52%
of group sales

North America



Mark Gardner
President and Chief Executive Officer
Sappi North America

The graphic paper markets continued to be characterised by weak pricing; volumes were flat year-on-year.

Price increases for web products announced during the quarter should improve our results going forward.

Dissolving wood pulp profitability was negatively impacted by the planned annual maintenance shut at Cloquet as well as higher logistics costs.

The specialities business is experiencing improved sales to Europe, which is offsetting weaker Chinese markets.

Variable costs were higher than those of the equivalent quarter a year ago as a result of higher wood and paper pulp costs, and unscheduled outages at both the Cloquet and Somerset pulp mills.

Reorganisation resulted in the reduction of approximately 50 salaried and 60 hourly paid positions across the region.

1 Paper mill
1 Speciality paper mill
1 Paper and specialised cellulose mill
4 Sales offices

Produces
25%
of group sales

Southern Africa

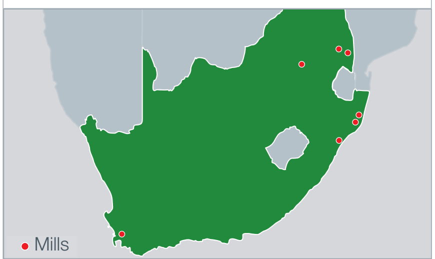
Alex Thiel
Chief Executive Officer
Sappi Southern Africa

Performance of the Southern African business improved compared to the equivalent quarter last year; a quarter impacted by the conversion to dissolving wood pulp at Ngodwana.

The increased dissolving wood pulp sales from Ngodwana, higher average Rand pricing for dissolving wood pulp and improved profitability from the paper packaging business all contributed to the improvement.

Compared to the prior quarter, lower average Rand pricing as well as increased variable costs were responsible for the reduction in profitability.

Variable costs, particularly for wood and pulp, were negatively impacted by the weaker Rand while fixed costs were in line with last year following cost containment actions.



4 Paper mills
1 Paper and specialised cellulose mill
1 Specialised cellulose mill
1 Sawmill
4 Sales offices
500,000ha Forests

Produces
23%
of group sales

Registration number: 1936/008963/06
Issuer code: SAWI I **JSE Code:** SAP I **ISIN:** ZAE000006284

www.sappi.com