1st Quarter results for the period ending December 2011

sappi

Inspired by life

1st quarter results

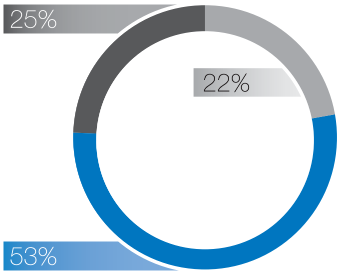
Sappi works closely with customers, both direct and indirect, in over 100 countries to provide them with relevant and sustainable paper, paper-pulp and chemical cellulose products and related services and innovations.

Our market-leading range of paper products includes: coated fine papers used by printers, publishers and corporate end-users in the production of books, brochures, magazines, catalogues, direct mail and many other print applications; casting release papers used by suppliers to the fashion, textiles, automobile and household industries; and in our Southern African region, newsprint, uncoated graphic and business papers, premium-quality packaging papers, paper-grade pulp and chemical cellulose.

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

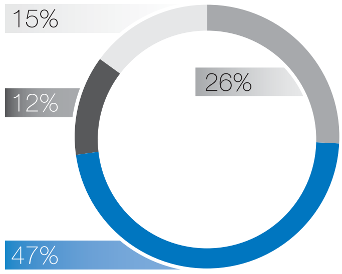
The pulp needed for our products is either produced within Sappi or bought from accredited suppliers. Across the group, Sappi is close to 'pulp neutral', meaning that we sell almost as much pulp as we buy.

Sales by source*



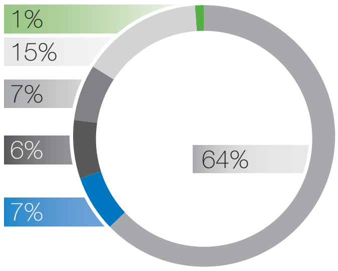
North America	22%
Europe	53%
Southern Africa	25%

Sales by destination*



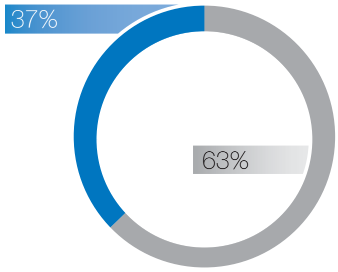
North America	26%
Europe	47%
Southern Africa	12%
Asia and other	15%

Sales by product group*



Coated fine paper	64%
Uncoated fine paper	7%
Specialities	6%
Commodity paper	7%
Pulp	15%
Other	1%

Net operating assets**



Fine paper	63%
Southern Africa	37%

**for the period ended December 2011*
***as at December 2011*

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Financial summary for the quarter

- Profit for the period US$45 million; Q1 2011 US$37 million
- EPS 9 US cents; Q1 2011 7 US cents
- Operating profit excluding special items US$100 million; Q1 2011 US$137 million
- European business performance benefits from restructuring and cost reduction actions
- Southern African chemical cellulose business performed strongly
- Net debt US$2,175 million, up US$75 million on seasonal working capital increase

	Quarter ended		
	Dec 2011	Dec 2010*	Sept 2011
Key figures: (US$ million)			
Sales	**1,585**	1,873	1,787
Operating profit (loss)	**107**	121	(88)
Special items – (gains) losses(1)	**(7)**	16	168
Operating profit excluding special items(2)	**100**	137	80
EBITDA excluding special items(3)	**194**	246	183
Basic earnings (loss) per share (US cents)	**9**	7	(24)
Net debt(4)	**2,175**	2,432	2,100
Key ratios: (%)			
Operating profit (loss) to sales	**6.8**	6.5	(4.9)
Operating profit excluding special items to sales	**6.3**	7.3	4.5
Operating profit excluding special items to capital employed (ROCE)	**11.0**	12.8	8.1
EBITDA excluding special items to sales	**12.2**	13.1	10.2
Return on average equity (ROE)(5)	**12.0**	7.6	(30.2)
Net debt to total capitalisation(5)	**58.9**	54.7	58.7
Net asset value per share (US cents)	**291**	388	284

(1) Refer to page 15 for details on special items.

(2) Refer to page 15, note 8 to the group results for the reconciliation of operating profit excluding special items to segment operating profit.

(3) Refer to page 15, note 8 to the group results for the reconciliation of EBITDA excluding special items and operating profit excluding special items to profit before taxation.

(4) Refer to page 17, supplemental information for the reconciliation of net debt to interest-bearing borrowings.

(5) Refer to page 16, supplemental information for the definition of the term.

**The quarter ended December 2010 included 14 weeks whereas the quarters ended September 2011 and December 2011 included 13 weeks.*

The table above has not been audited or reviewed.

Commentary on the quarter

Following a year in which various actions and strategies were initiated, primarily involving extensive restructuring charges and asset impairments, the group achieved a profit for the period of US$45 million (Q1 2011 US$37 million) and EPS of 9 US cents (Q1 2011 7 US cents) in the first quarter of the 2012 financial year.

> ***NOTE:*** *The comparative first quarter of the 2011 financial year consisted of 14 weeks, compared to the 13 weeks of both the first quarter of the 2012 financial year and the fourth quarter of the 2011 financial year. This results in increased levels of sales and profits in Q1 2011 against which Q1 2012 and Q4 2011 are compared.*

Market conditions remained uncertain as a result of the continued negative sentiment in financial markets. Nevertheless, utilisation levels for our coated paper mills remained at high levels in North America and reasonable levels in Europe.

Pulp prices continued to decline during the quarter but stabilised towards the end of the quarter.

The European business benefited from lower input prices (particularly pulp) and the implementation of its US$100 million per annum cost reduction actions resulting in a significant improvement in operating profit for the region compared to the quarter ended September 2011.

The reduction in pulp prices had an unfavourable impact on our North American business, which is a net seller of pulp. In addition, pulp production interruptions at Somerset Mill and weaker markets for casting release paper in China had an unfavourable impact on operating profit compared to the equivalent quarter last year, despite a performance of the North American coated paper business that was in line with expectations.

The Southern African chemical cellulose business performed strongly. The weaker Rand/US Dollar exchange rate substantially compensated for lower US Dollar sales prices. The progress made by the paper business' restructuring is expected to lead to improved profitability in the second half of the financial year.

Group operating profit (excluding special items) has improved for two consecutive quarters coming in at US$100 million but was below the US$137 million in the equivalent quarter last year, partly as a result of the additional week in the comparative period.

There were no major special items for the quarter, which is in line with our aim to minimise once-off charges or special items during the year ahead other than possible adjustments in plantation fair value. The special item gain of US$7 million included a plantation fair value adjustment of US$3 million and profit on the sale of assets of US$5 million.

Operating profit was therefore US$107 million compared to US$121 million in the equivalent quarter last year.

Finance costs of US$54 million were significantly lower than the equivalent quarter last year (US$71 million) following the refinancing we concluded in the 2011 financial year and the use of cash to repay higher cost debt.

Cash flow and debt

Net cash utilised for the quarter was US$111 million, an improvement compared to net cash utilised of US$196 million in the equivalent quarter last year. This cash outflow for the quarter was mainly a result of a seasonal increase in working capital. Working capital typically increases at the end of the first financial quarter as a result of the seasonal slowdown in deliveries in the second half of December. Capital expenditure in the quarter increased to US$76 million compared to US$45 million a year ago, reflecting the commencement of the investments in the announced chemical cellulose expansion projects. We aim to constrain capital expenditure including these transforming projects, to below US$450 million for the year, which is slightly above the expected depreciation charge for the year.

Net debt increased to US$2,175 million from US$2,100 million in the quarter ended September 2011 as a result of seasonal cash utilisation partly offset by currency movements. Net debt is down from US$2,432 million in December 2010.

Cash on hand was US$401 million at quarter end after debt repayments of approximately US$140 million during the quarter.

Operating Review – Quarter ended December 2011 compared with quarter ended December 2010

NOTE: *In order to provide greater context to the performance of our regional businesses, the tables below summarise the regional results in local currency. Note 8 discloses the results in US Dollars. In addition, we report 5 consecutive quarters.*

Sappi Fine Paper

	Quarter ended Dec 2011 US$ million	Quarter ended Sept 2011 US$ million	Quarter ended Jun 2011 US$ million	Quarter ended Mar 2011 US$ million	Quarter ended Dec 2010 US$ million*
Sales	**1,198**	1,337	1,350	1,389	1,409
Operating profit excluding special items	**39**	39	30	71	57
Operating profit excluding special items to sales (%)	**3.3**	2.9	2.2	5.1	4.0
EBITDA excluding special items	**110**	115	107	144	137
EBITDA excluding special items to sales (%)	**9.2**	8.6	7.9	10.4	9.7
RONOA pa (%)	**5.6**	5.3	3.9	9.1	7.3

**The quarter ended December 2010 included 14 weeks whereas all other quarters included 13 weeks*

The coated paper businesses performed in line with expectations in North America and the improvement in Europe reflected the cost reduction and restructuring actions we implemented last year.

The performance of the North American segment was unfavourably impacted by lower pulp output, declining pulp prices and weaker demand for casting release products particularly in the Chinese markets.

Europe

	Quarter ended Dec 2011 € million	Quarter ended Sept 2011 € million	Quarter ended Jun 2011 € million	Quarter ended Mar 2011 € million	Quarter ended Dec 2010 € million*
Sales	**628**	666	679	738	760
Operating profit (loss) excluding special items	**22**	3	(2)	23	25
Operating profit (loss) excluding special items to sales (%)	**3.5**	0.5	(0.3)	3.1	3.3
EBITDA excluding special items	**60**	44	38	63	70
EBITDA excluding special items to sales (%)	**9.6**	6.6	5.6	8.5	9.2
RONOA pa (%)	**6.1**	0.8	(0.3)	5.8	6.2

**The quarter ended December 2010 included 14 weeks whereas all other quarters included 13 weeks*

The benefits of the restructuring and cost reduction actions undertaken in our European business exceeded the target of US$25 million per quarter (US$100 million per annum) for the quarter. The transition of coated products from Biberist Mill to our other mills was successfully concluded. In addition, the initiatives to reduce variable and fixed costs progressed well.

As a result of our capacity reduction, operating rates remained reasonable despite the uncertain market conditions.

In addition to the benefits of our cost reduction actions, prices for major input costs were lower.

Prices realised for coated woodfree paper were 4% lower than the equivalent quarter last year and for coated mechanical, were 5% higher. The specialities business, which supplies the growing renewable packaging market, performed well.

During the quarter, the agreement that Sappi sell the output of Äänekoski Mill was terminated on the closure of the mill by the owner, resulting in an improvement in the coated woodfree paper supply/demand balance in Europe. The transition of part of the production to our mills is progressing well.

North America

	Quarter ended Dec 2011 US$ million	Quarter ended Sept 2011 US$ million	Quarter ended Jun 2011 US$ million	Quarter ended Mar 2011 US$ million	Quarter ended Dec 2010 US$ million*
Sales	**352**	395	371	372	382
Operating profit excluding special items	**10**	34	32	40	23
Operating profit excluding special items to sales (%)	**2.8**	8.6	8.6	10.8	6.0
EBITDA excluding special items	**29**	53	50	58	42
EBITDA excluding special items to sales (%)	**8.2**	13.4	13.5	15.6	11.0
RONOA pa (%)	**4.4**	14.9	13.7	17.0	9.9

**The quarter ended December 2010 included 14 weeks whereas all other quarters included 13 weeks*

The performance of our North American coated paper business was in line with expectations. Sales volumes were at the same level as a year earlier on a per week basis. Average prices realised for coated paper were 3% higher than the equivalent quarter last year.

The pulp business was impacted by lower pulp sales prices and unplanned pulp production interruptions at Somerset Mill in addition to the planned annual maintenance shut of the pulp mill during the quarter. The pulp business' operating profit was US$6 million below the equivalent quarter last year.

The casting release business underperformed mainly as a result of lower demand in China during the quarter.

Sappi Southern Africa

	Quarter ended Dec 2011 ZAR million	Quarter ended Sept 2011 ZAR million	Quarter ended Jun 2011 ZAR million	Quarter ended Mar 2011 ZAR million	Quarter ended Dec 2010 ZAR million*
Sales	**3,131**	3,217	3,068	3,023	3,223
Operating profit excluding special items	**494**	296	172	368	549
Operating profit excluding special items to sales (%)	**15.8**	9.2	5.6	12.2	17.0
EBITDA excluding special items	**680**	482	355	563	750
EBITDA excluding special items to sales (%)	**21.7**	15.0	11.6	18.6	23.3
RONOA pa (%)	**15.1**	8.9	4.9	10.5	16.1

**The quarter ended December 2010 included 14 weeks whereas all other quarters included 13 weeks*

The chemical cellulose business continued to perform strongly during the quarter, generating almost all of the operating profit excluding special items of the region for the quarter. Our prices, which are generally linked to NBSK prices, declined in US Dollar terms in line with the decline in NBSK prices. This reduction was offset by a weakening of the Rand/US Dollar exchange rate, resulting in an increase in average prices realised in Rand terms compared to a year earlier and the quarter ended September 2011.

The Southern African paper business is proceeding with the restructuring announced last year. The restructuring includes streamlining sales and marketing and the other central functions and services. We have progressed the consultation with our employees about the intended closures of the pulp mill at Enstra Mill, the kraft pulp mill at Tugela Mill, a 10,000-ton kraft paper machine at Tugela Mill and further improving operating efficiency at each Southern African mill. The benefits of the restructuring are expected to be realised from the second half of the financial year. The restructuring and impairment charges related to these actions were accounted for in the quarter ended September 2011.

Directorate

Mr J E Healey (Jim) retired from the board at the end of December 2011 having reached the company's mandatory retirement age.

Outlook

Although market conditions remain uncertain, we are experiencing reasonable demand in our major markets. Our focus is on delivering the benefits of the restructuring and cost reduction actions announced and implemented in 2011 - in line with the group's stated strategy.

The European business has made good progress with its US$100 million per annum cost reduction plans and has further benefited from the reduction of prices for some raw materials, including pulp. At current demand levels we expect to see further improvement in the performance of this business as the year progresses.

We expect that the North American business' overall performance will improve as a result of increased pulp production, as well as an improvement in Chinese demand for casting release paper. There are signs that pulp prices may have reached a turning point and we could see an increasing trend over the next few months. The North American coated paper business is expected to continue performing well.

The restructuring of the Southern African business is proceeding as planned and we expect the benefits to be realised from the second half of the financial year.

Demand for our chemical cellulose remains relatively strong. The performance of our Southern African chemical cellulose business is sensitive to the Rand price for our sales, based on the US Dollar chemical cellulose price and the Rand/Dollar exchange rates. To date the exchange rate movement has largely offset the drop in prices, resulting in relatively stable Rand-denominated chemical cellulose prices realised and good margins for our business. The chemical cellulose expansion projects announced last year are on track.

We are committed to managing our debt levels with a view to reducing net debt below US$2 billion as soon as the current transforming capital expenditure has been completed and thereafter to reducing gearing (eg Net Debt to EBITDA) to a substantially lower level. We expect net cash generation to turn positive for the full year after the increased capital expenditure and for debt levels, given constant exchange rates, to reduce by the year end.

Provided there is no deterioration in market conditions, we expect the second quarter operating profit excluding special items to improve compared to the first quarter.

On behalf of the board

R J Boëttger
Director

M R Thompson
Director

08 February 2012

sappi limited

(Registration number 1936/008963/06)
Issuer Code: SAVVI
JSE Code: SAP
ISIN: ZAE000006284

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, which do not relate to historical matters, identify forward-looking statements. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond our control and may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements (and from past results, performance or achievements). Certain factors that may cause such differences include but are not limited to:

- the highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclicality, such as levels of demand, production capacity, production, input costs including raw material, energy and employee costs, and pricing);
- the impact on our business of the global economic downturn;
- unanticipated production disruptions (including as a result of planned or unexpected power outages);
- changes in environmental, tax and other laws and regulations;
- adverse changes in the markets for our products;
- 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, cost-reduction programmes, investments, acquisitions and dispositions (including related financing), any delays, unexpected costs or other problems experienced in connection with dispositions or with integrating acquisitions 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 Dec 2011 US$ million	Quarter ended Dec 2010 US$ million
Sales		**1,585**	1,873
Cost of sales		**1,377**	1,637
Gross profit		**208**	236
Selling, general and administrative expenses		**105**	112
Other operating (income) expenses		**(4)**	5
Share of profit from associates and joint ventures		**–**	(2)
Operating profit	2	**107**	121
Net finance costs		**54**	71
Net interest		**56**	78
Net foreign exchange gains		**(1)**	(4)
Net fair value gains on financial instruments		**(1)**	(3)
Profit before taxation		**53**	50
Taxation		**8**	13
Current		**(1)**	2
Deferred		**9**	11
Profit for the period		**45**	37
Basic earnings per share (US cents)		**9**	7
Weighted average number of shares in issue (millions)		**520.5**	519.5
Diluted basic earnings per share (US cents)		**9**	7
Weighted average number of shares on fully diluted basis (millions)		**524.5**	524.5

Condensed group statement of comprehensive income

	Quarter ended Dec 2011 US$ million	Quarter ended Dec 2010 US$ million
Profit for the period	**45**	37
Other comprehensive (loss) income, net of tax	**(11)**	78
Exchange differences on translation of foreign operations	**2**	82
Movements in hedging reserves	**(14)**	(3)
Deferred tax effect of above items	**1**	(1)
Total comprehensive income for the period	**34**	115

Condensed group balance sheet

	Dec 2011 US$ million	Reviewed Sept 2011 US$ million
ASSETS		
Non-current assets	**4,026**	4,085
Property, plant and equipment	3,171	3,235
Plantations	586	580
Deferred taxation	43	45
Other non-current assets	226	225
Current assets	**1,943**	2,223
Inventories	771	750
Trade and other receivables	771	834
Cash and cash equivalents	401	639
Total assets	**5,969**	6,308
EQUITY AND LIABILITIES		
Shareholders' equity		
Ordinary shareholders' interest	1,516	1,478
Non-current liabilities	**3,134**	3,178
Interest-bearing borrowings	2,245	2,289
Deferred taxation	342	336
Other non-current liabilities	547	553
Current liabilities	**1,319**	1,652
Interest-bearing borrowings	326	449
Bank overdraft	5	1
Other current liabilities	974	1,182
Taxation payable	14	20
Total equity and liabilities	**5,969**	6,308
Number of shares in issue at balance sheet date (millions)	520.9	520.5

Condensed group statement of cash flows

	Quarter ended Dec 2011 US$ million	Quarter ended Dec 2010 US$ million
Profit for the period	45	37
Adjustment for:		
Depreciation, fellings and amortisation	113	131
Taxation	8	13
Net finance costs	54	71
Defined post-employment benefits	(11)	(14)
Plantation fair value adjustments	(24)	(10)
Restructuring provisions	–	3
Black Economic Empowerment charge	1	1
Other non-cash items	9	13
Cash generated from operations	195	245
Movement in working capital	(166)	(335)
Net finance costs paid	(64)	(63)
Taxation paid	(5)	(2)
Cash utilised in operating activities	(40)	(155)
Cash utilised in investing activities	(71)	(41)
Net cash utilised	(111)	(196)
Cash effects of financing activities	(117)	(15)
Net movement in cash and cash equivalents	(228)	(211)

Condensed group statement of changes in equity

	Quarter ended Dec 2011 US$ million	Quarter ended Dec 2010 US$ million
Balance – beginning of period	1,478	1,896
Total comprehensive income for period	34	115
Transfers from the share purchase trust	2	2
Transfers of vested share options	(2)	–
Share-based payment reserve	4	3
Balance – end of period	1,516	2,016

Notes to the condensed group results

1. Basis of preparation

The condensed consolidated interim financial results for the three months ended December 2011 have been prepared in compliance with the Listings Requirements of the JSE Limited and in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, AC 500 standards issued by the Accounting Practices Board, the requirements of the Companies Act of South Africa and the information required by IAS 34 *Interim Financial Reporting*. The accounting policies applied in the preparation of these interim financial results are consistent with those applied for the year ended September 2011.

The quarter ended December 2011 consisted of 13 weeks compared to the fiscal quarter ended December 2010 which consisted of 14 weeks.

The preparation of this condensed consolidated financial information was supervised by the Chief Financial Officer, M R Thompson, CA(SA).

These results are unaudited.

	Quarter ended Dec 2011 US$ million	Quarter ended Dec 2010 US$ million
2. Operating profit		
Included in operating profit are the following non-cash items:		
Depreciation and amortisation	94	109
Fair value adjustment on plantations (included in cost of sales)		
Changes in volume		
Fellings	19	22
Growth	(21)	(21)
	(2)	1
Plantation price fair value adjustment	(3)	11
	(5)	12
Included in other operating (income) expenses are the following:		
Profit on disposal of property, plant and equipment	(5)	–
Restructuring provisions	–	3
Black Economic Empowerment charge	1	1
3. Headline earnings per share		
Headline earnings per share (US cents)	8	7
Weighted average number of shares in issue (millions)	520.5	519.5
Diluted headline earnings per share (US cents)	8	7
Weighted average number of shares on fully diluted basis (millions)	524.5	524.5
Calculation of headline earnings		
Profit for the period	45	37
Profit on disposal of property, plant and equipment	(5)	–
Tax effect of above items	–	–
Headline earnings	40	37
4. Capital expenditure		
Property, plant and equipment	76	45

	Dec 2011 US$ million	Reviewed Sept 2011 US$ million
5. Capital commitments		
Contracted	193	61
Approved but not contracted	538	416
	731	477

The increase is primarily due to the announced conversion of the Cloquet Mill in North America to produce chemical cellulose.

	Dec 2011 US$ million	Reviewed Sept 2011 US$ million
6. Contingent liabilities		
Guarantees and suretyships	32	33
Other contingent liabilities	8	15
	40	48

7. Material balance sheet movements

Cash and cash equivalents, interest-bearing borrowings and other current liabilites

The group repaid US$142 million of debt from cash resources including the ZAR 10.64% fixed rate public bonds in Southern Africa of US$124 million (ZAR1,000 million).

In addition, other current liabilities were reduced by payments of restructuring and other accruals.

8. Segment information

		Quarter ended Dec 2011 Metric tons (000's)	Quarter ended Dec 2010 Metric tons (000's)
Sales volume			
Fine Paper –	North America	339	364
	Europe	849	1,012
	Total	1,188	1,376
Southern Africa –	Pulp and paper	400	452
	Forestry	241	194
Total		1,829	2,022

		US$ million	US$ million
Sales			
Fine Paper –	North America	352	382
	Europe	846	1,027
	Total	1,198	1,409
Southern Africa -	Pulp and paper	368	447
	Forestry	19	17
Total		1 ,585	1,873

		Quarter ended Dec 2011 US$ million	Quarter ended Dec 2010 US$ million
Operating profit excluding special items			
Fine Paper –	North America	10	23
	Europe	29	34
	Total	39	57
Southern Africa		61	79
Unallocated and eliminations[1]		–	1
Total		100	137
Special items – (gains) losses			
Fine Paper –	North America	–	–
	Europe	(5)	–
	Total	(5)	–
Southern Africa		(2)	13
Unallocated and eliminations[1]		–	3
Total		(7)	16
Segment operating profit (loss)			
Fine Paper –	North America	10	23
	Europe	34	34
	Total	44	57
Southern Africa		63	66
Unallocated and eliminations[1]		–	(2)
Total		107	121
EBITDA excluding special items			
Fine Paper –	North America	29	42
	Europe	81	95
	Total	110	137
Southern Africa		84	108
Unallocated and eliminations[1]		–	1
Total		194	246
Segment assets			
Fine Paper –	North America	901	924
	Europe	1,908	2,255
	Total	2,809	3,179
Southern Africa		1,663	2,121
Unallocated and eliminations[1]		65	65
Total		4,537	5,365

(1) Includes the group's treasury operations, the self-insurance captive and the investment in the Jiangxi Chenming joint venture.

Reconciliation of operating profit excluding special items to segment operating profit

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.

	Quarter ended Dec 2011 US$ million	Quarter ended Dec 2010 US$ million
Operating profit excluding special items	100	137
Special Items	7	(16)
Plantation price fair value adjustment	3	(11)
Restructuring provisions	–	(3)
Profit on disposal of property, plant and equipment	5	–
Black Economic Empowerment charge	(1)	(1)
Fire, flood, storm and related events	–	(1)
Segment operating profit	107	121

Reconciliation of EBITDA excluding special items and operating profit excluding special items to profit before taxation

	Quarter ended Dec 2011 US$ million	Quarter ended Dec 2010 US$ million
EBITDA excluding special items	194	246
Depreciation and amortisation	(94)	(109)
Operating profit excluding special items	100	137
Special items – gains (losses)	7	(16)
Net finance costs	(54)	(71)
Profit before taxation	53	50

Reconciliation of segment assets to total assets

	Quarter ended Dec 2011 US$ million	Quarter ended Dec 2010 US$ million
Segment assets	4,537	5,365
Deferred taxation	43	52
Cash and cash equivalents	401	591
Other current liabilities	974	1,030
Taxation payable	14	39
Total assets	5,969	7,077

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

General definitions

Average – averages are calculated as the sum of the opening and closing balances for the relevant period divided by two

Black Economic Empowerment – as envisaged in the Black Economic Empowerment (BEE) legislation in South Africa

Black Economic Empowerment charge – represents the IFRS 2 non-cash charge associated with the BEE transaction implemented in fiscal 2010

Fellings – the amount charged against the income statement representing the standing value of the plantations harvested

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

SG&A – selling, general and administrative expenses

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

Capital employed – shareholders' equity plus net debt

EBITDA excluding special items – earnings before interest (net finance costs), taxation, depreciation, amortisation and special items

Headline earnings – as defined in Circular 3/2009 issued by The South African Institute of Chartered Accountants, separates from earnings all separately identifiable re-measurements. It is not necessarily a measure of sustainable earnings. It is a Listings Requirement of the JSE Limited to disclose headline earnings per share

Net assets – total assets less total liabilities

Net asset value per share – net assets divided by the number of shares in issue at balance sheet date

Net debt – current and non-current interest-bearing borrowings, and bank overdraft (net of cash, cash equivalents and short-term deposits)

Net debt to total capitalisation – net debt divided by capital employed

Net operating assets – total assets (excluding deferred taxation and cash) less current liabilities (excluding interest-bearing borrowings and overdraft). Net operating assets equate to **segment assets**

ROCE – return on average capital employed. Operating profit excluding special items divided by average capital employed

ROE – return on average equity. Profit for the period divided by average shareholders' equity

RONOA – return on average net operating assets. Operating profit excluding special items divided by average segment assets

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 Dec 2011	Quarter ended Dec 2010
Key figures: (ZAR million)		
Sales	**12,825**	13,011
Operating profit	**866**	841
Special items – (gains) losses[(1)]	**(57)**	111
Operating profit excluding special items[(1)]	**809**	952
EBITDA excluding special items[(1)]	**1,570**	1,709
Basic earnings per share (SA cents)	**73**	49
Net debt[(1)]	**17,587**	16,097
Key ratios: (%)		
Operating profit to sales	**6.8**	6.5
Operating profit excluding special items to sales	**6.3**	7.3
Operating profit excluding special items to capital employed (ROCE)[(1)]	**11.0**	13.1
EBITDA excluding special items to sales	**12.2**	13.1
Return on average equity (ROE)	**12.0**	7.7
Net debt to total capitalisation[(1)]	**58.9**	54.7

(1) Refer to page 16, Supplemental information for the definition of the term.
The above financial results have been translated into Rands from US Dollars as follows:
– assets and liabilities at rates of exchange ruling at period end; and
– income, expenditure and cash flow items at average exchange rates.

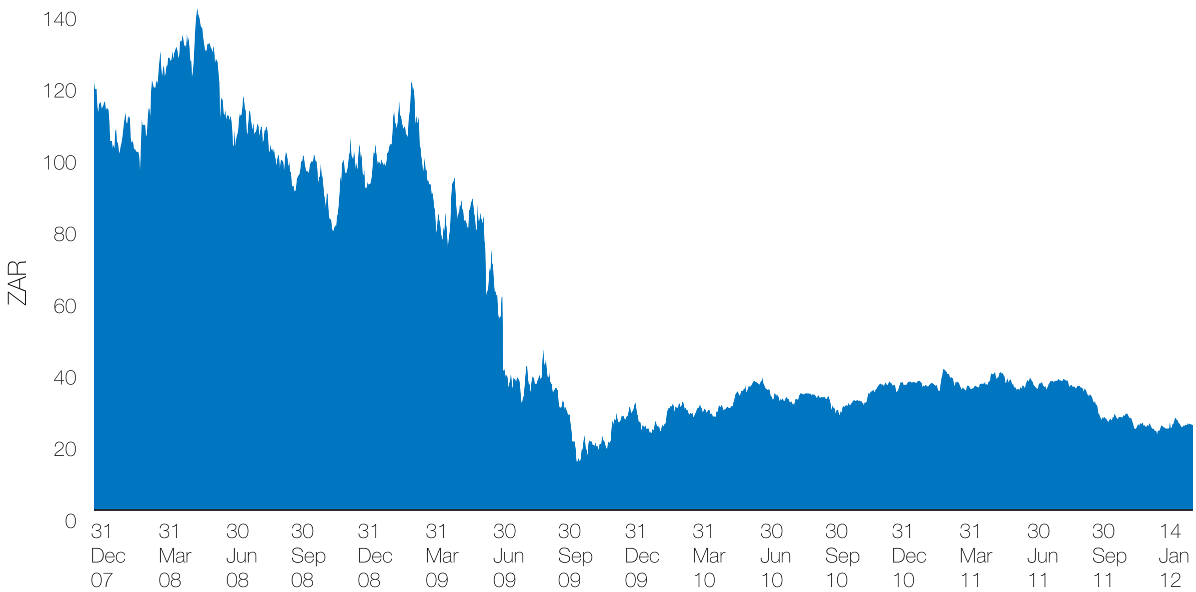
Reconciliation of net debt to interest-bearing borrowings

	Dec 2011 US$ million	Sept 2011 US$ million
Interest-bearing borrowings	**2,576**	2,739
Non-current interest-bearing borrowings	**2,245**	2,289
Current interest-bearing borrowings	**326**	449
Bank overdraft	**5**	1
Cash and cash equivalents	**(401)**	(639)
Net debt	**2,175**	2,100

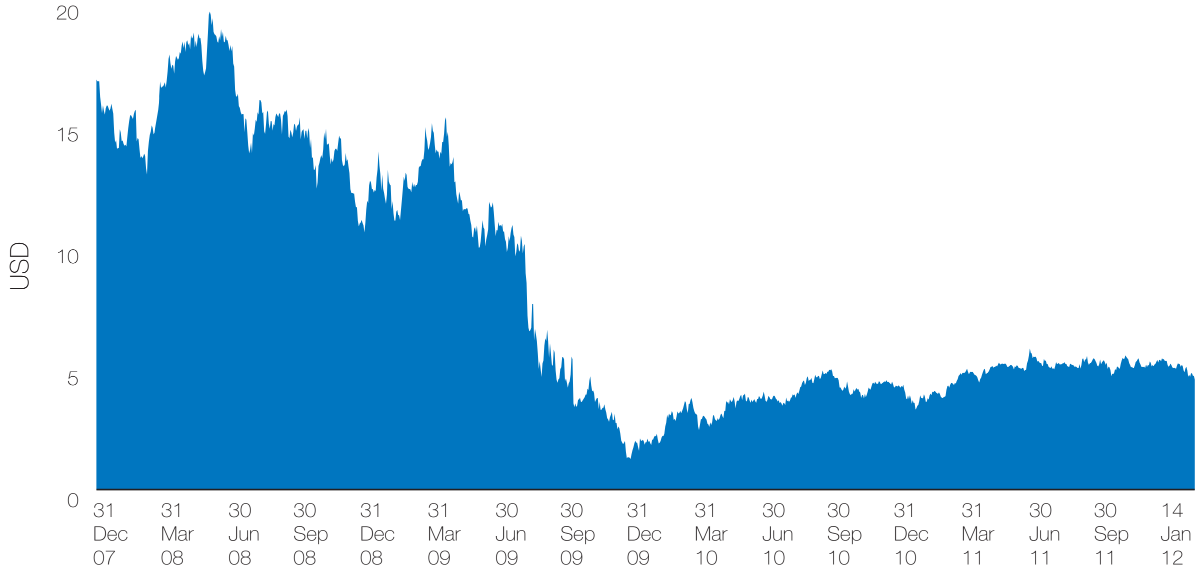
Exchange rates

	Dec 2011	Sept 2011	Jun 2011	Mar 2011	Dec 2010
Exchange rates:					
Period end rate: US$1 = ZAR	**8.0862**	8.0963	6.7300	6.6978	6.6190
Average rate for the Quarter: US$1 = ZAR	**8.0915**	7.1501	6.7890	6.9963	6.9464
Average rate for the YTD: US$1 = ZAR	**8.0915**	6.9578	6.8941	6.9476	6.9464
Period end rate: €1 = US$	**1.2948**	1.3386	1.4525	1.4231	1.3380
Average rate for the Quarter: €1 = US$	**1.3482**	1.4126	1.4398	1.3702	1.3516
Average rate for the YTD: €1 = US$	**1.3482**	1.3947	1.3890	1.3645	1.3516

Sappi ordinary shares* (JSE: SAP)



US Dollar share price conversion*



** Historic share prices revised to reflect rights offer.*

this report is available on the Sappi website

www.sappi.com

Sappi has a primary listing on the JSE Limited and a secondary listing on the New York Stock Exchange

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