

SAPPI LTD

Form 6-K

August 06, 2013

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

under the Securities Exchange Act of 1934

For the month of August, 2013

Commission file number: 1-14872

SAPPI LIMITED

(Translation of registrant's name into English)

48 Ameshoff Street

Braamfontein

Johannesburg 2001

REPUBLIC OF SOUTH AFRICA

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

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Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b) (1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b) (7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

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If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): n/a

## **INCORPORATION BY REFERENCE**

Sappi Limited's report for the conformed third quarter results ended June 2013, furnished by the Registrant under this Form 6-K, is incorporated by reference into (i) the Registration Statements on Form S-8 of the Registrant filed December 23, 1999, December 15, 2004 and February 2, 2010 in connection with The Sappi Limited Share Incentive Scheme, (ii) the Section 10(a) Prospectus relating to the offer and sale of the Registrant's shares to Participants under The Sappi Limited Share Incentive Scheme, (iii) the Registration Statements on Form S-8 of the Registrant filed December 15, 2004 and December 21, 2005 in connection with The Sappi Limited 2004 Performance Share Incentive Plan and (iv) the Section 10(a) Prospectus relating to the offer and sale of the Registrant's shares to Participants under The Sappi Limited 2004 Performance Share Incentive Plan. This Form 6-K includes a conformed version of the earnings announcement sent by the Registrant to its shareholders. This conformed version was prepared solely for purposes of supplementing the documents referred to in clauses (i) - (iv) above.

## **FORWARD-LOOKING STATEMENTS**

In order to utilize the "Safe Harbor" provisions of the United States Private Securities Litigation Reform Act of 1995 (the "Reform Act"), Sappi Limited (the "Company") is providing the following cautionary statement. Except for historical information contained herein, statements contained in this Report on Form 6-K may constitute "forward-looking statements" within the meaning of the Reform Act. The words "believe", "anticipate", "expect", "intend", "estimate", "plan", "assume", "positioned", "will", "may", "should", "ri" similar expressions, which are predictions of or indicate future events and future trends, which do not relate to historical matters, identify forward-looking statements. In addition, this Report on Form 6-K may include forward-looking statements relating to the Company's potential exposure to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity price risk. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond the control of the Company, together with its subsidiaries (the "Group"), and may cause the actual results, performance or achievements of the Group 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 cyclicity, such as levels of demand, production capacity, production, input costs including rawmaterial, energy and employee costs, and pricing);
- the impact on the business of the global economic downturn;
-

unanticipated production disruptions (including as a result of planned or unexpected power outages);

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changes in environmental, tax and other laws and regulations;

.

adverse changes in the markets for the Group's products;

.

the emergence of new technologies and changes in consumer trends including increase preferences for digital media;

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consequences of the Group's leverage, including as a result of adverse changes in credit markets that affect the Group's ability to raise capital when needed;

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adverse changes in the political situation and economy in the countries in which the Group operates or the effect of governmental efforts to address present or future economic or social problems;

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the impact of restructurings, investments, acquisitions, dispositions and other strategic initiatives (including related financing),

any delays, unexpected costs or other problems experienced in connection with dispositions or with integrating acquisitions

or implementing restructuring or strategic initiatives (including dissolving wood pulp conversion projects), and achieving

expected savings and synergies; and

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currency fluctuations.

These and other risks, uncertainties and factors are discussed in the Company's Annual Report on Form 20-F and other filings with

and submissions to the Securities and Exchange Commission, including this Report on Form 6-K. Shareholders and prospective

investors are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are made

as of the date of the submission of this Report on Form 6-K and are not intended to give any assurance as to future results. The

Company undertakes 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.

**results**

period ended

June 2013

Form S-8 Version

Third Quarter

**for**

**the**

### **3rd 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 dissolving wood pulp 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 dissolving wood pulp.

Our dissolving wood pulp 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**

**Europe**

**Southern Africa**

54%

23%

23%

#### **Sales by product\***

**Coated paper**

**Uncoated paper**

**Speciality paper**

**Commodity paper**

**Dissolving wood pulp**

**Paper pulp**

**Other**

65%

1%

3%

10%

8%

6%

7%

**Sales by destination\***

**North America**

**Europe**

**Southern Africa**

**Asia and other**

46%

18%

12%

24%

**Cover picture – Shutterstock**

*The picture depicts viscose clothing. Viscose clothing is made from one of our specialised cellulose products. Viscose staple fibre is a biodegradable product, with breathability and moisture absorbency properties, ideal for use in clothing.*

*\* for the period ended June 2013*

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**sappi 3rd quarter results**

- Successful start-up of both dissolving wood pulp projects
- Operating loss US\$11 million (Q3 2012 US\$34 million profit)
- Operating profit excluding special items US\$8 million (Q3 2012 US\$60 million)
- Loss for the period US\$42 million (Q3 2012 US\$106 million loss)
- Loss per share 8 US cents (Q3 2012 loss of 20 US cents)
- Net finance costs of US\$42 million (Q3 2012 US\$141 million)
- Interest-bearing borrowings (including bank overdrafts) less cash and cash equivalents ('net debt') US\$2,297 million (Q3 2012 US\$2,213 million)

**Financial summary for the quarter**

**Quarter ended**

**Nine months ended**

**Jun 2013** Jun 2012 Mar 2013 **Jun 2013** Jun 2012

**Key figures: (US\$ million)**

**Sales**

**1,417**

1,544

1,503

**4,395**

4,762

**Operating (loss) profit**

**(11)**

34

78

**137**

261

Special items – losses (gains)

(1)

**19**

26

(38)

**(16)**

24

Operating profit excluding special items

(2)

**8**

60

40

**121**

285

EBITDA excluding special items

(2)  
**91**  
150  
128  
**381**  
561  
(Loss) profit for the period  
**(42)**  
(106)  
7  
**(18)**  
(3)  
Basic (loss) earnings per share  
(US cents)  
**(8)**  
(20)  
1  
**(3)**  
(1)  
Key ratios: (%)  
Operating (loss) profit to sales  
**(0.8)**  
2.2  
5.2  
**3.1**  
5.5  
Operating profit excluding  
special items to sales  
**0.6**  
3.9  
2.7  
**2.8**  
6.0  
EBITDA excluding special items  
to sales  
**6.4**  
9.7  
8.5  
**8.7**  
11.8  
Net asset value per share  
(US cents)  
**257**  
299  
277  
**257**  
299

*(1) Refer to note 8 to the group results for details on special items.*

*(2) Refer to note 8 to the group results for the reconciliation of EBITDA excluding special items and operating profit excluding special items to segment operating (loss) profit, and loss for the period.*



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### **Commentary on the quarter**

Market conditions, particularly in our European paper business, deteriorated further during the quarter. This, coupled with our conversion projects and planned annual maintenance shuts, impacted the group's operating results which consequently resulted in an operating loss of US\$11 million.

The third financial quarter is seasonally our weakest with typically lower demand in Europe and North America and with planned annual maintenance shuts at most of our major pulp mills. In this transitional year, the quarter was also impacted by the extended shuts at both the Cloquet and Ngodwana mills as they completed the capital projects to convert existing paper pulp lines to produce dissolving wood pulp. The third quarter results were also impacted by special items including a charge of US\$11 million related to a plantation price fair value adjustment and a charge of US\$4 million due to plantation fire damage in South Africa.

Net finance costs for the quarter of US\$42 million were in line with those of the prior quarter. The comparative Q3 2012 net finance costs of US\$141 million included the once-off charges of US\$89 million related to the bond refinancing during that quarter.

Both the dissolving wood pulp projects at the Ngodwana and Cloquet pulp mills have now started production. The Cloquet mill produced the first bales of dissolving wood pulp in early June, and the ramp-up has progressed according to schedule with production and quality targets having been met. The Ngodwana mill started up in late July, a few weeks later than scheduled, and we expect this mill to ramp-up to full production over the coming months.

### **Cash flow and debt**

Net cash utilised in operating and investing activities for the quarter was US\$157 million, compared to net cash utilisation of US\$56 million in the equivalent quarter last year. This increase in cash utilisation was mainly as a result of capital expenditure of US\$174 million which related primarily to strategic investments in expanding our dissolving wood pulp capacity and lower profits from operations. We expect that capital expenditure for the full year will not exceed US\$600 million.

The expected marginal increase in net debt to US\$2,297 million compared to both the equivalent quarter last year (US\$2,213 million) and the prior quarter (US\$2,152 million), was largely as a result of the capital expenditure incurred during the quarter.

At quarter-end, liquidity remained strong with cash on hand of US\$236 million and US\$561 million available from the undrawn committed revolving credit facilities in Europe and South Africa and we have sufficient liquidity to complete the spending on the various capital projects. During the quarter, the €330 million international securitisation programme was renewed and the facility maturity date extended to 2016.

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**sappi 3rd quarter results**

**Operating Review for the Quarter**

**Europe**

**Quarter**

**ended**

**Jun 2013**

**US\$ million**

Quarter

ended

Mar 2013

US\$ million

Quarter

ended

Dec 2012

US\$ million

Quarter

ended

Sept 2012

US\$ million

Quarter

ended

Jun 2012

US\$ million

**Sales**

**749**

824

799

826

**795**

**Operating (loss) profit**

**(19)**

(3)

18

87

**4**

**Operating (loss) profit**

**to sales (%)**

**(2.5)**

(0.4)

2.3

10.5

**0.5**

Special items – losses (gains)

**3**

1

3

(42)

**6**

Operating (loss) profit excluding  
special items

**(16)**

2

21

45

**10**

Operating (loss) profit excluding  
special items to sales (%)

**(2.1)**

(0.2)

2.6

5.4

**1.3**

This seasonally slow quarter saw a significant decline in demand for our major paper grades, with total European industry deliveries of coated woodfree and coated mechanical paper down 8% year-on-year for the quarter. Our total sales volumes were 6% below that of the equivalent quarter last year despite good growth in specialities volumes.

Average prices realised were slightly higher than in the previous quarter, as a result of marginal price increases for coated woodfree paper, but remain on average below those of the equivalent quarter in the prior year. We continue to focus on tightly managing our costs, both fixed and variable costs per ton were lower than those of the equivalent quarter last year, although hardwood pulp prices continue to put pressure on margins.

The coated woodfree paper machine conversion project at the Alfeld mill, which will increase our speciality paper production, remains on track for start-up during the first financial quarter of 2014.

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**North America**

**Quarter**

**ended**

**Jun 2013**

**US\$ million**

Quarter

ended

Mar 2013

US\$ million

Quarter

ended

Dec 2012

US\$ million

Quarter

ended

Sept 2012

US\$ million

Quarter

ended

Jun 2012

US\$ million

**Sales**

**324**

341

346

377

**360**

**Operating profit**

**3**

26

16

40

**13**

**Operating profit to sales (%)**

**0.9**

7.6

4.6

10.6

**3.6**

Special items – (gains) losses

**(1)**

(5)

2

2

**5**

Operating profit excluding

special items

**2**

21

18

42

**18**

Operating profit excluding  
special items to sales (%)

**0.6**

6.2

5.2

11.1

**5.0**

The North American business successfully completed the conversion of the Cloquet pulp mill to produce dissolving wood pulp during the quarter and started production of dissolving wood pulp at the beginning of June. The start-up has proceeded according to plan with the first deliveries of dissolving wood pulp leaving the mill during the quarter with good quality levels being achieved. Operating profit for the current quarter was negatively impacted by an estimated US\$12 million due to 22 days of incremental downtime taken for the Cloquet pulp mill conversion project and related ramp-up of operations.

Pulp sales volumes were heavily impacted by downtime related to the conversion and the building of stock to service the dissolving wood pulp business in the quarter. Dissolving wood pulp sales will increase over the next quarter as the business continues the ramp-up to full capacity.

Coated paper sales volumes were essentially flat year-on-year; however the average net sales price per ton was 4% lower than in the prior year due to a competitive local market and increased import pressure. Prices appeared to have stabilised during the quarter and we expect to realise some price increases on economy sheets and web products over the coming months.

The release business continues to perform well and sales volumes were up 11% compared to last year driven by improved demand and the success of our key new patterns.

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**sappi 3rd quarter results**

**Sappi Southern Africa**

**Quarter**

**ended**

**Jun 2013**

**US\$ million**

Quarter

ended

Mar 2013

US\$ million

Quarter

ended

Dec 2012

US\$ million

Quarter

ended

Sept 2012

US\$ million

Quarter

ended

Jun 2012

US\$ million

**Sales**

**344**

338

330

382

**389**

**Operating profit**

**5**

62

33

30

**16**

**Operating profit to sales (%)**

**1.5**

18.3

10.0

7.9

**4.1**

Special items – losses (gains)

**14**

(42)

(2)

3

**15**

Operating profit excluding

special items

**19**

20

31

33

**31**

Operating profit excluding  
special items to sales (%)

**5.5**

5.9

9.4

8.6

**8.0**

The Southern African Specialised Cellulose business' sales volumes for the quarter were 183,000 tons, similar to the prior quarter and 8% lower than the equivalent quarter last year due to the timing of shipments. During the quarter, the planned annual maintenance shut of one of the pulp lines at Saiccor took place.

The estimated adverse operating profit impact of the conversion to produce dissolving wood pulp at the Ngodwana mill and the extended pulp mill downtime was approximately US\$9 million during the quarter.

NBSK dollar pulp prices to which our dissolving pulp prices are linked, were higher than both the equivalent quarter last year as well as the prior quarter, with the weaker Rand/Dollar exchange rate also contributing to higher price levels. However, the dissolving pulp spot market remains competitive, with new dissolving wood pulp capacity and an oversupplied viscose staple fibre market increasing the pressure on sales prices.

The domestic paper packaging and office paper markets were weak during the quarter; although, towards the end of the quarter and to date, there have been encouraging indications in the containerboard segment of a possible improvement in volumes.

Variable costs, particularly purchased timber and pulp, remain a challenge, with the imported components especially problematic due to the weaker Rand exchange rate. Fixed costs were flat compared to the prior quarter and the equivalent quarter last year and we are pleased that we were able to reach an agreement with labour on wage increases for the forthcoming year.

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**Outlook**

The past quarter saw a further deterioration in European paper industry conditions, exacerbating an already weak market, and demand is expected to remain subdued. Input costs, particularly pulp, remain high and we do not expect to see any price increases in our major paper grades in the coming quarter. Plans are being finalised that will result in significant capacity closure, lower costs and improved operating margins in Europe. We envisage these actions will occur over a three-year period and that any cash costs will be self-funded. The benefits of these actions will begin to flow in the 2014 financial year.

The South African paper business expects to see growth in containerboard volumes, although demand continues to be weak in other grades. Cost pressures and weak demand have resulted in further actions to improve the profitability being implemented.

The North American paper business is positioned to perform well in an increasingly competitive market and we expect to realise some price increases on economy sheets and web products over the coming months.

Our expanded global Specialised Cellulose business is focussed on selling the increasing dissolving wood pulp volumes, as the mills continue on their start-up curves, and cementing our position as the leading producer in this market. Dissolving wood pulp prices are under pressure in this competitive market and could have an impact on margins going forward.

Debt remains within the levels previously indicated despite the weaker operating performance.

We expect debt levels to peak during the fourth quarter, as the final outlays for the dissolving wood pulp projects occur, and to end the quarter slightly lower than that reported for the third quarter.

We expect our European business to make an operating loss in the fourth financial quarter which will result in the group making a small net loss for the financial year. Our full year results may be impacted by the aforementioned strategic initiatives and, any asset impairments and restructuring costs that may arise.

On behalf of the board

R J Boëttger

S R Binnie

**Director**

**Director**

02 August 2013



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**sappi 3rd quarter results**  
**Condensed group income statement**

Note

**Quarter**  
**ended**

**Jun 2013**

**US\$ million**

Quarter  
ended

Jun 2012

US\$ million

**Nine**  
**months**  
**ended**

**Jun 2013**

**US\$ million**

Nine  
months  
ended

Jun 2012

US\$ million

**Sales**

**1,417**

1,544

**4,395**

4,762

Cost of sales

**1,327**

1,404

**3,900**

4,189

Gross profit

**90**

140

**495**

573

Selling, general and administrative  
expenses

**95**

103

**290**

315

Other operating expenses (income)

**8**

3

**73**

(3)

Share of profit from associates and  
joint ventures

**(2)**

-	
<b>(5)</b>	
-	
<b>Operating (loss) profit</b>	
2	
<b>(11)</b>	
34	
<b>137</b>	
261	
Net finance costs	
<b>42</b>	
141	
<b>124</b>	
246	
Net interest expense	
<b>42</b>	
140	
<b>124</b>	
249	
Net foreign exchange loss (gain)	
<b>1</b>	
1	
<b>1</b>	
(1)	
Net fair value gain on financial instruments	
<b>(1)</b>	
-	
<b>(1)</b>	
(2)	
<b>(Loss) profit before taxation</b>	
<b>(53)</b>	
(107)	
<b>13</b>	
15	
Taxation	
<b>(11)</b>	
(1)	
<b>31</b>	
18	
Current	
<b>(9)</b>	
7	
<b>(6)</b>	
12	
Deferred	
<b>(2)</b>	
(8)	
<b>37</b>	
6	
<b>Loss for the period</b>	

**(42)**  
(106)  
**(18)**  
(3)  
**Basic loss per share (US cents)**

**(8)**  
(20)  
**(3)**  
(1)  
Weighted average number of  
shares in issue (millions)

**521.5**  
520.8  
**521.3**  
520.7

**Diluted loss per share (US cents)**  
**(8)**  
(20)  
**(3)**  
(1)

Weighted average number of  
shares on fully diluted basis  
(millions)

**521.5**  
520.8  
**521.3**  
520.7

**Condensed group statement of comprehensive income**

**Quarter  
ended  
Jun 2013  
US\$ million**

Quarter  
ended  
Jun 2012  
US\$ million

**Nine  
months  
ended  
Jun 2013  
US\$ million**

Nine  
months  
ended  
Jun 2012  
US\$ million  
Loss for the period

**(42)**  
(106)  
**(18)**  
(3)

**Other comprehensive (loss) income,  
net of tax**

**(64)**

18

**(176)**

71

Exchange differences on translation  
of foreign operations

**(76)**

(70)

**(184)**

(10)

Actuarial gains on post-employment  
benefit funds

**20**

—

**20**

—

Movements in hedging reserves

**1**

(14)

**(4)**

(23)

Deferred tax effect of above items

**(9)**

1

**(8)**

3

Recognition of previously unrecognised  
deferred tax asset

—

101

—

101

Total comprehensive (loss) income  
for the period

**(106)**

(88)

**(194)**

68

8

**Condensed group balance sheet****Jun 2013****US\$ million**

Sept 2012

US\$ million

**ASSETS****Non-current assets****3,839**

3,990

Property, plant and equipment

**3,110**

3,157

Plantations

**481**

555

Deferred taxation

**120**

154

Other non-current assets

**128**

124

**Current assets****1,746**

2,178

Inventories

**754**

726

Trade and other receivables

**756**

807

Cash and cash equivalents

**236**

645

Assets held for sale

**87**

-

**Total assets****5,672**

6,168

**EQUITY AND LIABILITIES****Shareholders' equity**

Ordinary shareholders' interest

**1,340**

1,525

**Non-current liabilities****3,332**

3,328

Interest-bearing borrowings

**2,434**

2,358

Deferred taxation	
<b>285</b>	
319	
Other non-current liabilities	
<b>613</b>	
651	
<b>Current liabilities</b>	
<b>995</b>	
1,315	
Interest-bearing borrowings	
<b>98</b>	
261	
Bank overdraft	
<b>1</b>	
5	
Other current liabilities	
<b>883</b>	
1,023	
Taxation payable	
<b>13</b>	
26	
Liabilities associated with assets held for sale	
<b>5</b>	
—	
<b>Total equity and liabilities</b>	
<b>5,672</b>	
6,168	
Number of shares in issue at balance sheet date (millions)	
<b>521.5</b>	
520.8	

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**sappi 3rd quarter results**

**Condensed group statement of cash flows**

**Quarter  
ended**

**Jun 2013**

**US\$ million**

Quarter  
ended

Jun 2012

US\$ million

**Nine  
months  
ended**

**Jun 2013**

**US\$ million**

Nine  
months

ended

Jun 2012

US\$ million

**Loss for the period**

**(42)**

(106)

**(18)**

(3)

*Adjustment for:*

Depreciation, fellings and amortisation

**100**

108

**310**

333

Taxation

**(11)**

(1)

**31**

18

Net finance costs

**42**

141

**124**

246

Defined post-employment benefits paid

**(22)**

(16)

**(54)**

(39)

Plantation fair value adjustments

**(10)**

(1)

**(151)**

(40)	
Asset (impairment reversals) impairments	
<b>(1)</b>	
(3)	
<b>46</b>	
(3)	
Net restructuring provisions	
<b>2</b>	
–	
<b>16</b>	
1	
Other non-cash items	
<b>3</b>	
15	
<b>22</b>	
33	
<b>Cash generated from operations</b>	
<b>61</b>	
137	
<b>326</b>	
546	
Movement in working capital	
<b>8</b>	
(27)	
<b>(128)</b>	
(217)	
Net finance costs paid	
<b>(57)</b>	
(56)	
<b>(144)</b>	
(157)	
Taxation paid	
<b>(2)</b>	
(2)	
<b>(15)</b>	
(12)	
<b>Cash generated from operating activities</b>	
<b>10</b>	
52	
<b>39</b>	
160	
<b>Cash utilised in investing activities</b>	
<b>(167)</b>	
(108)	
<b>(397)</b>	
(236)	
Capital expenditure	
<b>(174)</b>	
(112)	
<b>(449)</b>	



(246)	
Proceeds on disposal of non-current assets	
7	
4	
<b>50</b>	
11	
Other movements	
–	
–	
<b>2</b>	
(1)	
<b>Net cash utilised in operating and investing activities</b>	
<b>(157)</b>	
(56)	
<b>(358)</b>	
(76)	
<b>Cash effects of financing activities</b>	
(7)	
32	
<b>(42)</b>	
(142)	
<b>Net movement in cash and cash equivalents</b>	
<b>(164)</b>	
(24)	
<b>(400)</b>	
(218)	
<b>Condensed group statement of changes in equity</b>	
<b>Nine months ended Jun 2013</b>	
<b>US\$ million</b>	
Nine months ended Jun 2012	
US\$ million	
Balance – beginning of period	
<b>1,525</b>	
1,478	
Total comprehensive (loss) income for the period	
<b>(194)</b>	
68	
Transfers from the share purchase trust	
<b>3</b>	
2	
Transfers of vested share options	
<b>(3)</b>	

(2)  
Share-based payment reserve  
**9**  
11  
**Balance – end of period**  
**1,340**  
1,557

10

**Notes to the condensed group results****1. Basis of preparation**

The condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are consistent with those applied in the previous annual financial statements.

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

The results are unaudited.

**Quarter ended****Jun 2013****US\$ million**

Quarter ended

Jun 2012

US\$ million

**Nine months ended****Jun 2013****US\$ million**

Nine months ended

Jun 2012

US\$ million

**2.****Operating (loss) profit**

Included in operating (loss) profit are the following non-cash items:

Depreciation and amortisation

**83**

90

**260**

276

Fair value adjustment on plantations  
(included in cost of sales)

Changes in volume

Fellings

**17**

18

**50**

57

Growth

**(21)**

(21)

**(58)**

(64)

(4)  
(3)  
**(8)**  
(7)  
Plantation price fair value adjustment  
**11**  
20  
**(93)**  
24  
**7**  
17  
**(101)**  
17  
Included in other operating expenses  
(income) are the following:  
Asset (impairment reversals)  
impairments  
**(1)**  
(3)  
**46**  
(3)  
Loss (profit) on disposal of property,  
plant and equipment  
—  
2  
**(1)**  
(7)  
Net restructuring provisions  
**2**  
—  
**16**  
1  
Black Economic Empowerment charge  
**1**  
1  
**3**  
3

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**sappi 3rd quarter results**

**Quarter**

**ended**

**Jun 2013**

**US\$ million**

Quarter

ended

Jun 2012

US\$ million

**Nine**

**months**

**ended**

**Jun 2013**

**US\$ million**

Nine

months

ended

Jun 2012

US\$ million

**3.**

**Headline (loss) earnings per share**

Headline (loss) earnings per share

(US cents)

**(8)**

(20)

**2**

(2)

Weighted average number of shares

in issue (millions)

**521.5**

520.8

**521.3**

520.7

Diluted headline (loss) earnings per share

(US cents)

**(8)**

(20)

**2**

(2)

Weighted average number of shares on

fully diluted basis (millions)

**521.5**

520.8

**523.5**

520.7

**Calculation of headline (loss) earnings**

Loss for the period

**(42)**

(106)

**(18)**

(3)  
 Asset (impairment reversals) impairments

**(1)**

(3)

**46**

(3)

Loss (profit) on disposal of property,  
 plant and equipment

–

2

**(1)**

(7)

Tax effect of above items

**1**

1

**(15)**

1

Headline (loss) earnings

**(42)**

(106)

**12**

(12)

**Jun 2013**

**US\$ million**

Sept 2012

US\$ million

**4.**

**Capital commitments**

Contracted

**121**

267

Approved but not contracted

**169**

244

**290**

511

**5.**

**Contingent liabilities**

Guarantees and suretyships

**24**

31

Other contingent liabilities

**15**

10

**39**

41

**6. Material balance sheet movements**

Since the 2012 financial year-end, the period end ZAR rate has weakened by approximately 19% to the US Dollar, the group's presentation currency, resulting in a similar decrease on translation of the group's ZAR functional currency assets and liabilities to US Dollar.

***Property, plant and equipment***

As a result of continuing difficult market conditions, Sappi Southern Africa ('SSA') impaired plant and equipment at its Tugela and Stanger mills to the value of US\$51 million (ZAR462 million). In addition, there was a recovery in Sappi Fine Paper Europe of US\$9 million (€7 million) through the sale of certain assets that had previously been impaired as well as further asset impairments of US\$4 million (€3 million).

***Deferred taxation assets***

Deferred tax assets of US\$24 million (€18 million) were reversed within the Sappi Fine Paper Europe region as they were no longer deemed recoverable.

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**Plantations**

Due to the Ngodwana mill dissolving wood pulp conversion project and the closure of the Kraft Continuous Digester at Tugela mill, a certain portion of SSA's softwood plantations that were previously utilised in the paper pulp production will now be sold to the local saw log markets. Consequently, SSA's plantations were revalued resulting in a once-off favourable price fair value adjustment of US\$96 million (ZAR863 million).

**Inventories, trade and other receivables and other current liabilities**

The group increased its inventory levels in anticipation of the dissolving wood pulp conversion projects. The decrease in trade and other payables is due to seasonality together with a decline in operating volumes and the decrease in trade and other receivables is primarily due to the receipt of US\$42 million on the sale of the previously equity accounted 34% shareholding in Jiangxi Chenming Paper Company.

**Cash and cash equivalents and interest-bearing borrowings**

Cash and cash equivalents decreased largely due to the capital expenditure outflows of US\$449 million which relates mostly to the dissolving wood pulp conversion projects. In addition, the remaining stub of the group's senior secured notes due 2014 of US\$41 million (€31 million), the US\$111 million (ZAR1.0 billion) public bond maturing in June 2013 as well as the group's private placement bonds in South Africa amounting to US\$42 million (ZAR382 million) were repaid. These outflows were partially offset by the placement of a public bond offering of US\$166 million (ZAR1.5 billion) and a seven-year bullet loan from GroCapital of US\$44 million (ZAR400 million).

**7. Assets held for sale**

During the quarter, Sappi entered into an agreement to sell its shares in Usutu Forest Products Company Limited ('Usutu') as well as the shareholder loan claim against Usutu, to Montigny Investments Limited subject to the fulfilment of certain conditions precedent. The disposal group, consisting mainly of plantations, has been reclassified as held for sale.

**8. Segment information****Quarter****ended****Jun 2013****Metric tons****(000's)**

Quarter

ended

Jun 2012

Metric tons

(000's)

**Nine****months****ended****Jun 2013****Metric tons****(000's)**

Nine

months

ended

Jun 2012

Metric tons

(000's)

**Sales volume**

Sappi Fine Paper North America



**297**  
351  
**963**  
1,031  
Sappi Fine Paper Europe  
**796**  
843  
**2,527**  
2,611  
Sappi Southern Africa –  
Pulp and paper  
**405**  
435  
**1,172**  
1,253  
Forestry  
**309**  
294  
**888**  
830  
**Total**  
**1,807**  
1,923  
**5,550**  
5,725

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**sappi 3rd quarter results**

**Quarter**

**ended**

**Jun 2013**

**US\$ million**

Quarter

ended

Jun 2012

US\$ million

**Nine**

**months**

**ended**

**Jun 2013**

**US\$ million**

Nine

months

ended

Jun 2012

US\$ million

**Sales**

Sappi Fine Paper North America

**324**

360

**1,011**

1,061

Sappi Fine Paper Europe

**749**

795

**2,372**

2,524

Sappi Southern Africa –

Pulp and paper

**324**

367

**953**

1,114

Forestry

**20**

22

**59**

63

**Total**

**1,417**

1,544

**4,395**

4,762

**Operating profit (loss) excluding  
special items**

Sappi Fine Paper North America

**2**

18  
**41**  
52  
Sappi Fine Paper Europe  
**(16)**  
10  
**3**  
88  
Sappi Southern Africa  
**19**  
31  
**70**  
145  
Unallocated and eliminations  
(1)  
**3**  
1  
**7**  
—  
**Total**  
**8**  
60  
**121**  
285  
**Special items – loss (gain)**  
Sappi Fine Paper North America  
**(1)**  
5  
**(4)**  
5  
Sappi Fine Paper Europe  
**3**  
6  
**7**  
(3)  
Sappi Southern Africa  
**14**  
15  
**(30)**  
22  
Unallocated and eliminations  
(1)  
**3**  
—  
**11**  
—  
**Total**  
**19**  
26  
**(16)**  
24

**Segment operating (loss) profit**

Sappi Fine Paper North America

**3**

13

**45**

47

Sappi Fine Paper Europe

**(19)**

4

**(4)**

91

Sappi Southern Africa

**5**

16

**100**

123

Unallocated and eliminations

(1)

–

1

**(4)**

–

**Total**

**(11)**

34

**137**

261

**EBITDA excluding special items**

Sappi Fine Paper North America

**20**

38

**99**

110

Sappi Fine Paper Europe

**31**

60

**146**

237

Sappi Southern Africa

**37**

52

**129**

214

Unallocated and eliminations

(1)

**3**

–

7

–

**Total**

**91**

150
<b>381</b>
561
<b>Segment assets</b>
Sappi Fine Paper North America
<b>1,027</b>
926
<b>1,027</b>
926
Sappi Fine Paper Europe
<b>1,793</b>
1,852
<b>1,793</b>
1,852
Sappi Southern Africa
<b>1,607</b>
1,653
<b>1,607</b>
1,653
Unallocated and eliminations
(1)
<b>(12)</b>
66
<b>(12)</b>
66
<b>Total</b>
<b>4,415</b>
4,497
<b>4,415</b>
4,497

*(1) Includes the group's treasury operations and the self-insurance captive.*

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**Reconciliation of EBITDA excluding special items and operating profit excluding special items to segment operating (loss) profit and loss for the period**

**(1)**  
 Special items cover those items which management believe are material by nature or amount to the operating results and require separate disclosure.

**Quarter ended Jun 2013**  
 US\$ million

Quarter ended Jun 2012  
 US\$ million

**Nine months ended Jun 2013**  
 US\$ million

Nine months ended Jun 2012  
 US\$ million

**EBITDA excluding special items**

**91**  
 150  
**381**  
 561  
 Depreciation and amortisation

**(83)**  
 (90)  
**(260)**  
 (276)

**Operating profit excluding special items**

**8**  
 60  
**121**  
 285

Special items – (losses) gains  
**(19)**  
 (26)  
**16**

(24)  
 Plantation price fair value adjustment  
**(11)**  
 (20)

**93**  
 (24)  
 Net restructuring provisions

(2)	
–	
(16)	
(1)	
(Loss) profit on disposal of property, plant and equipment	
–	
(2)	
1	
7	
Asset impairment reversals (impairments)	
1	
3	
(46)	
3	
Black Economic Empowerment charge	
(1)	
(1)	
(3)	
(3)	
Fire, flood, storm and related events	
(6)	
(6)	
(13)	
(6)	
<b>Segment operating (loss) profit</b>	
(11)	
34	
<b>137</b>	
261	
Net finance costs	
(42)	
(141)	
(124)	
(246)	
<b>(Loss) profit before taxation</b>	
(53)	
(107)	
<b>13</b>	
15	
Taxation	
<b>11</b>	
1	
(31)	
(18)	
<b>Loss for the period</b>	
(42)	
(106)	
(18)	

(3)

**Reconciliation of segment assets  
to total assets**

**Segment assets**

**4,415**

4,497

**4,415**

4,497

Deferred taxation

**120**

144

**120**

144

Cash and cash equivalents

**236**

403

**236**

403

Other current liabilities

**883**

950

**883**

950

Taxation payable

**13**

19

**13**

19

Liabilities associated with assets held

for sale

**5**

—

**5**

—

**Total assets**

**5,672**

6,013

**5,672**

6,013

(1) In compliance with the U.S. Securities Exchange Commission (“SEC”) rules relating to “Conditions for Use of Non-GAAP

Financial Measures”, we have reconciled both operating profit excluding special items and EBITDA excluding special items to

loss for the period, rather than operating (loss) profit.

We use operating profit excluding special items and EBITDA excluding special items as internal measures of performance to

benchmark and compare performance, both between our own operations and as against other companies. Operating profit

excluding special items and EBITDA excluding special items are used as measures by the group, together with measures of



*performance under IFRS, to compare the relative performance of operations in planning, budgeting and reviewing the performances of various businesses. We believe operating profit excluding special items and EBITDA excluding special items are useful measures of financial performance in addition to profit (loss) for the period, operating profit (loss) and other profitability measures under IFRS because it facilitates operating performance comparisons from period to period and company to company. For these reasons, we believe operating profit excluding special items, EBITDA excluding special items and other similar measures are regularly used by the investment community as a means of comparison of companies in our industry.*

*Different companies and analysts may calculate operating profit excluding special items and EBITDA excluding special items differently, so making comparisons among companies on this basis should be done very carefully. Operating profit excluding special items and EBITDA excluding special items are not measures of performance under IFRS and should not be considered in isolation or construed as a substitute for operating profit or profit for the period as an indicator of the company's operations in accordance with IFRS.*

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**sappi 3rd quarter results**

**Supplemental information**

*Reconciliation of net debt to interest-bearing borrowings*

**Jun 2013**

**US\$ million**

Sept 2012

US\$ million

**Interest-bearing borrowings**

**2,533**

2,624

Non-current interest-bearing borrowings

**2,434**

2,358

Current interest-bearing borrowings

**98**

261

Bank overdraft

**1**

5

Cash and cash equivalents

**(236)**

(645)

**Net debt**

**2,297**

1,979

*Exchange rates*

**Jun**

**2013**

Mar

2013

Dec

2012

Sept

2012

Jun

2012

Exchange rates:

Period end rate: US\$1 = ZAR

**9.8800**

9.2363

8.4851

8.3096

8.1650

Average rate for the Quarter: US\$1 = ZAR

**9.4756**

8.9349

8.6975

8.2567

8.1229

Average rate for the YTD: US\$1 = ZAR

**9.0364**

8.8173

8.6975

8.0531

7.9885

Period end rate: €1 = US\$

**1.3010**

1.2821

1.3217

1.2859

1.2660

Average rate for the Quarter: €1 = US\$

**1.3060**

1.3206

1.2970

1.2514

1.2838

Average rate for the YTD: €1 = US\$

**1.3078**

1.3088

1.2970

1.2988

1.3145

16

**Sappi ordinary shares (JSE:SAP)**

**US Dollar share price conversion**

ZAR

0

5

10

15

20

25

30

35

40

30

Jun

09

31

Mar

10

30

Sep

09

31

Dec

09

30

Jun

10

31

Dec

10

30

Sep

10

31

Mar

11

31

Mar

12

31

Dec

11

30

Jun

12

30

Sep

12

19

Jul

13  
30  
Jun  
11  
30  
Sep  
11  
31  
Dec  
12  
31  
Mar  
13  
30  
Jun  
13  
0  
1  
2  
3  
4  
5  
6  
USD  
30  
Jun  
09  
31  
Mar  
10  
30  
Sep  
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Dec  
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Sep  
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Mar  
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Dec  
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Mar  
13  
30  
Jun  
13

Sappi has a primary listing on the JSE Limited and a secondary listing on the New York Stock Exchange  
(Registration number 1936/008963/06)

Issuer Code: SAVVI

JSE Code: SAP

NYSE Code: SPP

ISIN: ZAE000006284

**South**

**Africa:**

**United States:**

Computershare Investor

**ADR Depository:**

Services (Proprietary) Limited

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Tel +1 610 382 7836

**[www.sappi.com](http://www.sappi.com)**

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 02, 2013

SAPPI LIMITED,

By: /s/ S.R. Binnie

Name: S.R. Binnie

Title: Chief Financial Officer