

SAPPI LTD

Form 6-K

November 09, 2012

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 November, 2012

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

-----

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

-----

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 fourth quarter results ended September 2012, 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);
-

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;

.

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;

.

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;

.

the impact of restructurings, investments, acquisitions and 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, and achieving expected savings and synergies; and

.

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.

4th  
Quarter results for  
the period ended  
September 2012  
Form S-8 Version

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.

4th quarter results

*\* for the period ended September 2012*

24%

Sales by source\*

Europe

Southern Africa

North America

23%

53%

24%

23%

53%

Uncoated ne paper

Coated ne paper

7%

7%

7%

14%

Sales by product group\*

Specialities

Commodity paper

Pulp

Other

2%

63%

63%

14%

7%

7%

2%

7%

19%

23%

Sales by destination\*

Southern Africa

Europe

North America

Asia and other

13%

45%

45%

23%

19%

13%

*This cover picture is a photograph of a stylised transverse cross-section of Eucalyptus wood.*

*The large circles are vessels which transport water up and down the tree and the smaller circles are the fibres which we use to make paper and chemical cellulose.*

*Fibres are separated in the pulping process through the softening and removal of lignin which acts as a glue between the fibres in the wood. In papermaking, fibres are re-formed to form a flat, strong and uniform surface for printing and writing.*

*Photograph taken by Dr Valerie Grzekowiak*

1

**sappi 4th quarter results**

**Financial summary for the quarter**

.

Profit for the period US\$107 million (Q4 2011 loss for the period US\$127 million)

.

Earnings per share of 21 US cents (Q4 2011 loss per share 24 US cents)

.

Operating profit US\$160 million (Q4 2011 operating loss of US\$88 million)

.

Operating profit excluding special items US\$118 million (Q4 2011 US\$80 million)

.

Net cash generated from operating and investing activities US\$203 million (Q4 2011 US\$279 million)

.

Targeted interest-bearing borrowings (including bank overdrafts) less cash and cash equivalents ('net debt') level reached a year early – US\$1,979 million

**Quarter ended**

**Year ended**

**Sept 2012**

Sept 2011

Jun 2012

**Sept 2012**

Sept 2011

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

**Sales**

**1,585**

1,787

1,544

**6,347**

7,286

**Operating profit (loss)**

**160**

(88)

34

**421**

86

Special items – (gains) losses

(1)

**(42)**

168

26

**(18)**

318

Operating profit excluding special items

(2)

**118**

80  
60  
**403**  
404  
EBITDA excluding special items  
(2)  
**211**  
183  
150  
**772**  
821  
**Profit (loss) for the period**  
**107**  
(127)  
(106)  
**104**  
(232)  
**Basic earnings (loss) per share**  
**(US cents)**  
**21**  
(24)  
(20)  
**20**  
(45)  
**Key ratios: (%)**  
**Operating profit (loss) to sales**  
**10.1**  
(4.9)  
2.2  
**6.6**  
1.2  
Operating profit excluding special  
items to sales  
**7.4**  
4.5  
3.9  
**6.3**  
5.5  
EBITDA excluding special  
items to sales  
**13.3**  
10.2  
9.7  
**12.2**  
11.3  
Net asset value per share  
(US cents)  
**293**  
284  
299  
**293**



284

*(1) Refer to note 8 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 profit (loss), and profit (loss) for the period.*

2

**Commentary on the quarter**

The European and North American paper businesses performed well during the quarter despite tough market conditions. This performance reflects the positive effects of our ongoing actions to further improve customer service, reduce costs and increase efficiencies over the past two years. The performance of our Southern African operations was negatively impacted by both the rescheduling of the planned maintenance shut at Saiccor Mill from the third quarter to this quarter, and the continuing weakness in the South African paper market.

We have decided to rename the Chemical Cellulose division to Sappi Specialised Cellulose to better reflect our product range and the increased importance to the group of our dissolving wood pulp business.

Sales volumes for the group were approximately 3% lower than the equivalent quarter last year, and reflect weaker market conditions, particularly in Europe. Average selling prices were lower as a result of lower pulp prices, slightly weaker prices in certain grades of paper as well as the weaker Rand and Euro exchange rate to the US Dollar and the translation impact this has on our prices. Pulp prices continued to decline during the quarter. The prices of other major inputs, including wood, chemicals and energy were largely flat both compared to the prior quarter and the equivalent quarter last year. The exception was the cost of energy in South Africa, which continues to see substantial increases in pricing from the national energy supplier.

Operating profit was US\$160 million for the quarter compared to an operating loss of US\$88 million in the equivalent quarter last year and operating profit of US\$34 million in the quarter ended June 2012.

Operating profit excluding special items was US\$118 million for the quarter compared to US\$80 million in the equivalent quarter last year and US\$60 million in the quarter ended June 2012. The improvement in operating performance and the lower interest costs, mainly as a result of the refinancing undertaken in the prior quarter, resulted in a profit for the period of US\$107 million. The earnings per share for the quarter was 21 US cents compared with a loss per share of 24 US cents in the equivalent quarter last year.

**Year ended September 2012 compared to year ended September 2011**

The group's operating profit was US\$421 million, significantly better than the US\$86 million last year.

The group's operating profit excluding special items for the year was in line with that achieved last year, despite challenging market conditions and pulp prices that were substantially lower in US Dollar terms, which negatively affected our Southern African and North American businesses. Operating profit excluding special items was US\$403 million. Special items amounted to a gain of US\$18 million comprising mainly the profit on the sale of assets of US\$63 million, offset primarily by fire and flood damage, asset impairment charges and an unfavourable plantation price fair value adjustment.

Net finance costs for the year was US\$283 million, including the cost of the refinancing undertaken during the third quarter.

Profit for the period was US\$104 million for the year compared to a loss for the period of US\$232 million in the prior year. The prior year loss for the period included special item losses of US\$318 million, principally related to the restructuring of the European and Southern African operations. Earnings per share were significantly better, with earnings per share of 20 US cents compared to a loss per share of 45 US cents in the prior year.

3

**sappi 4th quarter results****Cash flow and debt****Quarter**

Net cash generated from operating and investing activities for the quarter was US\$203 million, compared with US\$279 million for the equivalent quarter last year. During the quarter, US\$115 million was generated from working capital, reflecting the seasonality of our business. Capital expenditure increased to US\$112 million from US\$103 million in the equivalent quarter last year as a result of the increased spending on the dissolving wood pulp (chemical cellulose) investments at the Ngodwana and Cloquet mills.

**Year**

Net cash generated from operating and investing activities for the full year was US\$127 million compared to US\$163 million last year. This decrease is primarily due to the additional capital expenditure for the dissolving wood pulp conversions.

Net debt was further reduced from US\$2,100 million to US\$1,979 million, achieving our target of reducing net debt to below US\$2 billion a year earlier than initially indicated.

During the year, we successfully refinanced US\$700 million of debt resulting in the extension of our maturities and reduction in our finance costs. The refinancing will reduce our annual interest charge by US\$45 million and our cash interest charge by US\$30 million per annum. We now have no significant maturities due before 2017.

At September 2012, we had liquidity comprising US\$645 million of cash in addition to the €350 million (US\$450 million) available from the undrawn committed revolving credit facility.

**Operating Review for the Quarter****Sappi Fine Paper****Quarter**

ended

**Sept 2012****US\$ million**

Quarter

ended

Jun 2012

US\$ million

Quarter

ended

Mar 2012

US\$ million

Quarter

ended

Dec 2011

US\$ million

Quarter

ended

Sept 2011

US\$ million

**Sales****1,203**

1,155

1,232

1,198

1,337

**Operating profit**

**127**

17

77

44

22

**Operating profit to sales (%)**

**10.6**

1.5

6.3

3.7

1.6

Special items – (gains)

losses

**(40)**

11

(4)

(5)

17

Operating profit excluding

special items

**87**

28

73

39

39

Operating profit excluding

special items to sales (%)

**7.2**

2.4

5.9

3.3

2.9

Operating profit and operating profit excluding special items for the global fine paper business improved compared to both the prior quarter ended June 2012 as well as the equivalent quarter last year. Improved efficiencies and lower average variable costs offset sales volumes that were 4% below those achieved a year ago.

4  
**Europe**  
**Quarter**  
**ended**  
**Sept 2012**  
**US\$ million**  
Quarter  
ended  
Jun 2012  
US\$ million  
Quarter  
ended  
Mar 2012  
US\$ million  
Quarter  
ended  
Dec 2011  
US\$ million  
Quarter  
ended  
Sept 2011  
US\$ million  
**Sales**  
**826**  
795  
883  
846  
942  
**Operating profit (loss)**  
**87**  
4  
53  
34  
(18)  
**Operating profit (loss) to**  
**sales (%)**  
**10.5**  
0.5  
6.0  
4.0  
(1.9)  
Special items – (gains) losses  
**(42)**  
6  
(4)  
(5)  
23  
Operating profit excluding  
special items  
**45**  
10

49

29

5

Operating profit excluding  
special items to sales (%)

**5.4**

1.3

5.5

3.4

0.5

Demand was largely as expected, with volumes down 5% compared to the equivalent quarter last year, and up 6% compared to the prior quarter, primarily due to the typical seasonal recovery.

Sales volumes for the full year were 9% down compared to the prior year, due to a combination of weaker coated paper sales and the closure of the Biberist mill which led to reduced uncoated woodfree capacity.

Average prices realised for the quarter were marginally lower than for the equivalent quarter last year, and flat compared to the prior quarter.

Fixed costs were 7% lower in the quarter compared to the equivalent quarter last year.

Raw material prices, including pulp, chemicals, wood and energy were lower than for the equivalent quarter last year. This, in combination with the additional benefit of the variable cost reduction programme initiated in 2011, resulted in cost savings for financial year 2012 in excess of US\$130 million.

During the quarter, we announced the planned conversion of PM2 at the Alfeld mill from 150,000 tons of coated fine paper to 135,000 tons of speciality paper per annum. This conversion will not only increase our capacity in a growing and higher margin specialised business, but will also improve our cost position in coated woodfree graphic paper and further reduce our graphic paper capacity in line with our strategy.

5

**sappi 4th quarter results**

**North America**

**Quarter**

**ended**

**Sept 2012**

**US\$ million**

Quarter

ended

Jun 2012

US\$ million

Quarter

ended

Mar 2012

US\$ million

Quarter

ended

Dec 2011

US\$ million

Quarter

ended

Sept 2011

US\$ million

**Sales**

**377**

360

349

352

395

**Operating profit**

**40**

13

24

10

40

**Operating profit to sales (%)**

**10.6**

3.6

6.9

2.8

10.1

Special items – losses (gains)

**2**

5

–

–

(6)

Operating profit excluding  
special items

**42**

18

24

10

34

Operating profit excluding  
special items to sales (%)

**11.1**

5.0

6.9

2.8

8.6

Operating profit improved when compared to the prior quarter but was in line with the equivalent quarter last year.

Operating profit excluding special items improved to both the prior quarter and the equivalent quarter last year and reflects the continued strong performance from the coated paper business.

The performance was achieved despite weaker industry conditions and the business achieved sales volumes similar to those for the equivalent quarter last year, with improved margins.

The pulp business continues to be negatively impacted by lower sales prices compared to both the prior quarter and the equivalent quarter last year, with pulp prices 9% below those in the equivalent quarter last year. The conversion of the Cloquet pulp mill from hardwood kraft pulp to dissolving wood pulp continues on schedule.

Release sales volume was higher than in the equivalent quarter last year, with the pricing mix being weaker due to weak demand in key global speciality markets.

Both raw material pricing and usage were favourable during the quarter, and resulted in total variable costs being 7% lower per ton compared to the equivalent quarter last year. A strong manufacturing performance underpinned the lower usage and strong sales volumes.



6  
**Sappi Southern Africa**  
**Quarter**  
**ended**  
**Sept 2012**  
**US\$ million**  
Quarter  
ended  
Jun 2012  
US\$ million  
Quarter  
ended  
Mar 2012  
US\$ million  
Quarter  
ended  
Dec 2011  
US\$ million  
Quarter  
ended  
Sept 2011  
US\$ million  
**Sales**  
**382**  
389  
401  
387  
450  
**Operating profit (loss)**  
**30**  
16  
44  
63  
(64)  
**Operating profit (loss) to**  
**sales (%)**  
**7.9**  
4.1  
11.0  
16.3  
(14.2)  
Special items – losses (gains)  
**3**  
15  
9  
(2)  
105  
Operating profit excluding  
special items  
**33**  
31

53

61

41

Operating profit excluding  
special items to sales (%)

**8.6**

8.0

13.2

15.8

9.1

The operating performance of the business was negatively impacted by the rescheduling of the planned annual maintenance shut at Saiccor Mill from the third quarter to the fourth quarter and lower average pulp prices.

The Specialised Cellulose (Chemical Cellulose) business continued to perform well. Dissolving wood pulp demand continued to grow in 2012, albeit at a slower pace than last year. Despite the impact of the maintenance shut in the quarter, sales volumes were close to those achieved in the equivalent quarter last year. Net prices however, were 7% lower as a result of the lower US Dollar NBSK pulp prices that our contracted dissolving wood pulp sales are linked to, offset to some extent by the weaker Rand. Saiccor Mill achieved record production volumes in the past year. The conversion of the Ngodwana pulp mill from hardwood kraft pulp to dissolving wood pulp continues on schedule.

The Southern African paper business had an improved performance compared to the equivalent quarter last year, which was negatively impacted by an industry-wide three week strike. Fixed costs were more than 20% lower than the equivalent quarter last year, benefiting from the Southern African restructuring completed earlier in the year.

Post the quarter-end we announced the decision to mothball PM4, a sackkraft and containerboard machine, at the Tugela mill from 01 January 2013. We are currently in a consultation process with employees at the mill regarding potential retrenchments. The asset impairment charge related to the mothballing of the machine of US\$9 million was taken in this quarter and is included in special items.

7

**sappi 4th quarter results**

**Outlook**

Given continued uncertainty in global markets, and questions around the timing of any meaningful economic recovery in our major markets, we expect trading conditions to remain challenging for the next 12 months. Pulp prices, despite having recovered from their recent lows, are expected to remain lower on average in 2013 than they were in 2012. This will negatively impact our North American and Southern African businesses, which are net sellers of pulp, but will have a favourable impact on our European business which is a net buyer of pulp.

We expect that demand for dissolving wood pulp in our Specialised Cellulose operations will continue to grow in the coming year and beyond. We believe that particularly with our additional low cost capacity, we are well positioned to take advantage of this growth. We have made further good progress in signing long-term contracts for a significant portion of our new dissolving wood pulp capacity.

We expect the first quarter result for the Southern African operations to be in line with that achieved in the fourth quarter of 2012. Operating profit in the first financial quarter of 2013 is expected to be weaker than the equivalent quarter last year as a result of lower pulp prices, slightly lower paper prices in Europe, as well as the impact of the road transport strike in South Africa. We expect a modest cash outflow in the important transitional year ahead due to the increase in capital expenditure on the Specialised Cellulose investments. Our finance costs will be substantially lower following the refinancing in 2012 and we expect that net debt will end the coming year essentially flat year on year barring the impact of any adverse foreign currency translations. Additional downtime, variable costs and paper pulp purchases during the start-up phase of the Ngodwana and Cloquet projects are expected to have a negative impact of approximately US\$40 million in the 2013 financial year.

Provided that there is no further deterioration in global market conditions, we expect continued profit growth, with the once-off negative operational impact of the conversion projects and the expected lower pulp prices being offset by the lower finance costs.

We believe that the actions we have taken in all of our paper businesses over the past two years, and the strategy of investing in higher margin, higher growth businesses such as Specialised Cellulose will enable us to continue to improve our ability to generate shareholder value in the coming year, but importantly also position us for an acceleration of that growth in the years thereafter.

**Directorate**

Professor Meyer Feldberg, our lead independent director, will retire from the board at the end of December 2012, having reached the board's mandatory retirement age. Sir Nigel Rudd who has served as a non-executive director for six years will succeed Professor Feldberg as lead independent director at that time.

On behalf of the board

R J Boëttger

S R Binnie

**Director**

**Director**

**08 November 2012**

8

**Condensed group income statement**

Note

**Quarter  
ended**

**Sept 2012**

**US\$ million**

Quarter  
ended

Sept 2011

US\$ million

**Year  
ended**

**Sept 2012**

**US\$ million**

Year  
ended

Sept 2011

US\$ million

**Sales**

**1,585**

1,787

**6,347**

7,286

Cost of sales

**1,363**

1,582

**5,552**

6,454

Gross profit

**222**

205

**795**

832

Selling, general and  
administrative expenses

**102**

126

**417**

454

Other operating (income)  
expenses

**(38)**

167

**(41)**

298

Share of profit from associates  
and joint ventures

**(2)**

–

**(2)**

(6)	
<b>Operating profit (loss)</b>	
2	
<b>160</b>	
(88)	
<b>421</b>	
86	
Net finance costs	
<b>37</b>	
56	
<b>283</b>	
307	
Net interest	
<b>46</b>	
60	
<b>299</b>	
336	
Finance cost capitalised	
<b>(2)</b>	
–	
<b>(6)</b>	
–	
Net foreign exchange gain	
<b>(4)</b>	
(3)	
<b>(5)</b>	
(13)	
Net fair value gain on financial instruments	
<b>(3)</b>	
(1)	
<b>(5)</b>	
(16)	
<b>Profit (loss) before taxation</b>	
<b>123</b>	
(144)	
<b>138</b>	
(221)	
Taxation	
<b>16</b>	
(17)	
<b>34</b>	
11	
Current	
<b>16</b>	
2	
<b>28</b>	
14	
Deferred	
–	
(19)	

**6**

(3)

**Profit (loss) for the period**

**107**

(127)

**104**

(232)

**Basic earnings (loss) per share (US cents)**

**21**

(24)

**20**

(45)

Weighted average number of shares in issue (millions)

**520.8**

520.4

**520.8**

519.9

**Diluted basic earnings (loss) per share (US cents)**

**20**

(24)

**20**

(45)

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

**522.3**

520.4

**522.2**

519.9

**Condensed group statement of comprehensive income**

**Quarter**

**ended**

**Sept 2012**

**US\$ million**

Quarter

ended

Sept 2011

US\$ million

**Year**

**ended**

**Sept 2012**

**US\$ million**

Year

ended

Sept 2011

US\$ million

Profit (loss) for the period

**107**

(127)

**104**

(232)

**Other comprehensive loss,  
net of tax**

**(140)**

(285)

**(69)**

(205)

Exchange differences on translation  
of foreign operations

**(50)**

(214)

**(60)**

(151)

Actuarial losses on post-employment  
benefit funds

**(88)**

(59)

**(88)**

(59)

Movements in hedging reserves

**(24)**

(12)

**(47)**

6

Movement on available for sale  
financial assets

**1**

2

**1**

2

Deferred tax effect of above items

**21**

(2)

**24**

(3)

Recognition of previously  
unrecognised deferred tax asset

(1)

–

–

**101**

–

**Total comprehensive (loss) income  
for the period**

**(33)**

(412)

**35**

(437)

*(1) Relates to amounts recognised within other comprehensive income in previous fiscal years.*

9

**sappi 4th quarter results****Condensed group balance sheet****Sept 2012**

US\$ million

Sept 2011

US\$ million

**ASSETS****Non-current assets****3,990**

4,085

Property, plant and equipment

**3,157**

3,235

Plantations

**555**

580

Deferred taxation

**154**

45

Other non-current assets

**124**

225

**Current assets****2,178**

2,223

Inventories

**726**

750

Trade and other receivables

**807**

834

Cash and cash equivalents

**645**

639

**Total assets****6,168**

6,308

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

Ordinary shareholders' interest

**1,525**

1,478

**Non-current liabilities****3,328**

3,178

Interest-bearing borrowings

**2,358**

2,289

Deferred taxation

**319**



336

Other non-current liabilities

**651**

553

**Current liabilities**

**1,315**

1,652

Interest-bearing borrowings

**261**

449

Bank overdraft

**5**

1

Other current liabilities

**1,023**

1,182

Taxation payable

**26**

20

**Total equity and liabilities**

**6,168**

6,308

Number of shares in issue at balance sheet date (millions)

**520.8**

520.5

10

**Condensed group statement of cash flows**

**Quarter**

**ended**

**Sept 2012**

**US\$ million**

Quarter

ended

Sept 2011

US\$ million

**Year**

**ended**

**Sept 2012**

**US\$ million**

Year

ended

Sept 2011

US\$ million

**Profit (loss) for the period**

**107**

(127)

**104**

(232)

Adjustment for:

Depreciation, fellings and amortisation

**109**

121

**442**

499

Taxation

**16**

(17)

**34**

11

Net finance costs

**37**

56

**283**

307

Defined post-employment benefits paid

**(23)**

(20)

**(62)**

(70)

Plantation fair value adjustments

**(28)**

(21)

**(68)**

(65)

Impairments of assets and investments

**13**

98	
<b>10</b>	
167	
Net restructuring provisions	
<b>(3)</b>	
67	
<b>(2)</b>	
135	
Profit on disposal of investment	
<b>(11)</b>	
–	
<b>(11)</b>	
–	
Profit on non-current assets held for sale	
<b>(48)</b>	
–	
<b>(48)</b>	
–	
Other non-cash items	
<b>13</b>	
26	
<b>46</b>	
46	
<b>Cash generated from operations</b>	
<b>182</b>	
183	
<b>728</b>	
798	
Movement in working capital	
<b>115</b>	
266	
<b>(102)</b>	
(98)	
Net finance costs paid	
<b>(38)</b>	
(62)	
<b>(195)</b>	
(256)	
Taxation paid	
<b>(8)</b>	
(7)	
<b>(20)</b>	
(38)	
<b>Cash retained from operating activities</b>	
<b>251</b>	
380	
<b>411</b>	
406	
<b>Cash utilised in investing activities</b>	
<b>(48)</b>	
(101)	

	<b>(284)</b>
	(243)
<b>Net cash generated from operating and investing activities</b>	<b>203</b>
	279
	<b>127</b>
	163
<b>Cash effects of financing activities</b>	<b>39</b>
	68
	<b>(103)</b>
	(296)
<b>Net movement in cash and cash equivalents</b>	<b>242</b>
	347
	<b>24</b>
	(133)
<b>Condensed group statement of changes in equity</b>	
<b>Year ended</b>	
<b>Sept 2012</b>	
<b>US\$ million</b>	
<b>Year ended</b>	
<b>Sept 2011</b>	
<b>US\$ million</b>	
Balance – beginning of period	<b>1,478</b>
	1,896
Total comprehensive income (loss) for the period	<b>35</b>
	(437)
Transfers from the share purchase trust	<b>2</b>
	6
Transfers of vested share options	<b>(2)</b>
	(7)
Share-based payment reserve	<b>12</b>
	20
<b>Balance – end of period</b>	<b>1,525</b>
	1,478

11

**sappi 4th quarter results**

**Notes to the condensed group results**

**1. Basis of preparation**

The condensed consolidated preliminary financial results for the fiscal year ended September 2012 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 preliminary financial results are consistent with those applied for the year ended September 2011.

The fiscal year ended September 2012 consists of 52 weeks compared to the prior fiscal year which consisted of 53 weeks.

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

The results are unaudited.

**Quarter**

**ended**

**Sept 2012**

**US\$ million**

Quarter

ended

Sept 2011

US\$ million

**Year**

**ended**

**Sept 2012**

**US\$ million**

Year

ended

Sept 2011

US\$ million

**2.**

**Operating profit (loss)**

Included in operating profit (loss)

are the following non-cash items:

Depreciation and amortisation

**93**

103

**369**

417

Fair value adjustment on plantations

(included in cost of sales)

Changes in volume

Fellings

**16**

18

**73**

82

Growth

**(19)**  
(21)  
**(83)**  
(81)  
**(3)**  
(3)  
**(10)**  
1  
Plantation price fair value  
adjustment  
**(9)**  
—  
**15**  
16  
**(12)**  
(3)  
**5**  
17  
Included in other operating (income)  
expenses are the following:  
Impairments of assets and investments  
**13**  
98  
**10**  
167  
Loss (profit) on disposal of property,  
plant and equipment  
**3**  
(1)  
**(4)**  
(1)  
Profit on disposal of investment  
**(11)**  
—  
**(11)**  
—  
Profit on non-current assets  
held for sale  
**(48)**  
—  
**(48)**  
—  
Net restructuring provisions  
**(3)**  
67  
**(2)**  
135  
Black Economic Empowerment  
charge  
—  
2

3  
5

12  
**Quarter  
 ended  
 Sept 2012**  
**US\$ million**

Quarter  
 ended  
 Sept 2011  
 US\$ million

**Year  
 ended  
 Sept 2012**  
**US\$ million**

Year  
 ended  
 Sept 2011  
 US\$ million

**3.**  
**Headline earnings (loss) per share**  
 Headline earnings (loss) per share  
 (US cents)

**12**  
 (8)

**9**  
 (16)

Weighted average number of shares  
 in issue (millions)

**520.8**  
 520.4

**520.8**  
 519.9

Diluted headline earnings (loss) per  
 share (US cents)

**12**  
 (8)

**9**  
 (16)

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

**522.3**  
 520.4

**522.2**  
 519.9

**Calculation of headline earnings  
 (loss)**

Profit (loss) for the period

**107**  
 (127)

**104**  
 (232)



Impairments of assets and investments	<b>13</b>
	98
	<b>10</b>
	167
Loss (profit) on disposal of property, plant and equipment	<b>3</b>
	(1)
	<b>(4)</b>
	(1)
Profit on disposal of investment	<b>(11)</b>
	–
	<b>(11)</b>
	–
Profit on non-current assets held for sale	<b>(48)</b>
	–
	<b>(48)</b>
	–
Tax effect of above items	<b>(3)</b>
	(14)
	<b>(2)</b>
	(17)
<b>Headline earnings (loss)</b>	<b>61</b>
	(44)
	<b>49</b>
	(83)
	<b>4.</b>
<b>Capital expenditure</b>	
Property, plant and equipment	<b>161</b>
	107
	<b>404</b>
	268
<b>Sept 2012</b>	
<b>US\$ million</b>	
Sept 2011	
US\$ million	
<b>5.</b>	
<b>Capital commitments</b>	
Contracted	<b>267</b>
	61
Approved but not contracted	<b>244</b>

416

**511**

477

**6.**

**Contingent liabilities**

Guarantees and suretyships

**31**

33

Other contingent liabilities

**10**

15

**41**

48

13

**sappi 4th quarter results****7. Material balance sheet movements****Interest-bearing borrowings**

In October 2011, the group repaid US\$130 million (ZAR1,000 million) of the ZAR 10.64% fixed rate public bonds in Southern Africa from cash resources.

In April 2012, the group issued a three-year ZAR750 million (US\$98 million) floating rate bond ('SSA02') at a 144 basis points spread over the six-month Johannesburg Inter-bank Agreed Rate.

The floating rate of the new bond was swapped into a fixed rate of 7.78%. The proceeds of the bonds were used partly to refinance the ZAR500 million (US\$65 million) bond ('SMF3') that matured on 29 June 2012.

In June 2012, the group placed a new bond offering comprising two tranches of senior secured notes being US\$400 million notes due 2017 with a coupon of 7.750% per annum and US\$300 million notes due 2019 with a coupon of 8.375% per annum. The proceeds of the new notes together with cash on hand, via tender offer and call redemption, were used to early redeem US\$700 million of the principal amount of the senior secured notes due 2014. As a result of the early redemption, a once-off charge consisting of premium and other costs of US\$86 million was recorded to net finance costs for the year.

In August 2012, the group entered into a €136 million (US\$170 million) five-year term loan facility with the Österreichische Kontrollbank, the proceeds of which will be used to fund the chemical cellulose conversion project in North America.

In September 2012, the group repaid the drawn amount of €100 million (US\$129 million) of the €350 million (US\$450 million) revolving credit facility from cash resources. At year-end, the facility remained undrawn.

**Other non-current assets**

On the early redemption of the US\$300 million tranche of the senior secured notes due 2014, the group simultaneously unwound the corresponding interest rate and currency swaps resulting in a cash inflow of US\$43 million to the group.

In August 2012, the group entered into a sale agreement for its equity accounted 34% shareholding in Jiangxi Chenming Paper company to the majority shareholder and co-founding joint venture partner for US\$42 million resulting in a profit of US\$11 million which includes the realisation of a foreign currency translation reserve that was previously disclosed in other comprehensive income. The proceeds were received on 06 November 2012.

**Deferred tax assets**

In June 2012, the group reassessed the recoverability of its deferred tax assets in Sappi Fine Paper North America. A deferred tax asset of US\$101 million was recognised largely in other comprehensive income.

**Other current liabilities**

Other current liabilities were reduced by payments of liabilities relating to restructuring costs and accruals.

14

**8. Segment information**

**Quarter**

**ended**

**Sept 2012**

**Metric tons**

**(000's)**

Quarter

ended

Sept 2011

Metric tons

(000's)

**Year**

**ended**

**Sept 2012**

**Metric tons**

**(000's)**

Year

ended

Sept 2011

Metric tons

(000's)

**Sales volume**

Fine Paper –

North America

**369**

379

**1,400**

1,436

Europe

**896**

942

**3,507**

3,845

**Total**

**1,265**

1,321

**4,907**

5,281

Southern Africa –

Pulp and paper

**423**

428

**1,676**

1,700

Forestry

**292**

229

**1,122**

917

**Total**

**1,980**  
 1,978  
**7,705**  
 7,898  
**Quarter**  
**ended**  
**Sept 2012**  
**US\$ million**  
 Quarter  
 ended  
 Sept 2011  
 US\$ million  
**Year**  
**ended**  
**Sept 2012**  
**US\$ million**  
 Year  
 ended  
 Sept 2011  
 US\$ million  
 Sales  
 Fine Paper –  
 North America  
**377**  
 395  
**1,438**  
 1,520  
 Europe  
**826**  
 942  
**3,350**  
 3,965  
**Total**  
**1,203**  
 1,337  
**4,788**  
 5,485  
 Southern Africa –  
 Pulp and paper  
**361**  
 430  
**1,475**  
 1,721  
 Forestry  
**21**  
 20  
**84**  
 80  
**Total**  
**1,585**  
 1,787

**6,347**

7,286

**Operating profit excluding special items**

Fine Paper –

North America

**42**

34

**94**

129

Europe

**45**

5

**133**

68

*Total*

**87**

39

**227**

197

Southern Africa

**33**

41

**178**

199

Unallocated and eliminations

(1)

(2)

–

(2)

8

**Total**

**118**

80

**403**

404

Special items – losses (gains)

Fine Paper –

North America

**2**

(6)

**7**

(7)

Europe

(42)

23

(45)

139

*Total*

(40)

17

(38)

132  
 Southern Africa  
**3**  
 105  
**25**  
 136  
 Unallocated and eliminations  
 (1)  
**(5)**  
 46  
**(5)**  
 50  
**Total**  
**(42)**  
 168  
**(18)**  
 318  
**Segment operating profit (loss)**  
 Fine Paper –  
 North America  
**40**  
 40  
**87**  
 136  
 Europe  
**87**  
 (18)  
**178**  
 (71)  
**Total**  
**127**  
 22  
**265**  
 65  
 Southern Africa  
**30**  
 (64)  
**153**  
 63  
 Unallocated and eliminations  
 (1)  
**3**  
 (46)  
**3**  
 (42)  
**Total**  
**160**  
 (88)  
**421**  
 86  
 (1) Includes the group's treasury operations and the self-insurance captive.

15

**sappi 4th quarter results**

**Quarter**

**ended**

**Sept 2012**

**US\$ million**

Quarter

ended

Sept 2011

US\$ million

**Year**

**ended**

**Sept 2012**

**US\$ million**

Year

ended

Sept 2011

US\$ million

**EBITDA excluding special items**

Fine Paper –

North America

**63**

53

**173**

203

Europe

**92**

62

**329**

300

**Total**

**155**

115

**502**

503

Southern Africa

**57**

67

**271**

309

Unallocated and eliminations

(1)

**(1)**

1

**(1)**

9

Total

**211**

183

**772**

821



**Segment assets**

Fine Paper –

North America

**919**

908

**919**

908

Europe

**1,776**

1,889

**1,776**

1,889

**Total**

**2,695**

2,797

**2,695**

2,797

Southern Africa

**1,605**

1,574

**1,605**

1,574

Unallocated and eliminations

(1)

**20**

51

**20**

51

**Total**

**4,320**

4,422

**4,320**

4,422

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

16  
**Reconciliation of EBITDA excluding special items and operating profit excluding special items to segment operating profit (loss) and profit (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**

**Sept 2012**  
**US\$ million**

Quarter ended  
 Sept 2011  
 US\$ million

**Year ended**  
**Sept 2012**  
**US\$ million**

Year ended  
 Sept 2011  
 US\$ million  
 EBITDA excluding special items

**211**  
 183  
**772**  
 821  
 Depreciation and amortisation  
**(93)**  
 (103)  
**(369)**  
 (417)  
 Operating profit excluding special items

**118**  
 80  
**403**  
 404  
 Special items – gains (losses)

**42**  
 (168)  
**18**  
 (318)  
 Plantation price fair value adjustment

**9**  
 –  
**(15)**  
 (16)  
 Net restructuring provisions

**3**

(67)	
<b>2</b>	
(135)	
(Loss) profit on disposal of property, plant and equipment	
<b>(3)</b>	
1	
<b>4</b>	
1	
Profit on disposal of investment	
<b>11</b>	
–	
<b>11</b>	
–	
Profit on non-current assets held for sale	
<b>48</b>	
–	
<b>48</b>	
–	
Impairments of assets and investments	
<b>(13)</b>	
(98)	
<b>(10)</b>	
(167)	
Black Economic Empowerment charge	
–	
(2)	
<b>(3)</b>	
(5)	
Insurance recoveries	
–	
–	
10	
Fire, flood, storm and related events	
<b>(13)</b>	
(2)	
<b>(19)</b>	
(6)	
Segment operating profit (loss)	
<b>160</b>	
(88)	
<b>421</b>	
86	
Net finance costs	
<b>(37)</b>	
(56)	

**(283)**  
 (307)  
 Profit (loss) before taxation  
**123**  
 (144)  
**138**  
 (221)  
 Taxation  
**(16)**  
 17  
**(34)**  
 (11)  
 Profit (loss) for the period  
**107**  
 (127)  
**104**  
 (232)  
 Reconciliation of segment assets  
 to total assets  
 Segment assets  
**4,320**  
 4,422  
**4,320**  
 4,422  
 Deferred taxation  
**154**  
 45  
**154**  
 45  
 Cash and cash equivalents  
**645**  
 639  
**645**  
 639  
 Other current liabilities  
**1,023**  
 1,182  
**1,023**  
 1,182  
 Taxation payable  
**26**  
 20  
**26**  
 20  
 Total assets  
**6,168**  
 6,308  
**6,168**  
 6,308

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

17

**sappi 4th quarter results**

*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 for the period, operating profit 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.*

18

**Supplemental information*****Reconciliation of net debt to interest-bearing borrowings*****Sept 2012****US\$ million**

Sept 2011

US\$ million

**Interest-bearing borrowings****2,624**

2,739

Non-current interest-bearing borrowings

**2,358**

2,289

Current interest-bearing borrowings

**261**

449

Bank overdraft

**5**

1

Cash and cash equivalents

**(645)**

(639)

**Net debt****1,979**

2,100

***Exchange rates*****Sept****2012**

Jun

2012

Mar

2012

Dec

2011

Sept

2011

Exchange rates:

Period end rate: US\$1 = ZAR

**8.3096**

8.1650

7.6725

8.0862

8.0963

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

**8.2567**

8.1229

7.7511

8.0915

7.1501

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

**8.0531**

7.9885

7.9237

8.0915

6.9578

Period end rate: €1 = US\$

**1.2859**

1.2660

1.3344

1.2948

1.3386

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

**1.2514**

1.2838

1.3116

1.3482

1.4126

Average rate for the YTD: €1 = US\$

**1.2988**

1.3145

1.3299

1.3482

1.3947



19

**sappi 4th quarter results**

Sappi ordinary shares (JSE: SAP)

US Dollar share price conversion

USD

30

Sep

08

31

Dec

08

31

Mar

09

30

Sep

09

30

Jun

09

30

Jun

10

31

Dec

09

31

Mar

10

30

Sep

10

31

Mar

11

31

Dec

10

30

Jun

11

30

Sep

11

31

Dec

11

31

Mar

12

22

Oct  
12  
30  
Jun  
12  
30  
Sep  
12  
0  
1  
2  
3  
4  
5  
6  
7  
8  
ZAR  
30  
Sep  
08  
31  
Dec  
08  
31  
Mar  
09  
30  
Sep  
09  
30  
Jun  
09  
30  
Jun  
10  
31  
Dec  
09  
31  
Mar  
10  
30  
Sep  
10  
31  
Mar  
11  
31  
Dec  
10

30  
Jun  
11  
30  
Sep  
11  
31  
Dec  
11  
31  
Mar  
12  
22  
Oct  
12  
30  
Jun  
12  
30  
Sep  
12  
0  
10  
20  
30  
40  
50  
60

20

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

sappi limited

(Registration number 1936/008963/06)

Issuer Code: SAVVI

JSE Code: SAP

ISIN: ZAE000006284

[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: November 08, 2012

SAPPI LIMITED,

By: /s/ S.R. Binnie

Name: S.R. Binnie

Title: Chief Financial Officer