

**Sappi Group
(Sappi Limited)
FIRST QUARTER: FISCAL YEAR 2013
FINANCIAL RESULTS AND OPERATIONAL DATA ENDED
30 DECEMBER 2012**

06 February 2013

This report is being furnished to The Bank of New York Mellon as trustee of the Senior Secured Notes due 2018 and 2021 dated as of April 14, 2011 and the Senior Secured notes due 2017 and 2019 dated as of June 20, 2012 of Sappi Papier Holding GmbH pursuant to Section 4.03 of the indenture governing these Senior Secured Notes.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Except for historical information contained herein, statements contained in this report may constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995.

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. In addition, this document includes forward-looking statements relating to our potential exposure to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity price risk. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond our control and may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements (and from past results, performance or achievements). Certain factors that may cause such differences include but are not limited to:

- the highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclicity, 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;
- the emergence of new technologies and changes in consumer trends including increased preferences for digital media;
- consequences of our leverage, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed;
- adverse changes in the political situation and economy in the countries in which we operate or the effect of governmental efforts to address present or future economic or social problems;
- the impact of restructurings, investments, acquisitions, dispositions and other strategic initiatives (including related financing), any delays, unexpected costs or other problems experienced in connection with dispositions or with integrating acquisitions or implementing restructuring or other strategic initiatives (including our announced dissolving wood pulp conversion projects), and achieving expected savings and synergies; and
- currency fluctuations.

We urge you to read the information contained in the sections entitled “Item 3—Key Information—Selected Financial Data”, “Item 3—Key Information—Risk Factors”, “Item 4—Information on the Company”, “Item 5—Operating and Financial Review and Prospects”, “Item 10—Additional Information—Exchange Controls” included in the Form 20-F filed by Sappi Limited with the U.S. Securities and Exchange Commission on December 10, 2012 and note 29.2 to the group annual financial statements of Sappi Limited included in such Form 20-F. You are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are made as of the date of this report and are not intended to give any assurance as to future results. 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.



sappi

First Quarter
results for the
period ended
December 2012

sappi

Inspired by life

1st quarter results

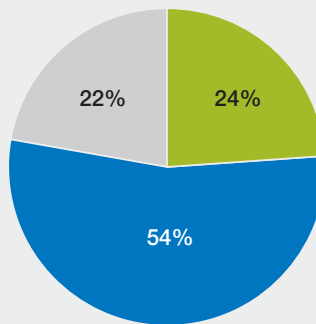
Sappi works closely with customers, both direct and indirect, in over 100 countries to provide them with relevant and sustainable paper, paper-pulp and dissolving wood pulp products and related services and innovations.

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.

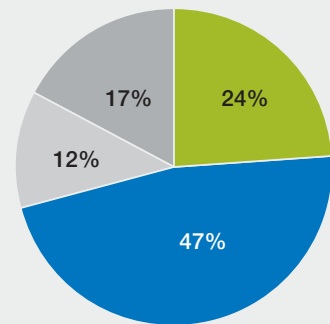
The pulp needed for our products is either produced within Sappi or bought from accredited suppliers. Across the group, Sappi is close to 'pulp neutral', meaning that we sell almost as much pulp as we buy.

Sales by source*



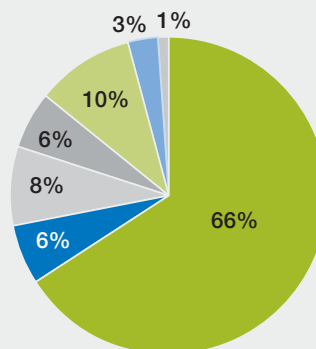
■ North America
■ Europe
■ Southern Africa

Sales by destination*



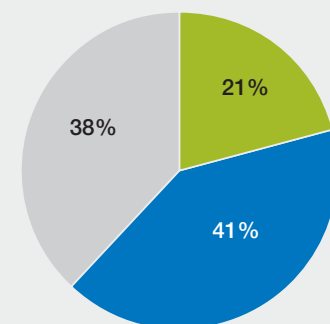
■ North America
■ Europe
■ Southern Africa
■ Asia and other

Sales by product group*



■ Coated paper
■ Uncoated paper
■ Speciality paper
■ Commodity paper
■ Dissolving wood pulp
■ Paper pulp
■ Other

Net operating assets**



■ Sappi fine paper North America
■ Sappi fine paper Europe
■ Sappi Southern Africa

* for the period ended December 2012
** as at December 2012

Cover picture

The bulk of our dissolving wood pulp production is used to make viscose staple fibre, a biodegradable, natural, organic product with breathability and moisture absorbency properties. As the global population grows, particularly in Asia where most of our dissolving wood pulp production is currently exported, so too, will demand for comfortable clothing. We are a market leader in the VSF segment and are ideally positioned to take advantage of increased demand.

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Financial summary for the quarter

- Profit for the period US\$17 million (Q1 2012 US\$45 million)
- EPS 3 US cents (Q1 2012 9 US cents)
- Operating profit excluding special items US\$73 million (Q1 2012 US\$100 million)
- Net finance costs of US\$42 million (Q1 2012 US\$54 million)
- Net debt US\$2,095 million (Q1 2012 US\$2,175 million)

	Quarter ended		
	Dec 2012	Dec 2011	Sept 2012
Key figures: (US\$ million)			
Sales	1,475	1,585	1,585
Operating profit	70	107	160
Special items – losses (gains) ⁽¹⁾	3	(7)	(42)
Operating profit excluding special items ⁽²⁾	73	100	118
EBITDA excluding special items ⁽²⁾	162	194	211
Profit for the period	17	45	107
Basic earnings per share (US cents)	3	9	21
Net debt ⁽³⁾	2,095	2,175	1,979
Key ratios: (%)			
Operating profit to sales	4.8	6.8	10.1
Operating profit excluding special items to sales	5.0	6.3	7.4
Operating profit excluding special items to capital employed (ROCE)	8.2	11.0	13.0
EBITDA excluding special items to sales	11.0	12.2	13.3
Return on average equity (ROE) ⁽⁴⁾	4.5	12.0	27.8
Net debt to total capitalisation ⁽⁴⁾	58.1	58.9	56.5
Net asset value per share (US cents)	290	291	293

(1) Refer to page 13 for details on special items.

(2) Refer to page 13, note 9 to the group results for the reconciliation of EBITDA excluding special items and operating profit excluding special items to segment operating profit, and profit for the period.

(3) Refer to page 15, supplemental information for the reconciliation of net debt to interest-bearing borrowings.

(4) Refer to page 14, supplemental information for the definition of the term.

Commentary on the quarter

The group operating profit excluding special items of US\$73 million for the quarter was impacted by generally lower selling prices for pulp and paper.

The North American business achieved a good result, with slightly weaker than expected performance in our Southern African and European businesses. In Europe, the operating and sales achievements were ahead of the market, which remains challenging and where conditions worsened during the quarter. Lower pricing across all graphic paper grades led to lower profitability for the European paper business. In South Africa, the impact of lower dissolving wood pulp prices compared to the equivalent quarter in the prior year combined with the three-week road transport strike negatively affected the result. However, volume and pricing momentum picked up towards the end of the quarter.

NBSK pulp prices, to which most of our paper pulp and dissolving wood pulp sales are linked, increased during the quarter from the recent lows reached at the end of September 2012. Average NBSK prices were essentially flat compared to the prior quarter and were approximately US\$90 per ton lower than in the equivalent quarter last year. Hardwood pulp prices were significantly higher than the equivalent quarter last year, which negatively affected our European operations as they are significant buyers of hardwood pulp. The prices of other major inputs such as energy, wood and chemicals were generally lower than in the equivalent quarter last year with the exception of the Southern African business.

There were no major special items for the quarter. The charge to special items of US\$3 million included a positive plantation fair value price adjustment of US\$8 million and a restructuring provision of US\$7 million primarily related to the mothballing of PM4 at Tugela.

Finance costs of US\$42 million were lower than the equivalent quarter last year of US\$54 million following the refinancing completed over the past year and the reduction in gross debt.

Earnings per share for the quarter was 3 US cents (including a charge of 1 US cent in respect of special items) compared with 9 US cents (including a gain of 2 US cents in respect of special items) in the equivalent quarter last year.

Cash flow and debt

Net cash utilised for the quarter was US\$102 million, an improvement compared with net cash utilised of US\$111 million in the equivalent quarter last year. This cash outflow for the quarter was mainly as a result of a seasonal increase in working capital, which 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\$97 million compared to US\$75 million a year ago, reflecting the continued expenditure on the dissolving wood pulp projects.

Net debt of US\$2,095 million is down from US\$2,175 million in December 2011, but up from US\$1,979 million in the quarter ended September 2012 as a result of the seasonal increase in cash utilisation.

Liquidity remains strong with cash on hand of US\$504 million and the €350 million (US\$463 million) available from the undrawn committed revolving credit facility at quarter-end. During December 2012, we finalised a committed revolving credit facility in South Africa of US\$118 million, of which US\$65 million was undrawn at the end of December 2012.

Operating Review for the Quarter

Europe

	Quarter ended Dec 2012 € million	Quarter ended Sept 2012 € million	Quarter ended Jun 2012 € million	Quarter ended Mar 2012 € million	Quarter ended Dec 2011 € million
Sales	616	659	620	672	628
Operating profit excluding special items	16	35	8	37	22
Operating profit excluding special items to sales (%)	2.6	5.3	1.3	5.5	3.5
EBITDA excluding special items	54	73	47	73	60
EBITDA excluding special items to sales (%)	8.8	11.1	7.6	10.9	9.6
RONOA pa (%)	4.6	9.8	2.2	10.2	6.1

Market conditions in the European paper business continued to be challenging, and deteriorated during the quarter. The business achieved sales volumes for the quarter equal to the equivalent quarter in the prior year, despite industry volumes that were depressed year-on-year, in the case of mechanical coated paper by as much as 7%. During the quarter we experienced strong downward pressure on pricing for all graphic paper grades, and average graphic paper sales prices were 2% lower than in the equivalent quarter last year.

Our European business maintained a strong focus on cost containment and variable costs remain 2% below those of the equivalent quarter last year.

The coated specialties business continues to perform well, with increased sales volumes and stable to increasing price movements compared with the equivalent quarter last year.

North America

	Quarter ended Dec 2012 US\$ million	Quarter ended Sept 2012 US\$ million	Quarter ended Jun 2012 US\$ million	Quarter ended Mar 2012 US\$ million	Quarter ended Dec 2011 US\$ million
Sales	346	377	360	349	352
Operating profit excluding special items	18	42	18	24	10
Operating profit excluding special items to sales (%)	5.2	11.1	5.0	6.9	2.8
EBITDA excluding special items	37	63	38	43	29
EBITDA excluding special items to sales (%)	10.7	16.7	10.6	12.3	8.2
RONOA pa (%)	7.9	18.2	7.7	10.4	4.4

The performance of our North American coated paper business was good, with increased sales volumes partially offset by 3% lower average sales prices when compared to the equivalent quarter last year.

The pulp business continued to be negatively impacted by pulp prices that are 5% lower than the equivalent quarter last year, and 3% lower than the prior quarter. Sales volumes were also lower than in both comparative periods, due in part to a planned increase in pulp inventories at the Cloquet mill ahead of the conversion to dissolving wood pulp. The conversion of the Cloquet pulp mill from hardwood kraft pulp to dissolving wood pulp continues on schedule for an expected start-up in the third financial quarter of 2013.

Release paper sales volumes were markedly higher than in both the equivalent quarter last year, and the prior quarter. Average sales prices, whilst stable compared to the prior quarter were below those of the equivalent quarter last year.

Variable costs remained well controlled, with nearly all categories of input costs lower than in the equivalent quarter last year, resulting in total variable costs per ton being 4% lower than in the equivalent quarter last year.

Sappi Southern Africa

	Quarter ended Dec 2012 ZAR million	Quarter ended Sept 2012 ZAR million	Quarter ended Jun 2012 ZAR million	Quarter ended Mar 2012 ZAR million	Quarter ended Dec 2011 ZAR million
Sales	2,870	3,152	3,159	3,113	3,131
Operating profit excluding special items	270	276	255	409	494
Operating profit excluding special items to sales (%)	9.4	8.8	8.1	13.1	15.8
EBITDA excluding special items	452	473	426	604	680
EBITDA excluding special items to sales (%)	15.7	15.0	13.5	19.4	21.7
RONOA pa (%)	7.8	8.2	7.6	12.2	15.1

The Southern African business showed a similar result compared to the prior quarter despite the impact of the three-week road transport strike which spilled over into this quarter. Compared with the equivalent quarter last year however, the operating result was weaker due to lower sales volumes, lower average prices in the Specialised Cellulose business and higher variable costs.

The Specialised Cellulose business sold 175kt of dissolving wood pulp during the quarter, similar to the equivalent quarter last year, but less than the volume sold in the prior quarter due to shipping and production schedules. Average sales prices, which are linked to NBSK pulp, were 12% lower than in the equivalent quarter last year, and similar to those achieved in the prior quarter. The Specialised Cellulose business generated an EBITDA excluding special items of ZAR351 million, representing an EBITDA excluding special items margin of 28%.

The Southern African paper business further improved its performance, compared both to the equivalent quarter last year and the prior quarter. While sales volumes were lower predominantly due to the restructuring of the business and resultant machine closures, sales prices were higher for both local and export sales.

Input costs increased, particularly purchased wood and pulp, as a result of the weaker Rand/US Dollar exchange rate.

Directorate

Professor Meyer Feldberg, our lead independent director, retired 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 more than six years succeeded Professor Feldberg as lead independent director.

Outlook

Financial year 2013 is an important transitional year for the group as we expand our Specialised Cellulose business and continue to optimise our paper businesses.

Market conditions for the paper business, particularly in Europe, are expected to remain challenging for the remainder of the fiscal year, particularly with regards to pricing and input costs. Pulp prices, a major input cost for our European business in particular, have increased since the end of the quarter. Conversely, paper pulp and dissolving wood pulp sales from our North American and Southern African operations should benefit from these higher pulp prices. Overall the group benefits from higher pulp prices as a result of the higher margins in the North American and Southern African businesses.

Price increases were announced for coated woodfree paper in Europe effective from 01 January 2013. The impact of these increases is expected to be gradually felt over the coming months and be fully in place during the course of the third financial quarter. Prices for coated mechanical paper decreased in January, and will not recover before July.

The Specialised Cellulose business continues to sell all available production volumes. The Specialised Cellulose expansion projects at both the Ngodwana and Cloquet mills proceed on plan for start-up in our third financial quarter. The Ngodwana mill will take an extended planned annual maintenance shut during the second financial quarter due to the conversion project. We expect that this will negatively impact the quarter operating profit by approximately US\$20 million.

As previously indicated, as a result of the capex spend on the dissolving wood pulp projects, we expect net debt to increase from the September 2012 level during the 2013 fiscal year and to reduce again post the completion of the projects.

Given prevailing market conditions, we expect the second quarter operating profit excluding special items to be below that of the first quarter for the reasons described above. However, we expect the operating profit in the second half of the financial year to be stronger than in the first half.

On behalf of the board

R J Boëttger
Director

S R Binnie
Director

06 February 2013

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 cyclicity, 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;
- the emergence of new technologies and changes in consumer trends including increased preferences for digital media;
- consequences of our leverage, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed;
- adverse changes in the political situation and economy in the countries in which we operate or the effect of governmental efforts to address present or future economic or social problems;
- the impact of restructurings, investments, acquisitions, dispositions and other strategic initiatives (including related financing), any delays, unexpected costs or other problems experienced in connection with dispositions or with integrating acquisitions or implementing restructuring or strategic initiatives (including our announced dissolving wood pulp conversion projects), 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 2012 US\$ million	Quarter ended Dec 2011 US\$ million
Sales		1,475	1,585
Cost of sales		1,301	1,377
Gross profit		174	208
Selling, general and administrative expenses		95	105
Other operating expenses (income)		10	(4)
Share of profit from associates and joint ventures		(1)	–
Operating profit	2	70	107
Net finance costs		42	54
Net interest		41	56
Net foreign exchange loss (gain)		1	(1)
Net fair value gain on financial instruments		–	(1)
Profit before taxation		28	53
Taxation		11	8
Current		3	(1)
Deferred		8	9
Profit for the period		17	45
Basic earnings per share (US cents)		3	9
Weighted average number of shares in issue (millions)		520.9	520.5
Diluted earnings per share (US cents)		3	9
Weighted average number of shares on fully diluted basis (millions)		522.2	524.5

Condensed group statement of comprehensive income

	Quarter ended Dec 2012 US\$ million	Quarter ended Dec 2011 US\$ million
Profit for the period	17	45
Other comprehensive loss, net of tax	(33)	(11)
Exchange differences on translation of foreign operations	(24)	2
Movements in hedging reserves	(9)	(14)
Deferred tax effect of above items	–	1
Total comprehensive (loss) income for the period	(16)	34

Condensed group balance sheet

	Dec 2012 US\$ million	Reviewed Sept 2012 US\$ million
ASSETS		
Non-current assets	4,024	3,990
Property, plant and equipment	3,192	3,157
Plantations	553	555
Deferred taxation	152	154
Other non-current assets	127	124
Current assets	2,085	2,178
Inventories	809	726
Trade and other receivables	772	807
Cash and cash equivalents	504	645
Total assets	6,109	6,168
EQUITY AND LIABILITIES		
Shareholders' equity		
Ordinary shareholders' interest	1,513	1,525
Non-current liabilities	3,302	3,328
Interest-bearing borrowings	2,293	2,358
Deferred taxation	321	319
Other non-current liabilities	688	651
Current liabilities	1,294	1,315
Interest-bearing borrowings	299	261
Bank overdraft	7	5
Other current liabilities	969	1,023
Taxation payable	19	26
Total equity and liabilities	6,109	6,168
Number of shares in issue at balance sheet date (millions)	521.5	520.8

Condensed group statement of cash flows

	Quarter ended Dec 2012 US\$ million	Quarter ended Dec 2011 US\$ million
Profit for the period	17	45
<i>Adjustment for:</i>		
Depreciation, fellings and amortisation	106	113
Taxation	11	8
Net finance costs	42	54
Defined post-employment benefits paid	(15)	(11)
Plantation fair value adjustments	(26)	(24)
Net restructuring provisions	7	–
Other non-cash items	8	10
Cash generated from operations	150	195
Movement in working capital	(130)	(166)
Net finance costs paid	(59)	(64)
Taxation paid	(10)	(5)
Cash utilised in operating activities	(49)	(40)
Cash utilised in investing activities	(53)	(71)
Net cash utilised	(102)	(111)
Cash effects of financing activities	(46)	(117)
Net movement in cash and cash equivalents	(148)	(228)

Condensed group statement of changes in equity

	Quarter ended Dec 2012 US\$ million	Quarter ended Dec 2011 US\$ million
Balance – beginning of period	1,525	1,478
Total comprehensive (loss) income for the period	(16)	34
Transfers from the share purchase trust	3	2
Transfers of vested share options	(3)	(2)
Share-based payment reserve	4	4
Balance – end of period	1,513	1,516

Notes to the condensed group results

1. Basis of preparation

The condensed consolidated interim financial results for the three months ended December 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 interim financial results are consistent with those applied for the year ended September 2012.

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

These results are unaudited.

	Quarter ended Dec 2012 US\$ million	Quarter ended Dec 2011 US\$ million
2. Operating profit		
Included in operating profit are the following non-cash items:		
Depreciation and amortisation	89	94
Fair value adjustment on plantations (included in cost of sales)		
Changes in volume		
Fellings	17	19
Growth	(18)	(21)
	(1)	(2)
Plantation price fair value adjustment	(8)	(3)
	(9)	(5)
Included in other operating expenses (income) are the following:		
Profit on disposal of property, plant and equipment	–	(5)
Net restructuring provisions	7	–
Black Economic Empowerment charge	1	1
3. Headline earnings per share		
Headline earnings per share (US cents)	3	8
Weighted average number of shares in issue (millions)	520.9	520.5
Diluted headline earnings per share (US cents)	3	8
Weighted average number of shares on fully diluted basis (millions)	522.2	524.5
Calculation of headline earnings		
Profit for the period	17	45
Profit on disposal of property, plant and equipment	–	(5)
Tax effect of above items	–	–
Headline earnings	17	40
4. Capital expenditure		
Property, plant and equipment	110	76

	Dec 2012 US\$ million	Reviewed Sept 2012 US\$ million
5. Capital commitments		
Contracted	266	267
Approved but not contracted	312	244
	578	511
6. Contingent liabilities		
Guarantees and suretyships	35	31
Other contingent liabilities	10	10
	45	41

7. Material balance sheet movements

Cash and cash equivalents, interest-bearing borrowing and inventories

Inventory increased as a result of a conscious decision to increase stock holding in anticipation of the dissolving wood pulp conversion projects. The decrease in trade and other receivables is mainly attributable 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 decreased as a result of the redemption of the remaining €31 million (US\$42 million) of its senior secured notes due 2014, cash capital expenditure of US\$97 million, proceeds on sales of investment as described above and reduction in other current liabilities of US\$54 million due to seasonal changes.

8. Post balance sheet events

Following the closure of its Usutu Mill in the 2010 financial year, Sappi Southern Africa has signed an agreement to sell its villages situated around the mill for US\$11 million that have a book value of US\$0.3 million. The sale is subject to the provision of guarantees by the buyer and the registration of the transfer of the properties in the name of the buyer.

9. Segment information

	Quarter ended Dec 2012 Metric tons (000's)	Quarter ended Dec 2011 Metric tons (000's)
Sales volume		
Sappi Fine Paper North America	334	339
Sappi Fine Paper Europe	849	849
Sappi Southern Africa –		
Pulp and paper	380	400
Forestry	284	241
Total	1,847	1,829

	Quarter ended Dec 2012 US\$ million	Quarter ended Dec 2011 US\$ million
Sales		
Sappi Fine Paper North America	346	352
Sappi Fine Paper Europe	799	846
Sappi Southern Africa –		
Pulp and paper	310	368
Forestry	20	19
Total	1,475	1,585
Operating profit excluding special items		
Sappi Fine Paper North America	18	10
Sappi Fine Paper Europe	21	29
Sappi Southern Africa	31	61
Unallocated and eliminations ⁽¹⁾	3	–
Total	73	100
Special items – losses (gains)		
Sappi Fine Paper North America	2	–
Sappi Fine Paper Europe	3	(5)
Sappi Southern Africa	(2)	(2)
Unallocated and eliminations ⁽¹⁾	–	–
Total	3	(7)
Segment operating profit		
Sappi Fine Paper North America	16	10
Sappi Fine Paper Europe	18	34
Sappi Southern Africa	33	63
Unallocated and eliminations ⁽¹⁾	3	–
Total	70	107
EBITDA excluding special items		
Sappi Fine Paper North America	37	29
Sappi Fine Paper Europe	70	81
Sappi Southern Africa	52	84
Unallocated and eliminations ⁽¹⁾	3	–
Total	162	194

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

	Quarter ended Dec 2012 US\$ million	Quarter ended Dec 2011 US\$ million
Segment assets		
Sappi Fine Paper North America	913	901
Sappi Fine Paper Europe	1,847	1,908
Sappi Southern Africa	1,708	1,663
Unallocated and eliminations ⁽¹⁾	(3)	65
Total	4,465	4,537

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

Reconciliation of EBITDA excluding special items and operating profit excluding special items to segment operating profit and profit for the period

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

	Quarter ended Dec 2012 US\$ million	Quarter ended Dec 2011 US\$ million
EBITDA excluding special items	162	194
Depreciation and amortisation	(89)	(94)
Operating profit excluding special items	73	100
Special items – (losses) gains	(3)	7
Plantation price fair value adjustment	8	3
Net restructuring provisions	(7)	–
Profit on disposal of property, plant and equipment	–	5
Black Economic Empowerment charge	(1)	(1)
Fire, flood, storm and related events	(3)	–
Segment operating profit	70	107
Net finance costs	(42)	(54)
Profit before taxation	28	53
Taxation	(11)	(8)
Profit for the period	17	45
Reconciliation of segment assets to total assets		
Segment assets	4,465	4,537
Deferred taxation	152	43
Cash and cash equivalents	504	401
Other current liabilities	969	974
Taxation payable	19	14
Total assets	6,109	5,969

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 3/2012 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 – annualised return on average capital employed. Operating profit excluding special items divided by average capital employed

ROE – annualised 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 2012	Quarter ended Dec 2011
Key figures: (ZAR million)		
Sales	12,829	12,825
Operating profit	609	866
Special items – losses (gains) ⁽¹⁾	26	(57)
Operating profit excluding special items ⁽¹⁾	635	809
EBITDA excluding special items ⁽¹⁾	1,409	1,570
Profit for the period	148	364
Basic earnings per share (SA cents)	28	73
Net debt ⁽¹⁾	17,776	17,587
Key ratios: (%)		
Operating profit to sales	4.7	6.8
Operating profit excluding special items to sales	4.9	6.3
Operating profit excluding special items to capital employed (ROCE) ⁽¹⁾	8.5	11.0
EBITDA excluding special items to sales	11.0	12.2
Return on average equity (ROE)	4.6	12.0
Net debt to total capitalisation ⁽¹⁾	58.1	58.9

(1) Refer to page 14, 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.

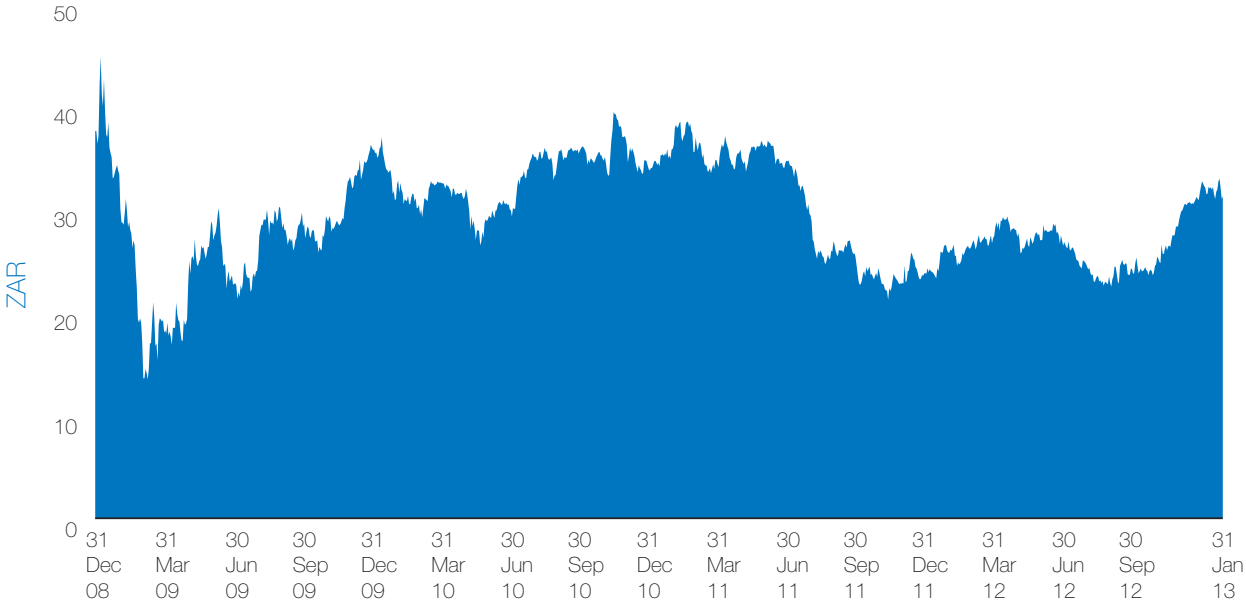
Reconciliation of net debt to interest-bearing borrowings

	Dec 2012 US\$ million	Sept 2012 US\$ million
Interest-bearing borrowings	2,599	2,624
Non-current interest-bearing borrowings	2,293	2,358
Current interest-bearing borrowings	299	261
Bank overdraft	7	5
Cash and cash equivalents	(504)	(645)
Net debt	2,095	1,979

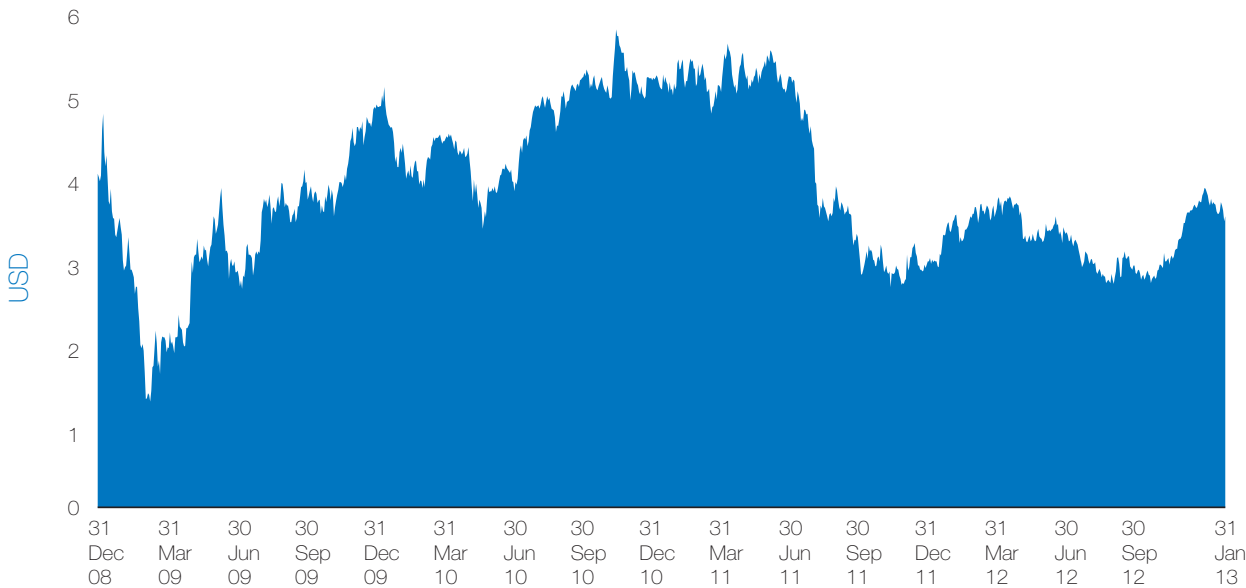
Exchange rates

	Dec 2012	Sept 2012	Jun 2012	Mar 2012	Dec 2011
Exchange rates:					
Period end rate: US\$1 = ZAR	8.4851	8.3096	8.1650	7.6725	8.0862
Average rate for the Quarter: US\$1 = ZAR	8.6975	8.2567	8.1229	7.7511	8.0915
Average rate for the YTD: US\$1 = ZAR	8.6975	8.0531	7.9885	7.9237	8.0915
Period end rate: €1 = US\$	1.3217	1.2859	1.2660	1.3344	1.2948
Average rate for the Quarter: €1 = US\$	1.2970	1.2514	1.2838	1.3116	1.3482
Average rate for the YTD: €1 = US\$	1.2970	1.2988	1.3145	1.3299	1.3482

Sappi ordinary shares (JSE:SAP)



US Dollar share price conversion



(Registration number 1936/008963/06)

Issuer Code: SAWI

JSE Code: SAP

ISIN: ZAE000006284

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

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