sappi
Inspired by life

First Quarter results for the period ended December 2013

1st quarter results

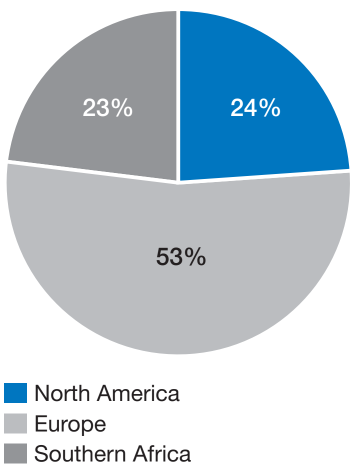
Sappi works closely with customers, both direct and indirect, in over 100 countries to provide them with relevant and sustainable paper, paper-pulp and dissolving wood pulp products and related services and innovations.

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.

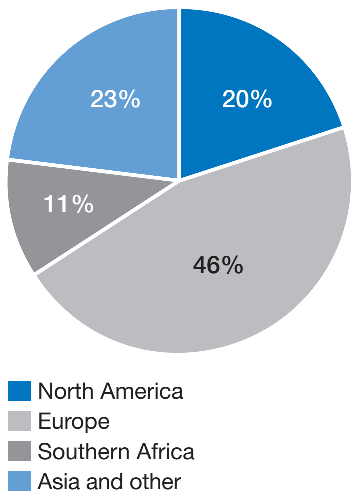
Our dissolving wood pulp products are used worldwide by converters to create viscose fibre, acetate tow, pharmaceutical products as well as a wide range of consumer products.

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.

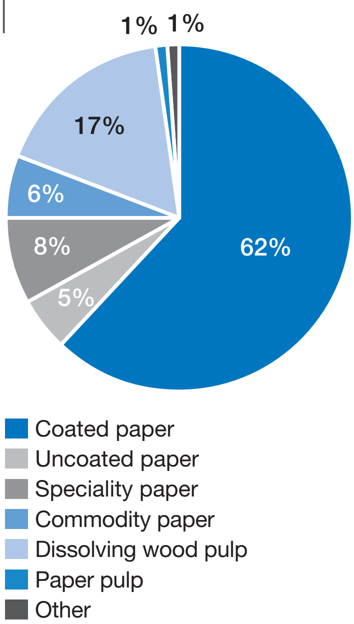
Sales by source*



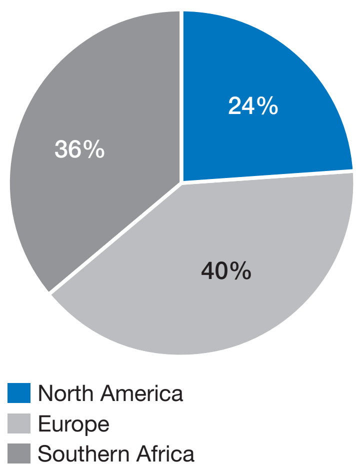
Sales by destination*



Sales by product*



Net operating assets**



** for the period ended December 2013*
*** as at December 2013*

Cover picture – Shutterstock

We are the market leader in specialised cellulose used widely in the Viscose Staple Fibre (VSF) segment. We are ideally positioned to take advantage of increased demand.

Financial summary for the quarter

- Profit for the period US$18 million (Q1 2013 US$12 million)
- EPS excluding special items 2 US cents (Q1 2013 3 US cents)
- EBITDA excluding special items US$147 million (Q1 2013 US$159 million)
- Net debt US$2,348 million (Q1 2013 US$2,095 million)

	Quarter ended		
	Dec 2013	Restated[(1)] Dec 2012	Restated[(1)] Sept 2013
Key figures: (US$ million)			
Sales	**1,499**	1,475	1,530
Operating profit (loss)	**70**	67	(110)
Special items – (gains) losses[(2)]	**(10)**	3	177
Operating profit excluding special items[(3)]	**60**	70	67
EBITDA excluding special items[(3)]	**147**	159	155
Profit (loss) for the period	**18**	12	(149)
Basic earnings (loss) per share (US cents)	**3**	2	(29)
Net debt[(4)]	**2,348**	2,095	2,214
Key ratios: (%)			
Operating profit (loss) to sales	**4.7**	4.5	(7.2)
Operating profit excluding special items to sales	**4.0**	4.8	4.4
Operating profit excluding special items to capital employed (ROCE)	**7.0**	7.9	7.7
EBITDA excluding special items to sales	**9.8**	10.8	10.1
Return on average equity (ROE)[(5)]	**6.4**	3.2	(48.0)
Net debt to total capitalisation[(5)]	**67.7**	58.1	65.9
Net asset value per share (US cents)	**215**	290	219

(1) Restated for the adoption of IAS 19 (Revised) Employee Benefits. Refer to page 11, note 2 to the group results for more detail.
(2) Refer to page 15, note 8 to the group results for details on special items.
(3) Refer to page 15, note 8 to the group results for the reconciliation of EBITDA excluding special items and operating profit excluding special items to segment operating profit, and profit for the period.
(4) Refer to page 17, supplemental information for the reconciliation of net debt to interest-bearing borrowings.
(5) Refer to page 16, supplemental information for the definition of the term.

Commentary on the quarter

The group returned to positive earnings in the quarter with an EBITDA excluding special items of US$147 million, an operating profit excluding special items of US$60 million and a profit for the period of US$18 million.

We continue to generate good returns in the Specialised Cellulose business, and the dissolving wood pulp market experienced strong demand in an increasingly competitive market. Conditions are generally difficult in the global graphic paper markets, in line with our expectations in Europe and more challenging than anticipated in North America.

The South African business had another good quarter, benefiting from additional sales volumes in the Specialised Cellulose business from the Ngodwana Mill, the weaker Rand/Dollar exchange rate and a gradual improvement in the paper business. The European business returned to a small operating profit after three quarters of losses, with a reduction in fixed cost offsetting lower selling prices. The North American business experienced a difficult quarter, with volume and price declines in the paper segment as well as increased variable costs leading to a small operating loss.

The group has benefited from the strategic decision to invest in and grow the Specialised Cellulose business, with 286kt of dissolving wood pulp sold during the quarter (an increase of 63% over the equivalent quarter last year), generating US$74 million in EBITDA excluding special items at an EBITDA margin of 30%. We continue to benefit from our low cost position at each of our dissolving wood pulp mills and the weaker Rand/Dollar exchange rate during the quarter.

NBSK paper pulp list prices, to which most of our dissolving wood pulp sales are linked, increased during the quarter, reaching its highest levels in two years. Due to the competitive nature of the market and weak viscose pricing, we expect increased pressure on our NBSK linked prices going forward.

There were no major special items for the quarter. The gain of US$10 million included a positive plantation fair value price adjustment of US$8 million and an asset impairment reversal of US$2 million.

During the year, the group adopted the revised IAS 19 (refer to note 2 to the group results). Finance costs of US$48 million were in line with the restated equivalent quarter last year.

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

Cash flow and debt

Net cash utilised for the quarter was US$133 million, an increase compared to the net cash utilised of US$102 million in the equivalent quarter last year which included the proceeds from the disposal of assets. This cash outflow for the quarter was mainly a result of a seasonal increase in working capital. Capital expenditure in the quarter declined to US$71 million compared to US$96 million a year ago, reflecting the completion of the expenditure on the dissolving wood pulp projects.

Net debt of US$2,348 million is up, compared to both the prior quarter, US$2,214 million, and the equivalent quarter last year, US$2,095 million, as a result of the seasonal increase in cash utilisation and the past year's capital expenditure respectively.

Liquidity comprises cash on hand of US$210 million and US$581 million available from the undrawn committed revolving credit facilities in South Africa and Europe.

Operating review for the quarter

Europe

	Quarter ended Dec 2013 € million	Restated[(1)] quarter ended Sept 2013 € million	Restated[(1)] quarter ended Jun 2013 € million	Restated[(1)] quarter ended Mar 2013 € million	Restated[(1)] quarter ended Dec 2012 € million
Sales	**581**	591	574	624	616
Operating profit (loss) excluding special items	**3**	(9)	(12)	(1)	16
Operating profit (loss) excluding special items to sales (%)	***0.5***	*(1.5)*	*(2.1)*	*(0.2)*	*2.6*
EBITDA excluding special items	**38**	27	24	35	54
EBITDA excluding special items to sales (%)	***6.5***	*4.6*	*4.2*	*5.6*	*8.8*
RONOA pa (%)	***1.0***	*(2.8)*	*(3.5)*	*(0.3)*	*4.6*

(1) The group adopted IAS 19 (Revised) Employee Benefits for the year ended September 2014. Refer to note 2 to the group results for more detail.

The strategic actions to reduce costs and improve our profitability enabled the business to return to an operating profit this quarter. The paper market remains tough, with demand continuing to decline and pricing under pressure, particularly in a strong Euro/Dollar exchange rate environment.

We continue to take action to reduce costs, and both fixed and variable costs are below those of the equivalent quarter last year. Negotiations with interested stakeholders to relocate production from Nijmegen to other mills are ongoing.

The Alfeld PM2 conversion to speciality paper has been completed with successful trial runs and customer quality acceptance.

North America

	Quarter ended Dec 2013 US$ million	Restated[1] quarter ended Sept 2013 US$ million	Restated[1] quarter ended Jun 2013 US$ million	Restated[1] quarter ended Mar 2013 US$ million	Restated[1] quarter ended Dec 2012 US$ million
Sales	**365**	366	324	341	346
Operating (loss) profit excluding special items	**(3)**	27	(2)	18	14
Operating (loss) profit excluding special items to sales (%)	***(0.8)***	*7.4*	*(0.6)*	*5.3*	*4.0*
EBITDA excluding special items	**17**	47	16	39	33
EBITDA excluding special items to sales (%)	***4.7***	*12.8*	*4.9*	*11.4*	*9.5*
RONOA pa (%)	***(1.2)***	*10.4*	*(0.8)*	*7.6*	*6.1*

(1) The group adopted IAS 19 (Revised) Employee Benefits for the year ended September 2014. Refer to note 2 to the group results for more detail.

The North American business experienced a challenging quarter, and the graphic paper business was particularly difficult with lower sales volumes and prices in very competitive markets. Domestic coated freesheet paper demand in North America declined some 5% compared to the prior year, and whilst our sales declined by less than this, the loss of volume and a decline in coated web pricing over the past year had a significant impact. Higher cost purchased fibre also impacted paper costs compared to the prior year.

Dissolving wood pulp production and sales volumes were close to full capacity with excellent quality. In optimising the global Specialised Cellulose business, we have seen lower average pricing and higher logistics costs in our North American operation, resulting in lower average returns for the business in North America.

The release paper business had a slow Chinese winter garment season as distributors reduced inventory; however, European demand and pricing remains good.

Results were also impacted by our planned annual pulp and recovery boiler shut at our Somerset Mill during the quarter.

Southern Africa

	Quarter ended Dec 2013 ZAR million	Restated(1) quarter ended Sept 2013 ZAR million	Restated(1) quarter ended Jun 2013 ZAR million	Restated(1) quarter ended Mar 2013 ZAR million	Restated(1) quarter ended Dec 2012 ZAR million
Sales	**3,488**	3,779	3,255	3,020	2,870
Operating profit excluding special items	**568**	509	192	181	278
Operating profit excluding special items to sales (%)	***16.3***	*13.5*	*5.9*	*6.0*	*9.7*
EBITDA excluding special items	**761**	709	364	359	461
EBITDA excluding special items to sales (%)	***21.8***	*18.8*	*11.2*	*11.9*	*16.1*
RONOA pa (%)	***14.4***	*13.0*	*4.9*	*4.8*	*8.0*

(1) The group adopted IAS 19 (Revised) Employee Benefits for the year ended September 2014. Refer to note 2 to the group results for more detail.

The Southern African Specialised Cellulose business continues to perform well, and this quarter included sales from the recently converted Ngodwana Mill for the first time. Average net selling prices for dissolving wood pulp were flat compared to the prior quarter, but significantly higher than for the equivalent quarter in the prior year due to higher NBSK reference prices as well as a weaker Rand/Dollar exchange rate.

The South African paper business returned to profitability, aided by the weaker Rand/Dollar exchange rate. However, the local graphic paper market remains weak, with continued cost pressure and a competitive import market. The domestic packaging market, though seasonally weaker in this quarter, continues to see good demand levels and improved pricing.

Variable costs continue to increase, particularly for energy and chemicals and other Dollar denominated costs. Fixed costs were well managed, and were 3% below those of the prior quarter despite additional maintenance costs due to a planned annual maintenance shut at Saiccor.

Directorate

On 15 January, the company announced that Ralph Boëttger, Chief Executive Officer, will be relinquishing his position as CEO and Director on 30 June 2014 due to a serious illness. A process is in place to identify a successor and to allow for a timeous and smooth hand-over.

Outlook

The past year has reinforced the importance of our strategy to reposition Sappi for growth, higher margins, improved profitability, and with less reliance on graphic paper. The two major dissolving wood pulp conversion projects are now both contributing to earnings and profitability, whilst the paper businesses, although dealing with difficult market conditions, continue to generate cash that will enable us to reduce debt.

Both the European and South African paper businesses returned to profitability during the quarter and we expect to see further improvement in the performance of these paper businesses. Plans are in place to return the North American paper business to previous profitability levels.

Paper markets are expected to remain challenging for the remainder of the year and we continue to focus on costs across all our regions, with each of them striving to ensure that they are amongst the lowest cost producers in their respective markets.

Demand in the Specialised Cellulose business is expected to remain firm, but with continued pressure on pricing. Currency, particularly the Rand/Dollar exchange rate will continue to remain a factor in the overall profitability of this business.

Capital expenditure for the full year is expected to be less than US$300 million and, along with the expected improvement in profitability when compared to the prior year, should allow the group to reduce debt levels to approximately US$2 billion by the end of the fiscal year.

Our outlook for the year continues to be one of improved profitability for the 2014 financial year when compared to 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 and which do not relate to historical matters, may be used to identify forward-looking statements. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond our control and may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements (and from past results, performance or achievements). Certain factors that may cause such differences include but are not limited to:

- the highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclicality, such as levels of demand, production capacity, production, input costs including raw material, energy and employee costs, and pricing);
- the impact on our business of the global economic downturn;
- unanticipated production disruptions (including as a result of planned or unexpected power outages);
- changes in environmental, tax and other laws and regulations;
- adverse changes in the markets for our products;
- 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 2013 US$ million	Restated quarter ended Dec 2012 US$ million
Sales		1,499	1,475
Cost of sales		1,339	1,304
Gross profit		160	171
Selling, general and administrative expenses		94	95
Other operating (income) expenses		(2)	10
Share of profit from equity investments		(2)	(1)
Operating profit	3	70	67
Net finance costs		48	47
Net interest expense		48	46
Net foreign exchange (gain) loss		(1)	1
Net fair value loss on financial instruments		1	–
Profit before taxation		22	20
Taxation		4	8
Profit for the period		18	12
Basic earnings per share (US cents)		3	2
Weighted average number of shares in issue (millions)		521.7	520.9
Diluted earnings per share (US cents)		3	2
Weighted average number of shares on fully diluted basis (millions)		523.4	522.2

Condensed group statement of comprehensive income

	Quarter ended Dec 2013 US$ million	Restated quarter ended Dec 2012 US$ million
Profit for the period	18	12
Other comprehensive loss, net of tax		
Items that will not be reclassified subsequently to profit or loss	–	5
Actuarial gains on post-employment benefit funds	–	8
Tax effect on above item	–	(3)
Items that must be reclassified subsequently to profit or loss	(42)	(33)
Exchange differences on translation of foreign operations	(54)	(24)
Movements in hedging reserves	13	(9)
Movement on available for sale financial assets	(1)	–
Total comprehensive loss for the period	(24)	(16)

Condensed group balance sheet

	Dec 2013 US$ million	Restated Sept 2013 US$ million
ASSETS		
Non-current assets	3,675	3,754
Property, plant and equipment	3,012	3,078
Plantations	451	464
Deferred tax assets	96	92
Other non-current assets	116	120
Current assets	1,867	1,973
Inventories	771	728
Trade and other receivables	776	748
Taxation receivable	17	18
Cash and cash equivalents	210	385
Assets held for sale	93	94
Total assets	5,542	5,727
EQUITY AND LIABILITIES		
Shareholders' equity		
Ordinary shareholders' interest	1,122	1,144
Non-current liabilities	3,322	3,371
Interest-bearing borrowings	2,444	2,499
Deferred tax liabilities	267	267
Other non-current liabilities	611	605
Current liabilities	1,098	1,212
Interest-bearing borrowings	114	99
Overdrafts	–	1
Other current liabilities	971	1,094
Taxation payable	8	12
Liabilities associated with assets held for sale	5	6
Total equity and liabilities	5,542	5,727
Number of shares in issue at balance sheet date (millions)	522.5	521.5

Condensed group statement of cash flows

	Quarter ended Dec 2013 US$ million	Restated quarter ended Dec 2012 US$ million
Profit for the period	18	12
Adjustment for:		
Depreciation, fellings and amortisation	102	106
Taxation	4	8
Net finance costs	48	47
Defined post-employment benefits paid	(17)	(15)
Plantation fair value adjustments	(26)	(26)
Net restructuring provisions	1	7
Other non-cash items	6	11
Cash generated from operations	136	150
Movement in working capital	(149)	(130)
Net finance costs paid	(56)	(59)
Taxation paid	(1)	(10)
Cash utilised in operating activities	(70)	(49)
Cash utilised in investing activities	(63)	(53)
Capital expenditure	(71)	(96)
Proceeds on disposal of non-current assets	6	42
Other movements	2	1
Net cash utilised	(133)	(102)
Cash effects of financing activities	(43)	(46)
Net movement in cash and cash equivalents	(176)	(148)
Cash and cash equivalents at beginning of period	385	645
Translation effects	1	7
Cash and cash equivalents at end of period	210	504

Condensed group statement of changes in equity

	Quarter ended Dec 2013 US$ million	Restated quarter ended Dec 2012 US$ million
Balance – beginning of period	1,144	1,525
Total comprehensive loss for the period	(24)	(16)
Share-based payment reserve	2	4
Balance – end of period	1,122	1,513

Notes to the condensed group results

1. Basis of preparation

The condensed consolidated interim financial results for the three months ended December 2013 have been prepared in accordance with the Listings Requirements of the JSE Limited, the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and, the Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and must contain the information required by IAS 34, *Interim Financial Reporting.* The accounting policies applied in the preparation of these interim financial statements are consistent with those applied in the previous annual financial statements, other than for the adoption of IFRS 10 *Consolidated Financial Statements,* IFRS 11 *Joint Arrangements,* IFRS 12 *Disclosure of Interests in Other Entities,* IFRS 13 *Fair Value Measurement,* IAS 19 (Revised) *Employee Benefits,* IAS 27 *Separate Financial Statements,* IAS 28 *Investments in Associates and Joint Ventures* and various other improvements. The adoption of these accounting standards did not have a material impact on the group results other than as described in note 2 below.

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.

2. Restatement due to adoption of IAS 19 (Revised) *Employee Benefits*

The group adopted IAS 19 (Revised) *Employee Benefits* for the year ended September 2014. This adoption requires retrospective effect. As a result of the change, the group now determines the net interest expense (income) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period adjusted for any changes as a result of contributions and benefit payments to the net defined benefit liability (asset). Previously, the group determined interest income on plan assets based on their long-term rate of expected return. The group also reclassified the net interest expense (income) from operating profit (loss) to finance costs as an accounting policy choice.

The impact on profit or loss and other comprehensive loss for the quarter ended December 2012 is as follows:

	As previously reported US$ million	Adjustment US$ million	Restated US$ million
Condensed group income statement			
Cost of sales	1,301	3	1,304
Net finance costs	42	5	47
Taxation	11	(3)	8
Profit before taxation	17	(5)	12
Condensed group statement of comprehensive income			
Items that will not be reclassified subsequently to profit or loss	–	5	5
Actuarial gains on post-employment benefit funds	–	8	8
Tax effect on above item	–	(3)	(3)
Earnings per share			
Basic earnings per share (US cents)	3	(1)	2
Diluted earnings per share (US cents)	3	(1)	2

3. Operating profit

	Quarter ended Dec 2013 US$ million	Restated quarter ended Dec 2012 US$ million
Included in operating profit are the following non-cash items:		
Depreciation and amortisation	87	89
Fair value adjustment on plantations (included in cost of sales)		
Changes in volume		
Fellings	15	17
Growth	(18)	(18)
	(3)	(1)
Plantation price fair value adjustment	(8)	(8)
	(11)	(9)
Included in other operating (income) expenses are the following:		
Net restructuring provisions	1	7
Profit on disposal of property, plant and equipment	(1)	–
Asset impairment reversals	(2)	–
Black Economic Empowerment charge	–	1

4. Headline earnings per share

Headline earnings per share (US cents)	3	2
Weighted average number of shares in issue (millions)	521.7	520.9
Diluted headline earnings per share (US cents)	3	2
Weighted average number of shares on fully diluted basis (millions)	523.4	522.2
Calculation of headline earnings		
Profit for the period	18	12
Asset impairment reversals	(2)	–
Profit on disposal of property, plant and equipment	(1)	–
Headline earnings	15	12

5. Capital commitments

	Dec 2013 US$ million	Reviewed Sept 2013 US$ million
Contracted	99	62
Approved but not contracted	250	195
	349	257

6. Contingent liabilities

Guarantees and suretyships	34	33
Other contingent liabilities	11	11
	45	44

7. Material balance sheet movements

Other current liabilities, inventories and cash and cash equivalents

The decrease in cash and cash equivalents is largely due to seasonal working capital movements which include an increase in inventory levels and the payment of creditors which included capital accruals related to our dissolving wood pulp projects.

8. Segment information

		Quarter ended Dec 2013 Metric tons (000's)	Quarter ended Dec 2012 Metric tons (000's)
Sales volume			
North America		**348**	334
Europe		**836**	849
Southern Africa –	Pulp and paper	**403**	380
	Forestry	**257**	284
Total		**1,844**	1,847
Which consists of:			
Specialised cellulose		**286**	175
Paper		**1,558**	1,672

		Quarter ended Dec 2013 US$ million	Restated quarter ended Dec 2012 US$ million
Sales			
North America		**365**	346
Europe		**790**	799
Southern Africa –	Pulp and paper	**327**	310
	Forestry	**17**	20
Total		**1,499**	1,475
Which consists of:			
Specialised cellulose		**247**	146
Paper		**1,252**	1,329
Operating profit (loss) excluding special items			
North America		**(3)**	14
Europe		**4**	21
Southern Africa		**56**	32
Unallocated and eliminations[1]		**3**	3
Total		**60**	70
Which consists of:			
Specialised cellulose		**55**	28
Paper		**2**	39
Unallocated and eliminations[1]		**3**	3

	Quarter ended Dec 2013 US$ million	Restated quarter ended Dec 2012 US$ million
Special items – (gains) losses		
North America	(1)	2
Europe	–	3
Southern Africa	(10)	(2)
Unallocated and eliminations[1]	1	–
Total	(10)	3
Segment operating profit (loss)		
North America	(2)	12
Europe	4	18
Southern Africa	66	34
Unallocated and eliminations[1]	2	3
Total	70	67
EBITDA excluding special items		
North America	17	33
Europe	52	70
Southern Africa	75	53
Unallocated and eliminations[1]	3	3
Total	147	159
Which consists of:		
Specialised cellulose	74	38
Paper	70	118
Unallocated and eliminations[1]	3	3

	Quarter ended Dec 2013 US$ million	Quarter ended Dec 2012 US$ million
Segment assets		
North America	1,030	913
Europe	1,698	1,847
Southern Africa	1,534	1,708
Unallocated and eliminations[1]	(10)	(3)
Total	4,252	4,465

(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 2013 US$ million	Restated quarter ended Dec 2012 US$ million
EBITDA excluding special items	147	159
Depreciation and amortisation	(87)	(89)
Operating profit excluding special items	60	70
Special items – gains (losses)	10	(3)
Plantation price fair value adjustment	8	8
Net restructuring provisions	(1)	(7)
Profit on disposal of property, plant and equipment	1	–
Asset impairment reversals	2	–
Black Economic Empowerment charge	–	(1)
Fire, flood, storm and related events	–	(3)
Segment operating profit	70	67
Net finance costs	(48)	(47)
Profit before taxation	22	20
Taxation	(4)	(8)
Profit for the period	18	12
Reconciliation of segment assets to total assets		
Segment assets	4,252	4,465
Deferred taxation	96	152
Cash and cash equivalents	210	504
Other current liabilities	971	969
Taxation payable	8	19
Liabilities associated with assets held for sale	5	–
Total assets	5,542	6,109

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 2/2013 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 2013	Restated quarter ended Dec 2012
Key figures: (ZAR million)		
Sales	15,201	12,829
Operating profit	710	583
Special items – (gains) losses(1)	(101)	26
Operating profit excluding special items(1)	609	609
EBITDA excluding special items(1)	1,491	1,383
Profit for the period	183	104
Basic earnings per share (SA cents)	30	17
Net debt(1)	24,724	17,776
Key ratios: (%)		
Operating profit to sales	4.7	4.5
Operating profit excluding special items to sales	4.0	4.8
Operating profit excluding special items to capital employed (ROCE)(1)	6.9	8.2
EBITDA excluding special items to sales	9.8	10.8
Return on average equity (ROE)	6.3	3.3
Net debt to total capitalisation(1)	67.7	58.1

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

The above financial results have been translated into Rands from US Dollars as follows:
- *assets and liabilities at rates of exchange ruling at period end; and*
- *income, expenditure and cash flow items at average exchange rates.*

Reconciliation of net debt to interest-bearing borrowings

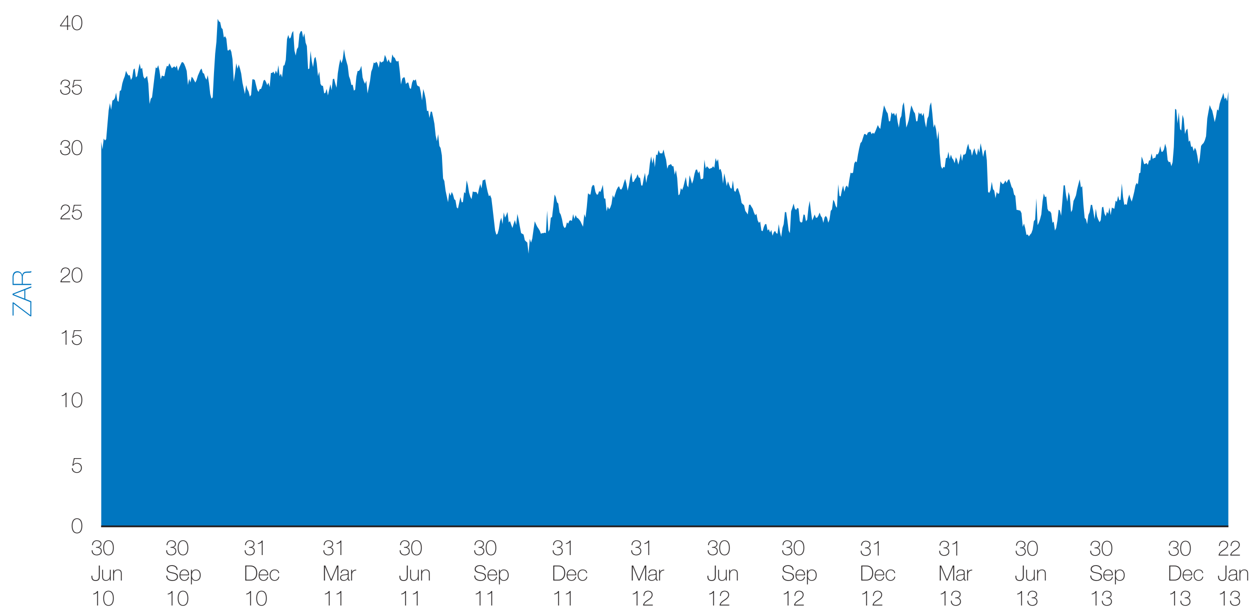
	Dec 2013 US$ million	Sept 2013 US$ million
Interest-bearing borrowings	2,558	2,599
Non-current interest-bearing borrowings	2,444	2,499
Current interest-bearing borrowings	114	99
Bank overdraft	–	1
Cash and cash equivalents	(210)	(385)
Net debt	2,348	2,214

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

Exchange rates

	Dec 2013	Sept 2013	Jun 2013	Mar 2013	Dec 2012
Exchange rates:					
Period end rate: US$1 = ZAR	**10.5300**	10.0930	9.8800	9.2363	8.4851
Average rate for the Quarter: US$1 = ZAR	**10.1406**	9.9931	9.4756	8.9349	8.6975
Average rate for the YTD: US$1 = ZAR	**10.1406**	9.2779	9.0364	8.8173	8.6975
Period end rate: €1 = US$	**1.3742**	1.3522	1.3010	1.2821	1.3217
Average rate for the Quarter: €1 = US$	**1.3607**	1.3248	1.3060	1.3206	1.2970
Average rate for the YTD: €1 = US$	**1.3607**	1.3121	1.3078	1.3088	1.2970

Sappi ordinary shares (JSE:SAP)



Notes:

Notes:

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

Sappi has a primary listing on the JSE Limited and a Level 1 ADR programme that trades in the over-the-counter market in the United States

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