

VEECO INSTRUMENTS INC
Form 10-Q
July 30, 2009
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2009

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission file number 0-16244

VEECO INSTRUMENTS INC.

(Exact Name of Registrant as Specified in Its Charter)

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Delaware
(State or Other Jurisdiction of

11-2989601
(I.R.S. Employer

Incorporation or Organization)

Identification Number)

Terminal Drive
Plainview, New York
(Address of Principal Executive Offices)

11803
(Zip Code)

Registrant's telephone number, including area code: **(516) 677-0200**

Website: **www.veeco.com**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

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Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

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32,544,275 shares of common stock, \$0.01 par value per share, were outstanding as of the close of business on July 29, 2009.

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SAFE HARBOR STATEMENT

This Quarterly Report on Form 10-Q (the **Report**) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Discussions containing such forward-looking statements may be found in Items 2 and 3 hereof, as well as within this Report generally. In addition, when used in this Report, the words **believes, anticipates, expects, estimates, plans, intends, and similar expressions** are intended to identify forward-looking statements. All forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from projected results. These risks and uncertainties include, without limitation, the following:

- Negative worldwide economic conditions could result in a decrease in our net sales and an increase in our operating costs, which could adversely affect our business and operating results;

- Our sales to data storage and HB-LED manufacturers are highly dependent on these manufacturers' sales for consumer electronics applications, which can experience significant volatility due to seasonal and other factors, which could materially adversely impact our future results of operations;

- We are exposed to risks associated with entering the emerging solar industry;

- We may be required to take additional impairment charges for goodwill and indefinite-lived intangible assets or definite-lived intangible and long-lived assets;

- Any failure by us to execute our planned cost reductions successfully could result in total costs and expenses that are greater than expected;

- The cyclical nature of the industries we serve directly affects our business;

- We operate in industries characterized by rapid technological change;

- We face significant competition;

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- We depend on a limited number of customers that operate in highly concentrated industries;
- The timing of our orders, shipments, and revenue recognition may cause our quarterly operating results to fluctuate significantly;
- Changes in our product mix may cause our quarterly operating results to fluctuate significantly;
- Our backlog is subject to customer cancellation or modification and such cancellation could result in decreased sales and increased provisions for excess and obsolete inventory;
- Our sales cycle is long and unpredictable;
- The failure to successfully implement outsourcing activities and other operational initiatives could adversely affect results of operations;
- Manufacturing interruptions or delays could affect our ability to meet customer demand, while the failure to estimate customer demand accurately could result in excess or obsolete inventory;
- We rely on a limited number of suppliers;
- Our inability to attract, retain, and motivate key employees could have a material adverse effect on our business;
- We are exposed to the risks of operating a global business;

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- We are subject to foreign currency exchange risks;

- The enforcement and protection of our intellectual property rights may be expensive and could divert our valuable resources;

- We may be subject to claims of intellectual property infringement by others;

- Our acquisition strategy subjects us to risks associated with evaluating and pursuing these opportunities and integrating these businesses;

- We are substantially leveraged, which could adversely affect our ability to adjust our business to respond to competitive pressures and to obtain sufficient funds to finance our future needs;

- Changes in accounting pronouncements or taxation rules or practices may adversely affect our financial results;

- The price of our common shares may be volatile and could decline significantly;

- We are subject to internal control evaluations and attestation requirements of Section 404 of the Sarbanes-Oxley Act;

- We are subject to risks of non-compliance with environmental and safety regulation;

- We have significant operations in California and other locations which could be materially and adversely impacted, in the event of a natural disaster or other significant disruption;

- We have adopted certain measures that may have anti-takeover effects which may make an acquisition of our Company by another company more difficult; and

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- The other matters discussed under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in this Report and in the Annual Report on Form 10-K for the year ended December 31, 2008 of Veeco Instruments Inc. ("Veeco," the "Company," or "we").

Consequently, such forward-looking statements should be regarded solely as our current plans, estimates and beliefs. We do not undertake any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements.

Available Information

We file annual, quarterly and current reports, information statements and other information with the Securities and Exchange Commission (the "SEC"). The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is <http://www.sec.gov>.

Internet Address

We maintain a website where additional information concerning our business and various upcoming events can be found. The address of our website is www.veeco.com. We provide a link on our website, under Investors' Financial Information' SEC Filings, through which investors can access our filings with the SEC, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to such reports. These filings are posted to our Internet site, as soon as reasonably practicable after we electronically file such material with the SEC.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Veeco Instruments Inc. and Subsidiaries****Condensed Consolidated Statements of Operations****(In thousands, except per share data)
(Unaudited)**

	Three months ended		Six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Net sales	\$ 72,020	\$ 114,449	\$ 134,869	\$ 216,756
Cost of sales	47,636	66,719	90,103	126,400
Gross profit	24,384	47,730	44,766	90,356
Operating expenses:				
Selling, general, and administrative expense	19,822	24,311	38,429	46,939
Research and development expense	13,163	15,145	26,049	29,871
Amortization expense	1,831	2,426	3,660	4,382
Restructuring expense	1,944		6,375	2,875
Asset impairment charge	304		304	285
Other (income) expense, net	(77)	(382)	1,409	(378)
Total operating expenses	36,987	41,500	76,226	83,974
Operating (loss) income	(12,603)	6,230	(31,460)	6,382
Interest expense, net	1,698	1,700	3,407	3,305
(Loss) income before income taxes	(14,301)	4,530	(34,867)	3,077
Income tax provision	402	1,129	780	2,048
Net (loss) income including noncontrolling interest	(14,703)	3,401	(35,647)	1,029
Net loss attributable to the noncontrolling interest	(23)	(70)	(65)	69
Loss (profit) on disposal of property, plant and equipment	2			
	—			
	(7)			
	—			
Net restructuring provisions	—			
	2			
	1			
	68			

Black Economic
Empowerment charge

1
1
3
3

13

sappi 3rd quarter results

Quarter

ended

Jun 2012

US\$ million

Quarter

ended

Jun 2011

US\$ million

Nine

months

ended

Jun 2012

US\$ million

Nine

months

ended

Jun 2011

US\$ million

3.

Headline loss per share

Headline loss per share (US cents)

(20)

(13)

(2)

(8)

Weighted average number of shares

in issue (millions)

520.8

519.9

520.7

519.7

Diluted headline loss per share

(US cents)

(20)

(13)

(2)

(8)

Weighted average number of shares

on fully diluted basis (millions)

520.8

519.9

520.7

519.7

Calculation of headline loss

Loss for the period

(106)

(68)

(3)

(105)

Asset (impairment reversals)	
impairments	
(3)	
–	
(3)	
69	
Loss (profit) on disposal of property, plant and equipment	
2	
–	
(7)	
–	
Tax effect of above items	
1	
2	
1	
(3)	
Headline loss	
(106)	
(66)	
(12)	
(39)	
4.	
Capital expenditure	
Property, plant and equipment	
107	
69	
243	
161	
Jun 2012	
US\$ million	
Reviewed	
Sept 2011	
US\$ million	
5. Capital commitments	
Contracted	
254	
61	
Approved but not contracted	
263	
416	
517	
477	
6. Contingent liabilities	
Guarantees and suretyships	
31	
33	
Other contingent liabilities	
8	
15	
39	

48

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 with US\$130 million 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 6-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.

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In June 2012, the group accelerated the premium and other costs associated with its senior secured notes due 2014 in line with its intention to early redeem these notes. This resulted in an increase in net debt at reporting date and a corresponding charge of US\$89 million which is included in net finance costs.

Deferred tax assets

During the quarter, 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.

8. Assets held for sale

As at the end of the quarter, the following assets were classified as assets held for sale:

–

The shares of Sappi Schweiz AG in Sappi Fine Paper Europe. The shares were disposed of in July 2012.

–

Property, plant and equipment in Sappi Southern Africa with a book value of ZAR73 million (US\$9 million).

Refer to note 9 for more detail on assets sold subsequent to quarter-end.

9. Post balance sheet events

Sappi Fine Paper Europe concluded an agreement to sell the shares of Sappi Schweiz AG. The assets in the company which are disclosed as held for sale, comprised mostly of the Biberist Mill land and buildings with a book value of €9 million (US\$11 million). The shares were sold for €43 million (US\$57 million) resulting in a profit on disposal of US\$51 million which includes the realisation of a foreign currency translation reserve that was previously disclosed in other comprehensive income. Biberist Mill was closed in fiscal 2011.

Sappi Southern Africa disposed of land and buildings at Adamas Mill that were held for sale at quarter-end. These assets with a book value of ZAR22 million (US\$3 million) were sold for ZAR45 million (US\$6 million) resulting in a profit on disposal of US\$3 million. Adamas Mill was closed in fiscal 2012.

Sappi Fine Paper Europe incurred fire damage at its Nijmegen Mill. The damage was limited to the electric cables infrastructure which resulted in a temporary shut of the paper machine. The financial impact of the fire is estimated to be €5 million (US\$7 million) to the group.

In July 2012, the group received the proceeds of US\$700 million relating to a new bond offering of senior secured notes. The new notes were placed in June 2012 and comprise 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, are being used to refinance US\$700 million of the principal amount of the existing senior secured notes due 2014. This refinancing transaction will result in reduced annual cash interest costs of approximately US\$30 million. Refer to note 7 for the once-off costs incurred in the quarter as a result of the refinancing.

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sappi 3rd quarter results

10. Segment information

**Quarter
ended**

Jun 2012

**Metric tons
(000's)**

Quarter
ended

Jun 2011

Metric tons
(000's)

**Nine months
ended**

Jun 2012

**Metric tons
(000's)**

Nine months
ended

Jun 2011

Metric tons
(000's)

Sales volume

Fine Paper –
North America

351

344

1,031

1,057

Europe

843

909

2,611

2,903

Total

1,194

1,253

3,642

3,960

Southern Africa –
Pulp and paper

435

406

1,253

1,272

Forestry

294

252

830

688

Total

1,923

1,911

5,725

5,920

Quarter

ended

Jun 2012

US\$ million

Quarter

ended

Jun 2011

US\$ million

Nine months

ended

Jun 2012

US\$ million

Nine months

ended

Jun 2011

US\$ million

Sales

Fine Paper –

North America

360

371

1,061

1,125

Europe

795

979

2,524

3,023

Total

1,155

1,350

3,585

4,148

Southern Africa –

Pulp and paper

367

430

1,114

1,291

Forestry

22

22

63

60

Total

1,544

1,802

4,762

5,499

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

Fine Paper –

North America

18

32

52

95

Europe

10

(2)

88

63

Total

28

30

140

158

Southern Africa

31

26

145

158

Unallocated and eliminations

(1)

1

4

–

8

Total

60

60

285

324

Special items – losses (gains)

Fine Paper –

North America

5

–

5

(1)

Europe

6

2

(3)

116

Total

11

2

2

115

Southern Africa

15

4

22

31

Unallocated and eliminations

(1)

-

-

-

4

Total

26

6

24

150

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

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**Quarter
ended**

Jun 2012

US\$ million

Quarter
ended

Jun 2011

US\$ million

**Nine
months
ended**

Jun 2012

US\$ million

Nine
months
ended

Jun 2011

US\$ million

Segment operating profit (loss)

Fine Paper –

North America

13

32

47

96

Europe

4

(4)

91

(53)

Total

17

28

138

43

Southern Africa

16

22

123

127

Unallocated and eliminations

(1)

1

4

–

4

Total

34

54

261

174

EBITDA excluding special items

Fine Paper –

North America

38

50

110

150

Europe

60

57

237

238

Total

98

107

347

388

Southern Africa

52

53

214

242

Unallocated and eliminations

(1)

–

4

–

8

Total

150

164

561

638

Segment assets

Fine Paper –

North America

926

916

926

916

Europe

1,852

2,216

1,852

2,216

Total

2,778

3,132

2,778

3,132

Southern Africa

1,653

2,072

1,653

2,072

Unallocated and eliminations

(1)

66

72

66

72

Total

4,497

5,276

4,497

5,276

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

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sappi 3rd quarter results

Reconciliation of EBITDA excluding special items and operating profit excluding special items to segment operating profit and loss 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. Such items would generally include profit or loss on disposal of property, investments and businesses, asset impairments, restructuring charges, non-recurring integration costs related to acquisitions, financial impacts of natural disasters, non-cash gains or losses on the price fair value adjustment of plantations and alternative fuel tax credits receivable in cash.

Quarter ended**Jun 2012****US\$ million**

Quarter

ended

Jun 2011

US\$ million

Nine**months****ended****Jun 2012****US\$ million**

Nine

months

ended

Jun 2011

US\$ million

EBITDA excluding special items**150**

164

561

638

Depreciation and amortisation

(90)

(104)

(276)

(314)

Operating profit excluding special items**60**

60

285

324

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

(6)

(24)

(150)

Plantation price fair value
adjustment
(20)
(2)
(24)
(16)
Net restructuring provisions
—
(2)
(1)
(68)
(Loss) profit on disposal of
property, plant and
equipment
(2)
—
7
—
Asset impairment reversals
(impairments)
3
—
3
(69)
Black Economic
Empowerment charge
(1)
(1)
(3)
(3)
Insurance recoveries
—
(1)
—
10
Fire, flood, storm and
related events
(6)
—
(6)
(4)
Segment operating profit
34
54
261
174
Net finance costs
(141)
(112)
(246)
(251)

(Loss) profit before taxation

(107)

(58)

15

(77)

Taxation

1

(10)

(18)

(28)

Loss for the period

(106)

(68)

(3)

(105)

Reconciliation of segment assets to total assets

Segment assets

4,497

5,276

4,497

5,276

Deferred taxation

144

57

144

57

Cash and cash equivalents

403

362

403

362

Other current liabilities

950

1,167

950

1,167

Taxation payable

19

26

19

26

Total assets

6,013

6,888

6,013

6,888

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

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

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

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

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

NBSK – Northern Bleached Softwood Kraft pulp. One of the main varieties of market pulp, produced from coniferous trees (ie spruce, pine) in Scandinavia, Canada and northern USA. The price of NBSK is a benchmark widely used in the pulp and paper industry for comparative purposes

SG&A – selling, general and administrative expenses

Non-GAAP measures

The group believes that it is useful to report certain non-GAAP measures for the following reasons:

- these measures are used by the group for internal performance analysis;
- the presentation by the group's reported business segments of these measures facilitates comparability with other companies in our industry, although the group's measures may not be comparable with similarly titled profit measurements reported by other companies; and
- it is useful in connection with discussion with the investment analyst community and debt rating agencies

These non-GAAP measures should not be considered in isolation or construed as a substitute for GAAP measures in accordance with IFRS

Capital employed – shareholders' equity plus net debt

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

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

Net assets – total assets less total liabilities

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

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

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

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

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

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

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

Special items – special items cover those items which management believe are material by nature or amount to the operating results and require separate disclosure. Such items would generally include profit or loss on disposal of property, investments and businesses, asset impairments, restructuring charges, non-recurring integration costs related to acquisitions, financial impacts of natural disasters, non-cash gains or losses on the price fair value adjustment of plantations and alternative fuel tax credits receivable in cash

The above financial measures are presented to assist our shareholders and the investment community in interpreting our financial results. These financial measures are regularly used and compared between companies in our industry.

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sappi 3rd quarter results

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

Summary rand convenience translation

**Quarter
ended**

Jun 2012

Quarter
ended

Jun 2011

**Nine
months
ended**

Jun 2012

Nine
months
ended

Jun 2011

Key figures: (ZAR million)

Sales

12,542

12,234

38,041

37,911

Operating profit

276

367

2,085

1,200

Special items – losses

(1)

211

41

192

1,034

Operating profit excluding special
items

(1)

487

408

2,277

2,234

EBITDA excluding special items

(1)

1,218

1,113

4,482

4,398

Basic loss per share (SA cents)

(162)

(88)

(8)	
(138)	
Net debt	
(1)	
18,069	
16,657	
18,069	
16,657	
Key ratios: (%)	
Operating profit to sales	
2.2	
3.0	
5.5	
3.2	
Operating profit excluding special items to sales	
3.9	
3.3	
6.0	
5.9	
Operating profit excluding special items to capital employed (ROCE)	
(1)	
6.5	
5.6	
10.2	
10.2	
EBITDA excluding special items to sales	
9.7	
9.1	
11.8	
11.6	
Return on average equity (ROE)	
(27.2)	
(14.4)	
(0.3)	
(7.4)	
Net debt to total capitalisation	
(1)	
58.7	
56.8	
58.7	
56.8	

(1) Refer to page 18, 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

Jun 2012

US\$ million

Sept 2011

US\$ million

Interest-bearing borrowings

2,616

2,739

Non-current interest-bearing borrowings

2,209

2,289

Current interest-bearing borrowings

406

449

Bank overdraft

1

1

Cash and cash equivalents

(403)

(639)

Net debt

2,213

2,100

Exchange rates

Jun

2012

Mar

2012

Dec

2011

Sept

2011

Jun

2011

Exchange rates:

Period end rate: US\$1 = ZAR

8.1650

7.6725

8.0862

8.0963

6.7300

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

8.1229

7.7511

8.0915

7.1501

6.7890

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

7.9885

7.9237

8.0915

6.9578

6.8941

Period end rate: €1 = US\$

1.2660

1.3344

1.2948

1.3386

1.4525

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

1.2838

1.3116

1.3482

1.4126

1.4398

Average rate for the YTD: €1 = US\$

1.3145

1.3299

1.3482

1.3947

1.3890

20

Sappi ordinary shares (JSE: SAP)

US Dollar share price conversion

USD

30

Jun

08

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

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sappi limited

(Registration number 1936/008963/06)

Issuer Code: SAVVI

JSE Code: SAP

ISIN: ZAE000006284

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

www.sappi.com

SIGNATURES

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

Date. August 03, 2012

SAPPI LIMITED,

By.

/s/ M.R.Thompson

Name. M. R. Thompson

Title. Chief Financial Officer