

SAPPI LTD

Form 6-K

August 08, 2007

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

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

under the Securities Exchange Act of 1934

For the month of August, 2007

Commission file number: 1-14872

SAPPI LIMITED

(Translation of registrant's name into English)

48 Ameshoff Street

Braamfontein

Johannesburg 2001

REPUBLIC OF SOUTH AFRICA

(Address of principal executive offices)

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

Form 20-F

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Form 40-F

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

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

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

Yes

No

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If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

#### FORWARD-LOOKING STATEMENTS

In order to utilize the “Safe Harbor” provisions of the United States Private Securities Litigation Reform Act of 1995 (the “Reform Act”), Sappi Limited (the “Company”) is providing the following cautionary statement. Except for historical information contained herein, statements contained in this Report on Form 6-K may constitute “forward-looking statements” within the meaning of the Reform Act. The words “believe”, “anticipate”, “expect”, “intend”, “estimate”, “plan”, “assume”, “positioned”, “will”, “may”, “should”, “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 Report on Form 6-K may include forward-looking statements relating to the Company’s potential exposure to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity price risk. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond the control of the Company, together with its subsidiaries (the “Group”), and may cause the actual results, performance or achievements of the Group to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements (and from past results, performance or achievements). Certain factors that may cause such differences include but are not limited to: the highly cyclical nature of the pulp and paper industry; pulp and paper production, production capacity, input costs including raw material, energy and employee costs, and pricing levels in North America, Europe, Asia and southern Africa; any major disruption in production at the Group’s key facilities; changes in environmental, tax and other laws and regulations; adverse changes in the markets for the Group’s products; any delays, unexpected costs or other problems experienced with any business acquired or to be acquired; consequences of the Group’s leverage; adverse changes in the South African political situation and economy or the effect of governmental efforts to address present or future economic or social problems; and the impact of future investments, acquisitions and dispositions (including the financing of investments and acquisitions) and any delays, unexpected costs or other problems experienced in connection with dispositions. These and other risks, uncertainties and factors are discussed in the Company’s Annual Report on Form 20-F and other filings with and submissions to the Securities and Exchange Commission, including this Report on Form 6-K. Shareholders and prospective investors are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are made as of the date of the submission of this Report on Form 6-K and are not intended to give any assurance as to future results. The Company undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or circumstances or otherwise.

**sappi**

quarter results and nine months  
ended June 2007

3rd

*\* for the nine months ended June 2007*

*\*\* estimate as at 30 June 2007*

† *Rest of World*

Sales by product group \*

Sales: where the product is manufactured \*

Sales: where the product is sold \*

Geographic ownership \*\*

Coated fine paper

63%

Uncoated fine paper

5%

Coated specialities

9%

Packaging and newsprint

8%

Pulp

14%

Other

1%

North America

29%

Europe

40%

Southern Africa

15%

Asia and other

16%

South Africa

66%

North America

26%

Europe and ROW †

8%

North America

28%

Europe

46%

Southern Africa

26%

Sappi is the world's leading  
producer of coated fine paper

EPS 23 US cents

Strong Forest Products performance

European price realisation disappointing

Input cost pressure

Underlying operating profit improvement continues

financial highlights

summary

Quarter

Nine months

ended

ended

June

March

June

June

June

2007

2007

2006

2007

2006

Sales (US\$ million)

1,297

1,318

1,214

3,882

3,645

Operating profit (US\$ million)

87

117

(34)

296

74

Operating profit to sales (%)

6.7

8.9

(2.8)

7.6

2.0

EBITDA\*\* (US\$ million) \*

182

211

62

580

366

EBITDA\*\* to sales (%) \*

14.0  
16.0  
5.1  
14.9  
10.0  
Operating profit to average net assets (%)  
8.6  
11.7  
(3.4)  
9.9  
2.4  
EPS (US cents)  
23  
25  
(23)  
62  
(19)  
Return on average equity (ROE) (%) \*  
13.6  
15.7  
(14.6)  
12.4  
(4.0)  
Net debt (US\$ million) \*  
2,313  
2,236  
2,222  
2,313  
2,222  
Net debt to total capitalisation (%) \*  
46.1  
46.2  
47.4  
46.1  
47.4  
\*

*Refer to page 15, Supplemental Information, for the definition of the term.*

*\*\* Refer to page 16, additional information in Supplemental Information for the reconciliation of EBITDA to profit.*

The performance of the business improved significantly in the quarter compared to a year earlier in a quarter which is usually slower than our second and fourth fiscal quarters. Pulp prices strengthened further, supporting the strong performance of our Forest Products business. We did not realise the full benefit of the higher coated fine paper prices in Europe partly as a result of an increase in the volume we exported from Europe. The North American business had a further recovery in margin for the quarter.

Group sales for the quarter were US\$1.3 billion, a 7% increase compared to a year earlier with improvements from each of the regions.

As a result of storm damage, wood prices in Europe were lower than the previous quarter. Other raw material input costs and energy costs remained high during the quarter. Our efforts to offset these high input costs through process and product innovation has helped reduce the impact on our unit costs.

Operating profit for the quarter was US\$87 million, compared to a loss of US\$34 million a year ago. Our operating profit margin was 6.7% in the quarter compared to a loss last year and improved on the previous quarter (excluding the Nash sale in the previous quarter). Tight control of fixed manufacturing costs and Selling, General and Administration costs and better pricing contributed to this improvement.

We reported a plantation fair value gain of US\$15 million before tax in the quarter (last year a loss of US\$23 million) as a result of an increase in wood prices, which was partly offset by increased costs to delivery of the wood to market following fuel price increases.

During the quarter plantation fires exacerbated by severe weather conditions destroyed large tracts of timber land in South Africa and approximately 5,000 hectares of timber in our Southern African plantations. We recorded an after insurance charge of US\$7 million before tax for this damage during the quarter. A charge of US\$2 million before tax was taken for damage caused by flooding at Westbrook Mill, USA.

Net finance costs were US\$37 million, up US\$2 million from a year ago. Net interest paid increased as a result of higher interest rates and debt levels and an unfavourable change in the value of financial instruments, partly offset by the capitalisation of interest in respect of the Saiccor expansion project and favourable foreign exchange gains.

The effective tax rate has reduced as a result of the reduction of deferred tax liabilities by US\$14 million following the German tax rate reduction from 38% to 30%.

Earnings per share for the quarter was 23 US cents compared to a loss of 23 US cents a year ago.

comment

sappi limited – third quarter page 2



sappi limited – third quarter page 3

cash flow and debt

Cash generated by operations improved to US\$177 million for the quarter, an increase of US\$110 million compared to a year ago. Working capital increased US\$36 million during the quarter compared to a reduction in working capital of US\$16 million during the equivalent quarter last year. We expect a reduction in working capital during the fourth quarter. Other items impacting cash flow in the quarter were the US Dollar bonds bi-annual interest payment of US\$26 million, pension fund payments of US\$34 million and a German tax settlement payment of US\$15 million.

Capital expenditure of US\$116 million was US\$40 million higher than the previous quarter, as a result of increased capital expenditure on the Saiccor expansion project. We remain confident we will be able to finance the Saiccor project from internal cash flow and therefore expect to end the year with a similar level of debt as at September 2006, excluding the impact of currency movements.

Net debt at the end of June 2007 was US\$2.3 billion and net debt to total capitalisation was 46.1% compared to 46.2% in March.

operating review for the quarter

*Sappi Fine Paper*

Quarter

Quarter

ended

ended

June 2007

June 2006

%

March 2007

US\$ million

US\$ million

change

US\$ million

Sales

1,037

968

7.1

1,057

Operating profit (loss)

25

(18)

–

49

Operating profit (loss) to sales (%)

2.4

(1.9)

–

4.6

EBITDA

100

62

61.3

122

EBITDA to sales (%)

9.6

6.4

—

11.5

RONOA pa (%)

3.2

(2.3)

—

6.3

Sales volumes increased by 4% compared to a year ago. In Dollar terms prices increased significantly as a result of the relatively weak US Dollar. In local currency terms average prices realised in the quarter were slightly down compared to last year's level in Europe and North America. Margins continued to improve compared to both a year ago and the previous quarter (excluding the Nash sale in the previous quarter).

*Europe*

Quarter

Quarter

ended

ended

%

%

June 2007

June 2006

change

change

March 2007

US\$ million

US\$ million

(US\$)

(Euro)

US\$ million

Sales

584

536

9.0

1.5

597

Operating profit

14

1

—

—

44

Operating profit to sales (%)

2.4

0.2

—

—

7.4

EBITDA

57

47

21.3

12.9

88

EBITDA to sales (%)

9.8

8.8

—

—

14.7

RONOA pa (%)

2.9

0.2

—

|  |  |
|--|--|
| –  |  |
| 9.4  |  |
| Sales volumes improved 4% year on year. Our geographic sales mix changed with a greater proportion of sales to overseas markets and reflected a loss of market share in the European markets.                            |  |
| Average prices realised were affected by the change in geographic mix. Within Western Europe we achieved higher coated fine paper prices during the quarter, but towards the end of the quarter prices started to erode. |  |
| The European cost reduction programme is progressing well with the reductions helping to offset the high wood and pulp prices.   |  |
| <i>North America</i>   |  |
| Quarter  |  |
| Quarter  |  |
| ended  |  |
| ended  |  |
| June 2007  |  |
| June 2006  |  |
| %  |  |
| March 2007   |  |
| US\$ million   |  |
| US\$ million   |  |
| change   |  |
| US\$ million   |  |
| Sales  |  |
| 362  |  |
| 354  |  |
| 2.3  |  |
| 371  |  |
| Operating profit (loss)  |  |
| 8  |  |
| (14)   |  |
| –  |  |
| 3  |  |
| Operating profit (loss) to sales (%)   |  |
| 2.2  |  |
| (4.0)  |  |
| –  |  |
| 0.8  |  |
| EBITDA   |  |
| 36   |  |
| 16   |  |
| 125.0  |  |
| 29   |  |
| EBITDA to sales (%)  |  |
| 9.9  |  |
| 4.5  |  |
| –  |  |
| 7.8  |  |
| RONOA pa (%)   |  |
| 3.0  |  |
| (4.9)  |  |
| –  |  |

1.1

Apparent consumption in North America for the quarter shows a decline of 13% compared to a year ago largely as a result of reduced imports. Shipments from local suppliers were about 2% lower.

Our sales volume increased 3% including strong pulp sales in the quarter compared to a year ago.

Average paper prices realised were marginally lower than a year ago mainly as a result of product mix and slower demand, but pulp prices were substantially higher.

The operating profit margin has continued to recover as a result of improved operating efficiency, but is still far from an acceptable level. Further plans to improve margins through process and product innovation are being implemented.

Some price increases were realised on certain grades of coated fine paper and pulp during the quarter.

Further general coated fine paper price increases have been announced for July.

operating review for the quarter (continued)

sappi limited – third quarter page 4

sappi limited – third quarter page 5  
*South Africa*  
 Quarter  
 Quarter  
 ended  
 ended  
 %  
 %  
 June 2007  
 June 2006  
 change  
 change  
 March 2007  
 US\$ million  
 US\$ million  
 (US\$)  
 (Rand)  
 US\$ million  
 Sales  
 91  
 78  
 16.7  
 28.3  
 89  
 Operating profit (loss)  
 3  
 (5)  
 –  
 –  
 2  
 Operating profit (loss) to sales (%)  
 3.3  
 (6.4)  
 –  
 –  
 2.2  
 EBITDA  
 7  
 (1)  
 –  
 –  
 5  
 EBITDA to sales (%)  
 7.7  
 (1.3)  
 –  
 –  
 5.6  
 RONO pa (%)  
 7.8  
 (11.9)

–

–

4.9

The business had a strong sales performance in the quarter. Margins improved slightly but remain under pressure from the high cost of pulp purchases.

*Forest Products*

Quarter

Quarter

ended

ended

%

%

June 2007

June 2006

change

change

March 2007

US\$ million

US\$ million

(US\$)

(Rand)

US\$ million

Sales

260

246

5.7

16.2

261

Operating profit (loss)

65

(16)

–

–

69

Operating profit (loss) to sales (%)

25.0

(6.5)

–

–

26.4

EBITDA

84

–

–

–

90

EBITDA to sales (%)

32.3

–

–

–

34.5  
RONOA pa (%)  
17.3  
(4.7)  
—  
—  
18.9  
Plantation fair value gain (loss)  
15  
(23)  
—  
—  
12

The sales volume of pulp and paper was 3% below a year ago mainly as a result of a major maintenance shut at Usutu. Prices were strong and sales increased 5% in Dollar terms.

Global demand for pulp, including chemical cellulose and unbleached pulp, was strong. Demand in the South African economy remains strong for our containerboard and newsprint.

The result for the quarter included the plantation fair value gain of US\$15 million. In the equivalent quarter last year a loss of US\$23 million was recorded.

The Saiccor expansion project is progressing well. The expected start-up date for the expansion is May 2008.



directors

Ralph Boöttger was appointed to the board as Chief Executive Officer of Sappi Limited from July 2007. He has completed a brief hand over period and will take executive responsibility for the group after this results announcement.

Wolfgang Pfarl retired as a non-executive director in June 2007 following his retirement as Chief Executive Officer of Sappi Fine Paper Europe at the end of March 2007.

post balance sheet event

During the weekend of 27 July to 29 July 2007 fires destroyed further large tracts of timber land in South Africa and Swaziland. The extent of the fire damage to our plantations is being determined and could be of a similar magnitude to the previous quarter's fire, which destroyed approximately 2% of our plantations.

outlook

We see good demand for our products on a global basis and an improving supply demand balance in our major markets.

The preliminary introduction of countervailing and anti-dumping duties in the USA against certain Asian importers last quarter is likely to alter the trade flows and to provide some support for improved price levels in the USA.

The extent of our price increases in Europe has not met our initial expectation and still does not compensate for the increases in input costs; however, the end of the downward pricing trend and the continued growth of demand provide the opportunity for further coated fine paper increases. Most of the industry has announced coated fine paper price increases for September.

We expect the trend of improving underlying earnings to continue next quarter.

On behalf of the Board

E van As

M R Thompson

Director

Director

06 August 2007

sappi limited

(Registration number 1936/008963/06)

Issuer Code: SAVVI

JSE Code: SAP

ISIN Code: ZAE 000006284

operating review for the quarter (continued)

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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. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors, that could cause actual results and company plans and objectives to differ materially from those expressed or implied in the forward-looking statements (or from past results). Such risks, uncertainties and factors 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), adverse changes in the markets for the group's products, consequences of substantial leverage, changing regulatory requirements, unanticipated production disruptions, economic and political conditions in international markets, the impact of investments, acquisitions and dispositions (including related financing), any delays, unexpected costs or other problems experienced with integrating acquisitions and achieving expected savings and synergies and currency fluctuations. The company undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or circumstances or otherwise.

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notes

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financial results  
for the quarter and nine months ended June 2007  
sappi limited – third quarter page 9

group income statement  
 sappi limited – third quarter page 10

Quarter

Quarter

Nine months

Nine months

ended

ended

ended

ended

June 2007

June 2006

%

June 2007

June 2006

%

US\$ million

US\$ million

change

US\$ million

US\$ million

change

**Sales**

1,297

1,214

6.8

3,882

3,645

6.5

Cost of sales

1,116

1,142

3,349

3,282

Gross profit

181

72

151.4

533

363

46.8

Selling, general and  
 administrative expenses

87

98

268

268

Share of (profit) loss from  
 associates and joint ventures

(2)

–

(6)  
 1  
 Other operating expenses  
 (income)  
 9  
 8  
 (25)  
 20  
**Operating profit (loss)**  
 87  
 (34)  
 –  
 296  
 74  
 300.0  
 Net finance costs  
 37  
 35  
 107  
 93  
 Net paid  
 39  
 35  
 112  
 100  
 Capitalised  
 (4)  
 –  
 (8)  
 (1)  
 Net foreign exchange gains  
 (3)  
 (1)  
 (9)  
 (5)  
 Change in fair value  
 of financial instruments  
 5  
 1  
 12  
 (1)  
**Profit (loss) before tax**  
 50  
 (69)  
 –  
 189  
 (19)  
 –  
 Taxation – current  
 17  
 1

|                              |
|------------------------------|
| 32                           |
| 16                           |
| – deferred                   |
| (20)                         |
| (17)                         |
| 16                           |
| 9                            |
| Profit (loss) for the period |
| 53                           |
| (53)                         |
| –                            |
| 141                          |
| (44)                         |
| –                            |
| <b>Basic earnings (loss)</b> |
| <b>per share (US cents)</b>  |
| 23                           |
| (23)                         |
| 62                           |
| (19)                         |
| Weighted average             |
| number of shares             |
| in issue (millions)          |
| 227.9                        |
| 226.3                        |
| 227.5                        |
| 226.1                        |
| Diluted earnings (loss)      |
| per share (US cents)         |
| 23                           |
| (23)                         |
| 61                           |
| (19)                         |
| Weighted average             |
| number of shares             |
| on fully diluted             |
| basis (millions)             |
| 231.4                        |
| 228.4                        |
| 230.4                        |
| 227.9                        |

group balance sheet

June 2007

Sept 2006

US\$ million

US\$ million

**ASSETS**

**Non-current assets**

4,424

3,997

Property, plant and equipment

3,352

3,129

Plantations

628

520

Deferred taxation

57

74

Other non-current assets

387

274

**Current assets**

1,559

1,500

Inventories

772

699

Trade and other receivables

600

577

Cash and cash equivalents

187

224

Assets held for sale

–

20

**Total assets**

5,983

5,517

**EQUITY AND LIABILITIES**

**Shareholders' equity**

Ordinary shareholders' interest

1,635

1,386

**Non-current liabilities**

2,505

2,465

Interest-bearing borrowings

1,623

1,634

Deferred taxation



370

336

Other non-current liabilities

512

495

**Current liabilities**

1,843

1,666

Interest-bearing borrowings

854

694

Bank overdraft

23

9

Other current liabilities

842

862

Taxation payable

124

101

**Total equity and liabilities**

5,983

5,517

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

228.5

227.0

sappi limited – third quarter page 11

group cash flow statement  
 sappi limited – third quarter page 12

Quarter

Quarter

Nine months

Nine months

ended

ended

ended

ended

June 2007

June 2006

June 2007

June 2006

US\$ million

US\$ million

US\$ million

US\$ million

**Operating profit (loss)**

87

(34)

296

74

Depreciation, fellings and other amortisation

113

116

336

347

Other non-cash items (including impairment charges)

(23)

(15)

(128)

(115)

**Cash generated by operations**

177

67

504

306

Movement in working capital

(36)

16

(80)

(97)

Net finance costs

(42)

(48)

(110)

(116)

Taxation paid

(15)

|  |  |
|--|--|
| -  |  |
| (18)   |  |
| (12)   |  |
| Dividends paid *   |  |
| -  |  |
| (68)   |  |
| (68)   |  |
| <b>Cash retained from operating activities</b>                                   |  |
| 84   |  |
| 35   |  |
| 228  |  |
| 13   |  |
| Cash effects of investing activities   |  |
| (154)  |  |
| (94)   |  |
| (345)  |  |
| (246)  |  |
| (70)   |  |
| (59)   |  |
| (117)  |  |
| (233)  |  |
| Cash effects of financing activities   |  |
| 19   |  |
| 31   |  |
| 74   |  |
| 34   |  |
| <b>Net movement in cash and cash equivalents</b>                                 |  |
| (51)   |  |
| (28)   |  |
| (43)   |  |
| (199)  |  |
| <i>* Dividend number 83: 30 US cents per share (2006: 30 US cents per share)</i> |  |
| group statement of recognised income and expense                                 |  |
| Quarter  |  |
| Quarter  |  |
| Nine months  |  |
| Nine months  |  |
| ended  |  |
| ended  |  |
| ended  |  |
| ended  |  |
| June 2007  |  |
| June 2006  |  |
| June 2007  |  |
| June 2006  |  |
| US\$ million   |  |
| US\$ million   |  |
| US\$ million   |  |
| US\$ million   |  |
| Pension fund asset recognised  |  |

|   |  |
|---|--|
| (not recognised)  |  |
| 48  |  |
| (2)   |  |
| 44  |  |
| (6)   |  |
| Actuarial losses on pension and<br>other post employment benefit liabilities      |  |
| –   |  |
| (5)   |  |
| –   |  |
| (5)   |  |
| Deferred taxation on above items  |  |
| (13)  |  |
| –   |  |
| (14)  |  |
| 1   |  |
| Valuation allowance against deferred<br>tax asset and actuarial losses recognised |  |
| –   |  |
| –   |  |
| 5   |  |
| –   |  |
| Exchange differences on translation of<br>foreign operations                      |  |
| 45  |  |
| (142)   |  |
| 123   |  |
| (122)   |  |
| Net income (expense) recorded directly<br>in equity                               |  |
| 80  |  |
| (149)   |  |
| 158   |  |
| (132)   |  |
| Profit (loss) for the period  |  |
| 53  |  |
| (53)  |  |
| 141   |  |
| (44)  |  |
| <b>Total recognised income (expense) for<br/>the period</b>                       |  |
| 133   |  |
| (202)   |  |
| 299   |  |
| (176)   |  |

notes to the group results  
 sappi limited – third quarter page 13

1.

**Basis of preparation**

The condensed financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. The accounting policies and methods of computation used in the preparation of the results are consistent, in all material respects, with those used in the annual financial statements for September 2006 which are compliant with the English language version of International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board. These results are unaudited.

2.

**Reconciliation of movement in shareholders' equity**

|   |  |
|---|--|
| Nine months   |  |
| Nine months   |  |
| ended   |  |
| ended   |  |
| June 2007   |  |
| June 2006   |  |
| US\$ million  |  |
| US\$ million  |  |
| Balance – beginning of year                           |  |
| 1,386   |  |
| 1,589   |  |
| Total recognised income (expense) for the period      |  |
| 299   |  |
| (176)   |  |
| Dividends paid  |  |
| (68)  |  |
| (68)  |  |
| Transfers to participants of the share purchase trust |  |
| 14  |  |
| 2   |  |
| Share Based Payment Reserve                           |  |
| 4   |  |
| 7   |  |
| Balance – end of period                               |  |
| 1,635   |  |
| 1,354   |  |
| Quarter   |  |
| Quarter   |  |
| Nine months   |  |
| Nine months   |  |
| ended   |  |
| ended   |  |
| ended   |  |
| ended   |  |
| June 2007   |  |
| June 2006   |  |
| June 2007   |  |
| June 2006   |  |
| US\$ million  |  |

US\$ million

US\$ million

US\$ million

3.

**Operating profit**

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

Depreciation and amortisation

Depreciation of property,  
plant and equipment

95

96

283

291

Other amortisation

—

—

1

1

95

96

284

292

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

Changes in volume

Fellings

18

20

52

55

Growth

(22)

(21)

(57)

(56)

(4)

(1)

(5)

(1)

Changes in fair value

(15)

23

(56)

(44)

(19)

22

(61)

(45)

Included in other operating expenses  
(income) are the following:

Asset impairments

—

2

1

8

Restructuring provision (released) raised

(1)

—

(11)

3

Profit on sale of assets

—

—

(25)

(2)

Written off assets

1

7

1

7

Flood and fire damage

9

—

9

—

notes to the group results (continued)

sappi limited – third quarter page 14

Quarter

Quarter

Nine months

Nine months

ended

ended

ended

ended

June 2007

June 2006

June 2007

June 2006

US\$ million

US\$ million

US\$ million

US\$ million

4.

**Headline earnings (loss) per share**

Headline earnings (loss) per share

(US cents) \*

24

(20)

54

(14)

Weighted average number of shares

in issue (millions)

227.9

226.3

227.5

226.1

Diluted headline earnings (loss) per share

(US cents) \*

23

(20)

53

(14)

Weighted average number of shares

on fully diluted basis (millions)

231.4

228.4

230.4

227.9

Calculation of Headline earnings (loss) \*

Profit (loss) for the period

53

(53)

141

(44)

Profit on disposal of business and property,



plant and equipment

(1)

—

(20)

(2)

Write-off of assets

1

5

1

7

Impairment of property, plant and equipment

1

3

1

8

Headline earnings (loss)

54

(45)

123

(31)

*\* Headline earnings disclosure is required by the JSE Limited.*

5.

**Capital expenditure**

Property, plant and equipment

116

74

330

213

June 2007

Sept 2006

US\$ million

US\$ million

6.

**Capital commitments**

Contracted but not provided

241

294

Approved but not contracted

171

255

412

549

7.

**Contingent liabilities**

Guarantees and suretyships

53

52

Other contingent liabilities

16

11

supplemental information

*definitions*

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

**EBITDA** – earnings before interest (net finance costs), tax, depreciation and amortisation

**EBITDA to sales** – EBITDA divided by sales

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

**Headline earnings** – as defined in circular 7/2002 issued by the South African Institute of Chartered Accountants, separates from earnings all items of a capital nature. It is not necessarily a measure of sustainable earnings. It is a listing requirement of the JSE Limited to disclose headline earnings per share

**NBSK** – Northern Bleached Softwood Kraft pulp. One of the main varieties of market pulp, mainly produced from spruce trees in Scandinavia, Canada and north eastern USA. The NBSK is a benchmark widely used in pulp and paper industry for comparative purposes

**Net assets** – total assets less current liabilities

**Net asset value** – shareholders' equity plus net deferred tax

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

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

**Net debt to total capitalisation** – Net debt divided by shareholders' equity plus minority interest, non-current liabilities, current interest-bearing borrowings and overdraft

**Net operating assets** – Net operating assets are total assets (excluding deferred taxation and cash) less current liabilities (excluding interest-bearing borrowings and bank overdraft)

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

**RONA** – operating profit divided by average net assets

**RONOA** – operating profit divided by average net operating assets

**SG&A** – selling, general and administrative expenses

*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.*

sappi limited – third quarter page 15

supplemental information  
sappi limited – third quarter page 16  
*additional information*  
Quarter  
Quarter  
Nine months  
Nine months  
ended  
ended  
ended  
ended  
June 2007  
June 2006  
June 2007  
June 2006  
US\$ million  
US\$ million  
US\$ million  
US\$ million  
Profit (loss) for the period to EBITDA  
(1)  
reconciliation  
Profit (loss) for the period  
53  
(53)  
141  
(44)  
Net finance costs  
37  
35  
107  
93  
Taxation – current  
17  
1  
32  
16  
– deferred  
(20)  
(17)  
16  
9  
Depreciation  
95  
96  
283  
291  
Amortisation  
–  
–  
1

1  
 EBITDA  
 (1) (2)  
 182  
 62  
 580  
 366  
 June 2007  
 Sept 2006  
 US\$ million  
 US\$ million  
 Net debt (US\$ million)  
 (3)  
 2,313  
 2,113  
 Net debt to total capitalisation (%)  
 (3)  
 46.1  
 46.4  
 Net asset value per share (US\$)  
 (3)  
 8.53  
 7.26  
 (1)

*In connection with the U.S. Securities Exchange Commission (“SEC”) rules relating to “Conditions for Use of Non-GAAP Financial Measures”, we have reconciled EBITDA to net profit rather than operating profit. As a result our definition retains non-trading profit/loss and minority interest as part of EBITDA. EBITDA represents earnings before interest (net finance costs), taxation, depreciation and amortisation. Net finance costs includes: gross interest paid; interest received; interest capitalised; net foreign exchange gains; and net fair value adjustments on interest rate financial instruments. See the Group income statement for an explanation of the computation of net finance costs. We use EBITDA as an internal measure of performance to benchmark and compare performance, both between our own operations and as against other companies. EBITDA is a measure used by the group, together with measures of performance under IFRS and US GAAP, to compare the relative performance of operations in planning, budgeting and reviewing the performances of various businesses. We believe EBITDA is a useful and commonly used measure of financial performance in addition to net profit, operating profit and other profitability measures under IFRS or US GAAP because it facilitates operating performance comparisons from period to period and company to company. By eliminating potential differences in results of operations between periods or companies caused by factors such as depreciation and amortisation methods, historic cost and age of assets, financing and capital structures and taxation positions or regimes, we believe EBITDA can provide a useful additional basis for comparing the current*

*performance of the underlying operations being evaluated. For these reasons, we believe EBITDA and similar measures are regularly used by the investment community as a means of comparison of companies in our industry. Different companies and analysts may calculate EBITDA differently, so making comparisons among companies on this basis should be done very carefully. EBITDA is not a measure of performance under IFRS or US GAAP and should not be considered in isolation or construed as a substitute for operating profit or net profit as an indicator of the company's operations in accordance with IFRS or US GAAP.*

*(2) The EBITDA calculation was amended at the beginning of the financial year to eliminate the adjustment for fellings which previously resulted in fellings being added back in the calculation as part of amortisation. Given the current accounting treatment of plantations, management has concluded that eliminating such an adjustment would be more appropriate in determining the EBITDA performance measure in future both for internal and reporting purposes. Prior year figures have been recalculated for comparison purposes as follows: June 2006 quarter: decreased by US\$20 million; June 2006 year to date: decreased by US\$55 million.*

*(3) Refer to page 15, Supplemental Information for the definition of the term.*

supplemental information  
sappi limited – third quarter page 17  
*regional information*

Quarter  
Quarter  
Nine months  
Nine months  
ended  
ended  
ended  
ended  
June 2007  
June 2006  
June 2007  
June 2006  
Metric tons  
Metric tons  
%  
Metric tons  
Metric tons  
%  
(000's)  
(000's) change  
(000's)  
(000's) change  
Sales volumes  
Fine Paper –  
North America  
360  
349  
3.2  
1,108  
1,058  
4.7  
Europe  
599  
576  
4.0  
1,860  
1,824  
2.0  
Southern Africa  
86  
79  
8.9  
260  
237  
9.7  
*Total*  
1,045  
1,004

4.1  
3,228  
3,119  
3.5  
Forest Products – Pulp and paper  
operations  
358  
368  
(2.7)  
1,067  
1,070  
(0.3)  
Forestry operations  
259  
394  
(34.3)  
788  
1,142  
(31.0)  
*Total*  
1,662  
1,766  
(5.9)  
5,083  
5,331  
(4.7)  
Quarter  
Quarter  
Nine months  
Nine months  
ended  
ended  
ended  
ended  
June 2007  
June 2006  
%  
June 2007  
June 2006  
%  
US\$ million  
US\$ million  
change  
US\$ million  
US\$ million change  
Sales  
Fine Paper –  
North America  
362  
354  
2.3

1,107  
1,066  
3.8  
Europe  
584  
536  
9.0  
1,768  
1,625  
8.8  
Southern Africa  
91  
78  
16.7  
263  
238  
10.5  
*Total*  
1,037  
968  
7.1  
3,138  
2,929  
7.1  
Forest Products – Pulp and paper  
operations  
242  
224  
8.0  
694  
651  
6.6  
Forestry operations  
18  
22  
(18.2)  
50  
65  
(23.1)  
*Total*  
1,297  
1,214  
6.8  
3,882  
3,645  
6.5



supplemental information  
 sappi limited – third quarter page 18

Quarter

Quarter

Nine months

Nine months

ended

ended

ended

ended

June 2007

June 2006

%

June 2007

June 2006

%

US\$ million

US\$ million

change

US\$ million

US\$ million change

Operating profit

Fine Paper –

North America

8

(14)

–

13

(23)

–

Europe

14

1

–

71

21

238.1

Southern Africa

3

(5)

–

6

(7)

–

*Total*

25

(18)

–

90

(9)

–

Forest Products  
 65  
 (16)  
 –  
 212  
 90  
 135.6  
 Corporate  
 (3)  
 –  
 –  
 (6)  
 (7)  
 –  
*Total*  
 87  
 (34)  
 –  
 296  
 74  
 300.0  
 Earnings before interest, tax,  
 depreciation and amortisation  
 charges  
 Fine Paper –  
 North America  
 36  
 16  
 125.0  
 93  
 66  
 40.9  
 Europe  
 57  
 47  
 21.3  
 206  
 161  
 28.0  
 Southern Africa  
 7  
 (1)  
 –  
 17  
 5  
 240.0  
*Total*  
 100  
 62  
 61.3  
 316

232  
 36.2  
 Forest Products  
 84  
 –  
 –  
 269  
 140  
 92.1  
 Corporate  
 (2)  
 –  
 –  
 (5)  
 (6)  
 –  
*Total*  
 182  
 62  
 193.5  
 580  
 366  
 58.5  
 Net operating assets  
 Fine Paper -  
 North America  
 1,061  
 1,134  
 (6.4)  
 1,061  
 1,134  
 (6.4)  
 Europe  
 1,947  
 1,900  
 2.5  
 1,947  
 1,900  
 2.5  
 Southern Africa  
 153  
 158  
 (3.2)  
 153  
 158  
 (3.2)  
*Total*  
 3,161  
 3,192  
 (1.0)  
 3,161

3,192  
(1.0)  
Forest Products  
1,572  
1,246  
26.2  
1,572  
1,246  
26.2  
Corporate and other  
40  
9  
344.4  
40  
9  
344.4  
*Total*  
4,773  
4,447  
7.3  
4,773  
4,447  
7.3

supplemental information  
 sappi limited – third quarter page 19  
*summary rand convenience translation*

|  |  |
|--|--|
| Quarter                                    |  |
| Quarter                                    |  |
| Nine months                                |  |
| Nine months                                |  |
| ended                                      |  |
| ended                                      |  |
| ended                                      |  |
| ended                                      |  |
| June                                       |  |
| June                                       |  |
| %  |  |
| June                                       |  |
| June                                       |  |
| %  |  |
| 2007                                       |  |
| 2006                                       |  |
| change                                     |  |
| 2007                                       |  |
| 2006                                       |  |
| change                                     |  |
| Sales (ZAR million)                        |  |
| 9,221                                      |  |
| 7,849                                      |  |
| 17.5                                       |  |
| 27,997                                     |  |
| 23,339                                     |  |
| 20.0                                       |  |
| Operating profit (loss) (ZAR million)      |  |
| 619  |  |
| (220)                                      |  |
| –  |  |
| 2,135                                      |  |
| 474  |  |
| 350.4                                      |  |
| Profit (loss) for the period (ZAR million) |  |
| 377  |  |
| (343)                                      |  |
| –  |  |
| 1,017                                      |  |
| (282)                                      |  |
| –  |  |
| EBITDA (ZAR million) *                     |  |
| 1,294                                      |  |
| 401  |  |
| 222.7                                      |  |
| 4,183                                      |  |
| 2,344                                      |  |
| 78.5                                       |  |

Operating profit (loss) to sales (%)

6.7

(2.8)

7.6

2.0

EBITDA to sales (%) \*

14.0

5.1

14.9

10.0

Operating profit (loss) to average  
net assets (%)

8.5

(3.3)

9.6

2.3

EPS (SA cents)

164

(149)

–

447

(122)

–

Net debt (ZAR million) \*

16,282

15,932

2.2

16,282

15,932

2.2

Net debt to total capitalisation (%) \*

46.1

47.4

46.1

47.4

Cash generated by operations

(ZAR million)

1,258

433

190.5

3,635

1,959

85.6

Cash retained from operating activities

(ZAR million)

597

226

164.2

1,644

83

1,880.7

Net movement in cash and  
cash equivalents (ZAR million)

(363)

(181)

—

(310)

(1,274)

—

*\* Refer to page 15, Supplemental Information for the definition of the term.  
exchange rates*

June

March

Dec

Sept

June

2007

2007

2006

2006

2006

Exchange rates:

Period end rate: US\$1 = ZAR

7.0393

7.2650

7.0076

7.7738

7.1700

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

7.1095

7.1532

7.3358

7.2475

6.4658

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

7.2121

7.2783

7.3358

6.6039

6.4031

Period end rate: EUR 1 = US\$

1.3542

1.3358

1.3199

1.2672

1.2789

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

1.3498

1.3160

1.2926

1.2744

1.2570

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

1.3178

1.3021

1.2926

1.2315

1.2191

*The financial results of entities with reporting currencies other than the US Dollar are translated into 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.*



sappi ordinary shares  
ADR price (NYSE TICKER: SPP)  
note: (1 ADR = 1 sappi share)  
sappi limited – third quarter page 20  
ZAR  
140  
120  
100  
80  
60  
40  
20  
0  
1 Jul  
2003  
1 Oct  
2003  
1 Jan  
2004  
1 Apr  
2004  
1 Jul  
2004  
1 Oct  
2004  
1 Jan  
2005  
1 Apr  
2005  
1 Jul  
2005  
1 Oct  
2005  
1 Jan  
2006  
1 Apr  
2006  
1 Jul  
2006  
1 Oct  
2006  
1 Jan  
2007  
1 Apr  
2007  
1 Jul  
2007  
26 Jul  
2007  
1 Jul  
2003

1 Oct  
2003  
1 Jan  
2004  
1 Apr  
2004  
1 Jul  
2004  
1 Oct  
2004  
1 Jan  
2005  
1 Apr  
2005  
1 Jul  
2005  
1 Oct  
2005  
1 Jan  
2006  
1 Apr  
2006  
1 Jul  
2006  
1 Oct  
2006  
1 Jan  
2007  
1 Apr  
2007  
1 Jul  
2007  
26 Jul  
2007  
US\$  
20  
18  
16  
14  
12  
10  
8  
6  
4  
2  
0

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2

and 150g/m

2

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

SIGNATURES

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

Date: August 8, 2007

SAPPI LIMITED,

Name:

M. R. Thompson

Title:

Chief Financial Officer

M. R. Thompson

By:

/s/