

SAPPI LTD

Form 6-K

May 13, 2008

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 May, 2008

Commission file number: 1-14872

SAPPI LIMITED

(Translation of registrant's name into English)

48 Ameshoff Street

Braamfontein

Johannesburg 2001

REPUBLIC OF SOUTH AFRICA

(Address of principal executive offices)

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

Form 20-F

-----

Form 40-F

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

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

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

Yes

No

-----

If "Yes" is marked, indicated 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 (including as a result of adverse changes in credit markets that affect our ability to raise capital when needed); 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  
ended March  
Quarter 2  
2008

*\* for the six months ended March 2008*

*\*\* as at 31 March 2008*

*† Rest of World*

Sales by product group \*

Sales: where the product is manufactured \*

Sales: where the product is sold \*

Geographic ownership \*\*

Coated fine paper

64%

Uncoated fine paper

4%

Coated specialities

9%

Commodity paper

8%

Pulp

14%

Other

1%

North America

30%

Europe

41%

Southern Africa

15%

Asia and other

14%

South African

72%

North America

18%

Europe and ROW †

10%

North America

28%

Europe

47%

Southern Africa

25%

**sappi**

**Flo**

sappi limited  
1  
second quarter

Operating profit excluding special items improved to  
US\$97 million

Special items US\$124 million (pre-tax) – primarily plantation  
fair value

Basic EPS 68 US cents (inclusive of special items)

Prices up but only marginally so in Europe

Continued input cost pressure

Saiccor expansion on track

Financial highlights

Summary

Quarter ended

Half-year ended

March 2008

Dec 2007 March 2007

March 2008

March 2007

Key figures: (US\$ million)

Sales

1,473

1,377

1,318

2,850

2,585

Operating profit

221

91 117

312

209

Special items – (gains) losses \*

(124)

1 (44)

(123)

(73)

Operating profit excluding

special items

97

92 73

189

136

EBITDA excluding special items \*\*

190

188 167

378	
325	
Basic EPS (US cents)	
68	
18	25
86	
38	
Net debt *	
2,661	
2,495	
2,236	
2,661	
2,236	
Key ratios: (%)	
Operating profit to sales	
15.0	
6.6	8.9
11.0	
8.1	
Operating profit excluding special items to sales	
6.6	
6.7	5.5
6.6	
5.3	
EBITDA excluding special items to sales	
12.9	
13.7	12.7
13.3	
12.6	
Operating profit excluding special items to average net assets *	
8.9	
8.3	7.3
8.6	
6.9	
Return on average equity (ROE) *	
35.9	
9.3	15.7
22.6	
12.2	
Net debt to total capitalisation *	
50.3	
45.6	46.2
50.3	
46.2	

\* Refer to page 17, Supplemental Information for the definition of the term.

\*\* Refer to page 18, additional information in Supplemental Information for the reconciliation of EBITDA excluding special items to profit for

*the period.*



sappi limited

2

second quarter

Comment

Our profitability improved in the quarter compared to a year ago and to the prior quarter. The performance of our southern African businesses was supported by good demand, increasing prices and a weaker Rand against the Dollar. Production was, however, unfavourably impacted by national power curtailment and lower output at Saiccor. Sappi Fine Paper North America continued its improving trend as a result of higher prices and improved operating efficiencies and cost control, but margins remain under pressure from rising input costs. Our key challenge remains to restore Sappi Fine Paper Europe to acceptable profitability. We have achieved limited coated fine paper price increases in parts of Europe which have been insufficient to recover the increasing input costs.

Pulp prices have continued to increase with NBSK increasing to an average of US\$880 per ton from an average of US\$840 per ton in the previous quarter. As the group sells slightly more pulp than it purchases, the increase in pulp prices is beneficial for the group; however, our European business is a large net buyer of pulp and its margins are therefore squeezed by high pulp prices.

Our sales increased 11.8% compared to a year ago to US\$1,473 million in the quarter, largely as a result of price increases and the strengthening of the Euro against the Dollar.

Operating profit excluding special items for the quarter increased by 33% compared to a year ago, to US\$97 million. Special items of US\$124 million include a favourable plantation fair value adjustment of US\$118 million, mostly as a result of wood price increases in South Africa. Details of special items are set out in note 4. Operating profit was US\$221 million, 89% higher than a year ago.

Net finance costs for the quarter were US\$27 million compared to US\$33 million a year ago. The change reflects the benefit of lower interest rates under certain fixed to floating interest rate swaps implemented in 2002.

Taxation for the quarter of US\$39 million represents an effective tax rate of 20% for the quarter after the favourable effect of the reduction in the South African tax rate from 29% to 28% during the quarter.

Basic EPS was 68 US cents for the quarter (which included the favourable impact of special items) compared to 25 US cents a year ago.

Cash flow and debt

Cash generated by operations was US\$176 million for the quarter compared to US\$157 million a year ago. The increase was a result of improved operating performance and a reclassification of US\$31 million, included in Other Non-Cash Items in the quarter ended December 2007, to Net Finance costs paid in the current quarter. This was partly offset by post employment benefit payments of US\$39 million which was US\$21 million higher than the equivalent quarter last year. Post employment payments are expected to be US\$84 million for the full year compared to US\$101 million in the previous year, and to decline further in 2009.

Working capital increased US\$30 million during the quarter primarily as a result of increased receivables which in turn was the result of increased sales and the strength of the Euro against the Dollar.

Capital expenditure on property, plant and equipment was US\$165 million, of which US\$75 million related to the purchase of previously leased equipment and US\$65 million to the Saiccor expansion project. During the next quarter a similar amount will be spent on the Saiccor project.

sappi limited

3

second quarter

Net debt was US\$2,661 million at quarter end, an increase of US\$166 million during the quarter of which currency movement represented US\$100 million. Financing for the US\$75 million purchase of leased equipment contributed to the increase in net debt. Net debt was reduced by US\$41 million of cash which was not deducted from net debt in the previous quarter because its use was restricted in that period.

Current interest-bearing borrowings of US\$935 million include US\$377 million of securitised debtors under a facility which in the normal course is expected to run until 2012.

Net debt to total capitalisation was 50.3% at quarter end compared to 45.6% for the prior quarter. The change was due to an increase in net debt and a reduction in equity caused by exchange rate movements.

Operating review for the quarter

*Sappi Fine Paper*

Quarter

Quarter

Quarter

ended

ended

ended

March 2008

March 2007

%

Dec 2007

US\$ million

US\$ million

change

US\$ million

Sales

1,209

1,057

14.4

1,109

Operating profit

47

49

(4.1)

31

Operating profit to sales (%)

3.9

4.6

-

2.8

Special items \* (gains)

(2)

(32)

-

-

Operating profit excluding

special items

45

17

164.7

31  
 Operating profit excluding  
 special items to sales (%)  
 3.7  
 1.6  
 –  
 2.8  
 EBITDA excluding special items  
 120  
 90  
 33.3  
 106  
 EBITDA excluding special items  
 to sales (%)  
 9.9  
 8.5  
 –  
 9.6  
 RONOA pa (%)  
 5.5  
 2.2  
 –  
 3.9

*\* See note 4 to the financial statements on page 14.*

The performance of the fine paper business improved further in the quarter with improved margins in North America and South Africa. In these markets price improvements have helped us offset continued input cost pressure. In Europe average price improvements have been marginal and not sufficient to offset these input cost increases and restore margins to acceptable levels.

The speciality paper businesses in Europe and North America performed strongly in the quarter. Sales volumes improved by 5% compared to a year ago and average prices realised in Dollar terms increased approximately 9%, partly as a result of currency movements.

sappi limited  
 4  
 second quarter  
*Europe*  
 Quarter  
 Quarter  
 ended  
 ended

Quarter

%  
 %  
 ended  
 March 2008  
 March 2007  
 change  
 change  
 Dec 2007  
 US\$ million  
 US\$ million  
 (US\$)  
 (Euro)  
 US\$ million

Sales  
 697  
 597  
 16.8  
 2.2  
 638  
 Operating profit  
 18  
 44  
 (59.1)  
 (63.6)  
 19  
 Operating profit to sales (%)  
 2.6  
 7.4  
 -  
 -  
 3.0  
 Special items \* (gains)  
 (2)  
 (32)  
 -  
 -  
 (2)  
 Operating profit excluding  
 special items  
 16  
 12  
 33.3  
 22.2

17
Operating profit excluding special items to sales (%)
2.3
2.0
–
–
2.7
EBITDA excluding special items
61
56
8.9
(4.7)
62
EBITDA excluding special items to sales (%)
8.8
9.4
–
–
9.7
RONOA pa (%)
3.1
2.6
–
–
3.5

\* See note 4 to the financial statements on page 14.

Although prices of coated fine paper in Euro terms have edged up marginally in some markets compared to the prior quarter, they remain below the levels of a year ago. The weakening of the US Dollar and British Pound relative to the Euro reduced price realisation in Euro terms.

Our sales volume increased 5% compared to a year ago. Sales value in US Dollars increased 16.8% largely as a result of volume increases and the impact of the weakening of the Dollar against the Euro. For the half year sales volume increased approximately 2%.

Industry shipments increased 2% for coated fine paper compared to a year ago.

Demand for our products remained firm and industry order books were strong.

We continue to manage our costs, offsetting the continued input cost pressures to a large extent; however, profitability is unlikely to be restored to acceptable levels without material increases in prices.

sappi limited	
5	
second quarter	
<i>North America</i>	
Quarter	
Quarter	Quarter
ended	
ended	
ended	
March 2008	
March 2007	
%	
Dec 2007	
US\$ million	
US\$ million	
change	
US\$ million	
Sales	
423	
371	
14.0	
384	
Operating profit	
26	
3	
766.7	
11	
Operating profit to sales (%)	
6.1	
0.8	
–	
2.9	
Special items * losses	
–	
–	
–	
2	
Operating profit excluding special items	
26	
3	
766.7	
13	
Operating profit excluding special items to sales (%)	
6.1	
0.8	
–	
3.4	
EBITDA excluding special items	
51	

29

75.9

40

EBITDA excluding special items

to sales (%)

12.1

7.8

–

10.4

RONOA pa (%)

9.7

1.1

–

5.0

*\* See note 4 to the financial statements on page 14.*

Our North American business has shown a steadily improving profit trend as a result of improvements across all disciplines. Demand for coated fine paper in reel form remains strong and prices continue to improve; however, in sheet form the markets continue to be negatively influenced by low priced imports. Strong pulp prices contributed to the improved performance because the North American business is a net seller of pulp.

Our sales volume increased 7% for the quarter and sales in US Dollars increased 14%, compared to a year ago.

We continue to reduce our raw material and energy consumption; however, pressure on the prices of our major inputs more than offset these improvements during the quarter.

sappi limited  
 6  
 second quarter  
*South Africa*  
 Quarter  
 Quarter  
 ended  
 ended

Quarter

%  
 %  
 ended  
 March 2008  
 March 2007  
 change  
 change  
 Dec 2007  
 US\$ million  
 US\$ million  
 (US\$)  
 (Rand)  
 US\$ million

Sales

89

89

—

4.2

87

Operating profit

3

2

50.0

57.1

1

Operating profit to sales (%)

3.4

2.2

—

—

1.1

Special items \*

—

—

—

—

—

Operating profit excluding  
 special items

3

2

50.0

57.1



1  
Operating profit excluding  
special items to sales (%)  
3.4  
2.2  
—  
—  
1.1  
EBITDA excluding special items  
8  
5  
60.0  
66.7  
4  
EBITDA excluding special items  
to sales (%)  
9.0  
5.6  
—  
—  
4.6  
RONOA pa (%)  
8.6  
4.9  
—  
—  
2.6

*\* See note 4 to the financial statements on page 14.*

The business has started to restore its margins through a combination of cost control and improved price realisation. Increasing wood, pulp, energy and labour costs continue to exert pressure on profitability.

sappi limited

7

second quarter

*Forest Products*

Quarter

Quarter

Quarter

ended

ended

%

%

ended

March 2008

March 2007

change

change

Dec 2007

US\$ million

US\$ million

(US\$)

(Rand)

US\$ million

Sales

264

261

1.1

5.5

268

Operating profit

172

69

149.3

159.7

55

Operating profit to sales (%)

65.2

26.4

–

–

20.5

Special items \* (gains) losses

(122)

(12)

–

–

1

Operating profit excluding

special items

50

57

(12.3)

(8.6)

56

Operating profit excluding  
special items to sales (%)

18.9

21.8

-

-

20.9

EBITDA excluding special items

67

78

(14.1)

(10.4)

77

EBITDA excluding special items

to sales (%)

25.4

29.9

-

-

28.7

RONOA pa (%)

11.3

15.6

-

-

12.9

*\* See note 4 to the financial statements on page 14.*

The business performance in the quarter was supported by good demand, improving pulp and paper prices and the weaker Rand. Inflationary pressure, particularly wood, energy and labour costs, however, remain a concern.

Results were also unfavourably impacted by reduced production and sales volumes as a result of some production problems at Saiccor and by the power disruptions early in the quarter. After a major 3-4 day disruption we reached an agreement with the national utility in terms of which we will meet their requirement to reduce our purchases by generating more of our own power; however, doing so is more costly. Since then we have operated without, and do not foresee, major disruptions.

Production at the Kraft mills continued to improve during the quarter.

Special items were US\$122 million for the quarter, predominantly due to plantation fair value gains of US\$118 million mostly as a result of wood price increases.

The Saiccor expansion project is nearing completion with many of the construction areas currently undergoing commissioning tests. Start-up is expected during June 2008. The expansion includes power generation which after start-up will increase our power self-sufficiency and reduce power purchases.

sappi limited

8

second quarter

Directors

Eugene van As retired as Chairman of the board and as a non-executive director of Sappi Limited with effect from the conclusion of the Annual General Meeting held on 03 March 2008.

Dr Danie Cronjé was appointed independent non-executive Chairman of the Sappi Limited board effective upon Mr van As' retirement.

Outlook

Global capacity utilisation remains reasonably high with limited new capacity coming on stream within the next year. Prices for coated fine paper continue to strengthen in most regions in US Dollar terms. Improved price realisation in Europe is, however, essential in order to achieve a much needed improvement in margin. Pulp prices remain high supported by strong demand, particularly from Asia, and the weaker US Dollar.

While market conditions in terms of demand are generally favourable in our industry, we cannot ignore the potential impact of economic slow-downs in North America and Europe on our business.

Operating performance of our southern African operations is expected to remain strong and in North America we expect the improving trend to continue on a year on year basis. Europe's performance will remain under pressure as a result of the pricing situation and high input costs. Manufacturing and logistics efficiencies and tight control over costs remain essential to manage the effect of high energy, pulp and wood costs and labour cost inflation.

Our net debt is expected to start declining towards the end of the financial year following the completion of the Saiccor expansion project. Improved cash generation, continued attention to working capital and capital expenditure management will remain priorities.

Operating profit excluding special items is expected to improve in the next quarter compared to a year ago.

On behalf of the board

R J Boëttger

M R Thompson

Director

Director

06 May 2008

sappi limited

(Registration number 1936/008963/06)

Issuer Code: SAVVI

JSE Code: SAP

ISIN: ZAE000006284

sappi limited

9

second quarter

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 cyclical nature, 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, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed, changing regulatory requirements, unanticipated production disruptions (including as a result of planned or unexpected power outages), 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.

sappi limited  
 10  
 second quarter  
 Group income statement  
 Reviewed  
 Reviewed  
 Quarter  
 Quarter  
 Half-year  
 Half-year  
 ended  
 ended  
 ended  
 ended  
 Mar 2008  
 Mar 2007  
 Mar 2008  
 Mar 2007  
 Notes  
 US\$ million  
 US\$ million  
 % change  
 US\$ million  
 US\$ million  
 % change  
 Sales  
 1,473  
 1,318  
 11.8  
 2,850  
 2,585  
 10.3  
 Cost of sales  
 1,162  
 1,141  
 2,354  
 2,233  
 Gross profit  
 311  
 177      75.7  
 496  
 352      40.9  
 Selling, general &  
 administrative expenses  
 102  
 93  
 199  
 181  
 Other operating income  
 (7)  
 (30)

(6)	
(34)	
Share of profit from associates and joint ventures	
(5)	
(3)	
(9)	
(4)	
Operating profit	
3 & 4	
221	
117	88.9
312	
209	49.3
Net finance costs	
27	
33	
55	
70	
Net interest	
26	
37	
63	
73	
Finance cost capitalised	
(6)	
(3)	
(15)	
(4)	
Net foreign exchange gains	
(4)	
(4)	
(5)	
(6)	
Net fair value loss on financial instruments	
11	
3	
12	
7	
Profit before taxation	
194	
84	131.0
257	
139	84.9
Taxation	
39	
26	
60	

51	
Current	
1	
9	
4	
15	
Deferred	
38	
17	
56	
36	
Profit for the period	
155	
58	167.2
197	
88	123.9
Basic earnings per share (US cents)	
68	
25	
86	
38	
Weighted average number of shares in issue (millions)	
228.8	
227.7	
228.7	
227.4	
Diluted basic earnings per share (US cents)	
67	
25	
85	
38	
Weighted average number of shares on fully diluted basis (millions)	
230.6	
230.4	
230.5	
229.6	



sappi limited  
11  
second quarter  
Group balance sheet  
Reviewed  
Audited  
Mar 2008  
Sept 2007  
US\$ million  
US\$ million  
ASSETS  
Non-current assets  
4,641  
4,608  
Property, plant and equipment  
3,531  
3,491  
Plantations  
635  
636  
Deferred taxation  
58  
60  
Other non-current assets  
417  
421  
Current assets  
1,710  
1,736  
Inventories  
801  
712  
Trade and other receivables  
708  
660  
Cash and cash equivalents  
201  
364  
Total assets  
6,351  
6,344  
EQUITY AND LIABILITIES  
Shareholders' equity  
Ordinary shareholders' interest  
1,677  
1,816  
Non-current liabilities  
2,656  
2,612  
Interest-bearing borrowings  
1,905

1,828
Deferred taxation
387
385
Other non-current liabilities
364
399
Current liabilities
2,018
1,916
Interest-bearing borrowings
935
771
Bank overdraft
22
22
Other current liabilities
953
998
Taxation payable
108
125
Total equity and liabilities
6,351
6,344
Number of shares in issue at balance sheet date (millions)
228.8
228.5

sappi limited  
 12  
 second quarter  
 Group cash flow statement  
 Quarter  
 Quarter  
 Reviewed  
 Reviewed  
 ended  
 ended  
 Half-year ended  
 Half-year ended  
 March 2008  
 March 2007  
 March 2008  
 March 2007  
 US\$ million  
 US\$ million  
 US\$ million  
 US\$ million  
 Profit for the period  
 155  
 58  
 197  
 88  
 Adjustment for:  
 Depreciation, fellings and amortisation  
 112  
 111  
 229  
 223  
 Taxation charge  
 39  
 26  
 60  
 51  
 Net finance costs  
 27  
 33  
 55  
 70  
 Post employment benefits \*\*  
 (39)  
 (18)  
 (53)  
 (45)  
 Other non-cash items \*\*\*  
 (118)  
 (53)  
 (157)  
 (105)

Cash generated from operations \*\*

176

157

331

282

Movement in working capital

(30)

(5)

(163)

(44)

Net finance costs paid \*\*\*

(8)

(22)

(67)

(68)

Taxation (paid) received

(9)

1

(16)

(3)

Dividends paid \*

(73)

(68)

(73)

(68)

Cash retained from operating activities

56

63

12

99

Cash utilised in investing activities \*\*

(164)

(18)

(253)

(146)

(108)

45

(241)

(47)

Cash effects of financing activities

(118)

(39)

105

55

Net movement in cash and cash equivalents

(226)

6

(136)

8

\* Dividend number 84: 32 US cents per share (2007: 30 US cents per share)

Reclassifications

*\*\* Cash outflows relating to contributions to post employment benefit funds previously reflected in cash utilised in investing activities, have been included in cash generated from operations.*

*\*\*\*A US\$31 million outflow, included in "Other non-cash items" in the quarter ended December 2007 has been reclassified to "Net finance costs paid" in the current quarter, with the resulting impact on "Cash generated from operations". There is no impact on the movement for the half-year ended March 2008.*

Group statement of recognised income and expense

Quarter

Quarter

Reviewed

Reviewed

ended

ended

Half-year ended

Half-year ended

March 2008

March 2007

March 2008

March 2007

US\$ million

US\$ million

US\$ million

US\$ million

Exchange differences on translation of foreign operations

(262)

(35)

(272)

78

Sundry other movements in equity

—

3

2

—

Net (expense) income recorded directly in equity

(262)

(32)

(270)

78

Profit for the period

155

58

197

88

Total recognised (expense) income for the period

(107)

26

(73)  
166

sappi limited

13

second quarter

Notes to the group results

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 2007 which are compliant with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The preliminary results for the six month period ended March 2008 have been reviewed in terms of the International Standard on Review Engagements 2410 by the group's auditors, Deloitte & Touche. Their unmodified review report is available for inspection at the company's registered offices. The results for the quarters ended March 2008 and December 2007 have not been audited or reviewed on a stand-alone basis by the auditors.

Comparative figures – Cash outflows relating to contributions to post employment benefit funds previously reflected in cash utilised in investing activities, have been included in cash generated from operations.

2.

Reconciliation of movement in shareholders' equity

Reviewed

Reviewed

Half-year

Half-year

ended

ended

March 2008

March 2007

US\$ million

US\$ million

Balance – beginning of year

1,816

1,386

Total recognised (expense) income for the period

(73)

166

Dividends paid

(73)

(68)

Transfers to participants of the share purchase trust

3

8

Share based payment reserve

4

2

Balance – end of period

1,677

1,494

Reviewed

Reviewed  
Quarter  
Quarter  
Half-year  
Half-year  
ended  
ended  
ended  
ended  
ended

March 2008

March 2007

March 2008

March 2007

US\$ million

US\$ million

US\$ million

US\$ million

3.

Operating profit

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

Depreciation and amortisation

93

94

189

189

Fair value adjustment on plantations

(included in cost of sales)

Changes in volume

Fellings

19

17

40

34

Growth

(17)

(18)

(35)

(35)

2

(1)

5

(1)

Plantation price fair value adjustment

(118)

(12)

(117)

(41)

(116)

(13)

(112)



(42)

Included in other operating income are items (b), (c), (d) and (e) as disclosed in note 4.

sappi limited  
14  
second quarter

4.  
Special items

Special items cover those operating items which management believe are material by nature or amount to the results and require separate disclosure in accordance with IAS 1 paragraph 86. Such items would generally include profit and loss on disposal of property, investments and businesses, asset impairments, restructuring charges, natural disasters and non-cash gains or losses on the price fair value adjustment of plantations.

Special items, excluding interest and tax effects, for the relevant periods are:

Reviewed

Reviewed

Quarter

Quarter

Half-year

Half-year

ended

ended

ended

ended

March 2008

March 2007

March 2008

March 2007

US\$ million

US\$ million

US\$ million

US\$ million

(a) Plantation price fair value adjustment

(118)

(12)

(117)

(41)

(b) Restructuring provisions released

(2)

(7)

(3)

(7)

(c) Profit on sale of assets

(3)

(25)

(4)

(25)

(d) Fire, flood, storm and related events

(1)

–

(1)

–

(e) Asset impairments

–

–

2
–
(124)
(44)
(123)
(73)
5.
Headline earnings per share
Headline earnings per share (US cents)
66
17
85
30
Weighted average number of shares in issue (millions)
228.8
227.7
228.7
227.4
Diluted headline earnings per share (US cents) *
65
17
85
30
Weighted average number of shares on fully diluted basis (millions)
230.6
230.4
230.5
229.6
Calculation of Headline earnings *
Profit for the period
155
58
197
88
Profit on disposal of property, plant & equipment
(3)
(25)
(4)
(25)
Asset impairments
–
–
2
–
Tax effect of above items
(1)
6
–
6
Headline earnings

151

39

195

69

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

Quarter

Quarter

Half-year

Half-year

ended

ended

ended

ended

March 2008

March 2007

March 2008

March 2007

US\$ million

US\$ million

US\$ million

US\$ million

6.

Capital expenditure

Property, plant and equipment

165

76

274

214

March 2008

Sept 2007

US\$ million

US\$ million

7.

Capital commitments

Contracted

130

188

Approved but not contracted

167

249

297

437

notes to the group results

sappi limited

15

second quarter

8.

Contingent liabilities

March 2008

Sept 2007

US\$ million

US\$ million

Guarantees and suretyships

53

43

Other contingent liabilities \*

7

26

60

69

\* The decrease in contingent liabilities reflects management's revised estimate of losses which could arise from taxation

queries to which certain group companies are subject. These amounts have now been recognised as liabilities.

9.

Material balance sheet movements

Restricted cash

In the quarter ended 31 December 2007, the company classified US\$41 million of cash as specifically restricted to settle certain post retirement medical liabilities, which did not result in any movement of cash and cash equivalents for cash flow statement purposes. In the current quarter, certain agreements were finalized which now permit the group to direct the use of this cash. Therefore, management now considers this cash to be unrestricted. In the quarter ended 31 December 2007, the restricted cash was not taken into account in the determination of "net debt". However, in the current quarter the company has reduced net debt by this cash which is now considered to be unrestricted.

Current and non-current interest bearing borrowings

The movement on these balances between September 2007 and March 2008 is largely due to (i) US\$146 million of expenditure on the Saiccor expansion project, (ii) financing for the purchase of leased equipment for US\$75 million and (iii) US\$137 million of currency movements and fair value adjustments.

Taxation

The movement is a result of certain tax liabilities which the group has settled in the past six months.

notes to the group results

Notes

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

sappi limited  
16  
second quarter

Supplemental information

*general definitions*

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

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, mainly produced from spruce trees in Scandinavia, Canada and north eastern USA. The 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 these 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.

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

Headline earnings – as defined in circular 8/2007 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 listing requirement of the JSE Limited to disclose headline earnings per share

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

Net assets – total assets less current liabilities

Net asset value – shareholders' equity plus deferred tax liabilities minus deferred tax assets

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

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

RONOA – operating profit excluding special items divided by average net operating 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 in accordance with IAS 1 paragraph 86. Such items would generally include profit and loss on disposal of property, investments and businesses, asset impairments, restructuring charges, natural disasters and non-cash gains or losses on the price fair value adjustment of plantations.

*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

17

second quarter

sappi limited  
18  
second quarter  
Supplemental information  
*additional information*  
Quarter  
Quarter  
Reviewed  
Reviewed  
ended  
ended  
Half-year ended  
Half-year ended  
March 2008  
March 2007  
March 2008  
March 2007  
US\$ million  
US\$ million  
US\$ million  
US\$ million  
Profit for the period to EBITDA excluding  
special items  
(1)  
reconciliation  
Profit for the period  
155  
58  
197  
88  
Net finance costs  
27  
33  
55  
70  
Taxation  
39  
26  
60  
51  
Special items – gains  
(124)  
(44)  
(123)  
(73)  
Operating profit excluding special items  
97  
73  
189  
136  
Depreciation and amortisation



93  
 94  
 189  
 189  
 EBITDA excluding special items  
 (1)  
 190  
 167  
 378  
 325  
 March 2008  
 Sept 2007  
 US\$ million  
 US\$ million  
 Net debt (US\$ million)  
 (2)  
 2,661  
 2,257  
 Net debt to total capitalisation (%)  
 (2)  
 50.3  
 43.2

Net asset value per share (US\$)

(2)  
 8.77  
 9.37  
 (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 excluding special items to net profit rather than operating profit. As a result our definition retains minority interest as part of EBITDA excluding special items.*

*Operating profit excluding special items represents earnings before interest (net finance costs), taxation and special items. 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. Special items cover those items which management believe are material by nature or amount to the results and require separate disclosure in accordance with IAS 1 paragraph 86. Such items would generally include profit and loss on disposal of property, investments and businesses, asset impairments, restructuring charges, natural disasters and non-cash gains or losses on the price fair value adjustment of plantations.*

EBITDA excluding special items represents operating profit before depreciation, amortisation and special items.

We use both operating profit excluding special items and EBITDA excluding special items as internal measures of performance to benchmark and compare performance, both between our own operations and as against other companies. Operating profit excluding special items and EBITDA excluding special items are measures used by the group, together with measures of performance under IFRS, to compare the relative performance of operations in planning, budgeting and reviewing the performances of various businesses. We believe they are useful and commonly used measures of financial performance in addition to net profit, operating profit and other profitability measures under IFRS because they

facilitate 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 both operating profit excluding special items and EBITDA excluding special items can provide a useful additional basis for comparing the current performance of the operations being evaluated. For these reasons, we believe operating profit excluding special items and EBITDA excluding special items 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 operating profit excluding special items and EBITDA excluding special items differently, so making comparisons among companies on this basis should be done very carefully. Operating profit excluding special items and EBITDA excluding special items are not measures of performance under IFRS and should not be considered in isolation or construed as a substitute for operating profit or net profit as indicators of the company's operations in accordance with IFRS.

(2)

*Refer to page 17, Supplemental Information for the definition of the term.*

sappi limited  
19  
second quarter  
Supplemental information  
*regional information*  
Quarter  
Quarter  
Half-year  
Half-year  
ended  
ended  
ended  
ended  
March 2008  
March 2007  
March 2008  
March 2007  
Metric tons  
Metric tons  
Metric tons  
Metric tons  
(000's)  
(000's)  
% change  
(000's)  
(000's) % change  
Sales volume  
Fine Paper –  
North America  
402  
376  
6.9  
775  
748  
3.6  
Europe  
657  
626  
5.0  
1,281  
1,261  
1.6  
Southern Africa  
83  
87  
(4.6)  
159  
174  
(8.6)  
*Total*  
1,142

1,089  
4.9  
2,215  
2,183  
1.5  
Forest Products – Pulp and paper  
operations  
347  
378  
(8.2)  
692  
709  
(2.4)  
Forestry operations  
247  
258  
(4.3)  
447  
529  
(15.5)  
*Total*  
1,736  
1,725  
0.6  
3,354  
3,421  
(2.0)  
Reviewed  
Reviewed  
Quarter  
Quarter  
Half-year  
Half-year  
ended  
ended  
ended  
ended  
March 2008  
March 2007  
March 2008  
March 2007  
US\$ million  
US\$ million  
% change  
US\$ million  
US\$ million  
% change  
Sales  
Fine Paper –  
North America  
423

371  
14.0  
807  
745  
8.3  
Europe  
697  
597  
16.8  
1,335  
1,184  
12.8  
Southern Africa  
89  
89  
—  
176  
172  
2.3  
*Total*  
1,209  
1,057  
14.4  
2,318  
2,101  
10.3  
Forest Products – Pulp and paper  
operations  
246  
245  
0.4  
498  
452  
10.2  
Forestry operations  
18  
16  
12.5  
34  
32  
6.3  
*Total*  
1,473  
1,318  
11.8  
2,850  
2,585  
10.3  
Operating profit  
Fine Paper –  
North America

26  
 3  
 766.7  
 37  
 5  
 640.0  
 Europe  
 18  
 44  
 (59.1)  
 37  
 57  
 (35.1)  
 Southern Africa  
 3  
 2  
 50.0  
 4  
 3  
 33.3  
*Total*  
 47  
 49  
 (4.1)  
 78  
 65  
 20.0  
 Forest Products  
 172  
 69  
 149.3  
 227  
 147  
 54.4  
 Corporate  
 2  
 (1)  
 -  
 7  
 (3)  
 -  
*Total*  
 221  
 117  
 88.9  
 312  
 209  
 49.3  
 Special items – (gains) losses  
 Fine Paper –  
 North America

—  
—  
—  
2  
—  
—  
Europe  
(2)  
(32)  
—  
(4)  
(32)  
—  
Southern Africa  
—  
—  
—  
—  
—  
—  
*Total*  
(2)  
(32)  
—  
(2)  
(32)  
—  
Forest Products  
(122)  
(12)  
—  
(121)  
(41)  
—  
Corporate  
—  
—  
—  
—  
—  
—  
*Total*  
(124)  
(44)  
—  
(123)  
(73)  
—

sappi limited  
20  
second quarter  
Reviewed  
Reviewed  
Quarter  
Quarter  
Half-year  
Half-year  
ended  
ended  
ended  
ended  
March 2008  
March 2007  
March 2008  
March 2007  
US\$ million  
US\$ million  
% change  
US\$ million  
US\$ million  
% change  
Operating profit excluding  
special items  
Fine Paper –  
North America  
26  
3  
766.7  
39  
5  
680.0  
Europe  
16  
12  
33.3  
33  
25  
32.0  
Southern Africa  
3  
2  
50.0  
4  
3  
33.3  
*Total*  
45  
17  
164.7



76  
33  
130.3  
Forest Products  
50  
57  
(12.3)  
106  
106  
—  
Corporate  
2  
(1)  
—  
7  
(3)  
—  
*Total*  
97  
73  
32.9  
189  
136  
39.0  
EBITDA excluding special items  
Fine Paper –  
North America  
51  
29  
75.9  
91  
57  
59.6  
Europe  
61  
56  
8.9  
123  
117  
5.1  
Southern Africa  
8  
5  
60.0  
12  
10  
20.0  
*Total*  
120  
90  
33.3

226  
 184  
 22.8  
 Forest Products  
 67  
 78  
 (14.1)  
 144  
 144  
 –  
 Corporate  
 3  
 (1)  
 –  
 8  
 (3)  
 –  
*Total*  
 190  
 167  
 13.8  
 378  
 325  
 16.3  
 Net operating assets  
 Fine Paper –  
 North America  
 1,116  
 1,067  
 4.6  
 1,116  
 1,067  
 4.6  
 Europe  
 2,085  
 1,864  
 11.9  
 2,085  
 1,864  
 11.9  
 Southern Africa  
 127  
 156  
 (18.6)  
 127  
 156  
 (18.6)  
*Total*  
 3,328  
 3,087  
 7.8

3,328

3,087

7.8

Forest Products

1,695

1,443

17.5

1,695

1,443

17.5

Corporate and other

8

8

—

8

8

—

*Total*

5,031

4,538

10.9

5,031

4,538

10.9

Supplemental information

sappi limited  
 21  
 second quarter  
 Supplemental information  
*summary Rand convenience translation*  
 Quarter  
 Quarter  
 Half-year  
 Half-year  
 ended  
 ended  
 %  
 ended  
 ended  
 %  
 March 2008  
 March 2007 change  
 March 2008  
 March 2007 change  
 Key figures: (ZAR million)  
 Sales  
 10,988  
 9,428  
 16.5  
 20,368  
 18,814  
 8.3  
 Operating profit  
 1,649  
 837 97.0  
 2,230  
 1,521  
 46.6  
 Special items – gains \*  
 (925)  
 (315)  
 –  
 (879)  
 (531)  
 –  
 Operating profit excluding  
 special items  
 724  
 522 38.7  
 1,351  
 990 36.5  
 EBITDA excluding special items \*  
 1,417  
 1,195  
 18.6  
 2,701

2,365	
14.2	
Profit for the period	
1,156	
415	178.6
1,408	
640	120.0
Basic EPS (SA cents)	
507	
179	183.2
615	
277	122.0
Net debt *	
21,669	
16,245	
33.4	
21,669	
16,245	
33.4	
Cash generated from operations	
1,313	
1,123	
16.9	
2,365	
2,052	
15.3	
Cash retained from operating activities	
418	
451	(7.3)
86	
721	(88.1)
Net movement in cash and equivalents	
(1,686)	
43	–
(972)	
58	–
Key ratios: (%)	
Operating profit to sales	
15.0	
8.9	
10.9	
8.1	
Operating profit excluding special items to sales	
6.6	
5.5	
6.6	
5.3	
EBITDA excluding special items	

to sales

12.9

12.7

13.3

12.6

Operating profit excluding special  
items to average net assets

8.8

7.1

8.2

6.7

Net debt to total capitalisation \*

50.3

46.2

50.3

46.2

\* Refer to page 17, Supplemental Information for the definition of the term.

The above financial results have been translated into ZAR using the average rate of exchange of the US Dollar at the end of the relevant period

*exchange rates*

March

Dec

Sept

June

March

2008

2007

2007

2007

2007

Exchange rates :

Period end rate: US\$1 = ZAR

8.1432

6.8068

6.8713

7.0393

7.2650

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

7.4593

6.7488

7.0453

7.1095

7.1532

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

7.1465

6.7488

7.1741

7.2121

7.2783

Period end rate: EUR 1 = US\$

1.5802

1.4717

1.4272

1.3542

1.3358

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

1.5006

1.4556

1.3782

1.3498

1.3160

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

1.4790

1.4556

1.3336

1.3178

1.3021

*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 limited

22

second quarter

Sappi ordinary shares

ADR price (NYSE TICKER: SPP)

160

140

120

100

80

60

20

40

0

Apr 04 Jul 04 Oct 04 Jan 05 Apr 05 Jul 05 Oct 05 Jan 06 Apr 06 Jul 06 Oct 06 Jan 07 Jul 07 Oct 07

Apr 07 Jan 08 Apr 08

ZAR

20

16

12

10

6

5

2

4

0

Apr 04 Jul 04 Oct 04 Jan 05 Apr 05 Jul 05 Oct 05 Jan 06 Apr 06 Jul 06 Oct 06 Jan 07 Jul 07 Oct 07

Apr 07 Jan 08 Apr 08

US\$

18

14



sappi limited  
23  
second quarter  
Notes

---

---

---

---

---

---

---

---

---

---

---

sappi limited

24

second quarter

Other interested parties can obtain printed copies of this report from:

South Africa:

United States

United Kingdom:

Computershare Investor

ADR Depositary:

Capita Registrars

Services (Proprietary) Limited

The Bank of New York

The Registry

70 Marshall Street

Investor Relations

34 Beckenham Road

Johannesburg 2001

PO Box 11258

Beckenham, Kent

PO Box 61051

Church Street Station

BR3 4TU, DX 91750

Marshalltown 2107

New York, NY 10286-1258

Beckenham West

Tel +27 (0)11 370 5000

Tel +1 610 382 7836

Tel +44 (0)208 639 2157

Designed by  
Printed by INCE  
this report is available on the Sappi website  
[www.sappi.com](http://www.sappi.com)

**sappi**

Printed on Magno Matt Classic 250g/m

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: May 08, 2008

SAPPI LIMITED,

by:

/s/ M. R. Thompson

Title:

Chief Financial Officer

Name: M. R. Thompson