

SAPPI LTD

Form 6-K

February 01, 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 February, 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

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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, 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 December  
Quarter 1  
2007

*\* for the quarter ended December 2007*

*\*\* as at 30 December 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

4%

Coated specialities

8%

Packaging and newsprint

9%

Pulp

15%

Other

1%

North America

29%

Europe

41%

Southern Africa

15%

Asia and other

15%

South African

73%

North America

20%

Europe and ROW †

7%

North America

28%

Europe

46%

Southern Africa

26%

**sappi**

**Flo**

sappi limited

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first quarter

Operating profit (excluding special items) improved on last year

Basic EPS 18 US cents for the quarter

Prices improved except in Europe

Saiccor expansion progresses well

High input costs

Financial highlights

Summary

Quarter ended

**Dec**

Dec

Sept

**2007**

2006

2007

**Key figures: (US\$ million)**

**Sales**

**1,377**

1,267

1,422

**Operating profit**

**91**

92

87

Special items – losses (gains) \*

**1**

(29)

9

Operating profit excluding special items

**92**

63

96

EBITDA excluding special items \*\*

**188**

158

187

**Basic EPS (US cents)**

**18**

13

27

Net debt \*

**2,495**

2,278

2,257

**Key ratios: (%)**

**Operating profit to sales**

**6.6**

7.3

6.1

Operating profit excluding special items to sales

**6.7**

5.0

6.8

EBITDA excluding special items to sales

**13.7**

12.5

13.2

Operating profit excluding special items to average net assets

**8.3**

6.4

9.1

Return on average equity (ROE) \*

**9.3**

8.4

14.1

Net debt to total capitalisation \*

**45.6**

46.7

43.2

*\* 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 excluding special items to profit for the period.*

sappi limited

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first quarter

Comment

Our operating performance improved further in the quarter. Forest Products benefited from good demand for its products and increasing prices to report a strong performance. Our fine paper business continued to improve its profitability despite continued cost pressures and difficult market conditions in Europe. We continued to improve our margins in North America through improved coated fine paper prices and cost reduction. In Europe coated web prices showed an improving trend in the quarter while coated fine paper sheet prices declined. We have announced coated fine paper sheet price increases in Europe for February 2008 which are essential to offset high raw material and energy prices. The impact of high pulp prices on our margins in Europe, where we purchase a majority of our pulp, was offset by the benefit of high pulp prices realised by our Forest Products and North American businesses.

Pulp markets were strong in the quarter. NBSK prices increased from an average of US\$800 per ton in the previous quarter to an average of US\$840 per ton.

Our sales increased by 8.7% compared to a year ago to US\$1.38 billion largely as a result of price increases and the strengthening of the Euro and Rand against the US Dollar.

Operating profit excluding special items increased 46% to US\$92 million from US\$63 million a year ago. Special items for the quarter were negligible but a year ago included a plantation fair value gain of US\$29 million. Details of special items are set out in note 4. Operating profit including special items was at a similar level to a year ago.

Net finance costs were US\$28 million, down US\$9 million compared to a year ago largely as a result of increased interest capitalised in the quarter, which relates to the Saiccor expansion project.

Taxation for the quarter of US\$21 million includes US\$8 million Secondary Tax on Companies (STC), which relates to the declaration of Dividend Number 84 during the quarter. In the prior quarter taxation was a credit of US\$1 million including once-off tax relief, resulting from tax rate changes and reversal of tax provisions amounting to US\$13 million. In the equivalent quarter last year taxation was US\$25 million. The effective tax rate excluding STC was 21% for the quarter.

Basic EPS was 18 US cents for the quarter compared to 13 US cents (which included the favourable plantation fair value gain of 9 US cents) a year ago.



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first quarter

Cash flow and debt

Cash generated by operations increased to US\$155 million compared to US\$125 million a year ago.

Working capital increased by US\$133 million during the quarter largely as a result of seasonal working capital movements.

Capital expenditure on property, plant and equipment for the quarter was US\$109 million, of which US\$81 million related to the Saiccor expansion.

Net debt increased US\$238 million during the quarter. This amount includes US\$64 million of currency movements and fair value adjustments. Net debt to total capitalisation was 45.6% compared to 43.2% for the prior quarter.

Operating Review – Quarter ended December 2007

compared with quarter ended December 2006

*Sappi Fine Paper*

**Quarter**

Quarter

Quarter

**ended**

ended

ended

**Dec 2007**

Dec 2006

%

Sept 2007

**US\$ million**

US\$ million

change

US\$ million

**Sales**

**1,109**

1,044

6.2

1,118

**Operating profit**

**31**

16

93.8

29

**Operating profit to sales (%)**

**2.8**

1.5

–

2.6

Special items \*

–

–

–

–

Operating profit excluding  
special items

**31**

16  
93.8  
29  
Operating profit excluding  
special items to sales (%)  
**2.8**  
1.5  
—  
2.6  
EBITDA excluding special items  
**106**  
94  
12.8  
102  
EBITDA excluding special items  
to sales (%)  
**9.6**  
9.0  
—  
9.1  
RONOA pa (%)  
**3.9**  
2.1  
—  
3.7

*\* See note 4 to the financial statements on page 13*

Operating margins and returns improved slightly compared to the prior quarter largely as a result of improved price realisation in North America. Conditions in the European market remain difficult, in particular coated fine paper sheet pricing. Input cost pressure remains a major factor in all our regions.

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first quarter

*Europe*

**Quarter**

Quarter

Quarter

**ended**

ended

%

%

ended

**Dec 2007**

Dec 2006

change

change

Sept 2007

**US\$ million**

US\$ million

(US\$)

(Euro)

US\$ million

**Sales**

**638**

587

8.7

(3.5)

619

**Operating profit**

**19**

13

46.2

29.8

17

**Operating profit to sales (%)**

**3.0**

2.2

—

—

2.7

Special items \*

**(2)**

—

—

—

—

Operating profit excluding  
special items

**17**

13

30.8

16.1

17

Operating profit excluding  
special items to sales (%)**2.7**

2.2

-

-

2.7

EBITDA excluding special items

**62**

61

1.6

(9.7)

60

EBITDA excluding special  
items to sales (%)**9.7**

10.4

-

-

9.7

RONOA pa (%)

**3.5**

2.8

-

-

3.5

*\* See note 4 to the financial statements on page 13*

Market conditions for coated fine paper in Europe remained very challenging. Our sales volumes for the quarter were 2% lower than a year ago. Although this volume decrease is in line with demand in Europe our sales volume includes an increased proportion of exports. Average prices achieved in Euro terms declined slightly; however, prices translated to US Dollars increased as a result of the stronger Euro. Operating profit excluding special items improved compared to a year earlier largely as a result of the successful cost reduction initiatives. High input costs continue to put pressure on margins, in particular increasing pulp prices and energy costs.

The strength of the Euro relative to the US Dollar had an unfavourable impact on the margins of our dollar-based exports despite our success in improving prices in many of our export markets.

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first quarter

*North America*

**Quarter**

Quarter

Quarter

**ended**

ended

ended

**Dec 2007**

Dec 2006

%

Sept 2007

**US\$ million**

US\$ million

change

US\$ million

**Sales**

**384**

374

2.7

404

**Operating profit**

**11**

2

450.0

9

**Operating profit to sales (%)**

**2.9**

0.5

—

2.2

Special items \*

**2**

—

—

—

Operating profit excluding special items

**13**

2

550.0

9

Operating profit excluding special items

to sales (%)

**3.4**

0.5

—

2.2

EBITDA excluding special items

**40**

28

42.9

35

EBITDA excluding special items  
to sales (%)

**10.4**

7.5

–

8.7

RONOA pa (%)

**5.0**

0.7

–

3.4

*\* See note 4 to the financial statements on page 13*

Our North American business reported its best quarterly performance for several years. The return on net operating assets of 5% is however well short of acceptable levels.

Prices realised for coated fine paper and pulp improved during the quarter. Demand was strong and the supply/demand balance remains favourable following the closure of capacity by North American producers; however, competition in the market for economy sheets had an unfavourable impact on our volumes and prices in this segment.

Our sales volume increased marginally compared to a year ago. Input cost pressure continues to squeeze margins.

The implementation of our new brand line up and launch of new products in North America has progressed well and has contributed to strengthening relationships with our customers.

sappi limited

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first quarter

*South Africa*

**Quarter**

Quarter

Quarter

**ended**

ended

%

%

ended

**Dec 2007**

Dec 2006

change

change

Sept 2007

**US\$ million**

US\$ million

(US\$)

(Rand)

US\$ million

**Sales**

**87**

83

4.8

(3.6)

95

**Operating profit**

**1**

1

—

(8.0)

3

**Operating profit to sales (%)**

**1.1**

1.2

—

—

3.2

Special items \*

—

—

—

—

—

Operating profit excluding  
special items

**1**

1

—

(8.0)

3

Operating profit excluding  
special items to sales (%)

**1.1**

1.2

–

–

3.2

EBITDA excluding special items

**4**

5

(20.0)

(26.4)

7

EBITDA excluding special items  
to sales (%)

**4.6**

6.0

–

–

7.4

RONOA pa (%)

**2.6**

2.5

–

–

7.9

*\* See note 4 to the financial statements on page 13*

Lower sales volumes in the quarter were largely offset by improved pricing in local currency terms.  
Margins remain low as a result of high input costs.



sappi limited

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first quarter

*Forest Products*

**Quarter**

Quarter

Quarter

**ended**

ended

%

%

ended

**Dec 2007**

Dec 2006

change

change

Sept 2007

**US\$ million**

US\$ million

(US\$)

(Rand)

US\$ million

**Sales**

**268**

223

20.2

10.6

304

**Operating profit**

**55**

76

(29.5)

(35.1)

52

**Operating profit to sales (%)**

**20.5**

35.0

–

–

17.1

Special items \*

**1**

(29)

–

– 9

Operating profit excluding

special items

**56**

49

14.3

5.1

61

Operating profit excluding  
special items to sales (%)

**20.9**

22.0

–

–

20.1

EBITDA excluding special items

**77**

66

16.7

7.3

79

EBITDA excluding special items  
to sales (%)

**28.7**

29.6

–

–

26.0

RONOA pa (%)

**12.9**

14.7

–

–

15.1

*\* See note 4 to the financial statements on page 13*

Forest Products continued to perform well. Operating profit excluding special items increased to US\$56 million from US\$49 million a year ago. Special items were negligible in the quarter compared to a gain of US\$29 million relating to plantation fair value a year ago.

Pulp and paper sales volumes increased 4% compared to a year ago and prices in both local currency and US Dollar terms improved further in strong markets. The improved international pulp prices and good demand for pulp had a major favourable impact on performance during the quarter.

The impact of higher prices was partly offset by the stronger Rand during the quarter. High labour and input costs also impacted margins unfavourably.

Progress on the Saiccor expansion has been good despite abnormally high rainfall in recent weeks.

sappi limited

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first quarter

Directors

Dr Daniel (Danie) Christiaan Cronjé joined the Sappi Limited board with effect from 01 January 2008 as a non-executive director (independent).

Outlook

Global macroeconomic conditions are less favourable than expected, with commentators concerned about a possible slowdown in the US economy and the strong Euro dampening European growth. Input costs are increasing at the same time. Our South African businesses are also affected by the national power shortage and we are working to minimise the impact.

In the coated fine paper sector the global supply/demand balance is generally favourable. Advertising forecasts remain positive. The pulp industry continues to experience strong demand and prices continue to increase.

Given that cost pressure is unlikely to abate, we will continue to emphasise cost reduction. We will also continue our efforts to improve prices for our products, in particular coated fine paper sheets in Europe. As reported last quarter we expect our net debt to increase further in the second quarter before reducing towards the end of the year, as we complete the Saiccor expansion.

We expect strong operating performance from our Forest Products business and continued improvement in North America. Margins in Europe will remain under pressure. 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

31 January 2008

sappi limited

(Registration number 1936/008963/06)

Issuer Code: SAVVI

JSE Code: SAP

ISIN: ZAE000006284

sappi limited

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first 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), including as a result of adverse, 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.

sappi limited  
 10  
 first quarter  
 Group income statement  
**Quarter**  
 Quarter  
**ended**  
 ended  
**Dec 2007**  
 Dec 2006  
**US\$ million**  
 US\$ million  
 % change  
**Sales**  
**1,377**  
 1,267  
 8.7  
 Cost of sales  
**1,197**  
 1,092  
 Gross profit  
**180**  
 175  
 2.9  
 Selling, general and administrative expenses  
**92**  
 88  
 Other operating expenses (income)  
**1**  
 (4)  
 Share of profit from associates and joint ventures  
**(4)**  
 (1)  
**Operating profit**  
**91**  
 92  
 (1.1)  
 Net finance costs  
**28**  
 37  
 Net interest  
**37**  
 36  
 Finance cost capitalised  
**(9)**  
 (1)  
 Net foreign exchange gains  
**(1)**  
 (2)  
 Net fair value loss on financial instruments  
**1**

4

**Profit before taxation**

**63**

55

14.5

Taxation

**21**

25

Current

**3**

6

Deferred

**18**

19

**Profit for the period**

**42**

30

40.0

**Basic earnings per share (US cents)**

**18**

13

Weighted average number of shares in issue (millions)

**228.5**

227.0

Diluted basic earnings per share (US cents)

**18**

13

Weighted average number of shares on fully diluted basis (millions)

**230.6**

229.9

sappi limited

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first quarter

Group balance sheet

**Dec 2007**

Sept 2007

**US\$ million**

US\$ million

**ASSETS**

**Non-current assets**

**4,670**

4,608

Property, plant and equipment

**3,554**

3,491

Plantations

**639**

636

Deferred taxation

**52**

60

Other non-current assets

**425**

421

**Current assets**

**1,877**

1,736

Inventories

**793**

712

Trade and other receivables

**625**

660

Restricted cash

**41**

–

Cash and cash equivalents

**418**

364

**Total assets**

**6,547**

6,344

**EQUITY AND LIABILITIES**

**Shareholders' equity**

Ordinary shareholders' interest

**1,781**

1,816

**Non-current liabilities**

**2,666**

2,612

Interest-bearing borrowings

**1,884**

1,828

Deferred taxation

**397**

385

Other non-current liabilities

**385**

399

**Current liabilities**

**2,100**

1,916

Interest-bearing borrowings

**966**

771

Bank overdraft

**63**

22

Other current liabilities

**873**

998

Taxation payable

**123**

125

Shareholders for dividend

**75**

—

**Total equity and liabilities**

**6,547**

6,344

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

**228.8**

228.5



sappi limited	
12	
first quarter	
Group cash flow statement	
<b>Quarter</b>	
Quarter	
<b>ended</b>	
ended	
<b>Dec 2007</b>	
Dec 2006	
<b>US\$ million</b>	
US\$ million	
<b>Profit after taxation per income statement</b>	
<b>42</b>	
30	
Adjustment for:	
Depreciation, fellings and amortisation	
<b>117</b>	
112	
Taxation charge	
<b>21</b>	
25	
Net finance costs	
<b>28</b>	
37	
Post employment benefits	
<b>(14)</b>	
(27)	
Other non-cash items	
<b>(39)</b>	
(52)	
<b>Cash generated from operations</b>	
<b>155</b>	
125	
Movement in working capital	
<b>(133)</b>	
(39)	
Net finance costs paid	
<b>(59)</b>	
(46)	
Taxation paid	
<b>(7)</b>	
(4)	
<b>Cash (utilised in) retained from operating activities *</b>	
<b>(44)</b>	
36	
<b>Cash utilised in investing activities *</b>	
<b>(89)</b>	
(128)	
<b>(133)</b>	
(92)	

**Cash effects of financing activities**

**223**

94

**Net movement in cash and cash equivalents**

**90**

2

*\*Reclassification*

*Cash outflows relating to contributions to post employment benefit funds previously reflected in cash utilised in investing activities,*

*have been included in cash (utilised in) retained from operating activities.*

Group statement of recognised income and expenses

**Quarter**

Quarter

**ended**

ended

**Dec 2007**

Dec 2006

**US\$ million**

US\$ million

Pension fund asset not recognised

–

(2)

Deferred tax asset released (raised)

**2**

(1)

Exchange differences on translation of foreign operations

**(10)**

113

Net (expense) income recorded directly in equity

**(8)**

110

Profit for the period

**42**

30

**Total recognised income for the period**

**34**

140

sappi limited

13

first 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 the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The results are unaudited.

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 (utilised in) retained from operating activities.

2.

**Reconciliation of movement in shareholders' equity**

**Quarter**

Quarter

**ended**

ended

**Dec 2007**

Dec 2006

**US\$ million**

US\$ million

Balance – beginning of year

**1,816**

1,386

Total recognised income for the period

**34**

140

Dividends declared

**(73)**

(68)

Transfers to participants of the share purchase trust

**2**

7

Share Based Payment Reserve

**2**

2

Balance – end of period

**1,781**

1,467

3.

**Operating profit**

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

Depreciation of property, plant and equipment

**96**

95

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

Changes in volume

Fellings

**21**

17

Growth

**(18)**

(17)

**3**

–

Plantation price fair value adjustment

**1**

(29)

**4**

(29)

Included in other operating expenses (income) for the quarters ended December 2007 and December 2006 are items (b), (c) and (d) as disclosed in note 4.

4.

**Special items**

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.

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

**Quarter**

Quarter

**ended**

ended

**Dec 2007**

Dec 2006

**US\$ million**

US\$ million

(a) Plantation price fair value adjustment

**1**

(29)

(b) Asset impairments

**2**

–

(c) Restructuring provisions released

**(1)**

–

(d) Profit on sale of assets

**(1)**

–

**1** (29)

sappi limited

14

first quarter

5.

**Headline earnings per share**

**Quarter**

Quarter

**ended**

ended

**Dec 2007**

Dec 2006

**US\$ million**

US\$ million

Headline earnings per share (US cents) \*

**19**

13

Weighted average number of shares in issue (millions)

**228.5**

227.0

Diluted headline earnings per share (US cents) \*

**19**

13

Weighted average number of shares on fully diluted basis (millions)

**230.6**

229.9

**Calculation of Headline earnings \***

Profit for the period

**42**

30

Asset impairments

**2**

—

Headline earnings

**44**

30

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

6.

**Capital expenditure**

**Quarter**

Quarter

**Dec 2007**

Dec 2006

**US\$ million**

US\$ million

Property, plant and equipment

**109**

138

7.

**Capital commitments**

**Dec 2007**

Sept 2007

**US\$ million**

US\$ million

Contracted

**220**

188

Approved but not contracted

**267**

249

**487**

437

8.

**Contingent liabilities**

Guarantees and suretyships

**52**

43

Other contingent liabilities \*

**7**

26

**59**

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**

**Interest-bearing borrowings, other current liabilities and cash and cash equivalents**

The group drew down US\$147 million of its committed facilities to settle certain other current liabilities, thereby maintaining adequate funding to settle the dividend.

Restricted cash

Cash previously available to the group has now been specifically restricted to settle certain post retirement medical liabilities.

notes to the group results

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*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

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

*The above financial measures are presented to assist our shareholders and the investment community in interpreting our financial*

*results. These financial measures are regularly used and compared between companies in our industry.*

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first quarter

Supplemental information

*additional information*

**Quarter**

Quarter

**ended**

ended

**Dec 2007**

Dec 2006

**US\$ million**

US\$ million

**Profit for the period to EBITDA excluding  
special items**

(1)

**reconciliation**

Profit for the period

**42**

30

Net finance costs

**28**

37

Taxation – current

**3**

6

– deferred

**18**

19

Special items – losses (gains)

**1**

(29)

**Operating profit excluding special items**

**92**

63

Depreciation and amortisation

**96**

95

**EBITDA excluding special items**

(1)

**188**

158

**Dec 2007**

Sept 2007

**US\$ million**

US\$ million

Net debt (US\$ million)

(2)

**2,495**

2,257

Net debt to total capitalisation (%)



(2)

**45.6**

43.2

Net asset value per share (US\$)

(2)

**9.29**

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 15, Supplemental Information for the definition of the term.*

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first quarter

Supplemental information

*regional information*

**Quarter**

Quarter

**ended**

ended

**Dec 2007**

Dec 2006

**Metric tons**

Metric tons

**(000's)**

(000's)

% change

**Sales volume**

Fine Paper –

North America

**373**

372

0.3

Europe

**624**

635

(1.7)

Southern Africa

**76**

87

(12.6)

*Total*

**1,073**

1,094

(1.9)

Forest Products – Pulp and paper operations

**345**

331

4.2

Forestry operations

**200**

271

(26.2)

*Total*

**1,618**

1,696

(4.6)

**Quarter**

Quarter

**ended**

ended

**Dec 2007**

Dec 2006

**US\$ million**

US\$ million

% change

**Sales**

Fine Paper –

North America

**384**

374

2.7

Europe

**638**

587

8.7

Southern Africa

**87**

83

4.8

*Total*

**1,109**

1,044

6.2

Forest Products – Pulp and paper operations

**252**

207

21.7

Forestry operations

**16**

16

–

*Total*

**1,377**

1,267

8.7

**Operating profit**

Fine Paper –

North America

1

**11**

1

2

450.0

Europe

1

**19**

9

13

46.2

Southern Africa

**1**

1

–

*Total*

**31**

16

93.8

Forest Products

**55**

78

(29.5)

Corporate

**5**

(2)

–

*Total*

**91**

92

(1.1)

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first quarter

**Quarter**

Quarter

**ended**

ended

**Dec 2007**

Dec 2006

**US\$ million**

US\$ million

% change

**Special items – losses (gains)**

Fine Paper –

North America

**2**

–

–

Europe

**(2)**

–

–

Southern Africa

–

–

–

*Total*

–

–

–

Forest Products

**1**

**(29)**

–

Corporate

–

–

–

*Total*

**1**

**(29)**

–

**Operating profit excluding special items**

Fine Paper –

North America

**13**

**2**

**550.0**

Europe

**17**

**13**

30.8	
Southern Africa	
<b>1</b>	
1	
–	
<i>Total</i>	
<b>31</b>	
16	
93.8	
Forest Products	
<b>56</b>	
49	
14.3	
Corporate	
<b>5</b>	
(2)	
–	
<i>Total</i>	
<b>92</b>	
63	
46.0	
<b>EBITDA excluding special items</b>	
Fine Paper –	
North America	
<b>40</b>	
28	
42.9	
Europe	
<b>62</b>	
61	
1.6	
Southern Africa	
<b>4</b>	
5	
(20.0)	
<i>Total</i>	
<b>106</b>	
94	
12.8	
Forest Products	
<b>77</b>	
66	
16.7	
Corporate	
<b>5</b>	
(2)	
–	
<i>Total</i>	
<b>188</b>	
158	
19.0	

**Net operating assets**

Fine Paper –

North America

**1,029**

1,106

(7.0)

Europe

**1,991**

1,867

6.6

Southern Africa

**153**

170

(10.0)

*Total*

**3,173**

3,143

1.0

Forest Products

**1,830**

1,474

24.2

Corporate and other

**(38)**

(48)

–

*Total*

**4,965**

4,569

8.7

Supplemental information



sappi limited  
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 first quarter  
 Supplemental information  
*summary Rand convenience translation*

**Quarter**

Quarter

**ended**

ended

**Dec 2007**

Dec 2006

**US\$ million**

US\$ million

% change

**Key figures: (ZAR million)**

**Sales**

**9,293**

9,294

–

**Operating profit**

**614**

675

(9.0)

Special items – losses (gains) \*

**7**

(213)

–

Operating profit excluding special items

**621**

462

34.4

EBITDA excluding special items \*

**1,269**

1,159

9.5

**Profit for the period**

**283**

220

28.6

**Basic EPS (SA cents)**

**121**

95

27.4

Net debt \*

**16,983**

15,963

6.4

Cash generated from operations

**1,046**

917

14.1

Cash (utilised in) retained from operating activities

**(297)**

264

–

Net movement in cash and cash equivalents

**607**

15

3,946.7

**Key ratios: (%)**

**Operating profit to sales**

**6.6**

7.3

Operating profit excluding special items to sales

**6.7**

5.0

EBITDA excluding special items to sales

**13.7**

12.5

Operating profit excluding special items

to average net assets

**8.2**

6.4

Net debt to total capitalisation \*

**45.6**

46.7

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

**Dec**

Sept

June

March

Dec

**2007**

2007

2007

2007

2006

Exchange rates :

Period end rate: US\$1 = ZAR

**6.8068**

6.8713

7.0393

7.2650

7.0076

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

**6.7488**

7.0453

7.1095

7.1532

7.3358

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

**6.7488**

7.1741

7.2121

7.2783

7.3358

Period end rate: EUR 1 = US\$

**1.4717**

1.4272

1.3542

1.3358

1.3199

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

**1.4556**

1.3782

1.3498

1.3160

1.2926

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

**1.4556**

1.3336

1.3178

1.3021

1.2926

*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.*



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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: February 01, 2008

SAPPI LIMITED,

by

: /s/ M. R. Thompson

Title:

Chief Financial Officer

Name: M. R. Thompson