

SAPPI LTD

Form 6-K

November 13, 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 November, 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

☒ X

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

☒ X

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; 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 year
ended September 2007
4th

** for the year ended September 2007*

*** as at 30 September 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

62%

Uncoated fine paper

5%

Coated specialities

9%

Packaging and newsprint

8%

Pulp

15%

Other

1%

North America

29%

Europe

39%

Southern Africa

15%

Asia and other

17%

South Africa

71%

North America

21%

Europe and ROW †

8%

North America

28%

Europe

45%

Southern Africa

27%

Sappi is a leading producer of
coated fine paper

Improved operating performance

Basic EPS increased to 27 US cents for the quarter

Strong cash generation

Input costs continue to rise

Prices improved except for Fine Paper Europe

Dividend of 32 US cents per share declared

financial highlights

summary

Reviewed

Quarter ended

Year ended

Sept

June

Sept

Sept

Sept

2007

2007

2006

2007

2006

Key figures: (US\$ million)

Sales

1,422

1,297

1,296

5,304

4,941

Operating profit

87

87

51

383

125

Special items *

9

(6)

11

(70)

(34)

Operating profit excluding special items

96

81

62

313

91
 EBITDA excluding special items * **
 187
 176
 162
 688
 483
 Basic EPS (US cents)
 27
 23
 18
 89
 (2)
 Net debt *
 2,257
 2,313
 2,113
 2,257
 2,113
 Key ratios: (%)
 Operating profit to sales
 6.1
 6.7
 3.9
 7.2
 2.5
 Operating profit excluding special items to sales
 6.8
 6.2
 4.8
 5.9
 1.8
 EBITDA excluding special items * ** to sales
 13.2
 13.6
 12.5
 13.0
 9.8
 Operating profit excluding special items to
 average net assets
 9.1
 8.0
 6.4
 7.6
 2.3
 Return on average equity (ROE) *
 14.1
 13.6
 11.7
 12.6
 (0.3)

Net debt to total capitalisation *

43.2

46.1

46.4

43.2

46.4

*

Refer to page 19, Supplemental Information, for the definition of the term.

*** Refer to page 20, additional information in Supplemental Information for the reconciliation of EBITDA excluding special items to profit.*

comment

Our operating performance improved further in the quarter with all of our fine paper businesses improving their margins and returns. Forest Products reported a strong quarter supported by strong pulp prices and good demand in the southern African markets. Although improved, Fine Paper's margins and returns are still well short of acceptable levels. A major factor was high input costs including wood, chemical and energy costs. As a group we sell slightly more pulp than we purchase which provides an economic hedge in terms of pulp prices, but the European and southern African Fine Paper businesses purchase more than half of their pulp requirements, consequently their margins continue to be squeezed by high pulp prices and other input costs.

Coated fine paper prices in North America have started improving but margins remain under pressure from high input costs. In Europe, the price gains made earlier in the year have largely been surrendered due to very competitive markets despite high operating rates for us and the industry as a whole.

Demand for coated fine paper grew at about 1% in Europe compared with the previous year. In North America shipments by local producers declined largely as a result of capacity closures. Pulp markets remain very strong; NBSK prices for the quarter averaged US\$800 per ton, up about US\$100 compared to a year ago.

Our sales were US\$1.42 billion, an increase of 10%, reflecting strong order books in all our businesses. Operating profit increased 70% to US\$87 million. Operating profit excluding special items increased to US\$96 million (2006: US\$62 million).

Special items excluded from operating profit in the quarter include fire damage to our southern African forests of US\$8 million, profit on sale of assets US\$1 million and a loss from a change in the fair value of plantations of US\$2 million. Details of these are set out in note 4 to the financial statements.

Net finance costs were US\$27 million compared to US\$37 million a year ago and included interest capitalised of US\$6 million, foreign exchange gains of US\$4 million and a favourable change in fair value of financial instruments of US\$3 million.

Basic earnings per share for the quarter grew to 27 US cents compared to 18 US cents last year.

sappi limited – fourth quarter page 2

sappi limited – fourth quarter page 3
year ended September 2007 compared to
year ended September 2006

There has been a continuing trend of improvement in operating performance quarter by quarter through the year. Sales for the year increased 7% to US\$5.3 billion. Operating profit increased to US\$383 million from US\$125 million last year. Operating profit excluding special items increased to US\$313 million from US\$91 million last year. Special items amounted to US\$70 million which included US\$54 million plantation fair value gain, US\$26 million profit on sale of fixed assets and US\$15 million fire damage.

Net finance costs for the year were US\$134 million compared to US\$130 million in the prior year and included interest capitalised of US\$14 million and an unfavourable change in fair value of financial investments of US\$9 million.

The effective tax rate for the year was 19% and was reduced by rate changes offset by non-recognition of deferred tax assets.

Basic earnings per share for the year was 89 US cents compared to a loss of 2 US cents last year.
cash flow and debt

Cash generated by operations increased to US\$182 million for the quarter from US\$158 million a year ago. Working capital was reduced by US\$140 million compared to a reduction of US\$80 million a year ago as a result of tight management of working capital in all regions.

During the quarter net finance costs paid increased to US\$52 million compared to US\$22 million a year ago as a result of the roll-over of forward exchange contracts related to long term debt.

The cash effect of investing activities was US\$120 million in the quarter compared to US\$109 million a year ago and US\$154 million in the prior quarter.

Net debt at year end was US\$2,257 million, compared to US\$2,113 million at the start of the year. After taking account of the non-cash currency impact of US\$168 million on the value of debt, net debt was reduced by US\$24 million. This is in line with our commitment to proceed with the Saiccor expansion project without materially increasing debt levels. Net debt to total capitalisation was 43.2% compared to 46.4% in September 2006.

A South African subsidiary issued bonds, maturing in four years, to the value of ZAR1 billion (US\$140 million) on 25 September 2007 to replace short term debt.

operating review for the quarter
Sappi Fine Paper
Quarter
Quarter
Quarter
ended
ended
ended
Sept 2007
Sept 2006
%
June 2007
US\$ million
US\$ million
change
US\$ million
Sales
1,118
1,029
8.6
1,037
Operating profit
29
(40)
—
25
Operating profit to sales (%)
2.6
(3.9)
—
2.4
Special items *
—
40
—
—
Operating profit excluding
special items
29
—
—
25
Operating profit excluding
special items to sales (%)
2.6
—
—
2.4
EBITDA excluding special items
102
83

22.9

100

EBITDA excluding special items

to sales (%)

9.1

8.1

—

9.6

RONOA pa (%)

3.7

—

—

3.2

** See note 4 to the financial statements on page 17*

All the regions improved operating profit excluding special items and margins compared to a year ago.

Sales volumes increased by 3.3% compared to a year ago and net sales increased by 8.6% to

US\$1.1 billion, mainly as a result of the higher volumes, improved prices in North America and southern

Africa, and the currency conversion of non-dollar sales to a weaker US Dollar. The operating profit

excluding special items improved to US\$29 million compared to breaking even a year ago. The operating

margin of 2.6% remains well below target.

sappi limited – fourth quarter page 4

sappi limited – fourth quarter page 5

Europe

Quarter

Quarter

Quarter

ended

ended

%

%

ended

Sept 2007

Sept 2006

change

change

June 2007

US\$ million

US\$ million

(US\$)

(Euro)

US\$ million

Sales

619

569

8.8

0.6

584

Operating profit

17

(48)

–

–

14

Operating profit to sales (%)

2.7

(8.4)

–

–

2.4

Special items *

–

40

–

–

–

Operating profit excluding

special items

17

(8)

–

–

14

Operating profit excluding
special items to sales (%)

2.7

(1.4)

—

—

2.4

EBITDA excluding special
items

60

41

46.3

35.3

57

EBITDA excluding special
items to sales (%)

9.7

7.2

—

—

9.8

RONOA pa (%)

3.5

(1.7)

—

—

2.9

** See note 4 to the financial statements on page 17*

Sales volume increased 1% compared to a year ago but 6% compared to the prior quarter as we regained some market share lost when we held a strong position on prices earlier in the year. Average prices realised were at similar levels to a year earlier and 1.5% below the previous quarter due to fiercely competitive market conditions.

Operating profit excluding special items improved to US\$17 million from a loss of US\$8 million a year ago. The cost reduction programme initiated in 2005 continues to help offset the impact of high input costs including wood, pulp, chemical and energy costs as well as employment inflation.

In Europe apparent consumption for coated fine paper grew 1% compared to a year ago. Despite reported industry operating rates of 93% for coated fine paper, prices retreated during the quarter, giving up the gains achieved earlier in the year. There have been some price improvements in specific markets.

North America

Quarter

Quarter

Quarter

ended

ended

ended

Sept 2007

Sept 2006

%

June 2007

US\$ million

US\$ million

change

US\$ million

Sales

404

373

8.3

362

Operating profit

9

7

28.6

8

Operating profit to sales (%)

2.2

1.9

—

2.2

Operating profit excluding special items

9

7

28.6

8

Operating profit excluding special items

to sales (%)

2.2

1.9

—

2.2

EBITDA excluding special items

35

37

(5.4)

36

EBITDA excluding special items

to sales (%)

8.7

9.9

—

9.9

RONOA pa (%)

3.4

2.5

—

3.0

The three new products launched in the past two quarters have been well received in the market. Sales volumes increased by 8% compared to a year ago after we regained some market share lost in the previous year. Average prices realised for paper increased compared to a year ago and compared to the previous quarter. Further increases are being implemented.

Operating profit excluding special items improved in the quarter to US\$9 million compared to US\$7 million a year ago.

We continue to implement cost reductions throughout our operations to offset high input costs.

Apparent consumption for coated fine paper declined significantly. It was impacted by reduced imports of coated fine paper. It appears that inventories of imported product have declined and that some of these imports are now recorded as coated mechanical paper, which is free of the anti-dumping and countervailing duties recently applied to certain Asian exporters. Shipments from domestic producers declined 4% reflecting a reduction in capacity following the closure of approximately 800,000 tons of higher cost coated fine paper capacity over the past two years.

sappi limited – fourth quarter page 6

sappi limited – fourth quarter page 7

South Africa

Quarter

Quarter

Quarter

ended

ended

%

%

ended

Sept 2007

Sept 2006

change

change

June 2007

US\$ million

US\$ million

(US\$)

(Rand)

US\$ million

Sales

95

87

9.2

6.1

91

Operating profit

3

1

200.0

191.6

3

Operating profit to sales (%)

3.2

1.1

–

–

3.3

Operating profit excluding

special items

3

1

200.0

191.6

3

Operating profit excluding

special items to sales (%)

3.2

1.1

–

–

3.3
EBITDA excluding special
items

7

5

40.0

36.1

7

EBITDA excluding special
items to sales (%)

7.4

5.7

—

—

7.7

RONOA pa (%)

7.9

2.6

—

—

7.8

Demand in the southern African markets was strong. Sales in US Dollars and operating profit improved as a result of improved prices but margins remain under pressure from cost increases including wood, pulp, energy and employment costs.

Forest Products

Quarter

Quarter

Quarter

ended

ended

%

%

ended

Sept 2007

Sept 2006

change

change

June 2007

US\$ million

US\$ million

(US\$)

(Rand)

US\$ million

Sales

304

267

13.9

10.7

260

Operating profit

52

85

(38.8)

(40.5)

65

Operating profit to sales (%)

17.1

31.8

—

—

25.0

Special items *

9

(29)

—

—

(8)

Operating profit excluding
special items

61

56

8.9

5.9

57

Operating profit excluding

special items to sales (%)

20.1

21.0

—

—

21.9

EBITDA excluding special items

79

73

8.2

5.2

76

EBITDA excluding special items

to sales (%)

26.0

27.3

—

-

29.2

RONOA pa (%)

15.1

18.4

—

—

15.1

** See note 4 to the financial statements on page 17*

The business performed strongly reflecting increasing international pulp prices and good demand for our products, particularly packaging paper in southern Africa. Demand for chemical cellulose was strong.

Operating efficiency continued to improve, however there is scope for further improvement. Energy and employment costs have continued to rise at a rate exceeding the local rate of inflation, which is approximately 6%. A general shortage of technical skills is exacerbating employment cost pressures.

Managing these costs is a priority going forward.

During the quarter we experienced extensive plantation fires resulting in a charge of US\$8 million (before tax) included in special items. The fires suffered in the third and fourth quarter were the worst fires ever experienced in South Africa. The combined pre-tax charge for the two quarters was US\$15 million before tax. Good rains have virtually ended the risk of more fires this season.

Special items also included a plantation fair value price charge of US\$2 million compared to a gain of US\$10 million a year ago. The reversal of the Usutu impairment of US\$40 million in the fourth quarter 2006 is reported as a special item.

The Saiccor expansion project is progressing well and is on track for a second calendar quarter 2008 start up. The estimated capital expenditure for the project will be approximately US\$500 million.

dividend

The board has approved a dividend, Number 84, of 32 US cents for the year ended September 2007.

A dividend of 30 US cents was paid for the previous year.

sappi limited – fourth quarter page 8

directors

Ralph Boëttger, who joined the board as Chief Executive Officer on 01 July 2007, took executive authority for the company in August following an intensive introductory tour. At that date, the group's Chairman, Eugene van As, resumed his non-executive role.

John (Jock) McKenzie joined the board as non-executive director on 01 September 2007.

outlook

Management's priority is the continuing improvement of our margins and operating efficiencies. We expect the turnaround of our North American business, which is well under way, to continue. In Europe our focus is on further improving operational efficiencies, continuous cost reductions and price recovery, to help restore margins. The southern African business continues to benefit from strong local demand and the high international pulp prices.

Supply/demand conditions for coated fine paper in North America remain favourable for improved pricing; however, there are signs of the economy cooling, which could have some impact on demand during 2008.

Despite the high operating rates in Europe prices remain low and industry margins continue to decline.

Pulp prices have continued to rise in October 2007 and NBSK prices are US\$30 per ton higher than the average for the September quarter.

Input cost pressures remain high in all our businesses. While we expect to be able to offset these costs to some extent through cost reduction efforts and improved efficiency, improving our revenue line through volume and mix improvements, improved margin management, innovation and improved pricing, is a priority. We will also continue to focus on working capital management and cash generation.

The weakness in the US Dollar at the time of writing is expected to have an unfavourable impact on our European and southern African businesses.

Our first financial quarter is usually weaker than the fourth financial quarter due to a seasonal slowdown in activity at the end of the calendar year. We do, however, expect earnings excluding special items to be stronger than the equivalent quarter last year.

We expect some increase in net debt as the Saiccor expansion nears completion over the next two quarters, but expect it to return to current levels by the end of the financial year.

Maintaining momentum of the trend of continuous improvement in the profitability of Sappi remains the top priority. A key focus is our commitment to excellence in customer service and innovation in our product offerings.

On behalf of the board

R J Boëttger

M R Thompson

Director

Director

08 November 2007

sappi limited

(Registration number 1936/008963/06)

Issuer Code: SAVVI

JSE Code: SAP

ISIN Code: ZAE 000006284

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dividend announcement

The directors have declared a dividend (number 84) of 32 US cents per share for the year ended September 2007.

In compliance with the requirements of STRATE, the JSE electronic settlement system which is applicable to Sappi, the salient dates in respect of the dividend will be as follows:

Last day to trade to qualify for dividend

Thursday, 27 December 2007

Date on which shares commence trading ex-dividend

Friday, 28 December 2007

Record date

Friday, 04 January 2008

Payment date

Tuesday, 08 January 2008

Dividends payable from the Johannesburg transfer office will be paid in South African Rands except that dividends payable to nominee shareholders in respect of shares which they hold on behalf of non-residents of the Republic of South Africa will without exception be paid in United States Dollars. There will not be any currency election.

Dividends payable from the London transfer office will be paid in British Pounds Sterling or in the case of shareholders with registered addresses in the USA, in United States Dollars.

Dividends payable other than in United States Dollars will be calculated at the respective rates of exchange ruling at 01:30 Central European Time as per Reuters on Tuesday, 18 December 2007, and announced on Tuesday, 18 December 2007.

There will not be any de-materialisation nor re-materialisation of Sappi Limited share certificates from Friday 28 December 2007 to Friday 04 January 2008, both days inclusive.

Sappi Management Services (Pty) Limited

Secretaries

Per D J O'Connor

08 November 2007

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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.

sappi limited – fourth quarter page 11

notes

sappi limited – fourth quarter page 12

financial results
for the quarter and year ended September 2007
sappi limited – fourth quarter page 13

group income statement
sappi limited – fourth quarter page 14
Reviewed
Reviewed
Quarter
Quarter
year
year
ended
ended
ended
ended
Sept 2007
Sept 2006
%
Sept 2007
Sept 2006
%
US\$ million
US\$ million
change
US\$ million
US\$ million
change
Sales
1,422
1,296
9.7
5,304
4,941
7.3
Cost of sales
1,242
1,137
4,591
4,419
Gross profit
180
159
13.2
713
522
36.6
Selling, general and
administrative expenses
94
99
362
367
Share of (profit) loss from
associates and joint ventures

(4)	
—	
(10)	
1	
Other operating expenses	
(income)	
3	
9	
(22)	
29	
Operating profit	
87	
51	
70.6	
383	
125	
206.4	
Net finance costs	
27	
37	
134	
130	
Net paid	
40	
36	
152	
136	
Capitalised	
(6)	
(1)	
(14)	
(2)	
Net foreign exchange gains	
(4)	
(2)	
(13)	
(7)	
Change in fair value	
of financial instruments	
(3)	
4	
9	
3	
Profit (loss) before tax	
60	
14	
328.6	
249	
(5)	
—	
Taxation – current	

6
 (11)
 38
 5
 – deferred
 (7)
 (15)
 9
 (6)
 Profit (loss) for the period
 61
 40
 52.5
 202
 (4)
 –
 Basic earnings (loss)
 per share (US cents)
 27
 18
 89
 (2)
 Weighted average
 number of shares
 in issue (millions)
 228.4
 226.5
 227.8
 226.2
 Diluted basic
 earnings (loss)
 per share (US cents)
 26
 17
 88
 (2)
 Weighted average
 number of shares
 on fully diluted
 basis (millions)
 231.2
 228.6
 230.5
 226.2

group balance sheet
Reviewed
Reviewed
Sept 2007
Sept 2006
US\$ million
US\$ million
ASSETS
Non-current assets
4,608
3,997
Property, plant and equipment
3,491
3,129
Plantations
636
520
Deferred taxation
60
74
Other non-current assets
421
274
Current assets
1,736
1,500
Inventories
712
699
Trade and other receivables
660
577
Cash and cash equivalents
364
224
Assets held for sale
—
20
Total assets
6,344
5,517
EQUITY AND LIABILITIES
Shareholders' equity
Ordinary shareholders' interest
1,816
1,386
Non-current liabilities
2,612
2,465
Interest-bearing borrowings
1,828

1,634	
Deferred taxation	
385	
336	
Other non-current liabilities	
399	
495	
Current liabilities	
1,916	
1,666	
Interest-bearing borrowings	
771	
694	
Bank overdraft	
22	
9	
Other current liabilities	
998	
862	
Taxation payable	
125	
101	
Total equity and liabilities	
6,344	
5,517	
Number of shares in issue at balance sheet date (millions)	
228.5	
227.0	
sappi limited – fourth quarter page 15	

group cash flow statement
sappi limited – fourth quarter page 16
Reviewed
Reviewed
Quarter
Quarter
year
year
ended
ended
ended
ended
Sept 2007
Sept 2006
Sept 2007
Sept 2006
US\$ million
US\$ million
US\$ million
US\$ million
Operating profit
87
51
383
125
Depreciation, fellings and other amortisation
109
119
445
466
Other non-cash items (including impairment
charges)
(14)
(12)
(142)
(127)
Cash generated by operations
182
158
686
464
Movement in working capital
140
80
60
(17)
Net finance costs
(52)
(22)
(162)
(138)

Taxation paid

(9)

(1)

(27)

(13)

Dividends paid *

—

—

(68)

(68)

Cash retained from operating activities

261

215

489

228

Cash utilised in investing activities

(120)

(109)

(465)

(355)

141

106

24

(127)

Cash effects of financing activities

24

(55)

98

(21)

Net movement in cash and cash equivalents

165

51

122

(148)

** Dividend number 83: 30 US cents per share (2006: 30 US cents per share)*

group statement of recognised income and expense

Reviewed

Reviewed

Quarter

Quarter

year

year

ended

ended

ended

ended

Sept 2007

Sept 2006

Sept 2007

Sept 2006

US\$ million

US\$ million	
US\$ million	
US\$ million	
Pension fund asset recognised (not recognised)	
1	
(37)	
45	
(43)	
Actuarial gains on pension and other post employment benefit liabilities	
101	
105	
101	
100	
Fair value adjustment on available for sale financial instruments	
1	
—	
1	
—	
Deferred taxation on above items	
(38)	
(20)	
(52)	
(19)	
Valuation allowance against deferred tax asset and actuarial gains recognised	
26	
9	
31	
9	
Exchange differences on translation of foreign operations	
28	
(67)	
151	
(189)	
Net income (expense) recorded directly in equity	
119	
(10)	
277	
(142)	
Profit (loss) for the period	
61	
40	
202	
(4)	
Total recognised income (expense) for the period	
180	

30
479
(146)

notes to the group results

sappi limited – fourth quarter page 17

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.

The preliminary results for the year ended 30 September 2007 have been reviewed in terms of the International Standard on Review Engagements 2400 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 September 2007, June 2007, March 2007 and December 2006 have not been audited or reviewed.

2.

Reconciliation of movement in shareholders' equity

Reviewed

Reviewed

year

year

ended

ended

Sept 2007

Sept 2006

US\$ million

US\$ million

Balance – beginning of year

1,386

1,589

Total recognised income (expense) for the period

479

(146)

Dividends paid

(68)

(68)

Transfers to participants of the share purchase trust

14

5

Share Based Payment Reserve

5

6

Balance – end of year

1,816

1,386

Reviewed

Reviewed

Quarter

Quarter

year

year

ended

ended

ended

ended

Sept 2007

Sept 2006

Sept 2007

Sept 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

91

99

374

390

Other amortisation

—

1

1

2

91

100

375

392

Fair value adjustment on plantations

(included in cost of sales)

Changes in volume

Fellings

18

19

70

74

Growth

(19)

(14)

(76)

(70)

(1)

5

(6)

4

Plantation price fair value adjustment

2

10

(54)

(34)
1
15
(60)
(30)

Included in other operating expenses (income) for the years ended September 2007 and September 2006 are items (b), (c), (e) and (f) as disclosed in note 4.

4.

Special items

Special items cover those items which management believe are material by nature or amount to the year's/quarter's 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.

notes to the group results

sappi limited – fourth quarter page 18

Reviewed

Reviewed

Quarter

Quarter

year

year

ended

ended

ended

ended

Sept 2007

Sept 2006

Sept 2007

Sept 2006

US\$ million

US\$ million

US\$ million

US\$ million

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

(a) Plantation price fair value adjustment

2

10

(54)

(34)

(b) Asset impairments (reversals)

–

(39)

–

(31)

(c) Restructuring and closure provisions
raised (released)

–

40

(7)

50

(d) Pension restructuring gain

–

–

–

(28)

(e) Profit on sale of assets

(1)

–

(26)

–

(f) Fire, flood, storm and related events

8

–

17
9
9
11
(70)
(34)
5.
Headline earnings (loss) per share
Headline earnings (loss) per share (US cents) *
28
2
82
(11)
Weighted average number of shares
in issue (millions)
228.4
226.5
227.8
226.2
Diluted headline earnings (loss)
per share (US cents) *
27
2
81
(11)
Weighted average number of shares
on fully diluted basis (millions)
231.2
228.6
230.5
226.2
Calculation of Headline earnings (loss) *
Profit (loss) for the period
61
40
202
(4)
Profit on disposal of property, plant
and equipment
—
—
(20)
(2)
Write-off of assets
1
4
2
11
Asset impairments (reversals)
1
(39)

2
(31)
Headline earnings (loss)

63
5

186
(26)

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

6.
Material balance sheet movements

Non-current interest-bearing borrowings

A South African subsidiary issued bonds to the value of ZAR1 billion (US\$140 million) on 25 September 2007. The bonds were issued at a fixed rate of 10.64% and mature on 14 October 2011.

Other non-current assets

The increase in other non-current assets relates largely to the recognition of the pension fund asset in our South African subsidiary and the recognised actuarial gain on the pension asset to the value of ZAR599 million (US\$83 million).

Reviewed

Reviewed

Quarter

Quarter

Year

Year

ended

ended

ended

ended

Sept 2007

Sept 2006

Sept 2007

Sept 2006

US\$ million

US\$ million

US\$ million

US\$ million

7.

Capital expenditure

Property, plant and equipment

128

90

458

303

8.

Capital commitments

Contracted but not provided

188

294

Approved but not contracted

249

255

437

549

9.

Contingent liabilities

Guarantees and suretyships

43

52

Other contingent liabilities *

20

11

** The increase in other contingent liabilities relates to tax issues upon which the group is awaiting further clarification.*

10. Secondary Tax on Companies (STC)

During the annual South African 'budget speech' the Minister of Finance announced a rate reduction in South Africa's STC rate from 12.5% to 10% and the proposed replacement of STC with a tax on dividends. The rate reduction resulted in a US\$2 million charge in the March quarter's results because of the write-down of the related STC asset. There is a remaining asset of US\$10 million which may be impacted by the proposed change in legislation in this area.

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 both useful and necessary 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 net deferred tax

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 year's/quarter's 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.

sappi limited – fourth quarter page 19

supplemental information
sappi limited – fourth quarter page 20
additional information
Reviewed
Reviewed
Quarter
Quarter
Year
Year
ended
ended
ended
ended
Sept 2007
Sept 2006
Sept 2007
Sept 2006
US\$ million
US\$ million
US\$ million
US\$ million
Profit (loss) for the period to EBITDA
excluding special items
(1)
reconciliation
Profit (loss) for the period
61
40
202
(4)
Net finance costs
27
37
134
130
Taxation – current
6
(11)
38
5
– deferred
(7)
(15)
9
(6)
Special items
9
11
(70)
(34)
Operating profit excluding special items

96
 62
 313
 91
 Depreciation
 91
 99
 374
 390
 Amortisation
 —
 1
 1
 2
 EBITDA excluding special items
 (1) (2)
 187
 162
 688
 483
 Reviewed
 Reviewed
 Sept 2007
 Sept 2006
 US\$ million
 US\$ million
 Net debt (US\$ million)
 (3)
 2,257
 2,113
 Net debt to total capitalisation (%)
 (3)
 43.2
 46.4
 Net asset value per share (US\$)
 (3)
 9.37
 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 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 year’s/quarter’s 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 and US GAAP, 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 or US GAAP 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 or US GAAP 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 or US GAAP.

(2)

Operating profit excluding special items and EBITDA excluding special items have been presented for the first time this quarter. Previously normal EBITDA was presented. The change reflects the current internal management emphasis on both Operating profit excluding special items and EBITDA excluding special items.

(3)

Refer to page 19, Supplemental Information for the definition of the term.

supplemental information

sappi limited – fourth quarter page 21

regional information

Quarter

Quarter

Year

Year

ended

ended

ended

ended

Sept 2007

Sept 2006

Sept 2007

Sept 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

398

368

8.2

1,506

1,426

5.6

Europe

633

626

1.1

2,493

2,450

1.8

Southern Africa

90

91

(1.1)

350

328

6.7

Total

1,121

1,085

3.3
 4,349
 4,204
 3.4
 Forest Products – Pulp and paper
 operations
 417
 400
 4.3
 1,484
 1,470
 1.0
 Forestry operations
 242
 383
 (36.8)
 1,030
 1,525
 (32.5)
Total
 1,780
 1,868
 (4.7)
 6,863
 7,199
 (4.7)
 Reviewed
 Reviewed
 Quarter
 Quarter
 year
 year
 ended
 ended
 ended
 ended
 Sept 2007
 Sept 2006
 %
 Sept 2007
 Sept 2006
 %
 US\$ million
 US\$ million
 change
 US\$ million
 US\$ million change
 Sales
 Fine Paper –
 North America
 404

373	
8.3	
1,511	
1,439	
5.0	
Europe	
619	
569	
8.8	
2,387	
2,194	
8.8	
Southern Africa	
95	
87	
9.2	
358	
325	
10.2	
<i>Total</i>	
1,118	
1,029	
8.6	
4,256	
3,958	
7.5	
Forest Products – Pulp and paper operations	
285	
245	
16.3	
979	
896	
9.3	
Forestry operations	
19	
22	
(13.6)	
69	
87	
(20.7)	
<i>Total</i>	
1,422	
1,296	
9.7	
5,304	
4,941	
7.3	
Operating profit	
Fine Paper – North America	

9
 7
 28.6
 22
 (16)
 —
 Europe
 17
 (48)
 —
 88
 (27)
 —
 Southern Africa
 3
 1
 200.0
 9
 (6)
 —
Total
 29
 (40)
 —
 119
 (49)
 —
 Forest Products
 52
 85
 (38.8)
 264
 175
 50.9
 Corporate
 6
 6
 —
 —
 (1)
 —
Total
 87
 51
 70.6
 383
 125
 206.4

supplemental information
sappi limited – fourth quarter page 22

Reviewed

Reviewed

Quarter

Quarter

year

year

ended

ended

ended

ended

Sept 2007

Sept 2006

%

Sept 2007

Sept 2006

%

US\$ million

US\$ million

change

US\$ million

US\$ million change

Special items *

Fine Paper –

North America

–

–

–

–

(14)

Europe

–

40

(32)

40

–

Southern Africa

–

–

–

–

–

–

Total

–

40

(32)

26

–

Forest Products

9
 (29)
 —
 (40)
 (60)
 —
 Corporate
 —
 —
 —
 2
 —
 —
Total
 9
 11
 (18.2)
 (70)
 (34)
 —
 Operating profit excluding special items
 Fine Paper –
 North America
 9
 7
 28.6
 22
 (30)
 —
 Europe
 17
 (8)
 —
 56
 13
 330.8
 Southern Africa
 3
 1
 200.0
 9
 (6)
 —
Total
 29
 —
 —
 87
 (23)
 —
 Forest Products

61	
56	
8.9	
224	
115	
94.8	
Corporate	
6	
6	
—	
2	
(1)	
—	
<i>Total</i>	
96	
62	
54.8	
313	
91	
244.0	
EBITDA excluding special items *	
Fine Paper –	
North America	
35	
37	
(5.4)	
128	
89	
43.8	
Europe	
60	
41	
46.3	
234	
202	
15.8	
Southern Africa	
7	
5	
40.0	
24	
10	
140.0	
<i>Total</i>	
102	
83	
22.9	
386	
301	
28.2	
Forest Products	

79
73
8.2
299
182
64.3
Corporate
6
6
—
3
—
—
*Total ***
187
162
15.4
688
483
42.4
Net operating assets
Fine Paper –
North America
1,031
1,108
(6.9)
1,031
1,108
(6.9)
Europe
1,941
1,796
8.1
1,941
1,796
8.1
Southern Africa
149
145
2.8
149
145
2.8
Total
3,121
3,049
2.4
3,121
3,049
2.4
Forest Products

1,655
1,188
39.3
1,655
1,188
39.3
Corporate and other
21
19
10.5
21
19
10.5
Total
4,797
4,256
12.7
4,797
4,256
12.7
*

Refer to page 19, Supplemental Information for the definition of the term.

*** Refer to page 20, additional information in Supplemental Information for the reconciliation of EBITDA excluding special items to profit.*

supplemental information

sappi limited – fourth quarter page 23

summary rand convenience translation

Quarter

Quarter

Year

Year

ended

ended

ended

ended

Sept

Sept

%

Sept

Sept

%

2007

2006

change

2007

2006

change

Key figures: (ZAR million)

Sales

10,018

9,393

6.7

38,051

32,630

16.6

Operating profit

613

370

65.7

2,748

825

233.1

Special items *

63

81

(22.2)

(502)

(225)

—

Operating profit excluding special items

676

449

50.6

2,245

601

273.5	
EBITDA excluding special items *	
1,317	
1,174	
12.2	
4,936	
3,190	
54.7	
Profit (loss) for the period	
430	
290	
48.3	
1,449	
(26)	
—	
Basic EPS (SA cents)	
190	
130	
46.2	
638	
(13)	
—	
Net debt *	
15,509	
16,426	
(5.6)	
Cash generated by operations	
1,282	
1,145	
12.0	
4,921	
3,064	
60.6	
Cash retained from operating activities	
1,839	
1,558	
18.0	
3,508	
1,506	
132.9	
Net movement in cash and cash equivalents	
1,162	
370	
214.1	
875	
(977)	
—	
Key ratios: (%)	
Operating profit to sales	
6.1	

3.9
7.2
2.5
Operating profit excluding special
items to sales
6.8
4.8
5.9
1.8
EBITDA excluding special items * to sales

13.2
12.5
13.0
9.8
Operating profit excluding special
items to average net assets
9.2
6.2
7.5
2.2

Net debt to total capitalisation *
43.2
46.4

** Refer to page 19, Supplemental Information for the definition of the term.*

exchange rates

Sept
June
March

Dec

Sept

2007

2007

2007

2006

2006

Exchange rates:

Period end rate: US\$1 = ZAR

6.8713

7.0393

7.2650

7.0076

7.7738

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

7.0453

7.1095

7.1532

7.3358

7.2475

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

7.1741

7.2121

7.2783

7.3358

6.6039

Period end rate: EUR 1 = US\$

1.4272

1.3542

1.3358

1.3199

1.2672

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

1.3782

1.3498

1.3160

1.2926

1.2744

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

1.3336

1.3178

1.3021

1.2926

1.2315

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 – fourth quarter page 24
sappi ordinary shares
ADR price (NYSE TICKER: SPP)
note: (1ADR = 1 sappishare)
ZAR
140
120
100
80
60
40
20
0
31 Oct
2003
31 Jan
2004
30 Apr
2004
31 Jul
2004
31 Oct
2004
31 Jan
2005
30 Apr
2005
31 Jul
2005
31 Oct
2005
31 Jan
2006
30 Apr
2006
31 Jul
2006
31 Oct
2006
31 Jan
2007
30 Apr
2007
31 Jul
2007
31 Oct
2007
US\$
20
18
16

14
12
10
8
6
4
2
0
31 Oct
2003
31 Jan
2004
30 Apr
2004
31 Jul
2004
31 Oct
2004
31 Jan
2005
30 Apr
2005
31 Jul
2005
31 Oct
2005
31 Jan
2006
30 Apr
2006
31 Jul
2006
31 Oct
2006
31 Jan
2007
30 Apr
2007
31 Jul
2007
31 Oct
2007

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Tel +1 610 382 7836

Tel +44 (0)208 639 2157

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2

and 150g/m

2

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: November 12, 2007

SAPPI LIMITED,

by

: /s/ M. R. Thompson

Title:

Chief Financial Officer

Name: M. R. Thompson