

SAPPI LTD

Form 6-K

November 26, 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

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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-

#### INCORPORATION BY REFERENCE

Sappi Limited's report for the conformed fourth quarter results ended September 2007, furnished by the Registrant under this Form 6-K, is incorporated by reference into (i) the Registration Statements on Form S-8 of the Registrant filed December 23, 1999 and December 15, 2004 in connection with The Sappi Limited Share Incentive Scheme, (ii) the Section 10(a) Prospectus relating to the offer and sale of the Registrant's shares to Participants under The Sappi Limited Share Incentive Scheme, (iii) the Registration Statements on Form S-8 of the Registrant filed December 15, 2004 and December 21, 2005 in connection with The Sappi Limited 2004 Performance Share Incentive Plan and (iv) the Section 10(a) Prospectus relating to the offer and sale of the Registrant's shares to Participants under The Sappi Limited 2004 Performance Share Incentive Plan. This Form 6-K includes a conformed version of the earnings announcement sent by the Registrant to its shareholders. This conformed version was prepared solely for purposes of supplementing the documents referred to in clauses (i) - (iv) above.

#### 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 and achieving expected savings and synergies; consequences of the Group's leverage; adverse changes in the political situation and economies in the countries in which we operate 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

Form S-8 Version

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

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

EBITDA \*

178

182

151

758

517

Basic EPS (US cents)

27

23

18

89

(2)

Key ratio: (%)

Operating profit to sales

6.1

6.7

3.9

7.2

2.5

*\* Refer to note 1, additional information in Supplemental Information for the reconciliation of EBITDA 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 in the quarter includes 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.

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. Included in operating profit for the year is a 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

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.

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

All the regions improved operating profit 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 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

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.

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

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.

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

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

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). 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.

The result for the quarter 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 occurred in the fourth quarter 2006.

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.

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directors

Ralph Boöttger, 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 the impact of the plantation price fair value adjustment, which is unpredictable to be stronger than the equivalent quarter last year.

We expect some increase in 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 Boöttger

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.

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notes

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conformed financial results  
for the quarter and year ended September 2007  
sappi limited – fourth quarter page 13  
Form S-8 Version

group income statement  
 sappi limited – fourth quarter page 14

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  
 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  
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

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.

2.  
 Reconciliation of movement in shareholders' equity

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	
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) are the following:

Asset impairments (reversals)

—

(39)

—

(31)

Restructuring and closure provisions  
raised (released)

—

40

(7)

50

Pension restructuring gain

—

—

—

(28)

Profit on sale of assets

(1)

—

(26)

—

Fire, flood, storm and related events

8

—

17

9

notes to the group results

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4.

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).

Quarter

Quarter

Year

Year

ended

ended

ended

ended

Sept 2007

Sept 2006

Sept 2007

Sept 2006

US\$ million

US\$ million

US\$ million

US\$ million

5.

Capital expenditure

Property, plant and equipment

128

90

458

303

6.

Capital commitments

Contracted but not provided

188

294

Approved but not contracted

249

255

437

549

7.

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.*

8.

#### 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.

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*additional information*

Quarter

Quarter

Year

Year

ended

ended

ended

ended

Sept 2007

Sept 2006

Sept 2007

Sept 2006

US\$ million

US\$ million

US\$ million

US\$ million

1.

Profit (loss) for the period to EBITDA

(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)

Depreciation

91

99

374

390

Amortisation

–

1

1

2

EBITDA

(1) (2)

178

(5)

758

517

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

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

*(2)*

*The EBITDA calculation was amended at the beginning of the financial year to eliminate the adjustment for fellings which previously resulted in fellings being added back in the calculation as part of amortisation. Given the current accounting treatment of plantations, management has concluded that eliminating such an adjustment would be more appropriate in determining the EBITDA performance measure in future both for internal and reporting purposes. Prior year figures have been recalculated for comparison purposes as follows: September 2006 quarter: decreased by US\$19 million; September 2006 year to date: decreased by US\$74 million.*

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Quarter

Quarter

Year

Year

ended

ended

ended

ended

Sept 2007

Sept 2006

Sept 2007

Sept 2006

US\$ million

US\$ million

US\$ million

US\$ million

2.

Calculation of Headline earnings (loss) \*

Profit (loss) for the period

61

40

202

(4)