

SAPPI LTD

Form 6-K

August 05, 2011

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

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

under the Securities Exchange Act of 1934

For the

month of August, 2011

Commission file number: 1-14872

SAPPI LIMITED

(Translation of registrant's name into English)

48 Ameshoff Street

Braamfontein

Johannesburg 2001

REPUBLIC OF SOUTH AFRICA

(Address of principal executive offices)

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

Form 20-F

Form 40-F

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

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

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

Yes

No

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

FORWARD-LOOKING STATEMENTS

In order to utilize the “Safe Harbor” provisions of the United States Private Securities Litigation Reform Act of 1995 (the “Reform Act”), Sappi Limited (the “Company”) is providing the following cautionary statement. Except for historical information contained herein, statements contained in this Report on Form 6-K may constitute “forward-looking statements” within the meaning of the Reform Act. The words “believe”, “anticipate”, “expect”, “intend”, “estimate”, “plan”, “assume”, “positioned”, “will”, “may”, “should”, “risk” and other similar expressions, which are predictions of or indicate future events and future trends, which do not relate to historical matters, identify forward-looking statements. In addition, this Report on Form 6-K may include forward-looking statements relating to the Company’s potential exposure to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity price risk. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond the control of the Company, together with its subsidiaries (the “Group”), and may cause the actual results, performance or achievements of the Group to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements (and from past results, performance or achievements). Certain factors that may cause such differences include but are not limited to:

- the highly cyclical nature of the pulp and paper industry (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);
- the impact on the business of the global economic downturn;
- unanticipated production disruptions (including as a result of planned or unexpected power outages);
- changes in environmental, tax and other laws and regulations;
- adverse changes in the markets for our products;
- consequences of our leverage, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed;
- adverse changes in the political situation and economy in the countries in which we operate or the effect of governmental efforts to address present or future economic or social problems;
- the impact of investments, acquisitions and dispositions (including related financing), any delays, unexpected costs or other problems experienced in connection with dispositions or with integrating acquisitions and achieving expected savings and synergies; and
- currency fluctuations.

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.

3rd
Quarter results
for the period ended
June 2011

** for the period ended June 2011*

*** as at June 2011*

Coated fine paper

62%

Uncoated fine paper

8%

Specialities

7%

Commodity paper

7%

Pulp

15%

Other

1%

Sales by product group*

North America

20%

Europe

55%

Southern Africa

25%

Sales by source*

North America

22%

Europe

47%

Southern Africa

13%

Asia and other

18%

Sales by destination*

Fine paper

60%

Southern Africa

40%

Net operating assets**

3rd Quarter Results

Sappi works closely with customers, both direct and indirect, in over 100 countries to provide them with relevant and sustainable paper, paper pulp and chemical cellulose products and related services and innovations.

Our market leading range of paper products includes: coated fine papers used by printers, publishers and corporate end users in the production of books, brochures, magazines, catalogues, direct mail and many other print applications; casting release papers used by suppliers to the fashion, textiles, automobile and household industries; and in our Southern African region, newsprint, uncoated graphic and business papers, premium quality packaging papers, paper grade pulp and chemical cellulose.

Our chemical cellulose products are used worldwide by converters to create viscose fibre, acetate tow, pharmaceutical products as well as a wide range of consumer products.

The pulp needed for our products is either produced within Sappi or bought from accredited suppliers. Across the group, Sappi is close to 'pulp neutral', meaning that we sell almost as much pulp as we buy.

1
 Third Quarter Results
 Quarter ended
 Nine months ended
 Jun 2011
 Jun 2010 Mar 2011
 Jun 2011
 Jun 2010
 Key figures: (US\$ million)
 Sales
 1,802
 1,602
 1,824
 5,499
 4,798
 Operating profit (loss)
 54
 154
 (1)
 174
 183
 Special items – losses (gains)
 (1)
 6
 (79)
 128
 150
 27
 Operating profit excluding special items
 (2)
 60
 75
 127
 324
 210
 EBITDA excluding special items
 (3)
 164
 176
 228
 638
 525
 Basic (loss) earnings per share (US cents)
 (13)
 12
 (14)
 (20)
 (3)
 Net debt
 (4)
 2,475

2,337

2,370

2,475

2,337

Key ratios: (%)

Operating profit (loss) to sales

3.0

9.6

(0.1)

3.2

3.8

Operating profit excluding special items
to sales

3.3

4.7

7.0

5.9

4.4

Operating profit excluding special items
to capital employed (ROCE)

5.5

7.3

11.6

10.2

6.6

EBITDA excluding special items to sales

9.1

11.0

12.5

11.6

10.9

Return on average equity (ROE)

(5)

(14.2)

15.0

(14.9)

(7.4)

(1.4)

Net debt to total capitalisation

(5)

56.8

57.6

54.8

56.8

57.6

(1)

Refer to page 15 for details on special items.

(2)

Refer to page 15, note 9 to the group results for the reconciliation of operating profit excluding special items to segment operating profit.

(3)

Refer to page 15, note 9 to the group results for the reconciliation of EBITDA excluding special items and operating profit excluding special items to (loss) profit before taxation.

(4)
Refer to page 17, Supplemental information for the reconciliation of net debt to interest bearing borrowings.

(5)
Refer to page 16, Supplemental information for the definition of the term.

The table above has not been audited or reviewed.
Operating profit excluding special items US\$60 million; Q3 2010 US\$75 million
General economic uncertainty, particularly in Europe
North American and chemical cellulose businesses continue to perform strongly
Planned annual maintenance shuts at major pulp mills
High input costs only partly offset by higher prices
Loss per share excluding special items and once off debt restructuring costs
4 US cents; Q3 2010 EPS excluding special items 2 US cents
Financial summary for the quarter

2

Third Quarter Results

Commentary on the quarter

Operating profit for the quarter was impacted as expected by the planned annual maintenance shuts at a number of our major pulp mills and seasonal factors. In addition, weaker than expected demand for coated woodfree paper in Europe resulting from continuing uncertainty in economic conditions unfavourably affected operating profit. For the nine months, operating profit excluding special items was more than 50% higher than the equivalent period last year.

Sales for the quarter were US\$1.8 billion, an increase of 12% in US dollar terms compared to the third quarter last year and at a similar level to the quarter ended March 2011. Average prices realised in US Dollar terms were 16% higher than a year ago. Excluding the effect of translation from Euro and Rand to a relatively weaker US Dollar, average prices in local currencies increased 5%.

High input costs remained a challenge in each of our businesses and are reflected in an increase in variable costs per ton of 18%. In local currency terms, variable costs per ton increased 6% compared to the equivalent quarter last year. In order to reduce the impact of high raw material prices, we continue to seek innovations with regard to the sourcing and the use of raw materials.

Operating profit excluding special items for the quarter was US\$60 million compared to US\$75 million in the equivalent quarter last year. Special items of US\$6 million for the quarter included a plantation fair value adjustment and Black Economic Empowerment charges.

Net finance costs for the quarter include breakage costs and the accelerated amortisation of fees of US\$43 million in connection with the debt restructuring completed during the quarter in order to extend debt maturities and reduce future finance costs. We expect quarterly net finance costs of approximately US\$60 million after the refinancing.

The loss per share for the quarter was 13 US cents (including a loss of 9 US cents in respect of special items and once off debt restructuring costs) compared to earnings of 12 US cents (including a gain of 10 US cents in respect of special items).

Cash flow and debt

Cash generated from operations for the quarter was US\$148 million, compared to US\$188 million in the equivalent quarter last year.

Working capital increased by US\$46 million during the quarter, largely as a result of reduced accounts payable, compared to an increase of US\$84 million a year ago.

Capital expenditure was US\$69 million for the quarter and US\$161 million year to date. We expect the full year capital expenditure to be less than US\$250 million.

Net debt increased to US\$2.47 billion as a result of net cash utilised in the quarter of US\$20 million, the cash effects of financing activities and a currency movement and fair value impact of US\$43 million, compared to March 2011. Liquidity remained strong with cash on hand of US\$362 million and the undrawn committed revolving credit facility of €350 million (US\$508 million), at quarter end.

3
 Third Quarter Results
 Operating Review for the Quarter
 Sappi Fine Paper
 Quarter
 Quarter
 Quarter
 ended
 ended
 ended
 Jun 2011
 Jun 2010
 %
 Mar 2011
 US\$ million
 US\$ million
 change
 US\$ million
 Sales
 1,350
 1,220
 11
 1,389
 Operating profit (loss)
 28
 36
 (22)
 (42)
 Operating profit (loss) to sales (%)
 2.1
 3.0
 –
 (3.0)
 Special items – losses
 2
 1
 100
 113
 Operating profit excluding special items
 30
 37
 (19)
 71
 Operating profit excluding special items
 to sales (%)
 2.2
 3.0
 –
 5.1
 EBITDA excluding special items
 107

110

(3)

144

EBITDA excluding special items

to sales (%)

7.9

9.0

–

10.4

RONOA pa (%)

3.9

4.8

–

9.1

The North American business' performance improved during the quarter; however, the margins in our European business declined resulting in a reduction in the operating profit excluding special items of the fine paper business.

4
 Third Quarter Results
 Europe
 Quarter
 Quarter
 Quarter
 ended
 ended
 %
 %
 ended
 Jun 2011
 Jun 2010 change
 change
 Mar 2011
 US\$ million
 US\$ million
 (US\$)
 (Euro)
 US\$ million
 Sales
 979
 873
 12
 1
 1,017
 Operating (loss) profit
 (4)
 11
 –
 –
 (83)
 Operating (loss) profit to sales (%)
 (0.4)
 1.3
 –
 –
 (8.2)
 Special items – losses
 2
 2
 –
 –
 114
 Operating (loss) profit excluding
 special items
 (2)
 13
 –
 –
 31

Operating (loss) profit excluding
special items to sales (%)

(0.2)

1.5

–

–

3.0

EBITDA excluding special items

57

68

(16)

(25)

86

EBITDA excluding special items

to sales (%)

5.8

7.8

–

–

8.5

RONOA pa (%)

(0.4)

2.5

–

–

5.7

Although volumes sold for the nine months ended June 2011 are 4% above the equivalent period last year, volumes sold for the quarter were 3% lower than a year ago. Coated woodfree sales volumes declined in the quarter compared to a year ago, but coated mechanical volumes increased.

Average prices realised for the quarter were 4% higher than the equivalent quarter last year and similar to the quarter ended March 2011.

High pulp and other raw material prices continued to impact margins. Margins on our exports were further impacted by the 11% stronger Euro to US Dollar exchange rate, compared to the equivalent quarter last year.

5
 Third Quarter Results
 North America
 Quarter
 Quarter
 Quarter
 ended
 ended
 ended
 Jun 2011
 Jun 2010
 %
 Mar 2011
 US\$ million
 US\$ million
 change
 US\$ million
 Sales
 371
 347
 7
 372
 Operating profit
 32
 25
 28
 41
 Operating profit to sales (%)
 8.6
 7.2
 –
 11.0
 Special items – gains
 –
 (1)
 –
 (1)
 Operating profit excluding special items
 32
 24
 33
 40
 Operating profit excluding special items
 to sales (%)
 8.6
 6.9
 –
 10.8
 EBITDA excluding special items
 50
 42

19

58

EBITDA excluding special items

to sales (%)

13.5

12.1

—

15.6

RONOA pa (%)

13.7

10.0

—

17.0

The business continued to perform strongly. Volumes sold for the quarter increased by 3% compared to the equivalent quarter last year. Demand for coated web was soft in the first two months of the quarter but experienced a significant seasonal rebound in June and into the fourth financial quarter.

Average prices realised were 5% higher than a year ago and slightly higher than the quarter ended March 2011, reflecting higher prices realised for coated paper and speciality casting release paper.

Raw material prices, including wood, energy and chemicals, increased sharply during the quarter.

6
 Third Quarter Results
 Sappi Southern Africa
 Quarter
 Quarter
 Quarter
 ended
 ended
 %
 %
 ended
 Jun 2011
 Jun 2010 change
 change
 Mar 2011
 US\$ million
 US\$ million
 (US\$)
 (Rand)
 US\$ million
 Sales
 452
 382
 18
 6
 435
 Operating profit
 22
 118
 (81)
 (83)
 39
 Operating profit to sales (%)
 4.9
 30.9
 –
 –
 9.0
 Special items – losses (gains)
 4
 (83)
 –
 –
 14
 Operating profit excluding
 special items
 26
 35
 (26)
 (33)
 53

Operating profit excluding
special items to sales (%)

5.8

9.2

–

–

12.2

EBITDA excluding special items

53

62

(15)

(23)

81

EBITDA excluding special items

to sales (%)

11.7

16.2

–

–

18.6

RONOA pa (%)

5.0

7.9

–

–

10.1

The business' performance was unfavourably impacted by extended planned annual maintenance shuts at Ngodwana and Saiccor mills during the quarter.

Demand and pricing for chemical cellulose was strong in the quarter, resulting in a good performance for the chemical cellulose business.

In the domestic market, sales volumes of paper and packaging paper was lower than a year ago, largely as a result of increased competition from imports, partly due to the relatively strong Rand to the US Dollar.

Plans to restructure the paper and packaging business in order to improve the profitability in conjunction with the approximately US\$340 million conversion of the Ngodwana pulp mill to chemical cellulose production are progressing. We expect to announce details of these restructuring plans before the end of the calendar year.

7

Third Quarter Results

Outlook

Market conditions remain challenging and uncertain, particularly in Europe. Nevertheless we are entering the typically busiest period for coated paper. Order inflows in North America remain firm and in Europe we are expecting some improvement from the levels of the previous quarter.

We expect that the realisation of the benefits of our cost and capacity management activities in Europe will commence in the fourth financial quarter. Coated paper production at Biberist Mill in Switzerland ceased during July. Going forward, we expect savings of US\$50 million per annum as a result of the closure. In addition, as previously announced, we will start to benefit from a further US\$50 million per annum in fixed and variable cost saving measures towards the end of the fourth quarter.

Raw material input costs have continued to rise, in line with other commodity prices. Pulp prices remain high but there have been reductions in some regions from the peaks reached during the previous quarter.

High pulp prices are favourable for our North American and Southern African businesses, which are net sellers of pulp, but unfavourable for our European business, which is a net buyer of pulp.

Our Southern African business has a strong order book for chemical cellulose and expects an improvement in demand for packaging paper in the domestic market. The domestic market, particularly for printing and writing paper, remains highly competitive as a result of the strong Rand relative to the US Dollar, which has led to increased competition from imports. The business' performance for the quarter will be significantly impacted by the industry wide strike of about three weeks in July over wage negotiations.

We expect considerable improvement in operating profit (excluding special items) during our fourth financial quarter compared to the third financial quarter; however, it is likely to be well short of the level achieved in the equivalent quarter last year. Nevertheless, we expect a much improved operating profit (excluding special items) for the full year, compared to the 2010 financial year. We anticipate strong net cash generation in our fourth quarter and positive cash generation for the full year.

Directorate

During the quarter we announced that following the retirement in December 2010 of Mr H C (Helmut) Mamsch and in line with the Sappi Board's succession planning, two independent non executive directors will join the board later this year. Mr M A (Mike) Fallon will join the board with effect from 01 September 2011 and Mr G P F (Frits) Beurskens with effect from 01 October 2011.

On behalf of the board

R J Boëttger

M R Thompson

Director

Director

04 August 2011

sappi limited

(Registration number 1936/008963/06)

Issuer Code: SAVVI

JSE Code: SAP

ISIN: ZAE000006284

8

Third Quarter Results

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.

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. You should not rely on forward looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond our control and may cause our actual results, performance or achievements 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 (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);
- the impact on our business of the global economic downturn;
- unanticipated production disruptions (including as a result of planned or unexpected power outages);
- changes in environmental, tax and other laws and regulations;
- adverse changes in the markets for our products;
- consequences of our leverage, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed;
- adverse changes in the political situation and economy in the countries in which we operate or the effect of governmental efforts to address present or future economic or social problems;
- the impact of investments, acquisitions and dispositions (including related financing), any delays, unexpected cost or other problems experienced in connection with dispositions or with integrating acquisitions and achieving expected savings and synergies; and
- currency fluctuations.

We undertake 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.

9
Third Quarter Results
Condensed group income statement
Quarter
Quarter
Nine months
Nine months
ended
ended
ended
ended
Jun 2011
Jun 2010
Jun 2011
Jun 2010
Note
US\$ million
US\$ million
US\$ million
US\$ million
Sales
1,802
1,602
5,499
4,798
Cost of sales
1,639
1,314
4,872
4,288
Gross profit
163
288
627
510
Selling, general and administrative expenses
107
108
328
329
Other operating expenses
4
29
131
9
Share of profit from associates and
joint ventures
(2)
(3)
(6)
(11)

Operating profit	
2	
54	
154	
174	
183	
Net finance costs	
112	
57	
251	
192	
Net interest	
121	
68	
276	
226	
Net foreign exchange gains	
(3)	
(7)	
(10)	
(16)	
Net fair value gains on financial instruments	
(6)	
(4)	
(15)	
(18)	
(Loss) profit before taxation	
(58)	
97	
(77)	
(9)	
Taxation	
10	
33	
28	
9	
Current	
8	
(2)	
12	
1	
Deferred	
2	
35	
16	
8	
(Loss) profit for the period	
(68)	
64	
(105)	
(18)	

Basic (loss) earnings per share
(US cents)
(13)
12
(20)
(3)
Weighted average number of shares
in issue (millions)
519.9
516.0
519.7
515.7
Diluted basic (loss) earnings per share
(US cents)
(13)
12
(20)
(3)
Weighted average number of shares on fully
diluted basis (millions)
519.9
517.6
519.7
515.7
Condensed group statement of comprehensive income
Quarter
Quarter
Nine months
Nine months
ended
ended
ended
ended
Jun 2011
Jun 2010
Jun 2011
Jun 2010
US\$ million
US\$ million
US\$ million
US\$ million
(Loss) profit for the period
(68)
64
(105)
(18)
Other comprehensive (loss) income,
net of tax
(3)
(54)
80

(78)	
Exchange differences on translation of foreign operations	
(6)	
(43)	
63	
(69)	
Movements in hedging reserves	
3	
(11)	
18	
(9)	
Deferred tax effects on above	
—	
—	
(1)	
—	
Total comprehensive (loss) income for the period	
(71)	
10	
(25)	
(96)	

10	
Third Quarter Results	
Condensed group balance sheet	
Reviewed	
Jun 2011	
Sept 2010	
US\$ million	
US\$ million	
ASSETS	
Non-current assets	
4,608	
4,653	
Property, plant and equipment	
3,607	
3,660	
Plantations	
695	
687	
Deferred taxation	
57	
53	
Other non current assets	
249	
253	
Current assets	
2,280	
2,531	
Inventories	
949	
836	
Trade and other receivables	
969	
903	
Cash and cash equivalents	
362	
792	
Total assets	
6,888	
7,184	
EQUITY AND LIABILITIES	
Shareholders' equity	
Ordinary shareholders' interest	
1,884	
1,896	
Non-current liabilities	
3,007	
3,249	
Interest bearing borrowings	
2,033	
2,317	
Deferred taxation	

421
386
Other non current liabilities
553
546
Current liabilities
1,997
2,039
Interest bearing borrowings
801
691
Bank overdraft
3
5
Other current liabilities
1,167
1,307
Taxation payable
26
36
Total equity and liabilities
6,888
7,184
Number of shares in issue at balance sheet date (millions)
520.4
519.5

11
 Third Quarter Results
 Condensed group statement of cash flows
 Quarter
 Quarter
 Nine months
 Nine months
 ended
 ended
 ended
 ended
 Jun 2011
 Jun 2010
 Jun 2011
 Jun 2010
 US\$ million
 US\$ million
 US\$ million
 US\$ million
 (Loss) profit for the period
 (68)
 64
 (105)
 (18)
 Adjustment for:
 Depreciation, fellings and amortisation
 125
 116
 378
 365
 Taxation
 10
 33
 28
 9
 Net finance costs
 112
 57
 251
 192
 Defined post employment benefits
 (17)
 (15)
 (50)
 (48)
 Plantation fair value adjustment
 (21)
 (123)
 (44)
 (50)
 Asset impairments (impairment reversals)

–
1
69
(12)
Restructuring provisions
2
5
68
46
Black Economic Empowerment charge
1
23
3
23
Other non cash items
4
27
17
48
Cash generated from operations
148
188
615
555
Movement in working capital
(46)
(84)
(364)
(186)
Net finance costs
(40)
(35)
(194)
(128)
Taxation paid
(17)
(4)
(31)
(8)
Cash retained from operating activities
45
65
26
233
Cash utilised in investing activities
(65)
(41)
(142)
(130)
Net cash (utilised) generated
(20)

24	
(116)	
103	
Cash effects of financing activities	
(190)	
(179)	
(364)	
(244)	
Net movement in cash and cash equivalents	
(210)	
(155)	
(480)	
(141)	
Condensed group statement of changes in equity	
Nine months	
Nine months	
ended	
ended	
Jun 2011	
Jun 2010	
US\$ million	
US\$ million	
Balance – beginning of period	
1,896	
1,794	
Total comprehensive loss for the period	
(25)	
(96)	
Costs directly attributable to the rights offer	
–	
(5)	
Issue of new shares	
–	
19	
Transfers from (to) the share purchase trust	
6	
(6)	
Transfers of vested share options	
(7)	
–	
Share based payment reserve	
14	
13	
Balance – end of period	
1,884	
1,719	

12

Third Quarter Results

Notes to the condensed group results

1. Basis of preparation

The condensed financial information has been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, the AC 500 standards issued by the Accounting Practices Board and the information required by IAS 34 "Interim Financial Reporting". They are based on appropriate accounting policies which have been consistently applied with those applied in the financial statements for the year ended September 2010 and which are supported by reasonable and prudent judgements, including those involving estimations.

The nine months ended June 2011 consists of 40 weeks compared to the prior year's nine months which consisted of 39 weeks.

The results are unaudited.

Quarter

Quarter

Nine months

Nine months

ended

ended

ended

ended

Jun 2011

Jun 2010

Jun 2011

Jun 2010

US\$ million

US\$ million

US\$ million

US\$ million

2. Operating profit

Included in operating profit are the following non cash items:

Depreciation and amortisation

104

101

314

315

Fair value adjustment on plantations

(included in cost of sales)

Changes in volume

Fellings

21

15

64

50

Growth

(23)

(15)

(60)

(48)

(2)
 –
 4
 2
 Plantation price fair value adjustment
 2
 (108)
 16
 (2)
 –
 (108)
 20
 –
 Included in other operating expenses
 (income) are the following:
 Asset impairments (impairment
 reversals)
 –
 1
 69
 (12)
 Loss on disposal of property,
 plant and equipment
 –
 –
 –
 1
 Profit on disposal of investment
 –
 –
 –
 (1)
 Restructuring provisions
 2
 5
 68
 46
 Black Economic Empowerment
 charge
 1
 23
 3
 23
 Fuel tax credit
 –
 –
 –
 (51)
 3. Headline (loss) earnings per share
 (1)
 Headline (loss) earnings per share (US cents)

(13)
 13
 (8)
 (6)
 Weighted average number of shares
 in issue (millions)
 519.9
 516.0
 519.7
 515.7
 Diluted headline (loss) earnings per share
 (US cents)
 (13)
 12
 (8)
 (6)
 Weighted average number of shares on
 fully diluted basis (millions)
 519.9
 517.6
 519.7
 515.7
 Calculation of headline (loss) earnings
 (1)
 (Loss) profit for the period
 (68)
 64
 (105)
 (18)
 Asset impairments (impairment reversals)
 –
 1
 69
 (12)
 Loss on disposal of property,
 plant and equipment
 –
 –
 –
 1
 Profit on disposal of investment
 –
 –
 –
 (1)
 Tax effect of above items
 2
 –
 (3)
 –
 Headline (loss) earnings

(66)

65

(39)

(30)

(1)

Headline earnings disclosure is required by the JSE Limited.

13	
Third Quarter Results	
Quarter	
Quarter	
Nine months	
Nine months	
ended	
ended	
ended	
ended	
Jun 2011	
Jun 2010	
Jun 2011	
Jun 2010	
US\$ million	
US\$ million	
US\$ million	
US\$ million	
4. Capital expenditure	
Property, plant and equipment	
69	
42	
161	
120	
Reviewed	
Jun 2011	
Sept 2010	
US\$ million	
US\$ million	
5. Capital commitments	
Contracted	
89	
62	
Approved but not contracted	
(1)	
515	
109	
604	
171	
(1)	
Includes approximately US\$342 million related to our recently announced chemical cellulose expansion.	
6. Contingent liabilities	
Guarantees and suretyships	
49	
48	
Other contingent liabilities	
22	
8	
71	
56	
7. Material balance sheet movements compared to September 2010	

Cash and cash equivalents and other current liabilities

The decrease in cash and cash equivalents and in other current liabilities is largely due to the timing of creditor payments as a result of the calendar month end falling before the fiscal month end when creditor payments fell due.

Cash and cash equivalents and interest-bearing borrowings

In March 2011, we utilised some of our cash resources to repay US\$150 million principal amount of the outstanding US\$500 million 6.75% Guaranteed Notes due June 2012.

In April 2011, we issued approximately US\$705 million Senior Secured Notes split into a 10 year US\$350 million tranche and a 7 year €250 million tranche that were issued at par and both Notes bear interest at a rate of 6.625% per annum. The net proceeds of the Notes were used to redeem the remaining US\$350 million of our 6.75% Guaranteed Notes due June 2012 and to repay €200 million of our OeKB Term Loan Facility. At the same time, our existing undrawn revolving credit facility maturing 2012 was increased from a €209 million to a €350 million facility and extended to 2016. We repaid the remaining €120 million of our OeKB Term Loan balance from cash resources in June 2011.

Sappi Southern Africa (Pty) Ltd issued a ZAR500 million (US Dollar fixed rate bond 'SSA01' on 28 June 2011 at a 150 basis points spread over the government reference rate and an all in coupon rate of 9.63%. The bond is repayable on 28 June 2016, with coupons payable semi annually on 28 June and 28 December of each year. The proceeds of the bond will be used to partially refinance the ZAR1 billion maturing SMF2 bond on 14 October 2011 – the balance will be paid from own cash generated.

In addition, there were transfers of US\$191 million from non current interest bearing borrowings to current interest bearing borrowings of loans falling due in the next 12 months.

8. Post balance sheet event

On 03 August 2011, we announced the closure of Adamas Mill in South Africa. The estimated cost of closure is US\$5 million.

9. Segment information

Quarter

Quarter

Nine months

Nine months

ended

ended

ended

ended

Jun 2011

Jun 2010

Jun 2011

Jun 2010

Metric tons

Metric tons

Metric tons

Metric tons

(000's)

(000's)

(000's)

(000's)

Sales volume

Fine Paper –

North America

344

335

1,057

1,002
Europe
909
939
2,903
2,802
Total
1,253
1,274
3,960
3,804
Southern Africa –
Pulp and paper
406
416
1,272
1,291
Forestry
252
292
688
704
Total
1,911
1,982
5,920
5,799

14
Third Quarter Results
Quarter
Quarter
Nine months
Nine months
ended
ended
ended
ended
Jun 2011
Jun 2010
Jun 2011
Jun 2010
US\$ million
US\$ million
US\$ million
US\$ million
Sales
Fine Paper –
North America
371
347
1,125
1,009
Europe
979
873
3,023
2,675
Total
1,350
1,220
4,148
3,684
Southern Africa –
Pulp and paper
430
361
1,291
1,062
Forestry
22
21
60
52
Total
1,802
1,602
5,499
4,798

Operating profit (loss)
excluding special items

Fine Paper –
North America

32

24

95

82

Europe

(2)

13

63

42

Total

30

37

158

124

Southern Africa

26

35

158

76

Unallocated and eliminations

(1)

4

3

8

10

Total

60

75

324

210

Special items – losses (gains)

Fine Paper –

North America

–

(1)

(1)

(51)

Europe

2

2

116

10

Total

2

1

115

(41)

Southern Africa	
4	
(83)	
31	
48	
Unallocated and eliminations	
(1)	
–	
3	
4	
20	
Total	
6	
(79)	
150	
27	
Segment operating profit (loss)	
Fine Paper –	
North America	
32	
25	
96	
133	
Europe	
(4)	
11	
(53)	
32	
Total	
28	
36	
43	
165	
Southern Africa	
22	
118	
127	
28	
Unallocated and eliminations	
(1)	
4	
–	
4	
(10)	
Total	
54	
154	
174	
183	
EBITDA excluding special items	
Fine Paper –	

North America

50

42

150

140

Europe

57

68

238

220

Total

107

110

388

360

Southern Africa

53

62

242

154

Unallocated and eliminations

(1)

4

4

8

11

Total

164

176

638

525

Segment assets

Fine Paper –

North America

916

949

916

949

Europe

2,216

2,070

2,216

2,070

Total

3,132

3,019

3,132

3,019

Southern Africa

2,072

1,785

2,072

1,785

Unallocated and eliminations

(1)

72

49

72

49

Total

5,276

4,853

5,276

4,853

(1)

Includes the group's treasury operations, the self insurance captive and the investment in the Jiangxi Chenming joint venture.

15	
Third Quarter Results	
Reconciliation of operating profit excluding special items to segment operating profit	
Special items cover those items which management believe are material by nature or amount to the operating results and require separate disclosure. Such items would generally include profit or loss on disposal of property, investments and businesses, asset impairments, restructuring charges, non recurring integration costs related to acquisitions, financial impacts of natural disasters, non cash gains or losses on the price fair value adjustment of plantations and alternative fuel tax credits receivable in cash.	
Quarter	
Quarter	
Nine months	
Nine months	
ended	
ended	
ended	
ended	
Jun 2011	
Jun 2010	
Jun 2011	
Jun 2010	
Operating profit excluding special items	
60	
75	
324	
210	
Special Items	
(6)	
79	
(150)	
(27)	
Plantation price fair value adjustment	
(2)	
108	
(16)	
2	
Restructuring provisions	
(2)	
(5)	
(68)	
(46)	
Loss on disposal of property, plant and equipment	
-	
-	
-	
(1)	
Profit on disposal of investment	
-	
-	
-	
1	

Asset (impairments) impairment reversals

–

(1)

(69)

12

Fuel tax credit

–

–

–

51

Black Economic Empowerment charge

(1)

(23)

(3)

(23)

Insurance recoveries

(1)

1

10

1

Fire, flood, storm and related events

–

(1)

(4)

(24)

Segment operating profit

54

154

174

183

Reconciliation of EBITDA excluding special items and operating profit excluding special items to
(loss) profit before taxation

EBITDA excluding special items

164

176

638

525

Depreciation and amortisation

(104)

(101)

(314)

(315)

Operating profit excluding special items

60

75

324

210

Special items – (losses) gains

(6)

79

(150)

(27)	
Net finance costs	
(112)	
(57)	
(251)	
(192)	
(Loss) profit before taxation	
(58)	
97	
(77)	
(9)	
Reconciliation of segment assets to total assets	
Segment assets	
5,276	
4,853	
5,276	
4,853	
Deferred taxation	
57	
49	
57	
49	
Cash and cash equivalents	
362	
534	
362	
534	
Other current liabilities	
1,167	
1,062	
1,167	
1,062	
Taxation payable	
26	
43	
26	
43	
Liabilities associated with assets held for sale	
–	
19	
–	
19	
Total assets	
6,888	
6,560	
6,888	
6,560	

16

Third Quarter Results

Supplemental information (this information has not been audited or reviewed)

General definitions

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

Black Economic Empowerment – as envisaged in the Black Economic Empowerment (BEE) legislation in South Africa

Black Economic Empowerment charge – represents the IFRS2 non cash charge associated with the BEE transaction implemented in fiscal 2010

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, produced from coniferous trees (i.e. spruce, pine) in Scandinavia, Canada and northern USA. The price of 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 certain 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

Capital employed – shareholders' equity plus net debt

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

Headline earnings – as defined in circular 3/2009 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 Listings Requirement of the JSE Limited to disclose headline earnings per share

Net assets – total assets less total liabilities

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

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

Net debt to total capitalisation – net debt divided by capital employed

Net operating assets – total assets (excluding deferred taxation and cash) less current liabilities (excluding

interest bearing borrowings and overdraft). Net operating assets equate to segment assets

ROCE – return on average capital employed. Operating profit excluding special items divided by average capital employed

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

RONOA – return on average net operating assets. Operating profit excluding special items divided by average segment assets

Special items – special items cover those items which management believe are material by nature or amount to the operating results and require separate disclosure. Such items would generally include profit or loss on disposal of property, investments and businesses, asset impairments, restructuring charges, non recurring integration costs related to acquisitions, financial impacts of natural disasters, non cash gains or losses on the price fair value adjustment of plantations and alternative fuel tax credits receivable in cash

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.

17

Third Quarter Results

Supplemental information (this information has not been audited or reviewed)

Summary Rand convenience translation

Quarter

Quarter

Nine months

Nine months

ended

ended

ended

ended

Jun 2011

Jun 2010

Jun 2011

Jun 2010

Key figures: (ZAR million)

Sales

12,234

12,147

37,911

36,278

Operating profit

367

1,168

1,200

1,384

Special items – losses (gains)

(1)

41

(599)

1,034

204

Operating profit excluding special items

(1)

408

569

2,234

1,588

EBITDA excluding special items

(1)

1,113

1,334

4,398

3,970

Basic (loss) earnings per share (SA cents)

(88)

91

(138)

(23)

Net debt

(1)
16,657
17,820
16,657
17,820
Key ratios: (%)
Operating profit to sales
3.0
9.6
3.2
3.8
Operating profit excluding special items
to sales
3.3
4.7
5.9
4.4
Operating profit excluding special items
to Capital Employed (ROCE)
(1)
5.6
7.4
10.2
6.7
EBITDA excluding special items to sales
9.1
11.0
11.6
10.9
Return on average equity (ROE)
(14.4)
15.1
(7.4)
(1.4)
Net debt to total capitalisation
(1)
56.8
57.6
56.8
57.6
(1)

Refer to page 16, Supplemental information for the definition of the term.

The above financial results have been translated into Rands from 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.

Reconciliation of net debt to interest-bearing borrowings

Jun 2011

Sept 2010

US\$ million

US\$ million

Interest-bearing borrowings

2,837
3,013
Non current interest bearing borrowings
2,033
2,317
Current interest bearing borrowings
801
691
Bank overdraft
3
5
Cash and cash equivalents
(362)
(792)
Net debt
2,475
2,221
Exchange rates
Jun
Mar
Dec
Sept
Jun
2011
2011
2010
2010
2010
Exchange rates:
Period end rate: US\$1 = ZAR
6.7300
6.6978
6.6190
7.0190
7.6250
Average rate for the Quarter: US\$1 = ZAR
6.7890
6.9963
6.9464
7.3517
7.5821
Average rate for the YTD: US\$1 = ZAR
6.8941
6.9476
6.9464
7.4917
7.5610
Period end rate: €1 = US\$
1.4525
1.4231
1.3380

1.3491

1.2377

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

1.4398

1.3702

1.3516

1.2871

1.2937

Average rate for the YTD: €1 = US\$

1.3890

1.3645

1.3516

1.3658

1.3845

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.

18

Third Quarter Results

* Historic share prices revised to reflect rights offer

Sappi ordinary shares* (JSE: SAP)

US Dollar share price conversion*

ZAR

Jul 08

Oct 08

Jan 09

Apr 09

Jul 09

Oct 09

Jan 10

Apr 10

Oct 10

Jan 11

Jul 10

Jul 07

Oct 07

Jan 08

Apr 08

0

10

20

30

40

50

60

70

80

90

Apr 11

Jul 11

US\$

Jul 08

Oct 08

Jan 09

Apr 09

Jul 09

Oct 09

Jan 10

Apr 10

Oct 10

Jan 11

Jul 10

Jul 07

Oct 07

Jan 08

Apr 08

0

2

4
6
8
10
12
14
Jul 11
Apr 11

19

Third Quarter Results

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

South Africa:

United States:

Computershare Investor

ADR Depositary:

Services (Proprietary) Limited

The Bank of New York Mellon

70 Marshall Street

Investor Relations

Johannesburg 2001

PO Box 11258

PO Box 61051

Church Street Station

Marshalltown 2107

New York, NY 10286 1258

Tel +27 (0)11 370 5000

Tel +1 610 382 7836

Sappi has a primary listing on the JSE Limited and a secondary listing on the New York Stock Exchange

Notes:

this report is available on the Sappi website
www.sappi.com

www.sappi.com

SIGNATURES

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

Date: August 04, 2011

SAPPI LIMITED,

Name: M. R. Thompson

Title: Chief Financial Officer

M. R. Thompson

By:

/s/