

SAPPI LTD

Form 6-K

May 10, 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 May, 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 second quarter results ended March 2007, furnished by the Registrant under this Form 6-K is incorporated by reference into (i) the Registration statement 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 Statement on Form S-8 of the Registrant filed December 21, 2005 and December 15, 2004 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 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; 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 half-year  
ended March 2007

2nd

Form S-8 version

*\* for the six months ended March 2007*

*\*\* estimate as at 31 March 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

64%

Uncoated fine paper

5%

Coated specialities

8%

Packaging and newsprint

8%

Pulp

14%

Other

1%

North America

29%

Europe

41%

Southern Africa

15%

Asia and other

15%

South African

60%

North America

30%

Europe and ROW †

10%

North America

29%

Europe

46%

Southern Africa

25%

Sappi is the world's leading  
producer of coated fine paper

EPS 25 US cents

Forest Products performance strong

Price increase in Europe achieved

Nash mill site sold – contributed 8 US cents

Wood costs in Europe soar

Strong cash flow  
financial highlights

Quarter

Half-year

ended

ended

March

Dec

March

March

March

2007

2006

2006

2007

2006

Sales (US\$ million)

1,318

1,267

1,256

2,585

2,431

Operating profit (US\$ million)

117

92

59

209

108

Operating profit to sales (%)

8.9

7.3

4.7

8.1

4.4

EBITDA (US\$ million) \*

211

187

158

398

304

EPS (US cents)

25

13

4

38

4

*\* Refer to note 1 additional information in Supplemental Information for the reconciliation of EBITDA to profit.*  
summary



The operating performance of the group continued to improve in the quarter and was led by the Forest Products business which benefited from strong pulp prices and a weaker Rand against the US Dollar compared to a year ago. The profitability of our European and North American regions has lagged despite favourable market developments, largely as a result of high input costs.

Group sales increased 5% to US\$1.3 billion reflecting higher volumes and price improvements in the Southern African businesses and a price increase in Europe.

High raw material input costs and energy costs remain an issue. As a group we are economically integrated as far as pulp is concerned. We sell slightly more pulp than we purchase and therefore have a net benefit from strong pulp prices. However, high pulp prices squeeze the margin of our European business which is only partially integrated. In Europe we also suffer from the impact of severely increased wood costs. In other regions the rate of input price rises has abated to some extent but input prices remain very high. Manufacturing fixed costs continue to be tightly managed with cost saving initiatives more than off-setting inflation. Selling, General and Administrative (SG&A) costs of US\$93 million were US\$6 million higher than a year ago largely as a result of credits for pension costs and the sale of carbon credits, which reduced SG&A last year. The restructuring of our European business is progressing and we have been able to release part of the provision we recorded in the fourth quarter last year in respect of this restructuring because of higher natural attrition and lower severance costs than estimated. The release had a favourable impact of US\$6 million before tax in this quarter.

The plantation fair value price adjustment for the quarter was US\$12 million (Q2 2006: US\$57 million) as a result of higher market prices for wood partly offset by higher costs to deliver the wood to market.

During the quarter we sold the site of the Nash mill, Hemel Hempstead, UK for GBP24.5 million (US\$46 million). We stopped operations at the mill in May 2006. A pre-tax profit of US\$25 million on the sale is reported in these results.

Operating profit for the quarter increased to US\$117 million in the quarter up from US\$59 million a year ago. This includes the profit on the sale of Nash mill, the plantation fair value adjustment and the release of the restructuring provision.

Net finance costs were US\$33 million up US\$2 million for the quarter compared to a year ago, largely as a result of higher interest rates and average debt levels.

The effective tax rate for the group for the quarter was 31%. This rate was negatively impacted by the regional split of profit (specifically the tax losses in our US business were not relieved) and the effect of tax rate changes on deferred tax assets.

Net profit for the group increased to US\$58 million compared to US\$9 million in the equivalent quarter last year. Earnings per share were 25 US cents per share which includes the profit from the sale of Nash mill and the plantation fair value adjustment.

comment

sappi limited – second quarter page 2

sappi limited – second quarter page 3

cash flow

Cash generated by operations was US\$175 million for the quarter, approximately 50% higher than a year ago. This excludes the sale of the Nash mill site.

Capital expenditure was US\$72 million, a significant reduction from the prior quarter which included up front payments for the Saiccor expansion. Cash utilised in investing activities includes the US\$46 million proceeds on the sale of the Nash mill site.

Cash retained after investing activities was US\$45 million after paying the annual dividend of US\$68 million in the quarter which was declared in November 2006.

operating review for the quarter

*Sappi Fine Paper*

Quarter

Quarter

ended

ended

March 2007 \*

March 2006

%

Dec 2006

US\$ million

US\$ million

change

US\$ million

Sales

1,057

1,018

3.8

1,044

Operating profit (loss)

49

(6)

–

16

Operating profit (loss) to sales (%)

4.6

(0.6)

–

1.5

*\* Includes profit before tax on sale of the Nash mill site of US\$25 million*

We experienced steady demand for coated fine paper in our major markets. Apparent consumption in North America was slightly below that of a year ago but shipments from domestic suppliers grew 6%. In Europe demand remained strong.

There were a number of favourable market developments in the quarter. The long trend of declining prices in Europe was finally reversed when we realised higher coated fine paper prices during the quarter.

A preliminary determination by the United States Department of Commerce containing substantial countervailing duties against Asian coated woodfree imports was announced at the end of the quarter.

These duties are expected to help pricing in the USA which has been dragged down for several years by increasing volumes of lower priced imports from Asia.

The performance of our fine paper business continues to reflect inadequate margins as a result of continued pressure on particular input costs.

*Europe*

Quarter

Quarter

ended

ended

%

%

March 2007

March 2006

change

change

Dec 2006

US\$ million

US\$ million

(US\$)

(Euro)

US\$ million

Sales

597

569

4.9

(4.5)

587

Operating profit

44 \*

6

–

–

13

Operating profit to sales (%)

7.4

1.1

–

–

2.2

*\* Includes profit before tax on sale of the Nash mill site of US\$25 million*

We increased prices in Europe at the beginning of the quarter and initially encountered strong resistance and as a result sacrificed some market share. This was compensated for in the short-term by increasing our exports, but we aim to regain the lost volumes. Our average price in Europe increased by Euro 10/ton on the prior quarter. By the end of the quarter we had attained price increases of Euro 30/ton on sheets and Euro 20/ton on reels. This is not sufficient to produce acceptable margins and further price increases are needed.

Input costs remain high, particularly wood costs which increased by 15% from the last quarter and were approximately 50% higher than a year ago. Manufacturing fixed costs are well managed and are below those of a year ago.

*North America*

Quarter

Quarter

ended

ended

March 2007

March 2006

%

Dec 2006

US\$ million

US\$ million

change

US\$ million

Sales

371

367

1.1

374

Operating profit (loss)

3

(10)

–

2

Operating profit (loss) to sales (%)

0.8

(2.7)

–

0.5

Market conditions were competitive with pressure on prices particularly for publication paper. We implemented price increases in the quarter on certain sheet products. We expect that the provisional countervailing duties implemented in the USA against Asian imports will result in higher prices for these imports and further opportunities to improve price levels for similar products. Pulp sales remain strong. We are working to reduce unit costs and will start to see the benefit in our fourth quarter results. These actions will help offset high input costs and contribute to improving margins.

operating review for the quarter (continued)

sappi limited – second quarter page 4

sappi limited – second quarter page 5

*South Africa*

Quarter

Quarter

ended

ended

%

%

March 2007

March 2006

change

change

Dec 2006

US\$ million

US\$ million

(US\$)

(Rand)

US\$ million

Sales

89

82

8.5

25.5

83

Operating profit (loss)

2

(2)

–

–

1

Operating profit (loss) to sales (%)

2.2

(2.4)

–

–

1.2

The business had strong sales volumes and improved price realisation in the quarter. Although it continues to generate a profit its margins are under pressure from high pulp prices as it purchases much of its pulp from Forest Products at market prices.

*Forest Products*

Quarter

Quarter

ended

ended

%

%

March 2007

March 2006

change

change

Dec 2006

US\$ million	
US\$ million	
(US\$)	
(Rand)	
US\$ million	
Sales	
261	
238	
9.7	
26.8	
223	
Operating profit	
69	
69	
–	
15.6	
78	
Operating profit to sales (%)	
26.4	
29.0	
–	
–	
35.0	
Plantation fair value gain	
12	
57	
–	
–	
29	

Forest Products had a strong quarter with sales volumes of pulp and paper up 9% compared to a year ago. Prices in Rand terms showed a substantial improvement largely as a result of strong pulp prices and the weaker Rand relative to the US Dollar. The Saiccor and Usutu mills benefited particularly from the strong pulp markets. The Kraft business continued to improve its productivity during the quarter and benefited from modest price increases in the South African market.

The result for the quarter included the plantation fair value gain of US\$12 million as a result of higher wood prices and was partly offset by higher costs to deliver the wood to market. The gain in the equivalent quarter last year was US\$57 million.

The Saiccor expansion is progressing well.

directors

Karen Osar was appointed a non-executive director with effect from 01 May 2007.

outlook

The demand for all our products is strong and pulp prices have recently risen again, but coated fine paper operating margins remain low. Global capacity utilisation for coated fine paper remains at a high level; however, profitability in the sector does not yet reflect the improved market fundamentals. We expect to see further coated fine paper price increases before the end of this financial year to restore margins.

In North America the implementation of duties against Asian imports is likely to lead to higher prices of certain coated fine papers.

The Forest Products business is performing well and we expect further improvements particularly in Sappi Kraft.

We continue to focus on the reduction of costs, which remain a challenge. We expect further improvement in underlying earnings for the second half of the year.

On behalf of the Board

E van As

M R Thompson

Director

Director

08 May 2007

sappi limited

(Registration number 1936/008963/06)

Issuer Code: SAVVI

JSE Code: SAP

ISIN Code: ZAE 000006284

operating review for the quarter (continued)

sappi limited – second quarter page 6

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 – second quarter page 7



notes

sappi limited – second quarter page 8

conformed financial results  
for the quarter and half-year ended March 2007  
sappi limited – second quarter page 9  
Form S-8 Version

group income statement  
sappi limited – second quarter page 10  
Reviewed  
Reviewed  
Quarter  
Quarter  
Half-year  
Half-year  
ended  
ended  
ended  
ended  
March 2007  
March 2006  
%  
March 2007  
March 2006  
%  
US\$ million  
US\$ million  
change  
US\$ million  
US\$ million  
change  
Sales  
1,318  
1,256  
4.9  
2,585  
2,431  
6.3  
Cost of sales  
1,141  
1,099  
2,233  
2,140  
Gross profit  
177  
157  
12.7  
352  
291  
21.0  
Selling, general and  
administrative expenses  
93  
87  
181  
170  
Share of (profit) loss from  
associates and joint ventures

(3)  
—  
(4)  
1  
Other operating (income)  
expenses  
(30)  
11  
(34)  
12  
Operating profit  
117  
59  
98.3  
209  
108  
93.5  
Net finance costs  
33  
31  
70  
58  
Net paid  
37  
33  
73  
65  
Capitalised  
(3)  
—  
(4)  
(1)  
Net foreign exchange gains  
(4)  
(3)  
(6)  
(4)  
Change in fair value  
of financial instruments  
3  
1  
7  
(2)  
Profit before tax  
84  
28  
200.0  
139  
50  
178.0  
Taxation – current

9  
7  
15  
15  
– deferred  
17  
12  
36  
26  
Profit for the period  
58  
9  
544.4  
88  
9  
877.8  
Basic earnings  
per share (US cents)  
25  
4  
38  
4  
Weighted average  
number of shares  
in issue (millions)  
227.7  
226.0  
227.4  
225.9  
Diluted earnings  
per share (US cents)  
25  
4  
38  
4  
Weighted average  
number of shares  
on fully diluted  
basis (millions)  
230.4  
227.0  
229.6  
226.7

group balance sheet  
 Reviewed  
 Audited  
 March 2007  
 Sept 2006  
 US\$ million  
 US\$ million  
**ASSETS**  
 Non-current assets  
 4,253  
 3,997  
 Property, plant and equipment  
 3,284  
 3,129  
 Plantations  
 598  
 520  
 Deferred taxation  
 63  
 74  
 Other non-current assets  
 308  
 274  
 Current assets  
 1,569  
 1,500  
 Inventories  
 750  
 699  
 Trade and other receivables  
 581  
 577  
 Cash and cash equivalents  
 238  
 224  
 Assets held for sale  
 –  
 20  
 Total assets  
 5,822  
 5,517  
**EQUITY AND LIABILITIES**  
 Shareholders' equity  
 Ordinary shareholders' interest  
 1,494  
 1,386  
 Non-current liabilities  
 2,497  
 2,465  
 Interest-bearing borrowings  
 1,626

1,634	
Deferred taxation	
374	
336	
Other non-current liabilities	
497	
495	
Current liabilities	
1,831	
1,666	
Interest-bearing borrowings	
808	
694	
Bank overdraft	
40	
9	
Other current liabilities	
863	
862	
Taxation payable	
120	
101	
Total equity and liabilities	
5,822	
5,517	
Number of shares in issue at balance sheet date (millions)	
227.9	
227.0	

sappi limited – second quarter page 11

group cash flow statement  
sappi limited – second quarter page 12  
Reviewed  
Reviewed  
Quarter  
Quarter  
Half-year  
Half-year  
ended  
ended  
ended  
ended  
March 2007  
March 2006  
March 2007  
March 2006  
US\$ million  
US\$ million  
US\$ million  
US\$ million  
Operating profit  
117  
59  
209  
108  
Depreciation, fellings and other amortisation  
111  
117  
223  
231  
Other non-cash items (including impairment  
charges)  
(53)  
(59)  
(105)  
(100)  
Cash generated by operations  
175  
117  
327  
239  
Movement in working capital  
(5)  
(33)  
(44)  
(113)  
Net finance costs  
(22)  
(23)  
(68)  
(68)



Taxation received (paid)

1

(5)

(3)

(12)

Dividends paid \*

(68)

(68)

(68)

(68)

Cash retained from (absorbed by) operating activities

81

(12)

144

(22)

Cash utilised in investing activities

(36)

(78)

(191)

(152)

45

(90)

(47)

(174)

Cash effects of financing activities

(39)

(91)

55

3

Net movement in cash and cash equivalents

6

(181)

8

(171)

\* *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

Half-year

Half-year

ended

ended

ended

ended

March 2007

March 2006

March 2007

March 2006

US\$ million	
US\$ million	
US\$ million	
US\$ million	
Pension fund asset not recognised	
(2)	
(2)	
(4)	
(4)	
Deferred taxation on above	
(1)	
–	
(1)	
1	
Valuation allowance against deferred tax asset and actuarial losses recognised	
6	
–	
5	
–	
Exchange differences on translation of foreign operations	
(35)	
31	
78	
20	
Net (expense) income recorded directly in equity	
(32)	
29	
78	
17	
Profit for the period	
58	
9	
88	
9	
Total recognised income for the period	
26	
38	
166	
26	

notes to the group results  
 sappi limited – second quarter page 13

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 International Financial Reporting Standards. The preliminary results for the six month period ended March 2007 have been reviewed in terms of International Standards 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 31 March 2007 and 31 December 2006 have not been audited or reviewed on a stand-alone basis by the auditors.

2.

Reconciliation of movement in shareholders’ equity

Reviewed

Reviewed

Half-year

Half-year

ended

ended

March 2007

March 2006

US\$ million

US\$ million

Balance – beginning of year

1,386

1,589

Total recognised income for the period

166

26

Dividends paid

(68)

(68)

Transfers to (from) participants of the share purchase trust

8

(1)

Share Based Payment Reserve

2

4

Balance – end of period

1,494

1,550

Reviewed

Reviewed

Quarter

Quarter

Half-year

Half-year

ended

ended

ended

ended

March 2007

March 2006

March 2007

March 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

93

98

188

195

Other amortisation

1

1

1

1

94

99

189

196

Fair value adjustment on plantations

(included in cost of sales)

Changes in volume

Fellings

17

18

34

35

Growth

(18)

(21)

(35)

(35)

(1)

(3)

(1)

—

Changes in fair value

(12)

(57)

(41)

(67)

(13)

(60)

(42)

(67)

Included in other operating expenses

(income) are the following:

Asset impairments

1

5

1

6

Restructuring provision (released) raised

(6)

4

(10)

3

Profit on sale of assets

(25)

(1)

(25)

(2)

Written off assets

—

1

—

2

notes to the group results (continued)

sappi limited – second quarter page 14

Reviewed

Reviewed

Quarter

Quarter

Half-year

Half-year

ended

ended

ended

ended

March 2007

March 2006

March 2007

March 2006

US\$ million

US\$ million

US\$ million

US\$ million

4.

Capital expenditure

Property, plant and equipment

76

67

214

139

Reviewed

Audited

March 2007

Sept 2006

US\$ million

US\$ million

5.

Capital commitments

Contracted but not provided

310

294

Approved but not contracted

167

255

477

549

6.

Contingent liabilities

Guarantees and suretyships

47

52

Other contingent liabilities

13

11

7.

Assets held for sale

Other operating income includes an amount of US\$25 million in respect of the sale of the site of the Nash mill which was previously classified as “assets held for sale”.

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 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  
sappi limited – second quarter page 15  
*additional information*

Reviewed

Reviewed

Quarter

Quarter

Half-year

Half-year

ended

ended

ended

ended

March 2007

March 2006

March 2007

March 2006

US\$ million

US\$ million

US\$ million

US\$ million

1. Profit for the period to EBITDA

(1)

reconciliation

Profit for the period

58

9

88

9

Net finance costs

33

31

70

58

Taxation – current

9

7

15

15

– deferred

17

12

36

26

Depreciation

93

98

188

195

Amortisation

1



1  
 1  
 1  
 EBITDA  
 (1) (2)  
 211  
 158  
 398  
 304  
 Reviewed  
 Audited  
 March 2007  
 Sept 2006  
 US\$ million  
 US\$ million  
 Net debt (US\$ million)  
 2,236  
 2,113  
 Net debt to total capitalisation (%)  
 46.2  
 46.4  
 Net asset value per share (US\$)  
 7.92  
 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: March 2006 quarter: decreased by US\$18 million; March 2006 half-*

*year: decreased by US\$35 million.*

supplemental information

sappi limited – second quarter page 16

Reviewed

Reviewed

Quarter

Quarter

Half-year

Half-year

ended

ended

ended

ended

March 2007

March 2006

March 2007

March 2006

US\$ million

US\$ million

US\$ million

US\$ million

2. Calculation of Headline earnings \*

Profit for the period

58

9

88

9

Profit on disposal of business and property,  
plant and equipment

(19)

(2)

(19)

(2)

Write-off of assets

–

1

–

2

Impairment of property, plant and equipment

–

4

–

5

Headline earnings

39

12

69

14

Headline earnings per share

Headline earnings per share (US cents) \*

17

5

30

6

Weighted average number of shares  
in issue (millions)

227.7

226.0

227.4

225.9

Diluted headline earnings per share  
(US cents) \*

17

5

30

6

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

230.4

227.0

229.6

226.7

\* *Headline earnings disclosure is a listings requirement by the JSE Limited.*

3.

*exchange rates*

March

Dec

Sept

June

March

2007

2006

2006

2006

2006

Exchange rates:

Period end rate: US\$ 1 = ZAR

7.2650

7.0076

7.7738

7.1700

6.1655

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

7.1532

7.3358

7.2475

6.4658

6.1858

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

7.2783

7.3358

6.6039

6.4031

6.3334

Period end rate: EUR 1 = US\$

1.3358

1.3199

1.2672

1.2789

1.2119

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

1.3160

1.2926

1.2744

1.2570

1.1983

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

1.3021

1.2926

1.2315

1.2191

1.1964

*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.*

supplemental information  
sappi limited – second quarter page 17  
*regional information*

Quarter  
Quarter  
Half-year  
Half-year  
ended  
ended  
ended  
ended  
March 2007  
March 2006  
March 2007  
March 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  
376  
365  
3.0  
748  
709  
5.5  
Europe  
626  
646  
(3.1)  
1,261  
1,248  
1.0  
Southern Africa  
87  
79  
10.1  
174  
158  
10.1  
*Total*  
1,089  
1,090

(0.1)  
2,183  
2,115  
3.2  
Forest Products – Pulp and paper  
operations  
378  
347  
8.9  
709  
702  
1.0  
Forestry operations  
258  
372  
(30.6)  
529  
748  
(29.3)  
*Total*  
1,725  
1,809  
(4.6)  
3,421  
3,565  
(4.0)  
Reviewed  
Reviewed  
Quarter  
Quarter  
Half-year  
Half-year  
ended  
ended  
ended  
ended  
March 2007  
March 2006  
%  
March 2007  
March 2006  
%  
US\$ million  
US\$ million  
change  
US\$ million  
US\$ million change  
Sales  
Fine Paper –  
North America  
371

367  
1.1  
745  
712  
4.6  
Europe  
597  
569  
4.9  
1,184  
1,089  
8.7  
Southern Africa  
89  
82  
8.5  
172  
160  
7.5  
*Total*  
1,057  
1,018  
3.8  
2,101  
1,961  
7.1  
Forest Products – Pulp and paper  
operations  
245  
215  
14.0  
452  
427  
5.9  
Forestry operations  
16  
23  
(30.4)  
32  
43  
(25.6)  
*Total*  
1,318  
1,256  
4.9  
2,585  
2,431  
6.3



supplemental information  
 sappi limited – second quarter page 18  
 Reviewed  
 Reviewed  
 Quarter  
 Quarter  
 Half-year  
 Half-year  
 ended  
 ended  
 ended  
 ended  
 March 2007  
 March 2006  
 %  
 March 2007  
 March 2006  
 %  
 US\$ million  
 US\$ million  
 change  
 US\$ million  
 US\$ million change  
 Operating profit  
 Fine Paper –  
 North America  
 3  
 (10)  
 –  
 5  
 (9)  
 –  
 Europe  
 44  
 6  
 633.3  
 57  
 20  
 185.0  
 Southern Africa  
 2  
 (2)  
 –  
 3  
 (2)  
 –  
*Total*  
 49  
 (6)  
 –  
 65

9  
622.2  
Forest Products  
69  
69  
—  
147  
106  
38.7  
Corporate and other  
(1)  
(4)  
—  
(3)  
(7)  
—  
*Total*  
117  
59  
98.3  
209  
108  
93.5

sappi ordinary shares

ADR price (NYSE TICKER: SPP)

note: (1ADR=1sappishare)

US\$

20

18

16

14

12

10

8

6

4

2

0

ZAR

140

120

100

80

60

40

20

0

sappi limited – second quarter page 19

1 Apr

2003

1 Jul

2003

1 Oct

2003

1 Jan

2004

1 Apr

2004

1 Jul

2004

1 Oct

2004

1 Jan

2005

1 Apr

2005

1 Jul

2005

1 Oct

2005

1 Jan

2006

1 Apr

2006

1 Jul  
2006  
1 Oct  
2006  
1 Jan  
2007  
1 Apr  
2007  
4 May  
2007  
1 Apr  
2003  
1 Jul  
2003  
1 Oct  
2003  
1 Jan  
2004  
1 Apr  
2004  
1 Jul  
2004  
1 Oct  
2004  
1 Jan  
2005  
1 Apr  
2005  
1 Jul  
2005  
1 Oct  
2005  
1 Jan  
2006  
1 Apr  
2006  
1 Jul  
2006  
1 Oct  
2006  
1 Jan  
2007  
1 Apr  
2007  
4 May  
2007

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2

and 150g/m

2

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SIGNATURES

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

Date: May 10, 2007

SAPPI LIMITED,

by

: /s/ M. R. Thompson

Title:

Chief Financial Officer

Name: M. R. Thompson