

SAPPI LTD

Form 6-K

August 05, 2010

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, 2010

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, indicate 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 third quarter results ended June 2010, 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, December 15, 2004 and February 2, 2010 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 impact of the global economic downturn, the risk that the European Acquisition ("Acquisition") will not be integrated successfully or such integration may be more difficult, time consuming or costly than expected, expected revenue synergies and cost savings from the Acquisition may not be fully realized or realized within the expected time frame, revenues following the Acquisition may be lower than expected, any anticipated benefits from the consolidation of the European paper business may not be achieved, 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, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed, changing regulatory requirements, possible early termination of alternative fuel tax credits, unanticipated production disruptions (including as a result of planned or unexpected power outages), 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. 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.

We have included in this announcement an estimate of total synergies from the Acquisition and the integration of the acquired business into our existing business. The estimate of synergies is based on assumptions which in the view of our management were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of our management's knowledge and belief, the expected course of action and the expected future financial impact on our performance due to the Acquisition. However, the assumptions about these expected synergies are inherently uncertain and, though considered reasonable by management as of the date of preparation, are subject to a wide variety of significant business, economic and competitive risks and uncertainties that could cause actual results to differ materially from those contained in this estimate of synergies. There can be no assurance that we will be able to successfully implement the strategic or operational initiatives that are intended, or realize the estimated synergies. This synergy estimate is not a profit forecast or a profit estimate and should not be treated as such or relied on by shareholders or prospective investors to calculate the likely level of profits or losses for Sappi for the fiscal 2010 or beyond.

results for the period  
ended June 2010  
Form S-8 version

**sappi**

Coated fine paper

64%

Uncoated fine paper 7%

Coated specialities

7%

Commodity paper

7%

Pulp

13%

Other

2%

North America

21%

Europe

56%

Southern Africa

23%

Sales by product group\*

Sales by source\*

\* for the period ended June 2010

North America

21%

Europe

49%

Southern Africa

12%

Asia and other

18%

Sales by destination\*

r  
results

1

•

EPS of 12 US cents; Q3 2009: loss of 12 US cents per share

•

Operating profit of US\$154 million; Q3 2009: US\$7 million loss

•

Demand continued to improve

•

Prices for coated woodfree paper increased

•

Prices of raw material inputs increased

•

Liquidity strong

Financial summary for the quarter

Quarter ended

Nine months ended

Jun 2010

Mar 2010    Jun 2009

Jun 2010

Jun 2009

Key figures: (US\$ million)

Sales

1,602

1,576

1,316

4,798

3,816

Operating profit (loss)

154

28

(7)

183

56

Basic earnings (loss) per share

(US cents)

12

(6)

(12)

(3)

(16)

Key ratios: (%)

Operating profit (loss) to sales

9.6

1.8

(0.5)

3.8

1.5

2

Commentary on the quarter

Demand for our products continued to grow during the quarter and the financial performance of the group improved significantly compared to a year ago and also improved compared to the previous quarter. The North American business performed strongly during the quarter and there was a significant improvement in the southern African results. Despite increasing prices for coated fine paper, the performance of our European business has been constrained by an 18% increase in variable costs compared to a year ago, largely due to pulp price increases.

Sales increased to US\$1.6 billion, up 22% compared to a year earlier and up 2% compared to the March quarter.

Average prices realised by the group were 4% higher than a year ago in US dollar terms. Coated woodfree paper prices increased in Europe during the quarter. In addition, the southern African and North American businesses were favourably impacted by higher pulp prices. As an example, the NBSK pulp price increased to US\$976 per ton at the end of June, an increase of US\$87 per ton since March.

Variable costs for the group increased as a result of higher input prices, particularly pulp and wood costs in both Europe and North America. Fixed costs, however, were 5% lower than the prior quarter.

The synergies achieved from the European Acquisition have reached our announced level of EUR 120 million of synergies per annum, ahead of the target date of 2011.

Operating profit was US\$154 million for the quarter, a substantial improvement compared to the US\$7 million loss a year ago and an improvement on the March quarter. Included in operating profit is a plantation fair value gain of US\$108 million and a charge of US\$23 million in respect of the Black Economic Empowerment transaction approved by shareholders in April. Although the plantation fair value adjustment is large for the quarter, it is only US\$2 million for the year to date. With effect from this quarter we have applied a refined estimate of fair value which we expect to more accurately reflect the long-term value of the plantations (see Note 3).

Net finance costs of US\$57 million were US\$5 million lower than in the prior quarter as a result of foreign currency exchange movements and the repayment of US\$235 million of long-term debt out of cash in the last two quarters.

Earnings per share for the quarter were 12 US cents, compared to a loss of 12 US cents a year ago.

r  
results  
3

Cash flow and debt

Cash generated from operations was US\$188 million for the quarter, which was higher than the US\$77 million a year ago largely due to improved profitability. Cash generated after operating and investing activities for the quarter was US\$24 million, which was lower than the US\$106 million a year ago, primarily as a result of the working capital movements reflecting sales growth and finance costs paid, which had been much lower in the equivalent period last year. Finance costs paid in the equivalent period last year were reduced by the US\$55 million benefit of unwinding fixed-to-floating interest rate swaps. Capital expenditure for the quarter was US\$41 million and year to date was US\$130 million. This is in line with our aim to limit capital expenditure for the full year to approximately US\$200 million.

An early repayment of EUR 80 million (US\$99 million), comprising the December 2010 instalment of the EUR 400 million OekB loan was made during the quarter. Liquidity remains strong and cash and cash equivalents were US\$534 million at the end of the quarter. The EUR 209 million (US\$259 million) revolving credit facility remains undrawn.

Operating Review for the Quarter

Sappi Fine Paper

Quarter

Quarter

Quarter

ended

ended

ended

June 2010

June 2009

%

March 2010

US\$ million

US\$ million change

US\$ million

Sales

1,220

1,020

20

1,208

Operating profit

36

24

50

50

Operating profit to sales (%)

3.0

2.4

25

4.1

The Fine Paper business achieved an operating profit of US\$36 million for the quarter compared to US\$24 million a year ago, due to a continued good performance from North America and a gradual improvement of the European business as a result of higher sales volumes and prices, largely offset, however, by the increase in pulp and other input costs.



4		
Europe		
Quarter		
Quarter		
Quarter		
ended		
ended		
%		
%		
ended		
June 2010		
June 2009	change	change
March 2010		
US\$ million		
US\$ million		
(US\$)		
(Euro)		
US\$ million		
Sales		
873		
729		
20		
26		
866		
Operating profit		
11		
–		
–		
–		
9		
Operating profit to sales (%)		
1.3		
–		
–		
–		
1.0		

The European business' coated paper shipments continued to grow during the quarter. European industry coated woodfree paper shipments increased by 18%, comprising a 10% increase in shipments to Europe and a 55% increase in exports from Europe compared to a year ago.

Our prices for coated woodfree paper were increased in April, and again in June, but to date these increases have only partly offset the effect of the increase in pulp prices and other input cost increases on our margins. Prices for coated mechanical paper did not increase during the quarter. Further selling price increases are required in order to achieve reasonable margins.

Average prices realised in Euro for the quarter were flat compared to the equivalent quarter last year and 6% up compared to the prior quarter in Euro terms.

results  
 5  
 North America  
 Quarter  
 Quarter  
 Quarter  
 ended  
 ended  
 ended  
 June 2010  
 June 2009  
 %  
 March 2010  
 US\$ million  
 US\$ million      change  
 US\$ million  
 Sales  
 347  
 291  
 19  
 342  
 Operating profit  
 25  
 24  
 4  
 41  
 Operating profit to sales (%)  
 7.2  
 8.2  
 –  
 12.0

The North American business continued to improve its performance as a result of strengthening demand, good operating rates and improving pulp prices. Demand levels continued to improve and US industry shipments of coated woodfree paper for the quarter increased by 31% compared to a year ago.

After more than a year of declining coated paper prices in the North American market, prices started to rise during the quarter. Prices realised for coated paper were 7% below a year ago, and were flat compared to the prior quarter. We announced price increases on coated woodfree paper reels and certain sheet grades during the quarter. Pulp prices continued to increase during the quarter.

Well controlled cost levels, a strong performance in the speciality business and strong market pulp results continued in the quarter. The decline in operating profit compared to the March quarter was driven by the timing of major planned maintenance.

6  
Southern Africa – Forest and Paper Products

Quarter

Quarter

Quarter

ended

ended

%

%

ended

June 2010

June 2009    change        change

March 2010

US\$ million

US\$ million

(US\$)

(Rand)

US\$ million

Sales

382

296

29

14

368

Operating profit (loss)

118

(31)

–

–

(4)

Operating profit (loss)

to sales (%)

30.9

(10.5)

–

–

(1.1)

The performance of the southern African business improved significantly in the quarter compared to the equivalent quarter last year and the prior quarter driven partly by improved pulp prices. Average NBSK pulp prices in the quarter were 60% higher than the equivalent quarter last year and 12% higher than the prior quarter. An eighteen day harbours and railways strike during the quarter resulted in delayed shipments, unfavourably impacting sales volumes by 15,000 tons.

The chemical cellulose business achieved higher output from the Saiccor Mill and benefited from increased product prices. In the domestic market demand for packaging paper was strong, as it was in the international markets where prices were also increasing. However, although demand for coated paper improved, demand for other fine paper and newsprint was weak.

Directorate

Mr Valli Moosa, a Director of Sappi's Broad Based Black Economic Empowerment Partner, Lereko

Limited, has been appointed a non-executive director of Sappi Limited with effect from 1 August 2010.

results

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#### Outlook

Although demand in most of our markets has continued growing, our outlook remains cautious in light of ongoing uncertainty in global economies and demand levels.

In Europe, prices for coated woodfree paper have risen twice since April 2010 and we have announced further increases of at least 7% from September 2010, which we believe are necessary to start restoring margins. Prices for coated mechanical paper started to rise in July 2010 but remain low. North American prices for coated paper are also increasing gradually.

The rate of increase of pulp prices started flattening in the latter part of the quarter and we expect a period of softer pulp prices over the next few months.

Demand for our products in Europe is expected to further accelerate in the fourth financial quarter, and our European order books are firm. Order books in our other businesses have lengthened.

The costs of our non-pulp raw material inputs have started increasing and we are actively managing our processes to minimise the impact of such increases. We expect that pulp input costs will continue to affect the performance of our European business.

Under current market conditions, we expect cash generated from operating activities less cash utilised in investing activities as well as operating profit which does not include asset impairments, impairment reversals, restructuring cost, cost associated with fire, flood, storm and related events as well as plantation price fair value adjustments to continue to improve in our fourth financial quarter.

On behalf of the board

R J Boöttger

M R Thompson

Director

Director

2 August 2010

sappi limited

(Registration number 1936/008963/06)

Issuer Code: SAVVI

JSE Code: SAP

ISIN: ZAE000006284

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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. 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. 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 impact of the global economic downturn, the risk that the European Acquisition ("Acquisition") will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected, expected revenue synergies and cost savings from the Acquisition may not be fully realised or realised within the expected time-frame, revenues following the Acquisition may be lower than expected, any anticipated benefits from the consolidation of the European paper business may not be achieved, the highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclical nature, such as levels of demand, production capacity, production, input costs including raw material, energy and employee costs, and pricing), adverse changes in the markets for the group's products, consequences of substantial leverage, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed, changing regulatory requirements, possible early termination of alternative fuel tax credits, unanticipated production disruptions (including as a result of planned or unexpected power outages), 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. 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.

We have included in this announcement an estimate of total synergies from the Acquisition and the integration of the acquired business into our existing business. The estimate of synergies is based on assumptions which in the view of our management were prepared on a reasonable basis, reflect the best currently available estimates and judgements, and present, to the best of our management's knowledge and belief, the expected course of action and the expected future financial impact on our performance due to the Acquisition. However, the assumptions about these expected synergies are inherently uncertain and, though considered reasonable by management as of the date of preparation, are subject to a wide variety of significant business, economic and competitive risks and uncertainties that could cause actual results to differ materially from those contained in this estimate of synergies. There can be no assurance that we will be able to successfully implement the strategic or operational initiatives that are intended, or realise the estimated synergies. This synergy estimate is not a profit forecast or a profit estimate and should not be treated as such or relied on by shareholders or prospective investors to calculate the likely level of profits or losses for Sappi.

r  
results  
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Group income statement  
Quarter  
Quarter  
Nine months  
Nine months  
ended  
ended  
ended  
ended  
Jun 2010  
Jun 2009  
Jun 2010  
Jun 2009  
Note  
US\$ million  
US\$ million  
US\$ million  
US\$ million  
Sales  
1,602  
1,316  
4,798  
3,816  
Cost of sales  
1,314  
1,272  
4,288  
3,510  
Gross profit  
288  
44  
510  
306  
Selling, general and administrative  
expenses  
108  
90  
329  
273  
Other operating expense (income)  
29  
(31)  
9  
(17)  
Share of profit from  
associates and joint ventures  
(3)  
(8)

(11)  
(6)  
Operating profit (loss)  
3  
154  
(7)  
183  
56  
Net finance costs  
57  
70  
192  
131  
Net interest  
68  
44  
226  
116  
Net foreign exchange gains  
(7)  
(1)  
(16)  
(12)  
Net fair value (gain) loss on  
financial instruments  
(4)  
27  
(18)  
27  
Profit (loss) before taxation  
97  
(77)  
(9)  
(75)  
Taxation  
33  
(15)  
9  
(1)  
Current  
(2)  
3  
1  
7  
Deferred  
35  
(18)  
8  
(8)  
Profit (loss) for the period  
64



(62)  
(18)  
(74)  
Basic earnings (loss) per share  
(US cents)  
12  
(12)  
(3)  
(16)  
Weighted average number of  
shares in issue (millions)  
516.0  
515.8  
515.7  
471.5  
Diluted basic earnings (loss)  
per share (US cents)  
12  
(12)  
(3)  
(16)  
Weighted average number  
of shares on fully  
diluted basis (millions)  
529.4  
515.8  
515.7  
471.5  
Group statement of comprehensive income  
Quarter  
Quarter  
Nine months  
Nine months  
ended  
ended  
ended  
ended  
Jun 2010  
Jun 2009  
Jun 2010  
Jun 2009  
US\$ million  
US\$ million  
US\$ million  
US\$ million  
Profit (loss) for the period  
64  
(62)  
(18)  
(74)  
Other comprehensive (loss) income,

net of tax  
(54)  
244  
(78)  
(43)  
Exchange differences on translation  
of foreign operations  
(43)  
243  
(69)  
(44)  
Movements in hedging reserves  
(11)  
—  
(9)  
—  
Movement on available for  
sale financial assets  
—  
1  
—  
1  
Deferred tax effects on above  
—  
—  
—  
—  
Total comprehensive income (loss)  
for the period  
10  
182  
(96)  
(117)

10	
Group balance sheet	
Jun 2010	
Sept 2009	
US\$ million	
US\$ million	
<b>ASSETS</b>	
Non-current assets	
4,310	
4,867	
Property, plant and equipment	
3,424	
3,934	
Plantations	
550	
611	
Deferred taxation	
49	
56	
Other non-current assets	
287	
266	
Current assets	
2,250	
2,430	
Inventories	
795	
792	
Trade and other receivables	
846	
868	
Cash and cash equivalents	
534	
770	
Assets held for sale	
75	
–	
Total assets	
6,560	
7,297	
<b>EQUITY AND LIABILITIES</b>	
Shareholders' equity	
Ordinary shareholders' interest	
1,719	
1,794	
Non-current liabilities	
3,099	
3,662	
Interest-bearing borrowings	
2,253	
2,726	

Deferred taxation	
348	
355	
Other non-current liabilities	
498	
581	
Current liabilities	
1,742	
1,841	
Interest-bearing borrowings	
597	
601	
Bank overdraft	
21	
19	
Other current liabilities	
1,062	
1,165	
Taxation payable	
43	
56	
Liabilities associated with assets held for sale	
19	
—	
Total equity and liabilities	
6,560	
7,297	
Number of shares in issue at balance sheet date (millions)	
519.5	
515.7	

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 Group cash flow statement  
 Quarter  
 Quarter  
 Nine months  
 Nine months  
 ended  
 ended  
 ended  
 ended  
 Jun 2010  
 Jun 2009  
 Jun 2010  
 Jun 2009  
 US\$ million  
 US\$ million  
 US\$ million  
 US\$ million  
 Profit (loss) for the period  
 64  
 (62)  
 (18)  
 (74)  
 Adjustment for:  
 Depreciation, fellings and amortisation  
 116  
 125  
 365  
 336  
 Taxation  
 33  
 (15)  
 9  
 (1)  
 Net finance costs  
 57  
 70  
 192  
 131  
 Post-employment benefits  
 (15)  
 (13)  
 (48)  
 (32)  
 Plantation fair value adjustment  
 (108)  
 25  
 (2)  
 (44)  
 Other non-cash items

41  
(53)  
57  
(45)  
Cash generated from operations  
188  
77  
555  
271  
Movement in working capital  
(84)  
93  
(186)  
25  
Net finance costs  
(35)  
—  
(128)  
(54)  
Taxation paid  
(4)  
(3)  
(8)  
(5)  
Dividends paid  
—  
—  
—  
(37)  
Cash retained from operating activities  
65  
167  
233  
200  
Cash utilised in investing activities  
(41)  
(61)  
(130)  
(726)  
Capital expenditure and other  
non-current assets  
(41)  
(59)  
(130)  
(138)  
Acquisition  
—  
(2)  
—  
(588)  
24

106  
 103  
 (526)  
 Cash effects of financing activities  
 (179)  
 (57)  
 (244)  
 979  
 Net movement in cash and cash  
 equivalents  
 (155)  
 49  
 (141)  
 453  
 Group statement of changes in equity  
 Nine months  
 Nine months  
 ended  
 ended  
 Jun 2010  
 Jun 2009  
 US\$ million  
 US\$ million  
 Balance – beginning of period  
 1,794  
 1,605  
 Total comprehensive loss for the period  
 (96)  
 (117)  
 Dividends paid  
 –  
 (37)  
 Rights offer  
 –  
 575  
 Costs directly attributable to the rights offer  
 (5)  
 (31)  
 Issue of new shares  
 19  
 45  
 Transfers (to) from the share purchase trust  
 (6)  
 2  
 Share-based payment reserve  
 13  
 7  
 Balance – end of period  
 1,719  
 2,049

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Notes to the group results

1. Basis of preparation

The condensed financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting and the AC 500 standards as issued by the Accounting Practices Board in South Africa. Apart from the adoption of IFRS 8 “Operating Segments”, 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 2009 which are compliant with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The results are unaudited.

2. Adoption of IFRS 8 “Operating Segments”

The adoption of IFRS 8 “Operating Segments” did not have an impact on the group’s reported results or financial position.

IFRS 8 requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are components of an entity for which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and assessing performance. Prior year segment disclosure has been restated as reflected in note 8.

Quarter

Quarter

Nine months

Nine months

ended

ended

ended

ended

Jun 2010

Jun 2009

Jun 2010

Jun 2009

US\$ million

US\$ million

US\$ million

US\$ million

3. Operating profit

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

Depreciation and amortisation

101

106

315

286

Fair value adjustment on plantations

(included in cost of sales)

Changes in volume

Fellings

15

19

50

50

Growth

(15)



(20)  
(48)  
(52)  
—  
(1)  
2  
(2)  
Plantation price fair value  
adjustment  
(1)  
(108)  
25  
(2)  
(44)  
(108)  
24  
—  
(46)  
Included in other operating expense (income)  
are the following:  
Asset impairments (impairment reversals)  
1  
1  
(12)  
6  
Loss (profit) on disposal of property,  
plant and equipment  
—  
—  
1  
(1)  
Profit on disposal of investment  
—  
—  
(1)  
—  
Restructuring provisions raised  
5  
2  
46  
10  
Integration costs  
—  
3  
—  
3  
BEE charge  
23  
—  
23  
—

Fuel tax credit

—

(37)

(51)

(37)

(1)

In the third quarter of fiscal 2010 the group changed the estimates used to derive the prices of timber that are used to calculate the

fair value of its plantations. The change impacts the estimate of the expected future cash flows that are used in calculating the present

value of mature and immature timber except for the timber that is expected to be felled in the next 12 months from balance sheet

date. Before the change, Sappi used period end spot prices to estimate the fair value of the above timber; the group now uses a

12 quarter rolling average price, as this reflects the fair value of the plantations more accurately. This change has increased the value

of plantations by US\$28 million.

results

13

Quarter

Quarter

Nine months

Nine months

ended

ended

ended

ended

Jun 2010

Jun 2009

Jun 2010

Jun 2009

US\$ million

US\$ million

US\$ million

US\$ million

4. Capital expenditure

Property, plant and equipment

42

54

120

147

Jun 2010

Sept 2009

US\$ million

US\$ million

5. Capital commitments

Contracted

62

62

Approved but not contracted

135

126

197

188

6. Contingent liabilities

Guarantees and suretyships

43

44

Other contingent liabilities

8

8

51

52

With the cessation of production at the Usutu Pulp Mill, Sappi is undertaking an environmental assessment to determine whether there are any potential environmental obligations at the site. The nature and amount of any such obligations cannot be measured reliably until the assessments have been completed.

7. Material balance sheet movements year on year

Transfers to assets held for sale and liabilities associated with assets held for sale

With the cessation of production at the Usutu Pulp Mill, the assets and the liabilities forming part of this disposal group, consisting mainly of plantations, have been classified as held for sale.

Early repayment of interest-bearing borrowings

An early repayment of the first instalment on a syndicated loan with Österreichische Kontrollbank of EUR 80 million (US\$99 million), due in December 2010, was made in June 2010.

An amount of US\$29 million of our 7.5% Guaranteed Notes due 2032 was repurchased in the open market during the quarter for US\$24 million.

14		
8. Segment information		
Restatement of prior year disclosures		
Sappi Fine Paper South Africa is now reported as part of the Forest and Paper Products segment in accordance with the geographical management of our business. The table below shows the effect of this change for the quarter and nine months ended June 2009:		
Restated		
Quarter ended		
Jun 2009		
US\$ million		
As previously reported	Adjustment	Restated
Fine Paper		
1,098		
(78)		
1,020		
Operating profit		
19		
5		
24		
Net operating assets		
3,715		
(205)		
3,510		
Forest and Paper Products – Pulp and paper operations		
204		
78		
282		
Operating profit		
(26)		
(5)		
(31)		
Net operating assets		
1,790		
205		
1,995		
Restated		
Nine months ended		
Jun 2009		
US\$ million		
As previously reported	Adjustment	Restated
Fine Paper		
3,208		
(226)		
2,982		
Operating profit		
(16)		
1		
(15)		
Net operating assets		

3,715

(205)

3,510

Forest and Paper Products – Pulp and paper operations

567

226

793

Operating profit

71

(1)

70

Net operating assets

1,790

205

1,995

The information below is presented in the way that it is reviewed by the chief operating decision-maker as required by IFRS 8 “Operating Segments”.

results  
15  
Restated  
Restated  
Quarter  
Quarter  
Nine months  
Nine months  
ended  
ended  
ended  
ended  
Jun 2010  
Jun 2009  
Jun 2010  
Jun 2009  
Metric tons  
Metric tons  
Metric tons  
Metric tons  
(000's)  
(000's)  
(000's)  
(000's)  
Sales volume  
Fine Paper –  
North America  
335  
300  
1,002  
919  
Europe  
939  
746  
2,802  
2,061  
Total  
1,274  
1,046  
3,804  
2,980  
Forest and Paper Products – Pulp and paper  
operations  
416  
425  
1,291  
1,190  
Forestry operations  
292  
218  
704

649  
Total  
1,982  
1,689  
5,799  
4,819  
US\$ million  
US\$ million  
US\$ million  
US\$ million  
Sales  
Fine Paper –  
North America  
347  
291  
1,009  
955  
Europe  
873  
729  
2,675  
2,027  
Total  
1,220  
1,020  
3,684  
2,982  
Forest and Paper Products – Pulp and paper  
operations  
361  
282  
1,062  
793  
Forestry operations  
21  
14  
52  
41  
Total  
1,602  
1,316  
4,798  
3,816  
Operating profit (loss) excluding special items  
Fine Paper –  
North America  
24  
(13)  
82  
(36)  
Europe



13  
4  
42  
(4)  
Total  
37  
(9)  
124  
(40)  
Forest and Paper Products  
35  
(11)  
76  
27  
Corporate and other  
3  
7  
10  
8  
Total  
75  
(13)  
210  
(5)  
Special items – (gains) losses  
Fine Paper –  
North America  
(1)  
(37)  
(51)  
(29)  
Europe  
2  
4  
10  
4  
Total  
1  
(33)  
(41)  
(25)  
Forest and Paper Products  
(83)  
20  
48  
(43)  
Corporate and other  
3  
7  
20  
7

Total  
 (79)  
 (6)  
 27  
 (61)  
 Operating profit (loss)  
 Fine Paper –  
 North America  
 25  
 24  
 133  
 (7)  
 Europe  
 11  
 –  
 32  
 (8)  
 Total  
 36  
 24  
 165  
 (15)  
 Forest and Paper Products  
 118  
 (31)  
 28  
 70  
 Corporate and other  
 –  
 –  
 (10)  
 1  
 Total  
 154  
 (7)  
 183  
 56  
 EBITDA excluding special items  
 Fine Paper –  
 North America  
 42  
 13  
 140  
 40  
 Europe  
 68  
 62  
 220  
 146  
 Total  
 110

75  
360  
186  
Forest and Paper Products  
62  
11  
154  
86  
Corporate and other  
4  
7  
11  
9  
Total  
176  
93  
525  
281

16  
Restated  
Restated  
Quarter  
Quarter  
Nine months  
Nine months  
ended  
ended  
ended  
ended  
Jun 2010  
Jun 2009  
Jun 2010  
Jun 2009  
US\$ million  
US\$ million  
US\$ million  
US\$ million  
Net operating assets  
Fine Paper –  
North America  
949  
1,035  
949  
1,035  
Europe  
2,070  
2,475  
2,070  
2,475  
Total  
3,019  
3,510  
3,019  
3,510  
Forest and Paper Products  
1,785  
1,995  
1,785  
1,995  
Corporate and other  
49  
72  
49  
72  
Total  
4,853  
5,577  
4,853  
5,577

Reconciliation of operating profit (loss) excluding special items to operating profit (loss)

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.

Operating profit (loss) excluding special items

75

(13)

210

(5)

Special items

79

6

(27)

61

Plantation price fair value adjustment

108

(25)

2

44

Restructuring provisions raised

(5)

(2)

(46)

(10)

(Loss) profit on disposal of property,  
plant and equipment

–

–

(1)

1

Profit on disposal of investment

–

–

1

–

Asset (impairments) impairment reversals

(1)

(1)

12

(6)

Fuel tax credit

–

37

51

37

Integration costs

–

(3)

–

(3)	
BEE charge	
(23)	
–	
(23)	
–	
Insurance proceeds	
1	
–	
1	
–	
Fire, flood, storm and related events	
(1)	
–	
(24)	
(2)	
Operating profit (loss)	
154	
(7)	
183	
56	
Reconciliation of EBITDA excluding special items and operating profit (loss) excluding special items to profit (loss) before taxation	
EBITDA excluding special items	
176	
93	
525	
281	
Depreciation and amortisation	
(101)	
(106)	
(315)	
(286)	
Operating profit (loss) excluding special items	
75	
(13)	
210	
(5)	
Special items – gains (losses)	
79	
6	
(27)	
61	
Net finance costs	
(57)	
(70)	
(192)	
(131)	
Profit (loss) before taxation	
97	
(77)	

(9)	
(75)	
Reconciliation of net operating assets to total assets	
Net operating assets	
4,853	
5,577	
4,853	
5,577	
Deferred tax	
49	
38	
49	
38	
Cash and cash equivalents	
534	
796	
534	
796	
Other current liabilities	
1,062	
1,017	
1,062	
1,017	
Taxation payable	
43	
58	
43	
58	
Liabilities associated with assets held for sale	
19	
—	
19	
—	
Total assets	
6,560	
7,486	
6,560	
7,486	

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Supplemental Information

Quarter

Quarter

Nine months

Nine months

ended

ended

ended

ended

Jun 2010

Jun 2009

Jun 2010

Jun 2009

US\$ million

US\$ million

US\$ million

US\$ million

1. Headline earnings (loss) per share \*

Headline earnings (loss) per share

(US cents)

13

(12)

(6)

(15)

Weighted average number of shares

in issue (millions)

516.0

515.8

515.7

471.5

Diluted headline earnings (loss) per share

(US cents)

12

(12)

(6)

(15)

Weighted average number of shares

on fully diluted basis (millions)

529.4

515.8

515.7

471.5

Calculation of headline earnings (loss) \*

Profit (loss) for the period

64

(62)

(18)

(74)

Asset impairments (impairment reversals)

1



1  
(12)  
6  
Loss (profit) on disposal of property,  
plant and equipment  
—  
—  
1  
(1)  
Profit on disposal of investment  
—  
—  
(1)  
—  
Tax effect of above items  
—  
—  
—  
—  
Headline earnings (loss)  
65  
(61)  
(30)  
(69)

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

2. Exchange rates

Jun

Mar

Dec

Sept

Jun

2010

2010

2009

2009

2009

Exchange rates:

Period end rate: US\$1 = ZAR

7.6250

7.4298

7.5315

7.4112

7.8990

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

7.5821

7.5597

7.5009

7.7174

8.6197

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

7.5610

7.5302

7.5009

9.0135

9.4205

Period end rate: EUR 1 = US\$

1.2377

1.3413

1.4397

1.4688

1.4054

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

1.2937

1.3891

1.4737

1.4317

1.3651

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

1.3845

1.4302

1.4737

1.3657

1.3432

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.

results  
18  
ZAR  
0  
10  
20  
30  
40  
50  
60  
70  
80  
90  
Jul 06  
Oct 06  
Jan 08  
Apr 08  
Jul 08  
Oct 08  
Jan 09  
Apr 09  
Jul 09  
Oct 09  
Jan 10  
Jan 07  
Apr 07  
Jul 07  
Oct 07  
Apr 10  
Jun 10  
Sappi ordinary shares\* (JSE: SAP)  
US\$  
0  
2  
4  
6  
8  
10  
12  
14  
Jul 06  
Oct 06  
Jan 08  
Apr 08  
Jul 08  
Oct 08  
Jan 09  
Apr 09  
Jul 09  
Oct 09  
Jan 10

Jan 07

Apr 07

Jul 07

Oct 07

Apr 10

Jun 10

US Dollar share price conversion\*

\* Historic share prices revised to reflect rights offer

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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

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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

this report is available on the Sappi website  
[www.sappi.com](http://www.sappi.com)

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[www.sappi.com](http://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 02, 2010

SAPPI LIMITED,

Name:

M. R. Thompson

Title:

Chief Financial Officer

M. R. Thompson

By:

/s/