

SAPPI LTD

Form 6-K

May 14, 2008

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, 2008

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, 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 2008, furnished by the Registrant under this Form 6-K, is incorporated by reference into (i) the Registration Statements on Form S-8 of the Registrant filed December 23, 1999 and December 15, 2004 in connection with The Sappi Limited Share Incentive Scheme, (ii) the Section 10(a) Prospectus relating to the offer and sale of the Registrant's shares to Participants under The Sappi Limited Share Incentive Scheme, (iii) the Registration Statements on Form S-8 of the Registrant filed December 15, 2004 and December 21, 2005 in connection with The Sappi Limited 2004 Performance Share Incentive Plan and (iv) the Section 10(a) Prospectus relating to the offer and sale of the Registrant's shares to Participants under The Sappi Limited 2004 Performance Share Incentive Plan. This Form 6-K includes a conformed version of the earnings announcement sent by the Registrant to its shareholders. This conformed version was prepared solely for purposes of supplementing the documents referred to in clauses (i) - (iv) above.

FORWARD-LOOKING STATEMENTS

In order to utilize the "Safe Harbor" provisions of the United States Private Securities Litigation Reform Act of 1995 (the "Reform Act"), Sappi Limited (the "Company") is providing the following cautionary statement. Except for historical information contained herein, statements contained in this Report on Form 6-K may constitute "forward-looking statements" within the meaning of the Reform Act. The words "believe", "anticipate", "expect", "intend", "estimate", "plan", "assume", "positioned", "will", "may", "should", "risk" and other similar expressions which are predictions of or indicate future events and future trends which do not relate to historical matters identify forward-looking statements. In addition, this Report on Form 6-K may include forward-looking statements relating to the Company's potential exposure to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity price risk. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond the control of the Company, together with its subsidiaries (the "Group"), and may cause the actual results, performance or achievements of the Group to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements (and from past results, performance or achievements). Certain factors that may cause such differences include but are not limited to: the highly cyclical nature of the pulp and paper industry; pulp and paper production, production capacity, input costs (including raw material, energy and employee costs) and pricing levels in North America, Europe, Asia and southern Africa; any major disruption in production at the Group's key facilities; changes in environmental, tax and other laws and regulations; adverse changes in the markets for the Group's products; any delays, unexpected costs or other problems experienced with any business acquired or to be acquired and achieving expected savings and synergies; consequences of the Group's leverage (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 economies in the countries in which we operate or the effect of governmental efforts to address present or future economic or social problems; and the impact of future investments, acquisitions and dispositions (including the financing of investments and acquisitions) and any delays, unexpected costs or other problems experienced in connection with dispositions. These and other risks, uncertainties and factors are discussed in the Company's Annual Report on Form 20-F and other filings with and submissions to the Securities and Exchange Commission, including this Report on Form 6-K. Shareholders and prospective investors are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are made as of the date of the submission of this Report on Form 6-K and are not intended to give any assurance as to future results. The Company undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new

information or future events or circumstances or otherwise.

sappi

quarter results

ended March

Quarter 2

2008

Form S-8 version

** for the six months ended March 2008*

*** as at 31 March 2008*

† *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

4%

Coated specialities

9%

Commodity paper

8%

Pulp

14%

Other

1%

North America

30%

Europe

41%

Southern Africa

15%

Asia and other

14%

South African

72%

North America

18%

Europe and ROW †

10%

North America

28%

Europe

47%

Southern Africa

25%

sappi

Flo

sappi limited
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second quarter

Operating profit improved to US\$221 million

Operating profit includes US\$118 million plantation fair value gain

Basic EPS 68 US cents

Prices up but only marginally so in Europe

Continued input cost pressure

Saiccor expansion on track

Financial highlights

Summary

Quarter ended

Half-year ended

March 2008

Dec 2007 March 2007

March 2008

March 2007

Key figures: (US\$ million)

Sales

1,473

1,377

1,318

2,850

2,585

Operating profit

221

91 117

312

209

EBITDA *

314

187 211

501

398

Basic EPS (US cents)

68

18 25

86

38

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

sappi limited

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second quarter

Comment

Our profitability improved in the quarter compared to a year ago and to the prior quarter. The performance of our southern African businesses was supported by good demand, increasing prices and a weaker Rand against the Dollar. Production was, however, unfavourably impacted by national power curtailment and lower output at Saiccor. Sappi Fine Paper North America continued its improving trend as a result of higher prices and improved operating efficiencies and cost control, but margins remain under pressure from rising input costs. Our key challenge remains to restore Sappi Fine Paper Europe to acceptable profitability. We have achieved limited coated fine paper price increases in parts of Europe which have been insufficient to recover the increasing input costs.

Pulp prices have continued to increase with NBSK increasing to an average of US\$880 per ton from an average of US\$840 per ton in the previous quarter. As the group sells slightly more pulp than it purchases, the increase in pulp prices is beneficial for the group; however, our European business is a large net buyer of pulp and its margins are therefore squeezed by high pulp prices.

Our sales increased 11.8% compared to a year ago to US\$1,473 million in the quarter, largely as a result of price increases and the strengthening of the Euro against the Dollar.

Operating profit was US\$221 million, 89% higher than a year ago.

Net finance costs for the quarter were US\$27 million compared to US\$33 million a year ago. The change reflects the benefit of lower interest rates under certain fixed to floating interest rate swaps implemented in 2002.

Taxation for the quarter of US\$39 million represents an effective tax rate of 20% for the quarter after the favourable effect of the reduction in the South African tax rate from 29% to 28% during the quarter.

Basic EPS was 68 US cents for the quarter compared to 25 US cents a year ago.

Cash flow

Cash generated by operations was US\$176 million for the quarter compared to US\$157 million a year ago. The increase was a result of improved operating performance and a reclassification of US\$31 million, included in Other Non-Cash Items in the quarter ended December 2007, to Net Finance costs paid in the current quarter. This was partly offset by post employment benefit payments of US\$39 million which was US\$21 million higher than the equivalent quarter last year. Post employment payments are expected to be US\$84 million for the full year compared to US\$101 million in the previous year, and to decline further in 2009.

Working capital increased US\$30 million during the quarter primarily as a result of increased receivables which in turn was the result of increased sales and the strength of the Euro against the Dollar.

Capital expenditure on property, plant and equipment was US\$165 million, of which US\$75 million related to the purchase of previously leased equipment and US\$65 million to the Saiccor expansion project. During the next quarter a similar amount will be spent on the Saiccor project.

sappi limited

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second quarter

Operating review for the quarter

Sappi Fine Paper

Quarter

Quarter

Quarter

ended

ended

ended

March 2008

March 2007

%

Dec 2007

US\$ million

US\$ million

change

US\$ million

Sales

1,209

1,057

14.4

1,109

Operating profit

47

49

(4.1)

31

Operating profit to sales (%)

3.9

4.6

–

2.8

The performance of the fine paper business improved further in the quarter with improved margins in North America and South Africa. In these markets price improvements have helped us offset continued input cost pressure. In Europe average price improvements have been marginal and not sufficient to offset these input cost increases and restore margins to acceptable levels.

The speciality paper businesses in Europe and North America performed strongly in the quarter.

Sales volumes improved by 5% compared to a year ago and average prices realised in Dollar terms increased approximately 9%, partly as a result of currency movements.

Europe

Quarter

Quarter

Quarter

ended

ended

%

%

ended

March 2008

March 2007

change

change
 Dec 2007
 US\$ million
 US\$ million
 (US\$)
 (Euro)
 US\$ million
 Sales
 697
 597
 16.8
 2.2
 638
 Operating profit
 18
 44
 (59.1)
 (63.6)
 19
 Operating profit to sales (%)
 2.6
 7.4
 -
 -
 3.0

Although prices of coated fine paper in Euro terms have edged up marginally in some markets compared to the prior quarter, they remain below the levels of a year ago. The weakening of the US Dollar and British Pound relative to the Euro reduced price realisation in Euro terms.

Our sales volume increased 5% compared to a year ago. Sales value in US Dollars increased 16.8% largely as a result of volume increases and the impact of the weakening of the Dollar against the Euro. For the half year sales volume increased approximately 2%.

Industry shipments increased 2% for coated fine paper compared to a year ago.

Demand for our products remained firm and industry order books were strong.

We continue to manage our costs, offsetting the continued input cost pressures to a large extent; however, profitability is unlikely to be restored to acceptable levels without material increases in prices.

sappi limited

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second quarter

North America

Quarter

Quarter

Quarter

ended

ended

ended

March 2008

March 2007

%

Dec 2007

US\$ million

US\$ million

change

US\$ million

Sales

423

371

14.0

384

Operating profit

26

3

766.7

11

Operating profit to sales (%)

6.1

0.8

—

2.9

Our North American business has shown a steadily improving profit trend as a result of improvements across all disciplines. Demand for coated fine paper in reel form remains strong and prices continue to improve; however, in sheet form the markets continue to be negatively influenced by low priced imports. Strong pulp prices contributed to the improved performance because the North American business is a net seller of pulp.

Our sales volume increased 7% for the quarter and sales in US Dollars increased 14%, compared to a year ago.

We continue to reduce our raw material and energy consumption; however, pressure on the prices of our major inputs more than offset these improvements during the quarter.

South Africa

Quarter

Quarter

Quarter

ended

ended

%

%

ended

March 2008

March 2007

change
change
Dec 2007
US\$ million
US\$ million
(US\$)
(Rand)
US\$ million
Sales
89
89
–
4.2
87
Operating profit
3
2
50.0
57.1
1
Operating profit to sales (%)
3.4
2.2
–
–
1.1

The business has started to restore its margins through a combination of cost control and improved price realisation. Increasing wood, pulp, energy and labour costs continue to exert pressure on profitability.

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second quarter

Forest Products

Quarter

Quarter

Quarter

ended

ended

%

%

ended

March 2008

March 2007

change

change

Dec 2007

US\$ million

US\$ million

(US\$)

(Rand)

US\$ million

Sales

264

261

1.1

5.5

268

Operating profit

172

69

149.3

159.7

55

Operating profit to sales (%)

65.2

26.4

–

–

20.5

The business performance in the quarter was supported by good demand, improving pulp and paper prices and the weaker Rand. Inflationary pressure, particularly wood, energy and labour costs, however, remain a concern.

Results were also unfavourably impacted by reduced production and sales volumes as a result of some production problems at Saiccor and by the power disruptions early in the quarter. After a major 3-4 day disruption we reached an agreement with the national utility in terms of which we will meet their requirement to reduce our purchases by generating more of our own power; however, doing so is more costly. Since then we have operated without, and do not foresee, major disruptions.

Production at the Kraft mills continued to improve during the quarter.

Included in operating profit for the quarter is a US\$118 million plantation fair value gain mostly as a result of wood price increases.

The Saiccor expansion project is nearing completion with many of the construction areas currently

undergoing commissioning tests. Start-up is expected during June 2008. The expansion includes power generation which after start-up will increase our power self-sufficiency and reduce power purchases.

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second quarter

Directors

Eugene van As retired as Chairman of the board and as a non-executive director of Sappi Limited with effect from the conclusion of the Annual General Meeting held on 03 March 2008.

Dr Danie Cronjé was appointed independent non-executive Chairman of the Sappi Limited board effective upon Mr van As' retirement.

Outlook

Global capacity utilisation remains reasonably high with limited new capacity coming on stream within the next year. Prices for coated fine paper continue to strengthen in most regions in US Dollar terms. Improved price realisation in Europe is, however, essential in order to achieve a much needed improvement in margin. Pulp prices remain high supported by strong demand, particularly from Asia, and the weaker US Dollar.

While market conditions in terms of demand are generally favourable in our industry, we cannot ignore the potential impact of economic slow-downs in North America and Europe on our business.

Operating performance of our southern African operations is expected to remain strong and in North America we expect the improving trend to continue on a year on year basis. Europe's performance will remain under pressure as a result of the pricing situation and high input costs. Manufacturing and logistics efficiencies and tight control over costs remain essential to manage the effect of high energy, pulp and wood costs and labour cost inflation.

Improved cash generation, continued attention to working capital and capital expenditure management will remain priorities.

Operating profit excluding the impact of the plantation fair value adjustment is expected to improve in the next quarter compared to a year ago.

On behalf of the board

R J Boëttger

M R Thompson

Director

Director

06 May 2008

sappi limited

(Registration number 1936/008963/06)

Issuer Code: SAVVI

JSE Code: SAP

ISIN: ZAE000006284

sappi limited

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second quarter

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 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, 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. The company undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or circumstances or otherwise.

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second quarter

Form S-8 Version

Conformed financial results

for the quarter ended March 2008

sappi limited
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 second quarter
 Group income statement
 Quarter
 Quarter
 Half-year
 Half-year
 ended
 ended
 ended
 ended
 Mar 2008
 Mar 2007
 Mar 2008
 Mar 2007
 Notes
 US\$ million
 US\$ million
 % change
 US\$ million
 US\$ million
 % change
 Sales
 1,473
 1,318
 11.8
 2,850
 2,585
 10.3
 Cost of sales
 1,162
 1,141
 2,354
 2,233
 Gross profit
 311
 177 75.7
 496
 352 40.9
 Selling, general &
 administrative expenses
 102
 93
 199
 181
 Other operating income
 (7)
 (30)
 (6)
 (34)

Share of profit from
 associates and joint
 ventures

(5)

(3)

(9)

(4)

Operating profit

3 & 4

221

117 88.9

312

209 49.3

Net finance costs

27

33

55

70

Net interest

26

37

63

73

Finance cost capitalised

(6)

(3)

(15)

(4)

Net foreign exchange

gains

(4)

(4)

(5)

(6)

Net fair value loss on
 financial instruments

11

3

12

7

Profit before taxation

194

84 131.0

257

139 84.9

Taxation

39

26

60

51

Current

1	
9	
4	
15	
Deferred	
38	
17	
56	
36	
Profit for the period	
155	
58	167.2
197	
88	123.9
Basic earnings per share (US cents)	
68	
25	
86	
38	
Weighted average number of shares in issue (millions)	
228.8	
227.7	
228.7	
227.4	
Diluted basic earnings per share (US cents)	
67	
25	
85	
38	
Weighted average number of shares on fully diluted basis (millions)	
230.6	
230.4	
230.5	
229.6	

sappi limited
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second quarter
Group balance sheet
Mar 2008
Sept 2007
US\$ million
US\$ million
ASSETS
Non-current assets
4,641
4,608
Property, plant and equipment
3,531
3,491
Plantations
635
636
Deferred taxation
58
60
Other non-current assets
417
421
Current assets
1,710
1,736
Inventories
801
712
Trade and other receivables
708
660
Cash and cash equivalents
201
364
Total assets
6,351
6,344
EQUITY AND LIABILITIES
Shareholders' equity
Ordinary shareholders' interest
1,677
1,816
Non-current liabilities
2,656
2,612
Interest-bearing borrowings
1,905
1,828
Deferred taxation

387
385
Other non-current liabilities
364
399
Current liabilities
2,018
1,916
Interest-bearing borrowings
935
771
Bank overdraft
22
22
Other current liabilities
953
998
Taxation payable
108
125
Total equity and liabilities
6,351
6,344
Number of shares in issue at balance sheet date (millions)
228.8
228.5

sappi limited
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 second quarter
 Group cash flow statement
 Quarter
 Quarter
 ended
 ended
 Half-year ended
 Half-year ended
 March 2008
 March 2007
 March 2008
 March 2007
 US\$ million
 US\$ million
 US\$ million
 US\$ million
 Profit for the period
 155
 58
 197
 88
 Adjustment for:
 Depreciation, fellings and amortisation
 112
 111
 229
 223
 Taxation charge
 39
 26
 60
 51
 Net finance costs
 27
 33
 55
 70
 Post employment benefits **
 (39)
 (18)
 (53)
 (45)
 Other non-cash items ***
 (118)
 (53)
 (157)
 (105)
 Cash generated from operations **
 176

157
331
282
Movement in working capital
(30)
(5)
(163)
(44)
Net finance costs paid ***
(8)
(22)
(67)
(68)
Taxation (paid) received
(9)
1
(16)
(3)
Dividends paid *
(73)
(68)
(73)
(68)
Cash retained from operating activities
56
63
12
99
Cash utilised in investing activities **
(164)
(18)
(253)
(146)
(108)
45
(241)
(47)
Cash effects of financing activities
(118)
(39)
105
55
Net movement in cash and cash equivalents
(226)
6
(136)
8

* Dividend number 84: 32 US cents per share (2007: 30 US cents per share)

Reclassifications

** Cash outflows relating to contributions to post employment benefit funds previously reflected in cash utilised in investing

activities, have been included in cash generated from operations.

****A US\$31 million outflow, included in "Other non-cash items" in the quarter ended December 2007 has been reclassified to "Net*

finance costs paid" in the current quarter, with the resulting impact on "Cash generated from operations". There is no impact on

the movement for the half-year ended March 2008.

Group statement of recognised income and expense

Quarter

Quarter

ended

ended

Half-year ended

Half-year ended

March 2008

March 2007

March 2008

March 2007

US\$ million

US\$ million

US\$ million

US\$ million

Exchange differences on translation of foreign operations

(262)

(35)

(272)

78

Sundry other movements in equity

–

3

2

–

Net (expense) income recorded directly in equity

(262)

(32)

(270)

78

Profit for the period

155

58

197

88

Total recognised (expense) income for the period

(107)

26

(73)

166

sappi limited

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second quarter

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. 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 2007 which are compliant with International Financial Reporting Standards (IFRS) as issued by the International Accounting

Standards Board.

The results are unaudited.

Comparative figures – Cash outflows relating to contributions to post employment benefit funds previously reflected in cash utilised in investing activities, have been included in cash generated from operations.

2.

Reconciliation of movement in shareholders' equity

Half-year

Half-year

ended

ended

March 2008

March 2007

US\$ million

US\$ million

Balance – beginning of year

1,816

1,386

Total recognised (expense) income for the period

(73)

166

Dividends paid

(73)

(68)

Transfers to participants of the share purchase trust

3

8

Share based payment reserve

4

2

Balance – end of period

1,677

1,494

sappi limited
13
second quarter
Quarter
Quarter
Half-year
Half-year
ended
ended
ended
ended

March 2008
March 2007
March 2008
March 2007
US\$ million
US\$ million
US\$ million
US\$ million

3.
Operating profit
Included in operating profit are the following
non-cash items:

Depreciation and amortisation
93
94
189
189

Fair value adjustment on plantations
(included in cost of sales)

Changes in volume
Fellings

19
17
40
34
Growth
(17)
(18)
(35)
(35)

2
(1)
5
(1)
Plantation price fair value adjustment
(118)
(12)
(117)
(41)
(116)

(13)

(112)

(42)

Included in other operating income are the following:

(a) Plantation price fair value adjustment

(118)

(12)

(117)

(41)

(b) Restructuring provisions released

(2)

(7)

(3)

(7)

(c) Profit on sale of assets

(3)

(25)

(4)

(25)

(d) Fire, flood, storm and related events

(1)

—

(1)

—

(e) Asset impairments

—

—

2

—

(124)

(44)

(123)

(73)

Quarter

Quarter

Half-year

Half-year

ended

ended

ended

ended

March 2008

March 2007

March 2008

March 2007

US\$ million

US\$ million

US\$ million

US\$ million

4.

Capital expenditure	
Property, plant and equipment	
165	
76	
274	
214	
March 2008	
Sept 2007	
US\$ million	
US\$ million	
5.	
Capital commitments	
Contracted	
130	
188	
Approved but not contracted	
167	
249	
297	
437	
Notes to the group results	

sappi limited

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second quarter

6.

Contingent liabilities

March 2008

Sept 2007

US\$ million

US\$ million

Guarantees and suretyships

53

43

Other contingent liabilities *

7

26

60

69

* The decrease in contingent liabilities reflects management's revised estimate of losses which could arise from taxation

queries to which certain group companies are subject. These amounts have now been recognised as liabilities.

7.

Material balance sheet movements

Restricted cash

In the quarter ended 31 December 2007, the company classified US\$41 million of cash as specifically restricted to settle certain post retirement medical liabilities, which did not result in any movement of cash and cash equivalents for cash flow statement purposes. In the current quarter, certain agreements were finalized which now permit the group to direct the use of this cash. Therefore, management now considers this cash to be unrestricted.

Current and non-current interest bearing borrowings

The movement on these balances between September 2007 and March 2008 is largely due to (i) US\$146 million of expenditure on the Saiccor expansion project, (ii) financing for the purchase of leased equipment for US\$75 million and (iii) US\$137 million of currency movements and fair value adjustments.

Taxation

The movement is a result of certain tax liabilities which the group has settled in the past six months.

Notes to the group results

sappi limited
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second quarter
Supplemental information
additional information
Quarter
Quarter
ended
ended
Half-year ended
Half-year ended
March 2008
March 2007
March 2008
March 2007
US\$ million
US\$ million
US\$ million
US\$ million
1.
Profit for the period to EBITDA
(1)
reconciliation
Profit for the period
155
58
197
88
Net finance costs
27
33
55
70
Taxation
39
26
60
51
Depreciation and amortisation
93
94
189
189
EBITDA
(1)
314
211
501
398
(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 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 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 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.

Quarter

Quarter

ended

ended

Half-year ended

Half-year ended

March 2008

March 2007

March 2008

March 2007

US\$ million

US\$ million

US\$ million

US\$ million

2.

Calculation of headline earnings *

Profit for the period	
155	
58	
197	
88	
Profit on disposal of property, plant & equipment	
(3)	
(25)	
(4)	
(25)	
Asset impairments	
–	
–	
2	
–	
Tax effect of above items	
(1)	
6	
–	
6	
Headline earnings	
151	
39	
195	
69	
Headline earnings per share	
Headline earnings per share (US cents)	
66	
17	
85	
30	
Weighted average number of shares in issue (millions)	
228.8	
227.7	
228.7	
227.4	
Diluted headline earnings per share (US cents) *	
65	
17	
85	
30	
Weighted average number of shares on fully diluted basis (millions)	
230.6	
230.4	
230.5	
229.6	

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

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second quarter

3.
Exchange rates

March

Dec

Sept

June

March

2008

2007

2007

2007

2007

Exchange rates :

Period end rate: US\$1 = ZAR

8.1432

6.8068

6.8713

7.0393

7.2650

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

7.4593

6.7488

7.0453

7.1095

7.1532

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

7.1465

6.7488

7.1741

7.2121

7.2783

Period end rate: EUR 1 = US\$

1.5802

1.4717

1.4272

1.3542

1.3358

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

1.5006

1.4556

1.3782

1.3498

1.3160

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

1.4790

1.4556

1.3336

1.3178

1.3021

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

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 Supplemental information
regional information
 Quarter
 Quarter
 Half-year
 Half-year
 ended
 ended
 ended
 ended
 March 2008
 March 2007
 March 2008
 March 2007
 Metric tons
 Metric tons
 Metric tons
 Metric tons
 (000's)
 (000's)
 % change
 (000's)
 (000's) % change
 Sales volume
 Fine Paper –
 North America
 402
 376
 6.9
 775
 748
 3.6
 Europe
 657
 626
 5.0
 1,281
 1,261
 1.6
 Southern Africa
 83
 87
 (4.6)
 159
 174
 (8.6)
Total
 1,142

1,089
4.9
2,215
2,183
1.5
Forest Products – Pulp and paper
operations
347
378
(8.2)
692
709
(2.4)
Forestry operations
247
258
(4.3)
447
529
(15.5)
Total
1,736
1,725
0.6
3,354
3,421
(2.0)
Quarter
Quarter
Half-year
Half-year
ended
ended
ended
ended
March 2008
March 2007
March 2008
March 2007
US\$ million
US\$ million
% change
US\$ million
US\$ million
% change
Sales
Fine Paper –
North America
423
371
14.0

807
745
8.3
Europe
697
597
16.8
1,335
1,184
12.8
Southern Africa
89
89
—
176
172
2.3
Total
1,209
1,057
14.4
2,318
2,101
10.3
Forest Products – Pulp and paper
operations
246
245
0.4
498
452
10.2
Forestry operations
18
16
12.5
34
32
6.3
Total
1,473
1,318
11.8
2,850
2,585
10.3
Operating profit
Fine Paper –
North America
26
3

766.7
37
5
640.0
Europe
18
44
(59.1)
37
57
(35.1)
Southern Africa
3
2
50.0
4
3
33.3
Total
47
49
(4.1)
78
65
20.0
Forest Products
172
69
149.3
227
147
54.4
Corporate
2
(1)
—
7
(3)
—
Total
221
117
88.9
312
209
49.3

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second quarter

Sappi ordinary shares

ADR price (NYSE TICKER: SPP)

160

140

120

100

80

60

20

40

0

Apr 04 Jul 04 Oct 04 Jan 05 Apr 05 Jul 05 Oct 05 Jan 06 Apr 06 Jul 06 Oct 06 Jan 07 Jul 07 Oct
07 Apr 07 Jan 08 Apr 08

ZAR

20

16

12

10

6

5

2

4

0

Apr 04 Jul 04 Oct 04 Jan 05 Apr 05 Jul 05 Oct 05 Jan 06 Apr 06 Jul 06 Oct 06 Jan 07 Jul 07 Oct
07 Apr 07 Jan 08 Apr 08

US\$

18

14

sappi limited

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second quarter

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

South Africa:

United States

United Kingdom:

Computershare Investor

ADR Depositary:

Capita Registrars

Services (Proprietary) Limited

The Bank of New York

The Registry

70 Marshall Street

Investor Relations

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second quarter

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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 08,2008

SAPPI LIMITED,

by: /s/ M. R. Thompson

Title: Chief Financial Officer

Name: M. R. Thompson