

SAPPI LTD

Form 6-K

May 11, 2011

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

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

under the Securities Exchange Act of 1934

For the month of May, 2011

Commission file number: 1-14872

SAPPI LIMITED

(Translation of registrant's name into English)

48 Ameshoff Street

Braamfontein

Johannesburg 2001

REPUBLIC OF SOUTH AFRICA

(Address of principal executive offices)

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

Form 20-F

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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 second quarter results ended March 2011, 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 highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclicity, such as levels of demand, production capacity, production, input costs including raw material, energy and employee costs, and pricing);
- the impact on the business of the global economic downturn;
- unanticipated production disruptions (including as a result of planned or unexpected power outages);
- changes in environmental, tax and other laws and regulations;
- adverse changes in the markets for our products;
- consequences of our leverage, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed;
- adverse changes in the political situation and economy in the countries in which we operate or the effect of governmental efforts to address present or future economic or social problems;
- the impact of investments, acquisitions and dispositions (including related financing), any delays, unexpected costs or other problems experienced in connection with dispositions or with integrating

acquisitions and achieving expected savings and synergies; and

- currency fluctuations.

These and other risks, uncertainties and factors are discussed in the Company's Annual Report on Form 20-F and other filings with and submissions to the Securities and Exchange Commission, including this Report on Form 6-K. Shareholders and prospective investors are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are made as of the date of the submission of this Report on Form 6-K and are not intended to give any assurance as to future results. The Company undertakes no obligation to publicly update or revise any of these forward looking statements, whether to reflect new information or future events or circumstances or otherwise.

2nd Quarter results  
for the period ended  
March 2011

Form S-8 Version

Coated fine paper  
63%  
Uncoated fine paper  
8%  
Coated specialities  
7%  
Commodity paper  
7%  
Pulp  
14%  
Other  
1%  
Sales by product group\*  
North America  
20%  
Europe  
55%  
Southern Africa  
25%  
Sales by source\*  
*\* for the period ended March 2011*  
North America  
22%  
Europe  
48%  
Southern Africa  
13%  
Asia and other  
17%  
Sales by destination\*  
2nd Quarter Results

1

Second Quarter Results

Quarter ended

Half-year ended

Mar 2011

Mar 2010      Dec 2010

Mar 2011

Mar 2010

Key figures: (US\$ million)

Sales

1,824

1,576            1,873

3,697

3,196

Operating (loss) profit

(1)

28                121

120

29

Special items – losses

(1)

128

26                16

144

106

Operating profit excluding special items

(2)

127

54                137

264

135

Basic (loss) earnings per share (US cents)

(14)

(6)                7

(7)

(16)

Key ratios: (%)

Operating (loss) profit to sales

(0.1)

1.8                6.5

3.3

0.9

Operating profit excluding special items

to sales

7.0

3.4                7.3

7.1

4.2

(1)

Refer to note 8 to the group results for details on special items.

(2)

Refer to note 8 to the group results for the reconciliation of operating profit excluding special items to segment operating (loss) profit.

EPS loss 14 US cents; Q2 2010 loss per share 6 US cents

Operating loss US\$1 million; Q2 2010 US\$28 million profit

Operating profit excluding special items US\$127 million;

Q2 2010 US\$54 million

Special items US\$128 million charge including envisaged closure cost of Biberist Mill

Good demand for the majority of our products

Input costs continue to increase

Financial summary for the quarter

2

## Second Quarter Results

### Commentary on the quarter

Operating profit excluding special items for the quarter more than doubled compared to a year earlier and on a per week basis was at the same level as our first financial quarter ended December 2010. The operating performance of each of our regional businesses improved when compared to a year earlier. Sales for the quarter increased to US\$1.8 billion, up 16% compared to the equivalent quarter last year. The increase was a result of sales volume increases in our European and North American businesses and improved prices in each of the 3 regional businesses, with a further positive effect of currency translation of the Euro and Rand to the US Dollar.

Input cost increases affected the performance of each of our businesses. In particular, our European business, which purchases more than half of its pulp requirements, was affected by high pulp prices together with prices for wood, latex and energy. The North American and Southern African businesses are net sellers of pulp and therefore benefitted from high pulp prices.

Special items for the quarter were a charge of US\$128 million arising mainly as a result of costs associated with the envisaged closure of Biberist Mill. The Biberist charges comprise restructuring costs of US\$59 million and non-cash asset impairment costs of US\$59 million. In the event that Biberist Mill is closed, we will transfer production to, and will service our customers from our other mills. We estimate the benefits of such a closure to exceed US\$50 million per annum.

Operating profit excluding special items was US\$127 million in the quarter compared to US\$54 million in the equivalent quarter last year. Including special items, the result for the quarter was an operating loss of US\$1 million compared to an operating profit of US\$28 million a year ago.

Net finance costs for the quarter were US\$68 million, which includes a net charge of US\$5 million in connection with the repurchase of US\$150 million of bonds.

Earnings per share for the quarter was a loss of 14 US cents (which included a charge of 23 US cents of special items) compared to a loss of 6 US cents in the equivalent quarter last year (which included a charge of 3 US cents of special items).

### Cash flow and debt

Cash generated from operations was US\$222 million for the quarter and net cash generated from operating and investing activities was US\$100 million.

Capital expenditure for the quarter was US\$47 million.

During the quarter we tendered for and repurchased US\$150 million of our 6.75% bonds maturing in 2012. At quarter end we had cash on hand of US\$567 million.

After the end of the quarter, we have refinanced a significant portion of our debt in order to extend the maturities and reduce our finance costs. We have raised approximately US\$705 million of new bonds comprising €250 million (US\$350 million) notes due 2018 and US\$350 million notes due 2021, each bearing interest at a rate of 6.625% per annum. The proceeds (plus additional cash) will be used shortly to redeem the US\$350 million remaining outstanding obligation of our 6.75% notes maturing in 2012 and repay the €320 million (US\$450 million) balance of our OeKB term loan. In addition, we have increased our €209 million (US\$300 million) revolving credit facility to €350 million (US\$500 million) and extended the maturity to 2016; this facility remains undrawn.



3	
Second Quarter Results	
Operating Review for the Quarter	
Sappi Fine Paper	
Quarter	
Quarter	
Quarter	
ended	
ended	ended
Mar 2011	
Mar 2010	
%	
Dec 2010	
US\$ million	
US\$ million	
change	
US\$ million	
Sales	
1,389	
1,208	
15	1,409
Operating (loss) profit	
(42)	
50	
–	
57	
Operating (loss) profit to sales (%)	
(3.0)	
4.1	
–	
4.0	
Special items – losses (gains)	
113	
(7)	
–	
–	
Operating profit excluding special items	
71	
43	
65	57
Operating profit excluding special items	
to sales (%)	
5.1	
3.6	
–	
4.0	

The fine paper business continued its improving trend, with operating profit excluding special items increasing 65% compared to the equivalent quarter last year and 25% compared to the quarter ended December 2010.

4		
Second Quarter Results		
Europe		
Quarter		
Quarter		
Quarter		
ended		
ended	%	%
ended		
Mar 2011		
Mar 2010	change	
change		
Dec 2010		
US\$ million		
US\$ million		
(US\$)		
(Euro)		
US\$ million		
Sales		
1,017		
866		
17		
19	1,027	
Operating (loss) profit		
(83)		
9		
–		
–		
34		
Operating (loss) profit to sales (%)		
(8.2)		
1.0		
–	–	
3.3		
Special items – losses (gains)		
114		
(5)		
–		
–		
–		
Operating profit excluding		
special items		
31		
4		
675		
667		
34		
Operating profit excluding		
special items to sales (%)		
3.0		
0.5		

3.3

The European business achieved a 19% increase in sales in Euro terms compared to the equivalent quarter last year as a result of improved sales volumes and prices.

During the quarter a price increase was implemented for coated mechanical paper in the European market. Average prices achieved for coated woodfree paper in Euro terms were marginally lower during the quarter than in the quarter ended December 2010, mainly as a result of export prices which, although higher in US Dollar terms, were lower in Euros as a result of the stronger Euro/US Dollar exchange rate. Raw material input costs including wood, chemical and energy costs have increased significantly compared to a year ago, as have purchased pulp costs. Although our sales prices have improved compared to a year ago, further increases will be required to fully offset the effect of input cost increases.

During the quarter we announced that we envisaged closing Biberist Mill in Switzerland, which could result in annual benefits in excess of US\$50 million. We are currently consulting with the representatives of our employees at Biberist Mill about the options for the mill. In addition, we have identified further actions across our business, which will result in fixed and variable cost savings of over US\$50 million per annum once fully implemented.

The European business had continued strong cash generation.

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## Second Quarter Results

North America

Quarter

Quarter

Quarter

ended

ended

ended

Mar 2011

Mar 2010

%

Dec 2010

US\$ million

US\$ million

change

US\$ million

Sales

372

342

9

382

Operating profit

41

41

– 23

Operating profit to sales (%)

11.0

12.0

–

6.0

Special items – (gains)

(1)

(2)

–

–

Operating profit excluding special items

40

39

3

23

Operating profit excluding special items

to sales (%)

10.8

11.4

–

6.0

The North American business increased sales by 9% compared to a year ago as a result of increased sales volume and higher prices.

While the coated paper industry experienced seasonally softer demand during the quarter, our coated paper business remained strong with good operating rates and improved prices. Our pulp business

performed well with good production and sales volumes. Our speciality business continued its strong performance with good demand in its major markets. Input costs were substantially higher than the equivalent quarter last year.

6		
Second Quarter Results		
Sappi Southern Africa		
Quarter		
Quarter		
Quarter		
ended		
ended	%	%
ended		
Mar 2011		
Mar 2010	change	
change		
Dec 2010		
US\$ million		
US\$ million		
(US\$)		
(Rand)		
US\$ million		
Sales		
435		
368		
18		
9		
464		
Operating profit (loss)		
39		
(4)		
-		
-		
66		
Operating profit (loss) to sales (%)		
9.0		
(1.1)		
-	-	
14.2		
Special items – losses		
14		
16		
(13)		
(19)		
13		
Operating profit excluding		
special items		
53		
12		
342		
309		
79		
Operating profit excluding special		
items to sales (%)		
12.2		

3.3

— —

17.0

The chemical cellulose business achieved improved sales volumes and prices during the quarter compared to a year ago, but sales volumes were below the first financial quarter ended December 2010 as a result of the shorter quarter and the timing of shipments. Demand for chemical cellulose is strong as a result of demand for viscose fibre, particularly in Asia.

The Sappi Limited board has approved the expansion of the Ngodwana mill in South Africa. The expanded mill will produce kraft linerboard, newsprint as well as 210,000 tons of chemical cellulose. We expect chemical cellulose production to commence in early 2013.

Our paper and packaging business continued to make a positive contribution to the region's results. Market conditions, however, remain tough with the strength of the Rand relative to the US Dollar contributing to competition from lower priced imports.

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Second Quarter Results  
Outlook

We expect business conditions in our major markets to remain favourable; however, input costs are increasing as the global economic recovery gathers momentum. We also expect to start realising the benefits of our European profit improvement measures in the fourth financial quarter. We therefore expect the improved trend in the group's underlying operating performance to continue through the remainder of the financial year.

We expect positive cash generation for the rest of our financial year.

Our third financial quarter, is generally a seasonally weaker quarter. The quarter will also be impacted by planned annual maintenance shuts at a number of our major pulp mills, which will result in a substantial increase in maintenance costs and lost contribution from reduced output. We expect our results excluding special items for the third financial quarter to be in line with the equivalent quarter last year.

On behalf of the board

R J Boöttger

M R Thompson

Director

Director

09 May 2011

sappi limited

(Registration number 1936/008963/06)

Issuer Code: SAVVI

JSE Code: SAP

ISIN: ZAE000006284

NYSE Code: SPP



8  
 Second Quarter Results  
 Condensed group income statement  
 Quarter  
 Quarter  
 Half-year  
 Half-year  
 ended  
 ended  
 ended  
 ended  
 Mar 2011  
 Mar 2010  
 Mar 2011  
 Mar 2010  
 Note  
 US\$ million  
 US\$ million  
 US\$ million  
 US\$ million  
 Sales  
 1,824  
 1,576  
 3,697  
 3,196  
 Cost of sales  
 1,596  
 1,443  
 3,233  
 2,974  
 Gross profit  
 228  
 133  
 464  
 222  
 Selling, general and administrative expenses  
 109  
 114  
 221  
 221  
 Other operating expenses (income)  
 122  
 (4)  
 127  
 (20)  
 Share of profit from associates and  
 joint ventures  
 (2)  
 (5)  
 (4)  
 (8)

Operating (loss) profit 2

(1)

28

120

29

Net finance costs

68

62

139

135

Net interest

77

79

155

158

Net foreign exchange gains

(3)

(6)

(7)

(9)

Net fair value gains on financial instruments

(6)

(11)

(9)

(14)

Loss before taxation

(69)

(34)

(19)

(106)

Taxation

5

(3)

18

(24)

Current

2

(1)

4

3

Deferred

3

(2)

14

(27)

Loss for the period

(74)

(31)

(37)

(82)

Basic loss per share (US cents)

(14)  
 (6)  
 (7)  
 (16)  
 Weighted average number of shares  
 in issue (millions)  
 519.7  
 515.5  
 519.6  
 515.6  
 Diluted basic loss per share (US cents)  
 (14)  
 (6)  
 (7)  
 (16)  
 Weighted average number of shares on fully  
 diluted basis (millions)  
 519.7  
 515.5  
 519.6  
 515.6  
 Group statement of comprehensive income  
 Quarter  
 Quarter  
 Half-year  
 Half-year  
 ended  
 ended  
 ended  
 ended  
 Mar 2011  
 Mar 2010  
 Mar 2011  
 Mar 2010  
 US\$ million  
 US\$ million  
 US\$ million  
 US\$ million  
 Loss for the period  
 (74)  
 (31)  
 (37)  
 (82)  
 Other comprehensive income (loss),  
 net of tax  
 5  
 –  
 83  
 (24)  
 Exchange differences on translation of  
 foreign operations

(13)	
(1)	
69	
(26)	
Movements in hedging reserves	
18	
1	
15	
2	
Deferred tax effects on above	
—	
—	
(1)	
—	
Total comprehensive (loss) income for the period	
(69)	
(31)	
46	
(106)	

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Second Quarter Results
Condensed group balance sheet
Mar 2011
Sept 2010
US\$ million
US\$ million
<b>ASSETS</b>
Non-current assets
4,615
4,653
Property, plant and equipment
3,612
3,660
Plantations
701
687
Deferred taxation
57
53
Other non-current assets
245
253
Current assets
2,448
2,531
Inventories
937
836
Trade and other receivables
944
903
Cash and cash equivalents
567
792
Total assets
7,063
7,184
<b>EQUITY AND LIABILITIES</b>
Shareholders' equity
Ordinary shareholders' interest
1,951
1,896
Non-current liabilities
2,983
3,249
Interest-bearing borrowings
2,009
2,317
Deferred taxation
421

386
Other non-current liabilities
553
546
Current liabilities
2,129
2,039
Interest-bearing borrowings
928
691
Bank overdraft
—
5
Other current liabilities
1,166
1,307
Taxation payable
35
36
Total equity and liabilities
7,063
7,184
Number of shares in issue at balance sheet date (millions)
519.6
519.5

10	
Second Quarter Results	
Condensed group statement of cash flows	
Quarter	
Quarter	
Half-year	
Half-year	
ended	
ended	
ended	
ended	
Mar 2011	
Mar 2010	
Mar 2011	
Mar 2010	
US\$ million	
US\$ million	
US\$ million	
US\$ million	
Loss for the period	
(74)	
(31)	
(37)	
(82)	
Adjustment for:	
Depreciation, fellings and amortisation	
122	
117	
253	
249	
Taxation	
5	
(3)	
18	
(24)	
Net finance costs	
68	
62	
139	
135	
Post-employment benefits	
(19)	
(20)	
(33)	
(33)	
Plantation fair value adjustment	
(13)	
(3)	
(23)	
73	
Asset impairments (impairment reversals)	

69  
(5)  
69  
(13)  
Restructuring provisions raised  
63  
3  
66  
41  
Other non-cash items  
1  
2  
15  
21  
Cash generated from operations  
222  
122  
467  
367  
Movement in working capital  
17  
68  
(318)  
(102)  
Net finance costs  
(91)  
(29)  
(154)  
(93)  
Taxation paid  
(12)  
—  
(14)  
(4)  
Cash retained from (utilised in) operating  
activities  
136  
161  
(19)  
168  
Cash utilised in investing activities  
(36)  
(52)  
(77)  
(89)  
100  
109  
(96)  
79  
Cash effects of financing activities  
(159)



(122)  
(174)  
(65)  
Net movement in cash and cash equivalents  
(59)  
(13)  
(270)  
14  
Condensed group statement of changes in equity  
Half-year  
Half-year  
ended  
ended  
Mar 2011  
Mar 2010  
US\$ million  
US\$ million  
Balance – beginning of period  
1,896  
1,794  
Total comprehensive income (loss) for the period  
46  
(106)  
Costs directly attributable to the rights offer  
–  
(5)  
Transfers from (to) the share purchase trust  
1  
(6)  
Share-based payment reserve  
8  
6  
Balance – end of period  
1,951  
1,683

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Second Quarter Results

Notes to the condensed group results

1. Basis of preparation

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

The results are unaudited.

Quarter

Quarter

Half-year

Half-year

ended

ended

ended

ended

Mar 2011

Mar 2010

Mar 2011

Mar 2010

US\$ million

US\$ million

US\$ million

US\$ million

2. Operating (loss) profit

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

Depreciation and amortisation

101

102

210

214

Fair value adjustment on plantations

(included in cost of sales)

Changes in volume

Fellings

21

15

43

35

Growth

(16)

(14)

(37)

(33)

5

1

6  
2  
Plantation price fair value adjustment  
3  
11  
14  
106  
8  
12  
20  
108  
Included in other operating expenses  
(income) are the following:  
Asset impairments (impairment  
reversals)  
69  
(5)  
69  
(13)  
(Profit) loss on disposal of property,  
plant and equipment  
-  
(1)  
-  
1  
Profit on disposal of investment  
-  
(1)  
-  
(1)  
Restructuring provisions raised  
63  
3  
66  
41  
Black Economic Empowerment  
charge  
1  
-  
2  
-  
Fuel tax credit  
-  
(2)  
-  
(51)

12

Second Quarter Results

Quarter

Quarter

Half-year

Half-year

ended

ended

ended

ended

Mar 2011

Mar 2010

Mar 2011

Mar 2010

US\$ million

US\$ million

US\$ million

US\$ million

3. Capital expenditure

Property, plant and equipment

47

41

92

78

Mar 2011

Sept 2010

US\$ million

US\$ million

4. Capital commitments

Contracted

90

62

Approved but not contracted

187

109

277

171

5. Contingent liabilities

Guarantees and suretyships

48

48

Other contingent liabilities

8

8

56

56

6. Material balance sheet movements compared to September 2010

Cash and cash equivalents and other current liabilities

The decrease in cash and cash equivalents and in other current liabilities is largely due to the timing of creditor payments as a result of the calendar month-end falling before the fiscal month-end when creditor payments fell due and the repayment of US\$150 million principal amount of the outstanding US\$500 million 6.75%

Guaranteed Notes due June 2012.

Interest-bearing borrowings

The decrease in other non-current and increase in current interest-bearing borrowings is due to the transfer to current interest-bearing borrowings of loans falling due in the next twelve months.

7. Post balance sheet events

On 05 April 2011, Sappi issued approximately US\$705 million Senior Secured Notes split into a ten-year US\$350 million tranche and a 7-year €250 million tranche. Both tranches were issued at par and bear interest at a rate of 6.625% per annum. The net proceeds of the Notes are being used to redeem the remaining outstanding US\$350 million of our 6.75% Guaranteed Notes due June 2012 and to repay €200 million of the outstanding borrowings of €320 million under our OeKB Term Loan Facility. At the same time, our existing undrawn revolving credit facility maturing 2012 was increased from a €209 million to a €350 million facility and extended to 2016. Furthermore, notice was given to repay the remaining €120 million OeKB Term Loan balance on 26 May 2011 from cash resources.

8. Segment information

Quarter

Quarter

Half-year

Half-year

ended

ended

ended

ended

Mar 2011

Mar 2010

Mar 2011

Mar 2010

Metric tons

Metric tons

Metric tons

Metric tons

(000's)

(000's)

(000's)

(000's)

Sales volume

Fine Paper –

North America

349

345

713

667

Europe

982

919

1,994

1,863

Total

1,331

1,264

2,707

2,530

Southern Africa –

Pulp and paper

414  
425  
866  
875  
Forestry  
242  
244  
436  
412  
Total  
1,987  
1,933  
4,009  
3,817

13  
Second Quarter Results  
Quarter  
Quarter  
Half-year  
Half-year  
ended  
ended  
ended  
ended  
ended  
Mar 2011  
Mar 2010  
Mar 2011  
Mar 2010  
US\$ million  
US\$ million  
US\$ million  
US\$ million  
Sales  
Fine Paper –  
North America  
372  
342  
754  
662  
Europe  
1,017  
866  
2,044  
1,802  
Total  
1,389  
1,208  
2,798  
2,464  
Southern Africa –  
Pulp and paper  
414  
351  
861  
701  
Forestry  
21  
17  
38  
31  
Total  
1,824  
1,576  
3,697  
3,196

Operating profit (loss)  
excluding special items

Fine Paper –  
North America

40

39

63

58

Europe

31

4

65

29

Total

71

43

128

87

Southern Africa

53

12

132

41

Unallocated and eliminations

(1)

3

(1)

4

7

Total

127

54

264

135

Special items – losses (gains)

Fine Paper –

North America

(1)

(2)

(1)

(50)

Europe

114

(5)

114

8

Total

113

(7)

113

(42)



Southern Africa

14

16

27

131

Unallocated and eliminations

(1)

1

17

4

17

Total

128

26

144

106

Segment operating (loss) profit

Fine Paper –

North America

41

41

64

108

Europe

(83)

9

(49)

21

Total

(42)

50

15

129

Southern Africa

39

(4)

105

(90)

Unallocated and eliminations

(1)

2

(18)

–

(10)

Total

(1)

28

120

29

EBITDA excluding special items

Fine Paper –

North America

58

56

100

98

Europe

86

64

181

152

Total

144

120

281

250

Southern Africa

81

37

189

92

Unallocated and eliminations

(1)

3

(1)

4

7

Total

228

156

474

349

Segment assets

Fine Paper –

North America

956

966

956

966

Europe

2,120

2,126

2,120

2,126

Total

3,076

3,092

3,076

3,092

Southern Africa

2,092

1,777

2,092

1,777

Unallocated and eliminations

(1)

70

32

70

32

Total

5,238

4,901

5,238

4,901

(1)

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

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Second Quarter Results

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

(1)  
 Special items cover those items which management believe are material by nature or amount to the operating results and require separate disclosure. Such items would generally include profit or loss on disposal of property, investments and businesses, asset impairments, restructuring charges, non-recurring integration costs related to acquisitions, financial impacts of natural disasters, non-cash gains or losses on the price fair value adjustment of plantations and alternative fuel tax credits receivable in cash.

Quarter

Quarter

Half-year

Half-year

ended

ended

ended

ended

Mar 2011

Mar 2010

Mar 2011

Mar 2010

US\$ million

US\$ million

US\$ million

US\$ million

Operating profit excluding special items

127

54

264

135

Special items

(128)

(26)

(144)

(106)

Plantation price fair value adjustment

(3)

(11)

(14)

(106)

Restructuring provisions raised

(63)

(3)

(66)

(41)

Profit (loss) on disposal of property,  
 plant and equipment

-

1

-

(1)

Profit on disposal of investment	
–	
1	
–	
1	
Asset (impairments) impairment reversals	
(69)	
5	
(69)	
13	
Fuel tax credit	
–	
2	
–	
51	
Black Economic Empowerment charge	
(1)	
–	
(2)	
–	
Insurance recoveries	
11	
–	
11	
–	
Fire, flood, storm and related events	
(3)	
(21)	
(4)	
(23)	
Segment operating (loss) profit	
(1)	
28	
120	
29	
(1)	

In compliance with the U.S. Securities Exchange Commission (“SEC”) rules relating to “Conditions for Use of Non-GAAP Financial Measures”, we have reconciled operating profit (loss) excluding special items to operating profit. Operating profit (loss) excluding special items represents operating profit before special items. Special items cover those items which management believe are material by nature or amount to the operating results and require separate disclosure. Such items would generally include profit of 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 or plantations and alternative fuel mixture tax credits receivable in cash. We use operating profit (loss) excluding special items as an internal measure of performance to benchmark and compare performance, both between our own operations and as against other companies. Operating

profit (loss)

excluding special items 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 operating profit

(loss) excluding special items is a useful 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. For

these reasons, we believe operating profit (loss) excluding special items 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 operating profit

(loss) excluding special items differently, so making comparisons among companies on this basis should be done very carefully.

Operating profit (loss) excluding special items 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.

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

EBITDA excluding special items

228

156

474

349

Depreciation and amortisation

(101)

(102)

(210)

(214)

Operating profit excluding special items

127

54

264

135

Special items – losses

(128)

(26)

(144)

(106)

Net finance costs

(68)

(62)

(139)

(135)

Loss before taxation

(69)

(34)

(19)

(106)

Reconciliation of segment assets to total assets

Segment assets

5,238

4,901

5,238

4,901

Deferred tax

57

52

57

52

Cash and cash equivalents

567

724

567

724

Other current liabilities

1,166

1,057

1,166

1,057

Taxation payable

35

50

35

50

Liabilities associated with assets

held for sale

—

18

—

18

Total assets

7,063

6,802

7,063

6,802

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Second Quarter Results  
Supplemental information

Quarter

Quarter

Half-year

Half-year

ended

ended

ended

ended

Mar 2011

Mar 2010

Mar 2011

Mar 2010

US\$ million

US\$ million

US\$ million

US\$ million

1. Headline (loss) earnings per share

(1)

Headline (loss) earnings per share (US cents)

(2)

(7)

5

(18)

Weighted average number of shares

in issue (millions)

519.7

515.5

519.6

515.6

Diluted headline (loss) earnings per share

(US cents)

(2)

(7)

5

(18)

Weighted average number of shares on

fully diluted basis (millions)

519.7

515.5

519.6

515.6

Calculation of headline (loss) earnings

(1)

Loss for the period

(74)

(31)

(37)

(82)



Asset impairments (impairment reversals)

69

(5)

69

(13)

(Profit) loss on disposal of property,  
plant and equipment

–

(1)

–

1

Profit on disposal of investment

–

(1)

–

(1)

Tax effect of above items

(5)

–

(5)

–

Headline (loss) earnings

(10)

(38)

27

(95)

(1)

Headline earnings disclosure is required by the JSE Limited.

## 2. Exchange rates

Mar

Dec	Sept	Jun	Mar
2011			
2010	2010	2010	2010

Exchange rates:

Period end rate: US\$1 = ZAR

6.6978

6.6190      7.0190      7.6250      7.4298

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

6.9963

6.9464      7.3517      7.5821      7.5597

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

6.9476

6.9464      7.4917      7.5610      7.5302

Period end rate: €1 = US\$

1.4231

1.3380      1.3491      1.2377      1.3413

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

1.3702

1.3516      1.2871      1.2937      1.3891

Average rate for the YTD: €1 = US\$

1.3645

1.3516      1.3658      1.3845      1.4302

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.

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Second Quarter Results

\* Historic share prices revised to reflect rights offer

Sappi ordinary shares\* (JSE: SAP)

US Dollar share price conversion\*

ZAR

0

10

20

30

40

50

60

70

80

90

Apr 06

Jul 06

Oct 07

Jan 08

Apr 08

Jul 08

Oct 08

Jan 09

Apr 09

Jul 09

Jan 10

Oct 09

Oct 06

Jan 07

Apr 07

Jul 07

Apr 10

Jul 10

Oct 10

Jan 11

Apr 11

US\$

0

2

4

6

8

10

12

14

Apr 06

Jul 06

Oct 07

Jan 08

Apr 08

Jul 08  
Oct 08  
Jan 09  
Apr 09  
Jul 09  
Jan 10  
Oct 09  
Oct 06  
Jan 07  
Apr 07  
Jul 07  
Apr 10  
Jul 10  
Oct 10  
Jan 11  
Apr 11

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Second Quarter Results

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

South Africa:

United States:

Computershare Investor

ADR Depositary:

Services (Proprietary) Limited

The Bank of New York Mellon

70 Marshall Street

Investor Relations

Johannesburg 2001

PO Box 11258

PO Box 61051

Church Street Station

Marshalltown 2107

New York, NY 10286-1258

Tel +27 (0)11 370 5000

Tel +1 610 382 7836

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

[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: May 09, 2011

SAPPI LIMITED,

Name: M. R. Thompson

Title: Chief Financial Officer

M. R. Thompson

By:

/s/