

SAPPI LTD

Form 6-K

November 12, 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 November, 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

Form 40-F

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

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

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

Yes

No

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

INCORPORATION BY REFERENCE

Sappi Limited's report for the conformed fourth quarter results ended September 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 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. 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.

4th Quarter

results for the 4
th
quarter and
year ended September 2010
Form S-8 Version

sappi

For the period ended September 2010

Coated fine paper

64%

Uncoated fine paper

7%

Coated specialities

7%

Commodity paper

7%

Pulp

14%

Other

1%

North America

21%

Europe

55%

Southern Africa

24%

Sales by product group*

Sales by source*

North America

22%

Europe

48%

Southern Africa

13%

Asia and other

17%

Sales by destination*

fourth quarter

fourth quarter results

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Financial summary for the quarter

4th Quarter results

Operating profit US\$158 million; Q4 2009 loss of US\$129 million

EPS 16 US cents; Q4 2009 loss per share of 20 US cents

Cash generated from operating and investing activities

US\$238 million; Q4 2009 US\$225 million

Coated paper prices increasing; pulp prices high

Strong Demand

Strong Liquidity

Quarter ended

Year ended

Sept 2010

Jun 2010

Sept 2009

Sept 2010 Sept 2009

Key figures: (US\$ million)

Sales

1,774

1,602 1,553

6,572

5,369

Operating profit (loss)

158

154

(129)

341

(73)

Basic earnings (loss) per share

(US cents)

16

12

(20)

13

(37)

Key ratios: (%)

Operating profit (loss) to sales

8.9

9.6

(8.3)

5.2

(1.4)

2

Commentary on the quarter

The group had a much improved performance for the quarter, achieving the highest quarterly operating profit excluding the plantation price fair value adjustment for a number of years and cash generated from operating and investing activities of US\$238 million. The performance of each of the businesses improved, particularly those of North America and Southern Africa which are net sellers of pulp and therefore benefited from high pulp prices.

Demand conditions continued to improve gradually and almost all our mills ran at full capacity for the quarter. In Europe, we implemented a price increase during September (the third since March) which has started to offset the effect of the substantial increase in pulp input costs experienced over the past year and to restore reasonable margins.

Sales increased to US\$1.8 billion, a 14% increase on sales in the equivalent quarter last year as a result of increased sales volumes and prices.

Average prices realised by the group were 3% higher than a year ago in US Dollar terms. In local currency, average prices increased by 11% in Europe, 8% in North America and, largely as a result of high pulp prices, 25% in South Africa.

Raw material input costs were up approximately US\$100 million compared to the equivalent quarter last year, mainly as a result of higher pulp prices.

The plantation price fair value adjustment was a gain of US\$29 million for the quarter.

Operating profit was US\$158 million for the quarter, a substantial improvement compared to a loss of US\$129 million in the equivalent quarter last year.

Earnings per share for the quarter were 16 US cents, compared to a loss of 20 US cents in the equivalent quarter last year.

Year ended September 2010 compared to year ended
September 2009

2010 was a much improved year for Sappi. Sales for the year were 22% higher than the prior year as a result of improving demand, favourable currency movements and the inclusion of the coated paper businesses acquired from M-real for the full year in 2010 compared to 9 months in 2009.

Operating profit was US\$341 million compared to a loss of US\$73 million in the prior year.

The group generated a net profit of US\$66 million for the year and earnings per share of 13 US cents compared to a net loss of US\$177 million and a loss per share of 37 US cents last year.

fourth quarter

fourth quarter results

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Cash flow and debt

Quarter

Cash generated from operating and investing activities was US\$238 million for the quarter reflecting improved cash generated by operations, and cash released from working capital of US\$181 million.

Year

Over the financial year, cash generated from operating and investing activities was US\$341 million.

At year end we had cash on hand of US\$792 million and had additional liquidity in the form of a

m
209 million (US\$282 million) committed revolving credit facility. During the year, we used approximately US\$250 million of our cash to repay debt early. Capital expenditure of US\$188 million for the year was in line with our target of US\$200 million.

Operating Review for the Quarter

Sappi Fine Paper

Quarter

Quarter

Quarter

ended

ended

ended

Sept 2010

Sept 2009

%

June 2010

US\$ million

US\$ million

change

US\$ million

Sales

1,327

1,208

10 1,220

Operating profit

87

1

—* 36

Operating profit to sales (%)

6.6

0.1

— 3.0

* Comparative not meaningful.

The Fine Paper business achieved an operating profit of US\$87 million for the quarter, a substantial improvement compared to the equivalent quarter last year as a result of improved demand levels in our major markets and improving prices.

4		
Europe		
Quarter		
Quarter		
Quarter		
ended		
ended	%	%
ended		
Sept 2010		
Sept 2009	change	
change		
June 2010		
US\$ million		
US\$ million		
(US\$)		
(Euro)		
US\$ million		
Sales		
963		
868		
11		
23		
873		
Operating profit (loss)		
40		
(59)		
—*		
—*		
11		
Operating profit (loss) to sales (%)		
4.2		
(6.8)		
—	—	
1.3		

* Comparative not meaningful.

While the business performed significantly better during the quarter, it is not yet achieving an acceptable return which remains the top priority for the Sappi group.

The European business' coated paper shipments continued to grow in the quarter. Industry coated woodfree paper shipments increased by 7%, compared to the equivalent quarter last year including a significant increase in exports. Shipments of coated mechanical paper increased 13%, almost returning to the shipment volumes of the equivalent quarter in 2008 which was prior to the global crash.

A third coated woodfree price increase was implemented in September which, together with increases in April and June, is helping offset the effect of rapidly increasing pulp prices. There was a modest price increase for coated mechanical paper in July but the margins for our coated mechanical paper remain well below acceptable levels.

Our average price realised in Europe for the quarter was 11% above the equivalent quarter last year and 5% above those realised in the June 2010 quarter.

fourth quarter		
fourth quarter results		
5		
North America		
Quarter		
Quarter		
Quarter		
ended		
ended		ended
Sept 2010		
Sept 2009		
%		
June 2010		
US\$ million		
US\$ million		
change		
US\$ million		
Sales		
364		
340		
7	347	
Operating profit		
47		
60		
(22)	25	
Operating profit to sales (%)		
12.9		
17.6		
-		
7.2		

The North American business performed well, benefiting from its market positioning, competitive cost base, good performance from the specialities products and surplus pulp position with higher pulp pricing. Operating profit was lower than the equivalent quarter last year due to alternative fuel tax credits received in the quarter ended September 2009.

Demand levels improved further, with US industry shipments of coated woodfree paper increasing 9% compared to the equivalent quarter last year.

While price increases were implemented on selected coated paper grades during the quarter, the average price increase of 8% compared to the equivalent quarter last year was largely a result of pulp price increases.

During the quarter, we built our pulp inventory at Somerset mill in preparation for a pulp mill outage which commenced in October 2010. During the outage we upgraded the chemical recovery complex at the mill which is expected to significantly reduce energy costs and increase the proportion of renewable energy used at the Somerset mill to 89%.

During October, the U.S. International Trade Commission ruled to impose anti-dumping and countervailing duties on imported coated sheet paper from Indonesia and China. The duties which range from 25.2% to 313.8% are expected to re-establish a level playing field in the US.

6		
Sappi Southern Africa		
Quarter		
Quarter		
Quarter		
ended		
ended	%	%
ended		
Sept 2010		
Sept 2009	change	
change		
June 2010		
US\$ million		
US\$ million		
(US\$)		
(Rand)		
US\$ million		
Sales		
447		
345		
30		
23		
382		
Operating profit (loss)		
84		
(125)	—*	—*
118		
Operating profit (loss)		
to sales (%)		
18.8		
(36.2)	—	—
30.9		

* Comparative not meaningful.

The performance of the Southern African business improved significantly during the quarter. We reorganised the paper and packaging paper business during the quarter to provide a more effective customer interface and to share best operating practices among the mills.

The chemical cellulose business continued to achieve higher output from the expanded Saiccor Mill. Demand was very strong and prices increased further. The majority of our sales are linked to long-term contracts and we therefore did not realise the full benefit of the record spot prices in certain markets for chemical cellulose. These spot markets represent a small proportion of the total chemical cellulose market. Demand for packaging and fine paper products has improved in the domestic market but competition from imports has continued as a result of the strength of the Rand relative to the US dollar.

Directorate

During the quarter, it was announced that Mr H C Mamsch would be retiring from the board of directors at the end of December 2010, having served for seven years.

fourth quarter

fourth quarter results

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Outlook

We expect continued gradual improvement in global economic conditions during the year ahead; however we remain cautious as a result of factors such as the volatility of exchange rates which could dampen growth.

Against that background, we expect demand for coated paper in our major markets to recover further during the year. We believe that input costs are likely to rise. We intend to reduce our costs where possible and to grow revenue through sales volume, mix and higher price levels to achieve acceptable margins across the businesses.

We expect continued strong demand and good price levels for chemical cellulose in the year ahead. The reorganisation of the paper business in Southern Africa is expected to help improve margins; however, the Rand is currently strong relative to the US dollar and remains volatile. A strengthening Rand would be unfavourable for the performance of the Southern African business.

The extended outage at Somerset pulp mill in October 2010 will reduce the potential profitability of our North American business for the quarter but we expect the pulp mill to start ramping up production in early November and for energy costs to be reduced once the rebuilt energy complex reaches optimum efficiencies.

With the expected improvement in the performance of our businesses and reduced uncertainty in financial markets we will gradually reduce our cash on hand with further repayment of debt. This, together with our targeted continued reduction in debt, will help reduce finance costs in the year ahead.

In our first financial quarter, we expect the group's operating profit, excluding asset impairments, impairment reversals, restructuring costs, costs associated with fire, flood, storm and related events as well as plantation price fair value adjustments, to continue the improving trend relative to the equivalent quarter last year.

On behalf of the board

R J Boëttger

M R Thompson

Director

Director

08 November 2010

sappi limited

(Registration number 1936/008963/06)

Issuer Code: SAVVI

JSE Code: SAP

ISIN: ZAE000006284

NYSE Code: SPP

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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 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. 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.

fourth quarter
fourth quarter results
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Group income statement
Quarter
Quarter
Year
Year
ended
ended
ended
ended
Sept 2010
Sept 2009
Sept 2010
Sept 2009
Note
US\$ million
US\$ million
US\$ million
US\$ million
Sales
1,774
1,553
6,572
5,369
Cost of sales
1,498
1,519
5,786
5,029
Gross profit
276
34
786
340
Selling, general and administrative
expenses
119
112
448
385
Other operating expenses
1
56
10
39
Share of profit from
associates and joint ventures
(2)
(5)

(13)
(11)
Operating profit (loss)
3
158
(129)
341
(73)
Net finance costs
63
14
255
145
Net interest
67
21
293
137
Net foreign exchange gains
(1)
(5)
(17)
(17)
Net fair value (gains) losses on
financial instruments
(3)
(2)
(21)
25
Profit (loss) before taxation
95
(143)
86
(218)
Taxation
11
(40)
20
(41)
Current
(7)
(3)
(6)
4
Deferred
18
(37)
26
(45)
Profit (loss) for the period
84

(103)	
66	
(177)	
Basic earnings (loss) per share	
(US cents)	
16	
(20)	
13	
(37)	
Weighted average number of	
shares in issue (millions)	
519.5	
515.8	
516.7	
482.6	
Diluted basic earnings (loss)	
per share (US cents)	
16	
(20)	
13	
(37)	
Weighted average number	
of shares on fully	
diluted basis (millions)	
524.0	
515.8	
520.8	
482.6	
Group statement of comprehensive income	
Quarter	
Quarter	
Year	
Year	
ended	
ended	
ended	
ended	
Sept 2010	
Sept 2009	
Sept 2010	
Sept 2009	
US\$ million	
US\$ million	
US\$ million	
US\$ million	
Profit (loss) for the period	
84	
(103)	
66	
(177)	

Other comprehensive income (loss), net of tax	
86	
(154)	
8	
(197)	
Exchange differences on translation of foreign operations	
121	
57	
52	
14	
Actuarial losses in post- employment benefits	
(71)	
(229)	
(71)	
(229)	
Movements in hedging reserves	
23	
(14)	
14	
(14)	
Movement on available for sale financial assets	
2	
–	
2	
–	
Deferred tax effects on above	
11	
32	
11	
32	
Total comprehensive income (loss) for the period	
170	
(257)	
74	
(374)	

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Group balance sheet

Sept 2010 Sept 2009
 US\$ million US\$ million

ASSETS

Non-current assets

4,653

4,867

Property, plant and equipment

3,660

3,934

Plantations

687

611

Deferred taxation

53

56

Other non-current assets

253

266

Current assets

2,531

2,430

Inventories

836

792

Trade and other receivables

903

868

Cash and cash equivalents

792

770

Total assets

7,184

7,297

EQUITY AND LIABILITIES

Shareholders' equity

Ordinary shareholders' interest

1,896

1,794

Non-current liabilities

3,249

3,662

Interest-bearing borrowings

2,317

2,726

Deferred taxation

386

355

Other non-current liabilities

546

581	
Current liabilities	
2,039	
1,841	
Interest-bearing borrowings	
691	
601	
Bank overdraft	
5	
19	
Other current liabilities	
1,307	
1,165	
Taxation payable	
36	
56	
Total equity and liabilities	
7,184	
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				
Year				
Year				
ended				
ended				
ended				
ended				
Sept 2010				
Sept 2009				
Sept 2010				
Sept 2009				
US\$ million	US\$ million	US\$ million	US\$ million	
Profit (loss) for the period				
84				
(103)				
66				
(177)				
Adjustment for:				
Depreciation, fellings and amortisation				
119				
131				
484				
467				
Taxation				
11				
(40)				
20				
(41)				
Net finance costs				
63				
14				
255				
145				
Post-employment benefits				
(25)				
(30)				
(73)				
(62)				
Plantation price fair value adjustment				
(29)				
111				
(31)				
67				
Other non-cash items				
(41)				
78				

16
 33
 Cash generated from operations
 182
 161
 737
 432
 Movement in working capital
 181
 127
 (5)
 152
 Net finance costs
 (66
) (27)
 (194)
 (81)
 Taxation paid
 (1)
 -
 (9)
 (5)
 Dividends paid
 -
 -
 (37)
 Cash retained from operating activities
 296
 261
 529
 461
 Cash utilised in investing activities
 (58)
 (36)
 (188)
 (762)
 Capital expenditure and other
 non-current assets
 (58)
 (34)
 (188)
 (172)
 Acquisition
 -
 (2)
 -
 (590)
 238
 225
 341

(301)	
Cash effects of financing activities	
(12)	
(272)	
(256)	
707	
Net movement in cash and cash equivalents	
226	
(47)	
85	
406	
Group statement of changes in equity	
Year	
Year	
ended	
ended	
Sept 2010	
Sept 2009	
US\$ million	
US\$ million	
Balance – beginning of period	
1,794	
1,605	
Total comprehensive income (loss) for the period	
74	
(374)	
Dividends paid	
–	
(37)	
Rights offer	
–	
575	
Costs directly attributable to the rights offer	
–	
(31)	
Issue of new shares	
17	
45	
Transfers (to) from the share purchase trust	
(6)	
2	
Share-based payment reserve	
17	
9	
Balance – end of period	
1,896	
1,794	

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Notes to the 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”. The report has been prepared using accounting policies that comply with IFRS which are consistent with those applied in the financial statements for the year ended September 2009, except for the adoption of IFRS 8 “Operating Segments”. 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

Year

Year

ended

ended

ended

ended

Sept 2010

Sept 2009

Sept 2010

Sept 2009

US\$ million US\$ million US\$ million US\$ million

3. Operating profit (loss)

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

Depreciation and amortisation

98

112

413

398

Fair value adjustment on plantations

(included in cost of sales)

Changes in volume

Fellings

21

19

71

69

Growth

(19)

(21)

(67)

(73)

2
(2)
4
(4)
Plantation price fair value
adjustment
(1)
(29)
111
(31)
67
(27)
109
(27)
63
Included in other operating expenses
are the following:
Asset impairments (impairment reversals)
2
73
(10)
79
Profit on disposal of property,
plant and equipment
(6)
—
(5)
(1)
Loss on disposal of investment
1
—
—
—
Restructuring provisions raised
—
24
46
34
Integration costs
—
—
—
3
Black Economic Empowerment
transactions charge
(2)
—
—
23
—
Fuel tax credit

–
(50)
(51)
(87)
(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 twelve 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 twelve quarter rolling average price, as this reflects the fair value of the plantations more accurately.

(2)

IFRS 2 non-cash charges associated with Black Economic Empowerment transactions, the majority of which relates to the unwinding of the 2006 Black Economic Empowerment deal with the remaining charge relating to the issue of shares to employees and local communities.

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Quarter
Quarter
Year
Year
ended
ended
ended
ended
Sept 2010
Sept 2009
Sept 2010
Sept 2009
US\$ million
US\$ million
US\$ million
US\$ million
4. Capital expenditure
Property, plant and equipment
81
37
201
184
Sept 2010
Sept 2009
US\$ million
US\$ million
5. Capital commitments
Contracted
62
62
Approved but not contracted
109
126
171
188
6. Contingent liabilities
Guarantees and suretyships
48
44
Other contingent liabilities
8
8
56
52

7. Material balance sheet movements

Early repayment of interest-bearing borrowings

The North American Municipal Bonds of US\$106 million were repaid in March 2010 at par value.

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

An early repayment of the first instalment on a syndicated loan with Österreichische Kontrollbank of m80 million (US\$99 million), due in December 2010, was made in June 2010.

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

The Usutu pulp mill was permanently closed at the end of January 2010. The future of the site and plantations was discussed with potential investors and the Government of Swaziland. The disposal group consisting mainly of plantations had been classified as held for sale since December 2009. The Sappi board subsequently took a decision to continue with its forestry operations in Swaziland, and is investigating the establishment of various timber processing operations at the Usutu mill site. As a result, the assets are no longer classified as held for sale.

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8. Segment Information

Restatement of prior year disclosures

Fine Paper Southern Africa is now reported as part of the Southern African segment (previously referred to as "Forest Products") in accordance with the geographical management of our business. The table below shows the effect of this change for the quarter and year ended September 2009:

Restated

Quarter ended

Sept 2009

US\$ million

As previously
reported

Adjustment

Restated

Fine Paper

Sales 1,300

(92)

1,208

Operating (loss) profit

(1)

2

1

Net operating assets

3,526

(205)

3,321

Southern Africa

Sales 253

92

345

Operating loss

(123)

(2)

(125)

Net operating assets

1,686

205

1,891

Restated

Year ended

Sept 2009

US\$ million

As previously
reported

Adjustment

Restated

Fine Paper

Sales 4,508

(318)

4,190

Operating loss

(17)
3
(14)
Net operating assets
3,526
(205)
3,321
Southern Africa
Sales 861
318
1,179
Operating loss
(52)
(3)
(55)
Net operating assets
1,686
205
1,891

fourth quarter

fourth quarter results

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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”.

Restated

Restated

Quarter

Quarter

Year

Year

ended

ended

ended

ended

Sept 2010

Sept 2009

Sept 2010

Sept 2009

Metric tons

Metric tons

Metric tons

Metric tons

(000's)

(000's)

(000's)

(000's)

Sales volume

Fine Paper –

North America

352

355

1,354

1,274

Europe

994

895

3,796

2,956

Total

1,346

1,250

5,150

4,230

Southern Africa –

Pulp and paper

460

470

1,751

1,660

Forestry

289
168
993
817
Total
2,095
1,888
7,894
6,707
US\$ million
US\$ million
US\$ million
US\$ million
Sales
Fine Paper –
North America
364
340
1,373
1,295
Europe
963
868
3,638
2,895
Total
1,327
1,208
5,011
4,190
Southern Africa –
Pulp and paper
426
331
1,488
1,124
Forestry
21
14
73
55
Total
1,774
1,553
6,572
5,369
Operating profit excluding special items
Fine Paper –
North America
42
34

124
(2)
Europe
34
16
76
12
Total
76
50
200
10
Southern Africa
58
(10)
134
17
Corporate and other
(5)
(2)
5
6
Total
129
38
339
33
Special items – (gains) losses
Fine Paper –
North America
(5)
(26)
(56)
(55)
Europe
(6)
75
4
79
Total
(11)
49
(52)
24
Southern Africa
(26)
115
22
72
Corporate and other
8

3
28
10
Total
(29)
167
(2)
106
Operating profit (loss)
Fine Paper –
North America
47
60
180
53
Europe
40
(59)
72
(67)
Total
87
1
252
(14)
Southern Africa
84
(125)
112
(55)
Corporate and other
(13)
(5)
(23)
(4)
Total
158
(129)
341
(73)
EBITDA excluding special items
Fine Paper –
North America
61
58
201
98
Europe
90
80
310

226
Total
151
138
511
324
Southern Africa
82
15
236
101
Corporate and other
(6)
(3)
5
6
Total
227
150
752
431

16
Restated
Restated
Quarter
Quarter
Year
Year
ended
ended
ended
ended
Sept 2010
Sept
2009
Sept 2010
Sept
2009
US\$ million
US\$
million
US\$ million
US\$
million
Net operating assets
Fine Paper –
North America
935
981
935
981
Europe
2,109
2,340
2,109
2,340
Total
3,044
3,321
3,044
3,321
Southern Africa
1,887
1,891
1,887
1,891
Corporate and other
65
38
65
38
Total

4,996

5,250

4,996

5,250

Reconciliation of operating profit 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 excluding special items

129

38

339

33

Special items

29

(167)

2

(106)

Plantation price fair value adjustment

29

(111)

31

(67)

Restructuring provisions raised

–

(24)

(46)

(34)

Profit on disposal of property, plant and equipment

6

–

5

1

Loss on disposal of investment

(1)

–

–

–

Asset (impairments) impairment reversals

(2)

(73)

10

(79)

Fuel tax credit

–

50

51

87

Integration costs

-
-
-
(3)
Black Economic Empowerment transactions charge
-
-
(23)
-
Fire, flood, storm and related events
(3)
(9)
(26)
(11)
Operating profit (loss)
158
(129)
341
(73)
Reconciliation of EBITDA excluding special items and operating profit excluding special items to profit (loss) before taxation
EBITDA excluding special items
227
150
752
431
Depreciation and amortisation
(98)
(112)
(413)
(398)
Operating profit excluding special items
129
38
339
33
Special items – gains (losses)
29
(167)
2
(106)
Net finance costs
(63)
(14)
(255)
(145)
Profit (loss) before taxation
95
(143)
86
(218)

Reconciliation of net operating assets to total assets

Net operating assets

4,996

5,250

4,996

5,250

Deferred tax

53

56

53

56

Cash and cash equivalents

792

770

792

770

Other current liabilities

1,307

1,165

1,307

1,165

Taxation payable

36

56

36

56

Total assets

7,184

7,297

7,184

7,297

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Supplemental Information
Quarter
Quarter
Year
Year
ended
ended
ended
ended
Sept 2010
Sept 2009
Sept 2010
Sept 2009
US\$ million
US\$ million
US\$ million
US\$ million
1. Headline earnings (loss) per share *
Headline earnings (loss) per share (US cents)
16
(6)
10
(21)
Weighted average number of shares in issue
(millions)
519.5
515.8
516.7
482.6
Diluted headline earnings (loss) per share
(US cents)
16
(6)
10
(21)
Weighted average number of shares
on fully diluted basis (millions)
524.0
515.8
520.8
482.6
Calculation of headline earnings (loss) *
Profit (loss) for the period
84
(103)
66
(177)
Asset impairments (impairment reversals)

2
 73
 (10)
 79
 Profit on disposal of property,
 plant and equipment
 (5)
 –
 (4)
 (1)
 Loss on disposal of investment
 1
 –
 –
 –
 Tax effect of above items
 –
 –
 –
 –
 Headline earnings (loss)

82
 (30)
 52
 (99)

*Headline earnings disclosure is required by the JSE Limited.

2. Exchange rates

Sept
 Jun Mar
 Dec
 Sept
 2010
 2010 2010 2009
 2009

Exchange rates:

Period end rate: US\$1 = ZAR

7.0190
 7.6250 7.4298 7.5315
 7.4112

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

7.3517
 7.5821 7.5597 7.5009
 7.7174

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

7.4917
 7.5610 7.5302 7.5009
 9.0135

Period end rate: EUR 1 = US\$

1.3491
 1.2377 1.3413 1.4397
 1.4688

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

1.2871

1.2937 1.3891 1.4737

1.4317

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

1.3658

1.3845 1.4302 1.4737

1.3657

The financial results of entities with reporting currencies other than the US Dollar are translated into US Dollars as follows:

- Assets and liabilities at rates of exchange ruling at period end; and
- Income, expenditure and cash flow items at average exchange rates.

18
Sappi ordinary shares* (JSE: SAP)
0
20
40
60
80
100
Oct 04
Dec 04
Mar 05
Jun 05
Sep 05
Dec 05
Mar 06
Jun 06
Sep 06
Dec 06
Mar 07
Jun 07
Sep 07
Dec 07
Mar 08
Jun 08
Sep 08
Dec 08
Mar 09
Jun 09
Sep 09
Dec 09
Jun 10
Mar 10
Oct 10
ZAR
US Dollar share price conversion*
0
3
6
9
12
15
Oct 04
Dec 04
Mar 05
US\$
Jun 05
Sep 05
Dec 05
Mar 06
Jun 06
Sep 06

Dec 06

Mar 07

Jun 07

Sep 07

Dec 07

Mar 08

Jun 08

Sep 08

Dec 08

Mar 09

Jun 09

Sep 09

Dec 09

Jun 10

Mar 10

Oct 10

** Historic share prices revised to reflect rights offer*

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fourth quarter results
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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

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

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

www.sappi.com

SIGNATURES

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

Date: November 10, 2010

SAPPI LIMITED,

Name:

M. R. Thompson

Title:

Chief Financial Officer

M. R. Thompson

By:

/s/