CHELSEA PROPERTY GROUP INC
Form DEFA14A
September 30, 2004

QuickLinks -- Click here to rapidly navigate through this document

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

o Definitive Proxy Statement

ý Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

**CHELSEA PROPERTY GROUP, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

Filed by Chelsea Property Group, Inc.
Pursuant to Rule 14a-6
under the Securities Exchange Act of 1934
Subject Company: Chelsea Property Group, Inc.
Commission File No.: 1-12328

**Important Legal Information**

This communication is being made in respect of the proposed merger involving Chelsea Property Group, Inc. ("Chelsea") and Simon Property Group, Inc. ("Simon"). In connection with the proposed merger, Simon filed an amended registration statement on Form S-4 on September 9, 2004 containing a definitive proxy statement/prospectus for the stockholders of Chelsea. Chelsea began mailing the definitive proxy statement/prospectus and form of proxy to its stockholders on September 9, 2004. Before making any voting or investment decision, Chelsea's stockholders and investors are urged to read the definitive proxy statement/prospectus regarding the merger, as well as any other relevant documents carefully in their entirety because they will contain important information about the proposed transaction. The definitive proxy statement/prospectus on file with the SEC and other relevant materials are available free of charge at the SEC's Web site, www.sec.gov. Stockholders and investors in Chelsea or Simon will also be able to obtain the definitive proxy statement/prospectus and other documents free of charge by directing their requests to:

| | |
|---|---|
| Chelsea Property Group, Inc.<br>Investor Relations<br>105 Eisenhower Parkway<br>Roseland, New Jersey 07068 | Simon Property Group, Inc.<br>Investor Relations<br>National City Center<br>115 West Washington Street, Suite 15 East<br>Indianapolis, Indiana 46204 |

The following letter was sent to certain stockholders of Chelsea on September 30, 2004.

**Chelsea Property Group, Inc.**
**105 Eisenhower Parkway**
**Roseland, NJ 07068**

September 30, 2004

**WE HAVE NOT YET RECEIVED YOUR PROXY**

Dear Shareholder:

Our records reflect that you have not yet voted your proxy for the October 13, 2004 Special Meeting of Shareholders. At the meeting, you will be asked to vote upon the proposal to approve the REIT merger and the merger agreement, pursuant to which Simon Acquisition I, LLC, a Maryland limited liability company and an indirect subsidiary of Simon Property Group, Inc., a Delaware corporation, will be merged with and into Chelsea Property Group, Inc., a Maryland corporation. In the proposed REIT Merger, Chelsea will become an indirect subsidiary of Simon. For each share of Chelsea common stock that you own, you will receive (subject to adjustment as described in the proxy statement/prospectus previously sent to you):

**$36.00 in cash;**

**0.2936 of a share of Simon common stock, subject to adjustment as set forth in the proxy statement/prospectus; and**

**0.3000 of a share of Simon 6% Series I Convertible Perpetual Preferred Stock.**

As explained in the proxy statement/prospectus previously sent to you, the Board of Directors of Chelsea recommends a vote FOR this proposal. The adoption of this critical proposal requires the affirmative vote of at least two-thirds of the outstanding shares of Chelsea common stock. Not voting has the same effect as a vote against the proposal.

Last week Institutional Shareholder Services (ISS), the world premier proxy advisory firm, issued their recommendation **in favor** of the merger agreement. ISS issues voting recommendations to their client base of institutional investors regarding thousands of corporations each year.

**For your convenience we have made arrangements for you to vote by telephone or the internet in addition to voting by mail.** Just follow the directions on the enclosed proxy. If you have any questions, or require assistance in voting, please call MacKenzie Partners, Inc. at (800) 322-2885 (Toll Free) or (212) 929-5500 (Call Collect). Thank you for your support.

Sincerely,

David C. Bloom
Chairman and Chief Executive Officer

QuickLinks

Chelsea Property Group, Inc. 105 Eisenhower Parkway Roseland, NJ 07068
WE HAVE NOT YET RECEIVED YOUR PROXY
/font>

Europe
4
10
(4)
43
Southern Africa
(4)
1
–
5
*Total*
(13)
36
(40)
112
Forest Products
(7)
51
27
157
Corporate and other
7
1
8
8
*Total*
(13)
88
(5)
277
EBITDA excluding special items
Fine Paper –
North America
13
53
40
144
Europe
62
55
146
178

Southern Africa
(1)
5
10
17
*Total*
74
113
196
339
Forest Products
12
68
76
212
Corporate and other
7
1
9
9
*Total*
93
182
281
560

12

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 impact of the global economic downturn, the risk that the European Acquisition will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected, expected revenue synergies and cost savings from the acquisition may not be fully realized or realized within the expected time frame, revenues following the acquisition may be lower than expected, any anticipated benefits from the consolidation of the European paper business may not be achieved, the highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclicality, 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. The company undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or circumstances or otherwise.

We have included in this announcement an estimate of total synergies from the acquisition of M-real's coated graphic paper business and the integration of the acquired business into our existing business. The estimate of synergies that we expect to achieve following the completion of the acquisition is based on assumptions which in the view of our management were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of our management's knowledge and belief, the expected course of action and the expected future financial impact on our performance due to the acquisition. However, the assumptions about these expected synergies are inherently uncertain and, though considered reasonable by management as of the date of preparation, are subject to a wide variety of significant business, economic and competitive risks and uncertainties that could cause actual results to differ materially from those contained in this estimate of synergies. There can be no assurance that we will be able to successfully implement the strategic or operational initiatives that are intended, or realise the estimated synergies. This synergy estimate is not a profit forecast or a profit estimate and should not be treated as such or relied on by shareholders or prospective investors to calculate the likely level of profits or losses for Sappi for fiscal 2009 or beyond.

// third quarter results
13
Group income statement
Reviewed
Reviewed
Reviewed
Reviewed
Quarter
Quarter
Nine months
Nine months
ended
ended
ended
ended
June 2009
June 2008
%
June 2009
June 2008
%
Notes
US$ million
US$ million
change
US$ million
US$ million change
Sales
1,316
1,494 (12)
3,816
4,344 (12)
Cost of sales
1,272
1,428
3,510
3,782
Gross profit
44
66 (33)
306
562 (46)
Selling, general and
administrative expenses
90
95
273
294
Other operating income
(31)
–

(17)
(6)
Share of profit from
associates and joint ventures
(8)
(6)
(6)
(15)
Operating (loss) profit
3
(7)
(23)
–
56
289 (81)
Net finance costs
70
45
131
100
Net interest
44
43
116
106
Finance cost capitalised
–
(1)
–
(16)
Net foreign exchange
(gains) losses
(1)
2
(12)
(3)
Net fair value loss on
financial instruments
27
1
27
13
(Loss) profit before taxation
(77)
(68)
–
(75)
189 –
Taxation
(15)
(5)

(1)
55
Current
3
7
7
11
Deferred
(18)
(12)
(8)
44
(Loss) profit for the period
(62)
(63)
–
(74)
134 –
Basic (loss) earnings per share (US cents)
1
(12)
(17)
(16)
37
Weighted average number of shares in issue (millions)
1
515.8
362.2
471.5
362.0
Diluted basic (loss) earnings per share (US cents)
1
(12)
(17)
(16)
37
Weighted average number of shares on fully diluted basis (millions)
1
517.9
366.0
473.7
365.5

14
Group balance sheet
Reviewed
Reviewed
June 2009
Sept 2008
US$ million
US$ million
ASSETS
Non-current assets
5,004
4,408
Property, plant and equipment
3,927
3,361
Plantations
702
631
Deferred taxation
38
41
Other non-current assets
337
375
Current assets
2,482
1,701
Inventories
831
725
Trade and other receivables
855
702
Cash and cash equivalents
796
274
Total assets
7,486
6,109
EQUITY AND LIABILITIES
Shareholders’ equity
Ordinary shareholders’ interest
2,049
1,605
Non-current liabilities
3,050
2,578
Interest-bearing borrowings
2,254
1,832
Deferred taxation

392
399
Other non-current liabilities
404
347
Current liabilities
2,387
1,926
Interest-bearing borrowings
1,293
821
Bank overdraft
19
26
Other current liabilities
1,017
1,025
Taxation payable
58
54
Total equity and liabilities
7,486
6,109
Number of shares in issue at balance sheet date (millions)
515.8
229.2

// third quarter results
15
Group cash flow statement
Reviewed
Reviewed
Reviewed
Reviewed
Quarter
Quarter
Nine months
Nine months
ended
ended
ended
ended
June 2009
June 2008
June 2009
June 2008
US$ million
US$ million
US$ million
US$ million
(Loss) profit for the period
(62)
(63)
(74)
134
Adjustment for:
Depreciation, fellings and amortisation
125
115
336
344
Taxation
(15)
(5)
(1)
55
Net finance costs
70
45
131
100
Post employment benefits
(13)
(12)
(32)
(65)
Other non-cash items
(28)

76
(89)
(81)
Cash generated from operations
77
156
271
487
Movement in working capital
93
29
25
(134)
Net finance costs
–
(83)
(54)
(150)
Taxation paid
(3)
(40)
(5)
(56)
Dividends paid *
–
–
(37)
(73)
Cash retained from operating activities
167
62
200
74
Cash utilised in investing activities
(61)
(98)
(726)
(351)
Capital expenditure and other
non-current assets
(59)
(98)
(138)
(351)
Acquisition of M-real
(2)
–
(588)
–
106
(36)

(526)
(277)
Cash effects of financing activities
(57)
56
979
161
Net movement in cash and
cash equivalents
49
20
453
(116)
** Dividend no 85: 16 US cents per share paid on 28 November 2008*
Group statement of recognised income and expense
Reviewed
Reviewed
Reviewed
Reviewed
Quarter
Quarter
Nine months
Nine months
ended
ended
ended
ended
June 2009
June 2008
June 2009
June 2008
US$ million
US$ million
US$ million
US$ million
Exchange differences on translation of
foreign operations
243
50
(44)
(222)
Sundry other movements in equity
1
(1)
1
1
Net income (expense) recorded directly
in equity
244
49
(43)

(221)
(Loss) profit for the period
(62)
(63)
(74)
134
Total recognised profit (expense) for the period
182
(14)
(117)
(87)

## 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 2008 which are compliant with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The preliminary results for the nine month period and quarter ended June 2009 as set out on pages 13 to 20 have been reviewed in terms of the International Standard on Review Engagements 2410 by the group's auditors, Deloitte & Touche. Their unmodified review report is available for inspection at the company's registered offices.

In November and December 2008, Sappi conducted a renounceable rights offer of 286,886,270 new ordinary shares of ZAR1.00 each to qualifying Sappi shareholders recorded in the shareholders register at the close of business on Friday 21 November 2008, at a subscription price of ZAR20.27 per rights offer share in the ratio of 6 rights offer shares for every 5 Sappi shares held. The rights offer was fully subscribed and the shareholders received their shares on 15 December 2008. The rights offer raised ZAR5,8 billion which was used to partly finance the acquisition of the coated graphic paper business of M-real and the related costs.

In accordance with IAS 33, prior period basic, headline and diluted earnings per share have been restated to take into account the bonus element of the rights offer. The prior period weighted average number of shares has been adjusted by a factor of 1.58 (the adjustment factor). Please refer to page 21, Supplemental Information for a summary of this calculation.

### 2. Reconciliation of movement in shareholders' equity

| | Reviewed Nine months ended June 2009 US$ million | Reviewed Nine months ended June 2008 US$ million |
|---|---|---|
| Balance – beginning of period | 1,605 | 1,816 |
| Total recognised expense for the period | (117) | (87) |
| Dividends paid | (37) | (73) |
| Rights offer | 575 | – |
| Costs directly attributable to the rights offer | (31) | – |
| Issue of new shares to M-real | | |

45
–
Transfers to participants of the share purchase trust
2
6
Share based payment reserve
7
7
Balance – end of period
2,049
1,669

// third quarter results
17
3.
Operating (loss) profit
Reviewed
Reviewed
Reviewed
Reviewed
Quarter
Quarter
Nine months
Nine months
ended
ended
ended
ended
June 2009
June 2008
June 2009
June 2008
US$ million
US$ million
US$ million
US$ million
Included in operating (loss) profit are the
following non-cash items:
Depreciation and amortisation
106
94
286
283
Fair value adjustment on plantations
(included in cost of sales)
Changes in volume
Fellings
19
21
50
61
Growth
(20)
(20)
(52)
(55)
(1)
1
(2)
6
Plantation price fair value
adjustment
25

105
(44)
(12)
24
106
(46)
(6)
Included in other operating income
are the following:
Asset impairments
1
1
6
3
Profit on disposal of property,
plant and equipment
–
(1)
(1)
(5)
Restructuring provisions
raised (released)
2
–
10
(3)
Integration costs
3
–
3
–
Fuel tax credit
(37)
–
(37)
–
4.
Headline earnings per share *
Headline earnings per share (US cents) **
(12)
(17)
(15)
37
Weighted average number of shares in
issue (millions) **
515.8
362.2
471.5
362.0
Diluted headline earnings per
share (US cents) **

(12)
(17)
(15)
36
Weighted average number of shares on
fully diluted basis (millions) **
517.9
366.0
473.7
365.5
Calculation of Headline earnings *
(Loss) profit for the period
(62)
(63)
(74)
134
Asset impairments
1
1
6
3
Profit on disposal of property,
plant and equipment
–
(1)
(1)
(5)
Tax effect of above items
–
1
–
1
Headline (loss) earnings
(61)
(62)
(69)
133
** Headline earnings disclosure is required by the JSE Limited.*
*** Prior period headline earnings per share has been restated for the bonus element of the rights offer in accordance with IAS 33.*
*Please refer to page 21, Supplemental Information for a summary of this calculation.*
5.
Capital expenditure
Property, plant and equipment
54
103
147
377
June 2009
Sept 2008
US$ million

US$ million
6.
Capital commitments
Contracted
71
76
Approved but not contracted
157
130
228
206

18
Notes to the group results
June 2009
Sept 2008
US$ million
US$ million
7.
Contingent liabilities
Guarantees and suretyships
45
38
Other contingent liabilities
7
7
52
45
8.
Material balance sheet movements
Acquisition of M-real's coated graphic paper business
See note 9 for details of how the acquisition is recorded in the balance sheet.
Interest-bearing borrowings and cash and cash equivalents
Included in long term borrowings is the EUR220 million (US$309 million) vendor loan note and the assumed interest-bearing debt both used to partly finance the acquisition of M-real's coated graphic paper business. During the nine months ended June 2009, the group also drew down EUR200 million (US$281 million) of its committed facilities and raised a further US$63 million in long-term bank loans. All of this is currently held in cash.
9.
Acquisition
On 31 December 2008, Sappi acquired M-real's coated graphic paper business for EUR750 million (US$1.1 billion). The transaction includes M-real's coated graphic paper business (excluding M-real's South African business), including brands and company knowledge, as well as four coated graphic mills.
The acquisition was financed through a combination of equity, assumed debt, the cash proceeds from a rights offering and a vendor loan note.
The acquired business contributed revenues of US$522 million, a net operating profit of US$8 million and a net loss of US$4 million to the group for the period from acquisition to 28 June 2009.
Details of net assets acquired and goodwill are as follows:
EURO
US$
Purchase consideration:
Cash consideration
400
563
Shares issued *
32
45
Vendor loan note
220
308
Adjustments to working capital
(4)
(6)

Gain on forward exchange contract covering purchase consideration
(24)
(32)
Direct costs relating to the acquisition
23
32
Total purchase consideration
647
910
Provisional fair value of net identifiable assets acquired (see below)
647
910
Provisional goodwill **
–
–
The assets and liabilities arising from the acquisition are as follows:
EURO
EURO
US$
US$
Acquiree's
Provisional
Acquiree's
Provisional
carrying
fair
carrying
fair
amount
value
amount
value
Property, plant and equipment
634
531
892
747
Information technology related intangibles
2
2
3
3
Brand names
–
18
–
25
Inventories
118
115
166

162
Trade receivables
200
193
281
272
Prepayments and other debit balances
15
18
21
25
Cash and cash equivalents
5
5
7
7
Trade payables
(85)
(85)
(120)
(120)
Pension liabilities
(37)
(40)
(52)
(56)
Borrowings
(46)
(42)
(65)
(59)
Provisions
(4)
(4)
(6)
(6)
Other payables and accruals
(60)
(65)
(84)
(91)
Net deferred tax (liabilities) assets
(11)
1
(15)
1
Net identifiable assets acquired
731
647
1,028
910

// third quarter results
19
Outflow of cash to acquire business, net of cash acquired:
EURO
US$
Cash consideration
400
563
Direct costs relating to acquisition
23
32
Cash and cash equivalents in subsidiary acquired
(5)
(7)
Net cash outflow on acquisition
418
588
The provisional values determined as at March 2009 have been adjusted as follows to arrive at the provisional values as at June 2009
EURO
US$
Provisional fair values **
March 2009
June 2009
March 2009
June 2009
Property, plant and equipment
494
531
695
747
Information technology related intangibles
2
2
3
3
Brand names
18
18
25
25
Inventories
116
115
163
162
Trade receivables
200
193
281
272

Prepayments and other debit balances
21
18
30
25
Cash and cash equivalents
5
5
7
7
Trade payables
(86)
(85)
(121)
(120)
Pension liabilities
(40)
(40)
(56)
(56)
Borrowings
(47)
(42)
(66)
(59)
Provisions
(4)
(4)
(6)
(6)
Other payables and accruals
(64)
(65)
(89)
(91)
Net deferred tax (liabilities) assets
13
1
18
1
Net identifiable assets acquired
628
647
884
910
EURO
US$
Provisional goodwill at March 2009 **
27
38
Increase in fair values of net identifiable assets

(19)
(26)
Change in adjustments to working capital
(10)
(14)
Increase in direct costs relating to acquisition
2
2
Provisional goodwill at June 2009 **
0
0

** 11,159,702 Sappi shares were issued to M-real as partial payment of the acquisition price. The fair value of US$45 million*
*(EUR32 million) was determined using Sappi's published market price at the date of exchange.*

*** The initial accounting for the business combination has been determined provisionally as at the end of the third quarter ended June*
*2009 because the group is still in the process of finalising the fair values of the identifiable assets and liabilites of the acquired business*
*of M-real. The changes in provisional values from March 2009 to June 2009 are due to the group having access to more information*
*that enabled us to* update our initial determination of fair values and the purchase consideration.

20
Notes to the group results
Reviewed
Reviewed
Reviewed
Reviewed
Quarter
Quarter
Nine months
Nine months
ended
ended
ended
ended
June 2009
June 2008
%
June 2009
June 2008
%
US$ million
US$ million change
US$ million
US$ million change
10. Regional information
Sales
Fine Paper –
North America
291
424
(31)
955
1,231
(22)
Europe
729
705
3
2,027
2,040
(1)
Southern Africa
78
95
(18)
226
271
(17)
*Total*
1,098
1,224

(10)
3,208
3,542
(9)
Forest Products – Pulp and paper
operations
204
249
(18)
567
747
(24)
Forestry operations
14
21
(33)
41
55
(25)
*Total*
1,316
1,494
(12)
3,816
4,344
(12)
Operating profit
Fine Paper –
North America
24
25
(4)
(7)
62
–
Europe
–
10
(100)
(8)
47
–
Southern Africa
(5)
1
–
(1)
5
–
*Total*
19

36
(47)
(16)
114
–
Forest Products
(26)
(60)
–
71
167
(57)
Corporate and other
–
1
(100)
1
8
100
*Total*
(7)
(23)
–
56
289
(81)
Net operating assets
Fine Paper –
North America
1,035
1,064
(3)
1,035
1,064
(3)
Europe
2,475
2,098
18
2,475
2,098
18
Southern Africa
205
124
65
205
124
65
*Total*
3,715

3,286
13
3,715
3,286
13
Forest Products
1,790
1,714
4
1,790
1,714
4
Corporate and other
72
27
167
72
27
167
*Total*
5,577
5,027
11
5,577
5,027
11

// third quarter results
21
Supplemental Information *(this information has not been reviewed)*
*general definitions*
Average – averages are calculated as the sum of the opening and closing balances for the relevant period divided by two
Fellings – the amount charged against the income statement representing the standing value of the plantations harvested
NBSK – Northern Bleached Softwood Kraft pulp. One of the main varieties of market pulp, mainly produced from spruce trees in Scandinavia, Canada and north eastern USA. The NBSK is a benchmark widely used in the pulp and paper industry for comparative purposes
SG&A – selling, general and administrative expenses
Non-GAAP measures
The group believes that it is useful to report certain non-GAAP measures for the following reasons:
– these measures are used by the group for internal performance analysis;
– the presentation by the group's reported business segments of these measures facilitates comparability with other companies in our industry, although the group's measures may not be comparable with similarly titled profit measurements reported by other companies; and
– it is useful in connection with discussion with the investment analyst community and debt rating agencies.
These non-GAAP measures should not be considered in isolation or construed as a substitute for GAAP measures in accordance with IFRS
Acquisition – the acquisition of M-real's coated graphic paper business on 31 December 2008
Adjustment factor – this is calculated using the pre-announcement share price divided by the theoretical ex-rights price (TERP). TERP is the [(Number of new shares multiplied by the Subscription price) plus the (Number of shares held multiplied by the Ex-dividend share price)] all divided by the (Number of new shares plus the number of shares held prior to the rights offer)
Capital employed – shareholders' equity plus net debt
EBITDA excluding special items – earnings before interest (net finance costs), taxation, depreciation, amortisation and special items
Headline earnings – as defined in circular 8/2007 issued by the South African Institute of Chartered Accountants, separates from earnings all separately identifiable re-measurements. It is not necessarily a measure of sustainable earnings. It is a listing requirement of the JSE Limited to disclose headline earnings per share
Net debt – current and non-current interest-bearing borrowings, and bank overdraft (net of cash, cash equivalents and short-term deposits)
Net debt to total capitalisation – net debt divided by capital employed
Net operating assets – total assets (excluding deferred taxation and cash and cash equivalents) less current liabilities (excluding interest-bearing borrowings and bank overdraft)
Net assets – total assets less total liabilities
Net asset value per share – net assets divided by the number of shares in issue at balance sheet date
ROCE – return on average capital employed. Operating profit excluding special items divided by average capital employed
ROE – return on average equity. Profit for the period divided by average shareholders' equity
RONOA – return on average net operating assets. Operating profit excluding special items divided by average net operating assets
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 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
*The above financial measures are presented to assist our shareholders and the investment community in interpreting our financial results.*

*These financial measures are regularly used and compared between companies in our industry*

22
Supplemental Information *(this information has not been reviewed)*
*EBITDA excluding special items*
Quarter
Quarter
Nine months
Nine months
ended
ended
ended
ended
June 2009
June 2008
June 2009
June 2008
US$ million
US$ million
US$ million
US$ million
Reconciliation of (loss) profit for the period to
EBITDA excluding special items
(1)
(Loss) profit for the period
(62)
(63)
(74)
134
Net finance costs
70
45
131
100
Taxation
(15)
(5)
(1)
55
Special items – (gains) losses
(6)
111
(61)
(12)
Operating (loss) profit excluding special items
(13)
88
(5)
277
Depreciation and amortisation
106
94
286

283
EBITDA excluding special items
(1)
93
182
281
560
June 2009
Sept 2008
US$ million
US$ million
Net debt (US$ million)
(2)
2,770
2,405
Net debt to total capitalisation (%)
(2)
57.5
60.0
Net asset value per share (US$)
(2)
3.97
7.00
*(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 excluding special items to net profit rather than operating profit. As a result our definition retains minority interest as part of EBITDA excluding special items.*
*Operating profit excluding special items represents earnings before interest (net finance costs), taxation and special items. 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. 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 and 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.*
*EBITDA excluding special items represents operating profit before depreciation, amortisation and special items.*
*We use both operating profit excluding special items and EBITDA excluding special items as internal measures of performance to benchmark and compare performance, both between our own operations and as against other companies. Operating profit excluding special items and EBITDA excluding special items are measures 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 they are useful and commonly used measures of financial performance in addition to net profit, operating profit and other profitability measures under IFRS because they facilitate 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 both operating profit excluding special items and EBITDA excluding special items can provide a useful additional basis for comparing the current performance of the operations being evaluated. For these reasons, we believe operating profit excluding special items and EBITDA 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 excluding special items and EBITDA excluding special items differently, so making comparisons among companies on this basis should be done very carefully. Operating profit excluding special items and EBITDA excluding special items are not measures of performance under IFRS and should not be considered in isolation or construed as a substitute for operating profit or net profit as indicators of the company's operations in accordance with IFRS.*

*(2)*

*Refer to page 21, Supplemental Information for the definition of the term.*

// third quarter results
23
Supplemental Information *(this information has not been reviewed)*
*summary rand convenience translation*
Quarter
Quarter
Nine months Nine months
ended
ended
%
ended
ended
%
June 2009
June 2008 change
June 2009
June 2008 change
Key figures: (ZAR million)
Sales
11,344
11,711
(3)
35,949
31,814
13
Operating (loss) profit
(60)
(180)
–
528
2,117
(75)
Special items – (gains) losses *
(52)
870
–
(575)
(88)
–
Operating (loss) profit excluding
special items
(112)
690
–
(47)
2,029
–
EBITDA excluding special items *
802
1,427
(44)

2,647
4,101
(35)
Basic (loss) earnings per
share (SA cents)
(103)
(133)
–
(151)
271
–
Net debt *
21,880
21,108
4
21,880
21,108
4
Key ratios: (%)
Operating (loss) profit to sales
(0.5)
(1.5)
1.5
6.7
Operating (loss) profit excluding
special items to sales
(1.0)
5.9
(0.1)
6.4
Operating (loss) profit excluding
special items to Capital
Employed (ROCE) *
(1.1)
7.9
(0.2)
8.7
EBITDA excluding special items
to sales
7.1
12.2
7.4
12.9
Return on average equity (ROE)
(12.5)
(14.7)
(6.4)
10.2
Net debt to total capitalisation *
57.5
61.5

57.5
61.5
** Refer to page 21, Supplemental Information for the definition of the term.*
*The above financial results have been translated into ZAR from 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.*
*exchange rates*
June
Mar
Dec
Sept
June
2009
2009
2008
2008
2008
Exchange rates:
Period end rate: US$1 = ZAR
7.8990
9.5849
9.7148
8.0751
7.9145
Average rate for the Quarter: US$1 = ZAR
8.6197
9.8979
9.8584
7.8150
7.8385
Average rate for the YTD: US$1 = ZAR
9.4205
9.9015
9.8584
7.4294
7.3236
Period end rate: EUR 1 = US$
1.4054
1.3301
1.4064
1.4615
1.5795
Average rate for the Quarter: EUR 1 = US$
1.3651
1.3300
1.3471
1.5228
1.5747
Average rate for the YTD: EUR 1 = US$
1.3432
1.3288

1.3471
1.5064
1.5071

*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.*

24
US$
0
2
4
6
8
10
12
14
Jul 03Oct 04Jul 04Jan05Apr 05Jul 05Oct 05Jan 06Apr 06Jul 06Jan 07Apr 07Oct 06Oct 03Jan 04Apr 04Jul 07Oct 07Jan 08Apr 08 Jul 08Oct 08Jan09Apr 09Jul 09

ZAR
0
10
20
30
40
50
60
70
80
90
Jul 03Oct 04Jul 04Jan05Apr 05Jul 05Oct 05Jan 06Apr 06Jul 06Jan 07Apr 07Oct 06Oct 03Jan 04Apr 04Jul 07Oct 07Jan 08Apr 08 Jul 08Oct 08Jan09Apr 09Jul 09

Sappi ordinary shares* (JSE: SAP)
US Dollar share price conversion*
** Historic share prices revised to reflect rights offer*

Other interested parties can obtain printed copies of this report from:
South Africa:
United States:
Channel Islands:
Computershare Investor
ADR Depositary:
Capita Registrars
Services (Proprietary) Limited
The Bank of New York Mellon
(Jersey) Limited
70 Marshall Street
Investor Relations
12 Castle Street
Johannesburg 2001
PO Box 11258
St Helier
PO Box 61051
Church Street Station
Jersey
Marshalltown 2107
New York, NY 10286-1258
JE2 3RT
Tel +27 (0)11 370 5000
Tel +1 610 382 7836
Tel +44 (0)208 639 3399
Designed by
Printed by INCE
this report is available on the Sappi website
www.sappi.com

**sappi**
Printed on Magno Matt Classic 250g/m
2
and 150g/m
2
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:
July 31, 2009
SAPPI LIMITED,
Name:
M. R. Thompson
Title:
Chief Financial Officer
M. R. Thompson
By:
/s/