

Edgar Filing: SAPPI LTD - Form 6-K

SAPPI LTD  
Form 6-K  
February 04, 2004

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

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

under the Securities Exchange Act of 1934

For the month of February, 2004

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                      X                      Form 40-F  
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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                      X  
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If "Yes" is marked, indicated below the file number assigned to the registrant in connection with Rule 12g3-2(b):82-

FORWARD-LOOKING STATEMENTS

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

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[GRAPHICS OMITTED]

SAPPI

The word for fine paper

results for the quarter  
ended December 2003

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[GRAPHICS OMITTED]

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[GRAPHICS OMITTED]

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Sappi is the world's leading  
producer of coated fine paper

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Sales by product group \*

[Pie Chart Omitted]	Coated fine paper	64%
	Uncoated fine paper	5%
	Coated specialities	8%
	Pulp	13%
	Commodity paper	9%
	Other	1%

Sales: where the product is sold\*

[Pie Chart Omitted]	Europe	42%
	Southern Africa	15%
	Asia and other	12%
	North America	31%

Sales: where the product is manufactured\*

[Pie Chart Omitted]	Europe	46%
	Southern Africa	26%
	North America	28%

Geographic ownership\*\*

[Pie Chart Omitted]	Europe & ROW +	15%
	Southern Africa	46%
	North America	39%

\* for the quarter ended December 2003

\*\* as at 31 December 2003

+ Rest of the world

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Net loss after previously announced charges  
 Weak US market  
 Strong demand in Europe  
 SA businesses profitable despite stronger Rand

### SUMMARY

	Quarter ended Dec 2003	Quarter ended Sept ** 2003	Qua en De 2
Sales (US\$ million)	1,120	1,123	1
Operating profit (US\$ million)	-	48	
EBITDA (US\$ million) *	114	115	
Operating profit to sales (%)	-	4.3	
EBITDA to sales (%) *	10.2	10.2	
Operating profit to average net assets (%) *	-	4.3	
Headline EPS (US cents) *	(9)	11	
EPS (US cents)	(9)	4	
Return on average equity (%) *	(4.3)	1.9	
Net debt (US\$ million) *	1,694	1,491	1
Net debt to total capitalisation (%) *	34.7	30.9	

\* Refer to the Supplemental Information for the definition of the term.

\*\* Restated for AC 137

### COMMENT

The performance of our fine paper businesses was disappointing in the United States, encouraging in Europe although prices remain weak, and satisfactory in South Africa. The forest products business experienced strong demand and performed well notwithstanding the strength of the Rand.

Market conditions in the quarter were very different in our two major fine paper markets. In Europe apparent consumption of coated fine paper (defined as shipments plus imports less exports) showed growth of 6% in the quarter compared to a year earlier. However, prices remain weak. In the United States the strength of GDP growth did not translate into a recovery in demand for coated paper. Coated fine paper apparent consumption for the quarter was down approximately 13% compared to a year earlier and 6% compared to the prior quarter. Despite the weakening of the US Dollar against the Euro, imports into the United States for October and November remained at a high level but were down 2%

compared to a year earlier. Prices remained under pressure and in the case of sheeted product this is reflected in a shift towards lower priced products, including imports.

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As anticipated in our last quarterly results announcement, we took charges in this quarter in respect of the closure costs of paper machine 14 at the Westbrook mill (US\$15 million pre-tax); staff reduction (US\$14 million pre-tax) and increased costs in connection with major maintenance shuts at all our North American mills (US\$15 million pre-tax higher than last year). These charges and additional shut costs amount to approximately US\$44 million pre-tax, US\$33 million post-tax, and 15 US cents per share.

After these charges and costs we recorded a net loss and headline loss of US\$21 million.

Costs have generally been well controlled but North American wood and energy costs were US\$6 million higher than last year. Selling, General and Administrative expenses for the quarter were US\$125 million, US\$48 million higher than last year, partly as a result of the US\$29 million charge for the Westbrook closure and staff reduction and partly as a result of currency translation to the weaker US Dollar (US\$12 million).

Following the application of the new Agriculture Accounting Standard - AC137 (IFRS 41) in the quarter movements in the fair value of plantations now impact operating profit. The change had a favourable impact of US\$7 million after tax in the quarter as a result of volume growth and operating efficiencies.

Net finance costs for the quarter were US\$28 million compared to US\$29 million last year. They were US\$7 million higher than the September quarter as a result of changes in the fair value of financial instruments.

Tax for the quarter was at an effective rate of 25% which is higher than the expected rate for the balance of the year, as a result of the charges and losses in the United States.

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### CASH FLOW AND DEBT

Cash generated by operations remained positive at US\$106 million for the quarter despite weak trading conditions but was 29% lower than the previous quarter and 40% lower than the same quarter last year.

Working capital increased by US\$113 million in the quarter mainly as a result of lower payables. This movement was significantly lower than the equivalent quarter last year. Capital expenditure in the quarter was US\$83 million, 83% of depreciation.

We repurchased approximately 1 million of our shares in the quarter at a cost of US\$13 million.

Net debt increased by approximately US\$203 million in the quarter. US\$56 million of the increase was a result of translation to US Dollars from the relatively stronger Euro and Rand.

### OPERATING REVIEW FOR THE QUARTER SAPPI FINE PAPER

	Quarter ended Dec 2003 US\$ million	Quarter ended Dec 2002 US\$ million	% change
Sales	905	862	5.0

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Operating (loss) profit	(34)	57	-
Operating (loss) profit to sales (%)	(3.7)	6.6	-
EBITDA	51	133	(61.7)
EBITDA to sales (%)	5.6	15.4	-
RONOA pa (%)	(4.2)	7.5	-

Our fine paper business continued to be impacted by low prices and higher costs in all regions. In the United States this was exacerbated by weak demand and the high level of imports. Our South African business was faced with increased competition from imports as a result of the relatively strong currency. The average exchange rate was R6.86 per US Dollar in the quarter compared to R9.73 a year earlier.

The highlight of the quarter was improving order levels and sales volumes in Europe, primarily for the European market.

We are focusing management attention on improving the performance of our North American business.

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### Europe

	Quarter ended Dec 2003 US\$ million	Quarter ended Dec 2002 US\$ million	% change (US\$)	% change (Euros)
Sales	518	434	19.4	0.4
Operating profit	15	39	(61.5)	(67.8)
Operating profit to sales (%)	2.9	9.0	-	-
EBITDA	63	82	(23.2)	(35.4)
EBITDA to sales (%)	12.2	18.9	-	-
RONOA pa (%)	3.5	10.7	-	-

Our sales volumes, including exports, increased 12% compared to a year earlier, reflecting the stronger apparent consumption in Europe.

Price pressure continued in the quarter and average prices realised in Euros were about 10% below a year earlier. This includes the effect of the relatively weaker US Dollar on the realised value of exports to the United States and elsewhere.

### North America

	Quarter ended Dec 2003 US\$ million	Quarter ended Dec 2002 US\$ million	% change
Sales	316	369	(14.4)
Operating (loss) profit	(54)	9	-
Operating (loss) profit to sales (%)	(17.1)	2.4	-
EBITDA	(20)	40	-
EBITDA to sales (%)	(6.3)	10.8	-

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RONOA pa (%) (15.3) 2.4 -

There has been no sign of a recovery in our sector in the United States despite strong economic growth figures. In the past there has generally been a good but lagging correlation between corporate profits and coated paper consumption, which we still expect will result in improved consumption of coated fine paper once market inventories return to normal levels.

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The underlying performance of our North American business was unsatisfactory and the results were further impacted by the charges for the paper machine closure, staff reduction and increased major shut costs. The closure of the Westbrook paper machine and transfer of its output proceeded smoothly and we expect to see the benefits in subsequent quarters.

Sales volume of coated fine paper was 11% lower than last year reflecting industry conditions. This reduction is emphasised by the strong seasonal demand in the comparative quarter last year.

Average prices realised for paper were 6% lower than last year and 3% lower compared to the prior quarter, which includes the effect of a mix-shift to lower priced products. We have continued to enhance our product offerings and are in a strong position to meet our customers' requirements and to benefit from the stronger economy.

Operating costs were influenced by the higher wood and energy costs and this trend has continued into our second quarter.

### Fine Paper South Africa

	Quarter ended Dec 2003 US\$ million	Quarter ended Dec 2002 US\$ million	% change (US\$)	% change (Rands)
Sales	71	59	20.3	(15.2)
Operating profit	5	9	(44.4)	(60.8)
Operating profit to sales (%)	7.0	15.3	-	-
EBITDA	8	11	(27.3)	(48.7)
EBITDA to sales (%)	11.3	18.6	-	-
RONOA pa (%)	13.7	36.0	-	-

Demand in the South African market was firm in the quarter; however, the strength of the Rand has resulted in increased competition from imports and downward pressure on prices. This has resulted in a continued squeeze on our margins.

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### Forest Products

	Quarter ended Dec 2003 US\$ million	Quarter ended Dec 2002 US\$ million	% change (US\$)	% change (Rands)
Sales	215	157	36.9	(3.5)
Operating profit	35	37	(5.4)	(33.3)
Operating profit to sales (%)	16.3	23.6	-	-
EBITDA	64	55	16.4	(18.0)
EBITDA to sales (%)	29.8	35.0	-	-
RONOA pa (%)	12.4	18.6	-	-

Demand in the local market was firm in the quarter. Our dissolving pulp business continued to perform well with good demand from the viscose and acetate markets.

Our total volume of pulp and paper sold increased 14% compared to a year earlier. Average prices realised were 12% lower in Rands but as a result of currency translation, significantly higher in US Dollars than a year earlier.

#### OUTLOOK

World economic conditions appear to be improving on a wide front. We are seeing improved demand in Europe, which we expect to continue.

Our biggest turnaround opportunity remains in the United States where the paper sector has not yet benefited from the strength of GDP growth.

We expect strong demand to continue for our South African businesses but the volatility of the Rand continues to play a major role in their profitability.

With no recovery yet discernible in our fine paper business in the United States, and assuming no marked changes in our other major markets, the next quarter's earnings are likely to be at a similar level to the last quarter excluding charges and additional costs. Given the delay in the turnaround it is now less likely that we will achieve an improvement in earnings for the full fiscal year compared to 2003, before the paper machine closure and staff reduction charges.

On behalf of the Board

J C A Leslie

Director

D G Wilson

Director

2 February 2004

#### 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



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and objectives to differ materially from those expressed or implied in the forward-looking statements (or from past results). Such risks, uncertainties and factors include, but are not limited to the highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclicity, such as levels of demand, production capacity, production and pricing), adverse changes in the markets for the group's products, consequences of substantial leverage, changing regulatory requirements, unanticipated production disruptions, economic and political conditions in international markets, the impact of investments, acquisitions and dispositions (including related financing), any delays, unexpected costs or other problems experienced with integrating acquisitions and achieving expected savings and synergies and currency fluctuations. The company undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or circumstances or otherwise.

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Financial results for the first quarter ended December 2003

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### GROUP INCOME STATEMENT

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	REVIEWED QUARTER ENDED DEC 2003 US\$ MILLION	Reviewed Quarter ended Dec 2002 US\$ million	% cha
SALES	1,120	1,019	
Cost of sales	995	847	
<hr style="border-top: 1px dashed black;"/>			
Gross profit	125	172	(27)
Selling, general & administrative expenses	125	77	
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OPERATING PROFIT	-	95	(100)
Net finance costs	28	29	
Net paid	26	25	
Capitalised	(1)	(1)	
Net foreign exchange (gains) losses	(2)	5	
Change in fair value of financial instruments	5	-	
<hr style="border-top: 1px dashed black;"/>			
(LOSS) PROFIT BEFORE TAX	(28)	66	
Taxation - current	8	14	
- deferred	(15)	1	
<hr style="border-top: 1px dashed black;"/>			
NET (LOSS) PROFIT	(21)	51	
<hr style="border-top: 1px dashed black;"/>			
(LOSS) EARNINGS PER SHARE (US CENTS)	(9)	22	
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HEADLINE (LOSS) EARNINGS			

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PER SHARE (US CENTS) *	(9)	22
Weighted average number of shares in issue (millions)	226.5	230.1
Diluted (loss) earnings per share (US cents)	(9)	22
Diluted headline (loss) earnings per share (US cents) *	(9)	22
Weighted average number of shares on fully diluted basis (millions)	228.4	233.1

\* Headline (loss) earnings disclosure is required by the JSE Securities Exchange South Africa. The reconciling differences between Net (loss) profit and Headline (loss) earnings are immaterial.

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GROUP BALANCE SHEET  
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	REVIEWED DEC 2003 US\$ MILLION	Audited Sept 2003 US\$ million
-----		
ASSETS		
NON-CURRENT ASSETS	4,454	4,242
Property, plant and equipment	3,697	3,554
Plantations	461	432
Deferred taxation	44	41
Other non-current assets	252	215
	-----	-----
CURRENT ASSETS	1,422	1,575
Cash and cash equivalents	398	584
Trade and other receivables	280	290
Inventories	744	701
	-----	-----
TOTAL ASSETS	5,876	5,817
-----		
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Ordinary shareholders' interest	1,937	1,945
NON-CURRENT LIABILITIES	2,661	2,541
Interest-bearing borrowings	1,814	1,742
Deferred taxation	527	517
Other non-current liabilities	320	282
	-----	-----
CURRENT LIABILITIES	1,278	1,331
Interest-bearing borrowings and bank overdraft	278	333
Taxation payable	79	82
Other current liabilities	856	916

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Shareholders for dividend	65	-
	_____	_____
Total equity and liabilities	5,876	5,817
Number of shares in issue at balance sheet date (millions)	226.1	226.9

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GROUP CASH FLOW STATEMENT

	REVIEWED QUARTER ENDED DEC 2003 US\$ MILLION	Reviewed Quarter ended Dec 2002 US\$ million
CASH GENERATED BY OPERATIONS	106	178
Movement in working capital	(113)	(142)
Net finance costs	(26)	(30)
Taxation paid	(15)	(5)
CASH (UTILISED) RETAINED FROM OPERATING ACTIVITIES	(48)	1
Cash effects of investing activities	(89)	(34)
Cash effects of financing activities	(137)	(33)
	(74)	39
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(211)	6

GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	REVIEWED QUARTER ENDED DEC 2003 US\$ MILLION	Reviewed Quarter ended Dec 2002 US\$ million
Balance - beginning of year	1,958	1,601
Change in accounting policy	(13)	(4)
Balance - beginning of year restated	1,945	1,597
Net (loss) profit	(21)	51
Foreign currency translation reserve	88	154
Revaluation of derivative instruments	2	(11)

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Dividends declared - US\$0.29 (2003: US\$0.28) per share	(66)	(65)
Share buybacks net of transfers to participants of the share purchase trust	(11)	(5)
	1,937	1,721
Balance - end of period	1,937	1,721

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### NOTES TO THE GROUP RESULTS

#### 1. Basis of preparation

The financial statements are prepared in conformity with South African Statements of Generally Accepted Accounting Practice

(SA GAAP). The preliminary results have been prepared in compliance with AC 127 (Interim financial reporting) and are based on accounting policies which are consistent with those used in the annual financial statements. The same accounting policies have been followed as in the annual financial statements for September 2003, except for the new agriculture accounting standard - Agriculture - AC 137 (IAS 41) which became effective during the period.

The effect on equity for the above change is reflected in the Group statement of changes in shareholders' equity. The effect on net profit for the current period is an increase of US\$7 million (September 2003 quarter: decrease of US\$1 million; December 2002 quarter: decrease of US\$1 million). Where appropriate, comparative figures have been restated.

The preliminary results for the quarter have been reviewed by the group's auditors, Deloitte & Touche. Their unqualified review report is available for inspection at the company's registered offices.

#### 2. Comparative figures

Comparative figures have been restated to take into account the effects of the new agriculture accounting standard which became effective during the period. The effect on operating profit is the inclusion of the market value changes in the value of plantations and the expensing of the costs incurred to establish and maintain plantations (silviculture costs) and the amortisation of interest which had been previously capitalised. Net finance costs have increased. In terms of the new accounting standard, interest is no longer capitalised to the carrying value of plantations.

The effect on the cash flow statement is a reclassification of investments in plantations from cash utilised in investing activities to cash generated by operations. Net cash flows remain the same.

In September 2003, cash and overdraft were restated to gross up amounts previously set-off. The December 2002 cash flow statement has been restated to take the effects of this into account.

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	REVIEWED QUARTER ENDED DEC 2003 US\$ MILLION	Reviewed Quarter ended Dec 2002 US\$ million
<hr/>		
3. OPERATING PROFIT		
Included in operating profit are the following non-cash items:		
Depreciation and amortisation		
Depreciation of property, plant and equipment	100	85
Fellings	14	8
Other amortisation	-	1
	<hr/>	<hr/>
	114	94
	<hr/>	<hr/>
Fair value adjustment on plantations (included in cost of sales)		
Changes in volume	(15)	(10)
Changes in fair value	(7)	1
	<hr/>	<hr/>
	(22)	(9)
	<hr/>	<hr/>
4. CAPITAL EXPENDITURE		
Property, plant and equipment	83	38
	<hr/>	<hr/>
	REVIEWED DEC 2003 US\$ MILLION	Audited Sept 2003 US\$ million
	<hr/>	<hr/>
5. CAPITAL COMMITMENTS		
Contracted but not provided	98	86
Approved but not contracted	200	193
	<hr/>	<hr/>
	298	279
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6. CONTINGENT LIABILITIES		
Guarantees and suretyships	47	47
Other contingent liabilities	24	24
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Average - averages are calculated as the sum of the opening and closing balances for the relevant period divided by two

\*EBITDA - earnings before interest (net finance costs), tax, depreciation and amortisation

\*EBITDA to sales - EBITDA divided by sales

Fellings - the amount charged against the income statement representing the standing value of the plantations harvested

Headline earnings - as defined in circular 7/2002 issued by the South African Institute of Chartered Accountants, separates from earnings all items of a capital nature. It is not necessarily a measure of sustainable earnings. It is a listing requirement of the JSE Securities Exchange South Africa to disclose headline earnings per share

\*Net assets - total assets less current liabilities

\*Net asset value - shareholders' equity plus net deferred tax

\*Net asset value per share - net asset value divided by the number of shares in issue at balance sheet date

\*Net debt - current and non-current interest-bearing borrowings, and bank overdrafts (net of cash, cash equivalents and short-term deposits)

\*Net debt to total capitalisation - net debt divided by shareholders' equity plus minority interest, non-current liabilities, current interest-bearing borrowings and overdraft

\*ROE - return on average equity. Net profit divided by average shareholders' equity

\*RONA - operating profit divided by average net assets

\*RONOA - operating profit divided by average net operating assets. Net operating assets are total assets (excluding deferred taxation and cash) less current liabilities (excluding interest-bearing borrowings and bank overdraft)

\* The above financial measures, other than headline earnings per share, 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.

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### Supplemental Information ADDITIONAL INFORMATION

	Reviewed Quarter ended Dec 2003 US\$ million	Reviewed Quarter ended Dec 2002 US\$ million
NET (LOSS) PROFIT TO EBITDA * RECONCILIATION		
Net (loss) profit	(21)	51
Net finance costs	28	29

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Taxation - current	8	14
- deferred	(15)	1
Depreciation	100	85
Amortisation (including fellings)	14	9
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EBITDA *	114	189
=====		
	Reviewed	Audited
	Dec 2003	Sept 2003
	US\$ million	US\$ million
Net debt (US\$ million)**	1,694	1,491
Net debt to total capitalisation (%)**	34.7	30.9
Net asset value per share (US\$)**	10.70	10.67

\* In connection with the U.S. Securities Exchange Commission ("SEC") rules relating to "Conditions for Use of Non-GAAP Financial Measures", we have reconciled EBITDA to net profit rather than operating profit and recalculated EBITDA to exclude interest (net finance costs), taxes, depreciation and amortisation (including fellings). As a result our definition has been amended to retain non-trading profit/loss as part of EBITDA. The comparative information has been restated to take this into account. There was no effect on EBITDA in the current and prior year quarter for the amended definition. We use EBITDA as an internal measure of performance and believe it is a useful and commonly used measure of financial performance in addition to operating profit and other profitability measures under SA GAAP. EBITDA is not a measure of performance under SA GAAP. EBITDA should not be construed as an alternative to operating profit as an indicator of the company's operations in accordance with SA GAAP. EBITDA is also presented to assist our shareholders and the investment community in interpreting our financial results. This financial measure is regularly used as a means of comparison of companies in our industry by removing certain differences between companies such as depreciation methods, financing structures and taxation regimes. Different companies and

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analysts may calculate EBITDA differently, so making comparisons among companies on this basis should be done very carefully.

\*\* Refer to the Supplemental Information for the definition of the term.

Supplemental Information  
REGIONAL INFORMATION

		REVIEWED QUARTER ENDED DEC 2003 METRIC TONS (000'S)	Reviewed Quarter ended Dec 2002 Metric tons (000's)	% change
SALES				
Fine Paper -	North America	337	368	(8.4)
	Europe	588	525	12.0
	Southern Africa	72	74	(2.7)
-----				
	Total	997	967	3.1
Forest Products -	Pulp and paper operations	384	337	13.9
	Forestry operations	317	298	6.4
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Total		1,698	1,602	6.0
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		Reviewed Quarter ended Dec 2003 US\$ million	Reviewed Quarter ended Dec 2002 US\$ million	% change
<b>SALES</b>				
Fine Paper -	North America	316	369	(14.4)
	Europe	518	434	19.4
	Southern Africa	71	59	20.3
	Total	905	862	5.0
Forest Products -	Pulp and paper operations	201	145	38.6
	Forestry operations	14	12	16.7
Total		1,120	1,019	9.9
<b>OPERATING PROFIT</b>				
Fine Paper -	North America	(54)	9	-
	Europe	15	39	(61.5)
	Southern Africa	5	9	(44.4)
	Total	(34)	57	-
Forest Products		35	37	(5.4)
Corporate		(1)	1	-
Total		-	95	(100.0)
<b>EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION CHARGES</b>				
Fine Paper -	North America	(20)	40	-
	Europe	63	82	(23.2)
	Southern Africa	8	11	(27.3)
	Total	51	133	(61.7)
Forest Products		64	55	16.4
Corporate		(1)	1	-
Total		114	189	(39.7)
<b>NET OPERATING ASSETS</b>				
Fine Paper -	North America	1,377	1,496	(8.0)
	Europe	1,784	1,507	18.4
	Southern Africa	160	110	45.5
	Total	3,321	3,113	6.7

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Forest Products	1,217	885	37.4
Corporate	(104)	(46)	126.1
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Total	4,434	3,952	12.2
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Supplemental Information  
SUMMARY RAND CONVENIENCE TRANSLATION

	Reviewed Quarter ended Dec 2003	Reviewed Quarter ended Dec 2002
Sales (ZAR million)	7,680	9,911
Operating profit (ZAR million)	-	924
Net (loss) profit (ZAR million)	(114)	496
EBITDA* (ZAR million)	782	1,838
Operating profit to sales (%)	-	9.3
EBITDA * to sales (%)	10.2	18.5
Operating profit to average net assets (%)	-	10.1
EPS (SA cents)	(62)	214
Headline EPS (SA cents) *	(62)	214
Net debt (ZAR million) *	11,511	13,298
Net debt to total capitalisation (%) *	34.7	35.9
Cash generated by operations (ZAR million)	727	1,731
Cash retained from operating activities (ZAR million)	(329)	10
Net movement in cash and cash equivalents (ZAR million)	(1,447)	58

\* Refer to the Supplemental Information for the definition of the term.

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Supplemental Information  
EXCHANGE RATES

	Dec 2003	Sept 2003	June 2003
Exchange rates:			
Period end rate: US\$1 = ZAR	6.7951	7.1288	7.4300
Average rate for the Quarter: US\$1 = ZAR	6.8569	7.3866	7.6305
Average rate for the YTD: US\$1 = ZAR	6.8569	8.3300	8.6173
Period end rate: EUR1 = US\$	1.2410	1.1475	1.1417
Average rate for the			

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Quarter:EUR1 = US\$	1.1887	1.1328	1.1236	1
Average rate for the YTD:				
EUR1 = US\$	1.1887	1.0804	1.0655	1

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.

This report is available on the Sappi website - [www.sappi.com](http://www.sappi.com)  
Other interested parties can obtain printed copies of this report from:  
South Africa:  
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PO Box 61051  
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United States ADR Depository:

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The Bank of New York, Investor Relations, PO Box 11258, Church Street Station,  
New York, NY 10286-1258, Tel +1 610 382 7836

United Kingdom:  
Capita Registrars, The Registry, 34 Beckenham Road, Beckenham,  
Kent BR3 4TU, DX 91750 Beckenham West Tel +44 (0)208 639-2157

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### SIGNATURES

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

SAPPI LIMITED

by /s/ D.G. Wilson

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Name: D.G. Wilson  
Title: Executive Director: Finance

Date: February 4, 2004