

SAPPI LTD  
Form 6-K  
February 18, 2005





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 February 2005  
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)

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

Form 20-F

Form

40-F

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

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

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

Yes

No

If "Yes" is marked, indicated below the file number assigned to the registrant in connection with Rule 12g-3-2(b): 82-





#### INCORPORATION BY REFERENCE

Sappi Limited's report for the conformed quarter results ended December 2004, furnished by the Registrant under this Form 6-K is incorporated by reference into (i) the Registration statement on Form S-8 of the Registrant filed December 23, 1999, (ii) the Section 10(a) Prospectus dated April 3, 2001 relating to the offer and sale of the Registrant's shares to Participants under The Sappi Limited Share Incentive Scheme, (iii) the Registration Statement on Form S-8 of the Registrant filed December 15, 2004 in connection with The Sappi Limited 2004 Performance Share Incentive Plan, (iv) the Registration Statement on Form S-8 of the Registrant filed December 15, 2004 in connection with The Sappi Limited Share Incentive Scheme and (v) the Section 10(a) Prospectus dated December 16, 2004 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 Registrant to its shareholders. This conformed version was prepared solely for purposes of supplementing the documents referred to in clauses (i) - (v) above.

#### FORWARD-LOOKING STATEMENTS

In order to utilize the "Safe Harbor" provisions of the United States Private Securities Litigation Reform Act of 1995 (the "Reform Act"), Sappi Limited (the "Company") is providing the following cautionary statement. Except for historical information contained herein, statements contained in this Report on Form 6-K may constitute "forward-looking statements" within the meaning of the Reform Act. The words "believe", "anticipate", "expect", "intend", "estimate", "plan", "assume", "positioned", "will", "may", "should", "risk" and other similar expressions which are predictions of or indicate future events and future trends which do not relate to historical matters identify forward-looking statements. In addition, this Report on Form 6-K may include forward-looking statements relating to the Company's potential exposure to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity price risk. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond the control of the Company, together with its subsidiaries (the "Group"), and may cause the actual results, performance or achievements of the Group to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements (and from past results, performance or achievements). Certain factors that may cause such differences include but are not limited to: the highly cyclical nature of the pulp and paper industry; pulp and paper production, production capacity 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.







**sappi**

**1st**

**2nd**

**3rd**

**4th**

**conformed quarter results ended December 2004**

**Form S-8 Version**





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

*for the quarter ended December 2004*

*\*\* as at 31 December 2004*

Sales by product group \*

Sales: where the product  
is sold \*

Sales: where the product is manufactured \*

Geographic ownership \*\*

Coated fine paper

Uncoated fine paper

Coated specialities

Commodity paper

Pulp

Other

64%

5%

9%

9%

11%

2%

North America

Europe

Southern Africa

Asia and other

29%

43%

16%

12%

North America

Europe

Southern Africa

28%

46%

26%

South Africa

North America

Europe and ROW

48%

41%

11%





- Headline EPS 6 US cents
- Demand remains strong
- Further price realisation for US coated paper
- Weak US Dollar/Strong Rand
- Usutu asset impairment US\$41 million

Quarter ended

December

September

December

2004

2004

2003

Sales (US\$ million)

1,253

1,235

1,120

Operating profit (US\$ million) \*\*

4

72

0

Operating profit to sales (%)

0.3

5.8

0.0

EBITDA \* (US\$ million) \*\*

129

191

114

EPS (US cents)

(13)

25

(11)

Headline EPS (US cents) \*

6

26

(11)

*\* Refer to notes 1 and 2 of the Supplemental Information for the reconciliation of these numbers and definitions of these terms*

*\*\* Operating profit and EBITDA for the quarter ended December 2004 reduced by US\$41 million in respect of asset impairment*

financial highlights  
summary







Demand for coated paper continued to grow in our major markets in the quarter supported by strong growth in advertising spending. Apparent consumption of coated fine paper increased 9.7% in North America and 9.1% in Europe compared to the same quarter last year. Although apparent consumption in North America grew strongly year on year it showed a typical seasonal decline, compared to the September quarter, of 7.5%.

Prices realised by our North American business continued to improve. In Europe, however, prices did not increase in local currency but reflected a significant increase in US Dollar terms due to the weakening of the US Dollar.

Pulp prices softened in the early part of the quarter, however, softwood pulp prices at the end of the period had returned to levels similar to September 2004 and hardwood pulp prices had increased to slightly higher levels than September 2004. The average price for softwood pulp during the quarter was 9% below the September quarter and for hardwood was slightly higher. A number of factors offset the benefits of the improved market conditions. Raw material input cost pressure continued particularly in respect of wood costs in North America and energy and energy related costs.

The Rand strengthened a further 5% on average to the US Dollar compared to the September 2004 quarter, further squeezing the margins of our South African businesses as a result of lower Rand price realisation and most of the businesses' costs being incurred in Rands. At quarter end the Rand/Dollar exchange rate was R5.65, almost 7% stronger than the average for the quarter and 14% stronger than the end of the prior quarter. It has since lost some ground and is almost back to the average level of the first quarter. Our southern African business has done well to offset the near doubling in the value of the currency since December 2001.

In our 2004 annual report we anticipated that certain of our Southern African operations would incur losses in the new financial year at prevailing exchange rates. Accounting Standard IAS 36 (AC128) - Impairment of Assets requires us to evaluate potential impairment of assets using the quarter end exchange rate. Our Usutu mill reported operating losses in the quarter and is very

sensitive to currency movements. At the very strong quarter end rate of R5.65 to the US Dollar, the mill does not meet its cost of capital at the period end cost of capital and projected prices.

We have therefore recorded an impairment charge of US\$41 million in the quarter. Plans are in place to improve the mill's productivity in the face of the stronger exchange rate. The mill has a valuable plantation resource and when the currency turns it will have good prospects of returning to profitability.

comment

sappi limited page 2





As anticipated last quarter, mill shut costs, which amounted to some US\$20 million, had a further impact on operating profit in the quarter.

Headline earnings per share was 6 US cents, compared to a loss per share of 11 US cents in the equivalent quarter last year. After the asset impairment charge the loss per share for the quarter was 13 US cents. The loss in the equivalent quarter last year included pre-tax charges of US\$29 million related to the closure of a paper machine at Westbrook Mill and staff reduction. The gain at the operating profit level from the fair value adjustment on plantations, net after fellings, was US\$14 million for the quarter, largely as a result of wood price increases, compared to US\$8 million for the equivalent quarter last year.

Net finance costs of US\$29 million for the quarter were slightly higher than a year ago. As indicated last quarter, we incurred a US\$8 million deferred tax charge on dividends in the quarter, in terms of the new accounting standard for Secondary Tax on Companies (STC). The charge is recorded when the annual dividend is declared. Our STC credits are now recorded as deferred tax assets. The Usutu asset impairment was not tax effected.

Cash generated by operations was US\$137 million, 29.2% higher than a year earlier as a result of improved operating conditions.

Working capital increased by US\$149 million in the quarter, mainly as a result of a seasonal decrease in payables, additional inventory arising from scheduling problems in North America and the annual prepayment of group insurance.

Capital expenditure was US\$78 million in the quarter representing approximately 72% of the depreciation charge for the quarter. We also paid our equity contribution of approximately US\$60 million to a new Chinese joint venture in December.

During the quarter a wholly owned subsidiary repurchased 1.25 million Sappi shares at an average price of US\$12.66 per share.

sappi limited page 3

cash flow







*Sappi Fine Paper*

Quarter

Quarter

Quarter

ended

ended

ended

Dec 2004

Dec 2003

%

Sept 2004

US\$ million

US\$ million

change

US\$ million

Sales

1,011

905

11.7

982

Operating profit (loss)

16

(34)

-

26

Operating profit (loss) to sales (%)

1.6

(3.7)

-

2.6

Our fine paper business continued to have strong order inflow. Its margins, however, were negatively affected by logistics issues in North America, by low price realisation, although this is improving in North America, by upward pressure on input costs and in southern Africa by the strength of the Rand relative to the US Dollar.

*Europe*

Quarter

Quarter

Quarter

ended

ended

%

%

ended

Dec 2004

Dec 2003

change

change

Sept 2004

US\$ million

US\$ million

(US\$)

(Euro)  
 US\$ million  
 Sales  
 571  
 518  
 10.2  
 2.0  
 541  
 Operating profit  
 28  
 15  
 86.7  
 72.7  
 23  
 Operating profit to sales (%)  
 4.9  
 2.9  
 -  
 -  
 4.3

Our European business' total sales volume of 611,000 tons increased only slightly compared to the prior quarter. Compared with the equivalent quarter last year our shipments of coated fine paper grades into Europe grew by 7%, while apparent consumption for the whole market was up 9%. We declined some business, particularly in export markets, because of low margins. The margin of operating profit to sales improved slightly in the quarter compared to the prior quarter despite flat pricing. In large part this is a result of improved volumes combined with lower purchased pulp costs but offset by increases in other raw material costs. We continue to combat rising costs through improving efficiency and product design optimisation, and are achieving administration cost efficiency through synergies between certain of our mills.

sappi limited page 4  
 operating review for the quarter





*North America*

Quarter

Quarter

Quarter

ended

ended

ended

Dec 2004

Dec 2003

%

Sept 2004

US\$ million

US\$ million

change

US\$ million

Sales

357

316

13.0

355

Operating loss

(15)

(54)

(72.2)

(1)

Operating loss to sales (%)

(4.2)

(17.1)

-

(0.3)

Our coated fine paper shipments from US mills grew by 10% in the quarter compared to a year ago, in line with demand growth. Pulp sales declined in line with higher internal consumption and as a result of the Somerset pulp mill outage. Compared to the September quarter our business experienced a seasonal decline similar to the seasonal apparent consumption decline. Average prices realised were approximately 9% higher than a year ago partly as a result of the mix of pulp and paper. Further increases in price realisation are expected in the second financial quarter.

The benefits of strong market conditions were offset in the quarter by the anticipated high mill shut costs and high wood, energy and other raw material costs. The shut and repair costs were approximately US\$12 million in the quarter and the effect of higher prices on wood, energy and other raw material costs was approximately US\$16 million compared to a year ago.

A number of problems relating to scheduling and inventory management manifested themselves in high delivery costs in the quarter. The issues have been clearly identified and action plans are in place to reduce these and other costs. We expect these plans to result in cost reductions of US\$30 million in the balance of the year and we see the potential for reductions at an annualised run rate of US\$50 million by the end of the year, compared to our first financial quarter.

*Fine Paper South Africa*

Quarter

Quarter

Quarter

ended

ended  
%  
%  
ended  
Dec 2004  
Dec 2003  
change  
change  
Sept 2004  
US\$ million  
US\$ million  
(US\$)  
(Rand)  
US\$ million  
Sales  
83  
71  
16.9  
3.4  
86  
Operating profit  
3  
5  
(40.0)  
(47.0)  
4  
Operating profit to sales (%)  
3.6  
7.0  
-  
-  
4.7  
sappi limited page 5







Our South African fine paper business' sales volume for the quarter increased 8% compared to a year ago. The strength of the Rand continues to result in a margin squeeze. Nevertheless, our profit improvement projects which include pricing, material usage and productivity improvements, contributed to a good performance.

*Forest Products*

Quarter

Quarter

Quarter

ended

ended

%

%

ended

Dec 2004

Dec 2003

change

change

Sept 2004

US\$ million

US\$ million

(US\$)

(Rand)

US\$ million

Sales

242

215

12.6

(0.4)

253

Operating profit (loss) \*

(11)

35

-

-

46

Operating profit (loss) to sales (%)

(4.5)

16.3

-

-

18.2

*\* Operating profit for the quarter ended December 2004 reduced by US\$41 million in respect of asset impairment*

Our Forest Products business performed well despite the massive pressure from the relative strength of the Rand. Demand for our products in both the southern African and international markets was strong and our volumes of pulp and paper sold increased slightly compared to a year ago. Our chemical cellulose business in particular had strong demand.

Prices realised in local currency terms continue to be impacted by the strength of the Rand relative to the US Dollar, which continues to squeeze margins.

We have effective programmes to reduce fixed and variable costs. As a result total costs per ton in local currency were 5.4% below the equivalent quarter last year.

Usutu Mill, which exports all of its output of unbleached pulp and is particularly sensitive to currency movements, reported operating losses. At the December end rate of R5.65 per US Dollar, projections for the mill indicate an impaired asset. The mill, which has a valuable plantation resource, has plans in place to improve efficiency and productivity. The recent

announcement of the closure of the Usutu's second largest competitor representing 5% of the market for unbleached pulp, is expected to have a favourable impact on operating rates and therefore the pricing of unbleached pulp.

sappi limited page 6

operating review for the quarter (continued)





outlook

The market outlook for our major products is positive. Demand for coated fine paper continues to grow on the back of good economic growth and increased advertising spending in the major markets and on the supply side there is limited new capacity on the horizon. This positive demand and supply scenario is leading to higher operating rates, which will support price increases in our major markets.

We will continue to experience headwinds as a result of a strong Rand relative to the US Dollar and high energy and other raw material costs including high wood costs in North America. To counteract these pressures we have active profit improvement plans in each of our businesses, with a particular focus on improving the efficiency of our logistics in North America.

Although we are faced with a buoyant Rand and cost increases, we are positive about the outlook for the balance of this year and we expect our headline earnings per share for the second financial quarter to be similar to the earnings per share reported in the equivalent quarter last year.

On behalf of the Board

J C A Leslie

D G Wilson

Director

Director

31 January 2005

sappi limited

(Registration number 1936/008963/06)

NYSE Code: SPP

JSE Code: SAP

ISIN Code: ZAE 000006284

sappi limited page 7







Certain statements in this release that are neither reported financial results nor other historical information, are forward-looking statements, including but not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors, that could cause actual results and company plans and objectives to differ materially from those expressed or implied in the forward-looking statements (or from past results). Such risks, uncertainties and factors include, but are not limited to the highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclical nature, such as levels of demand, production capacity, production 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.

forward-looking statements

sappi limited page 8





conformed financial results  
for the quarter ended December 2004  
sappi limited page 9  
Form S-8 Version





Reviewed		
Reviewed		
Quarter		
Quarter		
ended		
ended		
Dec 2004		
Dec 2003		
US\$ million		
US\$ million		
% change		
Sales		
1,253		
1,120	11.9	
Cost of sales		
1,113		
995		
Gross profit		
140		
125	12.0	
Selling, general and administrative expenses		
93		
125		
47		
-		
Other expenses		
43		
-		
Operating profit		
4		
-	100.0	
Net finance costs		
29		
28		
Net paid		
28		
26		
Capitalised		
-		
(1)		
Net foreign exchange gains		
(2)		
(2)		
Change in fair value of financial instruments		
3		
5		
Loss before tax		
(25)		
(28)		
(10.7)		
Taxation - current		



8  
11  
- deferred  
(4)  
(15)  
Net loss  
(29)  
(24)  
20.8  
Loss per share (US cents)  
(13)  
(11)  
Weighted average number of shares in issue  
(millions)  
226.0  
226.5  
Diluted loss per share (US cents)  
(13)  
(11)  
Weighted average number of shares on fully  
diluted basis (millions)  
227.3  
228.4  
group income statement  
sappi limited page 10





Reviewed  
Reviewed  
Dec 2004  
Sept 2004  
US\$ million  
US\$ million  
ASSETS  
Non-current assets  
4,930  
4,564  
Property, plant and equipment  
3,859  
3,670  
Plantations  
637  
548  
Deferred taxation  
78  
84  
Other non-current assets  
356  
262  
Current assets  
1,597  
1,580  
Cash and cash equivalents  
377  
484  
Trade and other receivables  
362  
331  
Inventories  
858  
765  
Total assets  
6,527  
6,144  
EQUITY AND LIABILITIES  
Shareholders' equity  
Ordinary shareholders' interest  
2,248  
2,157  
Non-current liabilities  
2,551  
2,463  
Interest-bearing borrowings  
1,741  
1,693  
Deferred taxation  
485  
453

Other non-current liabilities

325

317

Current liabilities

1,728

1,524

Interest-bearing borrowings

523

364

Bank overdraft

11

11

Taxation payable

134

137

Other current liabilities

992

1,012

Shareholders for dividend

68

-

Total equity and liabilities

6,527

6,144

Number of shares in issue at balance sheet date (millions)

225.6

226.5

group balance sheet

sappi limited page 11





Reviewed  
Reviewed  
Quarter  
Quarter  
ended  
ended  
Dec 2004  
Dec 2003  
US\$ million  
US\$ million  
Cash generated by operations  
137  
106  
Movement in working capital  
(149)  
(113)  
Net finance costs  
(34)  
(26)  
Taxation paid  
(27)  
(15)  
Cash utilised in operating activities  
(73)  
(48)  
Cash effects of investing activities  
(127)  
(89)  
(200)  
(137)  
Cash effects of financing activities  
70  
(74)  
Net movement in cash and cash equivalents  
(130)  
(211)  
group cash flow statement  
sappi limited page 12







Reviewed  
Reviewed  
Quarter  
Quarter  
ended  
ended  
Dec 2004  
Dec 2003  
US\$ million  
US\$ million  
Balance - beginning of year as reported  
2,119  
1,945  
Change in accounting policy - refer to note 1  
38  
38  
Balance - beginning of year restated  
2,157  
1,983  
Net loss  
(29)  
(24)  
Foreign currency translation reserve  
193  
89  
Revaluation of derivative instruments  
9  
2  
Dividends paid - US\$ 0.30 (2004: US\$ 0.29) per share  
(68)  
(66)  
Share buybacks net of transfers to participants of the  
share purchase trust  
(14)  
(11)  
Balance - end of period  
2,248  
1,973  
group statement of changes in  
shareholders' equity  
sappi limited page 13





1. Basis of preparation

The annual financial statements are prepared in conformity with South African Statements of Generally Accepted Accounting Practice (SA GAAP). These quarterly 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 2004, except for the new accounting standard AC 501 - Accounting for "Secondary Tax on Companies (STC)" - which became effective from the beginning of the current financial year. This has resulted in the recognition of a deferred tax asset for unused tax credits to the extent that they will be utilised in the future.

The adoption of the new accounting policy resulted in an increase in shareholders' equity of US\$38 million at September 2004 (September 2003: increase of US\$38 million). The effect on net profit for the current quarter is a decrease of US\$8 million (September 2004 quarter: no effect; December 2003 quarter: decrease of US\$3 million). Where appropriate, comparative figures have been restated.

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

2. Comparative figures

Certain comparative amounts have been reclassified between deferred tax and current tax.

This had no effect on reported net income or shareholders' equity.

notes to the group results

sappi limited page 14







Reviewed

Reviewed

Quarter

Quarter

ended

ended

Dec 2004

Dec 2003

US\$ million

US\$ million

### 3. Operating profit

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

Depreciation, amortisation

Depreciation of property, plant and equipment

108

100

Other amortisation

1

-

109

100

Asset impairment

41

-

150

100

Fair value adjustment (gains) on plantations

(included in cost of sales)

Changes in volume

Fellings \*

16

14

Growth

(14)

(15)

2

(1)

Changes in fair value

(16)

(7)

(14)

(8)

The above fair value adjustment gains have been partially offset by silviculture costs

11

9

### 4. Capital expenditure

Property, plant and equipment

78

83

*\* The amount charged against the income statement representing the standing value of the plantations harvested.*  
sappi limited page 15





Reviewed

Reviewed

Dec 2004

Sept 2004

US\$ million

US\$ million

5. Capital commitments

Contracted but not provided

65

76

Approved but not contracted

199

198

264

274

6. Contingent liabilities

Guarantees and suretyships

90

68

Other contingent liabilities

12

15

A recent survey has indicated an adverse environmental condition at our mill in Stanger. At this time we have no reason to believe that there is a material effect on the group's financial position at December 2004.

notes to the group results (continued)

sappi limited page 16





*additional information*

Reviewed

Reviewed

Quarter

Quarter

ended

ended

Dec 2004

Dec 2003

US\$ million

US\$ million

1. Net loss to EBITDA

(1)

reconciliation

Net loss

(29)

(24)

Net finance costs

29

28

Taxation - current

8

11

- deferred

(4)

(15)

Depreciation

108

100

Amortisation (including fellings)

17

14

EBITDA

(1) (2)

129

114

(1)

*Earnings before interest (net finance costs), tax, depreciation and amortisation.*

(2)

*EBITDA for the quarter ended December 2004 reduced by US\$ 41 million in respect of asset impairments.*

*In connection with the U.S. Securities Exchange Commission ("SEC") rules relating to "Conditions for Use of Non-GAAP Financial Measures", we have reconciled EBITDA to net profit rather than operating profit. As a result our definition retains other income/expenses as part of EBITDA.*

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

supplemental information  
sappi limited page 17





Reviewed	
Reviewed	
Quarter	
Quarter	
ended	
ended	
Dec 2004	
Dec 2003	
US\$ million	
US\$ million	
2. Calculation of Headline earnings (loss) *	
Net loss	
(29)	
(24)	
Write-off of assets	
1	
-	
Impairment of assets	
41	
-	
Headline earnings (loss)	
13	
(24)	
Headline earnings (loss) per share (US cents) *	
6	
(11)	
Weighted average number of shares in issue	
(millions)	
226.0	
226.5	

Diluted headline earnings (loss) per share	
(US cents) *	
6	
(11)	
Weighted average number of shares on fully	
diluted basis (millions)	
227.3	
228.4	

\* *Headline earnings (loss) disclosure is required by the JSE Securities Exchange South Africa.*

Dec
Sept
June
March
Dec
2004
2004
2004
2004
2003

3. Exchange rates

Period end rate: US \$1 = ZAR

5.6480

6.4290

6.3224

6.5738

6.7951

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

6.0649

6.3830

6.5953

6.8054

6.8569

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

6.0649

6.6824

6.7661

6.8363

6.8569

Period end rate: EUR 1 = US\$

1.3456

1.2309

1.2138

1.2150

1.2410

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

1.2848

1.2233

1.2051

1.2497

1.1887

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

1.2848

1.2152

1.2118

1.2161

1.1887

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

-

*Assets and liabilities at rates of exchange ruling at period end; and*

-

*Income, expenditure and cash flow items at average exchange rates.*

supplemental information

sappi limited page 18





*regional information*

Quarter

Quarter

ended

ended

Dec 2004

Dec 2003

Metric tons

Metric tons

(000's)

(000's)

% change

Sales

Fine Paper -

North America

350

337 3.9

Europe

611

588 3.9

Southern Africa

78

72 8.3

*Total*

1,039

997 4.2

Forest Products - Pulp and paper operations

391

384 1.8

Forestry operations

381

317 20.2

*Total*

1,811

1,698 6.7

Reviewed

Reviewed

Quarter

Quarter

ended

ended

Dec 2004

Dec 2003

US\$ million

US\$ million

% change

Sales

Fine Paper -

North America

357

316 13.0



Europe	
571	
518	10.2
Southern Africa	
83	
71	16.9
<i>Total</i>	
1,011	
905	11.7
Forest Products - Pulp and paper operations	
222	
201	10.4
Forestry operations	
20	
14	42.9
<i>Total</i>	
1,253	
1,120	11.9
supplemental information	
sappi limited page 19	





*regional information (continued)*

Reviewed

Reviewed

Quarter

Quarter

ended

ended

Dec 2004

Dec 2003

US\$ million

US\$ million

% change

Operating profit

Fine Paper -

North America

(15)

(54)

(72.2)

Europe

28

15            86.7

Southern Africa

3

5            (40.0)

*Total*

16

(34)

-

Forest Products \*

(11)

35            -

Corporate

(1)

(1)

-

*Total \**

4

-            100.0

*\* Operating profit for the quarter ended December 2004 reduced by US\$ 41 million in respect of asset impairments.*

supplemental information

sappi limited page 20





sappi ordinary shares  
sappi limited page 21  
note: ( 1 ADR = 1 sappi share )  
ADR price (NYSE TICKER: SPP)







sappi limited page 22  
notes





sappi limited page 23  
notes





PRINTED BY INCE (PTY) LTD

notes

sappi limited page 24







this report is available on the Sappi website

[www.sappi.com](http://www.sappi.com)

Transfer Secretaries:

South Africa:

United States

United Kingdom:

Computershare Investor

ADR Depository:

Capita Registrars

Services 2004 Limited

The Bank of New York

The Registry

70 Marshall Street

Investor Relations

34 Beckenham Road

Johannesburg 2001

PO Box 11258

Beckenham, Kent

PO Box 61051

Church Street Station

BR3 4TU, DX 91750

Marshalltown 2107

New York, NY 10286-1258

Beckenham West

Tel +27 (0)11 370 5000

Tel +1 610 382 7836

Tel +44 (0)208 639 2157





Printed on Sappi Avalon Supreme Matt 250g/m

2

and 150g/m

2

[www.sappi.com](http://www.sappi.com)







SIGNATURES

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

Date: February 18, 2005

SAPPI LIMITED,

by

/s/ D. G. Wilson

Name: D. G. Wilson

Title: Executive Director: Finance