SAPPI LTD
Form 6-K
May 14, 2003

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 May, 2003

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

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

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

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 Registration Statement on Form F-1 and other filings with 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 filing 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.

www.sappi.com

SAPPI

The word for fine paper

Results for the quarter and half-year ended March 2003

Second Quarter
2003

[GLOBE GRAPHIC]

SAPPI IS THE WORLD'S LEADING
PRODUCER OF COATED FINE PAPER

Sappi is positioned for growth.

This growth will be achieved by:

- staying focused on branded coated fine paper, the fastest growing sector in the paper industry
- growing our leading market shares in North America and Europe and entering new areas
- providing new innovative products and services
- continuing to improve the efficiencies of our world-class assets
- supporting the coated fine paper business with a high level of pulp integration

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SALES: WHERE THE PRODUCT IS SOLD*	[pie chart]	North America	36%
		Europe	41%
		Asia and other	9%
		Southern Africa	14%

SALES BY PRODUCT GROUP*	[pie chart]	Coated fine paper	66%
		Uncoated fine paper	6%
		Coated specialties	8%
		Pulp	11%
		Commodity paper	8%
		Other	1%

SALES: WHERE THE PRODUCT IS MANUFACTURED*	[pie chart]	North America	34%
		Europe	44%
		South Africa	22%

		--------- Europe and ROW	12%
GEOGRAPHIC OWNERSHIP**	[pie chart]	------ Southern Africa	39%
		--------- North America	49%

* for the half year ended March 2003
** at end March 2003
\+ Rest of the World

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- EPS UP ON PRIOR QUARTER
- MARKETS REMAIN TOUGH
- EURO STRENGTH BUFFERS PERFORMANCE
- RAND STRENGTH SQUEEZES SA MARGINS

SUMMARY

	QUARTER ENDED MARCH 2003	Quarter ended Dec. 2002	Quarter ended March 2002	HALF-YEAR ENDED MARCH 2003	Hal
Sales (US$ million)	1,095	1,019	871	2,114	
Operating profit (US$ million)	102	92	105	194	
EBITDA (US$ million)*	194	190	186	384	
Operating profit to sales (%)	9.3	9.0	12.1	9.2	
EBITDA * to sales (%)	17.7	18.6	21.4	18.2	
Operating profit to average net assets (%)*	10.3	9.6	15.1	10.0	
Headline EPS (US cents)*	25	23	26	48	
EPS (US cents)	25	23	25	48	
Return on average equity (%)*	13.0	12.5	17.8	12.8	

Net debt (US$ million)	1,509	1,525	1,194	1,509
Net debt to total capitalization (%) *	35.4	36.7	36.6	35.4

* Refer to page 15, supplemental information for the definition of the term.

COMMENT

Global events have led to continued uncertainty in our markets.

Pulp prices increased further in the quarter. NBSK prices increased by more than 25% or approximately US$120 per ton in Europe from January to the end of April. These increases have been caused at least in part by interrupted wood supply to some USA mills as a result of poor weather, low inventories and the strong Euro relative to the US dollar.

Pricing pressure has continued for coated fine paper in our main markets. In North America uncertainty about demand, a surge of Asian imports and active discounting by some competitors has resulted in slower than expected implementation of price increases. Average prices realised for US-produced sheet products have declined since December but imported products have shown some price improvement. In Europe price erosion has continued despite largely successful price increases in southern Europe.

Advertising spending, which is an important driver of coated paper demand, remains mixed. Advertising pages in the USA increased 5.3% this quarter and 9.1% in March from a low base a year earlier. In Europe there has not been any sustained increase in advertising spending.

Total European industry shipments of coated fine paper for the quarter improved by 5.5%, however, shipments to western Europe were only 1.5% higher compared to a year earlier. In the USA where there was an element of trading down and prices declined slightly, industry shipments were down 2.4%.

Against this background, the group's sales increased 7.5% compared to the December quarter and 25.7% compared to a year earlier, but most of the growth can be attributed to the inclusion of the Potlatch fine paper business, which we acquired in May last year.

Currency movements have had a major influence on our results this quarter. In general a stronger Euro favours the trading performances of our European business and a stronger Rand is detrimental to the Southern African business. Because we report in US dollars a stronger Euro and a stronger Rand have a positive translation effect on the results of the European and Southern African businesses and lead to an increase in liabilities and assets recorded in those currencies. The net positive effect of currency movements on shareholders equity this quarter was US$69 million.

Net profit was marginally below the same quarter last year at US$58 million and 11.5% above the quarter ended December. Basic and Diluted earnings per share were 25 US cents.

Costs of goods sold have been well controlled but reflect significant increases compared to a year ago as a result of the currency translation effect.

Selling, General and Administration (SG&A) expenses were at the same level as the December quarter but 33% higher than a year earlier mainly as a result of the currency impact, increased insurance and higher pension costs, and the inclusion of the Potlatch coated paper business.

Group operating profit decreased 2.9% compared to a year earlier to US$102 million and increased 11% compared to the December quarter.

During the quarter we entered swaps for US$250 million of fixed interest debt to floating interest which will have a beneficial impact on finance costs. Finance costs for the quarter were US$27 million, US$3 million higher than the December quarter, largely as a result of the currency effect.

It is our intention to swap a further US$500 million to floating rates. We have finalised a US$500 million term loan of which 80% is at a fixed rate of approximately 4.3% and which will be used to repay existing debt.

Once these transactions have been completed floating rate debt will represent approximately 55% of gross debt and the effect on the finance costs rate will be a reduction of 1.5% at current market rates.

The effective tax rate of 23.5% is consistent with our expectations for the full year.

CASH FLOW AND DEBT

Cash generated by operations was US$194 million, 6.0% higher than a year earlier and 10.2% higher than the December quarter. Net working capital, however, increased by US$23 million partly as a result of increased inventories.

Capital expenditure for the half year was approximately 60% of depreciation, amortisation and fellings. Capital commitments increased from the prior quarter by US$51 million to US$306 million. For the full year we expect capital expenditure to approach the level of depreciation.

Net debt declined slightly to US$1,509 million from US$1,525 million in March after our dividend payment of US$65 million in the quarter. At constant September 2002 exchange rates net debt at March 2003 would have been in line with the September 2002 level of US$1,419 million. The ratio of net debt to total capitalisation declined to 35.4% from 36.7%, well within our target range.

During the quarter we re-purchased approximately 900,000 shares at an average price of US$13.65 per share.

OPERATING REVIEW FOR THE QUARTER

SAPPI FINE PAPER

	QUARTER ENDED MARCH 2003 US$ MILLION	Quarter ended March 2002 US$ million	% change
Sales	904	734	23.2
Operating profit	72	62	16.1
Operating profit to Sales (%)	8.0	8.4	-
EBITDA	147	126	16.7
EBITDA to Sales (%)	16.3	17.2	-
RONOA p.a. (%)	9.2	10.1	-

The fine paper business grew its sales volume by 15% compared to a year earlier, mainly as a result of the inclusion of the Potlatch fine paper business. Our geographic spread continues to help us maintain reasonable performance in the face of currency volatility and weak markets particularly in the USA. We have continued to curtail production in order to manage our output to customer demand levels.

Our first quarter report reflected 32,000 tons of European sales in the USA as North American sales, which, in accordance with our practice of reporting sales in the manufacturing region, should have been shown as European sales. This has been restated and had no effect on total sales or on regional or group profit.

EUROPE

	QUARTER ENDED MARCH 2003 US$ MILLION	Quarter ended March 2002 US$ million	% change (US$)	% change (Euro)
Sales	503	433	16.2	(4.8)
Operating profit	42	65	(35.4)	(47.0)
Operating profit to Sales (%)	8.3	15.0	-	-
EBITDA	83	101	(17.8)	(32.7)
EBITDA to Sales (%)	16.5	23.3	-	-
RONOA p.a. (%)	11.0	19.9	-	-

Apparent consumption for coated fine paper in Europe was almost flat compared to last year and prices remained under pressure. Our average prices achieved in Euros were approximately 4% below the December quarter reflecting primarily the effect of the weaker dollar on export proceeds. In addition, margins were squeezed by higher pulp prices resulting in a 35.4% drop in operating income to US$42 million. The stronger Euro buffered the performance of the business, which purchases over half of its pulp requirements, much of it in US dollars and had a favourable impact on the translation of the results to dollars.

NORTH AMERICA

	QUARTER ENDED MARCH 2003 US$ MILLION	Quarter ended March 2002 US$ million	% change
Sales	338	251	34.7
Operating profit	20	(10)	-
Operating profit to Sales (%)	5.9	-	-
EBITDA	51	15	240.0
EBITDA to Sales (%)	15.1	6.0	-
RONOA p.a. (%)	5.4	-	-

Market conditions remain difficult.

Following the acquisition of the Potlatch fine paper business, we took a long-term view and rationalised our brands and merchant distribution, which resulted in discontinuing certain products and merchant relationships to focus on our strengths. In the process we had a shortterm loss of volume and market share exacerbated by our efforts to increase prices in the face of others discounting. Recovery is underway with momentum building. We expect to regain the lost share and will have a stronger and better distribution network as a result.

In spite of difficult wood sourcing conditions in Minnesota, we are still on target to achieve synergies of at least US$80 million in the current year, from the Potlatch acquisition.

Higher wood and energy prices had an unfavourable effect of approximately US$8 million for the quarter compared to last year and total pension and medical costs were approximately US$4 million higher than last year adjusted for the inclusion of the Potlach fine paper business.

Our North American business amended its early-retirement medical plans during the quarter to reduce its liability and on-going funding cost. This resulted in a one-off credit of approximately US$10 million in the quarter and will have a long-term benefit and will stabilise these costs in the future.

The operating profit of US$20 million for the quarter compared to a loss of US$10 million a year earlier is still disappointing but signals the beginning of a profit recovery.

FINE PAPER SA

	QUARTER ENDED MARCH 2003 US$ MILLION	Quarter ended March 2002 US$ million	% change (US$)	% change (Rand)
Sales	63	50	26.0	(8.1)
Operating profit	10	7	42.9	4.2
Operating profit to Sales (%)	15.9	14.0	-	-
EBITDA	13	10	30.0	(5.2)
EBITDA to Sales (%)	20.6	20.0	-	-
RONOA p.a. (%)	33.3	33.9	-	-

The South African business has experienced increased competition from imports in the domestic markets as a result of the strengthening of the Rand. It has increased its margins slightly as a result of tight cost control and has achieved a significant increase in operating profit as a result of the currency translation to US dollars. However, it is under severe price pressure and margins will not be maintained as prices are discounted to reflect the changed currency conditions and the threat of imports.

FOREST PRODUCTS

	Quarter ended March 2003 US$ million	Quarter ended March 2002 US$ million	% change (US$)	% change (Rand)
Sales	191	137	39.4	1.7
Operating profit	27	42	(35.7)	(53.1
Operating profit to Sales (%)	14.1	30.7	-	-

EBITDA	44	59	(25.4)	(45.6
EBITDA to Sales (%)	23.0	43.1	-	-
RONOA p.a. (%)	11.7	24.9	-	-

Pulp prices in dollars have continued to increase and the impact is now being seen in dissolving pulp prices, but as most of these products are sold on quarterly prices very little benefit was reflected in this quarter. The strength of the Rand, up 16% against the US dollar since the previous quarter, has depressed the business' export margins and will also affect domestic margins in the coming quarter.

The supply/demand balance for dissolving pulp has been tightened by improved demand for textiles and the announced closure of a major dissolving pulp mill in the USA. The Saiccor mill has returned to full production and this plus the sharp improvement in pulp prices will have a positive impact on our performance in the quarter ahead.

In the domestic market demand remained strong in the quarter. There is a risk, however, that the stronger Rand will dampen economic activity and increase the competitiveness of imported paper.

OUTLOOK

Although the market conditions remain difficult and unpredictable, the recent boost in the US business confidence index may indicate a positive change in the future. Pulp prices have moved up strongly since the start of the year and consumer and producer pulp inventories remain low but, at the same time, there is severe price pressure from imports on paper prices in the USA and downward pressure from discounting in Europe.

The continued weakness of markets in Europe and the disruption of economic growth in Asia, particularly in China and Hong Kong, together with the changes in energy costs and the volatility in the currencies in which we operate make it increasingly difficult to predict earnings accurately. It will be a challenge to meet our earlier forecast that we expect the full year earnings per share to exceed those of the previous year. That continues to be our aim. While the changes in prices and currency movements have an immediate effect on our revenue line, the benefits associated with lower input costs resulting from a change in energy prices and currency movements tend to come through more slowly. It is, therefore, clear that our earnings per share for the third quarter will not match those of the immediate past quarter.

On behalf of the Board

E VAN AS
Director

D G WILSON
Director

8 May 2003

SAPPI LIMITED

(Registration number 1936/008963/06)
JSE CODE: SAP
ISIN CODE: ZAE 000006284

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 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 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.

[GLOBE GRAPHIC]

FINANCIAL RESULTS FOR THE
SECOND QUARTER AND HALF-YEAR ENDED MARCH 2003

GROUP INCOME STATEMENT

	REVIEWED QUARTER ENDED MARCH 2003	Reviewed Quarter ended March 2003	% change	REVIEWE HALF-YEA ENDE MARCH 200 US$ MILLIO
Sales	1095	871	25.7	2,114
Cost of sales*	912	705		1,758
Gross profit	183	166	10.2	356
Selling, general & administrative expenses*	81	61		162
Operating profit	102	105	(2.9)	194
Non-trading (profit) loss	(1)	7		(1
Net finance costs	27	13		51
Net paid	29	18		54
Capitalised	(5)	(10)		(11)
Net foreign exchange losses	3	1		8
Change in fair value of financial instruments	-	4		-
Profit before tax	76	85	(10.6)	144
Taxation - current	17	25		31
- deferred	1	1		3
Net profit	58	59	(1.7)	110
Earnings per share (US cents)	25	25		48

Headline earnings per share (US cents)**	25	26	48
Weighted average number of shares in issue (millions)	229.4	230.6	229.8
Diluted earnings per share (US cents)	25	25	47
Diluted headline earnings per share (US cents)**	25	26	47
Weighted average number of shares on fully diluted basis (millions)	232.1	234.3	232.5
Calculation of Headline earnings net of tax**			
Net profit	58	59	110
(Profit) loss on disposal of business and fixed assets	(1)	1	(1
Mill closure costs	1	1	1
Debt restructuring costs	-	-	-
Headline earnings	58	61	110

* Reallocation of delivery charges. Refer to note 3 for further details.

** Headline earnings disclosure is required by the JSE Securities Exchange South Africa.

GROUP BALANCE SHEET

	REVIEWED MARCH 2003 US$ MILLION	Audited Sept. 2002 US$ million
ASSETS		
NON-CURRENT ASSETS	3,934	3,639
Property, plant and equipment	3,388	3,189
Plantations	400	298
Deferred taxation	6	6
Other non-current assets	140	146
CURRENT ASSETS	1,199	1,002
Cash and cash equivalents	203	161
Trade and other receivables	325	282
Prepaid income taxes	3	38
Inventories	668	521

TOTAL ASSETS	5,133	4,641
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Ordinary shareholders' interest	1,836	1,601
MINORITY INTEREST	2	2
NON-CURRENT LIABILITIES	2,171	2,110
Interest-bearing borrowings	1,457	1,455
Deferred taxation	465	399
Other non-current liabilities	249	256
CURRENT LIABILITIES	1,124	928
Interest-bearing borrowings and bank overdraft	255	125
Taxation payable	74	48
Other current liabilities	795	755
TOTAL EQUITY AND LIABILITIES	5,133	4,641
Number of shares in issue at balance sheet date (millions)	229.2	230.2

GROUP CASH FLOW STATEMENT

	REVIEWED QUARTER ENDED MARCH 2003 US$ MILLION	Reviewed Quarter ended March 2003 US$ million	REVIEWED HALF-YEAR ENDED MARCH 2003 US$ MILLION	Review Half-ye end March 20 US$ milli
CASH GENERATED BY OPERATIONS	194	183	370	3
Movement in working capital	(23)	(31)	(165)	(1
Net finance costs	(31)	(23)	(61)	(
Taxation recovered (paid)	30	(58)	25	(
Dividends paid	(65)	(60)	(65)	(
CASH RETAINED FROM OPERATING ACTIVITIES	105	11	104	

Cash effects of investing activities	(65)	(43)	(105)	(1
	40	(32)	(1)	(
Cash effects of financing activities	(22)	(90)	34	(2
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	18	(122)	33	(3

GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	REVIEWED HALF-YEAR ENDED MARCH 2003 US$ MILLION	Review Half-ye end March 20 US$ milli
Balance - begining of year	1,601	1,5
Net profit	110	
Foreign currency translation reserve	223	(1
Revaluation of movement in share capital and share premium	3	
Revaluation of derivative instruments	(17)	
Dividends declared - US$0.28 (2002: US$0.26) per share	(65)	(
(Share buybacks) net of transfers to participants of the share purchase trust	(19)	
Balance - end of period	1,836	1,3

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NOTES TO THE GROUP RESULTS

1. BASIS OF PREPARATION

The group results have been prepared in conformity with South African Statements of Generally Accepted Accounting Practice (SA GAAP). Sappi has changed its accounting policy with regard to the translation of equity categories to conform with the requirements of AC 430 (Reporting currency - Translation from measurement currency to presentation currency), the effects of which are negligible. All of the other accounting policies are the same as those in the September 2002 annual financial statements.

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

2. HEADLINE EARNINGS PER SHARE

Headline earnings per share has been restated as required by the new JSE Securities Exchange South Africa Listing Requirements. These require that all companies comply with circular 7/2002 issued by the South African Institute of Chartered Accountants.

For Sappi the only change in headline earnings is that there are no longer any adjustments for movements in restructuring provisions.

The impact on headline earnings per share and diluted headline earnings per share is negligible for all periods except for the half-year ended March 2002 where diluted headline earnings per share increased by 1 US cent to 40 US cents.

3. REALLOCATION OF COSTS

In prior years, a portion of delivery charges was included in selling, general and administrative expenses. It is now considered more appropriate to reflect all delivery charges under cost of sales. The effect is to increase cost of sales and decrease selling, general and administrative expenses by US$21 million for the quarter (December 2002: US$20 million; March 2002: US$15 million) and US$41 million for the half-year end (March 2002: US$31 million.)

NOTES TO THE GROUP RESULTS (CONTINUED)

	REVIEWED QUARTER ENDED MARCH 2003 US$ MILLION	Reviewed Quarter ended March 2003 US$ million	REVIEWED HALF-YEAR ENDED MARCH 2003 US$ MILLION	U
4. OPERATING PROFIT				
Included in operating profit are:				
Depreciation	85	72	170	
Fellings	1	5	9	
Amortisation	6	4	11	
	92	81	190	

5. CAPITAL EXPENDITURE

Property, plant and equipment	62	37	100
Plantations	7	5	13
	69	42	113

	REVIEWED MARCH 2003 US$ MILLION	U
6. CAPITAL COMMITMENTS		
Contracted but not provided	137	
Approved but not contracted	169	
	306	
7. CONTINGENT LIABILITIES		
Guarantees and suretyships	73	
Other contingent liabilities	14	

SUPPLEMENTAL INFORMATION

DEFINITIONS

AVERAGE - averages are calculated as the sum of the opening and closing balances for the relevant period divided by two.

*EBITDA - earnings before non-trading profit/loss and before interest, tax, depreciation, amortisation and fellings

*EBITDA to sales - EBITDA divided by sales

FELLINGS - the amount charged against the income statement representing the standing cost 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 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 MARCH 2003 US$ MILLION	Reviewed Quarter ended March 2003 US$ million	REVIEWED HALF-YEAR ENDED MARCH 2003 US$ MILLION	U
OPERATING PROFIT TO EBITDA* RECONCILIATION				
Operating profit per the Group Income Statement	102	105	194	
Depreciation	85	72	170	
Fellings	1	5	9	
Amortisation	6	4	11	
EBITDA*	194	186	384	

	REVIEWED MARCH 2003 US$ MILLION	U
Net debt (US$ million)*	1,509	
Net debt to total capitalisation (%)*	35.9	
Net asset value per share (US$)*	10.01	

* Refer to page 15, supplemental information for the definition of the term.

SUPPLEMENTAL INFORMATION

REGIONAL INFORMATION

		REVIEWED QUARTER ENDED MARCH 2001 US$ MILLION	Reviewed Quarter ended March 2002 US$ million	% change	REVIEWED HALF-YEAR ENDED MARCH 2003 US$ MILLION
SALES - METRIC TONS (000'S)					
Fine Paper -	North America *	343	234	46.6	711
	Europe*	502	559	5.9	1,117
	Southern Africa	69	50	(13.8)	143
	Total	1,044	873	15.0	1,971
Forest Products -	Pulp and paper operations	306	346	14.2	732
	Forestry Operations	309	275	12.4	607
Total		1,708	1,494	14.3	3,310
SALES					
Fine Paper -	North America*	338	251	34.7	707
	Europe*	503	433	16.2	937
	Southern Africa	63	50	26.0	122
	Total	904	734	23.2	17,766
Forest Products -	Pulp and paper operations	178	129	38.0	323
	Forestry operations	13	8	52.5	25
Total		1,095	871	25.7	2,114
OPERATING PROFIT					
Fine paper	- North America	20	(10)	-	29
	Europe	42	55	(35.4)	81
	Southern Africa	10	7	42.9	19
	Total	72	62	16.1	129
Forest Products		27	42	(35.7)	61
Corporate		3	1	200.0	4
Total		102	105	(29.9)	194
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION CHANGES					
Fine Paper -	North America	51	15	240.0	91
	Europe	83	101	(17.8)	165
	Southern Africa	13	10	30.0	24

	Total	147	126	16.7	280
Forest Products		44	59	(25.4)	100
Corporate		3	1	200.0	4
Total		194	186	4.3	384
NET OPERATING ASSETS					
Fine Paper –	North America	1,458	1,042	39.9	1,458
	Europe	1,500	1,312	18.9	1,560
	Southern Africa	130	85	52.9	130
	Total	3,148	2,439	29.1	3,148
Forest Products		956	691	38.4	956
Corporate		(49)	5	–	(49)
Total		4,055	3,135	29.3	4,055

* Our first quarter report reflected 32,000 tons and US$31 million of European sales in the USA as USA sales, which, in accordance with our practice of reporting sales in the manufacturing region, should have been shown as European sales. This has been restated and had no effect on total sales or on regional or group profit.

SUPPLEMENTAL INFORMATION

SUMMARY RAND CONVENIENCE TRANSLATION

	REVIEWED QUARTER ENDED MARCH 2003	Reviewed Quarter ended March 2002	% change	REVIEWED HALF-YEAR ENDED MARCH 2002
Sales (ZAR million)	9,149	9,977	(8.3)	19,209
Operating profit (ZAR million)	852	1,203	(29.2)	1,763
Profit after taxation (ZAR million)	485	676	(28.3)	1,000
EBITDA (ZAR million)*	1,621	2,131	(23.9)	3,489
Operating profit to sales (%)	9.3	12.1		9.2
EBITDA * to sales (%)	17.7	21.4		18.2
Operating profit to average net assets (%)	10.3	14.9		9.9
EPS (SA cents)	209	286	(26.9)	436
Headline EPS (SA cents)*	209	298	(26.9)	436
Net debt (ZAR million)*				12,004
Net debt to total capitalisation (%)*				35.4
Cash generated by operations (ZAR million)	1,621	2,096	(22.7)	3,362
Cash retained from operating activities (ZAR million)	877	126		945

Net movement in cash and cash equivalents (ZAR million)	150	(1,397)	300

EXCHANGES RATES

	MARCH 2003	December 2002	September 2002	
Exchange rates:				
Period end rate: US$1 = ZAR	7.9550	8.7200	10.5400	1
Average rate for the Quarter:				
US$1 = ZAR	8.3550	9.7265	10.4818	1
Average rate for the YTD:				
US$1 = ZAR	9.0866	9.7265	10.5393	1
Period end rate: EUR1 = US$	1.0729	1.0387	0.9789	
Average rate for the Quarter:				
EUR1 = US$	1.0686	0.9995	0.9850	
Average rate for the YTD: EUR1 = US$	1.0334	0.9995	0.9188	

The financial results of entities with reporting currencies other than the US dollar are translat 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.

SAPPI ORDINARY SHARES

[CHART GRAPHING ORDINARY SHARE PRICES IN SOUTH AFRICAN RAND FROM JANUARY 1, 2001 TO MAY 5, 2003]

[CHART GRAPHING ORDINARY SHARE PRICES IN UNITED STATES DOLLARS
FROM JANUARY 1, 2001 TO MAY 5, 2003]

NOTES

THIS REPORT IS AVAILABLE ON THE SAPPI WEBSITE -- www.sappi.com

[GLOBE GRAPHIC}

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

SOUTH AFRICA:	UNITED STATES	UNITED KINGDOM
Computershare Investor	ADR DEPOSITARY:	Capita IRG plc
Services Limited	Bank of New York	Bourne House
70 Marshall Street	ADR Department	34 Beckenham Road
Johannesburg 2001	101 Barclay Street	Beckenham, Kent
P.O. Box 61051	New York, NY 10286	BR3 4TU, DX 91750
Marshalltown 2107	Tel +1 212 815-5800	Beckenham West
Tel +27 (0)11 370-5000		Tel +44 (0)208 639-2157

[SAPPI LOGO]

Press Release

Johannesburg, 8 May 2003

SAPPI INCREASES EARNINGS PER SHARE IN TOUGH MARKETS

Sappi, the world's leading producer of coated fine paper, today announced results for the second quarter to March 2003.

HIGHLIGHTS

- Markets remain tough

- EPS up 8.7% on prior quarter
- Euro strength buffers performance
- Rand strength squeezes SA margins
- Robust cash generation

Introducing the results, Sappi Chairman, Eugene van As, said that Jonathan Leslie, the newly appointed CEO, who had joined the group a month ago, would in future announce the company's results. He continued:

"These results were achieved in very uncertain markets. Coated fine paper prices were under pressure in our main markets. In North America uncertainty about demand, a surge of Asian imports and active discounting by some competitors has resulted in slower than expected implementation of our price increases.

"Average prices for US-produced sheet products have declined since December but imported products have shown some price improvement. In Europe price erosion has continued despite largely successful price increases in Southern Europe. Advertising spending, an important driver of coated paper demand, remained mixed, with increases in the USA off a low base, but no sustained increase in Europe.

"Against this tough background, we managed to achieve a reasonable performance. Our leadership position across the major markets, supported by our excellent distribution systems and pulp integration strategy, left us better positioned than many of our competitors."

RESULTS FOR THE QUARTER

Currency movements had a major influence on results. A stronger Euro favours the trading performances of Sappi's European business and a stronger Rand is detrimental to the Southern African business. As the group reports in US dollars, a stronger Euro and a stronger Rand have a positive translation effect on the results of the European and Southern African businesses and leads to an increase in liabilities and assets recorded in those currencies. The net positive effect of currency movements on shareholder equity this quarter was US$69 million.

Net profit was marginally below the same quarter last year at US$58 million and 11.5% above the quarter ended December. Basic and diluted earnings per share were 25 US cents.

Costs of goods sold have been well controlled but reflect significant increases compared to a year ago as a result of the currency translation effect.

Selling, General and Administration (SG&A) expenses were at the same level as the December quarter but 33% higher than a year earlier mainly as a result of the currency impact, increased insurance and higher pension costs and the inclusion of the Potlatch coated paper business.

Group operating profit decreased 2.9% compared to a year earlier to US$102 million, and increased 11% compared to the December quarter.

Cash generated by operations was US$194 million, 6.0% higher than a year earlier and 10.2% higher than the December quarter. However, net working capital increased by US$23 million partly as a result of increased inventories.

Net debt declined slightly to US$1,509 million from US$1,525 million in March after the dividend payment of US$65 million in the quarter. At constant September 2002 exchange rates, net debt at March 2003 would have been in line with the September 2002 level of US$1,419 million. The ratio of net debt to total capitalisation declined to 35.4% from 36.7%, well within our target range.

DIVISIONAL REVIEW

FINE PAPER

The fine paper business grew sales volume by 15%, with operating profit increasing by 16.1% to US$72 million. The group has continued to curtail production in order to manage output to customer demand levels.

In Europe, consumption of coated fine paper was flat and prices remained under pressure. Margins were squeezed by higher pulp prices and lower paper prices, resulting in a 35.4% drop in operating income to US$42 million. However, the stronger Euro buffered the performance with dollar pulp purchases impacting favourably on results.

In North America, market conditions remained difficult. Following the acquisition of Potlatch, certain products and merchant relationships were discontinued to focus on Sappi's core strengths. This resulted in a short-term loss of volume and market share. Recovery is underway with momentum building. We expect to regain the lost share and will have a stronger and better distribution network as a result. The operating profit of US$20 million compared to a previous quarter loss of US$10 million is still disappointing, but signals the beginning of a profit recovery. In spite of difficult wood sourcing conditions in Minnesota, we are still on target to achieve synergies of at least US$80 million in the current year.

Competition in the South African business increased due to imports in the domestic markets following the strong Rand. Margins increased slightly due to tight cost control, with operating profit increasing by 42.9% as a result of the currency translation to US dollars. However, margins will not be maintained as prices are discounted to reflect the changed currency conditions and the threat of imports.

Commenting on the fine paper's overall performance, Bill Sheffield, Fine Paper CEO, said:

"We managed to increase sales volumes and operating profits in difficult conditions, largely as a result of the inclusion of the Potlatch fine paper business. This, plus our geographic spread, helped us maintain a reasonable performance in the face of currency volatility and weaker markets."

FOREST PRODUCTS

Although pulp prices in dollars have continued to increase and the impact is now being seen in dissolving pulp prices, little benefit was reflected in the quarter as most of these products are sold on quarterly prices. The strength of the Rand has depressed the business' export margins. The operating profit declined 36% compared to a year ago to US$27 million.

The supply/demand balance for dissolving pulp has been tightened by improved demand for textiles and the announced closure of a major dissolving pulp mill in the USA. The Saiccor mill has returned to full production and together with the sharp improvement in pulp prices will have a positive impact in the quarter ahead.

John Job, Chairman of Sappi's South African businesses, said:

"Domestic market demand was strong. However, if the Rand maintains its momentum, economic activity will slow and local markets will experience strong downward pressure on prices."

OUTLOOK

Looking forward, Van As said that although market conditions remain difficult and unpredictable, the recent boost in the US business confidence index may indicate a positive change in the future.

"There is great uncertainty in our markets. Pulp prices have moved up strongly since the start of the year and consumer and producer pulp inventories remain low. At the same time, there is severe price pressure from imports on paper prices in the USA and downward pressure from discounting in Europe."

Van As said that the continued weakness of markets in Europe and the disruption of economic growth in Asia, particularly in China and Hong Kong, together with the changes in energy costs and the volatility in the currencies in which we operate, make it increasingly difficult to predict earnings accurately. He indicated that it will be a challenge for the group to meet its earlier forecast that full year earnings per share are expected to exceed those of last year but that remains our aim.

"However, changes in prices and currency movements have an immediate effect on our revenue line, while the benefits associated with lower input costs resulting from a change in energy prices and currency movements tend to come through more slowly. It is therefore clear that our third quarter earnings per share will not match those of the immediate past quarter."

ends

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 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 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.

Issued by:

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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

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

Date: May 14, 2003