

SAPPI LTD

Form 6-K

February 05, 2007

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 2007

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-

sappi

quarter results ended
December 2006

1st

** for the quarter ended December 2006*

*** as at 31 December 2006*

† *Rest of World*

Sales by product group *

Sales: where the product is manufactured *

Sales: where the product is sold *

Geographic ownership **

Coated fine paper

65%

Uncoated fine paper

4%

Coated specialities

8%

Packaging and newsprint

7%

Pulp

14%

Other

2%

North America

30%

Europe

43%

Southern Africa

14%

Asia and other

13%

South African

60%

North America

30%

Europe and ROW †

10%

North America

30%

Europe

46%

Southern Africa

24%

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

EPS 13 US cents

Demand for coated fine paper firm

Coated paper prices do not reflect high operating rates

Prices boost Forest Products performance

Input cost pressure abates, except in Europe
financial highlights

Quarter

ended

Dec

Sept

Dec

2006

2006

2005

Sales (US\$ million)

1,267

1,296 1,175

Operating profit (US\$ million)

92

51

49

Operating profit to sales (%)

7.3

3.9

4.2

EBITDA ** (US\$ million) *

187

151

146

EBITDA ** to sales (%) *

14.8

11.7

12.4

Operating profit to average net assets (%) *

9.4

5.2

4.8

EPS (US cents)

13

18

—

Return on average equity (ROE) (%) *

8.4

11.7

—

Net debt (US\$ million) *

2,278

2,113

2,072

Net debt to total capitalisation (%) *

46.7

46.4

42.3

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

*** The EBITDA calculation has been amended. Refer to note 2 additional information in Supplemental Information for the effects*

of the change.

summary

The group operating result improved in the quarter compared to the prior quarter and the equivalent quarter last year. The Forest Products business, supported by strong pulp prices and a slightly weaker currency, generated most of the operating profit. The Fine Paper business, while profitable, has not yet achieved acceptable margins and returns.

Demand for coated fine paper globally was firm in the quarter; however, apparent consumption growth in Europe and North America was lower than in recent periods.

Raw material input costs remain high. There has been some moderation in North America and Southern Africa but upward pressure continues in Europe.

Coated fine paper prices in Europe have drifted downwards for the last 5 years and despite concerted reductions in our operating costs, the combination of higher prices for our inputs and lower selling prices has depressed margins. To counteract this we implemented a price increase on stock orders in Europe in December and continue to implement increases on all other graphic paper business in January.

Group sales were approximately US\$1.3 billion for the quarter, an increase of 7.8% compared to a year ago as a result of a 3% increase in sales of pulp and paper, improved pricing and currency movement which resulted in an increase in the European business' sales when reported in US Dollars.

The operating profit for the quarter increased to US\$92 million, largely as a result of the contribution of the Forest Products business. The plantation fair value price adjustment for the quarter was a pre-tax gain of US\$29 million compared to US\$10 million a year ago.

Finance costs for the quarter were US\$37 million, which was at the same level as the prior quarter but up US\$10 million year on year as a result of higher interest paid (higher debt and floating rates) and the change in fair value of financial instruments.

The high effective tax rate is a result of unrelieved tax losses in certain countries; in addition taxation for the quarter included Secondary Tax on Companies of US\$8.5 million which relates to the dividend declared during the quarter.

The profit after tax for the quarter was US\$30 million compared to a break-even in the equivalent quarter last year. Earnings per share were 13 US cents for the quarter.

comment

sappi limited – first quarter page 2

sappi limited – first quarter page 3

cash flow and debt

Cash generated by operations was US\$152 million for the quarter, approximately 25% up on a year ago. We recorded a US\$39 million increase in working capital which was significantly less than the US\$80 million increase last year.

Capital expenditure increased to US\$138 million for the quarter. We had a number of upfront payments in respect of the Saiccor expansion in the quarter. We aim to manage capital expenditure over the full year to avoid a material increase in debt over the year.

Net debt increased by US\$165 million to approximately US\$2.3 billion during the quarter of which US\$73 million was a result of currency translations. Net debt to total capitalisation increased to 46.7% in December from 46.4% in September.

operating review for the quarter

Sappi Fine Paper

Quarter

Quarter

ended

ended

Dec 2006

Dec 2005

%

Sept 2006

US\$ million

US\$ million

change

US\$ million

Sales

1,044

943

10.7

1,029

Operating profit (loss)

16

15

6.7

(40)

Operating profit (loss) to sales (%)

1.5

1.6

–

(3.9)

EBITDA

94

95

(1.1)

43

EBITDA to sales (%)

9.0

10.1

–

4.2

RONOA pa (%)

2.1

1.9

—

(5.2)

Each of the Fine Paper businesses generated operating profits during the quarter; however, the returns are still far from acceptable. Our focus is on reducing unit costs and achieving appropriate price increases.

<i>Europe</i>	
Quarter	
Quarter	
ended	
ended	
%	
%	
Dec 2006	
Dec 2005	
change	
change	
Sept 2006	
US\$ million	
US\$ million	
(US\$)	
(Euro)	
US\$ million	
Sales	
587	
520	
12.9	
4.1	
569	
Operating profit	
13	
14	
(7.1)	
(14.4)	
(48)	
Operating profit to sales (%)	
2.2	
2.7	
-	
-	
(8.4)	
EBITDA	
61	
61	
-	
(7.8)	
1	
EBITDA to sales (%)	
10.4	
11.7	
-	
-	
0.2	
RONOA pa (%)	
2.8	
3.2	
-	

–
 (10.8)
 Our sales volume for the quarter grew approximately 6% year on year. The average price achieved in Euro terms was only marginally up on the prior quarter despite the December stock price increase as a result of product and geographic mix. The Euro strengthened 8.5% relative to the equivalent period last year. The upward pressure on many of our input costs has continued in the quarter. In particular pulpwood costs have continued to rise sharply as a result of demand for wood for use as subsidised “green” fuel. Higher prices for purchased pulp had an impact of US\$7 million on operating profit for the quarter compared to the equivalent quarter last year. (This is a regional impact as the group as a whole is a net seller of pulp.)

North America

Quarter

Quarter

ended

ended

Dec 2006

Dec 2005

%

Sept 2006

US\$ million

US\$ million

change

US\$ million

Sales

374

345

8.4

373

Operating profit

2

1

100

7

Operating profit to sales (%)

0.5

0.3

–

1.9

EBITDA

28

31

(9.7)

37

EBITDA to sales (%)

7.5

9.0

–

9.9

RONOA pa (%)

0.7

0.3

–

2.5

The volume of paper sold increased by approximately 5% for the quarter. In addition we achieved strong growth in pulp sales compared to a year ago, resulting in an overall increase of 8%.

Market conditions remain very competitive with continued pressure on prices. Average prices achieved were marginally up compared to a year earlier.

Although input costs remain high, we have achieved reductions in wood, energy and certain other input costs.

operating review for the quarter (continued)

sappi limited – first quarter page 4

Fine Paper South Africa

Quarter

Quarter

ended

ended

%

%

Dec 2006

Dec 2005

change

change

Sept 2006

US\$ million

US\$ million

(US\$)

(Rand)

US\$ million

Sales

83

78

6.4

20.4

87

Operating profit

1

–

–

–

1

Operating profit to sales (%)

1.2

–

–

–

1.1

EBITDA

5

3

66.7

88.5

5

EBITDA to sales (%)

6.0

3.8

–

–

5.7

RONOA pa (%)

2.5

–

–

–	
2.5	
The business had strong demand for its products and sales volumes for the quarter increased 10% year on year. Average prices achieved in Rand terms have increased over the last year partly due to the weaker Rand.	
Margins remain under pressure as a result of high input costs, particularly purchased pulp.	
<i>Forest Products</i>	
Quarter	
Quarter	
ended	
ended	
%	
%	
Dec 2006	
Dec 2005	
change	
change	
Sept 2006	
US\$ million	
US\$ million	
(US\$)	
(Rand)	
US\$ million	
Sales	
223	
232	
(3.9)	
8.8	
267	
Operating profit	
78	
37	
110.8	
138.7	
85	
Operating profit to sales (%)	
35.0	
15.9	
–	
–	
31.8	
EBITDA	
95	
53	
79.2	
102.9	
102	
EBITDA to sales (%)	
42.6	
22.8	
–	

–
 38.2
 RONOA pa (%)
 23.4
 10.9
 –
 –
 26.4
 Plantation fair value gain (loss)
 29
 10
 –
 –
 (10)

The forest products business had a strong performance despite the lower sales volume compared to the equivalent quarter last year. Part of the shortfall in volume is the result of timing of export shipments relative to the period end and lower sales by the Kraft business. We expect to catch up some volume in the next quarter. The strong pulp prices and weaker currency contributed to the operating profit. Operating profit also included US\$29 million of plantation fair value price adjustment compared to US\$10 million a year ago. The manufacturing performance of the Kraft business has improved and has considerable scope for further gains. Usutu Mill continued to perform well during the quarter.

Demand for chemical cellulose remains strong and Saiccor continues to perform well. Good progress has been made on the expansion at Saiccor Mill; however, there has been pressure on civil construction costs because of high demand in the South African construction industry.

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directors

Klaas de Kluis retired as a non-executive director of the group in December 2006 on reaching the mandatory retirement age.

outlook

The industry continues to record high global operating rates for coated fine paper. The combination of strong expected consumption growth, capacity closures and limited new capacity additions indicate that operating rates should remain high.

We have implemented price increases in Europe which are essential to restore margins after 5 years of declining coated fine paper prices and 2 years of input cost escalations.

Pulp prices continue to be strong.

We expect earnings in the next quarter to improve compared to this quarter (excluding unpredictable fair value adjustments).

This report is unaudited.

On behalf of the Board

E van As

M R Thompson

Director

Director

1 February 2007

sappi limited

(Registration number 1936/008963/06)

Issuer Code: SAVVI

JSE Code: SAP

ISIN Code: ZAE 000006284

operating review for the quarter (continued)

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forward-looking statements

Certain statements in this release that are neither reported financial results nor other historical information, are forward-looking statements, including but not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. 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 cyclicity, such as levels of demand, production capacity, production, input costs including raw material, energy and employee costs, and pricing), adverse changes in the markets for the group's products, consequences of substantial leverage, 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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notes

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financial results (unaudited)
for the quarter ended December 2006
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group income statement
sappi limited – first quarter page 10
Quarter
Quarter
ended
ended
Dec 2006
Dec 2005
US\$ million
US\$ million
% change
Sales
1,267
1,175
7.8
Cost of sales
1,091
1,042
Gross profit
176
133
32.3
Selling, general and administrative expenses
88
83
88
50
Other operating (income) expenses
(4)
1
Operating profit
92
49
87.8
Net finance costs
37
27
Net paid
36
32
Capitalised
(1)
(1)
Net foreign exchange gains
(2)
(1)
Change in fair value of financial instruments
4
(3)
Profit before tax
55

22	
150.0	
Taxation – current	
6	
8	
– deferred	
19	
14	
Profit for the period	
30	
–	
–	
Basic earnings per share (US cents)	
13	
–	
Weighted average number of shares in issue (millions)	
227.0	
225.9	
Diluted earnings per share (US cents)	
13	
–	
Weighted average number of shares on a fully diluted basis (millions)	
229.9	
226.7	

Note: Refer to notes to the group results (page 13) for Headline earnings and calculation thereof.

group balance sheet
Dec 2006
Sept 2006
US\$ million
US\$ million
ASSETS
Non-current assets
4,323
3,997
Property, plant and equipment
3,319
3,129
Plantations
607
520
Deferred taxation
79
74
Other non-current assets
318
274
Current assets
1,556
1,500
Inventories
764
699
Trade and other receivables
560
577
Cash and cash equivalents
232
224
Assets held for sale
21
20
Total assets
5,900
5,517
EQUITY AND LIABILITIES
Shareholders' equity
Ordinary shareholders' interest
1,467
1,386
Non-current liabilities
2,528
2,465
Interest-bearing borrowings
1,625
1,634
Deferred taxation

387	
336	
Other non-current liabilities	
516	
495	
Current liabilities	
1,905	
1,666	
Interest-bearing borrowings	
818	
694	
Bank overdraft	
67	
9	
Other current liabilities	
841	
862	
Taxation payable	
111	
101	
Shareholders for dividend	
68	
–	
Total equity and liabilities	
5,900	
5,517	
Number of shares in issue at balance sheet date (millions)	
227.7	
227.0	

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group cash flow statement
group statement of recognised income and
expense
Quarter
Quarter
ended
ended
Dec 2006
Dec 2005
US\$ million
US\$ million
Operating profit
92
49
Depreciation, fellings and other amortisation
112
114
Other non-cash items (including impairment charges)
(52)
(41)
Cash generated by operations
152
122
Movement in working capital
(39)
(80)
Net finance costs
(46)
(45)
Taxation paid
(4)
(7)
Cash retained (utilised) from operating activities
63
(10)
Cash effects of investing activities
(155)
(74)
Cash utilised before financing activities
(92)
(84)
Cash effects of financing activities
94
94
Net movement in cash and cash equivalents
2
10
Quarter
Quarter
ended
ended

Dec 2006

Dec 2005

US\$ million

US\$ million

Pension fund asset not recognised

(2)

(1)

Valuation allowance against deferred tax asset on actuarial losses recognised

(1)

–

Exchange differences on translation of foreign operations

113

(11)

Net expense recorded directly in equity

110

(12)

Profit for the period

30

–

Recognised income (expense) for the period

140

(12)

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notes to the group results
 sappi limited – first quarter page 13

1.

Basis of preparation

The condensed quarterly financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) including International Accounting Standard (IAS) 34 Interim Financial Reporting. The accounting policies used in the preparation of the quarterly results are compliant with IFRS and consistent with those used in the annual financial statements for September 2006. A recent accounting interpretation IFRIC 4: Determining whether an arrangement contains a lease, is still being evaluated. No changes to previous disclosures on application of this interpretation have been made. At this stage it is not envisaged that the impact of any adjustment required will be material to the results of operations. These results are unaudited.

2.

Reconciliation of movement in shareholders' equity

Quarter

Quarter

ended

ended

Dec 2006

Dec 2005

US\$ million

US\$ million

Balance – beginning of year

1,386

1,589

Total recognised income (expense) for the period

140

(12)

Dividends declared

(68)

(68)

Transfers to participants of the share purchase trust

7

1

Share Based Payment Reserve

2

2

Balance – end of period

1,467

1,512

3.

Operating profit

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

Depreciation of property, plant and equipment

95

97

95

97

Fair value adjustment on plantations (included in cost of sales)

Changes in volume

Fellings

17

17

Growth

(17)

(14)

—

3

Changes in fair value

(29)

(10)

(29)

(7)

4.

Headline earnings per share

Headline earnings per share (US cents) *

13

1

Weighted average number of shares in issue (millions)

227.0

225.9

Diluted headline earnings per share (US cents) *

13

1

Weighted average number of shares on fully diluted basis (millions)

229.9

226.7

Calculation of Headline earnings *

Profit for the period

30

-

Write-off of assets

—

1

Impairment of property, plant and equipment

—

1

Headline earnings

30

2

* *Headline earnings disclosure is a listings requirement by the JSE Limited.*

notes to the group results (continued)

sappi limited – first quarter page 14

Quarter

Quarter

ended

ended

Dec 2006

Dec 2005

US\$ million

US\$ million

5.

Capital expenditure

Property, plant and equipment

138

72

Dec 2006

Sept 2006

US\$ million

US\$ million

6.

Capital commitments

Contracted but not provided

201

294

Approved but not contracted

340

255

541

549

7.

Contingent liabilities

Guarantees and suretyships

61

52

Other contingent liabilities

11

11

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 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 Limited to disclose headline earnings per share

NBSK – Northern Bleached Softwood Kraft pulp. One of the main varieties of market pulp, mainly produced from spruce trees in Scandinavia, Canada and north eastern USA. The NBSK is a benchmark widely used in pulp and paper industry for comparative purposes

NBSK – Northern Bleached Softwood Kraft pulp. One of the main varieties of market pulp, mainly produced from spruce trees in Scandinavia, Canada and north eastern USA. The NBSK is a benchmark widely used in pulp and paper industry for comparative purposes

* 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. Profit (loss) for the period divided by average shareholders' equity

* RONA – operating profit divided by average net assets

* RONO – 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)

* SG&A – selling, general and administrative expenses

** 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.

sappi limited – first quarter page 15

supplemental information

additional information

Quarter

Quarter

ended

ended

Dec 2006

Dec 2005

US\$ million

US\$ million

Profit for the period to EBITDA

(1)

reconciliation

Profit for the period

30

-

Net finance costs

37

27

Taxation – current

6

8

– deferred

19

14

Depreciation

95

97

EBITDA

(1) (2)

187

146

Dec 2006

Sept 2006

US\$ million

US\$ million

Net debt (US\$ million)

(3)

2,278

2,113

Net debt to total capitalisation (%)

(3)

46.7

46.4

Net asset value per share (US\$)

(3)

7.80

7.26

(1)

In connection with the U.S. Securities Exchange Commission (“SEC”) rules relating to “Conditions for Use of Non-GAAP

Financial Measures”, we have reconciled EBITDA to net profit rather than operating profit. As a result our definition retains non-trading profit/loss and minority interest as part of EBITDA. EBITDA represents earnings before interest (net finance costs), taxation, depreciation and amortisation. Net finance costs includes: gross interest paid; interest received; interest capitalised; net foreign exchange gains; and net fair value adjustments on interest rate financial instruments. See the Group income statement for an explanation of the computation of net finance costs. We use EBITDA as an internal measure of performance to benchmark and compare performance, both between our own operations and as against other companies. EBITDA is a measure used by the group, together with measures of performance under IFRS and US GAAP, to compare the relative performance of operations in planning, budgeting and reviewing the performances of various businesses. We believe EBITDA is a useful and commonly used measure of financial performance in addition to net profit, operating profit and other profitability measures under IFRS or US GAAP because it facilitates operating performance comparisons from period to period and company to company. By eliminating potential differences in results of operations between periods or companies caused by factors such as depreciation and amortization methods, historic cost and age of assets, financing and capital structures and taxation positions or regimes, we believe EBITDA can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, we believe EBITDA and similar measures are regularly used by the investment community as a means of comparison of companies in our industry. Different companies and analysts may calculate EBITDA differently, so making comparisons among companies on this basis should be done very carefully. EBITDA is not a measure of performance under IFRS or US GAAP and should not be considered in isolation or construed as a substitute for operating profit or net profit as an indicator of the company’s operations in accordance with IFRS or US GAAP.

(2) The EBITDA calculation has been amended to eliminate the adjustment for fellings which previously resulted in fellings being added back in the calculation as part of amortisation. Given the current accounting treatment of plantations, management has concluded that eliminating such an adjustment would be more appropriate in determining the EBITDA performance measure in future both for internal and reporting purposes. Prior year figures have been recalculated for comparison purposes as follows:

December 2005 quarter: decrease by US\$17 million; September 2006 quarter: decrease by US\$19 million.

(3) Refer to page 15, Supplemental Information for the definition of the term.

sappi limited – first quarter page 16

supplemental information

regional information

Quarter

Quarter

ended

ended

Dec 2006

Dec 2005

Metric tons

Metric tons

(000's)

(000's)

% change

Sales volumes

Fine Paper –

North America

372

344

8.1

Europe

635

602

5.5

Southern Africa

87

79

10.1

Total

1,094

1,025

6.7

Forest Products – Pulp and paper operations

331

355

(6.8)

Forestry operations

271

376

(27.9)

Total

1,696

1,756

(3.4)

Quarter

Quarter

ended

ended

Dec 2006

Dec 2005

US\$ million

US\$ million

% change

Sales

Fine Paper –

North America

374

345

8.4

Europe

587

520

12.9

Southern Africa

83

78

6.4

Total

1,044

943

10.7

Forest Products – Pulp and paper operations

207

212

(2.4)

Forestry operations

16

20

(20.0)

Total

1,267

1,175

7.8

sappi limited – first quarter page 17

supplemental information

Quarter

Quarter

ended

ended

Dec 2006

Dec 2005

US\$ million

US\$ million

% change

Operating profit

Fine Paper –

North America

2

1

100.0

Europe

13

14

(7.1)

Southern Africa

1

-

-

Total

16

15

6.7

Forest Products

78

37

110.8

Corporate

(2)

(3)

-

Total

92

49

87.8

Earnings before interest, tax, depreciation
and amortisation charges *

Fine Paper –

North America

28

31

(9.7)

Europe

61

61

-

Southern Africa
 5
 3
 66.7
Total
 94
 95
 (1.1)
 Forest Products
 95
 53
 79.2
 Corporate
 (2)
 (2)
 -
Total
 187
 146
 28.1
 Net operating assets
 Fine Paper –
 North America
 1,106
 1,173
 (5.7)
 Europe
 1,867
 1,748
 6.8
 Southern Africa
 170
 171
 (0.6)
 Total
 3,143
 3,092
 1.6
 Forest Products
 1,474
 1,389
 6.1
 Corporate and other
 (48)
 (23)
 -
Total
 4,569
 4,458
 2.5

** The EBITDA calculation has been amended to eliminate the adjustment for fellings which previously resulted in fellings being added back in the calculation as part of amortisation. Refer to note 2 Additional Information in Supplemental Information for the effects of the change.*

sappi limited – first quarter page 18

supplemental information
 sappi limited – first quarter page 19
summary rand convenience translation
 Quarter
 Quarter
 ended
 ended
 Dec 2006
 Dec 2005
 % change
 Sales (ZAR million)
 9,294
 7,613
 22.1
 Operating profit (ZAR million)
 675
 317
 112.9
 Profit for the period (ZAR million)
 220
 –
 –
 EBITDA (ZAR million) *
 1,372
 946
 45.0
 Operating profit to sales (%)
 7.3
 4.2
 EBITDA to sales (%) *
 14.8
 12.4
 Operating profit to average net assets (%)
 9.3
 4.9
 EPS (SA cents)
 95
 –
 –
 Net debt (ZAR million) *
 15,963
 13,111
 Net debt to total capitalisation (%) *
 46.7
 42.3
 Cash generated by operations (ZAR million)
 1,115
 790
 41.1
 Cash retained from operating activities (ZAR million)
 462

(65)

—

Net movement in cash and cash equivalents (ZAR million)

15

65

—

**Refer to page 15, Supplemental Information for the definition of the term.
exchange rates*

Dec

Sept

June

March

Dec

2006

2006

2006

2006

2005

Exchange rates:

Period end rate: US\$ 1 = ZAR

7.0076

7.7738

7.1700

6.1655

6.3275

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

7.3358

7.2475

6.4658

6.1858

6.4795

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

7.3358

6.6039

6.4031

6.3334

6.4795

Period end rate: EUR 1 = US\$

1.3199

1.2672

1.2789

1.2119

1.1843

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

1.2926

1.2744

1.2570

1.1983

1.1915

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

1.2926

1.2315

1.2191

1.1964

1.1915

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.*

sappi ordinary shares

ADR price (NYSE TICKER: SPP)

note: (1 ADR = 1 sappi share)

US\$

18

16

14

12

10

8

6

4

2

0

ZAR

140

120

100

80

60

40

20

0

sappi limited – first quarter page 20

1 Apr

2004

1 Jul

2004

1 Oct

2004

1 Jan

2005

1 Apr

2005

1 Jul

2005

1 Oct

2005

1 Jan

2006

1 Apr

2006

1 Jul

2006

1 Oct

2006

1 Jan

2007

29 Jan

2007

1 Apr

2004
1 Jul
2004
1 Oct
2004
1 Jan
2005
1 Apr
2005
1 Jul
2005
1 Oct
2005
1 Jan
2006
1 Apr
2006
1 Jul
2006
1 Oct
2006
1 Jan
2007
29 Jan
2007

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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.

Date: February 2, 2007

SAPPI LIMITED,

by / D.J. O'Connor

Name: D.J. O'Connor

Title: Executive Director: Finance