

Q4 2011
Results Presentation

10 Nov 2011

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.

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. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond our control and may cause our actual results, performance or achievements 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 (and the factors that contribute to such cyclical nature, such as levels of demand, production capacity, production, input costs including raw material, energy and employee costs, and pricing);
- the impact on our business of the global economic downturn;
- unanticipated production disruptions (including as a result of planned or unexpected power outages);
- changes in environmental, tax and other laws and regulations;
- adverse changes in the markets for our products;
- consequences of our leverage, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed;
- adverse changes in the political situation and economy in the countries in which we operate or the effect of governmental efforts to address present or future economic or social problems;
- the impact of restructuring, investments, acquisitions and dispositions (including related financing), any delays, unexpected costs or other problems experienced in connection with dispositions or with integrating acquisitions and achieving expected savings and synergies; and
- currency fluctuations.

We undertake 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.

Regulation G disclosure

Certain non-GAAP financial information is contained in this presentation that management believe may be useful in comparing the company's operating results from period to period. Reconciliation's of certain of the non-GAAP measures to the corresponding GAAP measures can be found in the quarterly results booklet for the relevant period. These booklets are located in the 'Investor Info' section of www.sappi.com.

The background of the slide is a grayscale photograph of several large rolls of paper, likely tissue or toilet paper, stacked together. The rolls are curved and create a sense of depth and texture. The word "Summary" is centered over this image in a large, black, sans-serif font.

Summary

Q4 2011 Summary

- Operating profit excluding special items: US \$80m, up 33% on Q3 2011 (Q4 2010 US\$129m)
- Cash generation: US\$279m (Q4 2010 US\$238m)
- Strategic initiatives result in asset impairment and restructuring charges of US\$165 million
- North American business and South African chemical cellulose business continued to perform strongly
- High input costs continued to squeeze margins
- Loss per share of 24 US cents (Q4 2010 EPS of 16 US cents)
 - Earnings per share excluding special items and once-off debt refinancing costs 2 US cents (Q4 2010 9 US cents)

Group Financial Summary

Key figures: (US\$ million)

Sales volume ('000)

Sales

EBITDA ex special items

Operating Profit ex special items

Adjusted EPS (US cents)

Key ratios: (%)

Op. profit ex-items to sales

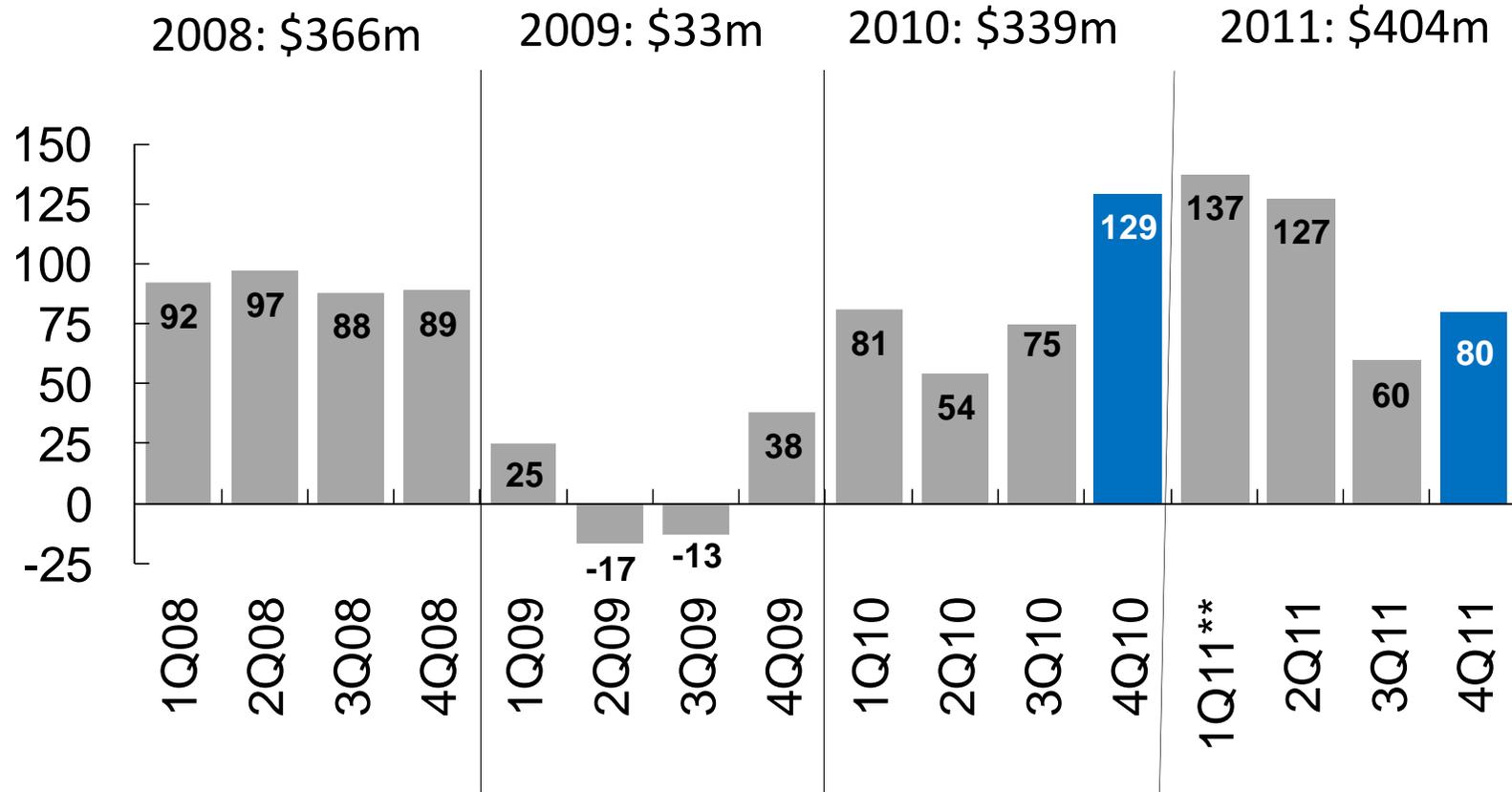
Op. profit ex-items to capital employed

Net Debt to total capitalisation

	Q4 10	Q4 11	YoY	F 2010	F 2011	YoY
Sales volume ('000)	2 095	1 978	↓	7 894	7 898	↔
Sales	1 774	1 787	↑	6 572	7 286	↑
EBITDA ex special items	227	183	↓	752	821	↑
Operating Profit ex special items	129	80	↓	339	404	↑
Adjusted EPS (US cents)	9	2	↓	9	9	↔
Op. profit ex-items to sales	7.3	4.5	↓	5.2	5.5	↑
Op. profit ex-items to capital employed	12.6	8.1	↓	8.0	10.5	↑
Net Debt to total capitalisation	53.9	58.7	↑	53.9	58.7	↑

Refer to the supplementary information in this presentation for a reconciliation of operating profit excluding special items to reported operating profit and page 17 in our Q4 2011 results booklet (available on www.sappi.com) for a definition and list of special items.

Operating Profit excluding special items *

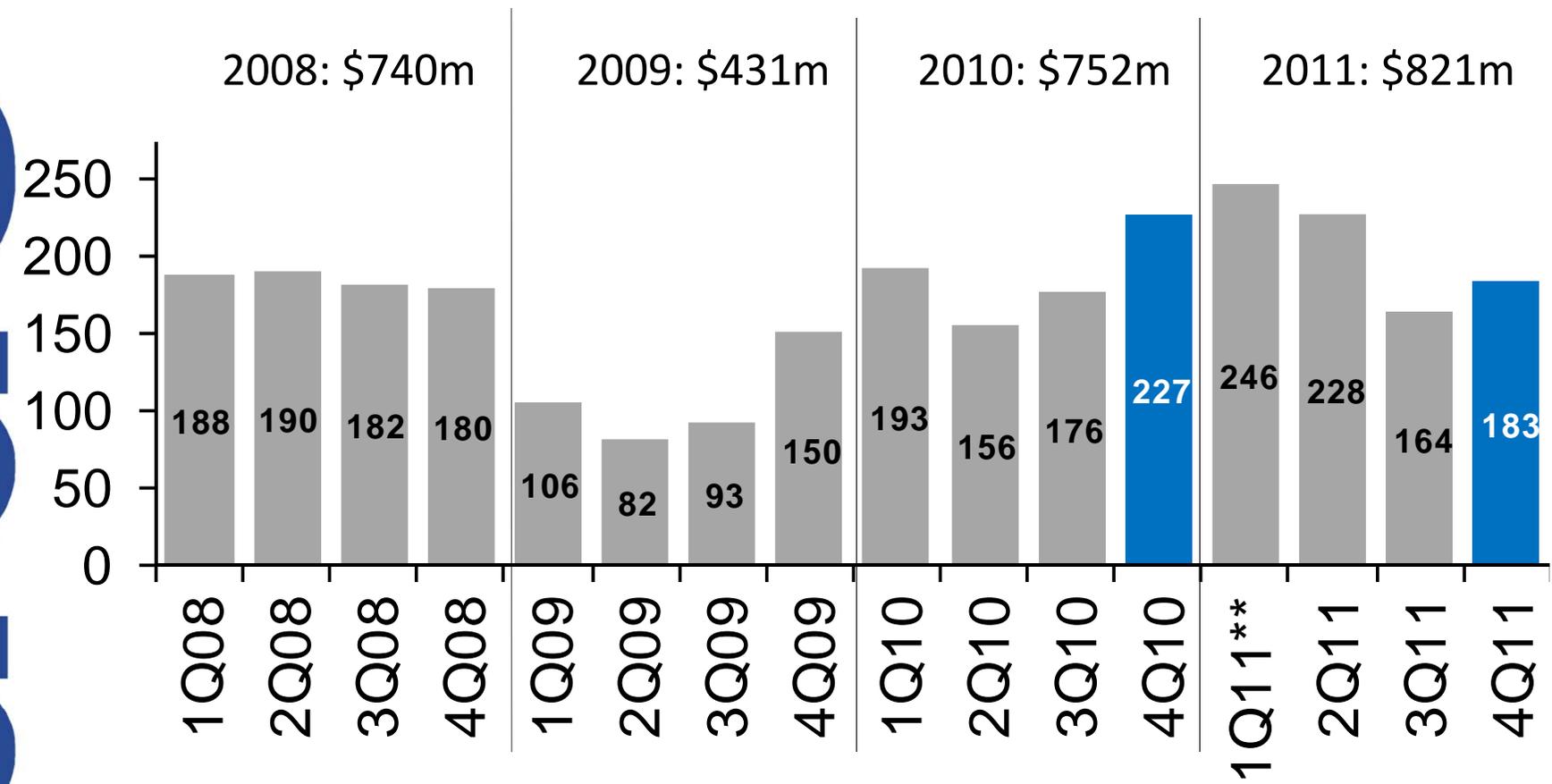


**Q1 2011 included extra week

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EBITDA Trend

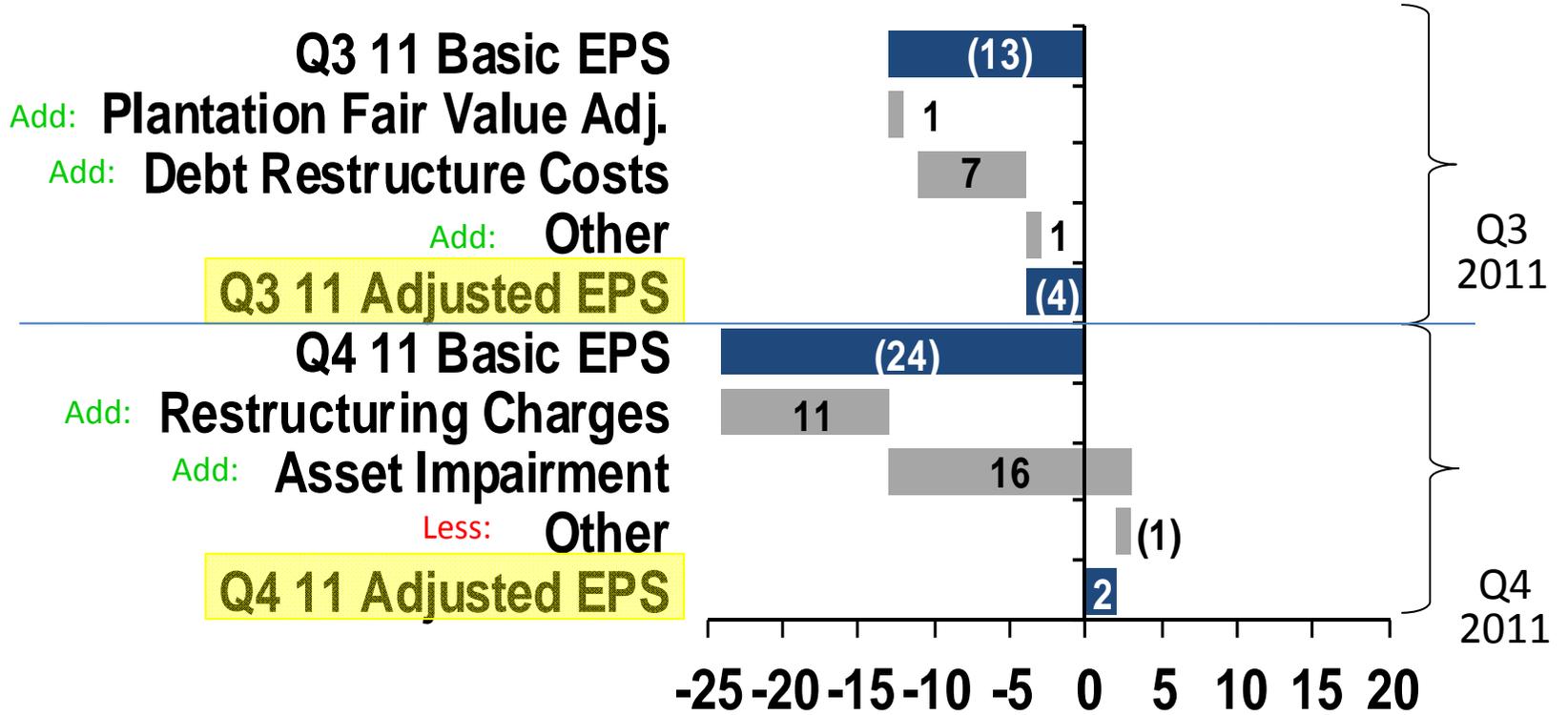
EBITDA*



**Q1 2011 included extra week

*EBITDA as shown above excludes special items. Refer to page 17 in our Q4 2011 results announcement booklet for a definition of special items.

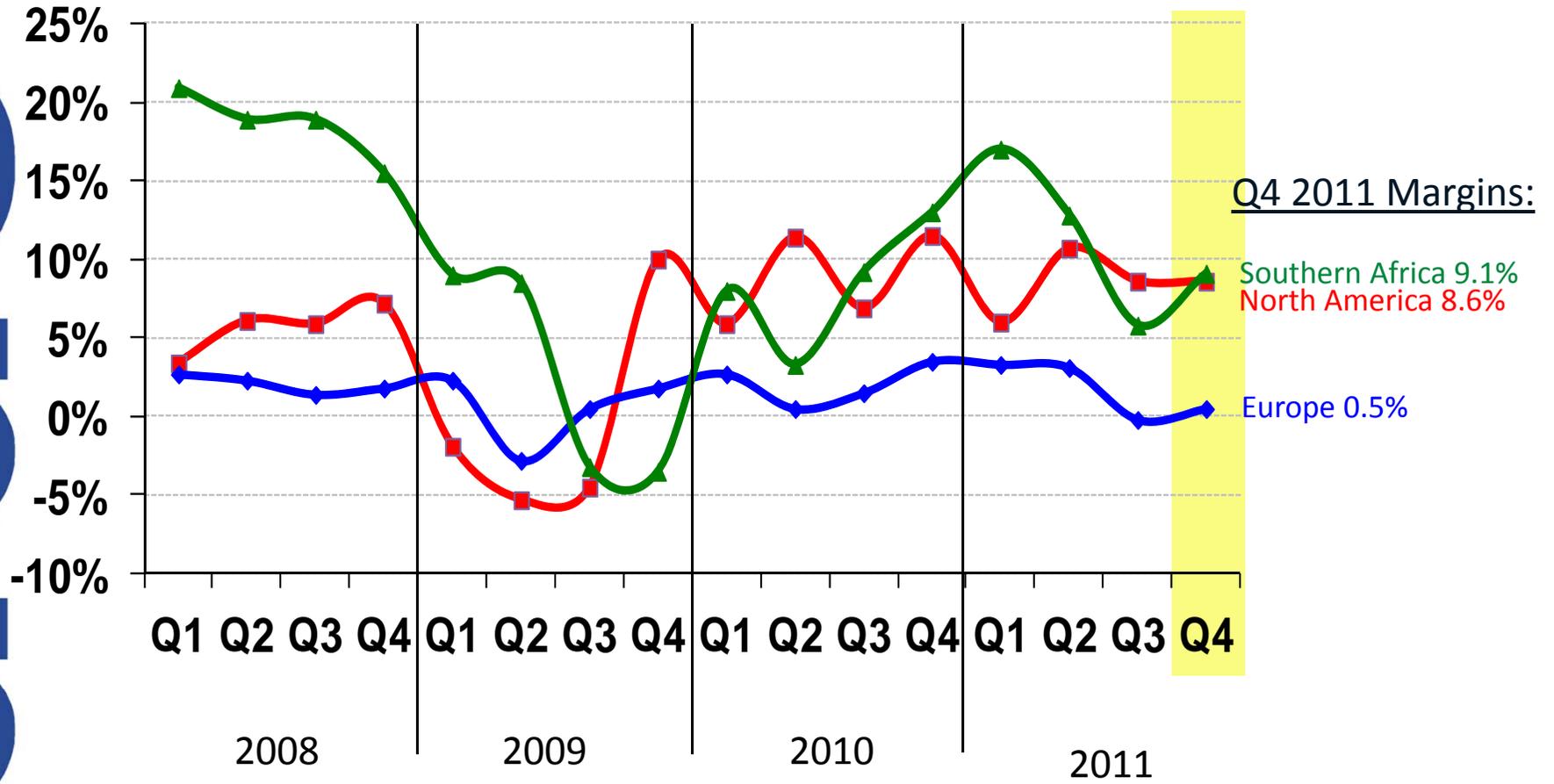
Earnings Versus Prior Quarter



The background of the slide is a grayscale photograph of several large rolls of paper, likely tissue or toilet paper, stacked and slightly offset from each other. The rolls are curved, creating a sense of depth and texture. The lighting is soft, highlighting the edges of the paper.

Divisional Overviews

Divisional Operating Margins *



Q4 2011 Margins:

Southern Africa 9.1%
North America 8.6%

Europe 0.5%

*The divisional operating margins exclude special items. Refer to page 17 in our Q3 2011 results announcement booklet for a definition of special items.

Sappi Fine Paper Europe

Q4 on Q4

Volumes ↓

Prices ↑

Costs ↑

- Sluggish demand characterized 2H 2011
- Realized prices were flat sequentially and year-on-year
- Export sales were unfavorably impacted by capacity expansions in China
- Raw material prices remained high
- The benefits of our variable cost reduction plans started to impact costs toward the end of the quarter
- Fixed costs declining post Biberist closure and other interventions

Sappi Fine Paper North America

Q4 on Q4

Volumes ↑

Prices ↑

Costs ↑

- Continued strong performance from all 3 businesses
- Despite weaker industry conditions, volumes improved 8% from the equivalent quarter last year
- Average prices realized for coated paper were approximately 6% higher both sequentially and Y-on-Y
- Raw material prices remained at high levels during the quarter

Sappi Southern Africa

Q4 on Q4

Paper

Volumes	
Prices	
Costs	

Chemical Cellulose

Volumes	
Prices	
Costs	

- Performance unfavorably effected by industry-wide strikes in July
- 190kt Chemical cellulose sold during the quarter, Ngodwana expansion on track for 2013 start
- Domestic volumes down Y-o-Y, weaker ZAR helped in September
- All Operating profit excl. special items came from the chemical cellulose business with the P & PP business recording an operating loss
- Substantial impairment and restructuring costs to reposition the business: US\$99m, \$56m non-cash

The background of the slide is a grayscale photograph of several large rolls of paper, stacked and slightly offset from each other, creating a sense of depth and texture. The lighting highlights the curved edges and the fine lines of the paper.

Strategy

Strategy

4 Key Elements

- **Optimising better performing businesses**
- **Fixing under-performing businesses**
- **Investing for future growth**
- **Liquidity and balance sheet**



Strategy

Optimize Performance

- **North America**

- Continued focus on cost reduction
- Actively manage customer and product mix

- **Chemical Cellulose**

- Demand weakening in China
- Record 190,000t sold in 4th quarter
- Benchmark prices continue declining towards longer term trend

Strategy

Fixing Underperforming Businesses

- **Fine Paper Europe**

- Manage capacity – Biberist coated production ceased in July
- Cost reduction initiatives progressing – US\$100 million in annual savings on a relative basis expected in FY2012
- Implement new service model

- **Paper and Paper Packaging**

- Restructuring underway: match assets to profitable markets and future growth
- Savings and benefits expected to total US\$30 million per annum once complete

Strategy

Investing in Future Growth

• Chemical Cellulose Expansion

- 210,000t chemical cellulose expansion at Ngodwana on track for 2013 (\$340m)
- 330,000t chemical cellulose expansion at Cloquet announced today (\$170m)
- Cost base – lowest quartile: wood, energy, distribution
- Responding to customer needs with realistic price expectations

• Specialities

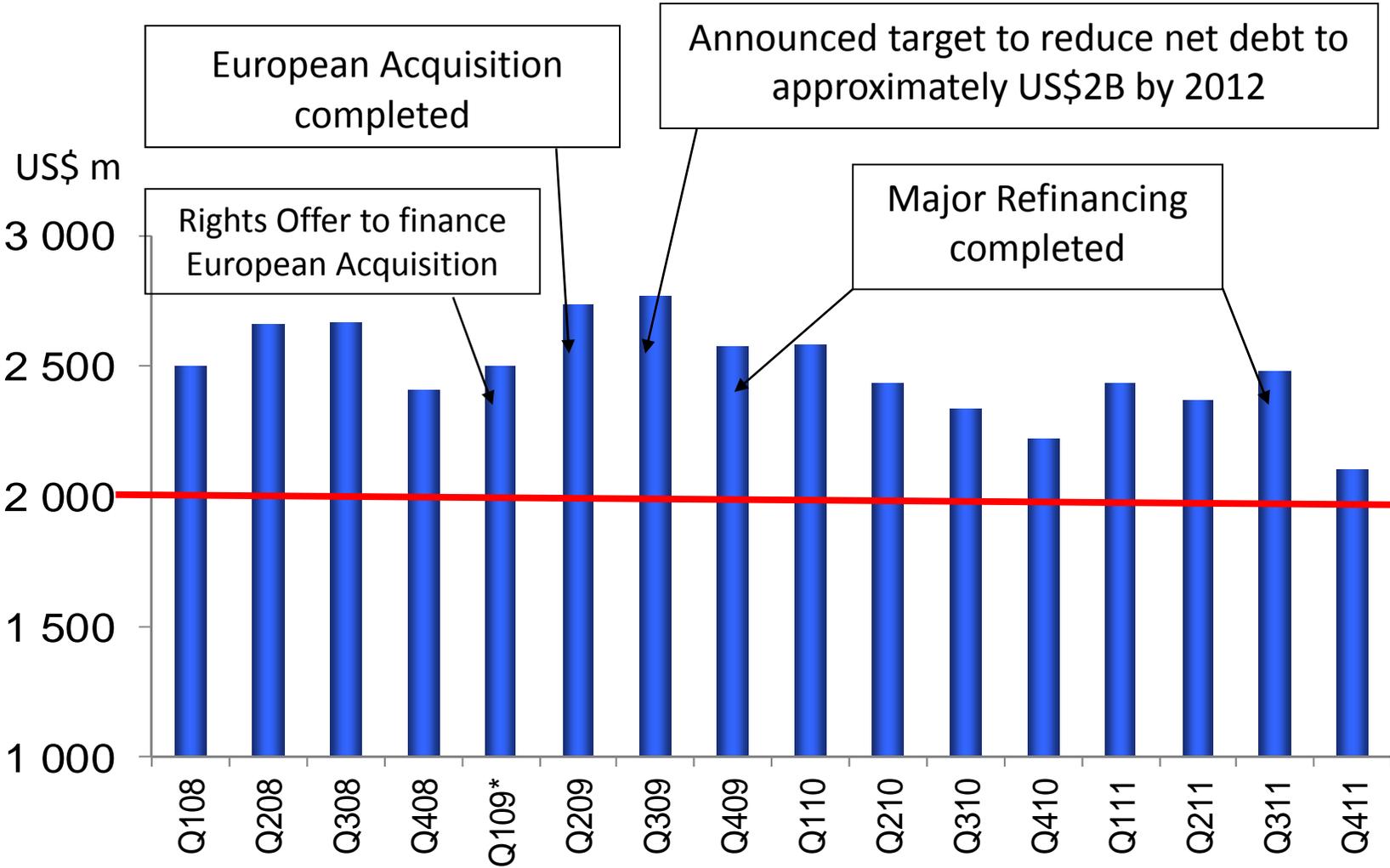
- North America – Release Paper
- Europe - Packaging

• Forestry Resource

- Will continue to seek new expansion opportunities in SA and elsewhere

• Energy Projects

Balance Sheet - Net Debt



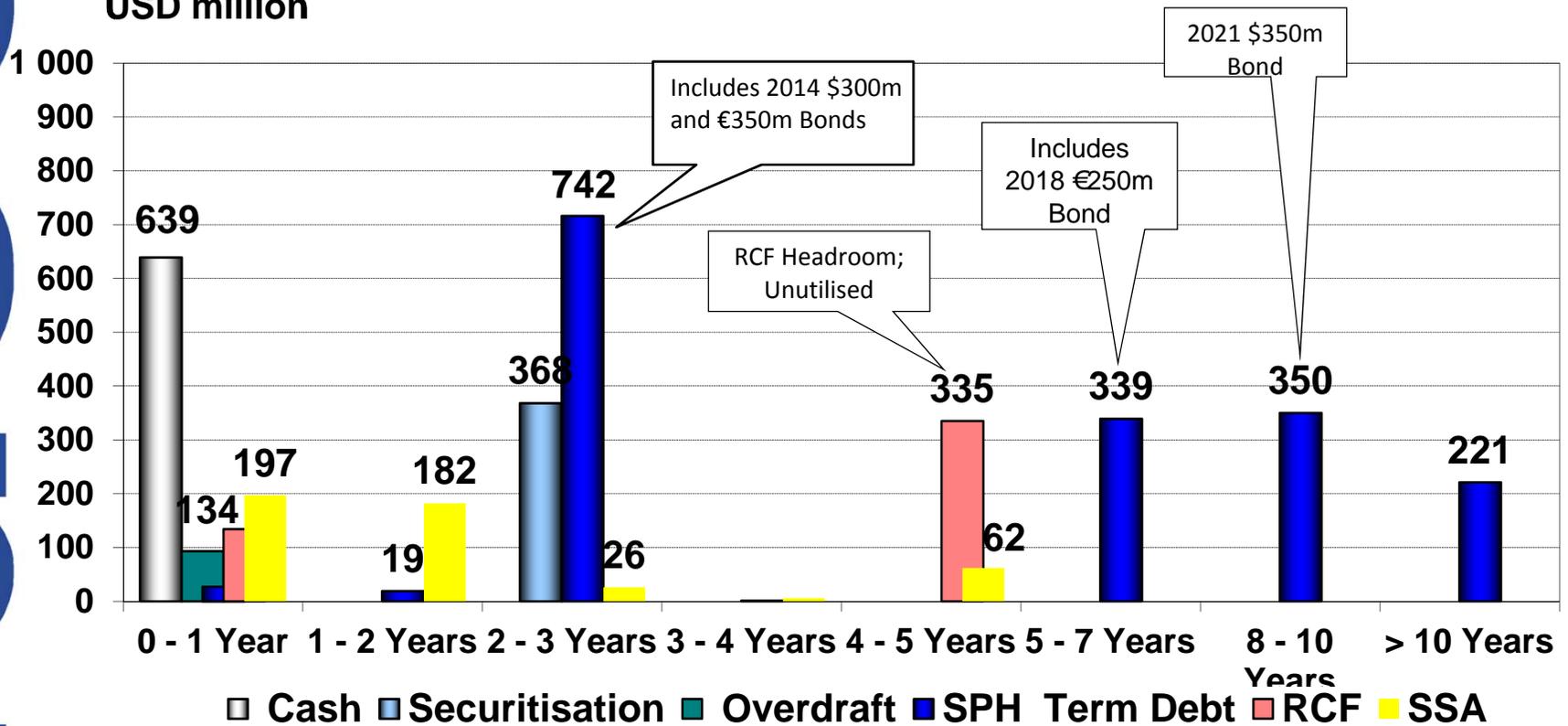
Recent refinancing: Favourable rates and improved debt profile

* Cash proceeds of US\$536m for European Acquisition from rights offer not offset against debt



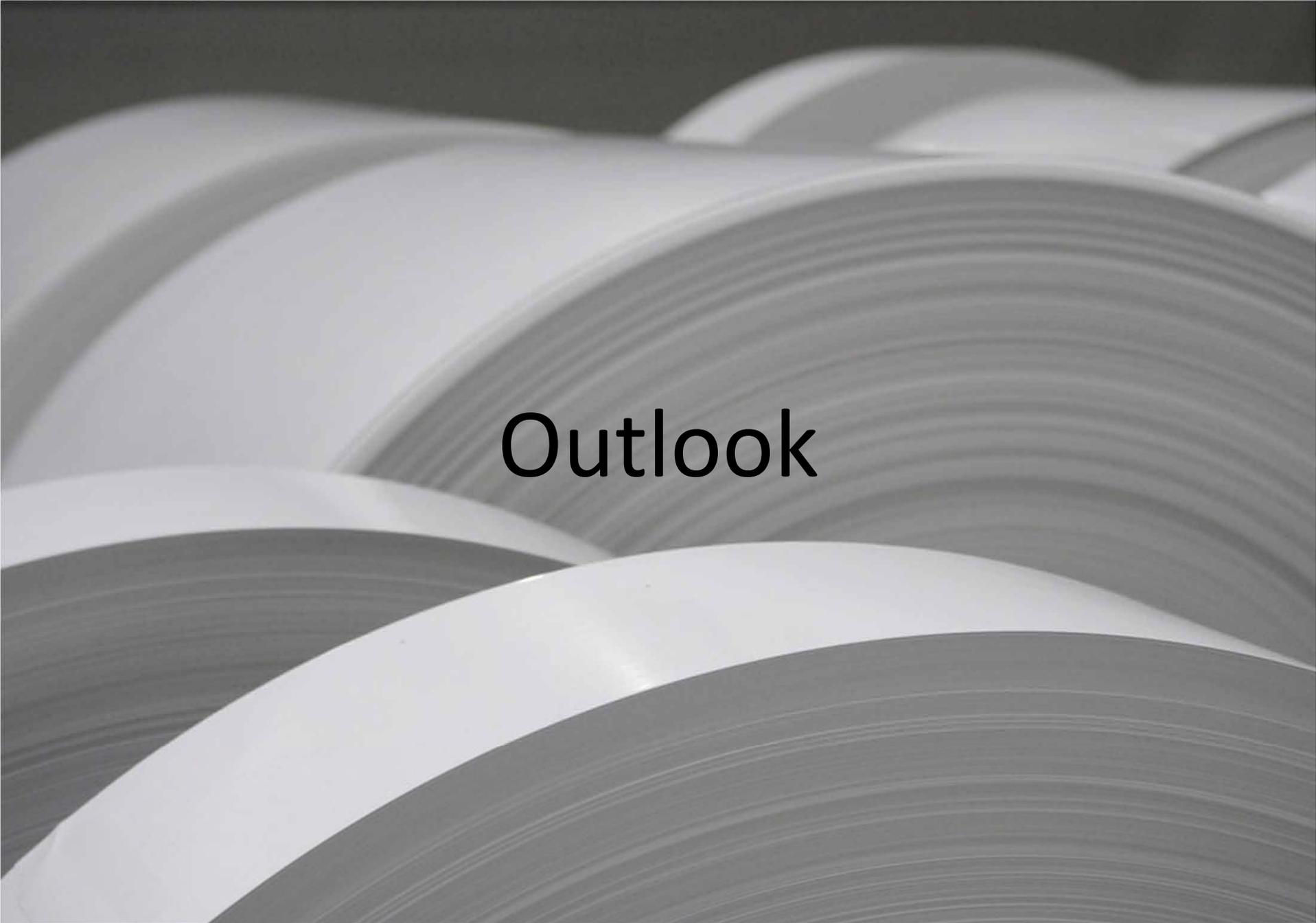
Balance Sheet – Maturity Profile

USD million



Recent refinancing: April – \$705m raised (€250m/\$355m-2018 \$350m-2021)

- Proceeds plus cash to repay \$350m of 2012 notes and €320m/\$455m of OeKB loan
- RCF increased from €209m to €350m and extended to 2016 (undrawn)
- Issued 500m ZAR bond due June 2016. Used, together with 500m ZAR from cash holdings to repay ZAR1bn bond (Oct 2011)

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Outlook

Outlook

- Market conditions remain uncertain, making it difficult to forecast demand globally
- Currently experiencing reasonable demand levels in North America, and somewhat slower demand in Europe – supply/demand balance in our traditional export markets has been affected by recent capacity coming on-line in China
- Chemical cellulose will continue to perform well, albeit, with lower US dollar prices
- Cloquet conversion to make 330ktpa of chemical cellulose pulp – expected start-up: 2013

Outlook

- Volatility of currencies adds to the difficulty of forecasting. Recent ZAR weakness has been favorable for the group. All other things being equal, a 10% weakening of the Rand on an annual basis adds approximately US \$60m to the groups operating profit.
- Benefits of Biberist closure and variable cost reduction programs expected to result in US \$100m per annum.
- SA restructuring benefits to flow from 2H 2012

Outlook

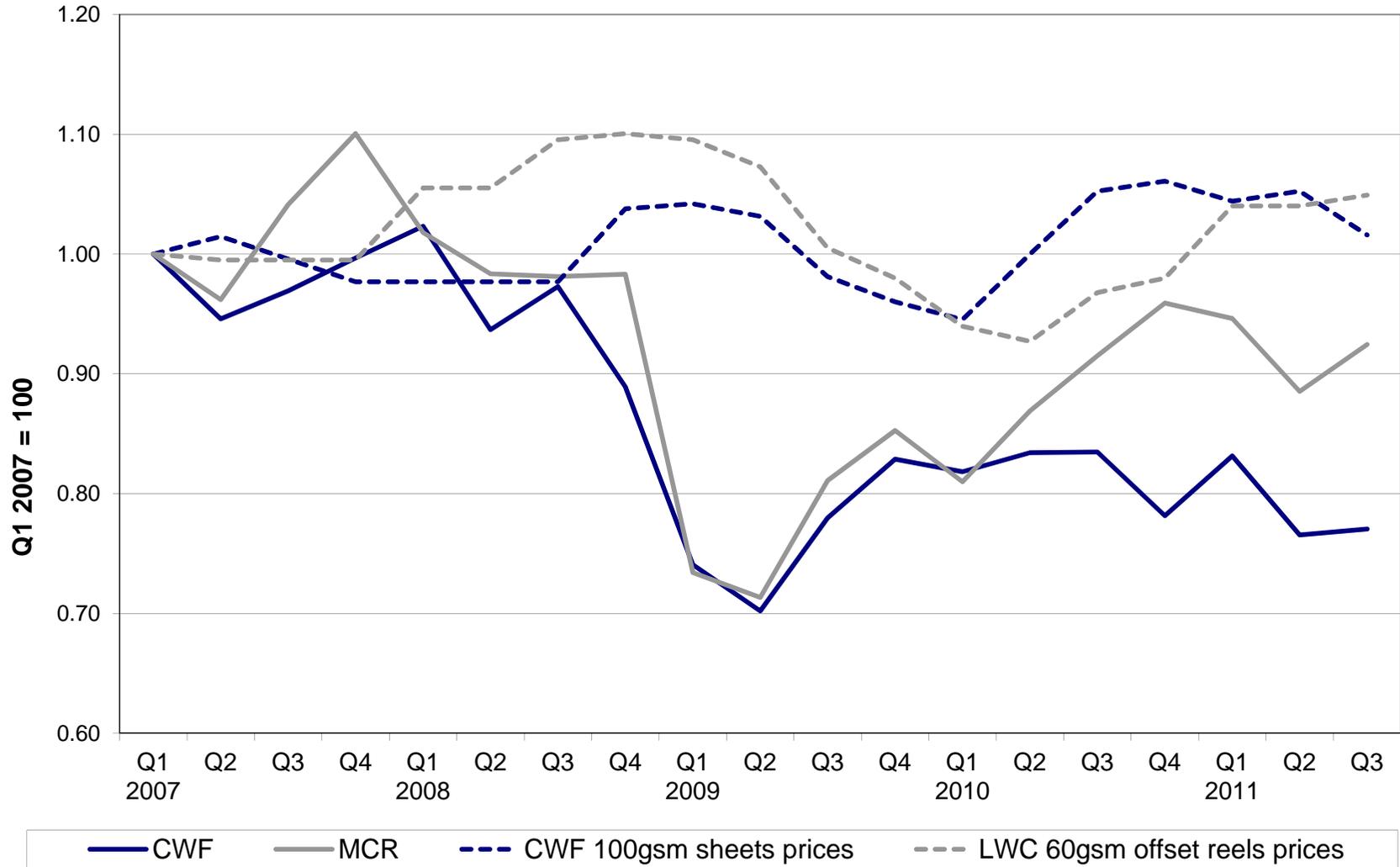
- Confident the actions we've taken and planned will position the group for the future, resulting in growth and improved returns for the group
- Expect net cash generation to remain positive in the year ahead, even after capex on strategic investments. Expect lower finance costs following 2011 refinancing, including refinancing existing higher cost debt – our 2014 notes
- Expect to continue the improving trend in operating performance and to achieve a net profit for the full year 2012

Q&A



Supplementary Information

W. Europe Coated Paper Deliveries & Prices



Western Europe Shipments Incl. Export – Source Cepifine, Cepiprint and RISI indexed to Calendar Q1 2007

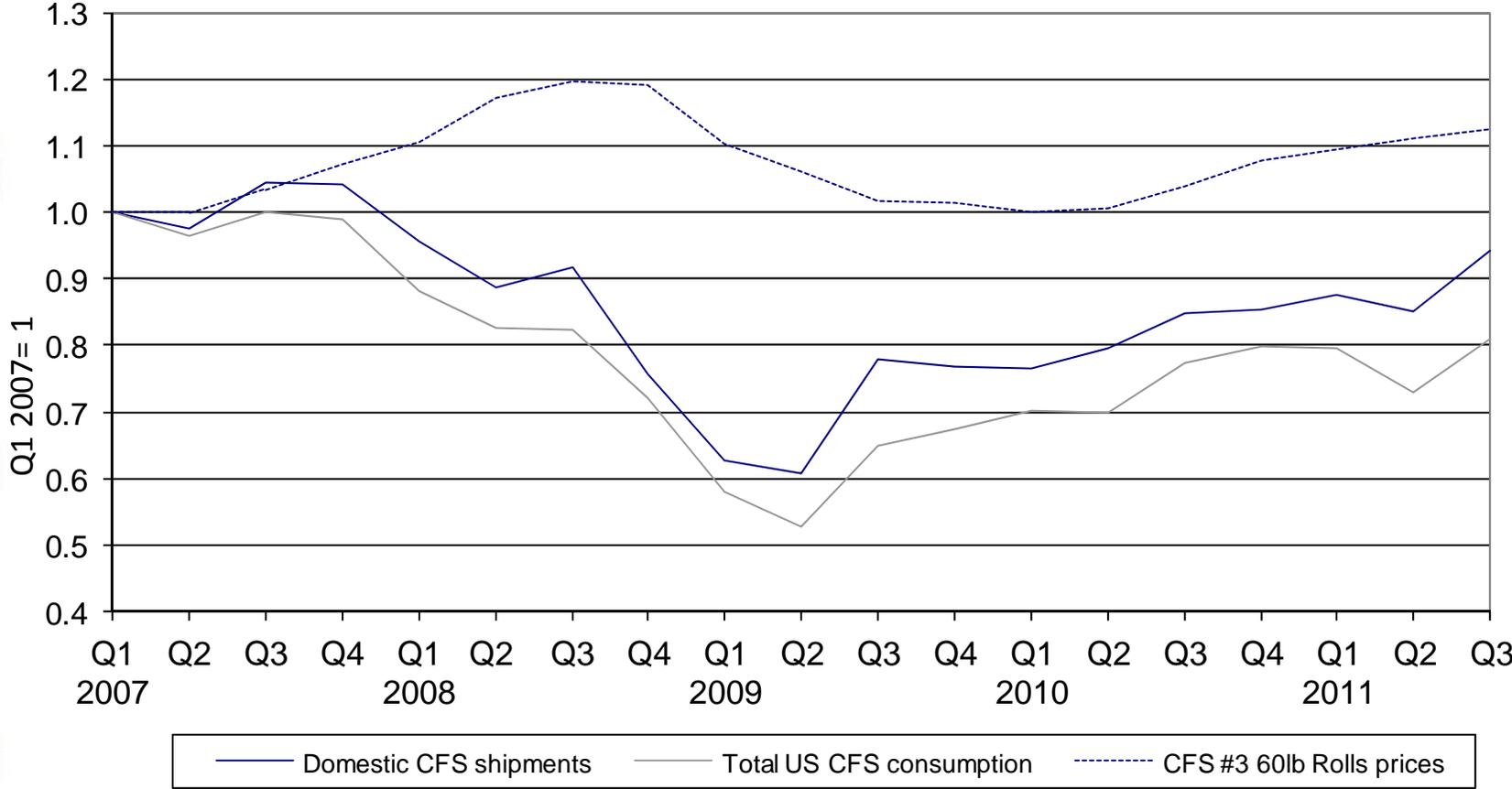
Sappi Fine Paper Europe

	Q4 10	Q4 11	YoY	F 2010	F 2011	YoY
Tons Sold ('000)	994	942	↓	3 796	3 845	↑
Sales (\$'m)	963	942	↓	3 638	3 965	↑
Price / Ton (\$)	969	1 000	↑	958	1 031	↑
Price / Ton (€)	753	708	↓	702	739	↑
Cost / Ton* (€)	726	704	↓	687	727	↑
Operating profit ex items** (\$'m)	34	5	↓	76	68	↓

* Sales less operating profit excluding special items divided by tons sold.

** Operating profit excluding special items. Refer to the supplementary information in this presentation for a reconciliation to reported operating profit and page 17 in our Q4 2011 results booklet (available on www.sappi.com) for a definition of special items.

US Coated Paper Prices and Shipments



US Industry Shipments and total US consumption – Source AF&PA and RISI indexed to Q1 2007

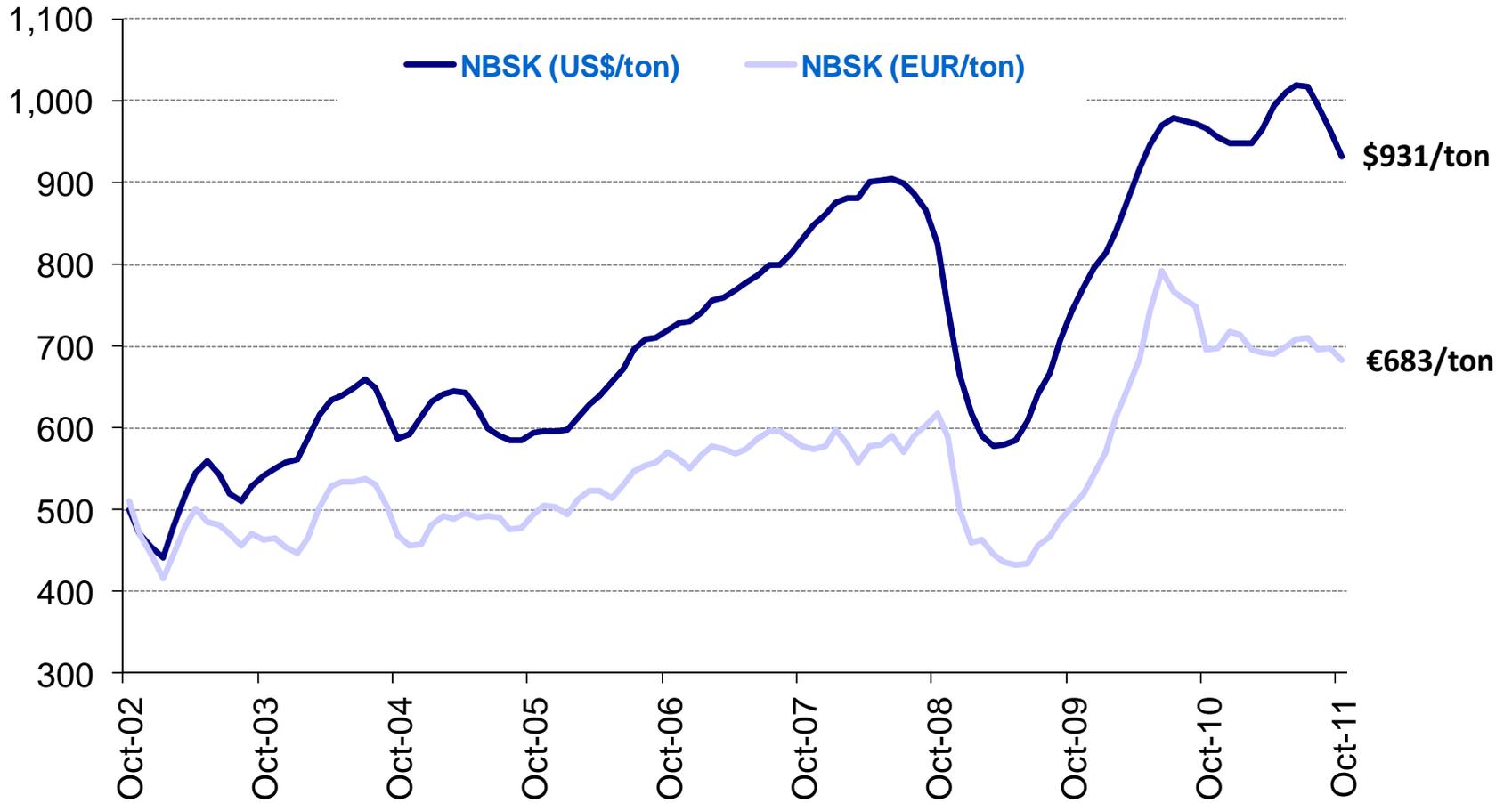
Sappi Fine Paper North America

	Q4 10	Q4 11	YoY	F 2010	F 2011	YoY
Tons Sold ('000)	352	379	↑	1,354	1,436	↑
Sales (\$'m)	364	395	↑	1,373	1,520	↑
Price / Ton (\$)	1,034	1,042	↑	1,014	1,058	↑
Cost / Ton* (\$)	915	953	↑	922	969	↑
Operating Profit ex items** (\$'m)	42	34	↓	124	129	↑

* Sales less operating profit excluding special items divided by tons sold.

** Operating profit excluding special items. Refer to the supplementary information in this presentation for a reconciliation to reported operating profit and page 17 in our Q4 2011 results booklet (available on www.sappi.com) for a definition of special items.

NBSK Pulp Price*



• Pulp prices trending down

* Source: Average monthly FOEX delivered European prices

Sappi Southern Africa

	Q4 10	Q4 11	YoY	F 2010	F 2011	YoY
Tons Sold ('000)	460	428	↓	1,751	1,700	↓
Sales (\$'m)	426	430	↑	1,488	1,721	↑
Price / Ton (\$)	926	1,005	↑	850	1,012	↑
Price / Ton (ZAR)	6,808	7,138	↑	6,366	7,044	↑
Cost / Ton* (ZAR)	5,881	6,458	↑	5,793	6,229	↑
Operating Profit ex items** (\$'m)	58	41	↓	134	199	↑

* Sales less operating profit excluding special items divided by tons sold.

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Cash Flow

	Q4 10	Q4 11	F 2010	F 2011
Cash generated from operations	182	183	737	798
- Movement in working capital	181	266	(5)	(98)
- Net finance costs paid	(66)	(62)	(194)	(256)
- Taxation paid	(1)	(7)	(9)	(38)
- Cash utilised in investing activities	(58)	(101)	(188)	(243)
Cash flow after investing activities	238	279	341	163

Operating Profit - Sappi Group

Reconciliation of reported operating profit to operating profit excluding special items *

	Q4 10	Q4 11	F 2010	F 2011
Operating profit as reported	158	(88)	341	86
Plantation price fair value adj.	(29)	-	(31)	16
Restructuring provision raised	-	67	46	135
Profit (loss) on the sale of assets	(6)	(1)	(5)	(1)
Profit (loss) on the sale of investments	1	-	-	167
Asset (impairment) reversal	2	98	(10)	-
Alternative fuel tax credit	-	-	(51)	-
BEE Charge	-	2	23	5
Insurance Recoveries	-	-	(1)	(10)
Fire, flood and related events	3	2	27	6
Operating profit ex. special items	129	80	339	404

* Refer to page 17 in our Q4 2011 results booklet (available on www.sappi.com) for a definition of special items.

