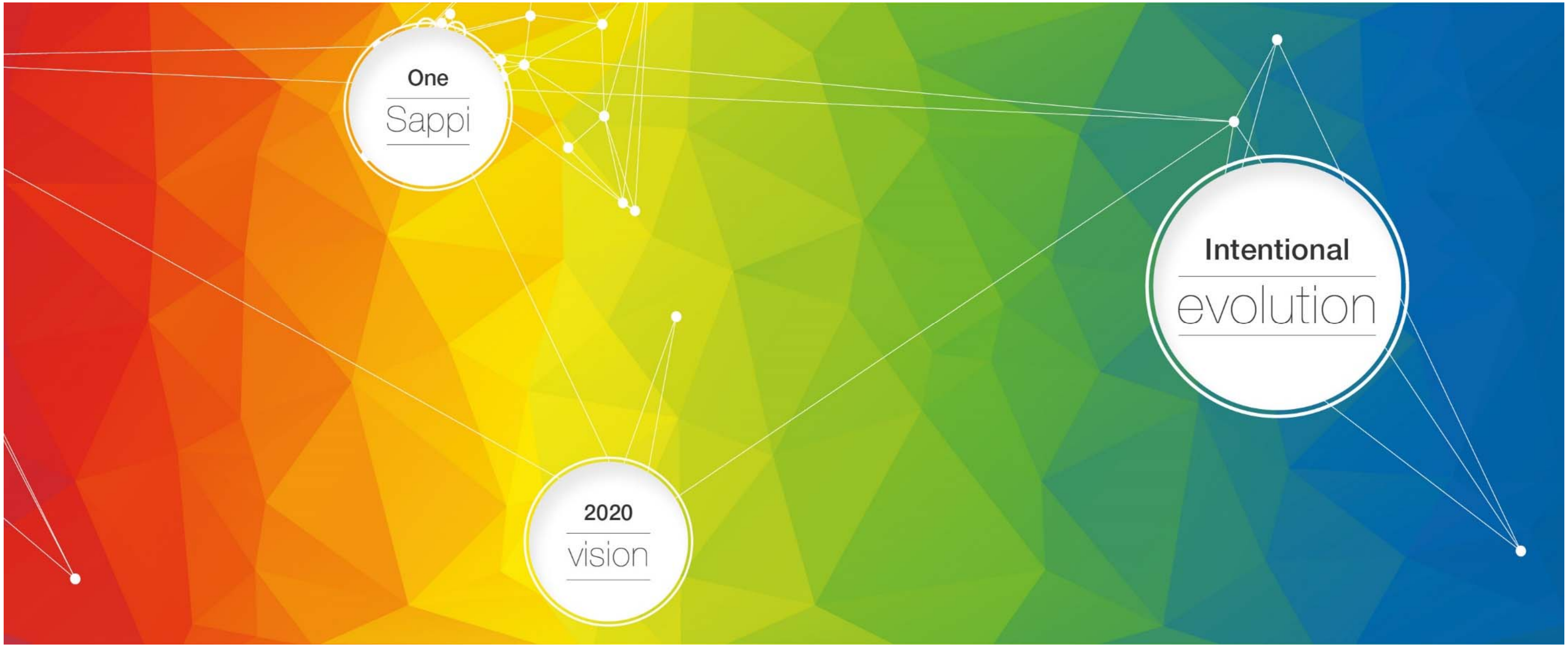
3Q 2015 financial results

07 August 2015



Steve Binnie

Chief Executive Officer
Sappi Limited

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Forward-looking statements and Regulation G

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 and which do not relate to historical matters, and may be used to 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 cyclicality, 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 a 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;
- the emergence of new technologies and changes in consumer trends including increased preferences for digital media;
- 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 restructurings, investments, acquisitions, dispositions and other strategic initiatives (including related financing), any delays, unexpected costs or other problems experienced in connection with dispositions or with integrating acquisitions or implementing restructuring and other strategic initiatives 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 ‘Investors | Financial information’ section of www.sappi.com.

Summary

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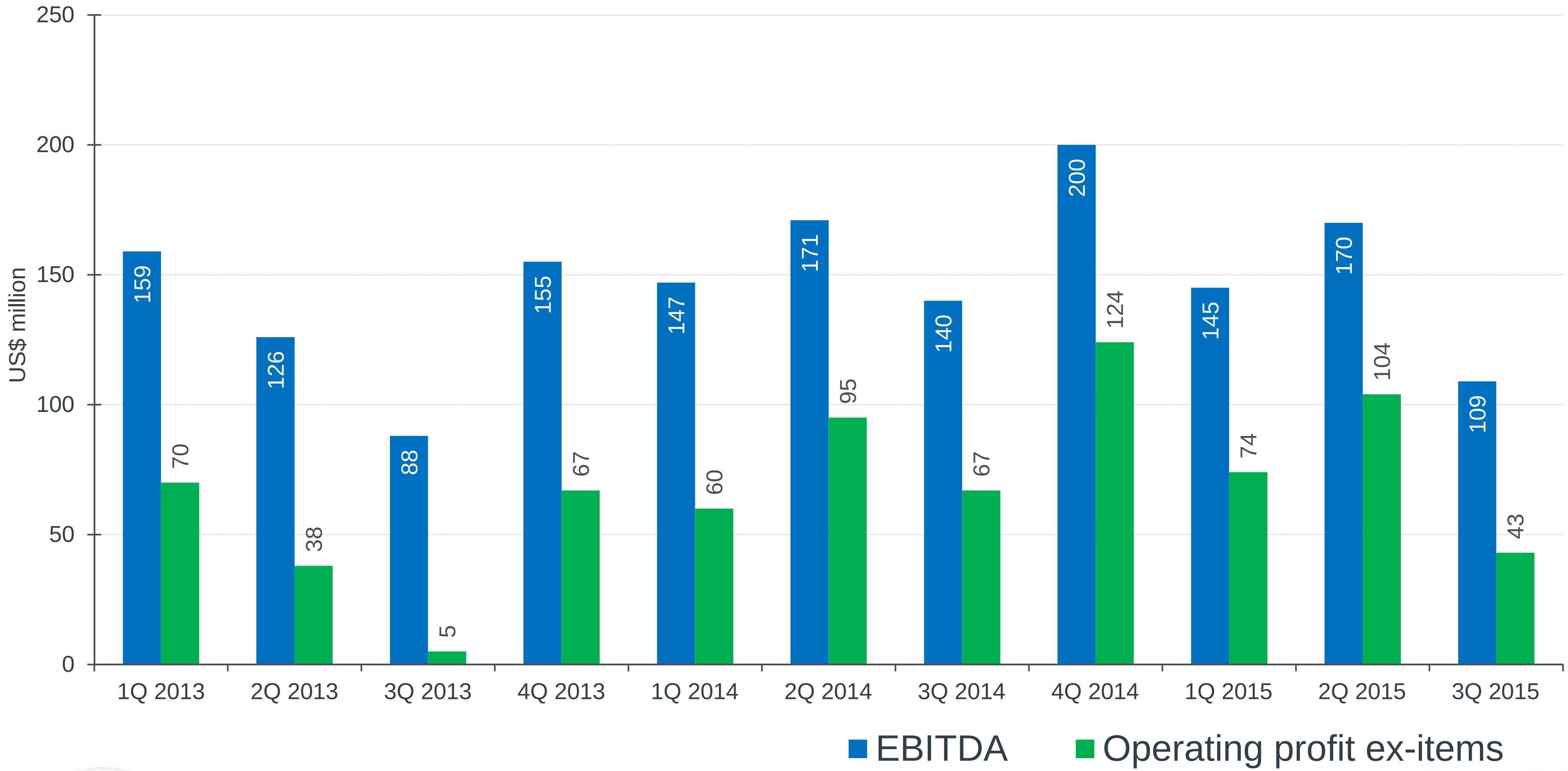
Highlights

3Q 2015

- EPS excluding special items 2 US cents
  (3Q 2014 2 US cents)
- Profit for the period US$4m
  (3Q 2014 US$17m)
- EBITDA excluding special items US$109m
  (3Q 2014 US$140m)
- Net debt US$1,917m
  (3Q 2014 US$2,286)

EBITDA and operating profit

Excluding special items*



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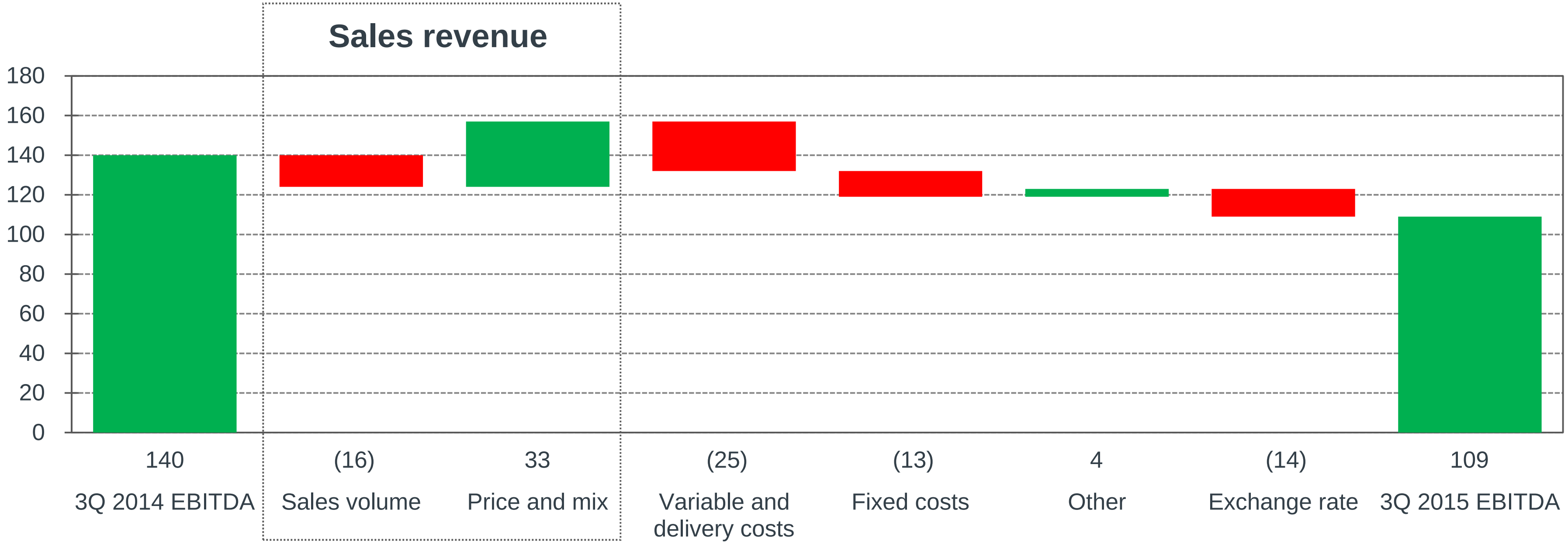
* Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 21 in our 3Q 2015 results booklet (available on www.sappi.com) for a definition of special items.

EBITDA*

3Q 2014 vs 3Q 2015



- All variances were calculated excluding Sappi Forests
- EBITDA excludes special items
- 'Exchange rate' reflects the impact of changes in the average rates of translation of foreign currency results

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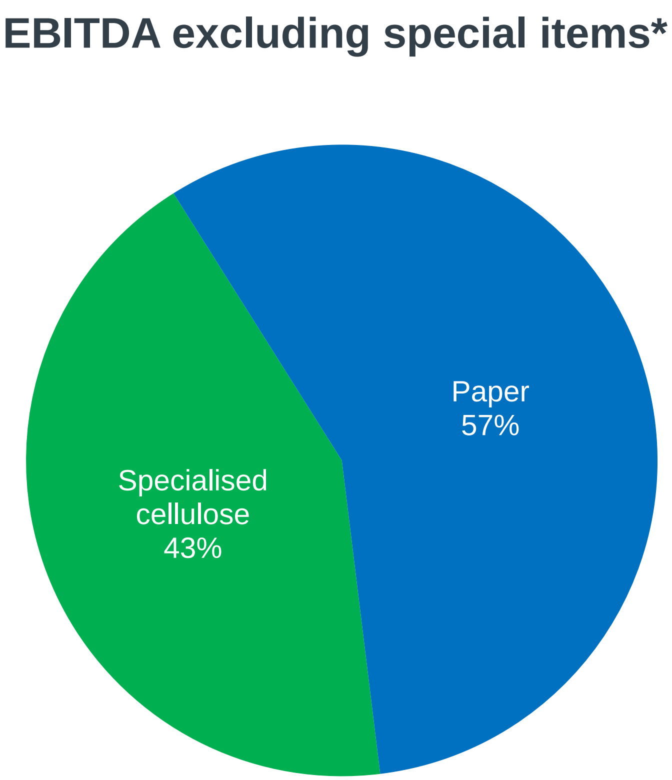
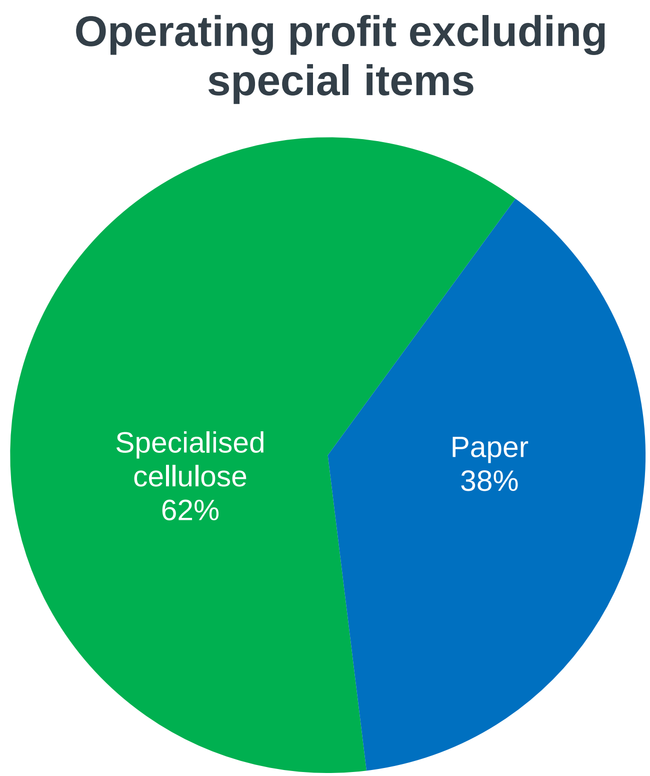
Product contribution split - LTM





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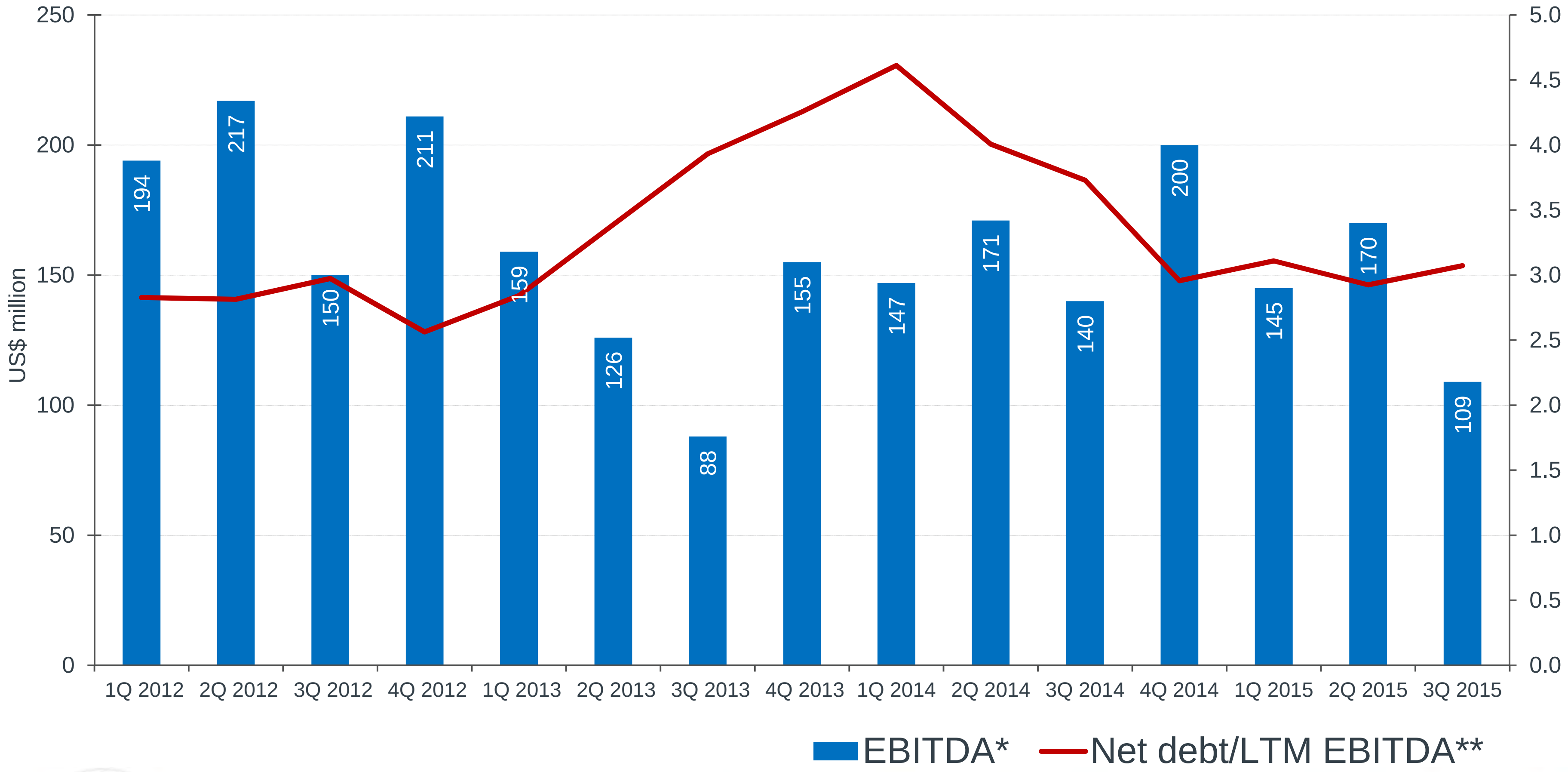
Net debt/EBITDA development



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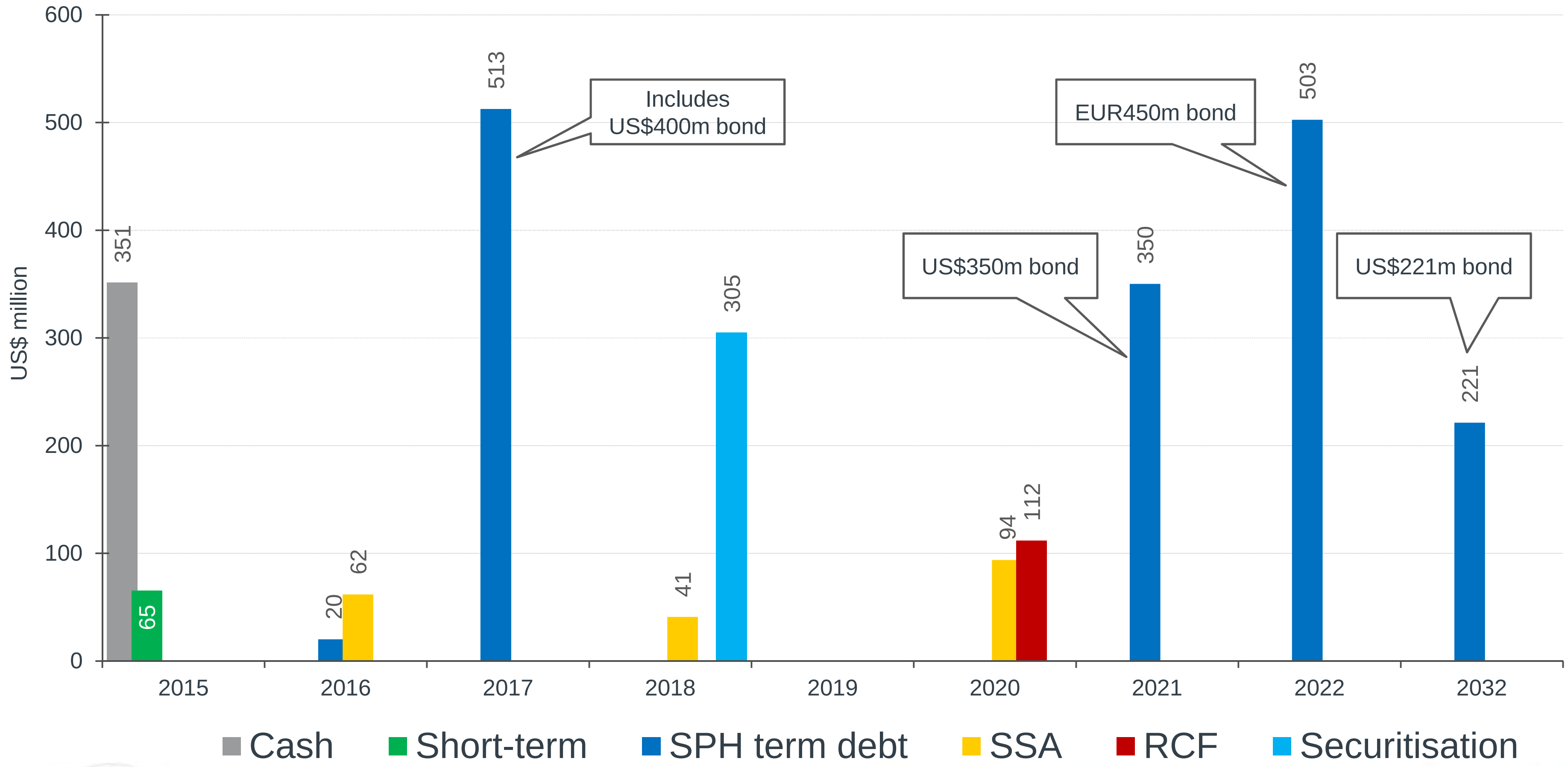
* EBITDA shown is excluding special items

** The covenant net debt/LTM EBITDA calculation has adjustments and therefore differs from that shown above

Maturity profile

Fiscal years



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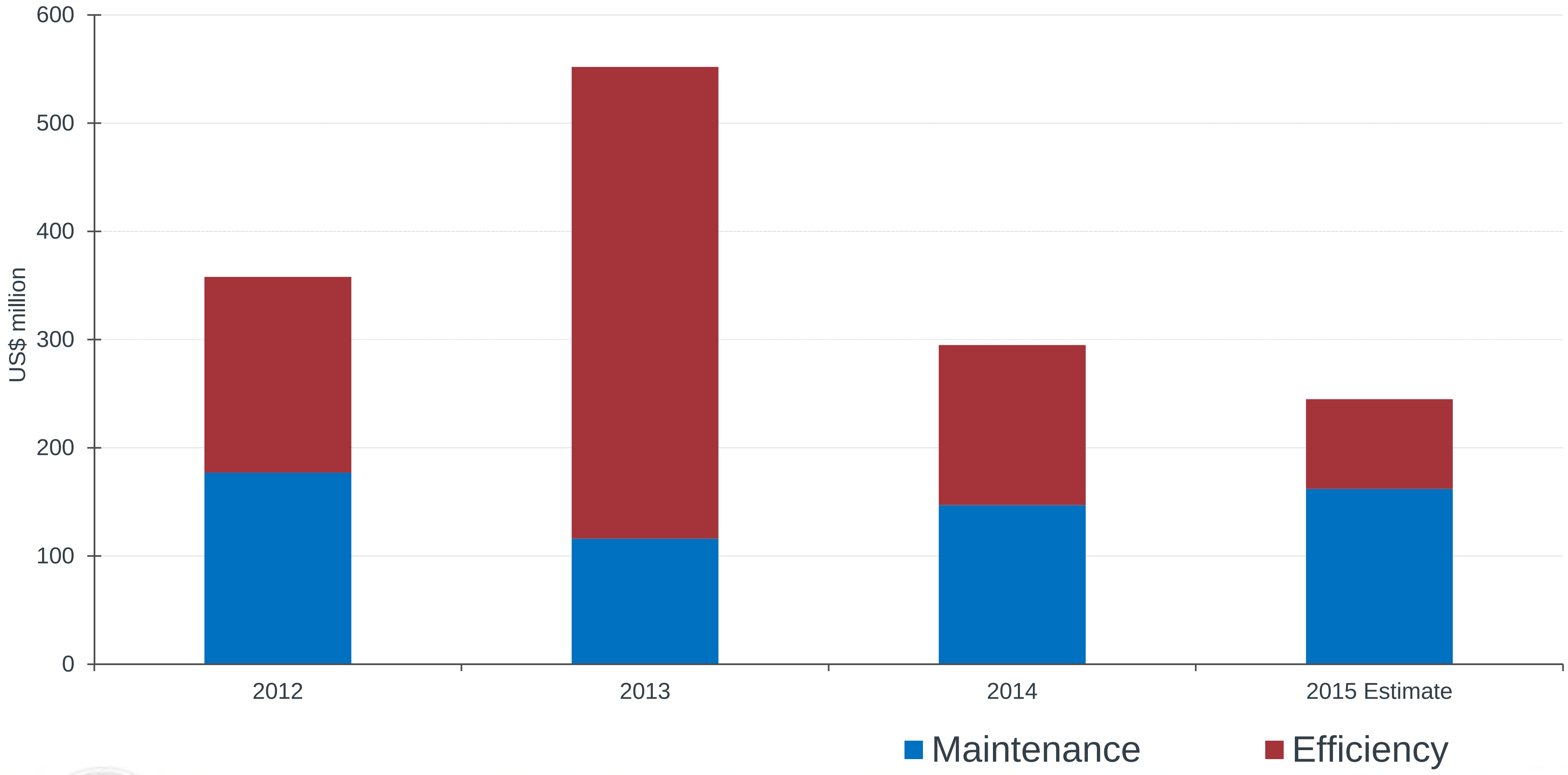
Capex development



Divisional overviews

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Global paper market trends

- Supply and demand
  - Strong Dollar causes shifts in trade flows
  - CWF apparent consumption weak in the US in 3Q
- Costs and prices
  - CWF sales prices under pressure in US, moving upward in Europe
  - Softwood pulp prices stable, hardwood prices increasing
  - Wood prices yet to normalise in US
- Strategy
  - Implement price increases when/where market allows
  - Reducing fixed and variable costs
  - Reduce capacity in line with demand declines

Global specialised cellulose market trends

- Supply and demand
  - Deceleration of capacity expansion
  - Some capacity has switched back to pre-conversion products
  - Underlying demand trends still moving up
- Costs and prices
  - Commodity grade DWP prices still low
  - Recent oil price declines may impact textile prices
  - Input costs declining for producers with non-US$ cost base
- Strategy
  - Manage capacity
  - Continue working with customers supporting common growth
  - Investigate adjacent end-uses

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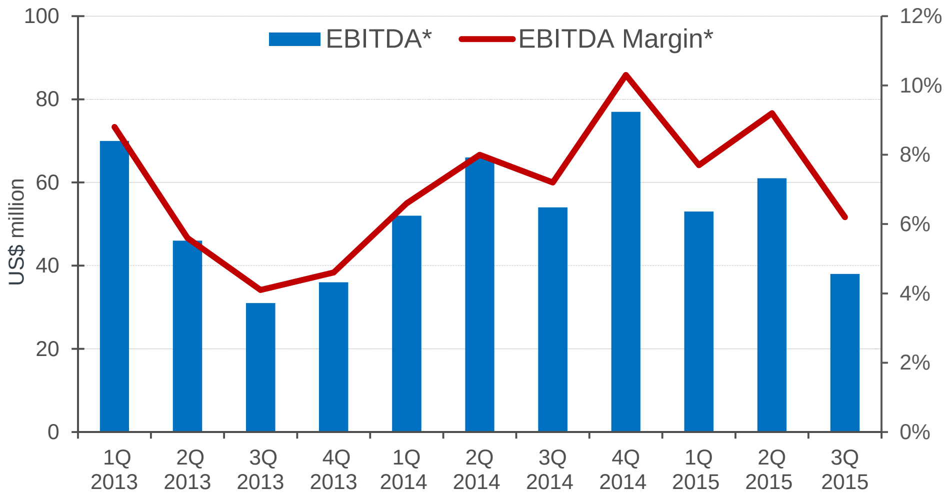
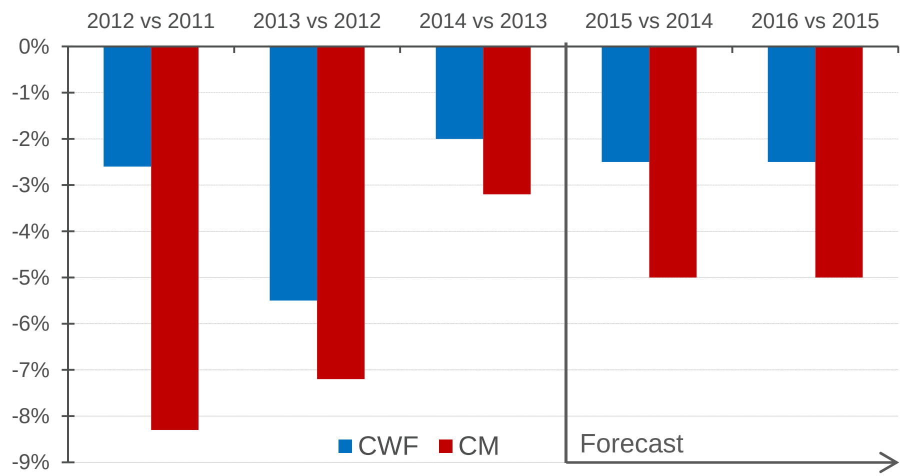


Demand development**

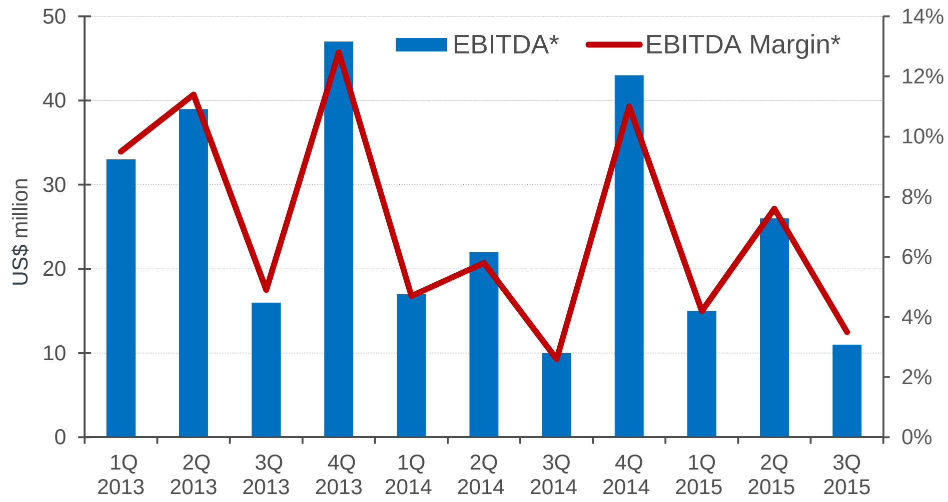


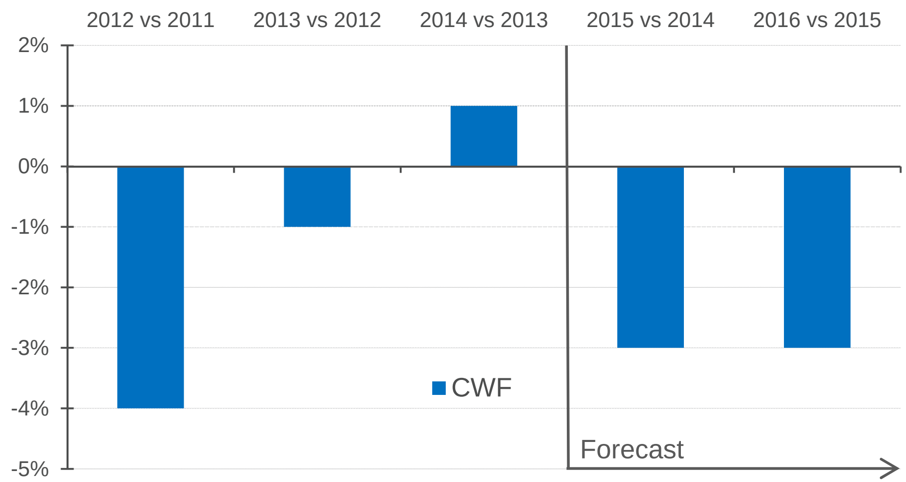
- Graphic paper volumes down 5% from last quarter, stable versus last year; overall up 1% due to speciality sales tonnage
- Gratkorn Mill boiler upgrade once-off impact of EUR10m during the quarter
- Average prices realised flat from last quarter, up 3% from last year due to increased exports
- Speciality business continues to grow – volumes increased versus both periods; pursing further growth opportunities at our Maastricht and Ehingen Mills

* EBITDA and EBITDA margin shown excluding special items. Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported operating profit and page 21 in our 3Q 2015 results booklet (available on www.sappi.com) for a definition of special items.

** Source: RISI World Graphic Paper Forecast July 2015 and Sappi estimates

Sappi North America





- Graphic paper markets negatively impacted from strong US Dollar – surge in imports from Asia and weaker export markets
- DWP sales volumes lower as we maximised own-make fibre production at Cloquet Mill
- Release business affected by weaker sales to China and weaker Euro negatively impacted pricing for sales to Europe
- Lower variable costs – lower chemical and energy prices more than offset higher wood costs

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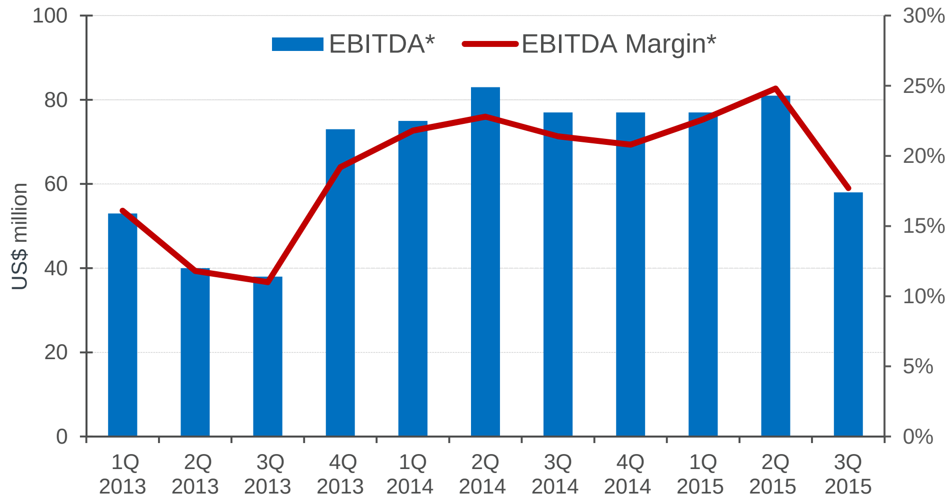
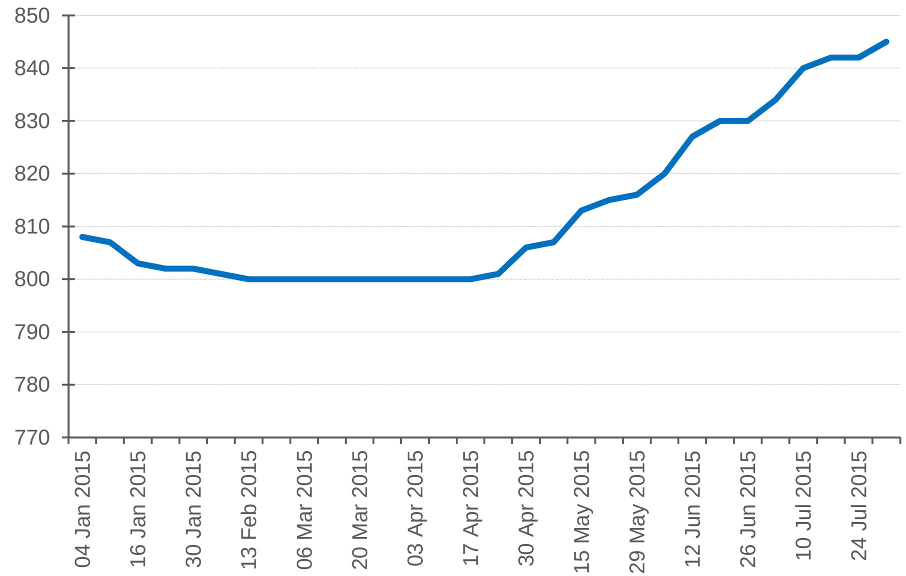
** Source: RISI World Graphic Paper Forecast July 2015 and Sappi estimates

Sappi Southern Africa



Staple grade dissolving pulp (US$/ton)**



- Higher volumes and prices compared to both prior quarter and year-on-year
- Operating profit impact of ZAR204m from planned shuts at Saiccor and Ngodwana Mills
- DWP pricing supported by weaker Rand/Dollar exchange rate as well as higher US$ prices in China
- Post quarter end, sold Enstra Mill's recycled packaging business and Cape Kraft Mill; in line with strategic focus on virgin fibre packaging paper grades

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** Source: CCF

Strategic focus

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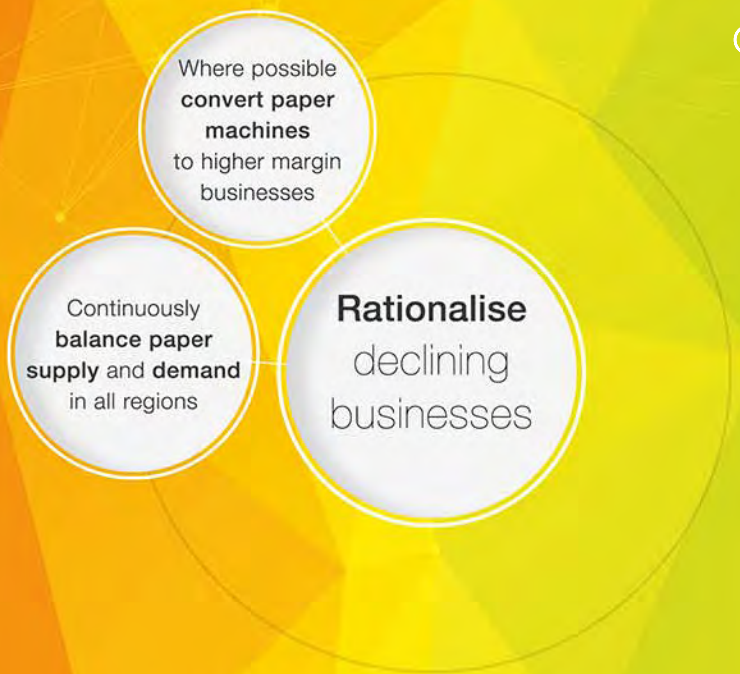
Focus areas

Achieve cost advantages

- We work to lower fixed and variable costs, increase cost efficiencies and invest for cost advantages
  - Cloquet Mill's kraft campaigns
  - Somerset Mill's natural gas conversion
  - Gratkorn Mill's paper machine and pulp mill upgrade
  - Kirkniemi Mill's power plant
  - Group procurement initiatives

Focus areas

Rationalise and optimise declining businesses



- Recognising the decreasing demand for graphic paper, we manage our capacity to strengthen our leadership position in these markets, realising their strategic importance to the group and maximising their significant cash flow generation
  - Cessation of coated paper production in South Africa
  - Husum volumes to be transferred to our assets in 2H 2015

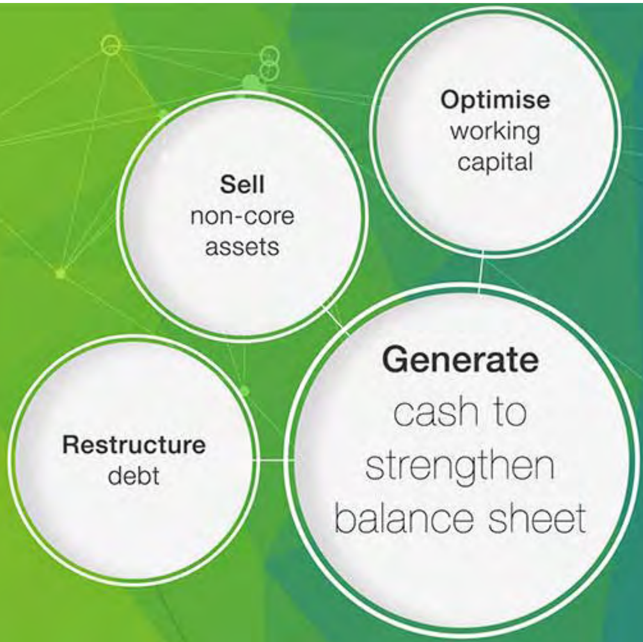
Focus areas

Grow through moderate investments

- We will make smaller investments in existing areas with strong potential growth, including pulp, speciality grades and packaging papers
  - Investment in lightweight recycled packaging paper at Enstra Mill
  - Upgrades to Tugela and Ngodwana pulp mills
  - Nano-cellulose pilot plant in The Netherlands

Focus areas

Generate cash to strengthen the balance sheet



- Continue to pursue the sale of Twello
- Sale of Enstra and Cape Kraft Mills announced
- Refinancing and debt reduction has lead to lower finance cost

Focus areas

Accelerate growth in adjacent businesses from a strong base

Accelerate growth in adjacent businesses from a strong base

- Over the next two years we will continue our focus on having a cleaner, stronger balance sheet so that we can then accelerate our growth in adjacent businesses
  - Speciality packaging
  - New business – lignins, sugars
  - Longer term DWP capacity expansion

Outlook

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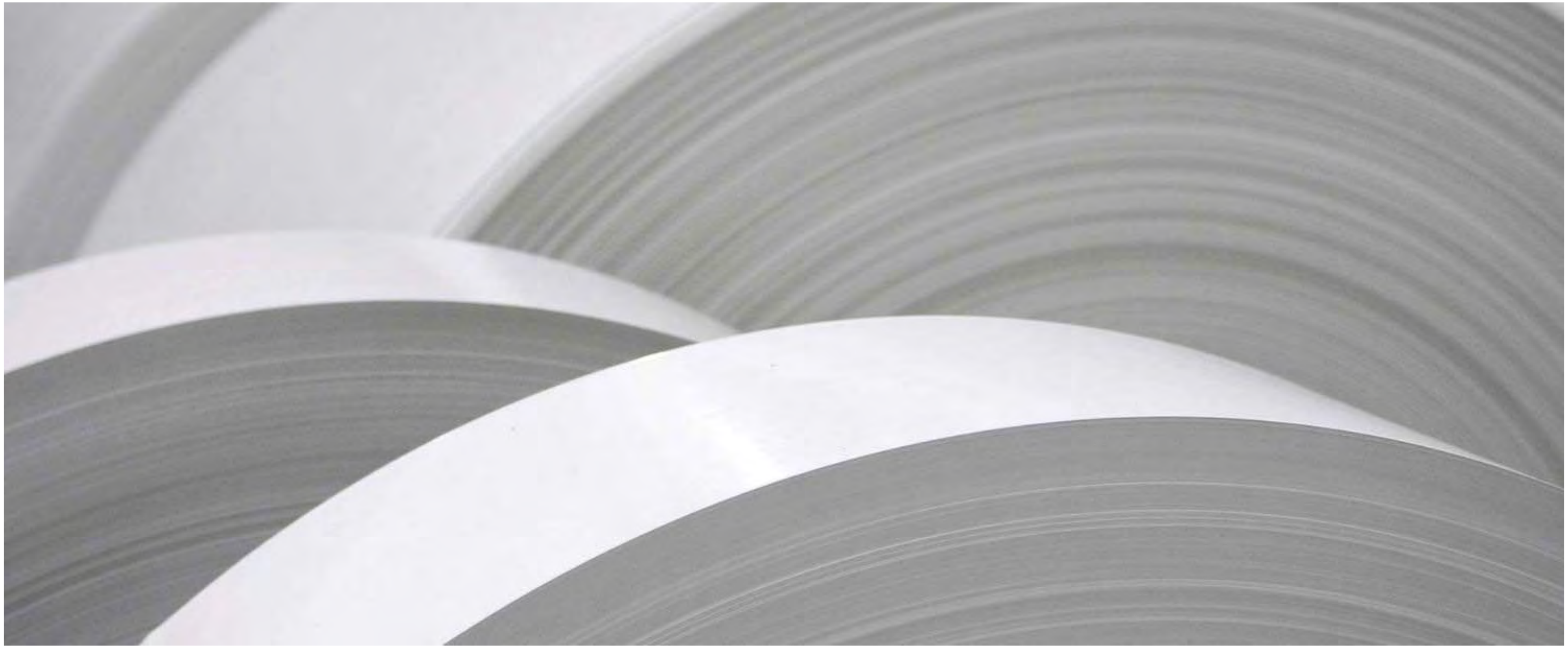
Outlook

3Q 2015

- Graphic paper markets remain difficult with currency movements impacting trade flows and input costs
- Dissolving wood pulp prices in China have risen over the past four months, and a weaker Rand will further support the profitability of this business in South Africa
- Capital expenditure in the last quarter is expected to be approximately US$80m (US$245m for the full year)
- We expect a further reduction in net debt levels during the fourth quarter; any proceeds received from the sale of Cape Kraft and Enstra Mills and/or the Twello forestry assets before year-end would accelerate the decline in net debt
- EPS excluding special items for the full year are expected to be substantially better than that of the prior year, mainly as a result of lower interest costs

Questions and answers

Supplementary information



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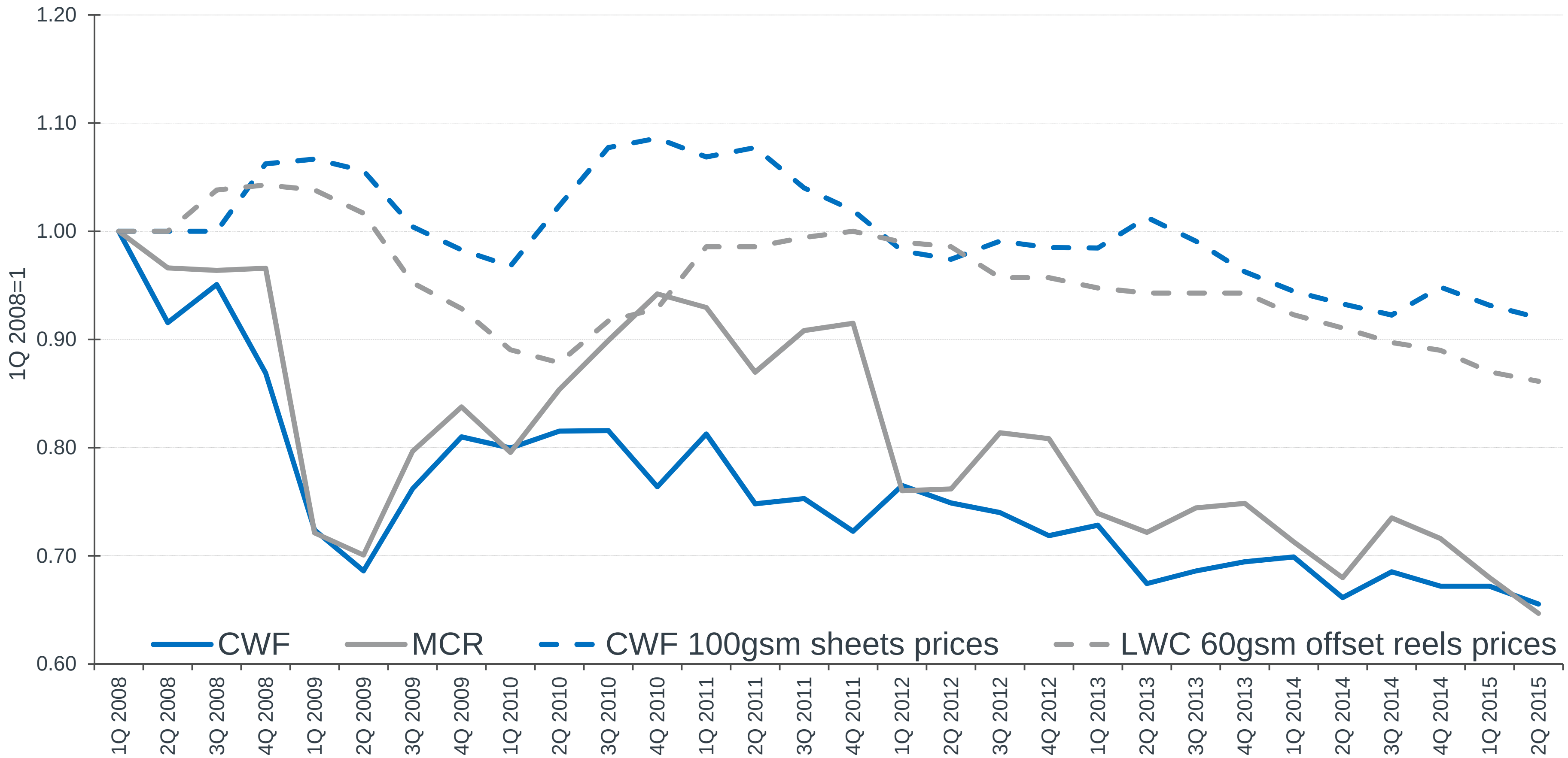
Coated paper deliveries and prices

Western Europe



Western Europe shipments including export.
Source: Cepifine, Cepiprint and RISI indexed to calendar 1Q 2008

Sappi Europe

	3Q 2015	3Q 2014	YTD 2015	YTD 2014
Tons sold ('000)	792	783	2,395	2,492
Sales (EURm)	567	543	1,704	1,727
Price/Ton (EUR)	716	693	711	693
Cost/Ton* (EUR)	710	678	694	681
Operating profit excluding special items (EURm)**	**5**	**12**	**41**	**29**

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* Sales less operating profit excluding special items divided by tons sold.
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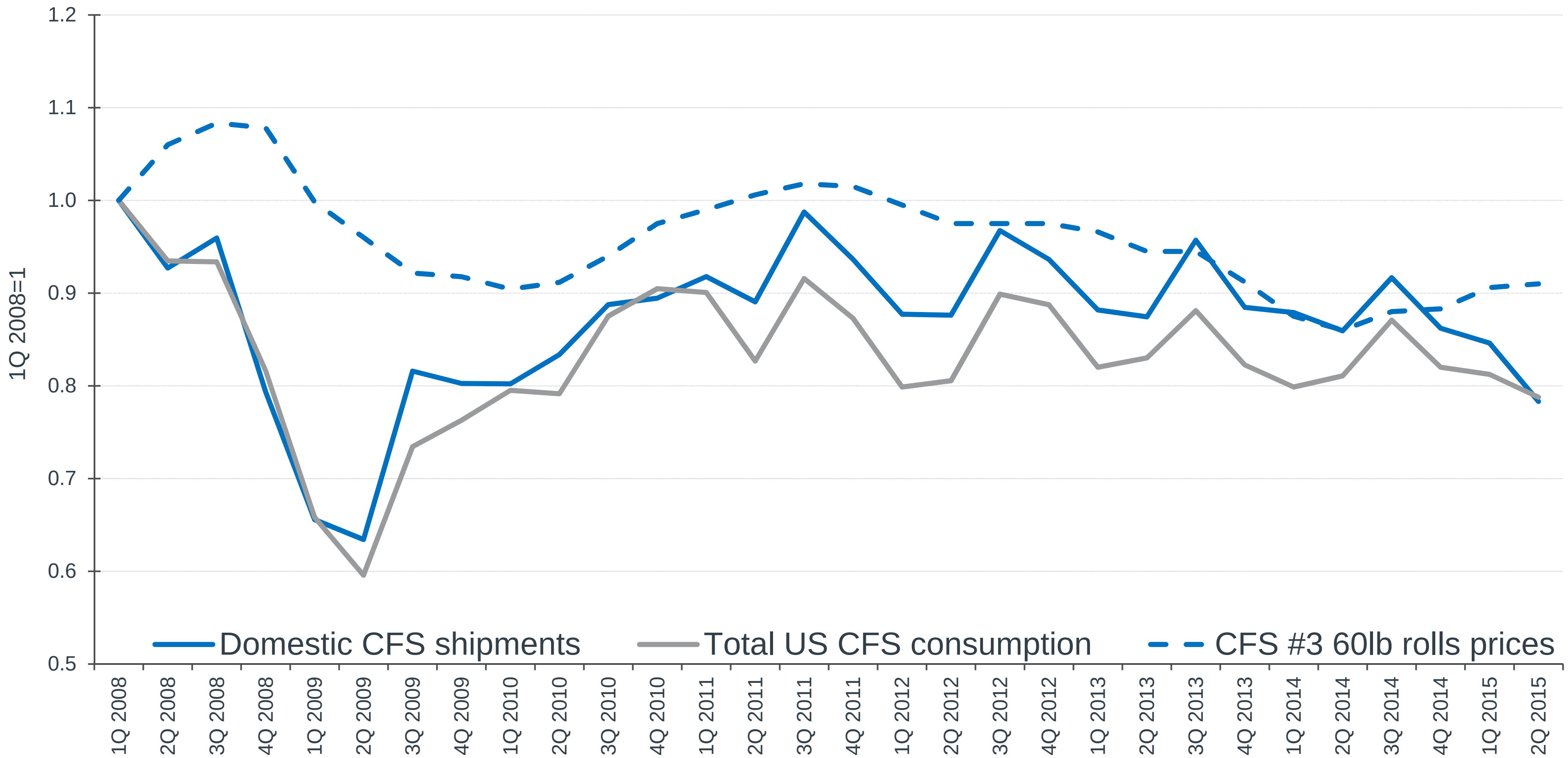
Coated paper prices and shipments

United States



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* US industry shipments and total US consumption
Source: AF&PA and RISI indexed to calendar 1Q 2008

Sappi North America

	3Q 2015	3Q 2014	YTD 2015	YTD 2014
Tons sold ('000)	294	362	948	1,079
Sales (US$m)	313	380	1,008	1,127
Price/Ton (US$)	1,065	1,050	1,063	1,044
Cost/Ton* (US$)	1,088	1,075	1,068	1,051
Operating profit excluding special items (US$m)**	**(7)**	**(9)**	**(4)**	**(7)**

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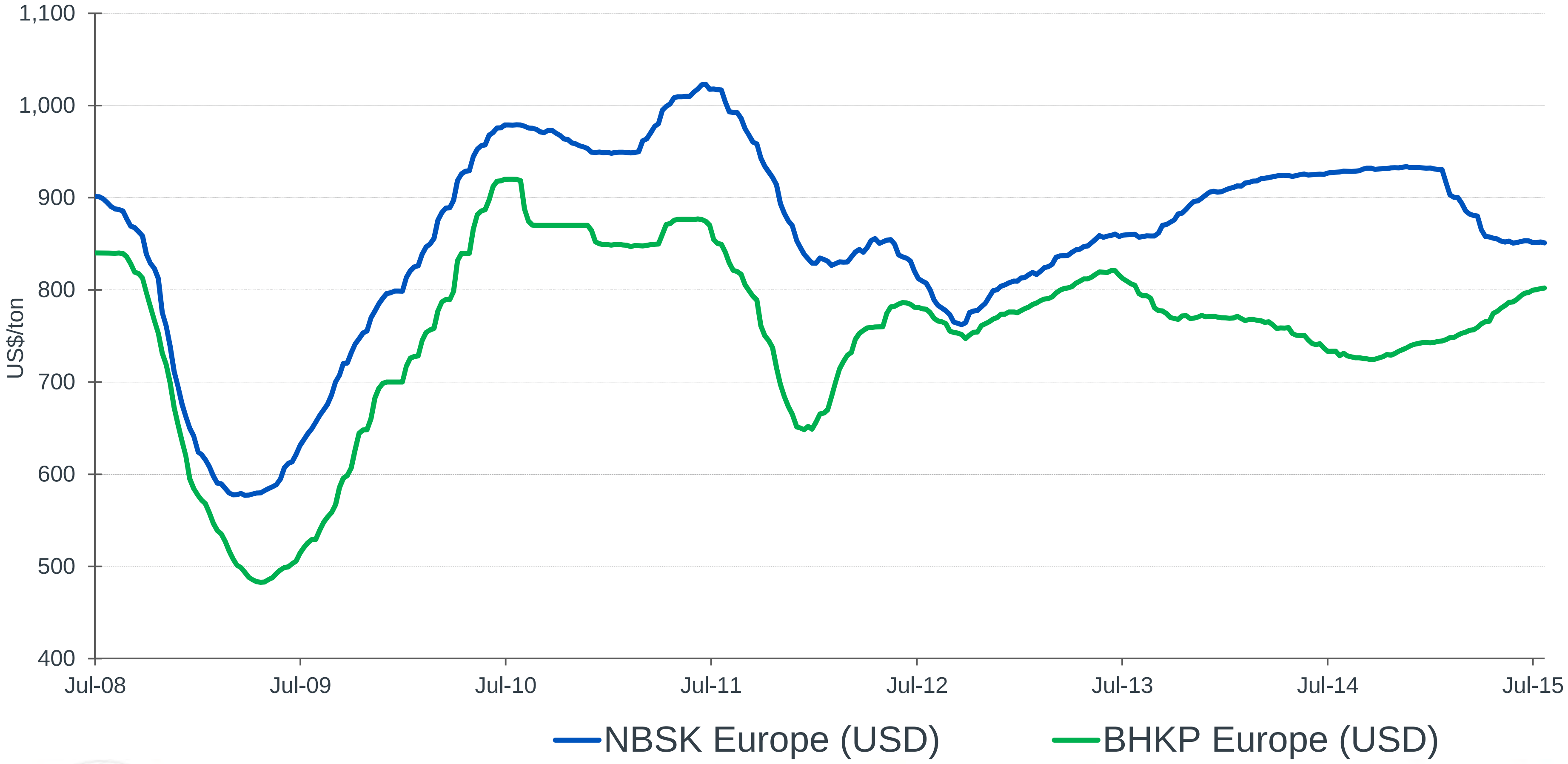
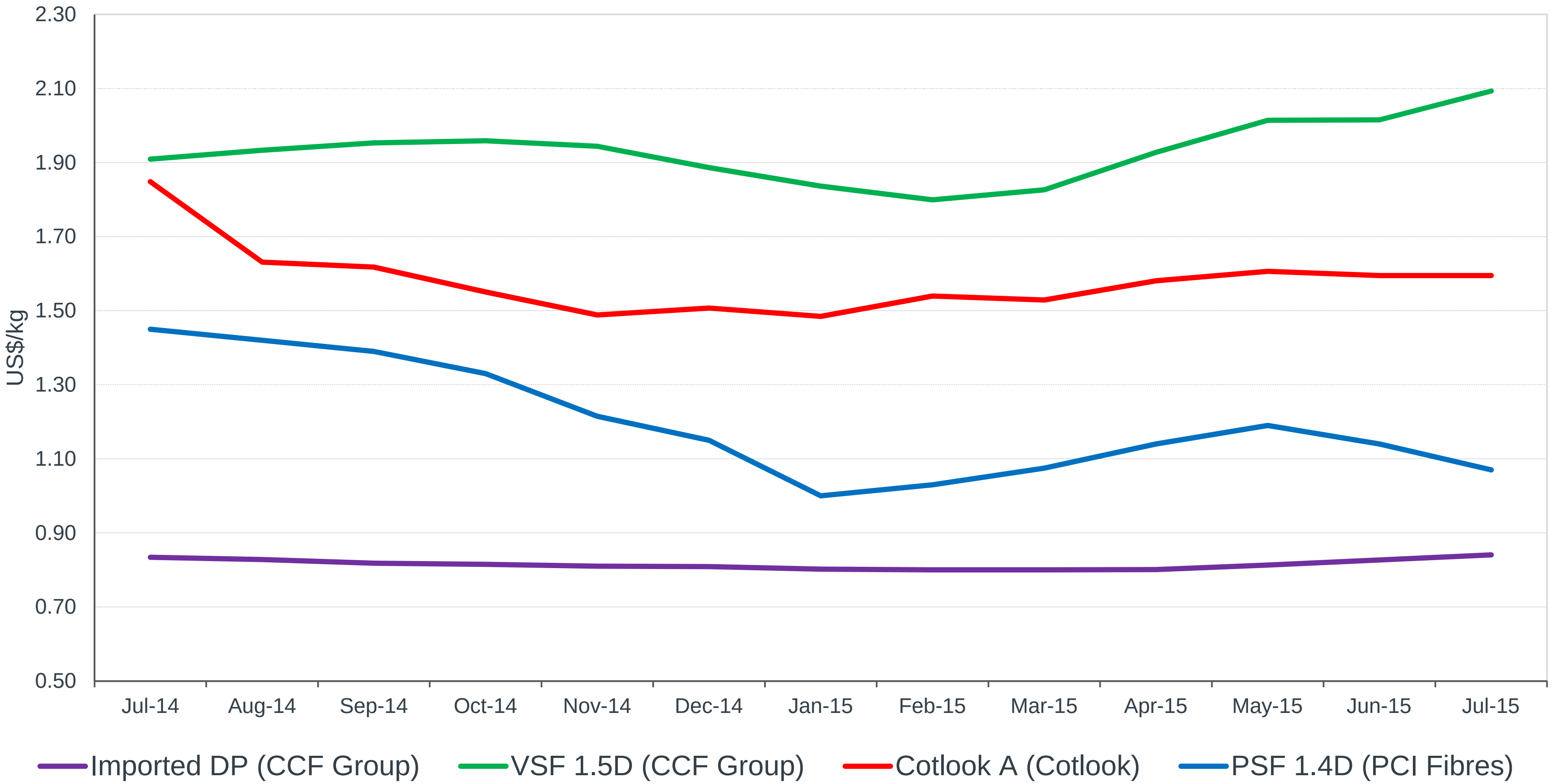
Pulp prices*



* Source: Average weekly FOEX delivered European prices

Textile fibre prices



Sappi Southern Africa

Excluding Sappi Forests

	3Q 2015	3Q 2014	YTD 2015	YTD 2014
Tons sold ('000)	436	423	1,286	1,253
Sales (ZARm)	3,798	3,592	11,095	10,654
Price/Ton (ZAR)	8,711	8,492	8,628	8,503
Cost/Ton* (ZAR)	7,477	6,948	7,060	6,918
Operating profit excluding special items (ZARm)**	**538**	**653**	**2,016**	**1,986**

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Cash flow

US$m	3Q 2015	3Q 2014	YTD 2015	YTD 2014
Cash generated from operations	**90**	**118**	**363**	**406**
Movement in working capital	16	(29)	(97)	(119)
Net finance costs paid	(21)	(50)	(111)	(136)
Taxation paid	(12)	(4)	(16)	(1)
Cash generated from operating activities	**73**	**35**	**139**	**150**
Cash utilised in investing activities	**(48)**	**(79)**	**(153)**	**(195)**
Capital expenditure	(49)	(57)	(163)	(190)
Net proceeds on disposal of assets and businesses	-	(22)	-	(10)
Other movements	1	-	10	5
Net cash (utilised) generated	**25**	**(44)**	**(14)**	**(45)**

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EBITDA and operating profit

Excluding special items reconciliation to reported operating profit

US$m	3Q 2015	3Q 2014	YTD 2015	YTD 2014
EBITDA excluding special items*	**109**	**140**	**424**	**458**
Depreciation and amortisation	(66)	(73)	(203)	(236)
Operating profit excluding special items*	**43**	**67**	**221**	**222**
Special items* - gains (losses)	**(8)**	**2**	**55**	**16**
Plantation price fair value adjustment	-	5	19	18
Net restructuring provisions and loss on disposal of assets and business	(1)	4	(4)	3
Asset impairment reversals	-	-	-	3
Employee benefit liability settlement	(1)	-	56	-
BEE charge	-	(1)	(1)	(2)
Fire, flood, storm and other events	(6)	(6)	(15)	(6)
Segment operating profit	**35**	**69**	**276**	**238**

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Thank you

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