

2nd Quarter 2013
Financial Results Presentation
9 May 2013

sappi

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 cyclicity, 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;
- 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 or strategic initiatives (including our announced dissolving wood pulp conversion projects), 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.



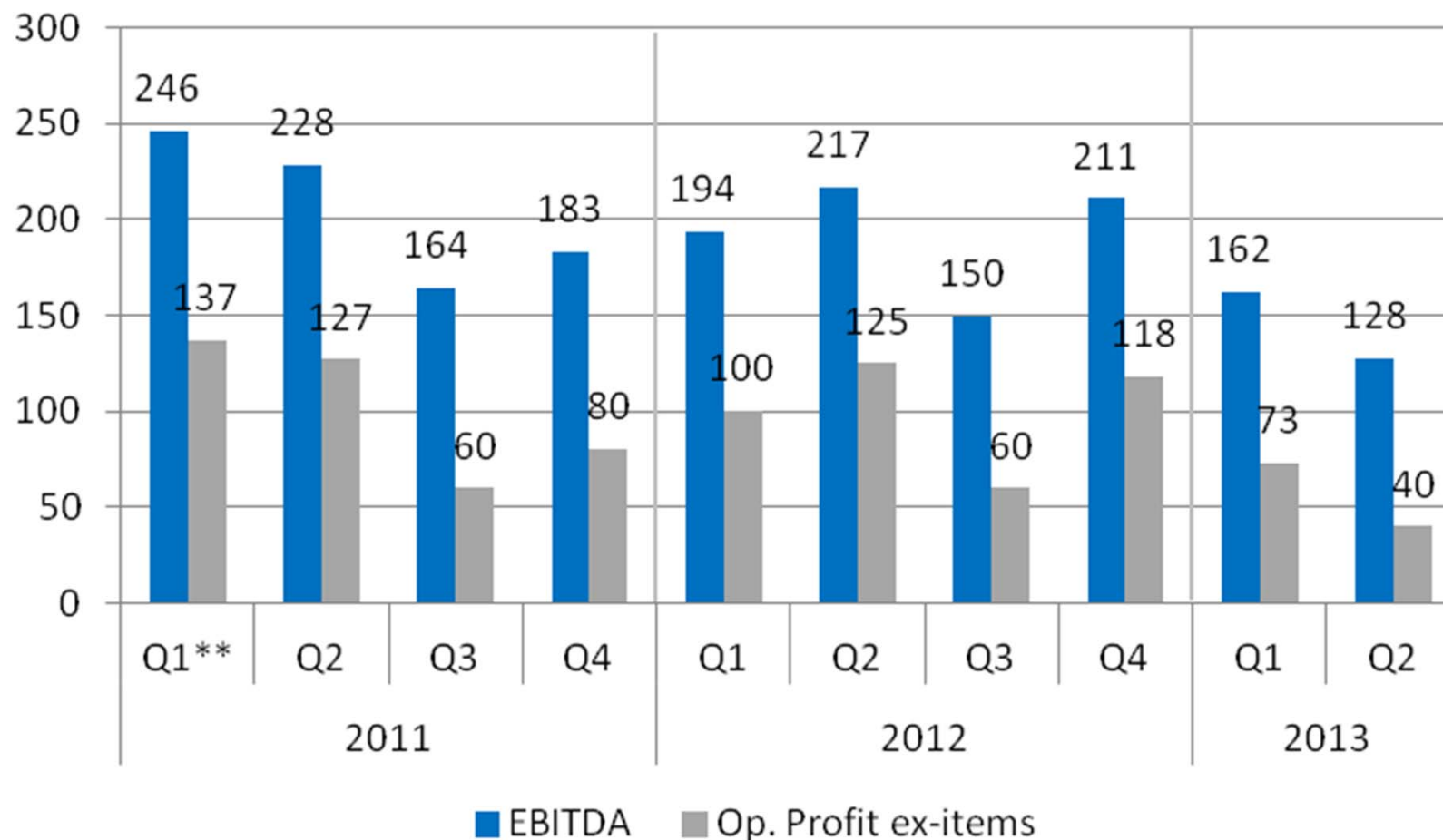
Summary

Q2 2013 Summary

- European business impacted by lower prices and higher pulp costs
- Specialised Cellulose projects on track and major shuts completed
- Profit for the period US\$7m (Q2 2012 US\$58m)
- EPS 1 US cent (Q2 2012 11 US cents)
- Operating profit excluding special items US\$40m (Q2 2012 US\$125m)
- Net finance costs of US\$40m (Q2 2012 US\$51m)
- Net Debt US\$2,152m (Q2 2012 US\$2,133m)

EBITDA & Operating Profit ex-items*

USD million



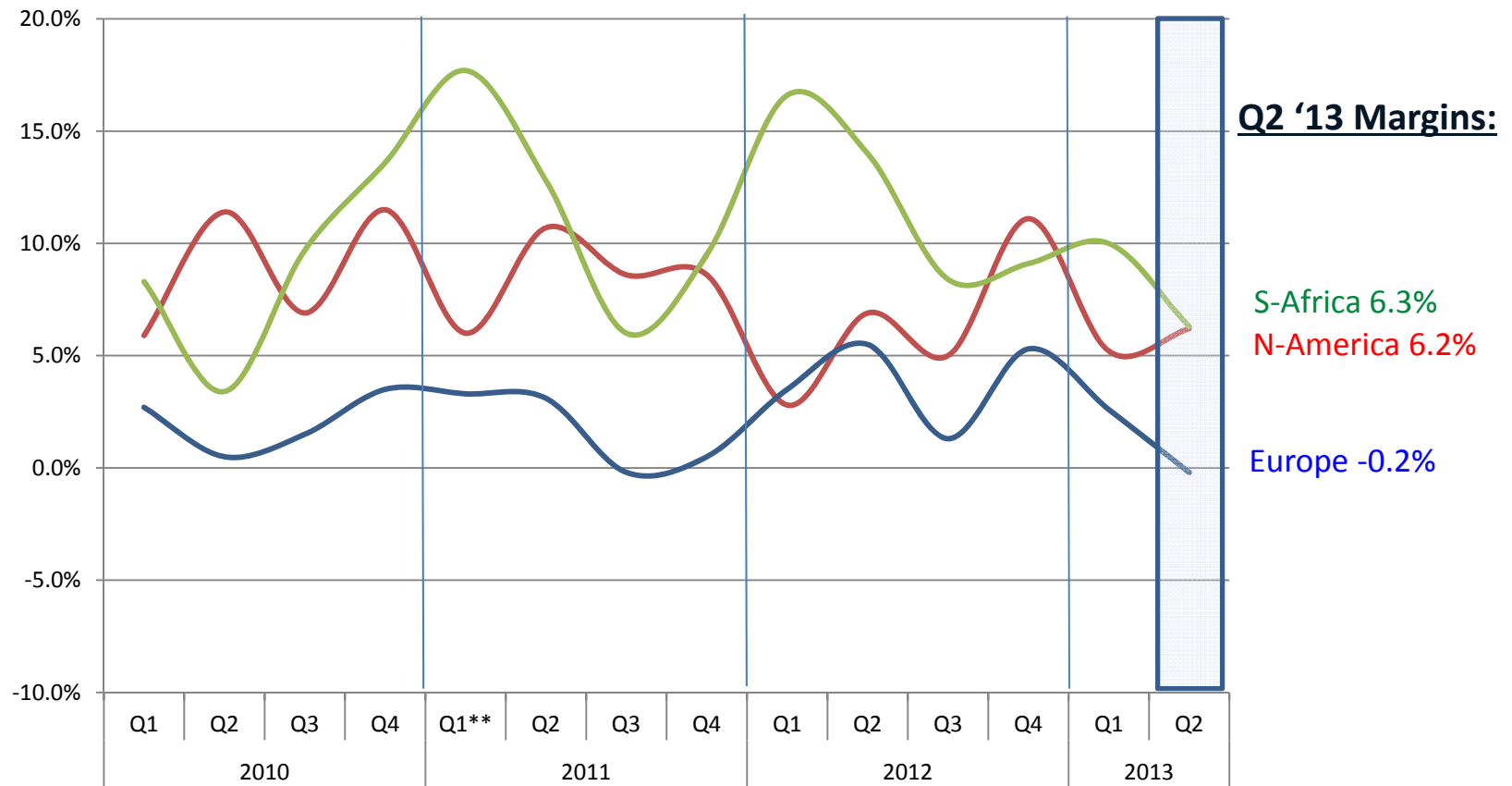
*Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported Operating Profit and page 16 in our Q2 2013 Results booklet (available on www.sappi.com) for a definition of special items.

** Q1 2011 included an extra accounting week



Divisional Overviews

Divisional Operating Margins*



*The divisional operating margins exclude special items. Refer to page 16 in our Q2 2013 Results announcement booklet for a definition of special items.

Sappi Fine Paper Europe

- Very weak market conditions; despite cost reductions implemented over the past year, performance was substantially weaker
- Volumes and prices down year on year, prices were 2 to 3% lower than last quarter
- Variable costs increased – particularly pulp, energy and delivery costs which led to an operating loss for the business
- Specialities business had another good quarter, volumes and prices up in both comparative periods

Sappi Fine Paper North America

- Strong coated paper volumes; up 6% year on year, up 2% from last quarter; however, coated paper prices declined in the quarter
- Speciality paper business performance improved throughout the quarter as demand increased, particularly from China
- Market pulp sales from Cloquet were wound down during the quarter to conserve inventory for our annual April outage – DWP sales to commence in June
- Variable costs were down in both comparative periods driven principally by improved operating efficiencies as well as lower input prices

Sappi Southern Africa

- Continued strong performance from Specialized Cellulose business – 34% EBITDA margin on similar volumes year on year, favorable Rand/Dollar exchange rates
- Increased exports only partially offset the weaker domestic market conditions for paper packaging
- Variable costs were slightly up from last year due to increased purchased wood and pulp costs, both negatively impacted by the weaker Rand/Dollar exchange rate
- Plantation fair value adjustment \$96m revaluation of softwood logs
- Various assets at Stanger and Tugela were impaired – charge of \$52m relates to on-going optimization of our paper and paper packaging business

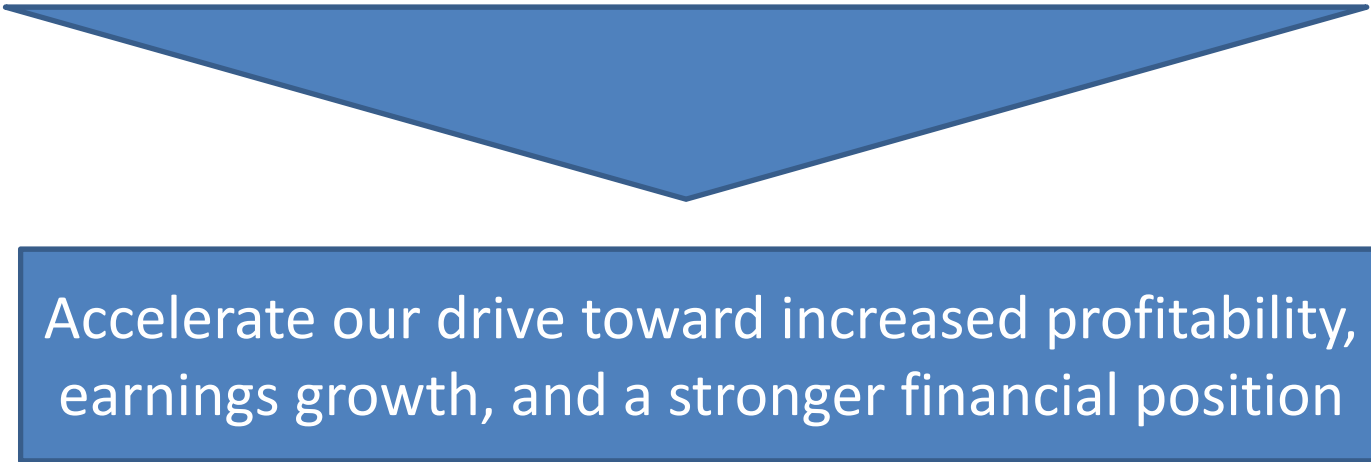


Strategic Focus

Strategic Focus

3 themes:

- Focused, low cost paper businesses with reasonable margins and strong cash flows
- Growth in profitable specialised cellulose based solutions and other high margin businesses
- Healthy balance sheet



Accelerate our drive toward increased profitability, earnings growth, and a stronger financial position

Focus Areas

Focused, low cost paper businesses

- North American paper business continues good performance
- Europe – challenging market, disappointing performance
- South Africa – weak market, margins too low

More
to be
done

Growth in Specialised Cellulose and higher margin business

- Demand for commodity DWP remains very strong
- Saiccor performing well
- Both DWP conversions set to start in our third quarter this year
- Alfeld conversion on track

On
track

Healthy Balance Sheet

- Net debt level evolving as expected in this transitional year
- Post quarter-end refinancing of SA debt – finance cost savings

Managing
balance

Cloquet Conversion – nearly there

Pulp bale conveyers



White liquor surge tank & digesters



NMLA tank installation



Gentle feed conveyor installation



Ngodwana Conversion – on track

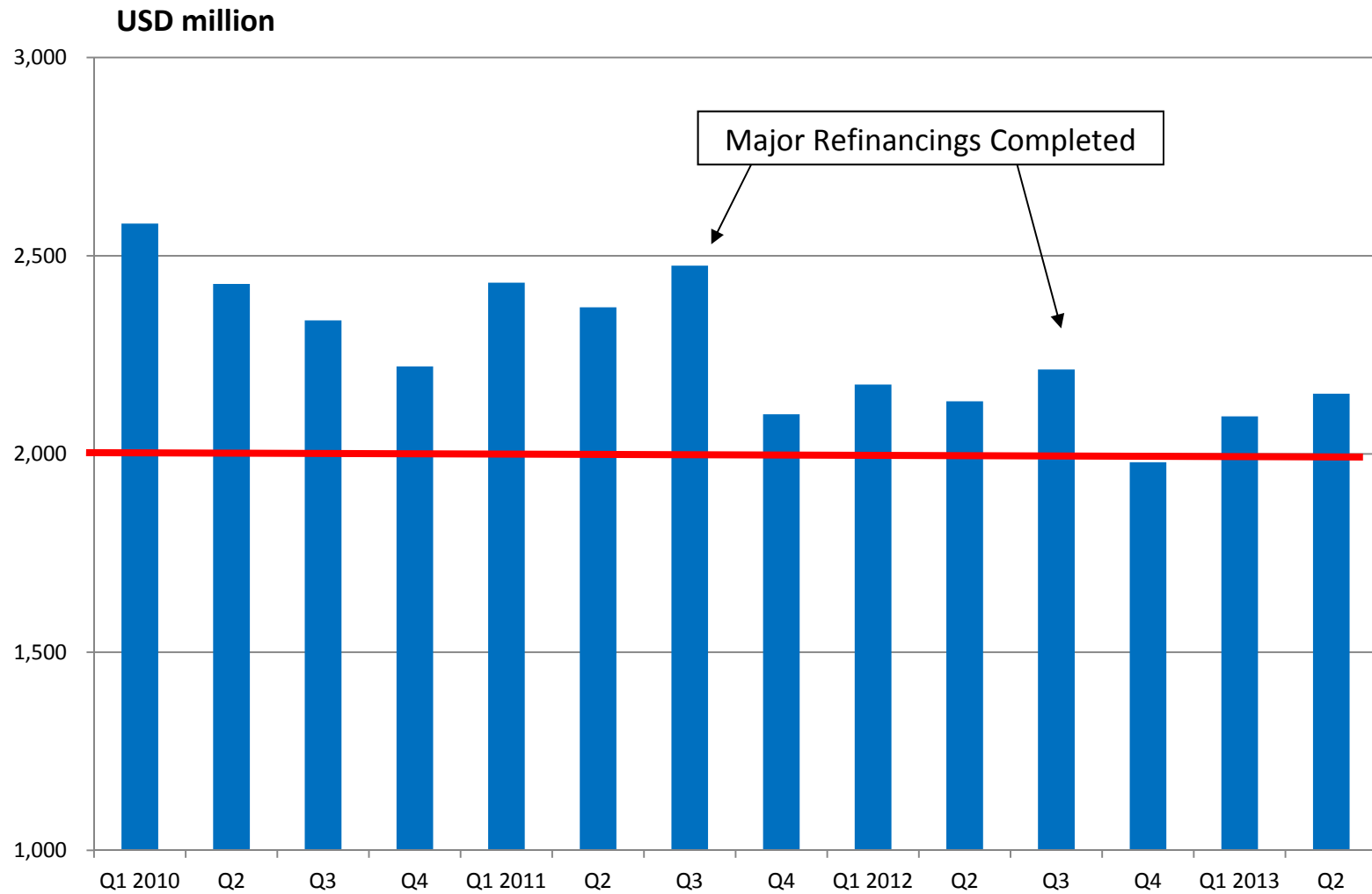


Fiberline #3 (RHS)

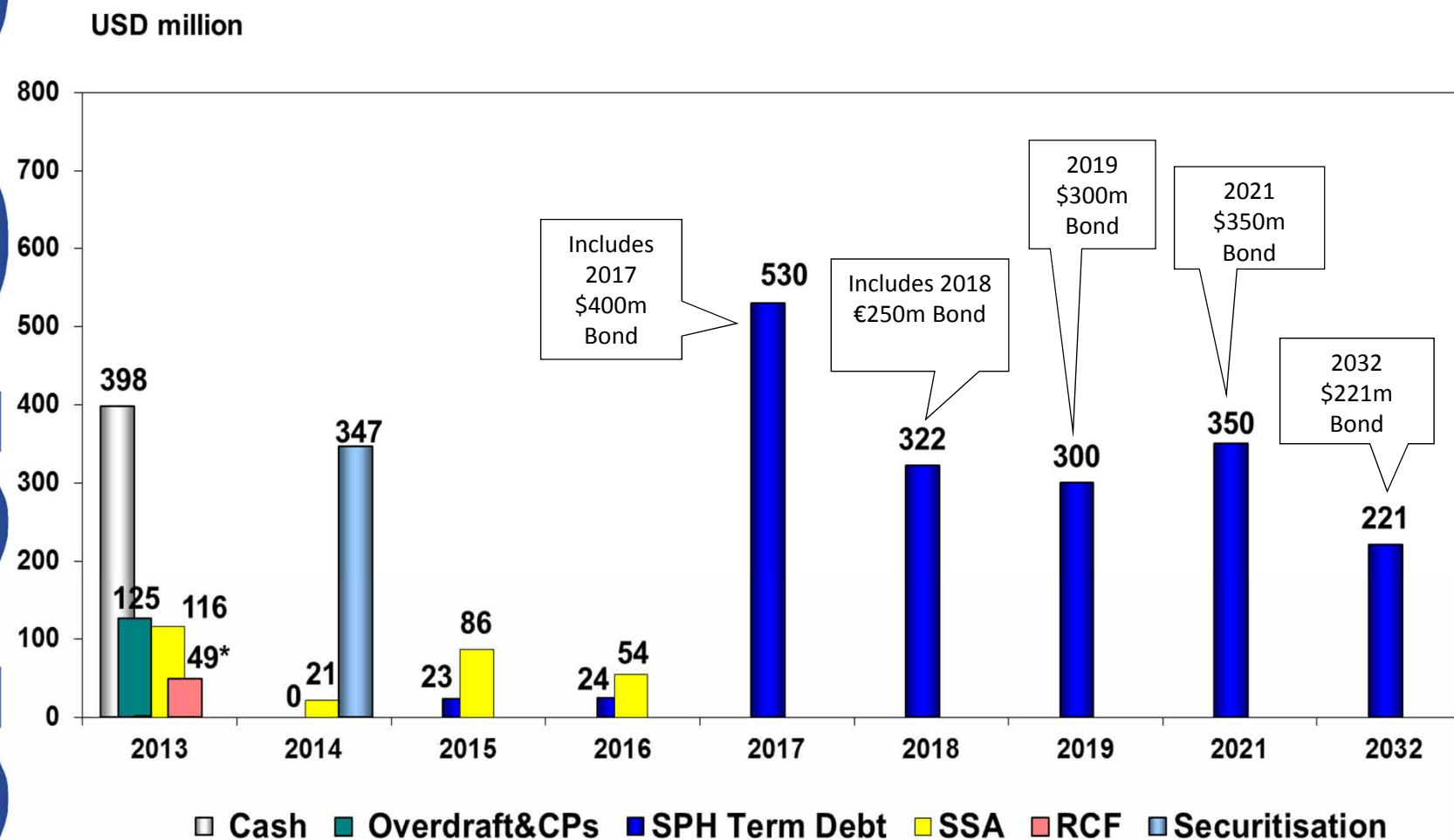
Old and new pulp dryers



Net Debt Development



Debt Maturity Profile as at March 2013



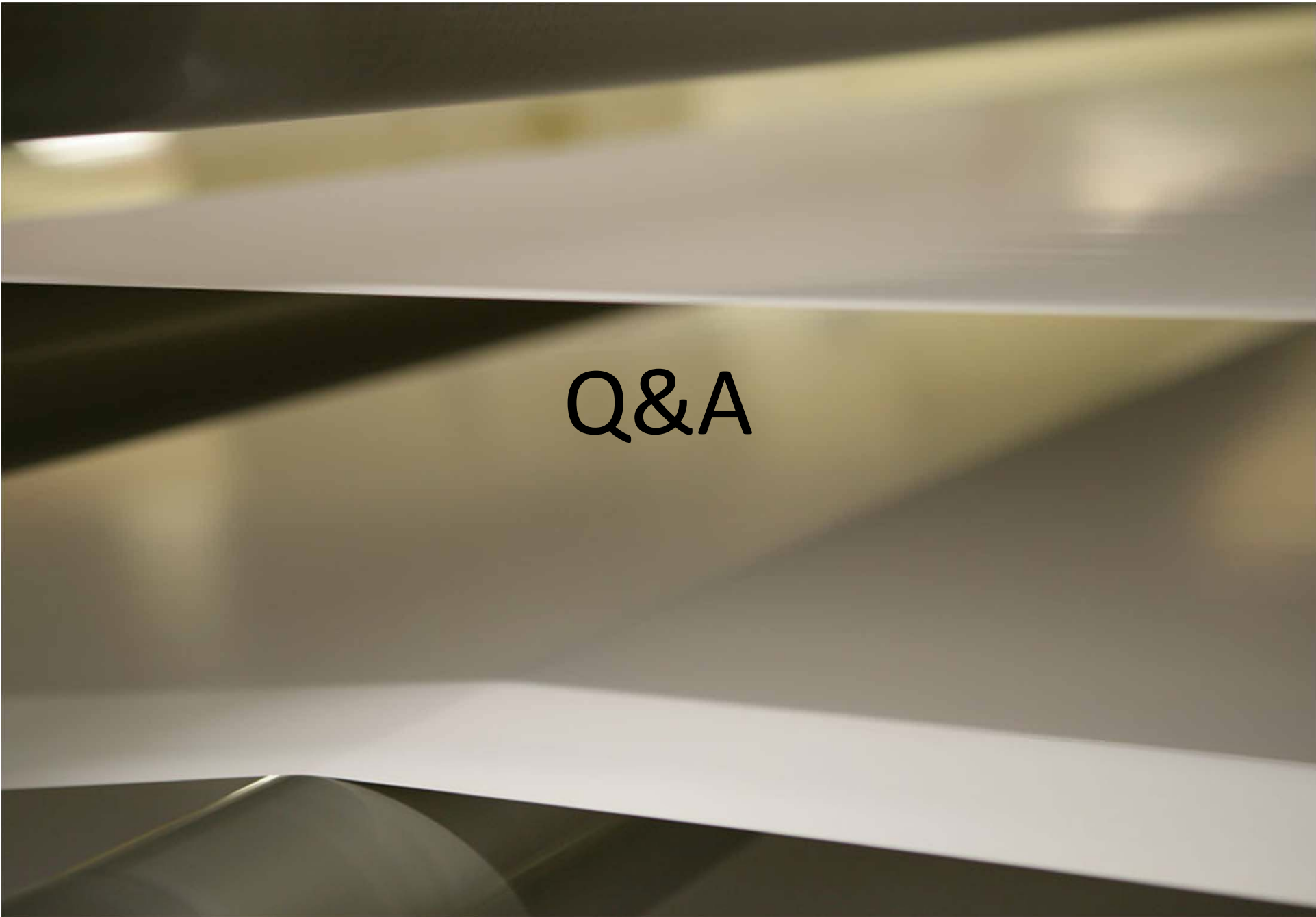
* ZAR450 million (\$53 million) drawing under the new evergreen ZAR1 billion South African Revolving Credit Facility. In addition, the €350m International Revolving Credit Facility maturing in April 2016, is undrawn.

The background of the slide features a close-up, slightly blurred photograph of several large rolls of paper or cardboard stacked together. The rolls are curved, creating a series of overlapping, semi-circular shapes that recede into the background. The lighting is soft, highlighting the texture of the material.

Outlook

Outlook

- Market conditions in Europe and SA weaker than previously envisaged. Demand/prices remain under pressure, input costs are likely to remain high
- Recent performance necessitates further action – evaluating options that could result in capacity and cost reductions in our European business. Further measures are being implemented in our SA business
- Notwithstanding the weak European performance, commissioning and start-up of two major DWP projects, we expect that the group will at worst breakeven at the net profit excluding special items level for the full year
- We expect Net Debt to end the year at approximately \$2.2B
- Both Ngodwana & Cloquet completed their major shuts during March and April. DWP production is expected before the end of June
- Despite generally tough market conditions and impacts of conversions, we believe our actions and investments will position the group well for improved performance from 2014 onwards

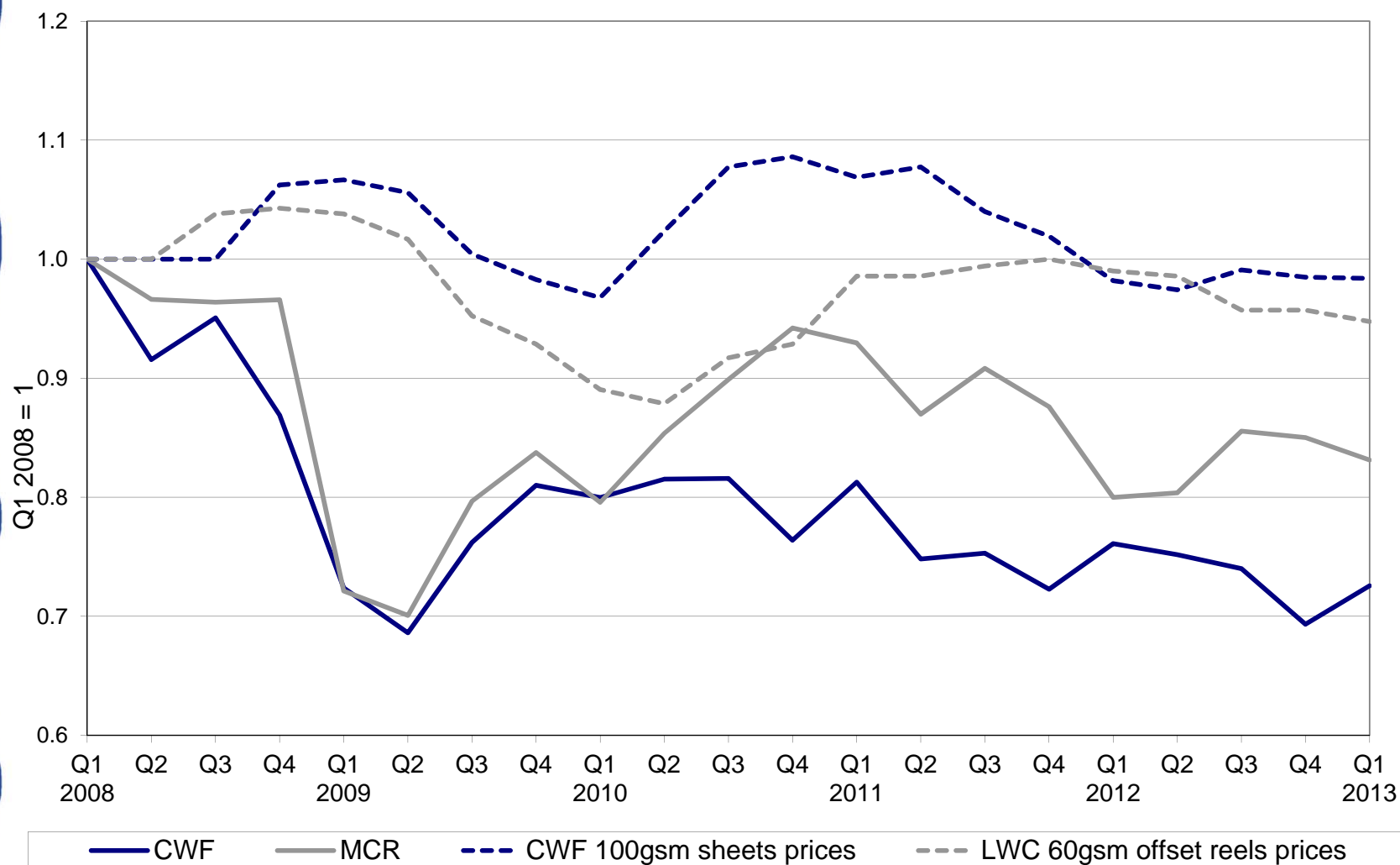


Q&A

A photograph of a paper mill. A large, white sheet of paper is being processed by a series of rollers. The rollers are metallic and arranged in a line. The paper is moving from left to right. In the background, there are yellow safety signs on a wall.

Supplementary Information

W. Europe Coated Paper Deliveries & Prices



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

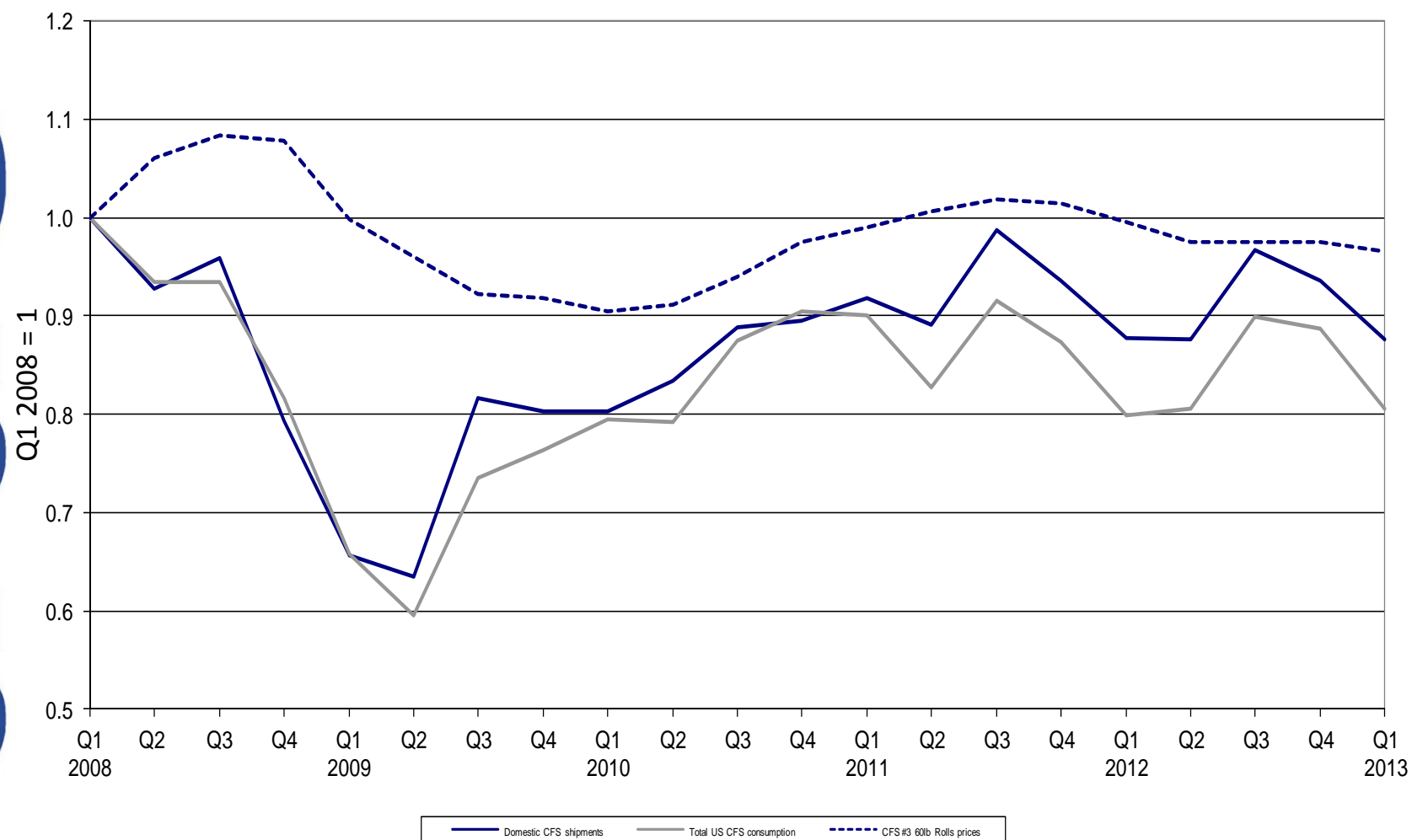
Sappi Fine Paper Europe

	Q2 12	Q2 13	1H 12	1H 13
Tons Sold ('000)	919	882	1,768	1,731
Sales (\$'m)	883	824	1,729	1,623
Price / Ton (\$)	961	934	978	938
Price / Ton (€)	733	707	735	716
Cost / Ton* (€)	692	709	702	708
Operating profit ex items** (\$'m)	49	(2)	78	19

* 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 16 in our Q2 2013 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

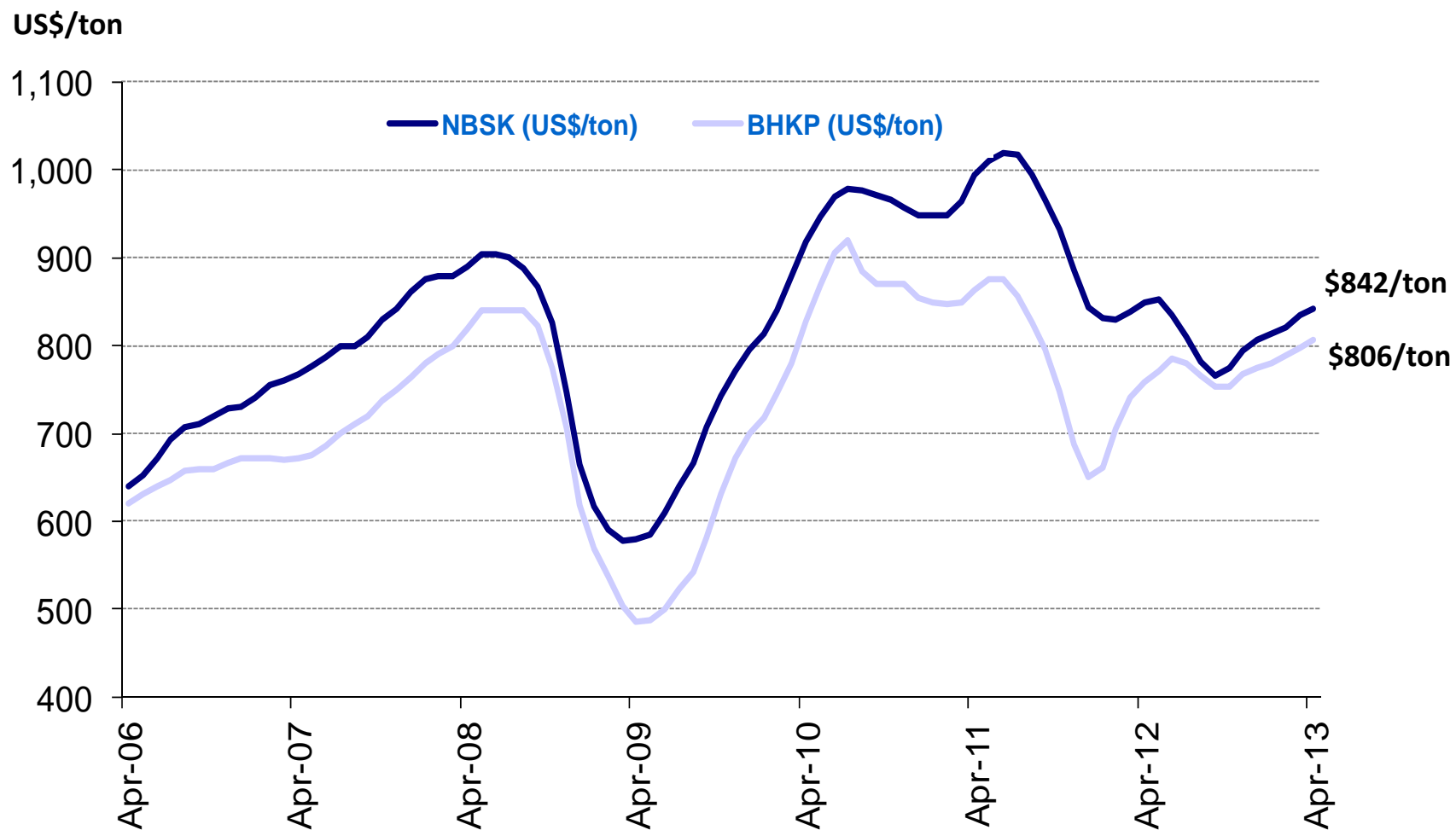
Sappi Fine Paper North America

	Q2 12	Q2 13	1H 12	1H 13
Tons Sold ('000)	341	332	680	666
Sales (\$'m)	349	341	701	687
Price / Ton (\$)	1,023	1,027	1,031	1,032
Cost / Ton* (\$)	953	964	981	973
Operating Profit ex items** (\$'m)	24	21	34	39

* 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 16 in our Q2 2013 Results booklet (available on www.sappi.com) for a definition of special items.

Pulp Prices*



* Source: Average monthly FOEX delivered European prices

Sappi Southern Africa

	Q2 12	Q2 13	1H 12	1H 13
Tons Sold ('000)	418	387	818	767
Sales (\$'m)	379	319	747	629
Price / Ton (\$)	907	824	913	820
Price / Ton (ZAR)	7,028	7,365	7,236	7,231
Cost / Ton* (ZAR)	6,045	6,903	6,132	6,645
Operating Profit ex items** (\$'m)	53	20	114	51

* 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 16 in our Q2 2013 Results booklet (available on www.sappi.com) for a definition of special items.

Cash Flow

	Q2 12	Q2 13	1H 12	1H 13
Cash generated from operations	214	115	409	265
- Movement in working capital	(24)	(6)	(190)	(136)
- Net finance costs paid	(37)	(28)	(101)	(87)
- Taxation paid	(5)	(3)	(10)	(13)
Cash generated from operating activities	148	78	108	29
Cash utilised in investing activities	(57)	(177)	(128)	(230)
- Capital expenditure	(59)	(179)	(134)	(275)
- Proceeds on disposal of non-current assets	2	1	7	43
- Other movements	-	1	(1)	2
Net Cash (utilized) generated	91	(99)	(20)	(201)

Special Items

Results were impacted by a gain in special items amounting to US\$38m comprising the following main items:

- US\$96m credit related to the revaluation of a portion of the softwood forest, offset by;
- US\$47m asset impairment charge, primarily Tugela and Stanger assets

In addition, deferred tax assets of US\$24m were reversed within Sappi Europe as they were no longer deemed recoverable.

Reconciliation of EBITDA excluding special items* to profit for the period

	Q2 12	Q2 13	1H 12	1H 13
EBITDA ex. special items	217	128	411	290
Depreciation and amortization	(92)	(88)	(186)	(177)
Operating profit ex. special items	125	40	225	113
Special Items	(5)	38	2	35
Plantation price fair value adj.	(7)	96	(4)	104
Net restructuring provisions	(1)	(7)	(1)	(14)
Profit (loss) on disposal of PP&E	4	1	9	1
Impairment of assets & investments	-	(47)	-	(47)
BEE Charge	(1)	(1)	(2)	(2)
Fire, flood, storm related events	-	(4)	-	(7)
Segment operating Profit	120	78	227	148
Net Finance Costs	(51)	(40)	(105)	(82)
Profit before Tax	69	38	122	66
Taxation	(11)	(31)	(19)	(42)
Profit for the Period	58	7	103	24

* Refer to page 16 in our Q2 2013 Results booklet (available on www.sappi.com) for a definition of special items.



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Thank You