

Q2 2012
Results Presentation

10 May 2012

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;
- 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, cost-reduction programmes, 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.



Summary

Q2 2012 Summary

- Profit for the period US\$58 million (Q2 2011 loss US\$74 million)
- EPS 11 US cents (Q2 2011 loss per share 14 US cents)
- Net cash generated US\$91 million (Q2 2011 US\$100 million)
- Net debt US\$2,133 million, down US\$42 million from Q2 2012
- Cost savings led to improved performance in European business
- Southern African chemical cellulose business continues strong performance

Group Financial Summary

Key figures: (US\$ million)

Sales volume ('000)

Sales

EBITDA ex special items

Operating Profit ex special items*

Basic EPS (US cents)

Key ratios: (%)

Operating profit ex-items to sales

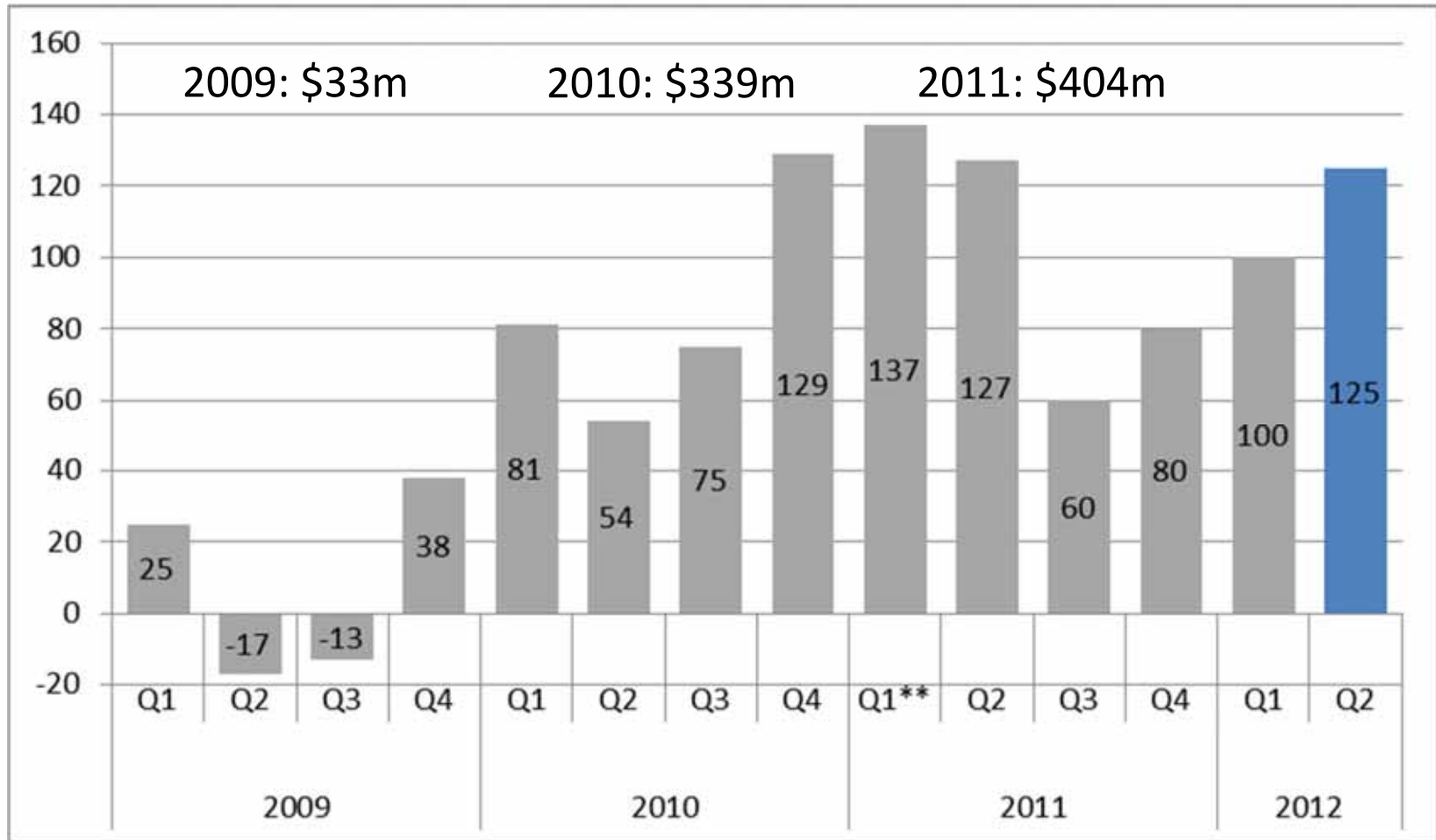
Operating profit ex-items to capital employed

Net Debt to total capitalisation

	Q2 11	Q2 12	YoY	1H 11	1H 12	YoY
Sales volume ('000)	1 987	1 973	↔	4 009	3 802	↓
Sales	1 824	1 633	↓	3 697	3 218	↓
EBITDA ex special items	228	217	↓	474	411	↓
Operating Profit ex special items*	127	125	↔	264	225	↓
Basic EPS (US cents)	(14)	11	↑	(7)	20	↑
Operating profit ex-items to sales	7.0	7.7	↑	7.1	7.0	↔
Operating profit ex-items to capital employed	11.6	13.4	↑	12.5	12.2	↔
Net Debt to total capitalisation	54.8	56.5	↑	54.8	56.5	↓

*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 Q2 2012 results booklet (available on www.sappi.com) for a definition and list of special items.

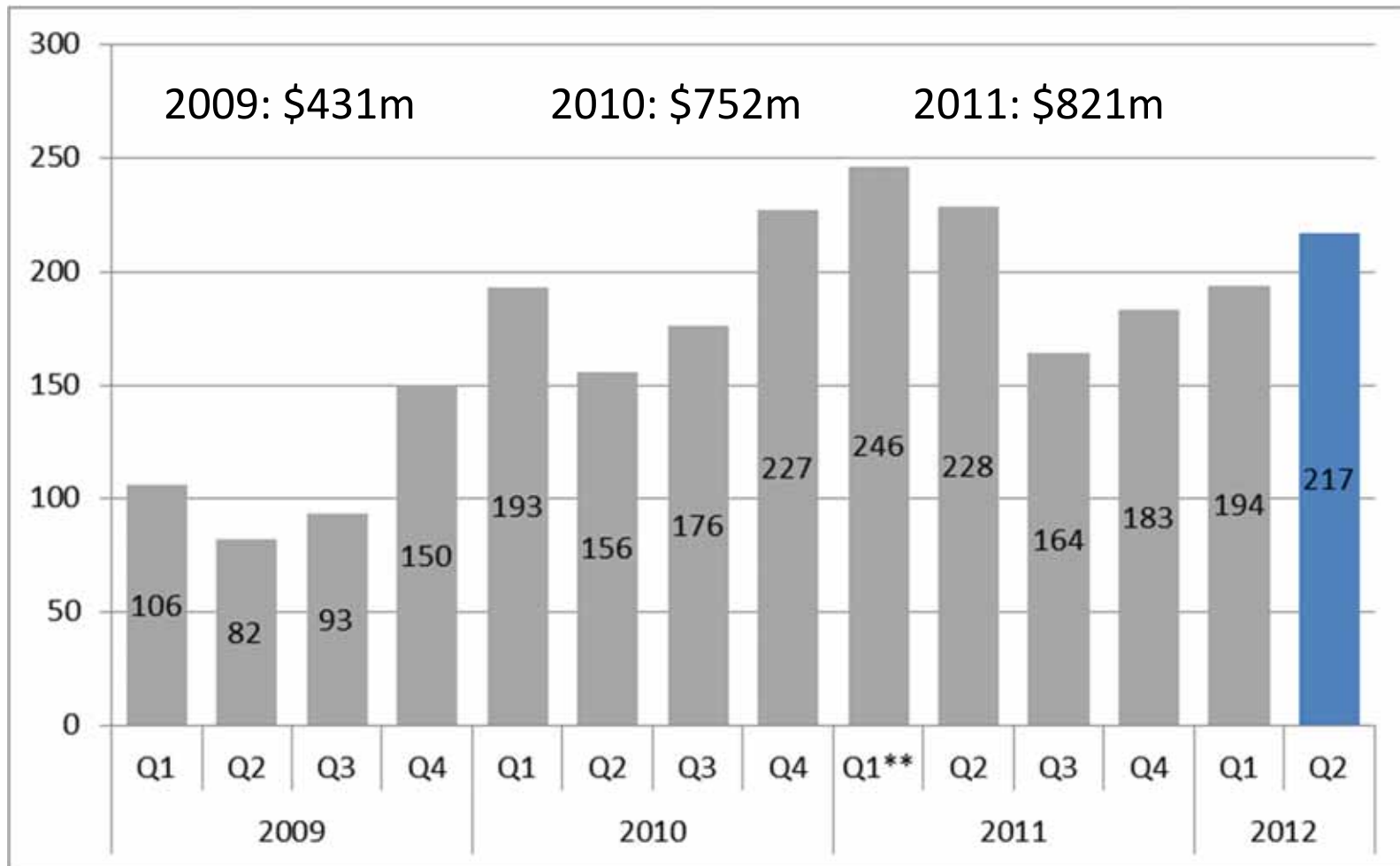
Operating Profit excluding special items*



*Refer to the supplementary information in this presentation for a reconciliation to reported operating profit and page 17 in our Q2 2012 results booklet for a definition of special items.

**Q1 2011 included an extra week

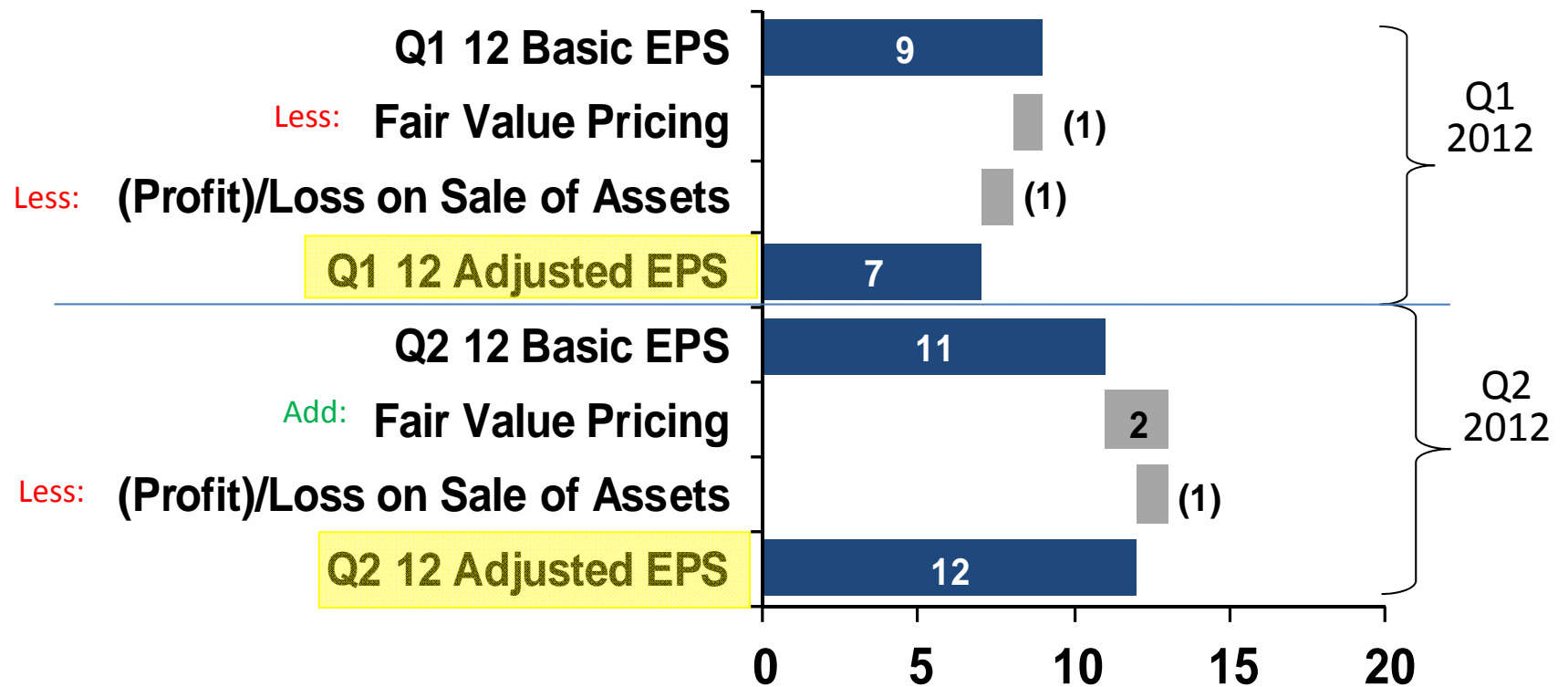
EBITDA* Trend



*EBITDA as shown above excludes special items. Refer to page 17 in our Q2 2012 results announcement booklet for a definition of special items.

**Q1 2011 included extra week

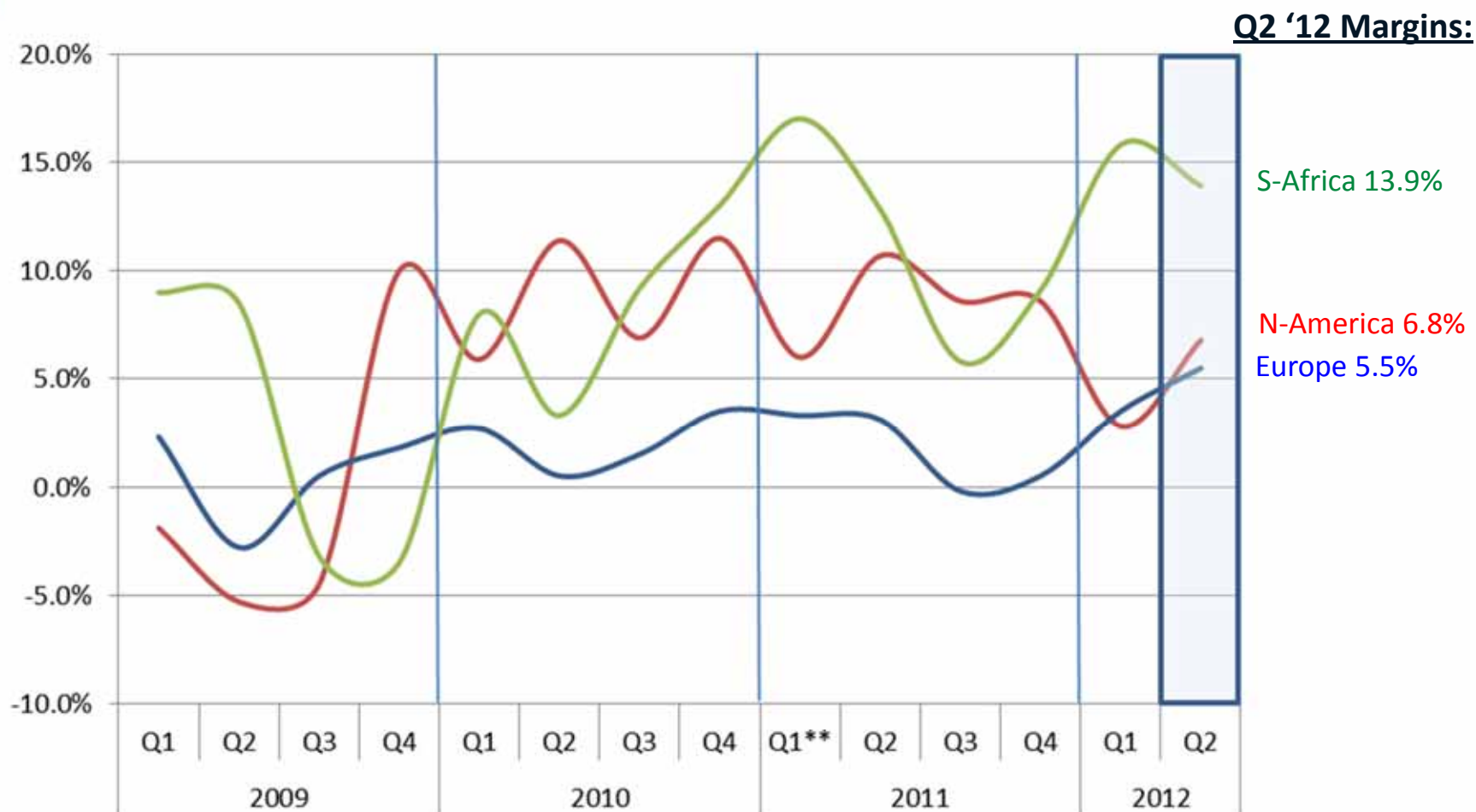
Earnings Versus Prior Quarter





Divisional Overviews

Divisional Operating Margins*



*The divisional operating margins exclude special items. Refer to page 17 in our Q2 2012 results announcement booklet for a definition of special items.

Sappi Fine Paper Europe

- Operating profit up QoQ and YoY
- Much improved cost base
- Overall quality of business improved
- Market conditions remain challenging
- Prices generally lower, despite this, margins are up
- Continued strong cash flow – significant proportion of group net cash

Sappi Fine Paper North America

- Improved operating performance, not yet at last year's level
- Margins improving, some way to go
- Production efficiencies and reliability improved through the quarter
- Pulp prices low, pressuring margins
- Casting release – improved prices and volumes during quarter
- Paper prices and volumes under pressure, margins maintained

Sappi Southern Africa

- CC continued strong performance: 30% EBITDA margin
 - Good volumes, prices down on NBSK and strengthening Rand
 - Good production efficiencies
- Paper and packaging still underperforming
 - Competitive environment: price, costs, volumes
 - Restructuring proceeding well, benefits from Q3



Focus Areas



Focus Areas

Chemical Cellulose

- Maintain excellent Saiccor production rates and customer service
- Both CC projects on schedule (1H 2013) and on budget
 - Good customer support

Europe

- Further improvement in European cost base, improved competitiveness



Focus Areas

North America

- Restoration of margins and production efficiencies

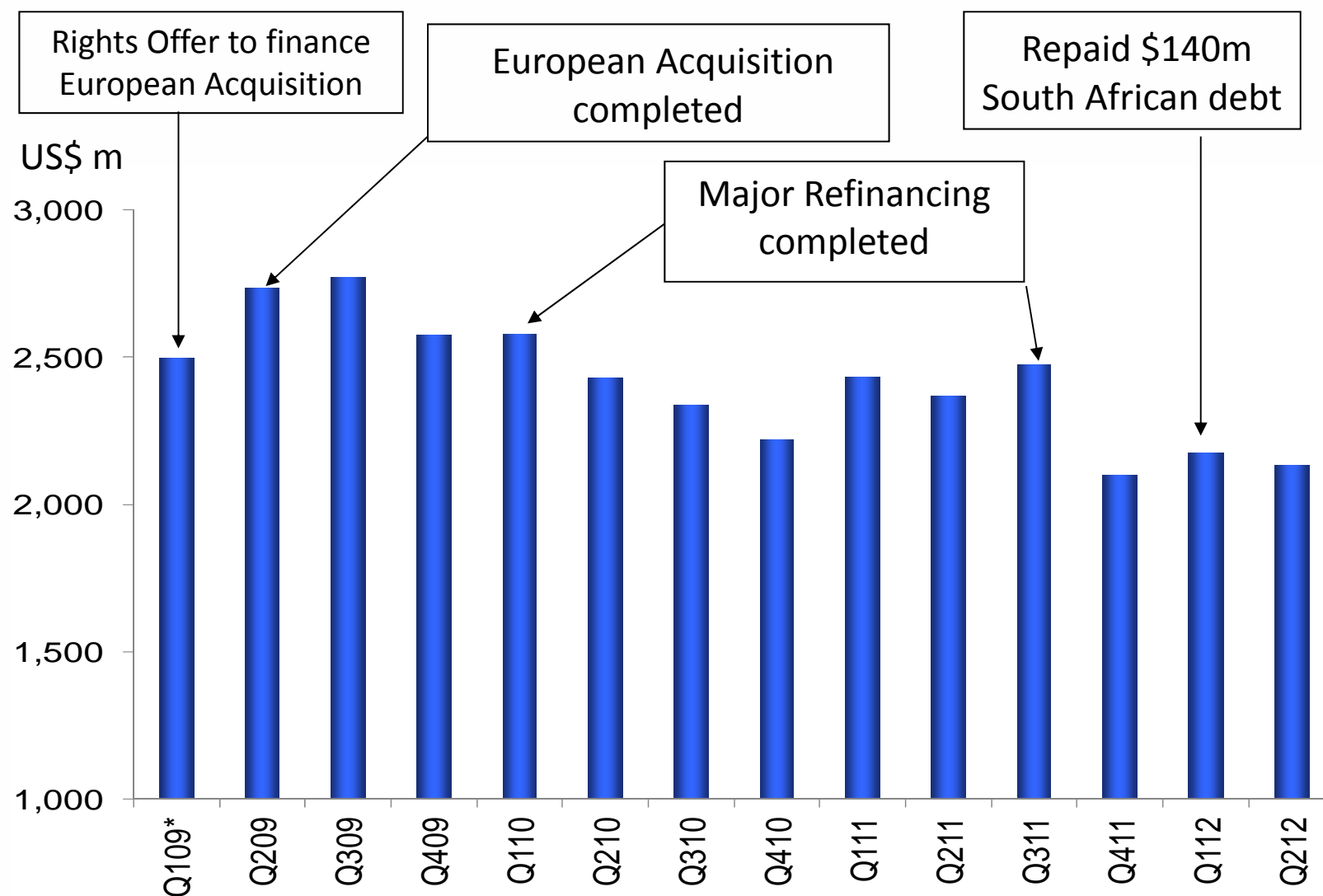
South Africa paper and packaging

- Squeezing out benefits of South African restructure and restore profitability

Debt

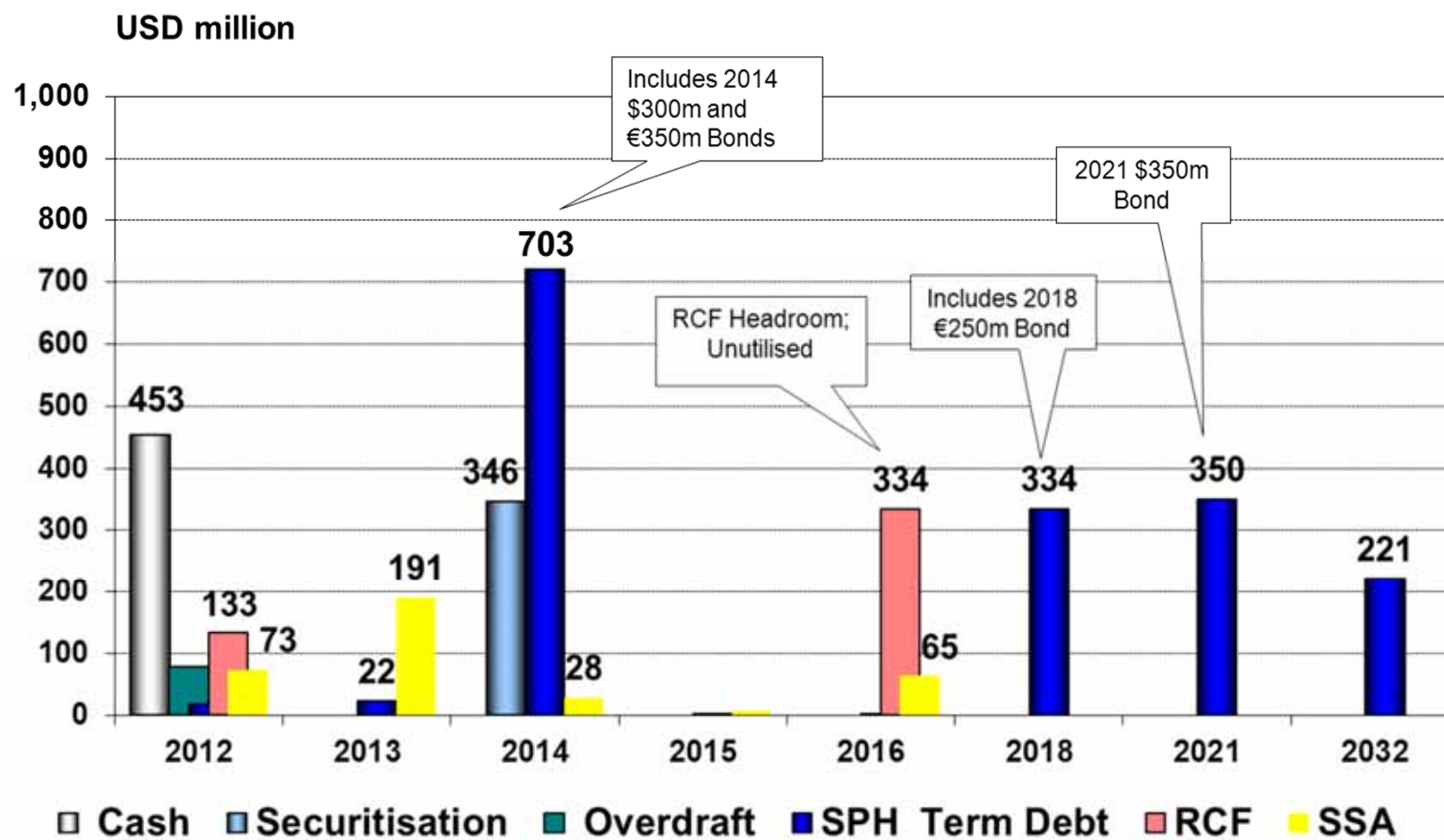
- Debt reduction and cost of finance remain focus
- Possible refinance of 2014 bonds

Net Debt Development



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

Debt Maturity Profile





Outlook

Outlook

- Demand is expected to remain challenging, but input costs developments are expected to be favorable
- European and South African businesses will benefit from our strategic interventions
- Chemical cellulose business is expected to remain strong, both conversions on track for start up in 1H 2013
- Entering the historically and seasonally weakest quarter; coupled with annual maintenance shuts, we expect operating profit excluding special items to be in line with the equivalent quarter last year

Outlook

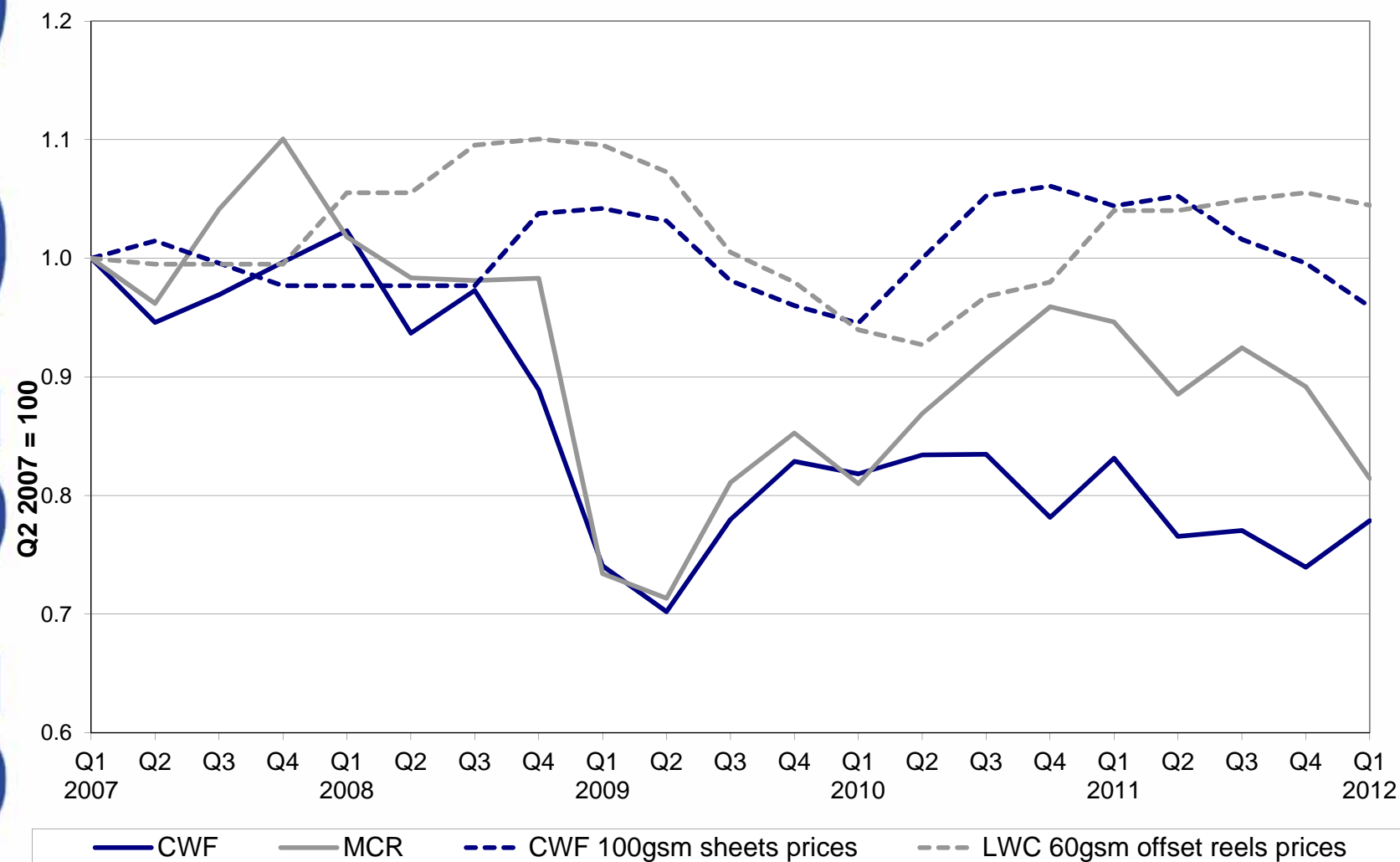
- For the full year, we expect operating profit excluding special items will be at a similar level to that of the previous year, and for our EPS to remain positive
- We anticipate positive net cash generation leading to a further reduction in net debt
- We will consider refinancing our higher cost debt, including our 2014 bonds, when market conditions are favorable and it makes economic sense to do so

Q&A

A photograph of a paper mill's internal machinery. Large rolls of white paper are being processed by a series of heavy metal rollers. The rollers are arranged in a line, and the paper is being fed through them. The background shows more of the mill's infrastructure, including yellow safety barriers and structural elements.

Supplementary Information

W. Europe Coated Paper Deliveries & Prices



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

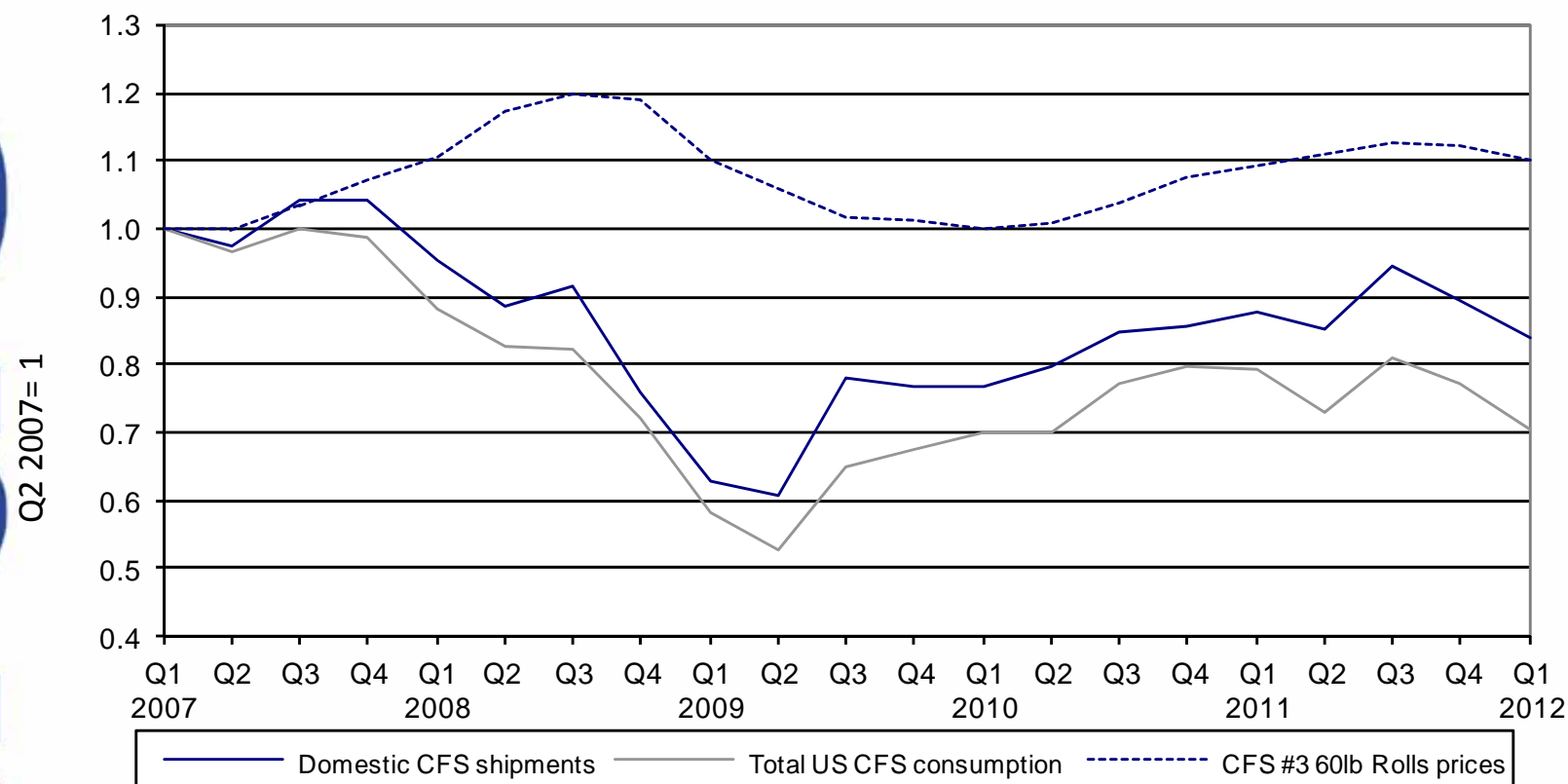
Sappi Fine Paper Europe

	Q2 11	Q2 12	1H 11	1H 12
Tons Sold ('000)	982	919	1,994	1,768
Sales (\$'m)	1,017	883	2,044	1,729
Price / Ton (\$)	1,036	961	1,025	978
Price / Ton (€)	756	733	751	735
Cost / Ton* (€)	733	692	727	702
Operating profit ex items** (\$'m)	31	49	65	78

* 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 Q2 2012 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

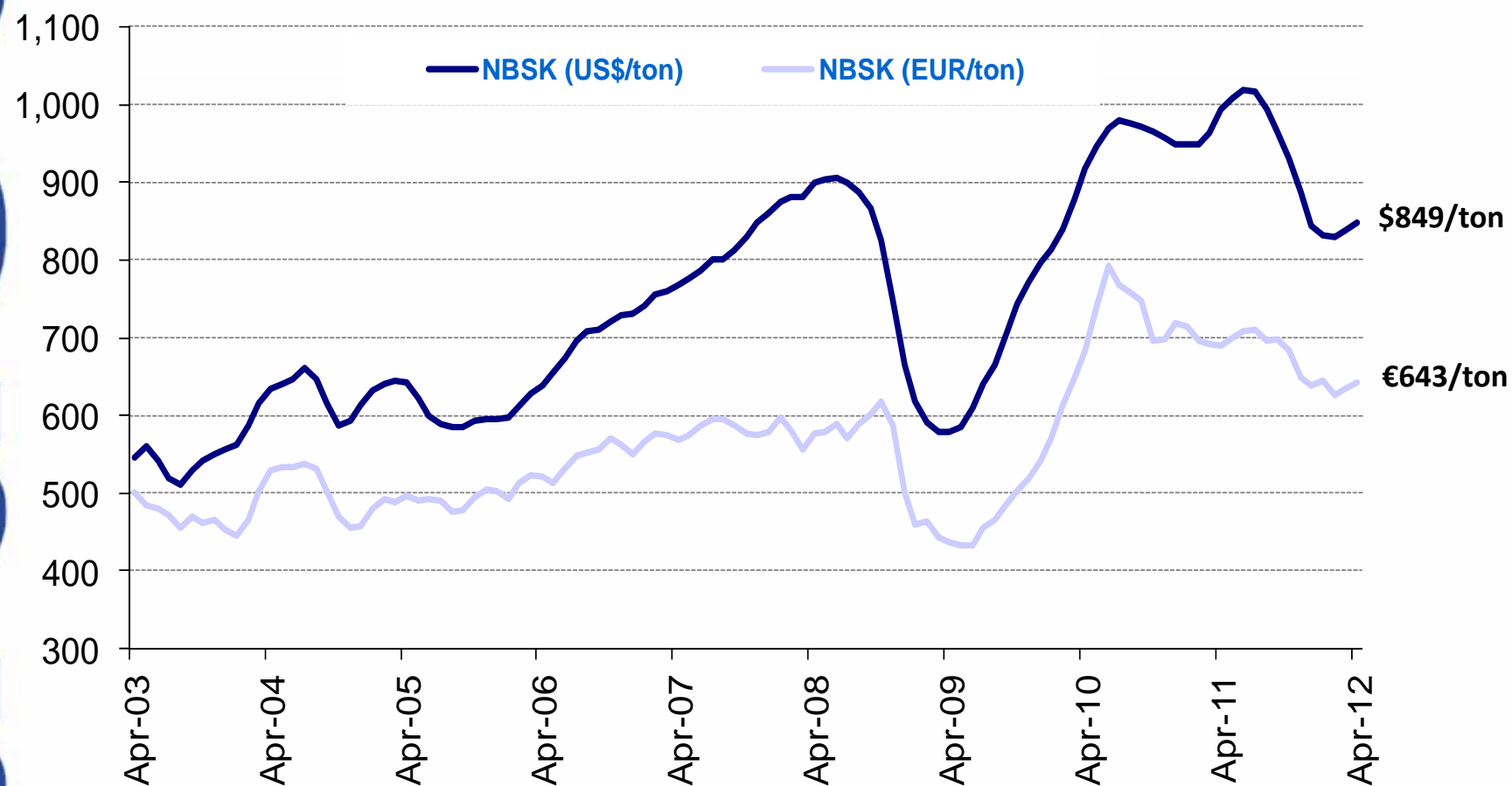
Sappi Fine Paper North America

	Q2 11	Q2 12	1H 11	1H 12
Tons Sold ('000)	349	341	713	680
Sales (\$'m)	372	349	754	701
Price / Ton (\$)	1,066	1,023	1,058	1,031
Cost / Ton* (\$)	951	953	969	981
Operating Profit ex items** (\$'m)	40	24	63	34

* 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 Q2 2012 results booklet (available on www.sappi.com) for a definition of special items.

NBSK Pulp Price*



- Pulp prices have turned upward

* Source: Average monthly FOEX delivered European prices

Sappi Southern Africa

	Q2 11	Q2 12	1H 11	1H 12
Tons Sold ('000)	414	418	866	818
Sales (\$'m)	414	379	861	747
Price / Ton (\$)	1,000	907	994	913
Price / Ton (ZAR)	6,996	7,028	6,907	7,236
Cost / Ton* (ZAR)	6,101	6,045	5,848	6,132
Operating Profit ex items** (\$'m)	53	53	132	114

* 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 Q2 2012 results booklet (available on www.sappi.com) for a definition of special items.

Cash Flow

	Q1 11	Q2 12	1H 11	1H 12
Cash generated from operations	222	214	467	409
- Movement in working capital	17	(24)	(318)	(190)
- Net finance costs paid	(91)	(37)	(154)	(101)
- Taxation paid	(12)	(5)	(14)	(10)
- Cash utilised in investing activities	(36)	(57)	(77)	(128)
Net cash generated (utilized)	100	91	(96)	(20)

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

	Q2 11	Q2 12	1H11	1H 12
EBITDA ex-items	228	217	474	411
Depreciation and amortization	(101)	(92)	(210)	(186)
Op. Profit excluding special items	127	125	264	225
Special items - (losses) gains	(128)	(5)	(144)	2
Plantation price fair value adj.	(3)	(7)	(14)	(4)
Net restructuring provisions	(63)	(1)	(66)	(1)
Profit on disposal of PP&E	-	4	-	9
Asset impairments	(69)	-	(69)	-
BEE Charge	(1)	(1)	(2)	(2)
Insurance recoveries	11	-	11	-
Fire, flood, storm and related events	(3)	-	(4)	-
Operating profit (loss)	(1)	120	120	227
Net finance costs	(68)	(51)	(139)	(105)
Profit (loss) before taxation	(69)	69	(19)	122
Taxation	(5)	(11)	(18)	(19)
Profit (loss) for the period	(74)	58	(37)	103

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