

sappi

1st Quarter 2011
Results Presentation

9 February 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. 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 impact of the global economic downturn,
- 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, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed,
- changing regulatory requirements, possible early termination of alternative fuel tax credits, unanticipated production disruptions (including as a result of planned or unexpected power outages), 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. 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

1st Quarter* 2011 Summary

- EPS 7 US cents; Q1 2010 loss per share 10 US cents
- Operating Profit US\$137 million (ex special items);
Q1 2010: US\$81 million (ex special items)
- Improved demand and pricing for the majority of our products

*14 week quarter

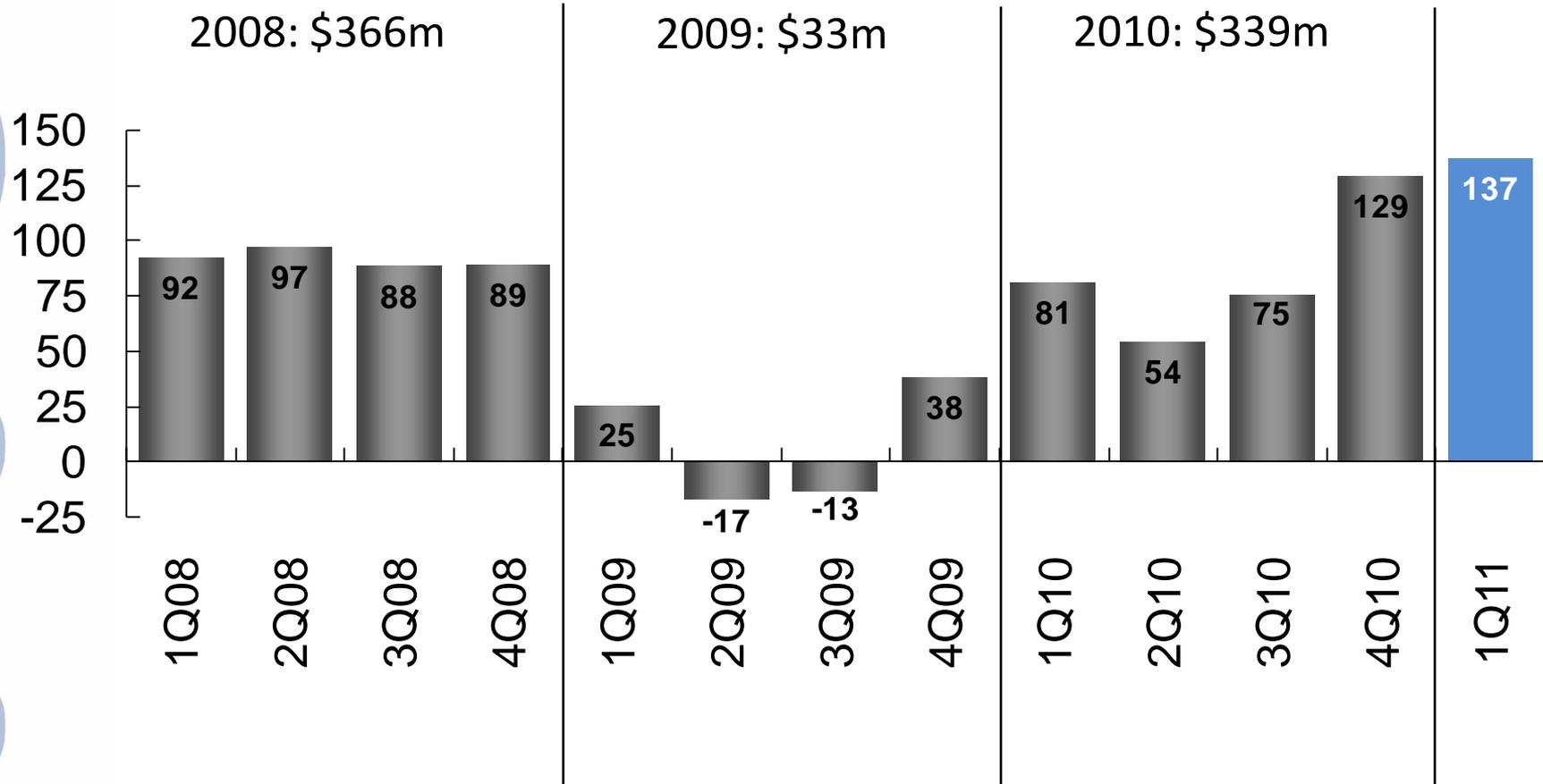
Group Financial Summary

	Q1 10	Q4 10	Q1 11	YoY
<u>Key figures: (US\$ million)</u>				
Tons Sold ('000)	1 884	2 095	2 022	↑
Sales	1 620	1 774	1 873	↑
EBITDA ex special items*	193	227	246	↑
Operating Profit ex special items	81	129	137	↑
Basic (Loss) EPS (US cents)	(10)	16	7	↑
<u>Key ratios: (%)</u>				
Operating profit ex-items to sales	5.0	7.3	7.3	↑
Operating profit ex-items to capital employed	7.5	12.6	12.8	↑
Net Debt to total capitalisation	60.0	53.9	54.7	↓

*Refer to the supplementary information in this presentation for a reconciliation of operating profit excluding special items to reported operating profit and page 16 in our Q1 2011 results booklet (available on www.sappi.com) for a definition and list of special items.

Operating Profit excluding special items *

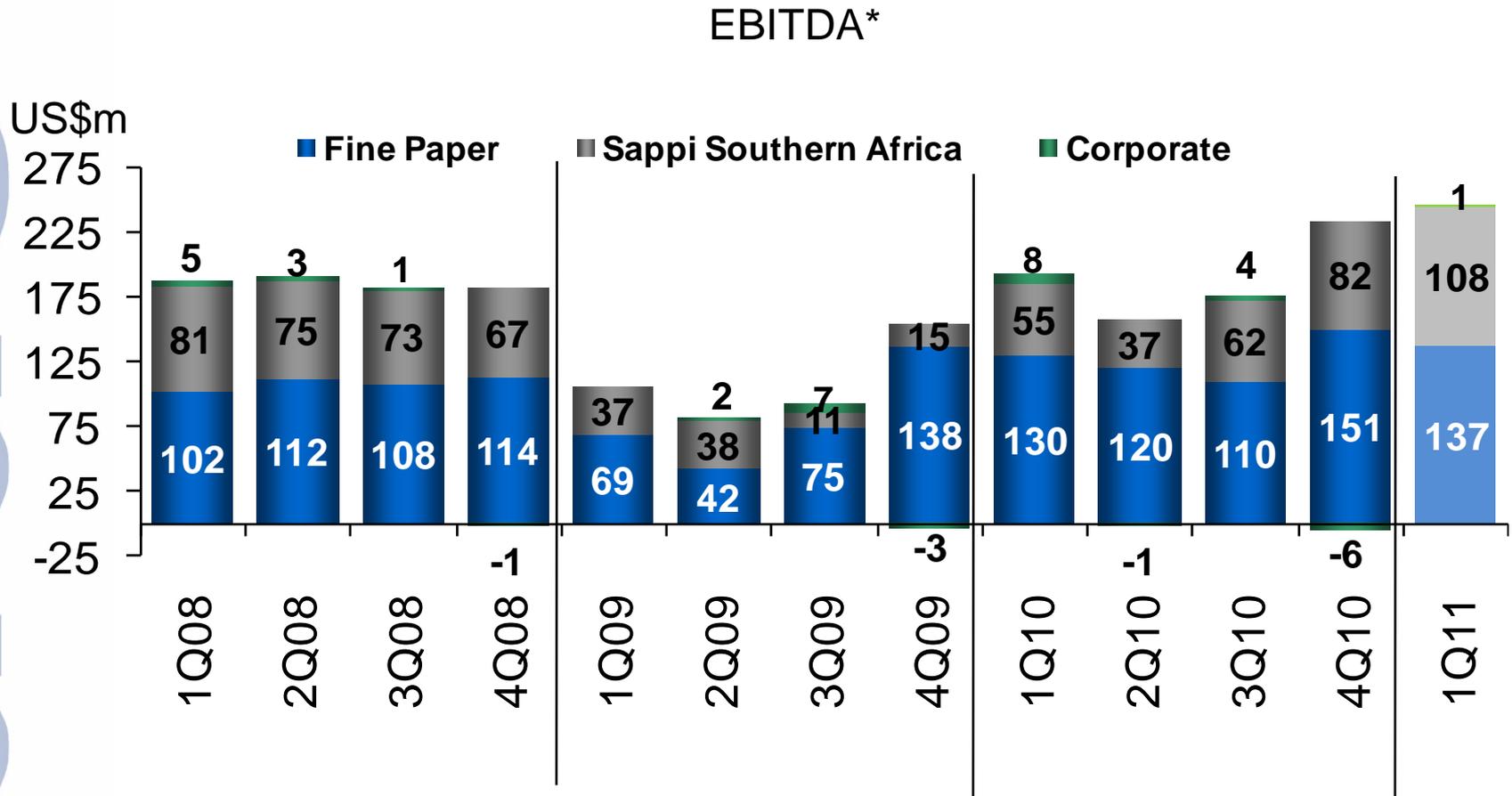
Two consecutive quarters of record operating profit



*Refer to the supplementary information in this presentation for a reconciliation to reported operating profit and page 16 in our Q1 2011 results booklet for a definition of special items.

Divisional Contribution Trend

All areas contributing to improved performance

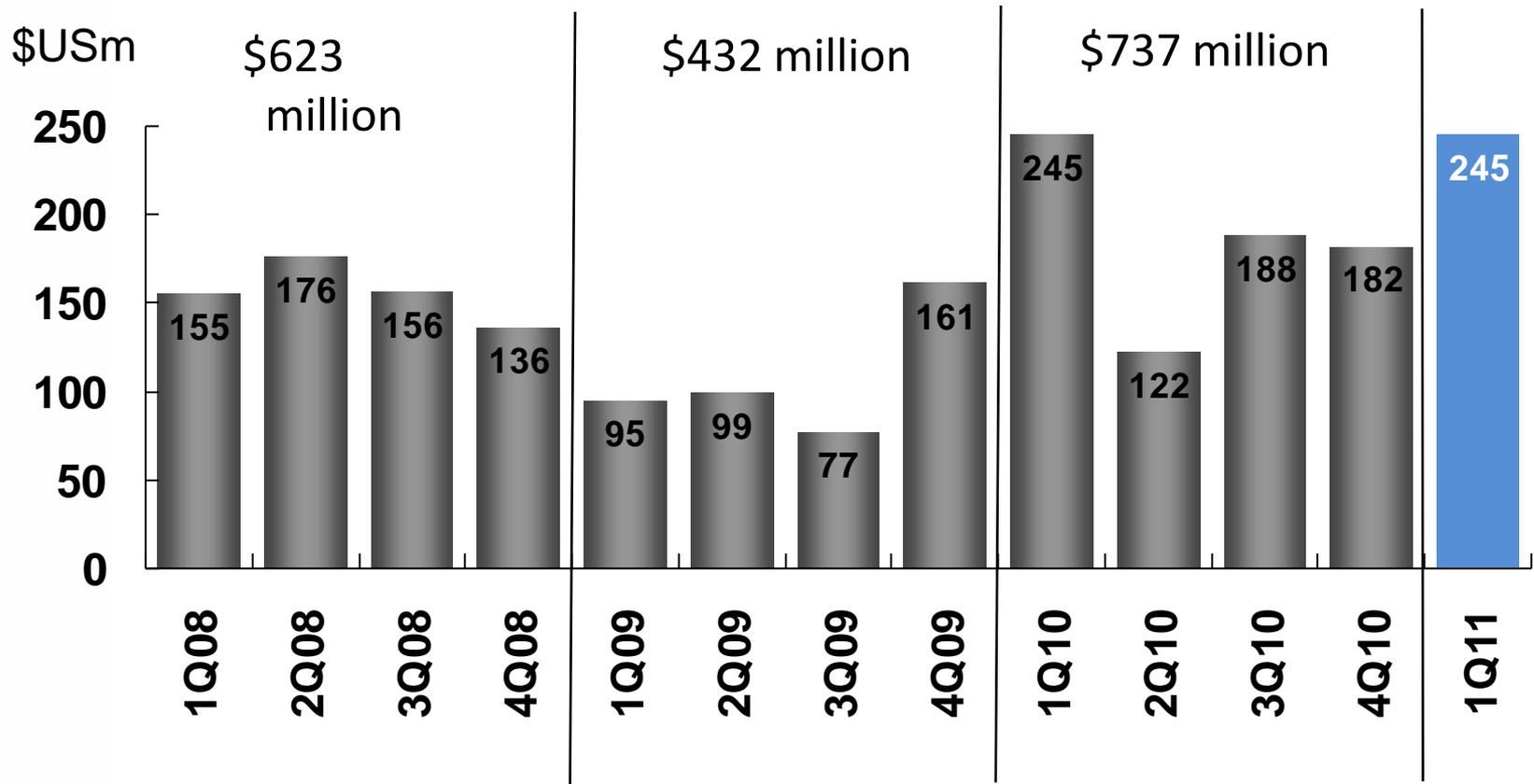


*EBITDA as shown above excludes special items. Refer to page 16 in our Q1 2011 results announcement booklet for a definition of special items.

Cash Generated from Operations

Good cash generation ability

- Net cash negatively impacted by seasonal and technical effects



Net Debt

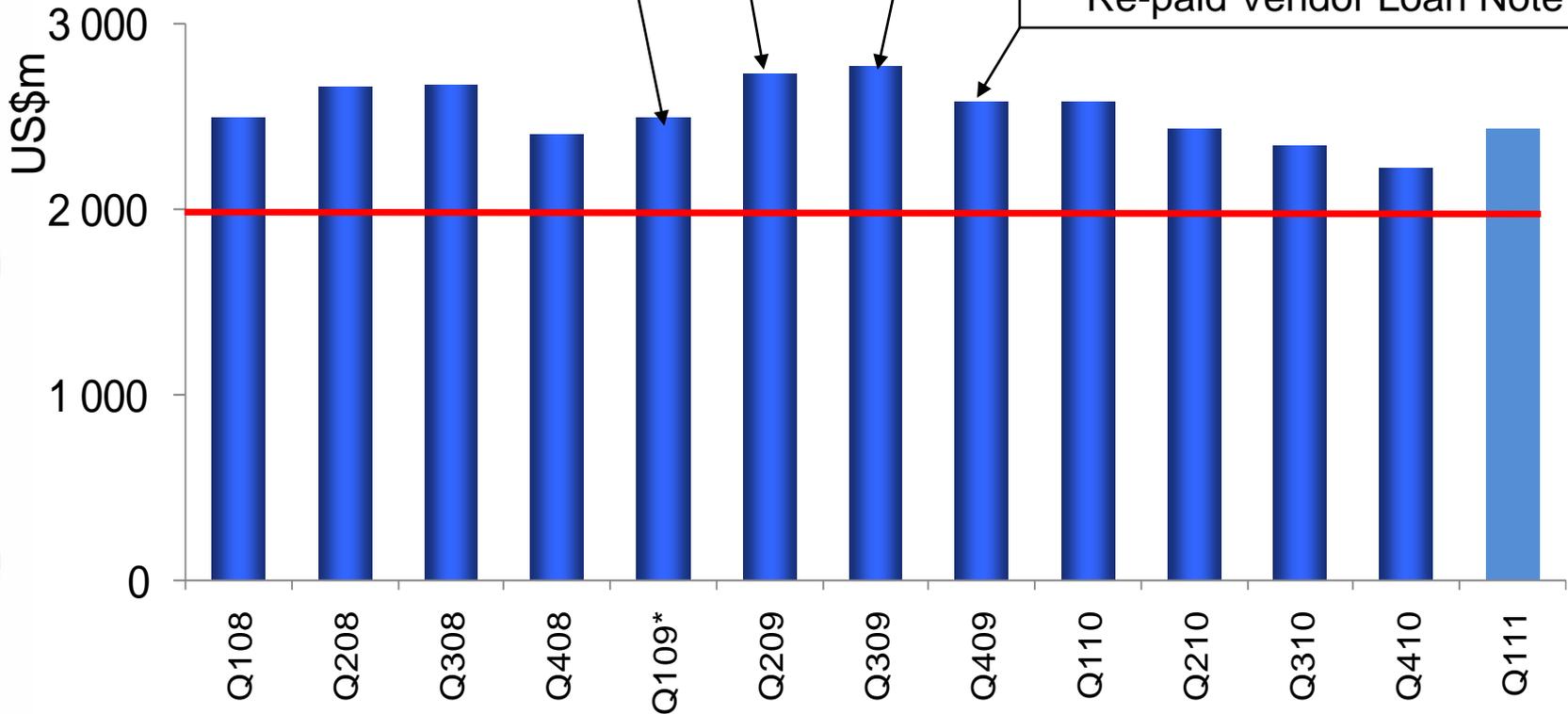
Debt reduction remains a focus

European Acquisition completed

Announced target to reduce net debt to approximately US\$2B by 2012

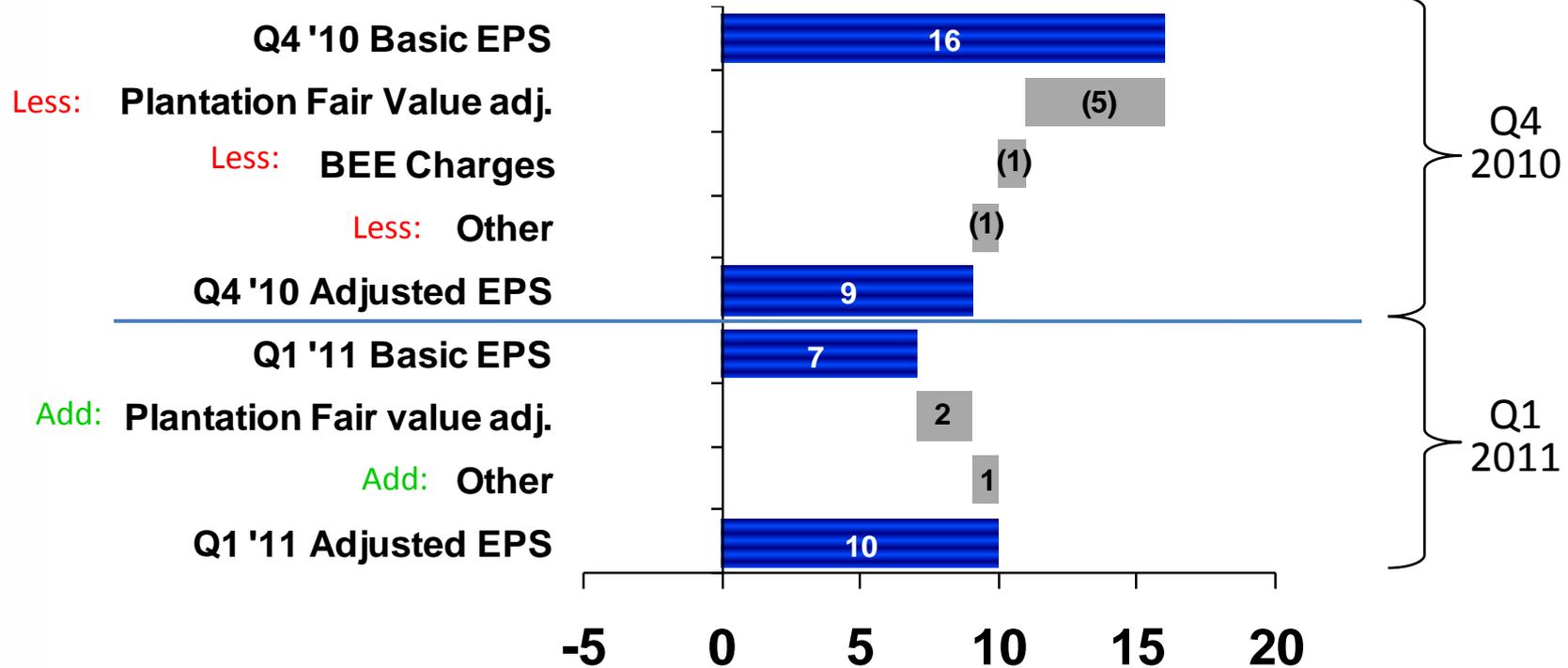
Rights Offer to finance European Acquisition

Refinancing Completed: Re-paid Vendor Loan Note

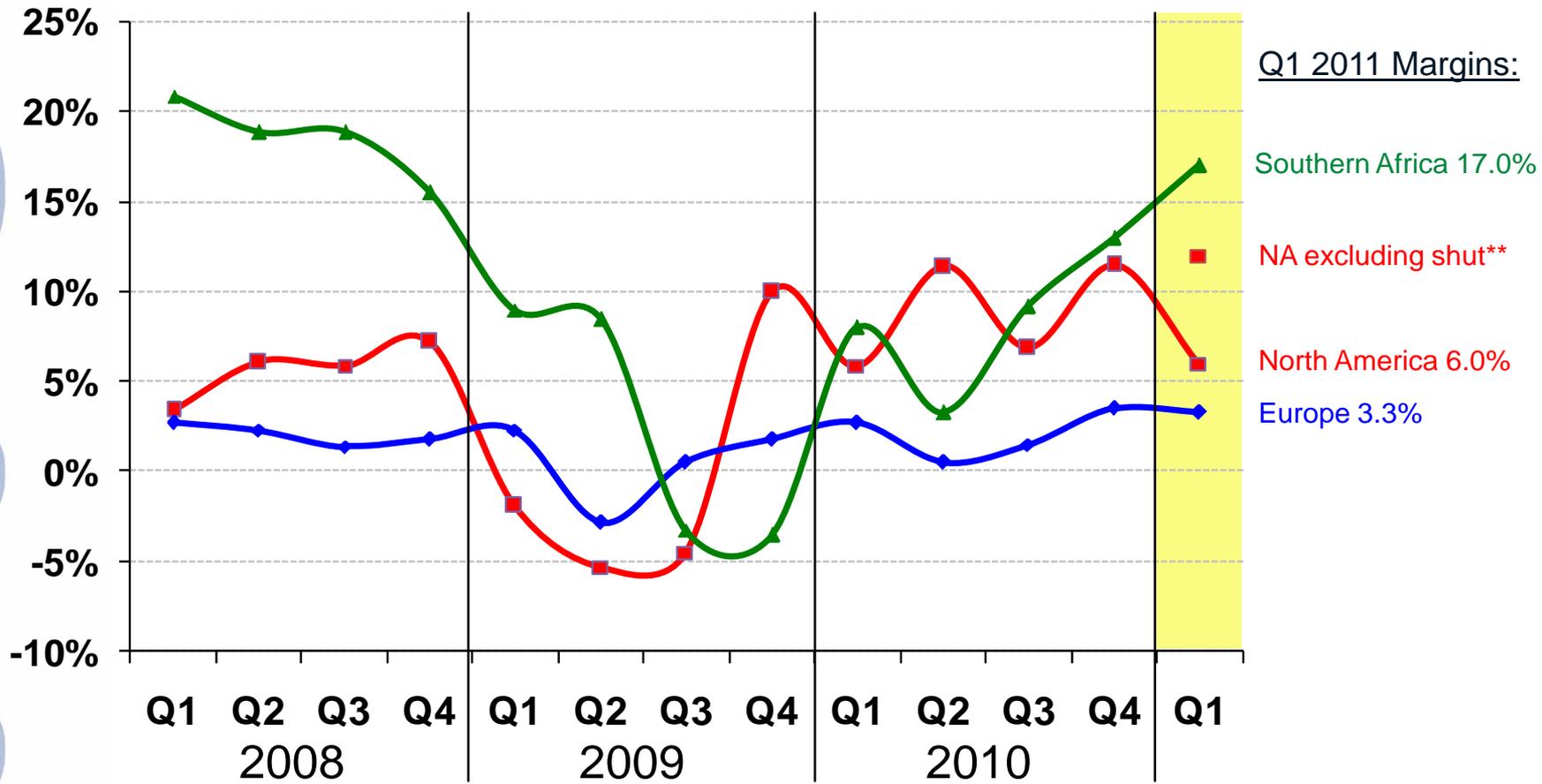


* Cash proceeds of US\$536m for European Acquisition from rights offer not offset against debt

Earnings Versus Prior Quarter



Divisional Operating Margins *



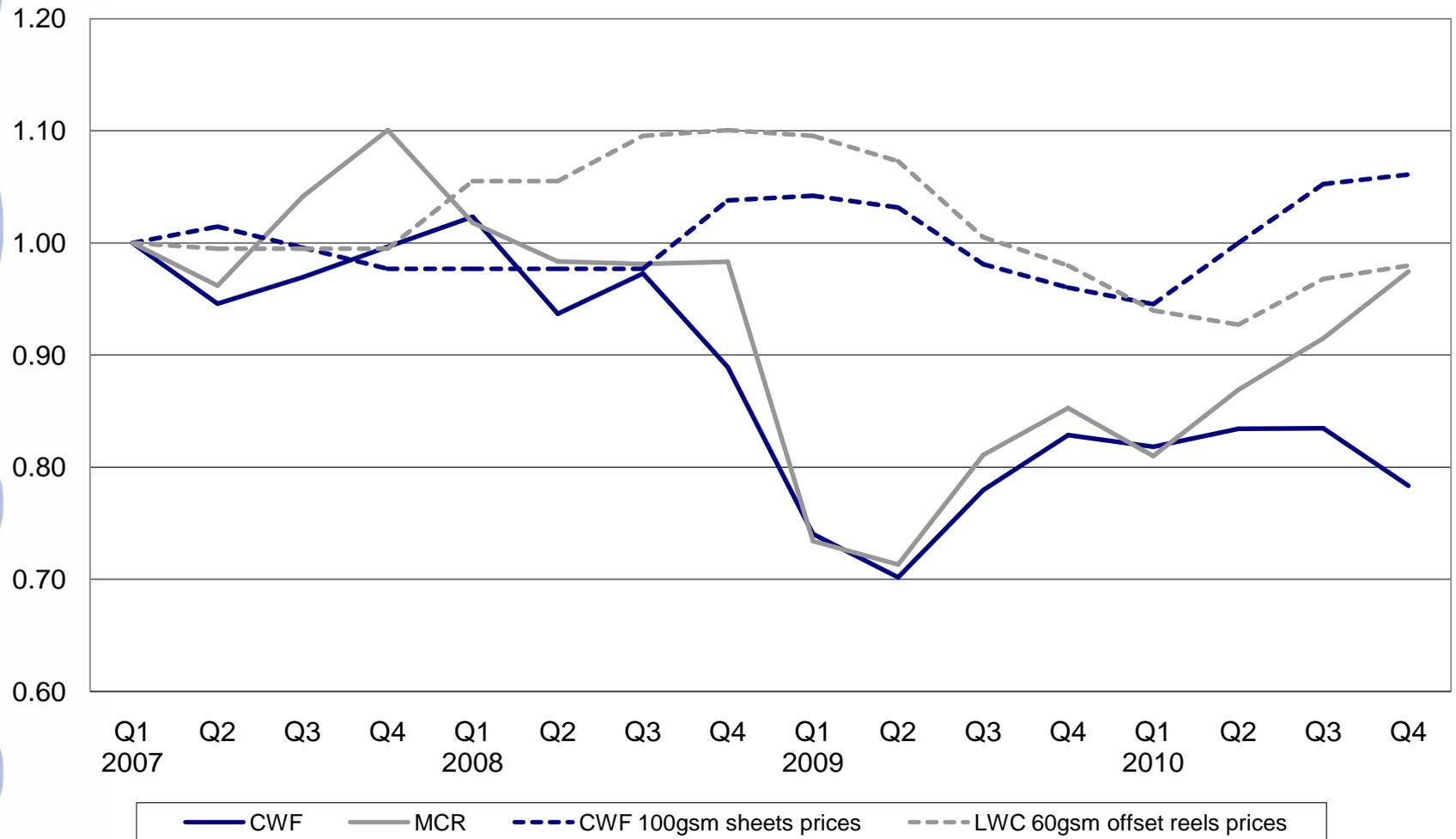
*The divisional operating margins exclude special items. Refer to page 16 in our Q1 2011 results announcement booklet for a definition of special items.

** Excludes the investment shut and the impact of the extra week in the quarter

Divisional Overview

Europe

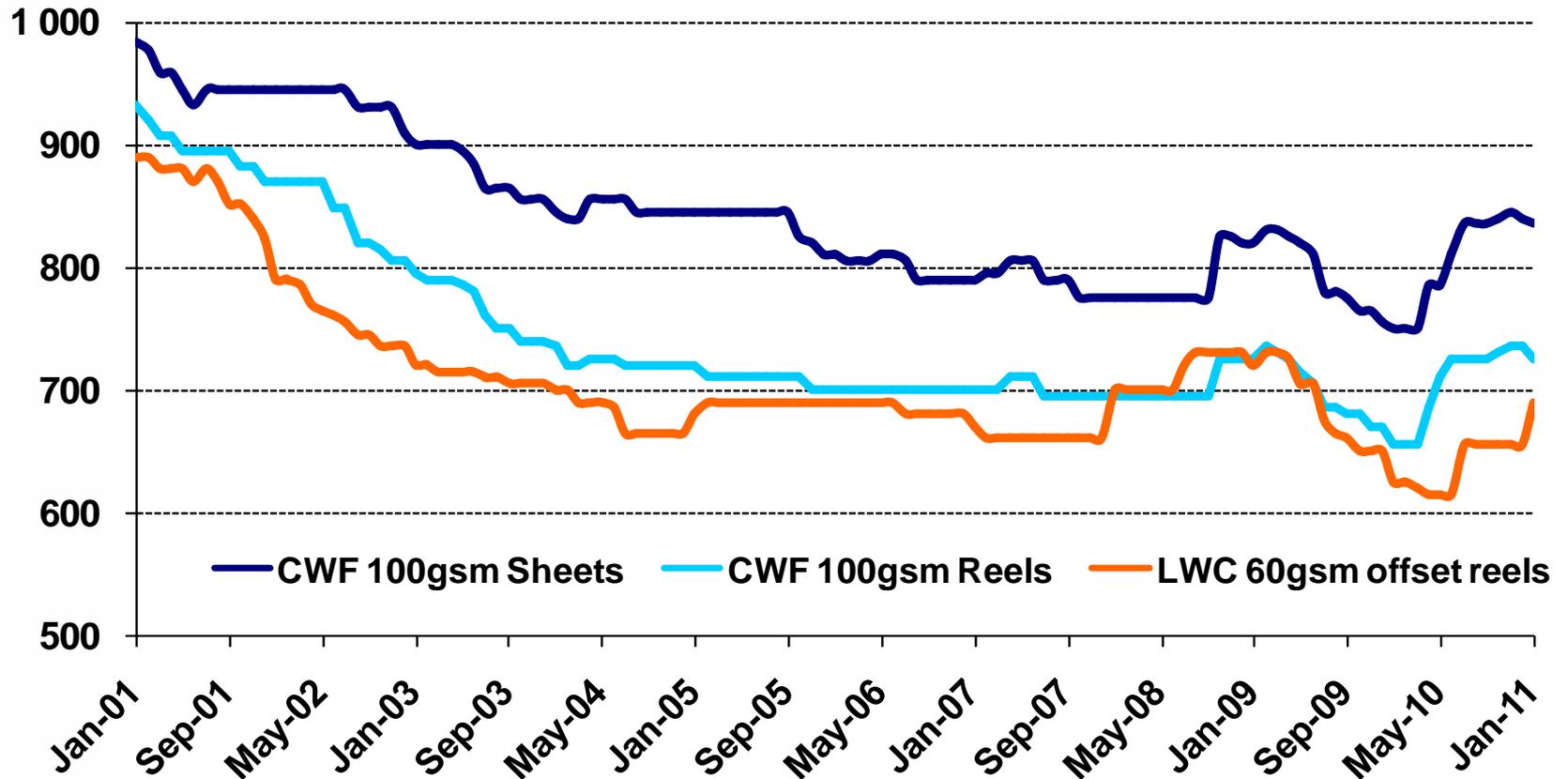
W. Europe Coated Paper Deliveries & Prices



Western Europe Shipments Incl. Export – Source Cepifine, Cepiprint and RISI

European Coated Paper Prices

Germany (€/ton)



Source: RISI

Sappi Fine Paper Europe

	Q1 10	Q4 10	Q1 11	YoY
Tons Sold ('000)	944	994	1,012	↑
Sales (\$'m)	936	963	1,027	↑
Price / Ton (\$)	992	969	1,015	↑
Price / Ton (€)	673	753	751	↑
Cost / Ton* (€)	655	726	726	↑
Operating profit ex items** (\$'m)	25	34	34	↑

- Significant improvement in volumes and average prices realized
- Input cost pressure from pulp and chemicals continues to drag on earnings
- Export markets were competitive
- Healthy demand for both coated grades, price realization should continue

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

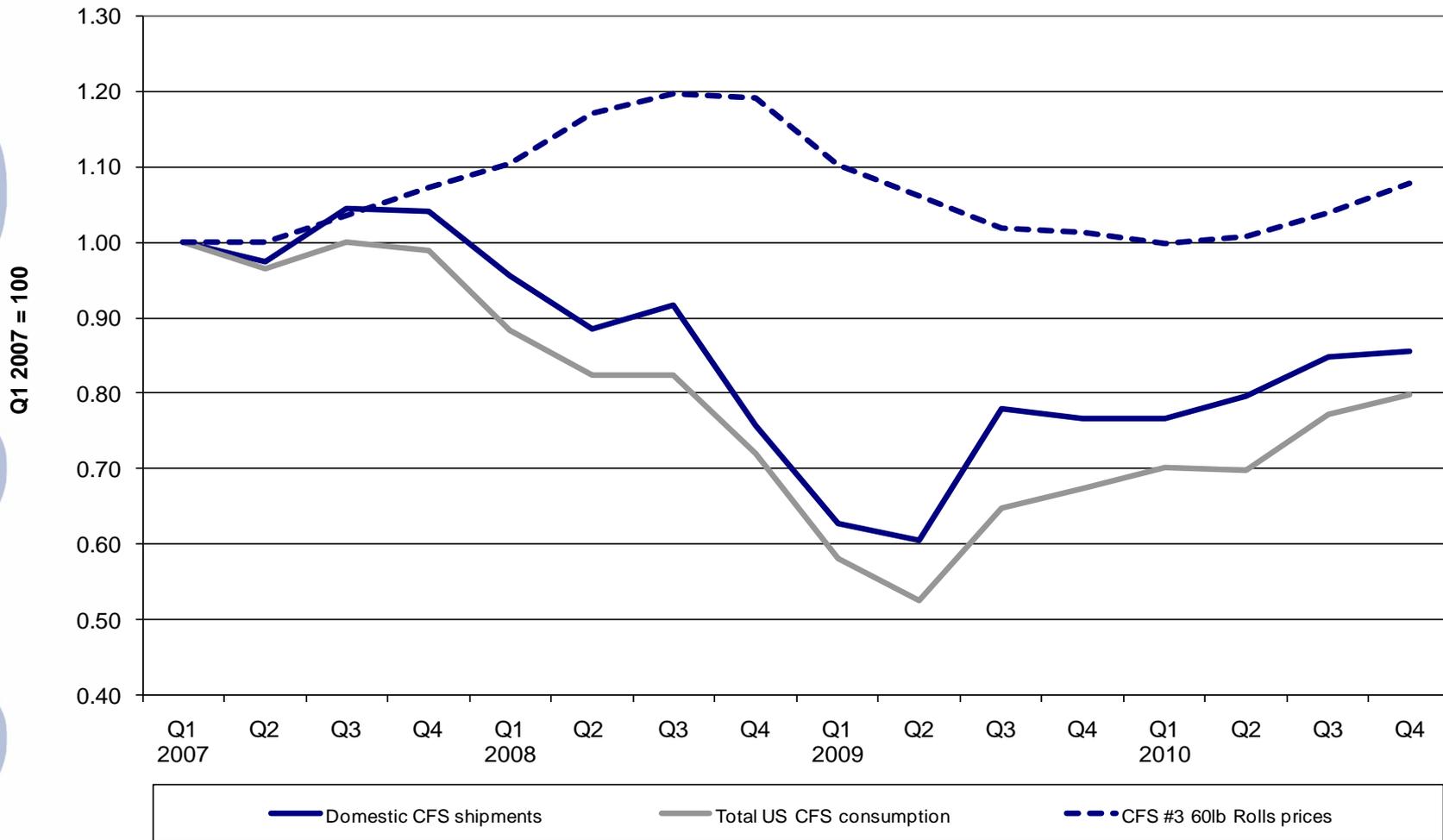
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Divisional Overview

North America

US Coated Paper Prices and Shipments

Continued recovery in demand

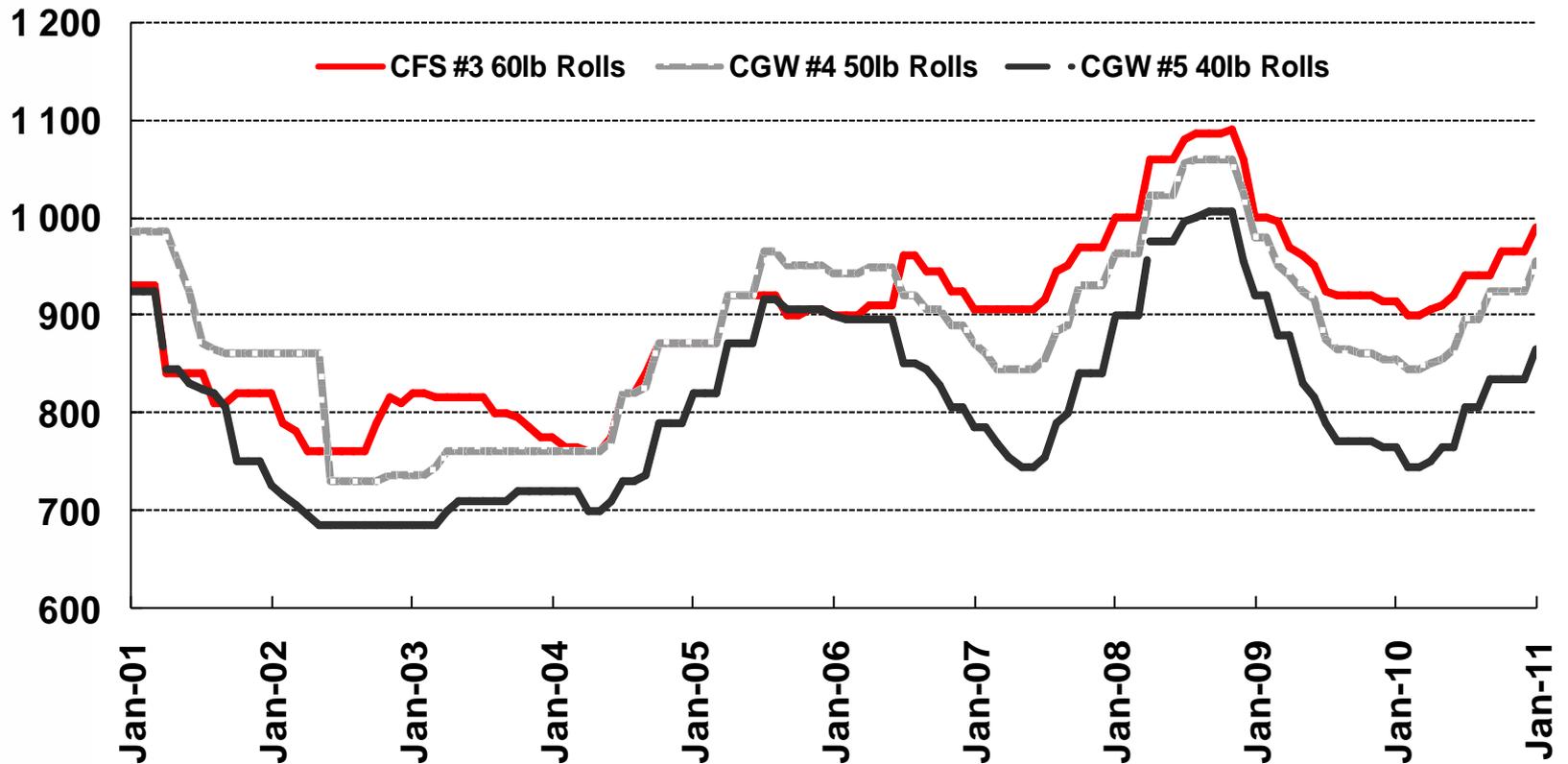


US Industry Shipments and total US consumption – Source AF&PA and RISI

US Coated Paper Prices

Coated paper prices are slowly rising

(US\$/ton)



Source: RISI

Sappi Fine Paper North America

	Q1 10	Q4 10	Q1 11	YoY
Tons Sold ('000)	322	352	364	↑
Sales (\$'m)	320	364	382	↑
Price / Ton (\$)	994	1,034	1,049	↑
Cost / Ton* (\$)	935	915	986	↑
Operating Profit ex items** (\$'m)	19	42	23	↑

- Operating profit ex-items up 21% from Q1 2010
- Higher price realization from coated paper sales & specialty business
- Strong underlying performance, Somerset fully operational, delivering lower energy costs and increased pulp production.

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

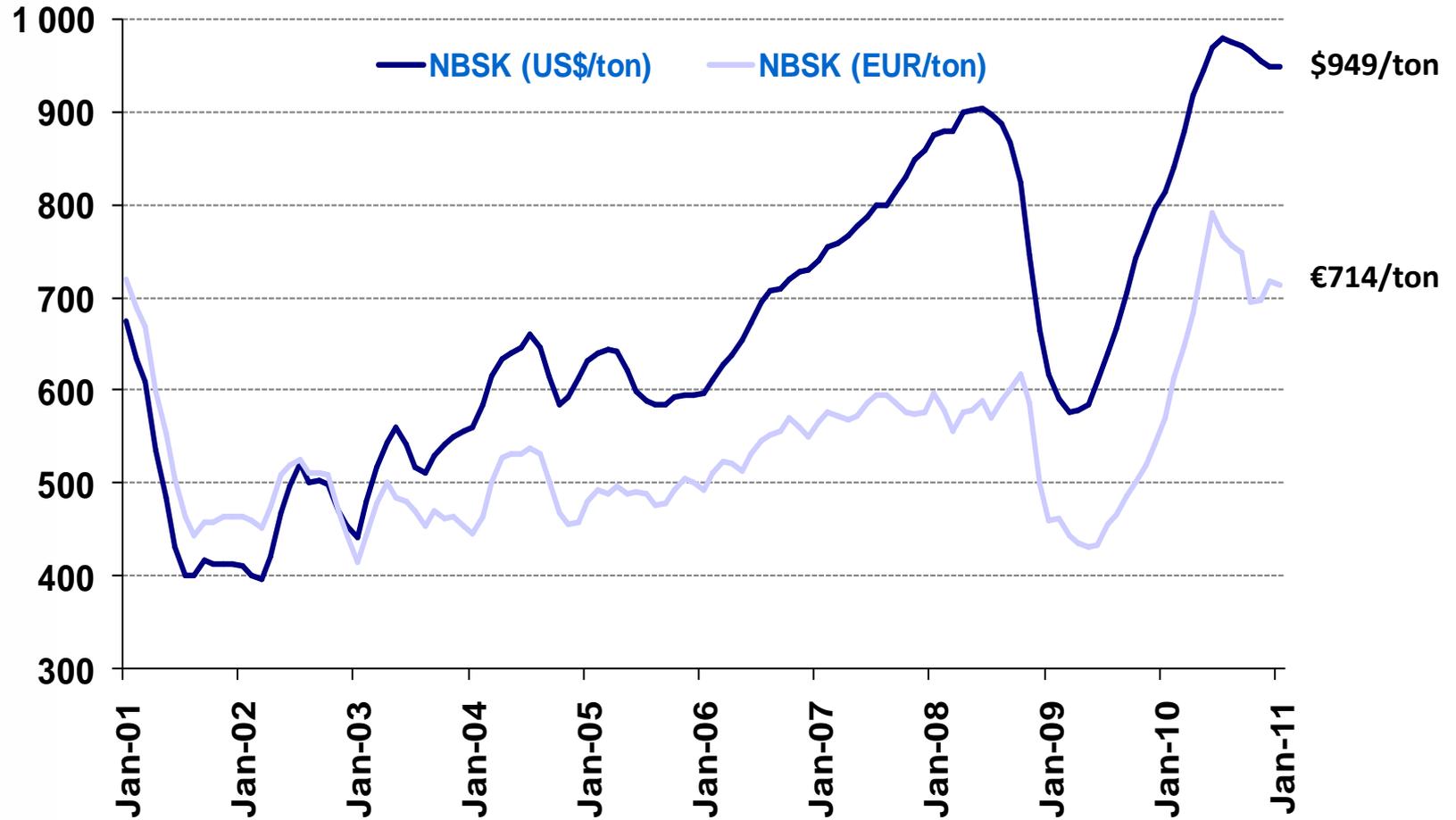
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Divisional Overview

Southern Africa

NBSK Pulp Price*

Pulp prices remain high



* Source: Average monthly FOEX delivered European prices

Sappi Southern Africa

	Q1 10	Q4 10	Q1 11	YoY
Tons Sold - Pulp & Paper ('000)	450	460	452	↑
Sales - Pulp & Paper (\$'m)	350	426	447	↑
Price / Ton - Pulp & Paper (\$)	778	926	989	↑
Price / Ton - Pulp & Paper (ZAR)	5,834	6,808	6,870	↑
Cost / Ton* - Pulp & Paper (ZAR)	5,351	5,881	5,655	↑
Operating Profit ex items** (\$'m)	29	58	79	↑

- Performance improved further during the quarter
- Higher sales volumes and prices for our chemical cellulose business – demand remains strong for viscose fibers, especially in Asia
- Strong demand for packaging grades, weaker demand for fine papers.
- Low-priced imports squeezed margins in some business segments.

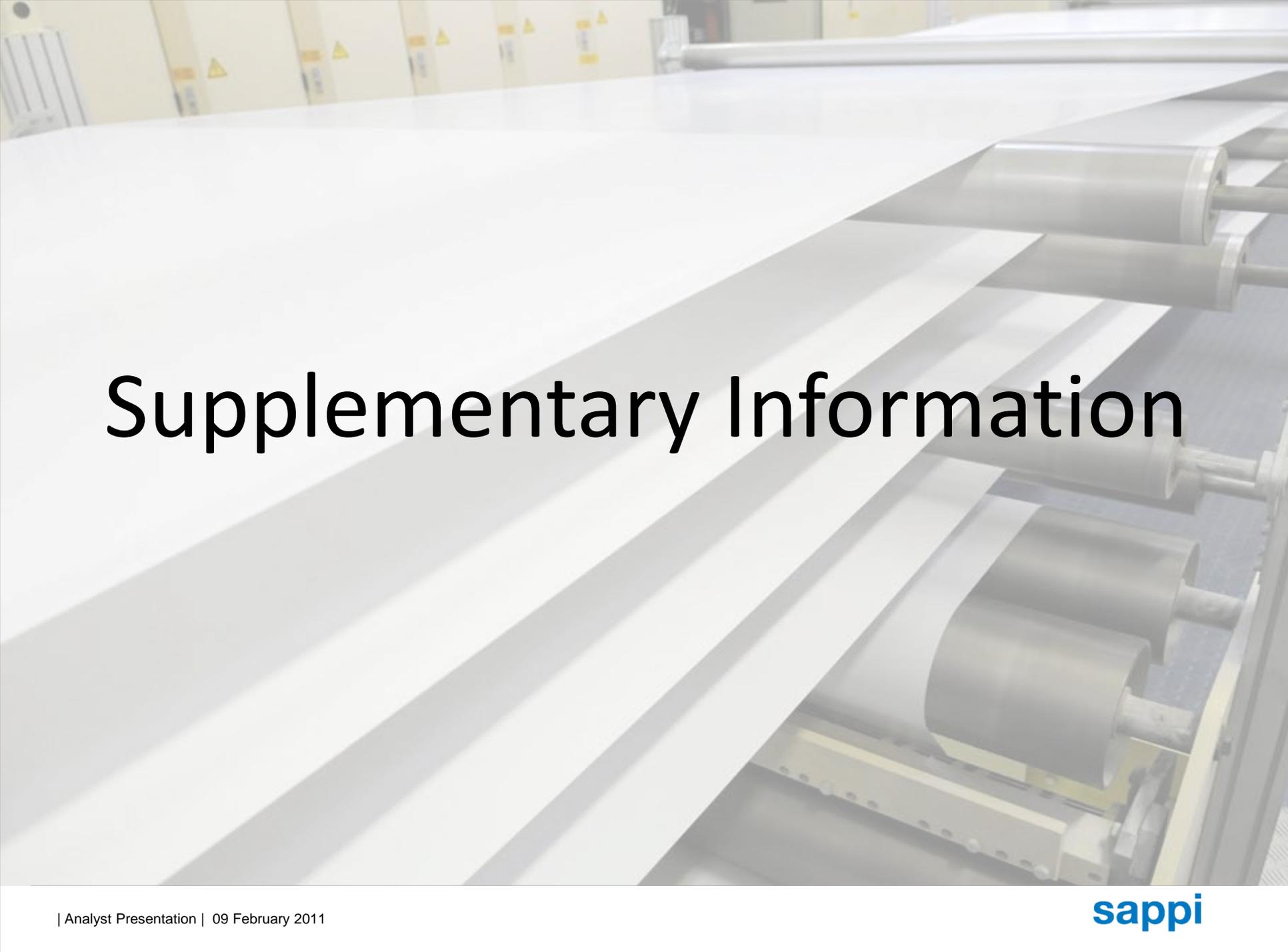
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Outlook

- We're more confident in the sustainable profitability trend of the business.
- Chemical cellulose business continues to outperform our other business lines – we intend to accelerate our plans to invest in more capacity
- Cost pressures as commodity prices rise
- We intend to reduce net debt this year
- We aim to reduce finance costs by applying cash toward debt
 - Today announce tender offer of \$150m of June 2012 bonds
- Second quarter operating profit ex special items to continue improving trend relative to prior year, but to be below that of the 1st financial quarter

Q&A

A photograph of a paper mill. A large, white sheet of paper is being processed by machinery. The machinery consists of several large, cylindrical rollers and a complex frame. The paper is moving from the top left towards the bottom right. The background shows more of the mill's infrastructure, including pipes and structural elements.

Supplementary Information

Cash Flow

US\$ million

	Q1 10	Q4 10	Q1 11
Cash generated from operations	245	182	245
- Movement in working capital	(170)	181	(335)
- Net finance costs paid	(64)	(66)	(63)
- Taxation paid	(4)	(1)	(2)
- Dividends paid	-	-	-
- Cash utilised in investing activities	(37)	(58)	(41)
Cash flow after investing activities	(30)	238	(196)

Operating Profit - Sappi Group

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

US\$ million	Q1 10	Q4 10	Q1 11
Operating profit as reported	1	158	121
Plantation price fair value (gain) loss	95	(29)	11
Profit on the sale of assets	1	(6)	-
Restructuring provision released	38	-	3
Asset impairment (reversal)	(8)	2	-
Alternative fuel tax credit	(49)	-	-
Assets written off	1	1	-
BEE Charge	-	-	1
Fire, flood and related events	2	3	1
Operating profit excluding special items	81	129	137

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