



sappi

Q1 2012
Results Presentation

8 Feb 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.

The background of the slide is a grayscale photograph showing several large rolls of paper or cardboard stacked together. The rolls are curved, creating a sense of depth and repetition. The lighting is soft, highlighting the texture of the material.

Summary

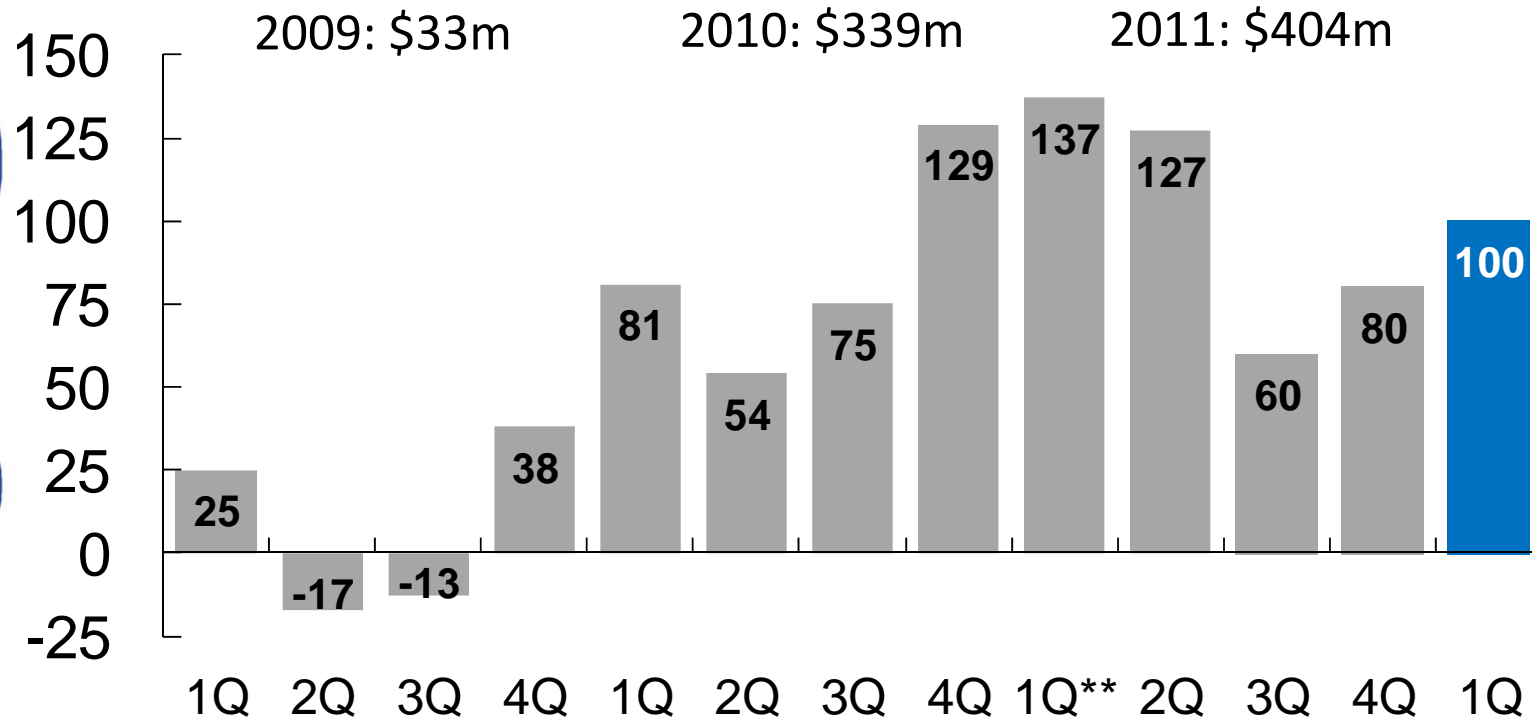
Q1 2012 Summary

- Profit for the period US\$45m; Q1 2011 US\$37m
 - Clean results with few special items
- EPS 9 US cents; Q1 2011 7 US cents
- Sales down, margins up sequentially
- Operating profit excluding special items US\$100m; Q1 2011 US\$137m
- Net debt US\$2,175m, up US\$75 million on seasonal working capital increase – remains within targeted range

Q1 2012 Summary

- European business performance benefits from restructuring and cost reduction actions – US\$100m per annum cost reductions on track
- South African chemical cellulose business performed strongly – achieved highest quarterly profit margin in 3 years
- North America negatively affected by pulp prices and technical issues at Somerset

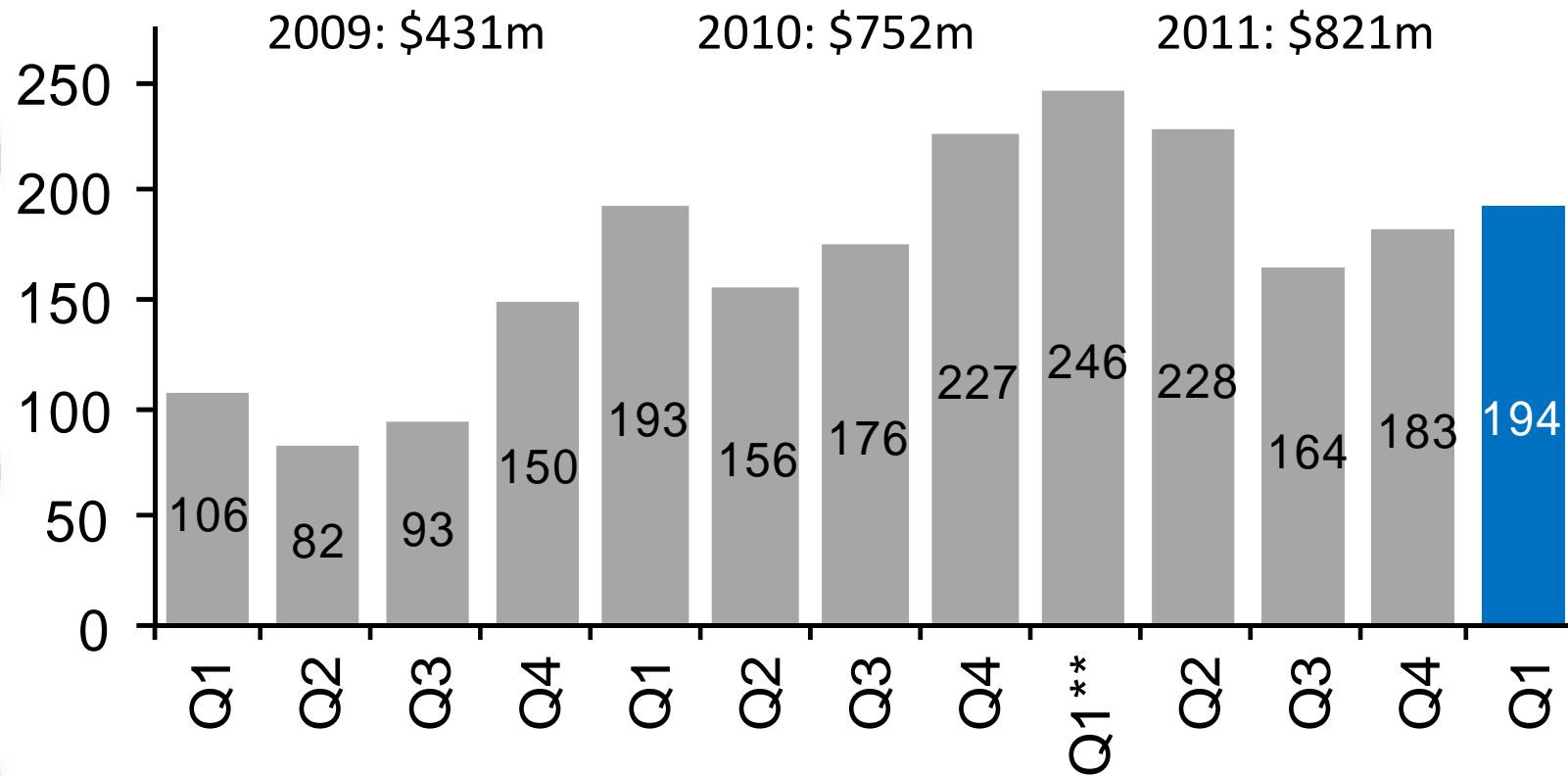
Operating Profit excluding special items*



*Refer to the supplementary information in this presentation for a reconciliation to reported operating profit and page 16 in our Q1 2012 results booklet for a definition of special items.

**Q1 2011 included an extra week

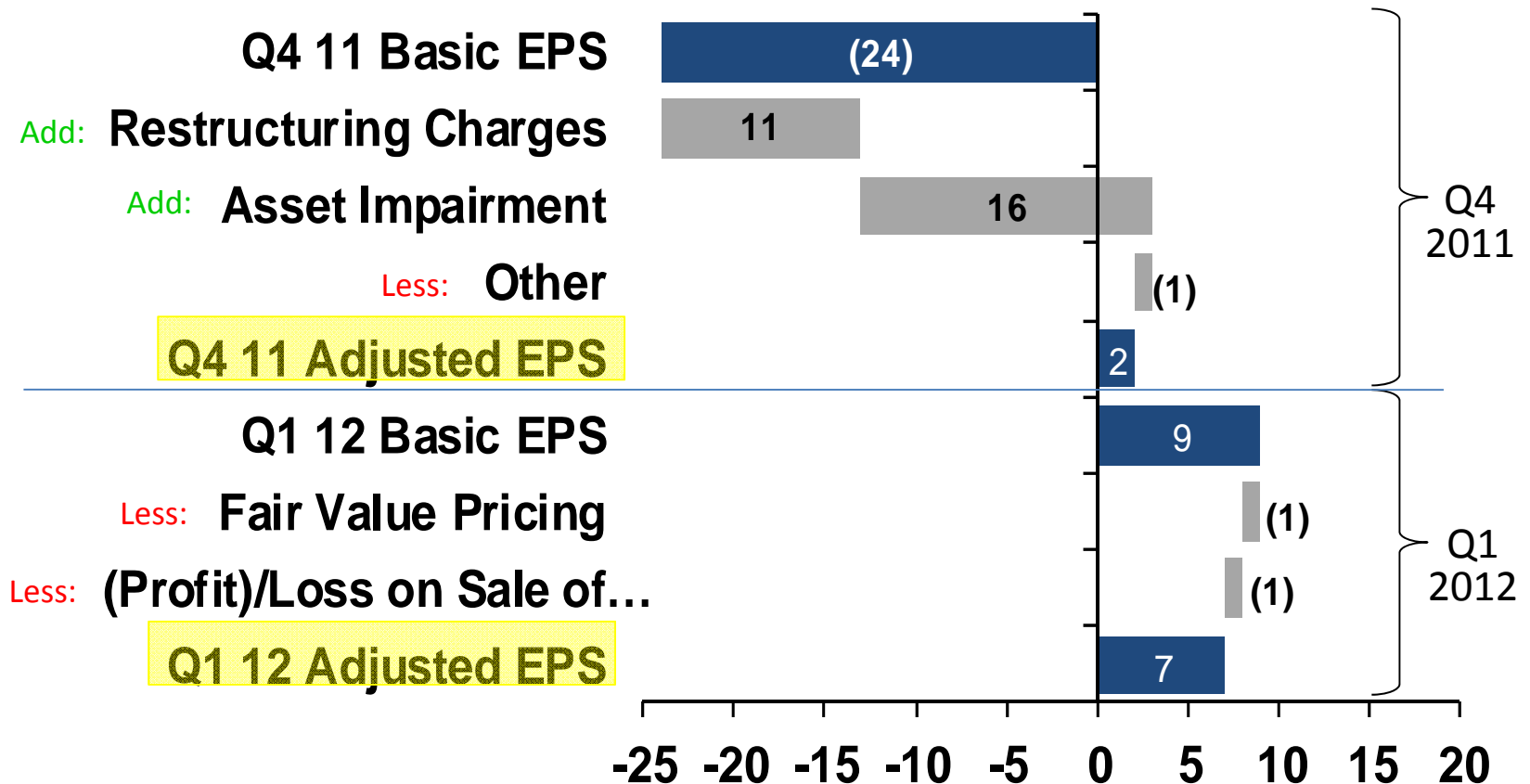
EBITDA* Trend



*EBITDA as shown above excludes special items. Refer to page 16 in our Q1 2012 results announcement booklet for a definition of special items.

**Q1 2011 included extra week

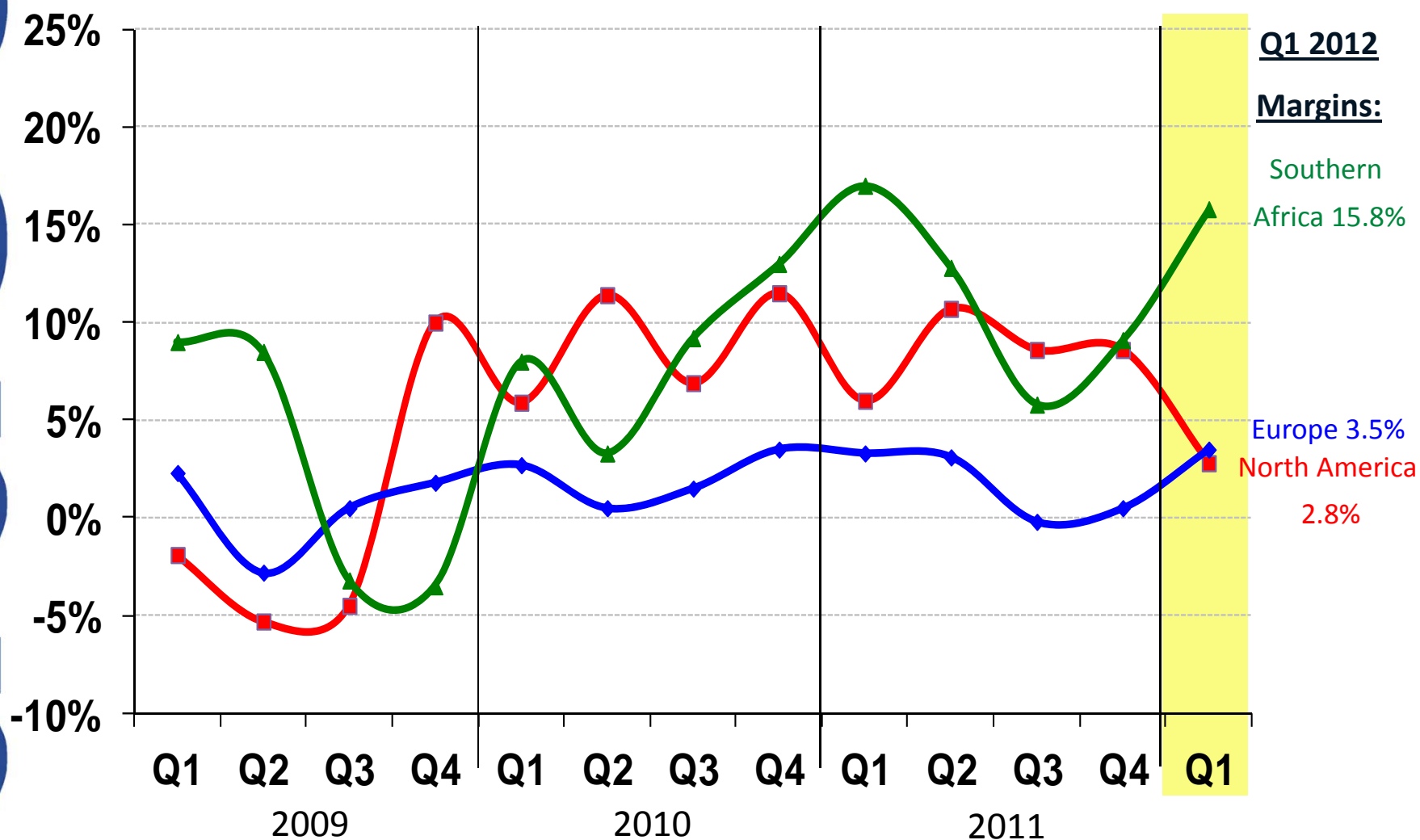
Earnings Versus Prior Quarter



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Divisional Overviews

Divisional Operating Margins*



*The divisional operating margins exclude special items. Refer to page 16 in our Q1 2012 results announcement booklet for a definition of special items.

Sappi Fine Paper Europe

Q1 2012 v Q1 2011

Volumes ↓
Prices ↓
Costs ↓
Op. Profit ex-items ↓

- Benefits of restructuring and cost reduction efforts exceeded expectations
- Operating rates were reasonable given Biberist and Äänekoski shuts
- Prices realised for CWF paper were 4% lower YoY
- Prices realised for CM paper up 5% YoY, but flat sequentially

Sappi Fine Paper North America

Q1 2012 v Q1 2011

Volumes



Prices



Costs



Op Profit ex-items



- Coated paper business performed in line with expectations
- realised prices for coated paper were 3% higher YoY
- Lower market pulp prices and both planned and unplanned production interruptions negatively impacted the performance of the business
- Casting release business underperformed mainly as a result of lower demand in China during the quarter

Sappi Southern Africa

Q1 2012 v Q1 2011

Paper

Volumes 

Prices 

Costs 

Op. Profit ex-items 

Chemical Cellulose

Volumes 

Prices 

Costs 

Op. Profit ex-items 

- Chemical cellulose business earned almost all of the operating profit ex-special items for the quarter – timing of shipments led to YoY volume drop
- Prices for chemical cellulose declined in US dollar terms, but offset by weakening ZAR exchange rate
- Paper business proceeding with restructuring consultations including:
 - closing pulp mill at Enstra (105ktpa)
 - closing kraft pulp mill at Tugela (220ktpa)
 - closing kraft paper machine at Tugela (10ktpa)
- Benefits (\$30m/year) expected from 2H F2012

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Strategic Focus

Strategic Focus

4 Key Elements

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



Sustainably be the most profitable company in pulp, paper and cellulose based solutions & create value for our shareholders



Strategic Focus

Optimize Performance

- **North America**

- Coated paper business performed well
- Decline in pulp prices and some operational issues affected results
- Weak quarter for release business but signs of a recovery

- **Chemical Cellulose**

- Continued strong order book
- Strong customer relationships – long-term, growing, secure commitments

Strategic Focus

Fixing Underperforming Businesses

- **Fine Paper Europe**

- Managing capacity – reasonable operating rates post Biberist and Äänekoski closures
- Solid performance on costs - US\$100 million per annum related to Biberist shut and other fixed and variable cost savings initiatives

- **South Africa Paper**

- Restructuring underway – functional restructuring complete
- Consultation on operational restructuring nearly complete
- Savings and benefits expected to total US\$30 million per annum once complete



Strategic Focus

Investing in Future Growth

- **Chemical Cellulose Expansion**

- Ngodwana and Cloquet on track for 1H 2013 start-up
- Strong customer commitments
- Low cost base

- **Specialities**

- North America – Release Paper
- Europe – Packaging

- **Forestry Resource**

- Focus on lowering average cost of wood

- **Synergistic Energy Projects**



Strategic Focus

Balance Sheet and Liquidity

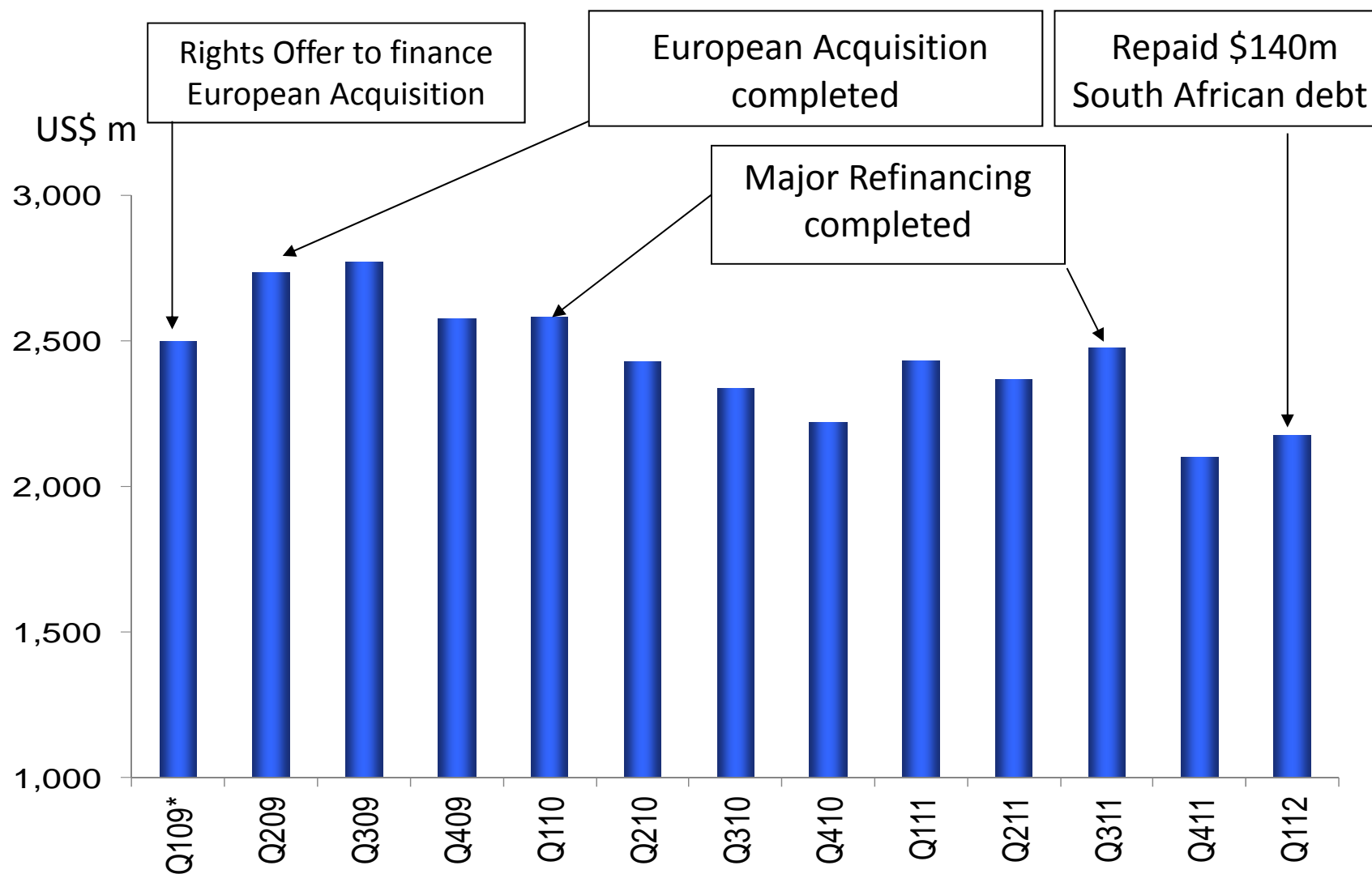
- **Net Debt**

- Debt reduction remains a focus
- Aim to reduce to below \$2bn post completion of Ngodwana and Cloquet projects
- Thereafter reduce gearing to new order of magnitude

- **Maturity profile**

- Much improved profile – no major debt pre July 2014
- Refinance 2014 bonds in order to reduce finance cost when it makes economic sense

Net Debt Development



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

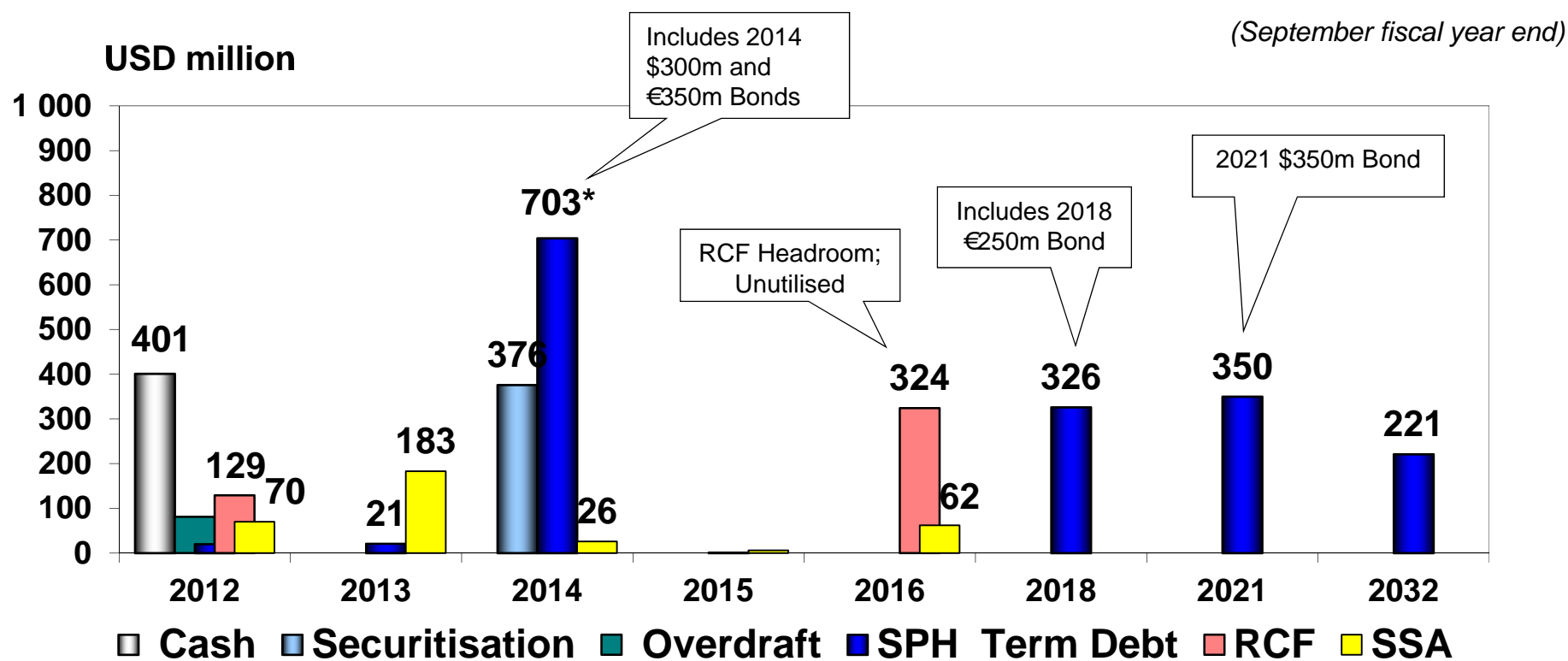
Debt maturity profile

Strong liquidity and maturity profile

Cash on hand: US\$401 million

RCF US\$324 million – undrawn

As at December 2012



Note: Based on Sappi quarter end reported exchange rates of US\$/€ \$1:€1.2948 and US\$/ZAR \$1:ZAR 8.0862

* Net of \$50m unamortised IFRS adjustments relating mainly to upfront costs and discounts on the 2014 bonds

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Outlook

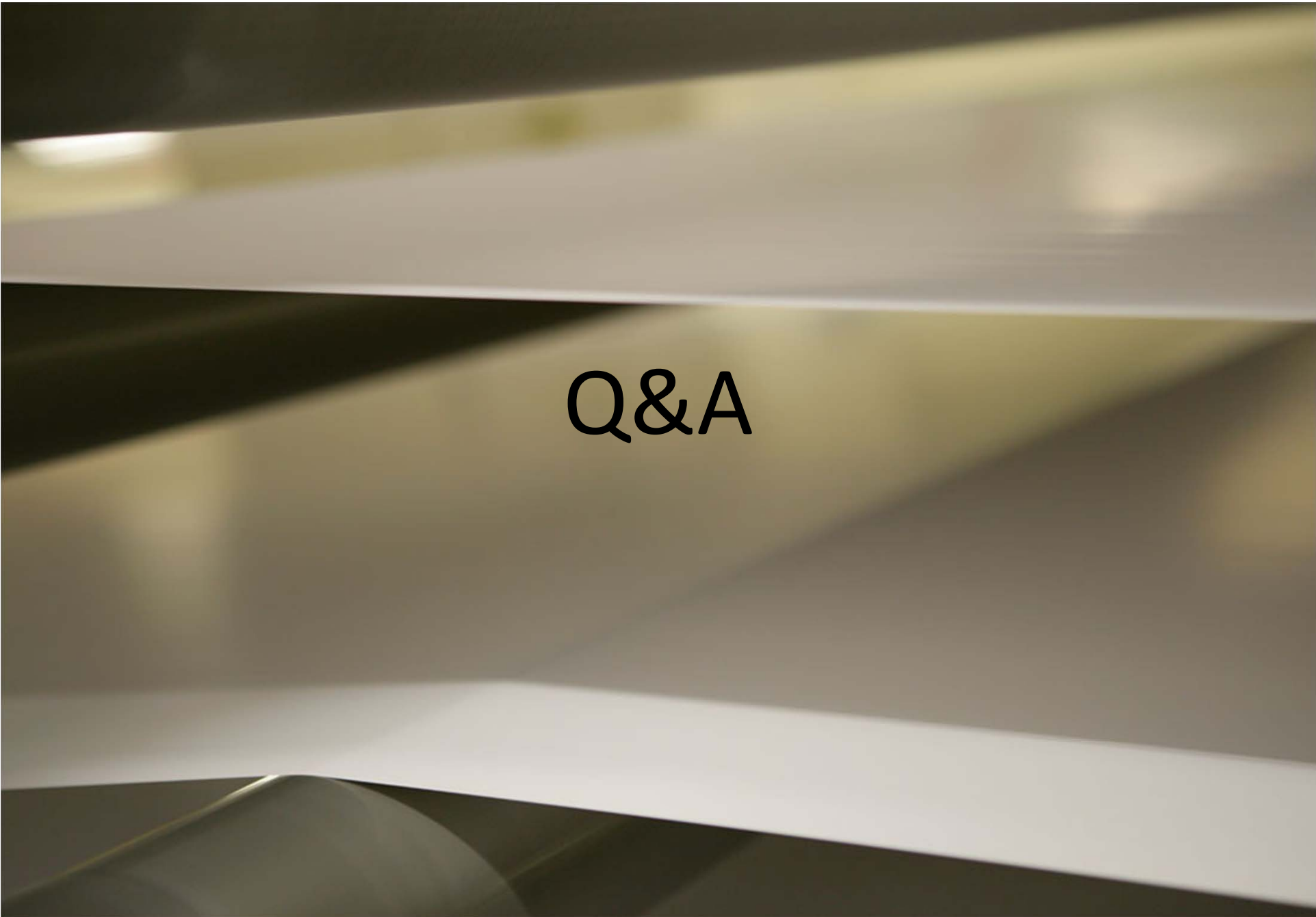
Outlook

- Market conditions remain uncertain, but we are experiencing reasonable operating rates in our major markets
- Focus is on delivering the benefits of our restructuring and cost reduction actions announced and implemented in fiscal 2011
- European business to continue to realise the benefits of our ongoing plans – expect further improvement at current demand levels
- NA business to improve on higher pulp production, greater demand for casting release paper, potentially higher market pulp prices
- SA restructuring proceeding as planned – benefits to follow from 2H

F2012

Outlook

- Demand for chemical cellulose remains relatively strong – expansion plans are on track
- Committed to reducing debt to below \$2B as soon as expansion projects have been completed
- Net cash generation is expected to turn positive for the full year after capex & debt levels, given constant ex-rates, to reduce by year end
- Provided there is no deterioration in market conditions, we expect a sequential improvement in operating profit excluding special items

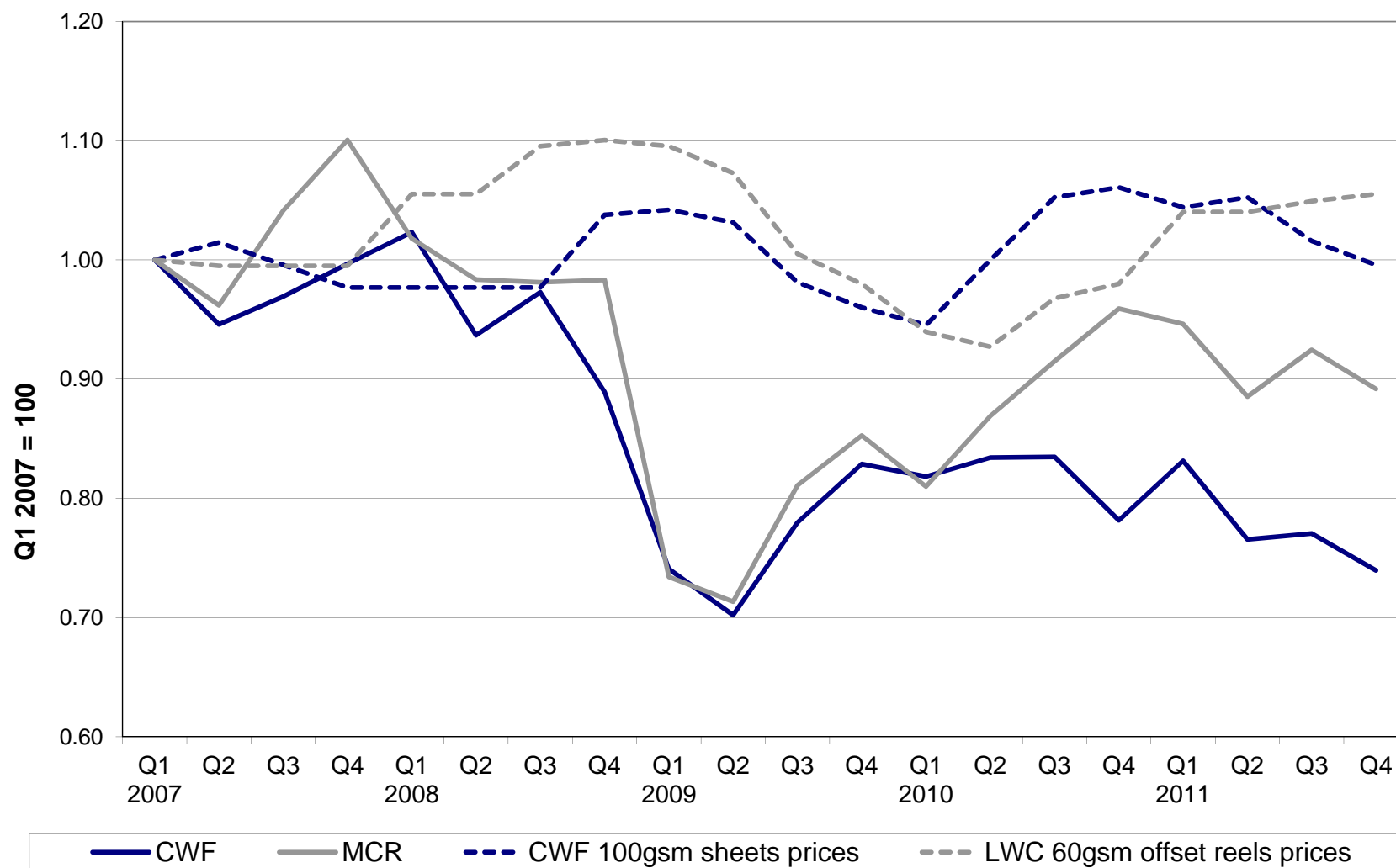


Q&A



Supplementary Information

W. Europe Coated Paper Deliveries & Prices



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

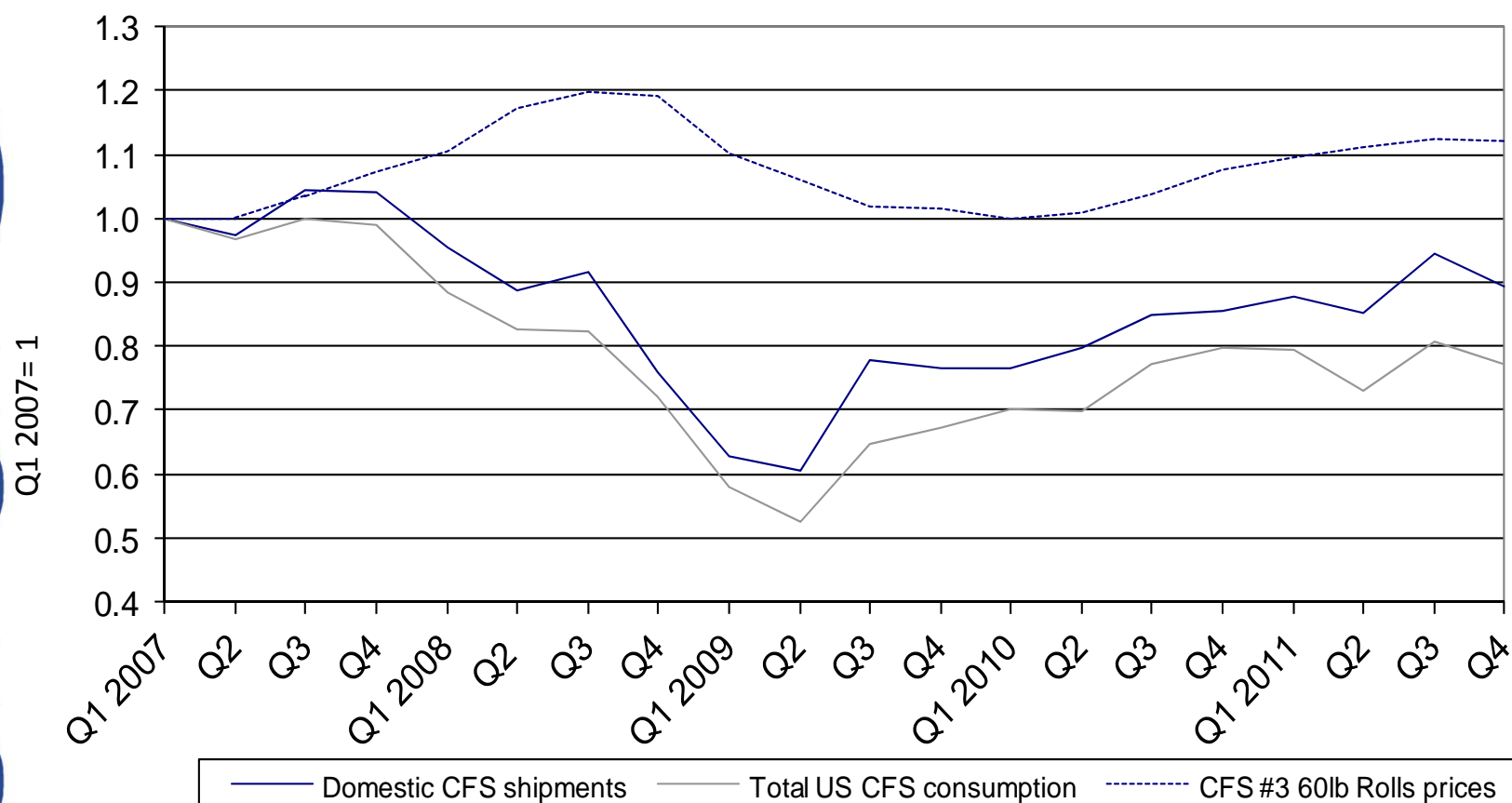
Sappi Fine Paper Europe

	Q1 11	Q4 11	Q1 12	YoY
Tons Sold ('000)	1,012	942	849	↓
Sales (\$'m)	1,027	942	846	↓
Price / Ton (\$)	1,015	1,000	996	↓
Price / Ton (€)	751	708	739	↓
Cost / Ton* (€)	726	704	714	↓
Operating profit ex items** (\$'m)	34	5	29	↓

* 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 Q1 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

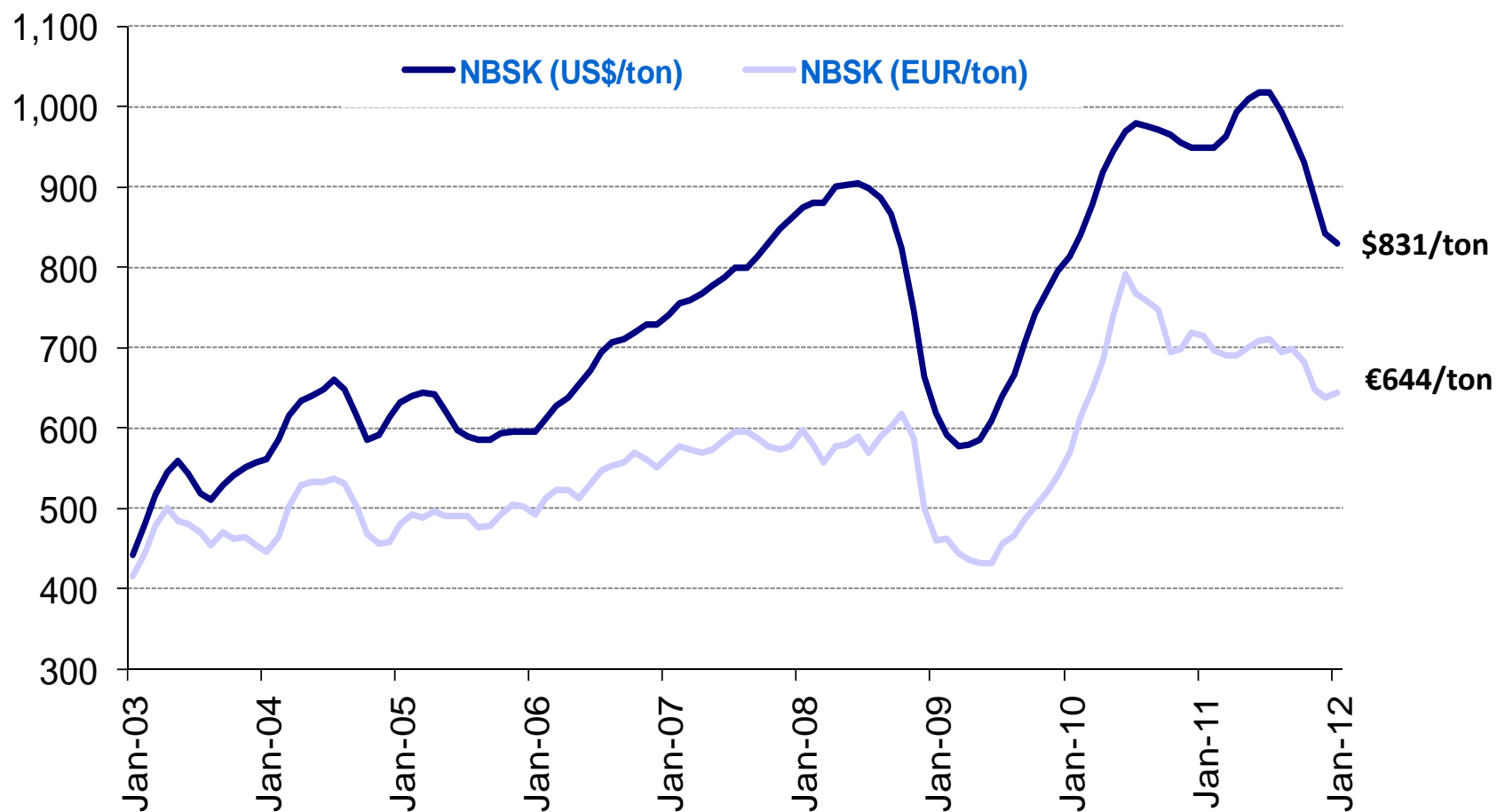
Sappi Fine Paper North America

	Q1 11	Q4 11	Q1 12	YoY
Tons Sold ('000)	364	379	339	↓
Sales (\$'m)	382	395	352	↓
Price / Ton (\$)	1,049	1,042	1,038	↓
Cost / Ton* (\$)	986	953	1,009	↑
Operating Profit ex items** (\$'m)	23	34	10	↓

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

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NBSK Pulp Price*



- Pulp prices stabilizing

* Source: Average monthly FOEX delivered European prices

Sappi Southern Africa

	Q1 11	Q4 11	Q1 12	YoY
Tons Sold ('000)	452	428	400	↓
Sales (\$'m)	447	430	368	↓
Price / Ton (\$)	989	1,005	920	↓
Price / Ton (ZAR)	6,870	7,138	7,444	↑
Cost / Ton* (ZAR)	5,655	6,458	6,210	↑
Operating Profit ex items** (\$'m)	79	41	61	↓

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

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Cash Flow

	Q1 11	Q4 11	Q1 12
Cash generated from operations	245	183	195
- Movement in working capital	(335)	266	(166)
- Net finance costs paid	(63)	(62)	(64)
- Taxation paid	(2)	(7)	(5)
- Cash utilised in investing activities	(41)	(101)	(71)
Cash flow after investing activities	(196)	279	(111)

Operating Profit - Sappi Group

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

	Q1 11	Q4 11	Q1 12
Operating profit as reported	121	(88)	107
Plantation price fair value adj.	11	-	(3)
Restructuring provision raised	3	67	-
Profit (loss) on the sale of assets	-	(1)	(5)
Asset (impairment) reversal	-	98	-
BEE Charge	1	2	1
Fire, flood and related events	1	2	-
Operating profit ex. special items	137	80	100

* Refer to page 16 in our Q1 2012 results booklet (available on www.sappi.com) for a definition of special items.



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