

1st Quarter 2014
Financial Results Presentation
5 February 2014

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 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 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.

The background of the slide is a grayscale photograph of several large rolls of paper, stacked and slightly offset from each other, creating a sense of depth and texture. The lighting highlights the curved edges and the fine lines of the paper.

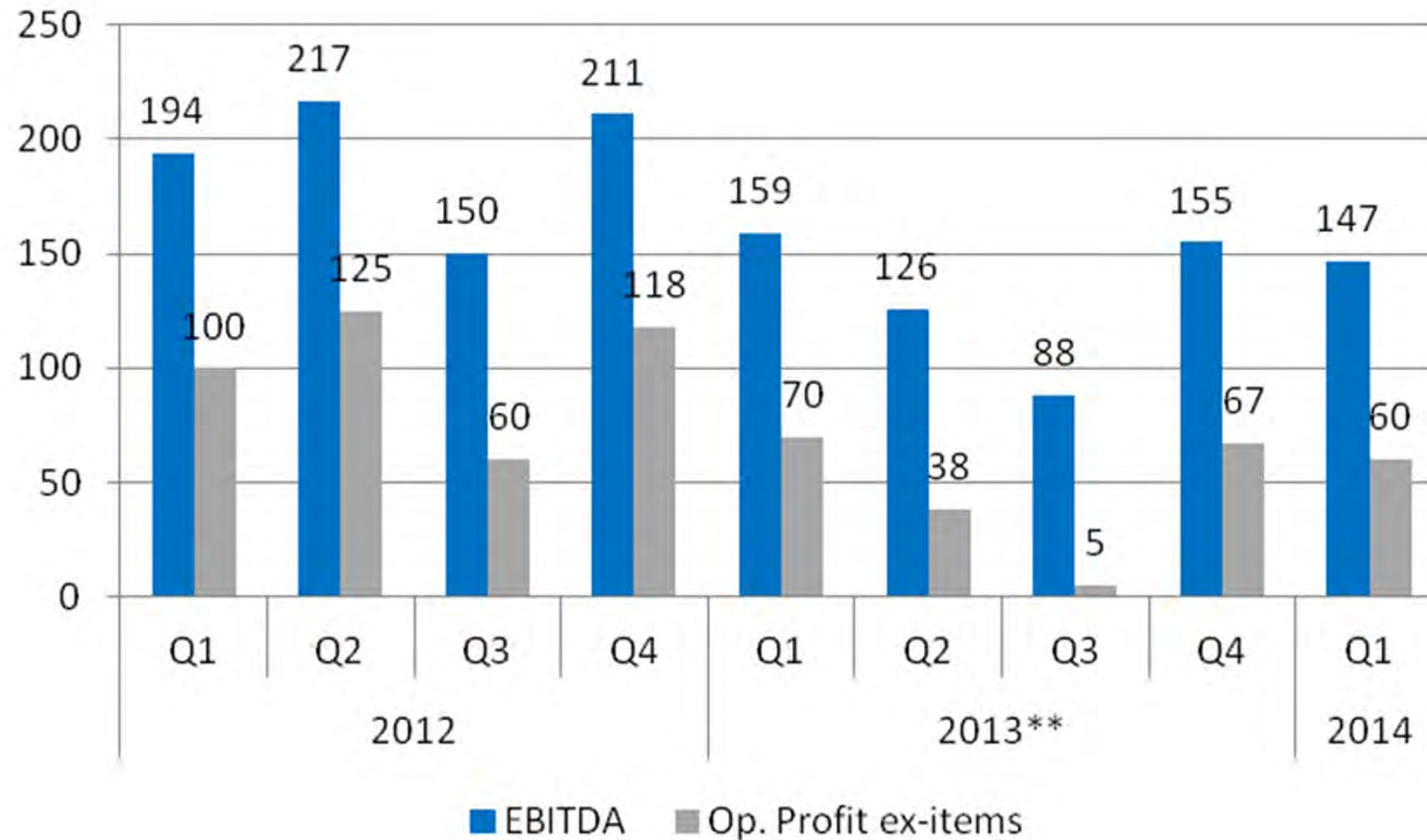
Summary

Q1 2014 Summary

- Profit for the period US\$18m (Q1 2013 US\$12m)
- EPS excluding special items 2 US cents (Q1 2013 3 US cents)
- EBITDA excluding special items US\$147m (Q1 2013 US\$159m)
- Net debt US\$2,348m (Q1 2013 US\$2,095m)

EBITDA & Operating Profit ex-items*

USD million

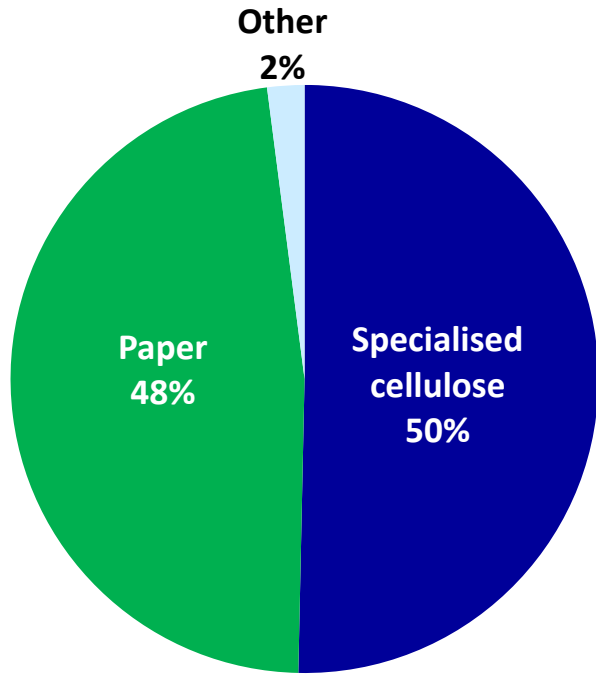


*Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported Operating Profit and page 16 in our Q1 2014 Results booklet (available on www.sappi.com) for a definition of special items.

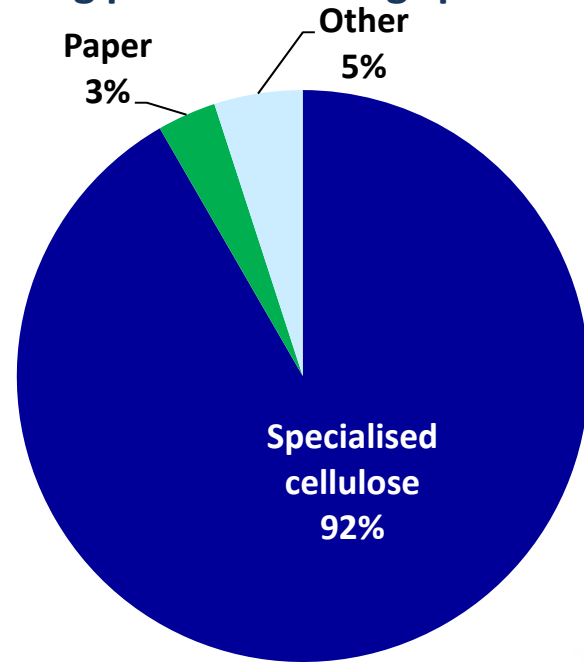
**2013 figures restated per adoption of IAS 19 (Revised) Employee Benefits

Q1 Product Contribution Split

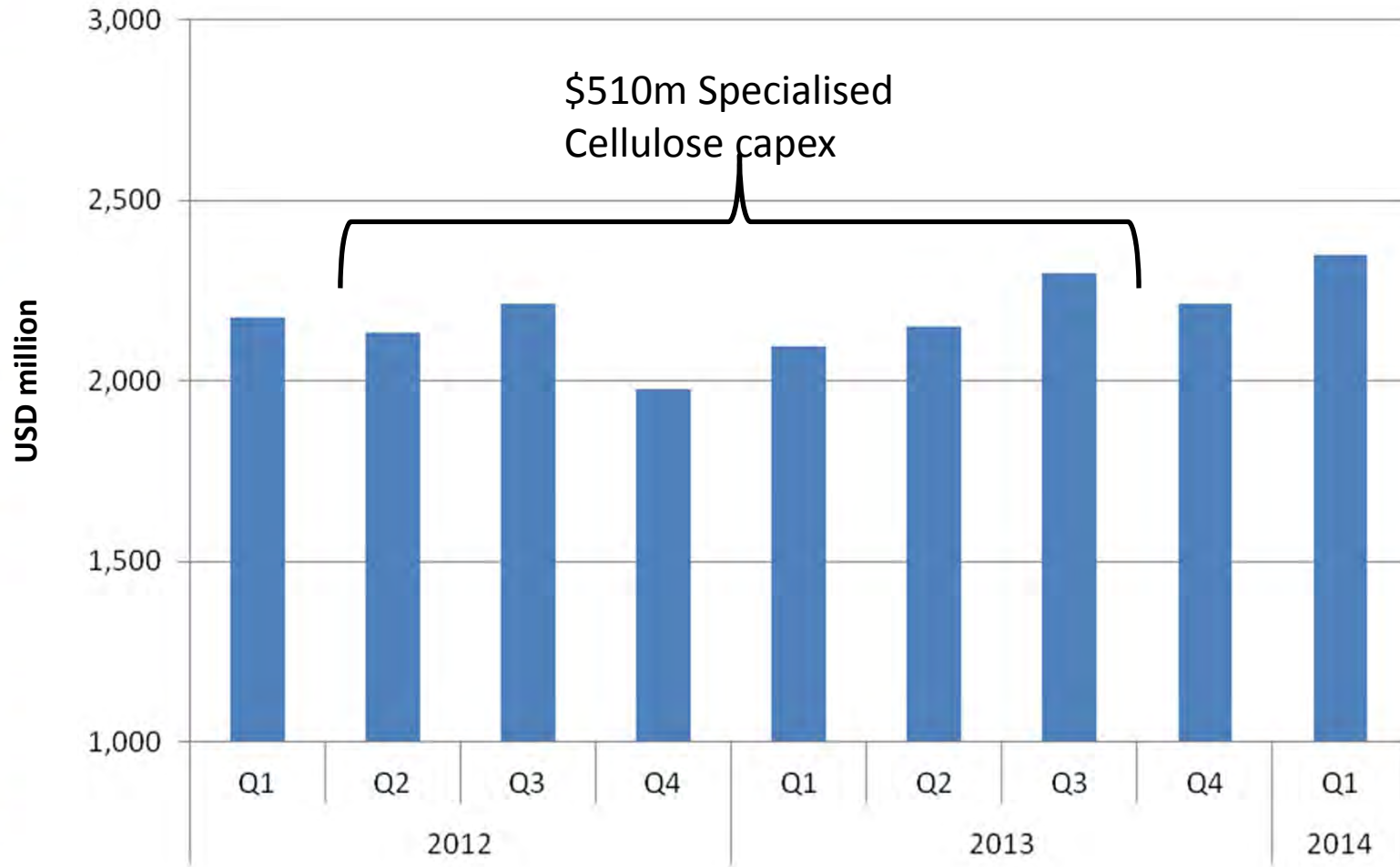
EBITDA excluding special items



Operating profit excluding special items



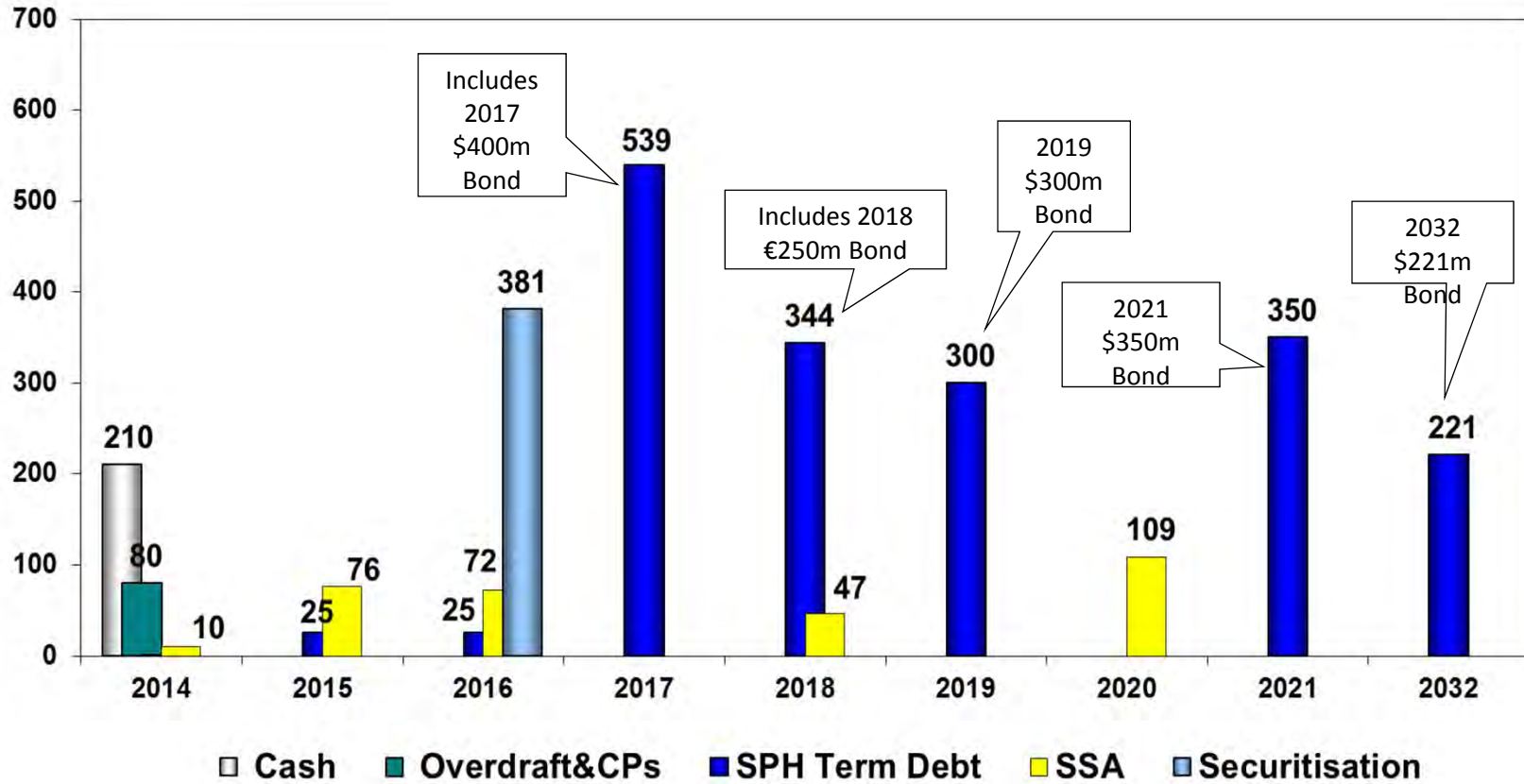
Net Debt Development



★ - Targeted Net Debt Level

Maturity profile – Fiscal years

USD million



The background of the slide features a grayscale image of several large rolls of paper, stacked and slightly offset from each other, creating a sense of depth and texture. The lighting highlights the curved edges and the fine lines of the paper fibers.

Divisional Overviews

Sappi Fine Paper Europe

- The strategic actions to reduce costs and improve our profitability enabled the business to return to an operating profit this quarter. The paper market remains tough, with demand continuing to decline and pricing under pressure, particularly in a strong Euro/Dollar exchange rate environment.
- We continue to take action to reduce costs, and both fixed and variable costs are below those of the equivalent quarter last year. Negotiations with interested stakeholders to relocate production from Nijmegen to other mills are on-going.
- The Alfeld PM2 conversion to 135ktpa of speciality paper has been completed with successful trial runs and customer quality acceptance

Sappi Fine Paper North America

- Challenging quarter – coated paper demand and benchmark coated paper prices fell 5% and 6% respectively, from last year. Higher cost purchased fiber also impacted paper costs compared to the prior year.
- Cloquet pulp mill running close to full capacity with excellent quality. Global Specialised cellulose optimisation resulted in higher freight costs and lower average prices for the NA business.
- Mixed results for release paper – Weak demand during Chinese winter garment season, however demand from European casters was strong.
- Our results were further impacted by the annual October shut at our Somerset mill.

Sappi Southern Africa

- Weaker Rand/Dollar exchange rate positively impacting results
- Results include DWP sales from Ngodwana for first time. Prices flat sequentially, but higher than last year due to higher NBSK benchmark.
- Due to weak viscose pricing there is now a growing pressure on prices.
- Our domestic graphic paper business returned to profitability. However, the market remains weak with continued input cost pressure and competition from importers. The packaging paper sector, though seasonally weaker, continues to see good demand levels and improved pricing.
- Variable costs continued to increase, particularly for energy, chemicals and other dollar denominated costs.

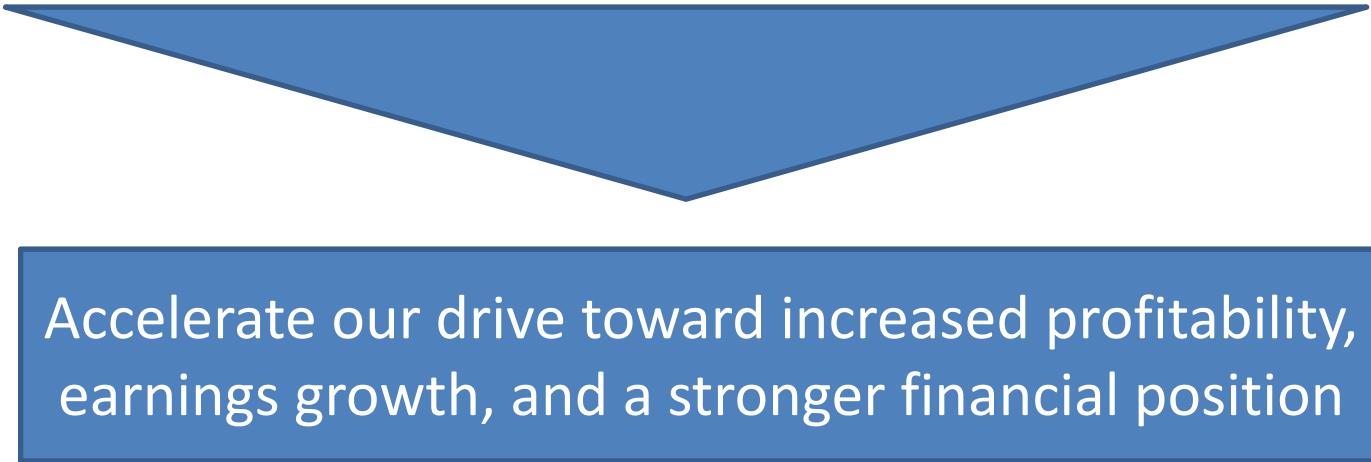
The background of the slide is a grayscale photograph of a large stack of paper rolls. The rolls are arranged in a way that creates a sense of depth and perspective, with the top edges of the rolls in the foreground being sharp and the rolls in the background becoming increasingly blurred. The lighting is soft, highlighting the texture of the paper.

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 America – paper business maintains firm market share
- Europe – industry dynamics won't improve without intervention
 - Continue gradual improvement
 - Significantly reduce graphic paper exposure with lower cost – investments at Kirkniemi and Gratkorn announced previously
 - Increased speciality paper business
 - Similar business to US
- South Africa – cost pressure, and variable local markets – paper business starting to perform

More
to be
done

Focus Areas

Growth in Specialised Cellulose and higher margin businesses

- Demand for commodity DWP remains very strong
- Saiccor performing well, Ngodwana and Cloquet ramping up
- Alfeld conversion completed

On
track

Healthy Balance Sheet

- Net debt level has peaked, target US\$2bn net debt for year end
- Potential Usutu sale would further aid our liquidity position
- Covenants renegotiated
- Further cash generation opportunities being pursued

Debt
reduction

Looking forward

Within 2 years we expect that Sappi will be a **well balanced** and **robust** business, generating **good returns** and will have a **strong balance sheet**.

We will achieve this by:

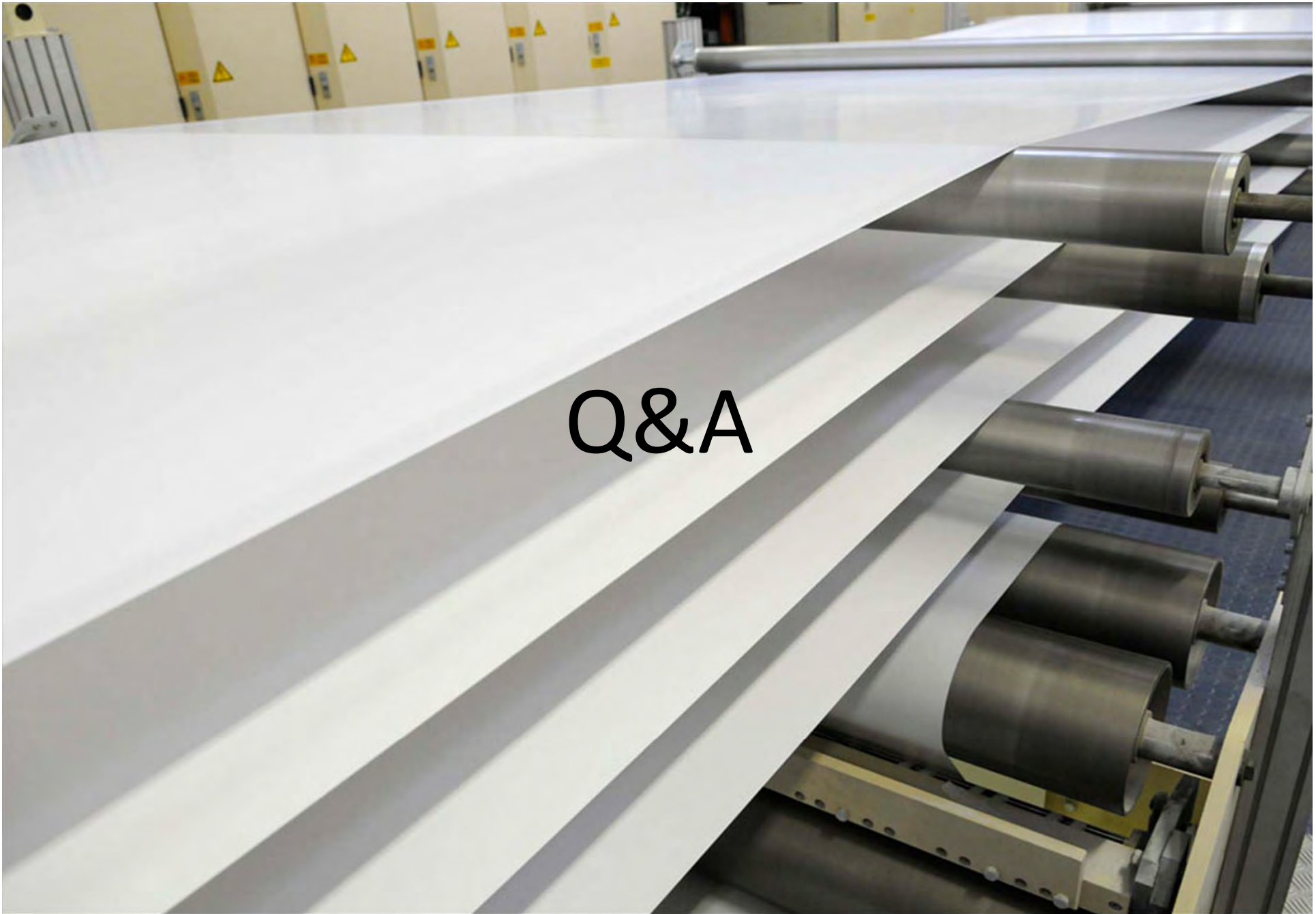
- Maintaining and growing our world leadership position as a low cost dissolving wood pulp producer
- Growing high margin speciality paper business in all regions
- Smaller and simpler low cost graphic paper business
- Maximising value from our forestry operations in SA
- An emphasis on cash generation and debt reduction



Outlook

Outlook

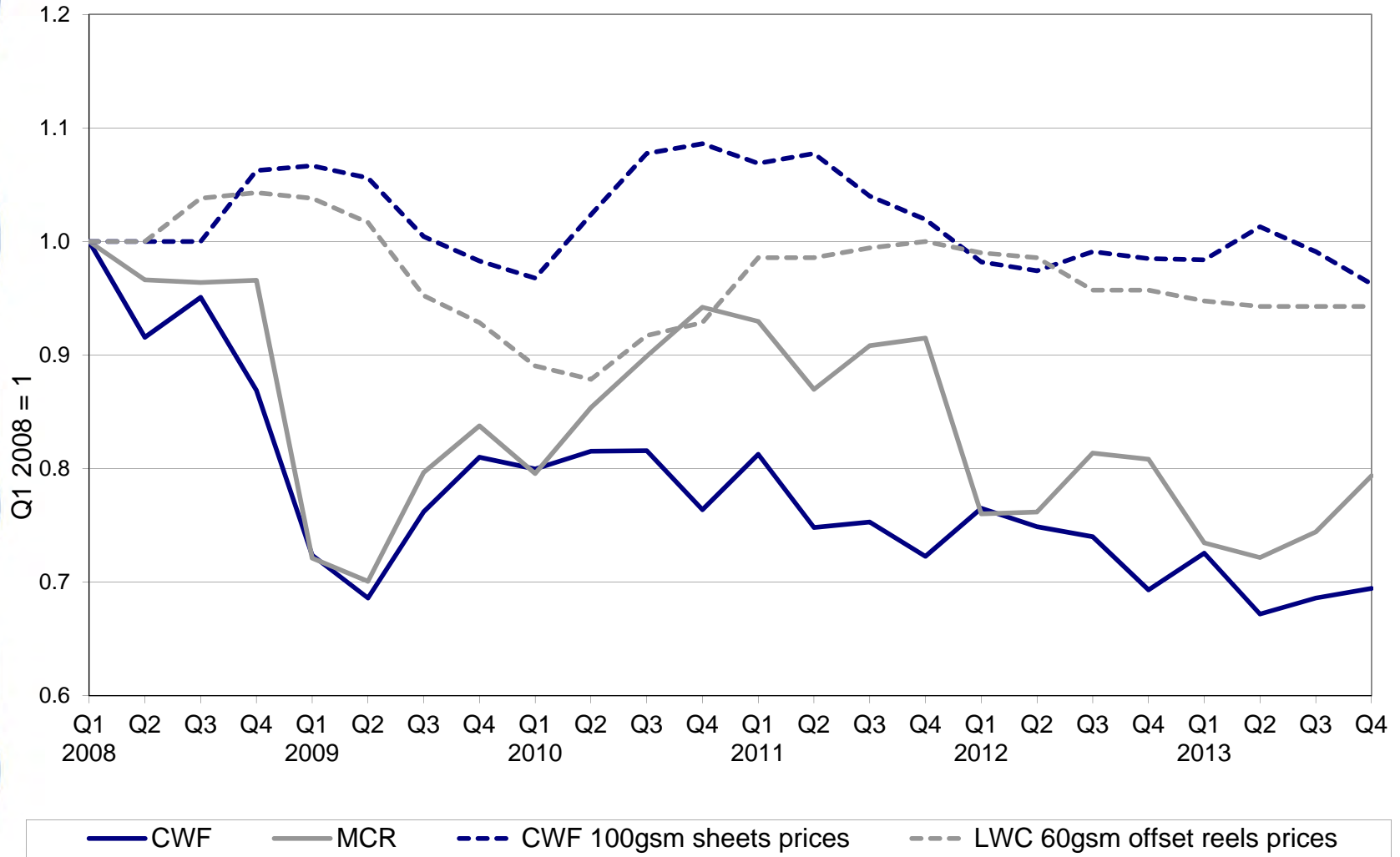
- Our strategy is working – our investments in growth businesses are producing good returns.
- These returns and cash generated by the paper business will allow us to reduce debt
- Both European and SA Paper businesses returned to profitability. We expect this improvement to continue.
- We expect demand for our Specialized Cellulose to remain good – selling prices, however, will be under pressure.
- Capex is expected to be below US\$300m and coupled with the improved profitability of our businesses, we expect our net debt levels to reduce this financial year.
- Our outlook for the year continues to be one of improved profitability for the 2014 financial year when compared to 2013.



A photograph of a paper mill. A large roll of white paper is being processed by machinery. The machinery consists of several large, dark metal rollers and a complex frame. The paper is moving from the top left towards the bottom right. The background shows a factory setting with yellow safety triangles on the walls.

Supplementary Information

W. Europe Coated Paper Deliveries & Prices



Western Europe Shipments Incl. Export – Source Cepifine, Cepiprint and RISI indexed to Calendar Q1 2008

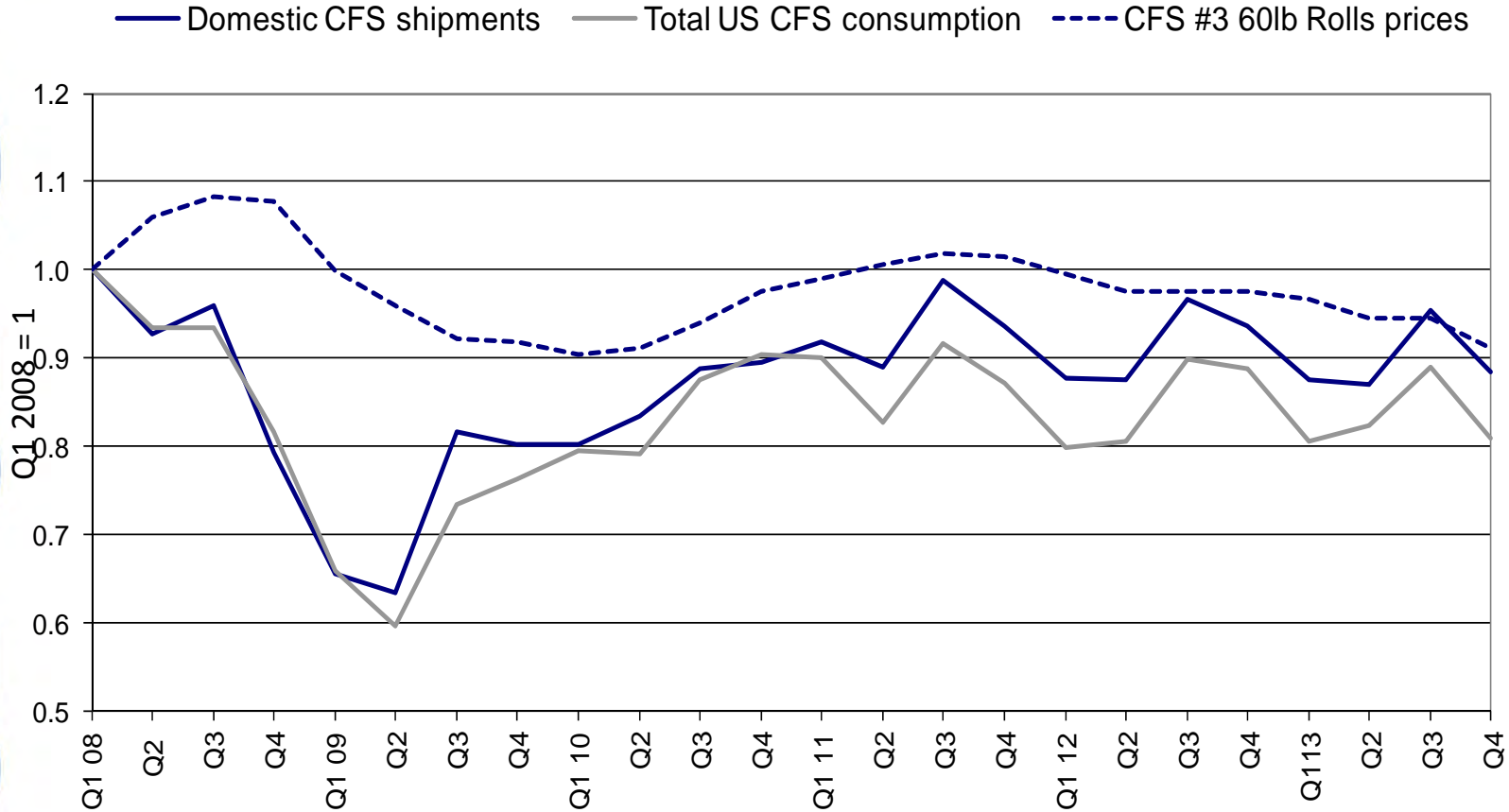
Sappi Fine Paper Europe

	Q1 14	Q4 13	Q1 13
Tons Sold ('000)	836	840	849
Sales (\$'m)	790	783	799
Price / Ton (\$)	945	932	941
Price / Ton (€)	695	704	726
Cost / Ton* (€)	691	714	707
Operating profit ex items** (\$'m)	4	(12)	21

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

** Operating profit excluding special items for F2013 restated per adoption of IAS 19 (Revised) Employee Benefits. Refer to the supplementary information in this presentation for a reconciliation to reported operating profit and page 16 in our Q1 2014 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 2008

Sappi Fine Paper North America

	Q1 14	Q4 13	Q1 13
Tons Sold ('000)	348	335	334
Sales (\$'m)	365	366	346
Price / Ton (\$)	1,049	1,093	1,036
Cost / Ton* (\$)	1,057	1,012	994
Operating Profit ex items** (\$'m)	(3)	27	14

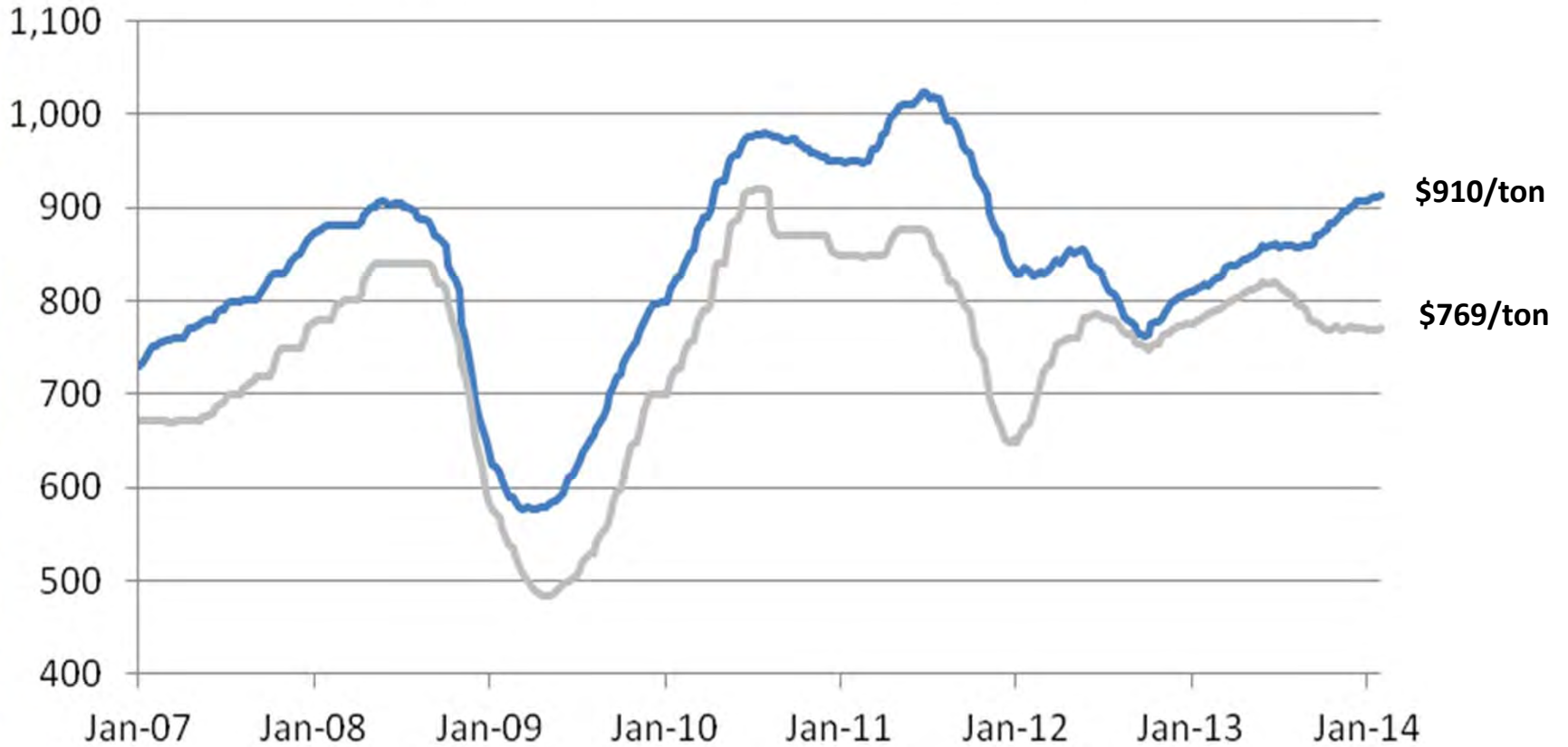
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Pulp Prices*

US\$/ton

— NBSK Europe (USD) — BHKP Europe (USD)



* Source: Average monthly FOEX delivered European prices

Sappi Southern Africa (ex-forestry)

	Q1 14	Q4 13	Q1 13
Tons Sold ('000)	403	447	380
Sales (\$'m)	327	363	310
Price / Ton (\$)	811	812	816
Price / Ton (ZAR)	8,228	8,049	7,095
Cost / Ton* (ZAR)	6,819	6,911	6,363
Operating Profit ex items** (\$'m)	56	53	32

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Cash Flow

	Q1 14	Q4 13	Q1 13
Cash generated from operations	136	121	150
- Movement in working capital	(149)	108	(130)
- Net finance costs paid	(56)	(20)	(59)
- Taxation paid	(1)	(2)	(10)
Cash generated from operating activities	(70)	207	(49)
Cash utilised in investing activities	(63)	(96)	(53)
- Capital expenditure	(71)	(103)	(96)
- Proceeds on disposal of non-current assets	6	3	42
- Other movements	2	4	1
Net Cash (utilized) generated	(133)	111	(102)

EBITDA recon to reported operating profit*

	Q1 14	Q4 13	Q1 13
EBITDA (ex-items)	147	155	159
Depreciation and Amortisation	87	88	89
Op. Profit (ex-items)	60	67	70
Special Items - gains (losses)	10	(177)	(3)
Plantation FV Adj.	8	(6)	8
Net Restructuring Provisions	(1)	(81)	(7)
Profit on disposal of PP&E	1	(3)	-
Asset impairment reversals (impairments)	2	(109)	-
BEE charge	-	-	(1)
Post-retirement plan amendment	-	24	-
Fire, flood, storm related events	-	(2)	(3)
Segment Operating Profit	70	(110)	67



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Thank You