



# Sappi Limited

## Debt Update

December 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:

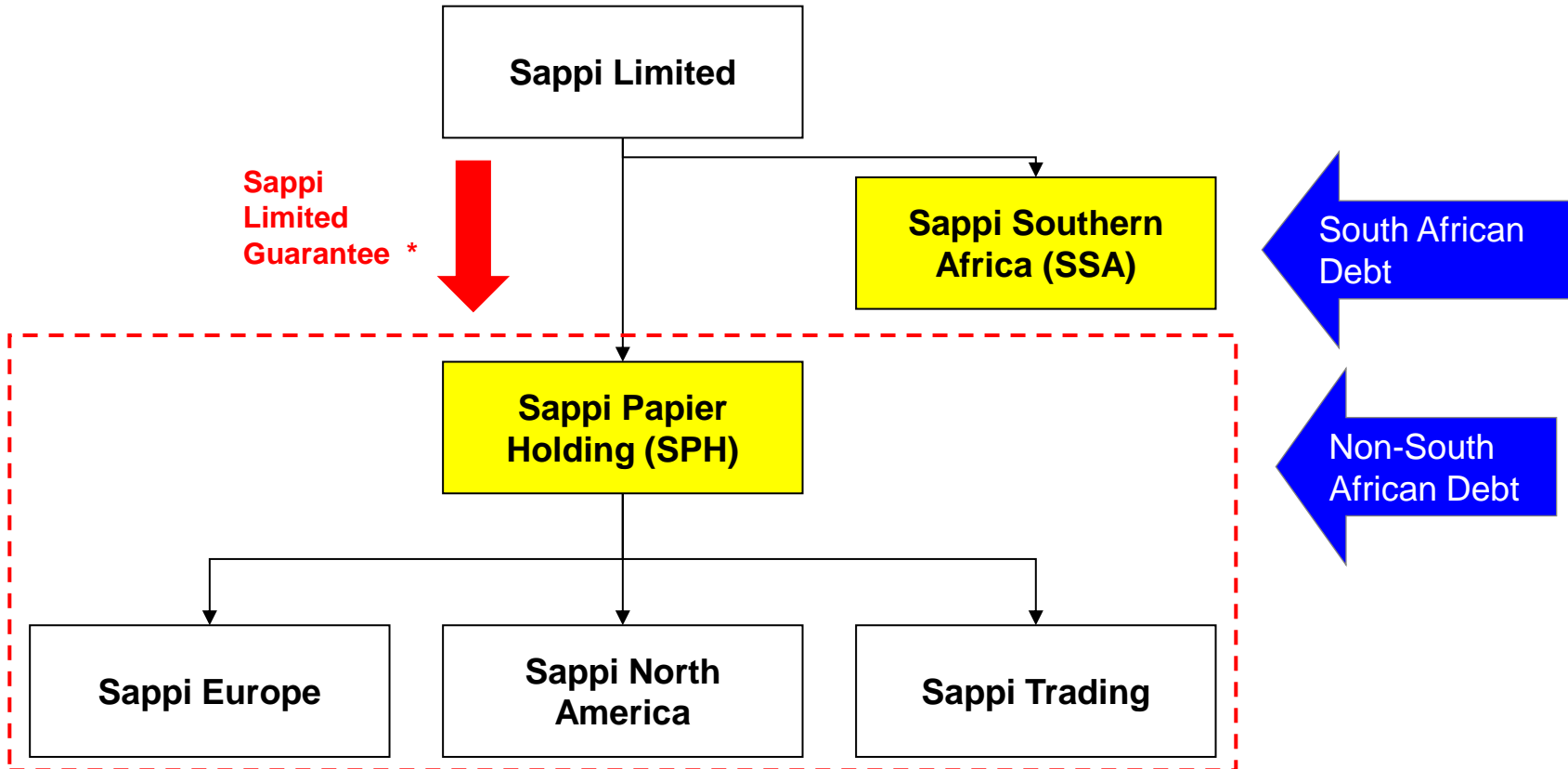
- the highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclicity, such as levels of demand, production capacity, production, input costs including raw material, energy and employee costs, and pricing);
- the impact on our business of the global economic downturn;
- 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](http://www.sappi.com).

# Group Structure – Sappi entities taking up debt



**\*Sappi Limited provides guarantees for long-term non-South African debt**

# Debt Overview

<u>US\$ millions</u>	June 2013	Sept 2013	Dec 2013
<b>LONG TERM DEBT</b>	<b>2.434</b>	<b>2.499</b>	<b>2.444</b>
SECURED DEBT	1.361	1.376	1.381
SUBORDINATED DEBT	742	741	718
SECURITISATION	353	403	380
(LESS - SHORT-TERM PORTION)	(22)	(21)	(34)
<b>NET SHORT TERM DEBT</b>	<b>(137)</b>	<b>(285)</b>	<b>(96)</b>
OVERDRAFTS, CPs & RCF DRAWING	77	79	80
SHORT TERM PORTION OF LONG TERM DEBT	22	21	34
(LESS CASH)	(236)	(385)	(210)
<b>NET DEBT</b>	<b>2.297</b>	<b>2.214</b>	<b>2.348</b>

**Refer to note 20 in the 2013 Sappi Limited Annual Financial Statements for a detailed debt description**

# Detailed Debt Summary – December 2013

US\$ millions	Non USD Debt	USD Amount
Sappi Southern Africa Long Term Debt	R3,307	314
2017 Bond - US\$ (swapped to €)		400
2018 Bond - Euro	€ 250	344
2019 Bond - US\$ (swapped to €)		300
2021 Bond - US\$		350
2032 Bond		221
OeKB Term Loan	€ 136	187
Securitized Receivables EUR	€ 196	269
Securitized Receivables USD		111
Sappi Europe Leases	€ 3	4
IFRS Adjustments (upfront fees and discounts on Bonds)		(21)
Long Term Debt		2.478
less Short Term Portion of Long Term Debt		(34)
<b>Total Long Term Debt</b>		<b>2.444</b>
Short Term Loans & Overdrafts (excl. South Africa)		80
Short Term Portion of Long Term Debt		34
LESS Cash - Sappi South Africa		(51)
LESS Cash - Sappi Group (excl. South Africa)		(159)
<b>NET DEBT AT SEPTEMBER 2013</b>		<b>2.348</b>

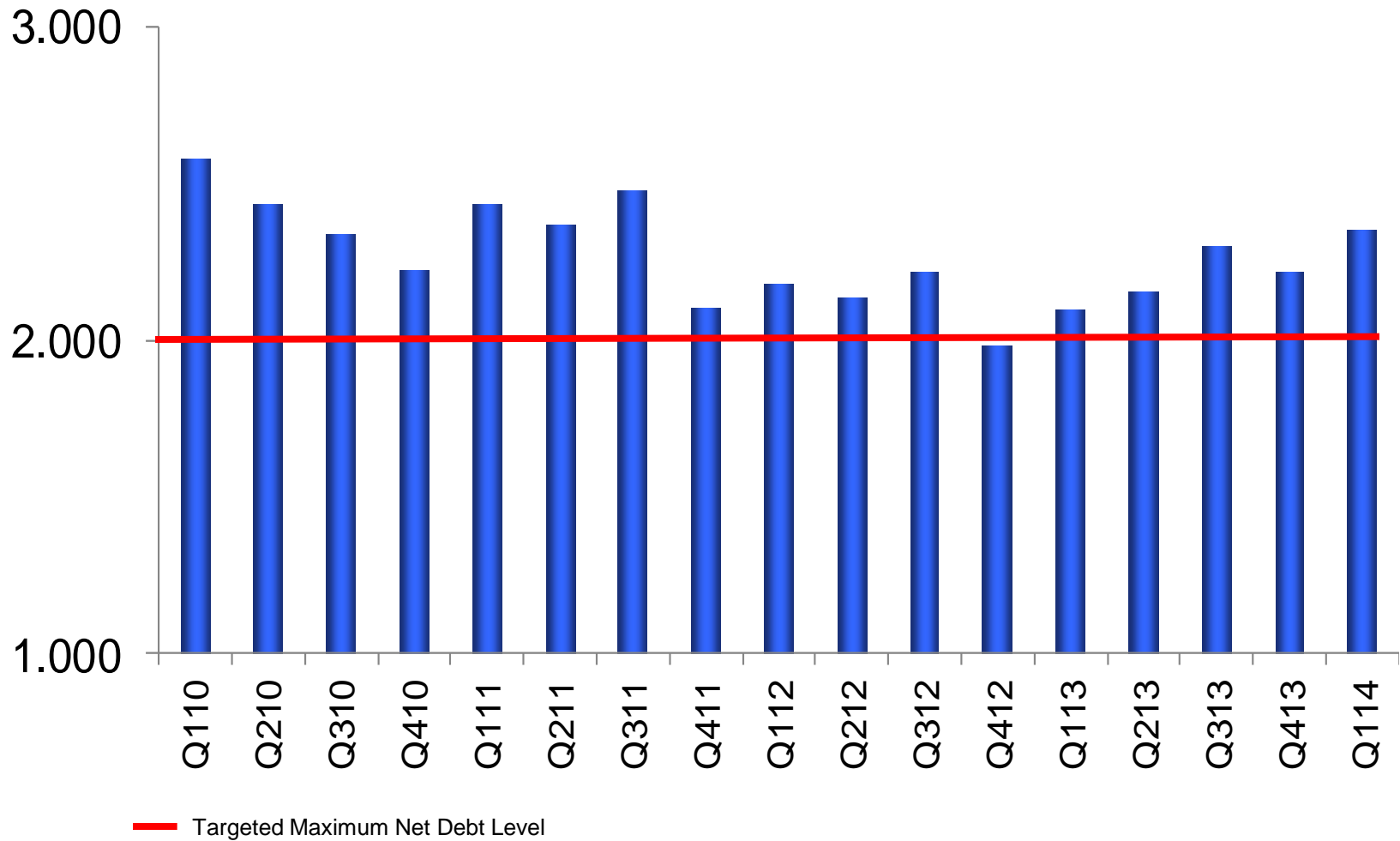
Consists of an OeKB Trade Finance facility in Austria, which is rolled quarterly

*Debt secured by security package, see slide 12*

# Net Debt Movement

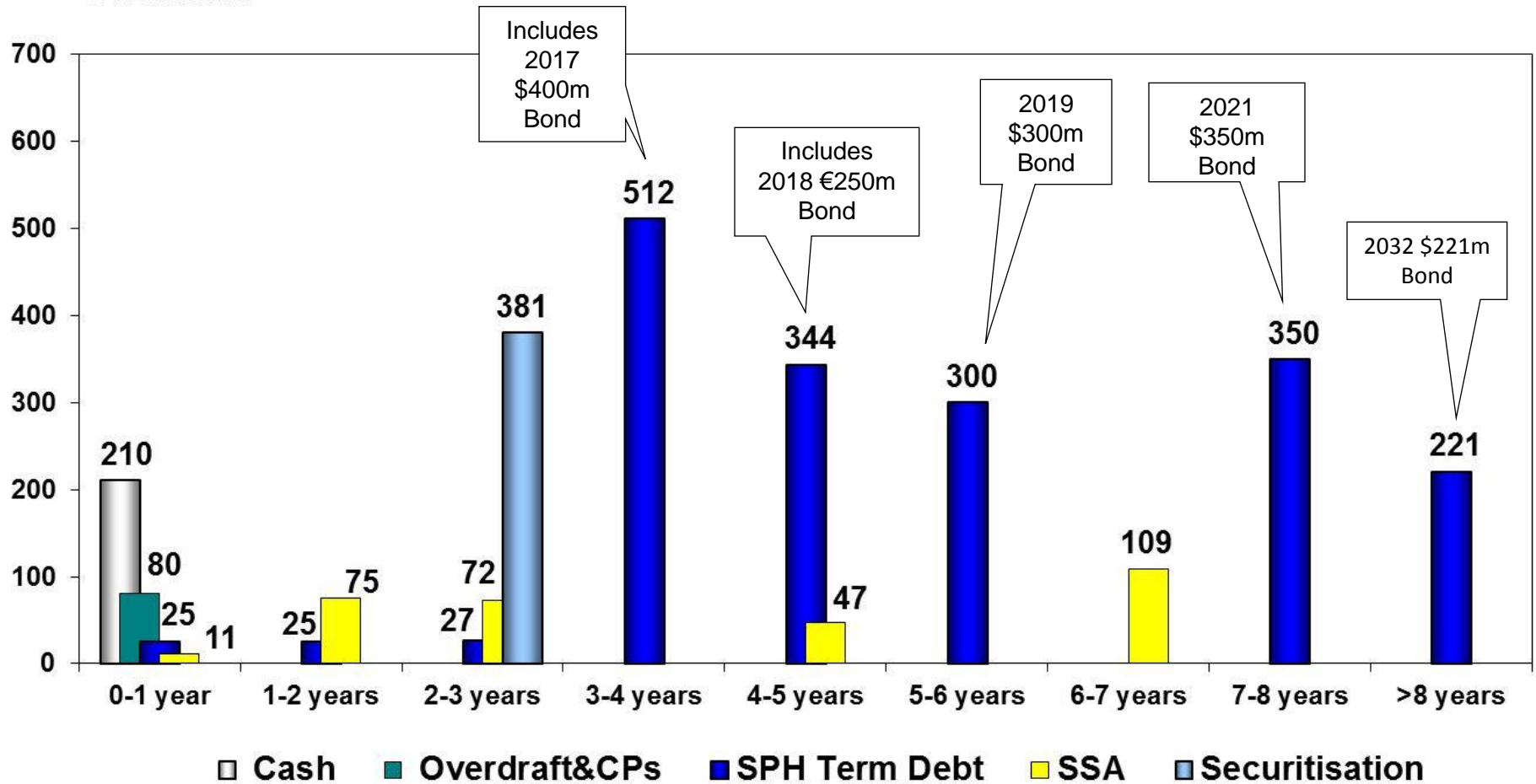
	US\$ million
	Q1 Dec 2013
Net Debt - beginning of period	2.214
Net Cash (generated) utilised during the period	133
Currency, fair value and other	1
<b>Net Debt - December 2013</b>	<b>2.348</b>

# Net Debt Development



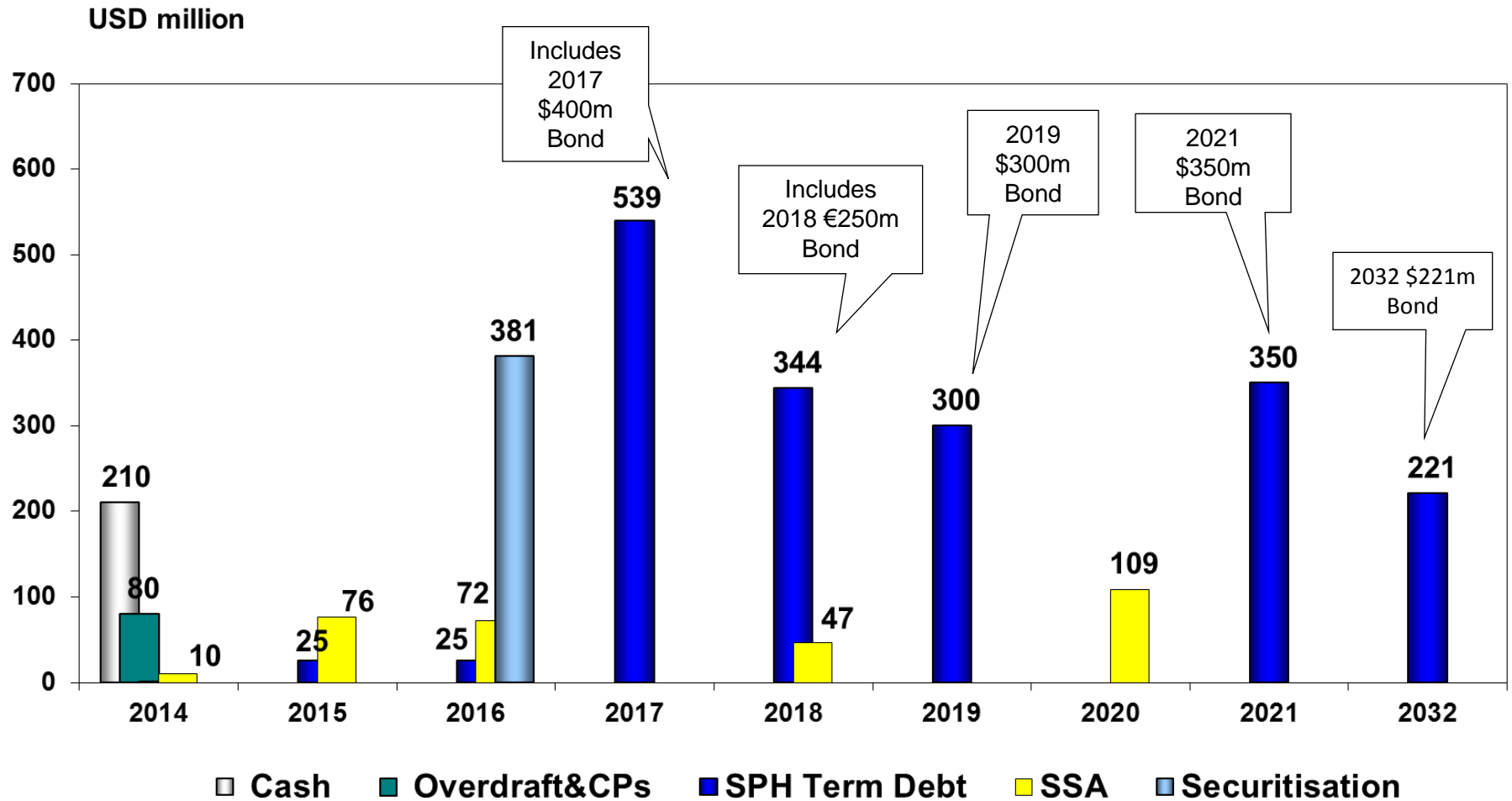
# Maturity Profile (Annual) – December 2013

USD million

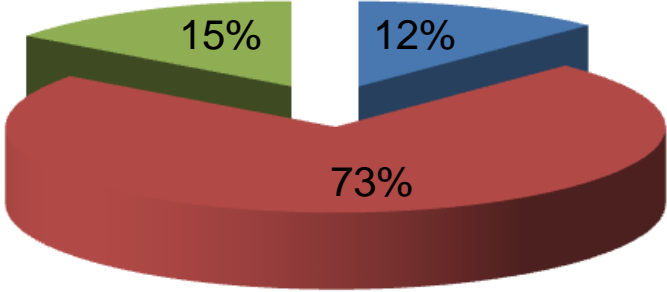




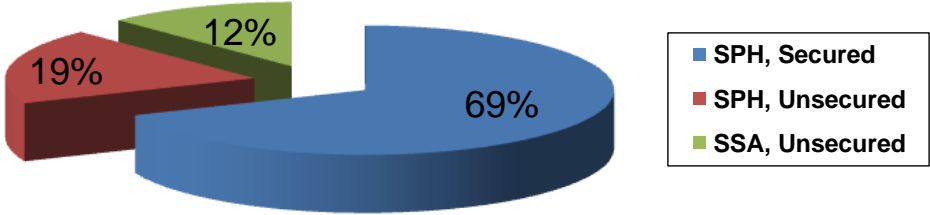
# Maturity Profile (Fiscal) – December 2013



# Debt Split (gross debt)

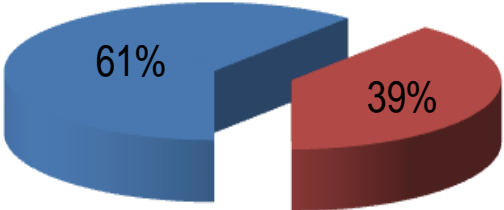


Sappi takes up debt mainly at SPH and SSA, refer to slide 3. Securitisation debt is taken up in a central special purpose vehicle which is consolidated in the group results.

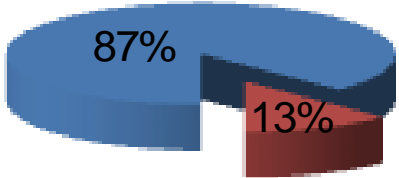


# Debt Ratios (gross debt)

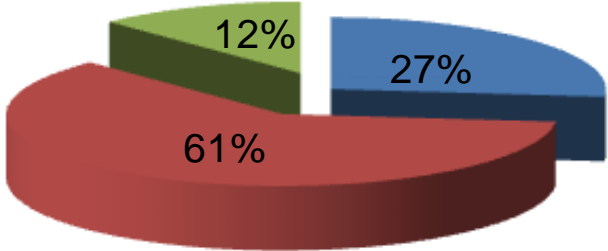
■ Fixed Rate Debt ■ Variable Rate Debt



■ Public Debt ■ Bank Debt



■ USD Debt ■ EUR Debt ■ ZAR Debt



Debt by currency, based on gross debt and includes effect of currency swaps and hedges.

# Security Package for Secured Debt

## Cession of Intercompany Loans

Loans in excess of \$25 million between guarantor companies and other Sappi group companies.

## Pledge of Inventory

- U.S. Inventory, with certain exceptions

## First charge over Property, Plant and Equipment

<b>Mill</b>	<b>Country</b>
Gratkorn	Austria
Kirkniemi	Finland
Maastricht	Netherlands
Nijmegen	Netherlands

<b>Mill</b>	<b>State</b>
Somerset	Maine
Cloquet	Minnesota

## Share Pledges

### Pledges of the following shares:

Material Holding Companies within the Sappi Papier Holding group and other material subsidiaries.

Total debt secured by the PP&E assets is limited to an amount of 15% of consolidated net tangible assets of SPH as required under the limitation of liens contained in the 2032 Notes.

# Key Historical Cash Flow Items

Key cash flow items (\$m)	FY Sept-11	FY Sept-12	FY Sept-13
<b>Cash generated by operations</b>	<b>798</b>	<b>721</b>	<b>447</b>
Change in net working capital	(98)	(95)	(20)
Maintenance capex	(153)	(141)	(121)
Cash taxes	(38)	(20)	(17)
Net finance costs	(256)	(195)	(164)
Other <sup>1</sup>	19	72	59
<b>Cash flow post maintenance capex</b>	<b>272</b>	<b>333</b>	<b>184</b>
Expansion capex	(110)	(217)	(431)
<b>Key figures &amp; ratios:</b>			
EBITDA excluding special items <sup>2</sup>	821	772	539
Net debt	2,100	1,979	2,214
Net Debt / EBITDA	2.6x	2.6x	4.1x
EBITDA / Net finance costs <sup>3</sup>	3.1x	4.0x	3.2x

1. Other in 2013 and 2012 includes proceeds from the sale of non-core assets

2. Please refer to the Annual Integrated Report for a definition of Special Items

3. Net finance costs per Income Statement (excluding non-recurring breakage fees)

Please refer to published results for full financial summary.

# Bank Covenants

**Two bank covenants exist at the consolidated Sappi Limited level, i.e. a debt covenant and an interest coverage covenant. In addition, two bank covenants exist at the Sappi Southern Africa level for its own bank facilities, i.e. a debt covenant and an interest covenant.**

**At the end of December 2013 all covenants were met.**

**Regular monitoring of compliance with the covenants occurs. In the event of a possible future breach of a financial covenant, negotiations would commence with the applicable institutions before such breach occurs.**

# Rating Agency Ratings

**S&P and Moody's have assigned the following credit ratings:**

Moody's	Sappi Group Rating	Secured Debt	Unsecured Debt
February 2009	Ba2/Negative/NP		
June 2009	Ba3/Stable/NP		
September 2009		Ba2	B2
April 2011	<b>Ba3/Positive/NP</b>	Ba2	B2
<b>June 2013</b>	<b>Ba3/Stable/NP</b>	<b>Ba2</b>	<b>B2</b>

S&P	Sappi Group Rating	Secured Debt	Unsecured Debt
February 2009	BB/Negative/B		
May 2009	BB-/Stable/B		
September 2009		BB	B+
April 2011	<b>BB-/Stable/B</b>	BB	B
<b>June 2013</b>	<b>BB-/Negative/B</b>	<b>BB</b>	<b>B</b>

**Fitch has assigned the following credit rating to Sappi Southern Africa (Pty) Ltd:**

Fitch	SSA Local Rating
November 2009	A/Negative/F1
March 2011	A/Stable/F1
<b>January 2013</b>	<b>A+/Stable/F1</b>

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