

4<sup>th</sup> Quarter and Full-Year 2013  
Financial Results Presentation  
7 November 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).

The background of the slide is a grayscale photograph of several large rolls of paper stacked together. The rolls are curved and layered, creating a sense of depth and texture. The lighting is soft, highlighting the edges of the paper.

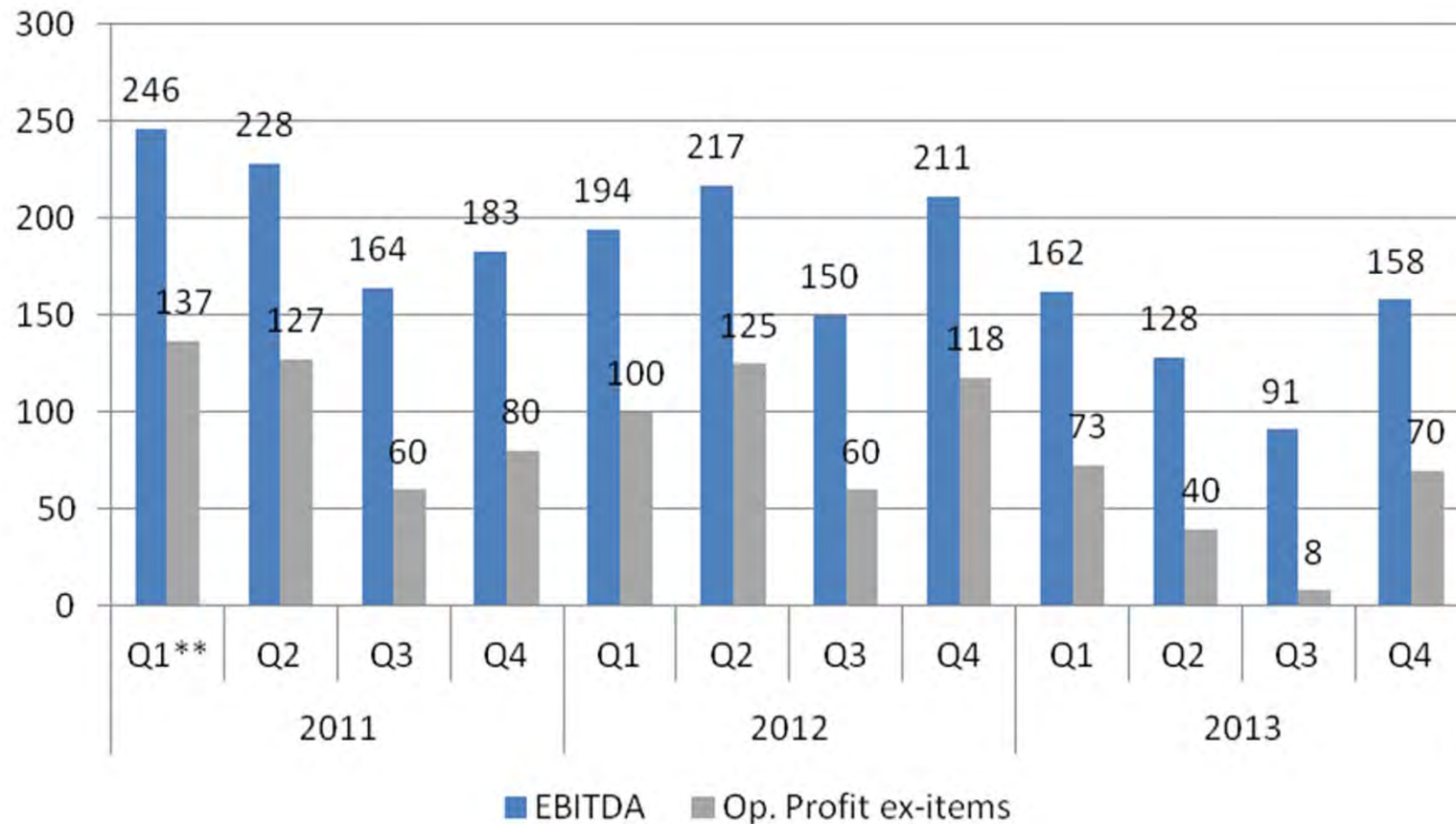
# Summary

## Q4 2013 Summary

- Dissolving wood pulp and speciality paper conversions commissioned and running well
- Operating profit excluding special items US\$70m (Q4 2012 US\$118m)
- Net cash generated US\$111 million (Q4 2012 US\$203m)
- Special items charges US\$177 million of which US\$94 million non-cash
- Earnings per share excluding special items 2 US cents (Q4'12 11 US cents)
- Net debt US\$2,214 million (Q4 2012 US\$1,979m)

## EBITDA & Operating Profit ex-items\*

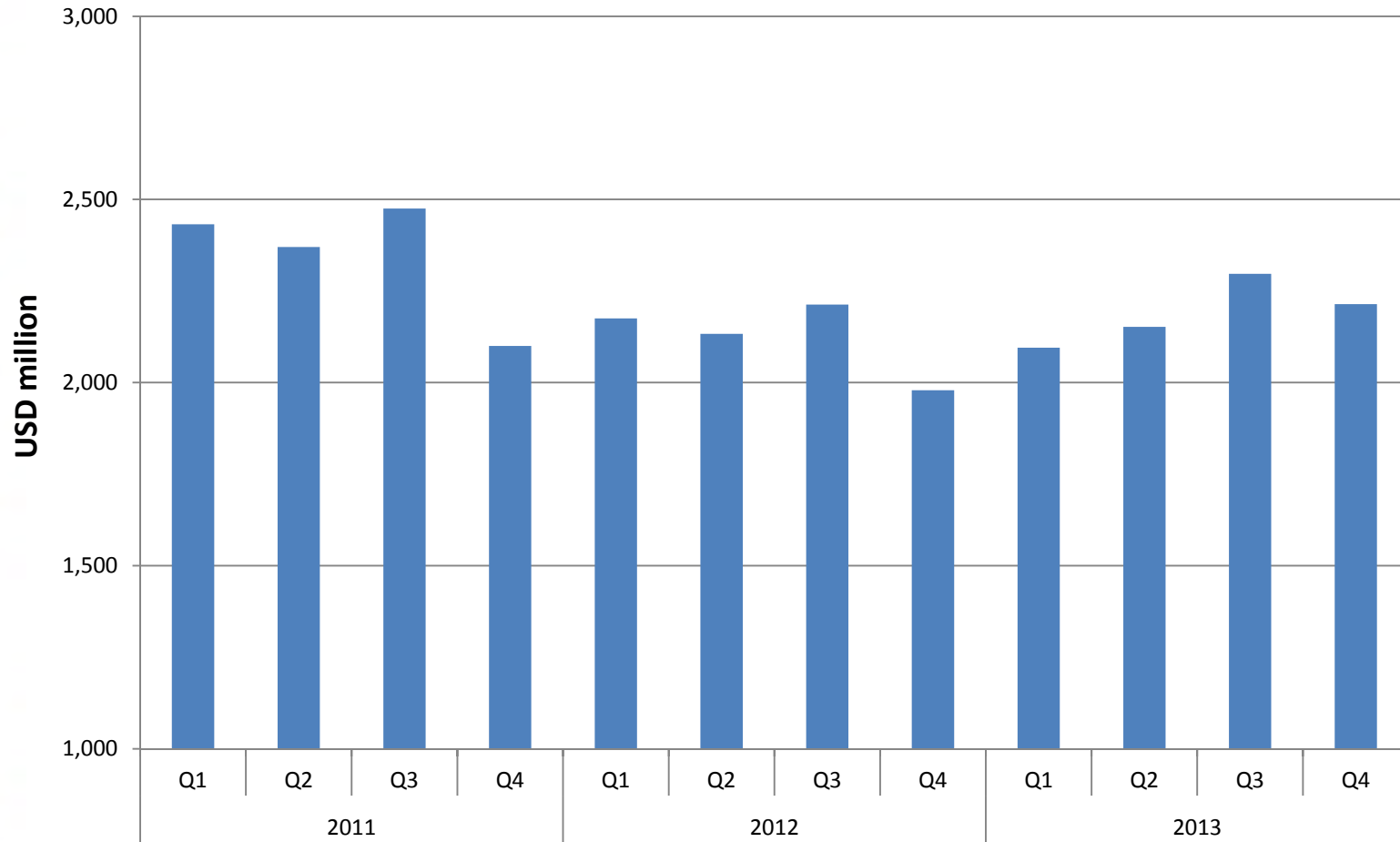
USD million




\*Refer to the supplementary information in this presentation for a reconciliation of EBITDA to reported Operating Profit and page 17 in our Q4 2013 Results booklet (available on [www.sappi.com](http://www.sappi.com)) for a definition of special items.

\*\* Q1 2011 included an extra accounting week

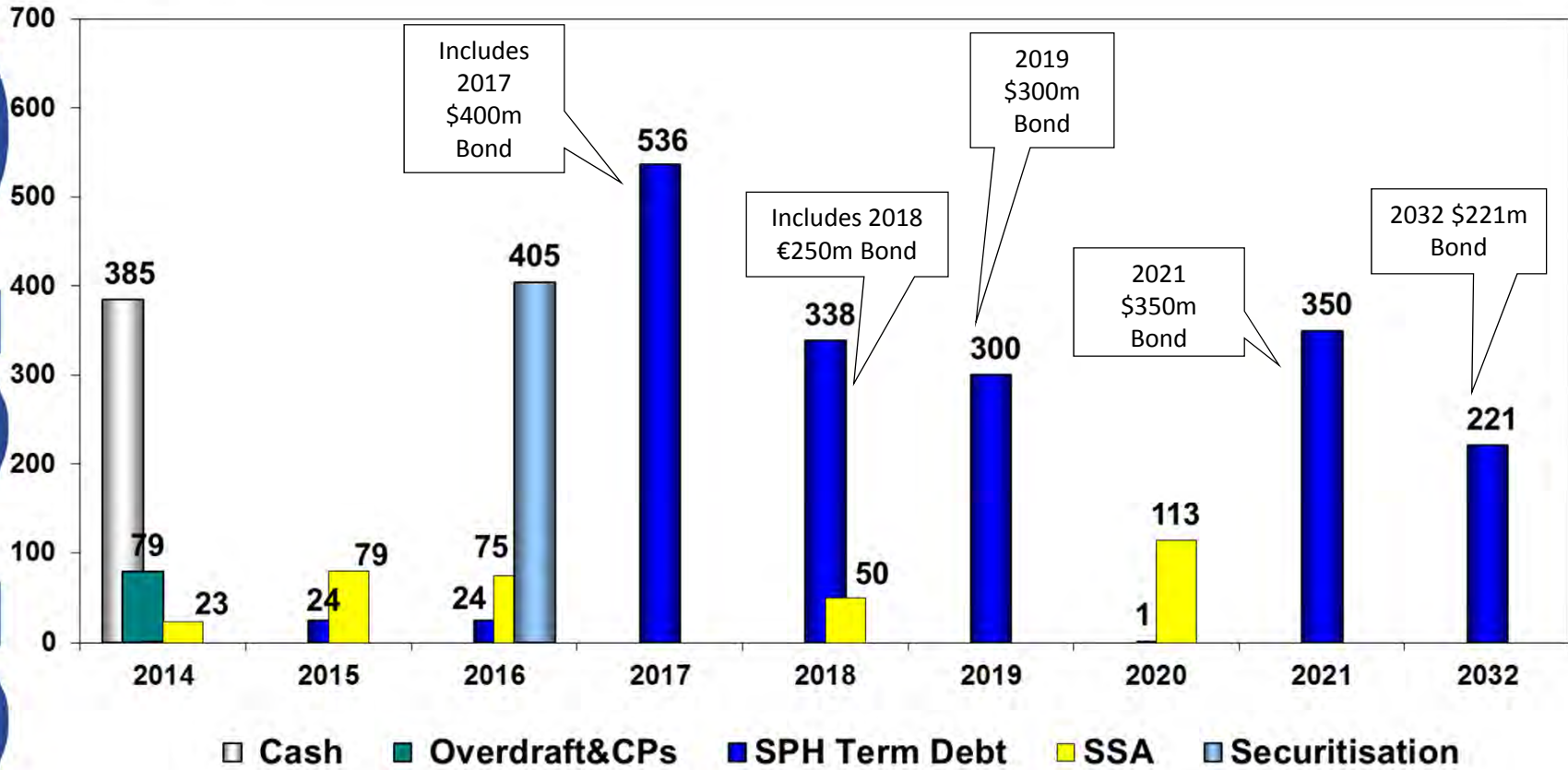
# Net Debt Development



 - Targeted Maximum Net Debt Level

# Maturity Profile (Fiscal) – Sept 2013

USD million

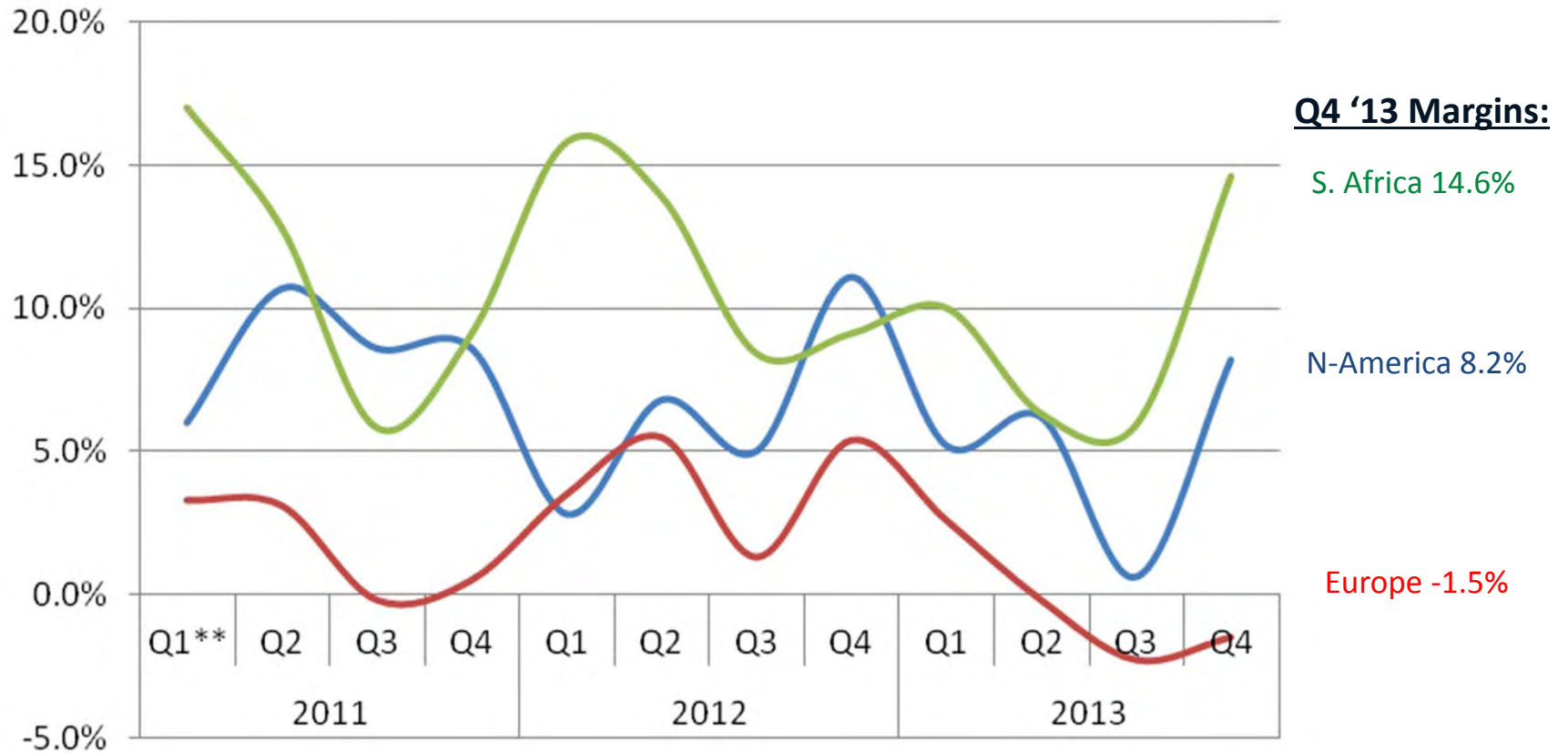


The background of the slide is a grayscale photograph of several large rolls of paper, stacked and slightly offset from each other, creating a sense of depth and texture. The rolls are curved, showing the edges of the paper sheets.

# Divisional Overviews



# Divisional Operating Margins\*



\*The divisional EBITDA and operating margins exclude special items. Refer to page 17 in our Q4 2013 Results announcement booklet for a definition of special items.

\*\* Q1 2011 Included an extra accounting week

## Sappi Fine Paper Europe

- Demand and pricing environment remained weak.
- Commencement of consultation process with employees regarding the transfer of production from Nijmegen Mill to other Sappi mills
- Further fixed cost saving initiatives in process
- Alfeld Mill conversion complete – from 150ktpa of coated woodfree paper to 135ktpa of higher-margin speciality paper, reducing our European graphic paper capacity by 4%
- Announcement today of €120m investment over next 3 years at Gratkorn and Kirkniemi – improved efficiencies and substantially lower cost base

## Sappi Fine Paper North America

- Improvement in operating profit over the prior quarter – paper markets competitive with lower pricing but volumes remain good.
- Cloquet DWP mill ramp up proceeded well, currently operating close to full capacity, and of good quality
- Release business continues to do well; higher volumes, better mix, lower costs

## Sappi Southern Africa

- Specialized Cellulose business, inclusive of Cloquet, had higher shipments, production efficiencies, higher NBSK prices and favorable exchange rates which all contributed to a 39% EBITDA margin, well above the normalized margins for this business
- Domestic graphic paper markets remain challenging due to higher input costs and continued competition from importers.
- Packaging paper segment improved through successful interventions, improved demand and pricing.
- Variable costs, particularly purchased timber and pulp, continued to increase as a result of weaker Rand/Dollar exchange rates.

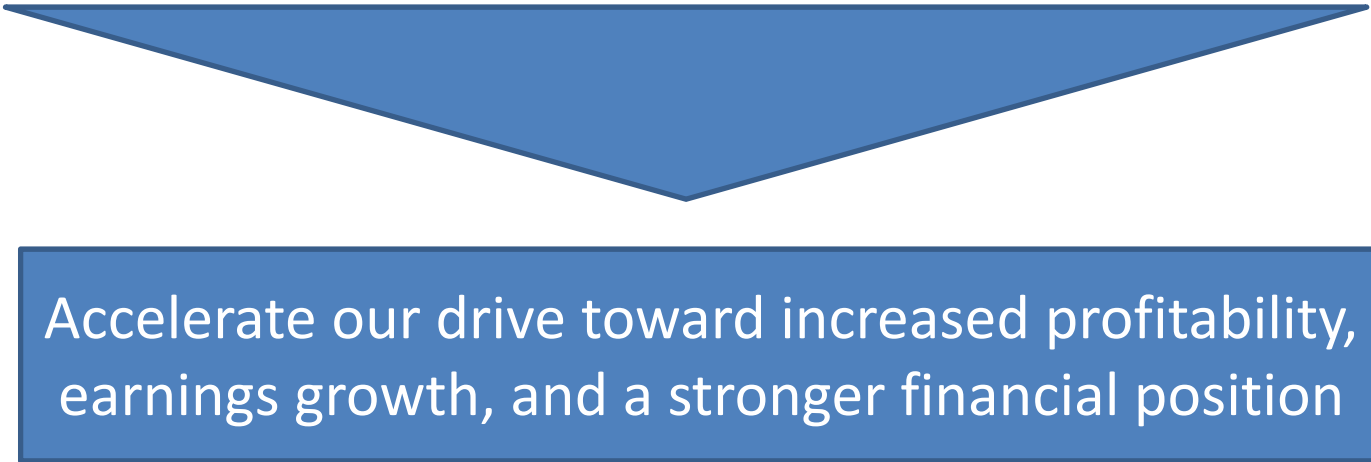
The background of the slide features a grayscale image of several large rolls of paper, stacked and slightly offset from each other, creating a sense of depth and texture. The rolls are curved, showing the edges of the paper sheets.

# 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
  - Significantly reduce graphic paper exposure with lower cost - relevant investments announced today
  - Increased speciality paper business
  - Similar business to US
- South Africa – cost pressure, and weak 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 evolved as expected in this transitional year
- 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:

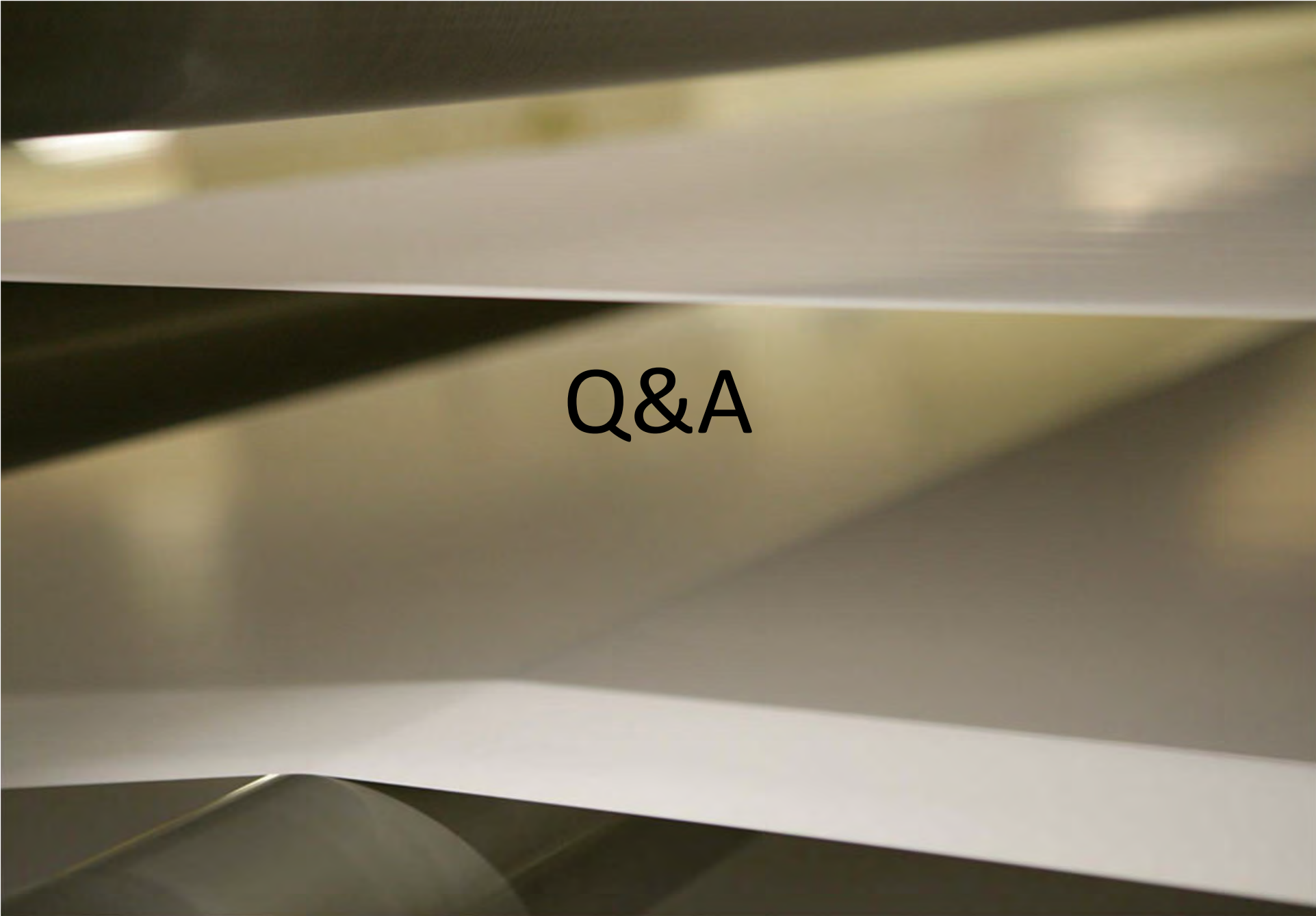
- Maintaining and growing our world leadership position as a low cost dissolving wood pulp producer
- Growing high margin speciality paper business in all regions
- Smaller and simpler low cost graphic paper business
- Maximising value from our forestry operations in SA
- An emphasis on cash generation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




# Outlook

## Outlook

- Strategy for growth remains on track – Two dissolving wood pulp conversions are up and running, Alfeld conversion started up in October.
- Profitability will improve in 2014 – contribution from conversions, improvement plans implemented in European and South African paper businesses
- Demand for coated paper expected to fall 3% and 6% per annum in North America and Europe respectively – gains in these businesses will come from production efficiencies, lower costs, and a greater portion of sales coming from specialized products.
- We expect some pressure on margins in our Specialized Cellulose business as more capacity comes online. With our low cost position and increased capacity, we are very well positioned to compete
- In FY 2014 we expect a gradual improvement in the group's underlying performance and a significant reduction in capex (\$250-\$300m) which will enable us to generate positive cash flow.

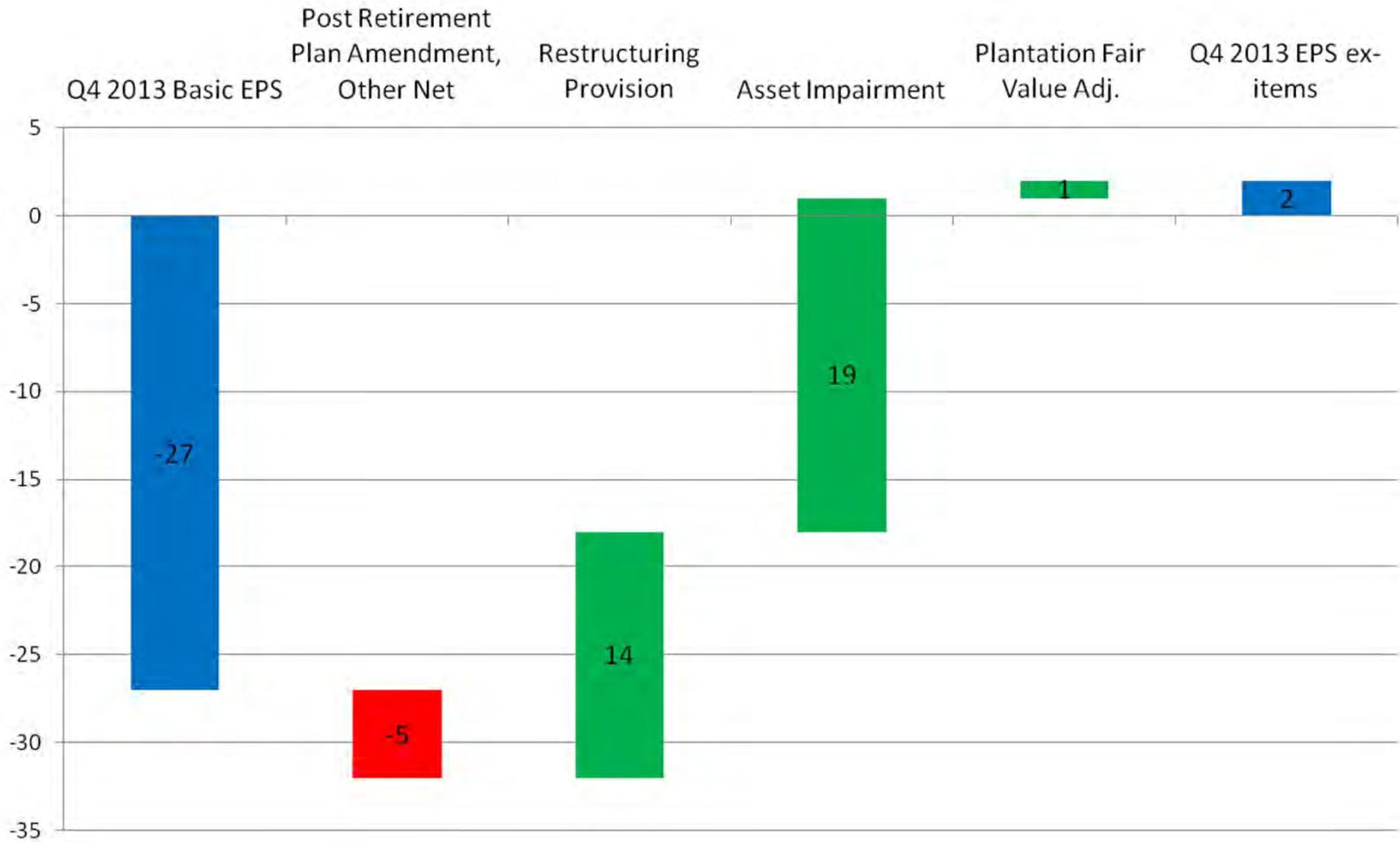


# Q&A

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 being fed from the left and is being processed by the rollers. The background shows a factory setting with yellow safety triangles on the walls.

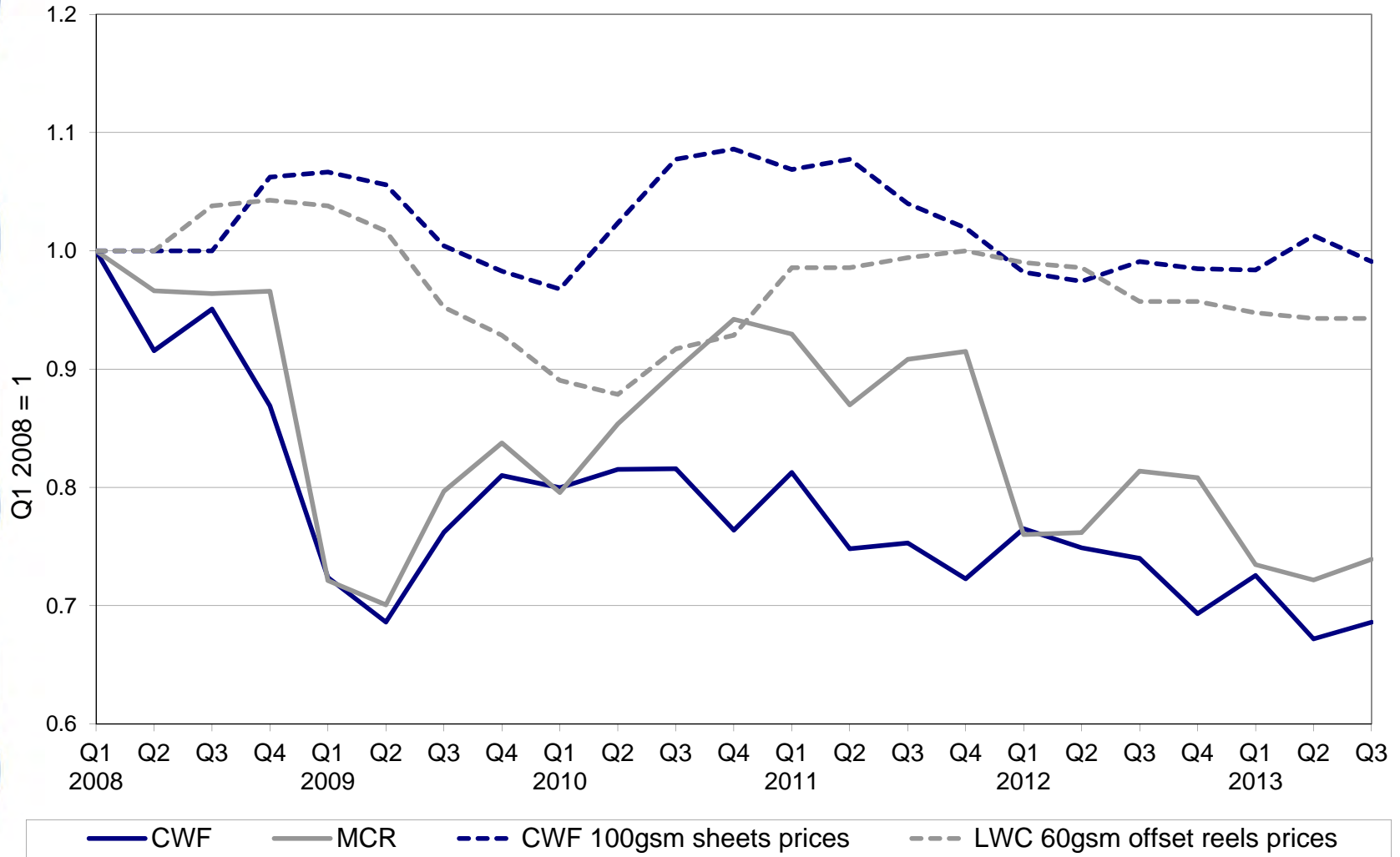
# Supplementary Information

# Earnings/Loss per share detail



Refer to page XX in our Q4 2013 Results announcement booklet for a definition of special items.

# 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

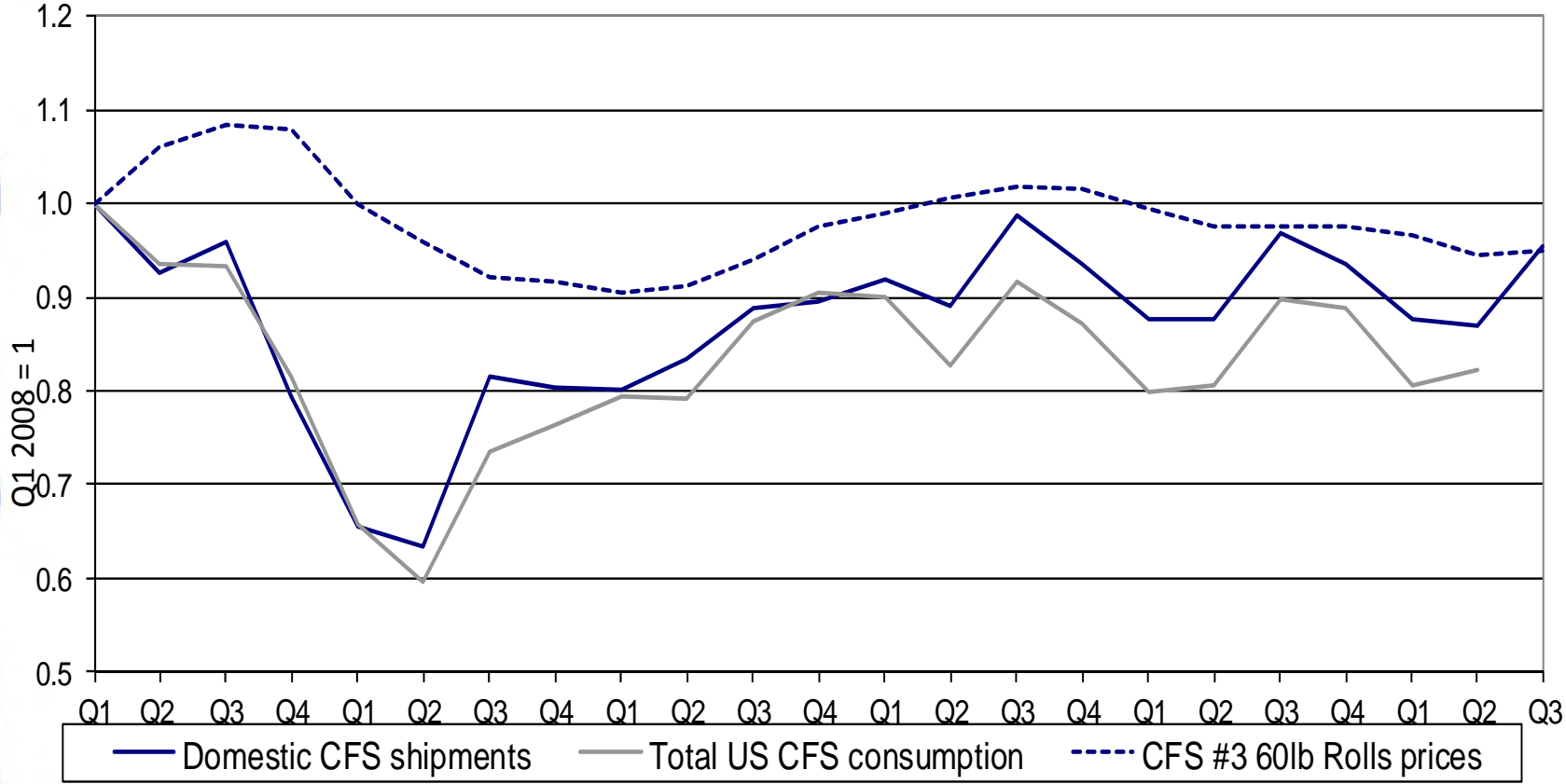
	Q4 12	Q4 13	F 2012	F 2013
Tons Sold ('000)	896	840	3,507	3,367
Sales (\$'m)	826	783	3,350	3,155
Price / Ton (\$)	922	932	955	937
Price / Ton (€)	737	704	735	714
Cost / Ton* (€)	697	714	706	716
<b>Operating profit ex items** (\$'m)</b>	<b>45</b>	<b>(12)</b>	<b>133</b>	<b>(9)</b>

\* 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 Q4 2013 Results booklet (available on [www.sappi.com](http://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  
Q3 data point for total consumption not available at present

## Sappi Fine Paper North America

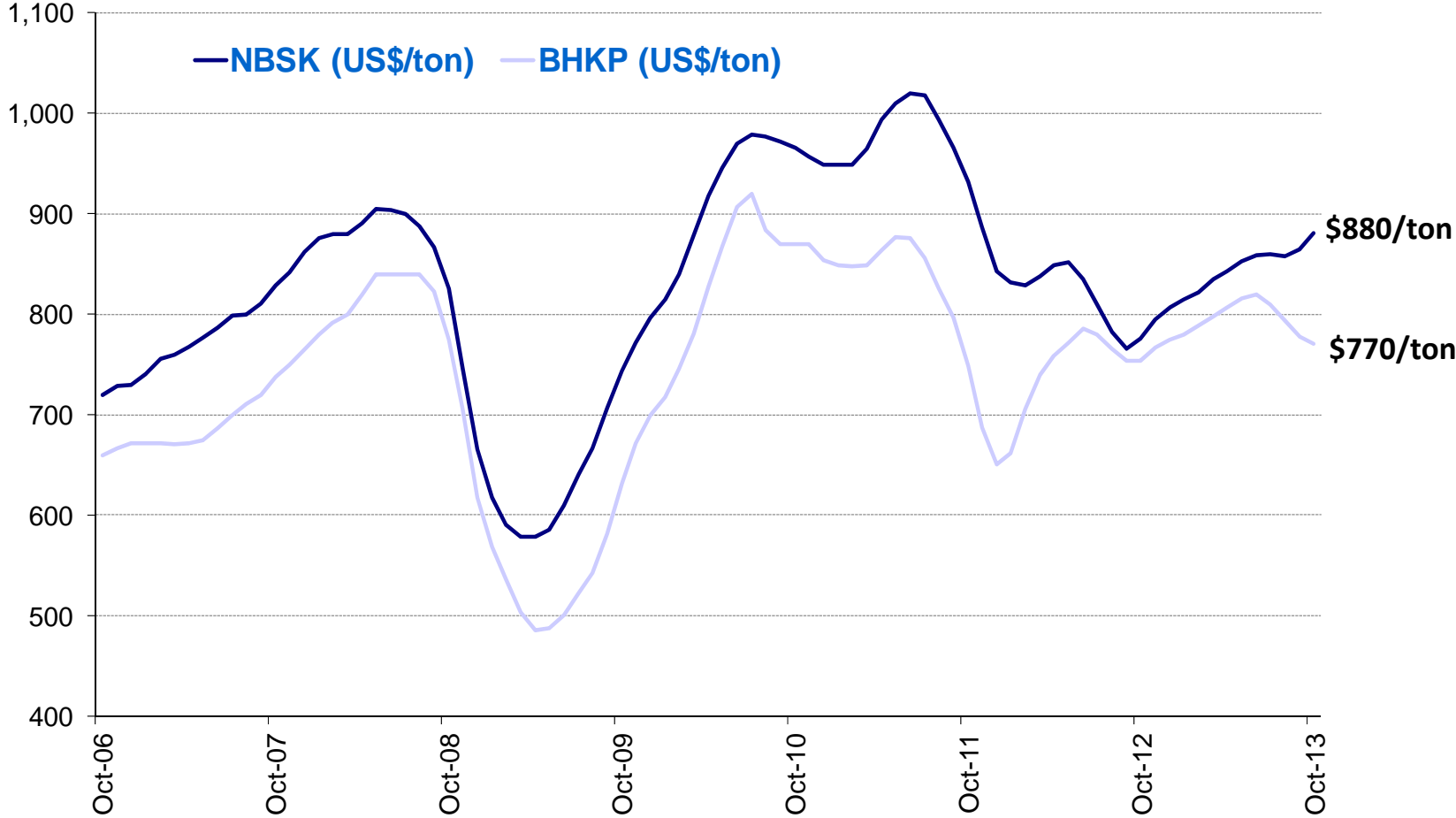
	Q4 12	Q4 13	F 2012	F 2013
Tons Sold ('000)	369	335	1,400	1,298
Sales (\$'m)	377	366	1,438	1,377
Price / Ton (\$)	1,022	1,093	1,027	1,061
Cost / Ton* (\$)	908	1,003	960	1,006
<b>Operating Profit ex items** (\$'m)</b>	<b>42</b>	<b>30</b>	<b>94</b>	<b>71</b>

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# Pulp Prices\*

US\$/ton



\* Source: Average monthly FOEX delivered European prices

## Sappi Southern Africa

	<b>Q4 12</b>	<b>Q4 13</b>	<b>F 2012</b>	<b>F 2013</b>
Tons Sold ('000)	423	447	1,676	1,619
Sales (\$'m)	361	363	1,475	1,316
Price / Ton (\$)	853	812	880	813
Price / Ton (ZAR)	7,046	8,115	7,087	7,542
Cost / Ton* (ZAR)	6,402	6,930	6,232	6,837
<b>Operating Profit ex items** (\$'m)</b>	<b>33</b>	<b>53</b>	<b>178</b>	<b>123</b>

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\*\* 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 Q4 2013 Results booklet (available on [www.sappi.com](http://www.sappi.com)) for a definition of special items.

## Cash Flow

	Q4 12	Q4 13	F 2012	F 2013
<b>Cash generated from operations</b>	<b>182</b>	<b>121</b>	<b>728</b>	<b>447</b>
- Movement in working capital	115	108	(102)	(20)
- Net finance costs paid	(38)	(20)	(195)	(164)
- Taxation paid	(8)	(2)	(20)	(17)
<b>Cash generated from operating activities</b>	<b>251</b>	<b>207</b>	<b>411</b>	<b>246</b>
<b>Cash utilised in investing activities</b>	<b>(48)</b>	<b>(96)</b>	<b>(284)</b>	<b>(493)</b>
- Capital expenditure	(112)	(103)	(358)	(552)
- Proceeds on disposal of non-current assets	60	3	71	53
- Other movements	4	4	3	6
<b>Net Cash (utilized) generated</b>	<b>203</b>	<b>111</b>	<b>127</b>	<b>(247)</b>



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**Thank You**