

For further information	Issued by
<p>André F Oberholzer Group Head Corporate Affairs Sappi Limited Tel +27 (0)11 407 8044 Mobile +27 (0)83 235 2973 Andre.Oberholzer@sappi.com</p> <p>Graeme Wild Group Head Investor Relations and Sustainability Sappi Limited Tel +27 (0)11 407 8391 Mobile +27 (0)83 320 8624 Graeme.Wild@sappi.com</p>	<p>Brunswick on behalf of Sappi Limited Tel + 27 (0) 11 502 7300</p>

PO Box 31560
2017 Braamfontein
SOUTH AFRICA
Tel +27 (0)11 407 8111

www.sappi.com

Media Release

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Sappi delivers strong first quarter

Financial summary for the quarter

- EBITDA excluding special items US\$197 million (Q1 2018 US\$172 million)
- Profit for the period US\$81 million (Q1 2018 US\$63 million)
- EPS excluding special items 16 US cents (Q1 2018 14 US cents)
- Net debt US\$1,557 million (Q1 2018 US\$1,349 million)

Commenting on the result, Sappi Chief Executive Officer Steve Binnie said: “In a difficult operating climate, the resilience of the business and the benefits from the diversification of the product portfolio in recent years were emphasised during the quarter. Profitability was in line with our guidance at the end of the 2018 financial year. EBITDA excluding special items increased by 15% and profit increased by 29% from a year ago. We continue to work hard to mitigate increased input costs and weaker global graphic paper markets. The dissolving wood pulp business continued to enjoy stable pricing and healthy customer demand.”

Binnie added that “Our strategy to invest in higher margin growth segments continues to bear fruit. Overall sales volumes for packaging and specialities increased by 27% year-on-year. In Europe the volumes increased by 50% year-on-year following the completion of the Maastricht Mill conversion and the inclusion of the Cham Paper volumes and in North America sales volumes of existing packaging grades and new paperboard grades helped drive packaging and specialities volumes 68% higher than those of last year. In South Africa packaging volumes also increased year-on-year, supporting a strong improvement in operating performance for the business.”

Input cost pressures on non- or partially integrated mills persisted due to elevated paper pulp prices, which impacted margins. These cost pressures and sluggish demand in some market segments were offset by higher sales, higher selling prices and market share gains in other segments along with good fixed cost control.



Looking towards the rest of the year, Binnie indicated that “Sappi expects EBITDA in the second quarter of financial year 2019, given current exchange rates, to be slightly below that of 2018 due to current weak graphic paper markets and paper pulp prices which remain high in Europe and North America. However, the full year result is expected to be above that of the prior year.”

Outlook

Following the completion of the debottlenecking of Saiccor and Ngodwana Mills in 2018, we plan to grow dissolving wood pulp volumes through the remainder of 2019 to meet increased customer demand. DWP prices in China have come under pressure in the past two months as the lower Chinese VSF prices and current weak Chinese paper pulp markets influence DWP pricing. Demand from our customers remains good and we anticipate that continued high paper pulp prices in the rest of the world will support DWP prices going forward.

Market conditions for the various grades of packaging and speciality papers that we produce have diverged in the past month or so, with strong containerboard markets in South Africa and solid paperboard demand in Europe contrasting with some weakness in the release paper, and various European speciality grades. The ramp up of packaging paper production at Maastricht and Somerset post the completion of the conversion projects at these mills in 2018 will result in further sales growth in this segment.

Graphic paper markets in Europe and North America have been weak in recent months which has impacted the market balance, particularly for Europe. Further potential industry capacity conversions and closures may happen in the coming periods, however short-term profitability will be negatively impacted if demand continues to be as weak as it has been recently.

Capital expenditure in 2019 is expected to be approximately US\$590 million as we proceed with the Saiccor 110kt expansion project, complete the Saiccor woodyard upgrade, convert Lanaken PM8 from coated mechanical to woodfree paper production and upgrade the Gratkorn Mill in our continued transition towards growing and higher margin segments.

ENDS

The full results announcement is available at www.sappi.com

There will be a conference call to which investors are invited. Full details are available at www.sappi.com using the links Investors; Latest financial results



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 a 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 and other strategic initiatives 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.

About Sappi Limited

A global leader in paper, paper pulp and dissolving wood pulp solutions, Sappi Limited (listed and in the Top 40 on the JSE), is headquartered in Johannesburg, South Africa; has over 12,000 employees; manufacturing operations on three continents, in seven countries (nine mills in Europe, three mills in America and four mills in South Africa) and customers in over 150 countries worldwide

Sappi works closely with customers to provide relevant and sustainable paper, paper pulp, dissolving wood pulp and biomaterial products and related services and innovations. Our market-leading range of paper products includes: coated fine papers used by printers, publishers and corporate end-users; casting release papers used by suppliers to the fashion, textiles, automobile and household industries; and in our Southern African region newsprint, uncoated graphic and business papers, premium quality packaging papers and paper grade pulp. Our dissolving wood pulp products are used worldwide by converters to produce viscose fibre, pharmaceutical products as well as a wide range of household and consumer products.

In FY2018 we produced approximately: 5.7 million tons of printing and writing, speciality and packaging paper; 2.3 million tons of paper pulp, and 1.4 million tons of dissolving wood pulp.

We are investing in developing our biomaterials (nanocellulose, fibre composites and lignosulphonate) and biorefinery (second generation sugars and bio-energy) businesses.

We continue to grow into a profitable and cash-generative diversified business with an exciting future in woodfibre, a renewable resource.

For further information visit www.sappi.com

