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## Media release

# Media Release

Johannesburg, 15 May 2017

### **Sappi continues to deliver solid results driven by strong global dissolving pulp and speciality packaging performance**

#### ***Financial summary for the quarter and half-year***

- EBITDA excluding special items:
  - For the quarter US\$208 million (2016 US\$195 million)
  - For the half-year US\$409 million (2016 US\$370 million)
- EPS excluding special items:
  - For the quarter 17 US cents (2016 16 US cents)
  - For the half-year 33 US cents (2016 29 US cents)
- Profit for the period:
  - For the quarter US\$88 million (2016 US\$100 million)
  - For the half-year US\$178 million (2016 US\$175 million)
- Net debt US\$1,329 million, down US\$323 million year-on-year

#### **Sappi Chief Executive Officer Steve Binnie, commenting on the group's performance, said:**

"I am pleased to report that Sappi continues to deliver solid results on the back of our strategic shift to place more emphasis on dissolving pulp and speciality packaging. Coupled with strong cash generation and cost management initiatives to reduce variable costs we are well positioned to achieve our 2020 targets.

"EBITDA for the half-year was up 10%; and for this quarter improved by 7% on last year despite our graphic paper business coming under pressure and the significantly stronger Rand/Dollar exchange rate partially offsetting the higher dissolving pulp prices.



“Our projects to increase capacity of speciality packaging in Europe and North America are progressing as planned. Capital expenditure in 2017 is expected to be approximately US\$350 million. This includes the next phase of the dissolving pulp debottlenecking projects at Ngodwana and Saiccor Mills, the Somerset Mill wood-yard and the initial phases of the speciality packaging conversions.

“Sappi’s Biotech business is also progressing well, with the opening of a second-generation pilot plant for sugar extraction at our Ngodwana Mill in South Africa just after quarter close and the signing of a global sales agreement with Cellmark of Sweden for our Lignosulphonate products.”

**The periods under review:**

The Specialised Cellulose business benefitted from strong demand and favourable pricing for dissolving wood pulp (DWP), which followed the trends for viscose staple fibre, cotton and polyester.

In Europe and the USA, the speciality packaging and casting and release paper businesses continued to achieve strong sales growth and profit margins. In South Africa, the paper business experienced a strong recovery in sales volumes this past quarter compared to both comparative periods. Containerboard and newsprint sales were particularly healthy, and the outlook for containerboard remains strong due to an anticipated year-on-year growth in fruit exports.

Europe experienced a soft graphic paper market while in the USA coated paper volumes and prices declined during the period. This was exacerbated by rapidly rising raw material costs, particularly purchased pulp and latex in Europe.

Strong cash generation supported our debt reduction programme with net debt reducing by a further 19.5% compared to levels a year ago. Sappi has also, since quarter end, repaid the 2017 US\$400 million bonds utilising existing cash resources. This will further lower the ongoing net interest charge by approximately US\$21 million per annum. The profit for the six months was flat compared to 2016 but decreased US\$12 million for the quarter due to a US\$18 million positive after tax plantation fair value adjustment that occurred in 2016.

**Outlook**

Subsequent to the steady increase in the second quarter, DWP prices have moderated during April 2017. This follows a similar trend in viscose staple fibre, cotton and polyester pricing. Nonetheless, market dynamics appear favourable, with demand growth continuing to exceed our long-term forecast of 4% and only limited capacity addition is expected in the next two years.

Graphic paper markets in Europe and the United States remain sluggish, although orders in Europe improved in late March and April. Rising paper pulp and latex prices, along with a



weaker Euro have started to place pressure on European margins, with paper price increases originally scheduled for April only offering partial relief.

Demand for speciality packaging continues to grow and we are making good progress with the conversion projects we recently announced for Europe and North America. These will further boost production capacity in these grades.

During 2017 we expect to reduce net debt further through positive cash generation and for the net interest expense to decline following the repayment of the maturing 2017 bonds in April.

Based on current market conditions; in particular, the higher paper pulp and latex prices and the current Rand/Dollar exchange rate, we expect the group's operating performance in the third quarter to be slightly below that of the equivalent quarter in 2016. However, the full year result is likely to be above that of the prior year.

ENDS

**The full results announcement is** available at [www.sappi.com](http://www.sappi.com)

There will be a conference call to which investors are invited. Full details are available at [www.sappi.com](http://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, identify forward looking statements. In addition, this document includes forward looking statements relating to our potential exposure to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity price risk. 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 adverse changes in global economic conditions;*
- 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 restructurings or other strategic initiatives, and achieving expected savings and synergies;*
- 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 (seven 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 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. 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.

In FY2016 we produced approximately: 5.4 million tons of graphic and printing paper and packaging and speciality paper; 2.3 million tons of market paper pulp, and 1.3 million tons of dissolving wood pulp.

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

For further information visit [www.sappi.com](http://www.sappi.com)

