Sappi Limited

For further information	Issued by
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 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	Brunswick on behalf of Sappi Limited Tel + 27 (0) 11 502 7300

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

www.sappi.com

Media release

Media Release

Johannesburg, 13 August 2018

Sappi delivers solid profit during third quarter while concluding key expansion projects

Financial summary for the quarter to end June 2018

- Profit for the period US$51 million (Q3 2017 US$58 million)
- Net debt US$1,603 million, down US$29 million on the prior quarter
- EPS excluding special items 10 US cents (Q3 2017 11 US cents)

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

"Our third quarter operating performance was in line with previous guidance with earnings (EBITDA ex special items) flat at US$155 million compared to a year ago. The third quarter is seasonally and historically our weakest quarter due to the slow-down in business activity during the Northern Hemisphere summer holiday period and Sappi's choice to use this quarter to undertake major annual maintenance shuts. A strong performance by our European operations was offset by a number of once-off operational and production issues in our South African and North American businesses.

"Capital expenditure increased due to the now completed paper machine conversion at Somerset Mill and the debottlenecking of dissolving wood pulp (DWP) production at our Ngodwana and Saiccor mills. I am pleased that we have completed the conversion projects at Somerset and Maastricht mills and that we can look forward to significantly improved packaging sales volumes in the coming financial year.

"Based on current market conditions, including the current Rand/Dollar exchange rate, we expect the group's fourth quarter operating performance to be similar to that of last year, despite the lost production volumes in the third quarter impacting fourth quarter sales volumes

due to the resultant low inventory levels. We expect to reduce net debt further in the coming quarter through positive cash generation."

The period under review:
Dissolving wood pulp (DWP) demand and pricing remained healthy, albeit that net sales pricing was slightly below that of a year ago. The shuts at Saiccor and Ngodwana both ran longer than planned and, combined with additional production and commissioning issues on start-up, impacted production volumes by approximately 30,000 tons for the quarter.

Demand for specialities and packaging papers continued to grow across the various product segments, with our production capacity being the limiting factor to sales in some markets. The consolidated Cham paper assets were included for the full quarter following their acquisition at the end of February 2018.

An improvement in demand for coated mechanical paper in the European paper business and higher average graphic paper prices led to improved profitability, offsetting increased variable costs, particularly paper pulp and a softer coated woodfree market.

The North American graphic paper business continued to benefit from the tight market conditions, with increased sales pricing. The conversion of Somerset PM1 to packaging grades overran to schedule and this negatively impacted sales volumes of both graphic and packaging grades in the quarter as well as costs.

Higher packaging and paper sales volumes and prices in South Africa were unable to fully offset the impact of lower DWP sales volumes and prices as well as the stronger Rand/Dollar exchange rate relative to a year ago.

Outlook
The DWP market remains tightly supplied, with limited new capacity in the medium term. Market prices are expected to remain stable at current levels given historically high paper pulp prices that are supporting DWP pricing and viscose staple fibre prices that remain under pressure from new capacity entering the market. Fourth quarter average realised DWP prices should be in line with those of the third quarter.

Graphic paper operating rates in both Europe and North America remain healthy, and further price increases have been implemented since quarter-end to mitigate higher input costs. The low graphic paper inventory levels in the North American business will impact sales volumes in the fourth quarter.

Demand growth for most of the speciality and packaging grades we produce continues to be above long term averages, and, where applicable, price increases have been implemented to offset rising input costs. Trial runs of the packaging grades on Somerset PM1 have continued and the machine is producing to a high quality. We expect to start commercial sales of first quality paperboard in the fourth quarter.

Capital expenditure in the last quarter is expected to be approximately US$180 million. This includes expenditure in preparation for the expansion at Saiccor Mill, the completion of the DWP debottlenecking at Ngodwana and Saiccor, and expenditure related to the Somerset PM1 conversion overrun. We currently estimate the additional cost at Somerset Mill to be in the order of US$35-50 million above the initial capital expenditure projection.

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, 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 cyclicality, 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.