

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

Johannesburg, 15 November 2018

Sappi delivers solid full year and improved 4th quarter results while completing higher margin conversion and dissolving wood pulp debottlenecking projects

Commenting on the results, Sappi Chief Executive Officer Steve Binnie said: “I am very satisfied that we have delivered results for the year in line with that of the prior year, notwithstanding the downtime related to the completion of several large strategic growth projects. These projects facilitated a further shift in the product mix of the group towards higher margin and growth segments.”

Reflecting on the 4th quarter, Binnie indicated: “We delivered increased earnings having resolved the 3rd quarter production challenges and benefited from higher graphic paper prices and stable demand across most product categories. To further build and strengthen our market leading position, during the quarter we launched the *Verve* brand as the umbrella brand for our DWP products, emphasising Sappi’s commitment to producing a natural fibre sourced from sustainably managed forests.”

Binnie confirmed that: “Strong market demand for dissolving wood pulp (DWP) and speciality and packaging papers ensured our production capacity in these grades was fully utilized, further supporting our decision to invest in additional capacity in these business segments. We were also able to reduce net finance costs by 15% due to lower average debt levels during the year.

I am also pleased that we have been able to declare an increased dividend of 17 US cents.”

Turning to the next quarter, Binnie stated: “having completed the significant projects in 2018 to convert paper machines to higher margin and growing packaging grades, in addition to the debottlenecking of both Saiccor and Ngodwana Mills, we expect EBITDA in the first quarter of financial year 2019, given current exchange rates, to be comfortably higher than that of 2018.”



Financial summary for the quarter and full year

- EBITDA excluding special items
 - For the quarter US\$224 million (Q4 FY17 US\$221 million)
 - For the year US\$762 million (FY17 US\$785 million)
- Profit for the period
 - For the quarter US\$107 million (Q4 FY17 US\$102 million)
 - For the year US\$323 million (FY17 US\$338 million)
- EPS excluding special items
 - For the quarter 19 US cents (Q4 FY17 19 US cents)
 - For the year 60 US cents (FY17 64 US cents)
- Net debt US\$1,568 million (FY17 US\$1,322 million)
- Dividend of 17 US cents declared (FY17 15 US cents)

The major factors which influenced the fourth quarter's results include:

- Dissolving wood pulp (DWP) demand and market pricing remained healthy;
- Sales volumes were impacted by low inventory levels due to lost production volumes in the third quarter following start-up issues after mill upgrade projects;
- Demand for specialities and packaging papers continued to grow in each region and across all major product categories. EBITDA margins were impacted by higher raw material prices and delayed price increases due to long-term contracts typical in this market;
- The qualification process of the paperboard grades at the Somerset and Maastricht mills is underway, with positive customer response to date. This process did however negatively impact average pricing and costs for the quarter.
- The European business delivered a good result in a seasonally stronger quarter.
- The Cham integration continues to exceed expectations, with EBITDA contribution ahead of expectations after 7 months.
- Higher coated paper and DWP prices and the ramp-up of sales volumes from Somerset PM1 led to an improved result for Sappi North America.
- In South Africa, an increase in Rand selling prices offset variable costs pressures. Sales volumes were in line last year.
- European and export printing and writing papers markets were stable, allowing for the implementation of coated paper price increases that have offset much of the rise in paper pulp costs. In the US, sales volumes increased in all product categories and higher graphic paper prices were achieved;
- The potential benefits of a weaker Rand/US Dollar exchange rate in the quarter were reduced by currency hedges on DWP sales entered into earlier in the year when the exchange rate was much stronger.

Outlook

The debottlenecking of Saiccor, Ngodwana and Cloquet as well as fewer production disruptions in 2019 should lead to increased DWP sales volumes to meet growing demand. DWP spot prices are forecast to remain range-bound at current levels in the coming year as VSF prices are expected to be under pressure from excess VSF capacity, while paper pulp prices which are forecast to remain at high levels should provide support.



Demand for speciality and packaging papers continues to grow, driven by increasing consumer preference for paper based packaging and legislative changes promoting recycling and the use of recyclable materials. The completion of the conversion projects at Somerset and Maastricht in the past year will allow us to increase production of paperboard grades to serve this growing market.

Industrywide conversion and closure of graphic paper machines in the US and Europe are expected to keep the markets balanced in the coming year should demand contract at similar levels to those of the past few years. Recent European data however, indicates that a potential downturn may be realised in 2019. Cost control measures will be implemented in order to support margins as we manage the price elasticity in our paper markets.

Capital expenditure in 2019 is expected to increase to US\$590 million as we proceed with the Saiccor 110kt expansion having recently received initial EIA approval for the project, complete the Saiccor woodyard upgrade, convert Lanaken PM8 from coated mechanical to woodfree paper production and upgrade the Gratkorn Mill.

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 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.