

Announcement

09 July 2020

Sappi Limited
(Incorporated in the Republic of South Africa)
Registration number: 1936/008963/06
JSE share code: SAP
ISIN code: ZAE000006284
("Sappi" or the "Company")

Sappi announces the closure of Paper Machine 2 (“PM2”) at its Stockstadt Mill in Germany as well as Paper Machine 9 (“PM9”) and the energy complex at its Westbrook Mill in the USA.

Sappi Limited today informed its employees and stakeholders of two decisions which will cumulatively remove capacity, reduce costs, improve machine utilization and increase competitiveness.

Sappi Stockstadt Mill

On 11 February 2020, Sappi Europe announced the initiation of a process to determine the future of PM2 at its Stockstadt Mill in Germany, in view of the continuing decline of the Coated Woodfree paper market. Following an exhaustive consultation process an agreement was reached with mill employee representatives to permanently close PM2, which has a Coated Woodfree paper production capacity of 240 000 tons per annum. Stockstadt will now focus on its strong and growing uncoated woodfree offering. Approximately 170 employees will leave the company with production expected to cease on 30 September 2020. The once-off restructuring charges amount to approximately €27 million (€15 million cash; € 12 million non-cash). The estimated annual saving will be approximately €15 million.

Sappi Westbrook Mill

After a period of review, Sappi North America has decided to permanently shut PM9 and the majority of the energy complex at its Westbrook Mill in the State of Maine. Sappi will shift PM9’s base paper production to its state-of-the-art mills in Cloquet, Minnesota and Skowhegan, Maine. Approximately 75 employees will be impacted. The impacted assets are expected to close by end of calendar year 2020. As a result of these actions, a restructuring charge of approximately US\$14 million (US\$11 million cash; US\$3 million non-cash) is expected during Sappi’s fourth quarter, in addition to approximately US\$8 million of accelerated depreciation to be recorded during the second half of calendar 2020. The estimated annual saving will be approximately US\$10 million.

Commenting on the decisions, Sappi CEO Steve Binnie said: “These steps demonstrate our commitment to taking decisive action to reduce costs and respond to market dynamics. These mills will now be better placed to compete in the marketplace and deliver increased returns.”



The information in this announcement has not been reviewed and reported on by Sappi's external auditors.

Sponsor : UBS South Africa (Pty) Ltd

