

*Media Release*

22 January 2010

**Intended closure of Sappi Usutu Pulp Mill**

Sappi Usutu Pulp Mill today announced that no consensus has been reached on the critical issue of exit packages for all employees. This announcement comes after the company's extensive Section 40 consultations with the Union and employees which meetings were facilitated by the Commissioner of Labour.

The situation is viewed by management as very regrettable given the nature of the offer made by the company - particularly in the context of existing affordability levels and the technical insolvency that Usutu Pulp Company Limited has continued to operate under.

For the past two years, the company has reported operating losses and therefore any expectation that exit packages would have been more than the current offer are without foundation. Regardless of this reality, the company has made an offer of what it considers to be a fair and reasonable offer for the payment of exit packages given the financial position the company is under.

That the reality is that unless some ground is made between now and 31 January 2010, both the company and the respective employee constituencies would not have reached common ground on the matter of the exit packages. It has come to management's attention that the Union is taking advice on other options with regard to this matter which includes seeking legal redress, including the consideration of the liquidation of Usutu Pulp Company Limited. Sappi does not regard liquidation as an ideal option as it would affect other critical processes such as finding a suitable investor for the remaining operations of Usutu Pulp Company Limited.

In view of the closure of the Usutu Mill on 31 January 2010, Sappi has resolved to implement the following measures:

- All employees who received formal notice of the closure of the Usutu Mill, will be terminated on 31 January 2010.
- All employees affected by the termination, will receive exit packages on 29 January 2010.
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- The Provident Fund payment as well as the exit packages will be processed and paid out, subject to the processing of tax directives.
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- All payments accumulated between now and the end of the month, which includes overtime and any other outstanding payment, will be processed and paid to the concerned employees on 19 February 2010.

The company in addition to making the payments referred to above has also undertaken to allow employees to stay in the company villages until the end of May 2010. Protocol has been put into place for employees who elect to stay in the company houses beyond the 31 January 2010, to apply to do so.

In order to ensure that there is an orderly shut down of the mill operations and making all equipments safe, the mill will be mothballed over the next couple of months. To facilitate this process, some employees will be requested to enter into new short term contracts of employment from 01 February 2010 to a date that will be deemed appropriate in order to complete the necessary work that is required to be undertaken in this regard. This request will be voluntary and employees approached in this regard have the right to refuse to contract into Usutu beyond 31 January 2010.

ENDS

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