

SAPPI LTD

Form 6-K

April 08, 2010

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

under the Securities Exchange Act of 1934

For the month of April, 2010

Commission file number: 1-14872

SAPPI LIMITED

(Translation of registrant's name into English)

48 Ameshoff Street

Braamfontein

Johannesburg 2001

REPUBLIC OF SOUTH AFRICA

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b) (1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b) (7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

INCORPORATION BY REFERENCE

Sappi Limited's report for the Circular to Ordinary Shareholders regarding a proposed Black Economic Empowerment transaction dated March 31, 2010, furnished by the Registrant under this Form 6-K, is incorporated by reference into (i) the Registration Statements on Form S-8 of the Registrant filed December 23, 1999, December 15, 2004 and February 2, 2010 in connection with The Sappi Limited Share Incentive Scheme, (ii) the Section 10(a) Prospectus relating to the offer and sale of the Registrant's shares to Participants under The Sappi Limited Share Incentive Scheme, (iii) the Registration Statements on Form S-8 of the Registrant filed December 15, 2004 and December 21, 2005 in connection with The Sappi Limited 2004 Performance Share Incentive Plan and (iv) the Section 10(a) Prospectus relating to the offer and sale of the Registrant's shares to Participants under The Sappi Limited 2004 Performance Share Incentive Plan.

FORWARD-LOOKING STATEMENTS

In order to utilize the "Safe Harbor" provisions of the United States Private Securities Litigation Reform Act of 1995 (the "Reform Act"), Sappi Limited (the "Company") is providing the following cautionary statement. Except for historical information contained herein, statements contained in this Report on Form 6-K may constitute "forward-looking statements" within the meaning of the Reform Act. 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, which do not relate to historical matters, identify forward-looking statements. In addition, this Report on Form 6-K may include forward-looking statements relating to the Company's potential exposure to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity price risk. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond the control of the Company, together with its subsidiaries (the "Group"), and may cause the actual results, performance or achievements of the Group 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 impact of the global economic downturn, the risk that the European Acquisition will not be integrated successfully or such integration may be more difficult, time consuming or costly than expected, expected revenue synergies and cost savings from the Acquisition may not be fully realized or realized within the expected time frame, revenues following the Acquisition may be lower than expected, any anticipated benefits from the consolidation of the European paper business may not be achieved, 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), adverse changes in the markets for the group's products, consequences of substantial leverage, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed, changing regulatory requirements, unanticipated production disruptions (including as a result of planned or unexpected power outages), economic and political conditions in international markets, the impact of investments, acquisitions and dispositions (including related financing), any delays, unexpected costs or other problems experienced with integrating acquisitions and achieving expected savings and synergies and currency fluctuations. These and other risks, uncertainties and factors are discussed in the Company's Annual Report on Form 20-F and other filings with and submissions to the Securities and Exchange Commission, including this Report on Form 6-K. Shareholders and prospective investors are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are made as of the date of the submission of this Report on Form 6-K and are not intended to give any assurance as to future results. The Company undertakes 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.

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

The definitions and interpretations commencing on page 13 of this Circular have been used on this front cover. If you are in any doubt as to the action that you should take, please consult your broker, CSDP, legal advisor, accountant or other professional advisor immediately.

Please take careful note of the following provisions regarding the action required by Ordinary Shareholders:

- If you have disposed of all of your Ordinary Shares, this Circular should be handed to the purchaser of such Ordinary Shares or the CSDP, broker or other agent who disposed of your Ordinary Shares for you.
- This Circular contains information relating to the Transaction. You should carefully read through this Circular and decide how you wish to vote on the resolutions to be proposed at the General Meeting.
- The General Meeting, convened in terms of the notice of General Meeting attached to this Circular, will be held at the Company's registered office, 48 Ameshoff Street, Braamfontein, Johannesburg, 2001 on Thursday 29 April 2010 at 03:00pm.

sappi

Sappi Limited

(Incorporated in the Republic of South Africa)

Registration number: 1936/008963/06

Share code: SAP ISIN: ZAE000006284

**Circular to Ordinary Shareholders regarding a proposed
Black Economic Empowerment transaction
including:**

- **amendments to the Articles to:**
 - create "A" Ordinary Shares; and
 - increase the authorised share capital;
 - **the specific issue of Ordinary Shares and "A" Ordinary Shares for cash;**
 - **the specific repurchase of "A" Ordinary Shares; and**
 - **authority to provide financial assistance;**
- and incorporating:**
- **a notice convening the General Meeting; and**
 - **a form of proxy (*blue*) (for use by Certificated Shareholders and own name Dematerialised Shareholders only).**

**Merchant bank and
transaction sponsor**

Independent professional expert

Sponsor

Legal advisors

**Reporting accountants and
auditors**

Communication advisors

Date: 31 March 2010

CORPORATE INFORMATION AND ADVISORS

Company secretary and registered office

D J O'Connor (BA LLB)

Sappi Management Services (Proprietary) Limited
48 Ameshoff Street

Braamfontein, 2001, South Africa
(PO Box 31560, Braamfontein, 2017, South Africa)

South African transfer secretaries

Computershare Investor Services (Proprietary) Limited
(Registration number: 2004/003647/07)

Ground Floor
70 Marshall Street
Johannesburg, 2001, South Africa
(PO Box 61051, Marshalltown, 2107, South Africa)

Sponsor

UBS South Africa (Proprietary) Limited
(Registration number: 1995/011140/07)

64 Wierda Road East
Wierda Valley
Sandton, 2196, South Africa
(PO Box 652863, Benmore, 2010, South Africa)

Merchant bank and transaction sponsor

Rand Merchant Bank
(A division of FirstRand Bank Limited)
(Registration number: 1929/001225/06)

1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton, 2196, South Africa
(PO Box 786273, Sandton, 2146, South Africa)

Independent professional expert

Nedbank Capital, a division of Nedbank Limited
(Registration number: 1951/000009/06)

3rd Floor, Corporate Place
135 Rivonia Road
Sandown, 2196, South Africa
(PO Box 1144, Johannesburg, 2000, South Africa)

Reporting accountants and auditors

Deloitte & Touche
Registered Auditors
Deloitte Place, The Woodlands
20 Woodlands Drive, Woodmead
Sandton, 2196, South Africa
(Private Bag X6, Gallo Manor, 2052, South Africa)

Legal advisors

Deneys Reitz Incorporated
(Registration number: 1984/003385/21)
82 Maude Street
Sandton, 2196, South Africa
(PO Box 784903, Sandton, 2146, South Africa)

Communication advisors

Brunswick South Africa Ltd

(Registration number: 1995/011507/10)

23 Fricker Road, Illovo Boulevard, Illovo, 2196

(PO Box 2603, Saxonwold, 2132, South Africa)

1

FORWARD -LOOKING STATEMENTS**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, which do not relate to historical matters, identify forward-looking statements. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and Company plans and objectives to differ materially from those expressed or implied in the forward-looking statements (or from past results). Such risks, uncertainties and factors include, but are not limited to, the impact of the global economic downturn, 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), adverse changes in the markets for the Company’s products, consequences of substantial leverage, including as a result of adverse changes in credit markets that affect Sappi’s ability to raise capital when needed, changing regulatory requirements, unanticipated production disruptions (including as a result of planned or unexpected power outages), economic and political conditions in international markets, the impact of investments, acquisitions and dispositions (including related financing), any delays, unexpected costs or other problems experienced with integrating acquisitions, including the acquisition of M-real’s coated graphic paper business, and achieving expected savings and synergies and currency fluctuations. Sappi undertakes 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.

We have included in the prospects section of this Circular an estimate of synergies from the acquisition of M-real’s coated graphic paper business and the integration of the acquired business into our existing business. The estimate of synergies is based on assumptions which in the view of our management were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of our management’s knowledge and belief, the expected course of action and the expected future financial impact on our performance due to the acquisition. However, the assumptions about these expected synergies are inherently uncertain and, though considered reasonable by management as of the date of preparation, are subject to a wide variety of significant business, economic and competitive risks and uncertainties that could cause actual results to differ materially from those contained in this estimate of synergies. There can be no assurance that we will be able to successfully implement the strategic or operational initiatives that are intended, or realise the estimated synergies. This synergy estimate is not a profit forecast or a profit estimate and should not be treated as such or relied on by shareholders or prospective investors to calculate the likely level of profits or losses for Sappi.

Notice to Shareholders in the United States

This Circular does not constitute or form part of any offer or solicitation to purchase or subscribe for securities in the United States. The offering of the Ordinary Shares, “A” Ordinary Shares, “A” Units and “B” Units in connection with the Transaction described in this Circular has not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”). Accordingly, such securities may only be offered and sold in transactions that are exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The securities offered in the proposed Transaction described in this Circular may be acquired outside of the United States in accordance with Regulation S under the U.S. Securities Act. Holders of Ordinary Shares and Sappi American Depository Receipts in the United States are permitted to vote on the resolutions to which this Circular refers.

2

TABLE OF CONTENTS

Page

CORPORATE INFORMATION AND ADVISORS

Inside front cover

FORWARD -LOOKING STATEMENTS

1

EXECUTIVE SUMMARY

4

ACTION REQUIRED BY ORDINARY SHAREHOLDERS

11

SALIENT DATES AND TIMES

12

DEFINITIONS

13

CIRCULAR TO ORDINARY SHAREHOLDERS

20

1. Introduction

20

2. Rationale

21

3. Plantation BEE Deal

22

3.1 Current structure

22

3.2

Restructuring of the Plantation BEE Deal

23

4. Details of the Transaction

23

4.1

“A” Ordinary Shares

23

4.2

Salient terms of the BEE Trusts and the Trustees

23

4.3

Creation of the “A” Ordinary Shares and issue to the BEE Trusts

24

4.4

Beneficiaries of the BEE Trusts

24

4.5

Allocation and vesting

25

4.6

Termination of the Transaction

28

4.7 Administration expenses

29

4.8 Effective date

29		
4.9	Conditions precedent	
29		
4.10	Transaction costs	
29		
4.11	Estimated accounting and economic costs	
30		
4.12	<i>Pro forma</i> financial information	
30		
4.13	Ordinary Shareholder approval	
31		
4.14	Opinions and recommendations	
32		
5.	Salient information on Sappi	
32		
5.1	Background information on Sappi	
32		
5.2	Prospects	
32		
5.3	Share capital	
33		
5.4		
	Major Ordinary Shareholders	
35		
5.5		
	Details relating to Directors and Executive Officers	
35		
6.	Other Information	
36		
6.1	Material changes	
36		
6.2	Litigation	
37		
6.3	Corporate governance	37
6.4	Material contracts	
37		
6.5	Directors' responsibility	
37		
6.6	Consents	
37		
6.7		
	Documents available for inspection	
37		

3	
Page	
ANNEXURE 1	UNAUDITED <i>PRO FORMA</i> INCOME STATEMENT AND BALANCE SHEET
39	
ANNEXURE 2	INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON <i>PRO FORMA</i> FINANCIAL INFORMATION
43	
ANNEXURE 3	INDEPENDENT PROFESSIONAL EXPERT'S REPORT
45	
ANNEXURE 4	BRIEF R ESUMÉ FOR EACH OF THE DIRECTORS AND EXECUTIVE OFFICERS
51	
ANNEXURE 5	PRICE HISTORY OF ORDINARY SHARES ON THE JSE
59	
ANNEXURE 6	CORPORATE GOVERNANCE STATEMENT
61	
ANNEXURE 7	MATERIAL CONTRACTS
63	
NOTICE OF GENERAL MEETING OF ORDINARY SHAREHOLDERS	
66	
FORM OF PROXY FOR ORDINARY SHAREHOLDERS (<i>blue</i>)	
Attached	

EXECUTIVE SUMMARY**1. BACKGROUND**

Sappi is a global paper and pulp group as well as the world's largest producer of chemical cellulose. Sappi is committed to participate in the transformation and development of South Africa and has a role to play in the achievement thereof as it holds major forestry and manufacturing operations in South Africa. Sappi views Broad Based Black Economic Empowerment (BBBEE) as a key requirement for sustainable growth and social development in South Africa. In Sappi's 2009 Annual Report the Company stated that it was imperative to enter into a Black Economic Empowerment (BEE) transaction in order to broaden its base of shareholders.

The Transaction which the Company is proposing in this Circular will enable it to meet its BEE targets in respect of BEE equity ownership. There are two distinct parts to the Transaction. The first will entail the issue of Ordinary Shares to the participants in the 2006 Plantation BEE Deal, following the unwinding of the rights from that deal, which deal is explained in section 3 of this executive summary, and the second will create a new class of equity shares, being "A" Ordinary Shares, which shall be issued to various trusts for the benefit of certain employees of Sappi's South African business and certain local communities in South Africa, and will be financed by way of a notional loan account and will not be listed on the JSE.

2. SOUTH AFRICAN BBBEE REQUIREMENTS

The South African government has through the years promulgated various pieces of legislation to increase the participation of Historically Disadvantaged South Africans (HDSAs) in the South African economy and, through BBBEE Legislation, formalised the country's approach in this regard. BBBEE is divided into seven elements focused on increasing ownership equity, management and control of businesses and improving black representation in all levels of employment. It also promotes the development of skills within a business, the nurturing of black entrepreneurship through preferential procurement and enterprise development and the uplifting of communities through social investment. BBBEE information is reported by entities through the disclosure of a generic "BBBEE scorecard", which is verified by an economic empowerment rating agency.

Currently, Sappi's South African business holds a score of 54 points on its generic BBBEE scorecard which classifies it as a "Level Six Contributor" and a preferential procurement recognition level of 60%. This means that 60% of the value of all purchases from Sappi's South African business qualifies as preferential procurement spend in a customer's BBBEE scorecard. This rating was verified in July 2009 by Empowerdex, an independent registered BEE rating agency.

The South African Forest Sector Charter (the Forestry Charter) was gazetted in June 2009 as the "Forest Sector Code". The Forestry Charter applies to all enterprises involved with commercial forestry and the first level processing of wood products. It sets industry targets in seven categories broadly similar to the Department of Trade and Industry's Code of Good Practice for BBBEE (DTI Codes). Sappi's South African businesses are signatories to the Forestry Charter via their membership of both Forestry South Africa (FSA) and the Paper Making Association of South Africa (PAMSA).

The Forestry Charter sets the objectives and principles for BBBEE in the forestry industry and includes the BBBEE scorecard and targets to be applied, as well as certain undertakings by government and South African forestry companies to assist the forestry industry to achieve its BBBEE targets. With effect from calendar year 2010, Sappi's South African business will be evaluated against the Forestry Charter's scorecard and not the generic BBBEE scorecard.

3. 2006 PLANTATION BEE DEAL

In April 2006 Sappi announced a BEE deal with Lereko Property Company (Proprietary) Limited (LPC), a BEE company set up to house a consortium consisting of Lereko Investments, Malibongwe and AMB Capital, whereby LPC acquired a 25% undivided share in Sappi's South African plantation land, excluding the value of the plantations, owned by Sappi and/or Sappi Manufacturing, coupled with the right to develop the land not utilised for forestry operations, which is referred to as the Plantation BEE Deal. Sappi Manufacturing retained the right of use over all the land in terms of the underlying arrangements.

5

As part of this transaction, 30% of LPC was set aside for the benefit of certain categories of Sappi's South African employees, who did not participate in any Company share incentive scheme, to be housed in a separate legal vehicle. The balance of the shareholding in LPC was to be held by Lereko Investments (46.19%), Malibongwe (10.14%) and AMB Capital (13.67%). Each property development on land not utilised for forestry operations would be carried out by a special purpose vehicle with the same beneficial shareholding.

However, the Plantation BEE Deal does not meet Sappi's undertakings in terms of the Forestry Charter. Accordingly, Sappi proposes that the 2006 deal, which resides at a South African subsidiary level, be unwound and a new sustainable transaction of equivalent value be implemented by Sappi at a holding company level by making use of its listed securities.

The existing right held by Lereko Investments, Malibongwe, AMB Capital and the abovementioned Sappi employees to develop land not utilised for forestry operations will be retained and these parties will enjoy the benefits derived in due course from any developments.

4. OBJECTIVES OF THE TRANSACTION

The Transaction detailed in this Circular and which Sappi's Ordinary Shareholders are required to approve, is part of Sappi's committed efforts to achieve the objectives set out in the BEE Legislation and aimed at creating wealth for its Employees and Black Managers, both as defined in this Circular. Sappi wishes to conclude a BEE equity deal that includes all South African employees below middle management level and which will help to attract and retain a core of skilled Black Managers.

The Transaction will also enhance and support enterprise development in the communities where Sappi's South African business is economically active (i.e. forestry and mill communities) by providing for the participation of these communities and their inclusion as Beneficiaries of the Transaction.

Sappi is of the opinion that strategic partners should also be included as part of the Transaction as they can play an important role in the development of future Company strategies. After a consideration of the alternative strategic partners available, Sappi has decided to continue its strong relationship with the Lereko Investments led consortium who will be the Strategic Partners for the Transaction.

Sappi is committed to the spirit and principles contained in the BEE Legislation and recognises the social and economic imperative to undertake the Transaction. The primary objective of the Company is thus to implement a sustainable Transaction that will position Sappi as a leading South African empowered company.

In addition, the Transaction:

- accommodates the key principles of BBBEE (i.e. it is broad based);
- maximises ownership scorecard points as calculated in terms of the Forestry Charter;
- helps attract and retain highly skilled Black Managers;
- empowers Sappi's South African Employees;
- positions Sappi as a responsible corporate citizen within the communities where its South African business operates; and
- does not negatively impact Sappi's current financing structure and credit facilities.

The Transaction will result in the BEE Trusts and the Strategic Partners holding, collectively, Ordinary and "A" Ordinary Shares equivalent to 4.5% of Sappi Limited, which corresponds to an effective 30% interest in Sappi's South African business post the Transaction in terms of the Forestry Charter and BBBEE Legislation in general. Empowerdex has also determined that, at inception of the Transaction, Sappi's South African business will be eligible for 15 points out of a maximum 25 points in terms of the ownership scorecard of the Forestry Charter, which will elevate it to a "Level Four Contributor" and a 100% procurement recognition level. Sappi's South African customers have similar BEE requirements and consider Sappi's level of empowerment when transacting with the Company thus making this Transaction a commercial imperative.

6

5. THE TRANSACTION

Sappi's South African business represents approximately 25% of the total Sappi business. Sappi will conclude a Transaction for 4.5% shareholding at the holding company level, which corresponds to an effective 30% interest in Sappi's South African business post the Transaction in terms of the Forestry Charter and BBBEE Legislation in general.

The Transaction will result in 4.5% of the issued share capital of Sappi being held as follows:

- Sappi's South African Employees (62.5%);
- South African Black Managers (15%);
- Strategic Partners (12.5%); and
- Communities surrounding the South African mill operations and plantations (10%).

The total value of the Transaction, based on the 30 day volume weighted average share price (VWAP) of Sappi as at Friday 5 February 2010 of R33.50, will amount to approximately R814 million and will require the issue of approximately 24.3 million Shares, made up of approximately 4.3 million Ordinary Shares and approximately 20 million "A" Ordinary Shares, a new class of equity.

(a) Ordinary Shares

Lereko Investments, Malibongwe and AMB Capital have agreed to transfer the value created through their shareholding in LPC in the Plantation BEE Deal into fully paid up Ordinary Shares as detailed in this Circular, these parties will be referred to as the Strategic Partners for the Transaction.

The value created through the entitlement of 30% of LPC which was set aside for the benefit of certain categories of Sappi's South African Employees will be converted into fully paid up Ordinary Shares and will be held in the Sappi employee share option plan trust (ESOP Trust or ESOP) as "B" Units as more fully detailed in the Circular.

The aforementioned transactions will be effected in terms of and subject to the conditions contained in the Transaction Agreements. Sappi will then, on conclusion of the Transaction, be the sole shareholder of LPC and regain 100% ownership of Sappi's South African plantation land.

The value attributable to the Strategic Partners for their shareholding in LPC is R102.1 million and the portion attributable to the South African employees, which will be held through the ESOP Trust, for their 30% entitlement of LPC is R42.9 million. These values will result in the issue of the following number of Ordinary Shares to the Strategic Partners and the ESOP Trust, based on Sappi's 30 day VWAP as at Friday 5 February 2010 (being R33.50):

Entity

Ordinary Share allocation

Lereko Investments

1,971,693

Malibongwe

432,842

AMB

643,227

Strategic Partners

3,047,762

Employees (through the ESOP Trust)

1,280,597

Total

4,328,359

These Ordinary Shares will rank *pari passu* with all other Ordinary Shares and will be entitled to receive Dividends on the same basis as all other Ordinary Shares. However, the Ordinary Shares being held through the ESOP Trust will, in addition, be subject to the terms and conditions of the ESOP Trust.

Ordinary Shareholders are being requested to approve the specific issue of 3,047,762 Ordinary Shares for the Strategic Partners in part 4 of ordinary resolution number 1 and the specific issue of

1,280,597 Ordinary Shares for the ESOP Trust in part 5 of ordinary resolution number 1.

(b) "A" Ordinary Shares

In addition to the Ordinary Shares issued, the Transaction contemplates the establishment of two trusts in addition to the ESOP Trust. The MSOP Trust, whose Beneficiaries will be the Black Managers, and the Sappi Foundation Trust, whose Beneficiaries will include the growers and communities in the geographic areas where Sappi's South African business has operations.

7

Beneficiaries of the ESOP Trust, MSOP Trust and Sappi Foundation do not have the required funding to contribute meaningfully to the Transaction. Therefore, Sappi proposes to facilitate their participation via the creation of a new class of ordinary shares known as “A” Ordinary Shares which will be sold to the BEE Trusts at Par Value, being R1 per “A” Ordinary Share. Sappi will lend the BEE Trusts the money to subscribe for this new class of equity in the Company. The allocation and value of the “A” Ordinary Shares will be as follows, based on Sappi’s 30 day VWAP as at Friday 5 February 2010 (being R33.50):

Entity**Number of “A” Ordinary Shares**

ESOP

13,889,195

MSOP

3,642,969

Sappi Foundation

2,429,312

Total**19,961,476**

The “A” Ordinary Shares will rank *pari passu* with the Ordinary Shares in all respects except for dividend entitlements where the “A” Ordinary Shares will be entitled to 50% of the dividends payable on the Ordinary Shares. The “A” Ordinary Shares will have the same voting rights as Ordinary Shares but will not be listed on the JSE. The “A” Ordinary Shares’ rights, terms and privileges will be contained in Article 38 of Sappi’s Articles, details of which are reflected in the notice of General Meeting attached to this Circular.

The Company will have the option to repurchase a number of “A” Ordinary Shares at the end of the Transaction in August 2019. The calculation of the number of “A” Ordinary Shares to be repurchased will be performed in terms of the Repurchase Formula, as defined in this Circular. The number of any “A” Ordinary Shares that Sappi elects to buy back on the Repurchase Date, as defined in this Circular, will depend on the price performance of the Ordinary Shares over the period of the Transaction with the remaining “A” Ordinary Shares being distributed to the Beneficiaries and converted into Ordinary Shares.

(c) Post transaction shareholding structure**Strategic Partners**

AMB Capital

Lereko Investments

Malibongwe

Other shareholders

Ordinary Shares: 643,227

Ordinary Shares: 515,484,265

“A” Ordinary Shares: 13,889,195

Ordinary Shares: 1,280,597

0.12%

0.37%

0.08%

95.5%

2.81%

0.67%

0.45%

“A” Ordinary Shares: 3,642,959

“A” Ordinary Shares: 2,429,312

Ordinary Shares: 1,971,693

Ordinary Shares: 432,842

ESOP

MSOP

Sappi Foundation

Sappi

ESOP and MSOP allocation and vesting rights

The ESOP and MSOP Trusts have been set up with rules that detail the way in which the Shares are allocated and how they are forfeited. These detailed rules are explained in more detail in the main body of the Circular and are set out in the relevant Trust Deeds which are available for inspection at the registered office of the Company. The main principles governing the allocation and vesting of the Ordinary Shares and “A” Ordinary Shares are as follows:

- the allocation of the “A” Ordinary Shares to Employees and Black Managers will be based on salary bands that have been set in accordance with Sappi’s employment grading system;
- each Employee or Black Manager falling within the same salary band will be allocated the same number of “A” Ordinary Shares;

8

- Black Managers will only be allocated “A” Ordinary Shares;
- the allocation of the Ordinary Shares from the Plantation BEE Deal to Employees will not be based on salary bands, rather, such Ordinary Shares will be allocated equally (i.e. each Employee will receive an equal number of Ordinary Shares);
- both the “A” Ordinary and/or Ordinary Shares will accrue to Employees and Black Managers over the period of the Transaction in accordance with a vesting schedule. No Shares will vest in the first three years. The Shares will vest from year four based on a sliding scale for each year after that until the end of the Transaction (the vesting schedule is set out below);
- Employees or Black Managers who join after the Effective Date, as defined in this Circular, will receive a proportionally lower number of Shares depending on how long after the Effective Date they joined;
- if an Employee or Black Manager leaves before the Repurchase Date, as defined in this Circular, he or she will lose his/her rights to all Shares which have not vested;
- if an Employee or Black Manager leaves before the Repurchase Date he or she will retain his/her rights to all the Shares which have vested but will only receive the Shares at the end of the Transaction when all of the Shares are distributed; and
- if an employee is dismissed at any time during the Transaction, he or she will lose all rights to any Shares, vested or unvested.

Illustrative vesting schedule for the MSOP and ESOP

Incremental	Cumulative
vesting of	
vesting of	
Completed months of service after Effective Date	
entitlements	
entitlements	
(%)	
(%)	
0 – 35	0
	0
36 – 48	40
	40
49 – 60	50
	50
61 – 72	60
	60
73 – 84	70
	70
85 – 96	80
	80
97 – 108	90
	90
109 – Termination Date	100
	100

100

Sappi Foundation allocation and vesting rights

“A” Ordinary Shares will be subscribed for by the Sappi Foundation and will be held by the Sappi Foundation until at least the Termination Date. Sappi has the option to repurchase on the Repurchase Date a number of “A” Ordinary Shares as calculated in terms of the Repurchase Formula from the Sappi Foundation. The remainder will be converted into Ordinary Shares and retained by the Sappi Foundation as currency to further its aims.

Illustrative example for “A” Ordinary Shares

On the Effective Date for the ESOP

The ESOP is issued with 13,889,195 “A” Ordinary Shares at their Par Value of R1 each. Sappi extends an interest free loan to the ESOP for R13,889,195 to enable it to subscribe for the “A” Ordinary Shares at Par Value.

Over the life of the Transaction

The “A” Ordinary Shares will receive “A” Ordinary Share Dividends (set at 50% of the Dividend, as defined in this Circular).

The Beneficiaries of the BEE Trusts will receive “A” Ordinary Share Dividends based on the number of “A” Units they have been allocated by the Company. If there are no Dividends paid by Sappi, the Beneficiaries will receive no payment.

9

On the Repurchase Date:

The number of “A” Ordinary Shares which Sappi has a right to repurchase will be determined in terms of the Repurchase Formula. The Repurchase Formula is:

$N =$

$A \times (1+r)^t$

B

where:

N is the number of “A” Ordinary Shares repurchased by Sappi

A Outstanding Balance at the Effective Date (13,889,195 shares x R32.50 [R33.50 less Par Value of R1] = R451.4 million)

r

is the Hurdle Rate (9.1%)

t

is the assumed term of the Transaction for illustrative purposes (March 2010 to August 2019 = 9 years and 6 months)

B is the 30 day VWAP per Ordinary Share on the JSE on the Business Day prior to the Repurchase Date (assume for illustrative purposes that the Sappi 30 day VWAP per Ordinary Share after 9.5 years is R180)

The value of “A” Ordinary Shares which Sappi has the option to acquire at the Repurchase Date is R1,031.3 million and the value of each “A” Ordinary Share is R180 thus requiring 5,729,249 “A” Ordinary Shares to be repurchased and cancelled.

On the Distribution Date, 8,159,946 “A” Ordinary Shares, with a total value of R1,468.8 million, will be distributed to the Beneficiaries of the ESOP. On the Conversion Date, these “A” Ordinary Shares will automatically convert into Ordinary Shares and the Employees will then decide whether they want to keep the resulting Ordinary Shares or sell them.

In the event that the Ordinary Share price performance increases by less than the hurdle rate, then the Company will have the right to repurchase 100% of the “A” Ordinary Shares and if the Company effects such repurchase of 100% of the “A” Ordinary Shares, there will be no dilution. The Employees will also not receive any Shares. The dilution, if any, incurred by existing Ordinary Shareholders at the time the Company may exercise its repurchase right will be determined on the Conversion Date. The Ordinary Share price will need to exceed approximately R74.47 for any dilution to occur.

The above illustrative example would be applicable to the MSOP and Sappi Foundation. However the Sappi Foundation post the Conversion Date, will retain the Ordinary Shares to further its aims and not distribute them to its respective Beneficiaries.

For illustrative purposes, after 9.5 years the effect on the MSOP and Sappi Foundation as a result of the Repurchase Formula will be as follows:

Sappi

MSOP

Foundation

Value of “A” Ordinary Shares which Sappi has the option to acquire

R271 million

R180 million

B in the Repurchase Formula

R180

R180

“A” Ordinary Shares repurchased

1.5 million

1 million

“A” Ordinary Shares converted to Ordinary Shares

2.1 million

1.3 million

6. WHAT ARE ORDINARY SHAREHOLDERS BEING ASKED TO DO IN ORDER TO FACILITATE THE TRANSACTION?

In order to implement the Transaction, Ordinary Shareholders are required to approve the following resolutions, which are contained in notice of General Meeting which forms part of this Circular:

Increase the authorised share capital of the Company: Special Resolution number 1, which requires the approval of 75% of the Ordinary Shareholders present and voting at the General Meeting in person or by proxy, increases Sappi’s authorised share capital as the “A” Ordinary Shares are a new class of shares.

Change the Articles: Special Resolution number 2, which requires the approval of 75% of the Ordinary Shareholders present and voting at the General Meeting in person or by proxy, will create the rights attaching to the “A” Ordinary Shares forming part of the Company’s capital structure.

Authority for a Special Repurchase: At the end of the period, the Company will have the right to repurchase a number of “A” Ordinary Shares in the Company from the BEE Trusts as determined in terms of the Repurchase Formula. A specific repurchase of shares has a number of requirements as set out by the Companies Act and the JSE, including the requirement for a special resolution to be passed by shareholders in General Meeting in person or by proxy. This will be dealt with by Special Resolution number 3, which requires the approval of 75% of the Ordinary Shareholders present and voting at the General Meeting in person or by proxy.

Authority for Financial Assistance: In order to enable the Sappi Foundation to subscribe for “A” Ordinary Shares, Sappi will make a loan to it. This qualifies as financial assistance from the Company to enable the Sappi Foundation to buy its own securities and is not allowed in terms of the Companies Act unless shareholders pass a Special Resolution to specifically approve the loan. The required approval is contained in Special Resolution number 4, which requires the approval of 75% of the Ordinary Shareholders present and voting at the General Meeting in person or by proxy.

Specific issue of Ordinary Shares and “A” Ordinary Shares for cash: The issue of “A” Ordinary Shares at Par Value by the Company to the BEE Trusts is a specific issue of shares for cash in terms of the JSE and requires the approval of 75% of the Ordinary Shareholders present and voting at the General Meeting in person or by proxy and this authority is also required in terms of the Companies Act as detailed in Ordinary Resolution number 1. The issue of the Ordinary Shares is also a specific issue and will require the same approvals from Ordinary Shareholders.

Authority to implement: Ordinary Shareholders are also required to give authority to the officers of the Company to implement the Transaction and to do everything required in order to finalise the matter as provided for in Ordinary Resolution number 2, which requires the approval of 50% of the Ordinary Shareholders present and voting at the General Meeting in person or by proxy.

11

ACTION REQUIRED BY ORDINARY SHAREHOLDERS

This Circular is important and requires your immediate attention.

Ordinary Shareholders are invited to attend the General Meeting regarding the adoption of the resolutions relating to the Transaction. Ordinary Shareholders are entitled to vote on the special resolutions and ordinary resolutions proposed at the General Meeting.

The definitions commencing on page 13 of this Circular apply *mutatis mutandis* to this section.

Please take careful note of the following provisions regarding the action required by Ordinary Shareholders:

1. If you have disposed of all of your Ordinary Shares, this Circular should be handed to the purchaser of such Ordinary Shares or the CSDP, broker, legal advisor, accountant or other agent who disposed of your Ordinary Shares for you.
2. If you are in any doubt as to what action to take, consult your CSDP, broker, legal advisor, accountant or other professional advisor immediately.
3. This Circular contains information relating to the Transaction. You should carefully read through this Circular and decide how you wish to vote on the resolutions to be proposed at the General Meeting.
4. The General Meeting, convened in terms of the notice of General Meeting attached to this Circular, will be held at the Company's registered office, 48 Ameshoff Street, Braamfontein, Johannesburg, 2001 on Thursday 29 April 2010 at 03:00pm.

5. If you have dematerialised your Ordinary Shares:

5.1 Own name registration

You are entitled to attend, or be represented by proxy, at the General Meeting.

If you are unable to attend the General Meeting, but wish to be represented thereat, you must complete and return the attached form of proxy, in accordance with the instructions contained therein, to be received by the transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (P O Box 61051, Marshalltown, 2107) by no later than 03:00pm on Tuesday 27 April 2010.

5.2 Other than own name registration

You are entitled to attend, or be represented by proxy, at the General Meeting. You must not, however, complete the attached form of proxy.

If your CSDP or broker does not contact you, you are advised to contact your CSDP or broker and provide them with your voting instructions. If your CSDP, or broker, does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them.

If you do wish to attend or be represented at the General Meeting, you must advise your CSDP or broker in a timely manner such that they can issue the necessary letter of representation to you to enable you to attend or to be represented at the General Meeting.

6. If you hold Certificated Shares:

You are entitled to attend, or be represented by proxy, at the General Meeting.

If you are unable to attend the General Meeting, but wish to be represented thereat, you must complete and return the attached form of proxy, in accordance with the instructions contained therein, to be received by the transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (P O Box 61051, Marshalltown, 2107) by no later 03:00pm on Tuesday 27 April 2010.

12

SALIENT DATES AND TIMES

The definitions commencing on page 13 of this Circular have, where necessary, been used in this section.

2010

Form of proxy for the General Meeting to be received by 03:00pm on

Tuesday 27 April

General meeting to be held at 03:00pm on

Thursday 29 April

Results of General Meeting released on SENS on

Thursday 29 April

Results of General Meeting published in the press on

Friday 30 April

Special resolutions lodged with CIPRO on or about

Friday 30 April

Notes:

1.

These dates and times are subject to amendment. Any material amendment will be released on SENS and published in the press.

2.

All times given in this Circular are local times in South Africa.

3.

This Circular is available in English only. Copies may be obtained from the registered office of the Company, at the address set

out inside the front cover from on or about Wednesday 31 March 2010 until Thursday 29 April 2010.

13

DEFINITIONS

In this Circular, unless otherwise stated or the context indicates otherwise, the words in the first column shall have the meanings assigned to them in the second column. Words in the singular include the plural and *vice versa*, words and expressions which denote one gender include the other gender, and a reference to a natural person includes a juristic person and an association and *vice versa*.

“Act”

Companies Act (Act 61 of 1973) as amended;

“Administrator”

company or natural person/s, appointed collectively by the Trustees to perform administrative duties for the BEE Trusts;

“AMB Capital”

AMB Capital Limited (Registration number: 1996/016470/06), a company registered in South Africa which holds 13.67% of LPC;

““A” Ordinary Shares”

19,961,476 “A” Ordinary Shares in the share capital of the Company at Par Value, to be created to facilitate the Transaction subject to the passing of the necessary resolutions detailed in the notice of General Meeting attached to this Circular, representing approximately 3.7% of the post dilution issued Ordinary Share capital of Sappi on the last practicable date;

““A” Ordinary Share Dividend”

dividend paid or declared by the Company in respect of an “A” Ordinary Share, which will be equal to 50% of the Dividend;

“Articles”

articles of association of the Company;

““A”

Units”

notional units representing a holder’s proportional interest in

“A” Ordinary Shares held by the BEE Trusts;

““A” Unit Allocation Date”

in relation to each Beneficiary, the date with effect from which the ESOP Trust and MSOP Trust will allot “A” Units in respect of “A” Ordinary Shares to the Beneficiaries, which date will be either the Effective Date, or one of respectively the first, second, third, fourth, fifth, sixth or seventh anniversaries of the Effective Date;

“BBBEE”

Broad based black economic empowerment;

“BEE”

Black Economic Empowerment as envisaged in the BEE Legislation;

“BEE Legislation” or

collectively, the Broad-Based Black Economic Empowerment Act 53 of

“BBBEE Legislation”

2003, as amended including the DTI Codes and the Forestry Charter;

“BEE Trusts”

as the context requires, the trusts set up to house the MSOP, the ESOP and the Sappi Foundation;

“Beneficiary”

beneficiary or beneficiaries, as the context requires, of the ESOP, MSOP and Sappi Foundation;

“Black Managers”

HDSAs who are employed by Sappi’s South African business on or after the Effective Date in Peromnes employment grades 1 to 7;

(or equivalent Sappi approved employment grade system) inclusive;

“Board”

board of directors from time to time of the Company;

““B” Unit Allocation Date”

in relation to each Beneficiary, the date with effect from which the ESOP Trust will allot “B” Units in respect of Ordinary Shares to the Beneficiaries of the ESOP Trust, which date will be either the Effective Date, or one of respectively the first, second, third, fourth, fifth, sixth or seventh anniversaries of the Effective Date;

14

““B” Units”

notional units representing a holder’s proportional interest in Ordinary Shares held by the ESOP Trust;

“Business Day”

any day other than a Saturday, Sunday or an official public holiday in South Africa;

“Certificated Shareholders”

Ordinary Shareholders who hold Certificated Ordinary Shares;

“Certificated Shares”

Ordinary Shares that have not been dematerialised, title to which is represented by a physical Document of Title;

“Charter” or “Forestry Charter”

South African Forest Sector Charter, gazetted as a sector code in terms of the Broad-Based Black Economic Empowerment Act 53 of 2003;

“CIPRO”

Companies and Intellectual Property Registration Office in South Africa;

“Circular” this circular regarding the Transaction, dated Wednesday 31 March 2010, including the annexures and reports thereto, the notice of General Meeting and the attached form of proxy;

“Companies Act”

Companies Act (Act 61 of 1973) as amended and, as the context requires, the Companies Act, 2008, as amended, after it has come into force;

“Company” or “Sappi”

Sappi Limited (Registration number: 1936/008963/06), a company incorporated in South Africa with a primary listing on the JSE;

“Conversion Date”

Friday 30 August 2019, being the date on which “A” Ordinary Shares will convert into Ordinary Shares subsequent to the Distribution;

“CSDP”

Central Securities Depository Participant, accepted as a participant in terms of the Securities Services Act, No. 36 of 2004;

“Dematerialised Shareholders”

Ordinary Shareholders who hold Dematerialised Ordinary Shares;

“Dematerialised Shares”

Ordinary Shares held in electronic form as uncertificated securities that have been incorporated into the Strate system and which are held on Sappi’s sub-register in electronic form in terms of the Securities Services Act;

“Directors”

directors of Sappi from time to time;

“Distributable Income”

“A” Ordinary Share Dividends, Dividends or other distributions received by the BEE Trusts in respect of the BEE Trusts’ holding of the “A” Ordinary Shares and the Ordinary Shares (after deduction of all attributable costs, expenses, duties and taxes), from time to time;

“Distributed

Shares”

“A” Ordinary Shares and Ordinary Shares distributed to the Beneficiaries as part of the Distribution;

“Distribution”

vesting, registration or transfer, by the Trustees, of the “A” Ordinary Shares and the Ordinary Shares held by the BEE Trusts into the names of the Beneficiaries entitled thereto in terms of the Trust Deeds, which distribution will be managed by the administrator of the trust acting as agents for the Beneficiaries;

“Distribution Date”

Wednesday 28 August 2019, being the date the Distribution will occur;

“Dividend”

dividend paid or declared by the Company in respect of its Ordinary Shares;

“Document of Title”

share certificate, transfer deed or form, balance receipt or any other Document of Title acceptable to Sappi in respect of a Certificated Share;

15

“DTI Codes”

South African Government’s Department of Trade and Industry’s Broad-Based Black Economic Empowerment Codes of Good practice;

“Effective Date” or

a date upon which the Transaction becomes effective, which will be “Subscription Date”

the third Business Day following the day upon which the last of the suspensive conditions of the Sale of Shares and Claims Agreement, shall have been fulfilled or waived (where capable of waiver), and the date on which both the “A” Ordinary Shares and the Ordinary Shares are issued to the BEE Trusts and the Strategic Partners;

“Effective Date Permanent

natural person who is an Employee on the Effective Date;

Employee”

“Employee”

permanent employee of Sappi who:

- is HDSA in Peromnes employment grade 8 to 18 or Sappi wage level A to F, both inclusive; or
- is non-HDSA in Peromnes employment grade 6 to 18 or Sappi wage level A to F, both inclusive;
- is employed by Sappi’s South African business;
- excluding any person who renders services to Sappi at any time through the involvement of:
 - a labour brokerage;
 - by temporary contract other than as an employee of any member of the Sappi group; or
 - who is a member of any other share option or share incentive plan implemented by any member of Sappi (excluding HDSA employees);

“Empowerdex”

Empowerdex (Proprietary) Limited (Registration number: 2001/027963/07), a company registered in South Africa which is an independent BEE verification company;

“ESOP”

Sappi employee share option plan formed in terms of the ESOP Trust Deed for the benefit of all Employees and Initial Permanent Employees;

“ESOP Trust Deed”

trust deed of the ESOP to be registered and entered into amongst Sappi and the ESOP Trustees, which will govern and regulate the ESOP;

“ESOP Trustees”

trustees of the ESOP from time to time;

“Executive Officers”

directors of Sappi’s subsidiaries and/or members of the Sappi executive committee responsible for the day to day operations of the Company;

“Exiting Beneficiaries”

Beneficiaries who cease to be employed by Sappi’s South African business before the Repurchase Date (this excludes employees who become dismissed or deceased whilst employed by Sappi’s South African business);

“First Trustees”

trustees appointed at inception of the BEE Trusts for purposes of registration of the BEE Trusts;

“Forestry Charter” or “Charter”

South African Forest Sector Charter, gazetted as a sector code in terms of the Broad-Based Black Economic Empowerment Act 53 of 2003;

16

“General Meeting”

General Meeting of Ordinary Shareholders to be held at Sappi’s registered office, 48 Ameshoff Street, Braamfontein, Johannesburg 2017 on Thursday 29 April 2010 at 03:00pm to consider and, if deemed appropriate, approve the resolutions set out in the notice of General Meeting attached to this Circular;

“HDSA”

historically disadvantaged South African, being any person, category of persons or community, disadvantaged by unfair discrimination before the Constitution of South Africa, 1993 (Act 200 of 1993) came into operation, as set out in the BEE Legislation;

“Hurdle Rate”

9.1% per annum compounded annually in arrears;

“IFRS”

International Financial Reporting Standards;

“Income Tax Act”

Income Tax Act (Act 58 of 1962) as amended;

“independent professional expert”

Nedbank Capital, a division of Nedbank Limited (Registration number: 1951/000009/06), a company duly incorporated in South Africa;

“Independent Trustees”

individual Trustees appointed by the applicable Beneficiaries of the BEE Trusts in accordance with the relevant Trust Deeds and not appointed by Sappi;

“Initial Permanent Employee”

natural persons who were employed by Sappi’s South African business as at 18 April 2006 and who have retired or remain employed by Sappi’s South African business at the Effective Date having a Peromnes employment grade of 6 to 18 or Sappi wage level A to F, both inclusive (or equivalent Sappi approved employment grade system), but not including any person employed by contractual agreement with such member of Sappi’s South African business for an indefinite or definite period and is paid on a monthly rate an hourly rate;

“JSE”

JSE Limited (Registration number: 2006/022939/06), a company incorporated in South Africa and licensed to operate an exchange under the Securities Services Act, previously known as the Johannesburg Stock Exchange;

“King Code”

South African King II Code on Corporate Governance, 2002;

“last practicable date”

Friday 19 March 2010, being the last practicable date prior to the finalisation of this Circular;

“Lereko” or “Lereko Investments”

Lereko Investments (Proprietary) Limited (Registration number: 2004/13452/07), a company registered in South Africa which holds 46.19% of LPC;

“Letters of Authority”

in respect of any Trustee, the written authorisation granted by the Master to that Trustee to act in the capacity as a Trustee in terms of section 6(1) of the Act;

“Listings Requirements”

Listings Requirements of the JSE as amended;

“Lock-up Period”

period from the Effective Date until Conversion Date;

“LPC”

Lereko Property Company (Proprietary) Limited (Registration number: 2005/038295/07), a company registered in South Africa, the BEE partner in the Plantation BEE Deal;

“M-real”

M-real Corporation is a Finnish public limited company, whose coated graphic paper business was acquired by Sappi on 31 December 2008;

17

“Malibongwe” or “Malibongwe

The Malibongwe Women Development Trust (Master number:

Women Development Trust”

IT10665/05) which holds 10.14% of the LPC shares;

“Master”

Master, Deputy Master or Assistant Master of the South African High Court in whose area of appointment in terms of the Administration of Estates Act, 1965, the greater or greatest portion of the Trust Assets is situated;

“Minimum Service Period”

36 completed months of service from the date on which an Employee or a Black Manager is allocated “A” and/or “B” Units in terms of the ESOP or MSOP, during which no “A” Ordinary Shares or Ordinary Shares held by the BEE Trusts will vest in a Beneficiary;

“MSOP”

Sappi Management Share Ownership Plan formed in terms of the MSOP Trust Deed for the benefit of Black Managers only;

“MSOP Trust Deed”

trust deed of the M SOP to be registered and entered into amongst Sappi and the MSOP Trustees, which will govern and regulate the MSOP;

“MSOP Trustees”

Trustees of the MSOP from time to time;

“notice of General Meeting”

notice convening the General Meeting, which is attached to this Circular;

“NYSE”

New York Stock Exchange;

“Ordinary Shares”

Ordinary Shares at Par Value in the share capital of Sappi, which Ordinary Shares are listed on the JSE and on the NYSE in the form of American Depository Shares;

“Ordinary Shareholder”

registered holder of an Ordinary Share;

“Outstanding Balance at

value of the outstanding balance, being equal to the number of the

Effective

Date”

“A” Ordinary Shares multiplied by the difference between the Transaction subscription price less the Par Value;

“Par Value”

R1 for each of the Ordinary and “A” Ordinary Shares in the Company;

“Plantation BEE Deal”

BEE transaction concluded in October 2006 wherein LPC acquired a 25% undivided interest in Sappi’s South African plantation land, excluding the value of the plantations;

“Rand” or “R” or “ZAR”

South African Rand, the currency of South Africa;

“Reporting Accountants and Auditors” Deloitte & Touche – Registered Auditors (Public Practice number: 926973);

“Repurchase Date”

Monday 26 August 2019; being the date on which the Company has the right and not the obligation to repurchase and cancel all or a portion of the “A” Ordinary Shares;

“Repurchase Formula”

formula set out in paragraph 4.6.1 in terms of which the Company has the right to repurchase and cancel all or a portion of the “A” Ordinary Shares on the Repurchase Date;

“Repurchase Shares”

“A” Ordinary Shares which Sappi will be entitled to repurchase and cancel in accordance with the Repurchase Formula;

“Sale of Shares and

agreement dated 16 March 2010 between Sappi, AMB Capital, Lereko Claims Agreement”

Investments and Malibongwe in terms of which the disposal by AMB Capital, Lereko Investments and Malibongwe of their interests in LPC is regulated;

18

“Sappi” or “Company”

Sappi Limited (Registration number: 1936/008963/06), a company incorporated in South Africa with a primary listing on the JSE;

“Sappi Foundation” or

Sappi Foundation formed in terms of the Sappi Foundation Trust

“Sappi