



Limited

**Press Release**

**Johannesburg, South Africa, 29 September 2008**

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***Sappi acquires coated graphic paper business from M-real in major strategic move, achieving much needed industry consolidation in Europe***

Sappi Limited, a leading producer of coated fine paper and chemical cellulose, today announced that it has signed an agreement to acquire the coated graphic paper business of M-real for Euro 750 million (\$1.1 billion; R8.9 billion), subject to a purchase price adjustment for net debt and working capital. The transaction includes the acquisition of M-real’s coated graphic paper business (other than in respect of M-real’s South African business), including brands and know-how, as well as four coated graphic paper mills - at Kirkniemi and Kangas in Finland, Stockstadt in Germany and Biberist in Switzerland. Husum PM8 Mill in Sweden and Äänekoski PM2 Mill in Finland will remain in M-real’s ownership and continue as contract producers for Sappi under supply agreements. The transaction also includes long term supply agreements for wood, pulp and other services. The acquisition will be financed through a combination of equity, assumed debt, the cash proceeds from a rights offering and a vendor note.

M-real has today announced plans for its Gohrsmühle and Hallein mills, located in Germany and Austria respectively, to discontinue production of coated woodfree paper (approximately 0.6 million tons of capacity per annum).

The main benefits of the acquisition include:

- Enhancement of Sappi's leading position in the coated fine paper sector in Europe and globally.
- Expansion of Sappi's woodfree coated product offering and customer base, as well as the addition of the strong brands and significant market position of M-real's magazine paper.
- Increase of Sappi's European graphic paper capacity from 2.6m tons/annum to 4.5m tons/annum.
- Expected realisation of significant synergies. We estimate total annual synergies of approximately €120 million which should be realisable in full within three years and without material capital investments.

Sappi expects to fund the cash portion of the consideration with the proceeds of a rights offering. Citigroup Global Markets Limited ("Citi") and JPMorgan Securities Ltd. ("J.P. Morgan") have provided Sappi with a standby equity underwriting letter for the entire Euro 450 million rights offering. The rights offering is expected to be launched after receipt of approval from the relevant anti-trust and competition authorities.

Commenting on the transaction Ralph Boëttger, chief executive officer of Sappi Limited, said:

"This acquisition will significantly strengthen Sappi's market position in Europe and globally by combining M-real's strong brands and assets with Sappi's already powerful product offering. This transaction is in line with Sappi's stated intention to improve profitability and returns, and to seek out opportunities that will add value to and grow Sappi's business as a market leader in coated fine paper and chemical cellulose."

"We are excited about the transaction and the benefits it brings to Sappi, the industry, as well as to our existing and new customers. We anticipate that the acquisition will increase profitability, resulting in better returns and improved cash flows for the group. We expect that these benefits will in part be achieved due to expected annual synergies coming from the maximizing of capacity utilization and distribution, the integration of sales and administration, and the rationalization of manufacturing across the Sappi group."

“The products and brands which have been acquired are an excellent complement to our strong market offering, enabling us to offer our existing, as well as new customers in Europe, North America and globally, a broader range of products coupled with excellent customer service.”

“Sappi has built its global footprint through the acquisition and integration of businesses in North America and Europe. This transaction provides significant momentum to the execution of Sappi’s stated strategy to become the most profitable company in the pulp, paper and chemical cellulose sectors in which it operates.”

“I am also pleased to be able to report that Allan Gray Limited and RMB Asset Managers, who in aggregate, manage approximately 34% of Sappi’s shareholding, have agreed to support the Acquisition. Allan Gray and RMBAM have also agreed to recommend to their clients currently holding, in aggregate, approximately 34% of Sappi's issued ordinary shares to subscribe for their full entitlement under the proposed rights offer.”

“The transaction is conditional on a number of conditions precedent, including approval from the competition authorities in the United States and the European Union.”

**ENDS**

The full transaction announcement is available at [www.sappi.com](http://www.sappi.com)

There will be a presentation by Sappi’s CEO, Ralph Boëttger, at 11h30 at Sappi's offices at 48 Ameshoff Street Braamfontein, to be broadcast on Summit TV (DSTV Channel 412) and available as an audio webcast on [www.sappi.com](http://www.sappi.com)

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There will be a conference call to which investors are invited. Full details are available at [www.sappi.com](http://www.sappi.com)

### ***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. 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 risk that the Acquired Business 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 ability to obtain governmental or regulatory approvals of the acquisition on the proposed terms and schedule, the failure of shareholders of Sappi to approve the acquisition or the related financings, 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. 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.

**Issued by:**

Brunswick South Africa on behalf of Sappi Limited

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