

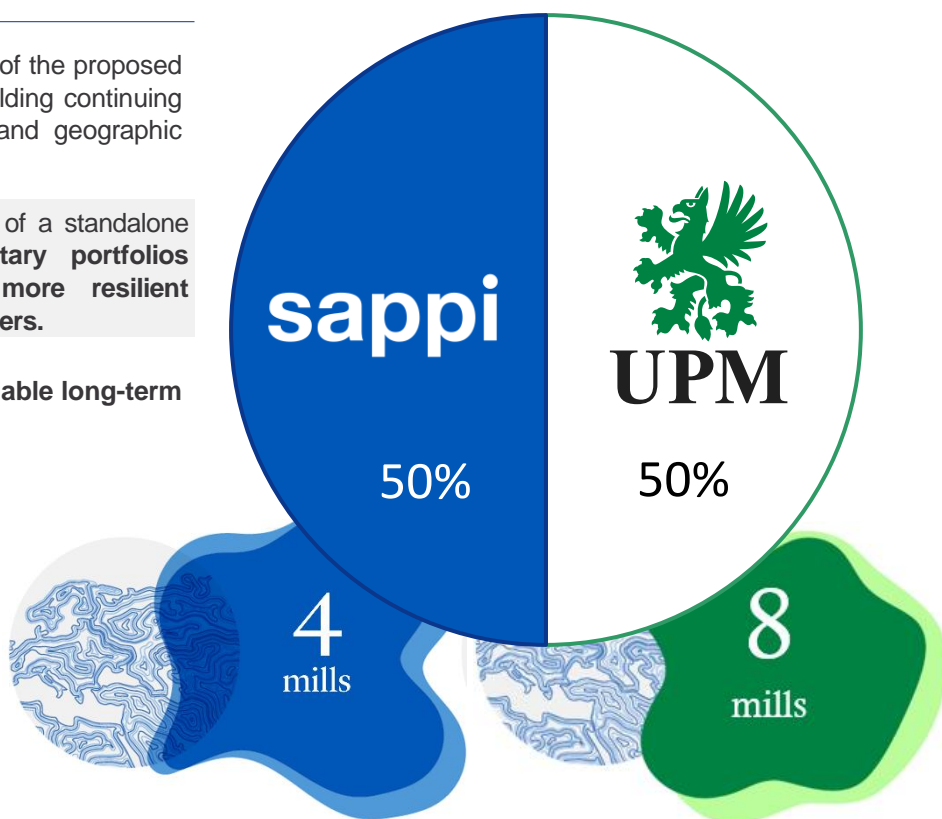
Sappi and UPM propose the formation of a joint venture in the Graphic Paper sector, signing a nonbinding letter of intent

What the Joint Venture is about

Both companies would own a 50% share of the proposed new independent company through shareholding continuing to operate in current business segments and geographic locations.

Proposed Joint Venture would see creation of a standalone company able to **combine complementary portfolios creating a financially stronger and more resilient company with a core focus on Graphic Papers.**

Additionally, the Joint Venture will ensure **reliable long-term European supply** for the printing industry.



Strategic rationale

The Joint Venture represents a fundamental and necessary step towards securing the long-term viability, competitiveness, and resilience of the European Graphic Paper industry and its customers by effectively rebalancing industrial capacities with the evolving market fundamentals/challenges.

Why it matters

Declining demand

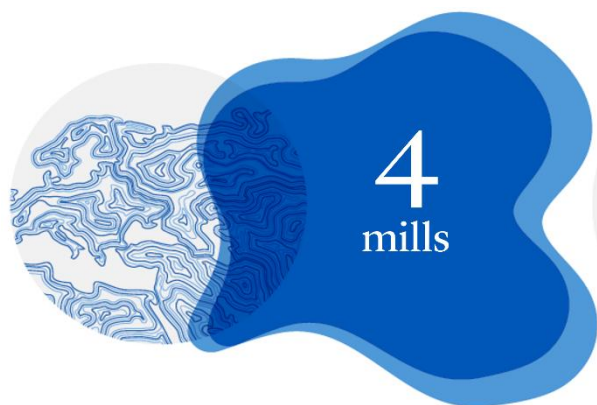
- Since 2007, graphic paper demand in Europe decreased by over 60%, newsprint by close to 80% and magazines and catalogues by some 70%.
- Structural decline in demand within the graphic paper market alongside significant overcapacity has led to unsustainable low utilisation rates of assets.

Industry under strain

- Significant demand erosion caused by structural shift toward digital media, declining print advertising revenues, falling newspaper and magazine circulations, and the rapid adoption of electronic media and workflows.
- Carbon reduction is both vital and legally required. These types of investments are costly and difficult to finance.

Stability is crucial

- Together Sappi and UPM would be able to optimise production across broader asset base, resulting in cost savings and emission reductions.
- Supports sustainable capacity utilisation levels and security of supply for our customers.



About Sappi

We create sustainable products from renewable resources. Sappi uses renewable resources to make woodfibre based products. We are a diversified, innovative and trusted leader focused on sustainable processes and products and are building a circular economy that benefits the world.

Asset scope



Kirkniemi Mill, Finland

The biggest coated publication paper mill in the world, producing coated paper for heatset web offset printing serving mainly the high-volume print market. A major investment to convert on-site power generation to biofuels eliminated 90% of the mill's direct, Scope 1 greenhouse gas emissions in 2023.

Maastricht Mill, Netherlands

Sappi Maastricht Mill is located in the Netherlands along the banks of the Meuse river. The mill specialises in producing high-quality coated graphic paper and packaging solutions – and has become noted for its premium coated paper products such as those used for luxury magazines, brochures and high-end packaging.



Ehingen Mill, Germany

Located in southern Germany, our Ehingen Mill is an integrated plant that produces chlorine-free sulphite pulp as well as a range of coated papers for use in high-end applications. Central to the manufacturing process here is a strong focus on environmental responsibility and constantly improving energy efficiency.

Gratkorn Mill, Austria

Sitting at the heart of its local community, Gratkorn Mill boasts a rich, 400-year history in paper manufacturing. Powered by a diverse, highly skilled workforce, the mill maintains a well-deserved reputation for sustainability and environmental excellence. Meanwhile, stringent quality standards ensure it produces only the finest paper products.





About UPM

A material solutions company. Contributing to the sustainable transformation of society with material solutions, utilizing renewable feedstocks. Creating long-term value through an extensive portfolio of decarbonisation solutions, advanced materials, renewable fibres and communication papers, collaborating with industries and brands worldwide.

Asset scope



Kymi, Finland

The paper mill is located in Kuusankoski, Kouvola, Finland, some 140 kilometers away from Helsinki. The paper mill was founded in 1872 and is part of the UPM Kymi integrated mill site – a versatile and energy efficient site that produces paper, pulp and energy.



Jämsänkoski, Finland

The paper mill is located in Jämsä in Central Finland, approx. 220 kilometers from Helsinki and 100 kilometers from Tampere. The mill was founded in 1888.



Rauma, Finland

Located by the sea on the west coast of Finland, some 250 kilometres from Helsinki, near Rauma city centre and in the immediate vicinity of the port of Rauma. The mill was founded in 1969.



Caledonian, UK

Located in Irvine, North Ayrshire, has been in operation since 1989 and is one of the most efficient paper mills of its type in the world.



Nordland, Germany

Located in Dörpen in Lower Saxony, Germany. Founded in 1967, the paper mill ranks today among the biggest fine and specialty paper producers in Europe.



Augsburg, Germany

Located in Germany, some 65 kilometres away from Munich. The mill was founded in 1849. The Augsburg site is also home to the head office of UPM Communication Papers and its functions.



Schongau, Germany

Located some 100 kilometers from Munich in the German town of Schongau. Tradition and progress have shaped the mill site since it was founded in 1887. UPM Schongau produces printing paper in reels on two paper machines.



Blandin, USA

Located in Grand Rapids in Minnesota, USA, some 150 miles from Minneapolis/Saint Paul. The mill is one of North America's leading producers of high-quality lightweight coated magazine and catalog printing papers.

Key take-outs

The proposed Joint Venture would bring two like-minded industry partners together to enable the efficient and responsible management of the necessary changes required to secure a future for the European Graphic Paper Industry as an important part of the European manufacturing economy.

Combination of Sappi and UPM assets will enable a strategic reallocation of production volumes to the most efficient paper machines for the direct benefit of customers.

More sustainable capacity utilisation levels and synergy efficiencies will enable the Joint Venture to continue to serve its customers in the current segments and provide them continued access to a wide assortment of European graphic paper products.

The Joint Venture will enable growth through synergies and efficiencies. It will also contribute towards industry sustainability targets as embedded within the European Union's Clean Industrial Deal.

The Joint Venture is a vital measure to restructure and retain a competitive European graphic paper industry.

Quote from the CEO

"Sappi has been actively managing its exposure to the Graphic Paper market, and this transaction provides a unique opportunity to unlock value for our shareholders and sustain supply to our customers"



Steve Binnie
CEO, Sappi Limited

Timeline and next steps



- European Commission merger control process to commence Jan/Feb 2026.
- Decision process expected to take until end of BY2026.

A transaction with a purpose

Resilience and adaptability

By **combining scale and asset base** to enhance **efficiency**, ensure **sustainable operations** and create a **structurally competitive base**.

Financial robustness and healthy cashflows

To **secure sustained financial health and business viability with strategic flexibility** via optimised cashflows that reinforce the Joint Venture's overall ecosystem.

Integration of best practices

To leverage the **combined expertise of both partners** by integrating complementary capabilities and systematically **sharing operational and commercial best practices**.

Enhanced customer partnership

Creating a more **resilient and efficient European partner for customers** bringing reliable supply, optimised production and cost structure, sustainable world class operations alongside innovation and service excellence.

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