

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


Sappi concludes an agreement to sell three European Graphic Paper mills

Shareholders are advised that Sappi has concluded an agreement with Aurelius Investment Lux One S.à.r.l. ("Aurelius"), to divest its Maastricht Mill in the Netherlands, its Stockstadt Mill in Germany and its Kirkniemi Mill in Finland (the "Transaction"). Aurelius is a pan-European multi-asset manager group, with investments in business operating in various segments including amongst other, Industrial, IT, Chemicals and business services. Aurelius operates in various cities in Europe, North America and Asia and it's holding company is a public company listed on the Munich Stock Exchange. Aurelius is owned by the AURELIUS European Opportunities IV Funds (70%) and by the publicly listed entity Aurelius Equity Opportunities SE & Co. KGaA (30%).

Sappi received binding offers from several parties and following due process the board of directors of Sappi has agreed to enter into a sale agreement with Aurelius. In terms of the agreement which is structured in the form of a share deal, Aurelius will acquire the specific legal entities which owns and controls the assets and liabilities of the individual mills. The Transaction will be subject to various standard suspensive conditions including amongst others works council and competition regulatory approvals. The Transaction will close once all these conditions have been fulfilled which is expected in the 1st calendar quarter of 2023. A transitional services agreement will also be entered into to ensure a smooth transition of the businesses between the parties.

The consideration of €272 million consists of a combination of cash proceeds, receivables collection and retention of liabilities.

The value of the net assets of the three mills as at 31 March 2022 being the date of the last audited consolidated annual financial statements of Sappi was €396 million. The audited consolidated net loss after tax attributable to the net assets of the three mills for the last twelve months ended 31 March 2022 was €6.5 million, based on the audited consolidated annual



financial statements of Sappi, which were prepared in terms of International Financial Reporting Statements. The EBITDA for the same period for the three mills was €58 million. Given the current volatile market conditions, the EBITDA for the pre-Covid period of twelve months to September 2019 was €40 million.

A decision was taken by the Board of directors to proceed with the Transaction following a detailed and thorough strategic review by Sappi in line with our group Thrive25 strategic focus. This includes reducing exposure to the graphic paper segment while increasing Sappi's presence in the packaging and speciality papers, pulp and biomaterials segments. Recent investments across our South African, American and European operating businesses demonstrate this priority.

Going forward Sappi's focus in Europe as regards graphic paper will be on the stronger commercial print market. As regards packaging and specialities in Europe the focus will be on the flexible packaging, functional papers, self-adhesives including glassine, labels as well as dye-sublimation markets.

The Board of directors believes the Transaction will help unlock potential value at each mill which would be best pursued by a new owner. Our strategic focus is on market segments not served by these mills.

The mills included in the Transaction:

- **Sappi Maastricht Mill** is a paper mill located in the Netherlands producing 260,000 tons per annum of coated woodfree paper and paperboard mainly sold to printers and packaging converters globally.
- **Sappi Stockstadt Mill** is an integrated pulp and paper mill located in Germany, producing 145,000 tons per annum of pulp which is used to produce 220,000 tons per annum of coated and uncoated woodfree paper mainly sold into the European print market.
- **Sappi Kirkniemi Mill** is an integrated pulp and paper mill located in Finland, producing 300,000 tons per annum of bleached mechanical pulp which is used to produce approximately 750 000 tons per annum of a variety of coated mechanical paper grades used in the print publication industry globally.

Sappi will use the proceeds from the Transaction to continue to increase its focus on the identified growth segments.

The Transaction constitutes a category 2 transaction in terms of the JSE Listings Requirements and there are no related parties involved in the Transaction.



29 September 2022

Sponsor:

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