

## **LARGEST SACK PAPER PRODUCERS IN EUROPE AND RUSSIA JOIN FORCES IN STRATEGIC ALLIANCE**

### **AssiDomän and Stratton to lead major strategic investment programme in Russia's Segezhabumprom**

AssiDomän and the Stratton Group have formed a strategic alliance, following AssiDomän's agreement to acquire 50 per cent of the shares in Stratton Paper Company. The partners are in discussions with several multilateral organisations regarding a strategic investment programme, that will inject up to USD 100 million into Segezhabumprom, a Karelian pulp, sack paper and sack manufacturing mill, which the Stratton Paper Company controls.

The cooperation agreement links AssiDomän, Western Europe's largest producer of kraft and sack paper, with Segezhabumprom, Russia's dominant sack paper and sack manufacturer. The partnership creates the largest-capacity producer of sack paper products in Europe and the CIS. As an industrial partner of the Russian company, AssiDomän will provide improved production techniques, marketing expertise and access to foreign markets. Segezhabumprom will provide access to Russian and CIS markets, strong relationships with end users in those markets and the production power of the world's largest-capacity sack paper and paper sack facility under one roof.

The Stratton Paper Company and a group of international financial institutions will provide capital to modernize the mill's machinery and install modern environmental protection systems. Designed to increase productivity and quality to global standards, the investment programme is currently estimated at approximately USD 100 million over three years.

"Our partnership in Russia's premier sack paper and sack company gives us substantial growth opportunities and potential synergies among operations across Europe and the Eurasian continent", said AssiDomän CEO, Lennart Ahlgren. "We are pleased to enter one of the world's most exciting markets and join forces with such a strong Russian partner. This is an enhancement of our East European strategy."

"Stratton and AssiDomän have made progress as strategic investors in the Sepap paper mill in the Czech Republic", said Michael Dingman, Chairman of the Stratton Group of companies that includes Stratton Paper. "We look forward to duplicating this constructive cooperation on a larger scale with our Russian partners in Segezha."

"We have vast manufacturing capacity and proven ability as high-volume producers", said Segezhabumprom General Director Vladimir Ivanovich Yermakov. "This partnership will allow us to build on our leadership in Russia and the CIS to take a prominent role in world markets."

Located in the North-West Russian region of Karelia, Segezhabumprom produces pulp sack paper and paper sacks. The integrated pulp and paper production system allows much of the sack paper production to be converted to sacks at the mill. The facility's capacity of 450,000 tonnes of sack paper is one of the largest in the world; current annual sack production is 200 million sacks. Annual sack production at full capacity would exceed a billion sacks. Segezhabumprom's customers use the mill's sacks and sack paper primarily for industrial packaging purposes.

AssiDomän is one of Europe's ten largest forest products companies, with some 14,000 employees, of whom 7,000 are employed outside Sweden. The Group is Sweden's largest forest owner, and processes the raw material into sawn timber products, packaging materials and packaging products. Annual sales amount to approximately 22 billion SEK.

The Stratton Group is the private investment vehicle of Mr. Michael Dingman, an industrialist based in the Bahamas. The Stratton Group has been an active investor in the Czech Republic and Russia. The Group's strategy is to acquire and restructure companies in the former Eastern Bloc countries.

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