

## **AssiDomän stresses turnaround in Segezha**

One of Europe's major packaging and paper producers, AssiDomän AB, Sweden, is as a part-owner since the summer 1996 engaged in an industrial partnership and cooperation with Segezhabumprom Joint Stock Company. The purpose of this is to revive Segezha paper company's traditions as a leading industry in paper sacks and sack paper production - to make Segezhabumprom a competitive enterprise on the world scale.

-At the same time, we are convinced the competitive Segezhabumprom company is capable of ensuring many decades of prosperity to the town of Segezha, by improving the living standards of its people and the working conditions of the employees, and consequently make substantial contribution to the economic development of Karelia, explains Lennart Ahlgren, President and CEO of AssiDomän.

AssiDomän will provide improved production techniques, marketing expertise and access to foreign markets.

This requires a restructuring and reequipping of the facilities. To bring production output in line with current market standards and improve product quality substantial investments are needed. The plan includes modernization measures and installation of environmental protection systems in the mill. Through increased market efforts, both domestic and on export markets, improved capacity utilisation will be achieved.

The investment plan, totalling USD 100 million, will make Segezha one of the dominating suppliers of sacks, sack paper and linerboard in the world. Production after investments will be about 450,000 tpy of paper and linerboard.

The main investment item is the improvement and reequipping of the recovery boilers, the key production links at the mill and crucial for the environmental protection and the ecological situation in Karelia. Moreover, one of the four paper machines will be converted to kraftliner production. Other investments are linked to quality improvement, logistics, IT and general improvements.

At present, however, this transition faces certain difficulties with regard to the general economic situation. These issues have to be solved without delay, in order

not to jeopardise the renewal process and the possibilities to attract financiers and investors to Segezhabumprom. In addition to that, the environmental problems requires prompt and immediate actions.

Realizing the problems faced by Segezhabumprom, AssiDomän has started the process of attracting long-term financing of the company's production needs. On September 9-10, during a visit to Segezha, IFC, EBRD and NIB expressed both recognition and interest for the project.

-In order to secure a viable financing package for Segezha these multilaterals will have to lead the way. We have received a positive response, meaning that they support the concept of development, and consider AssiDomän as the right industrial partner to Segezha with a long term interest in this cooperation, explains Lennart Ahlgren.

-But neither we nor the international financial institutions alone can make this turn in the activities of such a large company as Segezhabumprom. It is necessary to establish partnership between all parties concerned, also the Government of Karelia. Once this is achieved, and all parties committed, we will be able to enter the renewal process and take concrete actions and get the company back on track again, Mr Ahlgren concludes.

AssiDomän is one of Europe's ten largest forest products companies, with 14,000 employees, of whom 7,000 outside Sweden. The group is one of the world's largest private forest owners, and processes the raw material into sawn timber goods, packaging paper and products. Annual sales amount to approximately 22 billion SEK.

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