Press release from Stora Enso and AssiDomän
and
invitation to a press conference in Stockholm, 27 October at 10.00 (CET),
World Trade Center, Klarabergsviadukten 70, Konferenscentrum, Atlanta room.
International teleconference will be held at 12.00 (CET), see information below.

BILLERUD – Stora Enso and AssiDomän to form joint company for packaging paper

Stora Enso and AssiDomän have reached an agreement in principle to form a new 50/50-owned company from the paper mills Gruvön (Stora Enso) and Karlsborg and Skärblacka (AssiDomän). The formal merger and formation of the new company is expected to take place on 1 January 2001. The planned name of the company is Billerud. Synergy effects will amount to MSEK 200 (MEUR 24). The intention is that the shares in Billerud will be listed on the OM Stockholm Exchange.

Billerud is expected to achieve a full-year turnover of approximately MSEK 6,200 (MEUR 730). Pro forma for 1999 the combined operating profit before depreciation for the three units amounted to MSEK 629 (MEUR 74). Operating profit before depreciation for the first half of 2000 amounts to approximately MSEK 712 (MEUR 84). The company will have about 2,400 employees.

Billerud's production capacity will total approximately 1,280,000 tonnes of paper and pulp. The company will manufacture white packaging paper, white and brown sack paper, semi-chemical fluting, white top liner, and market pulp.

The rationale behind the merger are the similarities in the product portfolio between the mills and the economies of scale that will arise. This will create a company that is well able to meet the demands on capacity, size and quality being made by the ongoing consolidation of the global packaging industry. Billerud is well placed to grow and become a global market leader in white packaging paper. The merged company will also provide a good base for efforts to develop the product mix towards more value-added products.

The units included in the new company meet high technical standards. A total of approximately MSEK 5,000 (MEUR 590) has been invested in recent years. This means that the need for major investment in the foreseeable future is marginal.

Synergy gains
The combination of three mills with a similar product mix provides major opportunities for efficiency and synergy gains. The synergy gains are estimated to amount to approximately MSEK 200 (MEUR 24) on an annual basis and are expected to have a full impact in the results year 2003. The synergy gains will mainly result from the transfer of products between the mills and from specialisation, as well as some savings in administrative and selling costs.

Value relation and financial position
The agreement represents a value relation for assets contributed of 52.5 per cent for AssiDomän and 47.5 per cent for Stora Enso. The difference in value will be adjusted through the size of the interest-bearing liabilities transfered in conjunction with the formation of the 50/50-owned company.

Billerud will have a shareholders' equity of approximately MSEK 2,200 (MEUR 260). The interest-bearing net debt will start at approximately MSEK 2,650 (MEUR 313). The

debt/equity ratio is estimated initially at around 1.2. A well-balanced net debt/equity ratio for a listed Billerud under normal economic conditions is expected to be at the 0.8 level. Billerud will have independent responsibility for its external financing.

Stock-exchange listing
The parties will each own 50 per cent of the shares in Billerud. The new company will be operated independently and therefore be deconsolidated and reported as equity accounting in both AssiDomän and Stora Enso. The intention is that this will occur as of 1 January 2001.

The shares in Billerud will be listed on the OM Stockholm Exchange as soon as possible but no later than 2002. AssiDomän's Board intends to propose that the Annual General Meeting authorises distribution of the shareholding to shareholders directly in conjunction with the listing (according to Lex Asea). Stora Enso's long term intention is to sell its entire holding, of which 20% of the company in conjunction with the stock-exchange listing (i.e. 40% of Stora Enso's holding). In conjunction with the listing Stora Enso shall place this 20% with financial institutions or, alternatively, sell it to AssiDomän. In the event Stora Enso sells to AssiDomän, these shares will also be distributed in conjunction with the listing. The intention is to give Billerud a balanced ownership structure from the start and to create conditions for a satisfactory liquidity in its shares. Initially, following the listing, ownership in the new company will thus be as follows: Stora Enso 30%, Swedish State 17.5-24.5%, others 52.5-45.5%.

Board of Directors
The proposed Chairman of the Board is Ingvar Petersson, SEVP Financial Services & IT, Stora Enso. The following people are also proposed as Board Members: Roger Asserståhl, Deputy CEO, AssiDomän; Björn Björnsson, Financial Consultant, member of AssiDomän's Board; Peter Lundberg, Partner and member of the Board of Ledstiernan; Yngve Stade, SEVP, Corporate Support, Stora Enso; Pekka Suursalmi, SVP Packaging Boards, Stora Enso; Meg Tivéus, President, Svenska Spel.

The company will have its legal domicile and head office in Stockholm

Approval and permits
This transaction is subject to approval by the relevant competition authorities. AssiDomän will request an advance ruling from the tax authorities on application of Lex Asea.

Stockholm and Helsinki
27 October 2000

For further information, please contact

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International teleconference at 12.00 (CET). Call +44 (0)20 8240 8245.
Instant replay (available 48 hours):
Europe: +44 (0)20 8288 4459, access code 611 492
US: +1 303 804 1855, access code 846 316

Press materials will be available from 10.00 (CET) at www.storaenso.com and www.asdo.se, where the teleconference can also be heard.

Appendix 1

Profit and Loss Account Billerud PRO FORMA, preliminary

(MSEK)	**1998**	**1999**	**H1 2000**
Net turnover	5,487	5,396	3,200
EBITDA	621	629	712
Gross margin	11.3%	11.7%	22.2%

- After write-down, depreciation is estimated to amount to approximately MSEK 350.

Balance Sheet Billerud PRO FORMA, preliminay

(MSEK)	
Fixed assets	4,300
Current assets	1,650
Total assets	**5,950**
Shareholders' equity	2,200
Interest-bearing liabilities	2,650
Non-interest-bearing liabilities	1,100
Total shareholders' equity & liabilities	**5,950**
Interest-bearing net debt	2,650
Debt/equity ratio	1.2

Appendix 2 – Facts about the units

Stora Enso, Gruvön (Grums, Sweden)
Number of employees: 1,100
Production capacity:

- containerboard 370,000 tonnes
- kraft paper 175,000 "
- market pulp 85,000 "

AssiDomän Karlsborg (Kalix, Sweden)
Number of employees: 470
Production capacity:

- kraft paper 110,000 tonnes
- market pulp 170,000 "

AssiDomän Skärblacka (Skärblacka, Sweden)
Number of employees: 750
Production capacity:

- kraft paper 205,000 tonnes
- containerboard 90,000 "
- market pulp 75,000 "

Exchange rate: EUR 1 = SEK 8.47