

Press Release – 06.11.09

Ceremony took place today attended by hundreds of guests

Portuguese President inaugurates the Portucel Soporcel Group's New Paper Mill

- The new mill is amongst the largest ever industrial investment projects in Portugal.
- The Group asserts itself as European leader in the production of UWF printing and writing paper, making Portugal Europe's leading producer of this type of paper.
- The new mill increases the Group's annual paper output to 1.55 million tons.
- The Group will now account for 4% of total Portuguese exports once the new mill hits full capacity.
- Investment of € 550 million will have a significant impact on the Portuguese economy, as well as creating 350 direct jobs, all highly skilled.

The President of Portugal, Anibal Cavaco Silva, today presided over the official opening of the Portucel Soporcel group's new Paper Mill in Setúbal, representing investment of € 550 million, set to have a significant impact on the Portuguese economy.

The new unit will allow the Portucel Soporcel group to assert itself as the leading European producer of UWF printing and writing paper, permitting Portugal to claim top place in the European ranking of countries producing this type of paper.

Thanks to this investment project, the Group will be able to bolster its presence in Europe and the USA, and also to increase its penetration of other international markets, where this type of paper is highly sought after.

The Group's capacity to export goods with a high level of national value added means that it will now account for around 4% of total Portuguese exports once the mill reaches full capacity.

In addition to creating 350 direct and highly skilled jobs, this major investment project will also have a significant impact on development of eucalyptus forestry, of structural importance to the Portuguese economy.

The completion of this investment project closes what is regarded as the last window of opportunity for investment in this sector within the European Union.

At the end of the ceremony, President Cavaco Silva awarded the medal of the Order of Industrial Merit to Pedro Queiroz Pereira, Chairman of the Board of Directors of the Portucel Soporcel group, and declared that *"Portucel is an example and it is examples like this which should be held up to help the Portuguese nation find its course for the future and to build up its self-confidence. In terms of Portugal's interest, what is really important is the contribution this mill will make to increasing the productivity and competitiveness of our economy internationally."*

The President was welcomed by Pedro Queiroz Pereira and by José Honório, the CEO of the Portucel Soporcel group, at an event attended by hundreds of guests drawn from government bodies, public authorities, clients, suppliers and the workforce.

Pointing out that *"we are looking at one of the largest investment projects ever undertaken in Portugal"* and that *"it offers an example for modern industry"*, Pedro Queiroz Pereira declared that *"there are solutions for nearly all the problems (facing Portugal), so let us show the determination needed to put them into practice"*.

During the ceremony, the Paper Machine, the core element of the new mill, was blessed by the Bishop of Setúbal, Dom Gilberto Canavarro Reis.

Construction work on the mill proceeded at a good pace, and was completed on schedule and within budget. The design includes unique and technologically innovative features, allowing it to house the largest and most sophisticated machine in the world for the production of UWF paper for office stationery and for the printing industry.

Production tests on the machine started on 15 August and operation at full capacity - 500 thousand tons a year - is planned to be achieved in 2011. The machine has demonstrated excellent production capacity and production speed in the first 45 days, after the start of production tests, has already reached 75% of the design maximum.

The Group's output of high quality printing and writing paper is set to reach 1.55 million tons/year, further expanding its presence in a sector where it is already a world player. The new mill will allow the Group to respond to growing international demand for its brands and products, bolstering its presence on markets where it is already established and adding to the list of countries to which it sells its goods.

The new mill started the production trials with 7 weeks' orders on its books, at a time when the European industry has average orders of around 3 and a half weeks.

The Portucel Soporcel group has recorded extremely positive performance, managing to operate a full capacity and to increase its paper sales, up by 8.1% during the first nine months of the year. At the same time, the Group has successfully controlled its costs, which have evolved very favourably over the year. The Group is therefore extremely confident of rising to the challenge of its new Paper Mill in Setúbal.

As an example of its success, the Group's *Navigator* brand, the world leader in the premium office paper segment, recorded 8% growth in Europe over the same period in 2008.

About the new Setúbal Paper Mill

The largest and most sophisticated machine in the world

The Group's new Paper Mill is one of the world's largest for the production of paper for office stationery and the printing industry, boasting the largest production capacity for a single paper machine.

The machine has many special features, starting with the paper width (10.4 metres) and entirely innovative equipment, helping to give it a sharper competitive edge.

The new machine will make it possible to incorporate into paper all the pulp produced at the Setúbal complex, cutting back the Group's exposure to highly volatile international pulp prices and adding greater value to Portugal's forestry products. The new unit has capacity to produce 80 tons/hour at a speed of 1,800 metres a minute, which means an output of 30 metres of paper per second, creating jumbo rolls weighing 116 tons each.

The paper processing area is fitted with three cutting machines for printing formats and a further three for office paper. Two of these machines are the largest ever made, with capacity for producing 16 reams simultaneously.

The warehouses for paper reels and pallets are fully automated. The former, measuring 93.2 m in length and 28.4 m in width, has capacity for 6000 reels, with an inflow of 186 reels/hour and an outflow of 164 reels/hour. The paper pallets warehouse measures 122 m in length and 28.4 m in width, with capacity for approximately 32,000 pallets, offering an inflow of 215 pallets/hour and an outflow of 320 pallets/hour.

The new paper mill is also served by a new container park with an area of 35,000 m², with capacity for approximately 1000 containers, and also by a new internal rail branch line, featuring 465 m of double track. The new container park and branch line form part of the logistical facilities for dispatching paper from the new mill.

Job creation and environmental protection

Another important impact which the new mill will have on the Portuguese economy, and especially on development in the Setúbal region, can be seen in the creation of highly skilled jobs. The Group currently employs a direct workforce of 2,200, and the new mill has created a further 350 direct, high skilled jobs, in addition to a significant volume of indirect employment. More than two hundred companies worked on fitting out the new mill, with more than 1600 workers on site on a daily basis.

The new industrial unit meets the toughest environmental standards in force in Portugal and the European Union.

The installation on the Setúbal industrial site of a combined cycle co-generation plant with natural gas turbines (80 MW) will more than meet the power and steam needs of the new mill, with surplus power being fed into the national grid. This power plant represents investment of € 75 million and started up at the same time as the new mill. Thanks to the use of natural gas, with its low carbon content, the plant offers excellent levels of energy and environmental efficiency.

About the Portucel Soporcel group

The Portucel Soporcel Group is one of Portugal's strongest players on the international stage, operating in one of the country's core sectors and occupying a highly prominent position in the international paper and pulp market.

The Group is a major European producer of UWF paper, and also the largest producer in Europe, and one of the largest in the world, of bleached eucalyptus pulp.

The Portucel Soporcel Group is currently Portugal's 3rd largest exporter, and possibly the largest in terms of national value added.

With the new Paper Mill, the Group now has production capacity of 1.55 million tons of paper and 1.35 million tons of pulp (of which approximately 1.1 million tons is incorporated into paper), generating annual turnover in excess of € 1,100 million.

Once operating at full capacity, the new Paper Plant will boost the Group's annual exports by more than 400 million euros. This will be added to current annual exports of

more than 950 million euros to more than 90 countries over five continents, corresponding to approximately 90% of its paper and pulp sales.

The commercial reputation and success of the Group's brands around the world is supported by an extensive sales network, backed by dedicated structures in its principal markets. Efforts are focussed on maintaining a close relationship with clients and assuring a high quality of service. Special mention should be made of the *Navigator* brand, the world's best-selling product in the premium office paper segment.

With a leading position in the eucalyptus forestry sector, the Portucel Soporcel group is responsible for management of around 120 thousand hectares of woodlands. The Group recently obtained certification for the woodlands assets under its management under the prestigious PEFC - *Programme for the Endorsement of Forest Certification Schemes*, having obtained certification by the FSC (Forest Stewardship Council) in December 2007.

The Group is also a frontrunner in the energy sector and Portugal's leading producer of "green energy" from biomass. Generation of 977 GWh in 2008 represented approximately 60% of electricity obtained from biomass in Portugal, or 2.3% of all power generated in the country, four times the output of the Alqueva hydro plant in the same year.

The new Setúbal Paper Mill is part of a wider plan being pursued by the Portucel Soporcel Group with a view to development, modernizing its technology, reduction of its environmental impact and increasing its power generation capacity. This plan is nearing completion and has involved total capital outlay of approximately € 900 million, divided between its industrial units in Cacia, Figueira da Foz and Setúbal.