

Press Release – 26.08.09

## New Paper Mill starts production tests on schedule

- Investment of €550 million, set to generate considerable added value and to have a significant impact on the Portuguese economy;
- Increases the Group's annual paper output to 1.5 million tons;
- The Portucel Soporcel group becomes the European leader in the production of uncoated printing and writing paper (UWF);
- Bolsters the Group's export capacity, positioning it to account for approximately 4% of total exports in 2010;
- 350 direct new jobs, all highly skilled.

The Portucel Soporcel group has just reached a landmark in its expansion with the start of production tests at the new Setúbal paper mill on August 15. The centrepiece of the new mill is the largest and most sophisticated machine in the world for the production of UWF paper for office and printing use.

The new production plant, that will be officially launched by the President of the Republic in November, will bring the Group's output of high quality printing and writing papers up to 1.5 million tons per annum, further strengthening the Group's position in a sector in which it is already one of the world's top players, and making it the European leader in this type of paper, highly valued in the international markets. The Group will account for approximately 4% of total Portuguese exports in 2010, with a high coefficient of domestic value added.

The new Setúbal paper mill will have a significant impact on the eucalyptus forestry sector, of structural importance to the Portuguese economy, as well as creating highly-skilled jobs and increasing the country's exports of goods with a high level of value added.

For the Chairman, Pedro Queiroz Pereira, *"With the new mill, the Portucel Soporcel group is pressing ahead, despite the economic crisis, with a vast development plan which will allow it to consolidate its position amongst the leading companies in this sector worldwide. This ambitious project is based on operational excellence and technological innovation, without forgetting sustainable development, which is one of*

*the Group's central concerns. The promise of "More paper, more woodlands" has been honoured thanks to the sustainable management of our forestry plantations," he added.*

The entire process of constructing the mill went ahead at a fast pace and has been completed on schedule and within budget, using unique and technologically innovative solutions.

According to José Honório, Chief Executive Officer, *"This project has demonstrated the Group's entrepreneurial capacity and the expertise of its workforce. The new paper mill will also make us more competitive, clearly positioning the Group as Europe's leading manufacturer of UWF paper."*

The new mill will allow the Group to respond to growing international demand for its brands and products, providing an opportunity to build up its presence in markets where it already operates and to expand the range of countries to where it exports.

Against the background of the global economic recession and its impact on manufacturing industry, unparalleled in the sector's history, the Portucel Soporcel group recorded growth in overall paper sales in the second quarter of 2009 of 3.8% in relation to the same period in the previous year.

Despite a reduction in consumption in the European paper market of 16% in the first half of 2009, the Group's existing paper mills – Setúbal and Figueira da Foz – have order books corresponding, at the start-up date of the new mill, to an average of 4-5 weeks, whereas the average for the European industry is little more than 3 weeks. Significantly, the new mill already has an order book corresponding to 7 weeks, essentially for non-European markets.

### **Paper machine is the largest and most sophisticated in the world**

The Group's new paper mill is one of the largest in the world for the production of office and printing paper, with the largest production capacity for a single paper machine. This machine has very special features and will be different from any other machine owned by the Group, starting with the machine fill (effective width of the paper – 10.4 metres) and some of the equipment which is entirely innovative, assuring it greater competitive advantages. The completion of this capital expenditure project closes what is regarded as the only window of opportunity for investment in this sector within the European Community.

The new paper machine has an annual production capacity of 500 thousand tons and will allow the Group to incorporate into paper all the pulp produced at the Setúbal complex (meaning that output of paper pulp will not have to be increased), reducing the Group's exposure to highly volatile international prices for pulp and adding increased value to the country's forests. The new machine is designed to produce 80 tons/hour at a speed of 1,800 metres a minute, corresponding to 30 metres of paper a second, creating jumbo rolls weighing 116 tons each.

The paper processing area is equipped with three large format cutting machines and three office paper cutting machines, two of them with capacity to produce 16 reams simultaneously, making them the biggest machines built in the world.

The paper reel store is fully automated and measures 93.2 m in length and 28.4 m in height, with capacity for 6,000 reels, at an inflow rate of 186 reels/hour and an outflow rate of 164 reels/hour. The storage of paper pallets is also fully automated, in a warehouse measuring 122 m length and 28.4 m height, with capacity for approximately 32,000 pallets and an inflow rate of 215 pallets/hour and an outflow rate of 320 pallets/hour.

The new paper mill also features a new container park with an area of 35,000 m<sup>2</sup> and capacity for approximately 1000 containers, as well as a railway branch line 935 m long, as part of the logistical project for dispatching paper from the new plant.

### **Creating jobs and protecting the environment**

The plant's positive impact on the Portuguese economy, and especially on the development of the Setúbal region, is also due to the creation of skilled employment. The Group currently has a direct workforce of more than 2,200 employees and the new mill has created 350 highly skilled jobs, as well as a significant volume of indirect employment. More than two hundred companies were involved in setting up the new mill, with more than 1,600 people on site each day.

This new industrial facility will comply with the strictest environmental standards established by law in Portugal and the European Union. At the same time, the opening of the mill has involved building a new combined cycle co-generation power station, with natural gas turbines (80 MW), located on the edge of the Setúbal industrial complex, which will not only meet the power and steam needs of the new mill, but also supply surplus power to the national grid. This plant came online with the start-up of the

new paper mill and offers high standards of energy and environmental efficiency, due to the use of natural gas, a fuel with a low carbon content.

### ***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 (Uncoated Woodfree Paper), and also the largest producer in Europe, and one of the largest in the world, of bleached eucalyptus kraft pulp (BEKP).

The Portucel Soporcel group is currently Portugal's 3<sup>rd</sup> largest exporter, and possibly the largest in terms of national value added.

With production capacity of 1.55 million tons of paper and 1.35 million tons of pulp (of which approximately 765 thousand tons is incorporated into paper), the Group has annual turnover in excess of € 1,100 million, sending exports worth more than 950 million euros to more than 90 countries, which represents approximately 90% of its paper and pulp sales. It therefore accounts for approximately 3% of Portuguese exports of goods which, in conjunction with sales on the home market, correspond to 0.7% of the country's GDP.

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 has very 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 woodlands in question represent 54% of certified forests in Portugal.

The 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.