

Press Release – 04.03.08

Prime Minister José Sócrates lays first stone

Portucel Soporcel group to build the world's most sophisticated Paper Mill in Setúbal

- **The €550 million investment will have a major impact on a sector of decisive importance to the Portuguese economy, the eucalyptus forest industry, and on exports of high added value goods**
- **Other important aspects of the project are the reinforcement of the Group's export capacity and the creation of skilled jobs**

The Portuguese Prime Minister José Sócrates presided over the ceremony to lay the first stone of the new paper mill at the Portucel Soporcel group's industrial complex in Setúbal. The project is of major importance to the country's economy as it will create a number of skilled jobs and increase exports of high added value goods.

The Head of Government was welcomed at the site by the Portucel Soporcel group's Chairman of the Board of Directors, Pedro Queiroz Pereira, and Group Chief Executive Officer José Honório, where, with approximately a hundred guests, he heard a brief presentation made by José Honório on the main characteristics and advantages of this major investment, of approximately 550 million Euros.

The most important piece of equipment in the new paper mill, set to begin operation in August 2009, will be the world's largest and most sophisticated machine for producing uncoated woodfree papers (UWF). With a width of 11.1 metres, the new machine will produce some 500,000 tons of high quality office paper per year and enable all the pulp produced at the Setúbal industrial complex to be integrated in the paper production.

The new mill will allow production of high quality printing and writing paper to increase to 1.5 million tons per year, strengthening the Group's presence in a sector in which it is a world reference today. The Group's exports, which represent about 92% of its total pulp and paper production, currently amount to more than €950 million and account for about 3% of the total of Portuguese goods exports for 2007. This is particularly notable given that the main raw material comes from a natural renewable resource: the Portuguese forests.

The new Setúbal mill's contribution will significantly strengthen the Group's competitiveness in the international uncoated woodfree paper market, bringing it to a leading position in the European UWF market and building on the strong position it has already achieved in the North American market. In fact, despite exporting its added value products to over 80 countries worldwide,

Europe and the USA account for the group's largest sales volume, amounting to approximately 91% of the total.

Job creation and environmental protection

The new mill will also have a strong impact on the Portuguese economy, in particular the development of the Setúbal region, with the creation of 350 direct highly skilled jobs plus a significant number of indirect jobs and the mobilisation of some 1200 workers at the peak of the construction period.

Associated with the future Setúbal mill, which will comply with the most stringent environmental standards required under Portuguese and European Union law, is a project to install an 80 MW natural gas-fired combined-cycle co-generation power plant at the Setúbal complex, which will meet all the unit's own electric power and steam requirements, in addition to supplying a significant surplus energy to the national grid. Portucel Soporcel group is the country's largest generator of biomass-based energy, producing around 2% of the total electricity consumed in Portugal.

The project for the new Setúbal mill is part of broader ongoing plan for technological development and modernisation and the reduction of the Portucel Soporcel group's environmental impact. Involving a total investment of around €900 million, the plan involves several projects for the three existing mills: Cacia, Figueira da Foz and Setúbal.

About Portucel Soporcel group

Portucel Soporcel group is one of Portugal's strongest names worldwide and enjoys a leading position in the international pulp and paper market, exporting over 92% of its total sales to over 80 countries throughout the world. In 2007, it was responsible for around 3% of all Portuguese goods exports, amounting to over €950 million.

With an annual turnover in excess of €1100 million, representing 0.7% of the country's overall GDP and 2% of its industrial GDP, the Group is one of Europe's largest producers of uncoated woodfree paper (UWF). It is also the largest producer of bleached eucalyptus kraft pulp (BEKP) in Europe and one of the largest in the world.

With Europe and the USA as its priority markets, the group has a range of high quality products, a fact reflected by the strong brand awareness of its paper brands, in particular the Navigator brand, a world leader in sales in the premium office papers segment, but also its Pioneer, Inacopia, Discovery, Explorer, Soporset, Target and Inaset brands.

At European level, the Group is market leader in the supply of bleached eucalyptus kraft pulp to the specialty paper segment, which represents around 50% of its pulp sales.

The forest, a vital source of its raw materials, is also a strategic area for the Portucel Soporcel group. Managing this resource responsibly enables the group to contribute to the competitiveness of a sector of decisive importance to the country's economy. Around 102 thousand hectares of the group's forests are certified by the FSC (*Forest Stewardship Council*) and the Group promotes active management of biodiversity. In this area, it has partnerships with the WWF – World Wide Fund for Nature, enabling it to classify almost 50% of its certified assets as High Conservation Value on a landscape scale. The Group has also been active in preventing and providing support in the combat of the forest fires that have affected Portuguese forest assets.