

Ground-breaking ceremony for the most modern newsprint machine in the world in Perlen (LU)

**CHF 460 million for financing the investment all arranged – Forty new jobs –
Production to start 1 October 2010**

Perlen, 4 March 2009 – CPH Chemie + Papier Holding AG has launched what is by far the largest investment project in its history with today's ground-breaking ceremony for the new build of the world's most modern installation for the production of top grade newsprint in Perlen (LU). About CHF 460 million will be invested in the construction of the production building, the necessary expansion of the ancillary plant and in the 130 meter long paper machine. It is one of the biggest investment projects currently underway in Swiss industry. Approximately 60 percent of the costs will be financed from the company's own coffers while the remaining 40 percent will be covered by a syndicated loan, with UBS acting as lead bank. Forty new jobs will be created to handle the planned four-shift operation of the plant from the production start-up date of 1 October 2010.

The new production plant replaces the machine commissioned in 1971 for the production of standard and enhanced newsprint. This machine has reached the end of its service life after nearly 40 years of duty. To ensure the company's delivery readiness in a market with ever tougher volume and quality requirements, the Board of Directors made the fundamental decision in December 2008 to replace the old machine.

Promising medium-term assessment of the market

Given the immense investment cost of half a billion Swiss francs, the Board relied for its decision on extensive market and feasibility studies. The studies expect the current decline in demand for high quality newsprint to give way as early as next year to a slight upturn,

followed by average annual growth in demand of 0.6 percent over the next ten years. Market conditions should therefore be more favourable when the new paper machine goes on line in October 2010. This, in turn, will have a positive effect on the efficiency and profitability of the new machine.

A superlative PM

The new paper machine for the production of top grade newsprint is being built by the German-based Voith Paper GmbH and is, in many respects, one of superlatives. It is 130 meters long, weighs as much as the Eiffel Tower, namely about 10,000 tonnes, and produces paper web widths of 9.6 meters at a rate of just over 1,900 m/min., which corresponds to a speed of about 120 km/h. With an annual production output of 360,000 tonnes, it has about triple the capacity of its predecessor. In a single day, it is capable of producing a 10-meter-wide paper web extending from Perlen to Cairo. These performance figures make it one of the world's most modern newsprint machines.

The new PM also sets new standards with respect to ecological efficiency, which is about 10% higher. The paper machine allows 460,000 tonnes (as opposed to the previous 180,000 tonnes) of waste paper to be recycled a year. A second line must be added to the existing waste paper preparation operations to accommodate this increase. The fresh water supply and wastewater treatment plant also have to be expanded, as do the steam production and warehouse capacities. Two kilometres of new roads have to be built on the premises along with three kilometres of new track so that the company can logistically handle the much higher production volumes. The necessary expansion of the ancillary plant and infrastructure is nonetheless relatively modest in scope. The equipment is already in place at the Perlen facility and merely has to be adapted to the larger capacities. That is why the investment costs are substantially lower than for comparable plants.

Following a trial run in the summer of 2010, the new machine will commence continuous operation starting in October 2010 and produce in four shifts round-the-clock. Although the

machine is highly automated, its operation requires the creation of an additional forty positions in the production plant and in the expanded ancillary buildings.

As Dr. Franz-Josef Albrecht, President of the Board of Directors of CPH Papier + Chemie Holding AG, said at the groundbreaking ceremony for the new large-scale plant, the investment decision represents an important realignment for the further strategic development of the company: "We are accustomed to thinking and planning for the long term in our industry. In this sense, this decision we are taking in such difficult economic times is a clear signal of confidence and trust in a successful future for our industry and our company. It is also an important contribution to maintaining the Perlen paper mill as a production site."

Contacts:

Dr. Franz-Josef Albrecht
President of the Board of Directors
Mobile. +41 (0)79 431 54 18

Dr. Peter Schildknecht
CEO
Phone: +41 (0)41 455 87 50