

## **Portucel Soporcel Group net profit totalled €16,8 million in the 1<sup>st</sup> quarter 2003**

- Net debt reduced by €39 million during the 1<sup>st</sup> quarter
- Financial results increased by €1,7 million
- Pulp sales grew 11% in volume and 8% in value
- Paper sales fell 3% in volume and 6% in value

In the 1<sup>st</sup> quarter 2003, Portucel Soporcel Group net profit totalled € 16,8 million, 22% below the net profit achieved in the same period of 2002 and 7% less than in the 4<sup>th</sup> quarter of 2002. The reason for this fall in net results was the drop in average prices, both for paper (- 3%) and pulp (-2%) when compared with the 1<sup>st</sup> quarter of last year, resulting from slowing economic growth.

Operating results achieved € 39,0 million, which compare with € 46,8 million in the same period of last year. Pre-tax profits attained € 26,3 million, less 20% than in the 1<sup>st</sup> quarter of 2002. During the 1<sup>st</sup> quarter of the year, Portucel Soporcel Group generated an EBITDA of € 75,9 million, 10% less than in the same period of last year and 3% less EBITDA generated in the 4th quarter 2002.

The Group had negative financial results of € 12,4 million, which represent an improvement of € 1,7 million compared to 1<sup>st</sup> quarter of last year. This improvement was mainly due to the reduction in the Group's net debt which, during the 1<sup>st</sup> quarter of this year, was reduced by €39 million to a total of €980 million at end March.

In the 1<sup>st</sup> quarter 2003, investment totalled €38,5 million.

The AGM held on March 31st 2003 approved the report and accounts for 2002 and an appropriation of the net profit of the year which includes a total of € 24,2 million to be paid as dividends.

### **Group turnover reached €261,5 million**

In the 1<sup>st</sup> quarter of 2003, total consolidated sales for the Group reached €261,5 million, 3% less than in the same period of last year.

With a share of 72% in total turnover, paper business contributed with € 187,4 million, 6% less than in 2002, reflecting worse paper market conditions.

Uncoated woodfree paper apparent consumption in Western Europe showed, in the 1<sup>st</sup> quarter of 2003, a correspondent drop of 5%, down to the lowest level of the last years.

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A more detailed analysis by product families shows that office paper segment registered a slight decrease of 2%, while sheeted graphic paper segment fell by 10% and reels by approximately 4%. However, European producers shipped higher volumes to markets outside Western Europe in an effort to partially soften this fall in demand. This allowed a compensation of 2 percentage points in sheeted paper sales. Consequently, when compared with the 1<sup>st</sup> quarter of 2002, office paper sales were stable and sheeted graphic paper sales fell by 8%.

In this market context, paper sold by the Group Portucel Soporcel decreased 3% when compared with the same period of 2002. The Group maintained its sales in regular markets (Europe and US), which account for more than 90% of total sales, and improved its product mix, with sales of sheeted paper increasing over 5%, actually representing more than 80% of Group's paper sales.

By the end of 1<sup>st</sup> quarter, the average standard office paper price (PIX copy B) decreased by 4% in Europe, when compared with 2002, and average standard offset paper (PPI Germany) fell by 5%. In this 1<sup>st</sup> quarter, the Group's average price dropped around 3%, when compared with the same period of last year.

A total of 166,2 thousand tons of pulp were sold, 11% above last year, reflecting higher demand in the quarter. This increase in demand was mainly due to lower pulp production at Canadian and American producers, who felt some problems concerning wood supply to their mills, as a consequence of the bad weather. Thus, Norscan inventories showed successive drops in the first three months of this year, totalling circa 158 thousand tons, and stood at 1 476 thousand tons at end March.

This increase in demand allowed pulp price rises in February and March, up from the very low price levels in force by the end of 2002 and January as well. Consequently, average pulp price in the quarter was down 2% when compared with the 1<sup>st</sup> quarter of last year. When compared with the 4<sup>th</sup> quarter of 2002, the average pulp price was down more than 4%, explained in a large extent by the 7% depreciation of the Dollar towards the European currency, cancelling the benefits from actual price increases in USD.

Total pulp production reached 310 thousand tons, 1% above last year, and paper production totalled 221 thousand tons, 5% less than in the 1st quarter of 2002.

## **Perspectives**

Global economic environment continues to be dominated by general uncertainty, regarding both the possible effects of the war in Iraq and economic recovery momentum as well.

Norscan inventories stand below 1,5 million tons, considered to be the market equilibrium level, and a further drop in April is foreseen.

On what concerns the paper market, the order level received by the European producers at the end of March was 7% below March 2002 and, in the short term, perspectives for a significant recovery in European paper demand should not be very optimistic.

After two years of unprecedented declines since 1980, perspectives for the next quarters indicate that apparent consumption in Europe should enter into an upside trend and will become slightly positive by the end of 2003.

**KEY INDICATORS**

(Values in thousand €, except if otherwise indicated)	1st Quarter 2003	1st Quarter 2002
Total Turnover	261 467	268 813
Operating Results	39 007	46 798
Financial Results	-12 391	-14 127
Pre tax Results	26 261	32 950
<b>Net Results</b>	<b>16 815</b>	<b>21 612</b>
<b>EBITDA</b>	<b>75 890</b>	<b>84 435</b>
Cash flow	53 656	58 732
Total Production (tons)	521 908	530 813
Pulp	300 903	297 996
Paper	221 005	232 817
Quantities Sold (tons)	383 037	374 170
Pulp	166 167	150 224
Paper	216 870	223 946
Change on average paper price (base 100)	97	100
Change on average pulp price (base 100)	98	100
<b>Net Debt (million €)</b>	<b>980</b>	<b>1 165</b>



**PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL, SA (SOCIEDADE ABERTA)**  
**CONSOLIDATED BALANCE SHEETS AS OF 31<sup>ST</sup> MARCH 2003**  
 (Amounts stated in Euro)

ASSETS	2003		Net assets	2002
	Gross assets	Depreciation and provisions		
<b>FIXED ASSETS:</b>				
Intangible assets:				
Incorporation expenses	39.657.404,23	35.857.675,93	3.799.728,30	7.330.574
Research and development expenses	41.803.537,90	33.426.724,16	8.376.813,74	14.180.412
Industrial property and other rights	2.105.123,84	2.029.058,94	76.064,90	236.303
Assignment	428.132.253,56	38.531.902,79	389.600.350,77	406.725.641
Intangible assets in progress	8.295.720,74		8.295.720,74	5.576.168
Advances to suppliers of intangible assets	0,00		0,00	0
	<b>519.994.040</b>	<b>109.845.362</b>	<b>410.148.678</b>	<b>434.049.098</b>
Tangible fixed assets:				
Land and natural resources	133.813.446,88	135.182,24	133.678.264,64	135.299.393
Buildings and other constructions	362.043.769,04	158.658.892,95	203.384.876,09	216.061.209
Machinery and equipment	2.128.368.994,17	1.305.115.516,47	823.253.477,70	866.506.469
Transportation equipment	33.729.057,74	19.647.596,21	14.081.461,53	15.860.170
Tools and dies	3.708.598,80	3.283.009,28	425.589,52	395.794
Administrative equipment	31.209.731,34	25.261.084,95	5.948.646,39	6.921.966
Returnable containers	356.758,79	124.682,68	232.076,11	92.719
Other tangible fixed assets	11.478.390,65	8.400.006,03	3.078.384,62	4.212.203
Construction in progress	77.783.990,13		77.783.990,13	66.587.442
Advances to suppliers of fixed assets	23.734.656,85		23.734.656,85	3.643.535
	<b>2.806.227.394</b>	<b>1.520.625.971</b>	<b>1.285.601.424</b>	<b>1.315.580.900</b>
Financial investments:				
Investments in affiliated companies	559.001,38		559.001,38	1.795.242
Loans to affiliated companies	92.277,61		92.277,61	92.278
Investments in associated companies	11.222,95	0,00	11.222,95	11.223
Loans to associated companies				0
Securities and other financial investments	26.903.603,90		26.903.603,90	26.286.628
Advances on account of financial investments	25.000,00		25.000,00	0
	<b>27.591.106</b>		<b>27.591.106</b>	<b>28.185.371</b>
INVENTORIES - Medium and long term:				
Work in process	278.464.365,42		278.464.365,42	296.919.522
Advances to suppliers of inventories	0,00		0,00	0
	<b>278.464.365</b>		<b>278.464.365</b>	<b>296.919.522</b>
CURRENT ASSETS:				
Inventories:				
Raw materials and supplies	93.529.816,08	0,00	93.529.816,08	90.231.009
Work in process	27.221.541,39		27.221.541,39	13.780.957
Subproducts and waste	587.119,55		587.119,55	581.332
Finished and semi finished goods	43.447.092,46	25.197,51	43.421.894,95	41.198.969
Merchandise	185.652,47		185.652,47	221.135
Advances to suppliers of inventories	288.937,55		288.937,55	3.783.698
	<b>165.260.160</b>	<b>25.198</b>	<b>165.234.962</b>	<b>149.797.100</b>
Accounts receivable:				
Accounts receivable from customers	207.067.142,54	0,00	207.067.142,54	234.834.287
Securities receivable from customers	0,00		0,00	0
Doubtful accounts receivable	2.775.821,22	2.739.936,43	35.884,79	1.707
Group companies	0,00		0,00	0
Participated companies	0,00		0,00	0
Advances to suppliers	3.124.793,90	67.786,00	3.057.007,90	15.673.800
Advances to suppliers of assets	0,00		0,00	0
Public entities	16.289.667,12		16.289.667,12	42.886.815
Other debtors	5.887.170,12	33.421,70	5.853.748,42	12.927.007
	<b>235.144.595</b>	<b>2.841.144</b>	<b>232.303.451</b>	<b>306.323.616</b>
Marketable securities:				
Shares	0,00		0,00	0
Other treasury applications	11.800.000,00		11.800.000,00	7.700.000
	<b>11.800.000</b>		<b>11.800.000</b>	<b>7.700.000</b>
Banks and cash:				
Banks	46.805.476,65		46.805.476,65	69.373.755
Cash	39.069,23		39.069,23	50.538
	<b>46.844.546</b>		<b>46.844.546</b>	<b>69.424.292</b>
Accruals and deferrals				
Accrued income	3.367.884,93		3.367.884,93	3.926.763
Deferred costs	28.914.113,40		28.914.113,40	22.204.567
	<b>32.281.998</b>		<b>32.281.998</b>	<b>26.131.330</b>
<b>Total amortisation and depreciation</b>		<b>1.630.471.333</b>		<b>1.485.963.443</b>
<b>Total provisions</b>		<b>2.866.342</b>		<b>4.430.522</b>
<b>Total assets</b>	<b>4.123.608.205</b>	<b>1.633.337.674</b>	<b>2.490.270.530</b>	<b>2.634.111.230</b>



**PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL , SA (SOCIEDADE ABERTA)**  
**CONSOLIDATED BALANCE SHEETS AS OF 31<sup>ST</sup> MARCH 2003**  
**(Amounts stated in Euro)**

<b>EQUITY AND LIABILITIES</b>	<b>2002</b>	<b>2002</b>
<b>EQUITY:</b>		
Share capital	767.500.000,00	767 500 000
Own shares - Nominal value	-60.500,00	- 60 500
Own shares - Discounts and premiums	6.820,87	6 821
Adjustments in investments in affiliated and associated companies	-550.199,32	- 411 316
Revaluation reserve	38.450.314,14	38 450 314
Legal reserve	17.796.139,51	10 321 056
Statutory reserve	29.274.094,88	22 450 159
Other reserve	-3.021.170,02	- 2 534 024
Retained earnings	210.820.914,61	158 495 716
Net income for the year	16.814.603,68	21 612 228
<b>Total equity</b>	<b>1 077 031 018</b>	<b>1 015 830 453</b>
<b>MINORITY INTERESTS</b>	<b>76.685.829,64</b>	<b>78 886 255</b>
<b>PROVISIONS FOR RISKS AND CHARGES</b>		
Provisions for risks and charges	5.171.254,49	<b>6 070 547</b>
<b>MEDIUM AND LONG - TERM LIABILITIES:</b>		
Bank loans	879.771.296,10	374 909 443
Non-convertible bonds	6.223.067,93	0
Accounts payable to suppliers of fixed assets	25.319,30	9 134 892
Other creditors	0	0
	<b>886 019 683</b>	<b>384 044 336</b>
<b>SHORT - TERM LIABILITIES:</b>		
Non-convertible bonds		0
Bank loans	73.408.113,75	695 193 124
Advances from customers	989.648,46	504 959
Accounts payable to suppliers	79.268.969,04	88 404 292
Suppliers - invoices pending verification	24.848.516,14	30 241 181
Group companies	74.974.032,39	155.962.436
Other shareholders (partners)	1.258,88	1 264
Other loans	15.524,67	
Accounts payable to suppliers of fixed assets	15.356.071,54	12 889 794
Public entities	27.228.510,14	25 444 593
Other creditors	2.980.014,43	6 895 752
	<b>299 070 659</b>	<b>1 015 537 394</b>
<b>ACCRUED COSTS AND DEFERRED INCOME:</b>		
Accrued costs	132.271.265,91	107 452 378
Deferred income	14.020.819,10	26 289 868
	<b>146 292 085</b>	<b>133 742 246</b>
<b>Total equity, minority interests and liabilities</b>	<b>2 490 270 530</b>	<b>2 634 111 230</b>



**PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL, SA (SOCIEDADE ABERTA)**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED ON 31<sup>ST</sup> MARCH 2003**  
(Amounts stated in Euro)

<b>EXPENSES</b>	<b>2002</b>		<b>2002</b>	
Cost of materials consumed		94.888.673,30		103 207 028
External services and supplies		57.421.354,87		56 051 193
Payroll expenses:				
Salaries and wages	18.483.859,40		16 486 166	
Social charges	7 438 742	25 922 602	7 868 725	24 354 891
Depreciation and amortisation	36.841.689,04			37 120 047
Provisions	0	36 841 689		0
Taxes	584.150,16			215 794
Other operating costs	2.490.772,24	3 074 922		1 934 981
<b>(A)</b>		<b>218 149 241</b>		<b>222 883 933</b>
Losses in group and associated companies		11 709		
Interest and similar costs:				
Related to group companies	3 276 393		2 863 563	
Others	14 233 640	17 510 033	15 016 102	17 879 665
<b>(C)</b>		<b>235 670 984</b>		<b>240 763 598</b>
Extraordinary expenses		1 556 069		2 436 392
<b>(E)</b>		<b>237 227 052</b>		<b>243 199 991</b>
Income tax		9 842 548		11 576 148
<b>(G)</b>		<b>247 069 601</b>		<b>254 776 139</b>
Net result for the period	16 814 604		21 612 228	
Minority interests	- 396 027	16 418 577	- 238 546	21 373 682
		<u><b>263 488 177</b></u>		<u><b>276 149 821</b></u>
<b>INCOME</b>				
Sales	259.248.169,49		262 739 539	
Services rendered	2.218.912,53	261 467 082	6 073 185	268 812 724
Variation in production		-5.913.036,84		142 073
Own work for the Company		767.336,78		141 845
Supplementary income	566.115,29		485 230	
Operating subsidies	136.013,13		772	
Other operating income	132.332,80	834 461	99 372	585 374
<b>(B)</b>		<b>257 155 843</b>		<b>269 682 017</b>
Gains in group and associated companies			0	
Income from investments in shares			0	
Income from other financial investments	57.331,15		68 837	
Other interest and similar income:				
Related to affiliated companies	1.846.617,13		856 785	
Others	3.226.670,47	5 130 619	2 827 365	3 752 987
<b>(D)</b>		<b>262 286 462</b>		<b>273 435 003</b>
Extraordinary income		1.201.715,52		2 714 818
<b>(F)</b>		<u><b>263 488 177</b></u>		<u><b>276 149 821</b></u>
<b>Operating results:</b>	<b>(B) - (A)</b>	<b>39 006 602</b>		<b>46 798 084</b>
<b>Financial results:</b>	<b>(D - B) - (C - A)</b>	<b>-12 391 124</b>		<b>-14 126 679</b>
<b>Current results:</b>	<b>(D) - (C)</b>	<b>26 615 478</b>		<b>32 671 405</b>
<b>Result before income tax and minority interests:</b>	<b>(F) - (E)</b>	<b>26 261 125</b>		<b>32 949 830</b>
<b>Consolidated net result with minority interests:</b>	<b>(F) - (G)</b>	<b>16 418 577</b>		<b>21 373 682</b>
<b>Net result after minority interests:</b>		<b>16 814 604</b>		<b>21 612 228</b>