

**PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL, SA**

Publicly held company

Head office: Mitrena, Apartado 55, 2901-861 Setúbal

Corporate tax no. 503.025.798 – Share capital : 767.500.000 Euros

Registered at the Setúbal Companies Registry under no. 05888

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**Grupo Portucel Soporcel Consolidated Results for the first 9 months of 2004**

- Paper sales increase 6% in tonnes and decrease 4% in value
- Pulp sales increase 3% in tonnes and decrease 4% in value
- Office paper sales increase 14%
- Premium products' sales increase 9%
- Financial results improved in € 13 million
- Net results totalled € 27,7 million
- Sales price strongly affected by a 10% dollar average devaluation compared to 9 months of 2003

**Market evolution**

Despite the strengthening of the euro against the dollar and the oil price rise, European economy continued to grow, although moderately.

In this context, Western European uncoated fine paper producers increased their total sales by 250 thousand tonnes, that is 5%, compared with the first 9 months of 2003, even when reducing by 6% sales to outside Europe.

**Sales**

In the first nine months of the year, Grupo Portucel Soporcel sold 718,6 thousand tonnes of paper, around 39 thousand tonnes, or 5,7% more than in the same period of 2003. This increase in volume sold progressed all through the first three quarters of 2004 and, in the third quarter, sales exceeded in 3 thousand tonnes those of the second quarter.

At the same time, product mix improved significantly in the first nine months, with an 8% growth in sales of sheeted paper which weighted 81% in total paper sales (this compares with a 66% industry average) representing a 2 percentage points growth compared to last year. This growth was mainly driven by office paper sales, which increased by 14%, around twice the European average.

In the 9 months to September 2004, sales of premium products increased by 9% over the same period of the previous year; in the third quarter of 2004 they increased by 18% over the third quarter of 2003.

Sales of Group's sheeted paper brands rose by 24%, being worthwhile to mention Navigator, Pioneer and Soporset.

Sales to the Group strategic markets – Europe and USA –rose by 8%.

A total of 451,5 thousand tonnes of pulp were sold in the 9 months to September 2004, 3% above the same period of last year.

In the first 9 months of this year, the Group's pulp and paper production totalled 942 and 735 thousand tonnes, an increase compared to the same period of last year of 4,7% and 6,2%, respectively.

### **Total turnover reached € 727 Million**

Portucel Soporcel Group consolidated turnover reached € 726,6 million in the 9 months to September 2004, a 3,7% decrease compared to the same period of the previous year. Paper business contributed with € 533,8, or 73,5%, for global turnover.

This fall in total turnover is a consequence of pulp and paper average prices erosion which, in the period, dropped 6,4% and 9,4% respectively, compared to 9 months to September 2003. This was mainly due the unfavourable evolution of the dollar that, in average, lost 10% of its value against the euro, compared to the first 9 months of last year.

Thus, total turnover decreased by € 28,3 million, despite both pulp and paper quantities sold have grown.

### **Results in the period**

In the 9 months to September 2004, operating results reached € 59,9 million that compare with € 86,4 million in the same period of the previous year. However, due to the cost rationalization program which softened the impact of a lower turnover on the Group's operating performance, the third quarter 2004 operating results were 30% higher than in the same quarter of last year, and increased 12% over the previous quarter.

Significant increase in production, consistent with a slight reduction in operating costs, was achieved thanks to this rationalization effort.

Negative financial results of € 19,7 million represent a € 13 million improvement compared to the third quarter of 2003.

In the 9 months to September 2004, net consolidated result reached € 27,7 million, 15,7% less than in the same period of the previous year.

The Group's net debt decreased by € 28 million, or 3% compared to the same period of 2003.

## Perspectives

European economy growth perspectives should support the Group companies' good performance, both in terms of production and sales with strengthening market shares. Products price evolution will mainly depend on economic growth rhythm and euro-dollar exchange rate, which, at the current level, is a great competitive disadvantage for European companies.

### KEY INDICATORS

(Values in thousand €, except if otherwise indicated)	Jan-Set 2004	Jan-Set 2003	Change (%)
Total turnover	726 631	754 974	-4%
Operating results	59 897	86 441	-31%
Net Financial results	-19 748	-32 698	+40%
Results before taxes	39 786	50 352	-21%
Net results	27 678	32 820	-16%
EBITDA	163 143	194 241	-16%
Cash flow	131 287	144 011	-9%
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Total production (tons)			
Pulp	941 929	899 866	+5%
Paper	734 972	691 957	+6%
Quantities sold (tons)			
Pulp	451 520	438 949	+3%
Paper	718 583	679 814	+6%
Pulp average price (base 100)	94	100	
Paper average price (base 100)	91	100	
Euro-dollar exchange rate (base 100)	90	100	
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Net debt (million €)	963	991	-3%

**INDIVIDUAL/CONSOLIDATED QUARTERLY INFORMATION (Unaudited)**

(aplicável às entidades sujeitas à disciplina normativa contabilística do Plano Oficial de Contabilidade)

Company name: **PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL, S.A (Publicly held company)**

Head Office: **MITRENA - SETÚBAL - 2901 - 861 SETÚBAL**

**NIPC: 503.025.798**

Period:

in Euros

1st Quarter  3rd Quarter  5th Quarter <sup>(1)</sup>

Beginning : 01/01/2004 End : 30/09/2004

Balance Sheet	Individual			Consolidated		
	n	n-1	Var. (%)	n	n-1	Var. (%)
<b>ASSETS</b>						
<b>Fixed asstes (net)</b>						
Intangible assets				381.407.881,70	399.217.735,48	(4)
Tangible fixed assets				1.242.149.022,38	1.275.433.213,82	(3)
Financial investments				27.716.642,84	30.868.802,91	(10)
<b>Accounts receivable (net)</b>						
Medium and long term						
Short term				255.814.185,00	228.352.736,78	12
<b>EQUITY</b>						
<b>Called up share capital</b>				767.500.000,00	767.500.000,00	-
<i>Nr. of ordinary shares</i>				570.067.231	339.817.231	68
<i>Nr. of other types of shares</i>				197.432.769	427.682.769	(54)
<b>Own shares</b>				(53.679,13)	(53.679,13)	
<i>Nr. of voting shares</i>				60.500	60.500	
<i>Nr. of non-voting shares</i>						
<b>Minority interests</b>						
<b>LIABILITIES</b>						
<b>Provisions for liabilities and charges</b>				16.552.404,19	4.755.052,14	248
<b>Creditors</b>						
Medium and long term				906.609.500,85	886.508.639,83	2
Short term				249.361.662,18	318.146.448,45	(22)
<b>TOTAL NET ASSETS</b>				<b>2.403.698.594,50</b>	<b>2.442.848.249,28</b>	(2)
<b>TOTAL EQUITY</b>				<b>1.087.022.506,92</b>	<b>1.068.852.750,50</b>	2
<b>TOTAL LIABILITIES</b>				<b>1.316.676.087,58</b>	<b>1.373.995.498,78</b>	(4)

Profit and Loss Account	Individual			Consolidated		
	n	n-1	Var. (%)	n	n-1	Var. (%)
Sales and services rendered				726.630.542,69	754.973.621,45	(4)
Change in inventories				(7.571.250,47)	(4.103.199,09)	(85)
Cost of goods sold and materias consumed				277.184.374,08	283.226.186,03	(2)
<b>Gross profit</b>				441.874.918,14	467.644.236,33	(6)
<b>Operating result</b>				59.897.076,21	86.441.314,51	(31)
Financial result (net)				(19.748.050,20)	(32.697.895,28)	40
<b>Current result</b>				40.149.025,59	53.743.419,23	(25)
<b>Extraordinary result</b>				(363.227,13)	(3.391.199,75)	(89)
Income taxes <sup>(2)</sup>				12.108.253,97	17.532.274,75	(31)
Minority interests				-	-	
<b>Net result</b>				27.677.544,49	32.819.944,73	(16)
<b>Earning per share (a)</b>				0,04	0,04	(16)
<b>Net result + depreciation + provisions</b>				<b>131.286.641,54</b>	<b>144.010.970,16</b>	(9)