PORTUCEL

EMPRESA PRODUTORA DE PASTA E PAPEL S.A.

SOCIEDADE ABERTA

PUBLIC LIMITED COMPANY

DIVULGAÇÃO DOS RESULTADOS DO ANO 2011

CONSOLIDATED ANNUAL RESULTS FOR 2011

SEDE: MITRENA, APARTADO 55, 2901-861 SETÚBAL | N.I.P.C. 503 025 798 - CAPITAL SOCIAL € 767 500 000 | MATRICULADA NA CONSERVATÓRIA DO REGISTO COMERCIAL DE SETÚBAL

HEADQUARTERS: MITRENA, APARTADO 55, 2901-861 SETÚBAL | CORPORATE ENTITY 503 025 798 - SHARE CAPITAL € 767,500,000 | REGISTERED AT THE COMMERCIAL REGISTER OF SETÚBAL

Highlights: 2011 compared to 2010:

- Group turnover grows by 7.4%
- Exports of € 1 233 million representing 95% of pulp and paper sales
- EBITDA of € 385.1 million
- Power output hits 1.9 TWh
- Net debt down by € 230 million
- Sales of mill brands set new record
- Net Debt / EBITDA ratio improved from 1.6 to 1.1 at the end of 2011

Leading indicators – IFRS

Million euros	FY 2011	FY 2010	% Change [5] 2011/ 2010
Total sales	1 487,9	1 385,5	7,4%
EBITDA [1]	385,1	400,2	-3,8%
Operating profits	266,2	277,8	-4,2%
Financial results	- 16,3	- 20,1	-18,6%
Net earnings	196,3	210,6	-6,8%
Cash Flow [2]	315,2	332,9	-5,3%
Capex	33,0	95,5	-62,5
Net debt [3]	422,8	652,7	-229,9
EBITDA / Sales (%)	25,9%	28,9%	
ROS	13,2%	15,2%	
ROE	14,1%	16,4%	
ROCE	13,8%	14,3%	
Equity ratio	52,4%	48,9%	
Net Debt / EBITDA [4]	1,1	1,6	

	Q4 2011	Q3 2011	% Change [5] Q4 11 / Q3 11
Total sales	392,0	356,3	10,0%
EBITDA [1]	97,1	88,8	9,4%
Operating profits	75,6	65,3	15,7%
Financial results	- 1,1	- 5,8	-81,6%
Net earnings	52,2	46,5	12,4%
Cash Flow [2]	73,8	69,9	5,5%
Capex	16,0	7,1	8,9
Net debt [3]	422,8	509,7	-86,9
EBITDA / Sales (%)	24,8%	24,9%	
ROS	13,3%	13,0%	

(1) Operating results + depreciation + provisions
(2) Net profits + depreciation + provisions
(3) Includes market value of treasury stock
(4) EBITDA corresponds to the last 12 months
(5) Percentage variation corresponds to figures before rounding up/down

1. ANALYSIS OF RESULTS

2011 vs 2010

In a year marked by a particularly harsh economic climate, the Group recorded turnover of approximately € 1.5 billion, representing growth of 7.4% over the previous year. This increase was due essentially to growth in uncoated woodfree (UWF) printing and writing paper, made possible by rising output from the new paper mill, and by the growth in power output.

The new UWF paper mill in Setúbal achieved output at year-end 2011 equivalent to 97% of its nominal capacity, producing approximately 485 thousand tons of paper. Growing output allowed the Group to achieve a 7% increase in the quantity of paper placed on the market which, combined with rising paper prices over the course of the year, resulted in overall growth in paper sales of more than 9%.

Despite an increase in the volume of bleached eucalyptus kraft pulp (BEKP) produced, the Group recorded a slight decline in sales in relation to the previous year, due to increased integration of BEKP into production at the new UWF paper mill in Setúbal. Combined with a steep reduction in prices over the period, this resulted in a reduction of approximately 16% in the value of market pulp sales.

In the energy sector, the Group continues to record strong performance, with total power output of approximately 1.9 TWh in 2011. This segment grew by more than 20% over the previous year.

Costs evolved unfavourably in relation to the previous financial year, due to rising prices for timber and chemicals, especially during the first half. The Group also experienced an increase in certain fixed production costs, such as maintenance and personnel expenditure. Maintenance costs were influenced by the recognition in specific periods of costs relating to maintenance stoppages in 2011 and 2010. The increase in personnel expenditure was due essentially to higher pension fund costs and costs related to streamlining the workforce.

In this scenario, consolidated EBITDA stood at € 385.1 million, down by 3.8% in relation to 2010. This resulted in an EBITDA / Sales margin of 25.9%, down by 3.0 percentage points in relation to the previous year, reflecting the above mentioned increase in costs.

Operating results were down by 4.2%, due in part to the fact that the 2010 results had been boosted by the reversal of provisions during the period.

The Group recorded a negative financial result of € 16.3 million, which compares favourably with the negative figure of € 20.1 million recorded in 2010. This progress is explained essentially by a significant reduction in remunerated net debt in relation to the previous year and by improving yields on the application of cash surpluses.

The Group accordingly recorded a consolidated net result for the period of € 196.3 million, down by 6.8% in the previous year.

4th quarter of 2011 vs 3rd quarter of 2011

In line with normal seasonal variations at this time of year, the Group's paper sales grew by approximately 13% in the 4th quarter, representing a clear recovery in relation to the previous quarter. This strong performance was also due to improving market conditions, created by a reduction in paper supply after the capacity closures announced in the 2nd half of the year. As in the 3rd quarter, the Group pressed ahead with its policy of diversifying markets, increasing its sales outside Europe, with implications for average sales prices. However, this effect was clearly offset by strong growth in sales in volume, and the value of paper sales grew by approximately 11% in the 4th quarter.

Performance in BEKP was in line with expectations, with a reduction in market sales volume caused by an growing paper production and the consequent increase in internal consumption of pulp. This reduction in sales volume, combined with falling prices in the 3rd quarter, pushed the value of pulp sales to the market down by approximately 12%.

In the energy sector, the Group continued to enjoy strong performance, in terms of both output and sales, which were up on the previous quarter.

Thanks to this situation, sales were up in value by approximately 10% over the quarter, with growth of a similar level in EBITDA; the EBITDA / Sales ratios accordingly held steady.

Operating results also improved, growing by 15.7%; results were boosted by a reversal of fiscal provisions with a value of approximately € 10 million.

Net profits for the quarter stood at € 52.2 million, representing growth of 12.4% in relation to the previous quarter.

2. MARKET ANALYSIS

As mentioned above, the financial year of 2011 was marked by a slowdown in the global economy, affecting in particular the economies in key regions for the Group's business activities - Europe and the US. The emerging economies in Asia and Latin America also experienced slower growth in 2011. The Group's commercial performance is significantly influenced by the resulting business climate, and has felt the effects of high and growing unemployment rates in its main markets and of contraction in the advertising and printing sectors.

2.1 UWF Paper

Estimates point to a decline in demand for UWF paper in Europe of 4% in relation to 2010, with no significant change in the consumption level of the cut-size segment. The European UWF market has shrunk by approximately 950 thousand tons since 2008, corresponding to a rate of around 4% a year. Despite this, the Portucel group succeeded over this same period in increasing by approximately 500 thousand tons the quantity of paper placed in the several markets in which it operates.

This sharp drop in demand was partially offset by reductions in imports from outside Europe and by rising exports by the European industry. Nonetheless, producers experienced dwindling operating rates and order books over the course of the year, putting the profitability of some European production units under strong pressure and setting off a further waver of capacity closures, with estimates pointing to more than 550 thousand tons of annual UWF capacity being closed down. As a result, the average capacity utilization rate in Europe stood at 92%, rising to 94% in the final quarter after the implementation of closures. The Portucel group once again operated at full capacity.

The UWF market in the US declined again in 2011, with a reduction estimated at approximately 3%, whilst the American production sector maintained a capacity utilization rate of 90%.

In this market context, total paper sales stood at 1.5 million tons, up by 7% on 2011. This performance was achieved thanks to solid growth in all regions of the world and moves to broaden geographical coverage of sales, with the Group exporting to 115 countries in the course of 2011.

The group expanded its sales on the European market, improving the mix, and in particular achieving strong growth in cut-size sales, up by approximately 6%, corresponding to an additional market share of 46 thousand tons in these products.

Business growth was also significant in the US, where the Group recorded 20% expansion in overall product sales. After a full decade of regular sales on this market, the Group now enjoys a market share of approximately 2%. In 2011, another 30 thousand tons of share were gained, thanks to a business model based primarily on premium cut-size products and mill brands.

Despite the difficult environment described above, the Group succeeded in achieving 6% growth in sales of premium products, allowing it to maintain a level of premium products as a proportion of total sales unrivalled by other manufacturers of the same size.

Prices performed favourably in 2011, with the European benchmark index (PIX Copy B) standing at 870 €/ton, as against 814 €/ton in 2010, up by 6.8%.

Despite the sharp increase in quantities placed on the market, the Group's sales prices in Europe were in line with market trends. However, on overseas markets, sales prices followed a downwards course, with average prices in USD/t falling in relation to 2010. This fact, combined with the effect of the changing USD/EUR exchange rate, had a negative impact on sales prices in these export destinations.

The Portucel group regards the development of its own brands as a key factor in its business strategy. Sales of mill brands increased significantly in 2011, with double-digit growth in all regions of the world (Europe, US and other markets).

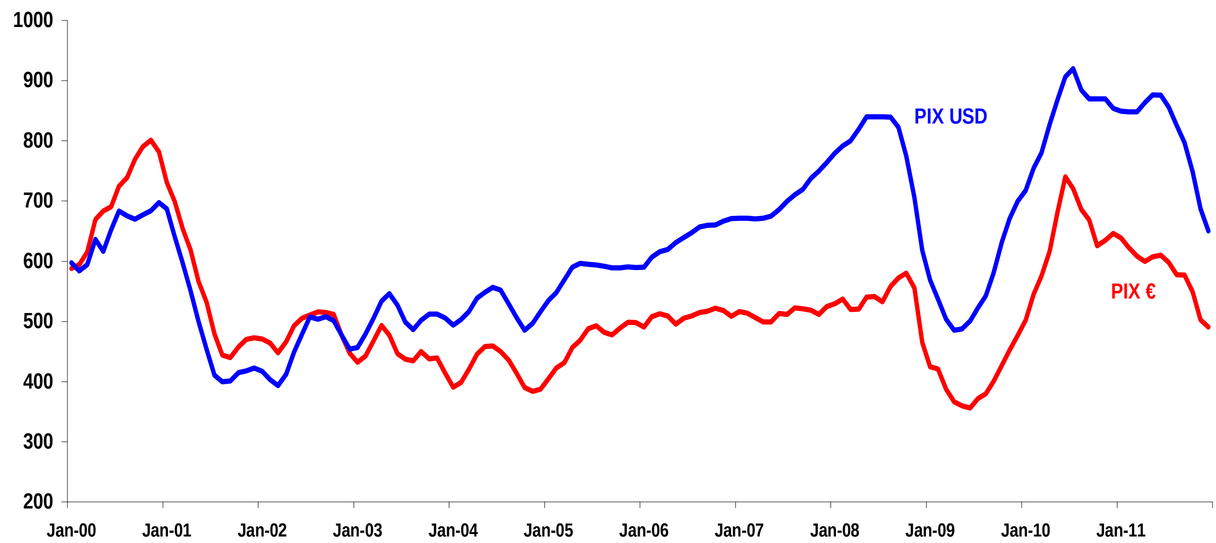
2.2 PULP

As in 2010, the market for BEKP went through two distinct phases in 2010. After a widespread reduction in prices during the 2nd half of 2010, the market held steady for the entire first half of 2011, allowing a price hike in the PIX Index to USD 880 /ton at the start of the 2nd quarter.

Two factors - demand for pulp from the Chinese market, still one of the main drivers of the world market, and the evolving exchange rate, with the currencies of the main producer countries, and the Brazilian *real* in particular, rising against the dollar – combined to sustain the market and USD pulp prices.

This situation changed significantly during the second half of the year, as market conditions deteriorated, with a slowdown in demand and successive drops in prices. A number of factors contributed to this situation, chief amongst which was the worsening of the economic climate in Euro Zone countries, an important paper market, leading to a drop in demand for paper, as well as a significant degree of instability on the foreign exchange rates.

Monthly PIX – BHKP prices



Other factors disrupting the pulp market included the growing mismatch between supply and demand caused partly by increased supply, due to the arrival on the market of additional pulp, and also by falling demand from the paper sector and the slowdown in June and July in demand for pulp from the Chinese market, although this was corrected over the course of the 2nd half, and especially in the 4th quarter, allowing 2011 to set a new record for Chinese pulp imports.

As a result of this deterioration in the market, total stocks at manufacturers and European ports increased during 2011, ending the year at higher levels than at year-end 2010. However, attention should be drawn to very positive evolution, in December, in stocks at short fibre producers, which ended the year down on the previous year, and even down on the monthly average for the last 15 years.

PERFORMANCE

Production of bleached eucalyptus pulp stood at approximately 1.4 million tons in 2011, up by more than 5% on the previous year. However, as expected, the level of vertical integration within the company has increased after the start-up of the new paper machine in Setúbal, leaving less pulp available for sale on the market, with a decrease of 3% on the Group's sales on the previous year.

In terms of sales by paper segments, the Group continues to focus its output to use in segments with greater value added (special papers), which represented the majority of sales, accounting for approximately 60% for the year as a whole.

As in previous years, nearly all pulp sales were made on the European markets which are home to producers of better quality paper at the forefront of technological and environmental developments. These are the manufacturers which best appreciate the inherent qualities of the *eucalyptus globulus* pulp produced at the Group's mills.

3. DEVELOPMENT

Over the course of 2011, exogenous difficulties have continued to prevent the Group from making any progress on its projects for integrated forestry and eucalyptus pulp production in Latin America.

In Mozambique, as duly disclosed to the market, the Council of Ministers approved a resolution granting Portucel a land use licence for an area of 182,886 hectares, located in Manica Province.

Fieldwork went ahead during the year, involving tests and experimental plantations, in Zambézia and Manica provinces, with trials of more than 50 eucalyptus varieties from different origins, in order to select the varieties demonstrating the best production cropping potential, in line with the soil and climate conditions in the various areas earmarked for the project.

4. FINANCIAL

At 31 December 2011, interest-bearing net debt stood at € 422.8 million, down by € 229.9 million in relation to year-end 2010, thanks to the combined effect of the Group's capacity for cash-flow generation and a sharp reduction in capital expenditure, with the conclusion of the phase of major projects for expansion and modernization of the Group's industrial assets, undertaken over recent years.

Financial autonomy stood at 52.4% at the end of September and the Net Debt / EBITDA ratio stood at 1.1, representing an improvement on year-end 2010 (1.6) and still at conservative levels.

The Group's long term debt stood at € 566.8 million at 31 December 2010, whilst debt maturing in less than one year totalled € 164.1 million. With the capability for cash flow generation already mentioned, a cash position of approximately € 267.4 million and contracted credit facilities of € 80 million, the Group enjoys a level of liquidity which will allow it to honour its existing liabilities without requiring any significant recourse to the debt market.

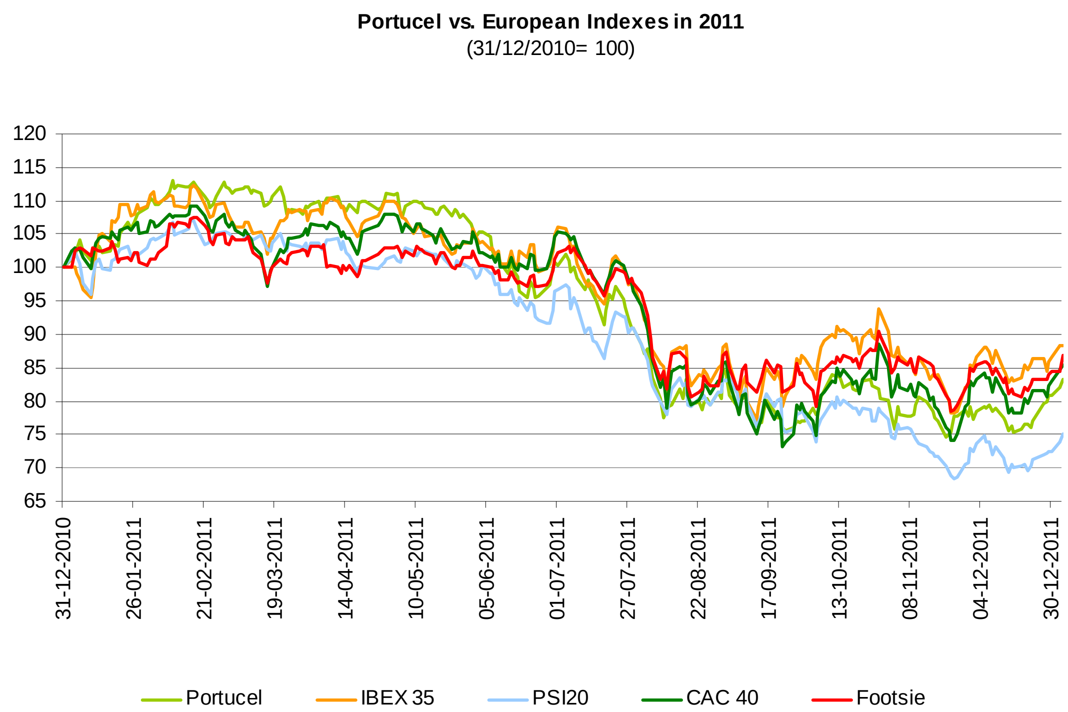
5. CAPITAL MARKETS

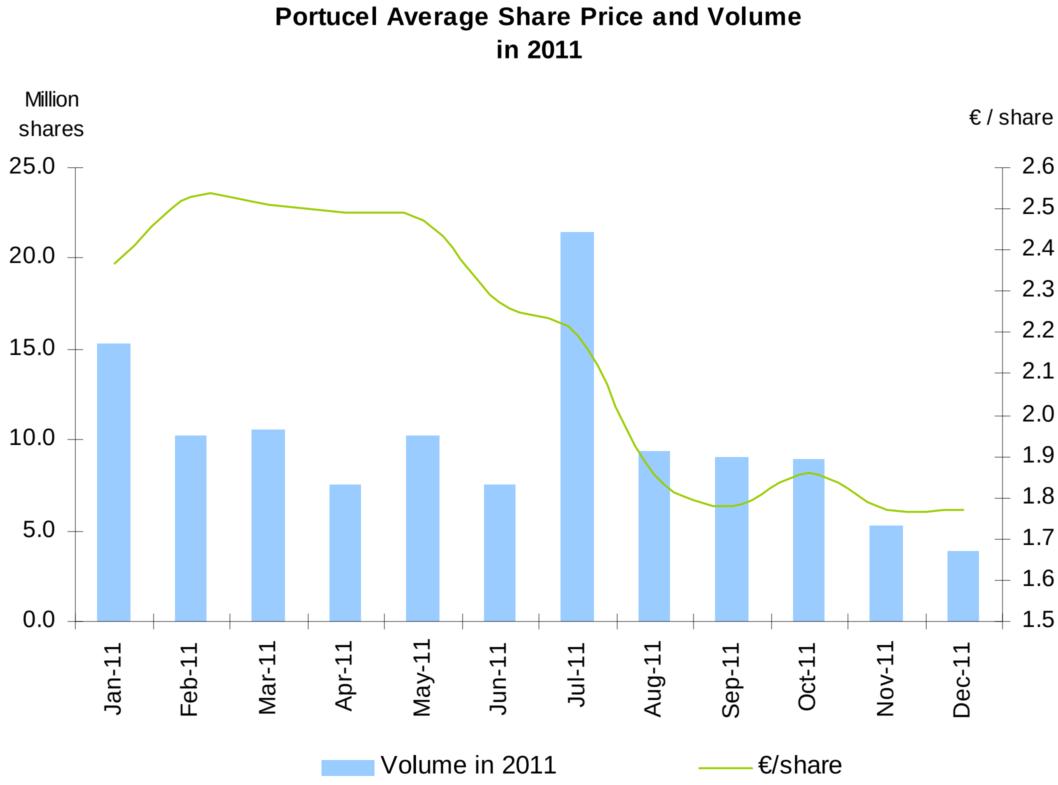
The performance of the capital markets over the course of 2011 reflected the serious financial crisis affecting the Euro Zone, causing significant instability on European stock exchanges. The principal markets recorded significant losses, with the Paris, London and Madrid main share indexes down by 17%, 15.5% and 13.1% respectively. The Portuguese stock exchange was particularly hard hit, with the PSI20 index ending the year down by 27.6%.

In this economic environment, and in a situation of unfavourable paper consumption, companies in the industry were particularly affected, ending the year with substantially lower share prices. The HX Paper &

Forest index recorded an accrued drop from the start of the year of approximately 37%, with shares in Scandinavian companies presenting severe losses. Pulp producers in Latin American also presented negative performance overall, with only a few North American producers recording an increase in share price.

Against this background, the performance of Portucel shares in 2011, albeit negative, compares favourably with that of its European competitors. Portucel shares ended the year at 1.84 euros, down on the year by a total of 19.2%. The peak closing price in 2011 was 2.57 €/share, recorded on 17 February, with a low of 1.70 €/share recorded on 21 November. Average monthly trading in Portucel shares in 2011 stood at approximately 10 million. At year end, treasury stock stood at approximately 22.1 million, corresponding to 2.88% of the share capital.





Portucel main shareholders on December 30Th 2011 were as follows:

Shareholers	Shares	% Share capital
Semapa SGPS SA	582,172,407	75.9%
Bestinver Gestión, S.A. SGIIC	15,407,418	2.0%
Other shareholders	169,920,175	22.1%
Total shares	**767,500,000**	**100.0%**

6. OUTLOOK

Expectations for the world economy in 2012 remain extremely uncertain: estimates of global growth have been revised downwards on successive occasions and recession looks possible in certain regions, such as the Euro Zone, as negative risk factors intensify.

The crisis in the Euro Zone took a significant turn for the worse in late 2011, leading to severe measures to consolidate budgets in most European countries. As the banks are the main holders of sovereign debt, the financial system has come under significant strain, resulting in serious difficulties in funding and sharp contraction of household and business lending, further exacerbated by newly-imposed requirements for the recapitalization of European banks.

Expectations of economic growth for the region have been gradually cut back, with most estimates pointing to negative growth in the economy: this contraction is expected to be moderate overall, but unevenly distributed between outlying and central regions. Although the end of the year saw a rush of measures to increase integration and fiscal discipline, with steps to boost the financial measures to support the countries facing the greatest difficulties and to increase the intervention of the European Central Bank as the lender of last resort, the climate remains one of great uncertainty.

In the US, the economy showed signs of recovery in late 2011, with the main economic indicators evolving positively as a whole, thanks to stronger than expected consumer spending and investment. However, expectations continue to point to very moderate growth, due to high rates of unemployment and borrowing. Serious doubts also remain concerning the budget consolidation policies which will be required in the long term due to worsening public debt, as a result of continuing foreign and budget deficits, only expected to improve after the presidential elections due to be held in 2012.

The economies of emerging markets, and of China in particular, are not expected to be immune to this cooling of the developed economies, with growth rates dipping in 2012. Although a hard landing is not forecast for these economies, there are still a number of risks associated with rapidly growth in lending and in the price of assets in recent years, which could make these economies financially vulnerable.

At the same time, the euro / dollar exchange rate, which has a significant impact on Group business, remains subject to a high degree of unpredictability, in view of the economic expectations described above.

The outlook for the Group's UWF paper business reflects this environment. In Europe, the poor economic prospects, exacerbated by the budget consolidation policies underway in most countries, and most severely in southern European countries, which are traditionally markets of great importance for the Group's sales, means that paper consumption will remain under strong pressure.

Likewise, the Group's business may be hit by the cooling of the US economy, albeit with a more positive outlook than in Europe, and by continued instability in the markets of North Africa and the Middle East, which account for a growing proportion of Group sales.

However, the Group has a business model which has proved highly resilient to adverse environments and continues to operate at full production capacity, thanks to market recognition of the quality of its products, the high level of penetration achieved with mill brands and the Group's capacity to extend the list of countries to which it sells it products and to strengthen its position in markets which still offer the potential for growth. Nonetheless, the significant customs duties to which European products are subject in overseas markets is a hindrance to greater and faster penetration of the Group´s products in these markets.

At the same time, the impact of significant capacity closures which took place in 2011 will only be felt in full during the year ahead and a recovery is possible in pulp prices, keeping non-integrated manufacturers under strong pressure: these combined factors may help to sustain the market. In addition, in the US, the growing consolidation of the sector, reflected in improved capacity to match supply to demand, and the presidential campaign due to take place this year, will contribute to the sustainability of the market.

The BEKP pulp market has shown signs of recovery, sustained by robust demand from Asian markets, and China in particular, and by a continued trend for replacing long fibre consumption with short fibre pulp, with the greatest impact on the developed markets. However, growth in demand, resulting from the start-up of new capacity in Brazil, may disrupt the balance between supply and demand towards the end of the year.

The international economic and financial outlook, which has hit profitability in the pulp and paper sector so hard, makes it even more urgent for policies to be adopted in Portugal to reduce the local costs which encumber the production and export of tradable goods and consequently of the Group's activities. Priority needs to be given to measures that simplify plantation activities in order to increase the availability of raw materials, creating thousands of new jobs, and avoiding the need for imports. Priority must also be given to other measures that assure that the logistical chain – in particular, the ports and railways - operates to the highest international standards.

Setúbal, 30 January 2012