

PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL, SA

Publicly held Company

Headquarters: Península da Mitrena, Freguesia do Sado, Setúbal

Corporate tax # 503.025.798 – Equity Capital : 767.500.000 Euros

Registered in the Commercial Register Conservatory of Setúbal under the # 05888

Grupo Portucel Soporcel 2004 First Quarter Consolidated Results

- Pulp sales increase 7% in tonnes and decrease 5% in value
- Paper sales increase 5% in tonnes and decrease 7% in value
- Sales for the Navigator brand double
- Production costs reduced
- Financial results improved
- Net results totalled €11,4 million

Total Sales of €244 Million

The Group total consolidated sales attained €243,9 million in the first quarter of 2004, 7% less than in the same period last year. Paper business contributed with €174,3 million, representing 71% of total turnover.

The turnover decrease results from continued average pulp and paper prices deterioration, which have both fallen 11%. Price erosion in euros is a consequence of a year on year 16% valuation of the European currency against the dollar; this was particularly felt until middle February, when the euro reached a high of 1,29 USD.

Thus, despite pulp and paper sales volume growth of 7% and 5% respectively, total turnover dropped €17,5 million impacting the Group's operational performance.

Pulp sales totalled 177,3 thousand tonnes, 10% of which were directed to non-regular markets, namely China where there was a slight pick up in demand, although still with no impact on 1st quarter prices.

Paper sales increased around 10 thousand tonnes when compared with 1st quarter last year. Sales in regular and strategic markets represented 97% of the total sales (92% in 2003), and there was a product mix improvement, translated into a growth from 80% up to 84% in sheeted paper and from 55% up to 58% in Premium segment products.

It is also noteworthy the significant increase in the Group's own brands sales (+29%), particularly the Navigator sales which have doubled (+109%) when compared to the 1st quarter in 2003.

Pulp production totalled 303 thousand tonnes, 1% more than in the same period of last year, and paper production reached 235 thousand tonnes, increasing 6%.

Reduction in production costs

The Group has considerably improved its cost structure for both pulp and paper when compared to the same period in 2003; it is worthwhile to point out that production unit variable costs have decreased by 11% in paper and 4% in pulp. Similarly, unit fixed costs dropped 3% in paper and stabilised in pulp.

Cacia and Setúbal mills stopped in January, which translated into a reduction of around 20 thousand tonnes in pulp production. This stoppage, associated to a negative change in inventories, impacted negatively on operating results, shading off an improved operating structure.

Consequently, operating results reached € 19,6 million, which compare with € 39 million in the 1st quarter of 2003.

EBITDA totalled € 52,6 million this quarter, representing a 31% reduction compared to last year.

Pre-tax profit attained € 16,2 million, 38% less than in same period of last year.

Financial results improved by €9,4 million

The negative financial results of € 2,9 million reflect an improvement of € 9,4 million towards the 1st quarter of 2003. Without the impact of non-recurring operations, this would total € 3,8 million, resulting mainly from interest rates drop and improved foreign exchange operations.

It is also important to enhance that results are negatively affected by redundancy costs of € 1 million.

Investments totalled € 11,2 million in the quarter.

In this context, Portucel Soporcel Group had a net result of € 11,4 million, 32% less than in the 1st quarter of last year.

Future Perspectives

Similarly to what was said when 2003 annual results were announced, perspectives for the pulp and paper sector activity should continue to be cautiously considered; the strength of economic activity as well as the relation of the European currency against the dollar will remain decisive factors for the industry's performance.

There are currently some signs of stronger demand for pulp. After a slight decrease in February, global pulp inventories fell approximately 6% at the end of March, indicating the possibility of an improved second quarter.

Following some weakness in demand in recent weeks, our expectations regarding paper markets lead us to believe that the European market will probably remain at last year's level and that the North American market will grow moderately particularly in office papers. Similarly to what has been happening in the North American market, we expect to see some recovery in sales price in Europe during the rest of the year.

In the General Meeting of April 20th 2004, the 2003 annual report and accounts were approved as well as the distribution of results, which include an amount of € 24,2 million to be paid as dividends.

KEY INDICATORS

(Values in thousand €, except if otherwise indicated)	Q1 2004	Q1 2003	Var.(%)
Total Turnover	243 939	261 467	-7%
Operating Results	19 561	39 007	-50%
Financial Results	-2 952	-12 391	+76%
Results before taxes	16 165	26 261	-38%
Net Results	11 379	16 815	-32%
EBITDA	52 573	75 890	-31%
Cash flow	44 835	53 656	-16%
Total Production (000 tons)			
Pulp	302 772	300 903	+1%
Paper	234 900	221 005	+6%
Quantities sold (000 tons)			
Pulp	177 288	166 167	+7%
Paper	227 009	216 870	+5%
Change on average pulp price (base 100)	89	100	
Change on average paper price (base 100)	89	100	
Net debt (in million €)	976	980	

PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL, SA (SOCIEDADE ABERTA)
CONSOLIDATED BALANCE SHEETS AS OF 31ST MARCH 2004
(Amounts stated in Euro)

ASSETS	2004		2003	
	Gross assets	Depreciation and provisions	Net assets	
FIXED ASSETS:				
Intangible assets:				
Incorporation expenses	39.989.179	38.991.310	997.869,45	3 799 728
Research and development expenses	45.056.116	38.546.530	6.509.586,54	8 376 814
Industrial property and other rights	2.109.974	2.099.524	10.449,52	76 065
Assignment	431.152.380	56.034.709	375.117.670,84	389 600 351
Intangible assets in progress	7.953.487		7.953.486,93	8 295 721
Advances to suppliers of intangible assets				0
	526 261 136	135 672 073	390 589 063	410 148 678
Tangible fixed assets:				
Land and natural resources	99.469.554	168.842	99.300.712,27	133.678.265
Buildings and other constructions	364.850.154	175.830.986	189.019.168,19	203.384.876
Machinery and equipment	2.178.795.029	1.393.876.459	784.918.569,67	823.253.478
Transportation equipment	33.471.405	20.820.372	12.651.033,08	14.081.462
Tools and dies	3.817.556	3.475.095	342.460,83	425.590
Administrative equipment	33.742.587	28.057.872	5.684.714,88	5.948.646
Returnable containers	359.559	193.915	165.643,65	232.076
Other tangible fixed assets	11.151.237	9.440.839	1.710.398,45	3.078.385
Construction in progress	121.965.218		121.965.218,01	77.783.990
Advances to suppliers of fixed assets	42.058.886		42.058.886,10	23.734.657
	2 889 681 185	1 631 864 380	1 257 816 805	1.285.601.424
Financial investments:				
Investments in affiliated companies	646.613		646.612,70	559.001,38
Loans to affiliated companies	92.278		92.277,61	92.277,61
Investments in associated companies	15.223		15.222,95	11.222,95
Loans to associated companies	0		0,00	
Securities and other financial investments	26.924.484		26.924.483,70	26.903.603,90
Advances on account of financial investments			0,00	25.000,00
	27.678.597	0	27 678 597	27.591.106
INVENTORIES - Medium and long term:				
Work in process	152.123.311	0,00	152.123.311	278.464.365,42
Advances to suppliers of inventories				0,00
	152 123 311	0	152 123 311	278 464 365
CURRENT ASSETS:				
Inventories:				
Raw materials and supplies	82.042.072	25.053	82.017.019,19	93.529.816,08
Work in process	97.257.395		97.257.394,70	27.221.541,39
Subproducts and waste	1.884.745		1.884.745,01	587.119,55
Finished and semi finished goods	48.146.158	25.198	48.120.960,75	43.421.894,95
Merchandise	190.285		190.284,67	185.652,47
Advances to suppliers of inventories	294.147		294.146,72	288.937,55
	229 814 801	50 250	229 764 551	165 234 962
Accounts receivable:				
Accounts receivable from customers	215.282.502	0	215.282.501,87	207.067.142,54
Securities receivable from customers	0		0,00	0,00
Doubtful accounts receivable	3.540.341	3.237.231	303.110,71	35.884,79
Group companies	0		0,00	0,00
Participated companies	319.991		319.991,15	0,00
Advances to suppliers	1.879.541	67.786	1.811.755,16	3.057.007,90
Advances to suppliers of assets	0		0,00	0,00
Public entities	58.202.139		58.202.139,22	16.289.667,12
Other debtors	3.101.555	33.422	3.068.132,86	5.853.748,42
	282 326 069	3 338 438	278 987 631	232 303 451
Marketable securities:				
Shares				0,00
Other treasury applications	8.000.000		8 000 000	11.800.000,00
	8 000 000		8 000 000	11 800 000
Banks and cash:				
Banks	37.879.421		37.879.421,35	46.805.476,65
Cash	129.430		129.429,55	39.069,23
	38 008 851		38 008 851	46 844 546
Accruals and deferrals				
Accrued income	5.565.681		5.565.680,61	3.367.884,93
Deferred costs	29.691.555		29.691.555,42	28.914.113,40
	35 257 236		35 257 236	32 281 998
Total amortisation and depreciation		1 767 536 453		1 630 471 333
Total provisions		3 388 689		2 866 342
Total assets	4 189 151 186	1 770 925 141	2 418 226 045	2 490 270 530

PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL , SA (SOCIEDADE ABERTA)
CONSOLIDATED BALANCE SHEETS AS OF 31ST MARCH 2004
(Amounts stated in Euro)

EQUITY AND LIABILITIES	2004	2003
EQUITY:		
Share capital	767.500.000	767.500.000
Own shares - Nominal value	-60.500	-60.500
Own shares - Discounts and premiums	6.821	6.821
Adjustments in investments in affiliated and associated companies	-550.201	-550.199
Revaluation reserve	17.465.290	38.450.314
Legal reserve	27.274.920	17.796.140
Statutory reserve	37.794.225	29.274.095
Other reserve	-3.018.554	-3.021.170
Retained earnings	256.593.785	210.820.915
Net income for the period	11.378.746	16.814.604
Total equity	1.114.384.531	1 077 031 018
MINORITY INTERESTS	0	76.685.829,64
PROVISIONS FOR RISKS AND CHARGES		
Provisions for risks and charges	4.373.095	5.171.254,49
MEDIUM AND LONG - TERM LIABILITIES:		
Bank loans	911.439.638	879.771.296,10
Accounts payable to suppliers of fixed assets	20.163	6.223.067,93
Other creditors	0	25.319,30
	911 459 801	886 019 683
SHORT - TERM LIABILITIES:		
Non-convertible bonds	0	0
Bank loans	88.975.527	73.408.113,75
Advances from customers	177.593	989.648,46
Accounts payable to suppliers	56.166.145	79.268.969,04
Suppliers - invoices pending verification	34.859.646	24.848.516,14
Group companies	16.164.078	74.974.032,39
Other shareholders (partners)	1.259	1.258,88
Other loans	0	15.524,67
Accounts payable to suppliers of fixed assets	39.477.969	15.356.071,54
Public entities	11.176.909	27.228.510,14
Other creditors	3.854.141	2.980.014,43
	250 853 268	299 070 659
ACCRUED COSTS AND DEFERRED INCOME:		
Accrued costs	127.469.500	132.271.265,91
Deferred income	9.685.850	14.020.819,10
	137 155 350	146 292 085
Total liabilities	1 303 841 514	1 336 553 682
Total equity, minority interests and liabilities	2 418 226 045	2 490 270 530



PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL, SA (SOCIEDADE ABERTA)
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED ON 31ST MARCH 2004
(Amounts stated in Euro)

EXPENSES	2004		2003
Cost of materials consumed		96.999.415	94.888.673,30
External services and supplies		62.265.132	57.421.354,87
Payroll expenses:			
Salaries and wages	16.165.263	18.483.859,40	
Social charges	9.932.728	7.438.742	25.922.602
Depreciation and amortisation	33.456.083	36.841.689,04	
Provisions	52.773	33.508.856	0
Taxes	701.242	584.150,16	
Other operating costs	587.159	1.288.401	2.490.772,24
(A)		220.159.795	218.149.241
Losses in group and associated companies			11.709
Interest and similar costs:			
Related to group companies	1.314.775	3.276.393	
Others	14.313.174	15.627.949	14.233.640
(C)		235.787.744	235.670.984
Extraordinary expenses		2.400.807	1.556.069
(E)		238.188.551	237.227.052
Income tax		4.786.380	9.842.548
(G)		242.974.931	247.069.601
Net result for the period	11.378.746	16.814.604	
Minority interests	0	11.378.746	- 396.027
		254.353.676	263.488.177
INCOME	2 004		2 003
Sales	242.045.019	259.248.169,49	
Services rendered	1.894.464	243.939.483	261.467.082
Variation in production		-5.164.820	-5.913.036,84
Own work for the Company		588.751	767.336,78
Supplementary income	276.732	566.115,29	
Operating subsidies	55.913	136.013,13	
Other operating income	24.401	357.046	132.332,80
(B)		239.720.460	257.155.843
Gains in group and associated companies			
Income from share participations	448.272	0	
Income from other financial investments	501.112	57.331,15	
Other interest and similar income:			
Related to affiliated companies	6.662.770	1.846.617,13	
Others	5.063.660	12.675.815	3.226.670,47
(D)		252.396.275	262.286.462
Extraordinary income		1.957.402	1.201.715,52
(F)		254.353.676	263.488.177
Operating results:	(B) - (A)	19.560.665	39.006.602
Financial results:	(D) - (B) - (C) - (A)	-2.952.134	-12.391.124
Current results:	(D) - (C)	16.608.531	26.615.478
Result before income tax and minority interests:	(F) - (E)	16.165.126	26.261.125
Consolidated net result with minority interests:	(F) - (G)	11.378.746	16.418.577
Net result after minority interests:		11.378.746	16.814.604