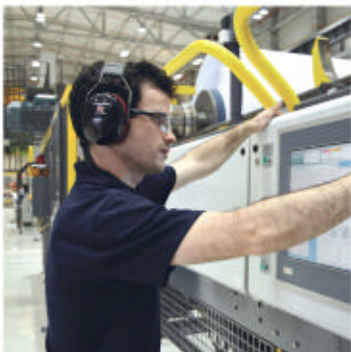
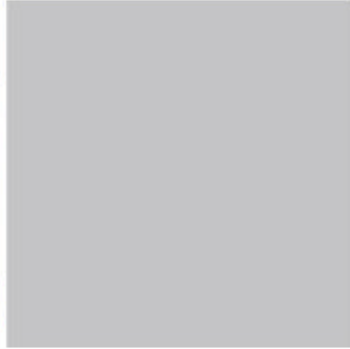


3RD QUARTER RESULTS 2010



PORTUCEL
EMPRESA PRODUTORA DE PASTA E PAPEL, S.A.
Public Limited Company

Registered under n.º 05888/20001204 at Setúbal Companies Registry.
Corp. Person n.º 503 025 798 | Share Capital € 767 500 000



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Highlights for 9 Months 2010 (vs. 9 Months 2009):

- Turnover grows by 24.5%, driven by sales from the new paper mill and by energy sales
- EBITDA up 87.3%, with a growth in sales volume and higher prices
- Operating profits grow by 124.6%
- Net profits up by 112.9%
- Significant improvement in profitability indicators
- Energy projects concluded
- Group proceeds with analysis of international expansion

Financial Highlights – IFRS

	9 Months 2010	9 Months 2009	% Change ⁽⁵⁾ 9M 10 / 9M 09
Million euros			
Total sales	1 003.7	806.1	24.5%
EBITDA ⁽¹⁾	288.7	154.1	87.3%
Operating profits	212.3	94.5	124.6%
Financial results	- 17.1	- 9.3	83.5%
Net earnings	154.3	72.5	112.9%
Cash Flow ⁽²⁾	230.7	132.1	74.7%
Capex	66.7	352.2	-285.4
Net debt ⁽³⁾	603.9	630.8	-27.0
EBITDA / Sales (%)	28.8%	19.1%	
ROS	15.4%	9.0%	
Equity ratio	51.6%	50.4%	
Net Debt / EBITDA ⁽⁴⁾	1.7	3.0	
	Q3 2010	Q2 2010	% Change ⁽⁵⁾ 3Q 10 / 2Q 10
Total sales	346.6	362.8	-4.5%
EBITDA ⁽¹⁾	110.5	105.8	4.4%
Operating profits	86.5	84.6	2.3%
Financial results	- 5.0	- 5.8	-13.5%
Net earnings	63.9	58.1	9.9%
Cash Flow ⁽²⁾	87.9	79.3	10.7%
Capex	15.2	27.1	-11.9
Net debt ⁽³⁾	603.9	679.5	-75.6
EBITDA / Sales (%)	31.9%	29.2%	
ROS	18.4%	16.0%	

(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. RESULTS ANALYSIS

1.1. 9 Months 2010 vs 9 Months 2009

In line with the first half of the year, Portucel Group posts a very positive performance in the first nine months of 2010, with consolidated sales reaching €1 003.7 million, which represents a year-on-year growth of 24.5%. This growth is essentially the result of a greater volume of paper sales, sustained by the output of the new paper mill and the increase in the production and sale of energy. These business areas are increasingly important to the Group's operations, in line with the development strategy which it has defined.

Since the beginning of the year, the average price in the UWF¹ paper market has shown a favourable trend, recovering from the fall in 2009. However, despite this recovery, the average price of paper within the period, measured by the benchmark index for the European market, PIX Copy B published by Foex, was below the average for the first nine months of 2009, recording a drop of 1.9%. However, the Group's average sale price for the period grew around 1.3%, which enabled the value of paper sales in the first nine months of 2010 to increase by around 26%.

In the BEKP² business, on the one hand the performance includes the sharp rise in the sale price and on the other hand the decrease in the amount of pulp available for sale, due to its incorporation into paper at the Setúbal mill. Sales in volume fell 46.8%, with the very positive evolution in the prices of pulp having partially offset this fall, so that the value of the sale of pulp in the market only decreased by 1.5%. The Group's average sale price posted a year-on-year positive variation of 85% which compares with a PIX index variation for hardwood pulp in Euros of around 66% for the same period.

Power generation during the period increased significantly, with gross generation of over 1.2 TWh in the nine months, which is much higher than the same period the previous year, and already surpasses the overall amount of power generated throughout 2009. This increase is a result of the new natural gas cogeneration power plant in Setúbal, which began operating in August 2009, and of the production from the new biomass power plants in Cacia and Setúbal, which started operating at the end of 2009. The value of the sale of energy in this period therefore shows a year-on-year

¹ - UWF – uncoated woodfree

² - BEKP - bleached eucalyptus kraft pulp



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growth of over 75%.

With regard to the first nine months of 2009, production costs evolved favourably, namely the cost of chemicals, as well as maintenance and logistics costs. On the other hand there was an increase in employee costs, essentially the result of hiring for the new paper mill, and the result of adjusting the variable remuneration estimates for 2010.

Consolidated EBITDA posts a very favourable year-on-year growth of 87.3% bringing it up to € 288.7 million, making an EBITDA / Sales margin of 28.8%, and an increase in the EBITDA / Sales margin of 9.6 pp.

During the period, the Group carried out a technical evaluation of its industrial assets, with a view to gauging their respective remaining useful life. This analysis was carried out by an international firm of independent experts that concluded that the Group's main assets have longer remaining useful lives than considered until now for depreciation purposes, and so the respective amortisation rates were reviewed in line with this, with effect as from 1 July 2010.

In this context, EBIT in the period at € 212.3 million posts a growth of 124.6% when compared with the value recorded for the first nine months of 2009.

The financial results, at a negative € 17.1 million are comparable to the negative € 9.3 million in the first nine months of 2009. Nevertheless, it should be noted that this item was influenced positively during the same period of 2009 by around € 7.8 million from the reversal of interest regarding fiscal matters, as well as from the positive value of around € 4 million regarding gains on exchange operations. The profit from financing operations evolved very positively, essentially as a result of the drop in interest rates.

Profit for the period is still negatively influenced by the change in the nominal Corporate Tax rate to 29%, corresponding to a base rate of 25%, plus the municipal tax of 2.5% and state tax of 1.5%. The introduction of a state tax, resulting from temporary measures within the Plan for Stability and Growth (PEC), covered by Law 12-A/2010, also gave rise to recalculating all recognized deferred taxes in the 2nd quarter of 2010, despite it being the company's understanding that their reversal will take place after the period covered by the PEC, i.e. after 2013.

Within this context, consolidated net profit for the period is € 154.3 million, representing a growth of 112.9% compared



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to the first nine months of 2009.

1.2. 3rd Quarter 2010 vs 2nd Quarter 2010

Consolidated sales in the 3rd quarter of the year totalled € 346.6 million, a fall of 4.5% compared to the 2nd quarter 2010. This performance is largely explained by the impact of the programmed maintenance shutdowns in the Setúbal pulp mill and the Figueira da Foz pulp and paper mill, and by the reduction in the price of pulp in Euros, negatively impacted by the exchange rate evolution. Consequently, the improvement in paper prices which occurred during this quarter was offset by these impacts. It should be enhanced that production from the new paper mill continued to evolve favourably and according to plan, with the Group selling all the available production.

In the pulp business, the Setúbal plant's maintenance shutdown, along with the growing integration of the new paper mill, resulted in a fall in sales to the market. Apart from this expected decrease in volume, the value of the Group's pulp sales was also affected negatively by the price evolution, which after the rising trend in the previous months, suffered a downturn. In fact, following successive rises throughout the first half, the price of pulp in the 3rd quarter was adjusted downwards by USD 50 per ton in August, remaining stable since. Nevertheless, the appreciation of the Euro vs the Dollar during this period aggravated the decrease in the pulp price in Euros, leading to a 13% reduction in the PIX BHKP index in Euros during the 3rd quarter.

In the energy field, the third quarter was marked by the successful start-up of the new steam turbine for the biomass cogeneration plant in Figueira da Foz, which began production tests in August and is producing according to plan. This new capacity has not yet been particularly reflected in the quarter under review, as the value of energy sales are in line with the value in the previous quarter.

Production costs in the 3rd quarter did not undergo any great changes in relation to the previous quarter.

In this context, consolidated EBITDA totalled € 110.5 million, up 4.4% against the previous quarter and the EBITDA / Sales margin was 31.9%.

The Group recorded a negative financial result for the quarter of € 5.0 million, an improvement of around € 0.7 million



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against the previous quarter, mainly as a result of gains in cash investments, as a result of accumulated cash flow during the period.

So consolidated net profit in the third quarter 2010 rose to € 63.9 million, a distinct improvement of 9.9% compared to the second quarter.

2. MARKET ANALYSIS

The European UWF paper market continued to consolidate the recovery which has been taking place since the last quarter of 2009, with growth in apparent consumption estimated at around 8% compared to the first 9 months of last year. Net UWF production capacity in Europe had a year-on-year decrease of around 2%, despite the start-up of the new Portucel mill in August 2009, whose start-up curve is already at a very advanced stage. Although showing an important recovery from 2009, operating rates in the European UWF industry stood at 93% during the period (reflecting 7% overcapacity), while the Group continued to operate again at full capacity, in spite of current market conditions and including the important increase in capacity brought by the new paper machine. It is estimated that overcapacity in global terms is even greater, reaching approximately 14%, or 6 million tons.

The Euro fell against the currencies of the main UWF exporting countries to Europe – Brazil and Indonesia, by 8% in both cases, which put pressure on the profitability of the volumes from outside Europe, particularly in the cut-size segment.

This same exchange trend was also observed in relation to the Dollar, especially in the first half of the year, making European exports more competitive, with a subsequent growth in sales from European producers outside the European region of 27%. Nevertheless, the Euro rose against the Dollar in the third quarter, causing a fall in exports from European producers. Sales from the European industry grew by 10% in total, around 85% of this additional volume going to Europe.

Within this perspective, Portucel Group posted a strong year-on-year growth in the volume of UWF paper sales, with the added output from the new paper machine, ensuring a growth within Europe of around 20%, which is substantially above the market. It is therefore estimated that the Group has increased its European market share by more than 135



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000 tons (2.5%) in the period.

Overall sales growth was helped by a 14% rise in the sales volume of premium products, which is of particular relevance within the current market situation. The 18% growth in the volume of the sales of the Group's own brands should also be pointed out, with a special mention going to Navigator, the world's best-selling premium office paper brand, which grew 12%. In the period, the Group's own brands accounted for almost 60% of its total sheeted product sales, the same weight as prior to the start-up of the new paper mill.

Despite the growth in the European market, as previously mentioned, the average benchmark prices in this market (PIX Copy B – Foex) fell 1.9% against the same period the previous year (although they rose 4.3% in the third quarter against the second quarter 2010). The Group's average net paper sales price in the first 9 months of 2010 recorded a year-on-year increase of 1.3%, a remarkable value when compared to the European benchmark index.

The UWF market in the USA showed an apparent fall of 1% in consumption in the first nine months of the year. The North American industry also recorded a further net reduction in capacity of 6%, which brought occupation rates in the industry to 89%. Portucel Group increased its sales volume in the North American market by 17% compared to the same period in 2009, and won market share.

As mentioned, European UWF exports increased significantly during this period compared to the same period in 2009, reflecting the increased prices in the export markets and the stronger Dollar. Nevertheless, these occurred mostly in the first half and there has now been a slight reduction within these regions. A significant part of the European UWF paper exports growth in 2010 was captured by Portucel Group, with its export market share increasing 8 percentage points between the end of 2009 and the end of September 2010, whilst it continued to expand its geographical sales coverage, which currently includes over 100 countries.

After successive increases in the list price of hardwood pulp during the first half, essentially sustained by various specific factors on the demand side, the market slowed down in the third quarter, although the Chinese market, which for part of the year was responsible for the decreased global demand, made a strong recovery in September.

At the end of the period, stocks at producers, users and ports was below the average for recent years.



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With regard to foreign Exchange, the evolution against the Dollar of the currencies of some of the most important pulp producers (short and long fibres) has remained an important driver for maintaining pulp prices. This was the case of the Brazilian Real, Brazil being the main eucalyptus pulp producer, which rose by 4.8% against the North American currency during the 3rd quarter.

The Group's pulp sales cannot be compared to the same period in 2009, due to the production tests in the new paper mill, which began in August 2009, and the consequent increase in pulp integration within the Group. Accordingly, in line with the forecast development curve for the new paper mill and respective pulp consumption, pulp sales to the market stood at the foreseen level.

In terms of sales by paper segments, the Group successfully gave priority to the segments with the greatest added value - decorative and special papers – which represented around two thirds of sales.

As far as sales by destination are concerned, practically the total volume was sold to European markets where the highest quality and technical demanding producers are seated, for whom the intrinsic qualities of the globulus pulp produced by the Group, provides them with significant added value.

3. DEVELOPMENT

The start-up of the new steam turbine for the biomass cogeneration plant in Figueira da Foz in the 3rd quarter enabled the Group to conclude its energy investment programme, which, apart from this project, included three new power stations, which began operating in the third and fourth quarters of 2009.

Within the scope of Portucel's analysis of development opportunities in the Southern hemisphere, it is considering three separate regions as options for development, namely Uruguay, Brazil and Mozambique.

As already communicated, the Group has signed a memorandum of understanding with the Government of the Oriental Republic of Uruguay, with the terms and requirements deemed essential for carrying out the investment project in that country. Follow-up of this project depends on development in the logistics field, especially the construction of a deep water port.



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In Brazil, a protocol was signed with the State of Mato Grosso do Sul and the studies required for setting up an integrated forestry, pulp and energy production project are being carried out.

At the same time, following approval by the Government of Mozambique for the concession of a plot of 173 thousand hectares in the Province of Zambézia, which is due to be complemented by an additional 220 thousand hectares in Manica, the Group is also engaged in a series of industrial and logistics feasibility studies, with a view to setting up an integrated forestry, pulp and energy production project in that country. The necessary forestry trials, which precede plantation in the large concession areas, are also being commenced.

4. FINANCIAL SITUATION

At 30 September 2010, interest-bearing net debt stood at € 603.9 million, down by € 66.1 million against the year-end 2009 and by € 75.6 million against the end of the 2nd quarter 2010. This reduction in indebtedness is proof of the high capacity for generating cash flow, as since the beginning of the year, the Group paid out dividends of 63.3 million related to 2009 and continued with the final phase of its investment programme, which in the nine months of 2010 involved an input of 66.7 million Euros.

Also during the 1st quarter of 2010, the Group successfully refinanced a € 300 million bond, thereby significantly consolidating the maturity of its financial debt.

Financial autonomy at the end of September stood at 51.6% and the Net Debt / EBITDA ratio at 1.7 which represent a significant improvement compared to the year-end 2009 (3.0) and even compared to the end of the 1st quarter of this year (2.3).

With the current level of net debt, coinciding with the final phase of a series of large-scale investments, the Group presents a robust financial situation, placing it in a privileged position among the main companies in the sector worldwide.

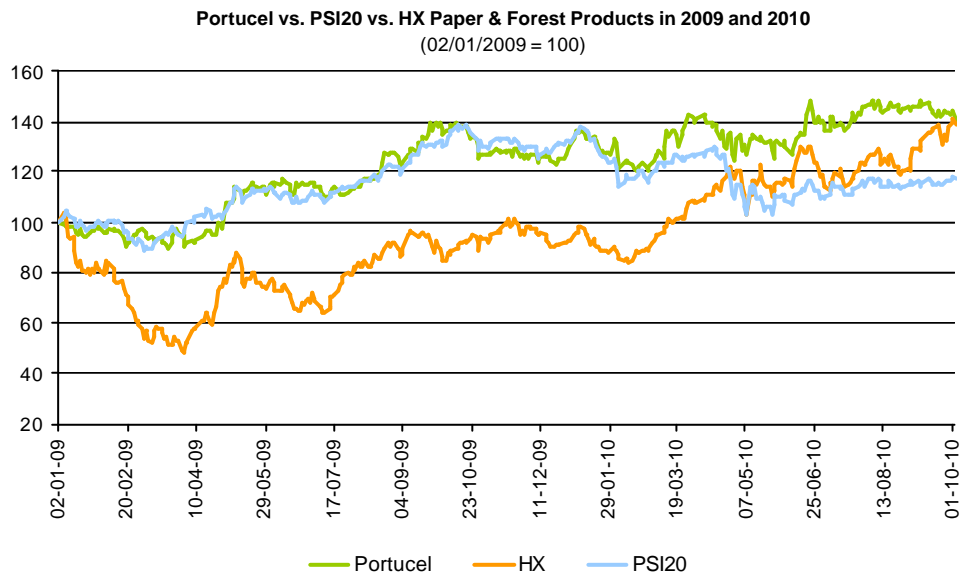


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5. SHARE PRICE

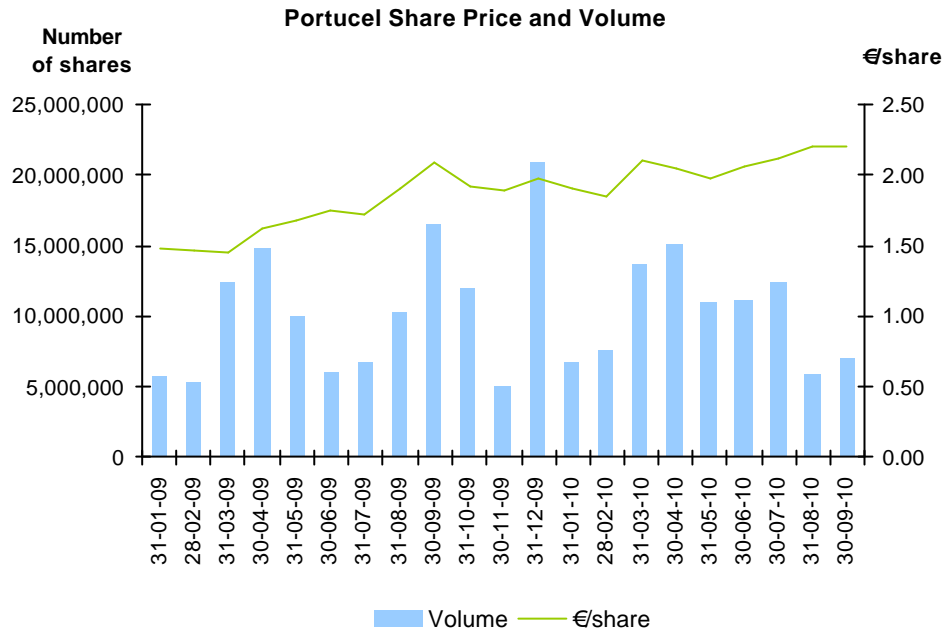
The shares of companies in the pulp and paper sector generally performed well in the first nine months of 2010, continuing the upward trend seen during the 1st half. This increase was particularly noticeable among European companies, the HX Paper & Forest index being up 51% in the period, largely recovering from the 7.5% fall in 2009.

After posting a gain of 31.1% in 2009, Portucel's shares performed rather well, increasing by 9.4% in the first nine months of 2010. This gain was the third largest amongst the PSI20 companies and clearly higher than the index itself, which at the end of September showed a loss of 11.3%.





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6. OUTLOOK

Following a period of strong growth in the first-half, the economy in the Euro zone began to show signs of slowing down, namely as a result of the strengthening of the Euro against other currencies, consequently having an impact on exports, which are the main driving force for the European recovery. Therefore, although expectations regarding the economic evolution in the Euro zone remain positive, there has been some moderation, as some uncertainties could have a negative impact. Among these, of particular note is the evolution of the Euro against other currencies, namely the Dollar, the impact of the budgetary consolidation measures underway in many European countries, restriction on bank funding for the economy, which could be worsened with the new bank capitalization regulations, and the risk of a new financial crisis triggered by the situation in the peripheral countries.

In recent months, the economic indicators in the USA, one of the Group's main markets, have also been pointing towards a slowing down of the economy, as a result of low internal demand, with mid-term growth perspectives being quite moderate.

The evolution of the Group's paper business reflects this scenario. In the first half, worldwide demand recovered from the extremely low levels at the beginning of last year, especially uncoated printing and writing paper, which was



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reflected in the strengthening of the number of orders from producers, in the increase in the capacity utilisation rates and consequently in the overall increase in the sales price. This evolution was sustained by a low level of stocks at the main European producers at the beginning of the year and the devaluation of the Euro against the Dollar, which provided European producers with greater competitiveness. In the third quarter the environment remained positive, although less intense. The increase in the value of the Euro and the consequential impact on exports, which had been one of the main growth drivers in the first half, together with the end of the stock replenishment cycle, caused a certain slowing down in demand. This evolution was reflected mainly in a reduction in order books, although these remain at very comfortable levels.

Expectations regarding the evolution of the Group's paper business for the coming months therefore remain prudent. Apart from the above-mentioned risk factors for the European economy and the end of the stock replenishment cycle, the commencement of new paper capacity in Asia and a possible downward correction of pulp prices could also bring some imbalance to the market, and so a more optimistic view of the evolution of the sector is not advisable.

It is important to enhance that the unemployment rate in Europe and in the US has remained at high levels throughout this period, hurting significantly paper consumption, namely office paper, a segment that represents over 50% of the Group sales volume.

In the pulp market, the main reason for uncertainty has to do with the sustainability of the level of demand from China. Consumption in this market slowed down slightly, as already seen during this year, due to production starting up again in capacity that had been temporarily withdrawn, which caused some imbalances that led to a price adjustment. On the other hand, the current increases in paper production capacity in Asia, namely in China, the closure of the obsolete capacity which is in course in that country, as well as the positive environment affecting the European paper industry, could become mid-term demand sustainability factors. It should be noted, however, that the Group's current operations are increasingly focused on the paper and energy business, and are therefore much less exposed to the volatility of the pulp market.

In the energy sector, the start-up of the new steam turbine for the biomass cogeneration plant in the industrial complex in Figueira da Foz was the end of a series of investments that the Group carried out in this area and that are a strong commitment to its sustainable growth. With its current installed capacity, the Group will be able to produce around 5% of all the electricity produced in Portugal, most of it obtained from renewable sources – forestry biomass and industrial by-products.



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The importance of the Eucalyptus forest sector in the Portuguese economy has been increasing since 2008, representing on August 31st 2010, 5.9% of global Portuguese exports; this translates into a very high level of added value to the Portuguese Economy. This segment is successfully competing in terms of the global economy, producing and selling technologically sophisticated products in a growing number of markets.

Nevertheless, there is still the need to adequate the supply of certified wood to the growing demand and to help the agents in the forest production process to improve productivity, planted areas and to certify forest management.

As previously described, the Group is also analysing the opportunities for international expansion in the Southern Hemisphere, in order to make the respective decisions with the necessary confidence.

Setúbal, October 27th 2010