PORTUCEL GROUP'S SHARE OF EUROPEAN PAPER EXPORTS*

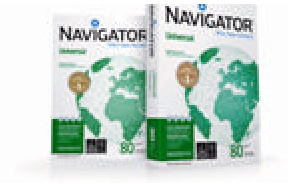
* UNCOATED WOODFREE PAPER (UWF)
SOURCE: CEPIFINE DEC 2010

CONSOLIDATED ANNUAL RESULTS FOR 2010

PORTUCEL

EMPRESA PRODUTORA DE PASTA E PAPEL, S.A.
PUBLIC LIMITED COMPANY

REGISTERED UNDER N. 05888/20001204
AT THE SETÚBAL COMPANIES REGISTRY.
CORP. PERSON 503 025 798 | SHARE CAPITAL: € 767 500 000



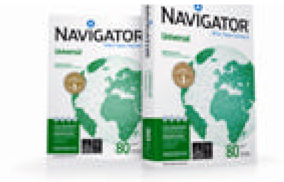
Highlights in 2010:

- Group turnover grows by 26.5%, to approximately € 1.4 thousand million;
- Exports up by 25%, at around € 1.2 thousand million;
- European uncoated woodfree market share of 15%;
- EBITDA of € 400.2 million, growing by 80.1% over 2009;
- Net profit up by 100.4%, to € 210.6 million;
- Net debt at comfortable levels, with a Net Debt / EBITDA ratio of 1.6.

Financial Highlights – IFRS

Million euros	Year 2010	Year 2009	% Change (5) 2010 / 2009
Total sales	1 385.5	1 095.3	26.5%
EBITDA (1)	400.2	222.2	80.1%
Operating profits	277.8	132.1	110.3%
Financial results	- 20.1	- 7.5	166.1%
Net earnings	210.6	105.1	100.4%
Cash Flow (2)	332.9	195.2	70.6%
Capex	95.5	505.4	-409.9
Net debt (3)	652.7	670.0	-17.3
EBITDA / Sales (%)	28.9%	20.3%	
ROS	15.2%	9.6%	
ROE	16.4%	8.4%	
ROCE	14.3%	7.2%	
Equity ratio	48.8%	49.6%	
Net Debt / EBITDA (4)	1.6	3.0	
	Q4 2010	**Q3 2010**	**% Change (5) 4Q 10 / 3Q 10**
Total sales	381.8	346.6	10.2%
EBITDA (1)	111.5	110.5	0.9%
Operating profits	65.5	86.5	-24.3%
Financial results	- 3.0	- 5.0	-39.7%
Net earnings	56.3	63.9	-11.9%
Cash Flow (2)	102.3	87.9	16.4%
Capex	28.8	15.2	13.6
Net debt (3)	652.7	603.9	48.8
EBITDA / Sales (%)	29.2%	31.9%	
ROS	14.7%	18.4%	

(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

The Portucel Group recorded substantial growth in business in 2010, due to increased paper output from the new Setúbal mill and the start-up of facilities in the energy sector as a result of the recent investment programme.

Turnover grew by 26.5%, to approximately € 1.4 thousand million, with sales of UWF paper in excess of € 1.1 thousand million.

Average prices in the European market for uncoated wood-free (UWF) paper evolved favourably over the year, recovering from the low levels recorded in late 2009 and early 2010. The balance between supply and demand improved very significantly, especially during the first half of the year. In this period, the industry achieved full take-up of capacity, with an occupation rate of 98%, thanks to a recovery in sales by quantity in European markets, exports and a net reduction in capacity, which stood at 180 thousand tons. The average paper price in 2010, measured by the benchmark index in the European market, the Foex PIX Copy B, stood at 814€/ton, up by 1.3% on the average price in 2009. Overall, the Group's average sales price climbed by 4.2%, thanks largely to the sales policy adopted in non-European markets and the positive evolution of the EUR/USD exchange rate in the first half of the year. As a result, paper sales in value grew by approximately 29% in relation to 2009.

In the eucalyptus pulp (BEKP) market, conditions were excellent throughout the first half of the year, with strong demand and a sharp rise in prices in all markets. This situation changed in the second half, with a certain imbalance between supply and demand and a consequent reduction in prices, which nonetheless remained high compared with levels experienced in the previous year. The PIX index for hardwood pulp in euros was up by 58.8% over 2010, from 402 to 639 €/ton. The Group's pulp business reflects the upward trend in prices, although it also incorporated the effect of a reduction in pulp quantities available for sale on the market, due to growing integration into paper at the new Setúbal mill. As a result, although sales were down by 42.4% in quantity, the value of pulp sales remained practically unchanged.

In the energy sector, the biomass-fuelled power stations in Cacia and Setúbal were in full operation throughout 2010, and the new steam turbine for the biomass cogeneration plant in Figueira da Foz went into production at the end of the third quarter.

Since most of its sales are directed to external markets, the global value of the Group exports increased 25% top over € 1.2 thousand million, representing approximately 3% of Portuguese exported goods.

On the cost side, the Group benefitted from favourable trends in certain factors of production, notably the cost of chemicals, maintenance and logistics. On the other hand, it had to import larger quantities of certified timber, which pushed up production costs for pulp. Personnel costs were also greater, due essentially to additional staff taken on for the new paper mill, and to variable remuneration for 2010.

In this context, the Group achieved consolidated EBITDA of € 400.2 million, up by 80.1% from that recorded in 2009, resulting in an increase in the EBITDA / Sales margin of 8.6 pp.

As a result, operating income in 2010 stood at € 277.8 million, representing growth of 110.3% from 2009.

During the period, the Group conducted a technical appraisal of its industrial assets, as recommended by International Accounting Standard (IAS) 16, in order to determine their remaining useful life. This analysis was carried out by an international firm of independent experts, concluding that the Group's main assets have larger remaining useful lives than previously considered. Depreciation rates were reviewed accordingly, with effect as from 1 July 2010.

The Group recorded negative financial income of € 20.1 million, as compared with a - € 7.5 million in 2009. We should note, however, that financial income in 2009 benefitted from a positive contribution of € 10.3 million from the reversal of interest relating to fiscal issues, and from a figure of approximately €9.3 million in foreign exchange gains. In 2010, results from financing operations improved significantly, due essentially to lower interest rates.

Net income in 2010 was also brought down by the change in the nominal corporation tax rate to 29%, corresponding to a base rate of 25%, plus a municipal surcharge of 1.5% and a state surcharge of 2.5%. The introduction of the state surcharge, part of the temporary measures in the Plan for Stability and Growth (PEC), as approved by Law 12-A/2010, also required remeasurement of all deferred taxes recognized in the 2nd quarter of 2010, although it is the company's understanding that the majority of these will be reversed subsequent to the period covered by PEC, i.e. after 2013.

The value of tax payable by the Group is influenced by the use of part of the fiscal incentives for the new Setúbal paper mill, and by the reversal of provisions.

In this context, net consolidated income in 2010 stood at € 210.6 million, a growth of 100.4% in relation to 2009.

2. MARKET ANALYSIS

Following on from an extremely negative period, the world economy recorded a recovery in 2010, due above all to strong growth in the emerging Asian economies. The growth achieved in Gross Domestic Product in the Group's main markets, Europe and the United States, failed to offset the reduction experienced in 2009, and was also insufficient to result in net growth in employment, with unemployment rising in these important regions. The level of economic activity and, more specifically, the level of employment, has a tight correlation with paper consumption.

Paper

Demand for uncoated wood-free (UWF) paper grew by 6% in Europe over 2009 – although still failing to make compensate for all the losses experienced in 2009 – and was down again, by 1.5%, in the USA. The European and US markets are central to the Group's commercial strategy, and are the main centres of consumption of the type of paper produced by the Portucel Group.

Growing demand in Europe, combined with a net reduction of approximately 150 thousand tons in production capacity at the end of the year, allowed the industry to improve its average occupation rates by almost 8 percentage points, despite the start-up of the new Setúbal mill. The industry as a whole recorded an occupation rate of more than 92%, whilst the Portucel Group again operated at full capacity.

The market situation as described above, combined with strong pressure on various cost components, especially from BEKP pulp, allowed the Group to hike its prices on four occasions in the European market during 2010.

Overseas markets were subject to significant pressure from demand, especially during the first half of the year, resulting in consecutive price adjustments, which in turn led to growth in exports by European producers, and constrained imports into European markets.

The US market also presented a recovery in the average prices in USD/t, with the main price index for office stationery (in USD/t) rising 2.7%, on average, from 2009. This recovery was particularly cl ear in the first half of the year, when local industry benefitted from a substantial increase in occupation rates, to at around 90%, but trailed off slightly in the second half.

Performance

Paper sales totalled 1.4 million tons, representing growth of 23.6 % in relation to 2009. This performance was achieved thanks to double digit growth in all world regions and expansion of sales operations into new geographical areas. The Group enjoyed growth of approximately 20% in Europe and 30% in the United States, whilst consolidating its position as one of Portugal's main players in the international markets. In the European market alone, the Group expanded its market share by approximately 190 thousand tons.

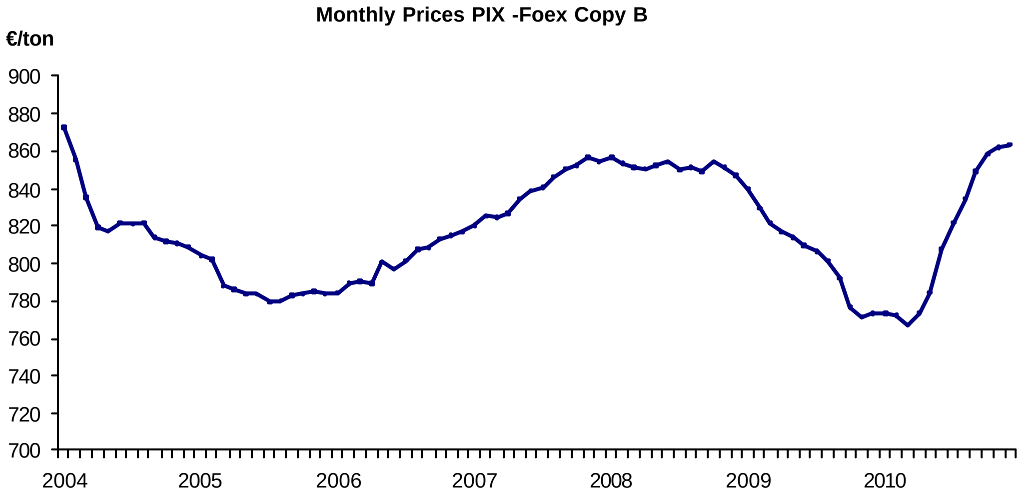
The learning process at the new paper mill has taken place as planned. The Group successfully placed on the market all the paper available, taking advantage of the moderately positive situation in Europe and the excellent conditions on overseas markets. This was achieved by mean of careful management of the market and product mix, which led to improvements in prices.

The overall growth in sales volume was driven in part by strong performance in sales of cut-size and premium products. Significantly, in the first full year of operation for the new Setúbal plant, premium products continued to account for a large proportion of the Group's sales, in a context of increased sales volume.

Prices

As reported above, sales prices for UWF paper in Europe started move upwards in the second quarter of the year, with the average for the PIX "A4-copy B" index up by 1.3% on the average for 2009.

Despite a substantial increase in sales volume, the Group's sales price in Europe kept pace with market trends. However, thanks to the price policy on the overseas markets, combined with the favourable USD/EUR exchange rate, the Group achieved growth in its average price of approximately 4.2%.



Brands

The Portucel Group's brands once again reinforced their strong position in European markets in 2010.

The benchmark independent study of the sector (Cut-size Mill and Mill Brand Positioning & Image Survey 2010, from EMGE Paper Industry Consultants), which looks at wholesalers and retailers of paper and office products throughout Western Europe, again confirmed Navigator as the brand with the best spontaneous awareness index and the market leader in terms of brand performance and brand reputation, gauged by a weighted average of technical and marketing attributes. In addition to Navigator, the Discovery, Pioneer, Inacopia and Explorer brands were all highly placed in the list of the best brands in terms of brand performance.

Robust growth in sales of mill brands, up by more than 20%, allowed these brands to maintain their share of the Group's total sales, which at 60% is a figure unrivalled by any other producer of equivalent size.

Special attention should be drawn to Navigator, the world leader in the premium office stationery segment, with growth of 13% in relation to 2009, and Soporset, the top brand in the European printing segment, which achieved growth of 19% in sales volume.

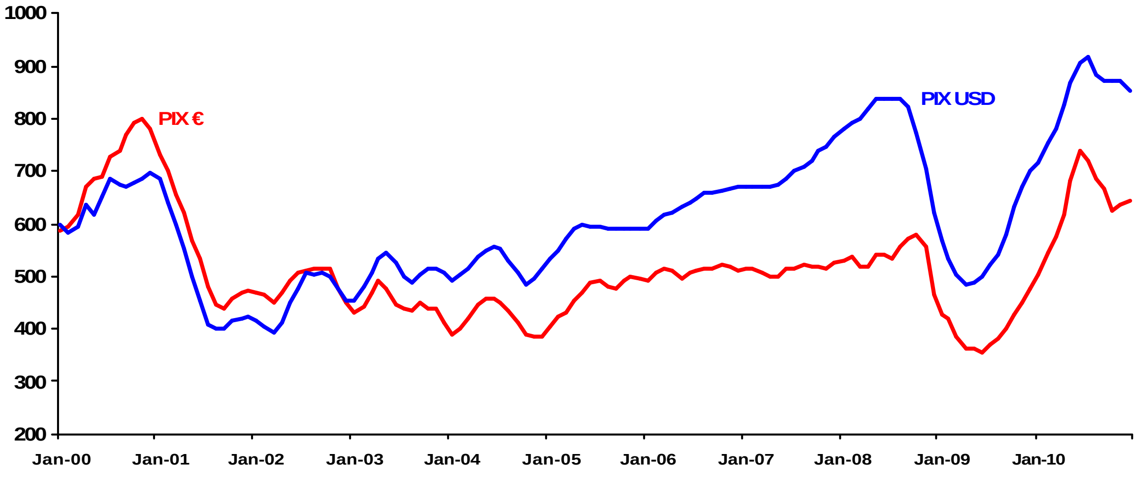
PULP

Developments in 2010 in the world pulp market divide into two distinct phases. The first half of the year continued a trend, already established in the previous six months, of monthly price increases in all markets. The natural disaster which occurred in Chile in February, taking capacity of approximately 900 thousand tons off the market, combined with production losses estimated at some 500 thousand tons due to timber shortages caused by bad weather in various regions, accompanied by lively demand, contributed decisively to positive market performance in the first half of the year.

The situation changed in the second half, when output from Chile, Indonesia and Canada returned to the market, and when a new mill started up in China, at the same time as a sharp slowdown in demand in the Chinese market. China's pulp imports were down on the year by 16.9% over 2009, a figure which rises to 25.9% for short fibre. However, even so, Chinese demand in 2010 was 20% higher than in 2008.

This situation lead to a gradual increase in stocks over the second half of the year, and a degree of deterioration in the balance between eucalyptus pulp supply and demand. Prices had a downward correction, but continue to offer healthy returns.

Monthly prices: PIX – BHKP Eucalyptus / Birch



As in the previous year, steep appreciation against the US dollar and the euro of the currencies of major market players, such as Brazil, Chile and Uruguay, and of the Canadian dollar, significantly undermined the competitiveness of these producers, and helped to push up and then sustain USD prices at interesting levels, constituting one of the main driving forces in the industry.

PERFORMANCE

Output of bleached eucalyptus pulp (BEKP) totalled approximately 1.3 million tons in 2010, unchanged from the previous year.

As expected, increased industrial integration as a result of the start-up of the new Setúbal paper mill meant that the Group's pulp sales were limited to the output from th e Cacia pulp mill.

Practically all sales were made on the European markets, with a very high percentage going to the special papers segment, which grew by 30 percentage points in relation to the previous year. The Group accordingly kept to its established commercial policy, giving priority to these markets and this segment for its pulp sales, insofar as they concentrate the producers of papers with the highest levels of value added and at the forefront of technological and environment advances.

3. FOREST & PROCUREMENT

In 2010, the Group continued to import wood due to insufficient supply from Portuguese producers, namely in terms of certified wood.

One of the reasons for the shortage in local raw material for the industry, results from the imbalance created by the recent additional increase in pulp capacity in the Iberian Peninsula, in a time where forest production is still recovering from the devastating forest fires that occurred in 2003 and 2005. Nevertheless, this cannot undermine the fact that important work stills needs to be done in order for the Portuguese forest to achieve productivity levels closer to its potential.

The Group has been working towards achieving higher productivity in Portuguese plantations, namely by encouraging the use of higher yield plants, more adjusted to the characteristics of the different regions in the country, as well as the improvement in agricultural practices. On the other hand, the

Group has also supported actions to increase certified areas, in cooperation with forest production representatives. Nevertheless, results obtained are still far from what would be necessary.

This situation is penalizing the eucalyptus forest productivity and should be given special attention by the proper authorities as well as by the economic agents, who act in his area.

4. DEVELOPMENT

With the start-up in the 3rd quarter of the steam turbine for the biomass cogeneration plant at Figueira da Foz, the Group has completed a wide-ranging investment programme, which in addition to this last project also included the new paper mill in Setúbal and two new biomass-fuelled power stations. Significantly, the final figure for investment in the new paper mill points to an actual cost of € 525 million, € 25 million lower than the original estimate.

In its ongoing analysis of development opportunities in the southern hemisphere, Portucel is considering investment alternatives in three distinct regions: Uruguay, Brazil and Mozambique.

As duly disclosed, the Group has signed a memorandum of understanding with the Government of Uruguay, setting out the terms and requirements regarded as essential for an investment project in the country. The future of this agreement will depend on developments in the logistical field, and especially the construction of a deep water port.

In Brazil, a framework agreement has been signed with the State of Mato Grosso do Sul, and work is proceeding on the studies needed to go ahead with an integrated forestry, pulp and energy project.

At the same time, after approval by the Government of Mozambique of a concession covering 173 thousand hectares in the province of Zambézia, which is expected to be complemented by an additional area of 220 thousand hectares in Manica province, the Group is currently engaged in a number of industrial feasibility and logistical studies in order to determine the conditions for going ahead with an industrial project in the country. Work has also started on the necessary forestry trials, which will precede the start of planting in the concession areas.

5. FINANCIAL SITUATION

At 31 December 2010, interest-bearing net debt stood at € 652.7 million, down by € 17.3 million in relation to the end of 2009. The reduction in debt reflects the Group's excellent capacity to generate cash flow, given that at the start of the year it paid out dividends of € 63.3 million in relation to 2009, whilst seeing through the final phase of its investment programme, which involved capital expenditure in 2010 of € 95.5 million, and distributing reserves of approximately € 120 million at the end of th e year.

During the first quarter of 2010, the Group made two new bond issues, of € 100 million each, maturing in up to 5 years, and contracted two loans, of € 30 and € 85 million, from the European Investment Bank, maturing respectively in 2021 and 2024. These operations permitted the Group to repay a bond issue of € 300 million and to consolidate the maturity of its financial debt.

At year-end 2010, the Group presented gross long term debt of € 733.1 million and debt of € 91.3 million maturing in less than one year. These short-term payables are largely covered by the cash surpluses accrued by the company and by the finance facilities contracted but not used, placing the Group is a very comfortable liquidity position.

The financial autonomy ratio stood at 48.8% at the end of December, whilst the ratio of Net Debt / EBITDA stood at 1.6, representing a significant improvement in relation to year-end 2009 (3.0).

With its current level of net debt and strong cash flow generation capacity, the Group enjoys a robust financial situation, placing it amongst the world's leading companies in this sector and giving it the capacity to launch a new cycle of development.

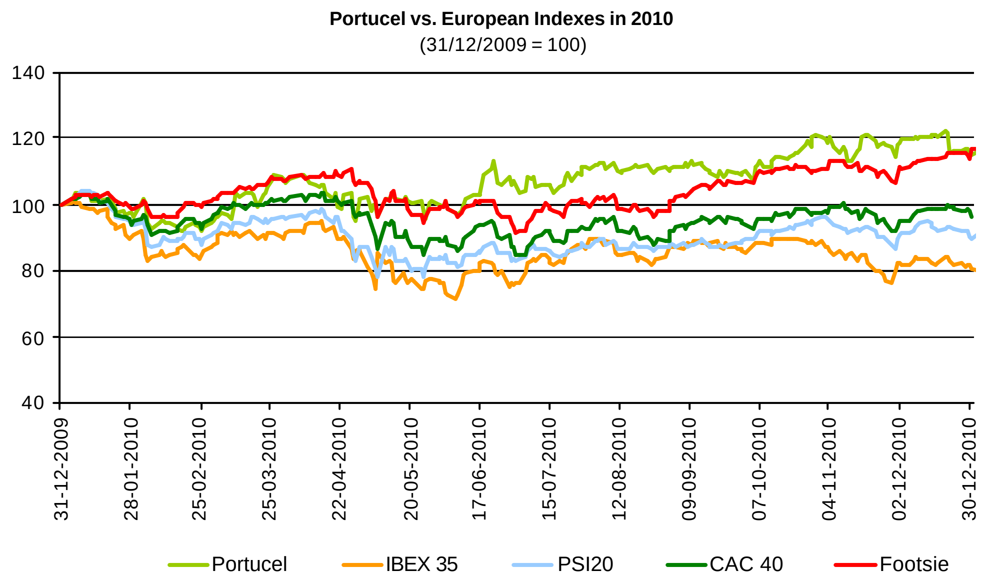
6. SHARE PRICE

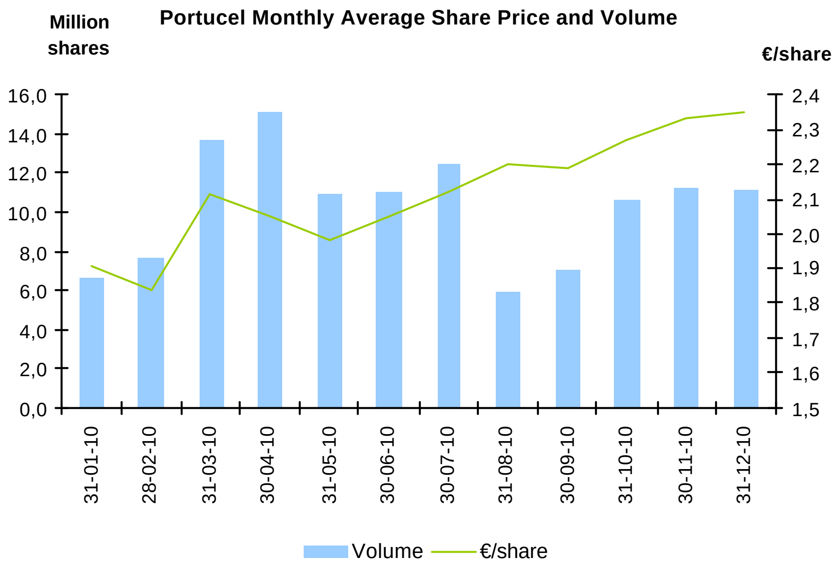
The shares of companies in the pulp and paper industry performed well in 2010, especially in Europe, recording substantial gains over the course of the year. The HX Paper & Forest index, featuring the shares of the three main Scandinavian companies in the sector, was up by approximately 56% over the year. This performance was in contrast to that of the main companies in Latin America, where some of the main Brazilian producers recorded significant losses in their share prices.

The main European stock exchanges ended 2010 with no single trend emerging. The London and Frankfurt exchanges recorded gains respectively of 14.0% and 16.1%, whilst the exchanges of peripheral countries were down by 17.4%, in the case of the IBEX 35, and 10.3% in the case of Portugal's PSI20. The French CAC 40 index dropped some 3% whilst the Euronext 100 and Eurostoxx 50 indexes held relatively stable.

In this environment, Portucel shares ended the year up 15%, recording the third largest gain on the PSI20 index. The lowest price for the year was 1.824€/share during the 1st quarter (on 25 February), after which the shares moved consistently upwards, reaching a high of 2.415€/share (on 20 December). Average trading stood at 480 thousand shares per day.

At the end of November, after a period during which they were unavailable for trading, a further 230 250 000 shares, representing 30% of Portucel's share capital, were admitted for trading on Euronext Lisbon. The trading restriction had been imposed by Resolution of the Council of Ministers no. 194/2003, of 30 December, concerning the 2nd phase of Portucel's privatization, imposing a five-year restriction on trading in the shares acquired by Seinpart SGPS, SA. On expiry of this period, these shares were admitted to trading, without any change taking place in the shareholder structure of the company.





7. OUTLOOK

Overall expectations for growth in the world economy in 2011 remain generally positive, although this growth is expected to be distinctly uneven. Strong growth is expected in Asia, driven by internal demand in these countries, which remains extremely robust, leading in turn to lively demand for commodities and sustaining the growth of export-oriented countries. Growth is also expected to be stronger in the USA than in Europe, with a clear divergence between the central and peripheral countries in this region.

In the Euro zone, which is the Portucel group's main market, forecasts point to moderate growth, spread unevenly through the region, whilst several factors of uncertainty could have a negative impact. These include the performance of the euro against other currencies, especially the US dollar, the impact of budgetary consolidation measures currently underway in many European countries, restrictions on banking finance for the economy and the financial crisis in peripheral countries.

In contrast, economic indicators in the US have improved and growth is expected to be more robust, supported by stronger internal demand and a gradual recovery of the employment market. At the same time, the authorities remain committed to an expansionist economic policy and the financial and business sectors are better prepared to support growth than in the Euro zone.

In this setting, expectations for the Group's paper business over the coming months have to remain prudent. Budgetary consolidation measures, currently being applied across much of Europe, combined with the low or negative economic growth expected in the peripheral countries of the Euro zone, which are important markets for the Portucel Group, could have a negative influence on consumption.

Continued high unemployment in Europe and the US also exerts significant downwards pressure on paper consumption, especially in the case of office stationery, a segment which accounts for more than 50% of the Group's sales.

At the same time, the start-up of new production capacity in Asia could cause a degree of imbalance in the market, especially if the EUR/USD exchange rate moves in a direction unfavourable to European producers, undermining their competitiveness in overseas markets, especially in the Middle East and Northern Africa, which have been an important destination for European exports.

Finally, future trends in pulp prices, where high levels have served to sustain sales prices for paper, could have a significant impact on business.

The main source of uncertainty in the pulp market lies in the sustainability of demand from China. The slight slowdown in consumption in the Chinese market, observed over nearly all of 2010, combined with resumed production which had been temporarily closed down, has caused a measure of imbalance, resulting in price adjustments. In addition, expanding paper production capacity in Asia, especially in China, and the closure of obsolete plant currently underway in the country could help to sustain demand in the medium term. The recovery in Chinese imports in later 2010 offered a positive indicator of this tendency.

It should nonetheless be stressed that the Group's decision to move further along the value chain, significantly increasing its paper output, integrating an increasing quantity of pulp in paper and expanding its energy output, results in a reduced exposure to the volatility of the pulp market.

In the energy sector, with the start-up of the new steam turbine for the biomass-fuelled cogeneration plant at the Figueira da Foz industrial complex, the Group has completed its investment programme in this area, constituting a firm commitment to its own sustainable growth. With its newly augmented capacity, the Group will be able to generate the equivalent to approximately 5% of all power generated in Portugal, most of it obtained from renewable resources – forestry biomass and operating by-products.

As detailed above, the Group is also pressing ahead with analysis of possibilities for international expansion in the southern hemisphere, so as to be able to take the relevant decisions with the necessary degree of security.

Setúbal, 31 January 2011