DIVULGAÇÃO DOS RESULTADOS DO 1º SEMESTRE 2011

INTERIM RESULTS 1ST HALF 2011

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PORTUCEL

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SOCIEDADE ABERTA

PUBLIC LIMITED COMPANY

MATRICULADA SOB O Nº 0588/20001204 NA CONSERVATÓRIA DO REGISTO COMERCIAL DE SETÚBAL | N.I.P.C. 503025798 | CAPITAL SOCIAL € 767 500 000

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Highlights in relation to 1st half 2010:

- Group turnover grows by 12.6%
- EBITDA of € 199.2 million, up by 11.8%
- Net profit of € 97.6 million, up by 8%
- Net debt down by € 131.3 million
- Net Debt / EBITDA ratio of 1.3
- Increased share in the European paper market
- Sales of premium products still growing and mill brands hit new record

Financial Highlights – IFRS

Million euros	1st half 2011	1st half 2010	% Change [5] H1 11/ H1 10
Total sales	739.6	657.1	12.6%
EBITDA [1]	199.2	178.2	11.8%
Operating profits	125.3	125.8	-0.4%
Financial results	- 9.4	- 12.1	-21.9%
Net earnings	97.6	90.4	8.0%
Cash Flow [2]	171.5	142.8	20.1%
Capex	10.0	51.5	-41.6
Net debt [3]	548.2	679.5	-131.3
EBITDA / Sales (%)	26.9%	27.1%	
ROS	13.2%	13.8%	
Equity ratio	51.4%	50.1%	
Net Debt / EBITDA [4]	1.3	2.3	

	Q2 2011	Q1 2011	% Change [5] Q2 11 / Q1 11
Total sales	370.3	369.2	0.3%
EBITDA [1]	95.4	103.8	-8.1%
Operating profits	58.5	66.7	-12.3%
Financial results	- 3.0	- 6.5	-54.1%
Net earnings	46.2	51.4	-10.2%
Cash Flow [2]	83.0	88.5	-6.2%
Capex	5.3	4.7	0.6
Net debt [3]	548.2	586.2	-38.0
EBITDA / Sales (%)	25.8%	28.1%	
ROS	12.5%	13.9%	

(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

1st Half 2011 vs 1st Half 2010

The Portucel Group recorded consolidated sales in the first half of 2011 of €739.6 million, representing growth of 12.6% over the same period in 2010. This growth resulted from positive performance in the Group's uncoated woodfree printing and writing paper (UWF paper) business, in terms of both quantities sold and sales prices, and also from growth in energy sales.

Output of UWF paper from the new mill in Setúbal has continued to rise, resulting in an increase in the quantities placed on the market. This growth in sales of UWF paper combined with a recovery in sales prices – the benchmark index for the European market, PIX Copy B, published by Foex, was up by an average of 10.8% on the same period in 2010 – resulted in an increase of approximately 16% in the value of paper sales in relation to the first half of 2010.

Despite increased integration of bleached eucalyptus kraft pulp (BEKP) into production at the new UWF paper mill in Setúbal, as planned, the Group still recorded an increase in pulp sales in relation to the first half of the previous year, when BEKP output had been hit by difficulties in obtaining supplies of timber for the Group's plants, due to the adverse weather conditions prevailing at the time, especially in the 1st quarter. However, the Group's average sale price dropped slightly in relation to the 1st half of the previous year, in line with the market, resulting in a reduction of around 3.5% in the value of pulp sales.

In the energy segment, sales grew in value by 15.0% thanks to the conclusion, in the second half of 2010, of several projects in this area, with the new facilities now fully operational.

On the costs side, evolution was unfavourable in relation to the same period in 2010, due to rising costs for certain factors of production, in particular chemicals and timber. In the case of timber the situation was aggravated by the need to increase imports, due to a shortfall in supply on the Portuguese market.

Consolidated EBITDA stood at € 199.2 million, up by 11.8% over the same period in 2010, resulting in an EBITDA / Sales margin of 26.9%, slightly down on the 1st half of 2010, reflecting the increase in costs previously mentioned. Operating results were practically unchanged at € 125.3 million.

The Group recorded a negative financial result of € 9.4 million, compared with a similarly negative result of € 12.1 million in the first half of 2010. This positive evolution was due essentially to the significant reduction recorded in net debt.

Net consolidated income for the period accordingly totalled € 97.6 million, representing growth of 8.0% over the first half of 2010.

2nd Quarter 2011 vs. 1st Quarter 2011

Despite the slowdown in demand for UWF paper in the European market, especially in the 2nd quarter, the Group has enjoyed continued success in placing its paper, expanding its market share and recording growth in sales in quantity. This expansion, combined with the slight increase in prices from March onwards, resulted in growth in the value of paper sales of over 6%. Growth in the quantities sold in relation to the 1st quarter was made possible by an increase in the paper output of the new Setúbal paper mill, and by the fact that the production stoppages for mill maintenance took place during the 1st quarter of 2011.

The Group also recorded positive performance in BEKP business, not only in quantities, but also in value, which grew by approximately 11% in the 2nd quarter. The high production of pulp in the 2nd quarter which, combined with a reduction in stocks, allowed for increase in sales, despite the growth in paper output and the increase resulting in internal consumption of pulp.

Energy sales also performed well, growing by over 4.5% in the quarter.

The Group's good operating performance is not fully reflected in the value of sales, due to an accounting adjustment between quarters, without any impact on results.

On the cost side, the upward tendency in timber and chemicals costs continued. Costs were also affected by a number of non-recurrent factors, including the accrual for variable remuneration items.

In this context, EBITDA was down by 8.1% on the previous quarter, and operating results fell by 12.3%.

Net income for the quarter totalled € 46.2 million, down by 10.2% on the 1st quarter of the year.

2. MARKET ANALYSIS

2.1 UWF Paper

The European market for UWF paper recorded a sharp drop in demand in the first 6 months of the year, estimated at approximately 5%, with the cut-size segment proving the most resilient. The contraction in demand was especially severe in the second quarter, with no relief in export markets, which were hard hit by falling USD prices and by the evolution of the USD/EUR exchange rate. European industry felt the effects of this situation, and orders from within the European region were at their lowest for recent years, pushing down the occupancy rate for production capacity by 2 percentage points to 92% for the first half as a whole, and down to a monthly figure of approximately 90% for June.

Pressure continued to build up in the costs of the main factors of production, significantly undermining the continued profitability of plants run by companies in the sector.

Price increases during the second half of 2010 and in April 2011 resulted in a 10.8% hike in the PIX Copy B index, to an average figure of 864.53 €/ton in the first half of 2011, as compared to 780.24 €/ton in the same period in 2010.

The Portucel Group managed to counter this negative environment and recorded growth in sales in quantities, making for a 15% increase in the overall value of paper sales. A significant portion of its additional sales was placed in European markets, despite the sharp drop in demand, allowing the Group to expand its market share, by an estimated additional 30 thousand tons.

The product mix also evolved favourably, with sales of premium products growing by two percentage points over 2010. The Portucel Soporcel group also recorded its best-ever figures for sales of mill brands, which in the first half of 2011 accounted for 65% of all cut-size sales.

2.2 BEKP Pulp

Listed prices in the BEKP pulp market held steady over the first half: USD 850/ton CIF Europe in the 1st quarter, rising in the second quarter to USD 880/ton CIF Europe.

The continued health of the pulp market was sustained essentially by the exchange rate against the USD of the currencies of the main pulp producing countries, and above all the currencies of South American countries, the main producers of short fibre, by the continuing low level of stocks at users and ports and by relatively lively demand from China, specially for long fibre. This fibre is being used to substitute dissolving fibre, for which prices have reached very high levels. Rising long fibre prices had the end result of sustaining the rise in short fibre prices.

The Group's BEKP pulp sales in the 1st half of 2011 were comfortably above the target for the period, representing an increase of more than 2% in relation to the same period in 2010.

The breakdown of BEKP pulp sales by paper manufacturer segments shows that the Group continues to enjoy success in focussing on segments with greater value added – special papers – where the Group recorded the majority of its sales, accounting for approximately 60%.

Sales figures by destination show that nearly all sales were made on European markets, home to manufacturers of higher quality papers with more exacting technical requirements, where the intrinsic qualities of the *globulus* pulp manufactured by the Group offers significant gains in value.

3. DEVELOPMENT

The Group remains committed to going ahead with integrated forestry, pulp and energy projects in the southern hemisphere. Of the wide range of possible locations, the Group has restricted its analysis to Uruguay, Brazil and Mozambique. The current state of progress in each of these locations is as follows:

3.1 Uruguay

The viability of this project depends on the State building a deep water port from which future output can be shipped. No development took place during the first half of 2010 and the Group continues to wait for the Uruguayan State to take a position on this matter.

3.2 Brazil

After the signing of a cooperation agreement with the State of Mato Grosso do Sul, the Group is pressing ahead with studies with a view to a project in this location. This project has recently run into a legal obstacle, insofar as the plan to acquire 200 thousand hectares of land cannot be implemented due to severe restrictions introduced in August 2010 on the purchase of rural property by foreign investors.

The Group is firmly committed to this project, and has continued to make the efforts needed to find a way around these difficulties.

3.3 Mozambique

The Group has pressed ahead with field work and trial plantations. This is another large-scale project, to be implemented over the time scale normal for undertakings of this kind.

4. FINANCIAL

At 30 June 2011, interest bearing net debt stood at € 548.2 million, down by € 104.5 million from year-end 2010 and by € 38 million from the end of the first quarter of 2011. This reduction in debt reflects the Group's capacity for generating cash flow and also a sharp reduction in the level of capital expenditure, after conclusion of the current phase in the major projects for Group expansion and modernization of its assets. The drop in free cash flow generation in the second quarter was due to a seasonal increase in timber stocks over this period, and to implementation of new payment terms for suppliers, with shorter payment periods in return for negotiated discounts, with reciprocal advantages for the Group and for the suppliers involved, but requiring a one-off hike in working capital.

Financial autonomy stood at 51.4% at the end of June and the Net Debt / EBITDA ratio at 1.3, representing an improvement in relation to year-end 2010 (1.6) and the first quarter of 2011 (1.4), and staying within conservative levels.

At 30 June 2011, the Group's gross long term debt stood at € 727.2 million, whilst debt maturing at less than 1 year totalled € 6.25 million. With its capacity to generate cash flow, as reported above, liquid assets in excess of € 140 million and credit facilities contracted of approximately € 80 million, the Group enjoys a good level of liquidity, allowing it satisfy its existing liabilities without further recourse to the debt market.

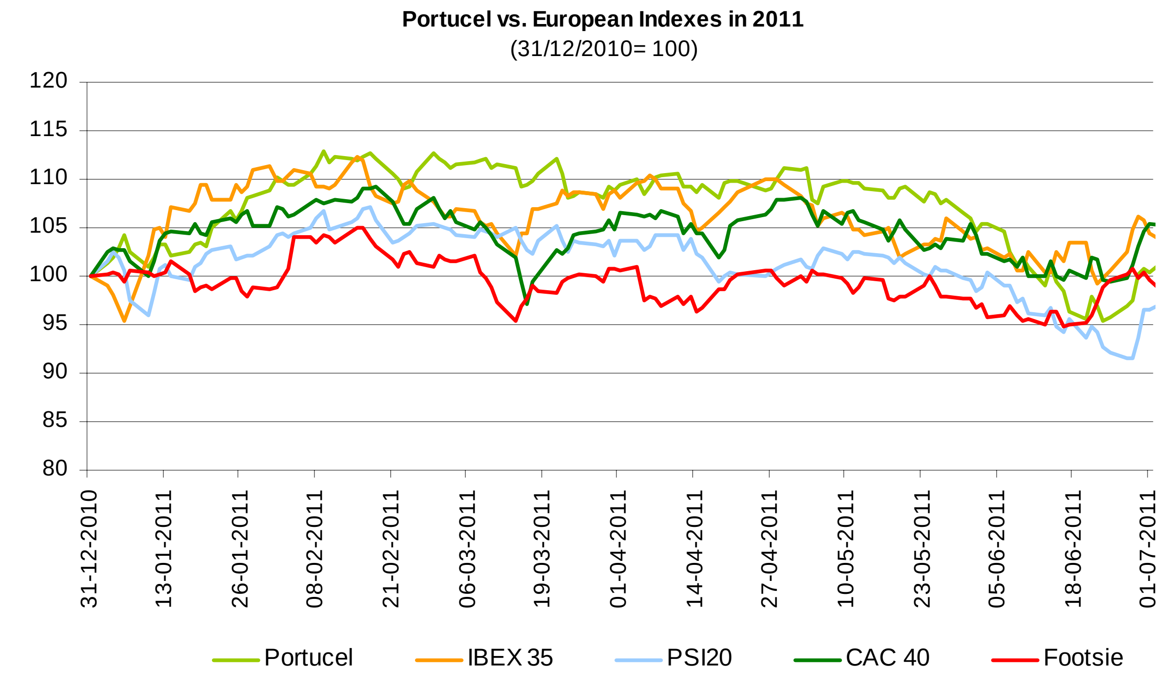
In addition, this financial situation gives the Group the flexibility needed to move on to a new cycle of development, if its current opportunities materialize, meaning it is well placed amongst the leading companies in this sector worldwide.

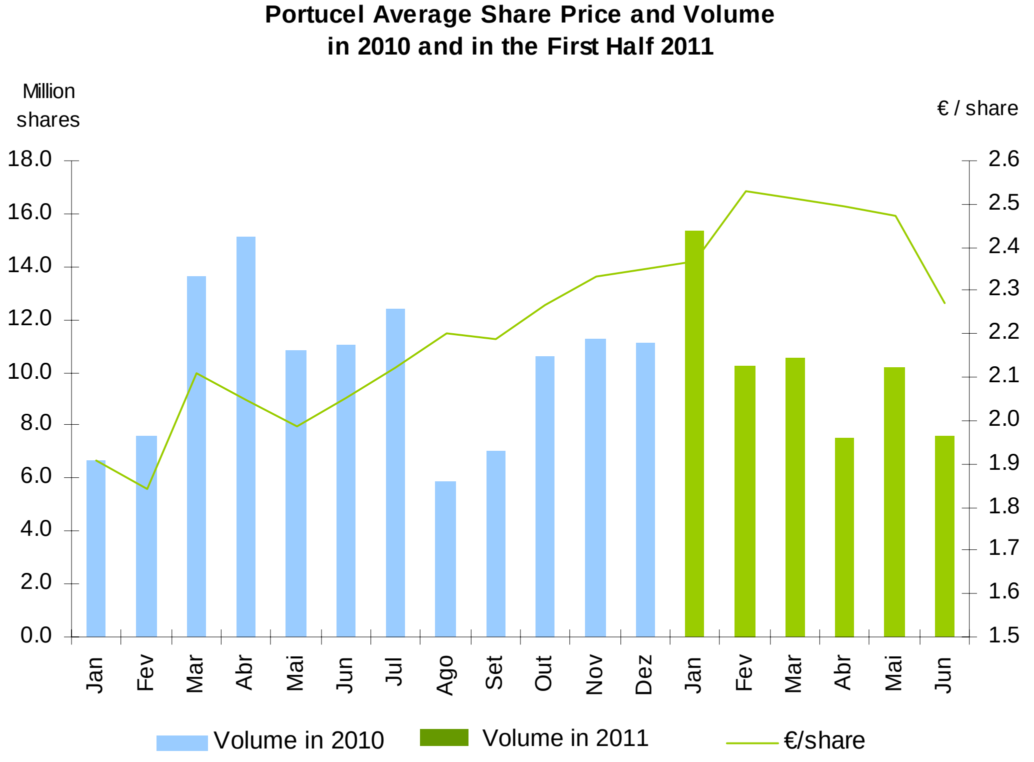
5. CAPITAL MARKETS

After its extremely positive stock market performance in the first quarter, with a gain of 8.9%, shares in Portucel, like those of most companies in the sector, experienced severe downwards adjustment in the second quarter, and mainly in June. The listed price ended the first half at 2.292€/share, 0.7% above its year-end value.

The leading companies in the pulp and paper sector recorded negative performance over the first half of the year. In Europe, the HX Paper & Forest index fell 3.5% over the period, whilst the shares of Brazilian producers recorded significant losses, in excess of 20%. North American manufacturers were the best performers over the first half.

The PSI20 recorded a loss of 3.5%, over the first half of 2011, in contrast with other European stock exchanges. Frankfurt, Paris, Madrid and London ended the first half with gains of 6.7%, 5.1%, 4.7% and 1.3%, respectively.





6. OUTLOOK

Expectations for overall growth in the world economy remain generally positive for 2011, although some of the more developed economies showed signs of cooling towards the end of the first half and major factors of uncertainty remain, most significantly the sovereign debt problems faced by a number of countries, rising commodity prices and a number of imbalances in the global economy.

In the Euro zone, the main indicators continue to point to business growth, albeit at a slower pace, as suggested by the cooling recently observed in the main economic indicators. Exports from this region continue to be sustained by the expansion of the world economy and internal demand is expected to contribute more strongly to growth, sustained by monetary policies which remain expansionist. However, the financial crisis in the outlying countries, which has deteriorated significantly in recent months, the effect of budgetary consolidation measures underway in a number of European countries, the tensions to be observed in the financial system and a possible slowdown in the pace of global economic growth are all factors generating considerable uncertainty, which may have an impact on Group business.

The US economy also slowed towards the end of the first half, partly due to high commodity prices and disruptions in the supply chain, caused by the earthquake in Fukushima, in Japan, in March of this year. Although a return to higher levels of growth is expected to be possible, a number of major risks continue to exist, in particular those relating to rising public debt, due to persisting foreign and budget deficits, which may require consolidation policies in the near future.

At the same time, the EUR/USD exchange rate, which has a significant impact on the Group's business, is going through a period of great uncertainty. The persistence of the twin deficits, the diverging monetary policies being pursued in the US and Europe and the fact that economic growth continues relatively more robust in Europe have caused the dollar to be systematically fragile against other currencies, and especially the euro. On the other hand, the worsening financial crisis in the peripheral countries of Euro Zone, which currently threatens to contaminate Spain and Italy, could create strong pressure on the European currency. These factors may be expected to result in marked volatility in the currencies of the main economic blocs.

The results of the Group's UWF paper business will reflect this situation of widespread uncertainty. In Europe, the process of budgetary consolidation, underway in most of the region's economies, although most severe in the peripheral countries, which are important markets for the Group, the high level of stocks and the added difficulties experienced by our main customers in financing their working capital, have been reflected in a sharp drop in consumption, expected to continue for the rest of the year. This reduction in consumption, combined with recent developments in BEKP prices, could put UWF paper prices under pressure in the second half.

The cooling of the US economy and the highly unstable conditions in North African and Middle Eastern markets, which account for a growing proportion of Group sales, could also have a negative impact on business.

However, we should stress that, despite this negative environment, the Group continues to operate at 100% of its production capacity, in contrast with occupancy levels for the industry in Europe of slightly over 90%. The closure of capacity by non-integrated paper manufacturers, expected to take place in the near future, could make an important contribution to the future sustainability of the European industry.

In the BEKP market, expectations point to slower demand in the 3rd quarter of the year, as reflected in the announcement of lower prices in early July, with an upturn expected towards the end of the year. These expectations are based on the apparent high level of pulp stocks at Chinese ports, which will have to be distributed, and weaknesses in the fabric of the European paper industry where, as we have seen, a number of non-integrated manufacturers are expected to close down capacity.

On the positive side, the tendency observed since 2009 for the currencies of the main pulp producing countries (short and long fibres) to rise against the USD and the absence of any significant increases in production capacity for BEKP pulp before the end of 2012 could be decisive in maintaining business operations and prices at a comfortable level.

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, 20 July 2011