

CONSOLIDATED RESULTS FOR THE FIRST HALF OF 2004

- **Consolidated turnover of €502 Million**
- **12% growth in office paper sales**
- **Group brands with 24% growth**
- **Net financial results improved by €12,3million**
- **Net results of €19,2 million**

Commercial activity

Portucel Soporcel Group consolidated turnover for the first half of 2004 was €502 million, a 3% decrease when compared to the same period last year. Paper business contributed with 71,4% of the global turnover.

The slow and moderate recovery of Euro zone economies, compounded by a strong valuation of the European currency against the USD resulting in a loss of competitiveness, determined this reduction in the Group's total consolidated turnover and profitability.

Western Europe producers of uncoated woodfree fine papers increased their sales by 3%, or 110 thousand tonnes, when compared to 1st half of 2003; the unfavourable evolution of Euro/USD exchange rate led to a fall of around 50 thousand tonnes in sales outside Europe and an enlarged focusing in the domestic market, which increased 160 thousand tonnes. Despite some rise in demand, this balance between exports and imports impacted negatively on product mix and average sales price.

The Group sold 477 thousand tonnes of paper, corresponding to a 5% growth compared to same period of last year, and was able to improve its product mix. As such, the weight of sheeted paper in total paper sales increased by 2 percentage points up to 82%, largely because of a 12% rise in office paper sales.

This increase in sheeted paper sales, both office papers and folio sheets, is highly connected to the results achieved by the Group's brands, which rose by 24%; it is worthwhile to refer the brands Navigator and Soporset showing 66% and 47% growth, respectively.

The Group's average paper sales price, being in line with the drop in average standard office paper price (PIX copy B), was 11% lower than in the 1st half of 2003.

The pick up in pulp demand during these six months allowed a dollar sales price adjustment, partially offset by the Euro/USD exchange rate effect. The Group sold 342 thousand tonnes of bleached eucalyptus pulp, representing an increase of 18% compared to the same period of last year. Average pulp sales price was 8% lower.

During this 1st half, the Group's pulp and paper production totalled 615 and 487 thousand tonnes, an increase compared to same period of last year of 44 and 28 thousand tonnes, respectively.

Financial indicators

In the first half of 2004, Portucel Soporcel Group reached an EBITDA of €107 million, €37 million less than the EBITDA generated in the first six months of 2003. The Group's EBITDA/Sales margin stood at 21%, 7 percentage points below last year's, but still comparing favourably with most European producers.

Cash flow totalled €88 million, which compares with €107 million in the 1st half of 2003.

The Group had net financial results of minus €10,2 million, meaning an improvement of €12,3 million when compared to the same period of last year's (- €22,5 million). Part of this improvement is due to a non-recurring item in the amount of around €4,7 million.

Net consolidated result reached €19 million, which compares with €31,7 million obtained in the same period of last year, reflecting pulp and paper price weakness throughout this first half.

Net debt at the end of the first half stood at € 998 million, a 1% increase when compared to end of June 2003.

Future perspectives

In a worldwide scenario of economic activity recovery, perspectives for the pulp and paper sector should be considered cautiously positive. The market is experiencing some signs of a pick up in demand that, once they are effective, could bring a price increase.

KEY INDICATORS

(Values in thousand €, except if otherwise indicated)	1 st Half 2004	1 st Half 2003	Change (%)
Total Sales	501 744	516 461	- 3%
Operating Results	38 548	70 017	- 45%
Net Financial Results	-10 191	-22 489	- 55%
Results before taxes	28 063	46 801	- 40%
Net Results	19 159	*31 718	- 40%
EBITDA	106 887	144 166	- 26%
EBITDA Margin	21%	28%	
Cash flow	87 791	106 594	- 18%
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Total Production (000 tons)			
Pulp	615	571	+ 8%
Paper	487	459	+ 6%
Quantities Sold (000 tons)			
Pulp	342	290	+ 18%
Paper	477	455	+ 5%
Change on average pulp price (base 100)	92	100	
Change on average paper price (base 100)	89	100	
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Net debt (million €)	998	985	+ 1%

* After minority interests