

**PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL, SA**

Publicly held company

Headquarters: Mitrena, Apartado 55, 2901-861 Setúbal

Corporate tax no. 503.025.798 – Share capital: 767.500.000 Euros

Registered at the Setúbal Companies Registry under no. 05888

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## **Portucel Soporcel Group Consolidated Results for the year 2004**

- Paper sales increase 4% in tonnes and decrease 4% in value
- Pulp sales increase 11% in tonnes and 2% in value
- Sales of sheeted paper grow up to 81% of total sales
- Net results totalled € 33,3 million
- Net debt decreased by € 75,5 million
- New annual production and sales records
- Improved unit production costs

### **Market evolution**

The uncoated fine paper European industry lived an apparently contradictory situation during 2004: a strong rise in demand parallel to a drop in average sales price.

Western European uncoated fine paper producers increased their total sales (to European and non-European markets) by 4.7% (or 330 thousand tonnes) when compared to 2003. This growth was supported by a 4.1% increase (245 thousand tonnes) in the domestic market and a 31% rise (98 thousand tonnes) in sales to other European markets, which overbalanced the 1% reduction (10 thousand tonnes) in exports to non-European markets.

The continuous strengthening of the euro enhanced competitiveness of non-euro zone producers; consequently, Western Europe witnessed an increased competition that pushed prices down, notwithstanding significant rise in demand.

Standard office paper average price index in Europe (PIX) was 9% lower than in 2003.

During 2004, market pulp demand rose significantly in non-European markets, particularly in China. However, European Union saw a more moderate growth, much in line with economic activity; this impacted on orders' level put to European producers, who already showed decreased competitiveness, due to stronger euro against the dollar.

So, despite the slight recovery of eucalyptus pulp average price quoted in USD – the highest since 2001 –, the valuation of the euro (more than 8% through the year) strongly eroded the average price in euros, giving birth to the worst prices in the last five years.

## **Sales**

In this context, the Group's paper business performance in 2004 was highly positive, both in terms of quantities sold and product mix.

Total paper sales increased 4% up to 976 thousand tonnes; sheeted paper weighed 81% (versus 66% average weight in the European industry) and premium products weighed 60% in total sales.

By rising 57 thousand tonnes up to 41% of total sales of sheeted paper, the Group's paper brands assumed an outstanding position.

The favourable price evolution in the USA partially offset the strong price fall in Europe; consequently the Group's global average price dropped by 8%

On what concerns pulp business, the Group consolidated its position in the European market, increasing its sales by 10,9%, when compared with 2003; pulp sales totalled 608 thousand tonnes.

Pulp and paper price erosion resulted in a € 19,7 million fall in total turnover, despite the Group's good performance in terms of pulp and paper quantities sold.

Portucel Soporcel Group consolidated turnover reached € 980,9 million, a 2% decrease compared to last year. Paper business contributed with € 721 million, or 75,4%, for total turnover.

## **Production**

The Group reached new annual production records, with a total of 1.254 thousand tonnes of pulp and 982 thousand tonnes of paper produced, representing a growth of respectively 2,5% and 4,1%, compared to last year.

This good production performance was accompanied by an operating efficiency improvement, with unit production costs decreasing by 4,2% and 4,3% respectively for paper and pulp.

## **Full year results**

Operating results reached € 66,6 million (€ 111,0 million in 2003), EBITDA totalled € 218 million (a 14,9% decrease versus 2003) and cash-flow totalled € 184,7 million (a 12,9% decrease versus 2003).

The Group's net consolidated result reached € 33,3 million (€ 66,8 million in 2003).

The Group's net debt decreased by € 75,5 million, or 8% compared to the end of 2003.

## Perspectives

High and volatile oil prices, political tensions in geo-strategic areas of the globe, the USA deficit, will continue to determine world economy evolution. In this context, economic growth in the near-term should be behind growth in 2004, mainly in European Union.

It is then estimated that uncoated fine paper demand in Europe will grow moderately compared to 2004, mainly driven by office papers, still with average products' price not above 2004 levels.

Exporting more than 90% of its production, the Group's results will continue to be strongly influenced by euro-dollar exchange rate evolution, once sales prices are highly linked to dollar while costs are mostly euro based.

## KEY INDICATORS

| (Values in million €, except if otherwise indicated) | 2004         | 2003         | Change (%)   |
|--|--------------|--------------|--------------|
| Total turnover                                       | 980,9        | 1.000,6      | -2,0%        |
| Operating results                                    | 66,6         | 111,0        | -40,1%       |
| Financial results                                    | -31,6        | -44,3        | +28,7%       |
| Pre-tax results                                      | 49,8         | 70,1         | -29,1%       |
| Net results  | 33,3         | 66,8         | -50,1%       |
| EBITDA   | 218,0        | 256,0        | -14,9%       |
| Cash flow  | 184,7        | 211,9        | -12,9%       |
| <b>Total production (thousand tonnes)</b>            |              |              |              |
| Pulp   | 1 254        | 1 223        | +2,5%        |
| Paper  | 982          | 943          | +4,2%        |
| <b>Quantities sold (thousand tonnes)</b>             |              |              |              |
| Pulp   | 608          | 548          | +10,9%       |
| Paper  | 976          | 938          | +4,0%        |
| Pulp average price (base 100)                        | 92           | 100          |              |
| Paper average price (base 100)                       | 92           | 100          |              |
| Euro-dollar exchange rate (base 100)                 | 90           | 100          |              |
| <b>Net debt (million €)</b>                          | <b>872,9</b> | <b>948,4</b> | <b>-8,0%</b> |