



*grupo* Portucel Soporcel

**INTERIM FINANCIAL INFORMATION**

**(UNAUDITED)**

**1<sup>ST</sup> QUARTER 2005**

PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL, S.A.

Sociedade Aberta

Capital Social: 767.500.000 Euros

NIPC: 503.025.798

Matriculada na Conservatória do

Registo Comercial de Setúbal com o nº05888

Sede: Mitrena, Apartado 55, 2901-861 Setúbal

**Consolidated Quarterly Information (Unaudited)**

Company: PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL,SA (Publicly held Company)

Head office: MITRENA - APARTADO 55, 2901-861 SETÚBAL

Corporate tax #: 503.025.798

Reference Period:

in Euros

1<sup>st</sup> Quarter

3<sup>rd</sup> Quarter

Beginning : 01/01/2005 End : 31/03/2005

Balance Sheet Summary	Consolidated			
	31-03-2005	31-12-2004	31-12-2004	Var. (%)
	IFRS	IFRS	POC	
<b>ASSETS</b>				
<b>Fixed Assets, net</b>				
Tangible Assets	1.207.268.850	1.229.816.479	1.232.336.647	(2)
Intangible Assets	378.633.853	378.500.530	372.503.374	0
Financial investments	449.330	603.503	3.813.751	(26)
<b>Accounts Receivable, net</b>				
Non Current	482.817	-	-	
Current	264.070.461	252.423.463	256.858.231	5
<b>EQUITY</b>				
<b>Share Capital</b>	767.500.000	767.500.000	767.500.000	
<i>Number of ordinary shares</i>	570.067.231	570.067.231	570.067.231	
<i>Number of other shares</i>	197.432.769	197.432.769	197.432.769	
<b>Own Shares</b>	53.679	53.679	53.679	
<i>Number of voting shares</i>	60.500	60.500	60.500	
<b>Minority Interest</b>				
<b>LIABILITIES</b>				
<b>Provisions</b>	17.466.817	17.152.222	19.827.678	2
<b>Accounts Payable, net</b>				
Non Current	780.514.985	826.951.100	827.034.700	(6)
Current	243.740.616	328.481.242	282.639.726	(26)
<b>TOTAL ASSETS (net)</b>	<b>2.214.350.974</b>	<b>2.300.264.151</b>	<b>2.326.206.318</b>	<b>(4)</b>
<b>TOTAL EQUITY</b>	<b>1.050.314.711</b>	<b>1.036.144.974</b>	<b>1.047.058.258</b>	<b>1</b>
<b>TOTAL LIABILITIES</b>	<b>1.164.036.263</b>	<b>1.264.119.178</b>	<b>1.279.148.060</b>	<b>(8)</b>

Profit & Loss Account Summary	Consolidada			
	31-03-2005	31-03-2004	31-03-2004	Var. (%)
	IFRS	IFRS	POC	
Sales	250.130.705	244.076.201	243.939.483	2
Cost of Goods Sold & Services Rendered	(158.094.104)	(167.474.577)	(159.264.547)	(6)
<b>Operating Result</b>	<b>33.517.630</b>	<b>24.302.530</b>	<b>19.560.665</b>	<b>38</b>
Financial Result, net	(10.882.002)	(3.140.967)	(2.952.134)	-
<b>Pre-tax Result</b>	<b>22.635.628</b>	<b>21.161.563</b>	<b>16.608.531</b>	<b>7</b>
<b>Extraordinary</b>	<b>-</b>	<b>-</b>	<b>(443.405)</b>	<b>-</b>
Income Tax <sup>(2)</sup>	6.581.557	7.605.335	4.786.380	(13)
Minority Interest	-	-	-	
<b>Net Profit</b>	<b>16.054.070</b>	<b>13.556.228</b>	<b>11.378.746</b>	<b>18</b>
<b>Earnings per share</b>	<b>0,02</b>	<b>0,02</b>	<b>0,01</b>	<b>18</b>
<b>Self Financing <sup>(3)</sup></b>	<b>47.825.358</b>	<b>41.415.050</b>	<b>44.887.602</b>	<b>15</b>

<sup>(2)</sup> Income tax estimate

<sup>(3)</sup> Self Financing = Net Profit + Amortization + Provisions



*grupo* Portucel Soporcel

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

Publicly held company

Headquarters: Península da Mitrena, Freguesia do Sado, Setúbal

Corporate tax # n° 503.025.798 – Share Capital: 767.500.000 Euros

Registered with the Setúbal Companies' Registry under the # 05888

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### **Grupo Portucel Soporcel Consolidated Results for the 1<sup>st</sup> quarter 2005**

#### **Sales**

Within a slow and moderate growth global economy, namely in Europe, total Group's sales, in the 1<sup>st</sup> quarter of 2005, reached € 250 million, 2% above the same period of last year. Paper sales weighed 68,0% in total turnover, equivalent to € 170 million, pulp sales weighed 24,4%, and the remaining 7,6% came mostly from production and sale of energy, mainly extracted from biomass.

In these first three months of the year, a total of 231 thousand tonnes of paper were sold, 2% more than in the 1st quarter of 2004, despite there has been, in Western Europe, a 3,4% decrease in the demand of uncoated woodfree printing and writing fine papers, according to specialized publications. Sheeted paper sales accounted for more than 82% of total paper sales, softening the effect of price decrease against the same period of the previous year. In fact, the Group's average paper sales price dropped by 4%, when average standard office paper price in Europe fell over 6% compared to the 1st quarter of 2004. Consequently, total paper sales decreased 2% in value.

Pulp sales totalled 159 thousand tonnes, a drop of 10% (or 18 thousand tonnes) compared to the same period of last year; the high inventory level last year that allowed sales above production capacity explains this. Consequently, although the Group's average pulp price has risen in line with international market - 15% along the quarter and 4% compared to the 1st three months of 2004 -, pulp sales decreased 6% in value.

## **Production**

Pulp and paper production totalled 315 thousand tonnes and 242 thousand tonnes, respectively, meaning rises of 4% and 3% compared to the 1<sup>st</sup> quarter of last year. The Group pursued with its efficiency improvements policy towards production cost reduction.

## **Results**

As per current legislation, Portucel SA prepared its financial information in accordance with International Financial Reporting Standards (IFRS). Portucel has already communicated to the market the main impacts of the transition from POC to IFRS and is disclosing, together with this document, the restatement of the share capital in January 1, 2004 and January 31, 2004, and of 2004 Net Results as well.

In general, main financial indicators performed well: EBITDA, Operating Results and Net Results increased by 25%, 38% e 18% respectively. We should also enhance the reduction of € 129,2 million in net debt, when compared to end March 2004. EBITDA margin rose 5 percentage points up to 26%.

The Group had net financial results of minus € 10,9 million; non-recurring operations in the 1<sup>st</sup> quarter of 2004 explain the difference.

Investments totalled € 9,6 million, very similar to previous year.

In the General Meeting held on April 19<sup>th</sup> this year, the 2004 annual report and accounts were approved as well as the distribution of results, including an amount of € 28,5 million to be paid as dividends.

## **Perspectives**

Perspectives for the pulp and paper sector activity should continue to be cautiously considered, depending very much on the strength and euro-dollar evolution. In the lack of economic recovery significant signs, a moderate growth in demand of uncoated fine paper in Europe is forecasted.

**KEY FIGURES**

(Values in thousand €, except if otherwise indicated)	1st Quarter 2005 (IAS)	1st Quarter 2004 (IAS)	Change (%) 1Q 05 / 1Q 04
Total Sales	250 131	244 076	+2%
Operating Result	33 518	24 303	+38%
Financial Result	(10 882)	(3 141)	-
Pre-tax Result	22 636	21 162	+7%
Net Result	16 054	13 556	+18%
EBITDA	65 289	52 161	+25%
Cash flow	47 825	41 415	+15%
<b>Total Production (tonnes)</b>			
Pulp	315 338	302 772	+4%
Paper	242 389	234 900	+3%
<b>Quantities sold (tonnes)</b>			
Pulp	158 892	177 288	-10%
Paper	231 131	227 009	+2%
Change on average pulp price (base 100)	104	100	
Change on average paper price (base 100)	96	100	
<b>Net Debt (million €)</b>	<b>846</b>	<b>976</b>	<b>-13%</b>

## Main effects resulting from the adoption of International Financial Reporting Standards

The differences between the Portuguese Accounting Principles (POC) and the International Financial Reporting Standards (IFRS) identified by Grupo Portucel Soporcel, and their effect in shareholders' equity on transition date (January 1, 2004), net of deferred tax, are the following:

	10 <sup>3</sup> Euros
<b>Shareholders' Equity on January 1, 2004 (POC)</b>	<b>1.102.873</b>
Intangible assets	(10.372)
Available-for-sale financial investments	9.058
Financial instruments	(86)
Retirement and survivors' pension plans	(22.269)
Fair value of the forest	(42.638)
Other	201
Total adjustments	(66.106)
<b>Shareholders' Equity on January 1, 2004 (IFRS)</b>	<b>1.036.767</b>

The adoption of IFRS has an impact of around €21.663 thousand on Net Results, as follows:

	10 <sup>3</sup> Euros
<b>Net Result for the year 2004 (POC)</b>	<b>33.337</b>
Amortisation of intangible and tangible assets	3.992
Cancellation of the amortisation of goodwill	17.125
Change in financial instruments fair value	1.669
Adjustment in increase/decrease of inventories by difference in amortisations	179
Adjustments related to deferred taxes	(1.302)
<b>Net Result for the year 2004 (IFRS)</b>	<b>55.000</b>

The reconciliation of the effects of the transition to IFRS in Shareholders' Equity on December 31, 2004, is as follows:

	10 <sup>3</sup> Euros
<b>Shareholders' Equity on December 31, 2004 (POC)</b>	<b>1.047.058</b>
Adjustments in Shareholders' Equity on January 1, 2004	(66.106)
Adjustments in intangible assets	(67)
Adjustment by sale of available-for-sale financial investments	(9.058)
Change in fair value of financial instruments	210
Difference in 2004 result	21.663
Reversion of the fair value of the forest	42.638
Other	(193)
Total adjustments	(10.913)
<b>Shareholders' Equity on December 31, 2004 (IFRS)</b>	<b>1.036.145</b>