

CONSOLIDATED RESULTS FOR THE FIRST HALF OF 2001

KEY INDICATORS

| (Values in thousand €, except if otherwise indicated) | 1 st Half 2001* | 1 st Half 2000 | % Change |
|---|----------------------------|---------------------------|-------------|
| Turnover | 529 417 | 254 077 | +108% |
| Operating results | 108 880 | 59 934 | +82% |
| Financial results | -19 711 | -7 571 | na |
| Results before taxes | 83 147 | 50 008 | +66% |
| Net results** | 55 699 | 36 985 | +51% |
| EBITDA | 175 633 | 88 522 | +98% |
| Cash flow | 127 112 | 67 326 | +89% |
| <hr/> | | | |
| Total Production (000 tons)*** | | | |
| Pulp | 566,2 | 537,7 | +5,3% |
| Paper | 417,1 | 290,7 | +43,5% |
| Sales in quantity (000 tons) | | | |
| Pulp (in bales) | 243,7 | 364,4 | -33,1% |
| Paper | 411,8 | 282,1 | +46,0% |
| Average pulp price (€) | 540 | 619 | -13% |
| Average paper price (000 Pte/ton) | 187 | 172 | +9% |

* values reflect 100% consolidation with Soporcel

** results for the first half of 2001 do not include any goodwill amortization since there are evaluations still being made in order to assess its total value

*** production and sales in quantity of both Portucel and Soporcel

RELEVANT FACTS

At the end of the year 2000, very important steps were taken towards the consolidation of the Company's strategy of downstream integration. On the one side, the merger between Portucel Industrial (the Company has changed its name in the meantime to Portucel) and Papéis Inapa (currently extinct) was accomplished. On the other side, the Company made the acquisition of Arjo Wiggins Appleton's 40% participation in Soporcel, established an agreement with Papercel (the holding that controls the State participations in this industry) in order to acquire another 40% stake, and announced the launching of a public bid to acquire Soporcel's remaining share capital.

It was in this context that, during the first half of 2001, the acquisition of the remaining 20% of Soporcel share capital was accomplished. This operation was successful, with Portucel becoming the owner of 99.4% of that company's share capital. Currently, Portucel holds 100% of Soporcel share capital, after the compulsory acquisition of the remaining 0.6% shares.

Therefore, Portucel's first half accounts for 2001 already reflect the contribution of Soporcel, as a result of the full acquisition of its share capital.

It is also important to enhance the participation of Portucel in the privatisation process of 24.99% of Ence's share capital. Although Portucel was not the winner, the recognition of the quality of its offer was substantiated through the celebration of an agreement of industrial co-operation between both companies.

NET RESULTS OF €56 MILLION (11,1 BILLION PTE)

In the first half of 2001, the general slowdown of economic activity and the high level of inventories had a negative influence in pulp prices; compared with the first half of 2000, the price showed a 13% fall.

Although affected by falling pulp prices, paper prices registered a positive development which, in terms of the products sold by the group PortucelSoporcel, was translated into a 9% increase when compared to the first half of 2000.

The conjugation of these two factors allowed the group to register in the first half of 2001 a net result of approximately € 56 million (11,1 billion Pte), a 51% increase when compared to the same period last year. The paper business was decisive in the attainment of such results.

Operating results stood at € 109 million (22 billion Pte), 82% more than in the same period in 2000, with results before taxes achieving € 83 million (17 billion Pte), 66% above the value achieved in 2000.

The negative financial results of approximately € 20 million (around 4 billion Pte) reflect the increase in financial costs associated with the acquisition of 100% of Soporcel share capital.

In order to finance this acquisition, which amounted to €1 154 million (232 billion Pte), Portucel approved, in an Extraordinary General Assembly on July 2nd 2001, an increase in its share capital of € 332,5 million (67 billion Pte), that will take place during the third quarter of 2001.

A second increase in share capital will be submitted to the shareholders after Portucel's second privatisation phase is completed. This will allow the Company to continue to position itself favourably when compared to its international competitors.

HIGH ABILITY TO GENERATE FUNDS SHOWN BY AN EBITDA OF €176 MILLION (35 BILLION PTE)

In the first half of 2001, PortucelSoporcel achieved an EBITDA of approximately € 176 million (35 billion Pte) and a cash flow of € 127 million (25 billion Pte); it is important to enhance that the EBITDA margin achieved in this first quarter was 33%, a value that is close to the margin achieved in the same period last year, but in a totally different context

of economic and market conditions. The contribution of Soporcel, with an EBITDA of €108 million (22 billion Pte) was extremely important. Soporcel, alone, saw its EBITDA grow approximately 8% when compared to the same period last year.

PORTUCEL DOUBLES ITS TURNOVER

The group PortucelSoporcel achieved total consolidated sales of approximately €530 million (106 billion Pte), representing the double of the turnover achieved in the first half of 2000, with Soporcel's contribution being €304 million (61 billion Pte). Soporcel's turnover reflects a 32% increase when compared to the first half of 2001 and expresses the result of the integration of the company's activities, made possible through the starting of the new paper machine.

Sales of pulp in bales totalled approximately 244 thousand tons, while paper sales reached 412 thousand tons.

Paper sales now represent around 75% of PortucelSoporcel total sales value, a fact that clearly shows a profound change in the sale structure when compared to the previous year and also implies a diminished exposure to pulp prices.

Total pulp production was 566 thousand tons, with Portucel producing approximately 331 thousand tons and Soporcel 235 thousand tons.

Production of paper totalled 417 thousand tons, 123 thousand tons produced by Portucel and 294 thousand tons by Soporcel.

FUTURE PERSPECTIVES

After a positive evolution during the month of June, Norscan inventories stand at 1,78 million tons, slightly above the 1,5 million tons considered to be the equilibrium level in this industry. An even more disciplined behaviour from producers may lead the market, in the second half of 2001, into a situation of greater equilibrium between supply and demand.

In terms of the paper business, it is possible that a relative fall in prices will occur, namely during the Summer period, in a context of slowdown of economic activity; nevertheless, it is foreseeable that positive results will be attained in the rest of the year.

The deepening of the integration process between Portucel and Soporcel will allow the capture of very significant synergies, already identified, that will improve the group competitive position, allowing a better response to different market conditions, softening the impact of negative cycles and improving results in the upturns.

The group PortucelSoporcel expects that the second half results will justify, as it did in the first half, the strategic rationale of integration into paper followed by the Company.

PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL, SA (SOCIEDADE ABERTA)
CONSOLIDATED BALANCE SHEETS AS OF 30TH JUNE 2001
 (Amounts stated in thousands of Euro)

| ASSETS | Gross assets | 2001 Depreciation and provisions | Net assets | 2000 Net assets |
|--|-------------------------|---|-----------------------|--------------------------------|
| FIXED ASSETS: | | | | |
| Intangible assets: | | | | |
| Incorporation expenses | 36 707 237 | 27 799 912 | 8 907 325 | 1 192 850 |
| Research and development expenses | 35 858 183 | 20 179 965 | 15 678 218 | 11 543 216 |
| Industrial property and other rights | 2 042 317 | 1 595 845 | 446 473 | 3 512 |
| Assignment | 546 392 086 | | 546 392 086 | 0 |
| Intangible assets in progress | 4 957 398 | | 4 957 398 | 5 777 711 |
| Advances to suppliers of intangible assets | 29 998 | | 29 998 | |
| | 625 987 219 | 49 575 721 | 576 411 498 | 18 517 288 |
| Tangible fixed assets: | | | | |
| Land and natural resources | 134 756 855 | 73 473 | 134 683 382 | 98 640 486 |
| Buildings and other constructions | 364 481 733 | 128 590 581 | 235 891 153 | 95 385 471 |
| Machinery and equipment | 1 866 684 931 | 1 150 237 159 | 716 447 773 | 457 193 978 |
| Transportation equipment | 30 334 641 | 18 212 070 | 12 122 571 | 3 392 848 |
| Tools and dies | 3 364 300 | 2 920 532 | 443 768 | 1 832 544 |
| Administrative equipment | 26 144 093 | 20 137 637 | 6 006 456 | 4 210 353 |
| Returnable containers | 162 838 | 63 281 | 99 557 | 118 350 |
| Other tangible fixed assets | 10 746 883 | 6 354 578 | 4 392 305 | 96 173 |
| Construction in progress | 59 547 898 | | 59 547 898 | 48 546 089 |
| Advances to suppliers of fixed assets | 2 755 369 | | 2 755 369 | 882 728 |
| | 2 498 979 542 | 1 326 589 310 | 1 172 390 232 | 710 299 019 |
| Financial investments: | | | | |
| Investments in affiliated companies | 1 600 648 | | 1 600 648 | 1 961 054 |
| Loans to affiliated companies | 92 278 | | 92 278 | 92 278 |
| Investments in associated companies | 932 161 | | 932 161 | 981 016 |
| Loans to associated companies | 451 530 | | 451 530 | 451 527 |
| Securities and other financial investments | 3 371 597 | | 3 371 597 | 1 689 344 |
| Advances on account of financial investments | | | 0 | |
| | 6 448 213 | 0 | 6 448 213 | 5 175 218 |
| INVENTORIES - Medium and long term: | | | | |
| Work in process | 288 422 104 | | 288 422 104 | 174 828 962 |
| Advances to suppliers of inventories | 4 138 283 | | 4 138 283 | 8 462 391 |
| | 292 560 387 | 0 | 292 560 387 | 183 291 353 |
| CURRENT ASSETS: | | | | |
| Inventories: | | | | |
| Raw materials and supplies | 74 314 106 | 0 | 74 314 106 | 41 021 433 |
| Work in process | 28 333 313 | | 28 333 313 | 4 844 724 |
| Subproducts and waste | 815 391 | | 815 391 | 704 452 |
| Finished and semi finished goods | 55 781 382 | 0 | 55 781 382 | 17 107 122 |
| Merchandise | 216 818 | | 216 818 | 163 257 |
| Advances to suppliers of inventories | 2 702 126 | | 2 702 126 | 1 773 845 |
| | 162 163 136 | 0 | 162 163 136 | 65 614 833 |
| Accounts receivable: | | | | |
| Accounts receivable from customers | 253 354 789 | 159 266 | 253 195 523 | 93 330 598 |
| Securities receivable from customers | 0 | | 0 | 20 575 |
| Doubtful accounts receivable | 4 519 934 | 4 242 380 | 277 554 | 58 579 |
| Group companies | 0 | | 0 | 0 |
| Participated companies | 0 | | 0 | 0 |
| Advances to suppliers | 12 298 022 | | 12 298 022 | 13 437 840 |
| Advances to suppliers of assets | 0 | | 0 | 720 329 |
| Public entities | 30 523 102 | | 30 523 102 | 13 184 520 |
| Other debtors | 13 822 665 | 32 098 | 13 790 567 | 8 172 898 |
| | 314 518 512 | 4 433 744 | 310 084 767 | 128 925 340 |
| Marketable securities: | | | | |
| Shares | 18 343 025 | | 18 343 025 | 18 343 023 |
| Other treasury applications | | | 0 | 2 768 029 |
| | 18 343 025 | | 18 343 025 | 21 111 052 |
| Banks and cash: | | | | |
| Banks | 45 642 916 | | 45 642 916 | 5 506 509 |
| Cash | 54 197 | | 54 197 | 48 688 |
| | 45 697 113 | | 45 697 113 | 5 555 197 |
| Accruals and deferrals | | | | |
| Accrued income | 4 567 680 | | 4 567 680 | 1 633 284 |
| Deferred costs | 13 438 324 | | 13 438 324 | 51 329 715 |
| | 18 006 004 | | 18 006 004 | 52 962 999 |
| Total amortisation and depreciation | | 1 376 165 032 | | 406 090 831 |
| Total provisions | | 4 433 744 | | 1 023 344 |
| Total assets | 3 982 703 151 | 1 380 598 776 | 2 602 104 375 | 1 191 452 300 |

PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL , SA (SOCIEDADE ABERTA)
CONSOLIDATED BALANCE SHEETS AS OF 30TH JUNE 2001
 (Amounts stated in thousands of Euro)

| EQUITY AND LIABILITIES | 2001 |
|---|----------------------|
| EQUITY: | |
| Share capital | 435 000 000 |
| Adjustments in investments in affiliated and associated compa | - 411 316 |
| Revaluation reserve | 38 450 314 |
| Legal reserve | 10 457 375 |
| Statutory reserve | 22 450 159 |
| Other reserve | -2 521 864 |
| Retained earnings | 86 867 759 |
| Net income for the year | 55 698 952 |
| Total equity | 645 991 379 |
| MINORITY INTERESTS | 78 325 696 |
| PROVISIONS FOR RISKS AND CHARGES | |
| Provisions for risks and charges | 6 547 485 |
| MEDIUM AND LONG - TERM LIABILITIES: | |
| Bank loans | 334 666 705 |
| Non-convertible bonds | 0 |
| Accounts payable to suppliers of fixed assets | 15 079 808 |
| Other creditors | 0 |
| | 349 746 513 |
| SHORT - TERM LIABILITIES: | |
| Non-convertible bonds | 0 |
| Bank loans | 755 355 575 |
| Advances from customers | 56 338 |
| Accounts payable to suppliers | 88 716 939 |
| Suppliers - invoices pending verification | 34 849 587 |
| Group companies | 44 190 157 |
| Other shareholders (partners) | 1 621 |
| Accounts payable to suppliers of fixed assets | 18 046 371 |
| Public entities | 35 843 058 |
| Other creditors | 476 540 418 |
| | 1453 600 064 |
| ACCRUED COSTS AND DEFERRED INCOME: | |
| Accrued costs | 49 940 396 |
| Deferred income | 17 951 840 |
| | 67 892 237 |
| Total equity, minory interests and liabilities | 2 602 103 374 |

PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL , SA (SOCIEDADE ABERTA)
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED ON 30TH JUNE 2001
 (Amounts stated in Euro)

| EXPENSES | 2001 | |
|--|--------------------|--------------------|
| Cost of materials consumed | | 212 723 255 |
| External services and supplies | | 100 865 781 |
| Payroll expenses: | | |
| Salaries and wages | 35 302 309 | 16 314 931 |
| Social charges | 19 620 926 | 9 125 143 |
| Depreciation and amortisation | 71 412 809 | 30 341 138 |
| Provisions | 1 179 467 | 19 742 |
| Taxes | 1 376 908 | 236 535 |
| Other operating costs | 2 302 418 | 223 656 |
| (A) | | 444 783 874 |
| Losses in group and associated companies | | 24 177 |
| Interest and similar costs: | | |
| Related to group companies | 3 278 382 | 479 574 |
| Others | 28 281 102 | 10 375 505 |
| (C) | | 476 367 535 |
| Extraordinary expenses | | 11 095 728 |
| (E) | | 487 463 263 |
| Income tax | | 28 809 849 |
| (G) | | 516 273 112 |
| Net result for the period | 55 698 952 | 36 985 076 |
| Minority interests | -1 361 494 | - 602 396 |
| | <u>54 337 458</u> | |
| | <u>570 610 570</u> | |
| INCOME | 2001 | |
| Sales | 519 310 037 | 251 383 685 |
| Services rendered | 10 106 726 | 2 693 110 |
| Variation in production | | 21 565 496 |
| Own work for the Company | | 412 531 |
| Supplementary income | 1 017 974 | 1 754 172 |
| Operating subsidies | 384 911 | 11 233 |
| Other operating income | 866 277 | 2 269 163 |
| (B) | | 553 663 954 |
| Gains in group and associated companies | 0 | |
| Income from investments in shares | 3 617 643 | 519 239 |
| Income from other financial investments | 202 356 | 43 555 |
| Other interest and similar income: | | |
| Related to affiliated companies | 16 529 | 8 654 |
| Others | 8 035 999 | 2 712 797 |
| (D) | | 565 536 481 |
| Extraordinary income | | 5 074 089 |
| (F) | | <u>570 610 570</u> |
| Operating results: | (B) - (A) | 108 880 079 |
| Financial results: | (D - B) - (C - A) | -19 711 133 |
| Current results: | (D) - (C) | 89 168 946 |
| Result before income tax and minority interests: | (F) - (E) | 83 147 307 |
| Consolidated net result with minority interests: | (F) - (G) | 54 337 458 |
| Net result after minority interests: | | 55 698 952 |