

Portucel
Empresa Produtora de Pasta e Papel, S.A.
Sociedade Aberta

Registered with the Setúbal Registrar of Companies under no. 05888/20001204
Registered Share Capital: € 767 500 000
Corporate Registration no. 503 025 798

1st Half of 2006 Results

1st half of 2006:

- Turnover rises to € 529.5 million (+4.7%)
- EBITDA grows to € 149.1 million (+21.9%)
- EBITDA margin up by 4 percentage points – from 24% to 28%
- Net debt drops to € 664.4 million (-19.2%)

Summary of Main Indicators – IFRS

	Jun 06	Jun 05	Change 06-05
(10 ³ ton)			
Production			
Pulp	639,2	623,6	2,5%
Paper	502,3	490,2	2,5%
Sales			
Pulp	284,9	294,3	-3,2%
Paper	495,4	482,7	2,6%
Prices (2005= 100)			
Pulp	111,3	100	
Paper	102,2	100	

	Jun 06	Jun 05	Change 06-05
10 ⁶ Euros			
Total turnover	529,5	505,5	4,7%
EBITDA ⁽¹⁾	149,1	122,3	21,9%
EBITDA Margin	28,1%	24,2%	+ 4 pp
Operating results ⁽²⁾	100,3	57,5	74,5%
Net financial items	-16,0	-17,1	-6,5%
Net profit ⁽²⁾	54,8	27,0	103,3%
Cash flow ⁽²⁾	103,5	94,3	9,8%
Net debt	664,4	822,4	-19,2%
Capital Expenditure	13,3	28,4	-53,2%

(1) Operating result + Depreciation and amortisation + Provisions

(2) Results are not comparable with the same period last year due to the change in criteria to calculate amortisation and depreciation: the Company has revised the remaining useful life of its assets, which from 31 December 2005 is estimated as an average of 14 years. The depreciation quotas were thus recalculated in the consolidated financial statements and as a result the amount of depreciation and amortisation was € 24.4 million lower than it would be without said revision.

The Group's turnover reached € 529.5 million in the 1st half of the year, up by € 24 million year-on-year, with paper sales accounting for 69% of the total and pulp sales for 24%.

Paper sales in the 1st half of the year reached 495 thousand tonnes, which is 2.6% more than in the same period last year. The average selling price of paper rose by 2.2% year-on-year and by 3.6% when compared to the 2nd half of 2005. The value of paper sales thus registered a 4.8% increase versus the 1st half of 2005.

The Group sold 285 tonnes of eucalyptus bleached pulp in the 1st half of 2006, a 3.2% year-on-year drop that resulted entirely from the fact that all the mills - Cacia, Setúbal and Figueira da Foz – made their annual programmed stoppages for maintenance during this period. Despite this reduction in volume, pulp sales were up by 7.7% year-on-year, underpinned by an 11.3% year-on-year rise in the average selling price of pulp.

We should highlight the coming on stream of the new recovery boiler at Cacia, which not only permitted to raise production above the initial forecast level but also improved energy efficiency.

Cost-cutting and efficiency efforts were pursued, translating into a significant reduction in variable unit production costs and maintenance costs.

Staff costs were negatively affected in the period by the impact of costs with pension funds, and also by the accrual in 2006 of estimated costs with the variable component of wages. These two factors more than cancelled out the reduction achieved in current costs.

Moreover, the 1st half of 2006's costs also suffered from higher transport costs due to the sharp rise in fuel costs and from the record of extraordinary provision charges, essentially to cover tax issues relating to previous years.

Under these circumstances the Group generated consolidated EBITDA of € 149.1 million in the 1st half of 2006, a year-on-year increase of 21.9% and corresponding to an EBITDA margin/sales ratio of 28.1%.

Based on a study commissioned to a specialised entity, in the 1st half of 2006 the Company revised the remaining useful lives of its assets, which from 31 December 2005 are estimated as an average of 14 years. The depreciation quotas were thus recalculated in the consolidated financial statements and as a result the amount of depreciation and amortisation was euro 24.4 million lower than it would be without said revision.

Operating results thus reached € 100.3 million, which corresponds to a 74.5% increase when compared to the 1st half of 2005. This growth was positively influenced by the referred adjustment of amortisation and depreciation. Without this effect, operating results would stand at € 76.0 million.

Financial results, at € -16.0 million, show a year-on-year improvement of 6.5%.

The Group thus posted consolidated earnings for the period of € 54.8 million, which represents an increase of 103.3% when compared to the 1st half of 2005.

Investment in fixed assets totalled € 13.3 million in the 1st half of 2006, the more significant expenditures concerning the conclusion of the new recovery boiler for the Cacia mill.

The Group's debt was reduced by € 72 million in the period, and by € 158 million when compared to the end of the 1st half of 2005. This debt reduction was achieved thanks to the Group's capacity to generate cash flow and careful management of working capital, and in spite of the payment of dividends totalling € 40.3 million and of the investments made in the period.

OUTLOOK FOR THE 2ND HALF OF 2006

The outlook for the 2nd half of the year may be seen as moderately positive: the selling price of paper is expected to show some stability and the good moment that has lately characterised the pulp market should continue.

Concerns and uncertainties persist with regard to the international economic scenario, which is conditioned by a sharp cooling of the North-American economy and ceaseless high tensions in sensitive areas of the globe. Such factors should continue to adversely affect the price of oil and oil derivatives, with direct repercussions on the cost of energy, logistics and chemical products - on which the Group depends for its operations.

In addition, the factors responsible for pushing up the euro against the dollar remain in place. This is a very sensitive issue for the Group's activities, not only because of the percentage of its sales which are exposed to the US currency but also because it is liable to affect its competitiveness vis-à-vis its rivals outside the Euro area. Moreover, continuing inflationary pressures should lead to new interest rate hikes.

Hence, and providing there are no major changes in the economic framework of the world's main economies and in the current level of the euro/dollar exchange rate, the Company's performance in the second half of 2006 should not differ significantly from the first half of the year.

Setúbal, 26 September 2006