Portucel

Empresa Produtora de Pasta e Papel, S.A.

Sociedade Aberta

Registered no.05888/20001204 in Setúbal Commercial Registry
Share Capital: €767 500 000
N.I.P.C. 503 025 798

INTERIM FINANCIAL INFORMATION
First Half of 2007

EARNINGS ANALYSIS

	2007 1st half	2006 1st half	07/06
(10^3 tons)			
Production			
Fine uncoated papers	522.4	502.4	4.0%
Bleached eucalyptus pulp	664.8	639.2	4.0%
Sales			
Fine uncoated papers	520.5	495.4	5.1%
Bleached eucalyptus pulp	270.2	284.9	-5.1%
Average selling prices (2006=100)			
Paper	105.2	100.0	5.2%
Pulp	99.3	100.0	-0.7%

	2007 1st half	2006 1st half	07/06
(10^6 Euros)			
Total Sales	566.4	529.5	7.0%
EBITDA (1)	174.7	149.1	17.2%
EBITDA / Sales (%)	30.8%	28.1%	2.7%
Operating Profit	122.1	100.3	21.7%
Financial costs - net	- 13.6	- 16.0	-15.0%
Net Profit	76.9	54.8	40.3%
Cash Flow (2)	129.4	103.5	25.0%
Net debt	417.0	664.4	-37.2%
Capital expenditure	7.8	13.3	-41.4%

(1) Operating profit + depreciation +provisions
(2) Net profit + depreciation + provisions

For the 2007 first half, our business volume was €566.4 million, up 7.0% on the 2006 first half. Paper and pulp accounted for 72% and 21% of volume respectively; most of the remainder came from the sale of energy.

The Group's main indicators showed a positive progression during this 1st half; EBITDA stood at €174.7 million, up 17.2% on the same period in 06, with the EBITDA/Sales margin up 2.7%, to 30.8%.

This increase in the volume of paper sales and the approximately 5.2% increase in the average selling price as compared with that of the 2006 first half were the main contributors to this positive trend.

We would also point out that we achieved significant reductions in energy costs. A program started on January 1, 2006 to improve the integrated maintenance of all of the Group's manufacturing units was successfully completed.

However, the 2007 half year saw a strong increase in the cost of some factors of production, namely wood, and to a lesser extent, chemical products. Together with cost increases, particularly for domestic logging, occurred the need for recourse to imported wood, the final price of which proved a heavy burden, due to transportation costs.

Thus despite the favourable trend in the cost of energy, the increase in the average cost of wood weighed heavily on the Group's unit costs of pulp production.

Operating profit stood at €122.1 million, up approximately 21.7% on the 2006 first half.

Financial costs also trended positively in the half year, rising by 15.0%. This was due on the one hand, by a sharp reduction in our net debt, which more than offset the marked increase in interest rates; on the other hand, gains were generated by number of forward foreign exchange operations and interest rate swaps.

Accordingly, consolidated net profit for the period exceeded that for the preceding year by 40.3%, to €76,9 million.

CAPITAL EXPENDITURE

Capital expenditure for the 2007 1st half was approximately €7.8 million (2006: €13.3 million).

NET DEBT

The Group's net debt was down €247.4 million on the 2006 first half and €63.1 million as compared with year end 2006, in spite of a dividend payout of €60.6 during the period under review.

With the completion of investment programs duly approved and disclosed to the market, the Group's indebtedness will increase proportionally.

The structure of our net debt as of June 30, 2007 was as follows:

Debt structure (millions of €)	**June 07**	**Dec. 06**	**June 06**
Medium & long term	**719.7**	**738.5**	**738.1**
Bonds	694.7	694.2	693.6
Other loans	25.0	44.3	44.5
Commercial Paper	0.0	0.0	0.0
Medium & long-term loans due within 1 year	0.3	10.5	10.3
Total debt	**720.0**	**749.0**	**748.4**
Cash and banks	-303.0	-268.9	-83.9
Net debt	**417.0**	**480.1**	**664.4**

PROGRESS OF BUSINESS

PAPER

The Market

In a macroeconomic environment of quickening growth and employment in Europe there was a near stagnation of demand for fine uncoated papers (UWF), although the cut-size paper segment saw a slight increase.

Despite this stagnation, which was accompanied by a decline in exports, european producers operated at rates of capacity utilization that were acceptably high during the period under review. This was due to a reduction in supply, which in 2005 and 2006 totalled more than 500,000 tons of UWF in Europe alone. This trend continued in the 2007 first half, assisted by the dosing of another paper machine, with a capacity of some 110,000 tons.

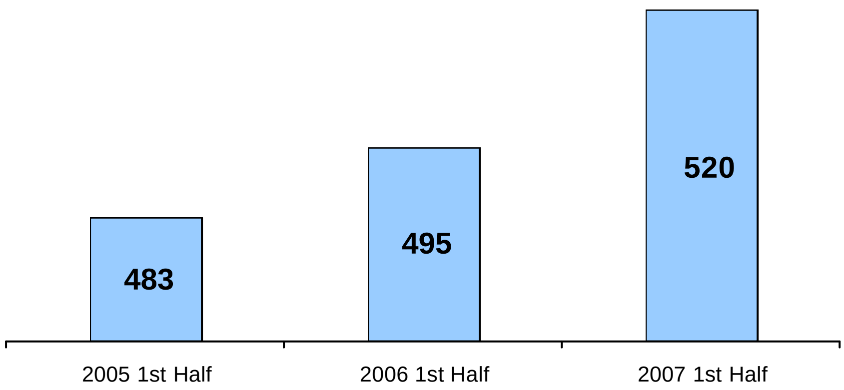
The US saw a slight decline in consumption from the comparable 2006 level, but the withdrawal of much installed capacity seen also in this region, made for stronger selling prices; the RISI index for cut-size paper rose by approximately 12.9% between June 2006 and June 2007.

In the Far East, the robust Asian economies absorbed the strong capacity increases of new local producers, particularly in China and Indonesia.

Activity

Total paper sales of the Group in the 2007 first half were up by 5.1%, to 520,000 tons compared with the same period of 2006, an increase of 25,000 tons. This increase in sales was accompanied by an improvement in the sales mix of the Group's papers, both in terms of quality and of destinations.

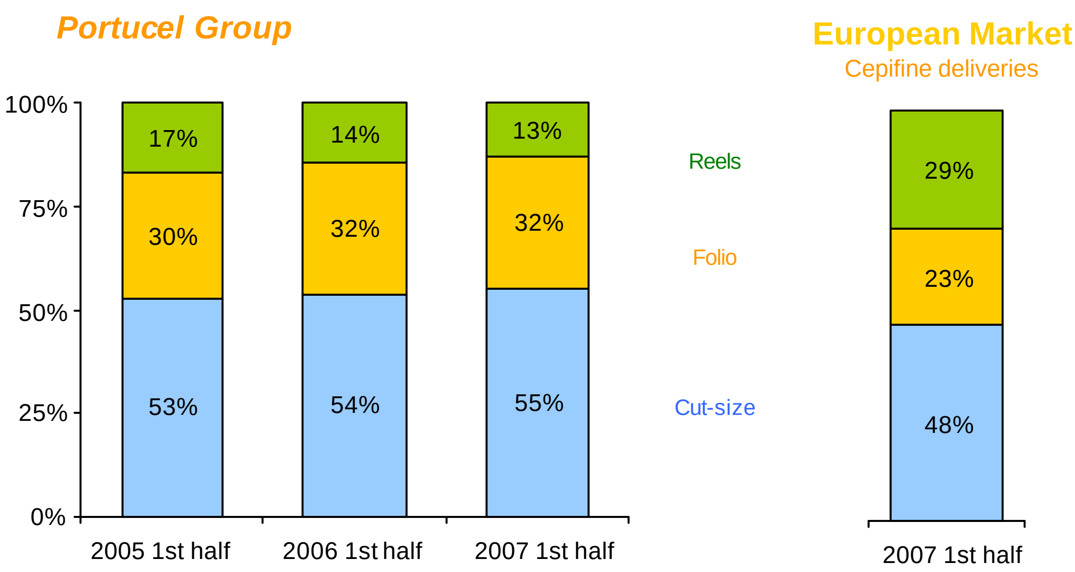
Sales Trend: 2007 first half (000's of tons)



In terms of sales by format, the trend was highly positive, with an increase of 19,000 tons in sales of cut-size papers and of 10,000 tons in folio, while the sales volume in reels was down by 4,000 tons.

These results now consolidate the trend seen in prior years, and compare very favourably with the European market scenario.

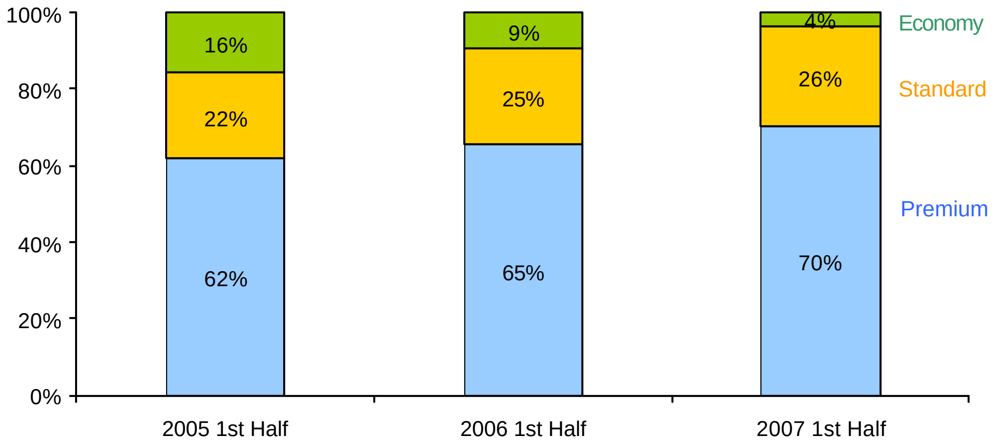
Sales Trend by product category (% of sales volume)



Source: Cepifine

In terms of segmentation by grade of quality, the Group achieved a new historic high, with a 13% increase in the sales volume of premium products, which accounted for 70% of volume in the 2007 first half (up 5% year-on-year).

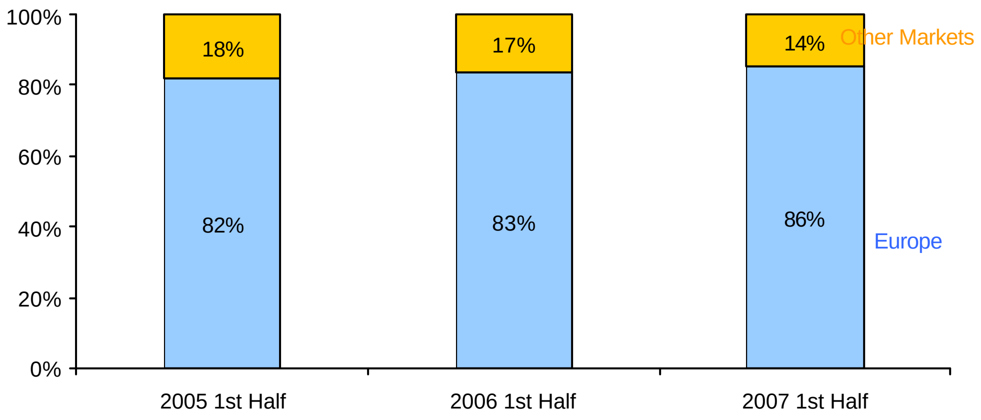
Sales Trend by grade of quality (% of sales volume)



The Group maintained its average market share of 12% in Eastern Europe, with 13% of that region's cut-size papers segment and 17% in its folio segment. It should be noted that with the adoption by the new Eastern European producers of the CEPIFINE statistical system, these market shares are not comparable with those reported in the past. On a comparable basis, the Group captured half of the European market growth for cut-size papers and increased by 32,000 tons in UWF market that remained flat in total volume terms.

With regard to the geographical distribution of the Group's sales of paper, the European markets saw strong growth. With our important presence in the US market now stabilized, our sales to other markets lost significance in our overall mix.

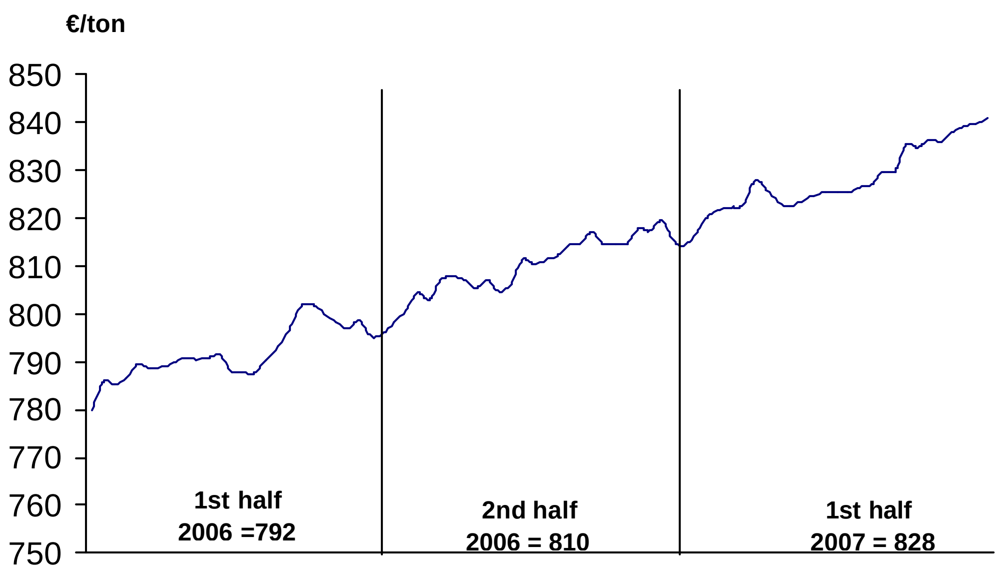
Sales Trend by market (% of sales volume)



Prices

The Group's average selling price continued its upward trend, rising by 5.2% from the same period in 2006, having outstripped the growth in benchmark prices in the European market, (up by 4.5% over the same period), due to the mentioned adjustment of supply to demand. It should be noted that the PIX index for the "A4" advanced by 2.9% between December 2006 and June 2007.

Market price trend, Copy B



Source: Foex Indexes Ltd.

Brands

Our own-brand sales for the period saw a 20% increase, year-on-year, which increased our share of total sales in sheets to 57%.

All independent market studies of recent years confirm the growing consumer acceptance of the Group's brands and their penetration of the market.

PULP

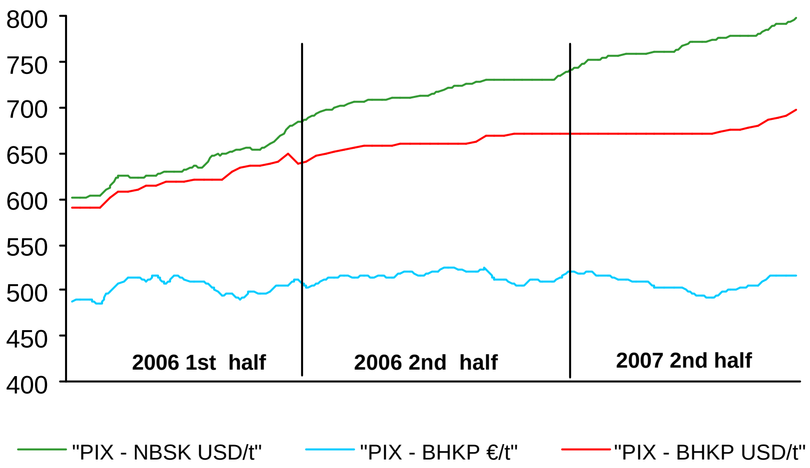
Regarding the market for eucalyptus pulp, demand continued strong throughout the half year. Indeed, with some constraints in the supply of wood, combined with a low level of inventories among producers and users, as well as the continuation of strong demand in China, there was added upward pressure on demand for short-fibre wood, particularly eucalyptus. Furthermore, the increase in the price differential between long fibre and short fibre, has led to a natural tendency toward substitution between the two, which has strengthened the demand for eucalyptus pulp still further.

The trend in the US dollar against the currencies of important pulp producing countries (short and long fibre) also contributed favourably to the trend in pulp prices. Indeed, during the first half of the year, the Brazilian real and the Canadian dollar appreciated by 10% and 9% respectively against the US dollar.

These factors have kept the price of eucalyptus pulp at comfortable levels, making possible yet another announcement of higher prices, at a time in the year that is normally more difficult due to the seasonal nature of demand for paper and hence summer shut-downs for plant maintenance.

Accordingly, the half year saw the PIX index for BHKP pulp rise by approximately 4% in US dollar terms, although this currency's weakness against the euro during the period has not allowed the corresponding value increase to accompany this growth in euro terms.

Price index (PIX) – BHKP and NBSK



The Group's sales for the half year totalled 270,000 tons, marking a 5.1% decline from the sales for the same period in 2006. This trend can be explained mainly by a higher level of integration of pulp in the production of paper.

INDUSTRIAL ACTIVITY

Total production of pulp and paper of the Portucel Soporcel Group for the 2007 first half was 665,000 and 522,000 tons respectively, overtaking records for the same period in the preceding year by 26,000 and 20,000 tons. This represented a growth of 4% in both products.

All of the productive units of the Group contributed to this positive trend, which resulted on the one hand, from fewer programmed shut-downs in the year's first half, and on the other, from structural gains in productivity, which have assumed special importance in a period of selective containment of capital expenditure.

At our Cacia plant there was an important increase in pulp production, due in large measure to our recent investment in a new recovery boiler.

The important volume increase in paper production was based on relatively identical growth at both of the Group's plant, so that in the Figueira da Foz plant we can highlight an important increase of 15,000 tons; in the case of Setúbal we must emphasize our investment in the optimization of a technological park that has now reached a stage of advanced maturity.

The first half saw increases under some manufacturing cost headings, these caused by sharp increases in the prices of some raw and subsidiary materials. The rise in the cost of wood assumed particular importance, triggered by worsening conditions of supply in the domestic market, resulting not only in a rise in the price of home-grown wood, but also the need for recourse to imported wood.

Our successful investments in efficiency in production and in the use of energy paid off in all of the Group's factories; these were instrumental in mitigating the adverse impact on our production costs of the price increase of the mentioned factors of production.

RESOURCES AND SUPPORTING FUNCTIONS

Wood Supply and Forestry activities

For the first half of the year, compared with the same period in 2006, our purchases of wood increased by 24%, to 2,150,000 m3. Our purchases of market wood were down slightly, having been offset by our own and imported wood. Relative to imported wood we completed our program of purchasing raw materials abroad, first begun in the 2006 second half, which became necessary due to the situation in the domestic market and concern for the sustainability of domestic forest resources.

Supply to our plants went according to plan after we neutralized the impact of difficulties in the domestic market. These were due to the depletion of inventories and the shrinking availability of eucalyptus wood in Portugal after the forest fires of 2003 and 2005.

We would also emphasize the deliveries of wood to our network of logistical parks: these increased substantially from the 2006 first half, despite constraints on rail capacity and the spaces associated with it. This factor has been a major obstacle to the implementation of greater efficiency in logistics.

By agreement with forest suppliers and producers the Group introduced some innovative ways in which to stimulate the domestic market. These have the aim of rewarding wood quality and the quality of services provided.

Certified by the FSC (Forest Stewardship Council) for its activities as a supplier since the start of 2006, the Group obtained the same qualification from the PEFC system (Program for the Endorsement of Forest Certification) which recognizes our strong commitment to the sustained development of the business.

Respecting the forestry industry, it should be noted that during the first half of the year, we took a decisive step within the forestry certification context, namely by undergoing a pre-audit and a full audit which assessed our merits for certification in good forest management in accordance with the principles and criteria of the FSC.

Energy

The business of the Portucel Soporcel Group is based on the strategic principle of producing pulp and paper with recourse to renewable energies, derived mainly from biomass.

During the 2007 first half, the Group generated electric energy totalling 500 GWh, of which 92% was obtained from cogeneration plants burning forest biomass and its derivatives. This output is obtained by combining electric and thermal energy, a process substantially more efficient than conventional electric generation alone. For the same period of 2006, total production was 454GWh. This increase, in excess of 10%, was due mainly to our increase in pulp production, stability of processes and fewer shut-downs for major maintenance.

Our Cacia mill increased production, while achieving important economies in the use of energy. This was due to the start-up of the new recovery boiler in February of 2006, leading to greater reliability and availability, and greater efficiency in the use of energy.

At our manufacturing complex at Figueira da Foz, a reduction of down time for major maintenance contributed to our increase in the generation of energy.

The strategic principle of making greater use of renewable energy sources, particularly biomass and its derivatives, by reducing the use of fossil fuels and improving efficiency in the use of energy, enabled the Portucel Soporcel Group to reduce its emissions of CO_2 in the 2007 first half from the levels during the same period in 2006, while still increasing our production of pulp and paper.

It should be noted that our reduction in the use of fossil fuels has now reached a level that requires strenuous efforts to maintain, being the result of the strategic choices we have made over recent years.

This increase in efficiency in the use of energy at the Cacia and Figueira da Foz cogeneration plants, which have achieved high yields of electricity, resulting mainly from important investments in the new recovery boilers, has enabled us to enjoy a substantial increase in revenues from the sale of energy to the network.

Environmental performance

Due to investments in equipment and improvements in processes, the environmental indicators, in terms of use of the best available techniques, show a good and sustained performance in all our plants, including further improvements over the past year.

At our Figueira da Foz plant, a new decorticator came on stream early in the year. This new piece of equipment performs better in environmental terms, specifically by reducing losses of wood and energy consumption to a minimum. During the same period was approved the project for the enlargement of ETAR at the Figueira da Foz plant, in order to extend the secondary treatment of effluents at the paper mill. This new facility will come on stream during the 2007 second half.

Management Systems

Following the project started for the implementation of the security management system at the Cacia plant in 2006, our external audit for certification of the system, in accordance with standards NP 4397 and OSHAS 18001 was successfully completed in the 2007 first half and we now await the respective certificate from the certifying entity.

In 2007, the environmental management systems at the Figueira da Foz and Setúbal came under an external authority for the renewal of the respective certification cycles.

At the start of the year, the three manufacturing units of the Portucel Soporcel Group, and the external wood yards saw the recognition of their management system for the chain of responsibilities by the APCER, a certifying entity in the context of the PEFC, through the issuance of the respective certificates.

With the launch on the market of the first FSC badged products in 2006, 2007 has seen the consolidation of this system, with an increase in sales of these products and the launch of new brands in some markets. The launch of products with the PEFC badge is forecast for the second half of this year.

<table>
<tr><th></th><th></th><th>Figueira Foz</th><th>Cacia</th><th>Setúbal</th><th>Forest yards</th></tr>
<tr><td rowspan="4">Certifications</td><td>Quality</td><td>ISO 9001:2000</td><td>ISO 9001:2000</td><td>ISO 9001:2000</td><td></td></tr>
<tr><td>Environment</td><td>ISO 14001:2004</td><td>ISO 14001:2004</td><td>ISO 14001:2004</td><td></td></tr>
<tr><td>Saftety</td><td>OHSAS 18001:1999 e NP 4397:2001</td><td></td><td>OHSAS 18001:1999 e NP 4397:2001</td><td></td></tr>
<tr><td>Chain of responsibilities</td><td colspan="4">FSC-STD-40-004
PEFC-Annex 4</td></tr>
<tr><td>Accreditiation</td><td>Laboratory</td><td>ISO/IEC 17025</td><td>ISO/IEC 17025</td><td>ISO/IEC 17025</td><td></td></tr>
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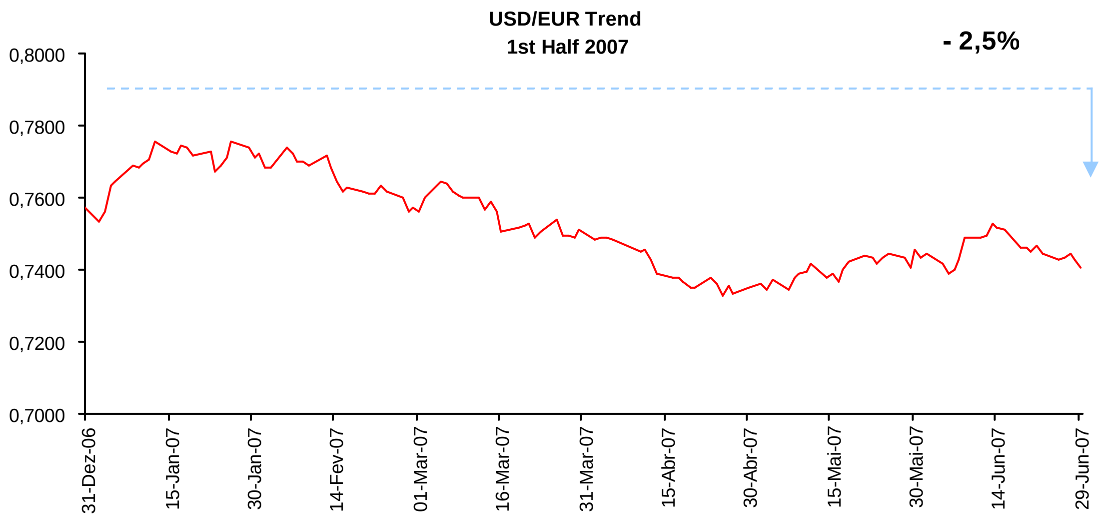
RISK MANAGEMENT

As shown in note 2 of the notes to the accounts for the period under review, the Group's activities are exposed to a variety of financial and operational risk factors. The Group has been active in the management of risks, seeking to minimize their potentially adverse effects, particularly those associated with foreign exchange, interest rate, credit and liquidity risks and fluctuations in the price of pulp.

Foreign exchange risk

During the first half of the year, the US dollar declined by 2.5% against the euro. Since the Group's sales are highly exposed to foreign exchange risk, mainly relative to the US dollar, we have subscribed to various financial instruments with the aim of minimizing the effects of fluctuations in exchange rates, hedging some 80% of sales susceptible to exchange risk during this period, and nearly all amounts on our balance sheet that are expressed in foreign currencies.



Interest rate risk

Nearly all of the Group's financial debt is indexed to short-term reference rates – generally 6-month Euribor. To cover adverse changes in interest rates, the Group decided to fix the rates on part of our medium and long-term borrowings, using interest rate swaps.

At the end of the half year, some 36% of our medium and long-term debt was hedged against interest rate fluctuations.

Credit Risk

The credit we extend to our customers is exposed to risk, against which our policy has been to maximize coverage through credit insurance. Sales that are not covered by credit insurance are subject to rules that ensure that they are made to customers with an acceptable risk profile, while limiting our exposures to predefined amounts approved for each customer.

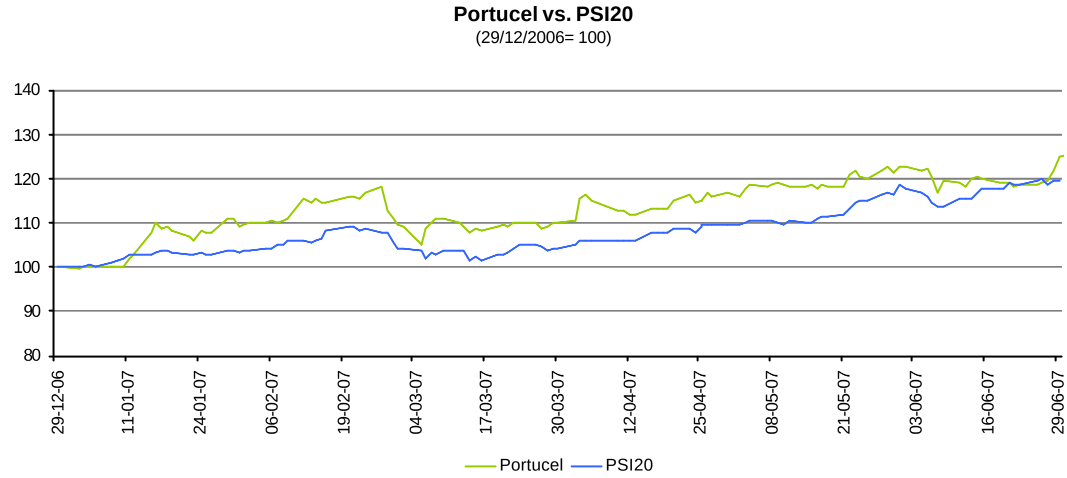
Liquidity Risk

The Group maintains a high level of liquidity through ensuring that its debt maturities are appropriate to the characteristics of the industry, with short-term lines of credit available from a wide range of credit institutions, and a strong cash position.

Risk of fluctuations in the price of pulp

To reduce the risk associated with fluctuations in the price of pulp, we hedged some 5% of our sales, thus limiting the effects of price volatility.

PERFORMANCE OF SHARE PRICE IN THE CAPITAL MARKET



During the 2007 first half, Portucel's share price increased by approximately 25%, overtaking the PSI20 index (+20%). The half year ended with the share price standing at €3.00, its high point for the period, with a low of €2.39.

The average daily volume traded throughout the half year was approximately 3.7 million shares, a liquidity substantially greater than that recorded for the same period last year. This was due to an increase in the free float occurred in November 2006, following the last phase of the company's reprivatization.

This increase in liquidity enabled the share to return to the PSI20 index in January 2007; it returned to the Next 150 index in April of this year.

PROSPECTS FOR THE 2nd HALF

The prospects for the trend in market conditions for the 2007 second half can be considered as moderately positive, pulp and paper producers having announced some price increases, despite the continuation of some stagnation seen in the demand for paper.

However, the trend in the Euro/US dollar exchange rate continues to be a burden which could continue to have an adverse impact on the selling prices of pulp, and on part of our sales of paper. We note also, with some concern, the increasing cost of some factors of production, particularly of our main raw material, as mentioned before.

During the period under review, the Group saw the European Commission's final approval of the incentives granted by the Portuguese government to the investment plan announced at the start of 2006, in which the construction of the new paper mill at Setúbal is a prominent feature.

The €500 million investment initially expected is now being revised, as we mentioned at the time of publication of our 1st quarter's results; it would be prudent to expect that we shall need to increase this investment, in light of the considerable price increases recorded for some of the respective cost elements.

We expect to start construction of this new unit in the 4th quarter of this year; it is to be expected that if all goes according to plan, start-up of production will be in the 2nd quarter of 2009.

Setúbal, July 27, 2007

The Board of Directors

Pedro Mendonça de Queiroz Pereira - Chairman

José Alfredo de Almeida Honório

Adriano Augusto da Silva Silveira

António José Pereira Redondo

Carlos Eduardo Coelho Alves

José Fernando Morais Carreira de Araújo

Luís Alberto Caldeira Deslandes

Manuel Maria Pimenta Gil Mata

Manuel Soares Ferreira Regalado

INFORMATION REQUIRED BY LAW

1. NUMBER OF SHARES HELD BY MEMBERS OF THE CORPORATE BODIES AS OF JUNE 30, 2007

(as per article 9 of CMVM Regulation nº 04/2004)

We report that the President of the Executive Board, Mr. José Alfredo de Almeida Honório and the President of the Supervisory Board, Mr. Duarte Nuno d´Orey da Cunha, own, respectively, 20,000 and 1,130 shares of Semapa - Soc. de Investimentos e Gestão, SGPS, SA.

We also report, that the members of the Corporate bodies, indicated below owns shares of Portucel – Empresa Produtora de Pasta e Papel, SA, as follows:

Manuel Maria Pimenta Gil Mata	20,000 shares
António José Pereira Redondo	6,000 shares
Adriano Augusto da Silva Silveira	2,000 shares

The remaining members of the company's Board of Directors and Audit Committee, and of the companies in which it has a dominant or group relationship, are not owners of other shares or bonds of the same companies.

During the 2007 first half, the following transactions were carried out by members of the company's Board of Directors and of the Supervisory Board:

Board of Directors	Transaction	No. shares	Date	Unit Price.
Carlos Eduardo Coelho Alves	Sale	153,600	February 28, 2007	2.63

2. LIST OF QUALIFIED HOLDINGS AT THE REPORT DATE

(in compliance with article 9 of CMVM Regulation no. 04/2004):

Entity	***Imputation***	***No. of Shares***	***% equity and voting rights***
Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.	Direct	23,227,387	3.03%
Seinpart SGPS	Controlled company	230,839,400	30.08%
Semapa Investments BV	Controlled company	281,152,015	36.63%
Semapa Inversiones S.L.	Controlled company	5,328,618	0.69%
Seminv SGPS	Controlled company	590,400	0.08%
Cimentospar SGPS	Controlled company	589,400	0.08%
SEINPAR B.V.		589,400	0.08%
Credit Suisse International	Shares that Semapa may acquire by virtue of agreement with owner	8,708,500	1.13%
Semapa total:		**551,025,120**	71.79%

CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

CONSOLIDATED INCOME STATEMENT
AS OF JUNE 30, 2007 AND 2006

Amounts in euros (€)	Note	30/06/2007	30/06/2006
Revenues	4		
Sales		561,902,099	525,368,487
Services rendered		4,463,687	4,143,519
Other operating income	5		
Gains on the disposal of non-current assets		2,777,731	1,994,649
Other operating income		6,110,943	10,150,559
Change in fair value of biological assets	18	(6,565,019)	(510,562)
Costs	6		
Inventories sold and consumed		(196,965,860)	(179,880,120)
Increase/(decrease) of inventories (finished products)		(1,624,844)	(2,031,661)
Consumed materials and services		(138,134,139)	(143,347,403)
Payroll costs		(53,900,914)	(58,064,998)
Other operating costs		(3,403,238)	(8,769,217)
Provisions (net)		(10,646,891)	(11,295,537)
Depreciation, amortization and impairment losses	8	(41,872,990)	(37,414,793)
Operating profit		**122,140,565**	**100,342,923**
Share of results of associates and joint ventures	9	2,872	-
Financial costs - net	10	(13,553,767)	(16,001,900)
Profit before income tax		**108,589,670**	**84,341,023**
Income tax	11	(31,711,106)	(29,476,347)
Net profit for the period		**76,878,564**	**54,864,676**
Minority interests	13	(9,495)	(25,983)
Net profit for the period attributable to equity holders		**76,869,069**	**54,838,693**
Earnings per share			
Basic earnings per share (euros)	12	0.100	0.071
Diluted earnings per share (euros)	12	0.100	0.071

CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2007 AND DECEMBER 31, 2006

Amounts in euros (€)	Note	30/06/2007	31/12/2006
ASSETS			
Non-current assets			
Goodwill	15	376,756,384	376,756,384
Other intangible assets	16	476,043	2,205,057
Property, plant and equipment	17	1,053,153,348	1,087,129,953
Biological assets	18	116,730,433	123,295,452
Investments in associates and joint ventures	19	700,241	516,307
Deferred tax assets	26	27,771,730	42,146,310
		1,575,588,179	**1,632,049,463**
Current assets			
Inventories	20	136,081,533	117,555,865
Receivables and other current assets	21	241,462,063	249,540,631
State and other public entities	22	33,377,614	24,682,793
Cash and cash equivalents	29	303,028,476	268,898,911
		713,949,686	**660,678,200**
Total Assets		**2,289,537,865**	**2,292,727,663**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	767,500,000	767,500,000
Treasury shares		(53,679)	(53,679)
Fair value reserve	25	8,529,540	5,486,474
Other reserves	25	80,732,063	76,185,581
Currency translation reserve	25	102,732	42,634
Retained earning: prior years	25	219,189,551	149,616,532
Retained earnings for the year		76,869,069	124,652,532
		1,152,869,276	**1,123,430,074**
Minority interests	13	215,268	181,774
Total equity		**1,153,084,544**	**1,123,611,848**
Non-current liabilities			
Deferred tax liabilities	26	111,549,939	108,226,509
Retirement benefit obligations	27	21,743,743	34,047,599
Provisions	28	38,635,944	27,989,053
Interest-bearing liabilities	29	719,649,580	738,494,880
Other liabilities		20,007,698	21,651,505
		911,586,904	**930,409,546**
Current liabilities			
Interest-bearing liabilities	29	330,118	10,463,576
Payables and other current liabilities	30	169,880,427	187,858,771
State and other public entities	22	54,655,872	40,383,922
		224,866,417	**238,706,269**
Total liabilities		**1,136,453,321**	**1,169,115,815**
Total equity and liabilities		**2,289,537,865**	**2,292,727,663**

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

AS OF JUNE 30, 2007 AND 2006

Amounts in euros (€)	30/06/2007	30/06/2006
Fair value of derivative financial instruments	4,140,224	10,666,124
Currency translation differences	60,098	45,899
Actuarial gains and losses	13,780,377	(3,195,584)
Tax on items above when applicable, including rate reduction	(5,025,257)	(2,054,398)
Net profit/(loss) directly recognised in equity	**12,955,442**	**5,462,040**
Profit for the year before minority interest	76,878,564	54,864,676
Total recognised income and expense for the period	**89,834,006**	**60,326,716**
Attributable to:		
Portucel's shareholders	89,809,515	60,298,138
Minority interest	24,491	28,578
	89,834,006	**60,326,716**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FROM JANUARY 1, 2006 TO JUNE 30, 2007

Amounts in euros (€)	Share capital	Treasury shares	Fair value reserve	Other reserves	Translation reserve	Retained earnings	Net profit	Total	Minority interest	Total
December 31, 2005 (Restated)	**767,500,000**	**(53,679)**	**(1,506,493)**	**67,602,274**	**(77,735)**	**135,028,649**	**63,291,260**	**1,031,784,276**	**170,796**	**1,031,955,072**
Fair value of financial instruments	-	-	7,732,940	-	-	-	-	7,732,940	-	7,732,940
Actuarial gains and losses	-	-	-	-	-	(2,316,796)	-	(2,316,796)	-	(2,316,796)
Net profit/(loss) for the year 2005	-	-	-	-	-	-	-	-		
- Transfer to legal reserve	-	-	-	2,959,761	-	(2,959,761)	-	-	-	-
- Transfer to statutory reserve	-	-	-	5,623,546	-	(5,623,546)	-	-	-	-
- Dividends paid	-	-	-	-	-	(40,290,574)	-	(40,290,574)	-	(40,290,574)
Currency translation reserve	-	-	-	-	123,634	-	-	123,634	-	123,634
Other movements	-	-	-	-	-	187,223	-	187,223	2,595	189,818
Net profit for prior year	-	-	-	-	-	63,291,260	(63,291,260)	-	-	-
Net profit for the period	-	-	-	-	-	-	54,838,694	54,838,694	25,983	54,864,677
June 30, 2006	**767,500,000**	**(53,679)**	**6,226,447**	**76,185,581**	**45,899**	**147,316,454**	**54,838,694**	**1,052,059,396**	**199,374**	**1,052,258,770**
Fair value of financial instruments	-	-	(739,973)	-	-	-	-	(739,973)	-	(739,973)
Actuarial gains and losses	-	-	-	-	-	2,300,079	-	2,300,079	(9,905)	2,290,173
Net profit/(loss) for the year 2005	-	-	-	-	-	-	-	-	-	-
- Transfer to legal reserve	-	-	-	-	-	-	-	-	-	-
- Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-
- Dividends paid	-	-	-	-	-	-	-	-	-	-
Currency translation reserve	-	-	-	-	(3,265)	-	-	(3,265)	-	(3,265)
Other movements	-	-	-	-	-	(2)	-	(2)	-	(2)
Net profit for prior year	-	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	69,813,838	69,813,838	(7,695)	69,806,143
December 31, 2006	**767,500,000**	**(53,679)**	**5,486,474**	**76,185,581**	**42,634**	**149,616,532**	**124,652,532**	**1,123,430,074**	**181,774**	**1,123,611,848**
Fair value of financial instruments	-	-	3,043,066	-	-	-	-	3,043,066	-	3,043,066
Actuarial gains and losses	-	-	-	-	-	9,837,284	-	9,837,284	14,996	9,852,280
- Transfer to legal reserve	-	-	-	4,546,482	-	(4,546,482)	-	-	-	-
- Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-
- Dividends paid	-	-	-	-	-	(60,627,721)	-	(60,627,721)	-	(60,627,721)
Write-off GW P. Florestal	-	-	-	-	-	-	-	-	-	-
Currency translation reserve	-	-	-	-	60,098	-	-	60,098	-	60,098
Other movements	-	-	-	-	-	257,406	-	257,406	9,004	266,410
Net profit for prior year	-	-	-	-	-	124,652,532	(124,652,532)	-	-	-
Net profit for the period	-	-	-	-	-	-	76,869,069	76,869,069	9,495	76,878,564
June 30, 2007	**767,500,000**	**(53,679)**	**8,529,540**	**80,732,063**	**102,732**	**219,189,551**	**76,869,069**	**1,152,869,276**	**215,268**	**1,153,084,544**

CONSOLIDATED CASH FLOW STATEMENT
AS OF JUNE 30, 2007 AND 2006

Amounts in euros (€)	Notes	30/06/2007	30/06/2006
OPERATING ACTIVITIES			
Received from customers		565,535,082	522,410,408
Payments to suppliers		368,309,230	338,914,848
Payments to employees		54,931,405	57,145,842
Cash flow generated from operations		142,294,446	126,349,718
(Payments)/receipts from income tax		(4,265,602)	4,555,607
Other (payments)/receipts from operating activities		7,910,171	25,240,316
Cash flows from operating activities (1)		**145,939,015**	**156,145,641**
INVESTMENT ACTIVITIES			
Receipts relating to:			
Financial investments		-	-
Tangible assets		120,516	2,114,315
Intangible assets		2,777,731	-
Subsidies to investment		-	-
Interest and similar income		11,810,043	5,779,311
Dividends		-	-
Cash flows from operations (A)		14,708,290	7,893,626
Payments relating to:			
Financial investments		183,935	-
Tangible assets		10,990,638	32,545,845
Cash flows from operations (B)		11,174,573	32,545,845
Cash flows from investment activities (2 = A - B)		**3,533,717**	**(24,652,219)**
FINANCING ACTIVITIES			
Receipts relating to:			
Borrowings		-	-
Cash flows from operations (C)		-	-
Payments relating to:			
Borrowings		29,375,175	77,582,187
Lease contracts		286,116	241,530
Interest and similar expense		25,054,155	18,979,223
Dividends (Note 14)		60,627,721	40,290,574
Cash flows from operations (D)		115,343,167	137,093,514
Cash flows from financing activities (3 = C - D)		**(115,343,167)**	**(137,093,514)**
CHANGES IN CASH AND CASH EQUIVALENTS (1) + (2) + (3)		34,129,565	(5,600,092)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		268,898,911	89,521,261
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**29**	**303,028,476**	**83,921,169**

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

JUNE 30, 2007

(Amounts expressed in euros unless indicated otherwise)

The Portucel Soporcel Group or the Group comprises Portucel – Empresa Produtora de Pasta e Papel, SA (hereafter referred to as the Company or Portucel) and subsidiaries. Portucel is a public company with the capital represented by shares and was formed on May 31, 1993, in accordance with Decree-Law no. 39/93, February 13, following the restructuring of Portucel – Empresa de Celulose e Papel de Portugal, SA.

Registered Office:	Mitrena, 2901-861 Setúbal
Share Capital:	€767,500,000
N.I.P.C.:	503 025 798

The main business of the Company and of its subsidiaries is the production and sale of cellulose pulp, paper and related products, the purchase of wood and forest and agricultural products, the cutting of timber and the sale of electric and thermal energy.

The consolidated financial statements have been approved by the Board of Directors on July 27, 2007.

1. Summary of main accounting policies

The main accounting policies applied in the preparation of these consolidated financial statements are set out below.

1.1 Basis of Preparation

The interim consolidated financial statements on June 30, 2007 and 2006 were prepared in accordance with the IAS 34 – Interim Financial Reporting.

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS – formerly referred to as the International Accounting Standards - IAS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC) in force on the date of preparation of the mentioned financial statements.

The attached interim consolidated financial statements were prepared on the assumption of continuity of operations, from the accounting books and records of the companies included in the consolidation (Note 40), and based on historic cost, except for derivative financial instruments and biological assets that are presented at fair value (Notes 31 and 18).

The preparation of the financial statements requires the use of estimates and relevant judgements when implementing the Group's accounting policies. The main assertions, involving a higher degree of judgement or complexity, or the most significant assumptions and estimates used in the preparation of the underlying financial statements, are disclosed in Note 3.

1.2 Basis of consolidation

1.2.1 <u>Subsidiaries</u>

Subsidiaries are all entities over which the Group has the power of decision on all financial and operating policies, generally accompanying a shareholding of more than 50% of voting rights.

The existence and the effect of potential voting rights, whether exercisable or convertible are taken into consideration when it is determined whether the Group exercises control over another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date on which control ceases.

The shareholders' equity and net earnings of these companies that are attributable to the holdings of third parties are shown in shareholders' equity on the consolidated balance sheet and on the consolidated income statement, respectively, under the minority interest headings. Companies included in the consolidated financial statements are disclosed in Note 40.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill, itemized in Note 15.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired (negative goodwill), the difference is recognised directly in the income statement.

Inter-company transactions, balances, unrealised gains on transactions and dividends paid between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Certain financial investments in subsidiaries, because they are considered immaterial, are recorded by the equity method.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policy adopted by the Group.

1.2.2 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method.

According to the equity method, financial holdings are recognised at acquisition cost, adjusted by the amount corresponding to the Group's share of changes in shareholders' equity (including net profit) of the associates, as an offset to the profits or losses of the period or to shareholders' equity, and by the dividends received.

The differences between the acquisition cost and fair value of the assets and liabilities attributable to the associate on acquisition date, if positive, are recognized as goodwill and are retained under the Investments in associates heading. If goodwill is negative, it is recorded as income for the period under the Share of results of associates and joint ventures heading.

Investments in associated companies are subject to valuation when there are indications that the asset could be impaired; the impairment losses then shown to exist are recorded as costs.

When impairment losses recognized in prior periods cease to exist they are subject to reversal, except in the case of Goodwill (Note 1.6).

When the Group's share of losses in an associate equals or exceeds its investment in the associate, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains in transactions with associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

The accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

1.3 Segmental reporting

A *business segment* is a group of assets and operations of the Group that are subject to risks and returns, that are different from those of other business segments.

Four business segments have been identified: production of printing and writing papers, production of cellulose pulp, forestry and power generation.

Pulp is produced in three plants, located in Setúbal, Cacia and Figueira da Foz, and paper is produced in Setúbal and Figueira da Foz at plants located near the pulp mills.

Internal wood supply is from woodlands owned or leased by the Group, in Portuguese territory. Wood grown is mainly consumed in the production of pulp.

A significant portion of the Group's own pulp production is consumed in the production of paper. Sales of both products (pulp and paper) are mainly to the export market.

Power generation is mainly from cogeneration of vapour, consumed by the Group, and electricity that is sold to EDP Serviço Universal, SA (until 2006 it was sold to REN – Rede Eléctrica Nacional, SA).

A *geographical segment* is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The accounting policies for segmental reporting are consistent with the Group's policies. All intersegmental sales and services rendered are marked-to-market and eliminated in the consolidation.

The segment information is disclosed in Note 4.

1.4 Foreign currency translation

1.4.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency.

1.4.2 Balances and transactions expressed in foreign currencies

All Group assets and liabilities expressed in foreign currencies have been translated to euros at the rates of exchange prevailing on balance sheet date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchanges rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement for the period.

1.4.3 Group companies

The results and financial position of all Group entities that have a functional currency different from the Group presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

(ii) Income and expenses for each income statement are translated at the average exchange rate (unless this average exchange rate is not a reasonable approximation of the cumulative effect of rates prevailing on transaction dates, in which case the income and expenses are translated at the dates of the transactions);

Exchange differences resulting from item (i) above are recognised as a separate equity component, under the currency translation reserves heading, and from item (ii) as financial costs - net.

1.5 Intangible assets

With the exception of CO2 emission licenses, intangible assets are recognized at acquisition cost, less amortization by the straight line method over a period varying between 3 and 5 years and impairment losses.

1.5.1 CO2 emission licenses

CO2 emission licenses attributed to the Group within the framework of the National Plan for the Attribution of CO2 Emission Licenses on a gratuitous basis, are recorded in accordance with Technical Interpretation no. 4 of the Portuguese Accounting Standard Committee; that is to say, under the Other intangible assets heading at market value as of date of assignment, by offset to a liability, under the Deferred income – grants heading, in the same amount.

For the Group's CO2 emissions, an operating cost is posted as an offset to a liability and an item of operating income, of the same amount, arising from recognition of that portion of the respective subsidy.

Sales of emission licenses give rise to a profit or loss, representing the difference between the value on realization and the respective purchase price, less the respective Government grant, which is recorded as Other operating income or Other operating costs, respectively.

At the balance sheet date, emission licenses in hand are valued at their market price, the corresponding liabilities in accounts payable are adjusted by the emission licenses to be surrendered as result of the emissions of the period, and deferred income is adjusted by the excess of the attributed licenses compared to actual emissions.

1.5.2 Brands

Whenever brands are identified in a business combination, the Group accords them separate recognition in the consolidated financial statements as an asset valued at cost, which represents their fair value on acquisition date.

On subsequent valuation, brands are shown in the Group's consolidated statements at cost less accumulated amortization and impairment losses.

Own brands are not shown in the Group's financial statements, since they represent internally generated intangible assets.

1.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets and liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is not amortized and is tested annually for impairment. Impairment losses relative to goodwill cannot be reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to that entity.

1.7 Property, plant and equipment

Property, plant and equipment are recorded at the acquisition cost or the revaluated acquisition cost, in accordance with the accounting principles generally accepted in Portugal until January 1, 2004 (transition date to IFRS), deducted from depreciations and impairment losses.

Property, plant and equipment acquired after transition date are shown at cost, less depreciation and impairment losses. Acquisition cost includes all expenditures directly attributable to the acquisition of the assets.

Subsequent costs are included in asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the respective cost can be reliably measured.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on acquisition cost, mainly using the straight line method from the date of the assets' entry into service, at rates that best reflect their estimated useful life, as follows:

	Average years of useful life
Land	14
Buildings and other constructions	12- 30
Equipment:	
Machinery and equipment	6 – 25
Transportation equipment	5 - 9
Tools and utensils	2 - 8
Office equipment	4 - 8
Returnable containers	6
Other property, plant and equipment	4-10

The assets' residual values and useful lives are reviewed, and adjusted if appropriated, at each balance sheet date.

If the assets' carrying amount exceeds the recoverable value of the asset, it is written down to the estimated recoverable value through impairment losses (Note 1.8).

Gains or losses arising from write-downs or disposals are determined by the difference between the proceeds of disposals and the asset's book value and are recognized in the income statement as other operating income or costs

1.8 Impairment of non-current assets

Non-current assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows (cash-flow generating units), when it is not possible to do so for each asset on an individual basis.

Impairment losses recognized in prior periods are reversed when it is determined that the recognised impairment losses no longer exist or that they have diminished (excepting goodwill impairment – see Note 1.6). This analysis is made whenever there are indications that the impairment loss formerly recognised has been reversed.

The reversal of impairment losses is recognised in the income statement under the Other operating income heading, unless the asset has been revalued, in which situation the reversal will represent a portion or the total of the revaluation amount. However, an impairment loss is reversed up to the limit of the amount that would be recognized (net of amortization or depreciation) if it had not been recognized in prior years.

1.9 Biological assets

Biological assets are measured at fair value, less estimated selling costs at the time of harvesting. The Group's Biological assets comprise the forests held for the production of timber, capable of incorporating the pulp production process.

When calculating the fair value of the forests, the Group used the discounted cash flows (expected) method, based on a model which was developed in house, which took into account assumptions about the nature of the assets being valued, namely, the expected yield of the forests, the timber selling price deducted by costs relating to felling and transportation, and also considered plantation costs, maintenance costs and a discount rate.

The discount rate was determined on the basis of the Group's expected rate of return on its forests.

Fair value adjustments resulting from changes in estimates of growth, logging period, price, cost and other assumptions are recognized as operating income/ costs.

At the time of logging, wood is recognized at fair value less estimated costs at point of sale.

1.10 Financial Investments

The Group classifies its investments in the following categories: loans and receivables, financial assets at fair value through profit and loss, held-to-maturity investments, and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

All acquisitions and disposals of these investments are recognised on the date of signature of the respective contracts of purchase and sale, regardless of the date of settlement.

Investments are first recognised at their acquisition cost; the fair value is equal to the price paid, including transaction costs. Thereafter, measurement will depend on the category in which the investment is placed, as follows:

1.10.1 Loans and receivables

Loans granted and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

They are included in current assets, except for maturity greater than 12 months after the balance sheet date. These are classified as non-current assets.

Loans granted and receivables are included in Receivables and other current assets in the balance sheet (Note 21).

1.10.2 Financial assets at fair value through profit or loss

This category has two sub-categories: (i) financial assets held for trading, and (ii) assets designated at fair value through profit or loss at inception. A financial asset is classified under this category if acquired principally for the purpose of selling in the short-term or if so designated by management.

Assets in this category are classified as current if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. These assets are measured at fair value through the income statement.

1.10.3 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets, with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Investments in this category are recorded at amortised cost using the effective interest rate method.

1.10.4 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any other categories. They are included in non-current assets, unless management intend to dispose of the investment within 12 months of the balance sheet date.

These financial investments are recognised at market value, as quoted on balance sheet date.

If the market of a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash-flows analysis and option pricing models refined to reflect issuer's specific circumstances.

Potential gains and losses thus resulting are recorded directly in fair value reserve until the financial investment is sold, received, or disposed of in any way, at which time the accumulated gain or loss formerly reflected in shareholders' equity is taken to the income statement.

If there is no market value or if it is not possible to determine one, the investments in question are held at acquisition cost. They are provisioned against loss of value when justified.

The Group assesses at each balance sheet date whether there is objective evidence that the financial asset or group of financial assets is impaired. If a prolonged decline in fair value of the available-for-sale financial assets takes place, then the cumulative loss – measured as the difference between acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement.

A recognised impairment loss on available-for-sale financial assets is reversed if the loss was caused by specific external events of an exceptional nature that are not expected to recur but which subsequent external events have reversed; under these circumstances, reversal does not affect the income statement, the asset's subsequent positive fluctuation thus being taken to the fair value reserve.

1.11 Derivative financial instruments

The Group uses derivative financial instruments with the aim of managing the financial risks to which it is exposed.

Whenever expectations of changes in interest or exchange rates so justify, the Group seeks to hedge against adverse movements through derivative instruments, such as interest rate swaps (IRS), caps and floors, forwards, options, etc.

In the selection of derivative financial instruments, it is their economic aspects that are the main focus of assessment.

Transactions that qualify as cash-flow hedges are recognised in the balance sheet at fair value.

To the extent that they are considered effective hedges, changes in the fair value of IRS are initially recorded as an offset to shareholders' equity and subsequently reclassified under the Financial costs heading, on the settlement date.

Accordingly, in net terms, costs associated with hedged financings are accrued at the inherent hedging transaction rate contracted. Gains or losses arising from the premature rescission of this type of instrument are taken to the income statement at the time they arise.

Although the derivatives contracted by the Group represent effective instruments for the coverage of business risks, not all of them qualify as hedging instruments in accounting terms to satisfy the rules and requirements of IAS 39. Instruments that do not qualify as hedging instruments in accounting terms are stated on the balance sheet at fair value and changes in same are recognized in financial costs.

Whenever possible, the fair value of derivatives is estimated on the basis of quoted instruments. In the absence of market prices, the fair value of derivatives is estimated through the discounted cash-flow method and option valuation models, in accordance with prevailing market assumptions.

The fair value of the derivatives financial instruments is included in Receivables and other current assets and Payables and other current liabilities.

1.12 Income tax

Income tax includes current and deferred taxes. Current income tax is determined on the basis of net profit, adjusted in accordance with tax law prevailing on balance sheet date; for interim periods the expected annual effective tax rate is used.

Deferred tax is calculated on the basis of the liability shown on the balance sheet, on temporary differences between the book value of assets and liabilities and the respective tax base. To determine the deferred tax, the tax rate used is that expected to prevail in the period during which the temporary differences will reverse.

Deferred tax assets are recognised as assets whenever there is a reasonable assurance that earnings will be generated in the future, against which they can be used. Deferred tax assets are reviewed periodically and revised downwards whenever it no longer appears probable that they can be used.

Deferred taxes are recorded as a cost or profit for the period, except if they arise from amounts recorded directly in the equity, in which case the deferred tax is also recorded under the same heading.

1.13 Inventories

Inventories are valued according to the following criteria:

i) Goods and raw materials

Goods and raw materials are valued at the lower of acquisition cost and net realizable value. Acquisition cost includes expenses incurred up to arrival of goods at the warehouse, using the weighted average cost as the method of costing.

ii) Finished and intermediate products and work in progress

Finished and intermediate products and work in progress are valued at the lower of production cost (which includes the cost of raw materials, labour and general factory costs, based on the normal production level) and the net realizable value.

The net realizable value represents the estimated selling price less estimated finishing and marketing costs. Differences between cost and net realizable value, if the latter is lower, are recorded as operating costs.

1.14 Receivables and other current assets

Receivables and other current assets are recorded at nominal value less impairment losses necessary to place them at their expected net realizable value.

Impairment losses are recorded when there is objective evidence that the Group will not receive all amounts owed in accordance with the original conditions of the receivables.

1.15 Cash and cash equivalents

The cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term investments with original maturities of 3 months or less, which can be mobilized immediately without any significant risk of fluctuations in value.

1.16 Share capital and treasury shares

Ordinary shares are classified as equity.

Incremental costs directly attributed to the issue of new shares or other equity instruments are shown in equity as a deduction, net of tax, from the value received as a result of the issuance.

Costs directly imputable to the issuance of new shares or options, for the acquisition of a business are included in the acquisition cost, as a part of the value of the acquisition.

When a Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's shareholders until the shares are cancelled, reissued or disposed of.

When such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is reflected in equity.

1.17 Interest-bearing liabilities

Interest-bearing liabilities are recognized initially at fair value, net of transaction costs incurred.

Interest-bearing liabilities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the debt, using the effective interest rate method.

Interest-bearing liabilities are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1.18 Financial costs on loans

Loan related financial costs are generally recognized as financial costs, in accordance with the accrual principle and the effective interest rate method.

Financial costs on loans directly related to the acquisition, construction, or fixed assets production, are capitalized, to form part of the asset's cost. Capitalization of these charges begins once preparations are started for the construction or development of the asset and is suspended after its utilization begins or when the respective project is suspended.

Any financial income generated by loans that are directly associated with a specific investment is subtracted from financial costs eligible for capitalization.

1.19 Provisions

Provisions are recognised whenever the Group has a present legal or constructive obligation, as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions for future operating losses are not recognised. Provisions are reviewed on balance sheet date and are adjusted to reflect the best estimate at that date.

The Group incurs expenditure and assumes liabilities of an environmental nature. Accordingly, expenditures on equipment and operating techniques that ensure compliance with applicable legislation and regulations (as well as on the reduction of environmental impacts to levels that do not exceed those representing a viable application of the best available technologies, on those related to minimizing energy consumption, atmospheric emissions, the production of residues and noise, those established for the execution of plans for the removal of eyesores from the landscape) are capitalized when they are intended to serve the Group's business in a durable way, as well as those associated with future economic benefits and which serve to prolong life expectancy, increase capacity or improve the safety or efficiency of other assets in Group ownership.

1.20 Pensions and other employee allowances

1.20.1 Pension obligations – defined benefit plans

Some Group subsidiaries have undertaken to make payments to their employees under the heading of retirement pension supplements covering old age, disability, early retirement and survivors' benefits, setting up defined benefit pension plans.

These also assumed liability for pre-retirement payments, under the terms of agreements with various employees, up the time of their entry into retirement on social security. These monthly payments represent the respective portion of the employee's salary as of his pre-retirement date. The present value of liabilities for future pre-retirement payments is determined on an actuarial basis and recorded as a cost of the period in which the pre-retirement contract is signed.

As mentioned in Note 27, the Group has set up autonomous pension funds as a way to finance in part its liabilities for those payments.

In accordance with IAS 19, companies with pension plans recognise the costs of providing these benefits *pari passu* with the services provided by the beneficiaries in their employment. In this way, the total liability is estimated separately for each plan at least once every six months, on the date of closing of the interim and annual accounts, by a specialized and independent entity in accordance with the projected unit credit method.

Past service costs resulting from the implementation of a new plan, or increases in benefits attributed are recognised immediately in situations where the benefits are to be paid or are past due.

The liability thus determined is stated on the balance sheet, less the market value of the funds set up, under the Retirement benefits obligations heading in non-current liabilities, when insufficient, and in non-current assets in situations of over-funding.

Actuarial variances arising from the differences between the assumptions used for the purpose of determining liabilities and those which effectively occurred (as well as of changes made to same and the difference between the expected return on the assets of the funds and their actual yield) are recognized directly on equity when incurred.

Gains and losses generated on a curtailment or settlement of a defined benefit pension plan are recognised in the income statement when the curtailment or settlement occurs.

A curtailment occurs when there is a material reduction in the number of employees or when the plan is modified in a way that the benefits are materially reduced.

1.20.2 Holidays, holidays allowances and bonus

In accordance with prevailing legislation, workers are entitled to 25 days holiday each year, as well as one month of holiday allowances, the right to which is acquired in the year preceding payment.

In accordance with the Management performance system, workers are entitled to a compensation benefit defined in the annual objectives, the right to which is acquired in the year preceding payment.

Hence, these liabilities are recorded in the period during which workers acquire the respective entitlement, irrespective of the date of payment, and the balance to be paid as of balance sheet date is shown under the Payables and other current liabilities.

1.21 Payables and other current liabilities

The balances of Payables and other current liabilities are stated at their nominal value.

1.22 Government grants

Government grants are recognised only after it becomes certain that the Group will comply with the respective conditions and that the same will be received.

Operating government grants, received for the purpose of compensating the Group for costs incurred, are recorded systematically on the income statement during the periods in which the costs that those grants are intended to cover are recognised.

Government grants related to biological assets carried at fair value, in accordance with IAS 41, are recognised in the income statement when the terms and conditions of the award of the government grant are met.

The investment government grants that the Group receives to compensate it for capital expenditures are included in Payables and other current liabilities and are recognised in the income statement throughout the estimated useful life of the respective subsidized asset.

1.23 Leases

Property, plant and equipment acquired under financial leases, as well as the respective liabilities are booked by the financial method.

Under this method, the asset is recorded under the Property, plant and equipment heading, the respective liability is recorded in liabilities under the Interest-bearing liabilities heading; the interest component of lease payments and depreciation of the asset, calculated as described in Note 1.7, are recognised as costs of the respective period.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor, the Group being the lessee, are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement over the period of the lease.

1.23.1 Leases included in arrangements as defined in IFRIC 4

The Group recognises an operating or financial lease whenever entering into an arrangement, comprising a transaction or a series of related transactions, which my not assume the legal form of a lease, that transmits the right to use the asset in return for a payment or series of payments.

1.24 Dividend distribution

Dividend distribution to Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders, up to the time of payment.

1.25 Revenue recognition and the accrual basis

Income from sales is recognised in the consolidated income statement when the risks and benefits inherent in the ownership of the respective assets are transferred to the purchaser and the income can be reasonably quantified.

Sales are recognized net of taxes, discounts and other costs inherent to their completion, at the fair value of the sum received or receivable.

Income from services rendered is recognised in the consolidated income statement by reference to the phase of fulfilment of service contracts at balance sheet date.

Dividend income is recognised when the owners or shareholders entitlement to receive payment is established.

Interest receivable is recognised according to the accrual principle, taking into account the amount owed and the effective interest rate during the period to maturity.

Group companies record their costs and income according to the accrual principle, so that costs and income are recognised as they are generated, irrespective of the time at which they are paid or received.

The differences between amounts received and paid and the respective costs and income are stated under the Receivables and other current assets and Payables and other current liabilities headings (Notes 21 and 30, respectively).

1.26 Contingent assets and contingent liabilities

Contingent liabilities relative to which an outflow of funds to the detriment of future economic benefits is improbable are not recognised in the consolidated financial statements; they are disclosed in the notes to the consolidated financial statements unless the possibility of an actual outflow of funds is a remote one, in which case they are not disclosed. Provisions against contingent liabilities that satisfy the conditions foreseen in Note 1.19 are recognised.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed in the notes to the consolidated financial statements when a future economic benefit is probable (see Note 37).

1.27 Subsequent events

Events subsequent to balance sheet date that provide additional information of conditions existing at balance sheet date are reflected in the consolidated financial statements.

Events subsequent to balance sheet date that provide information on conditions that arose after balance sheet date are disclosed in the notes to the consolidated financial statement, if material.

1.28 New standards, amendments and interpretations of existing standards

The European Commission regulations nº 108/2006, nº 708/2006, nº1329/2006, nº 610/2007 and nº611/2007 of January 11, May 8, September 8 and June 1, respectively, adopted these new directives:

New standards effective on the first half of 2007:

New standards	Effective date *
IFRS 7 - Financial instruments: disclosures	January 1, 1007
IFRIC 7 - Applying the restatement approach under IAS 29	March 1, 2006
IFRIC 8 - Scope of IFRS 2	May 1, 2006
IFRIC 9 - Reassessment of embedded derivatives	June 1, 2006
IFRIC 10 - Interim financial reporting and impairment	November 1, 2006

* Periods beginning on or after

The adoption of these new standards has not resulted in a significant impact on Group's net assets and results.

New standards not mandatory for the first half of 2007:

New standards	Effective date *
IFRIC 11 - IFRS 2 - Group and treasury share transactions	March 1, 2007
IFRS 8 - Operating segments **	January 1, 2009
IFRIC 12 - Service concession arrangements **	January 1, 2008
IFRIC 13 - Customer loyalty programmes **	July 1, 2008
IFRIC 14 - IAS 19 - The limit on a defined benefit asset mininum funding requirements and their interaction **	January 1, 2008
Arrangements to IAS 23 - Borrowing costs **	January 1, 2009

* Periods beginning on or after
** Standards not yet approved by the European Commission

Up to date the Group has not concluded the estimate over the effects of the changes above mentioned thereby choosing not to adopt these standards earlier. However, no material effect in the financial statements is expected.

2. Risk Management

2.1 Financial risk factors

The Group's activities are exposed to a variety of financial risk factors: foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group maintains a program for the management of risk which focus its attention on the financial markets and seeks to minimize the potential adverse effects on its financial performance.

Risk management falls within the domain of the finance department in accordance with policies approved by the board of directors. The financial department assesses and covers financial risks in close cooperation with the Group's operating units.

The board of directors provides principles of risk management as a whole and policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivatives and other non-derivate financial instruments and the investment of excess liquidity.

2.1.1 Foreign exchange risk

Fluctuations in the euro exchange rate against other currencies can affect the Company's revenues in a number of ways.

On the one hand, it is customary to set the price of pulp on the world market in US dollars, so that the trend of the euro against the dollar can have an impact on the Company's future sales even though sales are priced in euros or another currency. On the other hand, a significant portion of paper sales is priced in currencies other than the euro, again with special emphasis on the US dollar. The euro's trend *vis a vis* these currencies can also have an impact on the Company's future sales.

Furthermore, once a sale is made in a currency other than the euro, the Company assumes an exchange risk up to the time it receives the proceeds of that sale. Hence the Company's assets will always have a significant component of receivables subject to foreign exchange risk.

The Group does not hold investments in any materially relevant operations with liquid assets exposed to foreign exchange risk.

The Group manages foreign exchange risks through the use of derivative financial instruments, in accordance with a policy that is subject to periodic review, the prime purpose of which is to limit the exchange risk associated with future sales and the exchange risk associated with accounts receivable priced in currencies other than the euro.

2.1.2 Interest rate risk

The cost of nearly all of the Group's financial debt is indexed to short-term reference rates, which are reviewed more than once a year (generally every six months for medium and long-term debt). Hence, changes in interest rates can have an impact on the Company's earnings.

Interest rate risks are managed through derivative financial instruments, namely interest-rate swaps, the purpose of which is to set the interest rate on the Group's borrowings within certain parameters.

2.1.3 Credit risk

The Group is exposed to risk in the credit it grants to its customers and accordingly it has adopted a policy of maximizing the coverage of risk by means of credit insurance.

Sales not covered by credit insurance are subject to rules that ensure that sales are made to customers with a satisfactory credit history and which limit the exposure to predefined maximum amounts that must be approved for each customer.

2.1.4 Liquidity risk

The Group manages liquidity risk in two ways: firstly by ensuring that its financial debt has a substantial medium and long-term component, with maturities appropriate to the characteristics of the industry of which it forms a part.

In addition, the Group has obtained credit facilities from financial institutions that are available at all times and in such amounts as to ensure that it has sufficient liquidity.

2.2 Operating risk factors

2.2.1 Supply of raw materials

The supply of wood, namely eucalyptus wood, is subject to price fluctuations and difficulties encountered in the supply of raw materials that could have a significant impact on the production costs of companies producing BEKP.

The planting of new areas of eucalyptus is subject to the authorization of the competent entities, so that increases in forest areas, or the substitution of some of the present areas do not depend on producers of cellulose. If domestic production were to prove insufficient, the Group would have to place greater reliance on imports.

Furthermore, and taking in account the increase on demand for eucalyptus, not easily satisfied by national forests, the Group has drawn to the attention of the Government and the public the necessity to guarantee that, whilst the internal production of this type of wood material does not increase significantly on an economically viable basis, the utilisation of biomass for energy purposes should not overcome the requirements for industrial purposes.

2.2.2 Market prices of pulp and paper

The market prices of pulp and paper have a significant impact on the Group's revenues and on its profitability. Cyclical fluctuations in pulp prices arise mainly from changes in installed production capacity at the world level, creating imbalances in supply in the face of market demand.

With the aim of limiting the risk associated with fluctuations in the price of pulp in the short-term, the Group carried out some hedging operations through forward sales.

2.2.3 Demand for the Group's products

Any decline in the demand for BEKP, printing and uncoated writing papers in the EU and US markets could have a severe impact on the company's sales. Moreover, demand for pulp produced by the Group depends on the growth of installed capacity for the production of paper at the world level, since the paper-makers are our main customers.

2.2.4 Competition

Increased competition in the pulp and paper markets could have an important impact on prices and hence on the Group's profitability.

The pulp and paper markets are highly competitive, so that the coming on stream of new capacity could have a strong influence on prices at the world level.
These factors have forced the group to make important capital expenditures for the sake of keeping its costs at a competitive level and for making products of the highest quality. It can be expected that this pressure of competition will continue unabated.

2.2.5 Environmental legislation

In recent years, legislation in the EU has increased its constraints relative to the control of effluents. The companies of the Group conform to the prevailing legislation, having incurred major capital expenditures over the past few years.

Although no important changes in present legislation are expected in the near future, there is always the possibility that the Group may need to spend more in this area, in order to comply with any new limits that may come into force.

2.2.6 Context costs

The lack of efficiency in the Portuguese economy, which exercises a negative effect on the Group's ability to compete, continues to deserve special attention, particularly, although not exclusively, in the following areas:

i) Ports and railroads;
ii) Roads particularly those providing access to the Group's plants;
iii) Rules relating to territory and forest fires;
iv) Low productivity of the country's forests.

3. Important accounting estimates and judgments

The preparation of consolidated financial statements requires the Group's management to make judgements and estimates with a bearing on revenues, costs, assets, liabilities and disclosures on balance sheet date.

These estimates are determined by the judgment of the Group's management, based (i) on the best information and knowledge of present events and in some cases, on the reports of independent experts and (ii) on the actions that the Company believes it is able to carry out in the future. However, actual transaction results may differ from estimates.

The estimates and assumptions that present a significant risk that a material adjustment to the book value of the assets and liabilities will be needed in the next year are shown below:

3.1 Goodwill impairment

Each year, the Group tests whether there is impairment of goodwill, in accordance with the accounting policy described in Note 1.8. Recoverable amounts from the cash generating units are determined on the basis of calculation of values in use. These calculations require the use of estimates.

As of June 30, 2007, an increase of 0.5% on the discount rate used in the impairment test of the subsidiary Soporcel would depreciate that asset in the amount of €96,563,000. Nevertheless, the result would be up by 20% compared to acquisition cost in 2003.

3.2 Income tax

The Group recognises liabilities for additional tax assessments that may arise from reviews by the tax authorities. When the final result of these reviews differs from the amounts initially recorded, the differences will have an impact on income tax and on the provisions for taxes during the period in which such differences are detected.

3.3 Actuarial assumptions

Liabilities for defined benefits are calculated on the basis of certain actuarial assumptions. Changes in these assumptions may have a significant impact on those liabilities.

During the first half of 2007, the group changed the discount rate used to calculate its liabilities with pensions (as mentioned in Note 27) whose effect amount to €14,302,475.

3.4 Fair value of biological assets

On determination of the fair value of biological assets the Group used the discounted cash flows method which took into account assumptions about the nature of the assets being valued (Note 1.9). Changes in these assumptions may have a significant impact on those assets.

On June 30, 2007, an increase of 0.5% on the discount rate would depreciate those assets in the amount of €5,057,801.

4. Segment information

Segment information is shown as they relate to the identified business segments, namely Pulp, Paper, Forest and Energy. The earnings, assets and liabilities of each segment correspond to those directly allocated to them, as well as to those that can be attributed to them on a reasonable basis.

Financial data by business segment for the periods ended June 30, 2007 and 2006 is shown as follows:

	JUNE /2007					
	FOREST	PULP	PAPER	ENERGY	ELIMINATIONS	TOTAL
REVENUES						
Sales and services - external	2,746,404	117,325,528	409,836,376	36,457,478	-	566,365,786
Sales and services - intersegmental	37,086,635	156,489,000	-	22,967,368	(216,543,003)	-
Sales and services - unallocated						-
Total revenues	**39,833,039**	**273,814,528**	**409,836,376**	**59,424,846**	**(216,543,003)**	**566,365,786**
PROFIT/(LOSS)						
Segmental profit	(193,792)	90,485,818	36,518,768	2,741,417	-	**129,552,211**
Costs unallocated	-	-	-	-	-	(7,411,646)
Operating profit	-	-	-	-	-	**122,140,565**
Financial costs	-	-	-	-	-	(13,553,767)
Financial profits	-	-	-	-	-	-
Profit/(Loss) in subsidiaries and associates	-	-	-	-	-	2,872
Profit/(Loss) in other investments	-	-	-	-	-	-
Income tax	-	-	-	-	-	(31,711,106)
Net profit before minority interest	-	-	-	-	-	**76,878,564**
Minority interest	-	-	-	-	-	(9,495)
Net profit	-	-	-	-	-	**76,869,069**

	JUNE /2006					
	FOREST	PULP	PAPER	ENERGY	ELIMINATIONS	TOTAL
REVENUES						
Sales and services - external	4,612,514	129,131,513	364,681,871	31,086,108	-	529,512,006
Sales and services - intersegmental	20,609,261	149,642,000	-	25,559,562	(195,810,824)	-
Sales and services - unallocated						-
Total revenues	**25,221,775**	**278,773,513**	**364,681,871**	**56,645,670**	**(195,810,824)**	**529,512,006**
PROFIT/(LOSS)						
Segmental profit	1,374,793	102,145,248	3,995,617	327,911	-	**107,843,569**
Costs unallocated	-	-	-	-	-	(7,500,646)
Operating profit	-	-	-	-	-	**100,342,923**
Financial costs	-	-	-	-	-	(16,001,900)
Financial profits	-	-	-	-	-	-
Profit/(Loss) in subsidiaries and associates	-	-	-	-	-	-
Profit/(Loss) in other investments	-	-	-	-	-	-
Income tax	-	-	-	-	-	(29,476,347)
Net profit before minority interest	-	-	-	-	-	**54,864,676**
Minority interest	-	-	-	-	-	(25,983)
Net profit	-	-	-	-	-	**54,838,693**

Sales and services rendered by country of destination

	PULP		PAPER		TOTAL	
	06/2007	06/2006	06/2007	06/2006	06/2007	06/2006
Sales and services:						
Germany	31,203,354	28,262,091	54,514,320	46,943,690	85,717,674	75,205,781
Spain	12,816,561	17,943,078	56,257,385	50,531,010	69,073,946	68,474,088
France	8,957,914	10,996,020	56,650,244	52,005,394	65,608,158	63,001,414
UK	1,770,007	3,421,874	35,140,126	28,821,236	36,910,133	32,243,110
Italy	7,326,040	10,046,713	36,705,431	39,165,189	44,031,471	49,211,902
Portugal	3,140,615	6,998,520	33,991,778	27,226,572	37,132,393	34,225,092
Netherlands	25,499,004	25,145,294	25,111,595	21,565,041	50,610,599	46,710,335
USA	3,966,112	-	40,622,173	37,287,647	44,588,285	37,287,647
Switzerland	5,365,218	6,658,794	5,949,073	6,184,734	11,314,291	12,843,528
Poland	6,461,590	5,369,980	19,137	-	6,480,727	5,369,980
Austria	1,989,519	2,700,261	8,941,934	5,176,029	10,931,453	7,876,290
Belgium	855,263	777,441	13,270,666	8,495,086	14,125,929	9,272,527
Israel	3,811,099	2,791,985	-	-	3,811,099	2,791,985
Greece	-	-	6,301,242	-	6,301,242	-
Others	4,163,232	8,019,462	36,361,272	41,280,243	40,524,504	49,299,705
	117,325,528	**129,131,513**	**409,836,376**	**364,681,871**	**527,161,904**	**493,813,384**

The domestic market absorbed all sales and services of the forest and energy segments.

5. Other operating income

On June 30, 2007 and June 30, 2006 the Other operating income was as follows:

Amounts in €	30/06/2007	30/06/2006
Provisions reversal	215,500	177,985
Supplementary income	3,715,156	3,099,821
Gains on inventories	631,680	403,961
Gains on the disposal of non-current assets	2,777,731	1,994,649
Gains on the disposal of current assets	101,800	-
Subsidies - CO2 licenses (Note 6)	15,659	3,121,020
Operating subsidies	137,842	1,913,602
Other operating income	1,293,306	1,434,170
	8,888,674	**12,145,208**

Other operating income refers mainly to electricity, water and other forest products, amounting to €2,486,241 (2006: €1,938,024), €330,391 (2006: €432,638) and €578,823 (2006: €436,363) respectively.

Gains on the disposal of non-current assets in 2007 result essentially from sales of CO2 emission licenses, in the amount of €2,777,731, and in the prior year from the sales of real estate assets amounting to €1,994,649.

6. Costs

On June 30, 2007 and June 30, 2006 the costs were made up as follows:

Amounts in €	30/06/2007	30/06/2006
Cost of inventories sold and consumed	(196,965,860)	(179,880,120)
Increase/decrease of inventories (finished products)	(1,624,844)	(2,031,661)
Consumed materials and services	(138,134,139)	(143,347,403)
Payroll costs		
Remunerations		
Corporate Bodies	(3,822,804)	(3,206,235)
Other remunerations	(35,620,162)	(33,817,441)
	(39,442,966)	(37,023,676)
Social charges		
Pension costs - defined benefit plans (Note 27)	(2,924,120)	(4,230,136)
Other payroll costs	(11,533,829)	(16,811,186)
	(14,457,949)	(21,041,322)
	(53,900,914)	(58,064,998)
Other operating costs		
Recovery of costs related to capital expenditure	193,640	322,281
Subscription dues	(595,149)	(621,452)
Research and development	-	(1,990,085)
Losses on inventories	(344,873)	(330,759)
Adjustments to debt receivable (Note 23)	(12,488)	(45,324)
Adjustments to inventories (Note 23)	(40,270)	(670,970)
Provisions (Note 28)	(10,646,891)	(11,295,537)
Indirect taxes	(1,033,991)	(985,646)
CO2 Emissions Costs (Note 30)	(15,659)	(3,121,020)
Other operating costs	(1,554,448)	(1,326,242)
	(14,050,129)	(20,064,754)
Total costs	**(404,675,886)**	**(403,388,936)**

The Other payroll costs heading includes an amount of €137,028 related to compensations paid to employees for termination of employment contracts by mutual agreement during the first half of 2007 (2006: €2,389,684).

The Other payroll costs heading also includes an amount of €4,794,666 (2006: €4,454,726) related to payable bonus.

7. Remuneration of members of the corporate bodies

On June 30, 2007 and June 30, 2006 the Remuneration of the members of the corporate bodies was as follows:

Amounts in €	30/06/2007	30/06/2006
Board of Directors		
Portucel, S.A.	1,218,049	1,053,526
Board members of Portucel in other companies	2,327,865	1,586,732
Corporate bodies of other Group companies	157,390	501,122
Statutory Auditor (Note 34)	119,500	64,855
	3,822,804	**3,206,235**

The remuneration of corporate bodies includes an amount of €297,196 (2006: €345,732) corresponding to remuneration of four Board members directly paid on the first semester by the shareholder Semapa and subsequently charged to Portucel.

8. Depreciation, amortization and impairment losses

On June 30, 2007 and June 30, 2006 the depreciation, amortization and impairment losses were as follows:

Amounts in €	30/06/2007	30/06/2006
Property, plant and equipment depreciation		
Land	(16,830)	(16,830)
Buildings and other constructions	(9,108,152)	(9,076,882)
Equipment	(30,302,586)	(24,928,384)
Other tangible assets	(2,442,417)	(3,339,034)
	(41,869,985)	(37,361,130)
Other intangible assets amortization		
Industrial property and other rights	(3,005)	(53,663)
	(3,005)	(53,663)
	(41,872,990)	**(37,414,793)**

Amortizations are net of investment Government grants in the amount of €1,031,760.

9. Share of results of associates and joint ventures and companies excluded from consolidation

Amounts in €	30-06-2007	30-06-2006
Portucel International Trading, SA	(2.872)	-
	(2.872)	**-**

Portucel International Trading, SA is carried under the Investments in associates and joint ventures heading, valued by the equity method. The choice of this method is explained by the fact that the company is now in a liquidation process.

10. Financial costs (net)

On June 30, 2007 and June 30, 2006 the financial costs showed the following breakdown:

Amounts in €	30/06/2007	30/06/2006
Interest paid on loans	(18,938,601)	(14,844,873)
Other interest earned	5,840,088	966,368
Income from marketable securities	15,298	-
Foreign exchange differences	64,103	(2,506,602)
Gains (Losses) on financial instruments - trading	(630,291)	1,724,071
Gains (Losses) on financial instruments - hedging	3,946,929	1,909,940
Gains (Losses) on options	(3,346,167)	(3,248,557)
Interest on overdue assessments	(425,118)	-
Other financial earnings/profits	(80,008)	(2,247)
	(13,553,767)	**(16,001,900)**

Gains on financial instruments - hedging include gains with interest rate swaps in the amount of €967,564, losses on hedging operations of the pulp price amounting to €1,061,336 and gains on exchange rate options for hedging future sales in the amount of €4,040,701.

Losses on trading financial instruments, amounting to €630,291 are related to forward rate agreements. Gains or losses resulting from the translation of client receivables are included under Foreign exchange differences.

11. Income Tax

Effective January 1, 2003, Portucel has been subject to the special tax regime applicable to groups of companies made up of those held as to 90% or more and which meet the conditions foreseen in article 63 *et seq* of the Portuguese Corporate Tax Code (Código do Imposto sobre o Rendimentos de Pessoas Colectivas).

Companies included in the group of companies subject to this regime, determine and record income tax as though they were taxed on an individual basis. If gains are determined on the application of this regime, they are recorded as an income of the holding company (Portucel).

In accordance with prevailing legislation, the gains and losses from Group companies and associates that arise from the application of the equity method are deducted or added, respectively, from or to the profit for the period when determining the taxable income for the period.

Dividends are considered when determining the taxable income in the year in which they are received, if holdings are less than 10% or if the assets are held for less than one year, unless the acquisition costs exceeds €20,000,000.

On June 30, 2007 and June 30, 2006, income tax can be analysed as follows:

Amounts in €	30/06/2007	30/06/2006
Current tax	26,980,401	17,989,630
Provision for current tax	(11,536,617)	4,768,694
Difference in tax estimate	3,594,586	(368,984)
Deferred tax*	12,672,736	7,087,007
	31,711,106	**29,476,347**

* Including impairment

The difference in tax estimate refers to years 2003 (pending assessment) and 2006 in the amount of €1,567,667 and €2,026,919, respectively.

The provision for current tax refers to the following: tax contingencies identified during the tax inspection of Soporcel for the years 2004 and 2005, amounting to €4,700,021; the favourable outcome of the tax contingency related to the tax incentive for the second paper plant of Soporcel regarding 2004 and 2005 amounting to €5,783,741; and the decrease on the excess of provision from prior periods in the amount of €10,452,897 (Note 22).

The reconciliation of de income rate on the period ended on June 30, 2007 and June 30, 2006 showed the following breakdown:

Amounts in €	30/06/2007		30/06/2006	
Profit before tax		108,589,670		84,341,023
Expected income tax	26.50%	28,776,263	27.50%	23,193,781
Differences (a)	1.06%	1,153,955	2.64%	2,226,814
Difference in tax estimate	3.31%	3,594,586	5.65%	4,768,694
Decrease in taxable provisions	(1.00%)	(1,083,720)	0.00%	-
Tax benefits	(0.67%)	(729,977)	(0.87%)	(729,977)
Other adjustments	0.00%	-	0.02%	17,035
	29.20%	**31,711,106**	**34.95%**	**29,476,347**

(a) This amount is made up essentially of:

	30/06/2007	30/06/2006
Capital gains/(losses) for tax purposes	13,275	(37,365)
Capital (gains)/losses for accounting purposes	(2,876,469)	-
Taxable provisions (Note 28)	10,646,891	11,295,537
Tax benefits	(279,998)	(300,000)
Others	(3,149,153)	(2,860,665)
	4,354,546	8,097,507
Tax effect (26,50%)	1,153,955	2,226,814

Annual income tax returns are subject to review and potential adjustment by the tax authorities for a period of up to 4 years. However, if tax losses are utilised, these may be subject to review by the tax authorities for a period of up to 6 years.

In other countries where the Group operates, the deadlines are different and in most of the cases higher.

The Board of Directors believes that any reviews/ inspections by the tax authorities will no have a material effect on the consolidated financial statements as of June 30, 2007. The tax inspections of Portucel and Soporcel income tax of 2004 and 2005, respectively, are completed and the tax inspection of Portucel income tax of 2005 is in progress.

12. Earnings per share

Amounts in €	30/06/2007	30/06/2006
Profit attributable to Company's shareholders	76,869,069	54,838,693
Weighted average number of ordinary shares	767,500,000	767,500,000
Basic earnings per share	0.100	0.071

Since there are no outstanding financial instruments convertibles in Group shares, its earnings are undiluted.

13. Minority interest

Amounts in €	30/06/2007	31/12/2006
Opening balance	181,774	170,796
Changes in the period	23,999	(7,311)
Income for the period	9,494	18,288
Closing balance	**215,268**	**181,774**

Minority interests relate to Raiz – Instituto de Investigação Florestal e Papel (woodland and paper research institute).

14. Application of the preceding year's earnings

Amounts in €	2006	2005
Dividends distribution	60,627,721	40,290,574
Legal reserves	4,546,482	2,959,761
Other reserves	-	5,623,546
Retained earnings	59,478,329	14,417,380
	124,652,532	**63,291,261**

The resolution for the application of 2006 earnings, passed at Portucel's General Meeting on March 14, 2007, was based on the net profit for the year as defined by the accounting principles generally accepted in Portugal (Portuguese GAAP). The difference in earnings between the two standards, totalling €33,722,892 (2005: €4,096,045) was transferred to retained earnings.

15. Goodwill

Changes in Goodwill were as follows:

Amounts in €	30/06/2007	31/12/2006
Acquisition cost		
Opening balance	428,132,254	428,132,254
Acquisitions	-	-
Disposals	-	-
Adjustments	-	-
Closing balance	**428,132,254**	**428,132,254**
Accumulated amortization and impairment losses		
Opening balance	(51,375,870)	(51,375,870)
Amortizations and impairment losses	-	-
Disposals	-	-
Exchange rate fluctuations	-	-
Closing balance	**(51,375,870)**	**(51,375,870)**
Book value - opening balance	376,756,384	376,756,384
Book value - closing balance	376,756,384	376,756,384

Following the acquisition of 100% of the share capital of Soporcel – Sociedade Portuguesa de Papel, SA, for €1,154,842,000, goodwill was determined, representing the difference between acquisition cost of the holding and the respective shareholders' equity as of the date of the first consolidation, retroactive to January 1, 2001, adjusted by the effect of attribution of fair value to Soporcel's property, plant and equipment.

The goodwill was amortized up to December 31, 2003 (transition date), which accumulated amount was €51,375,870, having been replaced by annual test to determine impairment losses.

Accordingly, every year the Group calculates the recoverable amount of Soporcel assets (to which the goodwill recorded in the consolidated financial statements is associated), based on value-in-use calculations, in accordance with the Discounted Cash Flow method. The calculations are based on past performance and business expectations with the actual production structure, having used the budget for the next year and a cash flow estimate for the next 14 year period based on a constant sales volume. As a result of the calculations, no impairment losses have been identified.

The main assumptions for the above-mentioned calculation were as follows:

Inflation rate	2%
Discount rate	7%
Production growth	0%

16. Other intangible assets

Over the six-month period ended June 30, 2007 and 2006, changes in Other intangible assets were as follows:

Amounts in €	Research and development expenses	Industrial property and other rights	CO2 emission licenses	Intangible assets in progress	Total
Acquisition cost					
Amount as of January 1, 2006	**4,291,159**	**2,352,590**	**13,214,192**	**-**	**19,857,941**
Changes in the perimeter	-	-	-	-	-
Acquisitions	-	-	12,370,788	23,755	12,394,543
Disposals	-	-	-	-	-
Adjustments, transfers and write-off's	-	120,185	(7,090,551)	18,402	(6,951,964)
Exchange rate adjustments	-	-	-	-	-
Amount as of June 30, 2006	**4,291,159**	**2,472,775**	**18,494,429**	**42,157**	**25,300,520**
Changes in the perimeter	-	-	-	-	-
Acquisitions	-	-	-	44,624	44,624
Disposals	-	-	(11,561,846)	-	(11,561,846)
Adjustments, transfers and write-off's	-	(325)	-	(24)	(349)
Exchange rate adjustments	-	-	-	-	-
Amount as of December 31, 2006	**4,291,159**	**2,472,450**	**6,932,583**	**86,757**	**13,782,949**
Changes in the perimeter	-	-	-	-	-
Acquisitions	-	-	3,394,274	-	3,394,274
Disposals	-	-	(2,173,803)	-	(2,173,803)
Adjustments, transfers and write-off's	(4,291,159)	(144,256)	(1,745,150)	207,738	(5,972,827)
Exchange rate adjustments	-	-	-	-	-
Amount as of June 30, 2007	**-**	**2,328,194**	**6,407,904**	**294,495**	**9,030,593**
Accumulated amortiz. and impairment losses					
Amount as of January 1, 2006	**(4,291,159)**	**(2,323,505)**	**-**	**-**	**(6,614,664)**
Changes in the perimeter	-	-	-	-	-
Amortizations and impairment losses	-	(53,662)	-	-	(53,662)
Disposals	-	-	-	-	-
Adjustments, transfers and write-off's	-	-	-	-	-
Exchange rate adjustments	-	-	-	-	-
Amount as of June 30, 2006	**(4,291,159)**	**(2,377,167)**	**-**	**-**	**(6,668,326)**
Changes in the perimeter	-	-	-	-	-
Amortizations and impairment losses	-	(50,914)	(4,858,808)	-	(4,909,722)
Disposals	-	-	-	-	-
Adjustments, transfers and write-off's	-	156	-	-	156
Exchange rate adjustments	-	-	-	-	-
Amount as of December 31, 2006	**(4,291,159)**	**(2,427,925)**	**(4,858,808)**	**-**	**(11,577,892)**
Changes in the perimeter	-	-	-	-	-
Amortizations and impairment losses	-	(3,005)	(1,409,069)	-	(1,412,074)
Disposals	-	-	-	-	-
Adjustments, transfers and write-off's	4,291,159	144,257	-	-	4,435,416
Exchange rate adjustments	-	-	-	-	-
Amount as of June 30, 2007	**-**	**(2,286,673)**	**(6,267,877)**	**-**	**(8,554,550)**
Amount as of January 1, 2006	**-**	29,085	13,214,192	-	13,243,277
Net book value as of June 30, 2006	**-**	95,608	18,494,429	42,157	18,632,194
Net book value as of December 31, 2006	-	44,525	2,073,775	86,757	2,205,057
Net book value as of June 30, 2007	**-**	**41,521**	**140,027**	**294,495**	**476,043**

17. Property, plant and equipment

Over the six-month period ended June 30, 2007 and in 2006, changes in Property, plant and equipment accounts, as well as the respective depreciations and impairment losses, were as follows:

In

Amounts in €	Land	Buildings and other constructions	Equipment and other tangibles	Construction in progress	Total
Acquisition cost					
Amount as of January 1, 2006	**101,157,320**	**385,970,323**	**2,478,041,424**	**75,693,881**	**3,040,862,948**
Changes in the perimeter	-	-	-	-	-
Acquisitions	-	27,992	10,556,775	3,212,528	13,797,295
Disposals	(972,122)	(1,276,041)	(1,169,015)	-	(3,417,179)
Adjustments, transfers and write-off's	-	(769,826)	37,007,267	(37,323,021)	(1,085,580)
Exchange rate adjustments	-	-	-	-	-
Amount as of June 30, 2006	**100,185,198**	**383,952,447**	**2,524,436,451**	**41,583,388**	**3,050,157,484**
Changes in the perimeter	-	-	-	-	-
Acquisitions	24,000	184,667	7,194,763	(1,116,154)	6,287,276
Disposals	972,122	(638,293)	(649,233)	-	(315,404)
Adjustments, transfers and write-off's	(372,946)	829,556	30,666,833	(32,046,209)	(922,766)
Exchange rate adjustments	-	-	-	-	-
Amount as of December 31, 2006	**100,808,374**	**384,328,378**	**2,561,648,814**	**8,421,025**	**3,055,206,591**
Changes in the perimeter	-	-	-	-	-
Acquisitions	-	92,779	4,512,930	3,843,670	8,449,379
Disposals	-	-	(671,851)	-	(671,851)
Adjustments, transfers and write-off's	-	719,128	1,785,218	(3,049,021)	(544,675)
Exchange rate adjustments	-	-	-	-	-
Amount as of June 30, 2007	**100,808,374**	**385,140,285**	**2,567,275,111**	**9,215,674**	**3,062,439,444**
Accum.depreciations and impairment losses					
Amount as of January 1, 2006	**(227,745)**	**(209,053,086)**	**(1,678,269,712)**	**-**	**(1,887,550,543)**
Changes in the perimeter	-	-	-	-	-
Acquisitions	(16,830)	(9,076,882)	(28,267,419)	-	(37,361,130)
Disposals	270,305	350,040	270,905	-	891,250
Adjustments, transfers and write-off's	-	1,672,207	(3,676,482)	-	(2,004,275)
Exchange rate adjustments	-	-		-	-
Amount as of June 30, 2006	**25,730**	**(216,107,721)**	**(1,709,942,708)**	**-**	**(1,926,024,698)**
Changes in the perimeter	-	-	-	-	-
Acquisitions	(16,829)	(9,186,936)	(30,491,090)	-	(39,694,856)
Disposals	(270,305)	1,275,253	1,193,463	-	2,198,411
Adjustments, transfers and write-off's	-	(474,510)	(4,080,985)	-	(4,555,495)
Exchange rate adjustments	-	-	-	-	-
Amount as of December 31, 2006	**(261,404)**	**(224,493,914)**	**(1,743,321,320)**	**-**	**(1,968,076,638)**
Changes in the perimeter	-	-	-	-	-
Acquisitions	(16,830)	(9,108,152)	(32,745,003)	-	(41,869,985)
Disposals	-	-	905,211	-	905,211
Adjustments, transfers and write-off's	-	198,937	(443,621)	-	(244,684)
Exchange rate adjustments	-	-	-	-	-
Amount as of June 30, 2007	**(278,234)**	**(233,403,129)**	**(1,775,604,733)**	**-**	**(2,009,286,096)**
Net book value as of January 1, 2006	**100,929,575**	**176,917,237**	**799,771,712**	**75,693,881**	**1,153,312,405**
Net book value as of June 30, 2006	100,210,928	167,844,726	814,493,743	41,583,388	1,124,132,786
Net book value as of December 31, 2006	**100,546,970**	**159,834,464**	**818,327,494**	**8,421,025**	**1,087,129,953**
Net book value as of June 30, 2007	100,530,140	151,737,156	791,670,378	9,215,674	1,053,153,348

The Group applies the interpretation IFRIC 4 – Determining whether an arrangement contains a lease. By virtue of the adoption of this standard, the Property, plant and equipment – equipment and other tangibles heading was increased by €44,003,950, from which the respective accumulated depreciation in the amount of €20,535,177 was deducted as of December 31, 2006. As of June 30, 2007, the net book value of these equipments was €22,001,975.

18. Biological assets

Over the six-month period ended June 30, 2007 and in 2006, changes in biological assets were as follows:

Amounts in €	30/06/2007	31/12/2006
Amount as of January 1:	**123,295,452**	**136,238,875**
Changes in fair value		
Logging conducted in the period	(12,134,191)	(17,631,810)
Growth	2,474,346	4,645,197
Plantations recovery	77,658	1,640,898
Other changes in fair value	3,017,168	(1,597,708)
Total changes in fair value	**(6,565,019)**	**(12,943,423)**
	116,730,433	**123,295,452**

The amounts presented in Other changes in fair value correspond to changes (positive or negative) in the estimated volume of future wood harvests due to: new plantations, increase or decrease in the forest exploitation efficiency and write-downs as result of fires.

19. Investments in associates and joint ventures and companies excluded from consolidation

On June 30, 2007 and December 31, 2006, this heading includes the companies excluded from consolidation:

Associates and other investments	% held	30/06/2007	31/12/2006
Portucel International Trading, SA	100%	570,167	386,233
Soporgen	8%	4,000	4,000
Liaision Technologie	2%	126,032	126,032
Other	-	42	42
		700,241	516,307

Changes under this heading during the six-month period ended June 30, 2007 and during 2006 were as follows:

Amounts in €	30/06/2007	31/12/2006
Acquisition cost at the beginning of the year	516,307	357,526
Acquisitions	90,962	126,032
Appropriated net profit	2,872	-
Other changes in subsidiaries equity	90,100	32,749
	700,241	516,307

The acquisitions are related to the adjustment on the acquisition of the remaining 20% of PIT Luxemburg which occurred on November 26, 2002. The group expects to liquidate this company until the year-end.

20. Inventories

On June 30, 2007 and December 31, 2006, Inventories comprised the following:

Amounts in €	31-06-2007	31/12/2006
Raw materials	92,635,952	76,512,034
Work in progress	12,777,679	10,012,448
Byproducts and waste	429,924	466,935
Finished and intermediate products	29,032,102	29,712,665
Merchandise	537,671	183,578
Advances to suppliers of inventories	668,205	668,205
	136,081,533	**117,555,865**

21. Receivables and other current assets

As of June 30, 2007 and December 31, 2006, Receivables and other current assets showed the following breakdown:

Amounts in €	30/06/2007	31/12/2006
Clients	218,247,883	225,415,980
Clients - related companies (Note 32)	343,798	330,618
Derivative financial instruments (Note 31)	14,771,831	15,789,791
Accrued income	1,207,079	2,162,032
Other receivables	2,977,922	3,668,813
Deferred costs	3,913,550	2,173,397
	241,462,063	249,540,631

Receivables showed above have been deducted of impairment losses, in accordance with the policies described in the Note 1.14, whose details are presented in Note 23.

As of June 30, 2007 and December 31, 2006, other receivables, can be analysed as follows:

Amounts in €	30/06/2007	31/12/2006
Shareholders and associated companies		
Shareholders	(1,239)	(1,239)
Associated companies - receivables (Note 32)	415,240	384,040
	414,001	382,801
Other		
Advances to staff	146,218	171,419
Debtors for real estate sales	-	498,800
Other debtors	2,417,703	2,615,793
	2,563,921	3,286,012
	2,977,922	3,668,813

The Debtors for real estate sales refer to the amount receivable related to the sale of Torrebela property, which was adjusted in 2007. The sales agreement was signed on July 8, 2003 and this amount will only be received on the signing date of the deed.

As of June 30, 2007 and December 31, 2006, Accrued income and Deferred costs, can be analysed as follows:

Amounts in €	30/06/2007	31/12/2006
Accrued income		
Interest receivable	558,513	222,703
Discounts in acquisitions	41,340	20,955
Subsidies (Raiz)	17,702	866,783
Insurance compensations *	-	682,126
Other	589,524	369,465
	1,207,079	2,162,032
Deferred costs		
Insurance costs	3,159,605	-
Major repairs	-	1,534,246
Costs with inventories	570,774	527,564
Other	183,171	111,587
	3,913,550	2,173,397
	5,120,629	4,335,429

* Impairment recorded in the first semester of 2007

22. State and other public entities

As of June 30, 2007 and December 31, 2006, there were no debts in arrears to the state and other public entities. Balances with these entities were as follows:

Currents Assets

Amounts in €	30/06/2007	31/12/2006
State and other public entities		
Value added tax	4,225,881	6,445,136
Value added tax - refunds requested	29,151,733	18,237,657
	33,377,614	**24,682,793**

Current Liabilities

Amounts in €	30/06/2007	31/12/2006
State and other public entities		
Corporate income tax	25,692,398	1,270,078
Salaries income tax - withholding	1,167,383	783,524
Value added tax	3,519,204	3,641,423
Social security	2,808,009	1,716,080
Tax provisions	21,306,385	32,843,002
Other	162,493	129,815
	54,655,872	**40,383,922**

Corporate Income tax showed the following breakdown:

Amounts in €	30/06/2007	31/12/2006
Corporate income tax		
Income tax	26,980,401	3,544,096
Payments made in advance	-	(1,159,503)
Withholding tax	(1,194,051)	(868,316)
Income tax to be recovered - prior years	(93,952)	(246,199)
	25,692,398	**1,270,078**

Changes on tax provisions during the six-month period ended June 30, 2007 were as follows:

Amounts in €	31/12/2007	31/12/2006
Opening balance	32,843,001	21,386,310
Increase	4,700,022	14,249,368
Decrease (Note 11)	(16,236,638)	(2,792,677)
Closing balance	**21,306,385**	**32,843,001**

This balance includes €16,633,658 related to the investment contract for the second paper plant of Soporcel (Note 37.1.1). It also includes additional income tax assessments of 2003, 2004 and 2005 amounting to €59,339, €1,534,647 and €2,543,771, respectively, as a consequence of tax inspections in Soporcel.

23. Impairments

During the first half of 2007 and during 2006 changes in Impairments were as follows:

Amounts in €	Property, plant and equipment	Inventories	Accounts receivable	Other debtors	Total
Balance on January 1, 2006	(19,357,083)	(25,053)	(4,979,778)	(444,055)	(24,805,969)
Changes in the perimeter	-	-	-	-	-
Exchange rate adjustments	-	-	-	-	-
Increases (Note 6)	-	(670,970)	(45,324)	-	(716,294)
Decreases (Note 5)	-	-	1,570	176,415	177,985
Write-downs	-	-	-	-	-
Transfers	-	-	-	-	-
Balance on June 30, 2006	**(19,357,083)**	**(696,023)**	**(5,023,532)**	**(267,640)**	**(25,344,278)**
Changes in the perimeter	-	-	-	-	-
Exchange rate adjustments	-	-	-	-	-
Increases	-	172,027	(914,255)	-	(1,458,522)
Decreases	-	-	-	47,910	225,895
Write-downs	-	-	59,152	-	59,152
Transfers	-	207,790	-	-	207,790
Balance on December 31, 2006	**(19,357,083)**	**(316,206)**	**(5,878,635)**	**(219,730)**	**(26,309,963)**
Changes in the perimeter	-	-	-	-	-
Exchange rate adjustments	-	-	-	-	-
Increases	-	(40,270)	(12,488)	-	(52,758)
Decreases	-	215,500	-	-	215,500
Write-downs	-	-	-	-	-
Transfers	-	-	-	-	-
Balance on June 30, 2007	**(19,357,083)**	**(140,976)**	**(5,891,123)**	**(219,730)**	**(26,147,221)**

These amounts are presented on the respective headings, as a deduction to the gross amounts.

The impairment in Property, plant and equipment assets essentially includes impairment losses in fixed assets held by SPCG in the amount of €12,931,625, whose net book value after impairment is €6,226,081. The remaining amount results from the replacement of the boilers in Cacia and Figueira da Foz plants, remaining the old ones as a backup.

24. Share capital and treasury shares

Portucel is a public corporation with shares quoted on Euronext Lisbon.

As of June 30, 2007, the share capital of Portucel was fully subscribed and paid in; it is represented by 767,500,000 shares with nominal value of €1 each, of which 60.500 are held as treasury shares (nominal value).

There were no changes under these headings during 2006 and first half of 2007.

As of June 30, 2007, shareholders with significant positions in the Company's equity were as follows:

Entities	Nº of Shares	% of Equity
Seinpart - Participações, SGPS, S.A.	230,839,400	30.08%
Semapa Investments, BV	281,152,015	36.63%
Semapa SGPS (call options)	23,227,387	3.03%
Other entities from Semapa Group	15,806,318	2.06%
Other shareholders	216,474,880	28.21%
	767,500,000	**100.00%**

As of June 30, 2007 the shares representing the Share Capital were quoted at €3.00 each. This value corresponds to a market value of €2,302,500,000.

25. Reserves

As of June 30, 2007 and December 31, 2006, the Fair value reserve and Other reserves showed the following breakdown:

Amounts in €	30/06/2007	31/12/2006
Fair value reserve	8,529,540	5,486,474
Statutory reserve	52,934,256	52,934,256
Legal reserve	30,800,854	26,254,372
Merger reserve (former INAPA)	(3,003,047)	(3,003,047)
	80,732,063	**76,185,581**
Currency translation reserve	102,732	42,634
Retained earning: prior years	219,189,551	149,616,532
	308,553,886	**231,331,221**

Fair value reserve

As of June 30, 2007, €8,529,538, net of deferred taxes, shown under Fair value reserve, represents the fair value of financial hedging instruments in the amount of €14,535,139 (Note 31), recorded as described in Note 1.11, deducted from the advance payment amounting to €2,930,333.

Legal reserve

Under Portuguese Commercial law, at least 5% of each year's net profit must be applied to supplement the legal reserve until it reaches at least 20% of share capital. This reserve cannot be distributed unless Portucel is liquidated but can be drawn on to absorb losses, after other reserves are exhausted, or incorporated in the share capital.

Merger reserve

This heading represents the negative difference of €3,003,047 determined on January 1, 2000, between the acquisition value of Papéis Inapa, SA and its adjusted shareholders' equity, which after the merger was classified as a merger reserve.

Currency translation reserve

This heading includes the exchange differences arising as a result of the conversion of all assets and liabilities of the Group expressed in foreign currency to euros, at the rates of exchange prevailing on balance sheet date.

The Currency translation reserve refers to Soporcel UK (GBP) and Soporcel North America (USD). In the first half of 2007 the reserve includes Soporcel UK €28,789 negative, and Soporcel NA €131,522 (2006: €27,122 negative and €69,761, respectively).

Other reserves and prior years retained earnings

Other reserves amounting to €80,732,063 includes statutory, legal and merger reserves, of which €49,931,209 is available for distribution to the shareholders. Prior years retained earnings amounting to €219,189,551, of which €40,873,547 cannot be distributed as they have resulted from differences between the accounting principles generally accepted in Portugal and IFRS and of the unrealised revaluation reserve. Accordingly, the amount available for distribution to the shareholders is €228,247,213.

26. Deferred taxes

As of June 30, 2007 and December 31, 2006, changes in assets and liabilities as a result of deferred taxes were as follows:

Amounts in €	January 1, 2007	Income statement Increases	Income statement Decreases	Equity	June 30, 2007
Temporary differences originating deferred tax assets					
Intangible assets adjustments	799,755	3,145	-	-	802,900
Taxable provisions	8,163,405	-	(508,104)	-	7,655,301
Tangible fixed assets adjustments	14,468,241	-	(112,042)	-	14,356,199
Retirement benefits obligations	35,154,141	1,793,897	(175,032)	(14,713,349)	22,059,658
Gains in inter-group transactions	5,529,002	-	(825,772)	-	4,703,230
Forests valuation	54,016,754	-	(2,894,465)	-	51,122,289
Forests costs update	36,842,876	-	(36,842,876)	-	-
Depreciation of assets under IFRIC 4	3,859,215	30,900	-	-	3,890,115
	158,833,389	1,827,942	(41,358,292)	(14,713,349)	104,589,691
Temporary differences originating deferred tax liabilities					
Revaluation of fixed assets	(31,157,665)	-	4,461,520	-	(26,696,145)
Retirement benefits obligations	(999,297)	(28,744)	3,299	(109,728)	(1,134,469)
Financial instruments	(7,464,582)	-	-	(4,140,224)	(11,604,806)
Fair value of fixed assets	(246,794,514)	-	1,753,016	-	(245,041,498)
Extension of the useful life of tangible fixed assets	(48,887,412)	(21,298,018)	-	-	(70,185,430)
Deferred losses in inter-group transactions	(73,100,049)	-	6,817,634	-	(66,282,415)
	(408,403,519)	(21,326,761)	13,035,470	(4,249,952)	(420,944,762)
Amounts presented on the balance sheet					
Deferred tax assets	42,146,310	551,924	(11,027,467)	(3,899,037)	27,771,730
Deferred tax liabilities	(108,226,509)	(5,651,592)	3,454,400	(1,126,238)	(111,549,939)

Amounts in €	January 1, 2006	Income statement Increases	Income statement Decreases	Equity	December 31, 2006
Temporary differences originating deferred tax assets					
Tax losses deductible in the future	123,858	-	(281,141)	157,283	-
Intangible assets adjustments	7,394,291	-	(6,594,536)	-	799,755
Taxable provisions	8,870,178	1,025,225	(1,731,998)	-	8,163,405
Fixed assets adjustments	15,400,681	-	(932,440)	-	14,468,241
Retirement benefits obligations	37,589,072	5,507,645	(7,915,125)	(27,451)	35,154,141
Financial instruments	2,077,924	-	-	(2,077,924)	-
Gains in inter-group transactions	4,200,155	1,328,847	-	-	5,529,002
Forests valuation	78,685,280	11,169,983	(35,838,509)	-	54,016,754
Forests costs update	73,774,331	-	(36,931,455)	-	36,842,876
Depreciation of assets under IFRIC 4	3,663,197	196,018	-	-	3,859,215
	231,778,967	19,227,718	(90,225,204)	(1,948,092)	158,833,389
Temporary differences originating deferred tax liabilities					
Revaluation of fixed assets	(34,055,387)	(550,675)	3,448,397	-	(31,157,665)
Retirement benefits obligations	(1,018,029)	(97,337)	-	116,069	(999,297)
Financial instruments	-	-	-	(7,464,582)	(7,464,582)
Fair value of fixed assets - Soporcel (IPK)	(247,887,582)	-	1,093,068	-	(246,794,514)
Extension of the useful life of tangible fixed assets	-	(48,887,412)	-	-	(48,887,412)
Deferred losses in inter-group transactions	(37,052,365)	(36,047,684)	-	-	(73,100,049)
	(320,013,363)	(85,583,108)	4,541,465	(7,348,513)	(408,403,519)
Amounts presented on the balance sheet					
Deferred tax assets	63,739,216	5,287,622	(24,811,931)	(535,725)	43,679,182
Deferred tax assets - change in tax rate	-	(2,510,066)	996,675	(19,481)	(1,532,872)
	63,739,216	**2,777,556**	**(23,815,256)**	**(555,206)**	**42,146,310**
Deferred tax liabilities	(88,003,675)	(23,535,355)	1,248,903	(2,020,841)	(112,310,968)
Deferred tax liabilities - change in tax rate	-	4,174,940	(44,991)	(45,490)	4,084,459
	(88,003,675)	**(19,360,415)**	**1,203,912**	**(2,066,331)**	**(108,226,509)**

Reported tax losses without deferred taxes assets

Tax losses as of June 30, 2007 and December 31, 2006 that the Group considers there is, at this date, no capability to realize through future taxable earnings (with the limit of 6 years) and therefore without deferred taxes assets, are itemized as follows:

Amounts in €		30/06/2007	31/12/2006	2007	2008	2009
Portucel Florestal, S.A.		**17,406,032**	**17,406,032**			
	2001	3,491,014	3,491,014	3,491,014	-	-
	2002	5,989,592	5,989,592	-	5,989,592	-
	2003	7,925,426	7,925,426	-	-	7,925,426
Aliança Florestal, SA		**31,049**	**31,049**			
	2001	31,049	31,049	31,049	-	-
Enerforest - Empresa de Biomassa para Energia, S.A.		**70,645**	**133,842**			
	2001	70,645	133,842	70,645	-	-
Tecnipapel, Lda		**202,864**	**202,865**			
	2001	50,816	50,816	50,816	-	-
	2002	152,048	152,048	-	152,048	-
		17,710,590	**17,773,788**	**3,643,524**	**6,141,640**	**7,925,426**

27. Retirement benefits obligations

Retirement and survivors' pension supplements

At present there are various retirement and survivors' pension supplement plans in force at the companies included in the consolidation. For some categories of workers there are plans in addition to the ones described below, also with independent funds to cover these additional liabilities

Under the prevailing Social Benefit Regulation, permanent employees of Portucel and its main subsidiaries with more than five years' service (ten years for Soporcel, Aliança Florestal and Raiz) are entitled after retirement or disability to a monthly retirement pension or disability supplement. This supplement is calculated according to a formula which takes into account the beneficiary's gross monthly remuneration updated to the employee's occupational category on the date of his retirement and number of years of service, up to a limit of 30 (25 years for Soporcel, Aliança Florestal and Raiz); survivors' pensions to spouse and direct descendants are also guaranteed.

To cover this liability, externally managed pension funds were set up, and the funds' assets are apportioned between each of the companies.

Actuarial studies carried out by an independent entity for the purpose of determining the accumulated liabilities as of June 30, 2007 and December 31, 2006 were based on the following assumptions:

	30-06-2007	31-12-2006
Disability table	EKV 80	EKV 80
Mortality table	TV 88/90	TV 88/90
Future salary increases	2,50%	2,50%
Discount rate	5,00%	4,50%
Future pension increases	2,25%	2,25%

The Group changed some of the assumptions used to estimate the liabilities with retirement pension supplements, namely the discount rate and the rate of future salary increases as it considers that these are assumptions that best reflect the present financial and economic situation of the Group.

As of June 30, 2007 and December 31, 2006, coverage of the companies' liabilities by the assets of the funds was as follows:

Amounts recognised in the balance sheet

Amounts in €	30/06/2007	31/12/2006
Liabilities for past services		
- Active employees	106,924,821	115,432,689
- Early retirement	700,944	1,698,239
- Retired employees	34,108,497	33,435,586
Market value of the pension fund	(119,990,519)	(116,518,915)
Fund insufficiency	**21,743,743**	**34,047,599**

Amounts recognised in the income statement

Amounts in €	30/06/2007	30/06/2006
Current services	2,065,345	2,532,072
Interest expenses	3,480,889	3,303,440
Expected return on the plan assets	(2,776,693)	(1,909,404)
Transfers and adjustments	-	150,000
Other changes	-	(5,420)
	2,769,541	**4,070,688**
Other pension costs (outside Portugal)	154,579	159,448
Costs of the year	**2,924,120**	**4,230,136**

Movements in liabilities recognized in the balance sheet

Amounts in €	30/06/2007	31/12/2006
Liability at the beginning of the period	150,566,514	140,532,530
Change of assumptions	(14,302,475)	-
(Profit)/loss recognised in the income statement	5,546,234	11,517,146
Pensions paid	(1,114,713)	(2,125,294)
Actuarial gains/losses	1,038,703	642,132
Total liabilities	**141,734,263**	**150,566,514**

Movements in the Pension Fund

Amounts in €	30/06/2007	31/12/2006
Amount at the beginning of the period	116,518,915	104,068,511
Contributions made in the period	1,293,000	9,359,000
Expected return in the period	2,776,693	4,635,947
Actuarial gains/losses (differential between actual and expected return)	-	730,751
Pensions paid	516,585	(2,125,294)
Other changes	(1,114,674)	(150,000)
Total assets	**119,990,519**	**116,518,915**

Fund assets breakdown

Amounts in €	30/06/2007	31/12/2006
Shares	36,762,808	32,617,284
Bonds	70,729,089	65,177,145
Public debt	-	-
Index Linked Bonds	545,392	94,348
Real estate	9,072,690	8,210,809
Liquidity	2,880,309	10,283,566
Other - short-term	231	135,763
Total	**119,990,519**	**116,518,915**

28. Provisions

During the first half of 2007 and during 2006 changes in Provisions were as follows:

Amounts in €	Legal claims	Tax claims	Others	Total
Opening balance on January 1, 2006	**1,800,864**	**-**	**153,146**	**1,954,010**
Increases	314,860	10,480,677	500,000	11,295,537
Decreases	-	-	-	-
Replacements	-	-	-	-
Balance on June 30, 2006	**2,115,724**	**10,480,677**	**653,146**	**13,249,547**
Increases	142,797	3,438,338	11,640,946	15,222,080
Decreases	(11,949)	-	-	(11,949)
Replacements	(470,625)	-	-	(470,625)
Balance on January 1, 2007	**1,775,946**	**13,919,015**	**12,294,092**	**27,989,053**
Increases (Note 6)	14,806	888,346	9,743,739	10,646,891
Decreases	-	-	-	-
Replacements	-	-	-	-
Closing balance as of June 30, 2007	**1,790,752**	**14,807,361**	**22,037,831**	**38,635,944**

The increase in provisions for tax claims is related to tax contingencies on stamp duty in Portugal in connection with the tax inspection of Soporcel income tax of 2004.

The opening balance is related to VAT contingencies of Portucel and Soporcel outside Portugal.

The increase in other provisions refers to employee benefits.

29. Interest-bearing liabilities

As of June 30, 2007 and December 31, 2006, non-current interest-bearing debt consisted of the following:

Interest bearing debt

Amounts in €	30/06/2007	31/12/2006
Non-current		
Bond loans	700,000,000	700,000,000
Loans from financial institutions	25,000,000	44,326,290
	725,000,000	**744,326,290**
Financial leases	48,519	134,465
Expenses with bond loans issuance	(5,302,153)	(5,850,019)
Expenses with other loans issuance	(96,786)	(115,856)
	(5,398,939)	**(5,965,875)**
	719,649,580	**738,494,880**

As of June 30, 2007 and December 31, 2006, current interest-bearing debt of the Group was as follows:

Amounts in €	30/06/2007	31/12/2006
Current		
Bank borrowings - short term	107,498	10,156,382
Financial leases	222,620	307,194
	330,118	**10,463,576**

As of June 30, 2007 and December 31, 2006, net debt of the Group was as follows:

Amounts in €	30/06/2007	31/12/2006
Interest-bearing liabilities		
Non-current	719,649,580	738,494,880
Current	330,118	10,463,576
	719,979,698	**748,958,456**
Cash and cash equivalents		
Cash in hand	39,427	92,126
Short-term bank deposits	7,772,049	6,098,785
Other treasury applications	295,217,000	262,708,000
	303,028,476	**268,898,911**
Interest-bearing net debt	**416,951,222**	**480,059,545**

As of June 30, 2007 and December 31, 2006 interest bearing liabilities consisted of the following:

Interest-bearing debt detail

	30/06/2007	
Amounts in €	Medium / Long-Term	Short-term
PEDIP	-	81,150
Bond loans	694,697,847	-
Financial lease	48,519	222,620
Other banks	24,903,214	26,346
	719,649,580	**330,116**

	31/12/2006	
Amounts in €	Medium / Long-Term	Short-term
PEDIP	40,576	81,150
EIB (European Investment Bank)	19,277,358	9,642,857
Bond loans	694,149,981	-
Financial lease	134,465	307,194
Other banks	24,892,500	432,375
	738,494,880	**10,463,576**

IAPMEI - PEDIP Loan

This loan was granted to Portucel within the scope of PEDIP and had an initial amount of €406,000, repayable in equal semi-annual instalments in the period between 2003 and 2008, and does not bear interest.

Bond loans

During 2005, the Group issued five bond loans through private subscription in the total amount of €700,000,000, and bears interest at Euribor for six months plus a market spread, for private subscription. These loans will be repaid in a single instalment as follows:

Bond loans

Amounts in €	Amount	Maturity
Portucel 2005 / 2010	300,000,000	March, 2010
Portucel 2005 / 2013	200,000,000	May, 2013
Portucel 2005 / 2012	150,000,000	October, 2012
Portucel 2005 / 2008	25,000,000	December 2008
Portucel 2005 / 2010 II	25,000,000	December, 2010
Total	**700,000,000**	

The loans amounting to €300 and €150 million are quoted in Euronext Lisbon under the designation of "Obrigações Portucel 2005/2010" and "Obrigações Portucel 2005/2012". As of June 30 the value of each bond was €100.75 and €100.25, respectively.

Medium and long-term loan – Other banks

A bank loan was contracted in January 2005 by Portucel in the amount of €25,000,000 and for a period of seven years. The loan will be repaid in 8 semi-annual instalments, the first of which will be due in July 2008. The loan bears interest at Euribor for six months plus a market spread.

Repayment terms related to the medium and long-term loans show the following maturity profile:

Interest bearing cost

Amounts in €	30/06/2007	31/12/2006
1 to 2 years	31,250,000	37,808,433
2 to 3 years	306,250,000	15,892,857
3 to 4 years	31,250,000	331,250,000
4 to 5 years	6,250,000	6,250,000
More than 5 years	350,000,000	353,125,000
	725,000,000	**744,326,290**

As of June 30, 2007 and December 31, 2006, the Group as the following equipments under financial lease plans:

Finance lease detail

	30/06/2007		
Amounts in €	Acquisition amount	Accumulated amortization	Net book value
Soporgen equipment	44,003,950	22,001,975	22,001,975
Transportation equipment	868,803	597,664	271,139
	44,872,753	**22,599,639**	**22,273,114**

	31/12/2006		
Amounts in €	Acquisition amount	Accumulated amortization	Net book value
Equipment	99,372	96,419	2,953
Soporgen equipment	44,003,950	20,535,177	23,468,773
Transportation equipment	856,538	417,832	438,706
	44,959,860	**21,049,428**	**23,910,432**

As of June 30, 2007 and December 31, 2006, the Group's indebtedness under financial lease plans, except for Soporgen equipment, was itemized as follows:

Financial lease - mandatory rentals

Amounts in €	30/06/2007	31/12/2006
Less than 1 year	222,620	307,194
1 to 2 years	48,519	134,465
2 to 3 years	-	-
	271,139	**441,659**
Future interest	4,898	10,056
Present value of financial lease liabilities	**276,037**	**451,715**

30. Payables and other current liabilities

As of June 30, 2007 and December 31, 2006, Payables and other current liabilities showed the following breakdown:

Amounts in €	30/06/2007	31/12/2006
Accounts payable to suppliers	110,976,068	123,523,103
Accounts payable to associated companies (Note 32)	4,242,538	2,849,897
Accounts payable to fixed asset suppliers	7,404,870	9,420,105
Derivative financial instruments (Note 31)	239,786	1,421,511
Other creditors - CO2 emission licenses	15,660	1,738,700
Other creditors	9,284,615	9,138,768
Accrued costs	35,085,751	35,803,742
Deferred income	2,631,139	3,962,945
	169,880,427	**187,858,771**

As of June 30, 2007 and December 31, 2006, Accrued costs and Deferred income showed the following breakdown:

Amounts in €	30/06/2007	31/12/2006
Accrued costs		
Payroll costs	18,036,435	19,376,678
Energy and maintenance	3,305,218	2,906,261
Interest payable	6,103,497	6,416,152
Other	7,640,601	7,104,651
	35,085,751	**35,803,742**
Deferred income		
Government grants	2,613,875	3,627,741
Grants - CO2 emission licenses	17,135	335,075
Other	129	129
	2,631,139	**3,962,945**

During the first half of 2007 and during 2006, Government grants showed the following movements:

Changes in Government Grants

Amounts in €	30/06/2007	31/12/2006
Government Grants		
Opening balance	3,627,741	6,283,144
Decrease	(1,033,828)	(3,103,394)
Increase	19,962	447,991
Closing balance	**2,613,875**	**3,627,741**

The amounts presented in Government grants heading relate mainly to subsidies obtained by Portucel and by the subsidiaries Soporcel and Cofotrans and are recognized in accordance with the accounting policy referred in Note 1.22.

During the first half of 2007 and during 2006, Grants – CO2 emission licenses showed the following movements:

Changes in Grants- CO2 emission licenses

Amounts in €	30/06/2007	31/12/2006
Grants - CO2 emission licenses		
Opening balance	335,075	6,123,641
Decrease	(385,616)	(13,300,546)
Increase	67,678	7,511,980
Closing balance	**17,137**	**335,075**

CO2 emission licenses

Units:CO2 Ton	30/06/2007	31/12/2006
Opening balance	51,709	261,359
Attributions	609,304	563,986
Consumption	(130,505)	(268,318)
Disposals	(382,000)	(505,318)
	148,508	**51,709**

As of June 29, 2007 the CO2 per ton was quoted at €0.12, therefore the market value of the CO2 emission licenses held, deducted from the emissions of the year in the amount of €15,659, corresponds to €17,821.

On April 30, 2007 were delivered the 268.318 emission licenses related to the 2006 emissions (2005: 302.627)

31. Derivative financial instruments

To manage the exchange rate risk associated with collections of the customer debts, the Group entered into forward rate agreements which expire during the first half of 2007.

In order to reduce the risk associated with fluctuations in the price of pulp for estimated sales in 2007 the Group entered into forward contracts that expire throughout that period.

Additionally, to hedge against the risk associated with interest rates of the bond loans, were contracted, since 2005, interest rate swaps.

As of June 30, 2007 and December 31, 2006, the fair value of derivative financial instruments (Note 1.11) showed the following breakdown:

	30/06/2007				31/12/2006
Amounts in €	Notional	Positives	Negatives	Net	Net
Hedging					
Interest rate swaps	262,500,000	9,281,707	-	9,281,707	6,585,447
Hedgings (sales and pulp prices)	126,832,932	5,486,076	(232,644)	5,253,431	7,155,635
	389,332,932	**14,767,783**	**(232,644)**	**14,535,139**	**13,741,082**
Trading					
Cap (interest rate)	37,500,000	-	-	-	(15)
Foreign exchange forwards	62,109,311	4,048	(7,142)	(3,093)	627,213
	99,609,311	**4,048**	**(7,142)**	**(3,093)**	**627,198**
	488,942,243	**14,771,831**	**(239,786)**	**14,532,046**	**14,368,281**

The fair value of derivative financial instruments is included in Receivables and other current assets (Note 21) and Payables and other current liabilities headings (Note 30).

During the first half of 2007, the changes on the balance sheet (Notes 21 e 30) related to derivative financial instruments were as follows:

Amounts in €	Amount paid	Changes in fair value (Trading)	Changes in fair value (Hedging)	Total
Opening balance	6.276.500	627.198	7.464.582	14.368.280
Maturity (Note 10)	(3.346.167)	-	(3.946.929)	(7.293.096)
Increase in fair value (Note 10)	-	-	8.087.153	8.087.153
Decrease in fair value (Note 10)	-	(630.291)	-	(630.291)
Closing balance	**2.930.333**	**(3.093)**	**11.604.806**	**14.532.046**

32. Balances and transactions with related parties

The following is a breakdown of related companies' balances as of June 30, 2007 and December 31, 2006:

Related companies' balances

	06/2007		
	Assets		Liabilities
Amounts in €	Clients - related companies	Other receivables - associated companies	Accounts payable
Semapa	-	-	3,250,208
Afocelca, ACE	-	29,740	278,143
Soporgen	-	319,992	-
Cutpaper, ACE	343,798	62,765	714,187
TASC	-	2,743	-
	343,798	**415,240**	**4,242,538**

	12 /2006		
	Assets		Liabilities
Amounts in €	Clients - related companies	Other receivables - associated companies	Accounts payable
Semapa	-	-	2,165,299
Afocelca, ACE	-	-	59,739
Soporgen	-	319,992	-
Cutpaper, ACE	330,618	61,305	624,859
TASC	-	2,743	-
	330,618	**384,040**	**2,849,897**

In the six month period ended June 30, 2007 and during 2006, transactions with related companies were as follows:

Transactions with related companies

	06/2007		
Amounts in €	Sales and services	Consumed materials and services	Interest income
Semapa	-	1,618,381	-
Afocelca, ACE	5,872	428,047	(1,336)
Cutpaper, ACE	1,704,784	2,950,211	1,883
	1,710,656	**4,996,639**	**547**

	06 /2006		
Amounts in €	Sales and services	Consumed materials and services	Interest income
Semapa	-	1,800,310	-
Asip, ACE	68,083	180,978	-
Afocelca, ACE	5,585	307,858	-
Cutpaper, ACE	1,639,428	2,858,649	726
	1,713,096	**5,147,795**	**726**

33. Expenditures on environmental safeguards

Environmental costs

In the development of its activity the Group supported several environmental charges which, in accordance with their nature, are capitalised or recognised as costs in the operating profit for the period.

Environmental expenses incurred by the Group in order to preserve resources or avoid or reduce future damages, are capitalised when they are expected to extend life or increase the capacity, safety or efficiency of other assets held by the Group.

The expenditures capitalized and expensed on June 30, 2007 and during 2006 were as follows:

Amounts capitalised in the period

Amounts in €	30/06/2007	31/12/2006
Recovery boiler	393,562	9,100,517
Other	49,980	579,955
	443,542	**9,680,472**

Costs recognised in the period

Amounts in €	30/06/2007	31/12/2006
Liquid effluent treatment	3,324,911	7,170,235
Recycling of residues and scrap	305,935	899,630
Expenditures with electro filters	450,747	689,765
Sewage network	26,969	113,358
Solid waste embankment	203,123	351,847
Other	(24,369)	362,649
	4,287,316	**9,587,484**

CO2 emission licenses

As part of the Kyoto Protocol, the European Union has committed itself to reduce gas emissions which produce the greenhouse effect. Within this context, a Community Directive was issued that foresees the commercialization of CO2 emission licenses. This Directive has been transposed to the Portuguese legislation, with effect from January 1, 2005, and impacting amongst other industries, on the pulp and paper industry (Note 30).

The National plan for the allocation of CO2 emission licences (PNALE) for the period 2008 – 2012, which is under dis cussion, anticipates a reduction of licences for the pulp and paper industry.

34. Audit fees

As of June 30, 2007 and 2006, expenses with statutory audits and other services provided were as follows:

Amounts in €	30/06/2007	30/06/2006
Statutory auditor services	119,500	64,855
Tax consultancy services and other	194,428	72,370
	313,928	**137,225**

35. Average number of employees

As of June 30, 2007, the average number of employees in the service of the various Group companies was 1,950 (June 30, 2006: 1,959).

36. Commitments

As of June 30, 2007 and December 31, 2006, commitments assumed by the Group were as follows:

Amounts in €	30/06/2007	31/12/2006
Guarantees in favour of associated companies		
Guarantees		
Soporgen, S.A.	1,000,000	1,111,111
	1,000,000	1,111,111
Guarantees in favour of third parties		
Guarantees		
DGCI	18,908,072	15,677,315
IAPMEI	1,343,343	1,343,343
Simria	514,361	514,361
IFADAP	-	289,804
Other	3,273,910	1,615,931
	24,039,686	19,440,754
Other commitments		
Purchases	29,048,140	7,332,178
	29,048,140	7,332,178
	54,087,826	**27,884,043**

On May 3, 2000, Soporcel, entered into a joint, but several, guarantee with a financial institution under which Soporcel guarantees the full and timely compliance with all financial and monetary obligations to that institution assumed by Soporgen – Sociedade Portuguesa de Geração de Electricidade e Calor, SA. Accordingly, the institution can claim repayment of up to 8% of Soporgen's debt to it under that guarantee whenever it is enforced.

As of June 30, 2007, the respective financing, amounting to €25,000,000, was fully drawn down; Soporcel's guarantee thus corresponded to €1,000,000, having been reduced for the period as a result of the loan reduction.

Guarantees extended to third parties, amounting to €24,039,686 include €18,908,072 representing three guarantees extended to the tax authorities (DGCI) by Soporcel in consequence of the litigation initiated during the first half of 2004, in the context of the income tax incentive process, related with the acquisition of the second paper machine. It also includes a guarantee related to a tax assessment (VAT) amounting to €3,230,757 offset by tax authorities by the same amount of VAT refund requested, within the period for claim with tax authorities.

Also included €1,343,342 relative to guarantees extended in favour of IAPMEI – Instituto de Apoio às Pequenas e Médias Empresas, arising from financial incentives granted under the aegis of a business modernization incentive system (Programa Operacional de Economia – Sistema de Incentivos à Modernização Empresarial).

Purchase commitments assumed with suppliers are related with the purchase of property, plant and equipment and standing timber.

37. Contingent assets

37.1 Tax benefits

37.1.1. <u>Investment contract – Soporcel second Paper plant</u>

In 1998, Soporcel, a subsidiary, signed a contract with the Portuguese State with the expectation of receiving a tax incentive related to the investment in a second paper plant, which corresponded to a reduction of certain amounts of income tax in the years from 1998 to 2007, determined and allocated to each year on the basis of the financial burden associated with the industrial investments considered eligible.

From its estimated income tax for the period ended June 30, 2007, Soporcel deducted €729,977 (2006: €1,459,954).

The difference between the tax deduction taken up to 2000 and the tax deduction based on the final amount of eligible investments amounts to €2,458,214.

From 2002 this difference is being systematically adjusted in the deductions to be taken through 2007. As of December 31, 2006, the adjustment to be taken was €222,982. As of June 30, 2007 the unused tax deduction amounts to €729,977, which was already reduced by the amount to be adjusted.

37.1.2. <u>API – Investment contract</u>

On July 12, 2006, Portucel, Soporcel and API – Agência Portuguesa para o Investimento (Portuguese Investment Agency) entered into contracts for investments in progress and to be completed by December 31, 2008. These contracts comprise financial and tax incentives amounting to €122,518,885, of which €8,332,164 have already been used in 2006.

Furthermore, a contract was signed with About the Future, for investments of €482 million in 2007 and 2008, with a tax incentive of €52,433,150.

All these contracts were approved by National and European authorities, the last on June 27, 2007, related to Soporcel.

37.2 Tax claims

In accordance with the decree-law nº 36/93, of February 13, tax debts of a period prior to the Company's privatisation are the responsibility of the fund for the equalization of the public debt (Fundo de Regularização da Dívida Pública). Accordingly, the amounts mentioned below, in the total amount of €3,872,355, and the debts paid and not claimed (€625,033) as a consequence of tax inspections in progress (with an adequate provision) should be received from the mentioned fund.

37.2.1. <u>2001 income tax - €314,340</u>

In May, 2005, at the time it was undergoing a tax inspection for 2002, Portucel received a notification of the adjustments arising from the analysis of 2001 income tax. This in turn gave rise to an additional assessment of income tax, which was paid in the meantime, with penalty interest of €314,340. However, this assessment was appealed on the grounds that the tax authorities had failed to comply with the legal formalities, as the absence of a prior hearing and the expiry of the right of assessment as of March 18, 2004 because the inspection for 2001 have been already carried out by the Tax authorities and had already given rise to an additional assessment in 2003, which had also already been paid.

37.2.2. <u>2002 income tax - €286,187</u>

On November 15, 2006, Soporcel appealed against additional income tax liquidations and withholding taxes, already paid, in the amount of €270,025 and €16,162, respectively.

The latter, on the understanding that the requirement of having contemporaneous RFI forms (a tax form) for the services rendered, cannot prevail over the material truth and the ADT's (double taxation agreements) celebrated between Portugal and the other states where the service providers are located. The European Commission has notified Portugal to revoke the withholding tax on the services rendered, as result of their understanding that it is not in compliance with the European Union treaty, namely, the freedom of establishment and provision of services.

The first, essentially because the missing forms for the tax incentive related to research and development of €100,806, were obtained after the liquidation date.

37.2.3. <u>2003 VAT – €2,509,101</u>

Soporcel received an additional VAT liquidation of €2,509,101, including interests on overdue assessments of €227,759, on September 19, 2006, which was offset by the VAT refund requests, within the period for claim with tax authorities. The Company does not agree with the additional liquidation as it relates to VAT deducted on forest plantations, to which the article 24 of the VAT Law is not applicable as these plantations are not considered as real estate.

37.2.4. <u>2003 Income tax – €245,998</u>

Soporcel received an additional income tax liquidation of €220,130, already paid but increased by €25,868, which was claimed by the Company on March 19, 2007. The additional liquidation relates to withholding tax and the claim is based on the grounds mentioned above in connection to a similar liquidation for the year 2002.

37.2.5 <u>Withholding tax in Spain– €516,729</u>

ENCE – Empresa Nacional de Celulose, SA, company in which Portucel held 8% of share capital until 2004, paid, between 2001 and 2004, dividends in the global amount of €3,444,862, that have been subject to Spanish withholding tax amounting to €516,729.

The Spanish withholding tax amount has been contested by Portucel based on the violation of the treaty of Rome regarding free capital flows (the same dividends paid to an entity resident in Spain would not be subject to withholding tax).

Furthermore, during this period, the European Commission made a formal request to Spain to change its law regulating withholdings at source from non-residents, specifically those related to dividend payments. This violates community law because it is a discriminatory rule *vis* a *vis* that which regulates the taxation of income of the same nature, when paid between companies domiciled in Spain for tax purposes. Portucel has initiated a judicial proceeding in the EU courts.

38. Exchange rates

The assets and liabilities of the foreign subsidiaries and associated companies were translated to euros at the exchange rate prevailing on June 30, 2007. The income statement headings for the period were translated at the average rate for the period. The differences arising from the application of these rates as compared with prior amounts were reflected under the Currency translation reserve heading in the shareholders' equity accounts.

The rates used on June 30, 2007 and December 31, 2006 against the euro, were as follows:

	30-06-2007	31-12-2006	(decrease)
GBP			
Average rate for the period	0.6747	0.6817	1.03%
Exchange rate - end of period	0.6740	0.6715	-0.37%
USD			
Average rate for the period	1.3291	1.2556	-5,85%
Exchange rate - end of period	1.3505	1.3170	-2.54%

39. Privatisation process

With the publication of Decree-Law 6/2003, January 15, the Portuguese government set the model for the second phase of the reprivatization of the Company, foreseeing its completion in two stages.

The first stage, which took place in May of 2004, consisted of a public tender for the sale of a single indivisible lot of shares, representing 30% of Portucel's share capital. The winning bidder was the Semapa Group, which acquired this holding through Seinpart – Participações, SGPS, SA (see Note 24).

The above-mentioned decree-law also contemplated a second stage, which was the direct sale of up to 115,125,000 of the Company's shares to a syndicate of financial institutions, for subsequent distribution to institutional investors.

With the publication of Decree-Law 143/2006, of July 28, the State defined the model for the third phase of the Company's reprivatization that consisted of the disposal of shares representing up to 25.72% of the Company's share capital, which occurred via a Public Offering for sale, on November 14, 2006, after which the company is now totally privatized.

40. Consolidated companies

Company	Head office	Percentage of capital held by companies of the Group		
		Directly	Indirectly	Total
Parent company				
Portucel – Empresa Produtora de Pasta e Papel, SA	Setúbal	-	-	-
Subsidiaries				
Soporcel - Sociedade Portuguesa de Papel, SA	Figueira da Foz	100.00	-	100.00
Tecnipapel – Sociedade de Transformação e Distribuição de Papel, Lda	Setúbal	100.00	-	100.00
Soporcel España, SA	Spain	-	100.00	100.00
Soporcel International, BV	Netherlands	-	100.00	100.00
Soporcel France, EURL	France	-	100.00	100.00
Soporcel United Kingdom, Ltd	United Kingdom	-	100.00	100.00
Soporcel Italia, SRL	Italy	-	100.00	100.00
Soporcel 2000 - Serviços Comerciais de Papel, Soc. Unipessoal, Lda	Figueira da Foz	-	100.00	100.00
Soporcel North America Inc.	USA	-	100.00	100.00
Soporcel Deutschland, GmbH	Germany	-	100.00	100.00
Soporcel Handels, GmbH	Austria	-	100.00	100.00
Portucel Florestal – Empresa de Desenvolvimento Agro-Florestal, SA	Setúbal	-	100.00	100.00
Aliança Florestal – Sociedade para o Desenvolvimento Agro-Florestal, SA	Setúbal	-	100.00	100.00
Arboser – Serviços Agro-Industriais, SA	Setúbal	100.00	-	100.00
Enerforest - Empresa de Biomassa para Energia, SA	Setúbal	-	100.00	100.00
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, SA	Setúbal	-	100.00	100.00
Viveiros Aliança - Empresa Produtora de Plantas, SA	Palmela	-	100.00	100.00
Aflomec - Empresa de Exploração Florestal, SA	Setúbal	-	100.00	100.00
Cofotrans - Empresa de Exploração Florestal, SA	Figueira da Foz	-	100.00	100.00
SPCG – Sociedade Portuguesa de Co-Geração Eléctrica, SA	Setúbal	100.00	-	100.00
Enerpulp – Cogeração Energética de Pasta, SA	Setúbal	100.00	-	100.00
Setipel – Serviços Técnicos para a Indústria Papeleira, SA	Setúbal	100.00	-	100.00
Empremédia - Corretores de Seguros, Lda	Lisbon	-	100.00	100.00
Socortel - Sociedade de Corte de Papel, SA	Figueira da Foz	50.00	50.00	100.00
PortucelSoporcel Papel - Sales e Marketing, ACE	Figueira da Foz	50.00	50.00	100.00
Cutpaper - Transformação, Corte e Embalagem de Papel, ACE	Figueira da Foz	-	50.00	50.00
Raiz - Instituto de Investigação da Floresta e Papel	Eixo	43.00	51.00	94.00
Soporcel - Gestão de Participações Sociais, SGPS, SA	Figueira da Foz	50.00	50.00	100.00
Aflotrans - Empresa de Exploração Florestal, Lda	Figueira da Foz	-	100.00	100.00
About the Future - Empresa Produtora de Papel, SA	Setúbal	100.00	-	100.00
Headbox - Operação e Contolo Industrial, SA	Setúbal	100.00	-	100.00
EMA21 - Engenharia e Manutenção Industrial Século XXI, SA	Setúbal	100.00	-	100.00
Ema Cacia - Engenharia e Manutenção Industrial, ACE	Cacia	91.02	-	91.02
Ema Setúbal - Engenharia e Manutenção Industrial, ACE	Setúbal	91.01	-	91.01
Ema Figueira da Foz- Engenharia e Manutenção Industrial, ACE	Figueira da Foz	91.87	-	91.87
ImpactValue - SGPS, SA *	Setúbal	100.00	-	100.00
PortucelSoporcel Papel, SGPS SA *	Setúbal	100.00	-	100.00
PortucelSoporcel Energia, SGPS SA *	Setúbal	100.00	-	100.00
PortucelSoporcel Participações, SGPS SA *	Setúbal	100.00	-	100.00
PortucelSoporcel Cogeração de Energia, SA *	Setúbal	-	100.00	100.00
PortucelSoporcel Comercio de Papel, SA *	Setúbal	100.00	-	100.00

* Companies formed in 2007

The above-listed companies have been fully consolidated with the exception of Cutpaper – Transformação, Corte e Embalagem de Papel, ACE, which have been consolidated by the proportional method.

41. Companies excluded from consolidation

Company	Head office	Percentage of capital held by companies of the Group Directly	Indirectly	Total
Portucel International Trading, SA	Luxembourg	100.00	-	100.00
Portucel International GMBH	Germany	-	100.00	100.00
Afocelca - Agrupamento complementar de empresas para protecção contra incendios ace	Portugal		64.80	64.80
Portucel Brasil	Brazil	99.00	-	99.00

These companies were neither fully nor proportionally consolidated, but this is not considered of material importance to the presentation of a true and faithful picture of the financial situation and results of the operations of the Group. These holdings are carried under Investments in associates and joint ventures and are valued according to the equity method.

BOARD OF DIRECTORS

Pedro Mendonça de Queiroz Pereira
Chairman

José Alfredo de Almeida Honório
Member

Luis Alberto Caldeira Deslandes
Member

Manuel Maria Pimenta Gil Mata
Member

Manuel Soares Ferreira Regalado
Member

Carlos Eduardo Coelho Alves
Member

Adriano Augusto da Silva Silveira
Member

António José Pereira Redondo
Member

José Fernando Morais Carreira de Araújo
Member

Limited Review Report Prepared by an Auditor Registered in the Securities Market Commission (CMVM) of the Consolidated Half Year Information

(Free translation from the original in Portuguese)

Introduction

1 We hereby present our limited review report on the consolidated financial information for the six-month period ended June 30, 2007 of Portucel – Empresa Produtora de Pasta e Papel, SA included in the consolidated Report of the Board of Directors, consolidated balance sheet (which shows total assets of €2,289,537,865 and a total shareholders' equity of €1,153,084,544, including minority interests of €215,268 and a net profit of €76,869,069), consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of changes in shareholders' equity and consolidated cash flow statement for the six-month period then ended and the corresponding notes to the accounts.

2 The amounts in the consolidated financial statements, as well as those in the additional financial information, are derived from the respective accounting records.

Responsibilities

3 It is the responsibility of the Board of Directors: (a) to prepare consolidated financial information which present truly and fairly the financial position of the companies included in the consolidation and the consolidated results of its operations; (b) to prepare historical financial information in accordance with the International Accounting Standard 34 as adopted by the European Union and which is complete, true, timeliness, clear, objective and licit as required by the Portuguese Securities Market Code; (c) to adopt adequate accounting policies and criteria; (d) to maintain appropriate systems of internal control; and (e) to disclose any significant facts that have influenced the operations, financial position or results.

4 Our responsibility is to verify the financial information included in the documents referred to above, namely if it is complete, true, timeliness, clear, objective and licit as required by the Portuguese Securities Market Code, and to issue a professional and independent report based on our work.

Scope

5 Our work was performed with the objective of obtaining moderate assurance as to whether the financial information referred to above is free of material misstatement. Our work was performed in accordance with the Standards and Technical Recommendations issued by the Portuguese Institute of Statutory Auditors, planned according to that objective, and consisted: (a) primarily, in enquiries and analytical procedures, to review: (i) the reliability of the assertions included in the financial information; (ii) the adequacy of the accounting policies adopted taking into account the circumstances and the consistency of their application; (iii) the applicability, or not, of the going concern concept; (iv) the presentation of the consolidated financial statements; and (v) as to whether the

consolidated financial information is complete, true, timeliness, clear, objective and licit; and (b) in substantive tests to the unusual significant transactions.

6 Our work also covered the verification of the consistency of the consolidated financial information included in the Report of the Board of Directors with the remaining documents referred to above.

7 We believe that the work performed provides an acceptable basis for the issue of our limited review report in respect of the half year information.

Conclusion

8 Based on the work, which was performed with the objective of obtaining moderate assurance, nothing came to our attention that leads us to believe that the consolidated financial information for the six-month period ended June 30, 2007 is not free of material misstatements that affect its conformity with the International Accounting Standard 34 as adopted by the European Union and the information contained therein is not complete, true, timeliness, clear, objective and licit.

Lisbon, September 6, 2007

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

[This is a translation, not to be signed]

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Abdul Nasser Abdul Sattar, R.O.C.