

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

Matriculada sob o nº05888/20001204 na Conservatória do Registo Comercial de Setúbal  
Capital Social: € 767 500 000  
N.I.P.C. 503 025 798

**Interim Report**  
(Unaudited)

**Q3 2006**

**In the First 9 Months of 2006:**

- Turnover rises to € 794.2 million (+6.7%)
- EBITDA grows to € 235.0 million (+26.6%)
- EBITDA margin up by 4.7 percentage points (from 24.9% to 29.6%)
- Operating results reach € 162.8 million (+ 76.0%)
- Net earnings total € 95.0 million (+123.6%)
- Debt reduced by € 212.2 (-27.2%)

**Summary of main indicators – IFRS:**

	9M 2006	9M 2005	Change (%)
<i>(10<sup>6</sup> Euros)</i>			
<b>Total Sales</b>	794,168	744,306	+6.7%
<b>EBITDA <sup>(1)</sup></b>	234,962	185,667	+26.6%
<b>EBITDA margin / Sales</b>	29.6%	24.9%	+4.7%
<b>Operating results <sup>(2)</sup></b>	162,837	92,512	+76.0%
<b>Financial Results</b>	-20,641	-34,433	-40.1%
<b>Pre-tax earnings</b>	142,195	57,954	+145.4%
<b>Net earnings <sup>(2)</sup></b>	94,998	42,484	+123.6%
<b>Cash flow</b>	167,123	135,640	+23.2%
<b>Net debt</b>	567,037	779,204	-27.2%
<b>Investment</b>	15,399	36,561	-57.9%
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<b>Total production (tons)</b>			
<b>Pulp</b>	977,065	946,503	+3.1%
<b>Paper</b>	757,264	730,449	+3.5%
<b>Sales in quantity (tons)</b>			
<b>Pulp</b>	426,960	428,056	-0.3%
<b>Paper</b>	734,443	702,979	+4.3%
<b>Average price of pulp (2005 = base 100)</b>	109,6	100	+9.6%
<b>Average price of paper (2005= base 100)</b>	103,5	100	+3.5%

(1) Operating results + Depreciation and amortisation + Provisions

(2) Earnings are not comparable with the same period last year due to the change in criteria to calculate amortisation and depreciation: the Company has revised the remaining useful life of its assets, which from 31 December 2005 is estimated as an average of 14 years. The depreciation quotas were thus recalculated in the consolidated financial statements and as a result the amount of depreciation and amortisation was euro 36.7 million lower than it would be without said revision.

## **Results**

Accumulated turnover in the first 9 months of 2006 reached € 794.2 million, a year-on-year increase of 6.7%. Paper sales accounted for 68% of total sales, pulp sales for 25%, and the remaining 7% came mainly from the sale of biomass energy. The Group's sales benefited from the increased volume of paper sales and also from the rise in prices, of both paper and pulp.

The Group's results and financial indicators showed an overall positive evolution during the period, in particularly EBITDA, which grew by 26.6%, and the EBITDA / sales margin, which advanced by 4.7 percentage points, from 24.9% to 29.6%.

Operating results, at € 162.8 million, were up by 76.0% year-on-year, while net earnings climbed by 123.6%, to € 95.0 million. These results are not directly comparable with those reported for the same period in 2005 since, as referred in the 1st half of the year, the Company has revised the useful life of its assets, recalculating depreciation quotas. As a result, the amount of depreciation and amortisation was € 36.7 million lower than it would be without said revision.

In addition to the good evolution of sales, our strong operating performance also reflects continuous cost-cutting and efficiency boosting efforts, which mainly translated into a significant reduction in variable unit production costs, maintenance costs and recurrent staff costs.

Operating cash flow reached € 167.1 million, a 23.2% increase over the first 9 months of 2005 that permitted to reduce the net debt by € 169.1 million when compared to the end of 2005; in year-on-year terms, i.e., versus the end of September 2005, the reduction was € 212.2 million.

Capital expenditure, at € 15.4 million, was lower than in the same period last year (€ 36.5 million).

## **Sales**

During the reporting period 734,4 thousand tons of paper were sold, which is 31,5 thousand tons more than in the same period last year and corresponds to an increase of 3,4%.

In terms of their composition, paper sales also improved in comparison with last year: the already small proportion of reels in total sales registered a new drop (-3% year-on-year) while sales of premium paper, and in particular office paper, continued to increase.

The Group's average selling price of paper also made good progress, rising by 3.5% in the first 9 months of 2005 when compared to the same period in 2005.

Pulp sales, at 427,0 thousand tons, remained practically flat (dropping by 1.1 thousand tons year-on-year, or by 0.3% only) - the increase in production occurred in the first 9 months of the year was absorbed through greater integration into paper production.

The average selling price of pulp was 9.6% higher than in the same period last year.

## **Outlook**

The outlook for the evolution of market conditions may be considered moderately positive, with demand for pulp and paper expected to remain at a good level, allowing for a possible adjustment in selling prices, which has, actually, already been signalled in the market by major international producers.

However, the Group's performance in the near future will be influenced by a rather significant deterioration in certain external factors affecting costs, thus driving up the challenge of cost contention in order to offset such effects.

Setúbal, 23 November 2006