



grupo Portucel Soporcel

**INTERIM FINANCIAL REPORT
(UNAUDITED)
1ST QUARTER 2006**

PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL, S.A.
Sociedade Aberta
Capital Social: 767.500.000 Euros
NIPC: 503.025.798
Matriculada na Conservatória do
Registo Comercial de Setúbal com o nº05888
Sede: Mitrena, Apartado 55, 2901-861 Setúbal

Consolidated Quarterly Information (Unaudited)

Company: PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL,S A (SOCIEDADE ABERTA)
 Head office: MITRENA - APARTADO 55 - 2901 - 861 SETÚBAL Corporate tax #: 503.025.798
 Reference Period: In Euros
 1st Quarter 3rd Quarter Beginning : 01/01/2006 End : 31/03/2006

Balance Sheet Summary	Consolidated IFRS		
	31-03-2006	31-12-2005	Var. (%)
Assets			
Fixed assets, net			
Tangible assets	1.099.323.063	1.126.910.035	
Goodwill	376.756.384	376.756.384	
Intangible assets	164.437	29.085	
Investments in Associated Companies	357.527	357.526	
Financial intruments held until maturity	-	-	
Financial assets available for sale	-	-	
Accounts receivable, net	252.282.865	262.630.120	
EQUITY			
Share capital (in euros)	767.500.000	767.500.000	
<i>Number of ordinary shares</i>	570.067.231	570.067.231	
<i>Number of other shares</i>	197.432.769	197.432.769	
Own shares (in euros)	53.679	53.679	
<i>Number of voting shares</i>	60.500	60.500	
	-	-	
Ajustamentos incl. No Cap. Próprio (4)	(7.952.892)	(6.652.705)	
Minority interest	167.720	170.796	
LIABILITIES			
Provisions	1.174.539	1.954.010	
Accounts payable, net	920.986.438	1.025.255.053	
Outros Passivos Financeiros	124.593.182	116.566.059	
TOTAL ASSETS, net	2.112.059.746	2.186.287.647	
TOTAL EQUITY	1.065.305.587	1.034.610.890	
TOTAL LIABILITIES	1.046.754.159	1.151.676.757	

Profit & Loss Account Summary	Consolidated IFRS		
	31-03-2006	31-03-2005	Var. (%)
Sales	258.482.690	248.213.927	4,14%
Cost of goods sold & services rendered	(160.706.792)	(161.031.297)	-0,20%
Gross Results	97.775.898	87.182.630	12,15%
Results before financial expense, taxes, depreciation and amortizations			
	76.754.504	63.372.139	
Financial Expenses	(9.189.219)	(8.965.224)	2,50%
Tax expenses	(8.011.212)	(6.581.557)	21,72%
Minority interest	5.761	-	
Net profit	27.573.729	16.054.070	71,76%
Earnings per share	0,04	0,02	71,76%
Earnings per share diluted	0,04	0,02	71,76%

1st Quarter 2006:

- Turnover € 258.5 million (+4.1%)
- EBITDA € 76.8 million (+21.1%)
- EBITDA margin up by 4 percentage points – from 26% to 30%
- Operating result € 44.8 million (+ 41.7%)
- Net result € 27.6 million (+71.8%)

Summary of Main Indicators – IFRS:

(Amounts in thousands of €, unless stated otherwise)	1st Quarter 2006	1st Quarter 2005	Var. (%)
Sales	258 483	248 214	4.1%
EBITDA	76 755	63 372	21.1%
EBITDA / Sales (%)	30%	26%	4 pp
Operating result	44 768	31 601	41.7%
Financial result	(9 189)	(8 965)	2.5%
Result before tax	35 579	22 636	57.2%
Net result	27 574	16 054	71.8%
Cash flow*	59 560	47 825	24.5%
Net debt	683 859	844 487	-19.0%
Capital expenditure	4 885	11 058	-55.8%
Production (tons)			
Pulp	310 560	315 338	-1.5%
Paper	244 554	242 389	+0.9%
Sales (tons)			
Pulp	141 339	158 892	-11.0%
Paper	239 810	231 131	+3.8%
Average pulp price (2005 = base 100)	119.4	100	
Average paper price (2005= base 100)	100.4	100	

* Cash flow = Net result + Depreciation and amortization

Note: some figures for March 2005 have been restated to permit a direct comparison between the 1st quarter of 2005 and the 1st quarter of 2006.

Results

Turnover for the first quarter of the year amounted to € 258.5 million, which represents a growth of 4.1% compared to the same period last year. Paper sales accounted for 68% of the total and pulp sales for 25%, while most of the remaining 7% is derived from energy sales. The Group's sales figures were favourably affected by the increases in both the quantity of paper sold and the pulp price.

The Group's main financial results and indicators evolved very positively in the 1st quarter of 2006. This is reflected in a 21.1% improvement in EBITDA and the rise of 4 percentage points in the EBITDA / sales ratio, which increased from 26% to 30%.

The operating result was € 44.8 million and the net result was € 27.6 million – increases of 41.7% and 71.8% in relation to the same period the year before, respectively.

This good operating performance not only reflects the positive trend in sales, but also the gains in the efficiency of the Group's business, which were due especially to productivity increases and cost reductions. Highlights in the latter field include an overall improvement in the variable pulp production costs, and a reduction in personnel costs.

In addition it is important to note the successful start-up of the new recovery boiler at the Cacia mill, which already had a positive effect on both production and costs in the 1st quarter.

The Group continues to display a substantial ability to generate funds, which can be seen from the operating cash flow of € 59.6 million – 24.5% more than in the 1st quarter of 2005. This made it possible to reduce net debt by around € 52.3 million compared to the end of 2005. The year-on-year reduction in the Group's debt was € 160.6 million (March 2005 / March 2006).

Capital expenditure for the quarter was € 4.9 million – an adequate level for a good management of the various mills, despite the fact that it was below the amount invested in the same period in 2005 (€ 11 million).

Sales

In the 1st quarter of 2006 the Group sold 239.8 thousand tonnes of paper – 3.8% (about 8.7 thousand tonnes) more than in the same period last year.

The breakdown of paper sales also improved compared to the previous year, both in terms of the weight of formats, which rose from 82% to 87% of total sales, and in terms of sales by segment, with the weight of premium papers rising from 56% to 58% of the total.

Compared to the trend that had prevailed in the last few months, there was a slight recovery in the Group's average paper sales prices. The average sales price in the 1st quarter increased by around 0.4% in relation to the average price for the same period in 2005.

Pulp sales totalled 141.3 thousand tonnes – 17.6 thousand tonnes / 11.0% less than in the same period last year. This is due to the fact that more pulp was integrated into the paper production process, as well as to the lower levels of stock that existed at the beginning of 2006, compared to the beginning of 2005.

In the 1st quarter of 2006 the average sales price was 19.4% higher than that achieved in the same period in 2005.

Future Prospects

Although the Group currently has a healthy order book for both paper and pulp, and prices are tending to move in a favourable direction, the uncertainty that continues to affect both the international economic scene, namely in terms of energy prices, interest rates evolution and foreign exchange markets volatility, means that the expectations for growth in the world's economies in general and the main European economies – our target markets – in particular, continue to be modest.

As a result, the prospects for the pulp and paper business activity in the short term do not allow us to foresee any significant change in the levels of demand for our products.