

CONSOLIDATED RESULTS FOR THE FIRST HALF OF 2003

- **Consolidated turnover of €516 Million**
- **6% growth in office paper sales**
- **Folio sheets sales increase 3%**
- **Group brands achieve 17% growth**
- **87% of paper sales to the European market**
- **Net debt reduced by 10%**
- **Net results of €31,7 million**

Portucel Soporcel Group consolidated turnover for the first half of 2003 was € 516 million, an 8% decrease when compared to the same period last year. Paper business contributed with 74% of this global turnover. It is important to enhance that, even though demand was extremely depressed during this period, paper volume sold fell only 0,5% when compared to the first half of 2002.

Sales reduction was especially felt among reels products, less value added and more sensitive to a weak economic environment, which determined a decrease in printing and writing paper orders when compared to the first half of 2002.

In a more positive stance and contrary to reels, the Group's office paper and folio sheets sales increased by 6% and 3% respectively. This was the result of a significant improvement in the Group's product mix, which is currently one of the best in the industry. As such, the weight of sheeted paper among Portucel Soporcel Group total sales increased from 77% in the first half of 2002 to 80% in the first half of 2003.

The success in the sales of sheeted paper is largely connected to results achieved by the Group's brands, which sales increased by more than 17% both in terms of office paper as well as folio sheets.

It is also important to enhance the excellent geographical mix obtained, with total sales to Europe representing approximately 87% of total sales volume.

In terms of the pulp business, 290 thousand tonnes of bleached eucalyptus pulp were sold, 25 thousand tonnes less than in the same period last year. Inventories at the end of June decreased 23 thousand tonnes when compared to the beginning of the year. The Group continued to sell pulp to the most quality demanding markets in Europe, namely Germany, with only 5% of pulp sold to alternative markets.

28% EBITDA margin

In the first half of 2003, Portucel Soporcel Group reached an EBITDA of € 144 million, 19% less than the EBITDA generated a year ago. Nevertheless, the Group EBITDA / Sales margin stood at 28%, comparing very favourably with the 16% on average margin presented by other European producers in this first half.

Cash flow totalled €107 million, decreasing 14% when compared to the same period last year.

Operating results stood at € 70 million, compared to € 104 million obtained in the first half of 2002, reflecting the weak demand and the fall in prices experienced this period.

During this first half, the Group's mills took several downtime periods for scheduled maintenance. This downtime had a reflection in terms of tonnage produced, especially in terms of pulp which production volume decreased by 7%, totalling 571 thousand tonnes. Paper production totalled 459 thousand tonnes, an amount similar to the one produced in the first half of 2002.

Financial results improve by €6,8 million

The Group registered negative financial results of € 22,5 million, an improvement of € 6,8 million when compared to results achieved in the first half of 2002 (- € 29,3 million).

Net consolidated result was € 31,7 million, which compares with € 50,2 million obtained in the same period last year, reflecting the adverse market conditions felt throughout this first half.

These results also include a negative impact of approximately € 1,3 million from the Group's pension fund. This was mainly due to the performance of capital markets, which showed an improved performance in the second quarter of the year, but that was not enough to reverse the losses registered during the first quarter.

Net debt at the end of the first half stood at € 985 million, a 10% reduction when compared to last year, a clear reflection of the Group's ability to generate funds.

Market performance

The strong valuation of the euro versus the dollar was negative to most European producers, while softening the impact of pulp and paper prices weakening among American producers. At the end of June, Norscan inventories stood at 1 714 million

tonnes, reflecting a third increase in inventories since the beginning of the year as a result of the reduction in demand for pulp in this second quarter.

In this first half, order volume from Western Europe decreased by approximately 5% among European paper producers. As an alternative, producers tried to increase sales to markets outside Europe. In spite of this effort, European producers experienced a decrease of 22 % in total paper order volume. Portucel Soporcel Group managed, nevertheless, to increase by 1% paper orders in this period.

On the other hand, apparent consumption of uncoated woodfree fine papers in Western Europe suffered a substantial decrease of 5% when compared to the first half in 2002.

The weak demand led to the fall in average paper prices, which was already felt in the second half of 2002. Both average price for standard office paper (PIX copy B) and offset paper (PPI Germany) decreased 5% when compared to the first half of 2002. In this context, average price in Group sales to Western Europe fell also 5%.

Adverse economic conditions and weak demand coupled with additional eucalyptus pulp tonnage coming into the market from new productive capacities in Brazil, had even worse consequences in BEKP price.

Future perspectives

The economic environment in Europe does not allow foreseeing, within the next months, any significant recovery in demand for uncoated paper. Nevertheless, the fact that the second half of 2002 was particularly negative, could indicate that the second half of 2003 will compare favorably. It is expected, however, that global demand will remain below the level registered in the year 2002, with prices maintaining their current level.

KEY INDICATORS

(Values in thousand €, except if otherwise indicated)	1 st Half 2003	1 st Half 2002	Change (%)
Total Sales	516 461	559 263	-8%
Operating Results	70 017	104 091	-33%
Financial Results	-22 488	-29 301	-23%
Results before taxes	46 801	74 773	-37%
Net Results	31 718	50 210	-37%
EBITDA	144 166	178 139	-19%
EBITDA Margin	28%	32%	
Cash flow	106 594	124 274	-14%
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Total Production (000 tons)			
Pulp	571,3	613,8	-7%
Paper	459,2	468,1	-2%
Quantities Sold (000 tons)			
Pulp	289,6	334,1	-13%
Paper	455,3	457,7	-1%
Change on average pulp price (base 100)	95	100	
Change on average paper price (base 100)	95	100	
<hr/>			
Net debt (million €)	985	1 097	-10%

* After minority interests



PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL, S A (SOCIEDADE ABERTA)
CONSOLIDATED BALANCE SHEET AS OF JUNE 30th 2003

(Amounts stated in Euro)

ASSETS	Gross assets	2003 Depreciation and provisions	Net assets	2002 Net assets
FIXED ASSETS:				
Intangible assets:				
Incorporation expenses	39.680.444,23	37.477.140,00	2.203.304,23	6.337.639,75
Research and development expenses	41.857.537,90	34.563.127,26	7.294.410,64	12.176.635,20
Industrial property and other rights	2.106.244,84	2.032.025,21	74.219,63	60.756,92
Assignment	428.132.253,56	42.813.225,32	385.319.028,24	402.444.318,36
Intangible assets in progress	9.658.590,94		9.658.590,94	6.776.136,06
Advances to suppliers of intangible assets	0,00		0,00	0,00
	521.435.071,47	116.885.517,79	404.549.553,68	427.795.486,29
Tangible fixed assets:				
Land and natural resources	133.697.030,45	143.597,09	133.553.433,36	134.380.098,32
Buildings and other constructions	362.053.589,60	162.975.541,58	199.078.048,02	211.743.356,37
Machinery and equipment	2.129.239.802,54	1.329.952.140,35	799.287.662,19	843.623.641,06
Transportation equipment	33.866.760,37	20.140.930,18	13.725.830,19	15.311.168,08
Tools and dies	3.740.618,93	3.354.964,72	385.654,21	501.703,52
Administrative equipment	31.658.157,47	26.131.143,49	5.527.013,98	6.460.955,89
Returnable containers	356.758,79	147.064,32	209.694,47	302.447,61
Other tangible fixed assets	11.488.477,65	8.801.166,98	2.687.310,67	3.694.274,80
Construction in progress	106.992.585,31		106.992.585,31	76.558.394,66
Advances to suppliers of fixed assets	26.061.939,10		26.061.939,10	3.481.739,60
	2.839.155.720,21	1.551.646.548,71	1.287.509.171,50	1.296.057.779,91
Financial investments:				
Investments in affiliated companies	559.001,38		559.001,38	795.241,06
Loans to affiliated companies	92.277,61		92.277,61	92.277,61
Investments in associated companies	11.222,95	0,00	11.222,95	11.222,95
Loans to associated companies	0,00	0,00	0,00	1.501.381,67
Securities and other financial investments	26.903.603,90		26.903.603,90	24.760.246,79
Other loans	25.000,00		25.000,00	25.000,00
	27.591.105,84	0,00	27.591.105,84	27.185.370,08
INVENTORIES - Medium and long term:				
Work in process	278.902.844,75		278.902.844,75	283.282.844,39
Advances to suppliers of inventories	70.028,18		70.028,18	0,00
	278.972.872,93	0,00	278.972.872,93	283.282.844,39
CURRENT ASSETS:				
Inventories:				
Raw materials and supplies	100.310.796,89	25.052,90	100.285.743,99	102.304.134,34
Work in process	24.360.191,11		24.360.191,11	27.061.590,25
Subproducts and waste	904.254,76		904.254,76	928.164,56
Finished and semi finished goods	39.803.843,08	329.522,55	39.474.320,53	26.076.101,17
Merchandise	290.290,44		290.290,44	281.227,50
Advances to suppliers of inventories	442.949,18		442.949,18	2.711.684,04
	166.112.325,46	354.575,45	165.757.750,01	159.362.901,86
Accounts receivable:				
Accounts receivable from customers	206.740.985,70	0,00	206.740.985,70	248.996.470,76
Securities receivable from customers	0,00		0,00	0,00
Doubtful accounts receivable	3.381.541,77	2.879.246,38	502.295,39	16.351,14
Group companies	0,00		0,00	0,00
Participated companies	0,00		0,00	0,00
Other shareholders	0,00		0,00	0,00
Advances to suppliers	2.358.652,29	67.786,00	2.290.866,29	12.862.923,44
Advances to suppliers of assets	0,00		0,00	0,00
Public entities	23.145.500,94		23.145.500,94	37.396.859,36
Other debtors	4.919.759,77	33.421,70	4.886.338,07	7.382.975,48
	240.546.440,47	2.980.454,08	237.565.986,39	306.655.580,18
Marketable securities:				
Shares	0,00		0,00	0,00
Other treasury applications	10.000.000,00		10.000.000,00	4.000.000,00
	10.000.000,00		10.000.000,00	4.000.000,00
Banks and cash:				
Banks	54.895.321,84		54.895.321,84	24.110.742,33
Cash	40.574,81		40.574,81	53.319,87
	54.935.896,65		54.935.896,65	24.164.062,20
Accruals and deferrals				
Accrued income	5.203.102,45		5.203.102,45	4.933.686,13
Deferred costs	33.387.016,45		33.387.016,45	26.184.137,38
	38.590.118,90	0,00	38.590.118,90	31.117.823,51
Total amortisation and depreciation		1.668.532.066,50		
Total provisions		3.335.029,53		
Total assets	4.177.339.551,93	1.671.867.096,03	2.505.472.455,90	2.559.621.848,42



PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL, S A (SOCIEDADE ABERTA)
CONSOLIDATED BALANCE SHEET AS OF JUNE 30th 2003

(Amounts stated in Euro)

EQUITY AND LIABILITIES	2 0 0 3	2 0 0 2
EQUITY:		
Share capital	767.500.000,00	767.500.000,00
Own shares - Nominal value	-60.500,00	-60.500,00
Own shares - Discounts and premiums	6.820,87	6.820,87
Adjustments in investments in affiliated and associated companies	-550.199,32	-550.198,02
Revaluation reserve	38.450.314,14	38.450.314,14
Legal reserve	27.287.559,26	17.786.042,76
Statutory reserve	37.775.248,88	29.261.625,18
Other reserve	-3.014.696,22	-2.515.616,44
Retained earnings	168.650.257,95	121.349.034,53
Net income for the year	31.717.979,68	50.209.874,40
Total equity	1.067.762.785,24	1.021.437.397,42
MINORITY INTERESTS	76.442.864,04	78.649.780,04
LIABILITIES		
PROVISIONS FOR RISKS AND CHARGES		
Provisions for risks and charges	4.924.664,39	5.823.956,89
	4.924.664,39	5.823.956,89
MEDIUM AND LONG - TERM LIABILITIES:		
Bank loans	890.731.421,54	510.220.334,78
Non-convertible bonds	0,00	0,00
Accounts payable to suppliers of fixed assets	3.939.668,03	9.615.148,58
Other creditors	20.079,94	0,00
	894.691.169,51	519.835.483,36
Dívidas a terceiros - Curto prazo:		
Non-convertible bonds	0,00	0,00
Bank loans	82.788.916,42	391.461.463,76
Advances from customers	1.304.541,73	10.066,82
Accounts payable to suppliers	80.247.049,44	106.369.043,73
Suppliers - invoices pending verification	29.633.832,92	33.211.730,42
Group companies	68.032.305,81	209.805.842,42
Other shareholders (partners)	1.258,88	1.258,88
Other loans	10.039,97	41.089,31
Accounts payable to suppliers of fixed assets	23.839.464,11	13.174.797,80
Public entities	19.562.486,24	29.365.092,13
Other creditors	3.886.057,58	5.797.112,61
	309.305.953,10	789.237.497,88
ACCRUED COSTS AND DEFERRED INCOME:		
Accrued costs	132.350.336,41	127.573.653,73
Deferred income	19.994.683,21	17.064.079,10
	152.345.019,62	144.637.732,83
Total liabilities	1.361.266.806,62	1.459.534.670,96
Total equity, minority interests and liabilities	2.505.472.455,90	2.559.621.848,42



PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL , SA (SOCIEDADE ABERTA)
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED ON JUNE 30th 2003
(Amounts stated in Euro)

		2003		2002
EXPENSES				
Cost of materials consumed		189 101 261		200 243 854
External services and supplies		122 445 668		111 732 266
Payroll expenses:				
Salaries and wages	35 097 470		33 858 543	
Social charges	12 521 273	47 618 743	16 859 795	50 718 338
Depreciation and amortisation		74 407 507		74 064 498
Provisions		468 688		0
Taxes		1 394 704		807 933
Other operating costs		5 634 153		4 854 813
	(A)	441 070 724		442 421 702
Losses in group and associated companies		11 709		0
Interest and similar costs:				
Related to group companies	6 478 636		7 387 466	
Others	28 327 241	34 805 877	29 954 311	37 341 777
	(C)	475 888 310		479 763 479
Extraordinary expenses		4 215 911		5 778 354
	(E)	480 104 222		485 541 833
Income tax		15 721 895		24 941 936
	(G)	495 826 117		510 483 769
Net result for the period	31 717 980		50 209 874	
Minority interests	- 638 993	31 078 987	- 378 800	49 831 074
		526 905 104		560 314 843
INCOME				
		2003		2002
Sales	510 335 112		556 079 995	
Services rendered	6 125 799	516 460 911	3 183 456	559 263 451
Variation in production		- 9 806 459		- 14 558 572
Own work for the Company		2 624 496		329 226
Supplementary income	1 378 531		1 164 293	
Operating subsidies	145 475		66 022	
Other operating income	285 099	1 809 106	249 259	1 479 574
	(B)	511 088 054		546 513 679
Gains in group and associated companies	0		0	
Income from share capital participations	614 504		613 095	
Income from investments in shares and other financial investments				
Related to affiliated companies	0		0	
Others	181 361		166 330	
Other interest and similar income:				
Related to affiliated companies	3 767 092		2 210 274	
Others	7 765 612	12 328 569	5 050 614	8 040 313
	(D)	523 416 623		554 553 992
Extraordinary income		3 488 482		5 760 850
	(F)	526 905 105		560 314 842
Operating results:	(B) - (A)	70 017 330		104 091 977
Financial results:	(D - B) - (C - A)	- 22 489 017		- 29 301 464
Current results:	(D) - (C)	47 528 313		74 790 513
Result before income tax and minority interests:	(F) - (E)	46 800 883		74 773 009
Consolidated net result with minority interests:	(F) - (G)	31 078 988		49 831 073
Net result after minority interests:		31 717 980		50 209 874