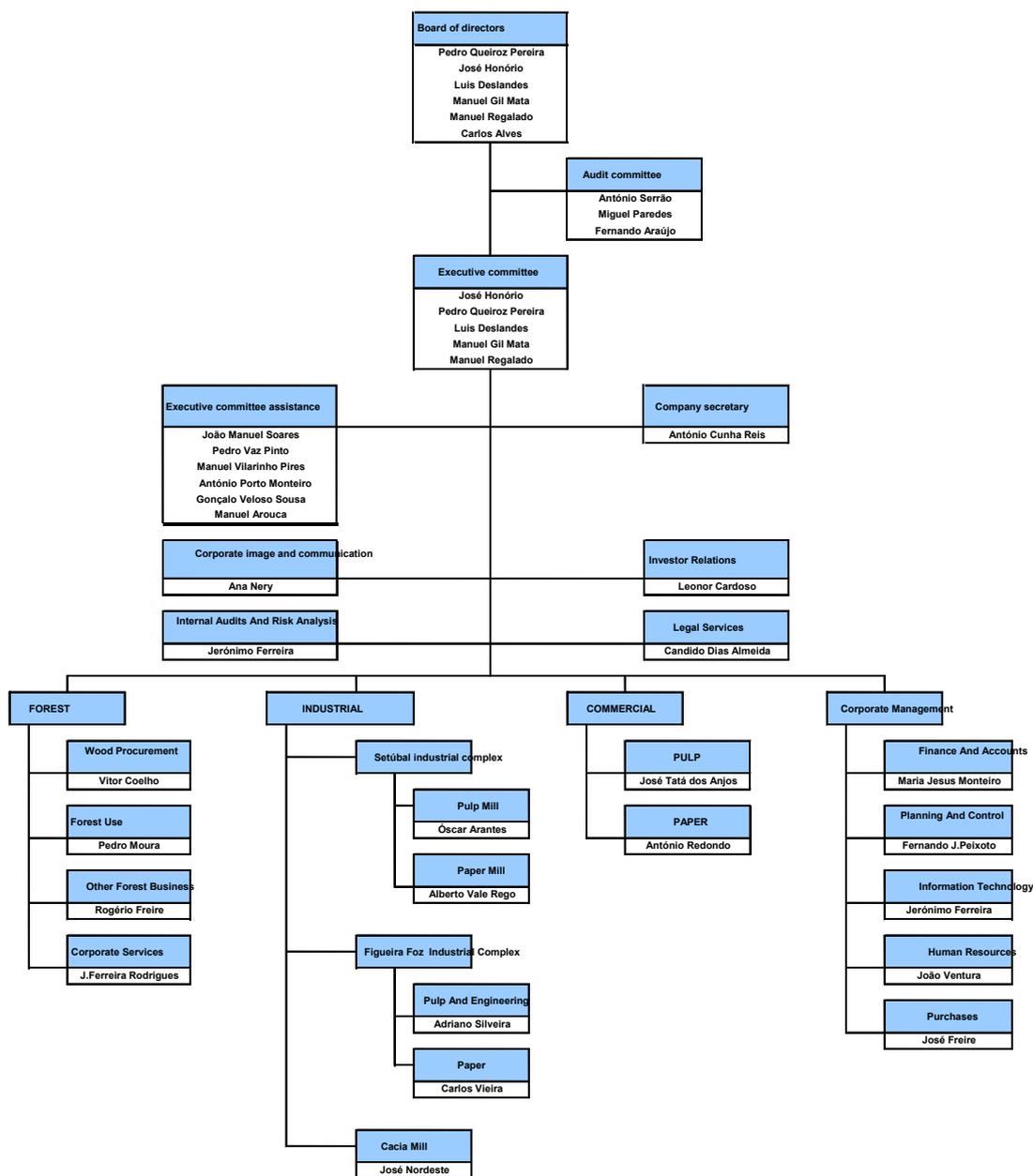


REPORT ON CORPORATE GOVERNANCE (C.M.V.M. Regulation N° 11/2003)

CHAPTER I - Disclosure of Information

Company organisation chart

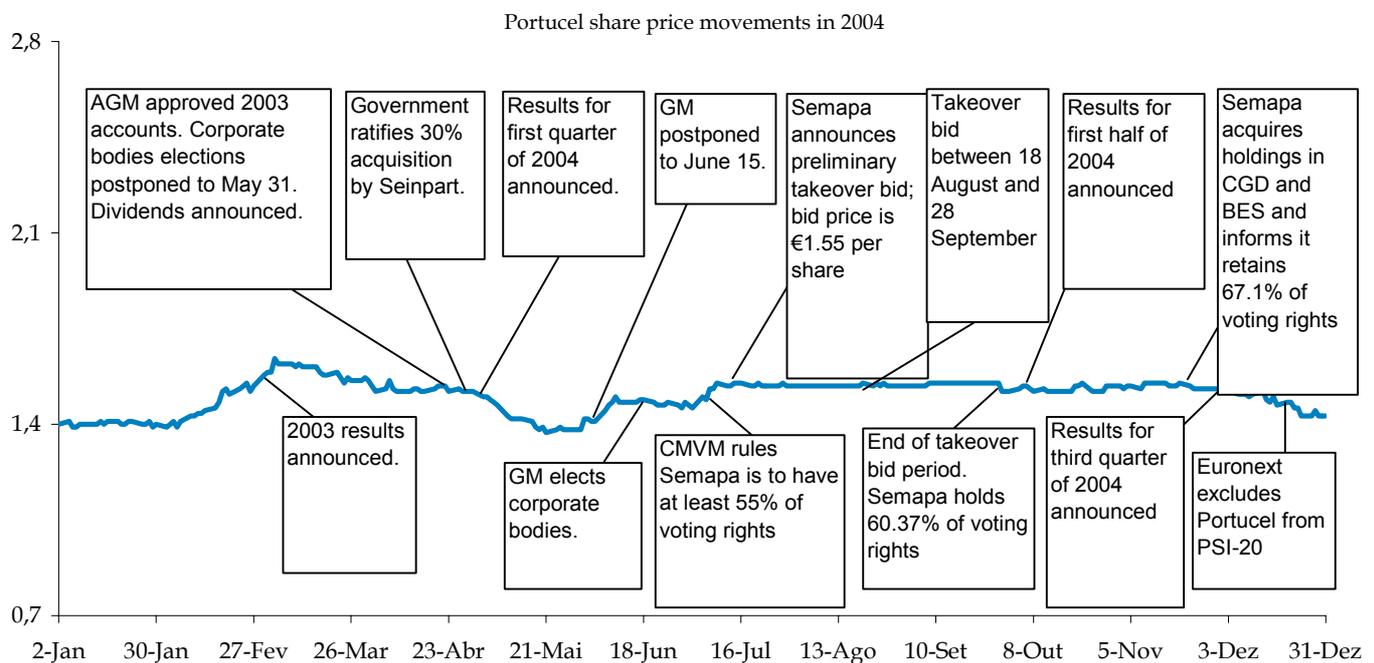


There are no specific ethics or evaluation committees for monitoring company structure or management.

Share Price Performance

Portucel ended the year with a 2.14% gain, which is around 10 percentage points beneath the Portuguese average, having lost 6% since December 14, when it became public that the shares had been temporarily excluded from the Portuguese PSI-20 index.

The value of Portucel shares varied between 1.37 euros on May 6 and 1.64 euros on March 4 and 5. The company grew steadily during the first quarter, at the end of which shares had advanced 11.4%; these gains were eroded during the months of April and May, but recovered when the process of privatization was concluded and greater stability was achieved. From the moment the Semapa takeover bid was announced, the value of the shares levelled off near the bid price of 1.55 euros per share, and only fell below the 1.50 euros mark on the day their temporary exclusion from the Portuguese stock market index (to come into effect on January 1, 2005) was announced. Portucel's share price movements over the past year are depicted in the figure below, with a description of the main events that affected them.



Dividend Policy

The proposal for dividend distribution is determined by Portucel's Board of Directors and is subject to existing legislation and company law. According to the Company by-laws, a

minimum yearly amount of twenty percent of the distributable profits is to be paid out to shareholders in the form of dividends. The Board of Directors made a proposal on the appropriation of distributable profits relative to 2004 which was discussed and approved in the General Meeting of April 19, 2005. It was determined that the gross dividend per share should be of 0.0371 euros, which was paid out on May 5, 2005.

The dividend per share paid to shareholders in the last three years was as follows:

2002 (relative to 2001): 0.03 euros per share

2003 (relative to 2002): 0.0315 euros per share

2004 (relative to 2003): 0.0355 euros per share

Share distribution plans and stock options

At present, there are no shares distribution plans or stock options.

Main business deals and operations

There is no relevant information available in this respect.

Investor Relations Office

Portucel has had an Investor Relations Office since November 1995. Its aim is to act as a point of contact with the financial community – investors, shareholders, analysts and regulatory bodies – and to disclose financial information about the company and other information that is relevant to Portucel's performance in the capital market, guided by the principles of coherence, regularity, equity, credibility and timeliness. The Investor Relations Office publishes all information on the company's quarterly, semi-annual and annual results and any other relevant facts on the company's website at www.portucelsoporcel.com

The person in charge of Portucel's Investor Relations Office is Maria Leonor Teixeira Gomes Cardoso, whose contacts are (+351) 265 700 503 or leonor.cardoso@portucel.pt.

Remuneration Committee

The directors' remuneration is set by a Remuneration Committee responsible for determining a base salary and, when this is the case, for settling a variable remuneration depending on the objectives attained.

The Remuneration Committee is comprised of a President, João António de Morais Silva Leitão, and two other members, Pedro Mendonça de Queiroz Pereira and Carlos Eduardo Coelho Alves.

Auditor Remuneration

Group companies Auditors remuneration in 2004 totalled 460,614 euros, which were paid as follows:

- a) 41.7% for statutory auditing services
- b) 0.5% for other services to ensure reliability
- c) 28.7% for tax planning advice
- d) 29.1% for consultancy services with regard to applying the International Accounting Standards, to translating the notes to the financial statements and risk analysis.

Our auditors have introduced stringent internal rules to guarantee that their independence is safeguarded. These rules were adopted in the provisions of services included in points c) and d) above and were monitored by the Company.

CHAPTER II - Voting rights and shareholder representation

Portucel has always encouraged shareholders to take part in its General Meetings. The Group issues regular reports on the its activities and economic and financial results with the concern not to limit contact to what is required by law.

Shareholders wishing to take part in a General Meeting must supply proof of ownership of shares. Share certificates must be registered in their names at least eight days prior to the meeting and must remain as such until the meeting comes to a close. The company by-laws allows for all shareholders to attend General Meetings irrespective of the number of shares they own. However, there are specific regulations regarding voting rights.

Notwithstanding the right to vote as a group, every one thousand shares equals one vote, excluding votes corresponding to over 25 per cent of the share capital when they refer to votes based on ordinary shares by single shareholders acting in their own name or representing other single shareholders.

On the very notices of its General Meetings, Portucel draws attention to postal voting and to how shareholders might vote by proxy, outlining the specific regulations for doing so such

that shareholders are able to obtain the information they need in a simple and expedite way. Electronic voting has not yet been considered.

The Investor Relations Officer is also available to analyse and supply answers to all questions shareholders might wish to ask prior to the General Meetings.

CHAPTER III - Company Rules

Portucel is bound by the general laws and regulations of corporate governance applicable to public limited companies. Its types of business activities are not subject to any specific legislation.

Following the reprivatization of part of Portucel's share capital in 2004, the company's governing bodies for the next three years were elected during a General Meeting on June 15, 2004. The Board of Directors continues to be composed of seven members, five of whom have executive functions and make up the Executive Committee, while the remaining two have non-executive functions. New company regulations that establish which matters fall under the remit of the Executive Committee and which ones are subject to the consent of the Board were approved. The regulations also stipulate the internal code of conduct with which the Board of Directors must comply.

Portucel counts with its own body for internal audits and risk analysis, which operates at all levels within the Company. In addition to this, there is obviously also the Statutory Auditor and external auditors responsible for carrying out audits in compliance with the laws and regulations applicable to public limited companies.

Risk management is primarily a responsibility of the company's specific division of risk analysis, but its organizational structure also comes under the scope of Planning and Control, Finance and Accounts, Legal Services and Investor Relations. The latter is responsible for monitoring the market value of the company's shares.

The Company's mills compile reports on their operations, where, among other things, they make specific reference to urgent matters and the maintenance of equipment and inventories.

The Marketing Department periodically issues a reports on the situation regarding pulp and paper sales, market trends and future prospects, and existing inventory levels.

There is no record of separate shareholder agreements. Limitations on voting rights are restricted to those already referred to.

CHAPTER IV - Management

Portucel has a Board of Directors consisting of seven members, one of whom is the Chairman. Five members of the Board have executive functions and were elected to the Executive Committee, who has delegated powers from the Board, and two members of the Board have non-executive functions. One of the latter, as shall be seen ahead, is presently on leave.

The Chairman of the Board of Directors is Pedro Mendonça de Queiroz Pereira.

The Members of the Executive Committee are:

José Alfredo de Almeida Honório (Chairman)
Pedro Mendonça de Queiroz Pereira (Member)
Manuel Soares Ferreira Regalado (Member)
Manuel Maria Pimenta Gil Mata (Member)
Luís Alberto Caldeira Deslandes (Member)

The non-executive Directors are:

Carlos Eduardo Coelho Alves
Álvaro Roque de Pinho Bissaia Barreto

Mr Barreto has applied for special leave as a result of his nomination to the position of Minister of State, Economic Activities and Labour. The leave has been granted for the duration of his term of office.

Under the terms of paragraph 2 of article 1 of CMVM 11/2003 Regulation, Pedro Mendonça de Queiroz Pereira (Chairman), José Alfredo de Almeida Honório and Carlos Eduardo Coelho Alves are not considered to be independent administrators as they are also part of the

Board of Directors of Semapa – Sociedade de Investimento & Gestão, SGPS,S.A, which has a majority stake in the company.

The remaining administrators are not considered to be included in any of the categories referred to in the above regulations, unless they qualify for section c) of the article because of the fact that they are all administrators of Soporcel – Sociedade Portuguesa de Papel, SA.

The Executive Committee has been delegated the power to:

- a) Submit to the Board of Directors proposals concerning company policy, objectives and strategy;
- b) Submit to the Board of Directors proposals concerning budgets and long and medium-term investment and development plans, and implement those plans once they have been approved;
- c) Approve changes to the annual budget , including transfers between cost centres, provided they do not exceed twenty million euros in any one year;
- d) Approve contracts for the acquisition of goods and services that together do not exceed twenty million euros in any one year;
- e) Approve contracts with financial implications, request bank guarantees or assume any responsibility that entails an increase in debt that does not exceed a total of twenty million euros in any one year;
- f) Acquire, dispose of or encumber company fixed assets that do not exceed in value five per cent of the issued and fully paid share capital;
- g) Pay or charge rent for any type of building, land or part thereof;
- h) Represent the company in court or otherwise, actively or passively, and file, pursue, admit and withdraw all legal actions, compromise and enter into arbitration agreements;
- i) Acquire, dispose of or encumber shares in other companies up to a maximum of twenty million euros in any one year;
- j) Proceed with the acquisition or sale of the Company's own shares according to the resolutions of the General Meetings;
- k) Manage shares in other companies in conjunction with the Chairman of the Board by appointing members of their respective governing bodies and drawing up guidelines for their activities;
- l) Enter into, amend and rescind employment contracts;
- m) Open, operate and close bank accounts;

- n) Grant power of attorney on behalf of the company;
- o) Have power of attorney in relation to all matters established by law, bearing in mind the occasional limitations expressed in the previous items.

The Chairman of the Board of Directors has the authority conferred to him by law and by the Company by-laws.

The Executive Committee can discuss all matters of the responsibility of the Board of Directors, notwithstanding the fact that it can only take action with regard to the issues described above. All matters dealt with by the Executive Committee, including the ones it has been delegated power to decide upon, shall be made known to the non-executive directors, who have access to the Committee minutes and all other relevant documents.

If done in conjunction with the Chairman of the Board, the Executive Committee can also decide upon matters pertaining to sections c), d), e) and i) above whenever the values referred to exceed twenty million euros but do not go over the limit of fifty million euros.

Any changes made to earlier contracts that fall under the remit of sections c), d), e) and i) above shall be dealt with by the body or bodies that have the power to effect them.

The Board of Directors has decided to set up an Audit Committee comprised of:

António Duarte Serrão (Chairman)

José Miguel Gens Paredes (Member)

José Fernando Morais Carreira de Araújo (Member)

The Audit Committee's duties and powers are, in addition to the ones explicitly assigned by the Board of Directors, as follows:

1. The Audit Committee does not have any powers other than those described in the present regulations and the ones explicitly assigned to it by the Board of Directors.
2. The Audit Committee is responsible for evaluating the procedures regarding how financial statements (accounts and reports) are disclosed and the schedules underlying them. It must oversee the Group's quarterly, biannual and annual accounts and report on them to the Board before they are approved and signed.
3. The Audit Committee shall advise the Board of Directors on their choice of an External Auditor and shall report on the activities of the company's Internal Auditor.

4. The Audit Committee shall oversee the External Auditor's annual reports and advise the Board of Directors on any measures that might be necessary.
5. In fulfilling its authority, the Audit Committee shall pay particular attention to the following:
 - (i) Changes in accounting practices and policies;
 - (ii) Significant adjustments resulting from the audit;
 - (iii) The progress of all relevant financial ratios and any changes in the Group's formal or informal rating;
 - (iv) Significant financial exposure (such as currency and interest rate risks or any other related risk);
 - (v) Illegal or irregular procedures.
6. Without prejudice to the powers of the Board of Directors, the Audit Committee also has the authority to inspect all accounting records in the Company and associated companies and request the Group's staff to provide the accounting and financial information necessary for it to fulfil its duties.

The Board of Directors met ten times and the Executive Committee met thirty-four times in 2004.

Remuneration paid to the members of the Board totalled 3,015,304.95 euros in 2004, of which 2,137,230.89 euros were paid to the executive directors and 878,074.06 euros were paid to the non-executive directors. 2,138,574.82 euros of the total were paid by Soporcel, S.A., 238,205.73 euros were paid by Portucel, S.A., 125,428.33 euros were paid by Semapa, and 513,096.07 euros were paid by Portucel SGPS. The total amount paid includes 554,453.68 euros of variable pay.

All members of the Board of Directors are also members of the boards of the companies below (the companies belonging to Portucel Soporcel Group are marked “GPS” in brackets) :

Pedro Mendonça de Queiroz Pereira

- Chairman of the Board of Directors and member of the Executive Committee of Portucel- Empresa Produtora de Pasta e Papel, S.A. (GPS)
- Chairman of the Board of Directors and member of the Executive Committee of Soporcel – Sociedade Portuguesa de Papel, S.A. (GPS)
- Member of the Board of Soporcel – Gestão de Participações Sociais, SGPS,S.A. (GPS)
- Chairman of the Board of Directors of CIMIANTO - Gestão de Participações, S.A.
- Chairman of the Board of Directors of CIMINPART - Investimentos e Participações, SGPS, S.A.
- Chairman of the Board of Directors of CIMO - Gestão de Participações, SGPS, S.A.
- Chairman of the Board of Directors of CMPartin - Inversiones y Participaciones Empresariales SL
- Chairman of the Board of Directors of CMP - Cimentos Maceira e Pataias, S.A.
- Chairman of the Board of Directors of LONGAPAR, SGPS, SA
- Chairman of the Board of Directors of O E M - Organização de Empresas, SGPS, S.A.
- Chairman of the Board of Directors of PARSECIL, SL
- Chairman of the Board of Directors of PARSEINGES - Gestão de Investimentos, SGPS, S.A.
- Chairman of the Board of Directors of SECIL - Companhia Geral de Cal e Cimento, S.A.
- Chairman of the Board of Directors of SECILPAR, SL
- Chairman of the Board of Directors of SEINPART Participações, SGPS, S.A.
- Chairman of the Board of Directors of SEMAPA Inversiones, SL
- Chairman of the Board of Directors of SEMAPA - Sociedade de Investimento e Gestão, SGPS, S.A.
- Chairman of the Board of Directors of SEMINV - Investimentos, SGPS, S.A.
- Chairman of the Board of Directors of Sociedade Agrícola da Quinta da Vialonga, S.A.
- Chairman of the Board of Directors of SODIM SGPS, S.A.
- Chairman of the Board of Directors of VERTICE – Gestão de Participações, SGPS, S.A.
- Manager of CIMENTOSPAR – Participações Sociais, SGPS, Lda.
- Manager of ECOLUA – Actividades Desportivas, Lda

José Alfredo de Almeida Honório

- Chairman of the Executive Committee and Member of the Board of Portucel - Empresa Produtora de Pasta e Papel, S.A. (GPS)
- Chairman of the Executive Committee and Vice-Chairman of the Board of Soporcel - Sociedade Portuguesa de Papel, S.A. (GPS)
- Chairman of the Board of Directors of Soporcel - Gestão de Participações Sociais, SGPS,S.A. (GPS)
- Chairman of the Board of Directors of Portucel Florestal - Empresa de Desenvolvimento Agro-Florestal, S.A. (GPS)
- Chairman of the Board of Directors of Aliança Florestal - Sociedade para o Desenvolvimento Agro-Florestal, S.A. (GPS)
- Member of the Board of SEMINV - Investimentos, SGPS, S.A.
- Member of the Board of CMPartin-Inversiones y Participaciones Empresariales SL
- Member of the Board of PARSECIL, SL
- Member of the Board of SEMAPA Inversiones, SL
- Manager of CIMENTOSPAR - Participações Sociais, Lda.
- Manager of FLORIMAR - Gestão e Participações, SGPS, Sociedade Unipessoal, Lda.
- Member of the Board of BETOPAL, S.L.
- Member of the Board of LONGAPAR, SGPS, S.A.
- Member of the Board of CIMINPART - Investimentos e Participações, SGPS, S.A.
- Member of the Board of PARCIM Investment B.V.
- Member of the Board of PARSEINGES - Gestão de Investimentos, SGPS,S.A.
- Member of the Board of SEINPART Participações, SGPS.,S.A.
- Member of the Board of CIMO - Gestão de Participações, SGPS.,S.A.
- Member of the Board of CIMIANTO - Gestão de Participações, SGPS, S.A.
- Member of the Board and Member of the Executive Committee of CMP - Cimentos Maceira e Pataias, S.A.
- Member of the Board and Member of the Executive Committee of SECIL - Companhia Geral de Cal e Cimento, S.A.
- Member of the Board and Member of the Executive Committee of SEMAPA - Sociedade Investimento e Gestão, SGPS,S.A.
- Vice-Chairman of the General Meeting of HIDROTUELA - Hidroelétrica do Tuela, S.A.

Manuel Soares Ferreira Regalado

- Member of the Board and Member of the Executive Committee of Portucel–Empresa Produtora de Pasta e Papel, S.A. (GPS)
- Member of the Board and Member of the Executive Committee of Soporcel – Sociedade Portuguesa de Papel, S.A. (GPS)
- Member of the Board of Soporcel – Gestão de Participações Sociais, SGPS, S.A. (GPS)

Manuel Maria Pimenta Gil Mata

- Member of the Board and Member of the Executive Committee of Portucel – Empresa Produtora de Pasta e Papel, S.A. (GPS)
- Member of the Board of Soporcel and Member of the Executive Committee– Sociedade Portuguesa de Papel, S.A. (GPS)
- Member of the Board of Soporcel – Gestão de Participações Sociais,SGPS, S.A. (GPS)

- Chairman of the Board of Directors of Enerpulp – Cogeração Energética de Pasta, S.A. (GPS)
- Chairman of the Board of Directors of Socortel – Sociedade de Corte de Papel, S.A. (GPS)
- Chairman of the Board of Management of Setipel –Serviços Técnicos da Indústria Papeleira, S.A. (GPS)
- Chairman of the Board of Management of SPCG – Sociedade Portuguesa de Cogeração, S.A. (GPS)
- Member of the Board of Arboser – Serviços Agro-Industriais, S.A. (GPS)
- Member of the CEPI Sustainability Strategy Steering Group

Luis Alberto Caldeira Deslandes

- Member of the Board and Member of the Executive Committee of Portucel – Empresa Produtora de Pasta e Papel, S.A. (GPS)
- Member of the Board of Soporcel and Member of the Executive Committee– Sociedade Portuguesa de Papel, S.A. (GPS)
- Member of the Board of Soporcel – Gestão de Participações Sociais, SGPS, S.A. (GPS)
- Chairman of Portucel Soporcel (Papel) – Sales e Marketing, ACE (GPS)
- Chairman of the Board of Directors of Portucel Soporcel's associate companies:
 - Portucel Pasta y Papel S.A.
 - Portucel UK LTD,
 - Soporcel España SA
 - Soporcel Italy SRL

- Soporcel France EURL
- Soporcel UK LTD
- Soporcel International BV
- Soporcel North America INC
- Soporcel 2000
- Soporcel Deutschland GmbH
- Soporcel Austria GmbH

Carlos Eduardo Coelho Alves

- Member of the Board of Portucel - Empresa Produtora de Pasta e Papel, S.A. (GPS)
- Member of the Board of Soporcel – Sociedade Portuguesa de Papel, S.A. (GPS)
- Member of the Board of SONACA – Sociedade Nacional de Canalizações, S.A.
- Deputy Member of the Board of CIMIANTO – Gestão de Participações, S.A.
- Member of the Board of SODIM, SGPS, S.A.
- Member of the Board and Chairman of the Executive Committee of SECIL – Companhia Geral de Cal e Cimento, S.A.
- Member of the Board and Chairman of the Executive Committee of CMP – Cimentos Maceira e Pataias, S.A.
- Member of the Board and Member of the Executive Committee of SEMAPA – Sociedade Investimento e Gestão, SGPS,S.A
- Member of the Board of CIMO - Gestão de Participações, SGPS.,S.A.
- Chairman of the Board of Directors of SCG – Société des Ciments de Gabès, S.A.
- Member of the Board of SECILPAR, SL
- Member of the Board of CIMINPART – Investimentos e Participações, SGPS, S.A.
- Member of the Board of PARCIM Investment B.V.
- Member of the Board of PARSEINGES - Gestão de Investimentos, SGPS,S.A.
- Member of the Board of SEINPART Participações, SGPS.,S.A.
- Member of the Board of LONGAPAR, SGPS, S.A.
- Member of the Board of BETOPAL, S.L
- Chairman of the General Meeting of ENERSIS, SGPS, SA
- Member of the Board of CMPartin – Inversiones y Participaciones Empresariales SL
- Member of the Board of PARSECIL, SL
- Member of the Board of SEMAPA Inversiones, SL
- Manager of FLORIMAR – Gestão e Participações, SGPS, Sociedade Unipessoal, Lda.
- Manager of CIMENTOSPAR Participações Sociais, Lda.
- Member of the Board of GECIMENT – Sociedade de Gestão de Participações, SGPS, S.A.
(this company underwent a name change in the beginning of 2005)

- Chairman of the General Meeting of ENERSIS II – Sociedade de Gestão de Participações, SGPS, SA. (GECIMENT's new name)
- Member of the Board of SEMINV Investimentos, SGPS, SA (SECIL – Investimentos's new name)

Álvaro Roque de Pinho Bissaia Barreto

Mr Barreto has applied for special leave in order to take up the post of Minister of the Portuguese Government.

No incompatibility with the criteria specifically defined by the Board of Directors has been observed, and there is no set maximum number of posts in other companies to which the Members of the Board are eligible.

Declaration of Compliance

As can be seen, Portucel, S.A. has followed most of the recommendations regarding corporate governance. However, the following four points have not been carried out in full:

1. According to article 10 paragraph 3 of the Company by-laws, trading in shares is to be suspended up to eight days prior to the General Meeting. This means shares would be suspended for six working days instead of the recommended period of five working days. To fully comply with this recommendation a statutory change is required.
2. The Remuneration Committee includes two members of the Board of Directors of Portucel, S.A., namely, its Chairman Pedro Mendonça de Queiroz Pereira and Carlos Eduardo Coelho Alves, who is a non-executive member. This option is justified by their link to the major shareholder of the Company.
3. The recommendation that the directors' remunerations should be disclosed for each director separately has not been endorsed. Taking all factors into consideration, the Board believes in addition to other undesirable effects, the gains resulting from the disclosure of the directors' remuneration would not be greater than the importance of each board member's right to privacy.
4. No specific committee was created to evaluate the Company's Corporate structure and governance because these attributions are effectively accomplished by the Board of Directors.

In all else, full compliance with the recommendations arising on Corporate Governance has been achieved.