

Year in Review
2010

1,385 M€

Annual turnover.
Sales to more than 100 countries
over 5 continents.

Exports grew in value
by 25% to approximately
1.2 billion euros
meaning that the Group
accounts for more than
3% of Portuguese
exports of goods.

Business Performance

- o Turnover grew by 26.5% in 2010, to approximately 1.4 billion euros, due fundamentally to increased output from the new paper mill in Setúbal and to the start-up of the new plant in the energy sector;
- o The value of exports increased by 25% to approximately 1.2 billion euros, causing the Group to represent more than 3% of Portuguese exports of goods;
- o EBITDA stood at 400.2 million euros, up by 80.1% when compared to the previous year.

Development

- o Completion of a capital expenditure programme worth approximately 900 million euros, with the start-up in the third quarter of the new steam turbine for the biomass cogeneration plant at the Figueira da Foz complex;
- o Continued analysis of investment opportunities in the southern hemisphere, specifically in Uruguay, Brazil and Mozambique;
- o Start of forestry trials in Mozambique for planting of concession areas (173 thousand hectares in Zambezia Province), with a view to an integrated project in the area for forestry production, cellulose pulp and energy.

Paper Business/Branding

- o Total sales of 1.4 million tons, up by 24% over the previous period;
- o Portucel Group's sales account for a significant proportion of European exports of UWF paper to non-European markets, representing 59% of exports to North America, 55% to Africa, 39% to the Middle East, 37% to Latin America and 2% to Asia;
- o Sales up by more than 20% for the Group's own brands, which represented 60% of total sales;
- o Navigator, the world's leading brand in the *premium* office stationery segment, achieved growth of 13% in sales worldwide and 9% in Europe, whilst Soporset, the leading brand in Europe in the printing segment grew by 19% and Discovery recorded an increase in sales of 20%;
- o Navigator once again scored the highest for brand awareness, brand performance and brand reputation in the benchmark study of office stationery brands throughout Western Europe conducted by EMGE Paper Consultants (Cut-size Mill and Mill Brand Positioning & Image Survey 2010).

Pulp Business

- o Output of bleached eucalyptus pulp (BEKP) totalled 1.3 million tons;
- o Output of cellulose pulp at the Setúbal mill reached a new record level, up by 1.6%;
- o Increased integration of pulp within the Group, since the start-up of the new paper mill in Setúbal has reduced the output for direct sale on the market, which is now principally drawn from the Cacia mill;
- o Sales of cellulose pulp placed almost entirely on the European market, with speciality products growing fast, up by 30 percentage points over the previous year.

Industrial Operations

- Group paper output totalled approximately 1.5 million tons, positioning it as Europe's leading manufacturer of uncoated woodfree (UWF) printing and writing paper;
 - Start-up of second cut-size (A4) line at the new Setúbal paper mill, increasing its annual production capacity to 365 thousand tons in this type of size;
 - Maintenance costs cut by 3.8% in relation to the previous year, for the same set of facilities.
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Forestry

- Publication of the Code of Good Forestry Practice, to serve as benchmark for Portucel Group operations in any geographical region;
 - The Group's CEO took over the chair of BCSD Portugal – Business Council for Sustainable Development, which the Group co-founded in 2001, whilst continuing to take an active part in the work of the WBCSD – World Business Council for Sustainable Development, in which it has been a member since 1995;
 - Certification of the Group's woodlands under the FSC® – Forest Stewardship Council and PEFC – Programme for the Endorsement of Forest Certification schemes. These forest holdings are spread over 161 municipalities in Portugal, comprising 1,409 management units and cover a total area of 120 thousand hectares, of which 73% is given over the eucalyptus;
 - Work started on modernizing and doubling the capacity of the Espirra nurseries;
 - Area planted by the Group increased by 68% over previous year;
 - Organization of an international seminar on biodiversity in Lisbon, with participation of leading experts from Portugal and abroad in the field of biodiversity conservation;
 - Investment of approximately 3 million euros in the wildfire prevention and fire fighting programme in 2010, with the Group positioning itself as the private organization which contributes most to Portugal's efforts to reduce risks in this area.
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Environmental Performance

- The Group has been licensed to use the Ecolabel on the products it manufactures and markets. The EU Ecolabel promotes products and services which meet strict standards of environmental performance;
 - Significant increase in energy efficiency in the Group with the start-up of the new steam turbine for the biomass cogeneration plant at the Figueira da Foz industrial complex, as well as full operation of two new biomass-fuelled power plants on the Cacia and Setúbal sites;
 - Continued operation of the Group's certified management systems. The industrial complex in Figueira da Foz completed a further round of certification of its Environmental Management System, leading to renewal of its certification, reflecting the good practice in place;
 - Over the last five years, Group plants have cut emissions into water by 40%, for suspended solids, and 60% for biodegradable organic matter.
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Energy

- o Completion of the Group's programme of structural investments in the energy sector, representing total capital expenditure of 200 million euros, with the start-up of the steam turbogenerator for cogeneration at the Figueira da Foz plant;
 - o The Group achieved gross power output of 1.7 TWh in 2010, up by 48% over the previous year, corresponding to 3.4% of total national output;
 - o The Group remains Portugal's leading producer of electricity from biomass, with output of 1.1 TWh, representing 52% of total national output;
 - o 65% of energy output obtained from cogeneration plants and biomass-fuelled power stations using renewable fuels;
 - o Operation at full capacity of the two new biomass power plants at the Cacia and Setúbal plants, causing a reduction in CO₂ emissions estimated at 70 thousand tons in terms of the national energy balance.
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Human Resources

- o With consolidation of the recruitment process for the new Setúbal paper mill, the Group had a total workforce, at year-end 2010, of 2,331 employees, of whom 2,218 are on permanent contracts;
 - o Redesign of internal career plans, involving all the Group's business areas, together with application of a standardized pay scale across all sectors;
 - o A commitment to training, reflected in 130,125 training hours over the year, in 1,417 training initiatives involving 2,628 trainees, with a special focus on health and safety, which accounted for 13% of total training.
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Social Responsibility

- o Support for the ICNB – *Instituto da Conservação da Natureza e da Biodiversidade* (Institute of Wildlife and Biodiversity Conservation), in the form of a cooperation agreement guaranteeing the environmental quality of the Sado estuary and its wildlife species;
 - o Donations of more than 49 tons of paper to welfare and educational projects run by schools and institutions in the areas around the Group's industrial facilities;
 - o The Group donated 3,600 plants to mark World Forests Day, supporting forestation work up and down the country and helping to raise awareness of nature conservation issues;
 - o Organization, in partnership with the WWF, of an international workshop on New Generation Plantations and Responsible Forest Finance, dealing with the topic of sustainable plantations and an environmentally and socially responsible model for the pulp and paper industry;
 - o Continuation of the Open Doors programme, with 1,500 employees and their families being welcomed to the new paper mill in Setúbal, offering them the chance to see at first hand one of the Portucel Group's leading projects and helping to build Group sentiment.
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Innovation

- o Launch of a new range of web inkjet products, capitalizing on this emerging technology with excellent potential for premium applications;
 - o R&D efforts focussed on paper quality;
 - o Research projects in cooperation with the Universities of Aveiro, Beira Interior and Coimbra, looking at paper surface treatments to improve printability;
 - o A project for extracting substances from eucalyptus bark for application in the food, cosmetics and pharmaceutical industries.
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