ANNUAL GENERAL MEETING
PORTUCEL – EMPRESA PRODUTORA DE PASTA E PAPEL, S.A.
APRIL10th 2012

PROPOSAL RELATING TO ITEM ONE ON THE AGENDA

The Board of Directors
of
Portucel – Empresa Produtora de Pasta e Papel, S.A.

proposes

that the shareholders resolve on the management report, balance sheet and accounts for the financial year of 2011.

Setúbal, March 15th 2012

The Board of Directors

Portucel
Empresa Produtora de Pasta e Papel, SA

Public Company

Registered under no. 503 025 798 at the Setúbal Companies Registry

Share Capital: 767 500 000 euros

Corporate Person no. 503 025 798

Individual Report and Accounts
2011

www.portucelsoporcel.com

Contents

Message from the Chairman

Shareholders,

The massive investment plan implemented by the Portucel group over recent years, and especially in the period from 2007 to 2010, has made it possible to take our business operations to a new level, to diversify our revenue sources and to focus on business areas where the Group's competitive advantages can work to full effect.

In just a few years, we have repositioned ourselves as Europe's leading manufacturer of uncoated woodfree (UWF) printing and writing paper. This has allowed us to increase our market shares in countries where we were already firmly established and to extend our sales network into new regions, which will undoubtedly be important markets in the future.

The rigour with which this investment plan was implemented, scrupulously adhering to both the budget and schedule, means that the Group emerged from this period with a balanced financial situation, consolidated year after year by successful results.

The economic crisis which in 2011 took a sharp turn for the worse in Portugal (and which, to a varying extent, has affected a large number of countries) has required us to be vigilant and alert so as to avoid any deterioration in Portucel's ability to compete.

The Group has successfully addressed many of the difficulties which have severely affected a high proportion of companies, including some in our sector. These difficulties have led, principally in Europe and the United States, to reduced operation, or even closure, of a great many plants, especially in cases where long-term failure to invest in modernization has gradually undermined their competitiveness.

The Portucel group has followed a different course. We remain committed to an active quest for growth.

I personally believe that much more can be made of Portugal's potential for forestry. But a lead needs to be taken to set this in motion, opening the way for new industrial ventures in the sector, with greater value added.

In the meantime, a renewable resource continues to be wasted, instead of making a much more effective contribution to the growth of Portuguese exports.

Significant progress was made in late 2011 in the Group’s plans for international expansion, with the Mozambican government granting Portucel a second land-use license for the project it submitted to the authorities and has started to implement.

This has opened the way for speeding up the plans which will enable Mozambique to join the world’s leading producers of short fibre pulp.

Mozambique enjoys excellent natural conditions and has progressively consolidated its political, social and economic systems, whilst developing the logistical infrastructures needed for this project to be viable. At the same time, the country is well located in relation to the fastest growing markets, providing another factor which would make this project a powerful lever for the future development of the Portucel group.

In expressing my satisfaction as the excellent results achieved in such a difficult year, I wish to thank the shareholders for their unwavering confidence in the work of the directors and the Executive Board, and also to acknowledge the contribution made to the Group’s growth by our customers, suppliers, the financial institutions, our workforce and other stakeholders.

I also wish to express my conviction that, despite the very difficult times which still lie ahead for most of the developed economies, the Portucel group will continue to be a point of reference in Portugal’s industrial fabric, partly because of its own direct operations, and also because of its knock-on effect on thousands of small and medium-sized companies throughout the economy with which it engages on a regular basis.

Setúbal, January 30th 2012

Pedro Queiroz Pereira

Message from the Chief Executive Officer

Shareholders,

We can confidently say that, overall, the financial year of 2011 was extremely positive for the Portucel group.

We set new records for exports and output of cellulose pulp and paper, whilst sales continued to grow, up over the year by 7.4%. Profitability indexes remained at high levels and the company strengthened its financial structure, sharply reducing its net debt.

The economic situation which continues to affect many of the countries where our main clients are located, both in Europe and the United States, whose economies have long been stagnant, and in some cases in recession, negatively impacted Portucel group business activities and, above all, its results.

Consumption of the tradable goods we produce and exports – bleached eucalyptus kraft pulp (BEKP) and uncoated woodfree (UWF) printing and writing paper – is closely tied to economic growth and, even more directly, to the size of the working population. Unemployment rates have remained at worryingly high levels, although in the USA they began to fall at the start of the second half of 2011. In Europe, however, the jobless figures have grown relentlessly worse.

This has caused demand for UWF paper to decline in markets which are important to the Portucel group, requiring us to extend our sales plan to more distant countries where we have previously not been established. This expansion of our sales area with the Group's UWF paper being now sold to over 115 countries has meant some reduction in our margins.

Operating results for the year were also hit by other rising costs, in particular for chemicals and timber, aggravated in the latter case by the need to import wood to offset the shortfall in output from Portugal's own forests.

The Portucel group has continued to draw the authorities' attention to the local costs faced by businesses operating in Portugal, that constitute a stumbling block to economic growth, innovation and to attracting capital projects. Forest-based industries, and the eucalyptus sector in particular, are of structural importance to the Portuguese economy, with Portucel standing out in terms of the extremely high level of national value added it incorporates in its products, and the sustainability of its business model.

Portucel group's influence is felt throughout the Portuguese economy. The Group deals with some 400,000 forest landowners, whilst 84% of its inputs are produced in Portugal, purchased from more than 5,500 companies located in the country. It accounts for 9% of all maritime and containerized export cargo handled at the country's ports and represents 3% of Portugal's visible exports.

The FAO's Forest Products Annual Review for 2007/2008 identified Portugal as pioneer in the promotion of certified forest management, because of the cash premium offered to the market for certified wood. This was an incentive introduced by Portucel group in 2006, which has since engaged with forest landowners in a variety of ways to show them what can be done to improve the quality of their plantations and their forest management models, their plans for defence against wildfires and for preserving ecosystems and biodiversity.

It is essential to increase the industry's already impressive contribution to the trade balance, in order to improve the returns obtained by the tens of thousands of individuals and businesses in the forestry sector and so as not to undermine the long term competitiveness of the sector's companies, which are currently weighed down by higher supply costs than those of most of their competitors. There is also an urgent need for the authorities responsible for forestry sector to adopt measures which can help improve yields, increase Portugal's output of eucalyptus timber and extend certification of woodlands management.

The difficult situation which Portugal is currently facing also means it is imperative for the country to tackle a number of other serious impediments to the competitiveness of its exporters. Specifically, Portugal needs to address the high costs and other shortcomings of its logistical infrastructures, and especially its railways and ports, which are serious cause for concern.

The Portucel group has shown it can compete with success on the global market, and is today the European leader in its industry. What is more, the Group's financial health means it is well placed to plan for its future development.

Without neglecting our continued search for other opportunities, the Group's immediate attention is concentrated on developing its integrated forestry, pulp and power project in Mozambique, where it has recently obtained a second land-use license, allowing it to speed up the implementation of this important project.

I would like to extend a word of appreciation to all those who's commitment, dedication and expertise have helped make Portucel a powerhouse in the Portuguese economy and a leading player in the international pulp and paper industry.

Setúbal, January 30th 2012

José Honório
Chief Executive Officer

1. Portucel in 2011

Leading indicators

	SNC 2011	SNC 2010
(million euros)		
Sales and services rendered	521.3	602.1
Operating results	226.4	209.5
Financial results	-20.6	-17.5
Net earnings	173.4	210.8
EBITDA (1)	61.9	99.8
EBITDA / Sales (in %)	11.9%	16.6%
Cash Flow (2)	8.9	101.1
Net Debt	630.6	686.0

(1) Operating results + amortization + provision – results from Group companies / subsidiaries
(2) Net results + amortization + provision – results from Group companies / subsidiaries

Business overview

In a year marked by a particularly adverse environment, Portucel reached a global turnover of € 521.3 million, a 13.4% fall when compared to the previous year. This performance can be explained by several reasons.

On the one hand, the Company proceeded at the end of the first half of 2011, to the transfer of its paper activity to a new entity, named Portucel Papel Setúbal SA. Since, Portucel activity became exclusively the production of Bleached Eucalyptus Pulp (BEKP) in its Setubal and Cacia mills.

On the other hand, there was a sharp drop in pulp prices during 2011, which translated into a decrease of approximately 16% in the value of BEKP sales to the market.

In this environment, EBITDA stood at € 61.9 million, a 38% reduction over 2010 and an EBITDA / Sales margin of 11.9%, 4.9 percentage points below last year.

Operating results, in the amount of € 226.4 million, improved 8.1%, reflecting the increase in earnings from Portucel subsidiaries, which in 2011 totaled € 206,9 million and in 2010 € 152.19 million.

Financial results of - €20.6 million, compare with results of - € 17.1 million in 2010.

Thus, net result for the period was € 173.4 million, a decrease of 17.7%.

Financial Situation

ON December 30th 2011, net debt stood at € 630.6 million, decreasing € 55.4 million over the end of 2010 and can be detailed as follows:

Amounts in Euro	31-12-2011	31-12-2010
Interest bearing debt		
Non current	569,047,619	733,125,000
Current	164,077,381	91,250,000
	733,125,000	**824,375,000**
Cash and cash equivalents (Note 4)		
Cash	10,475	10,475
Short term bank deposits	568,476	440,471
Other	61,300,000	103,700,000
	61,878,951	**104,150,946**
Treasury shares at market value (Note 10)	**40,641,775**	**34,263,719**
Net debt	**630,604,274**	**685,960,335**

On December 31st 2011, besides the liquid assets shown on the balance sheet, Portucel had available but unused credit lines amounting to € 32.5 million. In addition, Portucel has negotiated a Commercial Paper program in the amount of € 50 million, whose emissions area secured by the bank for a 3 year period. At the end of the year, the total amount was unused.

Development

Over the course of 2011, difficulties have continued to prevent the Group from making progress on the projects for integrated forestry and eucalyptus pulp production it would like to implement in Latin America.

In Mozambique, as duly disclosed to the market, the Council of Ministers approved a resolution granting Portucel a land use licence for an area of 182,886 hectares, located in Manica Province.

Fieldwork went ahead during the year, involving tests and experimental plantations, in Zambézia and Manica provinces, with trials of more than 50 eucalyptus varieties from different origins, in order to select the varieties demonstrating the best production cropping potential, in line with the soil and climate conditions in the various areas earmarked for the project.

Risk Management

The Group's operations are exposed to a variety of financial risk factors: exchange rate risk, interest rate risk, credit risk and liquidity risk. The Group operates a risk management programme, focussed on analysis of financial markets, seeking to minimize the potential adverse effects on its financial performance.

Exchange Rate Risk

Starting in the second half of 2011, the Group´s entire sales were channeled through a subsidiary company named Fine Paper S.A., concentrating all the exchange rate risk arising from the sale of Portucel products, as well as the sales of products from other participating companies.

As previously mentioned, variations in the exchange rate of the Euro against other currencies can significantly affect the Company's revenues in several ways.

On the one hand, a significant part of the Group's sales is denominated in non-Euro currencies, meaning that the evolution of these currencies can have a significant impact on the Company's future sales; the currency with the greatest impact is the US dollar. Sales in GBP and CHF are also significant, whilst sales in other currencies are less so.

Certain raw materials are also purchased in USD, notably imports of timber and long fibre pulp, meaning that variations in the respective exchange rate can have an impact on purchase prices.

In addition, once the Company makes a sale in a non-Euro currency, it runs an exchange rate risk until the receipt or payment of this sale or purchase, unless it takes out hedges for this risk. This means that, at any given time, its assets include a significant sum in receivables exposed to exchange rate risks, as well as a set of payables, albeit smaller in scale, with the same exposure.

The Group has a commercial subsidiary in the US, Portucel Soporcel North America, with equity of approximately USD 25 million, exposed to exchange rate risk. Other than this operation, the Group has no investments in materially relevant operations abroad with net assets exposed to exchange rate risks.

Occasionally, and as it sees fit, the Group has recourse to derivatives to manage its exchange rate risk, in keeping with a policy which is reviewed from time to time and designed to limit the foreign exchange exposure associated with future sales and purchases, receivables, payables and other assets denominated in non-euro currencies.

Accordingly, the Group took out a zero cost collar in order to hedge its Swiss franc risk, which has accounted for a growing proportion of its foreign exchange risk. This collar had a nominal value of CHF 24 million, maturing on 30 December 2011.

In July 2011, the Group purchased a EURCALL/USDPUT option to cover the EUR/USD risk for its estimated sales from August to December of the same year, with a nominal value of USD 30 million.

Further derivatives were contracted in September and October in the form of a zero cost collar with a total value of USD 100 million, to cover the EUR/USD risk of sales contracted from October 2011 to October 2012.

In relation to its foreign exchange exposure on customer accounts, the Group maintained its policy of hedging its net exposure to USD and GBP at all times by contracting foreign exchange forwards for the expected maturities of these receivables.

In order to hedge its foreign exchange exposure on the equity of its commercial subsidiary in the US, the Group renegotiated during the course of 2011 the foreign exchange forward it had contracted in

2010.

Interest Rate Risk

The cost of the financial borrowing contracted by the Group is indexed to short term reference rates, reviewed at intervals of less than one year (generally six months for medium and long term debt), plus risk premiums as negotiated from time to time. This means that variations in interest rates can affect the Group's results.

The Group has made use of derivatives, in the form of interest rate swaps, in order to fix the interest rate on its borrowing, within given parameters. The various swaps contracted in 2005 matured in 2010, and at year-end 2011 there were no interest rate hedges in force.

Credit Risk

The Group is subject to risk on the credit it grants to customers, and has adopted a policy of managing this exposure by keeping it within set levels, through the negotiation of credit insurance with an independent specialist insurer.

As a result of the strict credit control policy followed by the Group, there were practically no bad debts during 2011.

Liquidity Risk

In view of the medium/long term nature of its investments, the Group has sought to structure its debt in a form that matches the maturity of the associated assets, for this reason seeking to contract long term finance, and to refinance short term debt.

As stated above, at year-end 2011, the Group had gross long term borrowing of 566.8 million euros and debt maturing in less than one year of 164.1 million euros. This short term liability is easily covered by surplus cash flow accrued by the company and credit facilities contracted but not used, meaning that the Group enjoys a very comfortable liquidity position.

Considering the structure of the debt contracted by the Group, with maturities matching the assets being financed, the Group is confident it has assured the capacity generate the future cash flows needed to discharge its liabilities, to guarantee capital expenditure in line with its medium/long term plans and to provide shareholders with returns at the levels traditionally provided by the Company.

2. Capital Markets and Share Price Performance

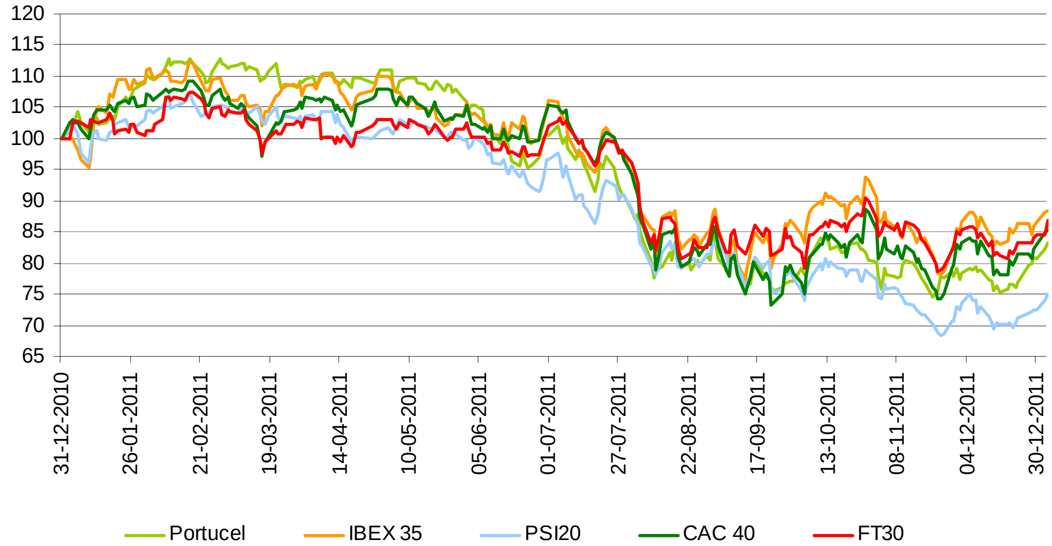
Capital Markets

The performance of the capital markets over the course of 2011 reflected the serious financial crisis affecting the Euro Zone, causing considerable instability on European stock exchanges. The principal markets recorded significant losses, with the Paris, London and Madrid share indexes down by 17%, 15.5% and 13.1% respectively. The Portuguese stock exchange was particularly hard hit, with the PSI20 index ending the year down by 27.6%.

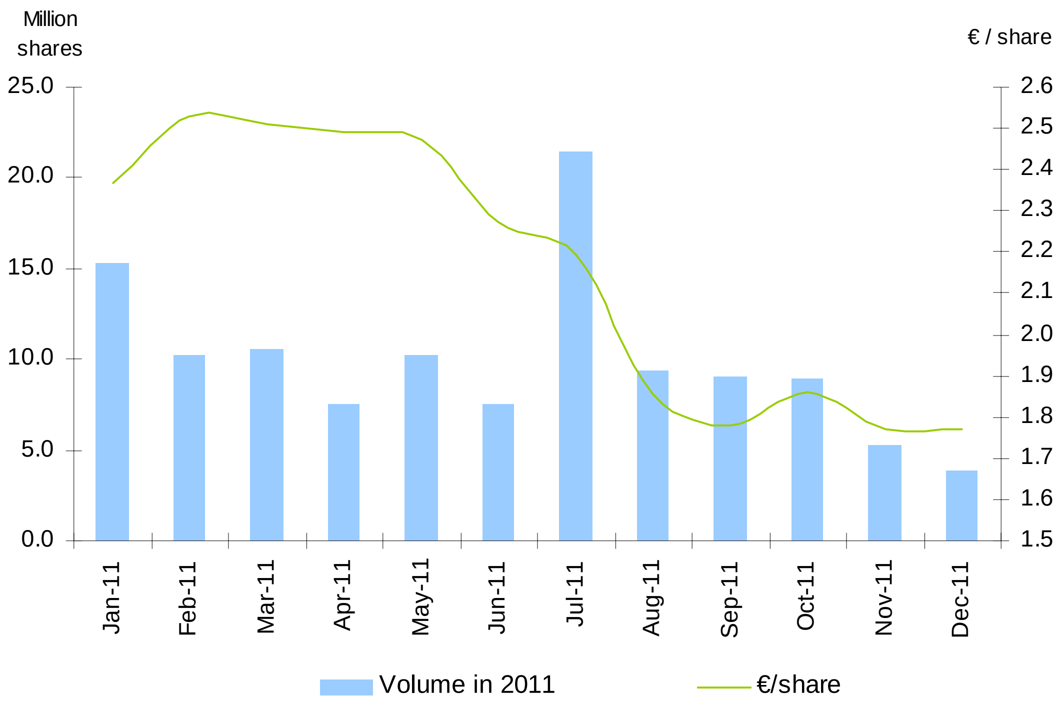
In this economic environment, and in a situation of recession in paper consumption, companies in the industry felt the brunt of the losses, ending the year with substantially lower share prices. The HX Paper & Forest index recorded an accrued drop from the start of the year of approximately 37%, with shares in Scandinavian companies presenting severe losses. Pulp producers in Latin American also presented negative performance overall, with only a few North American producers recording an increase in share price.

Against this background, the performance of Portucel shares in 2011, albeit negative, actually compares favourably with that of its European competitors. Portucel shares ended the year at 1.84 €, down on the year by a total of 19.2%. The peak closing price in 2011 was 2.57 €/share, recorded on 17 February, with a low of 1.70 €/share recorded on 21 November. Average monthly trading in Portucel shares in 2011 stood at approximately 10 million. At year end, treasury stock stood at approximately 22.1 million, corresponding to 2.88% of the share capital.

Portucel vs. European Indexes in 2011
(31/12/2010= 100)



Portucel Average Share Price and Volume in 2011



3. Market Performance

Economic Environment

Basic indicators deteriorated across the board in 2011 in the world's main developed markets as business conditions deteriorated: the pace of growth slowed significantly in the US, the Japanese economy was hit hard by the consequences of a devastating earthquake, whilst Europe experienced a worsening of the sovereign debt crisis and the successive shock waves this produced. Global economic growth, at approximately 3.5%, was based on the performance of the emerging economies, which continued to expand.

In a context of growing fears as to the sustainability of State financing, especially in the Euro zone, and in which unemployment remained extremely high, the advanced economies gave clear signs of a slowdown, pointing to conditions which could tip over into recession in the short term, with the highest risk presented by European countries.

Over the course of the year, the Euro Zone gradually became the main focus of financial instability. Economic growth was relatively weak (approximately 1.5% on average), supported by the performance of the centrally-located countries (Germany in particular), with the outlying countries on a contrasting downward course. Recent months have been marked by signs of an effective slowdown in the pace of growth, amounting in some cases to recession, with regular increases in the rate of unemployment.

The financial markets have severely penalized the Euro zone economies, exploiting the currency's fragility. Diminishing business confidence, due to the uncertainty generated by the sovereign debt crisis, has been decisive in the poor growth experienced in recent months.

As the "sovereign debt crisis" has increasingly worked its way from the outlying nations to those at the centre, the deterioration in borrowing terms for European Union countries has become increasingly visible, leading to widespread implementation of highly restrictive budgetary policies. These policies, which the contaminated economies have adopted simultaneously as a response to the crisis, add further weight to expectations of negative business growth. In a context where the fortunes of the banking sector are increasingly tied to the evolution of sovereign debt markets, the strains observed in the financial markets and the drying up of liquidity have hindered the funding of European banks and contributed decisively to a significant slowdown in the economy.

Over the course of the year, it became increasingly clear that the political leaders in the Euro zone needed to take decisive action to increase budgetary coordination and integration, and expectations grew that the ECB (European Central Bank) would take a more active role in the financial stabilization of the economy. At the final EU summit in 2011, progress was made towards budgetary integration, but the meeting failed to adopt the decisions needed to assure an immediate response to the crisis of liquidity and confidence. At the end of the year, the ECB went ahead with a reduction in reference rates and stepped up its operations to provide liquidity in the system.

In Portugal, the situation was affected above all by the programme of financial adjustment currently underway, which involves a highly restrictive budgetary policy and an inevitable impact in terms of economic retraction. GDP is thought to have contracted by 1.6% in 2011, with the jobless rate climbing to over 12%. On the positive side, exports performed well (up by some 7%, despite the gloomy situation in the Euro zone, which is the main export destination), and this will be a crucial factor in turning around the critical state of the country's economy.

In the USA, although the economy remains relatively sluggish (growth of 1.7% in 2011), there have been signs in recent months of a positive tendency, with more encouraging figures for household spending and private investment. This is due in part to an expansionist monetary policy being pursued by the United States Federal reserve, possibly close to the limits of its effectiveness. However, the stand-offs in Congress on an agreement on budgetary policy have served to generate insecurity and strain in the financial markets, undermining any move towards firmer growth.

The main emerging economies (above all China and India) continued to record extremely high rates of growth, despite a slight slowdown in the second half of the year. Growing internal demand, low levels of debt and the macroeconomic stability assured by ample foreign reserves are all factors which have supported the performance recorded by these economies.

Over the course of the first half, the euro rose sharply against the dollar, with the exchange rate moving close to 1.5 USD/EUR. As the crisis in the Euro zone deepened in the second half, the euro lost ground again, ending 2011 at around 1.3 USD/EUR, where it had started the year.

The Brazilian real and the Chilean peso also depreciated against the euro during 2011, especially in the final quarter of the year.

In this situation, despite the uncertainty surrounding the future of the single currency, the exchange rate situation undermined the competitiveness of the Portucel Group in relation to its rivals on the American continent.

At a juncture at which Mozambique has begun to figure in the long term strategic development of the Portucel Group, a short word is warranted on the country's economic performance. Growth stood at approximately 7% in 2011, above average for Sub-Saharan Africa, and the metical appreciated by some 20% against the euro. This growth was sustained primarily by investment and exports relating to the country's natural resources – coal and natural gas – and to aluminium processing.

Paper

Market

The financial year of 2011 was marked by a sharp downturn in the global economy, with the economies in key regions for the Group's business activities - Europe and the US – recording significant slowdowns in GDP growth. The emerging economies in Asia and Latin America also experienced slower growth in 2011.

Estimates point to a decline in demand for UWF (uncoated woodfree) paper in Europe of 4% in relation to 2010, whilst consumption in the cut-size segment remained unchanged. The European UWF market has shrunk by approximately 950 thousand tons since 2008, corresponding to a rate of around 4% a year.

This sharp drop in demand was partially offset by reductions in imports from outside Europe and by rising exports by the European industry. Nonetheless, producers experienced dwindling operating rates and order books over the course of the year, putting the profitability of some European production units under strong pressure and setting off a further wave of capacity closures, with estimates pointing to more than 550 thousand tons of annual UWF capacity being closed down. As a result, the average capacity utilization rate in Europe stood at 92%, rising to 94% in the final quarter after the implementation of closures.

The UWF market in the US declined again in 2011, with a reduction estimated at approximately 3%, whilst the American production sector maintained a capacity utilization rate of 90%.

Performance

In this market context, total paper sales were approximately € 101.5 million in 2011. This value is not directly comparable to last year since it only includes paper sales registered during the first half of 2011, due to the already mentioned transfer of paper activity outside Portucel scope, to Portucel Papel Setúbal, S.A.

Prices

Prices performed favourably in 2011, with the European benchmark index (PIX Copy B) standing at 870 €/ton, as against 814 €/ton in 2010, up by 6.8%.

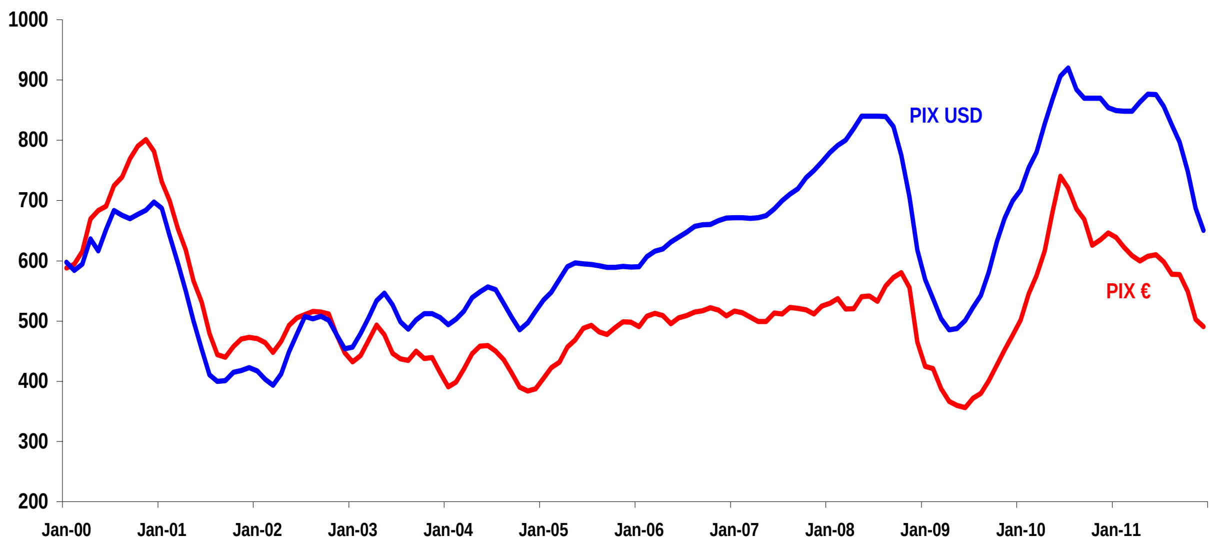
Pulp

As in 2010, the market for bleached eucalyptus pulp (BEKP) went through two distinct phases in 2011. After a widespread reduction in prices during the 2nd half of 2010, the market held steady for the entire first half of 2011, allowing for a hike in the PIX index to USD 880 /ton at the start of the 2nd quarter.

Two factors - demand for pulp from the Chinese market, still one of the main drivers of the world market, and the evolving exchange rate, with the currencies of the main producer countries, and the Brazilian *real* in particular, rising against the dollar – combined to sustain the market and USD pulp prices.

This situation changed significantly during the second half of the year, as market conditions deteriorated, with a slowdown in demand and successive drops in prices. A number of factors contributed to this situation, chief amongst which was the worsening of the economic climate in Euro Zone countries, an important paper market, leading to a drop in demand for paper, as well as a significant degree of instability on the foreign exchanges

Monthly PIX – BHKP prices per ton (Eucalyptus / Birch)



Other factors disrupting the pulp market included the growing mismatch between supply and demand caused partly by increased supply, due to the arrival on the market of additional pulp, and also by falling demand from the paper sector and the slowdown in June and July in demand for pulp from the Chinese market, although this was corrected over the course of the 2nd half, and especially in the 4th quarter, allowing 2011 to set a new record for Chinese pulp imports.

As a result of this deterioration in the market, total stocks at manufacturers and European ports increased during 2011, ending the year at higher levels than at year-end 2010. However, attention should be drawn to very positive evolution, in December, in stocks at short fibre producers, which ended the year down on the previous year, and even down on the monthly average for the last 15 years.

Performance

Production of bleached eucalyptus grew by more than 5% on the previous year. However, as expected, the level of integration within the company has increased, leaving less pulp available for sale on the market, meaning that sales were down by 2.2% on the previous year.

In terms of sales by paper segments, the Group continues to gear its output to use in segments with greater value added (special papers), which represented the majority of sales, accounting for approximately 60% for the year as a whole.

As in previous years, nearly all pulp sales were made on the European markets which are home to producers of better quality paper at the forefront of technological and environmental developments. These are the manufacturers which best appreciate the inherent qualities of the *eucalyptus globulus* pulp produced at the Group's mills.

4. Industrial Activity

Production

The industrial units operated by the Portucel Group once again recorded excellent performance, with significant gains in pulp output as the main plants broke their previous records.

It should be noted that the growth in paper output was matched by a significant increase in pulp production, which ended the period up 5.4% on the previous year.

Special mention should be made of the efficiency levels obtained at the Group's industrial units, which constitute an international benchmark for the sector. These levels made it possible to assure significant stability of production, with a natural knock-on effect on product quality and efficient use of natural resources.

In terms of pulp output, we should draw attention to Setúbal Mill which set new records, whilst the Cacia Mill also achieved excellent performance thanks to an improvement in production efficiency.

Both pulp mills recorded positive performance, finding ways to offset the increase purchase cost of timber, chemicals and fuel, by boosting energy efficiency and cutting specific consumption of certain chemicals and raw materials representing a larger share of production costs.

Capital Expenditure Projects

After a period of very heavy investment in increasing production capacity for paper and energy, the Group channelled its capital expenditure this year into troubleshooting its plants and projects, allowing it to improve its competitive position, cut costs and increase efficiency.

Special attention was paid in 2011 to investment projects designed to replace end-of-life equipment and to carry out major repairs, essential for sustainable operation of the Group’s plants, and to improving safety conditions at timber yards and industrial facilities.

Projects making a significant contribution to industrial efficiency included the project to replace the furnace and superheaters for the biomass boiler at the Setúbal Industrial Complex.

The Cacia mill connected its turbo-generator no. 1 to the electrical network, thereby optimizing its energy efficiency.

5. Outlook

Expectations for the world economy in 2012 remain extremely uncertain: estimates of global growth have been revised downwards on successive occasions and recession looks possible in certain regions, such as the Euro Zone, as negative risk factors intensify.

The crisis in the Euro Zone took a significant turn for the worse in late 2011, leading to severe measures to consolidate budgets in most European countries. As the banks are the main holders of sovereign debt, the financial system has come under significant strain, resulting in serious difficulties in funding and sharp contraction of household and business lending, further exacerbated by newly-imposed requirements for the recapitalization of European banks.

Expectations of economic growth for the region have been gradually cut back, with most estimates pointing to negative growth in the economy: this contraction is expected to be moderate overall, but unevenly distributed between outlying and central regions. Although the end of the year saw a rush of measures to increase integration and fiscal discipline, with steps to boost the financial measures to support the countries facing the greatest difficulties and to increase the intervention of the European Central Bank as the lender of last resort, the climate remains one of great uncertainty.

In the US, the economy showed signs of recovery in late 2011, with the main economic indicators evolving positively as a whole, thanks to stronger than expected consumer spending and investment. However, expectations continue to point to very moderate growth, due to high rates of unemployment and borrowing. Serious doubts also remain concerning the budget consolidation policies which will be required in the long term due to worsening public debt, as a result of continuing foreign and budget deficits, only expected to improve after the presidential elections due to be held in 2012.

The economies of emerging markets, and of China in particular, are not expected to be immune to this cooling of the developed economies, with growth rates dipping in 2012. Although a hard landing is not forecast for these economies, there are still a number of risks associated with rapidly growth in lending and in the price of assets in recent years, which could make these economies financially vulnerable.

At the same time, the euro / dollar exchange rate, which has a significant impact on Group business, remains subject to a high degree of unpredictability, in view of the economic expectations described above.

The outlook for the Group's UWF paper business reflects this environment. In Europe, the poor economic prospects, exacerbated by the budget consolidation policies underway in most countries, and most severely in southern European countries, which are traditionally markets of great importance for the Group's sales, means that paper consumption will remain under strong pressure.

Likewise, the Group's business may be hit by the cooling of the US economy, albeit with a more positive outlook than in Europe, and by continued instability in the markets of North Africa and the Middle East, which account for a growing proportion of Group sales.

However, the Group has a business model which has proved highly resilient to adverse environments and continues to operate at full production capacity, thanks to market recognition of the quality of its products, the high level of penetration achieved with mill brands and the Group's capacity to extend the list of countries to which it sells it products and to strengthen its position in markets where it is firmly established. Nonetheless, the significant customs duties to which European products are subject in overseas markets is a hindrance to greater and faster penetration by Group brands in these markets.

At the same time, the impact of significant capacity closures which took place in 2011 will only be felt in full during the year ahead and the prospects for a recovery in pulp prices, which should keep non-integrated manufacturers under strong pressure, are both factors which may help to sustain the market. In addition, in the US, the growing consolidation of the sector, reflected in improved capacity to match supply to demand, and the presidential campaign due to take place this year, will contribute to the sustainability of the market.

The BEKP pulp market has shown signs of recovery, sustained by robust demand from Asian markets, and China in particular, and by a continued trend for replacing long fibre consumption with short fibre pulp, with the greatest impact on the developed markets. However, growth in demand, resulting from the start-up of new capacity in Brazil at the end of the year, may disrupt the balance between supply and demand.

The international economic and financial outlook, which has hit profitability in the pulp and paper sector so hard, makes it even more urgent for policies to be adopted in Portugal to reduce the local costs which weigh heavily on the manufacture and export of tradable goods, and consequently encumber the Group's business operations. Priority needs to be given to measures to simplify forestation so as to increase the availability of Portuguese raw materials in the medium term, thereby creating thousands of permanent jobs and avoiding the need for imports, and others to assure that the logistical chain – in particular, the ports and railways - operates to the highest international standards.

Acknowledgments

Despite an extremely harsh business environment, the Portucel Group has expanded its business in the fields of paper manufacture, pulp manufacture and power generation, consolidating its position as one of Portugal's chief exporters.

The excellent performance recorded over the year would not have been possible with the great dedication and commitment of all the Group's employees, to whom the Directors wish to express their thanks.

A word of appreciation is likewise extended to all the Group's external stakeholders – customers, suppliers, shareholders and other partners – for their interest and support.

Setúbal, 30 January 2012

Pedro Mendonça de Queiroz Pereira -	Chairman of the Directors
José Alfredo de Almeida Honório -	Chief Executive Officer
Manuel Soares Ferreira Regalado -	Executive Director
Adriano Augusto da Silva Silveira -	Executive Director
António José Pereira Redondo -	Executive Director
José Fernando Morais Carreira de Araújo -	Executive Director
Luís Alberto Caldeira Deslandes -	Non-executive Director
Manuel Maria Pimenta Gil Mata -	Non-executive Director
Francisco José Melo e Castro Guedes -	Non-executive Director
José Miguel Pereira Gens Paredes -	Non-executive Director
Paulo Miguel Garcês Ventura -	Non-executive Director

Allocation of Profits

As shown on the financial statements for 2011, consolidated net income stood at Euros 196.331.389, and net income on an individual basis at Euros 173.423.894. The Board of Directors proposes the payment of a dividend of 0,16 €/share, with the following distribution:

To the Legal Reserve:	Euros 8.671.195
To Retained Earnings:	Euros 45.490
To Dividend Payment:	Euros 119.262.179*

*This value takes into consideration an amount of 22.111.382 of own shares held; if, at the time of the dividend payment, the number of own shares changes, the global dividend amount to be paid may be adjusted accordingly, keeping, however, unchanged the dividend per share to be paid.

Declaration required under Article 245.1 c) of the Securities Code

Article 245.1 c) of the Securities Code requires that each of the persons responsible for issuers make a number of declarations, as described in this article. In the case of Portucel, a uniform declaration has been adopted, worded as follows:

I hereby declare, under the terms and for the purposes of Article 245.1 c) of the Securities Code that, to the best of my knowledge, the management report, annual accounts, legal accounts certificate and other financial statements of Portucel – Empresa Produtora de Pasta e Papel, S.A., for the financial year of 2011, were drawn up in accordance with the relevant accounting rules, and provide a true and fair view of the assets and liabilities, financial affairs and profit or loss of the said company and other companies included in the consolidated accounts, and that the management report contains a faithful account of the business, performance and position of the said company and other companies included in the consolidated accounts, describing the main risks and uncertainties which they face.

Considering that the members of the Audit Board and the Official Auditor sign an equivalent declaration in relation to the documents for which they are responsible, a separate declaration with the above text was signed by the directors only, as it was deemed that only the company officers fall within the concept of "persons responsible for the issuer". As required by this rule, we provide below a list of the persons signing the declaration and their office in the company:

Pedro Mendonça de Queiroz Pereira -	Chairman of the Directors
José Alfredo de Almeida Honório -	Chief Executive Officer
Manuel Soares Ferreira Regalado -	Executive Director
Adriano Augusto da Silva Silveira -	Executive Director
António José Pereira Redondo -	Executive Director
José Fernando Morais Carreira de Araújo -	Executive Director
Luís Alberto Caldeira Deslandes -	Non-executive Director
Manuel Maria Pimenta Gil Mata -	Non-executive Director
Francisco José Melo e Castro Guedes -	Non-executive Director
José Miguel Pereira Gens Paredes -	Non-executive Director
Paulo Miguel Garcês Ventura -	Non-executive Director

Company Officers

The company officers of Portucel – Empresa Produtora de Pasta e Papel S.A. elected for the four-year term from 2011 to 2014 are as follows:

General Meeting

Chairman:	José Pedro Aguiar Branco*
Secretary:	Rita Maria Pinheiro Ferreira

Board of Directors

Chairman:	Pedro Mendonça de Queiroz Pereira
Directors:	José Alfredo de Almeida Honório Manuel Soares Ferreira Regalado Adriano Augusto da Silva Silveira António José Pereira Redondo José Fernando Morais Carreira de Araújo Luís Alberto Caldeira Deslandes Manuel Maria Pimenta Gil Mata Francisco José Melo e Castro Guedes José Miguel Pereira Gens Paredes Paulo Miguel Garcês Ventura

Executive Board

Chairman:	José Alfredo de Almeida Honório
Members:	Manuel Soares Ferreira Regalado Adriano Augusto da Silva Silveira António José Pereira Redondo José Fernando Morais Carreira de Araújo

Company Secretary

Secretary:	António Pedro Gomes Paula Neto Alves
Alternate Secretary:	António Alexandre de Almeida e Noronha da Cunha Reis

Audit Board

Chairman:	Miguel Camargo de Sousa Eiró
Full Members:	Duarte Nuno d'Orey da Cunha
	Gonçalo Nuno Palha Gaio Picão Caldeira
Alternate Member:	Marta Isabel Guardalino da Silva Penetra

Remuneration Committee

Chairman:	José Gonçalo Maury, representing Egon Zehnder
Members:	João Rodrigo Appleton Moreira Rato
	Frederico José da Cunha Mendonça e Meneses

Official Auditor

	PricewaterhouseCoopers & Associados – SROC, Lda represented by António Alberto Henrique Assis or César Abel Rodrigues Gonçalves
Alternate:	José Manuel Henriques Bernardo (ROC)

* Note: Dr. José Pedro Aguiar Branco tendered his resignation on 21 June 2011, and the office is currently vacant, pending the election of new Chairman by the Company's next General Meeting.

Portucel

Disclosures required by Articles 447 and 448 of the Companies Code and paras. 6 and 7 of Article 14 of Securities Market Commission Regulation 5/2008
(with regard to the financial year of 2011)

1. NUMBER OF SHARES HELD BY THE COMPANY OFFICERS AS AT 31/12/2011

a) Securities issued by company and held by company officers:

António José Pereira Redondo:	6,000 shares
Adriano Augusto da Silva Silveira:	2,000 shares
Duarte Nuno d'Orey da Cunha:	16,000 shares

b) Securities issued by controlled or controlling companies held by company officers:

José Alfredo de Almeida Honório: 20,000 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.

Duarte Nuno d'Orey da Cunha: 2,907 shares in Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.

Maria Rita Carvalhosa Mendes de Almeida Queiroz Pereira – 16,464 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.

c) Securities issued by the company and controlled or controlling companies held by companies in which members of management bodies hold corporate office:

- Cimigest, SGPS, S.A. - 100 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.;
- Cimo – Gestão de Participações, SGPS, S.A. – 16,199,031 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.;
- Longapar, SGPS, S.A. – 21,505,400 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
- Sodim, SGPS, S.A. – 18,842,424 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
- OEM - Organização de Empresas, SGPS, S.A. – 535,000 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.

Acquisition, disposal, encumbrance or pledge of securities issued by the company or controlled, controlling or group companies by company officers and the companies referred to in 3:

- Seminv – Investimentos SGPS, S.A. carried out the following OTC operation involving shares in Portucel - Empresa Produtora de Pasta e Papel, S.A.:

Seminv

Date	Numb.of Shares	Share Price	Transaction
03-03-2011	589,400	2.545	Sale

- Cimigest, SGPS, S.A. carried out the following OTC operation involving shares in Portucel - Empresa Produtora de Pasta e Papel, S.A.:

Cimigest

Date	Numb.of Shares	Share Price	Transaction
18-03-2011	1,669,253	2.500	Sale

- Cimentospar – Participações Sociais, SGPS, S.A. carried out the following OTC operation involving shares in Portucel - Empresa Produtora de Pasta e Papel, S.A.:

Cimentospar

Date	Numb.of Shares	Share Price	Transaction
30-03-2011	588,400	2.469	Sale

- Cimo – Gestão de Participações, SGPS, S.A. carried out the following OTC operation involving shares in Portucel - Empresa Produtora de Pasta e Papel, S.A.:

Cimo

Date	Numb.of Shares	Share Price	Transaction
09-05-2011	107,204	2.484	Sale

- Seinpart – Participações, SGPS, S.A. carried out the following OTC operation involving shares in Portucel - Empresa Produtora de Pasta e Papel, S.A.:

Seinpart			
Date	**Numb.of Shares**	**Share Price**	**Transaction**
29-12-2011	230,839,400	1.750	Sale

- Zoom Investment SGPS S.A. carried out the following transactions in shares in Portucel – Empresa Produtora de Pasta e Papel, S.A.:

Date	Numb.of Shares	Share Price	Transaction
24-03-2011	6,958	2.4590	Purchase
18-04-2011	38,042	2.4500	Purchase
05-05-2012	45,000	2.4470	Purchase
19-05-2012	10,000	2.4500	Purchase
29-08-2011	21,723	1.8490	Purchase
30-08-2011	23,277	1.8500	Purchase
30-08-2011	5,000	1.8400	Purchase
30-08-2011	5,000	1.8310	Purchase
30-08-2011	10,000	1.8320	Purchase
31-08-2011	20,000	1.9093	Purchase
31-08-2011	20,000	1.9278	Purchase
01-09-2012	5,000	1.9100	Purchase
01-09-2012	8,000	1.9000	Purchase
01-09-2012	15,000	1.8800	Purchase
01-09-2012	15,000	1.9020	Purchase
01-09-2012	10,000	1.9050	Purchase
01-09-2012	10,000	1.8850	Purchase
01-09-2012	10,000	1.8965	Purchase
02-09-2011	7,000	1.8820	Purchase
02-09-2011	12,500	1.8740	Purchase
02-09-2011	25,500	1.8700	Purchase
02-09-2011	5,000	1.8750	Purchase
02-09-2011	10,000	1.8600	Purchase
02-09-2011	12,000	1.8510	Purchase
02-09-2011	10,000	1.8600	Purchase
02-09-2011	10,000	1.8390	Purchase
02-09-2011	5,000	1.8481	Purchase
02-09-2011	10,000	1.8390	Purchase
05-09-2011	20,000	1.7940	Purchase
06-09-2011	10,000	1.8370	Purchase
06-09-2011	10,000	1.8300	Purchase
06-09-2011	10,000	1.8270	Purchase
06-09-2011	10,000	1.8240	Purchase
06-09-2011	10,000	1.8190	Purchase
06-09-2011	10,000	1.8000	Purchase

06-09-2011	10,000	1.7890	Purchase
06-09-2011	20,000	1.8120	Purchase
06-09-2011	20,000	1.8120	Purchase
06-09-2011	10,000	1.8040	Purchase
07-09-2011	20,000	1.8450	Purchase
07-09-2011	10,000	1.8420	Purchase
09-09-2012	20,000	1.8210	Purchase
09-09-2012	20,000	1.8110	Purchase
09-09-2012	20,000	1.8060	Purchase
09-09-2012	10,000	1.8000	Purchase
12-09-2011	10,000	1.7650	Purchase
12-09-2011	20,000	1.7760	Purchase
12-09-2011	10,000	1.7700	Purchase
12-09-2011	20,000	1.7790	Purchase
12-09-2011	10,000	1.7740	Purchase
12-09-2011	10,000	1.7620	Purchase
13-09-2011	10,000	1.7640	Purchase
13-09-2011	10,000	1.7500	Purchase
13-09-2011	10,000	1.7400	Purchase
13-09-2011	10,000	1.7300	Purchase
13-09-2011	30,000	1.7490	Purchase
13-09-2011	10,000	1.7440	Purchase
13-09-2011	10,000	1.7500	Purchase
13-09-2011	10,000	1.7500	Purchase
13-09-2011	15,000	1.7580	Purchase
13-09-2011	10,000	1.7510	Purchase
13-09-2012	16,369	1.7500	Purchase
14-09-2011	10,000	1.7250	Purchase
14-09-2011	10,000	1.7200	Purchase
14-09-2011	37,835	1.7310	Purchase
14-09-2011	20,000	1.7280	Purchase
14-09-2011	10,000	1.7240	Purchase
14-09-2011	30,000	1.7420	Purchase
14-09-2011	10,000	1.7250	Purchase
14-09-2011	10,000	1.7460	Purchase
14-09-2011	15,796	1.7490	Purchase
14-09-2011	10,000	1.7400	Purchase
14-09-2011	437	1.7390	Purchase
15-09-2011	10,000	1.7990	Purchase
15-09-2011	10,000	1.7920	Purchase
15-09-2011	50,000	1.8100	Purchase
15-09-2011	20,000	1.8140	Purchase
15-09-2011	10,000	1.8100	Purchase
15-09-2011	9,563	1.8180	Purchase
15-09-2011	20,000	1.8040	Purchase
16-09-2011	30,000	1.8100	Purchase
16-09-2011	50,000	1.8000	Purchase
16-09-2011	2,171	1.8000	Purchase
19-09-2011	10,000	1.7870	Purchase
19-09-2011	10,000	1.7880	Purchase
20-09-2011	7,826	1.7640	Purchase
20-09-2011	20,000	1.7690	Purchase
20-09-2011	6,037	1.7650	Purchase
20-09-2011	20,000	1.7700	Purchase

20-09-2011	10,000	1.7640	Purchase
20-09-2011	10,000	1.7670	Purchase
20-09-2011	10,000	1.7680	Purchase
20-09-2011	10,000	1.7650	Purchase
20-09-2011	10,000	1.7690	Purchase
20-09-2011	10,000	1.7670	Purchase
20-09-2011	10,000	1.7690	Purchase
20-09-2011	10,000	1.7660	Purchase
20-09-2011	10,000	1.7650	Purchase
20-09-2011	10,000	1.7660	Purchase
20-09-2011	20,000	1.7670	Purchase
20-09-2011	10,000	1.7640	Purchase
20-09-2011	10,000	1.7650	Purchase
20-09-2011	10,000	1.7710	Purchase
21-09-2011	10,000	1.7490	Purchase
21-09-2011	10,000	1.7400	Purchase
21-09-2011	10,000	1.7420	Purchase
21-09-2011	10,000	1.7430	Purchase
21-09-2011	10,000	1.7430	Purchase
21-09-2011	4,857	1.7330	Purchase
21-09-2011	20,000	1.7410	Purchase
21-09-2011	20,000	1.7400	Purchase
21-09-2011	10,000	1.7400	Purchase
21-09-2011	10,000	1.7400	Purchase
21-09-2011	20,000	1.7460	Purchase
21-09-2011	10,000	1.7370	Purchase
21-09-2011	6,190	1.7450	Purchase
21-09-2011	10,000	1.7400	Purchase
21-09-2011	20,000	1.7440	Purchase
22-09-2011	5,000	1.7160	Purchase
22-09-2011	5,000	1.7130	Purchase
22-09-2011	5,000	1.7160	Purchase
22-09-2011	5,000	1.7100	Purchase
22-09-2011	10,000	1.7090	Purchase
22-09-2011	5,000	1.7070	Purchase
22-09-2011	5,000	1.7040	Purchase
22-09-2011	5,745	1.7040	Purchase
22-09-2011	10,000	1.7050	Purchase
22-09-2011	10,000	1.7060	Purchase
22-09-2011	4,873	1.7190	Purchase
23-09-2011	5,000	1.7080	Purchase
23-09-2011	5,000	1.7160	Purchase
23-09-2011	10,000	1.6910	Purchase
23-09-2011	10,000	1.6920	Purchase
23-09-2011	1,416	1.6980	Purchase
23-09-2011	10,000	1.7200	Purchase
26-09-2011	10,000	1.7290	Purchase
26-09-2011	20,000	1.7210	Purchase
27-09-2011	50,000	1.7500	Purchase
27-09-2011	10,882	1.7490	Purchase
01-11-2011	90,000	1.8020	Purchase
16-12-2011	10,000	1.7150	Purchase
20-12-2011	15,000	1.7500	Purchase
21-12-2011	10,000	1.7300	Purchase

21-12-2011	10,000	1.7360	Purchase
21-12-2011	10,000	1.7250	Purchase
22-12-2011	20,000	1.7400	Purchase
22-12-2011	1,456	1.7300	Purchase

- Semapa Sociedade de Investimento e Gestão SGPS S.A. carried out the following OTC operations involving shares in Portucel – Empresa Produtora de Pasta e Papel, S.A.:

Date	Numb.of Shares	Share Price	Transaction
03-03-2011	589,400	2.545	Purchase
18-03-2011	1,669,253	2.500	Purchase
30-03-2011	588,400	2.469	Purchase
09-05-2011	107,204	2.484	Purchase
29-12-2011	230,839,400	1.750	Purchase

- A Semapa - Sociedade de Investimento e Gestão SGPS, S.A. carried out the following OTC operations involving shares in Portucel – Empresa Produtora de Pasta e Papel, S.A.:

Date	Numb.of Shares	Share Price	Transaction
31-05-2011	160,000	2.431	Purchase
02-06-2011	25,000	2.358	Purchase
08-06-2011	50,000	2.332	Purchase
15-06-2011	40,000	2.260	Purchase
16-06-2011	33,000	2.232	Purchase
17-06-2011	75,000	2.205	Purchase
20-06-2011	26,250	2.183	Purchase
21-06-2011	18,500	2.209	Purchase
22-06-2011	7,000	2.210	Purchase
23-06-2011	5,000	2.186	Purchase
24-06-2011	12,500	2.190	Purchase
27-06-2011	13,000	2.195	Purchase
28-06-2011	22,500	2.209	Purchase
29-06-2011	9,200	2.249	Purchase
30-06-2011	12,500	2.284	Purchase
04-07-2011	11,000	2.310	Purchase
05-07-2011	7,000	2.308	Purchase
06-07-2011	7,500	2.268	Purchase
12-07-2011	10,000	2.148	Purchase
13-07-2011	25,000	2.203	Purchase
28-07-2011	85,000	2.082	Purchase
29-07-2011	10,000	2.069	Purchase
01-08-2011	27,000	2.046	Purchase
02-08-2011	100,000	2.022	Purchase

02-08-2011	25,000	1.988	Purchase
04-08-2011	25,000	1.944	Purchase
05-08-2011	35,000	1.895	Purchase
08-08-2011	15,000	1.847	Purchase
16-08-2011	22,500	1.818	Purchase
18-08-2011	23,237	1.815	Purchase
19-08-2011	32,106	1.803	Purchase
22-08-2011	8,905	1.809	Purchase
23-08-2011	20,672	1.816	Purchase
24-08-2011	6,217	1.804	Purchase
25-08-2011	30,000	1.839	Purchase
26-08-2011	13,950	1.811	Purchase
30-08-2011	33,700	1.844	Purchase
12-09-2011	32,500	1.771	Purchase
13-09-2011	50,000	1.745	Purchase
14-09-2011	44,757	1.734	Purchase
22-09-2011	45,000	1.714	Purchase

2. LIST OF QUALIFYING HOLDINGS AT 31 DECEMBER 2011

(as required by Article 20 of the Securities Code)

Entity	Nº Shares	% of capital and voting rights	% of non-suspended voting rights
Semapa SGPS SA	**582,172,407**	**75.85%**	**78.10%**
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	340,571,392	44.37%	45.69%
Seinpar Investments B.V.	241,583,015	31.48%	32.41%
Seminv - Investimentos, SGPS, S.A.	1,000	0.00%	0.00%
Cimentospar - Participações Sociais, SGPS, L.da	1,000	0.00%	0.00%
Duarte Nuno d'Orey da Cunha (*)	16,000	0.00%	0.00%
Bestinver Gestión, S.A. SGIIC	**15,407,418**	**2.01%**	**2.07%**
Bestinver Bolsa, F.I.	5,532,650	0.72%	0.74%
Bestinfond, F.I.	4,775,869	0.62%	0.64%
Bestinver Global, FP	1,268,711	0.17%	0.17%
Bestinver Mixto, F.I,	906,989	0.12%	0.12%
Soixa Sicav	855,721	0.11%	0.11%
Bestinver Bestvalue SICAV	757,838	0.10%	0.10%
Bestinver Ahorro, FP	751,543	0.10%	0.10%
Texrenta Inversiones, SICAV	234,336	0.03%	0.03%
Bestinver Value Investor SICAV	207,049	0.03%	0.03%
Divalsa de Inversiones, SICAV, SA	38,893	0.01%	0.01%
Bestinver Empleo FP	34,924	0.00%	0.00%
Linker Inversiones, SICAV, SA	23,776	0.00%	0.00%
Sumeque Capital, SICAV	15,508	0.00%	0.00%
Bestinver Empleo II, FP	1,987	0.00%	0.00%
Bestvalue, FI	1,624	0.00%	0.00%

(*) Member of Portucel Governing Bodies

At 31/12/2011, Portucel held 22 111 382 own shares representing 2.88 % of its share capital.

3. INFORMATION ON OWN SHARES

(required by Articles 66 and 324.2 of the Companies Code)

As required by Articles 66 and 324.2 of the Companies Code, a Portucel – Empresa Produtora de Pasta e Papel, S.A., hereby discloses that during the financial year of 2011 it made the following acquisitions of its own shares:

Date	Numb.of Shares	Share Price	Accumulated Shares
22-02-2011	23,000	2.5075	15,077,358
23-02-2011	165,000	2.4908	15,242,358
24-02-2011	150,000	2.4856	15,392,358
25-02-2011	65,000	2.5134	15,457,358
28-02-2011	70,000	2.5452	15,527,358
28-02-2011	100,000	2.5240	15,627,358
01-03-2011	2,000	2.5700	15,629,358
04-03-2011	45,000	2.5372	15,674,358
07-03-2011	40,000	2.5407	15,714,358

08-03-2011	55,000	2.5470	15,769,358
09-03-2011	35,380	2.5467	15,804,738
09-03-2011	20,000	2.5450	15,824,738
15-03-2011	70,000	2.4784	15,894,738
16-03-2011	15,000	2.4800	15,909,738
17-03-2011	22,500	2.4937	15,932,238
18-03-2011	4,732	2.4959	15,936,970
23-03-2011	20,000	2.4597	15,956,970
23-03-2011	150,000	2.4600	16,106,970
24-03-2011	50,000	2.4619	16,156,970
25-03-2011	45,000	2.4669	16,201,970
28-03-2011	20,000	2.4678	16,221,970
29-03-2011	15,000	2.4665	16,236,970
30-03-2011	5,000	2.4675	16,241,970
31-03-2011	10,000	2.4700	16,251,970
01-04-2011	11,812	2.4692	16,263,782
05-04-2011	70,000	2.4707	16,333,782
06-04-2011	1,094	2.4600	16,334,876
12-04-2011	50,000	2.4820	16,384,876
13-04-2011	50,000	2.4800	16,434,876
13-04-2011	10,000	2.4700	16,444,876
18-04-2011	60,000	2.4593	16,504,876
19-04-2011	15,000	2.4690	16,519,876
27-04-2011	20,000	2.4700	16,539,876
27-04-2011	300,000	2.4650	16,839,876
03-05-2011	30,000	2.5202	16,869,876
04-05-2011	165,000	2.4805	17,034,876
05-05-2011	67,000	2.4474	17,101,876
05-05-2011	300,000	2.4600	17,401,876
06-05-2011	35,000	2.4597	17,436,876
06-05-2011	250,000	2.4600	17,686,876
13-05-2011	5,820	2.4800	17,692,696
16-05-2011	12,892	2.4700	17,705,588
17-05-2011	125,000	2.4624	17,830,588
17-05-2011	80,000	2.4606	17,910,588
18-05-2011	115,000	2.4633	18,025,588
19-05-2011	14,223	2.4726	18,039,811
20-05-2011	7,816	2.4672	18,047,627
20-05-2011	100,000	2.4650	18,147,627
23-05-2011	22,500	2.4546	18,170,127
24-05-2011	54,229	2.4693	18,224,356
25-05-2011	14,191	2.4667	18,238,547
26-05-2011	55,000	2.4526	18,293,547
27-05-2011	49,000	2.4485	18,342,547
30-05-2011	60,000	2.4257	18,402,547
31-05-2011	110,000	2.4222	18,512,547
31-05-2011	50,000	2.4311	18,562,547
01-06-2011	52,500	2.3916	18,615,047
02-06-2011	16,000	2.3716	18,631,047
02-06-2011	25,000	2.3580	18,656,047
03-06-2011	45,000	2.3983	18,701,047
06-06-2011	22,000	2.3890	18,723,047
07-06-2011	44,000	2.3469	18,767,047
07-06-2011	50,000	2.3480	18,817,047

08-06-2011	50,000	2.3320	18,867,047
08-06-2011	50,000	2.3168	18,917,047
09-06-2011	3,817	2.3150	18,920,864
10-06-2011	11,000	2.3080	18,931,864
13-06-2011	27,500	2.2644	18,959,364
13-06-2011	30,000	2.2750	18,989,364
14-06-2011	30,000	2.2853	19,019,364
17-06-2011	75,000	2.2094	19,094,364
20-06-2011	26,250	2.1830	19,120,614
21-06-2011	18,500	2.2088	19,139,114
22-06-2011	7,000	2.2099	19,146,114
23-06-2011	5,000	2.1857	19,151,114
24-06-2011	12,500	2.1898	19,163,614
27-06-2011	13,000	2.1948	19,176,614
28-06-2011	22,500	2.2087	19,199,114
29-06-2011	9,200	2.2488	19,208,314
30-06-2011	12,500	2.2844	19,220,814
04-07-2011	11,000	2.3101	19,231,814
05-07-2011	7,000	2.3084	19,238,814
05-08-2011	50,000	1.8990	19,288,814
08-08-2011	70,000	1.8362	19,358,814
09-08-2011	80,000	1.7667	19,438,814
10-08-2011	66,298	1.7919	19,505,112
11-08-2011	95,000	1.7909	19,600,112
12-08-2011	85,000	1.8014	19,685,112
21-09-2011	87,500	1.7433	19,772,612
22-09-2011	37,500	1.7131	19,810,112
23-09-2011	45,000	1.7031	19,855,112
26-09-2011	85,000	1.7266	19,940,112
27-09-2011	39,000	1.7499	19,979,112
28-09-2011	30,000	1.7382	20,009,112
29-09-2011	45,000	1.7453	20,054,112
30-09-2011	37,530	1.7523	20,091,642
04-10-2011	110,000	1.7767	20,201,642
04-10-2011	75,000	1.7775	20,276,642
05-10-2011	100,000	1.7830	20,376,642
05-10-2011	59,000	1.7837	20,435,642
06-10-2011	68,000	1.8271	20,503,642
06-10-2011	53,789	1.8245	20,557,431
07-10-2011	47,823	1.8500	20,605,254
07-10-2011	5,859	1.8405	20,611,113
18-10-2011	3,480	1.8486	20,614,593
19-10-2011	2,500	1.8500	20,617,093
28-10-2011	30,000	1.8372	20,647,093
31-10-2011	31,000	1.8278	20,678,093
31-10-2011	36,000	1.8267	20,714,093
01-11-2011	30,000	1.7774	20,744,093
01-11-2011	32,000	1.7794	20,776,093
02-11-2011	29,000	1.7453	20,805,093
02-11-2011	40,000	1.7469	20,845,093
03-11-2011	10,000	1.7642	20,855,093
03-11-2011	1,500	1.7160	20,856,593
04-11-2011	27,500	1.7824	20,884,093
04-11-2011	46,000	1.7924	20,930,093

07-11-2011	8,500	1.7740	20,938,593
08-11-2011	10,000	1.7684	20,948,593
09-11-2011	23,000	1.7634	20,971,593
10-11-2011	27,469	1.8000	20,999,062
11-11-2011	25,000	1.8185	21,024,062
15-11-2011	27,738	1.8000	21,051,800
15-11-2011	45,000	1.8040	21,096,800
16-11-2011	11,000	1.7989	21,107,800
16-11-2011	11,000	1.7904	21,118,800
17-11-2011	11,000	1.7701	21,129,800
17-11-2011	10,000	1.7717	21,139,800
18-11-2011	2,500	1.7630	21,142,300
18-11-2011	3,000	1.7500	21,145,300
21-11-2011	21,000	1.7209	21,166,300
21-11-2011	18,000	1.7220	21,184,300
22-11-2011	10,000	1.7116	21,194,300
22-11-2011	12,000	1.7097	21,206,300
23-11-2011	12,500	1.7113	21,218,800
23-11-2011	13,000	1.7093	21,231,800
24-11-2011	22,000	1.7449	21,253,800
24-11-2011	23,000	1.7409	21,276,800
25-11-2011	31,500	1.7647	21,308,300
25-11-2011	27,000	1.7632	21,335,300
28-11-2011	31,180	1.7986	21,366,480
28-11-2011	30,000	1.7959	21,396,480
29-11-2011	16,000	1.7834	21,412,480
29-11-2011	19,500	1.7782	21,431,980
30-11-2011	37,175	1.7841	21,469,155
30-11-2011	39,000	1.7850	21,508,155
01-12-2011	31,000	1.7820	21,539,155
01-12-2011	38,000	1.7826	21,577,155
02-12-2011	23,000	1.7951	21,600,155
02-12-2011	75,000	1.7981	21,675,155
05-12-2011	8,495	1.7894	21,683,650
05-12-2011	7,651	1.7820	21,691,301
06-12-2011	7,500	1.7965	21,698,801
06-12-2011	2,811	1.7956	21,701,612
07-12-2011	13,500	1.7967	21,715,112
07-12-2011	25,000	1.7970	21,740,112
08-12-2011	10,000	1.7730	21,750,112
08-12-2011	12,500	1.7798	21,762,612
09-12-2011	3,639	1.7930	21,766,251
09-12-2011	6,428	1.7906	21,772,679
12-12-2011	21,000	1.7702	21,793,679
12-12-2011	20,000	1.7716	21,813,679
13-12-2011	11,500	1.7532	21,825,179
13-12-2011	12,000	1.7563	21,837,179
14-12-2011	15,500	1.7296	21,852,679
14-12-2011	17,000	1.7309	21,869,679
15-12-2011	7,500	1.7339	21,877,179
15-12-2011	7,000	1.7333	21,884,179
16-12-2011	15,000	1.7196	21,899,179
16-12-2011	20,000	1.7246	21,919,179
19-12-2011	7,000	1.7184	21,926,179

19-12-2011	6,000	1.7211	21,932,179
20-12-2011	21,000	1.7403	21,953,179
20-12-2011	38,278	1.7409	21,991,457
21-12-2011	20,000	1.7304	22,011,457
21-12-2011	21,458	1.7287	22,032,915
22-12-2011	16,500	1.7360	22,049,415
22-12-2011	22,500	1.7345	22,071,915
23-12-2011	2,500	1.7330	22,074,415
27-12-2011	16,364	1.7771	22,090,779
27-12-2011	9,153	1.7528	22,099,932
28-12-2011	5,000	1.7900	22,104,932
28-12-2011	6,450	1.7896	22,111,382
Total amount in 2011	**7,057,024**		
Total number of own shares held	**22,111,382**		

FINANCIAL STATEMENTS

31 DECEMBER 2011

BALANCE SHEET
AS OF 31 DECEMBER 2011 AND 2010

Amounts in Euro	Note	31-12-2011	31-12-2010
Assets			
Non-current assets			
Property, plant and equipment	6	299,279,347	323,157,541
Goodwill	8	376,756,384	376,756,384
Intangible assets	9	17,133	44,697
Investments in subsidiaries and associates - Equity method	10	1,636,604,574	1,299,071,360
Deferred tax assets	11	5,680,978	3,222,764
		2,318,338,416	**2,002,252,746**
Current assets			
Inventories	12	52,464,565	60,060,202
Accounts receivable	13	53,091,042	13,610,896
Advances to suppliers	13	467,653	107,267
State and other public entities	14	19,346	11,793,815
Shareholders	5	23,702,341	94,304,071
Other current receivables	13	65,948,574	110,761,900
Deferred assets	15	4,310,578	6,030,070
Cash and cash equivalents	4	61,878,951	104,150,946
		261,883,050	**400,819,167**
Total assets		**2,580,221,466**	**2,403,071,913**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	16	767,500,000	767,500,000
Treasury shares	16	(48,441,693)	-
Legal reserves	16	57,546,582	47,005,845
Retained Earnings	16	424,075,259	239,930,511
Adjustments to financial assets	16	18,822,173	(24,390,022)
Other changes in equity	16	23,353,810	28,129,304
		1,242,856,131	1,058,175,638
Net profit of the year		173,423,894	210,814,731
Shareholders' equity		**1,416,280,025**	**1,268,990,369**
Liabilities			
Non current liabilities			
Provisions	17	16,899,637	11,777,734
Interest-bearing liabilities	18	569,047,619	733,125,000
Pensions and other post-employment benefits	19	3,599,301	2,766,331
Deferred tax liabilities	11	95,362,529	65,616,214
Other non-current liabilities	18	862,972	2,796,004
		685,772,058	**816,081,283**
Current liabilities			
Accounts payable	18	47,551,073	73,790,355
State and other public entities	14	50,325,330	33,604,662
Shareholders	5	191,659,106	92,183,428
Interest-bearing liabilities	18	164,077,381	91,250,000
Other current liabilities	18	24,556,493	27,171,816
		478,169,383	**318,000,261**
Total liabilities		**1,163,941,441**	**1,134,081,544**
Total equity and liabilities		**2,580,221,466**	**2,403,071,913**

INCOME STATEMENT BY NATURE
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

Amounts in Euro	Note	2011	2010
Sales and services rendered	20	521,344,071	602,056,716
Government grants	21	1,052,898	941,090
Gains / (losses) of subsidiaries, associates and joint ventures	22	206,907,006	152,190,405
Variation in production	12	(8,410,168)	2,926,532
Own work capitalised		35,519	69,958
Cost of inventory sold and consumed	12	(277,149,149)	(291,327,852)
External supplies and services	23	(136,961,643)	(176,851,181)
Payroll costs	24	(45,807,798)	(48,035,093)
Inventory impairments ((expenses)/ reversals)	12	-	167,881
Accounts receivable impairments ((expenses)/ reversals)	13	(2,939)	(47,898)
Provisions ((increases)/ decreases)	19	(5,121,903)	(10,638,224)
Other operating income	25	14,808,919	14,716,014
Other operating costs	26	(7,032,410)	(4,810,415)
Profit before taxes, depreciation and financing expenses		**263,662,403**	**241,357,933**
(Expenses)/ reversals of depreciation and amortisation	27	(37,251,205)	(29,133,122)
Impairment of depreciable / amortisable investments (expenses / reversals)	27	(18,002)	(2,729,133)
Operational results (before tax and financing expenses)		**226,393,196**	**209,495,678**
Interest and similar income	28	6,547,727	10,072,890
Interest and similar expenses	28	(27,135,643)	(27,568,142)
Profit before tax		**205,805,280**	**192,000,426**
Income tax	11	(32,381,386)	18,814,305
Net profit of the year		**173,423,894**	**210,814,731**
Earnings per share			
Basic earnings per share, Eur	29	0.23	0.27
Diluted earnings per share, Eur	29	0.23	0.27

STATEMENT OF CHANGES IN EQUITY
FROM 1 JANUARY 2011 TO 31 DECEMBER 2011

Amounts in Euro	Notes	Share Capital (Note 16.1)	Treasury Shares	Legal Reserves (Note 16.3)	Retained Earnings (Note 16.5)	Adjustments in financial assets (Note 16.6)	Other changes in equity (Note 16.7)	Net Profit for the year	Total
Equity as of 1 January 2011		767,500,000	-	47,005,845	239,930,511	(24,390,022)	28,129,304	210,814,731	1,268,990,369
Changes in period									
Fair value of derivative financial instruments									
Movements in fair value reserves	16	-	-	-	-	-	(224,587)	-	(224,587)
Deferred tax adjustments		-	-	-	-	-	(376,697)	-	(376,697)
Actuarial gains / (losses)									-
Actuarial gains / (losses) in post-employment benefits	16	-	-	-	-	-	(779,929)	-	(779,929)
Changes in investment grants									-
Tangible assets investment government grants	16	-	-	-	-	-	(3,549,177)	-	(3,549,177)
Deferred tax adjustments		-	-	-	-	-	154,896	-	154,896
Adjustments in financial assets	16	-	-	-	(16,129,246)	43,212,195	-	-	27,082,949
Transfer to reserves and retained earnings	16	-	-	10,540,737	200,273,994	-	-	(210,814,731)	-
		-	-	10,540,737	184,144,748	43,212,195	(4,775,494)	(210,814,731)	22,307,455
Net profit for the year								173,423,894	173,423,894
Net profit									195,731,349
Operations with shareholders in the period									
Realizações de capital	19	-	(48,441,693)	-	-	-	-	-	(48,441,693)
Distribution of net profit for the year ended 2010	16	-	-	-	-	-	-	-	-
Distribution of reserves	16	-	-	-	-	-	-	-	-
		-	(48,441,693)	-	-	-	-	-	(48,441,693)
Equity as of 31 December 2011		767,500,000	(48,441,693)	57,546,582	424,075,259	18,822,173	23,353,810	173,423,894	1,416,280,025

STATEMENT OF CHANGES IN EQUITY
FROM 1 JANUARY 2010 TO 31 DECEMBER 2010

Amounts in Euro	Notes	Share Capital (Note 16.1)	Treasury Shares	Legal Reserves (Note 16.3)	Retained Earnings (Note 16.5)	Adjustments in financial assets (Note 16.6)	Other changes in equity (Note 16.7)	Net Profit for the year	Total
Equity as of 1 January 2010		767,500,000	-	42,330,225	311,825,188	(50,344,538)	17,537,875	116,154,950	1,205,003,700
Changes in period									
First ammendment of new applicable accounting standards									
Depreciation recognised on a monthly basis - ATF	16	-	-	-	-	-	2,090,813	-	2,090,813
Deferred tax adjustment regarding the recognition of depreciation on a monthly basis - ATF		-	-	-	-	-	(556,530)	-	(556,530)
Actuarial gains / (losses)									-
Actuarial gains / (losses) in post-employment benefits	16	-	-	-	-	-	(103,499)	-	(103,499)
Changes in investment grants									-
Tangible assets investment government grants	16						13,535,554		13,535,554
Deferred tax adjustments		-	-	-	-	-	(4,374,909)	-	(4,374,909)
Adjustments in financial assets	16	-	-	-	(18,257)	25,954,516	-	-	25,936,259
Transfer to reserves and retained earnings	16	-	-	4,675,620	48,160,580	-	-	(52,836,200)	-
		-	-	4,675,620	48,142,323	25,954,516	10,591,429	(52,836,200)	36,527,688
Net profit for the year								210,814,731	210,814,731
Net profit									247,342,419
Operations with shareholders in the period									
Distribution of net profit for the year ended 2009	16	-	-	-	-	-	-	(63,318,750)	(63,318,750)
Distribution of reserves	16	-	-	-	(120,037,000)	-	-	-	(120,037,000)
		-	-	-	(120,037,000)	-	-	(63,318,750)	(183,355,750)
Equity as of 31 December 2010		767,500,000	-	47,005,845	239,930,511	(24,390,022)	28,129,304	210,814,731	1,268,990,369

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2011 AND 2010

Amounts in Euro	Note	2011	2010
OPERATING ACTIVITIES			
Receipts from customers		634,789,768	967,680,498
Payments to suppliers		(629,296,443)	(635,366,804)
Payments to personnel		(45,669,999)	(45,336,127)
Cash Flow from operations		(40,176,674)	286,977,567
Income tax received / (paid)		(25,879,298)	(14,441,678)
Other receipts / (payments) relating to operating activities		53,466,418	39,317,300
Cash flow from operating activities (1)		**(12,589,554)**	**311,853,189**
INVESTMENT ACTIVITIES			
Outflows:			
Property, plant and equipment		(15,509,958)	(42,766,146)
Financial investments		(64,596,804)	(222,459,625)
		(80,106,762)	(265,225,771)
Inflows:			
Property, plant and equipment		20,069	1,739,151
Intangible assets		-	62,364
Financial investments		144,822	991,868
Goverment grants		-	-
Interest and similar income		2,966,808	1,545,376
Dividends		41,464,553	156,570,460
		44,596,252	160,909,219
Cash flow from investing activities (2)		**(35,510,510)**	**(104,316,552)**
FINANCING ACTIVITIES			
Inflows:			
Borrowings		164,931,718	218,910,007
Other financing operations		-	-
		164,931,718	218,910,007
Outflows:			
Borrowings		(91,250,000)	(125,000,000)
Financial lease contracts		(48,441,693)	-
Interest and similar expenses		(19,411,956)	(21,100,192)
Dividends		-	(183,355,750)
		(159,103,649)	(329,455,942)
Cash flow from financing activities (3)		**5,828,069**	**(110,545,935)**
CHANGE IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)		(42,271,995)	96,990,702
EFFECT OF EXCHANGE RATE DIFFERENCES		-	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		104,150,946	7,160,244
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**4**	**61,878,951**	**104,150,946**

ÍNDEX TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

(Translation of a report originally issued in Portuguese)

(In these notes, unless indicated otherwise, all amounts are expressed in Euro)

1. Company identification

Portucel – Empresa Produtora de Pasta e Papel, S.A. (hereafter referred to as the Company or Portucel) is a public company represented by shares and was incorporated on 31 May 1993, in accordance with the Decree-Law no. 39/93, 13 February, following the restructuring of Portucel – Empresa de Celulose e Papel de Portugal, S.A.

Head Office:	Mitrena, 2901-861 Setúbal
Share Capital:	Euro 767,500,000
Registration No.:	503 025 798

The Group's main business is the production and sale of writing and printing paper and related products, as well as bleached eucalyptus kraft pulp – BEKP, and it is present in all of the value added chain from research and development of forestry and agricultural production, the purchase of wood and the production bleached eucalyptus kraft pulp – BEKP and sale of and electric and thermal energy.

The financial statements as of 31 December 2011 were obtained through Portucel's accounting records which were prepared, in all relevant aspects, according to all standards presented in the Accounting Normalization System (Portuguese initials – SNC).

These financial statements were approved by the Board of Directors on 30 January 2012. However, the approval of the financial statements by the Annual General Shareholder's Meeting is still pending, required by the applicable legislation in Portugal. The Board of Directors believes the referred financial statements provide a true and fair view of the Company's operations, financial performance and cash flows.

2. Applicable accounting standards in the preparation of the financial statements

The attached financial statements were prepared according to the applicable standards in Portugal, contained in the Decree-Law no. 158/2009, July 13, and according to the structure, accounting and reporting standards and interpretational standards on the notes 15652/2009, 15655/2009 and 15653/2009, August 27, 2009.

2.1 Basis of presentation

These financial statements were prepared by Portucel according to the Accounting and Financial Reporting Standards (Portuguese initials – NCRF) – issued and applicable as of 31 December 2011 – and according to NCRF 3 – First time adoption of the accounting and financial reporting standards, Portucel prepared its opening balances as of 1 January 2009.

The preparation of financial statements in accordance with the SNC requires the use of estimates, assumptions and critical judgements in the process of determination of accounting policies to be adopted by Portucel, with significant impact on the accounting value of assets and liabilities as well as income and expenses of the reporting period.

Although these estimates are based on management's experience and their best expectations in relation to current and future events and activities, current and future results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are presented in note 3.26.

2.2 Comparability of the financial statements

The features presented on the accompanying financial statements are, in its all extent, comparable to the previous period, presented as comparable features on these financial statements.

3. Summary of the principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are described below.

3.1 Basis of presentation

The attached financial statements were prepared according to the applicable standards in Portugal, contained in the Decree-Law no. 158/2009, July 13, and according to the structure, accounting and reporting standards and interpretational standards on the notes 15652/2009, 15655/2009 and 15653/2009, August 27, 2009.

3.2 Financial investments

3.2.1 Subsidiaries, jointly-controlled entities and associates

Investments in subsidiaries, jointly-controlled entities and associates are measured at the equity accounting method. In conformity with the equity accounting method, financial investments are recorded at their acquisition cost, adjusted by the amount corresponding to the Company's share of changes in the shareholders' equity (including net income/loss) of its subsidiaries, jointly-controlled entities and associates, where changes are recognized as revenues or expenses on the period, and by dividends received.

When the Company's share of losses in the subsidiary, jointly-controlled entity and associate is equal or over its original investment, the investment is reported as zero, except where liabilities or payments have been assumed on behalf of the subsidiary, jointly-controlled entity and associate. If revenues take place after the previous situation, the Company reassumes the recognition of its share of profits only when profits exceed the value of unrecognized losses.

Subsidiaries are all entities over which the Company has control. Control means the Company has the power to manage operational and financial politics of another entity or an economic activity in order to benefit from it.

A jointly-controlled entity is a joint venture which involves the creation of a company, a partnership or other entity that, by contract, is jointly-controlled by the several investing parties. Joint-control means share of control, defined contractually, of an economic activity and only exists when financial and operational strategic decisions require a unanimous consent from all parties that share control.

Associates are all the entities in which the Company exercises significant influence but does not have control, generally applied in the case of investments representing between 20% and 50% of the voting rights. Significant influence means the Company has the power to participate on the associate's financial and operational policies, where that influence does not result in control or joint-control.

Acquisitions over subsidiaries, jointly-controlled entities and associates are registered at the acquisition cost method. The corresponding concentration cost is determined, at the acquisition date, as an aggregate of:

(a) Fair value of delivered assets or to be delivered;
(b) Fair value of incurred or assumed liabilities;
(c) Fair value of equity instruments issued by the Company as trade of the acquired share over those entities; and
(d) Costs directly attributable to the acquisition.

The excess over concentration or acquisition cost related to the Company's fair value on acquired identifiable assets and liabilities of each subsidiary, jointly-controlled entity or associate is recognized as goodwill (Note 3.2.2). If the concentration or acquisition cost exceeds the acquired identifiable net assets and liabilities' fair value, the difference is directly recognized in the period's income statement.

An evaluation of investments in subsidiaries, jointly-controlled entities and associates occurs when there are signs that the asset could be impaired, while impairment losses are recorded as expenses in the income statement. When impairment losses recognized in previous periods cease to exist they are reversed, except for goodwill.

When applicable, concentration and acquisition costs include the effect of contingent payments assumed on the transaction. Subsequent changes over those payments are registered under goodwill.

Whenever the initial recognition over an acquisition is not concluded at the time of reporting where it takes place, the Company reports the provisory amounts. These provisory adjustments may be reviewed within the twelve-month period from the acquisition date.

3.2.2 Goodwill

Goodwill on the acquisition of Soporcel's full equity (Note 8) was amortized until 31 December 2003 using the straight line method over a 25 years useful life.

In 2005 the Company started applying the goodwill valuation method, subsequent to the initial recognition, as stated in the International Financial Reporting Standard no.3.

Goodwill is recognized as an asset at the date of acquisition. Subsequently, goodwill is not amortized and is subject to impairment tests, on an annual basis. The amount considered for the conversion to the Accounting Normalization System was the amount previously presented in the financial statements according to the previous standards, as allowed by NCRF 3.

For the purpose of conducting impairment tests, goodwill is attributable to cash generating units. Those cash generating units where goodwill was attributed are subject to annual or more frequent impairment tests (depending on the existence of indications of impairment). If the cash generating unit's recoverable amount is less than the initial amount, the impairment loss is initially recorded under the caption of goodwill, and the remaining amount is attributed to the remaining assets of the cash generating unit proportionally to their recorded amounts. Impairment losses attributed to goodwill cannot be reversed.

Gains or losses include goodwill where an entity sale takes place.

3.3 Foreign currency translation

3.3.1 Functional and Reporting currency

The items included in the financial statements are measured using the currency of the economic environment in which the entity operates (functional currency). The financial statements are presented in Euro, which is the Company's functional and reporting currency.

3.3.2 Balances and transactions expressed in foreign currencies

All the Company's assets and liabilities denominated in foreign currencies were converted into euro using the prevailing exchange rates at the balance sheet date.

The currency differences, favourable and unfavourable, arising from the differences between the exchange rates ruling at the transaction date and those ruling on collection, payment or balance sheet dates, were recorded as income and costs in the income statement for the year.

3.3.3 Subsidiaries

The results and the financial position of the Company' subsidiaries which have a different functional currency from the Company's reporting currency, for equity method purposes, are converted into the reporting currency as follows:

(i) The assets and liabilities of each balance sheet are translated at the exchange rates ruling at the date of the financial statements;

    The resulting exchange rate differences are recognized as a separate component of Shareholders' Equity, under the caption "Other changes in Equity"; and

(ii) The income and costs of each income statement are translated using the average exchange rate of the reporting period, except where the average exchange rate is not a reasonable approximation of the cumulative effect of the rates ruling on the transaction dates, in which case the income and costs are converted at the prevailing exchange rate on the transaction dates.

3.3.4 Exchange Rates

The rates used in the period ended 31 December 2011 against the Euro, were as follows:

	31-12-2011	31-12-2010	Valuation / (depreciation)
GBP (pound sterlling)			
Average exchange rate for the year	0.8679	0.8579	(1.18%)
Exchange rate at the end of the year	0.8353	0.8571	2.96%
USD (american dollar)			
Average exchange rate for the year	1.3920	1.3265	(4.98%)
Exchange rate at the end of the year	1.2939	1.3377	3.17%
PLN (polish zloti)			
Average exchange rate for the year	4.1205	3.9945	(3.15%)
Exchange rate at the end of the year	4.4580	3.9750	(12.15%)
SEK (sw edish krone)			
Average exchange rate for the year	9.0308	9.5341	5.28%
Exchange rate at the end of the year	8.9120	8.9655	0.60%
CZK (czech krone)			
Average exchange rate for the year	24.5906	25.2794	2.72%
Exchange rate at the end of the year	25.7870	25.0610	(2.90%)
CHF (Sw iss Franch)			
Average exchange rate for the year	1.2324	1.3796	10.66%
Exchange rate at the end of the year	1.2156	1.2504	2.78%
DKK (danish krone)			
Average exchange rate for the year	7.4507	7.4474	(0.04%)
Exchange rate at the end of the year	7.4342	7.4535	0.26%
HUF (hungarian florin)			
Average exchange rate for the year	279.3789	275.4975	(1.41%)
Exchange rate at the end of the year	314.5800	277.9500	(13.18%)
AUD (australian dollar)			
Average exchange rate for the year	1.3485	1.4414	6.45%
Exchange rate at the end of the year	1.2723	1.3136	3.14%
MZM (Mozambique Metical)			
Average exchange rate for the year	40.9907	47.7740	14.20%
Exchange rate at the end of the year	35.9200	46.5900	22.90%

3.4 Tangible assets

Tangible assets are booked at acquisition cost which includes the acquisition cost, directly attributable costs to the required activities for assets to be in place and necessary conditions to operate as expected and, when applicable, the initial estimate for dismantling and removal costs of assets and restoration of the respective locations that the Company expects to incur, less accumulated amortization and impairment losses.

Property, plant and equipment acquired before 1 January 2010 (transition date to NCRF standards) are under the option included in NCRF 3 – First time adoption of the Accounting and Financial Reporting Standards, by its deemed cost which relates to the acquisition cost or revaluation cost under the applicable legislation (certain tangible assets acquired before 31 December 1992 and 1997 were revaluated on 1993 and 1998 respectively, according to the applicable legislation through the official monetary depreciation indexes).

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Company and the respective cost can be reliably measured. All other repairs and maintenance costs, other than the planned maintenance, are charged to the income statement in the financial period in which they are incurred. Planned maintenance costs are considered part of the asset’s acquisition cost and therefore, they are entirely depreciated until the date of the next forecasted maintenance event.

Depreciation is calculated over the acquisition cost, using the straight-line method, as from the date the asset is available for use, using the rates that best reflect their estimated useful life for each group of assets.

The depreciation rates that best reflect their estimated useful life as follows:

	Years	Rate
Buildings and other constructions	18-25	4% - 6%
Machinery and equipment	10-20	5% - 10%
Transportation equipment	5	20%
Administrative equipment	4	25%
Other property, plant and equipment	4	25%

The useful lives and depreciation methods of the assets are reviewed annually. Changes arising from this review are recognized in the income statement prospectively.

Maintenance and repair expenses (subsequent expenses) that do not generate future economic benefits are recognized as costs in the period they occur.

The residual values of the assets and their respective useful lives are reviewed and adjusted when necessary at the reporting date. If the book value of the asset is higher than the asset's realisable value, then it is written down to the estimated recoverable amount through the recognition of impairment losses (Note 3.7).

Gains or losses arising from the derecognition or disposal of tangible assets are calculated as the difference between the proceeds received on disposal and the asset's book value, and are recognized in the income statement as other operating income or costs.

3.5 Leases

Leases are classified under the financial method whenever its terms substantially transfer the asset's risks and benefits to the lessee. The remaining leases are classified as operating leases. The classification of the leases is made considering the substance and not to the form of the contract.

Fixed assets acquired under leasing contracts, as well as the corresponding liabilities, are recorded at the beginning of the lease by the lower amount between the assets' fair value and the present value of the minimum payments to be made under the contract. The payments of finance leases are split between interest and the decrease in the liability in order to obtain a fixed interest rate over the duration of the contract.

Payments of operating are recognized as an expense during the duration of the lease contract. Incentives received are registered as a liability, where that amount is booked as a decrease to the lease expense, also in a straight line.

Contingent rents are recognized as expenses in the period they take place.

3.6 Intangible assets

Intangible assets are booked at acquisition cost less accumulated amortization and impairment losses, by the straight-line method over a period between 3 and 5 years.

3.6.1 CO2 emission rights

The CO2 emission rights attributed to the Company within the PNALE II - National Plan for the assignment of CO2 emission licenses at no cost, are initially recognized under Intangible Assets at fair value on the award date, with a corresponding liability being recorded under "Deferred income – grants", for the same amount.

The Group records as an operating cost with a corresponding liability and an operating income as a result of the recognition of the proportion of the corresponding subsidy relating to the Group's CO2 emissions.

Sales of emission rights give rise to a gain or a loss, for the difference between the amount realized and the respective initial recognition cost, which is recorded as "Other operating income" or "Other operating costs", respectively.

At the balance sheet date, the portfolio of CO2 emission rights held is valued at the lower of the acquisition cost or their market value. On the other hand, liabilities due for those emissions are valued at market value at the same date.

Whenever CO2 emission rights exceed the emission rights owned by the company liabilities are recognized under NCRF 21 – Provisions, Contingent Assets and Liabilities.

3.7 Impairment of tangible and intangible assets excluding goodwill

Non-current assets which do not have a defined useful life are not subject to depreciation, but are subject to annual impairment tests. The assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the amount recognized in the accounts may not be recoverable.

An impairment loss is recognized as the amount of the excess of the asset's book value over its recoverable amount. The recoverable amount is the higher of the net sales price and its value in use. For the purpose of conducting impairment tests, the assets are grouped at the lowest level for which cash flows can be identified separately (cash generating units which belong to the asset), when it is not possible to do so individually for each asset.

When the book value of an asset or cash generating unit is higher than the recoverable amount an impairment loss is recognized. The impairment loss is immediately recognized in the income statement under the caption "Impairment of assets not subject to depreciation ((losses)/gains)" or "Impairment of assets subject to depreciation ((losses)/gains)" unless if that loss compensates any revaluation surplus registered in equity. If this last situation occurs, the loss will be treated as a decrease in the revaluation reserve.

The reversal of impairment losses recognized in previous periods is recorded when it can be concluded that the recognized impairment losses no longer exist or have decreased. The reversal of impairment losses is recognized in the income statement under those captions until the limit of the asset's net value (deducted by depreciation) if that loss had not been recognized.

3.8 Corporate Income Tax

Corporate income tax includes current and deferred tax. Current and deferred taxes are registered in results except when they relate to items directly recorded in equity. In this case, current and deferred taxes are equally registered in equity.

Current income tax is calculated based on the net income, adjusted in conformity with the tax legislation in force at the balance sheet date, considering the annual effective tax rate for interim periods.

Deferred tax is calculated using the liability method, based on the temporary differences between the book values of the assets and liabilities and their respective tax base. The income tax rate expected to be in force in the period in which the temporary differences will reverse is used in calculating deferred taxes.

Deferred tax assets are recognized whenever there is a reasonable likelihood that future taxable profits will be generated against which they can be offset. Deferred tax assets are revised periodically and decreased whenever it is likely that tax losses will not be utilized.

Deferred taxes are recorded as a cost or income for the year, except when they result from amounts recorded directly under shareholders' equity, in which the corresponding deferred tax is also recorded under the same caption.

Tax benefits attributed to the Company regarding its investment projects are recognized through the income statement as there is sufficient taxable income to allow its use.

The amounts to be included in current tax and in deferred tax, resulting from transactions and events recognized in reserves, are recorded directly in these same headings, not affecting the net profit for the period.

3.9 Inventories

Inventories are valued in accordance with the following criteria:

i) Goods and Raw materials

Goods and raw, subsidiary and consumable materials are valued at the lower of their purchase cost or their net realizable value. The purchase cost includes ancillary costs, and it is determined using the weighted average cost as the valuation method.

ii) Finish and intermediate products and work in progress

Finished and intermediate products and work in progress are valued at the lower of their production cost (which includes incorporated raw materials, labour and general manufacturing costs, based on a normal production capacity level) or their net realizable value, excluding any storage (warehousing), logistical and selling costs.

The net realizable value corresponds to the estimated selling price after deducting estimated completion and selling costs. The differences between these costs and the net realizable value, if lower, are recorded in Inventories consumed and sold.

The differences between production costs for finished and intermediate products and their net realizable value, if lower, are recorded in “Inventories impairment”.

3.10 Financial assets

The Company classifies its financial assets under the following categories: amortized cost and fair value, where changes are recognized in the income statement. The classification depends on the purpose of the investment. The classification is determined at the time of the initial recognition of the asset, and it s is reevaluated at every reporting date.

All acquisitions and disposals of these instruments are recognized at the date of the relevant purchase and sale contracts, irrespective of the financial settlement date.

Investments are initially recorded at their acquisition cost, at which time its fair value is equal to the price paid, including transaction expenses. The subsequent measurement depends on the category the investment falls under, as follows:

3.10.1 Financial assets at amortized cost

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments and which are not quoted in an active market. They originate when the Company advances money, goods or services directly to a debtor without any intention of negotiating the debt.

They are recognized as current assets, except when their maturity exceeds 12 months after the balance sheet date, in which case they are classified as non-current assets.

Loans granted and receivables are included in “Receivables”, “Shareholders” and “Other current assets” in the balance sheet.

3.10.2 Financial assets held for trading

A financial asset is classified under this category if acquired primarily for the purpose of selling in the short-term or if so designated by management and where its fair value can be measured accurately. These investments are measured at fair value through the income statement.

At each balance sheet date the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. If a prolonged decline in fair value of financial assets held for trading occurs, the loss is measured by the difference between the acquisition cost and the current fair value is recognized in the income statement.

3.11 Derivative financial instruments

The Company uses derivative financial instruments aimed at managing the financial risks to which it is exposed.

The use of these instruments occurs whenever expectations of changes in interest or exchange rates justify it, as the Company seeks to hedge against adverse movements through derivative instruments, such as interest rate swaps (IRS), caps and floors, forwards, calls, collars, etc.

Although the derivatives contracted by the Company represent effective instruments to cover business risks, a part of them do not qualify as hedging instruments in accounting terms. Derivative financial instruments are registered on the balance sheet at their fair value and changes in its fair value are recognized in equity or in the income statement, depending on whether they are classified as hedging instruments or not, from an accounting perspective.

Whenever possible, the fair value of derivatives is estimated on the basis of quoted instruments. In the absence of market prices, the fair value of derivatives is estimated through the discounted cash-flow method and option valuation models, using prevailing market assumptions. The fair value of the derivative financial instruments is included in Receivables and other current assets and Payables and other current liabilities.

The derivative financial instruments used for hedge purposes may be classified as hedge instruments whenever they fulfil the following conditions:

i) At the beginning of the transaction an hedging relationship is identified and formally documented, including the identification of the hedged item, the hedging instrument and the evaluation of the hedge’s effectiveness;

ii) There is an expectation that the hedging relationship is extremely effective, at transaction date and throughout the operation;

iii) The hedging effectiveness can be clearly measured at the date of the transaction and throughout the operation;

iv) As for cash flow hedge operations, it should be extremely probable that they will occur.

3.12 Receivables and Other current assets

Debtors' balances and other current assets are originally recorded at fair value and are subsequently recognized at their amortized cost, net of impairment losses, so as to state them at their expected net realizable value.

Impairment losses are recorded when there is objective evidence that the Company will not receive the full amount outstanding in accordance with the original conditions of the accounts receivable. Impairment losses are registered in the caption of "Receivables impairment" ((losses)/reversals) in the period they take place.

3.13 Cash and cash equivalents

Cash and cash equivalents includes cash, bank accounts and other short-term investments with an initial maturity of up to 3 months which can be mobilized immediately without any significant risk in value fluctuations.

These assets are measured at amortized cost. Usually, the amortized cost of these financial assets does not differ from its nominal value.

3.14 Share capital and treasury shares

Ordinary shares are classified in shareholders' equity.

Costs directly attributable to the issue of new shares or other equity instruments are reported as a deduction, net of taxes, from the issue proceeds.

Costs directly attributable to the issue of new shares or options for the acquisition of a new business are included in the acquisition cost as part of the purchase consideration.

Treasury shares are recorded at their acquisition value, as a reduction of equity, under the caption "Treasury shares" where gains and losses on their disposal are recorded under "Other reserves". According to the applicable legislation, while treasury shares are held by the company, an unavailable reserve is set up with an amount equal to their acquisition cost.

When any subsidiary acquires shares of the parent company (treasury shares), for equity method puposes, the payment, which includes directly-attributable incremental costs, is deducted from the shareholders' equity attributable to the holders of the parent company's capital until such time as the shares are cancelled, redeemed or sold.

When such shares are subsequently sold or repurchased, any proceeds, net of the directly attributable transaction costs and taxes, are reflected in the shareholders' equity of the company's shareholders, under other reserves.

3.15 Interest-bearing liabilities

Interest-bearing liabilities are initially recognized at fair value, net of the transaction costs incurred, and are subsequently stated at their amortized cost. Any difference between the amounts received (net of transaction costs) and the repayment amount is recognized in the income statement over the term of the debt, using the effective interest rate method.

Interest-bearing debt is classified as a current liability, except where the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

3.16 Borrowing costs

Borrowing costs relating to loans are generally recognized as financial costs, in accordance with the accrual principle of accounting.

Borrowing costs directly related to the acquisition, construction or production of fixed assets are capitalized when their construction period exceeds one year, and form part of the asset's cost.

Capitalization of these charges commences after the start of the asset's preparation or development activities and ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are completed or when the relevant project is suspended or substantially concluded.

Any financial income directly related to a specific investment is deducted from the borrowing costs of the referred asset.

3.17 Provisions

Provisions are recognized when the Company has a legal or constructive obligation resulting from past events that will probably entail an outflow of funds and/or resources in order to discharge an obligation and that a reliable estimate can be made of the amount of the obligation.

Provisions for future operating losses are not recognized. Provisions are reviewed at the balance sheet date and are adjusted to reflect the best estimate at that date.

The Company incurs expenditure and assumes liabilities of an environmental nature. Accordingly, expenditure on equipment and operating techniques that ensure compliance with applicable legislation and regulations (as well as on the reduction of environmental impacts to levels that do not exceed those representing a viable application of the best available technologies, on those related to minimizing energy consumption, atmospheric emissions, the production of residues and noise), are capitalized when they are intended to serve the Company's business in a durable way, as well as those associated with future economic benefits and which serve to prolong life expectancy, increase capacity or improve the safety or efficiency of other assets owned by the Company.

3.18 Pensions and other post-employment benefits

3.18.1 Defined benefit pension plans and retirement bonus

The Company has assumed the commitment to make payments to their employees in the form of complementary retirement pensions, disability, early retirement and survivors' pensions, having constituted defined-benefit plans.

In addition, Portucel assumed the obligation to pay a retirement bonus, equivalent to six-month salary, for employees that retire at the regular date of retirement, 65 years old.

The responsibilities for the payment of retirement benefits are recorded in accordance with NCRF 28.

In accordance with NCRF 28, companies with pension plans recognize the costs with the granting of these benefits as and when the services are rendered by the beneficiary employees. In this manner, the Company's total liability is estimated at least every six months at the date of the interim and annual accounts for each plan separately by an independent and specialized entity in conformity with the projected unit credit method.

The liability thus determined is recognized in the balance sheet and pension costs are recognized as personnel costs. Actuarial gains and losses resulting from differences between the assumptions used for purposes of calculating the liabilities and what effectively occurred are recognized when incurred directly in shareholders' equity, in the caption "Retained Earnings".

The costs relating to past liabilities, which result from the implementation of a new plan or additional benefits granted, are recognized immediately in situations in which the benefits are being paid or are overdue.

The liability thus calculated is presented in the Balance sheet under "Pensions and post-employment benefits" in non-current liabilities.

Actuarial gains and losses resulting from differences between the assumptions used for purposes of calculating the liabilities and what effectively occurred (as well as from changes made thereto and from the difference between the expected amount of the return on the funds' assets and the actual return) are recognized when incurred directly in shareholders' equity.

The gains and losses generated by a curtailment in or a settlement of a defined-benefit plan are recognized in the income statement of the financial year when the curtailment or settlement occurs. A curtailment occurs when there is a material reduction in the number of employees or the plan is altered in such a way that the benefits awarded are reduced with a material impact.

3.18.2 Defined contribution plans

Portucel has assumed commitments, regarding contributing to a defined contribution plan with a percentage of the beneficiaries' salary, in order to provide retirement, disability, early retirement and survivors' pensions.

In order to capitalize those contributions, pension Funds were set up, to which employees can make additional voluntary contributions.

Therefore, the responsibility with these plans corresponds to the contribution made to the funds based on the percentage of the employees' salaries defined in the respective agreements. These contributions are recognized as a cost in the income statement in the period to which they refer, regardless of the date of the settlement of the liability.

3.18.3 Holiday pay, allowances and bonuses

Under the terms of the prevailing legislation, employees are entitled annually to 25 working days leave, as well as to a month's holiday allowance, entitlement to which is acquired in the year preceding its payment.

According to the current Performance Management System ("Sistema de Gestão de Desempenho"), employees have the right to a bonus based on annually-defined objectives.

Accordingly, these liabilities are recorded in the period in which the employees, including the members of the Board of Directors, acquire the respective right, irrespective of the date of the payment, whilst the balance payable at the balance sheet date is shown under the caption "Payables and other current liabilities".

3.19 Payables and other current liabilities

Trade creditors and current accounts payable are recognized at their nominal value, i.e. their cost.

3.20 Government Grants

Government grants are recognized only when there is reasonable assurance that the grant will be received and the company will comply with all required conditions.

Government grants related to the acquisition or production of non-current assets are initially recognized in Shareholder's equity under "Other changes in equity", and are subsequently deducted to the assets' depreciation to which they are related in a systematic basis (proportionally to the depreciation of the underlying assets) during their useful lives. Whenever subsidies are related to non-depreciated assets, they are maintained in equity except for the necessary share to compensate those assets' potential impairment losses.

Other government grants are, generally, recorded as income in a systematic way during the periods during which the related costs occur. Government grants that aim to compensate already incurred losses or that do not have future expenses associated are recognized as income for the period when they become receivable.

3.21 Dividends distribution

The distribution of dividends to shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the shareholders and up until the time of their payment.

3.22 Revenue recognition and accrual basis

The Company records its costs and income according to the accrual principle, so that costs and income are recognized as they are generated, irrespective of the time at which they are paid or received.

The differences between the amounts received and paid and the respective costs and income are recognized as "Receivables and other current assets" and "Payables and other current liabilities".

Revenue is measured at fair value of the amount to be received. Revenue is recognized net of returns, discounts and other rebates. Revenue does not include VAT and other taxes related to the sale.

The recognition of revenue on the sale of goods takes place when all the following conditions are met:

- All risks and advantages related to the property of the goods are transferred to the buyer;
- The company does not hold control over the goods sold;
- The value of the revenue to be recognized can be reliably measured;
- Future economic benefits related to the transaction are probable to flow to the company;
- Costs incurred or to be incurred related to the transaction can be reliably measured.

Therefore, the sales of goods (pulp and paper) are recognized only when, in accordance with the agreed conditions, ownership is effectively transferred to the customer and the Company does not incur in any additional transportation or insurance costs.

Revenue recognition on services rendered occurs with reference to the the stage of completion of the services at the reporting date when all the following conditions are met:

- The value of revenue can be reliably measured;
- Future economic benefits related to the transaction are probable to flow to the company;
- Costs incurred or to be incurred related to the transaction can be reliably measured;
- The stage of completion of the services at the reporting date can be reliably measured.

Interest revenue is recognized according to the effective interest rate method, as long as its economic benefits flow to the Company and it can be reliably measured.

Dividend income is recognized when the Company's entitlement to receive payment is established.

3.23 Contingent assets and liabilities

Contingent assets are possible assets resulting from past events whose occurrence is dependent on future uncertain events not totally subject to the company's control.

Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes when it is probable that a future economic benefit will arise from them.

Contingent liabilities are defined as: (i) possible liabilities resulting from past events whose occurrence is dependent on future uncertain events not totally subject to the company's control; or (ii) current liabilities from past events where the future outflow that influences future benefits is not likely to take place or the amount cannot be reliably calculated.

Contingent liabilities are not recognized in the financial statements but are disclosed, unless outflows from those liabilities are remote, in which case they are not disclosed.

3.24 Subsequent events

Events after the balance sheet date which provide additional information about the conditions prevailing at the balance sheet date are reflected in the financial statements.

Post-balance sheet events which provide information about conditions which occur after the balance sheet date are disclosed in the notes to the financial statements, if material.

3.25 Risk Management

3.25.1 Financial risk factors

The Company has a risk-management programme which is focused on the analysis of the financial markets in order to minimize potential adverse effects on its financial performance.

Risk management is conducted by the Finance Department in accordance with policies approved by the Board of Directors. The Finance Department evaluates and undertakes the hedging of financial risks in strict coordination with the Company's operating units. The Internal Audit Department follows the implementation of the risk management principles defined by the Board of Directors.

i) Currency risk

Variations in the euro's exchange rate against other currencies can affect the Company's revenue in a number of ways.

On one hand, a significant portion of the Company's sales is priced in currencies other than the Euro, namely in US dollar and other currencies with less relevance. The exchange rate of the Euro vis a vis these currencies can also have an impact on the Company's future sales. On the other hand it is customary to set the price of BEKP on the world market in US dollars, and, as such, the change of the Euro against the US dollar can have an impact on the Company's future sales regardless of the currency used (Euro or any other).

Furthermore, once a sale is made in a currency other than the Euro, the Company takes on an exchange risk up to the time it receives the proceeds of that sale, if no hedging instruments are in place. Therefore, Portucel's assets present receivables exposed to currency risk permanently.

The Company holds indirectly an affiliated company in the USA, Soporcel North America, whose equity amounts to around USD 25 millions and is exposed to foreign exchange risk. Besides this operation, the Company holds investments in subsidiaries at the United Kingdom, Poland and Morocco exposed to the same risk but whose net assets are not materially relevant.

Occasionally, when considered appropriate, the Company manages foreign exchange risks through the use of derivative financial instruments, in accordance with a policy that is subject to periodic review, the prime purpose of which is to limit the exchange risk associated with future sales and accounts receivable priced in currencies other than the euro.

ii) Interest rate risk

The cost of the Company's financial debt is indexed to short-term reference interest rates, which are reviewed more than once a year (generally every six months for medium and long-term debt) added of negotiated risk premiums. Hence, changes in interest rates can have an impact on the Company's earnings.

The Company resorted to derivative financial instruments to cover its interest rate risk, namely interest-rate swaps, with the purpose of fixing the interest rate on the Company's borrowings within certain limits. The swaps contracted in 2005 matured during 2010.Therefore, as at 31 December 2011 there is no interest rate hedging in place.

iii) Risks associated with debt and liquidity levels

As the Portucel Group has completed a phase of significant capital investments at its industrial sites, Portucel felt the need to resort to the debt market in order to finance part of these investments. Given the medium/long term nature of the investments made, the company aimed for a debt structure aligned with the maturity of the associated assets. It thus contracted long-term debt for this purpose, whilst also refinanced the part of the debt that was to mature during 2011. Furthermore, the company contracted credit facilities, available at any moment, for an amount that guarantees adequate liquidity.

Considering the debt structure that it has contracted, with a maturity profile which is compatible with the assets financed, the Company believes that it has secured the capacity to generate future cash flows that will allow it to comply with its obligations, to guarantee a level of capital expenditure in accordance with its medium/long term plans and to maintain a return for shareholders in line with past performance.

iv) Credit risk

The worsening of the global economic conditions or hardships that affect local economies may result in a lack of capacity from customers to fulfill their commitments resulting from sales.

Credit insurance has been one of the instruments adopted by the company to mitigate this risk.

Sales that are not covered by credit insurance are subject to rules that ensure that sales are made to customers with a satisfactory credit history and are within reasonable exposure limits and approved for each costumer.

3.25.2 Operational risk factors

i) Risks associated to producing and selling UWF paper and BEKP

Supply of raw materials

The supply of wood, namely eucalyptus, is subject to price fluctuations and difficulties encountered in the supply of raw materials that could have a significant impact on the production costs of the Company.

The planting of new areas of eucalyptus and pine is subject to the authorization of the relevant entities, so that increases in forested areas, or the substitution of some of the currently used areas depend on forest owners which are estimated in some 400,000, on the applicable legislation and the speed of the responsible authorities in approving the new projects. If domestic production proved to be insufficient, in volume and in quality, namely of certified wood, the Company could have to place greater reliance on the importation of wood.

Concerning the importation of wood, there is a risk related to its shipment from the place of origin to the port of arrival and to the Company's mills. This transportation risk is reduced by the agreed purchasing conditions, where the ownership of raw materials is transferred at the port of arrival, and complemented by insurance coverage of potential supplying losses caused by any transportation accident that may affect the supply of wood.

The Group seeks to maximize the added value of their products, particularly through increased integration of certified wood in its products.

The low expression in the Portuguese supply base of this wood has meant a shortage of supply to which the Company has responded with an increase in the price offered when compared to wood originating from forests that are not certified.

Furthermore, and considering the unsurpassable National Value Added in the Portuguese Economy, direct and indirect, of the eucalyptus industry, as well as the significance of such industries for exports, the level of employment they provide and the increasing demand for eucalyptus, not easily satisfied by national forests, the Company and the Portucel Group have been making the Government and the public opinion aware that it is necessary to guarantee that, whilst the internal production of this type of wood does not increase significantly on an economically viable basis, its use as bio fuels for energy production should not be put ahead of its use as a raw material, to be used to produce tradeable goods.

UWF paper and BEKP market price

The market prices of BEKP and UWF paper are defined in the world global market in perfect competition and have a significant impact on the Company's revenues and on its profitability either directly or via the results of its subsidiaries via the use of the equity method. Cyclical fluctuations in BEKP and in UWF Paper prices mainly arise from changes in the world supply and demand, the financial situation of each of the international market players (producers, traders, distributors, clients, etc.), originate different and successive balance market prices, thus increasing the global market's volatility.

The BEKP and UWF paper markets are highly competitive. Significant variations in existing production capacities could have a strong influence on world market prices. These factors have encouraged the Company to follow a defined marketing and branding strategy and to invest in relevant capital expenditure to increase productivity and the quality of the products it sells.

Demand for the Group's products

Any decline in the demand for BEKP and UWF paper in the EU and US markets could have a severe impact on the Group's sales. Moreover, demand for BEKP produced by the Company depends on the growth of worldwide paper production capacity, since the paper producers are the Company's main pulp customers.

In the specific case of UWF paper, the Company believes that the marketing and branding strategy pursued, along with the substantial investments made, aimed at improving productivity and producing high quality products, will enable it to place its products in target markets which are less sensitive to variations in demand, thus allowing a lower exposure to this risk.

Environmental legislation

In recent years, environmental legislation in the EU has increased its constraints regarding the control of effluents. The companies of the Group conform to the prevailing legislation.

Although no significant changes in legislation are expected in the near future, if that was to happen there is always the possibility that the Company may need to incur in increased expenditure, in order to comply with any new environmental requirements that may come into force.

At present, any known changes in law are related to the predictable end of the CO2 emission rights' free attribution regime, after the conclusion of the current stage of the National Plan for the Allocation of CO2 Emission Licences, PNALE II.

This change will increase the costs for the transformation industry in general and in particular for the pulp and paper industry, without any compensation for the CO2 that, annually, is absorbed by the forests of this industry.

In order to reduce the impact of this change, the Company has been following a strategy of carrying out a series of environmental related investments that, among other advantages, have resulted in a continued reduction of the CO2 emissions, whilst the production volume has continuously increased over the last years.

On the other hand, under the terms set in Decree-Law 147/2008, dated 29 June that transposed directive 2004/35/CE to the national law, the Company ensured the environmental insurances demanded by the referred law, guaranteeing regulatory compliance and reducing exposure to environmental risks.

ii) Risks of context

The low efficiency in the Portuguese economy may have a negative effect on the Group's ability to compete. This is more so, but not exclusively, in the following areas:

i. Ports and railroads;
ii. Roads particularly those providing access to the Group's production units;
iii. Rules regarding territory management and forest fires;
iv. Low productivity of the country's forests;
v. The majority of the Portuguese forest is not certified.

3.26 Important accounting estimates and judgments

In the preparation of the attached financial statements, judgments and estimates were made and assumptions used that affect reported assets and liabilities as well as revenues and expenses for the period.

Assumptions and estimates were determined on the best knowledge of events and transactions in progress at the date of the financial statements' approval as well as past and current events. However, events in subsequent periods may occur, unpredictable at the date of the financial statements' approval, which was not considered in these estimates. Changes to the estimates that occur after the financial statements' date are corrected prospectively. For this reason and the associated degree of uncertainty, the actual earnings of these transactions might differ from the corresponding estimates.

The estimates and assumptions which present a significant risk of generating a material adjustment to the book value of assets and liabilities in the following financial period are presented below:

3.26.1 Impairment of goodwill

Portucel tests annually whether there has been any impairment in goodwill, in accordance with the accounting policy described in Note 3.2.2.

The recoverable amounts of the cash generating units are ascertained based on the calculation of their value-in-use. These calculations require the use of estimates.

3.26.2 Income tax

The Company recognizes additional tax assessments resulting from inspections undertaken by the tax authorities.

When the final outcome of these reviews is different from the amounts initially recorded, the differences will have an impact on corporate income tax and deferred taxes in the periods when such differences are identified.

3.26.3 Recognition of deferred tax assets

Deferred tax assets are recognized whenever there is reasonable likelihood that future taxable profits will be generated against which they can be offset, or when there are deferred tax liabilities whose reversal is expected in the same period deferred tax assets are reversed. Deferred tax assets are revised by management at the end of each period considering the Company's expected future performance.

3.26.4 Actuarial assumptions

Liabilities relating to defined-benefit plans are calculated based on certain actuarial assumptions. Changes to those assumptions can have a material impact on the aforesaid liabilities.

3.26.5 Provisions

The company periodically analyses eventual liabilities that may occur from past events and should be recognized or disclosed. The subjectivity in fixing the probability and amount of own resources needed for the fulfilment of those liabilities may lead to significant adjustments, due to changes in assumptions or future recognition of provisions previously disclosed as contingent liabilities.

3.26.6 Impairment of receivables

As mentioned before, the Company manages credit risks in its receivables through risk analysis when granting credit to new customers, and through regular review.

Due to the nature of the customers, the Group's receivables portfolio does not lend itself to general credit ratings based on classification and analysis in terms of a homogeneous population. Hence the Company collects data on its customers' financial performance through regular contact, as well as through contacts with other entities with whom the Group does business (e.g., sales agents).

Similarly, most of the Company's receivables are covered by insurance policies it contracted that limits the exposure in these receivables to the retention portion to be paid in case of any incident, which varies based on the customer's geographical location.

4. Cash flows

For the purpose of preparing the statement of cash flows, cash and cash equivalents includes cash, bank accounts with a maturity of up to 3 months and other short-term investments, net bank overdrafts and other short-term interest-bearing liabilities.

Cash and cash equivalents as of 31 December 2011 and 2010 comprise the following:

Amounts in Euro		31-12-2011	31-12-2010
Cash		10,475	10,475
Short term bank deposits		568,476	440,471
Other		61,300,000	103,700,000
	(Note 13)	**61,878,951**	**104,150,946**

5. Related parties

The following is a breakdown of related parties' balances as of 31 December 2011 and 2010:

	31-12-2011						
	Assets				Liabilities		
	Accounts Receivable	Shareholders	Accrued Income	Other receivables	Shareholders	Accounts Payable	Other payables
Amounts in Euro	(Note 13)	Current	(Note 13)	(Note 13)	Current	(Note 18)	(Note 18)
Shareholders							
Semapa - Soc. de Investimentos e Gestão, S.G.P.S., S.A.	-	-	-	-	-	(1,461,351)	-
	-	-	-	-	-	(1,461,351)	-
Subsidiaries							
PortucelSoporcel Papel, S.G.P.S., S.A.	-	-	-	281	-	-	-
Soporcel Pulp - Sociedade Portuguesa de Celulose, S.A.	2,148,950	-	-	-	-	(6,143)	(233)
Soporcel - Sociedade Portuguesa de Papel, S.A.	4,311,630	16,650,000	-	29,020,240	-	(555,490)	-
PortucelSoporcel Energia, S.G.P.S., S.A.	-	-	-	-	(25,743,632)	-	(2,138)
Portucel Florestal - Empresa de Desenvolvimento Agro-Florestal, S.A.	164,645	-	-	-	(13,049,572)	(215,115)	(2,523)
Country Target, S.G.P.S., S.A.	-	5,834,672	-	-	-	-	(171)
PortucelSoporcel Pulp, S.G.P.S., S.A.	-	23,408	-	-	-	-	(19)
ImpactValue S.G.P.S., S.A.	-	1,194,261	-	-	-	-	(4)
PortucelSoporcel Participações, S.G.P.S., S.A.	-	-	-	-	(915,158)	-	(103)
	6,625,225	23,702,341	-	29,020,521	(39,708,362)	(776,748)	(5,191)
Associates and joint-ventures							
PortucelSoporcel Floresta, S.G.P.S., S.A.	-	-	-	224,994	(150,676,472)	(6,066,952)	(2,207,934)
PortucelSoporcel Sales & Marketing N.V.	464	-	-	-	-	-	-
Portucel Moçambique, Lda.	3,212	-	-	-	-	1,023,248	-
PortucelSoporcel Logística do Papel, ACE	-	-	-	-	(1,274,272)	-	-
	3,676	-	-	224,994	(151,950,744)	(5,043,704)	(2,207,934)
Group Companies							
Portucel Papel Setúbal, S.A.	3,792,768	-	-	753,916	-	(46,025)	-
About the Future, Empresa Produtora de Papel, S.A.	19,180,989	-	-	2,227,312	-	(116,386)	(55,439)
PortucelSoporcel Fine Paper, S.A.	4,577,960	-	3,676,470	-	-	-	-
Raiz Instituto de Investigação da Floresta e do Papel	39,975	-	-	-	-	(704,644)	-
Arboser - Serviços Agro-Industriais, S.A.	319,878	-	-	4,019	-	(466,431)	-
Socortel - Sociedade de Corte de Papel, S.A.	15,889	-	-	6,948	-	-	-
Enerpulp - Cogeração Energética de Pasta, S.A.	8,344,311	-	-	806,056	-	(1,224,574)	-
PortucelSoporcel Switzerland, Ltd.	7,277,958	-	-	-	-		
PortucelSoporcel Florestal - Sociedade para o Desenvolvimento Agro-Florestal, S.A.	245,512	-	-	341,343	-	-	-
Viveiros Aliança, S.A.	22,102	-	-	73,248	-	(43,888)	(431)
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, S.A.	22,479	-	-	704	-	(19,298)	-
SPCG - Sociedade Portuguesa de Co-Geração Eléctrica, S.A.	132,922	-	-	3,257,426	-	(3,594)	-
PortucelSoporcel Cogeração de Energia, S.A.	52,822	-	-	343,200	-	-	-
EMA 21 - Engenharia e Manutenção Industrial Século XXI, S.A.	901,734	-	-	3,261	-	(339,620)	-
EMA Cacia - Engenh. e Manutenção Industrial ACE	-	-	-	-	-	(639,097)	-
EMA Setúbal - Engenharia e Manut. Industrial ACE	-	-	-	-	-	(1,084,411)	-
Cut Paper - Transformação, Corte e Embalagem de Papel, ACE	5,271	-	-	-	-	-	-
Afocelca - Agrupamento Complementar de Empresas para Protecção Contra Incêndios, ACE	4,170	-	-	-	-	-	-
EucaliptusLand - Sociedade de Gestão de Património Florestal, S.A.	-	-	-	433,922	-	-	-
Enerforest-Empresa de Biomassa para Energia, S.A.	105,465	-	-	20,576	-	-	-
Headbox - Operação e Controlo Industrial, S.A.	242,484	-	-	267	-	(14,040)	-
Soporcel 2000 - Serviços Comerciais de Papel, Soc. Unipessoal, Lda.	20,636	-	-	-	-	-	-
Empremédia - Correctores de Seguros, Lda.	-	-	-	91,905	-	-	-
Cofotrans - Empresa de Exploração Florestal, S.A.	17,425	-	-	722	-	(65,731)	-
Portucel International GMBH	-	-	-	-	-	(221,068)	-
Aflomec - Empresa de Exploração Florestal, S.A.	384	-	-	-	-	-	(1)
CelSet, S.A.	-	-	-	-	-	-	(21)
CelCacia, S.A.	-	-	-	-	-	-	(21)
PortucelSoporcel Serviços Partilhados, S.A.	-	-	-	-	-	-	(22)
Atlantic Forests, S.A.	15,818	-	-	1,330	-	(402,476)	(107,510)
Bosques do Atlantico, SL	8,091	-	-	-	-	(7,563,309)	(947,034)
	45,347,043	-	3,676,470	8,366,155	-	(12,954,592)	(1,110,479)
	51,975,944	**23,702,341**	**3,676,470**	**37,611,670**	**(191,659,106)**	**(20,236,395)**	**(3,323,604)**

	Assets				Liabilities		
Amounts in Euro	Accounts Receivable (Note 13)	Shareholders Current	Accrued Income (Note 13)	Other Receivables (Note 13)	Shareholders Current	Accounts Payable (Note 18)	Other Payables (Note 18)
Shareholders							
Semapa - Soc. de Investimentos e Gestão, S.G.P.S., S.A.	-	-	-	-	-	(678)	-
	-	-	-	-	-	(678)	-
Subsidiaries							
PortucelSoporcel Papel, S.G.P.S., S.A.	-	6,262,987	-	-	(541,406)	-	(188,801)
Soporcel Pulp - Sociedade Portuguesa de Celulose, S.A.	-	769	-	-	-	-	(13)
Soporcel - Sociedade Portuguesa de Papel, S.A.	9,502,577	14,950,000	-	62,324,388	-	(13,568)	(59,370)
PortucelSoporcel Energia, S.G.P.S., S.A.	-	6,659,030	-	-	(694,184)	-	(189,281)
Country Target, S.G.P.S., S.A.	-	954,050	-	1,142,797	-	-	(7)
PortucelSoporcel Pulp, S.G.P.S., S.A.	-	-	-	191,078	-	-	(3)
Portucel International GMBH	-	-	-	-	-	(66,456)	-
ImpactValue S.G.P.S., S.A.	-	-	-	-	(30)	-	(1)
PortucelSoporcel Participações, S.G.P.S., S.A.	-	4,406,320	-	-	-	-	(188,664)
	9,502,577	33,233,156	-	63,658,263	(1,235,620)	(80,024)	(626,140)
Associates and joint-ventures							
PortucelSoporcel Floresta, S.G.P.S., S.A.	200,467	120,795	-	-	(66,761,755)	-	(188,718)
PortucelSoporcel Sales & Marketing N.V.	924	35,761,096	-	-	-	-	-
Tecnipapel - Sociedade de Transformação e Distribuição de Papel, Lda.	-	-	-	-	-	-	-
About the Future, Empresa Produtora de Papel, S.A.	(8,182,309)	-	-	1,915,335	-	(2,220,362)	-
Portucel Florestal Brasil	-	-	-	-	-	-	-
Raiz Instituto de Investigação da Floresta e do Papel	39,329	-	-	-	-	(998,961)	-
Portucel Moçambique	-	-	-	-	-	800,000	-
Portucel Soporcel Papel - Sales e Marketing, ACE	511,008	1,035,389	-	-	(1,559,129)	(484,082)	-
PortucelSoporcel Logística do Papel, ACE	1,128	24,153,635	-	-	(22,626,925)	-	-
	(7,429,453)	61,070,915	-	1,915,335	(90,947,809)	(2,903,406)	(188,718)
Group Companies							
Portucel Papel Setúbal, S.A.	35,867	-	-	-	-	(2,004,890)	-
Portucel Florestal - Empresa de Desenvolvimento Agro-Florestal, S.A.	158,129	-	-	-	-	(7,863,807)	(999,108)
Arboser - Serviços Agro-Industriais, S.A.	222,706	-	-	23,528	-	(318,463)	-
Socortel - Sociedade de Corte de Papel, S.A.	15,156	-	-	30,099	-	-	-
Enerpulp - Cogeração Energética de Pasta, S.A.	2,674,792	-	-	1,545,043	-	(3,463,068)	-
Aliança Florestal - Sociedade para o Desenvolvimento Agro-Florestal, S.A.	-	-	-	1,140,527	-	(1,625,928)	-
Viveiros Aliança, S.A.	20,876	-	-	4,626	-	(26,570)	(68)
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, S.A.	21,821	-	-	6,357	-	(23,458)	-
SPCG - Sociedade Portuguesa de Co-Geração Eléctrica, S.A.	86,378	-	-	2,223,908	-	-	-
PortucelSoporcel Cogeração de Energia, S.A.	171,256	-	-	514,156	-	(605,937)	-
EMA 21 - Engenharia e Manutenção Industrial Século XXI, S.A.	965,172	-	-	36,913	-	(536,426)	-
EMA Cacia - Engenh. e Manutenção Industrial ACE	-	-	-	-	-	(569,944)	-
EMA Setúbal - Engenharia e Manut. Industrial ACE	-	-	-	-	-	(6,214,915)	-
Cut Paper - Transformação, Corte e Embalagem de Papel, ACE	5,071	-	-	-	-	-	-
Afocelca - Agrupamento Complementar de Empresas para Protecção Contra Incêndios, ACE	3,953	-	-	-	-	-	-
Enerforest-Empresa de Biomassa para Energia, S.A.	-	-	6,240	2,395	-	-	-
Headbox - Operação e Controlo Industrial, S.A.	26,633	-	-	745	-	(276,994)	-
Soporcel 2000 - Serviços Comerciais de Papel, Soc. Unipessoal, Lda.	19,515	-	-	-	-	(67,785)	-
Empremédia - Correctores de Seguros, Lda.	-	-	-	76,561	-	-	-
Cofotrans - Empresa de Exploração Florestal, S.A.	16,236	-	-	16,046	-	-	-
Soporcel España S.A.	-	-	-	-	-	(49,271)	-
Soporcel France EURL	-	-	-	-	-	(34,792)	-
Soporcel International BV	-	-	-	-	-	(27,797)	-
Soporcel Deutschland, GmbH	-	-	-	-	-	(16,776)	-
Soporcel United Kingdom, Ltd.	-	-	-	-	-	(23,922)	-
Soporcel Itália, SRL	-	-	-	-	-	(9,712)	-
Soporcel Handels, GMBH	-	-	-	-	-	(27,656)	-
Soporcel North America Inc.	200,115	-	-	-	-	-	-
Aflomec - Empresa de Exploração Florestal, S.A.	270	-	-	205	-	-	-
Atlantic Forests, S.A.	14,395	-	-	14,264	-	(119,109)	-
Bosques do Atlantico, SL	675	-	-	8,725,000	-	(5,073,325)	-
Secil - Companhia Geral de Cal e Cimento, S.A.	-	-	-	-	-	(33,945)	-
	4,659,019	-	6,240	14,360,372	-	(29,014,490)	(999,176)
	6,732,143	**94,304,071**	**6,240**	**79,933,970**	**(92,183,428)**	**(31,998,597)**	**(1,814,034)**

In the years ended 31 December 2011 and 2010, transactions with related parties were as follows:

	2011							
Amounts in Euro	Acquisitions of goods and services	External supplies and Services	Payroll Expenses	Other expenses	Interest costs	Sales and services rendered	Other income	Interest gains
Subsidiaries								
Soporcel Pulp - Sociedade Portuguesa de Celulose, S.A.	12,794,058	1,543	-	-	-	(882)	(4,309,319)	-
Soporcel - Sociedade Portuguesa de Papel, S.A.	-	451,618	-	-	-	(3,742,994)	(79,323)	-
PortucelSoporcel Energia, S.G.P.S., S.A.	-	-	-	-	193,101	-	-	-
Country Target, S.G.P.S., S.A.	-	-	-	-	-	-	-	(2,513)
PortucelSoporcel Pulp, S.G.P.S., S.A.	-	-	-	-	-	-	-	(2,344)
ImpactValue S.G.P.S., S.A.	-	-	-	-	-	-	-	(10,243)
PortucelSoporcel Participações, S.G.P.S., S.A.	-	-	-	-	-	-	-	(30,849)
Portucel Florestal - Empresa de Desenvolvimento Agro-Florestal, S.A.	2,154,515	4,394	-	-	146,949	(133,858)	-	-
	14,948,573	457,555	-	-	340,050	(3,877,734)	(4,388,642)	(45,949)
Associates and joint-ventures								
PortucelSoporcel Floresta, S.G.P.S., S.A.	-	-	-	-	1,579,081	-	-	-
PortucelSoporcel Sales & Marketing N.V.	-	-	-	-	-	(1,306,068)	(18,496)	-
Portucel Moçambique, Lda.	-	2,289	-	-	-	-	(31,722)	-
PortucelSoporcel Logística do Papel, ACE	-	4,977,250	-	69,174	(154)	(84,630)	(539)	-
	-	4,979,539	-	69,174	1,578,927	(1,390,698)	(50,757)	-
Group Companies								
Portucel Papel Setúbal, S.A.	2,957,215	11,935,570	-	70,532	-	(43,984,303)	(2,970,353)	-
About the Future, Empresa Produtora de Papel, S.A.	8,899,592	2,406,525	(1,359,259)	-	-	(125,113,672)	(1,235,539)	-
Arboser - Serviços Agro-Industriais, S.A.	184,789	6,676,529	-	-	-	(428,394)	(1,247,867)	-
Socortel - Sociedade de Corte de Papel, S.A.	-	-	-	-	-	(12,918)	-	-
Enerpulp - Cogeração Energética de Pasta, S.A.	-	17,811,262	-	-	-	(74,819,257)	(20,735)	-
PortucelSoporcel Florestal - Sociedade para o Desenvolvimento Agro-Florestal, S.A.	2,973,945	990,218	-	-	-	(443,843)	(59)	-
Viveiros Aliança, S.A.	-	213,067	-	95	-	(17,969)	35,286	-
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, S.A.	-	19,813	-	-	-	(18,276)	(482)	-
SPCG - Sociedade Portuguesa de Co-Geração Eléctrica, S.A.	-	4,662	-	-	-	(823,329)	(8,541)	-
PortucelSoporcel Cogeração de Energia, S.A.	-	2,621,229	-	-	-	(725,303)	(399)	-
EMA 21 - Engenharia e Manutenção Industrial Século XXI, S.A.	-	4,069,841	-	-	-	(9,292,497)	(37,363)	-
EMA Cacia - Engenh. e Manutenção Industrial ACE	-	5,480,000	-	-	-	-	-	-
EMA Setúbal - Engenharia e Manut. Industrial ACE	-	10,881,158	-	-	-	-	-	-
Cut Paper - Transformação, Corte e Embalagem de Papel, ACE	-	-	-	-	-	(4,285)	-	-
Afocelca - Agrupamento Complementar de Empresas para Protecção Contra Incêndios, ACE	-	-	-	-	-	(3,390)	-	-
Enerforest-Empresa de Biomassa para Energia, S.A.	-	-	-	-	-	(79,504)	-	-
Headbox - Operação e Controlo Industrial, S.A.	-	1,365,841	(4,632,095)	-	-	(26,199)	-	-
Soporcel 2000 - Serviços Comerciais de Papel, Soc. Unipessoal, Lda.	-	-	-	-	-	(16,777)	-	-
Raiz Instituto de Investigação da Floresta e do Papel	-	1,991,597	-	-	-	(32,500)	-	-
Cofotrans - Empresa de Exploração Florestal, S.A.	53,440	-	-	-	-	(14,167)	-	-
PortucelSoporcel Fine Paper, S.A.	-	-	-	-	-	(114,218,585)	(3,667,613)	-
Portucel International GMBH	-	145,692	-	-	-	-	(250)	-
PortucelSoporcel Deutschland, GmbH	-	(2,907)	-	-	-	-	-	-
PortucelSoporcel United Kingdom, Ltd.	-	-	-	-	-	-	(4)	-
PortucelSoporcel Suiça	-	-	-	-	-	(7,277,958)	-	-
PortucelSoporcel Handels, GMBH	-	(4,128)	-	-	-	-	-	-
PortucelSoporcel North America Inc.	-	-	-	-	-	(218,890)	(7,564)	-
Aflomec - Empresa de Exploração Florestal, S.A.	-	-	-	-	-	(312)	-	-
Atlantic Forests, S.A.	434,726	-	-	-	-	(12,860)	-	-
Bosques do Atlantico, SL	45,557,468	-	-	-	-	(781)	(7,638)	-
	61,061,175	66,605,969	(5,991,354)	70,627	-	(377,585,969)	(9,169,121)	-
	76,009,748	**72,043,063**	**(5,991,354)**	**139,801**	**1,918,977**	**(382,854,401)**	**(13,608,520)**	**(45,949)**

	2010							
Amounts in Euro	Acquisitions of goods and services	External supplies and Services	Payroll Expenses	Other expenses	Interest costs	Sales and services rendered	Other income	Interest gains
Subsidiaries								
PortucelSoporcel Papel, S.G.P.S., S.A.	-	-	-	-	-	-	-	(312,997)
Soporcel - Sociedade Portuguesa de Papel, S.A.	1,022,926	109,756	-	-	-	(32,182,593)	(3,205,939)	-
PortucelSoporcel Energia, S.G.P.S., S.A.	-	-	-	-	-	-	-	(35,655)
Country Target, S.G.P.S., S.A.	-	-	-	-	-	-	-	(18,484)
Portucel International GMBH	-	193,701	-	-	-	-	-	-
PortucelSoporcel Participações, S.G.P.S., S.A.	-	-	-	-	-	-	-	(116,638)
	1,022,926	303,457	-	-	-	(32,182,593)	(3,205,939)	(483,774)
Associates and joint-ventures								
PortucelSoporcel Floresta, S.G.P.S., S.A.	-	-	-	-	428,254	-	-	-
PortucelSoporcel Sales & Marketing N.V.	-	-	-	-	-	(924)	-	-
About the Future, Empresa Produtora de Papel, S.A.	5,390,561	6,426,006	-	35,763,712	-	(148,449,446)	-	-
Raiz Instituto de Investigação da Floresta e do Papel	-	2,123,748	-	-	-	(32,503)	-	-
Portucel Soporcel Papel - Sales e Marketing, ACE	-	1,806,174	-	-	6,455	(1,791,592)	-	-
PortucelSoporcel Logística do Papel, ACE	-	13,959,205	-	-	-	-	(63,189)	-
	5,390,561	24,315,133	-	35,763,712	434,709	(150,274,465)	(63,189)	-
Group Companies								
Portucel Papel Setúbal, S.A.	-	19,802,466	-	-	-	-	-	-
Portucel Florestal - Empresa de Desenvolvimento Agro-Florestal, S.A.	29,455,379	(695,656)	-	-	-	(130,685)	-	-
Arboser - Serviços Agro-Industriais, S.A.	64,956	6,487,958	-	-	-	(430,275)	(954,629)	-
Socortel - Sociedade de Corte de Papel, S.A.	-	-	-	-	-	(12,526)	-	-
Enerpulp - Cogeração Energética de Pasta, S.A.	-	37,726,691	-	-	-	(28,797,324)	(48,219,781)	-
Aliança Florestal - Sociedade para o Desenvolvimento Agro-Florestal, S.A.	4,346,171	1,517,121	-	-	-	-	(488,349)	-
Viveiros Aliança, S.A.	-	255,235	-	-	-	(17,253)	-	-
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, S.A.	-	27,171	-	-	-	(18,034)	-	-
SPCG - Sociedade Portuguesa de Co-Geração Eléctrica, S.A.	-	6,702	-	-	-	(266,096)	(248,162)	-
PortucelSoporcel Cogeração de Energia, S.A.	-	4,061,623	-	-	-	(451,069)	(562,702)	-
EMA 21 - Engenharia e Manutenção Industrial Século XXI, S.A.	-	3,670,403	-	-	-	(9,271,777)	(54,852)	-
EMA Cacia - Engenh. e Manutenção Industrial ACE	-	5,420,000	-	-	-	-	-	-
EMA Setúbal - Engenharia e Manut. Industrial ACE	-	12,807,401	-	-	-	-	-	-
Cut Paper - Transformação, Corte e Embalagem de Papel, ACE	-	-	-	-	-	(4,191)	-	-
Afocelca - Agrupamento Complementar de Empresas para Protecção Contra Incêndios, ACE	-	-	-	-	-	(3,267)	-	-
Enerforest-Empresa de Biomassa para Energia, S.A.	-	-	-	-	-	(77,395)	(28,960)	-
Headbox - Operação e Controlo Industrial, S.A.	-	2,087,785	-	-	-	(22,011)	-	-
Soporcel 2000 - Serviços Comerciais de Papel, Soc. Unipessoal, Lda.	-	187,355	-	-	-	(16,128)	-	-
Empremédia - Correctores de Seguros, Lda.	-	134,800	-	-	-	-	-	-
Cofotrans - Empresa de Exploração Florestal, S.A.	197,735	-	-	-	-	(13,418)	-	-
Soporcel España S.A.	-	326,878	-	-	-	-	-	-
Soporcel France EURL	-	469,027	-	-	-	-	-	-
Soporcel International BV	-	246,405	-	-	-	-	-	-
Soporcel Deutschland, GmbH	-	169,413	-	-	-	-	-	-
Soporcel United Kingdom, Ltd.	-	254,837	-	-	-	-	-	-
Soporcel Itália, SRL	-	97,282	-	-	-	-	-	-
Soporcel Handels, GMBH	-	233,692	-	-	-	-	-	-
Soporcel North America Inc.	-	-	-	-	-	(200,115)	-	-
Aflomec - Empresa de Exploração Florestal, S.A.	-	-	-	-	-	(223)	-	-
Atlantic Forests, S.A.	532,467	142	-	-	-	(11,897)	-	-
Bosques do Atlantico, SL	56,001,511	-	-	-	-	(558)	(5,394)	-
	90,598,219	95,294,729	-	-	-	(39,744,242)	(50,562,829)	-
	97,011,706	**119,913,319**	**-**	**35,763,712**	**434,709**	**(222,201,300)**	**(53,831,957)**	**(483,774)**

6. Property, plant and equipment

6.1 Changes in the period

Over the years ended 31 December 2011 and 2010, changes in “Property, plant and equipment”, as well as the respective depreciation and impairment losses, were as follows:

Amounts in Euro	Land	Buildings and other constructions	Machinery and other equipment	Transportation equipment	Administrative equipment	Other property, plant and equipment	Assets under construction	Advances to Suppliers	Total
Assets									
Amount as of 1 January 2010	**36,547,769**	**147,996,095**	**764,093,092**	**4,847,516**	**15,555,640**	**14,547,259**	**95,723,364**	**11,562,388**	**1,090,873,123**
Acquisitions	-	-	7,357,443	-	-	-	39,406,918	(11,397,050)	35,367,311
Disposals	-	-	(4,502,650)	(33,698)	(1,670)	-	-	-	(4,538,018)
Adjustments, transfers and write-offs	41,854	14,818,577	101,647,544	1,392,606	370,883	695,581	(118,967,045)	-	-
Amount as of 31 December 2010	**36,589,623**	**162,814,672**	**868,595,429**	**6,206,424**	**15,924,853**	**15,242,840**	**16,163,237**	**165,338**	**1,121,702,416**
Acquisitions	221,873	3,492	7,884,491	-	1,609	-	10,273,738	518,936	18,904,139
Disposals	-	-	(1,760,786)	-	(5,950)	-	-	-	(1,766,736)
Adjustments, transfers and write-offs	-	1,120,518	16,977,965	76,231	258,701	566,423	(19,052,406)	(165,338)	(217,906)
Amount as of 31 December 2011	**36,811,496**	**163,938,682**	**891,697,099**	**6,282,655**	**16,179,213**	**15,809,263**	**7,384,569**	**518,936**	**1,138,621,913**
Accumulated depreciation and impairment losses									
Amount as of 1 January 2010	**-**	**(104,190,284)**	**(619,171,290)**	**(4,429,408)**	**(14,878,878)**	**(13,796,284)**	**-**	**-**	**(756,466,144)**
Depreciation	-	(6,601,196)	(31,899,973)	(117,827)	(330,889)	(513,828)	-	-	(39,463,713)
Impairment losses	-	-	(2,729,133)	-	-	-	-	-	(2,729,133)
Disposals	-	-	80,364	33,699	52	-	-	-	114,115
Adjustments, transfers and write-offs	-	-	1,383,905	(1,383,905)	-	-	-	-	-
Amount as of 31 December 2010	**-**	**(110,791,480)**	**(652,336,127)**	**(5,897,441)**	**(15,209,715)**	**(14,310,112)**	**-**	**-**	**(798,544,875)**
Depreciation	-	(6,759,393)	(33,100,154)	(126,142)	(311,868)	(502,459)	-	-	(40,800,016)
Impairment losses	-	-	-	-	-	-	-	-	-
Disposals	-	-	2,193	-	132	-	-	-	2,325
Adjustments, transfers and write-offs	-	-	-	-	-	-	-	-	-
Amount as of 31 December 2011	**-**	**(117,550,873)**	**(685,434,088)**	**(6,023,583)**	**(15,521,451)**	**(14,812,571)**	**-**	**-**	**(839,342,566)**
Net assets									
Net book value as of 31 December 2010	36,589,623	52,023,192	216,259,302	308,983	715,138	932,728	16,163,237	165,338	323,157,541
Net book value as of 31 December 2011	36,811,496	46,387,809	206,263,011	259,072	657,762	996,692	7,384,569	518,936	299,279,347

Increases in property, plant and equipment include Euro 7,832,381 (2009: Euro 7,357,443) related to replacement parts reclassified from inventories to plant, property and equipment – Basic equipment – that are being depreciated according to their estimated useful lives.

In 2011, the depreciation for the year was Euro 40,800,016 (2010: Euro 39,463,835) of which Euro 3,549,178 (2010: Euro 10,330,713) were reclassified to “Other operating costs” (Note 27) for which income the statement shows a depreciation charge of only Euro 37,250,838 (2010: Euro 29,133,122).

6.2 Property, plant and equipment related to the main activities of the Company

As of 31 December 2011 and 2010, the amount of property, plant and equipment related to the main activities of the Company comprised the following:

	Gross amounts		Net book value	
	31-12-2011	**31-12-2010**	**31-12-2011**	**31-12-2010**
Pulp Prodution				
Cacia	214,827,901	211,983,734	30,584,014	35,523,661
Setúbal	417,742,774	413,292,956	67,629,799	72,386,039
Energy				
Cacia	152,508,962	151,120,652	77,427,417	84,363,960
Setúbal	143,879,193	142,618,841	62,202,676	68,832,291
Other assets	209,663,083	202,686,233	61,435,441	62,051,590
	1,138,621,913	**1,121,702,416**	**299,279,347**	**323,157,541**

6.3 Property, plant and equipment revaluated in previous years under the applicable legislation

Property, plant and equipment acquired until 31 December 1997 were revaluated in 1998 according to the criteria of Decree-Law no. 31/98, dated February 11.

The revaluation surplus calculated in 1998 through the application of the Decree-Law no. 31/98 was Euro 44,531,430 from which the respective deferred tax liability estimated at that time of Euro 6,219,574 was deducted.

For property, plant and equipment acquired before January 1, 2009 (the date of transition to the NCRF standards) the option included in NCRF 3 – First time adoption of the Accounting and Financial Reporting Standards was followed, for which the deemed cost of the assets was considered to be the acquisition cost or the revaluation value under the applicable legislation (certain tangible assets acquired before 31 December 1992 and 1997 were revaluated in 1993 and 1998 respectively, according to the applicable legislation through the official monetary adjustment indexes). As of 31 December 2011 and 2010 the net book value of such assets included the effect of the referred revaluations as follows:

Amounts in Euro	31-12-2011			31-12-2010		
Caption	**Acquisition cost**	**Revaluation Surplus**	**Revaluated amount**	**Acquisition cost**	**Revaluation Surplus**	**Revaluated amount**
Land	33,854,788	2,956,708	36,811,496	33,632,915	2,956,708	36,589,623
Buildings and other constructions	45,491,735	896,074	46,387,809	50,887,672	1,135,520	52,023,192
Machinery and equipment	205,596,623	666,388	206,263,011	215,139,712	1,119,590	216,259,302
Transportation equipment	259,072	-	259,072	308,983	-	308,983
Administrative equipment	657,762	-	657,762	715,138	-	715,138
Other property, plant and equipment	996,692	-	996,692	932,728	-	932,728
Assets under construction	7,384,569	-	7,384,569	16,163,237	-	16,163,237
Advances to fixed assets suppliers	518,936	-	518,936	165,338	-	165,338
	294,760,177	4,519,170	299,279,347	317,945,723	5,211,818	323,157,541

In previous years the Company revaluated its property, plant and equipment and recorded the corresponding deferred tax liabilities in the portion of the revaluation reserve not relevant for tax purposes (Note 11.2). The same procedure was followed by Papéis Inapa, S.A. which was acquired by the Company and meanwhile merged. Although the referred revaluation, whose net book value as at 31 December 2011 amounted to Euro 9,412,839, includes the effects for the respective deferred tax liability, it is not recognized as a deduction to the revaluation surplus because it was considered in the merger reserve with Papéis Inapa, S.A.

Thus, although the revaluation surplus as of 31 December 2011 amounts to Euro 4,510,170, the Company recorded deferred tax liabilities of Euro 4,077,343 (Note 11.2) since this includes the effect of the revaluation of the assets incorporated in the above mentioned merger with Papéis Inapa, S.A. that still belong to the Company as at the balance sheet date.

7. Leases

7.1 Financial leases

As of 31 December 2011 and 2010 the Company, as a lessee, does not have any property, plant and equipment under financial leases.

7.2 Operating leases

As of 31 December 2011 and 2010 the outstanding commitment with operating leases, related to vehicles, showed the following maturities:

Amounts in Euro	31-12-2011	31-12-2010
Payments due in:		
2011	-	396,628
2012	573,362	416,288
2013	370,823	147,346
2014	198,184	55,503
2015	22,130	-
	1,164,499	**1,015,765**

Expenses related to operating leases recognized for the years ended 31 December 2011 and 2010 amount to Euro 602,945 and Euro 560,091, respectively.

8. Goodwill

Goodwill was determined following the acquisition of 100% of the share capital of Soporcel – Sociedade Portuguesa de Papel, S.A., for Euro 1,154,842,000, representing the difference between the acquisition cost of the shares and the respective shareholders' equity as of the date of the first consolidation, retroactive to 1 January 2001, adjusted by the effect of attribution of the fair value to Soporcel's property, plant and equipment.

The goodwill generated on the acquisition of Soporcel was deemed to be allocatable to the paper production cash generating unit.

As at 31 December 2010, the assets and liabilities related to pulp production were transferred to another company, as a result of a split.

The book value of goodwill amounts to Euro 376,756,384, as it was amortized up to 31 December 2003. As of that date, the accumulated depreciation amounted to Euro 51,375,870. From that date on, depreciation was ceased and replaced with annual impairment tests. If this amortization had not been interrupted, as of 31 December 2011 the net book value of the Goodwill would amount to Euro 239,754,062 (31 December 2010: Euro 256,879,352).

Every year, the Company calculates the recoverable amount of Soporcel's assets (to which the goodwill recorded in the financial statements is associated), based on value-in-use calculations, in accordance with the Discounted Cash Flow method. The calculations are based on past performance and business expectations with the actual production structure, using the budget for next year and projected cash flows for the next 4 years, based on a constant sales volume. As a result of the calculations, no impairment losses have been identified.

The main assumptions for the above-mentioned calculation were as follows:

Inflation rate	2%
Discount rate (post-tax)	9,37%
Production growth	0%

The discount rate presented above is a post-tax tax rate equivalent to a discount rate pre-tax of 10.21%, and has been calculated in accordance with the WACC (Weighted Average Cost of Capital) methodology, based in the following assumptions:

Risk-free interest rate	5,50%
Equity risk Premium (market and entity)	5,00%
Tax rate	29,00%
Debt risk Premium	3,00%

9. Intangible Assets

Over the year ended 31 December 2011 and 2010, changes in intangible assets were as follows:

Amounts in Euro	Industrial property and other rights	CO2 emission allowances	Total
Acquisition Cost			
Amount as of 1 January 2010	**2,451**	**271,959**	**274,410**
CO2 emission allowances granted	-	865,461	865,461
Disposals of CO2 emission allowances	-	(271,356)	(271,356)
CO2 emission allowances surrendered to the coordinating entity	-	(821,131)	(821,131)
Adjustments, transfers and write-offs	-	(603)	(603)
Amount as of 31 December 2010	**2,451**	**44,330**	**46,781**
CO2 emission allowances granted	-	965,794	965,794
Disposals of CO2 emission allowances	-	-	-
CO2 emission allowances surrendered to the coordinating entity	-	(974,989)	(974,989)
Adjustments, transfers and write-offs	-	-	-
Amount as of 31 December 2011	**2,451**	**35,135**	**37,586**
Accumulated depreciation and impairment losses			
Amount as of 1 January 2010	**(1,960)**	**-**	**(1,960)**
Amortization and impairment losses	(124)	-	(124)
Amount as of 31 December 2010	**(2,084)**	**-**	**(2,084)**
Amortization and impairment losses	(367)	(18,002)	(18,369)
Amount as of 31 December 2011	**(2,451)**	**(18,002)**	**(20,453)**
Net book value as of 1 January 2010	491	271,959	272,450
Net book value as of 31 December 2010	367	44,330	44,697
Net book value as of 31 December 2011	-	17,133	17,133

Under the National Plan for the Allocation of CO2 Emission Rights (PNALE), the second period for the attribution of CO2 emission rights (2008-2012) started in January 2008, under which the 68,254 rights were allocated to Portucel, through the joint publication nº 2836/2008, January 8, issued by the Ministry for Environment, Ministry for Planning and Regional Development as well as the Ministry of Economy and Innovation.

Over the years ended 31 December 2011 and 2010, CO2 emission rights recorded the following changes in tons of CO2:

Amounts in Tons	2011	2010
Beginning balance	**3,496**	**40,646**
Acquisitions	-	-
Allowances granted	68,254	56,467
Disposals	-	(34,000)
CO2 emission allowances surrendered to the coordinating entity	(69,267)	(59,617)
Ending balance	**2,483**	**3,496**
Valuation	**17,133**	**44,330**

10. Financial investments

10.1 Financial investments – equity method

Subsidiaries, jointly-controlled entities and associates – directly held shares

As of 31 December 2011 and 2010 the Company held direct shares over the following subsidiaries, jointly-controlled entities and associates:

			31-12-2011				31-12-2010
Company Name		**Headquarters**	**Equity**	**Profit of the year**	**%.**	**Balance sheet amount**	**Balance sheet amount**
Subsidiaries							
PortucelSoporcel Papel, S.G.P.S., S.A.		Setúbal	714,950,619	61,976,891	100	704,685,452	582,090,284
Soporcel Pulp - Sociedade Portuguesa de Celulose, S.A.		Fig. da Foz	392,333,409	14,993,873	100	392,333,409	240,637,116
Soporcel - Sociedade Portuguesa de Papel, S.A.		Fig. da Foz	188,773,637	97,737,521	100	187,737,165	300,103,913
PortucelSoporcel Energia, S.G.P.S., S.A.		Setúbal	93,085,309	13,323,022	100	93,085,309	72,170,827
Country Target, S.G.P.S., S.A.		Setúbal	14,776,622	1,272,035	100	14,776,622	14,580,267
PortucelSoporcel Pulp, S.G.P.S., S.A.		Setúbal	343,001	204,309	100	343,001	138,692
ImpactValue S.G.P.S., S.A.		Setúbal	(1,048,223)	(1,180,702)	100	(1,048,223)	(317,522)
PortucelSoporcel Participações, S.G.P.S., S.A.		Setúbal	39,127,742	1,816,516	100	39,127,742	(4,513,527)
Portucel Florestal, S.A.		Setúbal	66,575,891	9,232,687	100	59,429,983	-
						1,490,470,460	1,204,890,050
Associates							
PortucelSoporcel Floresta, S.G.P.S., S.A.		Fig. da Foz	213,566,665	18,017,309	50	106,783,333	87,503,221
PortucelSoporcel Sales& Marketing, NV		Belgium	161,658,947	11,316,384	25	39,855,158	6,575,720
Tecnipapel - Sociedade de Transformação e Distribuição de Papel, Lda.	**(a)**	Setúbal			56	-	125,185
About the Future, Empresa Produtora de Papel, S.A.	**(b)**	Setúbal			0.01	-	50,852
Portucel Florestal Brasil, Lta.		Brazil	22,000		25	6,000	6,000
Portucel Moçambique, Lda.		Mozambique	(2,041,506)	(1,557,192)	25	(510,377)	(121,079)
PortucelSopocel Papel - Sales e Marketing, ACE	**(a)**	Fig. da Foz			50	-	41,411
PortucelSoporcel Logística do Papel, ACE		Fig. da Foz	-	-	33.33	-	-
						146,134,114	94,181,310
Closing balance						**1,636,604,574**	**1,299,071,360**

(a) Liquidated in 2010
(b) Sold to another Group Company

The difference between the book value related to the financial investment in Soporcel – Sociedade Portuguesa de Papel, S.A. and its equity value is due to the implicit goodwill in this investment generated on its acquisition.

The balance sheet amount of the investment in PortucelSoporcel Papel, SGPS, S.A., is deducted of the internal margins generated between group companies and adjusted for the purpose of the equity method, which explains the difference between the subsidiary's net equity and its carrying amount.

Changes in the period

Over the years ended 31 December 2011 and 2010, the changes in financial investments in subsidiaries, jointly-controlled entities and associates were as follows:

Amounts in Euro	2011 Subsidiaries	2011 Associates	2011 Total	2010 Subsidiaries	2010 Associates	2010 Total
Beginning balance	**1,204,890,050**	**94,181,310**	**1,299,071,360**	**972,567,220**	**83,822,187**	**1,056,389,407**
Share capital of new companies						-
Country Target, SGPS, S.A.	-	-	-	50,000	-	50,000
Soporcel Pulp - Sociedade Portuguesa de Celulose, S.A.	-	-	-	50,000	-	50,000
	-	-	-	100,000	-	100,000
Disposals						
About the Future, S.A.	-	(51,504)	(51,504)			
Portucel Internacional Trading GMBH	-	-	-	(191,373)	-	(191,373)
Raiz Instituto de Investigação da Floresta e do Papel	-	-	-	-	(1,142,502)	(1,142,502)
	-	(51,504)	(51,504)	(191,373)	(1,142,502)	(1,333,875)
Liquidation of associates and subsidiaries						
Tecnipapel - Sociedade de Transformação e Distribuição de Papel, Lda.	-	(125,998)	(125,998)	-	-	-
PortucelSopocel Papel - Sales e Marketing, ACE	-	(41,411)	(41,411)	-	-	-
	-	(167,409)	(167,409)	-	-	-
Appropriated results through the equity method						
- Gains	197,248,693	11,332,498	208,581,191	146,548,906	6,684,151	153,233,057
- Losses	(1,180,702)	(389,298)	(1,570,000)	(424,362)	(618,290)	(1,042,652)
	196,067,991	10,943,200	207,011,191	146,124,544	6,065,861	152,190,405
Changes in equity not recognized in results						
Other changes	14,146,703	10,266,018	24,412,720	26,158,649	(222,391)	25,936,258
	14,146,703	10,266,018	24,412,720	26,158,649	(222,391)	25,936,258
Dividends / Reserves distribution	(37,367,984)	(287,500)	(37,655,484)	(156,418,990)	(151,470)	(156,570,460)
Acquisition of subsidiaries						
Portucel Florestal, S.A.	78,033,700	-	78,033,700	-	-	-
	78,033,700	-	78,033,700	-	-	-
Capital increases						
PortucelSoporcel Participações, SGPS, S.A.	34,250,000	-	34,250,000	-	-	-
Impact Value, SGPS, S.A.	450,000	-	450,000	-	-	-
PortucelSoporcel Papel, SGPS, S.A.	-	-	-	203,000,000	-	203,000,000
Country Target, SGPS, S.A.	-	-	-	13,550,000	-	13,550,000
PortucelSoporcel Sales& Marketing, NV	-	31,250,000	31,250,000	-	5,809,625	5,809,625
	34,700,000	31,250,000	65,950,000	216,550,000	5,809,625	222,359,625
Closing balance	**1,490,470,460**	**146,134,114**	**1,636,604,574**	**1,204,890,050**	**94,181,310**	**1,299,071,360**

The increases recorded in the period were essentially due to,

i. Net gains and losses attributable to the application of the equity method for measuring its financial investments of Euro 208,581,191 and Euro 1,570,000 respectively,
ii. The increase of Euro 65,950,000 in the share capital of PortucelSoporcel Participações, SGPS, S.A, Impactvalue, SGPS, S.A. and PortucelSoporcel Sales & Marketing NV, and
iii. The investment of Euro 78,033,700 to the acquisition of Portucel Florestal, S.A.

The decreases resulted from dividends received of Euro 37,655,484 and Euro 167,409 to the liquidation of Tecnipapel, Lda and PortucelSoporcel Papel – Sales & Marketing, ACE.

During 2010, the increases in the period were essentially due to,

i. Net gains and losses attributable to the application of the equity method for measuring its financial investments of Euro 153,233,057 and Euro 1,042,652 respectively,,
ii. The increase of Euro 222,359,625 in the share capital of PortucelSoporcel Papel, SGPS, S.A, Country Target, SGPS, S.A. and PortucelSoporcel Sales & Marketing NV, and
iii. The investment of Euro 100,000 related to the incorporation of Country Target, SGPS, S.A. and Soporcel Pulp – Sociedade Portuguesa de Celulose, S.A.

The decreases resulted from dividends received of Euro 156,570,460 and to the disposal of shares held in Portucel International Trading GMBH and Raiz of Euro 1,333,875.

Detail of the gains and losses recognized in results

In 2011, the gains and losses with subsidiaries and associates were recorded under the following captions:

Company Name	Proportional amount in results: Losses from subsidiaries (Note 22)	Proportional amount in results: Gains from subsidiaries (Note 22)	Adjustments in financial assets (Note 16.6)	Dividends / Reserves distribution
Subsidiaries				
Soporcel - Sociedade Portuguesa de Papel, S.A.	-	96,701,048	(176,567,796)	32,500,000
Soporcel Pulp - Sociedade Portuguesa de Celulose, S.A.	-	14,993,873	136,702,419	-
PortucelSoporcel Papel, S.G.P.S., S.A.	-	66,949,515	55,645,652	-
PortucelSoporcel Energia, S.G.P.S., S.A.	-	13,323,022	7,591,459	-
PortucelSoporcel Participações, S.G.P.S., S.A.	-	1,816,516	7,574,753	-
PortucelSoporcel Pulp, S.G.P.S., S.A.	-	204,309	-	-
ImpactValue S.G.P.S., S.A.	1,180,700	-	-	-
Country Target, S.G.P.S., S.A.	-	1,272,035	(1,075,679)	-
Portucel Florestal, S.A.	-	1,988,373	(15,724,106)	4,867,984
	1,180,700	197,248,691	14,146,702	37,367,984
Associates				
PortucelSoporcel Floresta, S.G.P.S., S.A.	-	9,008,655	10,271,458	-
Tecnipapel - Sociedade de Transformação e Distribuição de Papel, Lda.	-	814	-	-
About the Future, Empresa Produtora de Papel, S.A.	-	652	-	-
PortucelSoporcel Sales& Marketing, NV	-	2,322,379	(5,440)	287,500
Portucel Moçambique	389,300	-	-	-
	389,300	11,332,500	10,266,018	287,500
	1,570,000	**208,581,191**	**24,412,720**	**37,655,484**

The amount of Euro 32,500,000 related to Soporcel corresponds to dividends paid in advance, in accordance with the deliberation of the Board of Directors on 29 July 2011.

Gains and losses from subsidiaries, associates and joint ventures include a loss of Euro 104,181 related to the liquidation of Tecnipapel, Lda. during the year.

In 2010, the gains and losses with subsidiaries and associates were recorded under the following captions:

Company Name	Proportional amount in results: Losses from subsidiaries (Note 22)	Proportional amount in results: Gains from subsidiaries (Note 22)	Adjustments in financial assets (Note 16.6)	Dividends / Reserves distribution
Subsidiaries				
Soporcel - Sociedade Portuguesa de Papel, S.A.	-	102,143,942	214,713,756	150,625,463
Soporcel Pulp - Sociedade Portuguesa de Celulose, S.A.	709	-	(240,587,825)	-
PortucelSoporcel Papel, S.G.P.S., S.A.	-	30,589,887	131,288	-
PortucelSoporcel Energia, S.G.P.S., S.A.	-	11,830,578	-	4,506,355
PortucelSoporcel Participações, S.G.P.S., S.A.	-	1,212,924	3,618	495,304
PortucelSoporcel Pulp, S.G.P.S., S.A.	57,775	-	3	-
ImpactValue S.G.P.S., S.A.	365,878	-	-	-
Country Target, S.G.P.S., S.A.	-	606,062	(374,204)	-
Portucel Internacional Trading GMBH	-	165,513	-	791,868
	424,362	146,548,906	(26,113,364)	156,418,990
Associates				
PortucelSoporcel Floresta, S.G.P.S., S.A.	-	6,298,185	177,833	-
Tecnipapel - Sociedade de Transformação e Distribuição de Papel, Lda.	26	-	-	-
About the Future, Empresa Produtora de Papel, S.A.	-	3,939	(9,138)	-
Raiz Instituto de Investigação da Floresta e do Papel	497,039	-	8,520	-
PortucelSoporcel Sales& Marketing, NV	-	340,616	(109)	125,000
Portucel Moçambique	121,225	-	-	-
Portucel Florestal Brasil	-	-	-	-
PortucelSopocel Papel - Sales e Marketing, ACE	-	41,411	-	26,470
	618,290	6,684,151	177,106	151,470
	1,042,652	**153,233,057**	**(25,936,258)**	**156,570,460**

10.2 Financial investments – Other methods

As of 31 December 2011 and 2010 the Company owned a financial investment of Euro 5,267 in Lusitaniagás for which an impairment loss was recorded in previous years.

11. Income tax

11.1 Current tax

Since 1 January 2003, Portucel is taxed under the special tax regime applicable to groups of companies comprising all entities whose capital is held 90% or more and which meet the conditions foreseen from article 69 of the Portuguese Corporate Income Tax Code (Código do Imposto sobre o Rendimentos de Pessoas Colectivas).

The companies included within the consolidation scope of the group of companies subject to this regime calculate and recognize income tax as though they were taxed on an individual basis. If gains are determined on the use of this regime, they are recorded as income of the parent company (Portucel).

In accordance with the prevailing legislation, gains and losses from Group companies and associates arising from the application of the equity method are deducted or added, respectively, from or to the net income for the period when calculating the taxable income for the period.

Dividends are considered when determining the taxable income in the year in which they are received, if the assets are held for less than one year or if investments represent less than 10% of the share capital.

Income tax is detailed as follows for the years ended 31 December 2011 and 2010:

Amounts in Euro	2011	2010
Current tax	(2,234,516)	(47,109,107)
Provision for current tax	4,211,749	(6,973,900)
Deferred tax	30,404,153	35,268,702
	32,381,386	**(18,814,305)**

The provision for current tax is detailed as follows:

Amounts in Euro	2011	2010
(Excess) / Understatement in the estimate for income tax	(4,136,378)	(5,915,936)
Net change in the estimate for aditional payments	12,841,826	(242,311)
Corporate Income Tax 2003 (settlement)	-	24,315
Reversal of municipal surcharge 2007 and 2008	-	(856,050)
Payment of corporate income tax 2010	(3,976,970)	-
Witholding tax - ENCE	(516,729)	-
Other	-	16,082
	4,211,749	**(6,973,900)**

In 2011, the excess in the estimate for income tax mainly results from the calculation of tax benefits with SIFIDE and RFAI, which have only been recognized upon delivery of the income tax statement.

According to the prevailing legislation, the annual tax returns are subject to review and potential adjustment by the tax authorities for a period of up to 4 years (5 years for Social Security) except if tax losses are utilized, tax benefits have been attributed or reviews are in progress, in such cases these may be subject to review by the tax authorities for a longer period or suspended.

Therefore, the Company's tax returns for 2008 until 2011 may still be subject to review, of which 2008 and 2009 have already been reviewed. The Board of Directors believes that any reviews/ inspections by tax authorities will not have a material impact in its financial statements as of 31 December 2011.

In the years ended 31 December 2011 and 2010, the reconciliation of the effective income tax rate was as follows:

Amounts in Euro	**2011**	**2010**
Profit before tax	205,805,280	192,000,426
Expected income tax (25.0%)	51,451,320	48,000,107
Municipal surcharge (1.5%)	3,087,079	2,880,006
State surcharge (2.5%)	5,145,132	4,800,011
Differences (a)	(31,482,192)	(72,204,471)
Impact of the change in the income tax rate	6,828,860	4,194,472
Adjustments to taxable amounts		
(Gains) / losses on taxation of corporate groups	(2,825,731)	(6,634,942)
Autonomous taxation	176,918	150,512
	32,381,386	**(18,814,305)**
Effective tax rate	15.7%	-9.8%
Effective tax rate without the equity method	23.8%	12.1%

(a) This amount is essentially made up of:

Amounts in Euro	**2011**	**2010**
Effects arising from the application of the equity method	(214,875,592)	(158,691,896)
Capital gains / (losses) for tax purposes	(9,948)	(204,832,781)
Capital gains / (losses) for accounting purposes	9,948	(18,818)
Tax benefits	(235,456)	(261,229)
Increase / (Decrease) in taxable provisions	11,862,350	638,869
Post employment benefits	(22,038)	(1,508,156)
Other	94,711,455	92,204,309
	(108,559,281)	(272,469,702)
Tax effect (29%; 2010: 26.5%)	(31,482,192)	(72,204,471)

11.2 Deferred taxes

The movement in deferred tax assets and liabilities during the years ended 31 December 2011 and 2010 was as follows:

Amounts in Euro	2011 Beginning balance	Results for theyear Increases	 Decreases	Equity	Closing balance
Temporary differences originating deferred tax assets					
Taxable provisions	4,992,000	-	(4,992,000)	-	-
Adjustments in property, plant and equipment	3,045,981	-	(886,992)	-	2,158,989
Post-employment benefits	3,171,636	78,940	-	-	3,250,576
Derivative financial instruments at fair value	-	-	-	763,860	763,860
Intercompany gains, deferred	-	3,704,071	-	8,157,355	11,861,426
	11,209,617	**3,783,011**	**(5,878,992)**	**8,921,215**	**18,034,851**
Temporary differences originating deferred tax liabilities					
Revaluation of property, plant and equipment	(14,682,401)	-	-	1,738,456	(12,943,945)
Derivative financial instruments at fair value	(109,529)	-	-	109,529	-
Government grants recognised in equity	(35,021,635)	-	-	3,549,177	(31,472,458)
Intercompany losses, deferred	(163,219,538)	(61,912,522)	-	-	(225,132,060)
Other temporary differences	(15,197,208)	(33,189,725)	15,197,208	-	(33,189,725)
	(228,230,311)	**(95,102,247)**	**15,197,208**	**5,397,162**	**(302,738,188)**
Amounts presented in the balance sheet					
Deferred tax assets	**3,222,765**	**1,087,616**	**(1,690,210)**	**2,564,849**	**5,185,020**
Effect of change in the tax rate	**-**	**474,952**	**-**	**21,006**	**495,958**
	3,222,765	**1,562,568**	**(1,690,210)**	**2,585,855**	**5,680,978**
Deferred tax assets liabilities	**(65,616,214)**	**(27,341,896)**	**4,369,197**	**1,551,684**	**(87,037,229)**
Effect of change in the tax rate	**-**	**(7,303,812)**	**-**	**(1,021,488)**	**(8,325,300)**
	(65,616,214)	**(34,645,708)**	**4,369,197**	**530,196**	**(95,362,529)**

In the measurement of deferred taxes as at 31 December 2011, the corporate income tax rate used was 31.5%.

Amounts in Euro	2010 Beginning balance	Results for theyear Increases	 Decreases	Equity	Closing balance
Temporary differences originating deferred tax assets					
Taxable provisions	26,906	4,992,000	(26,906)	-	4,992,000
Adjustments in property, plant and equipment	4,607,213	1,777,626	(3,338,858)	-	3,045,981
Post-employment benefits	2,719,948	451,688	-	-	3,171,636
Derivative financial instruments at fair value	1,981,284	-	-	(1,981,284)	-
	9,335,351	**7,221,314**	**(3,365,764)**	**(1,981,284)**	**11,209,617**
Temporary differences originating deferred tax liabilities					
Revaluation of property, plant and equipment	(16,457,946)	-	1,775,545	-	(14,682,401)
Derivative financial instruments at fair value	-	-	-	(109,529)	(109,529)
Government grants recognised in equity	(21,486,081)	-	-	(13,535,554)	(35,021,635)
Intercompany losses, deferred	(53,383,835)	(156,951,193)	47,115,490	-	(163,219,538)
Other temporary differences	(1,765,126)	(15,197,208)	1,765,126	-	(15,197,208)
	(93,092,988)	**(172,148,401)**	**50,656,161**	**(13,645,083)**	**(228,230,311)**
Amounts presented in the balance sheet					
Deferred tax assets	**2,473,867**	**1,913,648**	**(891,927)**	**(525,040)**	**2,970,547**
Effect of change in the tax rate	**-**	**252,216**	**-**	**-**	**252,216**
	2,473,867	**2,165,865**	**(891,927)**	**(525,040)**	**3,222,764**
Deferred tax liabilities	**(24,669,642)**	**(45,619,326)**	**13,423,883**	**(3,615,947)**	**(60,481,032)**
Effect of change in the tax rate	**-**	**(4,347,195)**	**-**	**(787,987)**	**(5,135,182)**
	(24,669,642)	**(49,966,521)**	**13,423,883**	**(4,403,934)**	**(65,616,214)**

In the measurement of deferred taxes as at 31 December 2010, the corporate income tax rate used was 28.75%. This rate includes the impact of the state tax surcharge introduced as part of the temporary austerity measures under the Stability and Growth Plan (Plano de Estabilidade e Crescimento - PEC), and passed in Law 12-A/2010.

12. Inventories

As of 31 December 2011 and 2010, inventories net of impairment losses comprised the following:

	31-12-2011			31-12-2010		
Amounts in Euro	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Raw , subsidiary and consumable materials						
Raw materials	23,776,754	(580,000)	23,196,754	16,064,106	(580,000)	15,484,106
Subsidiary materials	2,376,672	-	2,376,672	2,829,560	-	2,829,560
Other materials	8,638,519	-	8,638,519	9,719,937	-	9,719,937
Packaging	983,708	-	983,708	2,838,242	-	2,838,242
	35,775,653	(580,000)	35,195,653	31,451,845	(580,000)	30,871,845
Work in progress	605,615	-	605,615	4,545,947	-	4,545,947
Byproducts and w aste	-	-	-	662,902	-	662,902
Finished and intermediate products						
Pulp	9,931,198	-	9,931,198	11,100,668	-	11,100,668
Paper	-	-	-	8,663,952	-	8,663,952
Wood chips for the production of pulp	5,458,416	-	5,458,416	2,904,079	-	2,904,079
	15,389,614	-	15,389,614	22,668,699	-	22,668,699
Advances to inventories' suppliers	1,273,683	-	1,273,683	1,310,809	-	1,310,809
	53,044,565	**(580,000)**	**52,464,565**	**60,640,202**	**(580,000)**	**60,060,202**

12.1 Inventories under the custody of third parties

On 31 December 2011 there were no inventories under the custody of third parties belonging to the Company. As of 31 December 2010, inventories under the custody of third parties amounted to Euro 7,059,303 and were located in the following countries:

	31-Dez-10		
Amounts in Euro	**Pulp**	**Paper**	**Total**
United Kingdom	-	1,154,384	1,154,384
Germany	2,424,496	884,214	3,308,711
Netherlands	1,209,015	7,295	1,216,309
France	-	437,547	437,547
Spain	-	863,594	863,594
Italy	-	31,899	31,899
Sw itzerland	-	46,859	46,859
	3,633,511	**3,425,791**	**7,059,303**

12.2 Costs of goods sold

During the years ended 31 December 2011 and 2010 cost of goods sold was as follows:

Amounts in Euro	2011	2010
Beginning balance	31,451,845	31,887,167
Purchases	282,191,637	290,892,530
Adjustments	(718,680)	-
Closing balance	(35,775,653)	(31,451,845)
Cost of inventory sold and consumed	**277,149,149**	**291,327,852**

12.3 Changes in production inventories

Changes in inventories for the years ended 31 December 2011 and 2010 was as follows:

	2011				2010			
Amounts in Euro	Finished and intermediate products	Byproducts and waste	Work in progress	Total	Finished and intermediate products	Byproducts and waste	Work in progress	Total
Beginning balance	15,389,614	-	605,615	15,995,229	22,668,699	662,902	4,545,947	27,877,548
Adjustments	3,472,151	-	-	3,472,151	(362,702)	-	-	(362,702)
Closing balance	(22,668,699)	(662,902)	(4,545,947)	(27,877,548)	(17,660,095)	(1,787,995)	(5,140,224)	(24,588,314)
Variation in production	**(3,806,934)**	**(662,902)**	**(3,940,332)**	**(8,410,168)**	**4,645,902**	**(1,125,093)**	**(594,277)**	**2,926,532**

12.4 Impairment losses

The changes in inventories' accumulated impairment losses for the years ended 31 December 2011 and 2010 is as follows:

Amounts in Euro	2011	2010
Beginning balance	580,000	747,881
Increases	-	-
Reversals	-	(167,881)
utilisations	-	-
Transfers	-	-
Closing balance	**580,000**	**580,000**

13. Financial assets

13.1 Financial assets' categories

As of 31 December 2011 and 2010 the categories of financial assets were detailed as follows:

	31-12-2011			31-12-2010		
Amounts in Euro	Current	Non-current	Total	Current	Non-current	Total
Cash and cash equivalents (Note 4):						
Cash	10,475	-	10,475	10,475	-	10,475
Short term bank deposits	568,476	-	568,476	440,471	-	440,471
Other	61,300,000	-	61,300,000	103,700,000	-	103,700,000
	61,878,951	**-**	**61,878,951**	**104,150,946**	**-**	**104,150,946**
Financial assets:						
Accounts receivable	53,091,042	-	53,091,042	13,610,896	-	13,610,896
Advances to suppliers	467,653	-	467,653	107,267	-	107,267
Other current receivables	65,948,574	-	65,948,574	110,761,900	-	110,761,900
	119,507,269	**-**	**119,507,269**	**124,480,063**	**-**	**124,480,063**
	181,386,220	**-**	**181,386,220**	**228,631,009**	**-**	**228,631,009**

13.2 Financial Assets – Receivables

As of 31 December 2011 and 2010 the caption "Receivables", net of impairment losses, was detailed as follows:

	31-12-2011			31-12-2010		
Amounts in Euro	Gross amount	Accumulated impairment	Net amount	Gross amount	Accumulated impairment	Net amount
Accounts receivable	1,337,197	(222,099)	1,115,098	7,024,443	(145,690)	6,878,753
Accounts receivable - related parties (Note 5)	51,975,944	-	51,975,944	6,732,143	-	6,732,143
	53,313,141	**(222,099)**	**53,091,042**	**13,756,586**	**(145,690)**	**13,610,896**

13.3 Financial assets – Other current assets

As of 31 December 2011 and 2010, other current assets net of impairment losses, were detailed as follows:

	31-12-2011			31-12-2010		
Amounts in Euro	Gross amount	Accumulated impairment	Net amount	Gross amount	Accumulated impairment	Net amount
Other debtors						
Associates and group companies (Note 5)	37,611,670	-	37,611,670	79,940,210	-	79,940,210
AICEP - Government grants to receive	23,974,059	-	23,974,059	29,489,809	-	29,489,809
Advances to employees	209,807	-	209,807	300,620	-	300,620
Derivative financial instruments (Note 30)	-	-	-	240,379	-	240,379
Other	579,989	(133,652)	446,337	145,804	(266,333)	(120,529)
	62,375,525	**(133,652)**	**62,241,873**	**110,116,822**	**(266,333)**	**109,850,489**
Accrued income						
Accrued interest	30,008	-	30,008	786,622	-	786,622
Other - Associates and group companies (Note 5)	3,676,470	-	3,676,470	6,240	-	6,240
Other	223	-	223	118,549	-	118,549
	3,706,701	-	3,706,701	911,411	-	911,411
	66,082,226	**(133,652)**	**65,948,574**	**111,028,233**	**(266,333)**	**110,761,900**

The movements in the balance with AICEP were as follows:

Amounts in Euro	2011	2010
Amount as of 1 January	29,489,809	5,561,171
Received in the year	(5,515,750)	-
Increase / (adjustment)	-	23,928,638
Amount as of 31 December	**23,974,059**	**29,489,809**

Of this, Euro 23,953,028 (2010: 29,300,607 Euro) relate to the incentives under the scope of the contracts signed with AICEP and described in Note 17. The remaining relate to receivables for other incentives also managed by this Agency.

13.4 Financial assets – Impairment losses

The changes in accumulated impairment losses in receivables for the years ended 31 December 2011 and 2010 were as follows:

	31-12-2011			31-12-2010		
Amounts in Euro	Other current receivables (Note 13.3)	Accounts receivable (Note 13.2)	Total	Other current receivables (Note 13.3)	Accounts receivable (Note 13.2)	Total
Beginning balance	266,333	145,690	412,023	266,333	97,792	364,125
Increases	-	135,620	135,620	-	47,898	47,898
Reversals	(132,681)	-	(132,681)	-	-	-
Utilisations	-	(59,211)	(59,211)	-	-	-
Closing balance	**133,652**	**222,099**	**355,751**	**266,333**	**145,690**	**412,023**

14. State and other public entities

As of 31 December 2011 and 2010, there were no overdue debts to the State and other public entities. The balances with these entities were as follows:

	Assets		Liabilities	
Amounts in Euro	31-12-2011	31-12-2010	31-12-2011	31-12-2010
Corporate income tax	-	-	10,496,042	9,865,016
Personal income tax - w itheld on salaries	-	-	529,950	2,103,498
Value added tax - to pay	-	-	5,138,199	340,076
Value added tax - refunds requested	-	11,260,166	-	-
Value added tax - to recover	19,346	533,026	-	-
Social Security	-	-	782,204	758,963
Aditional tax assessments	-	-	33,378,935	20,537,109
Other	-	623	-	-
	19,346	**11,793,815**	**50,325,330**	**33,604,662**

As at 31 December 2010, the outstanding VAT refunds requested comprised the following:

Amounts in Euro	Oct/10	Nov/10	Dec/10	Total
Portucel	3,404,918	6,443,233	1,412,015	11,260,166
	3,404,918	**6,443,233**	**1,412,015**	**11,260,166**

The decrease in the amount due for personal income tax withheld on salaries comparing to 2010 results from the payment of annual performance bonuses during December 2010.

Corporate income tax

As at 31 December 2011 and 2010 this caption comprised the following:

Amounts in Euro	31-12-2011	31-12-2010
Corporate income tax (Note 11)	(2,234,516)	(47,109,107)
Corporate income tax of companies included in the special taxation regime	37,241,738	74,173,968
Payments on account of corporate income tax	(23,888,350)	(16,991,021)
Witholding tax	(622,830)	(186,048)
Corporate income tax from previous years	-	(22,776)
	10,496,042	**9,865,016**

The additional tax assessments include interest on deferred payments and are deducted of payments on account made for those claims. The balance for this caption was detailed as follows as of 31 December 2011 and 2010:

Amounts in Euro	31-12-2011	31-12-2010
Additional tax assessment 2005 - Corporate Income Tax (RETGS)	15,137,029	11,467,446
Additional tax assessment 2006 - Corporate Income Tax (RETGS)	11,197,249	9,069,663
Additional tax assessment - Municipal surcharge 2007	686,257	-
Additional tax assessment 2008 - Corporate Income Tax (RETGS)	44,612	-
Additional tax assessment - Municipal surcharge 2010	3,027,408	-
Additional tax assessment - State surcharge 2010	1,227,950	-
Other	2,058,430	-
	33,378,935	**20,537,109**

15. Deferrals

As of 31 December 2011 and 2010, deferrals recognized in current assets comprised the following:

Amounts in Euro	31-12-2011	31-12-2010
Charges with the emission of bonds	2,234,231	3,392,308
Prepayment of insurance premiums	780,736	-
Maintenance	1,251,474	2,315,504
Charges with bank loans	357	35,786
Other	43,780	286,472
	4,310,578	**6,030,070**

16. Equity

16.1 Share capital and treasury shares

Portucel is a public company with its shares quoted on the Euronext Lisbon.

As of 31 December 2011 and 2010, Portucel's share capital was fully subscribed and paid for. It is represented by 767,500,000 shares with nominal value of Euro 1 each, of which 19,685,112 are held as treasury shares by other related companies with an acquisition cost of Euro 48,441,693.

As of 31 December 2011 and 2010, the shareholders with significant positions in the Company's capital were as follows:

	31-12-2011		31-12-2010	
Name	Number of shares	%	Number of shares	%
Semapa SGPS, S.A.	340,571,392	44.37%	105,522,241	13.75%
Seinpar Investments, BV	241,583,015	31.48%	241,583,015	31.48%
Other entities of Semapa Group	2,000	0.00%	1,179,800	0.15%
Seinpart - Participações, SGPS, S.A.	-	0.00%	230,839,400	30.08%
Bestinver Gestión, SA SGIIC	15,407,418	2.01%	15,443,547	2.01%
Treasury shares	22,099,932	2.88%	15,054,358	1.96%
Other shareholders	147,836,243	19.26%	157,877,639	20.57%
	767,500,000	**100.00%**	**767,500,000**	**100.00%**

As at 31 December 2011 the shares representing the Company's share capital were quoted at a unit price of Euro 2,0646 (31 December 2010: Euro 2,276) for which its market value as at the balance sheet date amounted to Euro 1,548,450,000 (31 December 2010: Euro 1,746,830,000).

The market value of the treasury shares held (22,099,932 shares) as at 31 December 2011 was Euro 40,641,775 (the market value of the treasury shares held by subsidiaries as at 31 December 2010 was Euro 34,263,719).

16.2 Appropriation of previous year's profit

According to the resolution of Portucel's General Shareholder's Meeting, that took place in 19 May 2011, the appropriation of the 2010 net profit was as follows (and the equivalent information for the appropriation of the 2009 net profit):

Amounts in Euro	2010	2009
Dividend distribution	-	63,318,750
Legal reserves	10,540,737	4,675,620
Retained earnings	200,273,994	25,518,021
Previous year net profit - POC	**210,814,731**	**93,512,391**
NCRF transition adjustments	-	22,642,559
Previous year net profit - NCRF	**210,814,731**	**116,154,950**

On 31 December 2011, retained earnings included Euro 38,311,856 related to a revaluation surplus, which is not available for distribution. The changes in this surplus in the years ended 31 December 2011 and 2010 due to the disposal or use of the assets were as follows:

Amounts in Euro	2011	2010
Beginning balance	4,957,845	5,656,481
Movement in the year	(692,647)	(770,617)
Deferred tax	404,763	71,981
Closing balance	**4,669,961**	**4,957,845**

16.3 Legal Reserves

The changes in legl reserves during 2011 and 2010 were as follows:

Amounts in Euro	31-12-2011	31-12-2010
Beginning balance	47,005,845	42,330,225
Net income from prior years	10,540,737	4,675,620
Closing balance	**57,546,582**	**47,005,845**

Under Portuguese Commercial Law, at least 5% of annual net profit must be transferred to the legal reserve until it reaches at least 20% of the Company's share capital.

This reserve cannot be distributed unless the company is liquidated but can be drawn on to absorb losses, after all other reserves are exhausted, or incorporated in the share capital.

16.4 Adjustments in financial assets

"Adjustments in financial assets" shows the impact of the equity method as the criteria for valuation of Portucel's financial investments (see Note10) regarding the changes in the subsidiary's equity, namely related to pensions and changes in the value of derivate financial instruments.

The movements in this caption in the years ended 31 December 2011 and 2010 were as follows:

	Balance as of	Movement in the year			Balance as of	Movement in the year			Balance as of
Amounts in Euro	01-01-2010	Increases	Decreases	Transfers	31-12-2010	Increases	Decreases	Transfers	31-12-2011
Subsidiaries									
Soporcel - Sociedade Portuguesa de Papel, S.A.	(18,138,541)	-	(214,713,756)	-	(232,852,297)	-	(176,567,796)	-	(409,420,093)
PortucelSoporcel Participações, S.G.P.S., S.A.	(6,694,835)	-	(3,618)	-	(6,698,453)	7,574,752	-	-	876,299
PortucelSoporcel Energia, S.G.P.S., S.A.	(6,696,928)	-	-	-	(6,696,928)	7,591,461	-	-	894,533
PortucelSoporcel Pulp, S.G.P.S., S.A.	-	-	(3)	-	(3)	-	-	-	(3)
Country Target, S.G.P.S., S.A.	-	374,204	-	-	374,204	-	(1,075,679)	-	(701,475)
PortucelSoporcel Papel, S.G.P.S., S.A.	(12,496,958)	-	(131,288)	-	(12,628,246)	55,645,653	-	22,642,558	65,659,965
Soporcel Pulp - Sociedade Portuguesa de Celulose, S.A.	-	240,587,825	-	-	240,587,825	136,702,419	-	-	377,290,244
Portucel Florestal, S.A.	-	-	-	-	-	-	(15,724,106)	-	(15,724,106)
	(44,027,262)	240,962,029	(214,848,665)	-	(17,913,898)	207,514,285	(193,367,581)	22,642,558	18,875,364
Associates									
PortucelSoporcel Floresta, S.G.P.S., S.A.	(6,909,987)	-	(177,833)	-	(7,087,820)	10,271,456	-	(3,208,087)	(24,451)
PortucelSoporcel Sales& Marketing, NV	(23,410)	109	-	1	(23,300)	-	(5,440)	-	(28,740)
Raiz Instituto de Investigação da Floresta e do Papel	(9,737)	-	(8,520)	18,257	-	-	-	-	-
Tecnipapel - Sociedade de Transformação e Distribuição de Papel, Lda.	18,824	-	-	-	18,824	-	-	(18,824)	-
About the Future, Empresa Produtora de Papel, S.A.	607,034	9,138	-	-	616,172	-	-	(616,172)	-
	(6,317,276)	9,247	(186,353)	18,258	(6,476,124)	10,271,456	(5,440)	(3,843,083)	(53,191)
	(50,344,538)	**240,971,276**	**(215,035,018)**	**18,258**	**(24,390,022)**	**217,785,741**	**(193,373,021)**	**18,799,475**	**18,822,173**

16.5 Other changes in Equity

As of 31 December 2011 and 2010, other changes in equity was detailed as follows:

Amounts in Euro	31-12-2011	31-12-2010
Fair value reserve of hedging derivatives (Note 30)	(523,245)	78,040
Actuarial changes (Note 19)	2,318,421	3,098,349
Government grants (Note 16.7.2)	21,558,634	24,952,915
	23,353,810	**28,129,304**

16.5.1 Fair value reserve

As of 31 December 2011, the Fair value reserve of Euro 1,658,687 (2010: Euro 78,040), net of deferred taxes of Euro 669,925 (2010: Euro 31,489), represents the negative fair value of hedging instruments of Euro 1,980,230 (Note 30), recorded as described in Note 3.11.

The movements occurred in this reserve in the years ended 31 December 2011 and 2010 were as follows:

Amounts in Euro	2011	2010
Amount as of 1 January	78,040	(1,456,243)
Revaluation at fair value	(601,285)	(652,632)
Transfer to the income statement due to the maturity of the instruments (Note 30)	-	2,186,915
Amount as of 31 December	**(523,245)**	**78,040**

16.5.2 Government grants

Investment grants

During the years ended 31 December 2011 and 2010, the movements in government grants were as follows:

Amounts in Euro	2011	2010
Beginning balance - Government grants	35,021,635	21,486,081
Beginning balance - Deferred tax liability	(10,068,720)	(5,693,811)
Estimate for additional government grants to receive (Note 13.3)	-	23,866,267
Goverment grants recognised in the income statement (Note 26)	(3,549,177)	(10,330,713)
Deferred tax adjustments	154,896	(4,374,909)
Closing balance	**21,558,634**	**24,952,915**

On 12 July 2006, Portucel and API – Agência Portuguesa para o Investimento (currently designated AICEP – Agência para o Investimento e Comércio Externo de Portugal) entered into two investment contracts. These contracts comprised financial incentives amounting to Euro 55,205,270.

16.6 Consolidated financial statements

Under prevailing law, Portucel's individual financial statements are prepared in accordance with the accounting principles generally accepted in Portugal (PGAAP). However, for the preparation of the consolidated financial statements, the IFRS as endorsed by the European Union are used.

As of 31 December 2011, the reconciliation between these two sets of accounts was as follows:

Amounts in Euro	Equity / Retained earnings	Retained earnings in the year	Total
Individual Financial Statements (PCGAP)	1,242,856,131	173,423,894	1,409,151,282
Treasury shares	(6,286,719)	-	(6,286,719)
Revaluation of property, plant and equipment	89,650,461	22,921,962	112,572,423
Government grants	(37,060,817)	-	(37,060,817)
Non-controlling interests	(206,193)	(14,467)	(220,660)
	1,288,952,863	**196,331,389**	**1,478,155,509**

As of 31 December 2010 the reconciliation was as follows:

Amounts in Euro	Equity / Retained earnings	Retained earnings in the year	Total
Individual Financial Statements (PCGAP)	1,041,513,181	210,758,203	1,252,271,384
Revaluation of property, plant and equipment	112,321,041	(177,978)	112,143,063
Government grants	(60,694,725)	-	(60,694,725)
Non-controlling interests	(224,610)	7,855	(216,755)
	1,092,914,887	**210,588,080**	**1,303,502,967**

As the individual financial statements are the relevant ones for the purpose of determining the distribution capacity of results, this capability is measured based on the retained earnings and other reserves determined in accordance with Portuguese GAAP. It should be noted that the transition to IAS / IFRS has been made in the consolidated financial statements with reference to 1 January 2005 while the conversion of the individual financial statements to the current Portuguese GAAP was made with reference to 1 January 2010. This, combined with different criteria and concepts between the two standards, justifies the difference in the equity of the two sets of financial statements.

On 31 December 2011 and 2010, the reserves available for distribution were detailed as follows:

Amounts in Euro	31-12-2011	31-12-2010
Retained earnings from prior years	385,419,591	178,976,096
	385,419,591	**178,976,096**
Net profit of the year	173,423,894	210,758,203
Legal reserve	(8,671,195)	(10,537,910)
	164,752,699	**200,220,293**
	550,172,290	**379,196,389**

17. Provisions

In the years ended 31 December 2011 and 2011 the changes in provisions were as follows:

Amounts in Euro	Legal claims	Other	Total
Amount as of 1 January 2010	**337,835**	**801,675**	**1,139,510**
Increase	86,751	10,551,473	10,638,224
Utilization	-	-	-
Reversal	-	-	-
Transfers	-	-	-
Amount as of 31 December 2010	**424,586**	**11,353,148**	**11,777,734**
Increase	-	14,695,762	14,695,762
Utilization	-	-	-
Reversal	(170,303)	(9,403,556)	(9,573,859)
Transfers	-	-	-
Amount as of 31 December 2011	**254,283**	**16,645,354**	**16,899,637**

The amount shown as “Others” relates to a provision for risks with other public entities which may originate a cash outflow in the future.

18. Financial liabilities

18.1 Categories of financial liabilities

As of 31 December 2011 and 2010, the financial liabilities were detailed as follows:

	31-12-2011			31-12-2010		
Amounts in Euro	Current	Non current	Total	Current	Non current	Total
Financial liabilities:						
Accounts payable	47,551,073	-	47,551,073	73,790,355	-	73,790,355
Interest bearing liabilities	164,077,381	569,047,619	733,125,000	91,250,000	733,125,000	824,375,000
Other payables	24,556,493	862,972	25,419,465	27,171,816	2,796,004	29,967,820
	236,184,947	569,910,591	806,095,538	192,212,171	735,921,004	928,133,175
	236,184,947	**569,910,591**	**806,095,538**	**192,212,171**	**735,921,004**	**928,133,175**

18.2 Financial liabilities – Accounts payable

As of 31 December 2011 and 2010, Accounts payable were detailed as follows:

Amounts in Euro	31-12-2011	31-12-2010
Accounts payable - suppliers	18,402,959	30,629,597
Accounts payable - suppliers - related parties (Note 5)	20,236,395	31,998,597
Invoices pending review	8,911,719	11,162,161
	47,551,073	**73,790,355**

18.3 Financial liabilities – Interest-bearing liabilities

As of 31 December 2011 and 2010, interest-bearing liabilities were detailed as follows:

	31-12-2011			31-12-2010		
Amounts in Euro	Current	Non current	Total	Current	Non current	Total
Bond loans	150,000,000	400,000,000	550,000,000	-	550,000,000	550,000,000
Bank loans	14,077,381	169,047,619	183,125,000	91,250,000	183,125,000	274,375,000
	164,077,381	**569,047,619**	**733,125,000**	**91,250,000**	**733,125,000**	**824,375,000**

As of 31 December 2011 and 2010, Company's net debt was detailed as follows:

Amounts in Euro	31-12-2011	31-12-2010
Interest bearing debt		
Non current	569,047,619	733,125,000
Current	164,077,381	91,250,000
	733,125,000	**824,375,000**
Cash and cash equivalents (Note 4)		
Cash	10,475	10,475
Short term bank deposits	568,476	440,471
Other	61,300,000	103,700,000
	61,878,951	**104,150,946**
Treasury shares at market value (Note 10)	**40,641,775**	**34,263,719**
Net debt	**630,604,274**	**685,960,335**

Bond loans

During 2005, the Group issued five bond loans totalling Euro 700,000,000. The 2005/2008 loan amounting to Euro 25,000,000 was repaid during 2008, and the 2005/2010 loan, of Euro 300,000,000 was repaid in March 2010.

In December 2009, Portucel contracted a bond loan designated "Obrigações Portucel 2010/2015" that was only used on February 2010 amounting to Euro 100,000,000. The loan is indexed to the 3-month Euribor, with a designed 40% repayment at the end of the fourth year, and the remaining 60% at maturity date. A spread is added to the market interest rate according to the level of the Net Debt/EBITDA ratio.

In February 2010, Portucel contracted an additional bond loan designated "Obrigações Portucel - 2010 /2015 - 2ª Emissão" with an amount of Euro 100,000,000 indexed to the 6-month Euribor with a single reimbursement upon maturity, February 2015.

The loans outstanding as of 31 December 2011 were detailed as follows:

Amounts in Euro	Amount	Maturity	Reference interest rate
Bond loans			
Portucel 2005 / 2012	150,000,000	October 2012	Euribor 6m
Portucel 2005 / 2013	200,000,000	May 2013	Euribor 6m
Portucel 2010 / 2015 - 2nd emission	100,000,000	February 2015	Euribor 6m
Portucel 2010 / 2015	100,000,000	January 2015	Euribor 6m
	550,000,000		

The loan amounting to Euro 150,000,000 is quoted in the Euronext Lisbon under the heading "Obrigações Portucel 2005/2012". As of 31 December 2011 the unit value of this bond was Euro 99.80 (31 December 2010: Euro 99.40).

Non-current bank loans

Portucel contracted a bank loan of Euro 25,000,000 in January 2005 for a period of seven years. The loan will be repaid in 8 semi-annual instalments of Euro 3,125,000 each, the first of which was due in July 2008. So far 7 semi-annual installments were paid. The loan bears interest at a rate corresponding to the Euribor for six months.

In April 2009, Portucel has received Euro 65,000,000 related to a credit facility which had been contracted during 2008 with the European Investment Bank (EIB) designated Portucel – Ambiente Tranche A. In March 2010, Portucel used two contracted credit facilities with the European Investment Bank (EIB) of Euro 30,000,000 and Euro 85,000,000 designated BEI – Ambiente Tranche B and BEI – Energy, respectively.

The loan designated BEI – Ambiente Tranche A has a 10 year maturity and will be repaid in 14 semi-annual instalments, the first of which will be due 3 years after the loan date, on June 15, 2012, amounting to Euro 4,642,857. The loan bears interest at a rate corresponding to the Euribor for six months plus a variable spread associated to financial ratios.

The loan designated BEI – Ambiente Tranche B has a 14 year maturity and it will be repaid in 18 semi-annual instalments, the first of which will be due on December 2012 and the last one on June 15, 2021, each of them amounting to Euro 1,666,667. This loan bears interest at a rate corresponding to the Euribor for six months plus a fixed spread.

The loan designated BEI – Energy has a 14 year maturity and it will be repaid in 24 semi-annual instalments, the first of which will be due on June 15, 2013 and the last one on December 15, 2024, each amounting to Euro 3,541,667. This loan bears interest at a rate corresponding to the Euribor for six months plus a fixed spread.

These two loans are guaranteed by two banks.

In June 2010, Portucel contracted a commercial paper program amounting to Euro 50,000,000, whose emissions are underwritten by a bank for a period of three years. On 28 December 2010, Portucel used the entire issue for a period of 35 days, maturing on 31 January 2011. Also in 28 December 2010, a Hot Money credit line of Euro 35,000,000 was hired, maturing on 31 January 2011.

The repayment terms related to non-current loans show the following maturity profile:

Amounts in Euro	31-12-2011	31-12-2010
Non current		
1 to 2 years	219,702,381	164,077,381
2 to 3 years	59,702,381	219,702,381
3 to 4 years	179,702,381	59,702,381
4 to 5 years	109,940,476	179,702,381
More than 5 years	-	109,940,476
	569,047,619	**733,125,000**

As of 31 December 2011, the Group had available but unused credit lines amounting to Euro 32,450,714 (31 December 2010: Euro 32,450,714).

18.4 Financial liabilities – Other payables

As of 31 December 2011 and 2010 the balance of other current and non-current payables was detailed as follows:

	31-12-2011		31-12-2010	
Amounts in Euros	Non current	Current	Non current	Current
Accounts payable to fixed assets suppliers	862,972	-	2,796,004	-
Derivative financial instruments (Note 30)	-	1,980,230	-	-
Personnel	-	158,875	-	488,901
Other creditors - CO2 emission allowances	-	478,004	-	715,710
Other creditors - Group companies (Note 5)	-	952,290	-	819,058
Other creditors	-	(177,327)	-	590,760
Accrued costs	-	21,164,421	-	24,557,387
	862,972	**24,556,493**	**2,796,004**	**27,171,816**

As of 31 December 2011 and 2010, “Accrued costs” were detailed as follows:

Amounts in Euro	31-12-2011	31-12-2010
Payroll costs	10,460,607	7,339,231
Interest payable	3,951,707	3,398,896
Costs of materials and services consumed, accrued	3,822,898	6,074,413
Group Companies (Note 5)	2,371,314	994,976
Sales discounts	557,895	3,579,837
Comissions	-	2,501,789
Compensatory interest	-	668,245
	21,164,421	**24,557,387**

19. Pensions and other post-employment benefits

19.1 Introduction

Under the prevailing Social Benefits Regulation, permanent employees of Portucel with more than five years’ service that did not change to the defined-contribution plan, as well as retired employees at the transition date (1 January 2009) are entitled to a monthly retirement pension or disability supplement after retirement or disability. This is calculated according to a formula, which considers the beneficiary’s gross monthly remuneration updated to the work category at the date of retirement and the number of years of service, up to a limit of 30, including a survivor pensions to the spouse and direct descendants.

To cover this liability, externally managed pension funds were set up, and the funds’ assets are apportioned in conjunction with some companies of the Portucel Group.

As of 31 December 2011 and 2010, the coverage of the companies' liabilities by the assets of the funds was as follows:

Amounts in Euro	31-12-2011	31-12-2010
Past services liabilities		
- Active employees	3,557,693	6,196,283
- Retired employees	11,926,574	9,184,088
Market value of the pension fund	(15,131,677)	(15,785,672)
(Excess) / Understatement of the pension fund	**352,590**	**(405,301)**
Liabilities on retirement bonuses	3,246,711	3,171,632
Unfunded liabilities	**3,599,301**	**2,766,331**

19.2 Assumptions used in the valuation of liabilities

The actuarial studies carried out by an independent entity for the purpose of determining the accumulated liabilities as of 31 December 2011 and 2010 were based on the following assumptions:

	31-12-2011	31-12-2010
Disability table	EKV 80	EKV 80
Mortality table	TV 88/90	TV 88/90
Employee rotation rate	0%	1%
Wage growth rate	2.00%	2.00%
Technical interest rate	5.00%	5.00%
Pension growth rate	1.75%	1.75%
Social security benefit formula	Decree-Law nº 35/2002 of 19 February	Decree-Law nº 35/2002 of 19 February

The discount rates used in this study were selected over the return rates of a bonds' portfolio, namely Markit iBoxx Eur Corporates AA 10+. From the portfolio, bonds with adequate maturity and rating were selected according to the amount and period cash outflows that will occur in connection to the payment of the benefits to employees.

For the year ended 31 December 2010 the Company used a technical rate of 5.50% to calculate the costs related to current services. However, due to the behavior of the capital markets that year and its future expectations, liabilities with pensions were measured using a technical rate of 5.00% as of 31 December 2010, which remained unchanged in 2011.

The rate of the expected return on assets was determined based on the historical monthly returns over the last 20 years for the different types of assets integrating the strategic allocation of the pension's fund.

During the year ended 31 December 2010, Portucel S.A., presented their employees a proposal to reshape the defined benefit pension plan to a defined contribution plan. Most of the employees accepted this proposal.

This amendment took effect as of 1 November 2010, backdated to 1 January 2009 for the purpose of determining the liability to be transferred.

19.3 Retirement and survival supplements

The movements in the liabilities with retirement and survival plans in the years ended 31 December 2011 and 2010 were as follows:

Amounts in Euro	2011	2010
Opening balance	15,380,371	50,794,713
Changes in assumptions	-	50,120
Curtailment	-	(32,913,549)
Current service costs	142,546	161,324
Financial cost	755,410	826,242
Pensions paid	(833,396)	(771,745)
Actuarial gains / (losses)	39,336	(2,766,734)
Closing balance	**15,484,267**	**15,380,371**

The funds set up to cover the above mentioned liabilities had the following movement in the years ended 31 December 2011 and 2010:

Amounts in Euro	2011	2010
Opening balance	15,785,672	49,671,595
Curtailment	-	(32,913,549)
Contributions made in the period	172,000	60,000
Expected return in the period	747,995	978,038
Actuarial gains / (losses) (difference between actual and expected returns)	(740,593)	(1,238,667)
Pensions paid	(833,396)	(771,745)
Closing balance	**15,131,677**	**15,785,672**

The contributions made to the fund in the year considered the information received from the actuaries with whom the Company manages the funding needs of its several plans. A deficit recovery plan of the funding levels to the mandatory minimum defined by the applicable regulations is being carried out as applicable.

In the years ended 31 December 2011 and 2010 the effect in equity (Note 16) and in the income statement of these plans was as follows:

Amounts in Euro	2011	2010
Actuarial gains / (losses)	39,336	(2,766,734)
Difference between actual and expected returns	740,593	2,663,235
Amounts recognized in equity	**779,929**	**(103,499)**
Defined benefit plans		
Current services	142,546	161,323
Interest expenses	755,410	826,242
Expected return of the plan assets	(747,995)	(978,038)
Transfers and adjustments	-	(3,248,062)
	149,961	**(3,238,535)**
Defined contribution plans		
Changes to the plan	-	1,666,617
Defined contribution	903,531	63,761
	903,531	**1,730,378**
Costs for the period (Note 6)	**1,053,492**	**(1,508,157)**

The cost regarding contributions to the defined contribution plan since 1 January 2009 to 31 December 2010, amounting to Euro 3,248,062 was recognized in 2010. This was financed through the allocation of part of the fund to finance the defined benefit plan, resulting in an additional reduction in the defined benefit plan costs, registered as transfers and adjustments.

19.4 Retirement bonuses

The company assumed the liability of the payment of a retirement bonus, equal to 6 months of salary, if the employee retires at the regular age of retirement (65 years). The movements in this liability were as follows:

Amounts in Euro	2011	2010
Beginning balance	(3,171,632)	(2,719,944)
Costs recognized in the income statement	(75,079)	(393,161)
Pensions paid	-	29,302
Other changes	-	(87,829)
Closing balance	**(3,246,711)**	**(3,171,632)**

20. Sales and services rendered

In the years ended 31 December 2011 and 2010, Sales and services rendered were detailed as follows:

Amounts in Euro	2011	2010
Sales	452,612,711	552,267,366
Services Rendered	68,731,360	49,789,350
	521,344,071	**602,056,716**

20.1 Sales and services rendered by region

	PULP		PAPER		Others and services rendered		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010
Internal - Portugal	169,997,595	138,499,618	7,663,380	16,291,816	144,558,835	90,648,539	322,219,810	245,439,973
Europe	98,712,862	143,564,385	76,311,451	151,782,284	-	-	175,024,313	295,346,669
America	1,261,555	1,692,772	715,054	4,739,088	-	-	1,976,609	6,431,860
Other markets	5,358,672	9,356,400	16,764,667	45,481,814	-	-	22,123,339	54,838,214
	275,330,684	**293,113,175**	**101,454,552**	**218,295,002**	**144,558,835**	**90,648,539**	**521,344,071**	**602,056,716**

In the first half of 2011, the Company obtained the licenses required to transfer the production of paper to Portucel Papel Setúbal, S.A. following the acquisition of the respective equipments by that company in December 2009. Thus, from 1 July 2011 on, Portucel started to produce and sell only BEKP, in its industrial sites of Cacia and Setúbal.

21. Grants

As of 31 December 2011 and 2010 the caption Grants was as follows:

Amounts in Euro	2011	2010
Government grants - CO2 emission allowances (Note 9)	965,794	865,461
Other government grants	87,104	75,629
	1,052,898	**941,090**

22. Gains and losses related to subsidiaries, associates and joint ventures

In the years ended 31 December 2011 and 2010 the Company appropriated the following results from subsidiaries, associates and jointly-controlled entities through the use of the equity method:

Amounts in Euro		2011	2010
Results appropriated from:			
Subsidiaries		196.067.991	152.148.994
Associates		10.943.200	41.411
	(Note 10)	**207.011.191**	**152.190.405**

In addition to the above mentioned amounts, the results for the year include a gain of Euro 52,861, related to the liquidation of Tecnipapel, Lda.

23. External supplies and services

External supplies and services are detailed as follows for the years ended 31 December 2011 and 2010:

Amounts in Euro	2011	2010
External services contracted	2,272,188	4,488,155
Specialised sevices	56,930,852	58,853,165
Materials	1,033,137	2,153,115
Energy and fluids	45,673,029	60,943,113
Travel, lodging and transportation	11,385,681	20,454,557
Other services	19,666,756	29,959,076
	136,961,643	**176,851,181**

For the year ended 31 December 2011, the costs incurred with investigation and research activities amounted to Euro 112,723 (2010: Euro 131,880).

24. Payroll costs

Payroll expenses are detailed as follows for the years ended 31 December 2011 and 2010:

Amounts in Euro	2011	2010
Statutory bodies	1,653,969	2,858,350
Other personnel	38,237,554	43,276,154
Post-employment benefits:		
Defined Contribution (Note 19)	903,531	1,730,378
Defined Benefit (Note 19)	225,040	(2,845,374)
Compensation for contract termination	2,376,012	593,745
Other payroll costs	2,411,692	2,421,840
	45,807,798	**48,035,093**

The decrease in payroll expenses mainly results from the previously mentioned transfer of the UWF paper production activity. Employees assigned to this area have signed multi-employer contacts, allowing them to remain contractually linked to the Company, while their costs are allocated to the Company that currently holds the manufacturing operation of UWF paper.

For the years ended 31 December 2011 and 2010, the remuneration of members of the corporate bodies, including performance bonuses, is detailed as follows:

Amounts in Euro	2011	2010
Board of Directors	1,603,027	2,807,642
Statutory Auditor	133,140	62,711
Audit Board	38,192	41,208
General Assembly	12,750	9,500
	1,787,109	**2,921,061**

The remuneration of the members of the corporate bodies includes the costs with the Board of Directors while the costs with the auditors (Note 32) is recorded under external supplies and services.

The average number of employees working for the Company on 31 December 2011 and 2010 was 851 and 889 respectively, and included, in 2011, 167 employees allocated to the UWF paper production activity through multi-employer contracts, as described above.

25. Other operating income

Other operating income is detailed as follows for the years ended 31 December 2011 and 2010:

Amounts in Euro	2011	2010
Supplementary income	12,167,271	11,212,051
Cash discounts obtained	418,224	500,350
Gains on inventories	65,534	682,000
Gains on the disposal of non-current assets	2,323	1,801,515
Other	2,155,567	520,098
	14,808,919	**14,716,014**

26. Other operating costs

Other operating costs are detailed as follows for the years ended 31 December 2011 and 2010:

Amounts in Euro	2011	2010
Donations	347,357	480,829
Indirect taxes	1,826,667	1,525,542
Losses on inventories	947,733	433,587
Losses on non-financial investments	12,271	-
Fines and penalties	6,235	3,579
CO2 emissions	737,283	565,838
Bank comissions	2,570,269	1,382,405
Other	584,595	418,635
	7,032,410	**4,810,415**

27. Amortization, depreciation and impairment losses

During the years ended 31 December 2011 and 2010, the costs with amortization, depreciation and impairment losses were as follows:

Amounts in Euro	2011	2010
Depreciation (charges) / reversals		
Property, plant and equipment (Note 6)		
Depreciation	(40,800,015)	(39,463,713)
Investment government grants	3,549,177	10,330,713
Intangible assets (Note 9)	(367)	(122)
	(37,251,205)	(29,133,122)
Impairment (losses) / reversals		
Intangible assets (Note 9)	(18,002)	-
Property plant and equipment (Note 6)	-	(2,729,133)
	(18,002)	(2,729,133)
	(37,269,207)	**(31,862,255)**

Following the procedure described in Note 3.20, Euro 3,549,178 (2010: Euro 10,330,713) related to investment grants were deducted from the depreciation charge for the year.

28. Net financial results

As of 31 December 2011 and 2010 net financial results were detailed as follows:

Amounts in Euro	2011	2010
Interest and similar income		
Interest earned on loans granted to related parties (Note 5)	45,949	483,774
Interest earned on investments (Note 13.5)	2,103,093	1,651,327
Compensatory interest	689,120	11,310
Exchange rate differences	3,703,958	7,314,154
Gains on derivative financial instruments - changes in fair value (Note 30)	-	469,465
Other	5,607	142,860
	6,547,727	**10,072,890**
Interest and similar expenses		
Interest paid on borrow ings (Note 18.5)	(3,941,109)	(2,729,345)
Interest paid on bond loans (Nota 18.5)	(16,025,331)	(14,061,232)
Interest paid on related perties borrow ings (Note 5)	(1,579,081)	(434,709)
Other interest paid	(16,905)	(45)
Exchange rate differences	(1,575,982)	(6,697,703)
Losses on derivative financial instruments (Note 30)	(3,435,931)	(2,186,948)
Other	(561,304)	(1,458,160)
	(27,135,643)	**(27,568,142)**

Exchange differences recorded during the year ended 31 December 2011 mainly refer to changes in the value of the Euro equivalent of the acquisition of goods and services in other currencies between the acquisition date and settlement date, as well as the revaluation of intercompany assets and liabilities denominated in foreign currencies. This amount is mostly due to changes in the Euro / US dollar exchange rate during the year.

Gains / (losses) with derivative financial instruments relate to fair value changes for the instruments detailed in Note 31.

29. Earnings per share

As of 31 December 2011 and 2010, the earnings per share were determined as follows:

Amounts in Euro	2011	2010
Profit attributable to the Company's shareholders	173,423,894	210,814,731
Average number of issued shares	767,500,000	767,500,000
Average number of ow n shares held	(18,636,203)	-
Basic earnings per share	0.226	0.275
Diluted earnings per share	0.226	0.275

Since there are no convertible financial instruments over the Company’s shares, its earnings are undiluted.

30. Derivative financial instruments

In order to reduce the risks of exposure to changes in exchange rates, interest rates on loans and to cover the price risk of highly probable future transactions, the Company contracted a set of derivative financial instruments.

The fair value of derivative financial instruments is recorded: (i) when positive, under assets, as other financial assets and (ii) when negative, under liabilities, as other financial liabilities. As of 31 December 2011 and 2010 the fair value of the derivative financial instruments was as follows:

Amounts in Euro	Notional Currency	31-12-2011 Positive	Negative	Net	31-12-2010 Net
Hedging					
Net investment	USD	-	(614,563)	(614,563)	109,529
Hedgings (future sales)	USD	-	(1,365,667)	(1,365,667)	-
		-	**(1,980,230)**	**(1,980,230)**	**109,529**
Trading					
Foreign exchange forwards	USD	-	-	-	130,850
		-	**-**	**-**	**130,850**
		-	**(1,980,230)**	**(1,980,230)**	**240,379**

30.1 Financial instruments held for trading

The Company has a currency exposure on sales invoiced in foreign currencies, namely US dollars (USD) and pounds sterling (GBP). Since the Company's financial statements are presented in Euro, it runs an economic risk on the conversion of these currency flows to the Euro. The Company is also obliged, albeit to a lesser degree, to make certain payments in those same currencies which, for currency exposure purposes, act as a natural hedge. Thus, the hedge is aimed at safeguarding the net value of the balance sheet items denominated in foreign currencies against the respective currency fluctuations.

The hedging instruments used in these operations are foreign exchange forward contracts covering the net exposure to the foreign currencies at the time the invoices are issued, for the same maturity dates and the same amounts of these documents in such a way as to fix the exchange rate associated with the sales. The nature of the risk hedged is the book exchange rate variation recorded on sales and purchases expressed in foreign currencies. At the end of each month, customer and suppliers' balances expressed in foreign currency are updated, with the gain or loss offset against the fair value of the forwards negotiated.

30.2 Derivative financial instruments designated as hedging instruments

As of 31 December 2011, the hedging instruments held showed a negative fair value of Euro 614,563 (2010: Euro 109,529 positive), related to a forward instrument designed to hedge the exchange translation risk of Soporcel North America's shareholder's equity.

30.3 Derivative financial instruments' detail and maturity

As of 31 December 2011 and 2010, derivative financial instruments had the following maturities:

		Nominal value	Maturity	Type	31-12-2011 Fair value	31-12-2010 Fair value
Foreign exchange forwards	USD	32.777.000	26-Apr-11	Trading	-	123.395
	GBP	3.900.000	12-Apr-11	Trading	-	7.455
					-	**130.850**
Foreign exchange forwards - investments in sunbsidiaries	USD	25.050.000	30-May-11	Hedging	(614.563)	-
Foreign exchange forwards	USD	37.350.000	30-Sep-11	Hedging	(688.902)	-
Foreign exchange forwards	USD	41.600.000	31-Oct-12	Hedging	(581.028)	-
Foreign exchange forwards	USD	25.200.000	31-Dec-12	Hedging	(95.737)	-
Foreign exchange forwards - investments in sunbsidiaries	USD	25.050.000	26-Nov-11	Hedging	-	109.529
					(1.980.230)	**109.529**
					(1.980.230)	**240.379**

As of 31 December 2011 and 2010 the movement in the balances recognized in the balance sheet relating to the fair value of derivative financial instruments was as follows:

	2011			2010		
	Changes in fair value			Changes in fair value		
Amounts in Euro	Trading	Hedging	Total	Trading	Hedging	Total
Beginning balance	130,850	109,529	240,379	(338,615)	(1,981,284)	(2,319,899)
Changes in fair value	(130,850)	(2,089,759)	(2,220,609)	469,465	2,090,813	2,560,278
Closing balance	**-**	**(1,980,230)**	**(1,980,230)**	**130,850**	**109,529**	**240,379**

31. Environmental related expenditure

Environmental costs

As part of its business operations, the Company incurs in several environmental expenditure which, depending on their nature, are capitalized or recognized as costs in the operating results for the year.

Environmental expenses incurred by the Company in order to preserve resources or to avoid or reduce future damage, are capitalized when they are expected to extend the useful life or to increase the capacity, safety or efficiency of other assets held by the Group.

The expenditures capitalized and expensed in the year ended 31 December 2011 and 2010 were as follows:

Amounts capitalized in the year

Amounts in Euro	2011	2010
Improvements in Ecopark and in landfills	134,905	-
Recovery boiler	46,195	-
Improvements in circuit optimization	36,840	
Noise reduction equipment	27,516	-
Oil boiler generator	-	576,931
Facilities and security improvement	-	42,872
Increase in the capacity of the effluents treatment capacity	-	18,731
Other	11,445	47,118
	256,900	**685,653**

Costs recognized in the year

Amounts in Euro	2011	2010
Liquid effluent treatment	7,643,458	7,037,546
Expenditure w ith electrofilters	558,917	548,023
Material recycling	345,719	416,498
Solid w aste embankement	114,140	138,549
Sew age netw ork	41,515	103,150
Other	107,886	77,880
	8,811,635	**8,321,646**

As of 31 December 2011 there is no environmental related liability recorded in the financial statements nor any requirement for any disclosure related to environmental contingencies since management believes there are no liabilities or contingencies related to past events that may result in material adjustments to the Company.

CO2 emission rights

As part of the Kyoto Protocol, the European Union has committed itself to reduce greenhouse gases' emissions. Within this context, a EU Directive was issued that foresees the trade of CO2 emission rights. This Directive has been transposed to the Portuguese legislation, with effect from 1 January 2005, and impacts, amongst other industries, on the pulp and paper industry.

As a result of negotiations of the National Plan for the Allocation of CO2 Emission Rights (PNALE), for the period 2008-2012, the Company was awarded licences corresponding to 68,254 tons for each year of the period (Note 9).

32. Audit fees

In the period ended 31 December 2011 and 2010, expenses with statutory audits, other audit services and tax consultancy, were as follows:

Amounts in Euro	2011	2010
Statutory audit services	133,140	62,711
Tax consultancy services	141,795	54,938
Other reliability assurance services	43,501	81,248
	318,436	**198,897**

The services described as tax consultancy and other, mainly comprise support in complying with tax obligations, in Portugal and abroad, as well as in services regarding the validation of investment expense claims to present to AICEP, to enable the receipt of the incentives contracted, as referred in note 9. The Board of Directors believes there are adequate procedures safeguarding the independence of auditors through the audit committee process analysis of the work proposed and careful definition of the work to be performed by the auditors.

33. Commitments assumed by the Company

33.1 Commitments in favour of third-parties and other financial commitments

As of 31 December 2011 and 2010, the bank guarantees presented to several entities by the Company were as follows:

Amounts in Euro	31-12-2011	31-12-2010
Portuguese Tax Authorities	32,419,339	27,332,832
Setúbal Customs House	780,000	780,000
Setúbal city Council	56,799	567,987
Simria	327,775	340,005
Estradas de Portugal	123,433	123,433
Other	12,313	9,727
	33,719,659	**29,153,984**

The bank guarantees granted to the Portuguese Tax Authorities are detailed as follows (Note 34):

Amounts in Euro	31-12-2011	31-12-2010
Income tax 2005 - Additional tax assessments	14,656,907	14,656,907
Income tax 2006 - Additional tax assessments	11,823,199	11,823,198
Income tax 2007 - Municipal surcharge	853,023	852,727
Municipal surcharge 2010	3,618,504	-
State Surcharge 2010	1,467,706	-
	32,419,339	**27,332,832**

33.2 Purchase commitments

At 31 December 2011 the Company assumed purchase commitments, not reflected in the balance sheet, with suppliers amounted to Euro 7,407,806. As at 31 December 2010 those commitments amounted to Euro 5,829,343.

34. Contingent assets

34.1 Tax matters

34.1.1 Public Debt Settlement Fund

According to Decree-Law no. 36/93 of 13 February, the tax debts of privatised companies relating to periods prior to the privatisation date (in the case of Portucel, 25 November 2006) are the responsibility of the Public Debt Settlement Fund. Portucel submitted an application to the Public Debt Settlement Fund on 16 April 2008 requesting the payment by the State of the tax debts raised by the tax authorities for periods before that date.

On 13 December 2010, Portucel presented a new application requesting the payment of debts settled by the tax authorities regarding 2006 and 2003. This application was supplemented on 13 October 2011, with the amounts already paid and uncontested regarding these debts, as well as with expenses directly related to them, pursuant to court rulling dated 24 May 2011 (Case No. 0993A/02), which confirmed the company's position regarding the enforceability of such expenses. In this context, the aforementioned fund is liable for Euro 33,861,034, detailed as follows:

Amounts in Euro	Period	Amounts	1st Refund	Outstanding
Portucel				
VAT Germany	1998-2004	5,850,000	(5,850,000)	-
Corporate Income Tax	2001	314,340	-	314,340
Corporate Income Tax	2002	625,033	(625,033)	-
Value added tax	2002	2,697	(2,697)	-
Corporate Income Tax	2003	1,573,165	(1,573,165)	-
Corporate Income Tax	2003	197,395	(157,915)	39,480
Corporate Income Tax (Withheld)	2004	3,324	-	3,324
Corporate Income Tax	2004	766,395	-	766,395
Corporate Income Tax (Withheld)	2005	1,736	(1,736)	-
Corporate Income Tax	2005	11,754,680	-	11,754,680
Corporate Income Tax	2006	11,890,071	-	11,890,071
Expenses		190,984	-	190,984
		33,169,820	**(8,210,546)**	**24,959,274**
Soporcel				
Corporate Income Tax	2002	169,219	-	169,219
Corporate Income Tax (Replacement income tax claim)	2003	5,725,771	-	5,725,771
Value added tax	2003	2,509,101	-	2,509,101
Stamp duty	2004	497,669	-	497,669
		8,901,760	**-**	**8,901,760**
		42,071,580	**(8,210,546)**	**33,861,034**

34.1.2 Municipal surcharge (RETGS) 2008 to 2010 – Euro 3,891,421

In the years 2008 to 2010 Portucel presented its Income Tax forms with a Municipal surcharge corresponding to the sum of the individual municipal surcharge of the companies included in the special tax regime applicable to groups of companies (RETGS) in accordance with the tax autorithies understanding, (Circular Letter No. 20132 as of 14 April 2008).

Nevertheless, Portucel believes this municipal surcharge shoud correspond to 1.5% of the Group's aggregated taxable income, as stated by the Law nº2/2007 (Local Finance Law).

Due to this, Portucel presented a tax claim in order to collect the refund of the excess amounts paid in relation to 2008 and 2009 amounting to Euro 173,868 and Euro 888,200.

Following the initial rejection of the claims, on 14 May 2010 and 6 January 2011, Portucel presented the corresponding hierarchical appeals, which, once denied, were followed by a request for the constitution of the Arbitration Court to rule on the cases, whose decision is pending.

On 2 February 2011 the Supreme Administrative Court decided in favour of Portucel's views, in a similar case. Therefore, a successful outcome is expected for this claim.

Regarding 2010, the Company decided not to pay the excess amount of Euro 2,829,353, and presented the the corresponding administrative appeal on the amount resulting from the excess of the liquidation and requested the establishment of bank guarantee for the amount not settled. Following the rejection of the claim, the Group requested the constitution of an Arbitration Court on 2 January 2012.

34.1.3 State surcharge – Euro 1,147,617

In the 2010 income tax form presented by Portucel, a state surcharge of Euro 1,147,617 was determined regarding About The Future – Empresa Produtora de Papel, S.A., which is considered undue by the Company as it should have been deducted to tax benefits granted by AICEP to the company. AICEP seconds the company's views on this matter.

Due to this, Portucel presented a tax claim in order to collect the refund of this excess income tax amount paid in 2010. Following the rejection of that claim, Portucel presented the corresponding hierachical appeal, on 14 November 2011, whose decision is still pending.

34.1.4 Tax relief on investment activities (RFAI) 2009-2011

In 2009 and 2010, the Group benefited from the tax relief mechanism for relevant investments as set by Law No. 10/2009 of 10 March. Under this regime, the Group has unused benefits amounting to Euro 10,780,989, which can be used until 2015. The Group expects to use some Euro 3,172,900 in 2011.

34.1.5 Proceedings in Arbitration Court

Following the approval of Decree-Law No. 10/2011 of 20 January, which introduced in the Portuguese legal system, arbitration courts to rule on tax matters, Portucel submitted to these courts a number of tax cases, totaling Euro 5,369,860, detailed as follows:

Amounts in Euro	Year	Amount
Corporate Income Tax (RETGS) - Municipal surcharge	2007	682,182
Corporate Income Tax (RETGS) - Municipal surcharge	2010	2,829,353
Corporate Income Tax (RETGS) - Municipal surcharge	2008	173,868
Corporate Income Tax (RETGS) - Municipal surcharge	2009	888,200
Corporate Income Tax (RETGS)	2003	24,315
Corporate Income Tax (RETGS)	2004	111,543
Corporate Income Tax (RETGS) - Self liquidation	2008	138,404
Corporate Income Tax	2001	314,340
		5,162,205

34.2 Non-tax matters

34.2.1 Public Debt Settlement Fund – non-tax

In addition to the tax matters described above, a second request to the Public Debt Settlement Fund was submitted on 2 June 2010, which called for the reimbursement of various amounts, totaling Euro 136,243,939. These amounts related to adjustments in the financial statements of the group after its privatization, that had not been considered in formulating the price of such privatization as they were not included in the documentation made available for consultation by the bidders.

34.2.2 Infrastructure enhancement and maintenance fee

Under the licensing process nº 408/04 related to the new paper mill project, the Setubal city Council issued a settlement note to Portucel regarding an infrastructure increase and maintenance fee (“TMUE ") amounting to Euro 1,199,560, with which the company disagrees.
This situation regards the amount collected under this concept in the licensing process mentioned above, for the construction of a new paper mill in the industrial site of Mitrena, Setubal. Portucel disagrees with the amount charged and filled an administrative claim against it on 25 February 2008 (request 2485/08), followed by an appeal in Court against the rejection of the claim on 28 October 2008.

In the appeal, Portucel claims the cancelation of the settlement act, on the following grounds: (i) lack of proportionality of the fee applied; (ii) it as the nature of a tax, that cannot be imposed by the City Council and (iii) the absence of any consideration paid on their behalf by the Setubal City Council since it was Portucel that supported all costs regarding the urban infrastructure and maintenance, thus proving that the TMUE configures a true tax.

The decision of the Court is still pending.

35. Contingent Liabilities

As at 31 December 2011 the process of liquidation and dissolution of the subsidiary Portucel Brasil was in the final phase. The balance sheet of the company at this date shows identifiable and quantifiable liabilities resulting from this process but additional costs may be incurred in the conclusion phase although they are not expected to be materially relevant.

36. Subsequent events

36.1 Acquisition of treasury shares

Through a number of stock market operations in January 2012, Portucel acquired several lots of treasury shares, totaling 11,450 titles, amounting to Euro 20,503.

Following these acquisitions, Portucel now holds directly and indirectly through its subsidiaries, 22,111,382 shares representing 2.881% of its share capital.

37. Note added for translation

The accompanying financial statements are a translation of financial statements originally issued in Portuguese. In the event of any discrepancies the Portuguese version prevails.

THE ACCOUNTANT

António Manuel Lourenço Silva Pimpão

BOARD OF DIRECTORS

Pedro Mendonça de Queiroz Pereira
President

José Alfredo de Almeida Honório
Member

Manuel Soares Ferreira Regalado
Member

Adriano Augusto da Silva Silveira
Member

António José Pereira Redondo
Member

José Fernando Morais Carreira de Araújo
Member

Luis Alberto Caldeira Deslandes
Member

Manuel Maria Pimenta Gil Mata
Member

Francisco José Melo e Castro Guedes
Member

Statutory Auditors Report in respect of the Individual Financial Information

(Free translation from the original version in Portuguese)

Introduction

1 As required by law, we present the Statutory Auditors Report in respect of the Financial Information included in the Directors' Report and the financial statements of **Portucel – Empresa Produtora de Pasta e Papel, S.A.**, comprising the balance sheet as at 31 December 2011, (which shows total assets of Euro 2,580,221,466 and a total of shareholder's equity of Euro 1,416,280,025 including a net profit of Euro 173,423,894), the income statement, the statement of changes in equity and the cash flow statement for the year then ended and the corresponding notes to the accounts.

Responsibilities

2 It is the responsibility of the Company's Board of Directors (i) to prepare financial statements which present fairly, in all material respects, the financial position of the company, the results of its operations and cash flows; (ii) to prepare the historic financial information in accordance with generally accepted accounting principles in Portugal while also meeting the principles of completeness, truthfulness, accuracy, clarity, objectivity and lawfulness, as required by the Portuguese Securities Market Code; (iii) to adopt appropriate accounting policies and criteria; (iv) to maintain an adequate system of internal control; and (v) the disclosure of any relevant matters which have influenced the activity and the financial position or results of the company.

3 Our responsibility is to verify the financial information included in the financial statements referred to above, particularly as to whether it is complete, truthful, accurate, clear, objective and lawful, as required by the Portuguese Securities Market Code, for the purpose of expressing an independent and professional opinion on that financial information, based on our audit.

Scope

4 We conducted our audit in accordance with the Standards and Technical Recommendations approved by the Institute of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Accordingly, our audit included: (i) verification, on a test basis, of the evidence supporting the amounts and disclosures in the financial statements, and assessing the reasonableness of the estimates, based on the judgements and criteria of Management used in the preparation of the financial statements; (ii) assessing the appropriateness and consistency of the accounting principles used and their disclosure, as applicable; (iii) assessing the applicability of the going concern basis of accounting; (iv) assessing the overall presentation of the financial statements; and (v) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the financial information.

5 Our audit also covered the verification that the information included in the Directors' Report is in agreement with the other documents as well as the verification set forth in paragraphs 4 and 5 of Article 451 of the Companies Code.

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the financial statements referred to above, present fairly in all material respects, the financial position of **Portucel – Empresa Produtora de Pasta e Papel, S.A.** as at 31 December 2011, the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles in Portugal and duly comply with principles of completeness, truthfulness, accuracy, clarity, objectivity and lawfulness.

Report on other legal requirements

8 It is also our opinion that the information included in the Directors' Report is in agreement with the financial statements for the year and that the Corporate Governance Report includes the information required under Article 245-A of the Portuguese Securities Code.

Lisbon, 28 February 2012

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
Represented by:

António Alberto Henriques Assis, R.O.C.

PORTUCEL – Empresa Produtora de Pasta e Papel, SA

Report and Opinion of the Audit Board
Separate Accounts

Financial year of 2011

Shareholders,

1. As required by law, the articles of association and our mandate from the shareholders, we are pleased to present our report on our supervisory activities in 2011 and to issue our opinion on the Separate Management Report and Separate Financial Statements presented by the Board of Directors of Portucel - Empresa Produtora de Pasta e Papel, SA for the financial year ended 31 December 2011.

2. Over the course of the year we regularly monitored the company's affairs at the intervals and to the extent we deemed appropriate, in particular through periodic meetings with the company's directors and senior management. We confirmed that the accounts were properly kept and the respective documentation in order, as well as checking the effectiveness of the systems for risk management, internal control and internal auditing. We were watchful of compliance with the law and the articles of association. We encountered no constraints in the course of our work.

3. We held several meetings with the external auditor, PricewaterhouseCoopers & Associados, SROC, Lda., thereby monitoring the audit work carried out. We have assessed the Legal Certificate of Accounts and the Audit Report, with which we are in agreement.

4. In the course of our duties we found that:

a) the Separate Balance Sheet, the Separate Income Statement by nature and by functions, the Separate Statement of Cash Flows and the corresponding Notes to the financial statements provide an appropriate picture of the state of the company's affairs and of its results;

b) the accounting policies and valuation criteria adopted comply with accounting principles generally accepted in Portugal and are appropriate, so as to assure that they lead to a correct appraisal of the company's assets and results; the analyses and recommendations issued by the external auditor have been duly followed up;

c) the Separate Management Report provides sufficient information on the progress of the company's activities and the state of its affairs and offers a clear account of the most significant developments during the period;

d) the Corporate Governance Report includes the information required by Article 245-A of the Securities Code.

5. It is our opinion that the proposal submitted by the Board of Directors for allocation of profits is appropriate and supported by due grounds.

6. Accordingly, taking into consideration the information received from the Board of Directors and from the company departments, together with the conclusions set out in the Legal Certificate of Accounts and the Audit Report, we recommend that:

a) the Separate Management Report be approved;

b) the Separate Financial Statements be approved;

c) the proposal submitted by the Board of Directors for allocation of profits be approved.

7. Finally, the members of the Audit Board wish to express their acknowledgment and thanks to the Board of Directors and to the company's senior management and other staff for their assistance and cooperation.

Lisbon, 29 February 2012

The Chairman of the Audit Board

Miguel Camargo de Sousa Eiró

The Member

Duarte Nuno d'Orey da Cunha

The Member

Gonçalo Nuno Palha Gaio Picão Caldeira

Portucel
Empresa Produtora de Pasta e Papel, SA

Public Limited Company

Registered at the Setúbal Companies Registry

Share Capital: 767 500 000 euros

Corporate Person no. 503 025 798

Corporate Governance Report 2011

www.portucelsoporcel.com

Corporate Governance Report

Chapter 0
Declaration of compliance

0.1. Location where the public may find the Corporate Governance Codes to which the issuer is subject to or those which the issuer voluntarily abides by.

The Company follows the Corporate Governance Code for Listed Corporations of the CMVM (the Portuguese Securities Market Commission), by applying CMVM Regulation no. 1/2010. The Recommendations and the Regulation can be consulted at the CMVM website at www.cmvm.pt.

0.2. Detailed description of the recommendations contained in the CMVM Corporate Governance Code or any other code that have or have not been adopted, in accordance with CMVM Regulation 1/2010. Recommendations not fully adopted are regarded for present purposes as not adopted.

Recommendations	COMPLIANCE	REMARKS
I. General Meeting		
I.1 Officers of the General Meeting		
I.1.1 The Chairman of the General Meeting shall have at his disposal the necessary and adequate human resources and logistic support, taking the financial position of the company into consideration.	Adopted	See Chapter I Item 1.1
I.1.2 The remuneration of the Chairman of the General Meeting shall be disclosed in the annual report on corporate governance.	Adopted	See Chapter I Item 1.3
I.2 Participation at the Meeting		
I.2.1 The deadline for submitting proof of the deposit or blocking of shares for the purposes of attending general meetings shall be no more than five business days prior to the date of the meeting.	Adopted	See Chapter I Item 1.4
I.2.2 In the event of the General Meeting being adjourned, the company shall not require shares to be blocked until the meeting is resumed, when the normal requirement for the first session shall again apply.	Adopted	See Chapter I Item 1.5
I.3 Voting and Exercise of Voting Rights		
I.3.1 The articles of association shall not impose any restriction on postal voting or, whenever adopted or admissible, on electronic voting.	Adopted	See Chapter I Item 1.7
I.3.2 The deadline established in the articles of association for receiving postal ballots shall be no more than 3 business days prior to the date of the meeting.	Adopted	See Chapter I Item 1.11
I.3.3 Companies shall ensure that voting rights are proportional to shareholder's holdings, preferably by	Adopted	See Chapter I

enshrining the one share-one vote principle in the articles of association. Companies are deemed not to comply with the requirement of proportionality when: i) they have non-voting shares; ii) have shares for which the respective voting rights are not counted if in excess of a given number, when cast by a single shareholder or related shareholders.		Item 1.6
I.4 QUORUM FOR RESOLUTIONS		
I.4.1 Companies shall not set a quorum for adopting resolutions greater than that established in law.	Adopted	See Chapter I.8
I.5 MINUTES AND INFORMATION ON RESOLUTIONS PASSED		
I.5.1 An extract from the minutes of the General Meetings shall be posted or their contents otherwise made available to shareholders through the company's website, within five days of the holding of the general meeting, irrespective of whether constituting privileged information. The information disclosed shall include the resolutions adopted, the share capital represented and the results of votes. This information shall be kept on the company's website for no less than three years.	Adopted	See Chapter I Items 1.13 and 1.14
I.6 MEASURES ON CORPORATE CONTROL		
I.6.1 Measures aimed at preventing successful takeover bids, shall respect both the company's and the shareholders' interests. When, in keeping with this principle, the articles of association of a company set a limit on the number of votes which may be held or exercised by a single shareholder, individually or in conjunction with other shareholders, they shall also provide that, no less than every five years, a motion for maintaining or altering this provision shall be put before the general meeting (without requiring a quorum greater than that provided for in law) and that all votes cast in relation to such resolution shall be counted, without operation of the restriction in question.	Adopted	See Chapter I Item 1.19
I.6.2 In cases such as change of control or changes to the composition of the Board of Directors, defensive measures shall not be adopted that instigate immediate and serious erosion of the company's assets, thereby disrupting the free transferability of shares and free assessment of the performance of the Board of Directors by the shareholders.	Adopted	See Chapter I Item 1.20
II. MANAGEMENT AND AUDIT BOARD		
II.1. GENERAL ISSUES		
II.1.1. STRUCTURE AND DUTIES		
II.1.1.1 The Board of Directors shall assess the model adopted in its annual corporate governance report and identify any constraints on its functioning and shall propose measures that it considers appropriate for overcoming such constraints.	Adopted	See Chapter II Item 2.4
II.1.1.2 Companies shall set up internal risk control and management systems in order to safeguard their value and for the sake of transparency in their corporate governance, allowing it to identify and manage risk.	Adopted	See Chapter II Item 2.5

These systems shall include at least the following components: *i*) setting of strategic company objectives with regard to risk acceptance; *ii*) identification of the main risks associated with the specific business carried on and of the events which may give rise to risks; *iii*) analysis and measurement of the impact and probability of the occurrence of each of the potential risks; *iv*) risk management with a view to aligning the risks effectively incurred with the company's strategic options regarding risk assessment; *v*) procedures for monitoring execution of risk management measures adopted and their effectiveness; *vi*) adoption of internal reporting and information procedures relating to the different components of the system and risk alerts; *vii*) periodic assessment of the system implemented and adoption of changes as required.		
II.1.1.3 The Board of Directors shall ensure that internal control and risk management systems are set up and function. The Supervisory Board shall be responsible for assessing the functioning of these systems and proposing any changes required to adjust them to the company's needs.	Adopted	See Chapter II Item 2.5
II.1.1.4 In their annual corporate governance reports, companies shall: *i*) identify the main economic, financial and legal risks to which the company is exposed in carrying on its business; *ii*) describe the activities and effectiveness of the risk management system.	Adopted	See Chapter II Item 2.9
II.1.1.5 The Management and Audit Boards shall establish internal regulations which shall be disclosed on its website.	Adopted	See Chapter II Item 2.7
II.1.2 INCOMPATIBILITY AND INDEPENDENCE		
II.1.2.1 The Board of Directors shall include a number of non-executive members that assures effective capacity to oversee, audit and assess the activities of the executive members.	Adopted	See Chapter II Item 2.1
II.1.2.2 Non-executive members shall include an adequate number of independent members. The size of the company and its shareholder structure shall be taken into account when setting this number, which shall never be less than a quarter of the total number of directors.	Not adopted	See Chapter 0.4
II.1.2.3 The assessment by the board of directors of the independence of its members shall take into account the legal and regulatory rules in force concerning independence requirements and the rules on incompatibility applicable to members of other company bodies, so that independence criteria are applied systematically and coherently across the entire company, including over time. A director shall not be deemed independent if, on any other corporate board of body, he or she would not qualify as independent under the applicable rules.	Adopted	See Chapter II Items 2.14 e 2.15
II.1.3 ELIGIBILITY AND APPOINTMENT		
II.1.3.1 Depending on the applicable model, the Chairman of the Audit Board, the Audit Committee or the Financial Affairs Committees shall be independent	Adopted	Chapter II Item 2.21

and be adequately capable of performing his duties.		
II.1.3.2 The selection process for applicants for non-executive directorships shall be designed so as to prevent interference from executive directors.	Adopted	Chapter II Item 2.16
II.1.4 POLICY ON WHISTLEBLOWING		
II.1.4.1 The company shall adopt a policy whereby alleged irregularities occurring within the company are reported, specifying: i) the means through which such irregularities may be reported internally, including the persons that are entitled to receive the reports; ii) how the report is to be handled, including confidential treatment, should it be required by the reporter.	Adopted	Chapter II Item 2.35
II.1.4.2 The general guidelines on this policy shall be disclosed in the corporate governance report.	Adopted	Chapter II Item 2.35
II.1.5 REMUNERATION		
II.1.5.1 The remuneration of the members of the Board of Directors shall be structured so as to align their interests with the long term interests of the company, shall be based on performance assessments and discourage excessive risk taking. To this end, remuneration shall be structured, namely, as follows: i) the remuneration of directors with executive duties shall include a variable component, set in accordance with the performance assessment, conducted by the competent company bodies, in accordance with measurable and pre-set criteria, which consider the real growth of the company and the wealth effectively created for shareholders, its long term sustainability and the risks accepted, and also compliance with the rules applicable to the company's business operations. ii) The variable component of remuneration shall be reasonable overall in relation to the fixed remuneration component, and upper limits shall be set for all components; iii) A significant part of the variable remuneration shall be deferred for a period of no less than three years, and payment of such part shall depend on the continued positive performance of the company over this period. iv) Members of the board of directors shall not enter into contracts either with the company or with third parties which have the effect of mitigating the risk inherent in the variability of their remuneration as fixed by the company. v) Until the end of their term of office, executive directors shall maintain the shares in the company which they may have received under variable pay schemes, up to a limit of twice the value of their total annual remuneration, save those which have to be disposed of in order to pay taxes resulting from the earnings of these shares.	Not adopted	This recommendation is only not adopted with regard to the 2nd part of sub-paragraph ii) and the 1st part of sub-paragraph iii); sub-paragraphs v) and vi) are not applicable. See Chapter 0.4

vi) When the variable remuneration includes the allocation of options, the start of the period for exercise shall be deferred for a period of no less than three years. vii) Appropriate legal instruments shall be instituted so that the severance pay established for any form of dismissal without due cause or termination of directorship is not paid if the dismissal or termination by agreement is due to failings in the director's performance. viii) The remuneration of non-executive directors shall not include any component dependent on their performance or the value of the company.		
II.1.5.2 The statement on remuneration policy for members of the board of directors and audit board referred to in Article 2 of Law 28/2009, of 19 July, shall contain, in addition to the content referred to therein, sufficient information: *i)* on which corporate groups were selected for comparison of remuneration policy and practices for the purposes of setting remuneration; *ii)* on severance payments for directors.	Adopted	See Chapter II Item 2.30
II.1.5.3 The remuneration policy statement referred to in Article 2 of Law 28/2009 should also encompass the remuneration of management personnel, as defined in Article 248-B.3 of the Securities Code, whose remuneration includes a significant variable component. The statement should be detailed and the policy presented should take into account the company's long term performance, compliance with the rules applicable to the company's operations and restraint in risk-taking.	Not adopted	See Chapter 0.4
II.1.5.4 A proposal shall be submitted at the General Meeting on the approval of plans for the allotment of shares and/or share options or options based on variations in share prices, to members of the Management and Audit Boards and other management personnel as defined in Article 248/3/B of the Securities Code. The proposal shall mention all the necessary information for a correct assessment of any such plan. The proposal shall contain the plan regulations or, if these have not yet been drawn up, the general conditions to which the plan is subject. The main features of the retirement benefit plans for members of the Management and Audit Boards and other management personnel, as defined in Article 248/3/B of the Securities Code, shall also be approved at the General Meeting.	Not applicable	See Chapter 1.18
II.1.5.6 No less than one representative of the Remuneration Committee shall be present at the Annual Shareholders' General Meeting.	Adopted	See Chapter I Item 1.15
II.1.5.7 The annual report shall disclose, in aggregate and individual terms, the remuneration received in other group companies and pensions rights acquired through such office.	Adopted	See Chapter II Item 2.31
II.2. BOARD OF DIRECTORS		
II.2.1 Within the limits established by Law for each Management and Supervisory structure, and except on	Adopted	See Chapter II

the grounds of the small size of the company, the Board of Directors shall delegate the day-to-day running of the company and the delegated responsibilities shall be identified in the Annual Report on Corporate Governance.		Item 2.3
II.2.2 The Board of Directors shall ensure that the company acts in accordance with its objects, and shall not delegate its responsibilities with regard to: i) definition of the company's strategy and general policies; ii) definition of the corporate structure of the group; iii) decisions that should be considered as strategic due to the amounts, risk and particular characteristics involved.	Adopted	See Chapter II Item 2.3
II.2.3 If Chairman of the Board of Directors exercises executive duties, the Board of Directors shall set up efficient procedures for coordinating non-executive members that assure that these may reach decisions in an independent and informed manner, and furthermore shall provide shareholders with details of these procedures in the corporate governance report.	Not applicable	
II.2.4 The annual management report shall include a description of the work of non-executive Board Members and shall mention any constraints encountered.	Adopted	See Chapter II Item 2.3 and Annex II
II.2.5. The company shall specify its policy on rotating areas of responsibility within the board of directors, and in particular responsibility for financial matters, providing information on this in its annual corporate governance report.	Adopted	See Chapter II Item 2.11
II.3 CHIEF EXECUTIVE OFFICER (CEO), EXECUTIVE COMMITTEE AND EXECUTIVE BOARD OF DIRECTORS		
II.3.1 Directors who exercise executive duties, when requested by other Board Members to supply information, shall do so in good time and the information supplied shall adequately respond to the enquiry.	Adopted	See Chapter II Item 2.3
II.3.2 The Chairman of the Executive Committee shall send notices and minutes of meetings to the Chairman of the Board of the Directors and, when applicable, to the Chairman of the Audit Board or the Auditing Committee.	Adopted	See Chapter II Item 2.3
II.3.3 The Chairman of the Executive Board of Directors shall send the notices and minutes of meetings to the Chairman of the General and Audit Board and to the Chairman of the Financial Affairs Committee.	Not applicable	
II.4. GENERAL AND AUDIT BOARD, FINANCIAL AFFAIRS COMMITTEE, AUDIT COMMITTEE AND AUDIT BOARD		
II.4.1 In addition to its supervisory duties, the General and Audit Board shall advise, monitor and assess, on an ongoing basis, the management of the company by the Executive Board of Directors. In addition to other matters, the General and Audit Board shall pronounce on: i) definition of the strategy and general policies of the company; ii) the corporate structure of the group; and iii) decisions which should be considered strategic due to	Not applicable	

the amounts, risk and particular characteristics involved.		
II.4.2 The annual reports and financial information on the work of the General and Supervisory Committee, the Financial Affairs Committee, the Audit Committee and the Audit Board shall be disclosed on the company's website together with the financial statements.	Adopted	See Chapter II Item 2.23 and Annex III
II.4.3 The annual reports on the work of the General and Audit Board, the Financial Affairs Committee, the Audit Committee and the Audit Board shall include a description of their supervisory activity and shall mention any constraints encountered.	Adopted	See Annex III
II.4.4 The General Supervisory Board, the Audit Committee and the Audit Board (depending on the applicable model) shall represent the company for all purposes in dealings with the external auditor, and shall propose the provider of these services and the respective remuneration, ensure that adequate conditions for the supply of these services are in place within the company, as well as providing the point of contact at the company and receiving the respective reports.	Not adopted	See Chapter0.4 See Chapter II Section III Item 2.24
II.4.5 Depending on the applicable model, the Audit Committee and the Audit Board shall assess the external auditor annually and propose his dismissal to the General Meeting whenever there is due cause.	Adopted	See Chapter II Section III Item 2.24 See Annex III
II.4.6 The internal audit departments and those that ensure compliance with the rules applicable to the company (compliance services) shall report to the Audit Committee, the General and Supervisory Board or in the case of companies adopting the Latin model, an independent director or Supervisory Board, regardless of the hierarchical relationship that these services have with the executive management of the company.	Not adopted	See Chapter 0.4
II.5. SPECIAL COMMITTEES		
II.5.1 Except in small companies and depending on the model adopted, the Board of Directors and the General and Supervisory Committees shall set up the necessary Committees in order to: i) assure competent and independent assessment of the performance of the Executive Directors, as well as of their own overall performance and also that of all existing Committees; ii) reflect on the governance system in place and monitor its effectiveness and propose to the relevant bodies the measures required to improve it; III) identify promptly potential candidates with the high profile needed to hold the office of director.	Adopted	See Chapter II Item 2.30
II.5.2 Members of the Remuneration Committee or the equivalent shall be independent of the Members of the Board of Directors and include no less than one member with knowledge and experience in the field of remuneration policy.	Adopted	See Chapter II Item 2.30 Annex IV
II.5.3 No natural or legal person who provides, or has provided in the last three years, services to any body or organization reporting to the board of directors or to the company's board of directors itself, or who has any current relationship with the company's consultants, shall be contracted to support the Remuneration	Adopted	See Chapter II Item 2.30 Annex IV

Committee in the performance of its duties. This recommendation also applies to any natural or legal person connected with such persons by employment or service contract.		
II.5.4 All Committees shall draw up minutes of the meetings held.	Adopted	See Chapter II Item 2.30
III. REPORTING AND AUDITING		
III.1 GENERAL REPORTING DUTIES		
III.1.1 Companies shall maintain permanent contact with the market, thereby upholding the principle of equality for shareholders and preventing any inequality in access to information for investors. To this end, the company shall have an investor support office.	Adopted	See Chapter III Item 3.15
III.1.2 The following information published on the company's website shall be disclosed in the English language:	Adopted	See Chapter III Item 3.15
1. The company name, public company status, registered office and other data required by Article 171 of the Companies Code;		
2. Articles of association;		
3. Identity of company officers and market relations officer;		
4. Investor support office, respective services and contact details;		
5. Financial statements and reports;		
6. Six-monthly schedule of company events;		
7. Motions to be tabled at the General Meeting;		
8. Notices of general meetings.		
III.1.3 Companies shall change to a new auditor after two or three terms of office, depending on whether such terms are respectively of three or four years. Reappointment after such period has elapsed shall be on the basis of grounds set out in a specific report from the supervisory board, expressly assessing the auditor's independence and the advantages and costs of substitution	Adopted	See Chapter II Section III Item 2.24
III.1.4**.** In the exercise of its duties, the external auditor shall check the application of remuneration policies and systems, the effectiveness and workings of internal control procedures and report any shortcomings to the company's supervisory board.	Adopted	See Chapter III Item III.13
III.1.5. The company shall not contract from the external auditor, or from any entities belonging to the same corporate group or network, any services other than audit services. If there are reasons for contracting such services, which shall be approved by the supervisory board and detailed in its annual corporate governance report, they shall not account for more than 30% of the total value of the services supplied to the company.	Adopted	See Chapter III Item III.13
IV. CONFLICTS OF INTERESTS		
IV.1. DEALINGS WITH SHAREHOLDERS		
IV.1. Transactions between the company and the owners of qualifying holding, or with entities in any way related to such shareholders, as defined in Article 20 of the Securities Code, shall be carried out on an arm's length basis.	Adopted	See Chapter III Item III.13

IV.1.2. Significant transactions with the owners of qualifying holdings, or with entities in any way related to such shareholders, as defined in Article 20 of the Securities Code, shall be submitted for prior clearance by the supervisory board. This body shall determine the procedures and criteria needed for assessing whether such transactions are significant and for deciding on any steps to be taken.	Adopted	See Chapter III Item III.13

0.3. Notwithstanding the foregoing, the company may also make an overall assessment, provided due grounds are stated, of the degree of adoption of groups of thematically related recommendations

In its overall assessment of the degree of adoption of the recommendations, the Company has established that this degree is fairly high, whilst still acknowledging that a number of differences exist, as detailed in the relevant chapters. Attention is drawn to the reduction in the number of recommendations not adopted, down from seven to five, as described below.

In relation to the recommendations applicable to the constitution and workings of the General Meeting, the Company has adopted the recommendations in full.

With regard to the recommendations applicable to the management and supervisory bodies, the Company can report an improvement in the degree of adoption in relation to the previous year, as the number of recommendations not adopted has fallen from six to five. The recommendation on the disclosure of the rules of procedure of the management and supervisory bodies was adopted with the publication of these rules, in 2011, on the Group website.

In relation to the recommendation not adopted with regard to the composition of the Board of Directors and the policy on directors' remuneration, these are matters for which sole powers lie with the shareholders or the Remuneration Committee, which is elected directly by the General Meeting. The reason for non-adoption of the recommendation on the statement of remuneration policy for management personnel has to do with natural commercial concerns and others relating to competition. In relation to the recommendation on representation of the Company in dealings with the External Auditor, although the letter of the recommendation has not been adopted, the Company is satisfied that it has fully complied with its underlying spirit, as we shall see below.

Finally, with regard to general duties of information, the Company has now adopted the recommendation on the presentation of all motions to the General Meeting in English, having published the relevant documents on its website in English in the motions tabled at the General Meeting of 19 May 2011.

Accordingly, with only five recommendations not adopted, the Company considers that its degree of compliance is fairly high and that significant progress has been made on the degree of adoption of the CMVM recommendations over recent periods.

0.4. When the structure or the corporate governance practices deviate from the CMVM's Recommendations or from other Corporate Governance Codes to which the company is subject or which it has voluntarily applied, the company shall explain which parts of each code have not been complied with and the reasons for this.

II.1.2.2 Non-executive members shall include an adequate number of independent members. The size of the company and its shareholder structure shall be taken into account when setting this number, which shall never be less than a quarter of the total number of directors.

In accordance with the independence criterion defined in Article 414.5 of the Companies Code, the non-executive members of the Portucel's Board of Directors cannot be considered independent. However, it is our view that the legal criteria are purely formal, and that the experience, track record and proven abilities of the Company's non-executive directors has permitted them to perform their duties with complete independence.

II.1.5.1 The remuneration of the members of the Board of Directors shall be structured so as to align their interests with the long term interests of the company, shall be based on performance assessments and discourage excessive risk taking. To this end, remuneration shall be structured, namely, as follows:

i) the remuneration of directors with executive duties shall include a variable component, set in accordance with the performance assessment, conducted by the competent company bodies, in accordance with measurable and pre-set criteria, which consider the real growth of the company and the wealth effectively created for shareholders, its long term sustainability and the risks accepted, and also compliance with the rules applicable to the company's business operations.

ii) The variable component of remuneration shall be reasonable overall in relation to the fixed remuneration component, and upper limits shall be set for all components;

iii) A significant part of the variable remuneration shall be deferred for a period of no less than three years, and payment of such part shall depend on the continued positive performance of the company over this period.

iv) Members of the board of directors shall not enter into contracts either with the company or with third parties which have the effect of mitigating the risk inherent in the variability of their remuneration as fixed by the company.

v) Until the end of their term of office, executive directors shall maintain the shares in the company which they may have received under variable pay schemes, up to a limit of twice the value of their total annual remuneration, save those which have to be disposed of in order to pay taxes resulting from the earnings of these shares.

vi) When the variable remuneration includes the allocation of options, the start of the period for exercise shall be deferred for a period of no less than three years.

vii) *Appropriate legal instruments shall be instituted so that the severance pay established for any form of dismissal without due cause or termination of directorship is not paid if the dismissal or termination by agreement is due to failings in the director's performance.*

viii) *The remuneration of non-executive directors shall not include any component dependent on their performance or the value of the company.*

The Remuneration Committee is the body responsible for defining the criteria for directors' pay and which each year submits for the shareholders' approval, at the general meeting, the criteria for setting this remuneration, which may not necessarily coincide with the limits and procedures described in the items above.

Of the eight sub-paragraphs in this recommendation, the Company fails only to comply with the 2nd part of sub-paragraph ii) and the 1st part of sub-paragraph iii), given that sub-paragraphs v) and vi) are not applicable.

In relation to sub-paragraph ii), it is our view that the criterion embodied by the word "reasonable" is subjective and difficult to define; however, from the Company's perspective, the remuneration paid is entirely reasonable in view of the directors' performance and the results achieved. Although the Company's articles of association set no cap on remuneration, this is not to say that the Remuneration Committee does not carry out an extremely strict appraisal when setting the specific value of remuneration.

On the question of deferral of a significant portion of the variable remuneration, the Company considers that given the stability of both the shareholder structure and the board of directors, it makes sense not to apply this recommendation in the Company's current circumstances given that it would not be possible to make opportunistic use of the directors' performance in the light of the profits for the period, as may be seen from the profits recovered over recent years and the close connection between these profits and directors' pay.

With regard to sub-paragraph viii), we consider that, although the non-executive directors receive variable remuneration, the Company still complies with this fact given that this variable remuneration is completely unconnected to the Company's performance, and is instead directly tied to responsibilities exercised and contributions on matters regarded as relating to strategic development for the Company and its associated group.

II.1.5.3 The remuneration policy statement referred to in Article 2 of Law 28/2009 should also encompass the remuneration of management personnel, as defined in Article 248-B.3 of the Securities Code, whose remuneration includes a significant variable component. The statement should be detailed and the policy presented should take into account the company's long term performance, compliance with the rules applicable to the company's operations and restraint in risk-taking.

The remuneration policy statement drawn up by the Remuneration Committee does not include the remuneration of management personnel, as defined in Article 248-B.3 of the Securities Code, as this is a matter not assessed by the General Meeting, insofar as it is understood to be a matter on which the directors have sole powers, and in view of the negligible amounts involved in relation to the company's total assets.

It should also be remembered that that the Company faces fierce competition at home and abroad, which causes it to have understandable reservations about disclosing remuneration or the remuneration policies for management personnel.

II.4.4I - The General Supervisory Board, the Audit Committee and the Audit Board (depending on the applicable model) shall represent the company for all purposes in dealings with the external auditor, and shall propose the provider of these services and the respective remuneration, ensure that adequate conditions for the supply of these services are in place within the company, as well as providing the point of contact at the company and receiving the respective reports.

The letter of this recommendation has not been adopted but the company complies with its spirit.

The company considers in the first place that the recommendation should not be interpreted as meaning that formal powers to represent the company in this regard should be granted to the audit board, by powers of attorney or other equivalent instruments.

The Audit Board effectively is a prime point of contact with the External Auditor, and its reports are generally received and discussed at joint meetings with the Audit Board and a member of the Board of Directors; the Audit Board assures that proper arrangements have been made within the company for the audit services to be conducted correctly.

But the letter of the recommendation goes further, asserting that the Audit Board should be "the" point of contact between the company and the external auditor, and also requiring that instead of the report being received simultaneously it should instead be submitted in the first place to the Audit Board. This appears excessive. The company takes the sufficient steps to assure there are no barriers or filters between the external auditor and the Audit Board which would deny the Audit Board direct knowledge of the auditor's work; the Board of Directors takes the necessary steps to assure the reports are submitted simultaneously to the Audit Board and itself, but it cannot in all conscience deny itself knowledge of the findings of the external auditors, or delay the moment when it learns of such findings. Ultimate responsibility for the company's affairs and its financial statements lies with the Board of Directors.

As regards the contracting of the external auditor, the Audit Board proposes the auditor under the terms of Article 420.2 b) of the Companies Code and is party to the process of fixing the respective remuneration and the remuneration for the additional services it provides. It should be noted that the External Auditor is the company's Official Auditor and has been elected by the shareholders for a term of office identical to that of the Audit Board.

In other words, as stated above, the concerns which prompted this recommendation have been taken into due account by Portucel, but the literal text of the recommendation has not been adopted.

II.4.6 The internal audit departments and those that ensure compliance with the rules applicable to the company (compliance services) shall report to the Audit Committee, the General and Supervisory Board or in the case of companies adopting the Latin model, an independent director or Supervisory Board, regardless of the hierarchical relationship that these services have with the executive management of the company.

As may be seen in the organizational chart contained in chapter II of this Report, the internal audit services report directly to the Chairman of the Executive Board. However, irrespective of this direct relationship, the internal audit service meets directly with the Audit Board when requested, providing all information which the Audit Board deems relevant.

Chapter I

General Meeting

1.1. Identification of the officers of the General Meeting:

The Chairman of the General Meeting elected for the four-year period 2011-2014 was Dr. José Pedro Aguiar Branco, who however tendered his resignation from this office on 21 June 2011. The office is currently vacant, awaiting the election of a new Chairman at the Company's next General Meeting.

The duties of secretary to the General Meeting are exercised by Dra. Rita Maria Pinheiro Ferreira.

The Company provides the chairman of the General Meeting with the human and logistical resources required, through the supporting services of the Company Secretary and the Legal Office; this support is deemed appropriate in view of the size and state of the company's affairs, as well as the usual participation in General Meetings.

The Investor Relations Office also provides support with regard to the general meeting, replying to enquiries from shareholders and organizing accreditation for participation in the meetings, liaising with the Company Secretary and the officers of the General Meeting.

1.2. Starting and ending dates of terms of office:

The officers of the General Meeting were elected for a term of office starting on 01/01/2011 and ending on 31/12/2014.

1.3. Remuneration of the chairman of the General Meeting.

During 2011, the remuneration earned by the Chairman of the General Meeting was 3.000€.

1.4. Time during which shares must be blocked in order for their holders to participate in the general meeting.

The articles of association require shareholders to present to the Company documentary evidence of ownership of shares no less than five days prior to the date of the meeting, as required by Article 23-C.1 of the Securities Code.

1.5. Rules applicable to the blocking of shares in the event of adjournment of the General Meeting.

In the event of the meeting being adjourned, the Company need not require shares to be frozen until the meeting is resumed, the normal rule for the first session again applying, in other words, shareholders are required to provide evidence of ownership of shares by the fifth day prior to the resumption of the meeting.

1.6. Number of shares that correspond to one vote.

One vote corresponds to each 1,000 shares in the company.

The Company considers that the principle of proportionality between voting rights and shareholder investment is respected. Voting rights are in fact dependent on the holding of a minimum number of shares, in a Company where the Articles of Association do not provide for a cap on the number of votes counted from each shareholder and in which there are no non-voting shares.

1.7. Existence of provision in the articles of association for non-voting shares or rules establishing that votes in excess of a given number are not counted, when cast by a single shareholder or related shareholders.

There are no provisions to this effect in the Articles of Association.

1.8. The existence of rules in the articles of association on the exercise of voting rights, including quorums for holding meetings or adopting resolutions or systems for equity rights.

The Company’s Articles of Association contain no specific rules on a quorum for adoption of resolutions by the General meeting, meaning that the legal rules established in the Companies Code apply in full.

1.9. Existence of rules in the articles of association on postal votes.

There are no rules in the articles of association on the casting of postal votes, and the procedures for exercising this right are explained in the notice of the General Meeting.

Accordingly, shareholders who wish to cast postal votes are required to send a letter to the Chairman of the General meeting, at the company's registered offices, containing a closed envelope for each item on the order of business on which they wish to vote, indicating on each envelope that it contains a postal vote, and specifying the General Meeting and the item on the order of business to which it refers; inside each envelope, the shareholder is required to declare his vote, namely by taking a position in relation to any motions submitted in advance to the General Meeting; each voting declaration must be signed, and the signature notarized or authenticated by legal means deemed to be equivalent.

Postal votes are only considered if the shareholders casting them provide evidence of the ownership of their shares, in accordance with the general rules.

Postal votes are only considered when received by the day prior to the holding of the meeting, inclusive.

1.10. Provision of postal voting forms.

The company provides postal voting forms. These forms are available on the company's website and may be requested from the investor support office.

1.11. Time limit for receipt of postal ballots prior to the date of General Meetings.

Postal ballots will be received up to the day prior to the date of the General Meeting.

1.12. Exercise of voting rights by electronic means.

Exercise of voting rights by electronic means is still not possible. We wish to note that the company has yet to receive any enquiry or expression of interest from shareholders or investors in relation to such a facility.

1.13. Shareholder access to extracts from minutes of general meetings through company website within five days of the holding of the meeting

Extracts from the minutes of General Meetings are posted on the Company's website, www.portucelsoporcel.com in the investor relations area, within five days of the holding of the General Meeting.

1.14. Existence of historical archives, on the company's website, with resolutions adopted at the company's general meetings, the share capital represented and the results of votes, for the last three years.

In addition to the minutes of General Meetings, the Company's website also provides shareholders with information on the list of attendees at meetings, the order of business and resolutions adopted, in respect of all general meetings held in the last three years.

1.15. Information on presence at general meetings of representative(s) of the remuneration committee.

The presence of the members of the Remuneration Committee is always required at General meetings. The minutes of General Meetings always indicate how the committee was represented, and in the last three years it was represented by Frederico José da Cunha Mendonça e Meneses at the General Meetings of 19 May 2011, 17 December 2010 and 15 March 2010, by José Gonçalo Maury, João Rodrigo Appleton Moreira Rato and Frederico José da Cunha Mendonça e Meneses at the General Meetings of 6 March 2009.

1.16. Information on the intervention by the General Meeting on matters concerning the remuneration policy of the company and assessment of the performance of members of the Board of Directors.

The remuneration policy for company officers is the responsibility of the Remuneration Committee, which submits its proposals for the approval of the General Meeting, which is attended by at least one member of the Remuneration Committee. The remuneration policy submitted to the General Meeting in 2012 is set out in Annex IV to this report.

1.17. Information on the general meeting's intervention concerning proposals for share- or option-based payment schemes or payment schemes based on variations in share prices for members of the board of directors, audit board or other management personnel, as defined in Article 258-B.3 of the Securities Code, and on the documents made available to the general meeting for a correct assessment of these schemes.

There are no share or share option schemes in place, and accordingly this matter is not subject to intervention by the General Meeting.

1.18. Information on the general meeting's intervention in approving the central features of the retirement benefits system for members of the board of directors, audit board or other management personnel, as defined in Article 258-B.3 of the Securities Code

The General Meeting has not to date been involved in approving the main features of retirement pension schemes for members of the Board of Directors and Audit Board and other management personnel.

We should draw attention to the specific nature of the Company's pension plan. Portucel was a state-owned company until 1991, with its business and procedures regulated by the special legislation applicable to this type of company, and during this period specific rules were approved on the retirement pensions of the directors. The fact that the legislation mentioned in the recommendation was not in force at the time when these rules were instituted means that the recommendation does not apply to Portucel.

1.19. Existence of provision in the Articles of Association requiring the general meeting to resolve, no less than every five years, on whether to maintain or eliminate a rule in the articles limiting the number of votes which can be held or cast by a single shareholder individually or in conjunction with other shareholders.

The Company's Articles of Association contain no provision to this effect.

1.20. Defensive measures designed to cause automatic and serious erosion in the company's assets in the event of a change of control or alterations to membership of the management body.

The Company has no defensive measures which automatically cause serious erosion in the Company's assets in the event of a change of control or alterations to membership of the management body.

1.21. Significant agreements to which the company is party and which take effect, are amended or terminate in the event of a change in the control of the company, together with the respective effects, unless, due to its nature, disclosure of such agreements would be seriously detrimental to the company, except if the company is specifically required to disclose such information by other mandatory provision of law.

Some of the Company's borrowing provides for early repayment in the event of a change in shareholder structure. Clauses of this type are included in 54% of the Company's total medium and long term borrowing.

However, the Company considers that the contracts in question should not be disclosed as this would be prejudicial to its interests and offer not advantage to shareholders.

1.22. Agreements between the company and directors or managers, as defined by Article 248-B.3 of the Securities Code, which provide for compensation in the event of resignation, dismissal without due cause or termination of employment contract as a result of a change of control of the company.

There are no agreements between the Company and directors or managers, as defined by Article 248-B.3 of the Securities Code, which provide for compensation in the event of resignation, dismissal without due cause or termination of employment contract as a result of a change of control of the Company.

Chapter II

Management and Supervisory Bodies

Section I – General Issues

Model Adopted by Company

The Company's Articles of Association provide for a single-tier management model, with a Board of Directors comprising executive and non-executive members and an Audit Board, in accordance with Article 278.1 a) of the Companies Code.

2.1. Company bodies and respective membership.

Audit Board:

Chairman:	Miguel Camargo de Sousa Eiró
Full members:	Duarte Nuno d'Orey da Cunha Gonçalo Nuno Palha Gaio Picão Caldeira
Alternate member:	Marta Isabel Guardalino da Silva Penetra

Board of Directors:

Chairman:	Pedro Mendonça de Queiroz Pereira
Directors:	José Alfredo de Almeida Honório Manuel Soares Ferreira Regalado Adriano Augusto da Silva Silveira António José Pereira Redondo José Fernando Morais Carreira de Araújo Luís Alberto Caldeira Deslandes Manuel Maria Pimenta Gil Mata Francisco José Melo e Castro Guedes José Miguel Pereira Gens Paredes

Paulo Miguel Garcês Ventura

Executive Board:

Chairman:	José Alfredo de Almeida Honório
Directors:	Manuel Soares Ferreira Regalado Adriano Augusto da Silva Silveira António José Pereira Redondo José Fernando Morais Carreira de Araújo

Company Secretary:

Full:	António Pedro Gomes Paula Neto Alves
Alternate:	António Alexandre de Almeida e Noronha da Cunha Reis

2.2. Other committees with management or supervisory powers in the company, and respective membership.

Remuneration Committee:

Chairman:	José Gonçalo Maury, representing Egon Zehnder
Members:	João Rodrigo Appleton Moreira Rato Frederico José da Cunha Mendonça e Meneses

Corporate Governance Committee

Chairman:	Luís Alberto Caldeira Deslandes
Members:	José Fernando Morais Carreira de Araújo António Pedro Gomes Paula Neto Alves

Internal Control Committee

Chairman:	Francisco José Melo e Castro Guedes
Directors:	José Miguel Gens Paredes
	Jaime Alberto Marques Sennfelt Fernandes Falcão

Other committees in the Company:

Sustainability Committee

Chairman:	Manuel Maria Pimenta Gil Mata
Members:	Adriano Augusto Silveira
	João Manuel Alves Soares

Environmental Board

Chairman::	*Carlos Matias Ramos
Members:	João Santos Pereira
	Casimiro Pio
	Rui Ganho
	Maria da Conceição Cunha

* Substituting Fernando Ramoa Ribeiro since 26 October 2011

Pension Fund Supervisory Committee

Members:	João António Xavier da Costa Ventura
	Manuel Luís Daun e Lorena Arouca
	António Alexandre de Almeida e Noronha da Cunha Reis
	Jorge do Carmo Guilherme Tareco
	Carlos Alberto Martins de Barros

Pension Fund Supervisory Committee

Members:	Manuel Soares Ferreira Regalado
	Adriano Augusto da Silva Silveira

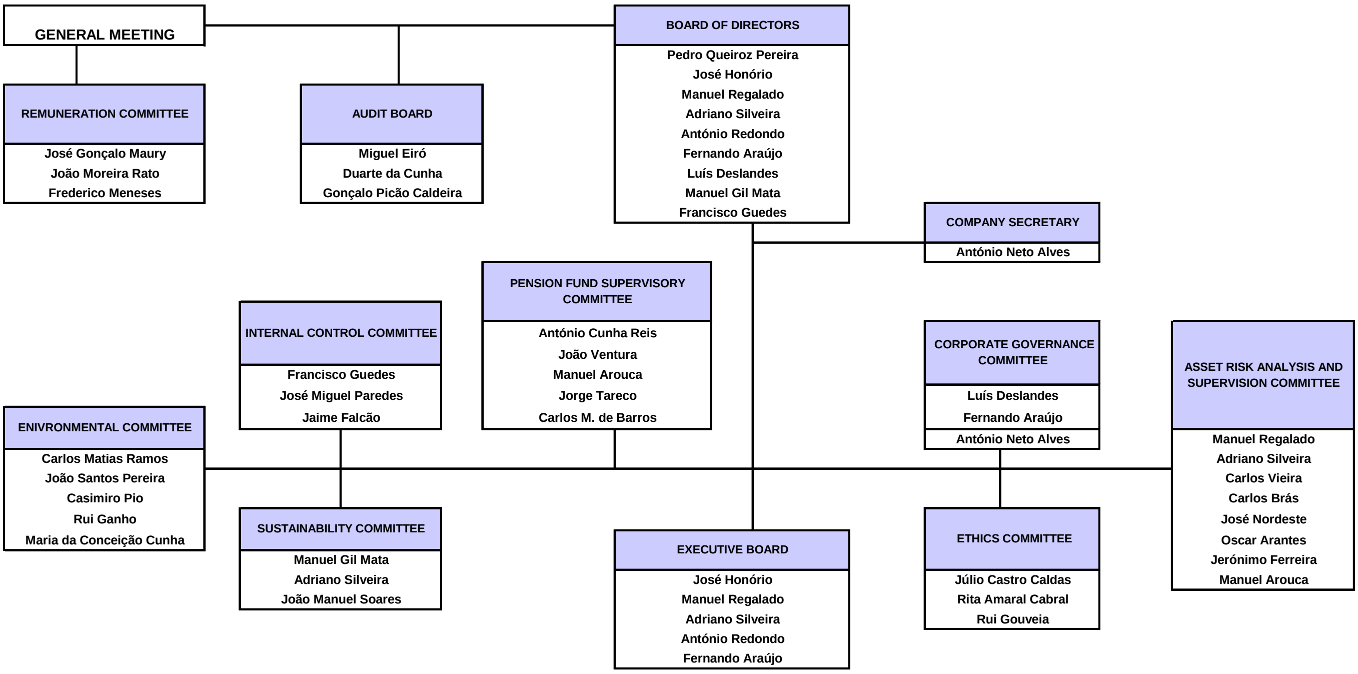
	Carlos Alberto Amaral Vieira
	Carlos Manuel Marques Brás
	José Manuel Namorado Nordeste
	Óscar Manuel Monteiro da Silva Arantes
	Jerónimo Paulo Alves Ferreira
	Manuel Luís Daun e Lorena Arouca

Ethics Committee

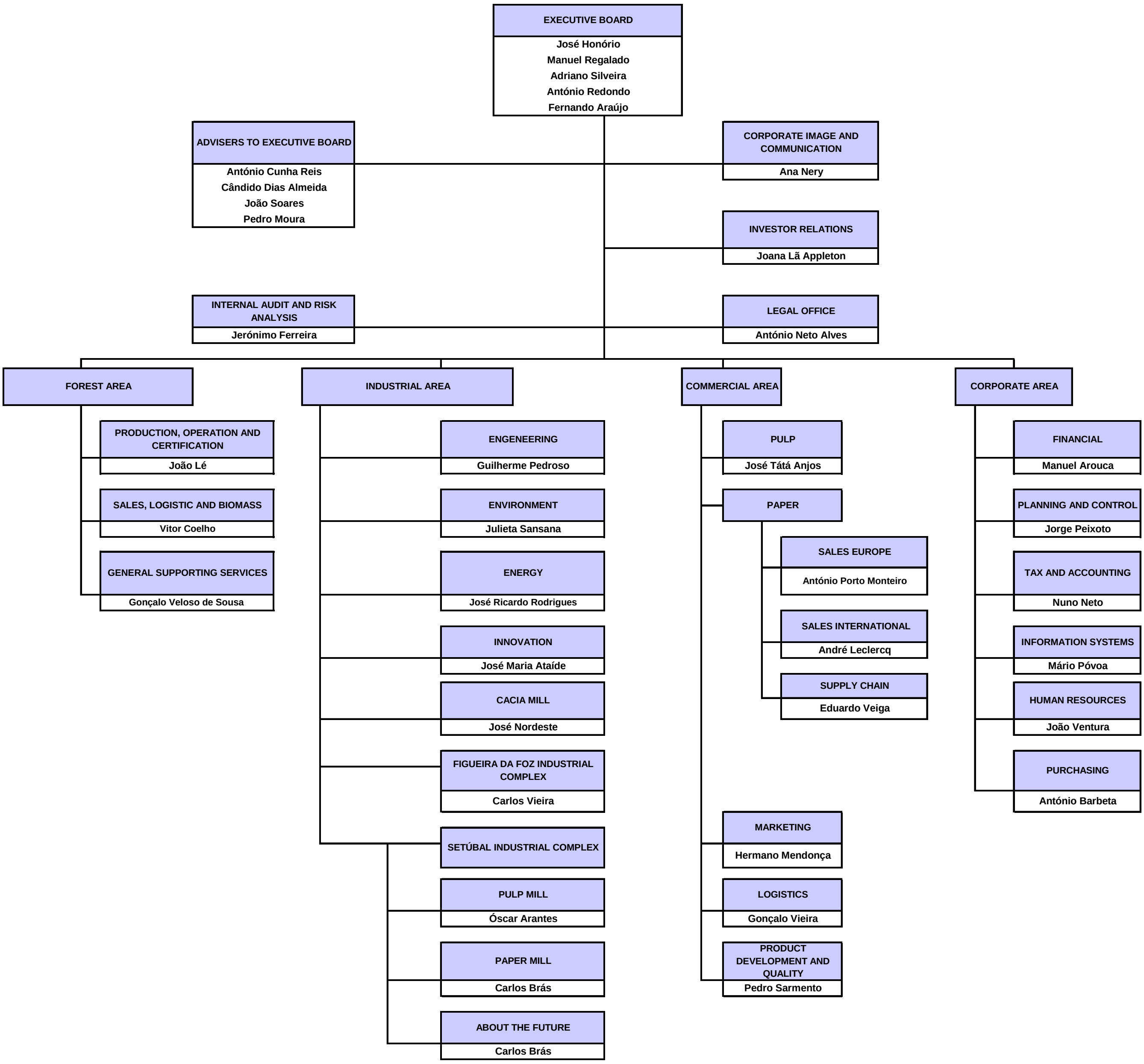
Chairman	Júlio de Lemos de Castro Caldas
Members	Rita Maria Lago do Amaral Cabral
	Rui Tiago Trindade Ramos Gouveia

2.3. Organizational charts or flow charts showing the division of responsibilities between the different company bodies, committees and/or departments, including information on scope of powers delegated, in particular concerning delegation of the day-to-day running of the company, or the distribution of special responsibilities assigned to specific directors or members of the audit board and a list of matters where powers cannot be delegated and powers effectively delegated.

Company Boards and Committees



Company Divisions and Departments



Management Body

Portucel has a Board of Directors comprising nine members, with one chairman and eight directors. Five of the members are executive directors and form an Executive Board, which was elected and whose powers are delegated by the Board of Directors, and the other four members are non-executive.

The following powers are delegated to the Executive Board:

a) To propose the company's policies, aims and strategies to the Board of Directors;
b) To propose to the Board of Directors operating budgets and medium and long term investment and development plans, and to implement the same once approved;
c) To approve budget alterations during the year, including transfers between cost centres not exceeding twenty million euros each year;
d) To approve contracts for the acquisition of goods and services of a value each year no greater than twenty million euros;
e) To approve financing contracts, to apply for bank guarantees, or to accept any other liabilities which represent increased indebtedness, totalling no more than twenty million euros each year;
f) To acquire, dispose of or encumber the company's fixed assets of a value, in each individual case, of up to five per cent of the paid up share capital;
g) To lease or let any immoveable property;
h) To represent the Company in or out of court, as claimant or respondent, and to bring or follow up any judicial or arbitral actions, confess or desist, settle or agree to arbitration;
i) To acquire, dispose of or encumber holdings in other companies, of a value of no more than twenty million euros each year;
j) To resolve on executing acquisition and disposal of own shares, when this has been resolved on by the general meeting, in keeping with the terms of such resolution;
k) To manage holdings in other companies, in conjunction with the Chairman of the Board of Directors, namely by designating, with the latter's agreement, the representatives to sit on the respective company boards, and setting guidelines for the acts of these representatives;
l) To entre into, amend and terminate employment contracts;
m) To open, transact and close bank accounts;
n) To appoint Company representatives;
o) In general, all powers which may lawfully be delegated, with any limitations deriving from the provisions of the preceding paragraphs.

In conjunction with the Chairman of the Board of Directors, the Executive Board may also resolve on the matters indicated in sub-paragraphs c), d), e) and i) above when the respective values, calculated on the terms set out therein, are greater than twenty million euros but no greater than fifty million euros.

The Chairman of the Board of Directors has the powers assigned by law and the articles of association.

The Executive Board may discuss all matters within the sphere of competence of the Board of Directors, notwithstanding that it may only resolve on matters delegated to it. All matters dealt with by the Executive Board, even when they fall within the scope of its delegated powers, are to be reported to the non-executive directors, who have access to the respective minutes and supporting documents.

The powers to alter any terms of contracts previously concluded and covered by the provisions of c), d), e) and i) lie with the body or bodies who would have powers to enter into them.

All decisions relating to definition of company strategy, and to the company's general policies and the corporate structure of the group, shall be the sole province of the Board of Directors, and the Executive Board has no delegated powers to this effect.

Portucel's articles of association do not authorize the Board of Directors to resolve on increases in share capital.

The Board of Directors as well as the Executive Committee have their own rules of procedure, which are available on the Company's website.

Distribution of responsibilities

Specific responsibilities are assigned as described below to the following members of the Board of Directors, all of them belonging to the Executive Board:

- **José Alfredo de Almeida Honório:**

  - Internal Auditing

- **Manuel Soares Ferreira Regalado:**

  - Forestry activities
  - Finance
  - Human resources, organization and secretarial services
  - Purchasing
  - Investor relations

- **Adriano Augusto da Silva Silveira:**

  - Industrial operations, Pulp, Energy and Paper
  - Maintenance and Engineering
  - Environment, Quality and Safety

- Innovation

- **António José Pereira Redondo:**

  - Pulp and paper sales
  - Marketing
  - Communication and Image
  - Product development

- **José Fernando Morais Carreira de Araújo:**

  - Accounts and taxation
  - Management control
  - Legal office
  - Information systems

2.4. Reference to the fact that the annual reports on the activities of the General and Supervisory Board, the Committee for financial affairs, the Audit Committee and the Audit Board include a description of the supervisory activities carried on, referring to any constraints detected, and that they are published on the company's website, in conjunction with the other reports and financial statements.

The Company bodies with powers and responsibilities in this area are the Audit Board and the Internal Control Committee, both of which include in their annual reports an assessment of their supervisory work during the period together with an account of the Company's activities, mentioning, when relevant, any constraints on their work, as well as any recommendations they may have for the bodies with powers of corporate management. No constraints on this work have to date been reported.

The Management Body's assessment of the governance model adopted

The Board of Directors considers that the corporate governance model adopted has proven appropriate for the correct internal and external running of the Company. The Board of Directors has an Executive Board comprising five members who meet every week and discuss all matters relating to the management of the Company; there are quarterly meetings with non-executive members and detailed information flows between non-executive and executive members of the Board on all relevant company matters.

The Board of Director is also supported by a number of specialised committees which make their contribution in their specific areas.

No company officer or body has felt any constraint or drawn attention to the working of the corporate governance model, given the autonomy with which each of the bodies carries on its work, in view of the rigour and frequency with which information is transmitted.

2.5. Description of the internal control and risk management systems within the company, namely as regards the financial information disclosure system, the workings and effectiveness of this system.

The Company's strategic aim in the field of risk-taking is to reduce to a minimum the possibility of occurrence of risks involved at the different levels of the company's operations. The Company has various committees whose responsibilities include preventative action in this area: the Internal Control Committee, which has the mission of detecting and controlling relevant risks in the Company's operations, and the Asset Risks Analysis and Supervision Committee, which pronounces on the systems for preventing property risks in place in the Group.

The Internal Control Committee is responsible for identifying, assessing and monitoring risks, which are then managed and/or mitigated by various units within the Company. One of the most important aspects of the work of these committees is the forecasting of the consequences of occurrence of the risks identified below, making for greater effectiveness in the adopting of measures which can be implemented immediately when these circumstances occur.

In addition to the risks involved in the actual business of producing pulp and paper, in which it is engaged, the main risks to which the group is subject are the following:

- financial;
- property;
- environmental;
- health and safety

Measures taken in order to manage these risks, together with the internal structures responsible for this task, are described below.

Financial risk

The Group's operations are exposed to a variety of financial risk factors: exchange rate risk, interest rate risk, credit risk and liquidity risk. The Group has a risk management programme which focuses its analysis on the financial markets, seeking to minimize potential adverse effects on the Group's financial performance.

Risk management is handled by the Financial Department, in keeping with policies approved by the Board of Directors. The Financial Department assesses and manages financial risks, in close cooperation with the Group's operating units.

The Board of Directors lays down principles for risk management as a whole and policies for specific areas, such as exchange rate risk, interest rate risk, credit risk, use of derivatives and other non-derivative financial instruments and investment of surplus liquidity.

It should be noted that the factors of financial and operating risk, together with the risk management systems in place, are detailed and quantified in no. 2 of the Notes to the Financial Statements.

Property risks

The Group's manufacturing units are subject to the risks involved in any industrial operations, such as the risk of accident, breakdown or natural disaster, which could cause harm to their assets and interrupt the production process.

The Group manages these risks with care, on two complementary fronts:

(i) Implementation of a strict prevention plan at all industrial facilities, with a special emphasis on fire detection and automatic protection, monitoring systems, systems for protection of machinery and plant, and particularly on maintenance and the training of internal accident prevention and combat teams, backed by special material and human resources;

(ii) A comprehensive programme of property insurance, including multi-risk insurance (damage caused by external factors, including natural disasters), breakages and breakdown of machinery, and operating losses caused by these events.

In addition, the reinsurers in the insurance programme, represented by the lead reinsurer, conduct an inspection of all plant facilities, every two years, issuing a report with a set of recommendations which are adopted by the group.

As described above, the company has a Property Risk Analysis and Monitoring Committee which pronounces on the measures taken to meet the recommendations issued as a result of inspections by reinsurers.

Environmental risks

The Board of Directors has paid special attention to environmental risks, which are managed at the level of the industrial units by the respective plant management divisions and centrally by the Environmental Board, whose members are appointed by the Board of Directors and report directly to the Executive Board. These members comprise three to five individuals of recognized expertise in the field of environmental protection.

The Environmental Committee's mission is to monitor and to issue its recommendations on environmental issues relating to the company's operations and, whenever so requested by the Board of Directors, to give its opinion and recommendations on the environmental impact of the company's developments, especially in the light of the legal rules in this area.

Health and Safety at Work

In the course of 2007 the Group reorganized its health and safety arrangements at its different plants, in order to comply with legal requirements, implementing a similar structure at all industrial facilities.

In keeping with labour law, Health and Safety Committees have been set up at the different plants, with responsibility for assessing potential hazards in the plants and for issuing recommendations for eliminating these risks.

During 2011, healthy and safety activities were pursued at the Group's different industrial complexes in a regular and sustained manner, with high levels of performance and attainment of targets, resulting in good accident rate indicators at the industrial plants.

We should point out that with the opening of the new paper mill in Setúbal in 2009, another major industrial facility was added to the list of premises to be controlled, and the existing safety certifications at the Setúbal site had to be extended accordingly

Sustained efforts to improve health and safety at the Setúbal, Figueira da Foz and Cacia complexes have included regular meetings of the health and safety committees. Half the members of these committees are legally elected workers' representatives, making this a forum for permanent consultation with the workforce in this field.

Ongoing training in safety issues was provided to all employees over the year at all industrial complexes, starting with induction training for new recruits and continuing with other specific training activities.

The Group has also implemented all recommendations made by experts in relation to industrial risks on the basis of the audits conducts, with a view to continuous and sustained improvement of its fire prevention and fire fighting resources.

"Emergency Response Exercises" were conducted at all plants, catering for a variety of scenarios, so as to assure expertise and readiness for the Internal Emergency Plan.

Financial reporting process

In accordance with the provisions of Article 248.6 of the Securities Code, as amended by Decree-Law 52/2006, of 15 March, issuers of securities are required to draw up and keep rigorously up to date a list of their staff, with or without employment contracts, who have regular or occasional access to privileged information.

Each member of staff listed has been informed of the Company's decision to include him or her and also of his or her legal duties and obligations, as well as the consequences of disclosure or abusive use of privileged information. Of the staff included on the list, only a small number is involved in the disclosure of privileged financial information.

All these employees and officers are also aware of the principles of professional ethics laid down in the Code or Ethics, contained in Annex I to this report, in particular with regard to duties of confidentiality and secrecy.

2.6. Responsibility of the management body and supervisory body for creating and running internal control and risk management systems in the company, and for assessing the workings of these systems and adjusting them to the company's needs.

All the committees existing in the Company, except for the Remuneration Committee, are set up by resolution of the Board of Directors. The supervisory body is elected by the shareholders.

When it sees fit, the Audit Board may request from the management body and the other committees in the company structure all the information it deems necessary for an adequate assessment of the Company's internal risks, notwithstanding the flow of information provided on a periodic basis by the management body to the Audit Board and its joint meetings with the Board of Directors. As stated in the preceding item, the Company's hierarchical structure includes bodies and systems at each industrial unit with responsibility for risk assessment.

2.7. Indication of the existence of rules of procedure for corporate bodies or any internally defined rules on incompatibility and the maximum number of positions that a member is entitled to hold and where these rules may be consulted.

The company's management and supervisory bodies have internal rules of procedure, which are published on the company's website, in the investor relations / Corporate Governance area, and are therefore freely available for consultation.

In addition, there is no specific rule on the maximum number of positions any individual may hold.

Section II – Board of Directors

2.8. If the chairman of the management body has executive powers, information on procedures for coordinating the work of non-executive members which assure that their decisions are independent and informed.

The Chairman of the Board of Directors does not have executive powers.

2.9. Identification of the main economic, financial and legal risks to which the company is exposed in the course of its business.

In the course of its business, the Group is exposed to a variety of economic, financial and legal risks, the most significant of which are detailed below:

1. Procurement of timber, and eucalyptus in particular, is subject to price variations and difficulties of supply which could have a significant impact on the production costs of pulp manufacturers;

2. Market prices of pulp and paper, which in the past have been markedly cyclical, significantly influence the Portucel Group's revenues and profitability;

3. Any reduction in demand for pulp and UWF paper, especially in EU and US markets, could have a significant impact on Group sales;

4. The Group is subject to the risk of default on the credit it grants to its customers, and has adopted a policy of hedging this risk within given levels by negotiating credit insurance from a specialist independent insurer. Sales not covered by credit insurance are subject to rules which assure they are made to customers with an appropriate credit track record;

5. Increased competition on pulp and paper markets could have a significant impact on prices and consequently on Group profitability;

6. Variations in the exchange rate between the euro and other currencies, notably the US dollar and sterling, could have an impact on Company business;

7. Variations in interest rates, and in particular in short terms rates, could have a significant impact on the Group's results;

8. There is also a liquidity risk which the Group manages in two ways. In the first place, it makes sure that its financial borrowing includes a large medium to long term component with maturities matched to the characteristics of the industry in which it operates.

In addition, the Group has contracted credit facilities from financial institutions; these are available at any time, with an upper limit which guarantees adequate liquidity.

9. In recent years, European Union legislation on environmental issues has become more restrictive, especially with regard to control of effluents.

The Portucel Group complies with all legal requirements, and has accordingly made sizeable investments in recent years. Although no significant legislative changes are foreseen in the near future, there is the possibility that the Group will have to make additional investments in this area, in order to comply with any new limits which may be approved.

10. The Portucel Group's ability to implement successfully the strategies defined depend on its ability to recruit and retain the best qualified and able staff for each position. Although the Group's human resources policy is geared to achieving this goal, it cannot preclude the possibility of future limitations in this area;

11. The Group's industrial plants are subject to the risks involved in any industrial activity, such as the risk of accidents, breakdowns or natural disasters which could damage the Group's assets or cause temporary stoppages to the production process. This risks could likewise affect the Group's main customers and suppliers, which would have a significant impact on levels of profitability, if it were not possible to find alternative customers to maintain the level of sales or suppliers which allowed it to maintain the same cost structure;

12. The Portucel Group's operations are exposed to the risks related to forest fires, in particular: (i) destruction of present and future timber stocks; and (ii) the added costs of forestry operations and subsequent preparation of land for planting;

13. Energy sales account for an important part of Group's business, meaning that a significant change in electricity tariffs could have a significant impact on the Company's results.

14. The listed price of Portucel shares could experience volatility and be subject to fluctuations due to a range of factors. By way of example, these fluctuations could be caused by: (i) changes in investor expectations regarding the prospects for the sectors and markets in which the Group operates; (ii) announcements of technological innovations; (iii) launch of new products or services by the Group or its competitors; (iv) actual or expected variations in results; (v) changes in the financial estimates of securities analysts; (vi) any significant capital expenditure projects undertaken by the Group; (vii) any strategic partnerships or joint ventures in which the Group may participate; (viii) unfavourable economic prospects; (ix) changing conditions in securities markets; and (x) poor liquidity due to the existence of a controlling shareholder with approximately 76% of the share capital.

Many of the risk factors identified are beyond the Portucel Group's control, especially in the case of market factors which can have a fundamental and negative effect on the market price of the issuer's shares, irrespective of the Group's operational and financial performance.

2.10. Powers of the management body, in particular with regard to resolutions on increasing the share capital

The powers of the management body are those assigned by the Companies Code and those set out in Article 16, 17 and 18 of the Articles of Association.

Under the Articles of Association, the Board of Directors has no powers to resolve on increases in share capital.

2.11. Information on the policy of rotating areas of individual responsibility in the Board of Directors, and in particular responsibility for financial affairs, and on the rules applicable to the appointment and replacement of members of the management and supervisory bodies

As explained in Chapter 2.3 of this Report, dealing with the distribution of specific powers, financial affairs are overseen by two members of the Board of Directors, given that financial matters are managed separately from accounts and taxation. No policy has been defined with regard to rotating the special areas of responsibility within the board of directors, and there are no rules on this matter. This is in fact regarded as a question of strategic interest which should be determined by the Company and its Shareholders, in accordance with the specific circumstances of the Company's governance and business model.

The special areas of responsibility exercised by the Board of Directors have particularities proper to each type of business and cannot be assigned without duly considering the characteristics of the fields in which the companies carry on their business.

2.12. Number of meetings of the management and supervisory bodies, and reference to the minutes of these meetings

Body	Number of meetings in 2011
Board of Directors	7
Audit Board	9

Minutes were drawn up for all meetings.

2.13. Indication of the number of meetings of the Executive Board or the Executive Board of Directors, together with reference to the taking of minutes of these meetings and the forwarding of the same, together with the notice of meetings, as applicable, to the Chairman of the Board of Directors, the Chairman of the Audit Board or the Audit Committee, to the Chairman of the General and Supervisory Board and to the Chairman of the Financial Affairs Committee.

Body	Number of meetings in 2011
Executive Board	44

There were 44 meetings of the Executive Board, all of which were duly planned, and their minutes were forwarded to the Chairman of the Board of Directors and to the Chairman of the Audit Board; the minutes are also at the disposal of the Internal Control Committee.

2.14. Indication of the executive and non-executive members and, with regard to the latter, a list of members who would comply, if they were applicable, with the incompatibility rules provided for in article 414-A.1, except for item b), and the independence criterion referred to in article 414.5, both of the Companies Code.

Portucel has a Board of Directors comprising eleven members – one Chairman and ten other Directors. Five of the members are executive directors and form an Executive Board, which was elected and whose powers were delegated by the Board of Directors, and the other six are non-executive directors.

Identification of the members of the Board of Directors, distinguishing between executive and non-executive directors:

Chairman of the Board of Directors: Pedro Mendonça de Queiroz Pereira (Non-executive)
Member of the Board of Directors: José Alfredo de Almeida Honório (Chairman of the Executive Board)
Member of the Board of Directors: Manuel Soares Ferreira Regalado (Member of Executive Board)
Member of the Board of Directors: Adriano Augusto da Silva Silveira (Member of Executive Board)
Member of the Board of Directors: António José Pereira Redondo (Member of Executive Board)
Member of the Board of Directors: José Fernando Morais Carreira Araújo (Member of Executive Board)
Member of the Board of Directors: Luís Alberto Caldeira Deslandes (Non-executive)
Member of the Board of Directors: Manuel Maria Pimenta Gil Mata (Non-executive)
Member of the Board of Directors: Francisco José Melo e Castro Guedes (Non-executive)
Member of the Board of Directors: José Miguel Pereira Gens Paredes (Non-executive)
Member of the Board of Directors: Paulo Miguel Garcês Ventura (Non-executive)

For the purposes of Article 414.5 of the Companies Code, we hereby disclose that the non-executive members of the Board of Directors identified above do not meet the requirements relating to the independence rules, and also for the purpose of Article 414-A.1, except for sub-paragraph b), one of the non-executive members of the Board of Directors, Mr. Pedro Mendonça de Queiroz Pereira, does not meet the requirements of the incompatibility rules, namely with regard to sub-paragraph h), insofar as he holds directorships in five companies outside the Portucel Group.

2.15. Indication of the legal and regulatory rules and other criteria forming the basis for the management body's assessment of its members' independence.

The assessment criteria are those set out in the Companies Code, the Securities Code and the Securities Market Commission Regulations in force.

2.16. Indication of the procedural rules for the selection of candidates for non-executive directorships and how these rules preclude any interference in the process by executive directors

There are no roles on the selection process for prospective non-executive directors. The selection process for all directors (executive and non-executive) is the sole responsibility of the company's shareholders, who exercise this authority at the General Meeting. The executive directors accordingly have no say in the selection of non-executive directors.

2.17. Reference to the fact that the company's annual management report includes a description of the work undertaken by non-executive directors and any constraints detected.

Annex II to this report contains a description of the work performed by the non-executive directors.

2.18. Professional qualifications of the members of the Board of Directors, indicating their professional activities over at least the last five years, the number of shares held in the company, the date of first appointment and of expiry of their term of office.

and

2.19. Office held by members of the Board of Directors in other companies, indicating that held in other companies of the same group.

All the members of the Board of Directors hold office in other companies, as specified below:

Pedro Mendonça de Queiroz Pereira

1. Type of directorship: Non-executive.

2. No. of shares held in company: holds no shares in company.

3. Qualifications: Completed secondary education in Lisbon and attended Instituto Superior de Administração.

4. Date when first appointed and expiry of term of office: 2004-2014.

5. Management office held in companies:

- Companies in the Portucel Group:

  - Chairman of the Board of Directors of Portucel - Empresa Produtora de Pasta e Papel, S.A.
  - Chairman of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
  - Chairman of the Board of Directors of About the Future – Empresa Produtora de Papel, S.A.

- Other Companies / Entities:

  - Manager of Cimentospar – Participações Sociais, SGPS, Lda.
  - Chairman of the Board of Directors of Ciminpart - Investimentos e Participações, SGPS, S.A.
  - Chairman of the Board of Directors of Celcimo, S.L.
  - Chairman of the Board of Directors of CMP - Cimentos Maceira e Pataias, 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 and Chairman of the Executive Board 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 Cimigest, SGPS, S.A.
- Chairman of the Board of Directors of Costa das Palmeiras – Turismo e Imobiliário, S.A.
- Manager of Ecovalue – Investimentos Imobiliários, Lda.
- Chairman of the Board of Directors of Longapar, SGPS, S.A.
- Chairman of the Board of Directors of OEM - Organização de Empresas, SGPS, S.A..
- Chairman of the Board of Directors of Sodim SGPS, S.A.
- Member of the Board of Directors of Tema Principal – SGPS, S.A.
- Chairman of the Board of Directors of Terraços d´Areia – SGPS, S.A.
- Chairman of the Board of Directors of Vértice – Gestão de Participações, SGPS, S.A.

6. Other professional activities in the last 5 years:

- Chairman of the Board of Directors of Cimo – Gestão de Participações Sociais, S.A.
- Chairman of the Board of Directors of Longapar, SGPS, S.A.
- Chairman of the Board of Directors of Semapa Inversiones, SL
- Manager of Ecolua – Actividades Desportivas, Lda.
- Member of the Board of Directors of Portucel Soporcel Floresta – SGPS, S.A.

José Alfredo de Almeida Honório

1. Type of directorship: Executive.

2. No. of shares held in company: holds no shares in company.

3. Qualifications: Degree in economics from the Faculty of Economics, University of Coimbra, 1980.

4. Date when first appointed and expiry of term of office: 2004-2014.

5. Management office held in companies:

- Companies in the Portucel Group:

- Chairman of the Executive Board and Member of the Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, S.A.
- Chairman of the Executive Board and Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Chairman of the Executive Board and Member of the Board of Directors of About the Future – Empresa Produtora de Papel, S.A.
- Chairman of the Board of Directors of Portucel Florestal – Empresa de Desenvolvimento Agro-Florestal, S.A.
- Chairman of the Board of Directors of PortucelSoporcel Energia SGPS,S.A.
- Chairman of the Board of Directors of PortucelSoporcel Floresta SGPS, S.A.
- Chairman of the Board of Directors of PortucelSoporcel Internacional – SGPS, S.A.
- Chairman of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A.
- Chairman of the Board of Directors of PortucelSoporcel Participações, SGPS, S.A.
- Chairman of the Board of Directors of PortucelSoporcel Pulp, SGPS, S.A.
- Chairman of the Board of Directors of Countrytarget, SGPS
- Chairman of the Board of Directors of Eucaliptusland, SA
- Chairman of the Board of Directors of PortucelSoporcel Fine Paper, SA
- Chairman of the Board of Directors of Portucel Papel Setúbal S.A.
- Chairman of the Board of Directors of PortucelSoporcel Florestal, S.A. (previously Aliança Florestal – Sociedade para o Desenvolvimento Agro-Florestal, SA.)
- Chairman of the Board of Directors of Soporcel Pulp, SA
- Directors of Portucel Soporcel Sales & Marketing SA
- Member of the Board of Directors of Portucel Soporcel Switzerland, Ltd

▪ Other Companies / Entities:

- Member of the Board of Directors of Seminv – Investimentos, SGPS, S.A.
- Manager of Cimentospar – Participações Sociais, SGPS Lda.
- Member of the Board of Directors of Celcimo, S.L.
- Member of the Board of Directors of Ciminpart – Investimentos e Participações, SGPS, S.A.
- Member of the Board of Directors of Seinpart Participações, SGPS, S.A.
- Member of the Board of Directors of CMP – Cimentos Maceira e Pataias, S.A.
- Member of the Board of Directors of Secil - Companhia Geral de Cal e Cimento, S.A.
- Member of the Board of Directors and Member of the Executive Board of Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.
- Member of the Board of Directors and of the Executive Board of CEPI – Confederation of European Paper Industries

- Chairman of the General Board and Member of the Executive Board of CELPA – Associação da Indústria Papeleira

6. Other professional activities in the last 5 years:

- Chairman of the Management Board of Tecnipapel, Soc. de Transformação e Distribuição de Papel, Lda.
- Member of the Management Board of RAIZ - Instituto de Investigação da Floresta e Papel
- Member of the Board of Directors of Bosques do Atlântico, S.L.
- Member of the Board of Directors of Betopal, SL.
- Member of the Board of Directors of CIMO – Gestão de Participações, SGPS, S.A.
- Member of the Board of Directors of Longapar, SGPS, S.A
- Member of the Board of Directors of Semapa Inversiones, S.L.
- Member of the Board of Directors of Parseinges – Gestão de Investimento, SGPS, S.A.
- Chairman of the Management Board of IBET – Instituto de Biologia Experimental e Tecnológica.

Manuel Soares Ferreira Regalado

1. Type of directorship: Executive

2. No. of shares held in company: holds no shares in company

3. Qualifications: Degree in Financial Affairs, from the Instituto Superior de Ciências Económicas e Financeiras, Lisbon (ISEG), 1972; Senior Executive Programme (SEP), London Business School (1997)

4. Date when first appointed and expiry of term of office: 2004- 2014

5. Management office held in companies:

▪ Companies in the Portucel Group:

- Member of the Executive Board and Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, S.A.
- Member of the Executive Board and Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Executive Board and Board of Directors of About the Future – Empresa Produtora de Papel, S.A.
- Chairman of the Board of Directors of Aflomec – Empresa de Exploração Florestal, S.A.

- Member of the Board of Directors of Portucel Soporcel Florestal SA
- Chairman of the Board of Directors of Atlantic Forests – Comércio de Madeiras, S.A.
- Chairman of the Board of Directors dos Bosques do Atlântico, SL
- Chairman of the Board of Directors Cofotrans – Empresa de Exploração Florestal, S.A.
- Chairman of the Board of Directors of Enerforest – Empresa de Biomassa para Energia, S.A.
- Member of the Board of Directors of PortucelSoporcel Internacional, SGPS, S.A.
- Member of the Board of Directors of Portucel Florestal – Empresa de Desenvolvimento Agro-Florestal, S.A.
- Member of the Board of Directors of PortucelSoporcel Energia SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Floresta, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Participações SGPS, S.A.
- Chairman of the Board of Directors of Sociedade de Vinhos de Espirra – Produção e Comercialização de Vinhos
- Chairman of the Board of Directors dos Viveiros Aliança – Empresa Produtora de Plantas, S.A.
- Member of the Board of Directors of Portucel Soporcel Sales & Marketing SA
- Manager of Portucel Moçambique, Lda
- Member of the Board of Directors of Countrytarget, SGPS
- Member of the Board of Directors of Eucaliptusland, SA
- Member of the Board of Directors of PortucelSoporcel Fine Paper, SA
- Member of the Board of Directors of Soporcel Pulp, SA
- Member of the Board of Directors of Portucel Soporcel Papel, SGPS, SA
- Member of the Board of Directors of Portucel Soporcel Switzerland Ltd
- Member of the Board of Directors of Portucel Papel Setúbal S.A.
- Member of the Board of Directors of PortucelSoporcel Pulp, SGPS, S.A.
- Member of the Management Board of PortucelSoporcel Abastecimento de Madeira, ACE

▪ Other Companies / Entities:

- Member of the General Board of CELPA - Associação da Indústria Papeleira

6. Other professional activities in the last 5 years:

- Member of the Management Board of Tecnipapel, - Sociedade de Transformação e Distribuição de Papel, Lda.
- Member of the Management Board of RAIZ - Instituto de Investigação da Floresta e Papel
- Chairman of the Management Board of Aflotrans – Empresa de Exploração Florestal, S.A.

Adriano Augusto da Silva Silveira

1. Type of directorship: Executive.

2. No. of shares held in company: holds 2,000 shares in the company.

3. Qualifications: Degree in Chemical Engineering from the University of Porto, 1975.

4. Date when first appointed and expiry of term of office: 2007- 2014.

5. Management office held in companies:

- Companies in Portucel Group:

- Member of the Executive Board and Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, S.A.
- Member of the Executive Board and Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Executive Board and Board of Directors of About The Future – Empresa Produtora de Papel, S.A.
- Member of the Board of Directors of PortucelSoporcel Internacional, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Energia, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Floresta, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Participações, SGPS, S.A.
- Member of the Management Board of Tecnipapel - Sociedade de Transformação e Distribuição de Papel, Lda
- Chairman of the Board of Directors of SPCG – Sociedade Portuguesa de Co-geração, S.A.
- Chairman of the Board of Directors of Enerpulp – Co-geração Energética de Pasta, S.A.
- Chairman of the Board of Directors of EMA 21, S.A.
- Member of the Board of Directors of Portucel Soporcel Sales & Marketing SA
- Vogal da Direcção do RAIZ – Instituto de Investigação da Floresta e Papel
- Member of the Board of Directors of Countrytarget, SGPS
- Member of the Board of Directors of Eucaliptusland, SA
- Member of the Board of Directors of PortucelSoporcel Fine Paper, SA
- Member of the Board of Directors of Soporcel Pulp, SA

- Member of the Board of Directors of Portucel Papel Setúbal SA
- Member of the Board of Directors of Portucel Soporcel Switzerland Ltd
- Member of the Board of Directors of PortucelSoporcel Pulp, SGPS, SA
- Member of the Management Board of PortucelSoporcel Abastecimento de Madeira, ACE

6. Other professional activities in the last 5 years:

- Member of the Management Board of Tecnipapel, - Sociedade de Transformação e Distribuição de Papel, Lda.
- Member of the Management Board of RAIZ – Instituto de Investigação da Floresta e Papel
- Director of EMA Cacia – Engenharia e Manutenção Industrial, ACE
- Director of EMA Figueira da Foz – Engenharia e Manutenção Industrial, ACE
- Director of EMA Setúbal – Engenharia e Manutenção Industrial, ACE
- Central Engineering Director for the Portucel Soporcel Group

António José Pereira Redondo

1. Type of directorship: Executive.

2. No. of shares held in company: holds 6,000 shares in the company.

3. Qualifications: Degree in Chemical Engineering, University of Coimbra (1987); attended 4th year in Business Management at Universidade Internacional; MBA specialising in marketing, from the Portuguese Catholic University (1998).

4. Date when first appointed and expiry of term of office: 2007- 2014.

5. Management office held in companies:

▪ Companies in Portucel Group:

- Member of the Executive Board and Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, S.A.
- Member of the Executive Board and Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Executive Board and Board of Directors of About The Future - Empresa Produtora de Papel, S.A.
- Member of the Board of Directors of PortucelSoporcel Energia, SGPS, S.A.

- Member of the Board of Directors of PortucelSoporcel Floresta, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Participações, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Internacional, SGPS, S.A.
- Chairman of the Board of Directors of Portucel Soporcel España S.A.
- Member of the Management Board of PIT – Portucel International Trading GmbH
- Member of the Board of Directors of Portucel Soporcel Sales & Marketing SA
- Member of the Board of Directors of Countrytarget, SGPS
- Member of the Board of Directors of Eucaliptusland, SA
- Member of the Board of Directors of PortucelSoporcel Fine Paper, SA
- Member of the Board of Directors of Soporcel Pulp, SA
- Member of the Board of Directors of Portucel Papel Setúbal SA
- Member of the Board of Directors of Portucel Soporcel Afrique du Nord, SA
- Member of the Board of Directors of Portucel Soporcel Austria GMBH
- Member of the Board of Directors of Portucel Soporcel Deutschland GMBH
- Member of the Board of Directors of Portucel Soporcel France EURL
- Chairman of the Board of Directors of Portucel Soporcel International BV
- Chairman of the Board of Directors of Portucel Soporcel Itália, SRL
- Member of the Board of Directors of Portucel Soporcel North America, INC
- Member of the Board of Directors of Portucel Soporcel Poland SP Z.O.O.
- Chairman of the Board of Directors of Portucel Soporcel UK LTD
- Member of the Board of Directors of Portucel Soporcel Switzerland Ltd
- Member of the Board of Directors of PortucelSoporcel Pulp, SGPS, SA

6. Other professional activities in the last 5 years:

- Member of the Management Board of Tecnipapel, Lda
- Sales and Marketing Director for the Portucel Soporcel Group

José Fernando Morais Carreira de Araújo

1. Type of directorship: Executive.

2. No. of shares held in company: holds no shares in company.

3. Qualifications: Degree in Accountancy and Administration from Instituto Superior de Contabilidade e Administração do Porto (ISCAP) (1986); Higher Studies in Financial Control, Instituto Superior de Contabilidade e Administração do Porto (ISCAP) (1992); Official Auditor since 1995; Degree in law, Universidade Lusíada do Porto (2000); MA in accountancy, Instituto Superior de Ciências do Trabalho e da Empresa, Lisbon (ISCTE); Postgraduate studies in Advanced Financial Accounting; Postgraduate studies in fiscal law, Lisbon Faculty of Law – 2002/2003 Postgraduate studies in Corporate Governance, Instituto Superior de Economia e Gestão, Lisbon (ISEG) – 2006/2007.

4. Date when first appointed and expiry of term of office: 2007-2014.

5. Management office held in companies:

- Companies in Portucel Group:

  - Member of the Executive Board and Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, S.A.
  - Member of the Executive Board and Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
  - Member of the Executive Board and Board of Directors of About The Future - Empresa Produtora de Papel, S.A.
  - Member of the Board of Directors of Country Target SGPS, S.A.
  - Member of the Board of Directors of Eucaliptusland, S.A.
  - Member of the Board of Directors of Impactvalue, SGPS, S.A.
  - Chairman of the Management Board of PIT – Portucel International Trading GmbH
  - Manager of Portucel Moçambique, Lda
  - Member of the Board of Directors of Portucel Papel Setúbal S.A.
  - Chairman of PortucelSoporcel Cogeração de Energia, S.A.
  - Member of the Board of Directors of Bosques do Atlântico, S.L.
  - Member of the Board of Directors of PortucelSoporcel Energia, SGPS, S.A.
  - Member of the Board of Directors of PortucelSoporcel Fine Paper S.A.
  - Member of the Board of Directors of PortucelSoporcel Floresta, SGPS, S.A.
  - Member of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A.
  - Member of the Management Board of PortucelSoporcel Logística do Papel
  - Member of the Board of Directors of PortucelSoporcel Participações, SGPS, S.A.
  - Member of the Board of Directors of Soporcel Pulp, SA
  - Member of the Board of Directors of Portucel Soporcel Sales & Marketing SA
  - Member of the Board of Directors of Portucel Soporcel España, S.A.
  - Member of the Board of Directors of Portucel Soporcel International BV
  - Member of the Board of Directors of Portucel Soporcel UK, Ltd.
  - Member of the Board of Directors of Portucel Soporcel France, EURL

- Member of the Board of Directors of Portucel Soporcel Itália, SRL
- Member of the Board of Directors of Portucel Soporcel Deutschland, GmbH
- Member of the Board of Directors of Portucel Soporcel Austria, GMBH
- Member of the Management Board of Portucel Soporcel Afrique du Nord, S.A.
- Member of the Management Board of Portucel Soporcel Poland SP.Z.O.O.
- Member of the Board of Directors of Portucel Soporcel North America, INC
- Member of the Board of Directors of Portucel Soporcel Switzerland LTD
- Member of the Board of Directors of PortucelSoporcel Pulp, SGPS, S.A.
- Chairman of the Board of Directors of PortucelServiços Partilhados, S.A.

6. Other professional activities in the last 5 years:

- Member of the Management Board of Tecnipapel, Lda
- Chairman of the Board of Directors of Setipel – Serviços Técnicos para a Indústria Papeleira, S.A.
- Accounts and Tax Manager at Semapa, SGPS, S.A. from May 2002, and also at Secil S.A. from May 2002 to June 2006 and in Portucel S.A. from July 2006 to March 2007.

Luís Alberto Caldeira Deslandes

1. Type of directorship: Non-executive.

2. No. of shares held in company: holds no shares in company.

3. Qualifications: Chemical Engineer - Instituto Superior Técnico de Lisboa; Brewery Engineer – Inst. Superieur D'Agronomie de Louvain.

4. Date when first appointed and expiry of term of office: 2001- 2014.

5. Management office held in companies:

- Portucel Group Companies:

  - Member of the Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, S.A.
  - Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
  - Member of the Board of Directors of About The Future - Empresa Produtora de Papel, S.A.

6. Other professional activities in the last 5 years:

- Member of the Executive Board of Portucel – Empresa Produtora de Pasta e Papel, S.A. for the three-year term 2004-2006

- Chairman of the Board of Directors of companies in the Portucel group:
  - Portucel Soporcel Italy SRL
  - Portucel Soporcel France EURL
  - Portucel Soporcel UK Ltd
  - Portucel Soporcel International Bv
  - Portucel Soporcel North America Inc
  - Portucel Soporcel Deutschland GmbH
  - Portucel Soporcel Austria GmbH

Manuel Maria Pimenta Gil Mata

1. Type of directorship: Non-executive.

2. No. of shares held in company: holds no shares in company.

3. Qualifications: Degree in chemical engineering from the Faculty of Engineering, Porto, 1966; International Courts in Senior Management in the Paper and Pulp Industry, Swedish paper Industry Federation, Markaryd, 1987.

4. Date when first appointed and expiry of term of office: 1998 - 2014.

5. Management office held in companies:

▪ Companies in Portucel Group:

- Member of the Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, S.A.
- Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Board of Directors of About The Future - Empresa Produtora de Papel, S.A.

6. Other professional activities in the last 5 years:
   - Associate Guest Professor of the Department of Chemical Engineering, University of Coimbra

Francisco José Melo e Castro Guedes

1. Type of directorship: Non-executive.

2. No. of shares held in company: holds no shares in company.

3. Qualifications: Degree in Finance from Instituto Superior de Ciências Económicas e Financeiras – Lisboa (1971); MBA from INSEAD – Fontainebleau. France (1976)

4. Date when first appointed and expiry of term of office: 2009-2014.

On 1 June 2009, in view of the resignation from the board of Eng. Carlos Eduardo Coelho Alves, the Board of Directors resolved to replace this member by co-opting Dr. Francisco José Melo e Castro Guedes as non-executive director for the term of office underway (2007-2010). The cooption was ratified at the General Meeting held on 15 March 2010.

5. Management office held in companies:

▪ Companies in Portucel Group:

- Member of the Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, S.A.
- Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Board of Directors of About The Future - Empresa Produtora de Papel, S.A.

▪ Other Companies / Entities:

- Member of the Board of Directors and member of Executive Board of Semapa – Sociedade de Investimento e Gestão, SGPS, SA.
- Member of the Board of Directors of Celcimo, S.L.
- Member of the Board of Directors of CMP- Cimentos Maceira e Pataias, S.A.
- Member of the Board of Directors of Secil – Companhia Geral de Cal e Cimento, S.A.
- Member of the Board of Directors of Seminv Investimentos, SGPS, SA
- Member of the Board of Directors of SCG – Société des Ciments de Gabès, SA
- Member of the Board of Directors of Ciments de Sibline, SGPS, S.A.L.
- Member of the Board of Directors of Cimimpart - Investimentos e Participações, SGPS, S.A.
- Member of the Board of Directors of Seinpart Participações, SGPS, S.A.
- Chairman of the Board of Directors of Semapa Inversiones, SL
- Member of the Board of Directors of Silonor, S.A.
- Member of the Board of Directors of Secilpar, SL.
- Manager of Cimentospar – Participações Sociais, SGPS, Lda
- Chairman of the Board of Directors of Viroc Portugal – Indústrias de Madeira e Cimento, S.A
- Member of the Board of Directors of So.I.Me Liban S.A.L.

- Manager of Serife – Sociedade de Estudos e Realizações Industriais e de Fornecimento de Equipamento, Lda.
- Manager of Florimar – Gestão e Participações, SGPS, Soc.Unipessoal, Lda;
- Manager of Hewbol – SGPS, Lda.

6. Other professional activities in the last 5 years:
   - Member of the Board of Directors of Parseinges - Gestão de Investimentos, SGPS, S.A.
   - Chairman of the Board of Directors of Verdeoculto – Investimentos, SGPS, S.A.

José Miguel Pereira Gens Paredes

1. Type of directorship: Non-executive.

2. No. of shares held in company: holds no shares in company

3. Qualifications: Degree in Economics(1984)

4. Date when first appointed and expiry of term of office: 2011 – 2014

5. Management office held in companies:

   ▪ Companies in Portucel Group:

   - Member of the Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, S.A.
   - Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
   - Member of the Board of Directors of About The Future - Empresa Produtora de Papel, S.A.

   ▪ Other Companies / Entities:

   - Chairman of the Board of Directors of Abapor Comércio e Indústria de Carnes, S.A.
   - Member of the Board of Directors of Aprovechamiento Integral de Subprodutos Ibéricos, S.A.
   - Manager of Biological - Gestão de Resíduos Industriais, L.da.
   - Member of the Board of Directors of Celcimo, SL.
   - Manager of Cimentospar - Participações Sociais, SGPS, L.da.
   - Chairman of the Board of Directors of ETSA Investimentos, SGPS, S.A. (formerly called VERDEOCULTO - Investimentos, SGPS, S.A.)
   - Chairman of the Board of Directors of ETSA, SGPS, S.A.

- Member of the Board of Directors of GREAT EARTH - Projectos, S.A.
- Chairman of the Board of Directors of I.T.S. - Indústria Transformadora de Subprodutos, S.A.
- Chairman of the Board of Directors of Sebol - Comércio e Indústria de Sebo, S.A.
- Member of the Board of Directors of Seinpart - Participações, SGPS, S.A.
- Member of the Board of Directors of Seminv - Investimentos, SGPS, S.A.
- Member of the Board of Directors of Cimipar – Sociedade Gestora de Participações Sociais, S.A.
- Member of the Board of Directors of Cimo – Gestão de Participações, SGPS, S.A.
- Member of the Board of Directors of Longapar, SGPS, S.A.
- Member of the Board of Directors of MOR ON-LINE – Gestão de Plataformas de Negociação de Resíduos On-Line, S.A.
- Member of the Board of Directors of O E M – Organização de Empresas, SGPS, S.A.
- Member of the Board of Directors of Hotel Ritz, SA.
- Member of the Board of Directors of Sodim, SGPS, S.A.

6. Other professional activities in the last 5 years:

- Member of the Board of Directors of Abapor - Comércio e Indústria de Carnes, S.A.
- Member of the Board of Directors of ECH – Exploração de Centrais Hidroeléctricas, S.A.
- Chairman of the Board of Directors of ETSA - Empresa de Transformação de Subprodutos Animais S.A.
- Member of the Board of Directors of ETSA, SGPS, S.A.
- Member of the Board of Directors of I.T.S. - Indústria Transformadora de Subprodutos, S.A.
- Member of the Board of Directors of Goliatur – Sociedade de Investimentos Imobiliários, S.A.
- Member of the Board of Directors of Sebol - Comércio e Indústria de Sebo, S.A.
- Member of the Board of Directors of Silonor, S.A.
- Member of the Audit Board of Sodim, SGPS, S.A.
- Member of the Board of Directors of Secilpar Inversiones, S.L.
- Member of the Board of Directors of Tercim – Terminais de Cimento, S.A.
- Member of the Board of Directors of Verdeoculto - Investimentos, SGPS, S.A.
- Member of the Board of Directors of Sonaca SGPS, S.A.

Paulo Miguel Garcês Ventura

1. Type of directorship: Non-executive.

2. No. of shares held in company: holds no shares in company

3. Qualifications: Degree in law from the Faculty of Law, University of Lisbon (1994). Member of the Portuguese Bar Association. IEP Insead.

4. Date when first appointed and expiry of term of office: 2011 – 2014

5. Management office held in companies:

- Companies in Portucel Group:

- Member of the Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, S.A.
- Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Board of Directors of About The Future - Empresa Produtora de Papel, S.A.

- Other Companies / Entities:

- Member of the Board of Directors of Abapor - Comércio e Indústria de Carnes, S.A.
- Member of the Board of Directors of Aprovechamiento Integral de Subprodutos Ibéricos, S.A.
- Manager of Biological - Gestão de Resíduos Industriais, L.da.
- Member of the Board of Directors of Celcimo, SL.
- Manager of Cimentospar - Participações Sociais, SGPS, L.da.
- Member of the Board of Directors of ETSA Investimentos, SGPS, S.A (formerly called VERDEOCULTO - Investimentos, SGPS, S.A)
- Member of the Board of Directors of ETSA, SGPS, S.A.
- Member of the Board of Directors of Great Earth - Projectos, S.A.
- Member of the Board of Directors of I.T.S. - Indústria Transformadora de Subprodutos, S.A.
- Member of the Board of Directors of Sebol - Comércio e Indústria de Sebo, S.A.
- Member of the Board of Directors of Seinpart - Participações, SGPS, S.A.
- Member of the Board of Directors of Semapa Inversiones, S.L.
- Member of the Board of Directors of Seminv - Investimentos, SGPS, S.A.

6. Other professional activities in the last 5 years:

- Chairman of the General Meeting of Cimipar – Sociedade Gestora de Participações Sociais, S.A.
- Chairman of the General Meeting of Cimo – Gestão de Participações, SGPS, S.A.
- Member of the Board of ETSA - Empresa de Transformação de Subprodutos Animais S.A.
- Chairman of the General Meeting of Imocipar – Imobiliária, S.A.
- Chairman of the General Meeting of Goliatur – Sociedade de Investimentos Imobiliários, S.A.
- Member of the Board of Goliatur – Sociedade de Investimentos Imobiliários, S.A.
- Chairman of the General Meeting of Longapar, SGPS, S.A.

- Vice -President of the General Meeting of REN – Redes Eléctricas Nacionais, SGPS, S.A.
- Chairman of the General Meeting of Seinpart – Participações SGPS S.A.
- Company Secretary of Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.
- Chairman of the General Meeting of Seminv – Investimentos, SGPS, S.A.
- Chairman of the General Meeting of Verdeoculto – Investimentos, SGPS, S.A.

Section III – General and Supervisory Board, Committee for Financial Affairs, Audit Committee and Audit Board

2.21. Identification of the members of the Audit Board, declaring that members comply with the incompatibility rules provided for in article 414-A.1 and the independence criterion provided for in article 414.5, both of the Companies Code

	Incompatibility Rules		Independence Rules	
	Complies	Does not comply	Complies	Does not comply
Miguel Camargo de Sousa Eiró	X		X	
Duarte Nuno d'Orey da Cunha	X		X	
Gonçalo Nuno Palha Gaio Picão Caldeira	X		X	

2.22. Professional qualifications of the members of the Audit Board, professional activities over the last five years or more, the number of shares held in the company, date of first appointment and expiry of term of office.

and

2.23. Office held by members of the Audit Board in other companies, indicating that held in other companies of the same group

Miguel Camargo de Sousa Eiró

1. Qualifications: Degree in law, University of Lisbon (1971).
2. No. of shares held in company: holds no shares in company.
3. Date when first appointed and expiry of term of office: 2007 – 2014
4. Holds no office in other Portucel Group companies
5. Management office held in other companies:
   - Chairman of the Audit Board of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
6. Other professional activities in the last 5 years:
   - Full Member of the Audit Board of Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.
   - Legal practice

Duarte Nuno d'Orey da Cunha

1. Qualifications: Degree in financial affairs, ISCEF (1965)

2. No. of shares held in company: 16,000 shares

3. Date when first appointed and expiry of term of office: 2007 – 2014

7. Holds no office in other Portucel Group companies

4. Management office held in other companies:

- Member of the Audit Board of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
- Member of the Board of Directors of Vértice – Gestão de Participações, SGPS, SA
- Chairman of the General Meeting of Cimipar – Sociedade Gestora de Participações Sociais, SA.

5. Other professional activities in the last 5 years:

- Member of the Board of Directors of Beira-Rio – Sociedade Construtora de Armazéns, SA
- Advisor to the Board of Directors of Cimilonga – Imobiliária SA
- Member of the Board of Directors of Longavia – Imobiliária, SA.
- Member of the Board of Directors of Sonagi SGPS, SA
- Chairman of the Audit Board of Semapa – Sociedade de Investimento e Gestão SGPS, SA
- Chairman of the Audit Board of Portucel – Empresa Produtora de Pasta e Papel S.A.
- Member of the Board of Directors of Sociedade Agrícola da Quinta da Vialonga, SA
- Chairman of the General Meeting of Sonaca, SGPS, SA

Gonçalo Nuno Palha Gaio Picão Caldeira

1. Qualifications: Degree in law, Portuguese Catholic University, Lisbon (1990); Concluded professional traineeship at the Lisbon District Council of the Bar Association (1991); Master of Business Administration (MBA), Universidade Nova de Lisboa (1996); Attended postgraduate course in real estate management and valuation, ISEG (2004)

2. No. of shares held in company: holds no shares in company.

3. Date when first appointed and expiry of term of office: 2007 - 2014.

4. Holds no office in other Portucel Group companies

5. Management office held in other companies:

- Member of the Audit Board of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A..
- Manager of Loftmania – Gestão Imobiliária, Lda. (2008-2009)
- Manager of LINHA DO HORIZONTE – Investimentos Imobiliários, Lda

6. In addition to the positions indicated in the preceding item, no other office held in the last 5 years.

The annual report issued by the Audit Board on its work during the year is published in conjunction with the Report & Accounts, and is available at the Group's website.

2.24. Reference to the fact that the audit board conducts an annual assessment of the external auditor and to the possibility of it proposing to the general meeting the auditor's dismissal with due cause.

The choice of external auditor and the remuneration fixed for its services are validated in advance by the Audit Board.

In addition to aspects relating to the choice and remuneration of the external auditor, it should be noted that the Audit Board held joint meetings with the external auditor over the course of the year, and the two bodies are in constant and direct contact.

In the exercise of its supervisory duties, the Audit Board can also assess the work of the external auditor, and it has the possibility of proposing its dismissal with due cause to the General Meeting, provided the legal rules are observed on the submittal of motions.

The audit firm, in this case PriceWaterhouseCoopers, rotated the external auditor (the partner responsible for the auditing the Company's affairs) with effect as from 2010, and the previous auditor complied with the maximum period established in the recommendation. It was also the understanding of Portucel's Audit Board, supported by last year's annual general meeting, that the recommendation on the rotation of the auditor is adopted, as it has considered that the quality of work performed by the existing audit firm and its accrued experience in Portucel outweigh any possible drawbacks in retaining this firm.

2.25 to 2.29 – not applicable

Section V – Remuneration

2.30. Description of the remuneration policy for members of the management and supervisory bodies as referred to in Article 2 of Law no. 28/2009, of 19 June.

The policy on remuneration of members of the management and supervisory bodies is described in annex IV.

2.31. Indication of the annual remuneration earned individually by members of the company's management and supervisory bodies, including fixed and variable remuneration and, with regard to the latter, indication of the different component parts, the portion which is deferred and the portion already paid.

Remuneration: Board of Directors

(amount in euros)	Net	Income tax	Social Security	Gross	Fixed	Variable
Pedro Queiroz Pereira	**1.143.592**	**392.216**	**0**	**1.798.490**	**798.490**	**1.000.000**
Portucel	0	0	0	0	0	0
Group companies	1.143.592	654.898	0	1.798.490	798.490	1.000.000
José Honório	**907.715**	**392.216**	**0**	**1.425.895**	**966.896**	**458.999**
Portucel	163.115	85.133	0	248.248	248.248	0
Group companies	744.600	433.047	0	1.177.647	718.648	458.999
Manuel Regalado	**741.654**	**392.216**	**0**	**1.188.931**	**342.589**	**846.342**
Portucel	541.749	333.225	0	874.974	264.138	610.836
Group companies	199.905	114.052	0	313.957	78.451	235.506
Adriano Silveira	**541.678**	**392.216**	**0**	**873.434**	**297.747**	**575.687**
Portucel	356.926	218.761	0	575.687	0	575.687
Group companies	184.752	106.446	6.549	297.747	297.747	0
António Redondo	**543.332**	**392.216**	**0**	**873.619**	**297.747**	**575.872**
Portucel	357.117	218.755	0	575.872	0	575.872
Group companies	186.215	104.982	6.550	297.747	297.747	0
Fernando Araújo	**534.702**	**392.216**	**0**	**873.411**	**297.754**	**575.657**
Portucel	356.908	218.749	0	575.657	0	575.657
Group companies	177.794	113.410	6.550	297.754	297.754	0
Luís Deslandes	**134.881**	**392.216**	**0**	**231.970**	**151.970**	**80.000**
Portucel	134.881	85.625	11.464	231.970	151.970	80.000
Group companies	0	0	0	0	0	0
Manuel Gil Mata	**121.311**	**392.216**	**0**	**205.174**	**125.174**	**80.000**
Portucel	121.311	74.475	9.388	205.174	125.174	80.000
Group companies	0	0	0	0	0	0
Francisco Nobre Guedes	**90.138**	**392.216**	**0**	**131.484**	**71.484**	**60.000**
Portucel	90.138	41.346	0	131.484	71.484	60.000

Group companies	0	0	0	0	0	0
Total	**4.759.002**	**3.529.944**	**0**	**7.602.407**	**3.349.850**	**4.252.557**

Remuneration of the Audit Board

(amounts in euros)	Fixed Remuneration	Variable Remuneration	Total
Duarte da Cunha	16.509	0	16.509
Miguel Eiró	17.805	0	17.805
Gonçalo Caldeira	14.294	0	14.294
Total	**48.608**		**48.608**

As stated in chapter 0.3 of this report, the Company does not defer payment of a significant portion of the variable income, and the amounts indicated in these tables were effectively paid in 2011 to the members of the Board of Directors and the Audit Board.

The amounts previously presented in relation to the fixed remuneration earned by the Board of Directors differ from those disclosed in nos. 6 and 7 of the Notes to the Financial Statements, and are reconciled as follows:

Note 6

	2011	
(amounts in euros)	**Fixed Remuneration**	**Variable Remuneration**
Board of Directors	0	4,252,557
Amount imputed to 2010		-4,252,557
Imputation of amounts payable in 2012		4,418,451
Net change in estimate for remuneration payable	3,349,850	
	3,349,850	**4,418,451**

Note 7

(amounts in euros)	2011
Board of Directors	
Portucel SA	3,074,103
Corporate bodies of other Group companies	162,710
External auditor	374,696
Audit Board	48,608
Officers of the General Meeting	12,750
	3,672,866

2.32. Information on how remuneration is structured in order to align the interests of members of the management body with the long term interests of the company, and on how it is based on performance assessment and discourages excessive risk-taking.

In addition to the details supplied in the text of the remuneration policy contained in Annex IV, it should be noted that the stability of the shareholder structure and of the composition of the Company's board of directors means that the interests of these officers are clearly compatible with those of the Company, as may be seen from a comparative analysis of the results presented in recent years and the remuneration paid.

2.33. In relation to the remuneration of executive directors:

- **a.** **Reference to the fact that the remuneration of executive directors includes a variable component and information on how this component depends on a performance assessment;**
- **b.** **Indication of the company bodies empowered to assess the performance of executive directors;**
- **c.** **Indication of the pre-set criteria for assessing the performance of executive directors;**
- **d.** **Specification of the proportion of directors' pay represented by variable and fixed components, and indication of upper limits for both components;**
- **e.** **Information on deferred payment of the variable component of remuneration, indicating the deferral period.**
- **f.** **Details of how payment of variable remuneration is subject to the company's continued positive performance over the deferral period;**
- **g.** **Sufficient information on the criteria applied in allocating variable remuneration in shares and on the continued holding by executive directors of the shares in the company acquired in this manner, on any contracts concluded with regard to these shares, specifically hedging or transferring risk, the respective limits and the respective proportion represented of total annual remuneration;**

With regard to sub-paragraphs a, b, and c, the text on the remuneration policy contained in Annex IV provides a direct response on these issues.

With regard to sub-paragraph d), there are no upper limits on either the variable or fixed components of remuneration.

On the issue of deferring remuneration and making it conditional on positive performance by the company over the deferral period, no such measure has been adopted for the reasons set out above and there are no pre-set rules whereby payment of variable remuneration is conditional on the continued positive performance of the company.

There are no rights to shares or share options, and the criteria underlying the variable components of directors' pay are those set out in the remuneration policy contained in Annex IV. The Company operates no share or option scheme, or any other share-based incentive scheme.

- **h.** **Sufficient information on the criteria applied in allocating variable remuneration in options and indication of the deferral period and the price for exercising options;**

Not applicable, given that variable remuneration does not take the form of options.

i. **Identification of the main parameters and grounds for any annual bonus system and any other non-cash benefits;**

The main parameters for granting annual bonuses are based on the Company's annual results, combined with the merit and performance assessment of each particular director..

There are no non-cash benefits.

j. **Remuneration paid in the form of profit sharing and/or payment of bonuses, and the grounds on which these bonuses and/or profit sharing were granted;**

There is no remuneration in the Company in the form of profit sharing. With regard to the payment of bonuses, the Remuneration policy set out in Annex IV establishes the criteria used for paying variable remuneration.

l. **Compensation paid or owing to former executive directors in relation to termination of their directorships during the period;**

The situation in question has never arisen in the Company, and when it does the legal rules will apply.

m. **Reference to contractual limits on severance pay for director, and the respective relationship with the variable remuneration component;**

The Company has no contractual limitation on compensation payable for unfair dismissal of a director.

n. **Sums paid on any grounds by controlled or controlling companies or companies belonging to the same group;**

The information on remuneration paid in item 2.31 includes a breakdown of total remuneration paid by controlled or controlling companies.

o. **Description of the main features of complementary or early retirement schemes for directors, indicating whether they have been assessed by the general meeting;**

There are no early retirement arrangements for directors.

Complementary retirement and survivor's pension schemes in force in the company are described in detail in no. 27 of the Notes to the Consolidated Financial Statements, which are part of the Report and Accounts subject to approval by the General Meeting. At 31 December 2011, the value of liabilities allocated to post-employment benefits plans for give directors of the Portucel Group stood at 4,629,594 € (31 December 2010: 4,571,507€) breaking down individually as follows:

Beneficiary	Liablities at 31-12-2011
(amount in Euros)	
Adriano Augusto da Silva Silveira	721,169
António José Pereira Redondo	338,238
Luís Alberto Caldeira Deslandes	1,922,088
Manuel Maria Pimenta Gil Mata	991,096
Manuel Soares Ferreira Regalado	657,002
Total	**4,629,594**

p. Estimated value of relevant non-cash benefits considered as remuneration and not included in the foregoing.

No non-cash benefits which may be regarded as remuneration are assigned to any director.

q. Arrangements which prevent executive directors from entering into contracts which undermine the rationale of variable remuneration.

There are no arrangements preventing executive directors from entering into contracts which undermine the rational of their variable remuneration, nor can the Company envisage circumstances in which such arrangements might be instituted.

2.34. Reference to the fact that the remuneration of non-executive members of the management body does not include variable components.

As stated above, the remuneration of non-executive directors can include a variable component which, although unrelated to the performance of the Company, is directly related to occasional contributions made on matters deemed to concern the strategic development of the Company and the related Group.

2.35. Information on the policy adopted in the company on whistleblowing (reporting channels, persons entitled to receive reports, required treatment of such reports and indication of persons and bodies with access to the information and their respective involvement in the procedure).

The Company has “Regulations on the Reporting of Irregularities”, governing the reporting by Company employees of any irregularities allegedly committed within the company.

These regulations lay down the general duty to report alleged irregularities, requiring that such reports be made to the Audit Board and also providing for an alternative solution in the event of a conflict of interests on the part of the Audit Board with regard to the report in question.

The Audit Board, which may be assisted for these purposes by the Internal Control Committee, shall investigate all facts necessary for assessment of the alleged irregularity. This process ends with the report being filed or else submission to the Board of Directors or the Executive Board, depending on whether a company officer is implicated or not, of a proposal for application of the measures most appropriate in the light of the irregularity in question.

The regulations also contain other provisions, namely designed to safeguard the confidentiality of communications, non-prejudicial treatment of employees making reports and dissemination of the respective rules in the Company.

No irregular situation was reported in the course of 2011.

Section V – Specialist Committees

Powers and responsibilities of specialist committees in the Company:

Internal Control Committee

The Internal Control Committee is responsible for assessing any irregularity within the company; an irregularity is deemed to comprise any alleged breach occurring within the company of the rules established in law, regulations or the articles of association, together with failure to comply with the duties and ethical principles set out in the Code of Ethics, contained in Annex I. The Internal Control Committee is also responsible for detecting and controlling all relevant risks in the company's activities, namely financial, property and environmental risks.

More specifically, the Internal Control Committee has the following responsibilities:
a) To assess the procedures for the control of financial information (accounts and reports) disclosed, and the reporting calendar, and shall, specifically, review the Group's annual, half-yearly and quarterly accounts for publication and report on the same to the Board of Directors prior to the latter approving and signing such accounts;
b) To advise the Board of Directors on the choice of External Auditor and pronounce on the scope of the Internal Auditor's activities;
c) To discuss and examine the annual reports with the External Auditor, advising the Board of Directors on any measures to be taken.

In the course of its duties, the Internal Control Committee shall take heed of facts such as changes in accounting policies and practices, significant adjustments due to the auditor's intervention, progress in the relevant financial ratios and any changes in the Group's formal or informal rating, significant exposures in financial management (such as currency, interest rate or derivatives risks) and illegal or irregular procedures.

Corporate Governance Control Committee

The Corporate Governance Control Committee oversees application of the Company's corporate governance rules and the Code of Ethics, with the following particular responsibilities:
i) Assist the Board of Directors when so required by the same, assessing and submitting to it proposals for strategic guidelines in the field of corporate responsibility;
ii) Monitor and oversee, on a permanent basis, matters relating to corporate governance and social, environmental and ethical responsibility, the sustainability of the PSg's business,, the Internal Codes of Ethics, the systems for assessment and resolution of conflicts of interests, notably with regard to relations between the company and its shareholders or other stakeholders

In the exercise of its responsibilities, the Corporate Governance Control Committee is required in particular:

a) To submit to the Board of Directors the corporate governance policy to be adopted by the Company and the PSg;

b) To monitor, review and assess the adequacy of the Company's governance model and its consistency with national and international recommendations, standards and best practice in the field of corporate governance, addressing to the Board of Directors the recommendations it sees fit to this end;

c) To propose and submit to the Board of Directors changes to the Company's corporate governance model, including to the organizational structure, workings, responsibilities and rules of procedure of the Board of Directors;

d) To monitor the Company's corporate links with the organizational structure of the other companies in the Portucel Group;

e) To oversee compliance with and the correct application of the principles and rules relating to corporate governance contained in law, regulations and the articles of association, in coordination with the activities of the Board of Directors, the Executive Board, the Official Auditor and the External Auditor, sharing and requesting the exchange of information necessary for this purpose;

f) To define the parameters of the Company's governance report to be included in its annual Report and Accounts;

g) To monitor the work of the Ethics Committee and the activities of the departments of Portucel Group companies relating to matters within the scope of its responsibilities;

h) To monitor on an ongoing basis, assess and supervise internal procedures relating to conflict of interests issues, and also the effectiveness of the systems for assessment and resolution of conflicts of interests;

i) To pronounce on transactions between the Company and its Directors, and also between the Company and its shareholders, whenever materially relevant;

j) Whenever so requested by the Board of Directors, to issue opinions on the application to the Company's officers of the rules on incompatibility and independence;

k) To further and strengthen the operation of the Company as a sustainable undertaking, gaining it recognition for this, both internally and externally;

l) To ensure compliance, by the members of the Board of Directors and other persons concerned, of the securities market rules applicable to their conduct;

m) To develop a transversal strategy of corporate sustainability, integrated into and consistent with the Company's strategy;

n) To promote, develop and supervise the internal measures required for the Company to achieve sustained growth, as regards the business, environmental and social aspects of its operations;

o) To prepare and follow through decision-making by company bodies and committees on matters relating to corporate governance and sustainability or which give rise to conflicts of interests between the Company, shareholders and the company officers;

p) To follow through inspections conducted by the Securities Market Commission (CMVM) in relation to corporate governance issues.

Sustainability Committee

The Sustainability Committee is responsible for formulating corporate and strategic policy on issues of social and environmental responsibility, and is responsible for drawing up a bi-annual sustainability report.

Pension Fund Supervisory Committee

The Pension Fund Supervisory Committee was set up during 2009 in order to monitor compliance with the pension plan and the management of the respective pension fund. The committee consists of three representatives of the company and two representatives of the fund's beneficiaries, designated by the Workers' Committee. The committee's responsibilities include checking compliance with the rules applicable to the pension plan and to management of the respective pension fund, pronouncing on proposals for transferring management and other significant changes in the contractual arrangements for the fund and its management, and on the winding up of the fund or a section of the fund.

Property Risks Analysis and Monitoring Committee

The company has a Property Risks Analysis and Monitoring Committee which is coordinated by the director responsible for this area and comprises the Plant managers, the Financial Director and the Internal Audit Director. The committee meets as and when required, and its main task is to pronounce on the systems in place in the company for safeguarding against property risks, in particular measures taken to comply with recommendations issued in the light of inspections by reinsurers, and on the adequacy of the insurance taken out by the Group, in terms of scope, type and value of cover.

Ethics Committee

Following on from the drafting and approval of the Ethics Code by the Executive Board in the course of 2010, an Ethics Committee has been established, to issue an annual report on compliance with the provisions of the new code. This report will detail all irregularities which the Committee has detected, and the findings and follow-up proposals emerging from the various cases examined. This report is included in Annex V to this Corporate Governance Report.

The Ethics Committee is required to monitor, impartially and independently, the conduct of the Company's bodies and officers as regards disclosure and compliance with the Code of Ethics in all companies in the Portucel Group. In the course of its duties, the Ethics Committee has the following particular responsibilities:

a) To ensure that an adequate system exists for monitoring internally compliance with the Code of Ethics, and specifically to assess the recommendations resulting from these monitoring activities;

b) To assess issues submitted to it by the Board of Directors, the Executive Committee and the Audit Board in connection with compliance with the Portucel Code of Ethics, and also to consider, in abstract terms, issues raised by any member of staff, customer or business partner ("Stakeholders");

c) To appraise and assess any situation which arises in relation to compliance with the requirements of the Code of Ethics involving any company officer;

d) To submit to the Corporate Governance Committee the adoption of any measures it deems fit in this connection, including the review of internal procedures, together with proposals for amendment of the Portucel Code of Ethics;

e) To draw up an annual report, concerning compliance with the requirements of the Code of Ethics, detailing any irregularities of which it is aware, together with the conclusions and proposals adopted in the cases considered.

The Ethics Committee also functions as an advisory body to the Board of Directors in respect of matters concerning the application and interpretation of the Code of Ethics.

2.36. Identification of the members of the committees set up to assess the individual and collective performance of executive directors, to reflect on the governance system adopted by the company and to identify potential candidates with the right profile for directorships.

The overall performance of the executive directors is assessed by the non-executive members of the Board of Directors, and the individual assessments are subject to an appraisal by the Remuneration Committee. The Corporate Governance Committee has conducted an assessment of the form of governance adopted by the Company, and of the degree of compliance with standards of good practice and governance rules in force. The selection of suitable candidates for directorships is regarded as the sole province of the shareholders.

Number of meetings of committees with management and supervisory responsibilities during the period in question, with reference to the taking of minutes of these meetings.

Body	Number of meetings in 2011
Remuneration Committee	3
Corporate Governance Committee	3
Sustainability Committee	6

Internal Control Committee	3
Environmental Board	3
Pension Fund Supervisory Board	2

All these specialist committees within the Company keep minutes of the meetings held during the year.

2.37. Reference to the fact that one member of the Remuneration Committee has knowledge and experience in the field of remuneration policy.

All the members of the Remuneration Committee have wide experience and knowledge concerning matters relating to the remuneration of company officers, in view of the offices held in the course of their professional careers. Special attention is drawn to the fact that the Chairman of the committee is the representative of Egon Zehnder, a multinational specializing in human resources, and especially senior management recruitment.

2.38. Reference to the independence in relation to the board of directors of individuals or entities contracted to sit on the remuneration committee by employment or service contract and, when applicable to the fact that such persons have current relationships with the company's consultants.

The members of the Remuneration Committee have no contractual relationship with the Company, and are wholly independent of the Board of Directors, although Egon Zehnder occasionally provides consultancy services to the Company in the field of management recruitment.

2.39. **Composition of the remuneration committee or equivalent body, if any, identifying the respective members who are also directors, together with their spouses, relatives and kin in the direct line to the 3rd degree, inclusive**

The composition of the Remuneration Committee:

Chairman: José Gonçalo Maury, representing Egon Zehnder

Members: João Rodrigo Appleton Moreira Rato
Frederico José da Cunha Mendonça e Meneses

No member of this committee or any of their spouses, relatives or in-laws, in the direct line, to the third degree, is a member of the company's management body.

Chapter III – Information and Auditing

3.1. Capital structure, including indication of shares not admitted for trading, different categories of shares, rights and duties attached to the same, and the percentage of the capital represented by any such category.

Portucel's share capital is represented solely by ordinary shares, with a nominal value of 1 euro each, the same rights and duties being attached to all shares.

The share capital consists of a total of 767,500,000 shares, corresponding to an equal total nominal value in euros with all shares currently admitted for trading.

3.2. Qualifying holdings in the issuer's share capital, calculated in accordance with Article 20 of the Securities Code.

Entity	Nº Shares	% of capital and voting rights	% of non-suspended voting rights
Semapa SGPS SA	**582,172,407**	**75.85%**	**78.10%**
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	340,571,392	44.37%	45.69%
Seinpar Investments B.V.	241,583,015	31.48%	32.41%
Seminv - Investimentos, SGPS, S.A.	1,000	0.00%	0.00%
Cimentospar - Participações Sociais, SGPS, L.da	1,000	0.00%	0.00%
Duarte Nuno d'Orey da Cunha (*)	16,000	0.00%	0.00%
Bestinver Gestión, S.A. SGIIC	**15,407,418**	**2.01%**	**2.07%**
Bestinver Bolsa, F.I.	5,532,650	0.72%	0.74%
Bestinfond, F.I.	4,775,869	0.62%	0.64%
Bestinver Global, FP	1,268,711	0.17%	0.17%
Bestinver Mixto, F.I,	906,989	0.12%	0.12%
Soixa Sicav	855,721	0.11%	0.11%
Bestinver Bestvalue SICAV	757,838	0.10%	0.10%
Bestinver Ahorro, FP	751,543	0.10%	0.10%
Texrenta Inversiones, SICAV	234,336	0.03%	0.03%
Bestinver Value Investor SICAV	207,049	0.03%	0.03%
Divalsa de Inversiones, SICAV, SA	38,893	0.01%	0.01%
Bestinver Empleo FP	34,924	0.00%	0.00%
Linker Inversiones, SICAV, SA	23,776	0.00%	0.00%
Sumeque Capital, SICAV	15,508	0.00%	0.00%
Bestinver Empleo II, FP	1,987	0.00%	0.00%
Bestvalue, FI	1,624	0.00%	0.00%

(*) Officer in Portucel

As at 31/12/2011, Portucel held (indirectly through subsidiaries) 22,111,382 own shares, corresponding to 2.88% of the share capital.

3.3. Identification of shareholders with special rights, and description of such rights.

No shareholders or categories of shareholders in Portucel have special rights.

3.4. Any restrictions on the transferability of shares, such as consent clauses for disposal, or limitations on ownership of shares.

Portucel has no restrictions of any kind on the transferability or ownership of its shares.

3.5. Shareholders’ Agreements known to the company or which might lead to restrictions on the transfer of securities or voting rights

The company is not aware of the existence of any shareholders’ agreement which might lead to restrictions on the transfer of securities or voting rights.

3.6. Rules applicable to amendment of the articles of association;

Portucel has no special rules on the amendment of its articles of association. The general rules deriving from the Companies Code therefore apply to these issues.

3.7. Control mechanisms in an employee ownership scheme insofar as voting rights are not directly exercised by employees.

There is no employee ownership scheme in Portucel.

3.8. Description of evolution in the issuer’s share price, taking into account:

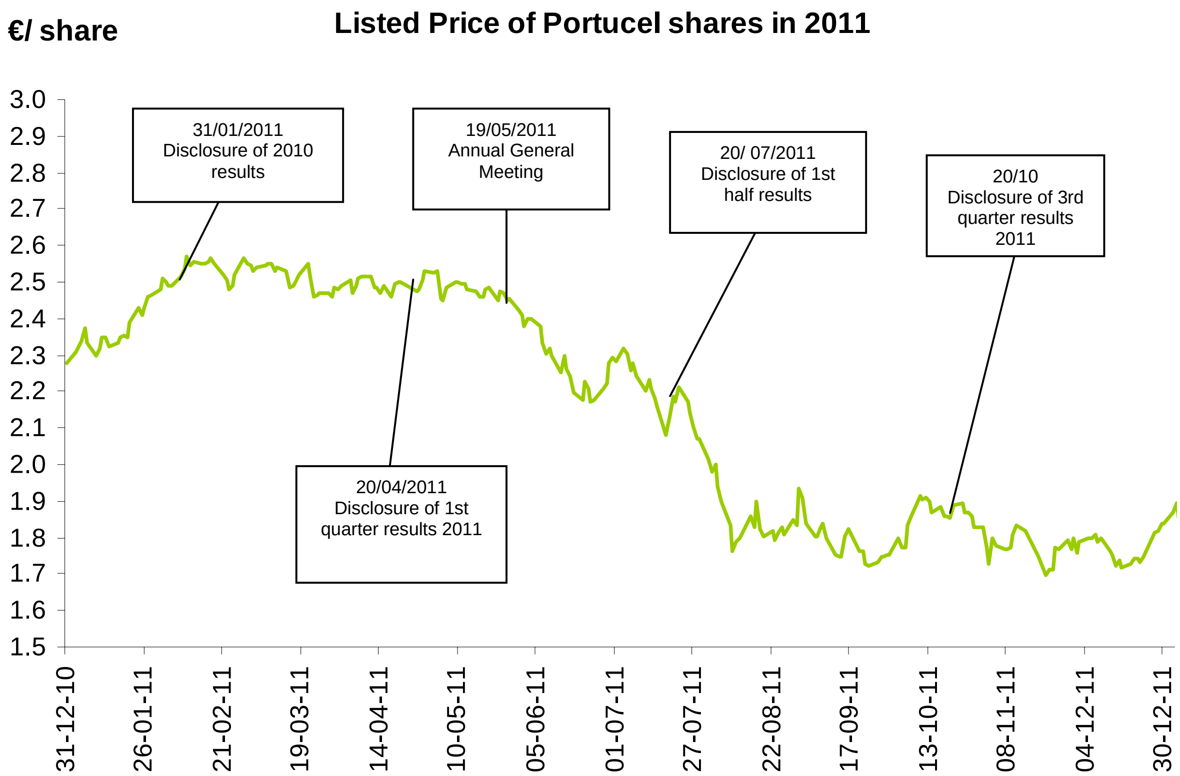
a) The issuing of shares or other securities entitling the holder to subscribe or acquire shares;
b) Announcement of results;
c) Payments of dividends for each category of share, indicating the net dividend per share.

The performance of the capital markets over the course of 2011 reflected the serious financial crisis affecting the Euro Zone, causing significant instability on European stock exchanges. The principal markets recorded significant losses, with the Paris, London and Madrid main share indexes down by 17%, 15.5% and 13.1% respectively. The Portuguese stock exchange was particularly hard hit, with the PSI20 index ending the year down by 27.6%.

In this economic environment, and in a situation of unfavourable paper consumption, companies in the industry were particularly affected, ending the year with substantially lower share prices. The HX Paper & Forest index recorded an accrued drop from the start of the year of approximately 37%, with shares in Scandinavian companies presenting severe losses. Pulp producers in Latin American also presented negative performance overall, with only a few North American producers recording an increase in share price.

Against this background, the performance of Portucel shares in 2011, albeit negative, compares favourably with that of its European competitors. Portucel shares ended the year at 1.84 euros, down on the year by a total of 19.2%. The peak closing price in 2011 was 2.57 €/share, recorded on 17 February, with a low of 1.70 €/share recorded on 21 November. Average monthly trading in Portucel shares in 2011 stood at approximately 10 million. At year end, treasury stock stood at approximately 22.1 million, corresponding to 2.88% of the share capital.

The following graph shows the listed share price, identifying the dates of publication of results, the General Meeting and distribution of dividends.



Dividends were not distributed in 2011.

No shares or other securities were issued during 2011.

Dividends for the financial year of 2009 were payable as from 14 April 2010. The gross dividend per share was 0.0825 €.

3.9. Description of the dividend distribution policy adopted by the company, including the dividend per share distributed during the last three periods.

Powers to propose dividends lie with the Board of Directors of Portucel, subject to the legislation in force and the articles of association. Under the articles of association, as amended by the general meeting of 14.04.2007, the general meeting resolves on the amount to be distributed in dividends, by simple majority of votes.

In the last three financial years, the following dividends were distributed per share in circulation:

- 2009 (for the financial year of 2008) 0.1050 € per share
- 2010 (for the financial year of 2009) 0.0825 € per share

Analysis of the dividends for the financial year of 2010 should take into consideration payment of reserves of 0.1564 € per share, in December of the same year.

3.10. A description of the main characteristics of the share and share option plans adopted or valid for the financial year in question, the reason for adopting said scheme and details of the category and number of persons included in the scheme, share-assignment conditions, non-transfer of shares clauses, criteria on share-pricing and the exercising option price, the period during which the options may be exercised, the characteristics of the shares to be distributed, the existence of incentives to purchase and/or exercise options, and the responsibilities of the Board of Directors for executing and/or changing the plan.

Details shall also include the following:

a) The number of shares required for exercise of the options allocated and the number of shares required for the exercise of the exercisable options at the start and end of the year in question;
b) The number of options allotted, exercisable and expired during the year;
c) The general meetings' appraisal of the plans adopted or in force during the period in question.

There are no share or share option plans in force in the company.

3.11. Description of the main transactions and operations carried out between the company and the members of the management and supervisory body, the owners of qualifying holdings or controlled,

controlling or group companies, when economically significant for any of the parties involved, except for those transactions or operations that are carried out on an arms-length basis and form part of the company's normal business.

There are no transactions or operations which are economically significant to any of the parties involved.

3.12 Outline essential details of transactions and operations carried out between the company and holders of qualifying holdings or any related entities, under Article 20 of the Securities Code, not on an arm's length basis.

All the company's transactions with third parties, be they shareholders owning qualifying holdings or entities in any way related to them, were carried out on an arm's length basis.

3.13. Description of the procedures and criteria applicable to intervention by the supervisory body for the purposes of prior assessment of transactions to be carried out between the company and holders of qualifying holdings or related entities, under Article 20 of the Securities Code.

No transactions of significant importance as referred to above have taken place involving the Company. However, were they to occur, it would fall to the Audit Board to analyze the situations and issue its opinion, this duty being expressly established in its rules of procedure.

The Audit Board also received periodic reports from the external auditor in which, in the course of its duties, the auditor checks the application of remuneration policies and systems and the effectiveness and workings of internal control arrangements, reporting any shortcomings detected.

3.14. Description of statistical data (number, average and maximum values) relating to transactions subject to prior intervention by the supervisory body.

The Company has not undertaken transactions requiring the prior intervention of the Audit Board, despite this board's extensive knowledge of the company's affairs; however, were it to be justifies, the Audit Board would study the situation and issue its opinion, as is expressly established in its rules of procedure.

3.15. Reference to the existence of an Investor Support Office or other similar service:

Portucel has had an Investor Support Office since November 1995, set up with a view to handling contact, on a permanent and appropriate basis, with the financial community – investors, shareholders, analysts and regulatory authorities – and to publish the company's financial reports and any other information of relevance to its stock market performance, in keeping with principles of coherence, regularity, fairness, credibility and opportunity.

All mandatory disclosures, such as information on the company name, its status as a public company, registered offices and other details required by Article 171 of the Companies Code, are available at the Group's website, at www.portucelsoporcel.com. Also available on the Portucel website, in Portuguese and English, are disclosures of quarterly results, half-yearly and annual reports and accounts, together with the respective press releases, list of company officers, the financial calendar, the articles of association, notices of general meetings, and all motions tabled for discussion and vote at general meetings, resolutions approved and statistics relating to attendance, together with relevant developments.

Portucel's Market Relations Officer is Joana de Avelar Pedrosa Rosa Lã Appleton who may be contacted by telephone (265 700 566) or by email (joana.la@portucelsoporcel.com); these contact details are supplied on Portucel's website, in the investors' section.

3.16. Indication of annual remuneration paid to the auditor or other individuals or entities belonging to the same network and borne by the company and/or by controlled, controlling or group entities and details of the percentage relating to such services:

In the financial year ended 31 December 2011, expenditure on legal auditing of accounts, audits and fiscal consultancy totalled 814,133 euros, breaking down as follows:

Amount in Euros	**2011**	**%**
Audit Services		
Legal audit of accounts	374,696	46%
Financial audit of foreign subsidiaries	177,728	22%
Financial consultancy		
In Portugal	85,602	11%
In foreign subsidiaries	107,753	13%
Other reliability assurance services	68,354	8%
	814,133	**100%**

Legal auditing services include financial audits of the Groups subsidiaries and foreign companies; these totalled 177,728 Euros. The services described as fiscal consultancy and others consist essentially of supporting services to assure compliance with fiscal obligations, in Portugal and abroad, and also surveys of situations in relation to operational business processes, which resulted in no consultancy on the redesign of existing practices, procedures or controls. It should be noted that the amount paid for fiscal consultancy services, 60,673 euros, relate to a success fee for a process relating to reclaiming tax unduly deducted at source on dividends distributed in a foreign subsidiary, between 2001 and 2004 and which therefore relate to services rendered up to 2005, but whose results only materialized in the reporting period.

The vast majority of services indicated as “other reliability assurance services” relate to the issuing of opinions on request for reimburse of expenses under contracts with AICEP and compliance with financial ratios; the Company is required to obtain these opinions under contracts it has signed, and not because of service requested with any other purpose.

The Board of Directors considers that there are sufficient procedures to safeguard the independence of auditors through the analysis conducted by the Audit Board and the Internal Control Committee of the proposed work and the careful specification of this work when the auditors are contracted.

ANNEX I
CODE OF ETHICS

1. General Aims and Values

1.1 The Code of Ethics as foundation of the Portucel Group's culture

The pursuit of the aims set out in this Code of Ethics, respect for its values and compliance with its rules of conduct together form the professional ethos of the Portucel business universe. The Code shall be distributed to investors, clients, suppliers, regulatory authorities, competitors and representatives of the communities with which the group deals, and shall govern the professional conduct of all those working in the Group's companies and other organizations.

The Code of Ethics is to be viewed as setting standards of conduct, which Portucel Group and all those working and interacting with it should follow and respect. It should accordingly be interpreted as a benchmark for behaviour, applying beyond the specific reach of its clauses.

Portucel Group will assure that the Code of Ethics is made available to all its staff and arrange for specific training in this field, at all levels, in order to assure that the Code is disseminated, generally understood and mandatorily put into practice. It will also make permanent arrangements for direct and confidential communication, through the Board of Directors, allowing any member of Portucel Group staff to clarify the interpretation of the Code, to resolve any queries and make good any lacunae which may arise in its application.

An Ethics Committee is also set up, comprising three independent members of good standing, appointed for this purpose by the Board of Directors.

The Ethics Committee is the body responsible for appraising and assessing any situation which may arise in relation to compliance with the rules established in this Code involving any Board member, and shall also advise the Board of Directors on matters relating to application and interpretation of this Code.

1.2 Fundamental aims

The fundamental aims pursued by Portucel Group are based on creating value and an appropriate level of return for investors, by offering the highest standards of quality in the supply of goods and services to clients, through the recruitment, motivation and development of the most able and highly skilled professionals, within a meritocratic culture permitting its employees to enjoy personal and professional development and the Group to position itself at the forefront of the markets in which it operates, maintaining a policy of sustainable management of natural resources, mitigation of environmental impacts and fostering of social development in the areas in which it carries on its business operations.

1.3 Values

The principles and rules of conduct of the Code of Ethics derive from values regarded as fundamental for Portucel Group, which should be pursued on an ongoing basis in the course of its business, and in particular:

- in protecting the interests and rights of shareholders and safeguarding and increasing the value of assets belonging to Portucel Group;
- in the good governance of Group companies;
- in scrupulous compliance with the requirements of the law, the articles of association and regulations applicable to Portucel Group's operations and companies;
- in the observance of duties of loyalty and confidentiality, and in assuring the principle of the professional accountability of the staff in the exercise of their respective duties;
- in the resolution of conflicts of interests and the application to staff of scrupulous and transparent rules in situations involving business transactions;
- in observance by institutions and individuals of the highest standards of integrity, loyalty and honesty, both in dealings with investors, suppliers, clients and regulators, and in interpersonal relations between members of Portucel Group staff;
- in good faith in business dealings and scrupulous compliance with contractual obligations to clients and suppliers;
- in strict compliance with the legislation in force on competition practices;
- in recognizing equality of opportunity, individual merit and the need to respect and advance human dignity in professional relationships and business activities;
- in guaranteeing safety and well-being at the workplace;
- in the adoption of social responsibility principles and practices;
- in the genuine and careful pursuit of sustainable development;
- in promoting a permanent stance of dialogue with all stakeholders and respect for their principles and values.

2 Scope of application

The Code of Ethics applies to all corporate officers and staff of the Portucel Group, notwithstanding other applicable legal or regulatory requirements.

For the purposes of this Code of Ethics, the following definitions shall apply:

- Staff – all persons who work or render services, on a permanent or casual basis, to Portucel Group companies, including, namely, employees, service providers, agents and auditors;

- Clients – individuals or organizations to which Portucel Group companies supply products or services;
- Suppliers – individuals or organizations which supply products or services to Portucel Group companies;
- Stakeholders – individuals or organizations with which Portucel Group companies deal in their business, institution or social activities, including shareholders, officers, staff, suppliers, business partners or members of the community with whom Portucel Group interacts.

The Code of Ethics accordingly describes the ethical and professional conduct expected by the Company in connection with the pursuit of its business activities and dealings with third parties, and is of instrumental importance to the business policy and culture followed and fostered by the Group.

The Board members, and in particular the Executive Directors, who in their daily conduct should set an example of ethical behaviour for the whole Group, are required to exercise special diligence in adopting, implementing and enforcing the rules contained in the Code.

The Ethics Committee has authority to oversee the conduct of the members of the corporate bodies, in relation to matters concerning application of the Code of Ethics.

3 Rules of Conduct

3.1 Legality

3.1.1. All Portucel Group's activities shall be guided by strict compliance with the applicable rules deriving from law, the articles of association and regulations.

3.1.2. In its conduct Portucel Group shall cooperate at all times with the public authorities, and specifically with regulatory bodies, complying with requests made to it and adopting forms of behaviour which permit these authorities to exercise their powers.

3.2 Diligence and courtesy

3.2.1. Portucel Group shall strive to ensure that all clients are treated with professionalism, diligence and care, with Group staff responding in full to all enquiries and making every effort to support clients in reaching their decisions.

3.2.2. Portucel Group staff shall behave courteously and politely at all times and display due care and professionalism in their dealings with clients, suppliers and other stakeholders or any other person or organization, with any kind of dealings with the Company.

3.2.3 All of Portucel Group's relationships shall be based on values of truth and transparency, and all staff shall conduct themselves in keeping with high standards of honesty and integrity.

3.3 Integrity

Bribery and other corrupt practices are prohibited, in all active and passive forms, through act or omission, or by creating or maintaining situations of favouritism or other irregularities, together with conduct such as may create expectations of favouritism in dealings with Portucel Group;

3.3.1. Portucel Group and its staff shall decline any gifts which may be considered or interpreted as attempts to influence the company or the member of staff. In the event of doubt, staff shall give written notice of these situations to their hierarchical superior or the Board of Directors.

3.3.2. If any staff member is approached with an attempt at corruption, he or she shall notify their hierarchical superior or the Board of Directors in writing, describing how they were approached and supplying all details regarded as essential for the relevant Portucel Group bodies, namely the respective Internal Audit service, to assess the situation and take action.

3.3.3. The Board of Directors shall notify the Ethics Committee in writing of all facts of which it learns under the terms of the preceding paragraph.

3.4 Secrecy

3.4.1.Members of staff shall assure the confidentiality of all information belonging to the Group, other staff, clients, suppliers or stakeholders, of which they may learn in the course of their duties, and shall only use this information in the interest of Portucel Group.

3.4.2. Portucel Group and its staff shall guarantee strict confidentiality in relation to all personal data belonging to staff, clients, suppliers, stakeholders or third parties, of which they learn solely through their work and business. This data is deemed to include information of a strategic nature concerning production methods, product and brand characteristics, IT data concerning clients, suppliers and of a personal nature, together with technical documentation relating to any project carried out or underway.

3.4.3 Staff shall maintain confidentiality, on the terms set out in the preceding paragraphs, even after cessation of their employment contracts with Portucel Group companies and irrespective of the cause of cessation, for a period of three years thereafter. The information subject to the duty of confidentiality shall not be used in order to prejudice Portucel Group companies and may only be disclosed to third parties when so required by law, provided the Board of Directors is notified in advance of such disclosure, in writing.

3.5. Accounting practices

3.5.1. Portucel Group shall observe and comply strictly with generally accepted accounting principles and criteria.

3.5.2. Portucel Group shall arrange for auditing and other procedures to be conducted by independent bodies, to which it shall make available information detailing its economic, financial, social and environmental risks, and undertaking to apply the most appropriate measures to eliminate or mitigate the risks involved.

4 Rules on conduct in the workplace

4.1 Working atmosphere

4.1.1 Portucel Group shall actively promote courtesy, loyalty, civility and assertiveness in relations between staff members, fostering group feeling, with strict respect for individual rights and freedoms.

4.1.2 Portucel Group shall promote team spirit, the sharing of common goals and mutual help between staff.

4.1.3 Staff shall not seek to obtain personal advantages at their co-workers' expense, and their conduct shall be guided by compliance with legal and contractual obligations and respect for their hierarchical superiors and other Portucel Group staff, behaving in a cordial and respectful manner, and avoiding any type of conduct which might undermine the image and reputation of other members of staff.

4.1.4 The health, safety and well-being of its staff is a priority for Portucel Group, and accordingly all staff shall seek to familiarize themselves and comply with the legislation in force and with internal rules and recommendations. Immediate notice must be given of any accident or hazard to health and safety in the workplace, in accordance with the said rules, and the necessary or advisable preventative measures shall be adopted.

4.2. Professional specialization and development

4.2.1 Portucel Group will advance the personal and professional development and specialization of its staff, promoting appropriate training activities.

4.2.2 Portucel Group will make every effort to assure its staff high levels of job satisfaction and self-realization, operating a fair and appropriate pay policy, and providing opportunities for personal and professional development over the course of careers, in keeping with criteria of merit and prevailing market conditions for equivalent situations, in accordance with the Performance Assessment System in place.

4.2.3 For their part, Portucel Group staff shall make efforts to update their skills and to undergo training on an ongoing basis, in order to develop their knowledge and technical expertise and to improve the services rendered to PGs, clients and other stakeholders.

4.3. Equality of opportunities

4.3.1. Portucel Group recognizes that all citizens are equal, and guarantees compliance with conventions, treaties and other legislation protecting the universal and fundamental rights of citizens, operating within the framework of reference of the Portuguese Constitution, the United Nations Universal Declaration of Human Rights and the International Labour Organization.

4.3.2 Portucel Group shall assure equality of opportunities in recruitment, hiring and professional development, only valuing professional aspects and adopting the measures it sees fit to combat and prevent any form of discrimination or differentiated treatment on the basis of ethnic or social origin, religious beliefs, nationality, gender, marital status, sexual orientation or physical disability.

4.3.3 Portucel Group shall protect its staff against any type of insulting or other discriminatory behaviour, encouraging respect for human dignity as one of the underlying principles of the Group's culture and policies.

4.3.4 Portucel Group will never employ child or forced labour, nor will it ever collude with such practices, adopting the measures deemed appropriate to combat such situations, namely by public denunciation whenever they come to its attention.

4.4. Transparency, honesty and integrity

4.4.1. The staff of Portucel Group will comply with the responsibilities assigned to them, even in adverse circumstances, in a professional and responsible manner, namely within the limits of risk tolerance defined for the Company and in keeping with the budgetary targets for the areas in which they work.

4.4.2. Portucel Group staff shall conduct themselves at all times so as to pursue the interests of the Company, and shall immediately notify their hierarchical superior of any situation which might give rise to a conflict of interests, namely if, in the course of their duties, they are called on to intervene in processes or decisions which directly or indirectly involve organizations, entities or persons with which they work or have worked, or to which they are connected by ties of kinship or friendship. In the event of any doubt as to their on impartiality, they shall notify their hierarchical superior.

4.4.3. Portucel Group staff undertake not to carry on any outside work, paid or unpaid, which might directly prejudice their professional performance or Portucel Group's business or interests.

4.4.4. Portucel Group staff shall immediately inform their superiors on learning of any conduct which might undermine compliance with the Code of Ethics and which is clearly contrary to the values championed herein.

4.4.5. Portucel Group staff shall make sensible and reasonable use of the working resources at their disposal, avoiding waste and undue use.

4.4.6. Portucel Group staff shall care for the Group's property, and not behave wilfully or negligently in any manner which might undermine its state of repair.

5. Dealings with stakeholders and other entities

5.1. Dealings with shareholders

5.1.1. The primary aim of Portucel Group is an ongoing quest to create value for shareholders, supported by a commitment to standards of excellence in professional and business performance, in the exercise of social responsibility and the pursuit of sustainable development.

5.1.2. Shareholders shall be treated in strict compliance with the legal rules applicable to their relations with each other and with their companies, namely those contained in the Companies Code.

5.2.Dealings with clients, suppliers, service providers and third parties

5.2.1. Portucel Group shall assure that all the terms for sale of its products to clients are clearly defined, and Group companies and their staff shall assure scrupulous compliance with these terms.

5.2.2. The suppliers and providers of services to Portucel Group shall be selected on the basis of objective criteria, taking into consideration the terms proposed, guarantees effectively provided and overall optimization of advantages for the Group. One of the selection criteria shall be compliance, by these service providers and suppliers, with rules of conduct consistent with the principles laid down in this Code.

5.2.3. Portucel Group and its staff shall negotiate at all times in keeping with the principles of good faith and full compliance with all their obligations.

5.2.4. Portucel Group undertakes to monitor the ethical conduct of its suppliers and to adopt immediate and strict measures in cases where such conduct is questionable.

5.3. Relationship with competitors

The competition practices of Portucel Group companies shall comply strictly with the legislation in force, in keeping with market rules and criteria, and with a view to assuring fair competition,

5.4. Dealings with political movements and parties

Dealings between Portucel Group and its staff, on the one hand, and political movements or parties, on the other, shall be conducted in compliance with the legal rules in force, and in the course of these dealings staff members shall not invoke their relationship with Portucel Group.

6. Securities trading

Portucel Group staff who are in possession of relevant information, not yet made public, which might potentially influence the listed prices of shares in Portucel, shall not, during the period prior to disclosure of such information, trade securities issued by Group companies, strategic partners or companies involved in transactions or dealings with the Group, not disclose this information to third parties. In particular, estimates of results, decisions on significant acquisitions or partnerships and the winning or loss of important contracts constitute forms of privileged information.

7. Press releases and advertising

7.1. The information released by Portucel Group to the media and those intended for advertising purposes shall:

- be issued solely by the units or offices authorized to do so;
- comply with the principles of legality, rigour, opportunity, objectivity, veracity and clarity;
- safeguard secrecy and confidentiality so as to protect the Group's interests;
- respect the cultural and ethical norms of the community and human dignity;
- contribute to an image of consistency which adds to the value and dignity of Portucel Group, promoting its good name in society.

8. Social Responsibility and Sustainable Development

8.1. Portucel Group accepts its social responsibility to the communities in which it carries on its business activities, as a means of contributing to their advancement and well-being.

8.2. The sustainable development of Group companies is regarded as the business contribution to their present and future development through pro-active management of the environmental, social and economic impacts of their respective activities, through a permanent commitment to application of best practices.

8.3. Portucel Group companies shall participate and encourage its staff to participate actively in initiatives relating to environmental protection, energy efficiency and efficient resource management, assigning preference to the use of materials produced in accordance with sustainability principles.

8.4. Portucel Group will seek to encourage its staff to take part in socio-cultural activities and to perform voluntary work.

8.5. The staff of Portucel Group companies shall seek to ensure that, in the course of their business, no harm or damage is caused directly or indirectly to the community's heritage, caring for its external image by showing respect for archaeological, architectural and environmental heritage and improving the quality of life enjoyed by citizens.

8.6. Portucel Group regards sustainable development as a strategic aim for assuring economic growth and contributing to a more developed society, preserving the environment and non-regenerating resources for future generations.

9. Non-compliance

9.1. Failure to comply with the general and mandatory rules of conduct established in this Code of Ethics shall constitute serious misconduct, subject to disciplinary proceedings, notwithstanding any possible civil or criminal liability.

9.2. The Board of Directors shall be notified immediately in writing of any instance of non-compliance which come to light, and shall pronounce on the facts within 30 days of being informed.

9.3. If it is found, initially or whilst the proceedings are pending, that a company officer may be involved, the Board of Directors shall forward the file to the Ethics Committee which shall then proceed accordingly and may, if justified, inform any relevant judicial authority of the facts.

9.4. The personnel assessment system shall include a mandatory reference on the individual appraisal sheet for each staff member of any failure to comply with rules deriving from this Code of Ethics.

9.5. The Ethics Committee shall draw up an annual report on compliance with the rules established in this Code of Ethics, detailing all irregularities of which it is aware, and setting out the conclusions and follow-up proposals adopted in the different cases examined.

9.6. For the purposes envisaged in the preceding paragraph, the Board of Directors shall notify the Ethics Committee of all relevant facts which come to its attention.

9.7. The Ethics Committee's Report shall be annexed to the Corporate Governance Report.

ANNEX II

NOTE ON THE ACTIVITIES OF PORTUCEL'S NON-EXECUTIVE DIRECTORS

All the members of Portucel's Board of Directors were re-elected at the last Annual General Meeting for the term of office from 2011 to 2014. The existing members have been joined by Dr. José Miguel Pereira Gens Paredes and Dr. Paulo Miguel Garcês Ventura, appointed to non-executive directorships.

All the non-executive directors took part in all the meetings of the Board of Directors, and were copied on all relevant information. Whenever requested from the Executive Board they received diligent and satisfactory explanations or complementary information concerning the company's day-to-day affairs. The non-executive directors frequently requested detailed information on decisions taken by the Executive Board, in order to assess the performance of the Company's executive management in the light of annual and longer terms plans and the budgets approved from time to time by the Board of Directors.

On the Chairman's request, they took part in various meetings of the Executive Board, particularly in those dealing with strategic questions, namely plans for the Group's expansion and future development.

Executive management decisions were also closely scrutinised at the quarterly meetings, and the non-executive directors were provided with information which enabled them to assess the performance of the Executive Board.

In addition to monitoring day-to-day operating matters, the non-executive directors paid special attention to following through the major capital expenditure projects implemented in recent years.

In his capacity as Chairman of the Board of Directors, Mr. Pedro Queiroz Pereira called and coordinated all the meetings of the board during the financial year of 2011. In the course of his duties he has coordinated, in cooperation with the other directors, the development and strategic options of the Company and the Group to which it belongs.

Also in connection with his capacity as Chairman of the Board of Directors, he held regular meetings with the Chairman of the Executive Board in order to obtain information and appropriate documentation, to keep him informed on the evolving affairs of the company and its subsidiaries.

He was informed in advance of the order of business for each meeting of the Executive Board, and of the resolutions adopted over the course of the year, accompanied by the respective supporting documents. During the year he held a series of informal meetings with the other non-executive directors, in order to assess the performance of the Executive Board.

As a non-executive member of Portucel's Board of Directors, Eng. Manuel Maria Gil Mata took part in board meetings and, on the Chairman's invitation, he also took part in several meetings of the Executive Board,.

In addition to monitoring normal business affairs, he paid special attention to progress on the latest major investment projects underway, such as the modernization of the Biomass Boiler in Cacia and the new Steam Turbogenerator in Figueira da Foz.

As Chairman of the Sustainability Committee, he called quarterly the quarterly meetings of this committee, which he chaired, and coordinated and led the preparatory work on the drafting of the Group's Sustainability Report for 2010/2011

He continued to make a significant contribution to the work of the Environmental Council, which held its three regular meetings planned for 2011, and took an active part in the search for a new chairman for the council, to replace the former chairman who sadly passed away.

As representative of Portucel's Directors, he took part in the meetings of the general Council of Celpa, the Portuguese Paper Industry Association.

In addition to monitoring day-to-day operational activities, Eng. Luís Alberto Caldeira Deslandes paid particular attention to progress on the Major Investment Projects at the consolidation phase, such as the Setúbal Paper Mill, following through its evolving production capacity, in terms of efficiency and quality.

As Chairman of Portucel's Corporate Governance Committee he called and chaired several working meetings held by the committee in the course of 2011, with a total of three formal meetings, following through developments related to corporate governance issues over the year, and in particular with regard to the drafting of the Corporate Governance Report and dealings with the regulatory authority, as well as analyzing the various reports published by the CMVM and monitoring the work of the recently constituted Association of Securities Issuers (AEM).

Dr. Francisco José Melo e Castro Guedes focussed his activities primarily on monitoring the work of the Executive Board, in order to obtain the necessary information on all aspects of Company and Group affairs, and over the course of the year provided his contribution to the executive directors in his specialist fields, both at board meetings and informally. This non-executive director is currently devoting his closest attention to following through the Company's projects for international expansion, thanks to his considerable expertise in this area, in particular with regard to activities of potential interest in Brazil, due to his experience of the country.

The directors Dr. José Miguel Pereira Gens Paredes and Dr. Paulo Miguel Garcês Ventura concentrated essentially on monitoring the work of the Executive Board, in order to obtain the necessary information on the affairs of the Company and the Group in all areas, assisting the executive directors over the course of the year on matters in which they have expertise, both at board meetings and informally. These directors followed certain specific areas more closely, and Dr. José Miguel Pereira Gens Paredes has worked primarily on financial matters whilst Dr. Paulo Miguel Garcês Ventura has concentrated on legal issues, where his experience allows him to make the greatest contribution.

ANNEX III

Report and Opinion of the Audit Board
Consolidated Accounts

Financial year of 2011

Shareholders,

1. In accordance with the law, the articles of association and the terms of our mandate, we are pleased to submit the report on our supervisory activities in 2011 and to issue our opinion on the Consolidated Management Report and Consolidated Financial Statements presented by the Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, SA, for the financial year ended 31 December 2011.

2. Over the course of the year we monitored the affairs of the company and its most significant affiliates and associates, with the regularity and to the extent we deemed appropriate, through periodic meetings with the company's directors and senior management. We checked that the accounts were kept correctly and duly documented, and verified the effectiveness of the risks management, internal control and internal audit systems. We also monitored compliance with the law and the articles of association. We encountered no constraints in the course of our supervisory activities.

3. We met several times with the official auditor and external auditor, PricewaterhouseCoopers & Associados, SROC, Lda, monitoring its auditing activities and checking its independence. We assessed the Legal Accounts Certificate and the Audit Report, and are in agreement with the Legal Accounts Certificate presented.

4. In the course of our work we found that:

a) the Consolidated Income Statement, the Consolidated Statement of Recognized Income and Expense, the Statement of Changes in Consolidated Equity and the Consolidated Statement of Cash Flows and the corresponding Notes provide an adequate picture of the state of the company's affairs and its profits;

b) the accounting policies and valuation criteria adopted comply with the International Financial Reporting Standards (IFRS) as adopted in the European Union and suitably assure that such criteria lead to a correct valuation of the company's assets and profits, taking due account of the analyses and recommendations of the external auditor;

c) the Consolidated Management Report provides a sufficient description of the business affairs of the company and its affiliates included in the consolidated accounts, offering a clear account of the most significant developments during the year.

d) the Corporate Governance Report includes the information required by Article 245-A of the Securities Code.

5. Accordingly, taking into consideration the information received from the Board of Directors and the company departments, and also the conclusions of the Legal Accounts Certificate and the Audit Report, we recommend that:

a) the Consolidated Management Report be approved;

b) the Consolidated Financial Statements be approved;

6. Finally, the members of the Audit Board wish to acknowledge and express their thanks for the assistance received from the Board of Directors, the senior managers of the company and other staff.

Lisbon, 29 February 2012

The Chairman of the Audit Board

Miguel Camargo de Sousa Eiró

Member

Duarte Nuno d'Orey da Cunha

Member

Gonçalo Nuno Palha Gaio Picão Caldeira

ANNEX IV

STATEMENT ON THE REMUNERATION POLICY FOR THE MEMBERS OF PORTUCEL'S MANAGEMENT AND SUPERVISORY BODIES FOR SUBMISSION TO THE GENERAL MEETING OF SHAREHOLDERS OF APRIL 10TH 2012

I. *Introduction*

Portucel's Remuneration Committee drew up a remuneration policy statement for the first time in 2008, successfully submitting it for approval by the company's general meeting that year. This statement was drafted in line with a recommendation issued on this matter by the Securities Market Commission (*Comissão de Mercado de Valores Mobiliários).*

The Remuneration Committee declared at this time that it felt that the options set out in the statement should be maintained until the end of the term of office of the company's officers then underway. This term ran from 2007 to 2010.

It was then necessary to review the statement in 2010 in the light of the provisions of Law 28/2009, of 19 June, requiring the Remuneration Committee to submit a remuneration policy statement each year to the General Meeting.

It remains the view of this Committee that, as a set of principles, the remuneration policy statement should be kept stable throughout the term of office of the company officers, unless exceptional or unforeseen circumstances require a change. Moreover, given that the Remuneration Committee has been re-elected for another term of office, running until 2014, it continues to make sense that this stability be maintained, except in the possible case of the circumstances mentioned, which have not so far occurred.

We have therefore opted to proposal for approval a statement with the same content as that currently in force.

There is a significant divide between the two most common systems for setting the remuneration of company officers. The first is for such remuneration to be set by the general meeting; this solution is rarely adopted, being rather impractical for a variety of reasons. The second is for remuneration to be set by a Committee, which decides in keeping with criteria on which the shareholders have not had the opportunity to pronounce.

The solution now before us amounts to an intermediate system whereby the shareholders can appraise a remuneration policy to be followed by the Committee. This seeks to draw on the best features of both theoretical systems, as we propose to do in this document, reasserting the position we have previously defended whilst also including the contribution from the additional experience and expertise acquired by the company, and complying with the new legal requirements in this field as referred to above.

II. *Legal requirements and recommendations*

This statement is issued in the legal framework formed by Law 28/2009, of 19 June (as referred to above), and the recommendations of the Securities Market Commission set out in the Corporate Governance Code issued by the Commission.

In addition to rules on the frequency with which the statement must be issued and approved and on disclosure of its content, this law also stipulates that this content should include information on:

a) *Arrangements for aligning the interests of members of the management body with those of the company;*

b) *Criteria for setting the variable component of remuneration;*

c) *The existence of share or share option pay schemes for members of the management and supervisory bodies;*

d) *The possibility of the variable component of remuneration, if any, being paid, wholly or in part, after the accounts have been finalized for the entire term of office;*

e) *Rules limiting variable limitation in the event of the company's results revealing significant deterioration in the company's performance in the last period for which accounts are closed or when such deterioration may be expected in the period underway.*

The current recommendations of the Securities Market Commission make the following requirements:

II.1.5.2. In addition to the content referred to in Article 2 of Law 28/2009, of 19 June, the statement on remuneration policy for the management and supervisory bodies referred to in the same article should contain sufficient information on: i) which corporate groups were chosen for the purposes of comparing remuneration policies and practices with a view to setting remuneration; ii) severance pay for directors.

II.1.5.3. The remuneration policy statement referred to in Article 2 of Law 28/2009 should also cover the pay of management personnel as defined by Article 248-B.3 of the Securities Code, when such pay includes a significant variable component. The statement should be detailed and the policy presented should take into account, namely, the company's long term performance, compliance with the rules applicable to the company's business activities and restraint in risk-taking.

III. *Rules deriving from law and the articles of association*

Any remuneration system must inevitably take into account both the general legal rules and the particular rules established in the articles of association, if any.

The legal rules for the directors are basically established in Article 399 of the Companies Code, from which it follows that:

- Powers to fix the remuneration lie with the general meeting of shareholders of a committee appointed by the same.

- The remuneration is to be fixed in accordance with the duties performed and the company's state of affairs.

- Remuneration may be fixed, or may consist in part of a percentage of the profits for the period, but the maximum percentage to be allocated to the directors must be authorized by a clause in the articles of association, and shall not apply to distribution of reserves or any part of the profits for the period which could not, under the law, be distributed to shareholders.

For the Audit Board and the officers of the General Meeting, the law states that the remuneration shall consist of a fixed amount, determined in the same way by the general meeting, or by a committee appointed by the same, in accordance with the duties performed and the company's state of affairs.

For the members of the Audit Board and the officers of the General Meeting, the law lays down that the remuneration shall consist of a fixed sum, which shall be determined in the same way by the general meeting of shareholders or by a committee appointed by the same, taking into account the duties performed and the state of the company's affairs.

A specific clause in Portucel's articles of association (article no. 21) provides that the remuneration of directors may be differentiated. The second paragraph of this clause lays down that the General Meeting may issue rules on pension plans and complementary pension schemes for directors.

This is the formal framework to be observed in defining remuneration policy.

IV. *Historical background*

From the company's transformation into a *limited liability company* in 1991 and through to 2004, the remuneration of all of Portucel's directors consisted of a fixed component, payable fourteen times a year, and set by a Remuneration Committee, and of a variable component, determined annually, depending on the specific circumstances, by decision of the State, as shareholder.

After the first phase of privatization in 2004, the formal principle was first instituted of remuneration being divided into fixed and variable components, the latter being based on the company's results and the specific performance of each director.

This procedure has been repeated annually since 2004, with directors receiving fixed remuneration and also a variable component.

Since the incorporation of the company, members of the Audit Board have received fixed monthly remuneration. In the case of the officers of the General Meeting, since remuneration for these officers was first instituted it has been set on the basis of the number of meetings actually held.

V. *General Principles*

The general principles to be observed when setting the remuneration of the company officers are essentially those which in very general terms derive from the law: on the one hand, the duties performed and on the other the state of the company's affairs. If we add to these the general market terms for similar situations, we find that these appear to be the three main general principles:

a) Duties performed.

It is necessary to consider the duties performed by each company officer not only in the formal sense, but also in the broader sense of the work carried out and the associated responsibilities. Not all the executive directors are in the same position, and the same is also true, for example, of the members of the audit board. Duties have to be assessed in the broadest sense, taking into account criteria as varied as, for example, responsibility, time dedicated, or the added value to the company resulting from a given type of intervention or representation of a given institution.

The fact that time is spent by the officer on duties in other controlled companies also cannot be taken out of the equation, due, on the one hand, to the added responsibility this represents, and, on the other hand, to the existence of another source of income.

It should be noted that Portucel's experience has shown that the directors of this company, contrary to what is often observed in other companies of the same time, cannot be neatly split into executive and non-executive. There are a number of directors with delegated powers and who are generally referred to as executive directors, but some of directors without delegated powers are closely involved in the life of the company in a variety of ways. These are essential aspects which must inevitably be considered when setting remuneration.

b) The state of the company's affairs.

This criterion must also be understood and interpreted with care. The size of the company and the inevitable complexity of the associated management responsibilities, is clearly one of the relevant aspects of the state of affairs, understood in the broadest sense. There are implications here for the need to remunerate a responsibility which is greater in larger companies with complex business models and for the capacity to remunerate management duties appropriately.

d) Market criteria.

It is unavoidably necessary to match supply to demand when setting any level of pay, and the officers of a corporation are no exception. Only respect for market practices makes it possible to keep professionals of a calibre required for the complexity of the duties performed and the responsibilities shouldered, thereby assuring not only their own interests but essentially those of the company, and the generation of value of all its shareholders. In the case of Portucel, in view of its characteristics and size, the market criteria to be considered are those prevailing internationally, as well as those to be observed in Portugal.

VI. Compliance with legal requirements and recommendations

Having described the historical background and the general principles adopted, we shall now consider the issue of compliance by these principles with the relevant legal requirements.

1. Article 2 a) of Law 28/2009. Alignment of interests.

The first requirement that Law 28/2009 regards as essential in terms of the information in this statement is for a description of the procedures which assure that the directors' interests are aligned with those of the company.

We believe that the remuneration system adopted in Portucel is successful in assuring such alignment. Firstly, because the remuneration sets out to be fair and equitable in the light of the principles set out, and secondly because it links the directors to results by means of a variable remuneration component which is set primarily in the light of these results.

2. Article 2 b) of Law 28/2009. Criteria for the variable component.

The second requirement established by the law is for information on the criteria used to determined the variable component.

The company's results are the most important factor in setting the variable remuneration: not the results seen as an absolute value, but as viewed from a critical perspective in the light of what may be expected of a company of this size and characteristics, and in view of the actual market conditions.

In setting the variable component, other factors are also considered, resulting in the main from the general principles - market, specific duties, the state of the company's affairs. These factors are often more individual, relating to the specific position and performance of each director.

3. Article 2 c) of Law 28/2009. Share or option plans.

The decision whether or not to provide share or option plans is structural in nature. The existence of such a plan is not a simple add-on to an existing remuneration system, but rather an underlying to change to the existing system, at least in terms of the variable remuneration.

Although a remuneration system of this type is not incompatible with the company's articles of association, we feel that the wording of the relevant provisions in the articles and the historical background to the existing system argue in favour of maintaining a remuneration system without any share or option component.

This is not to say that we see no merits in including a share or option component in directors' remuneration, nor that we would not be receptive to restructuring directors' remuneration to incorporate such a plan. However, such a component is not essential in order to promote the principles we defend and, as we have said, we do not believe that this was the fundamental intention of the company's shareholders.

4. Article 2 d) of Law 28/2009. Date of payment of variable remuneration.

Specialists in this field have draw attention to significant advantages in deferring payment of the variable component of remuneration to a date when the entire period corresponding to the term of office can in some way be appraised.

We accept this principle as theoretically sound, but it appears to us to offer few advantages in the specific case of Portucel and other similar companies.

One of the main arguments supporting this system is that directors should be committed to achieving sustainable medium-term results, and that the remuneration system should support this, avoiding a situation where remuneration is pegged simply to one financial year, which may not be representative, and which may present higher profits at the cost of worse results in subsequent years.

However, whilst this danger is real and is worth safeguarding against by means of systems such as this in companies where the capital is completely dispersed and the directors may be tempted to take a short term view, maximizing quick results by sacrificing long term potential, this does not correspond to the situation in a company such as Portucel, with a stable shareholder structure and management, where these concerns are inherently less of an issue.

5. Article 2 e) of Law 28/2009. Procedures for capping variable remuneration.

Procedures of this kind are designed to limit variable remuneration in the event of the results showing a significant deterioration in the company's performance in the last reporting period or when such a deterioration may be expected in the period underway.

This type of provision also reflects a concern that good performance in the short term, which may boost directors' remuneration, could be achieved at the cost of future performance.

For obvious reasons, the arguments presented above also apply here. It should also be noted that a system of this kind would have little practical effect if not combined with significant deferral of remuneration, which is not proposed for Portucel.

6. First part of Recommendation II.1.5.2.. Comparative information.

   In relation to groups of companies whose remuneration policies and practices have been taken as the baseline for setting remuneration, this Committee took into consideration, to the extent of the information accessible, all Portuguese companies of equivalent size, namely PSI-20 companies, and also companies in international markets with characteristics similar to those of Portucel.

7. Second part of Recommendation II.1.5.2.. Termination and severance pay.

   There are no agreements, and no such provisions have been defined by this Committee, on payments by Portucel relating to dismissal or termination by agreement of Directors' duties.

8. Recommendation II.1.5.3. Inclusion of managers in this statement.

   The Remuneration Committee has no proposal or statement to make on this issue, as it is the express understanding of the Board of Directors that it has sole powers over this matter and that it is not in the company's interest to comply with this recommendation.

VII. Specific Options

The specific options for the remuneration policy we propose are as follows:

1. The remuneration of executive directors shall comprise a fixed component and a variable component.
2. The remuneration of non-executive directors shall comprise only a fixed component, or else a fixed component and a variable component, as for executive directors, whenever justified by the nature of the duties actually exercised and their degree of responsibility and involvement in the day to day running of the company.
3. The remuneration of the members of the Audit Board and the officers of the General Meeting shall comprise a fixed component only.
4. The fixed component of the remuneration of directors shall consist of a monthly amount payable fourteen times a year or of a pre-set amount for each meeting of the Board of Directors attended.
5. A monthly rate shall be set for the fixed component of the remuneration of directors for all those who are members of the Executive Board and those who, although not members of such Board, perform duties or carry out specific work of a repeated or ongoing nature.
6. The pre-set amount for participation in members of the Board of Directors shall be fixed for those who have duties which are essentially advisory and supervisory.
7. The fixed remuneration of the members of the Audit Board shall consist in all cases of a pre-set amount paid fourteen times a year.
8. The fixed remuneration of the officers of the General Meeting shall consist in all cases of a pre-set amount for each meeting, the remuneration for second and subsequent meetings being lower than that for the first general meeting of the year.
9. In setting all remuneration, including in particular the distribution of the total amount allocated to the variable remuneration of the Board of Directors, the general principles established above shall be observed: the duties performed, the state of the company's affairs and market criteria.

The Remuneration Committee

Chairman: Egon Zehnder, represented by José Gonçalo Maury
Member: Frederico José da Cunha Mendonça e Meneses
Member: João Rodrigo Appleton Moreira Rato

ANNEX V

Report of the Ethics Committee
on its work during the period ended 31 December 2011

During the period ended 31 December 2011, the Ethics Committee took cognizance of the resolution of the Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, S.A., adopted at the meeting of 26 October 2011, substituting the former director Dr. Miguel Ventura by Dr. Rui Gouveia.

In the course of the year, no question falling within the scope of the Committee's responsibilities, which it would be required to assess, was submitted for its scrutiny, and no issue was put to the Committee, for its opinion or recommendation, by any of the company's governing bodies, employees, customers or other stakeholders.

The Committee can only express its satisfaction that the company's governing bodies have functioned properly and issues this report as required and for the purposes of the provisions of Article 2 a) of the Rules of Procedure of the Ethics Committee.

Lisbon, 24 February 2012

The Chairman of the Ethics Committee

Júlio de Lemos de Castro Caldas

The Members

Rita Maria Lago do Amaral Cabral

Rui Gouveia