

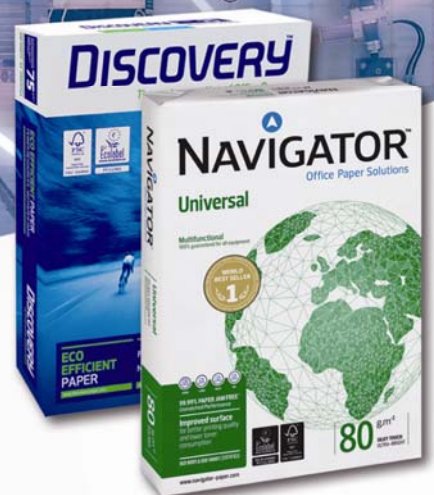
RELATÓRIO DO 3º TRIMESTRE 2012

INTERIM REPORT 3rd QUARTER 2012

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PORTUCEL, S.A.
SOCIEDADE ABERTA
PUBLIC LIMITED COMPANY



SEDE: MITRENA, APARTADO 55, 2901-861 SETÚBAL | N.I.P.C. 503 025 798 - CAPITAL SOCIAL € 767 500 000
MATICULADA NA CONSERVATÓRIA DO REGISTO COMERCIAL DE SETÚBAL
HEADQUARTERS: MITRENA, APARTADO 55, 2901-861 SETÚBAL | CORPORATE ENTITY 503 025 798 - SHARE CAPITAL € 767,500,000
REGISTERED AT THE COMMERCIAL REGISTER OF SETÚBAL

DIRECTORS' REPORT

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Highlights for the first 9 months of 2012 (vs 9 months 2011):

- Turnover grows by 1.2%
- Exports total € 922.7 million
- EBITDA of € 282.8 million
- Net income of € 160.2 million
- Increased share of European paper market
- Net Debt cut by € 118.8 million
- Net Debt / EBITDA ratio improves to 1.0
- The Group now owns the largest nurseries for certified forest plants in Europe

Financial Highlights – IFRS

	9 Months 2012	9 Months 2011	% Change ⁽⁵⁾ 9M 12/ 9M 11
Million euros			
Total sales	1 109,5	1 095,9	1,2%
EBITDA ⁽¹⁾	282,8	288,0	-1,8%
Operating profits	213,4	190,6	12,0%
Financial results	- 12,9	- 15,3	-15,8%
Net earnings	160,2	144,1	11,2%
Cash Flow ⁽²⁾	229,6	241,5	-4,9%
Capex	18,0	17,0	1,0
Net debt ⁽³⁾	390,9	509,7	-118,8
EBITDA / Sales (%)	25,5%	26,3%	
ROS	14,4%	13,1%	
Equity ratio	52,2%	52,3%	
Net Debt / EBITDA ⁽⁴⁾	1,0	1,3	
	Q3 2012	Q2 2012	% Change ⁽⁵⁾ Q3 12 / Q2 12
Total sales	366,8	389,7	-5,9%
EBITDA ⁽¹⁾	95,7	93,5	2,3%
Operating profits	72,2	70,8	1,9%
Financial results	- 4,1	- 5,0	-18,9%
Net earnings	54,5	53,4	2,0%
Cash Flow ⁽²⁾	78,0	76,1	2,5%
Capex	6,1	5,8	0,3
Net debt ⁽³⁾	390,9	488,4	-97,5
EBITDA / Sales (%)	26,1%	24,0%	
ROS	14,9%	13,7%	

(1) Operating results + depreciation + provisions

(2) Net profits + depreciation + provisions

(3) Includes market value of treasury stock

(4) EBITDA corresponds to the last 12 months

(5) Percentage variation corresponds to figures before rounding up/down

1. ANALYSIS OF RESULTS

9 Months of 2012 vs. 9 Months of 2011

In a particularly harsh business environment, marked by a severe economic downturn, the Portucel group's consolidated turnover grew by 1.2% over the first nine months of 2012, standing at € 1,109.5 million. This growth was achieved on the strength of growing output and sales of uncoated woodfree (UWF) printing and writing paper, and excellent operational performance in the energy sector.

The international economic situation has directly contributed to increased unemployment and caused a downturn in paper consumption. Despite the difficulties this creates, the Group achieved extremely positive performance, with sales growing approximately by 3% in quantity. With the price of paper relatively steady, the value of paper sales increased by also around 3% in relation to the first nine months of 2011.

In bleached eucalyptus pulp (BEKP) business, turnover was down by 18%, due in part to the maintenance stoppage at the Setúbal industrial complex in September and also to the smaller volume of pulp available for sale on the market, as a result of increased paper output, incorporating larger quantities of pulp. In terms of prices, despite a positive trend observed over the year, the average pulp price was lower than for the first nine months of 2011, with the result that pulp sales recorded a reduction of 20% in value in comparison with the same period last year.

As already mentioned, the energy sector performed well, with power sales to the national grid totalling 1 264 GWh, representing growth over the same period last year of 2.4%.

Although the trend over the year has been positive for some of the production costs, in particular for the cost of raw materials, chemicals and personnel expenditure, this was not enough to offset a significant increase in the cost of electricity and natural gas of almost € 29 million, as well as in logistical costs, meaning that the Group recorded an overall increase in total production costs. The industrial disputes which occurred in September in port operations also had negative consequences for the Group's logistical costs. We should point out that Portucel is the largest exporter of containerized cargo in the Iberian Peninsula, accounting for some 10% of all containerized and conventional cargo exported through Portuguese ports.

In this context, consolidated EBITDA stood at € 282.8 million, which represents a reduction of 1.8% and an EBITDA / Sales margin of 25.5%, down 0.8 percentage points on the margin recorded in 2011.

Operating results stood at € 213.4 million and compare favourably with the same period in 2011, having been positively influenced by the reversal of provisions of approximately € 9.5 million, as well as by a reduction in the value of depreciation over the period, due to the normal life cycle of the Group's industrial assets.

The Group recorded negative financial results of € 12.9 million, which compare favourably with the negative results of € 15.3 million recorded in 2011. This improvement was due essentially to a reduction in the Group's net debt, and to a drop in the respective average borrowing cost, as a consequence of the downward trend in interest rates.

As a result, consolidated net income for the period stood at € 160.2 million, representing an improvement of 11.2% over the previous year.

3rd quarter 2012 vs 2nd quarter 2012

Turnover in the third quarter of 2012 totalled € 366.8 million, down by 5.9% on the previous quarter, due fundamentally to a reduction in pulp and paper sales in quantity. Only energy business recorded positive growth, expanding by around 2%.

In paper business, seasonal factors typically observed in the third quarter had a negative impact on the Group's sales, which dropped by approximately 8% from the second to the third quarters.

Performance in BEKP pulp was similar, with sales to the market falling by 11%, hit by the maintenance stoppage already referred to and by the slowdown in the pulp market over the course of the third quarter, particularly in July and August.

In terms of operational performance, 3rd quarter EBITDA stood at € 95.7 million, up by 2.3%, although the

comparison is influenced by a number of one-off events which affected the value of EBITDA in the second quarter. The EBITDA / Sales margin stood at 26.1%, representing an improvement of 2.1 percentage points.

Operating results evolved along similar lines, standing at € 72.2 million. The Group recorded net income of € 54.5 million, representing an increase of 2.0%.

2. MARKET ANALYSIS

2.1 UWF Paper

The world market in printing paper has been severely hit by the harsh economic climate, which has necessarily undermined the main consumer markets for these products. The downturn was sharpest in European and North American markets.

Uncoated woodfree paper – encompassing all of the Group’s paper products – was naturally not immune to this situation, with consumption falling by around 4%, both in Europe and the United States. This performance was largely offset by livelier demand from emerging markets, with the result that the negative trend worldwide is estimated at half a percentage point. We should once again draw attention to the resilience of office paper consumption in Europe where, despite rising levels of unemployment and the pressure on companies to cut costs, the reduction in printing paper as a whole was lowest, at 1.6% in relation to the same period in 2011.

The capacity closures effected by a number of competitors in the sector in 2011, due to falling competitiveness, continued to have a beneficial effect on the market balance, and enabled the industry to operate at 92% of total capacity, both in Europe and the US, up from the figures recorded in 2011.

The US dollar rose strongly against the euro over much of the period, but, nevertheless, ended the third quarter 3% down in relation to the exchange rate recorded at the end of the previous quarter.

Accrued figures for the first nine months show that the Portucel group achieved new record sales. Net paper sale prices were up by 0.3%, in defiance of a reduction of 0.6% in the benchmark index for the sector, Copy B

published by FOEX. This increase was due to improvement in the geographical sales mix and the positive foreign exchange effect.

The Group continued to improve its market penetration in Europe, winning new business in excess of 82 thousand tons and bringing its market share close to 17%.

The Group's mill brands are, of course, one of the central pillars of its commercial strategy. Its leading brand, Navigator, achieved new sales records around the world, growing by 3.5% over the same period in 2011.

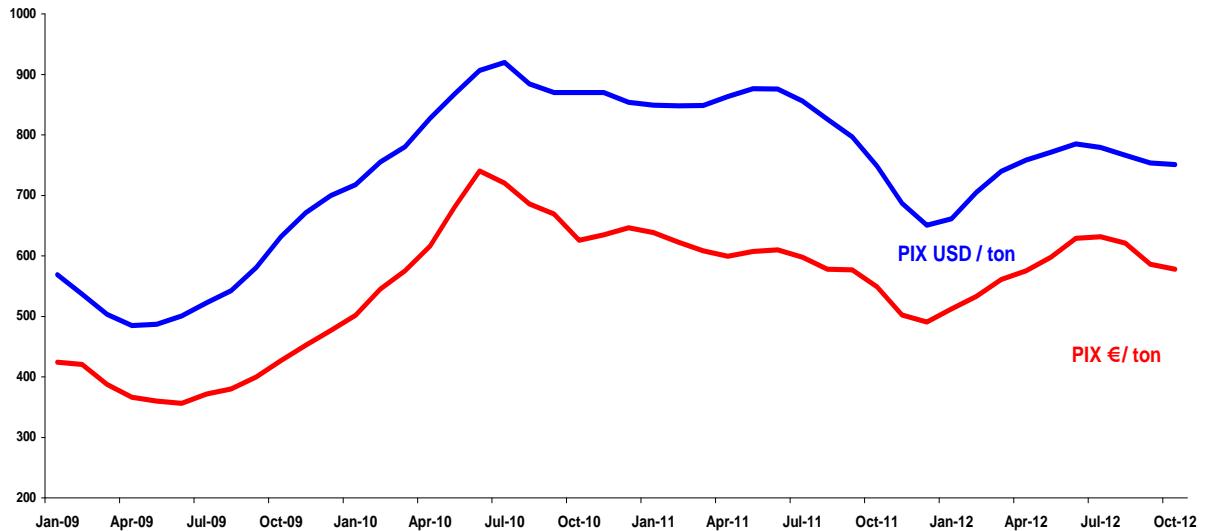
The Group was adversely affected by a rise in logistical costs, resulting from strong inflationary pressures in this sector. However, substantial savings were achieved by significantly increasing direct deliveries to customers and by cutting total stocks of finished paper and unfinished products by the equivalent of five days' sales.

2.2 BEKP Pulp

After a first half during which prices rallied, the BEKP pulp market contracted during the 3rd quarter of 2012, bearing out expectations of a slowdown in the sector, due mainly to the seasonal drop in business in the summer in European markets and the high levels of stocks in the Chinese market.

China continues to be a crucial player in the world pulp market and, despite the slowdown experienced in the summer, it continued to present robust consumption over the course of 2012, with a high level of pulp imports, in line with the figures for 2011. The pulp market appears in fact to be benefitting again from renewed buying activity on the part of the Chinese market, reflected in a wave of announcements of price increases from October onwards, in all markets, for both long and short fibre pulp.

PIX Index - BHKP - Monthly Evolution



In contrast, the highly complicated economic situation in various Euro Zone countries has caused not only a slowdown in the paper industry but also a certain amount of volatility on the foreign exchanges, which has generated instability in the industry and is unpropitious for any increase in USD prices, such as those recorded in the recent past.

As already mentioned, the Group's BEKP pulp sales in the first 9 months of 2012 dropped by 20%, caused by a reduction in the quantity of pulp available for sale over the period, due to the maintenance stoppages and also to increased incorporation into paper manufacture.

A breakdown of BEKP pulp sales by paper segment shows that the Group strengthened its position in segments with higher value added, comprising the special papers segment, which accounted for 64% of all sales, as compared to a figure of 58% for the first nine months of 2011.

An analysis of sales by destinations shows that all pulp sales went to European markets, home to manufacturers of higher quality paper where technical demands are more stringent and where the intrinsic qualities of the *eucalyptus globulus* pulp produced by the Group are more properly valued.

3. DEVELOPMENT

The Group has continued to advance with its investment project in Mozambique consisting, as mentioned in previous reports, of developing a forestry operation and constructing a pulp mill. This is a long term project which is still at an early stage, and efforts have so far focussed on field work to determine the most suitable eucalyptus varieties, to validate forestry models and to analyze logistical processes. This phase is expected to last a further 3 years, in order to conclude the plantation trials, to test new materials and upscale operations. Work is also proceeding on identifying alternatives for inbound logistics, for raw materials and other factors of production, as well as outbound logistics, for eucalyptus pulp.

In Portugal, the Group has followed up its investment in modernizing and doubling the capacity of its Espirra nurseries by concluding, in the third quarter, the first phase of the production season for cloned eucalyptus saplings, which will allow the Group, for the first time in its history, to produce around six million clones. This will make it possible to make better use of the Group's plantations and to provide high-quality, certified genetic materials for Portuguese forestry, with significant benefits for the sector's yields. With the conclusion of this capital project, the Group now owns the largest nurseries for certified forest plants in Europe, with annual production capacity of 12 million plants.

Another important objective in the Group's strategy is centred on certification of forestry management, and here too another important goal was achieved: the Group successfully renewed its forest management certification under the strict FSC and PEFC systems, bearing witness to its efforts and investment in implementing best forestry practise, biodiversity management plans and its plans for preventing and fighting forest fires.

Although this year's wildfire season is not yet officially over, the results are positive. The resources deployed to prevent and fight forest fires all operated correctly without any accidents, and despite the significantly adverse weather conditions observed, forest losses were kept to a low level. We should stress that the overwhelming majority of the incidents – 85% - to which our resources responded occurred on the property of third parties, illustrating the support provided to the national forest fire protection system. This summer season once again proved that professional and certified forest management is the best defence against the scourge of wildfires.

4. FINANCIAL

At the end of September, interest-bearing net debt stood at € 390.9 million, down by € 31.9 from year-end 2011. Cash generation in the first nine months was constrained by the stepping up of our policy for supporting raw material suppliers, by the disbursement of the final payments on capital projects from previous periods and by adoption of a supplier payment policy that takes into account the current difficulties faced in obtaining credit from the banks.

Financial autonomy stood at 52.2% at the end of June and the ratio of Net Debt to EBITDA improved to 1.0.

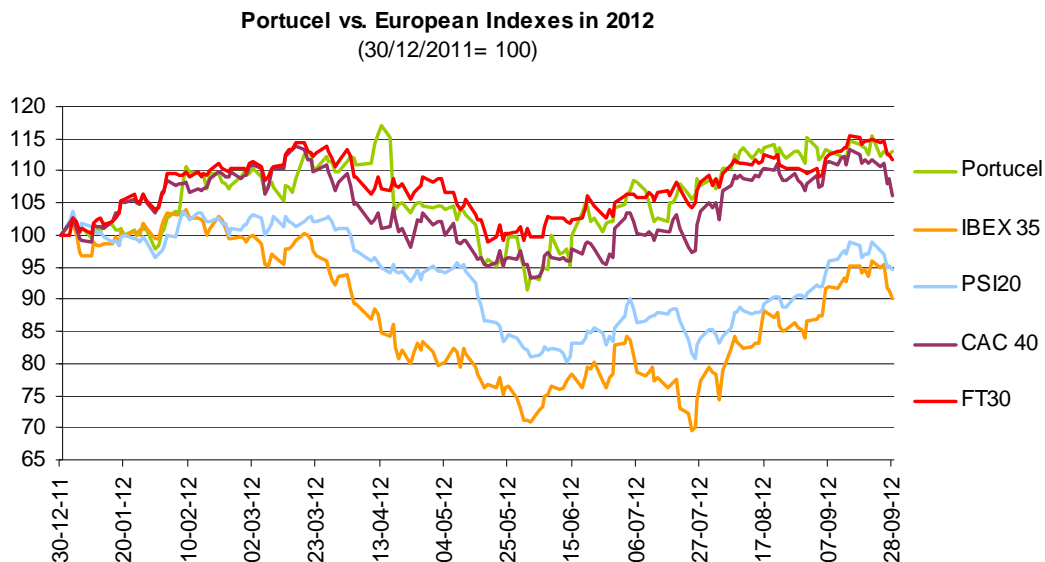
At 30 September 2012, the Group's gross long term debt stood at € 357.8 million, and its debt maturing in less than one year at € 380.4 million. This short term debt includes the Portucel 2005/2012 bond issue with a value of € 150 million euros, which will be repaid at the end of October 2012, as well as the Portucel 2005/2013 bond issue with a value of € 200 million, due to be repaid in May 2013. With a cash position of € 248.8 million, undrawn credit facilities of approximately € 80 million, excellent capacity for cash flow generation and the possibility of access to the debt market, the Group enjoys a comfortable level of liquidity, which will allow it to honour its commitments.

5. CAPITAL MARKETS

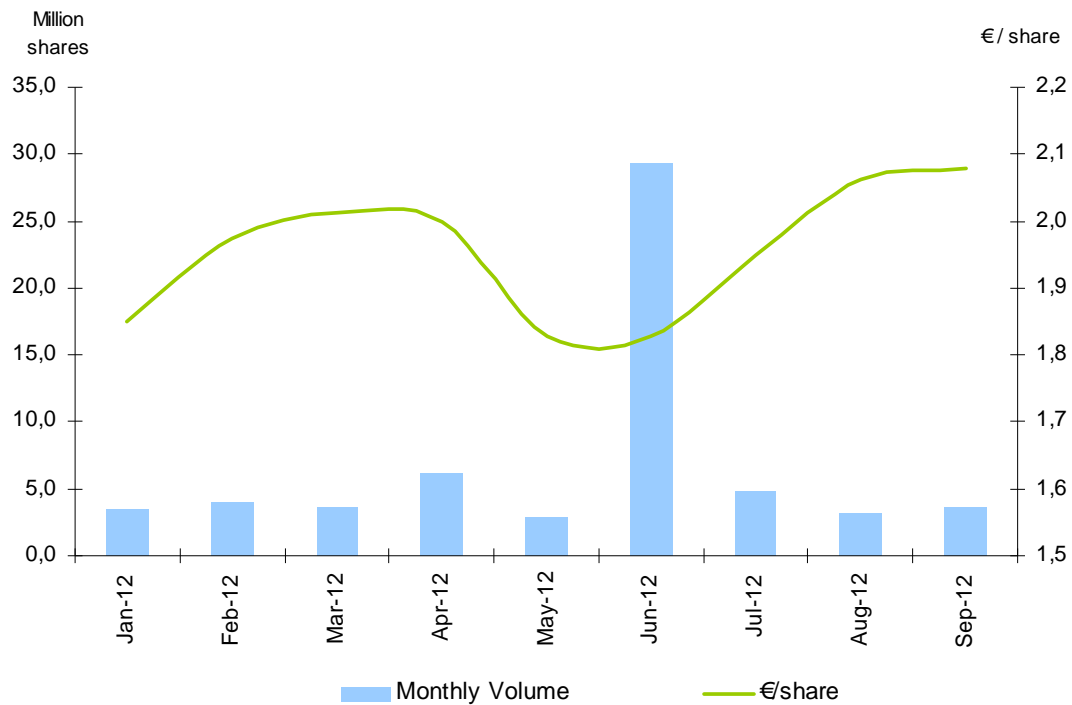
After a particularly poor second quarter, the leading European stock exchanges rallied over the course of the 3rd quarter. All the main markets recorded positive performance over this period, led by Frankfurt (up 12.5%), Lisbon (up 10.7%) and Madrid (up 8.5%). However, in the case of the Portuguese and Spanish stock exchanges, the recovery was not enough to offset the losses recorded in the first half of 2012, and the indexes were still down on the start of the year, by 10% for the IBEX 35 and 5.3% for the PSI20.

Amongst companies in the pulp and paper sector, stock market performance was also fairly positive in the third quarter, in particular for pulp producers in Latin America and for North American manufacturers. This positive performance also extends to the first nine months of 2012.

Portucel shares accompanied the positive trend, rising by 8.3%, from 30 June to 28 September. The share price stood at 2.079€/share at the end of September, which in accrued terms amounted to a gain of 13.1% since the start of the year. Average daily trading stood at approximately 177 thousand shares.



Portucel Average Share Price and Volume



6. OUTLOOK

Most available indicators continue to point to a slowdown in the main world economies and to a continued climate of extreme uncertainty, although the dynamic varies widely between countries and regions. In the more developed economies, structural issues continue to hamper economic growth, whilst the emerging economies continue to enjoy a fairly high level of growth, although still subject to widespread cooling.

In the Euro Zone, economic growth remains limited by strong tensions in the sovereign debt market and the knock-on effect of a severe contraction in lending to individuals and businesses. Other factors holding back growth include the public spending cuts underway in most European countries and the high level of unemployment in the region.

In the US, the main economic indicators also point to a slowdown and great uncertainties remain as to the fiscal policy for the coming years, which will have to include some degree of budgetary consolidation, and in relation to the political scenario after the presidential elections to be held this year.

A degree of cooling may also be observed in emerging markets, especially in China, as a result of lower demand from the developed economies and a degree of difficulty faced by these markets in evolving from a model of growth sustained almost entirely by exports to one based on internal demand.

In this difficult setting, and despite the resilience shown by the cut-size paper market in Europe and the positive impact of capacity closures in 2011, as well as the positive evolution in the USD/Euro exchange rate, factors which together have helped to provide some support for the market this year, the outlook for the near future in the markets where the Group operates remains extremely uncertain.

The expected persistence of the economic downturn, with its inevitable impact on employment levels, will continue to drive down paper consumption in the more developed economies, in particular in Europe and the United States, the Group's main markets.

There is also growing uncertainty as to the future of the pulp market. Whilst the rally in pulp prices in 2012 was one of the factors that helped sustain paper prices, by maintaining strong pressure on non-integrated producers, the evolution of this market will be an important factor in the Group's future performance.

As already mentioned, the BEKP pulp market has been sustained by strong demand from Asian markets, in particular China, despite the economic slowdown observed in this region. This demand has been encouraged by capital projects for non-integrated paper manufacture, especially for tissue paper, and by the policy promoted by the Chinese government of closing obsolete production plants. This positive performance by the Chinese market has offset a more recessive environment in Europe and the US, and if this situation remains unchanged, it could continue to sustain the pulp market. At the same time, rising costs in the main BEKP producer countries, in particular Brazil, together with the high level of debt of certain manufacturers and the strong pressure to extract returns from capital-intensive projects currently underway, could come together to hold up prices.

The start-up of new pulp mills, expected shortly in Brazil and Uruguay, is a significant sign of the vitality of the

sector, but will also serve as a test of the market's capacity to absorb a substantial increase in the supply of BEKP pulp.

The Group's operations may in the short term be affected by labour disputes which have recently disrupted the port sector in Portugal, with damaging consequences for the country's industry, limiting exports or requiring companies to use more expensive logistical solutions.

Nonetheless, the Group enjoys a healthy order book and continues to operate at full capacity, placing nearly all its output on foreign markets, thanks to wide perception of the quality of its value proposition, excellent market penetration and awareness ratings for its own brands, and ongoing efforts to expand its markets.

Setúbal, 22 October 2012

CONSOLIDATED SEPARATE INCOME STATEMENT
FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2012 AND 2011

Amounts in Euro	Notes	9 months 30-09-2012	9 months 30-09-2011	3rd Quarter 2012	3rd Quarter 2011
Revenues	3			(unaudited)	(unaudited)
Sales		1,107,291,422	1,094,452,067	365,942,764	355,347,805
Services rendered		2,227,371	1,458,814	828,616	991,112
Other operating income	5				
Gains on the sale of non-current assets		249,063	58,558	62,230	58,558
Other operating income		18,711,450	15,462,149	5,484,327	5,686,644
Change in the fair value of biological assets	10	(1,564,107)	(734,579)	(1,409,810)	255,694
Costs					
Cost of inventories sold and consumed		(438,725,157)	(421,637,216)	(136,857,120)	(143,647,257)
Variation in production		(8,629,067)	(30,902,722)	(7,686,539)	(2,966,381)
Cost of materials and services consumed		(290,823,620)	(258,497,174)	(99,123,274)	(90,516,524)
Payroll costs		(95,965,183)	(101,612,587)	(29,156,257)	(33,454,614)
Other costs and losses		(9,968,392)	(10,087,445)	(2,402,584)	(2,994,208)
Provisions (net)	17	9,462,028	(4,443,178)	2,972,791	2,461,723
Depreciation, amortization and impairment losses		(78,855,596)	(92,929,132)	(26,489,808)	(25,915,687)
Operating results		213,410,211	190,587,558	72,165,337	65,306,864
Group share of (loss) / gains of associated companies and joint ventures	11	115,737	890,489	(278,080)	505,672
Net financial results	4	(12,854,525)	(15,269,672)	(4,090,053)	(5,842,620)
Profit before tax		200,671,423	176,208,375	67,797,204	59,969,917
Income tax	5	(40,501,414)	(32,134,113)	(13,323,128)	(13,503,136)
Net Income		160,170,009	144,074,262	54,474,076	46,466,781
Non-controlling interests		23,816	26,005	10,186	8,467
Net profit for the year		160,193,825	144,100,267	54,484,261	46,475,248
Earnings per share					
Basic earnings per share, Eur	6	0.219	0.192	0.219	0.192
Diluted earnings per share, Eur	6	0.219	0.192	0.219	0.192

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2012 AND 31 DECEMBER 2011

Amounts in Euro	Notes	30 Sep 2012	31 Dec 2011
ASSETS			
Non-Current Assets			
Goodwill		376,756,383	376,756,383
Other intangible assets	8	6,353,696	2,776,759
Property, plant and equipment	9	1,475,751,320	1,529,709,225
Biological assets	10	109,205,198	110,769,306
Available-for-sale financial assets	11	126,032	126,032
Investment in associates	11	1,087,048	1,778,657
Deferred tax assets	15	42,257,114	46,271,758
		2,011,536,791	2,068,188,120
Current Assets			
Inventories		198,548,815	188,690,926
Receivables and other current assets	12	208,143,552	242,257,094
State and other public entities	13	67,186,745	54,684,123
Cash and cash equivalents	18	248,818,218	267,431,715
		722,697,330	753,063,858
Total Assets		2,734,234,121	2,821,251,978
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	14	767,500,000	767,500,000
Treasury shares	14	(88,933,978)	(42,154,975)
Fair value reserves		297,228	(523,245)
Legal reserves		66,217,777	57,546,582
Translation reserves		(1,737,836)	(485,916)
Retained earnings		524,705,811	499,721,013
Net profit for the period		160,193,825	196,331,389
		1,428,242,827	1,477,934,848
Non-controlling interests		198,210	220,660
		1,428,441,037	1,478,155,509
Non-current liabilities			
Deferred taxes liabilities	15	185,475,188	193,236,695
Pensions and other post-employment benefits	16	16,561,419	16,682,785
Provisions	17	10,140,564	19,602,592
Interest-bearing liabilities	18	357,841,801	566,813,031
Other non-current liabilities	18	13,556,295	18,109,324
		583,575,267	814,444,427
Current liabilities			
Interest-bearing liabilities	18	380,400,320	164,085,292
Payables and other current liabilities	19	253,106,250	284,893,379
State and other public entities	13	88,711,247	79,673,372
		722,217,817	528,652,043
Total liabilities		1,305,793,084	1,343,096,470
Total equity and liabilities		2,734,234,121	2,821,251,979

STATEMENT OF COMPREHENSIVE CONSOLIDATED INCOME
FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2012 AND 2011

Amounts in Euro	9 months 30-09-2012	9 months 30-09-2011	3rd Quarter 2012 (unaudited)	3rd Quarter 2011 (unaudited)
Retained earnings for the period without non-controlling interests	160,170,009	144,074,262	54,474,076	46,466,781
Fair value of derivative financial instruments	1,197,771	2,285,486	644,404	(196,073)
Currency translation differences	(1,250,856)	(2,587,179)	(240,098)	784,572
Actuarial gains / (losses)	2,541,033	(7,172,491)	(332,484)	(3,997,180)
Other changes in equity of associated companies	(429,723)	-	(9,350)	-
Tax on items above when applicable	(410,367)	736,518	(262,011)	(441,168)
Income / (losses) recognized directly in Equity	1,647,858	(6,737,666)	(199,537)	(3,849,849)
Total recognized income and expense for the period	161,817,866	137,336,596	54,274,538	42,616,933
Attributable to:				
Portucel's shareholders	161,840,316	137,367,323	54,271,294	42,630,121
Non-controlling interests	(22,450)	(30,727)	3,243	(13,188)
	161,817,866	137,336,596	54,274,537	42,616,933

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FROM 31 DECEMBER 2011 TO 30 SEPTEMBER 2012 AND FROM 31 DECEMBER 2010 TO 31
SEPTEMBER 2011

Amounts in Euro	31 December 2011	Gains/losses recognized in the period	Dividends paid and reserves distributed (Note 14)	Acquisition of treasury shares	Application of prior year's net profit	30 September 2012
Share capital	767,500,000	-	-	-	-	767,500,000
Treasury shares	(42,154,975)	-	-	(46,779,004)	-	(88,933,978)
Fair value reserve	(523,245)	820,473	-	-	-	297,228
Other reserves	57,546,582	-	-	-	8,671,195	66,217,777
Currency translation reserve	(485,916)	(1,251,920)	-	-	-	(1,737,836)
Retained earnings	499,721,013	2,055,489	(164,730,885)	-	187,660,194	524,705,811
Net profit for the period	196,331,389	160,193,825	-	-	(196,331,389)	160,193,825
Total	1,477,934,848	161,817,867	(164,730,885)	(46,779,004)	-	1,428,242,827
Non-controlling interests	220,660	(22,450)	-	-	-	198,210
Total	1,478,155,509	161,795,417	(164,730,885)	(46,779,004)	-	1,428,441,037

Amounts in Euro	31 December 2010	Gains/losses recognized in the period	Dividends paid and reserves distributed (Note 14)	Acquisition of treasury shares	Application of prior year's net profit	30 September 2011
Share capital	767,500,000	-	-	-	-	767,500,000
Treasury shares	(26,787,706)	-	-	(11,585,018)	-	(38,372,724)
Fair value reserve	78,040	1,628,409	-	-	-	1,706,449
Other reserves	47,005,845	-	-	-	10,540,737	57,546,582
Currency translation reserve	881,575	(2,587,179)	-	-	-	(1,705,604)
Retained earnings	304,020,383	(5,774,174)	-	-	200,047,341	498,293,550
Net profit for the period	210,588,078	144,100,267	-	-	(210,588,078)	144,100,267
Total	1,303,286,214	137,367,323	-	(11,585,018)	-	1,429,068,519
Non-controlling interests	216,755	(30,727)	-	-	-	186,028
Total	1,303,502,970	137,336,596	-	(11,585,018)	-	1,429,254,548

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2012 AND 2011

Amounts in Euro	Notes	9 months 30-09-2012	9 months 30-09-2011	3rd Quarter 2012 (unaudited)	3rd Quarter 2011 (unaudited)
OPERATING ACTIVITIES					
Receipts from customers		1,224,458,501	1,158,873,422	431,834,091	388,363,709
Payments to suppliers		953,287,944	919,305,020	285,146,966	301,854,228
Payments to personnel		78,941,030	55,024,131	25,446,225	17,163,746
Cash flow from operations		192,229,527	184,544,271	121,240,900	69,345,735
Income tax received / (paid)		(32,480,608)	(28,513,180)	(14,328,287)	(13,378,751)
Other receipts / (payments) relating to operating activities		46,751,261	37,036,373	16,280,502	6,624,732
Cash flow from operating activities (1)		206,500,181	193,067,464	123,193,115	62,591,717
INVESTING ACTIVITIES					
Inflows					
Investment grants		32,526,671	5,498,195	-	5,498,195
Interest and similar income		2,972,579	3,008,645	853,162	605,673
Inflows from investment activities (A)		35,499,250	8,506,840	853,162	6,103,868
Outflows					
Financial investments		-	755,378	-	-
Tangible fixed assets		24,676,017	20,559,154	13,924,401	3,541,009
Outflows from investment activities (B)		24,676,017	21,314,532	13,924,401	3,541,009
Cash flows from investment activities (2 = A - B)		10,823,233	(12,807,692)	(13,071,239)	2,562,858
FINANCING ACTIVITIES					
Inflows					
Borrowings		82,751,714	-	37,079,190	-
Inflows from financing activities (C)		82,751,714	-	37,079,190	-
Outflows					
Borrowings		92,858,627	91,250,000	85,090,770	3,125,000
Interest and similar costs		14,320,109	13,506,896	3,375,202	3,952,150
Acquisition of treasury shares		46,779,004	11,585,018	38,354	1,469,839
Dividends paid and reserves distributed		164,730,885	-	-	-
Outflows from financing activities (D)		318,688,625	116,341,914	88,504,326	8,546,989
Cash flows from financing activities (3 = C - D)		(235,936,911)	(116,341,914)	(51,425,136)	(8,546,989)
CHANGES IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)		(18,613,497)	63,917,859	58,696,740	56,607,587
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		267,431,715	133,958,910	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	18	248,818,218	197,876,769	58,696,740	56,607,587

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2012

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

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

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, 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 and sale of bleached eucalyptus kraft pulp – BEKP and electric and thermal energy.

These consolidated financial statements were approved by the Board of Directors on 22 October 2012.

The Group’s senior management, that is the members of the Board of Directors who sign this report, declare that, to the best of their knowledge, the information contained herein was prepared in conformity with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial position and results of the companies included in the Group’s consolidation scope.

1. Basis of preparation

The interim consolidated financial statements for nine months period ended 30 September 2012, were prepared in accordance with the International Accounting Standard 34 – Interim Financial Reporting

The accompanying consolidated financial statements were prepared on the going concern basis from the accounting books and records of the companies included in the consolidation (Note 24), and under the historic cost convention, except for biological assets, and financial instruments which are recorded at fair value (Notes 20 and 10).

2. Main Accounting policies

The accounting policies used in interim consolidated financial statements are those used to prepare the financial statements for the year ended on 31 December 2011, and are described in the respective notes.

3. Segment Information

Segment information is presented for identified business segments, namely Forestry, Pulp, Paper and Energy. Revenues, assets and liabilities of each segment correspond to those directly allocated to them, as well as to those that can be reasonably attributed to those segments.

Financial data by operational segment for the nine months periods ended 30 September 2012 and 2011 is shown as follows:

	9 months 30-09-2012					TOTAL
	FORESTRY	PULP STAND ALONE	INTEGRATED PULP AND PAPER	ENERGY	ELIMINATIONS/ UNALLOCATED	
REVENUE						
Sales and services - external	4,000,248	85,707,249	884,223,940	135,014,363	572,993	1,109,518,793
Other revenue	-	-	-	-	-	-
Sales and services - intersegmental	325,384,102	-	-	23,259,451	(348,643,553)	-
Total revenue	329,384,350	85,707,249	884,223,940	158,273,814	(348,070,560)	1,109,518,793
Results						
Segmental Profit	4,572,705	15,329,212	170,793,423	14,096,018	8,618,854	213,410,211
Operating Profit	-	-	-	-	-	213,410,211
Financial costs- net	-	-	-	-	(12,854,525)	(12,854,525)
Gains / (losses) in affiliated companies	-	-	-	-	115,737	115,737
Income tax	-	-	-	-	(40,501,414)	(40,501,414)
Net profit before non-controlling interests	-	-	-	-	-	160,170,009
Non-controlling interests	-	-	-	-	23,816	23,816
Net profit	-	-	-	-	-	160,193,825
Other Information						
Capital expenditure	2,481,245	14,906,514	7,470,400	-	370,253	25,228,412
Depreciation	440,808	2,224,305	67,182,384	8,588,061	420,038	78,855,596
Provisions	-	-	-	-	(9,462,028)	(9,462,028)
Other Information						
Segment assets	218,040,584	324,130,444	1,567,170,117	326,018,287	297,661,610	2,733,021,041
Financial investments	-	-	126,032	1,087,048	-	1,213,080
Total assets	218,040,584	324,130,444	1,567,296,149	327,105,335	297,661,610	2,734,234,121
Segment liabilities	29,287,076	248,759,858	869,504,973	146,709,401	11,531,777	1,305,793,084
Total liabilities	29,287,076	248,759,858	869,504,973	146,709,401	11,531,777	1,305,793,084

	9 months 30-09-2011					TOTAL
	FORESTRY	PULP STAND ALONE	INTEGRATED PULP AND PAPER	ENERGY	ELIMINATIONS/ UNALLOCATED	
REVENUE						
Sales and services - external	2,503,545	110,199,674	860,839,895	121,547,910	819,858	1,095,910,881
Other revenue	-	-	-	-	-	-
Sales and services - intersegmental	136,691,947	-	-	36,177,671	(172,869,618)	-
Total revenue	139,195,492	110,199,674	860,839,895	157,725,582	(172,049,760)	1,095,910,881
Results						
Segmental Profit	2,014,575	33,636,177	151,240,199	13,202,095	(9,505,488)	190,587,558
Operating Profit	-	-	-	-	-	190,587,558
Financial costs- net	-	-	890,489	-	(15,269,672)	(14,379,183)
Gains / (losses) in affiliated companies	-	-	-	-	-	-
Income tax	-	-	-	-	(32,134,113)	(32,134,113)
Net profit before non-controlling interests	-	-	-	-	-	144,074,262
Non-controlling interests	-	-	-	-	26,005	26,005
Net profit	-	-	-	-	-	144,100,267
Other Information						
Capital expenditure	2 099 134	11 966 905	11 436 307	69 848	37 244	25 609 438
Depreciation	171 333	5 281 579	78 218 454	9 275 100	(17 334)	92 929 132
Provisions	-	-	-	-	(4 443 178)	(4 443 178)
Other Information - 31 December 2011						
Segment assets	232,200,618	496,988,481	1,406,834,851	361,199,892	322,123,447	2,819,347,289
Financial investments	-	-	126,031	1,778,657	-	1,904,688
Total assets	232,200,618	496,988,481	1,406,960,882	362,978,549	322,123,447	2,821,251,977
Segment liabilities	23,208,803	302,492,529	816,042,647	166,832,121	34,520,369	1,343,096,469
Total liabilities	23,208,803	302,492,529	816,042,647	166,832,121	34,520,369	1,343,096,469

4. Net financial costs

Financial costs are detailed as follows for the nine month periods ended 30 September 2012 and 2011:

Amounts in Euro	9 months 30-09-2012	9 months 30-09-2011
Interest paid on borrowings	(15,293,431)	(16,858,301)
Interest earned on investments	4,718,583	2,940,327
Exchange rate differences	(3,565,470)	5,483,260
Gains / (losses) on financial instruments - trading (Note 20)	3,406,155	(2,067,575)
Gains / (losses) on financial instruments - hedging (Note 31)	(495,073)	(3,875,823)
Gains / (losses) on Compensatory interest	390,951	130,907
Other financial income / (expenses)	(2,016,240)	(1,022,467)
	(12,854,525)	(15,269,672)

Other financial expenses relate to guarantees provided to the European Investment Bank (BEI).

5. Income Tax

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 in articles 69 and following of the Portuguese Corporate Income Tax Code (Código do Imposto sobre o Rendimentos de Pessoas Colectivas), since 1 January 2003.

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

In the nine month periods ended on 30 September 2012 and 2011, the income tax detail is as follows:

Amounts in Euro	9 months 30-09-2012	9 months 30-09-2011
Current tax (Note 13)	49,784,560	35,747,140
Provision / (reversal) for current tax	(5,125,962)	(3,757,257)
Deferred tax (Note 15)	(4,157,184)	144,230
	40,501,414	32,134,113

The provision for current tax is detailed as follows:

Amounts in Euro	9 months 30-09-2012	9 months 30-09-2011
(Overstatement)/ understatement in the estimate for income tax	(435,135)	(3,240,528)
Change in the estimate for additional payments	7,435,006	(516,729)
Grants related to energy investments - RFAI	(12,229,894)	-
Coporate Income Tax 2008 (settlement)	44,239	-
Coporate Income Tax 2002 (reimbursement) - Soporcel	(130,727)	-
	(5,125,962)	(3,757,257)

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

ENCE – Empresa Nacional de Celulose, S.A., a company in which Portucel held a 8% stake until 2004, paid, between 2001 and 2004, dividends totaling 3.444.862 Euros, which were subject to withholding tax amounting to Euro 516.729.

The retained amount was disputed by Portucel, on the basis that it violated the right of free establishment stated in the Treaty of Rome (dividends paid to an entity resident in Spain are not subject to withholding tax).

Following the rejection of the complaint on 15 February 2008, Portucel appealed to the Court on 9 April 29 2008. By Court rule dated 26 October 2010 and following TJCE (Case C-487/08) rule dated 3 June 2010, the Court ruled in favor of Portucel and the amount in question was repaid to Portucel on 8 April 2011.

In the nine month periods ended 30 September 2012 and 2011, the reconciliation of the effective income tax rate was as follows:

Amounts in Euro	9 months 30-09-2012		9 months 30-09-2011	
Profit before tax	200,671,423		176,208,375	
Expected tax rate	25.00%	50,167,856	25.00%	44,052,094
Municipal surcharge	1.50%	3,010,071	1.50%	2,643,126
State surcharge	5.00%	10,033,571	2.50%	4,405,209
Differences (a)	(2.46%)	(4,942,297)	(3.19%)	(5,618,777)
Tax benefits	(6.30%)	(12,641,825)	(5.44%)	(9,590,282)
	20.18%	40,501,414	18.24%	32,134,113

(a) This amount is made up essentially of :

	9 months 30-09-2012		9 months 30-09-2011	
Capital gains / (losses) for accounting purposes	(199,026)		(9,652,089)	
Taxable provisions	(9,436,695)		(5,953,044)	
Tax benefits	(1,051,160)		(1,011,864)	
Other	(7,584,438)		17,167,434	
	(15,689,832)		(19,375,091)	
Tax Effect (2012: 31,5%; 2011: 29%)	(4,942,297)		(5,618,777)	

In Portugal, the annual tax returns are subject to review and potential adjustment by tax authorities for a period of up to 4 years. However, if tax losses are utilized, these may be subject to review by the tax authorities for a period of up to 6 years. In other countries where the Group operates, these periods are different and, in most cases, higher.

The Board of Directors believes that any reviews/ inspections by tax authorities will not have a material impact on the consolidated financial statements as of 30 September 2012. The income tax returns up to 2009 have already been reviewed.

6. Earnings per share

Earnings per share are detailed as follows:

Amounts in Euro	9 months 30-09-2012	9 months 30-09-2011
Profit attributable to the Company's shareholders	160,193,825	144,100,267
Total number of issued shares	767,500,000	767,500,000
Treasury shares - period average (note 24)	(36,858,320)	(18,279,091)
	730,641,680	749,220,909
Basic earnings per share	0.219	0.192
Diluted earnings per share	0.219	0.192

There are no convertible financial instruments over Group shares, so its earnings are undiluted.

7. Appropriation of previous years' profit

Appropriations made over the 2011 net profits were as follows:

Amounts in Euro	2011
Distribution of dividends (excluding treasury shares)	164,730,885
Legal reserves	8,671,195
Net income from prior years	22,929,309
	196,331,389

The resolution for the appropriation of the 2011 net profit, passed at Portucel's General Meeting held on 10 April 2012, was based on the net profit for the year as defined by the accounting principles generally accepted in Portugal (Portuguese GAAP). The difference in net profit between the two standards, totalling Euro 22,929,309 was transferred to retained earnings.

8. Other intangible assets

Over the nine month periods ended 30 September 2012 and 2011, changes in other intangible assets were as follows:

Amounts in Euro	Industrial property and other rights	CO2 emission licenses	Total
Acquisition cost			
Amount as of 1 January 2011	1,896,278	73,252	1,969,530
Acquisitions	-	12,630,673	12,630,673
Disposals	-	-	-
Adjustments, transfers and write-off's	-	(6,944,456)	(6,944,456)
Amount as of 30 September 2011	1,896,278	5,759,469	7,655,747
Acquisitions	-	-	-
Disposals	-	-	-
Adjustments, transfers and write-off's	(1,311)	(65,056)	(66,367)
Amount as of 31 December 2011	1,894,967	5,694,413	7,589,380
Acquisitions	-	7,193,155	7,193,155
Disposals	(2,451)	-	(2,451)
Adjustments, transfers and write-off's	(1,833,637)	(2,254,613)	(4,088,250)
Amount as of 30 September 2012	58,879	10,632,955	10,691,834
Accumulated depreciation and impairment losses			
Amount as of 1 January 2011	(1,875,044)	-	(1,875,044)
Depreciation and impairment losses	(6,861)	-	(6,861)
Disposals	-	-	-
Adjustments, transfers and write-off's	-	-	-
Amount as of 30 September 2011	(1,881,905)	-	(1,881,905)
Depreciation and impairment losses	(14,373)	(2,917,654)	(2,932,027)
Disposals	1,311	-	1,311
Adjustments, transfers and write-off's	-	-	-
Amount as of 31 December 2011	(1,894,967)	(2,917,654)	(4,812,621)
Depreciation and impairment losses	-	(1,361,605)	(1,361,605)
Disposals	-	-	-
Adjustments, transfers and write-off's	1,836,088	-	1,836,088
Amount as of 30 September 2012	(58,879)	(4,279,259)	(4,338,138)
Net book value as of 1 January 2011	21,234	73,252	94,486
Net book value as of 30 September 2011	14,373	5,759,469	5,773,842
Net book value as of 31 December 2011	-	2,776,759	2,776,759
Net book value as of 31 September 2012	-	6,353,696	6,353,696

The acquisitions in the nine months periods ended 30 September 2012 and 2011 are related to the free allocation of CO2 allowances, valued at their market value at the grant date, under the National Plan for the Allocation of CO2 Emission Rights (PNALE).

On 31 December 2011 and 30 September 2012, these licenses were valued at their market value, as it was below the value at which they were initially recognized when awarded.

9. Property, Plant and Equipment

Over the nine months period ended 30 September 2012 and the year ended 31 December 2011 changes in Property, plant and equipment, as well as the respective depreciation and impairment losses, were as follows:

Amounts in Euro	Land	Building and other constructions	Equipments and other tangibles	Assets under construction	Total
Acquisition cost					
Amount as of 1 January 2011	108,909,468	498,283,282	3,322,060,342	26,579,360	3,955,832,452
Acquisitions	-	669,913	8,501,011	16,438,514	25,609,438
Disposals	(6,441)	-	(2,732,514)	-	(2,738,955)
Adjustments, transfers and write-off's	182,405	-	17,091,766	(17,385,500)	(111,329)
Amount as of 30 September 2011	109,085,432	498,953,195	3,344,920,605	25,632,374	3,978,591,606
Acquisitions	5,096,772	(143,546)	19,707,976	3,525,911	28,187,113
Disposals	6,441	(1,338,671)	(97,741,004)	-	(99,073,234)
Adjustments, transfers and write-off's	(182,405)	711,540	9,641,416	(9,570,586)	599,965
Amount as of 31 December 2011	114,006,240	498,182,518	3,276,528,993	19,587,699	3,908,305,450
Acquisitions	-	-	10,164,170	15,401,342	25,565,511
Disposals	(337,099)	-	(1,089,772)	-	(1,426,871)
Adjustments, transfers and write-off's	1,061,444	-	12,755,082	(11,590,912)	2,225,614
Amount as of 30 September 2012	114,730,584	498,182,518	3,298,358,473	23,398,129	3,934,669,705
Accumulated depreciation and impairment losses					
Amount as of 1 January 2011	-	(301,397,871)	(2,050,304,855)	-	(2,351,702,726)
Depreciation and impairment losses	-	(7,413,286)	(87,817,825)	-	(95,231,111)
Disposals	-	9,539	-	-	9,539
Adjustments, transfers and write-off's	-	-	111,329	-	111,329
Amount as of 30 September 2011	-	(308,801,618)	(2,138,011,351)	-	(2,446,812,969)
Depreciation and impairment losses	-	(2,397,553)	(26,291,001)	-	(28,688,555)
Disposals	-	827,103	96,668,670	-	97,495,773
Adjustments, transfers and write-off's	-	-	(590,474)	-	(590,474)
Amount as of 31 December 2011	-	(310,372,068)	(2,068,224,157)	-	(2,378,596,225)
Depreciation and impairment losses	-	(7,511,146)	(71,539,393)	-	(79,050,539)
Disposals	-	-	988,949	-	988,949
Adjustments, transfers and write-off's	-	-	(2,260,569)	-	(2,260,569)
Amount as of 30 September 2012	-	(317,883,214)	(2,141,035,170)	-	(2,458,918,384)
Net book value as of 1 January 2011	108.909.468	196.885.411	1.271.755.487	26.579.360	1.604.129.726
Net book value as of 30 September 2011	109.085.432	190.151.577	1.206.909.254	25.632.374	1.531.778.637
Net book value as of 31 December 2011	114.006.240	187.810.450	1.208.304.836	19.587.699	1.529.709.225
Net book value as of 30 September 2012	114.730.584	180.299.304	1.157.323.303	23.398.129	1.475.751.320

The figures above have been restated to adjust the values of cost and accumulated depreciation and impairment losses, without any impact on the net book value shown in the statement of financial position.

The Group holds a stake of 18% on Soporgen – Sociedade Portuguesa de Geração de Electricidade e Calor, S.A., whose main activity is the production of steam and electric power, exclusively sold to Soporcel.

In 2009, with the start of operations in the new paper mill, the Group recognized as a finance lease contract the cost of the Precipitated Calcium Carbonate production unit, installed by Omya, S.A. at the industry site in Setúbal for the exclusive use of the new factory. This contract foresees the transfer of the ownership of the assets upon the end of the contract.

Following the above-mentioned agreements, the Group applies "IFRIC 4 – Determining whether an arrangement contains a lease". By following this interpretation Property, plant and equipment – equipment and other tangibles was increased by Euro 58,003,950, from which the respective accumulated depreciation of Euro 41.209.465, was deducted regarding the nine month periods ended 30 September 2012 (31 December 2011: Euro 29.714.344). In the nine months period ended 30 September 2012, the net book value of these items amounted to Euro 16.794.485 (31 December 2011: Euro 28.289.606) (Note 18).

As of 30 September 2012, Assets under construction included Euro 3.529.204 (31 December 2011: Euro 898.876), related to advance payments and supplies of Property Plant and Equipment, as part of the investment projects under development by the Group. These amounts are fully guaranteed by first demand bank guarantees, handed by the respective suppliers that are promoting the investments of the Group companies, in accordance with the implemented policies for the mitigation of credit risk.

As of 30 September 2012, Land included Euro 77,679,484 regarding forest land where the Group has installed part of its forestry assets, the remainder being installed on leased land.

10. Biological Assets

Over the nine month periods ended 30 September 2012 and 2011, changes in biological assets were as follows:

Amounts in Euro	2012	2011
Amount as of 1 January	110,769,306	110,502,616
Changes in fair value:		
Logging in the period	(7,427,455)	(12,557,888)
Growth	1,514,154	8,296,320
New plantations	2,871,414	2,481,165
Other changes in fair value	1,477,780	1,045,824
Total changes in fair value	(1,564,107)	(734,579)
Amount as of 30 September	109,205,198	109,768,038
Remaining Quarters		1,001,268
Amount as of 31 December		110,769,306

The amounts shown as other changes in fair value correspond to changes (positive or negative) in the estimated volume of future wood harvests due to: new plantations, increase or decrease in the forest management efficiency and write-downs as result of fires.

11. Available-for-sale financial assets and investments in associates

11.1. Available-for-sale financial assets

As of 30 September 2012 and the year ended on 31 December 2011, available-for-sale financial assets are detailed as follows:

Affiliates	%	30-09-2012	31-12-2011
Liaison Technologies		126,032	126,032
		126,032	126,032

The participation in Liaison Technologies is recorded at cost, as the difference (gain) to its fair value is not material as at 30 September 2012.

11.2. Investments in associates

In the nine month period ended 30 September 2012 and the year ended on 31 December 2011, changes in Investments in associates were detailed as follows:

Amounts in Euro	2012	2011
Amount as of 1 January	1,778,657	516,174
Acquisitions	-	755,378
Appropriated income	115,737	(86,646)
Dividends received	-	-
Other changes in affiliates equity	(807,345)	890,489
Amount as of 30 September	1,087,048	2,075,395
Remaining Quarters		(296,738)
Amount as of 31 December		1,778,657

This caption registers the 18% stake in Soporgen – Sociedade Portuguesa de Geração de Electricidade e Calor, S.A.. This company holds a gas power plant at the Figueira da Foz site that the Group, as mentioned in note 18, considers to be a finance lease and recognizes as such in the consolidated financial statements.

Although the share represents only 18% of the company's equity and respective voting rights, the Group recognizes this as an associated company as it can influence Soporgen's management decisions:

- 1) Two of the five directors of the company is nominated in representation of the Group.
- 2) A significant part of Soporgen's sales is made to the Group (less than 18% of the associate's revenues), and the rest, corresponding to electric energy, is sold to the EDP Group.
- 3) Up to 2011, the Group, as well as the remaining shareholders, is responsible for Soporgen's contracted bank loan, in the same proportion as its share.

12. Receivables and other current assets

As of 30 September 2012 and the year ended on 31 December 2011, receivables and other current assets are detailed as follows:

Amounts in Euro	30-09-2012	31-12-2011
Accounts Receivable	196,008,103	204,281,311
Other Accounts Receivable	3,214,292	36,036,228
Derivative financial instruments (Note 31)	1,574,636	-
Accrued income	4,512,515	750,959
Deferred costs	2,834,006	1,188,597
	208,143,552	242,257,094

As of 30 September 2012 and the year ended on 31 December 2011, other accounts receivables are detailed as follows:

Amounts in Euro	30-09-2012	31-12-2011
Advances made to employees	374,208	570,709
AICEP - Financial incentives to receive	614,365	32,877,046
Other	2,225,719	2,588,473
	3,214,292	36,036,228

As of 30 September 2012 and 31 December 2011, accrued income and deferred costs are detailed as follows:

Amounts in Euro	30-09-2012	31-12-2011
Accrued income		
Interest receivable	638,761	40,150
Other	3,873,754	710,809
	4,512,515	750,959
Deferred costs		
Prepayment of insurance policies	2,080,926	781,229
Other	753,080	407,368
	2,834,006	1,188,597
	7,346,521	1,939,556

13. State and other Public entities

As of 30 September 2012 and 31 December 2011, there were no overdue debts to the State and other public entities. Balances relating to these entities are detailed as follows:

Amounts in Euro	30-09-2012	31-12-2011
State and other public entities		
Value added tax - refunds requested	65,944,785	49,454,940
Value added tax - to recover	1,241,960	5,229,183
	67,186,745	54,684,123

Current Assets

As at 30 September 2012, the outstanding VAT refunds requested comprised the following, by month and by company:

Amounts in Euro	Jul/2012	Aug/2012	Sep/2012	Total
PortucelSoporcel Fine Paper, S.A.	25,012,114	21,886,297	16,161,483	63,059,894
Bosques do Atlântico, S.L.	823,637	798,593	1,262,660	2,884,891
	25,835,751	22,684,891	17,424,143	65,944,785

Up to the date of completion of this report, Euro 25.012.114 of these amounts had already been received.

As at 31 December 2011, the outstanding VAT refunds requested comprised the following, by month and by company:

Amounts in Euro	Nov/2011	Dec/2011	Total
PortucelSoporcel Fine Paper, S.A.	20,950,815	25,797,822	46,748,637
Bosques do Atlântico, S.L.	-	2,706,303	2,706,303
	20,950,815	28,504,125	49,454,940

All of these amounts were received in 2012.

Current Liabilities

Amounts in Euro	30-09-2012	31-12-2011
State and other public entities		
Corporate income tax	20,421,550	16,560,420
Personal income tax - withheld on sala	619,206	635,873
Value added tax	24,062,943	26,369,168
Social security	2,049,066	1,967,632
Additional tax assessments	41,475,326	34,040,320
Other	83,155	99,960
	88,711,247	79,673,372

Corporate income tax is detailed as follows:

Amounts in Euro	30-09-2012	31-12-2011
Corporate income tax (Note 5)	49,784,560	43,489,969
Payments on account of corporate income tax	(28,720,524)	(25,954,596)
Withholding tax	(548,811)	(990,375)
Other payables / (receivables)	(93,674)	15,422
	20,421,551	16,560,420

The changes in the provisions for additional tax assessments during the nine months period ended 30 September 2012 and 30 December 2011 are detailed as follows:

Amounts in Euro	2012	2011
Amount as of 1 January	34,040,320	21,198,495
Increase	10,264,359	3,976,970
Decrease	(2,829,353)	-
Amount as of 30 September	41,475,326	25,175,465
Remaining Quarters		8,864,855
Amount as of 31 December		34,040,320

The increase in the year is due both to the inclusion of additional tax assessments for 2007, 2008 and 2010, as well as to the inclusion of interest on the amounts assessed, for which a bank guarantee has been presented, in light of the change in the calculation of interest introduced by the State Budget for 2012.

As of 30 September 2012 and 31 December 2011 the additional tax assessments included interest on deferred payments and are detailed as follows:

Amounts in Euro	30-09-2012	31-12-2011
Additional assessment 2005 - Portucel - IRC (RETGS)	15,137,029	15,137,029
Additional assessment 2006 - Portucel - IRC (RETGS)	11,407,001	11,407,001
Additional assessment 2007 - Portucel - IRC (Municipal Surcharge)	-	686,257
Additional assessment 2008 - Portucel - IRC (RETGS)	-	44,613
Additional assessment 2010 - Portucel - IRC (Municipal Surcharge)	198,054	3,027,407
Additional assessment 2010 - Portucel - IRC (State Surcharge)	1,227,951	1,227,951
Grants related to energy investments - RFAI	12,229,894	-
Amounts pending reimbursement (court ruling favorable to the group)	(1,248,121)	-
Other	2,523,519	2,510,062
	41,475,327	34,040,320

14. Share Capital and treasury shares

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

As of 30 September 2012, Portucel's share capital was fully subscribed and paid for; it is represented by 767,500,000 shares with nominal value of 1 Euro each, of which 47.380.045 were held as treasury shares.

These shares were mainly acquired during 2008 and 2012, and the changes in the period are detail as follows:

Amounts in Euro	2012		2011	
	Quant.	Value	Quant.	Value
Treasury shares held in January	22,099,932	42,154,975	15,054,358	26,787,706
Acquisitions				
January	11,450	20,578	-	-
February	-	-	188,000	469,490
March	-	-	979,612	2,454,020
April	-	-	297,906	737,907
May	121,500	215,838	1,773,671	4,380,142
June	25,127,719	46,504,234	883,067	2,073,620
July	-	-	62,200	151,437
August	19,444	38,354	446,298	808,679
September	-	-	294,000	509,723
Treasury shares held in 30 September	47,380,045	93,555,666	19,979,112	42,994,412
Remaining Months			2,120,820	(839,437)
Treasury shares held in 31 December			22,099,932	42,154,975

The market value of the treasury shares held on 30 September 2012 amounted to Euro 98.503.114 (31 December 2011: Euro 36.741.587), corresponding to an unit value of Euro 2,079 (31 December 2011: Euro 1.839) and the market capitalization as of 30 September 2012 amounted to Euro 1.595.632.500 compared to an equity, net of non-controlling interests of Euro 1.477.934.848.

As of 30 September 2012, the shareholders with significant positions in the Company's capital were detailed as follows:

Entity	30-09-2012	
	Nº of shares	% Entity
Seinpar Investments, BV	241,583,015	31.48%
Semapa, SGPS, S.A.	340,571,392	44.37%
Other Semapa Group entities	2,000	0.00%
Zoom Investment	1,996,453	0.26%
Treasury shares	47,380,045	6.17%
Other shareholders	135,967,095	17.72%
Total	767,500,000	100.00%

As at 31 December 2011, these information are detailed as follows:

Entity	31-12-2011	
	Nº of shares	% Entity
Seinpar Investments, BV	241,583,015	31.48%
Seinpart - Participações, SGPS, S.A.	340,571,392	44.37%
Semapa, SGPS, S.A.	2,000	0.00%
Other Semapa Group entities	15,407,418	2.01%
Bestinver Gestión, SA SGIC	12,295,308	1.60%
Treasury shares	22,099,932	2.88%
Other shareholders	135,540,935	17.66%
Total	767,500,000	100.00%

15. Deferred Taxes

Over the nine month periods ended 30 September 2012 and the year ended 31 December 2011, the change in assets and liabilities as a result of deferred taxes are detailed as follows:

Amounts in Euro	As of 1	Income Statement		Equity	As of 30
	January 2012	Increases	Decreases		September 2012
Temporary differences originating deferred tax assets					
Tax losses carried forward	248,456	3,004,327	(3,004,327)	-	248,456
Taxed provisions	1,922,901	-	(1,007,028)	-	915,873
Adjustments in fixed assets	103,359,379	763,860	(17,070,410)	-	87,052,829
Retirement benefits	3,250,572	388	-	-	3,250,960
Financial Instruments	763,861	-	-	(763,861)	-
Deferred accounting gains on inter-group transactions	20,050,099	9,814,995	(6,070,759)	-	23,794,336
Valuation of biological assets	696,814	3,179,439	(497,413)	-	3,378,840
Depreciation of assets recognised under IFRIC 4	-	724,350	(724,350)	-	-
Investment grants	16,602,389	-	(1,094,113)	-	15,508,276
	146,894,471	17,487,360	(29,468,399)	(763,861)	134,149,571
Temporary differences originating deferred tax liabilities					
Revaluation of fixed assets	(16,714,370)	-	1,131,776	-	(15,582,594)
Retirement benefits	(905,738)	(15,200)	21,067	(104,981)	(1,004,852)
Derivative Financial Instruments at fair value	-	-	-	(433,910)	(433,910)
Adjustments in the conversion of PGAAP	(19,067,418)	-	4,766,855	-	(14,300,564)
Fair Value of tangible fixed assets	(3,179,438)	-	3,179,438	-	-
Tax Benefits	(75,946,947)	-	32,067,918	-	(43,879,029)
Extension of the useful life of the tangible fixed assets	(281,244,871)	(13,136,489)	-	-	(294,381,360)
Investment grants	(305,739)	-	342,673	-	36,934
Deferred accounting losses on inter-group transactions	(216,085,307)	(3,179,438)	-	-	(219,264,745)
	(613,449,828)	(16,331,127)	41,509,726	(538,891)	(588,810,120)
Amounts presented on the balance sheet					
Deferred tax assets	46,271,758	5,508,518	(9,282,546)	(240,616)	42,257,116
	46,271,758	5,508,518	(9,282,546)	(240,616)	42,257,116
Deferred tax liabilities	(193,236,696)	(5,144,305)	13,075,564	(169,751)	(185,475,188)
	(193,236,696)	(5,144,305)	13,075,564	(169,751)	(185,475,188)

In the measurement of the deferred taxes on 30 September 2012 and 31 December 2011, the corporate income tax rate used was 31.50%.

Amounts in Euro	As of 1 January 2011			Equity	As of 30 September 2012			Equity	As of 31 December 2011		
	Income Statement				Income Statement				Income Statement		
	Increases	Decreases		Increases	Decreases		Increases	Decreases			
Temporary differences originating deferred tax assets											
Tax losses carried forward	408,173	-	-	-	408,173	-	(159,717)	-	248,456		
Taxed provisions	1,333,951	11,936,307	(4,459)	-	13,265,799	(11,347,357)	4,459	-	1,922,901		
Adjustments in fixed assets	52,478,380	58,663,212	-	-	111,141,592	(7,782,213)	-	-	103,359,379		
Retirement benefits	3,171,632	119,310	-	-	3,290,942	(40,370)	-	-	3,250,572		
Financial Instruments	-	-	-	1,678,967	1,678,967	-	-	(915,106)	763,861		
Deferred accounting gains on inter-group transactions	10,692,933	-	(99,332)	-	10,593,601	9,419,975	99,332	(62,809)	20,050,099		
Valuation of biological assets	8,157,968	-	(4,774,159)	-	3,383,809	-	(2,686,995)	-	696,814		
Depreciation of assets recognised under IFRIC 4	3,631,551	-	(3,631,551)	-	-	-	-	-	-		
Investment tax incentives	-	-	-	-	-	16,602,389	-	-	16,602,389		
	79,874,588	70,718,829	(8,509,501)	1,678,967	143,762,883	6,852,424	(2,742,921)	(977,915)	146,894,471		
Temporary differences originating deferred tax liabilities											
Revaluation of fixed assets	(19,973,300)	-	1,138,787	-	(18,834,513)	-	381,687	1,738,456	(16,714,370)		
Retirement benefits	(994,026)	-	4,052,326	(3,992,299)	(933,999)	(71,070)	(4,052,326)	4,151,657	(905,738)		
Derivative Financial Instruments at fair value	(109,529)	-	-	109,529	-	-	-	-	-		
Adjustments in the conversion of PGAAP	(29,745,883)	-	9,089,513	-	(20,656,370)	-	1,588,952	-	(19,067,418)		
Fair Value of tangible fixed assets	-	(7,466,842)	-	-	(7,466,842)	4,287,404	-	-	(3,179,438)		
Investment tax incentives	-	-	-	(357,996)	(357,996)	-	-	257	(357,739)		
Tax Benefits	(62,087,933)	-	62,087,933	-	-	(13,859,014)	(62,087,933)	-	(75,946,947)		
Valuation of biological assets	(356,185,011)	(43,261,739)	-	-	(399,446,750)	43,261,739	74,940,140	-	(281,244,871)		
Extension of the useful life of the tangible fixed assets	(104,813,742)	(88,350,971)	-	-	(193,164,713)	(22,920,594)	-	(305,739)	(305,739)		
Deferred accounting losses on inter-group transactions	(573,909,424)	(139,079,552)	76,368,559	(4,240,766)	(640,861,183)	10,698,465	10,770,520	5,584,631	(613,807,567)		
	(1,044,998,958)	(1,461,022,504)	143,816,851	(4,240,766)	(1,345,405,419)	10,709,950	10,770,520	5,584,631	(1,033,807,567)		
Amounts presented on the balance sheet											
Deferred tax assets	22,963,945	20,331,663	(2,446,482)	482,703	41,331,830	1,970,073	(788,590)	(281,151)	42,232,162		
Effect of the change in tax rate	-	-	-	-	-	4,042,372	-	(2,774)	4,039,598		
	22,963,945	20,331,663	(2,446,482)	482,703	41,331,830	6,012,445	(788,590)	(283,925)	46,271,760		
Deferred tax liabilities	(164,998,958)	(39,985,371)	21,955,961	(1,219,221)	(184,247,589)	3,075,810	3,096,525	1,708,432	(176,366,823)		
Effect of the change in tax rate	-	-	-	-	-	(16,712,295)	-	(157,575)	(16,869,871)		
	(164,998,958)	(39,985,371)	21,955,961	(1,219,221)	(184,247,589)	(13,636,485)	3,096,525	1,550,857	(193,236,694)		

16. Pensions and other post-employment benefits

16.1 Introduction

There are currently several retirement and survival pension supplement plans as well as retirement bonuses, in the companies that form the consolidation scope of Portucel Group. For some categories of employees there are plans in addition to the ones described below, for which independent funds were also set up to cover the additional liabilities.

Under the prevailing Social Benefits Regulation, permanent employees of Portucel and its main subsidiaries with more than five years' service (ten years for Soporcel, Portucel Soporcel Florestal and Raiz) 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 (limit of 25 to Soporcel, Portucel Soporcel Florestal and Raiz), including a survivor pension to the spouse and direct descendants.

To cover this liability, externally managed pension funds were set up, and the funds' assets are apportioned between each of the companies.

Furthermore, some Group companies assumed the liability of a retirement bonus, which is equal to 6 months of salary, if the employee retires on the regular retirement age (65 years).

As of 30 September 2012 and 31 December 2011, the coverage of the companies liabilities by the assets of the funds are detailed as follows:

Amounts in Euro	30-09-2012	31-12-2011
Past Services liabilities		
- Active Employees	69,711,956	69,500,118
- Retired Employees	51,831,605	48,652,860
Market value of the pension funds	(108,229,241)	(104,716,904)
	13,314,320	13,436,074
Liabilities with retirement bonuses	3,247,099	3,246,711
Unfunded liabilities	16,561,419	16,682,785

As of 30 September 2012, the liability related with post-employment benefit plans for five members of Portucel's Board was Euro 4.644.586 (31 December 2011: Euro 4,629,594).

16.2. Assumptions used in the valuation of the liabilities

The actuarial studies carried out by an independent entity for the purpose of determining the accumulated liabilities as of 30 September 2012 and the year ended on 31 December 2011 were based on the following assumptions:

	30-09-2012	31-12-2011
Disability Table	EKV 80	EKV 80
Mortality Table	TV 88/90	TV 88/90
Wage growth rate	2.00%	2.00%
Technical interest rate	5.00%	5.00%
Pensions growth rate	1.75%	1.75%

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.

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.

16.3. Retirement and pension supplements

The movements in liabilities with retirement and pensions plans for the nine month period ended 30 September 2012 and the year ended on 31 December are detailed as follows:

Amounts in Euro	30-09-2012	31-12-2011
Opening balance	118,152,978	113,455,153
Costs recognised in the Income Statement	6,272,669	8,145,114
Pensions paid	(2,724,619)	(3,580,235)
Actuarial (gains)/losses	(157,467)	132,946
Closing Balance	121,543,561	118,152,978

The funds set up to cover the above mentioned liabilities had the following movements the nine month period ended 30 September 2012 and the year ended 31 December 2011:

Amounts in Euro	30-09-2012	31-12-2011
Opening Balance	104,716,904	102,854,501
Contributions made in the period	500,000	5,948,000
Expected return in the period	3,296,008	5,089,484
Actuarial gains/(losses) (difference between actual and expected returns)	2,448,831	(5,594,846)
Pensions paid	(2,724,619)	(3,580,235)
Other variations	(7,883)	-
Closing Balance	108,229,241	104,716,904

The contributions made in the period considered the information received from the actuaries with whom the Group 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, when applicable.

During the period between 30 September 2012 and the year ended on 31 December 2011, these funds were composed by the following assets:

Amounts in Euro	30-09-2012	31-12-2011
Bonds	52,485,771	53,455,465
Shares	22,086,416	19,448,253
Liquidity	33,493,289	31,280,114
Property	163,751	14,177
Other applications - short term	14	518,895
	108,229,241	104,716,904

In the nine months periods ended 30 September 2012 and 2011 the effect of these plans are detailed as follows:

Amounts in Euro	30-09-2012	30-09-2011
Defined Benefits Plans		
Current Services	1,822,345	2,475,077
Interest Services	4,442,057	4,270,707
Return of the plan assets	(3,296,008)	(3,728,658)
Actuarial gains/(losses)	-	119,309
Other	8,267	7,667
	2,976,661	3,144,102
Defined Contribution Plans		
Contribution to the plan	747,168	255,383
	747,168	255,383
Costs for the period	3,723,829	3,399,485

The current services costs include Euro 57,202 (31 December 2011: Euro 44,945) related with three members of the Board.

16.4. Retirement bonuses

Portucel assumed a liability for 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 are detailed as follows:

Amounts in Euro	30-09-2012	31-12-2011
Opening Balance	3,246,711	3,113,104
Costs Recognised in the Income Statement	388	129,921
Bonuses paid	-	(54,842)
Other	-	58,528
Closing Balance	3,247,099	3,246,711

17. Provisions

In the nine month period ended 30 September 2012 and the year ended on 31 December 2011 changes in provisions were as follows:

Amounts in Euro	Legal claims	Tax claims	Other	Total
As of 1 January 2011	1,431,707	10,966,340	12,815,331	25,213,378
Increases (Note 6)	687,627	-	24,524,716	25,212,343
Reversals (Note 5)	(378,966)	-	(20,390,198)	(20,769,164)
As of 30 September 2011	1,740,368	10,966,340	16,949,849	29,656,557
Increases (Note 6)	(304,266)	15,761,880	(24,524,716)	(9,067,102)
Reversals (Note 5)	(81,876)	(21,295,184)	20,390,198	(986,862)
As of 1 January 2012	1,354,226	5,433,036	12,815,331	19,602,593
Increases (Note 6)	18,533	-	453,554	472,087
Reversals (Note 5)	(109,635)	-	(9,824,480)	(9,934,116)
As of 30 September 2012	1,263,124	5,433,036	3,444,405	10,140,565

The amount shown as “Others” relates to provisions for risks with other public entities which may originate cash outflows in the future

18. Interest-bearing liabilities

As of 30 September 2012 and the year ended on 31 December 2011, non-current interest-bearing debt comprised the following:

Amounts in Euro	30-09-2012	31-12-2011
Non-current		
Bond loans	200,000,000	400,000,000
Bank Loans	159,196,429	169,047,619
	359,196,429	569,047,619
Expenses w with the issue of bond loans	(1,354,628)	(2,234,231)
Expenses w with the issue of other loans	-	(357)
	(1,354,628)	(2,234,588)
	357,841,801	566,813,031

As of 30 September 2012 and the year ended on 31 December 2011, current interest-bearing debt was detailed as follows:

Amounts in Euro	30-09-2012	31-12-2011
Current		
Bond loans	350,000,000	150,000,000
Bank loans	30,400,320	14,085,292
	380,400,320	164,085,292

As of 30 September 2012 and 31 December 2011, the Group's net debt is detailed as follows:

Amounts in Euro	30-09-2012	31-12-2011
Interest-bearing liabilities		
Non-current	357,841,801	566,813,031
Current	380,400,320	164,085,292
	738,242,121	730,898,323
Cash and cash equivalents		
Cash	104,569	48,230
Short term bank deposits	6,496,649	7,103,485
Other	242,217,000	260,280,000
	248,818,218	267,431,715
Treasury shares at their market value	98,503,114	40,641,775
Interest-bearing net debt	390,920,790	422,824,833

As of 30 September 2012 and 31 December 2011, the interest-bearing liabilities of the Group comprised the following:

Amounts in Euro	30-09-2012		
	Non current	Current	Total
Interest-bearing liabilities			
Bond loans	198,645,372	350,000,000	548,645,372
Bank Loans	159,196,429	30,400,320	189,596,749
	357,841,801	380,400,320	738,242,121

Amounts in Euro	31-12-2011		
	Non current	Current	Total
Interest-bearing liabilities			
Bond loans	397,765,769	150,000,000	547,765,769
Bank Loans	169,047,262	14,085,292	183,132,554
	566,813,031	164,085,292	730,898,323

The evolution of the Group's net debt in the nine month period ended 30 September 2012 and the year ended on 31 December 2011 were as follows:

Amounts in Euro	9 months 30-09-2012	9 months 30-09-2011	Remaining quarters	12 months 30-12-2011
<i>As of 1 January</i>	422,824,833	652,724,278	-	652,724,278
Changes in value of treasury shares held and accumulated exchange rate adjustments	6,368,377	11,692,485	(7,752,107)	3,940,378
Interest paid	14,320,109	13,506,896	8,181,482	21,688,378
Dividends paid and reserves distributed	164,730,885	-	-	-
Receipts related to investment activities	(32,526,671)	(5,498,195)	23,784	(5,474,411)
Interest received	(2,972,579)	(3,008,645)	(3,517,120)	(6,525,765)
Payments related to investment activities	24,676,017	21,314,532	40,830,320	62,144,852
Net receipts from operating activities	(206,500,181)	(181,017,604)	(124,655,525)	(305,673,129)
Change in net debt (Free Cash Flow)	(31,904,043)	(143,010,532)		(229,899,697)
	390,920,790	509,713,746		422,824,581

The movements in the Group's net debt for the nine month period ended 30 September 2012 and the year ended 31 December 2011 were as follows:

Amounts in Euro	9 months September 2012	9 months September 2011	Remaining quarters	31-12-2011
Net profit of the period	160,170,009	144,074,262	52,271,593	196,345,855
Depreciation, amortization and impairment losses	78,855,596	92,929,132	31,598,272	124,527,404
Net changes in provisions	(9,462,028)	4,443,178	(10,053,964)	(5,610,786)
	229,563,576	241,446,571	73,815,903	315,262,474
Change in working capital	(7,710,164)	(60,375,111)	42,172,399	(18,202,712)
Acquisitions of tangible fixed assets	(25,228,412)	(25,609,438)	(28,187,113)	(53,796,551)
Dividends and reserves distributed	(164,730,885)	-	-	-
Other changes in equity	1,624,041	(6,732,944)	417,458	(6,315,486)
Other	(1,614,114)	(5,718,547)	(1,329,734)	(7,048,281)
Change in net debt (Free Cash Flow)	31,904,043	143,010,532	86,888,912	229,899,444

Bond loans

The loans outstanding as of 30 September 2012 are detailed as follows:

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

The loan amounting to Euro 150,000,000 is quoted in Euronext Lisbon under the heading “Obrigações Portucel 2005/2012”. As of 30 September 2012 the unit value of this bond was Euro 99,80 (31 December 2011: Euro 99,40).

Bank loans

The repayment terms related to bank loans show the following maturity profile:

Amounts in Euro	30-09-2012	31-12-2011
Less than 1 year	30,400,320	14,085,292
1 to 2 years	19,702,381	19,702,381
2 to 3 years	19,702,381	19,702,381
3 to 4 years	19,702,381	19,702,381
4 to 5 years	100,089,286	119,791,667
	189,596,749	192,984,102

As of 30 September 2012, the Group had available credit lines amounting to Euro 82,450,714 (31 December 2011: Euro 32,450,714), having used Euro 13.163.710.

Finance lease – IFRIC 4

As of 30 September 2012 and the year ended of 31 December 2011, the Group used the followings assets under finance lease plans recognized under IFRIC 4:

Amounts in Euro	30-09-2012		
	Acquisition Value	Accumulated amortization	Net book value
Equipment - Soporgen	44,003,950	37,403,358	6,600,592
Equipment - Omya	14,000,000	3,806,107	10,193,893
	58,003,950	41,209,465	16,794,485

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Amounts in Euro	31-12-2011		
	Acquisition Value	Accumulated amortization	Net book value
Equipment - Soporgen	44,003,950	29,335,966	14,667,984
Equipment - Omya	14,000,000	378,378	13,621,622
	58,003,950	29,714,344	28,289,606

The non-current and current liabilities related to those equipments are recorded under “Other liabilities” and “Payables and other current liabilities”, respectively, and are detailed as follows:

Amounts in Euro	30-09-2012	31-12-2011
Non-Current	13,556,295	18,109,324
Current	3,782,448	4,584,418
	17,338,744	22,693,742

The Group holds a stake of 18% on Soporgen – Sociedade Portuguesa de Geração de Electricidade e Calor, S.A., whose main activity is the production of steam and electric power, exclusively sold to Soporcel.

Soporcel has a call option for the remaining share capital of Soporgen until the end of the agreement to supply electric and steam power, signed between Soporgen and Soporcel. The settlement date of this option is on January 1st of each year between 2010 and 2015, by pre-determined amounts.

In 2009, with the launch of the new paper mill, the Group recognized as a finance lease contract the cost of the Precipitated Calcium Carbonate production unit, installed by Omya, S.A. at the industry site in Setúbal for the exclusive use of the new mill. This contract foresees the transfer of the assets’ ownership to About The Future, S.A., upon its termination.

19. Payables and other current liabilities

As of 30 September 2012 and 31 December 2011, Payables and other current liabilities were detailed as follows:

Amounts in Euro	30-09-2012	31-12-2011
Accounts payable to suppliers	145,696,582	143,591,215
Accounts payable to fixed assets suppliers	5,875,184	32,845,993
Accounts payable to fixed assets suppliers - Soporgen	3,782,448	4,584,418
Accounts payable - related parties (Note 32)	-	1,452,665
Derivative financial instruments (Note 31)	-	4,448,169
Other creditors - CO2 emissions	2,579,657	4,433,430
Sales commissions	218,388	67,844
Other creditors	2,820,406	1,864,582
Accrued costs	38,833,026	36,993,781
Deferred income	53,300,558	54,611,282
	253,106,250	284,893,379

As of 30 September 2012 and 31 December 2011, accrued costs and deferred income were detailed as follows:

Amounts in Euro	30-09-2012	31-12-2011
Accrued costs		
Payroll expenses	28,767,752	31,016,633
Interests payable, including compensatory interest	4,433,302	3,997,371
Other	5,631,972	1,979,778
	38,833,026	36,993,781
Deferred income		
Government grants (Note 9)	50,854,361	54,103,383
Grants - CO2 emission licenses	2,135,983	-
Other	310,213	507,899
	53,300,558	54,611,282

20. Derivative financial instruments

As of 30 September 2012 and 31 December 2011, the fair values of derivative financial instruments are detailed as follows:

Amounts in Euro	30-09-2012			31-12-2011	
	Notional	Positive	Negative	Net	Net
Trading					
Foreign exchange forwards	55,819,049	938,216	-	938,216	(2,467,939)
	55,819,049	938,216	-	938,216	(2,467,939)
Amounts in Euro	30-09-2012			31-12-2011	
	Notional	Positive	Negative	Net	Net
Hedging					
Hedging (net investment)	19,373,550	628,536	-	628,536	(614,563)
Hedging (future sales)	30,007,734	7,884	-	7,884	(1,365,667)
	49,381,284	636,420	-	636,420	(1,980,230)

The movements in the balances recognized in the statement of financial position relating to financial instruments are detailed as follows:

	Change in fair value (Trading)	Change in fair value (Hedging)	Total
Opening balance 1 January 2011	(58,767)	109,529	50,762
Maturity (Note 4)	(2,067,574)	(3,875,823)	(5,943,397)
Decrease in fair value		2,142,601	2,142,601
Closing balance 30 September 2011	(2,126,341)	(1,623,693)	(3,750,034)
Maturity (Note 4)	(341,599)	439,892	98,293
Decrease in fair value	-	(796,429)	(796,429)
Opening balance 1 January 2012	(2,467,940)	(1,980,230)	(4,448,170)
Maturity (Note 4)	3,406,156	(495,073)	2,911,083
Decrease in fair value	-	3,111,723	3,111,723
Closing balance 30 September 2012	938,216	636,420	1,574,636

21. Commitments

21.1. Commitments in favor of third-parties

As of 30 September 2012 and 31 December 2011, the Group had presented the following bank guarantees to the following entities:

Amounts in Euro	30-09-2012	31-12-2011
In favour of third parts		
Portuguese Tax Authorities	32,443,597	32,995,209
Duties with wood imports	3,389,609	3,593,131
Simria	341,113	327,775
Other	551,973	639,101
	36,726,293	37,555,215

The guarantees granted to the Portuguese Tax Authorities are detailed as follows (Note 13):

Amounts in Euro	30-09-2012	31-12-2011
Income Tax 2005 - Additional Tax Assessment	14,764,907	14,656,907
Income Tax 2006 - Additional Tax Assessment	11,908,199	11,823,199
Income Tax 2010 - Self liquidation	5,194,621	5,086,210
Income Tax 2007 - Municipal surcharge	-	853,023
Stamp Duty 2004	575,870	575,870
	32,443,597	32,995,209

21.2. Purchase commitments

In addition to the commitments described in the preceding note, purchase commitments assumed with suppliers, in the nine months period ended 30 September 2012, amounted to Euro 15,150,334 are related to capital expenditure on Property, plant and equipment. On 31 December 2011 these commitments amounted to Euro 18,078,553.

As of 30 September 2012 and 31 December 2011, the commitments relating to operating lease contracts are detailed as follows:

Amounts in Euro	30-09-2012	31-12-2011
Settlement		
2012	401,855	1,646,206
2013	1,313,390	1,157,765
2014	1,040,048	664,999
2015	571,120	190,006
2016	95,766	-
	3,422,179	3,658,975

As of 30 September 2012 and 31 December 2011, the commitments relating to forestry land rents, and not discounted, are detailed as follows:

Amounts in Euro	30-09-2012	31-12-2011
2012	1,429,280	3,432,711
2013	3,686,453	3,163,830
2014	3,230,550	2,816,056
2015	3,163,922	2,685,971
2016	3,093,671	2,610,094
Later	33,547,840	26,398,899
	48,151,716	41,107,560

22. Contingent assets

22.1. Complaints / Appeals of Tax matters

22.1.1. Investment Contracts with AICEP

Regarding the contracts signed with AICEP and up to 30 September 2012, a total amount of Euro 16,503,424 of tax incentives is yet to be recognized. This amount can be deductible until 31 December 2016.

23. Companies included in the consolidation

Company	Head office	held by Group companies		
		Directly	Indirectly	Total
Parent-Company:				
Portucel – Empresa Produtora de Pasta e Papel, SA	Setúbal	-	-	-
Subsidiaries:				
Soporcel - Sociedade Portuguesa de Papel, SA	Figueira da Foz	100.00	-	100.00
PortucelSoporcel Floresta, SGPS, SA	Figueira da Foz	100.00	-	100.00
Soporcel Pulp - Sociedade Portuguesa de Celulose, SA	Figueira da Foz	100.00	-	100.00
Portucel Floresta – Empresa de Desenvolvimento Agro-Florestal, SA	Setúbal	100.00	-	100.00
CountryTarget SGPS SA	Setúbal	100.00	-	100.00
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, SA	Setúbal	-	100.00	100.00
PortucelSoporcel Floresta – Sociedade para o Desenvolvimento Agro-Florestal, SA	Setúbal	-	100.00	100.00
Afocelca - Agrupamento complementar de empresas para protecção contra incêndios ACE	Portugal	-	64.80	64.80
Enerforest - Empresa de Biomassa para Energia, SA	Setúbal	-	100.00	100.00
Atlantic Forests, SA	Setúbal	-	100.00	100.00
Viveiros Aliança - Empresa Produtora de Plantas, SA	Palmela	-	100.00	100.00
Aflomec - Empresa de Exploração Florestal, SA	Setúbal	-	100.00	100.00
Cofotrans - Empresa de Exploração Florestal, SA	Figueira da Foz	-	100.00	100.00
Raiz - Instituto de Investigação da Floresta e Papel	Aveiro	-	94.00	94.00
Bosques do Atlantico, SL	Spain	-	100.00	100.00
PortucelSoporcel Pulp SGPS, S.A.	Setúbal	100.00	-	100.00
CELSET - Celulose de Setúbal, S.A.	Setúbal	-	100.00	100.00
CELCA CIA - Celulose de Cacia, S.A.	Aveiro	-	100.00	100.00
Portucel International GmbH	Germany	-	100.00	100.00
PortucelSoporcel Papel, SGPS SA	Setúbal	100.00	-	100.00
Portucel Soporcel North America Inc.	USA	-	100.00	100.00
About the Future - Empresa Produtora de Papel, SA	Setúbal	-	100.00	100.00
Portucel Papel Setúbal, S.A.	Setúbal	-	100.00	100.00
PortucelSoporcel Sales & Marketing NV	Belgium	25.00	75.00	100.00
PortucelSoporcel Fine Paper , S.A.	Setúbal	-	100.00	100.00
PortucelSoporcel España, SA	Spain	-	100.00	100.00
PortucelSoporcel International, BV	Netherlands	-	100.00	100.00
PortucelSoporcel France, EURL	France	-	100.00	100.00
PortucelSoporcel United Kingdom, Ltd	United Kingdom	-	100.00	100.00
PortucelSoporcel Italia, SRL	Italy	-	100.00	100.00
PortucelSoporcel Lusa Unipessoal, Lda	Figueira da Foz	-	100.00	100.00
PortucelSoporcel Deutschland, GmbH	Germany	-	100.00	100.00
PortucelSoporcel Handels, GmbH	Austria	-	100.00	100.00
PortucelSoporcel Afrique du Nord	Morocco	-	100.00	100.00
PortucelSoporcel Poland SP Z O	Poland	-	100.00	100.00
PortucelSoporcel Sw itzerland, Ltd	Sw itzerland	-	100.00	100.00
PortucelSoporcel Energia, SGPS SA	Setúbal	100.00	-	100.00
SPCG – Sociedade Portuguesa de Co-Geração Eléctrica, SA	Setúbal	-	100.00	100.00
Enerpulp – Cogeração Energética de Pasta, SA	Setúbal	-	100.00	100.00
PortucelSoporcel Cogeração de Energia, SA	Setúbal	-	100.00	100.00
PortucelSoporcel Participações, SGPS SA	Setúbal	100.00	-	100.00
Arboser – Serviços Agro-Industriais, SA	Setúbal	-	100.00	100.00
Empremédia - Corretores de Seguros, SA	Lisboa	-	100.00	100.00
Socortel - Sociedade de Corte de Papel, SA	Figueira da Foz	-	100.00	100.00
Cutpaper - Transformação, Corte e Embalagem de Papel, ACE	Figueira da Foz	-	50.00	50.00
Headbox - Operação e Contolo Industrial, SA	Setúbal	-	100.00	100.00
EMA21 - Engenharia e Manutenção Industrial Século XXI, SA	Setúbal	-	100.00	100.00
Ena Cacia - Engenharia e Manutenção Industrial, ACE	Aveiro	-	91.15	91.15
Ena Setúbal - Engenharia e Manutenção Industrial, ACE	Setúbal	-	92.56	92.56
Ena Figueira da Foz- Engenharia e Manutenção Industrial, ACE	Figueira da Foz	-	91.47	91.47
EucaliptusLand, SA	-	-	100.00	100.00
PortucelSoporcel Serviços Partilhados, SA	Figueira da Foz	-	100.00	100.00
PortucelSoporcel Internacional SGPS SA	Setúbal	100.00	-	100.00
Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda	Mozambique	25.00	75.00	100.00
Portucel Floresta Brasil - Gestão de Participações, Ltda	Brazil	25.00	75.00	100.00
PortucelSoporcel Abastecimento de Madeiras, ACE	Setúbal	60.00	40.00	100.00

24. Companies not included in the consolidation

Company	Head office	Percentage of capital held by Group companies		
		Directly	Indirectly	Total
Tecnipapel – Sociedade de Transformação e Distribuição de Papel, Lda	Setúbal	56.00	44.00	100.00
PortucelSoporcel Papel - Sales e Marketing, ACE	Figueira da Foz	50.00	50.00	100.00
PortucelSoporcel Logística de Papel, ACE	Figueira da Foz	33.33	66.67	100.00
Naturfungi, ACE	Setúbal	-	50.00	50.00

All these entities were dissolved and liquidated in 2012 or 2011.

25. 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.

BOARD OF DIRECTORS

Pedro Mendonça de Queiroz Pereira
Chairman

José Alfredo de Almeida Honório

Manuel Soares Ferreira Regalado

Adriano Augusto da Silva Silveira

António José Pereira Redondo

José Fernando Morais Carreira de Araújo

Luis Alberto Caldeira Deslandes

Manuel Maria Pimenta Gil Mata

Francisco José Melo e Castro Guedes

José Miguel Pereira Gens Paredes

Paulo Miguel Garces Ventura