PORTUCEL, S.A.
Public company
Capital - € 767,500,000.00
Corporate person no. 503025798
Registered at the Setúbal Companies Registry
Registered Offices - Península da Mitrena, parish of Sado - Setúbal

ANNUAL GENERAL MEETING
APRIL 29th 2015

PROPOSAL RELATING TO ITEM ONE ON THE AGENDA

The Board of Directors

of

Portucel, S.A.

proposes

that the shareholders resolve on the management report, balance sheet and accounts for the financial year of 2014.

Setúbal, April 2nd 2015

The Board of Directors

Portucel, S.A.

Public Company

Registered at the Setúbal Companies Registry

Share Capital: 767 500 000 euros

Corporate Person no. 503 025 798

Individual Report and Accounts 2014

www.portucelsoporcel.com

Contents

Message from the Chairman

Shareholders,

Let me start this message with a brief review of the Company's recent past, to highlight the fact that 2014 marked the tenth anniversary of Semapa's acquisition of a majority share in Portucel, the company that best represents the Portuguese forestry sector. It gives me great satisfaction to note that this acquisition proved to be turning point in Portucel's history, setting it on a strategic course which has permitted it to consolidate its competitive advantages and to make highly significant progress over the last decade.

In pursuing this strategy, each of the Portucel Group's industrial units, and also its forestry operations, have benefited from an energetic programme of modernisation, unlocking its potential capabilities and expertise.

As a result, pulp output has increased significantly, thanks to investment in expansion and a permanent process of expansion. Crucial to this has been a commitment to energy production, with the result that the Group is now one of Portugal's leading producers of electricity, most of it derived from renewable sources. Special attention should be drawn to the construction of a new paper mill in Setúbal, one of the largest industrial ventures implemented in Portugal in many years, propelling Portugal to the top place in the ranking of European manufacturers of UWF (uncoated woodfree) printing and writing paper.

These are just some of the most visible effects of our huge investment efforts, involving capital of approximately one billion euros. But the impact outside the direct area of production, although less visible, has also been extremely significant. This has included improvements in environmental performance, certification of the company's woodland holdings and the knock-on effect on the complex chain of companies which interact with Portucel on a daily basis.

In the last ten years, the Portucel Group's sales have grown by approximately 60%, with exports to around 120 countries, making it one of Portugal's leading exporters, and the foremost exporter in terms of national value added.

Mill brands have accounted for a growing percentage of sales. This, combined with the large proportion of sales represented by premium quality sheeted products, has been decisive in boosting the Group's profitability, once again visible in its 2014 results, meaning that the capital expenditure incurred has been compatible with maintaining a firm financial balance.

The same period had witnesses one of the most severe crises in the international economy in recent decades, with devastating financial, economic and social consequences which continue to be felt in many countries, with varying degrees of intensity.

The pulp and paper sector has not emerged unscathed, with many companies being forced to make savage cuts in capacity. Portucel has taken a different stance, pressing ahead unperturbed with its original plans. Portucel's internal resources, which include the capabilities and motivation of its workforce, have allowed the Group to weather what appears to have been the most acute period of the crisis.

As the last few years sped by, I have kept my sights on the future. The capabilities demonstrated by the Group should give it leverage to map out new ventures, allowing it to continue on a course which it has impressively maintained in the recent past. New and exciting challenges therefore await us.

The integrated forestry, pulp and energy project which Portucel is implementing in Mozambique has now completed the lengthy, but necessary phase of plantation trials, allowing it to gather speed in line with planned scale of this new venture. The recent acquisition by International Finance Corporation of a stake in Portucel Moçambique is a landmark that reflects Portucel's determination to rise to the challenges of this project, expected to bring vast benefits for the sustained development of the host country.

The project in Mozambique is necessarily tied to a very long time scale, meaning that the portfolio of investments needs to be complemented by projects offering shorter payback periods, in order to attain the desirable balance. These other projects include expansion of the Cacia pulp mill, acquisition of a tissue manufacturer in Portugal and construction of a pellets factory in the United States.

These capital projects will diversify the Group's geographical production base and take it into new business areas, whilst keeping it firmly anchored in industrial processing of renewable forestry resources which has been the foundation for its entire process of development.

Each of the new ventures presents a challenge to the capabilities of the Group and its workforce, whilst also offering the best way of keeping motivation at its current high levels, enabling our employees to achieve the highest levels of personal and professional satisfaction.

It is my hope, and also my firm belief, that the Portucel Group will remain the unassailable top player in its industrial sector, able to mobilise the enthusiasm and energy needed to set itself increasingly ambitious targets.

Setúbal, 29 January 2015

Pedro Queiroz Pereira
Chairman of the Board of Directors

Message from the Chief Executive Officer

Sharehoders,

In 2014, the Portucel Group recorded turnover of € 1 542 million, around 1% up on the previous year, on the strength of impressive growth in the volume of paper sales.

Even in a hostile business environment, the Portucel Group recorded a 3% increase in the volume of UWF paper sales, setting a new sales record of more than 1,564 million tons.

Significantly, the Group further improved its product mix, with own brand sales growing by 2% and premium products by 2%, once again placing the Group in a class of its own.

The main engine of growth in the sales volume was once again the Group's premium product range, strengthening its position as the leading European manufacturer of UWF paper, especially in product segments offering higher value added.

Special attention should be drawn to growth in the Group's own brands, sold today in 123 countries. Total sales of these brands were up by 2%, both worldwide, and in Europe. Navigator continued to record impressive growth, up 4% around the world and 6% in Europe, achieving new levels of penetration and brand recognition, unrivalled in the industry.

In operational terms, the Group succeeded in bringing down costs even further over the year, in particular for chemicals and logistics. The Group also recorded a significant reduction in the purchase price for electricity, as a result of new purchasing negotiations, conducted on better terms in view of developments in the market.

However, these improvements were not enough to offset rising costs for certain factors of production, in particular personnel costs and wood costs, despite improvements in the cost of raw materials in the second half of 2014, expected to continue into 2015.

In the course of 2014, the Group achieved a reduction of 33.4 million euros in its net debt, which now stands at € 273.6 million. This reduction once again demonstrates Portucel's excellent capacity to generate cash flow, which in 2014 totalled € 236.8 million, in a year when the company distributed € 200.8 million in dividends and reserves and acquired own shares with a value of € 2.6 million.

Overall, apparent UWF consumption in Europe grew by approximately 0.5% during 2014. However, conclusions must inevitably be drawn from changing patterns of economic growth and consumption around the world, which mean that the time has come for a fresh reflection on strategy. The Group has decided to look elsewhere for sustainable growth and to develop a plan for a new phase of development, whilst retaining strict concern for protecting its financial soundness and its ability to provide a return for shareholders.

After a period of heavy investment from 2005 to 2009, culminating in the construction of the new paper mill in Setúbal, the Group has for several years focused on consolidating its new position as Europe's leading manufacturer of uncoated woodfree paper.

The time has come to lay the foundations for a new phase of growth, with the twin aims of consolidating projects already underway and moving into new areas of business.

In terms of new business areas, Portucel has decided to diversify into tissue paper, with the goal of becoming one of the European leaders in this business. The Group is set to move into this segment by combining organic growth with the acquisition of existing capacity.

Organic growth involves a plan to install several tissue machines in Cacia over the next five years, together with a number of converting lines. This business model, based on direct integration of pulp in tissue production, with savings in terms of raw material and energy costs, combined with the location of the processing lines close to the destination markets, will allow Portucel to achieve clear competitive advantages and to position the Group as one of Europe's most competitive producers.

At the same time, the acquisition of existing capacity will allow the Group to gain a rapid grasp of the new business dynamic and to benefit from an established client base.

In response to another business opportunity, the Group also announced at the end of 2014 its decision to invest in the construction of a pellets factory in the US. This project allows the Portucel Group to draw on its experience of industrial processing and forestry products, whilst moving into a fast-growing sector which offers a renewable and sustainable alternative to the use of fossil fuels. The construction of this factory in the United State is also an opportunity for international expansion and diversification of the Group's industrial base, significantly boosting its presence in a country which is a global leader in the forest-based products industry.

In order to reduce the risk involved, the Portucel Group has negotiated fixed price supply contracts with a duration of 10 years, securing the sale of approximately 70% of the new factory's output. Located in the Greenwood region, in South Carolina, the industrial unit is competitively located with regard to the supply of forestry raw materials and energy.

The project to expand pulp capacity in Cacia started up during the second half of 2014, with negotiation and award of the contracts for the main equipment and civil construction works. Production capacity is set to rise to between 350 and 360 thousand tons, making the unit significantly more competitive. The work is due for completion by the end of the 1st half of 2015.

The Portucel Group also continues to make progress on its integrated forestry, cellulose pulp and energy project in Mozambique. Forestry operations are currently being intensified and the company is expanding its operational base in the country.

As mentioned above, the Group made a significant step forward in December 2014 when it signed an agreement with IFC (International Finance Corporation, a World Bank group company) under which the latter will take up a stake in Portucel Moçambique. This 20% holding may have a value of up to 30.4 million dollars at this initial phase. The financial agreement represents a further stage in IFC's involvement with the Mozambique project, as it has been providing consultancy services to the Group since 2013, on measures to improve the sustainability of forestry operations and the planning and development of projects to include local communities.

Another important development was the completion, in August, of the Social and Environmental Impact Study, which is important for accelerating the forestation process, in keeping with the high quality standards to which the Group aspires. Portucel Moçambique has implemented a public consultation process without precedent in the country, allowing it to present and discuss the project, along with with its benefits and impacts, with more than 20 000 people. The final public consultation procedure, as part of the Environment Impact Study, reached out to around 200 villages located in eight districts in the provinces of Manica and Zambézia, in addition to sessions in the provincial capitals and the national capital, Maputo.

Work also proceeded on building the first large-capacity nursery facility in Zambézia Province, which will be crucial for expanding the plantation areas.

In 2014, the Portucel Group laid the foundations for a new phase of sustainable growth, capable of generating excellent levels of cash flow.

So whilst keeping to the same course, we will set our sights higher.

Setúbal, 29 January 2015

Diogo da Silveira
Chief Executive Officer

1. Portucel in 2014

Analysis of Results

	ASS 2014	ASS 2013
(in million euros)		
Sales and Services	279.0	425.2
Operating Results	158.4	148.7
Financial Results	-31.4	-20.9
Net Income	162.7	167.6
EBITDA (1)	48.2	63.7
EBITDA / Sales (in %)	17.3%	15.0%
Cash Flow (2)	52.6	82.6
Net debt	280.1	366.8

(1) Operating profits + depreciation + impairment of depreciable assets + provisions - income from associated companies/ subsidiaries
(2) Net income + depreciation + impairment of depreciable assets + provisions - income from associated companies/ subsidiaries

At present, Portucel's operations are concentrated in the production and marketing of paper pulp and energy at the Setúbal industrial site, although it is engaged on a smaller scale in other business areas.

The financial information for 2014 is not entirely comparable with that for the previous period, in view of the demerger of the Cacia mill on 31 December 2013. This mill is now owned and operated by CelCacia, S.A.. This development has had a highly significant impact on the comparability of sales and services, and on expenses, whilst the figures for operation and net income are comparable, as these results incorporate those generated by the Cacia mill, due to consolidation using the equity method.

Sales and services recorded in the 2014 financial statements total 279.0 million euros, which is not comparable with the figure recorded in the previous year, as already stated.

In pulp business, Portucel recorded a slight improvement in performance, with BEKP output up by around 0.7% in 2014, at approximately 551.3 thousand tons, as compared with 547,5 thousand tons produced in the previous year. However, falling average prices for pulp were reflected in a lower value for sales, which stood at 235.4 million euros.

Results for energy operations held steady in relation to 2013, with a degree of stability in terms of sales volume and prices.

In terms of the factors of production, the reduction in the purchase price for electricity led to a significant reduction in overall energy production costs. The cost of certain chemicals also improved in relation to the previous year, thanks in particular to a reduction in specific consumption of caustic soda, due to the installation of a new press. However, raw material costs worsened, with an increase in overall wood purchasing costs, because of the Setúbal mill's increased reliance on imported wood.

In this context, EBITDA stood at 48.2 million euros, reflecting an EBITDA / Sales margin of 17.3%. Operational income stood at 158.4 million euros, incorporating the results generated at the other Group companies on an equity basis.

The company recorded a financial loss, which at 31.9 million euros compares unfavourably with the loss of 20.9 million euros recorded in 2013. This is explained fundamentally by the increase in borrowing costs, after a high yield bond issue on the market in May 2013 and the substantial reduction in interest income from the investment of cash surpluses.

Portucel closed the financial year of 2014 with net income of € 162.7 million, representing a reduction of 2.9% in relation to the previous year.

Financial

Interest-bearing net debt stood at 280.1 million euros at year-end 2014, down by 86.7 million euros from the end of 2013, as detailed below:

Indebtedness (in €)	**Dec-14**	**Dec-13**
Interest bearing account payable		
Non current	**599,940,476**	**779,642,857**
Current	**179,702,381**	**59,702,381**
	779,642,857	**839,345,238**

Cash and cash and cash equivalents		
Cash	**89,520**	**10,475**
Sight deposits with banks	**6,752,954**	**100,399,520**
Other short-term investments	**492,710,379**	**372,104,478**
	499,552,853	**472,514,473**
Interest Bearing Net Debt:	**280,090,004**	**366,830,765**

Strategic Development

After a period of heavy investment from 2005 to 2009, culminating in the construction of the new paper mill in Setúbal, the Group has for several years focused on consolidating its new position as Europe's leading manufacturer of uncoated woodfree paper.

In the meantime, changing patterns of economic growth and consumption around the world mean that the time has come for a fresh reflection on strategy. Faced with poor prospects for growth in the European UWF paper market in the years ahead, the Group has decided to look elsewhere for growth and to develop a plan for a new phase of development, whilst retaining strict concern for protecting its financial soundness and its ability to provide a return for shareholders.

The Portucel Group's plan for a new phase of growth is accordingly twofold: to consolidate the projects currently under way and to move into new business areas.

New Business Areas

The Portucel Group has decided to diversify into tissue paper, with the aim of becoming one of the European leaders in this market. The Group is set to move into this segment by combining organic growth with the acquisition of existing capacity.

Organic growth will be achieved through a business model based on direct incorporation of pulp into tissue production and installation of the processing lines close to the destination markets, allowing Portucel to achieve clear competitive advantages in industrial, logistical and commercial terms, and to position the Group as one of Europe's most competitive producers. The Cacia site is in principle a suitable location of installing part of the Group's tissue production capacity. However, the Group intends to maintain a sizeable BEKP operation until production starts up in Mozambique, focussing on segments where value added is highest and exploring new opportunities for expanding pulp production capacity at the Group's three industrial complexes.

At the same time, the acquisition of existing capacity will allow the Group to gain a rapid grasp of the new business dynamic and to benefit from an established client base. Portucel conducted an in-depth survey of the different assets available on the market, and has decided to acquire AMS BR Star Paper S.A. ("AMS"), the most efficient and profitable tissue paper manufacturer in the Iberian Peninsula, located in Vila Velha de Rodão, Portugal. With annual production capacity of 30 000 tons of tissue, and converting capacity of 50 000 tons, as well as a workforce of 146, this company is currently implementing a plan to double its production capacity for tissue papers, due for completion in September this year. The total investment in AMS, including expenditure needed for its capacity expansion plans, will total around € 80 million.

AMS recorded total turnover in 2014 of € 51.3 million, normalized EBITDA of € 9.5 million, normalized Net Debt of € 20.63 million and equity (book value) of € 31.6 million.

In response to another business opportunity, the Group also announced at the end of 2014 its decision to invest in the construction of a pellets factory in the US. This project allows Portucel to draw on its experience of industrial processing and forestry products, whilst moving into a fast-growing sector which offers a renewable and sustainable alternative to the use of fossil fuels. The construction of this factory in the United State is also an opportunity for international expansion and diversification of Portucel's industrial base, significantly boosting its presence in a country which is a global leader in the forest-based products industry. Located in South Carolina, the pellets factory will have production capacity of 460 thousand tons, representing estimated investment of 110 million USD. Work will start on constructing the factory in 2015 and is scheduled for completion in the third quarter of 2016.

In order to reduce the risk on this investment, Portucel has negotiated fixed price supply contracts with a duration of 10 years, securing the sale of the majority of the new factory's output. Located in the Greenwood region, the industrial unit is competitively located with regard to the supply of forestry raw materials and energy.

Consolidation of Ongoing Projects

The project to expand pulp capacity in Cacia started up during the second half of 2014, with negotiation and award of the contracts for the main equipment and civil construction works. Production capacity is set to boost output to between 350 and 360 thousand tons, making the unit significantly more competitive. The work is due for completion by the end of the 1st half of 2015. Capital expenditure for this project is estimated at € 56.3 million.

Portucel also continues to make progress on its integrated forestry, cellulose pulp and energy project in Mozambique. Forestry operations are currently being intensified and the company is expanding its operational base in the country.

As mentioned above, the Group made a significant step forward in December 2014 when it signed an agreement with IFC (International Finance Corporation, a World Bank group company) under which the latter will take up a stake in Portucel Moçambique. This 20% holding may have a value of up to 30.4 million dollars at this initial phase. The financial agreement represents a further stage in IFC's involvement with the Mozambique project, as it has been providing consultancy services to the Group since 2013, on measures to improve the sustainability of forestry operations and the planning and development of projects to include local communities.

Another important development was the completion, in August, of the Social and Environmental Impact Study, which is important for accelerating the forestation process, in keeping with the high quality standards to which the Group aspires. Portucel Moçambique has implemented a public consultation process without precedent in the country, allowing it to present and discuss the project, along with with its benefits and impacts, with more than 20 000 people. The final public consultation procedure, as part of the Environment Impact Study, has reached out to around 200 villages located in eight districts in the provinces of Manica and Zambézia, in addition to sessions in the provincial capitals and the national capital, Maputo.

Work also proceeded on building the first large-capacity nursery facility in Zambézia Province, which will be crucial for expanding the plantation areas. The nursery will be ready in the first quarter of 2015.

In this context, capital expenditure in 2014 totalled € 50.3 million, of which € 25 million related to the project in Mozambique and € 10.0 million to expanding capacity in Cacia.

Risk Management

The Group’s operations are exposed to a variety of financial risk factors, chief amongst which are exchange rate risk, pulp price risk, interest rate risk, credit risk and liquidity risk. These risks are managed and monitored by the Group with a view to minimizing their potential negative effect on its financial performance.

Exchange Rate Risk

Variations in the exchange rate of the Euro against other currencies can significantly affect the Group’s revenues and also some of its cost items.

On the one hand, a significant part of the Group’s sales is denominated in non-euro currencies, meaning that their performance can have a significant effect on estimated future sales; the currency with the greatest impact is the US dollar. Sales in GBP and CHF are likewise significant, whilst sales in other currencies are less so.

Certain purchases of raw materials, chemicals, power and logistical services are also made in USD, or are directly or indirectly affected by the dollar exchange rate, meaning that variations in the respective exchange rate can have an impact on purchase prices

When a sale is made in a currency other than the euro, the Group runs an exchange rate risk until the receipt or payment of this sale; at any given moment, its assets contain a significant amount in receivables, and a smaller amount in payables, exposed to exchange rate risk.

The Group's assets include a commercial subsidiary in the US, Portucel Soporcel North America, with equity of approximately USD 25 million, and this investment is exposed to exchange rate risk. In addition to this operation, the Group announced in late 2014 its plans to invest USD 110 million in building a pellets factory in South Carolina, USA, meaning it will have a new asset exposed to the EUR/USD exchange rate risk.

The Group has recourse to derivatives as and when it sees fit, 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.

The Group contracted a number of financial instruments in the course of 2014, to hedge part of its net exchange rate exposure on estimated sales in USD for 2015. The derivatives contracted were zero cost collars with a total value of USD 151.2 million, maturing up to 31

December 2015. They were contracted by Portucel Soporcel Fine Paper, a Portucel Group company directly exposed to exchange rate risk on its sales.

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

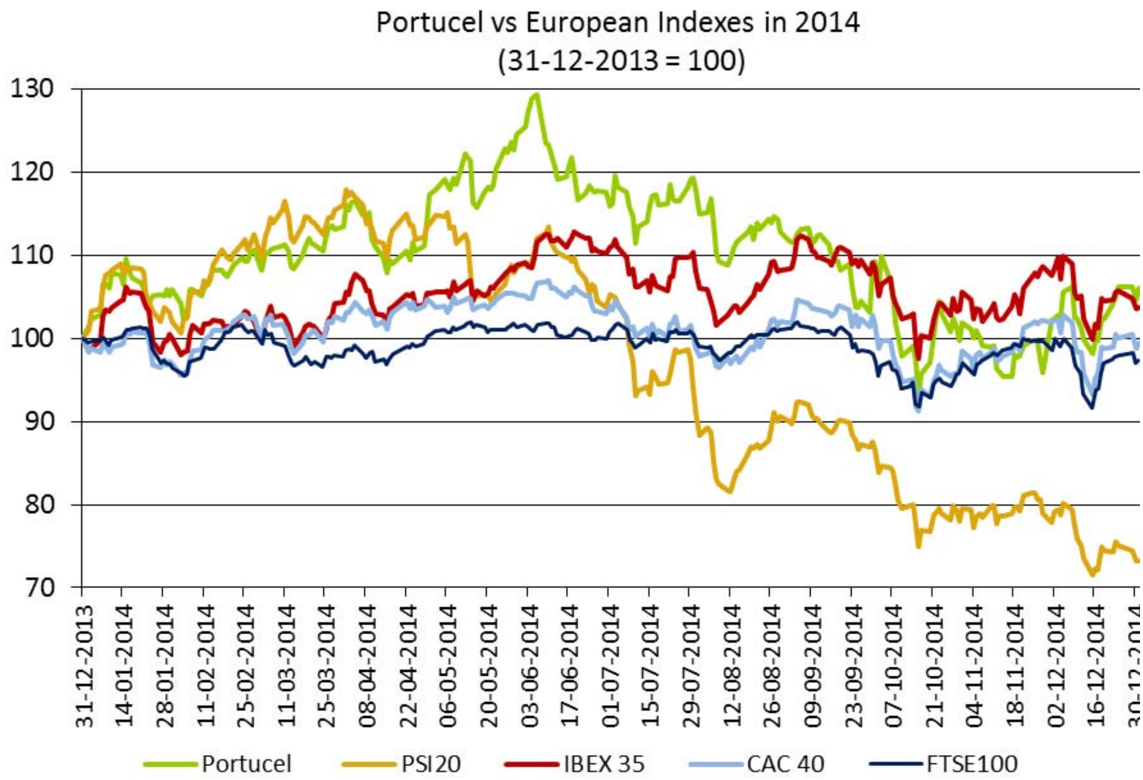
In order to hedge its foreign exchange exposure on the capital invested in its commercial subsidiary in the US, Portucel renegotiated during the course of 2014 the foreign exchange forward it had contracted in 2013.

2. Capital Markets And Share Price Performance

The first half of 2014 was positive for most stock market indexes, but this trend went into reverse over the second half of the year. Worse than expected macroeconomic figures and geopolitical tensions were among the factors which had a negative effect on the markets. Of the European exchanges, the IBEX 35, Euronext 100 and Xetra Dax managed nonetheless to close the year in positive territory, although the PSI20 recorded sharp losses. The Portuguese market index recorded its third largest decline in value in its history in 2014 (only surpassed by the losses of 2008 and 2011), falling 27% in a year marked by the severe crisis in one of the country's leading financial groups, which contaminated other leading securities in the Portuguese market and led to removal from the index of two of its constituent issuers. Markets in the US recorded historic gains, with the main indexes recording extremely positive performance, especially in the technology sector, with the Nasdaq gaining around 18%.

In the pulp and paper sector, most companies performed poorly up to September, followed by an upturn in the final quarter, in response to improving expectations of market conditions. Exchange rate trends in late 2014, with the dollar rising against the euro, had a positive impact on the estimated results of European manufacturers, causing their share prices to rise. Brazilian companies also saw their listed prices increase significantly after the announcement of an increase in reference prices for BEKP pulp and strength of the dollar against the real.

In this environment, Portucel's shares recorded outstanding performance. During the first half of the year, share rose to high of 3.80 € and accumulated a gain of 18%. On 12 June, the Company paid out a gross dividend per share of 0.28 €, equivalent to a payout on consolidated net profits of 96%. However, over the course of the second half, the shares felt the negative impact of developments on the Portuguese market, dropping to a low of 2.7 €/share during October. In December. the share price rallied again, and closed the year with a gain of 6%, at 3.09 €. The largest volume of trading was recorded over the final quarter of 2014.


Portucel vs European Indexes in 2014
(31-12-2013 = 100)
130
120
110
100
90
80
70
31-12-2013
14-01-2014
28-01-2014
11-02-2014
25-02-2014
11-03-2014
25-03-2014
08-04-2014
22-04-2014
06-05-2014
20-05-2014
03-06-2014
17-06-2014
01-07-2014
15-07-2014
29-07-2014
12-08-2014
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09-09-2014
23-09-2014
07-10-2014
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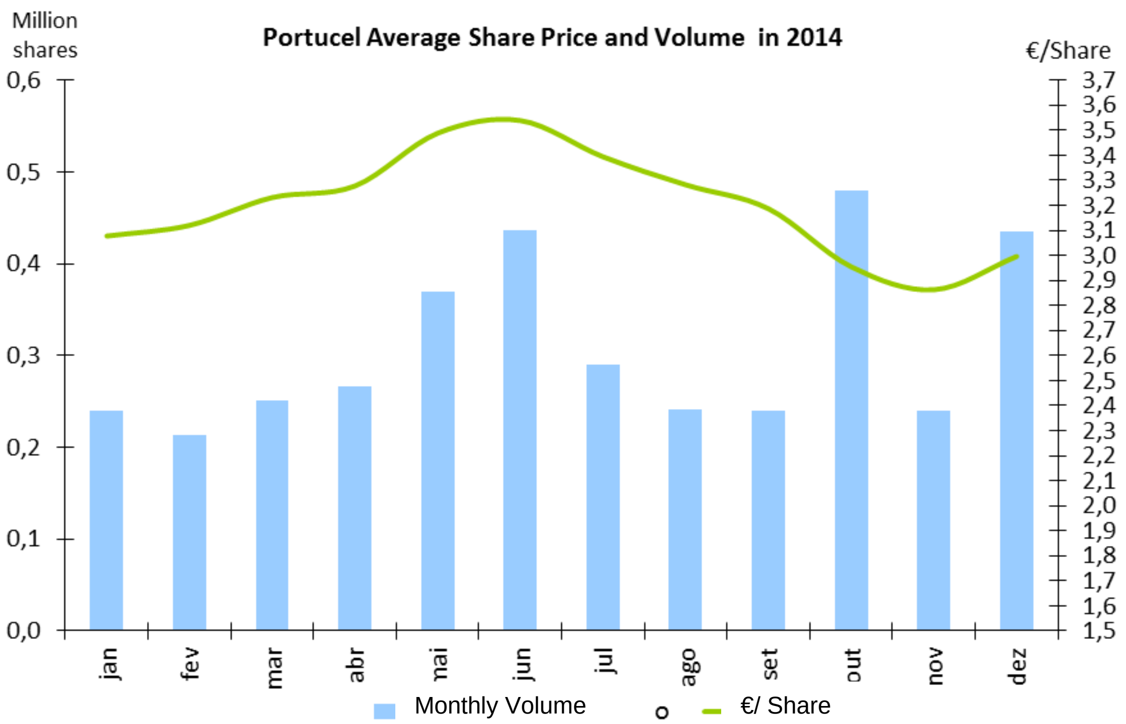
IBEX 35
CAC 40
FTSE100


Million shares
Portucel Average Share Price and Volume in 2014
€/Share
0,6
0,5
0,4
0,3
0,2
0,1
0,0
3,7
3,6
3,5
3,4
3,3
3,2
3,1
3,0
2,9
2,8
2,7
2,6
2,5
2,4
2,3
2,2
2,1
2,0
1,9
1,8
1,7
1,6
1,5
jan
fev
mar
abr
jun
jul
ago
set
nov
dez
Monthly Volume
€/ Share

3. Market Performance

Economic Environment

The global economy presented modest growth in 2014 of around 2.6%, lower than generally expected at the start of the year. This global trend conceals highly contrasting regional tendencies. Of the developed economies, the US and the United Kingdom performed best, with positive signs and gathering momentum in the employment market, whilst the Euro zone and Japan once again recorded anaemic growth, reflecting the legacy of the financial crisis and continuing structural weaknesses exposed by the recent turmoil. At the same time, the pace of growth slowed in China, where exports faltered and the economy is increasing led by internal demand. Even so, growth was still significantly high and made a proportionally decisive contribution to growth worldwide. The slowdown was even more evident in other less developed economies, hampered by cooling external demand, political tensions and uncertainties as well as cyclical factors, above all those relating to commodities prices on the international markets. The falling oil price in particular had differing effects on economies, depending on whether countries are exporters or importers.

Growth rates in the Euro zone remain poor, constrained even further by the slowdown in the final months of the year. Employment continues very high, with practically no recovery, remaining at levels higher than those prior to the crisis. Recent years have been dominated by restrictive budgetary policies, exacerbating the economic downswing, and significant structural imbalances can still be observed, especially in outlying economies, where levels of debt remain high, meaning they are still vulnerable to the threat of a potential crisis, including a possible increase in volatility on the financial markets. It has still not been possible to loosen the fiscal straitjacket to which these economies are subject, despite the desirability of such a move for the sake of stronger growth. Instead, continued fiscal constraint and demands for structural reform remain firmly on the agenda.

In this context, it was left to an expansionist monetary policy (implemented with firm determination by the ECB) to respond to the need for an economic stimulus in the Euro zone. Reference interest rates fell to historically low levels and borrowing terms in most Euro zone states improved significantly: even in the outlying countries, interest rates on sovereign debt eased progressively.

At the same time, inflation remained very low in the Euro zone and Japan: the risk of deflation, accompanied by very slow growth, is currently one of the main threats faced by the economy in the near future.

Another new development was the emergence of wide fluctuations in rates on the foreign exchanges, prompted by the decisions of central banks and by geopolitical tensions. The end of quantitative easing in the US and speculation over a high in the FED's leading rates in 2015 were a significant factor in strengthening the US dollar in the second half of 2014. The Euro followed a downwards course in relation to most of the currencies primarily used in Group operations, and this tendency persisted and grew stronger in the early months of 2015.

Prices came down for a number of commodities, especially oil, above all in the second half. The falling oil price generated significant economic tensions, with an uneven impact on national economies, as well as remaining a factor of uncertainty. Slower external demand, especially from the European Union and China, was a prime factor in this trend; on the supply side, growing non-conventional energy sources, in particular shale gas in the USA, and OPEC's decision not to cut output added decisively to this tendency. The persistence of these factors and the built-in rigidity of the sector point to the likelihood of prices staying low in 2015.

In the Portuguese economy, attention should be drawn to the low level of GDP growth, slightly below expectations at the start of the year, the continued high level of unemployment (with signs of an upturn in late 2014, in contrast to the downwards trends observed up to that point), and the historically low level of inflation, dipping below zero. Growth in the Portuguese economy was constrained by slower external demand for goods, meaning that levels of activity were in fact supported by internal demand and the balance of services, boosted by growth in tourism. Another important development was the success of several auctions of Portuguese public debt at historically very low rates, for which the contribution made by the European Central Bank was of crucial importance.

In Mozambique, the economy performed well, with growth in GDP at above 7% in 2014, thanks to extractive industries (especially gas and coal) and investment in infrastructure.

At the end of the year, the overall economic outlook was increasingly uncertain, due in part to growing geopolitical tensions in different parts of the world. The expectation of continuing very low levels of growth, accompanied by the prospect of deflation in various development economies, such as the EU and Japan, are factors which point to a gloomy outlook for growth in world trade. Despite the general trends for lower sovereign interest rates, the continued existence of severe structural imbalances in several Euro zone countries means that a serious financial crisis is still a possibility, and the economy is vulnerable to potential political tensions and a possible increase in market volatility.

One weak point with a major impact on the global economic situation remains the level of unemployment, as economies have continued to grow at well below the potential of the production capacity in place in various parts of the world, constrained by the need to resolve unsustainable financial imbalances and therefore incapable of generating an adequate volume of productive employment.

The developed economies are again expected to present diverging levels of growth, inflation and employment, with the Euro zone recovering at a significantly slower rate that the US. This tendency has led to the adoption of diverging monetary policies, with the ECB pressing ahead with expansionist measures (the main thrust of which is quantitative easing), seeking to trigger an decisive upturn in European growth; however, the prevailing mood is still uncertain.

UWF Paper

Although the UWF paper market has no direct effect on the sales recorded by Portucel, it continues to be a fundamental market for its subsidiaries.

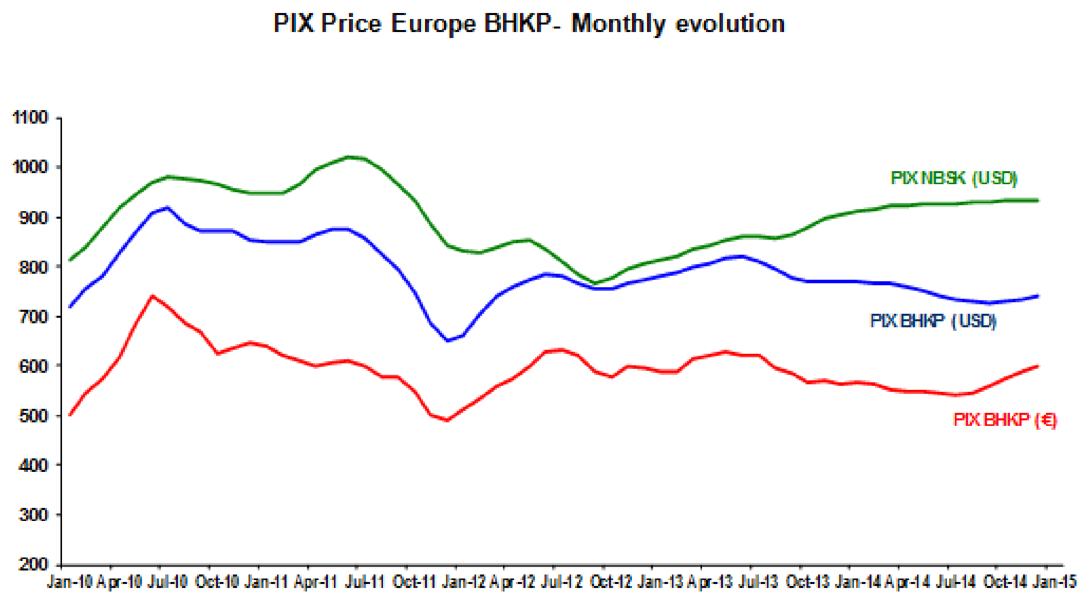
Overall, apparent UWF consumption in Europe grew by approximately 0.5% during 2014. This rise in apparent consumption was supported by supply from the European industry, in a year which showed a reduction in paper imports to Europe. Special attention should be drawn to the performance of UWF paper for the printing industry, where sales volumes grew after several years of decline.

The European industry recorded a capacity utilization rate of approximately 92%, two percentage points up from the same period in 2013. During 2014, order books in the UWF industry were stronger than in 2013, although they fell off towards the end of the third quarter. In this environment, the main benchmark index for UWF prices in Europe (PIX A4-B Copy) was down in 2014 by 2.3% in relation to the previous year.

The US experienced a sharp reduction in local UWF production capacity (down around 10% on 2013) and a strong increase in imports (22%), mostly from Asia, with imports growing from 13% to 17% as a proportion of total North American consumption. The expected upwards movement in prices never materialised, and the main benchmark index for the sector (Risi 20lb cut-size, 92 bright) rose by only 0.8% in relation to 2013.

BEKP Pulp

As already stated, an upturn was observed in the eucalyptus pulp market in the 4^{th} quarter of 2014, ending the downward trend in prices which started in July 2013, reaching a low point in September 2014, when the monthly average PIX reference price stood at USD 725. As a result, the quarterly average PIX price rose from USD 729 in the 3^{rd} quarter to USD 735 in the last quarter, ending the year at USD 742.



This improvement in prices was supported by an overall increase in demand for BEKP of 9% (20.5 million tons in 2014 vs. 18.8 million in 2013) and by the closure in October of one of the mills operated by ENCE in Spain, which removed approximately 410 thousand tons of capacity from the market. This gave BEKP manufacturers the opportunity to announce an increase of USD 20 across the board as from January 2015, positioning the BEKP price in European markets at USD 770.

At the same time, although the price differential between softwood and hardwood pulps in the PIX index has started to come down, after reaching an all-time high of USD 206 in September, it is still at a high enough level to encourage substitution between these two fibres, with a positive impact on the price of short fibre pulp.

The Chinese market remained the main driving force behind demand in 2014. According to PPPC W-100 data, total demand in this market stood at 16.1 million tons, up by 530 thousand tons (3.4%) in relation to the previous year. This increase in pulp demand was centred primarily on BEKP, for which demand rose by 626 thousand tons (11.6%), to over 6 million tons.

The Group's BEKP pulp sales in the 4th quarter of 2014 stood at 56 thousand tons, lower than in the previous quarter, but at the level which was expected, considering the schedule of maintenance stoppages at its mills. For the year as a whole, Group sales stood at approximately 260 thousand tons. This figures is lower than in 2013, but reflects incorporation of pulp in paper production.

BEKP pulp sales by paper segment show that the Group has strengthened its leadership position in the decorative and special papers segment, with its annual percentage of the sales volume in this segment, where value added is higher, rising to 61%. An analysis of sales by geographical destination shows that the Portucel Group has successfully maintained its policy of selling primarily 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 generate substantial added value.

4. Industrial Operations

With output of 551 301 tAD, the Setúbal pulp mill set a new record, up by 3 760 tAD on the output recorded in 2013, which had also represented an impressive achievement.

Non-stop operation, combined with very high levels of efficiency, resulted in levels of pulp output significantly higher than in previous years.

The start-up in October 2014 of a new pulp washing press in one of the bleaching phases had an immediate impact on specific consumption of caustic soda, bringing it down by 36% in relation to the previous period.

Unit costs were again reduced for maintenance in pulp production, in line with the tendency observed in recent years.

5. Outlook

Projections for global economic growth in the next two years continue to be revised downwards, with the pace of growth expected to vary between the different economic blocs. Geopolitical instability in some regions, combined with recent trends in commodity prices, could have a negative impact on levels of growth in some of the emerging economic powers. In the US, a degree of optimism and signs of recovery can still be observed, whilst the main indicators for Euro Zone countries present contradictory tendencies. Doubts persists as to a sustained recovery, with internal demand and investment remaining sluggish, despite a modest upturn in consumer spending. The current level of the EUR/USD exchange rate and its evolution over 2015 will also be an important factor for the competitiveness of European countries, and will clearly benefit major exporters.

Although signs of uncertainty still persist around the world, the pulp and paper sector has proved resilient. Price trends at the end of the year point to a tendency for market conditions to improve, and increases in pulp prices are to be expected in the months ahead. The healthy level of demand, in particular in the Chinese market, careful management of new capacity entering the market, and also the evolution of the EUR/USD exchange rate which, as stated above, has already boosted pulp prices in euros, are factors which should benefit pulp manufacturers.

At the same time, expectations of the tissue paper segment remain positive, with interesting levels of growth in the emerging economies such as China, Turkey and Latin America, which should help to maintain a dynamic pulp market.

The UWF paper market is also expected to benefit from this more positive environment, deriving further support from the decision of a number of manufacturers in Europe to reduce or convert capacity, the impact of which is expected to be felt in the second half 2015. In addition, the current level of the EUR/USD exchange rate will form an obstacle to imports into Europe, and will help exports from European countries.

The Group will continue to operate at 100% capacity, striving constantly to expand its markets and confident that the conditions are right in 2015 for prices to evolve more positively.

Acknowledgments

The financial year of 2014 marked the start of a new cycle of growth for the Portucel Group. This is an ambitious and multifaceted project, which involves expanding and diversifying our business and products, as well as developing and international industrial and forestry base, setting us major challenges for the years ahead.

A project on his scale can only be a success with the commitment and involvement of all our workforce. The Board of Directors would therefore like to thanks all those whose tireless efforts have made the Group what it is today. The impressive performance and tireless endeavours of all our employees have enabled us over the years to achieve standards of excellence and to look to these challenges with confidence.

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.

Proposed Allocation of Profits

For the financial year of 2014, Portucel S.A. registered consolidated profits of 181.466.696 euros and individual profits, calculated according to the SNC rules, in the amount of 162,731,697 euros.

In accordance with the amount of dividends distributed in the past years, the Board of Directors proposes to the shareholders that the net profits be distributed in the following manner:

Legal Reserve .... 8,136,585 euros
Retained Earnings.. 1,023,006 euros
Dividends .... 150,572,106 euros

This proposal represents a gross dividend payment of 0,21 euros per share (excluding treasury stock*).

** This value takes into consideration an amount of 50,489,973 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, S.A., for the financial year of 2014, 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 Board of Directors
Diogo António Rodrigues da Silveira	CEO
Manuel Soares Ferreira Regalado	Executive Director
Adriano Augusto da Silva Silveira	Executive Director
António José Pereira Redondo	Executive Director
José Fernando Morais Carreira 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. S.A., elected for the four-year term from 2011 to 2014, are as follows:

Officers of the General Meeting:

Chairman:	Francisco Xavier Zea Mantero
Secretary:	Rita Maria Pinheiro Ferreira

Board of Directors:

Chairman:	Pedro Mendonça de Queiroz Pereira
Members:	Diogo António Rodrigues da Silveira*
	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:	Diogo António Rodrigues da Silveira*
Members:	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

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

Members: João Rodrigo Appleton Moreira Rato
Frederico José da Cunha Mendonça e Meneses

Statutory Auditor

Full: PricewaterhouseCoopers & Associados – SROC, Lda represented by
António Alberto Henrique Assis or César Abel Rodrigues Gonçalves

Alternate: José Manuel Henriques Bernardo (ROC)

* Note:
Following the resignation by Mr. José Alfredo de Almeida Honório from the Board of Directors of Portucel S.A., by letter dated 31 January 2014, Mr. Diogo António Rodrigues da Silveira was coopted as an executive director at the meeting of the Board of Directors of 25 March 2014, under Article 393.3 b) of the Companies Code, for the term of office current under way (2011/2014). This appointment was ratified at the General Meeting held on 21 May 2014.

Mandatory Disclosures

Disclosures referred to in articles 447 and 448 of the Companies Code and paras. 6 and 7 of Article 14 of Reg. 5/2008 of the Securities Market Commission

(with regard to the financial year of 2014)

1. Information on securities held by company officers

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 and 1 bond*
José Fernando Morais Carreira de Araújo	1 bond*
José Miguel Pereira Gens Paredes	1 bond*

b) Securities (*) issued by companies controlled by or controlling Portucel held by company officers, in the sense defined in Article 447 of the Companies Code and Article 248-B of the Securities Code (**):

Manuel Soares Ferreira Regalado:	90 "Bonds issued by SEMAPA 2012/2015"
António José Pereira Redondo:	5 "Bonds issued by SEMAPA 2012/2015"
Luís Alberto Caldeira Deslandes:	60 "Bonds issued by SEMAPA 2012/2015"
Manuel Maria Pimenta Gil Mata:	100 "Bonds issued by SEMAPA 2012/2015"
José Miguel Pereira Gens Paredes:	205 "Bonds issued by SEMAPA 2012/2015" and 50 "Bonds issued by 2014/2019"
Paulo Miguel Garcês Ventura:	125 "Bonds issued by SEMAPA 2012/2015"

Miguel Camargo de Sousa Eiró	50 “Bonds issued by SEMAPA 2012/2015”
Duarte Nuno d’Orey da Cunha:	2,907 shares in SEMAPA SGPS and 25 “Bonds issued by SEMAPA 2012/2015”
José Fernando Morais Carreira de Araújo:	100 “Bonds issued by SEMAPA 2014/2019”

(*) The Portucel S.A bonds referred to above correspond to bonds with a flat rate of 5.375% maturing in May 2020, issued by Portucel with the name "€ 350 000 000 5.375% Senior Notes due 2020".

(*) *The bonds issued by Semapa - Sociedade de Investimento e Gestão, SGPS, S.A. and referred to in this item correspond to bonds with a flat rate of 6.85 per cent per annum, maturing in 2015, issued by Semapa with the name “Bonds issued by SEMAPA 2012/2015”*

The bonds issued by Semapa called “Bonds issued by SEMAPA 2014/2019” correspond to the company's bonds, with a floating rate corresponding to the EURIBOR 6 month rate, as published on the next TARGET business day immediately prior to the starting date of each interest period, plus 3.25% per annum, maturing in 2019.

c) Securities issued by the company and controlled and controlling companies held by companies in which directors and auditors hold corporate office in the sense defined in Article 447 of the Companies Code and Article 248-B of the Securities Code:

- Cimigest, SGPS, S.A. – 3 185 019 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. – 22 225 400 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
- Sodim, SGPS, SA – 15 657 505 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
- OEM - Organização de Empresas, SGPS, SA – 535 000 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.

d) Acquisition, disposal, encumbrance or pledge of securities (*) issued by the company, controlled or controlling companies by company officers and the companies referred to in b) and c):

- On 24 September, Longapar, SGPS, S.A. acquired 720 000 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., for a price of 9.60 euros per share.

2. LIST OF QUALIFYING HOLDINGS AT 31 DECEMBER 2014

(as required by Article 20 of the Securities Code)

Company	No. of shares	% of capital	% of non-suspended voting rights
Semapa SGPS SA	**582 172 407**	**75.85%**	**81.01%**
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	340 572 392	44.37%	47.39%
Seinpar Investments B.V.	241 583 015	31.48%	33.62%
Seminv - Investimentos, SGPS, S.A.	1 000	0.00%	0.00%
Duarte Nuno d'Orey da Cunha (*)	16 000	0.00%	0.00%

(*) Officer in Portucel

3. INFORMATION ON OWN SHARES

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

As required by Article 66.2 and Article 324 of the Companies Code, Portucel S.A. hereby discloses that, during the financial year of 2014, it acquired 867 476 own shares, insofar that it considered these acquisitions to constitute a good use for the company's cash surpluses. After these acquisitions, Portucel held 50 489 973 own shares representing 6.58% of its share capital.

A breakdown of the acquisitions over the year is provided below.

Date	No. shares	Position Accrued
Total of own shares held at 31/12/2013	**49 622 497**	
Shares acquired in 2014:		
31-jan-14	20 000	49 642 497
3-feb-14	43 778	49 686 275
4-feb-14	77 340	49 763 615
5-feb-14	33 000	49 796 615
6-feb-14	23 603	49 820 218
10-feb-14	25 674	49 845 892
13-feb-14	7 650	49 853 542
17-feb-14	250 000	50 103 542
27-feb-14	13 066	50 116 608
3-mar-14	80 270	50 196 878
4-mar-14	26 870	50 223 748
13-mar-14	90 000	50 313748
14-mar-14	40 350	50 354 098
17-mar-14	20 000	50 374 098
18-mar-14	6 675	50 380 773
14-apr-14	35 000	50 415 773
16-oct-14	41 813	50 457 586
17-oct-14	32 387	50 489 973
Total own shares acquired in 2014	**867 476**	
Total own shares in portfolio	**50 489 973**	

FINANCIAL STATEMENTS

31 DECEMBER 2014

(Amounts expressed in Euro)

BALANCE SHEET
AS OF 31 DECEMBER 2014 AND 2013

Amounts in Euro	Note	31-12-2014	31-12-2013
Assets			
Non-current assets			
Property, plant and equipment	6	159,163,352	173,636,916
Goodwill	8	376,756,383	376,756,383
Intangible assets	9	245,967	633,311
Investments in subsidiaries and associates - Equity method	10	1,025,596,158	1,274,217,035
Deferred tax assets	11	4,364,783	2,467,538
		1,566,126,643	**1,827,711,183**
Current assets			
Inventories	12	18,033,857	14,175,320
Accounts receivable	13	46,542,246	103,675,612
Advances to suppliers	13	41,896	78,393
State and other public entities	14	1,459,900	511
Shareholders	5	453,436,743	193,118,564
Other current receivables	13	3,617,765	45,784,567
Deferred assets	15	8,326,163	9,896,342
Cash and cash equivalents	4	449,835,807	472,514,473
		981,294,377	**839,243,782**
Total assets		**2,547,421,020**	**2,666,954,965**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	16	767,500,000	767,500,000
Treasury shares	16	(103,261,185)	(100,591,893)
Legal reserves	16	83,644,527	75,265,842
Retained Earnings	16	726,647,522	768,236,088
Adjustments to financial investments	16	(368,252,718)	(363,589,026)
Other changes in equity	16	9,983,992	13,500,353
		1,116,262,138	**1,160,321,364**
Net profit for the year		162,731,697	167,573,703
Shareholders' equity		**1,278,993,835**	**1,327,895,067**
Liabilities			
Non current liabilities			
Provisions	17	33,644,283	34,577,438
Interest-bearing liabilities	18	474,940,476	779,642,857
Pensions and other post-employment benefits	19	232,412	-
Deferred tax liabilities	11	5,987,804	7,564,648
Other non-current liabilities	18	-	-
		514,804,975	**821,784,943**
Current liabilities			
Accounts payable	18	40,800,297	59,664,572
State and other public entities	14	59,134,133	86,052,482
Shareholders	5	329,760,939	290,644,272
Interest-bearing liabilities	18	304,735,140	59,702,381
Other current liabilities	18	19,191,703	21,211,250
		753,622,211	**517,274,956**
Total liabilities		**1,268,427,186**	**1,339,059,899**
Total equity and liabilities		**2,547,421,020**	**2,666,954,965**

(Amounts expressed in Euro)

INCOME STATEMENT BY NATURE
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

Amounts in Euro	Note	2014	2013
Sales and services rendered	20	278,970,536	425,249,773
Government grants	21	108,636	198,094
Gains / (losses) of subsidiaries, associates and joint ventures	22	131,888,895	121,568,452
Changes in inventories of finished goods and w ork in progress	12	(625,977)	856,558
Ow n w ork capitalized		105,390	120,359
Cost of inventories sold and consumed	12	(172,137,679)	(259,597,867)
External supplies and services	23	(61,921,733)	(88,662,701)
Payroll costs	24	(6,083,594)	(22,304,642)
Inventory impairments ((expenses)/ reversals)	12	13,083	132,261
Accounts receivable impairments ((expenses)/ reversals)	13	22,169	-
Provisions ((increases)/ decreases)	17	(3,272,055)	(6,754,904)
Other operating income	25	17,027,516	16,003,788
Other operating costs	26	(7,248,056)	(8,302,895)
Profit before taxes, depreciation and financing expenses		**176,847,130**	**178,506,274**
(Expenses)/ reversals of depreciation and amortisation	27	(18,486,299)	(29,772,233)
Impairment of depreciable / amortizable investments ((expenses) / reversals)	27	-	(31,487)
Operating results (before tax and financing expenses)		**158,360,831**	**148,702,555**
Interest and similar income	28	13,000,239	17,354,646
Interest and similar charges	28	(44,425,915)	(38,275,822)
Profit before tax		**126,935,154**	**127,781,378**
Income tax	11	35,796,542	39,792,324
Net profit for the year		**162,731,697**	**167,573,703**
Earnings per share			
Basic earnings per share	29	0.23	0.23
Diluted earnings per share	29	0.23	0.23

(Amounts expressed in Euro)

STATEMENT OF CHANGES IN EQUITY
FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

Amounts in Euro	Notes	Share Capital (Note 16.1)	Treasury Shares	Legal Reserves (Note 16.3)	Retained Earnings (Note 16.4)	Adjustments in financial assets (Note 16.5)	Other changes in equity (Note 16.6)	Net Profit for the year	Total
Equity as of 1 January 2014		767,500,000	(100,591,893)	75,265,842	768,236,088	(363,589,026)	13,500,353	167,573,703	1,327,895,066
Changes in period									
Fair value of derivative financial instruments									
Movements in fair value reserves	16	-	-	-	-	-	(2,248,712)	-	(2,248,712)
Deferred tax adjustments		-	-	-	-	-	600,619	-	600,619
Actuarial gains / (losses)									
Actuarial gains / (losses) in post-employment benefits	16	-	-	-	-	-	(583,859)	-	(583,859)
Deferred tax adjustments		-	-	-	-	-	(43,091)	-	(43,091)
Changes in investment grants									
Tangible assets investment government grants	16	-	-	-	-	-	(2,162,531)	-	(2,162,531)
Deferred tax adjustments	19	-	-	-	-	-	921,212	-	921,212
Adjustments in financial assets	16	-	-	-	-	(4,663,692)	-	-	(4,663,692)
Transfer to reserves and retained earnings	16	-	-	8,378,685	159,195,018	-	-	(167,573,703)	-
		-	-	8,378,685	159,195,018	(4,663,692)	(3,516,362)	(167,573,703)	(8,180,053)
Net profit for the year								162,731,697	162,731,697
Net profit									154,551,643
Operations with shareholders in the period									
Aquisition of treasury shares	16	-	(2,669,291)	-	-	-	-	-	(2,669,291)
Distribution of net profit for the year ended 31 December 2013	16	-	-	-	(159,192,698)	-	-	-	(159,192,698)
Distribution of reserves	16	-	-	-	(41,590,886)	-	-	-	(41,590,886)
		-	(2,669,291)	-	(200,783,584)	-	-	-	(203,452,875)
Equity as of 31 December 2014		767,500,000	(103,261,185)	83,644,527	726,647,522	(368,252,718)	9,983,992	162,731,697	1,278,993,834

(Amounts expressed in Euro)

STATEMENT OF CHANGES IN EQUITY
FROM 1 JANUARY 2013 TO 31 DECEMBER 2013

Amounts in Euro	Notes	Share Capital (Note 16.1)	Treasury Shares	Legal Reserves (Note 16.3)	Retained Earnings (Note 16.4)	Adjustments in financial assets (Note 16.5)	Other changes in equity (Note 16.6)	Net Profit for the year	Total
Equity as of 1 January 2013		767,500,000	(95,220,697)	66,217,777	791,326,145	(357,586,008)	22,060,305	180,961,294	1,375,258,816
Changes in period									
Fair value of derivative financial instruments									
Movements in fair value reserves	16	-	-	-	-	-	195,599	-	195,599
Deferred tax adjustments		-	-	-	-	-	(55,066)	-	(55,066)
Actuarial gains / (losses)									
Actuarial gains / (losses) in post-employment benefits	16	-	-	-	(1,713,778)	-	(1,258,153)	-	(2,971,931)
Deferred tax adjustments		-	-	-	-	-	176,200	-	176,200
Changes in investment grants - Transfers to CelCacia									
Tangible assets investment government grants	16	-	-	-	8,074,985	-	(8,074,985)	-	-
Deferred tax adjustments	16	-	-	-	-	-	2,382,361	-	2,382,361
Changes in investment grants									
Tangible assets investment government grants	16	-	-	-	-	-	(3,523,964)	-	(3,523,964)
Deferred tax adjustments	19	-	-	-	-	-	1,598,058	-	1,598,058
Adjustments in financial assets	16	-	-	-	-	(6,003,018)	-	-	(6,003,018)
Transfer to reserves and retained earnings	16	-	-	9,048,065	171,913,229	-	-	(180,961,294)	-
		-	-	9,048,065	178,274,435	(6,003,018)	(8,559,951)	(180,961,294)	(8,201,763)
Net profit for the year								167,573,703	167,573,703
Net profit									
Operations with shareholders in the period									
Aquisition of treasury shares	16	-	(5,371,197)	-	-	-	-	-	(5,371,197)
Distribution of net profit for the year ended 31 December 2012	16	-	-	-	(115,219,193)	-	-	-	(115,219,193)
Distribution of reserves	16	-	-	-	(86,145,300)	-	-	-	(86,145,300)
		-	(5,371,197)	-	(201,364,493)	-	-	-	(206,735,690)
Equity as of 31 December 2013		767,500,000	(100,591,893)	75,265,842	768,236,088	(363,589,026)	13,500,353	167,573,703	1,327,895,066

(Amounts expressed in Euro)

CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2014 AND 2013

Amounts in Euro	Note	2014	2013
OPERATING ACTIVITIES			
Receipts from customers		482,576,927	652,502,373
Payments to suppliers		(327,916,095)	(455,199,187)
Payments to personnel		(38,429,807)	(39,693,733)
Cash Flow from operations		116,231,024	157,609,453
Income tax received / (paid)		5,310,760	(35,382,801)
Other receipts / (payments) relating to operating activities		(1,756,323)	(2,662,762)
Cash flow from operating activities (1)		**119,785,462**	**119,563,890**
INVESTMENT ACTIVITIES			
Inflows:			
Property, plant and equipment		5,612	574,515
Financial investments		242,930,900	424,074,486
Goverment grants		-	-
Interest and similar income		547,862	8,263,200
Dividends		139,559,979	145,606,596
		383,044,353	578,518,797
Outflows:			
Property, plant and equipment		(8,268,101)	(12,798,252)
Financial investments		(6,200,515)	(160,000,000)
		(14,468,616)	(172,798,252)
Cash flow from investing activities (2)		**368,575,736**	**405,720,545**
FINANCING ACTIVITIES			
Inflows:			
Borrowings		-	365,000,000
Other financing operations		-	-
		-	365,000,000
Outflows:			
Borrowings		(59,702,381)	(219,702,381)
Aquisition of treasury shares		(2,669,291)	(5,371,197)
Interest and similar expenses		(31,227,553)	(43,408,459)
Dividends		(223,897,886)	(201,364,493)
Other		(193,542,753)	(84,846,456)
		(511,039,864)	(554,692,986)
Cash flow from financing activities (3)		**(511,039,864)**	**(189,692,986)**
CHANGE IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)		(22,678,666)	335,591,450
EFFECT OF EXCHANGE RATE DIFFERENCES		-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		472,514,473	136,923,023
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**4**	**449,835,807**	**472,514,473**

ÍNDEX TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2014

(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 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, E.P.

The Group held by Portucel was created in the mid 1950's, when a group of technicians from "Companhia Portuguesa de Celulose de Cacia" made this company the first in the world to produce bleached eucalyptus sulphate pulp.

In 1976 Portucel EP was created as a result of the nationalization of all of Portugal's cellulose industry. As such, Portucel – Empresa de Celulose e Papel de Portugal, E.P. resulted from the merger with CPC – Companhia de Celulose, S.A.R.L., Socel – Sociedade Industrial de Celulose, S.A.R.L., Celtejo – Celulose do Tejo, S.A.R.L. and Celuloses do Guadiana, S.A.R.L.

Years after, as a result of the restructuring of Portucel – Empresa de Celulose e Papel de Portugal, S.A. that led to its privatization, Portucel S.A. was created, on May 31st 1993, through Decree-law 39/93.

In 1995, the company was reprivatized, and became a publicly traded company.

Aiming to restructure the paper industry in Portugal, Portucel acquired Papeis Inapa in 2000 and Soporcel in 2001. Those key strategic decisions resulted in the Portucel Group, which is the largest European and one of the World's largest producers of bleached pulp. It is also the biggest European producer of uncoated wood-free paper.

In June 2003, the Portuguese State sold a share of 30% of Portucel's equity, which was bought by the Semapa Group that, in September that same year, launched a bid for the remaining shares in order to secure control of the group, which it would obtain, securing a 67.1% share of Portucel's capital.

In November 2006, the Portuguese State concluded the third and final stage of the sale of Portucel, by moving Parpublica SGPS sell the remaining 25,72% it still held.

The company has been held in more than 75% by the Semapa Group since 2009 (excluding treasury shares).

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

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

The financial statements as of 31 December 2014 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 10 February 2015. However, the approval of the financial statements by the Annual General Shareholder's Meeting is still pending, as 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 of July 13th, and according to the structure, accounting and reporting standards and interpretational standards detailed, respectively, in notes 15652/2009, 15655/2009 and 15653/2009 of August 27th, 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 2014 – and according to NCRF 3 – First time adoption of the accounting and financial reporting standards.

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 elements contained in these financial statements are not fully comparable with the figures presented for comparative purposes, due to the transfer of the assets of Cacia industrial site to Celcacia, S.A., that took place on 31 December 2013.

This sitaution mainly impacts the comparability of revenues and expenses for the year as these financial statements are fully comparable in terms of operating results and net profit, since the results from the operation of Celcacia, S.A.(today a legal distinct entity) are being fully incorporated in Portucel, S.A. through the equity method.

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 of July 13th, and according to the structure, accounting and reporting standards and interpretational standards detailed, respectively, in notes 15652/2009, 15655/2009 and 15653/2009 of August 27th, 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) the fair value of delivered assets or to be delivered;
(b) the fair value of incurred or assumed liabilities;
(c) the fair value of equity instruments issued by the Company as trade of the acquired share over those entities; and
(d) the Costs directly attributable to the acquisition.

The excess over the concentration or acquisition cost related to the Company's fair value on the 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 estimated useful life.

In 2005 the Company started applying the goodwill valuation method, subsequent to the initial recognition, as prescribed in 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 indication 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 when the sale of an entity occurs.

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 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 years ended 31 December 2014 and 2013 against the Euro, were as follows:

	31-12-2014	31-12-2013	Valuation / (depreciation)
CHF (swiss franch)			
Average exchange rate for the year	1.21	1.23	1.00%
Exchange rate at the end of the year	1.20	1.23	2.00%
CZK (czech krone)			
Average exchange rate for the year	27.54	25.98	(6.00%)
Exchange rate at the end of the year	27.74	27.43	(1.00%)
DKK (danish krone)			
Average exchange rate for the year	7.45	7.46	0.00%
Exchange rate at the end of the year	7.45	7.46	0.00%
GBP (pound sterlling)			
Average exchange rate for the year	0.81	0.85	5.00%
Exchange rate at the end of the year	0.78	0.83	7.00%
HUF (hungarian florin)			
Average exchange rate for the year	308.56	296.89	(4.00%)
Exchange rate at the end of the year	315.54	297.40	(6.00%)
MZM (Mozambique Metical)			
Average exchange rate for the year	40.90	39.81	(3.00%)
Exchange rate at the end of the year	38.51	41.56	7.00%
PLN (polish zloti)			
Average exchange rate for the year	4.18	4.20	0.00%
Exchange rate at the end of the year	4.27	4.15	(3.00%)
SEK (swedish krone)			
Average exchange rate for the year	9.10	8.65	(5.00%)
Exchange rate at the end of the year	9.39	8.86	(6.00%)
TRY (Turkish Lira)			
Average exchange rate for the year	2.91	2.85	(2.00%)
Exchange rate at the end of the year	2.83	2.96	4.00%
USD (american dollar)			
Average exchange rate for the year	1.33	1.33	0.00%
Exchange rate at the end of the year	1.21	1.38	12.00%

(Amounts expressed in Euro)

3.4 Tangible assets

Tangible assets are booked at acquisition cost which includes the acquisition cost, costs directly attributable to the activities required for the assets to be in the place and in the 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 2009 (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 expensed in the year 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 minimum payments to be made under the contract. The payment 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 leases 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

Except for CO2 emission rights, 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.

The CO2 emission rights attributed to the Company within the National Plan for the free allocation of CO2 emission rights, are recognized under Intangible Assets at market value on the date they are awarded, with a corresponding liability being recorded under "Deferred income – grants", for the same amount.

As emissions occur, the Company recognizes the respective operating cost with a corresponding liability generated in the period. Simultaneously, the deferred income for grants is recognized proportionally as operating income.

Sales of emission rights give rise to a gain or a loss, for the difference between the amount realized and the lowest between (i) the respective initial recognition cost and (ii) the market value of those rights, and are recorded as "Other operating income" or "Other operating costs", respectively.

At the balance sheet date, the portfolio of CO2 emission rights is valued at the lower between the deemed acquisition cost (determined as described above) and its market value. On the other hand, liabilities due for the occurred emissions are valued at market value at the same date.

Whenever CO2 emissions exceed the emission rights owned by the company, liabilities are recognized in accordance with 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 to which the asset belongs to), 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 "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 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 the income statement 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 charge 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 the taxable income is available to allow its use.

The amounts to be included in current and 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.

3.8.1 Corporate Income Tax

Until 2013, and since 2003, most of the Group's Portuguese subsidiaries were taxed as a group through the "Regime Especial de Tributação de Grupos de Sociedades (RETGS)". Portucel led that tax group.

In 2014, as a result of the changes brought about by the reform of the Corportate Income Tax Law, those companies became part of the tax group led by Semapa SGPS, S.A..

In that group, all Portuguese resident companies in which Semapa GSPS, S.A. has a direct or indirect interest of 75% or more are included, provided they meet the remaining conditions of articles 69ª to 71ª of the Corporate Income Tax Law.

The above mentioned subsidiaries calculate income taxes as if they were taxed independently. However, the determined liabilities are recognized as due to the leader of the taxation group, currently Semapa, SGPS, S.A., who will proceed with the overall computation and the settlement of the income tax.

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 operating costs.

The differences between production costs for finished and intermediate products and their net realizable value, if lower, are recorded as inventories impairment losses.

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, as is revaluated 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 where 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 derivatives 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 transaction date 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 "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 release the company from that 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, green house gases' emissions, the production of waste 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, up until 2013, Portucel had assumed the obligation to pay a retirement bonus, equivalent to six-month salary, for employees that retire at the regular date of retirement of 65 years old.

The present value of the liabilities for future retirement payments and bonuses are determined on an actuarial basis and recorded as a cost of the period in line with the services provided by the potential beneficiaries in their employment, in accordance with NCRF 28. As such, the total liability is estimated separately for each plan at least once every six months, on the date of closing of the interim and annual accounts, by a specialised and independent entity in accordance 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".

Past service costs resulting from the implementation of a new plan, or increases in the benefits awarded are recognized immediately in situations where the benefits are to be paid or are past due.

The liability thus determined is stated in the statement of financial position, less the market value of the funds set up, as a liability, under Post-employment benefit liabilities, when underfunded, and as an asset in situations of over-funding.

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.

Gains and losses generated on a curtailment or settlement of a defined benefit pension plan are recognized in the income statement 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

From 2010 on, Portucel assumed commitments regarding payments to a defined contribution plan in 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, for 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 if joined until 2013 (22 if hired after that), as well as to a month's holiday allowance, which is acquired in the year preceding its payment.

According to the current Performance Management System ("Sistema de Gestão de Desempenho"), employees may be entitled 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, affecting profit for the year, 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 benefits arising from 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 takes place 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 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. Sales denominated in GBP, PLN and CHF also are representative, while sales in other currencies have smaller amounts.

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. At the end of 2012, company subscribed a new interest rate swap, amounting Euro 125 Million, hedging the commercial paper issued on that date.

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, original from Africa and South America.

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, through a price bonus for certified wood, a new initiative from Group.

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 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 Company'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.

The demand for printing and writing paper has been historically related with macroeconomic factors and the increasing use of copy and print material. A breakdown of the global economy and the increase of unemployment can cause a slowdown or decline in demand for printing and writing paper, thus affecting the performance of the Group.

Consumer preferences may have an impact on global paper demand or in certain particular types of paper, such as the demand for recycled products or products with certified virgin fibre.

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.

Currently, changes in law regard the new CO_2 emission rights' free attribution regime (EU-ETS – EU Emission Trading Scheme), as set up by the Directive 2003/87/CE, recently ammended by the Directive 2009/29/CE, the new emission trading directive, presenting the legal framework of the emission trading scheme for the years 2013 to 2020. This european directive was transposed to portuguese law by the Decree-Law 38/2013 of 15 March, and resulted in the reduction of the emission allowances granted.

If this trend continues, it will increase the costs for the transformation industry in general and in particular for the pulp and paper industry, without any compensation for the CO_2 that, annually, is absorbed by the forests it owns and manages.

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 CO_2 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) <u>Risks of context</u>

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. Lack of certification of the majority of the Portuguese forest.

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 <u>Impairment of goodwill</u>

Portucel tests annually whether there has been any impairment in goodwill, in accordance with the accounting policy described in Note 3.2. 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 <u>Useful lives of Property, plant and equipments</u>

Property, plant and equipment are the most material assets of the Group. Those are depreciated over their estimated economic useful lives.

The estimation of those useful lives, as well as the depreciation method used, are essential in measuring the annual depreciation charge to be recognized in comprehensive income.

In order to best estimate these parameters, the Board of Directors uses their best knowledge as well as benchmark analysis with international peers.

Due to its significant impact in the Group financial statements, management is also advised by external and independent consultants in order to best estimate these variables.

3.26.3 <u>Income tax</u>

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.

3.26.4 <u>Recognition of deferred tax assets</u>

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.

(Amounts expressed in Euro)

3.26.5 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.

3.26.6 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.

3.26.7 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 2014 and 2013 comprise the following:

Amounts in Euro		31-12-2014	31-12-2013
Cash		3,990	10,475
Short term bank deposits		204,653	100,399,520
Other treasury applications		449,627,163	372,104,478
	(Note 13)	**449,835,807**	**472,514,473**

(Amounts expressed in Euro)

5. Related parties

The following is a breakdown of related parties' balances as of 31 December 2014 and 2013:

	31-12-2014						
	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)
Portucel Soporcel Participações, S.G.P.S., S.A.	-	50,968,814	-	-	(57,000,000)	(1,270,844)	(165,340)
Portucel Soporcel Sales & Marketing, S.A.	1,133,408	-	-	-	(29,750,000)	-	(183,166)
Portucel Moçambique, Lda.	-	-	-	-	-	498,356	-
Portucel Finance sp. Z o.o.	12,371	-	-	-	(75,000,000)	(4,737,361)	(559,954)
Sociedade de Vinhos da Herdade de Espirra, S.A.	-	-	-	-	-	(23,351)	(3,455)
Eucaliptusland, S.A.	414,962	-	-	-	-	-	-
Arboser, S.A.	183,684	-	27,097	-	-	(394,500)	-
Enerpulp, S.A.	131,912	-	-	-	-	-	-
Portucel Soporcel Florestal, S.A.	-	-	-	-	-	(3,212,708)	(382,518)
Enerforest, S.A.	44,364	-	-	-	-	-	-
Empremédia, S.A.	109,985	-	-	943	-	(352)	-
Portucel Soporcel Lusa, Lda.	-	-	-	2,707	-	-	-
Viveiros Aliança, S.A.	-	-	-	-	-	(17,832)	(6,482)
SPCG, S.A.	1,481,448	-	-	-	-	-	-
EMA 21, S.A.	1,111,106	-	-	-	-	(771,364)	-
About The Future, S.A.	4,326,770	-	-	-	-	-	-
Headbox, S.A.	2,189,808	-	-	-	-	(2,898,888)	-
Portucel Soporcel Cogeração de Energia, S.A.	795,218	-	-	-	-	-	-
Atlantic Forests , S.A.	238,517	-	-	-	-	-	-
Portucel Papel Setúbal, S.A.	9,604,656	-	-	-	-	(6,678)	-
Portucel Soporcel Serviços Partilhados, S.A.	959,591	-	-	-	-	(640,440)	-
Portucel Soporcel Fine Paper, S.A.	3,420,653	-	-	136,457	(53,250,000)	(553,194)	(258,361)
Soporcel Pulp, S.A.	85,736	-	-	-	-	-	-
Ema Cacia, ACE	-	-	-	-	-	(27,675)	-
Ema Setúbal, ACE	-	-	-	-	-	(919,904)	-
Bosques do Atlântico, S.L.	-	-	-	-	-	(4,462,400)	(278,240)
Colombo Energy INC	-	-	-	-	-	(48,888)	-
Portucel Soporcel Internacional, S.G.P.S., S.A.	-	16,384,262	2,046,157	-	(90,750,000)	(2,058,492)	(558,733)
Portucel Soporcel Papel, S.G.P.S., S.A.	-	141,171,430	-	-	(1,103,952)	-	-
Portucel Soporcel Energia, S.G.P.S., S.A.	-	14,470,097	-	-	-	-	-
Portucel Soporcel Pulp, S.G.P.S., S.A.	-	140,866,712	-	-	-	-	-
Portucel Soporcel Floresta, S.G.P.S., S.A.	-	89,490,705	-	-	-	-	-
Portucel Florestal, S.A.	-	-	-	-	(1,148,105)	-	-
Soporcel, S.A.	15,183,236	84,723	-	-	-	-	-
Celcacia, S.A.	(2,161,869)	-	-	-	(5,819,597)	-	-
Portucel Soporcel Parques Industriais, S.A.	1,157,320	-	-	-	(5,914,818)	-	-
Portucel Soporcel Abastecimento de Madeira, ACE	306,796	-	-	-	(10,024,466)	(8,875,175)	-
	40,729,672	**453,436,743**	**2,073,253**	**140,108**	**(329,760,939)**	**(30,421,688)**	**(2,396,248)**

	31-12-2013						
	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)
Portucel Soporcel Participações, S.G.P.S., S.A.	-	30,227,502	-	620,075	(57,000,000)	-	-
Portucel Soporcel Sales & Marketing, S.A.	407,668	-	-	-	(29,750,000)	(776,260)	-
Portucel Moçambique, Lda.	20,977	-	704,701	-	-	1,923,248	-
Portucel Finance sp. Z o.o.	-	-	-	-	(75,000,000)	-	(1,911,665)
Sociedade de Vinhos da Herdade de Espirra, S.A.	4,100	-	-	390	-	(4,900)	(126)
Eucaliptusland, S.A.	604,406	-	-	829,857	-	-	-
Arboser, S.A.	264,761	-	-	23,960	-	(926,042)	-
Enerpulp, S.A.	1,376,563	-	29,170	373,509	-	(214,575)	-
Portucel Soporcel Florestal, S.A.	87,101	-	-	20,870	-	(4,937,352)	(533,281)
Enerforest, S.A.	39,256	-	-	29,575	-	-	-
Empremédia, S.A.	109,045	-	365,636	137,624	-	-	-
Portucel Soporcel Lusa, Lda.	-	-	-	29,661	-	-	-
Viveiros Aliança, S.A.	4,100	-	-	17,018	-	(25,837)	(7,725)
SPCG, S.A.	2,405,563	-	-	1,008,737	-	(1,326)	-
EMA 21, S.A.	1,004,821	31,034	-	7,700	-	(1,509,020)	-
About The Future, S.A.	29,104,119	-	-	898,099	(939)	(38,293)	-
Headbox, S.A.	742,542	542	-	1,933	-	(134,932)	-
Portucel Soporcel Cogeração de Energia, S.A.	3,075,588	-	-	2,218,766	-	-	-
Atlantic Forests , S.A.	-	-	-	38,005	-	-	-
Portucel Papel Setúbal, S.A.	9,809,080	5,791	-	14	-	(255)	-
Portucel Soporcel Serviços Partilhados, S.A.	7,307,902	-	-	4,582	-	(2,054,461)	-
Portucel Soporcel Fine Paper, S.A.	13,274,306	-	-	6,192,879	-	-	-
Soporcel Pulp, S.A.	257,351	-	-	-	-	-	(165)
Ema Cacia, ACE	-	-	-	-	-	(651,950)	-
Ema Setúbal, ACE	-	-	-	-	-	(1,325,697)	-
Raiz	-	-	-	-	-	(57,457)	-
Bosques do Atlântico, S.L.	-	-	-	-	-	(423,997)	(2,970,749)
Portucel Soporcel Deutschland GmbH	-	-	-	-	-	(206)	-
Portucel Soporcel Internacional, S.G.P.S., S.A.	-	968,698	-	1,017,679	(90,750,000)	-	-
Portucel Soporcel Papel, S.G.P.S., S.A.	(2,564,513)	-	-	-	(18,246,370)	-	(197,471)
Portucel Soporcel Energia, S.G.P.S., S.A.	-	17,844,397	-	1,663	-	-	-
Portucel Soporcel Pulp, S.G.P.S., S.A.	-	139,027,240	-	-	-	-	-
Portucel Soporcel Floresta, S.G.P.S., S.A.	-	2,494,287	-	-	-	-	(184)
Portucel Florestal, S.A.	-	-	-	12,829	(1,233,174)	-	(40,264)
Soporcel, S.A.	24,575,474	-	-	24,745,138	-	-	(2,996,355)
Celcacia, S.A.	-	-	-	-	(18,663,789)	-	-
Portucel Soporcel Parques Industriais, S.A.	-	2,519,073	-	2,996,291	-	-	-
Portucel Soporcel Abastecimento de Madeira, ACE	-	-	-	-	-	(29,400,939)	-
	91,910,209	**193,118,564**	**1,099,507**	**41,226,855**	**(290,644,272)**	**(40,560,250)**	**(8,657,985)**

(Amounts expressed in Euro)

In the years ended 31 December 2014 and 2013, transactions with related parties were as follows:

	2014						
Amounts in Euro	Acquisitions of goods and services	External supplies and services	Other expenses	Interest costs	Sales and services rendered	Other income	Interest revenue
Portucel Soporcel Participações, S.G.P.S., S.A.	-	-	-	2,506,681	-	-	(1,237,432)
Portucel Soporcel Sales & Marketing, S.A.	-	-	-	1,306,656	(1,178,183)	(4,815)	-
Portucel Moçambique, Lda.	-	-	-	-	-	680,426	-
Portucel Finance sp. Z o.o.	-	-	-	3,293,661	-	-	-
Sociedade de Vinhos da Herdade de Espirra, S.A.	-	28,285	-	-	-	-	-
Eucaliptusland, S.A.	-	-	-	-	(337,367)	-	-
Arboser, S.A.	-	3,968,907	-	-	-	(508,888)	-
Enerpulp, S.A.	71,159	-	-	-	(9,065,238)	-	-
Portucel Soporcel Florestal, S.A.	5,159,754	127,008	-	-	-	(280,367)	-
Enerforest, S.A.	-	-	-	-	-	(364,869)	-
Empremédia, S.A.	-	135,152	-	-	(89,418)	365,636	-
Portucel Soporcel Lusa, Lda.	-	163	-	-	-	-	-
Viveiros Aliança, S.A.	-	262,079	-	-	-	-	-
Aflomec, S.A.	-	(65)	-	-	(1,308,185)	(76,448)	-
Socortel, S.A.	7,896,213	4,450,999	-	-	-	(2,869,885)	-
Cofotrans, S.A.	4,335	(41,714)	(45)	-	(142,272,541)	(2,965,731)	-
Headbox, S.A.	-	6,346,207	(159)	-	-	250	331
Portucel Soporcel Cogeração de Energia, S.A.	-	-	-	-	(646,519)	-	-
Atlantic Forests , S.A.	-	(11,318)	-	-	-	250	-
Portucel Papel Setúbal, S.A.	9,240	-	-	-	(69,331,037)	(1,026,214)	-
Portucel Soporcel Serviços Partilhados, S.A.	-	824,272	-	-	(28,705)	240	-
Portucel Soporcel Fine Paper, S.A.	-	(61,347)	-	1,936,766	(113,376)	(2,666,391)	-
Soporcel Pulp, S.A.	-	-	47	-	-	(4,239,476)	-
Ema Cacia, ACE	-	135,000	-	-	-	-	-
Ema Setúbal, ACE	-	8,773,156	-	-	-	-	-
Raiz	-	(187)	-	-	-	-	-
Bosques do Atlântico, S.L.	4,740,640	-	-	-	-	(66)	-
Portucel Soporcel Deutschland GmbH	-	-	-	-	-	-	-
Portucel International Trading Gmbh	-	-	-	-	-	-	-
Portucel Soporcel Internacional, S.G.P.S., S.A.	-	-	-	3,985,848	(2,046,157)	-	(279,289)
Portucel Soporcel Papel, S.G.P.S., S.A.	-	-	-	-	-	-	(450,728)
Portucel Soporcel Energia, S.G.P.S., S.A.	-	-	-	-	-	-	(860,383)
Portucel Soporcel Pulp, S.G.P.S., S.A.	-	-	-	-	-	-	(5,713,547)
Portucel Soporcel Floresta, S.G.P.S., S.A.	-	-	-	-	-	-	(240,644)
Portucel Florestal, S.A.	-	-	-	48,306	-	-	-
Soporcel, S.A.	-	(8,031)	-	-	(12,337,777)	-	-
Celcacia, S.A.	-	9,607	-	537,017	(1,752,006)	(2,977,768)	-
Portucel Soporcel Parques Industriais, S.A.	-	-	-	-	(940,910)	-	(21,263)
Portucel Soporcel Abastecimento de Madeira, ACE	128,862,398	(38,883)	-	-	-	-	(110,850)
	146,743,739	**24,899,290**	**(157)**	**13,614,936**	**(241,447,420)**	**(16,934,115)**	**(8,913,805)**

	2013							
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 revenue
Portucel Soporcel Participações, S.G.P.S., S.A.	-	-	-	-	2,584,336	-	-	(856,588)
Portucel Soporcel Sales & Marketing, S.A.	-	-	-	-	4,542,763	(544,814)	(1,950)	-
Portucel Finance sp. Z o.o.	-	-	-	-	1,911,665	-	-	-
Sociedade de Vinhos da Herdade de Espirra, S.A.	-	23,348	-	-	-	(3,333)	-	-
Eucaliptusland, S.A.	-	-	-	-	-	(595,738)	-	-
Arboser, S.A.	-	8,256,123	-	-	-	(1,117,289)	(1,411,673)	-
Enerpulp, S.A.	2,740,059	-	-	-	-	(9,074,006)	(291,411)	-
Portucel Soporcel Florestal, S.A.	7,606,262	48,402	-	-	-	(346,169)	(91,060)	-
Enerforest, S.A.	-	-	-	-	-	(6,265)	(49,674)	-
Empremédia, S.A.	-	101,100	-	-	-	(88,654)	(365,636)	-
Viveiros Aliança, S.A.	-	389,643	-	270	-	(3,333)	-	-
Aflomec, S.A.	-	17,074	-	-	-	(4,075,373)	(148,961)	-
Socortel, S.A.	10,242,299	5,370,491	-	-	-	(7,221,702)	(5,047,662)	-
Cofotrans, S.A.	4,891	103,666	(3,178,754)	-	-	(144,720,289)	(116,907)	-
Headbox, S.A.	-	1,017,200	(6,810,751)	-	-	-	-	-
Portucel Soporcel Cogeração de Energia, S.A.	219,273	46,330	-	-	-	(7,067,821)	(3,928,000)	-
Atlantic Forests , S.A.	582,097	-	-	-	-	-	-	-
Portucel Papel Setúbal, S.A.	2,331	-	-	-	-	(69,670,765)	(112,231)	-
Portucel Soporcel Serviços Partilhados, S.A.	-	(6,150,979)	(5,931,232)	-	-	-	(5,103)	-
Portucel Soporcel Fine Paper, S.A.	-	12,975	-	-	-	(111,856,942)	(2,739,080)	-
Soporcel Pulp, S.A.	-	-	-	-	80,923	-	(4,129,341)	-
Ema Cacia, ACE	-	5,480,000	-	-	-	-	-	-
Ema Setúbal, ACE	-	8,945,707	-	-	-	-	-	-
Raiz	-	186,848	-	-	-	-	-	-
Bosques do Atlântico, S.L.	4,624,746	-	-	-	-	-	-	-
Portucel Soporcel Deutschland GmbH	-	206	-	-	-	-	-	-
Portucel Soporcel Internacional, S.G.P.S., S.A.	-	-	-	-	3,917,437	-	-	(34,090)
Portucel Soporcel Papel, S.G.P.S., S.A.	-	-	-	-	-	-	-	(794,995)
Portucel Soporcel Energia, S.G.P.S., S.A.	-	-	-	-	-	-	-	(221,978)
Portucel Soporcel Pulp, S.G.P.S., S.A.	-	-	-	-	-	-	-	(3,629,540)
Portucel Soporcel Floresta, S.G.P.S., S.A.	-	-	-	-	-	-	-	(104,287)
Portucel Florestal, S.A.	-	-	-	-	65,441	(20,000)	-	-
Soporcel, S.A.	-	285,885	-	-	-	(19,348,529)	(246)	(119,439)
Portucel Soporcel Abastecimento de Madeira, ACE	174,022,766	-	-	-	-	-	1,373	-
	200,044,724	**24,134,019**	**(15,920,737)**	**270**	**13,102,566**	**(375,761,021)**	**(19,150,761)**	**(5,760,916)**

(Amounts expressed in Euro)

6. Property, plant and equipment

6.1 Changes in the period

Over the years ended 31 December 2014 and 2013, 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 2013	**36,771,454**	**164,242,164**	**860,662,649**	**6,346,129**	**16,478,572**	**15,889,415**	**10,752,818**	**64,000**	**1,111,207,201**
Acquisitions	-	-	3,906,812	5,082	-	35	4,143,711	437,000	8,492,640
Disposals	-	(3,961,734)	(5,948,993)	(81,160)	(2,820,244)	(176,227)	-	-	(12,988,357)
Adjustments, transfers and write-offs	-	201,732	(273,875,957)	(1,770,538)	(1,846,178)	(393,400)	(8,242,860)	-	(285,927,201)
Amount as of 31 December 2013	**36,771,454**	**160,482,162**	**584,744,512**	**4,499,512**	**11,812,151**	**15,319,822**	**6,653,670**	**501,000**	**820,784,283**
Acquisitions	-	-	-	-	-	-	6,950,225	397,500	7,347,725
Disposals	-	(11,486)	(2,354,707)	(46,538)	(2,022)	-	-	-	(2,414,754)
Adjustments, transfers and write-offs	-	-	8,011,259	91,922	13,180	12,660	(8,263,061)	-	(134,039)
Amount as of 31 December 2014	**36,771,454**	**160,470,676**	**590,401,064**	**4,544,896**	**11,823,309**	**15,332,482**	**5,340,834**	**898,500**	**825,583,215**
Accumulated depreciation and impairment losses									
Amount as of 1 January 2013	**-**	**(125,494,489)**	**(705,998,718)**	**(6,109,251)**	**(15,784,757)**	**(15,333,096)**	-	-	**(868,720,311)**
Depreciation		(5,595,478)	(27,059,308)	(78,314)	(252,127)	(310,970)			(33,296,196)
Disposals	-	3,366,976	5,915,340	81,160	2,711,840	176,227	-	-	12,251,543
Adjustments, transfers and write-offs	-	-	238,364,255	1,701,743	1,945,274	606,327	-	-	242,617,598
Amount as of 31 December 2013	**-**	**(127,722,991)**	**(488,778,432)**	**(4,404,662)**	**(11,379,770)**	**(14,861,512)**	**-**	**-**	**(647,147,367)**
Depreciation	-	(5,034,698)	(15,239,734)	(54,759)	(158,795)	(160,844)	-	-	(20,648,830)
Disposals	-	11,486	1,313,397	46,538	4,912	-	-	-	1,376,334
Amount as of 31 December 2014	**-**	**(132,746,203)**	**(502,704,769)**	**(4,412,883)**	**(11,533,653)**	**(15,022,356)**	**-**	**-**	**(666,419,864)**
Net assets									
Net book value as of 1 January 2013	36,771,454	38,747,675	154,663,931	236,877	693,816	556,319	10,752,818	64,000	242,486,889
Net book value as of 31 December 2013	36,771,454	32,759,171	95,966,080	94,850	432,381	458,310	6,653,670	501,000	173,636,916
Net book value as of 31 December 2014	36,771,454	27,724,473	87,696,295	132,013	289,656	310,126	5,340,834	898,500	159,163,352

In 2014, depreciation for the year amounted to Euro 20,648,830 (2013: Euro 33,296,196), which has been reduced by government grants of Euro 2,162,531 (2013: Euro 3,523,964). Therefore, the depreciation charge shown in the income statement amounts only to Euro 18,486,299 (2013: Euro 29,772,233).

Following Portucel’s analysis of the possibility of expanding its manufacturing unit located in Cacia, Aveiro, in 2013 Portucel carried out a capital increase of Euro 74,950,000 in CelCacia - Pulp Cacia, SA (Note 10). This capital increase was partly realized via a transfer of assets, through the allocation of the following assets relating to plant in Cacia, formerly held by Portucel:

Amounts in Euro	Aquisition cost	Accumulated depreciation	Net assets
Machinery and other equipment	281,451,658	(238,355,899)	43,095,760
Transportation equipment	1,785,456	(1,701,743)	83,713
Administrative equipment	1,626,252	(1,538,329)	87,923
Other property, plant and equipment	663,416	(606,327)	57,090
Assets under construction	1,179,067	-	1,179,067
	286,705,849	(242,202,296)	44,503,553
Inventories			11,782,658
Cash and cash equivalents			18,663,789
			74,950,000

After this operation, justifying the majority of the amounts shown as "Adjustments, transfers and write-offs" in 2013, Portucel owns, in the Cacia industrial complex, only the plant buildings and land and the biomass electricity generation unit.

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

The property, plant and equipment acquired until 31 December 1997 was revaluated in 1998 according to the criteria set forth in Decree-Law no. 31/98, dated February 11.

The revaluation surplus calculated in 1998 through this revaluation amounted to 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 1 January 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 2014 and 2013 the net book value of such assets included the effect of the referred revaluations as follows:

(Amounts expressed in Euro)

Amounts in Euro	31-12-2014			31-12-2013		
Caption	Acquisition cost	Revaluation Surplus	Revaluated amount	Acquisition cost	Revaluation Surplus	Revaluated amount
Land	33,824,331	2,947,123	36,771,454	33,824,331	2,947,123	36,771,454
Buildings and other constructions	27,408,191	316,282	27,724,473	32,371,055	388,116	32,759,171
Machinery and equipment	87,684,825	11,470	87,696,295	95,958,053	8,027	95,966,080
Transportation equipment	132,013	-	132,013	94,850	-	94,850
Administrative equipment	289,656	-	289,656	432,381	-	432,381
Other property, plant and equipment	6,549,460	-	6,549,460	7,612,980	-	7,612,980
	155,888,477	**3,274,875**	**159,163,352**	**170,293,650**	**3,343,266**	**173,636,916**

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 2014 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 2014 amounts to Euro 3,,274,875, the Company recorded deferred tax liabilities of Euro 2,535,411 (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 2014 and 2013 the Company, as a lessee, does not have any property, plant and equipment under the financial leases.

7.2 Operating leases

As of 31 December 2014 and 2013 the outstanding commitment with operating leases, related to vehicles, showed the following maturities:

Amounts in Euro	31-12-2014	31-12-2013
Payments due in:		
2014	-	491,677
2015	316,077	423,936
2016	198,938	249,798
2017	113,336	130,393
2018	45,649	25,442
	674,000	**1,321,247**

Expenses related to operating leases recognized in the years ended 31 December 2014 and 2013 amount to Euro 151,044 and Euro 566.364, 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, with a goodwill of Euro 428,132,254, 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 at the acquisition of Soporcel was deemed to be allocable to the cash generating unit comprising the integrated paper production in the Figueira da Foz industrial complex.

(Amounts expressed in Euro)

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 2013 the net book value of the Goodwill would amount to Euro 188,378,192 (31 December 2013: Euro 205,503,482).

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:

	2014	2013
Inflation	2,00%	2,00%
Discount rate (post-tax)	8,69%	8,69%
Production growth	0%	0%
Growth rate in perpetuity	-1,00%	-1,00%

The discount rate presented above is a post-tax tax rate equivalent to a discount rate pre-tax of 12.33%, and has been calculated in accordance with the WACC (Weighted Average Cost of Capital) methodology, based on the following assumptions:

	2014	2013
Risk-free interest rate	5,62%	5,62%
Risk premium on equity (market and entity)	5,80%	5,80%
Debt risk premium	5,80%	5,80%
Tax rate	29,50%	29,50%

9. Intangible Assets

Over the years ended 31 December 2014 and 2013, changes in intangible assets were as follows:

Amounts in Euro	CO2 emission allowances
Acquisition Cost	
Amount as of 1 January 2013	**1,526,053**
Acquisitions	983,281
CO2 emission allowances granted	164,673
CO2 emission allowances surrendered to the coordinating entity	(2,040,696)
Amount as of 31 December 2013	**633,311**
CO2 emission allowances granted	9,601
Disposals of CO2 emission allowances	(8,716)
CO2 emission allowances surrendered to the coordinating entity	(388,228)
Amount as of 31 December 2014	**245,967**
Accumulated depreciation and impairment losses	
Amount as of 1 January 2013	**(1,432,117)**
Amortization and impairment losses	(31,487)
Adjustments, transfers and write-offs	1,463,604
Amount as of 31 December 2013	**-**
Amount as of 31 December 2014	**-**
Net book value as of 1 January 2013	93,936
Net book value as of 31 December 2013	633,311
Net book value as of 31 December 2014	**245,967**

(Amounts expressed in Euro)

Over the years ended 31 December 2014 and 2013, the CO2 emission rights recorded the following changes in tons of CO2:

Amounts in Tons	2014	2013
Beginning balance	**246,771**	**11,406**
Acquisitions	38,402	268,684
Allowances granted	29,747	32,112
Disposals	(165,213)	-
CO2 emission allowances handed over to the coordinating entity	(71,104)	(65,431)
Ending balance	**78,603**	**246,771**
Valuation	**245,967**	**633,311**

10. Financial investments

10.1 Financial investments – equity method

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

As of 31 December 2014 and 2013 the Company held direct shares over the following subsidiaries, jointly-controlled entities and associates:

	2014				2013
	Equity	Profit for the year	%.	Balance sheet amount	Balance sheet amount
Subsidiaries					
Portucel Soporcel Internacional, S.G.P.S., S.A.	175,889,446	9,695,205	100	175,889,446	166,336,844
Portucel Soporcel Papel, S.G.P.S., S.A.	424,734,637	62,295,116	100	418,105,591	538,110,003
Portucel Soporcel Energia, S.G.P.S., S.A.	25,151,827	5,675,629	100	25,151,827	28,790,112
Portucel Soporcel Pulp, S.G.P.S., S.A.	61,865,908	(340,509)	100	61,865,908	64,783,653
Portucel Soporcel Floresta, S.G.P.S., S.A.	67,521,835	7,446,487	100	67,521,835	144,954,461
Portucel Florestal, S.A.	2,010,891	109,676	100	(5,135,017)	(5,082,720)
Soporcel, S.A.	68,816,437	29,472,028	100	67,060,829	126,641,215
Celcacia, S.A.	76,260,078	4,446,740	100	76,210,965	72,567,639
Portucel Soporcel Parques Industriais, S.A.	33,115,838	1,601,161	100	33,115,838	31,511,064
	935,366,897	**120,401,532**		**919,787,222**	**1,168,612,272**
Jointly controled entities					
Portucel Soporcel Participações, S.G.P.S., S.A.	81,863,516	3,153,769	24	19,761,853	37,138,164
Portucel Soporcel Sales & Marketing, S.A.	212,958,371	31,847,716	25	53,170,391	45,491,408
Portucel Moçambique, Lda.	25,833,764	7,851,527	25	6,458,441	(2,539,569)
Portucel Brasil, Ltda.	21,333	-	25	6,000	6,000
Portucel Finance sp.Zo.o.	105,649,004	3,613,963	25	26,412,251	25,508,760
	426,325,989	**46,466,975**		**105,808,936**	**105,604,764**
	1,361,692,886	**166,868,507**		**1,025,596,158**	**1,274,217,035**

The balance sheet amount of the investment in PortucelSoporcel Papel, SGPS, S.A., Portucel Floresta, S.A. e Soporcel 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.

(Amounts expressed in Euro)

Changes in the period

Over the years ended 31 December 2014 and 2013, the changes in financial investments in subsidiaries, jointly-controlled entities and associates were as follows:

	31-12-2014			31-12-2013		
Amounts in Euro	Subsidiaries	Jointly controled entities	Total	Subsidiaries	Jointly controled entities	Total
Beginning balance	**1,168,612,272**	**105,604,766**	**1,274,217,036**	**1,417,233,209**	**79,832,907**	**1,497,066,116**
Share capital of new companies	**-**	**-**	**-**	**31,511,064**	**-**	**31,511,064**
Capital decreases	**(225,779,430)**	**(17,151,470)**	**(242,930,900)**	**(427,680,000)**	**-**	**(427,680,000)**
Portucel Soporcel Papel, S.G.P.S., S.A.	(141,171,430)	-	(141,171,430)	(153,900,000)	-	(153,900,000)
Portucel Soporcel Energia, S.G.P.S., S.A.	(4,800,000)	-	(4,800,000)	(30,000,000)	-	(30,000,000)
Portucel Soporcel Participações, S.G.P.S., S.A.	-	(17,151,470)	(17,151,470)	-	-	-
Portucel Soporcel Pulp, S.G.P.S., S.A.	-	-	-	(194,400,000)	-	(194,400,000)
Portucel Soporcel Floresta, S.G.P.S., S.A.	(79,808,000)	-	(79,808,000)	-	-	-
Soporcel, S.A.	-	-	-	(49,380,000)	-	(49,380,000)
Appropriated results through the equity method	**120,296,016**	**11,592,879**	**131,888,895**	**116,399,051**	**5,169,401**	**121,568,452**
Portucel Soporcel Internacional, S.G.P.S., S.A.	9,695,205	-	9,695,205	-	-	-
Portucel Soporcel Papel, S.G.P.S., S.A.	61,954,287	-	61,954,287	46,737,348	-	46,737,348
Portucel Soporcel Energia, S.G.P.S., S.A.	5,675,629	-	5,675,629	4,513,915	-	4,513,915
Portucel Soporcel Participações, S.G.P.S., S.A.	-	761,320	761,320	-	218,163	218,163
Portucel Soporcel Pulp, S.G.P.S., S.A.	-	-	-	1,176,777	-	1,176,777
Portucel Soporcel Floresta, S.G.P.S., S.A.	7,446,487	-	7,446,487	5,178,231	-	5,178,231
Portucel Florestal, S.A.	109,676	-	109,676	130,321	-	130,321
Soporcel, S.A.	29,710,203	-	29,710,203	59,039,581	-	59,039,581
Celcacia, S.A.	4,443,877	-	4,443,877	-	-	-
Portucel Soporcel Parques Industriais, S.A.	1,601,161	-	1,601,161	-	-	-
Portucel Soporcel Sales & Marketing, S.A.	-	7,965,187	7,965,187	-	6,125,053	6,125,053
Portucel Moçambique, Lda.	-	1,962,882	1,962,882	-	-	-
Portucel Finance sp. Z o.o.	-	903,491	903,491	-	508,458	508,458
Portucel Soporcel Internacional, S.G.P.S., S.A.	-	-	-	(377,123)	-	(377,123)
Portucel Soporcel Pulp, S.G.P.S., S.A.	(340,509)	-	(340,509)	-	-	-
Portucel Moçambique, Lda.	-	-	-	-	(1,682,273)	(1,682,273)
Changes in equity not recognized in results	**(4,642,362)**	**(21,435)**	**(4,663,797)**	**3,681,950**	**(125,369)**	**3,556,581**
Dividends / Reserves distribution	**(138,568,952)**	**(991,026)**	**(139,559,979)**	**(141,234,422)**	**(4,272,174)**	**(145,506,596)**
Portucel Soporcel Floresta, S.G.P.S., S.A.	-	-	-	21,386,985	-	21,386,985
Portucel Soporcel Papel, S.G.P.S., S.A.	(41,882,148)	-	(41,882,148)	(63,747,390)	-	(63,747,390)
Portucel Soporcel Energia, S.G.P.S., S.A.	(4,513,915)	-	(4,513,915)	(12,307,437)	-	(12,307,437)
Portucel Soporcel Participações, S.G.P.S., S.A.	-	(991,026)	(991,026)	-	-	-
Portucel Soporcel Pulp, S.G.P.S., S.A.	(1,117,938)	-	(1,117,938)	(4,641,629)	-	(4,641,629)
Portucel Soporcel Floresta, S.G.P.S., S.A.	(4,919,320)	-	(4,919,320)	(1,690,231)	-	(1,690,231)
Portucel Florestal, S.A.	-	-	-	(536,546)	-	(536,546)
Soporcel, S.A.	(86,135,632)	-	(86,135,632)	(54,988,213)	-	(54,988,213)
Portucel Soporcel Sales & Marketing, S.A.	-	-	-	-	(4,272,174)	(4,272,174)
Acquisition of subsidiaries	**-**	**-**	**-**	**74,950,000**	**25,000,000**	**99,950,000**
Celcacia, S.A.	-	-	-	74,950,000	-	74,950,000
Portucel Finance sp. Z o.o.	-	-	-	-	25,000,000	25,000,000
Capital increases	**-**	**6,775,114**	**6,775,114**	**-**	**-**	**-**
Portucel Moçambique, Lda.	-	6,775,114	6,775,114	-	-	-
Other Changes	**(130,321)**	**-**	**(130,321)**	**96,192,483**	**-**	**96,192,483**
Portucel Soporcel Floresta, S.G.P.S., S.A.	-	-	-	(164,321,335)	-	(164,321,335)
Portucel Soporcel Internacional, S.G.P.S., S.A.	-	-	-	164,321,335	-	164,321,335
Portucel Soporcel Papel, S.G.P.S., S.A.	-	-	-	135,000,000	-	135,000,000
Portucel Florestal, S.A.	(130,321)	-	(130,321)	-	-	-
Soporcel, S.A.	-	-	-	(31,520,228)	-	(31,520,228)
Celcacia, S.A.	-	-	-	(8,074,985)	-	(8,074,985)
Portucel Soporcel Parques Industriais, S.A.	-	-	-	787,696	-	787,696
Closing balance	**919,787,222**	**105,808,827**	**1,025,596,157**	**1,168,612,272**	**105,604,766**	**1,274,217,036**

(Amounts expressed in Euro)

Detail of the gains and losses recognized in results

In 2014, the gains and losses with subsidiaries and associates were recorded under the following captions:

	Proportional amount in results			
	Losses from subsidiaries (Note 22)	Gains from subsidiaries (Note 22)	Adjustments in financial assets (Note 16.6)	Dividends / Reserves distribution
Associates				
Portucel Soporcel Participações, S.G.P.S., S.A.	-	761,320	4,865	(991,026)
Portucel Soporcel Sales & Marketing, S.A.	-	7,965,187	(286,204)	-
Portucel Moçambique, Lda.	-	1,962,882	260,014	-
Portucel Finance sp. Z o.o.	-	903,491	-	-
	-	**11,592,879**	**(21,325)**	**(991,026)**
Subsidiaries				
Portucel Soporcel Internacional, S.G.P.S., S.A.	-	9,695,205	(142,603)	-
Portucel Soporcel Papel, S.G.P.S., S.A.	-	61,954,287	1,094,874	(41,882,148)
Portucel Soporcel Energia, S.G.P.S., S.A.	-	5,675,629	-	(4,513,915)
Portucel Soporcel Pulp, S.G.P.S., S.A.	(340,509)	-	(1,459,298)	(1,117,938)
Portucel Soporcel Floresta, S.G.P.S., S.A.	-	7,446,487	(151,793)	(4,919,320)
Portucel Florestal, S.A.	-	109,676	(31,652)	-
Soporcel, S.A.	-	29,710,203	(3,154,958)	(86,135,632)
Celcacia, S.A.	-	4,443,877	(800,551)	-
Portucel Soporcel Parques Industriais, S.A.	-	1,601,161	3,613	-
	(340,509)	**120,636,525**	**(4,642,368)**	**(138,568,952)**
	(340,509)	**132,229,404**	**(4,663,692)**	**(139,559,979)**

In 2013, the gains and losses with subsidiaries and associates were recorded under the following captions:

	Proportional amount in results			
	Losses from subsidiaries (Note 22)	Gains from subsidiaries (Note 22)	Adjustments in financial assets (Note 16.6)	Dividends / Reserves distribution
Associates				
Portucel Soporcel Participações, S.G.P.S., S.A.	-	218,163	(2,916)	-
Portucel Soporcel Sales & Marketing, S.A.	-	6,125,053	(122,757)	(4,272,174)
Portucel Moçambique, Lda.	(1,682,273)	-	-	-
Portucel Finance sp. Z o.o.	-	508,458	302	-
	(1,682,273)	**6,851,674**	**(125,371)**	**(4,272,174)**
Subsidiaries				
PS Floresta SGPS, S.A.	-	-	(302)	(3,322,975)
Portucel Soporcel Internacional, S.G.P.S., S.A.	(377,123)	-	-	-
Portucel Soporcel Papel, S.G.P.S., S.A.	-	46,737,348	(601,620)	(63,747,390)
Portucel Soporcel Energia, S.G.P.S., S.A.	-	4,513,915	(1,981,018)	(12,307,437)
Portucel Soporcel Pulp, S.G.P.S., S.A.	-	1,176,777	(1,458,782)	(4,641,629)
Portucel Soporcel Floresta, S.G.P.S., S.A.	-	5,178,231	(458,075)	(1,690,231)
Portucel Florestal, S.A.	-	130,321	(29,185)	(536,546)
Soporcel, S.A.	-	59,039,581	432,075	(54,988,213)
Celcacia, S.A.	-	-	(2,382,361)	-
	(377,123)	**116,776,173**	**(6,479,267)**	**(141,234,421)**
	(2,059,396)	**123,627,848**	**(6,604,638)**	**(145,506,595)**

10.2 Financial investments – Other methods

As of 31 December 2014 and 2013 the Company owned a financial investment of 5,280 shares for Euro 5,267 in Lusitaniagás for which a full impairment loss was recorded in previous years.

(Amounts expressed in Euro)

11. Income tax

11.1 Current tax

Until 2013, Portucel was 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).

Since 2014, Portucel, S.A. and its Portuguese subsidiaries became part of the taxation group led by Semapa, SGPS, S.A.. Therefore, although each group company calculates its income taxes as if it was taxed independently, the determined liabilities are recognized as due to the leader of the taxation group, currently Semapa, SGPS, S.A., who will proceed with the overall computation and the settlement of the income tax.

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 2014 and 2013:

Amounts in Euro	2014	2013
Current tax	93,415	(5,445,266)
Provision for income tax	(33,894,607)	56,210,686
Deferred tax	(1,995,350)	(90,557,744)
	(35,796,542)	**(39,792,324)**

The provision for current tax is detailed as follows:

Amounts in Euro	2014	2013
(Excess) / Understatement in the provision for income tax	(20,412,040)	(4,062,649)
Net change in the estimate for aditional payments	(18,504,898)	18,764,143
Other	4,909,466	41,509,192
	(34,007,472)	**56,210,686**

In 2014 and 2013, the excess in the provision 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 2011 until 2014 may still be subject to review, although the years 2011 and 2012 were already subject to a tax inspection (for 2012, the consolidated tax audit is still ongoing). The Board of Directors believes that any reviews/ inspections by tax authorities will not have a material impact in its financial statements on 31 December 2014.

(Amounts expressed in Euro)

In the years ended 31 December 2014 and 2013, the reconciliation of the effective income tax rate was as follows:

Amounts in Euro	2014	2013
Profit before tax	126,935,154	127,781,378
Expected income tax (23.0%; 2013: 25.0%)	29,195,085	31,945,345
Municipal surcharge	1,284	46,106
State surcharge	-	47,213
Differences (a)	(64,947,309)	(65,684,797)
Impact of the change in the income tax rate	(118,038)	(345,567)
Adjustments to taxable amounts		
(Gains) / losses on taxation of corporate groups	-	(5,904,443)
Autonomous taxation	72,436	103,818
	(35,796,542)	**(39,792,324)**
Effective tax rate	-28.2%	-31.1%
Effective tax rate without the equity method	2.2%	-0.6%

(a) This amount is essentially made up of:

Amounts in Euro	2014	2013
Effects arising from the application of the equity method	(131,888,895)	(121,568,452)
Capital gains / (losses) for tax purposes	-	357,642
Capital gains / (losses) for accounting purposes	-	(357,642)
Tax benefits	(389,224)	(310,502)
Increase / (Decrease) in taxable provisions	3,398,464	(6,754,904)
Post employment benefits	-	-
Other	(91,280,715)	(79,889,308)
	(220,160,370)	(208,523,166)
Tax effect (29.5%; 2013: 31.5%)	**(64,947,309)**	**(65,684,797)**

11.2 Deferred taxes

The movement in deferred tax assets and liabilities during the years ended 31 December 2014 and 2013 was as follows:

	2014				
Amounts in Euro	Beginning balance	Results for the year: Increases	Results for the year: Decreases	Equity	Closing balance
Temporary differences originating deferred tax assets					
Taxable provisions	-	4,940,240	-	-	4,940,240
Derivative financial instruments at fair value	-	-	-	1,859,426	1,859,426
Intercompany gains, deferred	8,364,536	1,081,449	(373,712)	-	9,072,273
	8,364,536	**6,021,689**	**(373,712)**	**1,859,426**	**15,871,939**
Temporary differences originating deferred tax liabilities					
Revaluation of fixed assets	(8,594,615)	-	1,157,683	-	(7,436,932)
Post-employment benefits	(419,833)	-	565,903	(146,070)	-
Derivative financial instruments at fair value	(302,630)	-	-	302,630	-
Government grants recognised in equity	(16,325,797)	-	-	2,162,531	(14,163,266)
Intercompany losses, deferred	-	(173,633)	-	-	(173,633)
	(25,642,875)	**(173,633)**	**1,723,586**	**2,319,091**	**(21,773,831)**
Amounts presented in the balance sheet					
Deferred tax assets	2,467,538	1,776,398	(110,245)	548,531	4,682,222
Effect of change in the tax rate	-	(35,528)	(244,722)	(37,189)	(317,439)
Deferred tax assets	**2,467,538**	**1,740,870**	**(354,967)**	**511,342**	**4,364,783**
Deferred tax liabilities	(7,564,648)	(51,222)	508,458	684,132	(6,423,280)
Effect of change in the tax rate	-	-	280,647	154,829	435,477
Deferred tax liabilities	**(7,564,648)**	**(51,222)**	**789,105**	**838,961**	**(5,987,804)**

In the measurement of deferred taxes as at 31 December 2014, the corporate income tax rate used was 27.5%, as it reflects the decrease of nominal tax rate aproved by the Annual State Budget for 2015. In the measurement of deferred taxes as at 31 December 2013, the corporate income tax rate used was 29.5%

(Amounts expressed in Euro)

	2013				
Amounts in Euro	Beginning balance	Results for the year - Increases	Results for the year - Decreases	Equity	Closing balance
Temporary differences originating deferred tax assets					
Post-employment benefits	3,200,089	-	(3,200,089)	-	-
Intercompany gains, deferred	10,135,641	1,568,119	(3,339,223)	-	8,364,536
	13,335,730	**1,568,119**	**(6,539,313)**	**-**	**8,364,536**
Temporary differences originating deferred tax liabilities					
Revaluation of fixed assets	(10,747,314)	-	2,152,699	-	(8,594,615)
Post-employment benefits	(422,568)	(84,102)	86,837	-	(419,833)
Derivative financial instruments at fair value	(106,309)	(16,564)	15,841	(195,598)	(302,630)
Government grants recognised in equity	(27,924,405)	-	-	11,598,608	(16,325,797)
Intercompany losses deferred	(290,824,222)	-	290,824,222	-	-
Other temporary differences	-	-	-	-	-
	(330,024,819)	**(100,666)**	**293,079,599**	**11,403,010**	**(25,642,875)**
Amounts presented in the balance sheet					
Deferred tax assets	4,200,755	493,957	(2,059,884)	-	2,634,829
Effect of change in the tax rate	-	-	(167,291)	-	(167,291)
	4,200,755	**493,957**	**(2,227,174)**	**-**	**2,467,538**
Deferred tax liabilities	(103,957,818)	(31,710)	92,320,074	3,591,948	(8,077,506)
Effect of change in the tax rate	-	-	-	512,858	512,858
	(103,957,818)	**(31,710)**	**92,320,074**	**4,104,806**	**(7,564,648)**

12. Inventories

12.1 Detail of inventories

As of 31 December 2014 and 2013, inventories net of impairment losses comprised the following:

	31-12-2014			31-12-2013		
Amounts in Euro	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Raw , subsidiary and consumable materials						
Raw materials	10,150,628	-	10,150,628	5,903,334	(23,339)	5,879,995
Subsidiary materials	1,827,117	-	1,827,117	1,837,810	-	1,837,810
Other materials	3,202,658	-	3,202,658	2,646,355	-	2,646,355
Packaging materials	58,725	-	58,725	99,829	-	99,829
	15,239,128	-	15,239,128	10,487,328	(23,339)	10,463,989
Work in progress	727,493	-	727,493	598,285	-	598,285
Finished and intermediate products	2,067,236	-	2,067,236	2,822,421	-	2,822,421
Advances to inventories' suppliers	10,256	(10,256)	-	290,625	-	290,625
	18,044,113	**(10,256)**	**18,033,857**	**14,198,659**	**(23,339)**	**14,175,320**

12.2 Costs of goods sold

During the years ended 31 December 2014 and 2013 cost of goods sold was as follows:

Amounts in Euro	2014	2013
Beginning balance	10,487,328	24,682,139
Purchases	176,889,085	249,105,206
Adjustments	395	(3,702,150)
Closing balance	(15,239,128)	(10,487,328)
Cost of inventory sold and consumed	**172,137,679**	**259,597,867**

In 2013, the amount stated as “Adjustments” include Euro 3,683,267 due to transfer of assets to CelCacia, as part of the capital increase described in Note 6.

(Amounts expressed in Euro)

12.3 Changes in inventories of finished goods and work in progress

Changes in inventories for the years ended 31 December 2014 and 2013 were as follows:

	31-12-2014			31-12-2013		
Amounts in Euro	Finished and intermediate products	Work in progress	Total	Finished and intermediate products	Work in progress	Total
Closing balance	2,067,236	727,493	2,794,729	2,822,421	598,285	3,420,706
Adjustments	(152,063)	152,063	-	9,065,752	(3,528,718)	5,537,034
Beginning balance	(2,822,421)	(598,285)	(3,420,706)	(7,529,942)	(571,240)	(8,101,182)
Variation in production	**(907,248)**	**281,271**	**(625,977)**	**4,358,231**	**(3,501,673)**	**856,558**

In 2013, the amount stated as “Adjustments” include Euro 8,099,391 due to transfer of assets to CelCacia, as part of the capital increase described in Note 6.

12.4 Impairment losses

The changes in inventories’ accumulated impairment losses for the years ended 31 December 2014 and 2013 is as follows:

Amounts in Euro	2014	2013
Beginning balance	23,339	155,600
Reversals	(13,083)	-
Utilisations	-	(132,261)
Closing balance	**10,256**	**23,339**

13. Financial assets

13.1 Categories of financial assets

As of 31 December 2014 and 2013 financial assets were detailed as follows:

	31-12-2014			31-12-2013		
Amounts in Euro	Current	Non-current	Total	Current	Non-current	Total
Cash and cash equivalents (Note 4):						
Cash	3,990	-	3,990	10,475	-	10,475
Short term bank deposits	204,653	-	204,653	100,399,520	-	100,399,520
Other	449,627,163	-	449,627,163	372,104,478	-	372,104,478
	449,835,807	**-**	**449,835,807**	**472,514,473**	**-**	**472,514,473**
Financial assets:						
Accounts receivable	46,542,246	-	46,542,246	103,675,612	-	103,675,612
Advances to suppliers	41,896	-	41,896	78,393	-	78,393
Other current receivables	3,617,765	-	3,617,765	45,784,567	-	45,784,567
	50,201,907	**-**	**50,201,907**	**149,538,572**	**-**	**149,538,572**
	500,037,714	**-**	**500,037,714**	**622,053,045**	**-**	**622,053,045**

13.2 Financial Assets – Receivables

As of 31 December 2014 and 2013 “Receivables”, net of impairment losses, was detailed as follows:

	31-12-2014			31-12-2013		
Amounts in Euro	Gross amount	Accumulated impairment	Net amount	Gross amount	Accumulated impairment	Net amount
Accounts receivable	6,251,487	(426,542)	5,824,945	12,215,678	(450,275)	11,765,403
Accounts receivable - Related parties (Note 5)	40,729,672	-	40,729,672	91,910,209	-	91,910,209
	46,981,159	**(426,542)**	**46,554,617**	**104,125,887**	**(450,275)**	**103,675,612**

(Amounts expressed in Euro)

13.3 Financial assets – Other current assets

As of 31 December 2014 and 2013, other current assets net of impairment losses, were detailed as follows:

	31-12-2014			31-12-2013		
Amounts in Euro	Gross amount	Accumulated impairment	Net amount	Gross amount	Accumulated impairment	Net amount
Other debtors						
Associates and group companies (Note 5)	140,108	-	140,108	41,226,855	-	41,226,855
Advances to employees	192,916	-	192,916	270,657	-	270,657
Tax Consolidation (SEMAPA, SGPS)	673,698	-	673,698	-	-	-
Other	114,304	-	114,304	2,361,099	(196,176)	2,164,923
	1,121,026	**-**	**1,121,026**	**44,118,352**	**(196,176)**	**43,922,176**
Accrued income						
Accrued interest	124,422	-	124,422	321,027	-	321,027
Other - Associates and group companies (Note 5)	2,073,253	-	2,073,253	1,099,507	-	1,099,507
Other	299,064	-	299,064	441,857	-	441,857
	2,496,739	-	2,496,739	1,862,391	-	1,862,391
	3,617,765	**-**	**3,617,765**	**45,980,743**	**(196,176)**	**45,784,567**

As at 31 December 2013, “Other debtors – Other” includes Euro 142,794 regarding the overfunding of post-employment benefit plans, as described in Note 19.

13.4 Financial assets – Impairment losses in receivables

The changes in accumulated impairment losses in receivables for the years ended 31 December 2014 and 2013 were as follows:

	31-12-2014			31-12-2013		
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	196,176	450,275	646,452	196,176	450,275	646,452
Increases	-	1,597	1,597	-	-	-
Reversals	-	(25,330)	(25,330)	-	-	-
Utilisations	(196,176)	-	(196,176)	-	-	-
Closing balance	**-**	**426,542**	**426,542**	**196,176**	**450,275**	**646,452**

14. State and other public entities

As of 31 December 2014 and 2013, 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	31-12-2014	31-12-2013	31-12-2014	31-12-2013
Corporate income tax	1,458,435	-	-	4,108,437
Personal income tax - w itheld on salaries	-	-	628,022	1,993,205
Value added tax - to pay	-	-	12,679,265	15,601,502
Value added tax - to recover	1,466	511	-	-
Social Security	-	-	722,740	740,643
Aditional tax liabilities	-	-	45,101,197	63,606,095
Other	-	-	2,909	2,600
	1,459,900	**511**	**59,134,133**	**86,052,482**

(Amounts expressed in Euro)

Corporate income tax

As previously mentioned, since 2014, Portucel, S.A. and its subsidiaries are part of the taxation group led by Semapa, SGPS, S.A.. Therefore, although each group company calculates its income taxes as if it was taxed independently, the determined liabilities are recognized as due to the leader of the taxation group, currently Semapa, SGPS, S.A., who will proceed with the overall computation and the settlement of the income tax (Note 11).

As at 31 December 2014 and 2013 this caption comprised the following:

Amounts in Euro	31-12-2014	31-12-2013
Corporate income tax (Note 11)	(93,415)	(5,445,266)
Corporate income tax of companies included in the special taxation group regime	-	38,634,235
Payments on account of corporate income tax	-	(28,291,691)
Corporate income tax payable to corporate income tax group Leader (Semapa, SGPS)	93,415	-
Witholding tax	-	(788,841)
Corporate income tax from previous years	(1,458,435)	-
	(1,458,435)	**4,108,437**

The additional tax liabilities 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 2014 and 2013:

Amounts in Euro	31-12-2014	31-12-2013
Additional tax assessment 2010 - Corporate Income Tax (RETGS)	-	4,448,387
RFAI 2010 - Energy investments	-	9,520,985
RFAI 2011 - Energy investments	-	609,079
RFAI 2012 - Energy investments	5,637,540	1,636,609
Amounts to be received (law suits decided in favor of Portucel)	(65,848)	(1,342,981)
Other	39,529,505	48,734,016
	45,101,197	**63,606,095**

15. Deferred assets

As of 31 December 2014 and 2013, deferrals recognized in current assets comprised the following:

Amounts in Euro	31-12-2014	31-12-2013
Costs with the emission of bonds	5,756,007	7,209,151
Maintenance	1,843,941	1,885,940
Costs with bank loans	726,214	801,251
	8,326,163	**9,896,342**

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 2014 and 2013, 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 50,489,973 are held as treasury shares (2013: 49,622,497) with an acquisition cost of Euro 103,261,185 (2013: Euro 100,591,893).

(Amounts expressed in Euro)

As of 31 December 2014 and 2013, the shareholders with significant positions in the Company's capital were as follows:

	31-12-2014		31-12-2013	
Name	**Number of shares**	**%**	**Number of shares**	**%**
Semapa, SGPS, S.A.	340,571,392	44.37%	340,571,392	44.37%
Seinpar Investments, BV	241,583,015	31.48%	241,583,015	31.48%
Other Semapa Group Companies	2,000	0.00%	2,000	0.00%
Treasury shares	50,489,973	6.58%	49,622,497	6.47%
Other shareholders	134,853,620	17.57%	135,721,096	17.68%
	767,500,000	**100.00%**	**767,500,000**	**100.00%**

As at 31 December 2014 the shares representing the Company's share capital were quoted at a unit price of Euro 3.085 (31 December 2013: Euro 2.910) for which its market value as at the balance sheet date amounted to Euro 2,367,737,500 (31 December 2013: Euro 2,233,425,000).

The market value of the treasury shares held (50,489,973 shares) as at 31 December 2014 was Euro 155,761,567 (the market value of the 49,622,497 treasury shares held at 31 December 2013 was Euro 144,401,466).

16.2 Appropriation of previous year's profit

According to the resolution of Portucel's General Shareholder's Meeting, held on 21 May 2014, the appropriation of the 2013 net profit was as follows (and the equivalent information for the appropriation of the 2012 net profit):

Amounts in Euro	2013	2012
Dividend distribution	159,192,698	115,219,193
Legal reserves	8,378,685	9,048,065
Retained earnings	2,319	56,691,036
Previous year net profit	**167,573,703**	**180,958,294**

On 31 December 2014, retained earnings included Euro 35,414,473 related to a revaluation surplus (2013: Euro 35,359,964), which is not available for distribution. The changes in this surplus in the years ended 31 December 2014 and 2013 due to the disposal or use of the assets were as follows:

Amounts in Euro	31-12-2014	31-12-2013
Beginning balance	35,359,964	34,688,151
Reserve realization	54,511	669,452
Transfer to CelCacia	-	2,361
Closing balance	**35,414,473**	**35,359,964**

16.3 Legal Reserves

The changes in legal reserves during 2014 and 2013 were as follows:

Amounts in Euro	31-12-2014	31-12-2013
Beginning balance	75,265,842	66,217,777
Net income from prior years	8,378,685	9,048,065
Closing balance	**83,644,527**	**75,265,842**

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.

(Amounts expressed in Euro)

16.4 Adjustments in financial investments

The caption “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 2014 and 2013 were as follows:

	2013					2014			
		Movements for the year				Movements for the year			
Amounts in Euro	Beginning balance	Increase	Decrease	Transfers	Closing balance	Increase	Decrease	Transfers	Closing balance
Portucel Soporcel Participações, S.G.P.S., S.A.	(938,002)	-	(4,116)	1,200	(940,918)	-	-	4,865	(936,053)
Portucel Soporcel Sales & Marketing, S.A.	(82,799)	-	(122,616)	(141)	(205,556)	-	-	(286,204)	(491,759)
Portucel Moçambique, Lda.	1,184	-	-	-	1,184	-	-	260,014	261,198
Portucel Finance sp. Z o.o.	-	-	-	-	302	-	-	-	302
Arboser, S.A.	-	-	-	-	-	-	-	-	-
Soporcel Pulp, S.A.	-	-	-	-	-	-	-	-	-
Portucel Soporcel Floresta, S.G.P.S., S.A.	(24,451)	-	-	24,451	-	-	-	-	-
Portucel Soporcel Internacional, S.G.P.S., S.A.	3,553	-	-	(24,754)	(21,200)	-	-	(142,603)	(163,803)
Portucel Soporcel Papel, S.G.P.S., S.A.	64,908,711	-	(601,620)	(1,379,398)	62,927,693	1,094,874	-	-	64,022,567
Portucel Soporcel Energia, S.G.P.S., S.A.	894,533	-	-	-	894,533	-	-	-	894,533
Portucel Soporcel Pulp, S.G.P.S., S.A.	(121,641)	-	-	(1,458,782)	(1,580,424)	-	-	(1,459,298)	(3,039,722)
Portucel Soporcel Floresta, S.G.P.S., S.A.	845,167	-	(458,075)	-	387,092	-	(151,793)	-	235,299
Portucel Florestal, S.A.	(15,630,978)	32,206	(61,391)	-	(15,660,163)	8,825	-	(40,476)	(15,691,815)
Soporcel, S.A.	(407,441,285)	-	432,075	-	(407,009,210)	-	(3,154,958)	-	(410,164,168)
Celcacia, S.A.	-	-	(2,382,361)	-	(2,382,361)	-	-	(800,551)	(3,182,911)
Portucel Soporcel Parques Industriais, S.A.	-	-	-	-	-	-	-	3,613	3,613
	(357,586,008)	**32,206**	**(3,198,103)**	**(2,837,424)**	**(363,589,027)**	**1,103,699**	**(3,306,751)**	**(2,460,639)**	**(368,252,718)**

16.5 Other changes in Equity

As of 31 December 2014 and 2013, other changes in equity were detailed as follows:

Amounts in Euro	2014	2013
Fair value of derivative financial instruments	(2,019,952)	269,761
Deferred tax - Fair value of derivative financial instruments	585,213	(56,407)
Actuarial gains / (losses)	1,193,453	1,901,970
Deferred tax - Actuarial gains / (losses)	(43,091)	(124,658)
Changes in investment grants	14,163,266	16,325,797
Deferred tax - Changes in investment grants	(3,894,898)	(4,816,110)
	9,983,992	**13,500,353**

16.5.1 Fair value reserve

The Fair value reserve relates with the fair value increases / (decreases) on hedging instruments. The fair value of this derivative financial instruments were 1,609,011as of 31 December 2014 (31 December 2013: negative by Euro 1,087,492) as shown in Note 30, and valued in accordance with Note 3.11.

The movements occurred in this reserve in the years ended 31 December 2014 and 2013 were as follows:

Amounts in Euro	2014	2013
Beginning balance	213,355	72,822
Movement for the year	(1,648,093)	140,533
Ending balance	**(1,434,739)**	**213,355**

(Amounts expressed in Euro)

16.5.2 Government grants

Investment grants

During the years ended 31 December 2014 and 2013, the movements in government grants were as follows:

Amounts in Euro	2014	2013
Opening balance - Government grants	16,325,797	27,924,405
Opening balance - Deferred tax liability	(4,816,110)	(8,796,188)
Decrease - CelCacia	-	(8,074,644)
Deferred tax adjustment - CelCacia	-	2,382,020
Government grants recognized in the income statement (Note 27)	(2,162,531)	(3,523,964)
Deferred tax adjustment	921,212	1,598,058
Closing balance	**10,268,368**	**11,509,687**

On 12 July 2006, Portucel and API – Agência Portuguesa para o Investimento (currently 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, already fully received.

In 2013, as part of the capital increase in Celcacia described in Note 6, Euro 8,074,644 of the investment grants, together with Euro 2,383,020 of the related deferred tax liability, were transferred to Celcacia, as it regarded the assets that were transferred.

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 2014, the reconciliation between these two sets of accounts was as follows:

Amounts in Euro	Equity / Retained earnings	Result for the year	Total
Individual financial statements (PGAAP)	1,116,262,138	162,731,697	1,278,993,835
Revaluation of property, plant and equipment	189,890,702	18,737,720	208,628,422
Government grants	(33,524,066)	-	(33,524,066)
Non-controlling interests	(232,532)	(2,721)	(235,253)
	1,272,396,242	**181,466,696**	**1,453,862,938**

As of 31 December 2013 the reconciliation was as follows:

Amounts in Euro	Equity / Retained earnings	Result for the year	Total
Individual Financial Statements (PCGAP)	1,160,321,364	167,573,703	1,327,895,067
Revaluation of property, plant and equipment	148,090,333	42,459,346	190,549,679
Government grants	(38,380,258)	-	(38,380,258)
Non-controlling interests	(243,246)	4,703	(238,543)
	1,269,788,193	**210,037,751**	**1,479,825,945**

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.

(Amounts expressed in Euro)

On 31 December 2014 and 2013, the reserves available for distribution were detailed as follows:

Amounts in Euro	2014	2013
Retained earnings from prior years	687,994,217	729,582,783
Treasury shares	(103,261,185)	(100,591,893)
	584,733,032	**628,990,890**
Net profit of the year	162,731,697	167,573,703
Legal reserve	(34,399,711)	(36,479,139)
	713,065,018	**760,085,454**

17. Provisions

In the years ended 31 December 2014 and 2013 the changes in provisions were as follows:

Amounts in Euro	Legal claims	Tax claims	Other	Total
Amount as of 1 January 2013	**254,283**	**-**	**734,597**	**988,880**
Increase	32,000	-	6,936,904	6,968,904
Reversal	(60,000)	-	(154,000)	(214,000)
Transfers	-	26,833,653	-	26,833,653
Amount as of 31 December 2013	**226,283**	**26,833,653**	**7,517,501**	**34,577,438**
Increase	120,043	-	2,414,936	2,534,979
Reversal	(181,860)	-	(5,625,173)	(5,807,034)
Transfers	-	(3,941,784)	6,280,685	2,338,901
Amount as of 31 December 2014	**164,466**	**22,891,869**	**10,587,948**	**33,644,284**

18. Financial liabilities

18.1 Categories of financial liabilities

As of 31 December 2014 and 2013, the financial liabilities were detailed as follows:

	31-12-2014			31-12-2013		
Amounts in Euro	Current	Non current	Total	Current	Non current	Total
Financial liabilities:						
Accounts payable	40,800,297	-	40,800,297	59,664,572	-	59,664,572
Interest bearing liabilities	304,735,140	474,940,476	779,675,616	59,702,381	779,642,857	839,345,238
Other payables	19,191,703	-	19,191,703	21,211,250	-	21,211,250
	364,727,139	**474,940,476**	**839,667,615**	**140,578,203**	**779,642,857**	**920,221,060**

18.2 Financial liabilities – Accounts payable

As of 31 December 2014 and 2013, Accounts payable were detailed as follows:

Amounts in Euro	31-12-2014	31-12-2013
Accounts payable - suppliers	5,984,955	11,469,996
Accounts payable - suppliers - related parties (Note 5)	30,372,800	40,560,250
Invoices pending review	4,442,542	7,634,326
	40,800,297	**59,664,572**

(Amounts expressed in Euro)

18.3 Financial liabilities – Interest-bearing liabilities

As of 31 December 2014 and 2013, interest-bearing liabilities were detailed as follows:

	31-12-2014			31-12-2013		
Amounts in Euro	Current	Non current	Total	Current	Non current	Total
Bond loans	160,000,000	350,000,000	510,000,000	40,000,000	510,000,000	550,000,000
Bank loans	144,735,140	124,940,476	269,675,616	19,702,381	269,642,857	289,345,238
	304,735,140	**474,940,476**	**779,675,616**	**59,702,381**	**779,642,857**	**839,345,238**

As of 31 December 2014 and 2013, Company's net debt was detailed as follows:

Amounts in Euro	31-12-2014	31-12-2013
Interest bearing debt		
Non current	474,940,476	779,642,857
Current	304,735,140	59,702,381
	779,675,616	**839,345,239**
Cash and cash equivalents (Note 4)		
Cash	3,990	10,475
Short term bank deposits	204,653	100,399,520
Other	449,627,163	372,104,478
	449,835,807	**472,514,473**
Net debt	**329,839,809**	**366,830,766**

Bond loans

In December 2009, Portucel contracted a bond loan designated "Obrigações Portucel 2010/2015" that was used only on February 2010, amounting to Euro 100,000,000. The loan is indexed to the 3-month Euribor, with a mandatory 40% repayment at the end of the fourth year, and the remaining 60% at its maturity date. Over the first half of 2014, the amount repaid totalled Euro 40,000,000, and as such, the remaining amount due as at 31 December 2014 was Euro 60,000,000.

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 its maturity, in February 2015. As at 31 December 2013, the total amount of Euro 700,000,000 of bond loans issued in 2005 had been fully repayed. The last repayment, regarding the bond loan of Euro 200,000,000, occurred in May 2013.

In May 2013, Portucel issued bonds amounting Euro 350,000,000 in foreign markets, for 7 years, with an interest rate of 5.375%. This program was designated Euro 350,000,000 5.375% Senior Notes due 2020.

The loans outstanding as of 31 December 2014 were detailed as follows:

Amounts in Euro	Amount	Maturity	Reference interest rate	*Spread*
Bond loans				
Portucel 2010 / 2015 - 2nd emission	100,000,000	February 2015	Euribor 6m	2.250%
Portucel 2010 / 2015	60,000,000	January 2015	Euribor 6m	1.900%
Portucel Senior Notes 5.375% 2020	350,000,000	May 2020	Fixed rate	-
	510,000,000			

Non-current bank loans

In April 2009, Portucel received Euro 65,000,000 related to a credit facility which had been contracted during 2008 with the European Investment Bank (EIB) designated Portucel – Environment 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 – Environment B and BEI – Energy, respectively.

The BEI – Environment A loan has a 10 year maturity and is being repaid in 14 semi-annual instalments, the first of which was due 3 years after the date of inception. As such, on 15 June 2012, Portucel made the first payment, amounting to Euro 4,642,857. The outstanding amount on 31 December 2014 was Euro 37,142,857. This loan is indexed to the six months Euribor plus a variable spread associated to financial ratios.

(Amounts expressed in Euro)

The BEI – Environment B loan has a 11 year maturity and will be repaid in 18 semi-annual instalments, the first of which was paid in December 2012 and the last is to be repaid on 15 June 2021, amounting to Euro 1,666,667. The amount due as at 31 December 2014 was Euro 21,666,667. This loan is indexed to the six months Euribor plus a fixed spread.

The BEI – Energy loan has a 14 year maturity and will be repaid in 24 semi-annual instalments, the first of which was paid on June 15, 2013 and the last one will be due on 15 December 2024, each of them amounting to Euro 3,541,667. The amount due as at 31 December 2014 was Euro 70,833,333. This loan is indexed to the six months euribor plus a fixed spread.

These two loans are guaranteed by two banks.

Also, in February 2013 Portucel contracted a new bank loan amounting to Euro 15,000,000 with Banco do Brasil (Bank of Brazil), for 3 years, at an interest rate indexed to the six months Euribor plus a fixed spread.

In 2014, the average interest rate for these loans was 1.13%.

Comercial Paper and other interest-bearing liabilities

In December 2012, Portucel contracted a new commercial paper program, amounting to Euro 50,000,000 maturing in three and a half years from the date of the contract. As at 31 December 2014, no issues were in place.

Also in December 2012, Portucel contracted another commercial paper program amounting to Euro 125,000,000 maturing in three years, which as at 31 December 2014 was being used in full.

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

Amounts in Euro	31-12-2014	31-12-2013
Non current		
1 to 2 years	34,702,381	304,702,381
2 to 3 years	19,702,381	34,702,381
3 to 4 years	19,702,381	19,702,381
4 to 5 years	10,416,667	19,702,381
More than 5 years	390,416,666	400,833,333
	474,940,476	**779,642,857**

As of 31 December 2014, in addition to the Comercial paper, the Group had available but unused credit lines amounting to Euro 20,450,714 (31 December 2013: Euro 20,450,714).

18.4 Financial liabilities – Other payables

As of 31 December 2014 and 2013 the balance of other current and non-current payables was detailed as follows:

	31-12-2014		31-12-2013	
Amounts in Euros	Non current	Current	Non current	Current
Accounts payable to fixed assets suppliers	-	-	-	-
Derivative financial instruments (Note 30)	-	1,609,011	-	1,347,234
Personnel	-	250,667	-	169,201
Other creditors - CO2 emission allowances	-	382,611	-	378,645
Other creditors - Group companies (Note 5)	-	-	-	238,084
Other creditors	-	58,096	-	-
Accrued costs	-	16,891,318	-	19,078,085
	-	**19,191,703**	**-**	**21,211,250**

(Amounts expressed in Euro)

As of 31 December 2014 and 2013, "Accrued costs" were detailed as follows:

Amounts in Euro	31-12-2014	31-12-2013
Payroll costs	7,786,835	5,877,204
Interest payable	6,155,080	7,021,564
Third party supplies and services, accrued	553,155	755,771
Group Companies (Note 5)	2,396,248	5,423,546
	16,891,318	**19,078,085**

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, after retirement or events of disability, to a monthly retirement pension or disability supplement. 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 2014 and 2013, the coverage of the companies' liabilities by the assets of the funds was as follows:

Amounts in Euro	2014	2013
Past services liabilities		
- Active employees	3,596,028	2,935,718
- Retired employees	12,344,065	12,229,105
Market value of the pension fund	(15,707,682)	(15,307,617)
(Excess) / Understatement of the pension fund	**232,412**	**(142,794)**
Liabilities on retirement bonuses	-	-
Unfunded liabilities	**232,412**	**(142,794)**

Due to the overfunding of the funds, this amount is shown as "Other receivables", as it represents a deduction to future contributions (Note 13.)

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 2014 and 2013 were based on the following assumptions:

	2014	2013
Disability table	EKV 80	EKV 80
Mortality table	TV 88/90	TV 88/90
Employee rotation rate	0%	0%
Wage growth rate	1.00%	2.00%
Technical interest rate	3.50%	5.00%
Return rate on plan assets	3.50%	5.00%
Pension growth rate	0.75%	1.75%
Social security benefit formula	Decree-Law nº 35/2002 of 19 February	Decree-Law nº 35/2002 of 19 February

(Amounts expressed in Euro)

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.

19.3 Retirement and survival supplements

The movements in the liabilities with retirement and survival plans in the years ended 31 December 2014 and 2013 were as follows:

Amounts in Euro	2014	2013
Opening balance	15,164,823	15,391,219
Changes in assumptions	486,104	-
Current service costs	93,797	87,036
Financial cost	738,660	749,387
Pensions paid	(994,196)	(1,001,827)
Actuarial gains / (losses)	450,905	(60,992)
Closing balance	**15,940,094**	**15,164,823**

The funds set up to cover the above mentioned liabilities had the following movement in the years ended 31 December 2014 and 2013:

Amounts in Euro	2014	2013
Opening balance	15,307,617	15,588,633
Contributions made in the period	300,000	75,000
Expected return in the period	741,110	754,906
Actuarial gains / (losses) (difference between actual and expected returns)	310,060	(109,095)
Pensions paid	(994,196)	(1,001,827)
Other changes	43,091	-
Closing balance	**15,707,682**	**15,307,617**

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 2014 and 2013 the effect in equity (Note 16) and in the income statement of these plans was as follows:

Amounts in Euro	2014	2013
Actuarial gains / (losses)	937,009	(60,992)
Difference between actual and expected returns	(310,060)	109,095
Amounts recognized in equity	**626,949**	**48,103**
Defined benefit plans		
Current services	93,797	87,036
Interest expenses	738,660	749,387
Expected return of the plan assets	(741,110)	(754,906)
	91,348	**81,517**
Defined contribution plans		
Defined contribution	128,648	870,263
	128,648	**870,263**
Costs for the year	**219,996**	**951,780**

(Amounts expressed in Euro)

19.4 Retirement bonuses

In previous years, the company assumed a liability for a retirement bonus, equal to 6 months of salary, in case the employee retired on the regular retirement age (65 years).

In 2013, with the renegotian of Portucel's Company Agreement together with the Social Benefit Regulation, signed by the Workers Committee and by all the Labour Unions, and considering the new effective retirement age (66 years), this benefit was extinguished.

The movements in this liability were detailed as follows:

Amounts in Euro	2014	2013
Beginning balance	-	(3,196,228)
Curtailment	-	3,144,296
Costs recognized in the income statement	-	24,914
Pensions paid	-	27,018
Actuarial gains / (losses)	-	-
Closing balance	**-**	**-**

20. Sales and services rendered

In the years ended 31 December 2014 and 2013, Sales and services rendered were detailed as follows:

Amounts in Euro	2014	2013
Sales	230,270,278	356,315,412
Services Rendered	48,700,258	68,934,361
	278,970,536	**425,249,773**

20.1 Sales and services rendered by region

This caption includes operational revenues, that are fully generated in Portugal. The services rendered are related to services provided to Group companies.

The decrease in sales and services rendered is mainly due to the transfer of the assets of Cacia industrial site to Celcacia, S.A. by the end of 2013, as previously mentioned.

21. Grants

As of 31 December 2014 and 2013 this caption was analysed as follows:

Amounts in Euro	2014	2013
Government grants - CO2 emission allow ances (Note 9)	-	91,924
Other government grants	108,636	106,170
	108,636	**198,094**

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

In the years ended 31 December 2014 and 2013 the Company appropriated the following results from subsidiaries, associates and jointly-controlled entities through the use of the equity method:

Amounts in Euro		2014	2013
Results appropriated from:			
Subsidiaries		120,296,016	116,399,051
Joint Ventures		11,592,879	5,169,401
	(Note 10)	**131,888,895**	**121,568,452**

(Amounts expressed in Euro)

23. External supplies and services

External supplies and services are detailed as follows for the years ended 31 December 2014 and 2013:

Amounts in Euro	2014	2013
Specialized sevices	35,111,052	45,599,640
Materials	1,684,403	1,283,024
Energy and fluids	20,884,331	35,018,795
Travel, accomodation and transportation costs	457,514	947,635
Other services	3,784,433	5,813,608
	61,921,733	**88,662,701**

The overall decrease shown in 2014 is mainly due to the transfer of the assets of Cacia industrial site to Celcacia, S.A. by the end of 2013, as previously mentioned.

The increase in specialized services in 2014 is due to the reformulation of the structure of contracts with group employees, that are now based in multi-employer nature contracts. Therefore, payroll expenses are recorded by the group company that benefits in first hand with its activity (although processed and paid by the company that originally hired the employees, which explains the lack of variation in the statement of cash flows arising from this change), which renders plant operation and other services to other group companies.

For the year ended 31 December 2014, the costs incurred with investigation and research activities amounted to Euro 214,548 (2013: Euro 2,514,605).

24. Payroll costs

Payroll expenses are detailed as follows for the years ended 31 December 2014 and 2013:

Amounts in Euro	2014	2013
Statutory bodies	944,604	1,306,789
Other employees	2,640,767	17,524,973
Social security charges	444,865	5,879,159
Post-employment benefits:		
Defined Contribution (Note 19)	128,648	870,263
Defined Benefit (Note 19)	91,348	(6,038,540)
Compensation for contract termination	24,310	939,076
Other payroll costs	1,809,052	1,822,922
	6,083,594	**22,304,642**

The overall decrease shown in 2014 is mainly due to the transfer of the assets of Cacia industrial site to Celcacia, S.A. at the end of 2013, as previously mentioned.

For 2013, the expenses related to defined benefit post employment benefits include the gain with the end of the retirement bonus plans, as well as the actuarial impacts in the year, all totalling Euro 5,981,937.

For the years ended 31 December 2014 and 2013, the remuneration of members of the corporate bodies, including performance bonuses, is detailed as follows:

Amounts in Euro	2014	2013
Board of Directors	897,704	1,259,309
Statutory Auditor	42,650	84,975
Audit Board	42,900	42,480
General Assembly	4,000	5,000
	987,254	**1,391,764**

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

(Amounts expressed in Euro)

The number of employees on 31 December 2014 and 2013 was 769 and 804 respectively, including 645 permanent employees (2013: 675) allocated to other companies, mostly to the production of UWF paper, through multi-employer contracts, as follows:

	2014
Paper production	185
Maintenance	185
Pulp production	82
Shared services	70
Other	123
	645

As previously stated, in 2014 there is an increase on specialized services justified by the Group’s rethinking of the recasting of contract structure of Group's employees, who were now based on multi-employer contracts nature.

Following this, payroll expenses are recorded by the group company that benefits with its activity the most (although processed and paid by the company that originally hired employees, which explains the lack of variation in the statement of cash flows arising from this change), which renders services for the other group companies, namely, the ones thar have industrial meals.

Although in 2013 were already in place multi-employer contracts, payroll costs were recognized directly by the companies who initially hired the employees.

25. Other operating income

Other operating income is detailed as follows for the years ended 31 December 2014 and 2013:

Amounts in Euro	**2014**	**2013**
Supplementary income	16,793,313	14,984,343
Cash discounts obtained	73,612	140,672
Reversal of impairment in accounts receivable	3,099	28,058
Gains on inventories	2,417	14,774
Gains on the disposal of non-current assets	32,200	196,634
Other	122,874	639,307
	17,027,516	**16,003,788**

Supplementary income mainly includes charges to other group companies, including royalties (Euro 2,666,641, 2013: Euro 2,739,080), rentals (Euro 3,487,809; 2013: Euro 23,849) and sales of various materials (Euro 10,627,301; 2013: Euro 12,200,550).

26. Other operating costs

Other operating costs are detailed as follows for the years ended 31 December 2014 and 2013:

Amounts in Euro	**2014**	**2013**
Donations	646,719	689,732
Indirect taxes	1,059,090	1,427,611
Losses on inventories	2,023	33,657
Losses on non-financial investments	44,803	554,276
Fines and penalties	19,838	28,533
CO2 emissions	390,518	393,788
Bank comissions	4,426,194	4,651,595
Other	658,871	523,703
	7,248,056	**8,302,895**

(Amounts expressed in Euro)

27. Amortization, depreciation and impairment losses

During the years ended 31 December 2014 and 2013, the costs with amortization, depreciation and impairment losses were as follows:

Amounts in Euro	2014	2013
Depreciation (charges) / reversals		
Property, plant and equipment (Note 6)		
Depreciation	20,648,830	33,296,196
Investment government grants	(2,162,531)	(3,523,964)
Intangible assets (Note 9)	-	-
	18,486,299	29,772,233
Impairment losses		
Intangible assets (Note 9)	-	31,487
	-	31,487
	18,486,299	**29,803,720**

Following the procedure described in Note 3.20, Euro 2,162,531 (2013: Euro 3,523,964) related to investment grants were deducted from the depreciation charge for the year.

28. Net financial results

As of 31 December 2014 and 2013 net financial results were detailed as follows:

Amounts in Euro		2014	2013
Interest and similar income			
Interest earned on loans granted to related parties	(Nota 5)	8,914,136	5,760,916
Interest earned on investments	(Nota 13.5)	3,143,243	3,502,284
Compensatory interest		804,383	8,087,695
Exchange rate differences		131,608	-
Other		6,869	3,751
		13,000,239	**17,354,646**
Interest and similar charges			
Interest paid on borrowings	(Nota 18.5)	(6,675,431)	(6,735,489)
Interest paid on bond loans	(Nota 18.5)	(23,001,994)	(17,492,154)
Interest paid on related perties borrowings	(Nota 5)	(13,614,936)	(13,102,566)
Other interest paid		(93,170)	(11)
Exchange rate differences		(157,558)	(22,395)
Losses on derivative financial instruments	(Nota 31)	(882,826)	(923,209)
		(44,425,915)	**(38,275,822)**

During the year ended 31 December 2013, Group decided to adhere to the "Regime Excecional de Regularização de dívidas à Administração Fiscal e à Segurança Social", a programme launched by Portuguese tax autorities for Companies individuals to pay outstanding tax and social security debts with a reduction or a write-off of acumulated interest and fines. As such, Portucel paid the corporate tax amounts from 2005 and 2006 under discussion with Portuguese tax authorities. As the compensatory interest related to these amounts was no longer due, Portucel recognized it as a gain for the period.

(Amounts expressed in Euro)

29. Earnings per share

For the years ended 31 December 2014 and 2013, the earnings per share were determined as follows:

Amounts in Euro	2014	2013
Profit attributable to the Company's shareholders	162,731,697	167,573,703
Average number of issued shares	767,500,000	767,500,000
Average number of own shares held	(50,340,370)	(48,623,491)
	717,159,630	718,876,509
Basic earnings per share	0.23	0.23
Diluted earnings per share	0.23	0.23

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 2014 and 2013 the fair value of the derivative financial instruments was as follows:

	Notional	31-12-2014			31-12-2013
Amounts in Euro	Currency	Positive	Negative	Net	Net
Hedging					
Net investment	USD	-	(576,895)	(576,895)	259,741
Hedgings (future sales)	USD	-	-	-	(38,316)
Interest rate swap	EUR	-	(1,032,116)	(1,032,116)	(1,308,917)
		-	**(1,609,011)**	**(1,609,011)**	**(1,087,492)**

30.1 Derivative financial instruments designated as hedging instruments

As of 31 December 2014, the hedging instruments showed a negative fair value of Euro 1,609,011 (2013: Euro 1,087,492 negative).

Net Investment

The Group hedges the economic risk associated with the USD exchange rate exposure in its investment held on Portucel Soporcel North America. For that purpose, the Group entered into a forward foreign exchange contract maturing in May 2015, with an outstanding notional of USD 25,050,000.

This instrument is designated as a hedge of the net investment in the Group's US subsidiary, with fair value changes being recognized in reserves. As at 31 December 2014, the amount reflected in the Fair Value Reserve amounts to Euro 2,329,120 (2013: Euro 1,726,524).

Cash Flow Hedge – Interest Rate Risk

The Group hedges a portion of future interest payments on commercial paper loans, through an interest rate swap in which Portucel pays a fixed rate and receives a variable rate. The instrument is designated as a cash flow hedge of the interest rate risk associated with the commercial paper program. Credit risk is not part of the hedging relationship.

The hedged risk is the variable rate index with which debt interest is associated. As at 31 December 2014, the total amount of loans with associated interest rate hedges was Euro 125 million.

This hedge is designated for the entire life of the hedging instruments.

(Amounts expressed in Euro)

30.3 Detail and maturity of the derivative financial instruments

As of 31 December 2014 and 2013, derivative financial instruments had the following maturities:

					31-12-2014	31-12-2013
		Nominal value	Maturity	Type	Fair value	Fair value
Interest rate swap - interest on the Comercial Paper	EUR	125,000,000	26-Nov-15	Hedging	(1,032,116)	(1,308,917)
Pulp price hedging for 2014	USD	16,800,000	31-Dec-14	Hedging	-	(38,316)
Exchange rate - Net investment - invesment in foreign subsidiary	USD	25,050,000	30-May-15	Hedging	(576,895)	259,741
					(1,609,011)	**(1,087,492)**

As of 31 December 2014 and 2013 the movement in the balances recognized in the balance sheet relating to the fair value of derivative financial instruments was as follows:

	2014			2013		
	Changes in fair value			Changes in fair value		
Amounts in Euro	Trading	Hedging	Total	Trading	Hedging	Total
Beginning balance	-	(1,087,492)	(1,087,492)	-	(348,946)	(348,946)
Maturuty	-	(847,271)	(847,271)	-	(923,207)	(923,207)
Changes in fair value	-	352,752	352,752	-	184,661	184,661
Closing balance	**-**	**(1,582,011)**	**(1,582,011)**	**-**	**(1,087,492)**	**(1,087,492)**

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 2014 and 2013 were as follows:

Amounts in Euro	2014	2013
Improvement of acid wastewater treatment	-	223,791
Recovery sands from purge for boiler biomass	1,110	162,958
Noise reduction equipment	-	55,208
Replacement of equipment for ventilation and air conditioning	42,201	51,248
CR4 gas analyzer	30,500	31,902
Recovery fencing waters of pulp mill	25,336	24,010
Other	1,047	15,903
	100,194	**565,020**

Amounts in Euro	2014	2013
Liquid effluent treatment	4,129,459	8,124,231
Expenditure with electrofilters	648,401	592,635
Material recycling	-	383,811
Solid waste embankement	116,596	315,152
Sewage network	61,176	41,309
Other	343,497	196,164
	5,299,129	**9,653,302**

As of 31 December 2014 there is no environmental related liability recorded in the financial statements nor any need 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.

(Amounts expressed in Euro)

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). For 2014, under the new legal framework in Portugal regarding the European Emissions Trading Scheme (CELE) for the period 2013 to 2020, as per Decree-Law 28/2013 of 15 March, no allowances were granted to the company, as it does not sell its products directly to the market.

32. Audit fees

In the period ended 31 December 2014 and 2013, expenses with statutory audits, other audit services and tax consultancy, were as follows:

Amounts in Euro	2014	2013
Statutory audit services	42,650	84,975
Tax consultancy services	23,000	14,952
Other assurance services	490	369,431
	66,140	**469,358**

In 2013, most of the "other assurance services" are related with the bond issue described in Note 18.

33. Commitments assumed by the Company

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

As of 31 December 2014 and 2013, the bank guarantees presented to several entities by the Company were as follows:

Amounts in Euro	31-12-2014	31-12-2013
Portuguese Customs	780,000	780,000
Setúbal City Council	56,799	56,799
Simria	327,775	327,775
Estradas de Portugal	107,593	107,593
Other	52,425	52,425
	1,324,592	**1,324,592**

33.2 Purchase commitments

At 31 December 2014 the Company assumed purchase commitments, not reflected in the balance sheet, with suppliers of Euro 19,518,746. As at 31 December 2013 those commitments amounted to Euro 10,307,206.

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 ruling dated

(Amounts expressed in Euro)

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 30,400,042, detailed as follows:

Amounts in Euro	Period	Requested amounts	1st Refund	Decrease due to RERD	Processes decided in favour of the Group	Outstanding
Portucel						
VAT Germany	1998-2004	5,850,000	(5,850,000)	-	-	-
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	182,230	(157,915)	-	-	24,315
Corporate Income Tax (Withheld)	2004	3,324	-	-	-	3,324
Corporate Income Tax	2004	766,395	-	-	(139,023)	627,372
Corporate Income Tax (Withheld)	2005	1,736	(1,736)	-	-	-
Corporate Income Tax	2005	11,754,680	-	1,360,294	-	10,394,386
Corporate Income Tax	2006	11,890,071	-	1,108,178	-	10,781,893
Expenses		314,957	-	-	-	314,957
		32,964,288	**(8,210,546)**	**2,468,472**	**(139,023)**	**22,146,247**
Soporcel						
Corporate Income Tax	2002	18,923	-	-	-	18,923
Corporate Income Tax	2003	5,725,771	-	-	-	5,725,771
Value added tax	2003	2,509,101	-	-	-	2,509,101
Stamp duty	2004	497,669	-	-	(497,669)	-
		8,751,464	**-**	**-**	**(497,669)**	**8,253,795**
		41,715,752	**(8,210,546)**	**2,468,472**	**(636,692)**	**30,400,042**

34.1.2 Paid and disputed settlements

As of 31 December 2014, additional tax settlements paid and disputed by the Group are detailed as follows:

Amounts in Euro	Year	Amount
Aggregate corporate income tax	2005	10,394,386
Aggregate corporate income tax	2006	8,150,146
Aggregate corporate income tax - result of the income tax calculation	2010	4,448,387
Aggregate corporate income tax - result of the income tax calculation	2011	2,208,268
Aggregate corporate income tax - RFAI Energy	2011	4,649,948
		29,851,135

i) Group corporate income tax 2005 and 2006

Following the tax inspection to the 2005 tax year, in which the aggregate tax loss declared amounted to Euro 30,381,815, a correction to the taxable income amounting to Euro 74,478,109 was included in the final inspection report.

From the total amount corrected, Euro 73,453,776 regard losses on disposal of financial investments, including additional equity contributions, considered as equity by the tax authorities under the article 23 of Portuguese Corporate Tax Law as it was in place as of that date.

The Group’s understanding is different, in which it is supported by its advisors and lawyers, and is based both in the opinion of renowned teachers of accounting and law and in the letter of the law, specially in the wording introduced by the 2006 State Budget to article 42 of the Portuguese Corporate Income Tax Law, and in the prohibition of irrebuttable presumptions as stated in Constitution of the Portuguese Republic, in particular in its article 103, in what concerns article 23, nº5 and nº6 of the Portuguese Corporate Income Tax Law.

Following the adjustments made by the tax authorities to the 2005 taxable income, tax losses of Euro 30,381,815 reported by the group in 2005, which were used in 2006, could no longer be considered.

As a consequence, the 2006 taxable income was corrected in that amount by the tax authorities. The Group has disputed this correction.

ii) Aggregate corporate income tax 2010 – result of the income tax calculation

In 2010, the Group deducted the available RFAI tax incentive up to 25% of the tax collection as permitted by the legislation that approved the tax regime. However, article 92 of the Portuguese Corporate Income Tax Law limits the utilization of tax benefits to 10% of the tax collection, conflicting with the 25% mentioned in RFAI. The deduction of this tax benefit in 2010 resulted in an additional income tax settlement of Euro 4,448,387, having the Group paid and disputed the mentioned amount.

iii) Aggregate corporate income tax 2011 – result of the income tax calculation

The same situation occurred regarding 2011. The Company paid the additional tax settlement and challenged it in an arbitration court.

iv) Aggregate corporate income tax – RFAI energy

Part of the investment considered relevant in terms of RFAI tax incentives, as foreseen in the Law nº10/2009 of 10 March, regards the biomass power generation units acquired by Portucel. It is the Portuguese tax authorities understanding that Portucel cannot benefit from the mentioned tax incentives regarding the mentioned units, as the company's main activity is not the production of energy. Following this understanding, the tax authorities corrected the income tax determined by the Group, in the part concerning that tax benefit.

The settlement was paid and is now under discussion with the Portuguese tax authorities, following the foressen administrative procedures.

It should be noted that Portucel intends to appeal to the courts if the decisions about the above mentioned administrative procedures are contrary to its interests.

34.2 Non-tax matters

34.2.1 <u>Public Debt Settlement Fund – non-tax</u>

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, totalling Euro 136,243,939. These amounts regard adjustments in the financial statements of the group after its privatization, that had not been considered in formulating the price of its privatization as they were not included in the documentation made available for consultation by the bidders.

On 24 May 2014 the Court denied the Group's proposal to present testimony evidence, alternatively proposing written submissions. On 30 June 2014 Group appealed against this decision, but continuously presented written evidence.

34.2.2 <u>Infrastructure enhancement and maintenance fee</u>

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 enhancement and maintenance fee ("TMUE ") amounting to Euro 1,199,560, with which the company disagrees.

This situation regards the amount collected under this levy in the licensing process mentioned above, for the construction of a new paper mill in the industrial site of Mitrena, Setúbal. Portucel disagrees with the amount charged and filled an administrative claim against it on 25 February 2008 (request 2485/08), followed by an appeal to Court against the rejection of the claim on 28 October 2008. At 3 October 2012 this claim had an adverse decision, and in 13 November 2012, Portucel appealed.

In the appeal to Court filled, Portucel asks for the annulment of the settlement note, based on the disproportionality of the applied rate, on its tax nature and also in the absence of any consideration paid on its behalf by the City Council, as it was Portucel that performed and endured all the charges arising from the implementation and strengthening of all necessary and planned urban infrastructure for the investment, and therefore, arguing that TMUE would configure a true tax.

35. Subsequent events

35.1 EDP arbitration - Soporgen

On 30 January 2015, the Group was informed of the decision of the arbitration court constituted to set up the dispute arising from the acquisition of the remaining shares of Soporgen S.A., under which the Group had been disclosing the existence of a contingent asset of Euro 5,348,706. The decision of the arbitral court was contrary to the Group's claims, and is not subject to appeal.

35.2 Acquisition of AMS

As previously communicated to the market, on 10 February 2015, on 6 February 2015, the Group acquired the shares corresponding to 100% of AMS BR Star Paper, S.A. share equity, a company that holds and explores a tissue paper mill, located in Vila Velha de Ródão.

36. 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
Chairman

Diogo António Rodrigues da Silveira

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 Garcês Ventura

Audit Report for Statutory and Stock Exchange Regulatory Purposes on the Individual Financial Information

(Free translation from the original 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 in the attached financial statements of Portucel, S.A., comprising the balance sheet as at 31 December 2014, (which shows total assets of Euro 2,547,421,020 and a total of shareholder's equity of Euro 1,278,993,835 including a net profit of Euro 162,731,697), 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 the Directors' Report and the financial statements which present fairly, in all material respects, the financial position of the Company, the results of its operations, the changes in equity and the cash flows; (ii) to prepare historic financial information in accordance with generally accepted accounting principles in Portugal and which is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code; (iii) to adopt appropriate accounting policies and criteria; (iv) to maintain an appropriate system of internal control; and (v) to disclose any significant matters which have influenced the activity, financial position or results of the Company.

3 Our responsibility is to verify the financial information included in the financial statements referred to above, namely as to whether it is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code, for the purpose of issuing an independent and professional report based on our audit.

Scope

4 We conducted our audit in accordance with the Standards and Technical Recommendations issued 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 from material misstatement. Accordingly, our audit included: (i) verification, on a sample 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 the Board of Directors used in the preparation of the financial statements; (ii) assessing the appropriateness 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 consistent with the financial statements as well as the verification set forth in paragraphs 4 and 5 of Article 451º 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, S.A. as at 31 December 2014, the results of its operations, the changes in equity and the cash flows for the year then ended in accordance with generally accepted accounting principles in Portugal and the information included is complete, true, up-to-date, clear, objective and lawful.

Report on other legal requirements

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

Lisbon, 6 March 2015

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

António Alberto Henriques Assis, R.O.C.

PORTUCEL, SA

Report and Opinion of the Audit Board
Separate Accounts

Financial year of 2014

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 2014 and to issue our opinion on the Separate Management Report and Separate Financial Statements presented by the Board of Directors of Portucel, SA for the financial year ended 31 December 2014.

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, the Statement of Changes in Consolidated Equity and 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, 24 March 2015

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

CORPORATE GOVERNANCE REPORT 2014

PART I - INFORMATION ON CAPITAL STRUCTURE, ORGANIZATION AND CORPORATE GOVERNANCE

A. SHAREHOLDER STRUCTURE

I. Capital structure

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 capital is represented by a total of 767 500 000 ordinary shares, and all shares are currently listed for trading.

2. 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. Number of own shares, corresponding percentage of share capital and percentage of voting rights which would correspond to own shares

At 31/12/2014, Portucel held 50 489 973 own shares, corresponding to 6.58% of its share capital and 50 489 votes at the general meeting.

4. 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 as a result of a takeover bid, 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

All the Company's borrowing, except for one contract, provides for early repayment in the event of a change in shareholder control. The early repayment terms are summarised in the following table.

Loan	Early Repayment Terms
BEI Ambiente – Tranche A BEI Ambiente – Tranche A BEI Energia	*(…) (a) any change in the ownership structure of the Borrower with the consequence that Semapa - Sociedade de Investimento e Gestão, SGPS, S.A. ceases to hold, directly or indirectly, no less than a majority - 50% (fifty per cent) plus one share - of the*

	voting stock in the Borrower; or, *(b) any occurrence or event which has the consequence that Semapa - Sociedade de Investimento e Gestão, SGPS, S.A. ceases to hold, directly or indirectly, no less than half the voting rights in the Borrower. (…)*
Obrigações Portucel 2010- 2015 2nd Issue	*(…) if Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. ceases to hold, directly or indirectly, no less than 51% (fifty one per cent) of the share capital of the Issuer; (…)*
Obrigações Portucel 2010- 2015	*(…) if, during the lifetime of the contract, any change occurs to the ownership structure which causes SEMAPA - Sociedade de Investimento e Gestão, SGPS, S.A. to lose control of the company, understood in terms of its holding in the capital, voting rights and dominant influence on the company's management, including, without limitation, the possibility of appointing and removing a majority of the directors; (…)*
Commercial Paper Programme 125M	*(…) if SEMAPA ceases to hold, directly or indirectly, a majority of the share capital and voting rights in the ISSUER; (…)*
Portucel Senior Notes 5.375% 2020	*(…) In the event of change of control, as defined in the chapter “Description of Notes”, page 129, of the issue prospectus. (…)*

These clauses do not therefore amount to defensive measures, guarantees or shields designed to cause a serious erosion in the Company's assets in the event of a change of control of alteration in the composition of the Board of Directors, undermining the free transferability of shares.

5. Rules applicable to the renewal or revocation of defensive measures, in particular those providing for limits on the number of votes which can be held or cast by a single shareholder individually or in a concerted manner with other shareholders.

No defensive measures exist in the company providing for limits on the number of votes which can be held or cast by a single shareholder individually or in a concerted manner with other shareholders.

6. 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.

II. Holdings of Shares and Bonds

7. Identification of persons and organizations who, directly or indirectly, own qualifying holdings, detailing the percentage of the share capital and votes imputable and the respective grounds.

At 31/12/2014, the holders of qualifying holdings in the company were as follows:

Shareholder Semapa-Soc. de Investimento e Gestão, SGPS, S.A.	No. of shares	% of capital	% of non-suspended voting rights
Directly	**340 572 392**	**44.37%**	**47.50%**
Indirectly: Through Seinpar Investments B.V. (controlled by the shareholder Semapa)	241 583 015	31.48%	33.69%
Through Seminv - Investimentos, SGPS, S.A. (controlled by the shareholder Semapa)	1 000	0.00%	0.00%
Through the officer of Portucel, Duarte Nuno d'Orey da Cunha	16 000	0.00%	0.00%
Total attributable	**582 172 407**	**75.85%**	**81.19%**

8. Indication of the number of shares and bonds held by members of the management and supervisory bodies.

Members of the management and supervisory bodies who hold shares in the company:

António José Pereira Redondo: 6 000 shares

Adriano Augusto da Silva Silveira: 2 000 shares

Duarte Nuno d'Orey da Cunha: 16 000 shares

Members of the management and supervisory bodies who hold bonds in the company:

José Fernando Morais Carreira de Araújo 1 bond

José Miguel Pereira Gens Paredes 1 bond

Duarte Nuno d'Orey da Cunha: 1 bond

9. Special powers of the management board, in particular concerning resolutions to increase capital, indicating, with regard to these, the date on which they were granted, the period during which such powers may be exercised, the upper limit for the increase in share capital, shares already issued under the powers granted and the form taken by these powers.

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

10. Information on the existence of significant dealings of a commercial nature between qualifying shareholders and the company.

Any significantly relevant transactions such as those referred to above must first be submitted for clearance to the Audit Board, on the basis of the relevance criteria adopted by the Company for the purposes of prior assessment and intervention.

The Audit Board is therefore required to conduct a prior assessment of any transactions or operations between, on the one hand, the company or other Portucel Group companies and, on the other hand, the holders of qualifying holdings or other entities related in any way to the same, which (i) have a value equal to or greater than 1.5 million euros, or (ii) irrespective of their value, may, due to their nature, undermine transparency or the best interests of the company. The Audit Board also receives periodic reports from the external auditor in which, in the course of its duties, the auditor checks the effectiveness and workings of internal control arrangements, reporting any shortcomings detected.

To this end, a service agreement was concluded on 01/02/2013 between SEMAPA – Sociedade de Investimentos e Gestão, SGPS, S.A. and Portucel, S.A, under the terms of Article 4 of Decree-Law 495/88 of 30 December, which was cleared by the Audit Board, after prior assessment of possible contingencies.

This contract establishes a remuneration system based on equitable criteria which do not create a bureaucratic burden for the parties in their ongoing relationship of collaboration and assistance, assuring maximum objectivity in the setting of remuneration and abiding by the rules applicable to commercial dealings between companies in the same Group. In 2014, the value of services provided under this contract was 9 044 392 Euros.

In addition, in the course of 2014, Portucel subscribed a commercial paper issued by Semapa, at a rate of 1.75%. This programme commenced on 28/04/2014 and was subscribed and repaid in successive tranches. The maximum amount stood at 200.9 million euros and it was repaid in full on 01/08/2014.

The Board of Directors approved subscription of its programme on the grounds that: i) Semapa present sound guarantees of solvency; ii) the proposed rate was higher than the average rate of deposits from which the Company disinvested for this purpose (0.60%), and foreseeably higher than average alternative deposit rates in the banking system, in keeping with risk criteria approved by the Group; iii) the short term nature of the operations and iv) the guarantee given by Semapa that it had at all times bank credit facilities for amounts and terms equivalent to the amount borrowed. The Audit Board also approved subscription of this commercial paper, which has since been repaid.

B. CORPORATE BOARDS AND COMMITTEES

I. GENERAL MEETING

a) Composition of the General Meeting

11. Officers of the General Meeting and their term of office (starting and ending dates):

The Chairman of the General Meeting is Dr. Francisco Xavier Zea Mantero, and the office of secretary to the General Meeting is held by Dra. Rita Maria Pinheiro Ferreira.

The officers of the General Meeting were elected for a term of office starting on 01/01/2010 and ending on 31/12/2014, except for the Chairman of the General meeting, elected on 10/04/2012, for a term of office ending on 31/12/2014.

b) Exercise of voting rights

12. Any restrictions on voting rights, such as limitations on the exercise of voting rights based on the ownership of a given number or percentage of shares, time limits for exercising voting rights, or systems for detaching voting rights from ownership rights;

The Company considers that there are no limits, in the company, to the exercise of voting rights by the respective shareholders.

The Company has no procedures in place which result in mismatching between the right to receive dividends or to subscribe new securities and the right attached to each ordinary share.

In order to exercise voting rights at general meetings, shareholders are required to hold, individually or in groups formed in accordance with the law, no less than one thousand shares, with one vote corresponding to a thousand shares. The Company considers that the principle of proportionality between voting rights and shareholder investment is respected. In addition, the Articles of Association make no provision for votes not to be counted above a given limit, and there are no categories of non-voting shares.

The Company also permits postal and online voting, and all the necessary procedures for this are explained in the notice of general meetings.

Postal or online votes are only considered if the shareholders casting them provide evidence of the ownership of their shares, in accordance with the general rules. Votes are only considered when received by the day prior to the meeting, inclusive.

Forms for postal or online voting are available for shareholders on the website (www.portucelsoporcel.com).

In order to attend general meetings shareholders are required to provide proof of their status and voting rights by the registration date, corresponding to 0 hours (GMT) on the 5th (fifth) trading day prior to the date of the General Meeting (the Registration Date).

Shareholders wishing to attend the Company's General Meeting are required to make a declaration, by notice addressed, respectively, to the Chairman of the General Meeting and to the Financial Intermediary where they have their individual registration account, no later than the day prior to the registration date, in other words by the day prior to the 5th (fifth) trading day prior to the General Meeting.

By the end of the 5th (fifth) trading day prior to the General Meeting, the Financial Intermediary is required to send to the Chairman of the General Meeting information on the number of shares registered in the name of the shareholder of whose intention to attend the General Meeting it has been informed, indicating also the registration date of these shares; this notice may also be provided by email to the address indicated on the notice of meeting.

In addition, shareholders who, on a professional basis, hold shares in their own name but on behalf of clients and who wish to cast conflicting votes are required to submit to the Chairman of the General Meeting within the time limit indicated in the preceding paragraph, in addition, to the declaration of their intention to attend the General Meeting and the sending, by the respective Financial Intermediary of the information on the number of shares registered in their client's name, (i) identification of each client and the number of shares with voting rights to be exercised on their behalf, and also (ii) the specific voting instructions issued by each client for each item on the order of business.

Shareholders may also appoint a proxy to represent them at the General Meeting, and to this end may download a proxy form from the company's website (www.portucelsoporcel.com) or obtain a form on request from the head office.

Without prejudice to the rule on the unity of votes established in Article 385 of the Companies Code, any shareholder may appoint different proxies for shares it holds in different securities accounts.

Proxy forms for both individual and corporate shareholders must be delivered to the Chairman of the General Meeting, so as to be received by five days prior to the date of the General Meeting, and may also be sent by email.

There are no further restrictions on the exercise of voting rights, insofar as attendance of General Meetings and exercise of voting rights are not prejudiced by the transfer of shares subsequent to the Registration Date, and do not require the shares to be blocked from the Registration Date to the date of the General Meeting.

Considering the arrangements described above for attendance and voting at General Meetings, the Company complies in full with Recommendation I.1 of the CMVM Corporate Governance Code, by providing for shareholder participation through online, postal and proxy voting, in accordance with the law and articles of association, and by setting a threshold of one thousand shares for this purpose, a level which, whilst not excessively high, allows the General Meeting to function smoothly.

13. Indication of the maximum percentage of the voting rights which can be exercised by a single shareholder or by shareholders connected in any of the forms envisaged in Article 20.1

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

14. Identification of shareholder resolutions which, under the Articles of Association, can only be adopted with a qualified majority, in addition to those provided for in law, and details of the majorities required.

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.

II. MANAGEMENT AND SUPERVISION

a) Composition

15. Identification of the governance model adopted

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.

16. Rules in the Articles of Association on procedural and material requirements applicable to the appointment and substitution of members, as the case may be, of the Board of Directors, the Executive Board of Directors and the General and Supervisory Board.

In accordance with the Articles of Association, the company's bodies comprise the General Meeting, the Board of Directors, the Audit Board and a Statutory Auditor or Statutory Audit Firm. The General Meeting has powers to elect the directors, the members of the Audit Board and the statutory auditor or statutory audit firm.

The Board of Directors comprises three to seventeen members, elected by the general meeting of shareholders. Under the law and the Articles of Association, the directors are elected on the terms set out in the motion approved by the General Meeting.

The General Meeting which elects the board of directors also designates its chairman, and may elect alternate directors up to the limit established in law. If the number of directors is not expressly fixed by the General Meeting, such number is deemed to correspond to the number of directors effectively elected.

However, the Articles of Association establish that a director may be elected individually if there are proposals subscribed and tabled by groups of shareholders, provided none of these groups holds shares representing more than twenty per cent and less than ten per cent of the share capital. No shareholder shall sign the proposal form for more than one list. Each proposal shall identify no less than electable persons. If there are several proposals subscribed by different shareholders or groups of shareholders, the lists shall be put jointly to the vote.

The articles of association also lay down that the Board of Directors may delegate the day-to-day management of the company to a single director or an Executive Board comprising three to nine members.

In the event of the temporary or definitive absence or impediment of the chairman of the board of directors, the board shall appoint another of its members to take his place.

However, in the event of the definitive absence, for any reason whatsoever, of a Director elected as Chairman with a profile appropriate to exercise of such duties, in accordance with the rule described above, the General Meeting is required hold a fresh election to appoint the Chairman of the Board of Directors.

The company's supervisory body is the Audit Board, comprising three full members and two alternate members, and a statutory auditor or firm of statutory auditors.

17. Composition, as the case may be, of the Board of Directors, the Executive Board of Directors and the General and Supervisory Board, detailing the provisions of the Articles of Association concerning the minimum and maximum number of directors, duration of term of office, number of full members, and the date when first appointed and the end of their terms of office for each member.

Portucel has a Board of Directors comprising eleven members – one Chairman, two Deputy Chairmen and eight other 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.

As stated above, the minimum number of directors is three and the maximum number is seventeen.

Identification of the members of the Board of Directors, indicating the date of first appointment and the end of their term of office:

Chairman of the Board of Directors: Pedro Mendonça de Queiroz Pereira (2004-2014)

Deputy Chairman of the Board of Directors: Diogo António Rodrigues da Silveira (2014-2014)

Deputy Chairman of the Board of Directors: Luís Alberto Caldeira Deslandes (2004 -2014)

Member of the Board of Directors: Manuel Soares Ferreira Regalado (2004-2014)

Member of the Board of Directors: Adriano Augusto da Silva Silveira (2007-2014)

Member of the Board of Directors: António José Pereira Redondo (2007- 2014)

Member of the Board of Directors: José Fernando Morais Carreira de Araújo (2007 -2014)

Member of the Board of Directors: Manuel Maria Pimenta Gil Mata (2004-2014)

Member of the Board of Directors: Francisco José Melo e Castro Guedes (2009-2014)

Member of the Board of Directors: José Miguel Pereira Gens Paredes (2011- 2014)

Member of the Board of Directors: Paulo Miguel Garcês Ventura (2011-2014)

18. Distinction between executive and non-executive members of the Board of Directors and, in relation to non-executive directors, identification of those who can be regarded as independent or, if applicable, identification of the independent members of the General and Supervisory Board.

The Board of Directors comprises an appropriate number of non-executive members who are effectively able to oversee, supervise, monitor and assess the activities of the executive directors, taking into account, in particular, the ownership structure and dispersal of the Company's share capital.

At 31 December 2014 and at the date of this report, 6 of the 11 members of the Company's Board of Directors are non-executive directors, as detailed below:

Pedro Mendonça de Queiroz Pereira (non-executive)

Diogo António Rodrigues da Silveira (executive)

Luís Alberto Caldeira Deslandes (non-executive)

Manuel Soares Ferreira Regalado (executive)

Adriano Augusto da Silva Silveira (executive)

António José Pereira Redondo (executive)

José Fernando Morais Carreira de Araújo (executive)

Manuel Maria Pimenta Gil Mata (non-executive)

Francisco José Melo e Castro Guedes (non-executive)

José Miguel Pereira Gens Paredes (non-executive)

Paulo Miguel Garcês Ventura (non-executive)

As described in item 18.1 below, it is disclosed that the non-executive directors of the Board of Directors identified above cannot be regarded as independent.

18.1 The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed in accordance with the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to:

a) Having been an employee at the company or at a related or group company in the past three years;
b) Having, in the past three years, provided services or established a significant commercial relationship with the company or a controlled or controlling company;
c) Being the beneficiary of remuneration paid by the company or by a related or group company, other than the remuneration deriving from a directorship;
d) Living with a life partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of board members or natural persons that are direct and indirectly holders of qualifying holdings;
e) Being a qualifying shareholder or representative of a qualifying shareholder.

In accordance with the independence criteria indicated above, the non-executive members of the Portucel's Board of Directors cannot be considered independent, as two of them were re-elected for more than two terms of office and four of them act on behalf of shareholders owning more than 2% of the share capital.

However, the non-executive directors, although not independent in accordance with the criteria set out above, offer the necessary good repute and proven professional experience and expertise to conduct effective oversight and to ensure there are no conflicts of interests between the shareholders and the Company, and to ensure the proper functioning of the model adopted, which has proven to be appropriate and sufficient.

19. Professional qualifications and other relevant biographical details of each of the members, as the case may be, of the Board of Directors, the General and Supervisory Board and the Executive Board of Directors.

Professional qualifications and biographical details of the members of the company's Board of Directors:

Pedro Mendonça de Queiroz Pereira

- Qualifications: Completed secondary education in Lisbon and attended Instituto Superior de Administração.

- Management office held in companies:
- Companies in the Portucel Group:

  - Chairman of the Board of Directors of About the Future – Empresa Produtora de Papel, S.A.
  - Chairman of the Board of Directors of Portucel, S.A.
  - Member of the Board of Directors of Portucel Soporcel Switzerland, LTD.
  - Chairman of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.

- Other Companies / Entities:
  - Chairman of the Board of Directors of Aboutbalance SGPS, S.A.[1]
  - Chairman of the Board of Directors of Celcimo, S.L.
  - Chairman of the Board of Directors of Cimigest, SGPS, S.A.
  - Chairman of the Board of Directors of Ciminpart - Investimentos e Participações, SGPS, S.A.
  - Chairman of the Board of Directors of Cimo – Gestão de Participações Sociais, S.A.
  - Chairman of the Board of Directors of Costa das Palmeiras – Turismo e Imobiliário, S.A.
  - Chairman of the Board of Directors of CMP - Cimentos Maceira e Pataias, S.A.
  - Manager of Ecovalue – Investimentos Imobiliários, Lda.
  - Chairman of the Board of Directors of Great Earth - Projectos, S.A.
  - Chairman of the Board of Directors of Hotel Ritz, S.A.
  - Chairman of the Board of Directors of Inspiredplace, S.A.
  - Chairman of the Board of Directors of OEM - Organização de Empresas, SGPS, S.A.
  - Chairman of the Board of Directors of Secil - Companhia Geral de Cal e Cimento, S.A.
  - Chairman of the Board of Directors of Secilpar, SL.
  - Chairman of the Board of Directors of Seinpart - Participações, SGPS, S.A.
  - Chairman of the Board of Directors 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 Sodim SGPS, S.A.
  - Sole director of Tema Principal – SGPS, S.A.[2]
  - Chairman of the Board of Directors of Terraços d´Areia – SGPS, S.A.
  - Chairman of the Board of Directors of Vieznada SL[3]
  - Chairman of the Board of Directors of Villa Magna SL

- Other office held in the last five years:
  - Chairman of the Board of Directors of Cimentospar – Participações Sociais, SGPS, S.A.
  - Chairman of the Board of Directors of Longapar, SGPS, S.A.
  - Member of the Board of Directors of Soporcel – Gestão de Participações Sociais, SGPS, S.A.
  - Chairman of the Board of Directors of Vértice – Gestão de Participações, SGPS, S.A.

[1] Office held up to 12 February 2014.
[2] Office held up to 9 December 2014.
[3] Office held up to 28 June 2014.

Diogo António Rodrigues da Silveira

- Qualifications: Diplôme d'Ingénieur. Ecole Centrale de Lille, France (1984); Research Scholar at Berkeley UC. USA, (1984); MBA INSEAD, France (1989).

- Management office held in companies:
- Companies in the Portucel Group:
  - 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 Celcacia – Celulose de Cacia, S.A.
  - Chairman of the Board of Directors of Celset- Celulose de Setúbal S.A.
  - Chairman of the Board of Directors of Colombo Energy, Inc.
  - Chairman of the Board of Directors of Eucaliptusland - Sociedade de Gestão de Património Florestal, S.A.
  - Chairman of the Executive Board and Deputy Chairman of the Board of Directors of Portucel, S.A.
  - Chairman of the Board of Directors of Portucel Papel Setúbal S.A.
  - Chairman of the Board of Directors of PortucelSoporcel Energia, SGPS, S.A.
  - Chairman of the Board of Directors of PortucelSoporcel Fine Paper, S.A.
  - Chairman of the Board of Directors of PortucelSoporcel Floresta SGPS, S.A.
  - Chairman of the Board of Directors of Portucel Florestal – Sociedade de Desenvolvimento Agro-Florestal, 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 Parques Industriais, 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 Portucel Soporcel Sales & Marketing, S.A.
  - Member of the Board of Directors of Portucel Soporcel Switzerland Ltd
  - Chief Executive Officer of Soporcel-Sociedade Portuguesa de Papel, S.A.
  - Chairman of the Board of Directors of Soporcel Pulp, Sociedade Portuguesa de Celulose, S.A.

- Other office held in the last five years:
  - Chief Executive Officer of Companhia de Seguros Açoreana, S.A.
  - Non-executive director of BANIF - Banco Internacional do Funchal S.A.

Luís Alberto Caldeira Deslandes

- Qualifications: Chemical Engineer - Instituto Superior Técnico de Lisboa; Brewery Engineer – Inst. Superieur D'Agronomie de Louvain.

- Directorships:
- Companies in the Portucel Group:
  - Member of the Board of Directors of About the Future – Empresa Produtora de Papel, S.A.
  - Deputy Chairman of the Board of Directors of Portucel, S.A.
  - Member of the Board of Directors of Soporcel, Sociedade Portuguesa de Papel, S.A.

- Other Companies / Entities:

- Honorary member of ACFPI (FAO) – Advisory Committee on Sustainable Forest-based Industries

- Other office held in the last five years:
  - Chairman of the Board of Directors of Celcacia, Celulose de Cacia, S.A.
  - Chairman of the Board of Directors of Colombo Energy, INC.
  - Chief Executive Officer of Portucel S.A.
  - Member of the Executive Board of Portucel- Empresa Produtora de Pasta e Papel, S.A.
  - Chairman of the Board of Directors of Portucel Papel Setúbal S.A.
  - Chairman of the Board of Directors of PortucelSoporcel Fine Paper, S.A.
  - Chairman of the Board of Directors of PortucelSoporcel Floresta SGPS, S.A.
  - Chairman of the Board of Directors of PortucelSoporcel International, SGPS, S.A.
  - Chairman of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A.
  - Chairman of the Board of Directors of PortucelSoporcel Parques Industriais, 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.
  - Member of the Board of Directors of Portucel Soporcel Switzerland Ltd
  - Chairman of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
  - Chairman of the Board of Directors of Soporcel Austria GmbH
  - Chairman of the Board of Directors of Soporcel Deutschland GmbH
  - Chairman of the Board of Directors of Soporcel France EURL
  - Chairman of the Board of Directors of Soporcel International BV
  - Chairman of the Board of Directors of Soporcel Italia SRL
  - Chairman of the Board of Directors of Soporcel North America Inc.
  - Chairman of the Board of Directors of Soporcel Pulp, Sociedade Portuguesa de Celulose, S.A.
  - Chairman of the Board of Directors of Soporcel UK LTD

Manuel Soares Ferreira Regalado

- 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)

- Management office held in companies:
- Companies in the Portucel Group:
  - 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 Atlantic Forests – Comércio de Madeiras, S.A.
  - Chairman of the Board of Directors of Bosques do Atlântico, SL
  - Member of the Board of Directors of Celcacia – Celulose de Cacia, S.A.
  - Chairman of the Board of Directors of Empremédia – Corretores de Seguros, S.A.
  - Member of the Board of Directors of Colombo Energy, Inc.
  - Chairman of the Board of Directors of Enerforest – Empresa de Biomassa para Energia, S.A.
  - Member of the Executive Board of Eucaliptusland, S.A.
  - Member of the Executive Board and of the Board of Directors of Portucel, S.A.
  - Chairman of the Board of Directors of Portucel Finance spółka z ograniczoną odpowiedzialnością
  - Manager of Portucel Moçambique, Lda.
  - Member of the Board of Directors of Portucel Papel Setúbal S.A.
  - Member of the Management Board of PortucelSoporcel Abastecimento de Madeira, ACE
  - 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 Portucel Florestal – Empresa de Desenvolvimento Agro-Florestal, S.A.
- Member of the Board of Directors of PortucelSoporcel Internacional, SGPS, S.A.
- Member of the Board of Directors of Portucel Soporcel International, Ltd
- Member of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A.
- Member of the Board of Directors of Portucel Soporcel Parques Industriais, S.A
- Member of the Board of Directors of PortucelSoporcel Participações SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Pulp, SGPS, S.A.
- Member of the Board of Directors of Portucel Soporcel Sales & Marketing, S.A.
- Member of the Board of Directors of Portucel Soporcel Switzerland, Ltd.
- Chairman of the Board of Directors of Sociedade de Vinhos de Espirra – Produção e Comercialização de Vinhos, S.A.
- Member of the Executive Board and Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Board of Directors of Soporcel Pulp, S.A.
- Chairman of the Board of Directors of Viveiros Aliança – Empresa Produtora de Plantas, S.A.

- Other Companies / Entities:
  - Member of the General Board of CELPA - Associação da Indústria Papeleira

- Other office held in the last five years:
  - Chairman of the Board of Directors of Aflomec – Empresa de Exploração Florestal, S.A.
  - Chairman of the Board of Directors Cofotrans – Empresa de Exploração Florestal, S.A.
  - Chairman of the Board of Directors of Portucel Florestal, S.A.
  - Member of the Board of Directors of PortucelSoporcel Floresta, SGPS, S.A.
  - Member of the Management Board of RAIZ - Instituto de Investigação da Floresta e Papel
  - Member of the Management Board of Tecnipapel, - Sociedade de Transformação e Distribuição de Papel, Lda.

Adriano Augusto da Silva Silveira

- Qualifications: Degree in Chemical Engineering from the University of Porto, 1975.

- Management office held in companies:
- Companies in the Portucel Group:
  - 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 Celcacia – Celulose de Cacia, S.A.
  - Member of the Board of Directors of Colombo Energy, Inc.
  - Chairman of the Board of Directors of EMA 21, S.A.
  - Chairman of the Board of Directors of Enerpulp – Co-geração Energética de Pasta, S.A.
  - Member of the Board of Directors of Eucaliptusland, S.A.
  - Member of the Executive Board and of the Board of Directors of Portucel, S.A.
  - Member of the Board of Directors of Portucel Finance spółka z ograniczoną odpowiedzialnością
  - Member of the Board of Directors of Portucel Papel Setúbal S.A.
  - Member of the Management Board of PortucelSoporcel Abastecimento de Madeira, ACE
  - Member of the Board of Directors of PortucelSoporcel Energia, SGPS, S.A.
  - Member of the Board of Directors of PortucelSoporcel Internacional, 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 Portucel Soporcel International Ltd.
- Member of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A.
- Member of the Board of Directors of Portucel Soporcel Parques Industriais, S.A
- Member of the Board of Directors of PortucelSoporcel Participações, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Pulp, SGPS, S.A.
- Member of the Board of Directors of Portucel Soporcel Sales & Marketing, S.A.
- Member of the Board of Directors of Portucel Soporcel Switzerland, Ltd.
- Member of the Executive Board and Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Board of Directors of Soporcel Pulp, Sociedade Portuguesa de Celulose, S.A.
- Chairman of the Board of Directors of SPCG – Sociedade Portuguesa de Co-geração, S.A.

- Other office held in the last five years:
  - Chairman 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 Management Board of RAIZ – Instituto de Investigação da Floresta e Papel
  - Member of the Board of Directors of Soporgen, S.A.
  - Member of the Management Board of Tecnipapel, - Sociedade de Transformação e Distribuição de Papel, Lda.

António José Pereira Redondo

- 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).

- Management office held in companies:
- Companies in the Portucel Group:
  - 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 Celcacia – Celulose de Cacia, S.A.
  - Member of the Board of Directors of Colombo Energy, Inc.
  - Member of the Board of Directors of Eucaliptusland, S.A.
  - Member of the Executive Board and of the Board of Directors of Portucel, S.A.
  - Member of the Board of Directors of Portucel Finance spółka z ograniczoną odpowiedzialnością
  - Member of the Board of Directors of Portucel Papel Setúbal S.A.
  - Manager of Portucel Soporcel Afrique du Nord, S.A
  - 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 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 Portucel Soporcel International, Ltd
  - Member of the Board of Directors of PortucelSoporcel Internacional, SGPS, S.A.
  - Chairman of the Board of Directors of Portucel Soporcel Netherlands BV
  - Member of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A.
  - Member of the Board of Directors of Portucel Soporcel Parques Industriais, S.A
  - Member of the Board of Directors of PortucelSoporcel Participações, SGPS, S.A.
  - Member of the Board of Directors of PortucelSoporcel Pulp, SGPS, S.A.

- Member of the Board of Directors of Portucel Soporcel Sales & Marketing, S.A.
- Member of the Board of Directors of Portucel Soporcel Switzerland, Ltd.
- Member of the Executive Board and Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Manager of Portucel Soporcel Poland SP Z.O.O.
- Member of the Board of Directors of Soporcel Pulp, Sociedade Portuguesa de Celulose, S.A.

* Other office held in the last five years:
  - Chairman of the Board of Directors of Portucel Soporcel España S.A.
  - Member of the Board of Directors of PortucelSoporcel Floresta, SGPS, S.A.
  - Member of the Board of Directors of Portucel Soporcel France EURL
  - Chairman of the Board of Directors of Portucel Soporcel Itália, SRL
  - Member of the Board of Directors of Portucel Soporcel North America, INC
  - Chairman of the Board of Directors of Portucel Soporcel UK, Lda.
  - Member of the Management Board of Tecnipapel, Lda.

José Fernando Morais Carreira de Araújo

* 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).

* Directorships:
* Companies in the Portucel Group:
  - 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 Bosques do Atlântico, S.L.
  - Member of the Board of Directors of Celcacia – Celulose de Cacia, S.A.
  - Member of the Board of Directors of Eucaliptusland, S.A.
  - Member of the Executive Board and of the Board of Directors of Portucel, S.A.
  - Member of the Board of Directors of Portucel Finance spółka z ograniczoną odpowiedzialnością
  - Manager of Portucel Moçambique, Lda.
  - Member of the Board of Directors of Portucel Papel Setúbal S.A.
  - Chairman of the Board of Directors of PortucelServiços Partilhados, S.A.
  - Manager of Portucel Soporcel Afrique du Nord, S.A.
  - Member of the Board of Directors of Portucel Soporcel Austria, GmBH
  - Chairman of PortucelSoporcel Cogeração de Energia, S.A.
  - Member of the Board of Directors of Portucel Soporcel Deutschland, GmbH
  - Member of the Board of Directors of PortucelSoporcel Energia, SGPS, S.A.
  - Director of Portucel Soporcel Eurasia Kağit Ve Kağit Ürünleri Sanayi Ve Ticaret Anonim Şirket
  - Member of the Board of Directors of Portucel Soporcel International, Ltd
  - Member of the Board of Directors of PortucelSoporcel Internacional, 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 Portucel Soporcel Netherlands BV
  - Member of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A.

- Member of the Board of Directors of Portucel Soporcel Parques Industriais, S.A
- Member of the Board of Directors of PortucelSoporcel Participações, SGPS, S.A.
- Manager of Portucel Soporcel Poland SP.Z.O.O.
- Member of the Board of Directors of PortucelSoporcel Pulp, SGPS, S.A.
- Member of the Board of Directors of Portucel Soporcel Sales & Marketing, S.A.
- Member of the Board of Directors of Portucel Soporcel Switzerland, Ltd.
- Member of the Executive Board and Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Board of Directors of Soporcel Pulp, Sociedade Portuguesa de Celulose, S.A.

- Other office held in the last five years:
  - Member of the Board of Directors of Portucel Soporcel España, S.A.
  - 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 North America, Inc.
  - Member of the Management Board of PortucelSoporcel Logística do Papel, ACE
  - Member of the Board of Directors of Portucel Soporcel UK, Ltd.
  - Chairman of the Board of Directors of Setipel – Serviços Técnicos para a Indústria Papeleira, S.A.
  - Member of the Management Board of Tecnipapel, Lda.

Manuel Maria Pimenta Gil Mata

- Qualifications: Degree in chemical engineering from the Faculty of Engineering, Porto, 1986; International Course in Senior Management in the Paper and Pulp Industry, Swedish Paper Industry Federation, Markaryd (1987).

- Directorships:
- Companies in the Portucel Group:
  - Member of the Board of Directors of About the Future – Empresa Produtora de Papel, S.A.
  - Member of the Board of Directors of Portucel, S.A.
  - Member of the Board of Directors of Soporcel, Sociedade Portuguesa de Papel, S.A.

- Other office held in the last five years:
  - Associate Guest Professor of the Department of Chemical Engineering, University of Coimbra

Francisco José Melo e Castro Guedes

- Qualifications: Degree in Finance from Instituto Superior de Ciências Económicas e Financeiras – Lisboa (1971); MBA from INSEAD – Fontainebleau. France (1976)

- Management office held in companies:
- Companies in the Portucel Group:
  - Member of the Board of Directors of About the Future – Empresa Produtora de Papel, S.A.
  - Member of the Board of Directors of Portucel, S.A.
  - Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.

- Other Companies / Entities:
  - Member of the Board of Directors of Aboutbalance SGPS, S.A.
  - Member of the Board of Directors of Celcimo, S.L.
  - Member of the Board of Directors of Cimigest, SGPS, S.A.
  - Member of the Board of Directors of Ciment de Sibline, SGPS, S.A.L.
  - Member of the Board of Directors of Ciminpart - Investimentos e Participações, SGPS, S.A.
  - Member of the Board of Directors of Cimo – Gestão de Participações Sociais, S.A.
  - Member of the Board of Directors of Great Earth - Projectos, S.A.
  - Member of the Board of Directors of Inspiredplace, S.A.
  - Chairman of the Board of Directors of Longapar, SGPS, S.A.
  - Member of the Board of Directors of CMP- Cimentos Maceira e Pataias, S.A.
  - Chairman of the Board of Directors of Margem – Companhia de Mineração, S.A.
  - Member of the Board of Directors of Secil – Companhia Geral de Cal e Cimento, S.A.
  - Chairman of the Board of Directors of Semapa Inversiones, SL
  - Member of the Board of Directors of Semapa – Sociedade de Investimento e Gestão, SGPS, SA.
  - Member of the Board of Directors of Seinpart Participações, SGPS, S.A.[4]
  - Member of the Board of Directors of Seminv Investimentos, SGPS, SA[5]
  - Chairman of the Board of Directors of Supremo Cimentos, S.A.
  - Member of the Board of Directors of Sodim, SGPS, S.A.
  - Member of the Board of Directors of Uniconcreto – Betão Pronto, S.A.[6]

- Other office held in the last five years:
  - Member of the Board of Directors of Cimentospar – Participações Sociais, SGPS, S.A.
  - Chairman of the Board of Directors of ETSA Investimentos, SGPS, S.A.
  - Manager of Florimar – Gestão e Participações, SGPS, Soc. Unipessoal, Lda.
  - Manager of Hewbol – SGPS, Lda.
  - Member of the Board of Directors of Parcim Investments, BV
  - Member of the Board of Directors of Secil – Betões e Inertes, SGPS, S.A.
  - Member of the Board of Directors of Secil Martingança – Aglom. e Novos Mat. para Const., S.A.
  - Member of the Board of Directors of Secil Prebetão – Prefabricados de Betão, S.A.
  - Manager of Secil Unicom, SGPS, Lda.
  - Member of the Board of Directors of Secilpar, SL.
  - Manager of Serife – Sociedade de Estudos e Realizações Industriais e de Fornecimento de Equipamentos, Lda.
  - Member of the Board of Directors of SCG – Société des Ciments de Gabès, S.A.
  - Member of the Board of Directors of Silonor, S.A.
  - Member of the Board of Directors of So.I.Me Liban S.A.L.
  - Chairman of the Board of Directors of Viroc Portugal – Indústrias de Madeira e Cimento, S.A
  - Chairman of the Board of Directors of Verdeoculto - Investimentos, SGPS, S.A

José Miguel Pereira Gens Paredes

- Qualifications: Degree in Economics, Portuguese Catholic University (1984).

[4] Office held up to 20 June 2014.
[5] Office held up to 20 June 2014.
[6] Office held up to 30 June 2014.

- Management office held in companies:
- Companies in the Portucel Group:
  - Member of the Board of Directors of About the Future – Empresa Produtora de Papel, S.A.
  - Member of the Board of Directors of Portucel, S.A.
  - Member of the Board of Directors of Soporcel – Sociedade Portuguesa 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 Aboutbalance SGPS, S.A.[7]
  - Member of the Board of Directors of Aprovechamiento Integral de Subprodutos Ibéricos, S.A.
  - Member of the Board of Directors of Celcimo, SL.
  - Chairman of the Board of Directors of Cimo- Gestão de Participações, SGPS, S.A
  - Member of the Board of Directors of Cimigest, 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 Ciminpart – Investimento e Participações, SGPS, S.A.
  -
  - Chairman of the Board of Directors of ETSA Investimentos, SGPS, S.A.
  - Chairman of the Board of Directors of ETSA LOG, S.A.
  - Member of the Board of Directors of Great Earth - Projectos, S.A.
  - Member of the Board of Directors of Hotel Ritz, S.A.
  - Manager of Biological - Gestão de Resíduos Industriais, L.da.
  - Member of the Board of Directors of Inspiredplace, 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 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 OEM - Organização de Empresas, SGPS, S.A.
  - Chairman of the Board of Directors of Sebol - Comércio e Indústria de Sebo, 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 Seinpart - Participações, SGPS, S.A.
  - Member of the Board of Directors of Seminv - Investimentos, SGPS, S.A.
  - Member of the Board of Directors of Sodim, SGPS, S.A.
  - Member of the Board of Directors of Villa Magna SL

- Other office held in the last five years:
  - Member of the Board of Directors of ABAPOR - Comércio e Indústria de Carnes, S.A.
  - Member of the Board of Directors of Cimentospar – Participações Sociais, SGPS, S.A.
  - Member of the Board of Directors of Cimo – Gestão de Participações, SGPS, 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 GOLIATUR – Sociedade de Investimentos Imobiliários, S.A.
  - Member of the Board of Directors of Longapar, SGPS, S.A
  - Member of the Board of Directors of Margem – Companhia de Mineração, S.A.

[7] Office held up to 12 February 2015.

- Member of the Board of Directors of SONACA, SGPS, S.A.
- Member of the Board of Directors of Supremo Cimentos, S.A.
- Member of the Board of Directors of VERDEOCULTO - Investimentos, SGPS, S.A.

Paulo Miguel Garcês Ventura

- Qualifications: Degree in law from the Faculty of Law, University of Lisbon (1994). Registered with the Portuguese Bar Association. IEP at Insead (2008)

- Directorships:
- Companies in the Portucel Group:
  - 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 Aboutbalance SGPS, S.A.
  - Chairman of the General Meeting of Antasobral- Sociedade Agropecuária, S.A.
  - Member of the Board of Directors of Aprovechamiento Integral de Subprodutos Ibéricos, S.A.
  - Chairman of the General Meeting of Beira Rio-Sociedade Construtora de Armazéns, S.A
  - Manager of Biological - Gestão de Resíduos Industriais, L.da.
  - Member of the Board of Directors of Celcimo, SL
  - Chairman of the General Meeting of Cimilonga- imobiliária, S.A
  - Chairman of the Board of Directors of Cimipar – Sociedade Gestora de Participações Sociais, S.A.
  - Member of the Board of Directors of Ciminpart – Investimento e Participações, SGPS, S.A.
  - Member of the Board of Directors of Cimigest, SGPS, S.A.
  - Member of the Board of Directors of Cimo – Gestão de Participações, SGPS, S.A.
  - Deputy Chairman of the General Meeting of Estradas de Portugal, S.A.
  - Member of the Board of Directors of ETSA Investimentos, SGPS, S.A.
  - Member of the Board of Directors of ETSA LOG, S.A.
  - Chairman of the General Meeting of Galerias Ritz- Imobiliária, S.A
  - Member of the Board of Directors of Great Earth - Projectos, S.A.
  - Member of the Board of Directors of Hotel Ritz, S.A.
  - Member of the Board of Directors of Inspiredplace, 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 Longapar, SGPS, S.A
  - Chairman of the General Meeting of Longavia- Imobiliária, S.A.
  - Member of the Board of Directors of OEM - Organização de Empresas, SGPS, S.A.
  - Chairman of the General Meeting of Parque Ritz- Imobiliária, S.A.
  - Member of the Board of Directors of Portucel, S.A.
  - Chairman of the General Meeting of Refundos- Sociedade Gestora de Fundos de Investimento Imobiliário, 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.
  - Member of the Board of Directors of Secil – Companhia Geral de Cal e Cimento, S.A.
  - Chairman of the General Meeting of Sociedade Agrícola da Quinta da Vialonga, S.A.
  - Member of the Board of Directors of Sodim, SGPS, S.A.
  - Chairman of the General Meeting of Sonagi- Imobiliária, S.A
  - Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.

- Chairman of the General Meeting of Valuelegend- SGPS, S.A.
- Chairman of the General Meeting of Vértice- Gestão de Participações, SGPS, S.A.
- Member of the Board of Directors of Villa Magna SL

- Other office held in the last five years:

  - Member of the Board of Directors of CIMENTOSPAR – Participações Sociais, SGPS, S.A.
  - Member of the Ethics Committee of Portucel, S.A.
  - Member of the Board of Directors of ETSA - Empresa de Transformação de Subprodutos Animais S.A.
  - Member of the Board of Directors of Goliatur – Sociedade de Investimentos Imobiliários, S.A.

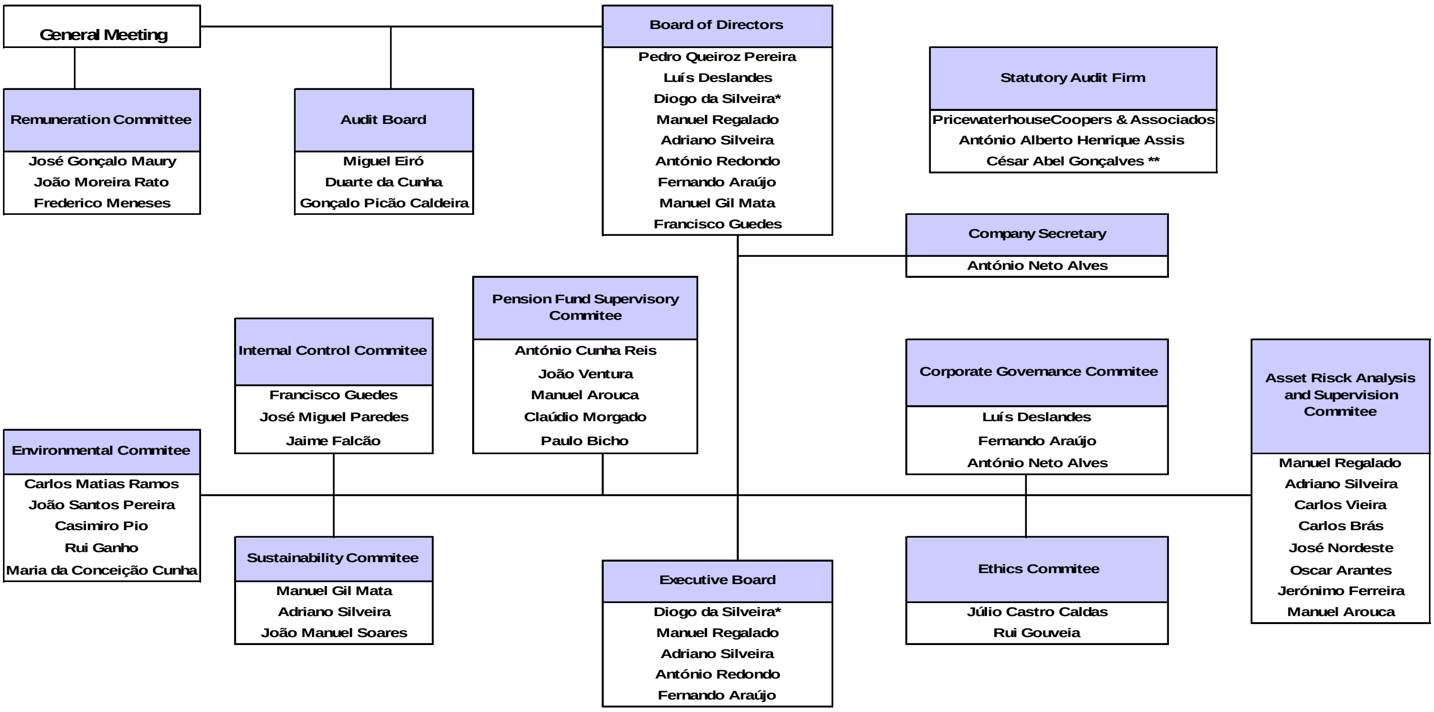
20. Habitual and significant family, professional or business ties between members, as the case may be, of the Board of Directors, the General and Supervisory Board and the Executive Board of Directors with shareholders to whom a qualifying holding greater than 2% of the voting rights may be imputed.

The Company's directors include four non-executive directors who act on behalf of the owners of holdings greater than 2% of the company's share capital. These are: Pedro Mendonça de Queiroz Pereira, Francisco José Melo e Castro Guedes, José Miguel Pereira Gens Paredes and Paulo Miguel Garcês Ventura.

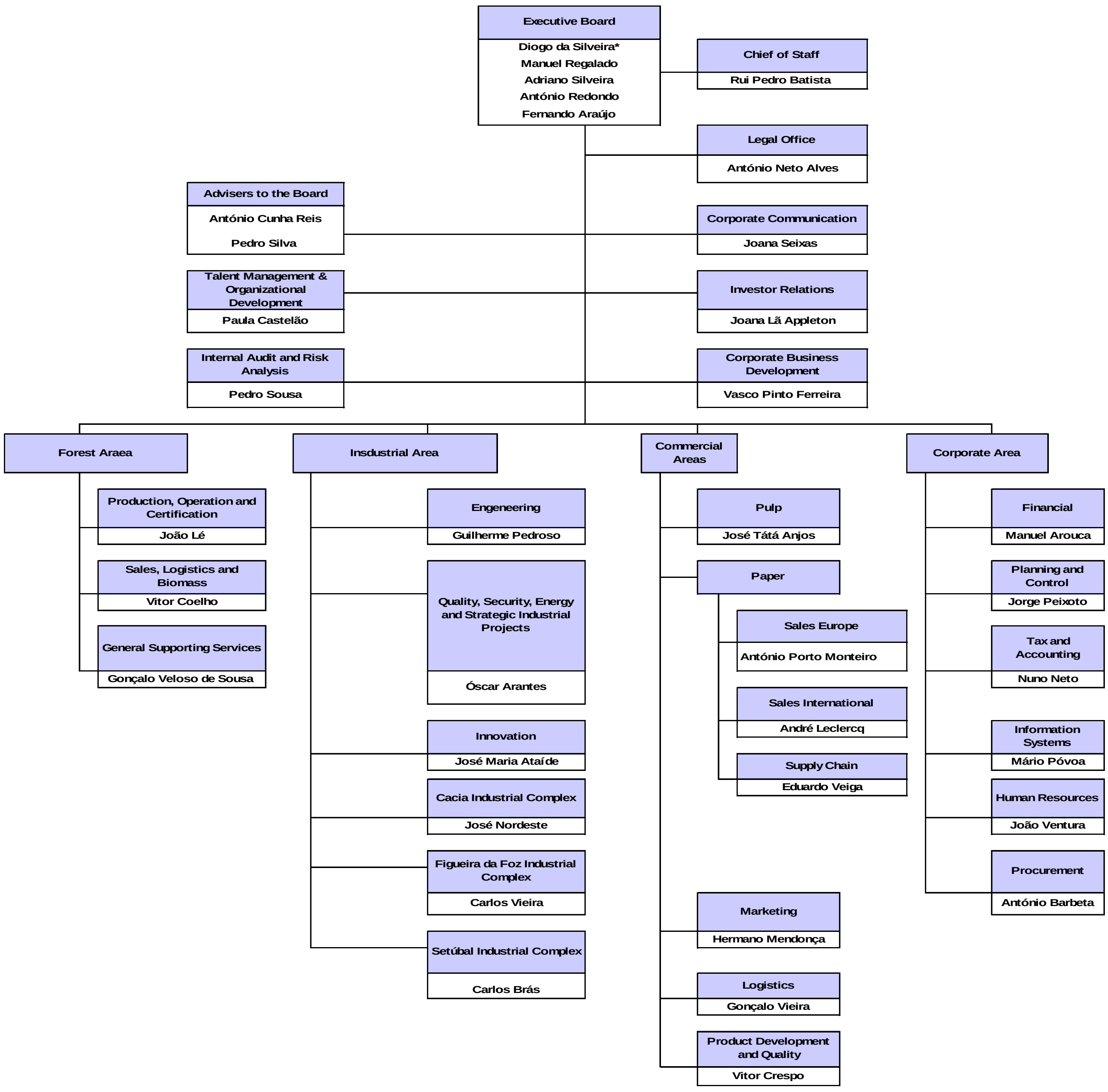
21. Organizational or functional charts showing the division of powers between the different corporate boards, committees and/or company departments, including information on delegated powers, in particular with regard to delegation of the management of the company.

We present below the organizational and functional charts showing the division of responsibilities between the different company bodies, committees and departments

Organizational charts: Company Boards and Committees


General Meeting
Board of Directors
Pedro Queiroz Pereira
Luís Deslandes
Diogo da Silveira*
Manuel Regalado
Adriano Silveira
António Redondo
Fernando Araújo
Manuel Gil Mata
Francisco Guedes
Statutory Audit Firm
PricewaterhouseCoopers & Associados
António Alberto Henrique Assis
César Abel Gonçalves **
Remuneration Committee
José Gonçalo Maury
João Moreira Rato
Frederico Meneses
Audit Board
Miguel Eiró
Duarte da Cunha
Gonçalo Picão Caldeira
Company Secretary
António Neto Alves
Pension Fund Supervisory Commitee
António Cunha Reis
João Ventura
Manuel Arouca
Claúdio Morgado
Paulo Bicho
Internal Control Commitee
Francisco Guedes
José Miguel Paredes
Jaime Falcão
Corporate Governance Commitee
Luís Deslandes
Fernando Araújo
António Neto Alves
Asset Risck Analysis and Supervision Commitee
Manuel Regalado
Adriano Silveira
Carlos Vieira
Carlos Brás
José Nordeste
Oscar Arantes
Jerónimo Ferreira
Manuel Arouca
Environmental Commitee
Carlos Matias Ramos
João Santos Pereira
Casimiro Pio
Rui Ganho
Maria da Conceição Cunha
Sustainability Commitee
Manuel Gil Mata
Adriano Silveira
João Manuel Soares
Executive Board
Diogo da Silveira*
Manuel Regalado
Adriano Silveira
António Redondo
Fernando Araújo
Ethics Commitee
Júlio Castro Caldas
Rui Gouveia

Company Divisions and Departments



Notes:

* Following the resignation by Dr. José Alfredo de Almeida Honório from the Board of Directors of Portucel S.A., by letter dated 31 January 2014, Eng. Diogo António Rodrigues da Silveira was coopted as an executive director at the meeting of the Board of Directors of 25 March 2014, under Article 393.3 b) of the Companies Code, for the term of office currently under way (2011/2014). This appointment was ratified at the General Meeting held on 21 May 2014.

** As from February 2014, the firm of PricewaterhouseCoopers & Associados, SROC, Lda. has been represented by António Alberto Henrique Assis or José Pereira Alves.

As stated above, the Executive Board comprises five members, with responsibilities divided between its members as follows:

- **Diogo António Rodrigues da Silveira**

  - Internal Auditing

- **Manuel Soares Ferreira Regalado:**

  - Forestry activities

  - Finance

  - Human resources, organization and secretarial services

  - Procurement

  - 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

  - Product development

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

  - Accounts and taxation

  - Management control

  - Legal Affairs

  - Information systems

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 enter into, amend and terminate employment contracts;

m) To open, transact and close bank accounts;

n) To appoint Company attorneys;

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 to him 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 Board of Directors is informed on a permanent basis of all resolutions of the Executive Board through the minutes of the respective meetings, which are systematically drawn up and sent, in writing, to the Board of Directors. In addition, the Chairman of the Executive Board sends notices and minutes of the respective meetings to the Chairman of the Board of the Directors and the Chairman of the Audit Board.

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.

b) Functioning

22. Existence of the rules of procedure of the Board of Directors, the General and Supervisory Board and the Executive Board of Directors, as the case may be, and place where these may be consulted.

The company's management 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 at http://www.portucelsoporcel.com/Investidores/Governo-da-Sociedade.

23. Number of meetings held and attendance record of each member of the Board of Directors, the General and Supervisory Board and the Executive Board of Directors, as the case may be.

The Board of Directors held eight meetings, minutes of which were duly drawn up. Attendance of the eight meetings by Mr. Pedro Mendonça de Queiroz Pereira (Chairman), Dr. Manuel Soares Ferreira Regalado (Member), Eng. Adriano Augusto da Silva Silveira (Member), Dr. José Fernando Morais Carreira de Araújo (Member), Eng. Luís Alberto Caldeira Deslandes (Member) and Eng. Manuel Maria Pimenta Gil Mata (Member) was 100%.

Eng. António José Pereira Redondo (Member) and Dr. Paulo Miguel Garcês Ventura (Member), were absent from one of the meetings, for which due grounds were submitted, resulting in attendance of 87.5%. At one of the meetings, Dr. Francisco José Melo e Castro Guedes (Member) was represented by Mr. Pedro Mendonça de Queiroz Pereira, resulting in an attendance rate for this member of 87.5%.

The Executive Board held 41 meetings, minutes of which were duly drawn up. The current Chief Executive Officer, Eng. Diogo António Rodrigues da Silveira, attended 29 meetings, as he only took office on 25 March 2014; this corresponded to an attendance rate of 100%.

Dr. Manuel Soares Ferreira Regalado (Member) was absent from two meetings, which corresponded to an attendance rate of 95%.

Eng. Adriano Augusto da Silva Silveira (Member) was absent at one of the meetings, which corresponded to an attendance rate of 97.5%.

Eng. António José Pereira Redondo (Member), was absent at 3 meetings, which corresponded to an attendance rate of 92.7%.

Dr. José Fernando Morais Carreira de Araújo (Member), was absent at 5 of the meetings, which corresponded to an attendance rate of 87.8%.

24. Indication of the company bodies empowered to assess the performance of executive directors.

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 selection of suitable candidates for directorships is regarded as the sole province of the shareholders.

25. Pre-set criteria for assessing the performance of executive directors.

The Remuneration Committee assesses the performance of executive directors on the basis of the information at its disposal and other information and documents requested from the Chairman of the Directors, as the main person responsible for the team, and from non-executive directors who are best placed to observe the performance of the executive members of the Board of Directors and have direct access to these members. However, in view of the actual nature of the situation, this is not a technical/functional assessment in which the assessor is responsible for setting objectives, monitoring progress and discussing performance with the person assessed. Instead, this is a general assessment of performance on the basis of the information and documents referred to.

The basic criteria for appraising the performance of executive directors are those set out in Annex II to this report, in the Remuneration Policy Statement. The appraisal criteria for setting the variable remuneration component take the form of a system of KPIs which look at quantitative and qualitative components, at individual and collegiate level. The quantitative elements considered are EBITDA, pre-tax profits and cash flow.

26. Availability of each of the members of the Board of Directors, the General and Supervisory Board and the Executive Board of Directors, as the case may be, indicating office held simultaneously in other companies, inside and outside the group, and other relevant activities carried on by the members of these bodies during the period.

This information is available in item 19 above, relating to the professional qualifications and biographical information on each member of the above company bodies.

c) Committees belonging to the management or supervisory bodies and managing directors

27. Identification of committees set up by the Board of Directors, the General and Supervisory Board and the Executive Board of Directors, as the case may be, and place where the rules of procedure may be consulted

In addition to the Environmental Board, the following committees also report to the company's Board of Directors:

- Internal Control Committee
- Corporate Governance Control Committee
- Sustainability Committee
- Pension Fund Supervisory Board
- Property Risks Analysis and Monitoring Committee
- Ethics Committee
- Environmental Board (instituted by the Articles of Association)
- Remuneration Committee

All these specialist committees draw up minutes of their meetings during the year, which minutes are available from the Company Secretary.

The rules of procedure for these bodies may be consulted at the company's website, at the following link: http://www.portucelsoporcel.com/pt/investors/governance.php.

28. Composition, if applicable, of the executive board and/or identification of the managing director(s)

At 31 December 2014, the Executive Board comprised the following directors:

Chairman: - Diogo António Rodrigues da Silveira*

Members: - Manuel Soares Ferreira Regalado

- Adriano Augusto da Silva Silveira

- António José Pereira Redondo

- José Fernando Morais Carreira de Araújo

* *Up to 28 February 2014 the Chief Executive Officer was Dr. José Alfredo de Almeida Honório.*

29. Indication of the powers of each of the committees created and summary of the activities carried on in the exercise of these responsibilities.

Internal Control Committee

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 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.

The Internal Control Committee held two meetings in the course of 2014, at which it examined the company's activities in 2014, dealing with the following topics: monitoring of the group's financial and business information, oversight and control of any activities which involve financial, property and environmental risks, assessment of the work of the Internal Audit and Risk Analysis Department, monitoring of the contractual relationship with the Statutory Auditor and External Auditor, their work and the objective basis on which they may be regarded as independent, monitoring of whistleblowing and dealings with other company committees, in particular with regard to the work of the various company officers. It was concluded that no irregularity took place, and in particular no breach was discovered of ethical duties or rules of conduct.

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) To 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) To monitor and oversee, on a permanent basis, matters relating to corporate governance and social, environmental and ethical responsibility, the sustainability of the Portucel Group'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;

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 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 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.

The Corporate Governance Committee met twice in the course of 2014. At its first meeting, it examined the memorandum on the CMVM's assessment of the 2013 Corporate Governance Report and the internal audit and risk management model, designed by Deloitte. At its second meeting, the committee considered the report commissioned by the AEM from Católica Lisbon on the degree of compliance by Portucel, S.A. with the recommendations of the corporate governance code, and assessed progress on the Corporate Governance Code to be adopted for the financial year of 2014 (CMVM Code).

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.

The Sustainability Committee met on six occasions in the course of 2014, dealing with a range of topics: progress on the environmental situation at the Group's plants, with reference to changing EU environmental requirements and their impact on the group's mills; analysis of the European Union's New Energy and Climate Package, raising important issues for the Group; presentation of the Development Project for the European Paper Industry up to 2050, Confederation of European Paper Industries; discussion of "Forest Fire Issues and Group strategy", a matter of acute relevance to the sector.

In the course of its work, the Committee also completed a questionnaire sent out by BCSD Portugal, through its Business Sustainability Observatory, in partnership with the Higher Technical Institute, for the purposes of the 2014 Business Sustainability Index. The Sustainability Committee also addressed specific industrial issues, including "Energy Optimisation in the Group" and "Environmental Advantages of Recent Investments".

The Committee also looked into a number of issues relating to the 2014/2015 Sustainability Report, which is being prepared and is due for issue in 2016.

Pension Fund Supervisory Board

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.

In 2014, the Pension Fund Supervisory Board held one meeting. At this meeting the Board assessed the current situation with regard to the Company's pension fund, concluding that, despite the difficult economic and financial situation in general, the fund had been successfully managed in all respects.

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.

The Property Risks Analysis and Monitoring Committee met once in the course of the year, assessing progress on implementation of the recommendations made to each Industrial Complex, in view of the respective risk levels and the information on execution provided by management. The committee also analysed the accident rate, identifying all accidents in the past 10 years, and assessed the need to increase insurance in 2015, in view of the new capital projects implemented in 2014 or due for implementation in 2015, together with the need to review the compensation limits currently in force, in line with the calculations of the Maximum Probable Loss for 2015.

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 Group's 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 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.

In 2014, the Ethics Committee met on two occasions on which business ethics instruments, policies, aims and targets were presented and discussed, for subsequent submittal to the Corporate Governance Committee.

Environmental Board

In view of the specific nature of the Group's business and the environmental risk involved, the Board of Directors decided in 2008 to set up an Environmental Board, to monitor and make recommendations on environmental aspects of the Company's main undertakings, paying special attention to legal requirements, licensing rules and the Group's policy in this area. The Environmental Board currently comprises five members, all of them independent academics with an established technical and scientific reputation, whose areas of expertise coincide with central environmental concerns relating to the Group's operations as they exist today.

The Environmental Board deals directly with the Group's business divisions, through meetings at industrial sites, in the main forestry plantations and at the Group's research institute, RAIZ.

The Environmental Board met on three occasions in 2014 and dealt with the following topics: analysis of the Group's results and the trend for growth in its main markets, a summary of the main indicators of environmental performance at the Group's plants in 2014, with special attention being paid to improved performance at the Cacia mill, assessment of the prospects and needs relating to the FSC (Forest Stewardship Council) and the importance of plantations as a means of safeguarding remaining natural forests and of generating benefits, and the Group's special focus on small landowners.

The Board also assessed power generation and sales in 2013, in comparison with 2012, as well as working on the 2012/2013 Sustainability Report, drawn up in conjunction with the Sustainability Committee. Work on the 2014/2015 report is now due to commence.

Remuneration Committee

The Remuneration Committee is responsible for setting remuneration and submitting the annual statement on remuneration policy for company officers. The remuneration committee also takes an active part in the performance appraisal process, in particular for the purpose of setting the variable remuneration of executive directors.

In the course of 2014, the Remuneration Committee held three meetings dealing with the following issues within its sphere of responsibility: review of the remuneration of members of the Audit Board, and of one of the members of the Board of Directors; setting the remuneration of the Chief Executive Officer, Diogo António Rodrigues da Silveira, appointed on 25 March by the Board of Directors; award of a performance bonus to Dr. José Honório, for his contribution and huge positive impact on the success enjoyed by Portucel.

III. AUDITING

(Audit Board, Audit Committee or General Supervisory Board)

a) Composition

30. Identification of the supervisory body (Audit Board, Audit Committee or General Supervisory Board) corresponding to the model adopted.

Under the single-tier management model adopted, the company's supervisory body is the Audit Board.

31. Composition, as applicable, of the Audit Board, the Audit Committee, the General and Supervisory Board or the Committee for Financial Affairs, indicating the minimum and maximum numbers of members and duration of their term of office, as established in the Articles of Association, number of full members, date of date of first appointment and end date of the term of office of each member; reference may be made to the item in the report where this information is contained in accordance with paragraph 18.

The company's Audit Board has the following members:

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

Under the Articles of Association, the company's audit body comprises three full members, one of whom is Chairman, and one alternate member, elected by the General Meeting for a four-year term.

The members of the Audit Board were appointed on the same date, taking office as from the start of the 2007-2010 term of office, and were re-elected for the term of office currently under way, corresponding to 2011-2014.

32. Identification, as applicable, of the members of the Audit Board, the Audit Committee or the General and Supervisory Board or the Committee for Financial Affairs who are deemed independent, in accordance with Article 414.5 of the Companies Code; reference may be made to the item in the report where this information is contained in accordance with paragraph 19.

The company considers that all members of the Audit Board may be considered independent.

33. Professional qualifications, as applicable, of each of the members of the Audit Board, the Audit Committee or the General and Supervisory Board or the Committee for Financial Affairs and other relevant biographical details; reference may be made to the item in the report where this information is contained in accordance with paragraph 21.

Miguel Camargo de Sousa Eiró

1. Qualifications: Degree in law from the University of Lisbon (1971); Registered with the Portuguese Bar Association since 28 June 1973.
2. Holds no office in other Portucel Group companies

3. Management office held in other companies:
   - Chairman of the Audit Board of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
   - Chairman of the Board of Directors of Secil – Companhia Geral de Cal e Cimento, S.A.

4. Other professional activities in the last 5 years:
   - Member of the Audit Board of Portucel, S.A.
   - 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. Holds no office in other Portucel Group companies
3. 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
   - Member of the Audit Board of Secil – Companhia Geral de Cal e Cimento, S.A.
4. Other professional activities in the last 5 years:
   - Advisor to the Board of Directors of Cimilonga – Imobiliária S.A.
   - Member of the Board of Directors of Longavia – Imobiliária, S.A.
   - Member of the Board of Directors of Sonagi, SGPS, S.A.
   - Chairman of the Audit Board of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
   - 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, S.A.
   - Chairman of the General Meeting of Sonaca, SGPS, S.A.
   - Chairman of the General Meeting of Cimipar, Sociedade Gestora de Participações Sociais, 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. Holds no office in other Portucel Group companies
3. Management office held in other companies:
   - Full Member of the Audit Board of Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.
   - Member of the Audit Board of Secil – Companhia Geral de Cal e Cimento, S.A.
   - Manager of Loftmania – Gestão Imobiliária, Lda.
   - Manager of LINHA DO HORIZONTE – Investimentos Imobiliários, Lda
4. In addition to the positions indicated in the preceding item, no other office held in the last 5 years.

b) Functioning

34. Existence and place where the rules of procedure may be consulted for the Audit Board, the Audit Committee or the General and Supervisory Board and the Committee for Financial Affairs, as the case may be, and other relevant biographical information; reference may be made to the item in the report where this information is contained in accordance with paragraph 22.

The company's 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.

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.

35. Number of meetings held and rate of attendance at meetings of the Audit Board, the Audit Committee or the General and Supervisory Board and the Committee for Financial Affairs, as the case may be; reference may be made to the item in the report where this information is contained in accordance with paragraph 25.

There were 8 meetings of the Audit Board in 2014, for which the respective orders of business and minutes were forwarded to the Chairman of the Board of Directors; the minutes are also at the disposal of the Internal Control Committee.

All members of the board attended the 8 meetings: the Chairman, Dr. Miguel Camargo de Sousa Eiró, and the members, Dr. Duarte Nuno d'Orey da Cunha and Dr. Gonçalo Nuno Palha Gaio Picão Caldeira. This accordingly corresponded to an attendance rate of 100%.

36. Availability of each of the members of the Audit Board, the Audit Committee or the General and Supervisory Board and the Committee for Financial Affairs, as the case may be, indicating office held simultaneously in other companies, inside and outside the group, and other relevant activities carried on by the members of these bodies during the period; reference may be made to the item in the report where this information is contained in accordance with paragraph 26.

This information is available in item 33 above, relating to the professional qualifications and biographical information on each member of the above company bodies.

c) Powers and responsibilities

37. Description of the procedures and criteria applicable to the work of the supervisory body for the purposes of contracting additional services from the external auditor.

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, the Audit Board being the principal point of contact with the external auditor and the recipient of the relevant reports.

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.

38. Other duties of the supervisory bodies and, if applicable, of the Committee for Financial Affairs.

In addition to the powers assigned to it by law, the Audit Board has the following responsibilities:

- To oversee the process of drafting and disclosure of financial information;
- To check the effectiveness of the internal control, internal audit and risk management system, having recourse to this end to cooperation from the Internal Control Committee, which will report to it regularly its findings, drawing attention to situations which need to be examined by the Audit Board;
- To approve activity plans in the field of risk management and to oversee their execution, and also to assess the recommendations resulting from audits and reviews of procedures;
- To ensure that an appropriate system is in place for internal control of risk management in the companies in which the Company owns shares or other holdings, monitoring whether their aims are effectively achieved;
- To approve internal audit programmes;

- To select the provider of internal audit services;
- To oversee the work of the statutory auditor;
- To assess and verify the independence of the statutory auditor, in particular when it renders additional services to the Company;

In the exercise of these duties, the Audit Board may also request and assess any management reports as it sees fit from time to time, and shall also have full access to the documentation produced by the company's auditors, with the possibility of requesting from them any information they deem necessary and ensuring appropriate arrangements within the company for the provision of audit services.

IV. STATUTORY AUDITOR

39. Identification of the statutory audit firm and the partner and statutory auditor representing the same.

The company's Statutory Auditor is *PricewaterhouseCoopers* & Associados – SROC, Lda. represented by António Alberto Henrique Assis or by César Abel Rodrigues Gonçalves, and the alternate statutory auditor is José Manuel Henriques Bernardo (ROC).

40. Indication of the consecutive number of years for which the statutory audit firm has held office in the company and/or group.

The Statutory Auditor indicated in item 39 above has held office in the company for 10 years.

In addition, 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 Recommendation IV.3.

41. Description of other services provided by the statutory auditor to the company.

In addition to the legal audit services provided in the Company and its subsidiaries, the statutory auditor also provide fiscal consultancy services and other reliability assurance services.

Amounts paid for these services in 2014 are detailed in items 46 and 47 below.

V. EXTERNAL AUDITOR

42. Identification of the external auditor appointed for the purposes of Article 8 and the partner and statutory auditor representing such firm in the discharge of these duties, together with their respective registration number with the Securities Market Commission.

The legal accounts certificate and the audit report on the annual financial statements contained in the same is drawn up by *PricewaterhouseCoopers* & Associados – Sociedade de Revisores Oficiais de Contas, Lda, registered at the Securities Market Commission under no. 9077 and represented by António Alberto Henriques Assis, Statutory Auditor no. 815.

43. Indication of the consecutive number of years for which the external auditor and the respective partner and statutory auditor representing the same in the discharge of these duties has held office in the company and/or group.

The Company's current External Auditor was appointed as Sole Auditor in mid-April 2006 to complete the three-year term 2004-2006 and accordingly, on completing the audit work on the 2005 annual accounts it completed the term of office for which it had been appointed as alternate auditor. During this three-year term, the firm was represented by Ana Maria Ávila de Oliveira Lopes Bertão and Abdul Nasser Abdul Sattar.

However, in March 2007, it was appointed as the Company's statutory auditor for a 4-year term, starting in 2007 and ending in 2010, during which period it was represented by the same statutory auditors referred to above.

In May 2011, the General Meeting appointed the firm for a further four-year term currently underway, from 2011 to 2014, during which time the firm was represented by António Alberto Henriques Assis, Statutory Auditor.

In this context, and considering that the term of office has not yet ended, *PriceWaterhouseCoopers* has served as external auditor to Portucel and the other Group companies for ten years.

44. Policy on rotation of the external auditor and the respective partner and statutory auditor representing the same in the discharge of these duties, and the respective frequency of rotation.

The company's current External Auditor (*PriceWaterhouseCoopers* & Associados – Sociedade de Revisores Oficiais de Contas, Lda) was first appointed to this position in 2007 for the term of office from 2007 to 2010, which appointment was renewed in 2011 for the term of office currently under way, also of four years, meaning that it has yet to reach the upper limit for holding office of two successive four-year terms of the company officers.

In the course of its duties, the Audit Board conducts each year an overall assessment of the external auditor's performance, and of its independence and the professional relationship between the external auditor and the Company, and has the possibility of proposing the dismissal of the external auditor with due cause at duly convened General Meetings competent to adopt such a decision.

It is therefore the Company's view that the policy of rotation of the external auditor has been correctly applied with the proper frequency, as the quality of the work performed by the current audit firm and its store of experience in the company's affairs outweigh any drawbacks in retaining it.

In addition, in line with best international practice, rotation of the partner representing the external auditor was proposed and approved.

45. Indication of the body responsible for assessing the external auditor and the intervals at which this assessment is conducted.

Responsibility for assessing and monitoring the audit activities of the external auditor lies with the Audit Board. To this end, the Audit Board holds regular meetings with the statutory auditor and external auditor to assess all the accounting and financial information it deems necessary from time to time, and may request from them any information it deems necessary in order to monitor their work.

In addition, in the exercise of its duties, the Audit Board conducts an annual appraisal of the performance of the external auditor, which includes verifying its independence, by obtaining written confirmation of the independence of the auditor as provided for in Article 62-B of the Legal Statute of the Association of Statutory Auditors, confirmation of compliance with requirements for rotation of the partner responsible and identifying threats to independence and safeguards adopted to mitigate these threats.

The Audit Board therefore has unrestricted access to the documentation produced by the company's auditors, and can ask them to provide any information it deems necessary; it is also the first body to receive the final reports drawn up by the external auditors.

Under the provisions of Article 420.2 b) of the Companies Code, it falls to the Audit Board to nominate the company's Statutory Auditor.

46. Identification of work, other than audit work, carried out by the external auditor for the company and/or companies in a controlling relationship with it, and indication of the internal procedures for approval of the contracting of these services and indication of the reasons for contracting them.

As described in items 41 and 47, the external auditor carried out other work in addition to audit services; the most significant such work is included under "other reliability assurance services". These services relate to the issuing of opinions on requests for reimbursement of expenses under investment or research support programmes and on compliance with financial ratios, which opinions the Company is required to obtain under contracts it has signed, and not to services requested for any other purpose. These financial ratios are detailed in the notes to the financial statements in the Annual Report & Accounts, in no. 2.2.1. The amount paid for these services in 2014 totalled 89 542 euros in the Company and 91 042 euros in Group entities.

The Statutory Auditor also provided "fiscal consultancy" services, which in 2014 totalled 55 026 euros in Portugal and consisted essentially of supporting services to assure compliance with fiscal obligations, 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.

Work other than audit services performed by the external auditor, in Group entities, including the Company itself, totalled 146 068 euros, representing approximately 28% of total services provided.

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. As evidence of this, article 2 of the Rules of Procedure of the Audit Board requires the board: to check the effectiveness of the internal control, internal audit and risk management system, having recourse to this end to cooperation from the Internal Control Committee, which will report to it regularly on its findings, drawing attention to situations which need to be examined by the Audit Board (sub-para. b)), to approve activity plans in the field of risk management and to oversee their execution, and also to assess the recommendations resulting from audits and reviews of procedures (sub-para. c)), to approve internal audit programmes (sub-para. e)), to select the provider of internal audit services (sub-para. f)), to oversee the work of the statutory auditor (sub-para. g)), and to assess and verify the independence of the statutory auditor, in particular when it renders additional services to the Company (sub-para. h)).

47. Indication of the annual remuneration paid by the company and/or controlled, controlling or group entities to the auditor and other individuals or organizations belonging to the same network, specifying the percentage relating to the following services:

Audit Services (values in euros)	**By the Company**		**By Group entities** (Including the Company)	
	Value	%	Value	%
Value of Legal audit of accounts	285,425	66.38%	382,153	72.35%
Value of tax consultancy	55,026	12.80%	55,026	10.42%

Value of other reliability assurance services	89,542	20.82%	91,042	17.24%
Value of services other than legal audit of accounts	-		-	
Total	429,993	100.00%	528,221	100.00%

C. INTERNAL ORGANIZATION

I. Articles of Association

48. Rules applicable to amendment of the articles of association (Article 245-A.1 h)).

The General Meeting has powers to resolve on any proposed amendments to the Articles of Association.

Proposed amendments to the Articles of Association must be tabled by the company's shareholders to be voted on at a General Meeting at which shareholders holding shares corresponding to no less than one third of the share capital must be present or represented.

A proposed amendment to the Articles of Association can only be approved by two thirds of the votes cast, at either the first or second call of the General Meeting.

II. Notification of Irregularities (Whistleblowing)

49. Whistleblowing - procedures and policy

The Company has "Whistleblowing Regulations" designed to provide a procedure and rules for communication by any stakeholders, be they employees, clients, suppliers, partners or any other organisations or individuals which have dealings with Portucel or its subsidiaries, of any irregularities allegedly occurring in the Group.

Under these regulations, an irregularity is deemed to be any alleged breach of requirements established in law, regulation and/or the articles of associations, occurring in the Portucel Group. Irregularities are also deemed to include non-compliance with the duties and ethical principles set out in the company's Code of Ethics.

These regulations establish a general duty to communicate alleged irregularities, instituting a multidisciplinary team responsible for handling all reports received.

This team, comprising the Legal Office and the Internal Audit Department, is required to investigate all the facts as necessary to assess 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 Audit Board and the Internal Control Committee must also be informed of all reports received.

The regulations also contain other provisions designed to safeguard the confidentiality of disclosure and non-prejudicial treatment of the stakeholder reporting the irregularity, as well as rules on providing information on the regulations throughout the company.

In the course of 2014, 3 irregularities were reported, all of which were duly investigated.

III. Internal control and risk management

Insofar as it regards risk management as crucial to its business, the Group conducted an in-depth review in 2014 of the organisation of its internal control system, in terms of both processes and the organisational units involved.

As part of these efforts, a permanent system has been set up to monitor risk management in the group, involving all organizational units, DAER and the Audit Board.

This system is based on a systematic and explicit assessment of business risks by all organisational departments in the group and identification of the main controls in place in all business processes. This platform will allow the company to assess on an ongoing basis the extent to which its internal control system is appropriate to the risks regarded as most critical from time to time.

As part of this periodic assessment, an annual internal audit programme has been instituted, to be implemented by DAER in conjunction with each department involved, to monitor the appropriacy of the internal control system to the perceived risks and to help the organisation to implement programmes to improve this system.

This risk governance system is headed by the Audit Board and the Board of Directors, as detailed below.

50. People, bodies or committees responsible for internal audits and/or implementation of internal control systems.

BOARD OF DIRECTORS

The Board of Directors has the following responsibilities:

- To review and approve the risk policy defined for the Group, including risk appetite and tolerance;
- To approve the risk governance model adopted by the Group;
- To oversee application of the risk policy in the Group;
- To approve strategies for dealing with risks, especially very high risks;
- To promote a risk culture within the Group.

AUDIT BOARD

The Audit Board has the following responsibilities:

- To monitor the effectiveness of risk management and the respective governance model;
- To assess and propose improvement to the risk management model, processes and procedures;
- To oversee execution of the activities plans in connection with risk management;
- To review the risk management monitoring reports issued by the Internal Audit and Risk Analysis Department.

CHIEF EXECUTIVE OFFICER

The Chief Executive Officer has the following responsibilities:

- To define the Group's risk policy, including its risk appetite;
- To take the risk policy into account when setting the Group's strategic objectives;
- To provide the means and resources to assure that risk management is effective and efficient;
- To approve the risk management model, processes and procedures;
- To define the risk management governance model to be adopted by the Group, including the division of responsibilities;

- To approve activities plans in the field of risk management;
- To ensure that the main risks to which the Group is exposed are identified and reduced to acceptable levels, in line with the risk appetite and tolerance defined;
- To discuss and approve options for handling risks where the residual risk level is in excess of the risk tolerance levels;
- To oversee and review the work of the Internal Audit and Risk Analysis Department in the field of risk management;
- To report on results to the Board of Directors.

INTERNAL AUDIT AND RISK ANALYSIS DEPARTMENT

The Internal Audit and Risk Analysis Department has the following responsibilities:

- To define the risk management model, processes and procedures;
- To draw up activities plans in the field of risk management;
- To identify and implement the means and resources (human, procedural and technological) to facilitate risk identification, analysis and management;
- To warn of potential risks when strategic and operational objectives are being defined;
- To help define risk appetite and risk tolerance;
- To help decide on the division of responsibilities in the field of risk management;
- To help identify and characterise risks;
- To monitor risk indicators;
- To help design risk mitigation measures;
- To assess the effectiveness of risk mitigation measures;
- To assess compliance with risk tolerance;
- To ensure compliance with action plans for mitigating risks;
- To draw up risk management monitoring reports.

BUSINESS AREAS / DIVISIONS

Business areas /divisions have the following responsibilities:

- To define risk tolerance;
- To identify and characterise risks;
- To define and monitor risk indicators;
- To define, implement and execute risk mitigation measures, in keeping with the risk mitigation action plans;
- To conduct risk assessments and controls.

51. Description of the lines of command in this area in relation to other bodies or committees; an organizational chart may be used to provide this information

This information is provided in item 21 above, containing the organizational and functional charts showing the division of powers between the different corporate bodies.

It should be noted that the Internal Audit Division (Internal Audit and Risk Analysis Division) reports to the Chief Executive Officer, providing him with the support he needs to perform his duties correctly. The model being implemented also proposes simplifying the bodies involved, and possibly closing down the Internal Control Committee, with closer working relations between the Internal Audit Division and the Audit Board.

52. Existence of other departments with responsibilities in the field of risk control.

There are committees which complement the work of the Audit Board and the Chief Executive Officer with regard to control and monitoring of specific risks.

- **Property Risks Analysis and Monitoring Committee** – pronounces on property risk prevention systems, dealing fundamentally with insurable risks, the respective cover and deductibles;
- **Control and Corporate Governance Committee** - oversees application of the Group's corporate governance rules, and also the Code of Ethics, as well as supervising internal procedures relating to conflicts of interests, in particular with regard to relations between the Group and its shareholders or other stakeholders;
- **Sustainability Committee** – implements corporate and strategic policy on questions of social and environmental responsibility, and prevention of potential risks in these areas;
- **Ethics Committee** – oversees compliance with the requirements of the Code of Ethics and identifies situations which constrain compliance with this code.

53. Identification of the main risks (economic, financial and legal) 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 business, financial and legal risks. As part of the process described above for review of the risk management system, the list of the main risks to which the group is subject was revised. Risks classified as medium to very high are listed below:

Risks	Description
Industrial accidents at work	Risk of the occurrence of accidents at work potentially resulting in injuries, incapacity or fatalities.
Paper pulp price	Risk associated with pulp price fluctuations, which may results in losses for the Group.
Energy prices	Risks associated with changes in the purchase and sale price of energy, resulting in additional costs and lost revenues.
Paper price	Risk associated with fluctuations in the market paper price, resulting in particular from the pressure of competition, potentially causing a drop in sales and reduction in market share.
Demand for raw material (wood)	Risk associated with an increase in demand for raw material (wood) due to competitors expanding their capacity, triggering an increase in wood prices and a consequent increase in production costs.
International expansion	Risk of failures in implementing the Group's international expansion plan, which may result in financial losses.
Processes in Mozambique	Risk of inefficiency in the business processes implemented in Mozambique, which may result in a significant increase in costs.

Reduction in paper demand due to technological substitution	Risk associated with a reduction in demand for the products marketed by the Group, resulting from the appearance of alternative products and technologies, which may result in a significant reduction in sales.
Pulp and paper transport costs	Risk of increase in pulp and paper transport costs, which may result in a reduction in sales margins or the need to increase prices charged to customers.
Geographical concentration	Risk of geographical concentration of industrial infrastructures, which may result in larger costs.
Customer credit	Risk of credit granted to customers, which may result in uncollectable debts and a consequent increase in costs.
Staff motivation	Risk of current staff becoming demotivated or failing to adapt to change with an impact on the organisational climate, productivity and employee retention. Demotivation of the workforce may also damage the Group's image as an employer, with direct consequences for the selection and recruitment of human resources with the skills, expertise and experience needed by the organisation.
Forest damage	Risk of forest damage resulting from natural or man-made causes, which may jeopardise the quantity of raw material needed for the Group's activities and consequently lead to increased costs or loss of revenues.
Supplier relocation	Risk of logistical issues resulting from supplier relocation, which may result in additional inventory and transport costs.
Property assets	Risk associated with formalities relating to purchases or leases of land for forestation, which may result in costs relating to fines and to incorrect valuation of the Group's assets.

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.

54. Description of the process of identification, assessment, monitoring, control and management of risks.

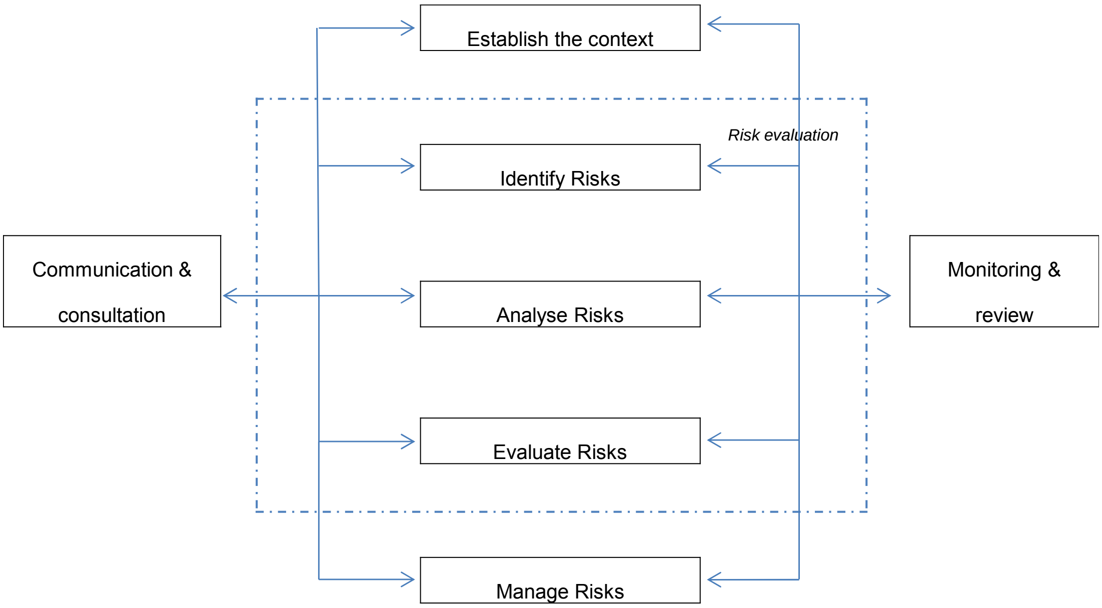
The Group regards risk management as an essential decision-making tool, involving permanent monitoring of the risks to which it is exposed, raising awareness throughout the Group of a risk culture which seeks to avoid risks but also includes a positive approach to risk-taking.

At the same time, the different divisions/departments benefit from risk management insofar as it allows them to anticipate situations of uncertainty, mitigating the risks of adverse consequences and making the most of risks which offer opportunities. Risk management also provides the Group with greater and more sustained decision-making capability with regard to risk events, allowing it to respond in a coordinated and integrated manner to risks with causes, impacts or vulnerabilities which extend across more than one area.

Lastly, risk management is especially important for internal auditing and the control environment, as it offers the possibility of ongoing assessment of the Group's risk profile and a higher level of internal control. Risk management also makes an important contribution to Internal Auditing, pointing it to areas/processes where business risks and concerns are greater - "Risk-based Internal Audit". As an immediate result of this approach, it will be possible to plan and execute audits which take into consideration the risks most relevant to the Group, by using an audit planning methodology.

The Group's risk management process is in line with internationally accepted best practices, models and frameworks for risk management, including "*COSO II - Integrated framework for Enterprise Risk Management*", "*Risk Management Standard AS/NZS 4360*" and ISO 31000.

In designing its risk management process the Group complied with ISO 31000 with regard to the main phases of the process, and COSO II in classifying and structuring risks. This process comprises a series of seven inter-related phases, which together comprise a process of ongoing improvement. This takes the form of a process of communication and consultation, and a process of monitoring and review. The diagram below illustrates the workflow for the risk management process.



The entire process is supported by software widely distributed throughout the Company.

The company's external auditor is PricewaterhouseCoopers. The company's External Auditor checks, in particular, the application of remuneration policies and systems, and the effectiveness and workings of internal control procedures through the information and documents provided by the company, and in particular by the Remuneration Committee and the Internal Control Committee. The respective findings are reported by the External Auditor to the Audit Board which then reports the shortcomings detected, if any.

The internal control and risk management model implemented allowed the Company in 2014 to identify its risks and risk factors in real time, and contributed effectively to risk prevention.

55. Main elements of the internal control and risk management systems implemented in the company with regard to the process of disclosure of financial information (Article 245-A.1 m)).

The Company has an internal control system for the preparation and disclosure of financial information, operated and monitored by the Internal Control Committee, in conjunction with other Departments/Business Areas in the Company, in particular the Internal Audit and Risk Analysis Department, the Accounts and Fiscal Affairs Department and the Investor Relations Office. The Internal Control Committee held meetings with members of the Executive Board, with the Statutory Auditor and external auditor, and with the managers responsible for accounts and management planning and control, in order to monitor the processes under way.

The component parts of the internal control and risk management system are described in item 53.

IV. Investor Support

56. Office responsible for investor support, composition, functions, information provided and contact details

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. The Investor Support Office comprises a single person, who also acts as market relations officer and whose contact details are provided in the following item.

All mandatory disclosures, such as information on the company name, its status as a public company, registered offices and other detailed required by Article 171 of the Companies Code, are available on the Group's website, at www.portucelsoporcel.com. Also available in the investors' section of 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.

57. Market relations officer

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.

58. Information on the number of enquiries received in the period or pending from previous periods, and enquiry response times.

Most enquiries received by the Investor Support Office are made by email, although some are by telephone. All enquiries are answered or redirected to the appropriate departments with an estimated average response time of less than three days.

V. Website

59. Address

Portucel's website is at: www.portucelsoporcel.com.

60. Address where information is provided on the company name, public company status, registered office and other data required by Article 171 of the Companies Code;

The information in question is available on Portucel's website, in the investors' area, under Shareholders and Investor Relations, at http://www.portucelsoporcel.com/Investidores/Perfil.

61. Address where the articles of association and rules of procedures of company boards and/or committees can be consulted:

The information in question is available on Portucel's website, in the investors' area, under Corporate Governance, at http://www.portucelsoporcel.com/Investidores/Governo-da-Sociedade.

62. Address where information is provided on the identity of company officers, market relations officer, the Investor Support Office or equivalent structure, respective powers and responsibilities and contact details.

The information in question is available on Portucel's website, in the investors' area, under Corporate Governance, and in the section entitled "Profile" at http://www.portucelsoporcel.com/Investidores/Governo-da-Sociedade and http://www.portucelsoporcel.com/Investidores/Contacts.

63. Address for consultation of financial statements and reports, which must be accessible for no less than five years, together with the six-monthly corporate diary, disclosed at the start of each semester, including, amongst other things, general meetings, disclosure of annual, half-yearly and, if applicable, quarterly accounts.

Portucel's quarterly, six-monthly and annual results, published since 2008, are available in the investors' area, under "Financial Reports", at http://www.portucelsoporcel.com/Investidores/Informacao-Financeira.

There is a specific tab in the investors' area for the corporate diary for the current year, under "Calendar", at http://www.portucelsoporcel.com/Investidores/Calendario.

64. Address where notice of general meetings is posted, together with all preparatory information and subsequent information related to meetings.

Notices of general meetings and all the related preparatory and subsequent information is available in the investors' area, under the specific tab "General Meetings", at http://www.portucelsoporcel.com/Investidores/Assembleias-Gerais.

65. Address for consultation of historical archives, with resolutions adopted at the company's general meetings, the share capital represented and the results of votes, for the past three years.

This information is available in the same area as the information on general meetings, in other words, in the investors' area, under the specific "General Meetings" tab, at http://www.portucelsoporcel.com/Investidores/Assembleias-Gerais.

D. REMUNERATION

I. Powers to determine remuneration

66. Indication of powers to set the remuneration of company officers, members of the executive board or managing director and the company managers.

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 to be submitted to the General Meeting in 2014 is set out in item 70 of this report.

II. Remuneration Committee

67. Composition of the remuneration committee, including identification of individuals or organizations contracted to provide support, and declaration regarding the independence of each member and adviser.

The Remuneration Committee comprises the following members only:

Chairman: José Gonçalo Maury

Members: João Rodrigo Appleton Moreira Rato

Frederico José da Cunha Mendonça e Meneses

The company considers that all members of this committee may be considered independent, and has one remark to make in this regard:

Portucel considers that Eng. Frederico da Cunha performs his duties as a member of the Remuneration Committee on an independent basis. His connection with Portucel stems from the fact that he was a non-executive director of Semapa until 2005 and currently draws a retirement pension on the strength of his former duties. However, Portucel considers that, because he was a non-executive director, and because of the time that has elapsed and the fact that his pension entitlement is an acquired right over which Semapa's directors have no control, the impartiality of his analysis and decisions is not constrained. In addition, from June 2013 to May 2014 he served as a director of Sodim, the company to which 54.86% of non-suspended voting rights in Semapa are assigned, a fact which the company deems not to affect his impartiality to analyse and decide on the issues put to the committee.

The fact that a member of the Remuneration Committee was formerly a director of a shareholder in the Company or a director of a shareholder in a qualifying shareholder in the Company does not necessarily mean that this member is irretrievably connected to the Company's director, at least to the point of undermining his independence and impartiality.

The relationship between the Company's executive directors and the directors of its indirect shareholders is not typically one in which, at least automatically, the former are superior to or exercise influence over the latter, so as to jeopardise the independence required.

68. Expertise and experience of the members of the remuneration committee 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 a multinational specializing in human resources, and especially senior management recruitment.

III. Remuneration structure

69. 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 remuneration policy for members of the company's management and supervisory bodies is set out in the Remuneration Policy Statement issued by the Remuneration Committee and contained in Annex II to this Report, as described in the following item

70. 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.

Portucel's remuneration policy seeks to align the interests of the directors, the other company officers and its management staff with those of the Company, in particular in creating value for the shareholder and achieving real growth of the company, with priority assigned to a long-term perspective.

Under the policy approved at the Ordinary General Meeting last year, the remuneration of the executive directors comprises a fixed component and a variable component. The fixed remuneration is subject to an upper limit, for each executive director, of 1 500 000 euros, the same limit applying to the variable remuneration, for each director. In other words, the fixed component of the directors' pay cannot exceed 100% (one hundred per cent) of the variable component.

The fixed and variable remuneration together are intended to provide remuneration which is competitive on the market, in order to discourage excessive risk-taking by directors, and the total remuneration functions as an incentive for excellent individual and collective performance, in order to allow the company to achieve significant, but also sustained, growth.

The principles applied by the Committee in setting remuneration are as follows:

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. 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.

b) **Alignment of the interests of members of the management body with those of the company**: Consideration is given to the performance appraisal for directors in conjunction with the results, as the main factor in assigning variable remuneration.

c) **The state of the company's affairs**: 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) <u>**Market criteria**</u>: 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.

The general remuneration policy guidelines applied by the Remuneration Committee in 2014 were those set out in the Remuneration Policy Statement, approved by resolution of the Company's General Meeting of 21 May 2014, contained in Annex II to this Report.

71. Reference, if applicable to the existence of a variable remuneration component and information on any impact on this from performance assessments.

As described more fully in the preceding item, the remuneration of executive directors comprises a fixed component, as well as a variable component set each year, on the basis of pre-determined criteria, which include a set of performance indicators for the Company and for the performance of the directors (KPIs), in terms of business and financial parameters and creation of added value for the Company. As already stated, the variable remuneration is dependent on pre-set criteria, as well as other factors such as the economic circumstances of the Company (its size and the inevitable complexity of managing it), market criteria, alignment of the directors' interests with those of the company, and also the results recoded by the company; all these factors are set out in the general principles which are adopted for determining the variable remuneration.

The Remuneration Committee accordingly conducts an annual individual appraisal of the executive directors and of their performance, taking into account the factors indicated above and the contribution that executive directors are expected to make to the Company's results.

72. Deferred payment of the variable component of remuneration, indicating the deferral period.

Payment of the variable component of remuneration is not deferred. The Company considers that given the stability of both the shareholder structure and the board of directors, 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 recorded over recent years and the close connection between these profits and directors’ pay. Moreover, this deferral would only be effective for the next three years, given the stability of the company's profits, which have presented an annual variation since 2010 of less than 10%.

73. Criteria applied in allocating variable remuneration in shares and on the continued holding by executive directors of these shares, 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.

Not applicable, given that variable remuneration does not take the form of stocks.

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 described above. The Company operates no share or option scheme, or any other share-based incentive scheme.

74. Criteria applied in allocating variable remuneration in options and indication of the deferral period.

Not applicable, given that variable remuneration does not take the form of options.

75. Main parameters and grounds for any annual bonus system and any other non-cash benefits.

The main parameters for allocating annual bonuses are based on the profits recorded by the Company for the period.

The company's results are a relevant 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. These weightings are based on a system of KPIs in which the main quantitative factors are EBITDA, pre-tax profits and cash flow.

No non-monetary benefits are assigned to directors, with the exception duly detailed in item 77.

76. Main features of complementary or early retirement schemes for directors, and the date of approval by the general meeting for each individual.

There are no early retirement arrangements for directors.

Under the Portucel Pension Plan Regulations currently in force, Portucel's directors who are remunerated as such and who have served no less than one full term of office in accordance with the articles of association are entitled, on retirement or in the event of disability, if this occurs during their term of office, are entitled to a complementary monthly retirement or disability pension.

If the directors become disabled after the end of their term of office, they will only be entitled to the complementary disability pension if they qualify for the corresponding disability pension from the social security scheme in which they are registered and if they apply to the Company for the complementary pension.

This complementary pension is set on the basis of a formula which considers gross monthly remuneration and length of service; no less than 10 years' service is required and no more than 30 years' service will be considered.

Under the Soporcel Pension Plan in force in 2014, the directors benefiting from this plan are entitled to an old-age retirement pension as from the date they retire, in other words, when they reach the retirement age of 65 years; early retirement may be requested from the age of 60 onwards, provided the director has no less than 5 years' length of service.

A disability retirement pension equal to the national minimum wage at the date of retirement on grounds of disability will be granted to directors with length of service of no less than two and a half years and less than five years.

The old age retirement pension granted under this pension plan is calculated on the basis of a formula which considers primarily the length of service and pensionable salary, which is deemed to be the last gross remuneration paid in cash on a permanent basis 14 times a year.

Because of the specific characteristics of the Portucel Group pension plan, the General Meeting has not, to date, intervened in approving the main features concerning the specific rules applicable to the retirement of directors.

It should be noted here that 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.

Moreover, the complementary retirement pension schemes in force in the company are of course described 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 2014, the value of liabilities allocated to post-employment benefits plans for two directors of the Portucel Group stood at 1 429 279 euros (at 31 December 2013: 1 340 168 euros for four directors). In individual terms, these figures break down as follows:

Beneficiary	Liabilities at 31-12-2014	Liabilities at 31-12-2013
(figures in Euros)		
Manuel Maria Pimenta Gil Mata	568 378	561 309
Manuel Soares Ferreira Regalado	855 901	778 859
Total	**1 424 279**	**1340 168**

E. Disclosure of remuneration

77. Indication of the annual remuneration earned from the company, on an aggregate and individual basis, by the members of the company's management bodies, including fixed and variable remuneration and, in relation to the latter, reference to the different components.

Remuneration paid in 2014 was as follows:

Board of Directors

	Remuneration		
(figures in Euros)	**Fixed**	**Variable**	**Total**
Pedro Queiroz Pereira	**822 682**	**0**	**822,682**
Portucel	0		0
Subsidiaries	822 682		822,682
Diogo da Silveira	**381 339**	**0**	**381,339**
Portucel	381 339		381 339
Subsidiaries	0		0
Manuel Regalado	**353 276**	**0**	**353 276**
Portucel	272 146		272 146
Subsidiaries	81 130		81 130
Adriano Silveira	**306 768**	**0**	**306 768**
Portucel	0		0
Subsidiaries	306 768		306 768
António Redondo	**306 768**	**0**	**306 768**
Portucel	0		0
Subsidiaries	306 768		306 768
Fernando Araújo	**306 782**	**0**	**306 782**
Portucel	0		0
Subsidiaries	306 782		306 782
Luís Deslandes	**156 590**	**0**	**156 590**

Portucel	156 590		156 590
Subsidiaries	0		0
Manuel Gil Mata	**128 954**	**0**	**128 954**
Portucel	128 954		128 954
Subsidiaries	0	0	0
Francisco Nobre Guedes	**75 805**	**0**	**75 805**
Portucel	26 305		26 305
Subsidiaries	49 500	0	49 500
José Honório	**325 993**	**567 052**	**893 045**
Portucel	84 392		84 392
Subsidiaries	241 600	567 052	808 653
Total	**3 164 957**	**567 052**	**3 732 010**
Portucel	1 049 726	0	1 049 726
Subsidiaries	2 115 231	567 052	2 682 284

As stated in the 2013 Corporate Governance Report, the variable remuneration of company officers paid in that year included the remuneration for the financial years of 2012 and 2013; in 2014, no variable remuneration was paid, except in the case of Mr. José Honório. The amount stated for the variable remuneration paid to Mr. José Honório includes a sum of 67 052 euros paid in kind.

78. Amounts paid on any basis by other controlled, controlling or group companies or companies under common control.

It should be clarified that the amounts referred to in this item relate only to companies not controlled by Portucel. They also include amounts over which Portucel and its officers have no control, as they are the concern of its shareholders, the shareholders of shareholders and other companies controlled by shareholders, where a controlling relationship is involved. The following members of the board, Francisco José de Melo e Castro Guedes, José Alfredo de Almeida Honório, who in the meantime resigned, and Pedro Mendonça de Queiroz Pereira, earned the amounts of 245.738 €, 648.736 € and 1.639.193 €, respectively, in controlled or group companies or companies under common control.

79. 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 was no remuneration in the Company in the form of profit sharing during the period in question. The remuneration policy establishes the criteria in force to assigning variable remuneration, and annual bonuses are assigned on the basis of the Company's results in each period, in conjunction with the merit and performance assessment of each specific director.

80. Compensation paid or owing to former executive directors in relation to termination of their directorships during the period.

No compensation was paid or owing to former executive directors for termination of their directorships.

81. Indication of the annual remuneration earned, on an aggregate and individual basis, by the members of the company's supervisory bodies, for the purposes of Law 28/2009, of 19 June.

Audit Board			
(figures in Euros)	**Remuneration Fixed**	**Remuneration Variable**	**Total**

Miguel Eiró	20,622	0	20 622
Duarte da Cunha	14,574	0	14,574
Gonçalo Caldeira	14,574	0	14,574
Total	**49,770**		**49,770**

82. Indication of remuneration earned in the reporting period by the chairman of the general meeting.

The chairman of the general meeting was paid remuneration of 3 000 € during the financial year of 2014.

I. Agreements with implications for remuneration

83. Contractual limits on severance pay for directors, and the respective relationship with the variable remuneration component;

As stated in Annex II to this Report, no agreements exist or have ever been established by the Remuneration Committee on severance pay for Portucel's directors.

84. Reference to the existence and description of 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, indicating the amounts involved. (Article 245-A.1 l))

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.

II. Stock or stock option plans

85. Identification of plan and beneficiaries

Not applicable as no remuneration is paid through stock or stock option plans.

86. Description of plan (terms of allocation, non-transfer of share clauses, criteria on the price of shares and the price of exercising options, the period during which the options may be exercised, the characteristics of the shares to be distributed, the existence of incentives to purchase shares and/or exercise options)

Not applicable as no remuneration is paid through stock or option plans.

87. Stock option rights allocated to company employees and staff.

Not applicable as no remuneration is paid through stock or stock option plans.

88. Control mechanisms in an employee ownership scheme insofar as voting rights are not directly exercised by employees (Article 245-A.1, e))

Not applicable as no remuneration is paid through stock or stock option plans.

F. RELATED PARTY TRANSACTIONS

I. Control Procedures

89. Procedures implemented by the company for controlling related party transactions (reference is made for this purpose to the concept deriving from IAS 24).

The Company has implemented the procedures and criteria described in item 10 below and item 91 above in order to monitor transactions with qualifying shareholders.

90. Indication of transactions subject to control during reporting period

In 2014, in addition to the situation referred to in item 10 above, there were no other transactions subject to control given that, in accordance with the criteria referred to in item 91 below, none of the Company's transactions with qualifying shareholders or any other related entities, under Article 20 of the Securities Code, were subject to prior clearance by the Audit Board, There were no transactions between the company and qualifying shareholders not on an arm's length basis.

91. Description of the procedures and criteria applicable to intervention by the supervisory body for the purposes of prior clearance of transactions to be carried out between the company and qualifying shareholders or related entities, under Article 20 of the Securities Code.

In the event of transactions between the Company and qualifying shareholders or related entities, under Article 20 of the Securities Code, the Board of Directors is required to submit them for clearance by the Audit Board, when any of the following criteria are met, with regard to each financial year: if they have a value greater than or equal to 1.5 million euros or if, irrespective of their value, they may undermine the values of transparency and the Company's best interests.

II. Details of transactions

92. Indication of the place in the financial reports and account where information is available on related party transactions, in accordance with IAS 24, or, alternatively, reproduction of this information.

The information available on related party transactions is included in the Company's Report and Accounts, in no. 32 of the Notes to the Consolidated Financial Statements.

PART II – ASSESSMENT OF CORPORATE GOVERNANCE

1- Identification of the Corporate Governance Code adopted

The Company has adopted by the Corporate Governance Code published by the Securities Market Commission (CMVM) in January 2013,available at:
http://www.cmvm.pt/CMVM/Recomendacao/Recomendacoes/Documents/C%C3%B3digo%20de%20Governo%20das%20Sociedades%202013.pdf

It is considered that the content of the mandatory information required by this code assures effective compliance with the recommendations, which can in turn contribute to strengthening the model adopted and assure the conformity of governance principles, and to improved performance and coordination of the duties of Portucel's company officers; this content is deemed appropriate to the Company's particular characteristics, without imposing any constraints on the workings of its governance structure.

2- Analysis of compliance with the Corporate Governance Code adopted

Article 245-A.1 o) of the Securities Code requires a declaration on the adoption of the corporate governance code to which the company subscribes, specifying any divergence from the provisions of this code, and the respective reasons.

The information to be presented should include, for each recommendation:

a) Information enabling the reader to assess whether the recommendation is complied with, or reference to the item in the report where this issue is dealt with in detail (chapter, title, item, page);
b) Grounds for any instance of non-compliance or partial compliance;
c) In the event of non-compliance or partial compliance, identification of any alternative arrangements adopted by the company to achieve the same objective as the recommendation.

Over the course of 2014, the Company continued to work at consolidating the Company's governance principles and practices, in line with the main regulatory developments in 2013, in particular the changes to the corporate governance rules resulting from the entry into force of CMVM Regulation 4/2013 and the CMVM Recommendations included in the 2013 CMVM Corporate Governance Code.

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 in relation to particular recommendations.

The company's current corporate governance model and principles accordingly comply with the binding legal rules on the single-tier governance model established in Article 278.1 a) of the Companies Code, and the CMVM Corporate Governance Recommendations quoted, in the version which took effect in January 2014, except for Recommendations II.1.7, II.2.5 and III.4, which are not complied with or are partially adopted for the reasons set out below.

The Company accordingly considers its degree of compliance to be fairly high, and significant progress has been made on the degree of adoption of the CMVM recommendations over recent periods. In 2014 the Company adopted one more recommendation in relation to the previous year, as the company was permitted to comply partially with recommendations which were previously not adopted.

The table below shows the items in this Corporate Governance Report which describe the measures adopted by the Company to comply with the said CMVM Recommendations.

RECOMMENDATIONS	COMPLIANCE	REMARKS
I. VOTING AND CORPORATE CONTROL		
I.1. Companies shall encourage shareholders to attend and vote at general meetings and shall not set an excessively large number of shares required for the entitlement to one vote, and implement the means necessary to exercise the right to vote by mail and electronically	Adopted	Part I, item 12.
I.2. Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that provided for by law.	Adopted	Part I, item 14.
I.3. Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the right of each ordinary share, unless duly justified in terms of the long-term interest of shareholders.	Adopted	Part I, item 12.
I.4. The company's articles of association that provide for the restriction of the number of votes that may be held or exercised by a single shareholder, either individually or in concert with other shareholders, shall also provide for a resolution by the General Assembly (5 year intervals), on whether that statutory provision is to be amended or prevails – without increased quorum requirements in addition to those required by law – and that in said resolution, all votes issued be counted, without applying said restriction.	Adopted	Part I, item 13.
I.5. Measures shall not be adopted that require payment or acceptance of charges by the company in the event of change of control or change in the composition of the Board and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board members.	Not adopted	Explanation of Recommendations not adopted below
II. SUPERVISION, MANAGEMENT AND OVERSIGHT		
II.1. SUPERVISION AND MANAGEMENT		
II.1.1. Within the limits established by law, and except due to the small size of the company, the board of directors shall delegate the day-to-day management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.	Adopted	Part I, item 21.

II.1.2 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	Part I, item 21.
II.1.3 The General and Supervisory Board, in addition to its supervisory duties supervision, shall take full responsibility at corporate governance level, and a requirement shall therefore be enshrined, in the articles of association or by equivalent means, that this body shall pronounce on the strategy and major policies of the company, the definition of the corporate structure of the group and the decisions that are to be considered strategic due to the amounts or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the company.	Not applicable	Part I, items 27, 28 and 29.
II.1.4 Except for small-sized companies, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall create the necessary committees in order to: a) Ensure competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other committees;	Not adopted	Explanation of Recommendations not adopted below
b) Reflect on the governance system, structure and practices adopted, verify their effectiveness and propose to the competent bodies, measures to be implemented with a view to their improvement.	Adopted	Part I, items 21, 27, 28 and 29.
II.1.5 The Board of Directors or the General and Supervisory Board, depending on the applicable model, shall set goals in terms of	Adopted	Part I, items 50 to 55.

risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.		
II.1.6 The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the other members of the board.	Adopted	Part I, items 15 and 18.
II.1.7 Non-executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the relevant free float. The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed in accordance with the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to: a. Having been an employee at the company or at a related or group company in the past three years; b. Having, in the past three years, provided services or established a significant commercial relationship with the company or a related or group company, either directly or as a partner, board member, manager or director of a legal person; c. Being the beneficiary of remuneration paid by the company or by a related or group company, other than the remuneration deriving from a directorship; d. Living with a life partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of board members or natural persons that are directly and indirectly qualifying shareholders; e. Being a qualifying shareholder or representative of a qualifying shareholder.	Not adopted	Explanation of Recommendations not adopted below

II.1.8 Directors who exercise executive duties share respond to enquiries from other company officers by providing the information requested in a timely and appropriate manner.	Adopted	Part I, item 21.
II.1.9 The Chairman of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chairman of the Board of Directors, the Chairman of the Supervisory Board, the Chairman of the Audit Committee, the Chairman of the General and Supervisory Board and the Chairman of the Financial Matters Board, the convening notices and minutes of the relevant meetings.	Adopted	Part I, item 21.
II.1.10. "If the chairman of the board of directors exercises executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that these can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination."	Not applicable	Part I, item 18.
II.2. AUDITING		
II.2.1. Depending on the applicable model, the Chairman of the Supervisory Board, the Audit Committee or the Financial Matters Committee shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their relevant duties.	Adopted	Part I, item 32.
II.2.2. The supervisory body shall be the principal point of contact with the external auditor and the first recipient of the relevant reports, and is responsible, in particular, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company.	Adopted	Part I, items 37 and 38.
II.2.3. The supervisory board shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract for provision of their services when there is a valid basis for such dismissal.	Adopted	Part I, item 37.
II.2.4. The supervisory board shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.	Adopted	Part I, items 50 and 54.

II.2.5. The Audit Committee, the General and Supervisory Board and the Supervisory Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and shall be recipients of reports made by these services at least when they concern matters related to financial reporting, identification or resolution of conflicts of interest and detection of potential illegalities.	Adopted	Part I, items 50 and 54.
II.3. SETTING OF REMUNERATION		
II.3.1 All members of the Remuneration Committee or equivalent shall be independent from the executive board members and include at least one member with knowledge and experience in matters of remuneration policy.	Adopted	Part I, items 67 and 68.
II.3.2. No natural or legal person that provides or has provided services in the past three years, to any structure under the board of directors, the board of directors of the company itself or who has a current relationship with the company or consultant of the company, shall be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person connected with such persons by employment or service contract.	Adopted	Part I, item 67.
II.3.3. The statement on the remuneration policy for the management and supervisory bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall also contain the following: a) Identification and details of the criteria for determining the remuneration paid to the company officers; b) Information regarding the maximum potential amount, in individual terms, and the maximum potential amount, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances in which these maximum amounts may be payable; d) Information on whether payments are due for the dismissal or termination of appointment of board members.	Adopted	Annex II to the Corporate Governance Report

II.3.4 Approval of stock and/or option plans or plans based on share price variation for company officers shall be submitted to the General Meeting. The proposal shall mention all the necessary information for a correct assessment of any such plan.	Not applicable	Part I Section VI
II.3.5 Approval of any retirement benefit scheme established for company officers shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said system.	Not applicable	Part I, item 76.
III. REMUNERATION		
III.1. The remuneration of the executive directors shall be based on actual performance and shall discourage excessive risk-taking.	Adopted	Part I, items 69 and 70.
III.2. The remuneration of non-executive directors and the remuneration of the members of the supervisory board shall not include any component whose value depends on the performance of the company or of its value.	Adopted	Part I, items 69 and 71.
III.3. The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and upper limits shall be set for all components.	Adopted	Item VII of Annex II to the Corporate Governance Report
III.4. A significant part of the variable remuneration should be deferred for a period of not less than three years, and the right to payment shall depend on the continued positive performance of the company during that period.	Not adopted	Explanation of Recommendations not adopted below
III.5. 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.	Adopted	Part I, items 70 and 71.
III.6. 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 applicable	Part I Section VI
III.7. When the variable remuneration includes the allocation of options, the		

beginning of the exercise period shall be deferred for a period of no less than three years.	Not applicable	Part I Section VI
III.8. When the removal of a director is not due to serious breach of their duties nor to their unfitness for the normal exercise of their functions but is even so attributable to inadequate performance, the company shall be endowed with the adequate and necessary legal instruments to ensure that no damages or compensation, beyond those legally due, are payable.	Adopted	Part I, item 83.
IV. AUDITING		
IV.1. The external auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems for company officers as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the company.	Adopted	Part I, item 54.
IV.2 The company or any entity with which it maintains a control relationship shall not engage the external auditor or any entity with which it finds itself in a group relationship or that belongs to the same network, for services other than audit services. If there are reasons for contracting such services - which must be approved by the supervisory board and explained in its Annual Report on Corporate Governance - these services shall not account for more than 30% of the total value of services rendered to the company.	Adopted	Part I, items 46 and 47.
IV.3 Companies shall rotate auditors after two or three terms, depending on whether the terms are four or three years, respectively. Retention of the auditor beyond this period must be based on a specific opinion of the supervisory board that explicitly considers the conditions of auditor's independence and the benefits and costs of its replacement.	Adopted	Part I, item 44.
V. CONFLICTS OF INTERESTS AND RELATED PARTY TRANSACTIONS		
V.1 The company's transactions with qualifying shareholders, or entities with which they are in any type of relationship pursuant to article 20 of the Securities Code, shall be conducted on an arm's	Adopted	Part I, items 89 to 91.

length basis.		
V.2 The supervisory or audit board shall establish the procedures and criteria necessary to define the relevant level of significance of transactions with qualifying shareholders - or entities with which they are in any of the relationships described in Article 20.1 of the Securities Code –, and the execution of transactions of significant relevance requires clearance from such body.	Adopted	Part I, items 10 and 91.
VI. INFORMATION		
VI.1 Companies shall provide, via their websites in both the Portuguese and English languages, access to information on the course of their affairs, as regards economic, financial and governance issues.	Adopted	Part I, items 59 to 65.
VI.2 Companies shall ensure the existence of an investor support and market relations office, which responds to enquiries from investors in a timely fashion and records shall be kept of the submittal and handling of enquiries.	Adopted	Part I, items 56.57 and 58.

Explanation of Recommendations not adopted

Under Article 245-A of the Securities Code, and in keeping with the comply-or-explain principle underlying application of the Corporate Governance Code, the Company does not comply in full with the CMVM Recommendations in force at the date of issue (because of certain peculiarities and the structure adopted), and the Portucel Group has made the following judgement on substantially equivalent terms assessing the reasons for non-compliance:

Recommendation I.5

As stated in item 4 of the Report, the Company has taken out loans which include early repayment clauses in the event of a change in the ownership structure, in particular loss of control by its majority shareholder, Semapa SGPS, and a list is provided detailing these terms. These early repayment clauses are customary in the type of borrowing contracted, and are today standard market practice, required by a majority of the national and international institutions with which the Group has had dealings. Insofar as developments in the financial markets over recent years have resulted in stricter requirements in terms of risk acceptance, by both banking institutions and by companies, the possibility of negotiating contracts of this type without these clauses on competitive market terms is practically nil.

It should be noted that the Company feels comfortable with the limits imposed in these contracts, insofar as the early repayment clauses are only triggered if Semapa loses control of Portucel (in accordance with the circumstances defined in each case), which would mean a very substantial reduction in its current holding of 75.85%.

The said clauses do not therefore amount to defensive measures, guarantees or shields designed to cause a serious erosion in the Company's assets in the event of a change of control of alteration in the composition of the Board of Directors, undermining the free transferability of shares.

Recommendation II.1.4

As in previous years, the Chairman of the Board of Directors and the other non-executive directors have been called on to assess the performance of the executive directors and the various committees.

Although the Board of Directors has not formally set up a committee to appraise the performance of directors, these duties are performed by other company bodies with powers to assess the directors' performance, in particular the Remuneration Committee which, as described more fully above, in items 70 and 71, conducts an annual individual assessment of the executive directors and of their performance, on the basis of pre-set criteria.

The pre-set criteria for assessing executive directors are those established in the Remuneration Policy contained in Annex II, in items V and VI of the Statement of Remuneration Policy for Members of the Board of Directors and Audit Board of Portucel.

In addition, the Corporate Governance Supervisory Committee has also been instructed by the Board of Directors to collaborate with it on implementing procedures for appraisal and resolution of conflicts of interests, and also to oversee application of the Group's corporate governance rules and the Code of Ethics, which also extend to the Executive Directors.

The Corporate Governance Supervisory Committee therefore works in conjunction with the Board of Directors, assessing and submitting to it proposals for strategic guidelines in the field of Corporate Responsibility, as well as monitoring and overseeing on a permanent basis matters relating to: i. corporate governance, social, environmental and ethical responsibility; ii. sustainability of Group business; iii. internal codes of ethics and conduct; and iv. the systems for assessing and resolving conflicts of interests, in particular with regard to dealings between the Company and its shareholders or other stakeholders.

Recommendation II.1.7

The Company does not comply in full the with independence criterion for non-executive directors insofar as a situation of incompatibility exists in relation to some of its directors, two of whom have been re-elected for more than two terms of office and four of whom act on behalf of shareholders owning more than 2% of the company's capital. However, it considers that the non-executive directors meet the necessary standards of good standing, experience and proven professional expertise which can effectively assure that there are no conflicts of interests between the interest and position of the shareholder and the Company. In addition, with regard to the composition of the Board of Directors, the single-tier governance model adopted by the Company does not require the inclusion of non-executive members who act with duties of oversights, in addition to their duties of management, which in turn means there is no legal requirement/independence criterion based on an appropriate proportion of independent members on the Board of Directors.

Recommendation III.4

Although the remuneration system defined in the company's Remuneration Policy does not provide for deferral of the variable remuneration component, the Company considers that directors' pay is structured in an appropriate way which makes it possible align their interests with the long terms interests of the Company and the shareholders, in order to allow the Company to achieve sustainable growth in keeping with the performance of the members of the board of directors.

PART III - Other Disclosures

There are no other disclosures or additional information which would be relevant to an understanding to the governance model and practices adopted.

ANNEX I

NOTE ON THE ACTIVITIES OF PORTUCEL'S NON-EXECUTIVE DIRECTORS IN 2014

All the non-executive directors took part in all the meetings of the Board of Directors, except for a number of duly justified absences, 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 2014 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 attended all board meetings in 2014 and, on the Chairman's invitation, he also took part in several meetings of the Executive Board In addition to monitoring normal operational affairs, he paid special attention to progress on the Group's latest and most important industrial investment projects.

As Chairman of the Sustainability Committee, he presided at meetings and led the preparatory work on the drafting of the Group's Sustainability Report, including the project for improving sustainability reporting, the handbook on sustainability indicators and sustainability information management.

He continued to make a significant contribution to the work of the Environmental Council, which held its three regular meetings planned for 2014 at the Group's three industrial sites.

Representing the Group's directors he took part in a range of sustainability activities, sat on the General Board of ISQ, of which he was elected deputy chairman, chaired the general meeting of PRODEQ (Association for the Furtherance of Chemical Engineering), and continued to serve as a member of the

Advisory Committee of CIEPQPF, the Centre for Chemical and Forestry Products Engineering, of the University of Coimbra.

In addition to monitoring day-to-day operational activities, Eng. Luís Alberto Caldeira Deslandes continued to pay particular attention to progress on the Major Investment Projects at the consolidation phase, and in particular the Setúbal Paper Mill. As Chairman of Portucel's Corporate Governance Committee he called and chaired several working meetings held by the committee in the course of 2014, 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 analysing the various reports published by the CMVM and monitoring the work of the Association of Securities Issuers (AEM) and that of the Portuguese Institute of Corporate Governance. In particular, he paid special attention to the new Corporate Governance Code published by the Securities Market Commission, and to the proposal on the same matter made by the Portuguese Corporate Governance Institute.

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, in particular with regard to the company's plans for international expansion, given his wide experience in this field.

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 II

STATEMENT ON THE REMUNERATION POLICY
FOR THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES
OF PORTUCEL
SUBMITTED TO THE GENERAL MEETING OF SHAREHOLDERS OF 21 MAY 2014

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 at that time 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.

This Committee has maintained the view 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. It has therefore been decided to approve a statement with the same content as that currently in force, despite the fact that, in view of the changes in the recommendations applicable, as a result of publication by the Securities Market Commission (CMVM) of the 2013 Corporate Governance Code, which has been adapted by the Company, the Remuneration Committee has adapted this Statement to the new recommendations.

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) Procedures to permit directors' interests to be aligned with those of the company;

b) *The 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 remuneration component, if any, being paid, in full or in part, after the accounts for the periods corresponding to the entire term of office having been drawn up;*

e) *Procedures for capping variable remuneration, in the event of the results showing a significant deterioration in the company's performance in the last period for which accounts have been reported or when such a deterioration may be expected in the period underway.*

The current recommendations of the Securities Market Commission make the following requirements:

II.3.3. The statement on the remuneration policy for the management and supervisory bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall also contain the following:

a) Identification and details of the criteria for determining the remuneration paid to the company officers;

b) Information regarding the maximum potential amount, in individual terms, and the maximum potential amount, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances in which these maximum amounts may be payable;

d) Information on whether payments are due for the dismissal or termination of appointment of board members.

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 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 sociedade anónima 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.

e) 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. Procedure limiting 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.

6. Recommendation II.3.3. a) Criteria for setting remuneration.

   The criteria for setting the remuneration for the company officers are those deriving from the principles set out in chapter V above and, in relation to the variable component of directors' remuneration, those described in item 2 of chapter VI above.

   In addition to these criteria, there are no other pre-determined mandatory criteria at Portucel for setting remuneration, although the executive directors undergo a performance appraisal, based on a system of KPIs, for the purpose of awarding their variable remuneration.

7. Recommendation II.3.3. b). Potential maximum value of remuneration, on an individual and aggregate basis.

   The Committee set the limits indicated in item 1 of chapter VII below, which are sufficient to ensure remuneration is reasonable and appropriate.

8. Recommendation II.3.3. c). Severance or termination 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.

VII. Specific Options

The specific options for the remuneration policy we propose may therefore be summarized as follows:

1. The remuneration of executive directors shall comprise a fixed component and a variable component. The fixed remuneration is subject to an upper limit, for each executive director, of 1,500,000 euros, the same limit applying to the variable remuneration, for each director.

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 meetings 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: José Gonçalo Maury

Member: Frederico José da Cunha Mendonça e Meneses

Member: João Rodrigo Appleton Moreira Rato

ANNEX III

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 Group business universe. The Code shall be distributed to investors, customers, 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 the 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.

The 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 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 company officer, 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 the 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 customers, 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 the 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 the 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 the 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, customers and regulators, and in interpersonal relations between members of Group staff;
- in good faith in business dealings and scrupulous compliance with contractual obligations to customers 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 officers and staff of the 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 Group companies, including, namely, employees, service providers, agents and auditors;
- Clients – individuals or organizations to which Group companies supply products or services;
- Suppliers – individuals or organizations which supply products or services to Group companies;
- Stakeholders – individuals or organizations with which Group companies deal in their business, institutional or social activities, including shareholders, officers, staff, suppliers, business partners or members of the community with whom the Group interacts.

The Code of Ethics accordingly describes the ethical and professional conduct expected by the Group 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 Directors, 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 company officers, in relation to matters concerning application of the Code of Ethics.

3 Rules of Conduct

3.1 Legality

3.1.1. All the Groups 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 the 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. The Group shall strive to ensure that all customers are treated with professionalism, diligence and care, with Group staff responding in full to all enquiries and making every effort to support customers in reaching their decisions.

3.2.2. Group staff shall behave courteously and politely at all times and display due care and professionalism in their dealings with customers, suppliers and other stakeholders or any other person or organization, with any kind of dealings with the Group.

3.2.3 All of the 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 the Group;

3.3.1. The 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 staff are approached with an attempt at corruption, they 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 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 the Group.

3.4.2. The Group and its staff shall guarantee strict confidentiality in relation to all personal data belonging to staff, customers, 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 customers, 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 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 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. The Group shall observe and comply strictly with generally accepted accounting principles and criteria.

3.5.2. The 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 The 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 The 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 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 the 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 The Group will advance the personal and professional development and specialization of its staff, promoting appropriate training activities.

4.2.2 The 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, 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 the Group, customers and other stakeholders.

4.3. Equality of opportunities

4.3.1. The 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 The Group shall assure equality of opportunities in recruitment, hiring and professional development, attaching value only to 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 The 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 The 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. Group staff 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 Group and in keeping with the budgetary targets for the areas in which they work.

4.4.2. Group staff shall conduct themselves at all times so as to pursue the interests of the Group, 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. Group staff undertake not to carry on any outside work, paid or unpaid, which might directly prejudice their professional performance or the Group's business or interests.

4.4.4. 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. Group staff shall make sensible and reasonable use of the working resources at their disposal, avoiding waste and undue use.

4.4.6. 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 the 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. The 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 the 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. The 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. The 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 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 the 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 the Group.

6. Securities trading

Group staff who are in possession of relevant information, not yet made public, which might potentially influence the listed prices of shares in Group companies, 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 the 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 the Group, promoting its good name in society.

8. Social Responsibility and Sustainable Development

8.1. The 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. 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. The Group will seek to encourage its staff to take part in socio-cultural activities and to perform voluntary work.

8.5. The staff of 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. The 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. Breach

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 IV

Annual Report of the Ethics Committee

for the year ended 31 December 2014

No matter relating to its sphere of competence or requiring its appraisal was referred to the Committee for its scrutiny during the course of the year, and no corporate governance body, or any employee, client or stakeholder addressed any enquiry to the Committee or consulted its opinion.

The Committee is pleased to report that the company's governance bodies have functioned correctly and issues this report under the terms and for the purposes of the provisions of Article 2 a) of the Ethics Committee Rules of Procedure.

Lisbon, 21 February 2015

The Chairman of the Ethics Committee

Júlio de Lemos de Castro Caldas

Member

Rui Tiago Trindade Ramos Gouveia

ANNEX V

Report and Opinion of the Audit Board

Consolidated Accounts

Financial year of 2014

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 2014 and to issue our opinion on the Consolidated Management Report and Consolidated Financial Statements presented by the Board of Directors of Portucel, SA, for the financial year ended 31 December 2014.

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 risk 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 Financial Position, 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, changes in its equity and cash flows;

    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, 24 March 2015

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