

RELATÓRIO DO 1º SEMESTRE 2011

INTERIM REPORT FOR THE 1ST HALF 2011

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PORTUCEL

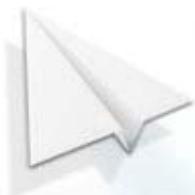
EMPRESA PRODUTORA DE PASTA E PAPEL S.A.
SOCIEDADE ABERTA

PUBLIC LIMITED COMPANY

MATRICULADA NA CONSERVATÓRIA DO REGISTO COMERCIAL DE SETÚBAL
N.I.P.C. 503 025 798 / CAPITAL SOCIAL € 767 500 000

REGISTERED AT SETÚBAL COMPANIES REGISTRY,
CORP. PERSON N.º 503 025 798 / SHARE CAPITAL € 767 500 000

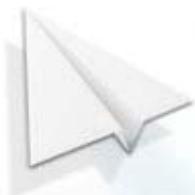




DIRECTORS' REPORT FOR THE FIRST HALF OF 2011

CONTENT

0. FINANCIAL HIGHLIGHTS FOR THE FIRST HALF 2010	3
1. ANALYSIS OF RESULTS	4
2. MARKET ANALYSIS	6
3. DEVELOPMENT	8
4. FINANCIAL	9
5. SHARE PRICE	9
6. OUTLOOK	11
7. MANDATORY INFORMATION	15
8. CONSOLIDATED FINANCIAL STATEMENTS	23
9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	29
10. LIMITED REVIEW REPORT	69



Highlights in relation to 1st half 2010:

- Group turnover grows by 12.6%
- EBITDA of € 199.2 million, up by 11.8%
- Net profit of € 97.6 million, up by 8%
- Net debt down by € 131.3 million
- Net Debt / EBITDA ratio of 1.3
- Increased share in the European paper market
- Sales of premium products still growing and mill brands hit new record

Financial Highlights – IFRS

	1st half 2011	1st half 2010	% Change ⁽⁵⁾ H1 11/ H1 10
Million euros			
Total sales	739.6	657.1	12.6%
EBITDA ⁽¹⁾	199.2	178.2	11.8%
Operating profits	125.3	125.8	-0.4%
Financial results	- 9.4	- 12.1	-21.9%
Net earnings	97.6	90.4	8.0%
Cash Flow ⁽²⁾	171.5	142.8	20.1%
Capex	10.0	51.5	-41.6
Net debt ⁽³⁾	548.2	679.5	-131.3
EBITDA / Sales (%)	26.9%	27.1%	
ROS	13.2%	13.8%	
Equity ratio	51.4%	50.1%	
Net Debt / EBITDA ⁽⁴⁾	1.3	2.3	
	Q2 2011	Q1 2011	% Change ⁽⁵⁾ Q2 11 / Q1 11
Total sales	370.3	369.2	0.3%
EBITDA ⁽¹⁾	95.4	103.8	-8.1%
Operating profits	58.5	66.7	-12.3%
Financial results	- 3.0	- 6.5	-54.1%
Net earnings	46.2	51.4	-10.2%
Cash Flow ⁽²⁾	83.0	88.5	-6.2%
Capex	5.3	4.7	0.6
Net debt ⁽³⁾	548.2	586.2	-38.0
EBITDA / Sales (%)	25.8%	28.1%	
ROS	12.5%	13.9%	

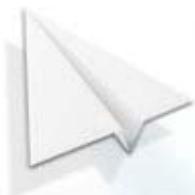
(1) Operating results + depreciation + provisions

(2) Net profits + depreciation + provisions

(3) Includes market value of treasury stock

(4) EBITDA corresponds to the last 12 months

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



1. ANALYSIS OF RESULTS

1st Half 2011 vs 1st Half 2010

The Portucel Group recorded consolidated sales in the first half of 2011 of €739.6 million, representing growth of 12.6% over the same period in 2010. This growth resulted from positive performance in the Group's uncoated woodfree printing and writing paper (UWF paper) business, in terms of both quantities sold and sales prices, and also from growth in energy sales.

Output of UWF paper from the new mill in Setúbal has continued to rise, resulting in an increase in the quantities placed on the market. This growth in sales of UWF paper combined with a recovery in sales prices – the benchmark index for the European market, PIX Copy B, published by Foex, was up by an average of 10.8% on the same period in 2010 – resulted in an increase of approximately 16% in the value of paper sales in relation to the first half of 2010.

Despite increased integration of bleached eucalyptus kraft pulp (BEKP) into production at the new UWF paper mill in Setúbal, as planned, the Group still recorded an increase in pulp sales in relation to the first half of the previous year, when BEKP output had been hit by difficulties in obtaining supplies of timber for the Group's plants, due to the adverse weather conditions prevailing at the time, especially in the 1st quarter. However, the Group's average sale price dropped slightly in relation to the 1st half of the previous year, in line with the market, resulting in a reduction of around 3.5% in the value of pulp sales.

In the energy segment, sales grew in value by 15.0% thanks to the conclusion, in the second half of 2010, of several projects in this area, with the new facilities now fully operational.

On the costs side, evolution was unfavourable in relation to the same period in 2010, due to rising costs for certain factors of production, in particular chemicals and timber. In the case of timber the situation was aggravated by the need to increase imports, due to a shortfall in supply on the Portuguese market.



Consolidated EBITDA stood at € 199.2 million, up by 11.8% over the same period in 2010, resulting in an EBITDA / Sales margin of 26.9%, slightly down on the 1st half of 2010, reflecting the increase in costs previously mentioned. Operating results were practically unchanged at € 125.3 million.

The Group recorded a negative financial result of € 9.4 million, compared with a similarly negative result of € 12.1 million in the first half of 2010. This positive evolution was due essentially to the significant reduction recorded in net debt.

Net consolidated income for the period accordingly totalled € 97.6 million, representing growth of 8.0% over the first half of 2010.

2nd Quarter 2011 vs. 1st Quarter 2011

Despite the slowdown in demand for UWF paper in the European market, especially in the 2nd quarter, the Group has enjoyed continued success in placing its paper, expanding its market share and recording growth in sales in quantity. This expansion, combined with the slight increase in prices from March onwards, resulted in growth in the value of paper sales of over 6%. Growth in the quantities sold in relation to the 1st quarter was made possible by an increase in the paper output of the new Setúbal paper mill, and by the fact that the production stoppages for mill maintenance took place during the 1st quarter of 2011.

The Group also recorded positive performance in BEKP business, not only in quantities, but also in value, which grew by approximately 11% in the 2nd quarter. The high production of pulp in the 2nd quarter which, combined with a reduction in stocks, allowed for increase in sales, despite the growth in paper output and the increase resulting in internal consumption of pulp.

Energy sales also performed well, growing by over 4.5% in the quarter.

The Group's good operating performance is not fully reflected in the value of sales, due to an accounting adjustment between quarters, without any impact on results.



On the cost side, the upward tendency in timber and chemicals costs continued. Costs were also affected by a number of non-recurrent factors, including the accrual for variable remuneration items.

In this context, EBITDA was down by 8.1% on the previous quarter, and operating results fell by 12.3%.

Net income for the quarter totalled € 46.2 million, down by 10.2% on the 1st quarter of the year.

2. MARKET ANALYSIS

2.1 UWF Paper

The European market for UWF paper recorded a sharp drop in demand in the first 6 months of the year, estimated at approximately 5%, with the cut-size segment proving the most resilient. The contraction in demand was especially severe in the second quarter, with no relief in export markets, which were hard hit by falling USD prices and by the evolution of the USD/EUR exchange rate. European industry felt the effects of this situation, and orders from within the European region were at their lowest for recent years, pushing down the occupancy rate for production capacity by 2 percentage points to 92% for the first half as a whole, and down to a monthly figure of approximately 90% for June.

Pressure continued to build up in the costs of the main factors of production, significantly undermining the continued profitability of plants run by companies in the sector.

Price increases during the second half of 2010 and in April 2011 resulted in a 10.8% hike in the PIX Copy B index, to an average figure of 864.53 €/ton in the first half of 2011, as compared to 780.24 €/ton in the same period in 2010.



The Portucel Group managed to counter this negative environment and recorded growth in sales in quantities, making for a 15% increase in the overall value of paper sales. A significant portion of its additional sales was placed in European markets, despite the sharp drop in demand, allowing the Group to expand its market share, by an estimated additional 30 thousand tons.

The product mix also evolved favourably, with sales of premium products growing by two percentage points over 2010. The Portucel Soporcel group also recorded its best-ever figures for sales of mill brands, which in the first half of 2011 accounted for 65% of all cut-size sales.

2.2 BEKP Pulp

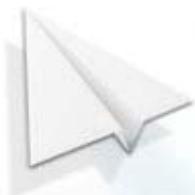
Listed prices in the BEKP pulp market held steady over the first half: USD 850/ton CIF Europe in the 1st quarter, rising in the second quarter to USD 880/ton CIF Europe.

The continued health of the pulp market was sustained essentially by the exchange rate against the USD of the currencies of the main pulp producing countries, and above all the currencies of South American countries, the main producers of short fibre, by the continuing low level of stocks at users and ports and by relatively lively demand from China, specially for long fibre. This fibre is being used to substitute dissolving fibre, for which prices have reached very high levels. Rising long fibre prices had the end result of sustaining the rise in short fibre prices.

The Group's BEKP pulp sales in the 1st half of 2011 were comfortably above the target for the period, representing an increase of more than 2% in relation to the same period in 2010.

The breakdown of BEKP pulp sales by paper manufacturer segments shows that the Group continues to enjoy success in focussing on segments with greater value added – special papers – where the Group recorded the majority of its sales, accounting for approximately 60%.

Sales figures by destination show that nearly all sales were made on European markets, home to manufacturers of higher quality papers with more exacting technical requirements, where the intrinsic



qualities of the *globulus* pulp manufactured by the Group offers significant gains in value.

3. DEVELOPMENT

The Group remains committed to going ahead with integrated forestry, pulp and energy projects in the southern hemisphere. Of the wide range of possible locations, the Group has restricted its analysis to Uruguay, Brazil and Mozambique. The current state of progress in each of these locations is as follows:

3.1 Uruguay

The viability of this project depends on the State building a deep water port from which future output can be shipped. No development took place during the first half of 2010 and the Group continues to wait for the Uruguayan State to take a position on this matter.

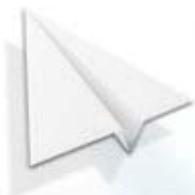
3.2 Brazil

After the signing of a cooperation agreement with the State of Mato Grosso do Sul, the Group is pressing ahead with studies with a view to a project in this location. This project has recently run into a legal obstacle, insofar as the plan to acquire 200 thousand hectares of land cannot be implemented due to severe restrictions introduced in August 2010 on the purchase of rural property by foreign investors.

The Group is firmly committed to this project, and has continued to make the efforts needed to find a way around these difficulties.

3.3 Mozambique

The Group has pressed ahead with field work and trial plantations. This is another large-scale project, to be implemented over the time scale normal for undertakings of this kind.



4. FINANCIAL

At 30 June 2011, interest bearing net debt stood at € 548.2 million, down by € 104.5 million from year-end 2010 and by € 38 million from the end of the first quarter of 2011. This reduction in debt reflects the Group's capacity for generating cash flow and also a sharp reduction in the level of capital expenditure, after conclusion of the current phase in the major projects for Group expansion and modernization of its assets. The drop in free cash flow generation in the second quarter was due to a seasonal increase in timber stocks over this period, and to implementation of new payment terms for suppliers, with shorter payment periods in return for negotiated discounts, with reciprocal advantages for the Group and for the suppliers involved, but requiring a one-off hike in working capital.

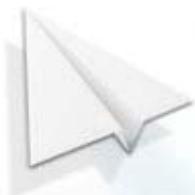
Financial autonomy stood at 51.4% at the end of June and the Net Debt / EBITDA ratio at 1.3, representing an improvement in relation to year-end 2010 (1.6) and the first quarter of 2011 (1.4), and staying within conservative levels.

At 30 June 2011, the Group's gross long term debt stood at € 727.2 million, whilst debt maturing at less than 1 year totalled € 6.25 million. With its capacity to generate cash flow, as reported above, liquid assets in excess of € 140 million and credit facilities contracted of approximately € 80 million, the Group enjoys a good level of liquidity, allowing it satisfy its existing liabilities without further recourse to the debt market.

In addition, this financial situation gives the Group the flexibility needed to move on to a new cycle of development, if its current opportunities materialize, meaning it is well placed amongst the leading companies in this sector worldwide.

5. CAPITAL MARKETS

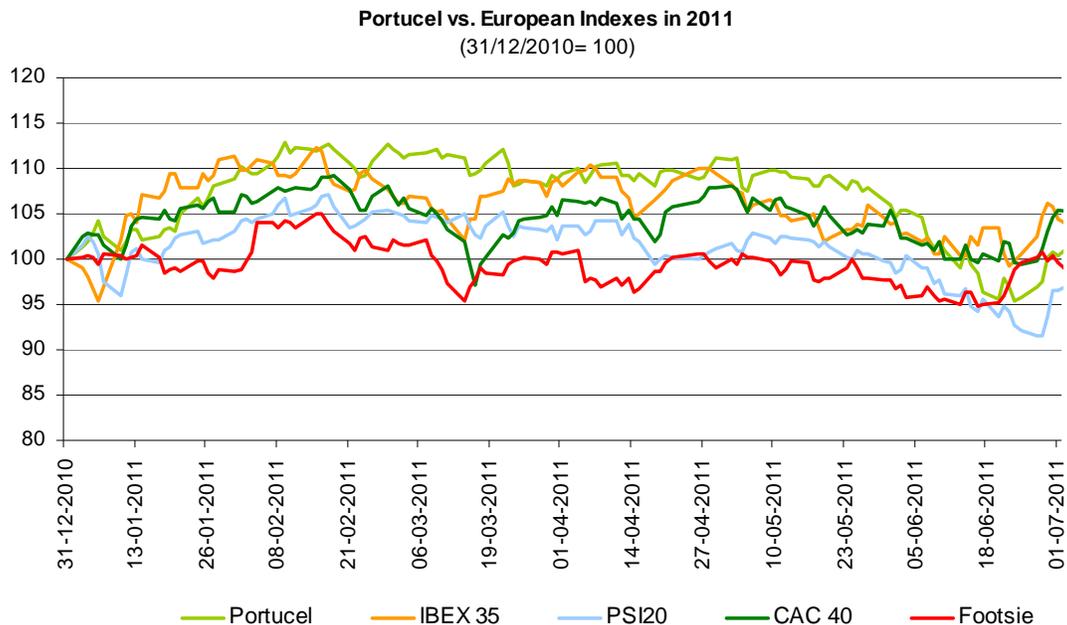
After its extremely positive stock market performance in the first quarter, with a gain of 8.9%, shares in Portucel, like those of most companies in the sector, experienced severe downwards adjustment in the second



quarter, and mainly in June. The listed price ended the first half at 2.292€/share, 0.7% above its year-end value.

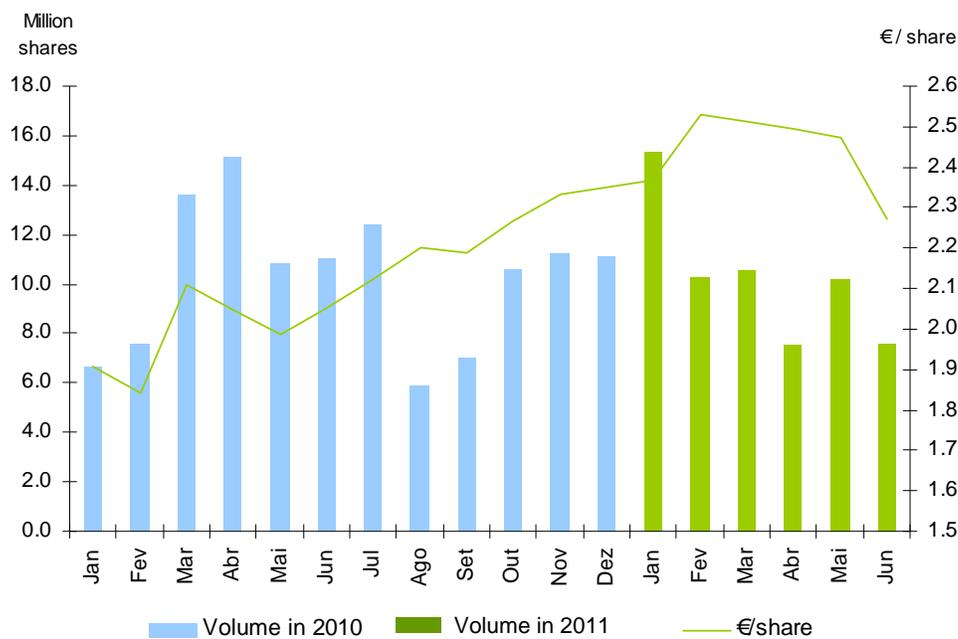
The leading companies in the pulp and paper sector recorded negative performance over the first half of the year. In Europe, the HX Paper & Forest index fell 3.5% over the period, whilst the shares of Brazilian producers recorded significant losses, in excess of 20%. North American manufacturers were the best performers over the first half.

The PSI20 recorded a loss of 3.5%, over the first half of 2011, in contrast with other European stock exchanges. Frankfurt, Paris, Madrid and London ended the first half with gains of 6.7%, 5.1%, 4.7% and 1.3%, respectively.





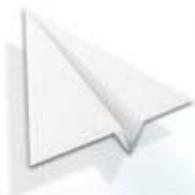
**Portucel Average Share Price and Volume
in 2010 and in the First Half 2011**



6. OUTLOOK

Expectations for overall growth in the world economy remain generally positive for 2011, although some of the more developed economies showed signs of cooling towards the end of the first half and major factors of uncertainty remain, most significantly the sovereign debt problems faced by a number of countries, rising commodity prices and a number of imbalances in the global economy.

In the Euro zone, the main indicators continue to point to business growth, albeit at a slower pace, as suggested by the cooling recently observed in the main economic indicators. Exports from this region continue to be sustained by the expansion of the world economy and internal demand is expected to contribute more strongly to growth, sustained by monetary policies which remain expansionist. However, the financial crisis in the outlying countries, which has deteriorated significantly in recent months, the effect of budgetary consolidation measures underway in a number of European countries, the tensions to be observed in the financial system and a possible slowdown in the pace of global economic growth are all factors generating considerable uncertainty, which may have an impact on Group business.



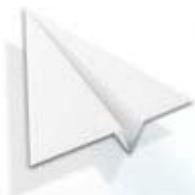
The US economy also slowed towards the end of the first half, partly due to high commodity prices and disruptions in the supply chain, caused by the earthquake in Fukushima, in Japan, in March of this year. Although a return to higher levels of growth is expected to be possible, a number of major risks continue to exist, in particular those relating to rising public debt, due to persisting foreign and budget deficits, which may require consolidation policies in the near future.

At the same time, the EUR/USD exchange rate, which has a significant impact on the Group's business, is going through a period of great uncertainty. The persistence of the twin deficits, the diverging monetary policies being pursued in the US and Europe and the fact that economic growth continues relatively more robust in Europe have caused the dollar to be systematically fragile against other currencies, and especially the euro. On the other hand, the worsening financial crisis in the peripheral countries of Euro Zone, which currently threatens to contaminate Spain and Italy, could create strong pressure on the European currency. These factors may be expected to result in marked volatility in the currencies of the main economic blocs.

The results of the Group's UWF paper business will reflect this situation of widespread uncertainty. In Europe, the process of budgetary consolidation, underway in most of the region's economies, although most severe in the peripheral countries, which are important markets for the Group, the high level of stocks and the added difficulties experienced by our main customers in financing their working capital, have been reflected in a sharp drop in consumption, expected to continue for the rest of the year. This reduction in consumption, combined with recent developments in BEKP prices, could put UWF paper prices under pressure in the second half.

The cooling of the US economy and the highly unstable conditions in North African and Middle Eastern markets, which account for a growing proportion of Group sales, could also have a negative impact on business.

However, we should stress that, despite this negative environment, the Group continues to operate at 100% of its production capacity, in contrast with occupancy levels for the industry in Europe of slightly over 90%. The closure of capacity by non-integrated paper manufacturers, expected to take place in the near future, could make an important contribution to the future sustainability of the European industry.



In the BEKP market, expectations point to slower demand in the 3rd quarter of the year, as reflected in the announcement of lower prices in early July, with an upturn expected towards the end of the year. These expectations are based on the apparent high level of pulp stocks at Chinese ports, which will have to be distributed, and weaknesses in the fabric of the European paper industry where, as we have seen, a number of non-integrated manufacturers are expected to close down capacity.

On the positive side, the tendency observed since 2009 for the currencies of the main pulp producing countries (short and long fibres) to rise against the USD and the absence of any significant increases in production capacity for BEKP pulp before the end of 2012 could be decisive in maintaining business operations and prices at a comfortable level.

As detailed above, the Group is also pressing ahead with analysis of possibilities for international expansion in the southern hemisphere, so as to be able to take the relevant decisions with the necessary degree of security.

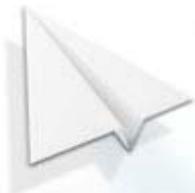
Setúbal, 20 July 2011

The Board of Directors

Pedro Mendonça de Queiroz Pereira

José Alfredo de Almeida Honório

Manuel Soares Ferreira Regalado



Adriano Augusto da Silva Silveira

António José Pereira Redondo

José Fernando Morais Carreira Araújo

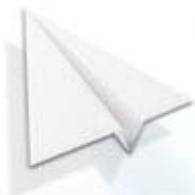
Luís Alberto Caldeira Deslandes

Manuel Maria Pimenta Gil Mata

Francisco José Melo e Castro Guedes

José Miguel Pereira Gens Paredes

Paulo Miguel Garcês Ventura



MANDATORY DISCLOSURES

DECLARATION REFERRED TO IN ARTICLE 246.1 C) OF THE SECURITIES CODE

Article 246.1 c) of the Securities Code requires that each of the persons responsible for issuers should make a number of declarations as established in the Code. Portucel has for this purpose adopted a standard declaration, which reads as follows:

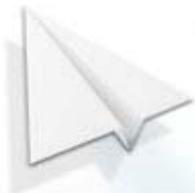
I hereby declare, under the terms and for the purposes of Article 246.1 c) of the Securities Code, that, to the best of my knowledge, the condensed financial statements of Portucel – Empresa Produtora de Pasta e Papel S.A., for the first half of 2011, were drawn up in accordance with the applicable accounting rules, and provide a true and fair view of the assets and liabilities and the state of affairs of the said company and the companies included in the consolidated accounts, and that the interim management report faithfully sets out the information required by Article 246.2 of the Securities Code.

As required by the same provision, we list below the persons subscribing the declaration and the office they hold:

Name	Office
Pedro Mendonça de Queiroz Pereira	Chairman of the Board of Directors
José Alfredo de Almeida Honório	Director
Manuel Soares Ferreira Regalado	Director
Adriano Augusto da Silva Silveira	Director
António José Pereira Redondo	Director
José Fernando Morais Carreira Araújo	Director
Luís Alberto Caldeira Deslandes	Director
Manuel Maria Pimenta Gil Mata	Director
Francisco José Melo e Castro Guedes	Director



Name	Office
Miguel Camargo de Sousa Eiró	Chairman of the Audit Board
Duarte Nuno d'Órey da Cunha	Member of the Audit Board
Gonçalo Nuno Palha Gaio Picão Caldeira	Member of the Audit Board



DISCLOSURE REQUIRED BY ARTICLE 9.1 a) AND e) OF

CMVM REGULATIONS 5/2008

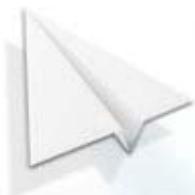
(with reference to the first half of 2011)

1. Securities issued by the company or related or group companies and held by company officers at the close of the first half:

- Adriano Augusto da Silva Silveira: 2.000 shares in the company
- António José Pereira Redondo: 6.000 shares in the company
- Duarte Nuno d'Orey da Cunha: 16.000 shares in the company and 2.907 shares in Semapa – Sociedade de Investimento e Gestão SGPS, SA.
- José Alfredo de Almeida Honório: 20.000 shares in Semapa – Sociedade de Investimento e Gestão SGPS, SA.

2. During the first half of 2011, no securities issued by the company or by related group companies were acquired, encumbered or disposed of by the company's officers.

3. List of holders of qualifying holdings, indicating the number of shares held and the percentage of corresponding voting rights, calculated under the terms of Article 20 of the Securities Code:



Entity	Nº Shares	% of capital and voting rights	% of non-suspended voting rights
Semapa SGPS SA	581.426.363	75,76%	77,70%
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	108.985.948	14,20%	14,56%
Seinpar Investments B.V.	241.583.015	31,48%	32,29%
Seinpart - Participações, SGPS, S.A.	230.839.400	30,08%	30,85%
Seminv - Investimentos, SGPS, S.A.	1.000	0,00%	0,00%
Cimentospar - Participações Sociais, SGPS, L.da	1.000	0,00%	0,00%
Duarte Nuno d'Orey da Cunha (*)	16.000	0,00%	0,00%
Bestinver Gestión, S.A. SGIIC	14.976.703	1,95%	2,00%
Bestinver Bolsa, F.I.	5.011.987	0,65%	0,67%
Bestinver Fond, F.I.	4.784.811	0,62%	0,64%
Bestinver Global, FP	1.289.032	0,17%	0,17%
Bestinver Mixto, F.I.	828.708	0,11%	0,11%
Soixa Sicav	934.180	0,12%	0,12%
Bestinver Bestvalue SICAV	826.238	0,11%	0,11%
Bestinver Ahorro, FP	719.446	0,09%	0,10%
Texrenta Inversiones, SICAV	256.134	0,03%	0,03%
Bestinver Value Investor SICAV	226.309	0,03%	0,03%
Dívalsa de Inversiones, SICAV, SA	41.691	0,01%	0,01%
Bestinver Empleo FP	29.636	0,00%	0,00%
Linker Inversiones, SICAV, SA	24.920	0,00%	0,00%
Bestinver Empleo II, FP	1.987	0,00%	0,00%
Bestvalue, FI	1.624	0,00%	0,00%

Note: On June 30th 2011, Portucel was the holder (directly and indirectly) of 19.220.814 own shares, corresponding to 2.50% of the share capital.

4. Transactions in shares in the company by managers and closely related persons during the first half:

- Semapa Inversiones SL carried out the following transactions with shares in the company:

Date	Quantity	Share Price	Transaction
29-Dez-10	8.507.018	2,309 €	Sale

- Seminv – Investimentos SGPS SA carried out the following transactions with shares in the company:

Date	Quantity	Share Price	Transaction
03-Mar-11	589.400	2,545 €	Sale



- Cimigest SGPS SA carried out the following transactions with shares in the company:

<u>Date</u>	<u>Quantity</u>	<u>Share Price</u>	<u>Transaction</u>
18-Mar-11	1.669.253	2,500 €	Sale

- CIMENTOSPAR – Participações Sociais, SGPS, Lda carried out the following transactions with shares in the company

<u>Date</u>	<u>Quantity</u>	<u>Share Price</u>	<u>Transaction</u>
30-Mar-11	588.400	2,469 €	Sale

- CIMO – Gestão de Participações, SGPS, S.A. carried out the following transactions with shares in the company

<u>Date</u>	<u>Quantity</u>	<u>Share Price</u>	<u>Transaction</u>
09-Mai-11	107.204	2,484 €	Sale

- Zoom Investment SGPS S.A carried out the following transactions with shares in the company:

<u>Date</u>	<u>Quantity</u>	<u>Share Price</u>	<u>Transaction</u>
24-Mar-11	6.958	2,459 €	Purchase
18-Abr-11	38.042	2,450 €	Purchase
05-Mai-11	45.000	2,447 €	Purchase
19-Mai-11	10.000	2,450 €	Purchase

- Semapa – Sociedade de Investimento e Gestão SGPS S.A. carried out the following transactions with shares in the company

<u>Date</u>	<u>Quantity</u>	<u>Share Price</u>	<u>Transaction</u>
29-Dez-10	8.507.018	2,309 €	Purchase
03-Mar-11	589.400	2,545 €	Purchase
18-Mar-11	1.669.253	2,500 €	Purchase
30-Mar-11	588.400	2,469 €	Purchase
09-Mai-11	107.204	2,484 €	Purchase
31-Mai-11	160.000	2,430 €	Purchase
02-Jun-11	25.000	2,358 €	Purchase
08-Jun-11	50.000	2,332 €	Purchase
15-Jun-11	40.000	2,260 €	Purchase
16-Jun-11	33.000	2,232 €	Purchase

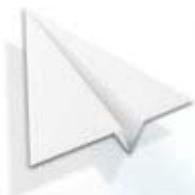


Date	Quantity	Share Price	Transaction
17-Jun-11	75.000	2,205 €	Purchase
20-Jun-11	26.250	2,183 €	Purchase
21-Jun-11	18.500	2,209 €	Purchase
22-Jun-11	7.000	2,210 €	Purchase
23-Jun-11	5.000	2,186 €	Purchase
24-Jun-11	12.500	2,190 €	Purchase
27-Jun-11	13.000	2,195 €	Purchase
28-Jun-11	22.500	2,209 €	Purchase
29-Jun-11	9.200	2,249 €	Purchase
30-Jun-11	12.500	2,284 €	Purchase

5. Information on transactions in own shares
(under Article 66.5 d) of the Companies Code)

During the first half of 2011, Portucel acquired 4,166,456 own shares, considering that these acquisitions represented a good investment for the excess cash generated by the Company. Following these acquisitions, on June 30th 2011, Portucel held, directly and indirectly, 19,220,814 shares representing 2.50% of the Company share capital. The transactions made during the first half are detailed as follows:

Date	Number of Shares	Average Share Price	Transaction
22-02-2011	23.000	2,508 €	Purchase
23-02-2011	165.000	2,491 €	Purchase
24-02-2011	150.000	2,486 €	Purchase
25-02-2011	65.000	2,513 €	Purchase
28-02-2011	70.000	2,545 €	Purchase
28-02-2011	100.000	2,524 €	Purchase
01-03-2011	2.000	2,570 €	Purchase
04-03-2011	45.000	2,537 €	Purchase
07-03-2011	40.000	2,541 €	Purchase
08-03-2011	55.000	2,547 €	Purchase
09-03-2011	35.380	2,547 €	Purchase
09-03-2011	20.000	2,545 €	Purchase
15-03-2011	70.000	2,478 €	Purchase
16-03-2011	15.000	2,480 €	Purchase
17-03-2011	22.500	2,494 €	Purchase
18-03-2011	4.732	2,496 €	Purchase
23-03-2011	20.000	2,460 €	Purchase
23-03-2011	150.000	2,460 €	Purchase
24-03-2011	50.000	2,462 €	Purchase
25-03-2011	45.000	2,467 €	Purchase
28-03-2011	20.000	2,468 €	Purchase



Date	Number of Shares	Average Share Price	Transaction
29-03-2011	15.000	2,467 €	Purchase
30-03-2011	5.000	2,468 €	Purchase
31-03-2011	10.000	2,470 €	Purchase
01-04-2011	11.812	2,469 €	Purchase
05-04-2011	70.000	2,471 €	Purchase
06-04-2011	1.094	2,460 €	Purchase
12-04-2011	50.000	2,482 €	Purchase
13-04-2011	50.000	2,480 €	Purchase
13-04-2011	10.000	2,470 €	Purchase
18-04-2011	60.000	2,459 €	Purchase
19-04-2011	15.000	2,469 €	Purchase
27-04-2011	20.000	2,470 €	Purchase
27-04-2011	300.000	2,465 €	Purchase
03-05-2011	30.000	2,520 €	Purchase
04-05-2011	165.000	2,481 €	Purchase
05-05-2011	67.000	2,447 €	Purchase
05-05-2011	300.000	2,460 €	Purchase
06-05-2011	35.000	2,460 €	Purchase
06-05-2011	250.000	2,460 €	Purchase
13-05-2011	5.820	2,480 €	Purchase
16-05-2011	12.892	2,470 €	Purchase
17-05-2011	125.000	2,462 €	Purchase
17-05-2011	80.000	2,461 €	Purchase
18-05-2011	115.000	2,463 €	Purchase
19-05-2011	14.223	2,473 €	Purchase
20-05-2011	7.816	2,467 €	Purchase
20-05-2011	100.000	2,465 €	Purchase
23-05-2011	22.500	2,455 €	Purchase
24-05-2011	54.229	2,469 €	Purchase
25-05-2011	14.191	2,467 €	Purchase
26-05-2011	55.000	2,453 €	Purchase
27-05-2011	49.000	2,449 €	Purchase
30-05-2011	60.000	2,426 €	Purchase
31-05-2011	110.000	2,422 €	Purchase
31-05-2011	50.000	2,431 €	Purchase
01-06-2011	52.500	2,392 €	Purchase
02-06-2011	16.000	2,372 €	Purchase
02-06-2011	25.000	2,358 €	Purchase
03-06-2011	45.000	2,398 €	Purchase
06-06-2011	22.000	2,389 €	Purchase
07-06-2011	44.000	2,347 €	Purchase
07-06-2011	50.000	2,348 €	Purchase
08-06-2011	50.000	2,332 €	Purchase
08-06-2011	50.000	2,317 €	Purchase
09-06-2011	3.817	2,315 €	Purchase
10-06-2011	11.000	2,308 €	Purchase



Date	Number of Shares	Average Share Price	Transaction
13-06-2011	27.500	2,264 €	Purchase
13-06-2011	30.000	2,275 €	Purchase
14-06-2011	30.000	2,285 €	Purchase
17-06-2011	75.000	2,209 €	Purchase
20-06-2011	26.250	2,183 €	Purchase
21-06-2011	18.500	2,209 €	Purchase
22-06-2011	7.000	2,210 €	Purchase
23-06-2011	5.000	2,186 €	Purchase
24-06-2011	12.500	2,190 €	Purchase
27-06-2011	13.000	2,195 €	Purchase
28-06-2011	22.500	2,209 €	Purchase
29-06-2011	9.200	2,249 €	Purchase
30-06-2011	12.500	2,284 €	Purchase
Total shares	4.166.456		



CONSOLIDATED FINANCIAL
STATEMENTS

JUNE 30, 2011

CONSOLIDATED SEPARATE INCOME STATEMENT FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2011 AND 2010

Amounts in Euro	Notes	1st Half 2011	1st Half 2010	2nd Quarter 2011	2nd Quarter 2010
Revenue	4			(unaudited)	(unaudited)
Sales		739,104,263	655,702,868	370,148,475	363,151,480
Services rendered		467,702	1,366,029	187,582	(362,289)
Other operating income	5				
Gains on the sale of non-current assets		-	2,606,202	-	1,769,623
Other operating income		9,775,505	10,744,155	3,657,650	4,755,952
Change in the fair value of biological assets	18	(990,273)	(4,661,606)	(2,663,403)	(3,710,304)
Costs	6				
Cost of inventories sold and consumed		(277,989,958)	(250,746,463)	(148,208,293)	(136,247,546)
Variation in production		(27,936,341)	(3,040,611)	(7,587,370)	(9,394,250)
Cost of materials and services consumed		(167,980,650)	(161,791,359)	(81,963,270)	(76,749,400)
Payroll costs		(68,157,973)	(65,277,773)	(36,700,609)	(34,414,339)
Other costs and charges		(7,093,236)	(6,679,016)	(1,454,231)	(3,014,025)
Provisions		(6,904,901)	20,711,869	(3,205,396)	13,753,428
Depreciation, amortization and impairment losses	8	(67,013,445)	(73,163,115)	(33,667,086)	(34,971,981)
Operating results		125,280,694	125,771,180	58,544,051	84,566,349
Group share of (loss) / gains of associated companies and joint ventures		384,817	-	152,226	-
Net financial results		(9,427,053)	(12,077,978)	(2,965,385)	(5,770,743)
Profit before tax	10	116,238,458	113,693,202	55,730,891	78,795,606
Income tax		(18,630,978)	(23,380,587)	(9,555,847)	(20,688,844)
Net Income	11	97,607,480	90,312,615	46,175,045	58,106,762
Non-controlling interests		17,538	56,152	1,714	23,099
Net profit for the period	13	97,625,018	90,368,767	46,176,759	58,129,861
Earnings per share					
Basic earnings per share, Eur	12	0.130	0.120	0.062	0.077
Diluted earnings per share, Eur	12	0.130	0.120	0.062	0.077

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2011 AND DECEMBER 31, 2010

Amounts in Euro	Notes	Jun 2011	Dec 2010
ASSETS			
Non-Current Assets			
Goodwill	15	376,756,383	376,756,384
Other intangible assets	16	5,777,699	94,486
Plant, property and equipment	17	1,552,895,841	1,604,129,728
Biological assets	18	109,512,343	110,502,616
Available-for-sale financial assets	19	126,074	126,074
Investment in associates	19	1,569,722	516,173
Deferred tax assets	26	32,294,669	22,963,945
		2,078,932,731	2,115,089,406
Current Assets			
Inventories	20	184,778,266	172,899,681
Receivables and other current assets	21	230,045,927	212,839,536
State and other public entities	22	45,092,232	32,228,030
Cash and cash equivalents	29	141,269,182	133,958,910
		601,185,607	551,926,157
Total Assets		2,680,118,339	2,667,015,563
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	24	767,500,000	767,500,000
Treasury shares	24	(36,902,885)	(26,787,706)
Fair value reserves	25	2,487,664	78,040
Legal reserves	25	57,546,582	47,005,845
Currency translation reserve	25	(2,490,176)	881,575
Retained earnings	25	502,142,034	304,020,378
Net profit for the period		97,625,018	210,588,080
		1,387,908,237	1,303,286,212
Non-controlling interests	13	197,128	216,755
		1,388,105,365	1,303,502,967
Non-current liabilities			
Deferred tax liabilities	26	176,787,706	164,998,958
Pensions and other post-employment benefits	27	16,719,310	13,713,756
Provisions	28	32,118,279	25,213,377
Interest-bearing liabilities	29	722,534,124	729,696,907
Other non-current liabilities	29	20,201,054	24,471,152
		968,360,473	958,094,150
Current liabilities			
Interest-bearing liabilities	29	10,892,857	91,250,000
Payables and other current liabilities	30	250,178,916	264,839,433
State and other public entities	22	62,580,728	49,329,012
		323,652,501	405,418,445
Total liabilities		1,292,012,974	1,363,512,595
Total equity and liabilities		2,680,118,339	2,667,015,563

STATEMENT OF COMPREHENSIVE CONSOLIDATED INCOME

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2011 AND 2010

Amounts in Euro	1st Half 2011	1st Half 2010	2nd Quarter 2011 (unaudited)	2nd Quarter 2010 (unaudited)
Retained earnings for the period without non-controlling interests	97,607,480	90,312,615	46,175,011	58,106,762
Changes in fair value of derivative financial instruments	2,481,559	(495,341)	274,358	(1,534,259)
Currency translation differences	(3,371,751)	2,298,058	(2,708,188)	1,061,743
Actuarial gains / (losses)	(3,177,400)	(696,701)	(2,905,909)	(912,644)
Tax on items above when applicable	1,177,686	190,894	1,486,305	478,852
Income /losses recognized directly in equity	(2,889,906)	1,296,911	(3,853,434)	(906,307)
Total recognized income and expense for the period	94,717,574	91,609,526	42,321,577	57,200,455
Attributable to:				
Portucel's shareholders	94,737,202	91,666,867	42,324,540	57,225,832
Non-controlling interests	(19,627)	(57,341)	(2,963)	(25,377)
	94,717,574	91,609,526	42,321,577	57,200,455

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM DECEMBER 31, 2010 TO JUNE 30, 2011 AND FROM DECEMBER 31, 2009 TO JUNE 31, 2010

	31 December 2010	Gains/losses	Dividends paid and distributed reserves	Treasury shares	Application of prior year's net	30 June 2011
Amounts in Euro		recognized in the period	(Note 25)	acquisition	profit (Note 14)	
Share capital	767,500,000	-	-	-	-	767,500,000
Treasury shares	(26,787,706)	-	-	(10,115,179)	-	(36,902,885)
Fair value reserve	78,040	2,409,624	-	-	-	2,487,664
Legal reserve	47,005,845	-	-	-	10,540,737	57,546,582
Currency translation reserve	881,575	(3,371,751)	-	-	-	(2,490,176)
Retained earnings	304,020,383	(1,925,690)	-	-	200,047,341	502,142,034
Net profit for the period	210,588,078	97,625,018	-	-	(210,588,078)	97,625,018
Total	1,303,286,215	94,737,201	-	(10,115,179)	-	1,387,908,237
Non-controlling interests	216,755	(19,627)	-	-	-	197,128
Total	1,303,502,970	94,717,574	-	(10,115,179)	-	1,388,105,365

	31 December 2009	Gains/losses	Dividends paid and distributed reserves	Treasury shares	Application of prior year's net	30 June 2010
Amounts in Euro		recognized in the period	(Note 25)	acquisition	profit (Note 14)	
Share capital	767,500,000	-	-	-	-	767,500,000
Treasury shares	(26,787,706)	-	-	-	-	(26,787,706)
Fair value reserve	(1,456,243)	(308,352)	-	-	-	(1,764,595)
Legal reserve	42,330,224	-	-	-	4,675,621	47,005,845
Currency translation reserve	241,567	2,298,058	-	-	-	2,539,625
Retained earnings	383,418,964	(691,606)	(62,076,765)	-	100,403,939	421,054,532
Net profit for the period	105,079,560	90,368,767	-	-	(105,079,560)	90,368,767
Total	1,270,326,366	91,666,867	(62,076,765)	-	-	1,299,916,468
Non-controlling interests	230,003	(57,341)	-	-	-	172,662
Total	1,270,556,369	91,609,526	(62,076,765)	-	-	1,300,089,130

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2011 AND 2010

Amounts in Euro	Notes	1st Half 2011	1st Half 2010	2nd Quarter 2011 (unaudited)	2nd Quarter 2010 (unaudited)
OPERATING ACTIVITIES					
Amounts received from customers		770,509,713	691,730,828	385,977,554	357,784,498
Payments made to suppliers		617,450,792	568,301,146	320,772,613	289,094,110
Payments made to personnel		37,860,385	45,430,732	20,724,571	22,711,851
Cash flow from operations		<u>115,198,536</u>	<u>77,998,950</u>	<u>44,480,371</u>	<u>45,978,537</u>
Income tax received / (paid)		(15,134,429)	(3,998,425)	(7,381,749)	(1,433,538)
Other receipts / (payments) relating to operating activities		25,003,446	24,093,041	22,228,262	29,511,701
Cash flow from operating activities (1)		<u>125,067,552</u>	<u>98,093,565</u>	<u>59,326,883</u>	<u>74,056,699</u>
INVESTING ACTIVITIES					
Inflows					
Financial investments		-	-	-	-
Tangible fixed assets		-	-	-	-
Intangible assets (CO2 emission rights)		-	4,552,360	-	-
Investment grants		5,408,195	-	5,408,195	-
Interest and similar income		2,402,972	6,361,002	1,304,992	43,887
Dividends		-	-	-	-
Inflows from investment activities (A)		<u>7,811,167</u>	<u>10,913,362</u>	<u>6,713,187</u>	<u>43,887</u>
Outflows					
Financial investments		755,378	-	755,378	-
Tangible fixed assets		17,018,145	48,043,147	17,018,145	22,182,577
Intangible assets		-	-	-	-
Outflows from investment activities (B)		<u>17,773,523</u>	<u>48,043,147</u>	<u>17,773,523</u>	<u>22,182,577</u>
Cash flows from investment activities (2 = A - B)		<u>(9,962,355)</u>	<u>(37,129,784)</u>	<u>(11,060,336)</u>	<u>(22,138,690)</u>
FINANCING ACTIVITIES					
Inflows					
Borrowings		-	315,000,000	-	-
Inflows from financing activities (C)		<u>-</u>	<u>315,000,000</u>	<u>-</u>	<u>-</u>
Outflows					
Borrowings		88,125,000	300,000,000	-	-
Interest and similar costs		9,554,746	12,424,487	6,572,938	6,115,541
Acquisition of treasury shares		10,115,179	-	1,774	-
Dividends paid and distributed reserves		-	62,076,765	-	62,076,765
Outflows from financing activities (D)		<u>107,794,925</u>	<u>374,501,252</u>	<u>6,574,712</u>	<u>68,192,306</u>
Cash flows from financing activities (3 = C - D)		<u>(107,794,925)</u>	<u>(59,501,252)</u>	<u>(6,574,712)</u>	<u>(68,192,306)</u>
CHANGES IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)		7,310,272	1,462,529	41,691,835	(16,274,297)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		133,958,910	52,549,252	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	29	<u>141,269,182</u>	<u>54,011,781</u>	<u>41,691,835</u>	<u>(16,274,297)</u>

Index

1.	SUMMARY OF THE PRINCIPAL ACCOUNTING POLICIES.....	30
1.1	Basis of preparation.....	30
1.2	Basis of Consolidation.....	30
1.2.1.	Subsidiaries.....	30
1.2.2.	Associates.....	30
1.3	Segmental reporting.....	31
1.4	Foreign currency translation.....	31
1.4.1.	Functional and reporting currency.....	31
1.4.2.	Balances and transactions expressed in foreign currencies.....	31
1.4.3.	Group companies.....	31
1.5	Intangible Assets.....	31
1.5.1.	CO2 emission rights.....	31
1.5.2.	Brands.....	32
1.6	Goodwill.....	32
1.7	Property, plant and equipment.....	32
1.8	Impairment of non-current assets.....	32
1.9	Biological assets.....	32
1.10	Financial Instruments.....	32
1.10.1.	Loans granted and receivables.....	33
1.10.2.	Financial assets at fair value through profit or loss.....	33
1.10.3.	Held-to-maturity investments.....	33
1.10.4.	Available-for-sale financial assets.....	33
1.11	Derivative financial instruments.....	33
1.12	Corporate Income Tax.....	33
1.13	Inventories.....	34
1.14	Receivables and other current assets.....	34
1.15	Cash and cash equivalents.....	34
1.16	Share capital and treasury shares.....	34
1.17	Interest bearing liabilities.....	34
1.18	Borrowing Costs.....	34
1.19	Provisions.....	34
1.20	Pensions and other post-employment benefits.....	35
1.20.1.	Defined benefit pension plans and retirement bonus.....	35
1.20.2.	Defined contribution plans.....	35
1.20.2.	Holiday pay, allowances and bonuses.....	35
1.21	Payables and other current liabilities.....	35
1.22	Government grants.....	35
1.23	Leases.....	35
1.23.1.	Leases included in contracts according to IFRIC4.....	35
1.24	Dividends distribution.....	35
1.25	Revenue recognition and accrual basis.....	36
1.26	Contingent assets and liabilities.....	36
1.27	Subsequent events.....	36
1.28	New standards, changes and interpretations of existing standards.....	36
2.	RISK MANAGEMENT.....	36
2.1	Specific risks in sectors where the Group acts.....	37
2.1.1.	Significant risks from the forestry sector.....	37
2.1.2.	Risks associated to producing and selling UFW paper and BEKP.....	37
	Supply of raw materials.....	37
	UWF paper and BEKP market price.....	38
	Demand for the Group's products.....	38
	Concentration of the customer portfolio.....	38
	Environmental legislation.....	38
2.1.3.	Risks associated to energy production.....	38
2.1.4.	Context risks.....	39
2.2	Group's risks and the way it develops its activities.....	40
2.2.1.	Risks associated with debt and liquidity levels.....	40
2.2.2.	Interest rate risk.....	41
2.2.3.	Currency risk.....	42
2.2.4.	Credit risk.....	43
3.	IMPORTANT ACCOUNTING ESTIMATES AND JUDGMENTS.....	45
3.1	Impairment of Goodwill.....	45
3.2	Income tax.....	45
3.3	Actuarial assumptions.....	45
3.4	Fair value of biological assets.....	45
3.5	Credit risk.....	45
3.6	Recognition of provisions and impairments.....	45
4.	SEGMENT INFORMATION.....	46
5.	OTHER OPERATING INCOME.....	47
6.	OPERATING EXPENSES.....	47
7.	REMUNERATION OF STATUTORY BODIES.....	47
8.	DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES.....	48
11.	INCOME TAX.....	48
12.	EARNINGS PER SHARE.....	49
13.	NON-CONTROLLING INTERESTS.....	49
14.	APPROPRIATION OF PREVIOUS YEARS' PROFIT.....	49
15.	GOODWILL.....	49
16.	OTHER INTANGIBLE ASSETS.....	51
17.	PROPERTY, PLANT AND EQUIPMENT.....	52
18.	BIOLOGICAL ASSETS.....	53
19.	AVAILABLE-FOR-SALE FINANCIAL ASSETS AND INVESTMENTS IN ASSOCIATES.....	53
19.1.	Available-for-sale financial assets.....	53
19.2.	Investments in associates.....	53
20.	INVENTORIES.....	53
21.	RECEIVABLES AND OTHER CURRENT ASSETS.....	53
22.	STATE AND OTHER PUBLIC ENTITIES.....	54
23.	IMPAIRMENT OF NON-CURRENT AND CURRENT ASSETS.....	55
24.	SHARE CAPITAL AND TREASURY SHARES.....	55
25.	RESERVES AND RETAINED EARNINGS.....	55
26.	DEFERRED TAXES.....	58
27.	PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS.....	59
27.1.	Introduction.....	59
27.2.	Assumptions used in the valuation of liabilities.....	59
27.3.	Retirement and pension supplements.....	59
27.4.	Retirement bonuses.....	60
28.	PROVISIONS.....	60
29.	INTEREST-BEARING LIABILITIES.....	60
30.	PAYABLES AND OTHER CURRENT LIABILITIES.....	62
31.	FINANCIAL ASSETS AND LIABILITIES.....	62
31.1.	Fair value hierarchy.....	62
31.2.	Financial instruments held for trading.....	63
31.3.	Derivative financial instruments designated as hedging instruments.....	63
31.4.	Credit and receivables.....	63
31.5.	Other financial liabilities.....	63
31.6.	Net gains on financial assets and liabilities.....	63
32.	BALANCES AND TRANSACTIONS WITH RELATED PARTIES.....	64
33.	ENVIRONMENTAL RELATED EXPENDITURE.....	64
34.	AUDIT FEES.....	64
35.	NUMBER OF EMPLOYEES.....	64
36.	COMMITMENTS.....	64
36.1.	Commitments in favour of third-parties.....	64
36.2.	Purchase commitments.....	65
37.	CONTINGENT ASSETS.....	65
37.1.	Tax matters.....	65
37.1.1.	Public Debt Settlement Fund.....	65
37.1.2.	Municipal surcharge (RETGS) 2008 / 2010 – Euro 3,641,223.....	65
37.1.3.	Investment contract - AICEP.....	65
37.1.4.	Fiscal Scheme of Investment Support (RFAl) 2009 and 2010.....	65
37.2.	Non-tax matters.....	65
37.2.1.	Public Debt Settlement Fund.....	65
38.	EXCHANGE RATES.....	66
39.	COMPANIES INCLUDED IN THE CONSOLIDATION.....	67
40.	COMPANIES EXCLUDED FROM CONSOLIDATION.....	68
41.	SUBSEQUENT EVENTS.....	68
41.1.	Acquisition of treasury shares.....	68
42.	NOTE ADDED FOR TRANSLATION.....	68

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2011

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

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

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

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

These consolidated interim financial statements were approved by the Board of Directors on 20 July 2011.

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

1. Summary of the principal accounting policies

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

The accounting policies related to brands and financial instruments / instruments held to maturity are not applicable to the presented financial statements. However, they are included to ensure completeness compared to the accounting policies applied by the parent company – the Semapa Group.

1.1 Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS – formerly referred to as the International Accounting Standards - IAS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC) in force on the date of preparation of the mentioned financial statements.

The accompanying consolidated financial statements were prepared on the going concern basis from the accounting books and records of the companies included in the consolidation (Note 39), and under the historic cost convention, except for biological assets, and financial instruments which are recorded at fair value (Notes 18 and 31).

The preparation of the financial statements requires the use of important estimates and judgments in the application of the

Group's accounting policies. The principal statements which involve a greater degree of judgment or complexity, or the most significant assumptions and estimates used in the preparation of the aforesaid financial statements are disclosed in Note 3.

1.2 Basis of Consolidation

1.2.1. Subsidiaries

Subsidiaries are all entities over which the Group has the right to determine their financial and operating policies, generally where the Group's interest is represented by more than half of voting rights.

The existence and the effect of the potential voting rights which are currently exercisable or convertible are taken into account when the Group assesses whether it has control over another entity.

Subsidiaries are consolidated under the full consolidation method since the date on which control is transferred to the Group while they are excluded at the date where control ceases.

These companies' shareholders equity and net income/loss corresponding to the third-party investment in such companies are presented under the caption of non-controlling interests respectively in the consolidated statement of the financial position (in a separate component of shareholder's equity) and in the consolidated income statement. Companies included in the consolidated financial statements are disclosed in Note 39.

The purchase method is used in recording the acquisition of subsidiaries. The cost of an acquisition is measured by the fair value of the assets transferred, the equity instruments issued and liabilities incurred or assumed on acquisition date, plus costs directly attributable to the acquisition.

The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are initially measured at fair value on the acquisition date, irrespective of the existence of non-controlling interests. The excess of the acquisition cost relative to the fair value of the Group's share of the identifiable assets and liabilities acquired is recorded as goodwill, as described in note 15.

If the acquisition cost is less than the fair value of the net assets of the acquired subsidiary (negative goodwill or Badwill), the difference is recognized directly in the income statement in the period where it takes place.

Transaction costs directly attributable are immediately expensed.

Intercompany transactions, balances, unrealized gains on transactions and dividends distributed between group companies are eliminated. Unrealized losses are also eliminated, except where the transaction displays evidence of impairment of a transferred asset.

The subsidiaries' accounting policies have been adjusted whenever necessary so as to ensure consistency with the policies adopted by the Group.

1.2.2. Associates

Associates are all the entities in which the Group exercise significant influence but does not have control, generally applied in the case of investments representing between 20% and 50% of the voting rights. Investments in associates are equity accounted.

In accordance with the equity method, financial investments are recorded at their acquisition cost, adjusted by the amount corresponding to the Group's share of changes in the associates' shareholders' equity (including net income/loss)

with a corresponding gain or loss recognized for the period in earnings or in changes in net equity, and by dividends received.

The difference between the acquisition cost and the fair value of the assets and liabilities attributable to the affiliated company on the acquisition date is, if positive, recognized as Goodwill and recorded as investments in affiliated companies. If negative, goodwill is recorded as income for the period under the caption "Group share of (loss) / gains of associated companies and joint ventures".

Transaction costs directly attributable to the acquisition are immediately expensed.

An evaluation of investments in associates occurs when there are signs that the asset could be impaired and impairment losses are recorded if identified.

When the Group's share in the associate's losses equals or exceeds its investment in the associate, the Group ceases to recognize additional losses, except when it has assumed liabilities or made payments on the behalf of the associate's name.

Unrealized gains on transactions with associates are eliminated to the extent of the Group's investment in the associates. Unrealized losses are also eliminated, except where the transaction reveals evidence of impairment's existence on the transferred assets.

Associates' accounting policies used in the preparation of the individual financial statements were adjusted, whenever necessary, so as to ensure consistency with the policies adopted by the Group.

1.3 Segmental reporting

Operating segment is a group of assets and operations of the Group whose financial information is used in the decision making process developed by the Group's management.

The operating segments are presented in these financial statements in the same way as they are used internally for the Group's performance evaluation.

Four operating segments have been identified by the Group: uncoated printing and writing paper – UWF, bleached eucalyptus kraft pulp – BEKP, forestry and power generation.

BEKP, electric energy and UWF paper are produced by the Group in two plants located in Figueira da Foz and Setúbal. BEKP and energy are also produced in another plant located in Cacia.

Wood and cork are produced from woodlands owned or leased by the Group in Portugal. The production of cork and pinewood are sold to third parties while the eucalyptus wood is mainly consumed in the production of BEKP.

A significant portion of the Group's own BEKP production is consumed in the production of UWF paper. Sales of both products (BEKP and UWF) are destined to around 100 countries throughout the world.

Power generation, steam and electricity, is mainly produced from bio fuels in cogeneration. Steam is used for internal consumption while electricity is sold to the national energy grid.

The accounting policies used for segmental reporting are those used to prepare the Group's consolidated financial statements. All inter-segmental sales and services rendered are made at market prices and eliminated on consolidation.

Segmental information is presented in Note 4.

1.4 Foreign currency translation

1.4.1. Functional and reporting currency

The items included in the financial statements of each one of the Group's entities are measured using the currency of the economic environment in which the entity operates (functional currency).

The consolidated financial statements are presented in Euro, which is the Group's functional and reporting currency.

1.4.2. Balances and transactions expressed in foreign currencies

All of the Group's assets and liabilities denominated in foreign currencies were converted into euro using the exchange rates ruling at the date of the statement of financial position.

Currency differences, favorable and unfavorable, arising from differences between the exchange rates ruling at the transaction date and those ruling on collection, payment or the date of the statement of financial position, are recorded as income and costs in the consolidated income statement for the period.

1.4.3. Group companies

The results and the financial position of the Group's entities which have a different functional currency from the Group's reporting currency are converted into the reporting currency as follows:

- (i) The assets and liabilities of each Statement of financial position are translated at the exchange rates ruling at the date of the financial statements;
- (ii) If materially relevant, the income and costs are converted at the exchange rate ruling on the transaction dates. Otherwise, income and expenses for each income statement are translated at the average exchange rate of the months of the reporting period.

Exchange differences resulting from item (i) above are recognized as a separate equity component, under the currency translation reserve heading, and from item (ii) as financial costs.

1.5 Intangible Assets

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

1.5.1. CO2 emission rights

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

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

The Group recognizes an operating cost for the CO2 emissions as it builds up a liability to be settled with the hand over to the authorities of the licenses corresponding to those emissions. On the other hand, it recognizes an operating gain, as the operating revenue, for the new position of the value attributed to the licenses awarded under the scheme at no cost.

At the date of the consolidated statement of financial position, the portfolio of CO2 emission rights licenses are valued at the

lower of the acquisition or their market value. On the other hand, liabilities due for those emissions are valued at market value at the same date.

1.5.2. Brands

Whenever brands are identified in a business combination, the Group records them separately in the consolidated statements as an asset at historical cost, which represents their fair value on the acquisition date.

On subsequent valuation, brands are measured in the Group's consolidated financial statements at cost less accumulated amortization and impairment losses.

Own brands are not shown in the Group's financial statements, since they represent internally generated intangible assets.

1.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets and liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill on acquisitions of subsidiaries and associates is not amortized and is tested annually for impairment. Impairment losses relative to goodwill cannot be reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to that entity.

1.7 Property, plant and equipment

Property, plant and equipment are recorded at the acquisition cost or the revaluated acquisition cost, in accordance with the prevailing legislation, the accounting principles generally accepted in Portugal until 1 January 2004 (transition date to IFRS), deducted of depreciation and impairment losses.

Property, plant and equipment acquired after the transition date are shown at cost, less depreciation and impairment losses. The acquisition cost includes all expenditures directly attributable to the acquisition of the assets, their transport to the place where they are to be used and operations to put them in the desired operating conditions.

Subsequent costs are included in 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 Group and the respective cost can be reliably measured.

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.

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.

Depreciation is calculated on the assets' acquisition cost, mainly using the straight line method from the date the assets are ready to entry into service, at rates that best reflect their estimated useful lives, as follows:

	Average useful life (in years)
Buildings and other constructions	12 – 30
Equipment:	
Machinery and equipment	6 – 25
Transportation equipment	4 – 9
Tools and utensils	2 – 8
Administrative equipment	4 – 8
Returnable containers	6
Other property, plant and equipment	4 – 10

The residual values of the assets and 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 net realizable value, then this is written down to the estimated recoverable amount by the recording of impairment losses (Note 1.8).

Gains or losses arising from derecognizing or disposal 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..

1.8 Impairment of non-current assets

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

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

The reversal of impairment losses recognized in previous periods is recorded when it becomes evident that the recognized impairment losses no longer exist or have decreased (with the exception of impairment losses relating to Goodwill – see Note 1.6). This analysis is made whenever there are indications that the impairment loss formerly recognized has been reversed or reduced.

The reversal of impairment losses is recognized in the income statement as other operating income, except for the available-for-sale financial assets (Note 1.10.4), unless the asset has been revaluated, in which case the reversal will represent a portion or the total of the revaluation amount. However, an impairment loss is reversed only up to the limit of the amount that would be recognized (net of amortization or depreciation) if it had not been recognized in prior years.

1.9 Biological assets

Biological assets are measured at fair value, less estimated costs to sell at the time of harvesting. The Group's biological assets comprise the forests held for the production of timber, capable of incorporating the BEKP production, but also include other species like pine or cork oak.

To calculate the fair value of the forests, the Group uses the discounted cash flows method, based on a model developed in house, which considers assumptions about the nature of the assets being valued, namely, the expected yield of the forests, the timber selling price deducted by costs relating to harvest and transportation, the rents of the woodlands and also plantation costs, maintenance costs and a discount rate.

The discount rate was determined on the basis of the Group's expected rate of return on its forests.

Fair value adjustments resulting from changes in estimates of growth, growth period, price, cost and other assumptions are recognized as operating income/ costs in the caption "Changes in the fair value of biological assets".

At the time of harvest, wood is recognized at fair value less estimated costs at point of sale, in this case, the pulp mills.

1.10 Financial Instruments

The Group classifies its financial instruments in the following categories: loans and receivables, financial assets at fair value

through profit and loss, held-to-maturity investments, and available-for-sale financial assets.

The classification depends on the intention motivating the acquisition of the instruments. Management determines the classification at the moment of the initial recognition of the instruments and reappraises this classification at each 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.

Financial instruments are initially recorded at the acquisition cost, while fair value is equal to the price paid, including transaction expenses. The subsequent measurement depends on the category the instrument falls under, as follows:

1.10.1. Loans granted and receivables

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

They are included in current assets, except when their maturity exceeds 12 months after the date of the statement of financial position, in which case they are classified as non-current assets.

Loans granted and receivables are included in "Receivables and other current assets" in the statement of financial position (Note 21).

1.10.2. Financial assets at fair value through profit or loss

This category comprises two sub-categories: (i) financial assets held for trading, and (ii) assets designated at fair value through profit or loss at initial recognition. 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.

Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months of the date of the statement of financial position. These investments are measured at fair value through the income statement.

1.10.3. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets, with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Investments in this category are recorded at amortized cost using the effective interest rate method.

1.10.4. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that: (i) the Group has the intention of holding for an undefined period of time, (ii) are designated as available-for-sale at initial recognition or (iii) do not meet the conditions to be classified in any of the remaining categories, as described above.

These financial instruments are recognized at market value, as quoted at the date of the statement of financial position.

If the market of a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash-flows analysis and option pricing models refined to reflect the issuer's specific circumstances.

Potential gains and losses arising from these instruments are recorded directly in the fair value reserve (shareholders' equity) until the financial investment is sold, received, or disposed of in any way, at which time the accumulated gain or loss formerly reflected in fair value reserve is taken to the income statement.

If there is no market value or if it is not possible to determine one, these investments are recognized at their acquisition cost.

At each reporting date the Group 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 the available-for-sale financial assets occurs, then the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the income statement.

An impairment loss recognized on available-for-sale financial assets is reversed if the loss was caused by specific external events of an exceptional nature that are not expected to recur but which subsequent external events have reversed; in these circumstances, the reversal does not affect the income statement and the asset's subsequent increase in value is thus taken to the fair value reserve.

1.11 Derivative financial instruments

Occasionally, when considered appropriate, the Group 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 Group seeks to hedge against adverse movements through derivative instruments, such as interest rate swaps (IRS), caps and floors, forwards, calls, collars, etc.

In the selection of derivative financial instruments, it is their economic aspects that are the main focus of assessment.

Transactions that qualify as cash-flow hedges are recognized in the statement of financial position at their fair value.

To the extent that, in accordance with prevailing accounting standards, they are considered effective hedges, changes in the fair value of those instruments are initially recorded as an offset to shareholders' equity and subsequently reclassified under the financial costs heading, on the settlement date.

Accordingly, in net terms, the costs associated with hedged items are accrued at the inherent hedging transaction rate contracted. Gains or losses arising from the premature cancellation of this type of instrument are taken to the income statement at the time they arise.

Although the derivatives contracted by the Group represent effective instruments to cover business risks, not all of them qualify as hedging instruments in accounting terms to satisfy the rules and requirements of IAS 39. Instruments that do not qualify as hedging instruments in accounting terms are stated on the statement of financial position at fair value and the changes in its fair value are recognized in financial results.

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, in accordance with 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.

1.12 Corporate Income Tax

Corporate income tax includes current and deferred tax. Current income tax is calculated based on the net income, adjusted in conformity with the prevailing tax legislation at the date of the statement of financial position.

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 tax.

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

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

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

The amounts to be included in the current tax and in the 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.

1.13 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 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, labor 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. Differences between costs and net realizable value, if lower, are recorded in Inventories consumed and sold.

1.14 Receivables and other current assets

Debtors' balances and other current assets are 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 (Note 24).

Impairment losses are recorded when there is objective evidence that the Group will not receive the full amount outstanding in accordance with the original conditions of the accounts receivable.

1.15 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 of the changes in their value fluctuations.

1.16 Share capital and treasury shares

Ordinary shares are classified in shareholders' equity (Note 26).

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.

When any Group company acquires shares of the parent company (treasury shares), 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 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, is reflected in the shareholders' equity of the company's shareholders, under other reserves.

1.17 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 when the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the date of the statement of financial position

1.18 Borrowing Costs

Borrowing costs relating to loans are usually recognized as financial costs, in accordance with the accrual principle and the effective interest rate method.

Financial costs on loans directly related to the fixed assets acquisition, construction or production, are capitalized, to form part of the asset's cost. Capitalization of these charges begins once preparations are started for the construction or development of the asset and is suspended after its utilization begins or when the respective project is suspended.

Any financial income generated by loans that are directly associated with a specific investment is deducted from financial costs eligible for capitalization.

1.19 Provisions

Provisions are recognized whenever the Group has a present legal or constructive obligation, as a result of past events, in which it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions for future operating losses are not recognized. Provisions are reviewed on the date of the statement of financial position and are adjusted to reflect the best estimate at that date.

The Group incurs expenditure and assumes liabilities of an environmental nature. Accordingly, expenditures on equipment and operating techniques that ensure compliance with applicable legislation and regulations (as well as on the reduction of environmental impacts to levels that do not exceed those representing a viable application of the best available technologies, on those related to minimizing energy consumption, atmospheric emissions, the production of residues and noises, are capitalized when they are intended to

serve the Group'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 Group.

1.20 Pensions and other post-employment benefits

1.20.1. Defined benefit pension plans and retirement bonus

Some of the Group's subsidiaries have 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.

As described in Note 27, the Group created autonomous Pension Funds as a means of funding most of the commitments for such payments.

Portucel assumed the obligation to pay a retirement bonus, equivalent to six times the monthly salary at the date of the retirement, for employees that retire at the regular age of retirement, 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 IAS 19.

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 specialized and independent entity in accordance with the projected unit credit method.

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 on 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

1.20.2. Defined contribution plans

Some of the Group's subsidiaries have assumed commitments, regarding contributing to a defined contribution plan with a percentage of the beneficiaries' salary, in order to provide retirement, disability, early retirement and survivors' pensions.

In order to capitalize those contributions, pension Funds were set up, 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.

1.20.2. Holiday pay, allowances and bonuses

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

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

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

1.21 Payables and other current liabilities

Trade creditors and current accounts payable are initially recorded at their fair value and subsequently at amortized cost.

1.22 Government grants

Government grants are recognized at their fair value when there is reasonable assurance that the grant will be received and the group will comply with all required conditions.

Government grants received to compensate capital expenditures, are reported under the caption "Payables and other current liabilities" and are recognized in the income statement during the estimated useful life of the granted asset, by deducting the value of its amortization.

Government grants related to costs are deferred and recognized in the income statement over the period that matches the costs with the compensating grants.

Grants related to biological assets carried at fair value, in accordance with IAS 41, are recognized in the income statement when the terms and conditions of the grant are met.

1.23 Leases

Fixed assets acquired under leasing contracts, as well as the corresponding liabilities, are recorded using the financial method.

According to this method, the asset's cost is recorded in property, plant and equipment and the corresponding liability is recorded under liabilities as loans, while the interest included in the installments and the asset's depreciation, calculated as described in Note 1.7, are recorded as costs in the income statement of the period to which they relate.

Leases, under which a significant part of the risks and benefits of the property is assumed by the lessor, with the Group being the lessee, are classified as operating leases. Payments made under operating leases, net of any incentives received by the lessee, are recorded in the income statement during the period of the lease.

1.23.1. Leases included in contracts according to IFRIC4

The Group recognizes an operating or financial lease whenever it enters into an agreement, comprising a transaction or a series of related transactions which even if not in the legal form of a lease, transfers a right to use an asset in return for a payment or a series of payments.

1.24 Dividends distribution

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

1.25 Revenue recognition and accrual basis

Group companies record their 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" (Notes 21 and 30, respectively).

Income from sales is recognized in the consolidated income statement when the risks and benefits inherent in the ownership of the respective assets are transferred to the purchaser and the income can be reasonably quantified. Thus, sales of products (pulp and paper) are recognized only when the ownership is effectively transferred to the client (in accordance with the sales conditions negotiated) and the company will bear no further transportation or insurance costs.

Sales are recognized net of taxes, discounts and other costs inherent to their completion, at the fair value of the sum received or receivable.

Income from services rendered is recognized in the consolidated income statement by reference to the stage of fulfillment of service contracts at the date of the statement of financial position.

Dividend income is recognized when the shareholders entitlement to receive payment is established.

Interest receivable is recognized according to the accrual principle, considering the amount owed and the effective interest rate during the period to maturity.

1.26 Contingent assets and liabilities

Contingent liabilities in which there is probability of an outflow of funds affecting future economic benefits is only possible, are not recognized in the consolidated financial statements, and are disclosed in the notes, unless the probability of the outflow of funds affecting future economic benefits is remote, in which case they are not the object of disclosure. Provisions are recognized for liabilities which meet the conditions described in note 1.19.

Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes when it is probable that a future economic benefit will arise from them (Note 37).

1.27 Subsequent events

Events after the date of the statement of financial position which provide additional information about the conditions prevailing at that date are reflected in the consolidated financial statements.

Subsequent events which provide information about conditions which occur after the date of the statement of financial position are disclosed in the notes to the consolidated financial statements, if material.

1.28 New standards, changes and interpretations of existing standards

The application of the interpretations and amendments to the standards mentioned below, are mandatory by the IASB for the financial years that begin on or after 1 January 2011:

New standards	Effective date *
IFRS 1 (revised) - First-time Adoption of International Financial Reporting Standards	1 January 2011
IFRS 3 (revised) - Business combinations	1 January 2011
IFRS 7 (revised) - Financial Instruments - Disclosure	1 January 2011
IAS 1 - Presentation of financial statements	1 January 2011
IAS 24 (revised) - Related Party Disclosures	1 January 2011
IAS 27 - Consolidated and separate financial statements	1 January 2011
IAS 32 (revised) - Financial Instruments: Presentation	1 January 2011
IAS 34 - Interim financial reporting	1 January 2011
IFRIC 13 Customer Loyalty Programmes	1 January 2011
IFRIC 14 (revised) IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	1 January 2011

* Periods beginning on or after

The adoption of these new interpretations and the amendments to the above-mentioned standard did not have any relevant impact in the Group's financial statements.

New standards and interpretations not mandatory as at 30 June 2011:

There are new standards, interpretations and amendments of existing standards that, despite having already been published, they are only mandatory for the periods starting on 1 July 2011 or after, as the Group decided not to early-adopt them in the current period, as follows:

New Standards approved by the European Commission	Effective date *
IFRS 1 (revised) - First-time Adoption of International Financial Reporting Standards	1 July 2011
IFRS 7 - Financial Instruments - Disclosure	1 July 2011
IFRS 9 - Financial Instruments - Classification and measurement	1 July 2011
IFRS 10 - Consolidated Financial Statements	1 July 2011
IFRS 11 - Joint Arrangements	1 July 2011
IFRS 12 - Disclosure of Interests in Other Entities	1 July 2011
IFRS 13 - Fair Value Measurement	1 July 2011
IAS 1 - Presentation of financial statements	1 July 2011
IAS 12 (revised) - Income Taxes	1 July 2011
IAS 19 (revised) - Employee Benefits	1 July 2011
IAS 27 (revised 2011) - Consolidated and separate financial statements	1 July 2011
IAS 28 (revised 2011) - Investments in Associates	1 July 2011

* Periods beginning on or after

Up to the date of issuing this report, the Group had not concluded the measurement, if any, of the effects of the changes arising from the adoption of these standards, for which it decide not to early-adopt them. However, no material effect is expected in the financial statements as a result of their adoption.

2. Risk Management

The Group operates in the forestry sectors, in the production of eucalyptus for use in the production of BEKP (bleached eucalyptus kraft pulp), which is essentially incorporated in the production of UWF (uncoated woodfree) paper but is also sold in the market, and in energy production, essentially through

the forest biomass that is generated in the BEKP production process.

All the activities in which the Group is involved are subject to risks which could have a significant impact on its operations, its operating results, the cash flow generated and in its financial position.

The risk factors analyzed in this chapter can be structured as follows:

- i. Specific risks inherent to the sectors of activity in which the Group operates:
 - ✓ Risks associated with the forestry sector
 - ✓ Risks associated with the production and sale of BEKP and UWF paper
 - ✓ Risks associated with energy generation
 - ✓ General context risks
- ii. Group risks and the manner in which it carries out its activities.

The Group has a risk-management program which is focused on the analysis of the financial markets in order to minimize the potential adverse effects on its financial performance. Risk management is conducted by the Finance Division in accordance with policies approved by the Board of Directors. The Finance Division evaluates and undertakes the hedging of financial risks in strict coordination with the Group's operating units.

The Board of Directors provides the principles of risk management as a whole and policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk, and credit risk, the use of derivatives and other non-derivate financial instruments and the investment of excess liquidity. The internal audit department follows the implementation of the risk management principles defined by the Board of Directors.

2.1 Specific risks in sectors where the Group operates

2.1.1. Significant risks from the forestry sector

The Portucel group carries out the management of woodlands covering an area of around 120 thousand hectares, from north to south of the country, according to the principles laid down in its Forestry Policy. Eucalyptus trees occupy 72% of this area, namely the Eucalyptus globulus, the species that is universally acknowledged as the tree with the ideal fiber for producing high quality paper.

The main risk factor threatening the eucalyptus forests lies in the low productivity of Portugal's forests and in the worldwide demand for certified products, considering that only a small proportion of the forests is certified. It is expected that this competitive pressure will remain in the future. As an example, the forestry area managed by the Group represents less than 3% of Portugal's total forested area and 47% and 59% of all certified Portuguese forests, according to the FSC and PEFC standards respectively.

The main risks associated with the sector are the risk attached to the productive capacity of the plantations and the risk of wildfires. In order to maximize the productive capacity of the areas it manages, the Group developed and it employs Forestry Management models which contribute to the maintenance and ongoing improvement of the economic, ecological and social functions of the forestry areas, not only regarding the population but also from the forestry landscape perspective, namely:

- i. Increase the productivity of its woodlands through the use of the best agro-forestry practices adapted to local conditions and compatible with the environment.
- ii. Establish and improve the network of forestry infrastructures to enable the required accessibility

for management, whilst making them compatible with the forestry protection measures against wildfires.

- iii. Ensure compliance with the water-cycle functions, promoting, whenever possible, the rehabilitation and qualitative protection of water resources.

The Group also has a research institute, RAÍZ, whose activity is focused in 3 main areas: Applied Research, Consulting and Training. In the forestry research area, RAIZ seeks:

- i. To improve the productivity of the eucalyptus forests
- ii. To enhance the quality of the fiber produced
- iii. To implement a sustained forestry management program from an economic, environmental and social perspectives
- iv. To lower the cost of wood

Regarding the risk of wild fires, the manner in which the Group manages its woodlands constitutes the front line for mitigating this risk. Most of the Group's forestry resources are certified by the FSC (Forest Stewardship Council) and by the PEFC (Program for the Endorsement of Forest Certification schemes), that guarantee that the Company's forests are managed in a responsible manner from an environmental, economic and social standpoint, complying with strict and internationally-recognized criteria.

Amongst the various management measures to which the Group has committed under these programs, the strict compliance for the biodiversity rules and the construction and maintenance of access roads and routes to each of the operational areas assume particular importance in mitigating the risk of wild fires.

Moreover, the Group has a stake in the Afocelca grouping – a complementary corporate grouping (CCG) between the Portucel Group and the Altri Group, whose mission is to provide assistance to the fight against forest fires at the grouped companies' land holdings, in close coordination and collaboration with the National Civil Protection Authority (Autoridade Nacional de Protecção Civil – ANPC). This grouping manages an annual budget of some 3 million euro, and has created an efficient and flexible structure which implements practices aimed at reducing protection costs and minimizing the losses by forest fires for the members of the grouping, which own and manage more than 250 thousand hectares of forests in Portugal.

2.1.2. 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 companies producing BEKP (Bleached Eucalyptus Kraft Pulp).

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 authorities responsible for approving the new projects. If domestic production proved to be insufficient, in volume and in quality, namely of certified wood, the Group could have to place greater reliance on the importation of wood.

Concerning the importation of wood, there is a risk related to its shipment from the place of origin to the harbors that are used to supply the Group'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 supplying of wood.

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

The low expression of this wood outside the forests directly managed by the Group, has meant a shortage of supply to which the Group has responded with an increase in the price offered when compared to the wood originating from forests that are not certified.

Furthermore, and considering the unsurpassable National Value Added in the Portuguese Economy, direct and indirect, of the eucalyptus industry, as well as the significance of such industries for exports, the level of employment they provide and the increasing demand for eucalyptus, not easily satisfied by national forests, the Group has 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 tradable goods.

In the six months period ended 30 June 2011, an increase of Euro 1 on the cost of a cubic meter of the eucalyptus wood consumed in the production of BEKP, would have had an impact in Group's earnings of some Euro 1,500,000.

The production process depends on the constant supply of steam and electric energy. For this, the Group owns several cogeneration units that ensure this constant supply. A contingent plan with redundancies between the different power generation units is in place in order to reduce the risk of failure of the power supply to the pulp and paper mills.

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 Group's revenues and on its profitability. 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.), creating imbalances in supply, in the face of market demand raising market 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 Group to follow a defined marketing and branding strategy and to invest in relevant capital expenditure to increase productivity and the quality of goods sold.

In the six months period ended 30 June 2011, a 10% drop in the price per ton of BEKP and of 5% in the price per ton of UWF paper sold by the Group in the period, would have represented an impact on its earnings of about Euro 5,000,000 and Euro 20,000,000, respectively.

Demand for the Group's products

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

In the specific case of UWF paper, the Group 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.

Concentration of the customer portfolio

At 30 June 2011, the Group's 10 main BEKP customers accounted for 15% of the period's production of BEKP and 70% of external sales of BEKP. This ratio is a result of the strategy pursued by the Group, consisting of a growing integration of the BEKP produced into the UWF paper produced and commercialized.

As such, the Group considers that there is little exposure to the risks of customer concentration regarding the sale of BEKP.

At 30 June 2011, the Group's 10 main customers for UWF paper represented 58% of this product's sales during the period. Also regarding UWF paper, the Group follows a strategy of mitigating the risk of customer concentration. The Group sells UWF paper to more than 100 countries, thereby allowing a dispersion of the risk of sales concentration amongst a reduced number of markets and/or customers.

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 Group may need to incur in increased expenditure, in order to comply with any new environmental requirements that may come into force.

Currently, the known changes forecasted in law relate to the predictable end of the CO2 emission rights' free attribution regime, after the conclusion of the current stage of the National Plan for the Allocation of CO2 Emission Licenses, PNALE II.

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

In order to reduce the impact of this change, the Group has been following a strategy of carrying out a series of environmental related investments that, among other advantages, have resulted in a continued reduction of the CO2 emissions, whilst the production volume has continuously increased within 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 Group ensured the environmental insurances demanded by the referred law, guaranteeing regulatory compliance and reducing exposure to environmental risks.

2.1.3. Risks associated to energy production

Energy is considered to be an activity of growing importance in the Group but, nonetheless, it is an activity that allows the use of the biomass generated in the BEKP production, but also ensuring the supply - under the co-generation regime - of thermal and electric power at the BEKP and UWF paper industrial complexes.

Considering the increased integration of the Group's mills dedicated to the production of BEKP and UWF paper and as a means of increasing the use of the biomass gathered in the woodlands, the Group built new natural-gas and biomass power-generating units. These units serve to complement those already in use, thus creating a number of redundant units which allow the Group to mitigate the risk of disruption in the supply of power to its industrial sites.

In this sector, the main risk is linked to the supply of raw material, namely, biomass. The group has played a pioneering role and has been developing a market for the sale of biomass for supplying the power plants it owns. The fostering of this market in a phase prior to the start-up of the new power-generating units enabled it to secure a sustained raw-material

supply network which it may utilize in the future. As previously mentioned, the Group has been making the Government and viewed in a sustainable manner, avoiding the use of eucalyptus wood for biomass, as an alternative of its use in the production of tradable goods.

In addition, and despite the legal provisions that allow the Group to predict the stability of tariffs in the near future, there is a risk that the change in the sale of energy produced from renewable resources' tariff will penalize those products. The constant search for the optimization of production costs and efficiency of the generating units is the way the Group seeks to mitigate this risk.

2.1.4. Context risks

The lack of 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 producing units;
- iii) Rules regarding territory management and forest fires;
- iv) Low productivity of the country's forests;
- v) The majority of the Portuguese forest is not certified.

public opinion aware of the need to guarantee that biomass is

2.2 Group's risks and the way it develops its activities

2.2.1. Risks associated with debt and liquidity levels

In order to enable the significant capital investments at its industrial sites in the recent past, the group 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 group 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 its which was to mature during 2010. Furthermore, the group contracted credit facilities, available at any moment, for an amount that guarantees adequate liquidity.

The liquidity of the contracted and interest-bearing financial liabilities will give rise to the following non discounted cash-flows, including interest, considering the remaining period up to their contractual maturity, at the date of the statement of financial position:

Amounts in Euro	Up to 1 month	1-3 months	3-12 months	1-5 years	+ 5 years	Total
As of 30 June 2011						
Liabilities						
Interest-bearing liabilities						
Bond loans	815,714	1,815,028	13,773,822	576,679,023	-	593,083,587
Commercial paper	-	-	-	-	-	-
Bank loans	3,187,879	-	11,865,366	88,635,677	107,702,882	211,391,804
Finance leases	-	-	-	-	-	-
Accounts payable and other liabilities	138,494,762	40,090,589	3,644,599	-	-	182,229,950
Other liabilities	-	-	-	24,083,518	-	24,083,518
Total liabilities	142,498,355	41,905,617	29,283,787	689,398,218	107,702,882	1,010,788,859
As of 31 December 2010						
Liabilities						
Interest-bearing liabilities						
Bond loans	753,306	1,735,222	11,838,768	581,149,839	-	595,477,135
Commercial paper	50,105,340	-	-	-	-	50,105,340
Bank loans	38,312,227	-	6,481,294	84,713,517	116,876,174	246,383,212
Finance leases	-	-	-	-	-	-
Accounts payable and other liabilities	138,069,453	38,148,372	24,563,082	-	-	200,780,907
Other liabilities	176,292	528,875	1,410,333	24,471,153	-	26,586,653
Total liabilities	227,416,617	40,412,469	44,293,478	690,334,509	116,876,174	1,119,333,247

Considering the debt structure that it has contracted, with a maturity profile which is compatible with the financed assets, the Group 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.

This presumption is based on the Group's medium/long term plans, which consider the following main assumptions:

- A price level for eucalyptus wood between 95% and 105% of that recorded in the 6 month period ended in 30 June 2011;
- A market selling price of BEKP between 70% and 115% of that recorded in the 6 month period ended in 30 June 2011;
- A market selling price of UWF paper between 95% and 110% of that recorded in the 6 month period ended in 30 June 2011;
- A net-debt cost between 90% and 110% of that recorded in the 6 month period ended in 30 June 2011;
- A production level for eucalyptus at the woodlands owned or operated by the group, of BEKP, of UWF paper and power within the existing installed capacities.

Certain borrowings contracted by the Group are subject to financial covenants which, if not met, could entail their early repayment.

The following covenants are currently in force:

Loan	Ratio	Condition
BEI Ambiente Tranche A	Interest coverage = EBITDA 12M / Annualized net interest Indebtedness = Interest bearing liabilities / EBITDA 12 M	Not lower than 4,5 lower than 4,5
Portucel Bonds 2010-2015	Net Debt / EBITDA = Net Debt / EBITDA 12 M	lower than 5
Portucel Bonds 2010 / 2015 - 2nd emission	Net Debt / EBITDA = Net Debt / EBITDA 12 M	lower than 5

Based on the financial statements detailed in this report, these ratios were as follows as at 30 June 2011 and 31 December 2010:

Ratios	30-06-2011	31-12-2010
Interest coverage	22.38	20.55
Indebtedness	1.80	2.12
Net Debt / EBITDA	1.30	1.63

Considering the contracted limits, the group was comfortably complying with the limits imposed under the financing contracts. As of 30 June 2011 the Group presents a rate over 200% on the fulfillment of its covenants.

The group's objectives regarding capital management (which is a wider concept than the capital shown in the statement of financial position) are:

- i. To safeguard the Group's ability to continue in business and thus provide returns for shareholders and benefits for the other stakeholders;
- ii. To maintain a solid capital structure to support the expansion of its business; and
- iii. To maintain an optimal capital structure that enables it to reduce the cost of capital.

In order to maintain or adjust its capital structure, the Portucel Group can alter the amount of dividends payable to its shareholders, return capital to shareholders, issue new shares or sell assets to lower its borrowings.

In line with the sector, the group monitors its capital based on the gearing ratio. This ratio represents net interest-bearing debt as a percentage of the total capital employed. Net interest-bearing debt is calculated by adding the total amount of loans (including the current and non current portions as disclosed in the statement of financial position) and deducting all cash and cash equivalents. Total capital employed is calculated by adding shareholders' equity (as shown in the statement of financial position) and net interest-bearing debt.

The gearing ratios as of 30 June 2011 and 31 December 2010 were as follows:

Amounts in Euro	30/06/2011	31/12/2010
Total loans (Note 29)	733,426,981	820,946,907
Cash and cash equivalents (Note 29)	(141,269,182)	(133,958,910)
Treasury shares at their market value (Note 24)	(44,054,106)	(34,263,719)
Net debt	548,103,693	652,724,278
Equity, excluding treasury shares	1,425,008,251	1,330,290,673
Equity	1,973,111,944	1,983,014,951
Gearing	27.78%	32.92%

2.2.2. Interest rate risk

The cost of the Group'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 Group 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 Group's borrowings within certain limits. The swaps contracted in 2005 matured during 2010. Therefore, as at 31 December 2010 there is no interest rate hedging in place.

On 30 June 2011 and 31 December 2010, the detail of the financial assets and liabilities with interest rate exposure, taking in consideration the maturity or the next settlement date was as follows:

Amounts in Euro	Up to 1 month	1-3 months	3-12 months	1-5 years	+ 5 years	Total
As of 30 June 2011						
Assets						
Non-current						
Available-for-sale financial assets	-	-	-	-	-	-
Other non-current assets	-	-	-	-	-	-
Currents						
Cash and cash equivalents	141,269,182	-	-	-	-	141,269,182
Total Financial Assets	141,269,182	-	-	-	-	141,269,182
Liabilities						
Non-current						
Bearing liabilities	141,785,714	143,333,333	440,238,095	-	-	725,357,143
Other non-current liabilities	-	-	-	-	-	-
Currents						
Other bearing liabilities	3,125,000	-	7,767,857	-	-	10,892,857
Total Financial Liabilities	144,910,714	143,333,333	448,005,952	-	-	736,250,000
	(3,641,532)	(146,974,866)	(594,980,818)	(594,980,818)	(594,980,818)	
As of 31 December 2010						
Assets						
Non-current						
Available-for-sale financial assets	-	-	-	-	-	-
Other non-current assets	-	-	-	-	-	-
Currents						
Cash and cash equivalents	133,958,910	-	-	-	-	133,958,910
Total Financial Assets	133,958,910	-	-	-	-	133,958,910
Liabilities						
Non-current						
Bearing liabilities	165,000,000	215,000,000	353,125,000	-	-	733,125,000
Other non-current liabilities	-	-	-	-	-	-
Currents						
Other bearing liabilities	88,125,000	-	3,125,000	-	-	91,250,000
Total Financial Liabilities	253,125,000	215,000,000	356,250,000	-	-	824,375,000
	(119,166,090)	(334,166,090)	(690,416,090)	(690,416,090)	(690,416,090)	

An increase of 1% on the interest rates as of 30 June 2011 would have had an impact in the income statement of approximately Euro 3,900,000.

2.2.3. Currency risk

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

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

Furthermore, once a sale is made in a currency other than the Euro, the Group 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 Group holds 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 Group does not hold investments in any materially relevant foreign operations whose net assets are exposed to foreign exchange risk.

Occasionally, when considered appropriate, the Group 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.

The table below shows the Group exposure to foreign exchange rate risk as of 30 June 2011, based on the financial assets and liabilities that amounted to a net asset of Euro 55,360,405 converted at the exchange rates as of that date (31 December 2010 Euro 53,961,254) as follows:

	United States	British Pound	Polish Zloty	Swedish Krona	Czech Koruna	Swiss Franc	Danish Krone	Hungarian	Australian	NOK	MZM
Amounts in Foreign Currency	Dollar							Florim	Dollar		
As of 30 June 2011											
Assets											
Cash and cash equivalents	1,620,078	18,939	1,043,931	199,393	-	1,352	147,357	-	-	284,462	-
Receivables	54,895,215	15,445,864	3,314,551	955	4,429	4,038,089	1,029,618	-	146,826	611,805	-
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-
Total Financial Assets	56,515,293	15,464,803	4,358,483	200,348	4,429	4,039,441	1,176,975	-	146,826	896,267	-
Liabilities											
Bearing liabilities	-	-	-	-	-	-	-	-	-	-	-
Payables	(2,375,902)	(2,806,004)	(241,893)	(189,490)	(45,792)	(953,240)	(441,746)	(636,134)	(8,840)	(245,312)	(482,378)
Total Financial Liabilities	(2,375,902)	(2,806,004)	(241,893)	(189,490)	(45,792)	(953,240)	(441,746)	(636,134)	(8,840)	(245,312)	(482,378)
Net financial position	54,139,390	12,658,799	4,116,589	10,858	(41,363)	3,086,201	735,230	(636,134)	137,986	650,955	(482,378)
As of 31 December 2010											
Total financial Assets	53,645,517	16,065,219	4,285,847	1,326,797	274	2,595,789	1,526,510	5,160,001	96,887	-	-
Total financial Liabilities	(7,847,078)	(1,355,221)	(310,266)	(136,628)	(87,660)	(1,025,407)	(622,428)	(67,508)	(3,042)	-	-
Net financial position	45,798,439	14,709,998	3,975,581	1,190,169	(87,386)	1,570,382	904,081	5,092,493	93,845	-	-

As of 30 June 2011 a negative variation of 5% of all currency rates to euro would have a negative impact on results of Euro 2,636,210 (as of 31 December 2010 Euro 2,569,584 negative) excluding the effect of the derivative financial instruments to hedge foreign exchange risks (Note 31), which would cancel this variation.

2.2.4. Credit risk

The Group is exposed to credit risk in the credit it grants to its customers and, accordingly, it has adopted a policy of managing such risk within preset limits, through the negotiation of a credit insurance policy with a specialized independent company.

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

As of 30 June 2011 and 31 December 2010, accounts receivable from customers showed the following ageing structure, considering the due dates for the open balances:

Amounts in Euro	30/06/2011				
	Pulp and paper	Energy	Forestry	Unallocated	Total
Not overdue	143,245,345	27,247,101	444,954	8,321	170,945,721
1 to 90 days	784,742	-	335,577	2,448	1,122,767
91 to 180 days	-	-	72,958	14,241	87,199
181 to 360 days	928	-	-	1,815	2,743
361 to 540 days	-	-	-	2,300	2,300
541 to 720 days	-	-	9,671	186	9,857
more than 721 days	-	-	279,613	-	279,613
	144,031,015	27,247,101	1,142,773	29,311	172,450,200
Amounts considered impaired					2,285,356
Impairments					(2,191,318)
Net clients balance (Note 21)					172,544,238
Credit insurance					180,821,015

Amounts in Euro	31/12/2010				
	Pulp and paper	Energy	Forestry	Unallocated	Total
Not overdue	117,932,023	12,935,005	466,769	36,341	131,370,138
1 to 90 days	21,226,052	4,439,835	1,516,166	13,038	27,195,091
91 to 180 days	568,248	-	1,980,244	-	2,548,492
181 to 360 days	-	-	2,092,079	14,660	2,106,739
361 to 540 days	-	-	16,251	330,736	346,987
541 to 720 days	106,125	-	19,951	-	126,076
more than 721 days	109,225	-	13,975	-	123,200
	139,941,673	17,374,840	6,105,435	394,775	163,816,723
Amounts considered impaired					2,285,539
Impairments					(1,999,809)
Net clients balance (Note 21)					164,102,453
Credit insurance					133,215,188

The amounts shown above correspond to the open items according to the contracted due dates. Despite some delays in the liquidation of those amounts, that does not result, in accordance with the available information, in the identification of impairments further than the ones considered through the respective losses. These are identified using the information periodically collected about the financial behavior of the Group customers, which allow, in conjunction with the experience obtained in the client portfolio analysis and with the history of credit defaults, in the share not attributable to the insurance company, to define the amount of losses to recognize in the period.

The guarantees in place for a significant part of the open and old balances, justify the fact that no impairment has been recorded for those balances. The rules defined by the credit risk insurance policy applied by the Group, ensure a significant coverage of all open balances.

The insurance credit limits set by the insurance company were significantly reduced as a result of the international financial crisis. As a response, the Portuguese Government made additional credit-guarantees available which allowed a temporary extension of the authorized limits. As of 30 June 2011 and 31 December 2010, the credit insurance facilities available amounted to Euro 384,607,303 and Euro 344,158,861, respectively, as follows:

The insurance credit limit available is greater than the total amount of credit balances. This does not imply that all trade balances are secure, due to the existence of limits per entity, which were not entirely used as at 30 June 2011.

The table below represents the quality of the Group's credit risk, as of 30 June 2011 and 31 December 2010, for financial assets (cash and cash equivalents), whose counterparts are financial institutions (Credit rating by Standard & Poor's):

	30-06-2011	31-12-2010
Rating	Euro	Euro
AA	559,767	610,549
AA-	-	-
A+	2,284,146	3,109,778
A	288,046	1,954,603
A-	19,073,287	90,523,660
BBB +	118,451,783	36,000,000
Others	612,153	1,760,320
	141,269,182	133,958,910

The caption "Others" relates to financial institutions with whom there are transactions of reduced relevance and relatively to which it was not possible to obtain the ratings with reference to the presented dates.

The significant change in the Group's exposure to financial institutions of lower rating is due to the downgrade in the credit rating of the major Portuguese banks.

The following table shows an analysis of the quality of credit of the accounts receivable from customers relatively to which, considering the information available to the Group, no default or impairment loss was considered.

Amounts in Euro	30-06-2011		31-12-2010	
	Gross amount	Credit Insurance	Gross amount	Credit Insurance
Accounts receivable overdue but not impaired				
Overdue - less than 3 months	2,905,494	1,874,696	27,195,090	8,255,325
Overdue - more than 3 months	381,712	267,121	5,251,494	3,379
	3,287,206	2,141,817	32,446,584	8,258,704
Accounts receivable overdue and impaired				
Overdue - less than 3 months	-	-	-	-
Overdue - more than 3 months	2,285,356	-	2,285,539	-
	2,285,356	-	2,285,539	-

The maximum exposure to the credit risk as at 30 June 2011 and 31 December 2010 is detailed in the following schedule. In accordance with the above-mentioned policies, the Group contracted a credit insurance policy for most of the accounts receivable from clients. As such, the Group's exposure to the credit risk is considered to have been mitigated to within acceptable levels.

Amounts in Euro	Maximum exposure	
	30-06-2011	31-12-2010
Non-current		
Available-for-sale assets	126,074	126,074
Current		
Receivables	230,045,927	212,839,536
Cash and cash equivalents	141,269,182	133,958,910
Credit risk exposures relating to off-balance sheet items		
Commitments (Note 36.1)	32,463,751	32,914,147
Guaranties (Note 22)	(25,175,465)	(21,198,494)
	7,288,286	11,715,653

3. Important accounting estimates and judgments

The preparation of consolidated financial statements requires that Group's management make judgments and estimates that affect the amount of revenue, costs, assets, liabilities and disclosures at balance sheet date.

These estimates are influenced by Group's management's judgments, based on: (i) the best information and knowledge of present events and in certain cases on the reports of independent experts; and (ii) the actions which the Group considers it may have to take in the future. However, on the date on which the operations are realized, the outcome could be quite different from those estimates.

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

3.1 Impairment of Goodwill

The Group tests annually whether has been any impairment in goodwill, in accordance with the accounting policy described in Note 1.8. 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.

On 30 June 2011, a potential worsening of 0.5% in the discount rate used in impairment tests of the various cash-generating units would mean an overall decrease of Euro 74,000,000 in their assessed value, which would still be higher than its book value.

3.2 Income tax

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

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

On 30 June 2011, a potential increase of 0.5% in the effective income tax rate would mean an overall increase of Euro 581,192 in the income tax expense.

3.3 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.

On 30 June 2011, a potential decrease of 0.25% in the discount rate used in the actuarial assumptions would mean an overall increase of liabilities amounting Euro 6,212,780 in their assessed value.

3.4 Fair value of biological assets

In determining the fair value of biological assets the Group used the discounted cash flows method considering account assumptions about the nature of the assets being valued (Note 1.9). Changes in these assumptions may have an impact on those assets.

As of 30 June 2011, an increase of 0.5% in the discount rate used to value those assets (6%), would decrease their value by Euro 30,000.

3.5 Credit risk

As mentioned before, the Group 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 Group collects data on its customers' financial performance through regular contact, as well as through contacts with other entities with which the Group does business (e.g., sales agents).

Similarly, most of the Group's receivables are covered by an insurance policy it contracted that limits the exposure in these receivables – generally - to the retention portion to be paid in case of any incident, which varies based on the customer's geographical location. The insurer's acceptance of the Group's credit portfolio and the premiums that the Group pays for that coverage are a good proof of the average quality of the Group's portfolio.

3.6 Recognition of provisions and impairments

The Group is part in several lawsuits underway, for which, based in the opinion of its lawyers, a judgment is made to determine the booking of a provision for these contingencies.

Impairment in accounts receivable are calculated essentially based on accounts receivable's ageing, customers' risk profile and customers' financial situation. If it had been calculated through the criteria set by the Portuguese tax legislation, the impairment adjustments would have been increased by Euro 1,902,477.

4. Segment Information

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

Financial data by operational segment for six month period ended 30 June 2011 and 2010 is shown as follows:

	30-06-2011					TOTAL
	FORESTRY	PULP STAND ALONE	PULP AND PAPER INTEGRATED	ENERGY	ELIMINATIONS / UNALLOCATED	
REVENUE						
Sales and services - external	1,759,554	85,278,627	574,327,717	77,655,917	550,150	739,571,965
Sales and services - intersegment	25,102,828	-	-	27,357,623	(52,460,451)	-
Total revenue	26,862,383	85,278,627	574,327,717	105,013,540	(51,910,301)	739,571,965
RESULTS						
Segmental profit	5,983,029	13,793,466	105,263,184	12,448,386	(12,207,370)	125,280,694
Operating profit	-	-	-	-	-	125,280,694
Financial costs - net	-	-	384,817	-	(9,427,053)	(9,042,236)
Income tax	-	-	-	-	(18,630,978)	(18,630,978)
Net profit before non-controlling interest	-	-	-	-	-	97,607,481
Non-controlling interests	-	-	-	-	17,538	17,538
Net profit	-	-	-	-	-	97,625,019
OTHER INFORMATION						
Segment assets	178,037,054	157,485,511	1,752,206,480	570,703,373	19,990,125	2,678,422,542
Financial investments	-	-	1,569,722	-	126,074	1,695,796
Total assets	178,037,054	157,485,511	1,753,776,202	570,703,373	20,116,198	2,680,118,338
Segment liabilities	13,120,879	294,602,192	753,501,216	212,145,528	18,643,159	1,292,012,974
Total liabilities	13,120,879	294,602,192	753,501,216	212,145,528	18,643,159	1,292,012,974
Capital expenditure	2,099,134	11,966,905	2,155,648	69,848	37,244	16,328,779
Depreciation	261,395	2,904,915	54,281,023	2,701,083	6,865,028	67,013,445
Provisions	-	-	-	-	(6,904,901)	(6,904,901)
30-06-2010						
	FORESTRY	PULP STAND ALONE	PULP AND PAPER INTEGRATED	ENERGY	ELIMINATIONS / UNALLOCATED	TOTAL
REVENUE						
Sales and services - external	4,181,473	78,305,508	507,169,509	67,412,407	-	657,068,897
Sales and services - intersegment	98,617,160	-	-	31,753,428	(130,370,588)	-
Total revenue	102,798,633	78,305,508	507,169,509	99,165,835	(130,370,588)	657,068,897
RESULTS						
Segmental profit	7,791,517	23,572,091	76,543,839	(2,354,358)	20,218,091	125,771,180
Operating profit	-	-	-	-	-	125,771,180
Financial costs - net	-	-	-	-	(12,077,978)	(12,077,978)
Income tax	-	-	-	-	(23,380,587)	(23,380,587)
Net profit before non-controlling interest	-	-	-	-	-	90,312,615
Non-controlling interests	-	-	-	-	56,152	56,152
Net profit	-	-	-	-	-	90,368,767
OTHER INFORMATION						
Segment assets	188,377,013	611,227,479	1,281,818,370	425,854,907	88,058,945	2,595,336,713
Financial investments	-	-	-	-	130,074	130,074
Total assets	188,377,013	611,227,479	1,281,818,370	425,854,907	88,189,019	2,595,466,787
Segment liabilities	12,220,986	245,272,663	658,688,306	316,855,523	62,340,179	1,295,377,657
Total liabilities	12,220,986	245,272,663	658,688,306	316,855,523	62,340,179	1,295,377,657
Capital expenditure	33,682	11,223,354	19,539,820	33,472,101	-	64,268,957
Depreciation	264,510	7,551,067	49,929,881	15,417,657	-	73,163,115
Provisions	-	-	-	-	(20,711,869)	(20,711,869)

Sales and services rendered by region

Amounts in Euro	30-06-2011	30-06-2010
Paper		
Europe	431,718,612	380,303,070
America	51,263,948	45,545,088
Other	91,345,157	81,321,351
	574,327,717	507,169,509
Pulp		
Europe	80,651,654	70,651,471
America	725,617	1,072,511
Other	3,901,356	6,581,526
	85,278,627	78,305,508
Total		
Europe	512,370,266	450,954,541
America	51,989,565	46,617,599
Other	95,246,513	87,902,877
	659,606,344	585,475,017

Sales of the forestry and energy segments were made in the Portuguese market.

In general, all major assets of the business segments are located in Portugal.

5. Other operating income

"Other operating income" is detailed as follows for the six month periods ended 30 June 2011 and 2010:

Amounts in Euro	1st Half 2011	1st Half 2010
Supplementary income	140,665	418,467
Grants - CO2 Emission allowances (Note 6)	6,331,562	8,199,958
Reversal of impairments in current assets (Note 23)	571,678	70,937
Gains on disposals of non-current assets	-	2,606,202
Gains on inventories	595,777	610,089
Gains on disposals of current assets	65,632	-
Government grants	294,806	392,042
Own work capitalised	27,163	15,259
Other operating income	1,748,222	1,037,403
	9,775,505	13,350,357

"Gains on disposals of non-current assets" result from the sale of CO2 emission allowances.

Gains from government grants mainly regard to research in forestry and industrial activities, obtained by some subsidiaries, namely RAÍZ, PortucelSoporcel Florestal and Soporcel.

6. Operating expenses

Operating expenses are detailed as follows for the six month periods ended 30 June 2011 and 2010:

Amounts in Euro	1st Half 2011	1st Half 2010
Cost of Inventories Sold and Consumed	(277,989,958)	(250,746,463)
Variation in production	(27,936,341)	(3,040,611)
Cost of Services and Materials Consumed	(167,980,650)	(161,791,359)
Payroll costs		
Remunerations		
Statutory bodies	(4,833,258)	(5,213,390)
Other remunerations	(45,171,004)	(41,320,245)
	(50,004,262)	(46,533,635)
Social charges and other payroll cost		
Pension and retirement bonus - defined benefit plans (Note 27)	(1,919,975)	(2,548,830)
Pension costs - defined contribution plans (Note 27)	(460,164)	(143,666)
Contributions to Social Security	(9,322,146)	(7,038,021)
Other payroll costs	(6,451,425)	(9,013,621)
	(18,153,710)	(18,744,138)
	(68,157,973)	(65,277,773)
Other costs and charges		
Membership fees	(399,780)	(323,829)
Impairment losses on receivables (Note 23)	(12,197)	(1,093,927)
Indirect taxes	(522,263)	(792,745)
Shipment costs	(900,159)	(717,577)
Water resources charges	(1,173,996)	(408,355)
Cost with CO2 emission	(3,922,297)	(2,920,399)
Other operating costs	(162,545)	(422,184)
	(7,093,236)	(6,679,016)
Provisions (Note 28)	(6,904,901)	20,711,869
	(556,063,059)	(466,823,353)

Payroll expenses are detailed as follows for the six month periods ended 30 June 2011 and 2010:

Amounts in Euro	1st Half 2011	1st Half 2010
Remunerations	50,004,262	46,533,635
Social charges	9,322,146	10,146,149
Pensions	2,380,139	2,692,496
Healthcare costs	1,858,644	1,196,816
Employee training	562,417	772,762
Social activities	552,835	456,932
Insurances	627,531	496,016
Other	2,849,998	2,982,967
	68,157,973	65,277,773

For the 6 months period ended 30 June 2011, the costs incurred with investigation and research activities amounted to Euro 1,695,425 (31 December 2010: Euro 4,659,095).

7. Remuneration of Statutory Bodies

For the six month periods ended 30 June 2011 and 2010, this heading refers to the fixed remuneration of the members of the corporate bodies and it is detailed as follows:

Amounts in Euro	1st Half 2011	1st Half 2010
Board of directors		
Portucel, S.A.	4,548,766	4,958,331
Other group companies	80,711	103,475
Statutory Auditor (Note 34)	164,458	103,984
Audit Board	39,323	47,600
	4,833,258	5,213,390

For the period ended 30 June 2011 the Group recognized past services costs related with pensions of five Board members, as detailed in Note 27.

8. Depreciation, amortization and impairment losses

For the 6 months period ended 30 June 2011 and 2010, depreciation, amortization and impairment losses net of the effect of investments grants recognized in the period were as follows:

Amounts in Euro	1st Half 2011	1st Half 2010
Depreciation of property, plant and equipment		
Buildings	(4,874,825)	(9,766,914)
Equipments	(60,784,741)	(61,608,626)
Other tangible assets	(1,350,873)	(1,555,365)
	(67,010,439)	(72,930,905)
Depreciation of intangible assets		
Industrial property and other rights	(3,005)	(232,210)
	(3,005)	(232,210)
	(67,013,445)	(73,163,115)

9. Changes in government grants

The movement in liabilities with government grants was as follows:

Amounts in Euro	2011	2010
Government grants		
Opening balance	60,694,725	40,637,301
Utilizations	(3,736,369)	(11,187,516)
(Regularization) / Increase	-	31,244,940
Closing balance (Note 30)	56,958,356	60,694,725

On 12 July 2006, the Group and API – Agência Portuguesa para o Investimento (currently designated AICEP – Agência para o Investimento e Comércio Externo de Portugal) entered into four investment contracts. These contracts comprised financial and tax incentives amounting to Euro 74,913,245 and Euro 102,038,801, respectively, related to a total investment of Euro 914,600,000.

The use of such incentives, since they were made available was as follows:

Amounts in Euro	Financial incentives	Fiscal incentives	Total
2006	-	7,905,645	7,905,645
2007	18,014,811	4,737,655	22,752,466
2008	9,045,326	5,696,016	14,741,342
2009	3,862,707	1,720,719	5,583,426
2010	10,945,586	15,937,709	26,883,296
2011	3,736,369	5,879,436	9,615,805
	45,604,799	41,877,180	87,481,979

10. Net financial costs

Financial costs are detailed as follows for the six month periods ended 30 June 2011 and 2010:

Amounts in Euro	1st Half 2011	1st Half 2010
Interest paid on borrowings	(10,858,464)	(9,796,859)
Interest earned on investments	1,949,826	236,205
Dividends earned	2,316,677	1,235,224
Gains / (losses) on financial instruments - trading (Note 20)	694,332	(1,118,842)
Gains / (losses) on financial instruments - hedging (Note 31)	(2,731,767)	(1,885,671)
Compensatory interest	36,556	(25,115)
Other financial income	(834,212)	(722,920)
	(9,427,052)	(12,077,978)

11. Income Tax

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

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

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

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

Income tax is detailed as follows detailed as follows for the six month periods ended 30 June 2011 and 2010:

Amounts in Euro	1st Half 2011	1st Half 2010
Current tax (Note 22)	21,099,344	28,588,522
Provision for current tax	(3,748,704)	(3,810,112)
Deferred tax (Note 26)	1,280,338	(1,397,823)
	18,630,978	23,380,587

The provision for current tax is detailed as follows:

Amounts in Euro	1st Half 2011	1st Half 2010
(Excess)/understatement in the estimate for income tax	(3,231,975)	(3,591,745)
Change in the estimate for additional payments	(516,729)	(1,072,671)
Other	-	854,304
	(3,748,704)	(3,810,112)

The excess in the estimate for income tax mainly results from the calculation of tax benefits with SIFIDE and RFAI, which have only been made upon delivery of the income tax statement for 2010 and 2009.

In the six months periods ended 30 June 2011 and 2010, the reconciliation of the effective income tax rate was as follows:

Amounts in Euro	1st Half 2011	1st Half 2010
Profit before tax	116,238,458	113,693,202
Expected tax rate	25.00%	25.00%
Municipal surcharge	1.50%	1.50%
State Surcharge	2.50%	2.50%
Differences (a)	(4.69%)	(2.96%)
Recognition / (reversal) of provisions	(3.23%)	(3.35%)
Tax benefits	(5.06%)	(2.12%)
	16.03%	20.56%
(a) Este valor respeita essencialmente a:		
	1st Half 2011	1st Half 2010
Capital gains / (losses) for tax purposes	(22,210,737)	23,868
Capital gains / (losses) for accounting purposes	(9,642,141)	(30,229)
Taxable provisions	(5,948,586)	(20,010,914)
Tax benefits	(301,002)	(371,340)
Compensatory interests	1,886,655	2,825,378
Other	17,422,587	5,951,424
	(18,793,223)	(11,611,813)
Tax Effect (29%)	(5,450,035)	(3,367,426)

In Portugal, the annual tax returns are subject to review and potential adjustment by tax authorities for a period of up to 4 years. However, if tax losses are utilized, these may be subject to review by the tax authorities for a period of up to 6 years.

In other countries where the Group operates, these periods are different and, in most cases, higher.

The Board of Directors believes that any reviews/ inspections by tax authorities will not have a material impact on the consolidated financial statements as of 30 June 2011. The income tax returns up to 2008 have already been reviewed and the inspection of Portucel, Soporcel, ATF and some of the subsidiaries of minor relevance over 2009 is currently underway.

12. Earnings per share

Earnings per share were determined as follows:

Amounts in Euro	1st Half 2011	1st Half 2010
Profit attributable to the Company's shareholders	97,625,018	90,368,767
Total number of issued shares	767,500,000	767,500,000
Treasury shares - period average (Note 25)	(18,073,484)	(15,054,358)
	749,426,516	752,445,642
Basic earnings per share	0.130	0.120
Diluted earnings per share	0.130	0.120

Since there are no convertible financial instruments over Group shares, its earnings are undiluted.

Changes over the number of treasury shares are as follows:

	2010		2009	
	Quant.	Acumulado	Quant.	Acumulado
Treasury shares held on 1 January		15,054,358		15,054,358
Acquisitions				
January	-	15,054,358	-	15,054,358
February	573,000	15,627,358	-	15,054,358
March	624,612	16,251,970	-	15,054,358
April	587,906	16,839,876	-	15,054,358
May	1,722,671	18,562,547	-	15,054,358
June	658,267	19,220,814	-	15,054,358
Treasury shares held on 30 June	4,166,456	19,220,814	-	15,054,358
Remaining quarters				
Treasury shares held on 31 December				15,054,358

In the same period 61,405,593 shares of Portucel were traded on the stock exchange.

13. Non-controlling Interests

The movements in non-controlling interests are detailed as follows for the six month periods ended 30 June 2011 and 2010:

Amounts in Euro	1st Half 2011	1st Half 2010
Opening balance	216,755	230,003
Other changes	(2,089)	(1,189)
Net profit of the year	(17,538)	(56,152)
Closing balance on 30 June	197,128	172,662
Remaining quarters		44,094
Closing balance on 31 December		216,755

Non-controlling interests relate to RAÍZ – Instituto de Investigação da Floresta e Papel (Forest and Paper Research Institute), in which the Group holds 94% of the capital and voting rights. The remaining 6% are held by equity holders external to the Group.

14. Appropriation of previous years' profit

Appropriations made in 2011 and 2010 over the 2010 and 2009 net profits were as follows:

Amounts in Euro	2010	2009
Distribution of dividends (excluding treasury shares)	-	62,076,765
Legal reserve	10,540,737	4,675,621
Net income from prior years	200,047,341	38,327,174
	210,588,078	105,079,560

The resolution for the appropriation of the 2010 net profit, passed at Portucel's General Meeting held on 15 March 2011, was based on the net profit for the year as defined by the accounting principles generally accepted in Portugal (Portuguese GAAP). The difference in net profit between the two standards, totaling Euro 226,653 (2009: Euro 33,623,766) was transferred to retained earnings.

On 27 December 2010, considering the Group's levels liquidity and the level of accumulated distributable reserves, the General Assembly decided on the distribution of reserves amounting to Euro 120,037,000 (EUR 0.1564 per share). This includes Euro 2,354,502 attributable to shares held by subsidiaries of Portucel Group.

15. 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, when the Goodwill of Euro 428,132,254 represented 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. As of 30 June 2011 Soporcel's net equity amounted to Euro 786,700,000.

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

As at 31 December 2010, assets and liabilities related to pulp production were transferred to another Group company, as a result of a split. It was not allocated to these assets any goodwill.

The book value of goodwill amounts to Euro 376,756,384, as it was amortized up to 31 December 2003 (transition date). As of that date, the accumulated depreciation amounted to Euro 51,375,870. From that date on, depreciation was ceased and replaced by annual impairment tests. If this amortization had not been interrupted, as of 30 June 2011 the net book value of the Goodwill would amount to Euro 248,316,707 (31 December 2010: Euro 256,879,352).

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

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

Inflation rate	2%
Discount rate (post-tax)	9.37%
Production Growth	0%

The discount rate presented above is a post-tax tax rate equivalent to a discount rate pre-tax of 10.21%, and has been

calculated in accordance with the WACC (Weighted Average Cost of Capital) methodology, based in the following assumptions:

Risk-free interest rate	5.50%
Equity risk premium (market and entity)	5.00%
Tax Rate	29.00%
Debt risk premium	3.00%

16. Other intangible assets

Over the six months period ended June 30, 2011 and the year ended December 31, 2010, changes in other intangible assets were as follows:

Amounts in Euro	Industrial property and other rights	CO2 emission licenses	Total
Acquisition costs			
Amount as of 1 January 2010	1,896,278	1,856,237	3,752,515
Acquisitions	-	12,808,388	12,808,388
Disposals	-	(3,761,468)	(3,761,468)
Adjustments, transfers and write-off's	-	(4,381,544)	(4,381,544)
Amount as of 30 June 2010	1,896,278	6,521,613	8,417,891
Acquisitions	-	-	-
Disposals	-	(6,448,361)	(6,448,361)
Adjustments, transfers and write-off's	-	-	-
Amount as of 31 December 2010	1,896,278	73,252	1,969,530
Acquisitions	-	12,630,672	12,630,672
Disposals	-	-	-
Adjustments, transfers and write-off's	-	(6,944,454)	(6,944,454)
Amount as of 30 June 2011	1,896,278	5,759,470	7,655,748
Accumulated depreciation and impairment losses			
Amount as of 1 January 2010	(1,411,377)	-	(1,411,377)
Amortization and impairment losses	(232,210)	-	(232,210)
Disposals	-	-	-
Adjustments, transfers and write-off's	-	-	-
Amount as of 30 June 2010	(1,643,587)	-	(1,643,587)
Amortization and impairment losses	(231,457)	-	(231,457)
Disposals	-	-	-
Adjustments, transfers and write-off's	-	-	-
Amount as of 31 December 2010	(1,875,044)	-	(1,875,044)
Amortization and impairment losses	(3,005)	-	(3,005)
Disposals	-	-	-
Adjustments, transfers and write-off's	-	-	-
Amount as of 30 June 2011	(1,878,049)	-	(1,878,049)
Net book value as of 1 January 2010	484,901	1,856,237	2,341,138
Net book value as of 30 June 2010	252,691	6,521,613	6,774,304
Net book value as of 31 December 2010	21,234	73,252	94,486
Net book value as of 30 June 2011	18,229	5,759,470	5,777,699

The acquisitions in the six months periods ended June 30, 2011 and 2010 are related to the free allocation of CO2 allowances, valued at their market value at the grant date, under the PNALE – Plano Nacional de Atribuição de Licenças de Emissão, and the adjustments are related to the delivery in April 2011 of licenses for fulfillment of obligations under PNALE II with regard to CO2 emissions in 2010 (note 30).

17. Property, plant and equipment

Over the six months period ended June 30, 2011 and the year ended December 31, 2010, changes in Property, plant and equipment, as well as the respective depreciation and impairment losses, were as follows:

Amounts in Euro	Land	Buildings and other constructions	Equipments and Other tangibles	Assets under construction	Total
Acquisition costs					
Amount as of 1 January 2010	111,574,524	477,978,351	2,860,846,834	175,172,049	3,625,571,758
Acquisitions	57,109	92,888	20,711,605	54,633,611	75,495,213
Disposals	(52,795)	-	(178,086)	-	(230,881)
Adjustments, transfers and write-off's	(442)	140,989	98,709,847	(109,591,505)	(10,741,111)
Amount as of 30 June 2010	111,578,396	478,212,228	2,980,090,200	120,214,155	3,690,094,979
Acquisitions	343,444	22,486,438	37,963,630	(40,390,644)	20,402,868
Disposals	52,795	-	(1,069,411)	-	(1,016,616)
Adjustments, transfers and write-off's	301,575	(2,415,383)	65,406,453	(53,244,153)	10,048,492
Amount as of 31 December 2010	112,276,210	498,283,283	3,082,390,872	26,579,358	3,719,529,723
Acquisitions	-	-	6,332,424	9,996,355	16,328,780
Disposals	(6,441)	-	(96,080,605)	-	(96,087,046)
Adjustments, transfers and write-off's	100,140	(203,895)	14,450,685	(14,550,825)	(203,895)
Amount as of 30 June 2011	112,369,909	498,079,388	3,007,093,375	22,024,889	3,639,567,561
Accumulated depreciation and impairment losses					
Amount as of 1 January 2010	-	(231,814,162)	(1,767,366,126)	-	(1,999,180,288)
Amortization and impairment losses	-	(812,555)	(75,228,076)	-	(76,040,631)
Disposals	-	-	178,086	-	178,086
Adjustments, transfers and write-off's	-	-	(1,592)	-	(1,592)
Amount as of 30 June 2010	-	(232,626,717)	(1,842,417,708)	-	(2,075,044,425)
Amortization and impairment losses	-	(22,219,449)	(19,206,514)	-	(41,425,963)
Disposals	-	-	1,069,411	-	1,069,411
Adjustments, transfers and write-off's	-	-	982	-	982
Amount as of 31 December 2010	-	(254,846,166)	(1,860,553,829)	-	(2,115,399,995)
Amortization and impairment losses	-	(5,054,959)	(60,176,012)	-	(65,230,971)
Disposals	-	-	93,755,352	-	93,755,352
Adjustments, transfers and write-off's	-	203,895	-	-	203,895
Amount as of 30 June 2011	-	(259,697,230)	(1,826,974,490)	-	(2,086,671,720)
Net book value as of 1 January 2010	111,574,524	246,164,189	1,093,480,708	175,172,049	1,626,391,470
Net book value as of 30 June 2010	111,578,396	245,585,511	1,137,672,492	120,214,155	1,615,050,554
Net book value as of 31 December 2010	112,276,210	243,437,117	1,221,837,043	26,579,358	1,604,129,728
Net book value as of 30 June 2011	112,369,909	238,382,158	1,180,118,886	22,024,889	1,552,895,841

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

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

In 2010, with the start of operations in the new paper mill, the Group recognized as a finance lease contract the cost of the Precipitated Calcium Carbonate production unit, installed by Omya, S.A. at the industry site in Setúbal for the exclusive use of the new factory. This contract foresees the transfer of the ownership of the assets upon the end of the contract.

Following the above-mentioned agreements, the Group applies "IFRIC 4 – Determining whether an arrangement contains a lease". By following this interpretation Property, plant and equipment – equipment and other tangibles was increased by Euro 58,003,950, from which the respective accumulated depreciation of Euro 36,385,011 (31 December 2010: Euro 34,161,456), was deducted as of 30 June 2011. As of 30 June 2011, the net book value of these equipments was Euro 21,618,939 (31 December 2010: Euro 23,842,494).

As of 30 June 2011 "Assets under construction" included Euro 2,623,078 (31 December 2010: Euro 485,321), related to advance payments and supplies of Property Plant and Equipment, under the scope of the investment projects being developed by the Group. These amounts are fully guaranteed by first demand bank guarantees, handed by the respective suppliers that are promoting the investments of the Group companies, in accordance with the implemented policies for the mitigation of credit risk.

18. Biological Assets

Over the six months period ended June 30, 2011 and the year ended December 31, 2010, changes in Biological Assets, were as follows:

Amounts in Euro	2011	2010
Amount as of 1 January	110,502,616	118,289,970
Changes in fair value		
Logging in the period	(9,069,582)	(14,871,294)
Growth	5,508,231	6,569,121
New plantations	1,867,269	1,424,924
Other changes in fair value	703,809	2,215,643
Total changes in fair value	(990,273)	(4,661,606)
Amount as of 30 June	109,512,343	113,628,364
Remaining quarters		(3,125,748)
Amount as of 31 December		110,502,616

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

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

19.1. Available-for-sale financial assets

As at 30 June 2011 and 31 December 2010, this heading was detailed as follows:

	30-06-2011	31-12-2010
Affiliates		
Liaison Technologies	126,074	126,074
	126,074	126,074

The participation in Liaison Technologies is recorded at cost, as the difference (gain) to its fair value is not material as at 30 June 2011.

19.2. Investments in associates

In the years ended 30 June 2011 and 31 December 2010, the movements in Investments in associates were as follows:

Amounts in Euro	2011	2010
Amount as of 1 January	516,173	-
Acquisitions	755,379	-
Appropriate result	298,170	-
Amount as of 30 June	1,569,722	-
Remaining quarters		516,173
Amount as of 31 December		516,173

This caption includes the 18% stake in Soporgen – Sociedade Portuguesa de Geração de Electricidade e Calor, S.A.. This company holds a gas power plant at the Figueira da Foz site that the Group, as mentioned in note 9, considers to be a finance lease and recognizes as such in the consolidated financial statements.

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

- Two of the five directors of the company are nominated in representation of the Group.
- A significant part of Soporgen's sales is made to the Group (at least 10% of the associate's revenues), and the rest, corresponding to electric energy, is sold to the EDP Group.

3 – The Group, as well as the remaining shareholders, is responsible for Soporgen's contracted bank loan, in the same proportion as its share (note 36).

On June 30, 2011 and December 31, 2010, key accounting indicators of this associated were detailing as follows:

Amounts in Euro	30-06-2011	31-12-2010
Total Assets	27,553,784	28,826,117
Net profit for the period	2,137,870	1,277,022
Net equity	8,720,682	7,729,202
Total liabilities	18,833,102	21,096,915

20. Inventories

As of 30 June 2011 and 31 December 2010, inventories comprised the following:

Amounts in Euro	30-06-2011	31-12-2010
Raw materials	98,942,816	84,293,382
Finished and intermediate products	69,940,293	63,525,055
Work in progress	15,095,474	22,409,182
Byproducts and waste	753,523	1,240,632
Goods for resale	46,161	120,620
Advances to inventories' suppliers	-	1,310,810
	184,778,266	172,899,681

As of 30 June 2011, inventories were in the following locations:

Amounts in Euro	30-06-2011	31-12-2010
Portugal	48,199,673	34,523,720
USA	15,221,834	14,642,837
Netherlands	1,523,485	3,752,016
United Kingdom	1,474,248	2,600,955
Spain	1,792,292	2,428,754
Italy	302,489	871,019
France	579,928	833,499
Germany	727,833	3,800,369
Switzerland	118,512	71,885
	69,940,293	63,525,055

The receivables showed above are net of impairment losses, in accordance with the policies described in Note 1.13, whose details are presented in Note 23.

21. Receivables and other current assets

As of 30 June 2011 and 31 December 2010, Receivables and other current assets were detailed as follows:

Amounts in Euro	30-06-2011	31-12-2010
Accounts receivable	172,544,238	164,102,453
Accounts receivable-associated companies (Note 32)	417	-
Other receivables	51,265,976	45,450,689
Derivative financial instruments (Note 31)	914,006	240,379
Accrued income	845,315	1,752,337
Deferred costs	4,475,976	1,293,677
	230,045,927	212,839,536

The receivables showed above are net of impairment losses, in accordance with the policies described in Note 1.13, whose details are presented in Note 23.

As of 30 June 2011 and 31 December 2010, "Other receivables" were detailed as follows:

Amounts in Euro	30-06-2011	31-12-2010
Advances made to employees	56,248	127,051
AICEP - Financial incentives to receive	32,725,181	38,199,792
Advances for purchases	10,058,338	-
Other	8,426,209	7,123,846
	51,265,976	45,450,689

The movements in the balance with AICEP were as follows:

Amounts in Euro	2011	2010
Amount as of 1 January	38,199,792	6,891,182
Received in the period	(5,498,195)	-
Increase/(adjustment)	23,584	26,781,396
Amount as of 30 June	32,725,181	33,672,578
Remaining quarters		4,527,214
Amount as of 31 December	38,199,792	

Of this, Euro 32,512,395 relate to the incentives under the scope of the contracts signed with AICEP and described in Note 9. The remaining relate to receivables under other incentives also managed by this Agency.

Advances for purchases relating to raw materials, are secured by bank guarantee which mitigates its credit risk.

As of 30 June 2011 and 31 December 2010, Accrued income and Deferred costs, were detailed as follows:

Amounts in Euro	30-06-2011	31-12-2010
Accrued income		
Discounts in purchases	116,863	118,550
Interest receivable	58,848	882,643
Other	669,604	751,144
	845,315	1,752,337
Deferred costs		
Maintenance and repairs	244,028	58,276
Prepayment of insurance policies	3,259,368	1,721
Other	972,580	1,233,681
	4,475,976	1,293,677
	5,321,291	3,046,014

22. State and other public entities

As of 30 June 2011 and 31 December 2010, there were no overdue debts to the State and other public entities. Balances relating to these entities were as follows:

Current Assets

Amounts in Euro	30-06-2011	31-12-2010
State and other public entities		
Value added tax - reimbursed requested	38,183,479	29,994,482
Value added tax - carried forward	6,908,752	2,233,548
	45,092,231	32,228,030

As at 30 June 2011, the outstanding VAT refunds requested comprised the following, by month and by company:

Amounts in Euro	May/2011	Jun/2011	Total
Enerpulp	1,137,271	1,189,090	2,326,361
PortucelSoporcel Fine Paper	15,833,367	13,979,756	29,813,123
Bosques do Atlântico	3,562,568	2,481,428	6,043,996
	20,533,205	17,650,275	38,183,480

Up to the date of completion of this report, Euro 1,137,271 of these amounts had already been received.

As at 31 December 2010, the outstanding VAT refunds requested comprised the following, by month and by company:

Amounts in Euro	Oct/2010	Nov/2010	Dec/2010	Total
Enerpulp	1,048,382	1,008,966	1,751,737	3,809,084
Portucel	3,404,917	6,443,233	1,412,015	11,260,166
Soporcel	-	4,258,429	6,749,682	11,008,111
About The Future	-	-	3,056,878	3,056,878
PortucelSoporcel Cogeração de Energia	-	436,733	-	436,733
Bosques do Atlântico	-	-	423,510	423,510
	4,453,299	12,147,362	13,393,822	29,994,482

All these amounts have been received during the first-half of 2011.

Current Liabilities

Amounts in Euro	30-06-2011	31-12-2010
State and other public entities		
Corporate income tax	21,073,046	10,929,868
Personal income tax - Withheld on salaries	1,803,369	5,526,025
Value added tax	11,229,895	7,475,821
Social Security	3,217,811	1,983,113
Additional tax assessments	25,175,465	21,198,494
Other	81,142	2,215,692
	62,580,728	49,329,013

As of 30 June 2011 and 31 December 2010, Value added tax was detailed as follows:

Amounts in Euro	30-06-2011	31-12-2010
PortucelSoporcel Logistica de Papel, ACE	2,808,245	2,609,219
About the Future	2,400,008	1,283,724
PortucelSoporcel Fine Paper	2,058,536	-
Bosques do Atlântico, SL	1,903,628	-
Portucel Papel Setúbal	1,098,243	1,032,934
Portucel, SA	785,343	462,625
Other	175,892	2,087,318
	11,229,895	7,475,820

Corporate income tax is detailed as follows:

Amounts in Euro	30-06-2011	31-12-2010
Corporate income tax (Note 11)	21,099,344	31,278,866
Payments on account of corporate income tax	-	(19,178,095)
Withholding tax	(357,477)	(1,138,508)
Other receivables	331,179	(32,395)
Closing balance	21,073,046	10,929,868

The changes in the provisions for additional tax assessments during the years ended 30 June 2011 and 2010 were as follows (Note 11):

Amounts in Euro	2011	2010
Amount as of 1 January	21,198,494	23,369,527
Increase	3,976,971	108,683
Decrease	-	(1,181,354)
Amount as of 30 June	25,175,465	22,296,856
Remaining quarters		(1,098,362)
Amount as of 31 December		21,198,494

As of 30 June 2011 and 31 December 2010 the additional tax assessments include interest on deferred payments and are detailed as follows:

Amounts in Euro	30-06-2011	31-12-2010
Additional assessment 2005- Portucel - IRC (RETGS)	11,467,446	11,467,446
Additional assessment 2006- Portucel - IRC (RETGS)	9,279,415	9,279,415
Payments 2010 - Portucel - IRC (RETGS)	3,976,971	-
Stamp tax - 2004	451,633	451,633
	25,175,465	21,198,494

Given the amount payable for the 2010 corporate income tax – IRC (net of the advance payments and withholding taxes), Euro 6,611,082, the group only paid Euro 2,634,112, as the difference related to:

- ✓ Municipal surcharge in excess of 1.5% over the consolidated taxable income of GPS, valued at Euro 2,829,353;
- ✓ State surcharge corresponding to 2.5% of taxable income of About the Future in the amount of Euro 1,147,617.

In the first case, Tax Administration requires the payment of Income Tax with a Municipal surcharge corresponding to the

sum of the individual municipal surcharge of the companies, despite recent rulings of the Supreme Administrative Court in February and June 2011, in favor of Portucel's views. In addition to this, Portucel has already claimed Euro 1,062,068 for 2008 and 2009.

In the second case, Portucel believes, supported by the opinion of renowned professors and tax law specialists, that given the fact that the investment contract described in note 9 was celebrated at an earlier date than the state surcharge and the active subject of tax is the same as the one for corporate income tax, the tax grant should include the state surcharge, which is nothing more than a surcharge of income tax.

The group will continue to present its arguments in defense of what it believes to be the correct interpretation of the facts and the law.

23. Impairment of non-current and current assets

Over the six months period ended June 30, 2011 and the year ended December 31, 2010, changes in impairments were as follows:

Amounts in Euro	Impairment		Adjustments			Total
	Tangible Asset (Note 17)	Inventories (Note 20)	Receivables (Note 21)	Other Receivables		
As of 1 January 2010	(4,838,615)	(887,541)	(1,389,949)	(1,018,766)		(8,134,871)
Increases (Note 6)	-	-	(1,093,927)	-	-	(1,093,927)
Reversals (Note 5)	-	26,824	44,113	-	-	70,937
Direct utilizations	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
As of 30 June 2010	(4,838,615)	(860,717)	(2,439,763)	(1,018,766)		(9,157,861)
Increases (Note 6)	-	(6,012)	540,863	(136,005)	-	398,846
Reversals (Note 5)	-	257,778	7,678	-	-	265,456
Direct utilizations	-	-	-	-	-	-
Transfers	-	-	(108,587)	-	-	(108,587)
As of 31 December 2010	(4,838,615)	(608,951)	(1,999,809)	(1,154,771)		(8,602,146)
Increases (Note 6)	-	-	(12,197)	-	-	(12,197)
Reversals (Note 5)	-	15,655	183	555,839	-	571,678
Direct utilizations	4,747,338	-	(149,782)	-	-	4,597,556
Transfers	-	-	-	-	-	-
As of 30 June 2011	(91,277)	(593,296)	(2,161,605)	(598,932)		(3,445,109)

The use of impairment adjustments in the period results from the write-off of equipment related to energy production, which had been discontinued in previous years, for which the Group had recognized an impairment loss.

24. Share capital and treasury shares

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

As of 30 June 2011, Portucel's share capital was fully subscribed and paid for; it is represented by 767,500,000 shares with nominal value of 1 Euro each, of which 19,220,814 are held as treasury shares.

These shares were mainly acquired during 2008, and the changes were as follows:

Amounts in Euro	2011		2010	
	Quant.	Amount	Quant.	Amount
Treasury shares held in January	15,054,358	26,787,706	15,054,358	26,787,706
Acquisitions				
January	-	-	-	-
February	573,000	469,490	-	-
March	624,612	2,454,020	-	-
April	587,906	737,907	-	-
May	1,722,671	4,380,142	-	-
June	658,267	2,073,620	-	-
	4,166,456	10,115,179	-	-
Treasury shares held in 30 June	19,220,814	36,902,885	15,054,358	26,787,706
Remaining months				
Treasury shares held in 31 December			30,108,716	26,787,706

The market value of the treasury shares held on 30 June 2011 amounted to Euro 44,054,106 (31 December 2010: Euro 34,263,719), corresponding to an average unit value of Euro

2.292 (31 December 2010: Euro 2.276). The Group's market capitalization as of this date amounted to Euro 1,759,110,000 compared to an equity, net of non controlling interests, of Euro 1,387,908,237.

As of 30 June 2011, according to notifications received and the attendance at the General Assembly, the shareholders with significant positions in the Company's capital were as follows:

Entities	30-06-2011	
	Nº of Shares	% Equity
Seinpar Investments, BV	241,583,015	31.48%
Seinpart - Participações, SGPS, S.A.	230,839,400	30.08%
Semapa, SGPS, S.A.	108,964,248	14.20%
Other entities from the Semapa Group	18,000	0.00%
Bestinver Gestión, SA SGIC	14,976,262	1.95%
Treasury shares	19,220,814	2.50%
Free float	151,898,261	19.79%
Total	767,500,000	100.00%

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

Entities	31-12-2010	
	Nº of Shares	% Equity
Seinpar Investments, BV	241,583,015	31.48%
Seinpart - Participações, SGPS, S.A.	230,839,400	30.08%
Semapa, SGPS, S.A.	105,522,241	13.75%
Other entities from the Semapa Group	1,179,800	0.15%
Bestinver Gestión, SA SGIC	15,443,547	2.01%
Treasury shares	15,054,358	1.96%
Free float	157,877,639	20.57%
Total	767,500,000	100.00%

25. Reserves and retained earnings

As of 30 June 2011 and 31 December 2010, this heading was detailed as follows:

Amounts in Euro	30-06-2011	31-12-2010
Fair value reserve	2,487,664	78,040
Legal reserve	57,546,582	47,005,845
Currency translation reserve	(2,490,176)	881,575
Net profit: prior years	502,142,033	304,020,378
	559,686,104	351,985,838

Fair value reserve

As of 30 June 2011, the "Fair value reserve" of Euro 2,487,664, net of deferred taxes in the amount of Euro 40,445, represents the negative fair value of financial hedging instruments of Euro 140,679 (Note 31), recorded as described in Note 1.11.

The movements occurred in this reserve in the six month periods ended of 30 June 2011 and the year ended 31 December 2010, are detailed as follows:

Amounts in Euro	2011	2010
Revaluation Reserve - Fair Value		
As of 1 January	78,040	(1,456,243)
Revaluation at Fair Value	(322,143)	(2,194,022)
Transfer to the income statement due to the maturity of the instruments (Note 10)	2,731,767	1,885,671
As of 30 June	2,487,664	(1,764,595)
Remaining quarters		1,842,635
As of 31 December		78,040

Legal reserve

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

Currency Translation Reserve

This heading includes the exchange differences arising as a result of the conversion to Euros of the financial statements of the Group companies expressed in foreign currency, at the rates of exchange prevailing at balance sheet date and are detailed as follows:

Amounts in Euro	30-06-2011	31-12-2010
Currency translation reserve		
Portucel Soporcel Afrique du Nord (MAD)	(144)	(10)
Portucel Soporcel UK (GBP)	(2,368)	(170,257)
Soporcel North América (USD)	(2,487,664)	1,051,842
	(2,490,176)	881,575

Other reserves and Prior years' retained earnings

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 adopted by European Union are used.

As of 30 June 2011, the reconciliation between these two sets of accounts was as follows:

Amounts in Euro	Equity / Retained earnings	Net Profit	Total
Individual financial statements (PCGAP)	1,276,554,295	90,878,453	1,367,432,748
Revaluation of tangible fixed assets	71,099,073	6,729,028	77,828,101
Government grants	(56,958,356)	-	(56,958,356)
Non-controlling interests	(214,666)	17,538	(197,128)
Consolidated financial statements (IFRS)	1,290,480,346	97,625,019	1,388,105,365

As of 31 December 2010, the reconciliation between these two sets of accounts was as follows:

Amounts in Euro	Equity / Retained earnings	Net Profit	Total
Individual financial statements (PCGAP)	1,023,943,632	220,410,292	1,244,353,924
Revaluation of tangible fixed assets	129,890,591	(9,830,067)	120,060,524
Government grants	(60,694,725)	-	(60,694,725)
Non-controlling interests	(224,610)	7,855	(216,755)
Consolidated financial statements (IFRS)	1,092,914,887	210,588,080	1,303,502,967

As the individual financial statements are the relevant ones for the purpose of determining the distribution capacity of results, this capability is measured based on retained earnings and other reserves determined in accordance with Portuguese GAAP. It should be noted that 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 the equity of the two sets of financial statements.

As of 30 June 2011 and 31 December 2010, the reserves available for distribution were detailed as follows:

Amounts in Euro	30-06-2011	31-12-2010
Retained earnings: prior years	379,866,262	178,976,096
	379,866,262	178,976,096
Net profit for the period	90,878,453	220,410,292
Legal reserves	(4,543,923)	(11,020,515)
	86,334,530	209,389,777
	466,200,792	388,365,873

26. Deferred Taxes

Over the six months period ended June 30, 2011 and the year ended December 31, 2010, changes in assets and liabilities as a result of deferred taxes were as follows:

Amounts in Euro	As of 1 January 2010	Income Statement		Equity	As of 30 June 2011
		Increases	Decreases		
Temporary differences originating deferred tax assets					
Tax losses carried forward	408,173	-	-	-	408,173
Taxed provisions	1,333,951	-	(1,327,315)	-	6,636
Adjustments in tangible fixed assets	52,478,380	46,033,393	-	-	98,511,772
Post employment benefits	3,171,632	119,309	-	-	3,290,941
Derivative financial Instruments	-	-	-	140,679	140,679
Deferred accounting gains on inter-group transactions	10,692,933	1,299,309	(2,021,162)	-	9,971,080
Valuation of biological assets	8,157,968	-	(8,157,968)	-	-
Depreciation of assets recognised under IFRIC 4	3,631,551	847,418	(4,478,969)	-	-
	79,874,588	48,299,428	(15,985,414)	140,679	112,329,281
Temporary differences originating deferred tax liabilities					
Revaluation of tangible fixed assets	(19,973,300)	-	759,191	-	(19,214,108)
Post employment benefits	(994,026)	(68,637)	4,104,253	(4,346,508)	(1,304,917)
Derivative financial Instruments	(109,529)	-	-	109,529	-
Tax adjustments in the conversion of Local GAAP	(29,745,883)	-	7,500,562	-	(22,245,321)
Valuation of biological assets	-	(6,706,320)	-	-	(6,706,320)
Tax Benefits	(62,087,933)	(7,090,321)	69,178,254	-	-
Extension of the useful life of tangible fixed assets	(356,185,011)	(16,348,928)	-	-	(372,533,939)
Deferred accounting losses on inter-group transactions	(104,813,742)	(88,095,418)	-	-	(192,909,160)
	(573,909,424)	(118,309,624)	81,542,261	(4,236,979)	(614,913,766)
Amounts presented on the balance sheet					
Deferred tax assets	22,963,945	13,886,086	(4,595,807)	40,445	32,294,669
Deferred tax liabilities	(164,998,958)	(34,014,017)	23,443,400	(1,218,132)	(176,787,706)

In the measurement of deferred taxes as at 31 December 2010, the corporate income tax rate used was 28.75%. This rate includes the impact of the state tax surcharge introduced as part of the temporary austerity measures under the Stability and Growth Plan (Plano de Estabilidade e Crescimento - PEC), and passed in Law 12-A/2010, notwithstanding the fact that it is the company's understanding that the reversal of the majority of the existing deferred taxes passed will take place in a period subsequent to that covered by the PEC, that is, after 2013.

In 2011, deferred tax assets relating to tax losses of Euro 408,173 generated by RAIZ – Instituto de Investigação da Floresta e Papel were recognized.

Amounts in Euro	As of 1 January 2010	Income Statement		Equity	As of 30 June 2010	Income Statement		Equity	31 December 2010
		Increases	Decreases			Increases	Decreases		
Temporary differences originating deferred tax assets									
Tax losses carried forward	218,900	-	-	-	218,900	189,273	-	-	408,173
Taxed provisions	6,228,018	-	(783,167)	-	5,444,851	-	(4,110,900)	-	1,333,951
Adjustments in tangible fixed assets	36,986,656	23,019,595	-	-	60,006,251	(7,527,871)	-	-	52,478,380
Post employment benefits	2,778,500	-	-	-	2,778,500	451,688	(58,557)	-	3,171,632
Derivative financial Instruments	1,981,284	-	-	495,341	2,476,624	-	-	(2,476,624)	-
Deferred accounting gains on inter-group transactions	4,725,573	10,519,994	-	-	15,245,567	(4,552,633)	-	-	10,692,933
Valuation of biological assets	10,127,671	-	(1,715,693)	-	8,411,978	-	(254,010)	-	8,157,968
Depreciation in assets subject to IFRIC 4	3,983,424	28,813	-	-	4,012,237	(28,813)	(351,874)	-	3,631,551
	67,030,027	33,568,402	(2,498,860)	495,341	98,594,910	(11,468,356)	(4,775,341)	(2,476,624)	79,874,588
Temporary differences originating deferred tax liabilities									
Revaluation of tangible fixed assets	(23,336,634)	-	1,654,918	-	(21,681,716)	-	1,708,416	-	(19,973,300)
Post employment benefits	(1,000,187)	(14,455)	-	19,294	(995,348)	(49,292)	-	50,615	(994,026)
Derivative financial Instruments	-	-	-	-	-	-	-	(109,529)	(109,529)
Tax adjustments in the conversion of Local GAAP	-	-	-	-	-	(29,745,883)	-	-	(29,745,883)
Fair value of tangible fixed assets	(232,991,369)	-	8,674,212	-	(224,317,157)	-	224,317,167	-	-
Tax benefits	(89,442,118)	-	14,012,313	-	(75,429,805)	-	13,341,872	-	(62,087,933)
Extension of the useful life of tangible fixed assets	(147,045,954)	(14,794,526)	-	-	(161,840,480)	(194,344,530)	-	-	(356,185,011)
Deferred accounting losses on inter-group transactions	(28,603,983)	-	48,564	-	(28,555,419)	(76,209,759)	(48,564)	-	(104,813,742)
	(522,420,245)	(14,808,981)	24,390,007	19,294	(512,819,925)	(300,349,465)	239,318,881	(58,915)	(573,909,424)
Amounts presented on the balance sheet									
Deferred tax assets	17,762,957	8,895,634	(662,198)	131,268	26,127,661	(2,541,870)	(1,429,135)	(700,886)	21,455,769
Effect of the change in tax rate	-	2,162,661	-	55,724	2,218,385	(699,065)	-	(11,145)	1,508,176
	17,762,957	11,058,295	(662,198)	186,992	28,346,046	(3,240,935)	(1,429,135)	(712,032)	22,963,945
Deferred tax liabilities	(138,441,365)	(3,924,380)	6,463,352	5,104	(135,897,289)	(86,683,673)	69,352,953	(16,494)	(153,244,503)
Effect of the change in tax rate	-	(11,537,246)	-	(1,202)	(11,538,448)	(277,384)	-	61,377	(11,754,456)
	(138,441,365)	(15,461,626)	6,463,352	3,902	(147,435,738)	(86,961,057)	69,352,953	44,883	(164,998,958)

27. Pensions and other post-employment benefits

27.1. Introduction

There are currently several retirement and survival pension supplement plans, and retirement bonus, in place in the companies included in the consolidation. For some categories of employees there are plans in addition to the ones described below, for which independent funds were also created to cover these additional liabilities.

Under the prevailing Social Benefits Regulation, permanent employees of Portucel and its main subsidiaries with more than 5 years in the Company (10 years for Soporcel, PortucelSoporcel Florestal and RAIZ) that opted not to move to the Defined Contribution plan as well as the retired employees at the date of transition (1 January 2209) are entitled, after retirement or if put on disability leave, to a retirement or disability supplement pay.

This is calculated according to a formula, which considers the beneficiary's gross monthly remuneration updated to the work category at the date of retirement and the number of years of service, up to a limit of 30 (limit of 25 to Soporcel, Portucel Soporcel Florestal and RAIZ), including a survivor pensions to the spouse and direct descendants.

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

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

As of 30 June 2011 and 31 December 2010, the coverage of the companies' liabilities by the assets of the funds was as follows:

Amounts in Euro	30-06-2011	31-12-2010
Past services liabilities		
- Active employees	69,673,237	69,670,296
- Retired employees	46,334,675	43,784,857
Market value of the pension funds	(102,521,015)	(102,854,501)
	13,486,897	10,600,652
Retirement bonuses' liabilities	3,232,413	3,113,104
Unfunded liabilities	16,719,310	13,713,756

On 30 June 2011, the liability related with post employment benefit plans for five members of Portucel's Board was Euro 4,646,313 (31 December 2010: Euro 4,571,507).

27.2. 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 30 June 2011 and 31 December 2010, were based on the following assumptions:

	30-06-2011	31-12-2010
Disability table	EKV 80	EKV 80
Mortality table	TV 88/90	TV 88/90
Wage growth rate	2.00%	2.00%
Technical interest rate	5.00%	5.00%
Pensions growth rate	1.50%	1.50%

The discount rates used in this study were selected over the return rates of a bonds' portfolio, namely Markit iBoxx Eur Corporates AA 10. From the portfolio, bonds with adequate maturity and rating were selected according to the amount and

period cash outflows that will occur in connection to the payment of the benefits to employees.

For the year ended 31 December 2010 the Group used a technical rate of 5.50% to calculate the costs related to current services. However, due to the behavior of the capital markets in this year and its future expectations, liabilities with pensions were measured using a technical rate of 5.00%, rate that was used during the six months ended June 30, 2011.

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

The following table presents a five-year historical information on the present value of liabilities, funds' market value, non-financed liabilities and net actuarial gains/ (losses).

Information related to the last five periods is as follows:

Amounts in Euro	2007	2008	2009	2010	Jun 2011
Present value of liabilities	141,020,542	143,020,542	149,262,005	116,568,257	119,240,325
Plan assets fair value	124,711,410	118,768,323	129,743,758	102,854,501	102,521,015
Surplus / (deficit)	(16,309,132)	(24,252,219)	(19,518,247)	(13,713,756)	(16,719,310)
Net actuarial gains/ (losses)	14,755,422	(9,849,638)	7,327,298	(128,931)	(3,177,400)

During the year ended 31 December 2010, Portucel S.A., presented their employees a proposal to reshape the defined benefit pension plan to a defined contribution plan. Most of the employees accepted this proposal. This amendment took effect as of 1 November 2010, backdated to 1 January 2010 for the purpose of determining the liability to be transferred.

27.3. Retirement and pension supplements

The movements in liabilities with retirement and pension plans in the six months period ended June 30, 2011 and the year ended December 31, 2010, were as follows:

Amounts in Euro	2011	2010
Opening balance	113,455,153	146,483,533
Costs recognized in the Income Statement	4,059,419	6,052,773
Pensions paid	(1,632,730)	(1,471,468)
Other changes	126,070	(703,843)
Closing balance on 30 June	116,007,912	150,360,995
Remaining quarters		(36,905,842)
Closing balance on 31 December	116,007,912	113,455,153

The funds set up to cover the above mentioned liabilities had the following movement in the six months period ended June 30, 2011 and the year ended December 31, 2010

Amounts in Euro	2011	2010
Opening balance	102,854,501	129,743,758
Contributions made in the period	226,000	689,000
Expected return in the period	2,494,043	3,503,943
Actuarial gains/(losses) (difference between actual and expected returns)	(1,420,799)	(1,400,544)
Pensions paid	(1,632,730)	(1,471,468)
Closing balance on 30 June	102,521,015	131,064,689
Remaining quarters		(28,210,188)
Closing balance on 31 December	102,521,015	102,854,501

Contributions were made in the period considering the information received from the actuaries with whom the Group manages the funding needs of its several plans. A deficit recovery plan of the funding levels to the mandatory minimum defined by the applicable regulations is being carried out as applicable.

The average profitability of the funds in the six month period ended 30 June 2011 was 0.73% (31 December 2010: 2.21%)

The detail of the fund's assets as at 30 June 2011 and 31 December 2010 was as follows:

Amounts in Euro	30-06-2011	31-12-2010
Bonds	52,978,935	53,164,975
Shares	22,832,169	22,318,402
Liquidity	26,096,694	27,231,230
Real estate	13,977	139,864
Other applications - short term	599,241	30
	102,521,015	102,854,501

In the six months period ended 30 June 2011 and the year ended 31 December 2010 the effect in the income statement of these plans was as follows:

Amounts in Euro	1st Half 2011	1st Half 2010
Defined Benefit Plans		
Current service costs	1,214,570	1,981,710
Interest expenses	2,844,851	4,071,063
Return on the plan's assets	(2,494,043)	(3,503,943)
Transfers and adjustments	119,309	-
Other changes	235,288	-
	1,919,975	2,548,830
Defined Contribution Plans		
Contribution to the plan	460,164	143,666
	460,164	143,666
Costs for the period	2,380,139	2,692,496

Current service costs include Euro 36,240 (31 December 2010: Euro 69,484) related with three members of the Board.

27.4. Retirement bonuses

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

Amounts in Euro	2011	2010
Opening balance	3,113,104	2,778,472
Costs recognized in the Income Statement	119,309	-
Closing balance on 30 June	3,232,413	2,778,472
Remaining quarters		334,632
Closing balance on 31 December		3,113,104

28. Provisions

In the six months period ended 30 June 2011 and year ended 31 December 2010 changes in provisions were as follows:

Amounts in Euro	Legal claims	Tax claims	Other	Total
As of 1 January 2010	2,096,956	-	22,063,494	24,160,450
Increases (Note 6)	200,000	-	-	200,000
Reversals (Note 5)	(249)	-	(20,911,621)	(20,911,870)
Direct utilisations	-	-	(64,017)	(64,017)
As of 30 June 2010	2,296,707	-	1,087,856	3,384,563
Increases (Note 6)	(197,639)	10,966,340	11,775,562	22,544,263
Reversals (Note 5)	(667,361)	-	-	(667,361)
Direct utilisations	-	-	(48,088)	(48,088)
As of 1 January 2011	1,431,707	10,966,340	12,815,330	25,213,377
Increases (Note 6)	478,845	-	21,669,801	22,148,646
Reversals (Note 5)	(175,684)	-	(15,068,060)	(15,243,744)
As of 30 June 2011	1,734,868	10,966,340	19,417,071	32,118,279

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

29. Interest-bearing liabilities

As of 30 June 2011 and 31 December 2010, non-current interest-bearing debt comprised the following:

Amounts in Euro	30-06-2011	31-12-2010
Non-current		
Bond loans	550,000,000	550,000,000
Bank Loans	175,357,143	183,125,000
	725,357,143	733,125,000
Expenses with the issue of bond loans	(2,811,947)	(3,392,308)
Expenses with the issue of other loans	(11,071)	(35,785)
	(2,823,019)	(3,428,093)
	722,534,124	729,696,907

As of 30 June 2011 and 31 December 2010, current interest-bearing debt was detailed as follows:

Amounts in Euro	30-06-2011	31-12-2010
Current		
Bank loans - short-term	10,892,857	91,250,000
	10,892,857	91,250,000

As of 30 June 2011 and 31 December 2010, the Group's net debt was as follows:

Amounts in Euro	30-06-2011	31-12-2010
Interest-bearing liabilities		
Non-current	722,534,124	729,696,907
Current	10,892,857	91,250,000
	733,426,981	820,946,907
Cash and cash equivalents		
Cash on hand	39,350	45,562
Short term bank deposits	10,529,832	9,463,348
Other	130,700,000	124,450,000
	141,269,182	133,958,910
Treasury shares at their market value (Note 24)	44,054,106	34,263,719
Interest-bearing net debt	548,103,693	652,724,278

As of 30 June 2011 and 31 December 2010, the interest-bearing liabilities of the Group comprised the following:

Amounts in Euro	30-06-2011		Total
	Non-current	Current	
Interest-bearing liabilities			
Bond loans	547,188,053	-	547,188,053
Bank Loans	175,346,071	10,892,857	186,238,929
	722,534,124	10,892,857	733,426,981

Amounts in Euro	31-12-2010		Total
	Non-current	Current	
Interest-bearing liabilities			
Bond loans	546,607,692	-	546,607,692
Bank Loans	183,089,215	91,250,000	274,339,215
	729,696,907	91,250,000	820,946,907

The evolution of the Group's net debt in the six months period ended 30 June 2011 and year ended 31 December 2010 was as follows:

Amounts in Euro	30-06-2011	30-06-2010	Remaining quarters	Dec 2010
As of January 1	652,724,278	669,954,905	-	669,954,905
Changes in value of treasury shares held and accumulated currency translation effects	1,685,244	(4,031,556)	(3,664,412)	(7,695,968)
Interest paid	9,554,746	12,424,487	9,834,254	22,258,740
Dividends paid and reserves distributed	-	62,076,765	117,682,498	179,759,263
Receipts related to investment activities	(5,408,195)	(4,552,360)	(6,082,130)	(10,634,490)
Interest received	(2,402,972)	(6,361,002)	(681,205)	(7,042,208)
Payments related to investment activities	17,018,145	48,043,147	2,492,080	50,535,227
Net receipts of operating activities	(125,067,552)	(98,093,565)	(146,317,626)	(244,411,190)
	(104,620,585)	9,505,915	(26,736,541)	(17,230,626)
	548,103,693	679,460,819		652,724,278

In the six months period ended 30 June 2011 and year end 31 December 2010, the changes in Group's net debt were as follows:

Amounts in Euro	30-06-2011	30-06-2010	Remaining quarters	31-12-2010
Net Income	97,607,480	90,312,615	120,267,610	210,580,225
Depreciation, amortization and impairment losses	67,013,445	73,163,115	48,021,669	121,184,784
Net provisions	6,904,901	(20,711,869)	21,876,901	1,165,032
	171,525,826	142,763,861	190,166,180	332,930,041
Change in working capital	(43,357,562)	(30,857,357)	(34,112,783)	(64,970,139)
Acquisitions of tangible fixed assets	(16,328,780)	(75,495,213)	(20,402,869)	(95,898,091)
Dividends paid and reserves distributed	-	(62,076,765)	(117,682,498)	(179,769,263)
Other changes in equity	(2,887,817)	1,298,100	832,929	2,131,029
Other	(4,331,081)	14,861,459	7,935,580	22,797,039
Change in net debt (Free CashFlow)	104,620,586	(9,505,915)	26,736,541	17,230,626

Bond loans

During 2005, the Group issued five bond loans totaling Euro 700,000,000, of which there is still repaying the loan "Portucel 2005/2012", Euro 150,000,000, maturing in October 2012 and the loan of "Portucel 2005/2013", of Euro 200,000,000, maturing in May 2013.

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

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

The loans outstanding as of 30 June 2011 were as follows:

Amounts in Euro	Amount	Maturity	Reference interest rate
Bond loans			
Portucel 2005 / 2012	150,000,000	Oct 2012	Euribor 6m
Portucel 2005 / 2013	200,000,000	May 2013	Euribor 6m
Portucel 2010 / 2015 - 2nd emission	100,000,000	Feb 2015	Euribor 6m
Portucel 2010 / 2015	100,000,000	Mar 2015	Euribor 3m
	550,000,000		

The loan amounting to Euro 150,000,000 is quoted in the Euronext Lisbon under the heading "Obrigações Portucel 2005/2012". As of 30 June 2011 the unit value of this bond was Euro 99.79 (31 December 2010: Euro 99.40).

Non-current bank loans

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

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

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

The loan designated BEI – Ambiente Tranche B has a 11 year maturity and it will be repaid in 18 semi-annual installments, the first of which will be due on December 2012 and the last one on June 15, 2021, each of them amounting to Euro 1,666,667. This loan bears interest at a rate corresponding to the Euribor for six months plus a spread.

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

These two loans are guaranteed by two banks.

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

Amounts in Euro	30-06-2011	31-12-2010
Bond loans		
1 to 2 years	366,160,714	164,077,381
2 to 3 years	59,702,381	219,702,381
3 to 4 years	179,702,381	59,702,381
4 to 5 years	19,702,381	179,702,381
over 5 years	100,089,286	109,940,476
	725,357,143	733,125,000

On June 30, 2011, Group had contracted a commercial paper program of Euros 50,000,000 and credit lines of Euro 32,450,714 (31 December 2010: EUR 32,450,714), both of which were available and unused.

IFRIC 4 – Finance Leases

As of 30 June 2011 and 2010, in accordance with IFRIC 4, the Group has the following equipments under finance lease plans:

Amounts in Euro	30-06-2011		
	Acquisition value	Acumulated depreciation	Net book value
Equipment			
Equipment - Soporgen	44,003,950	33,736,362	10,267,588
Equipment - Omya	14,000,000	2,648,649	11,351,351
	58,003,950	36,385,011	21,618,939

Amounts in Euro	31-12-2010		
	Acquisition value	Acumulated depreciation	Net book value
Equipment			
Equipment - Soporgen	44,003,950	32,269,564	11,734,386
Equipment - Omya	14,000,000	1,891,892	12,108,108
	58,003,950	34,161,456	23,842,494

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

Amounts in Euro	30-06-2011	31-12-2010
Non-current	20,201,054	24,471,153
Current (Note 30)	3,882,464	2,115,500
	24,083,518	26,586,653

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

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

In 2010, with the launch of the new paper mill, the Group recognized as a finance lease contract the cost of the Precipitated Calcium Carbonate production unit, installed by Omya, S.A. at the industry site in Setúbal for the exclusive use of the new mill. This contract foresees the transfer of the assets' ownership to About The Future, S.A., upon its termination.

30. Payables and other current liabilities

As of 30 June 2011 and 31 December 2010, Payables and other current liabilities were detailed as follows:

Amounts in Euro	30-06-2011	31-12-2010
Accounts payable to suppliers	105,027,143	119,182,565
Accounts payable to suppliers of fixed assets	30,226,024	38,107,662
Accounts payable to suppliers of fixed assets - leases (Note 29)	3,882,464	2,115,500
Accounts payable - related parties (Note 32)	277,121	143,086
Financial instruments derivatives (Note 31)	419,120	189,617
Other creditors - CO2 Emission allowances	3,229,102	6,316,312
Sales commissions	117,834	403,551
Other creditors	5,299,801	2,581,605
Accrued costs	37,633,804	33,856,509
Deferred income	64,066,502	61,943,025
	250,178,916	264,839,433

The evolution of Other creditors - CO2 Emission allowances in June 30, 2011 and 2010 is as follows:

Unit: TonCO2	2011		2010	
	Quant.	Amount	Quant.	Amount
Opening balance	(495,969)	(6,316,312)	(337,702)	(5,160,311)
Emissions in the period and changes in value	(241,338)	(3,857,244)	(247,015)	(2,942,905)
Returned licences FNALÉ II	495,969	6,944,454	337,702	4,381,544
Amount as of 30 June	(241,338)	(3,229,102)	(247,015)	(3,721,672)
Remaining quarters		(248,954)		(2,594,640)
Amount as of 31 December		(495,969)		(6,316,312)

As of 30 June 2011 and 31 December 2010, Accrued costs and Deferred income were detailed as follows:

Amounts in Euro	30-06-2011	31-12-2010
Accrued costs		
Payroll expenses	22,577,037	18,539,655
Interests payable, including compensatory interest	4,474,945	4,057,165
Energy, Gas and maintenance	3,830,478	5,656,207
Other	6,751,344	5,603,482
	37,633,804	33,856,509
Deferred income		
Government grants (Note 9)	56,958,356	60,694,725
Grants - CO2 allowances	6,223,557	-
Other	884,589	1,248,300
	64,066,502	61,943,025

As of 30 June 2011 and 31 December 2010, "Deferred income" on government grants was detailed per company as follows:

Amounts in Euro	30-06-2011	31-12-2010
Under AICEP contracts (Nota 9)		
Portucel, S.A.	33,188,558	34,954,669
SoporcelPulp, S.A.	17,331,798	18,061,207
Soporcel, S.A.	5,970,529	7,154,495
	56,490,885	60,170,371
Others		
Portucel, S.A.	58,488	66,966
Raiz	344,867	388,393
Enerforest, S.A.	53,679	58,558
Cofotrans, S.A.	10,437	10,437
	467,471	524,354
	56,958,356	60,694,725

In the six months period ended June 30, 2011 and the year ended December 31, 2010, Grants – CO2 emission allowances had the following movements:

Amounts in Euro	2011	2010
Grants - CO2 Emission allowances		
Opening balance	-	-
Increase	12,630,672	12,808,389
Utilisation	(6,407,115)	(7,017,354)
Amount as of 30 June	6,223,557	5,791,035
Remaining quarters		(5,791,035)
Amount as of 31 December		-

31. Financial assets and liabilities

Since its activities are exposed to a variety of financial and operational risk factors, the Group adopts a proactive approach to risk management, as a way to mitigate the potential adverse effects associated with those risks, namely the risk arising from the price of pulp, foreign exchange risk and interest rate risk.

In order to minimize the effects of exchange rate variations on the exports of pulp and paper to non-European countries, financial instruments were contracted 2010 to hedge nearly all statement of financial position items denominated in foreign currency, as well as for a part of the projected sales subject to currency risk.

In addition and in order to hedge interest rate risk, interest rate swaps associated with bond loans have been contracted since 2005. All these instruments matured during 2010.

The reconciliation of the consolidated statement of financial position with the various categories of financial assets and liabilities included therein is detailed as follows:

Amounts in Euro	Financial instruments - trading Note 31.1.	Financial instruments - hedging Note 31.2.	Loans and receivables Note 31.3.	Financial assets held-for-sale Note 19.	Other interest-bearing liabilities Note 31.4.	Non financial Assets/Liabilities
30-06-2011						
Assets						
Financial assets held-for-sale	-	-	-	126,074	-	-
Other non-current assets	-	-	-	-	-	2,078,806,698
Current receivables	635,565	278,441	410,172,044	-	-	180,089,907
Total	635,565	278,441	410,172,044	126,074	-	2,258,906,219
Liabilities						
Non-current interest-bearing liabilities	-	-	-	-	722,534,124	-
Other liabilities	-	-	-	-	20,201,054	225,625,295
Current interest-bearing liabilities	-	-	-	-	10,892,857	-
State entities	-	-	-	-	-	62,580,738
Current payables	-	(419,120)	-	-	163,954,497	86,643,539
Total	-	(419,120)	-	-	917,582,532	374,849,562
31-12-2010						
Assets						
Financial assets held-for-sale	-	-	-	126,074	-	-
Other non-current assets	-	-	-	-	-	2,114,963,332
Current receivables	130,850	109,529	375,740,082	-	-	175,945,696
Total	130,850	109,529	375,740,082	126,074	-	2,290,909,028
Liabilities						
Non-current interest-bearing liabilities	-	-	-	-	729,696,907	-
Other liabilities	-	-	-	-	24,471,152	203,908,090
Current interest-bearing liabilities	-	-	-	-	91,295,000	-
State entities	-	-	-	-	-	49,329,012
Current payables	189,617	-	-	-	184,167,136	80,482,680
Total	189,617	-	-	-	1,029,588,195	333,737,782

Except for derivative financial instruments, the remaining financial instruments are recorded at cost on the grounds that this is considered to be a reasonable approximation to their fair value.

31.1. Fair value hierarchy

The following table presents the Group's assets and liabilities measured at fair value at 30 June 2011, according to the following fair value hierarchies:

- Level 1:** Fair value of financial instruments is based on prices ruling on active, liquid markets at the date of the statement of financial position;
- Level 2:** Fair value of financial instruments is not determined on the basis of active market prices, but rather recurring to valuation models. The main inputs of the models used are observable in the market, and
- Level 3:** Fair value of financial instruments is not determined on the basis of active market prices, but rather recurring to valuation models, the main inputs of which are not observable in the market.

Amounts in Euro	30-06-2011	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Financial instruments-trading	635,565	-	635,565	-
Financial instruments-hedging	278,441	-	278,441	-
	914,006	-	914,006	-
Liabilities measured at fair value				
Amounts in Euro				
30-06-2011				
Financial assets at fair value through profit or loss				
Financial instruments-trading	-	-	-	-
Financial instruments-hedging	(419,120)	-	(419,120)	-
	(419,120)	-	(419,120)	-

31.2. Financial instruments held for trading

As of 30 June 2011 and 2010, the fair value of derivative financial instruments (Note 1.11) was as follows:

Amounts in Euro	30-06-2011			31-12-2010	
	Notional	Positive	Negative	Net	Net
Trading					
Foreign exchange forwards	52,356,416	635,565	-	635,565	(58,767)
	52,356,416	635,565	-	635,565	(58,767)

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

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

The net fair value of trading instruments – forwards – as at 30 June 2011 is Euro 635,565.

31.3. Derivative financial instruments designated as hedging instruments

As of 30 June 2011 and 31 December 2010, the fair value of derivative financial instruments designated as hedging instruments (Note 1.11) was as follows:

Amounts in Euro	30-06-2011			31-12-2010	
	Notional	Positive	Negative	Net	Net
Hedging					
Foreign exchange hedging - Future sales	28,101,655	278,441	(419,120)	(140,679)	109,529
	28,101,655	278,441	(419,120)	(140,679)	109,529

As of 30 June 2011, hedging instruments showed a negative fair value of Euro 140,679, related to a forward instrument designed to hedge the exchange translation risk of Soporcel North America's shareholder's equity.

Interest rate Swaps

The cost of all of the borrowings contracted by the Group is indexed to short-term reference interest rates, in most cases to the 6 month Euribor. With the aim of reducing the exposure to unfavorable interest rate movements, the Group decided to enter into interest rate swap contracts for a part of its medium/long-term interest-bearing debt.

The risk hedged is the change in the cash flows associated with bond loans resulting from fluctuations in reference interest rates (6-month Euribor).

The Group has been using Interest Rate Swaps (IRS) to hedge this risk.

Foreign exchange options

In addition to safeguarding the above-mentioned statement of financial position items subject to foreign exchange risk, the Group has, since 2005, been hedging future sales budgeted for each financial year.

In order to hedge the sales budgeted for 2010 subject to the EUR/USD exchange rate, a number of hedging instruments (called zero-cost collars) were contracted at April and May 2010 amounting to USD 75 million. These collars have monthly checks in which there is only financial settlement in the event that the weighted average exchange rate is higher than the call's exercise price or lower than the put exercise price. This instrument did not entail the payment of a premium and resulted in a net cash receipt of Euro 71,170 in the six months period ended June 30, 2011.

Additionally, in order to hedge Soporcel North America's shareholders' equity denominated in USD, in May 2010 an exchange translation forward instrument of USD 25,050,000 was contracted for 6 months and renegotiated in November 2010 for an additional period of 6 months. As of 30 June 2011 its fair value was positive by Euro 278,441.

31.4. Credit and receivables

These amounts are initially recognized at fair value, and subsequently measured at amortized cost less any impairment losses identified during the course of the credit risk analysis of the credit portfolios held (Note 23).

31.5. Other financial liabilities

These items are recognized at their amortized cost, corresponding to the value of the respective cash flows discounted at the effective interest rate associated with each of the liabilities (Note 29).

31.6. Net gains on financial assets and liabilities

The effect in net income for the year of the financial assets and liabilities held is detailed as follows:

Amounts in Euro	1st Half 2011	1st Half 2010
Gain/ (loss) on loans and receivables	2,316,677	1,235,224
Gains / (losses) on financial instruments - hedging	(2,731,767)	(1,885,671)
Gains / (losses) on financial instruments - trading	694,332	(1,118,842)
Interest income:		
From deposits and other receivables	1,949,826	236,205
Interest expense:		
Financial liabilities measured at amortized cost	(10,858,464)	(9,796,859)
Other	(797,656)	(748,035)
Total net gains and losses	(9,427,052)	(12,077,978)

The fair value of derivative financial instruments is included in Receivables and other current assets (Note 21) and Payables and other current liabilities (Note 30).

The movement in the balances recognized in the statement of financial position (Notes 21 and 30) relating to financial instruments was as follows:

	Fair value variation (Trading)	Fair value variation (Hedging)	Total
As of 1 January 2010	(1,379,160)	(1,881,284)	(3,260,444)
Maturity (Note 10)	(1,118,842)	(1,885,671)	(3,004,513)
(Increase) / decrease in fair value		1,390,331	1,390,331
As of 30 June 2010	(2,498,002)	(2,476,624)	(4,974,626)
Maturity (Note 10)	2,439,235	4,072,586	6,511,821
(Increase) / decrease in fair value		(1,486,433)	(1,486,433)
As of 1 January 2011	(58,767)	109,529	50,762
Maturity (Note 10)	694,332	(2,731,767)	(2,037,435)
(Increase) / decrease in fair value		2,481,559	2,481,559
As of 30 June 2011	635,565	(140,679)	494,886

As at 30 June 2011 and 31 December 2010, the derivative financial instruments previously summarized presented the following maturities:

	Nominal value	Maturity	Type	30-06-2011		31-12-2010	
				Fair value	Fair value	Fair value	Fair value
Foreign exchange forwards	USD 31,066,000	Oct/11	Trading	219,521	123,396		
	GBP 6,454,000	Sep/11	Trading	207,047	7,455		
	USD 14,362,000	Aug/11	Trading	124,430	-		
	GBP 4,405,000	Sep/11	Trading	17,567	-		
	USD 8,530,000	Aug/11	Trading	6,328	(268,405)		
	GBP 2,700,000	Sep/11	Trading	60,672	78,787		
				635,565	(58,757)		
Foreign exchange forwards - Subsidiaries investments	USD 25,050,000	Nov/11	Hedging	278,441	109,629		
Foreign exchange forwards	CHF 13,000,000	Dec/11	Hedging	(418,121)	-		
				(146,680)	109,629		
				488,885	50,762		

32. Balances and transactions with related parties

The following is a breakdown of related parties' balances as of 30 June 2011 and 31 December 2010:

	30-06-2011		31-12-2010	
	Assets	Liabilities	Assets	Liabilities
	Receivables	Payables	Receivables	Payables
Amounts in Euro				
Semapa, SGPS, S.A.	417	277,121	-	143,086
	417	277,121	-	143,086

In the six months period ended June 30, 2011 and 2010, transactions with related parties were as follows:

	1st Half 2011		1st Half 2010	
	Sales and services rendered	Consumed materials and services	Sales and services rendered	Consumed materials and services
Amounts in Euro				
Semapa, SGPS, S.A.	986	1,063,663	36,964	764,175
	986	1,063,663	36,964	764,175

33. Environmental related expenditure

Environmental costs

As part of its business operations, the Group 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 Group 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 six months period ended 30 June 2011 and the year ended 31 December 2010 were as follows:

Amounts capitalized in the period	Amounts in Euro	
	30-06-2011	31-12-2010
Oil boiler generator	36,777	576,931
Increase in the capacity of the effluents treatment equipment	28,349	18,731
Facilities and security Improvement	-	42,872
Other	196,985	47,118
	262,111	685,653

Costs recognised in the period	Amounts in Euro	
	1st Half 2011	1st Half 2010
Liquid effluent treatment	3,639,260	3,736,144
Residual managements	159,285	-
Water resources charges (note 6)	1,173,996	408,355
Residual managements	730,295	716,169
Expenditure with electro filters	273,515	232,082
Solid waste embankment	135,785	139,998
Sewage network	15,575	57,268
Other	581,455	85,120
	6,709,165	5,375,136

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 (Note 30).

As a result of negotiations of the National Plan for the Allocation of CO2 Emission Rights (PNALE), for the period 2008-2012, the Group was awarded licenses corresponding to 531,049 tons for each year of the period (Note 16). With the start of the new units in the area of energy and in the production of paper, this attribution was revised upwards to Ton. 892,627.

34. Audit fees

In the six month periods ended 30 June 2011 and 2010, expenses with statutory audits, other audit services and tax consultancy, were as follows:

Amounts in Euro	1st Half 2011	1st Half 2010
	Statutory auditors services	
Statutory audit services	164,458	103,984
Audit of foreign subsidiaries	129,690	42,463
Tax consultancy services		
Portugal	9,608	17,341
Other countries	81,751	-
Other reliability assurance services	57,431	77,267
	442,939	241,055

The services described as tax consultancy and other, mainly comprise of the support in complying with tax obligations, in Portugal and abroad, as well as in services regarding the validation of investment expense claims to present to AICEP, to enable the receipt of the incentives contracted, as referred in note 9.

The Board of Directors believes there are adequate procedures safeguarding the independence of auditors through the audit committee process analysis of the work proposed and careful definition of the work to be performed by the auditors.

35. Number of employees

As of 30 June 2011 the number of employees working for the various Group companies was 2,322 (31 December 2010: 2,331), of which 285 were employed by About The Future, S.A.

36. Commitments

36.1. Commitments in favor of third-parties

As of 30 June 2011 and 31 December 2010, commitments assumed by the Group were as follows:

Amounts in Euro	30-06-2011	31-12-2010
	Guarantees in favour of associated companies	
Guarantees		
Soporgen, S.A.	333,333	333,333
	333,333	333,333
Guarantees in favour of third parties		
Guarantees		
Portuguese Tax Authorities	27,064,473	27,917,200
Duties with wood imports	3,596,378	3,531,019
Simria	327,775	340,005
Other	1,141,792	792,590
	32,130,418	32,580,814
	32,463,751	32,914,147

On 3 May 2000, Soporcel, entered into a guarantee with a bank under which it guarantees the full and timely compliance with all financial and monetary obligations to that bank assumed by Soporgen – Sociedade Portuguesa de Geração de Electricidade e Calor, S.A.. Accordingly, the bank can claim repayment of up to 18% of Soporgen's debt under that guarantee whenever it is enforced.

As of 30 June 2011 the amount to settle of this loan was Euro 4,166,663, and the amount of the guarantee assumed by Soporcel was Euro 333,333.

The guarantees granted to the Portuguese Tax Authorities are detailed as follows (Note 37):

Amounts in Euro	30-06-2011	31-12-2010
Income Tax 2005 - Additional Tax assessments	14,656,907	14,656,907
Income Tax 2006 - Additional Tax assessments	11,831,696	11,831,696
Income Tax 2007 - Municipal surcharge	-	852,727
Stamp duty 2004	575,870	575,870
	27,064,473	27,917,200

36.2. Purchase commitments

In addition to the commitments described in the preceding Note, purchase commitments assumed with suppliers at 30 June 2011 amounted to Euro 35,207,277 and referred to capital expenditure on Property, plant and equipment (total commitments at 31 December 2010: Euro 14,501,506).

As of 30 June 2011 and 31 December 2010, the commitments relating to operating lease contracts were as follows:

Amounts in Euro	30-06-2011	31-12-2010
Due date		
2011	1,211,296	1,533,053
2012	1,648,087	1,549,391
2013	1,218,263	898,107
2014	922,593	600,959
2015	440,882	325,786
	5,441,121	4,907,296

On June 30, 2011 and December 31, 2010, the commitments to forest land rents were detailed as follows:

Amounts in Euro	30-06-2011	31-12-2010
Liquidação		
2011	2,050,122	2,916,627
2012	3,139,354	1,990,593
2013	3,005,989	1,876,164
2014	2,665,752	1,690,656
2015	2,518,056	1,544,779
Subsequent years	12,069,277	18,103,905
	25,448,550	28,122,724

37. Contingent assets

37.1. Tax matters

37.1.1. Public Debt Settlement Fund

According to Decree-Law no. 36/93 of 13 February, the tax debts of privatized companies relating to periods prior to the privatization date (in the case of Portucel, 25 November 2006) are 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. In this context, the aforementioned Fund is liable for Euro 31,018,150, detailed as follows:

Amounts in Euro	Year	Amount requested	1st reimbursement	Open amount
Portucel				
VAT Germany	1998-2004	5,850,000	(5,850,000)	-
Corporate tax	2001	314,340	-	314,340
Corporate tax	2002	625,033	(625,033)	-
VAT	2002	2,697	(2,697)	-
Corporate tax	2003	1,573,165	(1,573,165)	-
Corporate tax	2003	197,395	(157,315)	39,480
Corporate tax (withholding)	2004	3,324	-	3,324
Corporate tax	2004	766,395	-	766,395
Corporate tax (withholding)	2005	1,736	(1,736)	-
Corporate tax	2005	11,754,680	-	11,754,680
Corporate tax	2006	9,238,171	-	9,238,171
		30,326,936	(8,210,546)	22,116,390
Soporcel				
Corporate tax	2003	169,219	-	169,219
Corporate tax (withholding)	2003	5,725,771	-	5,725,771
VAT	2003	2,509,101	-	2,509,101
Stamp duty	2004	497,669	-	497,669
		8,901,760	-	8,901,760
		39,228,696	(8,210,546)	31,018,150

37.1.2. Municipal surcharge (RETGS) 2008 / 2010 – Euro 3,641,223

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

Nevertheless, Portucel believes this municipal surcharge should correspond to 1.5% of the Group's taxable income, as stated by the Law nº 2/2007 (Local Finance Law).

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

Following the initial rejection of the claim, Portucel appealed to the Court on 14 May 2010 and 6 January 2011.

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

For 2010, the amount to be paid in excess of Portucel's calculations amounted to Euro 2,829,353. The Group decided not to pay this amount and presented the corresponding administrative appeal on the amount resulting from the excess of the liquidation and requested the establishment of bank guarantee for amount not settled.

37.1.3. Investment contract - AICEP

Regarding the contracts signed with AICEP and up to 30 June 2011, a total amount of Euro 33,319,638 of tax incentives is yet to be recognized.

37.1.4. Fiscal Scheme of Investment Support (RFAl) 2009 and 2010

In 2009 and 2010, the Group benefited from the tax benefit regime for relevant investments as set by Law No. 10/2009 of 10 March. Under this regime, the Group has unused benefits, which will be used in 2011.

37.2. Non-tax matters

37.2.1. Public Debt Settlement Fund

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

38. Exchange rates

The assets and liabilities of the foreign subsidiaries and associated companies expressed in a functional currency other than Euro were translated to Euro at the exchange rate prevailing on 30 June 2011.

The income statement transactions were translated at the average rate for the year. The differences arising from the use of these rates compared with the balance prior to the conversion were reflected under the Currency translation reserve in shareholders' equity.

The rates used on 30 June 2011 and 31 December 2010, against the Euro, were as follows:

	30-06-2011	31-12-2010	Valuation/ (depreciation)
GBP (sterling pound)			
Average exchange rate for the year	0.8682	0.8578	(1.21%)
Exchange rate at the end of the year	0.9026	0.8608	(4.86%)
USD (american dollar)			
Average exchange rate for the year	1.4030	1.3260	(5.81%)
Exchange rate at the end of the year	1.4453	1.3362	(8.16%)
PLN (polish zloty)			
Average exchange rate for the year	3.9527	3.9945	1.05%
Exchange rate at the end of the year	3.9903	3.9750	(0.38%)
SEK (swedish krona)			
Average exchange rate for the year	8.9394	9.5341	6.24%
Exchange rate at the end of the year	9.1739	8.9655	(2.32%)
CZK (czech koruna)			
Average exchange rate for the year	24.3524	25.2794	3.67%
Exchange rate at the end of the year	24.3450	25.0610	2.86%
CHF (swiss franc)			
Average exchange rate for the year	1.2697	1.3796	7.96%
Exchange rate at the end of the year	1.2071	1.2504	3.46%
DKK (danish krone)			
Average exchange rate for the year	7.4561	7.4474	(0.12%)
Exchange rate at the end of the year	7.4587	7.4535	(0.07%)
HUF (hungarian florim)			
Average exchange rate for the year	269.4771	275.4975	2.19%
Exchange rate at the end of the year	266.1100	277.9500	4.26%
AUD (australian dollar)			
Average exchange rate for the year	1.3581	1.4414	5.78%
Exchange rate at the end of the year	1.3485	1.3136	(2.66%)
MZM (Mozambique Metical)			
Average exchange rate for the year	43.4168	47.7740	9.12%
Exchange rate at the end of the year	42.5200	46.5900	8.74%

39. Companies included in the consolidation

Company	Head office	Percentage of capital held by Group companies		
		Directly	Indirectly	Total
Parent Company:				
Portucel – Empresa Produtora de Pasta e Papel, SA	Setúbal	-	-	-
Subsidiaries:				
Soporcel - Sociedade Portuguesa de Papel, SA	Figueira da Foz	100.00	-	100.00
Soporgen - Sociedade Portuguesa de Geração de Electricidade e Calor, S.A.	Figueira da Foz	-	18.00	18.00
Soporcel Pulp - Sociedade Portuguesa de Celulose, SA*	Figueira da Foz	100.00	-	100.00
Portucel Florestal – Empresa de Desenvolvimento Agro-Florestal, SA	Setúbal	-	100.00	100.00
Naturfungi, ACE	Setúbal	-	50.00	50.00
CountryTarget SGPS SA*	Setúbal	100.00	-	100.00
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, SA	Setúbal	-	100.00	100.00
PortucelSoporcel Florestal – Sociedade para o Desenvolvimento Agro-Florestal, SA	Setúbal	-	100.00	100.00
Afocelca - Agrupamento complementar de empresas para protecção contra incêndios ACE	Portugal	-	64.80	64.80
Enerforest - Empresa de Biomassa para Energia, SA	Setúbal	-	100.00	100.00
Atlantic Forests, SA	Setúbal	-	100.00	100.00
Viveiros Aliança - Empresa Produtora de Plantas, SA	Palmela	-	100.00	100.00
Aflomec - Empresa de Exploração Florestal, SA	Setúbal	-	100.00	100.00
Cofotrans - Empresa de Exploração Florestal, SA	Figueira da Foz	-	100.00	100.00
Raiz - Instituto de Investigação da Floresta e Papel	Aveiro	-	94.00	94.00
PortucelSoporcel Floresta, SGPS, SA	Figueira da Foz	50.00	50.00	100.00
Bosques do Atlantico, SL	Spain	-	100.00	100.00
PortucelSoporcel Pulp SGPS, S.A.	Setúbal	100.00	-	100.00
EPFF - Empresa de Pasta de Figueira da Foz, S.A.	Figueira da Foz	-	100.00	100.00
CELSET - Celulose de Setúbal, S.A.	Setúbal	-	100.00	100.00
CELCACIA - Celulose de Cacia, S.A.	Aveiro	-	100.00	100.00
Portucel International GmbH	Germany	-	100.00	100.00
PortucelSoporcel Papel, SGPS SA	Setúbal	100.00	-	100.00
Portucel Soporcel North America Inc.	USA	-	100.00	100.00
About the Future - Empresa Produtora de Papel, SA	Setúbal	-	100.00	100.00
Portucel Papel Setúbal, S.A.	Setúbal	-	100.00	100.00
PortucelSoporcel Sales & Marketing NV	Belgium	25.00	75.00	100.00
PortucelSoporcel Fine Paper, S.A.	Setúbal	-	100.00	100.00
PortucelSoporcel España, SA	Spain	-	100.00	100.00
PortucelSoporcel International, BV	Netherlands	-	100.00	100.00
PortucelSoporcel France, EURL	France	-	100.00	100.00
PortucelSoporcel United Kingdom, Ltd	United Kingdom	-	100.00	100.00
PortucelSoporcel Italia, SRL	Italy	-	100.00	100.00
Soporcel 2000 - Serviços Comerciais de Papel, Soc. Unipessoal, Lda	Figueira da Foz	-	100.00	100.00
PortucelSoporcel Deutschland, GmbH	Germany	-	100.00	100.00
PortucelSoporcel Handels, GmbH	Austria	-	100.00	100.00
PortucelSoporcel Afrique du Nord	Morocco	-	100.00	100.00
PortucelSoporcel Poland SP Z O *	Poland	-	100.00	100.00
PortucelSoporcel Energia, SGPS SA	Setúbal	100.00	-	100.00
SPCG – Sociedade Portuguesa de Co-Geração Eléctrica, SA	Setúbal	-	100.00	100.00
Enerpulp – Cogeração Energética de Pasta, SA	Setúbal	-	100.00	100.00
PortucelSoporcel Cogeração de Energia, SA	Setúbal	-	100.00	100.00
PortucelSoporcel Participações, SGPS SA	Setúbal	100.00	-	100.00
Arboser – Serviços Agro-Industriais, SA	Setúbal	-	100.00	100.00
Empremédia - Corretores de Seguros, Lda	Lisbon	-	100.00	100.00
Socortel - Sociedade de Corte de Papel, SA	Figueira da Foz	-	100.00	100.00
Cutpaper - Transformação, Corte e Embalagem de Papel, ACE	Figueira da Foz	-	50.00	50.00
Headbox - Operação e Contolo Industrial, SA	Setúbal	-	100.00	100.00
EMA21 - Engenharia e Manutenção Industrial Século XXI, SA	Setúbal	-	100.00	100.00
Ena Cacia - Engenharia e Manutenção Industrial, ACE	Aveiro	-	91.15	91.15
Ena Setúbal - Engenharia e Manutenção Industrial, ACE	Setúbal	-	92.56	92.56
Ena Figueira da Foz - Engenharia e Manutenção Industrial, ACE	Figueira da Foz	-	91.47	91.47
EucaliptusLand, SA *	-	-	100.00	100.00
ImpactValue - SGPS, SA	Setúbal	100.00	-	100.00
Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda	Mozambique	25.00	75.00	100.00
Portucel Florestal Brasil - Gestão de Participações, Ltda	Brazil	25.00	75.00	100.00
PortucelSoporcel Logistica de Papel, ACE	Figueira da Foz	33.33	66.67	100.00

* Companies incorporated in 2010

40. Companies excluded from the consolidation

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

The entities presented above were excluded from the consolidation due to their dissolution and liquidation in the period.

41. Subsequent events

41.1. Acquisition of treasury shares

Through stock market operations on 4 and 5 July, Portucel acquired several lots of treasury shares, totaling 18,000 titles, which are detailed as follows:

Amounts in Euro	Quant.	Euro
4 July 2011	11,000	25,424
5 July 2011	7,000	16,167
	18,000	41,591

Following these acquisitions, Portucel now holds directly and indirectly through its subsidiaries, 19,238,814 shares representing 2.507% of its share capital.

42. Note added for translation

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

BOARD OF DIRECTORS

Pedro Mendonça de Queiroz Pereira
Chairman

José Alfredo de Almeida Honório

Manuel Soares Ferreira Regalado

Adriano Augusto da Silva Silveira

António José Pereira Redondo

José Fernando Morais Carreira de Araújo

Luis Alberto Caldeira Deslandes

Manuel Maria Pimenta Gil Mata

Francisco José Melo e Castro Guedes

José Miguel Pereira Gens Paredes

Paulo Miguel Garces Ventura



Limited Review Report Prepared by an Auditor Registered in the Securities Market Commission (CMVM) of the Consolidated Half Year Information

(Free translation from the original in Portuguese)

Introduction

1 As required by the Portuguese Securities Market Code, we present our limited review report on the consolidated financial information for the six-month period ended June 30, 2011 of Portucel – Empresa Produtora de Pasta e Papel, S.A. included in the Report of the Board of Directors, Consolidated Statement of Financial Position (which shows total assets of €2,680,118 thousand and a total shareholders' equity of €1,388,105 thousand, including Non-controlling interests of €197 thousand and a net profit of €97,625 thousand), Consolidated Separate Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the six-month period then ended and the corresponding notes to the accounts.

2 The amounts in the consolidated financial statements, as well as those in the additional financial information, are derived from the respective accounting records.

Responsibilities

3 It is the responsibility of the Board of Directors: (a) to prepare consolidated financial information which present truly and fairly the financial position of the companies included in the consolidation and the consolidated results of its operations; (b) to prepare historical financial information in accordance with the International Accounting Standard 34 - Interim Financial Reporting as adopted by the European Union and which is complete, true, timeliness, clear, objective and licit as required by the Portuguese Securities Market Code; (c) to adopt adequate accounting policies and criteria; (d) to maintain appropriate systems of internal control; and (e) to disclose any significant facts that have influenced the operations, financial position or results.

4 Our responsibility is to verify the financial information included in the documents referred to above, namely if it is complete, true, timeliness, clear, objective and licit as required by the Portuguese Securities Market Code, and to issue a professional and independent report based on our work.

Scope

5 Our work was performed with the objective of obtaining moderate assurance as to whether the financial information referred to above is free of material misstatement. Our work was performed in accordance with the Standards and Technical Recommendations issued by the Portuguese Institute of Statutory Auditors, planned according to that objective, and consisted, primarily, in enquiries and analytical procedures, to review: (i) the reliability of the assertions included in the financial information; (ii) the adequacy of the accounting policies adopted taking into account the circumstances and the consistency of their application; (iii) the applicability, or not, of the going concern concept; (iv) the presentation of the consolidated financial statements; and (v) as to whether the consolidated financial information is complete, true, timeliness, clear, objective and licit.

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.
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Matriculada na Conservatória do Registo Comercial sob o NUPC 506 628 752, Capital Social Euros 314.000



6 Our work also covered the verification of the consistency of the consolidated financial information included in the Report of the Board of Directors with the remaining documents referred to above.

7 We believe that the work performed provides an acceptable basis for the issue of our limited review report in respect of the half year information.

Conclusion

8 Based on the work, which was performed with the objective of obtaining moderate assurance, nothing came to our attention that leads us to believe that the consolidated financial information for the six-month period ended June 30, 2011 is not free of material misstatements that affect its conformity with the International Accounting Standard 34 - Interim Financial Reporting as adopted by the European Union and the information contained therein is not complete, true, timeliness, clear, objective and licit.

Report on other legal requirements

9 Based on the work, nothing came to our attention that leads us to believe that that the information included in the Directors' Report is not consistent with the consolidated financial statements for the six-month period year ended June 30, 2011.

August 30, 2011

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- Sociedade de Revisores Oficiais de Contas, Lda
Registered in the Comissão do Mercado de Valores Mobiliários with no. 9077
represented by:

António Alberto Henrique Assis, R.O.C.

(This is a translation, not to be signed)