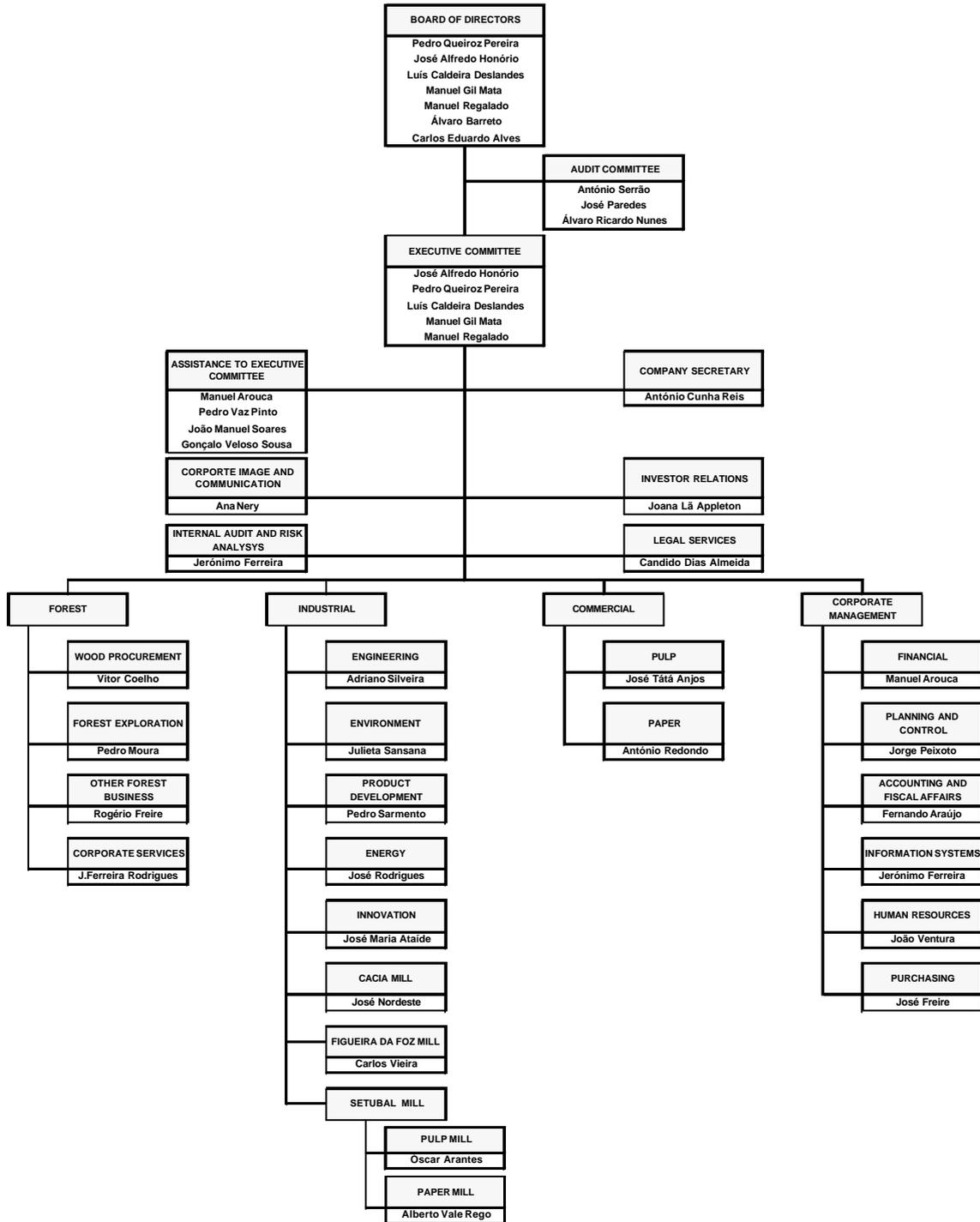


Corporate Governance Report

(CMVM Regulation 7/2001)

CHAPTER I – Disclosure of Information

Company Organisation Chart



The Company does not have any specific committees – namely an Ethics Committee or a Corporate Structure and Governance Assessment Committee.

Capital structure

Portucel has share capital of seven hundred sixty seven million five hundred thousand euro, fully paid up, and represented by seven hundred sixty seven million five hundred thousand shares with the nominal value of one euro each.

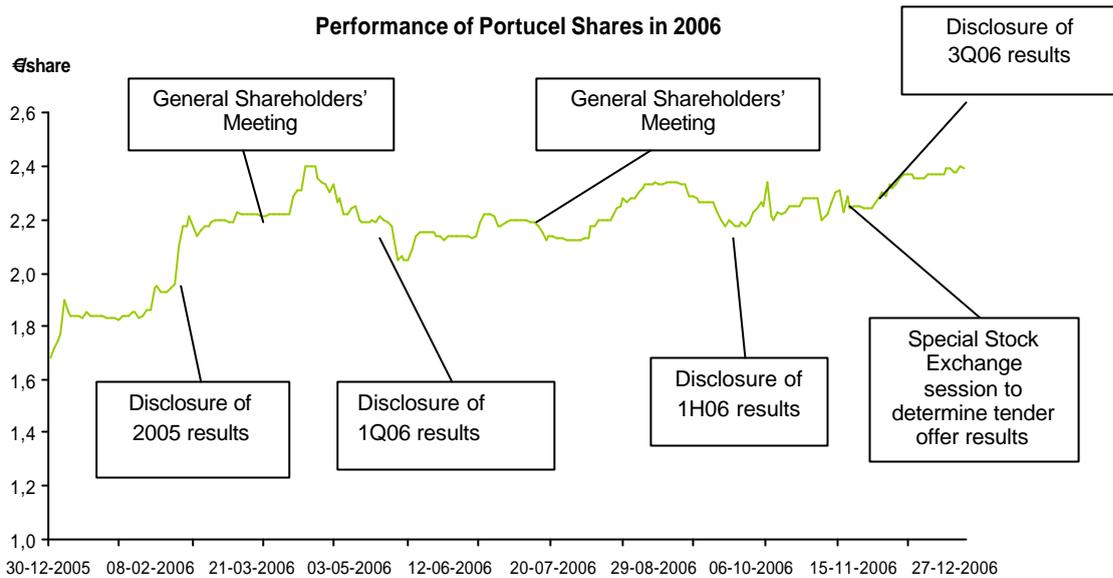
At present the Company has five hundred thirty seven million two hundred and fifty thousand shares admitted to trading, the shares purchased within the scope of its 2nd privatisation phase being blocked for a period of 5 years.

There are no restrictions on the transferability of shares, such as consent for disposal clauses or limits on the ownership of shares.

Performance of the Portucel share price

Portucel shares closed the year with a substantial gain of 43%, with a high of €2.41 on December 22nd and a low of €1.69 on January 2nd.

The chart below traces the performance of the Company's shares during the year, marking the dates of the most significant events communicated to the market.



Dividend policy

The proposal for dividend distribution is determined by Portucel's Board of Directors and is subject to current legislation and the Company's articles of association. In accordance with the revised version of the articles of association, in force following the partial amendment of the memorandum of association approved by the general meeting of July 13th, 2006, it is up to the general meeting to decide by a simple majority of votes on the amount of dividends to be distributed each year,

Dividend per share paid in the last three financial years:

2004 (in relation to the 2003 financial year) euro 0.0315 per share

2005 (in relation to the 2004 financial year) euro 0.0371 per share

2006 (in relation to the 2005 financial year) euro 0.0525 per share

Plans to allot shares and stock option plans

No plans to allot shares or stock option plans are currently in effect.

Description of main elements of the business and transactions carried out by the company

No relevant information exists in this respect.

Investor Relations Office

Portucel has an Investor Relations Office since November 1995. It was created with the aim of providing a permanent and appropriate point of contact with the financial community – investors, shareholders, analysts and regulatory bodies – and promoting the disclosure of the Company's financial information and any other significant information that is relevant to Portucel's performance on the capital market, all in accordance with the principles of consistency, regularity, fairness, credibility and timeliness. Quarterly, half-yearly and annual results and respective communications and press releases, all information relative to general shareholder meetings and the Company's corporate bodies, the financial calendar, the articles of association and any other relevant information are published by the Investor Relations Office on Portucel's website at www.portucelsoporcel.com.

Portucel's market relations officer is Joana de Avelar Pedrosa Rosa Lã Appleton, who can be contacted by telephone (+351 265 700 504) or e-mail (joana.la@portucelsoporcel.com).

Remuneration committee

The Directors' remuneration is set by a remuneration committee, consisting of a fixed component and a variable component, the latter being dependent on the Company's results as measured by its consolidated indicators.

The members of the remuneration committee are Pedro Mendonça de Queiroz Pereira, Carlos Eduardo Coelho Alves and Frederico José da Cunha Mendonça e Meneses.

Auditors' remuneration

In 2006 the Group paid euro 371,413 to the auditors of the various Group companies.

This amount was broken down as follows:

- a) 47.6% for statutory auditing services
- b) 34.2 % for assistance with fiscal matters
- c) 18.2 % for other services

Our auditors have introduced strict internal rules designed to safeguard their independence.

CHAPTER II – Exercise of shareholder voting and representation rights

Portucel has always pursued a policy of encouraging its shareholders to take part in General Meetings, first and foremost by periodically disclosing reports on its business and economic and financial results, with the aim of going beyond mere compliance with applicable legislation.

Shareholders who wish to attend Portucel's General Meeting must provide proof of ownership of shares. These must have been registered in their name at least five days prior to the day of the meeting and remain blocked until the meeting is closed. Shareholders wishing to exercise their voting rights by post shall enclose their individual voting instructions in a closed envelope addressed to the Chairman of the General Meeting, which should reach the Company no later than on the last working day prior to the day of the General Meeting. Notwithstanding the right of grouping, one vote shall be counted for each one thousand.

In order to ensure that shareholders are properly informed in a brief and simple manner, notices of Portucel's General Meetings customarily make provision for voting by post or by proxy, including all the details of the rules on the subject. At present Portucel does not envisage the possibility of exercising voting rights by electronic means, nor does it have a standard form for the exercise of voting rights by post.

During the period running up to the General Meeting the market relations officer is available for any queries shareholders may have and to provide all the information needed to fully resolve them.

CHAPTER III – Company rules

Portucel is governed by the general laws applicable to public companies and by its articles of association. Its business activity is not subject to any specific legislation.

Following the reprivatisation of part of Portucel's share capital in 2004, the Company held a General Meeting on June 15th, 2004 at which the new governing bodies were appointed for the three-year period from 2004 to 2006. The number of members of the Board of Directors remained seven, five of whom have executive functions and thus comprise an Executive Committee, while two are non-executive directors. The Meeting

also approved new internal regulations, which lay down the Executive Committee's powers and duties and the matters that are reserved for approval by the full Board of Directors. They also set out the rules governing the internal functioning of the Board of Directors.

In terms of its internal control procedures Portucel has an internal Audit and Risk Analysis Department that acts at every level throughout the Company. There is also the statutory auditor and the external auditors, who fulfil the roles which the law lays down in relation to this type of company.

In addition to the Risk Analysis Department, which has the primary responsibility for the risk management function, the Planning and Management Control Department, the Finance Department, the Legal Services Office, and the Investor Relations Office (IRO) are also tasked with a number of duties in this field. The IRO is responsible for monitoring movements in Portucel's share price.

The managements of the mills draw up reports on their operations. Among other things, these reports specifically address any issues that require urgent attention, equipment management, and inventories.

The Company's Marketing Department produces periodic reports on pulp and paper sales, market trends and future prospects, and existing inventories.

Forestry activities are monitored in fortnightly meetings and through monthly reports on raw material supplies and budget control. Reports on forest fire prevention and combat do not have an established frequency, but become more frequent during the critical fire season (June to September).

We are not aware of the existence of any shareholder agreements between the Company's shareholders, and the only restrictions on the exercise of voting rights are those imposed by the Articles of Association, as described above.

CHAPTER IV – Management body

Portucel has a Board of Directors composed of seven members – a Chairman and six Directors. Five of the members have executive functions and form an Executive Committee, which was appointed and whose powers were delegated by the Board of Directors. The other two members of the Board of Directors are non-executive directors.

The current Chairman of the Board of Directors is Mr. Pedro Mendonça de Queiroz Pereira.

The Board members comprising the Executive Committee are:

José Alfredo de Almeida Honório (Chairman)
Pedro Mendonça de Queiroz Pereira (Member)
Luís Alberto Caldeira Deslandes (Member)
Manuel Maria Pimenta Gil Mata (Member)
Manuel Soares Ferreira Regalado (Member)

The Non-Executive Directors are:

Álvaro Roque de Pinho Bissaia Barreto
Carlos Eduardo Coelho Alves

Pedro Mendonça de Queiroz Pereira (Chairman), José Alfredo de Almeida Honório and Carlos Eduardo Coelho Alves are not considered to be 'Independent Directors' for the purposes of article 1(2) of CMVM Regulation no. 11/2003, as they are on the Board of Directors of the shareholder Semapa – Sociedade de Investimento e Gestão, SGPS, S.A..

It is our understanding that none of the remaining Directors are covered by any of the criteria referred to in the article referred to in the previous paragraph, unless it is understood that, because they are also Directors of Soporcel - Sociedade Portuguesa de Papel, S.A., they are covered by paragraph c) of the said legal provision.

However, and in so far as the only relevant consideration for these purposes under the present version of Regulation 7/2001 is the independence of non executive Directors, only Álvaro Roque de Pinho Bissaia Barreto may be considered as an independent non executive director.

The Executive Committee has delegated powers to:

- a) Submit to the Board of Directors proposals on corporate policy, objectives and strategies;
- b) Propose operating budgets and medium and long-term investment and development plans to the Board of Directors, and to implement them once approved;

- c) Approve budget changes for the financial year, including transfers between cost centres, provided that the combined value thereof does not exceed twenty million euros in any one year;
- d) Approve contracts for the acquisition of goods or services, provided that the combined value thereof does not exceed twenty million euros in any one year;
- e) Approve loan contracts and requests for bank guarantees and assume any other liabilities that represent an increase in indebtedness, provided that the combined value thereof does not exceed twenty million euros in any one year;
- f) Acquire, dispose of or encumber the Company fixed assets, up to the individual asset value of five per cent of the paid-up share capital;
- g) Take and grant leases of any real estate property;
- h) Represent the Company in legal proceedings and otherwise, actively or passively, and to commence and prosecute any proceedings, to make admissions therein, to discontinue, settle proceedings, and to enter into arbitration agreements;
- i) Acquire, dispose of or encumber shares in other companies, subject to a maximum amount of twenty million euros in any one year;
- j) Decide how and when to proceed with the acquisition or disposal of the Company's own shares, when the General Meeting has resolved to so acquire them or dispose thereof and subject to the terms of the said resolution;
- k) Manage holdings in other companies in conjunction with the Chairman of the Board of Directors, particularly the appointment with the agreement with the said Chairman of the Company's representatives on such companies' governing bodies and by laying down guidelines on how those representatives should act;
- l) Enter into, amend and terminate employment contracts;
- m) Open, operate and close bank accounts;
- n) Appoint agents of the Company;
- o) In general, all such powers as may be delegated by law, save such restrictions as may result from the provisions of the preceding paragraphs.

The Chairman of the Board of Directors has the duties and powers with which he is charged by law and the articles of association.

The Executive Committee may discuss the matters for which the Board of Directors is responsible, but may only take decisions on such matters as are delegated to it. Every matter addressed by the Executive Committee – even those which are included within the duties and powers that are delegated to it – shall be made known to the Non-

Executive Directors, who shall be given access to the respective minutes and supporting documents.

Acting in conjunction with the Chairman of the Board of Directors, the Executive Committee may also take decisions on the matters provided for in paragraphs c), d), e) and i) above, when the amounts involved, as calculated under the terms set out therein, are between twenty million and fifty million euros.

Any changes to the terms and conditions of contracts that have already been entered into and that fall under paragraphs c), d), e) and i) shall be dealt with by the body or bodies that have the power to effect them.

Within the Executive Committee the individual Executive Directors have particular responsibility for the following areas:

- José Honório:
 - Assets and Forests
 - Management of forest activities
 - Wood Procurement
 - R&D Forest Projects
 - Internal Audit
- Pedro Queiroz Pereira:
 - Institutional Affairs
- Luís Deslandes:
 - Paper Sales
 - Pulp Sales
 - Marketing
 - Communication and Corporate Image
- Gil Mata:
 - Pulp and paper mills operations (Cacia, Figueira da Foz and Setúbal)
 - Maintenance, Conservation and Technical Engineering
 - Project Units
 - Environment, Quality and Development
 - General Secretarial Services
- Manuel Regalado:
 - Finance

- Accounting
- Fiscal Affairs
- Planning and Management Control
- Information Systems
- Legal Services
- Purchasing
- Investor Relations
- Human Resources
- Organisation

The Company's Articles of Association do not provide for the attribution of powers to the Board of Directors with respect to deliberations on capital increases.

There are no agreements between the Company and Directors or employees providing for compensation in the event of resignation by the employee, dismissal without due cause or termination of the employment relationship following a takeover bid.

By decision of the Board of Directors the Company has an Audit Committee, the members of which are:

António Duarte Serrão (Chairman)

José Miguel Gens Paredes (Member)

Álvaro Ricardo Nunes (Member)

The powers and duties of the Audit Committee are those set out hereunder together with those explicitly assigned to it by the Board of Directors.

Its general powers and duties are as follows:

1. The Audit Committee shall have no powers other than those granted to it by these regulations or assigned to it explicitly by the Board of Directors.
2. The Audit Committee is responsible for evaluating the procedures designed to control disclosed financial information (accounts and reports) and the timetable for such disclosures. In particular it is tasked with reviewing the Group's draft annual, bi-annual and quarterly accounts and providing the Board of Directors with a report on them before it approves and signs them.
3. The Audit Committee shall advise the Board of Directors on its choice of the External Auditor and on the scope of the Internal Auditor's work.
4. The Audit Committee shall discuss the External Auditor's annual reports with him,

and shall advise the Board of Directors on any measures to be taken.

5. In the performance of its duties the Audit Committee shall consider the following:
 - (i) changes to accounting policies and practices;
 - (ii) significant adjustments required as a result of audits;
 - (iii) trends in important financial ratios and any alterations in the Group's formal or informal ratings;
 - (iv) significant financial exposure (such as exchange rate and interest rate risks and the risks incurred in derivative operations);
 - (v) illegal or irregular procedures.

6. Without prejudice to its normal duties and powers, the Board of Directors delegates its supervisory and audit powers to the Audit Committee. The latter is particularly responsible for inspecting all the accounting records of the Company and its associated companies, and obtaining accounting and financial information from the Group's staff, to the extent that the said measures are necessary in order to fulfil its responsibilities.

During the 2006 financial year the Board of Directors met 4 times and the Executive Committee 44 times.

In 2006 the remuneration paid to the members of the Board of Directors totalled euro 3,992,575, of which euro 3,628,131 were paid to executive directors and euro 364,444 to non-executive directors. Of the overall total, euro 2,913,669 were paid by Soporcel, S.A., euro 517,972 by Portucel, S.A., and euro 560.934 by Semapa. The amount of the variable remuneration paid in 2006 under this total to the executive directors was euro 1,088,965. The difference to the amount referred in the corresponding note to the accounts results from inclusion in this amount of remunerations paid to the corporate bodies of other Group companies paid by the Group itself or by Semapa and exclusion of the effect of increases recognised on an accrual basis.

The parameters and foundations followed by the Remuneration Committee to establish the variable remunerations are the usual for remunerations of this type, namely the results and performance of the Company and of the Directors in question. However, considering that a new Remuneration Committee was elected this year, these parameters will surely be subject to a comprehensive revision, to be disclosed in due time.

All the members of the Board of Directors are also on the boards of other companies, as listed below (companies belonging to the Portucel Soporcel Group are marked “GPS” in brackets):

Pedro Mendonça de Queiroz Pereira

- Chairman of the Board of Directors and member of the Executive Committee of Portucel - Empresa Produtora de Pasta e Papel, S.A. (GPS)
- Chairman of the Board of Directors and member of the Executive Committee of Soporcel – Sociedade Portuguesa de Papel, S.A. (GPS)
- Member of the Board of Directors of Soporcel - Gestão de Participações Sociais, SGPS, S.A. (GPS)
- Member of the Board of Directors of About the Future – Empresa Produtora de Papel, S.A. (GPS)
- Manager of Cimentospar – Participações Sociais, SGPS, Lda.
- Chairman of the Board of Directors of Cimigest, SGPS, S.A.
- Chairman of the Board of Directors of Cimimpart - Investimentos e Participações, SGPS, S.A.
- Chairman of the Board of Directors of Cimo - Gestão de Participações, SGPS, S.A.
- Chairman of the Board of Directors of CMP - Cimentos Maceira e Pataias, S.A.
- Manager of Ecolua – Actividades Desportivas, Lda.
- Manager of Ecovalue – Investimentos Imobiliários, Lda.
- Chairman of the Board of Directors of Longapar, SGPS, S.A.
- Chairman of the Board of Directors of OEM - Organização de Empresas, SGPS, S.A..
- Chairman of the Board of Directors of Secil - Companhia Geral de Cal e Cimento, S.A.
- Chairman of the Board of Directors of Secilpar, SL
- Chairman of the Board of Directors of Seinpart Participações, SGPS, S.A.
- Chairman of the Board of Directors of Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.
- Chairman of the Board of Directors of Semapa Inversiones, SL
- Chairman of the Board of Directors of Seminv - Investimentos, SGPS, S.A.
- Chairman of the Board of Directors of Sodim SGPS, S.A.
- Member of the Board of Directors of Tema Principal – SGPS, S.A.
- Chairman of the Board of Directors of Vertice – Gestão de Participações, SGPS, S.A.

José Alfredo de Almeida Honório

- Chairman of the Executive Committee and member of the Board of Directors of Portucel - Empresa Produtora de Pasta e Papel, S.A. (GPS)
- Chairman of the Executive Committee and Vice-Chairman of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A. (GPS)
- Chairman of the Board of Directors of Soporcel – Gestão de Participações Sociais, SGPS,S.A. (GPS)
- Chairman of the Board of Directors of Portucel Florestal – Empresa de Desenvolvimento Agro-Florestal, S.A. (GPS)
- Chairman of the Board of Directors of Aliança Florestal – Sociedade para o Desenvolvimento Agro-Florestal, S.A. (GPS)
- Chairman of the Board of Directors of About the Future – Empresa Produtora de Papel, S.A. (GPS)
- Member of the Board of Directors of Seminv – Investimentos, SGPS, S.A.
- Member of the Board of Directors of Semapa Inversiones, SL
- Manager of Cimentospar – Participações Sociais, Lda.
- Member of the Board of Directors of Betopal, S.L.
- Member of the Board of Directors of Longapar, SGPS, S.A.
- Member of the Board of Directors of Cimimpart – Investimentos e Participações, SGPS, S.A.
- Member of the Board of Directors of Seinpart Participações, SGPS.,S.A.
- Member of the Board of Directors of Cimo-Gestão de Participações, SGPS,S.A.
- Member of the Board of Directors of CMP – Cimentos Maceira e Pataias, S.A.
- Member of the Board of Directors of Secil - Companhia Geral de Cal e Cimento, S.A.
- Member of the Board of Directors and Executive Committee of Semapa – Sociedade Investimento e Gestão, SGPS,S.A.
- Manager of Florimar – Gestão e Participações, SGPS, Sociedade Unipessoal, Lda
- Manager of Hewbol, SGPS, Lda.

Luis Alberto Caldeira Deslandes

- Member of the Board of Directors and Executive Committee of Portucel – Empresa Produtora de Pasta e Papel, S.A. (GPS)
- Member of the Board of Directors and Executive Committee of Soporcel – Sociedade Portuguesa de Papel, S.A. (GPS)
- Member of the Board of Directors of Soporcel – Gestão de Participações Sociais, SGPS, S.A. (GPS)

- Chairman of Portucel Soporcel (Papel) – Sales e Marketing, ACE (GPS)
- Chairman of the Board of Directors of the following companies of the Portucel Soporcel Group:
 - Portucel Pasta y Papel S.A.
 - Portucel UK LTD,
 - Soporcel España S.A.
 - Soporcel Italy SRL
 - Soporcel France EURL
 - Soporcel UK LTD
 - Soporcel International BV
 - Soporcel North America INC
 - Soporcel 2000
 - Soporcel Deutschland GmbH
 - Soporcel Austria GmbH
 -
- Member of the Board of Directors of About the Future – Empresa Produtora de Papel, S.A. (GPS)

Manuel Maria Pimenta Gil Mata

- Member of the Board of Directors and Executive Committee of Portucel – Empresa Produtora de Pasta e Papel, S.A. (GPS)
- Member of the Board of Directors and Executive Committee of Soporcel – Sociedade Portuguesa de Papel, S.A. (GPS)
- Member of the Board of Directors of Soporcel – Gestão de Participações Sociais, SGPS, S.A. (GPS)
- Chairman of the Board of Directors of Enerpulp – Cogeração Energética de Pasta, S.A. (GPS)
- Chairman of the Board of Directors of Socortel – Sociedade de Corte de Papel, S.A. (GPS)
- Chairman of the Management Board of Setipel – Serviços Técnicos da Indústria Papeleira, S.A. (GPS)
- Chairman of the Management Board of SPCG – Sociedade Portuguesa de Cogeração, S.A. (GPS)
- Member of the Board of Directors of About the Future – Empresa Produtora de Papel, S.A. (GPS)

Manuel Soares Ferreira Regalado

- Member of the Board of Directors and Executive Committee of Portucel – Empresa Produtora de Pasta e Papel, S.A. (GPS)
- Member of the Board of Directors and Executive Committee of Soporcel – Sociedade Portuguesa de Papel, S.A. (GPS)
- Member of the Board of Directors of Soporcel – Gestão de Participações Sociais, SGPS, S.A. (GPS)
- Member of the Board of Directors of About the Future – Empresa Produtora de Papel, S.A. (GPS)

Álvaro Roque de Pinho Bissaia Barreto

- Member of the Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, S.A. (GPS)
- Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A. (GPS)
- Non executive director of SAIP – Sociedade Alentejana de Investimento e Participações, SGPS, S.A.
- Chairman of the Board of Directors of Tejo Energia, S.A.
- Non executive director of Nutrinveste – Sociedade Gestora de Participações Sociais, S.A.
- Non executive director of Mellol – Sociedade Gestora de Participações Sociais, S.A.
- Chairman of the Board of the General Meeting of Portugália – Companhia Portuguesa de Transportes Aéreos, S.A.
- Chairman of the Board of the General Meeting of Prime Drinks, S.A.
- Member of the Advisory Board of Privado Holding, SGPS, SA
- Non executive director of Beralt Tin and Wolfram (Portugal), SA.

Carlos Eduardo Coelho Alves

- Member of the Board of Directors of Portucel - Empresa Produtora de Pasta e Papel, S.A. (GPS)
- Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A. (GPS)
- Chairman of Sonaca – Sociedade Nacional de Canalizações, S.A.
- Member of the Board of Directors of Sodim, SGPS, S.A.
- Member of the Board of Directors and Chairman of the Executive Committee of Secil – Companhia Geral de Cal e Cimento, S.A.

- Member of the Board of Directors and Chairman of the Executive Committee of CMP – Cimentos Maceira e Pataias, S.A.
- Member of the Board of Directors and Executive Committee of Semapa – Sociedade Investimento e -Gestão, SGPS,S.A
- Member of the Board of Directors of Cimo - Gestão de Participações, SGPS.,S.A.
- Chairman of the Board of Directors of SCG – Société des Ciments de Gabès, S.A.
- Member of the Board of Directors of Secilpar, SL
- Member of the Board of Directors of Seminv Investimentos, SGPS, S.A. (new name of Secil – Investimentos)
- Member of the Board of Directors of Cimimpart – Investimentos e Participações, SGPS, S.A.
- Member of the Board of Directors of Parcim Investments B.V.
- Member of the Board of Directors of Seinpart - Participações, SGPS.,S.A.
- Member of the Board of Directors of Longapar, SGPS, S.A.
- Member of the Board of Directors of Betopal, S.L
- Member of the Board of Directors of Semapa Inversiones, SL
- Manager of Cimentospar Participações Sociais, Lda.
- Manager of Florimar – Gestão e Participações, SGPS, Sociedade Unipessoal, Lda.
- Manager of Hewbol, SGPS, Lda.

There are no incompatibilities specifically defined by the Board of Directors nor is there a maximum figure established for the positions that may be held by the Directors on boards of other companies.

All the current members of the Board of Directors have been on the Boards of Directors of the above companies for the last five years.

Other than the Internal Regulation referred in chapter III, the Company has no formal code of conduct applying to the members of the Board of Directors.

Declaration of Compliance

As can be seen, Portucel, S.A. has already adopted virtually all the recommendations on corporate governance. However, the following four items have not been entirely implemented:

1. The Remuneration Committee includes two members of Portucel, S.A. Board of Directors – its Chairman, Pedro Mendonça de Queiroz Pereira, and the non

executive Director, Carlos Eduardo Coelho Alves. This option is explained by their ties to the Company's main shareholder.

2. The recommendation to disclose the individual remuneration of members of the Board of Directors has not been adopted. This is due to the fact that having weighed up all the interests at stake, the Board feels that quite apart from the other potentially negative effects this disclosure would have, the gains that might result from it would not be greater than the importance of each board member's right to privacy.
3. No committee has been created with the specific responsibility of evaluating the Company's corporate structure and governance, inasmuch as it is felt that the Board of Directors is already performing this task effectively.
4. No rules have been laid down in relation to the communication of irregularities that may allegedly occur at the Company.

In all else the recommendations on corporate governance are being complied with in full.