

Portucel
Empresa Produtora de Pasta e Papel, SA

Public Company

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

Share Capital: 767 500 000 euros

Corporate Person no.. 503 025 798

Corporate Governance Report
2009

Corporate Governance Report

Chapter 0

Declaration of Compliance

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

The Company follows the Corporate Governance Code for Listed Corporations of the CMVM (the Portuguese Securities Market Commission), by applying CMVM Regulation no. 1/2010, albeit with the structure approved by CMVM Regulation no. 7/2001, as permitted by the CMVM circular of 26 January 2010. These regulations can be consulted at the CMVM website at www.cmvm.pt.

0.2. Detailed description of the recommendations contained in the CMVM Corporate Governance Code that have or have not been adopted.

Recommendation not fully adopted are regarded for present purposes as not adopted.

RECOMMENDATIONS	COMPLIANCE	
<u>I. GENERAL MEETING</u>		
<u>I.1 GENERAL MEETING BOARD</u>		
I.1.1 The Chairman of the General Meeting shall have at his disposal the necessary and adequate human resources and logistic support, taking the financial position of the company into consideration.	Yes	See Chapter I Item I.1
I.1.2 The remuneration of the Chairman of the General Meeting shall be disclosed in the annual report on corporate governance.	Yes	See Chapter I Item I.3
<u>I.2 PARTICIPATION AT THE MEETING</u>		
I.2.1 The obligation to deposit or freeze shares before the General Meeting, contained in the articles of association, shall not exceed 5 working days.	Yes	See Chapter I Item I.4
I.2.2 Should the General Meeting be adjourned, the company shall not require shares to be frozen until the meeting is resumed, when the normal requirement for the first session shall again apply.	Yes	See Chapter I Item I.5
<u>I.3 VOTING AND EXERCISE OF VOTING RIGHTS</u>		
I.3.1 The articles of association shall not impose any restriction on postal voting.	Yes	See Chapter I Item I.8
I.3.2 The deadline established in the articles of association for receiving	Yes	See Chapter I

early voting ballots by mail shall not exceed 3 working days.		Item I.10
I.3.3 The company's articles of association shall provide for the one share-one vote principle.	No	See Chapter 0 Item 0.3

I.4 QUORUM AND RESOLUTIONS

I.4.1 Companies shall not set a quorum for holding the meeting or adopting resolutions greater than that established in law.	No	See Chapter 0 Item 0.3
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I.5 MINUTES AND INFORMATION ON RESOLUTIONS PASSED

I.5.1 The minutes of the General Meetings shall be made available to shareholders on the company's website within 5 days, irrespective of constituting privileged information under the terms of the law. The list of attendees, agenda items of the minutes and resolutions passed during such meetings shall continue online at the company's website for a period of 3 years.	Yes	See Chapter I Item I.9
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I.6 MEASURES ON CORPORATE CONTROL

I.6.1 Measures aimed at preventing successful takeover bids, shall respect both the company's and the shareholders' interests.	Yes	See Chapter I Item 1.13
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I.6.2 The company's articles of association that, in line with the principle set out in the preceding sub-paragraph, restrict/limit the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also provide for a resolution by the General Meeting, (5 year intervals, at least) on whether that statutory provision is to prevail – without additional quorum requirements beyond those legally in force – and that in said resolution, all votes issued be counted, without applying said restriction.	Not applicable	
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I.6.3. In cases such as change of control or changes to the composition of the Board of Directors, defensive measures should not be adopted that lead to automatic and serious erosion of the company's assets, thereby undermining the free transferability of shares and free assessment by the shareholders of the performance of the Board of Directors.	Yes	See Chapter I Item I.13
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II. MANAGEMENT AND AUDIT BOARDS

II.1. GENERAL TERMS

II.1.1. STRUCTURE AND DUTIES

II.1.1.1 The Board of Directors shall assess the adopted model in its governance report and identify possible constraints on its functioning and shall propose measures as it deems fit for overcoming such obstacles.	Yes	See Chapter II Item II.3
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II.1.1.2 Companies shall set up internal control systems in order to efficiently detect any risk to the company's activity by protecting its assets and keeping its corporate governance transparent.	Yes	See Chapter II Item II.4
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II.1.1.3 The Management and Audit Boards shall establish internal regulations and shall have these disclosed on its website.	No	See Chapter 0 Item 0.3
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II.1.2 GOVERNANCE INCOMPATIBILITY AND INDEPENDENCE

II.1.2.1 The Board of Directors shall include a number of non-executive directors to assure effective monitoring, oversight and assessment of the activities of executive directors .	Yes	See Chapter II Item II.1
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<p>II.1.2.2 The non-executive directors shall include an adequate number of independent directors. The size of the company and its shareholder structure shall be taken into account when setting this number, which shall in no circumstance be lower than one quarter of the total number of directors.</p>	<p>No</p>	<p>See Chapter 0 Item 0.3</p>
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II.1.3 ELIGIBILITY AND APPOINTMENT

<p>II.1.3.1 Depending on the applicable model, the Chairman of the Audit Board, the Audit Committee or the Financial Affairs Committees shall be independent and possess the expertise required to perform his duties.</p>	<p>Yes</p>	<p>See Chapter II Item II.12</p>
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II.1.4 POLICY ON THE REPORTING OF IRREGULARITIES (WHISTLE BLOWING)

<p>II.1.4.1 The company shall adopt a policy whereby irregularities occurring within the company are reported. Such reports shall contain the following information: i) the means whereby such irregularities may be reported internally, including the persons that are entitled to receive the reports; ii) how the report is to be handled, including confidential treatment, should it be required by the reporter.</p>	<p>Yes</p>	<p>See Chapter II Item II.22</p>
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<p>II.1.4.2 The general guidelines on this policy shall be disclosed in the corporate governance report.</p>	<p>Yes</p>	<p>See Chapter II Item II.22</p>
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II.1.5 REMUNERATION

<p>II.1.5.1 The remuneration of the members of the Board of Directors shall be structured so as to be aligned with the interests of the company. Accordingly: i) The remuneration of Directors with executive duties shall include a performance-based component and a performance assessment shall be carried out periodically by the competent body or committee; ii) the variable component shall be consistent with the maximization of the long term performance of the company, and shall be dependent on sustainability of the performance variables adopted; iii) when the remuneration of non-executive members of the Board of Directors is not set by law, it shall comprise solely a fixed component.</p>	<p>No</p>	<p>See Chapter 0 Item 0.3 and Chapter II Item II.18</p>
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<p>II.1.5.2 The Remuneration Committee and the Board of Directors shall submit a statement on the remuneration policy to be presented at the Annual Shareholders General Meeting on the Management and Supervisory bodies and other directors as provided for in Article 248/3/b of the Securities Code. The shareholders shall be informed of the proposed criteria and principal parameters for assessing performance with a view to determining the variable component, in the form of share bonuses, share options, annual bonuses or other components.</p>	<p>No</p>	<p>See Chapter 0 Item 0.3</p>
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<p>II.1.5.3 At least one of the Remuneration Committee's representatives shall be present at the Annual Shareholders' General Meeting.</p>	<p>Yes</p>	<p>See Chapter I Item I.12</p>
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<p>II.1.5.4 A proposal shall be tabled at the General Meeting for approval of plans for the allotment of shares and/or share options or options based on variation in share prices, to members of the Management and Audit Boards and other Directors within the context of Article 248/3/B of the Securities</p>	<p>Not applicable</p>	
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Code. The proposal shall include all the information necessary for it to be correctly assessed. The proposal shall contain the plan regulations or, if these have not yet been drawn up, the general conditions to which the plan is subject. The main features of the retirement benefit plans for members of the Management and Audit Boards and other Directors within the context of Article 248/3/B of the Securities Code, shall also be approved at the General Meeting.

II.1.5.5 The remuneration of the members of the Management and Audit Boards shall be individually and annually disclosed and information on fixed and variable remuneration shall be provided, as well as any other remuneration received from other companies within the group of companies or companies controlled by the owners of qualifying holdings.	No	See Chapter 0 Item 0.3
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II.2. BOARD OF DIRECTORS

II.2.1 Within the limits established by Law for each Management and Supervisory structure, and except because of the small size of the company, the Board of Directors shall delegate the day-to-day running of the company and the delegated responsibilities shall be identified in the Annual Report on Corporate Governance.	Yes	See Chapter II Item II.3
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II.2.2 The Board of Directors shall ensure that the company acts in accordance with its objects, and shall not delegate its responsibilities with regard to: i) definition of the company's strategy and general policies; ii) definition of the corporate structure of the group; iii) decisions that should be considered as strategic due to the amounts, risk and particular characteristics involved.	Yes	See Chapter II Item II.3
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II.2.3 If Chairman of the Board of Directors exercises executive duties, the Board of Directors shall set up efficient mechanisms for coordinating non-executive members that can ensure that these may reach decisions in an independent and informed manner, and furthermore shall explain these mechanisms to the shareholders in the corporate governance report.	Not applicable	
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II.2.4 The annual management report shall include a description of the work of non-executive Board Members and shall mention any constraints encountered.	Yes	See Annex II
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II.2.5. The management body shall rotate the member with responsibility for financial affairs, at least at the end of every other term of office.	Yes	See Chapter II Item II.10 and II.11
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II.3 CHIEF EXECUTIVE OFFICER (CEO), EXECUTIVE COMMITTEE AND EXECUTIVE BOARD OF DIRECTORS

II.3.1 Directors who exercise executive duties, when requested by other Board Members to supply information, shall do so in a timely manner and the information supplied shall adequately respond to the enquiry.	Yes	See Chapter II Item II.3
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II.3.2 The Chairman of the Executive Committee shall send notices and minutes of meetings to the Chairman of the Board of the Directors and, as applicable, to the Chairman of the Audit Board or the Auditing Committee.	Yes	See Chapter II Item II.3
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II.3.3 The Chairman of the Executive Board of Directors shall send the		
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notices and minutes of meetings to the Chairman of the General and Audit Board and to the Chairman of the Financial Affairs Committee. Not applicable

II.4. GENERAL AND AUDIT BOARD, FINANCIAL AFFAIRS COMMITTEE, AUDIT COMMITTEE AND AUDIT BOARD

II.4.1 In addition to its supervisory duties, the General and Audit Board shall advise, monitor and assess, on an ongoing basis, the management of the company by the Executive Board of Directors. In addition to other matters, the General and Audit Board shall pronounce on: i) definition of the strategy and general policies of the company; ii) the corporate structure of the group; and iii) decisions which should be considered strategic due to the amounts, risk and particular characteristics involved. Not applicable

II.4.2 The annual reports and financial information on the work of the General and Supervisory Committee, the Financial Affairs Committee, the Audit Committee and the Audit Board shall be disclosed on the company's website together with the financial statements. Yes See Chapter II Item II.14

II.4.3 The annual reports on the work of the General and Audit Board, the Financial Affairs Committee, the Audit Committee and the Audit Board shall include a description of their supervisory activity and shall mention any constraints encountered. Yes See Annex IV

II.4.4 The Financial Affairs Committee, the Audit Committee and the Audit Board (depending on the applicable model) shall represent the company for all purposes in dealings with the external auditor, and shall propose the provider of these services and the respective remuneration, ensure that adequate conditions for the supply of these services are in place within the company, as well as providing the point of contact at the company and receiving the respective reports. No See Chapter 0 Item 0.3

II.4.5 Depending on the applicable model, the Committees for Financial Matters, Audit Committee and the Audit Board shall assess the external auditor annually and propose his dismissal to the General Meeting whenever there is due cause. Yes See Annex IV

II.5. SPECIAL COMMITTEES

II.5.1 Except in small companies and depending on the adopted model, the Board of Directors and the General and Supervisory Committees, shall set up the necessary Committees in order to: i) assure a competent and independent assessment of the performance of the Executive Directors, as well as of its own overall performance and also that of all existing Committees; ii) study the adopted governance system and verify its effectiveness and propose to the relevant bodies the measures to be carried out with a view to its improvement. Yes See Chapter II Item II.3 and Annex II

II.5.2 Members of the Remuneration Committee or the equivalent shall be independent of the Members of the Board of Directors. Yes See Chapter II Item II.19

II.5.3 All Committees shall draw up minutes of the meetings held. Yes See Chapter II Item II.3

III. REPORTING AND AUDITING

III.1 GENERAL REPORTING DUTIES

III.1.2 Companies shall maintain permanent contact with the market, thereby upholding the principle of equality for shareholders and preventing any inequality in access to information for investors. To this end, the company shall have an investor support office.

Yes See Chapter III
Item III.12

III.1.3 The following information published on the company's website shall be disclosed in the English language:

See Chapter 0
Item 0.3

a) The company name, public company status, registered office and other data required by Article 171 of the Companies Code;

Yes See Chapter III
Item III.12

b) Articles of Association ;

Yes See Chapter III
Item III.12

c) Identity of company officers and market relations officer;

Yes See Chapter III
Item III.12

d) Investor support office, respective services and contact details ;

Yes See Chapter III
Item III.12

e) Financial statements and reports;

Yes See Chapter III
Item III.12

f) Six-monthly schedule of company events;

Yes See Chapter III
Item III.12

g) Motions to be tabled at the General Meeting;

No See Chapter 0
Item 0.3

h) Notices of General Meetings .

Yes See Chapter 0
Item 0.3

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

1.3.3 The company's articles of association shall provide for the one share-one vote principle

The articles of association assign 1 vote to each 1,000 shares, which we feel amounts to a very open position and encourages shareholder participation, insofar as the company has issued 767,500,000 shares with a nominal value of 1€ each, with listed prices which ranged in 2009 between 1.35 and 2.10 €/share. Moreover, shareholders are permitted to group together when they hold less than 1,000 shares, with no limits on the exercise of voting rights.

Accordingly, although the recommendation cannot be considered to have been formally complied with, the aims of the recommendation have in material terms been achieved.

It would appear that the regulator shares this understanding, as the CMVM's revised Corporate Governance Code issued in 2010 is worded as follows: "Companies shall ensure the level of voting rights and the shareholder's participation is proportional (...) The companies that: i) hold shares that do not confer voting right; ii) establish non-casting of voting rights above a certain number, when issued solely by a shareholder or by shareholders related to former, do not comply with the proportionality principle." Portucel may be considered to comply with this recommendation as newly worded.

1.4.1 Companies shall not set a quorum for holding the meeting or adopting resolutions greater than that established in law.

Article 11 of Portucel's articles of association require that shareholders representing no less than half the share capital plus one thousand share be present or represented in order for the General Meeting to be held and transact business on the first call. Given that Article 383.1 of the Companies Code is less restrictive, this recommendation has not been complied with.

II.1.1.3 The Management and Audit Boards shall establish internal regulations and shall have these disclosed on its website.

Both the boards referred to in this recommendation have internal regulations, although these are not published on the company's website. The reason for this is that they are regulations which go beyond the mere procedures of the bodies in question and some of their content is therefore reserved; accordingly they should not be displayed in a place where they may be accessed not only by shareholders but also by any other persons who might wish to consult such documents.

II.1.2.2 The non-executive directors shall include an adequate number of independent directors. The size of the company and its shareholder structure shall be taken into account when setting this number, which shall in no circumstances be lower than one quarter of the total number of directors.

In accordance with the independence criterion defined in Article 414.5 of the Companies Code, the non-executive members of the Portucel's Board of Directors cannot be considered independent. The Board of Directors was elected at the general meeting of shareholders of 14/03/2007, for a term of office which only ends on 31/12/2010. Accordingly, as this is a sovereign decision by the shareholders, only they may alter the composition of the board if they so choose.

II.1.5.1 The remuneration of the members of the Board of Directors shall be structured so as to be aligned with the interests of the company. Accordingly: i) The remuneration of Directors with executive duties shall include a performance-based component and a performance assessment shall be carried out periodically by the competent body or committee; ii) the variable component shall be consistent with maximization of the long term performance of the company, and shall be dependent on sustainability of the performance variables adopted; iii) when the remuneration of non-executive members of the Board of Directors is not set by law, it shall comprise solely a fixed component.

This recommendation is not complied with because there are non-executive members of the Board of Directors who, in addition to their fixed remuneration, also earn variable remuneration, due to the decision of the Remuneration Committee. This variable remuneration is not related to the company's performance but rather to the involvement of non-executive directors in specialist committees (corporate governance committee, sustainability committee, environmental committee) and in following through specific company affairs, where their experience might occasionally lead them to make important contributions to matters of strategic importance to the company.

Also with regard to the matter referred to in ii), the Remuneration Committee has made no express and direct reference to this aspect, although it should be regarded as implicit in the criteria which are set for assessing variable remuneration.

II.1.5.2 The Remuneration Committee and the Board of Directors shall submit a statement on the remuneration policy to be presented at the Annual Shareholders General Meeting on the Management and Supervisory bodies and other directors as provided for in Article 248/3/b of the Securities Code. The shareholders shall be informed of the proposed criteria and principal parameters for assessing performance with a view to determining the variable component, in the form of share bonuses, share options, annual bonuses or other components.

The remuneration policy for directors is defined by the Remuneration Committee, which submits a statement of this policy for the approval each year of the General Meeting. In addition to general principles relating to duties performed, the state of the Company's affairs and market criteria, the Remuneration Committee also sets out the specific parameters used for setting variable remuneration components. These principles and parameters are detailed in item II.18 and in Annex V.

The recommendation is only not complied with in relation to the remuneration policy for managers, because this is not assessed by the General Meeting, as sole powers for defining this policy are assigned to the Board of Directors, and because the amount in question is not regarded as relevant.

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

Irrespective of the fact that the Audit Board has joint meetings with the External Auditor, meaning that this recommendation is observed in this regard, it does not propose the external auditor for appointment and the external auditor's reports are not sent in the first place to this board.

It has always been the company's practice for the external auditor to be contracted by the Board of Directors, without this undermining in any respect the external auditor's independence and autonomy after such appointment is formalized.

II.1.5.5. The remuneration of the members of the Management and Audit Boards shall be individually and annually disclosed and information on fixed and variable remuneration shall be provided, as well as any other remuneration received from other companies within the group of companies or companies controlled by the owners of qualifying holdings

The remuneration of the members of the Management and Audit Boards are individually disclosed in chapter II.20 of this report. Nevertheless the recommendation cannot be considered implemented since information on fixed and variable components is not disclosed in individual terms, nor is the remuneration received from other companies within the Group of companies or companies controlled by the owners of qualifying holdings .

III.1.3 The following information published on the company's website shall be disclosed in the English language:

- a) The company name, public company status, registered office and other data required by Article 171 of the Companies Code;*
- b) Articles of Association;*
- c) Identity of company officers and market relations officer;*
- d) Investor support office, respective services and contact details;*
- e) Financial statements and reports;*
- f) Six-monthly schedule of company events;*
- g) Motions to be tabled at the General Meeting;*
- h) Notices of General Meetings.*

This recommendation has only not been implemented with regard to sub-paragraph g). The recommendation is fully implemented in 2010, and may be deemed to have been formally complied with in respect of 2009.

0.4. The corporate body or the committee in question shall at all times, assess the independence of each of its members and shall inform the shareholders, by means of a statement included in the corporate governance report, of the grounds for its assessment both on appointment of the member and in the event of supervening circumstances undermining such independence.

No circumstance occurred over the course of 2009 undermining the independence of any of the members of the Audit Board.

Chapter I

General Meeting

I.1. Identification of the officers of the General Meeting:

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

The company provides the chairman of the general meeting with the human and logistical resources required, through the supporting services of the Company Secretary and the Legal Office, with a staff of three; this support is deemed appropriate in view of the size and state of the company's affairs.

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

I.2. Starting and ending dates of terms of office: 2007 - 2010

I.3. Remuneration of the chairman of the General Meeting.

During 2009, the remuneration earned by the Chairman of the General Meeting was 3,000 €

I.4. Time during which shareholders must deposit or freeze their shares in order to participate in the general meeting.

The articles of association require shareholders to present to the company documentary evidence of ownership of share no less than five days prior to the date of the meeting.

I.5. Rules applicable to the freezing of shares in the event of adjournment of the General Meeting.

It is the understanding of the Chairman of the General Meeting that, in the event of the meeting being adjourned, the Company need not require shares to be frozen until the meeting is resumed, the normal rule for the first session again applying.

When General Meetings have been adjourned in the past, this has always been the understanding and procedure adopted.

I.6. Number of shares that correspond to one vote .

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

I.7. The existence of rules in the articles of association on the exercise of voting rights, including quorums for holding meetings or adopting resolutions or systems for equity rights.

In accordance with Article 11 of the Articles of Association, in order for the General Meeting to be held and to adopt resolutions on the first call, shareholders representing no less than one half of the share capital plus one thousand shares must be present or represented.

I.8. Existence of rules in the articles of association on postal votes

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

I.9. Provision of postal voting forms.

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

The company's website also contains the minutes of General meetings, together with archived lists of attendees, orders of business and resolutions adopted at meetings held during the last three years.

I.10. Time limit for receipt of postal ballots prior to the date of General Meetings.

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

I.11. Exercise of voting rights by electronic means.

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

I.12. Information on the intervention by the General Meeting on matters concerning the remuneration policy of the company and assessment of the performance of members of the Board of Directors

The remuneration policy for company officers is the responsibility of the Remuneration Committee, which submits its proposals for the approval of the General Meeting.

This policy is reviewed annually and submitted for approval at the Annual General Meeting, which is attended by at least one representative of the Remuneration Committee.

I.13. Defensive measures designed to cause automatic and serious erosion in the company's assets in the event of a change of control or alterations to membership of the management body.

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

I.14. Significant agreements to which the company is party and which take effect, are amended or terminate in the event of a change in the control of the company, together with the respective effects, unless, due to its nature, disclosure of such agreements would be seriously detrimental to the company, except if the company is specifically required to disclose such information by other mandatory provision of law.

The company is not party to any significant agreements which take effect, are amended or terminate in the event of a change in the control of the company.

I.15. Agreements between the company and directors or managers, as defined by Article 248-B.3 of the Securities Code, which provide for compensation in the event of resignation, dismissal without due cause or termination of employment contract as a result of a change of control of the company.

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

Chapter II

Management and Supervisory Bodies

II.1. Company bodies and respective membership.

Audit Board:

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

Board of Directors:

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

Executive Board:

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

Company Secretary:

António Alexandre de Almeida e Noronha da Cunha Reis

* On 1 June 2009, in view of the resignation from the board of Eng. Carlos Eduardo Coelho Alves, the Board of Directors resolved to replace this member by co-opting Dr. Francisco José Melo e Castro Guedes as non-executive director for the term of office underway (2007-2010).

II.2. Other committees with management and supervisory powers, and respective members.

Remuneration committee:

Chairman: José Gonçalo Maury, representing Egon Zehnder

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

Corporate governance committee

Chairman: Luís Alberto Caldeira Deslandes

Members: José Fernando Morais Carreira de Araújo
António Alexandre de Almeida e Noronha da Cunha Reis

Sustainability committee

Chairman: Manuel Maria Pimenta Gil Mata

Members: Adriano Augusto Silveira
João Manuel Alves Soares

Audit committee

Chairman: Francisco José Melo e Castro Guedes

Members: José Miguel Gens Paredes
Álvaro Ricardo Nunes

Internal control committee

Chairman: Francisco José Melo e Castro Guedes

Members: José Miguel Gens Paredes

Álvaro Ricardo Nunes

Environmental Board

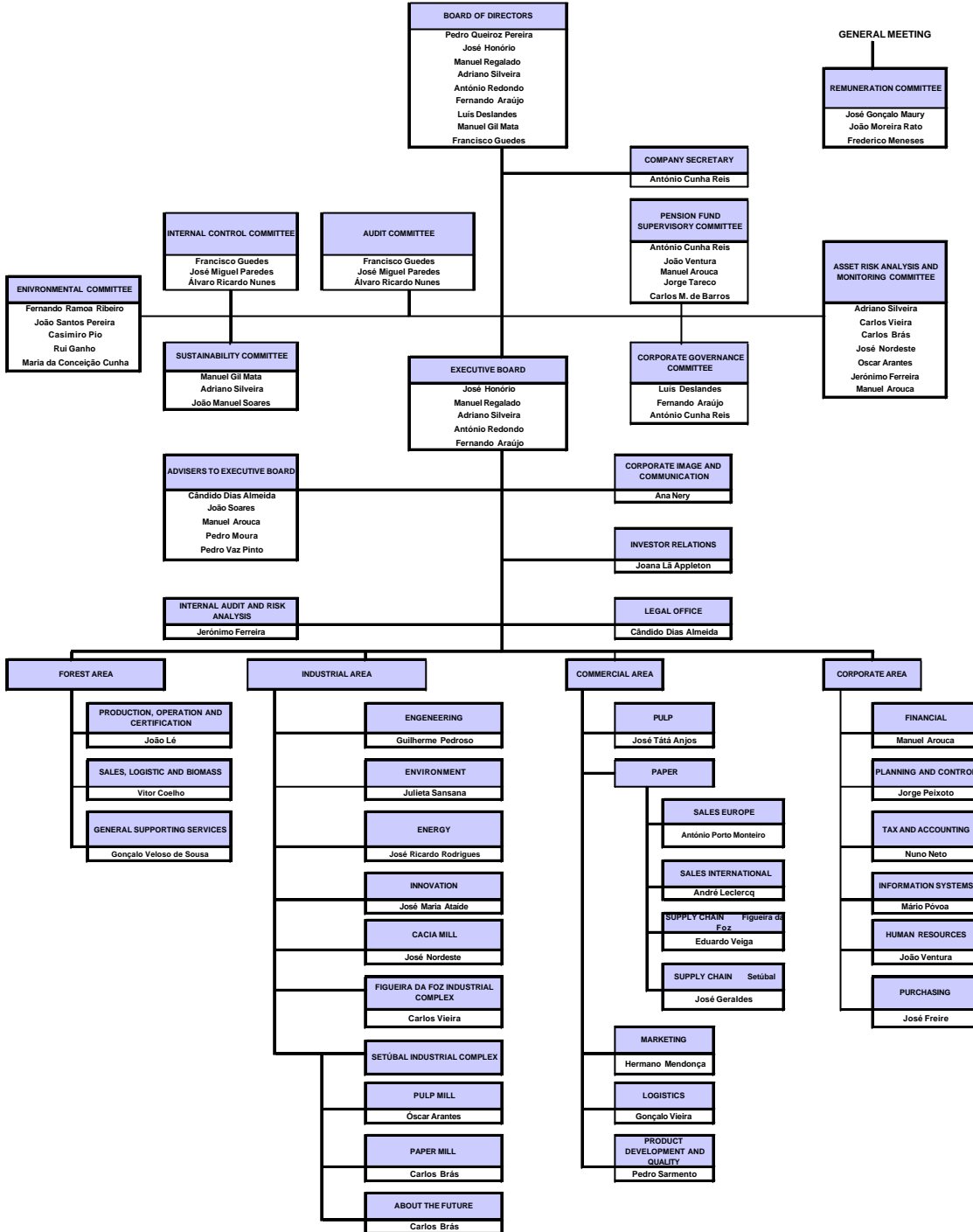
Members: Fernando Ramoa Ribeiro
João Santos Pereira
Casimiro Pio
Rui Ganho
Maria da Conceição Cunha

Pension Fund Supervisory Committee

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

II.3. Organizational charts or flow charts showing the division of responsibilities between the different company bodies, committees and/or departments, including information on powers delegated or special responsibilities assigned to specific directors or members of the audit board and a list of matters where powers are not to be delegated.

Organizational Chart



Management Body

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

The following powers are delegated to the Executive Board:

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

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

The Executive Board may discuss all matters within the sphere of competence of the Board of Directors, notwithstanding that it may only resolve on matters delegated to it. All matters dealt with by the Executive Board, even when they fall within the scope of its delegated powers, are to be

reported to the non-executive directors, who have access to the respective minutes and supporting documents.

In conjunction with the Chairman of the Board of Directors, the Executive Board may also resolve on the matters provided for in paragraphs c), d), e) and i) above when the respective amounts, calculated on the terms set forth therein, are in excess of twenty million euros but not of fifty million.

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

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

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

Distribution of responsibilities

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

- **José Alfredo de Almeida Honório:**

- Internal and External Audit

- **Manuel Soares Ferreira Regala do:**

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

- **Adriano Augusto da Silva Silveira:**

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

- **António José Pereira Redondo:**

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

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

- Accounts and taxation
- Management control
- Legal office
- Information systems

The Management Body's assessment of the governance model adopted

The Board of Directors declares that the corporate governance model adopted has proven appropriate for the correct internal and external running of the company. The Board of Directors has an Executive Board comprising five members who meet every week and discuss all matters relating to the management of the company; there are quarterly meetings with non-executive members and detailed information flows between non-executive and executive members of the Board on all relevant company matters.

The Board of Director is also supported by a number of specialised committees which make their contribution in their specific areas.

No company officer or body has felt any constraint or drawn attention to the working of the corporate governance model, in view of the rigour and frequency with which information is reported.

Responsibilities of company committees

Audit Committee

The Audit Committee was set up by resolution of the Board of Directors to exercise the powers expressly assigned to it. These include assessing procedures for monitoring the financial information (accounts and reports) disclosed, and the time limits for disclosure, and specifically auditing the Group's annual, six-monthly and quarterly accounts for publication and reporting on them to the Board of Directors, before the directors resolve to approve and sign them. The Audit Committee advises the Board of Directors on the choice of External Auditor and pronounces on the scope of the Internal Auditor's activities.

Without prejudice to the normal powers of the Board of Directors, the Audit Board is authorized by the directors to exercise the board's supervisory and audit powers, and may accordingly inspect all the accounting records kept by the company and its associates and obtained accounting and financial information from group employees, to the extent to which such investigations are necessary in order to the committee to discharge its responsibilities.

Corporate Governance Committee

The Corporate Governance Committee is responsible for overseeing and applying corporate governance rules in the Group, and for drawing up the respective code of conduct.

Sustainability Committee

The Sustainability Committee has been entrusted with developing corporate policy and strategy on issues of social and environmental responsibility, and issues an annual sustainability report.

Internal Control Committee

The Internal Control Committee is responsible for assessing any irregularity within the company; an irregularity is deemed to comprise any alleged breach occurring within the company of the rules established in law, regulations or the articles of association, together with failure to comply with the duties and ethical principles set out in the Ethical Principles, contained in Annex I. The Internal Control Committee is also responsible for detecting and controlling all relevant risks in the company's activities, namely financial, property and environmental risks.

Pension Fund Supervisory Committee

The Pension Fund Supervisory Committee was set up during 2009 in order to monitor compliance with the pension plan and the management of the respective pension fund. The committee consists of three representatives of the company and two representatives of the fund's beneficiaries,

designated by the Workers' Committee. The committee's responsibilities include checking compliance with the rules applicable to the pension plan and to management of the respective pension fund, pronouncing on proposals for transferring management and other significant changes in the contractual arrangements for the fund and its management, and on the winding up of the fund or a section of the fund.

Property Risks Analysis and Monitoring Committee

The company has a Property Risks Analysis and Monitoring Committee which is coordinated by the director responsible for this area and comprises the Plant managers, the Financial Director and the Internal Audit Director. The committee meets as and when required, and its main task is to pronounce on the systems in place in the company for safeguarding against property risks, in particular measures taken to comply with recommendations issued in the light of inspections by reinsurers, and on the adequacy of the insurance taken out by the Group, in terms of scope, type and value of cover

All the company's specialist committees draw up minutes of meetings held over the course of the year.

II.4. Description of the internal control and risk management systems within the company, namely as regards the financial information disclosure system

As already reported, the Internal Control Committee is responsible for detecting and controlling relevant risks in the company's activities.

The company is subject to a diverse range of risks which can have a negative impact on its activities. All these risks are duly identified, assessed and monitored, and different company departments and units are responsible for managing and/or mitigating them.

In addition to the risks involved in the actual business of producing pulp and paper, in which it is engaged, the main risks to which the group is subject are the following:

- financial;
- property;
- environmental;
- health and safety

Measures taken in order to manage these risks, together with the internal structures responsible for this task, are described below.

Financial risk

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

Risk management is handled by the Financial Department, in keeping with policies approved by the Board of Directors. The Financial Department assesses financial risks and arranges hedges in close cooperation with the Group's operating units.

The Board of Directors lays down principles for risk management as a whole and policies for specific areas, such as exchange rate risk, interest rate risk, credit risk, use of derivatives and other non-derivative financial instruments and investment of surplus liquidity.

Financial reporting process

In accordance with the provisions of Article 248.6 of the Securities Code, as amended by Decree-Law 52/2006, of 15 March, issuers of securities are required to draw up and keep rigorously up to date a list of their staff, with or without employment contracts, who have regular or occasional access to privileged information.

This list has been drawn up by the company, and each member of staff listed has been informed of the decision to include him or her and also of his or her legal duties and obligations, as well as the consequences of disclosure or abusive use of privileged information. Of the staff included on the list, only a small number is involved in the disclosure of privileged financial information.

All these members of staff are aware of the ethical principles approved by the Board of Directors, contained in Annex I to this report, namely with regard to duties of confidentiality (item VII of the Annex I).

It should be noted that financial and operational risk factors, together with the risk management systems implemented, are described and quantified in detail in no. 2 of the Notes to the Financial Statements.

Property risks

The Group's manufacturing units are subject to the risks involved in any industrial operations, such as the risk of accident, breakdown or natural disaster, which could cause harm to their assets and interrupt the production process.

The Group manages these risks with care, on two complementary fronts:

- (i) Implementation of a strict prevention plan at all industrial facilities, with a special emphasis on fire detection and automatic protection, monitoring systems, systems for protection of machinery and plant, and particularly on maintenance and the training of internal accident prevention and combat teams, backed by special material and human resources;
- (ii) A comprehensive programme of property insurance, including insurance against external factors, including natural disasters, breakages and breakdown of machinery, and operating losses caused by these events.

In addition, the lead reinsurer for the insurance programme conducts an inspection of all plant facilities, every two years, issuing a report with a set of recommendations which are adopted by the group.

As described above, the company has a Property Risk Analysis and Monitoring Committee which pronounces on the measures taken to meet the recommendations issued as a result of inspections by reinsurers.

Environmental risks

Environmental risks have received special attention from the Board of Directors, and are managed, centrally, by an office with environmental responsibility, reporting directly to the Executive Board, and at each industrial facility by the respective plant management. These risks are also monitored and assessed by the Environmental Committee, which is appointed by the Board of Directors and comprises three to five individuals of acknowledged expertise in the field of environmental protection.

The Environmental Committee's mission is to monitor and to issue its recommendations on environmental issues relating to the company's operations and, whenever so requested by the Board of Directors, to give its opinion and recommendations on the environmental impact of the company's developments, especially in the light of the legal rules in this area.

Health and safety at work

In the course of 2007 the Group reorganized its health and safety arrangements at its different plants, in order to comply with legal requirements and to implement a similar structure at all industrial facilities.

In keeping with the new Employment Code, Health and Safety Committees have been set up at the different plants, with responsibility for assessing potential hazards in the plants and for issuing recommendations for eliminating these risks.

Appropriate and sustained training activities were organized at all the Group's industrial complexes in 2009. These training initiatives have recorded a high level of success in line with the relevant targets, contributing to excellent indicators for safety at industrial premises.

With the opening of the new paper mill in Setúbal, another major industrial facility was added to the list of premises to be controlled, and the existing safety certifications at the Setúbal site had to be extended accordingly.

Sustained efforts to improve health and safety at the Setúbal, Figueira da Foz and Cacia complexes have included regular meetings of the health and safety committees. Half the members of these committees are legally elected workers' representatives, making this a forum for permanent consultation with the workforce in this field.

Ongoing training in safety issues is provided to all employees, starting with induction training for new recruits and continuing with a full programme of specific training activities for staff at all industrial sites.

The Group has also implemented all recommendations made by experts in relation to industrial risks on the basis of the audits conducted, with a view to continuous and sustained improvement of its fire prevention and fire fighting resources.

"Emergency Response Exercises" were conducted at all plants, catering for a variety of scenarios, so as to assure expertise and readiness for the Internal Emergency Plan.

II.5. Powers of the management body, in particular with regard to resolutions on increasing the share capital.

The management body has the powers assigned by the Companies Code and those set out in Articles 16, 17 and 18 of the Articles of Association.

Under the Articles of Association, the Board of Directors does not have powers to resolve on increases in share capital.

II.6. Indication of the existence of rules of procedure for corporate bodies or any internally defined rules on incompatibility and the maximum number of positions that a member is entitled to hold and where these rules may be consulted.

As stated in chapter 0, in connection with non-compliance with recommendation II.1.1.3, the company's management and supervisory bodies have internal rules of procedure, which are not published on the company's website and are not available for consultation. The reason for their being withheld is that these rules go beyond issues of mere procedure, and consequently have reserved content.

In addition, there is no specific rule on the maximum number of positions any individual may hold.

II.7. Rules applicable to appointment and replacement of members of the management and supervisory bodies

The rules applicable to the appointment and replacement of members of the management and supervisory bodies are those laid down in the Companies Code, and there are no specific provisions on this in the company's Articles of Association.

II.8. Number of meetings in the period of the management and supervisory bodies and other committee with management and supervisory powers

Body	Number of meetings – 2009
Board of Directors	9
Executive Board	47
Audit Board	6
Remuneration Committee	3
Corporate Governance Committee	4
Sustainability Committee	4
Internal Control Committee	1
Audit Committee	4
Environmental Committee	3
Pension Fund Supervisory Committee	1

II.9. Identification of the members of the Board of Directors and other Committees created within the company, distinguishing between executive and non-executive Members, and with regard to the latter, detailing members who comply with the incompatibility rules provided for in article 414-A.1, except for item b), and the independence criterion referred to in article 414.5, both of the Companies Code.

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

Identification of the members of the Board of Directors, distinguishing between executive and non-executive directors:

Chairman of the Board of Directors: Pedro Mendonça de Queiroz Pereira (Non-executive)

Director: José Alfredo de Almeida Honório (Chairman of the Executive Board)

Director: Manuel Soares Ferreira Regalado (Member of Executive Board)

Director: Adriano Augusto da Silva Silveira (Member of Executive Board)

Director: António José Pereira Redondo (Member of Executive Board)

Director: José Fernando Morais Carreira Araújo (Member of Executive Board)

Director: Luis Alberto Caldeira Deslandes (Non-executive)

Director: Manuel Maria Pimenta Gil Mata (Non-executive)

Director: Francisco José Melo e Castro Guedes (Non-executive)

For the purposes of Article 414.5 of the Companies Code, we hereby disclose that the non-executive members of the Board of Directors identified above do not meet the requirements relating to the independence rules, and also for the purpose of Article 414-A.1, except for sub-paragraph b), one of the non-executive members of the Board of Directors, Mr. Pedro Mendonça de Queiroz Pereira, does not meet the requirements of the incompatibility rules, namely with regard to sub-paragraph h), insofar as he holds directorships in five companies outside the Portucel Soporcel Group.

II.10. Professional qualifications of the members of the Board of Directors, indicating their professional activities over at least the last five years, the number of shares held in the company, the date of first appointment and of expiry of their term of office.

and

II.11. Office held by members of the Board of Directors in other companies, indicating that held in other companies of the same group.

All the members of the Board of Directors hold office in other companies, as specified below (companies in the Portucel Soporcel Group are marked "PSG" in brackets and companies in the Semapa Group are marked "SG").

Pedro Mendonça de Queiroz Pereira

1. Type of director: Non-executive.
2. No. of shares held in company: holds no shares in company.
3. Professional qualifications: Completed secondary education in Lisbon and attended Instituto Superior de Administração.
4. Date when first appointed and expiry of term of office: 2004-2010.
5. Management office held in companies:

- Chairman of the Board of Directors of Portucel - Empresa Produtora de Pasta e Papel, S.A. (PSG)
- Chairman of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A. (PSG)
- Chairman of the Board of Directors of About the Future – Empresa Produtora de Papel, S.A. (PSG)
- Manager of Cimentospar – Participações Sociais, SGPS, Lda. (SG)
- 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. (SG)
- Chairman of the Board of Directors of CMP - Cimentos Maceira e Pataias, S.A. (SG)
- Chairman of the Board of Directors of Costa das Palmeiras – Turismo e Imobiliário, S.A.
- Manager of Ecovalue – Investimentos Imobiliários, Lda.
- Chairman of the Board of Directors of Longapar, SGPS, S.A.
- Chairman of the Board of Directors of OEM - Organização de Empresas, SGPS, S.A..
- Chairman of the Board of Directors of Secil - Companhia Geral de Cal e Cimento, S.A. (SG)
- Chairman of the Board of Directors of Secilpar Inversiones, SL. (SG)
- Chairman of the Board of Directors of Seinpart - Participações, SGPS, S.A. (SG)
- Chairman of the Board of Directors of Semapa - Sociedade de Investimento e Gestão, SGPS, S.A. (SG)
- Chairman of the Board of Directors of Seminv - Investimentos, SGPS, S.A. (SG)
- Chairman of the Board of Directors of Sodim SGPS, S.A.
- Director of Tema Principal – SGPS, S.A.
- Chairman of the Board of Directors of Terraços d’Areia – SGPS, S.A.
- Chairman of the Board of Directors of Vértice – Gestão de Participações, SGPS, S.A.

6. Other professional activities in the last 5 years:

- Chairman of the Board of Directors of Cimo – Gestão de Participações Sociais, S.A.
- Chairman of the Board of Directors of CMPartin – Inversiones y Participaciones Empresariales SL (SG)
- Chairman of the Board of Directors of Cimipar – Sociedade Gestora de Participações Sociais, S.A.
- Chairman of the Board of Directors of Parsecil, SL (SG)
- Chairman of the Board of Directors of Parseinges – Gestão de Investimentos, SGPS, S.A. (SG)
- Chairman of the Board of Directors of Semapa Inversiones, SL (SG)
- Chairman of the Board of Directors of Sociedade Agrícola da Quinta da Vialonga, S.A.
- Manager of Ecolua – Actividades Desportivas, Lda.
- Director of Imocipar – Imobiliária, S.A.

José Alfredo de Almeida Honório

1. Type of director: Executive.

2. No. of shares held in company: holds no shares in company.
3. Professional qualifications: Degree in economics from the Faculty of Economics, University of Coimbra, 1980.
4. Date when first appointed and expiry of term of office: 2004-2010.
5. Management office held in companies:
 - Chairman of the Executive Board and member of the Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, S.A. (PSG)
 - Chairman of the Executive Board and member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A. (PSG)
 - Chairman of the Executive Board and member of the Board of Directors of About the Future – Empresa Produtora de Papel, S.A. (PSG)
 - Chairman of the Board of Directors of Portucel Florestal – Empresa de Desenvolvimento Agro-Florestal, S.A. (PSG)
 - Chairman of the Board of Directors of Aliança Florestal – Sociedade para o Desenvolvimento Agro-Florestal, S.A. (PSG)
 - Chairman of the Board of Directors of PortucelSoporcel Energia SGPS,S.A. (PSG)
 - Chairman of the Board of Directors of PortucelSoporcel Floresta SGPS, S.A. (previously called Soporcel – Gestão de Participações Sociais, SGPS, S.A.) (PSG)
 - Chairman of the Board of Directors of Impactvalue – SGPS, S.A. (PSG)
 - Chairman of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A. (PSG)
 - Chairman of the Board of Directors of PortucelSoporcel Participações, SGPS, S.A. (PSG)
 - Chairman of the Management Board of Tecnipapel, Lda (PSG)
 - Director of PortucelSoporcel NV
 - Member of the Board of Directors and of the Executive Board of CEPI – Confederation of European Paper Industries
 - Chairman of the General Board and member of the Executive Board of CELPA – Associação da Indústria Papeleira
 - Director of Seminv – Investimentos, SGPS, S.A. (SG)
 - Manager of Cimentospar – Participações Sociais, SGPS Lda. (SG)
 - Director of Ciminpart– Investimentos e Participações, SGPS, S.A. (SG)
 - Director of Seinpart Participações, SGPS, S.A. (SG)
 - Director of CMP – Cimentos Maceira e Pataias, S.A. (SG)
 - Director of Secil - Companhia Geral de Cal e Cimento, S.A. (SG)
 - Director and member of the Executive Board of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. (SG)
 - Member of the Management Board of RAIZ - Instituto de Investigação da Floresta e Papel (PSG)
6. Other professional activities in the last 5 years:

- Manager of Hewbol, SGPS, Lda (SG)
- Manager of Florimar – Gestão e Participações, SGPS, Sociedade Unipessoal, Lda (SG)
- Director of Parsecil, SL. (SG)
- Director of CMPartin – Inversiones y Participaciones Empresariales SL (SG)
- Director of Betopal, SL. (PSG)
- Director of CIMIGEST, SGPS, SA
- Director of CIMO – Gestão de Participações, SGPS, S.A.
- Director of Longapar, SGPS, S.A.
- Director of Semapa Inversiones, S.L.
- Director of Parseinges – Gestão de Investimento, SGPS, S.A. (SG)
- Director of ParcimInvestments BV (SG)
- Director of Cimpor – Cimentos de Portugal, SGPS, S.A.
- Director of Cimianto – Gestão de Participações SGPS, S.A.

Manuel Soares Ferreira Regalado

1. Type of director: Executive
2. No. of shares held in company: holds no shares in company
3. Professional qualifications: Degree in Financial Affairs, from the Instituto Superior de Ciências Económicas e Financeiras, Lisbon (ISEG), 1972; Senior Executive Programme (SEP), London Business School (1997)
4. Date when first appointed and expiry of term of office: 2004- 2010
5. Management office held in companies:
 - Member of the Executive Board and of the Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, S.A. (PSG)
 - Member of the Executive Board and of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A. (PSG)
 - Member of the Executive Board and of the Board of Directors of About the Future – Empresa Produtora de Papel, S.A. (PSG)
 - Chairman of the Board of Directors of Aflomec – Empresa de Exploração Florestal, S.A. (PSG)
 - Member of the Board of Directors of Aliança Florestal – Sociedade para o Desenvolvimento Agro-Florestal, S.A. (PSG)
 - Chairman of the Board of Directors of Atlantic Forests – Comércio de Madeiras, S.A. (PSG)
 - Chairman of the Board of Directors of Bosques do Atlântico, SL (PSG)
 - Chairman of the Board of Directors of Cofotrans – Empresa de Exploração Florestal, S.A. (PSG)
 - Chairman of the Board of Directors of Enerforest – Empresa de Biomassa para Energia, S.A. (PSG)

- Member of the Board of Directors of Impactvalue, SGPS, S.A. (PSG)
- Member of the Board of Directors of Portucel Florestal – Empresa de Desenvolvimento Agro-Florestal, S.A. (PSG)
- Member of the Board of Directors of PortucelSoporcel Energia SGPS, S.A. (PSG)
- Member of the Board of Directors of PortucelSoporcel Floresta, SGPS, S.A. (formerly called Soporcel – Gestão de Participações Sociais, SGPS, S.A) (PSG)
- Member of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A. (PSG)
- Member of the Board of Directors of PortucelSoporcel Participações SGPS, S.A. (PSG)
- Chairman of the Board of Directors of Sociedade de Vinhos de Espirra – Produção e Comercialização de Vinhos (PSG)
- Member of the Management Board of Tecnipapel, - Sociedade de Transformação e Distribuição de Papel, Lda. (PSG)
- Chairman of the Board of Directors of Viveiros Aliança – Empresa Produtora de Plantas, S.A. (PSG)
- Member of the Management Board of RAIZ - Instituto de Investigação da Floresta e Papel (PSG)
- Member of the Board of Directors of Portucel Soporcel Sales & Marketing NV (PSG)
- Member of the General Board of CELPA - Associação da Indústria Papeleira
- Manager of Portucel Moçambique, Lda (PSG)

6. Other professional activities in the last 5 years:

- None

Adriano Augusto da Silva Silveira

1. Type of director: Executive.
2. No. of shares held in company: holds 2,000 shares in the company .
3. Professional qualifications: Degree in Chemical Engineering from the University of Porto, 1975.
4. Date when first appointed and expiry of term of office: 2007- 2010.
5. Management office held in companies:
 - Member of the Executive Board and of the Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, S.A. (PSG)
 - Member of the Executive Board and of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A. (PSG)
 - Member of the Executive Board and of the Board of Directors of About The Future – Empresa Produtora de Papel, S.A. (PSG)
 - Member of the Board of Directors of Impactvalue, SGPS, S.A. (PSG)
 - Member of the Board of Directors of PortucelSoporcel Energia, SGPS, S.A. (PSG)

- Member of the Board of Directors of PortucelSoporcel Floresta, SGPS, S.A. (previously called Soporcel – Gestão de Participações Sociais, SGPS, S.A.) (PSG)
- Member of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A. (PSG)
- Member of the Board of Directors of PortucelSoporcel Participações, SGPS, S.A. (PSG)
- Member of the Management Board of Tecnipapel - Sociedade de Transformação e Distribuição de Papel, Lda (PSG)
- Chairman of the Board of Directors of SPCG – Sociedade Portuguesa de Co-geração, S.A. (PSG)
- Chairman of the Board of Directors of Enerpulp – Co-geração Energética de Pasta, S.A. (PSG)
- Chairman of the Board of Directors of EMA 21, S.A. (PSG)
- Member of the Board of Directors of Portucel Soporcel Sales & Marketing NV (PSG)
- Member of the Management Board of RAIZ – Instituto de Investigação da Floresta e Papel (PSG)

6. Other professional activities in the last 5 years:

- Central Engineering Manager, Portucel Soporcel Group

António José Pereira Redondo

1. Type of director: Executive.
2. No. of shares held in company: holds 6,000 shares in the company.
3. Professional qualifications: Degree in Chemical Engineering, University of Coimbra (1987); attended 4th year in Business Management at Universidade Internacional; MBA specialising in marketing, from the Portuguese Catholic University (1998).
4. Date when first appointed and expiry of term of office: 2007- 2010.
5. Management office held in companies:
 - Member of the Executive Board and of the Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, S.A. (PSG)
 - Member of the Executive Board and of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A. (PSG)
 - Member of the Executive Board and of the Board of Directors of About The Future, S.A. (PSG)
 - Director of PortucelSoporcel Energia, SGPS, S.A. (PSG)
 - Director of PortucelSoporcel Floresta, SGPS, S.A. (previously called Soporcel – Gestão de Participações Sociais, SGPS, S.A. (PSG)
 - Director of PortucelSoporcel Papel, SGPS, S.A. (PSG)
 - Director of PortucelSoporcel Participações, SGPS, S.A. (PSG)
 - Director of Impactvalue, SGPS, S.A. (PSG)

- Chairman of the Board of Directors of Soporcel España S.A. (PSG)
 - Member of the Management Board of Tecnipapel, Lda (PSG)
 - Member of the Management Board of PIT – Portucel International Trading GmbH (PSG)
 - Member of the Board of Directors of Portucel Soporcel Sales & Marketing NV (PSG)
6. Other professional activities in the last 5 years:
- Sales Manager and Marketing Manager – (PSG)
 - Sales Manager (PSG)

José Fernando Morais Carreira de Araújo

1. Type of director: Executive.
2. No. of shares held in company: holds no shares in company.
3. Professional qualifications: Degree in Accountancy and Administration from Instituto Superior de Contabilidade e Administração do Porto (ISCAP) (1986); Higher Studies in Financial Control, Instituto Superior de Contabilidade e Administração do Porto (ISCAP) (1992); Official Auditor since 1995; Degree in law, Universidade Lusíada do Porto (2000); MA in accountancy, Instituto Superior de Ciências do Trabalho e da Empresa, Lisbon (ISCTE); Postgraduate studies in Advanced Financial Accounting; Postgraduate studies in fiscal law, Lisbon Faculty of Law – 2002/2003 Postgraduate studies in Corporate Governance, Instituto Superior de Economia e Gestão, Lisbon (ISEG) – 2006/2007.
4. Date when first appointed and expiry of term of office: 2007-2010.
5. Management office held in companies:
 - Member of the Executive Board and of the Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, S.A. (PSG)
 - Member of the Executive Board and of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A. (PSG)
 - Member of the Executive Board and of the Board of Directors of About The Future, S.A. (PSG)
 - Chairman of PortucelSoporcel Cogeração de Energia, S.A. (PSG)
 - Director of Bosques do Atlântico, S.L. (PSG)
 - Director of PortucelSoporcel Energia, SGPS, S.A. (PSG)
 - Director of PortucelSoporcel Floresta, SGPS, S.A. (previously called Soporcel – Gestão de Participações Sociais, SGPS, S.A) (PSG)
 - Director of PortucelSoporcel Papel, SGPS, S.A. (PSG)
 - Director of PortucelSoporcel Participações, SGPS, S.A. (PSG)
 - Director of Impactvalue, SGPS, S.A. (PSG)
 - Director of Soporcel España S.A. (PSG)
 - Member of the Management Board of Tecnipapel, Lda (PSG)

- Chairman of the Management Board of PIT – Portucel International Trading GmbH (PSG)
 - Member of the Board of Directors of Portucel Soporcel Sales & Marketing NV (PSG)
 - Manager of Portucel Moçambique, Lda (PGS)
 - Member of the Management Board of Portucel Soporcel Logística do Papel, ACE (PGS)
6. Other professional activities in the last 5 years:
- Accounts and Tax Manager at Semapa, SGPS, S.A. from May 2002, and also at Secil S.A. from May 2002 to June 2006 and in Portucel S.A. from July 2006 to March 2007.

Luis Alberto Caldeira Deslandes

1. Type of director: Non-executive.
2. No. of shares held in company: holds no shares in company.
3. Professional qualifications: Chemical Engineer - Instituto Superior Técnico de Lisboa; Brewery Engineer – Inst. Superieur D’Agronomie de Louvain.
4. Date when first appointed and expiry of term of office: 2001- 2010.
5. Management office held in companies:
 - Member of the Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, S.A. (PSG)
 - Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A. (PSG)
 - Member of the Board of Directors of About The Future, S.A. (PSG)
 - Chairman of the Board of Directors of Portucel Soporcel Group companies:
 - Soporcel Italy SRL
 - Soporcel France EURL
 - Soporcel UK Ltd
 - Soporcel International Bv
 - Soporcel North America Inc
 - Soporcel Deutschland GmbH
 - Soporcel Austria GmbH
6. Other professional activities in the last 5 years:
 - Vice-Chairman of the Board of Directors of Portucel - Empresa Produtora de Pasta e Papel, S.A.
 - Member of the Executive Board of Soporcel - Sociedade Portuguesa de Papel, S.A.
 - Member of the Executive Board of Portucel-Empresa Produtora de Pasta e Papel, S.A.

Manuel Maria Pimenta Gil Mata

1. Type of director: Non-executive.
2. No. of shares held in company: holds no shares in company.
3. Professional qualifications: Degree in chemical engineering from the Faculty of Engineering, Porto, 1966; International Courts in Senior Management in the Paper and Pulp Industry, Swedish paper Industry Federation, Markaryd, 1987.
4. Date when first appointed and expiry of term of office: 1998 - 2010.
5. Management office held in companies:
 - Member of the Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, S.A. (PSG)
 - Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A. (PSG)
 - Member of the Board of Directors of About The Future, S.A. (PSG)
6. Other professional activities in the last 5 years:
 - Member of the Executive Board da Portucel – Empresa Produtora de Pasta e Papel, S.A., 2004-2006 (PSG)
 - Member of the Executive Board of Soporcel – Sociedade Portuguesa de Papel, S.A., 2004-2006 (PSG)
 - Member of the Board of Directors of Soporcel – Gestão de Participações Sociais, SGPS, S.A., 2004-2006 (PSG)
 - Chairman of the Board of Directors of Enerpulp, 2004-2006 (PSG)
 - Chairman of the Management Board of Setipel, 2004-2006 (PSG)
 - Chairman of the Management Board of SPCG, 2004-2006 (PSG)
 - Chairman of the Board of Directors of Socortel, 2004-2006 (PSG)
 - Member of the Management Board of Arboser, 2004-2006 (PSG)
 - Member of the Management Board of Portucel Soporcel Papel Sales e Marketing, ACE, 2004-2006 (PSG)
 - Adviser to the Board of Directors of Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.

Francisco José Melo e Castro Guedes

1. Type of director: Non-executive.
2. No. of shares held in company: holds no shares in company.

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

4. Date when first appointed and expiry of term of office: 2009-2010.

On 1 June 2009, in view of the resignation from the board of Eng. Carlos Eduardo Coelho Alves, the Board of Directors resolved to replace this member by co-opting Dr. Francisco José Melo e Castro Guedes as non-executive director for the term of office underway (2007-2010).

5. Management office held in companies:

- Member of the Board of Directors of About The Future, S.A. (GPS)
- Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A. (GPS)
- Director and member of the Executive Board of SEMAPA – Sociedade de Investimento e Gestão, SGPS, SA.(GS);
- Director of CMP- Cimentos Maceira e Pataias, S.A. (GS);
- Director of PARSEINGES - Gestão de Investimentos, SGPS, S.A.(GS);
- Director of SECIL – Companhia Geral de Cal e Cimento, S.A.(GS);
- Director of SEMINV Investimentos, SGPS, SA (GS);
- Director of SCG – Soci  t   des Ciments de Gab  s, SA (GS) ;
- Director of CDS- Ciments de Sibline, SGPS, SA (GS);
- Director of CIMINPART-Investimentos e Participa  es, SGPS, S.A.(GS);
- Director of SEINPART Participa  es, SGPS, S.A. (GS);
- Director of SEMAPA Inversiones, SL (GS);
- Director of SILONOR, S.A. (GS);
- Director of SECILPAR, SL. (GS)
- Chairman of the Directors of VERDEOCULTO – Investimentos, SGPS, SA (GS)
- Chairman of the Directors of VIROC PORTUGAL – Ind  strias de Madeira e Cimento, S.A
- Director of So.I.Me Liban S.A.L.
- Manager of Serife – Sociedade de Estudos e Realiza  es Industriais e de Fornecimento de Equipamento, Lda.
- Manager of CIMENTOSPAR – Participa  es Sociais, SGPs, Lda (GS);
- Manager of FLORIMAR – Gest  o e Participa  es, SGPS, Soc.Unipessoal, Lda;
- Manager of HEWBOL – SGPS, Lda.

6. Other professional activities in the last 5 years:

- Director of ENERSIS - Sociedade Gestora de Participa  es Sociais, S.A. (GS)
- Director of ENERSIS II – Sociedade Gestora de Participa  es Sociais, S.A. (GS)
- Director of PARSEINGES - Gest  o de Investimentos, SGPS, S.A. (GS)

II.12. Identification of the members of the Audit Board, indicating the members that comply with the incompatibility rules provided for in article 414-A.1 and the independence criterion provided for in article 414.5, both of the Companies Code.

	Incompatibility rules		Independence rules	
	Complies	Does not comply	Complies	Does not comply
Duarte Nuno d'Orey da Cunha	X		X	
Miguel Camargo de Sousa Eiró	X		X	
Gonçalo Nuno Palha Gaio Picão Caldeira	X		X	

II.13. Professional qualifications of the members of the Audit Board, professional activities over the last five years or more, the number of shares held in the company, date of first appointment and expiry of term of office .

and

II.14. Office held by members of the Audit Board in other companies, indicating that held in other companies of the same group.

Duarte Nuno d'Orey da Cunha

1. Professional qualifications: Degree in financial affairs, ISCEF (1965)
2. No. of shares held in company: 16,000 shares
3. Date when first appointed and expiry of term of office: 2007 – 2010
4. Management office held in companies:
 - Chairman of the Audit Board of Semapa SGPS, S.A., (elected 18 October 2006, for a four-year term ending 31 December 2009);
 - Director of Sonagi SGPS
 - Director of Sociedade Agrícola da Quinta da Vialonga
5. Professional activities in the last 5 years:
 - Adviser to the Board of Directors of Cimilonga

Miguel Camargo de Sousa Eiró

1. Professional qualifications: Degree in law, University of Lisbon (1971).
2. No. of shares held in company: holds no shares in company.
3. Date when first appointed and expiry of term of office: 2007 – 2010

4. Management office held in companies:
 - Full member of Audit Board of SEMAPA, SGPS, S.A., (elected 18 October 2006, for a four-year term ending 31 December 2009);
5. Professional activities in the last 5 years:
 - Legal practice

Gonçalo Nuno Palha Gaio Picão Caldeira

1. Professional qualifications: Degree in law, Portuguese Catholic University, Lisbon (1990); Concluded professional traineeship at the Lisbon District Council of the Bar Association (1991); Master of Business Administration (MBA), Universidade Nova de Lisboa (1996); Attended postgraduate course in real estate management and valuation, ISEG (2004)
2. No. of shares held in company: holds no shares in company.
3. Date when first appointed and expiry of term of office: 2007 - 2010.
4. Management office held in companies:
 - Full member of Audit Board of SEMAPA, SGPS, S.A. (elected 18 October 2006, for a four-year term ending 31 December 2009);
5. Professional activities in the last 5 years:
 - Property management and development, on an individual and family basis (2004-2009);
 - Partner-Manager of Loftmania – Gestão Imobiliária, Lda. (2008-2009)

The annual report issued by the Audit Board on its work during the year is published in conjunction with the Report & Accounts, and is available at the Group's website.

II.15. Identification of the members of the General and Supervisory Board and other Committees created within the company, listing those members that comply with the incompatibility rules provided for in article 414-A.1, including item f), and the independence criterion provided for in article 414.5, both of the Companies Code.

Not applicable

II.16. Professional qualifications of the members of the General and Supervisory Board, their professional activities over at least the last five years, the number of company shares they hold, the date of first appointment and expiry of term of office.

Not applicable

II.17. Office held by members of the General and Supervisory Board, and of other Committees established within the company, in other companies, as well as that held in companies of the same group.

Not applicable

II.18. Description of the remuneration policy and the alignment of the Directors' interests with those of the company and the performance assessment, distinguishing between executive and non-executive Directors, a summary of and the rationale for the company's policy on compensation granted by contract or settlement in the event of dismissal and other payments for early termination.

The remuneration policy for directors is the responsibility of the Remuneration Committee, which submits an annual proposal for approval by the shareholders at the General Meeting.

Without prejudice to the declaration to be submitted for approval at the General Meeting of 15 March 2010, the general principles for the remuneration policy are as follows:

a) Duties performed.

It is necessary to consider the duties performed by each company officer not only in the formal sense, but also in the broader sense of the work carried out and the associated responsibilities. Not all the executive directors are in the same position, and the same is also true, for example, of the members of the audit board. Duties have to be assessed in the broadest sense, taking into account criteria as varied as, for example, responsibility, time dedicated, or the added value to the company resulting from a given type of intervention or representation of a given institution.

The fact that time is spent by the officer on duties in other controlled companies also cannot be taken out of the equation, due, on the one hand, to the added responsibility this represents, and, on the other hand, to the existence of another source of income.

b) The state of the company's affairs.

This criterion must also be understood and interpreted with care. The size of the company and the inevitable complexity of the associated management responsibilities, is clearly one of the relevant aspects of the state of affairs, understood in the broadest sense. There are implications here for the need to remunerate a responsibility which is greater in larger

companies with complex business models and for the capacity to remunerate management duties appropriately.

c) Market criteria.

It is unavoidably necessary to match supply to demand when setting any level of pay, and the officers of a corporation are no exception. Only respect for market practices makes it possible to keep professionals of a calibre required for the complexity of the duties performed and the responsibilities shouldered, thereby assuring not only their own interests but essentially those of the company, and the creation of wealth for all its shareholders.

In addition to these general principles, specific decisions have been adopted with regard to remuneration policy and these will remain in force until the end of the current term of office. These are:

1. The remuneration of executive directors shall comprise a fixed component and a variable component.
2. The remuneration of non-executive directors shall comprise only a fixed component. In exceptional cases, non-executive directors may be assigned additional remuneration for extra work requested and carried out. In these cases, this additional remuneration shall be separate from that due in respect of their office.
3. The fixed component of the remuneration of executive-directors shall consist of a monthly amount payable fourteen times a year or of a pre-set amount for each meeting of the Board of Directors attended.
4. The monthly value of the fixed component of the remuneration of directors shall be set for all those who are members of the Executive Board and those who, although not members of such Board, perform duties or carry out specific work of a repeated or ongoing nature.
5. The pre-set amount for participation in members of the Board of Directors shall be fixed for those who have essential advisory and supervisory duties.
6. The process for assigning variable remuneration to the executive directors shall comply with the criteria proposed by the Remuneration Committee, and the overall value of such remuneration shall not exceed five per cent of the net profits as determined under the IFRS rules, without prejudice to other considerations in the event of a highly exceptional results.
7. The general principles set out above – duties performed, the state of the company's affairs and market criteria – shall be taken into due account when setting all remuneration, including, namely, the distribution of the overall sum for directors' variable remuneration.

II.19. Composition of the Remuneration Committee or similar body, whenever applicable, identifying the relevant members who are also members of the Board of Directors, as well as their spouses, relatives and in-laws in the direct line, to the third degree, inclusive.

The composition of the Remuneration Committee:

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

No member of this committee or any of their spouses, relatives or in-laws, in the direct line, to the third degree, is a member of the company's management body.

II.20. Indication of the individual and collective remuneration, understood in the broad sense so as to include performance bonuses earned during the period by the members of the Board of Directors. The following information shall also be disclosed:

- a) Explanation of the relative value of the variable and fixed components of the directors' remuneration, and any deferral of payment of the variable component;
 and
 b) Details of amounts due to the executive directors in relation to that due to non-executive directors;

The following table shows the total remuneration earned in 2009 by the company's directors, with a breakdown into executive and non-executive directors and into fixed and variable components:

(figures in €)	Fixed remuneration	Variable remuneration	Total
Executive directors	2,182,328	2,002,607	4,184,935
Non-executive directors	1,230,859	795,000	2,025,859
Total	3,413,187	2,797,607	6,210,794

Note that the figures presented above for fixed remuneration differ from those disclosed in no. 7 of the Notes to the Financial Statements. The following table provides a reconciliation:

	Euro
Fixed remuneration processed at Portucel during the period	3,413,187
Charges relating to holiday pay and holiday allowance	-296,544
Fixed remuneration of directors as indicated in the Notes to the financial statements	<u>3,116,643</u>
Earned in Portucel, S.A.	<u>888,616</u>
Earned in other Group companies	<u>2,228,027</u>
	<u><u>3,116,643</u></u>

Payment of the variable component is not deferred

As required by Article 3 of CMVM Regulation 1/2010, it is hereby disclosed that the remuneration paid by Portucel to individual members of the Board of Directors in 2009 was as follows:

Remuneration paid by Portucel SA	2009
(amounts in €)	
José Alfredo de Almeida Honório	243,110
Manuel Soares Ferreira Regalado	743,456
Adriano Augusto da Silva Silveira	302,846
António José Pereira Redondo	254,751
José Fernando Morais Carreira de Araújo	254,032
Luis Alberto Caldeira Deslandes	199,652
Manuel Maria Pimenta Gil Mata	172,584
Francisco José Melo e Castro Guedes	41,113
Carlos Eduardo Alves	28,094
Total	2,239,638

This amount includes € 1,396,085 in variable remuneration.

The above figures do not include remuneration paid by other Group companies.

It is also hereby disclosed the individual remuneration paid to the members of the Audit Board, during the year 2009:

- President:	Duarte Nuno d'Orey da Cunha	19,600€
- Member	Miguel Camargo de Sousa Eiró	14,000€
- Member:	Gonçalo Nuno Palha Gaio Picão Caldeira	14,000€

c) Sufficient information on the criteria applied to share rights, share options or variable remuneration components

There are no share rights or share options, and the criteria for the variable components of directors' remuneration are those set out in the remuneration policy described in item II.18.

d) Sufficient information on the link between remuneration and performance

The information on the link between directors' remuneration and performance is contained in the remuneration policy described in item II.18.

e) Identification of the main parameters and grounds for any annual bonus system or any non-pecuniary benefits

The information on the main parameters and grounds for any bonus system is that contained in the remuneration policy described in item II.18. There are no other non-pecuniary benefits.

f) Allocation of shares or share options or any other share-based incentive system

There are no schemes for allocation of shares or share options, or any other share-based incentive system.

g) Remuneration paid in the form of profit-sharing and/or payment of bonuses and the reasons for granting these bonuses or profit sharing

Except for the fixed and variable remuneration referred to in the previous item, no remuneration was paid in the form of profit sharing and/or payment of bonuses

h) Compensation paid or due to former executive directors in relation to departure from office in the course of the period

No compensation was paid or is owed to former executive directors for departure from office during the period.

i) Amounts paid on any grounds by other controlled, controlling or group companies

There are no other amounts paid on any grounds by other controlled, controlling or group companies.

j) Description of the main features of complementary pension schemes or early retirement schemes for directors;

Complementary retirement and survivor's pension schemes in force in the company are described in detail in no. 27 of the Notes to the Consolidated Financial Statements and cover the employees of Portucel and its main subsidiaries, as well as the company's directors.

The said note contains a detailed description of the assumptions used to assess liabilities relating to these complementary retirements and survivor's pension schemes, the evolution of liabilities during the period, the assets making up the funds allocated to the financing of these liabilities and the effect of these plans on the company's results. The amounts relating to directors, as regards liabilities and the respective effect on results, are duly detailed in the note and transcribed below:

Liabilities:

As at 31 December 2009 and 2009, coverage of the companies' liabilities by the assets in the funds is detailed in the following table:

Amounts in Euros	31-12-2009	31-12-2008
Past services liabilities		
- Active employees	105,713,775	101,086,113
- Early retirement	-	651,276
- Retired employees	40,769,758	39,021,853
Market value of the pension funds	(129,743,758)	(118,768,323)
	16,739,775	21,990,919
Retirement bonus liability	2,778,472	2,509,629
Unfunded liabilities	19,518,247	24,500,548

As at 31 December 2009, the value of liabilities relating to post-employment benefits plans for five directors of the Portucel Group stood at Euros 4,533,046 (31 December 2008: Euros 4,676,538).

Effect on results:

The effect of these plans on results in the periods ended 31 December 2009 and 2008 are detailed in the following table:

Amounts in Euros	2009	2008
Current services	3,916,756	3,995,284
Interest expenses	7,874,422	7,408,781
Return of the plan assets	(6,496,006)	(6,471,796)
Actuarial Gains/Losses	3,332	36,071
	5,298,504	4,968,340
Other costs with pensions (outside Portugal)	282,965	282,636
Costs of the year (Note 6)	5,581,469	5,250,976

The account for the cost of current services included the sum of Euros 67,121 relating to three directors (2008: Euros 66,823).

I) Estimate of the value of relevant non-pecuniary benefits regarded as remuneration not falling into the above categories.

No non-pecuniary benefits which may be regarded as remuneration are assigned to any director.

II.21. Individual information on the amounts payable, of any nature, in the event of departure from office prior to expiry of term, when more than twice the fixed monthly remuneration.

No compensation has been set or fixed for the event of current directors departing from office prior to expiry of their terms of office.

II.22. Information on the policy adopted in the company on the reporting of irregularities (Whistle blowing).

The company has “Regulations on the Reporting of Irregularities”, governing the reporting by company employees of any irregularities allegedly committed within the company.

These regulations lay down the general duty to report alleged irregularities, requiring that such reports be made to the Audit Board and also providing for an alternative solution in the event of a conflict of interests on the part of the Audit Board with regard to the report in question.

The Audit Board, which may be assisted for these purposes by the Internal Control Committee, shall investigate all facts necessary for assessment of the alleged irregularity. This process ends with the report being filed or else submission to the Board of Directors or the Executive Board, depending on whether a company officer is implicated or not, of a proposal for application of the measures most appropriate in the light of the irregularity in question.

The regulations also contain other provisions, namely designed to safeguard the confidentiality of communications, non-prejudicial treatment of employees making reports and dissemination of the respective rules in the company.

No irregular situation was reported in the course of 2009.

Chapter III

Information

III.1. Capital structure, including indication of shares not admitted for trading, different categories of shares, rights and duties attached to the same, and the percentage of the capital represented by any such category.

Portucel's share capital is represented solely by ordinary shares, with a nominal value of 1 euro each, the same rights and duties being attached to all shares.

The share capital consists of a total of 767,500,000 shares, corresponding to an equal total nominal value in euros. Only 537,250,000 shares are admitted for trading, given that negotiations are currently underway with a view to admitting for trading 230,250,000 shares belonging indirectly to Semapa, acquired during the 2nd phase of privatization.

III.2. Qualifying holdings in the issuer's share capital, calculated in accordance with Article 20 of the Securities Code.

Qualifying holdings calculated under the terms of Article 20 of the Securities Code as at 31/12/2008

Entity	Nº Shares	% of capital and voting rights	% of non-suspended voting rights
Semapa SGPS SA	578,994,856	75.44%	76.95%
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	96,865,223	12.62%	12.87%
Seinpar Investments B.V.	241,583,015	31.48%	32.11%
Seinpart - Participações, SGPS, S.A.	230,839,400	30.08%	30.68%
Semapa Inversões S.L.	8,507,018	1.11%	1.13%
Seminv - Investimentos, SGPS, S.A.	590,400	0.08%	0.08%
Cimentospar - Participações Sociais, SGPS, L.da	589,400	0.08%	0.08%
Duarte Nuno d'Orey da Cunha (*) (**)	16,000	0.00%	0.00%
António Paiva de Andrada Reis (*)	4,400	0.00%	0.00%
Bestinver Gestión, S.A. SGIIC	15,443,547	2.012%	2.052%
Bestinver Bolsa, F.I.	8,687,115	1.13%	1.15%
Bestinver F.I.	3,730,925	0.49%	0.50%
Bestinver Mixto, F.I.	1,738,263	0.23%	0.23%
Soixa Sicav	601,314	0.08%	0.08%
Texrenta Inversões, SICAV	131,976	0.02%	0.02%
Rodaon Inversões, SICAV	55,644	0.01%	0.01%
Tibest Cinco, SICAV, SA	41,723	0.01%	0.01%
Invers.en Bolsa Siglo XXI, SICAV	41,241	0.01%	0.01%
Loupri Inversões	33,165	0.00%	0.00%
Aton Inversões, SICAV, SA	31,053	0.00%	0.00%
Corfin Inversões, SICAV	29,192	0.00%	0.00%
Tigres Inversões, SICAV, SA	28,869	0.00%	0.00%
Mercadal de Valores, SICAV, SA	26,704	0.00%	0.00%
H202 Inversões SICAV	24,283	0.00%	0.00%
Divalsa de Inversões, SICAV, SA	24,168	0.00%	0.00%
Entrekar Inversões, SICAV, SA	21,352	0.00%	0.00%
Pasgom Inversões, SICAV	21,184	0.00%	0.00%
Cartera Millennium SICAV	18,236	0.00%	0.00%
Zamarron SICAV	17,287	0.00%	0.00%
Acciones, Cup.y Obli. Segovianas	17,165	0.00%	0.00%
Renvasa	16,590	0.00%	0.00%
Artica XXI, SICAV, SA	14,686	0.00%	0.00%
Campo de Oro, SICAV	13,318	0.00%	0.00%
Linker Inversões, SICAV, SA	12,729	0.00%	0.00%
Trascasa	10,988	0.00%	0.00%
Tordesillas de Inversões	10,728	0.00%	0.00%
Heldalin Inversões, SICAV	9,920	0.00%	0.00%
Tawarzar 2-S2, Sicav	7,643	0.00%	0.00%
Mazquita de Inversões	7,111	0.00%	0.00%
Opec Inversões, SICAV	6,757	0.00%	0.00%
Jorik Investment	6,187	0.00%	0.00%
Iberfama SICAV, S.A.	6,031	0.00%	0.00%

(*) Officer in Semapa

(**) Officer in Portucel

As at 31/12/2009, Portucel held (directly and indirectly through subsidiaries) 15,054,358 own shares, corresponding to 1.96% of the share capital. This information is detailed in Annex III.

III.3. Identification of shareholders with special rights, and description of such rights

No shareholders or categories of shareholders in Portucel have special rights.

III.4. Any restrictions on the transferability of shares, such as consent clauses for disposal, or limitations on ownership of shares

Portucel has no restrictions of any kind on the transferability or ownership of its shares, other than that detailed in item III.1, in relation to the unavailability of the shares acquired by Semapa in phase 2 of the privatization process.

III.5. Shareholders' Agreements known to the company or which might lead to restrictions on the transfer of securities or voting rights

The company is not aware of the existence of any shareholders' agreement which might lead to restrictions on the transfer of securities or voting rights.

III.6. Rules applicable to amendment of the articles of association;

Portucel has no special rules on the amendment of its articles of association. The general rules deriving from the Companies Code therefore apply to these issues.

III.7. Control mechanisms in an employee ownership scheme insofar as voting rights are not directly exercised by employees.

There is no employee ownership scheme in Portucel.

III.8. Description of evolution in the issuer's share price, taking into account:

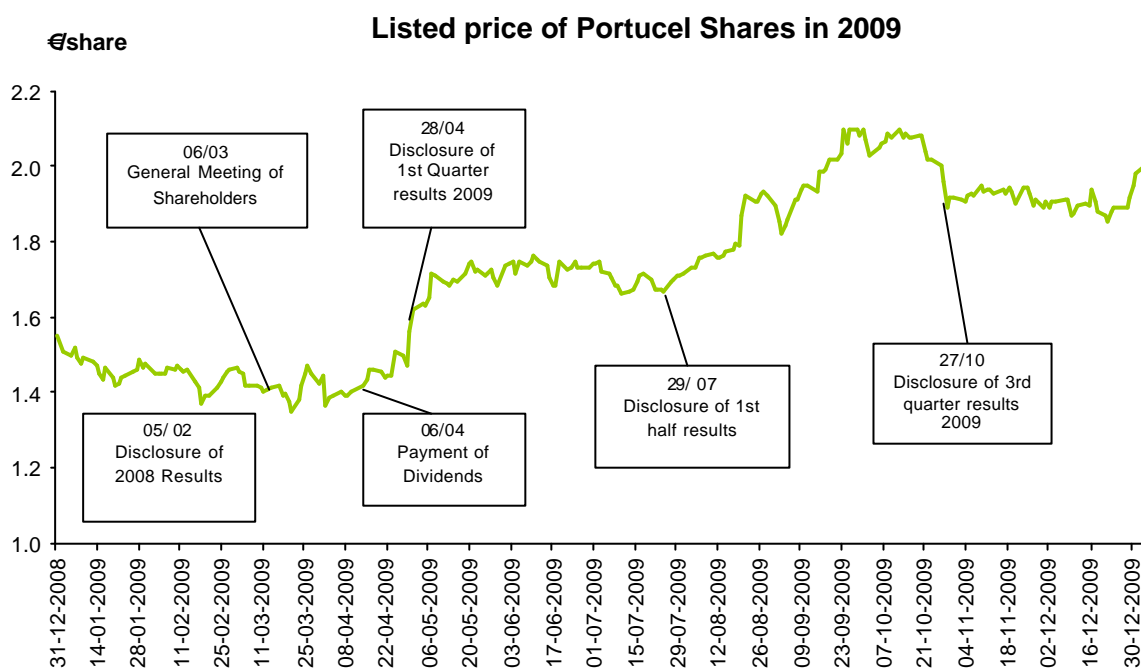
- a) The issuing of shares or other securities entitling the holder to subscribe or acquire shares;
- b) Announcement of results;
- c) Payments of dividends for each category of share, indicating the net dividend per share.

After the heavy losses experienced in 2008, the equity markets presented positive results overall in 2009. The main stock exchange indexes recorded significant gains, with the PSI20 up by 32%, making it the highest climber in the main European markets. The Euronext 100 index, which groups together the largest companies with the greatest liquidity in Euronext markets, recorded an increase of 20.7% over the year. Nonetheless, these gains still fell short of offsetting the losses suffered in 2008.

Portucel performed in line with the PSI20, its share price rising by 31%, fully compensating the loss recorded in 2008. Shares traded at a high of 2.10 €/ share on 29 September and 12 October, and at a low of 1.35 €/share on 20 March. Average daily trading stood at approximately 430 thousand shares.

Compared with other European pulp and paper companies, and especially with the shares of the main Scandinavian manufacturers, Portucel shares more than held their own, as the Helsinki HX – Paper and Forest Products Index slipped by 7% over the year.

The following graph shows the listed share price, identifying the dates of publication of results, the General Meeting and distribution of dividends.



No shares or other securities were issued during 2009.

Dividends for the financial year of 2008 were payable as from 6 April 2009. The gross dividend per share was 0.105 €, giving a net dividend of 0.084 € per share.

III.9. Description of the dividend distribution policy adopted by the company, including the dividend per share distributed during the last three periods.

Powers to propose dividends lie with the Board of Directors of Portucel, subject to the legislation in force and the articles of association. Under the articles of association, as amended by the general meeting of 14.04.2007, the general meeting resolves on the amount to be distributed in dividends, by simple majority of votes.

In the last three financial years, the following dividends were distributed per share in circulation:

2007 (for the financial year of 2006) 0.0790 € per share

2008 (for the financial year of 2007) 0.1050 € per share

2009 (for the financial year of 2008) 0.1050 € per share

III.10. A description of the main characteristics of the share and share option plans adopted or valid for the financial year in question, the reason for adopting said scheme and details of the category and number of persons included in the scheme, share-assignment conditions, non-transfer of share clauses, criteria on share-pricing and the exercising option price, the period during which the options may be exercised, the characteristics of the shares to be distributed, the existence of incentives to purchase and/or exercise options, and the responsibilities of the Board of Directors for executing and/or changing the plan.

Details shall also include the following:

- a) The number of shares required for the share allotment and the number of shares required for the exercise of the exercisable options at the start and end of the year in question;
- b) The number of options allotted, exercisable and expired during the year;
- c) The general meetings' appraisal of the plans adopted or in force during the period in question.

There are no share or share option plans in force in the company.

III.11. Description of the main transactions and operations carried out between the company and the members of the management and supervisory body, the owners of qualifying holdings or controlled, controlling or group companies, when economically significant for any of the parties involved, except for those transactions or operations that are carried out on an arms-length basis and form part of the company's normal business.

There are no transactions or operations which are economically significant to any of the parties involved.

III.12. Reference to the existence of an Investor Support Office or other similar service :

Portucel has had an Investor Support Office since November 1995, set up with a view to handling contact, on a permanent and appropriate basis, with the financial community – investors, shareholders, analysts and regulatory authorities – and to publish the company's financial reports and any other information of relevance to its stock market performance, in keeping with principles of coherence, regularity, fairness, credibility and opportunity.

All mandatory disclosures, such as information on the company name, its status as a public company, registered offices and other details required by Article 171 of the Companies Code, are available at the Group's website, at www.portucelsoporcel.com. Disclosures of quarterly results, half-yearly and annual reports and accounts, together with the respective press releases, list of company officers, the financial calendar, the articles of association, and full information of new developments are also available at Portucel's website, in the Investors' section, in Portuguese and English. The website also contains the notices of general meetings, and all motions tabled for discussion and vote at general meetings.

Portucel's Market Relations Officer is Joana de Avelar Pedrosa Rosa Lã Appleton who may be contacted by telephone (265 700 566) or by email (joana.la@portucelsoporcel.com); these contact details are supplied on Portucel's website, in the investors' section.

III.13. Indication of annual remuneration paid to the auditor or other individuals or entities belonging to the same network supported by the company and/or by controlled, controlling or group entities and details of the percentage relating to such services:

In the financial year ended 31 December 2009, expenditure on legal auditing of accounts, other audits and fiscal consultancy totalled 430,383 euros, breaking down as follows:

- a) Legal auditing services: 241,425 euros (56.1%)
- b) Fiscal consultancy services: 110,643 euros (25.7%)
- c) Other reliability assurance services: 78,315 (18.2%)
- d) Services other than legal account auditing: 0 euros (0%)

The services described as fiscal consultancy and others consist essentially of supporting services to assure compliance with fiscal obligations, in Portugal and abroad, and also surveys of situations in relation to operational business processes, which resulted in no consultancy on the redesign of existing practices, procedures or controls. The Board of Directors considers that there are sufficient procedures to safeguard the independence of auditors through the analysis conducted by the audit committee of the proposed work and the careful specification of this work when the auditors are contracted.

ANNEX I

ETHICAL PRINCIPLES

Approved by the Board of Directors of
PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL, S.A.
on 7 February 2008

I. Scope of Application

1. The principles and rules enshrined in this document apply to all officers and employees of Portucel, referred to jointly as staff.
2. The company shall take steps to have these principles approved by the companies it controls, with the additional or adapted provisions needed in view of the specific nature of each company's operations.

II. Nature of ethical principles

The ethical principles are binding. Breach of these principles may give rise to disciplinary proceedings, notwithstanding any other form of liability which may be incurred.

III. Dissemination and control

1. The Board of Directors shall be responsible for disseminating this document within the company and amongst its staff and assuring that it is brought to the attention of all those who may work for the company in future.
2. All breaches of the principles and rules established herein shall be promptly reported to the respective hierarchical superiors, who shall also be approached concerning any question arising as to application of the principles in specific instances.
3. Questions relating to company officers shall be assessed by the Board of Directors, the person in question, if a director, having no vote. Subsequent references in this document to hierarchical superiors, when referring to company officers, shall be understood as made to the Board of Directors.

IV. Statement of principles

1. All Portucel's staff are subject to the essential duties of diligence, loyalty and confidentiality, as detailed in the following clauses.
2. Approval of these principles shall not prejudice any other mandatory ethical rules to which members of staff may be subject, namely by virtue of their profession.

V. Duty of diligence

It is the duty of all Portucel's staff to be diligent, acting at all times with professionalism, responsibility and making every effort in the exercise of the duties entrusted to them, in order to take an active part in the harmonious and sustained development of the company.

VI. Duty of loyalty

Portucel's staff are bound by the duty of loyalty to the company, their colleagues and hierarchical superiors, and shall act at all times with honesty, integrity and respect for the company's interests and aims. In this area, staff are subject to the following specific duties:

- a) To report to their hierarchical superiors any potential conflicts of interest when dealings are established between the company and any person or organization with which the member of staff has or has had a significant relationship, directly or indirectly, personally or through members of his family or persons close to him.
- b) Only to collaborate in any form with the company's competitors or persons or entities whose interests might clash with those of the company after obtaining the prior consent of their hierarchical superiors.
- c) No to accept gifts of any kind, except those which are purely symbolic, from entities or persons with whom the company may have dealings.

VII. Duty of confidentiality – insider information

1. Portucel's staff shall maintain absolute confidentiality in relation to any facts concerning the company of which they have learned or may learn in the course of their work or as a consequence of the same, and shall also refrain from personally making use of such factor to their own benefit or that of third parties.
2. The duty of confidentiality shall apply especially to facts which may influence the listed price of the company's shares, prior to such facts being disclosed, and members of staff with such insider information shall not deal in these shares during the period in question.

VIII. Other duties

1. Defence of the environment shall be respected as an essential pillar in the decisions and conduct of all Portucel's staff.
2. In dealings with other persons or entities in the exercise of their duties, be these clients, suppliers, service providers, public authorities or others, Portucel's staff shall conduct themselves with respect for the interests of these entities, in a transparent manner and in keeping with high ethical standards.
3. Portucel's staff shall act at all times in order to protect the interests of all the shareholders, specifically those of minority shareholders, assuring in particular compliance with reporting duties and fair and equal treatment.
4. In internal relations within the company and in dealings between the company and third parties, Portucel's staff shall not perpetrate or accept discrimination of any kind, namely on grounds of descent, sex, race, language, territory of origin, religion, political or ideological conviction, level of education, economic situation or social condition.

IX. Effective date

The rules and principles enshrined here shall take immediate effect.

Setúbal, 7 February 2008

ANNEX II

NOTE ON THE ACTIVITIES OF PORTUCEL'S NON-EXECUTIVE DIRECTORS

Portucel's non-executive directors – Mr. Pedro Mendonça de Queiroz Pereira, Eng. Manuel Maria Pimenta Gil Mata, Eng. Luís Alberto Caldeira Deslandes and Eng. Carlos Eduardo Coelho Alves (up to 1 June 2009) and Dr. Francisco José Melo e Castro Guedes (as from the same date) - attended all meetings of the Board of Directors and were copied on all preparatory information for these meetings.

Whenever requested from the Executive Board they received diligent and satisfactory explanations or complementary information concerning the company's day-to-day affairs.

On the chairman's invitation, they took part in various meetings of the Executive Board, especially those where the matters under discussion extended beyond day-to-day affairs, such as the review of the Portucel Group's corporate image and decision on initiatives for the expansion and future development of the Group.

In the course of their duties, the non-executive directors frequently requested detailed information on decisions taken by the Executive Board, in order to assess the performance of the company's executive management in the light of annual and longer terms plans and the budgets approved from time to time by the Board of Directors.

Executive management decisions were also closely scrutinised at the quarterly meetings, and the non-executive directors were provided with information which enabled them to assess the performance of the Executive Board.

In addition to monitoring day-to-day operating matters, the non-executive directors paid special attention to following through the major capital expenditure projects underway, such as the new paper mill in Setúbal, the new Co-generation plant in Setúbal, the new biomass boilers in Cacia and Setúbal and the new steam turbo-generator in Figueira da Foz (TG 4).

In his capacity as Chairman of the Board of Directors, Mr. Pedro Queiroz Pereira called and coordinated all the meetings of the board during the financial year.

Also in connection with his capacity as Chairman of the Board of Directors, he held regular meetings with the Chairman of the Executive Board in order to obtain information and appropriate documentation, to keep him informed on the evolving affairs of the company and its subsidiaries, and on progress in the capital expenditure projects underway.

He was informed in advance of the order of business for each meeting of the Executive Board, and of the resolutions adopted over the course of the year, accompanied by the respective supporting documents.

During the year he held a series of informal meetings with the other non-executive directors, in order to assess the performance of the Executive Board.

Eng. Manuel Maria Pimenta Gil Mata monitored especially closely the work on the new paper mill in Setúbal, during the run-up to commissioning and start-up, as well as during work to fine-tune operational performance and product quality. As Chairman of the Sustainability Committee, he presided at the quarterly meetings of this committee, and oversaw the preparatory work for the drafting of the Group's sustainability report for 2008/2009, to be published and distributed during the first half of 2010. He also set in motion and oversaw work on incorporating sustainability parameters in employee performance assessments in the Group and investigation of the potential for the Group to take part in the Dow Jones sustainability indexes.

He continued to work on the Group's Code of Ethics, overseeing the draft submitted to the Executive Board, which approved it with a few changes. The Code is now ready for publication and to take formal effect.

Also in the field of sustainability, he represented the directors of the Group at meetings of the Management Board of BCSD Portugal (Business Council for Sustainable Development) and in a significant number of their activities. He also made contact with the sustainability organizations of leading members of BCSD, with a view to improving their shared understanding of related issues of sustainable development. He continued to contribute to and oversee the work of the Environmental Committee, which held the three regular meetings planned for the financial year of 2009.

He represented the Group's Directors in a number of activities organized by COTEC and also as a member of the General Board of ISQ, taking part in all quarterly meetings.

As representative of the Board of Directors of Soporcel, he took part in all the meetings of the General Board of Celpa, Associação da Indústria Papeleira Portuguesa.

As member of the committee responsible for questions relating to the Group's corporate image, Eng. Luís Alberto Caldeira Deslandes took part in a number of meetings on this issue with the external consultant selected for this purpose. In his capacity as chairman of Portucel's Corporate Governance Committee, took part in all the working meetings of this committee during 2009, following through all developments in the corporate governance field in the course of the year.

Dr. Francisco José Melo e Castro Guedes was co-opted at the meeting of the Board of Directors held on 1 June 2009, for practical purposes in the second half of the year, in view of the resignation of Eng. Carlos Eduardo Coelho Alves. As a result, his activities through to 31 December 2009 consisted essentially of following through the work of the Executive Board in order to obtain a full picture of all aspects of Company and Group activities. He took an active part in all meetings of the Board of Directors held after 1 June 2009. This non-executive director is now closely monitoring issues relating to international expansion, in view of his considerable experience in this area.

ANNEX III

INFORMATION ON OWN SHARES

As required by Article 66.2 and Article 324 of the Companies Code, Portucel – Empresa Produtora de Pasta e Papel, S.A., hereby discloses that, during the financial year of 2009, it acquired on the stock exchange, through its subsidiary Portucel Florestal – Empresa de Desenvolvimento Agro-Florestal S.A., 1,567,411 own shares, at an average price of 1.4293 €/shares, as detailed below.

	Nº Shares	Average Price (€/share)	Amount (€)
14-01-2009	15,000	1.4500	21,750
15-01-2009	70,000	1.4380	100,663
16-01-2009	39,073	1.4494	56,631
19-01-2009	40,000	1.4447	57,788
20-01-2009	32,500	1.4369	46,700
21-01-2009	95,000	1.4282	135,676
22-01-2009	61,000	1.4323	87,368
23-01-2009	55,000	1.4399	79,194
26-01-2009	29,823	1.4419	43,003
27-01-2009	116,422	1.4500	168,809
02-02-2009	30,000	1.4499	43,497
03-02-2009	26,888	1.4491	38,963
04-02-2009	145,000	1.4496	210,198
06-02-2009	44,107	1.4496	63,936
12-02-2009	20,000	1.4488	28,975
13-02-2009	66,000	1.4499	95,693
16-02-2009	140,000	1.4269	199,764
17-02-2009	80,000	1.4103	112,823
18-02-2009	80,000	1.3864	110,912
19-02-2009	61,000	1.3671	83,393
20-02-2009	50,000	1.3896	69,481
23-02-2009	139,662	1.4127	197,304
24-02-2009	61,000	1.4247	86,904
25-02-2009	63,605	1.4426	91,759
26-02-2009	6,331	1.4394	9,113
Total Acquired in 2009	1,567,411	1.4293	2,240,297

It is also hereby disclosed that, on 28/12/2008, the following transactions in Portucel's own shares were effected by its subsidiaries:

Company	Sale	Purchase	Price €/share	Final Position
Portucel Florestal - Empresa de Desenvolvimento Agro-Florestal, SA	15,054,358	0	1.890	0

Company	Sale	Purchase	Price €/share	Final Position shares
PortucelSoporcel Energia, SGPS, SA	0	3,763,591	1.890	3,763,591
PortucelSoporcel Papel, SGPS, SA	0	3,763,589	1.890	3,763,589
PortucelSoporcel Floresta, SGPS, SA	0	3,763,589	1.890	3,763,589
PortucelSoporcel Participações, SGPS, SA	0	3,763,589	1.890	3,763,589
Total	15,054,358	15,054,358		15,054,358

As a result, at year end Portucel held, through its subsidiaries, 15,054,358 own shares, representing 1.96% of its share capital.

ANNEX IV

REPORT OF THE AUDIT BOARD

Financial year of 2009

Shareholders,

1. In accordance with the law, the articles of association and the terms of our mandate, we are pleased to submit the report on our supervisory activities and to issue our opinion on the Consolidated Management Report and Consolidated Financial Statements presented by the Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, SA, for the financial year ended 31 December 2009.
2. Over the course of the year we monitored the affairs of the company and its most significant affiliates and associates, with the regularity and to the extent we deemed appropriate, through periodic meetings with the directors. We checked that the accounts were kept correctly and duly documented, and verified the effectiveness of the risks management, internal control and internal audit systems. We also monitored compliance with the law and the articles of association. We encountered no constraints in the course of our supervisory activities.
3. We met several times with the official auditor and external auditor, PricewaterhouseCoopers & Associados, SROC, Lda, monitoring its auditing activities and checking its independence. We assessed the Legal Accounts Certificate and the Audit Report, and are in agreement with the Legal Accounts Certificate presented.
4. In the course of our work we found that:
 - a) the Consolidated Income Statement, the Consolidated Statement of Recognized Income and Expense, the Statement of Changes in Consolidated Equity and the Consolidated Statement of Cash Flows and the corresponding Notes provide an adequate picture of the state of the company's affairs and its profits;
 - b) the accounting policies and valuation criteria adopted comply with the International Financial Reporting Standards (IFRS) and suitably assure that such criteria lead to a correct valuation of the company's assets and profits, taking due account of the analyses and recommendations of the external auditor;
 - c) the Consolidated Management Report provides a sufficient description of the business affairs of the company and its affiliates included in the consolidated accounts, offering a clear account of the most significant developments during the year.
5. Accordingly, taking into consideration the information received from the Board of Directors and the company departments, and also the conclusions of the Legal Accounts Certificate and the Audit Report, we recommend that:
 - a) the Consolidated Management Report be approved;
 - b) the Consolidated Financial Statements be approved;

6. Finally, the members of the Audit Board wish to acknowledge and express their thanks for the assistance received from the Board of Directors, the senior managers of the company and other staff.

Lisbon, 26 February 2010

Chairman of the Audit Board
Duarte Nuno d'Orey da Cunha

Member
Miguel Camargo de Sousa Eiró

Member
Gonçalo Nuno Palha Gaio Picão Caldeira

ANNEX V

DECLARATION ON THE REMUNERATION POLICY FOR COMPANY OFFICERS, FOR SUBMISSION TO THE GENERAL MEETING OF 15 MARCH 2010

I Introduction

Portucel's Remuneration Committee drew up a remuneration policy statement for the first time in 2008, successfully submitting it for approval by the company's general meeting that year. This statement was drafted in line with a recommendation issued on this matter by the Securities Market Commission (*Comissão de Mercado de Valores Mobiliários*).

The Remunerations Committee declared at this time that it felt that the options set out in the statement should be maintained until the end of the term of office of the company's officers then underway. This term ran from 2007 to 2010.

With the entry into force of Law 28/2009, of 19 June, requiring remuneration committees to submit a remuneration policy statement annually to the general meeting, it is time to review this statement.

The new legal requirements go further than the previous recommendations of the Securities Market Commission, stipulating specific information to be included in the statement.

As we said in our previous statement, there is a significant divide between the two most common systems for setting the remuneration of company officers. The first is for such remuneration to be set by the general meeting; this solution is rarely adopted, being rather impractical for a variety of reasons. The second is for remuneration to be set by a Remuneration Committee, which decides in keeping with criteria on which the shareholders have had not always had the opportunity to pronounce.

The solution now before us amounts to an intermediate system whereby the shareholders can appraise a remuneration policy to be followed by the Committee. This seeks to draw on the best features of both theoretical systems, as we propose to do in this document, reasserting the position we have previously defended whilst also including the contribution from the additional experience and expertise acquired by the company, and complying with the new legal requirements in this field.

II. Legal requirements and recommendations

This statement is issued in the legal framework formed by Law 28/2009, of 19 June (as referred to above), and the recommendations of the Securities Market Commission for 2010.

In addition to requiring annual statements, approved by the general meeting and duly disclosed, the new law requires the statement on remuneration policy to include information on:

- a) *Procedures to assure permit that directors' interests are aligned with those of the company;*
- b) *The criteria for setting the variable component of remuneration;*
- c) *The existence of share bonus and share option plans for directors and auditors;*

- d) *The possibility of the variable remuneration component, if any, being paid, in full or in part, after the accounts for the periods corresponding to the entire term of office having been drawn up;*
- e) *Procedures for capping variable remuneration, in the event of the results showing a significant deterioration in the company's performance in the last period for which accounts have been reported or when such a deterioration may be expected in the period underway.*

The recommendations from the Securities Market Commission currently in force state that:

II.1.5.2. A statement on the remuneration policy of the Board of Directors and Supervisory Board referred to in Article 2 of Law No. 28/2009 of 19 June, shall contain, in addition to the content therein stated, adequate information on: i) which groups of companies the remuneration policy and practices of which were taken as a baseline for setting the remuneration ii) the payments for the dismissal or termination by agreement of the Directors' duties.

II.1.5.3. The remuneration policy statement referred to in Article 2 of Law No. 28/2009 shall also include the managers' remunerations which contain an important variable component, within the meaning of Article 248-B/3 of the Securities Code. The statement shall be detailed and the policy presented shall particularly take the long-term performance of the company, compliance with the rules applicable to its business and restraint in taking risks into account.

III. Legal requirements and the Articles of Association

Any system for setting remuneration will inevitably have to consider the legal rules, as well as any private rules which may be established in the articles of association.

The legal rules for the board of directors are essentially established in Article 399 of the Companies Code, and may in practice be summarised as follows:

- Remuneration is to be set by the general meeting of shareholder or by a committee appointed at such meeting.
- The remuneration fixed shall take into account the duties performed and the state of the company's affairs.
- The remuneration may be fixed or else consist in part of a percentage of the profits of the period, but the maximum percentage for distribution to directors must be authorized by a clause in the articles of association, and shall not apply to the amounts allocated to reserves or to any portion of the profits not legally available for distribution to the shareholders.

For the members of the Audit Board and the officers of the General Meeting, the law lays down that the remuneration shall consist of a fixed sum, which shall be determined in the same way by the general meeting of shareholders or by a committee appointed by the same, taking into account the duties performed and the state of the company's affairs.

A specific clause in Portucel's articles of association (article no. 21) provides that the remuneration of directors may be differentiated. The second paragraph of this clause lays down that the General Meeting may issue rules on pension plans and complementary pension schemes for directors.

This is the formal framework to be observed in defining remuneration policy.

IV. Historical background

From the company's transformation into a *sociedade anónima* in 1991 and through to 2004, the remuneration of all of Portucel's directors consisted of a fixed component, payable fourteen times a year, and set by a Remuneration Committee, and of a variable component, determined annually, depending on the specific circumstances, by decision of the State, as shareholder.

After the first phase of privatization in 2004, the formal principle was first instituted of remuneration being divided into fixed and variable components, the latter being based on the company's results and the specific performance of each director.

This procedure has been repeated annually since 2004, with directors receiving fixed remuneration and also a variable component.

Since the incorporation of the company, members of the Audit Board have received fixed monthly remuneration. In the case of the officers of the General Meeting, since remuneration for these officers was first instituted it has been set on the basis of the number of meetings actually held.

V. General Principles

The general principles to be observed when setting the remuneration of the company officers are essentially those which in very general terms derive from the law: on the one hand, the duties performed and on the other the state of the company's affairs. If we add to these the general market terms for similar situations, we find that these appear to be the three main general principles:

a) Duties performed.

It is necessary to consider the duties performed by each company officer not only in the formal sense, but also in the broader sense of the work carried out and the associated responsibilities. Not all the executive directors are in the same position, and the same is also true, for example, of the members of the audit board. Duties have to be assessed in the broadest sense, taking into account criteria as varied as, for example, responsibility, time dedicated, or the added value to the company resulting from a given type of intervention or representation of a given institution.

The fact that time is spent by the officer on duties in other controlled companies also cannot be taken out of the equation, due, on the one hand, to the added responsibility this represents, and, on the other hand, to the existence of another source of income.

It should be noted that Portucel's experience has shown that the directors of this company, contrary to what is often observed in other companies of the same time, cannot be neatly split into executive and non-executive. There are a number of directors with delegated powers and who are generally referred to as executive directors, but some of directors without delegated powers are closely involved in the life of the company in a variety of ways. These are essential aspects which must inevitably be considered when setting remuneration.

b) The state of the company's affairs

This criterion must also be understood and interpreted with care. The size of the company and the inevitable complexity of the associated management responsibilities, is clearly one of the relevant aspects of the state of affairs, understood in the broadest sense. There are implications here for the need to remunerate a responsibility which is greater in larger companies with complex business models and for the capacity to remunerate management duties appropriately.

c) Market criteria

It is unavoidably necessary to match supply to demand when setting any level of pay, and the officers of a corporation are no exception. Only respect for market practices makes it possible to keep professionals of a calibre required for the complexity of the duties performed and the responsibilities shouldered, thereby assuring not only their own interests but essentially those of the company, and the generation of value of all its shareholders. In the case of Portucel, in view of its characteristics and size, the market criteria to be considered are those prevailing internationally, as well as those to be observed in Portugal.

VI. Compliance with legal requirements and recommendations

Having described the historical background and the general principles adopted, we shall now consider the issue of compliance by these principles with the relevant legal requirements.

1. Article 2 a) of Law 28/2009. Alignment of interests.

The first requirement that Law 28/2009 regards as essential in terms of the information in this statement is for a description of the procedures which assure that the directors' interests are aligned with those of the company.

We believe that the remuneration system adopted in Portucel is successful in assuring such alignment. Firstly, because the remuneration sets out to be fair and equitable in the light of the principles set out, and secondly because it links the directors to results by means of a variable remuneration component which is set primarily in the light of these results.

2. Article 2 b) of Law 28/2009. Criteria for the variable component.

The second requirement established by the law is for information on the criteria used to determine the variable component.

The company's results are the most important factor in setting the variable remuneration: not the results seen as an absolute value, but as viewed from a critical perspective in the light of what may be expected of a company of this size and characteristics, and in view of the actual market conditions.

In setting the variable component, other factors are also considered, resulting in the main from the general principles - market, specific duties, the state of the company's affairs. These factors are often more individual, relating to the specific position and performance of each director.

3. Article 2 c) of Law 28/2009. Share or option plans.

The decision whether or not to provide share or option plans is structural in nature. The existence of such a plan is not a simple add-on to an existing remuneration system, but rather an underlying to change to the existing system, at least in terms of the variable remuneration.

Although a remuneration system of this type is not incompatible with the company's articles of association, we feel that the wording of the relevant provisions in the articles and the historical background to the existing system argue in favour of maintaining a remuneration system without any share or option component.

This is not to say that we see no merits in including a share or option component in directors' remuneration, nor that we would not be receptive to restructuring directors' remuneration to incorporate such a plan. However, such a component is not essential in order to promote the principles we defend and, as we have said, we do not believe that this was the fundamental intention of the company's shareholders.

4. Article 2 d) of Law 28/2009. Date of payment of variable remuneration.

Specialists in this field have draw attention to significant advantages in deferring payment of the variable component of remuneration to a date when the entire period corresponding to the term of office can in some way be appraised.

We accept this principle as theoretically sound, but it appears to us to offer few advantages in the specific case of Portucel and other similar companies.

One of the main arguments supporting this system is that directors should be committed to achieving sustainable medium-term results, and that the remuneration system should support this, avoiding a situation where remuneration is pegged simply to one financial year, which may not be representative, and which may present higher profits at the cost of worse results in subsequent years.

However, whilst this danger is real and is worth safeguarding against by means of systems such as this in companies where the capital is completely dispersed and the directors may be tempted to take a short term view, maximizing quick results by sacrificing long term potential, this does not correspond to the situation in a company such as Portucel, with a stable shareholder structure and management, where these concerns are inherently less of an issue.

5. Article 2 e) of Law 28/2009. Procedures for capping variable remuneration.

Procedures of this kind are designed to limit variable remuneration in the event of the results showing a significant deterioration in the company's performance in the last reporting period or when such a deterioration may be expected in the period underway.

This type of provision also reflects a concern that good performance in the short term, which may boost directors' remuneration, could be achieved at the cost of future performance.

For obvious reasons, the arguments presented above also apply here. It should also be noted that a system of this kind would have little practical effect if not combined with significant deferral of remuneration, which is not proposed for Portucel.

6. First part of Recommendation II.1.5.2.. Comparative information.

In relation to groups of companies whose remuneration policies and practices have been taken as the baseline for setting remuneration, this Committee took into consideration, to the extent of the information accessible, all Portuguese companies of equivalent size, namely PSI-20 companies, and also companies in international markets with characteristics similar to those of Portucel.

7. Second part of Recommendation II.1.5.2.. Termination agreements.

There are no agreements, and no such provisions have been defined by this Committee, on payments by Portucel relating to dismissal or termination by agreement of Directors' duties.

8. Recommendation II.1.5.3. Inclusion of managers in this statement.

The Remuneration Committee has no proposal or statement to make on this issue, as it is the express understanding of the Board of Directors that it has sole powers over this matter and that it is not in the company's interest to comply with this recommendation.

VII. Specific Options

The specific options for the remuneration policy we propose are as follows:

1. The remuneration of executive directors shall comprise a fixed component and a variable component.
2. The remuneration of non-executive directors shall comprise only a fixed component, or else a fixed component and a variable component, as for executive directors, whenever justified by the nature of the duties actually exercised and their degree of responsibility and involvement in the day to day running of the company.
3. The remuneration of the members of the Audit Board and the officers of the General Meeting shall comprise a fixed component only.
4. The fixed component of the remuneration of directors shall consist of a monthly amount payable fourteen times a year or of a pre-set amount for each meeting of the Board of Directors attended.
5. A monthly rate shall be set for the fixed component of the remuneration of directors for all those who are members of the Executive Board and those who, although not members of such Board, perform duties or carry out specific work of a repeated or ongoing nature.
6. The pre-set amount for participation in members of the Board of Directors shall be fixed for those who have duties which are essentially advisory and supervisory.
7. The fixed remuneration of the members of the Audit Board shall consist in all cases of a pre-set amount paid fourteen times a year.

8. The fixed remuneration of the officers of the General Meeting shall consist in all cases of a pre-set amount for each meeting, the remuneration for second and subsequent meetings being lower than that for the first general meeting of the year.
9. In setting all remuneration, including in particular the distribution of the total amount allocated to the variable remuneration of the Board of Directors, the general principles established above shall be observed: the duties performed, the state of the company's affairs and market criteria.

The Remuneration Committee

Chairman: Egon Zehnder, represented by José Gonçalo Maury
Member: Frederico José da Cunha Mendonça e Meneses
Member: João Rodrigo Appleton Moreira Rato