PORTUCEL GROUP

ANNUAL REPORT

2012

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2012

YEAR IN REVIEW

BUSINESS PERFORMANCE

- Turnover of more than 1.5 billion euros, representing approximately 1% of Portugal's GDP;
- The Group recorded excellent operating performance, with an EBITDA/Sales margin of 25.7%;
- Net income of 211.2 million euros, representing growth of 7.6% over the previous year;
- Debt down by around 100 million euros, permitting the Net Debt/EBITDA ratio to improve to 0.9.

DEVELOPMENT

- Investment project in Mozambique achieves good results in field trials for selecting the plant materials with the best potential and the forestry model trials;
- Completion of the extension of the nurseries at the Espirra Estate: annual production capacity increased to 12 million plants, equipping the Group with the largest nursery for certified forest plants in Europe.

PAPER BUSINESS / BRANDING

- Group consolidated its position as leading European manufacturer of uncoated woodfree paper (UWF) printing and writing paper, setting new records for output and sales;
- Growth of 4% over the previous year in volume of paper sales on European markets;
- Strong performance by Group's own brands, accounting for 62% of total sales of sheeted products;
- Navigator, the world's best-selling premium brand of office paper, consolidated its leadership position with 4% growth in sales worldwide.

PULP BUSINESS

- Group reinforced its position in the special papers segment, offering higher value added; this segment grew from 57% of Group pulp sales in 2011 to 63% in 2012;
- Almost all pulp sales were made on the European markets, home to manufacturers of higher quality paper, where the intrinsic qualities of the *Eucalyptus globulus* pulp produced by the Group are more properly valued.

INDUSTRIAL OPERATIONS

- New record levels for output of printing and writing papers at the Group's industrial facilities;
- Completion of project to increase evaporation capacity at the Figueira da Foz Industrial Complex, with positive impact on energy efficiency at the site;
- Significant gains in efficiency and productivity thanks to the MEO Project - Improving Operational Efficiency.

FORESTRY

- Renewal of forest management certificates awarded to the Group under the two international forest certification schemes: FSC and PEFC;
- Responsible management of 120 thousand hectares of agro-forestry holdings, spread over 160 Portuguese municipalities;
- Investment of approximately 3 million euros in defence against forest fires, with a special emphasis on prevention, training, research and development.

ENVIRONMENTAL PERFORMANCE

- Positive indicators for environmental performance at all the Group's industrial plants, in all areas: air, water and natural resources;
- Certified wood supplied to Group plants represented around 30% of total;
- Continued certification of management systems implemented.

ENERGY

- Total electricity generated corresponded to almost 4.4% of the country's entire power output;
- Group continues to enjoy the status of Portugal's leading producer of electricity from biomass, accounting for 49% of the total power produced from this natural resource.

HUMAN RESOURCES

- Investment in ongoing training and professional development of workforce, with 117,826 training hours divided between 1,495 training initiatives;
- Professional traineeship programmed widened, doubling the number of places offered.

SOCIAL RESPONSIBILITY

- Group has continued the Social Project, a partnership with charity organizations which involves donating basic foodstuffs to families facing economic hardship;
- "Give the Forest a Hand" - nationwide programme designed to raise awareness amongst city-dwellers and primary school children of the need to protect and improve Portugal's woodlands;
- "Open Doors 2012": Programme of visits to industrial complexes designed to create closer ties between the company and local communities.

INNOVATION

- Launch of Navigator Students, geared to the needs of the youth market;
- Completion of the PADIS (High Performance Paper for Printing) project, in partnership with Portuguese scientific and technological research institutions, seeking to expand knowledge of the printability of uncoated papers;
- Approval by the Directorate-General of Economic Activities of Ferticel a compound developed by RAIZ, the Group's forestry and paper research institute, as a soil corrective obtained from pulp and paper by-products of recognized nutritional interest;
- RAIZ' genetic improvement programme has made it possible to formulate a new cloning recommendation for 2012/2014, comprising 4 new *Eucalyptus globulus* clones and 2 new hybrids, offering gains in forestry and industrial productivity.

MESSAGE FROM THE CHAIRMAN

SHAREHOLDERS,

The financial year of 2012 was fairly positive for the Portucel Group. Despite a particularly difficult economic situation at home and abroad, it was possible to break the symbolic barrier of 1.5 billion euros in sales, confirming the Group's position as the main European manufacturer of uncoated woodfree (UWF) printing and writing papers.

This target was achieved without sacrificing the Group's level of profitability. The Group has in fact for several years enjoyed a position as one of the leading companies in the world in its sector in terms of the most important factors for its future competitiveness, in particular with regard to profitability and the strength of its balance sheet.

Personally, it gives me great satisfaction to point to the significant contribution the Group continues to make to Portugal's efforts to balance its external accounts. In 2012, the Group's exports rose to an impressive figure of 1.25 billion euros, accounting for approximately 3% of the country's exports of goods. The relative importance of the Group's export activity is in fact greater than suggested by this percentage figure, if we consider the coefficient of national value added, which in Portucel Group's case is well above the average for Portuguese exports.

The crucial importance of the Portucel Group is today a fact almost unanimously acknowledged. Its positive contribution, in particular to the trade balance and to creating skilled employment, is all the greater when we consider that its operations have an impact over much of the country's territory. The Group's three industrial complexes - in Cacia, Figueira da Foz and Setúbal - are hubs which radiate wealth to the regions, providing work for countless small and medium sized companies, in the primary, secondary and tertiary sectors.

Portucel Group is well aware of the important role it plays in adding value to the country's resources. It is therefore with a degree of frustration that I must once again refer to the great under-exploitation of Portugal's capacity for forestry operations. Alongside other consequences which are less obvious, this results in the need to make very significant imports of raw material each year to supply the processing needs of the manufacturing sector. This situation represents an enormous waste, which the country can ill afford.

The Group has worked systematically to encourage critical analysis of the factors hindering the modernization of Portugal's woodlands, as well as other issues which represent inefficiencies which could be avoided, and which together add to what have generally been called the context costs of the Portuguese economy.

There is plenty of common ground between the needs of the Portucel Group and the positive effects, both for all companies operating in the field of tradable goods and also, in general for the balanced development of the country. We must nonetheless recognize that the scant progress which has been made falls well short of what is possible and desirable.

The country context costs and, most particularly, the persistent shortfall in forest raw materials for the needs of its manufacturing industry, constitute a huge obstacle to significant growth by the Group in Portugal. Well aware of this restriction, the Group has for several years made persistent efforts to extend its geographical production base.

In 2012, significant steps forward were made in this field, with confirmation, after rigorous field trials, of the suitability for eucalyptus plantations of the areas granted under Portucel Group's concessions in Mozambique. It is now possible that the forestry project which the Group has been pursuing in this country, geared to setting up in future a paper pulp mill, will now be able to move to a significantly faster pace of execution.

This project, and possibly other international ventures in sectors where the Portucel Group has consolidated its know-how, or other related sectors, provide the guarantee that the Group will continue to explore viable roads to growth, supported by the strength of the business model which it has developed, through its persistent and disciplined approach.

The track record of the Portucel Group is a success story. I would like to acknowledge the extremely positive contribution to this success made by our clients, suppliers, financial institutions and employees, and also by a wide range of other organizations, with which we have been able to cooperate on sound, lasting and mutually advantageous basis.

It is my clear conviction that Portucel Group will continue to enjoy success in its ongoing quest to consolidate its position amongst the leading companies in the sector, adding to its achievements, year after year.

Setúbal, 29 January 2013

PEDRO QUEIROZ PEREIRA
CHAIRMAN OF THE BOARD OF DIRECTORS

MESSAGE FROM THE

CHIEF EXECUTIVE OFFICER

SHAREHOLDERS,

The Portucel Group recorded clearly positive performance in 2012 in its different areas of operation, permitting it to achieve new annual records for both output and sales. This is the result of a highly demanding capital expenditure program, in both financial and technical terms, implemented over recent years. This program has enabled the Group to accomplish a transformation in which it has fully exploited its competitive advantages, attaining a dimension better suited to fully harnessing its capabilities, especially with regard to its skilled human resources.

The business environment in which the Group has operated at home and abroad has been particularly difficult and demanding.

At home, restrictive credit policies have badly hit its supplier base, making it extremely difficult for the companies involved to renew their assets and in many cases jeopardizing their normal operations. By means of a policy of early payment, or even pre-financing, the Group has sought to minimize the problems caused by the scarcity of credit.

Also extremely worrying have been the difficulties in obtaining adequate cover for the credit risk on our sales. The market has not been able to supply effective solutions and the extra facilities made available by the State have in practice proved irregular, meaning they are not sufficiently reliable to support highly demanding sales plans, especially when these sales are made to more than 110 countries, as in the case of the Portucel Group.

Outside Portugal, the main cause for concern is the continuing severity of the international crisis which has for several years undermined the EU economy, causing several countries to record drops in internal output and generating extremely high levels of unemployment, factors which have tended to reduce the demand for paper. This fact, combined with the structural overcapacity which continues to exist, despite the closure of a few less efficient units, has caused added difficulties in this economic sector, which is the Group's most important market, both for bleached eucalyptus pulp (BEKP), and for uncoated woodfree (UWF) printing and writing papers.

The Group has been effective in overcoming these difficulties, and has even achieved gradual growth in its market share in Europe, which is estimated to approach 20%.

This relative growth in Europe, combined with consolidation of its position in the United States market and an increasingly important presence in the markets of emerging economies enjoying rapid growth, has meant that the Group has maintained its order books sufficiently full at all times for it to operate its production facilities at full capacity. This has been an essential factor in achieving a high level of profitability, in a highly capital-intensive industry.

All this has been done without in any way sacrificing the Group's business model, which involves a strong commitment to premium products, marketed under its own brands. This fact is clearly reflected in its accounts, which show that indicators for returns on sales, equity and capital employed have attained significantly interesting levels.

The Portucel Group has attached great importance to developing its power generation sector, especially in the field of cogeneration, which is an essential part of its industrial model. Following on from the measures contained in the Memorandum of Understanding on Specific Economic Policy Conditionality, signed in May 2011 between the Portuguese Government, the European Community, the ESB and the IMF, Ministerial Order 140/2012 established a tariff regime which makes it unfeasible to continue operating highly efficient cogeneration facilities, after the end of the regulated tariff period.

This regime, which goes against the objectives of Directive 2012/27/EU, recommending Member States to exploit the potential of cogeneration on the basis of the demand for useful heat, as an important means of achieving the target of a 20% increase in energy efficiency established by the European Union for 2020, has already had an extremely negative effect on the Group's cogeneration plants, insofar as the new tariff fails to cover even the cost of the natural gas used.

When so much is said about the need to reindustrialize the country, care should have been taken to assure that investment decisions could be made in the context of regulatory decisions free from distortions such as those in evidence here. Portugal has in fact a long road to travel to become an attractive investment destination. The first step, and perhaps the most important, should be to assure that companies which already produce tradable goods are not subject to conditions which undermine their ability to compete.

Portucel Group will work tirelessly to consolidate the sustainability of its business, seeking to remain innovative and to achieve ever higher levels of efficiency.

Setúbal, 29 January 2013

JOSÉ HONÓRIO
CHIEF EXECUTIVE OFFICER

BOARD OF DIRECTORS

FROM LEFT TO RIGHT

JOSÉ MIGUEL PAREDES
MANUEL GIL MATA
FERNANDO ARAÚJO
ADRIANO SILVEIRA
JOSÉ HONÓRIO
PEDRO QUEIROZ PEREIRA
MANUEL REGALADO
ANTÓNIO REDONDO
LUIS DESLANDES
FRANCISCO NOBRE GUEDES
PAULO MIGUEL VENTURA

THE PORTUCEL GROUP IN 2012


95%
OF PULP AND PAPER SALES GO TO MORE THAN 110 COUNTRIES OVER FIVE CONTINENTS

BUSINESS AREAS

PORTUCEL GROUP

PAPER PRODUCTION AND MARKETING
PULP PRODUCTION AND MARKETING
ENERGY
RESEARCH & DEVELOPMENT
AGRO-FORESTRY

LOCATION OF PRODUCTION PLANTS, COMMERCIAL SUBSIDIARIES, R&D UNITS AND NURSERIES

EUROPE AMSTERDAM | BRUSSELS | CACIA | COLOGNE | EIXO | FIGUEIRA DA FOZ | GENEVA | LONDON | MADRID | PARIS | SETÚBAL | WARSAW | VERONA | VIENNA

EUA NORWALK, CT

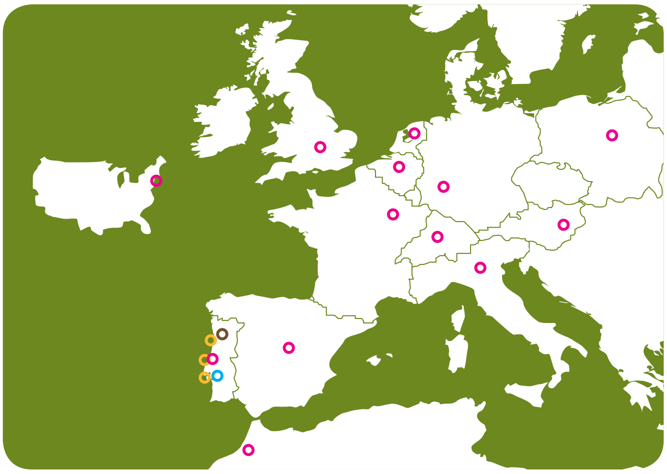
NORTH AFRICA CASABLANCA

PRODUCTION PLANTS

R&D (RAÍZ)

COMMERCIAL SUBSIDIARIES

NURSERIES (ESPIRRA ESTATE)



TECHNOLOGY SHOWCASES

Project undertaken by the Group, with support from RAIZ. The Group has 13 "technology showcases" up and down the country, in the form of 13 model eucalyptus plantations which feature outstanding yields and show how woodlands can be managed in a responsible manner, using certified cloned saplings and best practice in forest husbandry, as required by forest certification schemes. In order to encourage forest landowners and service providers which interact with the Group to adopt these best practices in forest management, the Group has organized a series of educational visits to these plantations, highlighting the results achieved at each site. This enables landowners and forestry service providers to reproduce these examples in their own plantations.

ECONOMIC AND FINANCIAL INDICATORS

	2008	2009	2010	2011	2012
Million euros					
Total sales	1,131.9	1,095.3	1,385.5	1,487.9	**1,501.6**
EBITDA [1]	271.7	222.2	400.2	385.1	**385.4**
Operating earnings (EBIT)	181.1	132.1	277.8	266.2	**286.2**
Financial earnings	-19.6	-7.5	-20.1	-16.3	**-16.3**
Net Profit	131.1	105.1	210.6	196.3	**211.2**
Cash Flow [2]	221.7	195.2	332.9	315.2	**310.4**
Investment	246.9	505.4	95.5	33.0	**30.1**
Net debt [3]	480.4	699.7	687.0	463.5	**363.6**
Net assets	2,451.3	2,561.2	2,672.5	2,821.3	**2,724.5**
Liabilities	1,205.1	1,290.6	1,369.0	1,343.1	**1,243.6**
Equity	1,246.3	1,270.6	1,303.5	1,477.6	**1,480.8**
Gross Debt	703.0	752.3	820.9	730.9	**693.0**
Cash and Cash equivalents	222.5	52.5	134.0	267.4	**329.4**
Treasury stock (market value)	20.8	29.8	34.3	40.6	**108.0**
Own shares held on Dec-31st	13.4	15.1	15.1	22.1	**47.4**
EBITDA / Sales (in %)	24.0%	20.3%	28.9%	25.9%	**25.7%**
ROS	11.6%	9.6%	15.2%	13.2%	**14.1%**
ROE	10.8%	8.4%	16.4%	14.1%	**14.3%**
ROCE [4]	11.1%	7.1%	14.0%	13.5%	**15.1%**
Equity to assets ratio	50.8%	49.6%	48.8%	52.4%	**54.4%**
Net debt / EBITDA	1.8	3.1	1.7	1.2	**0.9**
Euros					
Net earnings per share	0.17	0.14	0.28	0.26	**0.29**
Cash flow per share	0.29	0.26	0.44	0.42	**0.43**
EBITDA per share	0.36	0.30	0.53	0.52	**0.54**
Book value per share	1.65	1.69	1.73	1.98	**2.06**

(1) Operating results + depreciation + provisions

(2) Net profits + depreciation + provisions

(3) Interest-bearing liabilities – Cash and cash equivalents

(4) Operating results / (average equity + average net debt)

THE PORTUCEL GROUP

THE GROUP'S CONTRIBUTION TO THE PORTUGUESE ECONOMY

THE PORTUCEL GROUP HAS A STRUCTURAL IMPACT ON THE PORTUGUESE ECONOMY. IN 2012, ITS RELATIVE IMPORTANCE MAY BE SUMMARIZED AS FOLLOWS:

- Turnover of 1.5 billion euros, representing almost 1% of Portugal's GDP;
- Exports worth 1.25 billion euros, corresponding to nearly 3% of Portuguese exports of goods;
- 95% of paper and pulp sales go to around 113 countries over five continents;
- Sales to North America and the Middle East accounted for 7% and 13% of Portuguese exports to these markets;
- European leader in the production of certified forestry plants;
- European leader in the production of bleached eucalyptus kraft pulp (BEKP) and the fourth leading producer worldwide;
- Leading European manufacturer of UWF (uncoated woodfree) paper and the sixth leading producer worldwide;
- World leader in the genetic improvement of *Eucalyptus globulus*, producing 6 million cloned saplings / year;
- Navigator – the world's best-selling premium office paper brand;
- Annual production capacity for 1.6 million tons of paper, 1.4 million tons of pulp and 2.5 TWh in power generation;
- The direct workforce numbers 2,275 employees, whilst generating indirect employment also counted in the thousands;
- More than 5,400 Portuguese suppliers;
- Manages approximately 120 thousand hectares of woodlands;
- Portugal's leading producer and planter of certified trees;
- The first organization in Portugal to be licensed simultaneously to use the forest management certification brands awarded internationally by the FSC® (Forest Stewardship Council®)[1] and the PEFC (Programme for the Endorsement of Forest Certification schemes)[2] ;
- The Group is Portugal's largest producer of energy from biomass, accounting for 49% of total power generation from this renewable source;
- Power output amounting to 4.4% of all electricity generated in Portugal;
- In the port sector, the Group is the exporter responsible for the largest turnover in containerized cargo in Portugal, and in all probability in the Iberian Peninsula, accounting in 2012 for approximately 9% of all containerized cargo and close to 8% of all containerized and conventional cargo exported through Portuguese ports.

1 User license code: FSC C010852

2 User license code: PEFC/13-23-001

GROUP PROFILE

Thanks to a successful strategy of research in forestry and manufacturing, combined with investment in high tech plants, innovation and marketing, as well as a continuous training programme for its skilled professionals, the Portucel Group is the leading European manufacturer of UWF (uncoated woodfree) printing and writing paper, a category which includes office paper, placing Portugal at the top of the ranking of countries manufacturing this type of papers. The Group is also Europe's leading manufacturer, and one of the largest producers in the world, of bleached eucalyptus kraft pulp (BEKP).

The Portucel Group is today one of Portugal's leading players on the world stage, and is of structural importance to the country's economy, thanks to a vertically integrated business model - applied research, forestry, cellulose pulp, renewable energy and paper. The strategy of growth pursued by the Group has been powered by capital expenditure projects in excess of 1,000 million euros, the centrepiece of which is the new Setúbal Paper Mill, which started up in 2009. All this has permitted the Portucel Group to consolidate its position as one of Portugal's leading wealth creators, accounting for some 3% of total exports of goods and generating an extremely high – and unrivalled – level of National Value Added (NVA), due to the fact that its products are obtained almost entirely from Portuguese raw materials and natural resources.

By using Portuguese resources it has a crucial knock-on effect on the wider economy and job creation, given that 81% of the resources used by the Group are produced in Portugal and sourced from more than 5,400 companies in all sectors of the country's economy. The Group also accounts for 8% of total containerized and conventional cargo exported through Portuguese ports.

A number of factors lie behind the growing importance of exports in the Group's overall turnover, not least the manufacture of products which have gained a high international profile, competing successfully on extremely competitive markets, and also a business model which sets out to create value on the basis of innovation and development of our own brands, which today account for 62% of all sales of sheeted paper, which in turn correspond to 51% of the Group's total paper sales. Special attention should be drawn to Navigator, the world's best selling brand in the premium office paper segment.

In 2012, the Group sold its products to 113 countries over five continents, with a special focus on Europe and the US, and 33% of its exports went to markets outside the European Community.

In 2012, the Portucel Group was responsible for 88% of European exports of UWF printing and writing paper to North America, 52% of these exports to Africa, 32% to the Middle East, 45% to Latin America and 3% to Asia. These figures clearly underline the Group's strong international presence.

This achievement was highlighted in 2012 at the Luso-French Trophies, where the Portucel Group was awarded the Portuguese Export Trophy, in the Large Corporations category. These awards, organized by the Luso-French Chamber of Commerce, are intended to celebrate the success of Portuguese companies in exporting to France.

The Group's existing production structure comprises an industrial complex in Cacia, producing BEKP and energy, and two integrated industrial complexes producing BEKP, energy and paper, located in Figueira da Foz and Setúbal, setting international standards for scale and technological sophistication.

The Group pursues an active policy of renewing and improving Portugal's woodlands. Thanks to a major investment project in 2012, in expanding and modernizing its nurseries, it now has Europe's largest nursery for certified forest plants with annual production capacity of 12 million plants.

The Group applies best forestry practices and implements effective plans for wildfire protection and defence and biodiversity management, two of the cornerstones of its forestry policy. The forests managed by the Group represent an important carbon sink, helping to reduce greenhouse gases in the atmosphere.

Sustainable woodlands management is one of the Group's strategic concerns. As one of the leading players in the eucalyptus forestry sector, the Group is responsible for management of approximately 120 thousand hectares of forest, and was the first organization in Portugal to obtain certification under the international FSC and PEFC systems.

The Group has been a driving force behind the expansion of the forest certification process in Portugal, in view of the benefits offered by modern management techniques in the sector and as a sine qua non for the competitiveness of the country's forestry products on international markets. These efforts have involved cooperation agreements signed with forestry producer organizations and awareness raising campaigns aimed at landowners. Significantly, the Group has pioneered the payment of a cash premium for certified wood, the first of its kind in the world.

Biodiversity conservation is another area in which the Portucel Group has invested heavily, integrating measures to preserve habitats and species identified in its woodlands holdings into its forest management procedures. The Group's approach to biodiversity issues has in fact been the subject of case studies presented in various national and international publications and has formed one of the central themes of the "New Generation Plantations" project coordinated by WWF International, in which the Group is actively engaged. This type of plantation maintains the integrity of ecosystems and the high conservation value of woodlands, integrating processes for effective participation by the respective stakeholders and contributing to economic growth and job creation.

Committed to diversified use of forests and farmland, the Group operates 37 hectares of vineyards, almost all with mature vines, at its Espirra Estate in Pegões. Using traditional methods rarely seen today, the estate produces a top quality wine from Castelão grapes cultivated in a unique contemporary terroir, earning various international prizes.

The Portucel Group was one of the first Portuguese companies to be invited to join the then newly founded WBCSD – World Business Council for Sustainable Development and, since 1995, has taken an active part in the work of this organization which brings together leading international corporations in its quest to boost awareness and acceptance of sustainable development principles.

The Group was accordingly one of the founders of the SFPI – Sustainable Forest Products Industry programme organized by the WBCSD, and in conjunction with its Portuguese fellow members went on to found BCSD-Portugal, a regional affiliate of the WBCSD network, which boasts a membership including the country's leading corporations and is currently chaired by the Portucel Group.

As part of its policy of social responsibility, the Group invested in 2012 approximately 3 million euros in preventing and fighting wildfires, in what was by far the largest private sector contribution to forestry protection in Portugal. The Group's efforts in this field benefit the country's woodlands in general, as more than 85% of the work by Afocelca, the fire fighting organization to which the Group is the major contributor, has been on land owned by third parties, providing valuable assistance to the National Fire Fighting and Civil Protection Service

In 2012, the Group launched a partnership with the National Firefighting Academy for 'Safe Forest', a pilot scheme designed to provide training for rural communities in prevention and the safe use of fire on farmland. The program received funding and technical support from the Group, permitting the National Firefighting Academy to organize 17 training sessions in 9 pilot municipalities in the districts of Porto, Coimbra and Lisbon: Gondomar, Valongo, Paredes, Vila Nova de Poiares, Lousã, Góis, Mafra, Alenquer and Torres Vedras.

In the field of Research & Development the work carried on by RAIZ – *Instituto de Investigação de Floresta e Papel* has supported cutting-edge projects for improving the characteristics of eucalyptus and improving sustainable forestry management practices, ensuring the availability of raw material of a high standard for the manufacture of top quality paper.

One of the key features of the Group's sustainability strategy is its production of renewable energy. The Portucel Group is currently a leading force in this sector and the country's top producer of "green energy" from biomass, accounting for 49% of the power generated from this renewable source in Portugal. In 2012, the total electricity generated by the Group corresponded to almost 4.4% of the country's entire power output.

The Group's commitment to renewable energy sources and best available techniques makes its plants a model of sustainability and eco-efficiency. In addition to increasing their output of renewable energy, the plants are examples of rational energy use and optimized energy efficiency in production processes. The Group's industrial facilities reuse and reclaim more than 85% of the industrial waste produced.

As part of its strategy of international expansion, the Group has pressed ahead in 2012 on its investment project in Mozambique, where it is developing a vertically integrated business model based on establishing forestry plantations, which will later allow for the construction of an industrial complex to produce renewable energy and cellulose pulp, entirely for export.

The Group is responsible for generating skilled employment and specialist professional careers. At the end of the year, it had a direct workforce of 2,275 employees, and as well a much larger volume of indirect employment, especially in the forestry, logistical, engineering and industrial maintenance sectors.

One of the foundation stones of the Portucel Group's development has been its firm commitment to social responsibility, supporting and contributing to a significant range of projects and voluntary schemes to preserve the natural heritage and quality of life of local communities.

The Group has expanded its 'Give a Hand to Nature' programme, designed to raise awareness, especially amongst the young, of the importance of protecting our woodlands and natural environment. A prime example of this work was the educational event held at the Quinta de São Francisco, home to the RAIZ Institute, for 150 primary school children from the areas around the Group's sites in Cacia and Figueira da Foz.

Eager to promote a culture of transparency, dialogue and engagement with local communities, the Group has extended its Open Doors programme (with the slogan: Portugal: Papermakers to the World) to its plant in Figueira da Foz. This programme was aimed in the first place at employees and their families, and at a later stage at leading regional institutions and the general public. The Open Doors programme also went ahead at the Setúbal industrial site.

The Portucel Group has continued its Social Project, a program to help families in need, launched by the Group in partnership with Portuguese charities.

ANALYSIS OF RESULTS

LEADING INDICATORS – IFRS

Million euros	2012	2011	% CHANGE [5] 2012/2011
Total sales	**1,501.6**	1,487.9	0.9%
EBITDA [1]	**385.4**	385.1	0.1%
Operating profits	**286.2**	266.2	7.5%
Financial results	**-16.3**	-16.3	-0.3%
Net earnings	**211.2**	196.3	7.6%
Cash Flow [2]	**310.4**	315.2	-1.5%
Capex	**30.1**	33.0	-2.9
Net debt [3]	**363.6**	463.5	-99.8

	2012	2011
EBITDA / Sales	**25.7%**	25.9%
ROS	**14.1%**	13.2%
ROE	**14.3%**	14.1%
ROCE	**15.1%**	13.5%
Equity ratio	**54.4%**	52.4%
Net Debt / EBITDA [4]	**0.9**	1.2

[1] Operating profits + depreciation + provisions

[2] Net profits + depreciation + provisions

[3] Interest-bearing net debt – liquid assets

[4] EBITDA corresponding to last 12 months

[5] Percentage variation corresponds to figures not rounded up/down

With turnover topping 1.5 billion euros, the Portucel Group recorded in 2012 its highest ever figures for output and paper sales, consolidating its position as Europe's leading manufacturer of uncoated woodfree (UWF) printing and writing paper. The Group's growing turnover has been achieved thanks to strong performance in paper operations, and also to burgeoning returns from the energy sector.

Despite the difficult climate in the world economy and the high level of unemployment recorded throughout the year, with a negative impact on paper consumption, the Group was once again able to increase the quantity of paper sold, breaking through the barrier of 1.5 million tons. This growth, combined with an increase in the average sales price, contributed positively to the excellent performance achieved in paper business. This increase in the Group's average sales price was in contrast with the benchmark index in the paper market, the PIX Copy B, down by around 1%. This was due essentially to changes in the geographical sales mix, combined with more favourable exchange rate trends.

In bleached eucalyptus pulp (BEKP) business, turnover was down by approximately 11%, due largely to the smaller volume of pulp available for sale on the market, as a result of increased paper output and the consequent incorporation of larger quantities of pulp. Prices moved upwards over the year, with the PIX BHKP index (in euros) gaining 0.6%, in line with the Group's average price. This helped to offset the impact of the diminishing volume of pulp sales. As a result, the value of pulp sales in 2012 was down by approximately 10% in comparison with 2011.

The energy business area performed well over the course of 2012, with sales up by around 8% in value, thanks to increased output and rising sale prices; however, business in this sector was hit by steep rises in costs and by the reduction in the tariff applied to power produced through cogeneration by one of the Group's industrial units, under recently published legislation. It should be stressed that the tariffs set by this legislation severely penalize the manufacturers of tradable goods, and are not even sufficient to cover the cost of the gas required to operate the units.

Trends in a certain production costs were positive throughout 2012, in particular as regarded the costs of some of the raw materials and chemicals used. This was nonetheless not enough to offset the sharp hike in power and natural gas costs, up by around 36 million euros, meaning that the Group recorded an overall increase in its production costs.

Logistics costs also worsened, due to wider dispersal of points of sale, rising fuel prices, reduced availability of means of transport (due to changes in import and export flows) and exchange rate variations, which were detrimental for this item. The increase in logistics costs was significantly exacerbated by the dock workers' strikes that disrupted operations at the ports of Lisbon, Setúbal, Figueira da Foz and Aveiro over the last five months of the year.

In this context, consolidated EBITDA stood at 385.4 million euros, close to the figure recorded in 2011 and resulting in an EBITDA / Sales margin of 25.7%, down 0.2 percentage points on the margin recorded in the previous year.

Operating results stood at 286.2 million euros, up by 7.5% on 2011, having been favourably influenced by the reversal of provisions of approximately 15 million euros, as well as by a reduction in the value of depreciation over the period, due to the normal life cycle of industrial assets.

The Group recorded a financial loss of 16.3 million euros, in line with that recorded in 2011. This was due essentially to a significant reduction in borrowing rates over the year, which to a certain extent countered the effect of the reduction in the Group's net debt, and to the negative result from currency hedges.

As a result, the Group closed the financial year of 2012 with a consolidated net profit of 211.2 million euros, representing growth of 7.6% in relation to the previous year.

FINANCIAL SITUATION

Interest-bearing net debt stood at 363.6 million euros at year-end 2012, down by 99.8 million euros from the end of 2011. This significant reduction in net debt reflects the Group's excellent capacity to generate cash flow, in a year when cash generation was held in check by efforts to step up support to raw material suppliers, by disbursement of the final payments on capital projects from previous periods and the adoption of supplier payment practices which take into account the current difficulties they face in obtaining bank credit.

Financial autonomy stood at 54.4% at the end of December and the ratio of Net Debt to EBITDA improved to 0.9.

At 31 December 2012, the Group's long term debt stood at 473.3 million euros, whilst debt maturing in less than one year totalled 219.7 million euros. This short-term borrowing includes the Portucel 2005/2013 bond issue, with a value of 200 million euros, due to be repaid in May 2013. The Group enjoys a comfortable level of liquidity, which will allow it to meet its commitments.

INTEREST-BEARING DEBT

Figures in Euros	DEC 2012	DEC 2011
Non current		
Borrowing - bonds	200,000,000	400,000,000
Long term bank borrowing	274,345,238	169,047,619
Total gross non-current debt	474,345,238	569,047,619
Issue and borrowing charges	-1,085,365	-2,234,589
Total net non-current debt	473,259,873	566,813,031
Current		
Borrowing - bonds	200,000,000	150,000,000
Short term bank borrowing	19,744,522	14,085,292
Total net current debt	219,744,522	164,085,292
Total interest-bearing debt	693,004,395	730,898,323
Cash and banks		
Cash	67,214	48,230
Sight deposits with banks	6,001,235	7,103,485
Other short-term investments	323,300,000	260,280,000
Total cash and banks	329,368,449	267,431,715
Total net debt	363,635,946	463,466,608

DEVELOPMENT

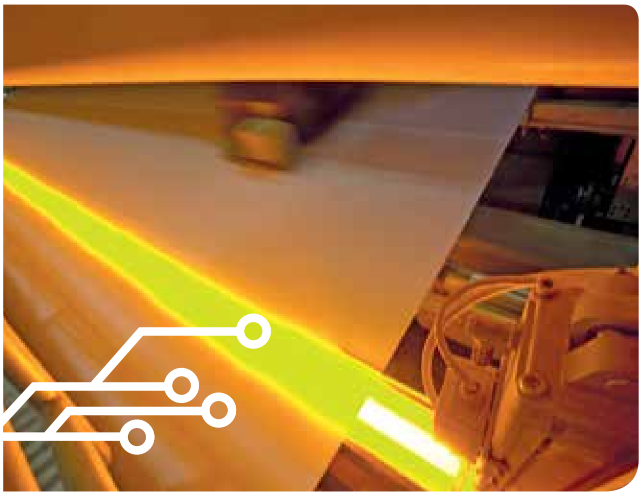
The Group has continued to advance with the first phase of its investment project in Mozambique consisting, as previously reported, of developing a forestry operation and constructing a pulp mill and power generation facility. Early results have been highly encouraging, especially from the field trials for selecting the plant materials with the best potential and for testing forestry models. This should make it possible to expand the scale of the forestry operation sooner than originally anticipated.

In the field of logistics, studies are being conducted to determine the feasibility of the different alternatives for bringing in raw materials and other factors of production, and for dispatching BEKP. This phase is expected to continue into next year.

In Portugal, the Group has followed up its investment in modernizing and doubling the capacity of its Espirra nurseries by successfully concluding its first production season for cloned eucalyptus saplings since the completion of the project, which will allow the Group, for the first time in its history, to produce in the order of six million cloned plants. This will enable the Group to make better use of its plantations and to provide high-quality, certified genetic materials for organizations of Portuguese forestry producers, with significant benefits for the sector's yields and the returns enjoyed by forestry operators.

With the conclusion of this capital project, the Group now owns the largest nurseries for certified forest plants in Europe, with annual production capacity of 12 million plants.

Another important area in the Group's strategy is centred on certification of forestry management, which it pioneered in Portugal. In 2012, the Group successfully renewed its forest management certification under the strict FSC and PEFC systems, bearing witness to its efforts and investment in implementing best forestry practise, biodiversity management plans and its plans for preventing and fighting forest fires. In its continued efforts to help other forestry producers and land owners to achieve certification, the Group again took part in local initiatives to promote these certification schemes and renewed its support to leading organizations in the sector.



The Group pressed ahead with its forestation plan in 2012, as well as a range of maintenance activities to protect its forestry holdings. In terms of protection against forest fires, the 2012 season was closed with positive results overall. The resources mobilized to prevent and help fight forest fires proved effective, and despite the adverse meteorological conditions experienced, the area of woodland lost to fire was relatively small, and in line with that recorded in recent years. We should stress that the overwhelming majority of the incidents – more than 85% - to which our resources responded occurred on the property of third parties, illustrating the support provided to the national forest fire protection system. This summer season once again proved that professional and certified forest management is the best defence against the scourge of wildfires.

In the field of forest fire prevention, we should also draw attention to the Group's participation in the program organized by MIT (Massachusetts Institute of Technology) Portugal, with work continuing in 2012 on the Fire-Engine project (Flexible Design of Forest Fire Management Systems). The models for supporting public policy making and management of fire protection systems produced through this partnership between the Portucel Group and MIT will be available for adoption by Portuguese institutions.

RISK MANAGEMENT

The Group's operations are exposed to a variety of financial risk factors, chief amongst which are exchange rate risk, pulp price risk, interest rate risk, credit risk and liquidity risk. The Group operates a programme for managing the main risk factors, monitoring the markets and seeking to minimize the potential adverse effects on its financial performance.

EXCHANGE RATE RISK

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

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

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

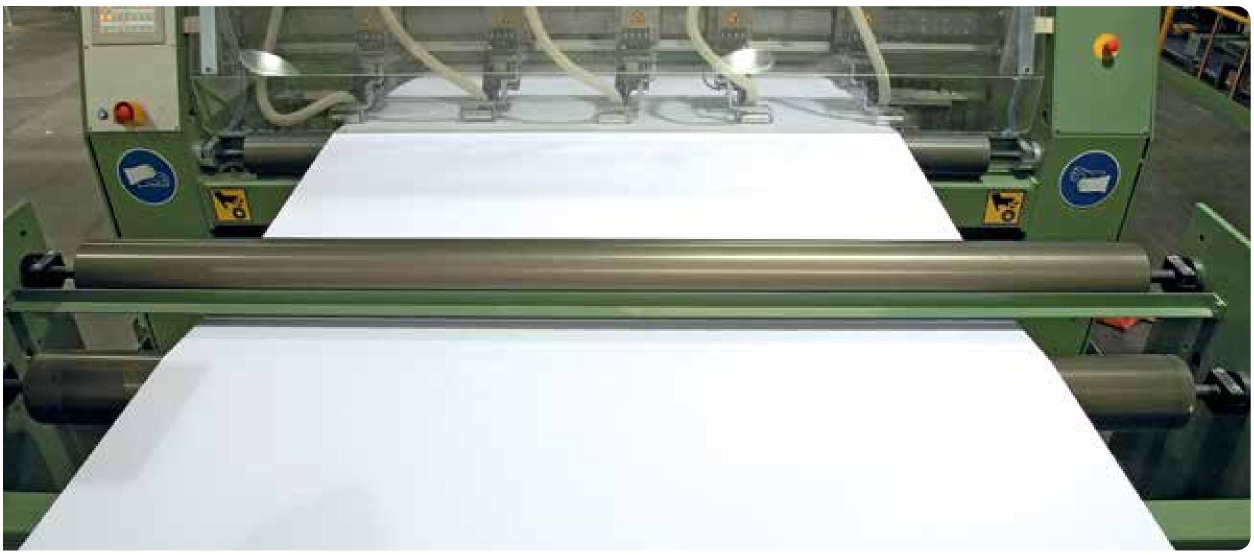
In addition, when the Group makes a sale in a non-Euro currency, it runs an exchange rate risk until the receipt or payment of this sale or purchase, unless it takes out hedges for this risk. This means that, at any given time, its assets include a significant sum in receivables exposed to exchange rate risks, as well as a set of payables, albeit smaller in scale, with the same exposure.

The Group has a commercial subsidiary in the US, Portucel Soporcel North America, with equity of approximately USD 25 million, exposed to exchange rate risk. Other than this operation, the Group has no investments in materially relevant operations abroad with net assets exposed to exchange rate risks.

Occasionally, and as it sees fit, the Group has recourse to derivatives to manage its exchange rate risk, in keeping with a policy which is reviewed from time to time and designed to limit the foreign exchange exposure associated with future sales and purchases, receivables, payables and other assets denominated in non-euro currencies.

During the second half of 2011 and the first half of 2012, the Group took out a set of hedges to cover its net exchange rate exposure on sales estimated in USD for 2012. The derivatives contracted were zero cost collars, with a total value of USD 179.5 million, maturing by 31 December 2012. These instruments, with monthly maturities, recorded a negative result of 495 thousand euros.

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



In order to hedge its foreign exchange exposure on the equity of its commercial subsidiary in the US, the Group renegotiated during the course of 2012 the foreign exchange forward it had contracted in 2011.

PULP PRICE RISK

In order to reduce the risk associated with fluctuations in pulp prices, the Group took out a hedge in late 2012 for some of its sales to be made in 2014, allowing it to contain the effect of price volatility within a given range.

INTEREST RATE RISK

The cost of the financial borrowing contracted by the Group is indexed to short term reference rates, reviewed at intervals of less than one year (generally six months for medium and long term debt), plus risk premiums as negotiated from time to time. This means that variations in interest rates can affect the Group's results.

The Group has made use of derivatives, in the form of interest rate swaps, in order to fix the interest rate on its borrowing, within given parameters. Towards the end of 2012, the Group contracted a swap with a value of 125 million euros to cover the interest on a commercial paper issue made at the same time. The swap matures in November 2015.

CREDIT RISK

The Group is subject to risk on the credit it grants to customers, and has adopted a policy of managing this exposure by keeping it within set levels, through the negotiation of credit insurance with an independent specialist insurer.

Sales which are not covered by credit insurance are covered by bank guarantees or documentary credits and any unhedged exposure has remained within the reasonable limits approved by the Executive Board.

As a result of the strict credit control policy followed by the Group, bad debts recorded in 2012 were negligible.

LIQUIDITY RISK

In view of the medium/long term nature of its investments, the Group has sought to structure its debt in a form that matches the maturity of the associated assets, for this reason seeking to contract long term finance, and to refinance short term debt.

As stated above, at year-end 2012, the Group had gross long-term-borrowing of 473.3 million euros and debt maturing in less than one year of 219.7 million euros. This short-term liability is easily covered by surplus cash flow accrued by the company and credit facilities contracted but not used, meaning that the Group enjoys a very comfortable liquidity position.

Considering the structure of the debt contracted by the Group, with maturities matching the assets being financed, the Group is confident it has assured the capacity to generate the future cash flows needed to discharge its liabilities, to guarantee capital expenditure in line with its medium/long term plans and to provide shareholders with returns at the levels traditionally provided by the Company.

CAPITAL MARKETS AND SHARE PRICE PERFORMANCE


+7.6%
NET INCOME RISES TO 211.2 M€

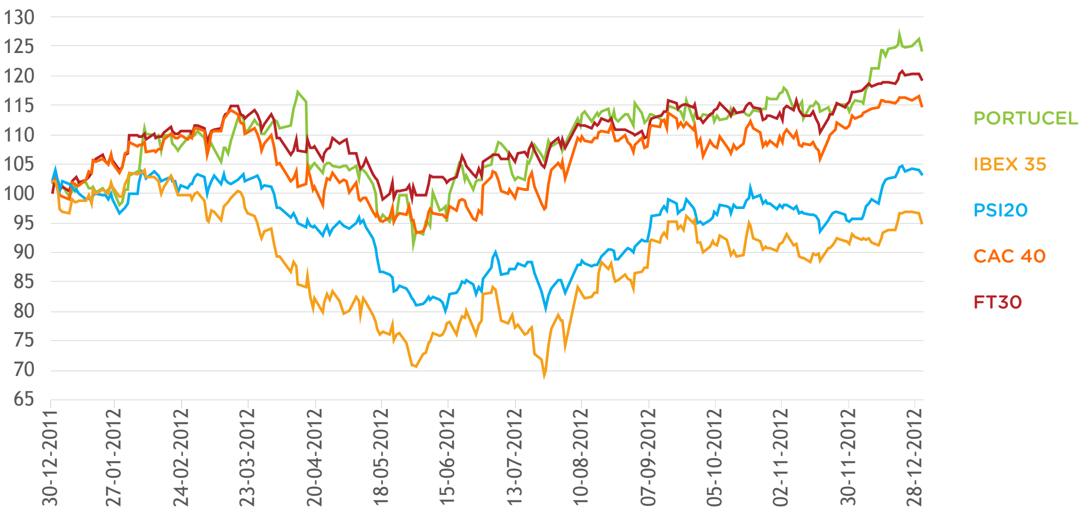
CAPITAL MARKETS

After the financial year of 2011, which was particularly difficult for most markets, 2012 proved to be a year of recovery, with investors returning to the equity markets. The main European markets recorded significant gains, in particular towards the end of the year, with the largest gains in Frankfurt (up 29.1%), and strong performance also in the FTSE (up by 18.7%) and the CAC40 (up by 15.2%). Performance in the Portuguese index fell short of the level recorded by other European markets, although it managed to outshine the Madrid market index, which ended the year down by 4.7%. After losing almost 15% over the first half of the year, the PSI20 rallied significantly in the second half, and ended the year up by 2.9%.

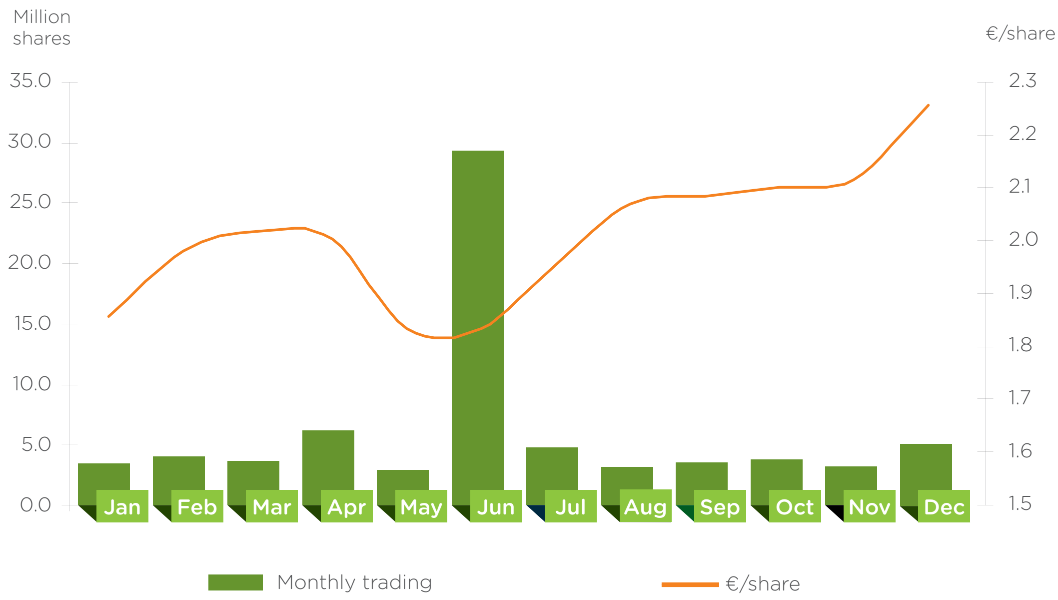
Despite uncertainty as to the prospects for the pulp and paper sector in 2012, the year provided good news for the industry, with pulp prices rising almost 18% and paper prices holding out against the gloomy economic environment. As a result, the shares of leading companies in the sector performed well and all recorded significant gains, partially recouping the losses suffered in 2011. Most pulp manufacturers recorded strong gains in their share price.

Up in value by 24%, Portucel shares clearly outperformed the Portuguese market index, and also compared favourably with most of the other indexes considered. The shares enjoyed excellent performance in the second half of the year, and especially in December, when Portucel shares gained around 7.5%. Average monthly trading stood at approximately 4 million shares, well down on the level of trading recorded in 2011. As duly disclosed to the market at the time, Portucel acquired approximately 24.85 million own shares at the end of the June, giving it a total of 47.4 million shares, representing 6.17% of its share capital.

PORTUCEL VS. EUROPEAN INDEXES IN 2012
(30-12-2011 = 100)



AVERAGE PRICE AND TRADING IN PORTUCEL SHARES IN 2012



MARKET PERFORMANCE

+4%

NAVIGATOR, THE BENCHMARK
PREMIUM BRAND, PUSHES SALES
UP TO NEW LEVELS WORLDWIDE

ECONOMIC ENVIRONMENT

The world economy slowed again in 2012, although the pattern of growth differed significantly from region to region: in the advanced economies, growth in Gross Domestic Product remained either weak or negative, whilst the emerging and developing economies, if slightly less ebullient than in the previous year, achieved growth at comparatively more robust levels.

International trade flows slowed significantly in 2012, reflecting the significant extent to which the global economy is exposed to trends in the more developed regions.

The international business climate once again featured high levels of uncertainty, visible in the continued volatility of the financial markets, in the erosion of business confidence and the consequent deferment of economic recovery on a global scale. Dwindling confidence - associated with uncertainty about the outcome of the public debt crisis in the euro zone and persistent doubts about the resolution of major fiscal issues in the USA - has critically undermined the prospects for growth worldwide.

The euro zone, which includes the Group's most significant markets, found itself centre stage in the economic and financial crisis. In a contractionary context, characterized by a broad process of reduction in the levels of public and private sector debt, which had been shown to be excessive, efforts intensified to consolidate budgets. This process was observed throughout the zone, but most significantly in the countries which have reached agreement with the European Union, the ECB and the IMF to correct imbalances in their public and foreign accounts. This process of procyclical adjustment naturally contributed to a deepening of the recession: the outlying countries recorded significant drops in GDP and a substantial increase in unemployment (exacerbating the reduction in consumer spending and adding to the lack of confidence).

The sovereign debt crisis has been prolonged in part because of the difficulty of shaping a coordinated and prompt European response, and also due to continuing doubts as to the willingness of national authorities to implement the policies needed to resolve the problems and the ability of some countries to meet the budget targets, in a recessionary environment. At the same time, the ECB has responded to the economic recession by adopting an expansionist monetary policy, but the perception of high risk levels in the outlying countries means that these economies continued to operate within a more restrictive financial environment: private sector borrowing costs remained extremely high, practically unaffected by the rate changes announced by the ECB or by the drop in the Euribor rate to all-time lows.

Nonetheless, the European authorities took important steps in the second half of the year, seeking to restore investor confidence and contributing to an appreciable improvement in risk perception on the financial markets. These developments included the decisions of the European Council to create a banking union and the ECB's declaration that it was prepared to do whatever it takes, within the scope of its mandate, to save the Euro. Lower spreads on issues of sovereign debt by outlying countries, particularly towards the end of the year, offered a positive sign that the markets were evolving towards normality.

In Portugal, the process of adjusting the economy continued, along the lines established in the programme of economic and financial aid. This took place within an extremely restrictive monetary and financial environment, in which budgetary policy remained wedded to contractionary aims.

This context, combined with high levels of economic and social uncertainty, severely inhibited economic growth, resulting in a sharp drop in output (- 3.5%) and unprecedented levels of unemployment (over 16%).

Linked to the high costs resulting from the worsening economic situation, in line with the recessionary cycle, some progress was observed in the process of adjustment, in particular in current and capital account balances, with growing exports and a sharp reduction in imports. At the same time, perception amongst international investor of the risk of the Portuguese economy showed signs of improvement.

The US economy showed signs of an upturn, despite relatively modest growth (slightly above 2%), held down by the deleveraging process under way. Although far from full employment, the jobless rate (7.8% at the end of 2012) compares very favourably with that recorded in Europe. Questions about the credibility of budgetary policy - after a limited period of expansionist policies - and the corresponding sustainability of the level of federal debt continue to hold back the prospects for growth in the US economy.

Economic growth in Asia was significantly curbed, with a drop in external demand (the knock-on effect from the developed economies) and slower rates of growth in the Chinese economy (but still above 7%).

At a structurally different level, the Japanese economy showed signs of renewal, with growth of more than 2%, benefiting from reconstruction efforts during the first half of the year.

Latin America experienced a significant slowdown in economic growth, one of the crucial factors behind which was the less favourable trend in external demand, due in particular to the slowing of the European economy.

UWF PAPER

The European and North American markets account for 45% of the total volume of the world market for uncoated woodfree (UWF) paper. It follows from this that sluggish economic growth in the US and recession in Europe has lowered the overall demand for UWF paper, with consumption in these two regions estimated to be down by around 3.5% on 2011.

Despite this gloomy economic climate in Europe, reflected in rising levels of unemployment, which is a crucial factor for the consumption of office paper, demand for this product continued to prove resilient, as in previous years, down by an estimated 1.5% on 2011, outperforming all other types of printing paper.

The European paper industry again felt the beneficial impact in 2012 of the 7% reduction in production capacity due to closures in the previous year by some of our competitors. This helped to balance the market and allowed the industry to operate at 93% of its total capacity, up by 3 percentage points on 2011. In the US,

the capacity utilization rate in the industry improved by one percentage point, to 91%.

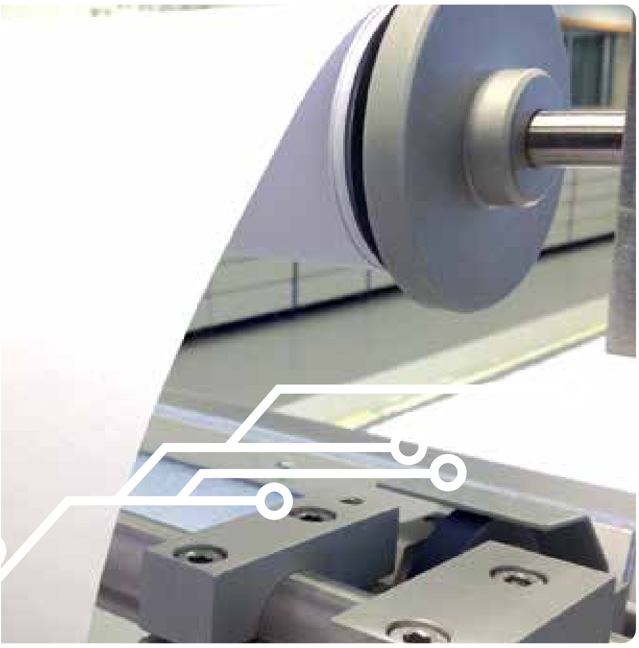
On average, the US dollar was 8% stronger against the euro in relation to 2011, although it ended the year 9% down from its highest point against the euro, recorded during the summer.

The combination of the exchange rate situation and trends in demand in different geographical regions resulted in a reduction in UWF imports into the European market and stabilization in the quantities exported, despite the reduction of 7% in the industry's production capacity. Markets in Africa and the Middle East strengthened their position as a prime destination for European exports.

The Portucel Group recorded its all-time highest figures for output and sales in 2012, as well as for quantities sold on the European markets, which grew by 4% in relation to 2011. The Group's average sale price for paper rose by approximately 1%, in contrast to a reduction of nearly 1% in the benchmark index for the sector, Copy B, published by FOEX. The Group succeeded in bucking the industry trend thanks to a better geographical mix in its sales and the positive exchange rate effect.

As a result, the Group continued to expand its penetration in the European market and increased its market share by a further 85 thousand tons, giving it a total share in UWF of 17%, rising to over 20% for sheeted products (office paper and paper for the printing industry).

The Group's prime focus in sales is on premium segments, in view of the perceived quality of its products and the positioning of its brands. The economic and financial situation, particularly in southern Europe, where the Group enjoys a strong position in the UWF market, has resulted in a degree of downgrading in the quality sought by consumers, and a reduction in total consumption.



Mill brands are another key element of the Group's sales strategy, and trends in this area were also positive in relation to 2011. These brands continue to dominate the business mix, to an extent unmatched by other manufacturers of this size. In particular, the Group's top premium brand, Navigator, achieved new sales records around the world, growing by 4% in relation to 2011.

Changes in the geographical mix and strong inflationary pressures in the logistical sector resulted in sharply rising transport costs.

Lastly, we should point to the problems caused by the tight restrictions on credit throughout the paper distribution channels, creating an added difficulty and requiring special attention to be paid to credit risk. The Portucel Group has once again been successful in managing its exposure in this area.

BRANDING

Over the course of the year, the Portucel Group continued to invest in the growth of its own brands as the cornerstone of its sales strategy. As a result, these brands accounted for more than 62% of its total sales of sheeted products.

Crucially important to the success of this strategy was the launch of new products, in the Group's various brand ranges, allowing it to reach new segments of consumers, and helping to increase sales in all its brands.

The Group's brands for the printing industry, Soporset and Inaset, were also centre stage at the world's leading trade fair for the sector, in Düsseldorf, an event held every four years. Both brands took advantage of the latest technological developments in digital printing to position themselves in this segment, earning recognition for their excellent quality, even in the toughest assignments.

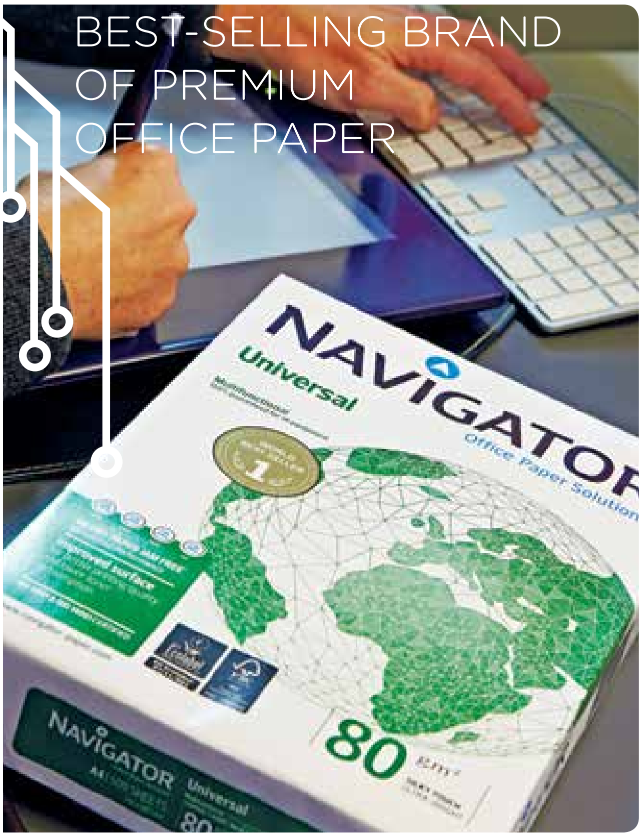
THE PORTUCEL GROUP HAS CONTINUED TO INVEST IN GROWING ITS OWN BRANDS www.navigator-paper.com

The Navigator brand, the world's best selling brand of premium office paper, consolidated its leadership status over the course of 2012 by recording growth of 4% in sales.

Another innovative product was launched during the year, developed specifically for student consumers. Navigator Students was placed on the Portuguese market from July to October, responding to the growing need of younger consumers to purchase quality products at a competitive price.

The product was made available through Portugal's mains retail chains and promoted by a campaign inviting users to visit the brand's Facebook page, where they had the chance to win prizes. This promotion attracted several thousand participants.

THE WORLD'S BEST-SELLING BRAND OF PREMIUM OFFICE PAPER



In the US market, the brand also launched Navigator Eco-Logical 18lb, a product whose special feature is that it assures a standard of performance superior to that of competing 20lb papers, despite a grammage below the market standard.

Using a lower grammage also means less waste, making Navigator Eco-Logical an environmentally responsible printing solution, at the same time as maintaining high standards of performance.

In addition, the use of *Eucalyptus globulus* fibre means that better use is made of natural resources, insofar as a better yield is obtained from the wood used to manufacture it, in comparison with products made using fibre from other tree species.

Significantly, the Navigator brand's attributes have been repeatedly acknowledged by consumers and reflected in the findings of independent research. In the Brand Equity Tracking Survey – Office Paper, conducted in 2011 by Opticom International Research AB, Navigator recorded outstanding results on all assessment counts – awareness, quality perception and loyalty – and was classified as the office paper mill brand with the greatest brand equity. It was also the fastest growing brand since 2005, leaping from 7th to 2nd position in the European ranking of office paper brands with the best Brand Equity Index (BEI).

Another study conducted annually by EMGE – Paper Industry Consultants in the wholesale/retail sector confirms Navigator as the leading European brand, in terms of both spontaneous awareness and brand performance, obtained from the weighted average of various technical and marketing attributes. This was in fact the 7th time running that Navigator was named as the leading brand in terms of awareness in Western Europe.

This exceptional performance over recent years has earned Navigator the title of "World Best Selling Premium Office Paper ", with sales in more than 90 countries.

The Navigator brand is also available in printing format for pre-printing applications (such as stationery) and also in reels and envelopes.

All this combines to make it a fully integrated communication solution for any business.

DISCOVERY
The next generation of Office Papers

www.discovery-paper.com

Discovery is a paper brand which combines superb performance with excellent environmental credentials - eco-efficiency - thanks to a concept of reduced grammage.

Top quality raw materials and cutting-edge technology come together in Discovery to produce a lightweight paper, but one offering superior, jam-free performance, even in the most demanding equipment.

Discovery enables consumers to show they are serious about the environment, because more paper can be produced from the same quantity of raw materials, in comparison with traditional 80g/m^2 papers.

Investment in the production process over recent years has generated significant efficiency gains in water and energy consumption, CO_2 emissions and fuel use, making this more than ever a green-friendly brand.

Overall sales figures in 2012 point to a year of consolidation, with certain European markets recording significant growth. These markets have shown themselves to be increasingly receptive to the brand's innovative concept, recognizing its excellent quality standards.

EXCELLENT
PERFORMANCE WITH STRONG GREEN CREDENTIALS

Pioneer™

get inspired

www.pioneer-paper.com
www.pioneer-graphic.com
www.pioneer-digital.com

In the course of 2012, the Pioneer brand of premium office paper consolidated the launch of Pioneer Fresh Inspiration 75g/m^2, a low-grammage paper which maintains the high quality standards associated with the brand. This product offers clear environmental benefits, a factor which has refreshed and energized the brand image.

Pioneer Fresh Inspiration has been designed to satisfy consumers with a new approach to existing resources. The marketing claim "do more with less" ties in with the philosophy of women looking to enjoy life with a positive attitude and a high degree of environmental awareness, women who want to make the most of natural resources.

As in the rest of the range, the packaging for Pioneer Fresh Inspiration features a reference to the brand's partnership with the breast cancer charity, *Associação Laço*, as part of the brand's policy of social responsibility, geared to the life experiences of its target group.

All products in the Pioneer office paper range carry the FSCTM stamp of approval, and in 2012 the FSC certification was extended to cover all European countries. The Ecolabel is also displayed by the great majority of products in this range.

The Pioneer Graphic range, with features developed

6% GROWTH IN SALES VOLUMES

to meet the needs of printers and designers, reflects a commitment to satisfying the requirements of the printing industry.

Like the office range, these printing papers are also marketed using an original and sophisticated positioning and communication, and have established themselves as a benchmark for the main European ranges of UWF paper.

In 2012 Pioneer launched the Digital Inspiration concept, which combines all the brand's benefits in a single solution for communication and persuasion, tailored to the needs of digital printing.

This concept retains the feminine positioning of the brand, whilst gearing itself in particular to dynamic urban women who engage positively with new technologies, reflecting the application of Pioneer paper to the full range of digital printing technologies.

The Pioneer brand is distributed to a broad geographical base taking in some 50 countries, contributing significantly to the development of the brand, which recorded growth of 6% in quantities sold in the office paper segment in 2012.

Inacopia

Printing Quality since 1982

www.inacopia-paper.com

Inacopia was the first office paper in the world produced entirely from *Eucalyptus globulus* pulp, and is today a well established brand with a reputation for high quality standards.

With a vast range including a line of premium quality products and another of standard quality products, Inacopia offers a solution for each type of application, depending on the document and printing equipment requirements.

The brand celebrated its 30th anniversary in 2012, giving it one of the longest track records in the world of any brand in the office paper segment.

FIRST OFFICE PAPER

IN THE WORLD PRODUCED ENTIRELY FROM THE PULP OF *EUCALYPTUS GLOBULUS*

target

READY
TO PRINT

www.target-paper.com

The Target brand offers a range aimed at consumers seeking to achieve maximum impact with their ideas, through the quality of the documents used to deliver their message.

By positioning itself as a ready-to-print product, with a full range of office paper types for different end uses, Target has gained an outstanding reputation as an all-round paper solution. In the office paper segment, the range includes paper for colour-intensive applications (Target Personal), internal corporate applications (Target Corporate) and document production (Target Professional).

In 2012, the brand built up the market position enjoyed by Target Personal 160g/m^2 and Target Professional 70g/m^2, products which reach out to a new segment of consumers, thanks to superb quality in special applications with colour and in high-volume applications, and also due to its lower grammage, offering benefits in terms of both performance and green credentials.

For the printing segment, the range also offers two high quality products: Target Plus Offset and Target Plus Preprint, with a generous range of grammages and formats.

In 2012, the brand recorded growth of around 38% in sales, thanks to a distribution base covering more than 40 countries.

38%
GROWTH IN SALES

www.soporset.com

The Soporset brand is the Portucel group's leading printing sector brand, and the European leader in the premium uncoated offset and pre-print papers. The brand concept is based on combining excellent performance, the brand's central selling point, with a fresh approach to technology and the environment.

Sold to some 80 countries, Soporset has consolidated its position as market leader in its segment, with impressive 9% growth in sales on the American market in 2012.

Its leadership position has been widely corroborated by market research, attesting to its excellent performance, printing quality and the awareness levels enjoyed by the entire Sorporset brand, which is the premium offset brand most frequently used in the European printing trade.

The Soporset brand consists of Soporset Premium Offset and Soporset Premium Pre-print, both available in a range of formats and grammages.

Soporset Premium Pre-print was designed to serve the needs of stationery pre-printed on offset machines (invoices, letters, bank statements, fax cover sheets, debit and credit notes), which is subsequently personalized by laser or inkjet printing, and also for digital printing. Presenting superb whiteness, this product assures excellent printing contrast and vibrant colour reproduction.

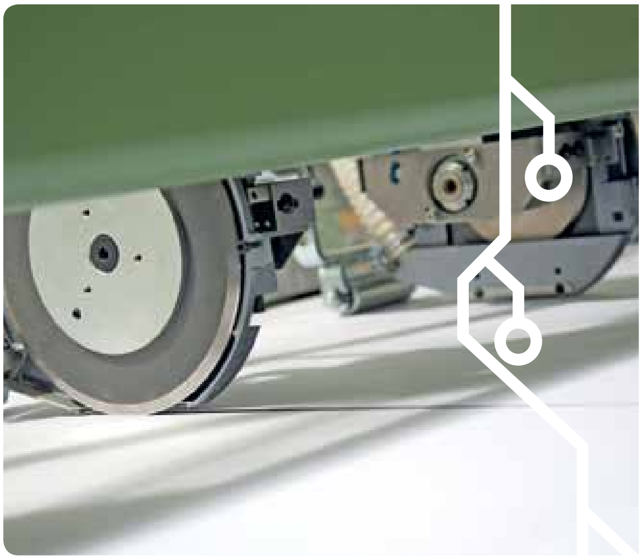
Soporset Premium Offset is a top quality offset paper, with high levels of opacity, smoothness and thickness, designed to provide consistently high standards of printing performance and quality, making it the ideal choice for printing jobs such as books, brochures, calendars, diaries, manuals, leaflets and notebooks.

In 2012, the brand invested heavily in the potential of digital printing, developing communication materials which focussed on this topic, including brand presentations, brochures and leaflets. A special digital printing area was also created in the brand website, providing full details of the process using this printing technology and the potential of the Soporset range in this type of application.

HIGH QUALITY
OFFSET
PAPER SOLD TO
AROUND 80 COUNTRIES

INASET
Sublime Paper

www.inaset-paper.com



Tradition, experience and trust are the three central values around which the Inaset brand is positioned, combining the tradition of a pioneering brand with the spirit of innovation. The brand has stayed true to this tradition for more than three decades, making it a benchmark for leading offset papers around the world.

At a time when the European printing market has suffered severe contraction, Inaset has maintained its client base, thanks to its continuing appeal to quality printers and end consumers looking for paper with the best features to deliver their message to the market.

A BENCHMARK FOR THE WORLD
BEST OFFSET PAPERS

explorer®

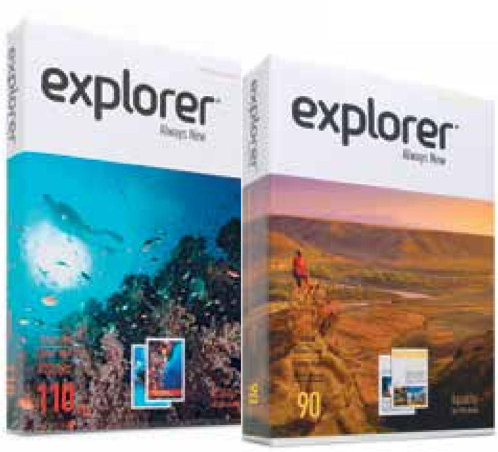
www.explorer-paper.com

Explorer paper guarantees first-rate results, in both printing quality and performance, especially in documents with intensive colour use, making for more effective communication and a guaranteed impact on readers. Users can enjoy a multi-purpose paper product with excellent opacity, whiteness and softness, making it the right choice for top-level documents.

In 2012 the brand launched a new product in the Explorer office paper range - Explorer iLight 75g/m^2. Despite being 5 grammes lighter, meaning that fewer raw material is needed to produce the same number of sheets, it is comparable in printing quality and runnability to other 80g/m^2 premium papers available on the market.

With the slogan "Enjoy outdoor living. Dare to be different! ", Explorer iLight 75g/m^2 was designed for young consumers with an active lifestyle and open minds, reflecting the underlying concept for the Explorer brand, associated with the challenged of outdoor adventure sports.

With a rapidly expanding distribution network, the Explorer brand achieved 18% growth in sales in relation to 2011, and invested in revamping its



website. As well as including the new Explorer iLight 75g/m^2, the website now features a specific separator for the brand's printing products: Explorer Premium Pre-print and Explorer Premium Offset, available in the wide range of grammages and formats.

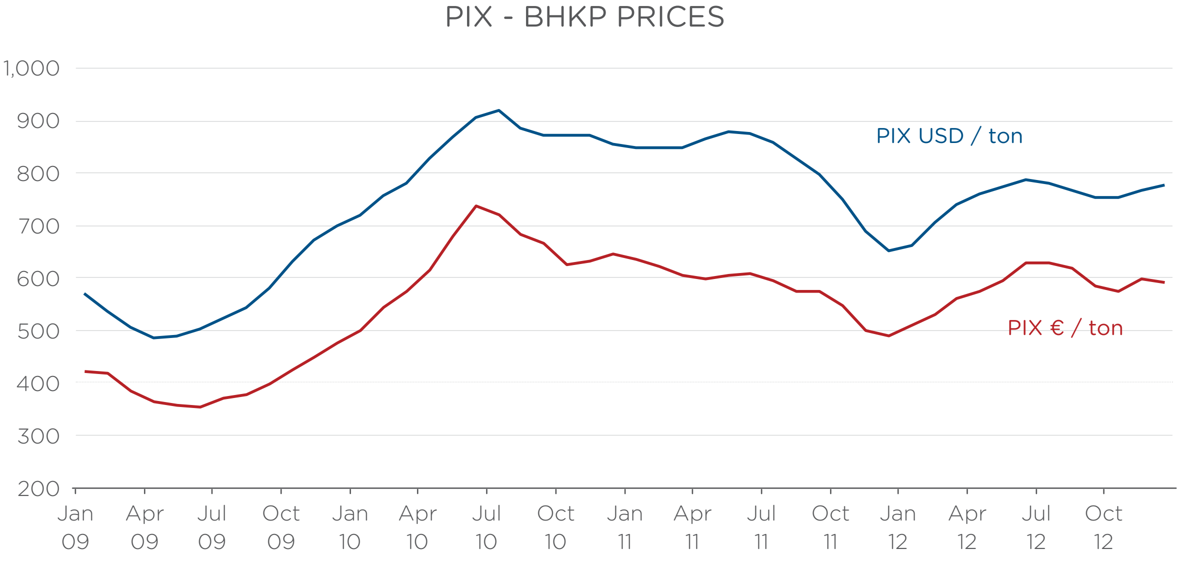
A specific area has also been designed for digital printing, which adds further to the potential of the Explorer range as top-quality support for this type of application.

18%

INCREASE IN SALES

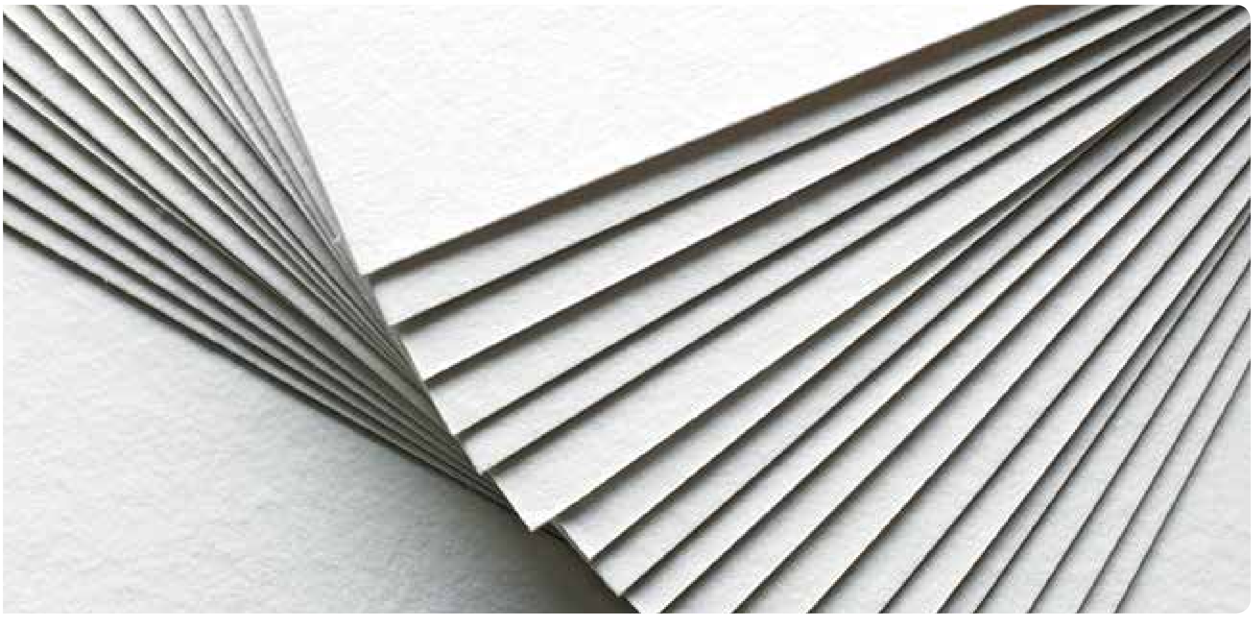
BEKP PULP

After the contraction of the pulp market observed in the 3rd quarter of 2012, caused primarily by the traditional summer slowdown in European markets and the high levels of stocks existing at this time in China, the market recovered again in the 4th quarter. With increases in the PIX price in USD, reflecting a rush of price adjustments announced in October, for both long and short fibre. Due to trends on the foreign exchanges, this increase in USD prices was not fully reflected in prices in Euros, as shown in the following table.



The Chinese market continued to be the single most important driver of demand in the world pulp market. Despite slacker demand in the summer months, this market remained robust throughout 2012, with pulp imports at high levels, higher than in 2011: up by 15.4% overall through to November, at 17% for short fibre and 13.9% for long fibre.

At the same time, the difficult economic situation experienced in certain euro zone countries, combined with a still tentative recovery in the US and poor performance in the Japanese economy, has resulted in a global

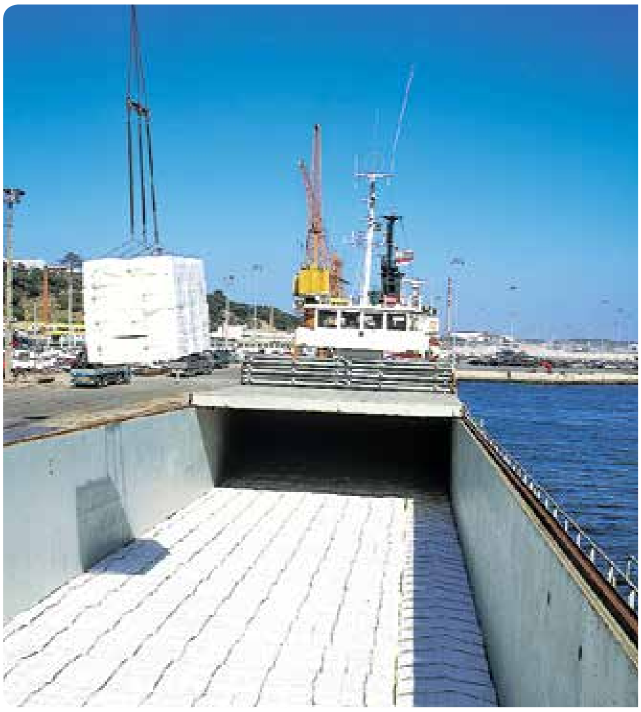


economic slowdown, with repercussions for the paper industry, as well as a degree of instability on the foreign exchanges, as emerging countries, principally geared to exports, devalued their currencies to keep their products competitive. This is the case of major pulp producers such as Brazil, Indonesia and Russia, where manufacturers are not in a situation so favourable to rising prices in USD, as in the recent past.

The Group's BEKP pulp sales in the 4^{th} quarter of 2012 stood at a fairly high level, and sales for the year as a whole were in line with expectations, considering that the Group incorporates an ever greater proportion of its pulp output into paper products.

A breakdown of BEKP pulp sales by paper segment shows that the Group strengthened its position in the special papers segment, which offers the greatest value added, with sales to this segment rising from 57% of total in 2011 to 63% in 2012.

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



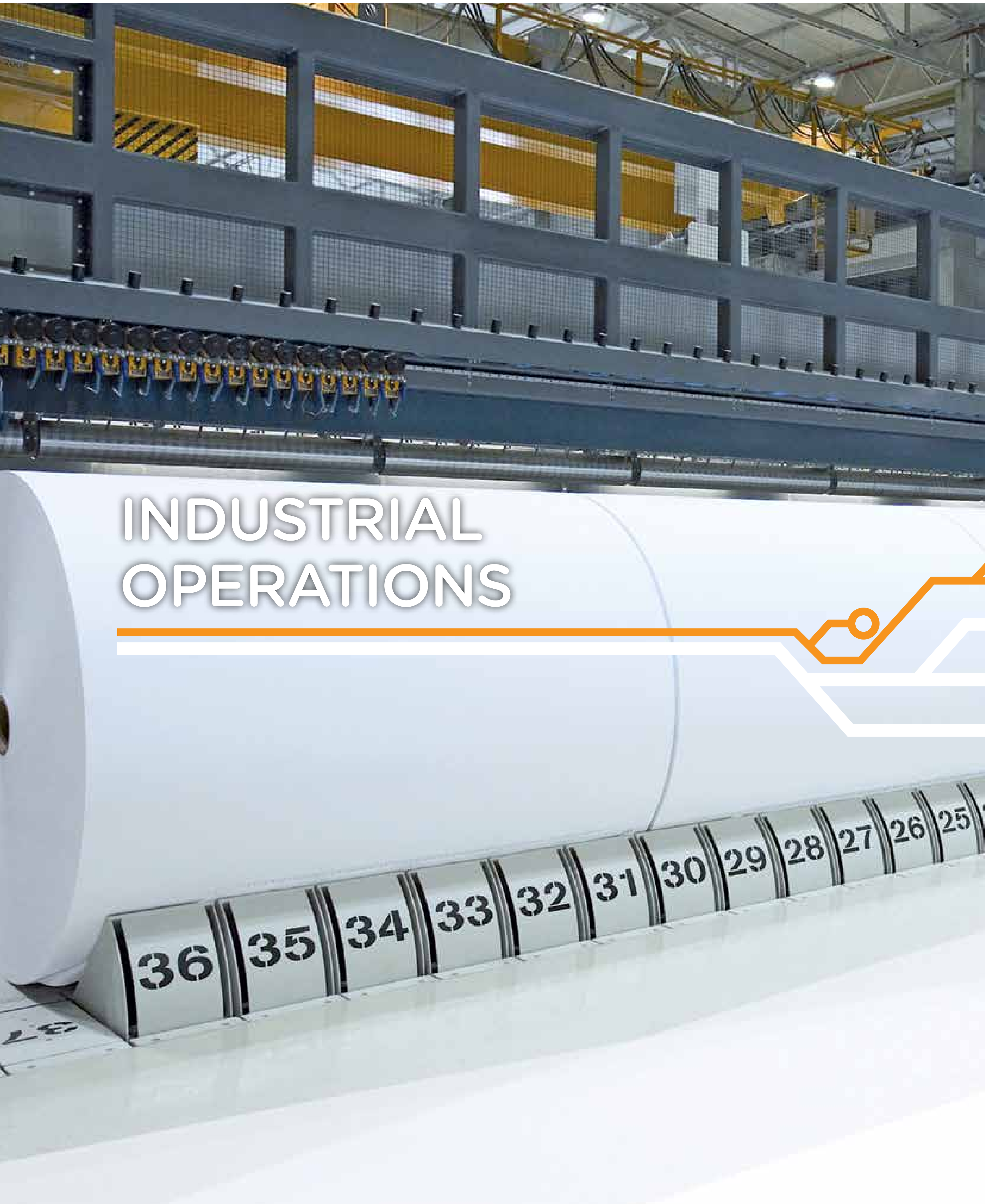
LOGISTICS

The logistical operations carried out by the Portucel Group involved handling approximately 6.6 million tons of goods (inbound and outbound), divided into 2 million tons by sea, 4 million tons by road and 600 thousand tons by rail. In addition, the Group moved 600 thousand tons in secondary road transport to its clients, from logistical platforms in Europe and the US.

The Group sold to 113 countries 2012, placing its products in more than 4,400 locations around the world, and remained committed to developing maritime transport, which accounted for around 58% of primary logistics in the paper business, as well as rail transport and multimodal distribution for exports.

THE GROUP SOLD TO 113 COUNTRIES IN 2012

In the port sector, Portucel Group is the largest exporter of containerized cargo in Portugal, and very probably in the Iberian Peninsula, accounting for around 9% of all containerized cargo exported through Portuguese ports.



INDUSTRIAL OPERATIONS

NEW RECORD LEVELS FOR OUTPUT OF PRINTING AND WRITING PAPERS AT THE GROUP'S INDUSTRIAL FACILITIES

PRODUCTION

The Portucel Group's industrial units again recorded outstanding performance in 2012, improving their production efficiency and consequently breaking some of their previous records for output.

All the plants operated at full production capacity and achieved high levels of efficiency with their equipment, allowing them to equal and even surpass their previous output indicators.

Performance in pulp operations was among the best ever recorded, whilst paper operations, concentrated at the industrial sites in Figueira da Foz and Setúbal, resulted in output at a new all-time high of 1,530 thousand tons of printing and writing paper, making this more than ever the Group's prime area of business. The increase in paper output, in relation to the previous year, resulted from the natural progression in the operations of the new Setúbal paper mill.

The positive performance of the Portucel Group's industrial units can be attributed to the excellence of its production equipment which, combined with careful maintenance and operations, leads to high standards of production efficiency.

The average age of the Group's industrial assets means that efficiency indicators can be kept high with a low level of capital expenditure. As a result, investment is normally directed at increasing production capacity or improving efficiency.

Pulp output at the Setúbal and Figueira da Foz Industrial Complexes stood at levels close to full capacity, and special attention should be drawn to the performance at the Cacia Pulp Mill, which set a new record for output, 2% higher than the best figures achieved in the past.

It should be noted that part of the output from the Cacia Mill is now being integrated in paper production at the other sites, resulting in a gradual decrease in the Portucel Group's exposure to pulp sales on the open market.

The quality of the paper produced is in line with the highest international benchmarks, allowing the Group to enjoy the benefits of growing sales of own-brand premium products on the world's toughest markets.

High performance and quality standards have allowed the Group to manufacture new paper products, tailored to the varying requirements of world markets. In particular, thanks to the advanced technology installed at the new Setúbal Paper Mill, this unit has achieved quality levels which have surpassed the most ambitious expectations.

Efficiency has been achieved in production thanks to a constant quest for fresh reductions in the specific consumption of products and raw materials, and the Group has been successful in achieving major efficiencies in the consumption of chemicals and reduced energy use. In this field, the Group

has adopted ever-cleaner technologies, based on renewable fuels and natural gas, reducing its dependence on fossil fuels. The consumption of fuel oil in the Portucel Group is now close to negligible.

Importantly, cost savings have been achieved in the purchasing of raw materials and chemicals for pulp production, and energy consumption has been adjusted to the levels of production capacity.

Special reference should be made to consumption of bleaching chemicals at the pulp mills where, thanks to increased operational efficiency in washing, combined with the improved performance of this equipment, significant cuts in consumption have been possible.

In paper production, the Group's excellent energy performance is owed essentially to a reduction in energy consumption, thanks to high levels of production efficiency and up-to-date equipment which makes it possible to optimize our use of this resource.

We may also point to the performance of the natural gas co-generation plant in Setúbal, which set a new record for output, and also to the stable and efficient performance of the Group's biomass power plants, which achieved consistently high standards of performance and efficiency.

The overheads of the Portucel Group's industrial units evolved positively, thanks to the policies and programmes implemented, which have resulted in constant, ongoing reductions.

Maintenance operations at the Group's sites are entrusted to its subsidiary EMA 21 which has achieved high standards of efficiency, breaking records for production equipment uptime whilst performing well in terms of costs.

The LEAN project, designed primarily to improve production and maintenance operations, was completed with great success, resulting in gains of 8.5 million euros over the implementation period.

The project aiming at improved energy efficiency at all Group plants is nearing completion, awaiting merely the physical implementation of some of the investment plans developed. This project has essentially helped to raise even further the Group's already high level of efficiency in energy performance, opening the way to further gains in this area.

The new MEO project was launched during the year at the Group's various plants, with a view to improving operational efficiency through increased integration of the different units, contributing to the transfer of best practices in operation and maintenance. This made it possible to consolidate the results and improvements achieved with the previous LEAN project, helping to disseminate good performance levels and intensifying a number of activities with the potential for achieving fresh efficiency and productivity gains.

CAPITAL EXPENDITURE PROJECTS

The need to consolidate the major industrial investment projects recently implemented has meant that capital expenditure in the Portucel Group has been directed at the specific aims of improving efficiency and productivity, allowing it to overcome constraints on its industrial operations.

Special attention has accordingly been paid to projects for replacing end-of-life equipment, to environmental projects and to others for improving energy efficiency.

In 2012, the Group successfully completed the project for increasing the evaporation capacity at the Figueira da Foz Industrial Complex. The new equipment came online in September with excellent results for the site's energy efficiency.

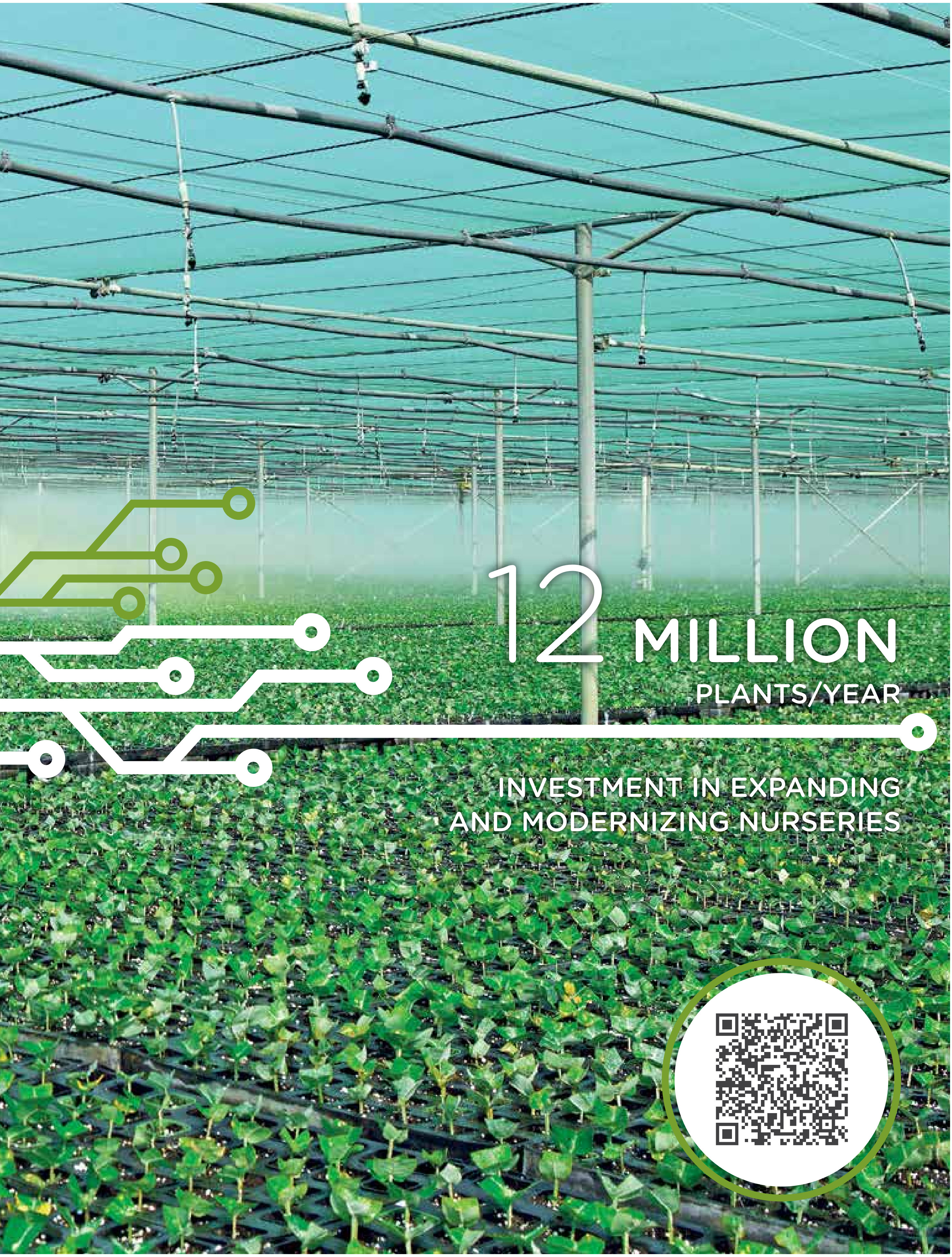
Work was also completed on the project for replacing the furnace and superheaters in the biomass boiler at the Setúbal Industrial Complex, resulting in an expected increase in the useful life of this equipment and significant improvements to environmental performance.

In another important project in the energy area, work was completed in September on converting the lime kilns at the Setúbal Industrial Complex from fuel oil to gas, resulting in further cost savings and reductions in the level of atmospheric emissions.

At the Cacia Mill, various projects were implemented to improve the reliability of production equipment and to improve energy efficiency.

Several projects also went ahead to improve production efficiency in the manufacture of paper.

RESOURCES AND SUPPORTING FUNCTIONS

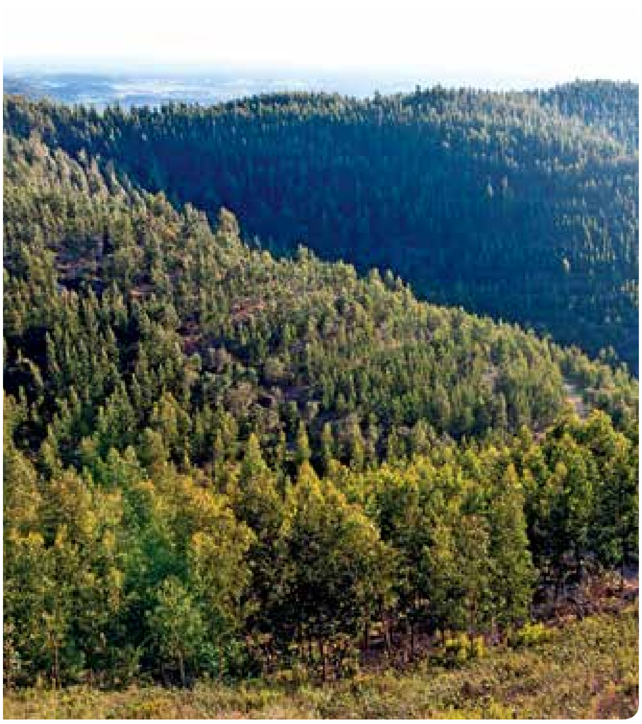

12 MILLION
PLANTS/YEAR
INVESTMENT IN EXPANDING
AND MODERNIZING NURSERIES

SUSTAINABILITY

On the road to sustainable development - a journey on which the world's nations and political leaders set out in 1992 at the Earth Summit in Rio de Janeiro - 2012 will be remembered as the year when a broader consensus was generated at the Rio + 20 Conference on the need for and the advantages of what is called the green economy.

Forest-based industries, and in particular the paper and pulp industry, are the oldest and most successful examples of the green economy.

After being bombarded in the later part of the twentieth century with groundless arguments against the paper industry, the general public is now watching with interest and curiosity as the best informed and less extremist environmental organizations begin to recognize the need for and usefulness of forestry plantations as a source of industrial raw materials, a means of reforesting degraded land, retaining fossil carbon and creating renewable energy. Forestry plantations around the world now total 264 million hectares, accounting for 7% of the planet's forests (FAO, 2010). Research (Carle and Holmgren, 2008) has revealed the potential of forestry plantations to satisfy 66% of global demand for industrial roundwood, in 2010, a figure forecast to rise to 80% by 2030. In other words, according to these researchers, despite representing only 7% of the world's forested area, planted forests have the potential to account for 32% of world demand for wood in 2010, rising to a contribution of around 40% in 2030.



Bearing witness to their long-held concerns about the sustainability of the pulp and paper industry, the largest and most active manufacturers in this sector are prime movers in the world sustainability movement known as the WBCSD – World Business Council for Sustainable Development, founded shortly after the Rio Summit.

The Portucel Group, having been invited to join this international organization at its earliest stage, has been a consistently active participant over nearly two decades and has taken a leading role in the SFPI – Sustainable Forest Products Industries initiative, later renamed as WBCSD – Forest Solutions.

This leading role has included chairing the Forest Resources Action Team, one of four such teams run by WBCSD – Forest Solutions, and putting two issues of great current importance on its agenda: water, in products, processes and forests, and the transparency of forest certification, in particular the meaning and public perception of the different logos used by the two main certification schemes (FSC and PEFC).

The WBCSD, which argues that the key to sustainable development lies with business rather than with the regulators, has gained growing recognition of its role in an environment which might lead some to believe that the business world would not be interested in the principles and challenges of sustainability. This is because it has become increasingly clear that only a business model like that of the Portucel Group, which is based on renewable natural resources, which serves the real needs of society, which minimizes the impact of its operations and generates biodegradable products suitable to recycling, is capable of withstanding the undesirable effects of globalization.

This was the context in which the Group took part in drafting the WBCSD's "Vision 2050" report and put its weight behind a similar exercise undertaken by CEPI (European Confederation of Forest Industries), with a view to integrating the medium and long term strategies of the United Nations and the European Union.

On all fronts, and in dealings with all the respective stakeholders, it has been made clear that plantations have an important role to play, provided they are managed in a way that combines environmental responsibility, social acceptability and, of course, economic profitability.

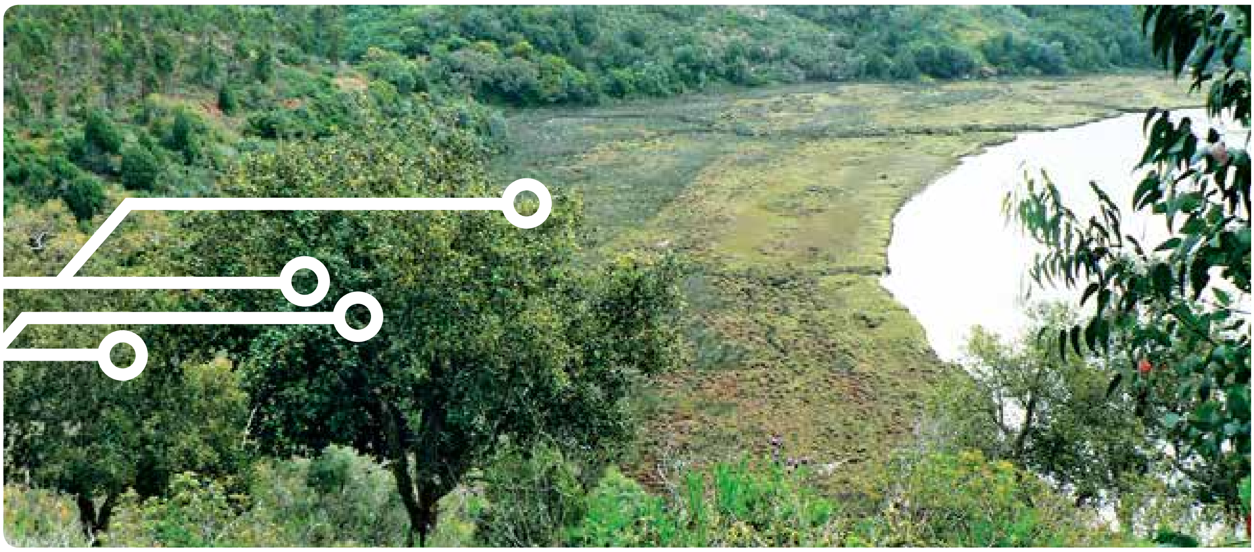
Despite the Portucel Group's global vocation, reflected by the presence of its products in more than 110 countries, it has never ceased to concentrate its efforts on developing Portugal's woodlands, providing incentives and financial, technical and human support for certification by the small forest landowners characteristic of the northern and central regions of Portugal, encouraging them to work through associations, with a commitment to transparency of good practice, and seeking at all times to diversify, developing policies and initiatives for conserving biodiversity, without causing any type of irreversible impact on the ecosystems in which it intervenes.

Several ventures, including the launch of a prize, with the University of Coimbra, for new business ideas that open the way to the adoption of sustainable forest management, closer links with the academic world, support for improving the health of Portugal's woodlands (combating *Gonipterus* and supporting research into the pinewood nematode), and the joint funding, with the FCT - *Fundação para a Ciência e Tecnologia* (Science and Technology Foundation), of research into eucalyptus plantations, were all steps taken in 2012 towards implementing our strategy of carrying further the Group's sustainability policy, as formally defined in 2005.

important base for the Group's growth in Portugal. However, the supply of local raw material has not kept pace with the development of the pulp and paper markets operated by Portuguese companies in this sector. This means there continues to be a structural shortfall in Portugal's timber output in relation to the industry's needs, estimated to be in the order of 2 million m^3 of wood each year.

This situation has emerged since the middle of the last decade, in particular in the wake of the highly destructive forest fires of 2003 and 2005, without the authorities mobilizing themselves to remove the obstacles to resolving the problem. This means that, over the last 3 years, Portugal has imported approximately 1.8 million m^3 of eucalyptus timber per year, peaking at 2.4 million m^3 in 2011.

These imports represent lost opportunities to finance the country's agro-forestry potential, and a barrier to generating employment and wealth. Estimates suggest that resolving this shortfall would have made it possible to create more than 2,000 jobs in Portugal, increasing the wealth generated in the country by around 120 million euros. However, as recently demonstrated by preliminary data on land use, published by the 6th National Forest Survey,



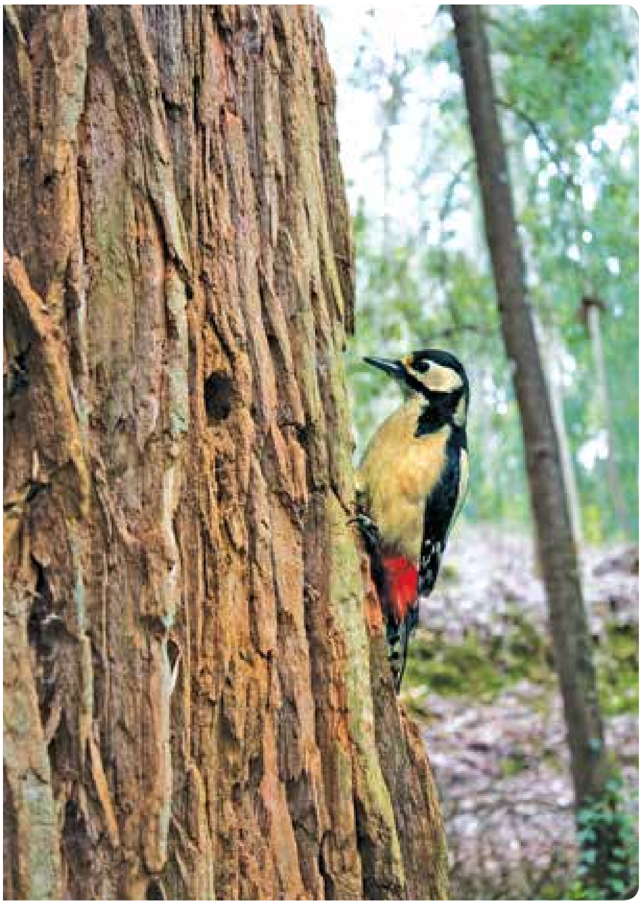
FORESTRY

SUSTAINABLE MANAGEMENT

The sustainability of forest resources in Portugal and the Iberian Peninsula is an issue of the greatest importance to the Portucel Group. As its main source of raw material, quality and development conditions of the Portuguese eucalyptus forest has provided an

there has been no progress towards making more productive use of land: forestry and agriculture declined by 5% and 12% respectively over the last 15 years, whilst bushland and pasture grew by 12% over the same period to 2.85 million hectares.

Internally, the financial year of 2012 represented a further milestone in the reorganization of the Portucel Group’s forestry operations, in particular with the specialization of land and forestry assets,



with the goal of standardizing processes and consequently the management model. Portucel Soporcel Florestal is currently the Group's company in charge of forestry operations, bringing together management of all its agro-forestry holdings, both on its own land and on land entrusted to its management by the respective owners.

At year-end 2012, the Portucel was responsible for managing approximately 120 thousand hectares of agro-forestry holdings, around 70% of which corresponded to eucalyptus plantations, spread over 160 Portuguese municipalities.

In a decisive contribution to strengthening the Group's presence at a local level, the business of renting and acquiring land, which includes taking on new areas or renegotiating existing contracts, represents an important way of conducting our relationship with forestry landowners. The Group has formed partnerships with a growing number of forestry landowners seeking to add to the value of their assets, either by reforesting their land with selected cloned saplings, which leads to significantly improved yields in relation to traditional forestry, or else by enjoying the benefits of their land being managed with the best forestry practices and certified under the strictest international schemes.

In its forestry operations, the Group has pressed ahead with its policy of actively contributing to the renewal of Portugal's woodlands, implementing a management system based on the best available practices. Operations in the 2012 forestation campaign were at a similar level to the previous year.

In terms of conservation and improvement of the eucalyptus species, activities were conducted over an area of some 30 thousand hectares, and included control of spontaneous vegetation, selection of young trees and fertilization work. Maintenance and improvement work was carried out on around 3,600 km of paths and fire breaks.

With a view to effective management of the diversity of its agro-forestry holdings, from the point of view of countryside conservation, the Group has also generated significant outputs of cork, grapes, game and pasture, amongst other products. The operations of Viveiros Aliança (the Portucel Group's nursery company) resulted in the production of 8.6 million plants, of which around 1.5 million corresponded to indigenous or protected species and 140 thousand to ornamental plants or shrubs.

An important achievement in 2012 was the completion of the extension and modernization works at the Group's nurseries on the Espirra Estate. As a result of this work, the Espirra Nurseries have doubled their production capacity for cloned eucalyptus saplings, and are now the largest and most up-to-date nurseries for certified forest plants in Europe, positioning themselves as a global benchmark for efficiency and technological innovation in this area. As a result of this investment, sales increased by 20% over the previous year, with 2012 setting a new record for the value of sales.

The new unit has capacity to produce 12 million plants each year and is designed to respond to market demand for certified *Eucalyptus globulus* clones, in addition to supporting the Group's own forestation activities. This capital project is yet further evidence of the Group's systematic commitment to contributing to real improvements in the Portuguese forestry sector.

Licensing applications were made for more than 200 forestation projects in 2012, including reforestation,

forestation and conversion projects. There was a significant increase during the period in the number of forestation projects drawn up by the Group, reflecting its increased objectives in relation to the area to be planted. However, the licensing process remains extremely complicated and weighed down by the bureaucracy required by the existing legal framework for operations of this type.

FOREST CERTIFICATION AND BIODIVERSITY MANAGEMENT

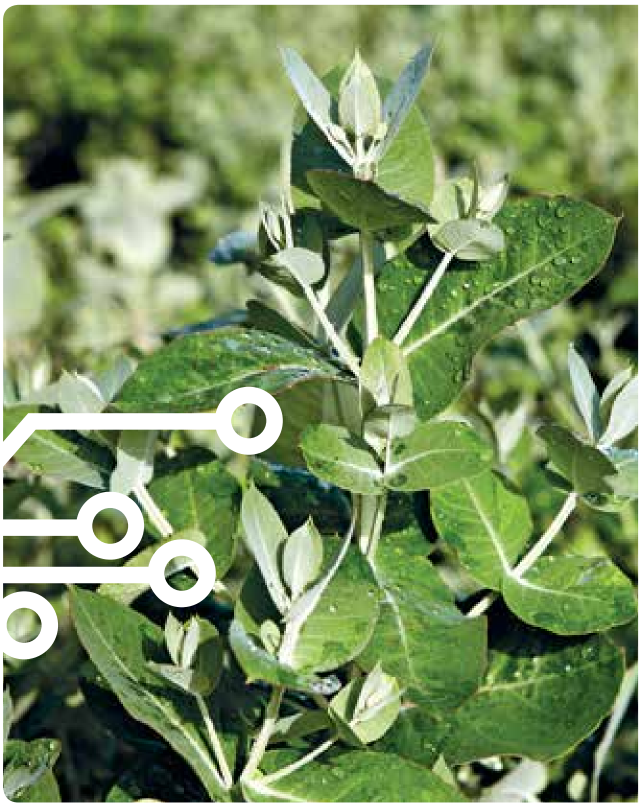
The Portucel Group regards forest as one of the most important pillars for the sustainability of its business. As the owner and manager of forestry holdings, it has adopted best practice in forestry planning and management, acting at all times in keeping with a set of principles and rules on responsible management, which conciliate environmental, social, technical and financial concerns. The Group sees forestry certification as a route to strengthening its position in an international market which makes increasingly stringent demands as to the sourcing of raw materials, and as a way of responding to society's legitimate concerns.

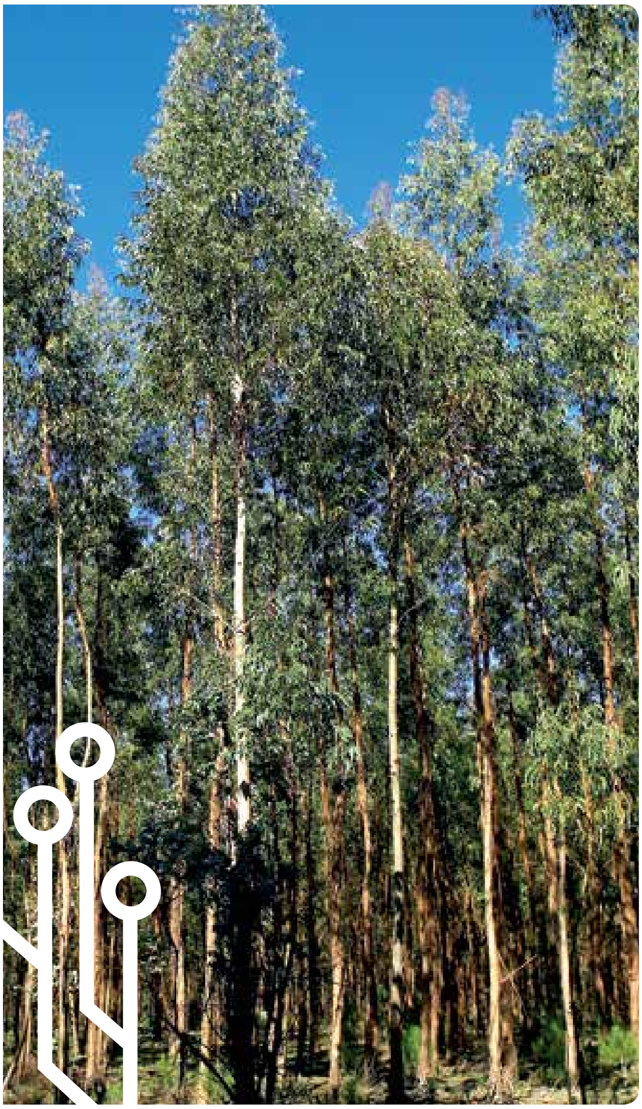
The Portucel Group renewed in 2012 the forestry management certifications obtained in previous years, under the two most widely recognized internationally certification schemes: the FSC and the PEFC. The Group's certification encompasses eucalyptus wood for producing pulp and paper (the Group's main area of output), and cork, providing recognition from independent bodies of its responsible management of its woodlands. The Group's certified area - which in little more than 5 years has grown by more than 20 thousand hectares - includes all its assets in mainland Portugal and corresponds to a very significant portion of the country's certified woodlands (39% under the FSC and 54% under the PEFC).

The Group has also pursued its strategy of promoting certified forestry management in Portugal (a process it initiated in 2007 by signing cooperation agreements with the leading organizations in the sector, such as CAP – *Confederação dos Agricultores de Portugal,* Forestis – *Associação Florestal de Portugal,* Fenafloresta, Fórum Florestal and UNAC - *União da Floresta Mediterrânea*), as well as paying a cash premium to suppliers of certified wood. Because it regards certification as essential to ensuring the competitiveness of forestry products on the international markets, as well as encouraging the adoption of good forestry practices and plans for protecting woodlands against wildfires, these cooperation agreements involve the sponsorship of a range of measures connected to forest certification, help with certification applications and organization of training, awareness-raising and demonstration sessions for technical staff from associations and forest landowners. All these measures are designed to transfer technology and forestry know-how and to extend the certified area belonging to private landowners (on whom the Group is largely dependent for the supply of raw material to its mills), helping to build a common front to defend the interests of Portugal's forest-based industries.

Aware of the importance of transmitting the know-how developed in its forestry operations to producers in general, the Portucel Group runs a network of 13 technology showcases, consisting of model eucalyptus plantations. These technology showcases allow forestry producers to observe the impact on yields and on the health of plantations of using the best plants, combined with up-to-date forest husbandry.

The Group has also been actively engaged in the field of forest certification, collaborating with the organizers of FSC and PEFC initiatives in Portugal and on their work in the country, serving as Vice-Chairman of the General Meeting and member of the Stakeholders' Group, in the case of the FSC; and as member of the Governing Board, member of the Advisory Board and member of Technical Committee CT145, in the case of the PEFC.





On the international scene, the Group continued in 2012 to represent Portuguese pulp and paper manufacturers on CEPI's Certification Issue Group and to contribute to the Policy and Standards Committee (PSC) of the FSC, through its participation as representative of the northern economic sub-chamber.

The Portucel Group's commitment to efforts to encourage forest certification in Portugal is all the more significant if we recall that only a small fraction of the world's forests have obtained management certification - approximately 6% from the PEFC, and around 4% from the FSC.

The forestry management model adopted by the Portucel Group includes a strategy for conserving the countryside and rural heritage in the forestry holdings for which it is responsible. This is implemented by means of an approach based on assessment of wildlife and biodiversity (species and habitats), the mapping of areas of conservation value, assessment of the potential impacts of operations and design and implementation of measures to mitigate these effects (Conservation Action Plans).

In line with this approach, a monitoring programme is also implemented, providing information on the heritage and wildlife present in the areas managed by the Group, and its importance: by the end of 2012, areas of conservation value had been identified corresponding to around 10% of the Group's certified holdings. These areas encompassed 42 types of habitat, covering 4 thousand hectares, including 8 priority habitats. The habitats identified included many which are representative of the habitats classified by the National Protected Areas Network (RNAP) and *Rede Natura 2000* (RN2000). A total of 236 species of fauna were identified (including birds, mammals, fish, reptiles, amphibians and bivalves), 98 of which are classified species in the *Rede Natura 2000* Sectoral Plan, and of these, 41 have endangered status (included in the Red List of the International Union for Conservation of Nature and on the national species conservation list). The survey identified more than 700 species of flora, including 69 with special conservation status. Conservation measures have included the management of priority habitats, management of montados (cork oak savannahs) and riverbanks, rehabilitation of meadowland and degraded riverside woods, and the protection of endangered species by adjusting the forestry operations calendar to their biological cycles.

By applying this forest management model to its various activities on a systematic and ongoing basis, the Portucel Group increases its control over the impacts of forestry operations on biodiversity and ecosystems, enabling it to assure a minimum standard of no net loss, and whenever possible to achieve overall a net positive gain.

Increased knowledge of biodiversity and of measures that can help halt losses have led the Group to involve itself in other ventures in the field of conservation, at home and abroad, insofar as this is one of the greatest challenges facing contemporary society. In 2012 these efforts ranged from involvement in projects and partnerships with environmental non-governmental organizations (ENGO), universities, the administrative authorities and other institutions, to a variety of media initiatives.

The Group has continued its relationship with the CEAI - *Centro de Estudos da Avifauna Ibérica* (Iberian Birdlife Research Centre), on the basis of a cooperation agreement for protection of the Bonelli's eagle, an endangered species in the Iberian Peninsula. Under this agreement, technical and scientific support is provided for implementation of good practice to conciliate forest management with conservation of this species. This partnership grew out of the success of the conservation project for this species (LIFE06 NAT/P/000194 - Tree Nesting Bonelli's Eagle), on which the Group collaborated with CEAI from 2006 to 2011.

The Portucel Group has also remained committed to the New Generation Plantations (NGP) project, coordinated by WWF International (World Wide Fund for Nature), in which it has been involved since the outset, in 2007. This project has already achieved significant visibility worldwide and has brought together a growing number of participants, offering a platform for developing and promoting adoption of best management practices in forestry plantations. The project is based on the concept that this is a way of preserving the integrity of ecosystems and protecting high conservation values, assuring effective processes for stakeholder participation and contributing to economic growth and job creation.

The Group's work in the field of certification, biodiversity conservation and, in general, preservation of ecosystem services has led it to take part in a variety of events and media initiatives, as well as to collaborate with a range of institutions, including the public authorities, universities, national and international working parties and industrial associations.

In 2012, the Group published an updated version of its case study "Biodiversity conservation in a scattered landscape" on its website for the New Generation Plantations project, explaining how its management model has incorporated a conservation strategy geared to the scale and scattered distribution of its forestry holdings.

Another important venture was its cooperation with the former national forestry authority (AFN - *Autoridade Florestal Nacional*) on a workshop on 'Ecosystem Services in Woodlands: Contributions to a Green Economy', where the Group presented the topic 'PEFC and FSC forest management indicators - Application to WES – Woodlands Ecosystem Services' and with Lisbon University Faculty of Sciences, on the ILTER network symposium (International Long Term Ecological Research), held in Portugal and devoted to the topic 'Science, Business and Society', with a presentation on 'Monitoring and assessment in a certified forest management system: the experience of the Portucel Group".

The Group's collaboration with higher education institutions has also included a seminar on "Forestry Management and Certification", as part of a master's course at the Faculty of Science and the Higher Institute of Agronomy and the contribution of a chapter on planted forests to a publication by the Calouste Gulbenkian Foundation, "Silviculture - Management of Forest Ecosystems".

Woodlands and forest certification were the topics which the Group had the chance to present at the Rio + 20 Conference, as a contributor to the Portuguese pavilion on the invitation of the Portuguese government.

Forest certification, fuller environmental reporting on forests, improved environmental awareness, learning and the sharing of experience in various media projects, partnerships and initiatives are the benefits perceived by the Group's stakeholders in relation to the results obtained from responsible management of forest holdings.

The Group has a Code of Forestry Good Practice which serves as a benchmark for the work of our teams in the forestry sector. This code brings together all the Group's internal rules, describing practices for planting/replanting stands, maintenance and operation, covering issues of wildlife and countryside conversation, as well as health and safety, waste management, defence against forest fires and production of biomass for energy. In view of its importance and general interest, this code of practice is available to the public, at the Group's website.

FOREST FIRES

Defence of Portugal's woodlands, through systematic programmes to help prevent and combat wildfires, remains one of the Portucel Group's central priorities. In 2012, the Group's investment in this area was in line with previous years, at around 3 million euros, focussing on prevention, training, research and development.

The central thrust of the Group's strategy for managing forest fire risks is to reduce the probability of fire events and the vulnerability of existing holdings; this took the form in 2012 of overseeing and monitoring operations over an area of approximately 120 thousand hectares and adjacent areas. This is a year-round task, involving strong links with the institutions making up the national wildfire defence system (the Institute of Nature Conservation and Forests, the civil defence and police authorities, the fire service, local authorities and organizations of forest landowners, amongst others), as well as with a research and development network in Portugal and abroad. The Group's operations on the ground involve the largest private budget allocation to forestry protection in Portugal, as well as contributing by example to the creation of more efficient national system for woodland defence against wildfires, attaching priority to public policies focussing on prevention.

Over the course of 2012, work continued on the integrated Fire-Engine project (Flexible Design of Forest Fire Management Systems), as part of the MIT-Portugal program. In conjunction with MIT (Massachusetts Institute of Technology) and three Portuguese universities, two models have been developed for supporting public policy making and management of fire protection systems. Presented to scientific gatherings and external partners, these models are ready for adoption by Portuguese institutions in order to improve efficiency, in particular in the design of the forest protection system, budget allocations and rules on the distribution of fire-fighting resources.

Another significant example of forest management initiatives with an impact on reducing the fire risk was the maintenance work on water points, in addition to other work already mentioned, such as the upkeep of 3,600 km of paths and fire breaks, control of undergrowth in more than 10 thousand hectares and treatment of forest fuel. These treatments involved a range of techniques, including clearance of brushwood, controlled burning, application of herbicides, trimming and thinning.

Complementing its active participation in more than 35 municipal forest fire defence committees, the Group organized awareness raising initiatives as part of the 'Safe Forest' pilot scheme, organized in conjunction with *Escola Nacional de Bombeiros* (National Firefighting Academy). This project was launched in 9 municipalities (Gondomar, Valongo, Paredes, Vila Nova de Poiares, Lousã, Góis, Mafra, Alenquer and Torres Vedras) and has sought to raise awareness amongst residents in rural areas and urban peripheries of basic fire prevention principles, such as the correct use of fire during controlled burning and in bonfires, and also of how to protect lives and property.

In order to mitigate the fire risk during the period from June to October, the Group continued to collaborate with the national fire-fighting system. Acting through Afocelca (the industry organization in which the Group is majority shareholder), it mobilized more than 270 people in an operation which involved 3 watchtowers, 37 rapid response units, 17 semi-heavy units and 3 helicopters. This organization is responsible for the front line defence of approximately 7% of Portugal's forests.

In order to support Afocelca's operations, the Group mobilized a team of expert technicians, with the skills and equipment needed to provide an immediate response to occurrences from June to September. This team, comprising 28 to 50 members, was permanently on call to support fire-fighting work, including constant participation by technical staff in the National Rescue Operations Centre, at the

District Operations Centre and on municipal Forest Fire Defence Committees. Significantly, in the 2012 season, approximately 83% of all fires combated by the brigades making up this organization occurred on neighbouring properties, meaning that these efforts provided valuable support to the national fire-fighting authorities.

Thanks to its investment in prevention, 2012 was the sixth year running in which the Group's losses stood at less than 1% of the area under its management. These are very positive results which reflect the efficiency which it is possible to achieve in this area. It is essential that an equivalent level of efficiency be attained throughout the country.

PROCUREMENT

TIMBER SUPPLIERS

It is crucial to the development of the Portucel Group that it is able to secure supplies of certified wood on competitive terms.

Since 2006, the supply of eucalyptus roundwood on the Portuguese market has fallen short of demand, meaning that significant quantities have to be purchased from markets such as Spain, Africa and the South America, resulting in higher total costs, due to the logistics involved.

In relation to the wood sourced from its own woodlands, the Group was able to assure quality and the sustainability of felling, given that nearly all the forestry holdings in question are certified. In the pursuit of its policy of corporate responsibility and engagement with its local communities, the Group remained strongly committed to certification of forest management and the chain of custody, as means of assuring sustained development of its business.

MARKET AND INTERNATIONAL TRADE IN EUROPE-BOUND TIMBER

The woodchip market in Europe, and especially in the Iberian Peninsula, has developed rapidly in recent years, consolidating itself as a source of supply. The quantities traded worldwide have increased, as oil costs have risen.

In 2012, in the light of the shortfall in supply of raw wood in the Iberian market, the Group turned to the international market and imported the cargo of woodchip carriers from the South American market.

In respect of its eucalyptus purchases on the international market, the Portucel Group requires that all environmental, social and economic standards are duly complied with, and in 2012 purchased timber exclusively from FSC certified plantations.

FORESTRY LOGISTICS AND TRANSPORT

The Group's forestry logistics and transportation sector was responsible for logistical flows of more than 2 million tons of wood received at its industrial sites.

Over the course of the year, the Group relocated some of its external road freight timber reception yards to port or railway yards, in particular in areas most distant from its production plants (such as in Galicia). The logistical network is based on 15 timber reception and temporary storage yards, collecting raw material from neighbouring areas, and 8 ports for optimized management of forest logistical flows bound for the Group's mills.

This initiative is designed to assure transportation with less pollution and lower costs, substantially reducing mileage in the transport of wood.

In 2012, tracking devices were installed in timber trucks in the Group's service, allowing for a significant improvement in safety and operational control of road freight.

PURCHASING

The worsening economic crisis in Europe, combined with high energy prices in the European economic zone and the dollar exchange rate effect, has continued to encourage the relocation of industrial units to markets which, although more distant, are enjoying growth.

As a result, chemicals at attractive prices are in shorter supply, whilst a clear process is under way of disinvestment in Europe and relocation of suppliers to the BRIC markets (Brazil, Russia, India and China) and to Asia in general, accompanying fresh industrial investments in these regions.

Commodity prices were also extremely volatile in 2012, especially for the majority of chemical products used in manufacturing paper.

Production capacity was also shut down due to business sell-offs, with some suppliers in a precarious financial situation; suppliers were clearly concerned about the profitability of their European plants, raising questions as to future investment plans and even their continued existence.

The supply base has offered little stability, although in the case of some chemicals the market is over-supplied. Europe has witnessed an increase in vertically integrated Asian suppliers, who are also seeking to move into the US market.

New products, or products with innovative features, are coming out of Asia, again from vertically integrated suppliers. For reasons of global competitiveness and regulation, European suppliers have difficulty in achieving this form of integration.

No significant problems have been experienced in securing supplies of wood to meet internal needs, although some difficulty has been felt in obtaining benefits through price negotiations. Efforts were made to achieve advantages through the TCO-Total Cost of Ownership System.

Prices for products purchased were revised upwards, especially due to the influence of commodity prices and rising energy costs. Brent prices were on average high, at over USD 108.00, which exerted pressure on the prices of various raw materials.

The supply base contracted slightly, at both national and European level. In line with the strategy of diversification adopted in the previous year, the Group gave priority to contracting suppliers from

different regions of the world, and especially from Asia, assessing and approving a number of suppliers from this region for its supplies.

The aim of this policy is to balance the current supply, to reduce dependence on a small number of Portuguese and European sources and to improve access to other sources of innovation, moderating acquisition costs.

The work carried out in 2012 will continue into 2013 and 2014, and the Group has plans to keep up the search for potential in other supplier markets, such as Turkey, the Gulf, South Africa, Asia and North America. This project will be supported by specific market research initiated in 2012 and which will be stepped up in 2013.

As well as being appropriate in organizational terms (training, resources, processes), the procurement strategy launched in 2012 will continue to pursue high standards, in particular with regard to:

- Improving the quality of product acquisition strategies, improving and incorporating better knowledge of the global supply market;
- Improving the process of approving new suppliers on the basis of a supply risk analysis;
- Better preparation of negotiations, with more specific information on suppliers and the supplier market;
- Market research to identify and approve new suppliers - Asia, Turkey and the Gulf;
- Increased use of TCO cost and calculation models, in order to optimize the purchasing decision making process;
- Continued training and development of the Group's procurement team, equipping them with the necessary know-how, skills and tools to achieve better results;
- Development, mapping and updating of common procurement procedures for all the Group's plants, making for a leaner process.

ENVIRONMENT

In 2012, the Portucel Group renewed the contract defining the terms on which it uses the European Union Ecolabel on the paper it manufactures and markets, in the office stationery and printing segments; License PT/11/002 is now valid through to June 2015.

In line with IPPC (Integrated Pollution Prevention and Control) legislation, the Portucel Group pressed ahead with procedures, already under way, for renewal of the environmental licenses for its industrial Complexes in Figueira da Foz and Setúbal.

The second period of application of the EETS (European Emissions Trading Scheme) ran from

2008 to 2012, and with the publication of directive 2009/29/EC, the new EETS directive included in the Energy and Climate Package, the rules on the available EU licenses and the allocation of free licenses have changed considerably. The preliminary allocation of free licenses was effected on the basis of benchmarks defined at community level, with the third EETS application period starting on 1 January 2013, and due to end in 2020.

In 2011 and 2012, a set of forms, subject to verification, were submitted in relation to the Portucel Group's facilities covered by EETS, allowing the competent authority APA - *Agência Portuguesa de Ambiente* (Portuguese Environment Agency) to determine the preliminary allocation to each facility of free emission licenses for the period 2013-2020.

In connection with the monitoring and reporting of greenhouse gas emissions, the Group's various facilities also submitted to APA in 2012 the documentation for updating their Greenhouse Gas Emissions Permits (GGEP) for the EETS period running from 2013 to 2020.

In relation to the Seveso Directive (on the previous of serious accidents), the Group has established a Serious Accidents Prevention Policy (SAPP) in order to communicate its principles for action and commitments accepted in this field. The text of the SAPP was opened to worker consultation, in a process due to be completed in early 2013, culminating in publication of the approved document.

Also in connection with this, the Group took part in an exercise simulating the External Emergency Plan at the Mitrena Peninsula, known as 'MITREX 2012', involving all the Seveso establishments in this industrial area.

ENVIRONMENTAL PERFORMANCE

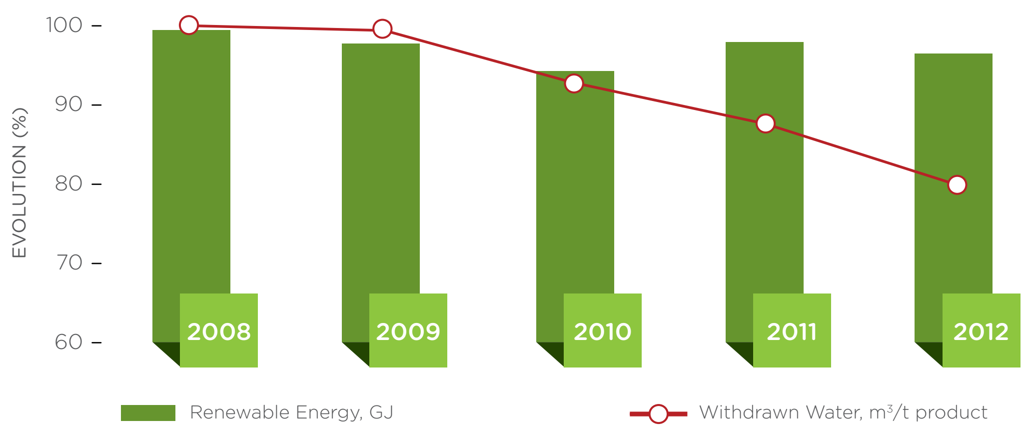
Despite the increase output, achieved on a sustained basis by all the Group's plants, in particular in paper production, corresponding to around 45% over the last five years, the strategy for continuous improvement of processes, products and operational efficiency has made it possible to achieve continuous improvements in environmental performance indicators in all areas.

As a result of these efforts, the assessment of the environmental performance of production processes, through systematic records of eco-efficiency and environmental impact indicators, points to positive and sustained performance by all the Group's plants, in all fields: air, water, waste and natural resources.

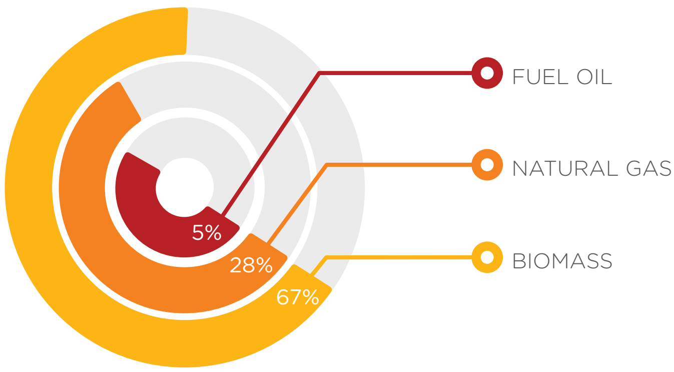
The use of Best Available Techniques, combined with ongoing efforts to implement improvements, so as to increase the eco-efficiency of process, has permitted significant reductions in the water use and improvement in the sustained used of renewable energy sources.

USE OF NATURAL RESOURCES

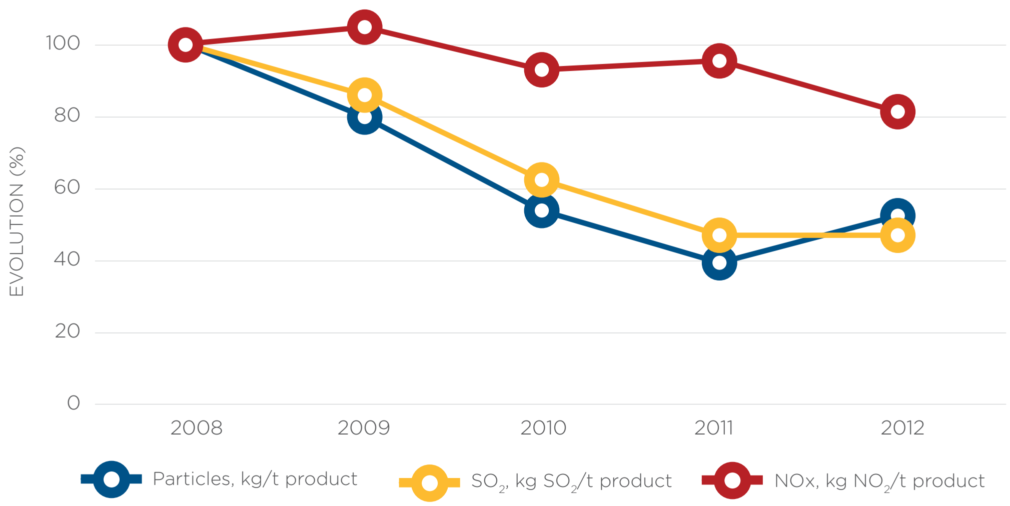
REFERENCE: 2008

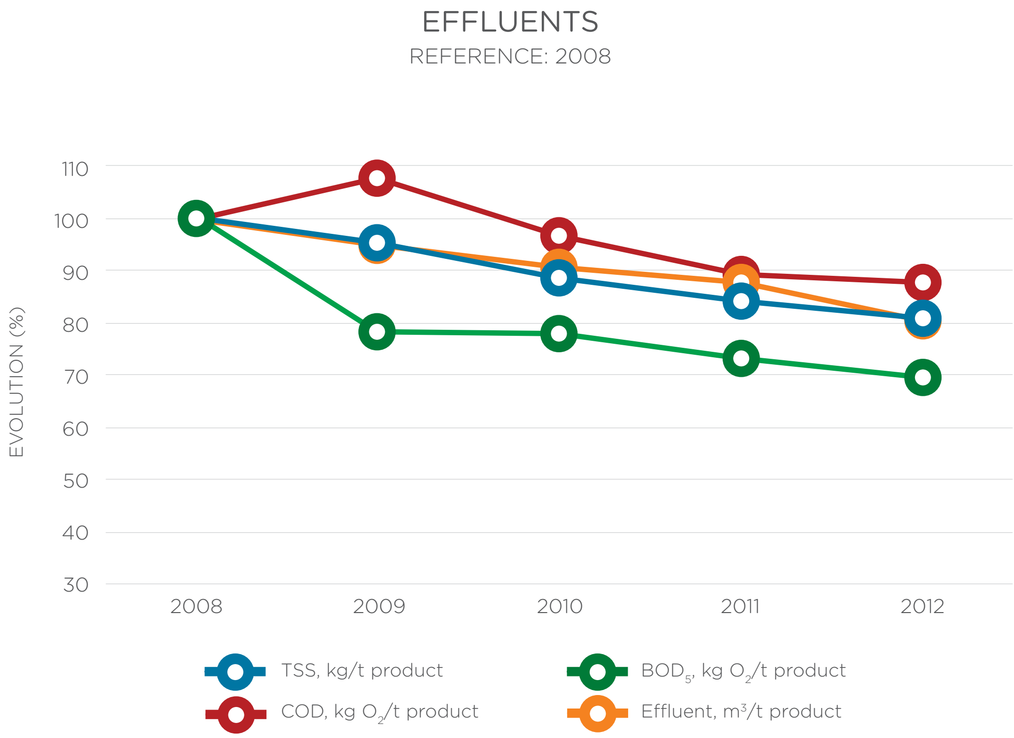


ENERGY CONSUMPTION BY SOURCE
YEAR 2012



AIR EMISSIONS
REFERENCE: 2008





MANAGEMENT SYSTEMS

In 2012, the Portucel Group assured the continued certification of the management systems implemented. To this end, a series of external audits were conducted over the year by accredited entities at the Group's various facilities, and the Group was successful in renewing the Safety Management system at the Cacia Mill, the Quality Management system at the Figueira da Foz Industrial Complex and the Environmental Management system at the Setúbal Industrial Complex. Certifications were also maintained in respect of all other standards previously implemented and certified.

		FIGUEIRA FOZ INDUSTRIAL COMPLEX	CACIA MILL	SETÚBAL INDUSTRIAL COMPLEX	EXTERNAL TIMBER YARDS	BOSQUES DO ATLÂNTICO
CERTIFICATIONS	QUALITY	ISO 9001	ISO 9001	ISO 9001		
	ENVIRONMENT	ISO 14001	ISO 14001	ISO 14001		
	SAFETY	OHSAS 18001 NP 4397	OHSAS 18001 NP 4397	OHSAS 18001 NP 4397		
	CHAIN OF CUSTODY (MULTISITE)	FSC-STD-40-003 FSC-STD-40-004 FSC-STD-40-005 PEFC ST 2002:2010 PEFC ST 2001:2008				
ACCREDITATION	LABORATORY	ISO/IEC 17025	ISO/IEC 17025	ISO/IEC 17025		

Under the FSC and PEFC multisite Chain of Custody certification, two new sites were added in 2012, bringing the number of sites covered by the Portucel Group certification up to 29. Under the rules of the FSC and PEFC systems, the Chain of Custody System reflects the requirements to be met by the Group in relation to its strategy for procurement of fibrous materials sourced from forests. These systems assure that the materials are obtained from certified forests or controlled wood; thanks to traceability processes throughout the supply chain, this makes it possible to sell certified pulp and paper products.

In 2012, the certified wood supplied to plants accounted for approximately 30%. All the long fibre and recycled fibre pulp was purchased in compliance with the FSC and PEFC criteria and requirements, in the form of certified products or FSC Controlled Wood, sourced from European Union countries. This fact, combined with renewal of the license to use the European Union Ecolabel for the paper manufactured and marketed by the Group, contributed to an increase of approximately 22% in the sales of paper bearing this label. The Group's response to the requirements of these benchmark rules is evidence of its compliance with legislation and with the strictest standards of environmental performance and responsible forest management.

In advance of the coming into force on 3 March 2013 of the EU Timber Regulation (Regulation 995/2010), designed to assure the legal sourcing of timber, the Group has been implementing the measures needed to comply with all the applicable requirements, by revising its management system.

The fact that the Portucel Group's management systems are applied across the group allows it to pool resources and share experience gained at the various sites, resulting in improvements to the practices and procedures implemented. Alongside plans to make specific improvements at each site, a group-wide project was launched in 2012 with a view to improving operational efficiency in the spirit of lean manufacturing. The Group developed a series of common measures and other specific initiatives at its individual plants, with the following aims:

- To continue focussing efforts on ongoing improvements to manufacturing processes, by consolidating, extending and improving existing measures, so as to cut waste on activities which add no value;
- To continue reducing the variability of processes with a view to achieving ever higher levels of operational efficiency;
- To continue making efforts to optimize costs in operational areas;
- To optimize the costs of purchasing current consumables;
- To assure high standards of safety, environment and quality.

ECO-EFFICIENT PAPER

Paper is intrinsically a "green" product obtained from renewable raw materials and energy, from forest biomass. It is biodegradable and can be easily recycled or incinerated to generate power, at the end of its life cycle.

In addition to all these attributes, the paper produced by the Portucel Group features outstandingly high levels of eco-efficiency.

Thanks to the Portucel Group, Portugal is now Europe's leading exporter of office papers, and its paper industry has evolved alongside an impressive increase in its forested area, which grew by 77% over the last century. This growth was particularly strong in the second half of this period, stimulated by the development of the paper industry. Woodlands now cover approximately 40% of Portugal's territory, giving it a forested area equivalent to that of Holland and the United Kingdom combined, divided between some 400,000 landowners.

The main raw material used in producing paper pulp is eucalyptus timber, obtained from sustainable and renewable plantations of *Eucalyptus globulus*, which are also the main source of biomass for generating the renewable energy used in its manufacture.

The *Eucalyptus globulus* cultivated in Portugal is exceptionally eco-efficient. In comparison with other forest species used in paper manufacture, it produces pulp from a smaller quantity of timber and chemicals, permitting the manufacture of paper using less fibre for equivalent uses, and supplying fibres which can be recycled more often, increasing the overall recycling rate in the paper industry.

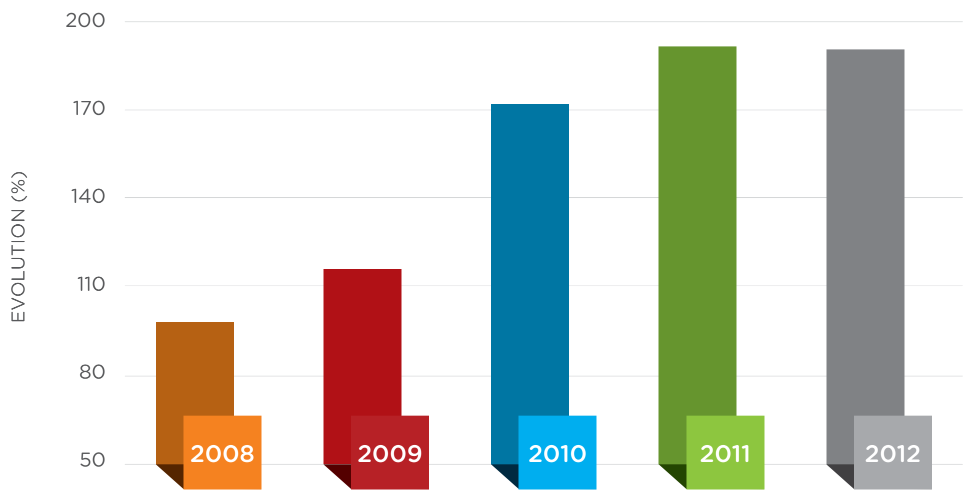
The eco-efficiency of the Portucel Group's papers is reflected in the environmental credentials it has obtained, such as the European Union Ecolabel and forest certification under the FSC and PEFC schemed, renewed during 2012.

ENERGY

In 2012, the Portucel Group recorded gross power generation of 1,879 GWh, representing a modest reduction of 0.4% in relation to the previous year. Overall, the electricity generated by the Group corresponded to 4.4% of the country's entire power output.

GROSS ELECTRICAL POWER PRODUCTION

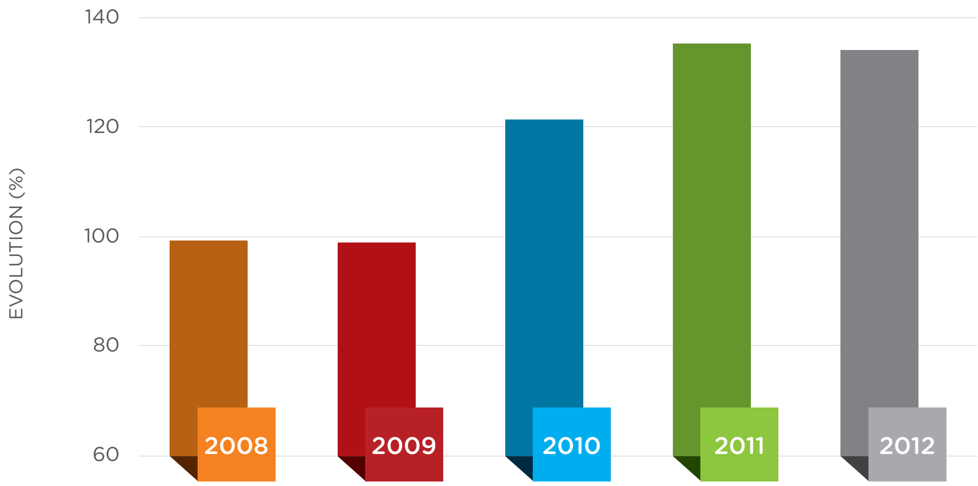
REFERENCE: 2008



This was a year in which the Group consolidated various investment projects in power generation.

Power generation from biomass plants (3 combined heat and power plants and 2 dedicated power stations) totalled 1,214 GWh, slightly down by 0.6% comparing to the previous year. This reduction was due essentially to stoppages for work on boilers and biomass storage, transport and feeding systems.

GROSS ELECTRICAL POWER
PRODUCTION FROM BIOMASS
REFERENCE: 2008



The Portucel Group continues to enjoy the status of Portugal's leading producer of electricity from biomass, accounting in 2012 for an estimated 49% of the total power produced from this natural resource.

Despite the increase in power generation from natural gas, due to the energy needs of the new paper mill in Setúbal, 65% of the Group's energy production was derived from highly efficient cogeneration plants and power stations fuelled by biomass, i.e. a renewable resource. It is important to note that co generation combines the production of electrical power with much larger quantities of thermal energy, making it considerably more efficient than conventional processes which generate only power.

Cogeneration in the Portucel Group is consistent with the stated objectives of Directive 2012/27/EU, which recommends Member States to exploit the potential of cogeneration on the basis of the demand for useful heat, and these facilities are essential for achieving the target of a 20% increase in energy efficiency set by the European Union for 2020.

However, Ministerial Order 140/2012 established rules which significantly reduce the tariffs applicable to older cogeneration plants, meaning it is no longer economically feasible for highly efficient cogeneration facilities to continue operation.

BIOENERGY AND FOSSIL FUELS

The two biomass power stations in Cacia and Setúbal and the Group's three biomass cogeneration plants have allowed it to consolidate its dominant position in the Portuguese renewable energy market. The great benefit in terms of reduced CO_2 emissions will have an impact on the national balance for these emissions and will reduce the country's dependence on imported fossil fuels, a national aspiration which the Group is accordingly helping to achieve. It is estimated that these power stations belonging to the Portucel Group will avoid CO_2 emissions in excess of 450 thousand tons on the national balance sheet.

FOREST BIOMASS FOR ENERGY PURPOSES

The Portucel Group has consolidated its position as a producer and supplier of forest biomass and timber by-products.

Integrated and sustainable forestry management, informed by the concern to preserve biodiversity, is fundamental for a balance in obtaining raw materials for the production of tradable goods with a high level of value added, such as pulp and paper. Another important point to note is the availability of surplus biomass resources for energy production.

The Group has continued to supply its biomass reception centres, including those located at its plants, allowing it to optimize further the operation of the chipping equipment used to process the biomass as well as the logistics involved in biomass operations.

In 2012, the Portucel Group experienced no significant difficulties in supplying its forest biomass needs exclusively from the domestic market.

HUMAN RESOURCES

At year-end 2012 the Portucel Group had a workforce of 2,275 employees, including 2,202 on permanent contracts.

As part of its human resources' policy, the Group stepped up its traineeship programme, doubling the number of vacancies. These traineeships, due to take place over the course of 2013, will allow the Group to offer 6 or 9 month work experience placements for 50 young people with vocational, graduate and master's level qualifications in varied areas such as law, economics, marketing, forest management and engineering, chemistry, mechanics, IT and electrical engineering,

This initiative reflects the Portucel Group's role as a contributor to the training of a skilled workforce for the future, in areas of interest to Portugal's development, seeking to add to the qualifications and employability of these young people, who will have their first experience of the world of work in an innovative company which is an international leader in its sector.

The Portucel Group continued to invest in ongoing training and professional development throughout 2012, providing a total of 117,826 training hours in 1,495 training initiatives, involving 2,030 trainees. Special attention has been paid to training in health and safety at work, which accounted for 12,179 training hours, or 10.3% of total training time.

The absenteeism rate stood at 3.86% in 2012. Approximately 2.24% of this rate corresponds to sick leave. These figures include the entire Group's workforce in Portugal.

SOCIAL RESPONSIBILITY

In 2012, the Portucel Group developed closer links with the community through projects designed to promote the improvement of woodlands and conservation of biodiversity, to create a culture of openness and provide information about its industrial units, as well as running active programmes of welfare support for people facing hardship.

In keeping with its policy of social responsibility, the Group has established partnerships with various institutions working in the regions around its plants and forest holdings. Special mention should be made of the following projects:

- Social Project - Efforts continued under this project to provide food aid to households directly hit by the severe social crisis affecting the country, in partnership with Caritas Setúbal, the Figueira da Foz Red Cross and Caritas Aveiro.

- "Open Doors" Programme - The industrial complexes in Figueira da Foz and Setúbal opened the doors of their paper mills in order to bring the company into closer contact with its local communities, showing them what it does and explaining the importance of its operations to regional and national development. The Industrial Complex in Figueira da Foz also ran a programme of tours for Group employees and their families, giving them a chance to see at first hand the advanced technology which, in conjunction with the new paper mill in Setúbal, has allowed the Group to establish itself as Europe's leading manufacturer of UWF (uncoated woodfree) paper.

- "Give a Hand to the Forest" Project - launched by the Group in order to promote environmental conservation, through activities to raise awareness of forestry protection issues among children and young people. In 2012, this project centred its activities on high-visibility areas in urban areas in the municipalities of Aveiro, Figueira da Foz, Setúbal, Nisa, Monchique and São Pedro do Sul, where several thousand plants characteristic of these regions were given away. Another example of this work was the educational event held at the Quinta de São Francisco, home to the RAIZ Research Institute, for 150 primary school children from the areas around the Group's sites in Cacia and Figueira da Foz.

- Bocage Secondary School Project - The Group sponsored the acquisition of swipe cards for students attending this school for the first time. The cards are designed to modernize arrangements at the school, making it a safer environment for students, who are able to pay all expenses using the card.

- Emergency Department, Figueira da Foz District Hospital - In partnership with the League of Friends of Figueira District Hospital, the Group donated ten vital signs monitors, contributing to the provision of health care for the community in Figueira da Foz.

- “Aveiro Young Artist 2011” Competition – The Group supported the competition in 2012, in its 13th year, organized by Aveiro Municipal Council. The competition is aimed at young artists in all fields – painting, sculpture, writing, photography and digital arts – and seeks to gain public recognition for up-and-coming talent.

- Planting of trees on Aveiro University Campus and in CUFC - *Centro Universitário Fé e Cultura* (University Faith and Culture Centre) the Group donated dozens of trees and bushes which were planted on the University Campus. This project, as part of the celebrations of the 25th anniversary of this institution, was designed to raise the awareness among the student population of the need to preserve woodlands.

Another significant venture in 2012 was the Portucel Group's sponsorship of the University of Coimbra's Arrisca C´2012 Ideas, Business Plans and Proof of Concept Competition. The "Portucel Group Prize" is designed to support a range of initiatives able to transfer know-how and innovation to the field of forest management and the energy and sustainability sector, and is awarded to the best project in the field of "Sustainable Forest Management". In 2012, this prize was awarded to the MedroJelly4Diet project, developed by three members of the academic staff and two students at the Coimbra Higher Agrarian Institute, with a view to production and marketing of low-calorie sweets, jams and jellies from the fruit of the arbutus.

Paper was also donated to schools and welfare organizations in the area of influence of the Group's mills. A total of 146 donations were made to social, educational and cultural projects in 2012, corresponding to approximately 43 tons of paper.

The Group also provided support for a number of seminars, organized by eminent institutions, such as: IUFRO 2012 Conference (International Union of Forest Research Organizations – Division 5 – Forest Products), the 15th APLOG - *Associação Portuguesa de Logistíca* (Portuguese Logistics Association) Conference, the 19th National Conference of the Chamber of Engineers, Seminar on "Liberalization of the Natural Gas and Electricity Markets", organized by APE - *Associação Portuguesa de Energia* (Portuguese Energy Association), Seminar on "Releasing Portugal's Productive Potential" organized by the Forum for Competitiveness and the Conference on "Logistics and Distribution in the Setúbal Region", organized by APSS - *Associação dos Portos de Setúbal e Sesimbra* (Association of the Ports of Setúbal and Sesimbra).

In the field of internal social responsibility, the Company has continued to pay tribute to its personnel who complete 15 and 30 years of Employment, presenting them with an award to acknowledge their hard work and dedication.

Commendable work has also been carried out by the Sports and Social Clubs which, with the support of the Portucel Group, have provided social and educational benefits for employees and their families, organizing a varied range of cultural and sporting activities designed to develop Group spirit.

INNOVATION

INNOVATION IN PRODUCTS AND MARKETING

As described in the section on "Branding", 2012 saw the launch of an innovative product aimed at the student population, Navigator Students, designed to respond to the needs of younger consumers looking for quality products at competitive prices.

Another important development in 2012 was the launch in the US market of Navigator Eco-Logical 18lb, a product whose special feature is assuring a standard of performance superior to that of competing 20lb papers, despite a grammage below the market standard.

The Group's commitment to improving its product range leads it to search systematically to adapt to the real market, conducting exhaustive and constant analysis of client needs, and of technological developments in printing and the respective opportunities these offer. This process is backed up by the superb technology used in the manufacturing process and the superior quality of the raw materials. To this end, internal processes have been improved so as to consolidate the consistency of product quality and to optimize the associated production costs, with a positive overall impact on operational productivity and efficiency.

Special attention has also been paid to opportunities resulting from emerging printing technologies with great potential for growth, such as web inkjet technology which allows for high-speed inkjet printing.

The importance of the research and development (R&D) projects in which the Group is involved has been recognized by the relevant authorities, including the Innovation Agency, the Ministry of Science, Technology and Higher Education and the Foundation for Science and Technology. Under SIFIDE, the system of tax breaks for companies involved in R&D, these authorities have certified investment projects in this area as eligible. In 2008, 2009 and 2010, investment in this area totalled 4.1 million, 3.7 million and 3.8 million euros, respectively. In 2011, an application was made for a capex project worth 9 million euros, and an investment project was carried out in 2012 with a value of more than 4 million euros.

RESEARCH & DEVELOPMENT

In 2012, the Portucel Group continued to invest in research in forestry, pulp and paper, through the work of its forestry and paper research institute, RAIZ. These aims were pursued in close cooperation with the Group's respective business sectors and a range of bodies in the science and technology sector.

Industrial research in the pulp and paper sector has yielded the following results:

The PADIS R&D project, jointly funded by QREN, has been successfully completed after an audit by the Innovation Agency. This project was a joint venture between the Portucel Group, RAIZ and the Universities of Aveiro, Coimbra and Beira Interior, in order to develop new knowledge of the printability of uncoated papers.

Work continued on the MPAPER research project jointly funded by QREN and carried out as a joint venture by the Portucel Group and RAIZ with the University of the Minho and PIEP (Polymer Engineering Innovation Centre). This project is designed to develop a model for forecasting the macro-behaviour of paper, with a focus on dimensional stability, using multi-scale technology.

Research has been carried out into improving paper for high-speed inkjet printing, known as web inkjet, with a study that looked at the influence of the structure of the base paper on surface treatment, and on the formulations to apply, making it possible to develop prototypes to improve performance in relation to standard commercial papers in this market segment.

The Group has also researched the application of enzymes with the support of Biocant, a leading biotechnology laboratory. This has involved an in-depth study of the characteristics, workings and optimization of conditions for the use of enzymes to improve the characteristics of white eucalyptus pulp, confirming the excellent potential of this technology for streamlining resources, in particular fibres and energy, in the manufacture of office paper.

The Valorcel research project, a joint undertaking between the Portucel Group, RAIZ and PIEP, has made it possible to produce a composite incorporating up to 30% fibre, with good mechanical properties, which has been tested in the production of parts of the automobile industry.

As part of its continued technological support for the Portucel Group, RAIZ has worked closely with the paper production unit at the Setúbal Industrial Complex and identified measures for reducing water consumption, contributing to the sustainability of the plant's operation.

The joint efforts of RAIZ, the University of Aveiro and the Cacia Mill have provided a better understanding of the procedures for removing AOX (adsorbable organochlorine compounds) from effluents, and identified measures for reducing AOX emissions, so as to manufacture products in keeping with Ecolabel requirements.

The Portucel Group and RAIZ have played an active role in coordinating work on the chapter on the kraft process, as part of the European review of the BREF reference document identifying the Best Available Technologies in the sector and the associated emission levels. The reference document will form the basis for licensing pulp and paper production activities in Europe.

RAIZ also supported efforts to improve methods for testing and characterizing diffuse emissions at the Group's various industrial units, making for increased integration and sustainability of their operations.

During 2012, type approval was obtained for Ferticel as a soil corrective, in recognition of the nutritional interest of this compound developed by RAIZ from pulp and paper by-products.

With the support of RAIZ and Lenzing, industrial tests were also conducted at the Cacia Mill in which pulp was successfully produced from cooking only knots from the Group's three industrial units in specially adapted discontinuous digesters. The success of these tests opens up the possibility of making better use of raw material and cutting on the quantity of waste produced.

In 2012, the Portucel Group invested in the fields of bio-energy and bio-refining, working on the BIIPP research project (Integrated Biorefinery in the Pulp and Paper Industry), in partnership with the Universities of Aveiro, Coimbra and Porto; the role of RAIZ in this project is to align the research and its industrial application. The project involves studying the pre-extraction of hemicellulose from *Eucalyptus globulus* trimmings and processing primary sludge from the waste water treatment plant in order to produce sugar solutions and subsequent conversion into ethanol. The extraction of high value added organic products from eucalyptus bark, such as triterpenic and phenolic compounds, is another aspect of this project. These compounds are of recognized value to the pharmaceutical, cosmetics and nutrition industries.

Also in the biorefinery area, RAIZ has sought to complement its key expertise in new technologies for breaking down biomass and the kraft process, in partnership with organizations specializing in biotechnology and chemical processes, with a view to developing raw material for the biochemicals, bio-polymers and bio-compounds industry. The production of cellulose materials, including micro- and nano-cellulose, and the development of new applications are another area of research work.

The following important results have been achieved in forestry research:

The genetic improvement programme has made it possible to formulate a new cloning recommendation for 2012/14, comprising 4 new *Eucalyptus globulus* clones and 2 new hybrids, specifically designed for the growing conditions in different parts of Portugal. This recommendation will permit gains in industrial yields. The respective cloning documents have been drafted and Technical Standard NT07 has been reformulated.

The protocol for certifying clone identity has been revised, with improvements in terms of accuracy and operability. The use of molecular markers has made it possible to compare the diversity of samples of representative individuals of *Eucalyptus globulus* in RAIZ' genetic improvement programme. The findings indicate that it is possible to broaden the genetic base of the species in Portugal.

In partnership with the Portucel Group's forest management departments, the trial network has been extended to two areas of research with immediate operational applicability - fertilization of new plantations and alternative methods of soil mobilization -, seeking to cut costs and improve the quality of these operations. The forestry soils and nutrition sector have also been involved in planning maintenance fertilization, technical support for the licensing of areas for application of sludge and ash, updating of technical standards and training for the Group's specialist staff.

Work has proceeded as envisaged in the National Plan for Control of *Gonipterus platensis*, the main pest affecting eucalyptus yields in Portugal. Thanks to this plan, organized by the Group with participation by DGAV - *Direcção Geral de Veterinária* (Directorate-General of Veterinary Affairs), ICNF - *Instituto da Conservação da Natureza*

e das Florestas (Institute of Nature Conservation and Forests) and INIAV - *Instituto Nacional de Investigação Agrícola e Veterinária* (National Institute for Agricultural and Veterinary Research), it has been possible to develop and apply strategies for combating this pest by chemical and biological means. Biological measures have included releasing a new natural enemy of the pest (the parasitoid *Anaphes inexpectatus*) and the importation of new natural enemies.

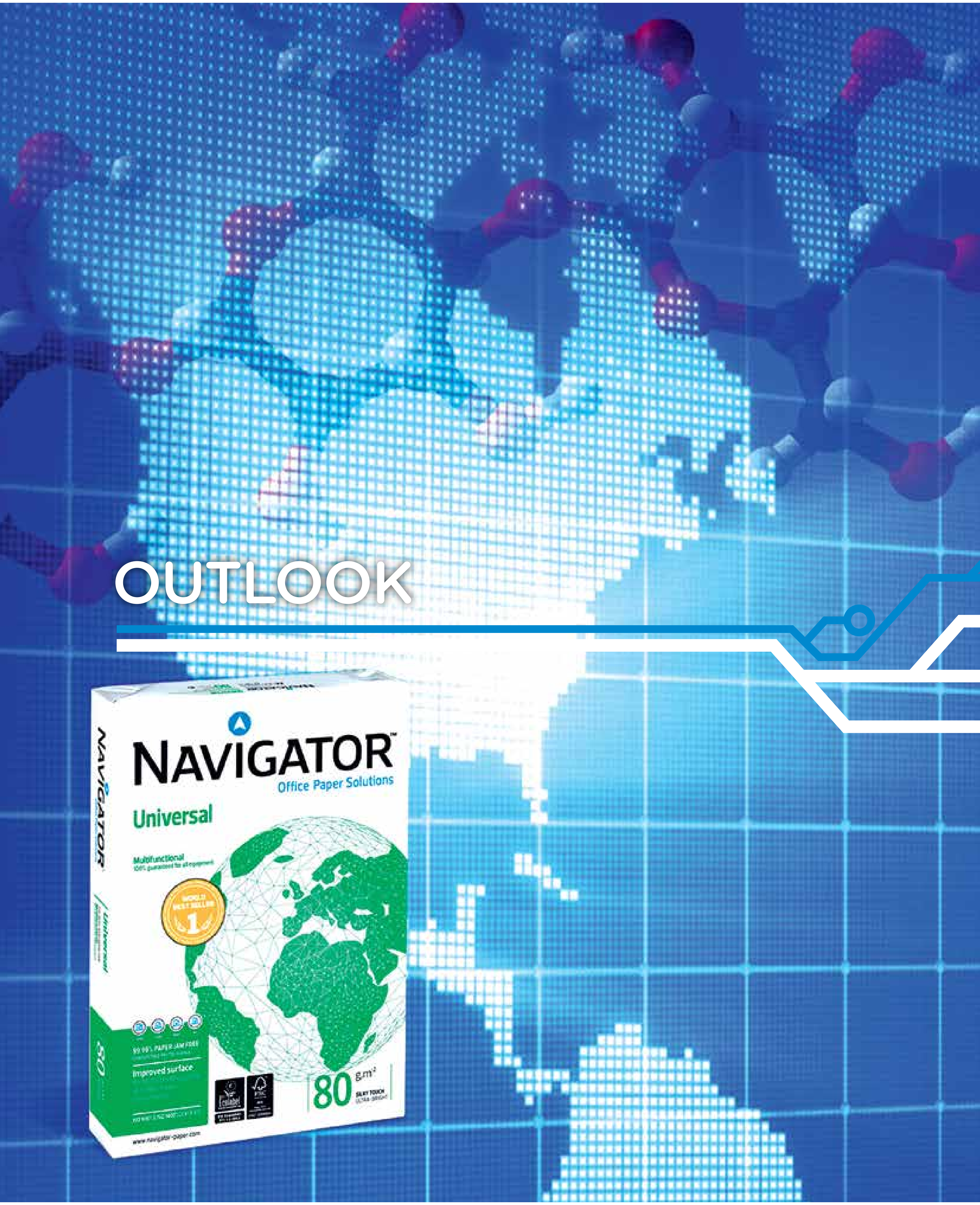
In partnership with the Higher Institute of Agronomy (ISA) and as part of the Pt-Lyptus project, an ecophysiological model (3-PG) has been calibrated to estimate yields from *Eucalyptus globulus*. Trials were also concluded for rapid identification of a method for selecting clones for their ability to withstand drought. An irrigation research plan has been set up, and monitoring has started of trials installed at the Caneca, Caniceira and Espirra Estates. Early findings, for ages of less than two years, point to significant gains in yields in areas with irrigation.

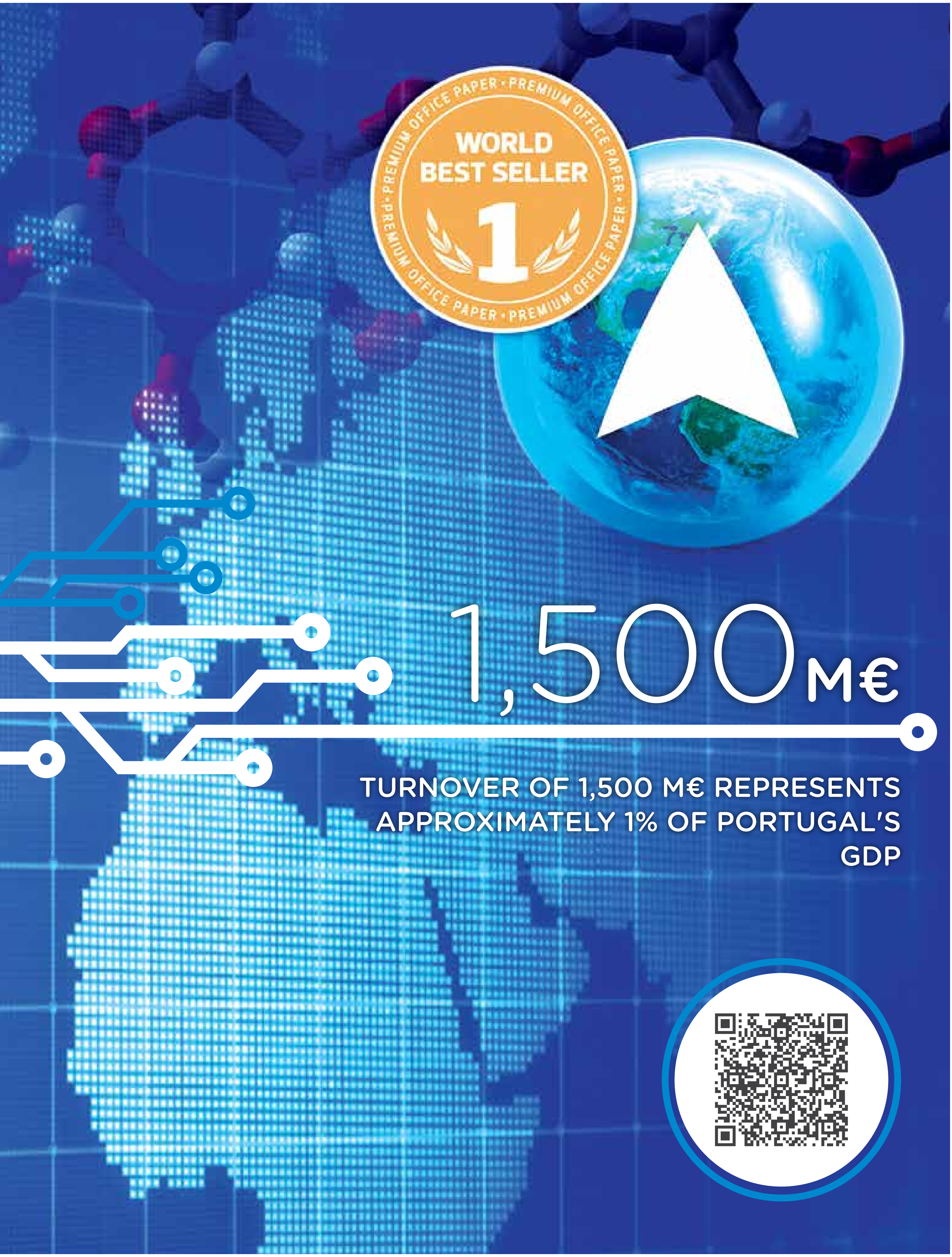
In relation to the development of energy crops, five trials have been set up and/or monitored in different locations, with high-density planting of eucalyptus clones, in a specific forestry regime and short rotations, using two alternative crops: willow and miscanthus.

The environmental characterization of stands remains an important aspect of RAIZ' work, with the stratification of 23 thousand hectares of woodlands into homogeneous zones. The findings of this work were integrated into the Geographical Information System, so as to enhance its operability and support forestry management, by making it possible to provide grounds for investment plans, define forestry projects and the respective intervention required, and also reduce the risks of decision-making. This know-how has been internalized by Group staff, forestry producers and their associations, through training in zoning and good forest husbandry.

Another feature of 2012 was intense activity in providing technical support for projects designed to seek viable alternatives for optimizing forest yields in areas under Group management, so as to reduce dependence on imported and third party wood, with a view to improving future supplies of woods to the Portucel Group's pulp and paper mills.

OUTLOOK




PREMIUM OFFICE PAPER • PREMIUM OFFICE PAPER • PREMIUM OFFICE PAPER • PREMIUM OFFICE PAPER •
WORLD
BEST SELLER
1
1,500M€
TURNOVER OF 1,500 M€ REPRESENTS APPROXIMATELY 1% OF PORTUGAL'S GDP

OUTLOOK

Most indicators point to modest global economic growth in 2013, although with significant differences between regions and countries. A number of structural issues persist with the potential to restrict growth, including the uncertainty surrounding the debt crisis in the euro zone, the management of the "fiscal cliff" in the US and the need for deleveraging of the public and private sectors in a number of economies.

In the euro zone, signs of an economic slowdown can still be seen, and are expected to continue throughout the year. Despite the recent boost to confidence in financial markets, economic growth is expected to remain constrained by severe measures to consolidate state spending in most European countries, by the high level of national, corporate and household debt and by the continued fragility of the financial system.

Despite a number of positive signs in the US, in particular the recovery of the real estate sector and improved competitiveness in energy costs, uncertainties remain as to the severity and pace of policies to be implemented over coming years to consolidate the budget, with a possible impact on economic growth.

Some emerging markets, and China in particular, have also begun to cool down, and growth in these economies is expected to decrease in the next few years as a result of slacker demand from the developed economies and the transition from a model of growth sustained almost entirely by exports and public spending to one based on internal demand. In any case, the Chinese market is expected to remain one of the main drivers of global demand.

Expectations accordingly point to the BEKP pulp market continuing to be sustained by strong demand from Asian markets, and particularly from China, thanks to investment in the manufacture of tissue papers and the policy pursued by the Chinese government of closing down obsolete plant. Demand will be further bolstered by the foreseeable growth in internal demand, with a sharp impact on consumption of tissue papers, despite the fact that estimates point in the short term to a temporary dip in the pace of paper production, due to the high levels of existing stocks.

This positive performance in the Chinese market has offset the more recessionary environment in Europe and the US. The recent closure of a plant in Brazil with annual production capacity of more than 400 thousand tons, the cost inflation experienced in the main BEKP pulp producer countries, combined with the high level of indebtedness of certain producers and the strong pressure on them to maximize yields from sizeable capital projects currently under way are all factors which could help sustain prices in the near future.

The 4th quarter of 2012 saw the start of production in the Eldorado project, in Mato Grosso do Sul,

Brazil, with rated annual capacity of 1.5 million tons. The impact of this will be felt by the market in 2013, at the same time as a further new unit in Uruguay and another in Brazil are set to come online, with combined capacity of 2.8 million tons/year. The start-up of these new pulp mills will test the capacity of the market to absorb an appreciable increase in the supply of BEKP pulp, and could have a negative impact on the market during the second half of 2013.

At the same time, the expected persistence of the economic downturn, with its inevitable effect on employment levels, will continue to drive down consumption of uncoated woodfree paper in the more developed economies, in particular in Europe and the United States, the Group's most important markets. It should be noted that apparent consumption in Europe, the Group's main market, fell by almost 4% in 2012, and that this trend is set to continue.

Accordingly, despite the resilience shown by the cut-size paper market, where consumption fell by only 1.5%, the positive impact of capacity closures in 2011, as well as the positive evolution in the USD/Euro exchange rate, factors which together helped to provide some support for the market over the past year, the outlook for the near future remains extremely uncertain.

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

In this difficult environment, the Group has striven consistently to expand the number of markets on which it sells its products and to reposition its product mix on its traditional markets, capitalizing on the excellent penetration and awareness levels enjoyed by its own brands and wide perception of the quality of its value proposition. As a result, the Group has expanded its share in its traditional markets and significantly increased its presence in new markets, in particular in Eastern Europe, North Africa and the Middle East.

This has permitted the Group to keep its order books at comfortable levels and to operate continuously at 100% capacity, placing nearly all its output on foreign markets.

Ongoing efforts have been made in all areas of the Portucel Group to streamline operations, improve efficiency and increase productivity, so as to draw maximum advantage from its competitive advantages. The tireless and ongoing pursuit of these aims has been one of the main factors behind the consistently excellent results presented by the Portucel Group, year after year.

ACKNOWLEDGMENTS

In 2012, the Group once again asserted itself as a top Portuguese exporter, consolidating its position as European leader in the paper and pulp market, in a particularly difficult environment. This success would not have been possible without persistent work to achieve efficiency and productivity gains, made possible by the dedication and efforts of the entire Group's staff, who have pursued the goal of excellence on a daily basis. The Board of Directors would like to thank all those whose tireless and dedicated contributions have made the Group what it is today.

A word of appreciation is likewise extended to all the Portucel Group’s external stakeholders – customers, suppliers, shareholders and other partners – for their interest and support.

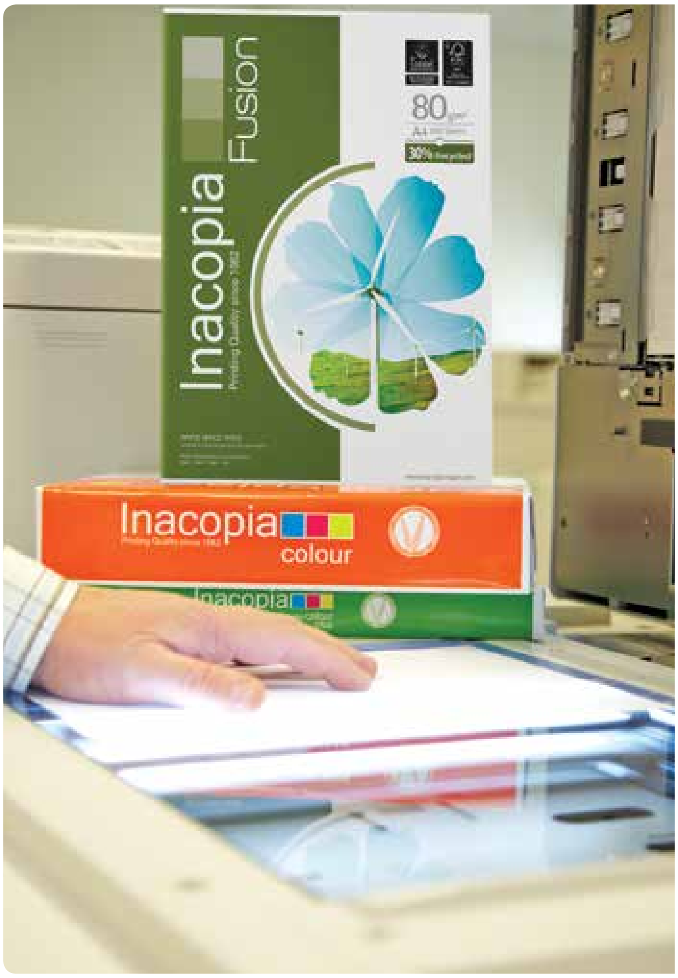
Setúbal, 29 January 2013

PROPOSAL FOR THE ALLOCATION OF PROFITS

As set out in the financial statements for 2012, the company recorded consolidated net income of 211,169,129 euros and net income on an individual basis of 180,961,294 euros. The Board of Directors therefore proposes payment of a dividend of 0.16 €/share, in accordance with the following allocation of net income:

To the Legal Reserve:	9,048,065 euros
To Retained Earnings:	56,694,037 euros
For Distribution of Dividends:	115,219,193 euros*

* This amount takes into consideration a total of 47,380,045 treasury shares; in the event of any change to this figure at the payment date, the total value of dividends payable may be adjusted, with no change to the value of the dividend payable per share.



DECLARATION REQUIRED UNDER ARTICLE 245.1 C) OF THE SECURITIES CODE

Article 245.1 c) of the Securities Code requires that each of the persons responsible for issuers make a number of declarations, as described in this article. In the case of Portucel, a uniform declaration has been adopted, worded as follows:

I hereby declare, under the terms and for the purposes of Article 245.1 c) of the Securities Code that, to the best of my knowledge, the management report, annual accounts, legal accounts certificate and other financial statements of Portucel, S.A., for the financial year of 2012, were drawn up in accordance with the relevant accounting rules, and provide a true and fair view of the assets and liabilities, financial affairs and profit or loss of the said company and other companies included in the consolidated accounts, and that the management report contains a faithful account of the business, performance and position of the said company and other companies included in the consolidated accounts, describing the main risks and uncertainties which they face.

Considering that the members of the Audit Board and the Official Auditor sign an equivalent declaration in relation to the documents for which they are responsible, a separate declaration with the above text was signed by the directors only, as it was deemed that only the company officers fall within the concept of "persons responsible for the issuer". As required by this rule, we provide below a list of the persons signing the declaration and their office in the company:

Pedro Mendonça de Queiroz Pereira	CHAIRMAN OF THE BOARD OF DIRECTORS
José Alfredo de Almeida Honório	CHIEF EXECUTIVE OFFICER
Manuel Soares Ferreira Regalado	EXECUTIVE DIRECTOR
Adriano Augusto da Silva Silveira	EXECUTIVE DIRECTOR
António José Pereira Redondo	EXECUTIVE DIRECTOR
José Fernando Morais Carreira de Araújo	EXECUTIVE DIRECTOR
Luís Alberto Caldeira Deslandes	NON-EXECUTIVE DIRECTOR
Manuel Maria Pimenta Gil Mata	NON-EXECUTIVE DIRECTOR
Francisco José Melo e Castro Guedes	NON-EXECUTIVE DIRECTOR
José Miguel Pereira Gens Paredes	NON-EXECUTIVE DIRECTOR
Paulo Miguel Garcês Ventura	NON-EXECUTIVE DIRECTOR

CORPORATE BODIES

The company officers of Portucel. S.A., elected for the four-year term from 2011 to 2014, are as follows:

GENERAL MEETING

CHAIRMAN	Francisco Xavier Zea Mantero*
SECRETARY	Rita Maria Pinheiro Ferreira

BOARD OF DIRECTORS

CHAIRMAN	Pedro Mendonça de Queiroz Pereira
MEMBERS	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
	José Miguel Pereira Gens Paredes
	Paulo Miguel Garcês Ventura

EXECUTIVE BOARD

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

COMPANY SECRETARY

FULL MEMBER	António Pedro Gomes Paula Neto Alves
ALTERNATE MEMBER	António Alexandre de Almeida e Noronha da Cunha Reis

AUDIT BOARD

CHAIRMAN	Miguel Camargo de Sousa Eiró
FULL MEMBERS	Duarte Nuno d'Orey da Cunha
	Gonçalo Nuno Palha Gaio Picão Caldeira
ALTERNATE MEMBER	Marta Isabel Guardalino da Silva Penetra

REMUNERATION COMMITTEE

CHAIRMAN	José Gonçalo Maury, representing Egon Zehnder
MEMBERS	João Rodrigo Appleton Moreira Rato
	Frederico José da Cunha Mendonça e Meneses

STATUTORY AUDITOR

FULL MEMBER	PricewaterhouseCoopers & Associados – SROC, Lda represented by António Alberto Henrique Assis or César Abel Rodrigues Gonçalves
ALTERNATE MEMBER	José Manuel Henriques Bernardo (ROC)

(*) Francisco Mantero was elected Chairman at the General Meeting of 10 April 2012, after the resignation tendered by José Pedro Aguiar Branco.

MANDATORY DISCLOSURES

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

(with regard to the financial year of 2012)

1. INFORMATION ON SECURITIES HELD BY COMPANY OFFICERS

a) Securities issued by company and held by company officers:

António José Pereira Redondo	6,000 shares
Adriano Augusto da Silva Silveira	2,000 shares
Duarte Nuno d'Orey da Cunha	16,000 shares

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

José Alfredo de Almeida Honório	20,000 shares and 500 bonds issued by Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
Manuel Soares Ferreira Regalado	90 bonds issued by Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
António José Pereira Redondo	5 bonds issued by Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
Luís Alberto Caldeira Deslandes	60 bonds issued by Semapa – Sociedade de Investimento e Gestão SGPS, S.A.
Manuel Maria Pimenta Gil Mata	100 bonds issued by Semapa – Sociedade de Investimento e Gestão SGPS, S.A.
José Miguel Pereira Gens Paredes	180 bonds issued by Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
Paulo Miguel Garcês Ventura	125 bonds issued by Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
Miguel Camargo de Sousa Eiró	50 bonds issued by Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
Duarte Nuno d'Orey da Cunha	2,907 shares and 25 bonds issued by Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.
Maria Rita Carvalhosa Mendes de Almeida Queiroz Pereira	16,464 shares and 50 bonds issued by Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.

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

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

- Cimigest, SGPS, S.A. – 3,185,019 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
- Cimo - Gestão de Participações, SGPS, S.A. – 16,199,031 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
- Longapar, SGPS, S.A. – 21,505,400 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
- Sodim, SGPS, S.A. – 15,657,505 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
- OEM - Organização de Empresas, SGPS, S.A. – 535,000 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.

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

- José Alfredo de Almeida Honório acquired, on 30 March, 500 bonds in Semapa - Sociedade de Investimento e Gestão, SGPS, S.A., for a price of 1,000.00 euros, per bond;
- Manuel Soares Ferreira Regalado acquired, on 30 March, 90 bonds in Semapa - Sociedade de Investimento e Gestão, SGPS, S.A., for a price of 1,000.00 euros, per bond;
- António José Pereira Redondo acquired, on 30 March, 5 bonds issued by Semapa - Sociedade de Investimento e Gestão, SGPS, S.A., for a price of 1,000.00 euros, per bond;
- Luís Alberto Caldeira Deslandes acquired, on 30 March, 60 bonds issued by Semapa - Sociedade de Investimento e Gestão, SGPS, S.A., for a price of 1,000.00 euros, per bond;
- Manuel Maria Pimenta Gil Mata acquired, on 30 March, 100 bonds issued by Semapa - Sociedade de Investimento e Gestão, SGPS, S.A., for a price of 1,000.00 euros, per bond;
- José Miguel Pereira Gens Paredes acquired, on 30 March, 180 bonds issued by Semapa - Sociedade de Investimento e Gestão, SGPS, S.A., for a price of 1,000.00 euros, per bond;
- Paulo Miguel Garcês Ventura acquired, on 30 March, 125 bonds issued by Semapa - Sociedade de Investimento e Gestão, SGPS, S.A., for a price of 1,000.00 euros, per bond;
- Miguel Camargo de Sousa Eiró acquired 5 bonds issued by Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., on 30 March, and 21 bonds issued by Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., on 11 April, for a price of 1,000.00 euros, per bond, and 24 bonds issued by Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., on 12 April, for a price of 996 euros, per bond;
- Duarte Nuno d'Orey da Cunha acquired 5 bonds issued by Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., on 30 March, and 20 bonds issued by Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., on 3 April, for a price of 1,000.00 euros, per bond;

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

- Gonçalo Nuno Palha Picão Caldeira effected the following transactions during 2012:

DATE	SECURITIES	AMOUNT	PRICE (€)	TRANSACTION
16-04-2012	Portucel Shares	20,000	2.160	Purchase
24-09-2012	Portucel Shares	20,000	2.087	Sale
28-03-2012	Semapa Bonds	5.0	1,000.00	Purchase
11-10-2012	Semapa Bonds	5.0	1,020.00	Sale

- Maria Rita Carvalhosa Mendes de Almeida Queiroz Pereira acquired 50 bonds in Semapa - Sociedade de Investimento e Gestão, SGPS, S.A, on 30 March, for a price of 1,000.00 euros, per bond.

- Cimigest, SGPS, S.A. acquired 3,184,919 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., on 23 January, for a price of 5.424 euros, per bond;

- Sodim, SGPS, S.A. disposed of 3,184,919 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., on 23 January, for a price of 5.424 euros, per share;

- On 18 April, Zoom Investment, SGPS, S.A. disposed of 10,298,855 shares in the company for a price of 1.93 euros per share.

2. LIST OF QUALIFYING HOLDINGS AT 31 DECEMBER 2012
(AS REQUIRED BY ARTICLE 20 OF THE SECURITIES CODE)

ENTITY	Nº SHARES	% OF CAPITAL	% OF NON-SUSPENDED VOTING RIGHTS
SEMAPA SGPS S.A.	**582,172,407**	**75.85%**	**80.84%**
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	340,571,392	44.37%	47.29%
Seinpar Investments B.V.	241,583,015	31.48%	33.55%
Cimentospar - Participações Sociais, SGPS, S.A.	1,000	0.00%	0.00%
Seminv - Investimentos, SGPS, S.A.	1,000	0.00%	0.00%
Duarte Nuno d'Orey da Cunha (*)	16,000	0.00%	0.00%

(*) Officer in Semapa

3. INFORMATION ON OWN SHARES
(REQUIRED BY ARTICLES 66 AND 324.2 OF THE COMPANIES CODE)

As required by Articles 66 and 324.2 of the Companies Code, Portucel, S.A., hereby discloses that during the financial year of 2012 it made the following acquisitions of its own shares:

DATE	Nº SHARES	SHARE PRICE	ACCUMULATED SHARES
Total amount in 31-12-2011			**22,111,382**
16/05/12	23,000	1.7943	22,134,382
17/05/12	14,000	1.7654	22,148,382
18/05/12	18,000	1.7546	22,166,382
21/05/12	13,000	1.7531	22,179,382
22/05/12	12,500	1.7561	22,191,882
23/05/12	13,000	1.7527	22,204,882
24/05/12	12,000	1.7676	22,216,882
25/05/12	6,000	1.7800	22,222,882
28/05/12	10,000	1.8000	22,232,882
29/05/12	15,000	1.7917	22,247,882
30/05/12	13,500	1.7729	22,261,382
31/05/12	54,000	1.7024	22,315,382
01/06/12	44,500	1.7054	22,359,882
04/06/12	7,500	1.7197	22,367,382
05/06/12	12,229	1.7326	22,379,611
06/06/12	7,796	1.7368	22,387,407
07/06/12	17,328	1.7382	22,404,735
11/06/12	30,000	1.7894	22,434,735
12/06/12	21,000	1.7820	22,455,735
13/06/12	10,000	1.7920	22,465,735
14/06/12	38,738	1.7523	22,504,473
15/06/12	5,855	1.7728	22,510,328
28/06/12	24,850,273	1.8500	47,360,601
01/08/12	7,144	1.9700	47,367,745
02/08/12	12,300	1.9692	47,380,045
Total amount in 31-12-2012	**47,380,045**		

At 31/12/2011, Portucel held 47,380,045 own shares representing 6.17% of its share capital.

CONSOLIDATED FINANCIAL STATEMENTS

25.7%

EBITDA/SALES MARGIN OF 25.7% REFLECTS AN IMPRESSIVE OPERATING PERFORMANCE

CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDING 31 DECEMBER 2012 AND 2011

AMOUNTS IN EURO	NOTES	2012	2011	4th QUARTER 2012	4th QUARTER 2011
Revenues	4			(unaudited)	(unaudited)
Sales		1,498,559,415	1,484,263,944	391,267,993	389,811,877
Services rendered		3,055,724	3,620,349	828,353	2,161,535
Other operating income	5				
Gains on the sale of non-current assets		1,337,654	75,040	1,088,590	16,481
Other operating income		29,283,960	21,407,642	10,572,510	5,945,493
Change in the fair value of biological assets	18	(1,713,381)	266,690	(149,274)	1,001,268
Costs	6				
Cost of inventories sold and consumed		(608,922,607)	(580,268,510)	(170,197,450)	(158,631,294)
Changes in inventories of finished goods and work in progress		(3,075,039)	(38,752,817)	5,554,028	(7,850,096)
Cost of materials and services consumed		(392,969,459)	(358,296,358)	(102,145,838)	(99,799,184)
Payroll costs		(125,355,239)	(133,713,092)	(29,390,056)	(32,100,505)
Other costs and losses		(14,782,923)	(13,529,807)	(4,814,532)	(3,442,362)
Provisions		14,950,106	5,610,786	5,488,077	10,053,964
Depreciation, amortization and impairment losses	8	(114,173,911)	(124,527,404)	(35,318,315)	(31,598,272)
Operational income / (loss)		286,194,300	266,156,463	72,784,089	75,568,905
Group share of (loss) / gains of associated companies and joint ventures	19	605,926	593,751	490,189	(296,738)
Net financial results	10	(16,298,360)	(16,346,454)	(3,443,835)	(1,076,782)
Profit before tax		270,501,865	250,403,760	69,830,442	74,195,385
Income tax	11	(59,316,756)	(54,057,904)	(18,815,343)	(21,923,791)
Net Income		211,185,109	196,345,856	51,015,100	52,271,594
Non-controlling interests	13	(15,979)	(14,467)	(39,796)	(40,472)
Net profit for the year		211,169,129	196,331,389	50,975,304	52,231,122
Earnings per share					
Basic earnings per share, Eur	12	0.289	0.262	0.070	0.070
Diluted earnings per share, Eur	12	0.289	0.262	0.070	0.070

The notes on pages 97 to 153 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2012 AND 2011

AMOUNTS IN EURO	NOTES	2012	2011
ASSETS			
Non-Current Assets			
Goodwill	15	376,756,383	376,756,383
Other intangible assets	16	4,548,581	2,776,759
Plant, property and equipment	17	1,398,755,181	1,529,709,225
Biological assets	18	109,055,925	110,769,306
Available-for-sale financial assets	19	126,032	126,032
Investment in associates	19	1,790,832	1,778,657
Deferred tax assets	26	38,951,737	46,271,758
		1,929,984,670	2,068,188,120
Current Assets			
Inventories	20	212,387,683	188,690,926
Receivables and other current assets	21	188,359,334	242,257,094
State entities	22	64,384,794	54,684,123
Cash and cash equivalents	29	329,368,449	267,431,715
		794,500,260	753,063,858
Total Assets		2,724,484,931	2,821,251,978
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	25	767,500,000	767,500,000
Treasury shares	25	(88,933,978)	(42,154,975)
Fair value reserves		72,822	(523,245)
Other reserves		66,217,777	57,546,582
Currency translation reserves		945,918	(485,916)
Retained Earnings		523,626,415	499,721,013
Net profit for the period		211,169,129	196,331,389
		1,480,598,083	1,477,934,848
Non-controlling interests	24	238,824	220,660
		1,480,836,907	1,478,155,508
Non-current liabilities			
Deferred tax liabilities	26	192,367,978	193,236,695
Pensions and other post-employment benefits	27	5,314,678	16,682,785
Provisions	28	4,653,122	19,602,592
Interest-bearing liabilities	29	473,259,873	566,813,031
Other non-current liabilities	29	13,863,060	18,109,324
		689,458,711	814,444,427
Current liabilities			
Interest-bearing liabilities	29	219,744,522	164,085,292
Payables and other current liabilities	30	233,848,436	284,893,379
State entities	22	100,596,354	79,673,372
		554,189,313	528,652,043
Total liabilities		1,243,648,024	1,343,096,470
Total equity and liabilities		2,724,484,931	2,821,251,978

The notes on pages 97 to 153 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE CONSOLIDATED INCOME

FOR THE YEARS ENDING 31 DECEMBER 2012 AND 2011

AMOUNTS IN EURO	2012	2011	4th QUARTER 2012	4th QUARTER 2011
			(unaudited)	(unaudited)
Net profit for the year	211,185,109	196,345,856	51,015,100	52,271,594
Items that will be subsequently recycled through results				
Fair value in derivative financial instruments	870,170	(877,789)	(327,601)	(3,163,275)
Currency translation differences	1,431,834	(1,367,491)	2,682,690	1,219,688
Tax on the items above when applicable	(274,103)	276,504	103,194	996,432
	2,027,900	(1,968,776)	2,458,284	(947,156)
Items that will not be subsequently recycled through results				
Actuarial gains / (losses)	4,547,551	(4,611,180)	2,006,518	2,561,311
Equity adjustments in group companies	(3,382,269)	-	(2,952,546)	-
Tax on the items above when applicable	(187,004)	253,910	120,168	(1,479,040)
	978,278	(4,357,270)	(825,859)	1,082,272
Other comprehensive income for the year, net of tax	3,006,179	(6,326,046)	1,632,425	135,116
Total comprehensive income for the year	214,191,287	190,019,810	50,189,241	53,353,866
Attributable to:				
Portucel's shareholders	214,173,123	190,015,904	50,193,527	53,380,687
Non-controlling interests	18,164	3,905	(4,286)	(26,822)
	214,191,287	190,019,810	50,189,241	53,353,866

The notes on pages 97 to 153 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM 1 JANUARY 2011 TO 31 DECEMBER 2012

AMOUNTS IN EURO	31 DECEMBER 2011	GAINS/LOSSES RECOGNIZED IN THE YEAR	DIVIDENDS PAID AND RESERVES DISTRIBUTED (NOTE 25)	TREASURY SHARES	APPLICATION OF PRIOR YEAR'S NET PROFIT (NOTE 7)	31 DECEMBER 2012
Share capital	767,500,000	-	-	-	-	767,500,000
Treasury shares	(42,154,975)	-	-	(46,779,004)	-	(88,933,978)
Fair value reserve	(523,245)	596,066	-	-	-	72,822
Other reserves	57,546,582	-	-	-	8,671,195	66,217,777
Translation reserve	(485,916)	1,431,834	-	-	-	945,918
Retained earnings	499,721,012	976,094	(164,730,885)	-	187,660,194	523,626,415
Net profit for the year	196,331,389	211,169,129	-	-	(196,331,389)	211,169,129
Total	1,477,934,848	214,173,123	(164,730,885)	(46,779,004)	-	1,480,598,083
Non-controlling interests	220,660	18,164		-		238,824
Total	1,478,155,508	214,191,287	(164,730,885)	(46,779,004)	-	1,480,836,907

AMOUNTS IN EURO	31 DECEMBER 2010	GAINS/LOSSES RECOGNIZED IN THE YEAR	DIVIDENDS PAID AND RESERVES DISTRIBUTED (NOTE 25)	TREASURY SHARES	APPLICATION OF PRIOR YEAR'S NET PROFIT (NOTE 7)	31 DECEMBER 2011
Share capital	767,500,000	-	-	-	-	767,500,000
Treasury shares	(26,787,706)	-	-	(15,367,269)	-	(42,154,975)
Fair value reserve	78,040	(601,284)	-	-	-	(523,245)
Other reserves	47,005,845	-	-	-	10,540,737	57,546,582
Translation reserve	881,575	(1,367,491)	-	-	-	(485,916)
Retained earnings	304,020,378	(4,346,709)	-	-	200,047,343	499,721,012
Net profit for the year	210,588,080	196,331,389	-	-	(210,588,080)	196,331,389
Total	1,303,286,212	190,015,905	-	(15,367,269)	-	1,477,934,848
Non-controlling interests	216,755	3,905		-		220,660
Total	1,303,502,967	190,019,810	-	(15,367,269)	-	1,478,155,508

The notes on pages 97 to 153 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDING 31 DECEMBER 2012 AND 2011

AMOUNTS IN EURO	NOTES	2012	2011	4th QUARTER 2012	4th QUARTER 2011
				(unaudited)	(unaudited)
OPERATING ACTIVITIES					
Amounts received from customers		1,646,482,380	1,541,096,400	422,023,880	382,222,978
Payments to suppliers		1,233,552,339	1,163,973,302	280,264,395	244,668,282
Payments to personnel		120,488,129	99,055,053	41,547,099	44,030,922
Cash flow from operations		292,441,913	278,068,046	100,212,385	93,523,775
Income tax received / (paid)		(60,618,875)	(25,790,587)	(28,138,267)	2,722,593
Other receipts / (payments) relating to operating activities		101,173,367	53,395,670	54,422,106	16,359,297
Cash flow from operating activities (1)		332,996,404	305,673,129	126,496,224	112,605,665
INVESTING ACTIVITIES					
Inflows					
Investment grants		32,536,179	5,474,411	9,509	(23,784)
Interest and similar income		4,303,268	6,525,765	1,330,690	3,517,120
Dividends		14,285	-	14,285	-
Inflows from investment activities (A)		36,853,733	12,000,176	1,354,483	3,493,336
Outflows					
Investments in associates		-	755,378	-	-
Tangible assets		28,287,308	61,389,476	3,611,291	40,830,322
Outflows from investment activities (B)		28,287,308	62,144,854	3,611,291	40,830,322
Cash flows from investment activities (2 = A - B)		8,566,425	(50,144,678)	(2,256,808)	(37,336,986)
FINANCING ACTIVITIES					
Inflows					
Borrowings		118,384,759	-	35,633,045	-
Inflows from financing activities (C)		118,384,759	-	35,633,045	-
Outflows					
Borrowings		159,434,524	85,000,000	66,575,897	(6,250,000)
Interest paid		27,066,442	21,688,378	12,746,333	8,181,482
Acquisition of treasury shares	24	46,779,004	15,367,269	-	3,782,251
Dividends paid and reserves distributed	14	164,730,885	-	-	-
Outflows from financing activities (D)		398,010,854	122,055,646	79,322,230	5,713,732
Cash flows from financing activities (3 = C - D)		(279,626,096)	(122,055,646)	(43,689,185)	(5,713,732)
CHANGES IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)		61,936,734	133,472,805	80,550,231	69,554,946
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		267,431,715	133,958,910	248,818,,218	197,876,769
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	29	329,368,449	267,431,715	329,368,449	267,431,715

The notes on pages 97 to 153 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2012

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

The Portucel Group ("Group") comprises Portucel, S.A. (hereafter referred to as the Company or Portucel) and its subsidiaries.

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

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

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

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

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

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

Portucel is a publicly traded company with its share capital represented by nominal shares.

HEAD OFFICE	Mitrena, 2901-861 Setúbal
SHARE CAPITAL	767,500,000 euros
REGISTRATION No	503 025 798

These consolidated financial statements were approved by the Board of Directors on the 29th of January 2013.

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

1. SUMMARY OF THE PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies related to brands and financial instruments classified as held to maturity are not applicable to the financial statements presented below. However, they are included to ensure completeness compared to the accounting policies applied by its parent company – the Semapa Group, which is also the ultimate parent company.

1.1 BASIS OF PREPARATION

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

The accompanying consolidated financial statements were prepared on a going concern basis from the accounting books and records of the companies included in the consolidation (Note 39), and under the historic cost convention, except for biological assets, available for sale financial assets and derivative financial instruments, which are recorded at fair value (Notes 31.3 and 18).

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

1.2 BASIS OF CONSOLIDATION

1.2.1. Subsidiaries

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

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

Subsidiaries are consolidated using the full consolidation method from the date on which control is transferred to the Group until such date where control ceases.

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

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

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

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

Transaction costs directly attributable to the acquisition are immediately expensed.

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

When, at the date of the acquisition of control, Portucel already holds a previously acquired interest in the subsidiary, its fair value is considered in determining the goodwill or negative goodwill.

When Portucel acquires control over a subsidiary with less than 100%, the purchase method considers non-controlling interests either at their fair value or in the proportion of the fair value of the assets and liabilities acquired. This decision is made for each individual transaction.

When the Group trades shares of a subsidiary with non controlling interests with no impact in control, no gain, loss or goodwill is determined, and the differences between the transaction cost and the book value of the share acquired are recognized in equity.

In the event of losses in subsidiaries with non-controlling interests, these losses are proportionally attributed to non-controlling interests, despite the fact that they may become negative.

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

1.2.2. Associates

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

In conformity with the equity method, financial investments are recorded at their acquisition cost, adjusted by the amount corresponding to the Group's share of changes in the associates' shareholders' equity (including net income/loss) with a corresponding gain or loss recognized for the period on earnings or on changes in capital, and by dividends received.

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

Costs directly attributable to the transaction are immediately expensed.

In the event that impairment loss indicators arise on investments in associates, an evaluation of the potential impairment is made, and if deemed necessary, a loss is recognized in the consolidated income statement.

When the group's share of losses in associate companies exceeds its investment in that associate, the Group ceases the recognition of additional losses, unless it has incurred in liabilities or has made payments on behalf of that associate.

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

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

1.3 SEGMENTAL REPORTING

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

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

Four operating segments have been identified by the Group: uncoated printing and writing paper – UWF (Integrated pulp and paper), bleached eucalyptus kraft pulp – BEKP (Pulp stand alone), forestry and energy.

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

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

A significant portion of the Group's own BEKP production is consumed in the production of UWF paper. Sales of both products (BEKP and UWF) are made to more than 110 countries throughout the world.

Energy, heat and electricity is mainly produced from bio fuels in cogeneration. Heat production is used for internal consumption while electricity is sold to the national energy grid.

The accounting policies used in segmental reporting are those consistently used in the Group. All inter-segmental sales and services rendered are made at market prices and eliminated on consolidation.

Segmental information is disclosed in Note 4.

1.4 FOREIGN CURRENCY TRANSLATION

1.4.1. Functional and reporting currency

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

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

1.4.2. Balances and transactions expressed in foreign currencies

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

Currency adjustments, favourable and unfavourable, arising from differences between the exchange rates prevailing at the date of the transaction and those at the date of collection, payment or statement of financial position, are recorded as income and costs in the consolidated income statement for the year.

1.4.3. Group companies

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

i. The assets and liabilities of each statement of financial position are translated at the exchange rates prevailing at the date of the financial statements;

ii. If materially relevant, the income and costs are converted at the exchange rate prevailing at the dates of the transactions. Otherwise, income and expenses for each income statement are translated at the average exchange rate of the months of the reporting period.

All resulting exchange differences are recognized in other comprehensive income.

1.5 INTANGIBLE ASSETS

Intangible assets are booked at acquisition cost less accumulated impairment losses.

1.5.1. CO_2 emission rights

The CO_2 emission rights attributed to the Group within the National Plan for the assignment of CO_2 emission licenses at no cost, are recognized under Intangible Assets at market value on the date they are awarded, with a corresponding liability being recorded under "Deferred income – grants", for the same amount.

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

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

At the date of the consolidated statement of financial position, the portfolio of CO_2 emission rights is valued at the lower between the deemed acquisition cost (determined as described above) and its market value. On the other hand, the liabilities for the emissions occurred in the period are valued at market value at the same date.

1.5.2. Brands

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

On subsequent valuation exercises, brands are recognized in the Group's consolidated financial statements at cost. They are not subject to amortization, but instead tested for impairment at each reporting date.

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

1.6 GOODWILL

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

Goodwill on acquisitions of subsidiaries and associates is not amortized and is tested annually for impairment, and more frequently if events or changes in circumstances indicate a potential impairment. Impairment losses on goodwill cannot be reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to that entity.

1.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment that were acquired prior to January 1st 2004 are recorded at their deemed cost, which is the book value under the accounting principles generally accepted in Portugal until 1 January 2004 (transition date to IFRS), including revaluations made in accordance with the prevailing legislation, deducted of depreciation and impairment losses.

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the respective cost can be reliably measured.

Planned maintenance costs are considered part of the assets' acquisition cost and are therefore entirely depreciated until the date of the next forecasted maintenance event.

All other repairs and maintenance costs, other than the planned maintenance, are charged to the income statement in the financial period in which they are incurred.

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

	AVERAGE USEFUL LIFE (IN YEARS)
Buildings and other constructions	12 – 30
Equipment:	
Machinery and equipment	6 – 25
Transportation equipment	4 – 9
Tools	2 – 8
Administrative equipment	4 – 8
Returnable containers	6
Other property, plant and equipment	4 – 10

The residual values of the assets and respective useful lives are reviewed and adjusted when necessary at the date of the statement of financial position.

If the book value of the asset is higher than the asset's realizable value, then it is written down to the estimated recoverable amount by recognizing an impairment loss (Note 1.8).

Gains or losses arising from derecognition or disposal are calculated as the difference between the proceeds received on the disposal and the asset's book value, and are recognized in the income statement as other operating income or costs.

1.8 IMPAIRMENT OF NON-CURRENT ASSETS

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

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

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

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

1.9 BIOLOGICAL ASSETS

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

When calculating the fair value of the forests, the Group uses the discounted cash flows method, based on a model developed in house, regularly tested by independent external assessments, which considers assumptions about the nature of the assets being valued, namely, the expected yield of the forests, the timber's is selling price, net of costs related with harvest and transportation, the rents of the woodlands and also plantation costs, maintenance costs and a discount rate.

The discount rate corresponds to a market rate without inflation and was determined on the basis of the Group's expected rate of return on its forests.

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

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

1.10 FINANCIAL INSTRUMENTS

The Group classifies its financial instruments in the following categories: loans granted and receivables, financial assets at fair value through profit and loss, held-to-maturity investments, and available-for-sale financial assets.

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

All acquisitions and disposals of these instruments are recognized on the date of the respective purchase and sale contracts, irrespective of the financial settlement date.

Financial instruments are initially recorded at the acquisition cost, when their fair value equals the price paid, including transaction expenses (except financial assets at fair value through profit or loss). The subsequent measurement depends on the category the instrument falls under, as follows:

1.10.1. Loans granted and receivables

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

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

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

1.10.2. Financial assets at fair value through profit or loss

This category comprises two sub-categories: (i) financial assets held for trading, and (ii) assets designated at fair value through profit or loss at initial recognition. A financial asset is classified under this category if acquired primarily for the purpose of selling in the short-term or if so designated by management.

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

1.10.3. Held-to-maturity investments

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

1.10.4. Available-for-sale financial assets

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

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

If there is no active market for a financial asset, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same as the one in question, discounted cash-flows analysis and option pricing models refined to reflect the issuer's specific circumstances.

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

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

At each reporting date the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. If a prolonged decline in fair value of the available-for-sale financial assets occurs, then the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the income statement.

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

1.11 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACCOUNT

1.11.1. Derivative financial instruments

The Group uses derivative financial instruments aimed at managing the financial risks to which it is exposed.

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

Whenever possible, the fair value of derivatives is estimated on the basis of quoted instruments. In the absence of market prices, the fair value of derivatives is estimated through the discounted cash-flow method and option valuation models, in accordance with prevailing market assumptions. The fair value of the derivative financial instruments is included in receivables and other current assets and payables and other current liabilities.

Derivative financial instruments may be recognized as hedging instruments if they meet the following characteristics:

i. At acquisition date, there is formal designation and documentation of the hedging relationship, namely regarding the hedged item, the hedging instrument and the company's evaluation of the hedging effectiveness;

ii. There is an expectation that the hedge will be highly effective, at the inception of the hedging relation and along its duration;

iii. The effectiveness of the hedge may be measured at the beginning of the operation and while it is running;

iv. For cash flow hedges, the realization of the cash flows must be highly probable.

Whenever expectations of changes in interest or exchange rates so justify, the Group hedges these risks through derivative financial instruments, such as interest rate swaps (IRS), caps and floors, forwards, calls, collars, etc.

In the selection of the derivative financial instruments, it is their economic aspects that are the main focus of assessment. Management also evaluates the impact of each additional derivative financial instrument to its portfolio, namely in the volatility of earnings.

1.11.2. Cash flow hedging (interest rate, price and exchange rate risks)

In order to manage its exposure to interest rate risk, price risk and exchange rate risk, the Group enters into cash flow hedges.

Those transactions are recorded in the consolidated statement of financial position at their fair value. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the income statement within 'net financial results'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity is recycled to the income statement, unless the hedged item is a forecasted transaction, in which case any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecasted transaction is ultimately recognized in the income statement.

1.11.3. Net investment hedging (exchange rate risk)

In order to manage the exposure of its investments in foreign subsidiaries to fluctuations in the exchage rate (net investment), the group enters into exchange rate forwards.

Those exchange rate forwards are recorded at their fair value in the consolidated statement of financial position.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

1.12 CORPORATE INCOME TAX

1.12.1. Current and differed income tax

Corporate income tax includes current and deferred tax. Current income tax is calculated based on net income before tax, adjusted in conformity with tax legislation in place at the date of the statement of financial position. For interim financial statements, the Group uses management's best expectation for the year end effective tax rate.

Deferred taxes are calculated using the liability method, based on the temporary differences between the book values of the assets and liabilities and their respective tax base. The income tax rate expected to be in force in the period in which the temporary differences will reverse is used in calculating deferred taxes. If there is no reliable information about those rates, deferred taxes are calculated using the tax rate in place at each reporting date.

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

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

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

The amounts to be included in the current tax and in the deferred tax, resulting from transactions and events recognized in reserves, are recorded directly in these same headings, not affecting the net profit for the period.

1.12.2. Taxation group

Most of the Group's portuguese subsidiaries are taxed as a group since 2003, through "Regime Especial de Tributação de Grupos de Sociedades (RETGS)". Portucel S.A. leads this taxation group, that includes the subsidiaries in which the Group holds interests totalling at least 90%, and that meet the conditions of article 69º and following of the Portuguese corporate income tax law (Código do IRC).

The above mentioned subsidiaries calculate income taxes as if they were taxed independently. In case of gains arising from the taxation as a group, those gains are recognized by Portucel S.A., as the leader of the taxation group.

1.13 INVENTORIES

Inventories are valued in accordance with the following criteria:

i. Goods and raw materials

Goods and raw, subsidiary and consumable materials are valued at the lower of their purchase cost or their net realizable value. The purchase cost includes ancillary costs and it is determined using the weighted average cost as the valuation method.

ii. Finished products and work in progress

Finished and intermediate products and work in progress are valued at the lower of their production cost (which includes incorporated raw materials, labour and general manufacturing costs, based on a normal production capacity level) or their net realizable value.

The net realizable value corresponds to the estimated selling price after deducting estimated completion and selling costs. The differences between the products manufacturing cost and net realizable value, if lower, are recorded as an operational cost.

1.14 RECEIVABLES AND OTHER CURRENT ASSETS

Debtors' balances and other current assets are initially recorded at fair value and are subsequently recognized at their amortized cost, net of impairment losses.

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

1.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash, bank accounts and other short-term investments with an initial maturity of up to 3 months which can be mobilised immediately without any significant risk of fluctuations in value.

1.16 SHARE CAPITAL AND TREASURY SHARES

Ordinary shares are classified in shareholders' equity.

Costs directly attributable to the issue of new shares or other equity instruments are reported as a deduction, net of taxes, from the proceeds of the issue.

Costs directly attributable to the issue of new shares or options for the acquisition of a new business are included in the acquisition cost as part of the purchase consideration.

When any Group company acquires shares of the parent company (treasury shares), the payment, which includes directly-attributable incremental costs, is deducted from the shareholders' equity attributable to the holders of the parent company's capital until such time the shares are cancelled or resold.

When such shares are subsequently resold, any proceeds, net of the directly attributable transaction costs and taxes, is reflected in the shareholders' equity of the company's shareholders, under other reserves.

1.17 INTEREST-BEARING LIABILITIES

Interest-bearing liabilities are initially recognized at fair value, net of the transaction costs incurred.

Interest-bearing liabilities are subsequently stated at their amortized cost. Any difference between the amounts received (net of transaction costs) and the amount to be repaid is recognized in the income statement over the term of the debt, using the effective interest rate method.

Interest-bearing debt is classified as a current liability, except when the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the date of the statement of financial position.

1.18 BORROWING COSTS

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

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

1.19 PROVISIONS

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

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

The Group incurs expenditure and assumes liabilities of an environmental nature. Accordingly, expenditures on equipment and operating techniques that ensure compliance with applicable legislation and regulations (as well as on the reduction of environmental impacts to levels that do not exceed those representing a viable application of the best available technologies, on those related to minimizing energy consumption, atmospheric emissions, the production of residues and noise), are capitalized when they are intended to serve the Group's business in a durable way, as well as those associated with future economic benefits and which serve to extend the useful lives, increase capacity or improve the safety or efficiency of other assets owned by the Group.

1.20 PENSIONS AND OTHER EMPLOYMENT BENEFITS

1.20.1. Defined benefit pension plans and retirement bonus

Some of the Group's companies have assumed the commitment to make payments to their employees in the form of complementary retirement pensions, disability, early retirement and survivors' pensions, having constituted defined-benefit plans.

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

Portucel assumed the obligation to pay a retirement bonus, equivalent to six-months' salary, for employees that retire at the regular date of retirement of 65 years. The present value of the liabilities for future retirement payments and bonuses are determined on an actuarial basis and recorded as a cost of the period in line with the services provided by the potential beneficiaries in their employment, in accordance with IAS 19.

As such, the total liability is estimated separately for each plan at least once every six months, on the date of closing of the interim and annual accounts, by a specialized and independent entity in accordance with the projected unit credit method.

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

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

Actuarial gains and losses resulting from differences between the assumptions used for purposes of calculating the liabilities and what effectively occurred (as well as from changes made thereto and from the difference between the expected amount of the return on the funds' assets and the actual return) are recognized when incurred directly in shareholders' equity.

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

A curtailment occurs when there is a material reduction in the number of employees or the plan is altered in such a way that the benefits awarded are reduced with a material impact.

1.20.2. Defined contribution plans

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

In order to capitalize those contributions, pension funds were set up, for which employees can make additional voluntary contributions.

Therefore, the responsibility with these plans corresponds to the contribution made to the funds based on the percentage of the employees' salaries defined in the respective agreements. These contributions are recognized as a cost in the income statement in the period to which they refer, regardless of the date of the settlement of the liability.

1.20.3. Holiday pay, allowances and bonuses

Under the terms of the prevailing legislation, employees are entitled annually, if hired until 2003, to 25 working days leave (22 days if hired after that), as well as to a month's holiday allowance, the entitlement to which is acquired in the year preceding its payment.

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

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

1.21 PAYABLES AND OTHER CURRENT LIABILITIES

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

1.22 GOVERNMENT GRANTS

Government grants are recognized at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all required conditions, namely, the group makes the eligible investments.

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

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

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

1.23 LEASES

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

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

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

1.23.1. Leases included in contracts according to IFRIC4

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

1.24 DIVIDENDS DISTRIBUTION

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

1.25 REVENUE RECOGNITION AND ACCRUAL BASIS

Group companies record their costs and income according to the accrual basis of accounting, so that costs and income are recognized as they are generated, irrespective of the time at which they are paid or received.

The differences between the amounts received and paid and the respective costs and income are recognized as "Receivables and other current assets" and "Payables and other current liabilities" (Notes 21 and 30, respectively).

Income from sales is recognized in the consolidated income statement when the risks and benefits inherent in the ownership of the respective assets are transferred to the purchaser and the income can be reasonably quantified. Thus, sales of products (BEKP and UWF paper) are recognized only when they are dispatched to the clients, and no more costs with transportation or insurance are to be held by the Group.

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

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

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

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

1.26 CONTINGENT ASSETS AND LIABILITIES

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

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

1.27 SUBSEQUENT EVENTS

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

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

1.28 NEW STANDARDS, CHANGES AND INTERPRETATIONS OF EXISTING STANDARDS

The application of the interpretations and amendments to the standards mentioned below, are mandatory by the IASB for the financial years beginning on or after 1 January 2012:

NEW STANDARDS, MANDATORY IN 2012	EFFECTIVE DATE *
IFRS 7 – Financial instruments: disclosures - Transfers of financial assets	1 January 2012

* Periods beginning in or after

The introduction of the revision to this standard did not have any significant impact on the consolidated financial statements of the Group.

New standards and interpretations not mandatory as at 31 December 2012:

There are new standards, interpretations and amendments of existing standards that, despite having already been published, are only mandatory for the periods starting after 1 July 2012,and which the Group decided not to early-adopt in the current period, as follows:

STANDARDS ALREADY APROVED BY EU, EFFECTIVE ONLY FOR PERIODS STARTED AFTER 1 JULY 2012	EFFECTIVE DATE *
IAS 12 – Income tax - deferred tax	1 January 2013
IAS 19 – Employee benefits - Defined benefits	1 January 2013
IFRS 1 – First-time adoption of international financial standards - hyperinflationary economies and fixed dates removal	1 January 2013
IFRS 7 – Financial instruments: Disclosures - Offsetting financial assets and financial liabilities	1 January 2013
IFRS 13 – Fair value measurement and disclosure - New standard	1 January 2013
IFRS 10 – Consolidated financial statements - New standard	until 1 January 2014
IFRS 11 – Joint Arrangements - New standard	until 1 January 2014
IFRS 12 – Disclosure of interests in other entities - New standard	until 1 January 2014
IAS 27 – Separate financial statements - Consolidation removed from scope	until 1 January 2014
IAS 28 – Investments in associates and joint ventures - Changes in joint ventures treatment	until 1 January 2014
IAS 32 – Financial instruments: Disclosures - Offsetting financial assets and financial liabilities	1 January 2014

* Periods beginning in or after

STANDARDS NOT YET APROVED BY EU, EFFECTIVE ONLY FOR PERIODS STARTED AFTER 1 JULY 2012	EFFECTIVE DATE *
IFRS 1 – First-time adoption of international financial standards - Government loans	1 January 2013
Improvements to standards from 2009 to 2011	1 January 2013
Improvements to IFRS 10, 11 e 12 - Transition guidance	1 January 2013
Improvements to IFRS 10, 11 e 12 - Investment entities	1 January 2014
IFRS 9 – Financial instruments - Phase 1 – classification and measurement	1 January 2015

* Periods beginning in or after

INTERPRETATIONS ALREADY APROVED BY EU, EFFECTIVE ONLY FOR PERIODS STARTED AFTER 1 JULY 2012	EFFECTIVE DATE *
IFRIC 20 – Stripping costs in the production phase of a surface mine - New interpretation	1 January 2013

* Periods beginning in or after

In 2012, the Group decided to early-adopt the changes to IAS 1 – Presentation of Financial Statements, which require the separate presentation of "Items that will be subsequently recycled through results" and "Items that will not be subsequently recycled through results", in the statement of comprehensive income for the period.

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

2. RISK MANAGEMENT

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

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

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

i. Specific risks inherent to the sectors of activity in which the Group operates:

   ° Risks associated with the forestry sector
   ° Risks associated with the production and sale of BEKP and UWF paper
   ° Risks associated with energy generation
   ° Human resources
   ° General context risks

ii. Group risks and the manner in which it carries out its activities.

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

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

2.1 SPECIFIC RISKS IN SECTORS WHERE THE GROUP OPERATES

2.1.1. Significant risks from the forestry sector

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

The main risk factor threatening the eucalyptus forests lies in the low productivity of Portuguese forests and in the worldwide demand for certified products, considering that only a small proportion of the forests is certified. It is expected that this competitive pressure will remain in the future. As an example, the forestry area managed by the Group represents nearly 3% of Portugal's total forested area, 55% of all certified Portuguese forests according with PEFC standards and 43% of all certified Portuguese forests according with FSC standards.

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

i. Increase the productivity of its woodlands through the use of the best agro-forestry practices adapted to local conditions and compatible with the environment and the demand for biodiversity.

ii. Establish and improve the network of forestry infrastructures to enable the required accessibility for management, whilst making them compatible with the forestry protection measures against wildfires.

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

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

i. To improve the productivity of the eucalyptus forests

ii. To enhance the quality of the fibre produced from that wood

iii. To implement a sustained forestry management program from an economic, environmental and social perspectives

iv. To lower the cost of wood production

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

Amongst the various management measures to which the Group has committed under this program, the strict compliance with biodiversity rules and the construction and maintenance of access roads and routes to each of the operational areas assume particular importance in mitigating the risk of wildfires.

Moreover, the Group has a share in the Afocelca grouping – an economic interest grouping between the Portucel Group and the ALTRI Group, whose mission is to provide assistance in the fight against forest fires at the grouped companies' properties and areas under management, in close coordination and collaboration with the National Civil Protection Authority (Autoridade Nacional de Protecção Civil – ANPC). This grouping manages an annual budget of around 2.3 million euro, and has created an efficient and flexible structure which implements practices aimed at reducing protection costs and minimizing the losses by forest fires for the members of the grouping, which own and manage more than 225 thousand hectares of forests in Portugal.

2.1.2. Risks associated to producing and selling UFW paper and BEKP

Supply of raw materials

The supply of wood, namely eucalyptus, is subject to price fluctuations and difficulties encountered in the supply of raw materials that could have a significant impact on the production costs of companies producing BEKP (Bleached Eucalyptus Kraft Pulp).

The planting of new areas of eucalyptus and pine is subject to the authorization of the relevant entities, so that increases in forested areas, or the substitution of some of the currently used areas, depend on forest owners, which are estimated to be around 400,000, on the applicable legislation and the speed of the responsible authorities in approving the new projects. If domestic production proved to be insufficient, in volume and in quality, namely of certified wood, the Group could have to place greater reliance on imports of wood from Africa and South America.

Regarding imports of wood, there is a risk related to its shipment from the place of origin to the harbours and to the Group's mills. This transportation risk is reduced by the agreed purchasing conditions, where the ownership of raw materials is transferred at the port of arrival, and complemented by insurance coverage of potential supply losses caused by any transportation accidents that may affect the supply of wood.

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

The small quantities of this wood outside the forests directly managed by the Group has meant a shortage of supply, to which the Group has responded with an increase in the price offered when comparing to wood originated from forests that are not certified, through a price bonus for certified wood, a new initiative from Group.

Furthermore, and considering the unparalleled contribution of the eucalyptus industry to the National Value Added of the Portuguese Economy, both direct and indirect, as well as the significance of such industries in exports and employment, and the increasing demand for eucalyptus, not easily satisfied by national forests, the Group has made the Government and the public opinion aware of the need to guarantee that, until the internal production of this type of wood does not increase significantly on an economically viable basis, the use of bio fuels for energy production should not be put ahead of the use of eucalyptus wood in the production of tradable goods.

In the year ended 31 December 2012, an increase of Euro 5 on the cost of a cubic meter of the eucalyptus wood consumed in the production of BEKP, would have had an impact in Group's earnings of some Euro 20,000,000.

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

Market Price for UWF paper and BEKP

The increase of competition, caused by imbalance of supply or demand in BEKP or UWF markets may have a significant impact on prices and, as a consequence, in the Group's performance.

The market prices of BEKP and UWF paper are defined in the world global market in perfect competition and have a significant impact on the Group's revenues and on its profitability. Cyclical fluctuations in BEKP and in UWF Paper prices mainly arise from both changes in the world supply and demand and the financial situation of each of the international market players (producers, traders, distributors, clients, etc.), creating successive changes in equilibrium prices and increasing the global market's volatility.

The BEKP and UWF paper markets are highly competitive. Significant variations in existing production capacities could have a strong influence on world market prices. These factors have encouraged the Group to follow a defined marketing and branding strategy and to invest in relevant capital expenditure to increase productivity and the quality of the products it sells.

In the year ended 31 December 2012, a 10% drop in the price per ton of BEKP and of 5% in the price per ton of UWF paper sold by the Group in the period, would have represented an impact on its earnings of about Euro 12,000,000 (2011: Euro 14,000,000) and Euro 60,000,000 (2011: Euro 58,000,000), respectively.

Demand for the Group's products

Notwithstanding the references below to the concentration of the portfolio of the Group's customers, any reduction in demand for BEKP and UWF in the markets of the European Union and the United States could have a significant impact on the Group's sales. The demand for BEKP produced by the Group also depends on the evolution of the capacity for paper production in the world, since the Group's major customers are themselves paper producers.

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

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

Regarding this matter, and in the case of the UWF, the Group believes that the marketing strategy and branding that it has followed, combined with the significant investments made to improve productivity and produce high quality products, allow it to deliver its products in market segments that are less sensitive to variations in demand, resulting in a lower exposure to this risk.

Competition

Increased competition in the paper and pulp markets may have a significant impact in price and, as a consequence, in the Group's profitability.

As paper and pulp markets are highly competitive, new capacities may have a relevant impact in prices worldwide.

BEKP producers from the southern hemisphere (namely from Brazil, Chile, Uruguay and Indonesia), with significantly lower production costs, have been gaining weight in the market, undermining the competitive position of European pulp producers.

These factors have forced the Group to make significant investments in order to keep production costs competitive and produce high quality products as it is likely that this competitive pressure will remain strong in the future.

The Portucel Group sells more than 70% of its paper production in Europe, holding significant market shares in Southern European countries and relevant market shares in the other major European markets, as well as an important presence in the USA.

The increase in the Group's paper production capacity in 2010 of almost 500 thousand tons per year, as a result of the new paper mill in the Setúbal industrial site, as well as potential investments the Group might start in this area, may influence the distribution capacity as well as selling prices, which are inherent factors in entering new markets.

Concentration of the customer portfolio

At 31 December 2012, the Group's 10 main BEKP customer groups accounted for 14% of the period's production of BEKP and 79% of external sales of BEKP. This asymmetry is a result of the strategy pursued by the Group, consisting of a growing integration of the BEKP produced into the UWF paper produced and commercialized.

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

At 31 December 2012, the Group's 10 main customer groups for UWF paper represented 60% of this product's sales during the period. Also regarding UWF paper, the Group follows a strategy of mitigating the risk of customer concentration. The Group sells UWF paper to more than 110 countries, thereby allowing a dispersion of the risk of sales concentration in a reduced number of markets and/or customers.

Environmental legislation

In recent years, the environmental legislation in the EU has become increasingly restrictive regarding the control of effluents. The companies of the Group comply with the prevailing legislation.

Although no significant changes in the legislation are expected in the near future, if that were to happen, the Group may need to incur in increased expenditure, in order to comply with any new environmental requirements that may come into force.

Currently, any known changes in law are related to the predictable end of the CO_2 emission rights' free attribution regime, after the conclusion of the current stage of the National Plan for the Allocation of CO_2 Emission Licenses, PNALE II.

This change will increase the costs for the transformation industry in general and in particular for the paper and pulp industry, without any compensation for the CO_2 that, annually, is absorbed by the forests of this industry.

In order to reduce the impact of this change, the Group has been following a strategy of carrying out a series of environment related investments that, among other advantages, have resulted in a continued reduction of the CO_2 emissions, despite the continuous increase in the production volume over the last years.

On the other hand, under the terms set in Decree-Law 147/2008, dated 29 June that transposed directive 2004/35/CE to the national law, the Group secured the environmental insurances demanded by the referred law, thus guaranteeing compliance and reducing exposure to environmental risks.

2.1.3. Risks associated with the production of energy

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

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

In this sector, the main risk is linked to the supply of raw material, namely, biomass. The group has played a pioneering role and has been developing a market for the sale of biomass for supplying the power plants it owns. The fostering of this market in a phase prior to the start-up of the new power-generating units has enabled it to secure a sustained raw-material supply network which it may utilize in the future. As previously mentioned, the Group has been making the Government and public opinion aware of the need to guarantee that biomass is viewed in a sustainable manner, avoiding the use of eucalyptus wood for biomass, as an alternative of its use in the production of tradable goods. The incentives in place in Portugal only consider the use of residual forest biomass, rather than the use of wood to produce electrical power.

In addition, and despite the legal provisions (Decreee-Law 23/2010 and Act 140/2012) that allow the Group to predict the stability of tariffs in the near future, there is a risk that the change in tariffs for sale of energy produced from renewable resources will penalize those products. The constant search for the optimization of production costs and efficiency of the generating units is the way the Group seeks to mitigate this risk.

2.1.4. Human Resources

The Group's ability to successfully implement the outlined strategies depends on its capacity to recruit and retain key talents for each role. Although the Group's human resources policy seeks to achieve these goals, there might be some limitations to achieving them in the future.

2.1.5. Other risks associated with the Group's activity

The Group's manufacturing facilities are subject to risks inherent to any industrial activity, such as accidents, breakdowns or natural disasters that may cause losses in the Group's assets or temporary interruptions in the production process.

Likewise, these risks may also affect the Group's main customers and suppliers, which would have a significant impact on the levels of the Group's profitability, should it not be possible to find new customers to ensure sales levels and new suppliers that would enable the Group to maintain its current cost structure.

The Group exports over 95% of its production. As a consequence, transportation and logistic costs are materially relevant. A continuous rise in transport costs may have a significant impact in the Group's earnings.

The Group's activity is exposed to risks related to forest fires, including:

i. destruction of actual and future wood inventory, belonging to the Group as well as to third parties;

ii. increasing costs of forestry activities and subsequent land preparation for plantation.

2.1.6. Context risks

The lack of efficiency in the Portuguese economy continues to be accompanied by management, as it may have a negative effect on the Group's ability to be competitive. This is more so, but not exclusively, in the following areas:

i. Ports and railroads;

ii. Roads, particularly those providing access to the Group's production units;

iii. Rules regarding territory management and forest fires;

iv. Low productivity of the country's forests;

v. The lack of certification of the vast majority of the Portuguese forest.

2.2 GROUP'S RISKS AND THE WAY IT DEVELOPS ITS ACTIVITIES

2.2.1. Risks associated with debt and liquidity levels

Given the medium / long term nature of investments, the Group has sought to set up a debt structure that follows the maturity of the associated assets, thus seeking to contract long-term debt, and refinance its short-term debt.

At the end of 2012, the Group had a gross non-current debt of Euro 473.3 million and a current debt of Euro 219.7 million. With a healthy cash generating ability, cash surpluses amounting to 329.4 million and credit lines contracted and not used of Euro 20.45 million, the Group has a liquidity position that allows it to face its liabilities without having to rely significantly on debt markets.

Considering the structure of the debt contracted, which has a average maturity matching the assets it finances, the Group believes it will have the ability to generate future cash flows that will enable it to fulfil its responsibilities, to ensure a level of investment in accordance with the provisions in its medium / long term plans and to maintain an adequate remuneration to its shareholders.

The interest and principal payments of financial liabilities will result in the following undiscounted cash flows, including interest at current prevailing interest rates, based on the residual maturity as at the date of the statement of financial position:

AMOUNTS IN EURO	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	TOTAL
As of 31 December 2012						
Liabilities						
Interest - bearing liabilities						
Bond loans	539,220	1,447,467	204,269,511	206,544,160	-	412,800,358
Commercial paper	-	-	127,412,764	-	-	127,412,764
Bank loans	-	-	21,005,504	82,384,177	71,891,760	175,281,441
Accounts payable and other liabilities	134,634,818	12,072,775	32,992,324	-	-	179,699,917
Derivative financial instruments	-	-	753,210	1,027,142	-	1,780,352
Other liabilities	313,400	946,168	2,567,598	13,863,060	-	17,690,226
Total liabilities	135,487,438	14,466,410	389,000,911	303,818,539	71,891,760	914,665,058
As of 31 December 2011						
Liabilities						
Interest - bearing liabilities						
Bond loans	887,289	2,036,267	164,037,694	419,228,581	-	586,189,831
Bank loans	3,156,960	-	14,841,167	90,937,553	96,541,503	205,477,183
Accounts payable and other liabilities	143,784,539	76,917,725	4,995,415	-	-	225,697,679
Derivative financial instruments	2,467,939	-	642,298	-	-	3,110,237
Other liabilities	375,410	1,133,380	3,075,628	18,109,325	-	22,693,742
Total liabilities	150,672,137	80,087,371	187,592,203	528,275,458	96,541,503	1,043,168,672

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

i. A price level for eucalyptus wood between 95% and 110% of that recorded during the last year;
ii. A market selling price of BEKP between 80% and 115% of that recorded during the last year;
iii. A market selling price of UWF paper between 90% and 110% of that recorded during the last year;
iv. A net-debt cost between 80% and 115% of that recorded during the last year;
v. A production level of eucalyptus in the woodlands owned or operated by the group, of BEKP, of UWF paper and power within the existing installed capacities.

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

The following covenants are currently in force:

LOAN	RATIO
BEI Ambiente Tranche A	Interest Coverage = EBITDA 12M / Annualized net interest
	Indebtedness = Interest bearing liabilities / EBITDA 12 M
Portucel Bonds 2010-2015	Net Debt / EBITDA = Net Debt / EBITDA 12 M
Portucel Bonds 2010-2015 - 2nd Emission	Net Debt / EBITDA = Net Debt / EBITDA 12 M
Commercial Paper Dec-2012 (3 years)	Net Debt / EBITDA = Net Debt / EBITDA 12 M

Based on the financial statements presented in this report, these ratios were as follows as at 31 December 2012 and 2011:

RATIO	2012	2011
Interest Coverage	29.64	20.02
Indebtedness	1.84	1.53
Net Debt / EBITDA	0.90	1.10

Considering the contracted limits, the group was comfortably complying with the limits imposed under the financing contracts. As of 31 December 2012 the Group presents a buffer of over 200% on the fulfilment of its covenants.

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

i. To safeguard its ability to continue in business and thus provide returns for shareholders and benefits for its remaining stakeholders;

ii. To maintain a solid capital structure to support the growth of its business; and

iii. To maintain an optimal capital structure that enables it to reduce the cost of capital.

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

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

The gearing ratios as of 31 December 2012 and 2011 were as follows:

AMOUNTS IN EURO	2012	2011
Total Loans (Note 29)	693,004,395	730,898,323
Cash and cahs equivalents (Note 29)	(329,368,449)	(267,431,715)
Net debt	363,635,946	463,466,608
Equity, excluding treasury shares	1,569,532,062	1,520,089,823
Total Capital	1,933,168,008	1,983,556,431
Gearing	18.81%	23.37%

2.2.2. Interest rate risk

The cost of the Group's financial debt is indexed to short-term reference interest rates, which are reviewed more than once a year (generally every six months for medium and long-term debt), plus negotiated risk premiums. Hence, changes in interest rates can have an impact on the Company's earnings.

The Group resorted to derivative financial instruments to cover its interest rate risk, namely interest-rate swaps, with the purpose of fixing the interest rate on the Group's borrowings within certain limits. At the end of 2012, the Group entered into an Interest Rate Swap (IRS) with a notional of Euro 125 million, in order to hedge the interest rate risk of the new Commercial Paper Programme, which was issued simultaneously. This instrument will mature in November 2015.

On 31 December 2012 and 2011, the detail of the financial assets and liabilities with interest rate exposure, considering the maturity or the next repricing date was as follows:

AMOUNTS IN EURO	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	TOTAL
As 31 December 2012						
Assets						
Non-current						
Available for sale financial assets	-	-	-	-	-	-
Other non-current assets	-	-	-	-	-	-
Current						
Cash and cash equivalents	329,301,235	-	-	-	-	329,301,235
Total Financial Assets	329,301,235	-	-	-	-	329,301,235
Liabilities						
Non-current						
Interest - Bearing Liabilities	100,000,000	100,000,000	274,345,238	-	-	474,345,238
Derivative financial instruments	-	-	327,108	-	-	327,108
Other non-current liabilities	-	-		-	-	-
Current						
Other Interest bearing liabilities	-	-	219,047,619	-	-	219,047,619
Total Financial Liabilities	100,000,000	100,000,000	493,719,965	-	-	693,719,965
Net accumulated difference	229,301,235	129,301,235	(364,418,730)	(364,418,730)	(364,418,730)	

AMOUNTS IN EURO	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	TOTAL
As 31 December 2011						
Assets						
Non-current						
Available for sale financial assets	-	-	-	-	-	-
Other non-current assets	-	-	-	-	-	-
Current						
Cash and cash equivalents	267,383,485	-	-	-	-	267,383,485
Total Financial Assets	267,383,485	-	-	-	-	267,383,485
Liabilities						
Non-current						
Interest - Bearing Liabilities	-	100,000,000	469,047,619	-	-	569,047,619
Other non-current liabilities	-	-	-	-	-	-
Current						
Other Interest bearing liabilities	3,125,000	-	160,960,292	-	-	164,085,292
Total Financial Liabilities	3,125,000	100,000,000	630,007,911	-	-	733,132,911
Net accumulated difference	264,258,485	164,258,485	(465,749,426)	(465,749,426)	(465,749,426)	

Portucel performs sensitivity analysis in order to assess the impact in the consolidated income statement and equity caused by an increase or decrease in market interest rates, considering all other factors unchanged. This is an illustrative analysis only, since changes in market rates rarely occur in isolation from changes in other market factors.

The sensitivity analysis exercise carried out is based on the following assumptions:

- Changes in market interest rates affect interest income and expenses arising from financial instruments subject to floating rates;

- Changes in market interest rates only lead to interest income and expenses regarding fixed rate financial instruments if those are measured at their fair value;

- Changes in market interest rates affect the fair value of derivative financial instruments as well as other financial assets or liabilities;

- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are measured using the discounted cash flows method, with market interest rates at year end;

An increase of 0.50% in the interest rates prevailing at the year end would have an impact in profit before tax of around Euro 3,000,000.

2.2.3. Currency risk

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

On one hand, a significant portion of the Group's sales is priced in currencies other than the Euro, namely in US dollar, GBP, PLN and CHF and other currencies with less relevance. The change of the Euro vis-à-vis these currencies can also have an impact on the Company's future sales.

Furthermore, purchases of certain raw materials are also made in USD, namely some of the wood pulp and softwood imports. Therefore, changes in EUR vis–à-vis the USD may have an impact on these products' acquisition cost.

Additionally, once a sale or purchase is made in a currency other than the Euro, the Group becomes exposed to exchange rate risk up to the moment it receives or pays the proceeds of that sale or purchase, if no hedging instruments are in place. Therefore, Portucel's statetement of financial position generally includes a significant amount of receivables and, albeit with a lesser significance, payables, exposed to currency risk.

The Group holds an affiliated company in the USA, Portucel Soporcel North America, whose share capital amounts to USD 25 million and is exposed to foreign exchange risk. Besides this operation, the Group does not hold materially relevant investments in foreign operations, the net assets of which are exposed to foreign exchange risk.

Occasionally, when considered appropriate, the Group manages foreign exchange risks through the use of derivative financial instruments, in accordance with a policy that is subject to periodic review, the purpose of which is to limit the exchange risk associated with future sales and purchases and accounts receivable and payable, which are denominated in currencies other than the euro.

The table below shows the Group's exposure to foreign exchange rate risk as of 31 December 2012, based on the financial assets and liabilities that amounted to a net asset of Euro 79,227,232 converted at the exchange rates as of that date (31 December 2011 Euro 74,655,129) as follows:

AMOUNTS IN FOREIGN CURRENCY	UNITED STATES DOLAR	BRITISH POUND	POLISH ZLOTY	SWEDISH KRONE	CZECH KRONE	SWISS FRANC	DANISH KRONE	AUSTRALIAN DOLAR	NORWISH KRONE	MOZAMBIQUE METICAL	MOROCCAN DIRHAM
As of 31 December 2012											
Assets											
Cash and cash equivalents	3,193,543	95,335	314,014	11	-	64,926	-	-	1,310	5,888,551	103,545
Accounts receivable	74,592,400	12,244,200	11,073,380	486,496	-	3,638,049	884,586	(12,176)	1,579,993	-	-
Available for sale financial assets	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-
Total Financial Assets	77,785,943	12,339,535	11,387,394	486,507	-	3,702,974	884,586	(12,176)	1,581,304	5,888,551	103,545
Liabilities											
Interest - Bearing liabilities	-	-	-	-	-	-	-	-	-	-	-
Payables	(1,268,304)	(112,164)	-	-	-	(155,358)	(5)	-	-	(708,784)	-
Total Financial Liabilities	(1,268,304)	(112,164)	-	-	-	(155,358)	(5)	-	-	(708,784)	-
Derivative financial instruments	(81,560,000)	(12,100,000)	-	-	-	-	-	-	-	-	-
Net Financial Position	76,517,640	12,227,371	11,387,394	486,507	-	3,547,616	884,581	(12,176)	1,581,304	5,179,767	103,545
As of 31 December 2011											
Total Financial Assets	74,532,898	18,551,822	9,426,224	232,152	-	3,844,332	543,599	73,670	935,893	7,991,465	935,893
Total Financial Liabilities	(2,882,113)	(1,679,107)	(338,227)	(499,742)	(152)	(7,833,648)	(686,990)	(2,279)	(491,414)	-	(530,416)
Derivative financial instruments	(110,306,000)	(413,813)	-	-	-	-	-	-	-	-	-
Net Financial Position	71,650,785	16,872,715	9,087,997	(267,589)	(152)	(3,989,317)	(143,391)	71,391	444,479	7,991,465	405,477

The Group has entered into foreign exchange derivatives in order to to hedge its exposure to exchange rate risk in regards to future transactions in foreign currency.

As at 31 December 2012, a (positive or negative) variation of 10% of all currency rates relative to euro would have an impact in the year's pre-tax results of Euro (1,954,412) and Euro 2,388,725, respectively (31 December 2011: Euro 287,092 and Euro (2,305,257), respectively) and in shareholders' equity of Euro 1,724,861 and Euro (2,108,163) respectively (31 December 2011: Euro 2,899,389 and Euro 4,422,344 respectively), considering the effect of the exchange rate hedging contracts in place.

2.2.4. Credit risk

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

The vast majority of sales that are not covered by credit insurance are covered by bank guarantees and documentary credits, and any exposure that is not covered remains within the limits previously approved by the Executive Committee.

However, the worsening of global economic conditions or adversities affecting the economy at a local scale can lead to a deterioration in the ability of the Group's customers to pay their obligations, which may lead entities providing credit insurance to decrease the amount of the credit insurance lines that are available to those customers. This is the scenario the Group currently faces (although with some improvement when compared with recent periods) which results in serious limitations on the amounts the Group can sell to certain customers, without incurring in direct credit risk levels that do not fit in the Group's credit risk policy.

As a result of the strict credit control policy followed by the Group, bad debts during 2012 and 2011 were virtually non existent.

As at 31 December 2012 and 2011, accounts receivable from costumers showed the following ageing structure, considering the due dates for the open balances:

AMOUNTS IN EURO	2012	2011
Not overdue	159,452,178	179,172,416
1 to 90 days	22,384,791	24,264,675
91 to 180 days	79,522	546,726
181 to 360 days	239,145	58,628
361 to 540 days	182,355	928
541 to 720 days	322,391	-
more than 721 days	213,617	181,993
	182,873,999	204,225,366
Litigation - doubtful debts	1,566,293	2,254,172
Accumulated impairment losses	(962,301)	(2,110,064)
Net receivables balance (Note 21)	183,477,991	204,369,474
Limit of the negotiated credit insurance	148,955,527	165,916,154

The amounts shown above correspond to the open items according to the contracted due dates. Despite some delays in the liquidation of those amounts, that does not result, in accordance with the available information, in the identification of impairment losses other than the ones considered through the respective losses. These are identified using the information periodically collected about the financial behaviour of the Group's customers, which allow, in conjunction with the experience obtained in the client portfolio analysis and with the history of credit defaults, in the share not attributable to the insurance company, to define the amount of losses to be recognized in the period. The guarantees in place for a significant part of the open and old balances, justify the fact that no impairment loss has been recorded for those balances. The rules defined by the credit risk insurance policy applied by the Group, ensure a significant coverage of all open balances.

Accounts receivable outstanding by business area as at 31 December 2012 and 2011, were analyzed as follows:

31 December 2012

AMOUNTS IN EURO	PULP AND PAPER	ENERGY	FORESTRY	NOT ALLOCATED	TOTAL
Not overdue	149,705,298	9,566,805	124,612	55,463	159,452,178
1 to 90 days	12,101,804	10,097,750	121,971	63,265	22,384,791
91 to 180 days	48,235	26,905	2,433	1,950	79,522
181 to 360 days	214,185	-	20,882	4,078	239,145
361 to 540 days	132,224	-	50,020	110	182,355
541 to 720 days	258,508	-	62,303	1,581	322,391
more than 721 days	63,761	-	148,041	1,815	213,617
	162,524,016	19,691,460	530,261	128,262	182,873,999

31 December 2011

AMOUNTS IN EURO	PULP AND PAPER	ENERGY	FORESTRY	NOT ALLOCATED	TOTAL
Not overdue	159,230,457	19,339,240	503,358	99,361	179,172,416
1 to 90 days	15,623,181	8,059,271	475,440	106,783	24,264,675
91 to 180 days	-	-	448,423	98,303	546,726
181 to 360 days	-	-	55,681	2,947	58,628
361 to 540 days	928	-	-	-	928
541 to 720 days	-	-	-	-	-
more than 721 days	-	-	181,993	-	181,993
	174,854,566	27,398,511	1,664,895	307,394	204,225,366

As at 31 December 2012, the available credit insurance lines amounted to Euro 391,320,000 (Euro 395,753,303 as at 31 December 2011).

The table below represents the quality of the Group's credit risk, as at 31 December 2012 and 2011, for financial assets (bank deposits), whose counterparts are financial institutions (Credit rating by Standard & Poor's):

AMOUNTS IN EURO	2012	2011
Rating		
AA-	80,116	-
A+	670,584	587,625
A	2,383,080	76,009,014
A-	59,177	95,616
BBB +	-	60,029,703
BBB	434,383	-
BBB -	188,936	57,618,383
BB +	-	29,902,183
BB	225,967,751	42,446,116
BB -	88,739,263	-
B+	10,751,968	-
Other	1,122,773	694,595
	330,398,032	267,383,235

The Group adopts strict policies in approving its financial counterparties, limiting its exposure in accordance with an individual risk analysis and within previously approved limits.

However, the worsening of global economic conditions, which is reflected in the deterioration of the quality of credit of several countries, also resulted in a general downgrade of the credit rating of most of the financial institutions the Group works with. This situation was particularly relevant in what concerns Portuguese and Spanish banks, the Group's main financial counterparts.

The following table shows an analysis of the credit quality of accounts receivable from customers, in which no default or impairment loss was considered based on the information available to the Group:

AMOUNTS IN EURO	31-12-2012 GROSS AMOUNT	31-12-2012 CREDIT INSURANCE	31-12-2011 GROSS AMOUNT	31-12-2011 CREDIT INSURANCE
Accounts receivable overdue but not impaired				
Overdue - less than 3 months	22,384,791	11,496,714	24,264,675	13,890,138
Overdue - more than 3 months	1,037,030	681,068	788,275	173,518
	23,421,821	12,177,782	25,052,950	14,063,656
Accounts receivable overdue and impaired				
Overdue - less than 3 months	-	-	-	-
Overdue - more than 3 months	1,566,293	-	2,254,172	-
	1,566,293	-	2,254,172	-

The maximum exposure to credit risk as at 31 December 2012 and 2011 is detailed in the following schedule. In accordance with the policies described above, the Group contracted credit insurance policies for most of the accounts receivable from its clients. As such, the Group's exposure to credit risk is considered to have been mitigated up to acceptable levels.

AMOUNTS IN EURO	MAXIMUM EXPOSURE 31-12-2012	MAXIMUM EXPOSURE 31-12-2011
Current		
Current Receivables	188,359,334	242,515,472
Bank deposits	330,330,818	267,383,485
Derivative financial instruments	1,096,618	-

3. IMPORTANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

3.1 IMPAIRMENT OF GOODWILL

The Group tests the goodwill carried in its statement of financial position for impairment losses annually, in accordance with the accounting policy described in Note 1.8. The recoverable amounts of the cash generating units are ascertained based on the calculation of their value-in-use. These calculations require the use of estimates.

On 31 December 2012, a potential increase of 0.5% in the discount rate used in the impairment tests of that asset – goodwill allocated to the Figueira da Foz Integrated Pulp and Paper cash generating unit - would decrease its value by Euro 70,415,780, which would still be higher than its book value by 27%.

3.2 USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENTS

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

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

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

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

3.3 IMPAIRMENT (OTHER THAN GOODWILL)

The identification of an impairment loss may arise from multiple indicators, several of which are not controlled by the Group, like access to debt, cost of capital, as well as by other changes, internal or external.

Identifying impairment indicators, estimate future cash flows, and determining the assets' fair value imply a significant degree of judgment by the Board of Directors, not only regarding the variables mentioned above, but also regarding discount rates, useful lifes and residual values.

3.4 INCOME TAX

The Group recognizes additional tax assessments resulting from inspections undertaken by tax authorities. When the final outcome of the above reviews is different from the amounts initially recorded, the differences will have an impact on the corporate income tax and the deferred taxes in the periods when such differences are identified.

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

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

The Board of Directors believes that any reviews/ inspections by tax authorities will not have a material impact on the consolidated financial statements as of 31 December 2012. The individual income tax returns up to 2010 have already been reviewed, and that year's Group corporate income tax return is being reviewed.

On 31 December 2012, a potential increase of 0.5% in the effective income tax rate would mean an overall increase of Euro 1,352,507 in the corporate income tax expense.

3.5 ACTUARIAL ASSUMPTIONS

Liabilities relating to defined-benefit plans are calculated based on actuarial assumptions. Changes to those assumptions can have a material impact on the aforesaid liabilities.

On 31 December 2012, a potential decrease of 0.50% in the discount rate used in the actuarial assumptions would mean an overall increase of liabilities amounting to approximately Euro 9,500,000 in their assessed value.

3.6 FAIR VALUE OF BIOLOGICAL ASSETS

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

As of 31 December 2012, an increase of 0.5% in the discount rate (7.0%) used to value those assets, would decrease their value by approximately Euro 3,800,000.

3.7 CREDIT RISK

As mentioned before, the Group manages credit risk in its receivables through risk analysis when granting credit to new customers and through regular review of the performance of its costumer portfolio.

Due to the nature of its customers there are no credit ratings for the portfolio that the Group can use to categorize and analyse the portfolio as homogeneous population. Hence the Group collects data on its customers' financial performance through regular contact, as well as through contacts with other entities with whom the Group does business (e.g., sales agents).

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

3.8 RECOGNITION OF PROVISIONS AND ADJUSTMENTS

The Group is involved in several lawsuits, for which, based on the opinion of its lawyers, a judgment is made in order to assess if the contingencies are remote, not probable or probable.

Impairment losses in accounts receivable are booked essentially based on the analysis of the aging of accounts receivable, the customers' risk profile and their financial situation. If it had been calculated using the criteria set by the Portuguese tax legislation, the impairment adjustments would have been lower by approximately Euro 350,000.

4. SEGMENT INFORMATION

The Board of Directors is the group's chief operating decision maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance.

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

Financial data by operational segment for the years ended 31 December 2012 and 2011 is shown as follows:

	2012					
	FORESTRY	PULP STAND ALONE	INTEGRATED PULP AND PAPER	ENERGY	ELIMINATIONS/ UNALLOCATED	TOTAL
REVENUE						
Sales and services - external	4,620,485	121,557,483	1,193,202,634	179,739,641	2,494,896	1,501,615,139
Sales and services - inter-segmental	146,594,689	29,321,412	-	26,645,453	(202,561,554)	-
Total revenue	151,215,174	150,878,895	1,193,202,634	206,385,094	(200,066,658)	1,501,615,139
PROFIT/(LOSS)						
Segmental Profit	7,836,429	27,226,207	217,712,687	15,862,349	17,556,628	286,194,300
Operating Profit	-	-	-	-	-	286,194,300
Financial costs- net	-	-	-	-	(16,298,360)	(16,298,360)
Group shares of (loss) / gains of subsidiaries	-	-	-	605,926	-	605,926
Income tax	-	-	-	-	(59,316,756)	(59,316,756)
Net profit before non-controling interests	-	-	-	-	-	211,185,109
Non-controling interests	-	-	-	-	(15,979)	(15,979)
Net profit	-	-	-	-	-	211,169,130
OTHER INFORMATION						
Capital expenditure	2,726,736	20,640,998	12,912,088	1,224	370,801	36,651,847
Depreciation	610,106	3,862,924	96,382,784	12,829,091	489,006	114,173,911
Provisions	-	-	-	-	14,950,106	14,950,106
Segment assets	219,492,446	400,398,400	1,372,234,243	336,592,212	393,850,768	2,722,568,067
Financial investments	-	-	126,032	1,790,832	-	1,916,863
Total assets	219,492,446	400,398,400	1,372,360,274	338,383,043	393,850,768	2,724,484,931
Segment liabilities	27,837,292	274,516,694	778,978,518	152,786,612	9,528,909	1,243,648,024
Total liabilities	27,837,292	274,516,694	778,978,518	152,786,612	9,528,909	1,243,648,024

	2011					
	FORESTRY	PULP STAND ALONE	INTEGRATED PULP AND PAPER	ENERGY	ELIMINATIONS/ UNALLOCATED	TOTAL
REVENUE						
Sales and services - external	2,739,353	137,835,575	1,179,474,261	166,576,887	1,258,216	1,487,884,293
Sales and services - inter-segmental	195,174,709	5,397,172	-	48,490,836	(249,062,717)	-
Total revenue	197,914,062	143,232,749	1,179,474,261	215,067,723	(247,804,501)	1,487,884,293
PROFIT/(LOSS)						
Segmental Profit	8,242,997	22,053,865	217,620,727	17,872,553	366,320	266,156,463
Operating Profit	-	-	-	-	-	266,156,463
Financial costs- net	-	-	-	-	(16,346,454)	(16,346,454)
Group shares of (loss) / gains of subsidiaries	-	-	-	593,751	-	593,751
Income tax	-	-	-	-	(54,057,904)	(54,057,904)
Net profit before non-controling interests	-	-	-	-	-	196,345,856
Non-controling interests	-	-	-	-	(14,467)	(14,467)
Net profit	-	-	-	-	-	196,331,389
OTHER INFORMATION						
Capital expenditure	2,679,146	24,869,157	22,066,043	3,802,141	380,065	53,796,551
Depreciation	180,329	6,215,442	101,487,672	14,577,698	2,066,263	124,527,404
Provisions	-	-	-	-	(5,610,786)	(5,610,786)
Segment assets	232,200,618	496,988,481	1,406,834,851	361,199,892	322,123,447	2,819,347,289
Financial investments	-	-	126,031	1,778,657	-	1,904,688
Total assets	232,200,618	496,988,481	1,406,960,882	362,978,549	322,123,447	2,821,251,977
Segment liabilities	23,208,803	302,492,529	816,042,647	166,832,121	34,520,369	1,343,096,469
Total liabilities	23,208,803	302,492,529	816,042,647	166,832,121	34,520,369	1,343,096,469

Sales and services rendered by region

AMOUNTS IN EURO	2012	2011
Europe		
Paper	858,147,638	727,852,411
Pulp	118,921,699	128,594,139
Energy	179,739,641	166,576,887
Forestry	4,620,485	2,739,353
Unallocated	2,494,896	1,258,216
	1,163,924,359	1,027,021,006
America		
Paper	168,995,937	174,112,088
Pulp	2,431,656	1,889,885
	171,427,593	176,001,973
Other markets		
Paper	166,059,059	277,509,761
Pulp	204,128	7,351,553
	166,263,187	284,861,314
	1,501,615,139	1,487,884,293

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

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

5. OTHER OPERATING INCOME

Other operating income is detailed as follows for the years ended 31 December 2012 and 2011:

AMOUNTS IN EURO	2012	2011
Supplementary income	1,779,819	595,012
Grants - CO_2 Emissions allowances (Note 6)	7,016,048	12,630,668
Reversal of impairment losses in current assets (Note 23)	1,963,891	662,690
Gains on the disposal of non-current assets	1,337,654	75,040
Gains in inventories	1,073,286	730,440
Gains on the disposal of current assets	3,532	34,237
Government grants	607,175	2,003,333
Own work capitalized	4,435,109	672,092
Other operating income	12,405,099	4,079,170
	30,621,614	21,482,682

In 2012, "other operating income" comprises Euro 3,779,210 regarding compensations from insurance companies and Euro 2,281,342 reimbursement of VAT, as a consequence of a favourable outcome in a claim to recover undully charged VAT in 2003.

6. OPERATING EXPENSES

Operating expenses are detailed as follows for the years ended 31 December 2012 and 2011:

AMOUNTS IN EURO	2012	2011
Cost of Inventories Sold and Consumed	(608,922,607)	(580,268,510)
Changes in inventories of finished goods and work in progress	(3,075,039)	(38,752,817)
Cost of Services and Materials Consumed	(392,969,459)	(358,296,358)
Payroll costs		
Remunerations		
Statutory bodies - fixed	(3,910,642)	(3,672,867)
Statutory bodies - variable	(3,855,991)	(4,418,451)
Other remunerations	(83,552,314)	(91,223,633)
	(91,318,948)	(99,314,951)
Social charges and other payroll costs		
Pension and retirement bonus - defined benefit plans (Note 27)	(3,180,773)	(3,254,313)
Pension costs - defined contribution plans (Note 27)	(1,016,336)	(1,058,622)
Contributions to Social Security	(17,805,403)	(17,159,181)
Other payroll costs	(12,033,779)	(12,926,025)
	(34,036,291)	(34,398,141)
	(125,355,239)	(133,713,092)
Other costs and losses		
Membership fees	(668,566)	(798,057)
Losses in inventories	(3,332,228)	(351,708)
Impairment losses on receivables (Note 23)	(461,193)	(14,872)
Impairment losses on inventories (Note 23)	-	(1,111,054)
Indirect taxes	(1,372,263)	(611,746)
Shipment costs	(2,461,226)	(2,189,848)
Water resources charges	(1,418,345)	(2,016,732)
Cost with CO_2 emissions	(3,312,886)	(4,040,298)
Other operating costs	(1,756,217)	(2,395,491)
	(14,782,923)	(13,529,807)
Provisions (Note 28)	14,950,106	5,610,786
Total	(1,130,155,161)	(1,118,949,798)

Payroll expenses are detailed as follows for the year ended 31 December 2012 and 2011:

AMOUNTS IN EURO	2012	2011
Salaries	91,318,948	99,314,950
Social Charges	17,805,403	17,159,181
Healthcare	979,437	813,383
Training	1,142,247	1,295,482
General welfare	5,901,116	4,312,936
Insurance	2,468,702	2,980,198
Other	5,739,385	7,836,962
	125,355,239	133,713,092

For the year ended 31 December 2012, the costs incurred with investigation and research activities amounted to Euro 5,834,745 (31 December 2011: Euro 5,582,054). In 2012, these amounts include Euro 1,925,077 of costs incurred in identifying species of eucalyptus with industrial viability in the areas awarded by concession to the Group by the Mozambican Government.

7. REMUNERATION OF STATUTORY BODIES

For the years ended 31 December 2012 and 2011, this heading refers to the fixed remuneration of the members of the statutory bodies and is detailed as follows:

AMOUNTS IN EURO	2012	2011
Board of directors		
Portucel, S.A.	3,408,339	3,074,103
Corporate bodies from other group companies	39,688	162,710
Statutory Auditor (Note 34)	412,532	374,696
Audit Board	49,084	48,608
General Assembly	1,000	12,750
	3,910,642	3,672,867

For the years ended 31 December 2012 and 2011 the Group recognized past services costs related with pensions of five Board members, as detailed in Note 27.

8. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

For the years ended 31 December 2012 and 2011, depreciation, amortization and impairment losses, net of the effect of investment grants recognized in the period were as follows:

AMOUNTS IN EURO	2012	2011
Depreciation of property, plant and equipment		
Buildings	(10,235,820)	(9,903,702)
Equipment	(98,165,824)	(108,893,319)
Other tangible assets	(3,400,843)	(2,791,495)
	(111,802,487)	(121,588,516)
Impairment losses on intangible assets		
CO_2 emission licences	(2,371,424)	(2,938,888)
	(2,371,424)	(2,938,888)
	(114,173,911)	(124,527,404)

Impairment losses on intangible assets relate to impairment losses on CO_2 emission allowances held at 31 December 2012 and 2011, valued at the lower between the market values at the date of attribution and the date of the statement of financial position.

9. CHANGES IN GOVERNMENT GRANTS

The liabilities with government grants evolved as follows:

AMOUNTS IN EURO	2012	2011
Government Grants		
Opening Balance	54,103,383	60,694,725
Utilization	(5,980,353)	(6,591,342)
(Regularization) / Increase	1,200,008	-
Closing balance (Note 30)	49,323,038	54,103,383

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

The use of these incentives since their inception was as follows:

AMOUNTS IN EURO	FINANCIAL INCENTIVES	TAX INCENTIVES	TOTAL
2006	-	7,905,645	7,905,645
2007	18,014,811	4,737,655	22,752,466
2008	9,045,326	5,696,016	14,741,342
2009	3,862,707	1,720,719	5,583,426
2010	10,945,586	22,012,128	32,957,714
2011	6,287,678	13,468,525	19,756,203
2012	5,908,251	11,751,353	17,659,604
	54,064,359	67,292,041	121,356,400

10. NET FINANCIAL COSTS

Financial costs are detailed as follows for the years ended 31 December 2012 and 2011:

AMOUNTS IN EURO	2012	2011
Interest paid on borrowings	(16,826,669)	(22,763,525)
Interest earned on investments	3,822,212	7,505,282
Dividends earned	14,285	-
Exchange rate differences	(3,571,782)	5,812,520
Gains / (losses) on financial instruments - trading (Note 31)	3,130,174	(2,409,172)
Gains / (losses) on financial instruments - hedging (Note 31)	(495,073)	(3,435,931)
Compensatory interest	478,429	880,343
Other financial income / (expenses)	(2,849,935)	(1,935,972)
	(16,298,360)	(16,346,454)

11. INCOME TAX

Income tax is detailed as follows for the years ended 31 December 2012 and 2011:

AMOUNTS IN EURO	2012	2011
Current tax (Note 22)	46,457,023	43,489,969
Provision / (reversal) for current tax	6,869,537	5,107,598
Deferred tax (Note 26)	5,990,197	5,460,337
	59,316,756	54,057,904

Current tax includes Euro 43,840,276 (2011: Euro 35,372,292) regarding the liability created under the aggregated income tax regime, as mentioned in note 1.12.2.

The provision for current tax is detailed as follows:

AMOUNTS IN EURO	2012	2011
(Excess) / understatement in the estimate for income tax	(7,169,688)	(3,240,529)
Change in the estimate for additional payments	14,111,272	12,851,826
VAT 2003 - Soporcel	2,281,342	-
Withholding taxes - ENCE	-	(516,729)
Corporate Income Tax 2008 (settlement)	44,239	-
Corporate Income Tax 2009 (settlement)	190,549	-
Corporate Income Tax 2002 Soporcel (settlement)	(130,727)	-
Coporate Income Tax 2010 (settlement)	2,699,388	(3,986,970)
RFAI 2011 - Investments in Energy	(6,026,306)	-
Other	869,468	-
	6,869,537	5,107,598

In the years ended 31 December 2012 and 2011, the reconciliation of the effective income tax rate was as follows:

AMOUNTS IN EURO	2012		2011	
Profit before tax		270,501,865		250,403,760
Expected tax	25.00%	67,625,466	25.00%	62,600,940
Municipal surcharge	1.50%	4,057,528	1.50%	3,756,056
State surcharge	5.00%	13,525,093	2.50%	6,260,094
Differences (a)	(7.77%)	(21,009,515)	(9.20%)	(23,028,531)
Impact of the change in the income tax rate	0.00%		5.12%	12,830,272
Provision for current tax	2.54%	6,869,537	2.04%	5,107,598
Tax benefits	(4.34%)	(11,751,353)	(5.38%)	(13,468,525)
	21.93%	59,316,756	21.59%	54,057,904

(a) This amount is made up essentially of:

	2012	2011
Capital gains / (losses) for tax purposes	215,081	(35,232,143)
Capital gains / (losses) for accounting purposes	(234,673)	(17,269,099)
Taxable provisions	(17,298,758)	5,588,757
Tax benefits	(1,622,714)	(1,595,361)
Effect of pension funds	(4,020,885)	(333,250)
Other	(43,932,111)	(30,567,632)
	(66,894,060)	(79,408,728)
Tax Effect (2012: 31,5%; 2011: 29%)	(21,071,629)	(23,028,531)
Tax losses from previous years	(248,456)	-
Tax Effect (25%)	(62,114)	-
	(21,009,515)	(23,028,531)

12. EARNINGS PER SHARE

Earnings per share were determined as follows:

AMOUNTS IN EURO	2012	2011
Profit attributable to the Company's shareholders	211,169,129	196,331,389
Total number of issued shares	767,500,000	767,500,000
Treasury shares - yearly average (Note 14)	(36,858,320)	(18,636,203)
	730,641,680	748,863,797
Basic earnings per share	0.289	0.262
Diluted earnings per share	0.289	0.262

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

Changes on the average number of treasury shares are as follows:

AMOUNTS IN EURO	2012 QUANT.	2012 AMOUNT	2011 QUANT.	2011 AMOUNT
Treasury shares held in 1 January	22,099,932	42,154,975	15,054,358	26,787,706
Acquisitions				
January	11,450	20,578	-	-
February	-	-	188,000	469,490
March	-	-	979,612	2,454,020
April	-	-	297,906	737,907
May	121,500	215,838	1,773,671	4,380,142
June	25,127,719	46,504,234	883,067	2,073,620
July	-	-	62,200	4,773,125
August	19,444	38,354	446,298	808,679
September	-	-	294,000	509,723
October	-	-	635,481	(3,477,259)
November	-	-	893,562	1,280,365
December	-	-	591,777	1,357,457
	25,280,113	46,779,004	7,045,574	15,367,269
Treasury shares held on 31 December	47,380,045	88,933,978	22,099,932	42,154,975

13. NON-CONTROLLING INTERESTS

The movements in non-controlling interests are detailed as follows for the years ended 31 December 2012 and 2011:

AMOUNTS IN EURO	2012	2011
Opening balance	220,660	216,755
Net profit of the year	15,979	14,467
Other Changes	2,185	(10,562)
Closing balance	238,824	220,660

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

14. APPROPRIATION OF PREVIOUS YEARS' PROFIT

Appropriations made in 2012 and 2011 over the 2011 and 2010 net profits were as follows:

AMOUNTS IN EURO	2012	2011
Distribution of dividends (excluding treasury shares)	164,730,885	-
Legal reserves	8,671,195	10,540,737
Net income from prior years	187,660,194	200,047,343
	361,062,274	210,588,080

The resolution for the appropriation of the 2011 net profit, passed at Portucel's General Meeting held on 10 April 2012, was based on the net profit for the year as defined by the accounting principles generally accepted in Portugal (Portuguese GAAP). The difference in net profit between the two standards, totalling Euro 22,797,495 (2010: Euro 226,653) was transferred to retained earnings.

15. GOODWILL

Goodwill amounting to Euro 428,132,254 was determined following the acquisition of 100% of the share capital of Soporcel – Sociedade Portuguesa de Papel, S.A., for Euro 1,154,842,000, representing the difference between the acquisition cost of the shares and the respective shareholders' equity as of the date of the first consolidation, on 1st January 2001, adjusted by the effect of the of allocation fair value to Soporcel's tangible assets.

The goodwill generated at the acquisition of Soporcel was deemed to be allocable to the integrated paper production in Figueira da Foz industrial complex cash generating unit.

As at 31 December 2010, assets and liabilities related to pulp production were transferred to another Group company, as a result of a split.

The book value of goodwill amounts to Euro 376,756,384, as it was amortized up to 31 December 2003 (transition date). As of that date, the accumulated depreciation amounted to Euro 51,375,870. From that date on, depreciation ceased and was replaced by annual impairment tests. If this amortization had not been interrupted, as of 31 December 2012 the net book value of the Goodwill would amount to Euro 222.628.772 (31 December 2011: Euro 239,754,062).

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

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

	2012	2011
Inflation rate	2.00%	2.00%
Discount rate *(post-tax)*	9.39%	9.37%
Production Growth	0.00%	0.00%
Growth rate in perpetuity	-1.00%	-1.00%

The discount rate presented above is a post-tax rate equivalent to a pre-tax discount rate of 11.29%, and has been calculated in accordance with the WACC (Weighted Average Cost of Capital) methodology, based in the following assumptions:

	2012	2011
Risk-free interest rate	6.24%	5.50%
Equity risk premium (market and entity)	6.00%	5.00%
Tax rate	31.5%	29.0%
Debt risk premium	6.00%	3.00%

16. OTHER INTANGIBLE ASSETS

Over the years ended 31 December 2012 and 2011, changes in other intangible assets were as follows:

AMOUNTS IN EURO	INDUSTRIAL PROPERTY AND OTHER RIGHTS	CO_2 EMISSION ALLOWANCES	TOTAL
Acquisition costs			
Amount as of 1 January 2011	1,896,278	73,253	1,969,531
Acquisitions	-	12,630,672	12,630,672
Disposals	-	-	-
Adjustments, transfers and write-off's	(1,311)	(7,009,512)	(7,010,823)
Amount as of 31 December 2011	1,894,967	5,694,413	7,589,380
Acquisitions	-	8,629,557	8,629,557
Disposals	-	(1,540,354)	(1,540,354)
Adjustments, transfers and write-off's	(1,836,088)	(4,977,823)	(6,813,911)
Amount as of 31 December 2012	58,879	7,805,793	7,864,672
Accumulated depreciation and impairment losses			
Amount as of 1 January 2011	(1,875,044)	-	(1,875,044)
Amortization and impairment losses	(21,234)	(2,917,654)	(2,938,888)
Disposals	-	-	-
Adjustments, transfers and write-off's	1,311	-	1,311
Amount as of 31 December 2011	(1,894,967)	(2,917,654)	(4,812,621)
Amortization and impairment losses	-	(2,371,424)	(2,371,424)
Disposals	-	-	-
Adjustments, transfers and write-off's	1,836,088	2,031,866	3,867,954
Amount as of 31 December 2012	(58,879)	(3,257,212)	(3,316,091)
Net book value as of 1 January 2011	21,234	73,253	94,487
Net book value as of 31 December 2011	-	2,776,759	2,776,759
Net book value as of 31 December 2012	-	4,548,581	4,548,581

17. PROPERTY, PLANT AND EQUIPMENT

Over the years ended 31 December 2012 and 2011, changes in Property, plant and equipment, as well as the respective depreciation and impairment losses, were as follows:

AMOUNTS IN EURO	LAND	BUILDINGS AND OTHER CONSTRUCTIONS	EQUIPMENTS AND OTHER TANGIBLES	ASSETS UNDER CONSTRUCTION	TOTAL
Acquisition costs					
Amount as of 1 January 2011	108,909,468	498,283,282	3,322,060,342	26,579,360	3,955,832,452
Acquisitions	5,096,772	526,367	28,208,987	19,964,425	53,796,551
Disposals	-	(1,338,671)	(100,473,518)	-	(101,812,189)
Adjustments, transfers and write-off's	-	711,540	26,733,182	(26,956,088)	488,636
Amount as of 31 December 2011	114,006,240	498,182,518	3,276,528,993	19,587,699	3,908,305,450
Acquisitions	856,028	3,409,227	2,248,481	30,138,110	36,651,847
Disposals	-	-	(4,373,870)	-	(4,373,870)
Adjustments, transfers and write-off's	-	-	(50,848,693)	(36,471,005)	(87,319,698)
Amount as of 31 December 2012	114,862,268	501,591,745	3,223,554,912	13,254,804	3,853,263,729
Accumulated depreciation and impairment losses					
Amount as of 1 January 2011	-	(301,397,871)	(2,050,304,855)		(2,351,702,725)
Amortizations and impairment losses	-	(9,810,839)	(114,108,826)	-	(123,919,666)
Disposals	-	836,642	96,668,670	-	97,505,312
Adjustments, transfers and write-off's	-	-	(479,145)	-	(479,145)
Amount as of 31 December 2011	-	(310,372,068)	(2,068,224,157)	-	(2,378,596,225)
Amortizations and impairment losses	-	(10,118,324)	(107,664,516)	-	(117,782,840)
Disposals	-	-	4,373,870	-	4,373,870
Adjustments, transfers and write-off's	-	-	37,496,647	-	37,496,647
Amount as of 31 December 2012	-	(320,490,392)	(2,134,018,157)	-	(2,454,508,548)
Net book value as of 1 January 2011	108,909,468	196,885,411	1,271,755,487	26,579,360	1,604,129,726
Net book value as of 31 December 2011	114,006,240	187,810,450	1,208,304,836	19,587,699	1,529,709,226
Net book value as of 31 December 2012	114,862,268	181,101,354	1,089,536,755	13,254,804	1,398,755,181

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

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

Following the above-mentioned agreements, the Group applies "IFRIC 4 – Determining whether an arrangement contains a lease". By following this interpretation Property, plant and equipment – equipment and other tangibles was increased by Euro 58,003,950, from which the respective accumulated depreciation of Euro 43,055,676, was deducted as of 31 December 2012 (31 December 2011: Euro 37,999,683). As of 31 December 2011, the net book value of these equipments was Euro 14,948,274 (31 December 2011: Euro 20,004,267) (Note 29).

As of 31 December 2012 Assets under construction included Euro 116,040 (31 December 2011: Euro 898,876), related to advance payments and supplies of Property Plant and Equipment, under the scope of the investment projects being developed by the Group. These amounts are fully guaranteed by first demand bank guarantees, handed by the respective suppliers that are promoting the investments of the Group companies, in accordance with the implemented policies for the mitigation of credit risk.

As of 31 December 2012, Land included Euro 78,841,140 of forest land where the Group has installed part of its forestry assets, the remainder being installed on leased land (see Note 36.2).

18. BIOLOGICAL ASSETS

Over the years ended 31 December 2012 and 2011, changes in biological assets were as follows:

AMOUNTS IN EURO	2012	2011
Amount as of 1 January	110,769,306	110,502,616
Logging in the period	(8,844,085)	(20,328,041)
Growth	7,172,023	9,217,207
New plantations	5,122,059	3,839,591
Other changes in fair value	(5,163,378)	7,537,934
Total changes in the period	(1,713,381)	266,690
Amount as of 31 December	109,055,925	110,769,306

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

As of 31 December 2012 and 2011, biological assets were detailed as follows:

AMOUNTS IN EURO	31-12-2012	31-12-2011
Eucalyptus	101,252,393	102,948,128
Pine	5,899,662	6,016,998
Cork oak	1,661,760	1,542,042
Other species	242,110	262,138
	109,055,925	110,769,306

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS AND INVESTMENTS IN ASSOCIATES

19.1. AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 31 December 2012 and 2011, this heading was detailed as follows:

SUBSIDIARIES	31-12-2012	31-12-2011
Liaison Technologies	126,032	126,032
	126,032	126,032

As the difference (gain) between its fair value and acquisition cost is not material as at 31 December 2012, the Group decided to measure the participation in Liaison Technologies at cost.

19.2. INVESTMENTS IN ASSOCIATES

In the years ended 31 December 2012 and 2011, the movements in "Investments in associates" were as follows:

AMOUNTS IN EURO	2012	2011
Amount as of 1 January	1,778,657	516,174
Acquisitions	-	755,378
Appropriated income	605,926	593,751
Other changes in associates' equity	(593,751)	(86,646)
Amount as of 31 December	1,790,832	1,778,657

This caption includes the 18% share in Soporgen – Sociedade Portuguesa de Geração de Electricidade e Calor, S.A.. This company holds a gas power plant at the Figueira da Foz site that the Group, as mentioned in Note 17, considers to be a finance lease and recognizes as such in the consolidated financial statements.

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

1. Two of the five directors of the company are nominated in representation of the Group.

2. A significant part of Soporgen's sales is made to the Group (at least 10% of the associate's revenues), and the rest, corresponding to electric energy, is sold to the EDP Group.

3. Up to 2011, the Group, as well as the remaining shareholders, was responsible for Soporgen's contracted bank loan, in the same proportion as its share (Note 36).

In the years ended 31 December 2012 and 2011, the main indicators of the financial position and performance of Soporgen are as follows:

AMOUNTS IN EURO	2012	2011
Total assets	26,891,988	28,943,237
Net profit for the year	3,366,253	3,338,862
Capital and reserves	9,949,065	9,921,674
Total liabilities	16,942,923	19,021,563

20. INVENTORY

As the 31 December 2012 and 2011, inventory comprised the following:

AMOUNTS IN EURO	31-12-2012	31-12-2011
Raw materials	127,453,575	106,030,248
Finished and intermediate products	74,150,093	74,290,200
Work in progress	9,434,767	7,040,018
Byproducts and waste	1,349,248	1,330,460
	212,387,683	188,690,926

As at 31 December 2012 and 2011, inventories were located in the following countries:

AMOUNTS IN EURO	31-12-2012	31-12-2011
Portugal	53,388,360	38,790,437
USA	13,978,637	21,974,981
United Kingdom	1,963,528	4,561,644
Netherlands	1,930,493	4,151,853
Germany	1,337,335	307,970
France	825,912	1,399,066
Spain	311,878	1,457,738
Italy	301,111	1,297,684
Switzerland	112,839	348,827
	74,150,093	74,290,200

The amounts shown above are net of impairment losses, in accordance with the policies described in Note 1.13, whose details are presented in Note 23 and include Euro 26,055,479 (2011: Euro 22,510,902) of inventory whose invoices were already issued, but whose risks and rewards had not yet been transferred to customers as of 31 December. Accordingly, no revenue was recognized in the income statement as of that date.

21. RECEIVABLES AND OTHER CURRENT ASSETS

As at 31 December 2012 and 2011, Receivables and other current assets were detailed as follows:

AMOUNTS IN EURO	31-12-2012	31-12-2011
Accounts Receivable	183,477,991	204,281,311
Other Accounts Receivable	2,505,290	36,036,228
Derivative financial instruments (Note 31)	1,096,619	-
Accrued income	1,052,135	750,959
Deferred costs	227,299	1,188,597
	188,359,334	242,257,094

The receivables shown above are net of impairment losses, in accordance with the policies described in Note 1.14, whose details are presented in Note 23.

As at 31 December 2012 and 2011, other receivables were detailed as follows:

AMOUNTS IN EURO	31-12-2012	31-12-2011
Advances to employees	335,702	570,709
Financial incentives to receive	620,062	32,877,046
Other	1,549,526	2,588,473
	2,505,290	36,036,228

The movements in financial incentives to receive were as follows:

AMOUNTS IN EURO	2012	2011
Amount as of 1 January	32,877,046	38,199,792
Received in the year	(32,536,179)	(5,322,746)
Increase/(adjustment)	279,195	-
Amounts as of 31 December	620,062	32,877,046

During the first semester of 2012, the Group received from AICEP the remaining portion of financial incentives described in Note 9. The remaining balance is related with other incentives.

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

AMOUNTS IN EURO	31-12-2012	31-12-2011
Accrued income		
Interest receivable	243,652	40,150
Other	808,483	710,809
	1,052,135	750,959
Deferred costs		
Prepayment of insurance policies	492	781,229
Other	226,807	407,368
	227,299	1,188,597

22. STATE AND OTHER PUBLIC ENTITIES

As at 31 December 2012 and 2011, there were no overdue debts to the State and other public entities. The open balances with these entities were as follows:

CURRENT ASSETS

AMOUNTS IN EURO	31-12-2012	31-12-2011
Value added tax - refunds requested	59,017,671	49,454,940
Value added tax - to recover	5,367,123	5,229,183
	64,384,794	54,684,123

As at 31 December 2012, the outstanding VAT refunds requested comprised the following, by month and by company:

AMOUNTS IN EURO	NOV/2012	DEC/2012	TOTAL
PortucelSoporcel Fine Paper, S.A.	22,267,134	22,126,645	44,393,778
EMA21, S.A.	-	12,000,000	12,000,000
Bosques do Atlântico, S.L.	-	2,534,893	2,534,893
Viveiros Aliança, S.A.	-	64,000	64,000
Afocelca, ACE	-	25,000	25,000
	22,267,134	36,750,538	59,017,671

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

AMOUNTS IN EURO	NOV/2011	DEC/2011	TOTAL
PortucelSoporcel Fine Paper, S.A.	20,950,815	25,797,822	46,748,637
Bosques do Atlântico, S.L.	-	2,706,303	2,706,303
	20,950,815	28,504,125	49,454,940

All these amounts were received during the first-half of 2012.

CURRENT LIABILITIES

AMOUNTS IN EURO	31-12-2012	31-12-2011
Corporate income tax	830,806	16,560,420
Personal income tax - withheld on salaries	5,334,848	635,873
Value added tax	44,305,232	26,369,168
Social security	1,736,293	1,967,632
Additional tax assessments	48,151,592	34,040,320
Other	237,583	99,960
	100,596,354	79,673,372

The increase in personal income tax withheld on salaries results from the payment of annual performance bonuses in December 2012, unlike the previous year.

Corporate income tax is detailed as follows:

AMOUNTS IN EURO	31-12-2012	31-12-2011
Corporate income tax (Note 11)	46,457,023	43,489,969
Payments on account of corporate income tax	(43,921,340)	(25,954,596)
Withholding tax	(1,641,945)	(990,375)
Other receivables / (payables)	(62,932)	15,422
	830,806	16,560,420

The changes in the provision for additional tax assessments during the years ended 31 December 2012 and 2011 were as follows (Note 11):

AMOUNTS IN EURO	2012	2011
Amount as of 1 January	34,040,320	21,198,495
Increase	20,551,702	12,841,826
Decrease	(6,440,430)	-
Amount as of 31 December	48,151,592	34,040,320

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

On 31 December 2012 and 2011 the additional tax assessments include interest on deferred payments and are detailed as follows:

AMOUNTS IN EURO	31-12-2012	31-12-2011
Additional assessment 2005 - Portucel - CIT (Tax Group)	15,595,727	15,137,029
Additional assessment 2006 - Portucel - CIT (Tax Group)	12,571,060	11,407,001
Additional assessment 2007 Portucel - CIT (Municipal Surcharge)	-	686,257
Additional assessment 2008 - Portucel - CIT (Tax Group)	44,613	44,613
Additional assessment 2010 - Portucel - CIT (Municipal Surcharge)	9,520,985	3,027,407
Additional assessment 2010 - Portucel - CIT (State Surcharge)	1,783,417	1,227,951
Additional assessment 2011 - Portucel - CIT (State Surcharge)	1,117,677	-
Additional assessment 2011 - Tax Grants on energy investments	6,026,306	-
Amounts receivable - favorable claims	(1,292,734)	-
Other	2,784,540	2,510,062
	48,151,592	34,040,320

23. IMPAIRMENT OF NON-CURRENT AND CURRENT ASSETS

During the years ended 31 December 2012 and 2011, the changes in impairment charges were as follows:

AMOUNTS IN EURO	IMPAIRMENT IN TANGIBLE ASSETS (NOTE 17)	ADJUSTMENTS: INVENTORIES (NOTE 20)	ADJUSTMENTS: ACCOUNTS RECEIVABLE (NOTE 21)	ADJUSTMENTS: OTHER RECEIVABLES	TOTAL
As of 1 January 2011	(4,838,615)	(608,951)	(1,999,809)	(1,154,771)	(8,602,146)
Increase (Note 6)	-	(1,111,054)	(14,404)	(468)	(1,125,926)
Reversal (Note 5)	5,945	21,559	79,347	555,839	662,690
Direct utilization	4,747,338	-	-	-	4,747,338
As of 31 December 2011	(85,332)	(1,698,446)	(1,934,866)	(599,400)	(4,318,044)
Increase (Note 6)	-	-	(461,193)	-	(461,193)
Reversal (Note 5)	-	-	1,593,583	370,308	1,963,891
Direct utilization	85,332	1,535,522	15,373	97,259	1,733,486
As of 31 December 2012	-	(162,924)	(787,103)	(131,833)	(1,081,859)

24. SHARE CAPITAL AND TREASURY SHARES

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

As at 31 December 2012, Portucel's share capital was fully subscribed and paid for; it is represented by 767,500,000 shares with nominal value of 1 Euro each, of which 47,380,045 were held as treasury shares.

These shares were mainly acquired during 2008 and 2012, and the changes were as follows:

AMOUNTS IN EURO	2012 QUANT	2012 AMOUNT	2011 QUANT	2011 AMOUNT
Treasury shares held in January	22,099,932	42,154,975	15,054,358	26,787,706
Acquisitions				
January	11,450	20,578	-	-
February	-	-	188,000	469,490
March	-	-	979,612	2,454,020
April	-	-	297,906	737,907
May	121,500	215,838	1,773,671	4,380,142
June	25,127,719	46,504,234	883,067	2,073,620
July	-	-	62,200	4,773,125
August	19,444	38,354	446,298	808,679
September	-	-	294,000	509,723
October	-	-	635,481	(3,477,259)
November	-	-	893,562	1,280,365
December	-	-	591,777	1,357,457
	25,280,113	46,779,004	7,045,574	15,367,269
Treasury shares held in 31 December	47,380,045	88,933,978	22,099,932	42,154,975

The market value of the treasury shares held on 31 December 2012 amounted to Euro 108,026,503 (2011: Euro 40,641,775), corresponding to an unit value of Euro 2.280 (31 December 2011: Euro 1.839) and the market capitalization as at 31 December 2012 amounted to Euro 1,749,900,000 compared to an equity, net of non controlling interests, of Euro 1,480,598,083.

As at 31 December 2012, the shareholders with significant positions in the Company's capital were as follows:

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

As at 31 December 2011, the shareholders with significant positions in the Company's capital were as follows:

ENTITY	Nº OF SHARES	% ENTITY
Seinpar Investments, BV	241,583,015	31.48%
Semapa, SGPS, S.A.	340,571,392	44.37%
Other entities of the Semapa Group	2,000	0.00%
Bestinver Gestión, SA SGIIC	15,407,418	2.01%
Zoom Investment	12,295,308	1.60%
Treasury shares	22,099,932	2.88%
Other shareholders	135,540,935	17.66%
Total	767,500,000	100.00%

25. RESERVES AND RETAINED EARNINGS

As at 31 December 2012 and 2011, this heading was detailed as follows:

AMOUNTS IN EURO	31-12-2012	31-12-2011
Fair value reserve	72,822	(523,245)
Legal reserve	66,217,777	57,546,582
Currency translation reserve	945,918	(485,916)
Net profit: prior years	523,626,415	499,721,013
	590,862,932	556,258,434

FAIR VALUE RESERVE

As at 31 December 2012, the Fair value reserve of Euro 72,822, net of deferred taxes of Euro 33,487, represents the increase in the fair value of financial hedging instruments valued at Euro 348,946 as at 31 December 2012 (Note 31), recorded as described in Note 1.11.

The movements occurred in this reserve in the years ended 31 December 2012 and 2011, are detailed as follows:

AMOUNTS IN EURO	2012	2011
As of 1 January	(523,245)	78,040
Revaluation at fair value	1,091,140	2,834,646
Transfer to the income statement due to the maturity of the instruments (Note 10)	(495,073)	(3,435,931)
As of 31 December	72,822	(523,245)

LEGAL RESERVES

Under Portuguese Commercial Law, at least 5% of annual net profit must be transferred to the legal reserve until it reaches at least 20% of the Company's share capital. This reserve cannot be distributed unless Portucel is liquidated but can be drawn on to absorb losses, after other reserves are exhausted, or incorporated in the share capital.

CURRENCY TRANSLATION RESERVE

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

AMOUNTS IN EURO	31-12-2012	31-12-2011
Portucel Soporcel North America (USD)	1,015,037	(489,213)
Portucel Soporcel Switzerland (CHF)	(67,413)	391
Portucel Soporcel Poland (PLN)	(1,985)	(1,455)
Portucel Soporcel Afrique du Nord (MAD)	372	250
Portucel Soporcel UK (GBP)	(93)	4,111
	945,918	(485,916)

OTHER RESERVES AND PRIOR YEARS' RETAINED EARNINGS

Under prevailing law, Portucel's individual financial statements are prepared in accordance with the accounting principles generally accepted in Portugal (PGAAP). However, for the preparation of the consolidated financial statements, the Company follows IFRS as endorsed by the European Union.

As of 31 December 2012, the reconciliation between these two sets of accounts was as follows:

AMOUNTS IN EURO	EQUITY / RETAINED EARNINGS	NET PROFIT	TOTAL
Individual financial statements (PGAAP)	1,194,297,522	180,961,294	1,375,258,817
Revaluation of tangible assets	116,119,950	30,223,815	146,343,765
Investment grants	(40,526,850)	-	(40,526,850)
Non-controlling interests	(222,845)	(15,979)	(238,824)
Consolidated Financial Statements (IFRS)	1,269,667,777	211,169,130	1,480,836,908

As of 31 December 2011, the reconciliation between these two sets of accounts was as follows:

AMOUNTS IN EURO	EQUITY / RETAINED EARNINGS	NET PROFIT	TOTAL
Individual financial statements (PGAAP)	1,242,856,131	173,423,894	1,416,280,025
Treasury shares	(6,286,719)	-	(6,286,719)
Revaluation of tangible assets	89,650,459	22,921,962	112,572,421
Investment grants	(44,189,559)	-	(44,189,559)
Non-controlling interests	(206,193)	(14,467)	(220,660)
Consolidated Financial Statements (IFRS)	1,281,824,119	196,331,389	1,478,155,509

As the individual financial statements are the relevant ones for the purpose of determining the ability to distribute the Group's results, this ability is measured with regard to the retained earnings and other reserves determined in accordance with Portuguese GAAP. It should be noted that the transition to IAS / IFRS was made in the consolidated financial statements with reference to 1 January 2005 while the conversion of the individual financial statements to the current Portuguese GAAP was made with reference to 1 January 2010. This, combined with different criteria and concepts between the two standards, justifies the difference in the equity of the two sets of financial statements.

On 31 December 2012 and 2011, the reserves available for distribution were detailed as follows:

AMOUNTS IN EURO	31-12-2012	31-12-2011
Retained earnings: prior years	752,670,478	385,419,591
	752,670,478	385,419,591
Net profit for the period	180,961,294	173,423,894
Legal reserves	(9,048,065)	(8,671,195)
	171,913,229	164,752,699
	924,583,707	550,172,290

During 2012, a direct interest held by Portucel was transferred to another Group company giving rise to the realization of the corresponding reserve. As such, the change in distributable reserves is higher than the statutory result deducted of dividends paid in the year.

26. DEFERRED TAXES

In the years ended 31 December 2012 and 2011, the changes in assets and liabilities as a result of deferred taxes were as follows:

AMOUNTS IN EURO	1 JANUARY 2012	INCOME STATEMENT INCREASE	INCOME STATEMENT DECREASE	EQUITY	31 DECEMBER 2012
Temporary differences originating deferred tax assets					
Tax losses carried forward	248,456	-	(248,456)	-	-
Taxed provisions	1,922,901	2,450,173	(1,834,802)	-	2,538,272
Adjustments to fixed assets	103,359,379	4,990,996	(24,889,261)	-	83,461,114
Post employment benefits	3,250,572	-	(50,483)	-	3,200,089
Derivative Financial Instruments	763,861	-	106,309	(870,170)	-
Deferred accounting gains on inter-group transactions	20,050,099	2,370,382	(5,756,423)	-	16,664,058
Valuation of biological assets	696,814	5,828,712	(3,876,253)	-	2,649,273
Depreciation of assets recognized under IFRIC 4	-	724,350	(724,350)	-	-
Investment grants	16,602,389		(1,458,888)		15,143,502
	146,894,471	16,364,613	(38,732,607)	(870,170)	123,656,308
Temporary differences originating deferred tax liabilities					
Revaluation of fixed assets	(16,714,370)	-	3,705,667	-	(13,008,703)
Post employment benefits	(905,738)	-	(12,270)	(593,663)	(1,511,671)
Derivative Financial Instruments at fair value	-	(106,309)	-	-	(106,309)
Adjustments in the conversion of PGAAP	(19,067,418)	-	19,067,418	-	-
Fair Value of tangible fixed assets	(3,179,438)	-	3,179,438	-	-
Tax Benefits	(75,946,947)	(37,305,883)	33,189,725	-	(80,063,105)
Extension of the useful life of the tangible fixed assets	(281,244,871)	(23,996,219)	-	-	(305,241,090)
Investment grants	(305,739)	-	305,739	-	-
Deferred accounting losses on inter-group transactions	(216,085,307)	(49,360,562)	54,684,752	-	(210,761,117)
	(613,449,828)	(110,768,973)	114,120,469	(593,663)	(610,691,995)
Amounts presented in the statement of financial position					
Deferred tax assets	46,271,758	5,154,853	(12,200,771)	(274,104)	38,951,737
Deferred tax liabilities	(193,236,695)	(34,892,226)	35,947,948	(187,004)	(192,367,978)

In the measurement of the deferred taxes as at 31 December 2012 and 2011, the corporate income tax rate used was 31.50%. This rate includes the impact of the state tax surcharge introduced as part of the temporary austerity measures under the Stability and Growth Plan (Plano de Estabilidade e Crescimento - PEC), and passed in Law 12-A/2010, notwithstanding the fact that it is the company's understanding that the reversal of the majority of the existing deferred taxes will take place in a period subsequent to that covered by the PEC, that is, after 2013.

AMOUNTS IN EURO	1 JANUARY 2011	INCOME STATEMENT INCREASE	DECREASE	EQUITY	31 DECEMBER 2011
Temporary differences originating deferred tax assets					
Tax losses carried forward	408,173	-	(159,717)	-	248,456
Taxed provisions	1,333,951	588,950	-	-	1,922,901
Adjustments to fixed assets	52,478,380	50,880,999	-	-	103,359,379
Post employment benefits	3,171,632	78,940	-	-	3,250,572
Derivative Financial Instruments	-	-	-	763,861	763,861
Deferred accounting gains on inter-group transactions	10,692,933	9,419,976	-	(62,810)	20,050,099
Valuation of biological assets	8,157,968	-	(7,461,154)	-	696,814
Depreciation of assets recognized under IFRIC 4	3,631,551	-	(3,631,551)	-	-
Investment grants	-	16,602,389	-	-	16,602,389
	79,874,588	77,571,254	(11,252,422)	701,051	146,894,471
Temporary differences originating deferred tax liabilities					
Revaluation of fixed assets	(19,973,300)	-	1,520,474	1,738,456	(16,714,370)
Post employment benefits	(994,026)	(71,070)	-	159,358	(905,738)
Derivative Financial Instruments at fair value	(109,529)	-	-	109,529	-
Adjustments in the conversion of PGAAP	(29,745,883)	-	10,678,465	-	(19,067,418)
Fair Value of tangible fixed assets	-	(3,179,438)	-	-	(3,179,438)
Tax Benefits	(62,087,933)	(13,859,014)	-	-	(75,946,947)
Extension of the useful life of the tangible fixed assets	(356,185,011)	-	74,940,140	-	(281,244,871)
Investment grants	-	-	-	(305,739)	(305,739)
Deferred accounting losses on inter-group transactions	(104,813,742)	(111,271,565)	-	-	(216,085,307)
	(573,909,424)	(128,381,087)	87,139,079	1,701,604	(613,449,828)
Amounts presented in the statement of financial position					
Deferred tax assets	22,963,945	22,301,734	(3,235,071)	201,552	42,232,159
Effect of the change in the tax rate	-	4,042,372	-	(2,774)	4,039,598
	22,963,945	26,344,106	(3,235,071)	198,778	46,271,757
Deferred tax liabilities	(164,998,958)	(36,909,563)	25,052,485	489,210	(176,366,825)
Effect of the change in the tax rate	-	(16,712,295)	-	(157,575)	(16,869,871)
	(164,998,958)	(53,621,858)	25,052,485	331,635	(193,236,695)

27. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

27.1. INTRODUCTION

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

Under the prevailing Social Benefits Regulation, permanent employees of Portucel and its main subsidiaries with more than five years' service (ten years for Soporcel, Portucel Soporcel Florestal and Raiz) are entitled to a monthly retirement pension or disability supplement after retirement or disability. This is calculated according to a formula, which considers the beneficiary's gross monthly remuneration updated to the work category at the date of retirement and the number of years of service, up to a limit of 30 (limit of 25 to Soporcel, Portucel Soporcel Florestal and Raíz), including a survivor pension to the spouse and direct descendants.

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

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

As at 31 December 2012 and 2011, the coverage of the companies' liabilities by the assets of the funds was as follows:

AMOUNTS IN EURO	31-12-2012	31-12-2011
Past services liabilities		
- Active Employees	71,556,019	69,500,118
- Retired Employees	47,612,755	48,652,860
Market value of the pension funds	(117,050,324)	(104,716,904)
	2,118,450	13,436,074
Liabilities with retirement bonuses	3,196,228	3,246,711
Unfunded liabilities	5,314,678	16,682,785

On 31 December 2012, the liability related with post employment benefit plans for four members of Portucel's Board was Euro 2,439,412 (31 December 2011: Five Board Members, Euro 4,629,594).

27.2. ASSUMPTIONS USED IN THE VALUATION OF THE LIABILITIES

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

	31-12-2012	31-12-2011
Disability Table	EKV 80	EKV 80
Mortality Table	TV 88/90	TV 88/90
Wage growth rate	2.00%	2.00%
Technical interest rate	5.00%	5.00%
Rate of return on plan assets	5.00%	5.00%
Pensions growth rate	1.75%	1.75%

The discount rates used in this study were selected over the return rates of a bonds' portfolio, namely Markit iBoxx Eur Corporates AA 10. From the portfolio, bonds with adequate maturity and rating were selected according to the amount and period cash outflows that will occur in regard to the payment of the benefits to employees.

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

The following table presents the five-year historical information on the present value of liabilities, the market value of the funds, non-financed liabilities and net actuarial gains/ (losses). For the years ended 31 December 2012, 2011, 2010, 2009 and 2008, this information is as follows:

AMOUNTS IN EURO	2008	2009	2010	2011	2012
Present value of liabilities	143,268,871	149,262,005	116,568,257	121,323,084	122,365,002
Fair value of plan assets	118,768,323	129,743,758	102,854,501	104,716,904	117,050,324
Surplus/(deficit)	(24,500,548)	(19,518,247)	(13,713,756)	(16,606,180)	(5,314,678)
Net actuarial gain/(loss)	(9,849,636)	7,327,298	(128,931)	(4,611,183)	4,421,832

27.3. RETIREMENT AND PENSION SUPPLEMENTS

The movements in liabilities with retirement and pensions plans in years ended 31 December 2012 and 2011 were as follows:

AMOUNTS IN EURO	2012	2011
Opening Balance	118,152,978	113,455,153
Redeemed liabilities	(3,714,440)	-
Costs recognised in the Income Statement	8,357,924	8,145,114
Pensions paid	(4,067,448)	(3,580,235)
Actuarial (gains)/losses	439,759	132,946
Closing balance	119,168,774	118,152,978

The funds set up to cover the above mentioned liabilities had the following movement in the years ended 31 December 2012 and 2011:

AMOUNTS IN EURO	2012	2011
Opening balance	104,716,904	102,854,501
Contributions made in the period	7,088,000	5,948,000
Expected return in the period	4,325,557	5,089,484
Actuarial gains/(losses) (difference between actual and expected returns)	4,987,311	(5,594,846)
Pensions paid	(4,067,448)	(3,580,235)
Closing balance	117,050,324	104,716,904

The contributions made in the period considered the guidelines received from the actuaries with whom the Group works, taking in account the funding needs of its several plans. A recovery plan of the funding levels to the mandatory minimum defined by the applicable regulations is carried out, when applicable.

The average return of the plan's funds in 2012 was 8,55% (2011: 0,75%).

The detail of the fund's assets as at 31 December 2012 and 2011 was as follows:

	31-12-2012	31-12-2011
Bonds	54,243,569	53,455,465
Liquidity	37,949,055	31,280,114
Shares	24,140,866	19,448,253
Other applications - short term	499,814	518,895
Property	217,020	14,177
	117,050,324	104,716,904

In the years ended 31 December 2012 and 2011 the effect in the income statement of these plans was as follows:

AMOUNTS IN EURO	31-12-2012	31-12-2011
Defined Benefit Plans		
Current services	2,429,793	3,497,176
Interest expenses	5,928,131	5,715,978
Return of the plan assets	(4,325,557)	(5,089,484)
Costs with retirement bonuses	85,246	188,449
Redeemed liabilities	2,971,552	-
Other	(3,908,392)	(1,057,806)
	3,180,773	3,254,313
Defined Contribution Plans		
Contribution to the plan	1,016,336	1,058,622
	1,016,336	1,058,622
Costs for the period	4,197,109	4,312,935

Current service costs include Euro 76,269 (31 December 2011: Euro 72,480) related with three members of the Board. In 2012, Soporcel reached an agreement with current and former members of the Board, to settle their pension responsibilities at a discount, with a net gain of Euro 742,888.

27.4. RETIREMENT BONUSES

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

AMOUNTS IN EURO	2012	2011
Opening balance	3,246,711	3,113,104
Costs recognised in the Income Statement	284,319	129,921
Pensions paid	(135,729)	(54,842)
Actuarial (gains)/losses	(199,073)	58,528
Closing Balance	3,196,228	3,246,711

28. PROVISIONS

In the years ended 31 December 2012 and 2011, changes in provisions were as follows:

AMOUNTS IN EURO	LEGAL CLAIMS	TAX CLAIMS	OTHER	TOTAL
As of 1 January 2011	1,431,707	10,966,340	12,815,330	25,213,377
Increases (Note 6)	383,361	15,761,880	-	16,145,241
Reversals (Note 6)	(460,842)	(21,295,184)	-	(21,756,026)
Direct utilizations				-
As of 1 January 2012	1,354,226	5,433,036	12,815,330	19,602,592
Increases (Note 6)	18,533	-	3,174,351	3,192,884
Reversals (Note 6)	(109,635)	(5,433,036)	(12,600,319)	(18,142,990)
Direct utilizations	-	-	635	635
As of 31 December 2012	1,263,124	-	3,389,998	4,653,122

The amount shown as "Others" relates to provisions for multiple risks, which may originate cash outflows in the future.

29. INTEREST-BEARING LIABILITIES

As at 31 December 2012 and 2011, non-current interest-bearing liabilities comprised the following:

AMOUNTS IN EURO	31-12-2012	31-12-2011
Non-current		
Bond loans	200,000,000	400,000,000
Bank Loans	274,345,238	169,047,619
	474,345,238	569,047,619
Expenses with the issue of bond loans	(1,085,365)	(2,234,231)
Expenses with the issue of other loans	-	(357)
	(1,085,365)	(2,234,588)
	473,259,873	566,813,031

As at 31 December 2012 and 2011, current interest-bearing liabilities comprised the following:

AMOUNTS IN EURO	31-12-2012	31-12-2011
Current		
Bond loans	200,000,000	150,000,000
Bank loans - short-term	19,744,522	14,085,292
	219,744,522	164,085,292

As at 31 December 2012 and 2011, the Group's net debt was detailed as follows:

AMOUNTS IN EURO	31-12-2012	31-12-2011
Interest-bearing liabilities		
Non-current	473,259,873	566,813,031
Current	219,744,522	164,085,292
	693,004,395	730,898,323
Cash and cash equivalents		
Cash	67,214	48,230
Short term bank deposits	6,001,235	7,103,485
Other treasury investments	323,300,000	260,280,000
	329,368,449	267,431,715
Interest-bearing net debt	363,635,947	463,466,608

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

	31-12-2012		
AMOUNTS IN EURO	NON-CURRENT	CURRENT	TOTAL
Bond loans	198,914,635	200,000,000	398,914,635
Bank Loans	274,345,238	19,744,522	294,089,761
	473,259,873	219,744,522	693,004,395

	31-12-2011		
AMOUNTS IN EURO	NON-CURRENT	CURRENT	TOTAL
Bond loans	397,765,769	150,000,000	547,765,769
Bank Loans	169,047,262	14,085,292	183,132,554
	566,813,031	164,085,292	730,898,323

The evolution of the Group's net debt in the years ended 31 December 2012 and 2011 was as follows:

AMOUNTS IN EURO	2012	2011
As of 1 January	463,466,608	686,987,997
Interest paid	27,066,442	21,688,378
Dividends paid and reserves distributed	164,730,885	-
Acquisition of treasury shares	46,779,004	15,367,269
Receipts related to investment activities	(32,536,179)	(5,474,411)
Interest received	(4,303,268)	(6,525,765)
Payments related to investment activities	28,287,308	62,144,852
Accumulated exchange rate differences	3,127,268	(5,048,583)
Dividends received	14,285	-
Net receipts of operating activities	(332,996,404)	(305,673,129)
	(99,830,661)	(223,521,389)
As of 31 December	363,635,947	463,466,608

The movements in the Group's net debt for the periods ended 31 December 2012 and 2011 were as follows:

AMOUNTS IN EURO	2012	2011
Net profit for the year	211,185,109	196,345,855
Depreciation, amortization and impairment losses	114,173,911	124,527,404
Net changes in provisions	(14,950,106)	(5,610,786)
	310,408,914	315,262,474
Change in working capital	(9,621,629)	(17,266,591)
Acquisitions of tangible fixed assets	19,151,557	(47,168,013)
Dividends and reserves distributed	(164,730,885)	-
Acquisition of treasury shares	(46,779,004)	(15,367,269)
Net changes in post-employment benefits	(11,368,107)	2,556,531
Other changes in equity	3,003,993	(6,315,487)
Other	(234,178)	(8,180,256)
Change in net debt (Free Cash Flow)	99,830,661	223,521,389

BOND LOANS

During 2005, the Group issued five bond loans totalling Euro 700,000,000. The Group repaid the 2005/2008 loan amounting to Euro 25,000,000 during 2008, the 2005/2010 loan of Euro 300,000,000, in March 2010, and in 2012 the 2005/2012 loan amounting to Euro 150,000,000.

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

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

The loans outstanding as of 31 December 2012, were as follows:

AMOUNTS IN EURO	AMOUNT	MATURITY	REFERENCE INTEREST RATE
Portucel 2005 / 2013	200,000,000	May 2013	Euribor 6m
Portucel 2010 / 2015 - 2nd emission	100,000,000	February 2015	Euribor 6m
Portucel 2010 / 2015	100,000,000	January 2015	Euribor 6m
	400,000,000		

NON-CURRENT BANK LOANS

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

The loan designated BEI – Environment A has a 10 year maturity and is being repaid in 14 semi-annual instalments, the first of which was due 3 years after the loan date. As such, at 15 June 2012, Portucel made the first payment, amounting to Euro 4,642,857. As a result, the outstanding amount due at 31 December 2012 was Euro 55,714,286. The loan is indexed to the six months Euribor plus a variable spread associated to financial ratios.

The loan designated BEI – Environment B has a 11 year maturity and it will be repaid in 18 semi-annual instalments, the first of which was paid in December 2012 and the last one on 15 June 2021, each of them amounting to Euro 1,666,667. As a consequence of the first payment, the amount due at 31 December 2012 was Euro 28,333,333. This loan is indexed to the six months Euribor plus a fixed spread.

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

These two loans are guaranteed by two banks.

COMMERCIAL PAPER AND OTHER INTEREST-BEARING LIABILITIES

Portucel contracted a commercial paper program amounting to Euro 50,000,000, whose emissions are underwritten by a bank for a period of three years. As at 31 December 2012, no issues were in place.

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

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

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

AMOUNTS IN EURO	12-31-2012	12-31-2011
Non current		
1 to 2 years	59,702,381	219,702,381
2 to 3 years	304,702,381	59,702,381
3 to 4 years	19,702,381	179,702,381
4 to 5 years	19,702,381	109,940,476
More than 5 years	70,535,714	-
	474,345,238	569,047,619

As at 31 December 2012, in addition to the Commercial paper, the Group had available but unused credit lines amounting to Euro 20,450,714 (31 December 2011: Euro 32,450,714).

FINANCE LEASES – IFRIC 4

As at 31 December 2012 and 2011, the Group showed the following equipments under finance lease plans recognized under IFRIC 4:

	31-12-2012		
AMOUNTS IN EURO	ACQUISITION VALUE	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Equipment - Soporgen	44,003,950	(38,136,757)	5,867,193
Equipment - Omya	14,000,000	(4,918,919)	9,081,081
	58,003,950	(43,055,676)	14,948,274

	31-12-2011		
AMOUNTS IN EURO	ACQUISITION VALUE	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Equipment - Soporgen	44,003,950	(35,203,160)	8,800,790
Equipment - Omya	14,000,000	(2,796,523)	11,203,477
	58,003,950	(37,999,683)	20,004,267

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

AMOUNTS IN EURO	31-12-2012	31-12-2011
Non-Current	13,863,060	18,109,324
Current (Note 30)	3,827,166	4,584,418
	17,690,226	22,693,742

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

Soporcel has a call option for the remaining share capital of Soporgen until the end of the agreement to supply electric and steam power, signed between Soporgen and Soporcel. The settlement date of this option is on the 1st January of each year between 2010 and 2015 with pre-determined amounts, which may be adjusted proportionally if the call is exercised at any other date in that period.

In 2009, with the launch of the new paper mill in Setubal, the Group recognized as a finance lease contract the cost of the Precipitated Calcium Carbonate production unit, installed by Omya, S.A. at the industry site in Setúbal for the exclusive use of the new mill. This contract foresees the transfer of the assets' ownership to About The Future, S.A., upon its termination, in 2016.

30. PAYABLES AND OTHER CURRENT LIABILITIES

As at 31 December 2012 and 2011, "Payables and other current liabilities" were detailed as follows:

AMOUNTS IN EURO	31-12-2012	31-12-2011
Accounts payable to suppliers	137,791,720	143,866,422
Accounts payable to fixed assets suppliers	7,887,363	32,845,993
Accounts payable to fixed assets suppliers - leases (Note 29)	3,827,166	4,584,418
Accounts payable - related parties (Note 32)	3,163,126	1,177,457
Derivative financial instruments (Note 31)	783,329	4,448,169
Other creditors - CO_2 emissions	3,859,840	4,433,430
Sales comissions	145,037	67,844
Other creditors	610,797	1,864,582
Accrued costs	26,242,033	36,993,781
Deferred income	49,538,025	54,611,282
	233,848,436	284,893,379

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

AMOUNTS IN EURO	31-12-2012	31-12-2011
Accrued costs		
Payroll costs	21,245,121	31,016,633
Interests payable, including compensatory interest	2,150,386	3,997,371
Other	2,846,526	1,979,778
	26,242,033	36,993,781
Deferred income		
Government grants (Note 9)	49,323,038	54,103,383
Other	214,988	507,899
	49,538,025	54,611,282

As at 31 December 2012 and 2011, deferred income on government grants was detailed as follows:

AMOUNTS IN EURO	31-12-2012	31-12-2011
AICEP investment contracts (Note 9)		
Portucel, S.A.	27,924,405	31,451,427
SoporcelPulp, S.A.	15,143,502	16,602,389
Soporcel, S.A.	4,906,536	5,845,140
	47,974,443	53,898,957
Other		
Viveiros Aliança, S.A.	1,117,681	-
Raiz	230,914	183,395
Portucel, S.A.	-	21,031
	1,348,595	204,426
	49,323,038	54,103,383

During the years ended 31 December 2012 and 2011, Grants – CO_2 emissions had the following movements:

AMOUNTS IN EURO	2012	2011
Grants - CO_2 emissions		
Opening balance	-	-
Increase	7,016,048	12,630,672
Utilization	(7,016,048)	(12,630,672)
Closing balance	-	-

31. FINANCIAL ASSETS AND LIABILITIES

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

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

AMOUNTS IN EURO	FINANCIAL INSTRUMENTS -TRADING NOTE 31.1.	FINANCIAL INSTRUMENTS-HEDGING NOTE 31.2.	LOANS AND RECEIVABLES NOTE 31.3.	FINANCIAL ASSETS AVAILABLE FOR SALE NOTE 19.	OTHER INTEREST-BEARING LIABILITIES NOTE 31.4.	NON FINANCIAL ASSETS/ LIABILITIES
31-12-2012						
Assets						
Financial assets available for sale	-	-	-	126,032	-	-
Cash and cash equivalents	-	-	329,368,449	-	-	-
Current receivables	662,235	434,383	188,359,334	-	-	276,772,478
Total Assets	662,235	434,383	517,727,782	126,032	-	276,772,478
Liabilities						
Non-current interest-bearing liabilities	-	-	-	-	473,259,873	-
Other liabilities	-	-	-	-	13,863,060	202,335,778
Current interest-bearing liabilities	-	-	-	-	219,744,522	-
State entities	-	-	-	-	-	100,596,354
Current payables	-	783,329	-	-	155,932,297	78,699,467
Total Liabilities	-	783,329	-	-	862,799,753	381,631,600
31-12-2011						
Assets						
Financial assets available for sale	-	-	-	126,032	-	-
Cash and cash equivalents	-	-	267,431,715	-	-	-
Current receivables	-	-	242,257,094	-	-	243,375,049
Total Assets	-	-	509,688,809	126,032	-	243,375,049
Liabilities						
Non-current interest-bearing liabilities	-	-	-	-	566,813,031	-
Other liabilities	-	-	-	-	19,045,446	229,522,072
Current interest-bearing liabilities	-	-	-	-	164,085,292	-
State entities	-	-	-	-	-	79,673,372
Current payables	2,467,939	1,980,230	-	-	193,881,173	85,627,915
Total Liabilities	2,467,939	1,980,230	-	-	943,824,942	394,823,359

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

31.1. FAIR VALUE HIERARCHY

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2012, according to the following fair value hierarchies:

i. Level 1: The fair value of financial instruments is based on prices available on active, liquid markets at the date of the statement of financial position;

ii. Level 2: The fair value of financial instruments is not determined on the basis of active market prices, but rather resorting to valuation models. The main inputs of the models used are observable in the market; and

iii. Level 3: The fair value of financial instruments is not determined on the basis of active market prices, but rather resorting to valuation models, the main inputs of which are not observable in the market.

AMOUNTS IN EURO	31-12-2012	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets at fair value through profit or loss				
Derivative financial instruments - trading	662,235	-	662,235	-
Derivative financial instruments - hedging	434,383	-	434,383	-
	1,096,619	-	1,096,619	-

AMOUNTS IN EURO	31-12-2012	LEVEL 1	LEVEL 2	LEVEL 3
Financial liabilities at fair value through profit or loss				
Derivative financial instruments - trading	-	-	-	-
Derivative financial instruments - hedging	(783,329)	-	(783,329)	-
	(783,329)	-	(783,329)	-

31.2. FINANCIAL INSTRUMENTS HELD FOR TRADING

As at 31 December 2012 and 2011, the fair value of derivative financial instruments (Note 1.11) was as follows:

	31-12-2012				31-12-2011
AMOUNTS IN EURO	NOTIONAL	POSITIVE	NEGATIVE	NET	NET
Foreign Exchange Forwards	52,450,933	662,235	-	662,235	(2,467,939)
	52,450,933	662,235	-	662,235	(2,467,939)

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

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

The net fair value of trading instruments – forwards – as at 31 December 2012 is Euro 662,235 (31 December 2011: negative by Euro 2,467,939).

31.3. DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS

As at 31 December 2012 and 2011, the fair value of derivative financial instruments designated as hedging instruments (Note 1.11) was as follows:

	31-12-2012				31-12-2011
AMOUNTS IN EURO	NOTIONAL	POSITIVE	NEGATIVE	NET	NET
Foreign Exchange Forwards (net investment)	18,985,903	434,383	-	434,383	(614,563)
Foreign Exchange Forwards (future sales)	-	-	-	-	(1,365,667)
Pulp price, in 2014	12,733,060	-	(456,221)	(456,221)	-
Interest rate *swap* - Comercial Paper	125,000,000	-	(327,108)	(327,108)	-
	156,718,963	434,383	(783,329)	(348,946)	(1,980,230)

NET INVESTMENT

The Group hedges the economic risk associated with the USD exchange rate exposure in its investment held on Portucel Soporcel North America. For that purpose, the Group entered into a forward foreign exchange contract maturing in May 2013, with an outstanding notional of USD 25,050,000.

This instrument is designated as a hedge of the net investment in the Group's US subsidiary, with Fair Value changes being recognized in other comprehensive income. As at 31 December 2012, the amount reflected in the Revaluation Reserve amounts to Euro 714,427.

CASH FLOW HEDGE – INTEREST RATE RISK

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

The hedged risk is the variable rate index with which debt interest is associated. As at 31 December 2012, the total amount of loans with associated interest rate hedges were Euro 125 million. In 2011, the Group did not have any derivatives of this nature.

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

CASH FLOW HEDGE - PRICE RISK

The Group hedges the price risk associated with future sales of pulp, through the use of collars on the price of pulp, which limits the sale price to a predetermined range. The instruments are designated as cash flow hedges of the price risk associated with future sales.

As at 31 December 2012, the total amount of future sales with a price risk hedge is Euro 12.7 million.

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

31.4. CREDIT AND RECEIVABLES

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

31.5. OTHER FINANCIAL LIABILITIES

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

31.6. NET GAINS ON FINANCIAL ASSETS AND LIABILITIES

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

AMOUNTS IN EURO	31-12-2012	31-12-2011
Gain/ (loss) on loans and receivables	(3,571,782)	5,812,520
Gains / (losses) on financial instruments - hedging	(495,073)	(3,435,931)
Gains / (losses) on financial instruments - trading	3,130,174	(2,409,172)
Dividends received:		
From available-for-sale financial assets	14,285	-
Interest Income:		
From deposits and other receivables	3,822,212	7,505,282
Interest expense:		
Financial liabilities measured at amortized cost	(16,829,565)	(22,763,525)
Other	(2,368,611)	(1,055,628)
	(16,298,360)	(16,346,454)

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

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

	CHANGE IN FAIR VALUE (TRADING)	CHANGE IN FAIR VALUE (HEDGING)	TOTAL
Opening balance - 2011	(58,767)	109,529	50,762
Maturity (Note 10)	(2,409,173)	(3,435,931)	(5,845,104)
Increase in fair value	-	1,346,172	1,346,172
Closing balance - 2011	(2,467,940)	(1,980,229)	(4,448,169)
Maturity (Note 10)	3,130,175	(495,073)	2,635,102
Increase in fair value	-	2,126,358	2,126,358
Closing balance - 2012	662,235	(348,945)	313,290

As at 31 December 2012 and 2011, the derivative financial instruments previously summarised had the following maturities:

					31-12-2012	31-12-2011
		NOMINAL VALUE	MATURITY	TYPE	FAIR VALUE	FAIR VALUE
Foreing Exchange *Forwards*	USD	-		Trading	-	(235,962)
	USD	43,354,130	30/Apr/13	Trading	524,066	(1,818,164)
	GBP	14,964,699	10/May/13	Trading	138,170	(413,813)
					662,235	(2,467,939)
Foreing Exchange Forwards - Net Investment	USD	25,050,000	30/May/13	Hedging	434,383	(614,563)
Hedging for future sales	USD	12,450,000	30/Sep/12	Hedging	-	(688,902)
Hedging for future sales	USD	16,600,000	31/Oct/12	Hedging	-	(581,028)
Hedging for future sales	USD	12,600,000	31/Dec/12	Hedging	-	(95,737)
Interest rate swap for Comercial Paper	EUR	125,000,000	26/Nov/15	Hedging	(327,108)	-
Pulp price, in 2014	USD	16,800,000	31/Dec/14	Hedging	(456,221)	-
					(348,946)	(1,980,230)
					313,290	(4,448,169)

32. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The following is a breakdown of related parties' balances as at 31 December 2012 and 2011:

	31 DECEMBER 2012		31 DECEMBER 2011	
AMOUNTS IN EURO	ASSETS RECEIVABLES	LIABILITIES PAYABLES	ASSETS RECEIVABLES	LIABILITIES PAYABLES
Semapa	1,935	3,702,738	721	1,452,665
Soporgen	-	(539,612)	-	(275,208)
	1,935	3,163,126	721	1,177,457

In the years ended 31 December 2012 and 2011, transactions with related parties were as follows:

	2012		2011	
AMOUNTS IN EURO	SALES AND SERVICES RENDERED	CONSUMED MATERIALS AND SERVICES	SALES AND SERVICES RENDERED	CONSUMED MATERIALS AND SERVICES
Semapa	1,573	4,878,837	5,551	2,116,582
Soporgen	-	1,081,573	-	2,155,518
	1,573	5,960,410	5,551	4,272,100

In the identification of the Group's related parties for the purpose of this report, the members of the Group's statutory bodies were considered as related parties (Note 7).

33. ENVIRONMENTAL RELATED EXPENDITURE

ENVIRONMENTAL COSTS

As part of its business operations, the Group incurs in several environmental related expenditures which, depending on their nature, are capitalized or recognized as costs in the operating results for the year.

Environmental expenses incurred by the Group in order to preserve resources or to avoid or reduce future damage, are capitalized if they are expected to extend the useful life or to increase the capacity, safety or efficiency of other assets held by the Group.

The expenditure capitalized and expensed in the year ended 31 December 2012 and 2011 was as follows:

Expenditure capitalized in the period

AMOUNTS IN EURO	2012	2011
Expansion of wastewater treatment equipment	93,312	109,182
Recovery boiler	85,796	80,187
Generator of the oil boiler	11,106	57,884
Improvement of facilities and security	54,830	11,278
Others	-	113,265
	245,044	371,796

Costs recognized in the period

AMOUNTS IN EURO	2012	2011
Treatment of waste water	4,560,405	8,173,029
Recycling of materials	3,240,014	1,457,788
Water resources charges (Note 6)	1,418,345	2,016,732
Electro filters	256,828	558,917
Solid waste removal	192,158	360,903
Sewerage	22,068	41,515
Other	148,754	107,886
	9,838,572	12,716,770

CO_2 EMISSION RIGHTS

As part of the Kyoto Protocol, the European Union has committed itself to reduce greenhouse gases' emissions. Within this context, a EU Directive was issued that foresees the trade of CO_2 emission rights. This Directive has been transposed to the Portuguese legislation, with effect from 1 January 2005, and impacts, amongst other industries, the pulp and paper industry (Note 30).

As a result of negotiations of the National Plan for the Allocation of CO_2 Emission Rights (PNALE), for the period 2008-2012, the Group was awarded licenses corresponding to 531,049 tons for each year of the period (Note 16). With the start of the new units in the area of energy and in the production of paper, this attribution was revised upwards to 892,627 tons.

34. AUDIT FEES

In the periods ended 31 December 2012 and 2011, expenses with statutory audits, other audit services and tax advisory services, were as follows:

AMOUNTS IN EURO	2012	2011
Statutory auditors services		
Statutory audit services	412,532	374,696
Audit of foreign subsidiaries	114,193	177,728
Tax advisory services		
Portugal	100,150	85,602
Foreign subsidiaries	3,197	107,753
Other assurance services	66,580	68,354
	696,652	814,133

The majority of the services described as "other assurance services" regard the emission of reports validating expense claims under investment and research support programs or guaranteeing compliance with financial ratios. These reports are required by contracts in place and are not related with any other type of services.

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

35. NUMBER OF EMPLOYEES

As at 31 December 2012 the number of employees working for the various Group companies was 2,275 (31 December 2011: 2,290), of which 289 were employed by About The Future, S.A. and 75 in foreign subsidiaries.

36. COMMITMENTS

36.1. COMMITMENTS IN FAVOUR OF THIRD-PARTIES

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

AMOUNTS IN EURO	31-12-2012	31-12-2011
Portuguese Tax authorities	27,248,976	32,995,209
Duties with wood imports	3,389,609	3,593,131
Simria	327,775	327,775
Other	625,383	639,101
	31,591,743	37,555,215

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

AMOUNTS IN EURO	31-12-2012	31-12-2011
Income Tax 2005 - Additional Tax Assessment	14,764,907	14,656,907
Income Tax 2006 - Additional Tax Assessment	11,908,199	11,823,199
Income Tax 2010 - self liquidation	-	5,086,210
Income Tax 2007 - Municipal surcharge	-	853,023
Stamp Duty 2004	575,870	575,870
	27,248,976	32,995,209

36.2. PURCHASE COMMITMENTS

In addition to the commitments described in the preceding Note, purchase commitments assumed with suppliers at 31 December 2012 amounted to Euro 6,050,402 and referred to capital expenditure on Property, plant and equipment. In 2011 these commitments amounted Euro 18,078,553 and mainly comprised investments under agreements with AICEP, that foresaw global capital expenditure of some Euro 914,600,000.

As at 31 December 2012 and 2011, commitments relating to operating lease contracts comprised the following:

AMOUNTS IN EURO	31-12-2012	31-12-2011
2012	-	1,646,206
2013	1,728,887	1,157,765
2014	1,302,502	664,999
2015	742,081	190,006
2016	187,004	-
	3,960,474	3,658,975

As at 31 December 2012 and 2011, the undiscounted commitments relating to forestry land rents comprised the following:

AMOUNTS IN EURO	31-12-2012	31-12-2011
2012	-	3,432,711
2013	3,738,397	3,163,830
2014	3,303,232	2,816,056
2015	3,242,892	2,685,971
2016	3,177,495	2,610,094
Later	35,119,511	26,398,899
	48,581,527	41,107,560

37. CONTINGENT ASSETS

37.1. TAX MATTERS

37.1.1. Public Debt Settlement Fund

According to Decree-Law no. 36/93 of 13 February, the tax debts of privatised companies relating to periods prior to the privatisation date (in the case of Portucel, 25 November 2006) are the responsibility of the Public Debt Settlement Fund. Portucel submitted an application to the Public Debt Settlement Fund on 16 April 2008 requesting the payment by the State of the tax debts raised by the tax authorities for periods before that date. On 13 December 2010, Portucel presented a new application requesting the payment of debts settled by the tax authorities regarding 2006 and 2003. This application was supplemented on 13 October 2011, with the amounts already paid and uncontested regarding these debts, as well as with expenses directly related to them, pursuant to court ruling dated 24 May 2011 (Case No. 0993A/02), which confirmed the company's position regarding the enforceability of such expenses. In this context, the aforementioned Fund is liable for Euro 33,819,546, detailed as follows:

AMOUNTS IN EURO	PERIOD	AMOUNTS	1ST REFUND	OUT-STANDING
Portucel				
VAT Germany	1998-2004	5,850,000	(5,850,000)	-
Corporate Income Tax	2001	314,340	-	314,340
Corporate Income Tax	2002	625,033	(625,033)	-
VAT	2002	2,697	(2,697)	-
Corporate Income Tax	2003	1,573,165	(1,573,165)	-
Corporate Income Tax	2003	182,230	(157,915)	24,315
Corporate Income Tax (Withheld)	2004	3,324	-	3,324
Corporate Income Tax	2004	766,395	-	766,395
Corporate Income Tax (Withheld)	2005	1,736	(1,736)	-
Corporate Income Tax	2005	11,754,680	-	11,754,680
Corporate Income Tax	2006	11,890,071	-	11,890,071
Expenses		314,957	-	314,957
		33,278,628	(8,210,546)	25,068,082
Soporcel				
Corporate Income Tax	2002	18,923	-	18,923
Corporate Income Tax (Replacement income tax claim)	2003	5,725,771	-	5,725,771
Value added tax	2003	2,509,101	-	2,509,101
Stamp duty	2004	497,669	-	497,669
		8,751,464	-	8,751,464
		42,030,092	(8,210,546)	33,819,546

These amounts may yet be reduced, due to judicial claims presented by the Group amounting to Euro 27,395,442, from which Portucel already had favourable decisions amounting to Euro 2,959,299, having the Portuguese tax authorities appealed for claims of Euro 2,644,959. As such, Portucel is waiting the refund of Euro 314,340.

37.1.2. State surcharge 2010 and 2011 – Euro 1,783,417 and Euro 1,117,677

In the 2010 corporate income tax form presented by Portucel, a state surcharge of Euro 1,783,417 was determined regarding About The Future – Empresa Produtora de Papel, S.A., which is not considered due by the Group as it should have been deducted to tax benefits granted by AICEP to the company. AICEP seconds the company's views on this matter.

Due to this, Portucel presented a tax claim in order to collect the refund of this excess income tax amount paid in 2010 and 2011. Following the rejection of that claim, Portucel presented the corresponding hierarchical appeal, on 11 November 2011 (regarding 2010) and 25 October 2012 (regarding 2011). As no response was received, Portucel appealed to the courts in 17 May 2012 (regarding 2010) and 9 November 2012 (regarding 2011).

37.1.3. Investment Contracts with AICEP

Regarding the contracts signed with AICEP and up to 31 December 2012, a total amount of Euro 7,621,204 of tax incentives is available to be used until 2016.

37.1.4. Proceedings in Arbitration Court

Following the approval of Decree-Law No. 10/2011 of 20 January, which introduced in the Portuguese legal system, arbitration courts to rule on tax matters, the Group submitted to these courts a number of tax cases totalling Euro 5,917,815, detailed as follows:

AMOUNTS IN EURO	YEAR	AMOUNT
Corporate Income Tax	2001	314,340
Corporate Income Tax	2002	157,656
Corporate Income Tax - Tax Group	2003	24,315
Corporate Income Tax - Tax Group	2004	111,543
Corporate Income Tax - Municipal Surcharge	2007	682,182
Stamp duty	2008	50,000
Corporate Income Tax - Municipal Surcharge	2008	173,868
Corporate Income Tax - Tax Group - Self liquidation	2008	138,404
Corporate Income Tax - Municipal Surcharge	2009	888,200
Corporate Income Tax - Municipal Surcharge	2010	2,829,353
Corporate Income Tax	2010	345,027
Corporate Income Tax - Municipal Surcharge	2011	202,927
		5,917,815

Positive decisions to the Group's interests were already issued for claims totalling Euro 5,369,861. Portucel has appealed against an adverse decision on the 2010 Corporate Income Tax liquidation. The Group is now waiting to receive Euro 4,530,023 and cancelled bank guarantees amounting to Euro 4,471,527.

37.2. NON-TAX MATTERS

37.2.1. Public Debt Settlement Fund

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

37.2.2 Infrastructure enhancement and maintenance fee

Under the licensing process no. 408/04 related to the new paper mill project, the Setubal City Council issued a settlement note to Portucel regarding an infrastructure enhancement and maintenance fee ("TMUE ") amounting to Euro 1,199,560, with which the company disagrees.
This situation regards the amount collected under this levy

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

In the appeal, Portucel claims the cancelation of the settlement on the following grounds: (i) desproporcionality of the fee applied; (ii) it has the nature of a tax, that cannot be imposed by the City Council and (iii) the absence of any consideration paid on their behalf by the Setúbal City Council since it was Portucel that supported all the costs regarding the urban infrastructure and maintenance, thus proving that the TMUE configures a true tax.

38. EXCHANGE RATES

The assets and liabilities of the foreign subsidiaries and associated companies expressed in a functional currency other than Euro were translated to Euro at the exchange rate prevailing on 31 December 2012. The income statement transactions were translated at the average rate for the year. The differences arising from the use of these rates compared with the balance prior to the conversion were reflected under the Currency translation reserve in shareholders' equity.

The rates used at 31 December 2012 and 2011, against the Euro, were as follows:

	2012	2011	VALUATION / (DEPRECIATION)
GBP (sterling pound)			
Average exchange rate for the year	0.8108	0.8679	6.59%
Exchange rate at the end of the year	0.8161	0.8353	2.30%
USD (american dollar)			
Average exchange rate for the year	1.2846	1.3920	7.72%
Exchange rate at the end of the year	1.3194	1.2939	-1.97%
PLN (polish zloti)			
Average exchange rate for the year	4.1852	4.1205	-1.57%
Exchange rate at the end of the year	4.0740	4.4580	8.61%
SEK (swedish krona)			
Average exchange rate for the year	8.7056	9.0308	3.60%
Exchange rate at the end of the year	8.5820	8.9120	3.70%
CZK (czech koruna)			
Average exchange rate for the year	25.1460	24.5906	-2.26%
Exchange rate at the end of the year	25.1510	25.7870	2.47%
CHF (swiss franc)			
Average exchange rate for the year	1.2053	1.2324	2.21%
Exchange rate at the end of the year	1.2072	1.2156	0.69%
DKK (danish krone)			
Average exchange rate for the year	7.4442	7.4507	0.09%
Exchange rate at the end of the year	7.4610	7.4342	-0.36%
HUF (hungarian florim)			
Average exchange rate for the year	289.2687	279.3789	-3.54%
Exchange rate at the end of the year	292.3000	314.5800	7.08%
AUD (australian dollar)			
Average exchange rate for the year	1.2408	1.3485	7.98%
Exchange rate at the end of the year	1.2712	1.2723	0.09%
MZM (mozambiquean metical)			
Average exchange rate for the year	36.2033	40.9907	11.68%
Exchange rate at the end of the year	39.3700	35.9200	-9.60%
MAD (moroccan Dirham)			
Average exchange rate for the year	11.1015	11.2829	1.61%
Exchange rate at the end of the year	11.1113	11.1734	0.56%
NOK (norway Kroner)			
Average exchange rate for the year	7.3821	7.6752	1.25%
Exchange rate at the end of the year	7.4350	7.6560	-1.18%

39. COMPANIES INCLUDED IN THE CONSOLIDATION

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD BY GROUP COMPANIES		
		DIRECTLY	INDIRECTLY	TOTAL
PARENT-COMPANY:				
Portucel, S.A.	Setúbal	-	-	-
SUBSIDIARIES:				
Soporcel - Sociedade Portuguesa de Papel, S.A.	Figueira da Foz	100.00	-	100.00
PortucelSoporcel Floresta, SGPS, S.A.	Figueira da Foz	100.00	-	100.00
Portucel Florestal – Empresa de Desenvolvimento Agro-Florestal, S.A.	Setúbal	100.00	-	100.00
CountryTarget SGPS S.A.	Setúbal	100.00	-	100.00
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, S.A.	Setúbal	-	100.00	100.00
PortucelSoporcel Florestal – Sociedade para o Desenvolvimento Agro-Florestal, S.A.	Setúbal	-	100.00	100.00
Afocelca - Agrupamento complementar de empresas para protecção contra incêndios ACE	Portugal	-	64.80	64.80
Enerforest - Empresa de Biomassa para Energia, S.A.	Setúbal	-	100.00	100.00
Atlantic Forests, S.A.	Setúbal	-	100.00	100.00
Viveiros Aliança - Empresa Produtora de Plantas, S.A.	Palmela	-	100.00	100.00
Aflomec - Empresa de Exploração Florestal, S.A.	Setúbal	-	100.00	100.00
Cofotrans - Empresa de Exploração Florestal, S.A.	Figueira da Foz	-	100.00	100.00
Raiz - Instituto de Investigação da Floresta e Papel	Aveiro	-	94.00	94.00
Bosques do Atlantico, SL	Spain	-	100.00	100.00
PortucelSoporcel Pulp SGPS, S.A.	Setúbal	100.00	-	100.00
Soporcel Pulp - Sociedade Portuguesa de Celulose, S.A.	Figueira da Foz	-	100.00	100.00
CELSET - Celulose de Setúbal, S.A.	Setúbal	-	100.00	100.00
CELCACIA - Celulose de Cacia, S.A.	Aveiro	-	100.00	100.00
Portucel International GmbH	Germany	-	100.00	100.00
PortucelSoporcel Papel, SGPS S.A.	Setúbal	100.00	-	100.00
Portucel Soporcel North America Inc.	EUA	-	100.00	100.00
About The Future - Empresa Produtora de Papel, S.A.	Setúbal	-	100.00	100.00
Portucel Papel Setúbal, S.A.	Setúbal	-	100.00	100.00
PortucelSoporcel Sales & Marketing NV	Belgium	25.00	75.00	100.00
PortucelSoporcel Fine Paper , S.A.	Setúbal	-	100.00	100.00
PortucelSoporcel España, S.A.	Spain	-	100.00	100.00
PortucelSoporcel International, BV	Netherlands	-	100.00	100.00
PortucelSoporcel France, EURL	France	-	100.00	100.00
PortucelSoporcel United Kingdom, Ltd	United Kingdom	-	100.00	100.00
PortucelSoporcel Italia, SRL	Italy	-	100.00	100.00
PortucelSoporcel Lusa, S.A.	Figueira da Foz	-	100.00	100.00
PortucelSoporcel Deutschland, GmbH	Germany	-	100.00	100.00
PortucelSoporcel Austria, GmbH	Austria	-	100.00	100.00
PortucelSoporcel Afrique du Nord	Marroco	-	100.00	100.00
PortucelSoporcel Poland SP Z.O.O.	Poland	-	100.00	100.00
PortucelSoporcel Switzerland	Switzerland	25.00	75.00	100.00
PortucelSoporcel Energia, SGPS S.A.	Setúbal	100.00	-	100.00
SPCG – Sociedade Portuguesa de Co-Geração Eléctrica, S.A.	Setúbal	-	100.00	100.00

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD BY GROUP COMPANIES		
		DIRECTLY	INDIRECTLY	TOTAL
Enerpulp - Cogeração Energética de Pasta, S.A.	Setúbal	-	100.00	100.00
PortucelSoporcel Cogeração de Energia, S.A.	Setúbal	-	100.00	100.00
PortucelSoporcel Participações, SGPS S.A.	Setúbal	25.14	74.86	100.00
Arboser – Serviços Agro-Industriais, S.A.	Setúbal	-	100.00	100.00
Empremédia - Corretores de Seguros, Lda	Lisboa	-	100.00	100.00
Socortel - Sociedade de Corte de Papel, S.A.	Figueira da Foz	-	100.00	100.00
Cutpaper - Transformação, Corte e Embalagem de Papel, ACE	Figueira da Foz	-	50.00	50.00
Headbox - Operação e Controlo Industrial, S.A.	Setúbal	-	100.00	100.00
EMA21 - Engenharia e Manutenção Industrial Século XXI, S.A.	Setúbal	-	100.00	100.00
Ema Cacia - Engenharia e Manutenção Industrial, ACE	Aveiro	-	91.15	91.15
Ema Setúbal - Engenharia e Manutenção Industrial, ACE	Setúbal	-	92.56	92.56
Ema Figueira da Foz- Engenharia e Manutenção Industrial, ACE	Figueira da Foz	-	91.47	91.47
EucaliptusLand, S.A.		-	100.00	100.00
PortucelSoporcel Serviços Partilhados, S.A.	Figueira da Foz	-	100.00	100.00
PortucelSoporcel Internacional SGPS S.A.	Setúbal	100.00	-	100.00
Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda	Mozambique	25.00	75.00	100.00
Portucel Florestal Brasil - Gestão de Participações, Lda.	Brazil	25.00	75.00	100.00
PortucelSoporcel Abastecimento de Madeira, ACE	Setúbal	60.00	40.00	100.00

40. SUBSEQUENT EVENTS

40.1 ACQUISITION OF SOPORGEN S.A.

On 22 January 2013, Soporcel acquired the remaining shares of Soporgen S.A.for Euro 5,060,493, corresponding to 82% of Soporgen's share equity, from EDP, S.A.

This acquisition is a result of exercise of the call option, as described in Note 29.

STATUTORY AUDITORS REPORT IN RESPECT OF THE CONSOLIDATED FINANCIAL INFORMATION

INTRODUCTION

1. As required by law, we present the Statutory Auditors Report in respect of the consolidated financial information included in the consolidated Board of Directors' Report and the consolidated financial statements of Portucel, S.A., comprising the consolidated statement of financial position as at 31 December 2012, (which shows total assets of Euro 2,724,484,931, and a total shareholder's equity of Euro 1,480,836,907 including non-controlling interest of Euro 238,824 and a net profit of Euro 211,169,129), the consolidated separate income statement, the statement of comprehensive consolidated income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and the corresponding notes to the accounts.

RESPONSIBILITIES

2. It is the responsibility of the Company's Board of Directors (i) to prepare the consolidated Directors' Report and consolidated financial statements which present fairly, in all material respects, the financial position of the company and its subsidiaries, the consolidated changes in equity, the consolidated result of their operations and their consolidated cash flows; (ii) to prepare historic financial information in accordance with International Financial Reporting Standards as adopted by the EU and which is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code; (iii) to adopt adequate accounting policies and criteria; (iv) to maintain appropriate systems of internal control; and (v) to disclose any relevant matters which have influenced the activity, the financial position or results of the company and its subsidiaries.

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

SCOPE

4. We conducted our audit in accordance with the Standards and Technical Recommendations approved by the Institute of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. Accordingly, our audit included: (i) verification that the subsidiary's financial statements have been properly examined and for the cases where such an audit was not carried out, verification, on a sample basis, of the evidence supporting the amounts and disclosures in the consolidated financial statements, and assessing the reasonableness of the estimates, based on the judgements and criteria of Management used in the preparation of the consolidated financial statements; (ii) verification of the consolidation operations, and, when applicable, the utilization of the equity method; (iii) assessing the appropriateness and consistency of the accounting principles used and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; (v) assessing the overall presentation of the consolidated financial statements; and (vi) assessing whether the consolidated financial information is complete, true, timely, clear, objective and licit.

5. Our audit also covered the verification that the information included in the consolidated Directors' Report is in agreement with the other documents as well as the verification set forth in paragraphs 4 and 5 of Article 451 of the Companies Code.

6. We believe that our audit provides a reasonable basis for our opinion.

OPINION

7. In our opinion, the consolidated financial statements referred to above, present fairly in all material respects, the consolidated financial position of Portucel, S.A. as at 31 December 2012, the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the information included is complete, true, timely, clear, objective and licit.

REPORT ON OTHER LEGAL REQUIREMENTS

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

Lisbon, 08 March 2013

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda

represented by:
António Alberto Henriques Assis, R.O.C.

REPORT AND OPINION OF THE AUDIT BOARD CONSOLIDATED ACCOUNTS

FINANCIAL YEAR OF 2012

Shareholders,

1. In accordance with the law, the articles of association and the terms of our mandate, we are pleased to submit the report on our supervisory activities in 2012 and to issue our opinion on the consolidated management report and consolidated financial statements presented by the Board of Directors of Portucel, S.A., for the financial year ended 31 December 2012.

2. Over the course of the year we monitored the affairs of the company and its most significant affiliates and associates, with the regularity and to the extent we deemed appropriate, through periodic meetings with the company's directors and senior management. We checked that the accounts were kept correctly and duly documented, and verified the effectiveness of the risks management, internal control and internal audit systems. We monitored compliance with 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) as adopted in the European Union and suitably assure that such criteria lead to a correct valuation of the company's assets and profits, taking due account of the analyses and recommendations of the external auditor;

    c. the consolidated management report provides a sufficient description of the business affairs of the company and its affiliates included in the consolidated accounts, offering a clear account of the most significant developments during the year.

    d. the Corporate governance report includes the information required by Article 245-A of the Securities Code.

5. Accordingly, taking into consideration the information received from the Board of Directors and the company departments, and also the conclusions of the legal accounts certificate and the audit report, we recommend that:

    a. the consolidated management report be approved;

    b. the consolidated financial statements be approved;

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

Lisbon, 11 March 2013

THE CHAIRMAN OF THE AUDIT BOARD
Miguel Camargo de Sousa Eiró

MEMBER
Duarte Nuno d'Orey da Cunha

MEMBER
Gonçalo Nuno Palha Gaio Picão Caldeira

CORPORATE GOVERNANCE REPORT

CHARPTER 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. The recommendations and the regulation can be consulted on the CMVM website, at www.cmvm.pt.

0.2. Detailed description of the recommendations contained in the CMVM Corporate Governance Code or any other code that have or have not been adopted, in accordance with CMVM Regulation no. 1/2010. Recommendations not fully adopted are regarded for present purposes as not adopted.

	RECOMMENDATIONS	COMPLIANCE	REMARKS
I.	GENERAL MEETING		
I.1	OFFICERS OF THE GENERAL MEETING		
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.	Adopted	See Chapter I Item 1.1
I.1.2	The remuneration of the Chairman of the General Meeting shall be disclosed in the annual report on Corporate Governance.	Adopted	See Chapter I Item 1.3
I.2	PARTICIPATION AT THE MEETING		
I.2.1	The deadline for submitting proof of the deposit or blocking of shares for the purposes of attending General Meetings shall be no more than five business days prior to the date of the meeting.	Adopted	See Chapter I Item 1.4
I.2.2	In the event of the General Meeting being adjourned, the company shall not require shares to be blocked until the meeting is resumed, when the normal requirement for the first session shall again	Adopted	See Chapter I Item 1.5
I.3	VOTING AND EXERCISE OF VOTING RIGHTS		
I.3.1	The articles of association shall not impose any restriction on postal voting or, whenever adopted or admissible, on electronic voting.	Adopted	See Chapter I Item 1.7
I.3.2	The deadline established in the articles of association for receiving postal ballots shall be no more than 3 business days prior to the date of the meeting.	Adopted	See Chapter I Item 1.11
I.3.3	Companies shall ensure that voting rights are proportional to shareholder's holdings, preferably by enshrining the one share-one vote principle in the articles of association. Companies are deemed not to comply with the requirement of proportionality when: i) they have non-voting shares; ii) have shares for which the respective voting rights are not counted if in excess of a given number, when cast by a single shareholder or related shareholders.	Adopted	See Chapter I Item 1.6
I.4	QUORUM FOR RESOLUTIONS		
I.4.1	Companies shall not set a quorum for adopting resolutions greater than that established in law.	Adopted	See Chapter I.8
I.5	MINUTES AND INFORMATION ON RESOLUTIONS PASSED		
I.5.1	An extract from the minutes of the General Meetings shall be posted or their contents otherwise made available to shareholders through the company's website, within five days of the holding of the General Meeting, irrespective of whether constituting privileged information. The information disclosed shall include the resolutions adopted, the share capital represented and the results of votes. This information shall be kept on the company's website for no less than three years.	Adopted	See Chapter I Items 1.13 and 1.14

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. When, in keeping with this principle, the articles of association of a company set a limit on the number of votes which may be held or exercised by a single shareholder, individually or in conjunction with other shareholders, they shall also provide that, no less than every five years, a motion for maintaining or altering this provision shall be put before the General Meeting (without requiring a quorum greater than that provided for in law) and that all votes cast in relation to such resolution shall be counted, without operation of the restriction in question.	Adopted	See Chapter I Item 1.19
I.6.2	In cases such as change of control or changes to the composition of the Board of Directors, defensive measures shall not be adopted that instigate immediate and serious erosion of the company's assets, thereby disrupting the free transferability of shares and free assessment of the performance of the Board of Directors by the shareholders.	Adopted	See Chapter I Item 1.20
II.	MANAGEMENT AND AUDIT BOARD		
II.1.	GENERAL ISSUES		
II.1.1.	Structure and Duties		
II.1.1.1	The Board of Directors shall assess the model adopted in its annual Corporate Governance report and identify any constraints on its functioning and shall propose measures that it considers appropriate for overcoming such constraints.	Adopted	See Chapter II Item 2.4
II.1.1.2	Companies shall set up internal risk control and management systems in order to safeguard their value and for the sake of transparency in their corporate governance, allowing it to identify and manage risk. These systems shall include at least the following components: i) setting of strategic company objectives with regard to risk acceptance; ii) identification of the main risks associated with the specific business carried on and of the events which may give rise to risks; iii) analysis and measurement of the impact and probability of the occurrence of each of the potential risks; iv) risk management with a view to aligning the risks effectively incurred with the company's strategic options regarding risk assessment; v) procedures for monitoring execution of risk management measures adopted and their effectiveness; vi) adoption of internal reporting and information procedures relating to the different components of the system and risk alerts; vii) periodic assessment of the system implemented and adoption of changes as required.	Adopted	See Chapter II Item 2.5
II.1.1.3	The Board of Directors shall ensure that internal control and risk management systems are set up and function. The Supervisory Board shall be responsible for assessing the functioning of these systems and proposing any changes required to adjust them to the company's needs.	Adopted	See Chapter II Item 2.5
II.1.1.4	In their annual Corporate Governance reports, companies shall: i) identify the main economic, financial and legal risks to which the company is exposed in carrying on its business; ii) describe the activities and effectiveness of the risk management system.	Adopted	See Chapter II Item 2.9
II.1.1.5	The Management and Audit Boards shall establish internal regulations which shall be disclosed on its website.	Adopted	Chapter II Item 2.7
II.1.2	INCOMPATIBILITY AND INDEPENDENCE		
II.1.2.1	The Board of Directors shall include a number of non-executive members that assures effective capacity to oversee, audit and assess the activities of the executive members.	Adopted	See Chapter II Item 2.1
II.1.2.2	Non-executive members shall include an adequate number of independent members. The size of the company and its shareholder structure shall be taken into account when setting this number, which shall never be less than a quarter of the total number of directors..	Not adopted	See Chapter 0.4

II.1.2.3	The assessment by the board of directors of the independence of its members shall take into account the legal and regulatory rules in force concerning independence requirements and the rules on incompatibility applicable to members of other company bodies, so that independence criteria are applied systematically and coherently across the entire company, including over time. A director shall not be deemed independent if, on any other corporate board of body, he or she would not qualify as independent under the applicable rules.	Adopted	See Chapter II Items 2.14 e 2.15
II.1.3	ELIGIBILITY AND APPOINTMENT		
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 be adequately capable of performing his duties.	Adopted	Chapter II Item 2.21
II.1.3.2	The selection process for applicants for non-executive directorships shall be designed so as to prevent interference from executive directors.	Adopted	Chapter II Item 2.16
II.1.4	POLICY ON WHISTLEBLOWING		
II.1.4.1	The company shall adopt a policy whereby alleged irregularities occurring within the company are reported, specifying: i) the means through which 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.	Adopted	Chapter II Item 2.35
II.1.4.2	The general guidelines on this policy shall be disclosed in the corporate governance report.	Adopted	Chapter II Item 2.35
II.1.5	REMUNERATION		
II.1.5.1	The remuneration of the members of the Board of Directors shall be structured so as to align their interests with the long term interests of the company, shall be based on performance assessments and discourage excessive risk taking. To this end, remuneration shall be structured, namely, as follows: i) the remuneration of directors with executive duties shall include a variable component, set in accordance with the performance assessment, conducted by the competent company bodies, in accordance with measurable and pre-set criteria, which consider the real growth of the company and the wealth effectively created for shareholders, its long term sustainability and the risks accepted, and also compliance with the rules applicable to the company's business operations. ii) The variable component of remuneration shall be reasonable overall in relation to the fixed remuneration component, and upper limits shall be set for all components; iii) A significant part of the variable remuneration shall be deferred for a period of no less than three years, and payment of such part shall depend on the continued positive performance of the company over this period. iv) Members of the board of directors shall not enter into contracts either with the company or with third parties which have the effect of mitigating the risk inherent in the variability of their remuneration as fixed by the company. v) Until the end of their term of office, executive directors shall maintain the shares in the company which they may have received under variable pay schemes, up to a limit of twice the value of their total annual remuneration, save those which have to be disposed of in order to pay taxes resulting from the earnings of these shares.	Not Adopted	This recommendation is only not adopted with regard to 1st part of sub-paragraph iii); sub-paragraphs v) and vi) are not applicable. See Chapter 0.4

	vi) When the variable remuneration includes the allocation of options, the start of the period for exercise shall be deferred for a period of no less than three years.		
	vii) Appropriate legal instruments shall be instituted so that the severance pay established for any form of dismissal without due cause or termination of directorship is not paid if the dismissal or termination by agreement is due to failings in the director's performance.		
	viii) The remuneration of non-executive directors shall not include any component dependent on their performance or the value of the company.		
II.1.5.2	The statement on remuneration policy for members of the board of directors and audit board referred to in Article 2 of Law 28/2009, of 19 June, shall contain, in addition to the content referred to therein, sufficient information: i) on which corporate groups were selected for comparison of remuneration policy and practices for the purposes of setting remuneration; ii) on severance payments for directors	Adopted	See Chapter II Item 2.30
II.1.5.3	The remuneration policy statement referred to in Article 2 of Law 28/2009 should also encompass the remuneration of management personnel, as defined in Article 248/B/3 of the Securities Code, whose remuneration includes a significant variable component. The statement should be detailed and the policy presented should take into account the company's long term performance, compliance with the rules applicable to the company's operations and restraint in risk-taking.	Not adopted	See Chapter 0.4
II.1.5.4	A proposal shall be submitted at the General Meeting on the approval of plans for the allotment of shares and/or share options or options based on variations in share prices, to members of the Management and Audit Boards and other management personnel as defined in Article 248/3/B of the Securities Code. The proposal shall mention all the necessary information for a correct assessment of any such plan. 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 management personnel, as defined in Article 248/3/B of the Securities Code, shall also be approved at the General Meeting.	Not applicable	See Chapter 1.18
II.1.5.6	No less than one representative of the Remuneration Committee shall be present at the Annual Shareholders' General Meeting.	Adopted	See Chapter I Item 1.15
II.1.5.7	The annual report shall disclose, in aggregate and individual terms, the remuneration received in other group companies and pensions rights acquired through such office.	Adopted	See Chapter II Item 2.31
II.2.	BOARD OF DIRECTORS		
II.2.1	Within the limits established by Law for each Management and Supervisory structure, and except on the grounds 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.	Adopted	See Chapter II Item 2.3
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.	Adopted	See Chapter II Item 2.3
II.2.3	If Chairman of the Board of Directors exercises executive duties, the Board of Directors shall set up efficient procedures for coordinating non-executive members that assure that these may reach decisions in an independent and informed manner, and furthermore shall provide shareholders with details of these procedures in the Corporate Governance report.	Not applicable	
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.	Adopted	See Chapter II Item 2.3 and Annex II

II.2.5.	The company shall specify its policy on rotating areas of responsibility within the board of directors, and in particular responsibility for financial matters, providing information on this in its annual Corporate Governance report.	Adopted	See Chapter II Item 2.11
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 good time and the information supplied shall adequately respond to the enquiry.	Adopted	See Chapter II Item 2.3
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, when applicable, to the Chairman of the Audit Board or the Auditing Committee..	Adopted	See Chapter II Item 2.3
II.3.3	The Chairman of the Executive Board of Directors shall send the 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.	Adopted	See Chapter II Item 2.23 and Annex III
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.	Adopted	See Annex III
II.4.4	The General Supervisory Board, 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.	Adopted	See Chapter II Section III Item 2.24 See Chapter III Item III.13 See Annex III
II.4.5	Depending on the applicable model, the 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.	Adopted	See Chapter II Section III Item 2.24 See Annex III
II.4.6	The internal audit departments and those that ensure compliance with the rules applicable to the company (compliance services) shall report to the Audit Committee, the General and Supervisory Board or in the case of companies adopting the Latin model, an independent director or Supervisory Board, regardless of the hierarchical relationship that these services have with the executive management of the company.	Not adopted	See Chapter 0.4
II.5.	SPECIAL COMMITTEES		
II.5.1	Except in small companies and depending on the model adopted, the Board of Directors and the General and Supervisory Committees shall set up the necessary Committees in order to: i) assure competent and independent assessment of the performance of the Executive Directors, as well as of their own overall performance and also that of all existing Committees; ii) reflect on the governance system in place and monitor its effectiveness and propose to the relevant bodies the measures required to improve it; III) identify promptly potential candidates with the high profile needed to hold the office of director.	Adopted	See Chapter II Item 2.30

II.5.2	Members of the Remuneration Committee or the equivalent shall be independent of the Members of the Board of Directors and include no less than one member with knowledge and experience in the field of remuneration policy.	Adopted	See Chapter II Item 2.38
II.5.3	No natural or legal person who provides, or has provided in the last three years, services to any body or organization reporting to the board of directors or to the company's board of directors itself, or who has any current relationship with the company's consultants, shall be contracted to support the Remuneration Committee in the performance of its duties. This recommendation also applies to any natural or legal person connected with such persons by employment or service contract.	Adopted	See Chapter II Item 2.30 Annex IV
II.5.4	All Committees shall draw up minutes of the meetings held.	Adopted	See Chapter II Item 2.30
III.	REPORTING AND AUDITING		
III.1	GENERAL REPORTING DUTIES		
III.1.1	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.	Adopted	See Chapter III Item 3.15
III.1.2	The following information published on the company's website shall be disclosed in the English language: 1. The company name, public company status, registered office and other data required by Article 171 of the Companies Code; 2. Articles of association; 3. Identity of company officers and market relations officer; 4. Investor support office, respective services and contact details; 5. Financial statements and reports; 6. Six-monthly schedule of company events; 7. Motions to be tabled at the General Meeting; 8. Notices of General Meetings.	Adopted	See Chapter III Item 3.15
III.1.3	Companies shall change to a new auditor after two or three terms of office, depending on whether such terms are respectively of three or four years. Reappointment after such period has elapsed shall be on the basis of grounds set out in a specific report from the supervisory board, expressly assessing the auditor's independence and the advantages and costs of substitution.	Adopted	See Chapter II Section III Item 2.24
III.1.4.	In the exercise of its duties, the external auditor shall check the application of remuneration policies and systems, the effectiveness and workings of internal control procedures and report any shortcomings to the company's supervisory board.	Adopted	See Chapter III Item III.13
III.1.5.	The company shall not contract from the external auditor, or from any entities belonging to the same corporate group or network, any services other than audit services. If there are reasons for contracting such services, which shall be approved by the supervisory board and detailed in its annual Corporate Governance report, they shall not account for more than 30% of the total value of the services supplied to the company.	Adopted	See Chapter III Item III.13
IV.	CONFLICTS OF INTERESTS		
IV.1.	DEALINGS WITH SHAREHOLDERS		
IV.1.1	Transactions between the company and the owners of qualifying holding, or with entities in any way related to such shareholders, as defined in Article 20 of the Securities Code, shall be carried out on an arm's length basis.	Adopted	See Chapter III Item III.13
IV.1.2.	Significant transactions with the owners of qualifying holdings, or with entities in any way related to such shareholders, as defined in Article 20 of the Securities Code, shall be submitted for prior clearance by the supervisory board. This body shall determine the procedures and criteria needed for assessing whether such transactions are significant and for deciding on any steps to be taken.	Adopted	See Chapter III Item III.13

0.3. Notwithstanding the foregoing, the company may also make an overall assessment, provided due grounds are stated, of the degree of adoption of groups of thematically related recommendations

In its overall assessment of the degree of adoption of the recommendations, the Company has established that this degree is fairly high, whilst still acknowledging that the degree of adoption differs between chapters.

In relation to the recommendations applicable to the constitution and workings of the General Meeting, the Company has adopted the recommendations in full. With regard to the recommendations applicable to the management and supervisory bodies, the Company can report that the quality of reporting has been consolidated.

In relation to the recommendations not adopted with regard to the composition of the Board of Directors and the policy on directors' remuneration, these are matters for which sole powers lie with the shareholders or the Remuneration Committee, which is elected directly by the General Meeting. The reason for non-adoption of the recommendation on the statement of remuneration policy for management personnel has to do with natural commercial concerns and others relating to competition.

Accordingly, the Company considers that its degree of compliance is fairly high and that significant progress has been made on the degree of adoption of the CMVM recommendations over recent periods; moreover, in 2012, an additional recommendation has been adopted in relation to the previous year. The progress recorded is reflected in the company's A rating in the Corporate Government Index published by the Portuguese Catholic University/AEM.

0.4. 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.

II.1.2.2 Non-executive members shall include an adequate number of independent members. The size of the company and its shareholder structure shall be taken into account when setting this number, which shall never be less than a 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, as two of them have been re-elected for more than two terms of office and four of them act on behalf of shareholders owning more than 2% of the share capital. However, it is our view that the legal criteria are purely formal, and that the experience, track record and proven abilities of the Company's non-executive directors has permitted them to perform their duties with complete independence.

II.1.5.1 The remuneration of the members of the Board of Directors shall be structured so as to align their interests with the long term interests of the company, shall be based on performance assessments and shall discourage excessive risk taking. To this end, remuneration shall be structured, namely, as follows:

i) the remuneration of directors with executive duties shall include a variable component, set in accordance with the performance assessment, conducted by the competent company bodies, in accordance with measurable and pre-set criteria, which consider the real growth of the company and the wealth effectively created for shareholders, its long term sustainability and the risks accepted, and also compliance with the rules applicable to the company's business operations.

ii) The variable component of remuneration shall be reasonable overall in relation to the fixed remuneration component, and upper limits shall be set for all components;

iii) <u>A significant part of the variable remuneration shall be deferred for a period of no less than three years</u>, and payment of such part shall depend on the continued positive performance of the company over this period.

iv) Members of the board of directors shall not enter into contracts either with the company or with third parties which have the effect of mitigating the risk inherent in the variability of their remuneration as fixed by the company.

v) Until the end of their term of office, executive directors shall maintain the shares in the company which they may have received under variable pay schemes, up to a limit of twice the value of their total annual remuneration, save those which have to be disposed of in order to pay taxes resulting from the earnings of these shares.

vi) When the variable remuneration includes the allocation of options, the start of the period for exercise shall be deferred for a period of no less than three years.

vii) Appropriate legal safeguards shall be instituted so that the severance pay established for any form of dismissal without due cause or termination of directorship is not paid if the dismissal or termination by agreement is due to failings in the director's performance.

viii) The remuneration of non-executive directors shall not include any component dependent on their performance or the value of the company.

The Remuneration Committee is the body responsible for defining the criteria for directors' pay and which each year submits for the shareholders' approval, at the General Meeting, the criteria for setting this remuneration, without necessarily having to set limits and or follow procedures described in these sub-paragraphs.

Of the eight sub-paragraphs in this recommendation, the Company fails only to comply with the 1st part of sub-paragraph iii), given that sub-paragraphs v) and vi) are not applicable. (Emphasis added)

In relation to sub-paragraph ii), it is our view that the criterion embodied by the word "reasonable" is subjective and difficult to define; however, from the Company's perspective, the remuneration paid is entirely reasonable in view of the directors' performance and the results achieved. Although the Company's articles of association set no cap on remuneration, this is not to say that the Remuneration Committee does not carry out an extremely strict appraisal when setting the specific value of remuneration.

On the question of deferral of a significant portion of the variable remuneration, the Company considers that given the stability of both the shareholder structure and the board of directors, it makes sense not to apply this recommendation in the Company's current circumstances given that it would not be possible to make opportunistic use of the directors' performance in the light of the profits for the period, as may be seen from the profits recovered over recent years and the close connection between these profits and directors' pay. Moreover, this deferral would only be effective for the next three years, given the stability of the company's profits, which have presented an annual variation since 2010 of less than 10%.

With regard to sub-paragraph viii), we consider that, although the non-executive directors receive variable remuneration, the Company still complies with this fact given that this variable remuneration is completely unconnected to the Company's performance, and is instead directly tied to responsibilities exercised and contributions on matters regarded as relating to strategic development for the Company and its associated group.

II.1.5.3 The remuneration policy statement referred to in Article 2 of Law 28/2009 should also encompass the remuneration of management personnel, as defined in Article 248/B/3 of the Securities Code, whose remuneration includes a significant variable component. The statement should be detailed and the policy presented should take into account, namely, the company's long term performance, compliance with the rules applicable to the company's business activities and restraint in risk-taking.

The remuneration policy statement drawn up by the Remuneration Committee does not include the remuneration of management personnel, as defined in Article 248/B/3 of the Securities Code, as this is a matter not assessed by the General Meeting, insofar as it is understood to be a matter on which the directors have sole powers, and in view of the negligible amounts involved in relation to the company's total assets.

It should also be remembered that the Company faces fierce competition at home and abroad, which causes it to have understandable reservations about disclosing remuneration or the remuneration policies for management personnel.

II.4.6 The internal audit departments and those that ensure compliance with the rules applicable to the company (compliance services) shall report to the Audit Committee, the General and Supervisory Board or, in the case of companies adopting the Latin model, an independent director or Supervisory Board, regardless of the hierarchical relationship that these services have with the executive management of the company.

As may be seen in the organizational chart contained in chapter II of this Report, the internal audit services report directly to the Chairman of the Executive Board. However, irrespective of this direct relationship, the internal audit service meets directly with the Audit Board when requested, providing all information which the Audit Board deems relevant.

CHAPTER I
GENERAL MEETING

1.1. Identification of the officers of the General Meeting:

The Chairman of the General Meeting elected for the four-year period 2011-2014 was José Pedro Aguiar Branco, who tendered his resignation from this office on 21 June 2011. At the General Meeting held on 10 April 2012, Francisco Xavier Zea Mantero was elected as the new Chairman.

The duties of secretary to the General Meeting are exercised by 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, this support being deemed appropriate to the company's size and state of affairs and to the normal level of participation in its General Meetings.

The Investor Relations 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.

1.2. Starting and ending dates of terms of office:

The officers of the General Meeting were elected for a term of office starting on 01/01/2011 and ending on 31/12/2014, except for the Chairman of the General Meeting, elected on 10 April 2012, for a term of office ending on 31/12/2014.

1.3. Remuneration of the Chairman of the General Meeting.

During 2012, no remuneration was paid to the Chairman of the General Meeting. After the resignation of José Aguiar Branco, the office was filled temporarily, as required by law, by the Chairman of the Audit Board, who received no remuneration in this respect. The annual remuneration fixed for the Chairman of the General Meeting is 3,000 €.

1.4. Time during which shares must be blocked in order for their holders to participate in the General Meeting.

The articles of association require shareholders to present to the company documentary evidence of ownership of shares no less than five days prior to the date of the meeting, as required by Article 23-C.1 of the Securities Code.

1.5. Rules applicable to the blocking of shares in the event of adjournment of the General Meeting.

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, in other words, shareholders are required to provide evidence of ownership of shares by the fifth day prior to the resumption of the meeting.

1.6. Number of shares that correspond to one vote.

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

The Company considers that the principle of proportionality between voting rights and shareholder investment is respected. Voting rights are in fact dependent on the holding of a minimum number of shares, in a Company where the Articles of Association do not provide for a cap on the number of votes counted from each shareholder and in which there are no non-voting shares.

1.7. Existence of provision in the articles of association for non-voting shares or rules establishing that votes in excess of a given number are not counted, when cast by a single shareholder or related shareholders.

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

1.8. 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.

The Company's Articles of Association contain no specific rules on a quorum for adoption of resolutions by the General Meeting, meaning that the legal rules established in the Companies Code apply in full.

1.9. 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.

Accordingly, shareholders who wish to cast postal votes are required to send a letter to the Chairman of the General Meeting, at the company's registered offices, containing a closed envelope for each item on the order of business on which they wish to vote, indicating on each envelope that it contains a postal vote, and specifying the General Meeting and the item on the order of business to which it refers; inside each envelope, the shareholder is required to declare his vote, namely by taking a position in relation to any motions submitted in advance to the General Meeting; each voting declaration must be signed, and the signature notarized or authenticated by legal means deemed to be equivalent.

Postal votes are only considered if the shareholders casting them provide evidence of the ownership of their shares, in accordance with the general rules.

Postal votes are only considered when received by the day prior to the holding of the meeting, inclusive.

1.10. 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.

1.11. 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.

1.12. 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.

1.13. Shareholder access to extracts from minutes of General Meetings through company website within five days of the holding of the meeting

Extracts from the minutes of General Meetings are posted on the Company's website, at www.portucelsoporcel.com in the investor relations area, within five days of the holding of the General Meeting.

1.14. Existence of historical archives, on the company's website, with resolutions adopted at the company's General Meetings, the share capital represented and the results of votes, for the last three years.

In addition to the minutes of General Meetings, the Company's website also provides shareholders with information on the list of attendees at meetings, the order of business and resolutions adopted, in respect of all General Meetings held in the last three years.

1.15. Information on presence at General Meetings of representative(s) of the remuneration committee.

The presence of the members of the Remuneration Committee is always required at General Meetings. The minutes of General Meetings always indicate how the committee was represented, and in the last three years it was represented by Frederico José da Cunha Mendonça e Meneses at the General Meetings of 10 April 2012, 19 May 2011, 17 December 2010 and 15 March 2010, and by José Gonçalo Maury, João Rodrigo Appleton Moreira Rato and Frederico José da Cunha Mendonça e Meneses at the General Meeting of 6 March 2009.

1.16. 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, which is attended by at least one member of the Remuneration Committee. The remuneration policy to be submitted to the General Meeting in 2013 is set out in Annex IV to this report.

1.17. Information on the General Meeting's intervention concerning proposals for share or option-based payment schemes or payment schemes based on variations in share prices for members of the Board of Directors, Audit Board or other management personnel, as defined in Article 258/B/3 of the Securities Code, and on the documents made available to the General Meeting for a correct assessment of these schemes.

There are no share or share option schemes in place, and accordingly this matter is not subject to intervention by the General Meeting.

1.18. Information on the General Meeting's intervention in approving the central features of the retirement benefits system for members of the Board of Directors, Audit Board or other management personnel, as defined in Article 258/B/3 of the Securities Code

The General Meeting has not to date been involved in approving the main features of retirement pension schemes for members of the Board of Directors and Audit Board and other management personnel.

We should draw attention to the specific nature of the Company's pension plan. Portucel was a state-owned company until 1991, with its business and procedures regulated by the special legislation applicable to this type of company, and during this period specific rules were approved on the retirement pensions of the directors. The fact that the legislation mentioned in the recommendation was not in force at the time when these rules were instituted means that the recommendation does not apply to Portucel.

1.19. Existence of provision in the Articles of Association requiring the General Meeting to resolve, no less than every five years, on whether to maintain or eliminate a rule in the articles limiting the number of votes which can be held or cast by a single shareholder individually or in conjunction with other shareholders.

The Company's Articles of Association contain no provision to this effect.

1.20. 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.

1.21. 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.

Some of the Company's borrowing provides for early repayment in the event of a change in shareholder structure. Clauses of this type are included in 63% of the Company's total medium and long term borrowing. However, the Company considers that the contracts in question should not be disclosed as this would be prejudicial to its interests and offer not advantage to shareholders.

1.22. 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

SECTION I – GENERAL ISSUES

Model Adopted by Company

The Company's Articles of Association provide for a single-tier management model, with a Board of Directors comprising executive and non-executive members and an Audit Board, in accordance with Article 278.1 a) of the Companies Code.

2.1 Company bodies and respective membership.

AUDIT BOARD

CHAIRMAN	Miguel Camargo de Sousa Eiró
FULL MEMBERS	Duarte Nuno d'Orey da Cunha
	Gonçalo Nuno Palha Gaio Picão Caldeira
ALTERNATE MEMBER	Marta Isabel Guardalino da Silva Penetra

BOARD OF DIRECTORS

CHAIRMAN	Pedro Mendonça de Queiroz Pereira
MEMBERS	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
	José Miguel Pereira Gens Paredes
	Paulo Miguel Garcês Ventura

EXECUTIVE BOARD

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

COMPANY SECRETARY

FULL	António Pedro Gomes Paula Neto Alves
ALTERNATE	António Alexandre de Almeida e Noronha da Cunha Reis

2.2. Other committees with management or supervisory powers in the company, and respective membership.

REMUNERATION COMMITTEE

CHAIRMAN	José Gonçalo Maury
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 Pedro Gomes Paula Neto Alves

INTERNAL CONTROL COMMITTEE

CHAIRMAN	Francisco José Melo e Castro Guedes
MEMBERS	José Miguel Gens Paredes
	Jaime Alberto Marques Sennfelt Fernandes Falcão

OTHER COMMITTEES IN THE COMPANY:

SUSTAINABILITY COMMITTEE

CHAIRMAN	Manuel Maria Pimenta Gil Mata
MEMBERS	Adriano Augusto Silveira
	João Manuel Alves Soares

ENVIRONMENTAL BOARD

CHAIRMAN	Carlos Matias Ramos
MEMBERS	João Santos Pereira
	Casimiro Pio
	Rui Ganho
	Maria da Conceição Cunha

PENSION FUND SUPERVISORY BOARD

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

ASSET RISKS ANALYSIS AND SUPERVISION COMMITTEE

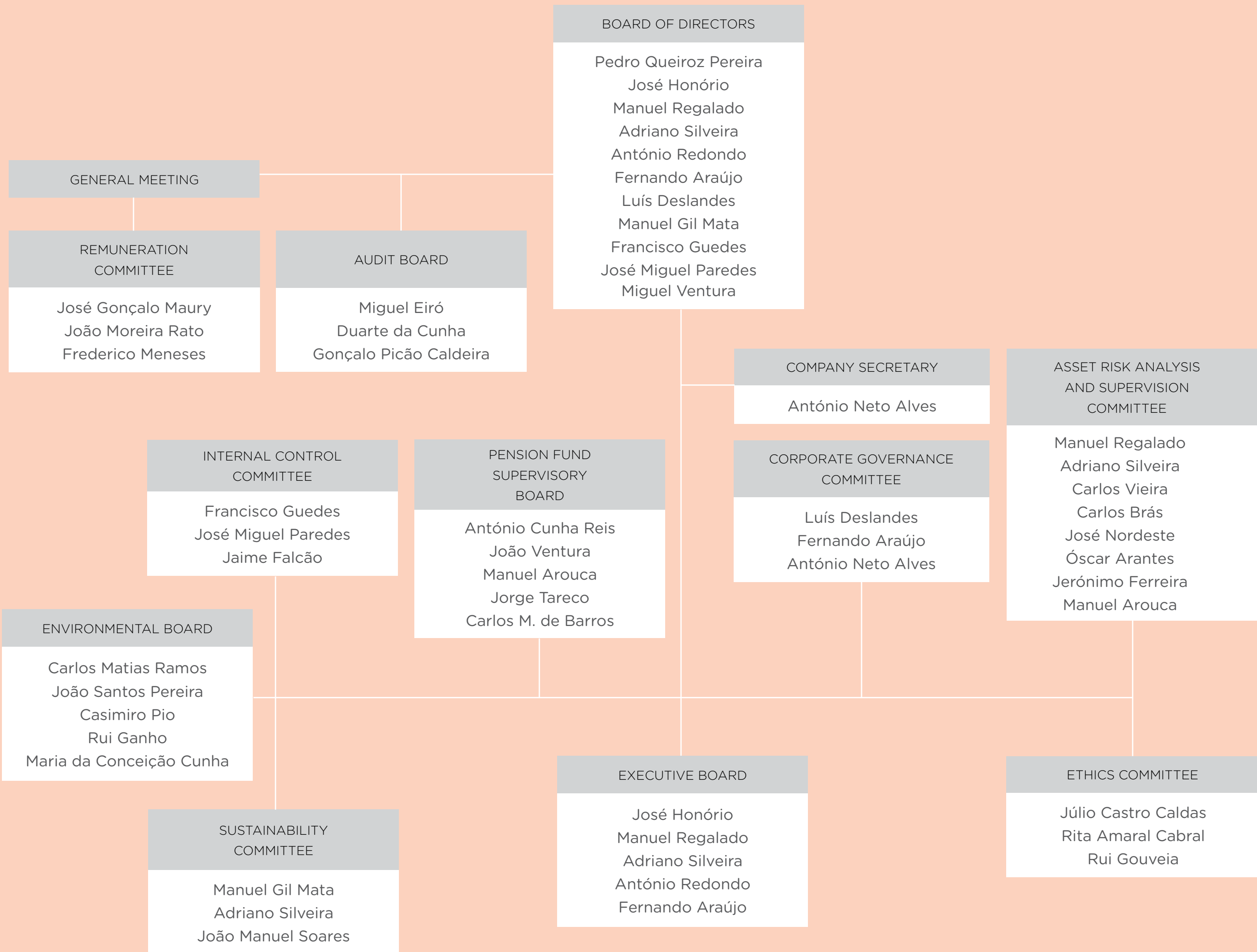
MEMBERS	Manuel Soares Ferreira Regalado
	Adriano Augusto da Silva Silveira
	Carlos Alberto Amaral Vieira
	Carlos Manuel Marques Brás
	José Manuel Namorado Nordeste
	Óscar Manuel Monteiro da Silva Arantes
	Jerónimo Paulo Alves Ferreira
	Manuel Luís Daun e Lorena Arouca

ETHICS COMMITTEE

CHAIRMAN	Júlio de Lemos de Castro Caldas
MEMBERS	Rita Maria Lago do Amaral Cabral
	Rui Tiago Trindade Ramos Gouveia

2.3. Organizational charts or flow charts showing the division of responsibilities between the different company bodies, committees and/or departments, including information on scope of powers delegated, in particular concerning delegation of the day-to-day running of the company, or the distribution of special responsibilities assigned to specific directors or members of the audit board and a list of matters where powers cannot be delegated and powers effectively delegated.

COMPANY BOARDS AND COMMITTEES



COMPANY DIVISIONS AND DEPARTMENTS

- EXECUTIVE BOARD
  - José Honório
  - Manuel Regalado
  - Adriano Silveira
  - António Redondo
  - Fernando Araújo
- ADVISERS TO EXECUTIVE BOARD
  - António Cunha Reis
  - Cândido Dias Almeida
  - João Soares
  - Pedro Moura
- CORPORATE IMAGE AND COMMUNICATION
  - Ana Nery
- INVESTOR RELATIONS
  - Joana Lã Appleton
- INTERNAL AUDIT AND RISK ANALYSIS
  - Jerónimo Ferreira
- LEGAL OFFICE
  - António Neto Alves

- FOREST AREA
  - PRODUCTION, OPERATION AND CERTIFICATION – João Lé
  - SALES, LOGISTIC AND BIOMASS – Vitor Coelho
  - GENERAL SUPPORTING SERVICES – Gonçalo Veloso de Sousa
- INDUSTRIAL AREA
  - ENGENEERING – Guilherme Pedroso
  - ENVIRONMENT – Julieta Sansana
  - ENERGY – José Ricardo Rodrigues
  - INNOVATION – José Maria Ataíde
  - CACIA MILL – José Nordeste
  - FIGUEIRA DA FOZ INDUSTRIAL COMPLEX – Carlos Vieira
  - SETÚBAL INDUSTRIAL COMPLEX
    - PULP MILL – Óscar Arantes
    - PAPER MILL – Carlos Brás
    - ABOUT THE FUTURE – Carlos Brás
- COMMERCIAL AREA
  - PULP – José Tátá dos Anjos
  - PAPER
    - SALES EUROPE – António Porto Monteiro
    - SALES INTERNATIONAL – André Leclercq
    - SUPPLY CHAIN – Eduardo Veiga
  - MARKETING – Hermano Mendonça
  - LOGISTICS – Gonçalo Vieira
  - PRODUCT DEVELOPMENT AND QUALITY – Vitor Crespo
- CORPORATE AREA
  - FINANCIAL – Manuel Arouca
  - PLANNING AND CONTROL – Jorge Peixoto
  - TAX AND ACCOUNTING – Nuno Neto
  - INFORMATION SYSTEMS – Mário Póvoa
  - HUMAN RESOURCES – João Ventura
  - PROCUREMENT – António Barbeta

MANAGEMENT BODY

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

The following powers are delegated to the Executive Board:

a) To propose the company's policies, aims and strategies to the Board of Directors;

b) To propose to the Board of Directors operating budgets and medium and long term investment and development plans, and to implement the same once approved;

c) To approve budget alterations during the year, including transfers between cost centres not exceeding twenty million euros each year;

d) To approve contracts for the acquisition of goods and services of a value each year no greater than twenty million euros;

e) To approve financing contracts, to apply for bank guarantees, or to accept any other liabilities which represent increased indebtedness, totalling no more than twenty million euros each year;

f) To acquire, dispose of or encumber the company's fixed assets of a value, in each individual case, of up to five per cent of the paid up share capital;

g) To lease or let any immoveable property;

h) To represent the Company in or out of court, as claimant or respondent, and to bring or follow up any judicial or arbitral actions, confess or desist, settle or agree to arbitration;

i) To acquire, dispose of or encumber holdings in other companies, of a value of no more than twenty million euros each year;

j) To resolve on executing acquisition and disposal of own shares, when this has been resolved on by the General Meeting, in keeping with the terms of such resolution;

k) To manage holdings in other companies, in conjunction with the Chairman of the Board of Directors, namely by designating, with the latter's agreement, the representatives to sit on the respective company boards, and setting guidelines for the acts of these representatives;

l) To enter into, amend and terminate employment contracts;

m) To open, transact and close bank accounts;

n) To appoint Company attorneys;

o) In general, all powers which may lawfully be delegated, with any limitations deriving from the provisions of the preceding paragraphs.

In conjunction with the Chairman of the Board of Directors, the Executive Board may also resolve on the matters indicated in sub-paragraphs c), d), e) and i) above when the respective values, calculated on the terms set out therein, are greater than twenty million euros but no greater than fifty million euros.

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

The Executive Board may discuss all matters within the sphere of competence of the Board of Directors, notwithstanding that it may only resolve on matters delegated to it. All matters dealt with by the Executive Board, even when they fall within the scope of its delegated powers, are to be reported to the non-executive directors, who have access to the respective minutes and supporting documents.

The 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.

Both the Board of Directors and the Executive Board have their own regulations, which may be consulted on the company's website.

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 Auditing

MANUEL SOARES FERREIRA REGALADO

- 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

2.4. Reference to the fact that the annual reports on the activities of the General and Supervisory Board, the Committee for financial affairs, the Audit Committee and the Audit Board include a description of the supervisory activities carried on, referring to any constraints detected, and that they are published on the company's website, in conjunction with the other reports and financial statements.

The Company bodies with powers and responsibilities in this area are the Audit Board and the Internal Control Committee, both of which include in their annual reports an assessment of their supervisory work during the period together with an account of the Company's activities over the period, mentioning, when relevant, any constraints on their work, as well as any recommendations they may have for the bodies with powers of corporate management. No constraints on this work have to date been reported.

THE MANAGEMENT BODY'S ASSESSMENT OF THE GOVERNANCE MODEL ADOPTED

The Board of Directors considers 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 as a rule 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, given the autonomy with which each of the bodies carries on its work, in view of the rigour and frequency with which information is transmitted.

2.5. Description of the internal control and risk management systems within the company, namely as regards the financial information disclosure system, the workings and effectiveness of this system.

The Company's strategic aim in the field of risk-taking is to reduce to a minimum the possibility of occurrence of risks involved at the different levels of the company's operations. The Company has various committees whose responsibilities include preventative action in this area: the Internal Control Committee, which has the mission of detecting and controlling relevant risks in the Company's operations, and the Asset Risks Analysis and Supervision Committee, which pronounces on the systems for preventing property risks in place in the Group.

The Internal Control Committee is responsible for identifying, assessing and monitoring risks, which are then managed and/or mitigated by various units within the Company. One of the most important aspects of the work of these committees is the forecasting of the consequences of occurrence of the risks identified below, making for greater effectiveness in the adopting of measures which can be implemented immediately when these circumstances occur.

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.

It should be noted that the factors of financial and operating risk, together with the risk management systems in place, are detailed and quantified 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 multi-risk insurance (damage caused by external factors, including natural disasters), breakages and breakdown of machinery, and operating losses caused by these events.

In addition, the reinsurers in the insurance programme, represented by the lead reinsurer, conduct 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

The Board of Directors has paid special attention to environmental risks, which are managed at the level of the industrial units by the respective plant management divisions and centrally by the Environmental Board, whose members are appointed by the Board of Directors and report directly to the Executive Board. These members comprise three to five individuals of recognized 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 keeping with labour law, 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.

During 2012, healthy and safety activities were pursued at the Group's different industrial complexes in a regular and sustained manner, with high levels of performance and attainment of targets, resulting in good accident rate indicators at the industrial plants.

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 was provided to all employees over the year at all industrial complexes, starting with induction training for new recruits and continuing with other specific training activities.

The Group has also implemented all recommendations made by experts in relation to industrial risks on the basis of the audits conducts, 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.

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.

Each member of staff listed has been informed of the Company's 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 employees and officers are also aware of the principles of professional ethics laid down in the Code or Ethics, contained in Annex I to this report, in particular with regard to duties of confidentiality and secrecy.

2.6. Responsibility of the management body and supervisory body for creating and running internal control and risk management systems in the company, and for assessing the workings of these systems and adjusting them to the company's needs.

All the committees existing in the Company, except for the Remuneration Committee, are set up by resolution of the Board of Directors. The supervisory body is elected by the shareholders.

When it sees fit, the Audit Board may request from the management body and the other committees in the company structure all the information it deems necessary for an adequate assessment of the Company's internal risks, notwithstanding the flow of information provided on a periodic basis by the management body to the Audit Board and its joint meetings with the Board of Directors. As stated in the preceding item, the Company's hierarchical structure includes bodies and systems at each industrial unit with responsibility for risk assessment.

2.7. 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.

The company's management and supervisory bodies have internal rules of procedure, which are published on the company's website, in the investor relations / Corporate Governance area, and are therefore freely available for consultation.

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

SECTION II – BOARD OF DIRECTORS

2.8. If the chairman of the management body has executive powers, information on procedures for coordinating the work of non-executive members which assure that their decisions are independent and informed.

The Chairman of the Board of Directors does not have executive powers.

2.9 Identification of the main economic, financial and legal risks to which the company is exposed in the course of its business.

In the course of its business, the Group is exposed to a variety of economic, financial and legal risks, the most significant of which are detailed below:

1. Procurement of timber, and eucalyptus in particular, is subject to price variations and difficulties of supply which could have a significant impact on the production costs of pulp manufacturers;

2. Market prices of pulp and paper, which in the past have been markedly cyclical, significantly influence the Portucel Group's revenues and profitability;

3. Any reduction in demand for pulp and UWF paper, especially in EU and US markets, could have a significant impact on Group sales;

4. The Group is subject to the risk of default on the credit it grants to its customers, and has adopted a policy of hedging this risk within given levels by negotiating credit insurance from a specialist independent insurer. Sales not covered by credit insurance are subject to rules which assure they are made to suitably creditworthy customers;

5. Increased competition on pulp and paper markets could have a significant impact on prices and consequently on Group profitability;

6. Variations in the exchange rate between the euro and other currencies, notably the US dollar and sterling, could have an impact on Company business;

7. Variations in interest rates, and in particular in short terms rates, could have a significant impact on the Company's results;

8. There is also a liquidity risk which the Group manages in two ways. In the first place, it makes sure that its financial borrowing includes a large medium to long term component with maturities matched to the characteristics of the industry in which it operates.

   In addition, the Group has contracted credit facilities from financial institutions; these are available at any time, with an upper limit which guarantees adequate liquidity.

9. In recent years, European Union legislation on environmental issues has become more restrictive, especially with regard to control of effluents.

   The Portucel Group complies with all legal requirements, and has accordingly made sizeable investments in recent years. Although no significant legislative changes are foreseen in the near future, there is the possibility that the Group will have to make additional investments in this area, in order to comply with any new limits which may be approved.

10. The Portucel Group's ability to implement successfully the strategies defined depend on its ability to recruit and retain the best qualified and able staff for each position. Although the Group's human resources policy is geared to achieving this goal, it cannot preclude the possibility of future limitations in this area;

11. The Group's industrial plants are subject to the risks involved in any industrial activity, such as the risk of accidents, breakdowns or natural disasters which could damage the Group's assets or cause temporary stoppages to the production process. This risks could likewise affect the Group's main customers and suppliers, which would have a significant impact on levels of profitability, if it were not possible to find alternative customers to maintain the level of sales or suppliers which allowed it to maintain the same cost structure;

12. The Portucel Group's operations are exposed to the risks related to forest fires, in particular: (i) destruction of present and future timber stocks; and (ii) the added costs of forestry operations and subsequent preparation of land for planting;

13. Energy sales account for an important part of Group's business, meaning that a significant change in electricity tariffs could have a significant impact on the Company's results.

14. The listed prices of shares in Portucel could experience volatility and be subject to fluctuations due to a range of factors. By way of example, these fluctuations could be caused by: (i) changes in investor expectations regarding the prospects for the sectors and markets in which the Group operates; (ii) announcements of technological innovations; (iii) launch of new products or services by the Group or its competitors; (iv) actual or expected variations in results; (v) changes in the financial estimates of securities analysts; (vi) any significant capital expenditure projects undertaken by the Group; (vii) any strategic partnerships or joint ventures in which the Group may participate; (viii) unfavourable economic prospects; (ix) changing conditions in securities markets; and (x) poor liquidity due to the existence of a controlling shareholder with approximately 76% of the share capital.

    Many of the risk factors identified are beyond the Portucel Group's control, especially in the case of market factors which can have a fundamental and negative effect on the market price of the issuer's shares, irrespective of the Group's operational and financial performance.

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

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

Under the Articles of Association, the Board of Directors has no powers to resolve on increases in share capital.

2.11. Information on the policy of rotating areas of individual responsibility in the Board of Directors, and in particular responsibility for financial affairs, and on the rules applicable to the appointment and replacement of members of the management and supervisory bodies

As explained in Chapter 2.3 of this Report, dealing with the distribution of specific powers, financial affairs are overseen by two members of the Board of Directors, given that financial matters are managed separately from accounts and taxation. No policy has been defined with regard to rotating the special areas of responsibility within the board of directors, and there are no rules on this matter. This is in fact regarded as a question of strategic interest which should be determined by the Company and its Shareholders, in accordance with the specific circumstances of the Company's governance and business model.

The special areas of responsibility exercised by the Board of Directors have particularities proper to each type of business and cannot be assigned without duly considering the characteristics of the fields in which the companies carry on their business.

In stating expressly that the Company does not have a policy of rotating areas of responsibility within the Board of Directors, and that there are no specific regulations on this matter, Portucel considers that it would not be appropriate to adopt such a policy, an understanding which is moreover reflected by the practice of most PSI-20 corporations, and by informed opinion on this matter, which points out that no recommendation of this type exists in other legal systems.

Moreover, the recommendation does not actually require such a policy, merely that, in the event of it existing, it should be explained and detailed in this report. The Company accordingly considers that it has adopted the CMVM recommendation in this respect.

2.12. Number of meetings of the management and supervisory bodies, and reference to the minutes of these meetings

BODY	NUMBER OF MEETINGS IN 2012
Board of Directors	4
Audit Board	4

Minutes were drawn up for all meetings.

2.13. Indication of the number of meetings of the Executive Board or the Executive Board of Directors, together with reference to the taking of minutes of these meetings and the forwarding of the same, together with the notice of meetings, as applicable, to the Chairman of the Board of Directors, the Chairman of the Audit Board or the Audit Committee, to the Chairman of the General and Supervisory Board and to the Chairman of the Financial Affairs Committee.

BODY	NUMBER OF MEETINGS IN 2012
Executive Board	43

There were 43 meetings of the Executive Board, all of which were duly planned, and their minutes were forwarded to the Chairman of the Board of Directors and to the Chairman of the Audit Board; the minutes are also at the disposal of the Internal Control Committee.

2.14. Indication of the executive and non-executive members and, with regard to the latter, a list of members who would comply, if they were applicable, 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 eleven members – one Chairman and ten 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 six 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)

MEMBER OF THE BOARD OF DIRECTORS
José Alfredo de Almeida Honório
(Chairman of the Executive Board)

MEMBER OF THE BOARD OF DIRECTORS
Manuel Soares Ferreira Regalado
(Member of Executive Board)

MEMBER OF THE BOARD OF DIRECTORS
Adriano Augusto da Silva Silveira
(Member of Executive Board)

MEMBER OF THE BOARD OF DIRECTORS
António José Pereira Redondo
(Member of Executive Board)

MEMBER OF THE BOARD OF DIRECTORS
José Fernando Morais Carreira de Araújo
(Member of Executive Board)

MEMBER OF THE BOARD OF DIRECTORS
Luís Alberto Caldeira Deslandes
(Non-executive)

MEMBER OF THE BOARD OF DIRECTORS
Manuel Maria Pimenta Gil Mata
(Non-executive)

MEMBER OF THE BOARD OF DIRECTORS
Francisco José Melo e Castro Guedes
(Non-executive)

MEMBER OF THE BOARD OF DIRECTORS
José Miguel Pereira Gens Paredes
(Non-executive)

MEMBER OF THE BOARD OF DIRECTORS
Paulo Miguel Garcês Ventura
(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), three of the non-executive members of the Board of Directors, Mr. Pedro Mendonça de Queiroz Pereira, Mr. José Miguel Pereira Gens Paredes and Mr. Paulo Miguel Garcês Ventura do not meet the requirements of the incompatibility rules, namely with regard to sub-paragraph h), insofar as they hold directorships in five companies outside the Portucel Group.

2.15 Indication of the legal and regulatory rules and other criteria forming the basis for the management body's assessment of its members' independence.

The assessment criteria are those set out in the Companies Code, the Securities Code and the Securities Market Commission Regulations in force.

2.16. Indication of the procedural rules for the selection of candidates for non-executive directorships and how these rules preclude any interference in the process by executive directors

The company has established no rules on selecting candidates for non-executive directorships, and Portucel has also created no specific committee for identifying potential candidates with the skills set and experience required for holding a directorship, executive or non-executive. The company sees no need to create a committee of this type, as these matters are the sole province of the shareholders, who exercise the respective rights and powers at the General Meeting. What is more, the creation of such nomination committees, to identify candidates with the right profile (whatever that might mean) in a business environment as rarefied as that in Portugal would be unlikely to serve the company's best interests.

In leaving powers to select potential directors, executive and non-executive, to the General Meeting, Portucel believes that it assures an entirely transparent nomination system, in which all shareholders are invited to take part and where there is no interference from the executive directors in the election of non-executive directors.

2.17. Reference to the fact that the company's annual management report includes a description of the work undertaken by non-executive directors and any constraints detected.

Annex II to this report contains a description of the work performed by the non-executive directors.

2.18. 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
2.19. 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, mostly subsidiaries of Portucel, as specified below:

PEDRO MENDONÇA DE QUEIROZ PEREIRA

1. Type of directorship: Non-executive.

2. No. of shares held in company: holds no shares in company.

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

4. Date when first appointed and expiry of term of office: 2004-2014

5. Management office held in companies:

   COMPANIES IN THE PORTUCEL GROUP:

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

   OTHER COMPANIES / ENTITIES:
   - Chairman of the Board of Directors of Aboutbalance SGPS, S.A.
   - Chairman of the Board of Directors of Inspiredplace, S.A.
   - Member of the Board of Directors of Cimentospar – Participações Sociais, SGPS, Lda.
   - Chairman of the Board of Directors of Ciminpart - Investimentos e Participações, SGPS, S.A.
   - Chairman of the Board of Directors of Celcimo, S.L.
   - Chairman of the Board of Directors of CMP - Cimentos Maceira e Pataias, S.A.
   - Chairman of the Board of Directors of Secil - Companhia Geral de Cal e Cimento, S.A.
   - Chairman of the Board of Directors of Secilpar, SL.
   - Chairman of the Board of Directors of Seinpart - Participações, SGPS, S.A.
   - Chairman of the Board of Directors and Chairman of the Executive Board of Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.
   - Chairman of the Board of Directors of Seminv - Investimentos, SGPS, S.A
   - Chairman of the Board of Directors of Cimigest, SGPS, S.A.
   - 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 OEM - Organização de Empresas, SGPS, S.A..
   - Chairman of the Board of Directors of Sodim SGPS, S.A.
   - Member of the Board of Directors of Tema Principal - SGPS, S.A.
   - Chairman of the Board of Directors of 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 Longapar, SGPS, S.A.

- Chairman of the Board of Directors of Semapa Inversiones, SL.
- Manager of Ecolua – Actividades Desportivas, Lda.
- Member of the Board of Directors of Soporcel – Gestão de Participações Sociais, SGPS, S.A.

JOSÉ ALFREDO DE ALMEIDA HONÓRIO

1. Type of directorship: Executive.

2. No. of shares held in company: holds no shares in company.

3. Qualifications: Degree in economics from the Faculty of Economics, University of Coimbra, 1980.

4. Date when first appointed and expiry of term of office: 2004-2014

5. Management office held in companies:

COMPANIES IN THE PORTUCEL GROUP:

- Chairman of the Executive Board and Member of the Board of Directors of Portucel, S.A.
- Chairman of the Executive Board and Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Chairman of the Executive Board and Member of the Board of Directors of About The Future – Empresa Produtora de Papel, S.A.
- Chairman of the Board of Directors of Portucel Florestal – Empresa de Desenvolvimento Agro-Florestal, S.A.
- Chairman of the Board of Directors of PortucelSoporcel Energia SGPS,S.A.
- Chairman of the Board of Directors of PortucelSoporcel Floresta SGPS, S.A.
- Chairman of the Board of Directors of PortucelSoporcel Internacional – SGPS, S.A.
- Chairman of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A.
- Chairman of the Board of Directors of PortucelSoporcel Participações, SGPS, S.A.
- Chairman of the Board of Directors of PortucelSoporcel Pulp, SGPS, S.A.
- Chairman of the Board of Directors of Countrytarget, SGPS.
- Chairman of the Board of Directors of Eucaliptusland, S.A.
- Chairman of the Board of Directors of PortucelSoporcel Fine Paper, S.A.
- Chairman of the Board of Directors of Portucel Papel Setúbal S.A.
- Chairman of the Board of Directors of PortucelSoporcel Florestal, S.A. (previously called Aliança Florestal – Sociedade para o Desenvolvimento Agro-Florestal, S.A.)
- Chairman of the Board of Directors of Soporcel Pulp, S.A.
- Directors of Portucel Soporcel Sales & Marketing S.A.
- Member of the Board of Directors of Portucel Soporcel Switzerland, Ltd.
- Chairman of the Board of Directors of Portucel Soporcel International Ltd.
- Chairman of the Board of Directors of Portucel Finance spółka z ograniczoną odpowiedzialnością

OTHER COMPANIES / ENTITIES:

- Member of the Board of Directors of Aboutbalance SGPS, S.A.
- Member of the Board of Directors of Inspiredplace, S.A.
- Member of the Board of Directors of Seminv – Investimentos, SGPS, S.A.
- Manager of Cimentospar – Participações Sociais, SGPS Lda.
- Member of the Board of Directors of Celcimo, S.L.
- Member of the Board of Directors of Ciminpart – Investimentos e Participações, SGPS, S.A.
- Member of the Board of Directors of Seinpart Participações, SGPS, S.A.
- Member of the Board of Directors of CMP – Cimentos Maceira e Pataias, S.A.
- Member of the Board of Directors of Secil - Companhia Geral de Cal e Cimento, S.A.
- Member of the Board of Directors and Member of the Executive Board of Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.
- 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

6. Other professional activities in the last 5 years:

- Chairman of the Management Board of Tecnipapel, - Soc. de Transformação e Distribuição de Papel, Lda.
- Member of the Management Board of RAIZ - Instituto de Investigação da Floresta e Papel
- Member of the Board of Directors of CIMO – Gestão de Participações, SGPS, S.A.
- Member of the Board of Directors of Longapar, SGPS, S.A.
- Member of the Board of Directors of Semapa Inversiones, S.L.
- Chairman of the Management Board of IBET – Instituto de Biologia Experimental e Tecnológica
- Member of the Board of Directors of Betopal, S.L.
- Manager of Florimar – Gestão e Participações, SGPS, Soc.Unip. Lda.
- Manager of Hewbol – SGPS, Lda.

MANUEL SOARES FERREIRA REGALADO

1. Type of directorship: Executive

2. No. of shares held in company: holds no shares in company

3. 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 - 2014

5. Management office held in companies:

COMPANIES IN THE PORTUCEL GROUP:

- Member of the Executive Board and of the Board of Directors of Portucel, S.A.
- Member of the Executive Board and Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Executive Board and Board of Directors of About The Future – Empresa Produtora de Papel, S.A.
- Chairman of the Board of Directors of Aflomec – Empresa de Exploração Florestal, S.A.
- Member of the Board of Directors of Portucel Soporcel Florestal S.A.
- Chairman of the Board of Directors of Atlantic Forests – Comércio de Madeiras, S.A.
- Chairman of the Board of Directors dos Bosques do Atlântico, SL.
- Chairman of the Board of Directors Cofotrans – Empresa de Exploração Florestal, S.A.
- Chairman of the Board of Directors of Enerforest – Empresa de Biomassa para Energia, S.A.
- Chairman of the Board of Directors of Empremédia – Corretores de Seguros, S.A.
- Member of the Board of Directors of PortucelSoporcel Internacional, SGPS, S.A.
- Member of the Board of Directors of Portucel Florestal – Empresa de Desenvolvimento Agro-Florestal, S.A.
- Member of the Board of Directors of PortucelSoporcel Energia SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Floresta, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Participações SGPS, S.A.
- Chairman of the Board of Directors of Sociedade de Vinhos de Espirra – Produção e Comercialização de Vinhos
- Chairman of the Board of Directors dos Viveiros Aliança – Empresa Produtora de Plantas, S.A.
- Member of the Board of Directors of Portucel Soporcel Sales & Marketing S.A.
- Manager of Portucel Moçambique, Ltd.
- Member of the Board of Directors of Countrytarget, SGPS
- Member of the Board of Directors of Eucaliptusland, S.A.
- Member of the Board of Directors of PortucelSoporcel Fine Paper, S.A.
- Member of the Board of Directors of Soporcel Pulp, S.A.
- Member of the Board of Directors of Portucel Soporcel Papel, SGPS, S.A.
- Member of the Board of Directors of Portucel Soporcel Switzerland Ltd
- Member of the Board of Directors of Portucel Soporcel International Ltd
- Member of the Board of Directors of Portucel Finance spółka z ograniczoną odpowiedzialnością
- Member of the Board of Directors of Portucel Papel Setúbal S.A.
- Member of the Board of Directors of PortucelSoporcel Pulp, SGPS, S.A.
- Member of the Management Board of PortucelSoporcel Abastecimento de Madeira, ACE

OTHER COMPANIES / ENTITIES:

- Member of the General Board of CELPA - Associação da Indústria Papeleira

6. Other professional activities in the last 5 years:

- Member of the Management Board of Tecnipapel, - Sociedade de Transformação e Distribuição de Papel, Lda.
- Member of the Management Board of RAIZ - Instituto de Investigação da Floresta e Papel
- Chairman of the Management Board of Aflotrans – Empresa de Exploração Florestal, S.A.

ADRIANO AUGUSTO DA SILVA SILVEIRA

1. Type of directorship: Executive.

2. No. of shares held in company: holds 2,000 shares in the company.

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

4. Date when first appointed and expiry of term of office: 2007 - 2014

5. Management office held in companies:

COMPANIES IN THE PORTUCEL GROUP:

- Member of the Executive Board and of the Board of Directors of Portucel, S.A.
- Member of the Executive Board and Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Executive Board and Board of Directors of About The Future – Empresa Produtora de Papel, S.A.
- Member of the Board of Directors of PortucelSoporcel Internacional, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Energia, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Floresta, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Participações, SGPS, S.A.
- Chairman of the Board of Directors of SPCG – Sociedade Portuguesa de Co-geração, S.A.
- Chairman of the Board of Directors of Enerpulp – Co-geração Energética de Pasta, S.A.
- Chairman of the Board of Directors of EMA 21, S.A.

- Member of the Board of Directors of Portucel Soporcel Sales & Marketing S.A.
- Member of the Management Board of RAIZ – Instituto de Investigação da Floresta e Papel
- Member of the Board of Directors of Countrytarget, SGPS
- Member of the Board of Directors of Eucaliptusland, S.A.
- Member of the Board of Directors of PortucelSoporcel Fine Paper, S.A.
- Member of the Board of Directors of Soporcel Pulp, S.A.
- Member of the Board of Directors of Portucel Papel Setúbal S.A.
- Member of the Board of Directors of Portucel Soporcel Switzerland Ltd
- Member of the Board of Directors of Portucel Soporcel International Ltd
- Member of the Board of Directors of Portucel Finance spółka z ograniczoną odpowiedzialnością
- Member of the Board of Directors of PortucelSoporcel Pulp, SGPS, S.A.
- Member of the Management Board of PortucelSoporcel Abastecimento de Madeira, ACE

6. Other professional activities in the last 5 years:

- Member of the Management Board of Tecnipapel, - Sociedade de Transformação e Distribuição de Papel, Lda.
- Member of the Management Board of RAIZ – Instituto de Investigação da Floresta e Papel
- Director of EMA Cacia – Engenharia e Manutenção Industrial, ACE
- Director of EMA Figueira da Foz – Engenharia e Manutenção Industrial, ACE
- Director of EMA Setúbal – Engenharia e Manutenção Industrial, ACE

ANTÓNIO JOSÉ PEREIRA REDONDO

1. Type of directorship: Executive.

2. No. of shares held in company: holds 6,000 shares in the company.

3. 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 - 2014

5. Management office held in companies:

COMPANIES IN THE PORTUCEL GROUP:

- Member of the Executive Board and of the Board of Directors of Portucel, S.A.
- Member of the Executive Board and Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Executive Board and Board of Directors of About the Future – Empresa Produtora de Papel, S.A.
- Member of the Board of Directors of PortucelSoporcel Energia, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Floresta, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Participações, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Internacional, SGPS, S.A.
- Chairman of the Board of Directors of Portucel Soporcel España S.A.
- Member of the Management Board of PIT – Portucel International Trading GmbH
- Member of the Board of Directors of Portucel Soporcel Sales & Marketing S.A.
- Member of the Board of Directors of Countrytarget, SGPS
- Member of the Board of Directors of Eucaliptusland, S.A.
- Member of the Board of Directors of PortucelSoporcel Fine Paper, S.A.
- Member of the Board of Directors of Soporcel Pulp, S.A.
- Member of the Board of Directors of Portucel Papel Setúbal S.A.
- Member of the Board of Directors of Portucel Soporcel Afrique du Nord, S.A.
- Member of the Board of Directors of Portucel Soporcel Austria GmbH
- Member of the Board of Directors of Portucel Soporcel Deutschland GmbH
- Member of the Board of Directors of Portucel Soporcel France EURL
- Chairman of the Board of Directors of Portucel Soporcel International BV
- Chairman of the Board of Directors of Portucel Soporcel Itália, SRL
- Member of the Board of Directors of Portucel Soporcel North America, INC
- Member of the Board of Directors of Portucel Soporcel Poland SP Z.O.O.

- Chairman of the Board of Directors of Portucel Soporcel UK LTD
- Member of the Board of Directors of Portucel Soporcel Switzerland Ltd
- Member of the Board of Directors of Portucel Soporcel International Ltd
- Member of the Board of Directors of Portucel Finance spółka z ograniczoną odpowiedzialnością
- Member of the Board of Directors of PortucelSoporcel Pulp, SGPS, S.A.

6. Other professional activities in the last 5 years:

- Member of the Management Board of Tecnipapel, Lda

JOSÉ FERNANDO MORAIS CARREIRA DE ARAÚJO

1. Type of directorship: Executive.

2. No. of shares held in company: holds no shares in company.

3. 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); Statutory 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: 2007-2014

5. Management office held in companies:

COMPANIES IN THE PORTUCEL GROUP:

- Member of the Executive Board and of the Board of Directors of Portucel, S.A.
- Member of the Executive Board and Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Executive Board and Board of Directors of About The Future – Empresa Produtora de Papel, S.A.
- Member of the Board of Directors of Country Target SGPS, S.A.
- Member of the Board of Directors of Eucaliptusland, S.A.
- Member of the Board of Directors of PortucelSoporcel Internacional, SGPS, S.A.
- Chairman of the Management Board of PIT – Portucel International Trading GmbH
- Manager of Portucel Moçambique, Lda
- Member of the Board of Directors of Portucel Papel Setúbal S.A.
- Chairman of PortucelSoporcel Cogeração de Energia, S.A.
- Member of the Board of Directors of Bosques do Atlântico, S.L.
- Member of the Board of Directors of PortucelSoporcel Energia, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Fine Paper S.A.
- Member of the Board of Directors of PortucelSoporcel Floresta, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Participações, SGPS, S.A.
- Member of the Board of Directors of Soporcel Pulp, S.A.
- Member of the Board of Directors of Portucel Soporcel Sales & Marketing S.A.
- Member of the Board of Directors of Portucel Soporcel España, S.A.
- Member of the Board of Directors of Portucel Soporcel International BV
- Member of the Board of Directors of Portucel Soporcel UK, Ltd.
- Member of the Board of Directors of Portucel Soporcel France, EURL
- Member of the Board of Directors of Portucel Soporcel Itália, SRL
- Member of the Board of Directors of Portucel Soporcel Deutschland, GmbH
- Member of the Board of Directors of Portucel Soporcel Austria, GmbH
- Member of the Management Board of Portucel Soporcel Afrique du Nord, S.A.
- Member of the Management Board of Portucel Soporcel Poland SP.Z.O.O.
- Member of the Board of Directors of Portucel Soporcel North America, INC
- Member of the Board of Directors of Portucel Soporcel Switzerland Ltd
- Member of the Board of Directors of Portucel Soporcel International Ltd
- Member of the Board of Directors of Portucel Finance spółka z ograniczoną odpowiedzialnością
- Member of the Board of Directors of PortucelSoporcel Pulp, SGPS, S.A.
- Chairman of the Board of Directors of PortucelServiços Partilhados, S.A.

6. Other professional activities in the last 5 years:

- Member of the Management Board of Tecnipapel, Lda
- Member of the Management Board of PortucelSoporcel Logística do Papel, ACE
- Chairman of the Board of Directors of Setipel – Serviços Técnicos para a Indústria Papeleira, S.A.

LUÍS ALBERTO CALDEIRA DESLANDES

1. Type of directorship: Non-executive.
2. No. of shares held in company: holds no shares in company.
3. 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 - 2014
5. Management office held in companies:

COMPANIES IN THE PORTUCEL GROUP:
- Member of the Board of Directors of Portucel, S.A.
- Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Board of Directors of About The Future – Empresa Produtora de Papel, S.A.

6. Other professional activities in the last 5 years:
- Chairman of the Board of Directors of companies in the Portucel group:
  - Portucel Soporcel Italy SRL
  - Portucel Soporcel France EURL
  - Portucel Soporcel UK Ltd
  - Portucel Soporcel International Bv
  - Portucel Soporcel North America Inc
  - Portucel Soporcel Deutschland GmbH
  - Portucel Soporcel Austria GmbH

MANUEL MARIA PIMENTA GIL MATA

1. Type of directorship: Non-executive.
2. No. of shares held in company: holds no shares in company.
3. 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 - 2014
5. Management office held in companies:

COMPANIES IN THE PORTUCEL GROUP:
- Member of the Board of Directors of Portucel, S.A.
- Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Board of Directors of About the Future – Empresa Produtora de Papel, S.A.

6. Other professional activities in the last 5 years:

- Associate Guest Professor of the Department of Chemical Engineering, University of Coimbra

FRANCISCO JOSÉ MELO E CASTRO GUEDES

1. Type of directorship: Non-executive.
2. No. of shares held in company: holds no shares in company
3. 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: 2009-2014
5. Management office held in companies:

COMPANIES IN THE PORTUCEL GROUP:
- Member of the Board of Directors of Portucel, S.A.
- Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Board of Directors of About The Future – Empresa Produtora de Papel, S.A.

OTHER COMPANIES / ENTITIES:
- Member of the Board of Directors of Aboutbalance SGPS, S.A.
- Member of the Board of Directors of Celcimo, S.L.
- Member of the Board of Directors of Cimentospar – Participações Sociais, SGPS, Lda.
- Member of the Board of Directors of Inspiredplace, S.A.
- Member of the Board of Directors of Seinpart Participações, SGPS, S.A.
- Member of the Board of Directors of Seminv Investimentos, SGPS, S.A.
- Chairman of the Board of Directors of Semapa Inversiones, S.L.
- Member of the Board of Directors of CMP-Cimentos Maceira e Pataias, S.A.
- Member of the Board of Directors of Ciments de Sibline, SGPS, S.A.L.
- Member of the Board of Directors of Ciminpart-Investimentos e Participações, SGPS, S.A.
- Manager of Florimar – Gestão e Participações, SGPS, Soc.Unipessoal, Lda.
- Manager of Hewbol – SGPS, Lda.
- Member of the Board of Directors of Secil – Companhia Geral de Cal e Cimento, S.A.
- Member of the Board of Directors of Secil – Betões e Inertes, SGPS, S.A.
- Member of the Board of Directors of Secil Martingança – Aglom.e Novos Mat.para const., S.A.
- Member of the Board of Directors of Secil Prebetão – Prefabricados de Betão, S.A.
- Member of the Board of Directors of Secil Unicom, SGPS, Lda.
- Member of the Board of Directors of Secilpar, S.L.
- Member of the Board of Directors of SCG – Société des Ciments de Gabès, S.A.
- Member of the Board of Directors and member of Executive Board of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
- Member of the Board of Directors of Silonor, S.A.
- Member of the Board of Directors of So.I.Me Liban S.A.L.
- Manager of Serife – Sociedade de Estudos e Realizações Industriais e de Fornecimento de Equipamento, Lda.
- Chairman of the Board of Directors of Supremo Cimentos, S.A.

- Chairman of the Board of Directors of Margem – Companhia de Mineração
- Member of the Board of Directors of Parcim Investments BV
- Member of the Board of Directors of Uniconcreto – Betão Pronto, S.A.

6. Other professional activities in the last 5 years:

- Chairman of the Board of Directors of ETSA Investimentos, SGPS, S.A.
- Chairman of the Board of Directors of Viroc Portugal – Indústrias de Madeira e Cimento, S.A

JOSÉ MIGUEL PEREIRA GENS PAREDES

1. Type of directorship: Non-executive.

2. No. of shares held in company: holds no shares in company

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

4. Date of first appointment and term of office: 2011 – 2014

5. Management office held in companies:

COMPANIES IN THE PORTUCEL GROUP:
- Member of the Board of Directors of Portucel, S.A.
- Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Board of Directors of About The Future – Empresa Produtora de Papel, S.A.

OTHER COMPANIES / ENTITIES:
- Chairman of the Board of Directors of Abapor - Comércio e Indústria de Carnes, S.A.
- Member of the Board of Directors of Aboutbalance SGPS, S.A.
- Member of the Board of Directors of Inspiredplace, S.A.
- Member of the Board of Directors of Aprovechamiento Integral de Subprodutos Ibéricos, S.A.
- Manager of Biological - Gestão de Resíduos Industriais, Lda.
- Member of the Board of Directors of Celcimo, S.L.
- Member of the Board of Directors of Cimentospar – Participações Sociais, SGPS, Lda.
- Chairman of the Board of Directors of ETSA Investimentos, SGPS, S.A.
- Chairman of the Board of Directors of ETSA LOG, S.A.
- Member of the Board of Directors of Great Earth - Projectos, S.A.
- Chairman of the Board of Directors of I.T.S. - Indústria Transformadora de Subprodutos, S.A.
- Chairman of the Board of Directors of Sebol - Comércio e Indústria de Sebo, S.A.
- Member of the Board of Directors of Seinpart - Participações, SGPS, S.A.
- Member of the Board of Directors of Seminv - Investimentos, SGPS, S.A.
- Member of the Board of Directors of Cimipar – Sociedade Gestora de Participações Sociais, S.A.
- Member of the Board of Directors of Ciminpart – Investimento e Participações, SGPS, S.A.
- Member of the Board of Directors of Margem – Companhia de Mineração.
- Member of the Board of Directors of Secil – Companhia Geral de Cal e Cimento, S.A.
- Member of the Board of Directors of Cimo – Gestão de Participações, SGPS, S.A.
- Member of the Board of Directors of Longapar, SGPS, S.A.
- Member of the Board of Directors of MOR ON-LINE – Gestão de Plataformas de Negociação de Resíduos On-Line, S.A.
- Member of the Board of Directors of O E M – Organização de Empresas, SGPS, S.A.
- Member of the Board of Directors of Hotel Ritz, S.A.
- Member of the Board of Directors of Sodim, SGPS, S.A.
- Member of the Board of Directors of Supremo Cimentos, S.A.

6. Other professional activities in the last 5 years:

- Member of the Board of Directors of ABAPOR - Comércio e Indústria de Carnes, S.A.
- Chairman of the Board of Directors of ETSA - Empresa de Transformação de Subprodutos Animais S.A.
- Member of the Board of Directors of ETSA, SGPS, S.A.
- Member of the Board of Directors of I.T.S. - Indústria Transformadora de Subprodutos, S.A.
- Member of the Board of Directors of Goliatur – Sociedade de Investimentos Imobiliários, S.A.
- Member of the Board of Directors of Sebol - Comércio e Indústria de Sebo, S.A.
- Member of the Board of Directors of Secilpar Inversiones, S.L.
- Member of the Board of Directors of Tercim – Terminais de Cimento, S.A.
- Member of the Board of Directors of Verdeoculto - Investimentos, SGPS, S.A.
- Member of the Board of Directors of Sonaca, SGPS, S.A.

PAULO MIGUEL GARCÊS VENTURA

1. Type of directorship: Non-executive.

2. No. of shares held in company: holds no shares in company

3. Qualifications: Degree in Law from the Faculty of Law, University of Lisbon (1994). Member of the Portuguese Bar Association. IEP Insead.

4. Date of first appointed and expiry of term of office: 2011 – 2014

5. Management office held in companies:

   COMPANIES IN THE PORTUCEL GROUP:
   - Member of the Board of Directors of Portucel, S.A.
   - Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
   - Member of the Board of Directors of About The Future – Empresa Produtora de Papel, S.A.

   OTHER COMPANIES / ENTITIES:
   - Member of the Board of Directors of Abapor - Comércio e Indústria de Carnes, S.A.
   - Member of the Board of Directors of Aboutbalance SGPS, S.A.
   - Member of the Board of Directors of Inspiredplace, S.A.
   - Member of the Board of Directors of Aprovechamiento Integral de Subproductos Ibéricos, S.A.
   - Manager of Biological - Gestão de Resíduos Industriais, L.da.
   - Member of the Board of Directors of Celcimo, S.L.
   - Member of the Board of Directors of Cimentospar – Participações Sociais, SGPS, Lda.
   - Member of the Board of Directors of Cimo – Gestão de Participações, SGPS, S.A.
   - Member of the Board of Directors of Cimipar – Sociedade Gestora de Participações Sociais, S.A.
   - Member of the Board of Directors of Ciminpart – Investimento e Participações, SGPS, S.A.
   - Member of the Board of Directors of ETSA Investimentos, SGPS, S.A.
   - Member of the Board of Directors of ETSA LOG, S.A.
   - Member of the Board of Directors of GREAT EARTH - Projectos, S.A.
   - Member of the Board of Directors of I.T.S. - Indústria Transformadora de Subprodutos, S.A.
   - Member of the Board of Directors of Longapar, SGPS, S.A
   - Member of the Board of Directors of OEM – Organização de Empresas, SGPS, S.A.
   - Member of the Board of Directors of Sebol - Comércio e Indústria de Sebo, S.A.
   - Member of the Board of Directors of Seinpart - Participações, SGPS, S.A.
   - Member of the Board of Directors of Semapa Inversiones, S.L.
   - Member of the Board of Directors of Seminv - Investimentos, SGPS, S.A.
   - Member of the Board of Directors of Secil – Companhia Geral de Cal e Cimento, S.A.
   - Member of the Board of Directors of Sodim, SGPS, S.A.

6. Other professional activities in the last 5 years:

   - Company Secretary, Cimigest, SGPS, S.A.
   - Member of the Board of Directors of ETSA - Empresa de Transformação de Subprodutos Animais S.A.
   - Member of the Board of Directors of Goliatur – Sociedade de Investimentos Imobiliários, S.A.

SECTION III – GENERAL AND SUPERVISORY BOARD, COMMITTEE FOR FINANCIAL AFFAIRS, AUDIT COMMITTEE AND AUDIT BOARD

2.21. Identification of the members of the Audit Board, declaring that members 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
Miguel Camargo de Sousa Eiró	X		X	
Duarte Nuno d'Orey da Cunha	X		X	
Gonçalo Nuno Palha Gaio Picão Caldeira	X		X	

2.22. 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
2.23. Office held by members of the Audit Board in other companies, indicating that held in other companies of the same group

MIGUEL CAMARGO DE SOUSA EIRÓ

1. 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 – 2014

4. Holds no office in other Portucel Group companies

5. Management office held in other companies:
   - Chairman of the Audit Board of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.

6. Other professional activities in the last 5 years:

   - Full Member of the Audit Board of Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.
   - Legal practice

DUARTE NUNO D'OREY DA CUNHA

1. Qualifications: Degree in Financial Affairs, ISCEF (1965
2. No. of shares held in company: 16,000 shares
3. Date when first appointed and expiry of term of office: 2007 – 2014
4. Holds no office in other Portucel Group companies
5. Management office held in other companies:
   - Member of the Audit Board of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
   - Member of the Board of Directors of Vértice – Gestão de Participações, SGPS, SA
   - Chairman of the General Meeting of Cimipar – Sociedade Gestora de Participações Sociais, SA.
6. Other professional activities in the last 5 years:
   - Member of the Board of Directors of Beira-Rio – Sociedade Construtora de Armazéns, S.A.
   - Advisor to the Board of Directors of Cimilonga – Imobiliária S.A.
   - Member of the Board of Directors of Longavia – Imobiliária, S.A.
   - Member of the Board of Directors of Sonagi SGPS, S.A.
   - Chairman of the Audit Board of Semapa – Sociedade de Investimento e Gestão SGPS, S.A.
   - Chairman of the Audit Board of Portucel - Empresa Produtora de Pasta e Papel, S.A.
   - Member of the Board of Directors of Sociedade Agrícola da Quinta da Vialonga, S.A.
   - Chairman of the General Meeting of Sonaca, SGPS, S.A.

GONÇALO NUNO PALHA GAIO PICÃO CALDEIRA

1. Qualifications: Degree in Law, Portuguese Catholic University, Lisbon (1990); Concluded professional traineeship at the Lisbon District Council of the Bar Association (1991); Master of Business Administration (MBA), Universidade Nova de Lisboa (1996); Attended postgraduate course in real estate management and valuation, ISEG (2004)
2. No. of shares held in company: holds no shares in company
3. Date when first appointed and expiry of term of office: 2007 - 2014
4. Holds no office in other Portucel Group companies
5. Management office held in other companies:
   - Full Member of the Audit Board of Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.
   - Manager of Loftmania – Gestão Imobiliária, Lda.
   - Manager of Linha do Horizonte – Investimentos Imobiliários, Lda
6. In addition to the positions indicated in the preceding item, no other office held in the last 5 years.

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.

2.24. Reference to the fact that the audit board conducts an annual assessment of the external auditor and to the possibility of it proposing to the general meeting the auditor's dismissal with due cause.

The choice of external auditor and the remuneration fixed for its services are validated in advance by the Audit Board.

In addition to aspects relating to the choice and remuneration of the external auditor, it should be noted that the Audit Board held joint meetings with the external auditor over the course of the year, and the two bodies are in constant and direct contact.

In the exercise of its supervisory duties, the Audit Board can also assess the work of the external auditor, and it has the possibility of proposing its dismissal with due cause to the General Meeting, provided the legal rules are observed on the submittal of motions.

The audit firm, in this case PriceWaterhouseCoopers, rotated the external auditor (the partner responsible for the auditing the Company's affairs) with effect as from 2010, and the previous auditor complied with the maximum period established in the recommendation. It was also the understanding of Portucel's Audit Board that the recommendation on the rotation of the auditor is adopted, as it has considered that the quality of work performed by the existing audit firm and its accrued experience in Portucel outweigh any possible drawbacks in retaining this firm.

2.25 to 2.29 – not applicable

SECTION IV – REMUNERATION

2.30. Description of the remuneration policy for members of the management and supervisory bodies as referred to in Article 2 of Law no. 28/2009, of 19 June.

The policy on remuneration of members of the management and supervisory bodies is described in annex IV.

2.31. Indication of the annual remuneration earned individually by members of the company's management and supervisory bodies, including fixed and variable remuneration and, with regard to the latter, indication of the different component parts, the portion which is deferred and the portion already paid.

REMUNERATION OF THE BOARD OF DIRECTORS

(AMOUNT IN EUROS)	REMUNERATION FIXED	REMUNERATION VARIABLE	TOTAL
PEDRO QUEIROZ PEREIRA	806,470	910,000	1,716,470
Portucel	0	0	0
Group companies	806,470	910,000	1,716,470
JOSÉ HONÓRIO	976,556	402,814	1,379,370
Portucel	250,726	0	250,726
Group companies	725,830	402,814	1,128,644
MANUEL REGALADO	346,318	778,018	1,124,336
Portucel	266,784	0	266,784
Group companies	79,534	778,018	857,552
ADRIANO SILVEIRA	313,074	534,109	847,183
Portucel	0	0	0
Group companies	313,074	534,109	847,183
ANTÓNIO REDONDO	313,074	496,326	809,400
Portucel	0	0	0
Group companies	313,074	496,326	809,400
FERNANDO ARAÚJO	300,734	534,094	834,828
Portucel	0	0	0
Group companies	300,734	534,094	834,828
LUÍS DESLANDES	153,496	72,346	225,842
Portucel	153,496	72,346	225,842
Group companies	0	0	0
MANUEL GIL MATA	126,420	72,346	198,766
Portucel	126,420	72,346	198,766
Group companies	0	0	0
FRANCISCO NOBRE GUEDES	72,198	55,938	128,136
Portucel	72,198	55,938	128,136
Group companies	0	0	0
TOTAL	**3,408,339**	**3,855,991**	**7,264,330**
Portucel	**869,624**	**200,630**	**1,070,254**
Group companies	**2,538,715**	**3,655,361**	**6,194,076**

Note: The other members of the Board of Directors, Mr. José Miguel Paredes and Mr. Miguel Ventura, receive no remuneration from the company or its subsidiaries.

REMUNERATION OF THE AUDIT BOARD

(AMOUNTS IN EUROS)	REMUNERATION FIXED	REMUNERATION VARIABLE	TOTAL
Miguel Eiró	20,216	0	20,216
Duarte da Cunha	14,434	0	14,434
Gonçalo Caldeira	14,434	0	14,434
Total	49,084		49,084

As stated in chapter 0.3 of this report, the Company does not defer payment of a significant portion of the variable income, and the amounts indicated in these tables were effectively paid in 2012 to the members of the Board of Directors and the Audit Board.

The amounts previously presented in relation to the fixed remuneration earned by the Board of Directors differ from those disclosed in number 6 and 7 of the Notes to the Financial Statements, and are reconciled as follows:

NOTE 6:

(AMOUNTS IN EUROS)	2012	2011
PAYROLL COSTS		
Remuneration		
Fixed Remuneration of Corporate Bodies	3,910,642	3,672,867
Variable Remuneration of Corporate Bodies	3,855,991	4,418,451
Other Remuneration	83,552,314	91,223,633
	91,318,947	99,314,951

NOTE 7:

(AMOUNTS IN EUROS)	2012	2011
Board of Directors		
Portucel, S.A.	3,408,339	3,067,160
Corporate bodies of other Group companies	39,688	169,654
External auditor (Note 34)	412,532	374,696
Audit Board	49,084	48,608
Officers of the General Meeting	1,000	12,750
	3,910,643	3,672,867

2.32. Information on how remuneration is structured in order to align the interests of members of the management body with the long term interests of the company, and on how it is based on performance assessment and discourages excessive risk-taking.

In addition to the details supplied in the text of the remuneration policy contained in Annex IV, it should be noted that the stability of the shareholder structure and of the composition of the Company's board of directors means that the interests of these officers are clearly compatible with those of the Company, as may be seen from a comparative analysis of the results presented in recent years and the remuneration paid.

2.33. In relation to the remuneration of executive directors:

a. Reference to the fact that the remuneration of executive directors includes a variable component and information on how this component depends on a performance assessment;

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

c. Indication of the pre-set criteria for assessing the performance of executive directors;

d. Specification of the proportion of directors' pay represented by variable and fixed components, and indication of upper limits for both components;

e. Information on deferred payment of the variable component of remuneration, indicating the deferral period.

f. Details of how payment of variable remuneration is subject to the company's continued positive performance over the deferral period;

g. Sufficient information on the criteria applied in allocating variable remuneration in shares and on the continued holding by executive directors of the shares in the company acquired in this manner, on any contracts concluded with regard to these shares, specifically hedging or transferring risk, the respective limits and the respective proportion represented of total annual remuneration;

With regard to sub-paragraphs a, b, and c, the text on the remuneration policy contained in Annex IV provides a direct response on these issues.

With regard to sub-paragraph d), there are no upper limits on either the variable or fixed components of remuneration.

On the issue of deferring remuneration and making it conditional on positive performance by the company over the deferral period, no such measure has been adopted for the reasons set out above and there are no pre-set rules whereby payment of variable remuneration is conditional on the continued positive performance of the company.

There are no rights to shares or share options, and the criteria underlying the variable components of directors' pay are those set out in the remuneration policy contained in Annex IV. The Company operates no share or option scheme, or any other share-based incentive scheme.

h. Sufficient information on the criteria applied in allocating variable remuneration in options and indication of the deferral period and the price for exercising options;

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

i. Identification of the main parameters and grounds for any annual bonus system and any other non-cash benefits;

The main parameters for granting annual bonuses are based on the Company's annual results, combined with the merit and performance assessment of each particular director.

There are no non-cash benefits.

j. Remuneration paid in the form of profit sharing and/or payment of bonuses, and the grounds on which these bonuses and/or profit sharing were granted;

There is no remuneration in the Company in the form of profit sharing. With regard to the payment of bonuses, the Remuneration policy set out in Annex IV establishes the criteria used for paying variable remuneration.

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

The situation in question has never arisen in the Company, and when it does the legal rules will apply.

m. Reference to contractual limits on severance pay for director, and the respective relationship with the variable remuneration component;

The Company has no contractual limitation on compensation payable for unfair dismissal of a director.

n. Sums paid on any grounds by controlled or controlling companies or companies belonging to the same group;

The information on remuneration paid in item 2.31 includes a breakdown of total remuneration paid by controlled or controlling companies.

o. Description of the main features of complementary or early retirement schemes for directors, indicating whether they have been assessed by the General Meeting;

There are no early retirement arrangements 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, which are part of the Report and Accounts subject to approval by the General Meeting. At 31 December 2012, the value of liabilities allocated to post-employment benefits plans for four directors of the Portucel Group stood at 2,439,412 € (31 December 2011: 4,629,594 €), breaking down individually as follows:

BENEFICIARY	LIABILITIES AT 31-12-2012	LIABILITIES AT 31-12-2011
(Amount in Euros)		
Adriano Augusto da Silva Silveira	777,967	721,169
António José Pereira Redondo	365,564	338,238
Luís Alberto Caldeira Deslandes	0	1,922,088
Manuel Maria Pimenta Gil Mata	576,205	991,096
Manuel Soares Ferreira Regalado	719,675	657,002
Total	2,439,412	4,629,594

p. Estimated value of relevant non-cash benefits considered as remuneration and not included in the foregoing.

No non-cash benefits which may be regarded as remuneration are assigned to the executive directors.

q. Arrangements which prevent executive directors from entering into contracts which undermine the rationale of variable remuneration.

There are no arrangements preventing executive directors from entering into contracts which undermine the rational of their variable remuneration, nor can the Company envisage circumstances in which such arrangements might be instituted.

2.34. Reference to the fact that the remuneration of non-executive members of the management body does not include variable components.

As stated above, the remuneration of non-executive directors can include a variable component which, whilst unrelated to the performance of the Company, is directly related to occasional contributions made on matters deemed to concern the strategic development of the Company and the related Group.

2.35. Information on the policy adopted in the company on whistleblowing (reporting channels, persons entitled to receive reports, required treatment of such reports and indication of persons and bodies with access to the information and their respective involvement in the procedure).

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 conflicts 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 designed to safeguard the confidentiality of disclosure and non-prejudicial treatment of the employee reporting the irregularity, as well as rules on providing information on the regulations throughout the company.

No irregular situation was reported in the course of 2012.

SECTION V – SPECIALIST COMMITTEES

Powers and responsibilities of specialist committees in the Company:

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 Code of Ethics, 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.

More specifically, the Internal Control Committee has the following responsibilities:

a. To assess the procedures for the control of financial information (accounts and reports) disclosed, and the reporting calendar, and shall, specifically, review the Group's annual, half-yearly and quarterly accounts for publication and report on the same to the Board of Directors prior to the latter approving and signing such accounts;

b. To advise the Board of Directors on the choice of External Auditor and pronounce on the scope of the Internal Auditor's activities;

c. To discuss and examine the annual reports with the External Auditor, advising the Board of Directors on any measures to be taken.

In the course of its duties, the Internal Control Committee shall take heed of facts such as changes in accounting policies and practices, significant adjustments due to the auditor's intervention, progress in the relevant financial ratios and any changes in the Group's formal or informal rating, significant exposures in financial management (such as currency, interest rate or derivatives risks) and Illegal or irregular procedures.

CORPORATE GOVERNANCE CONTROL COMMITTEE

The Corporate Governance Control Committee oversees application of the Company's corporate governance rules and the Code of Ethics, with the following particular responsibilities:

i. To assist the Board of Directors when so required by the same, assessing and submitting to it proposals for strategic guidelines in the field of corporate responsibility;

ii. To monitor and oversee, on a permanent basis, matters relating to corporate governance and social, environmental and ethical responsibility, the sustainability of the Portucel Group's business, the Internal Code of Ethics, the systems for assessment and resolution of conflicts of interests, notably with regard to relations between the company and its shareholders or other stakeholders.

In the exercise of its responsibilities, the Corporate Governance Control Committee is required in particular:

a. To submit to the Board of Directors the corporate governance policy to be adopted by the Company;

b. To monitor, review and assess the adequacy of the Company's governance model and its consistency with national and international recommendations, standards and best practice in the field of corporate governance, addressing to the Board of Directors the recommendations it sees fit to this end;

c. To propose and submit to the Board of Directors changes to the Company's corporate governance model, including to the organizational structure, workings, responsibilities and rules of procedure of the Board of Directors;

d. To monitor the Company's corporate links with the organizational structure of the other companies in the Group;

e. To oversee compliance with and the correct application of the principles and rules relating to corporate governance contained in law, regulations and the articles of association, in coordination with the activities of the Board of Directors, the Executive Board, the Statutory Auditor and the External Auditor, sharing and requesting the exchange of information necessary for this purpose;

f. To define the parameters of the Company's governance report to be included in its annual Report and Accounts;

g. To monitor the work of the Ethics Committee and the activities of the departments of Group companies relating to matters within the scope of its responsibilities;

h. To monitor on an ongoing basis, assess and supervise internal procedures relating to conflict of interests issues, and also the effectiveness of the systems for assessment and resolution of conflicts of interests;

i. To pronounce on transactions between the Company and its Directors, and also between the Company and its shareholders, whenever materially relevant;

j. Whenever so requested by the Board of Directors, to issue opinions on the application to the Company's officers of the rules on incompatibility and independence;

k. To further and strengthen the operation of the Company as a sustainable undertaking, gaining it recognition for this, both internally and externally;

l. To ensure compliance, by the members of the Board of Directors and other persons concerned, of the securities market rules applicable to their conduct;

m. To develop a transversal strategy of corporate sustainability, integrated into and consistent with the Company's strategy;

n. To promote, develop and supervise the internal measures required for the Company to achieve sustained growth, as regards the business, environmental and social aspects of its operations;

o. To prepare and follow through decision-making by company bodies and committees on matters relating to corporate governance and sustainability or which give rise to conflicts of interests between the Company, shareholders and the company officers;

p. To follow through inspections conducted by the Securities Market Commission (CMVM) in relation to corporate governance issues.

SUSTAINABILITY COMMITTEE

The Sustainability Committee is responsible for formulating corporate and strategic policy on issues of social and environmental responsibility, and is responsible for drawing up a bi-annual sustainability report.

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.

ETHICS COMMITTEE

Following on from the drafting and approval of the Ethics Code by the Executive Board in the course of 2010, an Ethics Committee has been established, to issue an annual report on compliance with the provisions of the new code. This report will detail all irregularities which the Committee has detected, and the findings and follow-up proposals emerging from the various cases examined. This report is included in Annex V to this Corporate Governance Report.

The Ethics Committee is required to monitor, impartially and independently, the conduct of the Company's bodies and officers as regards disclosure and compliance with the Code of Ethics in all companies in the Portucel Group. In the course of its duties, the Ethics Committee has the following particular responsibilities:

a. To ensure that an adequate system exists for monitoring internally compliance with the Code of Ethics, and specifically to assess the recommendations resulting from these monitoring activities;

b. To assess issues submitted to it by the Board of Directors, the Executive Committee and the Audit Board in connection with compliance with the Portucel Group's Code of Ethics, and also to consider, in abstract terms, issues raised by any member of staff, customer or business partner ("Stakeholders");

c. To appraise and assess any situation which arises in relation to compliance with the requirements of the Code of Ethics involving any company officer;

d. To submit to the Corporate Governance Committee the adoption of any measures it deems fit in this connection, including the review of internal procedures, together with proposals for amendment of the Code of Ethics;

e. To draw up an annual report, concerning compliance with the requirements of the Code of Ethics, detailing any irregularities of which it is aware, together with the conclusions and proposals adopted in the cases considered.

The Ethics Committee also functions as an advisory body to the Board of Directors in respect of matters concerning the application and interpretation of the Code of Ethics.

2.36. Identification of the members of the committees set up to assess the individual and collective performance of executive directors, to reflect on the governance system adopted by the company and to identify potential candidates with the right profile for directorships.

The overall performance of the executive directors is assessed by the non-executive members of the Board of Directors, and the individual assessments are subject to an appraisal by the Remuneration Committee. The Corporate Governance Committee has conducted an assessment of the form of governance adopted by the Company, and of the degree of compliance with standards of good practice and governance rules in force. The selection of suitable candidates for directorships is regarded as the sole province of the shareholders.

Number of meetings of committees with management and supervisory responsibilities during the period in question, with reference to the taking of minutes of these meetings.

BODY	NUMBER OF MEETINGS IN 2012
Remuneration Committee	1
Corporate Governance Committee	3
Sustainability Committee	6
Internal Control Committee	1
Environmental Board	3

All these specialist committees within the Company keep minutes of the meetings held during the year.

2.37. Reference to the fact that one member of the Remuneration Committee has knowledge and experience in the field of remuneration policy.

All the members of the Remuneration Committee have wide experience and knowledge concerning matters relating to the remuneration of company officers, in view of the offices held in the course of their professional careers. Special attention is drawn to the fact that the Chairman of the committee is the representative of a multinational specializing in human resources, and especially senior management recruitment.

2.38. Reference to the independence in relation to the board of directors of individuals or entities contracted to sit on the remuneration committee by employment or service contract and, when applicable to the fact that such persons have current relationships with the company's consultants.

The members of the Remuneration Committee have no contractual relationship with the Company, and are wholly independent of the Board of Directors, although Egon Zehnder occasionally provides consultancy services to the Company in the field of management recruitment. Portucel considers that Frederico da Cunha Mendonça Meneses is able to exercise his duties with genuine independence in his assessment of the Company's directors. The fact that he was a director of the dominant shareholder for four terms of office, having left this position in 2005, does not mean he cannot conduct his appraisal with independence, not least because the concept of independence in this matter is not that enshrined in the Companies Code.

2.39. Composition of the remuneration committee or equivalent body, if any, identifying the respective members who are also directors, together with their spouses, relatives and kin in the direct line to the 3rd degree, inclusive.

The composition of the Remuneration Committee:

CHAIRMAN	José Gonçalo Maury
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.

CHAPTER III
INFORMATION AND AUDITING

3.1. 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 with all shares currently admitted for trading.

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

ENTITY	Nº SHARES	% OF CAPITAL	% OF NON-SUSPENDED VOTING RIGHTS
SEMAPA SGPS S.A.	582,172,407	75.85%	78.11%
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	340,571,392	44.37%	45.69%
Seinpar Investments B.V.	241,583,015	31.48%	32.41%
Cimentospar - Participações Sociais, SGPS, Lda.	1,000	0.00%	0.00%
Seminv - Investimentos, SGPS, S.A.	1,000	0.00%	0.00%
Duarte Nuno d'Orey da Cunha (*)	16,000	0.00%	0.00%

* Officer in Semapa

As at 31/12/2012, Portucel held 47,380,045 own shares, corresponding to 6.17% of the share capital.

3.3. Identification of shareholders with special rights, and description of such rights.

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

3.4. 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.

3.5. 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.

3.6. 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.

3.7. 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.

3.8. 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.

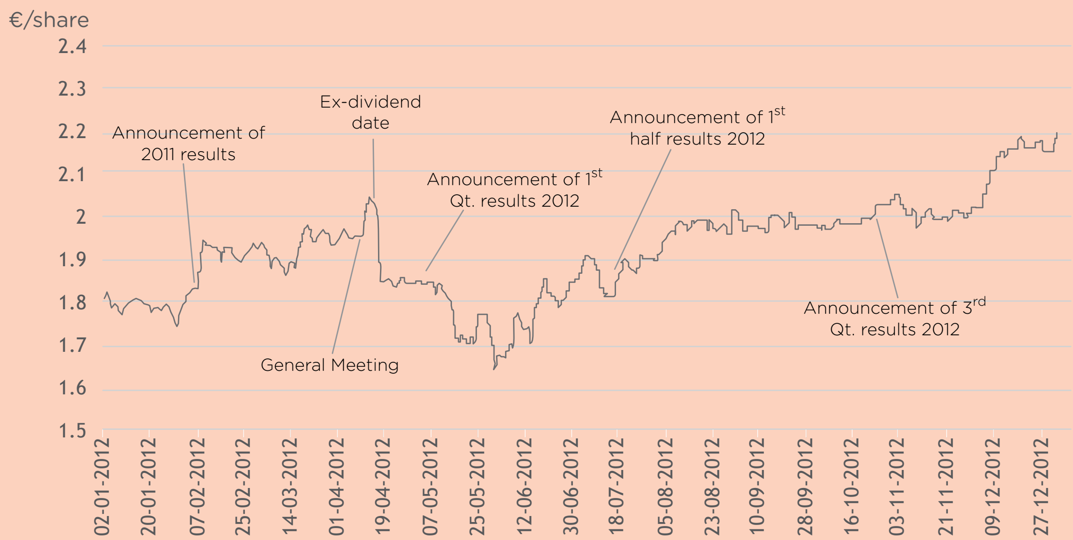
After the financial year of 2011, which was particularly difficult for most markets, 2012 proved to be a year of recovery, with investors returning to the equity markets. The main European markets recorded significant gains, in particular towards the end of the year, with the largest gains in Frankfurt (up 29.1%), and strong performance also in the FTSE (up by 18.7%) and the CAC40 (up by 15.2%). Performance in the Portuguese index fell short of the level recorded by other European markets, although it managed to outshine the Madrid market index, which ended the year down by 4.7%. After losing almost 15% over the first half of the year, the PSI20 rallied significantly in the second half, and ended the year up by 2.9%.

Despite uncertainty as to the prospects for the pulp and paper sector in 2012, the year provided good news for the industry, with pulp prices rising almost 18% and paper prices holding out against the gloomy economic environment. As a result, the shares of leading companies in the sector performed well and all recorded significant gains, partially recouping the losses suffered in 2011. Most pulp manufacturers recorded strong gains in their share price.

Up in value by 24%, Portucel shares clearly outperformed the Portuguese market index, and also compared favourably with most of the other indexes considered. The shares enjoyed excellent performance in the second half of the year, and especially in December, when Portucel shares gained around 7.5%. Average monthly trading stood at approximately 4 million shares, well down on the level of trading recorded in 2011. As duly disclosed to the market at the time, Portucel acquired approximately 24.85 million own shares at the end of the June, giving it a total of 47.4 million shares, representing 6.17% of its share capital.

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

PORTUCEL SHARE PRICE EVOLUTION IN 2012



On 20 April 2012, the company distributed dividends for the financial year of 2011 totalling 164,730,884.58 €, corresponding to a gross dividend per share of 0.22100 €.

No shares or other securities were issued during 2012. At 31/12/2012, Portucel held 47,380,045 own shares representing 6.17% of its share capital.

3.9. 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 10.04.2012, the General Meeting resolves on the amount to be distributed in dividends, by simple majority of votes.

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

- 2009 (for the financial year of 2008) 0.1050 € per share
- 2010 (for the financial year of 2009) 0.0825 € per share
- 2012 (for the financial year of 2011) 0.2210 € per share

Analysis of the dividends for the financial year of 2010 should take into consideration payment of reserves of 0.1564 € per share, in December of the same year.

3.10. 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 shares 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 exercise of the options allocated 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.

3.11. 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.

3.12 Outline essential details of transactions and operations carried out between the company and holders of qualifying holdings or any related entities, under Article 20 of the Securities Code, not on an arm's length basis.

All the company's transactions with third parties, be they shareholders owning qualifying holdings or entities in any way related to them, were carried out on an arm's length basis.

3.13. Description of the procedures and criteria applicable to intervention by the supervisory body for the purposes of prior assessment of transactions to be carried out between the company and holders of qualifying holdings or related entities, under Article 20 of the Securities Code; and

3.14. Description of statistical data (number, average and maximum values) relating to transactions subject to prior intervention by the supervisory body.

No transactions of significant importance as referred to in these items have taken place involving the Company.

However, were they to occur, it would fall to the Audit Board to analyse the situations and issue its opinion. Accordingly, in the year ended, the Audit Board approved a proposal submitted by the Corporate Governance Control Committee setting the main criteria for intervention by the Audit Board with a view to prior assessment of prospective transactions between the company and holders of qualifying holdings or entities to which it is otherwise related. The Audit Board is therefore required to conduct a prior assessment of any transactions or operations between, on the one hand, the company or other Portucel Group companies and, on the other hand, the holders of qualifying holdings or other entities related in any way to the same, which (i) have a value equal to or greater than 1.5 million euros, or (ii) irrespective of their value, may, due to their nature, undermine transparency or the best interests of the company. The Audit Board also received periodic reports from the external auditor in which, in the course of its duties, the auditors checks application of remuneration policies and systems and the effectiveness and workings of internal control arrangements, reporting any shortcomings detected.

We may point out that, in relation to this matter, the Corporate Governance Control Committee, which is responsible for overseeing the application of the company's corporate governance rules and its Code of Ethics, has powers to pronounce on transactions between the company and its directors, and also between the company and its shareholders, when these are materially relevant.

3.15. Reference to the existence of an Investor Support Office or other similar service.

Portucel has had an Investor Support Office since 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 detailed required by Article 171 of the Companies Code, are available on the Group's website, at www.portucelsoporcel.com. Also available in the investors' section of the Portucel website, in Portuguese and English, are disclosures of quarterly results, half-yearly and annual reports and accounts, together with the respective press releases, list of company officers, the financial calendar, the articles of association, notices of General Meetings, and all motions tabled for discussion and vote at General Meetings, resolutions approved and statistics relating to attendance, together with relevant developments.

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.

3.16. Indication of annual remuneration paid to the auditor or other individuals or entities belonging to the same network and borne 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 2012, expenditure on legal auditing of accounts, audits and fiscal consultancy totalled 696,653 euros, breaking down as follows:

Amount in euros	2012	%	2011	%
Audit Services				
Legal audit of accounts	412,531	59%	374,696	46%
Financial audit of foreign subsidiaries	114,194	16%	177,728	22%
Financial consultancy				
In Portugal	100,150	14%	85,602	11%
In foreign subsidiaries	3,197	0%	107,753	13%
Other reliability assurance services	66,580	10%	68,354	8%
Total	**696,652**	**100%**	**814,133**	**100%**

Legal auditing services include financial audits of the Groups subsidiaries and foreign companies; these totalled 114,194 euros. 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 vast majority of services indicated as “other reliability assurance services” relate to the issuing of opinions on requests for reimbursement of expenses under investment or research support programmes and on compliance with financial ratios, which opinions the Company is required to obtain under contracts it has signed, and not to services requested for any other purpose.

The Board of Directors considers that there are sufficient procedures to safeguard the independence of auditors through the analysis conducted by the Audit Board and the Internal Control Committee of the proposed work and the careful specification of this work when the auditors are contracted.

ANNEX I
CODE OF ETHICS

1. GENERAL AIMS AND VALUES

1.1 The Code of Ethics as foundation of the Portucel group's culture

The pursuit of the aims set out in this Code of Ethics, respect for its values and compliance with its rules of conduct together form the professional ethos of the Group business universe. The Code shall be distributed to investors, customers, suppliers, regulatory authorities, competitors and representatives of the communities with which the group deals, and shall govern the professional conduct of all those working in the Group's companies and other organizations.

The Code of Ethics is to be viewed as setting standards of conduct, which the Group and all those working and interacting with it should follow and respect. It should accordingly be interpreted as a benchmark for behaviour, applying beyond the specific reach of its clauses.

The Group will assure that the Code of Ethics is made available to all its staff and arrange for specific training in this field, at all levels, in order to assure that the Code is disseminated, generally understood and mandatorily put into practice. It will also make permanent arrangements for direct and confidential communication, through the Board of Directors, allowing any member of Group staff to clarify the interpretation of the Code, to resolve any queries and make good any lacunae which may arise in its application.

An Ethics Committee is also set up, comprising three independent members of good standing, appointed for this purpose by the Board of Directors.

The Ethics Committee is the body responsible for appraising and assessing any situation which may arise in relation to compliance with the rules established in this Code involving any company officer, and shall also advise the Board of Directors on matters relating to application and interpretation of this Code.

1.2 Fundamental aims

The fundamental aims pursued by the Group are based on creating value and an appropriate level of return for investors, by offering the highest standards of quality in the supply of goods and services to customers, through the recruitment, motivation and development of the most able and highly skilled professionals, within a meritocratic culture permitting its employees to enjoy personal and professional development and the Group to position itself at the forefront of the markets in which it operates, maintaining a policy of sustainable management of natural resources, mitigation of environmental impacts and fostering of social development in the areas in which it carries on its business operations.

1.3 Values

The principles and rules of conduct of the Code of Ethics derive from values regarded as fundamental for the Group, which should be pursued on an ongoing basis in the course of its business, and in particular:

- in protecting the interests and rights of shareholders and safeguarding and increasing the value of assets belonging to the Group;
- in the good governance of Group companies;
- in scrupulous compliance with the requirements of the law, the articles of association and regulations applicable to the Group's operations and companies;
- in the observance of duties of loyalty and confidentiality, and in assuring the principle of the professional accountability of the staff in the exercise of their respective duties;
- in the resolution of conflicts of interests and the application to staff of scrupulous and transparent rules in situations involving business transactions;
- in observance by institutions and individuals of the highest standards of integrity, loyalty and honesty, both in dealings with investors, suppliers, customers and regulators, and in interpersonal relations between members of Group staff;
- in good faith in business dealings and scrupulous compliance with contractual obligations to customers and suppliers;
- in strict compliance with the legislation in force on competition practices;
- in recognizing equality of opportunity, individual merit and the need to respect and advance human dignity in professional relationships and business activities;
- in guaranteeing safety and well-being at the workplace;
- in the adoption of social responsibility principles and practices;
- in the genuine and careful pursuit of sustainable development;
- in promoting a permanent stance of dialogue with all stakeholders and respect for their principles and values.

2. SCOPE OF APPLICATION

The Code of Ethics applies to all officers and staff of the Group, notwithstanding other applicable legal or regulatory requirements.

For the purposes of this Code of Ethics, the following definitions shall apply:

- Staff – all persons who work or render services, on a permanent or casual basis, to Group companies, including, namely, employees, service providers, agents and auditors;
- Clients – individuals or organizations to which Group companies supply products or services;

- Suppliers – individuals or organizations which supply products or services to Group companies;

- Stakeholders – individuals or organizations with which Group companies deal in their business, institution or social activities, including shareholders, officers, staff, suppliers, business partners or members of the community with whom the Group interacts.

The Code of Ethics accordingly describes the ethical and professional conduct expected by the Group in connection with the pursuit of its business activities and dealings with third parties, and is of instrumental importance to the business policy and culture followed and fostered by the Group.

The Directors, and in particular the Executive Directors, who in their daily conduct should set an example of ethical behaviour for the whole Group, are required to exercise special diligence in adopting, implementing and enforcing the rules contained in the Code.

The Ethics Committee has authority to oversee the conduct of company officers, in relation to matters concerning application of the Code of Ethics.

3. RULES OF CONDUCT

3.1 Legality

3.1.1. All the Groups activities shall be guided by strict compliance with the applicable rules deriving from law, the articles of association and regulations.

3.1.2. In its conduct the Group shall cooperate at all times with the public authorities, and specifically with regulatory bodies, complying with requests made to it and adopting forms of behaviour which permit these authorities to exercise their powers.

3.2 Diligence and courtesy

3.2.1. The Group shall strive to ensure that all customers are treated with professionalism, diligence and care, with Group staff responding in full to all enquiries and making every effort to support customers in reaching their decisions.

3.2.2. Group staff shall behave courteously and politely at all times and display due care and professionalism in their dealings with customers, suppliers and other stakeholders or any other person or organization, with any kind of dealings with the Group.

3.2.3 All of the Group's relationships shall be based on values of truth and transparency, and all staff shall conduct themselves in keeping with high standards of honesty and integrity.

3.3 Integrity

Bribery and other corrupt practices are prohibited, in all active and passive forms, through act or omission, or by creating or maintaining situations of favouritism or other irregularities, together with conduct such as may create expectations of favouritism in dealings with the Group;
3.3.1. The Group and its staff shall decline any gifts which may be considered or interpreted as attempts to influence the company or the member of staff. In the event of doubt, staff shall give written notice of these situations to their hierarchical superior or the Board of Directors.

3.3.2. If staff are approached with an attempt at corruption, they shall notify their hierarchical superior or the Board of Directors in writing, describing how they were approached and supplying all details regarded as essential for the relevant Group bodies, namely the respective Internal Audit service, to assess the situation and take action.

3.3.3. The Board of Directors shall notify the Ethics Committee in writing of all facts of which it learns under the terms of the preceding paragraph.

3.4 Secrecy

3.4.1. Members of staff shall assure the confidentiality of all information belonging to the Group, other staff, clients, suppliers or stakeholders, of which they may learn in the course of their duties, and shall only use this information in the interest of the Group.

3.4.2. The Group and its staff shall guarantee strict confidentiality in relation to all personal data belonging to staff, customers, suppliers, stakeholders or third parties, of which they learn solely through their work and business. This data is deemed to include information of a strategic nature concerning production methods, product and brand characteristics, IT data concerning customers, suppliers and of a personal nature, together with technical documentation relating to any project carried out or underway.

3.4.3 Staff shall maintain confidentiality, on the terms set out in the preceding paragraphs, even after cessation of their employment contracts with Group companies and irrespective of the cause of cessation, for a period of three years thereafter. The information subject to the duty of confidentiality shall not be used in order to prejudice Group companies and may only be disclosed to third parties when so required by law, provided the Board of Directors is notified in advance of such disclosure, in writing.

3.5. Accounting practices

3.5.1. The Group shall observe and comply strictly with generally accepted accounting principles and criteria.

3.5.2. The Group shall arrange for auditing and other procedures to be conducted by independent bodies, to which it shall make available information detailing its economic, financial, social and environmental risks, and undertaking to apply the most appropriate measures to eliminate or mitigate the risks involved.

4. RULES ON CONDUCT IN THE WORKPLACE

4.1 Working atmosphere

4.1.1 The Group shall actively promote courtesy, loyalty, civility and assertiveness in relations between staff members, fostering group feeling, with strict respect for individual rights and freedoms.

4.1.2 The Group shall promote team spirit, the sharing of common goals and mutual help between staff.

4.1.3 Staff shall not seek to obtain personal advantages at their co-workers' expense, and their conduct shall be guided by compliance with legal and contractual obligations and respect for their hierarchical superiors and other Group staff, behaving in a cordial and respectful manner, and avoiding any type of conduct which might undermine the image and reputation of other members of staff.

4.1.4 The health, safety and well-being of its staff is a priority for the Group, and accordingly all staff shall seek to familiarize themselves and comply with the legislation in force and with internal rules and recommendations. Immediate notice must be given of any accident or hazard to health and safety in the workplace, in accordance with the said rules, and the necessary or advisable preventative measures shall be adopted.

4.2. Professional specialization and development

4.2.1 The Group will advance the personal and professional development and specialization of its staff, promoting appropriate training activities.

4.2.2 The Group will make every effort to assure its staff high levels of job satisfaction and self-realization, operating a fair and appropriate pay policy, and providing opportunities for personal and professional development over the course of careers, in keeping with criteria of merit and prevailing market conditions for equivalent situations, in accordance with the Performance Assessment System in place.

4.2.3 For their part, Group staff shall make efforts to update their skills and to undergo training on an ongoing basis, in order to develop their knowledge and technical expertise and to improve the services rendered to the Group, customers and other stakeholders.

4.3. Equality of opportunities

4.3.1. The Group recognizes that all citizens are equal, and guarantees compliance with conventions, treaties and other legislation protecting the universal and fundamental rights of citizens, operating within the framework of reference of the Portuguese Constitution, the United Nations Universal Declaration of Human Rights and the International Labour Organization.

4.3.2. The Group shall assure equality of opportunities in recruitment, hiring and professional development, attaching value only to professional aspects and adopting the measures it sees fit to combat and prevent any form of discrimination or differentiated treatment on the basis of ethnic or social origin, religious beliefs, nationality, gender, marital status, sexual orientation or physical disability.

4.3.3. The Group shall protect its staff against any type of insulting or other discriminatory behaviour, encouraging respect for human dignity as one of the underlying principles of the Group's culture and policies.

4.3.4. The Group will never employ child or forced labour, nor will it ever collude with such practices, adopting the measures deemed appropriate to combat such situations, namely by public denunciation whenever they come to its attention.

4.4. Transparency, honesty and integrity

4.4.1. Group staff will comply with the responsibilities assigned to them, even in adverse circumstances, in a professional and responsible manner, namely within the limits of risk tolerance defined for the Group and in keeping with the budgetary targets for the areas in which they work.

4.4.2. Group staff shall conduct themselves at all times so as to pursue the interests of the Group, and shall immediately notify their hierarchical superior of any situation which might give rise to a conflict of interests, namely if, in the course of their duties, they are called on to intervene in processes or decisions which directly or indirectly involve organizations, entities or persons with which they work or have worked, or to which they are connected by ties of kinship or friendship. In the event of any doubt as to their on impartiality, they shall notify their hierarchical superior.

4.4.3. Group staff undertake not to carry on any outside work, paid or unpaid, which might directly prejudice their professional performance or the Group's business or interests.

4.4.4. Group staff shall immediately inform their superiors on learning of any conduct which might undermine compliance with the Code of Ethics and which is clearly contrary to the values championed herein.

4.4.5. Group staff shall make sensible and reasonable use of the working resources at their disposal, avoiding waste and undue use.

4.4.6. Group staff shall care for the Group's property, and not behave wilfully or negligently in any manner which might undermine its state of repair.

5. DEALINGS WITH STAKEHOLDERS AND OTHER ENTITIES

5.1. Dealings with shareholders

5.1.1. The primary aim of the Group is an ongoing quest to create value for shareholders, supported by a commitment to standards of excellence in professional and business performance, in the exercise of social responsibility and the pursuit of sustainable development.

5.1.2. Shareholders shall be treated in strict compliance with the legal rules applicable to their relations with each other and with their companies, namely those contained in the Companies Code.

5.2. Dealings with clients, suppliers, service providers and third parties

5.2.1. The Group shall assure that all the terms for sale of its products to clients are clearly defined, and Group companies and their staff shall assure scrupulous compliance with these terms.

5.2.2. The suppliers and providers of services to the Group shall be selected on the basis of objective criteria, taking into consideration the terms proposed, guarantees effectively provided and overall optimization of advantages for the Group. One of the selection criteria shall be compliance, by these service providers and suppliers, with rules of conduct consistent with the principles laid down in this Code.

5.2.3. The Group and its staff shall negotiate at all times in keeping with the principles of good faith and full compliance with all their obligations.

5.2.4. The Group undertakes to monitor the ethical conduct of its suppliers and to adopt immediate and strict measures in cases where such conduct is questionable.

5.3. Relationship with competitors

The competition practices of Group companies shall comply strictly with the legislation in force, in keeping with market rules and criteria, and with a view to assuring fair competition,

5.4. Dealings with political movements and parties

Dealings between the Group and its staff, on the one hand, and political movements or parties, on the other, shall be conducted in compliance with the legal rules in force, and in the course of these dealings staff members shall not invoke their relationship with the Group.

6. SECURITIES TRADING

Group staff who are in possession of relevant information, not yet made public, which might potentially influence the listed prices of shares in Group companies, shall not, during the period prior to disclosure of such information, trade securities issued by Group companies, strategic partners or companies involved in transactions or dealings with the Group, not disclose this information to third parties. In particular, estimates of results, decisions on significant acquisitions or partnerships and the winning or loss of important contracts constitute forms of privileged information.

7. PRESS RELEASES AND ADVERTISING

7.1. The information released by the Group to the media and those intended for advertising purposes shall:

- Be issued solely by the units or offices authorized to do so;
- Comply with the principles of legality, rigour, opportunity, objectivity, veracity and clarity;
- Safeguard secrecy and confidentiality so as to protect the Group's interests;
- Respect the cultural and ethical norms of the community and human dignity;
- Contribute to an image of consistency which adds to the value and dignity of the Group, promoting its good name in society.

8. SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

8.1. The Group accepts its social responsibility to the communities in which it carries on its business activities, as a means of contributing to their advancement and well-being.

8.2. The sustainable development of Group companies is regarded as the business contribution to their present and future development through pro-active management of the environmental, social and economic impacts of their respective activities, through a permanent commitment to application of best practices.

8.3. Group companies shall participate and encourage its staff to participate actively in initiatives relating to environmental protection, energy efficiency and efficient resource management, assigning preference to the use of materials produced in accordance with sustainability principles.

8.4. The Group will seek to encourage its staff to take part in socio-cultural activities and to perform voluntary work.

8.5. The staff of Group companies shall seek to ensure that, in the course of their business, no harm or damage is caused directly or indirectly to the community's heritage, caring for its external image by showing respect for archaeological, architectural and environmental heritage and improving the quality of life enjoyed by citizens.

8.6. The Group regards sustainable development as a strategic aim for assuring economic growth and contributing to a more developed society, preserving the environment and non-regenerating resources for future generations.

9. NON-COMPLIANCE

9.1. Failure to comply with the general and mandatory rules of conduct established in this Code of Ethics shall constitute serious misconduct, subject to disciplinary proceedings, notwithstanding any possible civil or criminal liability.

9.2. The Board of Directors shall be notified immediately in writing of any instance of non-compliance which come to light, and shall pronounce on the facts within 30 days of being informed.

9.3. If it is found, initially or whilst the proceedings are pending, that a company officer may be involved, the Board of Directors shall forward the file to the Ethics Committee which shall then proceed accordingly and may, if justified, inform any relevant judicial authority of the facts.

9.4. The personnel assessment system shall include a mandatory reference on the individual appraisal sheet for each staff member of any failure to comply with rules deriving from this Code of Ethics.

9.5. The Ethics Committee shall draw up an annual report on compliance with the rules established in this Code of Ethics, detailing all irregularities of which it is aware, and setting out the conclusions and follow-up proposals adopted in the different cases examined.

9.6. For the purposes envisaged in the preceding paragraph, the Board of Directors shall notify the Ethics Committee of all relevant facts which come to its attention.

9.7. The Ethics Committee's Report shall be annexed to the Corporate Governance Report.

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

All the non-executive directors took part in all the meetings of the Board of Directors, and were copied on all relevant information. Whenever requested from the Executive Board they received diligent and satisfactory explanations or complementary information concerning the company's day-to-day affairs. The non-executive directors frequently requested detailed information on decisions taken by the Executive Board, in order to assess the performance of the Company's executive management in the light of annual and longer terms plans and the budgets approved from time to time by the Board of Directors.

On the Chairman's request, they took part in various meetings of the Executive Board, particularly in those dealing with strategic questions, namely plans for the Group's expansion and future development.

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

In addition to monitoring day-to-day operating matters, the non-executive directors paid special attention to following through the major capital expenditure projects implemented in recent years.

Mr. Pedro Queiroz Pereira, in his capacity as Chairman of the Board of Directors, called and coordinated all the meetings of the board during the financial year of 2012. In the course of his duties he has coordinated, in cooperation with the other directors, the development and strategic options of the Company and the Group to which it belongs.

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

He was informed in advance of the order of business for each meeting of the Executive Board, and of the resolutions adopted over the course of the year, accompanied by the respective supporting documents. During the year he held a series of informal meetings with the other non-executive directors, in order to assess the performance of the Executive Board.

As a non-executive member of the Board of Directors of Portucel, Mr. Manuel Maria Gil Mata took part in all board meetings and, on the Chairman's invitation, he also took part in several meetings of the Executive Board. In addition to monitoring normal operational affairs, he paid special attention to progress on the latest major industrial investment projects underway.

As Chairman of the Sustainability Committee, he presided at meetings and led the preparatory work on the drafting of the Group's next Sustainability Report, including the project for benchmarking of sustainability reporting and drafting of the handbook on sustainability indicators.

He continued to make a significant contribution to the work of the Environmental Council, which held its three regular meetings planned for 2012 at the Group's three industrial sites.

As representing of the Group's directors he took part in the work of COTEC, sat on the General Board of ISQ, chaired the General Meeting of PRODEQ - *Associação para o desenvolvimento da Engenharia Química* (Association for the Furtherance of Chemical Engineering), and continued to serve as a member of the Advisory Committee of CIEPQPF - *Centro de Investigação da Engenharia dos Processos Químicos e dos Produtos das Florestas* (Centre for Chemical and Forestry Products Engineering), of the University of Coimbra.

In addition to monitoring day-to-day operational activities, Mr. Luís Alberto Caldeira Deslandes continued to pay particular attention to progress on the Major Investment Projects at the consolidation phase, and in particular the Setúbal Paper Mill. As Chairman of Portucel's Corporate Governance Committee he called and chaired several working meetings held by the committee in the course of 2012, following through developments related to corporate governance issues over the year, and in particular with regard to the drafting of the Corporate Governance Report and dealings with the regulatory authority, as well as analysing the various reports published by the CMVM and monitoring the work of the recently constituted Association of Securities Issuers (AEM) and that of the Portuguese Institute of Corporate Governance.

Mr. Francisco José Melo e Castro Guedes focussed his activities primarily on monitoring the work of the Executive Board, in order to obtain the necessary information on all aspects of Company and Group affairs, and over the course of the year provided his contribution to the executive directors in his specialist fields, in particular with regard to the company's plans for international expansion, given his wide experience in this field.

The directors, Mr. José Miguel Pereira Gens Paredes and Mr. Paulo Miguel Garcês Ventura focussed their activities primarily on monitoring the work of the Executive Board, in order to obtain the necessary information on all aspects of Company and Group affairs, and over the course of the year provided their contribution to the Executive Directors in their specialist fields, both at board meetings and informally. These directors monitored certain specific areas more closely, these being, in the case of Mr. José Miguel Pereira Gens Paredes, the financial sector, where he has gained most of his professional experience, and in the case of Mr. Paulo Miguel Garcês Ventura, the area of legal affairs, where his experience permitted him to make the most relevant contribution.

ANNEX III
REPORT AND OPINION OF THE AUDIT BOARD CONSOLIDATED ACCOUNTS

FINANCIAL YEAR OF 2012

Shareholders,

1. In accordance with the law, the articles of association and the terms of our mandate, we are pleased to submit the report on our supervisory activities in 2012 and to issue our opinion on the consolidated management report and consolidated financial statements presented by the Board of Directors of Portucel, S.A., for the financial year ended 31 December 2012.

2. Over the course of the year we monitored the affairs of the company and its most significant affiliates and associates, with the regularity and to the extent we deemed appropriate, through periodic meetings with the company's directors and senior management. We checked that the accounts were kept correctly and duly documented, and verified the effectiveness of the risks management, internal control and internal audit systems. We monitored compliance with 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) as adopted in the European Union and suitably assure that such criteria lead to a correct valuation of the company's assets and profits, taking due account of the analyses and recommendations of the external auditor;

    c. the consolidated management report provides a sufficient description of the business affairs of the company and its affiliates included in the consolidated accounts, offering a clear account of the most significant developments during the year.

    d. the Corporate governance report includes the information required by Article 245-A of the Securities Code.

5. Accordingly, taking into consideration the information received from the Board of Directors and the company departments, and also the conclusions of the legal accounts certificate and the audit report, we recommend that:

    a. the consolidated management report be approved;

    b. the consolidated financial statements be approved;

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

Lisbon, 11 March 2013

THE CHAIRMAN OF THE AUDIT BOARD
Miguel Camargo de Sousa Eiró

MEMBER
Duarte Nuno d'Orey da Cunha

MEMBER
Gonçalo Nuno Palha Gaio Picão Caldeira

ANEXO IV
STATEMENT ON THE REMUNERATION POLICY FOR THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES OF PORTUCEL

FOR SUBMISSION TO THE GENERAL MEETING OF SHAREHOLDERS OF 2013

I. Introduction

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

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

It was then necessary to review the statement in 2010 in the light of the provisions of Law 28/2009, of 19 June, requiring the Remuneration Committee to submit a remuneration policy statement each year to the General Meeting.

This Committee has maintained the view that, as a set of principles, the remuneration policy statement should be kept stable throughout the term of office of the company officers, unless exceptional or unforeseen circumstances require a change. Moreover, given that the Remuneration Committee has been re-elected for another term of office, running until 2014, it continues to make sense that this stability be maintained, except in the possible case of the circumstances mentioned, which have not so far occurred. We have therefore opted to proposal for approval a statement with the same content as that currently in force.

There is a significant divide between the two most common systems for setting the remuneration of company officers. The first is for such remuneration to be set by the General Meeting; this solution is rarely adopted, being rather impractical for a variety of reasons. The second is for remuneration to be set by a Committee, which decides in keeping with criteria on which the shareholders have not had the opportunity to pronounce.

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

II. Legal requirements and recommendations

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

In addition to rules on the frequency with which the statement must be issued and approved and on disclosure of its content, this law also stipulates that this content should include information on:

a. Procedures to permit directors' interests to be aligned with those of the company;

b. The criteria for setting the variable component of remuneration;

c. The existence of share or share option pay schemes for members of the management and supervisory bodies;

d. The possibility of the variable remuneration component, if any, being paid, in full or in part, after the accounts for the periods corresponding to the entire term of office having been drawn up;

e. Procedures for capping variable remuneration, in the event of the results showing a significant deterioration in the company's performance in the last period for which accounts have been reported or when such a deterioration may be expected in the period underway.

The current recommendations of the Securities Market Commission make the following requirements:

II.1.5.2. In addition to the content referred to in Article 2 of Law 28/2009, of 19 June, the statement on remuneration policy for the management and supervisory bodies referred to in the same article should contain sufficient 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 28/2009 should also cover the pay of management personnel as defined by Article 248/B/3 of the Securities Code, when such pay includes a significant variable component. The statement should be detailed and the policy presented should take into account, namely, the company's long term performance, compliance with the rules applicable to the company's business activities and restraint in risk-taking.

III. Rules deriving from law and the articles of association

Any remuneration system must inevitably take into account both the general legal rules and the particular rules established in the articles of association, if any.

The legal rules for the directors are basically established in Article 399 of the Companies Code, from which it follows that:

- Powers to fix the remuneration lie with the General Meeting of shareholders of a committee appointed by the same.
- The remuneration is to be fixed in accordance with the duties performed and the company's state of affairs.
- Remuneration may be fixed, or may consist in part of a percentage of the profits for the period, but the maximum percentage to be allocated to the directors must be authorized by a clause in the articles of association, and shall not apply to distribution of reserves or any part of the profits for the period which could not, under the law, be distributed to shareholders.

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

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

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

IV. Historical background

From the company's transformation into a limited liability 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 determined the variable component.

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

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

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

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

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

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

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

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

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

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

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

5. Article 2 e) of Law 28/2009. Procedure limiting variable remuneration

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

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

6. 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 PSI20 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 may therefore be summarized as follows:

1. The remuneration of executive directors shall comprise a fixed component and a variable component. The fixed remuneration is subject to an upper limit, for each executive director, of 1,500,000 euros, the same limit applying to the variable remuneration, for each director.

2. The remuneration of non-executive directors shall comprise only a fixed component, or else a fixed component and a variable component, as for executive directors, whenever justified by the nature of the duties actually exercised and their degree of responsibility and involvement in the day to day running of the company.

3. The remuneration of the members of the Audit Board and the officers of the General Meeting shall comprise a fixed component only.

4. The fixed component of the remuneration of directors shall consist of a monthly amount payable fourteen times a year or of a pre-set amount for each meeting of the Board of Directors attended.

5. A monthly rate shall be set for the fixed component of the remuneration of directors for all those who are members of the Executive Board and those who, although not members of such Board, perform duties or carry out specific work of a repeated or ongoing nature.

6. The pre-set amount for participation in meetings of the Board of Directors shall be fixed for those who have duties which are essentially advisory and supervisory.

7. The fixed remuneration of the members of the Audit Board shall consist in all cases of a pre-set amount paid fourteen times a year.

8. The fixed remuneration of the officers of the General Meeting shall consist in all cases of a pre-set amount for each meeting, the remuneration for second and subsequent meetings being lower than that for the first General Meeting of the year.

9. In setting all remuneration, including in particular the distribution of the total amount allocated to the variable remuneration of the Board of Directors, the general principles established above shall be observed: the duties performed, the state of the company's affairs and market criteria.

THE REMUNERATION COMMITTEE

CHAIRMAN: José Gonçalo Maury

MEMBER: Frederico José da Cunha Mendonça e Meneses

MEMBER: João Rodrigo Appleton Moreira Rato

ANNEX V
ANNUAL REPORT OF THE ETHICS COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2012

No matter relating to its sphere of competence or requiring its appraisal was referred to the Committee for its scrutiny during the course of the year, and no corporate governance body, or any employee, client or stakeholder addressed any enquiry to the Committee or consulted its opinion.

The Committee is pleased to report that the company's governance bodies have functioned correctly and issues this report under the terms and for the purposes of the provisions of Article 2 a) of the Ethics Committee Rules of Procedure.

Lisbon, 15 February 2013

THE CHAIRMAN OF THE ETHICS COMMITTEE
Júlio de Lemos de Castro Caldas

THE MEMBERS
Rita Maria Lago do Amaral Cabral
Rui Gouveia

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2012

PORTUCEL GROUP

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ACKNOWLEDGMENTS

We would like to thank our Employees for having taken part in the photographs that illustrate the Company's Annual Report.

The electronic version of the 2012 Annual Report is available at the Company's website **www.portucelsoporcel.com** and QR Code

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Clive Thoms

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Unrealimage

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PRINTER

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