RELATÓRIO DO 1º SEMESTRE DE 2012

INTERIM REPORT FOR THE 1ST HALF 2012

O PAPEL DE PORTUGAL NO MUNDO É MAIS IMPORTANTE DO QUE IMAGINA

PORTUGAL: PAPERMAKERS TO THE WORLD

PORTUCEL, S.A.

SOCIEDADE ABERTA

PUBLIC LIMITED COMPANY

SEDE: MITRENA, APARTADO 55, 2901-861 SETÚBAL | N.I.P.C. 503 025 798 - CAPITAL SOCIAL € 767 500 000 | MATRICULADA NA CONSERVATÓRIA DO REGISTO COMERCIAL DE SETÚBAL
HEADQUARTERS: MITRENA, APARTADO 55, 2901-861 SETÚBAL | CORPORATE ENTITY 503 025 798 - SHARE CAPITAL € 767,500,000 | REGISTERED AT THE COMMERCIAL REGISTER OF SETÚBAL

DIRECTORS´ REPORT FOR THE FIRST HALF OF 2012

CONTENT

Highlights 1st Half 2012 (vs 1st Half 2011):

- Turnover of € 742.7 million
- Exports of € 618 million
- EBITDA of € 187.1 million
- Net profits of € 105.7 million
- Increase in the European paper market share
- Interest-bearing net debt down by € 59.8 million
- Net Debt / EBITDA ratio of 1.3

Leading indicators – IFRS

Million euros	H1 2012	H1 2011	% Change (5) H1 12/H1 11
Total sales	742.7	739.6	0.4%
EBITDA (1)	187.1	199.2	-6.1%
Operating profits	141.2	125.3	12.7%
Financial results	- 8.8	- 9.4	-7.0%
Net earnings	105.7	97.6	8.3%
Cash Flow (2)	151.6	171.5	-11.6%
Capex	11.9	10.0	1.9
Net debt (3)	488.4	548.2	-59.8
EBITDA / Sales (%)	25.2%	26.9%	-1,7 pp
ROS	14.2%	13.2%	+1,0 pp
ROE	14.8%	14.5%	+ 0,3 pp
ROCE	15.0%	12.9%	+2,1 pp
Equity ratio	50.3%	51.4%	-1,2 pp
Net Debt / EBITDA (4)	1.3	1.3	

	Q2 2012	Q1 2012	% Change (5) Q2 12/Q1 12
Total sales	389.7	353.0	10.4%
EBITDA (1)	93.5	93.6	0.0%
Operating profits	70.8	70.4	0.6%
Financial results	- 5.0	- 3.7	35.4%
Net earnings	53.4	52.3	2.2%
Cash Flow (2)	76.1	75.5	0.9%
Capex	5.8	6.1	-0.2
Net debt (3)	488.4	397.7	90.7
EBITDA / Sales (%)	24.0%	26.5%	-2,5 pp
ROS	13.7%	14.8%	-1,1 pp

(1) Operating results + depreciation + provisions
(2) Net profits + depreciation + provisions
(3) Includes market value of treasury stock
(4) EBITDA corresponds to the last 12 months
(5) Percentage variation corresponds to figures before rounding up/down

1. ANALYSIS OF RESULTS

1st Half 2012 vs 1st Half 2011

Turnover generated by the Portucel Group in the first half of 2012 stood at € 742.7 million, representing growth of 0.4% in relation to the first half of 2011, a particularly impressive achievement in the current economic climate. The growing volume of paper sales and excellent performance in energy operations were the factors which contributed positively to this growth.

Paper business over the first half performed well in relation to the same period in the previous year, thanks essentially to growth in the volume of paper sold. Despite contraction in apparent paper consumption in Europe of 3.5%, the Group has successfully maintained a strong level of performance in sales, which grew by approximately 3%. Paper prices held steady, with the benchmark index for the sector, Pix Copy B, edging down by an average of close to 0.5%.

Pulp sales were down by 18.2% on the 1st half of 2011. This was due in part to maintenance stoppages which took place at the Group’s two production centres at the start of the year, and also to the fact that less pulp is available for sale, due to increased integration into paper. In terms of prices, the market benchmark index, the PIX BHKP, presented an upward trend over the first half, but the average level of 567 €/ton was still down by 7.6% on the figure of 614 €/ton recorded in the first half of 2011.

Indicators for the energy sector are also positive, with gross power output up to 936 GWh in the first half of 2012, a growth of almost 4% year on year, thanks to the good performance and stability of the Group’s various power plants, despite the planned stoppages referred to above. Sales of electricity to the national grid totalled 843 GWh, representing growth of more than 5% in relation to the same period in the previous year.

Costs worsened in relation to the 1st half of 2011, mainly due to significant increases in power and natural gas prices, as well as in logistical costs, resulting in an overall rise in the factors of production.

In this context, consolidated EBITDA stood at € 187.1 million, down by 6.1% on the same period in the previous year and representing an EBITDA / Sales margin of 25.2%, down by 1.7 percentage points.

Operating results stood at € 141.2 million and compare favourably with the results for 2011, having been favourably influenced by the reversal of provisions of approximately € 6.5 million, as well as by a reduction in the value of depreciation over the period, due to the normal life cycle of the Group's main assets.

Financial results presented a negative figure of € 8.8 million, comparing favourably with the loss of € 9.4 million recorded in 2011. This improvement was due essentially to a reduction in the Group's net debt.

As a result, the consolidated net profit for the period stood at € 105.7 million, representing an improvement of 8.3% over the previous year.

2nd Quarter 2012 vs 1st Quarter 2012

Turnover in the second quarter compares very favourably with that of the first, up by 10.4%. This was due essentially to significant growth in volumes of paper sales, as well as in volumes and prices of pulp sales.

Paper sales in the second quarter grew by 10%, with the Group reaching again record sales and a significant increase in its European market share. The gain in market share was made possible by the risen output from the new paper mill in Setúbal, in line with the learning curve, and also by growing recognition and perception of the quality of the Group's brands.

Figures for BEKP pulp were similarly positive, with growth in market sales explained in part by the fact that sales in the first quarter were affected by the maintenance stoppages mentioned above. Average pulp prices also performed well, with the benchmark PIX BHKP Index rising by 12.5%.

Despite the positive operational performance, EBITDA for the quarter was hit by a number of non-recurrent factors, and accordingly held steady in relation to the previous quarter, at € 93.5 million, with an EBITDA / Sales margin of 24.0%.

Operating results were also stable in relation to the previous quarter, standing at € 70.8 million. Net profits totalled € 53.4 million, up by 2.2%.

2. MARKET ANALYSIS

2.1 UWF Paper

The first half of 2012 presented an estimated drop of 3.5% in apparent consumption of UWF, both in Europe and the US, although the reduction took place mostly in the first quarter, with consumption stabilizing in the last three months. Despite the difficult economic environment, visible in high and rising levels of unemployment, the demand for office paper once again proved significantly resilient, dropping by only 0.8% in relation to the same period in 2011. The impact of the reduction in capacity, due to closures by certain competitors in 2011, continued to have a positive effect on the market balance during the first half.

The strength of the US dollar against the Euro was another crucial factor in maintaining a balance on the European market, which was made less attractive to manufacturers in other geographical regions, at the same time as it improved the price in Euros of USD sales by European producers.

As a result, the industry as a whole operated at more than 93% of total capacity, and order books at European manufacturers fluctuated between 4 and 5 weeks, comfortable levels from a historic perspective.

The Portucel Group achieved a new quarterly record for production and for paper sales in euros, thanks to an all-time high in the volume of output placed over the quarters combined with rising average prices over the period.

The Group was able to expand its market share in Europe by 68 thousand tones, with particular success in cut-size products, where the market share grew by approximately 48 thousand tons. The total gain in market share in Europe from 2009 to the end of the first half of 2012 stands at more than 370 thousand tons.

The Group has pressed ahead with its strategy of diversifying its export destinations, following up on its success in recent years. With an established strong position and the advantages of proximity, Europe remains the Groups´main market, despite the sharp economic contraction being suffered by certain countries. This economic contraction has required the Group to increase its sales to more distant European markets, with the consequent negative impact on distribution costs.

Despite the adverse economic climate, the resulting strong pressure for quality downgrading in certain markets, falling consumption and the significant growth in the Group's capacity, the business model remains unscathed, with some 60% of total sales in premium products and Group brands.

The make-to-order operational model for the supply chain in the Group's paper business has allowed it to maintain a level of stocks of finished and intermediate products lower than that in comparable companies in the industry. This made it possible to reduce total stocks even further at the end of the period.

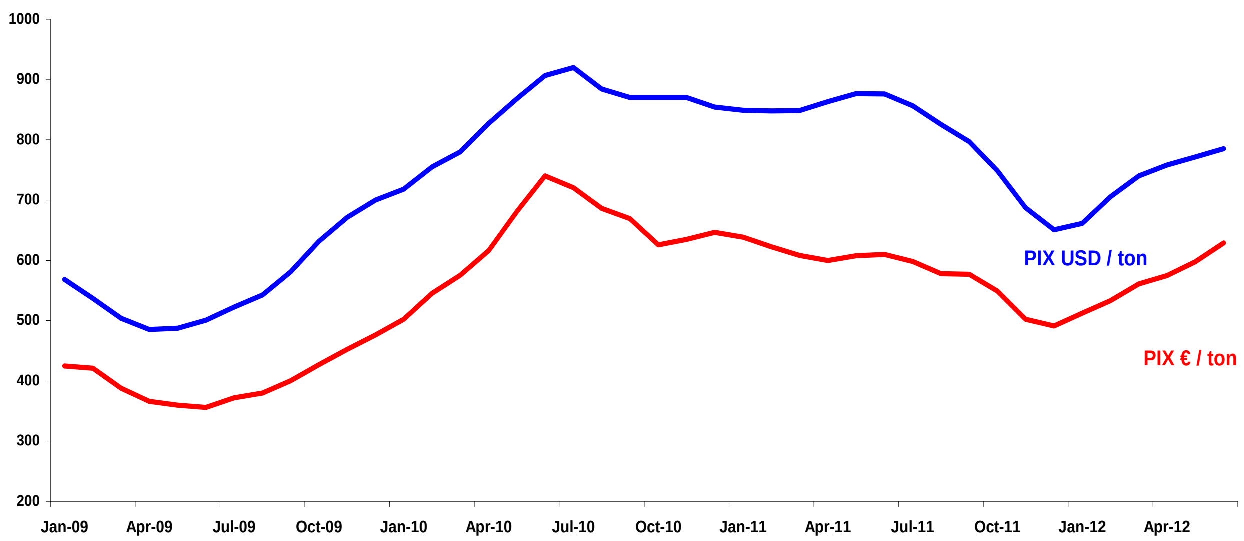
The main benchmark index for UWF paper prices in Europe (PIX A4 Copy-B) stabilized over the first half at the level recorded in the same period in 2011, whilst the Group's overall net price also stabilized at the level experienced in the 1st half of 2011.

2.2 PULP

The BEKP pulp market saw confirmation in the 2nd quarter of 2012 of the recovery in listed prices, which rose as high as USD 800 / ton CIF in May, confirming expectations in the industry which pointed to a turnaround in the market in December 2011.

However, this recovery in the pulp market has been based on the extraordinary performance of the Chinese market which, as has become customary in recent years, acted as a crucial factor on the demand side. Following on from 2011, which was the best year ever in terms of pulp imports, figures for the 1st half of 2012 point to a continuation of this trend, with the months of February and March setting new all-time highs for the volume of pulp imports.

Monthly evolution of Price PIX - BHKP



In contrast, the economic situation in the Euro Zone has caused not only a slowdown in the paper sector but also a certain amount of volatility on the foreign exchanges, generating instability in the industry.

The Group's BEKP pulp sales in the 1st half of 2012 were affected by a reduction in the quantity of pulp available for sale over the period, due to planned maintenance periods and increased integration into paper manufacture.

A breakdown of BEKP pulp sales by paper segment shows that the Group continues to strengthen its position in segments with higher value added, and in particular on the special papers segment, which accounted for 63% of all sales in quantity, as compared to a figure of 57% in the first half of 2011.

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 E*ucalyptus globulus* pulp produced by the Group generate substantial added value.

3. DEVELOPMENT

In terms of its international development plans, the Group is pressing ahead with the work envisaged in its investment for Mozambique. It is currently developing a network of trial plantations, testing new materials and extending these trials, in order to validate the forestry models and connected logistical issues. Work is also proceeding on studies of alternative logistical solutions for incoming and outgoing products for the production of paper pulp and energy.

In forest activity in Portugal, work has proceeded as planned on forestation and protection of biodiversity, in addition to conclusion of a capital project worth € 2.5 million designed to modernize and double the capacity for producing cloned eucalyptus plants at the main nursery of the Group, located in Espirra. With this new capacity, the Group nurseries will produce 12 million plants a year, of which 6 million will be eucalyptus clones which incorporate the benefits of the genetic improvement programme pursued by Raiz, the Group's forest research institute. This will enable to offer forestry producers an increased number of improved and certified plants for forestry production in Portugal, with clear benefits for yields in the sector. The nurseries will also produce 4 million eucalyptus seminal plants, 940 thousand resinous plants (pine trees and cupressus), 560 thousand hardwoods (mainly cork, holmoak, and ash), 100 thousand plants of olive trees and 400 thousand ornamental plants.

In order to protect the country's woodlands, and in particular to combat the eucalyptus weevil, a pest that has affected the plantations of countless forest landowners, an integrated plan has been devised which includes the careful release of a natural predator to control the infestation.

In keeping with its policy of active engagement in preventing and fighting forest fires, the Portucel Group mobilizes a formidable array of resources during the peak danger season, coordinated by Afocelca, the forestry sector association in which it has a majority holding. This year's efforts have been entrusted to a team of more than 270 people with specific training in fighting forest fires, supported by an operational command centre and the following resources:

- 3 watch towers;

- 3 helicopters with a crew of 5 specialist forest fire fighters;

- 37 rapid response units, working with 4WD vehicles, each with a crew of 3 forest fire fighters and kits with 600 litres of water, designed for awareness raising, surveillance and initial fire fighting response;

- 17 semi-heavy fire engines, with 3 500 litres of water, each crewed by 6 fire fighters specialized in using manual fire fighting tools.

This policy has assured that the forests managed by the Group have recorded a rate of fire damage well below the national average, although it should be noted that the overwhelming majority of fires tackled are located on property not owned by the Group, where it supports the national fire fighting system.

In the field of forest certification, the Group has continued to implement and develop its forestry management system and has taken the first steps in the process of renewing its forest management certificates.

4. FINANCIAL

At 29 June 2012, interest-bearing net debt stood at € 488.4 million, up by € 65.5 million in relation to year-end 2011, due essentially to the payment in April of a dividend of € 164.7 million. Cash generation in the first half was also severely hampered by the stepping up of our policy for supporting raw material suppliers and by the disbursement of the final payments on capital projects from previous periods and by the adoption of payment policies to suppliers according to their needs.

Around 83% of the goods and services incorporated by the Group are sourced, produced and purchased in Portugal. Aware of its importance to some 5,500 Portuguese suppliers and service providers, the Company has altered its terms of payment to suppliers, in view of the great difficulties they have experienced in access to credit.

Financial autonomy stood at 50.3% at the end of June and the ratio of Net Debt to EBITDA remained at a fairly conservative level at 1.3.

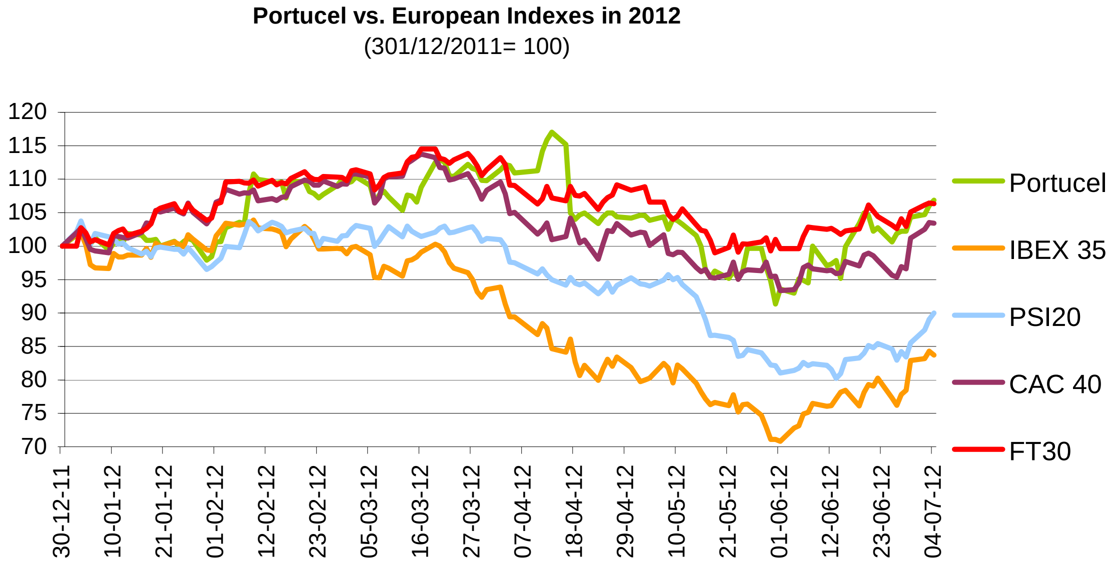
The Group's gross long term debt stood at € 357.5 million at 29 June 2012, with debt maturing in less than 1 year at € 411.8 million. With its excellent capacity to generate cash flow, liquid assets of € 190.5 million and credit facilities contracted of around € 80 million, the Group presents a level of liquidity which will allow it to honour its current liabilities without requiring significant recourse to the debt market.

5. CAPITAL MARKETS

The second quarter was particularly negative in the capital markets: the leading European share indexes recorded significant losses, wiping out part of the gains built up in the first three months of the year. The Lisbon and Madrid stock exchanges presented the highest losses, in both quarterly and accrued terms, with the IBEX and the PSI20 dropping 17.1% and 14.5% over the first half. Other European markets performed better, ending the first half in positive territory.

Portucel shares were not immune to this context and fell by 5% in the 2nd quarter, still leaving an accrued gain of 4.4% for the first half. The second quarter was also very negative for pulp and paper companies, with the impact being felt across the industry.

On 28 June, Portucel purchased a bloc of 24.85 million own shares, representing 3.2% of its share capital. As a result of this transaction, Portucel now holds 47.36 million own shares, representing 6.17% of its share capital.


Portucel vs. European Indexes in 2012
(301/12/2011= 100)
120
115
110
105
100
95
90
85
80
75
70
30-12-11
10-01-12
21-01-12
01-02-12
12-02-12
23-02-12
05-03-12
16-03-12
27-03-12
07-04-12
18-04-12
29-04-12
10-05-12
21-05-12
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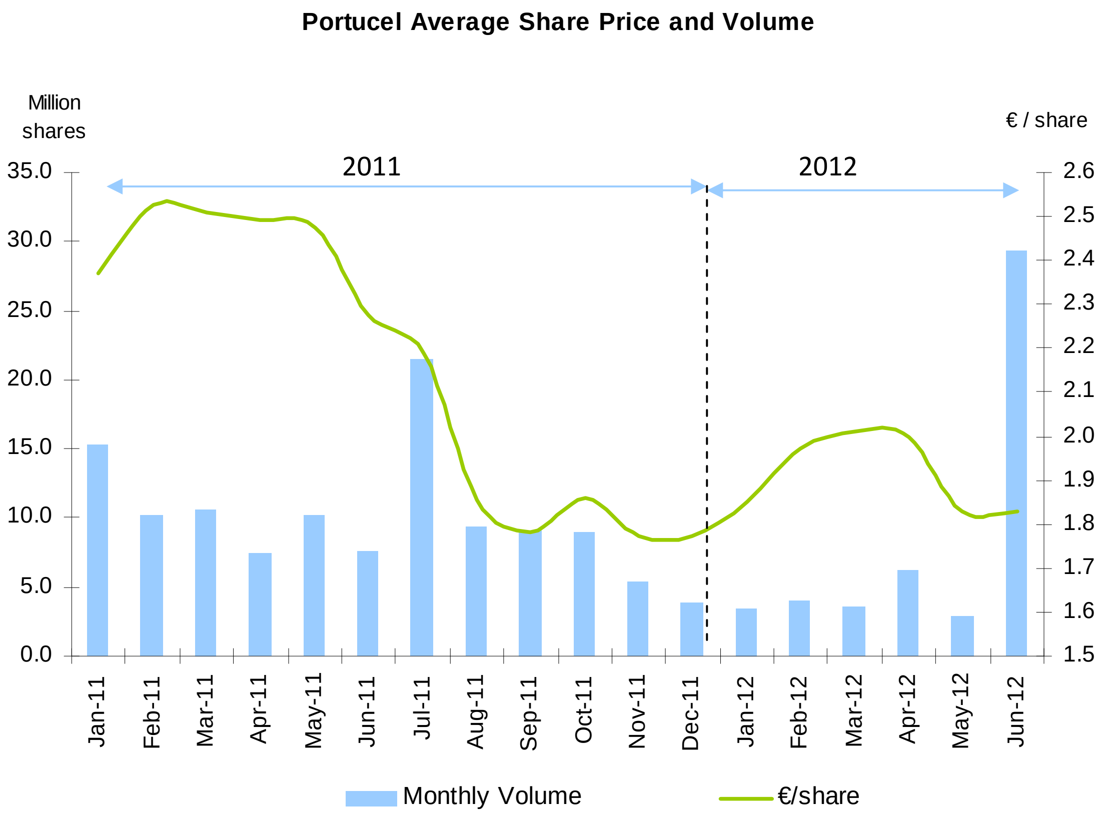
04-07-12
Portucel
IBEX 35
PSI20
CAC 40
FT30


Portucel Average Share Price and Volume
Million shares
€ / share
2011
2012
35.0
30.0
25.0
20.0
15.0
10.0
5.0
0.0
2.6
2.5
2.4
2.3
2.2
2.1
2.0
1.9
1.8
1.7
1.6
1.5
Jan-11
Feb-11
Mar-11
Apr-11
May-11
Jun-11
Jul-11
Aug-11
Sep-11
Oct-11
Nov-11
Dec-11
Jan-12
Feb-12
Mar-12
Apr-12
May-12
Jun-12
Monthly Volume
€/share

6. OUTLOOK

Most available indicators point to a slowdown in the main world economies and to a continued climate of extreme uncertainty, although the dynamic varies widely between countries and regions. In the more developed economies, structural issues continue to hamper economic growth, whilst the emerging economies continue to enjoy a fairly high level of growth, although still subject to widespread cooling.

In line with the measures set out in the memorandum between Portugal, the European Union, the European Central Bank and the International Monetary Fund, the Portuguese Government has legislated to reduce the tariffs for electricity produced in co-generation facilities, from renewable and non-renewable sources. The Portucel Group has been affected by this change which, in the case of non-renewable co-generation, will take effect gradually, as it reaches the end of the guaranteed tariff period for each of its facilities. Further information has been requested from the authorities in the sector in order to gauge the precise extent to which these measures will affect the Group.

In the Euro Zone, economic growth remains limited by strong tensions in the sovereign debt market and the knock-on effect of a severe contraction in lending to individuals and businesses. Other factors holding back growth include the public spending cuts underway in most European countries and the high level of unemployment in the region. Even in Germany, until now the powerhouse of the region, the export sector is starting to feel the effects of the global slowdown, which means that some economic slowdown may also be expected.

In the US, although the economy is still expanding, estimates of growth are moderate, at slightly more than 2% according to most analysts. The leading business indicators in fact point to a degree of deceleration, caused by the influence of foreign markets and the continuing weakness of the labour market, with a consequent impact on internal consumption. Great uncertainties remains as to the fiscal policy for the coming years, which will have to include some degree of budgetary consolidation, and in relation to the political scenario after the presidential elections to be held this year.

A degree of cooling may also be observed in emerging markets, especially in China, as a result of lower demand from the developed economies.

Despite this difficult environment, the cut-size paper market in Europe has proved fairly resilient, with demand falling at a very moderate rate considering the present economic situation and in comparison with the performance of demand for consumer goods in general. This trend in demand, combined with the impact of the significant capacity closures which took place in 2011, whose full effects will only be felt in 2012, the strength of the dollar against the euro and the recovery in pulp prices, which should keep non-integrated manufacturers under strong pressure, are factors which may help to support the market over the course of 2012.

In the US, the economic outlook, increased consolidation in the sector, reflected in an improved capacity to adjust supply to demand, and the likely increase in paper consumption associated with the presidential campaign due to take place this year, could all help to keep the market buoyant.

Significantly, the Group continues to operate at full capacity, placing almost all its output on foreign markets, thanks to the strong perception of the quality of its value proposition, and the excellent penetration and awareness ratings enjoyed by its own brands.

Despite the economic slowdown in the region, the BEKP pulp market continues to be supported by strong demand from Asia, in particular from China, where demand has been stimulated by investment in non-integrated paper mills, especially for tissue paper. This positive performance in the Chinese market has served to offset a more recessionary situation in Europe and the US, meaning that expectations point to a certain balance being maintained in the market during 2012. Still, a worsening of business condition may also be expected in the 3rd quarter of the year, as this is traditionally a cooling-off period for the paper industry and consumption in the northern hemisphere, and also because of a possible destocking in the Chinese market. Nonetheless, the surge in supply to be expected as from the end of this year, as new capacity in Brazil and Uruguay comes on line, could disrupt the balance between supply and demand in subsequent years.

Setúbal, 19 July 2012

MANDATORY DISCLOSURES

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

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

I hereby declare, under the terms and for the purposes of Article 246.1 c) of the Securities Code, that, to the best of my knowledge, the condensed financial statements of Portucel S.A., for the first half of 2012, were drawn up in accordance with the applicable accounting rules, and provide a true and fair view of the assets and liabilities and the state of affairs of the said company and the companies included in the consolidated accounts, and that the interim management report faithfully sets out the information required by Article 246.2 of the Securities Code.

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

Name	Office
Pedro Mendonça de Queiroz Pereira	Chairman of the Board of Directors
José Alfredo de Almeida Honório	Director
Manuel Soares Ferreira Regalado	Director
Adriano Augusto da Silva Silveira	Director
António José Pereira Redondo	Director
José Fernando Morais Carreira Araújo	Director
Luís Alberto Caldeira Deslandes	Director
Manuel Maria Pimenta Gil Mata	Director
Francisco José Melo e Castro Guedes	Director
José Miguel Pereira Gens Paredes	Director
Paulo Miguel Garcês Ventura	Director
Miguel Camargo de Sousa Eiró	Chairman of the Audit Board
Duarte Nuno d´Orey da Cunha	Member of the Audit Board
Gonçalo Nuno Palha Gaio Picão Caldeira	Member of the Audit Board

DISCLOSURE REQUIRED BY ARTICLE 9.1 a) AND e) OF

CMVM REGULATIONS 5/2008

(with reference to the first half of 2012)

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

- Adriano Augusto da Silva Silveira:	2.000 shares in the company;
- António José Pereira Redondo:	6.000 shares in the company and 5 bonds in Semapa – Sociedade de Investimento e Gestão SGPS, SA;
- Duarte Nuno d'Orey da Cunha:	16.000 shares in the company and 2.907 shares and 25 bonds in Semapa – Sociedade de Investimento e Gestão SGPS, SA;
- Gonçalo Picão Caldeira:	20.000 shares in the company and 5 bonds in Semapa – Sociedade de Investimento e Gestão SGPS, SA;
- José Alfredo de Almeida Honório:	20.000 shares and 500 bonds in Semapa – Sociedade de Investimento e Gestão SGPS, SA;
- José Miguel Pereira Gens Paredes:	180 bonds in Semapa – Sociedade de Investimento e Gestão SGPS, SA;
- Luís Alberto Caldeira Deslandes	60 bonds in Semapa – Sociedade de Investimento e Gestão SGPS, SA;
- Manuel Maria Pimenta Gil Mata	100 bonds in Semapa – Sociedade de Investimento e Gestão SGPS, SA;
- Manuel Soares Ferreira Regalado:	90 bonds in Semapa – Sociedade de Investimento e Gestão SGPS, SA;
- Miguell Camargo de Sousa Eiró:	50 bonds in Semapa – Sociedade de Investimento e Gestão SGPS, SA;
- Paulo Miguel Garçês Ventura:	125 bonds in Semapa – Sociedade de Investimento e Gestão SGPS, SA;

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

- António José Pereira Redondo acquired, on March 30th 2012, 5 bonds of Semapa – Sociedade de Investimento e Gestão, SGPS, SA, at the price of 1,000.00 euro per bond;
- Duarte Nuno d'Orey da Cunha made the following acquisitions of Semapa – Sociedade de Investimento e Gestão, SGPS, SA securities: 5 bonds on March 30th 2012 and 20 bonds on April 3rd 2012, at the price of 1,000.00 euro per bond;
- Gonçalo Picão Caldeira acquired, on April 16th 2012, 20.000 shares in Portucel at the price of 2.159559 euro per share and acquired, on March 30th 2012, 5 bonds of Semapa – Sociedade de Investimento e Gestão, SGPS, SA, at the price of 1,000.00 euro per bond;
- José Alfredo de Almeida Honório acquired, on March 30th 2012, 500 bonds of Semapa – Sociedade de Investimento e Gestão, SGPS, SA, at the price of 1,000.00 euro per bond;
- José Miguel Pereira Gens Paredes acquired, on March 30th 2012, 180 bonds of Semapa – Sociedade de Investimento e Gestão, SGPS, SA, at the price of 1,000.00 euro per bond;
- Luís Alberto Caldeira Deslandes acquired, on March 30th 2012, 60 bonds of Semapa – Sociedade de Investimento e Gestão, SGPS, SA, at the price of 1,000.00 euro per bond;
- Manuel Maria Pimenta Gil Mata acquired, on March 30th 2012, 100 bonds of Semapa – Sociedade de Investimento e Gestão, SGPS, SA, at the price of 1,000.00 euro per bond;
- Manuel Soares Ferreira Regalado acquired, on March 30th 2012, 90 bonds of Semapa – Sociedade de Investimento e Gestão, SGPS, SA, at the price of 1,000.00 euro per bond;
- Miguel Camargo de Sousa Eiró made the following acquisitions of Semapa – Sociedade de Investimento e Gestão, SGPS, SA securities: 5 bonds on March 30th 2012 and 21 bonds on March 30th 2012 at the price of 1,000.00 euro per bond, and 24 bonds on April 12th 2012 at the price of 996.00 euro per bond;
- Paulo Miguel Garcês Ventura acquired, on March 30th 2012, 125 bonds of Semapa – Sociedade de Investimento e Gestão, SGPS, SA, at the price of 1,000.00 euro per bond;

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

Entity	Nº Shares	% of capital	% of non-suspended voting rights
Semapa SGPS SA	**582.192.407**	**75,86%**	**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%
Seminv - Investimentos, SGPS, S.A.	1.000	0,00%	0,00%
Cimentospar - Participações Sociais, SGPS, L.da	1.000	0,00%	0,00%
Duarte Nuno d'Orey da Cunha (*)	16.000	0,00%	0,00%
Gonçalo Picão Caldeira (*)	20.000	0,00%	0,00%
Treasury stock	**47.360.601**	**6,17%**	

(*) Member of the Governing Bodies of Semapa – Sociedade de Investimento e Gestão, SGPS

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

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

Date	Numb.of Shares	Share Price	Transaction
18-04-2012	10.298.855	1,93	Sale

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

Date	Numb.of Shares	Share Price	Transaction
29-12-2011	230.839.400	1,75	Purchase

- Seinpart – Participações, SGPS, S.A. carried out the following transactions with shares in the company:

Date	Numb.of Shares	Share Price	Transaction
29-12-2011	230.839.400	1,75	Sale

- Gonçalo Picão Caldeira carried out the following transactions with shares in the company:

Date	Numb.of Shares	Share Price	Transaction
16-04-2012	20.000	2,16	Purchase

5. Information on transactions in own shares

(under Article 66.5 d) of the Companies Code)

During the first half of 2012, Portucel acquired 25,249,219 own shares, considering that these acquisitions represented a good investment for the excess cash generated by the Company. Following these acquisitions, on June 30th 2012, Portucel held 47,360,601 own shares representing 6.17% of the Company share capital. The transactions made during the first half are detailed as follows:

Date	Numb.of Shares	Share Price	Accumulated Shares
16-05-2012	23.000	1,794	22.134.382
17-05-2012	14.000	1,765	22.148.382
18-05-2012	18.000	1,755	22.166.382
21-05-2012	13.000	1,753	22.179.382
22-05-2012	12.500	1,756	22.191.882
23-05-2012	13.000	1,753	22.204.882
24-05-2012	12.000	1,768	22.216.882
25-05-2012	6.000	1,780	22.222.882
28-05-2012	10.000	1,800	22.232.882
29-05-2012	15.000	1,792	22.247.882
30-05-2012	13.500	1,773	22.261.382
31-05-2012	54.000	1,702	22.315.382
01-06-2012	44.500	1,705	22.359.882
04-06-2012	7.500	1,720	22.367.382
05-06-2012	12.229	1,733	22.379.611
06-06-2012	7.796	1,737	22.387.407
07-06-2012	17.328	1,738	22.404.735
11-06-2012	30.000	1,789	22.434.735
12-06-2012	21.000	1,782	22.455.735
13-06-2012	10.000	1,792	22.465.735
14-06-2012	38.738	1,752	22.504.473
15-06-2012	5.855	1,773	22.510.328
28-06-2012	24.850.273	1,850	47.360.601
Total amount acquired in 2012	**25.249.219**		
Total final amount	**47.360.601**		

CONSOLIDATED SEPARATE INCOME STATEMENT

Amounts in Euros	Notes	6 months June 2012	6 months June 2011	2nd Quarter 2012	2nd Quarter 2011
				(unaudited)	(unaudited)
Revenues	4				
Sales		741,348,658	739,104,263	388,819,159	370,148,475
Services rendered		1,398,755	467,702	929,866	187,582
Other operating income	5				
Gains on the sale of non-current assets		186,833		26,483	-
Other operating income		13,227,123	9,775,505	4,600,100	3,657,650
Change in the fair value of biological assets	18	(154,297)	(990,273)	1,464,173	(2,663,403)
Costs	6				
Cost of inventories sold and consumed		(301,868,038)	(277,989,958)	(156,156,634)	(148,208,293)
Variation in production		(942,528)	(27,936,341)	(8,632,034)	(7,587,370)
Cost of materials and services consumed		(191,700,346)	(167,980,650)	(100,970,779)	(81,963,270)
Payroll costs		(66,808,926)	(68,157,973)	(32,573,024)	(36,700,609)
Other costs and losses		(7,565,808)	(7,093,236)	(3,963,225)	(1,454,231)
Provisions		6,489,237	(6,904,901)	3,682,976	(3,205,396)
Depreciation, amortization and impairment losses	8	(52,365,788)	(67,013,445)	(26,379,786)	(33,667,086)
Operating results		**141,244,874**	**125,280,694**	**70,847,275**	**58,544,051**
Group share of (loss) / gains of associated companies and joint ventures		393,816	384,817	285,482	152,226
Net financial results	10	(8,764,472)	(9,427,053)	(5,041,437)	(2,965,385)
Profit before tax		**132,874,219**	**116,238,458**	**66,091,319**	**55,730,891**
Income tax	11	(27,178,286)	(18,630,978)	(12,681,515)	(9,555,847)
Net Income		**105,695,933**	**97,607,480**	**53,409,804**	**46,175,045**
Non-controlling interests	13	13,631	17,538	9,271	1,714
Net profit for the year		**105,709,564**	**97,625,018**	**53,419,074**	**46,176,759**
Earnings per share					
Basic earnings per share, Eur	12	0.145	0.130	0.145	0.130
Diluted earnings per share, Eur	12	0.145	0.130	0.145	0.130

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in Euro	Notes	Jun 2012	Dec 2011
ASSETS			
Non-Current Assets			
Goodwill	15	376,756,383	376,756,383
Other intangible assets	16	6,531,202	2,776,759
Property, plant and equipment	17	1,497,353,409	1,529,709,225
Biological assets	18	110,615,008	110,769,306
Available-for-sale financial assets	19	126,032	126,032
Investment in associates	19	1,752,100	1,778,657
Deferred tax assets	26	44,684,134	46,271,758
		2,037,818,267	**2,068,188,120**
Current Assets			
Inventories	20	195,262,756	188,690,926
Receivables and other current assets	21	242,515,472	242,257,094
State and other public entities	22	69,405,508	54,684,123
Cash and cash equivalents	29	190,121,478	267,431,715
		697,305,214	**753,063,858**
Total Assets		**2,735,123,482**	**2,821,251,978**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	24	767,500,000	767,500,000
Treasury shares	24	(88,895,625)	(42,154,975)
Fair value reserves	25	(144,189)	(523,245)
Other reserves	25	66,217,777	57,546,582
Translation reserves	25	(1,496,674)	(485,916)
Retained earnings	25	525,115,789	499,721,013
Net profit for the period		105,709,564	196,331,389
		1,374,006,642	**1,477,934,848**
Non-controlling interests	13	194,967	220,660
		1,374,201,609	**1,478,155,508**
Non-current liabilities			
Deferred taxes liabilities	26	189,144,332	193,236,695
Pensions and other post-employment benefits	27	15,053,371	16,682,785
Provisions	28	13,113,355	19,602,592
Interest-bearing liabilities	29	357,545,143	566,813,031
Other non-current liabilities	29	15,422,050	18,109,324
		590,278,250	**814,444,427**
Current liabilities			
Interest-bearing liabilities	29	411,833,238	164,085,292
Payables and other current liabilities	30	252,064,916	284,893,379
State and other public entities	22	106,745,469	79,673,372
		770,643,623	528,652,043
Total liabilities		**1,360,921,873**	**1,343,096,470**
Total equity and liabilities		**2,735,123,482**	**2,821,251,978**

STATEMENT OF COMPREHENSIVE CONSOLIDATED INCOME

Amounts in Euro	6 months June 2012	6 months June 2011	2nd Quarter 2012 (unaudited)	2nd Quarter 2011 (unaudited)
Retained earnings for the period without non-controlling interests	**105,695,933**	**97,607,480**	**53,409,804**	**46,175,011**
Fair value in derivative financial instruments	553,366	2,481,559	(1,640,223)	274,358
Currency translation differences	(1,010,758)	(3,371,751)	667,411	(2,708,188)
Actuarial gains / (losses)	2,873,517	(3,177,400)	(1,270,108)	(2,905,909)
Other changes in equity of associated companies	(420,373)	-	-	-
Tax on items above when applicable	(148,355)	1,177,686	581,911	1,486,305
Income / (losses) recognized directly in Equity	**1,847,396**	**(2,889,906)**	**(1,661,010)**	**(3,853,434)**
Total recognized income and expense for the period	**107,543,329**	**94,717,574**	**51,748,794**	**42,321,577**
Attributable to:				
Portucel's shareholders	107,569,022	94,737,201	51,770,608	42,324,540
Non-controlling interests	(25,693)	(19,627)	(21,814)	(2,963)
	107,543,329	**94,717,574**	**51,748,794**	**42,321,577**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in Euro	31 December 2011	Gains/losses recognized in the period	Dividends paid and distributed reserves (Note 25)	Treasury shares acquisition	Application of prior year's net profit (Note 14)	30 June 2012
Share capital	767,500,000	-	-	-	-	767,500,000
Treasury shares	(42,154,975)	-	-	(46,740,650)	-	(88,895,625)
Fair value reserve	(523,245)	379,056	-	-	-	(144,189)
Other reserves	57,546,582	-	-	-	8,671,195	66,217,777
Translation reserve	(485,916)	(1,010,758)	-	-	-	(1,496,674)
Retained earnings	499,721,013	2,465,467	(164,730,885)	-	187,660,194	525,115,789
Net profit for the period	196,331,389	105,709,564	-	-	(196,331,389)	105,709,564
Total	**1,477,934,848**	**107,543,329**	**(164,730,885)**	**(46,740,650)**	**-**	**1,374,006,642**
Non-controlling interests	220,660	(25,693)		-		194,967
Total	**1,478,155,508**	**107,517,636**	**(164,730,885)**	**(46,740,650)**	**-**	**1,374,201,609**

Amounts in Euro	31 December 2010	Gains/losses recognized in the period	Dividends paid and distributed reserves (Note 25)	Treasury shares acquisition	Application of prior year's net profit (Note 14)	30 June 2011
Share capital	767,500,000	-	-	-	-	767,500,000
Treasury shares	(26,787,706)	-	-	(10,115,179)	-	(36,902,885)
Fair value reserve	78,040	2,409,624	-	-	-	2,487,664
Other reserves	47,005,845	-	-	-	10,540,737	57,546,582
Translation reserve	881,575	(3,263,731)	-	-	-	(2,382,156)
Retained earnings	304,020,383	(2,033,710)	-	-	200,047,341	502,034,014
Net profit for the period	210,588,078	97,625,018	-	-	(210,588,078)	97,625,018
Total	**1,303,286,215**	**94,737,201**	**-**	**(10,115,179)**	**-**	**1,387,908,237**
Non-controlling interests	216,755	(19,627)		-		197,128
Total	**1,303,502,970**	**94,717,574**	**-**	**(10,115,179)**	**-**	**1,388,105,365**

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in Euro	Notes	6 months June 2012	6 months June 2011
OPERATING ACTIVITIES			
Payments from customers		792,624,410	770,509,713
Payments to suppliers		668,140,978	617,450,792
Payments to personnel		53,494,805	37,860,385
Cash flow from operations		70,988,628	115,198,536
Income tax received / (paid)		(18,152,321)	(15,134,429)
Other receipts / (payments) relating to operating activities		30,470,759	30,411,641
Cash flow from operating activities (1)		**83,307,066**	**130,475,747**
INVESTING ACTIVITIES			
Inflows			
Investment grants		32,526,671	-
Interest and similar income		2,119,417	2,402,972
Inflows from investment activities (A)		34,646,087	2,402,972
Outflows			
Financial investments		-	755,378
Property, plant and equipment		10,751,616	17,018,145
Outflows from investment activities (B)		10,751,616	17,773,523
Cash flows from investment activities (2 = A - B)		**23,894,471**	**(15,370,550)**
FINANCING ACTIVITIES			
Inflows			
Borrowings		45,672,524	-
Inflows from financing activities (C)		45,672,524	-
Outflows			
Borrowings		7,767,857	88,125,000
Interest and similar costs		10,944,907	9,554,746
Acquisition of treasury shares		46,740,650	10,115,179
Dividends paid and reserves distributed		164,730,885	-
Outflows from financing activities (D)		230,184,299	107,794,925
Cash flows from financing activities (3 = C - D)		**(184,511,775)**	**(107,794,925)**
CHANGES IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)		(77,310,237)	7,310,272
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		267,431,715	133,958,910
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	18	**190,121,478**	**141,269,182**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 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. Portucel is a public company with the capital represented by shares and was incorporated on 31 May 1993, in accordance with Decree-Law no. 39/93, 13 February, following the restructuring of Portucel – Empresa de Celulose e Papel de Portugal, SA.

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

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

These consolidated financial statements were approved by the Board of Directors on 19 July 2012.

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

1. Summary of the principal accounting policies

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

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

1.1 Basis of preparation

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

The accompanying consolidated financial statements were prepared on the going concern basis from the accounting books and records of the companies included in the consolidation (Note 39), and under the historic cost convention, except for biological assets, and financial instruments which are recorded at fair value (Notes 31 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, or the most significant assumptions and estimates used in the preparation of the aforesaid financial statements are disclosed in Note 3.

1.2 Basis of Consolidation

1.2.1. <u>Subsidiaries</u>

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

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

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

These companies' shareholders equity and net income/loss corresponding to the third-party investment in such companies are presented under the caption of non-controlling interests respectively in the consolidated statement of the financial position (in a separate component of shareholder's equity) and in the consolidated income statement. 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 acquisition date, irrespective of the existence of non-controlling interests. The excess of the acquisition cost relative to the fair value of the Group's share of the identifiable assets and liabilities acquired is recorded as goodwill, as described in note 15.

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

Transaction costs directly attributable are immediately expensed.

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

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

1.2.2. <u>Associates</u>

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

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

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

Transaction costs directly attributable to the transaction are immediately expensed.

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

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

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

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

1.3 Segmental reporting

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

The operating segments are presented 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, bleached eucalyptus kraft pulp – BEKP, forestry and power generation.

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

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

A significant portion of the Group's own BEKP production is consumed in the production of UWF paper. Sales of both products (BEKP and UWF) are destined to around 115 countries throughout the world.

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

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

Segmental information is presented in Note 4.

1.4 Foreign currency translation

1.4.1. <u>Functional and reporting currency</u>

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

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

1.4.2. <u>Balances and transactions expressed in foreign currencies</u>

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

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

1.4.3. <u>Group companies</u>

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

(i) The assets and liabilities of each Statement of financial position are translated at the exchange rates ruling at the date of the financial statements;

(ii) If materially relevant, the income and costs are converted at the exchange rate ruling on the date 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.

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

1.5 Intangible assets

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

1.5.1. <u>CO2 emission rights</u>

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

The Group recognizes an operating cost for the CO2 emissions as it builds up a liability to be settled with the hand over to the authorities of the licenses corresponding to those emissions. On the other hand, it recognizes an operating gain, as operating revenue, as the amount considered on the licences received is released as an operating grant.

Sales of emission rights give rise to a gain or a loss, for the difference between the amount realized and the respective initial recognition cost, net of the corresponding subsidy, which is recorded as "Other operating income" or "Other operating costs", respectively.

At the date of the consolidated statement of financial position, the portfolio of CO2 emission rights is valued at the lower of their presumed acquisition cost or their market value. On the other hand, liabilities due for those emissions are valued at market value at the same date.

1.5.2. Brands

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

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

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

1.6 Goodwill

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

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

1.7 Property, plant and equipment

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

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

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

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

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

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

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

The residual values of the assets and respective useful lives are reviewed and adjusted when necessary at the date of the statement of financial position. If the book value of the asset is higher than the asset's realizable value, then this is written down to the estimated recoverable amount by the recognition of impairment losses (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 net book value, and are recognized in the income statement as other operating income or costs.

1.8 Impairment of non-current assets

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

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

The reversal of impairment losses recognized in previous periods is recorded when it 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 revaluated, in which case the reversal will represent a portion or the total of the revaluation amount. However, an impairment loss is reversed only up to the limit of the amount that would be recognized (net of amortization or depreciation) if it had not been recognized in prior years.

1.9 Biological assets

Biological assets are measured at fair value, less estimated costs to sell at the time of harvesting. The Group's biological assets comprise the forests held for the production of timber, 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 selling price deducted by costs relating to harvest and transportation, the rents of the woodlands and also plantation costs, maintenance costs and a discount rate.

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

Fair value adjustments resulting from changes in estimates of growth, growth period, price, cost and other assumptions are recognized as operating income/ costs in the caption "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 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 instruments' acquisition. Management determines the classification at the moment of initial recognition of the instruments and reappraises this classification on each reporting date.

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

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

1.10.1. Loans granted and receivables

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

They are included in current assets, except where 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 being traded in the short-term or if so designated by management.

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

1.10.3. Held-to-maturity investments

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

1.10.4. Available-for-sale financial assets

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

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

If the market of a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash-flow 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, the reversal does not affect the income statement and the asset's subsequent increase in value is thus taken to the fair value reserve.

1.11 Derivative financial instruments

Occasionally, when considered appropriate, the Group uses derivative financial instruments aimed at managing the financial risks to which it is exposed.

The use of these instruments occurs whenever expectations of changes in interest or exchange rates justify it, as the Group seeks to hedge against adverse movements through derivative instruments, such as interest rate swaps (IRS), caps and floors, forwards, calls, collars, etc.

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

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

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

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

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

1.12 Corporate Income Tax

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

Deferred tax is calculated using the liability method, based on the temporary differences between the book values of the assets and liabilities and their respective tax base. The income tax rate expected to be in force in the period in which the temporary differences will reverse is used in calculating deferred tax.

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

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

When such shares

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

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

1.13 Inventories

Inventories are valued in accordance with the following criteria:

i) Goods and raw materials

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

ii) 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, excluding any storage (warehousing), logistical and selling costs.

The net realizable value corresponds to the estimated selling price after deducting estimated completion and selling costs. The differences between costs and net realizable value, if lower, are recorded in Inventories consumed and sold.

1.14 Receivables and other current assets

Debtors' balances and other current assets are recorded at fair value and are subsequently recognized at their amortized cost, net of impairment losses, so as to state them at their expected net realizable value.

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

1.15 Cash and cash equivalents

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

1.16 Share capital and treasury shares

Ordinary shares are classified in shareholders' equity.

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

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

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

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

1.17 Interest bearing liabilities

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

Interest-bearing debt is classified as a current liability, except where 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, construction or production of tangible fixed assets are capitalised, to form part of the asset's cost. Capitalization of these charges begins once preparations are started for the construction or development of the asset and is suspended after its utilisation begins or when the respective project is suspended.

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

1.19 Provisions

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

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

The Group incurs expenditure and assumes liabilities of an environmental nature. Accordingly, expenditure on equipment and operating techniques that ensure compliance with applicable legislation and regulations (as well as on the reduction of environmental impacts to levels that do not exceed those representing a viable application of the best available technologies, on those related to minimizing energy consumption, 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 prolong life expectancy, increase capacity or improve the safety or efficiency of other assets owned by the Group.

1.20 Pensions and other post-employment benefits

1.20.1. <u>Defined benefit pension plans and retirement bonus</u>

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

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

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

As such, the total liability is estimated separately for each plan at least once every six months, on the date of closing of the interim and annual accounts, by a specialised 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, net of 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. <u>Defined contribution plans</u>

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

In order to capitalize those contributions, pension funds were set up, to 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. <u>Holiday pay, allowances and bonuses</u>

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

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

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

1.21 Payables and other current liabilities

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

1.22 Government grants

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

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

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

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

1.23 Leases

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

According to this method, the asset's cost is recorded in property, plant and equipment and the corresponding liability is recorded under liabilities as loans, while the interest included in the 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 incentives received by the lessee, are recorded in the income statement during the period of the lease.

1.23.1. Leases included in contracts according to IFRIC4

The Group recognizes an operating or financial lease whenever it enters into an agreement, encompassing a transaction or a series of related transactions which even if not in the legal form of a lease, transfers the 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 principle, so that costs and income are recognized as they are generated, irrespective of the time at which they are paid or received.

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

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

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

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

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

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

1.26 Contingent assets and liabilities

Contingent liabilities in which 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 the object of disclosure. Provisions are recognized for liabilities which meet the conditions described in note 1.19.

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

1.27 Subsequent events

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

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

1.28 New standards, changes and interpretations of existing standards

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

New standards	Effective date *
IFRS 7 (amendment) - Financial Instruments - Disclosure	1 January 2012
IFRS 12 (amendment) - Disclosure of Interests in Other Entities	1 January 2012
IFRS 1 (amendment) - First-time Adoption of International Financial Reporting Standards	1 January 2012

** Periods beginning on or after*

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

New standards and interpretations not mandatory:

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

Annual improvement of standards (effective for annual financial periods beginning on or after 1 July 2012)	Effective date *
IAS 1 (amendment) - Presentation of financial statements	1 July 2012
IFRS 1 - First-time Adoption of International Financial Reporting Standards	1 January 2013
IAS 1 - Presentation of financial statements	1 January 2013
IAS 16 - Property, Plant and Equipment	1 January 2013
IAS 19 (revised 2011) - Employee Benefits	1 January 2013
IAS 32 - Financial Instruments: Presentation	1 January 2013
IAS 34 - Interim financial reporting	1 January 2013
IFRS 10 (new) - Consolidated Financial Statements	1 January 2013
IFRS 11 (new) - Joint Arrangements	1 January 2013
IFRS 12 (new) - Disclosure of Interests in Other Entities	1 January 2013
IFRS 10 (amendment) - Consolidated Financial Statements	1 January 2013
IFRS 11 (amendment) - Joint Arrangements	1 January 2013
IFRS 12 (amendment) - Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 (new) - Fair Value Measurement	1 January 2013
IAS 27 (revised 2011) - Consolidated and separate financial statements	1 January 2013
IAS 28 (revised 2011) - Investments in Associates	1 January 2013
IFRS 7 (amendment) - Financial Instruments - Disclosure	1 January 2013
IFRS 1 (amendment) - First-time Adoption of International Financial Reporting Standards	1 January 2013
IAS 32 (amendment) - Financial Instruments: Presentation	1 January 2014
IFRS 9 (new) - Financial Instruments - Classification and measurement	1 January 2015

** Periods beginning on or after*

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

2. Risk Management

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

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

The risk factors 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
   - ✓ General context risks

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

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

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

2.1 Specific risks in sectors where the Group operates

2.1.1. Significant risks from the forestry sector

The Portucel Group carries out the management of woodlands covering an area of around 120 thousand hectars, from north to south of the country, according to the principles laid down in its Forestry Policy. Eucalyptus trees occupy 71% 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 Portugal's forests and in the worldwide demand for certified products, considering that only a small proportion of the forests is certified. It is expected that this competitive pressure will remain in the future. As an example, the forestry area managed by the Group represents less than 3.6% of Portugal's total forested area and 41% and 55% of all certified Portuguese forests, according to the FSC and PEFC standards, respectively.

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

i. Increase the productivity of its woodlands through the use of the best agro-forestry practices adapted to local conditions and compatible with the environment.
ii. Establish and improve the network of forestry infrastructures to enable the required accessibility for management, whilst making them compatible with the forestry protection measures against wildfires.
iii. Ensure compliance with the water-cycle functions, promoting, whenever possible, the rehabilitation and qualitative protection of water resources.

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

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

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

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

Moreover, the Group has a stake in the Afocelca joint venture – a complementary corporate grouping (CCG) between the Portucel Group and the ALTRI Group, whose mission is to provide assistance to the fight against forest fires at the grouped companies' land holdings, in close coordination and collaboration with the National Civil Protection Authority (Autoridade Nacional de Protecção Civil – ANPC). This grouping manages an annual budget of some 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 group ACE, which own and manage more than 250 thousand hectars 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 authorities, so that increases in forested areas, or the substitution of some of the currently used areas depend on forest owners which are estimated in some 400,000, on the applicable legislation and the speed of the responsible authorities in approving the new projects. If domestic production proved to be insufficient, in volume and in quality, namely of certified wood, the Group could have to place greater reliance on the importation of wood.

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

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

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

Furthermore, and considering the unsurpassable National Value Added in the Portuguese Economy, direct and indirect, of the eucalyptus industry, as well as the significance of such industries for exports, the level of employment they provide and the increasing demand for eucalyptus, not easily satisfied by national forests, the Group has been making the Government and the public opinion aware that it is necessary to guarantee that, whilst the internal production of this type of wood does not increase significantly on an economically viable basis, its use as bio fuels for energy production should not be put ahead of its use as a raw material, to be used to produce tradeable goods.

As of 30 June 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 10,000,000.

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

UWF paper and BEKP market price

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

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

As of 30 June 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 8,000,000 and Euro 30,000,000, respectively.

Demand for the Group's products

Not withstanding what regards the concentration of the Group's customer portfolio, any decline in the demand for BEKP and UWF paper in the EU and US markets could have a severe impact on the Group's sales. Moreover, demand for BEKP produced by the Group depends on the growth of worldwide paper production capacity, since the paper producers are the Group's main pulp customers.

The demand for printing and writing paper has been historically related with macroeconomic factors and the increasing use of copy and print material. A breakdown of the economy, worldwide, can cause a slowdown or decline in demand for printing paper and writing in this way affect the performance of the Group.

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

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

Competition

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

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

Producers from 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 competitive pressure will remain strong in the future.

The Portucel Group sells most 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, induced by the new paper mill in the Setúbal industrial complex, as well as potential investments the Group might start in this area, may influence the distribution capacity as well as selling prices, as a consequence of entering in new markets.

Concentration of the customer portfolio

The paper business, which represents around 80% of the group's consolidated turnover, is currently a global operation, with regular sales throughout the world in over 100 countries, several hundreds of customers and more than 4,000 delivery points. The group's customer base has been increasing, as the business expands and the group seeks a wider geographical spread. As a result, it grew more than 4% in the period compared to the first half 2011. As of 30 June 2012, the Group's 10 main customers for UWF paper represented 27% of this product's sales during the period. The weight of the group's brands in its turnover, which are not possible to aard to another paper producer, and that show significant levels of brand loyalty by the end customer, is an additional factor towards the low exposure to risks of concentration of the customer portfolio.

The BEKP business has been reducing its weight in the group's turnover, representing around 8% of that turnover in the 6 month period ended 30 June 2012, as increasing levels of BEKP are integrated in the production of UWF paper. Given the different nature of this market, where all sales are made to industrial customers, and given the group's specialization in higher value added niches of the market, as of 30 June 2012, sales to the top 10 BEKP customers represented 62% of total sales in this segment.

Environmental legislation

In recent years, environmental legislation in the EU has increased its constraints regarding the control of effluents. The companies of the Group conform to the prevailing legislation.

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

Currently, 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 Licences, 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 environmental related investments that, among other advantages, have resulted in a continued reduction of the CO_2 emissions, whilst the production volume has continuously increased within the last years.

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

2.1.3. Risks associated with the production of energy

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

Considering the 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 natural-gas and biomass power-generating units. These units serve to complement those already in use, thus creating a number of redundant units which allow the Group to mitigate the risk of disruption in the supply of power to its industrial sites.

In this sector, one of the main risks is linked to the supply of raw material, namely, biomass. The group has played a pioneering role and has been developing a market for the sale of biomass for supplying the power plants it owns. The fostering of this market in a phase prior to the start-up of the new power-generating units enabled it to secure a sustained raw-material supply network which it may utilize in the future. As previously mentioned, the Group has been making the Government and 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.

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

2.1.4. 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 seek to achieve these goals, there might be some limitations to achieve 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 business industry, 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 enabling the Group to maintain its current cost structure.

The Group exports over 94% 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 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 forestry costs and subsequent land preparation for plantation.

2.1.6. Context risks

The lack of efficiency in the Portuguese economy may have a negative effect on the Group's ability to compete. This is more so, but not exclusively, in the following areas:

i) Ports and railroads;
ii) Roads particularly those providing access to the Group's producing units;
iii) Rules regarding territory management and forest fires;
iv) Low productivity of the country's forests;
v) The majority of the Portuguese forest is not certified.

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 the investments it made, the group aimed for a debt structure aligned with the maturity of the associated assets. It thus contracted long-term debt for this purpose, whilst also refinanced its short term debt.

As at 30 June 2012, the Group had a long-term gross debt of Euro 357.5 million and debt maturing in less than 1 year amounting to Euro 411.8 million. Its cash surplus of Euro 190.5 million and the credit lines contracted and not used of Euro 80 million give it a very comfortable liquidity position. This will allow the group to face its responsabilities without the need of resorting the debt market in a significant matter.

Considering the debt structure that it has contracted, with a maturity profile which is compatible with the financed assets, the Group believes that it has secured the capacity to generate future cash flows that will allow it to comply with its obligations, to guarantee a levelof capital expenditure in accordance with its medium/long term plans and to maintain a return for shareholders in line with past performance.

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

Amounts in Euro	Up to 1 month	1-3 months	3-12 months	1-5 years	+ 5 years	Total
As of 30 June 2012						
Liabilities						
Interest-bearing liabilities						
Bond loans	671,640	1,802,306	359,224,969	211,402,028	-	573,100,943
Commercial paper	-	-	-	-	-	-
Bank loans	45,672,524	-	18,628,976	85,868,314	83,517,510	233,687,324
Financial leases payables	-	-	-	-	-	-
Accounts payable and other liabilities	-	149,957,247	47,535,831	-	-	197,493,077
Derivative financial instruments	817,507	-	385,548	-	-	1,203,056
Other liabilities	533,734	1,601,203	4,803,608	12,505,390	-	19,443,935
Total liabities	**47,695,406**	**153,360,755**	**430,578,932**	**309,775,732**	**83,517,510**	**1,024,928,335**
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
Commercial paper	-	-	-	-	-	-
Bank loans	3,156,960	-	14,841,167	90,937,553	96,541,503	205,477,183
Financial leases payables	-	-	-	-	-	-
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 liabities	**150,672,137**	**80,087,371**	**187,592,203**	**528,275,458**	**96,541,503**	**1,043,168,672**

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

i. Price level for eucalyptus wood between 95% and 110% of that recorded in the 6 month period ended in 30 June 2012;
ii. Market selling price of BEKP between 80% and 115% of that recorded in the 6 month period ended in 30 June 2012.
iii. Market selling price of UWF paper between 95% and 110% of that recorded in the 6 month period ended in 30 June 2012.
iv. Net-debt cost between 90% and 110% of that recorded in the 6 month period ended in 30 June 2012.
v. Production level for eucalyptus at the woodlands owned or operated by the group, of BEKP, of UWF paper and power within the existing installed capacities.

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

The following covenants are currently in force:

Loan	Racio
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

Based on the financial statements detailed in this report, these ratios were as follows as at 30 June 2012 and 31 December 2011:

Ratio	30 June 2012	31 Dec 2011
Interest Coverage	19.31	20.02
Indebtedness	2.11	1.53
Net Debt / EBITDA	1.30	1.10

Considering the contracted limits, the group was comfortably complying with the limits imposed under the financing contracts. As of 30 June 2012 the Group presents a rate 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. Safeguard the Group's ability to continue in business and thus provide returns for shareholders and benefits for its remaining stakeholders;
ii. Maintain a solid capital structure to support the growth of its business; and
iii. 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 debt.

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) and net interest-bearing debt.

The gearing ratios as of 30 June 2012 and 31 December 2011were as follows:

Amounts in Euro	30-06-2012	31-12-2011
Total Loans (Note 29)	769,378,381	730,898,323
Cash and cahs equivalents (Note 29)	(190,121,478)	(267,431,715)
Treasury shares at their market value (Note 24)	(90,884,993)	(40,641,775)
Net debt	**488,371,910**	**422,824,833**
Equity, excluding treasury shares	1,462,902,267	1,520,089,823
Equity	**1,951,274,177**	**1,942,914,656**
Gearing	25.03%	21.76%

2.2.2. Interest rate risk

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

In the past, the Group resorted to derivative financial instruments to cover its interest rate risk, namely interest-rate swaps, with the purpose of fixing the interest rate on the Group's borrowings within certain limits. The swaps contracted in 2005 matured during 2010.Therefore, as at 30 June 2012 there was no interest rate hedging in place.

As of 30 june 2012 and 31 December 2011, the detail of the financial assets and liabilities with interest rate exposure, taking in consideration the maturity or the next settlement date was as follows:

Amounts in Euro	Up to 1 month	1-3 months	3-12 months	1-5 years	+ 5 years	Total
As 30 June 2012						
Asstes						
Non-current						
Available for sale financial assets	-	-	-	-	-	-
Other non-current assets	-	-	-	-	-	-
Currents						
Cash and cash equivalents	178,934,999	-	-	-	-	178,934,999
Total Financial Assets	**178,934,999**	**-**	**-**	**-**	**-**	**178,934,999**
Liabilities						
Non-currents						
Bearing Liabilities	100,000,000	100,000,000	157,545,143	-	-	357,545,143
Other non-current liabilities	-	-	-	-	-	-
Currents						
Other bearing liabilities	45,672,524	-	366,160,714	-	-	411,833,238
Total Financial Liabilities	**145,672,524**	**100,000,000**	**523,705,857**	**-**	**-**	**769,378,381**
Accumulated differencial	**33,262,475**	**(66,737,525)**	**(590,443,382)**	**(590,443,382)**	**(590,443,382)**	

Amounts in Euro	Up to 1 month	1-3 months	3-12 months	1-5 years	+ 5 years	Total
As of 31 December 2011						
Asstes						
Non-current						
Available for sale financial assets	-	-	-	-	-	-
Other non-current assets	-	-	-	-	-	-
Currents						
Cash and cash equivalents	260,280,000	-	-	-	-	260,280,000
Total Financial Assets	**260,280,000**	**-**	**-**	**-**	**-**	**260,280,000**
Liabilities						
Non-currents						
Bearing Liabilities	-	100,000,000	466,813,031	-	-	566,813,031
Other non-current liabilities	-	-	-	-	-	-
Currents						
Other bearing liabilities	3,125,000	-	160,960,292	-	-	164,085,292
Total Financial Liabilities	**3,125,000**	**100,000,000**	**627,773,323**	**-**	**-**	**730,898,323**
Accumulated differencial	**257,155,000**	**157,155,000**	**(470,618,323)**	**(470,618,323)**	**(470,618,323)**	

An increase of 0.5% on the interest rates in force as at 30 June 2012 would have had an impact in the income statement of approximately Euro 1,465,085.

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 and CHF and other currencies with less relevance. The change of the Euro vis a vis these currencies can also have an impact on the Company's future sales.

Furthermore, purchases of certain raw materials are also made in US dollar, namely some of the wood pulp and softwood import. Therefore, changes in the Euro vis a vis the US dollar may have an impact in acquisition values.

Aditionally, once a sale or purchase is made in a currency other than the Euro, the Group takes on an exchange risk up to the time it receives the proceeds of that sale or purchase, if no hedging instruments are in place. Therefore, Portucel's assets present receivables exposed to currency risk.

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

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

The table below shows the Group's exposure to foreign exchange rate risk as of 30 June 2012, based on its assets and liabilities expressed in foreign currency that amounted to a net asset of Euro 83,977,070 converted at the exchange rates as of that date (31 December 2011: Euro 74,665,129) 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 30 June 2012											
Assets											
Cash and cash equivalents	1,102,216	141,947	62,889	608	(11,699)	7,369	257	-	124,447	13,457,831	401,931
Accounts receivable	58,511,525	21,191,643	6,781,362	293,421	-	5,041,356	1,716,254	24,134	806,115	-	-
Available for sale financial assets	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-
Total Financial Assets	**59,613,741**	**21,333,590**	**6,844,251**	**294,029**	**(11,699)**	**5,048,725**	**1,716,511**	**24,134**	**930,562**	**13,457,831**	**401,931**
Liabilities											
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-	-
Payables	4,707,813	(21,807)	(3,000)	(850)	-	(148,919)	-	-	-	(1,341,564)	-
Total Financial Liabilities	**4,707,813**	**(21,807)**	**(3,000)**	**(850)**	**-**	**(148,919)**	**-**	**-**	**-**	**(1,341,564)**	**-**
Net Financial Position	**64,321,554**	**21,311,783**	**6,841,251**	**293,179**	**(11,699)**	**4,899,806**	**1,716,511**	**24,134**	**930,562**	**12,116,267**	**401,931**
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)
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**

As of 30 June 2012, a negative variation of 5% of all currency rates to the Euro would have a negative impact on the group's results of Euro 3,998,908 (Euro 3,508,254 as of 31 December 2011) excluding the effect of the derivative financial instruments to hedge foreign exchange risks (Note 31), which would almost fully cancel this variation.

2.2.4. Credit risk

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

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

However, the worsening global economic conditions, or hardships affecting the economy at a local scale can lead to a deterioration in the ability of the Group's customers pay off their obligations, leading to the entities providing credit insurance to significantly decrease the amount of the credit insurance lines that are available to those customers. This is the scenario the Group faces today that results in serious limitations on the amounts the Group can sell to certain customers, without incurring in unaffordable direct credit risk levels.

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

As of 30 June 2012 and 31 December 2011, accounts receivable from costumers showed the following ageing structure, considering the due dates for the open balances:

Amounts in Euro	30-06-2012	31-12-2011
Not overdue	225,724,723	179,172,416
1 to 90 days	657,486	24,264,675
91 to 180 days	368,491	546,726
181 to 360 days	79,472	58,628
361 to 540 days	126,273	928
541 to 720 days	1,815	-
more than 721 days	493,795	181,993
	227,452,054	**204,225,366**
Litigation - doubtful debts	2,254,172	2,254,172
Impairments	(2,138,329)	(2,110,064)
Net receivables balance (Note 21)	**227,567,898**	**204,369,474**
Limit of the negotiated credit insurance	296,705,603	195,893,248

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

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

Accounts receivable outstanding, by business area, were analyzed as follows:

30-Jun-12

Amounts in Euro	Pulp and paper	Energy	Foresty	Not allocated	Total
Not overdue	188,558,622	36,955,206	189,487	21,408	225,724,723
1 to 90 days	301,015	140,487	203,258	12,726	657,486
91 to 180 days	149,336	137,362	76,180	5,613	368,491
181 to 360 days	-	-	76,646	2,826	79,472
361 to 540 days	59,422	-	65,085	1,766	126,273
541 to 720 days	-	-	-	1,815	1,815
more than 721 days	339,742	-	154,054	-	493,795
	189,408,136	**37,233,055**	**764,709**	**46,154**	**227,452,054**

31-Dec-2011

Amounts in Euro	Pulp and paper	Energy	Foresty	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 2011, the available credit insurance lines available amounted to Euro 387.892.603 (Euro 395,753,303 as at 31 December 2011).

The table below represents the quality of the Group's credit risk, as of 30 June 2012 and 31 December 2011, for financial assets (cash and cash equivalents), whose counterparts are financial institutions (Credit rating by Standard & Poor's):

Amounts in Euro	30-06-2012	31-12-2011
Rating		
AA-	3 576	-
A+	909 930	587 625
A	31 446 737	76 009 014
A-	105 068	95 616
BBB +	63 477	60 029 703
BBB -	-	57 618 383
BB +	60 008 070	
BB	42 951 702	42 446 116
BB -	41 433 558	29 902 183
B +	12 333 763	
Other	1 177 418	694 855
	190 433 299	**267 383 495**

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

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

	30-06-2012		31-12-2011	
Amounts in Euro	Gross amount	Credit Insurance	Gross amount	Credit Insurance
Accounts receivable overdue but not impaired				
Overdue - less than 3 months	657 486	285 964	24 264 675	13 890 138
Overdue - more than 3 months	1 069 845	521 074	788 275	173 518
	1 727 332	**807 038**	**25 052 950**	**14 063 656**
Accounts receivable overdue and impaired				
Overdue - less than 3 months	-	-	-	-
Overdue - more than 3 months	2 138 329	-	2 110 064	-
	2 138 329	**-**	**2 110 064**	**-**

The maximum exposure to the credit risk as at 30 June 2012 and 31 December 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 to within acceptable levels.

	Maximum Exposure	
Amounts in Euro	**30-06-2012**	**31-12-2011**
Current		
Current Receivables	242,515,472	296,941,217
Bank deposits	190,057,735	267,383,485
Exposure to credit risk on off balance sheet exposures		
Guarantees (Note 36.1)	36,727,292	37,555,215
Related responsabilities (Note 22)	(44,304,679)	(34,040,320)

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 date on which the operations are realized, the outcome could be quite different from those estimates.

The estimates and assumptions which present a significant risk of 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 annually tests whether has been any impairment loss in the goodwill carried in its statement of financial position, 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.

As of 30 June 2012, an increaseof 0.5% in the discount rate used in the impairment tests of that asset – Goodwill allocated to the Figueira da Foz Paper cash generating unit - would mean an overall decrease of Euro 84,053,745 in its assessed value, which would still be higher than its book value by 16%.

3.2 Income tax

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

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

As of 30 June 2012, an increase of 0.5% in the effective income tax rate would mean an overall increase of Euro 486,370 in the income tax expense.

3.3 Actuarial assumptions

Liabilities relating to defined-benefit plans are calculated based on certain actuarial assumptions. Changes to those assumptions can have a material impact on the aforesaid liabilities.

As of 30 June 2012, a decrease of 0.50% in the discount rate used in the actuarial assumptions would mean an overall increase of liabilities amounting Euro 9,584,223 in their assessed value.

3.4 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 30 June 2012, an increase of 0.5% in the discount rate (6.6%) used to value those assets, would decrease their value by Euro 4,267,962.

3.5 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 the customers, the Group's receivables portfolio does not lend itself to general credit ratings based on classification and analysis in terms of a homogeneous population. Hence the Group collects data on its customers' financial performance through regular contact, as well as through contacts with other entities with whom the Group does business (e.g., sales agents).

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

3.6 Recognition of provisions and impairments

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

Impairment losses in accounts receivable are calculated essentially based on accounts receivable's ageing, the customers' risk profile and financial situation. If it had been calculated through the criteria set by the Portuguese tax legislation, the impairment adjustments would have been lower by Euro 1,384,970.

4. Segment Information

Segment information is presented for identified business segments, namely Forestry, Pulp, 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 six months period ended 30 June 2012 and 2011 is shown as follows:

	6 months 30-06-2012					
	FORESTRY	PULP STAND ALONE	INTEGRATED PULP AND PAPER	ENERGY	ELIMINATIONS/ UNALLOCATED	TOTAL
REVENUE						
Sales and services - external	1,432,406	57,693,509	593,502,922	89,638,483	480,092	742,747,412
Other revenue	-	-	-	-	-	-
Sales and services - intersegmental	240,767,208	-	-	21,155,461	(261,922,669)	-
Total revenue	**242,199,614**	**57,693,509**	**593,502,922**	**110,793,944**	**(261,442,577)**	**742,747,412**
Profit/(loss)						
Segmental Profit	4,095,029	9,494,327	113,306,739	8,776,895	5,571,884	**141,244,874**
Operating Profit	-	-	-	-	-	**141,244,874**
Financial costs- net	-	-	-	-	(8,764,472)	(8,764,472)
Gains / (losses) in affiliated companies	-	-	393,816	-	-	393,816
Income tax	-	-	-	-	(27,178,286)	(27,178,286)
Net profit before non-controling interests	-	-	-	-	-	**105,695,933**
Non-controling interests	-	-	-	-	13,631	13,631
Net profit	-	-	-	-	-	**105,709,564**
Other Information						
Capital expenditure	1,764,751	8,258,684	9,715,792	-	364,734	20,103,961
Depreciation	267,125	2,160,319	45,008,268	4,652,020	278,056	52,365,788
Provisions	-	-	-	-	(6,489,237)	(6,489,237)
Other Information						
Segment assetrs	231,034,211	531,511,590	1,467,320,235	351,757,755	151,741,595	2,733,365,386
Financial investments	-	-	126,032	1,632,065	-	1,758,097
Total assets	**231,034,211**	**531,511,590**	**1,467,446,267**	**353,389,820**	**151,741,595**	**2,735,123,483**
Segment liabilities	37,221,439	257,580,834	884,338,556	171,017,061	10,763,982	1,360,921,873
Total liabilities	**37,221,439**	**257,580,834**	**884,338,556**	**171,017,061**	**10,763,982**	**1,360,921,873**

	6 months 30-06-2011					
	FORESTRY	PULP STAND ALONE	INTEGRATED PULP AND PAPER	ENERGY	ELIMINATIONS/ UNALLOCATED	TOTAL
REVENUE						
Sales and services - external	1,759,554	85,278,627	574,327,717	77,655,917	550,150	739,571,965
Other revenue	-	-	-	-	-	-
Sales and services - intersegmental	25,102,828			27,357,623	(52,460,451)	-
Total revenue	**26,862,383**	**85,278,627**	**574,327,717**	**105,013,540**	**(51,910,301)**	**739,571,965**
Profit/(loss)						
Segmental Profit	5,983,029	13,793,466	105,263,184	12,448,386	(12,207,370)	**125,280,694**
Operating Profit	-	-	-	-	-	**125,280,694**
Financial costs- net	-	-	-	-	(9,427,053)	(9,427,053)
Gains / (losses) in affiliated companies	-	-	384,817	-	-	384,817
Income tax	-	-	-	-	(18,630,978)	(18,630,978)
Net profit before non-controling interests	-	-	-	-	-	**97,607,481**
Non-controling interests	-	-	-	-	17,538	17,538
Net profit	-	-	-	-	-	**97,625,019**
Other Information						
Capital expenditure	2 099 134	11 966 905	2 155 648	69 848	37 244	16 328 779
Depreciation	261 395	2 904 915	54 281 023	2 701 083	6 865 028	67 013 445
Provisions					6 904 901	6 904 901
Other Information - 31 December 2011						
Segment assetrs	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	6 months June 2012	6 months June 2011
Europe		
Paper	447,634,813	431,718,612
Pulp	56,722,374	80,651,654
Energy	89,638,483	77,655,917
Forestry	1,432,406	1,759,554
Unallocated	480,092	550,150
	595,908,168	**592,335,888**
America		
Paper	63,754,272	51,263,948
Pulp	948,369	725,617
	64,702,641	**51,989,565**
Other markets		
Paper	82,113,837	91,345,157
Pulp	22,766	3,901,356
	82,136,603	**95,246,513**
	742,747,412	**739,571,966**

Sales of the forestry and 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 six months period ended 30 June 2012 and :

Amounts in Euro	6 months June 2012	6 months June 2011
Supplementary income	1,094,369	140,665
Grants - CO2 Emission allow ances (Note 30)	3,394,232	6,331,562
Reversal of impairment losses in current assets (Note 23)	425,159	571,678
Gains on the disposal of non-current assets	186,833	-
Gains on inventories	435,654	595,777
Gains on the disposal of current assets	-	65,632
Government grants	98,543	294,806
Ow n w ork capitalised	17,197	27,163
Other operating income	7,761,969	1,748,222
	13,413,956	**9,775,505**

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

6. Operating expenses

Operating expenses are detailed as follows for the six month periods ended 30 June 2012 and 2011:

Amounts in Euro	6 months June 2012	6 months June 2011
Cost of Inventories Sold and Consumed	(301,868,038)	(277,989,958)
Variation in production	(942,528)	(27,936,341)
Cost of Services and Materials Consumed	(191,700,346)	(167,980,650)
Payroll costs		
Remunerations		
Statutory bodies	(4,182,683)	(4,833,258)
Other remunerations	(44,141,004)	(45,171,004)
	(48,323,687)	(50,004,262)
Social charges and other payroll cost		
Pension and retirement bonus - defined benefit plans (Note 27)	(1,985,152)	(1,919,975)
Pension costs - defined contribution plans (Note 27)	(619,111)	(460,164)
Contributions to Social Security	(8,883,983)	(9,322,146)
Other payroll costs	(6,996,992)	(6,451,426)
	(18,485,239)	(18,153,711)
	(66,808,926)	(68,157,973)
Other costs and losses		
Membership fees	(463,453)	(399,780)
Losses on inventories	(77,220)	-
Impairment losses on receivables (Note 23)	(45,729)	(12,197)
Indirect taxes	(349,444)	(522,263)
Shipment costs	(841,772)	(900,159)
Water resources charges	(1,338,473)	(1,173,996)
Cost w ith CO2 emissions	(3,509,671)	(3,922,297)
Other operating costs	(940,047)	(162,545)
	(7,565,809)	(7,093,236)
Provisions (Note 28)	6,489,237	(6,904,901)
Total	**(562,396,409)**	**(556,063,060)**

Payroll expenses are detailed as follows for the 6 month periods ended 30 June 2012 and 2011:

Amounts in Euro	6 months June 2012	6 months June 2011
Salaries	48,323,687	50,004,262
Social Charges	8,883,983	9,322,146
Healthcare	2,604,263	2,380,139
Training	558,453	562,417
Social Costs	649,661	552,835
Insurance	2,273,922	2,486,176
Other	3,514,956	2,849,997
	66,808,926	**68,157,973**

For the six month period ended 30 June 2012, the costs incurred with investigation and research activities amounted to Euro 2,518,322 (30 June 2011: Euro 1,695,425).

In 2012, this amount includes Euro 1,124,096 related to costs incurred in identifying species of eucalyptus with industrial viability in the areas awarded by concession to the Group by the Mozambique Government.

7. Remuneration of Statutory Bodies

For the six month periods ended 30 June 2012 and 2011, this heading refers to the fixed remuneration of the members of the corporate bodies and is detailed as follows:

Amounts in Euro	6 months June 2012	6 months June 2011
Board of directors		
Portucel, S.A.	3,972,765	4,548,766
Members of Portucel board in other companies	-	-
Corporate bodies from other group companies	50,912	80,711
Stautory Auditor (Note 34)	132,924	164,458
Audit Board	26,082	39,323
	4,182,683	**4,833,258**

For the period ended 30 June 2012 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 six month periods ended 30 June 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	6 months June 2012	6 months June 2011
Depreciation of property, plant and equipment		
Buildings	(5,050,574)	(4,874,825)
Equipments	(47,145,062)	(60,784,741)
Other tangible assets	(1,595,112)	(1,350,873)
	(53,790,747)	(67,010,439)
Amortization and impairment of other intangible assets		
Industrial property and other rights	1,424,959	(3,005)
	1,424,959	(3,005)
	(52,365,788)	**(67,013,445)**

A reversal of an impairment loss on the CO2 emission allowances was recognized in the period, due to the change in the allowances market value.

9. Changes in government grants

The liabilities with government grants evolued as follows:

Amounts in Euro	2012	2011
Government Grants		
Opening Balance	54,103,383	60,694,725
Utilization	(2,888,677)	(3,736,369)
(Regularization) / Increase	-	-
Closing balance on 30 June	**51,214,706**	**56,958,356**
Remaining quarters	-	(2,854,973)
Closing balance (Note 30)	**51,214,706**	**54,103,383**

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

The use of these incentives since its activation was as follows:

Amounts in Euro	Financial Incentives	Fiscal Incentives	Total
2006	-	7,905,645	7,905,645
2007	18,014,811	4,737,655	22,752,466
2008	9,045,326	5,696,016	14,741,342
2009	3,862,707	1,720,719	5,583,426
2010	10,945,586	15,937,709	26,883,296
2011	6,271,415	13,184,952	19,456,367
2012	2,987,143	8,900,046	11,887,190
	51,126,988	**58,082,742**	**109,209,730**

10. Net financial costs

Financial costs are detailed as follows for the six month periods ended 30 June 2012 and 2011:

Amounts in Euro	6 months June 2012	6 months June 2011
Interest paid on borrowings	(11,109,690)	(10,858,464)
Interest earned on investments	3,451,899	1,949,826
Exchange rate differences	(1,688,542)	2,316,677
Gains / (losses) on financial instruments - trading (Note 31)	1,650,433	694,332
Gains / (losses) on financial instruments - hedging (Note 31)	(130,241)	(2,731,767)
Gains / (losses) on Compensatory interest	115,427	36,556
Other financial income / (expenses)	(1,053,758)	(834,212)
	(8,764,472)	**(9,427,052)**

11. Income Tax

Portucel is taxed under the special tax regime applicable to groups of companies comprising all entities whose capital is held 90% or more and which meet the conditions foreseen in articles 69 and following of the Portuguese Corporate Income Tax Code (Código do Imposto sobre o Rendimentos de Pessoas Colectivas), since 1 January 2003.

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

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

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

In the six month periods ended on 30 June 2012 and 2011, the income tax detail is as follows:

Amounts in Euro	6 months June 2012	6 months June 2011
Current tax (Note 22)	32,182,912	21,099,344
Provision / (reversal) for current tax	(2,299,671)	(3,748,704)
Deferred tax (Note 26)	(2,704,955)	1,280,338
	27,178,286	**18,630,978**

Current tax includes Euro 30,903,821(30 June 2011: Euro 17,233,071) regarding the liability created in the above mentioned agregated income tax regime.

The provision for current tax is detailed as follows:

Amounts in Euro	6 months June 2012	6 months June 2011
(Excess) / understatement in the estimate for income tax	(438,197)	(3,231,975)
Change in the estimate for additional payments	10,264,359	(516,729)
Grants related to energy investments - RFAI	(12,229,894)	-
Coporate Income Tax 2008 (settlement)	44,239	-
Coporate Income Tax 2009 (settlement)	190,549	-
Coporate Income Tax 2002 (reimbursement) - Soporcel	(130,727)	-
	(2,299,671)	**(3,748,704)**

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

In the six month periods ended 30 June 2012 and 2011, the reconciliation of the effective income tax rate was as follows:

Amounts in Euro		6 months June 2012		6 months June 2011
Profit before tax		132,874,219		116,238,458
Expected tax	25.00%	33,218,555	25.00%	29,059,614
Municipal surcharge	1.50%	1,993,113	1.50%	1,743,577
State surcharge	5.00%	6,643,711	2.50%	2,905,961
Differences (a)	(2.62%)	(3,477,376)	(4.69%)	(5,450,035)
Provision for current tax	(1.73%)	(2,299,671)	(3.23%)	(3,748,704)
Tax benefits	(6.70%)	(8,900,046)	(5.06%)	(5,879,436)
	20.45%	**27,178,286**	**16.03%**	**18,630,977**

(a) This amount is made up essentially of :

	6 months June 2012	6 months June 2011
Capital gains / (losses) for tax purposes	145,220	(22,210,737)
Capital gains / (losses) for accounting purposes	(145,220)	(9,642,141)
Taxable provisions	(6,480,000)	(5,948,586)
Tax benefits	-	(301,002)
Effect of pension funds	2,417,144	1,886,655
Other	(6,976,433)	17,422,587
	(11,039,289)	**(18,793,224)**
Tax Effect (2012: 31,5%; 2011: 29%)	**(3,477,376)**	**(5,450,035)**

In Portugal, the annual tax returns are subject to review and potential adjustment by tax authorities for a period of up to 4 years. However, if tax losses are utilized, these may be subject to review by the tax authorities for a period of up to 6 years.In other countries where the Group operates, these periods are different and, in most cases, higher.

The Board of Directors believes that any reviews/ inspections by tax authorities will not have a material impact on the consolidated financial statements as of 30 June 2012. The income tax returns up to 2009 have already been reviewed and the inspection of Portucel, Soporcel and ATF over 2010 is currently underway.

12. Earnings per share

Earnings per share were determined as follows:

Amounts in Euro	6 months June 2012	6 months June 2011
Profit attributable to the Company's shareholders	105,709,564	97,625,018
Total number of issued shares	767,500,000	767,500,000
Treasury shares - period average	(36,850,218)	(18,073,484)
	730,649,782	**749,426,516**
Basic earnings per share	0.145	0.130
Diluted earnings per share	**0.145**	**0.130**

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

Changes over the average number of treasury shares are as follows:

	2012		2011	
Amounts in Euro	Quant.	Value	Quant.	Value
Treasury shares held in January	22,099,932	42,154,975	15,054,358	26,787,706
Accquisitions				
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
	25,260,669	**46,740,650**	**4,122,256**	**10,115,179**
Treasury shares held in 30 June	**47,360,601**	**88,895,625**	**19,176,614**	**36,902,885**
Remaining Months			2,923,318	5,252,089
Treasury shares held in 31 December			**22,099,932**	**42,154,975**

13. Non-controlling Interests

The movements in non-controlling interests are detailed as follows for 2012 and 2011:

Amounts in Euro	2012	2011
Opening balance	220,660	216,755
Net profit of the year	(12,062)	(2,089)
Other Changes	(13,631)	(17,538)
Closing balance 30 June 2012	**194,967**	**197,128**
Remaining Quarters		23,532
Value at 31 December		**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 over the 2011 and 2010 net profits were as follows:

Amounts in Euro	2011	2010
Distribution of dividends (excluding treasury shares)	164,730,885	-
Legal reserves	8,671,195	10,540,737
Net income from prior years	22,929,309	200,047,343
	196,331,389	**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, retroactive to 1 January 2001, adjusted by the effect of attribution of the fair value to Soporcel's property, plant and equipment.

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

As at 31 December 2010, assets and liabilities related to pulp production were transferred to another Group company, as a result of a split.

The book value of goodwill amounts to Euro 376,756,384, as it was amortized up to 31 December 2003 (transition date). As of that date, the accumulated depreciation amounted to Euro 51,375,870. From that date on, depreciation was ceased and replaced by annual impairment tests. If this amortization had not been interrupted, as of 30 June 2012 the net book value of the Goodwill would amount to Euro 231,191,417 (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 the following year and projected cash flows for the subsequent 4 years, based on a fixed sales volume. As a result of the calculations, no impairment losses have been identified.

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

	Jun-2012	Jun-2011
Inflation rate	2%	2%
Discount rate (post-tax)	9.39%	9.37%
Production Grow th	0%	0%

The discount rate presented above is a post-tax tax rate equivalent to a discount rate pre-tax of 12.25%, 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	31.50%	29.00%
Debt risk premium	3.00%	3.00%

16. Other intangible assets

Over the six month period ended 30 June 2012 and the year ended 31 December 2011, changes in other intangible assets were as follows:

Amounts in Euro	Industrial property and other rights	CO2 emission licenses	Total
Acquisition costs			
Amount as of January 2011	**1,896,278**	**73,253**	**1,969,531**
Acquisitions	-	12,630,672	12,630,672
Disposals	-	-	-
Adjustments, transfers and w rite-off's	-	(6,944,455)	(6,944,455)
Amount as of 30 June 2011	**1,896,278**	**5,759,470**	**7,655,748**
Acquisitions	-	-	-
Disposals	-	-	-
Adjustments, transfers and w rite-off's	(1,311)	(65,057)	(66,368)
Amount as of 31 December 2011	**1,894,967**	**5,694,413**	**7,589,380**
Acquisitions	-	7,193,155	7,193,155
Disposals	-	-	-
Adjustments, transfers and w rite-off's	(1,836,088)	(4,863,671)	(6,699,759)
Amount as of 30 June 2012	**58,879**	**8,023,897**	**8,082,776**
Accumulated depreciation and impairment losses			
Amount as of 1 January 2011	**(1,875,044)**	**-**	**(1,875,044)**
Amortization and impairment losses	(3,005)	-	(3,005)
Disposals	-	-	-
Adjustments, transfers and w rite-off's	-	-	-
Justo Valor	-	-	-
Saldo em 30 de Junho de 2011	**(1,878,049)**	**-**	**(1,878,049)**
Amortization and impairment losses	(18,229)	(2,917,654)	(2,935,883)
Disposals	-	-	-
Adjustments, transfers and w rite-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	-	1,424,959	1,424,959
Disposals	**-**	**-**	-
Adjustments, transfers and w rite-off's	1,836,088	-	1,836,088
Amount as of 30 June 2012	**(58,879)**	**(1,492,695)**	**(1,551,574)**
Net book value as of 1 January 2011	21,234	73,253	94,487
Net book value as of 30 June 2011	**18,229**	**5,759,470**	**5,777,699**
Net book value as of 1 January 2012	-	2,776,759	2,776,759
Net book value as of 30 June 2012	**-**	**6,531,202**	**6,531,202**

In January 2008, the second period for the attribution of CO2 emission rights (2008-2012) begum, under the National Plan for the Allocation of CO2 Emission Rights (PNALE). Under this regime, the following rights were allocated to the Portucel Group, through the joint publication nº 2836/2008, January 8, issued by the Ministry for Environment, Ministry for Planning and Regional Development as well as the Ministry of Economy and Innovation:

	Cacia		Figueira da Foz		Setúbal		Total		
	Energy	Pulp	Energy	Pulp / Paper	Energy	Pulp / Paper	Energy	Pulp / Paper	General
PORTUCEL, S. A.	-	32,608	-	-	-	35,646	-	68,254	68,254
SOPORCEL, S. A.	-	-	-	56,467	-	-	-	56,467	56,467
ENERPULP, S. A.	98,590	-	85,807	-	65,832	-	250,229	-	250,229
PortucelSoporcel Cogeração de Energia, S.A.	-	-	-	-	156,099	-	156,099	-	156,099
SPCG, S. A.	-	-	-	-	293,431	-	293,431	-	293,431
About the Future, S.A.	-	-	-	-	-	68,147	-	68,147	68,147
	98,590	**32,608**	**85,807**	**56,467**	**515,362**	**103,793**	**699,759**	**192,868**	**892,627**

17. Property, plant and equipment

Over the six month period ended 30 June 2012 and the year ended 31 December 2011 changes in Property, plant and equipment, as well as the respective depreciation and impairment losses, were as follows:

Amounts in Euro	Land	Building and other constructions	Equipments and other tangibles	Assets under construction	Total
Acquisition costs					
Amount as of 1 January 2011	**108,909,468**	**498,283,283**	**3,322,060,342**	**26,579,358**	**3,955,832,451**
Acquisitions	-	-	6,332,424	9,996,355	16,328,779
Disposals	-	-	(96,080,605)	-	(96,080,605)
Adjustments, transfers and write-off's	93,699	(203,895)	14,450,685	(14,550,825)	(210,336)
Amount as of 30 June 2011	**109,003,167**	**498,079,388**	**3,246,762,846**	**22,024,888**	**3,875,870,289**
Acquisitions	5,096,772	526,367	21,876,563	9,968,070	37,467,772
Disposals	-	(1,338,671)	(4,392,913)	-	(5,731,584)
Adjustments, transfers and write-off's	(93,699)	915,435	12,282,497	(12,405,261)	698,972
Amount as of 31 December 2011	**114,006,240**	**498,182,519**	**3,276,528,993**	**19,587,697**	**3,908,305,449**
Acquisitions	-	-	8,194,843	11,909,117	20,103,961
Disposals	(71,514)	-	(940,988)	-	(1,012,502)
Adjustments, transfers and write-off's	1,000,902	1,367,991	5,994,641	(8,363,535)	-
Amount as of 30 June 2012	**114,935,628**	**499,550,510**	**3,289,777,490**	**23,133,280**	**3,927,396,908**
Accumulated depreciation and impairment losses					
Amount as of 1 January 2011	**-**	**(301,397,871)**	**(2,050,304,855)**		**(2,351,702,726)**
Amortizations and impairment losses	-	(5,054,959)	(60,176,012)	-	(65,230,971)
Disposals	-	-	93,755,352	-	93,755,352
Adjustments, transfers and write-off's	-	203,895	0	-	203,895
Amount as of 30 June 2011	**-**	**(306,248,935)**	**(2,016,725,515)**	**-**	**(2,322,974,450)**
Amortizations and impairment losses	-	(4,755,880)	(53,932,814)	-	(58,688,694)
Disposals	-	836,642	2,913,318	-	3,749,960
Adjustments, transfers and write-off's	-	(203,895)	(479,145)	-	(683,040)
Amount as of 31 December 2011	**-**	**(310,372,068)**	**(2,068,224,156)**	**-**	**(2,378,596,224)**
Amortizations and impairment losses	-	(4,992,984)	(47,380,851)	-	(52,373,835)
Disposals	-	-	926,560	-	926,560
Adjustments, transfers and write-off's	-	-	-	-	-
Amount as of 30 June 2012	**-**	**(315,365,052)**	**(2,114,678,447)**	**-**	**(2,430,043,499)**
Net book value as of 1 January 2011	108,909,468	196,885,412	1,271,755,487	26,579,358	1,604,129,725
Net book value as of 30 June 2011	**109,003,167**	**191,830,453**	**1,230,037,331**	**22,024,888**	**1,552,895,839**
Net book value as of 31 December 2011	114,006,240	187,810,451	1,208,304,837	19,587,697	1,529,709,225
Net book value as of 30 June 2012	**114,935,628**	**184,185,459**	**1,175,099,042**	**23,133,280**	**1,497,353,409**

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

In 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 factory. This contract foresees the transfer of the ownership of the assets upon the end of the contract.

Following the above-mentioned agreements, the Group applies "IFRIC 4 – Determining whether an arrangement contains a lease". By following this interpretation Property, plant and equipment – equipment and other tangibles was increased by Euro 58,003,950, from which the respective accumulated depreciation of Euro 40,135,024, was deducted as of 30 June 2012 (31 December 2011: Euro 37,999,683). As of 30 June 2012, the net book value of these equipments amounts to Euro 17,868,926 (31 December 2011: Euro 20,004,267) (Note 29).

As of 30 June 2012 Assets under construction included Euro 1,603,767 (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 30 June 2012, Land included Euro 78,579,430 regarding 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

In 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**
Changes in fair value		
Logging in the period	(5,318,750)	(9,069,582)
Growth	1,025,842	5,508,231
New plantations	2,527,849	1,867,269
Other changes in fair value	1,610,762	703,809
Total changes in fair value	**(154,297)**	**(990,273)**
Amount as of 30 June	**110,615,008**	**109,512,343**
Remaining Quarters		1,256,963
Amount as of 31 December		**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 30 June 2012 and 31 December 2011, the group's biological assets were detailed as follows:

Amounts in Euro	30-06-2012	31-12-2011
Eucalyptus	103,252,830	102,948,128
Pine	5,557,498	6,016,998
Cork	1,542,042	1,542,042
Other species	262,638	262,138
	110,615,008	**110,769,306**

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

19.1. Avaliable-for-sale financial assets

As at 30 June 2012 and 31 December 2011, this heading was detailed as follows:

Subsidiaries	30-06-2012	31-12-2011
Liaison Technologies	126,032	126,032
	126,032	**126,032**

The participation in Liaison Technologies is recorded at cost, as the difference (gain) to its fair value is not material as at 30 June 2012.

19.2. Investments in associates

In 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	393,816	384,817
Other changes in associates' equity	(420,373)	(86,646)
Amount as of 30 June	**1,752,100**	**1,569,723**
Remaining Quarters		208,934
Amount as of 31 December		**1,778,657**

This caption includes the 18% stake in Soporgen – Sociedade Portuguesa de Geração de Electricidade e Calor, S.A.. This company holds a gas power plant at the Figueira da Foz site that the Group, as mentioned in note 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 is nominated in representation of the Group.

2) A significant part of Soporgen's sales is made to the Group (less than 18% 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, is responsible for Soporgen's contracted bank loan, in the same proportion as its share (note 36).

20. Inventory

As of 30 June 2012 and 31 December 2011, inventory comprised the following:

Amounts in Euro	30-06-2012	31-12-2011
Raw materials	117,374,356	106,030,248
Finished and intermediate products	65,846,434	74,290,200
Work in progress	10,689,798	7,040,018
Byproducts and waste	1,352,168	1,330,460
	195,262,756	**188,690,926**

As of 30 June 2012 and 31 December 2011, inventories of finished and intermediate goods were located in the following countries:

Amounts in Euro	30-06-2012	31-12-2011
Portugal	35,813,846	38,790,437
USA	12,103,995	21,974,981
United Kingdom	5,051,511	4,561,644
Germany	3,850,202	307,970
France	3,296,888	1,399,066
Italy	2,308,113	1,297,684
Netherlands	1,797,143	4,151,853
Spain	1,123,852	1,457,738
Switzerland	500,883	348,827
	65,846,434	**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 25,089,464 (2011: Euro 22,510,902) regarding inventory whose invoices were already issued, but whose risks and rewards had not yet been transferred to customers. Accordingly, no revenue was recognized in the income statement as of that date.

21. Receivables and other current assets

As of 30 June 2012 and 31 December 2011, Receivables and other current assets were detailed as follows:

Amounts in Euro	30-06-2012	31-12-2011
Accounts Receivable	227,452,054	204,281,311
Other Accounts Receivable	3,620,333	36,036,228
Derivative financial instruments (Note 31)	377,564	-
Accrued income	6,215,708	750,959
Deferred costs	4,849,813	1,188,597
	242,515,472	**242,257,094**

The receivables showed above are net of impairment losses, in accordance with the policies described in Note 1.14, whose details are presented in Note 23.

As of 30 June 2012 and 31 December 2011, other receivables were detailed as follows:

Amounts in Euro	30-06-2012	31-12-2011
Advances to employees	518,820	570,709
AICEP - Financial incentives to receive	161,930	32,877,046
Other	2,939,583	2,588,473
	3,620,333	**36,036,228**

The movements in the balance with AICEP were as follows:

Amounts in Euro	2012	2011
Amount as of 1 January	32,877,046	38,199,792
Received in the year	(32,526,671)	(5,322,746)
Increase/(adjustment)	(188,446)	-
Amounts as of 30 June / 31 December	**161,930**	**32,877,046**

During the 1º semester of 2012, the Group received from AICEP the remaining amount under the scope of the contracts signed with AICEP and described in Note 9. The remaining relate to receivables under other incentives also managed by this Agency.

As of 30 June 2012 and 31 December 2011, accrued income and deferred costs were detailed as follows:

Amounts in Euro	30-06-2012	31-12-2011
Accrued income		
Interest receivable	607,305	40,150
Other	5,608,403	710,809
	6,215,708	**750,959**
Deferred costs		
Prepayment of insurance policies	4,293,395	781,229
Other	556,418	407,368
	4,849,813	**1,188,597**
	11,065,521	**1,939,556**

22. State and other public entities

As of 30 June 2012 and 31 December 2011, there were no overdue debts to the State and other public entities. Balances relating to these entities were as follows:

Current Assets

Amounts in Euro	30-06-2012	31-12-2011
State and other public entities		
Value added tax - refunds requested	67,768,241	49,454,940
Value added tax - to recover	1,637,267	5,229,183
	69,405,508	**54,684,123**

As at 30 June 2012, the outstanding VAT refunds requested comprised the following, by month and by company:

Amounts in Euro	April 2012	May 2012	June 2012	Total
Portucel Florestal, S.A.	-	40,000	-	40,000
PortucelSoporcel Fine Paper, S.A.	20,297,771	22,577,649	22,977,286	65,852,706
Bosques do Atlântico, S.L.	-	1,321,812	553,723	1,875,535
	20,297,771	**23,939,461**	**23,531,010**	**67,768,241**

Up to the date of completion of this report, Euro 20,297,771 of these amounts had already been received.

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	30-06-2012	31-12-2011
State and other public entities		
Corporate income tax	30,563,532	16,560,420
Personal income tax - w itheld on salaries	823,749	635,873
Value added tax	27,176,641	26,369,168
Social security	3,778,597	1,967,632
Additional tax assessments	44,304,679	34,040,320
Other	98,271	99,960
	106,745,469	**79,673,372**

Corporate income tax is detailed as follows:

Amounts in Euro	30-06-2012	31-12-2011
Corporate income tax (Note 11)	32,182,912	43,489,969
Payments on account of corporate income tax	(35,000)	(25,954,596)
Withholding tax	(353,161)	(990,375)
Corporate income tax to pay/(receive) from previous periods	(1,565,593)	-
Other payables / (receivables)	334,374	15,422
Closing Balance	**30,563,532**	**16,560,420**

The changes in the provisions for additional tax assessments during 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	10,264,359	3,976,971
Decrease	-	-
Amount as of 30 June	**44,304,679**	**25,175,466**
Remaining Quarters		8,864,855
Amount as of 31 December		**34,040,320**

The increase in the year is due both to the inclusion of additional tax assessments for 2007, 2008 and 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 State Budget for 2012.

On 30 June 2012 and 31 December 2011 the additional tax assessments include interest on deferred payments and are detailed as follows:

Amounts in Euro	30-06-2012	31-12-2011
Additional assessment 2005 - Portucel - IRC (RETGS)	15,137,029	15,137,029
Additional assessment 2006 - Portucel - IRC (RETGS)	11,407,001	11,407,001
Additional assessment 2007 Portucel - IRC (Municipal Surcharge)	-	686,257
Additional assessment 2008 - Portucel - IRC (RETGS)	44,613	44,613
Additional assessment 2010 - Portucel - IRC (Municipal Surcharge)	3,027,407	3,027,407
Additional assessment 2010 - Portucel - IRC (State Surcharge)	1,227,951	1,227,951
Grants related to energy investments - RFAI	12,229,894	-
Amount pending reimbursement (court ruling favorable to the group)	(1,292,734)	-
Other	2,523,518	2,510,062
	44,304,679	**34,040,320**

23. Impairment of non-current and current assets

Over the six months period ended 30 June 2012 and the year ended 31 December 2011, changes in impairment charges were as follows:

	Impairment	Adjustments			
Amounts in Euro	Tangible Assets (Note 17)	Inventories (Note 20)	Accounts Receivable (Note 21)	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)	-	-	(12,197)	-	(12,197)
Reversal (Note 5)	-	15,655	183	555,839	571,677
Direct utilization	4,747,338	-	(149,782)	-	4,597,556
Transfers	-	-	-	-	-
As of 30 June 2011	**(91,277)**	**(593,296)**	**(2,161,605)**	**(598,932)**	**(3,445,110)**
Increase (Note 6)	-	(1,111,054)	(2,207)	(468)	(1,113,729)
Reversal (Note 5)	5,945	5,904	79,164	-	91,013
Direct utilization	-	-	149,782	-	149,782
Transfers	-	-	-	-	-
As of 31 December 2011	**(85,332)**	**(1,698,446)**	**(1,934,866)**	**(599,400)**	**(4,318,044)**
Increase (Note 6)	-	-	(45,729)	-	(45,729)
Reversal (Note 5)	-	352,968	2,091	70,100	425,159
Direct utilization	-	-	15,373	-	15,373
Transfers	-	-	-	-	-
As of 30 June 2012	**(85,332)**	**(1,345,478)**	**(1,963,131)**	**(529,300)**	**(3,923,241)**

24. Share capital and treasury shares

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

As of 30 June 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 47,360,601 were held as treasury shares.

These shares were mainly acquired during 2008 and 2012, and the changes in the period were as follows:

	2012		2011	
Amounts in Euro	Quant.	Amount	Quant.	Amount
Treasury shares held in January	22,099,932	42,154,975	15,054,358	26,787,706
Accquisitions				
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
	25,260,669	**46,740,650**	**4,122,256**	**10,115,179**
Treasury shares held in 30 June	**47,360,601**	**88,895,625**	**19,176,614**	**36,902,885**
Remaining Months			2,923,318	5,252,089
Treasury shares held in 31 December			**22,099,932**	**42,154,975**

The market value of the treasury shares held on 30 June 2012 amounted to Euro 90.884.993 (2011: Euro 40,641,775), corresponding to an unit value of Euro 1,919 (31 December 2011: Euro 1.839). and the market capitalization as of 30 June 2012 amounted to Euro 1,472,832,500 compared to an equity, net of non controlling interests of Euro 1,374,006,642.

As of 30 June 2012, the shareholders with significant positions in the Company's capital were as follows:

	30-06-2012	
Entity	**Nº of shares**	**% Entity**
Seinpar Investments, BV	241,583,015	31.48%
Semapa, SGPS, S.A.	340,571,392	44.37%
Outras entidades Grupo Semapa	2,000	0.00%
Bestinver Gestión, SA SGIIC	-	0.00%
Zoom Investment	1,996,453	0.26%
Treasury shares	47,360,601	6.17%
Other shareholders	135,986,539	17.72%
Total	**767,500,000**	**100.00%**

As of 31 December 2011, the shareholders with significant positions in the Company's capital were as follows:

	31-12-2011	
Entidade	**Nº of shares**	**% Entity**
Seinpar Investments, BV	241,583,015	31.48%
Semapa, SGPS, S.A.	340,571,392	44.37%
Outras entidades Grupo Semapa	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 of 30 June 2012 and 31 December 2011, this heading was detailed as follows:

Amounts in Euro	30-06-2012	31-12-2011
Fair value reserve	(144,189)	(523,245)
Legal reserve	66,217,777	57,546,582
Currency translation reserve	(1,496,674)	(485,916)
Net profit: prior years	525,115,789	499,721,013
	589,692,703	**556,258,434**

Fair value reserve

As of 30 June 2012, the Fair value reserve of Euro 144,189, net of deferred taxes of Euro 66,306, represents the decrease in the fair value of financial hedging instruments valued at Euro 7.984 as of 30 June 2012 (Note 31), recorded as described in Note 1.11.

The movements occurred in this reserve in 2012 and 2011, are detailed as follows:

Amounts in Euro	2012	2011
Revaluation Reserve - Fair Value		
As of 1 January	(523,245)	78,040
Revaluation at fair value	509,297	(322,143)
Transfer to the income statement due to the maturity oh the instruments (Note 10)	(130,241)	2,731,767
As of 30 June	**(144,189)**	**2,487,664**
Remaining quarters		(3,010,909)
As of 31 December		**(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 rates of exchange prevailing at the date of the statement of financial position and are detailed as follows:

Amounts in Euro	30-06-2012	31-12-2011
Currency translation reserve		
Portucel Soporcel North América (USD)	(1,505,088)	(490,277)
Portucel Soporcel Sw itzerland (CHF)	11,587	-
Portucel Soporcel Poland (PLN)	(3,797)	-
Portucel Soporcel Afrique du Nord (MAD)	511	250
Portucel Soporcel UK (GBP)	113	4,111
	(1,496,674)	**(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 endoresed by the European Union.

As of 30 June 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)	1,203,445,159	91,124,491	1,294,569,651
Own shares	(6,286,719)	-	(6,286,719)
Revaluation of tangible assets	113,399,983	14,571,442	127,971,425
Financial investment grants	(41,857,780)	-	(41,857,780)
Non-controlling interests	(208,598)	13,631	(194,967)
Consolidated Financial Statements (IFRS)	1,268,492,045	105,709,564	1,374,201,610

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
Own shares	(6,286,719)	-	(6,286,719)
Revaluation of tangible assets	89,650,459	22,921,962	112,572,421
Financial 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 distribution capacity of the Group's results, this is measured based on the retained earnings and other reserves determined in accordance with Portuguese GAAP. It should be noted that the transition to IAS / IFRS has been made in the consolidated financial statements with reference to 1 January 2005 while the conversion of the individual financial statements to the current Portuguese GAAP was made with reference to 1 January 2010. This, combined with different criteria and concepts between the two standards, justifies the difference the equity of the two sets of financial statements.

On 30 June 2012 and 31 December 2011, the reserves available for distribution were detailed as follows:

Amounts in Euro	30-06-2012	31-12-2011
Retained earnings: prior years	385,441,405	385,419,591
	385,441,405	**385,419,591**
Net profit for the period	105,709,564	196,331,389
Legal reserves	(4,556,225)	(8,671,195)
	101,153,339	**187,660,194**
	486,594,745	**573,079,785**

26. Deferred Taxes

Over the six month period ended 30 June 2012 and the year ended 31 December 2011, the changes in assets and liabilities as a result of deferred taxes were as follows:

Amounts in Euro	As of 1 January 2012	Income Statement Increases	Income Statement Decreases	Equity	As of 30 June 2012
Temporary differences originating deferred tax assets					
Tax losses carried forward	248,456	3,004,327	-	-	3,252,783
Taxed provisions	1,922,901	-	(25,381)	-	1,897,520
Adjustments in fixed assets	103,359,379	763,860	(11,326,337)	-	92,796,902
Retirement benefits	3,250,572	388	-	-	3,250,960
Financial Instruments	763,861	-	-	(553,366)	210,495
Deferred accounting gains on inter-group transactions	20,050,099	1,660,877	(1,014,477)	-	20,696,499
Valuation of biological assets	696,814	3,179,439	-	-	3,876,253
Amortization of assets recognised under IFRIC 4	-	724,350	(724,350)	-	-
Investment grants	16,602,389	-	(729,409)	-	15,872,981
	146,894,471	**9,333,241**	**(13,819,953)**	**(553,366)**	**141,854,393**
Temporary differences originating deferred tax liabilities					
Revaluation of fixed assets	(16,714,370)	-	754,518	-	(15,959,852)
Retirement benefits	(905,738)	(10,137)	14,051	(82,397)	(984,221)
Adjustments in the conversion of PGAAP	(19,067,418)	-	3,177,903	-	(15,889,515)
Fair Value of tangible fixed assets	(3,179,438)	-	1,021,212	-	(2,158,226)
Tax Benefits	(75,946,947)	-	21,378,612	-	(54,568,335)
Extension of the useful life of the tangible fixed assets	(281,244,871)	(10,388,431)	-	-	(291,633,302)
Investment grants	(305,739)	-	305,739	-	-
Deferred accounting losses on inter-group transactions	(216,085,307)	(3,179,438)	-	-	(219,264,745)
	(613,449,828)	**(13,578,005)**	**26,652,034**	**(82,397)**	**(600,458,196)**
Amounts presented on the statement of financial position					
Deferred tax assets	46,271,758	2,939,971	(4,353,285)	(174,310)	44,684,134
	46,271,758	**2,939,971**	**(4,353,285)**	**(174,310)**	**44,684,134**
Deferred tax liabilities	(193,236,696)	(4,277,072)	8,395,391	25,955	(189,144,332)
	(193,236,696)	**(4,277,072)**	**8,395,391**	**25,955**	**(189,144,332)**

In the measurement of the deferred taxes on 30 June 2012 and 31 December 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*), passed in Law 12-A/2010 and modified by the law 64-B/2011, notwithstanding the fact that it is the company's understanding that the reversal of the majority of the existing deferred taxes passed will take place in a period subsequent to that covered by the PEC, that is, after 2013.

Amounts in Euro	As of 1 January 2011	Income Statement		Equity	As of 30 June 2011	Income Statement		Equity	As of 31 December 2011
		Increases	Decreases			Increases	Decreases		
Temporary differences originating deferred tax assets									
Tax losses carried forward	408,173	-	-	-	**408,173**	-	(159,717)	-	248,456
Taxed provisions	1,333,951	-	(1,327,315)	-	**6,636**	588,950	1,327,315	-	1,922,901
Adjustments in fixed assets	52,478,380	46,033,393	-	-	**98,511,773**	4,847,606	-	-	103,359,379
Retirement benefits	3,171,632	119,309	-	-	**3,290,941**	(40,369)	-	-	3,250,572
Financial Instruments	-	-	-	140,679	**140,679**	-	-	623,182	763,861
Deferred accounting gains on inter-group transactions	10,692,933	1,299,309	(2,021,162)	-	**9,971,080**	8,120,666	2,021,162	(62,809)	20,050,099
Valuation of biological assets	8,157,968	-	(8,157,968)	-	**-**	-	696,814	-	696,814
Depreciation of assets recognised under IFRIC 4	3,631,551	847,418	(4,478,969)	-	**-**	(847,418)	847,418	-	-
Investment tax incentives	-	-	-	-	**-**	16,602,389	-	-	16,602,389
	79,874,588	48,299,429	(15,985,414)	140,679	**112,329,282**	29,271,824	4,732,992	560,373	146,894,471
Temporary differences originating deferred tax liabilities									
Revaluation of fixed assets	(19,973,300)	-	759,191	-	**(19,214,109)**	-	761,283	1,738,456	(16,714,370)
Retirement benefits	(994,026)	(68,637)	4,104,253	(4,346,508)	**(1,304,918)**	(2,433)	(4,104,253)	4,505,866	(905,738)
Derivative Financial Instruments at faire value	(109,529)	-	-	109,529	**-**	-	-	-	-
Adjustments in the conversion of PGAAP	(29,745,883)	-	7,500,562	-	**(22,245,321)**	-	3,177,903	-	(19,067,418)
Fair Value of tangible fixed assets	-	(6,706,320)	-	-	**(6,706,320)**	3,526,882	-	-	(3,179,438)
Tax Benefits	(62,087,933)	(7,090,321)	69,178,254	-	**-**	(6,768,693)	(69,178,254)	-	(75,946,947)
Valuation of biological assets	-	-	-	-	**-**	-	-	(305,739)	(305,739)
Extension of the useful life of the tangible fixed assets	(356,185,011)	(16,348,928)	-	-	**(372,533,939)**	16,348,928	74,940,140	-	(281,244,871)
Deferred accounting losses on inter-group transactions	(104,813,742)	(88,095,418)	-	-	**(192,909,160)**	(23,176,147)	-	-	(216,085,307)
	(573,909,424)	(118,309,624)	81,542,260	(4,236,979)	**(614,913,767)**	(10,071,463)	5,596,819	5,938,583	(613,449,828)
Amounts presented on the statement of financial position									
Deferred tax assets	22,963,944	13,886,086	(4,595,807)	40,445	**32,294,669**	8,415,149	1,360,735	161,107	42,231,660
Effect of the change in tax rate	-	-	-	-	**-**	4,042,372	-	(2,274)	4,040,098
	22,963,944	**13,886,086**	**(4,595,807)**	**40,445**	**32,294,669**	**12,457,521**	**1,360,735**	**158,833**	**46,271,758**
Deferred tax liabilities	(164,998,958)	(34,014,017)	23,443,400	(1,218,131)	**(176,787,706)**	(2,895,546)	1,609,085	1,707,342	(176,366,825)
Effect of the change in tax rate	-	-	-	-	**-**	(16,712,295)	-	(157,575)	(16,869,871)
	(164,998,958)	**(34,014,017)**	**23,443,400**	**(1,218,131)**	**(176,787,706)**	**(19,607,841)**	**1,609,085**	**1,549,767**	**(193,236,696)**

As of 30 June 2012 and 31 December 2011, the Group had recognized deferred tax assets on tax losses amounting Euro 3.004.327 and Euro 272,221 respectively, related to PortucelSoporcel Fine Paper and RAÍZ – Instituto de Investigação da Floresta e Papel.

27. Pensions and other post-employment benefits

27.1. Introduction

There are currently several retirement and survival pension supplement plans, and retirement bonus, in place in the companies included in the consolidation. For some categories of employees there are plans in addition to the ones described below, for which independent funds were also 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 of 30 June 2012 and 31 December 2011, the coverage of the companies' liabilities by the assets of the funds was as follows:

Amounts in Euro	30-06-2012	31-12-2011
Past services liabilities		
- Active Employees	68,684,912	69,500,118
- Retired Employees	50,677,451	48,652,860
Market value of the pension funds	(107,556,092)	(104,716,904)
	11,806,272	**13,436,074**
Liabilities with retirement bonuses	3,247,099	3,246,711
Net liabilities	**15,053,371**	**16,682,785**

On 30 June 2012, the liability related with post-employment benefit plans for five members of Portucel's Board was Euro 4,682,212 (31 December 2011: 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 of 30 June 2012 and 31 December 2011 were based on the following assumptions:

	30-06-2012	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%
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 connection to the payment of the benefits to employees.

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

The following table presents a five-year historical information on the present value of the liabilities, the funds' market value, non-financed liabilities and net actuarial gains/ (losses). The detailed information on 30 June 2012 and for the years ended December 2011, 2010, 2009 and 2008 is shown in the following table:

Amounts in Euro	2008	2009	2010	2011	06_2012
Present value of liabilities	143,268,871	149,262,005	116,568,257	121,323,084	122,609,462
Fair value of plan assets	118,768,323	129,743,758	102,854,501	104,716,904	107,556,092
Surplus/(deficit)	(24,500,548)	(19,518,247)	(13,713,756)	(16,606,180)	(15,053,371)
Net actuarial gain/(loss)	(9,849,636)	7,327,298	(128,931)	(4,611,183)	727,323

27.3. Retirement and pension supplements

The movements in liabilities with retirement and pensions plans in 2012 and 2011 were as follows:

Amounts in Euro	2012	2011
Opening balance	118,152,978	113,455,153
Costs recognised in the Income Statement	4,190,046	4,059,419
Pensions paid	(1,789,669)	(1,632,730)
Actuarial (gains)/losses	(1,190,992)	126,070
Closing Balance	**119,362,363**	**116,007,912**
Remaining Quarters		2,145,066
Closing Balance		**118,152,978**

The funds set up to cover the above mentioned liabilities had the following movements 2012 and 2011:

Amounts in Euro	2012	2011
Opening balance	104,716,904	102,854,501
Contributions made in the period	500,000	226,000
Expected return in the period	2,210,542	2,494,043
Actuarial gains/(losses) (difference between actual and expected returns)	1,918,315	(1,420,799)
Pensions paid	(1,789,669)	(1,632,730)
Closing Balance	**107,556,092**	**102,521,015**
Remaining Quarters		2,195,889
Closing Balance		**104,716,904**

The contributions made in the period considered the information received from the actuaries with whom the Group manages the funding needs of its several plans. A deficit recovery plan of the funding levels to the mandatory minimum defined by the applicable regulations is being carried out, when applicable.

The average return of the plan's funds in the 6 month period ended 30 June 2012 was 3.59% (2011:0.75%).

The detail of the fund's assets as at 30 June 2012 and 31 December 2011 was as follows:

	30-06-2012	31-12-2011
Bonds	51,590,170	53,455,465
Liquidity	33,838,920	31,280,114
Shares	21,862,646	19,448,253
Other applications - short term	250,013	518,895
Property	14,343	14,177
	107,556,092	**104,716,904**

In the six months period ended 30 June 2012 and the year ended 31 December 2011the effect in the income statement of these plans was as follows:

Amounts in Euro	30-06-2012	30-06-2011
Defined Benefit Plans		
Current services	1,205,378	1,214,570
Interest expenses	2,984,668	2,844,852
Return of the plan assets	(2,210,542)	(2,494,043)
Transfers and adjustments	388	119,309
Other	5,260	235,287
	1,985,152	**1,919,975**
Defined Contribution Plans		
Changes in the plan		
Contribution to the plan	619,111	460,164
	619,111	**460,164**
Costs for the period	**2,604,263**	**2,380,139**

Current service costs include Euro 38,135 (31 December 2011: Euro 72.480) related with three members of the Board.

27.4. Retirement bonuses

Portucel 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	388	119,309
Closing Balance	**3,247,099**	**3,232,413**
Remaining Quarters		14,298
Closing Balance		**3,246,711**

28. Provisions

In the six month period ended 30 June 2012 and the year ended 31 December 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)	478,845	-	21,669,801	22,148,646
Reversals (Note 5)	(175,684)	-	(15,068,060)	(15,243,744)
As of 30 June 2011	**1,734,868**	**10,966,340**	**19,417,071**	**32,118,279**
Increases (Note 6)	(95,484)	15,761,880	(21,669,801)	(6,003,405)
Reversals (Note 5)	(285,158)	(21,295,184)	15,068,060	(6,512,282)
As of 1 January 2012	**1,354,226**	**5,433,036**	**12,815,330**	**19,602,591**
Increases (Note 6)	-	-	341,590	341,590
Reversals (Note 5)	-	-	(6,830,827)	(6,830,827)
As of 30 June 2012	**1,354,226**	**5,433,036**	**6,326,093**	**13,113,354**

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

29. Interest-bearing liabilities

As of 30 June 2012 and 31 December 2011, non-current interest-bearing debt comprised the following:

Amounts in Euro	30-06-2012	31-12-2011
Non-current		
Bond loans	200,000,000	400,000,000
Bank Loans	159,196,429	169,047,619
	359,196,429	**569,047,619**
Expenses with the issue of bond loans	(1,651,286)	(2,234,231)
Expenses with the issue of other loans	-	(357)
	(1,651,286)	**(2,234,588)**
	357,545,143	**566,813,031**

As of 30 June 2012 and 31 December 2011, current interest-bearing debt was as follows:

Amounts in Euro	30-06-2012	31-12-2011
Current		
Bond loans	350,000,000	150,000,000
Bank loans - short-term	61,833,238	14,085,292
	411,833,238	**164,085,292**

As of 30 June 2012 and 31 December 2011, the Group's net debt was detailed as follows:

Amounts in Euro	30-06-2012	31-12-2011
Interest-bearing liabilities		
Non-current	357,545,143	566,813,031
Current	411,833,238	164,085,292
	769,378,381	**730,898,323**
Cash and cash equivalents		
Cash	65,743	48,230
Short term bank deposits	11,120,736	7,103,485
Other	178,935,000	260,280,000
	190,121,478	**267,431,715**
Treasury shares at their market value (Note 24)	**90,884,993**	**40,641,775**
Interest-bearing net debt	**488,371,909**	**422,824,833**

As of 30 June 2012 and 31 December 2011, the interest-bearing liabilities of the Group comprised the following:

	30-06-2012		
Amounts in Euro	Non current	Current	Total
Interest-bearing liabilities			
Bond loans	198,348,714	350,000,000	548,348,714
Bank Loans	159,196,429	61,833,238	221,029,667
	357,545,143	**411,833,238**	**769,378,381**

	31-12-2011		
Amounts in Euro	Non current	Current	Total
Interest-bearing liabilities			
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 six month period ended 30 June 2012 and the year ended 31 December 2011 was as follows:

Amounts in Euro	6 months 30-06-2012	6 months 30-06-2011	Remaining quarters	31-12-2011
As of 1 January	422,824,833	652,724,278	-	652,724,278
Changes in value of treasury shares held and accumulated exchange rate adjustments	(2,927,178)	1,685,244	2,255,134	3,940,378
Interest paid	10,944,907	9,554,746	12,133,632	21,688,378
Dividens paid and reserves distributed	164,730,885	-	-	-
Receipts related to investment activities	(32,526,671)	(5,408,195)	(66,216)	(5,474,411)
Interest received	(2,119,417)	(2,402,972)	(4,122,793)	(6,525,765)
Payments related to investment activities	10,751,616	17,018,145	45,126,707	62,144,852
Net receipts from operating activities	(83,307,066)	(125,067,552)	(180,605,325)	(305,672,877)
	65,547,076	**(104,620,584)**	**(125,278,861)**	**(229,899,445)**
	488,371,909	**548,103,693**		**422,824,833**

The movements in the Group's net debt for the six month period ended 30 June 2012 and the year ended 31 December 2011 were as follows:

Amounts in Euro	6 months June 2012	6 months June 2011	Remaining quarters	31-12-2011
Net profit of the year	105,695,933	97,607,480	98,738,375	196,345,855
Depreciation, amortization and impairment losses	52,365,788	67,013,445	57,513,960	124,527,404
Net changes in provisions	(6,489,237)	6,904,901	(12,515,687)	(5,610,786)
	151,572,484	**171,525,826**	**143,736,648**	**315,262,474**
Change in w orking capital	(27,307,959)	(43,605,900)	26,339,311	(17,266,589)
Acquisitions of tangible fixed assets	(20,103,961)	(16,328,780)	(37,467,771)	(53,796,551)
Dividends and reserves distributed	(164,730,885)	-	-	-
Other changes in equity	1,847,396	(2,887,817)	(3,427,666)	(6,315,483)
Other	(6,824,151)	(4,082,745)	(3,901,661)	(7,984,405)
Change in net debt (Free Cash Flow)	**(65,547,076)**	**104,620,584**	**125,278,861**	**229,899,445**

Bond loans

During 2005, the Group issued five bond loans totalling Euro 700,000,000. The 2005/2008 loan amounting to Euro 25,000,000 was repaid during 2008, as well as the 2005/2010 loan, of Euro 300,000,000, which was repaid in March 2010.

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 designed 40% repayment at the end of the fourth year, and the remaining 60% at its maturity date. A spread is added to the market interest rate according to the level of the Net Debt/EBITDA ratio.

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

The loans outstanding as of 30 June 2012, were as follows:

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

The loan amounting to Euro 150,000,000 is quoted on the Euronext Lisbon under the heading "Obrigações Portucel 2005/2012". As of 30 June 2012 the unit value of this bond was Euro 97.99 (31 December 2011: Euro 99.80).

Non-current bank loans

Portucel contracted a bank loan of Euro 25,000,000 in January 2005 for a period of seven years. The loan will be repaid in 8 semi-annual instalments of Euro 3,125,000 each, the first of which was paid in July 2008. The last instalment was paid on January 2012 and therefore the loan was totally repaid.

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 – Ambiente Tranche A. In March 2010, Portucel used two contracted credit facilities with the European Investment Bank (EIB) of Euro 30,000,000 and Euro 85,000,000 designated BEI – Ambiente Tranche B and BEI – Energy, respectively.

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

The loan designated BEI – Ambiente Tranche B has a 11 year maturity and it will be repaid in 18 semi-annual instalments, the first of which will be due in December 2012 and the last one on 15 June 2021, each of them amounting to Euro 1,666,667. This loan bears interest at a rate corresponding to the Euribor for six months plus a 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 15 June 2013 and the last one on 15 December 2024, each of them amounting to Euro 3,541,667. This loan bears interest at a rate corresponding to the Euribor for six months plus a fixed spread.

These two loans are guaranteed by two banks.

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 ending June 2013. As of 30 June 2012, no issues were in place.

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

Amounts in Euro	30-06-2012	31-12-2011
1 to 2 years	59,702,381	219,702,381
2 to 3 years	179,702,381	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	80,386,905	-
	359,196,429	**569,047,619**

As of 30 June 2012, besides the commercial paper, the Group had available but unused credit lines amounting to Euro 32,450,714 (31 December 2011: Euro 32,450,714). On the same date, the group had an overdraft amounting to 45,672,524 due to the purchase of treasury shares on 28 June 2012 but whose financial settlement occurred only on 3 July 2012.

Finance lease – IFRIC 4

As of 30 June 2012 and 31 December 2011, the Group showed the following equipments under finance lease plans recognized under IFRIC 4:

	30-06-2012		
Amounts in Euro	Acquisition Value	Accumulated amortization	Net book value
Equipment - Soporgen	44,003,950	(36,669,959)	7,333,991
Equipment - Omya	14,000,000	(3,465,065)	10,534,935
	58,003,950	**(40,135,024)**	**17,868,926**

	31-12-2011		
Amounts in Euro	Acquisition Value	Accumulated amortization	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	30-06-2012	31-12-2011
Non-Current	15,422,050	18,109,324
Current (Note 30)	3,693,013	4,584,418
	19,115,063	**22,693,742**

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

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

In 2009, with the launch of the new paper mill, the Group recognized as a finance lease contract the cost of the Precipitated Calcium Carbonate production unit, installed by Omya, S.A. at the industry site in Setúbal for the exclusive use of the new mill. This contract foresees the transfer of the assets' ownership to About The Future, S.A., upon its termination.

30. Payables and other current liabilities

As of 30 June 2012 and 31 December 2011, "Payables and other current liabilities" were detailed as follows:

Amounts in Euro	30-06-2012	31-12-2011
Accounts payable to suppliers	144,218,772	143,591,215
Accounts payable to fixed assets suppliers	5,738,474	32,845,993
Accounts payable to fixed assets suppliers - Soporgen (Note 29)	3,737,731	4,584,418
Accounts payable - related parties (Note 32)	29,848	1,452,665
Derivative financial instruments (Note 31)	1,203,056	4,448,169
Other creditors - CO2 emissions	2,996,896	4,433,430
Sales comissions	97,708	67,844
Other creditors	2,863,574	1,864,582
Accrued costs	35,809,331	36,993,781
Deferred income	55,369,526	54,611,282
	252,064,916	**284,893,379**

As of 30 June 2012 and 31 December 2011, accrued costs and deferred income were detailed as follows:

Amounts in Euro	30-06-2012	31-12-2011
Accrued costs		
Payroll expenses	27,994,331	31,016,633
Interests payable, including compensatory interest	3,157,099	3,997,371
Other	4,657,901	1,979,777
	35,809,331	**36,993,781**
Deferred income		
Government grants (Note 9)	51,214,706	54,103,383
Grants - CO2 emission licenses	3,844,607	-
Other	310,213	507,899
	55,369,526	**54,611,282**

As of 30 June 2012 and 31 December 2011, deferred income on government grants was detailed per company as follows:

Amounts in Euro	30-06-2012	31-12-2011
AICEP investment contracts (Note 9)		
Portucel, S.A.	29,662,994	31,451,428
SoporcelPulp, S.A.	15,872,981	16,602,389
Soporcel, S.A.	5,375,838	5,845,140
	50,911,813	**53,898,957**
Others		
Portucel, S.A.	41,533	21,031
Raiz	261,360	183,395
	302,893	204,426
	51,214,706	**54,103,383**

During 2012 and 2011, Grants – CO2 emissions had the following movements:

Amounts in Euro	2012	2011
Grants - CO2 emissions		
Opening balance	-	-
Increase	7,193,155	12,630,672
Utilization	(3,348,548)	(6,407,115)
Closing balance as of 30 June	**3,844,607**	**6,223,557**
Remaining quarters		(6,223,557)
Closing balance as of 31 December		**-**

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, foreign exchange 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 31.2.	Financial instruments- hedging Note 31.3.	Loans and receivables Note 31.4.	Financial asstes held-for-sale Note 19	Other interest-bearning liabilities Note 31.5.	Non financial Assets/liabilities
30-06-2012						
Assets						
Financial assets held-for-sale	-	-	-	126,032	-	-
Other non - current asstes	-	-	-	-	-	-
Current receivables and cash and equivalents	-	-	432,636,951	-	-	264,668,264
Total	**-**	**-**	**432,636,951**	**126,032**	**-**	**264,668,264**
Liabilities						
Non-current interest-bearning liabilities	-	-	-	-	357,545,143	
Other liabilities	-	-	-	-	15,422,050	217,311,057
Current interest-beraning liabilities	-	-	-	-	411,833,238	
State entities	-	-	-	-		106,745,469
Current payables	(817,507)	7,984	-	-	168,701,059	83,363,857
Total	**(817,507)**	**7,984**	**-**	**-**	**953,501,490**	**407,420,383**
31-12-2011						
Assets						
Financial assets held-for-sale	-	-	-	126,032	-	-
Other non - current asstes	-	-	-	-	-	-
Current receivables and cash and equivalents	-	-	509,688,809	-	-	243,375,049
Total	**-**	**-**	**509,688,809**	**126,032**	**-**	**243,375,049**
Liabilities						
Non-current interest-bearning liabilities	-	-	-	-	566,813,031	
Other liabilities	-	-	-	-	19,045,446	229,522,072
Current interest-beraning liabilities	-	-	-	-	164,085,292	
State entities	-	-	-	-		79,673,372
Current payables	(2,467,939)	(1,980,230)	-	-	193,881,173	85,627,915
Total	**(2,467,939)**	**(1,980,230)**	**-**	**-**	**943,824,942**	**394,823,359**

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

31.1. Fair value hierarchy

The following table presents the Group's assets and liabilities measured at fair value at 30 June 2012, according to the following fair value hierarchies:

i. **Level 1:** Fair value of financial instruments is based on prices ruling on active, liquid markets at the date of the statement of financial position;
ii. **Level 2:** 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:** 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	30-06-2012	Level 1	Level 2	Level 3
Financial asstes at fair value through profit or loss				
Financial instruments-trading	(817,507)	-	(817,507)	-
Financial instruments-hedging	7,984	-	7,984	-
	(809,523)	**-**	**(809,523)**	**-**

31.2. Financial instruments held for trading

As of 30 June 2012 and 31 December 2011, the fair value of derivative financial instruments (Note 1.11) was as follows:

	30-06-2012				31-12-2011
Amounts in Euro	Notional	Positive	Negative	Net	Net
Trading					
Foreign exchange forwards	53,115,761	-	(817,507)	(817,507)	(2,467,939)
	53,115,761	**-**	**(817,507)**	**(817,507)**	**(2,467,939)**

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

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

The net fair value of trading instruments – forwards – as at 30 June 2012 is negative by Euro 817,507 (31 December 2011: Euro 2,467,939).

31.3. Derivative financial instruments designated as hedging instruments

As of 30 June 2012 and 31 December 2011, the fair value of derivative financial instruments designated as hedging instruments (Note 1.11) was as follows:

	30-06-2012				31-12-2011
Amounts in Euro	Notional	Positive	Negative	Net	Net
Hedging					
Hedging (net investment)	19,896,743	377,564	-	377,564	(614,563)
Hedging (future sales)	78,117,554	-	(385,548)	(385,548)	(1,365,667)
	98,014,297	**377,564**	**(385,548)**	**(7,984)**	**(1,980,230)**

On 30 June 2012, the hedging instruments in place showed a net negative fair value of Euro 7,984. This includes the effect of the valuation of a *forward* designed to hedge the exchange translation risk of Portucel Soporcel North America's shareholder's equity and three *Zero cost collars* designed to hedge the exchange translation risk of part of Group's future sales.

31.4. Credit and receivables

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

31.5. Other financial liabilities

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

31.6. Net gains on financial assets and liabilities

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

Amount in Euro	6 months June 2012	6 months June 2011
Exchange Gains / (losses) in accounts receivable	(1,688,542)	2,316,677
Gains / (losses) on financial instruments - hedging	(130,241)	(2,731,767)
Gains / (losses) on financial instruments - trading	1,636,779	694,332
Interest Income:		
From deposits and other receivables	2,120,817	1,949,826
Interest expense:		
Financial liabilities measured at amortized cost	(11,120,753)	(10,858,464)
Other	417,468	(797,656)
	(8,764,472)	**(9,427,052)**

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

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

	Change in fair value (Trading)	Change in fair value (Hedging)	Total
Opening balance 1 January 2011	(58,767)	109,529	50,762
Maturity (Note 10)	694,332	(2,731,767)	(2,037,435)
Decrease in fair value	-	2,481,559	2,481,559
Closing balance 30 June 2011	**635,565**	**(140,679)**	**494,886**
Maturity (Note 10)	(3,103,505)	(704,164)	(3,807,669)
Decrease in fair value	-	(1,135,387)	**(1,135,387)**
Opening balance 1 January 2012	**(2,467,940)**	**(1,980,230)**	**(4,448,170)**
Maturity (Note 10)	1,650,433	(130,241)	1,520,192
Decrease in fair value	-	2,102,486	2,102,486
Closing balance 30 June 2012	**(817,507)**	**(7,985)**	**(825,492)**

As at 30 June 2012 and 31 December 2011, the derivative financial instruments previously summarised presented the following maturities:

					30-06-2012	31-12-2011
		Nominal value	Maturity	Type	Fair Value	Fair Value
Foreing Exchange Forwards	USD	-	-	Trading	-	(235,962)
	USD	39,782,000	-	Trading	(646,842)	(1,818,164)
	GBP	18,020,000	-	Trading	(170,665)	(413,813)
					(817,507)	**(2,467,939)**
Foreing Exchange Forwards - Subsidiaries investments	USD	25,050,000	30-Nov-12	Hedging	377,564	(614,563)
Foreing Exchange Forwards	USD	12,450,000	30-Set-12	Hedging	(202,034)	(688,902)
Foreing Exchange Forwards	USD	16,600,000	31-Out-12	Hedging	(202,756)	(581,028)
Foreing Exchange Forwards	USD	12,600,000	31-Dez-12	Hedging	(63,024)	(95,737)
Foreing Exchange Forwards	USD	13,800,000	31-Dez-12	Hedging	3,156	-
Foreing Exchange Forwards	USD	42,900,000	31-Dez-12	Hedging	79,110	-
					(7,984)	**(1,980,230)**
					(825,491)	**(4,448,169)**

32. Balances and transactions with related parties

The following is a breakdown of related parties' balances as of 30 June 2012 and 31 December 2011:

	June 2012		December 2011	
	Assets	Liabilities	Assets	Liabilities
Amounts in Euro	Receivables	Payables	Receivables	Payables
Semapa	1,511	29,848	721	1,452,665
	1,511	**29,848**	**721**	**1,452,665**

In the six months periods ended 30 June 2012 and 2011, transactions with related parties were as follows:

	June 2012		June 2011	
Amounts in Euro	Sales and services rendered	Cosumed materials and services	Sales and services rendered	Cosumed materials and services
Semapa	5,117	695,855	986	1,063,663
	5,117	**695,855**	**986**	**1,063,663**

33. Environmental related expenditure

Environmental costs

As part of its business operations, the Group incurs in several environmental expenditure which, depending on their nature, are capitalised 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 capitalised when they are expected to extend the useful life or to increase the capacity, safety or efficiency of other assets held by the Group.

The expenditure capitalized and expensed in the six months period ended 30 June 2012 and the year ended 31 December 2011 was as follows:

Amounts in Euro	30-06-2012	31-12-2011
Expansion of wastewater treatment equipment	75,890	109,182
Recovery boiler	-	80,187
Generator of the oil boiler	-	57,884
Improvement of facilities and security	14,082	11,278
Others	91,522	113,265
	181,494	**371,796**

Amounts in Euro	June 2012	June 2011
Treatment of wastewater	5,273,217	3,639,260
Recycling of materials	2,384,108	889,580
Water resources charges (Note 6)	1,338,473	1,173,996
Expenses electrostatic	256,828	273,515
Electrofilters	138,526	135,785
Sewerage	-	15,575
Other	74,438	581,455
	9,465,590	**6,709,166**

CO2 emission rights

As part of the Kyoto Protocol, the European Union has committed itself to reduce greenhouse gases' emissions. Within this context, a EU Directive was issued that foresees the trade of CO_2 emission rights. This Directive has been transposed to the Portuguese legislation, with effect from 1 January 2005, and impacts, amongst other industries, on the pulp and paper industry (Note 30).

As a result of negotiations of the National Plan for the Allocation of CO_2 Emission Rights (PNALE), for the period 2008-2012, the Group was awarded licences 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 six months period ended 30 June 2012 and 2011, expenses with statutory audits, other audit services and tax advisory services, were as follows:

Amounts in Euro	June 2012	June 2011
Statutory auditors services		
Statutory audit services	132,924	164,458
Audit of foreign subsidiaries	39 499	129 690
Tax advisory services		
Portugal	112 923	9 608
Foreign subsidiaries	3 197	81 751
Other assurance services	39 605	57 431
	328,148	**442,938**

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

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

35. Number of employees

As of 30 June 2012 the number of employees working for the various Group companies was 2,278 (31 December 2011: 2,290), of which 291 were employed by About The Future, S.A. and 75 in its foreign subsidiaries.

36. Commitments

36.1. Commitments in favour of third-parties

As of 30 June 2012 and 31 December 2011, the Group had presented the following bank guarantees to the following entities:

Amounts in Euro	30-06-2012	31-12-2011
In favour of third parts		
Portuguese Tax authorities	32,443,597	32,995,209
Duties with wood imports	3,389,609	3,593,131
Simria	341,113	327,775
Other	552,972	639,101
	36,727,292	37,555,215
	36,727,292	**37,555,215**

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

Amounts in Euro	30-06-2012	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	5,194,621	5,086,210
Income Tax 2007 - Municipal surcharge	-	853,023
Stamp Duty 2004	575,870	575,870
	32,443,597	**32,995,209**

36.2. Purchase commitments

In addition to the commitments described in the preceding Note, purchase commitments assumed with suppliers, in the six months period ended 30 June 2012, amounted to Euro 15,155,603 and referred to capital expenditure on Property, plant and equipment. On 31 December 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 of 30 June 2012 and 31 December 2011, the commitments relating to operating lease contracts were as follows:

Amounts in Euro	30-06-2012	31-12-2011
2012	835,924	1,646,206
2013	1,429,479	1,157,765
2014	1,052,109	664,999
2015	808,418	190,006
2016	257,493	-
	4,383,422	**3,658,975**

As of 30 June 2012 and 31 December 2011, the commitments relating to forestry land rents were as follows:

Amounts in Euro	30-06-2012	31-12-2011
2012	2,235,165	3,432,711
2013	3,501,970	3,163,830
2014	3,130,795	2,816,056
2015	3,063,595	2,685,971
2016	2,993,483	2,610,094
Later	32,041,114	26,398,899
	46,966,123	**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 rulling 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 33,861,034, detailed as follows:

Amounts in Euro	Period	Amounts Requested	1st Refund	Outstanding
Portucel				
Value added tax - 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)	-
Value added tax	2002	2,697	(2,697)	-
Corporate Income Tax	2003	1,573,165	(1,573,165)	-
Corporate Income Tax	2003	197,395	(157,915)	39,480
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		190,984	-	190,984
		33,169,820	**(8,210,546)**	**24,959,274**
Soporcel				
Corporate Income Tax	2002	169,219	-	169,219
Corporate Income Tax	2003			
(Resubmited income tax form)		5,725,771	-	5,725,771
Value added tax	2003	2,509,101	-	2,509,101
Stamp duty	2004	497,669	-	497,669
		8,901,760	**-**	**8,901,760**
		42,071,580	**(8,210,546)**	**33,861,034**

This amount may still be reduced due to claims presented in judicial and arbitration courts totalling Euro 16,186,275. From this, Euro 3,016,975 is already due by the tax authorities, of which Euro 2,533,416 are pending appeal by the tax authorites.

37.1.2. <u>State surcharge 2010 and 2011 – 1.147.617 Euros and 1,117,677 Euros.</u>

In the 2010 income tax form presented by Portucel, a state surcharge of Euro 1,147,617 was determined regarding About The Future – Empresa Produtora de Papel, S.A., which is considered undue 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. Following the rejection of that claim, Portucel presented the corresponding hierachical appeal, on 11 November 2011. On 17 May, a legal appeal was presented.

Regarding 2011, Portucel will also present a tax claim in order to collect the refund of the excess income tax amount paid in 2011.

37.1.3. <u>Investment Contracts with AICEP</u>

Regarding the contracts signed with AICEP and up to 30 June 2012, a total amount of Euro 18,623,863 of tax incentives is yet to be recognized.

37.1.4. <u>Proceedings in the Arbitration Court</u>

Following the approval of Decree-Law No. 10/2011 of 20 January, which introduced Arbitration Courts in the Portuguese legal system, to rule on tax matters, the Group submitted to these courts a number of tax cases totaling Euro 5,714,888, detailed as follows:

Amounts in Euro	Year	Amount
Stamp duty	2008	50,000
Corporate Income Tax	2002	157,656
Corporate Income Tax - Municipal Surcharge	2007	682,182
Corporate Income Tax - Municipal Surcharge	2010	2,829,353
Corporate Income Tax - Municipal Surcharge	2008	173,868
Corporate Income Tax - Municipal Surcharge	2009	888,200
Corporate Income Tax	2003	24,315
Corporate Income Tax	2004	111,543
IRC - RETGS - Self liquidation	2008	138,404
Corporate Income Tax	2001	314,340
Corporate Income Tax	2010	345,027
		5,714,888

Several Arbitration Court decisions were already issued in favour of Portucel totalling Euro 5,258,318. The group is waiting for the decision on the remaining amounts.

37.2. Non-tax matters

37.2.1. Public Debt Settlement Fund

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

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

This situation regards the amount collected under this concept 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.

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.

The decision of the Court is stil pending.

38. Exchange rates

The assets and liabilities of the foreign subsidiaries and associated companies expressed in a functional currency other than Euro were translated to Euro at the exchange rate prevailing on 30 June 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 on 30 June 2012 and 31 December 2011, against the Euro, were as follows:

	30-06-2012	31-12-2011	Valuation / (depreciation)
GBP (sterling pound)			
Average exchange rate for the year	0.8224	0.8679	5.25%
Exchange rate at the end of the year	0.8068	0.8353	3.41%
USD (american dollar)			
Average exchange rate for the year	1.2963	1.3920	6.88%
Exchange rate at the end of the year	1.2590	1.2939	2.70%
PLN (polish zloti)			
Average exchange rate for the year	4.2466	4.1205	(3.06%)
Exchange rate at the end of the year	4.2488	4.4580	4.69%
SEK (swedish krona)			
Average exchange rate for the year	8.8842	9.0308	1.62%
Exchange rate at the end of the year	8.7728	8.9120	1.56%
CZK (czech koruna)			
Average exchange rate for the year	25.1746	24.5906	(2.38%)
Exchange rate at the end of the year	25.6400	25.7870	0.57%
CHF (swiss franc)			
Average exchange rate for the year	1.2048	1.2324	2.24%
Exchange rate at the end of the year	1.2030	1.2156	1.04%
DKK (danish krone)			
Average exchange rate for the year	7.4361	7.4507	0.20%
Exchange rate at the end of the year	7.4334	7.4342	0.01%
HUF (hungarian florim)			
Average exchange rate for the year	295.4656	279.3789	(5.76%)
Exchange rate at the end of the year	287.7700	314.5800	8.52%
AUD (australian dollar)			
Average exchange rate for the year	1.2562	1.3485	6.84%
Exchange rate at the end of the year	1.2339	1.2723	3.02%
MZM (mozambique metical)			
Average exchange rate for the year	35.8413	40.9907	12.56%
Exchange rate at the end of the year	34.9800	35.9200	2.62%

39. Companies included in the consolidation

Company	Head office	Percentage of capital held by Group companies		
		Directly	Indirectly	Total
Parent-Company:				
Portucel – Empresa Produtora de Pasta e Papel, SA	Setúbal	-	-	-
Subsidiaries:				
Soporcel - Sociedade Portuguesa de Papel, SA	Figueira da Foz	100.00	-	100.00
PortucelSoporcel Floresta, SGPS, SA	Figueira da Foz	50.00	50.00	100.00
Soporcel Pulp - Sociedade Portuguesa de Celulose, SA	Figueira da Foz	100.00	-	100.00
Portucel Florestal – Empresa de Desenvolvimento Agro-Florestal, SA	Setúbal	100.00	-	100.00
CountryTarget SGPS SA	Setúbal	100.00	-	100.00
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, SA	Setúbal	-	100.00	100.00
PortucelSoporcel Florestal – Sociedade para o Desenvolvimento Agro-Florestal, SA	Setúbal	-	100.00	100.00
Afocelca - Agrupamento complementar de empresas para protecção contra incêndios ACE	Portugal	-	64.80	64.80
Enerforest - Empresa de Biomassa para Energia, SA	Setúbal	-	100.00	100.00
Atlantic Forests, SA	Setúbal	-	100.00	100.00
Viveiros Aliança - Empresa Produtora de Plantas, SA	Palmela	-	100.00	100.00
Aflomec - Empresa de Exploração Florestal, SA	Setúbal	-	100.00	100.00
Cofotrans - Empresa de Exploração Florestal, SA	Figueira da Foz	-	100.00	100.00
Raiz - Instituto de Investigação da Floresta e Papel	Aveiro	-	94.00	94.00
Bosques do Atlantico, SL	Spain	-	100.00	100.00
PortucelSoporcel Pulp SGPS, S.A.	Setúbal	100.00	-	100.00
CELSET - Celulose de Setúbal, S.A.	Setúbal	-	100.00	100.00
CELCACIA - Celulose de Cacia, S.A.	Aveiro	-	100.00	100.00
Portucel International GmbH	Germany	-	100.00	100.00
PortucelSoporcel Papel, SGPS SA	Setúbal	100.00	-	100.00
Portucel Soporcel North America Inc.	USA	-	100.00	100.00
About the Future - Empresa Produtora de Papel, SA	Setúbal	-	100.00	100.00
Portucel Papel Setúbal, S.A.	Setúbal	-	100.00	100.00
PortucelSoporcel Sales & Marketing NV	Belgium	25.00	75.00	100.00
PortucelSoporcel Fine Paper , S.A.	Setúbal	-	100.00	100.00
PortucelSoporcel España, SA	Spain	-	100.00	100.00
PortucelSoporcel International, BV	Netherlands	-	100.00	100.00
PortucelSoporcel France, EURL	France	-	100.00	100.00
PortucelSoporcel United Kingdom, Ltd	United Kingdom	-	100.00	100.00
PortucelSoporcel Italia, SRL	Italy	-	100.00	100.00
PortucelSoporcel Lusa Unipessoal, Lda	Figueira da Foz	-	100.00	100.00
PortucelSoporcel Deutschland, GmbH	Germany	-	100.00	100.00
PortucelSoporcel Handels, GmbH	Austria	-	100.00	100.00
PortucelSoporcel Afrique du Nord	Morocco	-	100.00	100.00
PortucelSoporcel Poland SP Z O	Poland	-	100.00	100.00
PortucelSoporcel Sw itzerland, Ltd	Sw itzerland	-	100.00	100.00
PortucelSoporcel Energia, SGPS SA	Setúbal	100.00	-	100.00
SPCG – Sociedade Portuguesa de Co-Geração Eléctrica, SA	Setúbal	-	100.00	100.00
Enerpulp – Cogeração Energética de Pasta, SA	Setúbal	-	100.00	100.00
PortucelSoporcel Cogeração de Energia, SA	Setúbal	-	100.00	100.00
PortucelSoporcel Participações, SGPS SA	Setúbal	100.00	-	100.00
Arboser – Serviços Agro-Industriais, SA	Setúbal	-	100.00	100.00
Empremédia - Corretores de Seguros, SA	Lisboa	-	100.00	100.00
Socortel - Sociedade de Corte de Papel, SA	Figueira da Foz	-	100.00	100.00
Cutpaper - Transformação, Corte e Embalagem de Papel, ACE	Figueira da Foz	-	50.00	50.00
Headbox - Operação e Contolo Industrial, SA	Setúbal	-	100.00	100.00
EMA21 - Engenharia e Manutenção Industrial Século XXI, SA	Setúbal	-	100.00	100.00
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, SA		-	100.00	100.00
PortucelSoporcel Serviços Partilhados, SA	Figueira da Foz	-	100.00	100.00
PortucelSoporcel Internacional SGPS SA	Setúbal	100.00	-	100.00
Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda	Mozambique	25.00	75.00	100.00
Portucel Florestal Brasil - Gestão de Participações, Ltda	Brazil	25.00	75.00	100.00
PortucelSoporcel Logistica de Papel, ACE	Figueira da Foz	33.33	66.67	100.00
PortucelSoporcel Abastecimento de Madeira, ACE	Setúbal	60.00	40.00	100.00

40. Note added for translation

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

BOARD OF DIRECTORS

Pedro Mendonça de Queiroz Pereira
Chairman

José Alfredo de Almeida Honório

Manuel Soares Ferreira Regalado

Adriano Augusto da Silva Silveira

António José Pereira Redondo

José Fernando Morais Carreira de Araújo

Luis Alberto Caldeira Deslandes

Manuel Maria Pimenta Gil Mata

Francisco José Melo e Castro Guedes

José Miguel Pereira Gens Paredes

Paulo Miguel Garces Ventura

Limited Review Report Prepared by Auditor Registered with the Securities Market Commission (CMVM) on the Consolidated Half Year Information

(Free translation from the original in Portuguese)

Introduction

1 In accordance with the Portuguese Securities Market Code (CVM), we present our limited review report on the consolidated financial information for the six-month period ended June 30, 2012 of Portucel, S.A. included in the Directors' Report, consolidated statement of financial position (which shows total assets of €2,735,123 thousand and total shareholders' equity of €1,374,202 thousand, including non-controlling interests of €195 thousand and a net profit of €105,710 thousand), consolidated income statement , consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, and the corresponding notes to the accounts.

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

Responsibilities

3 It is the responsibility of the Board of Directors: (a) to prepare consolidated financial information which present fairly, in all material respects, the financial position of the companies included in the consolidation, the consolidated results and the consolidated comprehensive income of their operations, the changes in consolidated equity and the consolidated cash flows; (b) to prepare historical financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union and which is complete, true, up-to-date, clear, objective and lawful as required by the CVM; (c) to adopt appropriate accounting policies and criteria; (d) to maintain appropriate systems of internal control; and (e) to disclose any significant matters which have influenced the activity, financial position or results.

4 Our responsibility is to verify the financial information included in the documents referred to above, namely as to whether it is complete, true, up-to-date, clear, objective and lawful, as required by the CVM, for the purpose of issuing an independent and professional report based on our work.

Scope

5 Our work was performed with the objective of obtaining moderate assurance about whether the financial information referred to above is free from material misstatement. Our work was performed in accordance with the Standards and Technical Recommendations issued by the Institute of Statutory Auditors, planned according to that objective, and consisted: (a) primarily, in enquiries and analytical procedures, to review: (i) the reliability of the assertions included in the financial information; (ii) the appropriateness and consistency of the accounting principles used, as applicable; (iii) the applicability, or not, of the going concern basis of accounting; (iv) the presentation of the financial information; (v) as to whether the consolidated financial information is complete, true, up-to-date, clear, objective and lawful.

6 Our work also covered the verification that the consolidated financial information included in the Directors' Report is consistent with the remaining documents referred to above.

7 We believe that the work performed provides a reasonable basis for the issue of this limited review report on the half year information.

Conclusions

8 Based on the work, which was performed with the objective of obtaining a moderate level of assurance, nothing has come to our attention that leads us to conclude that the consolidated financial information for the six-month period ended June 30, 2012 contain material misstatements that affect its conformity with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union and that it is not complete, true, up-to-date, clear, objective and lawful.

Report on other requirements

9 Based on the work, nothing has come to our attention that leads us to believe that the consolidated financial information included in the Directors' Report is not consistent with the consolidated financial information for the period.

August 17, 2012

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

António Alberto Henrique Assis, R.O.C.

(This is a translation, not to be signed)