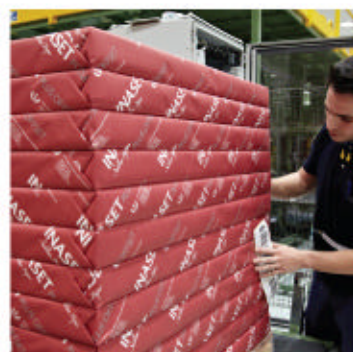


# INTERIM REPORT 3Q 2010



**PORTUCEL**  
EMPRESA PRODUTORA DE PASTA E PAPEL, S.A.  
Public Limited Company

Registered under n.º 05888/20001204 at Setúbal Companies Registry.  
Corp. Person n.º 503 025 798 | Share Capital € 767 500 000



## DIRECTORS' REPORT

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### Highlights for 9 Months 2010 (vs. 9 Months 2009):

- Turnover grows by 24.5%, driven by sales from the new paper mill and by energy sales
- EBITDA up 87.3%, with a growth in sales volume and higher prices
- Operating profits grow by 124.6%
- Net profits up by 112.9%
- Significant improvement in profitability indicators
- Energy projects concluded
- Group proceeds with analysis of international expansion

### Financial Highlights – IFRS

	9 Months 2010	9 Months 2009	% Change <sup>(5)</sup> 9M 10 / 9M 09
Million euros			
<b>Total sales</b>	1 003.7	806.1	24.5%
<b>EBITDA <sup>(1)</sup></b>	288.7	154.1	87.3%
<b>Operating profits</b>	212.3	94.5	124.6%
<b>Financial results</b>	- 17.1	- 9.3	83.5%
<b>Net earnings</b>	154.3	72.5	112.9%
<b>Cash Flow <sup>(2)</sup></b>	230.7	132.1	74.7%
<b>Capex</b>	66.7	352.2	-285.4
<b>Net debt <sup>(3)</sup></b>	603.9	630.8	-27.0
<b>EBITDA / Sales (%)</b>	28.8%	19.1%	
<b>ROS</b>	15.4%	9.0%	
<b>Equity ratio</b>	51.6%	50.4%	
<b>Net Debt / EBITDA <sup>(4)</sup></b>	1.7	3.0	
	Q3 2010	Q2 2010	% Change <sup>(5)</sup> 3Q 10 / 2Q 10
<b>Total sales</b>	346.6	362.8	-4.5%
<b>EBITDA <sup>(1)</sup></b>	110.5	105.8	4.4%
<b>Operating profits</b>	86.5	84.6	2.3%
<b>Financial results</b>	- 5.0	- 5.8	-13.5%
<b>Net earnings</b>	63.9	58.1	9.9%
<b>Cash Flow <sup>(2)</sup></b>	87.9	79.3	10.7%
<b>Capex</b>	15.2	27.1	-11.9
<b>Net debt <sup>(3)</sup></b>	603.9	679.5	-75.6
<b>EBITDA / Sales (%)</b>	31.9%	29.2%	
<b>ROS</b>	18.4%	16.0%	

(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. RESULTS ANALYSIS

### 1.1. 9 Months 2010 vs 9 Months 2009

In line with the first half of the year, Portucel Group posts a very positive performance in the first nine months of 2010, with consolidated sales reaching €1 003.7 million, which represents a year-on-year growth of 24.5%. This growth is essentially the result of a greater volume of paper sales, sustained by the output of the new paper mill and the increase in the production and sale of energy. These business areas are increasingly important to the Group's operations, in line with the development strategy which it has defined.

Since the beginning of the year, the average price in the UWF<sup>1</sup> paper market has shown a favourable trend, recovering from the fall in 2009. However, despite this recovery, the average price of paper within the period, measured by the benchmark index for the European market, PIX Copy B published by Foex, was below the average for the first nine months of 2009, recording a drop of 1.9%. However, the Group's average sale price for the period grew around 1.3%, which enabled the value of paper sales in the first nine months of 2010 to increase by around 26%.

In the BEKP<sup>2</sup> business, on the one hand the performance includes the sharp rise in the sale price and on the other hand the decrease in the amount of pulp available for sale, due to its incorporation into paper at the Setúbal mill. Sales in volume fell 46.8%, with the very positive evolution in the prices of pulp having partially offset this fall, so that the value of the sale of pulp in the market only decreased by 1.5%. The Group's average sale price posted a year-on-year positive variation of 85% which compares with a PIX index variation for hardwood pulp in Euros of around 66% for the same period.

Power generation during the period increased significantly, with gross generation of over 1.2 TWh in the nine months, which is much higher than the same period the previous year, and already surpasses the overall amount of power generated throughout 2009. This increase is a result of the new natural gas cogeneration power plant in Setúbal, which began operating in August 2009, and of the production from the new biomass power plants in Cacia and Setúbal, which started operating at the end of 2009. The value of the sale of energy in this period therefore shows a year-on-year

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<sup>1</sup> - UWF – uncoated woodfree

<sup>2</sup> - BEKP - bleached eucalyptus kraft pulp



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growth of over 75%.

With regard to the first nine months of 2009, production costs evolved favourably, namely the cost of chemicals, as well as maintenance and logistics costs. On the other hand there was an increase in employee costs, essentially the result of hiring for the new paper mill, and the result of adjusting the variable remuneration estimates for 2010.

Consolidated EBITDA posts a very favourable year-on-year growth of 87.3% bringing it up to € 288.7 million, making an EBITDA / Sales margin of 28.8%, and an increase in the EBITDA / Sales margin of 9.6 pp.

During the period, the Group carried out a technical evaluation of its industrial assets, with a view to gauging their respective remaining useful life. This analysis was carried out by an international firm of independent experts that concluded that the Group's main assets have longer remaining useful lives than considered until now for depreciation purposes, and so the respective amortisation rates were reviewed in line with this, with effect as from 1 July 2010.

In this context, EBIT in the period at € 212.3 million posts a growth of 124.6% when compared with the value recorded for the first nine months of 2009.

The financial results, at a negative € 17.1 million are comparable to the negative € 9.3 million in the first nine months of 2009. Nevertheless, it should be noted that this item was influenced positively during the same period of 2009 by around € 7.8 million from the reversal of interest regarding fiscal matters, as well as from the positive value of around € 4 million regarding gains on exchange operations. The profit from financing operations evolved very positively, essentially as a result of the drop in interest rates.

Profit for the period is still negatively influenced by the change in the nominal Corporate Tax rate to 29%, corresponding to a base rate of 25%, plus the municipal tax of 2.5% and state tax of 1.5%. The introduction of a state tax, resulting from temporary measures within the Plan for Stability and Growth (PEC), covered by Law 12-A/2010, also gave rise to recalculating all recognized deferred taxes in the 2nd quarter of 2010, despite it being the company's understanding that their reversal will take place after the period covered by the PEC, i.e. after 2013.

Within this context, consolidated net profit for the period is € 154.3 million, representing a growth of 112.9% compared



to the first nine months of 2009.

## 1.2. 3<sup>rd</sup> Quarter 2010 vs 2<sup>nd</sup> Quarter 2010

Consolidated sales in the 3rd quarter of the year totalled € 346.6 million, a fall of 4.5% compared to the 2nd quarter 2010. This performance is largely explained by the impact of the programmed maintenance shutdowns in the Setúbal pulp mill and the Figueira da Foz pulp and paper mill, and by the reduction in the price of pulp in Euros, negatively impacted by the exchange rate evolution. Consequently, the improvement in paper prices which occurred during this quarter was offset by these impacts. It should be enhanced that production from the new paper mill continued to evolve favourably and according to plan, with the Group selling all the available production.

In the pulp business, the Setúbal plant's maintenance shutdown, along with the growing integration of the new paper mill, resulted in a fall in sales to the market. Apart from this expected decrease in volume, the value of the Group's pulp sales was also affected negatively by the price evolution, which after the rising trend in the previous months, suffered a downturn. In fact, following successive rises throughout the first half, the price of pulp in the 3rd quarter was adjusted downwards by USD 50 per ton in August, remaining stable since. Nevertheless, the appreciation of the Euro vs the Dollar during this period aggravated the decrease in the pulp price in Euros, leading to a 13% reduction in the PIX BHKP index in Euros during the 3rd quarter.

In the energy field, the third quarter was marked by the successful start-up of the new steam turbine for the biomass cogeneration plant in Figueira da Foz, which began production tests in August and is producing according to plan. This new capacity has not yet been particularly reflected in the quarter under review, as the value of energy sales are in line with the value in the previous quarter.

Production costs in the 3rd quarter did not undergo any great changes in relation to the previous quarter.

In this context, consolidated EBITDA totalled € 110.5 million, up 4.4% against the previous quarter and the EBITDA / Sales margin was 31.9%.

The Group recorded a negative financial result for the quarter of € 5.0 million, an improvement of around € 0.7 million



against the previous quarter, mainly as a result of gains in cash investments, as a result of accumulated cash flow during the period.

So consolidated net profit in the third quarter 2010 rose to € 63.9 million, a distinct improvement of 9.9% compared to the second quarter.

## 2. MARKET ANALYSIS

The European UWF paper market continued to consolidate the recovery which has been taking place since the last quarter of 2009, with growth in apparent consumption estimated at around 8% compared to the first 9 months of last year. Net UWF production capacity in Europe had a year-on-year decrease of around 2%, despite the start-up of the new Portucel mill in August 2009, whose start-up curve is already at a very advanced stage. Although showing an important recovery from 2009, operating rates in the European UWF industry stood at 93% during the period (reflecting 7% overcapacity), while the Group continued to operate again at full capacity, in spite of current market conditions and including the important increase in capacity brought by the new paper machine. It is estimated that overcapacity in global terms is even greater, reaching approximately 14%, or 6 million tons.

The Euro fell against the currencies of the main UWF exporting countries to Europe – Brazil and Indonesia, by 8% in both cases, which put pressure on the profitability of the volumes from outside Europe, particularly in the cut-size segment.

This same exchange trend was also observed in relation to the Dollar, especially in the first half of the year, making European exports more competitive, with a subsequent growth in sales from European producers outside the European region of 27%. Nevertheless, the Euro rose against the Dollar in the third quarter, causing a fall in exports from European producers. Sales from the European industry grew by 10% in total, around 85% of this additional volume going to Europe.

Within this perspective, Portucel Group posted a strong year-on-year growth in the volume of UWF paper sales, with the added output from the new paper machine, ensuring a growth within Europe of around 20%, which is substantially above the market. It is therefore estimated that the Group has increased its European market share by more than 135



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000 tons (2.5%) in the period.

Overall sales growth was helped by a 14% rise in the sales volume of premium products, which is of particular relevance within the current market situation. The 18% growth in the volume of the sales of the Group's own brands should also be pointed out, with a special mention going to Navigator, the world's best-selling premium office paper brand, which grew 12%. In the period, the Group's own brands accounted for almost 60% of its total sheeted product sales, the same weight as prior to the start-up of the new paper mill.

Despite the growth in the European market, as previously mentioned, the average benchmark prices in this market (PIX Copy B – Foex) fell 1.9% against the same period the previous year (although they rose 4.3% in the third quarter against the second quarter 2010). The Group's average net paper sales price in the first 9 months of 2010 recorded a year-on-year increase of 1.3%, a remarkable value when compared to the European benchmark index.

The UWF market in the USA showed an apparent fall of 1% in consumption in the first nine months of the year. The North American industry also recorded a further net reduction in capacity of 6%, which brought occupation rates in the industry to 89%. Portucel Group increased its sales volume in the North American market by 17% compared to the same period in 2009, and won market share.

As mentioned, European UWF exports increased significantly during this period compared to the same period in 2009, reflecting the increased prices in the export markets and the stronger Dollar. Nevertheless, these occurred mostly in the first half and there has now been a slight reduction within these regions. A significant part of the European UWF paper exports growth in 2010 was captured by Portucel Group, with its export market share increasing 8 percentage points between the end of 2009 and the end of September 2010, whilst it continued to expand its geographical sales coverage, which currently includes over 100 countries.

After successive increases in the list price of hardwood pulp during the first half, essentially sustained by various specific factors on the demand side, the market slowed down in the third quarter, although the Chinese market, which for part of the year was responsible for the decreased global demand, made a strong recovery in September.

At the end of the period, stocks at producers, users and ports was below the average for recent years.



With regard to foreign Exchange, the evolution against the Dollar of the currencies of some of the most important pulp producers (short and long fibres) has remained an important driver for maintaining pulp prices. This was the case of the Brazilian Real, Brazil being the main eucalyptus pulp producer, which rose by 4.8% against the North American currency during the 3rd quarter.

The Group's pulp sales cannot be compared to the same period in 2009, due to the production tests in the new paper mill, which began in August 2009, and the consequent increase in pulp integration within the Group. Accordingly, in line with the forecast development curve for the new paper mill and respective pulp consumption, pulp sales to the market stood at the foreseen level.

In terms of sales by paper segments, the Group successfully gave priority to the segments with the greatest added value - decorative and special papers – which represented around two thirds of sales.

As far as sales by destination are concerned, practically the total volume was sold to European markets where the highest quality and technical demanding producers are seated, for whom the intrinsic qualities of the globulus pulp produced by the Group, provides them with significant added value.

### 3. DEVELOPMENT

The start-up of the new steam turbine for the biomass cogeneration plant in Figueira da Foz in the 3rd quarter enabled the Group to conclude its energy investment programme, which, apart from this project, included three new power stations, which began operating in the third and fourth quarters of 2009.

Within the scope of Portucel's analysis of development opportunities in the Southern hemisphere, it is considering three separate regions as options for development, namely Uruguay, Brazil and Mozambique.

As already communicated, the Group has signed a memorandum of understanding with the Government of the Oriental Republic of Uruguay, with the terms and requirements deemed essential for carrying out the investment project in that country. Follow-up of this project depends on development in the logistics field, especially the construction of a deep water port.



In Brazil, a protocol was signed with the State of Mato Grosso do Sul and the studies required for setting up an integrated forestry, pulp and energy production project are being carried out.

At the same time, following approval by the Government of Mozambique for the concession of a plot of 173 thousand hectares in the Province of Zambézia, which is due to be complemented by an additional 220 thousand hectares in Manica, the Group is also engaged in a series of industrial and logistics feasibility studies, with a view to setting up an integrated forestry, pulp and energy production project in that country. The necessary forestry trials, which precede plantation in the large concession areas, are also being commenced.

#### **4. FINANCIAL SITUATION**

At 30 September 2010, interest-bearing net debt stood at € 603.9 million, down by € 66.1 million against the year-end 2009 and by € 75.6 million against the end of the 2nd quarter 2010. This reduction in indebtedness is proof of the high capacity for generating cash flow, as since the beginning of the year, the Group paid out dividends of 63.3 million related to 2009 and continued with the final phase of its investment programme, which in the nine months of 2010 involved an input of 66.7 million Euros.

Also during the 1st quarter of 2010, the Group successfully refinanced a € 300 million bond, thereby significantly consolidating the maturity of its financial debt.

Financial autonomy at the end of September stood at 51.6% and the Net Debt / EBITDA ratio at 1.7 which represent a significant improvement compared to the year-end 2009 (3.0) and even compared to the end of the 1st quarter of this year (2.3).

With the current level of net debt, coinciding with the final phase of a series of large-scale investments, the Group presents a robust financial situation, placing it in a privileged position among the main companies in the sector worldwide.

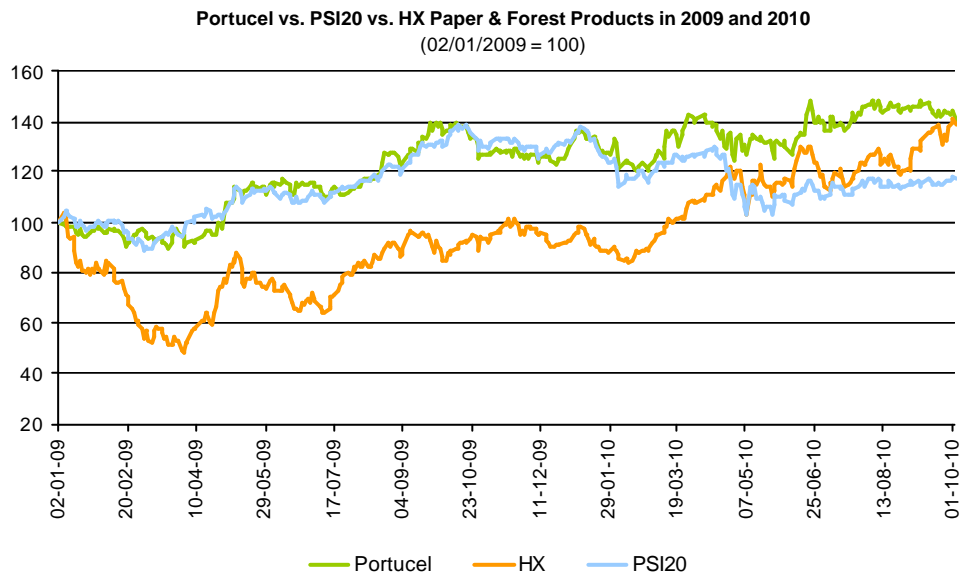


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### 5. SHARE PRICE

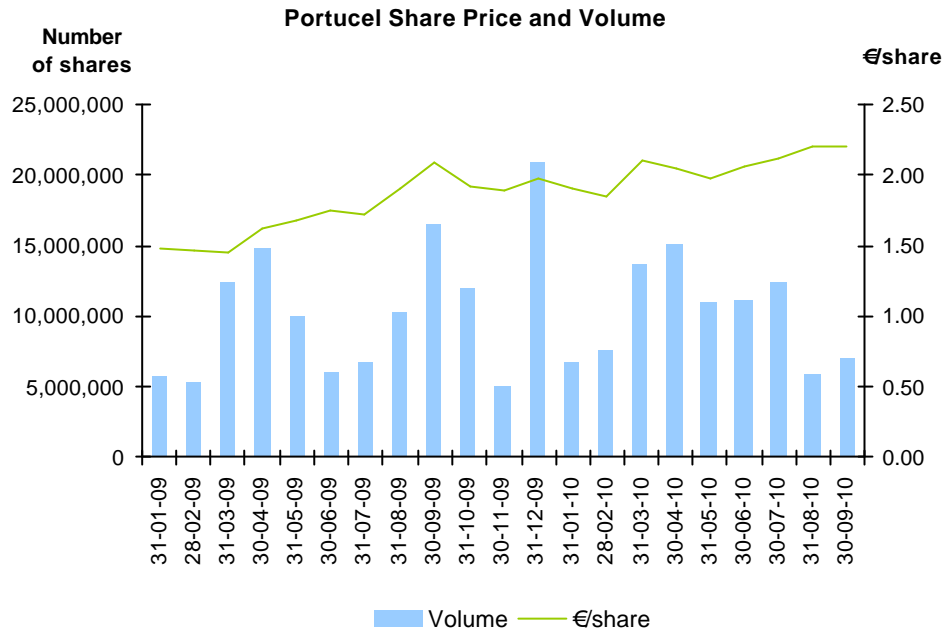
The shares of companies in the pulp and paper sector generally performed well in the first nine months of 2010, continuing the upward trend seen during the 1st half. This increase was particularly noticeable among European companies, the HX Paper & Forest index being up 51% in the period, largely recovering from the 7.5% fall in 2009.

After posting a gain of 31.1% in 2009, Portucel's shares performed rather well, increasing by 9.4% in the first nine months of 2010. This gain was the third largest amongst the PSI20 companies and clearly higher than the index itself, which at the end of September showed a loss of 11.3%.





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## 6. OUTLOOK

Following a period of strong growth in the first-half, the economy in the Euro zone began to show signs of slowing down, namely as a result of the strengthening of the Euro against other currencies, consequently having an impact on exports, which are the main driving force for the European recovery. Therefore, although expectations regarding the economic evolution in the Euro zone remain positive, there has been some moderation, as some uncertainties could have a negative impact. Among these, of particular note is the evolution of the Euro against other currencies, namely the Dollar, the impact of the budgetary consolidation measures underway in many European countries, restriction on bank funding for the economy, which could be worsened with the new bank capitalization regulations, and the risk of a new financial crisis triggered by the situation in the peripheral countries.

In recent months, the economic indicators in the USA, one of the Group's main markets, have also been pointing towards a slowing down of the economy, as a result of low internal demand, with mid-term growth perspectives being quite moderate.

The evolution of the Group's paper business reflects this scenario. In the first half, worldwide demand recovered from the extremely low levels at the beginning of last year, especially uncoated printing and writing paper, which was



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reflected in the strengthening of the number of orders from producers, in the increase in the capacity utilisation rates and consequently in the overall increase in the sales price. This evolution was sustained by a low level of stocks at the main European producers at the beginning of the year and the devaluation of the Euro against the Dollar, which provided European producers with greater competitiveness. In the third quarter the environment remained positive, although less intense. The increase in the value of the Euro and the consequential impact on exports, which had been one of the main growth drivers in the first half, together with the end of the stock replenishment cycle, caused a certain slowing down in demand. This evolution was reflected mainly in a reduction in order books, although these remain at very comfortable levels.

Expectations regarding the evolution of the Group's paper business for the coming months therefore remain prudent. Apart from the above-mentioned risk factors for the European economy and the end of the stock replenishment cycle, the commencement of new paper capacity in Asia and a possible downward correction of pulp prices could also bring some imbalance to the market, and so a more optimistic view of the evolution of the sector is not advisable.

It is important to enhance that the unemployment rate in Europe and in the US has remained at high levels throughout this period, hurting significantly paper consumption, namely office paper, a segment that represents over 50% of the Group sales volume.

In the pulp market, the main reason for uncertainty has to do with the sustainability of the level of demand from China. Consumption in this market slowed down slightly, as already seen during this year, due to production starting up again in capacity that had been temporarily withdrawn, which caused some imbalances that led to a price adjustment. On the other hand, the current increases in paper production capacity in Asia, namely in China, the closure of the obsolete capacity which is in course in that country, as well as the positive environment affecting the European paper industry, could become mid-term demand sustainability factors. It should be noted, however, that the Group's current operations are increasingly focused on the paper and energy business, and are therefore much less exposed to the volatility of the pulp market.

In the energy sector, the start-up of the new steam turbine for the biomass cogeneration plant in the industrial complex in Figueira da Foz was the end of a series of investments that the Group carried out in this area and that are a strong commitment to its sustainable growth. With its current installed capacity, the Group will be able to produce around 5% of all the electricity produced in Portugal, most of it obtained from renewable sources – forestry biomass and industrial by-products.



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The importance of the Eucalyptus forest sector in the Portuguese economy has been increasing since 2008, representing on August 31<sup>st</sup> 2010, 5.9% of global Portuguese exports; this translates into a very high level of added value to the Portuguese Economy. This segment is successfully competing in terms of the global economy, producing and selling technologically sophisticated products in a growing number of markets.

Nevertheless, there is still the need to adequate the supply of certified wood to the growing demand and to help the agents in the forest production process to improve productivity, planted areas and to certify forest management.

As previously described, the Group is also analysing the opportunities for international expansion in the Southern Hemisphere, in order to make the respective decisions with the necessary confidence.

Setúbal, October 27th 2010



CONSOLIDATED FINANCIAL  
STATEMENTS

SEPTEMBER 30, 2010

## CONSOLIDATED SEPARATE INCOME STATEMENT FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2010 AND 2009

Amounts in Euro	Notes	9 months 30-09-2010 (unaudited)	9 months 30-09-2009 (unaudited)	3rd Quarter 2010 (unaudited)	3rd Quarter 2009 (unaudited)
Revenues	3				
Sales		1.001.475.128	803.323.338	345.772.260	267.475.923
Services rendered		2.189.789	2.801.960	823.760	1.144.922
Other operating income					
Gains on the sale of non-current assets		2.948.075	2.926.945	341.873	21.163
Other operating income		14.313.043	21.969.162	3.584.147	7.916.779
Change in the fair value of biological assets	10	(7.887.664)	998.454	(3.226.058)	183.961
Costs					
Inventories sold and consumed		(365.256.437)	(366.178.574)	(114.509.974)	(121.734.236)
Increase/(decrease) in inventories (finished goods)		(4.460.073)	(12.962.623)	(1.419.462)	8.791.343
Third party supplies and services		(245.957.450)	(209.090.967)	(84.166.091)	(75.216.991)
Payroll		(94.877.120)	(81.135.849)	(29.599.347)	(30.587.356)
Other operating costs		(13.797.687)	(8.544.765)	(7.133.930)	(2.973.328)
Provisions (net)		20.891.869	10.050.771	180.000	916.728
Depreciation, amortization and impairment losses		(97.296.528)	(69.659.955)	(24.133.413)	(25.474.027)
<b>Operating profit</b>		<b>212.284.945</b>	<b>94.497.897</b>	<b>86.513.765</b>	<b>30.464.881</b>
Share of results in associated companies and joint ventures		-	-	-	-
Financial costs - net	4	(17.068.250)	(9.300.037)	(4.990.272)	(1.087.842)
<b>Profit before income tax</b>		<b>195.216.695</b>	<b>85.197.860</b>	<b>81.523.493</b>	<b>29.377.039</b>
Income tax	5	(41.048.337)	(12.800.186)	(17.667.750)	(4.050.803)
<b>Profit after income tax</b>		<b>154.168.358</b>	<b>72.397.674</b>	<b>63.855.743</b>	<b>25.326.236</b>
Non-controlling interes		99.104	61.859	42.952	28.999
<b>Net profit for the period attributable to Group's shareholders</b>		<b>154.267.462</b>	<b>72.459.533</b>	<b>63.898.695</b>	<b>25.355.235</b>
<b>Earning per Share</b>					
Basic earnings per share, Euro	6	0.205	0.096	0.085	0.077
Diluted earnings per share, Euro	6	0.205	0.096	0.085	0.077

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AS OF SEPTEMBER 30, 2010 AND 2009

Amounts in Euro	Notes	30-09-2010	31-12-2009
(unaudited)			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill		376.756.384	376.756.384
Other intangible assets	8	5.433.638	2.341.138
Property, plant and equipment	9	1.607.365.017	1.626.391.468
Biological assets	10	110.402.306	118.289.970
Available-for-sale financial assets		130.074	130.074
Deferred tax assets	14	26.773.136	17.762.957
		<b>2.126.860.555</b>	<b>2.141.671.991</b>
<b>Current assets</b>			
Inventories		187.025.327	147.268.818
Receivables and other current assets	11	182.852.916	168.190.561
State and other public entities	12	29.333.433	51.477.448
Cash and cash equivalents	17	129.444.436	52.549.252
		<b>528.656.112</b>	<b>419.486.079</b>
<b>Total assets</b>		<b>2.655.516.667</b>	<b>2.561.158.070</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	13	767.500.000	767.500.000
Treasury shares	13	(26.787.706)	(26.787.706)
Fair value reserve		1.365.090	(1.456.243)
Other reserves		47.005.845	42.330.224
Currency translation reserve		(1.371.881)	241.567
Retained earnings: prior years		422.564.611	383.418.964
Net profit for the period		154.267.462	105.079.560
		<b>1.364.543.421</b>	<b>1.270.326.366</b>
<b>Non-controlling interests</b>		128.681	230.003
		<b>1.364.672.102</b>	<b>1.270.556.369</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	14	146.156.080	138.441.365
Post-employment benefit liabilities	15	21.836.590	19.518.247
Provisions	16	2.948.342	24.160.450
Interest-bearing liabilities	17	729.422.075	420.985.054
Other liabilities	17	25.419.194	28.076.744
		<b>925.782.281</b>	<b>631.181.860</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	17	36.506.618	331.311.677
Payables and other current liabilities	18	263.685.759	272.530.233
State and other public entities	12	64.869.907	55.577.931
		<b>365.062.284</b>	<b>659.419.841</b>
<b>Total liabilities</b>		<b>1.290.844.565</b>	<b>1.290.601.701</b>
<b>Total equity and liabilities</b>		<b>2.655.516.667</b>	<b>2.561.158.070</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2010 AND 2009

Amounts in Euro	9 months 30-09-2010 (unaudited)	9 months 30-09-2009 (unaudited)	3rd Quarter 2010 (unaudited)	3rd Quarter 2009 (unaudited)
<b>Net profit for the period before non-controlling interest</b>	<b>154.168.358</b>	<b>72.397.674</b>	<b>63.855.743</b>	<b>25.326.236</b>
Fair value of derivative financial instruments	3.897.199	(5.669.835)	4.392.540	(995.659)
Currency translation reserve	(1.613.448)	(53.905)	(3.911.506)	(42.565)
Actuarial gains and losses	813.529	4.826.469	1.510.230	4.917.897
Tax effect on the items above when applicable	(1.073.142)	1.482.735	(1.264.036)	231.885
<b>Net profit/(loss) directly recognized in equity</b>	<b>2.024.138</b>	<b>585.464</b>	<b>727.228</b>	<b>4.111.557</b>
<b>Total recognised income and expense for the period</b>	<b>156.192.496</b>	<b>72.983.138</b>	<b>64.582.971</b>	<b>29.437.793</b>
<b>Attributable to:</b>				
Portucel's shareholders	156.293.818	73.030.495	64.626.952	29.453.473
Non-controlling interest	(101.322)	(47.357)	(43.981)	(15.680)
	<b>156.192.496</b>	<b>72.983.138</b>	<b>64.582.971</b>	<b>29.437.793</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 2010 AND 2009

Amounts in Euro	December 31, 2009	Gains/losses recognized in the period	Dividends paid (Note 14)	Treasury shares acquisition	Application of prior year's net profit (Note 7)	September 30, 2010
Share capital	767.500.000	-	-	-	-	767.500.000
Treasury shares	(26.787.706)	-	-	-	-	(26.787.706)
Fair value reserve	(1.456.243)	2.821.333	-	-	-	1.365.090
Other reserves	42.330.224	-	-	-	4.675.621	47.005.845
Currency translation reserve	241.567	(1.613.448)	-	-	-	(1.371.881)
Retained earnings: prior years	383.418.964	818.473	(62.076.765)	-	100.403.939	422.564.611
Net profit for the period	105.079.560	154.267.462	-	-	(105.079.560)	154.267.462
<b>Total</b>	<b>1.270.326.366</b>	<b>156.293.820</b>	<b>(62.076.765)</b>	<b>-</b>	<b>-</b>	<b>1.364.543.421</b>
Non-controlling interest	230.003	(101.322)	-	-	-	128.681
<b>Total</b>	<b>1.270.556.369</b>	<b>156.192.498</b>	<b>(62.076.765)</b>	<b>-</b>	<b>-</b>	<b>1.364.672.102</b>

Amounts in Euro	December 31, 2008	Gains/losses recognized in the period	Dividends paid (Note 14)	Treasury shares acquisition	Application of prior year's net profit (Note 7)	September 30, 2009
Share capital	767.500.000	-	-	-	-	767.500.000
Treasury shares	(24.431.056)	-	-	(2.356.650)	-	(26.787.706)
Fair value reserve	5.244.545	(4.167.328)	-	-	-	1.077.217
Other reserves	89.928.852	-	-	-	(47.598.628)	42.330.224
Currency translation reserve	261.006	(53.905)	-	-	-	207.101
Retained earnings: prior years	276.449.376	(80.417)	(79.006.792)	-	183.545.463	380.907.630
Net profit for the period	131.074.223	72.459.533	-	-	(131.074.223)	72.459.533
<b>Total</b>	<b>1.246.026.946</b>	<b>68.157.883</b>	<b>(79.006.792)</b>	<b>(2.356.650)</b>	<b>4.872.612</b>	<b>1.237.693.999</b>
Non-controlling interests	231.358	(47.357)	-	-	-	184.001
<b>Total</b>	<b>1.246.258.304</b>	<b>68.110.526</b>	<b>(79.006.792)</b>	<b>(2.356.650)</b>	<b>4.872.612</b>	<b>1.237.878.000</b>

# CONSOLIDATED CASH FLOW STATEMENT

## FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 2010 AND 2009

Amounts in Euro	Notes	9 months 30-09-2010 (unaudited)	9 months 30-09-2009 (unaudited)	3rd Quarter 2010 (unaudited)	3rd Quarter 2009 (unaudited)
<b>OPERATING ACTIVITIES</b>					
Received from customers		1.082.951.004	913.703.331	391.220.177	341.429.638
Payments to suppliers		865.253.157	683.828.669	296.952.011	203.834.859
Payments to employees		62.138.042	59.968.806	16.707.310	17.456.217
Cash flow generated from operations		<u>155.559.805</u>	<u>169.905.856</u>	<u>77.560.856</u>	<u>120.138.562</u>
(Payments)/receipts of income tax		(14.141.555)	(26.680.074)	(10.143.130)	(27.721.592)
Other (payments)/receipts from operating activities		40.405.727	70.692.295	16.254.159	33.573.029
<b>Cash flows from operating activities (1)</b>		<u><b>181.823.977</b></u>	<u><b>213.918.077</b></u>	<u><b>83.671.885</b></u>	<u><b>125.989.998</b></u>
<b>INVESTMENT ACTIVITIES</b>					
<b>Inflows</b>					
Financial investments		-	-	-	-
Property, plant and equipment		-	-	-	-
Intangible assets (CO2 emission rights)		4.552.360	5.522.900	-	-
Investment grants		-	6.009.539	-	-
Interest and similar income		6.496.625	9.216.174	135.623	2.503.085
Inflows from investment activities (A)		<u>11.048.985</u>	<u>20.748.613</u>	<u>135.623</u>	<u>2.503.085</u>
<b>Outflows</b>					
Property, plant and equipment		50.535.227	317.467.468	2.492.080	137.034.360
Intangible assets		-	-	-	-
Outflows from investment activities (B)		<u>50.535.227</u>	<u>317.467.468</u>	<u>2.492.080</u>	<u>137.034.360</u>
<b>Cash flows from investment activities (2 = A - B)</b>		<u><b>(39.486.241)</b></u>	<u><b>(296.718.855)</b></u>	<u><b>(2.356.457)</b></u>	<u><b>(134.531.275)</b></u>
<b>FINANCING ACTIVITIES</b>					
<b>Inflows</b>					
Borrowings		315.000.000	65.000.000	-	-
Inflows from financing activities (C)		<u>315.000.000</u>	<u>65.000.000</u>	<u>-</u>	<u>-</u>
<b>Outflows</b>					
Borrowings		303.125.000	6.250.000	3.125.000	3.125.000
Interest and similar costs		15.240.786	26.839.479	2.816.300	9.635.253
Treasury shares acquisition		-	2.356.650	-	-
Dividends		62.076.765	79.006.792	-	-
Outflows from financing activities (D)		<u>380.442.551</u>	<u>114.452.921</u>	<u>5.941.300</u>	<u>12.760.253</u>
<b>Cash flows from financing activities (3 = C - D)</b>		<u><b>(65.442.551)</b></u>	<u><b>(49.452.921)</b></u>	<u><b>(5.941.300)</b></u>	<u><b>(12.760.253)</b></u>
<b>CHANGES IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)</b>		76.895.184	(132.253.699)	75.374.128	(21.301.530)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		52.549.252	222.548.686	54.070.308	111.596.517
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<u><b>129.444.436</b></u>	<u><b>90.294.987</b></u>	<u><b>129.444.436</b></u>	<u><b>90.294.987</b></u>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2010

(Translation from an original report issued in Portuguese)

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

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

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

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

The consolidated interim financial statements were approved by the Board of Directors on October 27, 2010.

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 accordance with the applicable accounting standards, and provides a true and fair view of the assets and liabilities, the financial position and results of the companies included in the consolidation.

### **1. Basis of presentation**

The consolidated interim financial statements for the nine month period ended September 30, 2010 were prepared in accordance with the International Accounting Standard 34 – Interim Financial Reporting.

The accompanying consolidated financial statements were prepared on a going concern basis, from the accounting books and records of the companies included in the consolidation (Note 22), and under the historic cost convention, except for derivative financial instruments and biological assets which are recorded at fair value (Notes 19 and 10).

### **2. Main Accounting policies**

The accounting policies applied in the preparation of these consolidated interim financial statements are consistent to those used in the preparation of the financial statements as of December 31, 2009 and stated in the respective attached notes.

### 3. Segment information

Segment information is presented for identified business segments, namely Forest, Pulp, Paper and Energy. Profits, 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.

The financial data by operating segment for the nine month period ended September 30, 2010 and 2009 is shown as follows:

	9 months 30-09-2010					TOTAL
	FOREST	PULP	PAPER	ENERGY	ELIMINATIONS / UNALLOCATED	
<b>REVENUES</b>						
Sales and services - external	6.973.081	122.667.032	767.514.368	100.060.565	6.449.869	1.003.664.915
Sales and services - intersegmental	151.716.819	407.307.005	-	47.911.839	(606.935.663)	-
<b>Total revenue</b>	<b>158.689.900</b>	<b>529.974.037</b>	<b>767.514.368</b>	<b>147.972.404</b>	<b>(600.485.794)</b>	<b>1.003.664.915</b>
<b>PROFIT/(LOSS)</b>						
<b>Segmental profit</b>	7.209.678	41.581.086	142.696.529	2.353.697	18.443.954	<b>212.284.945</b>
<b>Operating profit</b>	-	-	-	-	-	<b>212.284.945</b>
Financial costs - net	-	-	-	-	(17.068.250)	(17.068.250)
Income tax	-	-	-	-	(41.048.337)	(41.048.337)
<b>Net profit before non-controlling interests</b>	-	-	-	-	-	<b>154.168.358</b>
Non-controlling interests	-	-	-	-	99.104	99.104
<b>Net profit</b>	-	-	-	-	-	<b>154.267.462</b>
<b>OTHER INFORMATION</b>						
Segment assets	188.585.712	638.849.864	1.296.025.174	383.882.464	148.043.379	2.655.386.593
Financial investments	-	-	-	-	130.074	130.074
<b>Total assets</b>	<b>188.585.712</b>	<b>638.849.864</b>	<b>1.296.025.174</b>	<b>383.882.464</b>	<b>148.173.453</b>	<b>2.655.516.667</b>
Segment liabilities	7.215.021	313.391.583	689.747.733	212.671.979	67.818.249	1.290.844.565
<b>Total liabilities</b>	<b>7.215.021</b>	<b>313.391.583</b>	<b>689.747.733</b>	<b>212.671.979</b>	<b>67.818.249</b>	<b>1.290.844.565</b>
Capital expenditure	33.682	9.575.129	14.171.673	47.629.168	-	71.409.652
Depreciation	398.001	8.584.568	71.377.897	16.936.062	-	97.296.528
Provisions	-	-	-	-	(20.891.869)	(20.891.869)

During the period, as a consequence of the first application of IFRS 8 – Operational Segments, the Group carried out an analysis of the presented segmental structure, standardizing it in consonance with the segmental analysis internally used by management. This analysis originated the restatement of the 2009 figures.

	9 months 30-09-2009					TOTAL
	FOREST	PULP	PAPER	ENERGY	ELIMINATIONS / UNALLOCATED	
<b>REVENUES</b>						
Sales and services - external	8.283.319	124.683.105	612.867.915	56.321.237	3.969.722	806.125.298
Sales and services - intersegmental	90.908.780	165.420.390	-	41.233.495	(297.562.665)	-
<b>Total revenue</b>	<b>99.192.099</b>	<b>290.103.495</b>	<b>612.867.915</b>	<b>97.554.732</b>	<b>(293.592.943)</b>	<b>806.125.298</b>
<b>PROFIT/(LOSS)</b>						
<b>Segmental profit</b>	10.857.976	(11.366.302)	97.681.709	616.989	(3.292.476)	<b>94.497.897</b>
Financial costs - net	-	-	-	-	(9.300.037)	(9.300.037)
Income tax	-	-	-	-	(12.800.186)	(12.800.186)
<b>Net profit before non-controlling interests</b>	-	-	-	-	-	<b>72.397.674</b>
Non-controlling interests	-	-	-	-	61.859	61.859
<b>Net profit</b>	-	-	-	-	-	<b>72.459.533</b>
<b>OTHER INFORMATION</b>						
Segment assets	193.395.149	700.363.605	1.341.486.647	90.758.814	131.906.433	2.457.910.648
Financial investments	-	-	-	-	130.074	130.074
<b>Total assets</b>	<b>193.395.149</b>	<b>700.363.605</b>	<b>1.341.486.647</b>	<b>90.758.814</b>	<b>132.036.507</b>	<b>2.458.040.722</b>
Segment liabilities	6.572.100	181.458.400	1.015.085.102	16.773.277	273.843	1.220.162.722
<b>Total liabilities</b>	<b>6.572.100</b>	<b>181.458.400</b>	<b>1.015.085.102</b>	<b>16.773.277</b>	<b>273.843</b>	<b>1.220.162.722</b>
Capital expenditure	1.788.543	58.714.376	263.625.460	36.872.574	-	361.000.953
Depreciation	555.365	38.690.191	29.981.210	433.189	-	69.659.955
Provisions	-	-	-	-	(10.050.771)	(10.050.771)

## 4. Net financial results

Financial results are detailed as follows for the nine month periods ended September 30, 2010 and 2009:

Amounts in Euro	9 months 30-09-2010 (unaudited)	9 months 30-09-2009 (unaudited)
Interest paid on loans	(14.495.621)	(22.807.413)
Interest earned	687.134	2.322.854
Foreign exchange differences	(4.312.011)	1.325.050
Gains/(losses) on financial instruments - trading (Note 19)	4.476.351	(1.776.671)
Gains/(losses) on financial instruments - hedging (Note 19)	(2.289.882)	4.115.050
Gains/(Losses) on compensatory interest	46.099	7.817.966
Other financial costs	(1.180.320)	(296.873)
	<b>(17.068.250)</b>	<b>(9.300.037)</b>

## 5. Income Tax

Income tax is detailed as follows for the nine month periods ended September 30, 2010 and 2009:

Amounts in Euro	9 months 30-09-2010 (unaudited)	9 months 30-09-2009 (unaudited)
Current tax (Note 12)	47.320.714	12.625.492
Provision for current tax	(3.903.768)	(3.055.918)
Deferred tax (Note 14)	(2.368.609)	3.230.612
	<b>41.048.337</b>	<b>12.800.186</b>

The provision for current tax is detailed as follows:

Amounts in Euro	9 months 30-09-2010 (unaudited)	9 months 30-09-2009 (unaudited)
(Overstatement)/understatement in the provision for the income tax estimate	(3.591.099)	(1.694.760)
Change in the estimate for additional payments	(1.072.671)	(3.158.536)
Coporate Income Tax 2007 (settlement)	841.466	-
Coporate Income Tax 2003 (settlement)	24.315	-
Coporate Income Tax 2002 (reimbursement) - Soporcel	(108.682)	-
Other	2.904	1.797.378
	<b>(3.903.768)</b>	<b>(3.055.918)</b>

In the nine month periods ended September 30, 2010 and 2009, the reconciliation of the effective income tax rate was as follows:

Amounts in Euro	9 months 30-09-2010 (unaudited)	9 months 30-09-2009 (unaudited)
Profit before tax	195.216.695	85.197.860
Expected income tax	26.50%	51.732.424
State Surcharge	2.20%	4.293.911
Differences (a)	(4.01%)	(7.830.822)
Provision for current tax	(2.00%)	(3.903.768)
Impairment and reversal of provisions	0.00%	-
Tax benefits	(1.66%)	(3.243.408)
	<b>21.03%</b>	<b>15.02%</b>
	<b>41.048.337</b>	<b>12.800.186</b>

(a) This amount is made up essentially of:

Amounts in Euro	9 months 30-09-2010 (unaudited)	9 months 30-09-2009 (unaudited)
Capital gains / (losses) for tax purposes	35.802	262.307
Capital gains / (losses) for accounting purposes	(86.437)	(140.875)
Taxable provisions	(20.724.091)	(8.159.922)
Tax benefits	(454.457)	(358.126)
Compensatory interest	-	(7.938.991)
Pension fund allocation	3.585.624	4.148.458
Others	(11.906.713)	(13.616.558)
	<b>(29.550.271)</b>	<b>(25.803.707)</b>
Tax Effect (26.50%)	<b>(7.830.822)</b>	<b>(6.837.982)</b>

In Portugal, the annual tax returns are subject to review and potential adjustment by the 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 September 30, 2010 where income tax returns of Portucel and Soporcel up to 2007 have already been reviewed.

## 6. Earnings per share

Amounts in Euro	9 months 30-09-2010	9 months 30-09-2009
Profit attributable to the Company's shareholders	154.267.462	72.459.533
Total number of issued shares	767.500.000	767.500.000
Treasury shares - period average (Note 13)	(15.054.358)	(14.693.182)
	<b>752.445.642</b>	<b>752.806.818</b>
Basic earnings per share	0.205	0.096
Diluted earnings per share	0.205	0.096

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

## 7. Appropriation of previous years' profits and Retained earnings

The appropriation made in 2010 and 2009 over the 2009 and 2008 net profits was as follows:

Amounts in Euro	2009	2008
Distribution of dividends (excluding treasury shares)	26.662.818	79.006.792
Legal reserves	6.193.742	5.335.628
Net income from prior years	72.223.000	46.731.803
	<b>105.079.560</b>	<b>131.074.223</b>

The resolution for the appropriation of the 2009 net profit, passed at Portucel's General Meeting held on March 15, 2010, was based on the net profit for the year as defined by the Portuguese generally accepted accounting principles. The difference in the net profit between the two standards, amounting to Euro 33,623,766 (2008: Euro 24,361,661) was transferred to retained earnings.

On April 14, 2010, a dividend of Euro 0.0825 per share was distributed, amounting to Euro 63,318,750. This amount includes dividends of Euro 1,241,985 attributed to the group's subsidiaries, which hold shares disclosed as treasury shares in these consolidated financial statements, and that were transferred to retained earnings.

## 8. Other intangible assets

Over the nine months period ended September 30, 2010 and the year ended December 31, 2009, changes under other intangible assets' caption were as follows:

Amounts in Euro	Industrial property and other rights	CO2 emission rights	Total
			(unaudited)
<b>Acquisition costs</b>			
<b>Amount as of January 1, 2009</b>	<b>1.896.278</b>	<b>3.651.700</b>	<b>5.547.978</b>
Acquisitions	-	6.181.410	6.181.410
Disposals	-	(6.343.800)	(6.343.800)
Adjustments, transfers and write-off's	-	(1.677.607)	(1.677.607)
<b>Amount as of September 30, 2009</b>	<b>1.896.278</b>	<b>1.811.703</b>	<b>3.707.981</b>
Disposals	-	-	-
Adjustments, transfers and write-off's	-	44.534	44.534
<b>Amount as of December 31, 2009</b>	<b>1.896.278</b>	<b>1.856.237</b>	<b>3.752.515</b>
Acquisitions	-	12.808.389	12.808.389
Disposals	-	(9.367.575)	(9.367.575)
Adjustments, transfers and write-off's	-	-	-
<b>Amount as of September 30, 2010</b>	<b>1.896.278</b>	<b>5.297.051</b>	<b>7.193.329</b>
<b>Accumulated depreciation and impairment losses</b>			
<b>Amount as of January 1, 2009</b>	<b>(946.957)</b>	-	<b>(946.957)</b>
Amortization and impairment losses	(348.313)	-	(348.313)
<b>Amount as of September 30, 2009</b>	<b>(1.295.270)</b>	-	<b>(1.295.270)</b>
Amortization and impairment losses	(116.107)	-	(116.107)
<b>Amount as of December 31, 2009</b>	<b>(1.411.377)</b>	-	<b>(1.411.377)</b>
Amortization and impairment losses	(348.315)	-	(348.315)
<b>Amount as of September 30, 2010</b>	<b>(1.759.692)</b>	-	<b>(1.759.692)</b>
Net book value as of January 1, 2009	949.321	3.651.700	4.601.021
<b>Net book value as of September 30, 2009</b>	<b>601.008</b>	<b>1.811.703</b>	<b>2.412.711</b>
Net book value as of December 31, 2009	484.901	1.856.237	2.341.138
<b>Net book value as of September 30, 2010</b>	<b>136.586</b>	<b>5.297.051</b>	<b>5.433.637</b>

Under the National Plan for the Allocation of CO2 Emission Rights (PNALE), the second period for the attribution of CO2 emission rights (2008-2012) started in January 2008, under which the following rights were allocated to the Portucel Soporcel Group, through the joint publication n° 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		Global
	Energy	Pulp	Energy	Pulp/Paper	Energy	Pulp/Paper	Energy	Pulp/Paper	
PORTUCEL — Empresa Produtora de Pasta e Papel, S. A.	-	32,608	-	-	-	35,646	-	68,254	68,254
SOPORCEL — Sociedade Portuguesa de Papel, S. A.	-	-	-	56,467	-	-	-	56,467	56,467
PortucelSoporcel Cogeração de Energia, SA	-	-	-	-	156,099	-	156,099	-	156,099
SPCG — Sociedade Portuguesa de Cogeração Eléctrica, S. A.	-	-	-	-	389,833	-	389,833	-	389,833
About the Future - Empresa Produtora de Papel, SA	-	-	-	-	-	85,123	-	85,123	85,123
	<b>98,590</b>	<b>32,608</b>	<b>85,807</b>	<b>56,467</b>	<b>611,764</b>	<b>120,769</b>	<b>796,161</b>	<b>209,844</b>	<b>1,006,005</b>

## 9. Property, plant and equipment

Over the nine months period ended September 30, 2010 and the year ended December 31, 2009, changes in Property, plant and equipment, as well as the respective depreciation and impairment losses, were as follows:

Amounts in Euro	Land	Buildings and other constructions	Equipment and other tangibles	Construction in progress	Total
<b>Acquisition costs</b>					
<b>Amount as of January 1, 2009</b>	<b>102.975.011</b>	<b>387.002.828</b>	<b>2.584.232.682</b>	<b>270.797.022</b>	<b>3.345.007.543</b>
Acquisitions	3.217.023	250.635	10.875.892	346.657.403	361.000.953
Disposals	-	(143.350)	(2.058.898)	-	(2.202.248)
Adjustments, transfers and write-off's	(41.991)	821.108	5.570.401	(6.438.633)	(89.115)
<b>Amount as of September 30, 2009</b>	<b>106.150.043</b>	<b>387.931.221</b>	<b>2.598.620.077</b>	<b>611.015.792</b>	<b>3.703.717.133</b>
Acquisitions	2.047.284	47.031.173	182.093.935	(69.866.516)	161.305.876
Disposals	-	29.315	(2.546.638)	-	(2.517.323)
Adjustments, transfers and write-off's	10.455	42.986.641	322.348.930	(365.977.225)	(631.199)
<b>Amount as of December 31, 2009</b>	<b>108.207.782</b>	<b>477.978.350</b>	<b>3.100.516.304</b>	<b>175.172.051</b>	<b>3.861.874.487</b>
Acquisitions	64.380	3.217.056	31.105.237	37.022.979	71.409.652
Disposals	(54.503)	-	(767.696)	-	(822.199)
Adjustments, transfers and write-off's	(7.713)	11.752.678	168.510.959	(180.283.329)	(27.405)
<b>Amount as of September 30, 2010</b>	<b>108.209.946</b>	<b>492.948.084</b>	<b>3.299.364.804</b>	<b>31.911.701</b>	<b>3.932.434.535</b>
<b>Accumulated depreciation and impairment losses</b>					
<b>Amount as of January 1, 2009</b>	-	<b>(260.367.855)</b>	<b>(1.864.592.002)</b>	-	<b>(2.124.959.857)</b>
Amortization and impairment losses	-	(12.853.101)	(61.063.113)	-	(73.916.214)
Disposals	-	114.035	1.451.687	-	1.565.722
Adjustments, transfers and write-off's	-	-	(755)	-	(755)
<b>Amount as of September 30, 2009</b>	-	<b>(273.106.921)</b>	<b>(1.924.204.183)</b>	-	<b>(2.197.311.104)</b>
Amortization and impairment losses	-	(5.258.946)	(36.066.363)	-	(41.325.309)
Disposals	-	-	3.153.849	-	3.153.849
Adjustments, transfers and write-off's	-	-	(455)	-	(455)
<b>Amount as of December 31, 2009</b>	-	<b>(278.365.867)</b>	<b>(1.957.117.152)</b>	-	<b>(2.235.483.019)</b>
Amortization and impairment losses	-	(2.737.757)	(87.615.870)	-	(90.353.627)
Disposals	-	-	767.696	-	767.696
Adjustments, transfers and write-off's	-	-	(568)	-	(568)
<b>Amount as of September 30, 2010</b>	-	<b>(281.103.624)</b>	<b>(2.043.965.894)</b>	-	<b>(2.325.069.518)</b>
Net book value as of January 1, 2009	102.975.011	126.634.973	719.640.680	270.797.022	1.220.047.686
<b>Net book value as of September 30, 2009</b>	<b>106.150.043</b>	<b>114.824.300</b>	<b>674.415.894</b>	<b>611.015.792</b>	<b>1.506.406.029</b>
Net book value as of December 31, 2009	108.207.782	199.612.483	1.143.399.152	175.172.051	1.626.391.468
<b>Net book value as of September 30, 2010</b>	<b>108.209.946</b>	<b>211.844.460</b>	<b>1.255.398.910</b>	<b>31.911.701</b>	<b>1.607.365.017</b>

During the period the Group carried out a technical evaluation of its industrial assets to determine their remaining useful lives. This analysis was conducted by an independent international evaluation company that concluded the remaining useful lives of the main Group's assets are higher than those estimated to date for the purpose of their depreciation. Therefore the respective depreciation rates were revised from July 1, 2010.

The Group holds shares representing 8% of the share capital of Soporgen – Sociedade Portuguesa de Geração de Electricidade e Calor, S.A. (Soporgen), whose main activity is the production of steam and electric power, exclusively sold to Soporcel.

In 2009, with the launch of the new paper factory, the Group recognised 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 acquisition contract foresees the transfer of the assets ownership on its termination date.

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 32,551,300 (December 31, 2009: Euro 29,714,344), was deducted as of September 30, 2010. As of September 30, 2010, the net book value of these equipments was Euro 25,452,650 (December 31, 2009: Euro 28,289,606).

As of September 30, 2009 Construction in progress included Euro 17,400,003 related to advance payments and supplies of Property Plant and Equipment, obtained 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 policy for the mitigation of credit risk.



## 10. Biological Assets

Over the nine months period ended September 30, 2010 and 2009, changes in biological assets were as follows:

Amounts in Euro	2010	2009
<b>Amount as of January 1</b>	<b>118.289.970</b>	<b>122.827.050</b>
Changes in fair value		
Logging in the period	(22.718.147)	(14.266.221)
Growth	6.950.100	10.273.379
New plantations	1.930.031	1.344.846
Other changes in fair value	5.950.352	3.646.450
	<b>(7.887.664)</b>	<b>998.454</b>
<b>Amount as of September 30</b>	<b>110.402.307</b>	<b>123.825.504</b>
Other quarters		<b>(5.535.534)</b>
<b>Amount as of December 31</b>		<b>118.289.970</b>

The amounts shown as other changes in fair value relate 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 a result of fires.

## 11. Receivables and other current assets

As of September 30, 2010 and December 31, 2009, Receivables and other current assets were detailed as follows:

Amounts in Euro	30-09-2010	31-12-2009
	<b>(unaudited)</b>	
Trade debtors	136.315.961	147.746.663
Trade debtors - related parties	-	1.530
Other receivables	36.748.370	17.610.919
Derivative financial instruments (Note 19)	5.131.173	-
Accrued income	539.706	300.274
Deferred costs	4.117.705	2.531.175
	<b>182.852.915</b>	<b>168.190.561</b>

The receivables showed above are net of accumulated impairment losses. These accumulated impairment losses amount to Euro 1,531,435 as of September 30, 2010 (December 31, 2009: Euro 1,389,949)

As of September 30, 2010 and December 31, 2009, other receivables were detailed as follows:

Amounts in Euro	30-09-2010	31-12-2009
<b>Others</b>	<b>(unaudited)</b>	
Advances to employees	53.105	150.522
AICEP - Investment grants receivable	35.005.455	6.891.182
Other debtors	1.689.810	10.569.215
	<b>36.748.370</b>	<b>17.610.919</b>
	<b>36.748.370</b>	<b>17.610.919</b>

The movements in the balance with AICEP were as follows:

Amounts in Euro	9 months 2010	12 months 2009
Amount as of January 1	6.891.182	15.840.784
Received in the period	-	(6.556.913)
Increase/(adjustment)	28.114.273	(2.392.689)
<b>Amount as of September 30/December 31</b>	<b>35.005.455</b>	<b>6.891.182</b>

As of September 30, 2010 and December 31, 2009, Accrued income and Deferred costs, were as follows:

Amounts in Euros	30-09-2010	31-12-2009
<b>Accrued income</b>	<b>(unaudited)</b>	
Discounts in purchases	120.365	122.643
Interest receivable	308.868	8.482
Other	110.473	169.149
	<b>539.706</b>	<b>300.274</b>
<b>Deferred costs</b>		
Maintenance and repairs	318.325	1.043.627
Prepayment of insurance policies	2.952.257	310.245
Other	847.124	1.177.303
	<b>4.117.706</b>	<b>2.531.175</b>
	<b>4.657.412</b>	<b>2.831.449</b>

## 12. State and other public entities

As of September 30, 2010 and December 31, 2009, 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	30-09-2010	31-12-2009
	<b>(unaudited)</b>	
State and other public entities		
Value added tax - refunds requested	28.153.906	48.938.976
Value added tax - to recover	1.179.527	2.538.472
	<b>29.333.433</b>	<b>51.477.448</b>

On September 30, 2010 and December 31, 2009 the outstanding VAT refunds requested comprised the following, by month and by company:

Amounts in Euro	May/2010	Jun/2010	Jul/2010	Aug/2010	Sep/2010	Total
Eneipub	-	1.296.934	744.272	1.343.199	1.174.187	4.548.593
Portucel	-	1.186.715	-	-	3.117.888	4.304.603
Soporcel	-	-	-	4.114.079	3.746.398	7.860.477
About The Future	-	-	3.716.625	3.867.115	1.380.565	8.964.305
CuPaper	-	60.000	-	-	-	60.000
Portucel/Soporcel Cogeração de Energia	350.000	-	-	-	-	350.000
Bosques do Atlântico	-	-	277.196	362.403	1.426.330	2.065.929
	<b>350.000</b>	<b>2.533.649</b>	<b>4.738.093</b>	<b>9.686.796</b>	<b>10.845.368</b>	<b>28.153.906</b>

Up to the date of completion of this report, Euro 11,142,142 of these amounts had already been received.

Amounts in Euro	Aug/2009	Sep/2009	Oct/2009	Nov/2009	Dec/2009	Total
Eneipub	-	834.466	881.508	812.084	790.014	3.318.072
Portucel	2.304.534	-	-	-	-	2.304.534
Soporcel	-	-	-	3.949.690	4.854.435	8.804.125
About The Future	-	2.077.921	2.439.452	2.685.552	3.954.146	11.157.071
Bosques do Atlântico	-	-	-	-	296.774	296.774
Portucel Papel Sertão	-	-	-	-	23.056.490	23.056.490
	<b>2.304.534</b>	<b>2.912.387</b>	<b>3.320.960</b>	<b>7.447.326</b>	<b>32.953.769</b>	<b>48.938.976</b>

All of these amounts were received during the first half of 2010.

### Current liabilities

Amounts in Euro	30-09-2010	31-12-2009
	<b>(unaudited)</b>	
State and other public entities		
Corporate income tax	34.345.688	5.091.020
Personal income tax - Withheld on salaries	1.137.137	1.038.453
Value added tax	4.958.801	23.941.815
Social Security	2.087.548	2.083.495
Additional tax assessments	22.296.856	23.369.527
Other	43.875	53.621
	<b>64.869.905</b>	<b>55.577.931</b>

Changes in provisions for additional tax assessments during the nine month periods ended September 30, 2010 and 2009 were as follows:

Amounts in Euro	2010	2009
Amount as of January 1	23.369.527	31.592.539
Increase	-	4.435.518
Decrease	(1.072.671)	(7.594.054)
<b>Amount as of September 30</b>	<b>22.296.856</b>	<b>28.434.003</b>
Other quarters		(5.064.476)
<b>Amount as of December 31</b>		<b>23.369.527</b>

The additional tax assessments include interest on deferred payments.

As of September 30, 2010 and December 31, 2009 the caption was detailed as follows:

Amounts in Euro	30-09-2010 (unaudited)	31-12-2009
Income Tax 2005 -Portucel - IRC (RETGS)	11.467.446	11.467.446
Income Tax 2006 -Portucel - IRC (RETGS)	9.521.726	9.521.726
Income Tax 2007 -Portucel IRC (Municipal surcharge)	682.182	682.182
Income Tax 2007 -Portucel - IRC (RETGS)	-	1.181.353
Others	625.503	516.820
	<b>22.296.856</b>	<b>23.369.527</b>

### 13. Share capital and treasury shares

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

As of September 30, 2010, 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 15,054,358 are held as treasury shares.

These shares were mainly acquired during the year ended December 31, 2008, and the changes in the period were as follows:

	2010		2009	
	Quant.	Accumulated	Quant.	Accumulated
Treasury shares held in January		15.054.358		13.406.947
Acquisitions				
January	-	15.054.358	633.818	14.040.765
February	-	15.054.358	943.657	14.984.422
March	-	15.054.358	69.936	15.054.358
April to September	-	15.054.358	-	15.054.358
<b>Treasury shares held</b>	<b>-</b>	<b>15.054.358</b>	<b>1.647.411</b>	<b>15.054.358</b>
<b>Average number of treasury shares held</b>		<b>15.054.358</b>		<b>14.964.064</b>

As of September 30, 2010 and December 31, 2009, the shareholders with significant positions in the Company's capital were as follows:

Entities	Nr. of shares	% of Equity
Seinpar Investments, BV	241.583.015	31.48%
Seinpart - Participações, SGPS, S.A.	230.839.400	30.08%
Semapa, SGPS, S.A.	96.865.223	12.62%
Other entities from Semapa's Group	9.686.818	1.26%
Bestinver Gestión, SA SGIIC	15.443.547	2.01%
Treasury shares	15.054.358	1.96%
Other shareholders	158.027.639	20.59%
<b>Total shares</b>	<b>767.500.000</b>	<b>100.00%</b>

As of September 30, 2010 the shares representing the share capital were quoted at Euro 2.165 each. This corresponds to a market value of Euro 1,661,637,500.

## 14. Deferred taxes

As of September 30, 2010 and December 31, 2009, changes in assets and liabilities as a result of deferred taxes were as follows:

Amounts in Euro	January 1, 2010	Income Statement		Equity	September 30, 2010 (unaudited)
		Increases	Decreases		
Temporary differences originating deferred tax assets					
Tax losses carried forward	218.900	-	-	-	218.900
Taxable provisions	6.228.018	2.020.000	(1.710.882)	-	6.537.136
Tangible fixed assets adjustments	36.986.656	19.533.503	-	-	56.520.159
Retirement benefit obligations	2.778.500	-	-	-	2.778.500
Financial Instruments	1.981.284	-	-	(1.981.284)	(0)
Gains in inter-group transactions	4.725.573	9.841.439	-	-	14.567.011
Valuation of biological assets	10.127.671	-	(1.664.792)	-	8.462.879
Depreciation of assets booked under IFRIC 4	3.983.424	342.178	(286.236)	-	4.039.367
	67.030.027	31.737.120	(3.661.910)	(1.981.284)	93.123.952
Temporary differences originating deferred tax liabilities					
Revaluation of fixed assets	(23.336.634)	-	2.035.093	-	(21.301.540)
Retirement benefit obligations	(1.000.187)	(21.642)	-	17.453	(1.004.376)
Fair value of financial instruments	-	-	-	(1.915.915)	(1.915.915)
Fair value of tangible fixed assets	(232.991.369)	-	13.011.318	-	(219.980.052)
Tax benefits	(89.442.118)	-	24.262.250	-	(65.179.868)
Extension of the useful life of tangible fixed assets	(147.045.954)	(30.167.514)	-	-	(177.213.469)
Deferred losses in inter-group transactions	(28.603.983)	-	6.830.230	-	(21.773.753)
	(522.420.245)	(30.189.156)	46.138.891	(1.898.462)	(508.368.973)
Amounts presented on the balance sheet					
Deferred tax assets	17.762.957	9.124.422	(1.052.799)	(569.619)	25.264.961
Change in the income tax rate	-	1.463.597	-	44.579	1.508.176
	<b>17.762.957</b>	<b>10.588.019</b>	<b>(1.052.799)</b>	<b>(525.040)</b>	<b>26.773.136</b>
Deferred tax liabilities	(138.441.365)	(8.679.382)	13.264.931	(545.808)	(134.401.624)
Change in the income tax rate	-	(11.752.160)	-	(2.295)	(11.754.456)
	<b>(138.441.365)</b>	<b>(20.431.543)</b>	<b>13.264.931</b>	<b>(548.103)</b>	<b>(146.156.080)</b>

In measuring the deferred tax at September 30, 2010, the corporate income tax (Portuguese initials IRC) rate used was 28.75%. This rate includes the impact of the state tax surcharge introduced as part of the temporary crisis measures under the Stability and Growth Plan (*Plano de Estabilidade e Crescimento - PEC*), passed under Law 12-A/2010, notwithstanding the fact that it is the company's understanding that the reversal of these deferred taxes will occur in a period subsequent to that covered by the PEC, that is, after 2013.

Amounts in Euro	January 1, 2009	Income Statement		Equity	September 30, 2009	Income Statement		Equity	December 31, 2009
		Increases	Decreases			Increases	Decreases		
Temporary differences originating deferred tax assets									
Tax losses carried forward	56.498	-	-	-	56.498	162.402	-	-	218.900
Tangible fixed assets adjustments	-	-	-	-	-	-	-	-	-
Taxable provisions	11.367.863	122.518	(6.161.834)	-	5.328.547	5.061.697	(4.162.225)	-	6.228.018
Tangible fixed assets adjustments	13.149.229	9.082.443	(2.305.287)	-	19.926.385	17.871.623	(811.353)	-	36.986.656
Retirement benefit obligations	2.509.658	-	-	-	2.509.658	268.843	-	-	2.778.500
Financial Instruments	0	-	-	-	0	-	-	1.981.284	1.981.284
Gains in inter-group transactions	7.594.094	-	(3.062.305)	-	4.531.790	-	193.783	-	4.725.573
Valuation of biological assets	15.681.948	-	(4.836.660)	-	10.845.288	8.507.386	(9.225.003)	-	10.127.671
Depreciation of assets booked under IFRIC 4	3.842.014	-	(170.027)	-	3.671.987	368.113	(56.676)	-	3.983.424
Investment tax benefits	11.785.472	-	(11.785.472)	-	-	-	-	-	-
	65.986.776	9.204.961	(28.321.585)	-	46.870.153	32.240.064	(14.061.473)	1.981.284	67.030.027
Temporary differences originating deferred tax liabilities									
Revaluation of fixed assets	(28.751.256)	-	4.331.154	-	(24.420.102)	-	1.083.468	-	(23.336.634)
Retirement benefit obligations	(905.943)	(19.649)	-	(74.612)	(1.000.205)	(6.551)	-	6.569	(1.000.187)
Derivative financial instruments	(7.135.436)	-	-	5.669.835	(1.465.601)	-	-	1.465.601	-
Fair value of tangible fixed assets	(239.782.448)	-	-	-	(239.782.448)	-	6.791.079	-	(232.991.369)
Tax benefits	(1.181.592)	(16.321.103)	-	-	(17.502.695)	(71.939.423)	-	-	(89.442.118)
Extension of the useful life of tangible fixed assets	(118.800.677)	(11.976.651)	-	-	(130.777.328)	(35.480.113)	19.211.486	-	(147.045.954)
Deferred losses in inter-group transactions	(82.074.832)	(7,008.772)	38.446.771	-	(50.636.833)	467,043	21,565,808	-	(28,603,983)
Others with deferred tax liabilities	-	(526.111)	-	-	(526.111)	526.111	-	-	-
	(478.632.185)	(35.852.286)	42.777.925	5.595.223	(466.111.323)	(106.432.933)	48.651.841	1.472.169	(522.420.245)
Amounts presented on the balance sheet									
Deferred tax assets	17.486.496	2.439.315	(7,505,220)	-	12,420,590	8,543,617	(3,726,290)	525,040	17,762,957
Deferred tax liabilities	(126,837,529)	(9,500,856)	11,336,150	1,482,734	(123,519,501)	(28,204,727)	12,892,738	390,125	(138,441,365)

## 15. Pensions and other post-employment benefits

### 15.1. Introduction

As of September 30, 2010 and December 31, 2009, the coverage of the companies' liabilities by the assets of the funds was as follows:

Amounts in Euro	30-09-2010 (unaudited)	31-12-2009
Past services liabilities		
- Active employees	107.685.324	105.713.775
- Retired employees	43.532.390	40.769.758
Market value of the pension funds	(132.159.596)	(129.743.758)
	<b>19.058.118</b>	<b>16.739.775</b>
Retirement bonuses' liabilities	2.778.472	2.778.472
<b>Unfunded liabilities</b>	<b>21.836.590</b>	<b>19.518.247</b>

### 15.2. Assumptions used in the valuation of liabilities

The actuarial studies carried out by an independent entity for the purpose of determining the accumulated liabilities as of September 30, 2010 and December 31, 2009 were based on the following assumptions:

	30-09-2010	31-12-2009
Disability table	EKV 80	EKV 80
Mortality table	TV 88/90	TV 88/90
Future salary increases	2.50%	2.50%
Discount rate	5.50%	5.50%
Future pensions increases	2,25% / 2,00%	2,25% / 2,00%

### 15.3. Retirement and pension supplements

The movements in liabilities with retirement and pensions plans in the nine months period ended September 30, 2010 and the year ended December 31, 2009 were as follows:

Amounts in Euro	2010 (unaudited)	2009
Amount at the beginning of the period	146.483.533	140.759.242
Cost recognized in the Income Statement	9.111.922	8.843.618
Pensions paid	(2.322.154)	(2.116.846)
Actuarial gains/losses	(2.055.587)	(647.009)
<b>Total assets at period-end</b>	<b>151.217.714</b>	<b>146.839.005</b>
Other quarters	(355.472)	
<b>Total assets at year-end</b>	<b>151.217.714</b>	<b>146.483.533</b>

The funds set up to cover the above mentioned liabilities had the following movement in the nine month period ended September 30, 2010 and the year ended December 31, 2009:

Amounts in Euro	2010 (unaudited)	2009
Amount at the beginning of the period	129.743.758	118.768.323
Contributions made in the period	689.000	-
Expected return in the period	5.291.049	4.695.032
Actuarial gains/losses (differential between actual and expected return)	(1.242.056)	4.175.726
Pensions paid	(2.322.155)	(2.116.846)
<b>Total assets at period-end</b>	<b>132.159.596</b>	<b>125.522.235</b>
Other quarters	4.221.523	
<b>Total assets at year-end</b>	<b>132.159.596</b>	<b>125.522.235</b>

The amounts of the contributions made in the period correspond to the information received from the actuaries with whom the Group manages the funding needs of its several plans, for which a deficit recovery plan of the funding levels to the mandatory minimum defined by the applicable regulations was put in place and is being carried out.

The details of the fund's assets at September 30, 2010 and December 31, 2009 were as follows:

Amounts in Euro	30-09-2010 (unaudited)	31-12-2009
Bonds	74.032.903	76.036.351
Shares	28.145.118	29.527.341
Liquidity	29.783.791	24.021.992
Index Linked Bonds	140.582	82.680
Real estate	57.161	13.610
Other applications - short-term	41	61.784
	<b>132.159.596</b>	<b>129.743.758</b>

In the nine months period ended September 30, 2010 and 2009 the effect in the income statement of these plans was as follows:

Amounts in Euro	9 meses 30-09-2010 (unaudited)	9 meses 30-09-2009 (unaudited)
Current service costs	2.972.565	2.937.567
Interest expenses	6.139.357	5.906.051
Return of the plan assets	(5.291.049)	(4.695.032)
Actuarial losses/(gains)	-	(128)
	<b>3.820.873</b>	<b>4.148.458</b>
Other pension costs (outside Portugal)	224.639	217.243
<b>Costs for the period</b>	<b>4.045.512</b>	<b>4.365.701</b>

Current service costs include Euro 50,301 (September 30, 2009: Euro 53,799) related with three members of the Board.

### 15.4. Retirement bonuses

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

Amounts in Euro	2010	2009
Liabilities at the beginning of the period	2.778.472	2.509.629
Costs recognized in the income statement	-	268.843
<b>Total liabilities at the period-end</b>	<b>2.778.472</b>	<b>2.778.472</b>

## 16. Provisions

In the nine months period ended September 30, 2010 and the year ended December 31, 2009 changes in provisions were as follows:

Amounts in Euro	Legal claims	Tax claims	Other	Total
<b>Balance as of January 1, 2009</b>	<b>1.917.090</b>	<b>2.393.392</b>	<b>41.313.979</b>	<b>45.624.461</b>
Increases	22.414	-	122.516	144.930
Released	(69.977)	(2.393.392)	(7.732.332)	(10.195.701)
<b>Balance as of September 30, 2009</b>	<b>1.869.527</b>	<b>-</b>	<b>33.704.163</b>	<b>35.573.690</b>
Increases	665.000	-	2.328.071	2.993.071
Released	(437.571)	-	(13.968.740)	(14.406.311)
<b>Balance as of January 1, 2010</b>	<b>2.096.956</b>	<b>-</b>	<b>22.063.494</b>	<b>24.160.450</b>
Increases	-	-	20.000	20.000
Decreases	(249)	-	(20.911.620)	(20.911.869)
Released	-	-	(320.239)	(320.239)
<b>Balance as of September 30, 2010</b>	<b>2.096.707</b>	<b>-</b>	<b>851.635</b>	<b>2.948.342</b>

As of September 30, 2009 the provision for Tax claims related to contingencies of VAT outside Portugal that were settled during the year ended December 31, 2009.

In a similar way, the provision for other risks was equally reduced due to the Group's exposure analysis carried out by the Groups advisors.

## 17. Interest-bearing liabilities

As of September 30, 2010 and December 31, 2009, non-current interest-bearing debt comprised the following:

Amounts in Euro	30-09-2010	31-12-2009
<b>Non-current</b>	<b>(unaudited)</b>	
Bond loans	550.000.000	350.000.000
Bank loans	183.125.000	74.375.000
	<b>733.125.000</b>	<b>424.375.000</b>
Expenses with the issue of bond loans	(3.675.782)	(3.346.732)
Expenses with the issue of other loans	(27.143)	(43.214)
	<b>(3.702.925)</b>	<b>(3.389.946)</b>
	<b>729.422.075</b>	<b>420.985.054</b>

As of September 30, 2010 and December 31, 2009, current interest-bearing debt was detailed as follows:

Amounts in Euro	30-09-2010	31-12-2009
<b>Current</b>	<b>(unaudited)</b>	
Bond loans	25.000.000	325.000.000
Bank loans - short-term	11.506.618	6.311.677
	<b>36.506.618</b>	<b>331.311.677</b>

As of September 30, 2010 and December 31, 2009, the Group's net debt was as follows:

Amounts in Euro	30-09-2010	31-12-2009
	<b>(unaudited)</b>	
<b>Interest-bearing liabilities</b>		
Non-current	729.422.075	420.985.054
Current	36.506.618	331.311.677
	<b>765.928.693</b>	<b>752.296.731</b>
<b>Cash and cash equivalents</b>		
Petty cash	41.888	42.935
Short-term bank deposits	34.852.548	16.119.728
Other deposits	94.550.000	36.386.589
	<b>129.444.436</b>	<b>52.549.252</b>
<b>Market value of treasury shares</b>	<b>32.592.685</b>	<b>29.792.574</b>
<b>Net debt</b>	<b>603.891.572</b>	<b>669.954.905</b>

As of September 30, 2010 and December 31, 2009, the interest-bearing liabilities of the Group comprised the following:

Amounts in Euro	30-09-2010		
	Non-current	Current	Total
			<b>(unaudited)</b>
Bond loans	546.324.218	25.000.000	571.324.218
Bank loans	183.097.857	11.506.618	194.604.475
	<b>729.422.075</b>	<b>36.506.618</b>	<b>765.928.693</b>
			<b>(unaudited)</b>
	31-12-2009		
	Non-current	Current	Total
Bond loans	346.653.268	325.000.000	671.653.268
Bank loans	74.331.786	6.311.677	80.643.463
	<b>420.985.054</b>	<b>331.311.677</b>	<b>752.296.731</b>

The evolution of the Group's net debt for the nine months period ended September 30, 2010 and the year ended December 31, 2009 was as follows:

Amounts in Euro	9 months	9 months	Other	12 months
	2010	2009		Quarters
	<b>(unaudited)</b>			
As of January 1	669.954.905	459.665.981	-	459.665.981
Changes in value of treasury shares held and accumulated translation effects	(2.800.111)	(12.433.099)	3.064.298	(9.368.801)
Interest paid	15.240.786	21.801.877	11.307.030	33.108.907
Dividends paid	62.076.765	79.006.792	-	79.006.792
Receipts related to investment activities	(4.552.360)	(11.532.439)	(4.728.497)	(16.260.936)
Receipts related to interests	(4.739.663)	(9.216.174)	6.859.558	(2.356.616)
Payments related to investment activities	50.535.227	317.467.468	53.760.856	371.228.324
Net receipts of operating activities	(181.823.977)	(213.918.077)	(31.150.670)	(245.068.746)
<b>As of September 30/December 31</b>	<b>603.891.572</b>	<b>630.842.329</b>		<b>669.954.905</b>

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

Amounts in Euro	30-09-2010	31-12-2009
<b>Non-current</b>	<b>(unaudited)</b>	
1 to 2 years	3.125.000	6.250.000
2 to 3 years	160.952.381	162.410.714
3 to 4 years	219.702.381	209.285.714
4 to 5 years	59.702.381	9.285.714
More than 5 years	289.642.857	37.142.858
	<b>733.125.000</b>	<b>424.375.000</b>

As of September 30, 2010 and December 31, 2009 the Group had the following equipments under finance leases (Note 9):

Amounts in Euro	30-09-2010		
	Acquisition cost	Accumulated depreciation	Net book value
Soporgen equipment	44.003.950	31.644.237	12.359.713
Omya equipment	14.000.000	907.063	13.092.937
	<b>58.003.950</b>	<b>32.551.300</b>	<b>25.452.650</b>

Amounts in Euro	31-12-2009		
	Acquisition cost	Accumulated depreciation	Net book value
Soporgen equipment	44.003.950	29.335.966	14.667.984
Omya equipment	14.000.000	378.378	13.621.622
	<b>58.003.950</b>	<b>29.714.344</b>	<b>28.289.606</b>

The liabilities related to Soporgen and Omya's equipment is as follows:

Amounts in Euro	30-09-2010	31-12-2009
	<b>(unaudited)</b>	
Non-current	25.419.194	28.076.744
Current (Note 18)	1.772.349	596.958
	<b>27.191.543</b>	<b>28.673.702</b>

As of September 30, 2010, the Group had credit facilities, available but not used, amounting to Euro 126,660,714.

## 18. Payables and other current liabilities

As of September 30, 2010 and December 31, 2009, Payables and other current liabilities were detailed as follows:

Amounts in Euro	30-09-2010	31-12-2009
	<b>(unaudited)</b>	
Payable to trade creditors	99.457.021	120.889.983
Payable to fixed assets suppliers	30.364.740	53.277.039
Payable to fixed assets suppliers - Soporgen (Note 17)	1.772.349	596.958
Payable to related parties	51.000	525.963
Derivative financial instruments (Note 19)	118.067	3.360.444
Other creditors - CO2 emission rights	5.583.293	5.160.311
Commissions for paper sales	294.395	1.920.346
Other creditors	86.692	1.196.604
Accrued costs	59.786.535	43.403.327
Deferred income	66.171.470	42.199.258
	<b>263.685.762</b>	<b>272.530.233</b>

As of September 30, 2010 and December 31, 2009, Accrued costs and Deferred income were detailed as follows:

Amounts in Euro	30-09-2010	31-12-2009
<b>Accrued costs</b>	<b>(unaudited)</b>	
Payroll costs	29.467.690	24.991.926
Interest payable, including compensatory interest	6.264.076	4.031.811
Energy, gas and maintenance costs	18.950.034	8.431.541
Acquisitions of timber	219.914	329.796
Other	4.884.821	5.618.253
	<b>59.786.535</b>	<b>43.403.327</b>
<b>Deferred income</b>		
Government grants	61.930.238	40.637.301
Government grants - CO2 emission rights	2.799.687	-
Other	1.441.545	1.561.957
	<b>66.171.470</b>	<b>42.199.258</b>

As of September 30, 2010 and December 31, 2009, deferred income on government grants was detailed by company as follows:

Amounts in Euro	30-09-2010	31-12-2009
	(unaudited)	
Portucel, S.A.	45.313.782	21.486.081
Soporcel, S.A.	16.225.855	18.706.065
Raiz	315.204	350.552
Enerforest, S.A.	61.486	70.270
Cofotrans, S.A.	13.911	24.333
	<b>61.930.238</b>	<b>40.637.301</b>

During the nine months period ended September 30, 2010 and year ended December 31, 2009, Government Grants – CO2 emission rights had the following movements:

Amounts in Euro	2010	2009
<b>Grants - CO2 emission rights</b>	(unaudited)	
Opening balance	-	-
Increase	12.808.389	6.181.410
Released	(10.008.702)	(4.600.359)
<b>Balance as of September 30</b>	<b>2.799.687</b>	<b>1.581.051</b>
Other quarters	-	(1.581.051)
<b>Balance as of December 31</b>	<b>-</b>	<b>-</b>

As of September 30, 2010 CO2's licenses had a market value per Ton of Euro 15.29 (EUA) (2009: Euro 14.37). As such, the market value of CO2 emission rights consumed until September 30, 2010 amounts to Euro 5,583,293.

## 19. Derivative financial instruments

As of September 30, 2010 and December 31, 2009, the fair value of derivative financial instruments was as follows:

Amounts in Euro	30-09-2010			31-12-2009	
	Notional	Positive	Negative	Net	Net
	(unaudited)				
<b>Hedging instruments</b>					
Interest Rate Swaps	75.000.000	-	(118.067)	(118.067)	(1.981.284)
Hedging (sales and pulp price)	39.939.185	2.033.983	-	2.033.983	-
	<b>114.939.185</b>	<b>2.033.983</b>	<b>(118.067)</b>	<b>1.915.915</b>	<b>(1.981.284)</b>

Amounts in Euro	30-09-2010			31-12-2009	
	Notional	Positive	Negative	Net	Net
	(unaudited)				
<b>Trading instruments</b>					
Foreign exchange forwards	63.574.505	3.097.190	-	3.097.190	(1.379.160)
	<b>63.574.505</b>	<b>3.097.190</b>	<b>-</b>	<b>3.097.190</b>	<b>(1.379.160)</b>
	<b>178.513.690</b>	<b>5.131.173</b>	<b>(118.067)</b>	<b>5.013.106</b>	<b>(3.360.444)</b>

The fair value of derivative financial instruments is included in Payables and other current liabilities (Note 18).

The movement in the balances shown in the statement financial position (Notes 11 and 18) relating to financial instruments was as follows:

	Change in fair value (Trading)	Change in fair value (Hedging)	Total
<b>Balance as of January 1, 2009</b>	2.818.575	7.135.435	9.954.010
Maturity (Note 4)	(1.776.671)	1.547.241	(229.430)
Decreases in Fair Value	-	-	-
<b>Balance as of September 30, 2009</b>	<b>-</b>	<b>(7.217.075)</b>	<b>9.724.580</b>
Maturity	(2.421.064)	6.237.957	3.816.893
Decreases in Fair Value	-	(16.901.917)	(16.901.917)
<b>Balance as of January 1, 2010</b>	<b>(2.421.064)</b>	<b>(17.881.035)</b>	<b>(3.360.444)</b>
Maturity (Note 4)	4.476.351	(873.238)	3.603.113
Decreases in Fair Value	-	4.770.437	4.770.437
<b>Balance as of September 30, 2010</b>	<b>2.055.287</b>	<b>(13.983.836)</b>	<b>5.013.106</b>

At September 30, 2010 and December 31, 2009, the derivative financial instruments presented above had the following maturities:

		Notional	Maturity	Type	30-09-2010	31-12-2009
					Fair Value	Fair Value
Foreign exchange forwards	USD	23.518.000	18-Jan-11	Trading	811,457	-
	GBP	3.430.000	14-Jan-11	Trading	121,907	-
	USD	46.297.000	04-Feb-10	Trading	1,891,121	(338,615)
	GBP	7.251.000	14-Jan-11	Trading	272,705	(1,040,545)
					<b>3,097,190</b>	<b>(1,379,160)</b>
Interest rate hedging	EUR	150,000,000	29-Mar-10	Hedging	-	(762,218)
Foreign exchange hedging - Investment in subsidiary	USD	25,050,000	26-Nov-10	Hedging	1,602,102	-
Foreign exchange hedging - Future sales	USD	9,375,000	31-Dec-10	Hedging	65,676	-
Foreign exchange hedging - Future sales	USD	9,375,000	31-Dec-10	Hedging	47,331	-
Foreign exchange hedging - Future sales	USD	10,710,000	31-Dec-10	Hedging	318,874	-
Interest rate hedging	EUR	75,000,000	27-Oct-10	Hedging	(118,067)	(1,219,066)
					<b>1,915,915</b>	<b>(1,981,284)</b>
					<b>5,013,106</b>	<b>(3,360,444)</b>

## 20. Commitments

### 20.1. Commitments towards of third-parties

As of September 30, 2010 and December 31, 2009, commitments assumed by the Group were as follows:

Amounts in Euro	30-09-2010	31-12-2009
<b>Guarantees</b>		
Guarantees		
Soporgen, S.A.	333.333	444.444
	<b>333.333</b>	<b>444.444</b>
<b>Guarantees forward</b>		
Guarantees		
DGCI	27.917.200	17.117.821
Duties with wood imports	3.330.746	3.330.746
Simria	340.005	514.361
AICEP	-	361.082
Other	1.152.460	1.154.075
	<b>32.740.411</b>	<b>22.478.085</b>
	<b>33.073.744</b>	<b>22.922.529</b>

On May 3, 2000, Soporcel, entered into a guarantee with a bank under which it guarantees the full and timely compliance with all financial and monetary obligations to that bank assumed by Soporgen – Sociedade Portuguesa de Geração de Electricidade e Calor, S.A.. Accordingly, the bank can claim repayment of up to 8% of Soporgen's debt under that guarantee whenever it is enforced.

As of September 30, 2010, the amount to settle of this loan was Euro 4,166,667, and the amount of the guarantee assumed by Soporcel was Euro 333,333, having been reduced for the period as a result of the reduction in the underlying loan.

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

Amounts in Euro	30-09-2010	31-12-2009
Income Tax 2005 - Additional Tax assessments	14.656.906	14.656.907
Income Tax 2006 - Additional Tax assessments	11.831.697	-
Income Tax 2007 - Municipal surcharge	852.727	852.727
Stamp duty 2004	575.870	575.870
Aggregated income tax 2003	-	1.032.317
	<b>27.917.200</b>	<b>17.117.821</b>

Guarantees granted to Custom authorities are detailed as follows:

Amounts in Euro	30-09-2010	31-12-2009
<b>Beneficiaries</b>		
Tax Authorities (DGA) - Custom duties	2.434.250	2.434.250
Setubal Custom Authorities	780.000	780.000
Tax Authorities (DGCA) - Custom duties	110.000	110.000
Swiss Tax Authorities	6.496	6.496
	<b>3.330.746</b>	<b>3.330.746</b>

### 20.2. Purchase commitments

In addition to the commitments described in the preceding Note, purchase commitments assumed to suppliers at September 30, 2010 amounted to Euro 47,584,240 and referred to capital expenditure on Property, plant and

equipment (total commitments at December 31, 2009: Euro 157,300,680). These figures include the commitments assumed with AICEP which contemplate overall capital investments of around Euro 914,600,000.

As of September 30, 2010 and December 31, 2009, commitments relating to operating lease contracts showed the following expected cash flows:

Amounts in Euro	30-09-2010	31-12-2009
<b>Due date</b>		
2010	373.433	1.436.589
2011	1.171.480	1.205.713
2012	717.192	664.824
2013	301.265	222.472
2014	41.047	-
	<b>2.604.417</b>	<b>3.529.598</b>

## 21. Contingent liabilities

### *Restructuring the retirement and survival pension Plan - Portucel*

During 2009, Portucel S.A. presented its employees a proposal for restructuring the pension plan currently in use. This proposal aimed changing the pension plan from a defined benefit plan to a defined contribution plan. The proposal was accepted by the vast majority of Portucel's employees.

In 2010, the company obtained from the Portuguese tax authorities the validation regarding the corporate income tax (IRC) treatment to be adopted with this restructuring process. The same validation was obtained regarding personnel income tax (IRS) and the company expects to have the new scheme in place on course in December 1, 2010. Since the effect of this change will increase the company's shareholders' equity presented on this period's consolidated statement of financial position, no effect was recognized at this time.

## 22. Companies included in the consolidation

Company	Head office	Percentage of share 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
Portucel International GmbH	Germany	100.00	-	100.00
Portucel Cacia - Produção de Pasta, S.A *	Cacia	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
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
PortucelSoporcel Floresta, SGPS, SA	Figueira da Foz	50.00	50.00	100.00
Portucel Florestal – Empresa de Desenvolvimento Agro-Florestal, SA	Setúbal	-	100.00	100.00
Aliança Florestal – Sociedade para o Desenvolvimento Agro-Florestal, SA	Setúbal	-	100.00	100.00
Enerforest - Empresa de Biomassa para Energia, SA	Setúbal	-	100.00	100.00
Atlantic Forests, SA	Setúbal	-	100.00	100.00
Afocelca - Agrupamento complementar de empresas para protecção contra incêndios ACE	Portugal	-	64.80	64.80
Bosques do Atlantico, SL	Spain	-	100.00	100.00
Naturfungi, ACE	Setúbal	-	50.00	50.00
Verde Arena - Sociedade Gestora de Zonas de Intervenção Florestal, S.A.	Setúbal	-	100.00	100.00
PortucelSoporcel Pulp SGPS, S.A.	Setúbal	100.00	-	100.00
EPFF - Empresa de Pasta de Figueira da Foz, S.A.	Figueira da Foz	-	100.00	100.00
CELSET - Celulose de Setúbal, S.A.	Setúbal	-	100.00	100.00
CELCACIA - Celulose de Cacia, S.A.	Cacia	-	100.00	100.00
PortucelSoporcel Papel, SGPS SA	Setúbal	100.00	-	100.00
Soporcel North America Inc.	USA	-	100.00	100.00
About the Future - Empresa Produtora de Papel, SA	Setúbal	0.01	99.99	100.00
Portucel Papel Setúbal, S.A.	Setúbal	-	100.00	100.00
Tecnipapel – Sociedade de Transformação e Distribuição de Papel, Lda	Setúbal	56.00	44.00	100.00
PortucelSoporcel Sales & Marketing NV	Belgium	25.00	75.00	100.00
Soporcel Espanha, SA	Spain	-	100.00	100.00
Soporcel International, BV	Belgium	-	100.00	100.00
Soporcel France, EURL	France	-	100.00	100.00
Portucel Soporcel United Kingdom, Ltd	United Kingdom	-	100.00	100.00
Portucel Soporcel Itália, SRL	Italy	-	100.00	100.00
Soporcel 2000 - Serviços Comerciais de Papel, Soc. Unipessoal, Lda	Figueira da Foz	-	100.00	100.00
Soporcel Deutschland, GmbH	Germany	-	100.00	100.00
Soporcel Handels, GmbH	Austria	-	100.00	100.00
PortucelSoporcel Afrique du Nord *	Morocco	-	100.00	100.00
PortucelSoporcel Energia, SGPS SA	Setúbal	100.00	-	100.00
SPCG – Sociedade Portuguesa de Co-Geração Eléctrica, SA	Setúbal	-	100.00	100.00
Enerpulp – Cogeração Energética de Pasta, SA	Setúbal	-	100.00	100.00
PortucelSoporcel Cogeração de Energia, SA	Setúbal	-	100.00	100.00
PortucelSoporcel Participações, SGPS SA	Setúbal	100.00	-	100.00
Arboser – Serviços Agro-Industriais, SA	Setúbal	-	100.00	100.00
Empremédia - Corretores de Seguros, Lda	Lisbon	-	100.00	100.00
Socortel - Sociedade de Corte de Papel, SA	Figueira da Foz	-	100.00	100.00
Cutpaper - Transformação, Corte e Embalagem de Papel, ACE	Figueira da Foz	-	50.00	50.00
Headbox - Operação e Contolo Industrial, SA	Setúbal	-	100.00	100.00
EMA21 - Engenharia e Manutenção Industrial Século XXI, SA	Setúbal	-	100.00	100.00
Ema Cacia - Engenharia e Manutenção Industrial, ACE	Cacia	-	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
ImpactValue - SGPS, SA	Setúbal	100.00	-	100.00
Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda	Mozambique	25.00	75.00	100.00
Portucel Florestal Brasil - Gestão de Participações, Ltda	Brazil	25.00	75.00	100.00
Raiz - Instituto de Investigação da Floresta e Papel	Eixo	43.00	51.00	94.00
PortucelSoporcel Papel - Sales e Marketing, ACE	Figueira da Foz	50.00	50.00	100.00
PortucelSoporcel Logística de Papel, ACE	Figueira da Foz	33.33	66.67	100.00

\* Companies incorporated in 2010

**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