

# Ence 1Q11 results

Madrid - May 4th, 2011



# 1Q11 results: highlights



1

**Strong 1Q11 EBITDA**  
Optimization of production and  
cost containment

+

2

**Record production for the quarter**  
Maximum pulp and electricity production thanks to  
capacity increases and stabilization of mills

+

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**Attractive market pulp**  
Strength in prices and positive outlook

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**Constant strengthening of balance sheet**  
Further debt reduction led by strong operational cash generation  
and strict CapEx allocation criteria

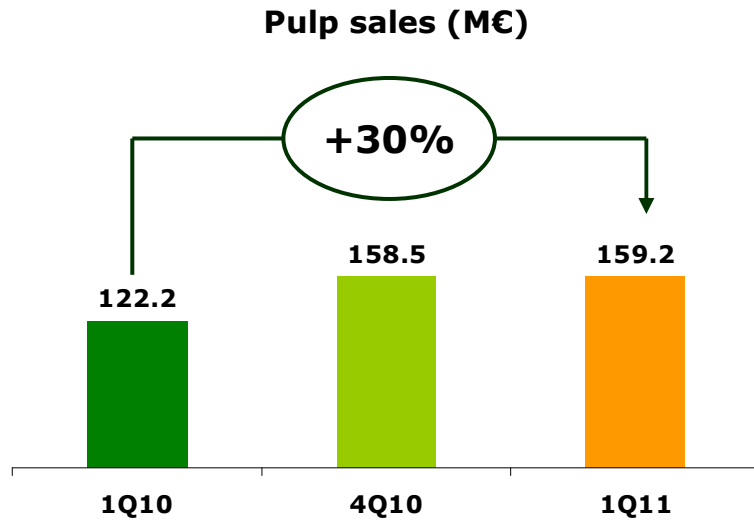
# 1Q11 results: summary of main financial indicators



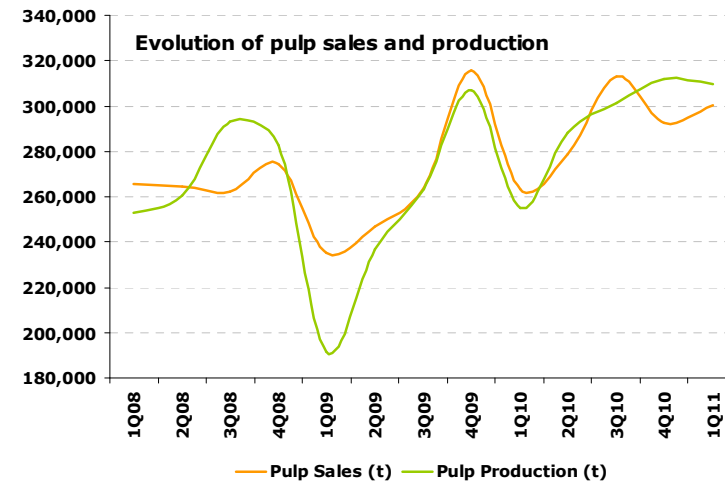
|                               | 1Q11<br>€Mn  | 4Q10<br>€Mn  | Change<br>y/y | 1Q10<br>€Mn  | Change<br>y/y |
|-------------------------------|--------------|--------------|---------------|--------------|---------------|
| <b>Net Sales (M€)</b>         | <b>218.4</b> | <b>223.0</b> | <b>(2%)</b>   | <b>170.2</b> | <b>28%</b>    |
| Pulp Sales (M€)               | 159.2        | 158.5        | 0%            | 122.2        | 30%           |
| Energy Sales (M€)             | 43.0         | 38.9         | 11%           | 33.6         | 28%           |
| Forestry and Other Sales (M€) | 16.3         | 25.6         | (36%)         | 14.3         | 14%           |
| <b>EBITDA (adjusted)</b>      | <b>47.5</b>  | <b>43.3</b>  | <b>10%</b>    | <b>32.4</b>  | <b>47%</b>    |
| Hedging                       | (6.7)        | 3.8          | n.s.          | -            | n.s.          |
| Severance payments            | (1.8)        | (0.9)        | 114%          | (0.1)        | n.s.          |
| Provisions and others         | 0.0          | (16.8)       | n.s.          | -            | n.s.          |
| Other non-recurrent           | 0.3          | (0.8)        | n.s.          | 1.4          | (76%)         |
| <b>EBITDA (reported)</b>      | <b>39.3</b>  | <b>28.6</b>  | <b>37%</b>    | <b>33.7</b>  | <b>17%</b>    |
| - Depreciation                | (14.8)       | (14.1)       | 5%            | (14.1)       | 5%            |
| - Provisions                  | 0.7          | 0.2          | 223%          | 0.5          | 21%           |
| <b>EBIT</b>                   | <b>25.1</b>  | <b>14.7</b>  | <b>70%</b>    | <b>20.1</b>  | <b>25%</b>    |
| - Financial results           | (2.3)        | (2.7)        | (18%)         | (9.1)        | (75%)         |
| <b>PBT</b>                    | <b>22.9</b>  | <b>12.0</b>  | <b>91%</b>    | <b>11.0</b>  | <b>107%</b>   |
| - Taxes                       | (6.7)        | (1.7)        | 282%          | (4.3)        | 54%           |
| <b>Net Profit</b>             | <b>16.2</b>  | <b>10.2</b>  | <b>58%</b>    | <b>6.7</b>   | <b>141%</b>   |

- ✓ **Strong growth across businesses:** +14% to +30% y-o-y revenue expansion
- ✓ **Positive margin evolution** to exceed 21% on an adjusted basis in 1Q11
- ✓ **Healthy conversion into net profit** to top the 16M€ mark for the first three months of 2011

# 1Q11 results: pulp sales evolution

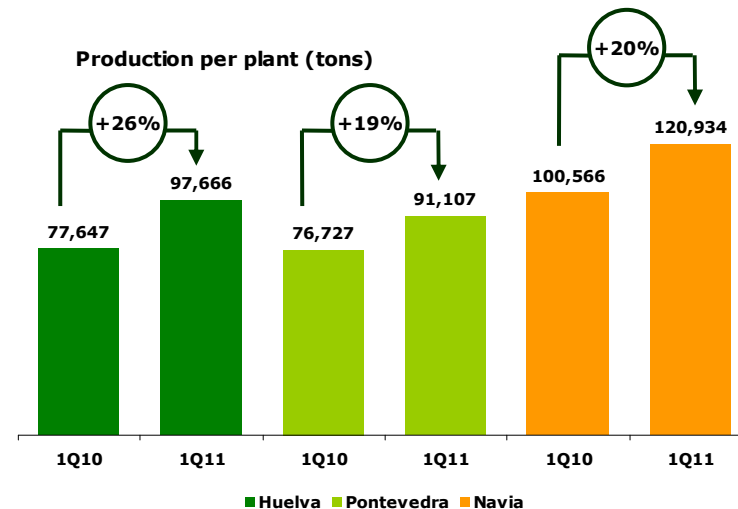


|                | Average 2010 | 1Q11    | Increase |
|----------------|--------------|---------|----------|
| Production (t) | 289,117      | 309,707 | 7.1%     |

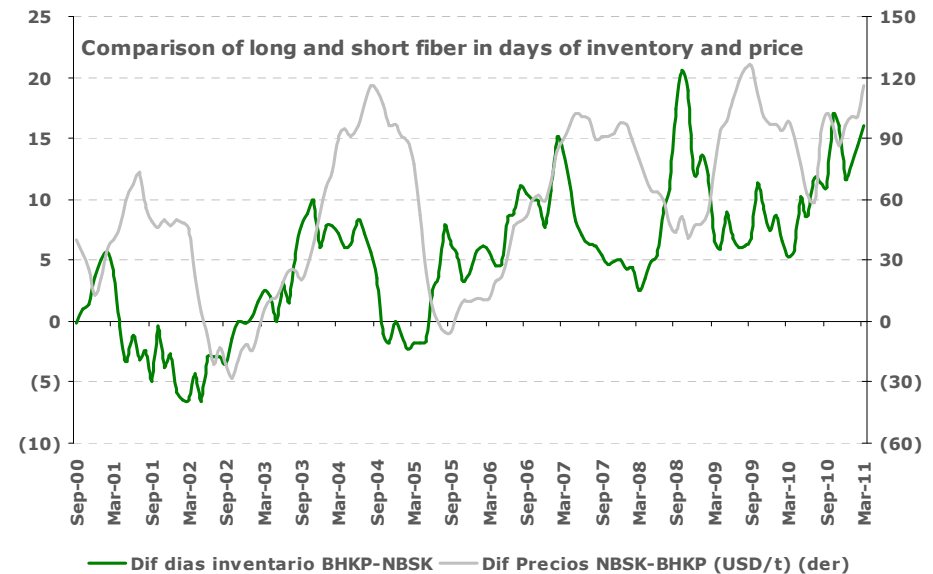
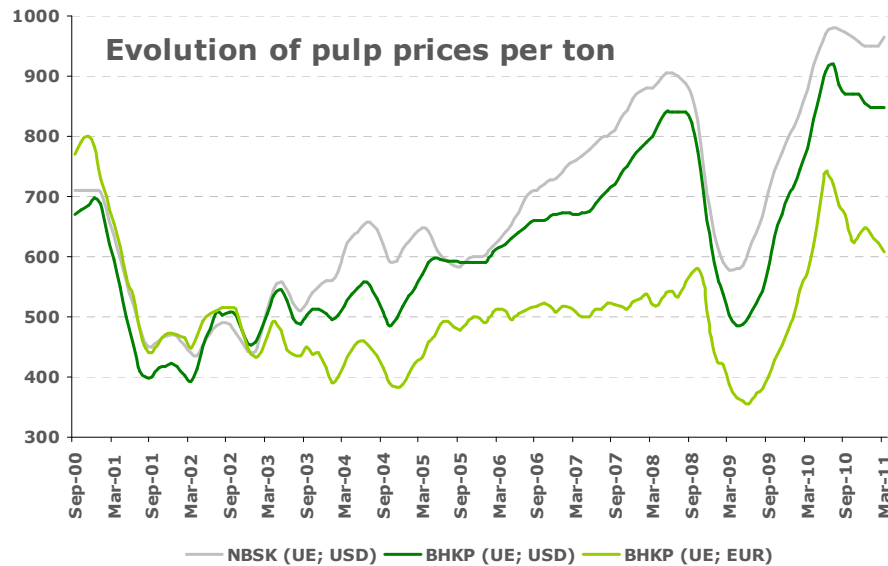


✓ **Highly diversified sales base:**

- by geography, with exports representing 83% of total
- by paper grade with 46% of sales on Tissue



# Price evolution: a stable environment ...



✓ **The price of short fiber has remained at \$850/t in the quarter**, while long fiber announced a global rise in March

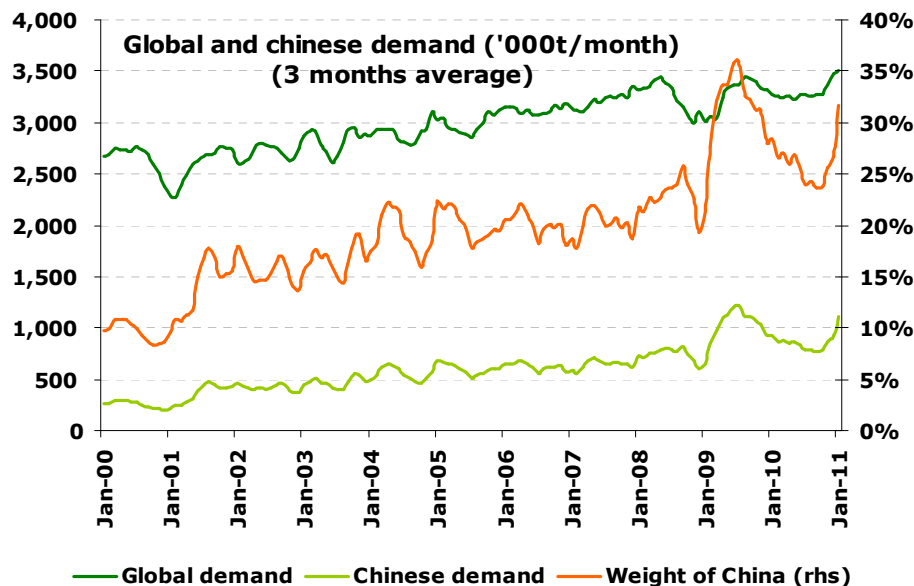
✓ The **weak dollar** has gradually impacted on prices in Euros

✓ For the month of **April a \$30/t increase** has been announced for long and short fiber, showing the tight balance between supply and demand

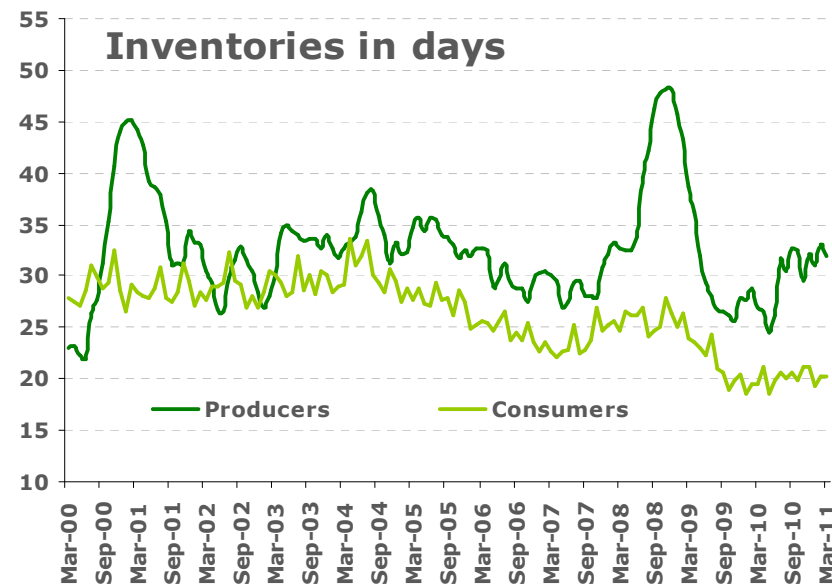
✓ **The price spread between long and short fiber has increased to historic highs**, due to capacity closures between 2008 and 2009 (mainly in long fiber) and increased demand for long fiber due to current shortage of textile fiber

✓ In the short term, **the spread** between long and short fiber will foster **the substitution effect** between the two, giving additional support to short fiber

# ... supported by the evolution of demand and inventories



- ✓ **Demand remains very strong** thanks to the surge of Chinese imports, despite high price levels
- ✓ **Demand in mature markets has stabilized** after the recovery shown in 2010, on the verge of a potential macroeconomic improvement

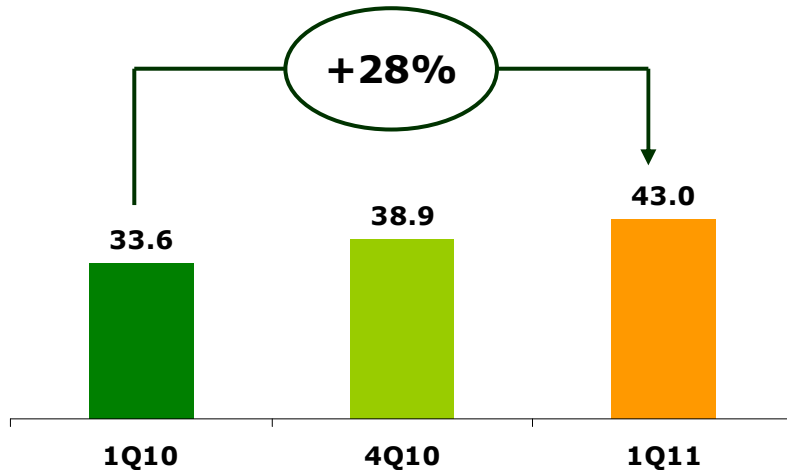


- ✓ As a result, **producer inventories remain in the middle of its historic range**
- ✓ **Consumer inventories are at minimum levels**, which offers greater potential for future demand

# 1Q11 results: renewable energy sales evolution

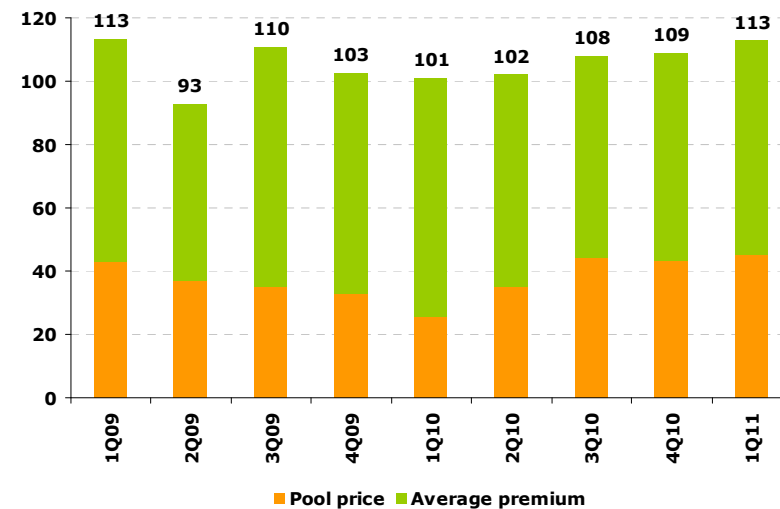
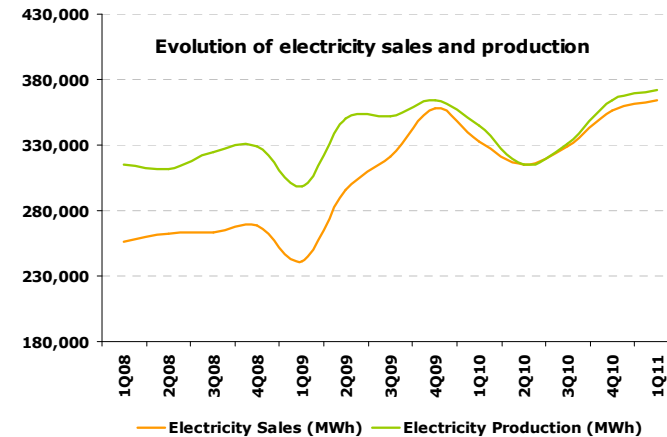


Electricity sales (M€)

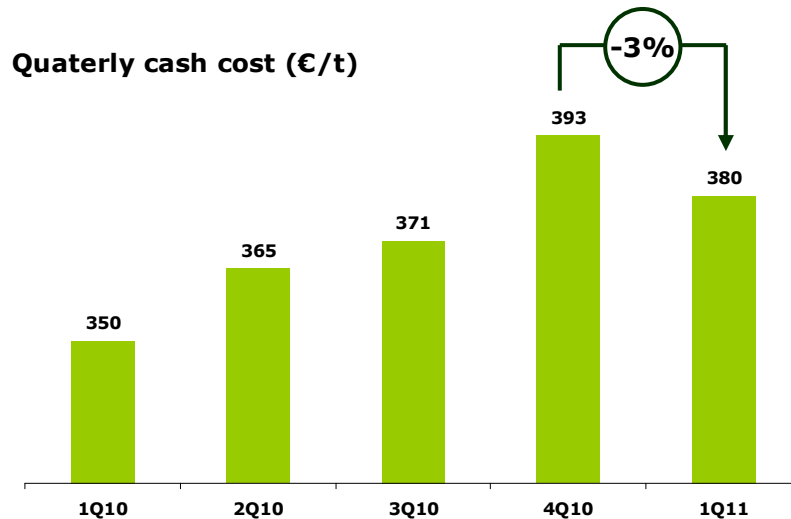
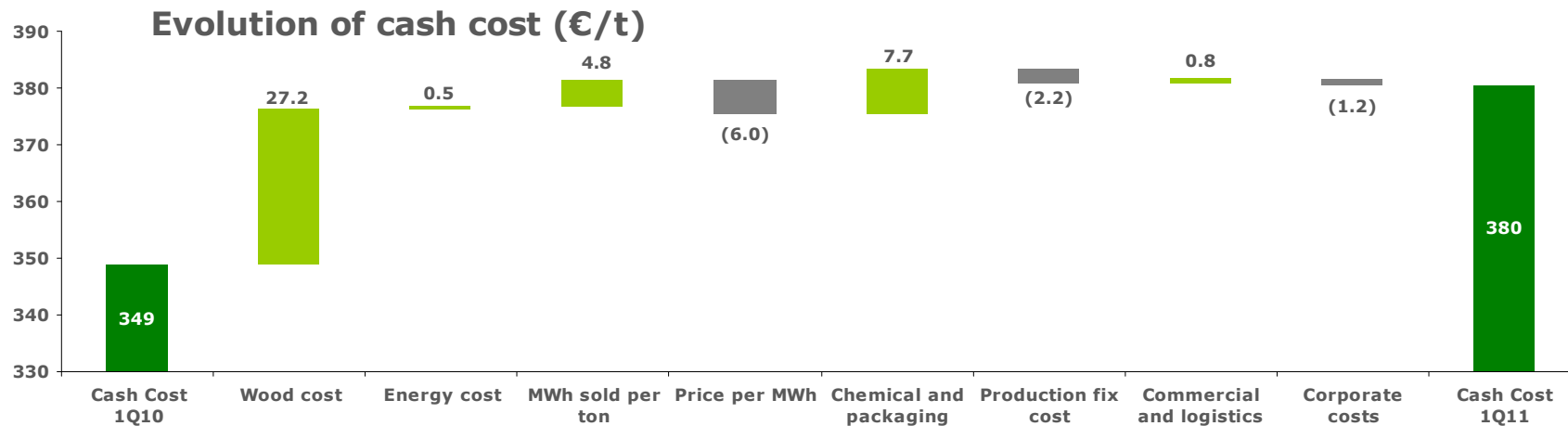


- ✓ **Increasing energy production linked to the pulp** production process (+11% y-o-y) after stabilization of mills
- ✓ **Increasing generation of Navia biomass** facility, after the execution of the learning curve
- ✓ **Improving the average selling price** due to higher weight of biomass generation in the production mix and to the regulated annual price update

|                  | Average 2010 | 1Q11    | Increase |
|------------------|--------------|---------|----------|
| Production (MWh) | 338,648      | 372,026 | 9.9%     |



# 1Q11 results: cash cost evolution

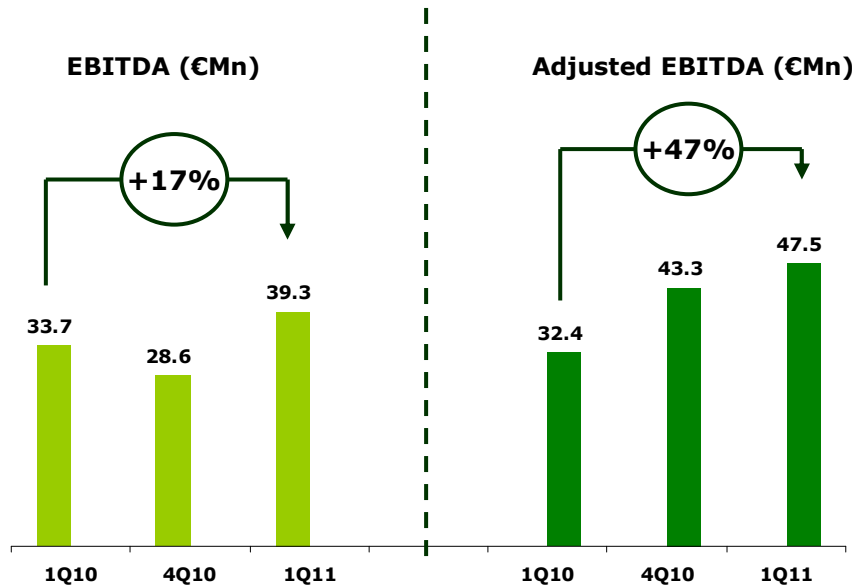


✓ Cost pressure in 2010 affected by **higher price of wood** (upward pulp pricing environment) and lower pulp production

✓ The **stabilization of mills** since January, renewed **wood supply management** measures (price decrease of wood in April) and **increased energy efficiency and dilution of fixed costs**, will facilitate the downward trend in the cash cost in 2011



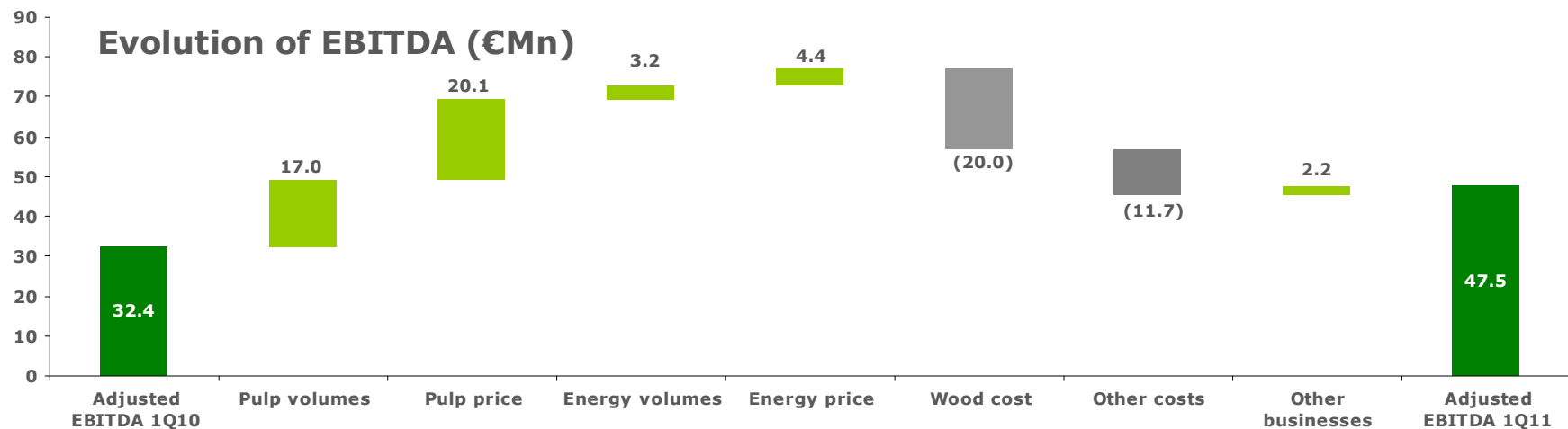
# 1Q11 results: EBITDA evolution



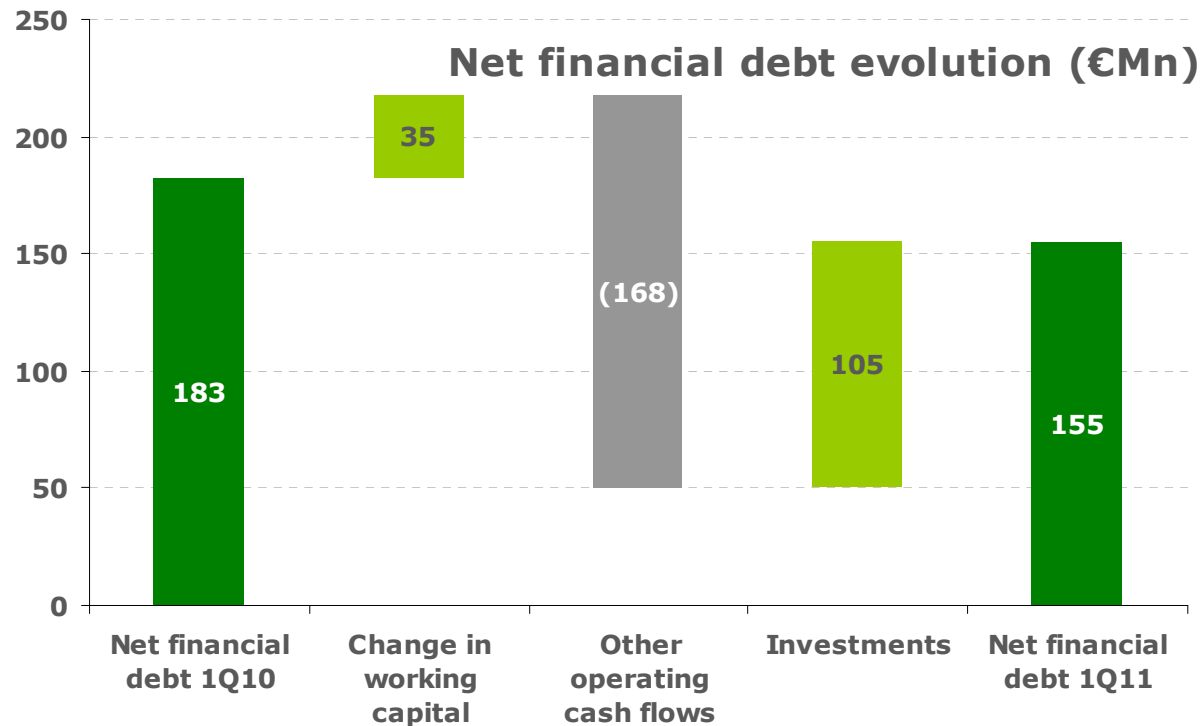
✓ 1T11 EBITDA stands **17% over 1Q10** and **37% over 4T10**

✓ 1T11 adjusted EBITDA **stands 47% above 1Q10** and **10% over 4T10**

✓ The rise is mainly due to increases in production and pulp prices, partially offset by higher wood costs and increased consumption of chemicals derived from the change in the mix of wood



# 1Q11 results: net debt and cash flow evolution



✓ **Net financial debt** was reduced again in the quarter despite efforts in biomass development to stand at **0.84x EBITDA last 12 months**:

- **Strong cash generation from operations**
- **Tax efficiency**, taking advantage of tax losses
- **Active management of working capital** by optimizing stock in an environment of increased production and higher selling prices

# 1Q11 results: conclusions



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