

Ence

1H11 results

Madrid - July 27th, 2011



1H11 results: highlights



- 1 Signing of 50MW project finance**, fostering the visibility of the biomass expansion program
- 2 Solid operating performance** to maximize utilization ratio drives pulp and electricity output & sales growth
- 3 Supportive pulp market prices**, which remain attractive despite dollar weakness
- 4 Positive trend in cash cost** led by production stability and wood cost contention
- 5 Healthy cash flow generation** giving room to strengthen the balance sheet and finance biomass plans

1H11 results: summary of main financial indicators



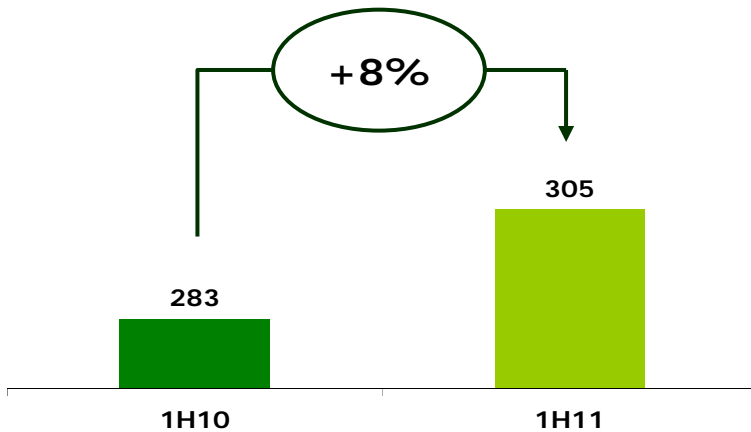
	1H11 €Mn	1H10 €Mn	Change y/y
Net sales (M€)	419.3	378.1	11%
Pulp Sales (M€)	304.7	283.4	8%
Energy Sales (M€)	85.3	65.8	30%
Forestry and Other Sales (M€)	29.4	28.8	2%
EBITDA (adjusted)	89.5	92.5	(3%)
Hedging	(9.7)	(5.6)	n.s.
Severance payments	(4.4)	(0.4)	n.s.
Provisions and others	(1.4)	(0.2)	n.s.
Other non-recurrent	1.2	1.9	(39%)
EBITDA (reported)	75.2	88.2	(15%)
- Depreciation	(28.7)	(31.5)	(9%)
- Provisions	1.2	(0.1)	(1553%)
EBIT	47.8	56.6	(16%)
- Financial results	(8.8)	(15.7)	(44%)
PBT	39.0	40.9	(5%)
- Taxes	(11.4)	(14.3)	(20%)
Net profit	27.6	26.5	4%
Net financial debt	148.6	198.3	(25%)

- **+8% increase in pulp sales** due to positive performance of production amid stable prices y-o-y
- **Strength in sales of energy** with annual growth close to the +30% mark
- **Positive operating margins, closing 1H11 at 21%** (adjusted)
- **Net income rose 4%** vs. 1H10, reaching 11.4 M€

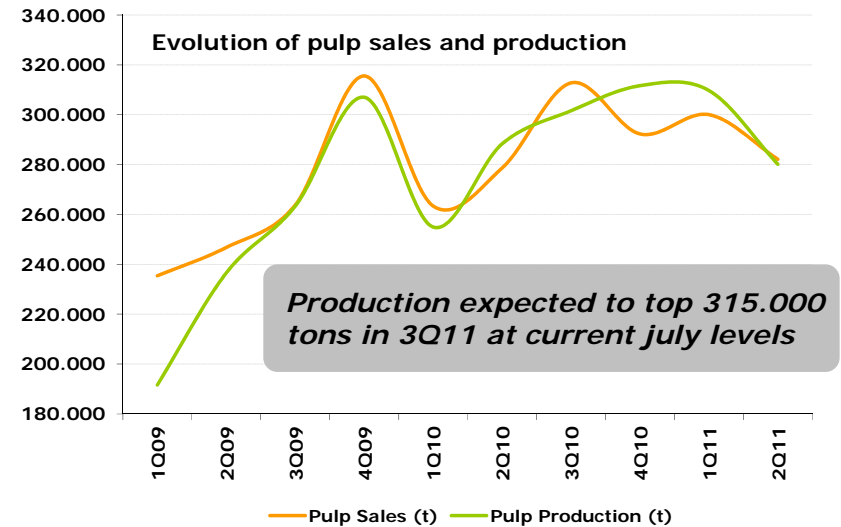
1H11 results: pulp sales evolution



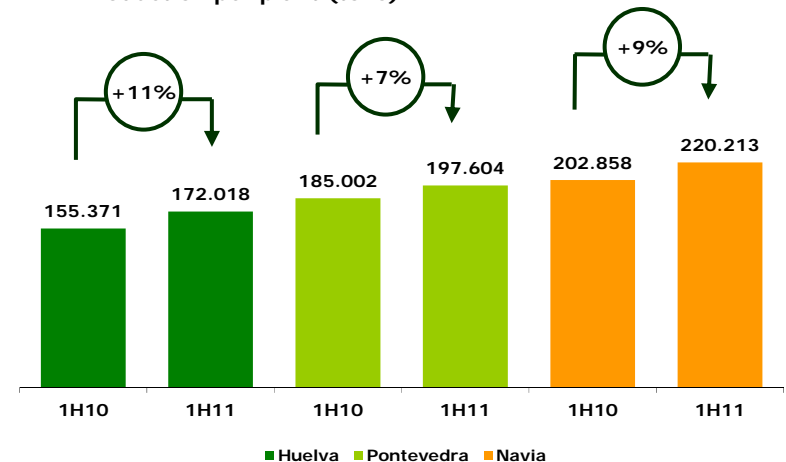
Pulp sales (M€)



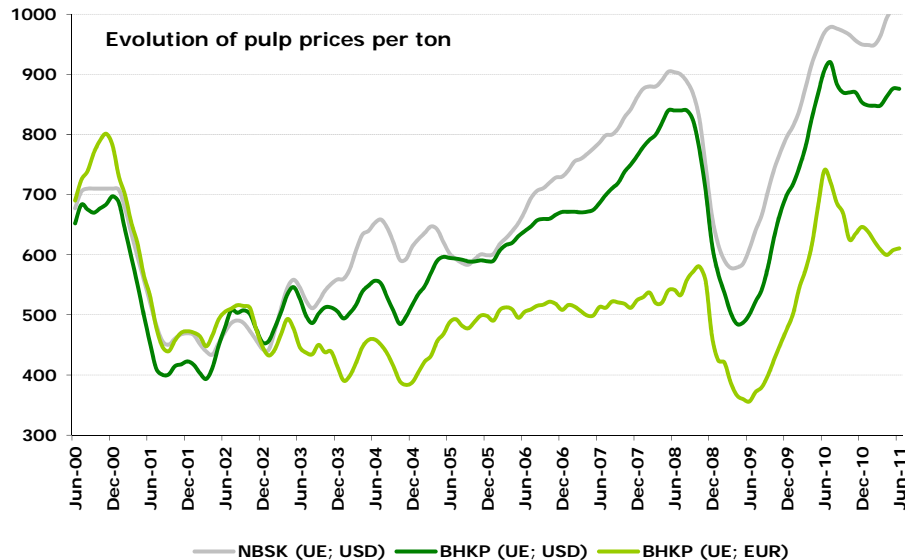
- **+8% growth in total pulp output**, with all mills surpassing last year operating performance by 7% to 11%
- Management of inventories allowed for **stable pulp sales in 2Q11 vs 2Q10**, compensating for longer maintenance shutdowns of Navia & Huelva in 2Q11
- Recent dollar weakness explains 100% of 2Q11 pulp revenue shortfall, with **volumes and cost improving compared to last year**



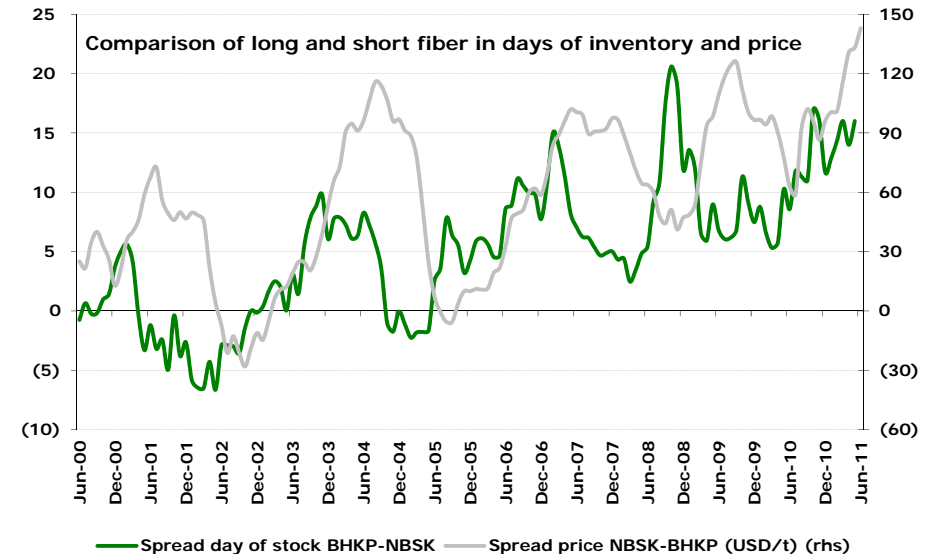
Production per plant (tons)



Price evolution: a stable environment ...

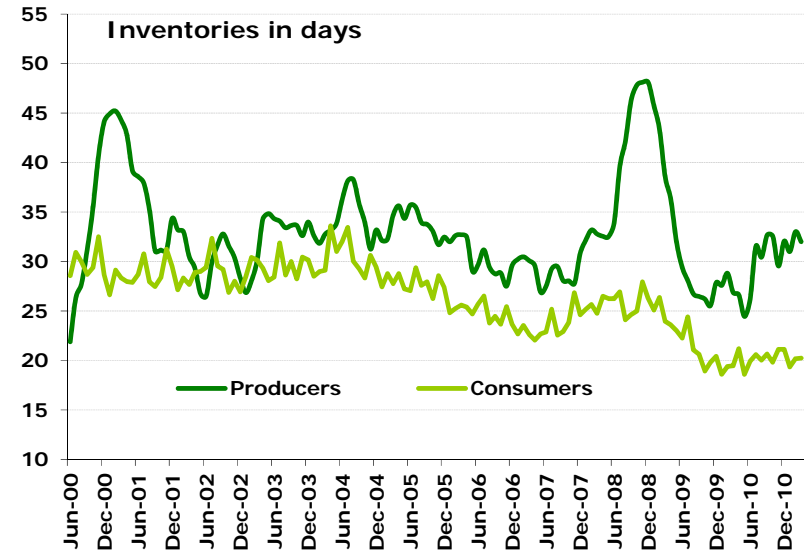
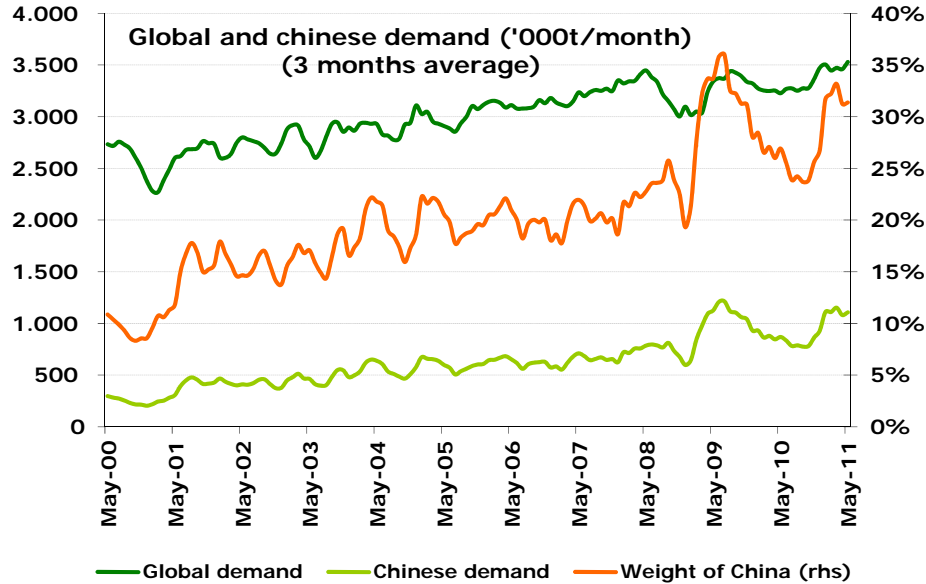


- The price of short fiber has remained at **\$880/t** in the quarter, after the 30\$/t price increase in April
- The **weak dollar** has gradually impacted on prices in Euros
- For the month of **July** a **\$30/t decrease** has been announced for long and short fiber, in a seasonally weaker period



- The price spread between long and short fiber has remain at **historic highs (160\$/t)**, due to capacity closures in long fiber and increased demand for long fiber due shortage of textile fiber, that has been easing in 2Q11
- 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



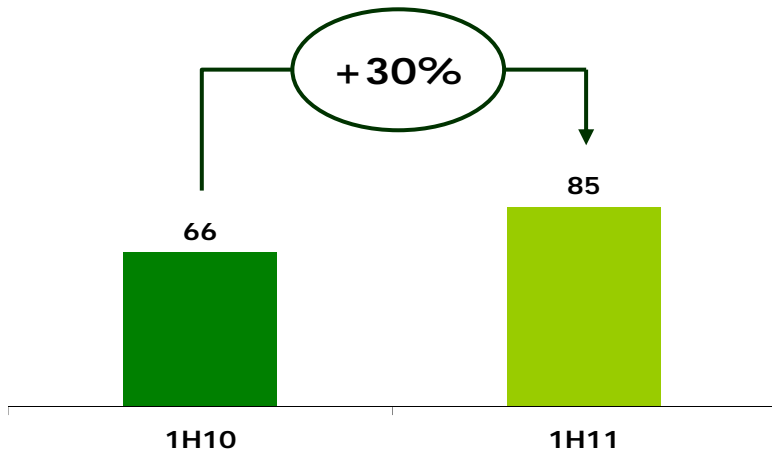
- **Demand remains supportive** thanks to the surge of Chinese imports, despite high price levels and seasonal weakness
- **Demand in mature markets has stabilized** after the recovery shown in 2010, on the verge of a potential macroeconomic improvement

- As a result, **producer inventories increase slightly**, remaining close to the middle of its historic range
- **Consumer inventories are at minimum levels**, which offers greater potential for future demand due to potential restocking

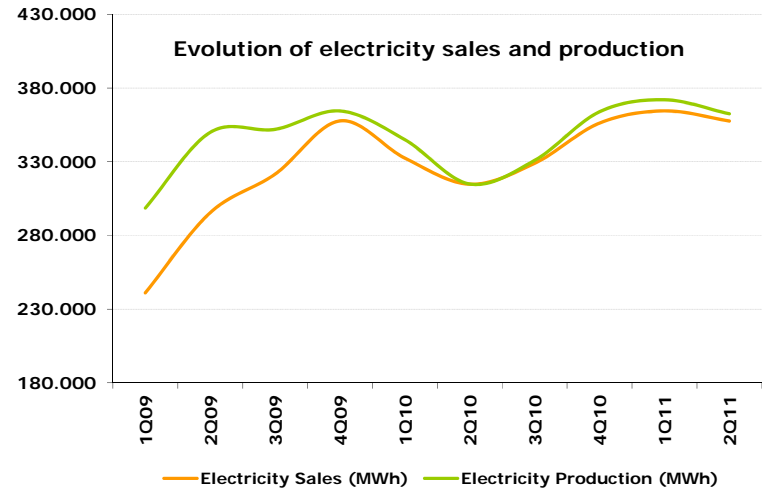
1H11 results: renewable energy sales evolution



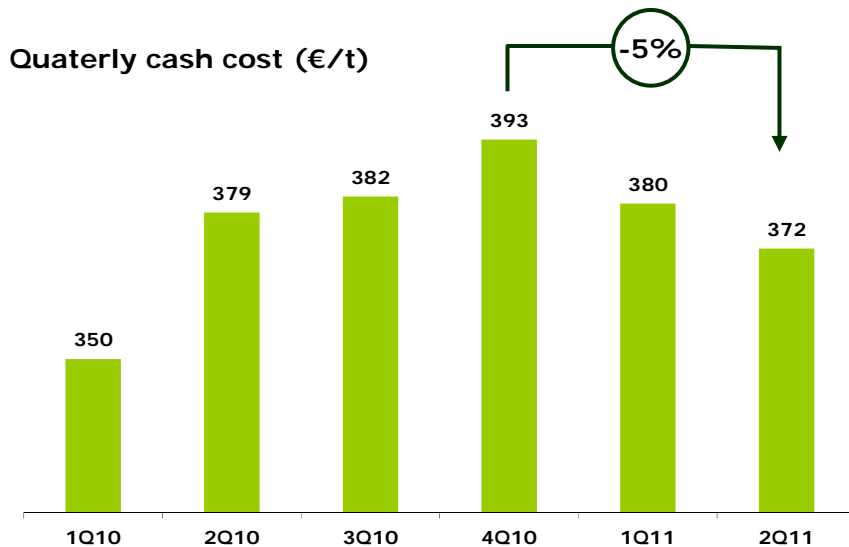
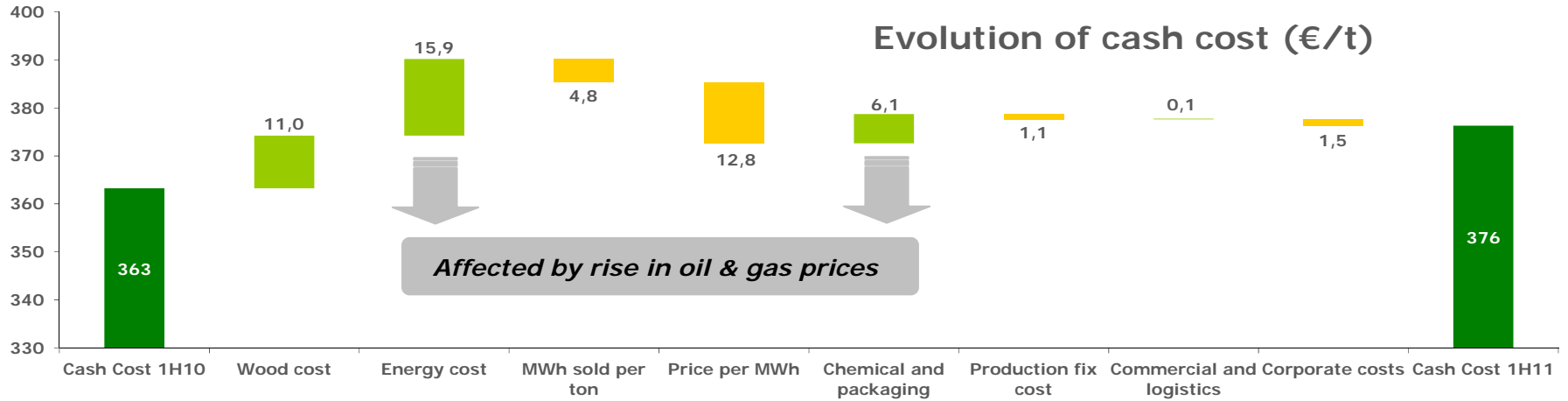
Electricity sales (M€)



- **Increasing energy production linked to the pulp production process (+9% y-o-y)** after stabilization of mills
- **Increasing generation of Navia biomass facility (+8%),** after the execution of the learning curve
- Improving average selling price due to higher weight of biomass generation in the production mix (75% of 1H11 output) , better pool prices, and regulated annual premium price update

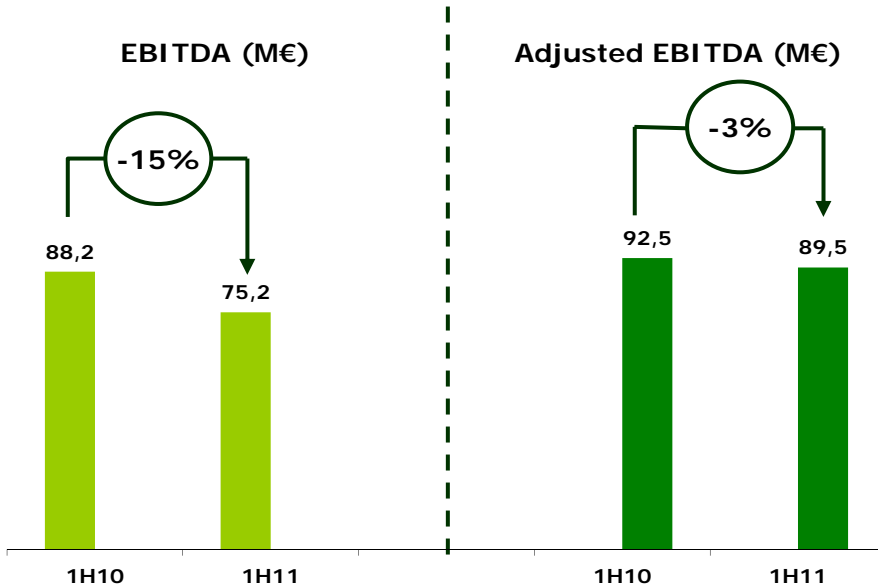


1H11 results: cash cost evolution

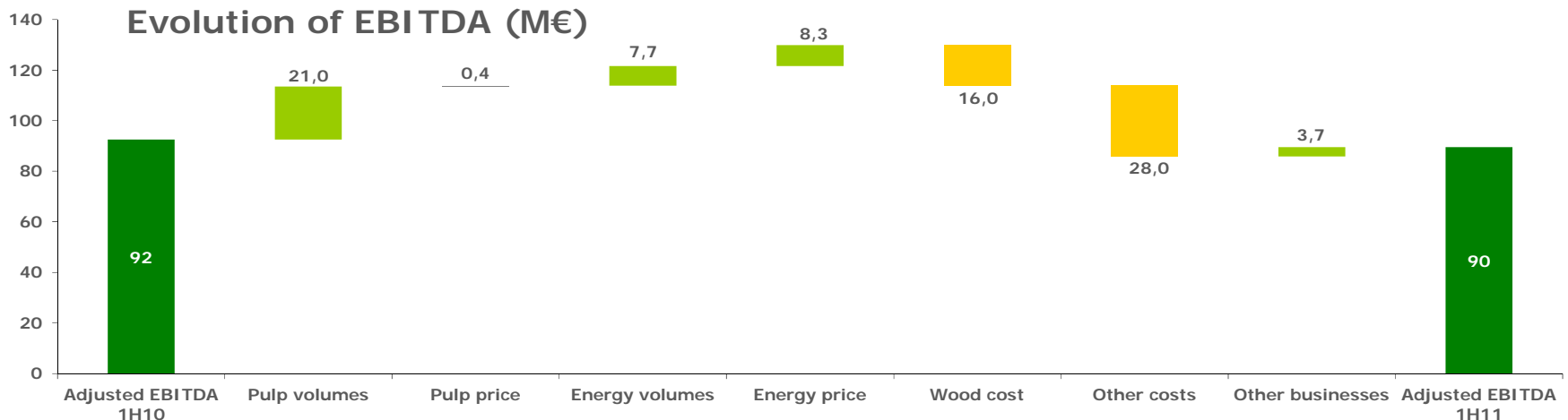


- Cost pressure in annual terms still coming from **higher price of wood** (upward pulp pricing environment) and **higher energy & chemicals**
- Positive trend across the year, posting a >20€/tn cut since 4Q10 thanks to stronger dilution of fixed costs
- Stabilized mills** (higher fixed cost dilution & better consumption ratios of raw materials), **active wood supply management** (new price decrease in July of 3€/m³) and **increased energy efficiency** would pressure costs down in coming quarters
- Targeted cash cost remains at 350€/tn**

1H11 results: EBITDA evolution

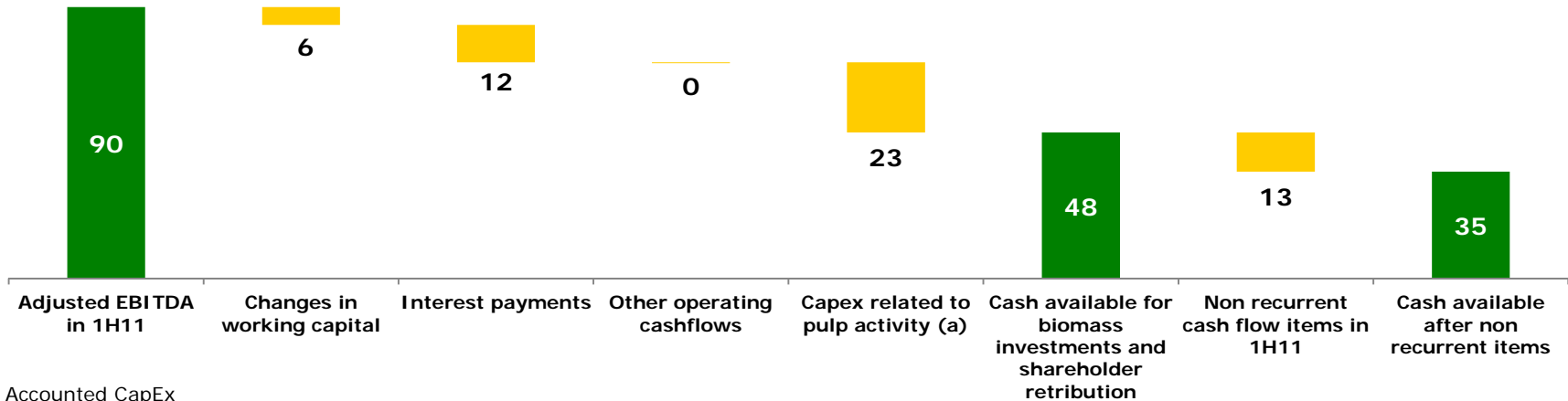


- **Adjusted EBITDA stands at €89,5Mn in 1H11, -3% below the 1H10**
- **EBITDA stands at €75,2Mn in 1H11, -15% below the 1H10**
- **The fall is mainly due to the increased consumption of chemicals, due to the change in the mix of wood, and fuels linked to the rise in oil prices.**



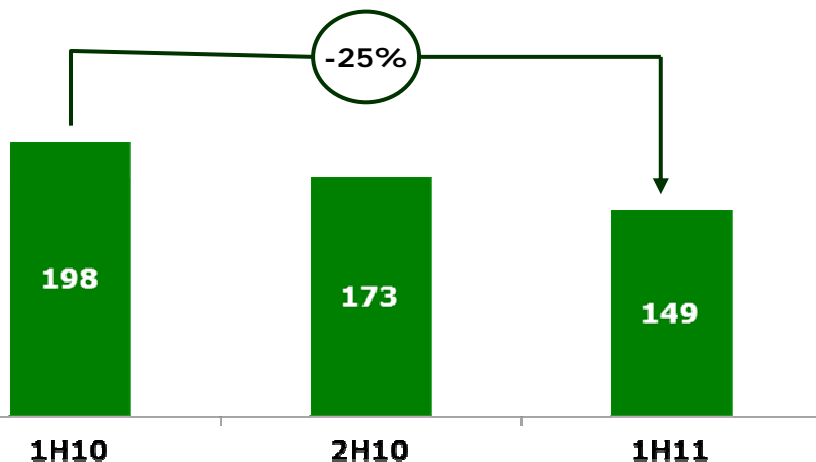
1H11 results: net debt and cash flow evolution

Cash flow generation in 1H11



(*) Accounted CapEx

Net Financial Debt



- **Strong cash flow generation from operations** supports current biomass plan & gives room for attractive shareholder remuneration
- **Net financial debt** was reduced again in the quarter to stand at **0.9x EBITDA last 12 months**
- Furthermore, there are **€ 34.8 Mn of non-recourse debt** linked to the "project finance" for the construction of the 50MW plant in Huelva, successfully signed in June this year

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