

Ence

9M11 results

Madrid - November 2nd, 2011



9M11 results: highlights



- 1 Solid operating performance** to maximize utilization ratio drives pulp output growth
- 2 Supportive pulp market prices**, which remain attractive despite recent weakness
- 3 Acceleration of sales & margin contribution of energy business**, acting as key efficiency lever
- 4 Sustained 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 plan

New financing of first 20MW plant in its structuring phase,
leveraging on Ence's 50MW project finance secured in June

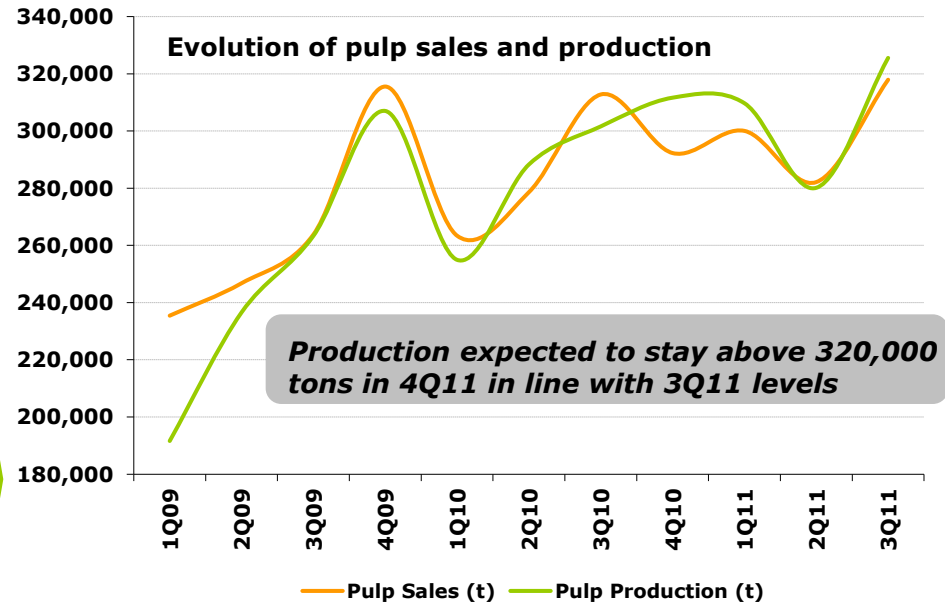
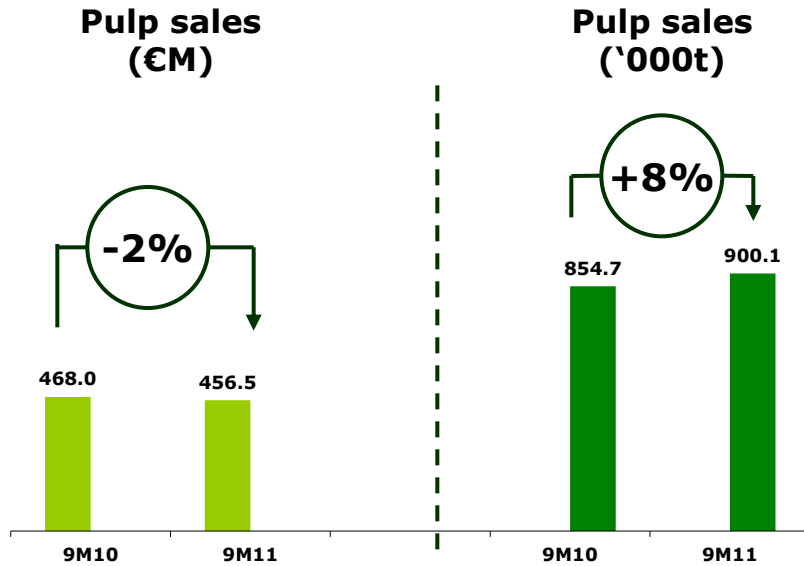
9M11 results: summary of main financial indicators



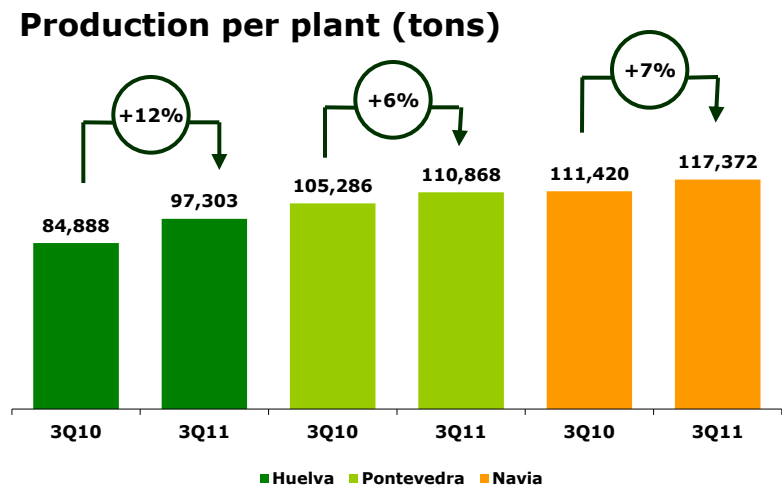
	9M11 €Mn	9M10 €Mn	Change y/y
Net sales	627.4	607.8	3%
Pulp Sales	456.5	468.0	(2%)
Energy Sales	133.7	101.3	32%
Forestry and Other Sales	37.2	38.5	(3%)
EBITDA (adjusted)	130.4	156.9	(17%)
Hedging	(11.2)	(8.6)	30%
Severance payments	(5.0)	(0.4)	n.s.
Provisions and others	(2.5)	(0.8)	210%
Other non-recurrent	3.0	2.6	13%
EBITDA (reported)	114.7	149.7	(23%)
- Depreciation	(45.8)	(47.1)	(3%)
- Provisions	4.0	0.0	n.s.
EBIT	73.0	102.6	(29%)
- Financial results	(18.4)	(24.2)	(24%)
PBT	54.6	78.3	(30%)
- Taxes	(16.3)	(23.9)	(32%)
Net profit	38.3	54.5	(30%)
Net financial debt	189.2	181.5	4%

- **Reduced drop in pulp sales thanks to a +8% increase in volume sold**
- **Strength in sales of energy** with annual growth above to the +30% mark
- **Positive operating margins, closing 9M11 at 21%** (adjusted)
- **Net income rose 4%** vs. 9M10, reaching €38.3M

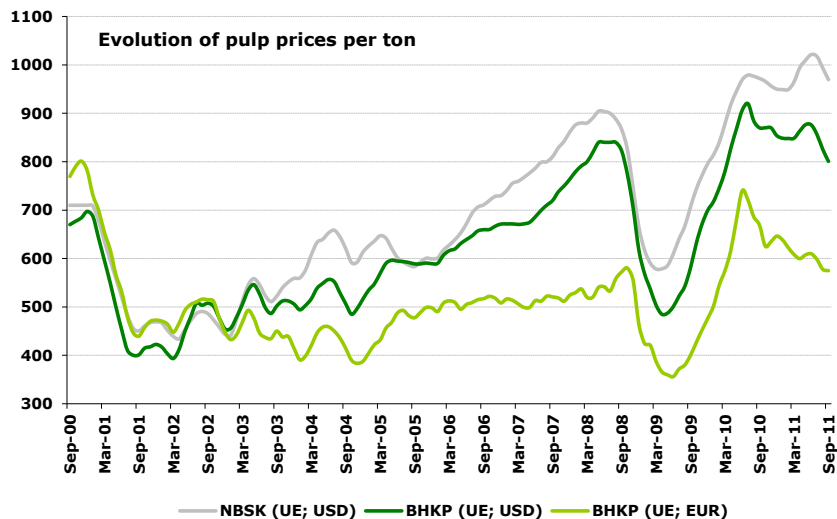
9M11 results: pulp sales evolution



- **+8% growth in total pulp output**, with all mills surpassing last year operating performance by 6% to 12%
- **Dollar weakness explains -7% of pulp price fall** in the period, partially **offset by a 5% increase in pulp volumes** revenue shortfall
- **Stability of production has allowed** to reach the **record level of production and reduce production costs** through greater dilution of fixed costs and efficiency improvements

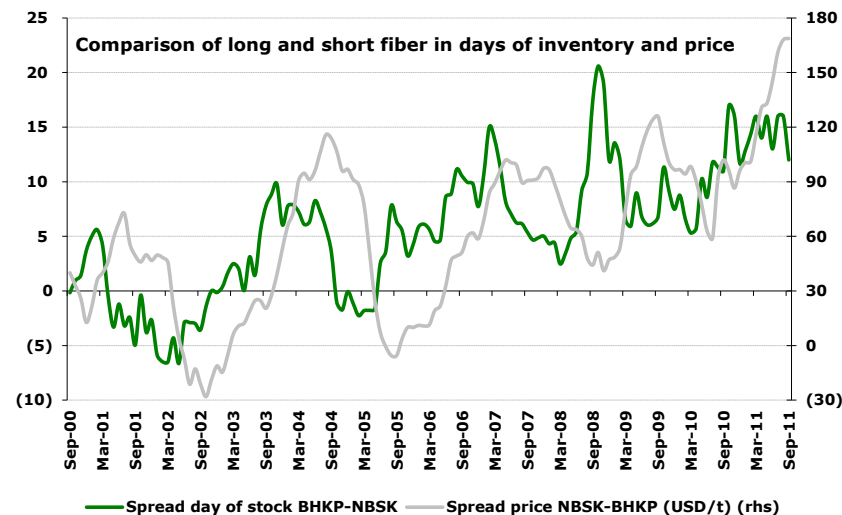


Price evolution: price weakness due to demand slowdown...



Source: Foex

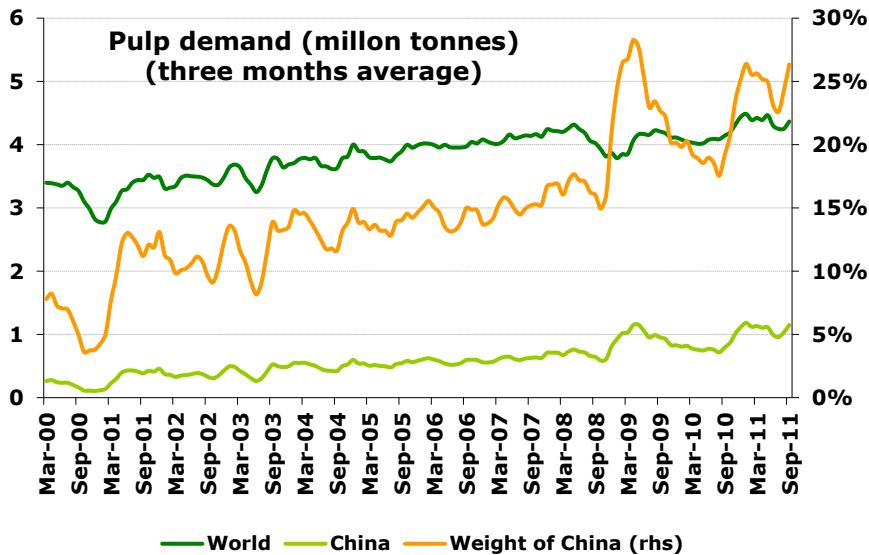
- The price of short fiber has fallen to \$790/t in the quarter, after peaking in April at \$880/t
- The correction in Euros has been **partially offset by the dollar appreciation**
- Prices kept falling in October, although **improved September sector statistics** show an improvement in demand and inventories



Source: PPPC; Foex

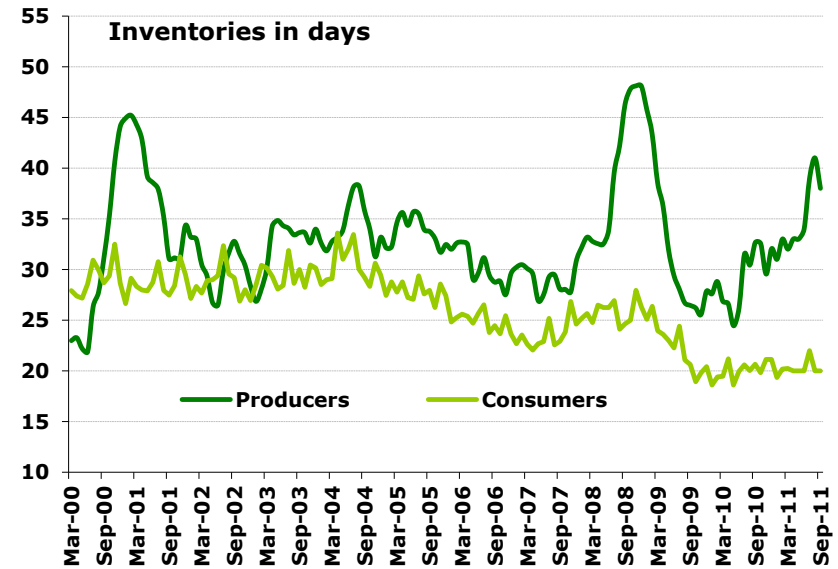
- The **price spread between long and short fiber has increased to new highs (\$185/t)**, due to capacity closures in long fiber and increased demand for long fiber due to shortage of textile fiber, that has been easing in the recent months
- In the short term, **the divergence between price and inventory spreads between both fibers**, will support a better performance for eucalyptus as highlighted by recent price announcements for November

... while Chinese imports recovery offer a more stable scenario for year end



Source: PPPC

- **Demand remains supportive** thanks to the recovery of Chinese imports in August and September, after trying to pressure prices down since May by reducing import volumes
- **Demand in mature markets has remained weak** in the quarter due to seasonality and economic uncertainty



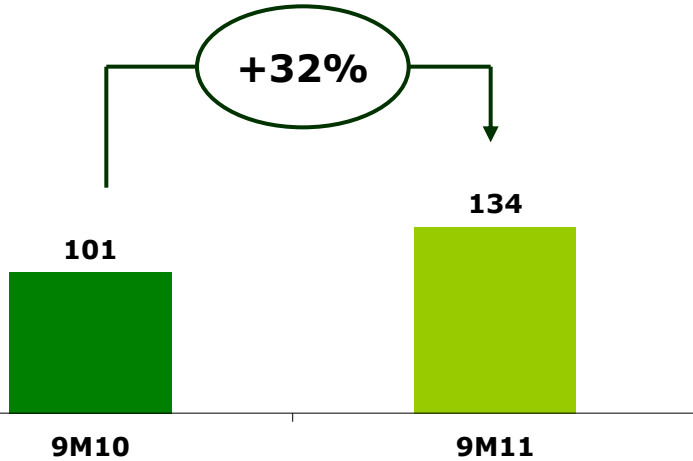
Source: PPPC

- As a result, **producer inventories** increased during the summer and **fell to 38 days in September**
- **Consumer inventories are at minimum levels**, which offers greater support for future demand due to potential restocking

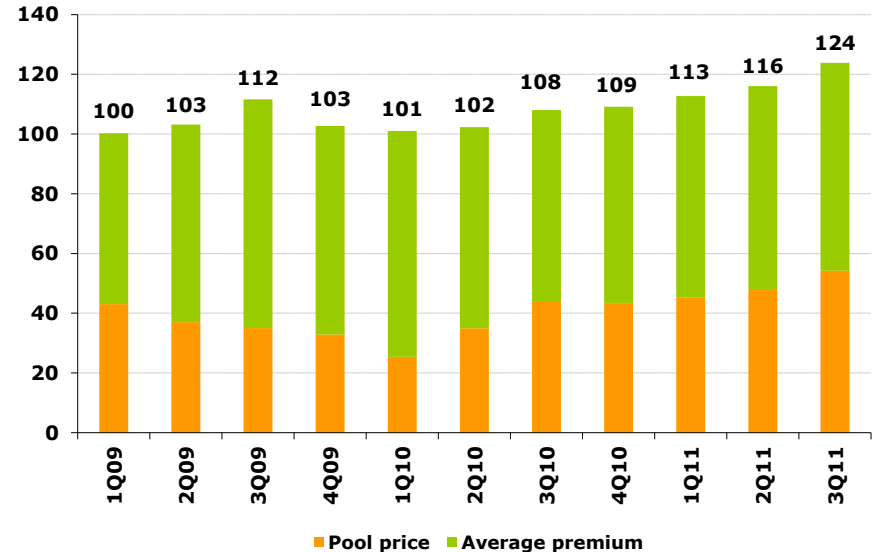
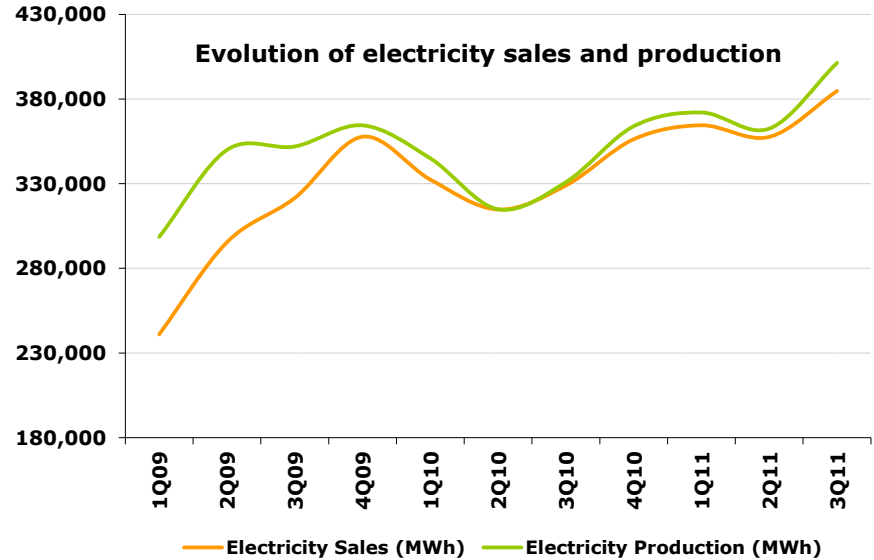
9M11 results: renewable energy sales evolution



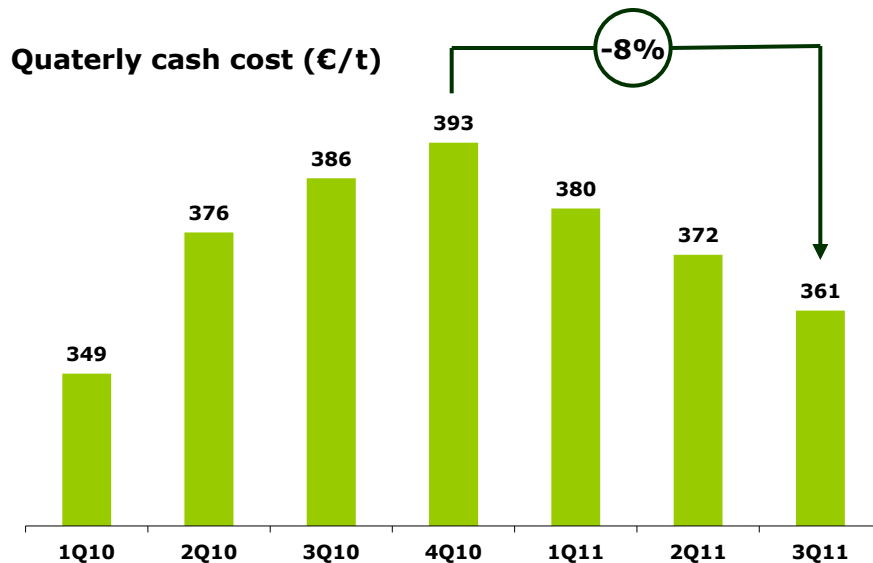
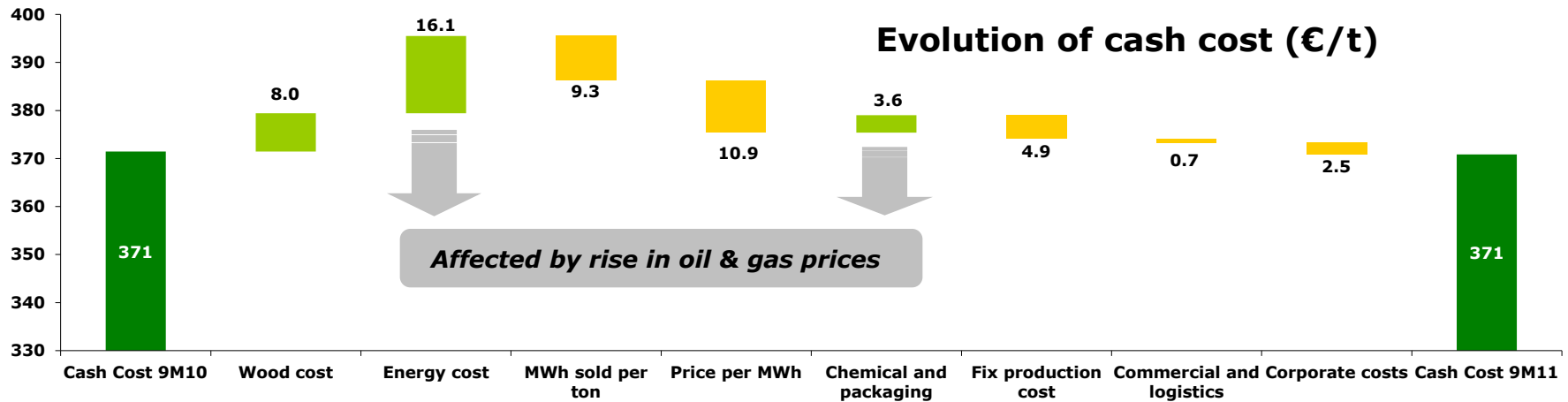
Electricity sales (€Mn)



- **Increasing energy production linked to the pulp production process (+8% y-o-y)** after stabilization of mills
- **Increasing generation of Navia biomass facility (+10%),** after the execution of the learning curve
- **Improving average selling price** due to higher weight of biomass generation in the production mix (75% of output by end 9M11), better pool prices, and regulated annual premium price update



9M11 results: cash cost evolution



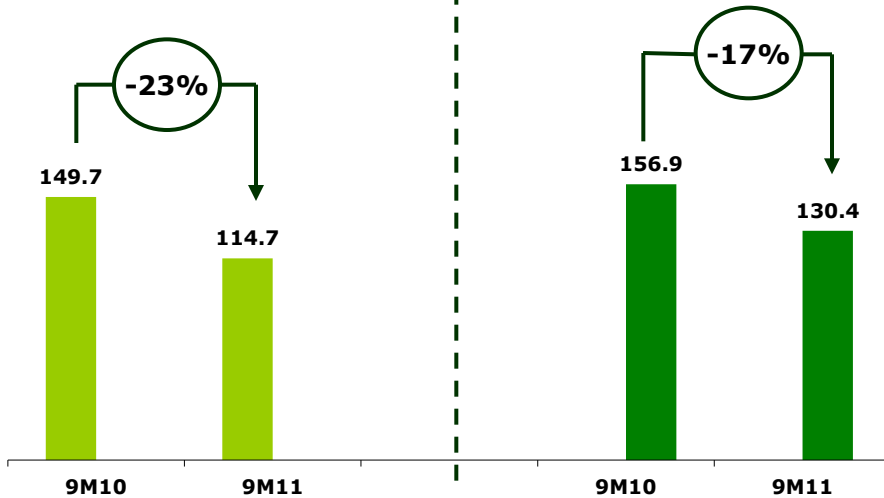
- Cost pressure in 2010 from **higher price of wood** (upward pulp pricing environment) and **higher energy & chemicals**
- **Positive trend across the year, posting a >€32/tn cut since 4Q10** thanks to stronger dilution of fixed costs
- **Stabilized mills** (higher fixed cost dilution & better consumption ratios of raw materials), **active wood supply management** and **increased energy efficiency** would pressure costs down in coming quarters
- **Targeted cash cost remains at €350/tn**

9M11 results: EBITDA evolution

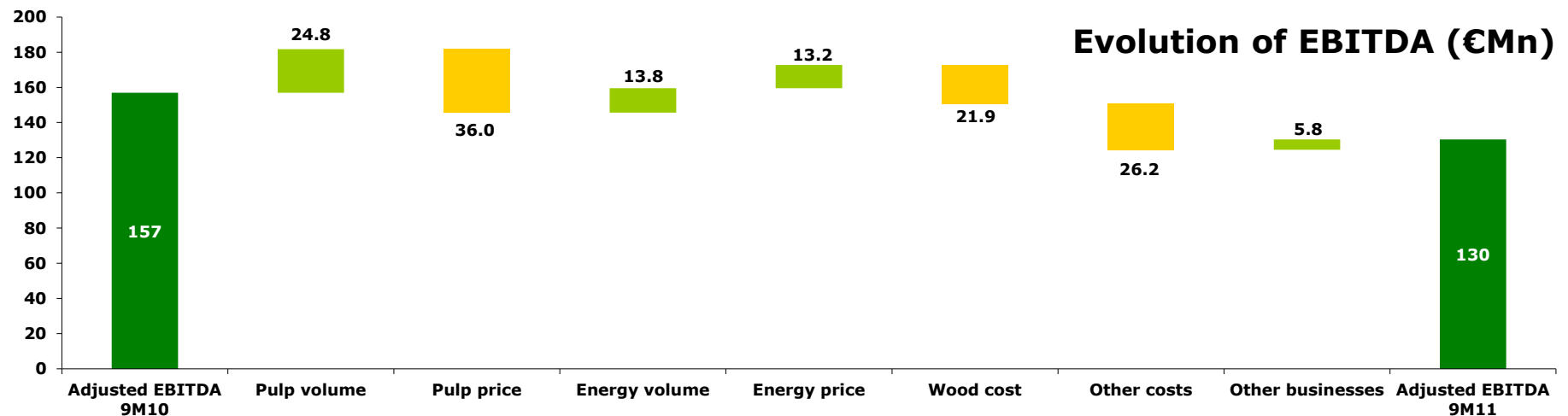


EBITDA (€Mn)

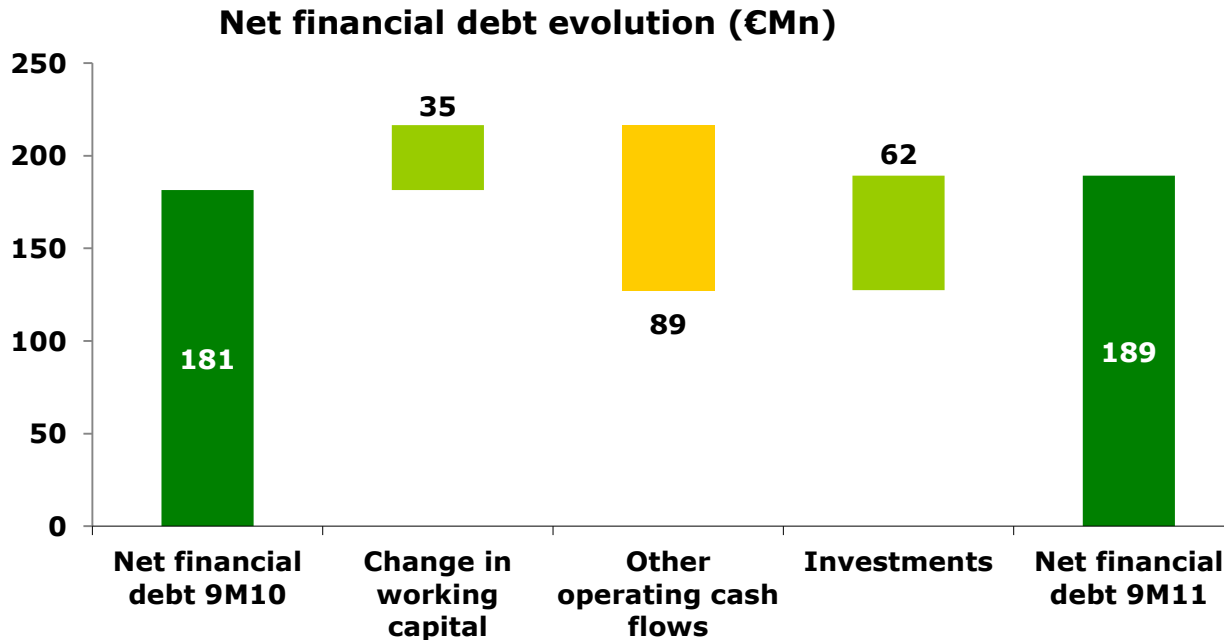
Adjusted EBITDA (€Mn)



- **Adjusted EBITDA stands at €130.4Mn** in 9M11, -17% below the 9M10
- **EBITDA stands at €114.7Mn in 9M11**, -23% below the 9M10
- **The fall is mainly due to a reduction in pulp prices and higher cost of chemicals and fuels** linked to the rise in oil prices.



9M11 results: net debt evolution



(*) Figures excludes debt and capex related to biomass plant in Huelva, financed with non recourse debt

- **Strong cash flow generation from operations** supports current biomass plan & gives room for attractive shareholder remuneration
- **Net financial debt** stays at **1.3x EBITDA last 12 months**
- Furthermore, there are **€42.3Mn 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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