



**PRESENTATION OF EUROPAC RESULTS**  
**TO THE CNMV 29/07/2010**

**RESULTS FOR FIRST HALF-YEAR 2010**

<i>In thousands of euros</i>	<b>1H2010</b>	<b>1H2009</b>	(%) 2010/2009
<b>Net turnover</b>	<b>284,707</b>	<b>196,768</b>	<b>45%</b>
<b>Net aggregate sales</b>	<b>374,454</b>	<b>268,951</b>	<b>39%</b>
<b>Gross operating income (EBITDA) (1)</b>	<b>34,439</b>	<b>10,258</b>	<b>236%</b>
<b>Net operating income (EBIT)</b>	<b>13,567</b>	<b>-14,235</b>	<b>-</b>
<b>Net attributable income</b>	<b>2,195</b>	<b>-15,598</b>	<b>-</b>
<b>Net cash-flow (2)</b>	<b>23,067</b>	<b>8,895</b>	<b>159%</b>
EBITDA margin (%)	12.10%	5.21%	

- (1) EBITDA = Operating profit + Depreciation expense + Provisions  
 (2) Cash Flow = Net profit of the parent company + Depreciation expense + Provisions

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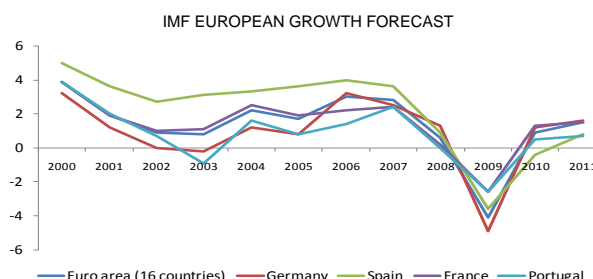
## 1. BUSINESS ENVIRONMENT

### Macroeconomic environment

In the second quarter of 2010 the global economy has been dominated by two opposing forces: on the one hand, the positive stimulus from the emerging economies which are showing solid recovery and, on the other hand, the high sovereign risk premiums seen in a number of European countries. While the European rescue plan reduces uncertainty in the short term, the medium-term risks persist. The new forecasts will depend on the implementation of policies aimed at restoring confidence and stability, particularly in the Eurozone, mainly in terms of the containment of public debt and the reduction of public deficit.

According to the latest report from the IMF, growth forecasts for the world economy stand at 4.6% in 2010 and 4.3% in 2011.

According to the IMF, in **Europe** recovery continues to be slow compared with other regions of the world. The difference in the rate of recovery is closely related to the degree of credit overheating and expansion when the crisis hit, especially in southern countries. The unprecedented economic policy measures which have been adopted are still propping up the recovery.



During the second quarter of 2010, the industrial production and industrial orders indexes of the major European countries continued to improve, moving into positive figures compared with the same period in 2009. The European Sentiment Index (ESI) for June stood at 100.1 points, 1.8 below the same figure for April and 5 points above the 95 points posted in December.

In **Spain**, after the slump in economic activity in 2009 with GDP falling by 3.6% and a slowdown in the rate of contraction in the latter part of the year, the Spanish economy continued with its stabilization process. According to forecasts from the BBVA Studies Service, during the second quarter of the year the economy may have matched first quarter performance when GDP grew by 0.1%. For 2010 as a whole, the IMF estimate for June 2010 stands at -0.4% and 0.6% in 2011, which represents a loss of three tenths over the latest projections made by the IMF in April. The year-on-year general Consumer Price Index (CPI) for June is 1.5%, three tenths lower than May's figure.

With regard to the European sentiment index (ESI), Spain showed a slight improvement in June, with a rise of 2.3 points over the previous month and 2.9 points since December, and currently stands at 90.90 points. This figure is in line with the trend towards recovery which we have been seeing since February 2009 when the index reached a low of 67 points.

With regard to **Portugal**, according to Eurostat the 1.7% year-on-year rise in GDP in the first quarter of 2010 is confirmed and, with growth of 0.5%, a better outlook is expected in 2010 than for the Spanish economy.

Portugal's CPI in June amounted to 1.2%, up from the September low of -1.8% according to Eurostat data. Portugal's CPI has shown an upward trend since December.

The Portuguese index of confidence fell by 0.9 points in June although it has still posted growth of 3.6 points in the year, rising from 86.6 points in December to 90.20 points in June.



**France's** GDP in the first quarter of 2010 improved by 0.1% QoQ or an annual 0.8% according to data from the French Institute of Statistics. According to the latest report in June from the IMF, forecasted GDP growth for France is 1.4% in 2010 and 1.6% in 2011, making France one of the economic drivers in the Eurozone, along with Germany.

The French CPI continues its upward and stable trend, showing a better performance than in Portugal, Spain and Germany, with a rise of 1.5% in YoY terms in the month of June, one tenth above May's figure, according to the French Institute of Statistics.

In June, the French confidence index fell by 2.3 points compared with the previous month, to 96.60 points according to data from Eurostat's Economic Sentiment Indicator. The index has lost two points since December.

With regard to **Germany**, forecasted GDP growth in 2010 is 1.4%, with 1.6% forecasted in 2011, according to the latest report from the IMF, representing an improvement of two tenths over April's figure. According to data from the Federal Office of Statistics, in the first quarter of 2010 there was an improvement of 0.2% over the previous quarter, and a 1.7% improvement over the previous year's figure.

In this climate we would point out that, according to the group's consolidated data, 70% of the Europac's group sales are made outside Spain, with France continuing to be the main market, with 31% of sales by destination.

Of the 30% sold in Spain, only cardboard sales (8%) are exposed to Spanish economic trends, since the performance of paper sales (17%) is directly linked to the sector's European market, and energy (5%) is a regulated business. Consequently 92% of Europac Group sales by destination are not affected by Spanish economic trends.

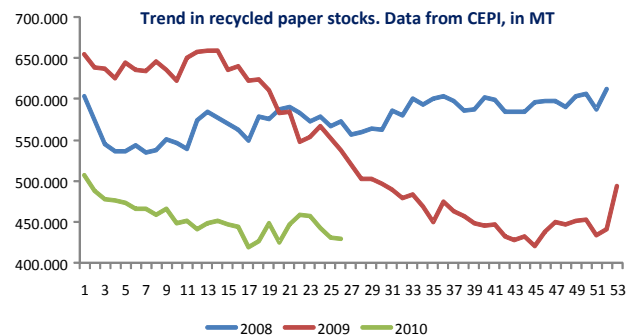
**Trends in the sector**

The second quarter of 2010 was characterised by a stabilisation of raw material prices in Europe (recovered paper and wood), a growing demand, European paper stocks at minimum operating levels, and the gradual implementation of the paper price rises announced during the first half-year.

In Europe, data published by the Confederation of European Paper Industries (CEPI) shows that **shipments of recycled paper** during the first half-year of the year are up by 13.2% over the same period of the previous year.

The greatest increase in shipments of all the European economies took place in the Iberian peninsula, with a first half-year increase of 30.2% compared with the same period of the previous year. In France, during the first half-year of 2010 shipments of recycled paper were 5.3% up on the same period the previous year, while in Germany there was a 14% increase.

With regard to European **stock** levels of recycled paper in the hands of manufacturers, according to CEPI data there was a 4.2% decrease compared with the end of the first quarter. Stocks at the close of the first quarter of 2010 stood at 448,522 metric tons compared with 429,862 metric tons in week 26 of the year, corresponding to the latest statistics published. Current stock levels are at minimum operating levels, below the levels of 2008 and 2009.

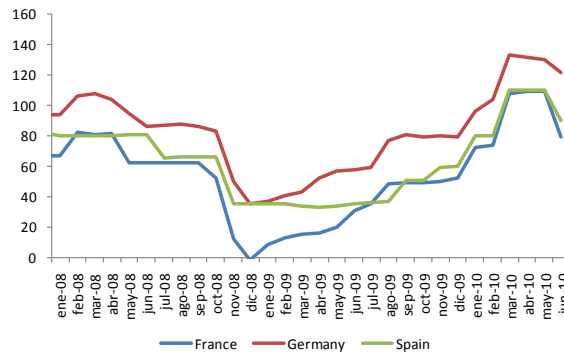


The European recycled paper market underwent a restructuring process in 2009 and early 2010 which led to a 4% fall in net production capacity, thereby adjusting supply to existing demand. In the present scenario, European recycled paper machines are operating at full capacity.

With regard to raw materials, purchase prices of **recovered paper** in Europe remained stable in the second quarter of 2010 in all qualities, with a reduction in 1.04 quality brown paper in June. The reduction of Chinese imports of recovered paper (-12.1% cumulative to May) and the increase in demand (+10.2% in CEPI countries), coinciding with a stabilisation of available stocks, are the reasons behind these figures, although prices are still at a higher level than in 2008 (see graph below).



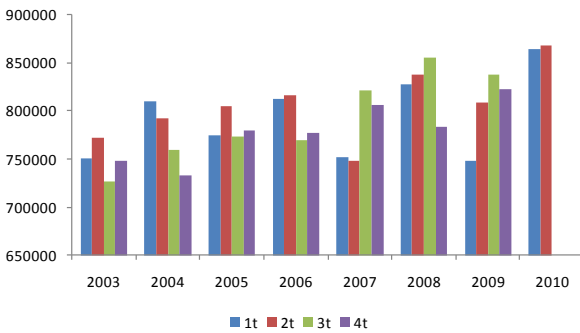
**1.04 recovered paper prices in Europe (eur/MT)**



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With regard to the **Kraftliner paper** business, according to the latest report from CEPI in May, shipments of Kraftliner Brown in June amounted to 293,032 metric tons, an increase of 11.4% over the figure for 2009. The order backlog in Europac remains at unprecedented levels, equivalent to over 40 days of production since the third quarter of 2009.

**Kraftliner brown shipments Europe (MT)**

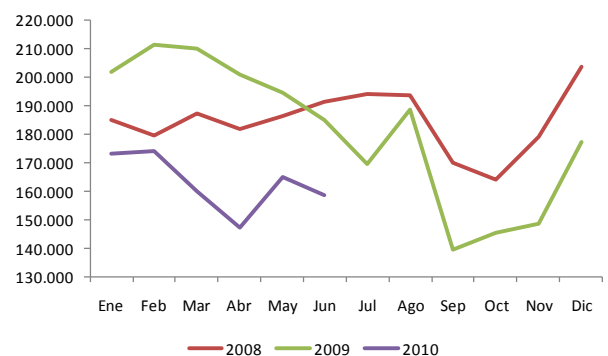


The volume of shipments of Kraftliner Brown in Europe in the second quarter of 2010 was the highest since 2003, reflecting the growth in demand in Europe which, according to CEPI data, rose by 7.3% in the second quarter of 2010 to 867,722 metric tons versus 808,669 metric tons in the same period of 2009, according to data from CEPI Containerboard (CCB).

The numerous announcements of facility closures in the USA and Canada at the end of 2009 and in 2010 due to their industry's loss of competitiveness, which in 2009 was offset by a subsidy on black liquor, have begun to materialise since the beginning of the year. According to CEPI, facility closures in the United States and Canada since the announcements total 1.3 million metric tons while another 700,000 metric tons are expected to be lost in the course of 2010. To this factor we should add the 20% depreciation of the US dollar which does not encourage producers to export to Europe; they prefer to export to geographical areas referenced to the US dollar.

In Europe last year, **stocks** of Kraftliner Brown fell from 202,081 metric tons in January to 177,253 metric tons in December 2009, a 12.3% reduction. During the first part of 2010, stocks continued to show this same downward trend, reaching 158,851 metric tons by June, 14% down on the same period of the previous year and also lower than the levels recorded in 2008 (see graph on the right). Current stocks are considered to be at minimum operating levels.

**Stocks Kraftliner Brown Europe (MT)**

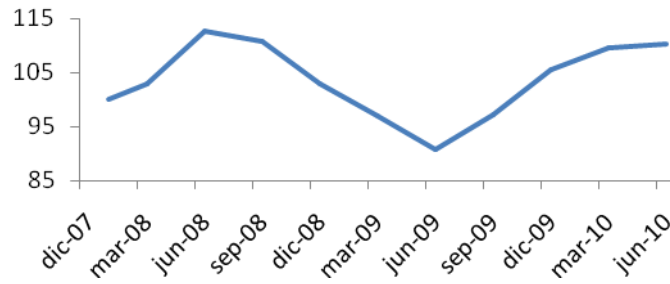


With regard to raw materials, **wood prices** for both pine and eucalyptus rose by 14% and 6% respectively in the first half-year of 2010 compared with the average price in the same period in 2009. Prices are currently stable with slight rises in pine prices.

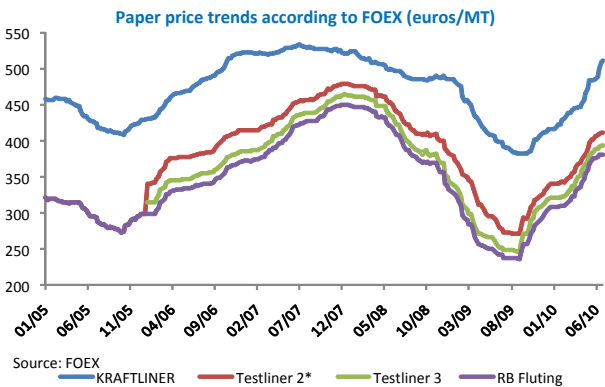


**Quarterly wood price trend (base 100)**

Evolución trimestral precio madera en base 100



Consequently, according to FOEX, **sale prices of paper for corrugated cardboard in Europe**, which reached minimum lows in the third quarter of 2009, have recovered since September with successive announcements of price rises in the sector, an upward trend which has continued with similar announcements made during the first half-year of 2010. According to FOEX, if we compare the last week of June 2010 with 1 September 2009, the price of Kraftliner Brown has increased by 33.8%, to 511.4 euros a metric ton, Testliner2 has gone up by 51.3% to 410 euros a metric ton, while RB Fluting has gone up by 62.1% to 380 euros a metric ton, confirming that the price rises announced since September 2009 are being applied.



**Production of corrugated cardboard** during the second quarter of 2010 increased in Spain by 6.17% over the same period of the previous year. According to AFCO, the overall rise in production can be broken down into an 8.17% drop in the agricultural sector and an 8.69% rise in the industrial sector.

In France and Germany, according to cumulative data to May 2010 provided by FEFCO, total **sales** in euros of corrugated cardboard are up on the same period of the previous year by 4.9% in Germany and 0.9% in France, while sales in square metres have improved by 7.3% in Germany and 5.9% in France. This is explained by a reduction in sale prices, which have fallen by 2.2% in Germany and 4.7% in France, reflecting the trend in prices during the last 12 months and the difficulty to pass on all the price rises of the main raw material, paper.

In the **Energy** business, Europac commissioned a new 35 MW combined-cycle plant at Dueñas in March 2010. This adds to the existing 79 MW capacity that the group's facilities had at year end 2009. Now, in July, the plant is fully operational. In July 2010 the second combined-cycle plant at Viana do Castelo was started up. This plant has an output capacity of 39 MW and is currently in its stabilisation phase. Europac has thus doubled its power capacity in less than a year, from 79 MW at year end 2009 to the current 153 MW of installed capacity.

Europac continues with its cost containment policy which has always been the hallmark of the company.



## 2. BUSINESS TRENDS

The figures presented are aggregate and recurrent for the Europac Group, unless expressly indicated otherwise.

### Aggregate sales by business/country: 06M10 vs. 06M09

Thous. of euros	Portugal			Spain			France			Total Aggregate sales			
	06M10	06M09	% var.	06M10	06M09	% var.	06M10	06M09	% var.	06M10	06M09	% var.	
Kraft paper	90.563	72.027	25,7%	0	0	-	0	0	-	90.563	72.027	25,7%	
Recycled paper	0	0	-	52.757	41.410	27,4%	40.057	24.264	65,1%	92.814	65.674	41,3%	
Recovered paper	8.009	3.529	127,0%	0	0	-	0	0	-	8.009	3.529	127,0%	
Energy	27.078	26.511	2,1%	19.019	10.485	81,4%	0	0	-	46.096	36.996	24,6%	
Paper services	0	78	-100,0%	0	0	-	0	0	-	0	78	-100,0%	
Cardboard	47.014	40.966	14,8%	26.960	24.624	9,5%	55.065	17.159	220,9%	129.038	82.750	55,9%	
Cardboard service	83	89	-7,0%	91	131	-30,6%	0	0	-	174	221	-21,0%	
Resources	3.405	3.756	-9,3%	4.355	3.920	11,1%	0	0	-	7.760	7.676	1,1%	
<b>AGGREGATE SALES</b>	<b>176.151</b>	<b>146.956</b>	<b>19,9%</b>	<b>103.181</b>	<b>80.572</b>	<b>28,1%</b>	<b>95.122</b>	<b>41.424</b>	<b>129,6%</b>	<b>374.454</b>	<b>268.951</b>	<b>39,2%</b>	
Sales due to increase in scope of consolidation ECA, ECS										36.503			
Sales excluding increase in scope of consolidation										<b>337.952</b>		<b>268.951</b>	<b>25,7%</b>

### Consolidated sales by business/country: 06M10 vs. 06M09

Thous. of euros	Portugal			Spain			France			Total consolidated sales		
	06M10	06M09	% var.	06M10	06M09	% var.	06M10	06M09	% var.	06M10	06M09	% var.
Kraft paper	66.680	51.416	29,7%	0	0	-	0	0	-	66.680	51.416	29,7%
Recycled paper	0	0	-	36.728	27.287	34,6%	29.571	21.689	36,3%	66.299	48.976	35,4%
Recovered paper	1.476	979	50,8%	0	0	-	0	0	-	1.476	979	50,8%
Energy	17.301	15.700	10,2%	12.836	4.864	163,9%	0	0	-	30.138	20.564	46,6%
Cardboard	43.316	37.817	14,5%	22.950	20.278	13,2%	53.848	16.737	221,7%	120.114	74.832	60,5%
<b>CONSOLIDATED SALES</b>	<b>128.774</b>	<b>105.912</b>	<b>21,6%</b>	<b>72.515</b>	<b>52.430</b>	<b>38,3%</b>	<b>83.419</b>	<b>38.426</b>	<b>117,1%</b>	<b>284.707</b>	<b>196.768</b>	<b>44,7%</b>

### Total personnel expenses & other expenses by business/country: 06M10 vs. 06M09

Thous. of euros	Portugal			Spain			France			Total fixed costs			
	06M10	06M09	% var.	06M10	06M09	% var.	06M10	06M09	% var.	06M10	06M09	% var.	
Kraft paper	-8.952	-8.792	1,8%	0	0	-	0	0	-	-8.952	-8.792	1,8%	
Recycled paper	0	0	-	-5.412	-5.456	-0,8%	-10.131	-9.578	5,8%	-15.542	-15.033	3,4%	
Recovered paper	-795	-943	-15,6%	0	0	-	0	0	-	-795	-943	-15,6%	
Energy	-2.593	-3.520	-26,4%	-573	-358	60,2%	0	0	-	-3.166	-3.878	-18,4%	
Paper services	-475	-602	-21,1%	-957	-707	35,5%	0	0	-	-1.433	-1.309	9,5%	
Cardboard	-8.919	-8.880	0,4%	-4.925	-5.574	-11,7%	-14.921	-5.196	187,2%	-28.765	-19.650	46,4%	
Cardboard service	-1.045	-1.151	-9,2%	-688	-483	42,4%	0	0	-	-1.733	-1.634	6,0%	
Resources	-4.528	-4.588	-1,3%	-4.791	-4.297	11,5%	0	0	-	-9.319	-8.884	4,9%	
<b>TOTAL FIXED COSTS</b>	<b>-27.307</b>	<b>-28.475</b>	<b>-4,1%</b>	<b>-17.346</b>	<b>-16.874</b>	<b>2,8%</b>	<b>-25.052</b>	<b>-14.774</b>	<b>69,6%</b>	<b>-69.705</b>	<b>-60.124</b>	<b>15,9%</b>	
Costs due to increase in scope of consolidation										<b>9.760</b>			
Costs without increase in scope of consolidation										<b>-59.946</b>		<b>-60.124</b>	<b>-0,3%</b>

### EBITDA by business/country: 06M10 vs. 06M09

Thous. of euros	Portugal			Spain			France			Total EBITDA		
	06M10	06M09	% var.	06M10	06M09	% var.	06M10	06M09	% var.	06M10	06M09	% var.
Kraft paper	16.968	8.568	98,0%	0	0	-	0	0	-	16.968	8.568	98,0%
Recycled paper	0	0	-	3.485	1.357	156,8%	-777	-9.062	-91,4%	2.708	-7.705	-
Recovered paper	917	0	-	0	0	-	0	0	-	917	0	-
Energy	6.574	5.143	27,8%	2.851	-115	-	0	0	-	9.425	5.028	87,4%
Paper services	-530	-620	-14,5%	-957	-707	35,5%	0	0	-	-1.487	-1.326	12,1%
Cardboard	6.805	6.881	-1,1%	934	439	113,1%	1.503	2.042	-26,4%	9.242	9.362	-1,3%
Cardboard service	-973	-1.065	-8,6%	-597	-352	69,6%	0	0	-	-1.570	-1.417	10,8%
Resources	-1.123	-832	34,9%	-436	-380	14,5%	0	0	-	-1.559	-1.213	28,5%
<b>AGGREGATE EBITDA</b>	<b>28.639</b>	<b>18.075</b>	<b>58,4%</b>	<b>5.281</b>	<b>242</b>	<b>2.083,1%</b>	<b>725</b>	<b>-7.020</b>	<b>-</b>	<b>34.645</b>	<b>11.297</b>	<b>206,7%</b>
Adj. IAS, consol. % others										-206	-1.039	-80,2%
<b>CONSOLIDATED EBITDA</b>	<b>28.639</b>	<b>18.075</b>	<b>58,4%</b>	<b>5.281</b>	<b>242</b>	<b>2.083,1%</b>	<b>725</b>	<b>-7.020</b>	<b>-</b>	<b>34.439</b>	<b>10.258</b>	<b>235,7%</b>

### Ebit por negocio/país comparativo 06M10/06M09

	Portugal			España			Francia			Total Ebit		
	06M10	06M09	% var.	06M10	06M09	% var.	06M10	06M09	% var.	06M10	06M09	% var.
Papel Kraft	12.513	3.878	222,6%	0	0	-	0	0	-	12.513	3.878	222,6%
Papel Reciclado	0	0	-	-1.926	-4.369	-55,9%	-3.421	-11.680	-70,7%	-5.347	-16.049	-66,7%
Papel Recuperado	521	-378	-	0	0	-	0	0	-	521	-378	-
Energía	4.379	4.009	9,2%	2.546	-508	-	0	0	-	6.925	3.501	97,8%
Servicios Papel	-534	-624	-14,4%	-957	-707	35,5%	0	0	-	-1.491	-1.331	12,1%
Cartón	3.634	3.420	6,2%	-702	-1.401	-49,9%	197	1.321	-85,1%	3.128	3.340	-6,3%
Servicios Cartón	-1.028	-1.125	-8,6%	-599	-354	69,2%	0	0	-	-1.627	-1.479	10,0%
Recursos	-1.157	-866	33,6%	-1.690	-886	90,8%	0	0	-	-2.847	-1.752	62,5%
<b>EBIT AGREGADO</b>	<b>18.327</b>	<b>8.313</b>	<b>120,5%</b>	<b>-3.329</b>	<b>-8.224</b>	<b>-59,5%</b>	<b>-3.224</b>	<b>-10.358</b>	<b>-68,9%</b>	<b>11.774</b>	<b>-10.269</b>	<b>-</b>
Aj. IAS, consol. y otros										1.793	-3.965	-
<b>EBIT CONSOLIDADO</b>	<b>18.327</b>	<b>8.313</b>	<b>120,5%</b>	<b>-3.329</b>	<b>-8.224</b>	<b>-</b>	<b>-3.224</b>	<b>-10.358</b>	<b>-68,9%</b>	<b>13.567</b>	<b>-14.234</b>	<b>-</b>

## KRAFTLINER PAPER

### Kraftliner paper

	06M10	06M09	% var.
Prod. capacity (MT/Y)	350.000	320.000	9,4%
Production (MT)	170.388	150.415	13,3%
Sales (MT)	170.374	154.119	10,5%
Consolidated sales (Mn €)	66,680	51,416	29,7%
Aggregate sales (Mn €)	90,563	72,027	25,7%
Ave. gross sale price (€/MT)	453,4	381,3	18,9%
EBITDA (Mn €)	16,968	8,568	98,0%

## RECYCLED PAPER

### Total recycled paper

### TOTAL

	06M10	06M09	% var.
Prod. capacity (MT/Y)	560.000	540.000	3,7%
Production (MT)	255.166	209.556	21,8%
Sales (MT)	257.612	226.997	13,5%
Consolidated sales (Mn €)	66,299	48,976	35,4%
Aggregate sales (Mn euros)	92,814	65,674	41,3%
Ave. gross sale price (€/MT)			
EBITDA (Mn €)	2,708	-7,705	-

### Recycled paper Spain

	06M10	06M09	% var.
<b>Prod. capacity (MT/Y)</b>	320.000	320.000	0,0%
<b>Production (MT)</b>	142.064	113.027	25,7%
<b>Sales (MT)</b>	145.954	124.294	17,4%
<b>Consolidated sales (Mn €)</b>	36,728	27,287	34,6%
<b>Aggregate sales (Mn €)</b>	52,757	41,410	27,4%
<b>Ave. gross sale price (€/MT)</b>	354,1	328,3	7,9%
<b>EBITDA (Mn €)</b>	3,485	1,357	156,8%

### Recycled paper France , EPR

	06M10	06M09	% var.
<b>Prod. capacity (MT/Yr)</b>	240.000	220.000	9,1%
<b>Production (MT)</b>	113.102	96.529	17,2%
<b>Sales (MT)</b>	111.659	102.703	8,7%
<b>Consolidated sales (Mn €)</b>	29,571	21,689	36,3%
<b>Aggregate sales (Mn €)</b>	40,057	24,264	65,1%
<b>Ave. gross sale price (€/MT)</b>	339,0	227,5	49,0%
<b>EBITDA (Mn €)</b>	-0,777	-9,062	(-91,4%)



**RECOVERED PAPER**

**Papel Recuperado**

	<b>06M10</b>	<b>06M09</b>	<b>% var.</b>
<b>Actividad de Prod. (MilTn/A)</b>	135	100	35,0%
<b>Producción Tn.</b>	66.963	59.507	12,5%
<b>Ventas consolidadas (Mln. €)</b>	1,476	0,979	50,8%
<b>Ventas Agregadas (Mill. €)</b>	8,009	3,529	127,0%
<b>Ebitda (Mill.€)</b>	0,917	0,000	-

**ENERGY**

**Energía**

	<b>06M10</b>	<b>06M09</b>	<b>% var.</b>
<b>Capacidad de Prod. MW Total</b>	153	79	93,7%
<b>Producción MWh</b>	381.390	292.720	30,3%
<b>Ventas consolidadas (Mill. €)</b>	30,138	20,564	46,6%
<b>Ventas Agregadas (Mill. €)</b>	46,096	36,996	24,6%
<b>Ebitda (Mill.€)</b>	9,425	5,028	87,4%

## CARDBOARD

### Total cardboard

	06M10	06M09	% var.
Consolidated sales (Mn €)	120,114	74,832	60,5%
Aggregate sales (Mn €)	129,038	82,750	55,9%
Consolidated EBITDA (Mn €)	9,242	9,362	(-1,3%)

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### Cardboard Spain

	06M10	06M09	% var.
Consolidated sales (Mn €)	22,950	20,278	13,2%
Aggregate sales (Mn €)	26,960	24,624	9,5%
EBITDA (Mn €)	0,934	0,439	113,1%

### Cardboard Portugal

	06M10	06M09	% var.
Consolidated sales (Mn €)	43,316	37,817	14,5%
Aggregate sales (Mn €)	47,014	40,966	14,8%
EBITDA (Mn €)	6,805	6,881	(-1,1%)

### Cardboard France

	06M10	06M09*	% var.
Consolidated sales (Mn €)	53,848	16,737	221,7%
Aggregate sales (Mn €)	55,065	17,159	220,9%
EBITDA (Mn €)	1,503	2,042	(-26,4%)

\* In June 2009 the French companies ECA and ECS joined the Europac Group.

### 3. CONSOLIDATED FINANCIAL STATEMENTS

#### Consolidated balance sheet

(in thousands of euros)

ASSETS	30/06/2010	31/12/2009	Change
			%
<b>NON-CURRENT ASSETS</b>	<b>806.536</b>	<b>789.858</b>	2,1%
Intangible fixed assets	97.797	97.879	-0,1%
- Goodwill	87.692	87.692	0,0%
- Other intangible assets	10.105	10.186	-0,8%
Property, plant and equipment	654.436	642.385	1,9%
Real estate investments	4.114	4.114	0,0%
Investments recorded using the equity method	714	598	19,4%
Non-current financial assets	3.058	2.930	4,4%
Deferred tax assets	44.555	40.063	11,2%
Other non-current assets	1.861	1.889	-1,4%
<b>CURRENT ASSETS</b>	<b>182.525</b>	<b>188.629</b>	-3,2%
Inventory	66.676	61.132	9,1%
Trade and other receivables	52.073	48.846	6,6%
- Receivables for sales and services rendered	42.425	34.325	23,6%
- Other receivables	9.648	14.521	-33,6%
- Current tax assets	-	-	-
Other current financial assets	2.359	1.306	80,7%
Cash and cash equivalents	61.417	77.346	-20,6%
<b>TOTAL ASSETS</b>	<b>989.061</b>	<b>978.487</b>	1,1%
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>30/06/2010</b>	<b>31/12/2009</b>	
<b>NET EQUITY</b>	<b>258.677</b>	<b>257.054</b>	0,6%
<b>OWN FUNDS</b>	<b>269.022</b>	<b>266.837</b>	0,8%
Capital	159.803	159.803	0,0%
Share premium	12.877	12.877	0,0%
Reserves	99.482	115.005	-13,5%
Less: Treasury shares	(5.335)	(4.949)	7,8%
Profit/loss for the year attributable to the parent company	2.195	(15.899)	-
Less: Interim dividends	-	-	-
<b>ADJUSTMENTS FOR CHANGES IN VALUE</b>	<b>(10.728)</b>	<b>(10.212)</b>	5,0%
Hedging	(10.728)	(10.212)	5,0%
<b>EQUITY ATTRIBUTABLE TO THE PARENT COMPANY</b>	<b>258.295</b>	<b>256.625</b>	0,7%
Minority interests	383	429	-10,9%
<b>NON -CURRENT LIABILITIES</b>	<b>500.262</b>	<b>501.150</b>	-0,2%
Subsidies	3.516	1.304	169,5%
Non-current provisions	12.138	13.580	-10,6%
Non-current financial liabilities	432.739	435.780	-0,7%
- Debts with financial institutions	390.936	371.960	5,1%
- Other financial liabilities	41.803	63.820	-34,5%
Deferred tax liabilities	51.869	50.486	2,7%
<b>CURRENT LIABILITIES</b>	<b>230.122</b>	<b>220.283</b>	4,5%
Liabilities associated with non-current assets held for sale	-	-	-
Current provisions	6.742	7.554	-10,7%
Current financial liabilities	81.771	75.401	8,4%
- Debts with financial institutions	32.081	35.776	-10,3%
- Other financial liabilities	49.690	39.625	25,4%
Trade and other payables	141.609	137.328	3,1%
- Suppliers	111.248	108.594	2,4%
- Other payables	29.913	27.412	9,1%
- Current tax liabilities	448	1.323	-66,1%
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>989.061</b>	<b>978.487</b>	1,1%

## Consolidated Income Statement

(in thousands of euros)

	<u>30/06/2010</u>	<u>30/06/2009</u>	<u>Change %</u>
Net turnover	284.707	196.768	44,69%
Change in inventory of finished products and work in progress	1.330	(9.833)	-
Work performed by the Group for its fixed assets	4.595	2.671	72,01%
Procurement	(137.992)	(80.130)	72,21%
Other operating revenue	3.049	1.911	59,59%
Personnel expenses	(44.390)	(37.911)	17,09%
Other operating expenses	(80.010)	(65.479)	22,19%
Depreciation/amortisation	(20.872)	(23.328)	-10,53%
Allocation of subsidies of non-financial fixed assets	2.816	2.464	14,26%
Impairment and results for disposals of fixed assets	333	(1.368)	-
Other profit/(loss)			
<b>OPERATING PROFIT/(LOSS)</b>	<b>13.567</b>	<b>(14.235)</b>	<b>-</b>
Financial income	139	699	-80,06%
Financial expenses	(11.052)	(10.703)	3,26%
Change in fair value of financial instruments	287	340	-15,50%
Exchange differences	(163)	(35)	363,71%
Impairment and results from disposals of financial instruments	-	-	-
<b>FINANCIAL PROFIT/(LOSS)</b>	<b>(10.788)</b>	<b>(9.699)</b>	<b>11,22%</b>
Profit/(loss) of entities recorded using the equity method	116	19	520,20%
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>2.895</b>	<b>(23.915)</b>	<b>-</b>
Corporate income tax	(747)	7.908	-
<b>PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIO</b>	<b>2.148</b>	<b>(16.007)</b>	<b>-</b>
Profit/(loss) for the year from discontinued operations net of tax	-	-	
<b>CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR</b>	<b>2.148</b>	<b>(16.007)</b>	<b>-</b>
Profit/(loss) attributable to the parent company	2.195	(15.598)	-
Profit/(loss) attributable to minority shareholders	(47)	(409)	-88,59%
<b>EBITDA</b>	<b>34.439</b>	<b>10.258</b>	<b>235,73%</b>

## **Results of the consolidated group (under GAAP)**

In the first half-year of 2010, the growth in demand, the rise in the price of raw materials (recovered paper) in the first quarter, the reduced pressure on the supply of Kraftliner paper from the USA, and the balance between supply and demand of recycled paper in Europe enabled the Group to raise the sale price of paper. The new prices have already been applied to most customers. Europac's income climbed steadily in the first two quarters of the year and this positive trend is expected to continue during the second half-year.

**EBITDA** (Earnings Before Interest, Tax, Depreciation and Amortisation) for the first half-year of 2010 was 34.4 million euros, up by 236% compared with the same period the previous year. Net operating income (EBIT) for the first half-year of the current financial year (2010) was 13.6 million euros.

There was no **change to the scope of consolidation** in the first half-year of 2010. The scope of consolidation in comparison with the first half-year of 2009 includes the full consolidation of 100% of ECA and ECS since 1 June, 2009.

**Net turnover** for the first half-year of 2010 amounted to 284.7 million euros (+44.7% vs. 1HY2009). The new inclusions in the Group's scope of consolidation mentioned earlier have impacted positively on turnover. Without these inclusions the increase in sales would have been 29%, mainly due to the growth in demand and the upward trend in the sale price of paper.

The **businesses** of each of the divisions **performed** as follows:

In the first half-year of 2010, the **Paper Division** contributed 47% of the total consolidated turnover.

In **Kraftliner paper**, the consolidated turnover for the first six months of the year was up by 28.8% versus the same period the previous year, to 66 million euros. Aggregate sales of Kraftliner paper in the first half-year of 2010 were 90.6 million euros, representing a 25.7% increase over the same period of the previous year.

Turnover in terms of metric tons in the first half-year of 2010 was 10.5% higher than in the same period in 2009.

In the first half-year of 2010, the average sale price of Kraftliner in Europac was 453.4 euros/MT, 18.9% higher than the same period in 2009. Europac announced rises in the price of Kraftliner paper for April and June in the amount of 60 €/MT and 50 €/MT respectively, additional to the price rises already announced in September 2009 and January 2010. FOEX prices at month-end June were in the region of 511 euros and at 20 July they had already reached 524 euros a metric ton.

These rises are mainly the consequence of an increase in demand in Europe in a deficit supply market. The order backlog of Kraftliner paper stands at unprecedented levels, equivalent to an average of over 40 days of production since September 2009 (42 days of production at month-end June). Stocks are at minimum operating levels.

The purchase prices of the raw materials, both recovered paper and wood, have remained stable in the second quarter compared with March 2010.

The contribution of Kraftliner paper to consolidated turnover amounts to 23.2% versus 26% in the same period of the previous year. Since September 2009 the production capacity of the PM4 machine has been increased to 350,000 MT/year from the previous 320,000 MT/year, thereby improving the specific consumption of power and the characteristics of the product.

In **recycled paper**, consolidated turnover has increased by 35.4% versus the same period the previous year to 66.3 million euros. Aggregate sales are up by 41.3% to 92.8 million euros. Turnover in terms of metric tons in the first half-year of 2010 was 13.5% up on the same period in 2009.

The average sale price of recycled paper in Spain in the first half-year of 2010 was 354.1 €/MT, 7.9% up on the same period the previous year, and 10.1% up on the first quarter of 2010. Taking August 2009 as our reference point, when the price fell to its lowest level, the rise has been 36.7%.

In the second quarter, Europac applied a price rise of €60/MT as from 1 April for its European customers, on top of the €60/MT price rise applied in February 2010.

These price rises have been fully applied to all customers. FOEX Testliner2 prices at month-end June were in the region of €410/MT.

These price rises are the result of a gradual recovery of demand, low levels of stocks, and production capacity closures in Europe, which have led to a balance between the supply and demand of paper. Meanwhile there was a rise in the purchase prices of raw materials during the first three months of the year which remained stable in the second quarter.

The contribution of recycled paper to consolidated turnover has shrunk to 23.3% from 24.9% in the same period of 2009.

In **Recovered paper** consolidated turnover grew by 50.8% compared with the same period of the previous year, due to the increase in sale prices which mainly came into effect in the first quarter of the year. Aggregate sales of recovered paper amounted to 8 million euros in the first half-year of 2010, representing a 127% rise. Recovered paper accounts for 0.5% of the consolidated turnover of the group.

In **Corrugated cardboard**, consolidated turnover grew by 60.5% versus the same period the previous year, to 120.1 million euros, mainly due to the change in the scope of consolidation with the acquisition of Atlantique and Savoie. Without the incorporation of ECA and ECS, sales would have increased by 19.3%. There has been a gradual recovery of demand and of the rate of consumption in our markets which is reflected in greater sales volumes compared with the first half-year of 2009, offset by continual increases in the price of recycled paper, its main raw material.

The contribution of corrugated cardboard to the Group's consolidated turnover is 42.2% versus 38% the previous year.

In the **Energy** business, turnover in the first half-year of 2010 stood at 30.1 million euros compared with 20.6 million in the same period of the previous year, which represents a 46.6% increase. This increase is largely explained by the commissioning of a new combined-cycle plant at Dueñas during the first quarter of the year, the Alcolea facility's change to the total power export system, pursuant to Royal Decree 63/2007 since July of 2009, which allows the plant to sell all its electricity to the grid at a premium and buy back what it needs from the market, and greater activity at the factories compared with the first half-year of 2009. In July 2010, the new combined-cycle plant at Viana do Castelo came into operation with 39 MW of additional output capacity.

In addition, from 1<sup>st</sup> July a new gas supply agreement will enter into force for the plants in Spain as a result of the company's cost containment policy. The rates negotiated for Portugal have already been in force since the first quarter of 2010.

The contribution of the energy business to the group's consolidated turnover was 10.6% compared with 10.5% for the previous year. It should be pointed out that the company currently has installed capacity in operation of 153 MW in Spain and Portugal, compared with 79 MW at the end of 2009.

The **Change in Inventory of Finished Products** totalled 1.3 million euros. This was significantly higher than in the same period the previous year as a result of the rise in the value of inventories, which was mainly due to the aforementioned price increase.

**Procurement** rose by 72.2%, to 138 million euros. This increase was caused by the rises in the raw material price, the increase in activity as a result of the rally in demand and the changes in the consolidation scope. If we exclude the changes in the consolidation scope, procurement would have risen by 53.1% compared with the first half of 2009.

**Personnel expenses** totalled 44.4 million euros, 17.1% up on the previous year. The rise is mainly due to the inclusion of the ECA and ECS employees in the group from June 2009. If we exclude these employees, personnel expenses would have fallen by 1.9%, thus confirming the efforts of the Group's cost contention and reduction policy over recent years. The personal expenses heading accounts for 15.6% of sales for the period, compared with 19.3% in the first half of 2009.

**Other operating expenses** totalled 80 million euros, 22.19% up on the previous year. If we exclude the changes in the scope of consolidation, this heading would have increased by 10.91%, mainly due to an increase in the consumption of electricity and transport arising from the increased activity, the comprehensive energy export regime in Alcolea since July 2009 and the start-up of the combined cycle plant in Dueñas in March 2010.

**Depreciation/amortisation** fell by 10.5% to 20.9 million euros as a result of homogenising the depreciation and amortisation criteria of the different Group companies, which was applied in December 2009. Without ECA and ECS, depreciation/amortisation would have fallen by 15.4%.

**Allocation of subsidies of non-financial assets** increased by 14.3% to 2.8 million euros, mainly due to an increase in activity and the resulting increase in CO2 emissions used in the period.

The **Financial Loss** was 10.8 million euros, 11.2% higher than in the first half of 2009, mainly as a result of the increase in net debt.

**Net Profit for the Year** attributable to the parent company in the first half of 2010 totalled 2.2 million euros compared with a loss of 15.6 million euros in the same period of the previous year.



### **Consolidated account balance Sheet (in accordance with IFRS)**

**Property, plant and equipment** rose 1.9% to 654.4 million euros compared with the 2009 balance sheet date. There was a 31.1 million euro increase in additions to property, plant and equipment due to the development of the investment plan mainly in the combined cycle plants in Dueñas and Viana do Castelo, and efficiency improvements in the recycled paper machine in Rouen. Depreciation of property, plant and equipment over the first half of the year totalled 19.3 million euros.

**Deferred tax assets** increased by 11.2% mainly as a result of the tax impact of the results obtained in the period.

**Inventory** increased by 9.1% compared with December 2009, mainly as a result of the increase in the cost of raw materials.

**Trade and other receivables** increased by 4.8%, mainly as a result of the increase in activity compared with December 2009.

**Net equity** increased 0.8% compared with December 2009, mainly as a consequence of the results obtained in the first half of 2010.

The Group's **Share capital** remained the same as in the previous year at 159.8 million euros.

**Non-current liabilities** fell by 0.2% over the period.

**Subsidies** increased by 2.3 million euros to 3.5 million euros compared with the 2009 balance sheet date due to the 2010 CO2 allowances assigned at no charge. The allowances granted have been reduced since December 2009 by 2.6 million euros as consumption has been accrued.

**Non-current provisions** fell by 10.6% mainly due to provisions for commitments with personnel passing to the short term.

**Non-current financial liabilities** fell by 0.7%, remaining in line with the figure at the 2009 balance sheet date.

**Current liabilities** rose by 4.3%.

**Current provisions** totalled 2.6 million euros and include the provisions allocated for the estimate of the use of CO2 emission allowances over the first half of the year.

**Current financial liabilities** increased by 8.4%, mainly as a result of asset suppliers passing from long term to short term.

**Trade payables** increased by 3.1% as a result of the increase in activity.

The Group's **net debt** totalled 361.6 million euros, 9.4% higher than at the 2009 balance sheet date. This increase was mainly due to the payments of investment suppliers in the first half of the year.

With regard to **commercial risk control**, Europac has a specific risk and hedging control department with an international insurance company which studies each customer in detail. Consequently, the incident rate in the first half of 2010 was 0.044%.

## 4. DEVELOPMENT OF INDIVIDUAL FINANCIAL STATEMENTS

### Individual Income Statement

Europac's **net turnover** increased by 35.4% to 86 million euros mainly due to a rise in paper prices, an increase in sales volumes and the start-up of the new combined cycle energy plant introduced in the Dueñas factory.

The **Change in inventory** of finished products and work in progress increased to -0.8 million euros as a result of stock reduction.

**Procurement** increased by 64% to 51.7 million euros mainly due to a rise in raw material prices, the impact of the increase in production volume and energy costs.

**Personnel expenses** increased by 3.7% to 12.7 million euros, partly due to an increase as a result of the rise in CPI and mainly due to an increase in temporary work as a result of the aforementioned increase in activity.

**Ebitda** rose to 5 million euros from (0.6) million euros in the first half of 2009.

**Financial expenses** rose by 20.94%, to 9.7 million euros. This increase is associated with the increase in net debt (see net debt)

**Impairment and results for disposals of financial instruments** fell to 0.3 million euros mainly as a result of the provision for the holding in the company Eipe Cartón S.A.

Finally, the **Net loss of the individual company** corresponding to the first half of 2010 was 10.9 million euros due to the above-mentioned variables.

### Individual Balance Sheet

**Property, plant and equipment** increased by 2% to 241.3 million euros compared with 31 December 2009.

**Intangible fixed assets** fell by 8.8%

**Long-term investments in group and associate companies** remained at 301 million euros.

The **Inventory** of finished products fell by 3.1% to 21.4 million euros.

**Short-term investments in group and associate companies** fell to 26.2 million euros compared with December 2009 mainly due to a financial transaction between group companies.

**Total Assets** were stable at 655.1 million euros as a result of the above-mentioned headings.

Finally, Europac's **Net debt** totalled 357.1 million euros, 2.8% higher than at the 2009 balance sheet date.

**Other long-term debts** fell by 18.5 million euros mainly due to the reclassification to **Other short-term debts**.



## 5. Events during the first half of 2010

- 26/01/2010: Europac increased the price of recycled paper by 60 euros per metric tonne in Europe, except in Spain and Portugal, which took place as from 1st February
- 15/02/2010: Europac increased the price of recycled paper in Spain and Portugal by 60 euros per tonne
- 26/02/2010: The company reported information on the results of the second half of 2009
- 02/03/2010: The Company published the presentation to analysts on the 2009 results
- 04/03/2010: Europac published an informative note about the situation of the European paper sector
- 11/03/2010: Europac increased the price of recycled paper in Spain and Portugal
- 23/03/2010: Europac increased the price of recycled paper by 60 euros in Europe
- 14/04/2010: The company reported information on the results of the first quarter of 2009
- 20/04/2010: The company informed of a rise in the price of kraftliner of 50 euros per metric tonne
- 26/04/2010: Euronext Lisbon authorised EUROPAC's request for withdrawal from trading of the issuer's shares listed on the Portuguese stock market
- 07/05/2010: The company reported information about the results of the first quarter of 2010
- 10/05/2010: The company published the presentation to analysts about the results obtained in the first quarter of 2010
- 28/05/2010: The company publishes the announcement of the Ordinary General Meeting of Shareholders for 29 June. The company reported information required by Section 116 bis of the Securities Market Act
- 02/06/2010: Europac signed a Liquidity Agreement
- 14/06/2010: The company published a supplement to the announcement of the General Meeting of Shareholders
- 16/06/2010: Liquidity Agreement: Succession of service provider
- 18/06/2010: Approval of the Curtis–Texeiro biomass plant with 10 MW of production capacity for the company Renova Generación de Energías Renovables S. L., 32.57% owned by Papeles y Cartones de Europa S.A.
- 29/06/2010: Resolutions adopted in the General Meeting of Shareholders and in the meeting of the Board of Directors held on 29 June 2010

## 6. Event subsequent to the first half-year date

- 22/07/2010: Europac announced a rise in the price of all its range of papers of 60 euros per metric tonne from 1st September 2010