



**INAPA – INVESTIMENTOS, PARTICIPAÇÕES E GESTÃO, S.A.**

(Publicly listed company)

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## 1 – Highlights

Until the third quarter of 2010 (3Q10), Inapa consolidated net income increased from 497 thousand Euros in 2009 to 2.2 million Euros, a 346% growth.

Sales volumes grew 1.7% compared to 2009, going from 662 thousand tons to 673 thousand tons, representing 713.7 million Euros.

During the 3Q10 it was observed a recovery on the business activity, comparing with 2009, Inapa achieved a 1.8% growth in volumes and 7.5% in revenues, due to the increase on the average price levels, the contribution of the acquisition of EBIX in Spain and the growth of complementary business.

Until September 2010, Gross Margin increased 0.4 p.p., reaching 18.3%.

The Group Re-EBITDA grew 6.2% reaching 23.7 million Euros, an increase of 0.1 p.p. of the margin, representing 3.3% of sales until 3Q10. This improvement is due to the due to the growth in complementary business, which already accounted for 6.5% of the Group's revenue and 12% of Re-EBITDA, and to the positive contribution that results from the acquisition of EBIX assets in Spain (acquisition done on July 2<sup>nd</sup> 2010).

EBIT grew 8.4% to 17.8 million Euros, representing 2.5% of sales.

Although the market was characterized by an increase in credit spreads, net financial costs decreased 11% to 11.3 million Euros.

Third quarter results have been negatively affected by the constitutions of one-off provisions related to credits from divestments occurred on previous years on the amount of 701 thousand Euros.

After that effect, the earnings before taxes until September 2010 were 4.5 million Euros, an increase of 192% relatively to 2009.

Working capital has increased in 24.8 million Euros comparing with the same period in 2009. This evolution is mainly explained by the increase on the working capital in the Spanish operation. Without the effect of Ebix, the increase is 9.7 million Euros.

In September 30<sup>th</sup> 2010, the net debt of the Group was 448.8 million Euros, a 25.9 million Euros increase relatively to the end of 2009 explained by the increase on the working capital levels.



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**Chart 1 Main Consolidated Indicators**

Million euros	3Q10	3Q09	Δ 10/09	Until Set-10	Until Set-09	Δ 10/09
Tons ('000)	223	219	1.8%	673	662	1.7%
Sales	242.8	225.7	7.5%	713.7	702.3	1.6%
Gross margin	43.6	39.9	9.2%	130.6	125.6	4.0%
Gross margin (%)	18.0%	17.7%	0.3 pp	18.3%	17.9%	0.4 pp
Operating costs <sup>1</sup>	35.0	32.2	8.9%	102.8	99.2	3.6%
Provisions	1.0	1.2	-16.1%	4.1	4.0	1.0%
Re-EBITDA	7.6	6.6	15.4%	23.7	22.3	6.2%
Re-EBITDA margin (%)	3.1%	2.9%	21.1%	3.3%	3.2%	14.4%
EBIT	5.3	4.6	16.3%	17.8	16.4	8.4%
Net financial costs	4.0	4.2	-2.8%	13.3	14.9	-11.0%
EBT	1.2	0.5	168.2%	4.5	1.5	192.2%
Net Result	0.6	0.1	281.8%	2.2	0.5	346.1%
		<b>30/9/09</b>	<b>Δ 10/09</b>	<b>30/9/10</b>	<b>30/12/09</b>	<b>Δ 9 months</b>
Net Debt <sup>2</sup>		422.9	6.1%	448.8	422.1	6.3%
Working capital		200.8	12.3%	225.6	185.5	21.6%

(1) Excludes provisions (2) Includes securitization



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## 2 – Relevant Facts

Until the third quarter, the relevant facts to the business were:

21/4/2010 Notice of the agreement regarding the acquisition to Burgo Group of its Spanish paper distribution business, under the brand EBIX

11/5/2010 Disclosure of the Group's strategic positioning for 2010-2012

2/7/2010 Acquisition of EBIX business

Until the publication of this report there were not registered other relevant facts with impact on the results evolution.



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## 3 – Management Report

### 3.1 - Economic & Financial Performance

The European Economies where Inapa operates have registered an improvement in their growth rate, especially in Germany and France, previewing the maintenance of the recovery in the near future.

The sector continues being affected by the economical and financial difficulties of the clients and by the generalized paper price increase as a result of the increase of production costs. It is relevant to mention the recovery of some European markets, namely Germany, France and Switzerland (represent 80% of Group sales).

This trend had reflexes on the third quarter, as **consolidated sales** reached 242.8 million Euros, a 7.5% increase relatively to the third quarter of 2009.

Until September 2010, the Group increased its sales volumes in 1.7% (673 thousand tons in 2010 and 662 thousand tons in 2009) and complementary business grew 22%, reaching 46.6 million Euros of sales and increasing its weight to 6.5% of the Group sales. In Euros, the Group sales reached 713.7 million Euros, a 1.6% increase comparing with 2009.

**Main markets are recovering volumes**

**Third quarter sales increased 7.5%**

**Chart 2\_ Developments of the Paper, Packaging and Visual Communication Business**

Million euros	Until Sep-09		Until Sep-10		
	Sales	Weight	Sales	Weight	Δ 10/09
Paper	664.1	94.6%	667.0	93.5%	0.4%
Complementary business	38.1	5.4%	46.6	6.5%	22.3%
Packaging <sup>1</sup>	20.4	2.9%	23.2	3.3%	13.9%
Visual communication <sup>2</sup>	15.8	2.3%	18.5	2.6%	16.8%
Others <sup>3</sup>	1.9	0.3%	5.0	0.7%	157.5%
<b>Total</b>	<b>702.3</b>	<b>100%</b>	<b>713.7</b>	<b>100%</b>	<b>1.6%</b>

**Note:** Sales excluding services (1) Packaging companies of Germany and France (2) Company in Germany (3) Cross-selling with the paper business (office and graphic supplies)

The average paper **price** in 3Q10 has increased relatively to the previous quarter (from 1.013 Euros per ton to 1.022 Euros per ton). This evolution is due

**Average paper price increases**



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to paper price increases carried out by the manufacturers during this year, reflecting the increase of production costs.

Inapa paper distribution business, until September 2010, represented 665.8 million Euros in sales, a 0.3% growth relatively to 2009.

The strategy to increase **complementary business** allowed, until 3Q10, a 22% growth, representing 6.5% of the Group's revenue compared to 5.4% in 2009. The packaging business grew 14%, with sales of 23.2 million Euros, while the visual communication business grew 17%, reaching 18.5 million Euros.

The consolidated **gross margin** of the period was 18.3%, an increase of 0.4 percentage points, when compared to the same period of 2009. This improvement is due to the increase of complementary businesses and a better paper sales mix.

Operational costs of the period, relatively to the first three quarters of 2009, had an increase of 3.6%, reaching 102.8 million Euros. The acquisition of Ebix explains the majority of the increase relatively to the previous quarter but it still does not reflect the synergies of the investment.

The Group's **Re-EBITDA** margin until September 2010 grew by 0.1 percentage points, reaching 3.3%. In absolute terms, the Group has generated 23.7 million Euros in recurrent EBITDA, 6.2% higher than in 2009. This performance is aligned with the Group's strategic targets and in-line with the best benchmarks of the industry.

Operational results (EBIT) grew 1.4 million Euros relatively to 2009 (an 8.4% increase), reaching 17.8 million Euros, representing 2.5% of sales, a value above sector benchmarks.

As a result of the debt levels, and although market credit spreads have increased, net **financial costs** of the period have dropped by 11%, representing 13.3 million Euros. The differences in currency rates, particularly regarding the Swiss franc, had a negative impact of 525 thousand Euros in the period's costs.

The results of the third quarter were negatively affected by the constitution of one-off provisions related to credits from divestments occurred on previous years that have failed the planned payment terms, on the amount of 701 thousand Euros.

**Complementary  
business  
contribution  
increased**

**Gross margin with  
positive trend**

**Re-EBITDA grew  
6.2%**

**EBIT grew 1.4  
million Euros**

**Finance function  
decreased 11%**



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After that effect, the consolidated **earnings before taxes** have increased 192%, reaching 4.5 million Euros. The **net income** until September 2010 grew from 497 thousand Euros in 2009 to 2.2 million Euros, a 346% increase.

**Chart 3\_Evolution of Results**

Millions of Euros	3Q19	3Q10	Δ 10/09	Until Set-09	Until Sep-10	Δ 10/09
Results before Tax	0.5	1.2	168%	1.5	4.5	192.2%
Taxes	0.3	0.7	114%	1.0	2.3	118.1%
Net Results	0.1	0.6	282%	0.5	2.2	346.1%
Results per Share	0.001 €	0.004 €	0.003 €	0.003 €	0.015 €	0.011 €

The working capital registered on September 30<sup>th</sup> 2010 was 225.6 million Euros, an increase of 24.8 million Euros relatively to September 30<sup>th</sup> 2009, reflecting the increase of business in Spain generated by the acquisition of Ebix assets (15.1 million Euros).

The consolidated **net debt** as of 30 September 2010 was of 448.8 million Euros, against 422.1 million Euros on 31 December 2009, an increase of 25.9 million Euros. Although the Group has done an investment in Spain with the acquisition of Ebix business, the increase of the net debt is related with the working capital increase.

The gross debt as of September 30<sup>th</sup> 2010 was 462.5 million Euros, of which 95.4 million were due to securitisation, 111.7 million to medium/long term loans, 243.3 million to short term loans, and 12.2 million to financial leasing debts.

The coverage ratio improved from 1.5x until the third quarter of 2009, to 1.8x in 2010.

**Net income grew  
346%**

**Net debt increased  
in 25.9 million  
Euros**



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### 3.2 - Market Analysis

Inapa has been focusing its operations in the paper distribution business in 5 key markets (core 5): Germany, France, Switzerland, Portugal and Spain. Inapa has also smaller operations in Belgium, Luxemburg, UK and Angola.

The growth rate has not been equal in all the markets, as Germany, France and Switzerland, markets that represent 80% of consolidated sales, reported higher rates.

**Chart 4 Evolution of volumes in Inapa core 5 (until August 2010)**

Thousand tons	Volume		
	2010	2009	Δ 10/09
Germany	1937	1862	4.0%
France	604	591	2.2%
Switzerland	215	210	2.4%
Portugal	72	74	-3.0%
Spain	292	293	-0.3%
<b>Core 5</b>	<b>3121</b>	<b>3031</b>	<b>3.0%</b>

Source: Eugropa

Globally, Inapa’s market share, in volume, in the core 5 until August 2010 was 18.4% (18.7% in 2009).

In value, only France has grown slightly relatively to 2009, due to the lower average prices during in 2010, even taking into account the price correction occurred in the second and third quarter. Portugal (which represents 6% of Group revenues) had the sharpest price decline, with an average reduction of 9.6% up until August.

Inapa’s geographical presence, spread over Europe and Angola, allows the Group to reduce its exposure to volatility risks of each market and benefit from the growth perspectives in its core markets, especially Germany, France and Switzerland.





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### 3.3 - Future Prospects

The expected evolution for the last quarter of 2010 is based, on one side, on the high dependency of Inapa on the European markets with the best economic performance and, on the other side, on the market price evolution.

Inapa's main markets (Germany and France represent 75% of the Group's sales), as well as Switzerland (5%), have the highest and most reliable growth estimates in Europe. Therefore, it is reasonable to expect that the paper market will continue to see an increase of volumes in those markets during the fourth quarter of 2010.

**Tabela 5\_GDP growth rate in Inapa markets**

Percentage relatively to similar period of previous year

	2009		2010	
	3Q	4Q	1Q	2Q
Germany	-4.4	-2.0	2.0	3.7
France	-2.7	-0.5	1.2	1.7
Switzerland	-1.9	-0.1	1.9	3.4
Portugal	-2.3	-1.0	1.8	1.5
Spain	-3.9	-3.0	-1.3	-0.1
Belgium	-2.7	-0.1	1.6	2.4
Luxembourg	-3.3	2.1	2.9	5.3
UK	-5.4	-3.0	-0.3	1.7
Euro-area	-4.0	-2.0	0.8	1.9

Source: Eurostat (October 6th 2010)

Another expected trend for the rest of 2010 is the increase of the price of paper, due to the upward price revision that several paper producers have announced for September and October.

During the fourth quarter of this year, Inapa expects to continue building a sustained increase in complementary business. It is expected to increase its weight on the Group's revenue and, due to its better margins, to contribute to EBITDA's growth.

Lastly, due to the consolidation of Spanish operations, Inapa expects to incur in non-recurrent restructuring costs and a positive contribution on the revenues and on the Re-EBITDA levels.

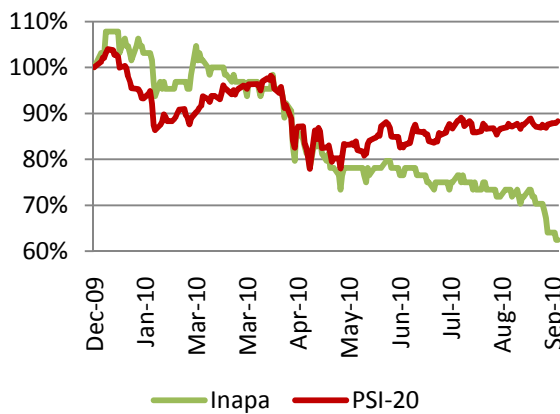


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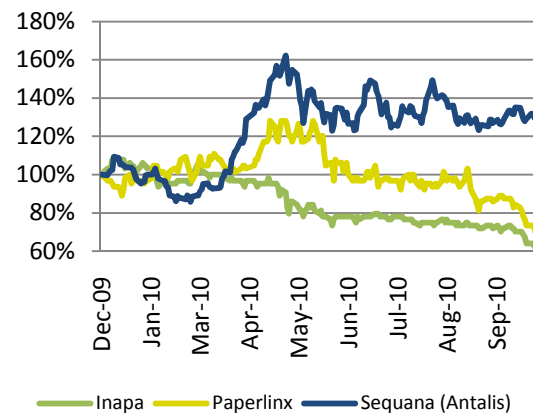
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### 3.4 – Stock Market

**Evolution of Inapa and the PSI-20**  
3rd Quarter of 010



**Evolution of Inapa and comparables**  
3rd Quarter of 2010



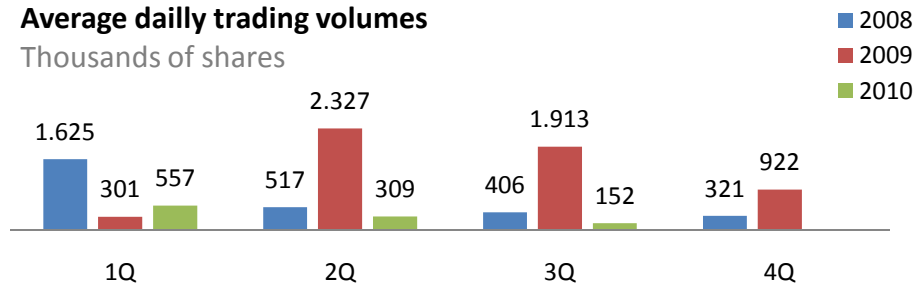
During the third quarter of 2009, stock markets showed a modest recovery, as a result of the recovery European economies and the financial system.

Inapa's stock price saw a decline of 18% in the third quarter of 2010, from 0.493 to 0.404 Euros that compare to a decline of 5.6% of the PSI-20. The stock's decline was of 37% since the beginning of the year.

Unlike other comparable players, Inapa's performance has not followed the paper distribution trend, being influenced by the context of the Portuguese stock exchange and Inapa's high debt levels.

**Average daily trading volumes**

Thousands of shares



In comparison with the same period in 2009, Inapa's trading volumes have reduced by 66%.



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## 4 - Additional Information

### WARNING

This document contains information and future estimates based on current expectations and management opinions deemed reasonable. Future estimates must not be considered consolidated facts and are subject to several unpredictable factors that may have an impact on future results.

Despite the fact that said estimates represent current expectations, investors, analysts and all those who may make use of this document are warned that future information is subject to uncertain factors and risks, of which many are difficult to forecast. All readers are warned not to attribute inappropriate importance to future estimates and information. We exempt ourselves of any responsibilities concerning any future estimates or information.

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Report available on Inapa's website  
[www.inapa.pt](http://www.inapa.pt)

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Inapa is admitted to trading on the Euronext Stock Exchange. Information about the company may be checked under the ticker "INA".

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