



20 MW Mérida Biomass Power Plant

Closing of the EPC and Project Financing

Energía y Celulosa



August, 2012

Ence has successfully closed the EPC and financing of the 20MW Mérida Plant



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- ✓ **Closing of the financing for a biomass power plant** of 20MW capacity in Mérida, with an **industrial investment of €64.3M (€3.2M/MW)**
- ✓ **75% of total investment financed via project financing**, with 3 Spanish Banks (**Banesto, BBVA and La Caixa**) with equal participation
- ✓ The financing was auctioned and awarded **in a competitive process with 6 first-tier financial institutions**
- ✓ The **EPC was awarded to Sener Ingeniería y Sistemas**, a reference in renewable energy, with turnover above €1bn and presence in 13 countries
- ✓ **A construction period of 27 months**, with power sales to the grid starting in October 2014
- ✓ **The plant will add circa 10M€ EBITDA** once it is working at nominal power output (2015)

Main financing terms and conditions ...



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Total Investment Amount

- Total Investment amounts to €80.9M of which:
 - €64.3M relating to industrial investment (€3.2M/MW)
 - €16.6M relating to the plant biomass initial stock, fees and other operating expenses⁽¹⁾

Leverage and DSCRs

- 75% debt – 25% equity:
 - ✓ Equity: a maximum 50% as shareholder subordinated debt
 - ✓ Equity disbursements “prorrata” to debt drawdowns
- Minimum Structuring DSCR⁽²⁾ : 1.40x

Term and Margin

- 15 years: 2 years construction and 13 years amortization (semiannual repayments)
- Interest Rate: 6-month EURIBOR
 - ✓ Applicable Margin years 1-5: 3.50%
 - ✓ Applicable Margin year 6 and beyond: 4.00%

▶ Hedge to a fixed rate of around 2.0% for 75% of the debt

Cash Sweep

- Reduction of the loan total life in 2.5 years.
- Cash-sweep of 30% (years 1-3), 40% (years 4-6) and 50% (from year 7 onwards).

(1) Including capitalized interests, development costs, grid connection investments, as well as investments related to the funding of the initial biomass stock and the Debt Service Reserve Fund, which will be both recovered through the project life (for a total aggregated 5.3M€)

Debt Service Coverage Ratio=(annual Free Cash Flow) / (annual debt service)

... which improve those agreed for the Huelva Financing



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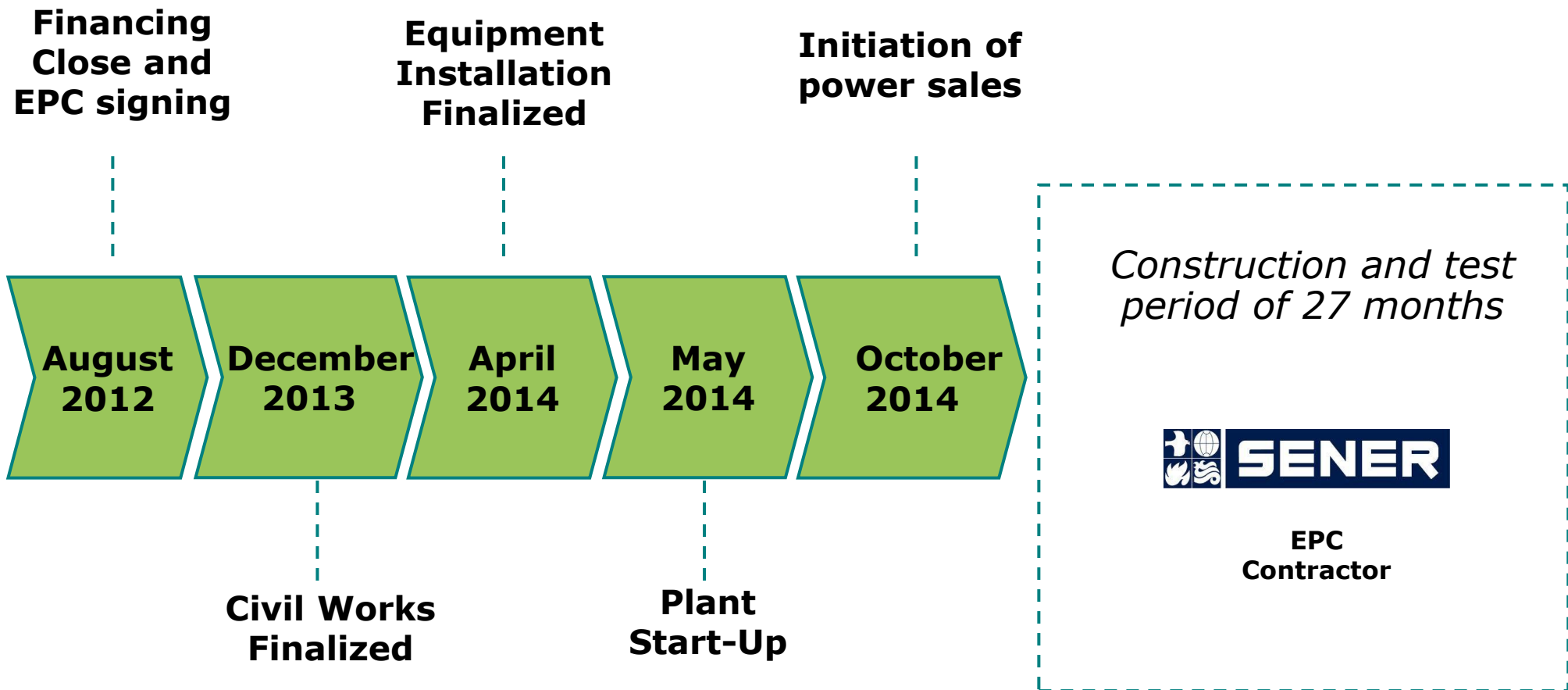
	Huelva	Mérida
Leverage	75%/25%	75%/25%
Equity disbursement	Equity first	Prorrata
Structuring DSCR	1.40x	1.40x
Debt Term (years)	12 (10+2)	15 (13+2)
Project Costs: inclusion of the initial biomass stock	No	Yes (3 months)
Cash Sweep	50% until debt is reduced to 50% (25% from that moment)	Starting at 30% ending at 50%

	Huelva	Mérida
Margins over Euribor (A)	3.25/3.75	3.50/4.00
Fixed Rate IRS (B)	3.50%	2.0%
Effective Financing Cost (A+B)	6.75%/7.25%	5.50%/6.00%

Projected construction timetable



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Main operating and financial metrics



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	2014	2015	2016
Nominal capacity	20MW	20MW	20MW
Self-consumption and losses	12%	12%	12%
Availability ⁽¹⁾	86%	94%	94%
Sales Output	50GWh	153GWh	158GWh
Net income	7.2M€	23.7M€	24.7M€
EBITDA ⁽²⁾	3.2M€	10.1M€	10.2M€

In addition to the returns from the power plant, the parent company will benefit from (i) recurrent income from the forestry management (margin on biomass supply to the plant), (ii) operation and maintenance income from 2016, and (iii) income from administrative and technical support services.

	<u>Cash income</u>
2014	0.5M€
2015	1.2M€
2016	1.8M€


(1) Calculated on a 8,400 hours per year utilization ratio

(2) EBITDA includes plant maintenance investment

This transaction is a step forward to comply with the Group EBITDA target on biomass energy



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	<u>Capacity</u>	<u>EBITDA</u>	
Navia	37 MW	>15M€	
Huelva	50 MW	>25M€	
Merida	20 MW	>10M€	

**Equivalent to
50% of the
100M€ recurrent
EBITDA
objective for
2015**

- ✓ Ence continues to development its 140MW biomass power generation pipeline, a target which will be met once the current regulatory moratorium in Spain ends
- ✓ In addition, the company is accelerating the analysis of biomass project opportunities in international markets

- ✓ We have **successfully closed our second project finance structure for biomass power** in Spain in order to timely execute the construction of a 20MW plant in Mérida with a total investment of 81M€ ...
- ✓ ... **with the support of first-tier Spanish financial institutions**, showing the quality and visibility of our projects and our **capacity to supply biomass in the needed time, cost and volume** ...
- ✓ ... **on improved financing terms and conditions** compared to those closed for the **Huelva** project financing, with appealing financial costs **in a difficult economic and financial environment** ...
- ✓ ... **highly mitigating construction risk** through the signing of a fixed price EPC with Sener group ...
- ✓ ... and moving forward into our objective to reach **around 100M€ EBITDA from biomass power generation activity by 2015**



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