



Pulp Business

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Ence Investor Day 2015

19th November 2015



Pulp Business

Successful business model in Pulp Manufacturing

AGENDA:

- 1. Ence's BEKP competitive in the global market: High quality pulp**
- 2. Cash cost reduction:**
 - 🌿 Investments in competitiveness
 - 🌿 Investments in debottlenecking
 - 🌿 Other investments: Pontevedra to replicate Navia
- 3. Environmental improvements**

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Pulp Business – Ence features

Business Strategy

BSKP

BEKP

vs.

- Ence´s BEKP competitive in the global market: High quality pulp optimal for substitution BSKP, which has higher costs.
- Ence´s BEKP has highest quality; well appreciated by customers & demanded by special products
- Ence´s flexibility production mills and capillarity up & downstream supply chain
- Ence´s privilege situation for European Market. Lower transportation costs than South American producers

Ence Features- Operations

High Competitiveness → Operational excellence

- 🌿 Flexible production sites to offer non-commodity product, tailor made to client needs and capillarity services
- 🌿 Continuous improvement → TQM in our factories
- 🌿 Process oriented → Reduction of variability
- 🌿 Investments in Savings & Capacity increase → Cash cost reduction objective

Efficiency improvements

Main focus – How?

- Excellence in operation → TQM fully implemented
- Production process optimisation → 6-sigma. Support by top industry technologists
- Increase of availability → Maintenance improvement
- Reduction of variability → Mills stabilisation at higher production rate

OEE EVOLUTION	2010	2015	2020
NAVIA	85%	89%	95%
PONTEVEDRA	83%	92%	95%

OEE: Overall Equipment Effectiveness

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Strategic Plan: Summary

Pulp Business

- 🌿 Total Investments: €337 M
- 🌿 Process improvement and cost reduction: €45 M
- 🌿 Debottlenecking and capacity increase: €157 M
- 🌿 Replicate Navia industrial model (pulp + biomass generation) in Pontevedra: €74 M
- 🌿 Environmental reliability: €61 M



Capacity 2020: 1.090.000 tAD

EBITDA: €131 / 289 M

Debt net < 2.5x

Process improvement and cost reduction

Investment in Process improvement and cost reduction: €45 M

Navia
Investments
33 M €

- Implemented: € 12 M
- In execution: € 21 M
- Savings € 5,7 M p.a.

Pontevedra
Investments
12 M€

- 4-year payback investments: € 12 M
- Savings € 3,3 M p.a.

Poyry & Falconi contribute to consolidate Process improvement and operational excellence

Debottlenecking and capacity increase

Investment in debottlenecking of : €157 M

Navia
Investment
€131 M

- Capacity increase of 40 ktAD to 540 ktAD
- Executed 50%, expected to finish July 2016
 - Savings 4 €/tAD p.a. in Cash Cost (dilution fixed costs)
 - EBITDA: €9 M p.a. (assuming 720\$ ton & 1,25 \$/€)
- Capacity increase: 100 ktAD to 640 ktAD
 - Savings 7 €/tAD p.a. in Cash Cost (dilution fixed costs)
 - Increase EBITDA: €21 M p.a. (assuming 720\$ ton & 1,25 \$/€)

Pontevedra
Investments
€26 M

- Capacity increase: 30 ktAD to 450 ktAD
 - Savings 4 €/tAD p.a. in Cash Cost (dilution fixed costs)
 - Increase EBITDA: €5 M p.a. (assuming 720\$ ton & 1,25 \$/€)

Replicate Navia industrial model (pulp + biomass generation) in Pontevedra

Biomass Plant



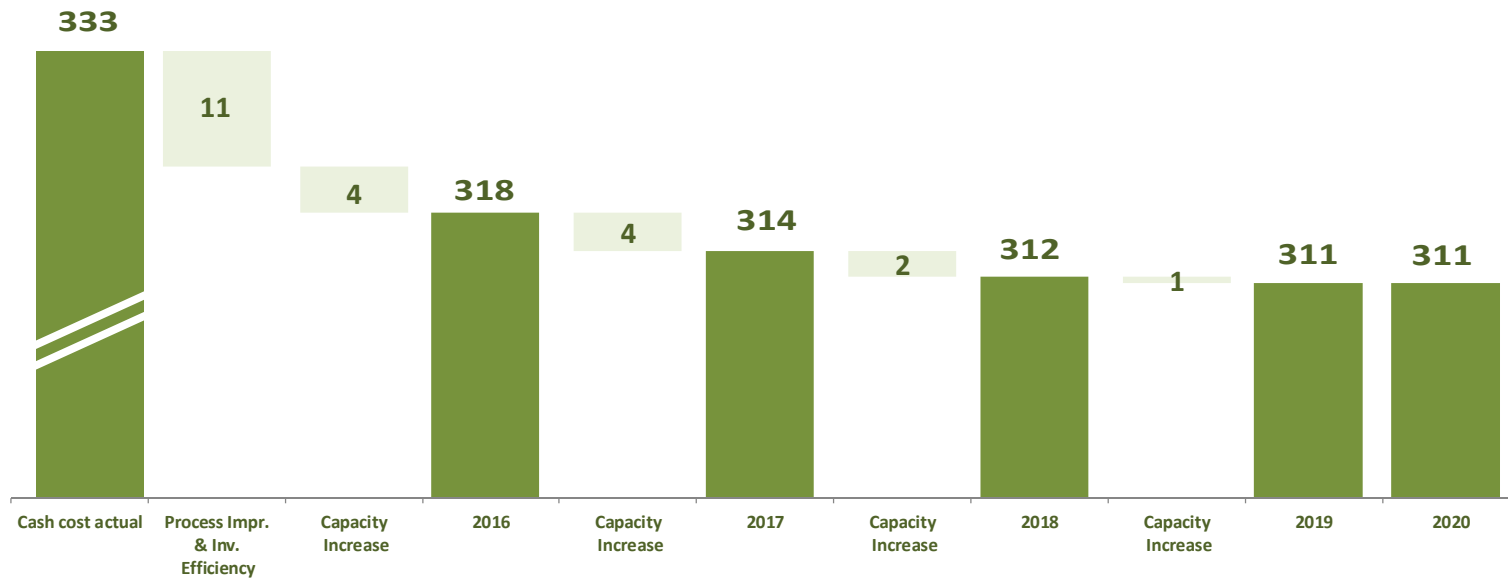
New Biomass Plant contribute to Mill margin

Investment
74 M €

- Energy Capacity increase: 25 MW
- EBITDA €7 M p.a.
- Savings 16 €/tAD p.a. in Cash cost

Cash cost evolution. Navia

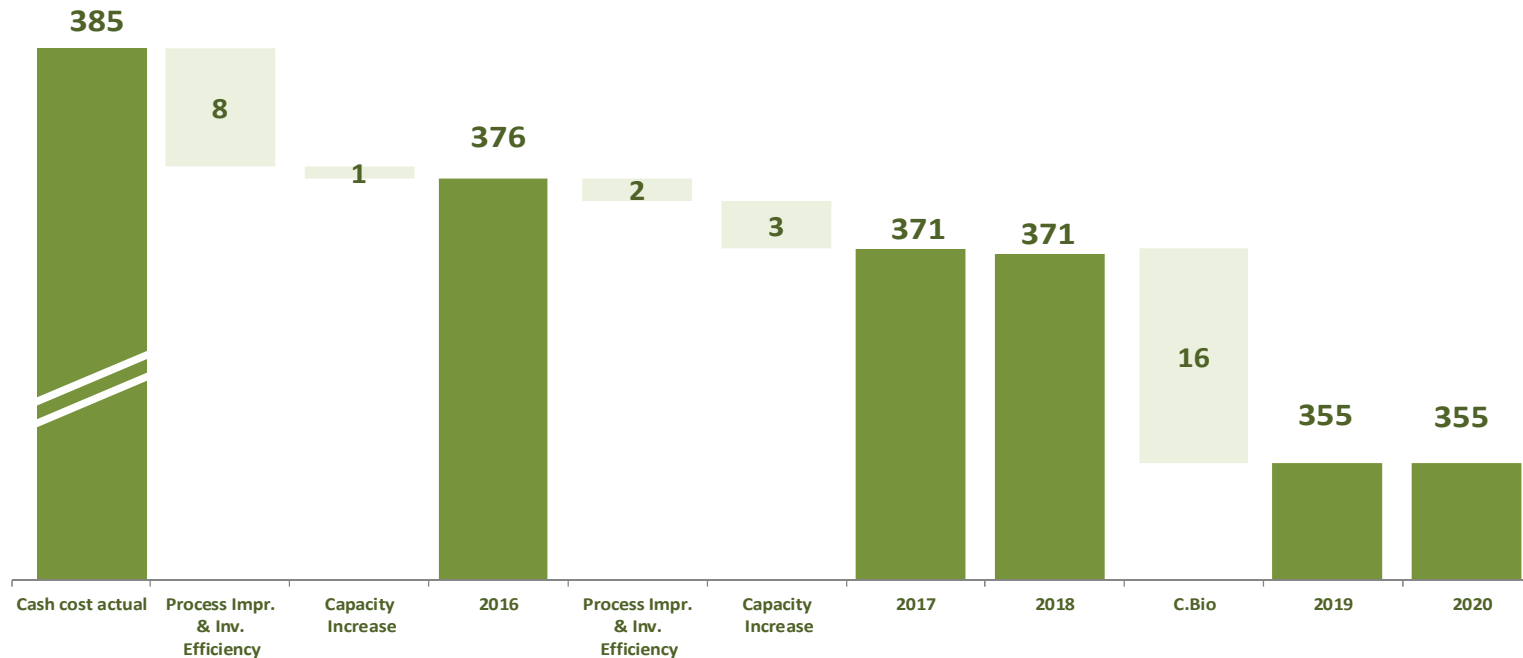
CASH COST REDUCTION 2016 -2020: 22€ /tAD



- Investment in efficiency & Process improvement: 11 €/tAD (9 €/tAD Inv. & 2 €/tAD Pr. Impr.)
- Debottlenecking and capacity increase : 11 €/tAD

Cash cost evolution. Pontevedra

CASH COST REDUCTION 2016 -2020: 30 € /tAD



- 🍃 Investment in efficiency & Process improvement: 10 €/tAD (8 €/tAD Inv. & 2 €/tAD Pr. Impr.)
- 🍃 Debottlenecking and capacity increase : 4 €/tAD
- 🍃 Replicate Navia industrial model in Pontevedra (Bio Gen.): 16 €/tAD

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Environmental improves

Ence Plus Project → Pulp Mills World Reference

- Zero Odour
- Dust & Noise projects
- Water effluent recirculation. Reduction of 90% water consumption
- Elimination of water steams

Total investments of €61 M

Conclusions

Ence strong Pulp Business position → €337 M Investment

- 🌿 **Ence on track to be a European Cash cost leader**
- 🌿 **High returns from our investments in pulp mills: Debottlenecking and efficiency improves**
- 🌿 **New model in Pontevedra, copying Navia and benefiting from a reduction in Cash cost**
- 🌿 **Achieving excellence in operation → TQM**

Total Pulp Volume → 1,090 MtAD & Cash cost 329 €/tAD

Thank you

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