



Energía y Celulosa

Ence, Energía y Celulosa

2Q12 Results



July 24th, 2012

1

Solid operating results in 1H12 based on...

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... the strong production and sales growth of pulp and electricity ...

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... the decreasing trend in cash cost to reach €340/t ...

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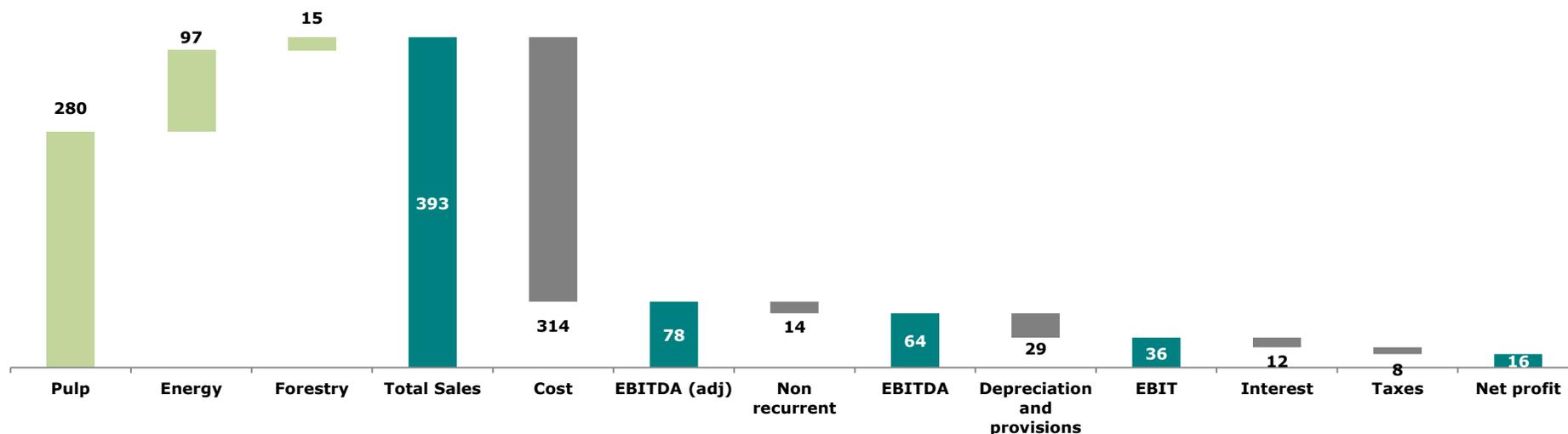
... and the maintenance of financial strength in terms of debt and liquidity

In line with 2012 targets

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... with good outlook in prices for the rest of the year after achieving 790\$/t in June

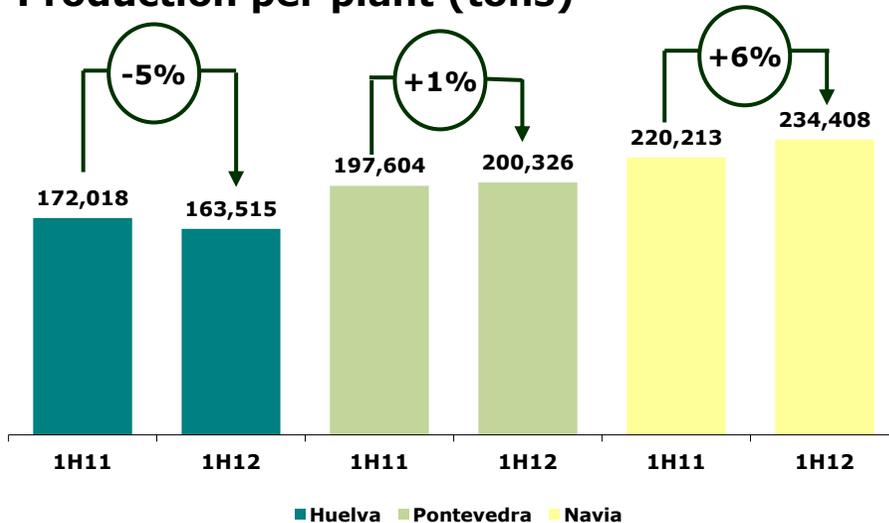
Breakdown of 1H12 P&L (M€)



- 3% growth in pulp sales has partially offset the decline in the average selling price in 2012 (average pulp price in 1H11 was \$860/t vs \$737/t in 1H12)
- Strong increase in energy sales, reaching an annual growth above 13%
- The period does not include the entire price increase to \$790/t fully implemented in June, which supports a strong results in 3Q12

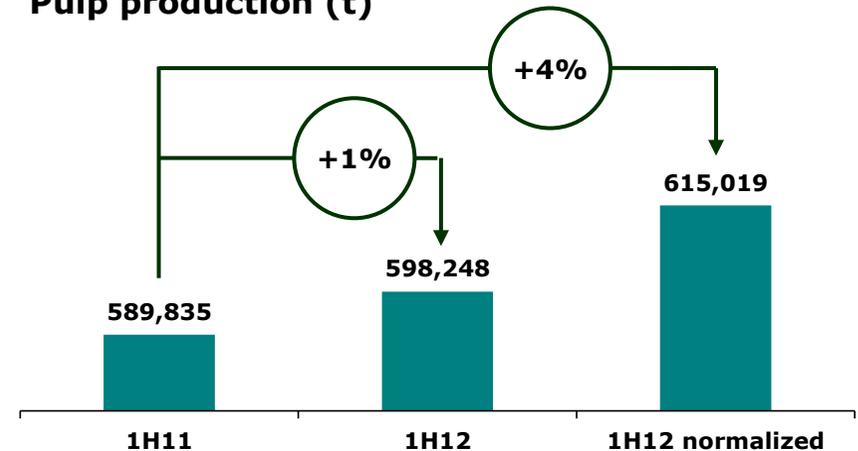
... the excellent operational performance of pulp production ...

Production per plant (tons)



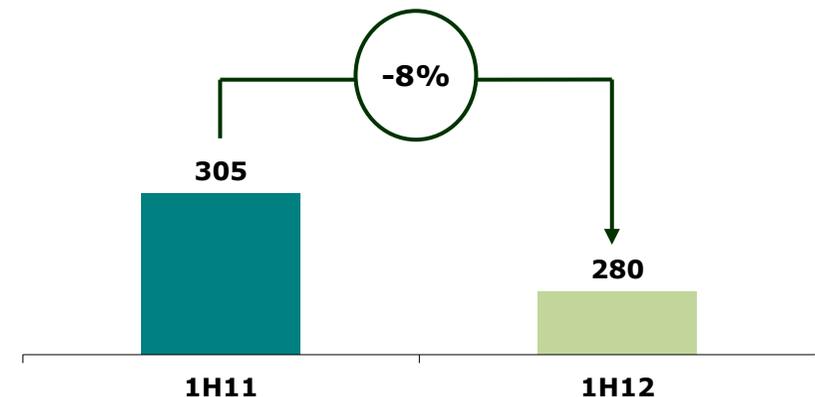
- **+1% increase in cellulose production in line with company targets**
- Huelva had operational problems after its maintenance stop, which have already been solved and that has reduced its output by close to 17,000t at current production level.

Pulp production (t)

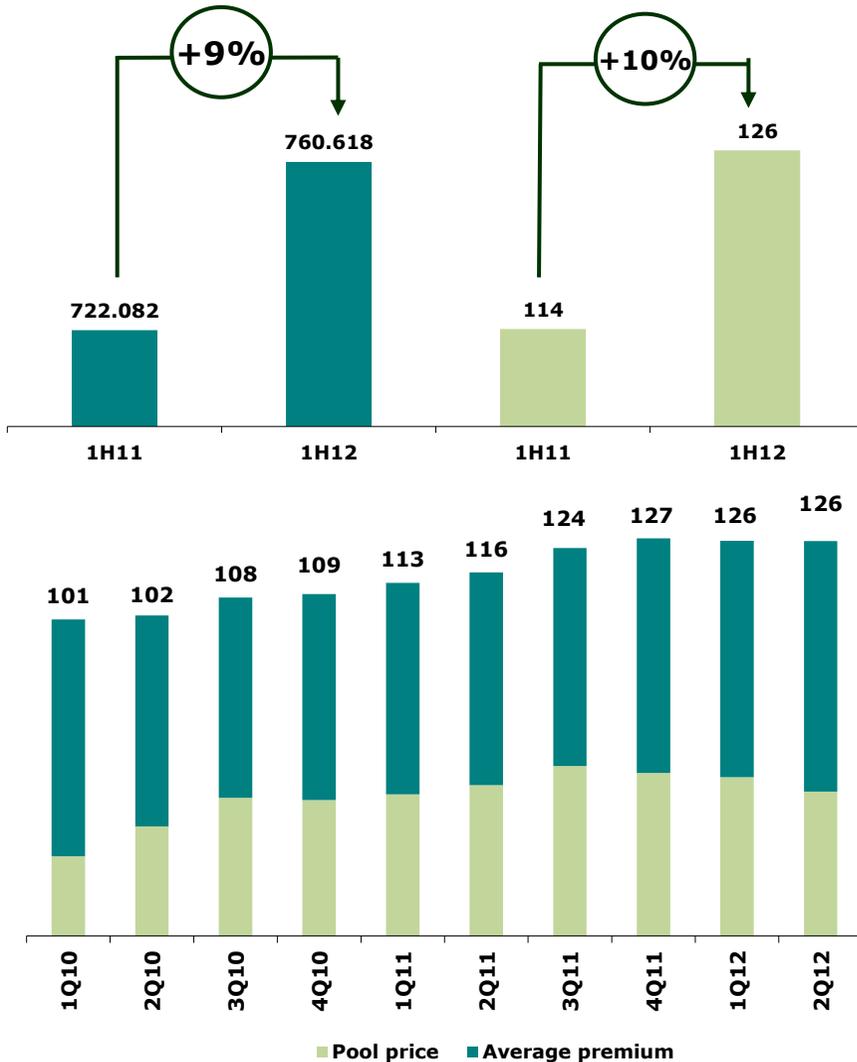


- **The company keeps confident that current +2-5% production guidance will be achieved**

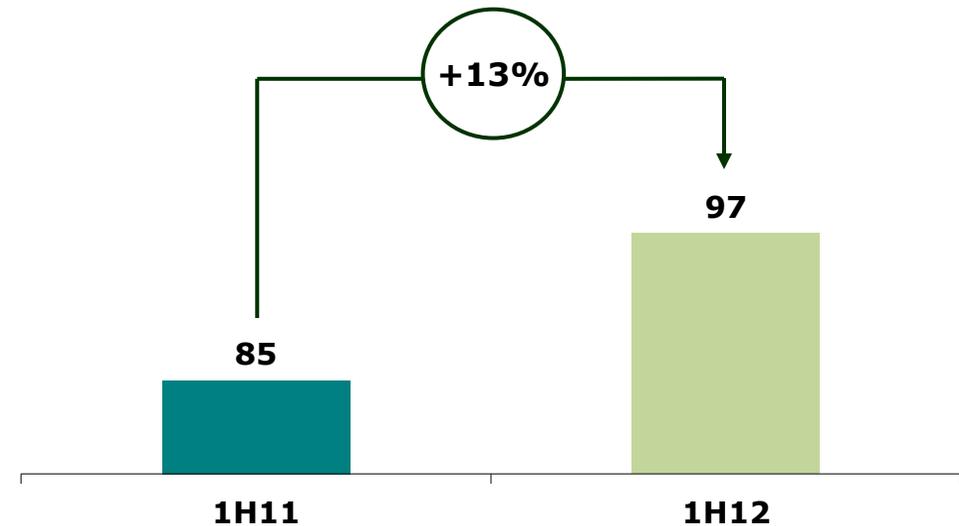
Pulp sales (€Mn)



Energy metrics

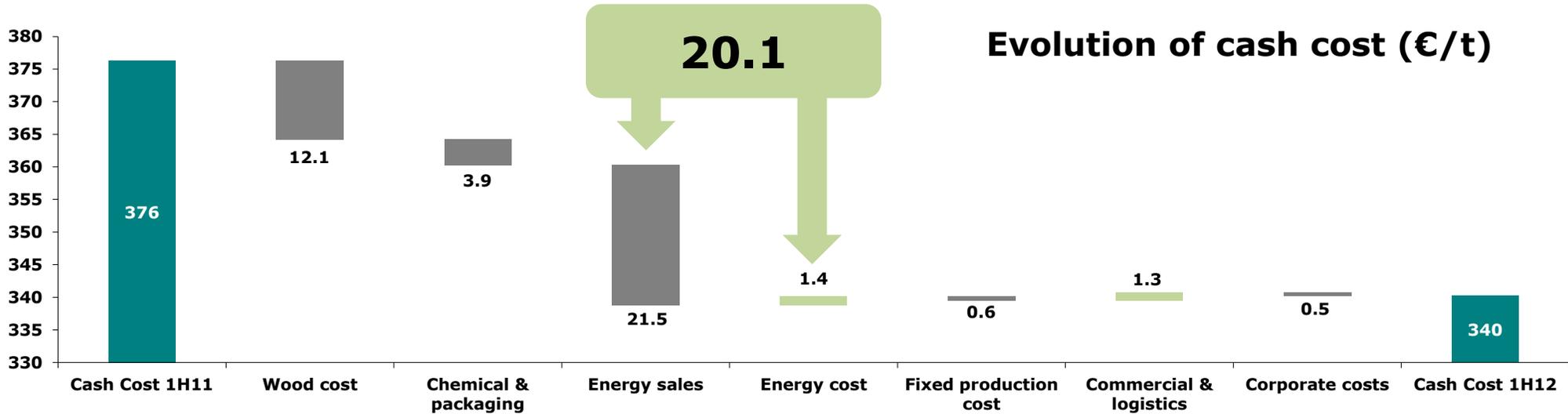


Electricity sales (€M)

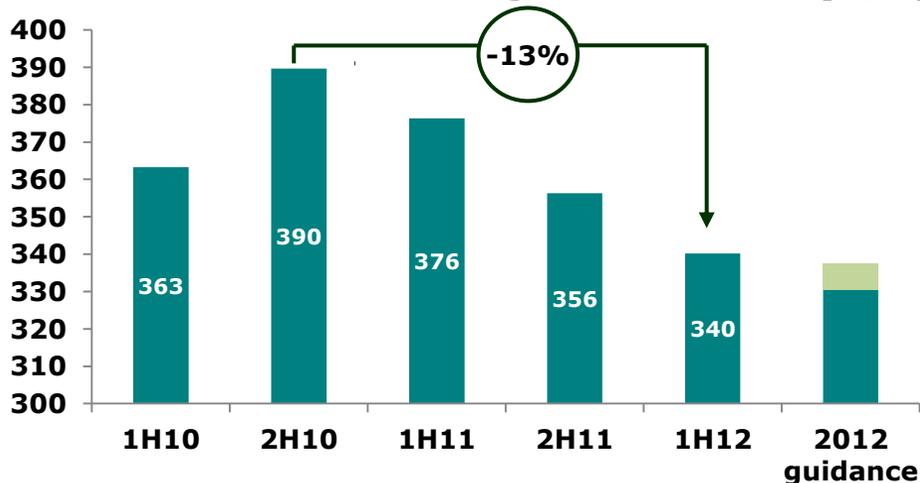


- Increased production of electricity linked to the production of cellulose (+1% for the year)
- Improvement in the average selling price due to the increased weight of the biomass generation in the production mix (76% of production), improved pool prices and the yearly tariff review linked to inflation

Strong cash cost reduction through increases in pulp production and electricity as well as reducing wood and fixed costs...

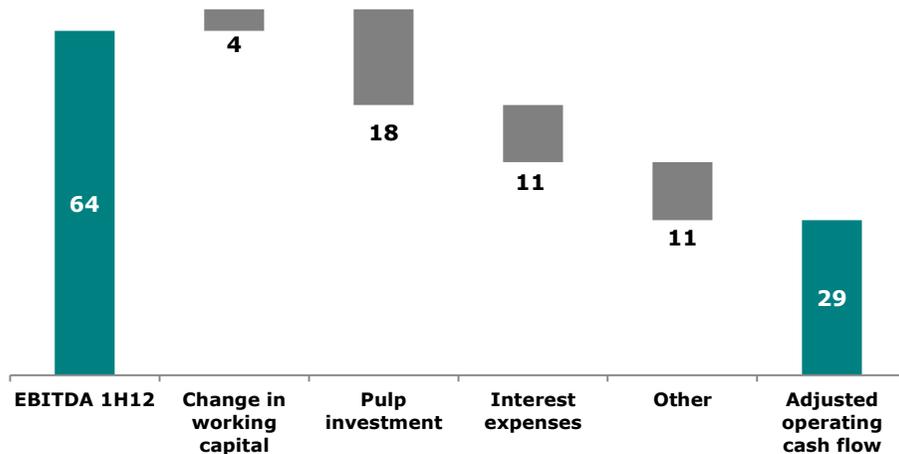


Average cash cost (€/t)



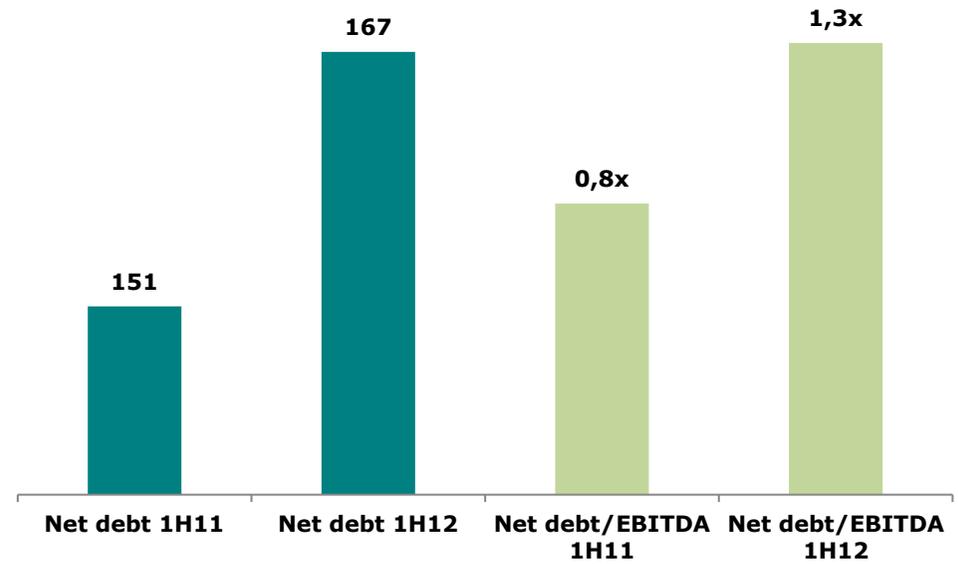
- **Further reduction of cash cost, down -13% from 2H10 highs to 340€/t in 1H12**, due to lower wood cost, higher energy production and reduced variable costs
- **The 340€/t cash cost keeps close to the low end of the -4/-6% reduction range targeted for 2012**, providing visibility to the achievement of the final objective for the year
- **The production** growth (greater dilution of fixed costs and better usage ratios of raw materials), **the active management of wood supply, increased energy efficiency and reduction of fixed costs, will further reduce costs in the coming months**

Breakdown of operating cash flow (€M)



Note: adjusted cash flow do not include investments in biomass, dividends or share buybacks; figures adjusted by non cash items

Net financial debt (€M) and leverage



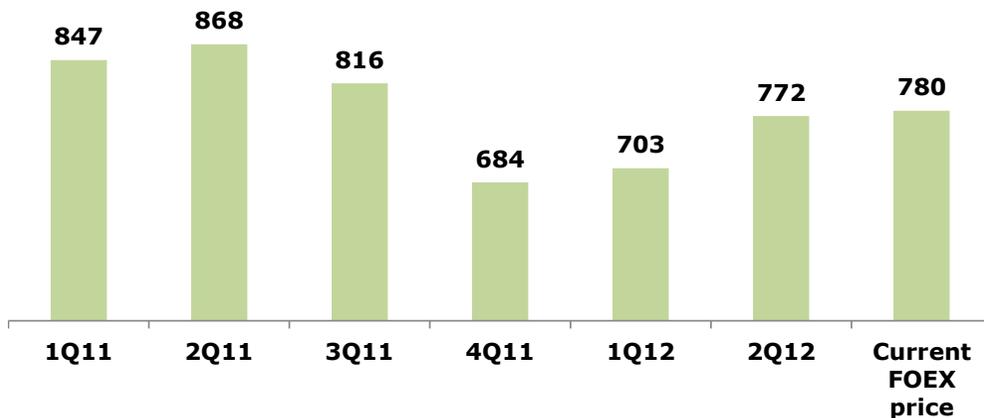
- **Strong operating cash flow thanks to a solid working capital and investment management, in an environment of lower average prices**
- **Net financial debt with recourse remained stable, with low leverage of 1.3 times EBITDA of the last twelve months**
- Additionally, **there is a €57M non-recourse debt** related to the "project finance" successfully signed in June 2011 for the construction of the 50MW plant in Huelva

Strong outlook in 2012, with market prices showing an upward trend since December



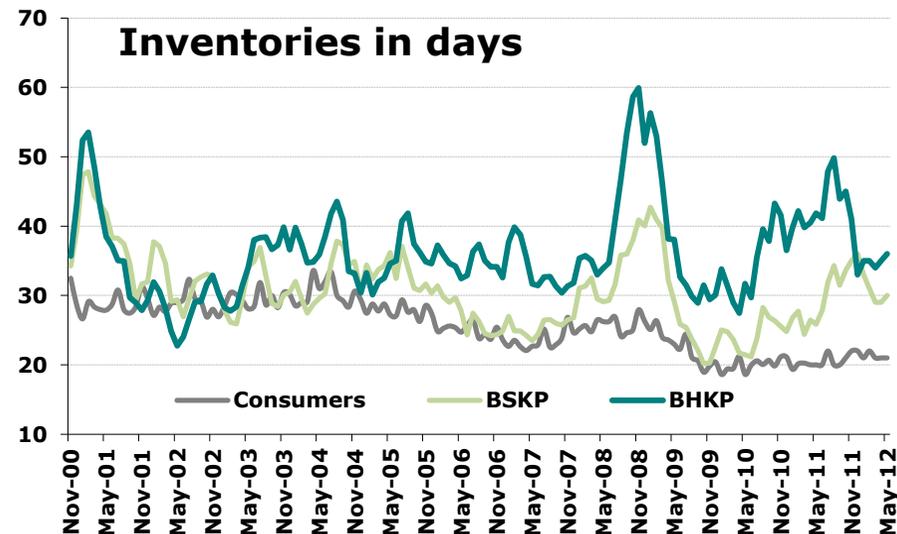
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Evolution of pulp prices (\$/t)



Source: Ence; Foex

- **The price of short fiber rose to \$790/t in late June, 22% above** the minimum \$650/t reached in December, despite strong macroeconomic uncertainty, marking a clear floor at these levels
- The strength of demand on the basis of Chinese growth, low inventory levels and lower supply in 2Q12 by maintenance shutdowns have drive a **rapid recovery in prices** during the period
- The current supply-demand balance and the perceived levels of cost in the sector aim to keep the medium term **price range above previous cycles**



Source : PPPC

Conclusion



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Solid operating results in 1H12

Strong sales growth of pulp and electricity (3% & 5% in volume)

Cash cost reduction to €340/t

Stable leverage in spite of attractive remuneration policy

Good outlook for 2012 results

Production growth (+2%/+5%) in 2012

In line to achieve -4%/-6% 2012 guidance for cash cost

Prices stable at 780\$/t

Tangible mid term cash flow opportunities

From "forestry owner" to "forestry manager" allowing divestments for a total of 300M€ (Iberia & Uruguay) in 5 years

Goal to achieve an EBITDA of 100M€ in 2015 purely on renewables

Strong cash flow generation to further improve Ence financial structure and push shareholder remuneration through buybacks

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