

# Ence Energía y Celulosa

## 2Q14 Results

July 30th, 2014



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**A**

**Progressing with the efficiency plan**

**B**

**1H14 summary results**

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**A**

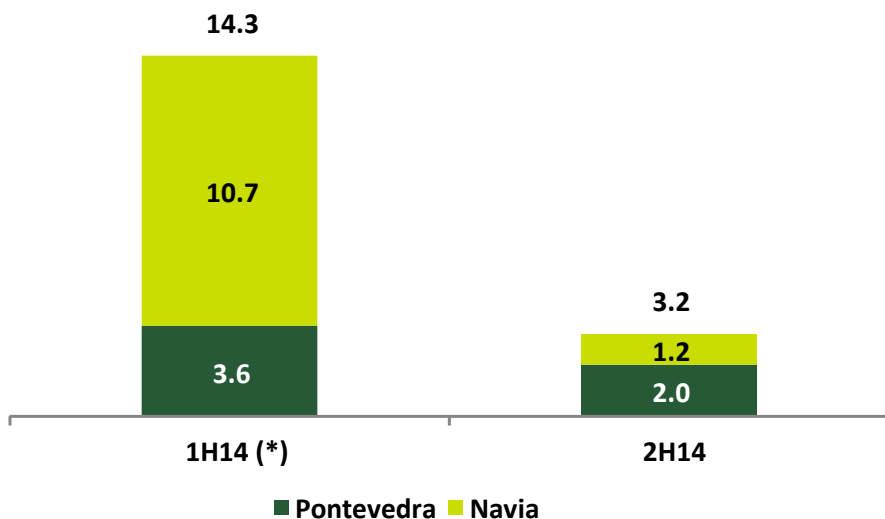
**Progressing with the efficiency plan**

**B**

**1H14 summary results**

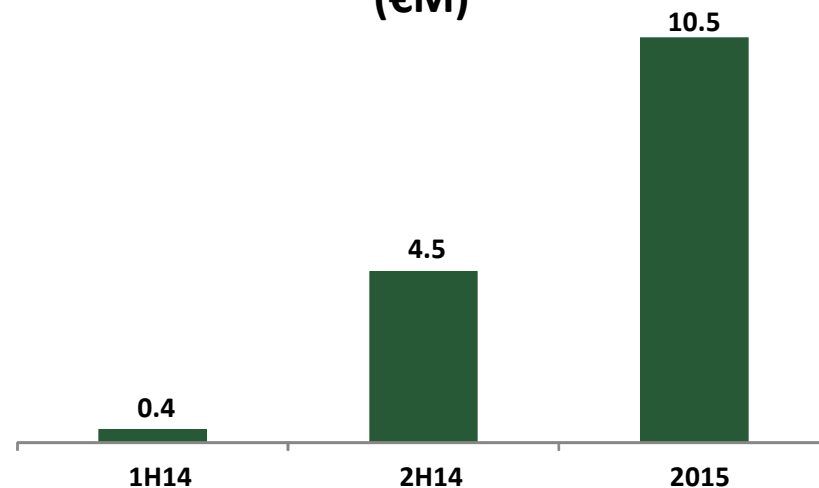
## 2 years payback investments to improve efficiency on track...

Investments done in Navia and Pontevedra mills (€M)



(\*) €6.8 M have been accounted in July

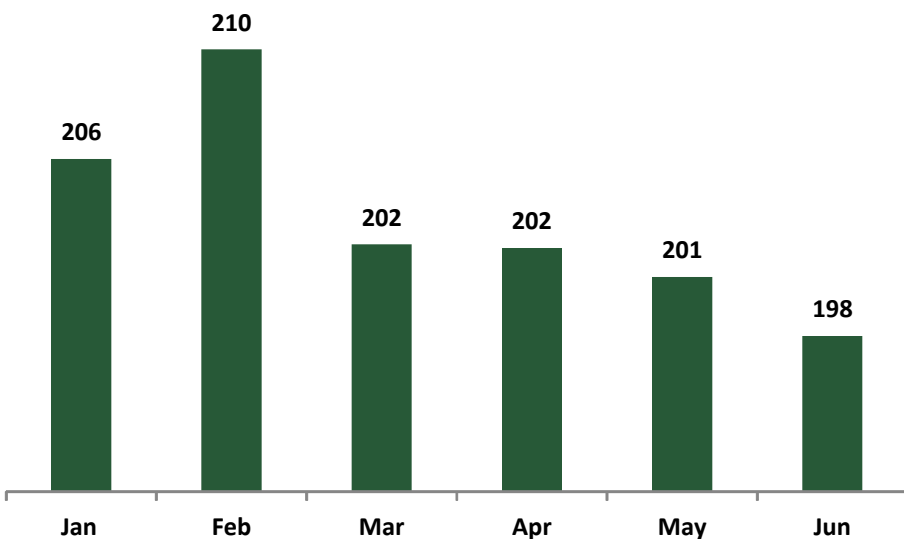
Savings expected from investments (€M)



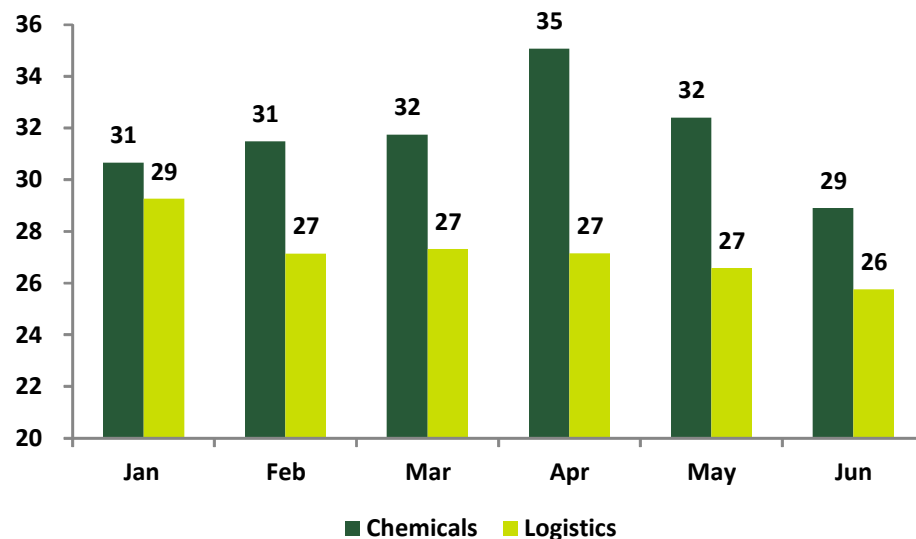
- Ence expects to fully implement its investments with expected return in 2 years, during the 2H14
- Committed investments have been reduced by 17%, while the estimate of the annual impact on the company's EBITDA of €11 M remains in line

# ...while savings starting to contribute to cost reductions

## Wood cost evolution in Navia and Pontevedra (€/t)



## Chemical and logistic costs evolution in Navia and Pontevedra (€/t)



The reduction in wood prices implemented in 1H14 is starting to show in the cash cost

# Anticipated start-up of Merida 20MW biomass power plant



- ✓ Merida 20MW has achieved maximum production levels in July, with average operating rates at 85%, +13% above 6,500 hours per year entitled to receive a premium
- ✓ Performance indicators are in line with those contained in the EPC contract according to tests under execution
- ✓ The power plant started operations at the beginning of April, 6 months in advance of guidance (October 2014) and Ence expects to make the reception of the power plant in September, two months in advance of previous estimate
- ✓ Annual EBITDA will be close to €7 M assuming the impact of new regulatory framework

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**1H14 summary results**

# 1H14 results

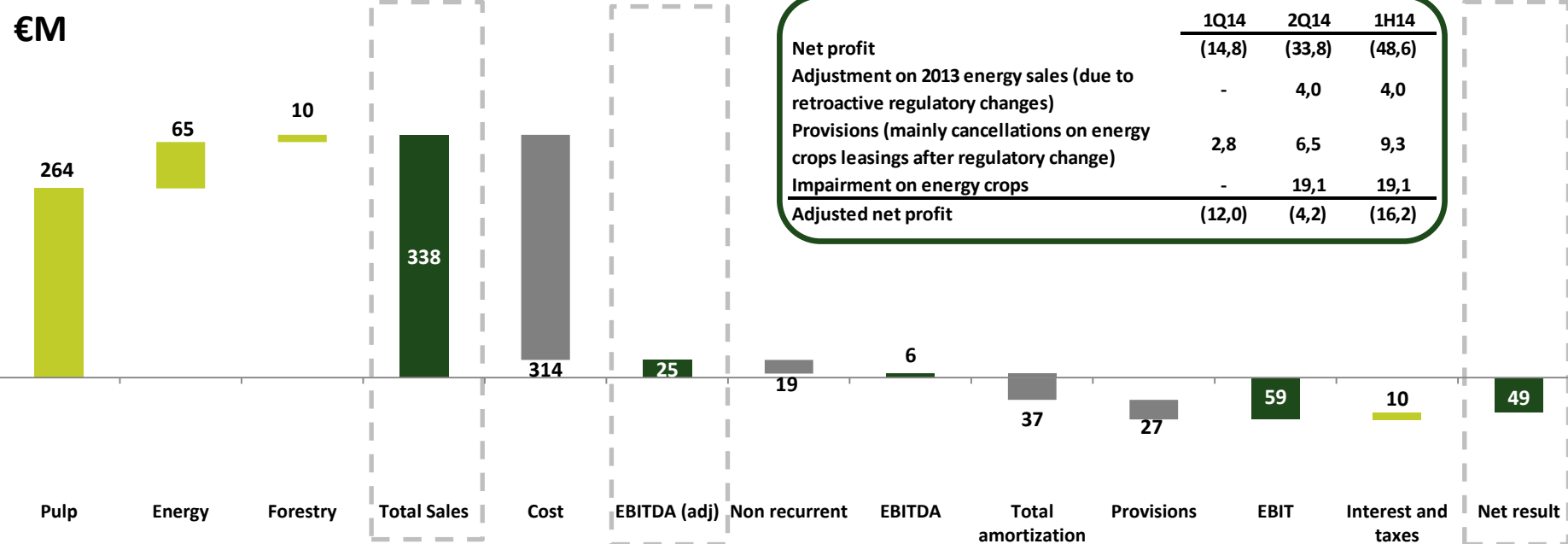
1H14

- 1 **Despite regulatory impacts, recurrent net losses improve in 2Q14 (-€4 M) vs 1Q14 (-€12 M)**
- 2 **Falling pulp prices in the semester, stabilizing close to \$730/t**
- 3 **Solid balance sheet and cash flow generation maintained despite the impact of the new regulatory framework**

**Ence has negotiated its labor agreements with the unions, linking salaries to profits instead of CPI**



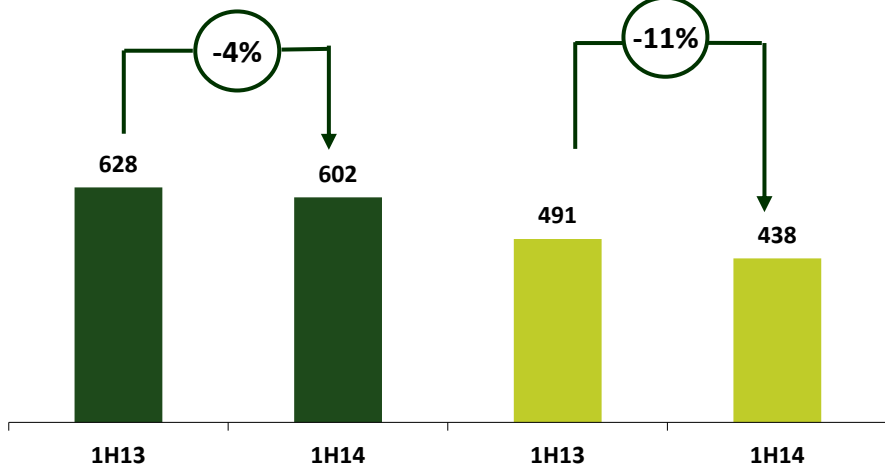
# Breakdown of 1H14 P&L



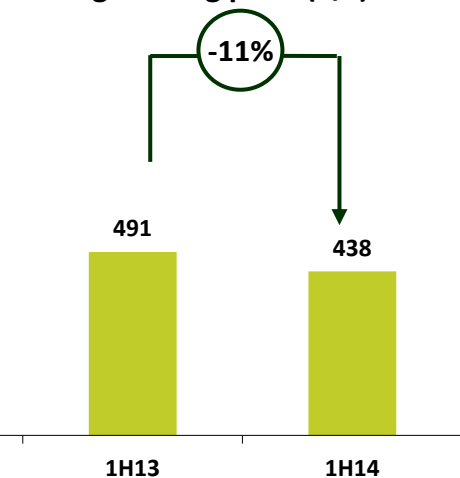
- 15% decrease in pulp sales in 1H14 vs 1H13 driven by lower pulp prices and decrease in volumes
- EBITDA has been penalized by €19 M of non recurrent impacts due to the regulatory changes: cancellation of leases for energy crops (€9 M), retroactive adjustments 2013 energy sales (€6 M) and other provisions (€3 M)
- Net profit in 1H14 (excluding non recurrent impacts due to regulatory change) stands at -€16 M, with 2Q14 showing an €8 M improvement vs 1Q14

# 1 Negative mill's operating performance...

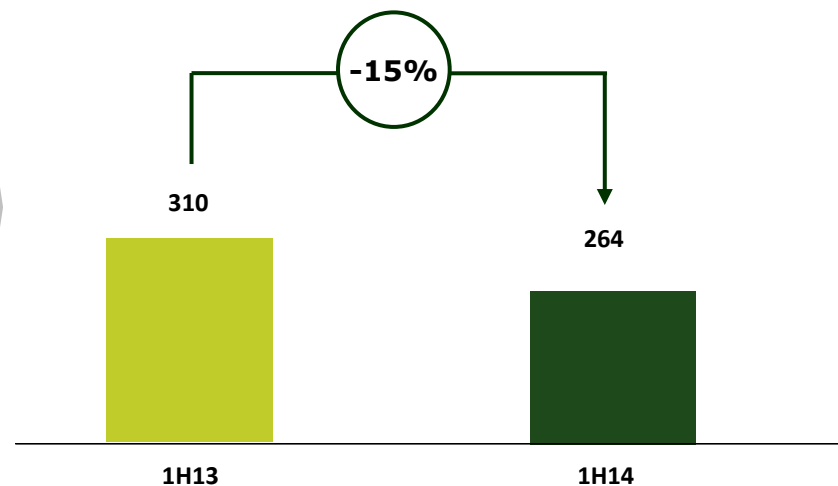
Pulp sales (000t)



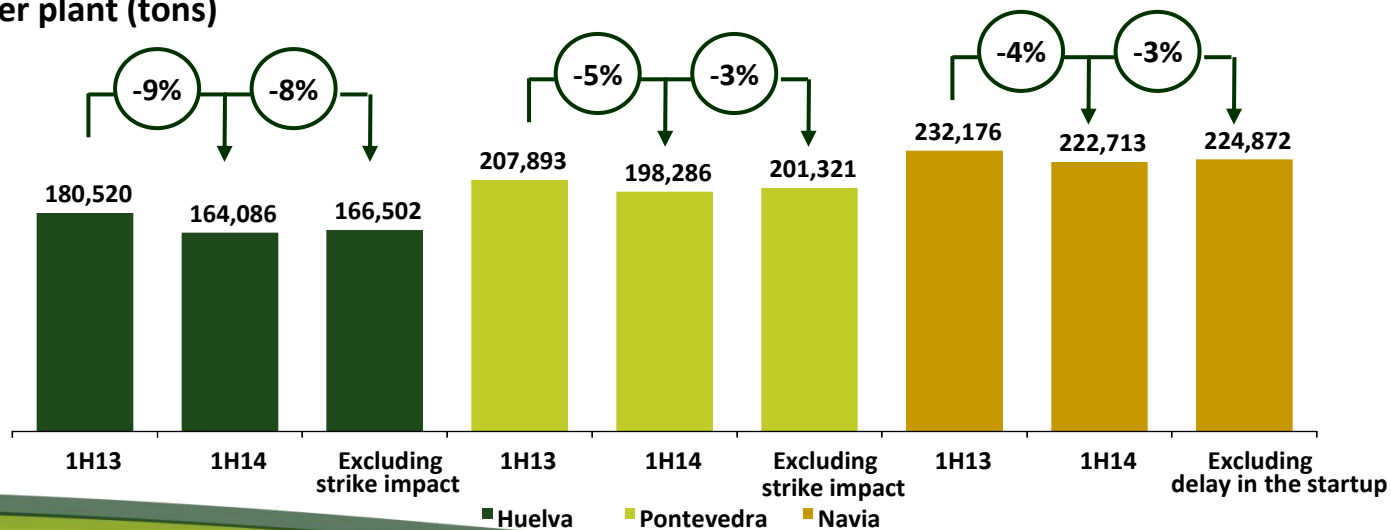
Average selling price (€/t)



Pulp sales (€ M)



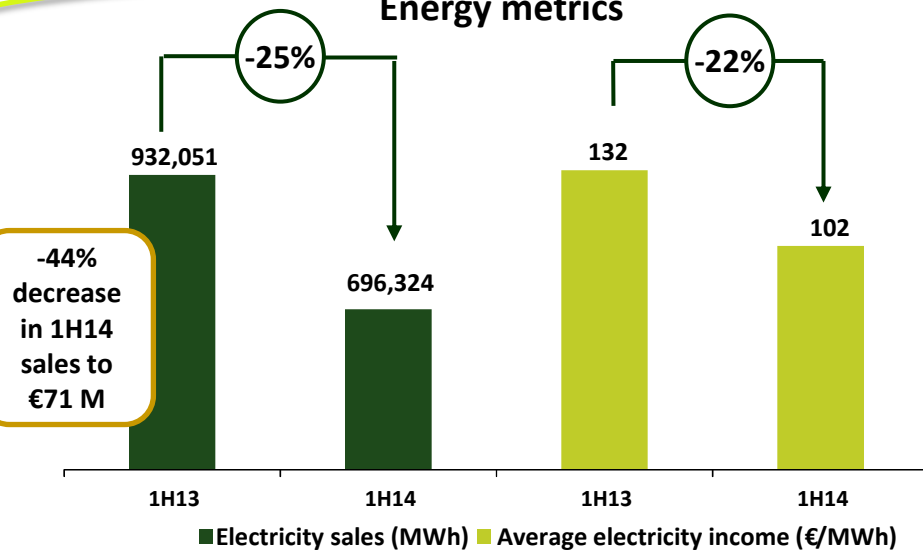
Production per plant (tons)



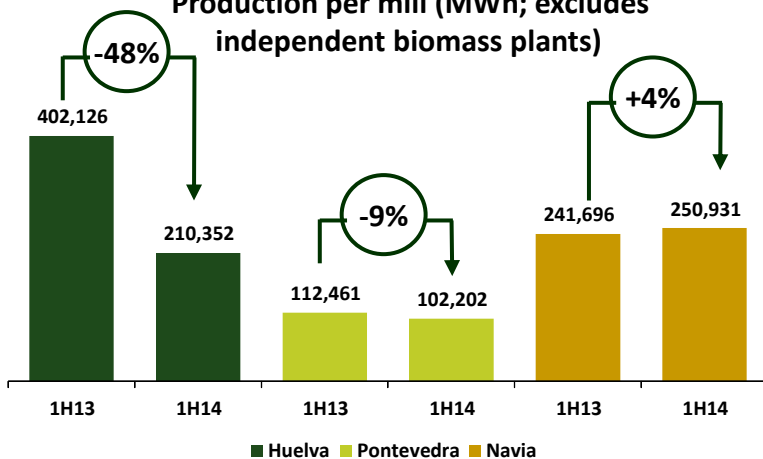
1

# ...and lower energy generation due to the energy reform and lower pool prices

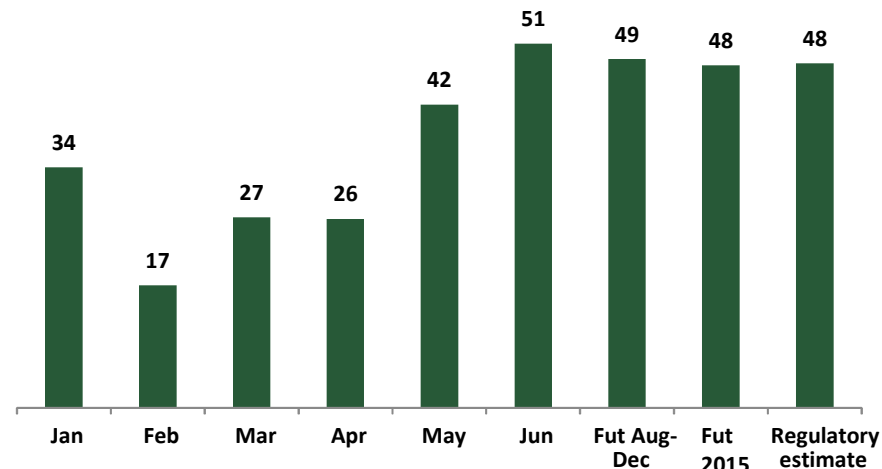
### Energy metrics



### Production per mill (MWh; excludes independent biomass plants)

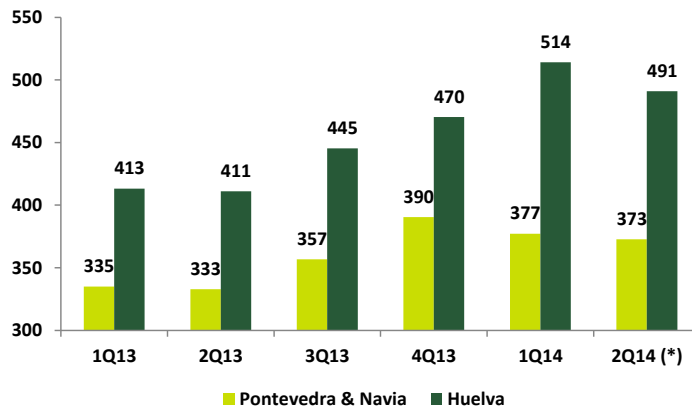
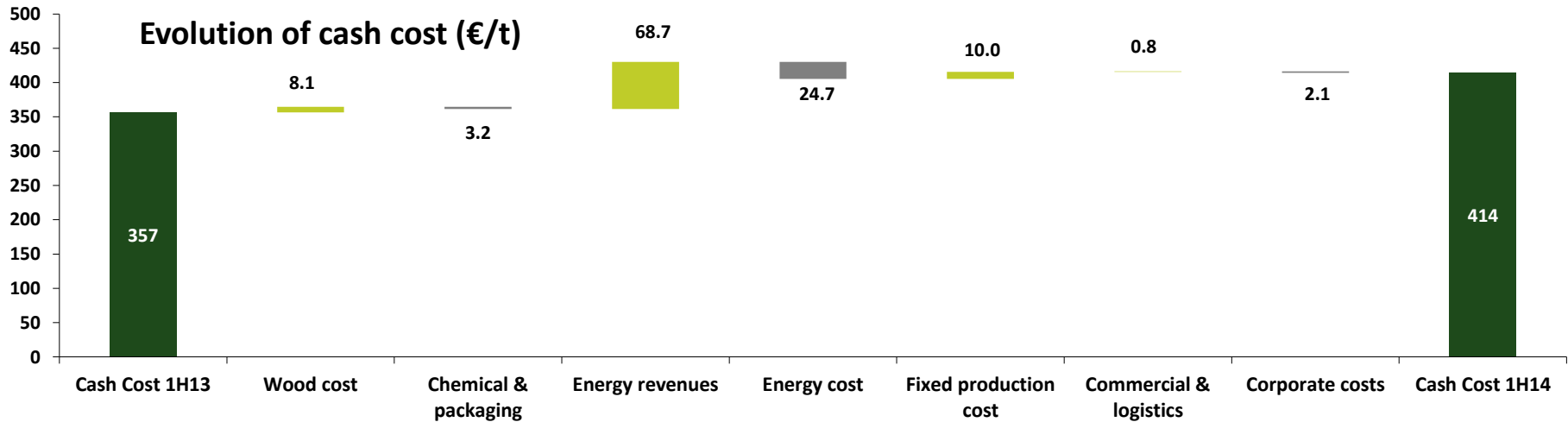


### Average pool price (€/MWh)



- Pool prices in Spain have returned to normal levels since May, with futures for coming months trading in line with regulatory estimate
- Ence keeps hedging pool prices in order to guarantee income from the electricity business

# Cash cost impacted by regulatory changes



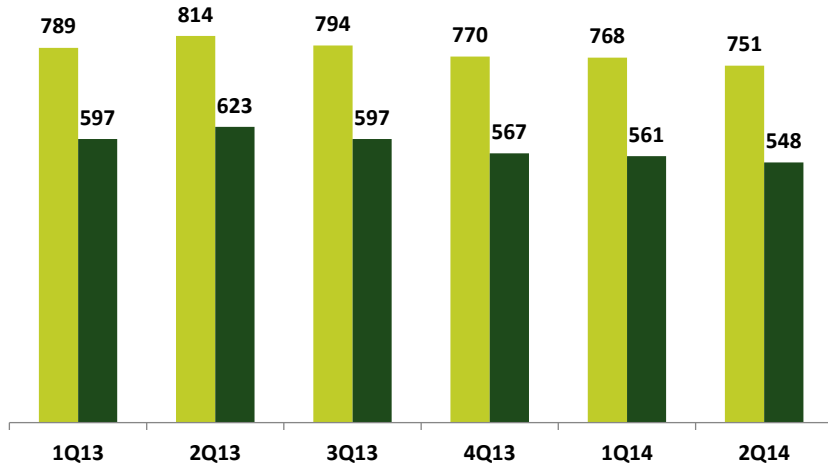
(\*) adjusted downward €6/t in Pontevedra & Navia by the effect of the strike in Pontevedra and problems in restarting Navia; and €10/t in Huelva by the effect of the strike

The cash cost of the 2Q14 has been negatively impacted by effect of strikes in Huelva and Pontevedra in June and problems in restarting Navia after maintenance stop in June

## 2 Pulp prices stabilizing close to \$730/t...

Pulp price evolution

■ \$/t ■ €/t



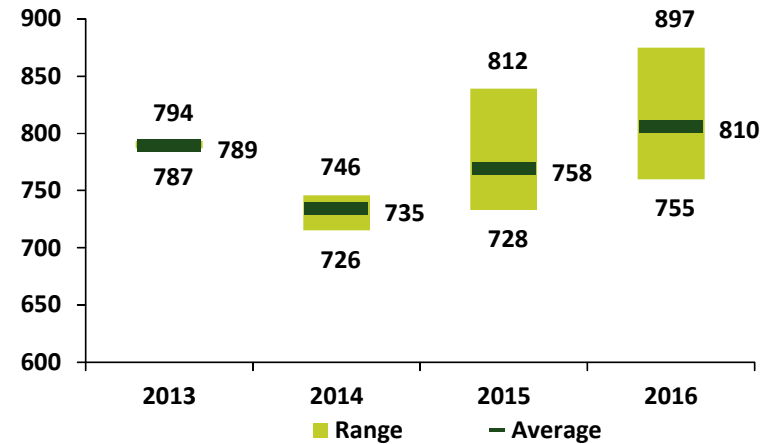
Source: Ence; Foex

Prices have averaged \$760/t in 1H14 thanks to:

- ✓ Consumer stocks at historical lows (19 days)
- ✓ Spread between soft and hardwood at maximum levels
- ✓ Strength of Chinese demand (+4% in 1H14)

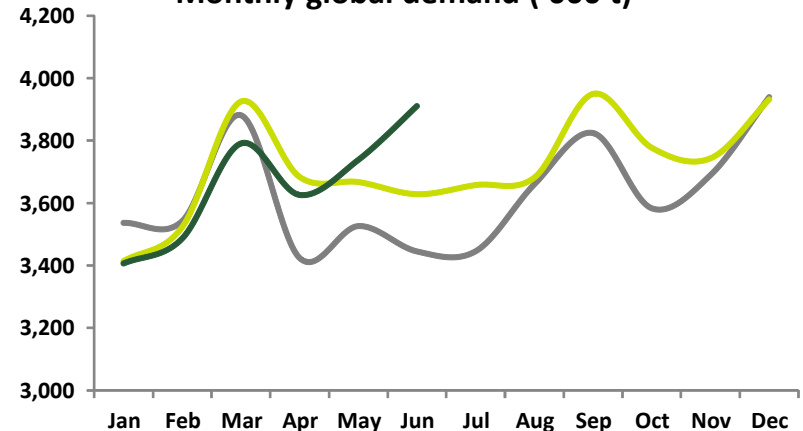
Although prices have shown a downward trend during 1H14, prices are stabilizing close to \$730/t with global demand improving since May

Analyst pulp prices forecast (\$/t)



Source: Prices are \$/t CIF North Europe; contributors: Hawkins, RISI, Terra Choice, Valoise Vision

Monthly global demand ('000 t)

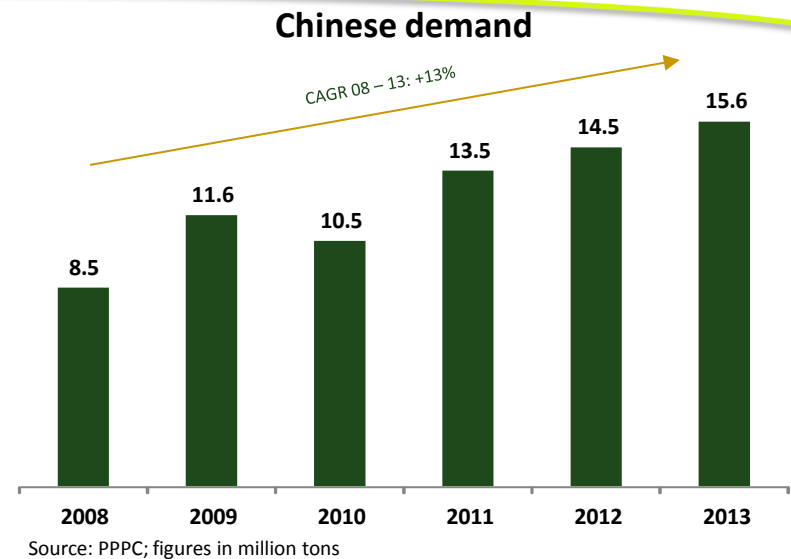


Source: PPPC

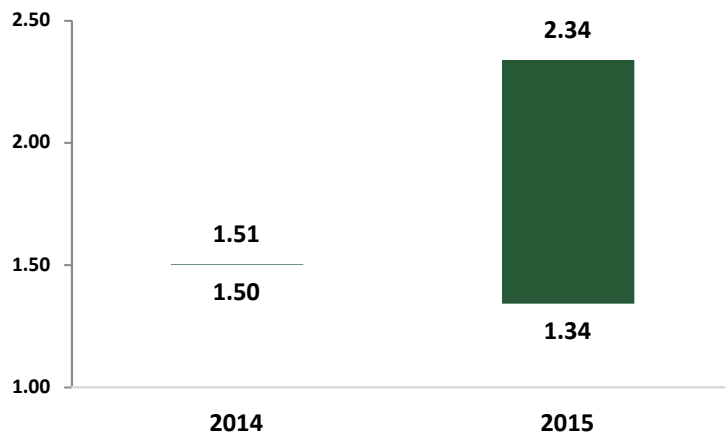
— 2012 — 2013 — 2014

## 2 ... which are set to continue in 2014 despite new expected capacity

- ✓ Demand growth has been stronger than capacity growth thanks to strong evolution in emerging markets and delays in new capacity
- ✓ New supply expected from Maranhao (1.5 Mt), Montes del Plata (1.3 Mt) and Oji (0.4 Mt) have pushed prices down in 1H14, although full impact on supply will be delayed to 2015. However, this capacity will be offset as demand is expected to increase in line with last 4 years average
- ✓ Strength of Chinese demand increasing +13% CAGR for the last 5 years (1.38 million tons of new annual demand), equivalent to a new pulp mill per year

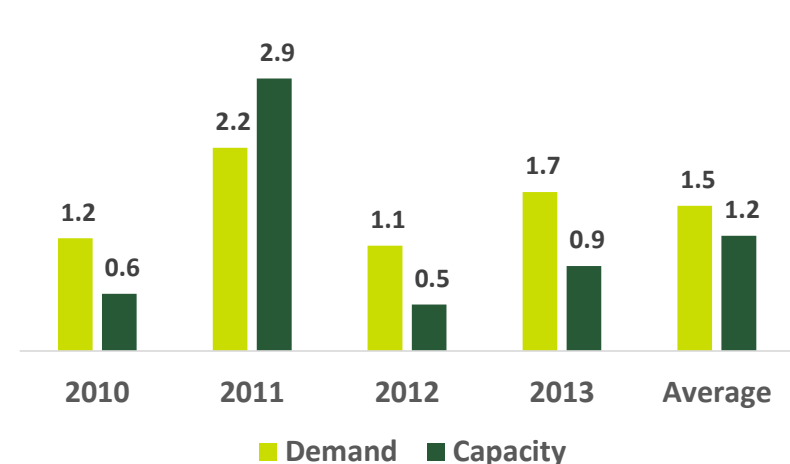


**Capacity growth range expected in 2014-2015**



Source: RISI (May-14) and Hawkins Wright (Apr-14) estimates; data in million tons

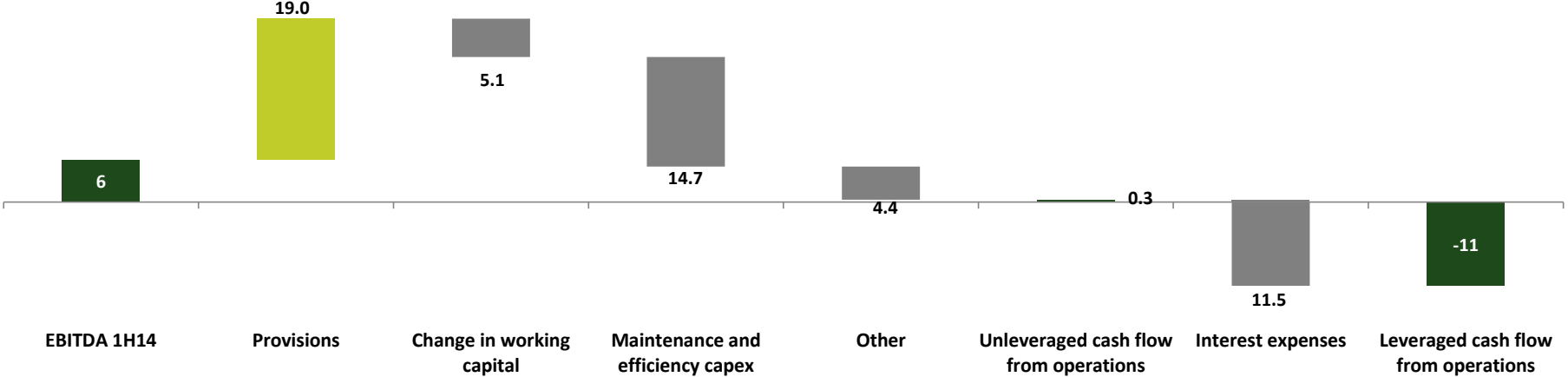
**Demand and capacity growth in 2010-2013**



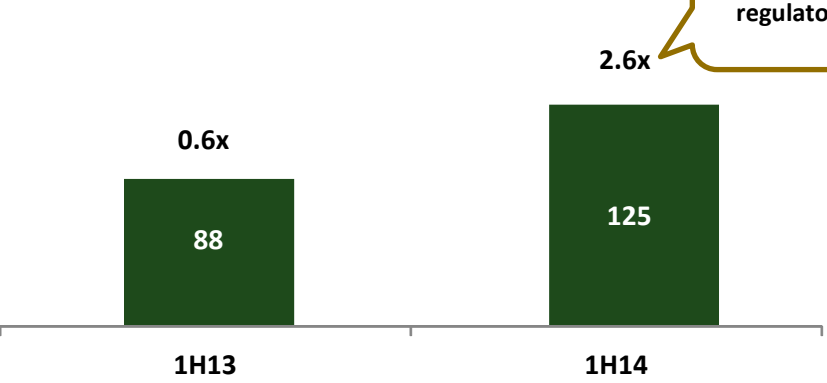
Source: PPPC; Hawkins Wright (Dec-13) estimates; data in million tons

# 3 Solid financial situation with no relevant maturities in the short term

Cash flow evolution (€M)

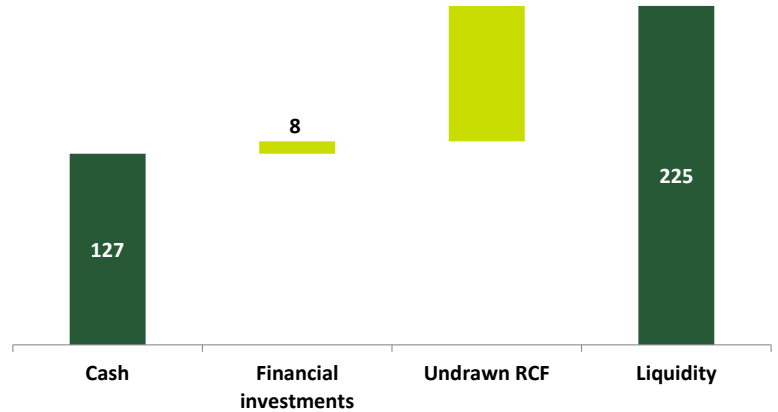


Net corporate financial debt (€M) and net corporate financial debt to EBITDA (12m)



Ratio impacted by fall in EBITDA after regulatory change

Liquidity position (€M)



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