



Energía y Celulosa

Ence, Energía y Celulosa

4Q12 Results



February 20th, 2013

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Solid operating results in 2012 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 €344/t ...

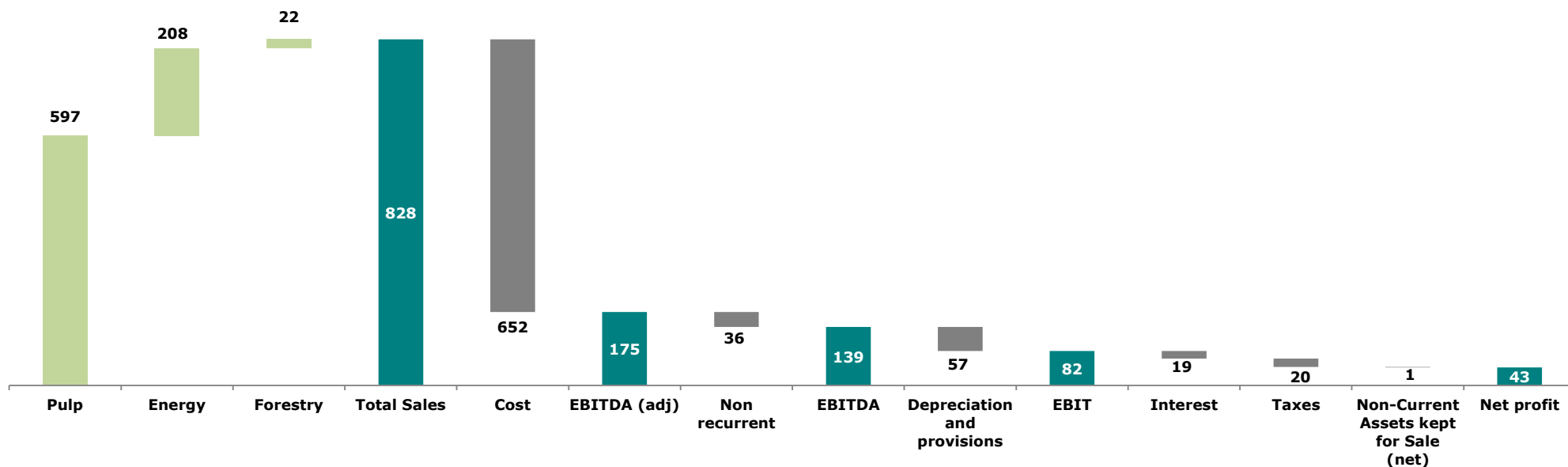
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... and the maintenance of financial strength in terms of debt and liquidity

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... with positive outlook in prices for this year after increasing to \$800/t

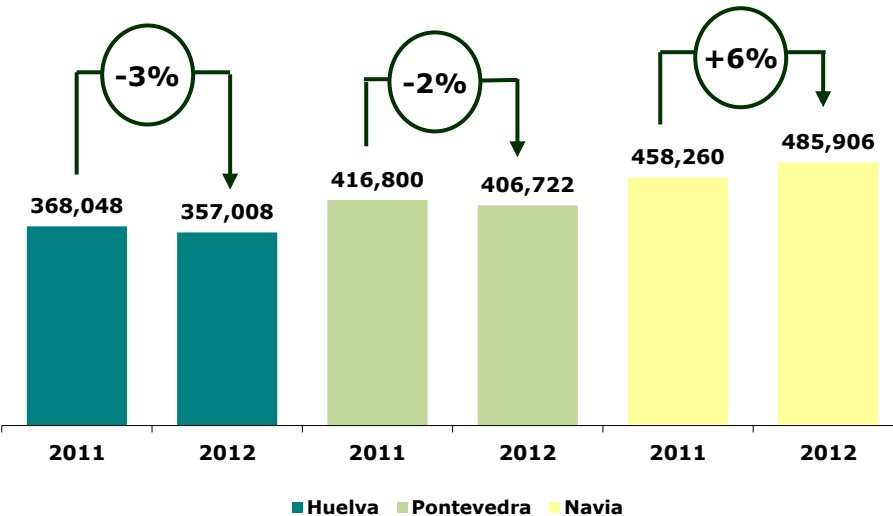
Breakdown of 2012 P&L (M€)



- **+1% growth in pulp sales in tonnes has offset the decline in the average selling price in 2012** (average pulp price in 2011 was \$800/t vs \$751/t in 2012, -1% €/t)
- **Strong increase in energy sales**, reaching an annual growth above **+13%**
- **The pulp price increase announced in January 1st to \$800/t, supports a strong results in 1Q13**

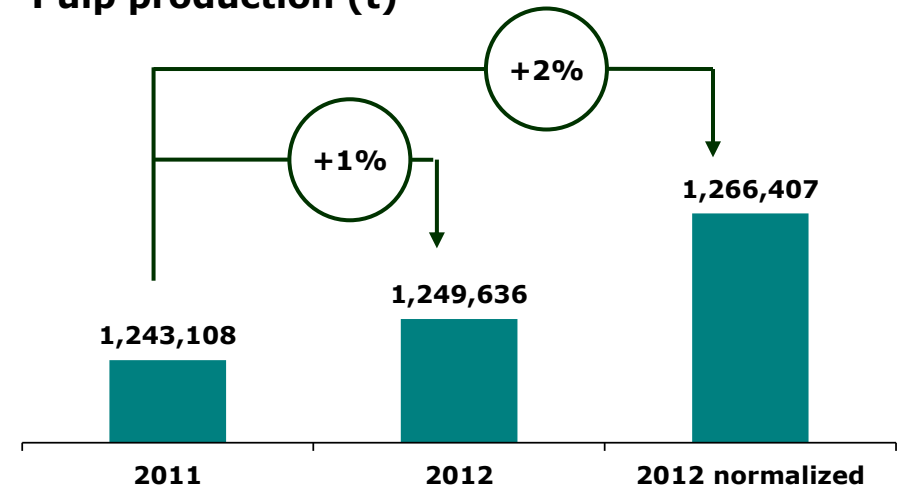
... the positive operational performance of pulp production ...

Production per plant (tons)



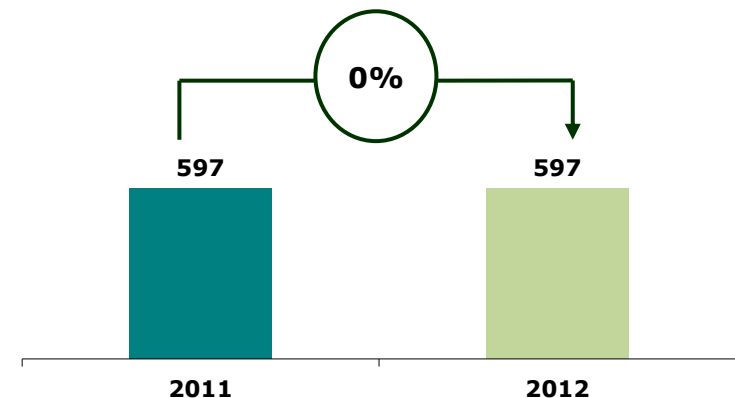
- **+1% increase in cellulose production**
- Huelva had operational problems after its maintenance stop, which have already been solved and that has reduced its output by close to 17,000t at current production level.

Pulp production (t)

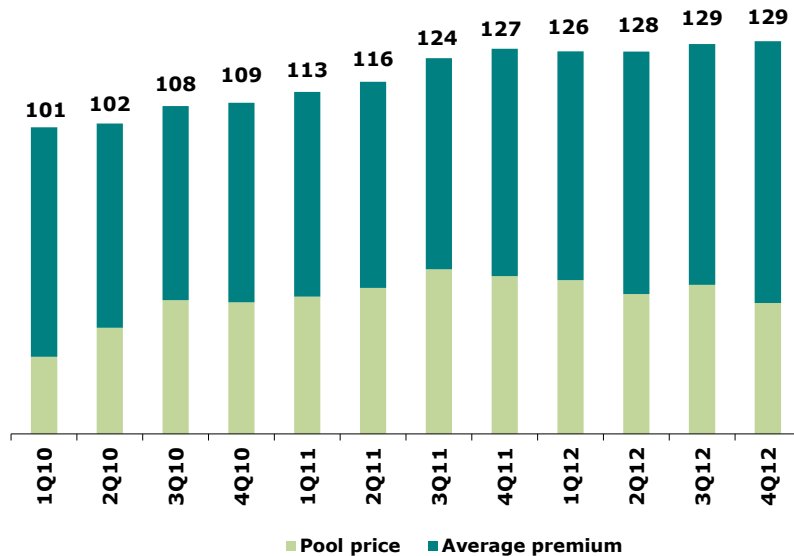
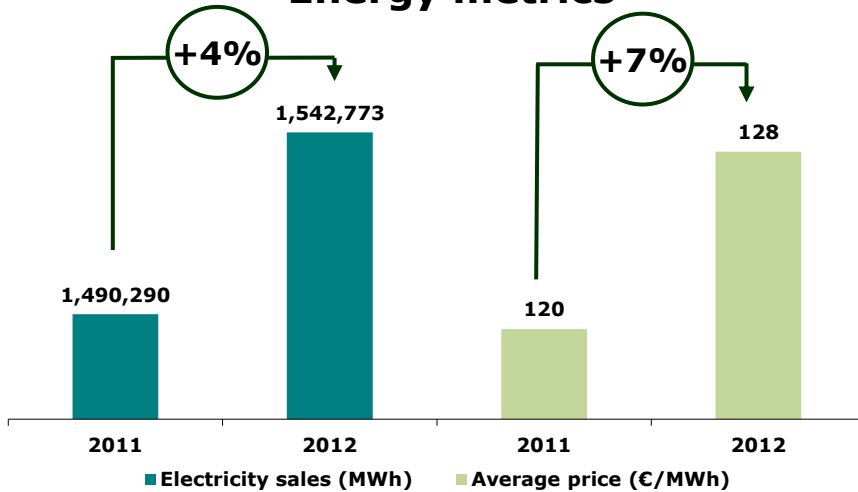


- Production increase by 1% in 2012, 2% adjusted by extraordinary stop in Huelva mill

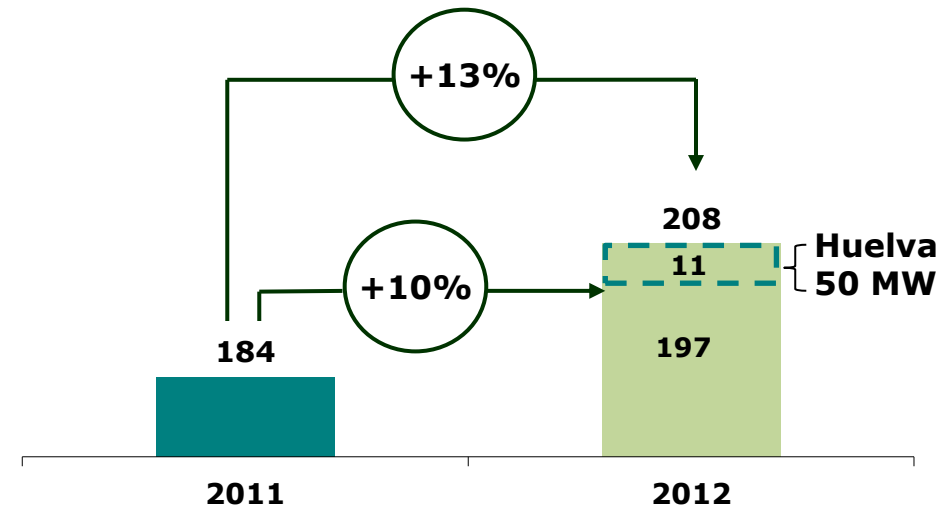
Pulp sales (€Mn)



Energy metrics

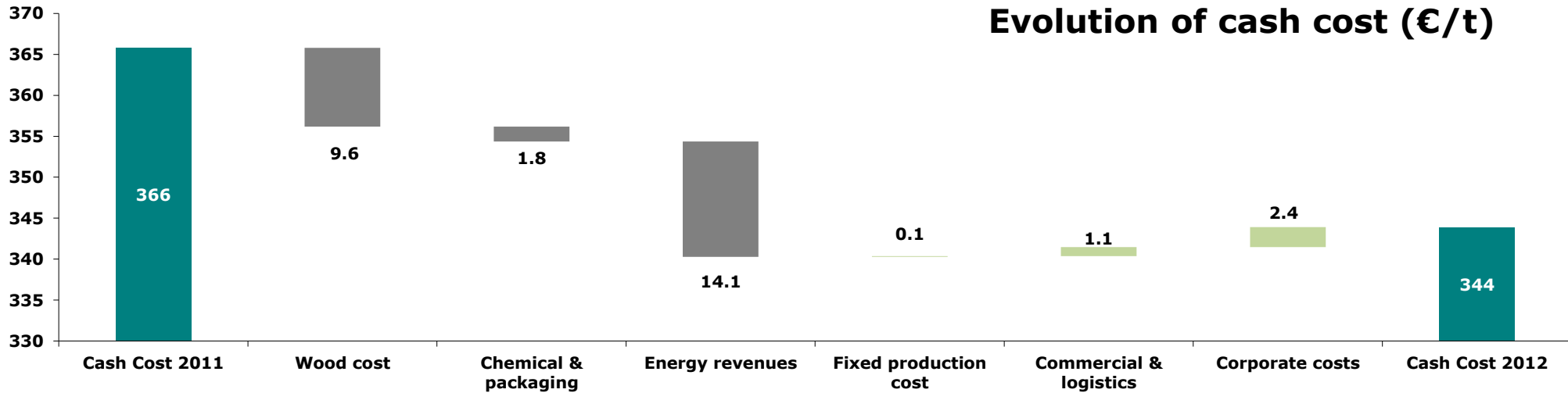


Electricity sales (€M)

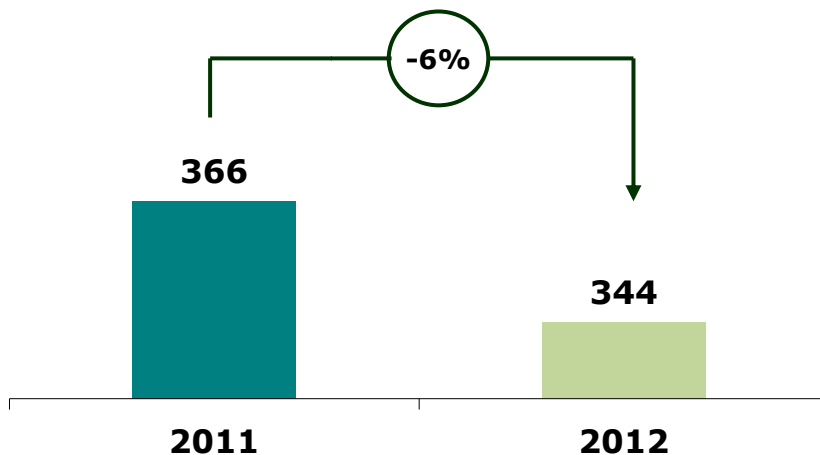


- Increased production of electricity linked to the production of cellulose (+2% for the year), while pure biomass generation increases by 9%
- Improvement in the average selling price due to the increased weight of the biomass generation in the production mix (76% of production), improved pool prices 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...

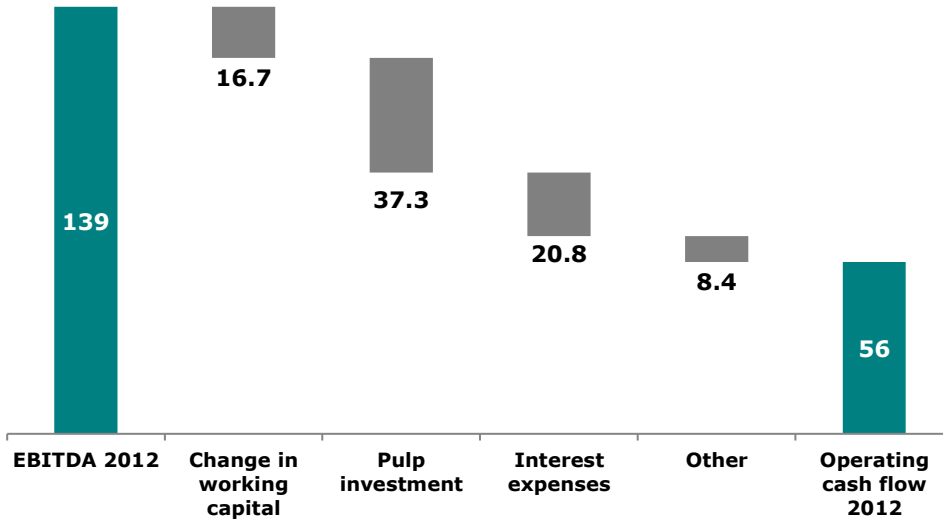


Average cash cost (€/t)



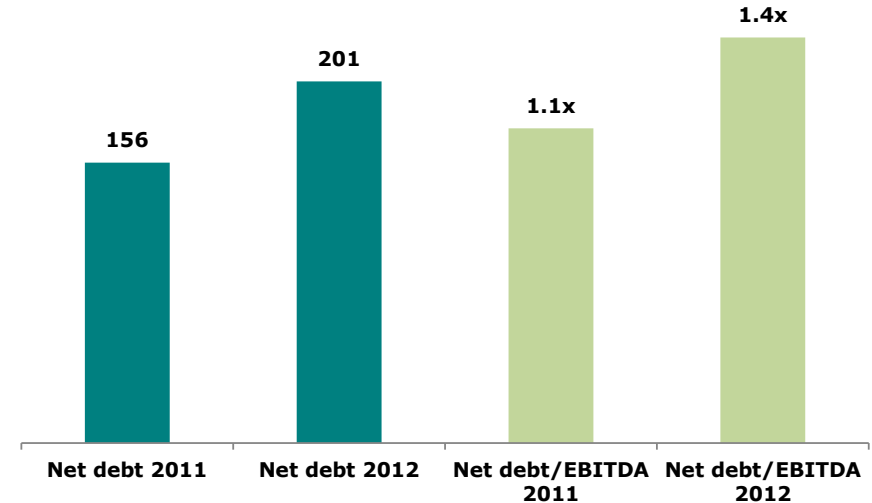
- **Further reduction of cash cost, down -6% from 2011 highs to €344/t in 2012**, due to lower wood cost, higher energy production and reduced variable costs
- **The production growth** (greater dilution of fixed costs and better usage ratios of raw materials), **the active management of wood supply, increased energy efficiency and reduction of fixed costs**, will further reduce costs in the coming months

Breakdown of operating cash flow after investments in pulp (€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



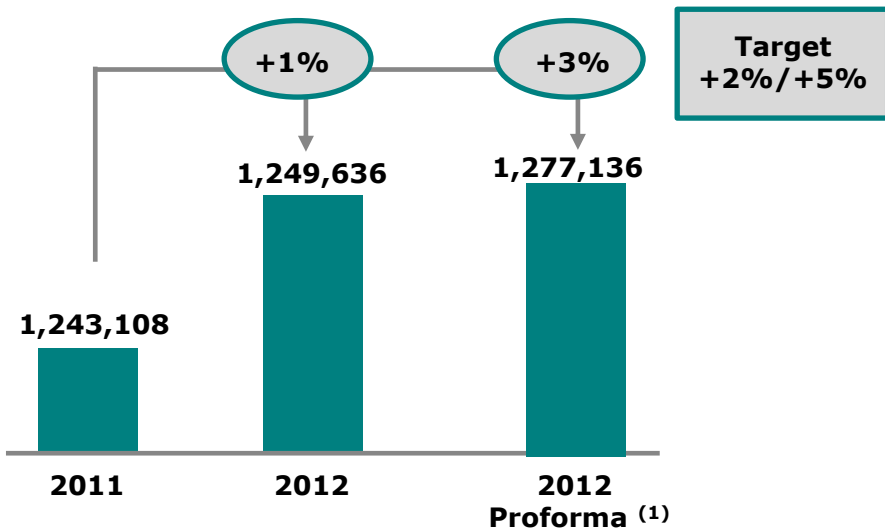
- **Strong operating cash flow thanks to a solid management of working capital and capex**, in an environment of lower average prices
- **Net financial debt with recourse remained stable**, with low leverage of **1.4 times EBITDA** of the last twelve months
- Additionally, **there is a €96M non-recourse debt related to the "project finance"** successfully signed for the construction of the 50MW plant in Huelva and 20MW plant in Mérida

2012 performance versus year-end target

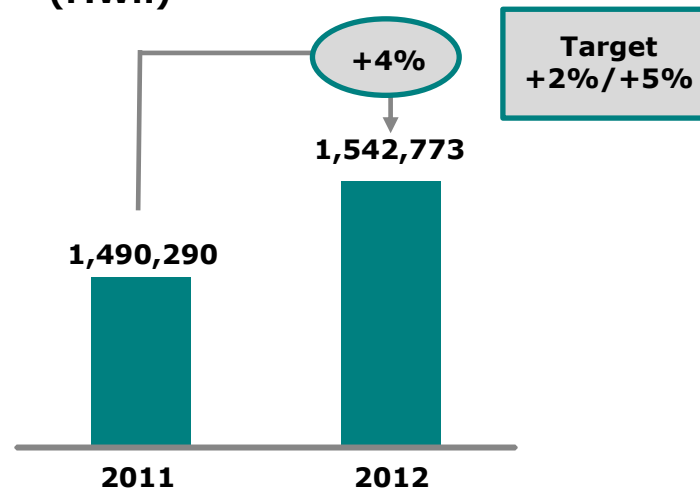


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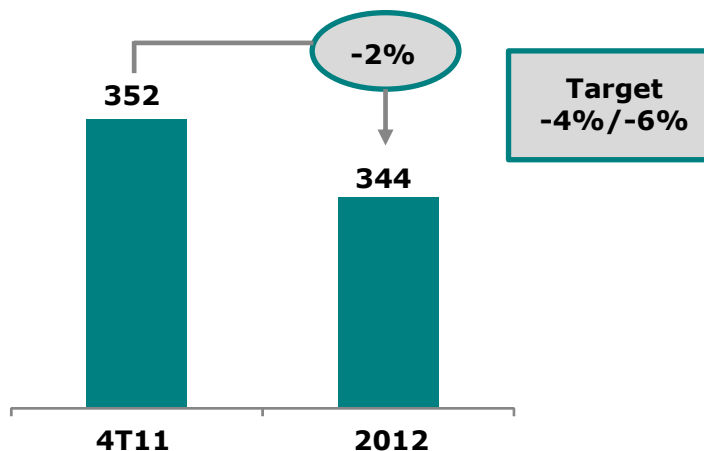
Pulp production (tones)



Electricity sales (MWh)



Cash cost (€/t)



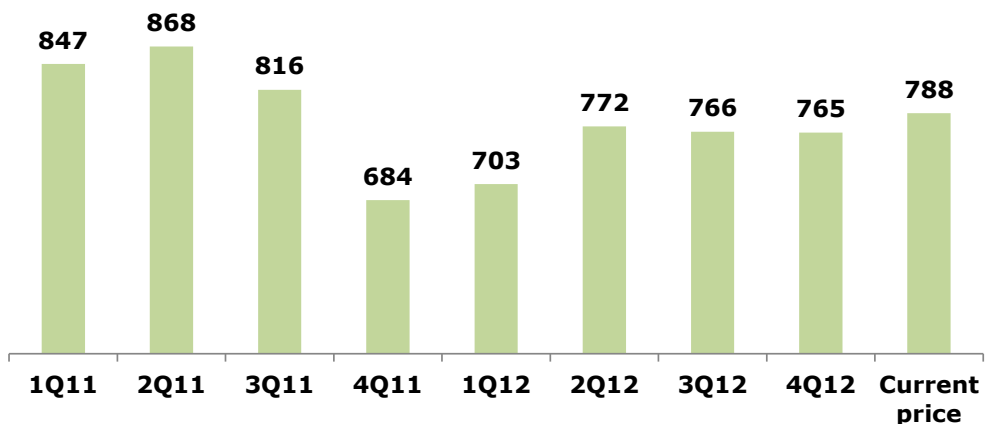
(1) Excluding production losses related to extraordinary shutdown in Huelva after maintenance and effect of general strikes (27,500 tones)

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



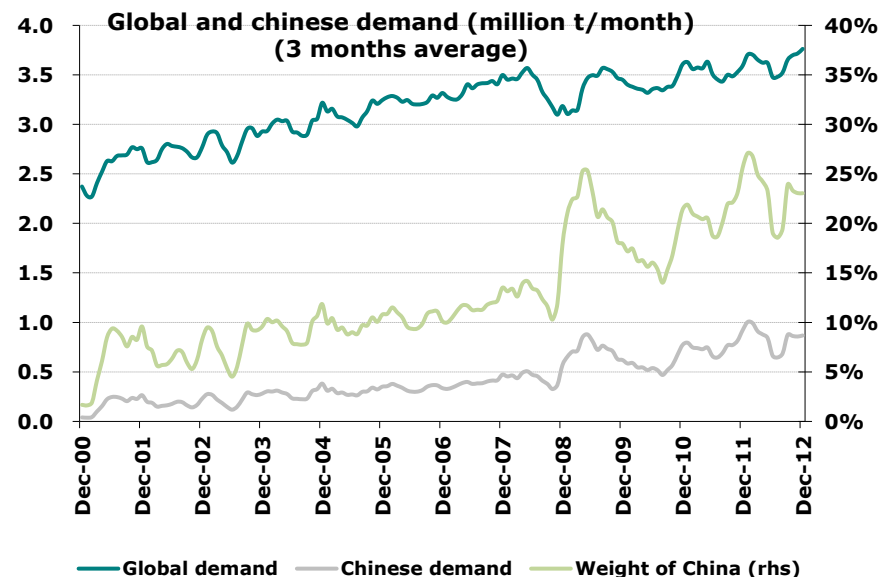
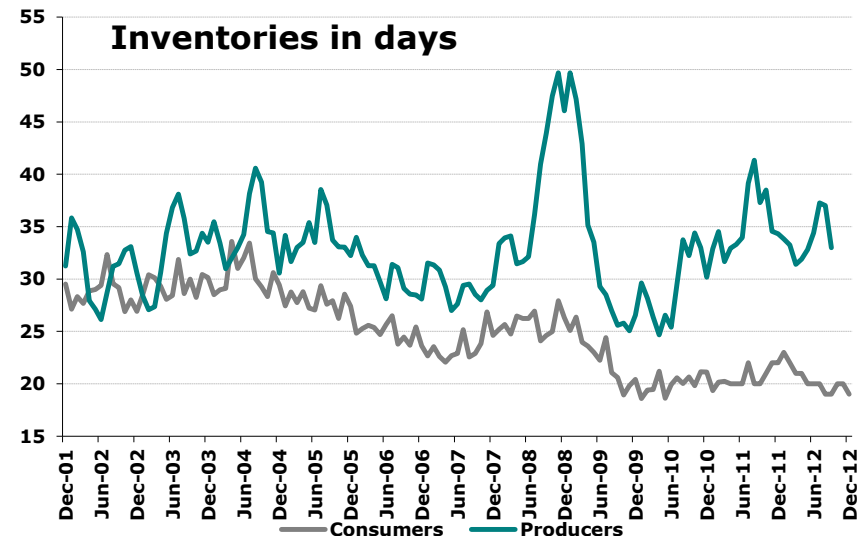
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Evolution of pulp prices (\$/t)



Source: Ence; Foex

- **The price of short fiber rose to \$790/t in late June**, 22% above the minimum \$650/t reached in December, **before declining to \$750/t in September** under an environment of lower seasonal demand
- The strength of demand on the basis of Chinese growth, the current low inventory levels and the recovery of demand in 4Q12 drove **prices back to \$780/t by year end and \$800/t in 1Q13**
- **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**

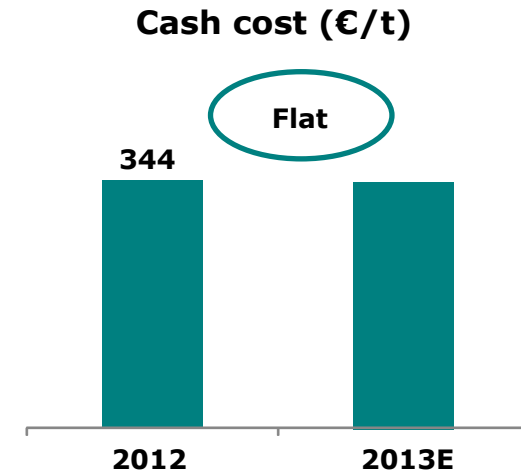
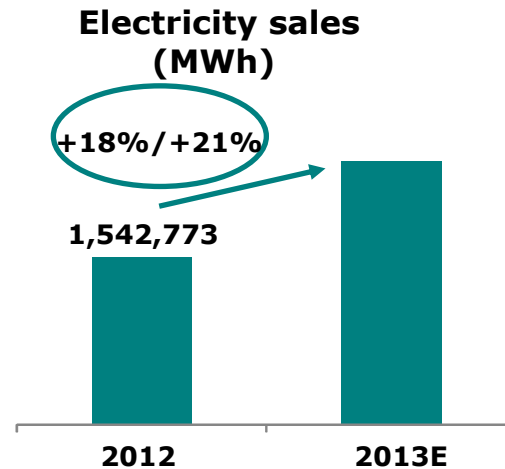
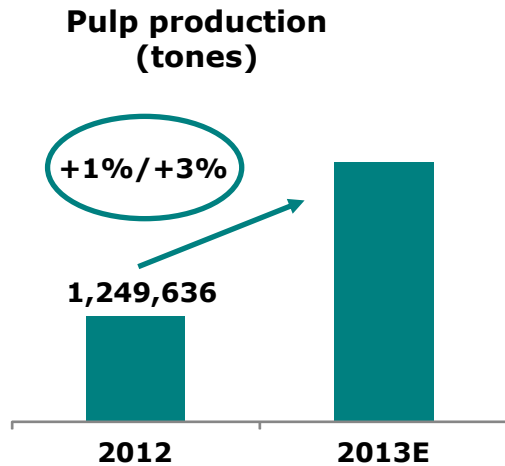


Source : PPPC

Positive 2013 operational outlook amid supportive pulp pricing environment



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- Increasing the availability and efficiency of industrial facilities to keep utilization ratios above 96%
- Reducing energy self-consumption to increase the electricity surplus to the grid
- Benefiting from the 50MW pure biomass generation facility start-up
- Improving supply, logistics and mix of biomass fuels to guarantee stable production of biomass fired power plants

- Improving wood costs through greater efficiencies in procurement and lower weight of imports
- Reducing corporate fixed costs
- Higher dilution of fixed costs due to increase in production
- Greater impact of TQM (Total Quality Management) in the reduction of fuel, chemicals and wood consumption

Compensating the negative impact of recent regulatory measures in energy

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