

Ence Energía y Celulosa

1Q15 Results

April 30th, 2015



Implementing EBITDA ramp up, focusing on cash cost reduction and delivering our planned targets within the current positive environment

1Q14 Recurrent annualized EBITDA over €50 M

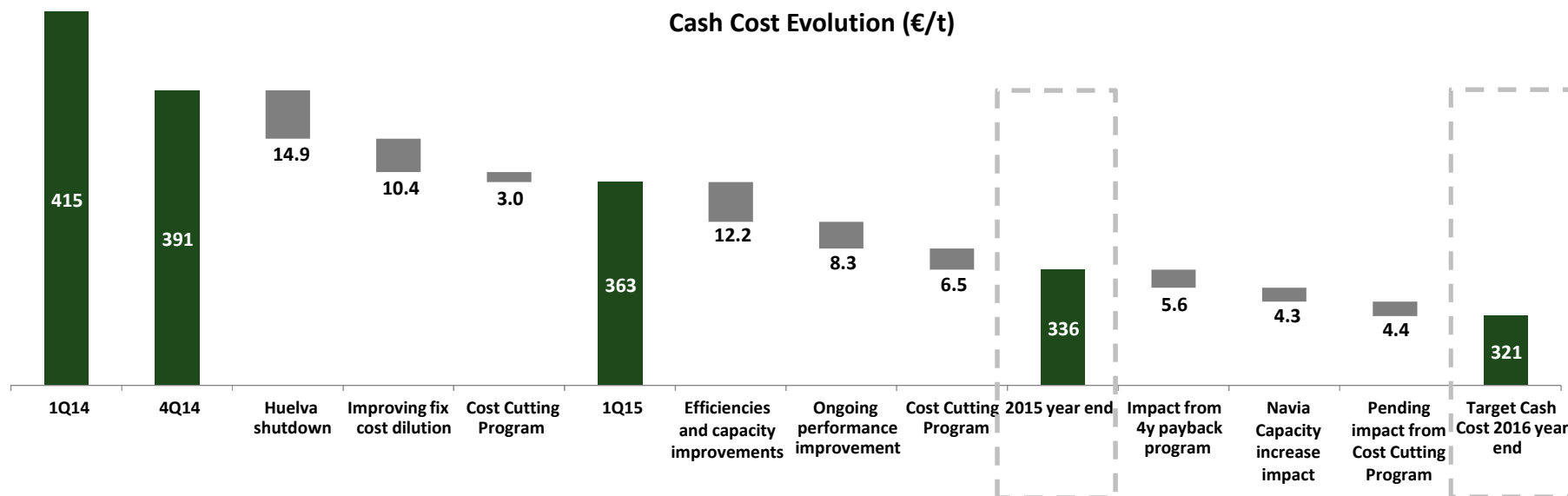
- Pulp price at €561/t resulting from a 1.37 USD/EUR exchange rate and \$768/t pulp price
- Cash cost at €415/t

1Q15 Recurrent annualized EBITDA over €150 M and heading north...

- Pulp price at €663/t resulting from a 1.13 USD/EUR exchange rate and \$749/t pulp price
- Cash cost at €363/t

- ✓ ENCE maintains its focus on the implementation of savings and efficiencies increasing its EBITDA boosted by the current USD and pulp price environment
- ✓ Both, Navia 4 Year Payback Investment program, as well as its capacity increase, on track to be executed during the maintenance shutdown schedule for June
- ✓ Quarterly EBITDA will increase during the year

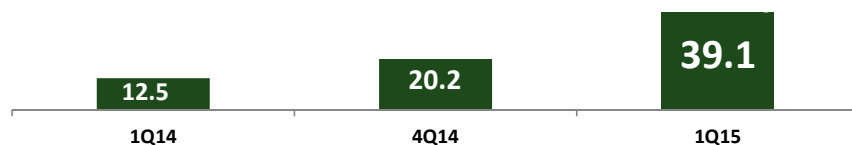
Cash cost continues heading south: €336/t year end



- ✓ Cash cost reaching €363/t level and continuing the implementation of our Cost Cutting Program
- ✓ €336/t cash cost level for year end and further reduction to €321/t by year end 2016

Results continue to improve as expected...

Adjusted EBITDA (€M)



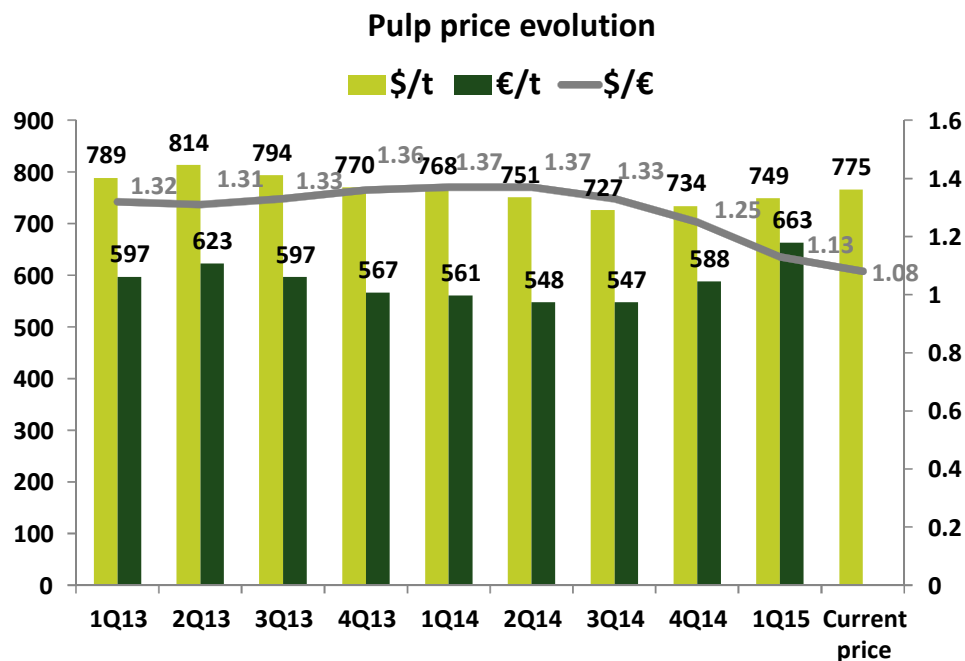
€M ⁽¹⁾	1Q14	4Q14	1Q15
Net profit	(14.8)	(10.3)	9.7
Non-recurrent adjustments	2.8	5.3	3.4
Tax credit adjustment	-	10.4 ⁽²⁾	-
Recurrent net profit	(12.0)	5.4	13.1

- ✓ ENCE's results show a positive evolution during 2015
- ✓ Competitiveness Program continues its implementation clearly improving our EBITDA
- ✓ Non-recurrent in 1Q15 adjustments mainly include provisions related to the long term bonus plan after the strong share performance
- ✓ Recurrent net profit stands at €13 M levels.

(1) All figures after tax

(2) due to the new tax regulation approved last November 2014, reducing the company tax from 30% down to 28% in 2015 and to 25% in 2016 resulting in a tax loss carry-forward base adjustment

... continue to benefit from the exchange rate appreciation and high pulp prices



Source: Ence; Foex; PPPC

- In 2014, BEKP demand rose +9%
- BEKP prices (\$/t) improved up to \$759/t at the end of March recovering after bottoming down to \$724/t last September
 - ✓ Consumer stocks continue at 19 days historical lows
 - ✓ Spread between softwood and hardwood prices continues over historical levels at \$120/t
 - ✓ Chinese demand increasing from 3% up to 8%
- Pulp price continues its increasing trend up to \$810/t levels, announced by Ence and followed by other market players, effective as of May 1st, 2015

A 5% US\$ appreciation or a 5% pulp price increase would have a €20 M positive impact on ENCE's EBITDA

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1 1Q15 Results

1.1 Pulp Business

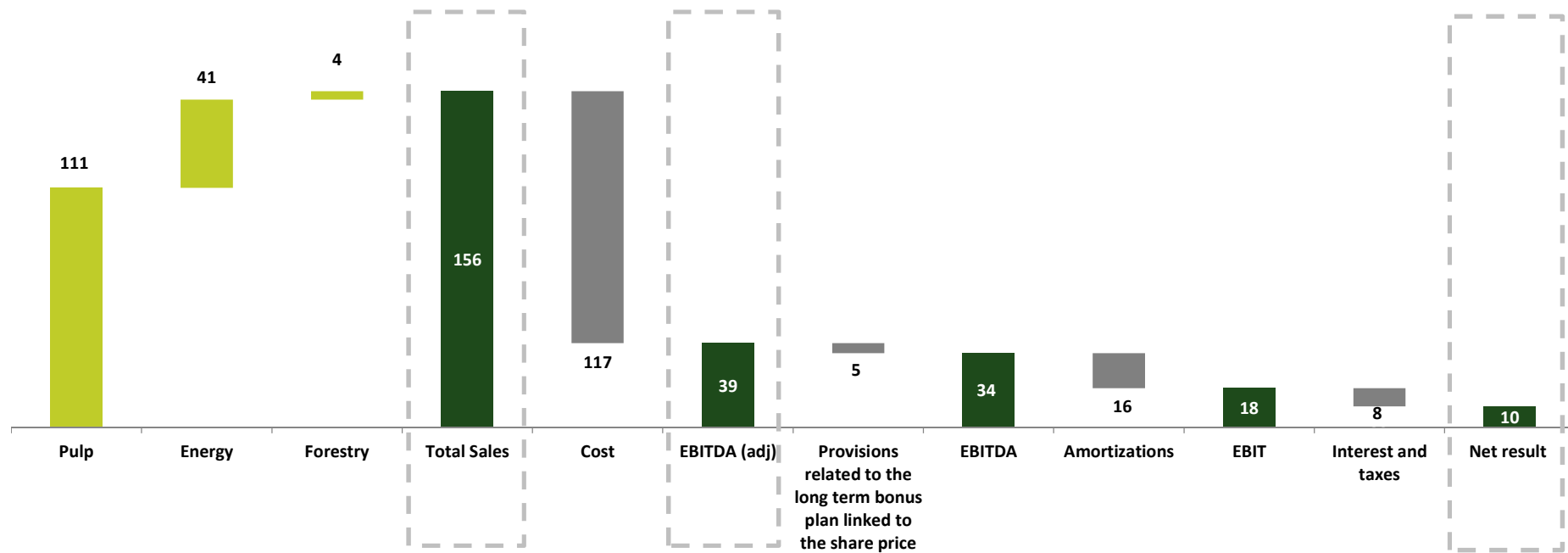
1.2 Energy business

2 Cost Cutting Program on track

3 Solid Cash Flow generation and liquidity position

4 Solid market pulp fundamentals

1Q15 Results



- 1Q15 Recurrent EBITDA reached €39 M compared to €12 M in 1Q14 and €20 M in 4Q14
- Net profit in 1Q15 stands at €10 M highly improving from the -€15 M and -€10 M losses from 1Q14 and 4Q14

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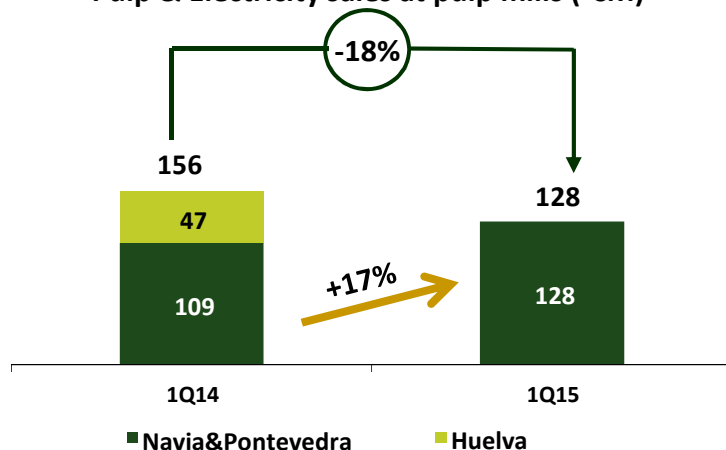
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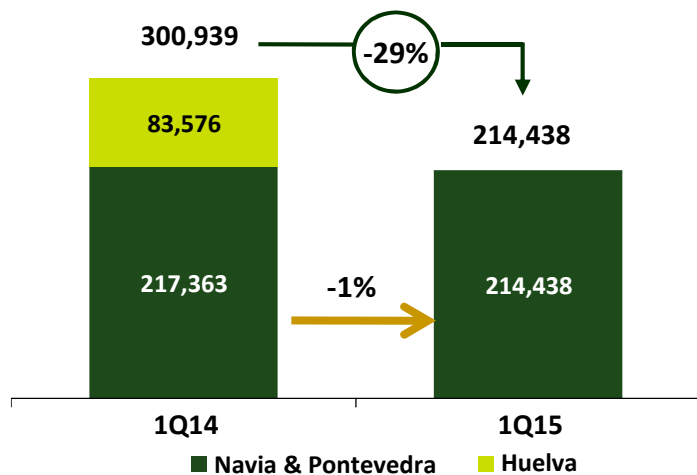
Northern Pulp Mills increasing sales due to higher pulp prices...

Pulp & Electricity sales at pulp mills (€M)

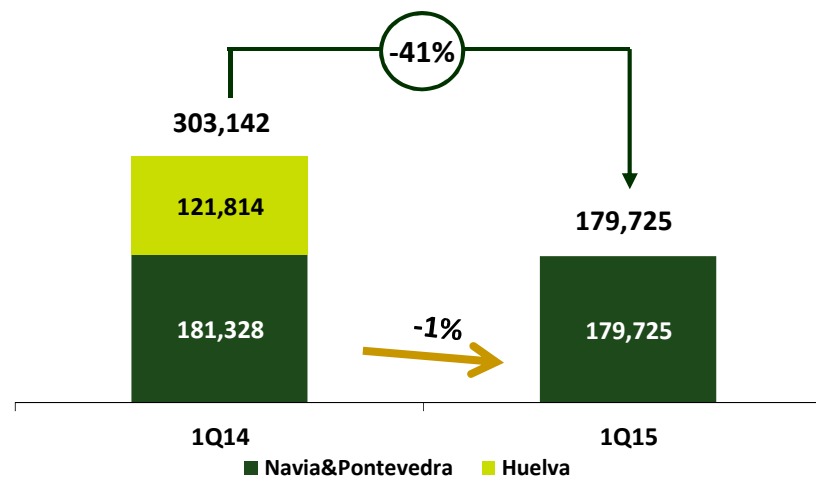


- ✓ Reduction in quarterly sales are fully explained by the Huelva shutdown
- ✓ Focusing on our current Northern mills sales increased from €109 M in 1Q14 up to €128 M in 1Q15
- ✓ Pulp production was some 1% lower fully explained by 10 days maintenance shut down in Pontevedra in March 2015 vs 7 days in March 2014

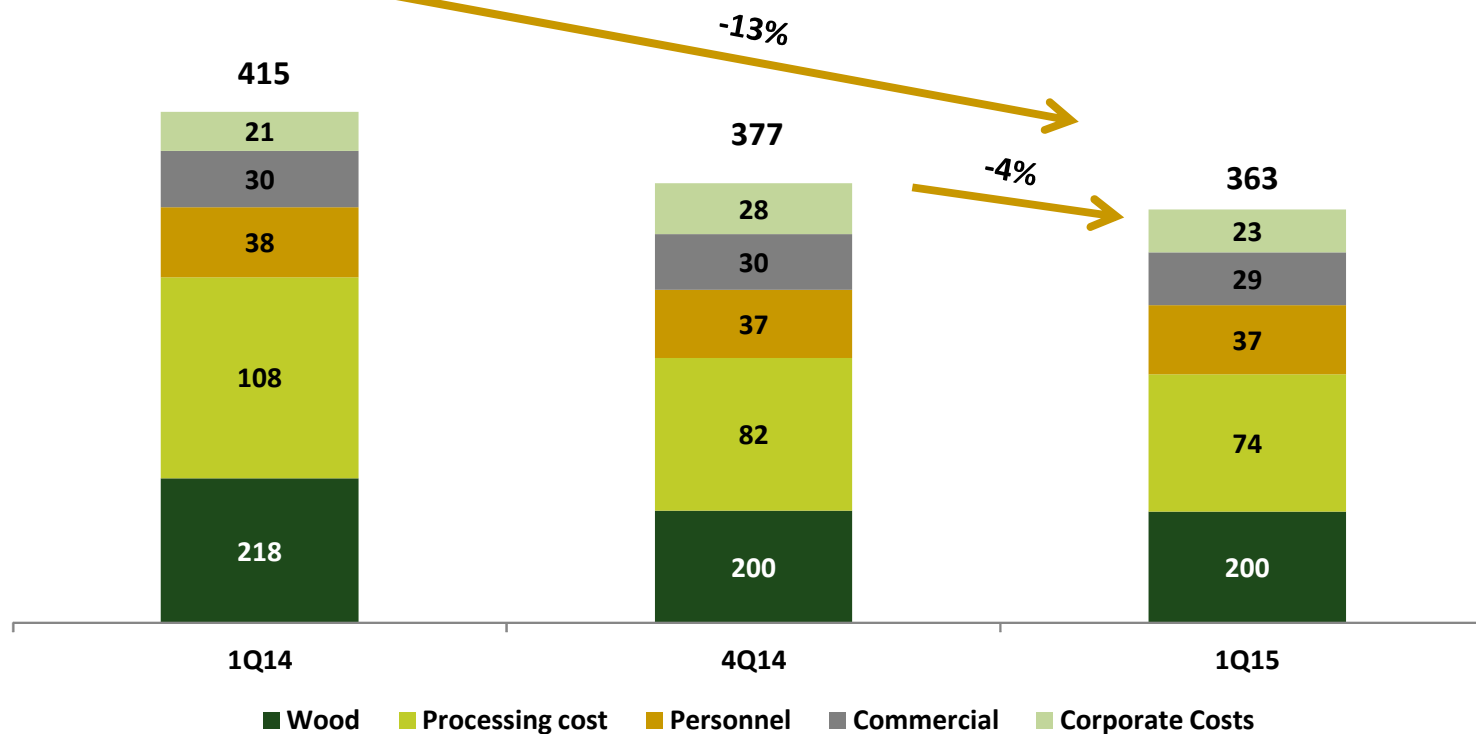
Pulp production per plant (tons)



Electricity production at pulp mills (MWh)



...reducing average cash cost levels in our mills



Note: figures in €/t

- ✓ Cash cost reductions are due mainly to reductions in corporate and processing costs, and to the Huelva shut down
- ✓ €336/t target for year end

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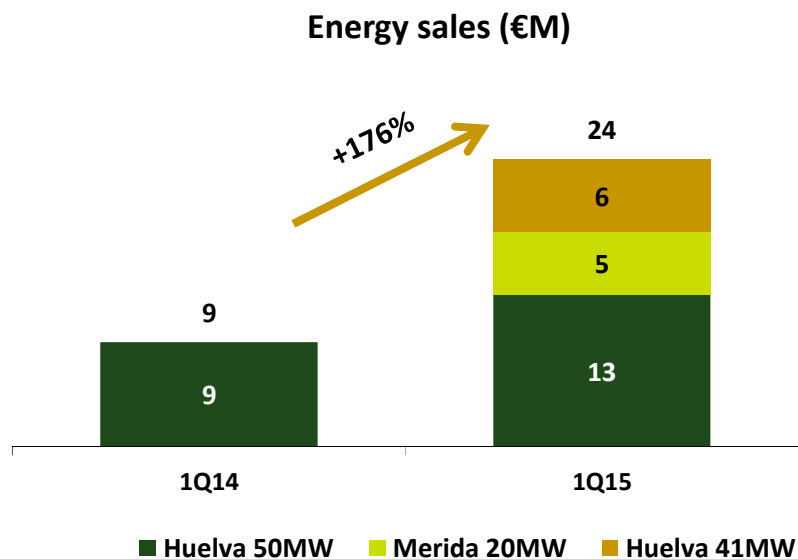
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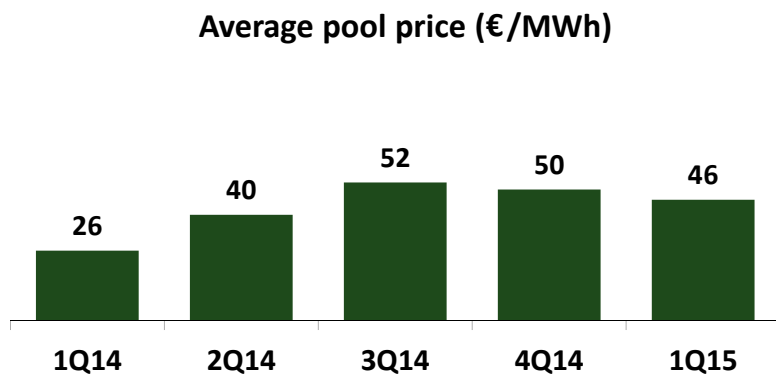
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Energy business also significantly increasing sales after additions of new biomass power plants...



- ✓ Independent biomass plants generation increased by 132% thanks to the Merida 20MW and Huelva 41MW contribution
- ✓ Sales increase of 176% or €15 M also pushed by higher electricity prices
- ✓ Average electricity income increased by 19% in 1Q15 vs 1Q14 from €120/MWh up to €142/MWh



- ✓ Pool prices remained at €46/MWh in 1Q15, recovering from 1Q14 lows
- ✓ Ence implemented a hedging program for pool prices:
 - €46/MWh average for full 1H15 production
 - €50/MWh, average for 50% of 2H15 production

...contributing €8 M to the EBITDA, and expected to improve after the Huelva 41MW maintenance shutdown

Huelva 50MW

Huelva 50 MW contributed €5.4 M to ENCE's EBITDA in 1Q15, €0.4 M above our forecast. We expect to continue its strong performance.

Merida 20MW

Merida 20MW plant contributed €1.4 M to the corporate EBITDA in 1Q15, €0.4 M less than expected, due to higher than expected biomass prices related to higher moisture contents which should be solved during the year.

Huelva 41MW

Huelva 41MW contributed €1.4 M to the EBITDA, €1.6 M less than expected, forced by a 17MW operating limitation due to a higher particle emission generation to be solved during the current maintenance shut down ending April the 30th.

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Pending implementation of our Competitiveness Recovery Plan

	EBITDA increase from 2Q15 onwards	2015 – 2016 Capex	Update	Impact €/t ⁽¹⁾
Non-Investment Cost Cutting Program	€6.0 M in 2015	-	<input checked="" type="checkbox"/> €4 M to be shown in 2015 from measures implemented in 2014	€4.3/t in 2015
	€4.1 M in 2016	-	<input type="checkbox"/> €6 M under implementation, of which €2M are expected to be achieved in 2015	€2.2/t in 2015 €4.4/t in 2016
2 year payback investment program	€5.3 M in 2015	-	<input checked="" type="checkbox"/> €5.3 M to be shown in 2015 from 2 year payback investments executed in 2014	€5.7/t in 2015
4 year payback investment program	€2.7 M in 2015 €5.2 M in 2016	€26 M	<input type="checkbox"/> 4 year payback investments to be implemented in 2015-2016	€2.9/t in 2015 €5.6/t in 2016
Capacity increase	€3.3 M in 2015 ⁽²⁾ €4.0 M in 2016 ⁽²⁾	€30 M	<input type="checkbox"/> Navia Mill capacity increase to be implemented between 2015 and 2016	€3.6/t in 2015 €4.3/t in 2016

TOTAL

€30 M

€56 M

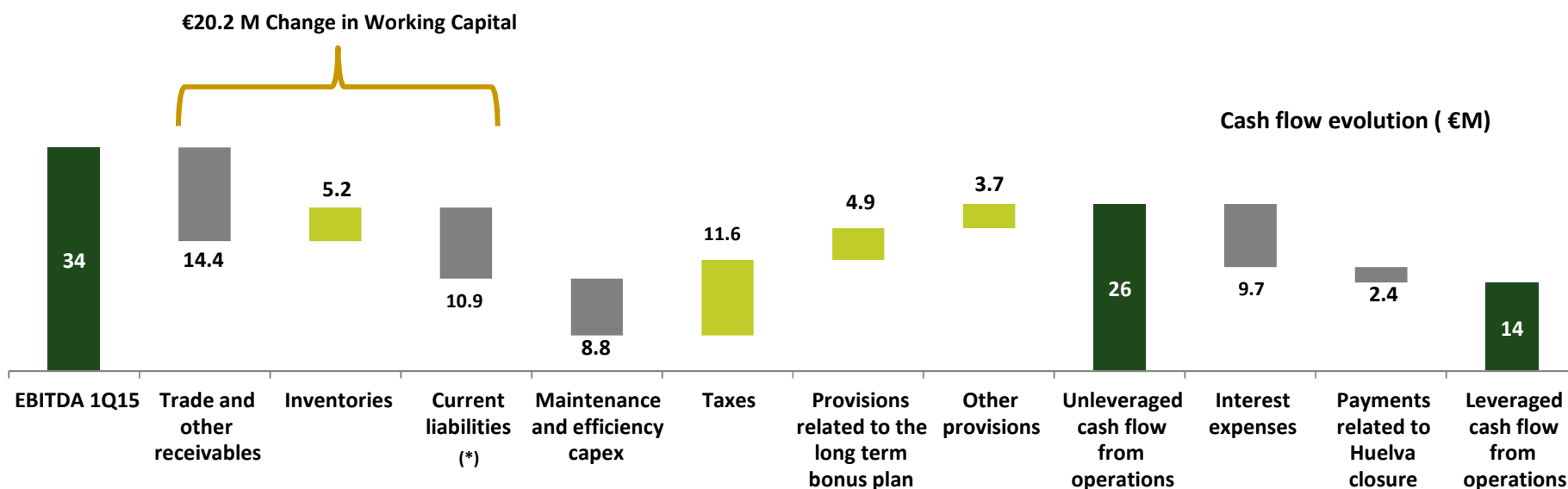
- ✓ €61 M capex already invested in 2014 with
an EBITDA generation in the year of €54 M
- ✓ 3€/t cost cutting achieved in 1Q15

(1) Based on 0.93 Mt of net capacity
(2) Based on current pulp market environment

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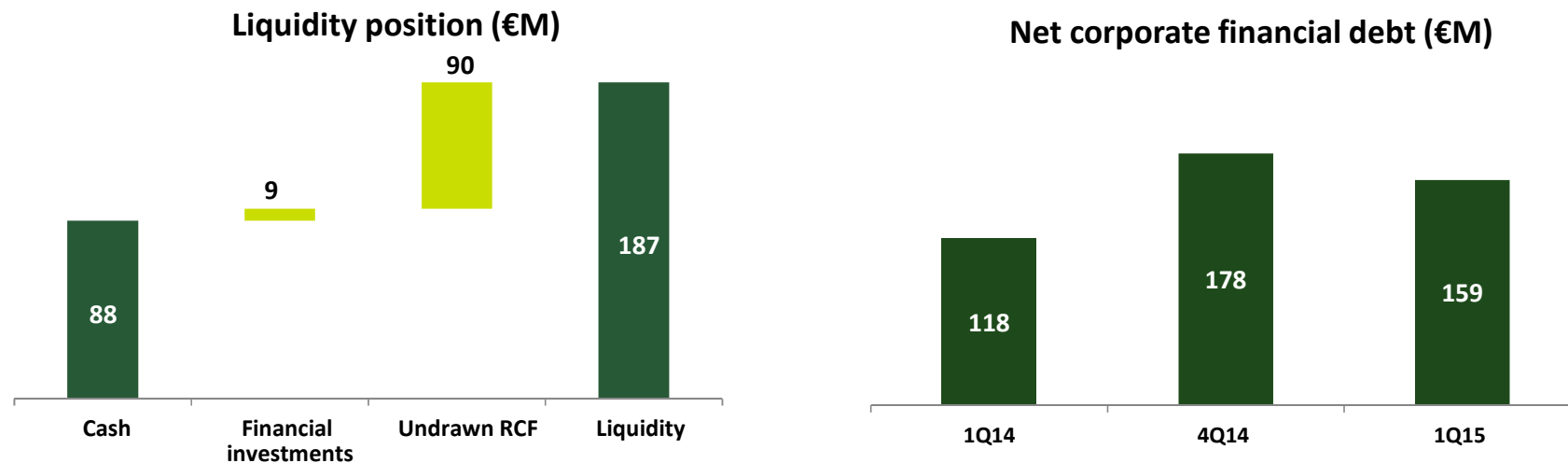
Solid Cash flow generation recouping proceeds used for the turn around of the Company...



Good conversion of €34 M EBITDA into €26 M of unleveraged cash flow from operations

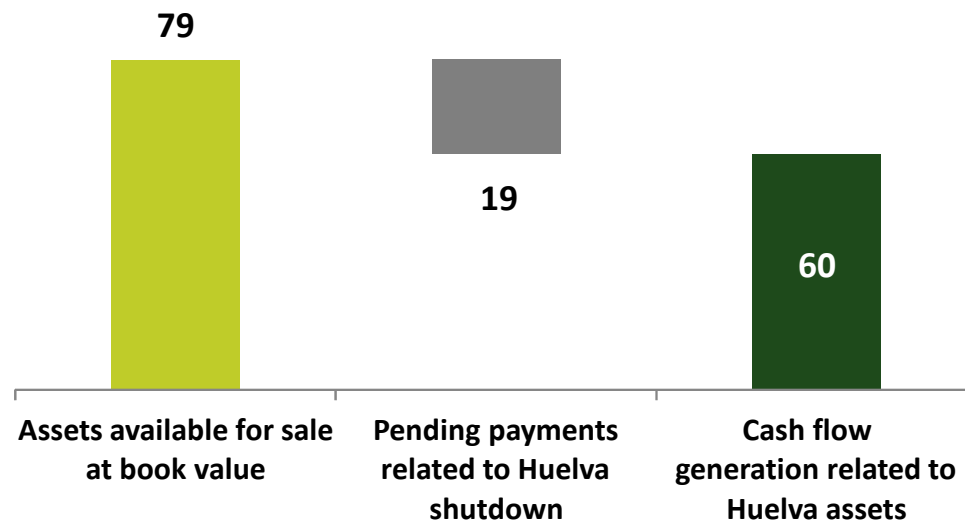
(*) Includes €4 M related to suppliers and €4 M related to payments to employees

...positively enhancing the liquidity position and reducing its net debt...



- ✓ Ence maintains a strong liquidity reducing its net corporate debt position by €19 M during 1Q15, maintaining its long term profile
- ✓ €250 M Bond maturing in 2020 - 3 year call protection ending February 2016 with 10% call currently under execution
- ✓ €90 M RCF fully undrawn, maturing in 2018
- ✓ €108 M Project Finance Facilities with maturities in 2019 and 2027

... which would be partially compensated through an asset disposal program



- ✓ Firm offers received for 662 hectares out of the total 3,000 hectares of former energy crops plantations for a total consideration of €17 M. All 3,000 hectares recorded for a book value of €34 M.
- ✓ Firm offers for the real estate assets recorded for €4 M have also been received.
- ✓ Huelva industrial assets disposal program (€39 M) on track to target during the year
- ✓ €2.4 M out of the total €21 M have being paid during 1Q15 related to Huelva shutdown process; €19 M is pending

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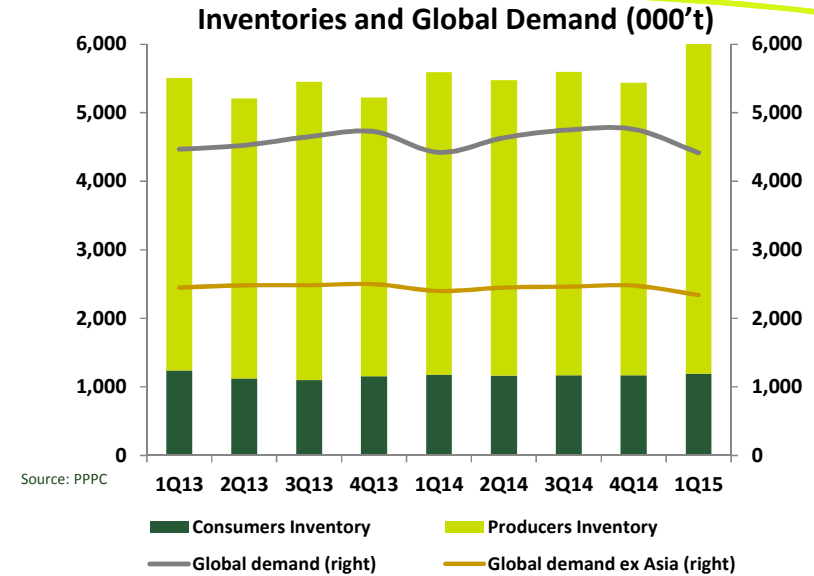
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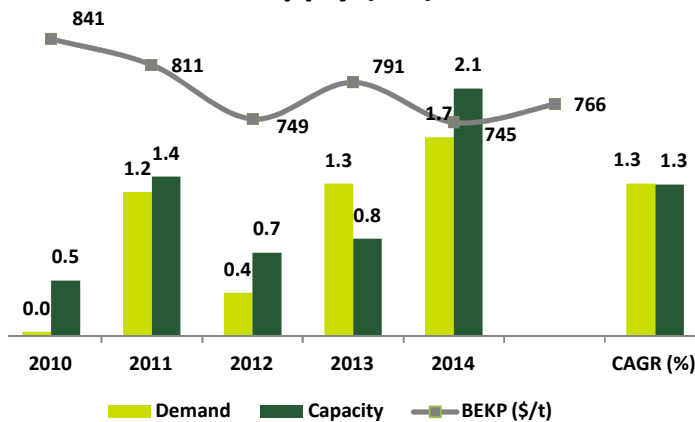
4 **Solid market pulp fundamentals**

Pulp prices continue their recovery, rising to above 800\$/t levels, due to strong demand and low inventories

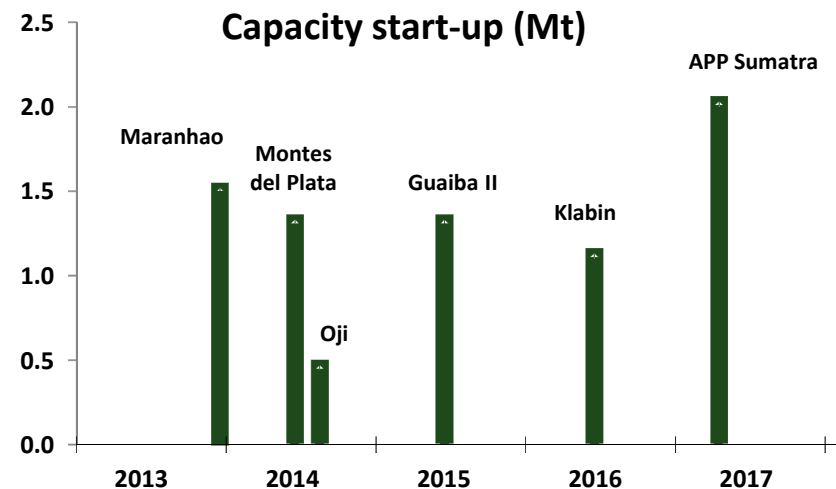
- ✓ The new supply announced by Maranhao (1.5 Mt), Montes del Plata (1.3 Mt) and Oji (0.4 Mt) will be offset as demand is expected to maintain a growth trend above 2% in line with last 5 years. In 2014, BEKP demand rose +9%.
- ✓ Strong Chinese demand growing at 10% CAGR growth rates for the last 5 years. Equivalent to a new pulp mill per year
- ✓ Pulp price increase up to \$810/t announced by Ence and followed by other market players effective as of beginning of May.



Increase in Eucalyptus demand and supply (Mt)



Source: PPPC; Hawkins Wright (Dec-14) estimates; data in million tons



Summary ...

1

Competitiveness Recovery Plan is on track

- 83% of the Competitiveness Recovery Plan has been achieved**
- The 2 year payback investments have been implemented. Their benefits are already visible**
- Both the Navia 4 Year Payback Investment program, and its increase in capacity, are on track, and will be completed during the maintenance shutdown schedule for June**

2

2015 results are benefitting from a stronger USD. Our €150 M recurrent EBITDA target has been reached and surpassed, one year in advance

3

Ence continues to maintain its clear focus on its Cost Cutting and Efficiency Program. The target is €336/t levels by year end

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