

Ence Energía y Celulosa

1H13 Results

July 29th, 2013



1H13 Results

1

Positive trend of pulp prices, which exceeded the \$800/t range, driven by demand growth and with production meeting operational targets

Strong increase in pulp volumes in 1H13 vs 1H12 (+5%) due to higher production and solid demand

2

Solid performance of energy pushed by the contribution of the new Huelva 50 MW power plant recently commissioned

3

Strong EBITDA generation despite a short term pick-up in cash cost due to the impact of the new energy measures

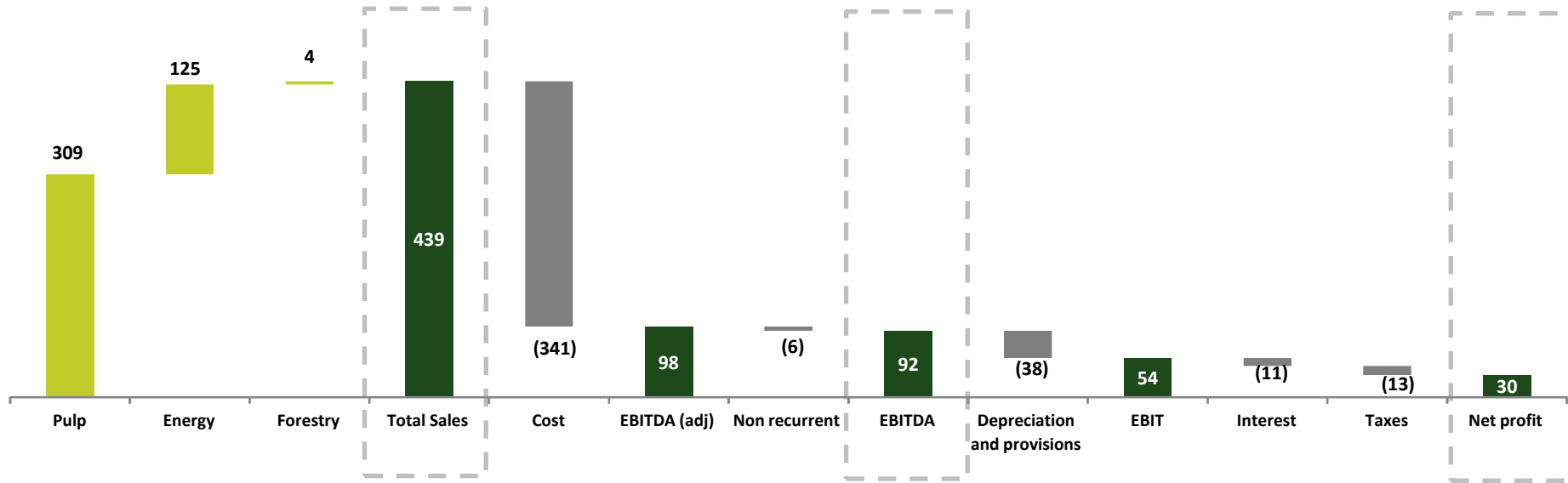
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A robust financial profile further strengthened through the issuance of a €250M bond due 2020 and the sale of Uruguayan assets for €59M

A positive 1H13 set of results

A positive set of results in 1H13

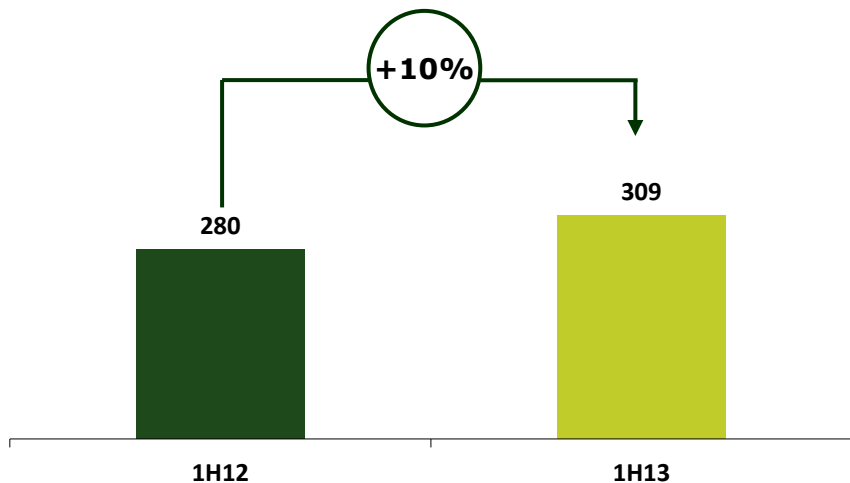
Breakdown of 1H13 P&L (€M)



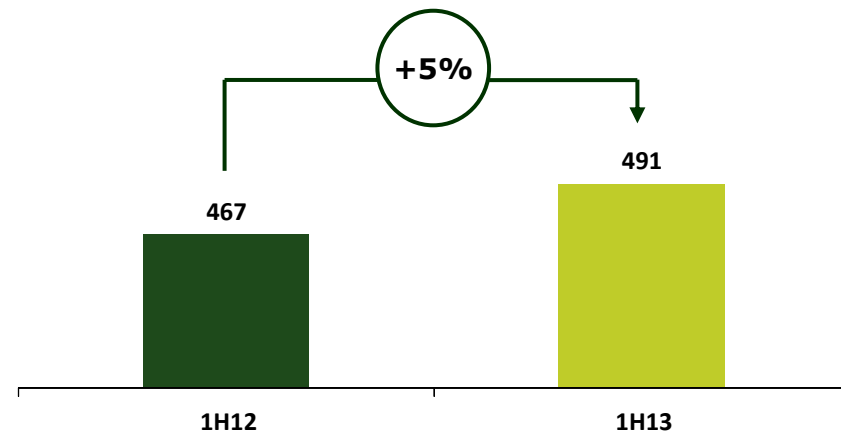
- Net profit stands at €30M in 1H13, doubling the figure obtained in 1H12
- +10% growth in pulp sales in 1H13 vs 1H12 after an +9% increase in pulp prices
- Strong increase in energy sales, reaching an annual growth above +30% thanks to the contribution of the new Huelva power plant
- Increases in pulp prices are driven by higher pulp demand

1 Strong pulp sales led by strong pulp demand

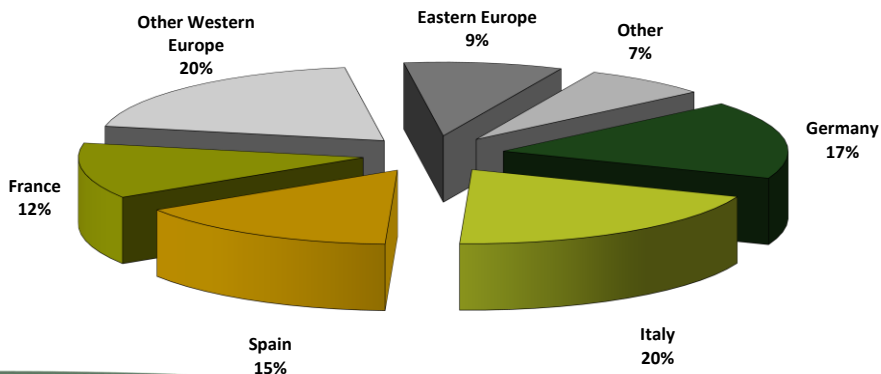
Pulp sales (€Mn)



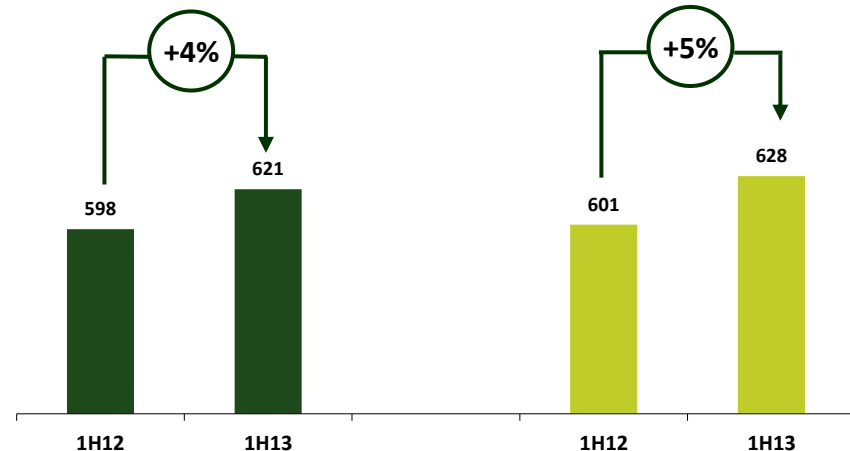
Average price (€/ton)



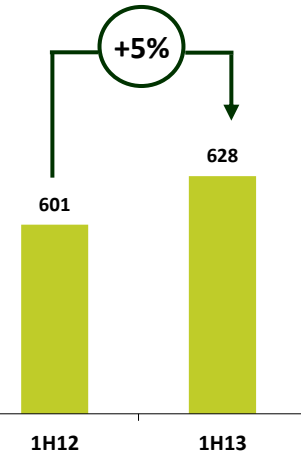
1H13 sales breakdown



Pulp production (000t)



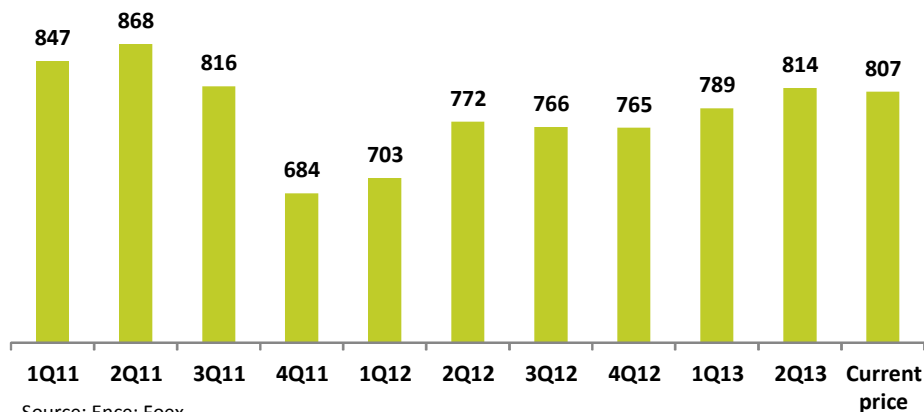
Pulp sales (000t)



1

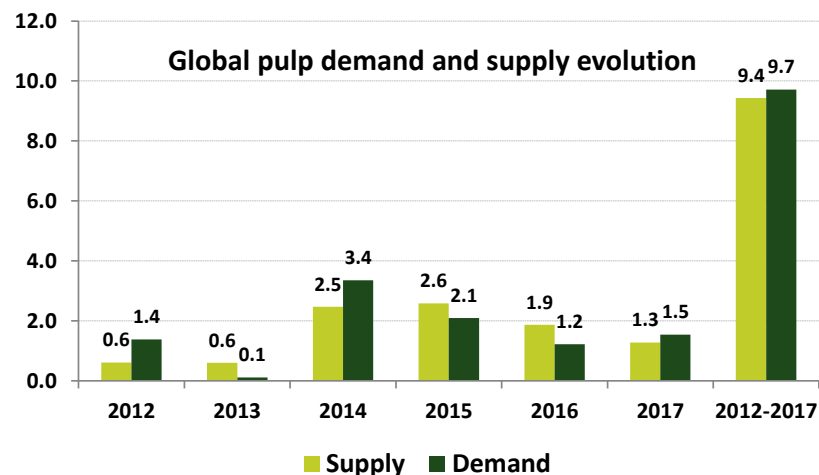
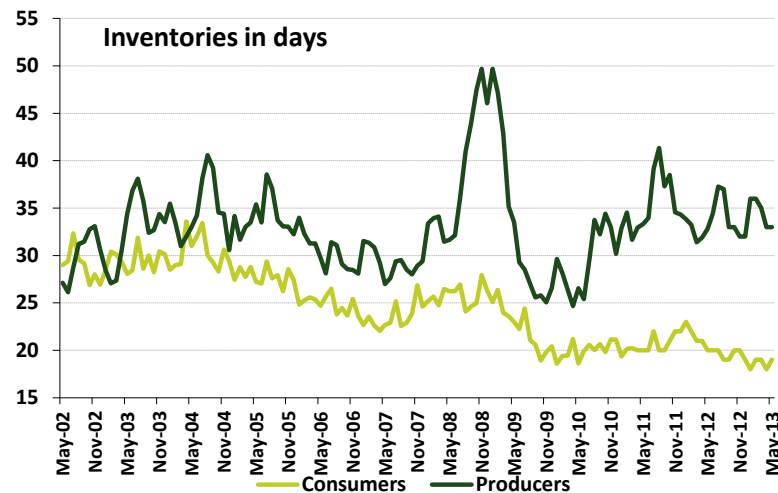
The upward trend in market prices driven by higher pulp demand will contribute positively to performance in coming quarters

Evolution of pulp prices (\$/t)



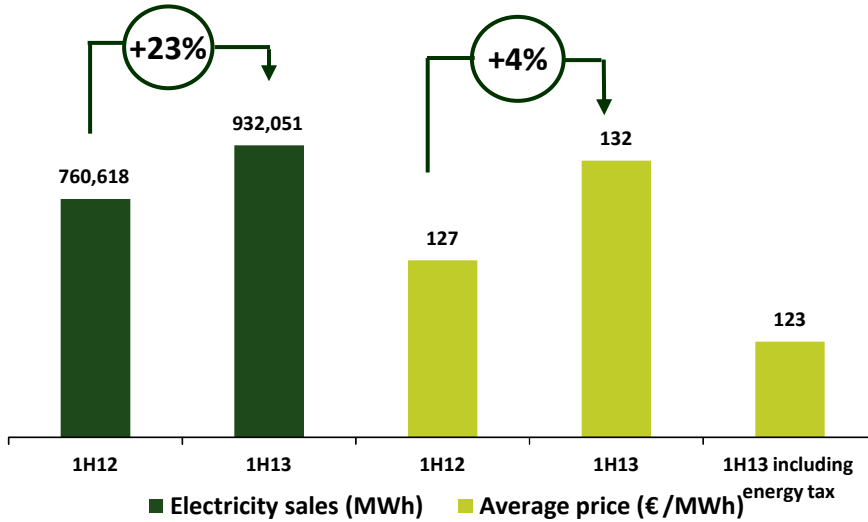
Source: Ence; Foex

- The price of short fiber rose to \$812/t in July, +8% above the average reached in 2012 and in line with 2Q13 average.
- The strength of demand (+2% both on a global bases and in Europe), the current low inventory levels and capacity closures, are supporting prices above \$800/t
- The current supply-demand balance is expected to remain in the coming years, what will keep the medium term price range above previous cycles

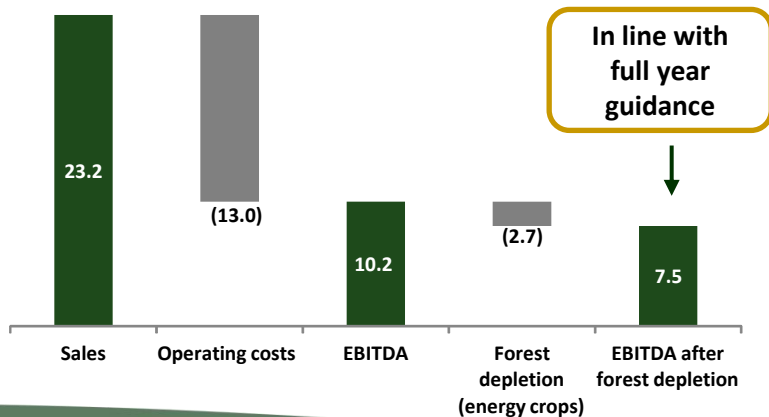


2 Solid performance of energy led by the consolidation of the new 50MW power plant ...

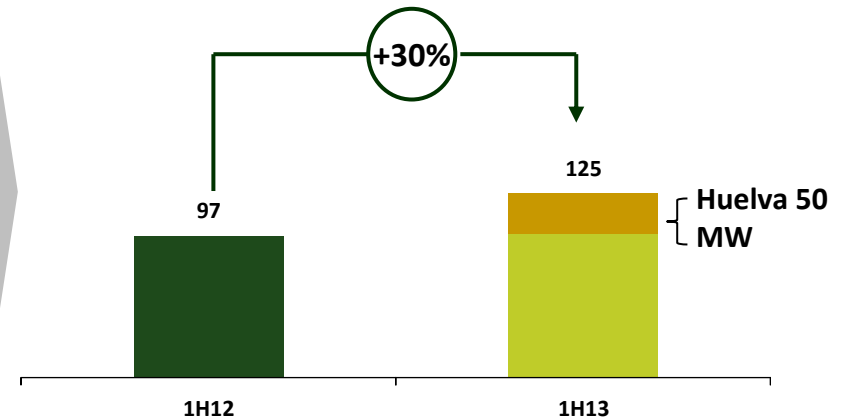
Energy metrics



Breakdown of 1H13 P&L of Huelva 50MW (a)



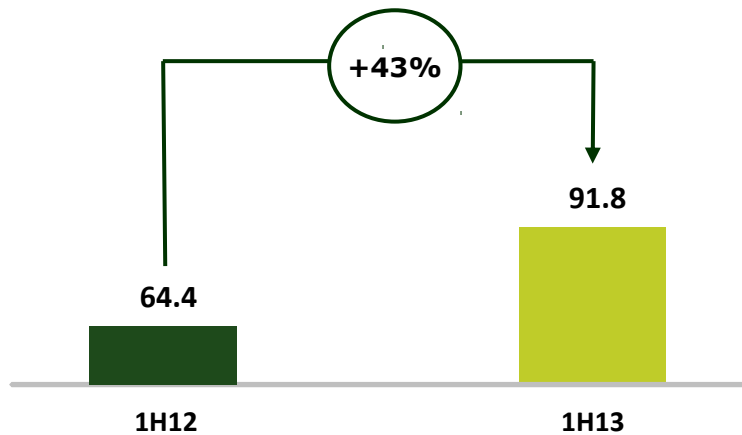
Electricity sales (€M)



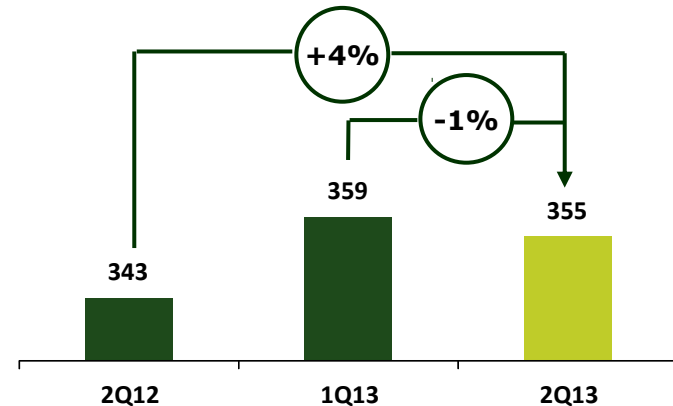
(a) From February to June. In January, figures were fully capitalized. Excluding this capitalization, pro-form EBITDA 1H13 would have increased to €12.2M and pro-forma EBITDA after forest depletion would have increased to €9.0M

3 Strong EBITDA generation despite a short term pick-up in cash cost due to the impact of the new energy measures

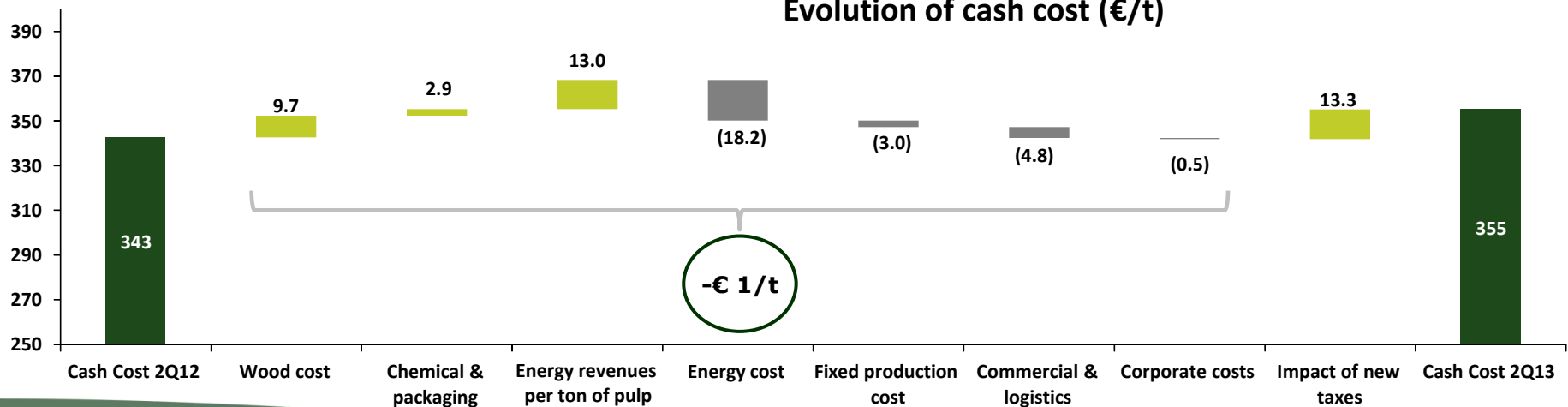
1H13 EBITDA(€M)



Average cash cost (€/t)



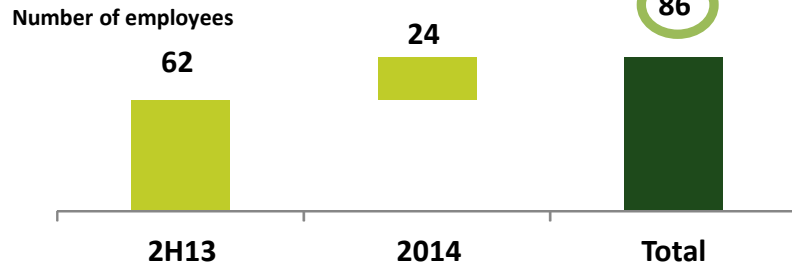
Evolution of cash cost (€/t)



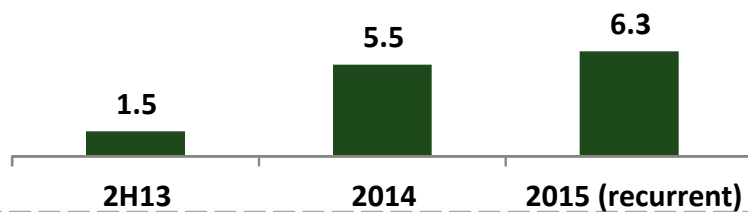
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We are keeping the focus on efficiency, which will help us to restore margins after regulatory changes in energy

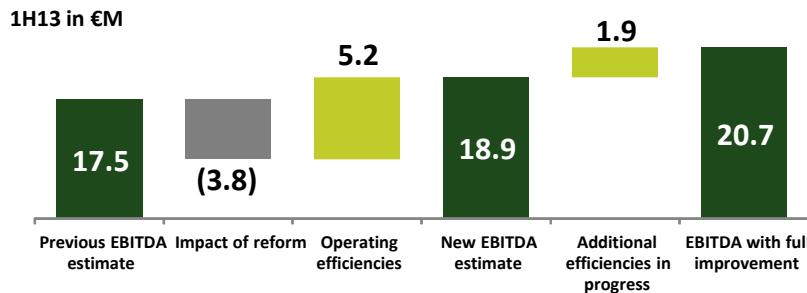
Employee reduction program



Projected savings (€M)



50MW: managing operations to secure EBITDA



Key areas of efficiency projects

- Replacing fuel consumption in lime kilns with gas:
 - Executed in Huelva (May 2013)
 - Programmed for Navia (1Q14)
 - Designed and under permitting phase for Pontevedra

- Optimizing energy facilities:
 - Navia: increasing availability of boilers
 - Pontevedra: rebalancing mill's steam consumption
 - Huelva 50 MW: increasing load levels

- Renegotiating supply contracts:
 - Logistics
 - Chemicals
 - Industrial & maintenance services

We expect €15-20M pro-forma annual savings in six to nine months

RD 9/2013 has abolished the RD 661/2007, that established the regulatory scheme for renewables and cogeneration

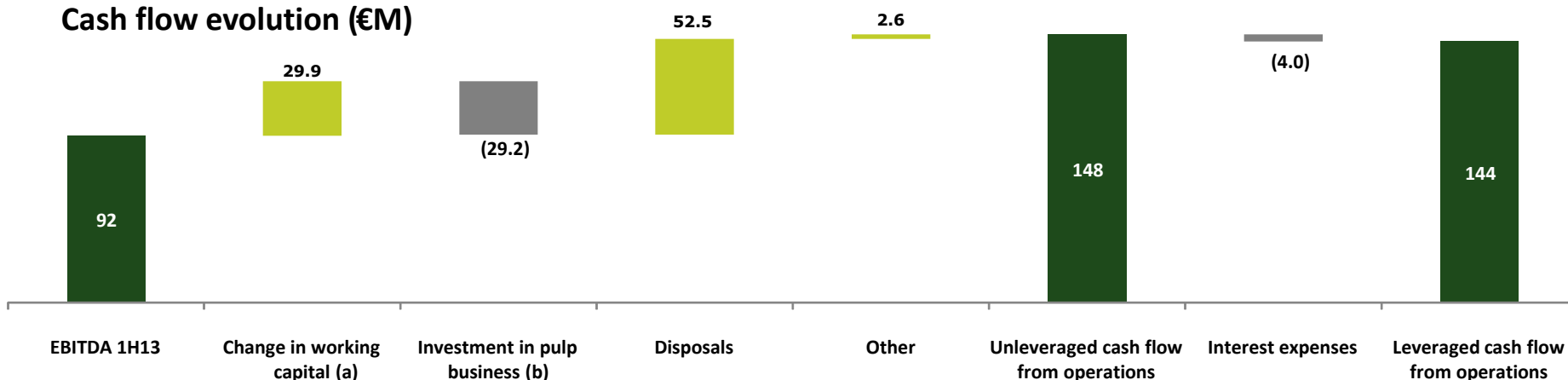
- **The basic framework of the new scheme has been defined in the preliminary draft of a Royal Decree for special regime installations**
 - **Premium price will aim to achieve a 7.5% return pre-tax**
 - **New ministerial orders will define standards for energy plants by technology: investment, costs and useful life**
 - **Standards will be reviewed periodically to adjust for deviations in returns**

As a whole, the impact on renewables expected from this reform is a reduction in the regulated cost of €1,500 M

- **Valuation of the impact on Ence needs the standards to be quantified by the regulator**
- **The new RD is in the process of discussion and allegations**

A robust financial profile based on solid cash flow from operations ...

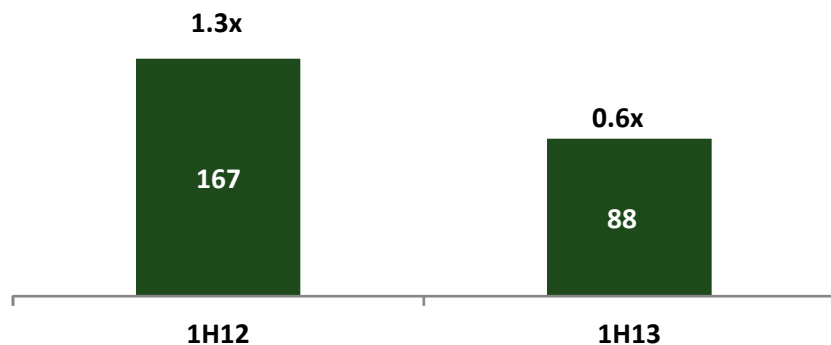
Cash flow evolution (€M)



(a) Changes in working capital includes the sale of inventories in Uruguay for €6.2 M as part of the assets disposals

(b) investments in pulp mills and eucalyptus plantations for pulp production

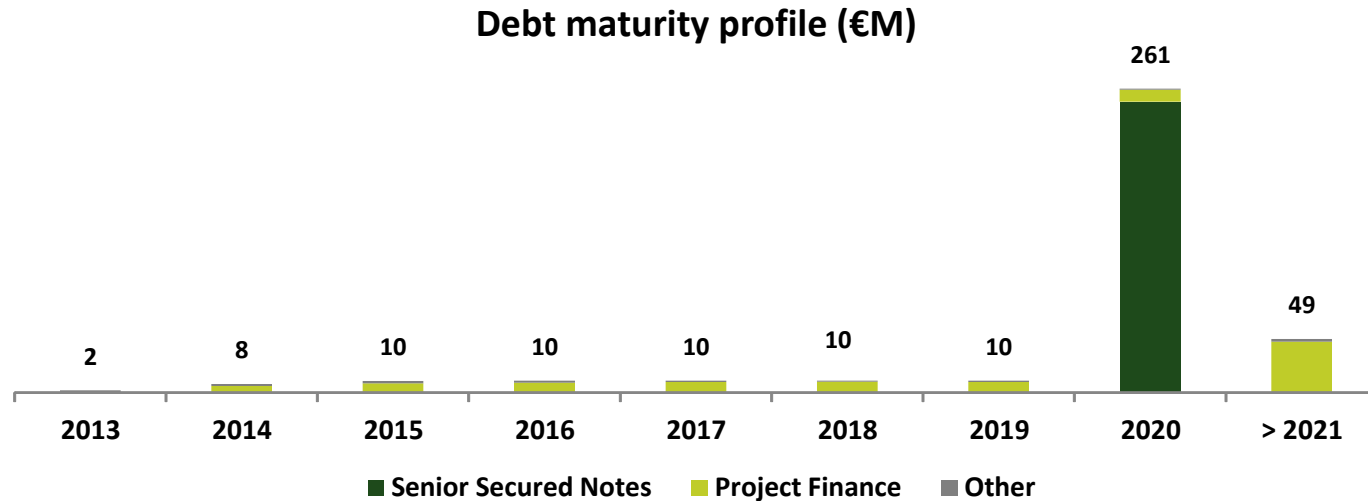
Net corporate financial debt (€M) and net corporate financial debt to EBITDA



- **Strong operating cash flow thanks to higher prices** driven by higher demand and a solid management of working capital
- **Net financial debt decreased by -47% to €88M, with low leverage of 0.6x EBITDA** of the last twelve months
- There is a €103M non-recourse debt related to the "project finance" successfully signed for the construction of the 50MW plant in Huelva and 20MW plant in Mérida

4

... further strengthened after the issuance of a €250M senior secured note that provides flexibility and protection



- Ence successfully issued a €250M senior secured note due 2020 and with a 7.25% coupon (semi annual payments), four times oversubscribed
- The proceeds allowed to repay the syndicated loan maturing January 2014, limiting annual debt payments to that of the project financing (c€16M annually, once current financing is fully drawn)
- Additionally, Ence contracted a €90M RCF (Revolving Credit Facility) maturing in 2018, currently undrawn, that provides further support to the company's liquidity

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