

Ence Energía y Celulosa

4Q14 Results

February 27th, 2014



Not only recovering profitability to pre-energy reform levels one year in advance, but also improving on it due to strong dollar

✓ 4Q14 Recurrent annual EBITDA over €113 M

- Pulp price at \$734/t
- Exchange Rate at 1.25 USD/EUR
- Cash cost at €370/t ending 2014
- €39 M independent biomass annual EBITDA

✓ 2015 run rate EBITDA year end OVER pre-energy reform levels

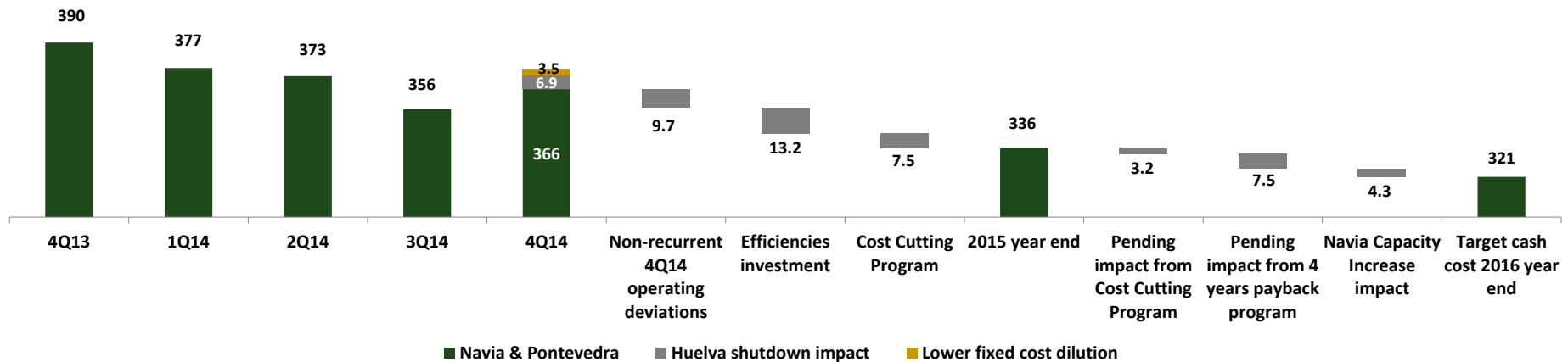
- January pulp price at \$750/t
- Current Exchange Rate 1.15 USD/EUR
- Cash cost at €340/t ending 2015
- €39 M independent biomass EBITDA

✓ Company's turn around completed

- ✓ Focused on the implementation of savings, efficiencies and growing the business

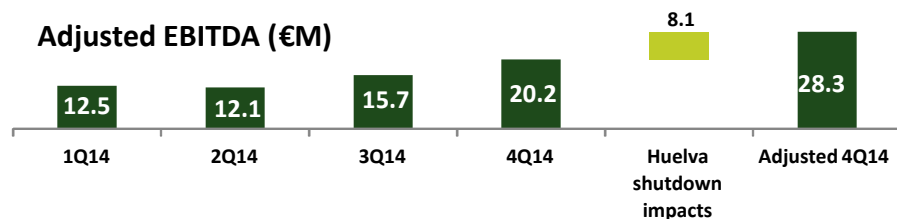
Cash cost heading south

Northern Mills Cash Cost Evolution (€/t)



- ✓ Further improvements in 4Q14 were offset by a 4-days-strike in October related to the Huelva shutdown process (€6.9/t) as well as the fix cost increase coming from Huelva now allocated to the Northern Mills after its shutdown (€3.5/t)
- ✓ Remaining benefits from the Competitiveness Recovery Plan should drive cash cost below €340/t 2015 year end and below €325/t 2016 year end
- ✓ Fix costs have been reduced by 15% in 4Q14 vs 4Q13 with further reduction expected for the coming months

Results improving on a quarterly basis as Ence implements its Competitiveness Recovery Plan...

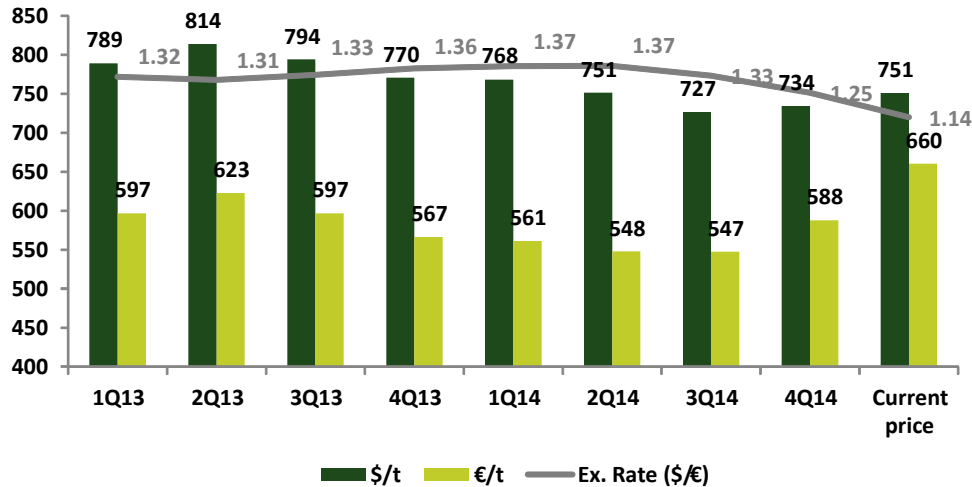


- ✓ ENCE's results shows a positive evolution along 2014 as its Programs are implemented
- ✓ Adjusted EBITDA quarterly improving due to the Efficiency Plan implementation
- ✓ Net profit for 4Q14 (excluding non recurrent impacts due to regulatory change) stands at €5 M.

€M	1Q14	2Q14	3Q14	4Q14
Net profit	(14.8)	(33.8)	(0.0)	(10.3)
2013 energy sales adjustment after regulatory changes	-	4.0	-	-
Provisions (mainly cancellations of energy crops leasings)	2.8	6.5	(1.1)	5.3
Impairment on energy crops	-	19.1	-	-
Tax credit adjustment				10.4 ⁽¹⁾
Recurrent net profit	(12.0)	(4.2)	(1.1)	5.4

(1) 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 carryforward base adjustment

...benefiting from Exchange Rate appreciation



Source: Ence; Foex; PPPC

- BEKP prices (\$/t) improved up to \$751/t after bottoming down to \$724/t in September 2014
 - ✓ Consumer stocks at 19 days historical lows
 - ✓ Spread between softwood and hardwood at maximum levels above \$190/t vs historical range of \$0/t to \$100/t
 - ✓ Chinese demand accelerating by year end

- Pulp price increase up to \$770/t announced by Brazilian players effective as of January 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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Cost Cutting Program on track

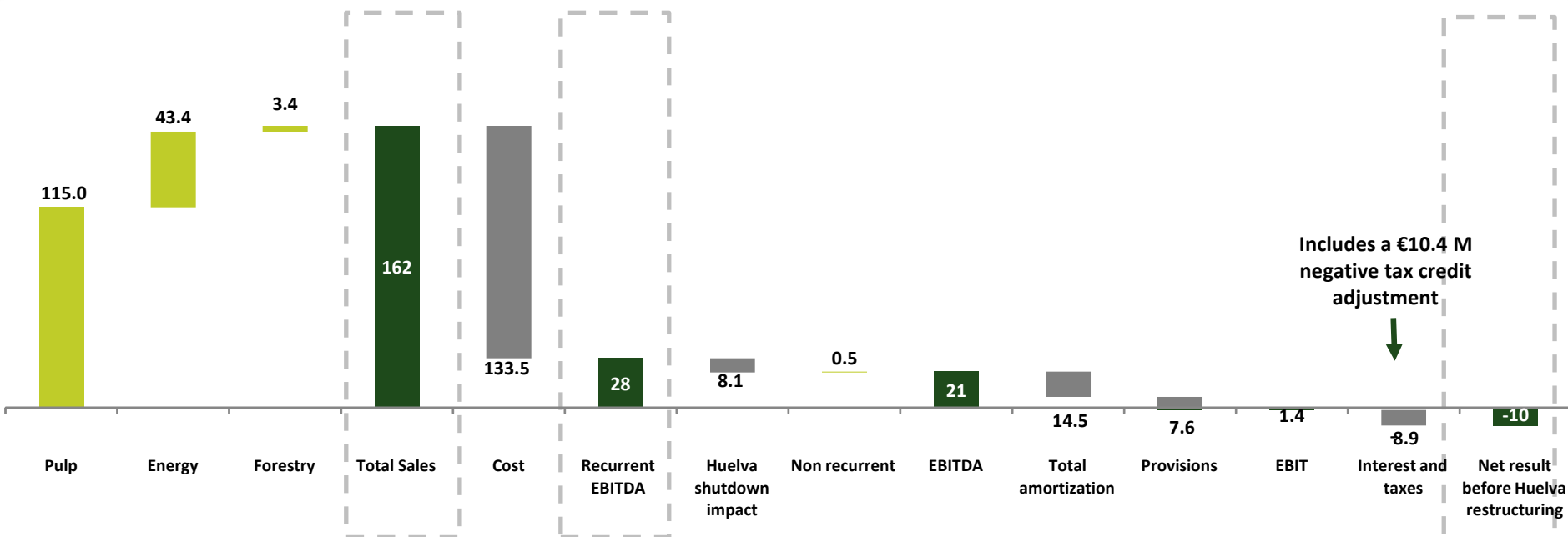
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Solid Cash Flow generation and liquidity position

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Solid market pulp fundamentals

4Q14 Results



- ✓ Huelva Mill lost €6.5 M during its shutdown process in 4Q14
- ✓ October strikes suffered in the Northern Mills linked to the Huelva shutdown impacted EBITDA by €1.6 M
- ✓ 4Q14 taxes include a €10.4 M negative tax credit adjustment 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 carryforward base adjustment

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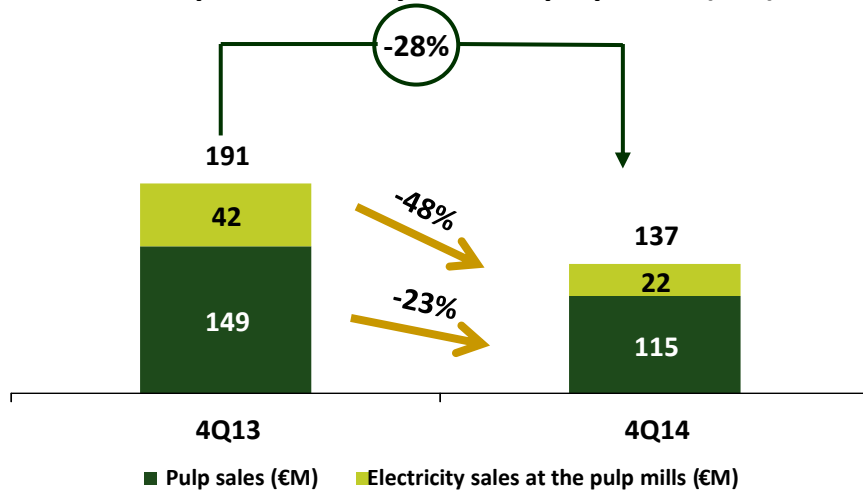
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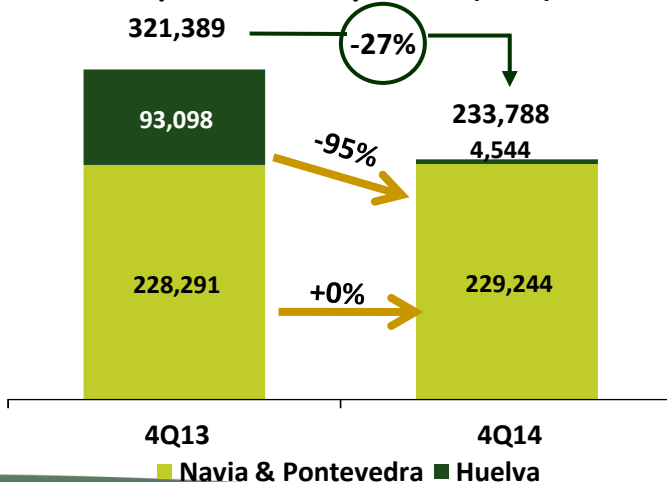
Pulp Mills impacted by lower pulp prices, reduced electricity feed-in-tariffs and Huelva shutdown process...

Pulp & Electricity sales at pulp mills (€M)

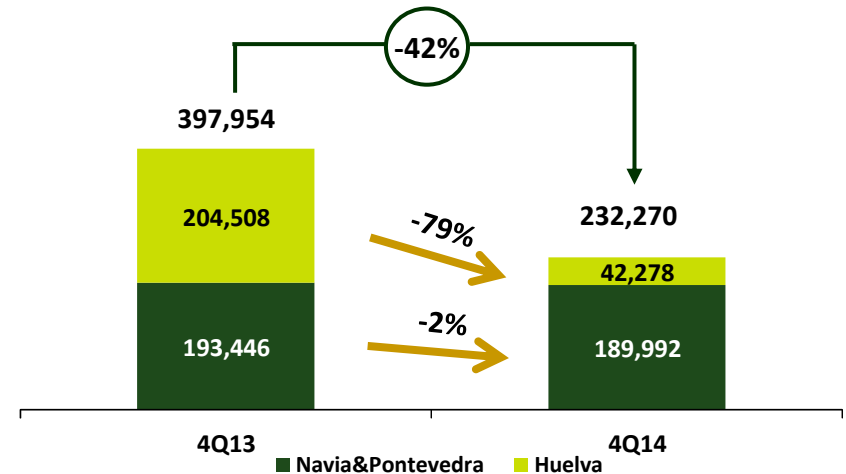


- ✓ Pulp mill sales decreased by 28% compared to 4Q13 due to 23% lower pulp sales volumes and 42% lower cogeneration production related to Huelva shutdown
- ✓ Adjusted by the Huelva shutdown process impacts (10,537 tons lost), production in Northern mills would have increased by 5%

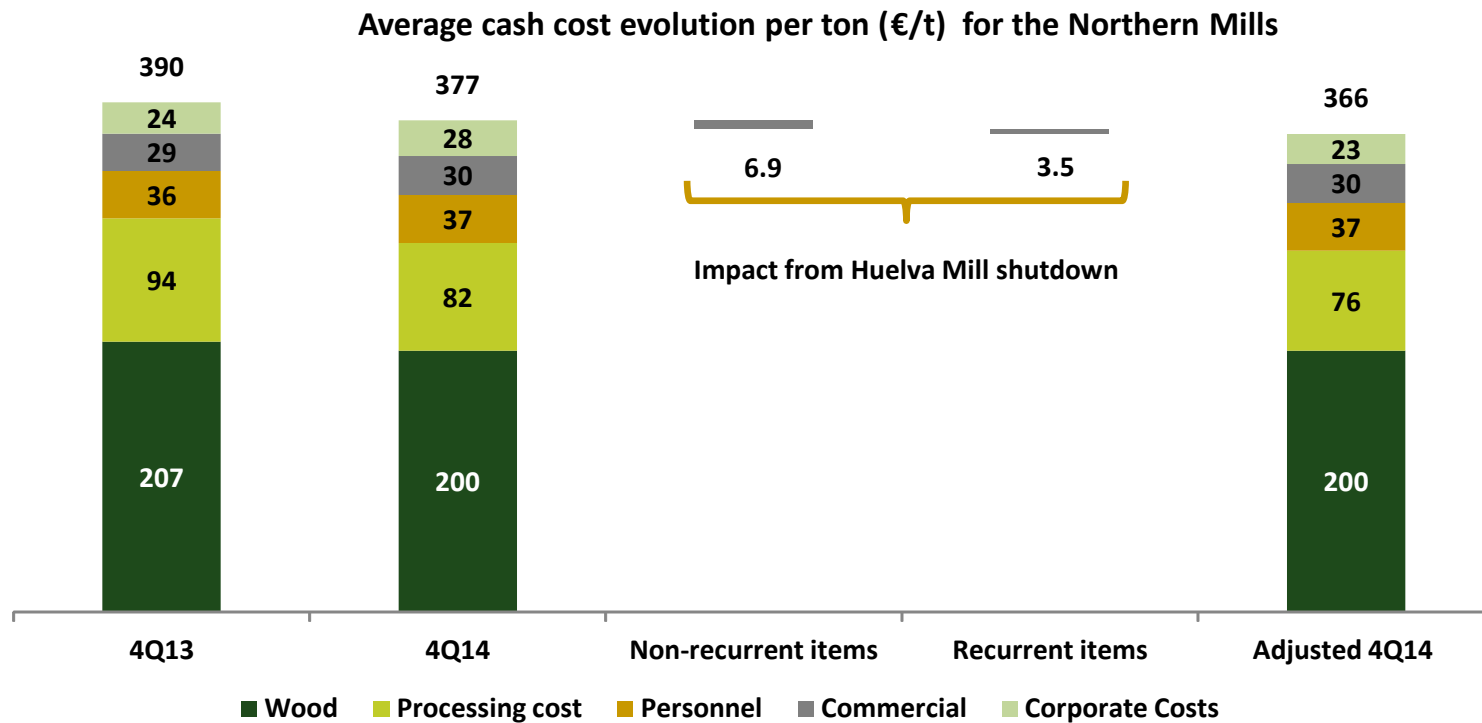
Pulp Production per mill (tons)



Electricity production at pulp mills (MWh)



...with positive cash cost evolution in Navia and Pontevedra Mills...



- ✓ Cash cost has showed a reduction mainly for wood, chemicals and energy
- ✓ October strikes had a €6.9/t impact in 4Q14
- ✓ Huelva Mill shutdown increased corporate centre costs by €3.5/t in the remaining Northern Mills due to lower dilution

...having already fully registered all expected Huelva shutdown impacts below 3Q14 estimate

	Registered in 9M14	Registered in 2014	Cash used in 2014	Cash impact pending in 2015
Write-offs	93.4	72.3	-	0.6
<i>Industrial assets</i>	41.6	42.4		
<i>Inventories</i>	5.3	5.3		
<i>Eucalyptus plantations</i>	46.5	24.6	-	0.6
Grants refund	1.5	1.5	-	7.0
Severance payments	18.6	20.4	18.6	1.8
Contracts cancellation	15.6	14.2	2.7	11.5
Others	0.9	1.2	1.8	0.4
TOTAL	130.1	109.6 ⁽¹⁾	23.0	21.3

- ✓ **Huelva Mill shutdown improves annual EBITDA by €40 M going forward**
- ✓ **Shutdown impact already included in 2014 accounts with no material impacts in 2015**

⁽¹⁾ Provisions have been downsized, mainly for eucalyptus plantations, to reflect improved valuations based on the reduction of risk free rates in the current economic environment

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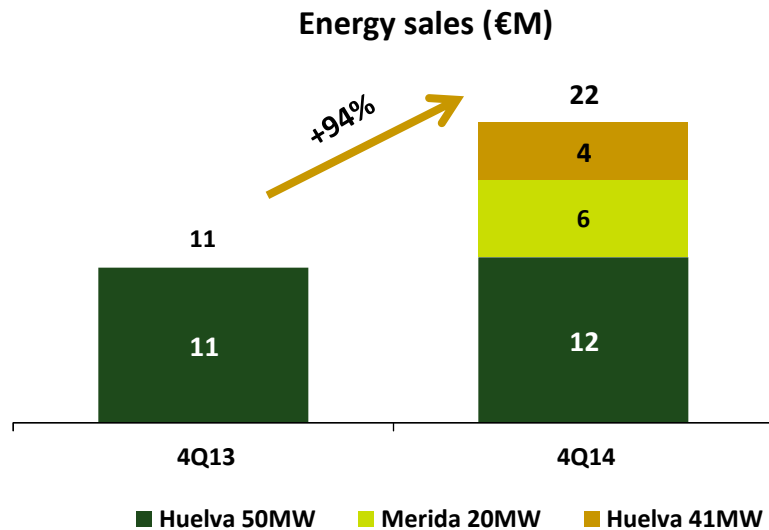
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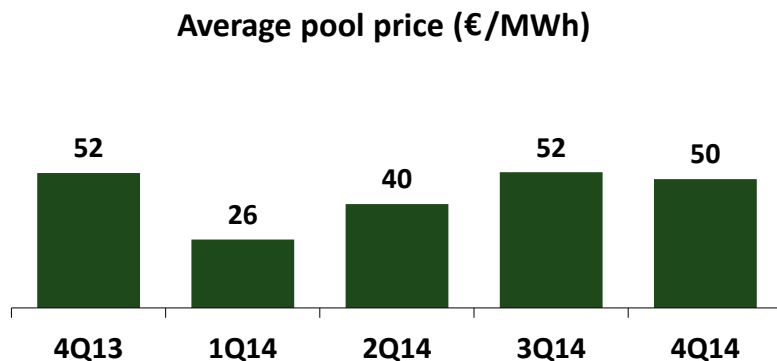
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Solid market pulp fundamentals

Limited impact on generation activities after regulatory change on the energy business

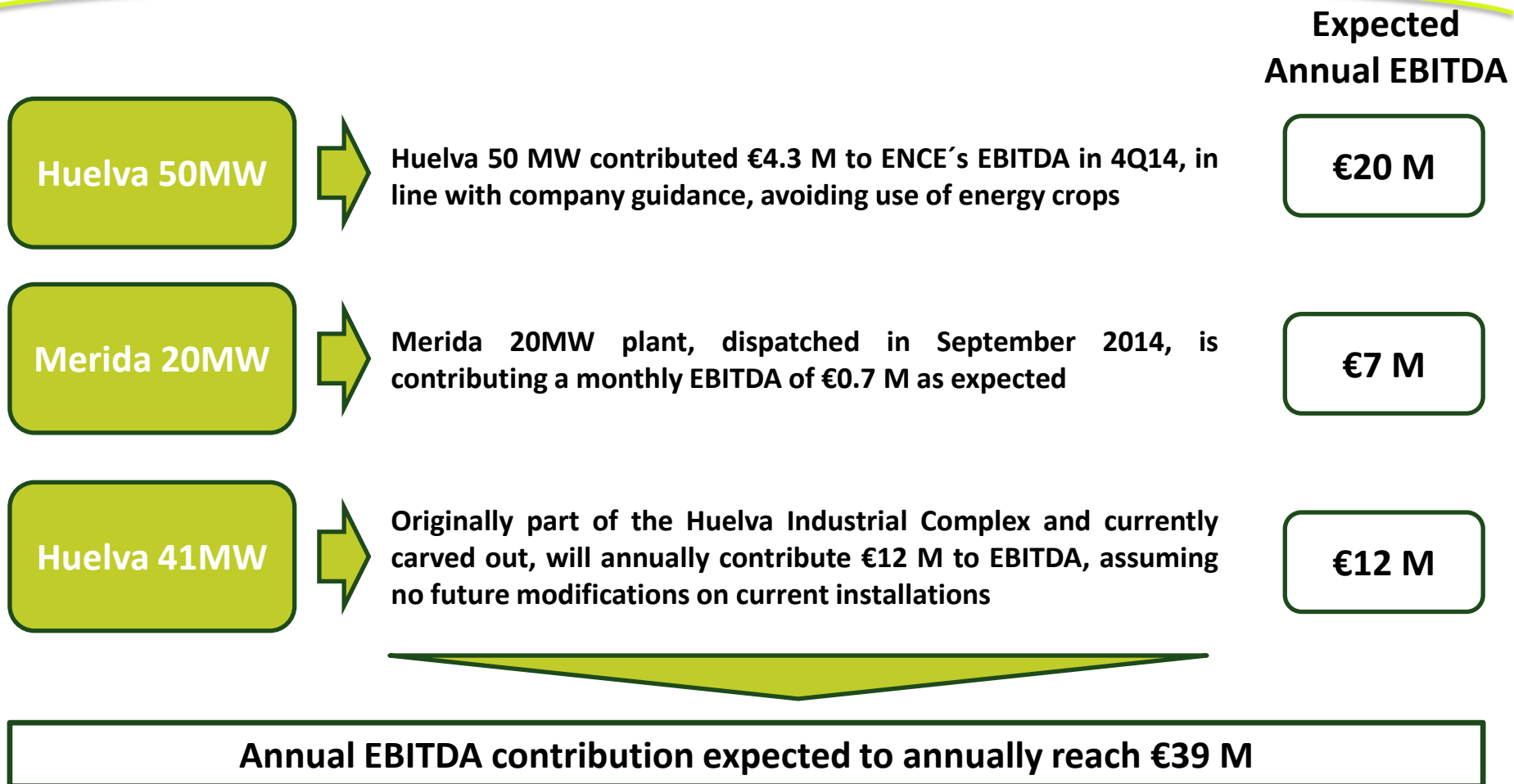


- ✓ Independent electricity sales in MWh increased by 83% thanks to the contribution of Merida 20MW and Huelva 41MW
- ✓ Average electricity income (€/MWh) increased by 6% in 4Q14 vs 4Q13



- ✓ Pool prices remained at €50/MWh in 4Q14, 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

Biomass power plants increasing contribution to EBITDA



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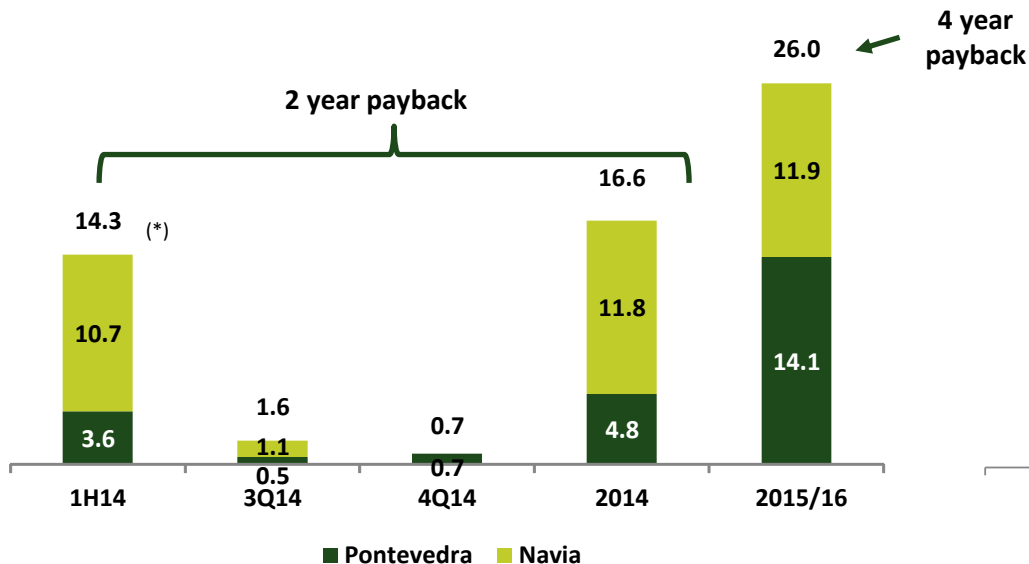
2014 – 2016 Competitiveness Recovery Plan under implementation

	Expected EBITDA increase	2014 – 2016 Capex	Update	Impact €/t (*)
Non-Investment Cost Cutting Program	€16 M	-	<input checked="" type="checkbox"/> €9 M savings showing in 2014 €13 M run rate achieved <input type="checkbox"/> €3 M under implementation	€9.7/t €14.0/t €3.2/t
2 year payback investment program	€10 M	€17 M	<input checked="" type="checkbox"/> 2 year payback investment plan already implemented €4.7 M savings showing in 2014 €10 M run rate achieved	€5.1/t €10.8/t
4 year payback investment program	€7 M	€26 M	<input type="checkbox"/> 4 year payback investments to be implemented in 2015-2016	€7.5/t
New pulp production mix	€40 M	€50 M	<input checked="" type="checkbox"/> Huelva mill shutdown successfully completed	
	€4 M	€30 M	<input type="checkbox"/> Navia Mill capacity increase to be implemented between 2015 and 2016	€4.3/t
TOTAL	€77 M	€123 M	<input type="checkbox"/> Positive remaining impact of €23 M to show up during 2015-2016	

(*) Based on 0.93 Mt of net capacity

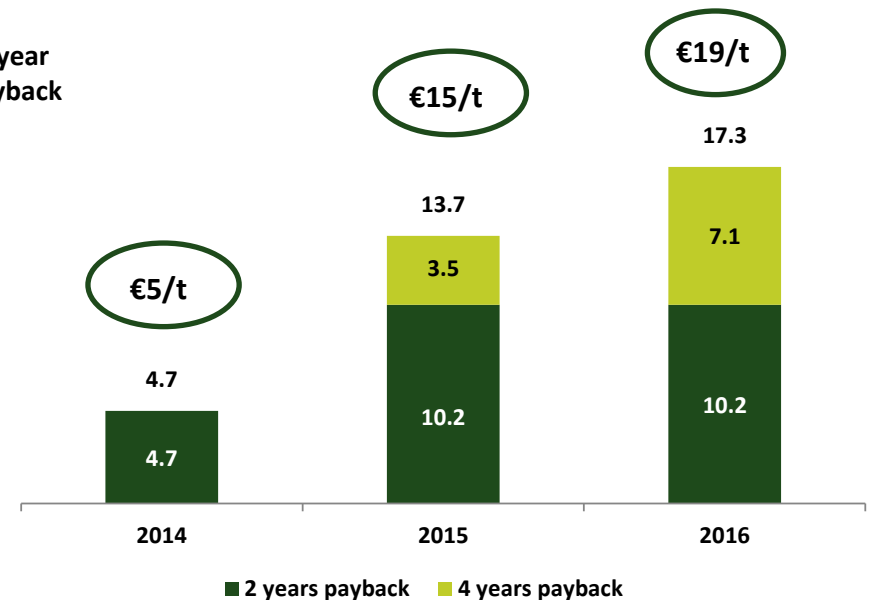
Ongoing investments to improve efficiency beating the initial budget

Northern Mills investment program (€M)



(*) €6.8 M accounted in July

Annual savings expected (€M)



- ✓ 2 year pay back investments implemented during 2H14 with 21% budget savings
- ✓ €19/t cash cost reduction or €17 M annual estimated EBITDA remains as 2016 target

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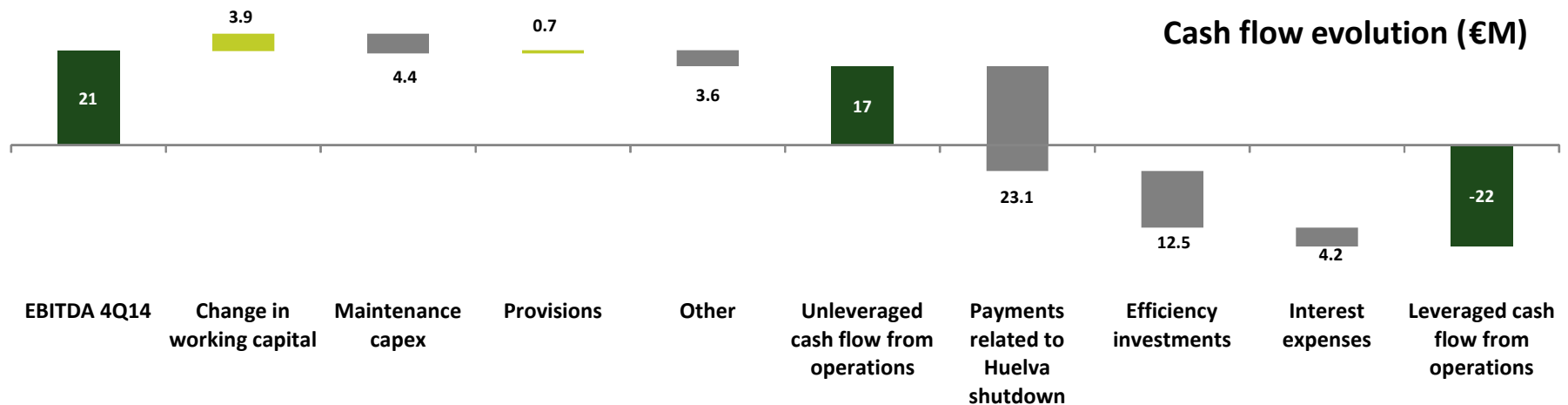
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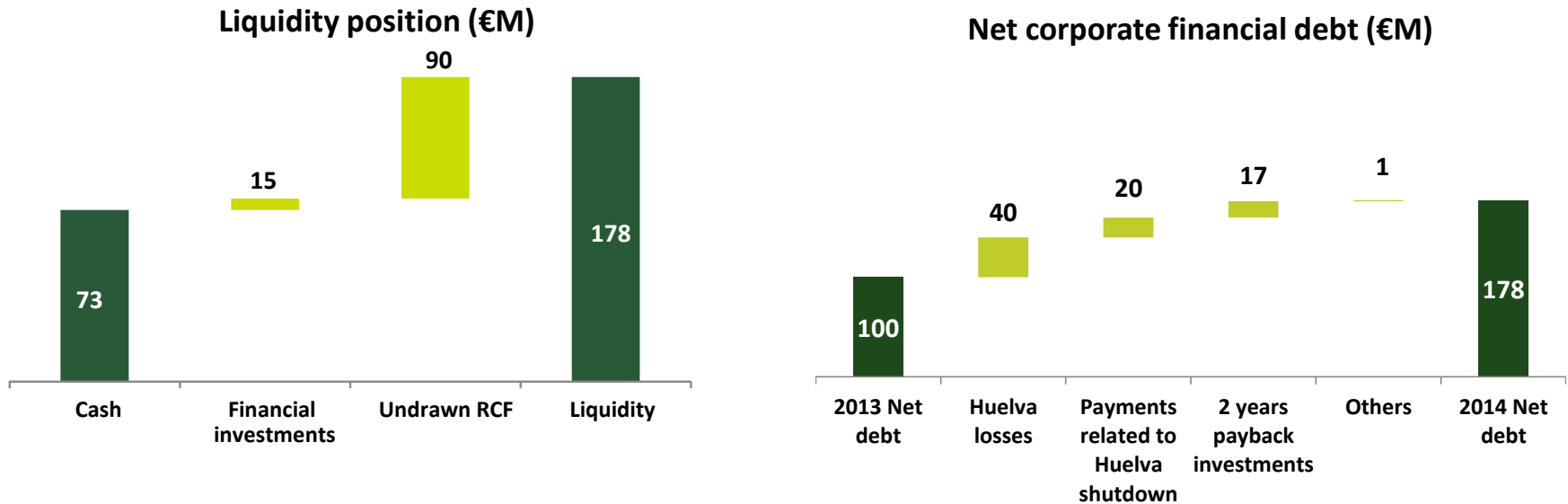
Solid market pulp fundamentals

Cash flow from operations financed the restructuring of the Company



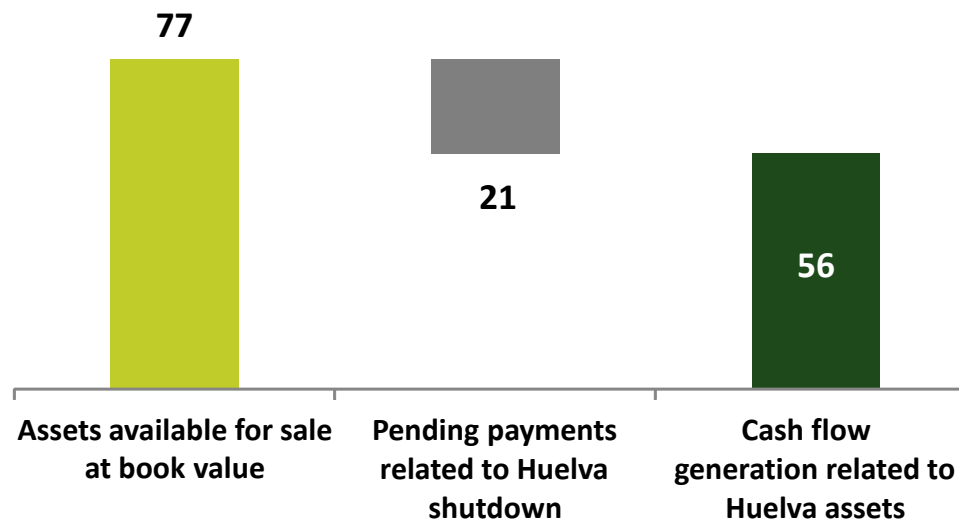
- ✓ Good conversion of €21 M EBITDA into €17 M of unleveraged cash flow from operations
- ✓ -€22 M leveraged cash flow from operations after investing in the turn around of the Company

Post energy reform turn around has been the main driver for the net debt increase in 2014...



- ✓ Ence maintains a strong liquidity despite energy reform impact
- ✓ Net corporate debt increased due to one-offs related to the Huelva shutdown
- ✓ €250 M Bond maturing in 2020 - 3 year call protection ending February 2016
- ✓ €90 M RCF maturing in 2018
- ✓ €106 M Project Finance Facilities with maturities in 2019 and 2027

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



- ✓ Further reduction of our corporate financial debt due to an extraordinary asset disposal program resulting from real estate assets (€4 M) and from Huelva shutdown process, mainly related to industrial assets (€39 M) and energy crops plantations (€34 M linked to 3,000 hectares)

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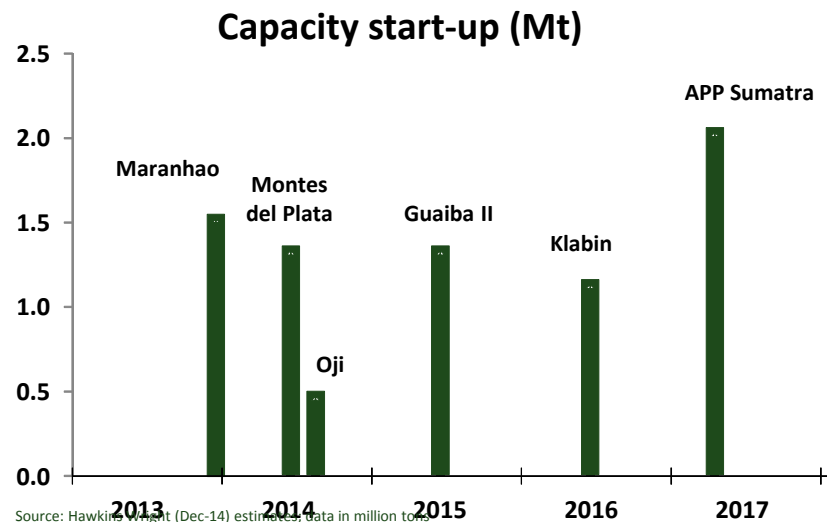
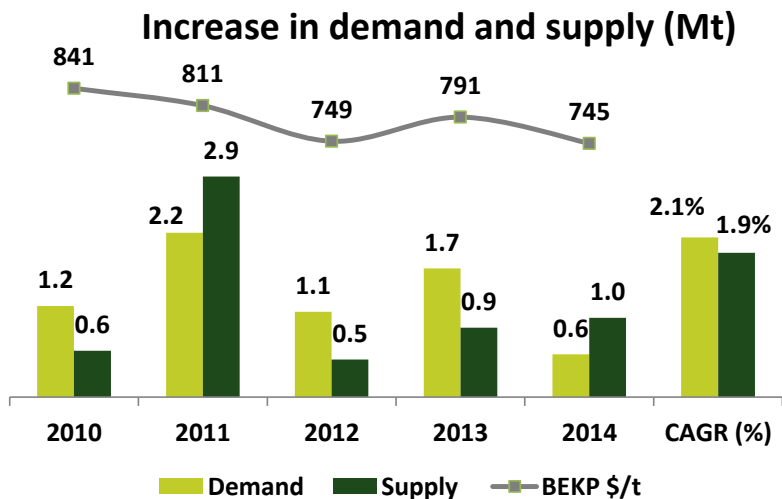
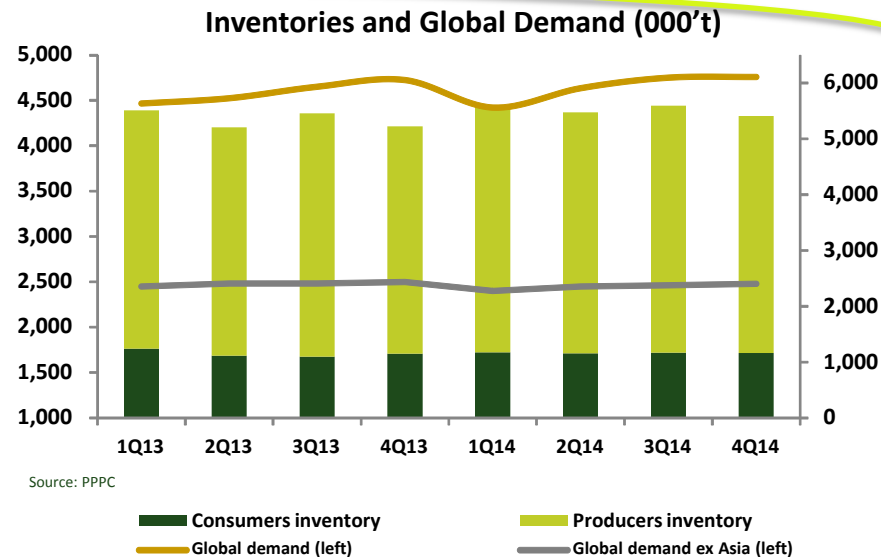
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Pulp prices recovering after bottoming at \$724/t due to strong demand and low inventories

- ✓ New supply announced by Maranhao (1.5 Mt), Montes del Plata (1.3 Mt) and Oji (0.4 Mt) pushed prices down in 2014. However, this capacity will be offset as demand is expected to maintain a growth trend above 2% in line with last 5 years
- ✓ 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 \$770/t announced by Brazilian players effective as of January 1st, 2015
- ✓ Additional pulp price increases mainly implemented along the year



Summary ...

- 1 Competitiveness Recovery Plan on track**
 - ✓ Completed Huelva shutdown in 4Q14
 - ✓ 60% achieved Cost Cutting Program
 - ✓ Already implemented 2 year payback investments, fully shown by end 2015
- 2 2015 results would benefit from a stronger USD allowing to beat, one year in advance, our €150 M recurrent EBITDA target**
- 3 Ence maintains its focus on the Cost Cutting and Efficiency Program to fully offset energy regulation impact**

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