



Energía y Celulosa

Ence, Energía y Celulosa

1Q12 Results



April 27th, 2012

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Solid operating results in 1Q12 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 €338/t ...

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

In line with 2012 targets

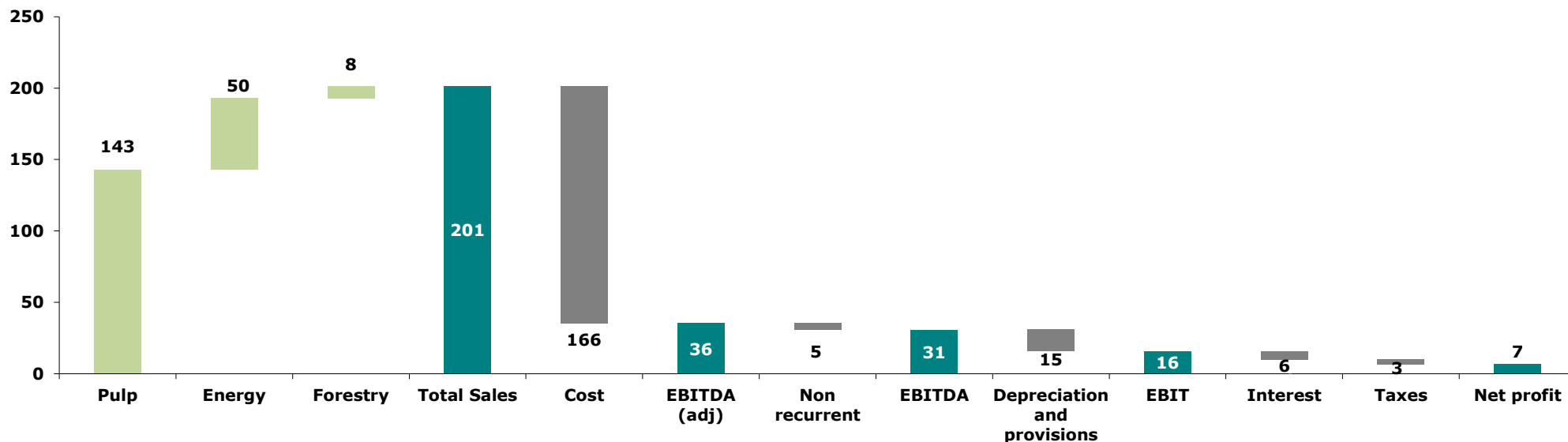
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1Q2012 numbers are showing a clear improvement compared to 4Q11 ...

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... with good outlook for prices in 2Q12 and the rest of the year, as witnessed by the announced increase to \$800/t from May 1st

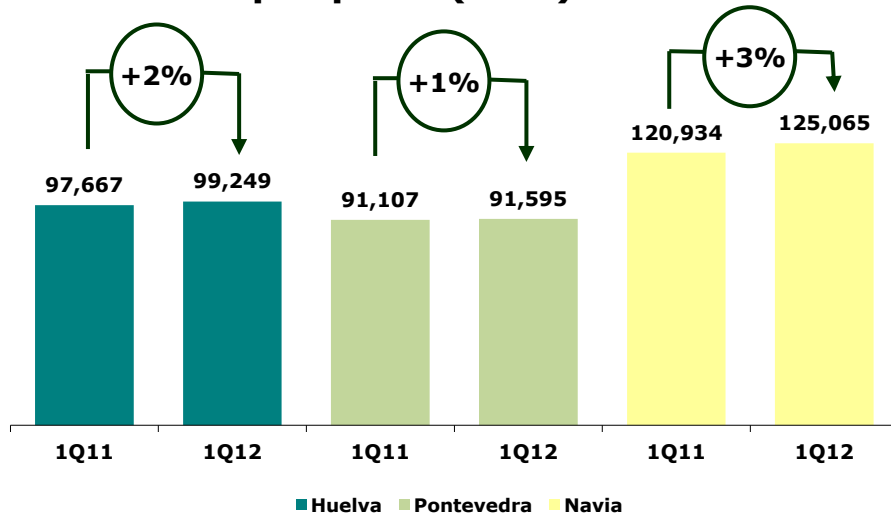
Breakdown of 1Q12 P&L (M€)



- 7% growth in pulp sales has partially offset the decline in the average selling price in 2012 (average pulp price in 1Q11 was \$850/t vs \$703/t in 1Q12)
- Strong increase in energy sales, reaching an annual growth above 17%
- The quarter does not include the entire price increase to \$760/t fully implemented by the end of March, which supports a strong improvement in results in 2Q12

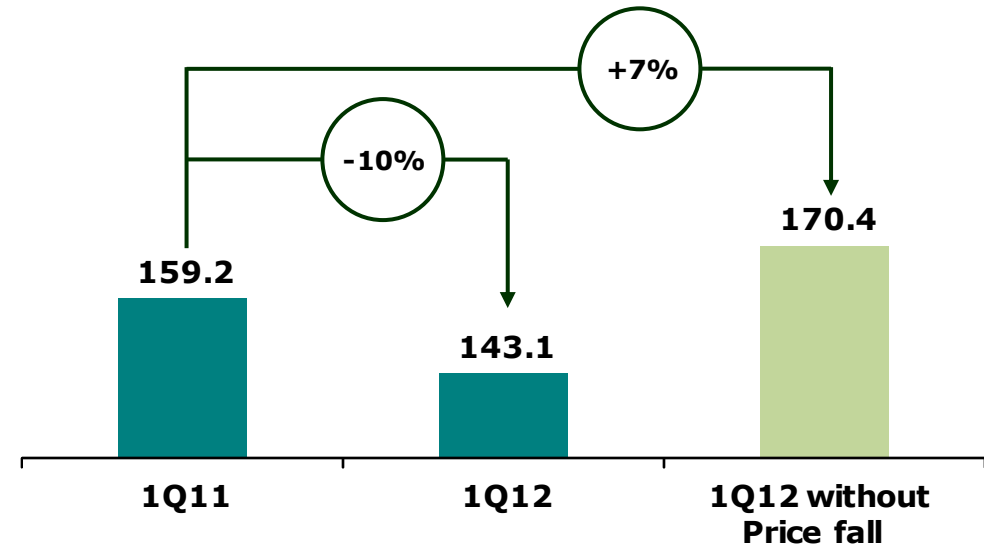
... the excellent operational performance of pulp production ...

Production per plant (tons)



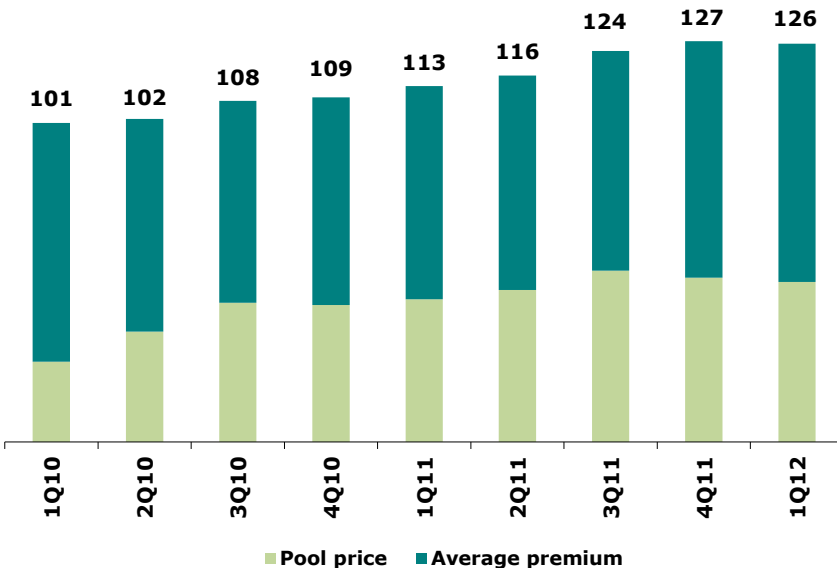
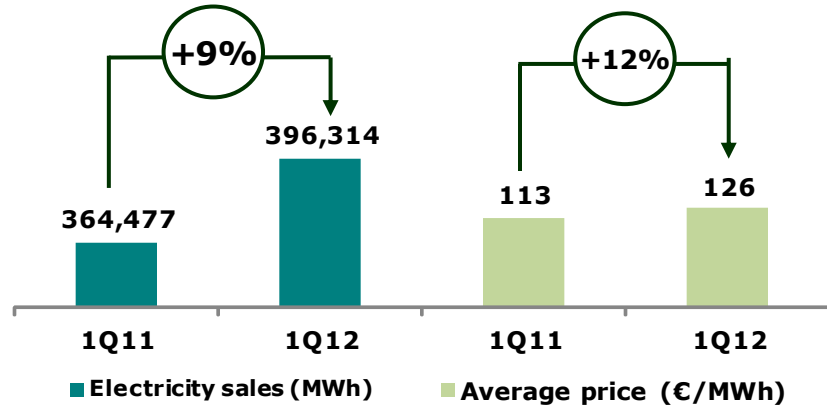
- **+2% increase in cellulose production in line with company targets**
- Pontevedra made its maintenance shutdown in March, while Navia and Huelva have scheduled their stoppages in April and May, respectively

Pulp sales (€M)

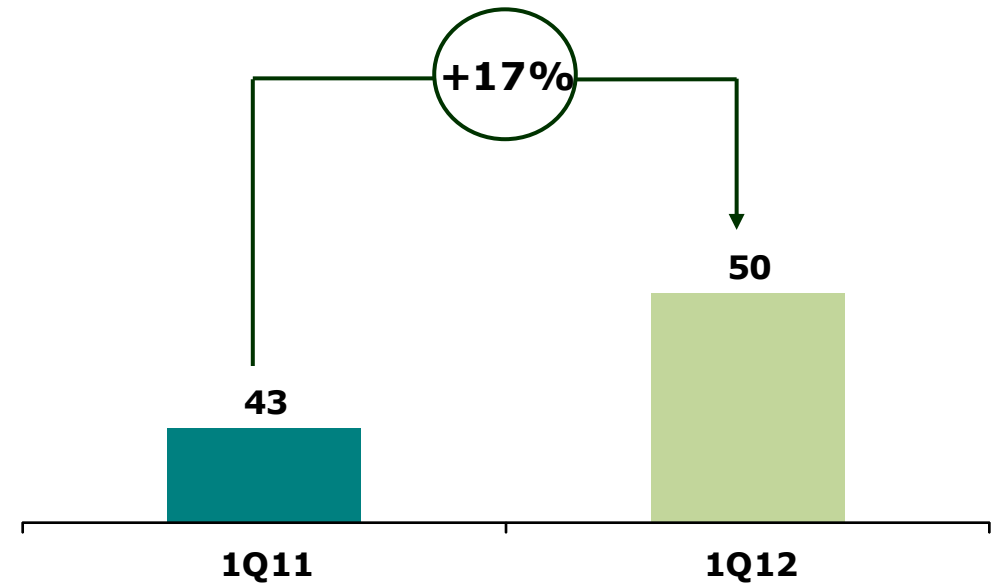


- **The strong growth in production over the past 12 months has compensated a less attractive pricing environment**

Energy metrics

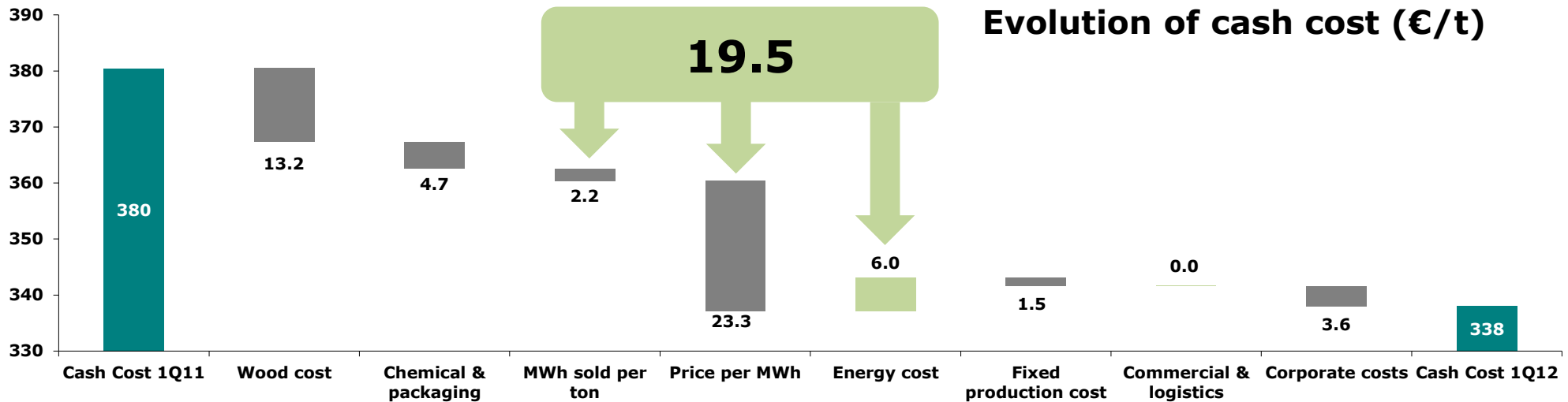


Electricity sales (M€)

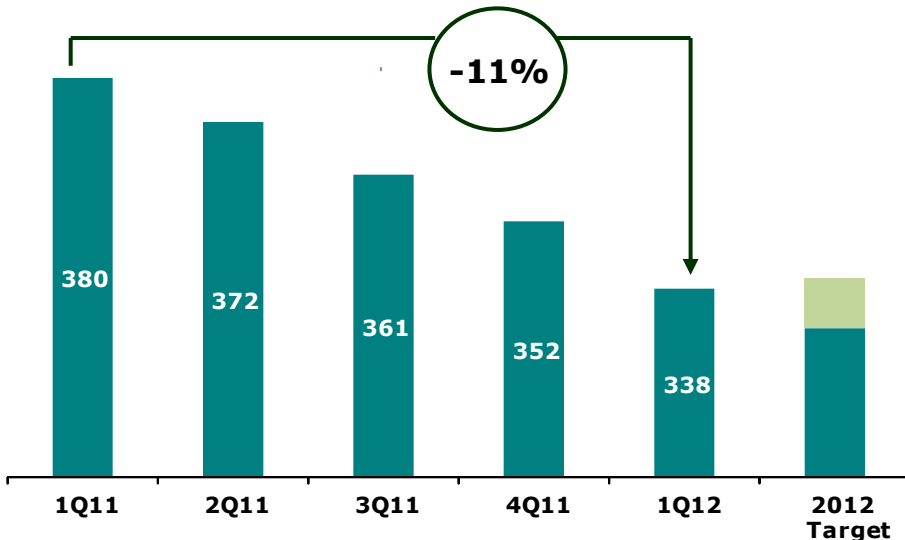


- Increased production of electricity linked to the production of cellulose (+8% for the year)
- Improvement in the average selling price due to the increased weight of the biomass generation in the production mix (76% of production), improved pool prices and the yearly tariff review linked to inflation

Strong cash cost reduction through increases in pulp production and electricity as well as reducing wood and fixed costs...

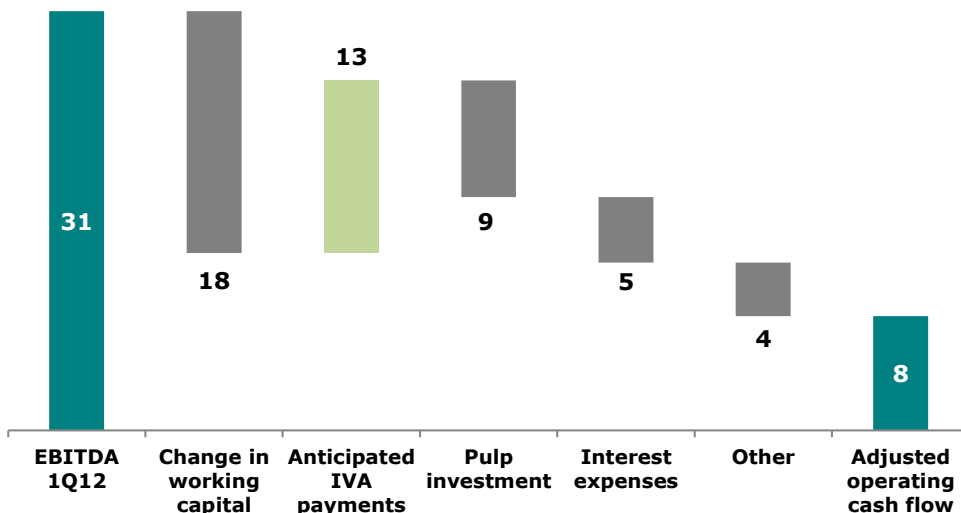


Quarterly Cash cost (€/t)

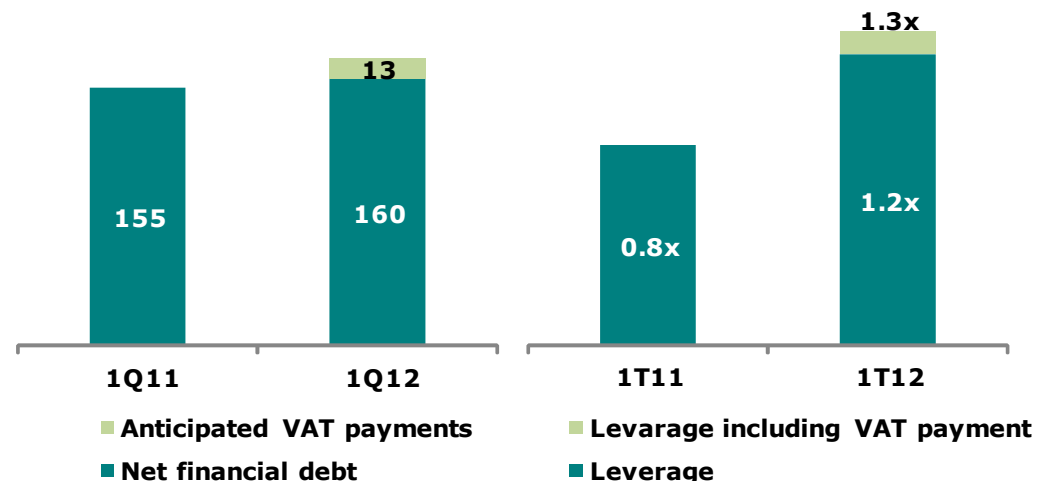


- Further reduction of cash cost, down -11% from 1Q11 to 338€/t in 1Q12 and -14% from the highs of 4Q10, due to higher pulp and energy production and reduce fixed costs, as well as chemical and wood**
- The 338€/t cash cost has fulfilled the low end of the -4/-6% reduction range targeted for 2012, providing visibility to the achievement of the final objective for the year**
- 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 (€M)

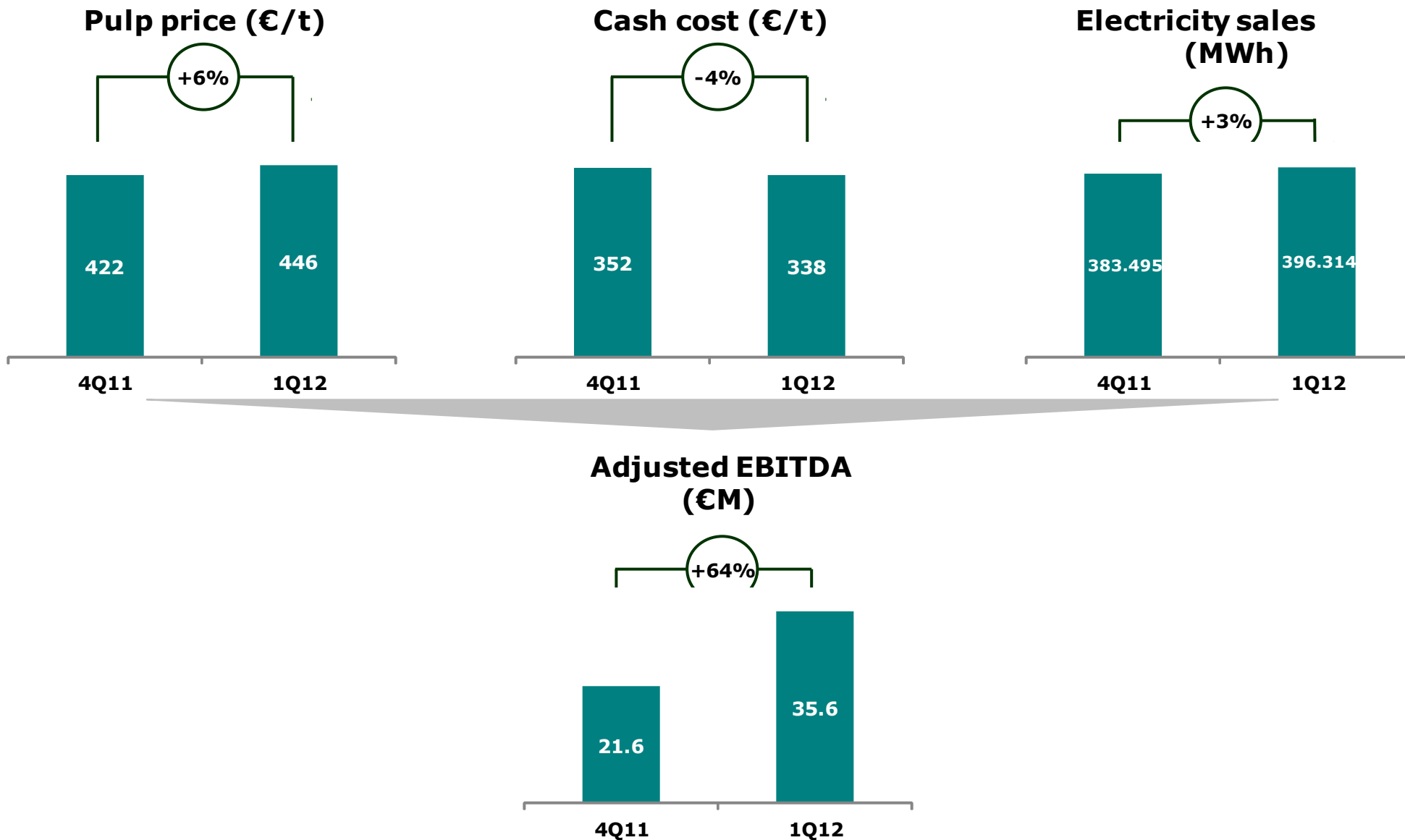


Net financial debt (€M) and leverage



Note: in 1Q12 there were anticipated VAT payments that are expected to be recovered in 2Q12

- **Strong operating cash flow thanks to a solid working capital and investment management, in an environment of lower average prices**
- **Net financial debt with recourse remained stable, with low leverage of 1.3 times EBITDA of the last twelve months**
- Additionally, **there is a €55M non-recourse debt** related to the "project finance" successfully signed in June 2011 for the construction of the 50MW plant in Huelva

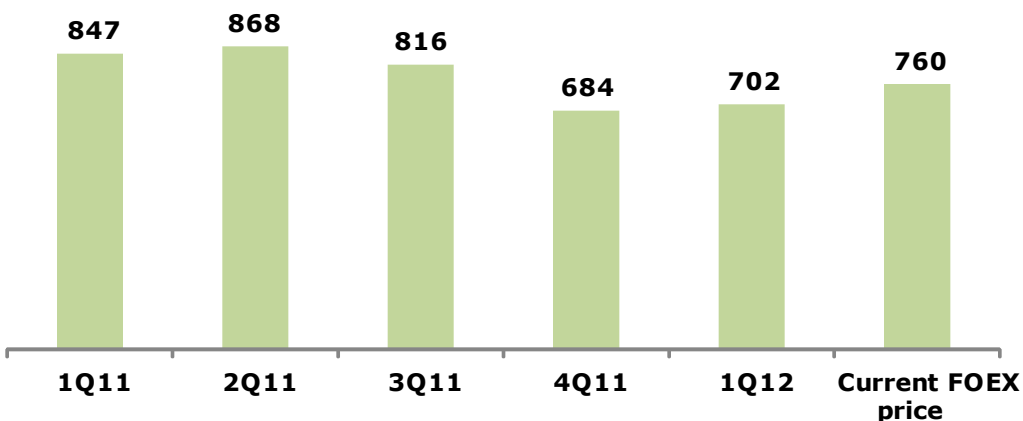


Strong outlook in 2012, with market prices showing an upward trend since December



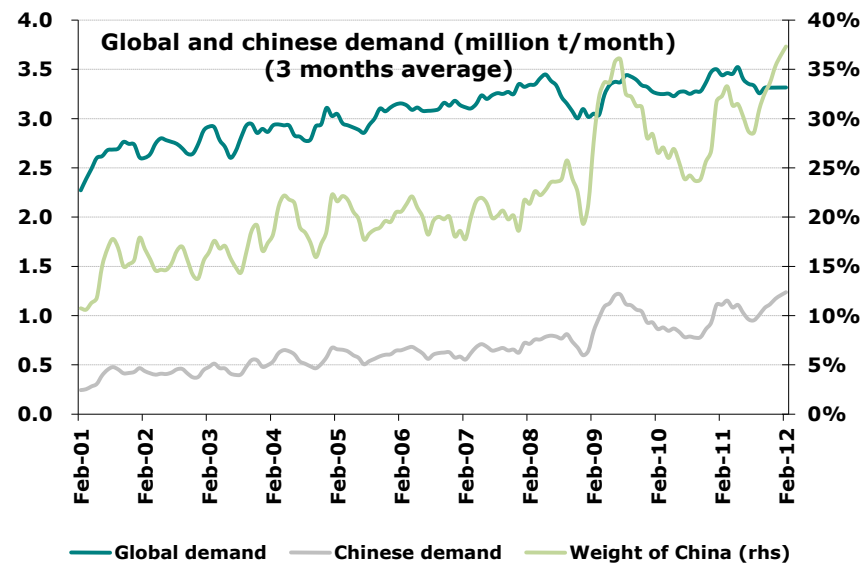
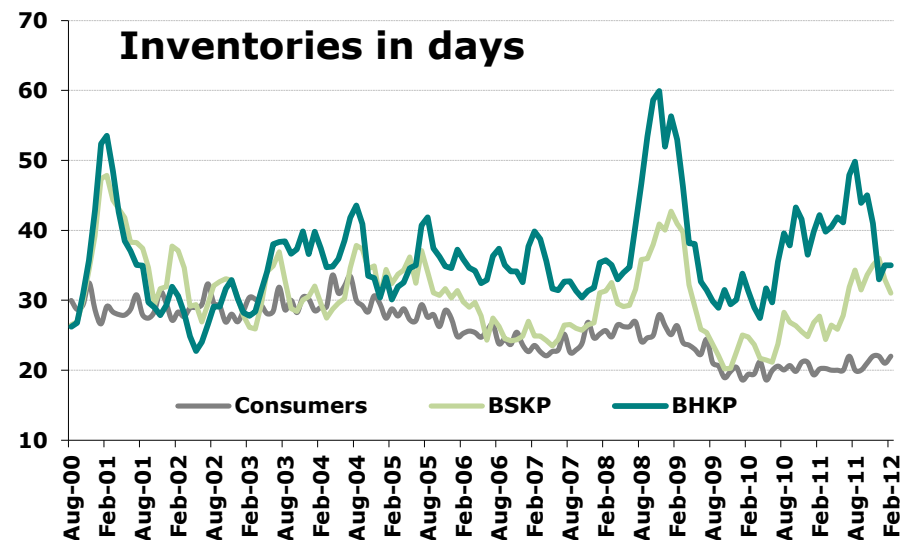
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Evolution of pulp prices (\$/t)



Source: Ence; Foex

- **The price of short fiber rose to \$760/t in late March, 17% above** the minimum \$650/t reached in December, despite strong macroeconomic uncertainty, marking a clear floor at these levels
- The strength of demand on the basis of Chinese growth, low inventory levels and lower supply in 2Q12 by maintenance shutdowns are driving a **rapid recovery in prices to reach \$800/t in May**
- 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

Conclusion



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Solid operating results in 1Q12

Strong production and sales growth of pulp and electricity (2% & 8%)

Cash cost reduction to €338/t

Stable leverage in spite of low average pulp price

Good outlook for 2012 results

Production growth (+2%/+5%) in 2012

In line to surpass -4%/-6% 2012 guidance for cash cost

New price increases from current 760\$/t to 800\$/t May 1st

Tangible mid term cash flow opportunities

From "forestry owner" to "forestry manager" allowing divestments for a total of 300M€ (Iberia & Uruguay) in 5 years

Goal to achieve an EBITDA of 100M€ in 2015 purely on renewables

Strong cash flow generation to further improve Ence financial structure and push shareholder remuneration through buybacks

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