

Pulp Market & ENCE

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Ence Investor Day 2015
19th November 2015



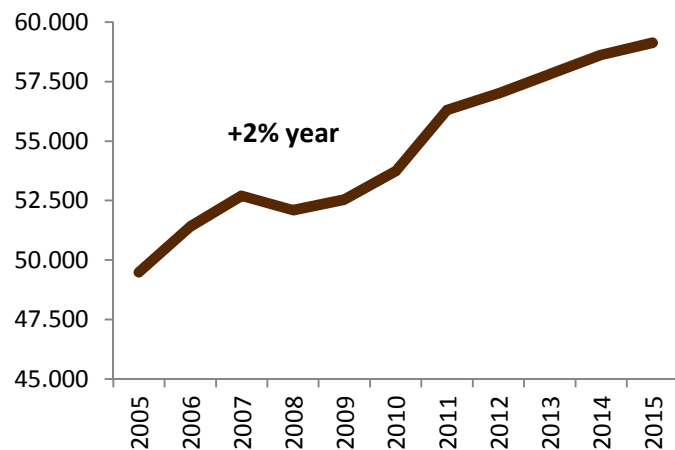
Agenda

Market Outlook	World Pulp Consumption Trend 2005-2015
	Global and European Pulp Demand/Supply
	Pulp Demand Market Trends in Western Europe
ENCE in the Pulp Market	Differentiated Pulp Grades
	ENCE – Top Environmental Performance
	ENCE Vs Europe: Pulp Demand by Segment
	Commercial Profile
	Sales Strategy
	Logistics Set Up in Europe
Conclusions	

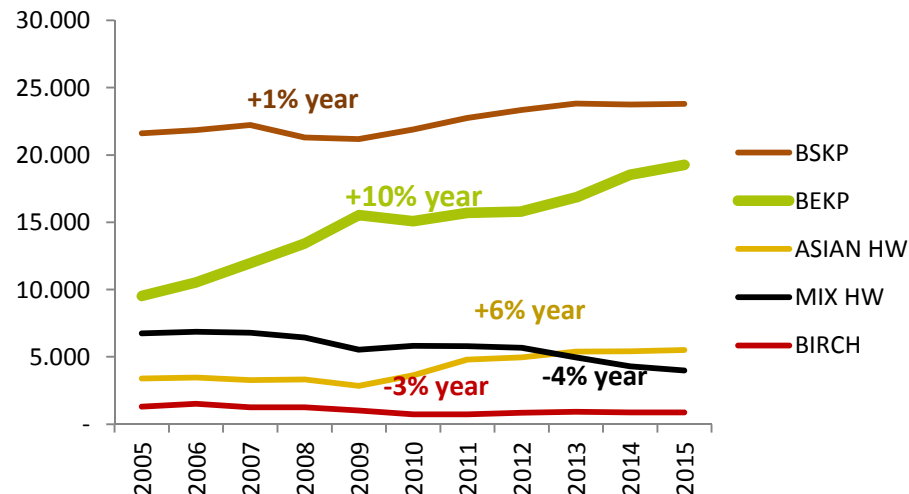
Pulp Consumption Trend 2005-2015



TOTAL CHEMICAL PULP



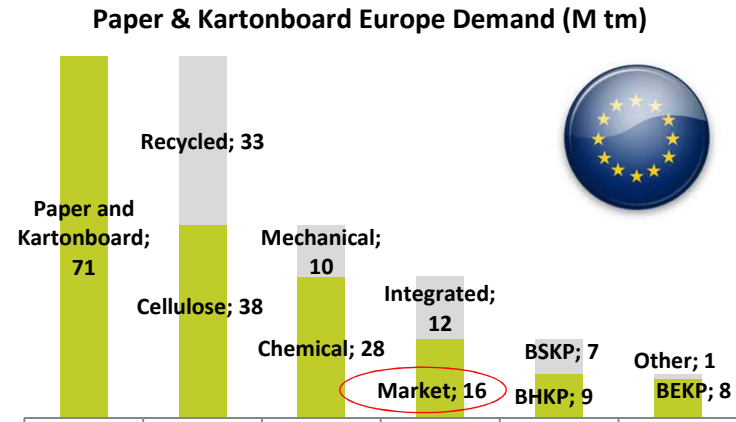
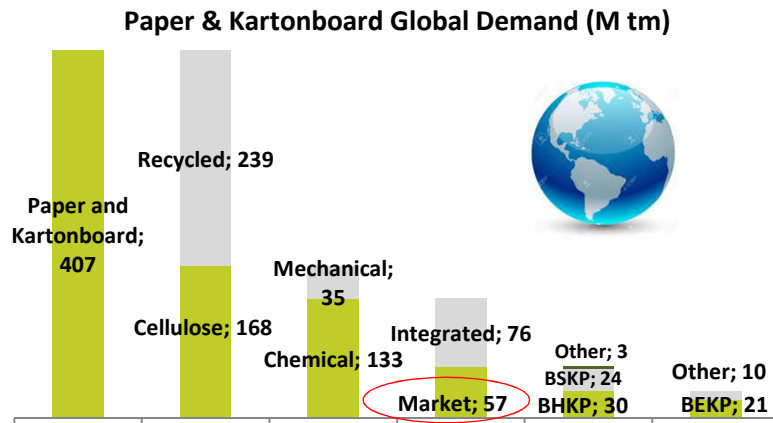
TOTAL CHEMICAL PULP BY FIBRE



In the last 10 years, Chemical Pulp consumption has grown on average a 2% yearly, while annual average growth in the **BEKP pulp consumption has grown 10% in the last 10 years**, and is now recognised as the future fiber. 2 main drivers:

- Most producers (particularly Tissue makers) aim to **change to Euka**; more efficiency in their processes & better product properties
- **Tissue Global demand has been growing significantly in the last 5 years (+3.5% yearly)**

Pulp and Paper - Global & Europe demand

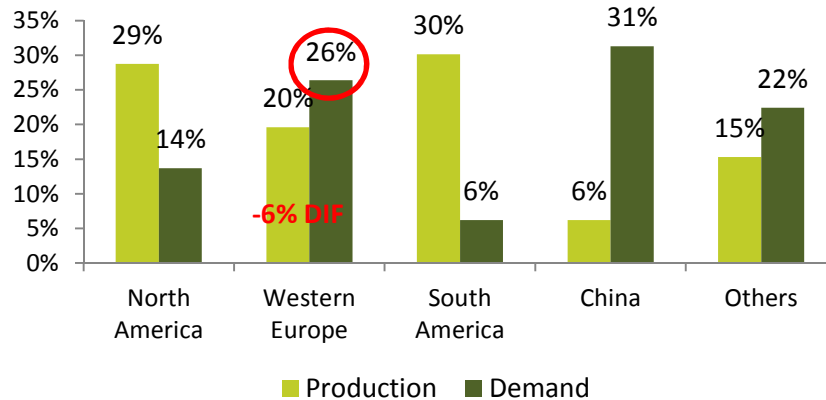


- Global Market Pulp accounts for 57MM tpy while Europe Demand is 16MM.
- Global BEKP demand (Ence's Fiber) amounts to 21MM tpy. In Europe BEKP demand is 8MM.
- BEKP properties allow paper makers to **substitute any other fibre in the 80% of the cases**
- BEKP is the fibre with highest growth rate in the market: 10% yearly

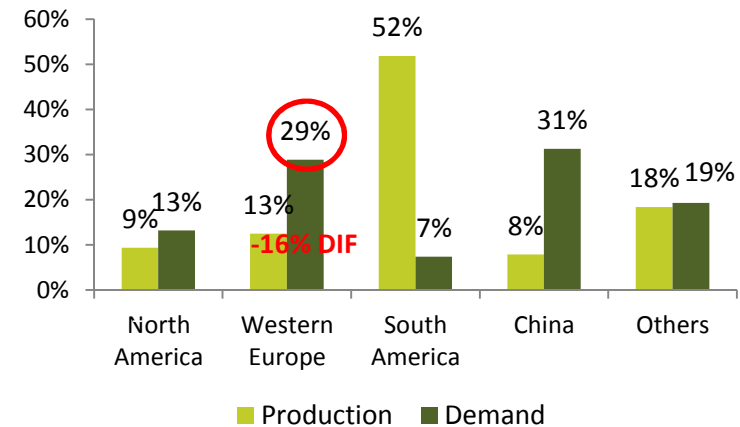
Global Pulp – Demand/Supply Balance



Market Total Pulp Production vs Demand



Market BHKP Production vs Demand

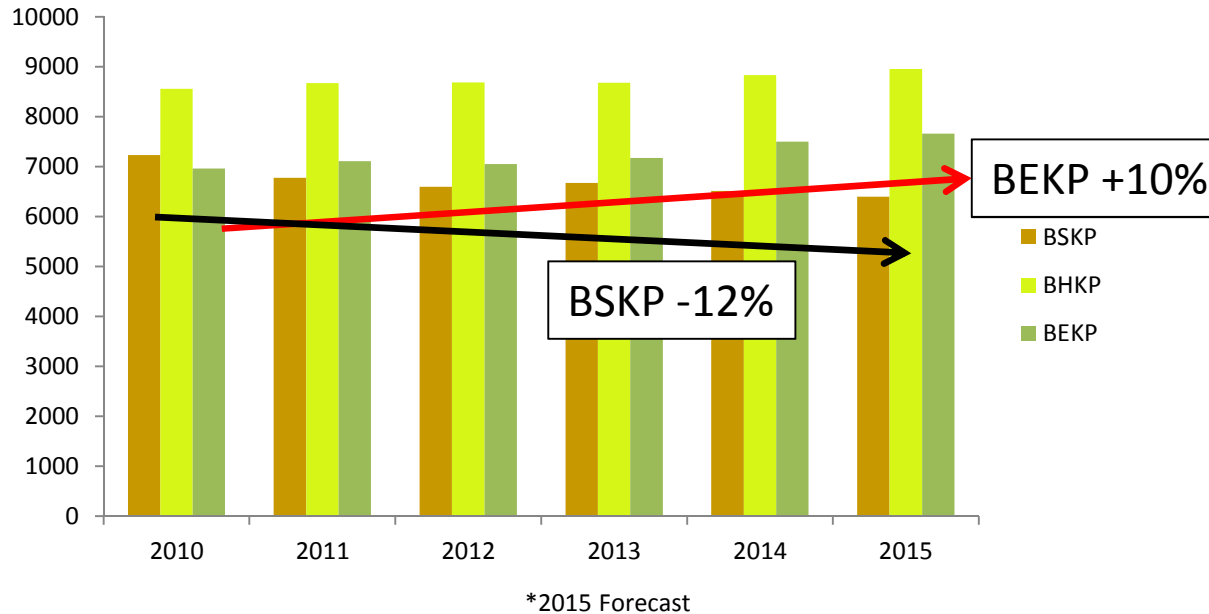


- W.Europe and China are the 2 main drivers for Market Pulp, and represent the 60% BHKP Pulp (30% each)
- W.Europe lacks structurally in Pulp Production:** demand 16MM > Prod 14.1MM, specially in **EUKA (demand 8MM > Prod 2.3MM)**
- BEKP growth over BSKP will worsen the future Demand-Supply balance in Europe, unless BEKP new capacity is installed in the domestic market

W.Europe - Pulp Demand Trends



Market Pulp Demand WE (Thousands of tm)



- As in the Global market, EUKA in Europe grows steadily and more than other fibres
- In the last 5 years BEKP (+10% yearly) has replaced BSKP demand (-12% yearly)**
- BEKP provides better efficiency rates and better product properties (smooth, bulky, and uniform papers)
- BSKP costs are ca.23% higher than BEKP

ENCE High Grades – Differentiated Pulp Grades

1

ENCE Grades are considered “**Premium Grades**” in the market:

NAVIA

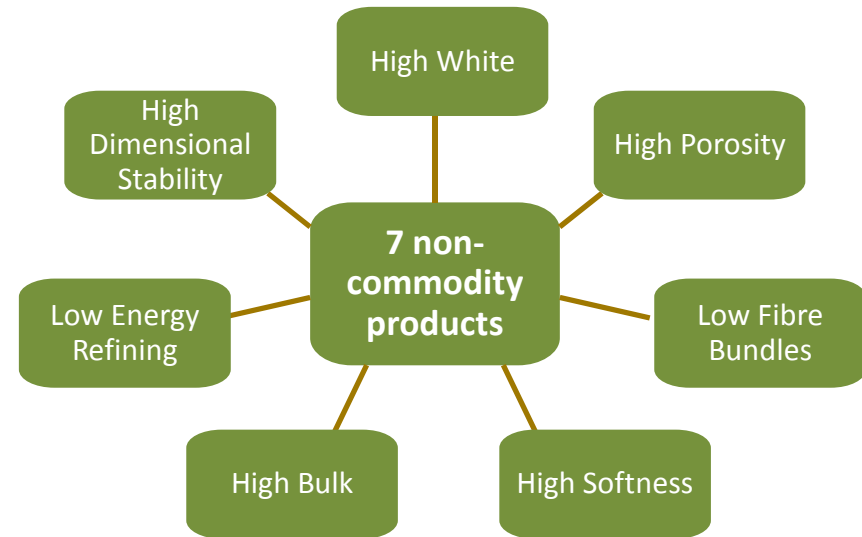
Specialties/Fine P&W: Best mechanical properties in the market + highest tensile

PONTEVEDRA

Exclusively TCF pulp (Total Chlorine Free) highly appreciated in Germany and neighbours, specially sensitive with the environment

2

ENCE specially developed **7 non-commodity products** on top of its standard grades:



3

Premium Pulp:
2 differential facts

Iberian Globulus wood



special production features

allows ENCE to achieve a Premium price on its sales

ENCE – Top Environmental Performance



**Environmental Management
According to ISO 14001 since 1997**



EMAS regulation in 1998

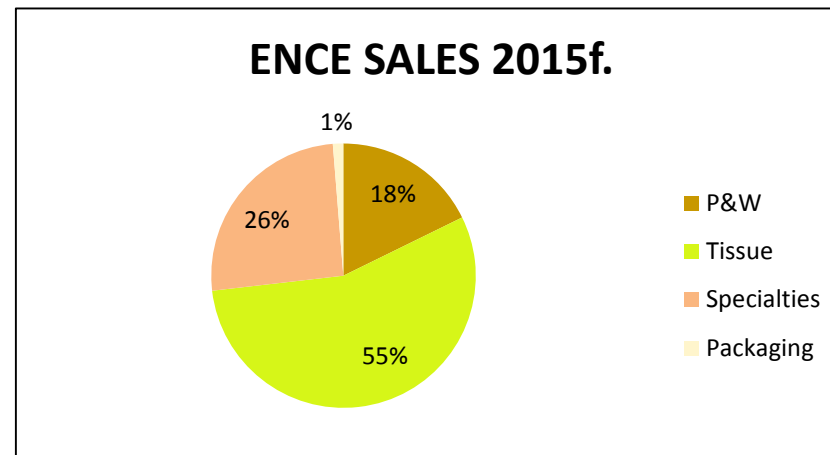
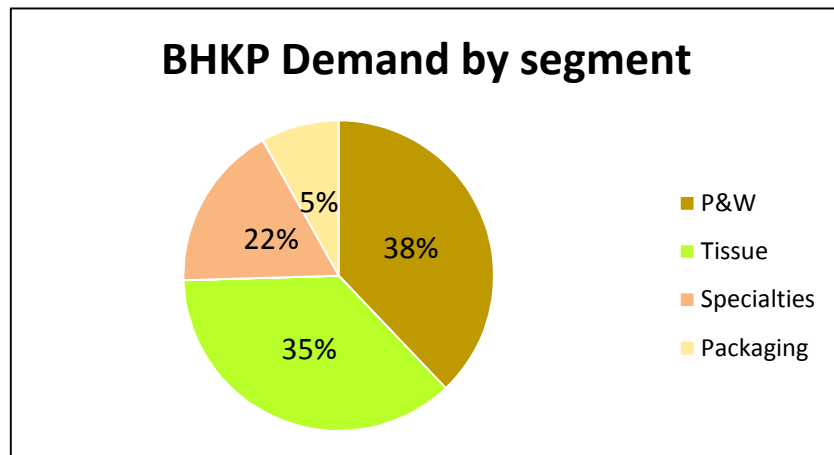


**Management System
Certification Safety and
Health according to
OHSAS 18001 since 2006**



**Evaluates Product's
impact on the
Environment
- Since 2014**

Europe - Market Pulp by segment



Demand of Tissue & Specialties keep growing steadily:

- > 1% W.Europe
- > 3% Global

Demand of P&W slows due to new technologies:

- 2.6% W.Europe
- +0.3% Global

ENCE reoriented its commercial strategy after closing Huelva mill

81% Sales 2015 in Tissue (55%) & Specialties (26%).
68% Sales 2014 in Tissue (51%) & Specialties (17%)

ENCE – Commercial Profile

#1

Market Euka producer in Europe (1MM tpy)

#1

Market TCF Euka Worldwide producer (430k tpy)

#3

Euka seller in Europe

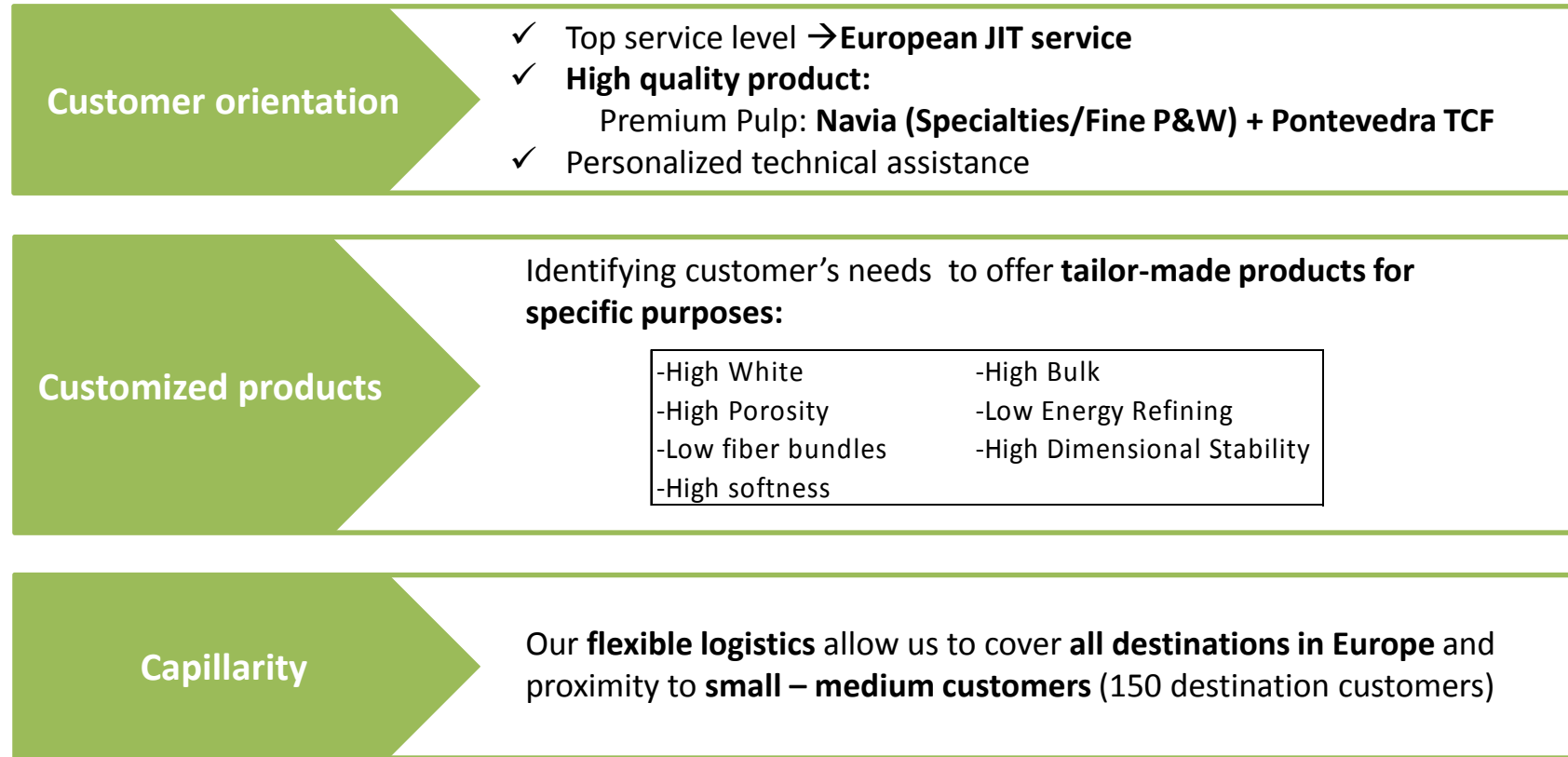
98% of sales in Europe

Mkt share in Europe 11%

- High Sales fragmentation (150 customers) → lowest commercial risk in the Pulp industry
- Premium Pulp quality & European quick response times
- Low cost pulp makers in Europe

ENCE – Sales Strategy

Ence's Sales Strategy is based on 3 main pillars:



Logistic set up in Europe



... whose capillarity and proximity to customers can offer quick delivery of product for their needs



CONCLUSIONS

- ❧ **BEKP demand steadily grows at 10%** while **Total Pulp Demand only at 2%**, and **BSKP in Europe drops by 12%**
- ❧ In **Europe** the continuous net increase on **Pulp demand widens the gap with local pulp production**
- ❧ **Tissue & Specialties** are the two market segments with **solid growth (ca.+3%)**
- ❧ **ENCE pulp is recognized** in the market as **Premium Pulp**, which enables a Premium on the price accordingly
- ❧ **80% of ENCE sales** are made on the 2 **market segments** steadily **on growth**
- ❧ ENCE **commercial approach** based on **Capillarity and Diversification** provides the lowest sales risk in the Pulp industry

Thank you

Ence Investor Day 2015
19 th november 2015

