



**Ence's Financial Profile
Ready for the New Investment Cycle**

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CFO & Corporate Development Officer**

Ence Investor Day 2015
19th November 2015



Agenda

- 🌿 **Two Business: Pulp & Energy**
- 🌿 **Financing the New Investment Cycle**
- 🌿 **Risk Management**
- 🌿 **Shareholder Remuneration Policy**
- 🌿 **Ready for the New Investment Cycle**

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Two Business: Pulp & Energy

Pulp Business

Energy Business

ACTIVITIES



Pulp production



Energy co-generation and generation linked to pulp production



Forest management



Energy generation from agroforestry biomass

GEOGRAPHIC PRESENCE

Two locations in the Asturias and Galicia regions in the North of Spain: Navia and Pontevedra

Sales to customers throughout Europe



Currently, three locations in the South of Spain: Two in Huelva and one in Merida

Two Business: Pulp & Energy

Pulp Business

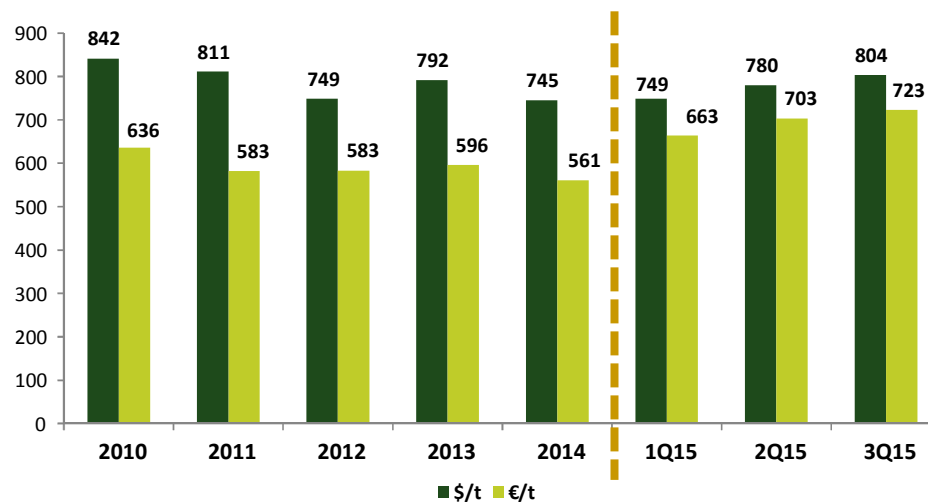
Energy Business

REVENUES

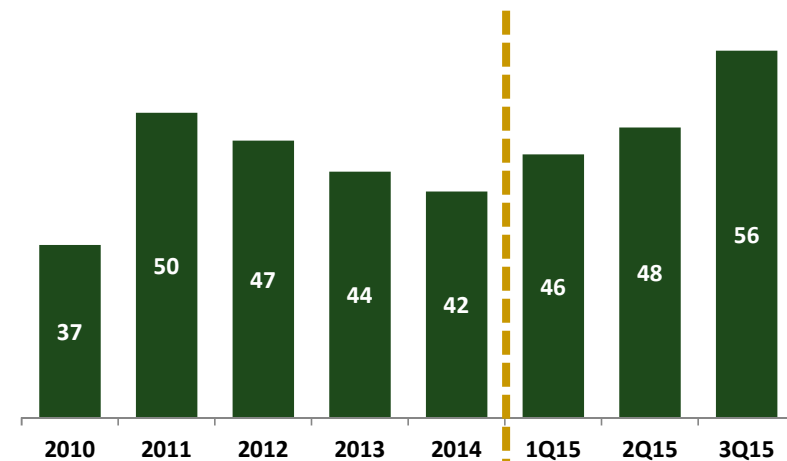
- Cyclical business also with an important USD exchange rate component
- Low parts of the cycle are limited

- Regulated business with high visibility on earnings and no exchange rate impact
- Feed in tariffs highly mitigates revenue volatility

Pulp Price / FX Evolution



Pool Price Evolution (€/MWh)



Two Business: Pulp & Energy

Pulp Business

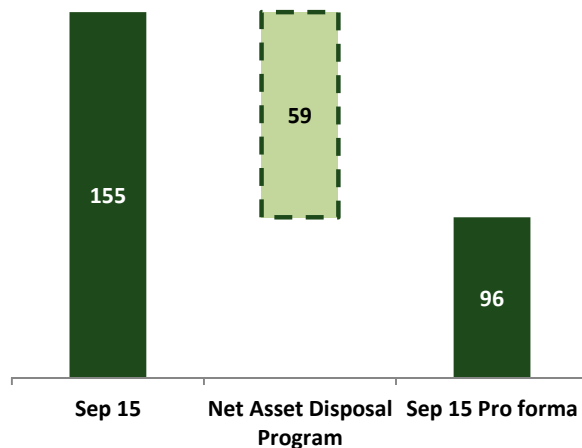
Energy Business

FINANCIAL STRENGTH (€M)

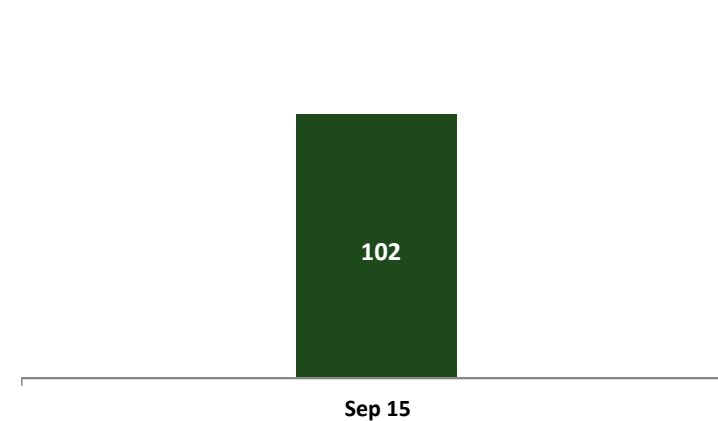
- Access to capital markets with incurrence covenant structures best matching a cyclical business profile
- Low leverage and high liquidity policies to better manage low market situations.

- Best suited for long term Bank Loans under non-recourse Project Finance Structures
- Permits higher leverage levels

Net Corporate Financial Debt (€M)



Net Non-Recourse Financial Debt (€M)



Two Business: Pulp & Energy

Pulp Business

Energy Business

SUCCESSFUL RING-FENCING STRUCTURE

- New bond €250 at 5.375%, due end of 2022**
 - Reduction of the financial cost: 187.5 bps in the new bond and 175 bps on the RCF**
 - Improved conditions and adjusting guarantees**
- Increasing cash available in the Biomass business by €30 M**
 - Reduction of the financial cost: 110 bps**
 - Non recourse to the parent company**

	Previous Bond	New Bond
Size	€250 M	€250 M
Interest cost	7.25%	5.375%
Maturity	February 2020	November 2022
Ranking	Senior Secured	Senior Unsecured
Restricted group	Includes all consolidated group	Excludes the biomass subsidiaries
Optional Redemption	Non call 3 years; 10% call during first 3 years	Non call 3 years
RCF (Credit Facility)	€90 M at Euribor + 4% maturing in February 2018	€90 M at Euribor + 2.25% maturing in October 2020

	Previous PF	New PF
Drawn	€105 M	€135 M
Avg. Interest cost	EUR+3.6%	EUR+3.0%
IRS fix cost	3.3%	2.8%
Maturity	2022-2026	August 2025
Recourse to parent company	Limited recourse	Non recourse
Biomass stocks required	18-24 months	4 months
Biomass supply scheme	Above 50% from energy crops, requiring high capex commitments	100% from forestry and agro waste, sourced from third party suppliers

Two Business: Pulp & Energy

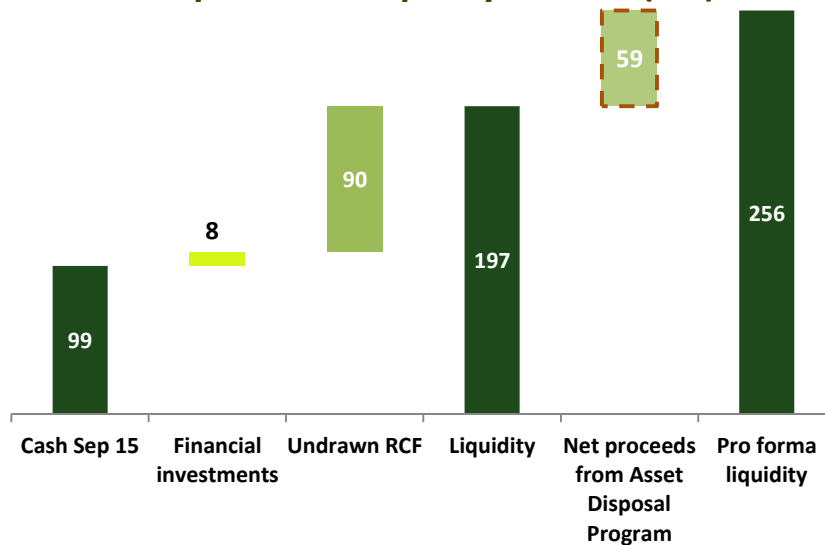
Pulp Business

Energy Business

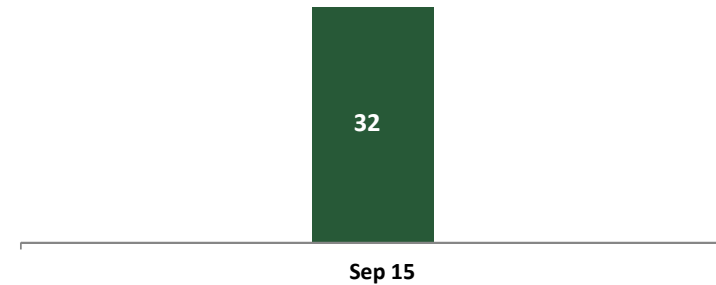
LIQUIDITY (€M)

- Each business division enjoys a solid liquidity situation ensuring the adequate implementation of its growth strategies.

Pulp Business Liquidity Position (€M)



Energy Business Liquidity Position (€M)

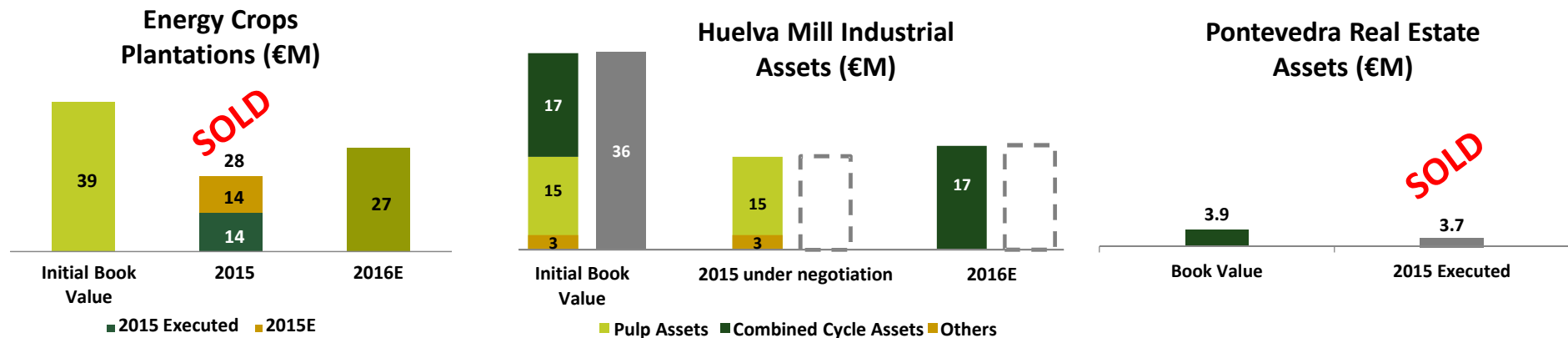


Extraordinary Divestiture Program

Pulp Business

€79 M OF BOOK VALUE ASSETS AVAILABLE FOR SALE. €32 M EXPECTED TO CASH IN 2015

- Ence has sold 562 hectares of former irrigated energy crops for €14.1 M and has signed promissory contracts for additional 620 irrigated hectares for a total consideration of €14.4 M, having received in advance €1.7M of cash.
- Ence has also sold Pontevedra Real Estate Assets for €3.7 M in November
- Huelva industrial assets disposal program (€36 M book value) currently negotiating the first phase for €18 M of book value



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Two Business: Pulp & Energy

Pulp Business

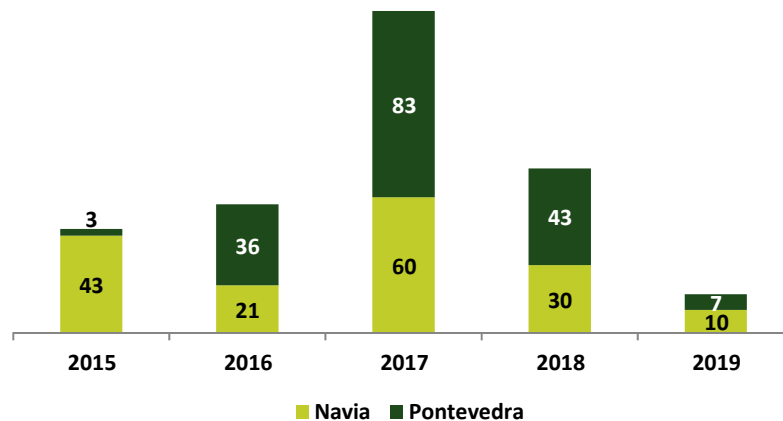
Energy Business

GROWTH STRATEGY: INVESTING IN THE ENVIRONMENTAL SUSTAINABILITY

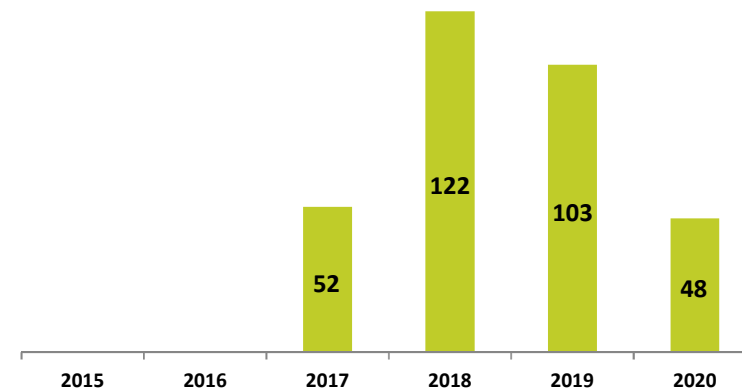
- Expand capacity in existing mills, on a conservative basis, based on local wood availability.
- Become cost leader and remain quality leader across Europe

- Selective development of biomass energy projects, where regulatory environment is favourable, with good visibility on electricity infrastructure and prices, using EPC and project financing non-recourse structures and co-investing with local partners

Gross Capex Pulp Business (€M)



Gross Capex Energy Business (€M)



Two Business: Pulp & Energy

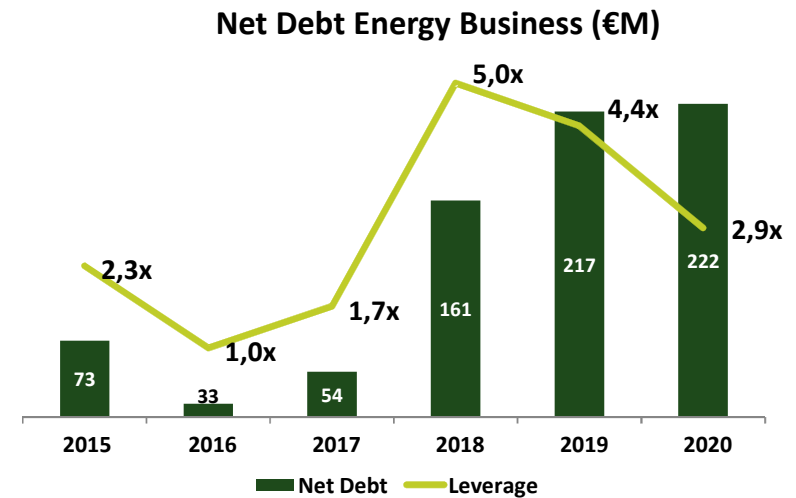
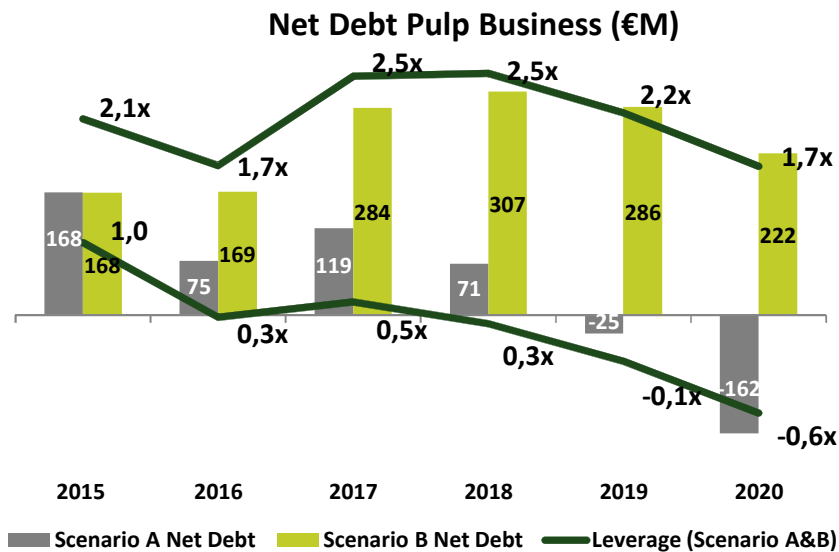
Pulp Business

Energy Business

FINANCING STRATEGY. LEVERAGE LEVELS

Investments within the Pulp Business will be made never exceeding a 2,5x Net debt to EBITDA ratio

Investments in the Energy Business will be made along with local partners, never exceeding a 5x Net debt to EBITDA ratio



Note. Scenario A figures based on 800\$/t pulp price and 1.05 \$/€ exchange ratio and Scenario B figures based on 720\$/t pulp price and 1.25\$/€ exchange ratio

Two Business: Pulp & Energy

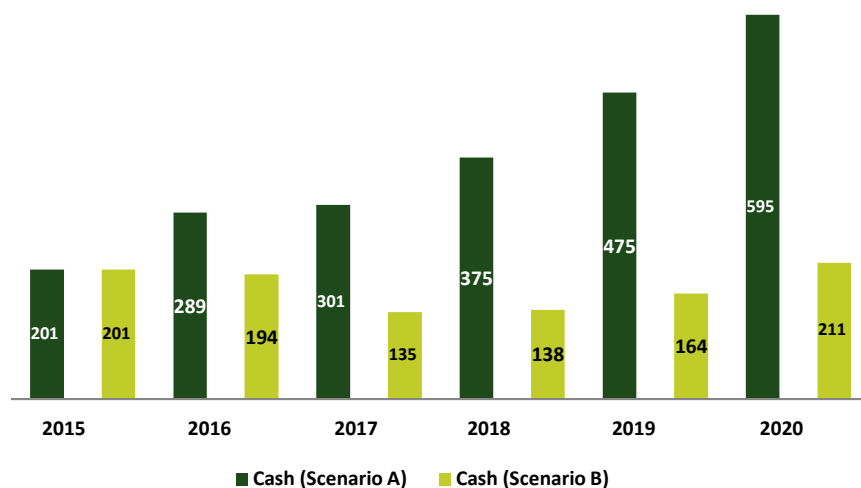
Pulp Business

Energy Business

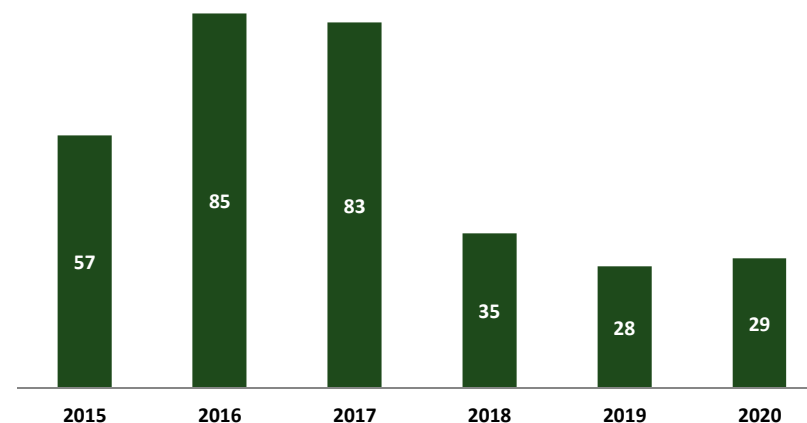
FINANCING STRATEGY. LIQUIDITY

- Ensuring conservative liquidity levels to manage both businesses along the new cycle

Cash Availability Pulp Business (€M)



Cash Availability Energy Business (€M)



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Risk management

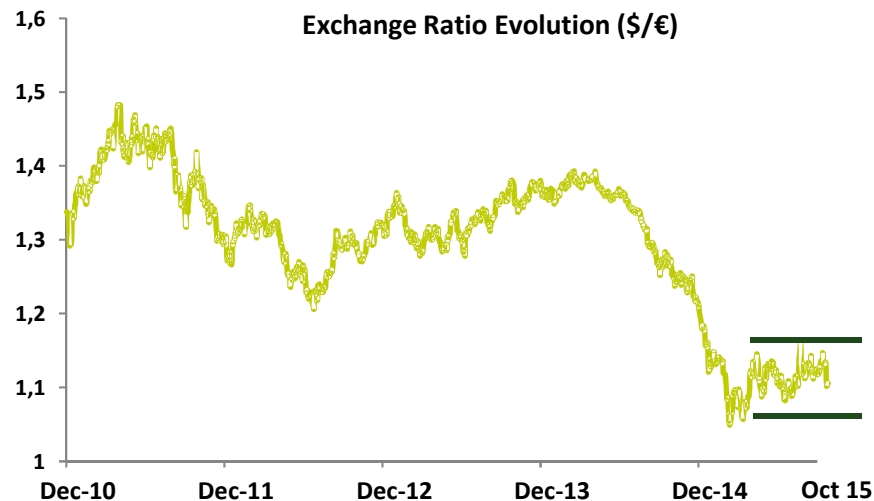
Pulp Business

Energy Business

POTENTIAL RISKS

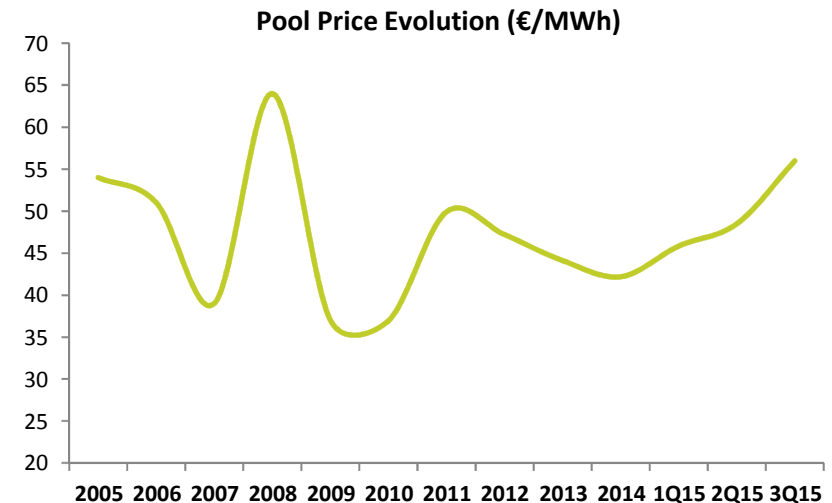
🌿 Hedging the Exchange Ratio Exposure

Ence is implementing a hedging program, currently covering up to 50% of its USD dollar exposure for the coming 18 months, using a tunnel structure at 1.15/1.07 levels.



🌿 Pool prices

A hedging program over electricity prices implemented: 75% of the production of the 4Q15 at €49/MWh and 27% of the production of the 1H16 at €46/MWh



Risk management

Pulp Business

Energy Business

POTENTIAL RISKS

- Potential changes in cogeneration regulation are mitigated:
 - ✓ Current net effect on EBITDA is limited to c. €2 M
 - ✓ If feed-in-tariffs are again reduced on cogeneration, our mills can be “unplugged” from the grid and consume the energy needed directly straight from its own cogeneration activities
- Reducing cash costs ensures the best hedging for Ence against pulp price volatility
- Operation Costs are naturally hedged by the regulation (Ro)
- Investment return also has a floor set by the regulation (Ri), maximized through our mills size
- Biomass Supply Risks
 - ✓ Long term agreements with multiple wood and agricultural residues suppliers

Risk management

Pulp Business

Energy Business

FINANCIAL DISCIPLINE

- The Company will ensure a leverage not higher than 2.5x Debt to EBITDA on mid-cycle pulp prices and USD Exchange rates
- The Company will ensure a leverage not higher than 5x Debt to EBITDA on non-recourse to the pulp business financial structures

COMMERCIAL DISCIPLINE

- Covered by Insurance Program and monitored by the Risks Committee
- Minimum risk since ENCE sells to the grid

WOOD & BIOMASS SUPPLY

- Strong purchasing team with long experience backed by managed plantations on situations needed
- Long term agreements with multiple wood and agricultural residues suppliers

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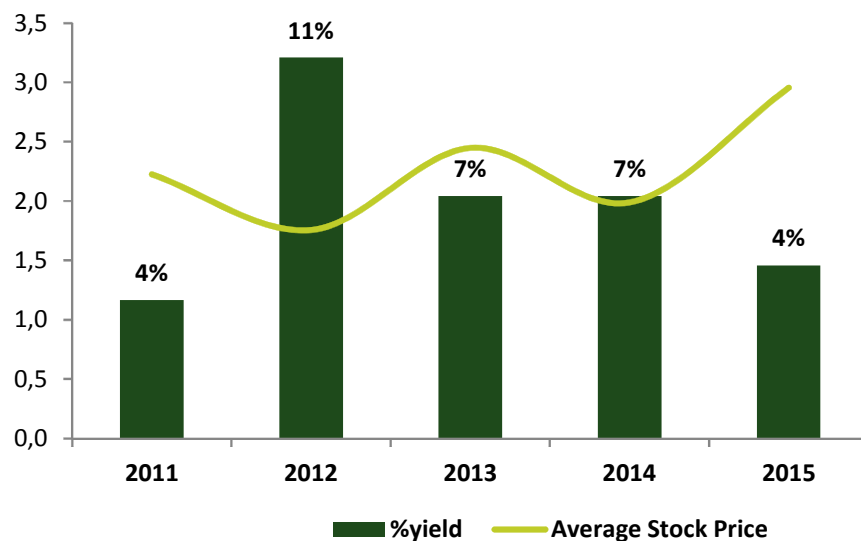
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Shareholder Remuneration Policy

Pulp Business

Energy Business

DIVIDEND PAYMENTS



Note. % Yields have been calculated based on the day of the dividend payment

Maximizing shareholder remuneration through:

- Maintaining the debt position down to conservative leverage levels, target of maximum 2.5x and 5.0x Net Debt/EBITDA in Pulp Business and Energy Business, respectively
- Value creation growth projects ruled by a stringent and a selected criteria
- Maintaining an attractive shareholder remuneration according to the increased earnings and free cash flow generation

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Ready for the new investment cycle, gaining scale and generating value for Investors

- 🌿 **Corporate Structure designed to manage operations and risks on an isolated basis, using tailor made financial structures to specifically adapt future growth per business division**
- 🌿 **Solid financial and strong liquidity position, conservatively managed to ensure its maintenance in the long run, as main driver to support the execution of the strategic growth plan, strengthened by an extraordinary asset divestiture program**
- 🌿 **Stringent risk policy across the Company**
- 🌿 **Maximizing shareholder remuneration through value creation and steady dividend policy**
- 🌿 **A defined strategic growth plan, with clear financing policies per business, mitigating execution risks and ensuring environmentally sustainable growth to create value and gain scale**

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Thank you

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