



FY 2018 Results

February 27, 2019

Disclaimer

The information contained in this presentation has been prepared by Ence Energía y Celulosa, S.A. (hereinafter, "Ence").

This presentation includes data relating to future forecasts. Any data included in this presentation which differ from other data based on historical information, including, in a merely expository manner, those which refer to the financial situation of Ence, its business strategy, estimated investments, management plans, and objectives related to future operations, as well as those which include the words "anticipate", "believe", "estimate", "consider", "expect" and other similar expressions, are data related to future situations and therefore have various inherent risks, both known and unknown, and possess an element of uncertainty, which can lead to the situation and results both of Ence and its sector differing significantly from those expressly or implicitly noted in said data relating to future forecasts.

The aforementioned data relating to future forecasts are based on numerous assumptions regarding the current and future business strategy of Ence and the environment in which it expects to be situated in the future. There is a series of important factors which could cause the situation and results of Ence to differ significantly from what is expounded in the data relating to future forecasts, including fluctuation in the price of wood pulp or wood, seasonal variations in business, regulatory changes to the electricity sector, fluctuation in exchange rates, financial risks, strikes or other kinds of action carried out by the employees of Ence, competition and environmental risks, as well as any other factors described in the document. The data relating to future forecasts solely refer to the date of this presentation without Ence being under any obligation to update or revise any of said data, any of the expectations of Ence, any modification to the conditions or circumstances on which the related data are based, or any other information or data included in this presentation.

The information contained in this document has not been verified by independent experts and, therefore, Ence neither implicitly nor explicitly gives any guarantee on the impartiality, precision, completeness or accuracy of the information, opinions and statements expressed herein.

This document does not constitute an offer or invitation to acquire or subscribe to shares, in accordance with the provisions of Royal Legislative Decree 4/2015, of 23 October, approving the consolidated text of the Securities Market Act. Furthermore, this document does not constitute a purchase, sale or swap offer, nor a request for a purchase, sale or swap offer for securities, or a request for any vote or approval in any other jurisdiction.



Highlights

Highlights

FY 2018

Excellent 2018 results driven by pulp price improvement

- €291 Mn **EBITDA** (+35% vs. 2017)
- €200 Mn **Recurrent FCF** (+36% vs. 2017)
- €129 Mn **Net Income** (+41% vs. 2017)
- €67 Mn **Dividend payment** (+69% vs. 2017)

€231 Mn growth capex in the Renewable business

- **Thermosolar** plant valued at €140 Mn and **acquired in Dec.18** to add **€18 Mn EBITDA**
- €104 Mn investment in **new biomass power capacity** to start production in **Dec. 2019** adding **€30 Mn EBITDA annually**

€62 Mn growth capex in the Pulp business

- **30k t** capacity increase in **1Q 2018**
- **100k t** capacity increase set for **2Q 2019**

Low leverage and attractive shareholder remuneration

- Leverage ratio at just **1 x Net Debt / EBITDA**
- **Final dividend** of **0.054 €/share** to be approved on March 28
- Pulp business refinancing **to save €11 Mn interest payment** as from 2019

Strong pulp price scenario maintained for the coming years

- **Continued eucalyptus pulp demand growth** (+4.7% vs. 2017) driven by increasing middle classes in emerging countries
- **Lack of large capacity increases** for the coming years
- Pulp prices already **bottoming out** in China

New Strategic Plan on track

- To reach **€340 Mn EBITDA in 2019** with an average pulp price of 1,050 \$/t and 1.20 \$/€

Tighter supply and demand balance expected until at least 2022

Minimum lead time for new projects 3 years

Expected Annual Increase for Global Market Hardwood Supply and Demand (Mn t)¹

Mn t	2019	2020	2019-20	2021	2019-21	2022	2019-22	2023	2019-23	2024	2019-24
ESTIMATED BHKP DEMAND INCREASE	1.4	1.4	2.8	1.4	4.2	1.4	5.6	1.4	7.0	1.4	8.4
CHINA	1.0	1.0	2.0	1.0	3.0	1.0	4.0	1.0	5.0	1.0	6.0
OTHER ASIA / AFRICA / OCEANIA / MIDDLE EAST	0.2	0.2	0.4	0.2	0.6	0.2	0.8	0.2	1.0	0.2	1.2
EUROPE	0.1	0.1	0.2	0.1	0.3	0.1	0.4	0.1	0.5	0.1	0.6
NORTH AMERICA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LATIN AMERICA	0.1	0.1	0.2	0.1	0.3	0.1	0.4	0.1	0.5	0.1	0.6
ESTIMATED BHKP SUPPLY INCREASE (CONFIRMED)	0.5	-0.1	0.4	0.0	0.4	0.4	0.8	-0.3	0.5	-0.4	0.1
APP (OKI)	0.2	0.3	0.5		0.5		0.5		0.5		0.5
FIBRIA (TRES LAGOAS)	0.1		0.1		0.1		0.1		0.1		0.1
ARAUCO (HORCONES)				0.4	0.4	0.8	1.2		1.2		1.2
SUZANO (IMPERATRIZ. MUCURI & MARANHÃO)		0.3	0.3		0.3		0.3		0.3		0.3
ENCE (NAVIA & PONTEVEDRA)	0.1	0.1	0.2		0.2		0.2	0.1	0.3		0.3
GEORGIA PACIFIC (PERDUE)	-0.1		-0.1		-0.1		-0.1		-0.1		-0.1
ARAUCO (VALDIVIA)	0.2	-0.4	-0.2		-0.2		-0.2		-0.2		-0.2
APRIL (KERINCI)	0.2	-0.2	0.0	-0.2	-0.2	-0.2	-0.4	-0.2	-0.6	-0.2	-0.8
APRIL (RIZHAO)	-0.2	-0.2	-0.4	-0.2	-0.6	-0.2	-0.8	-0.2	-1.0	-0.2	-1.2
POTENTIAL BHKP SUPPLY (NOT CONFIRMED)						0.8	0.8	2.4	3.2	2.2	5.4
UPM (URUGUAY)						0.5	0.5	1.0	1.5	0.5	2
ELDORADO (BRASIL)								0.5	0.5	1.5	2
LWARCEL (BRASIL)								0.8	0.8	0.2	1
VIETRACIMEX (VIETNAM)						0.3	0.3	0.1	0.4		0.4
SURPLUS / (DEFICIT)	0.9	1.5	2.4	1.4	3.8	0.2	4.0	-0.7	3.3	-0.4	2.9

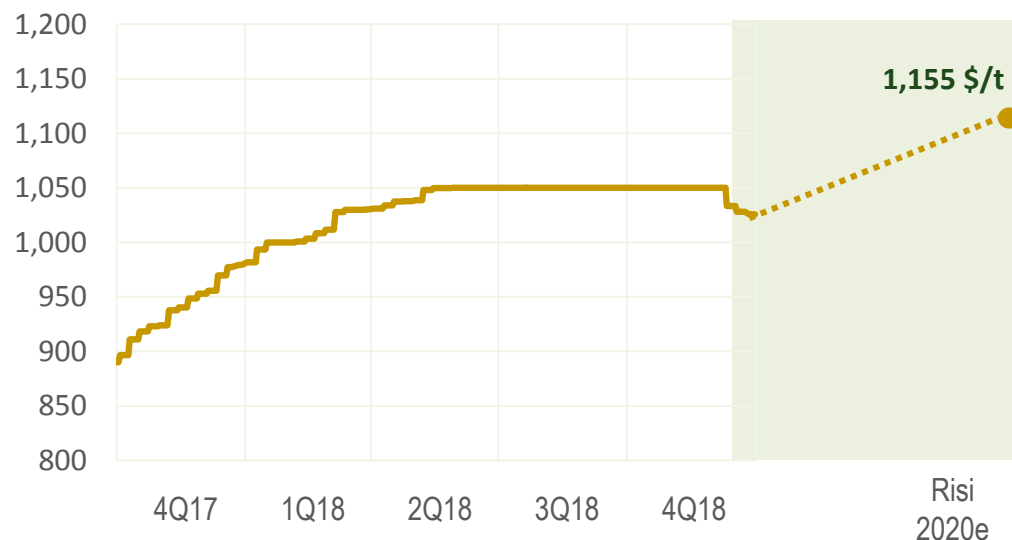
Source:
ENCE estimates

1. Estimates correspond to the expected increase in supply and demand of market pulp for paper production. It excludes therefore the production of integrated pulp and other pulp grades such as Dissolving Pulp or Fluff

Pulp price improvement is still the scenario for the coming years

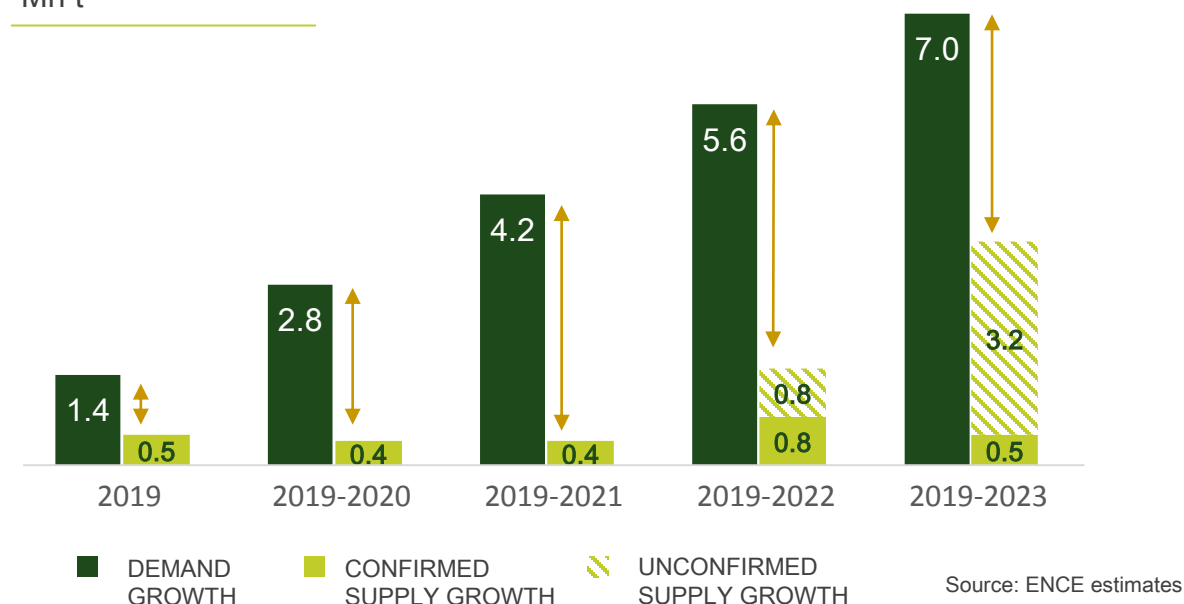
Due to a tighter supply and demand balance

European Hardwood (BHKP)
Pulp Prices
\$/t



- Short term price volatility due to paper industry destocking process at the end of 4Q18 and the beginning of 1Q19
- Pulp prices already bottoming out in China

Expected Annual Increase for Global Market
Hardwood (BHKP) Supply and Demand ¹
Mn t



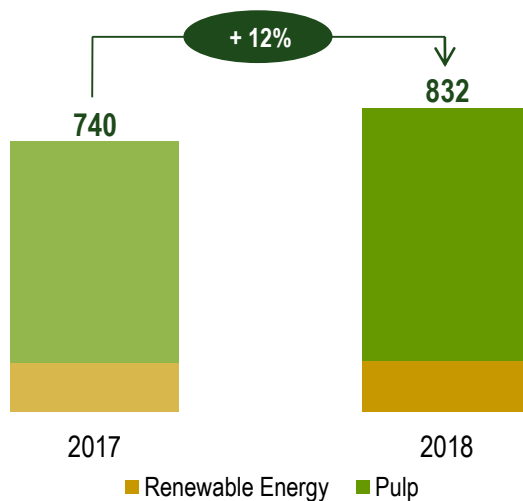
- Tighter supply and demand balance support a price improvement scenario for the coming years
- Just one large capacity increase confirmed for 2H 2021

1. Estimates correspond to the expected increase in supply and demand of market pulp for paper production. It excludes therefore the production of integrated pulp and other pulp grades such as Dissolving Pulp or Fluff

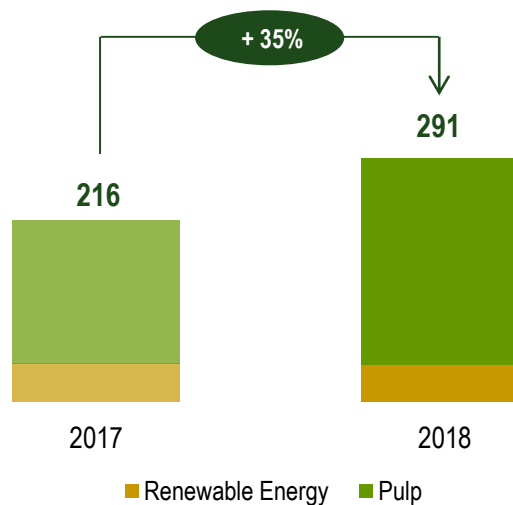
Excellent FY 2018 Results

Driven by pulp price improvement

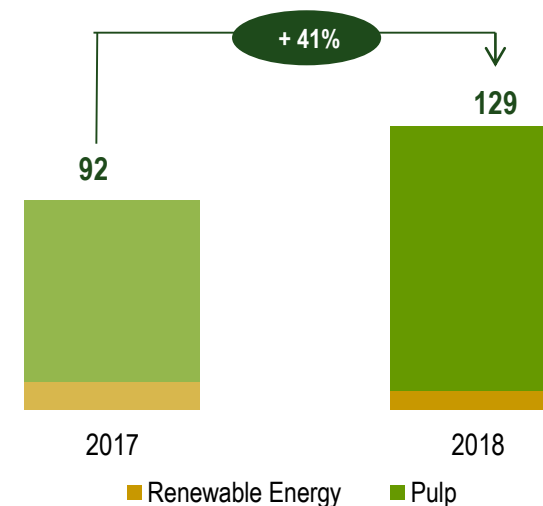
Group Revenues (€ Mn)



Group EBITDA (€ Mn)



Group Net Income (€ Mn)



Pulp business: 14% revenue growth

- 20% rise in pulp net selling price
- 3% decrease in pulp volume sold due to inventory building ahead of 1H19 expansions

Renewable Energy business: 4% revenue growth

- 4% increase in energy volume sold

Pulp business: 44% EBITDA growth

- Despite 8% cash cost increase

Renewable Energy business EBITDA stable

- New plants contribution offset by lower operating performance of biomass energy plants in 2H18

41% Net income growth

- Pulp business refinancing to save €11 Mn annual interest payment as from 2019

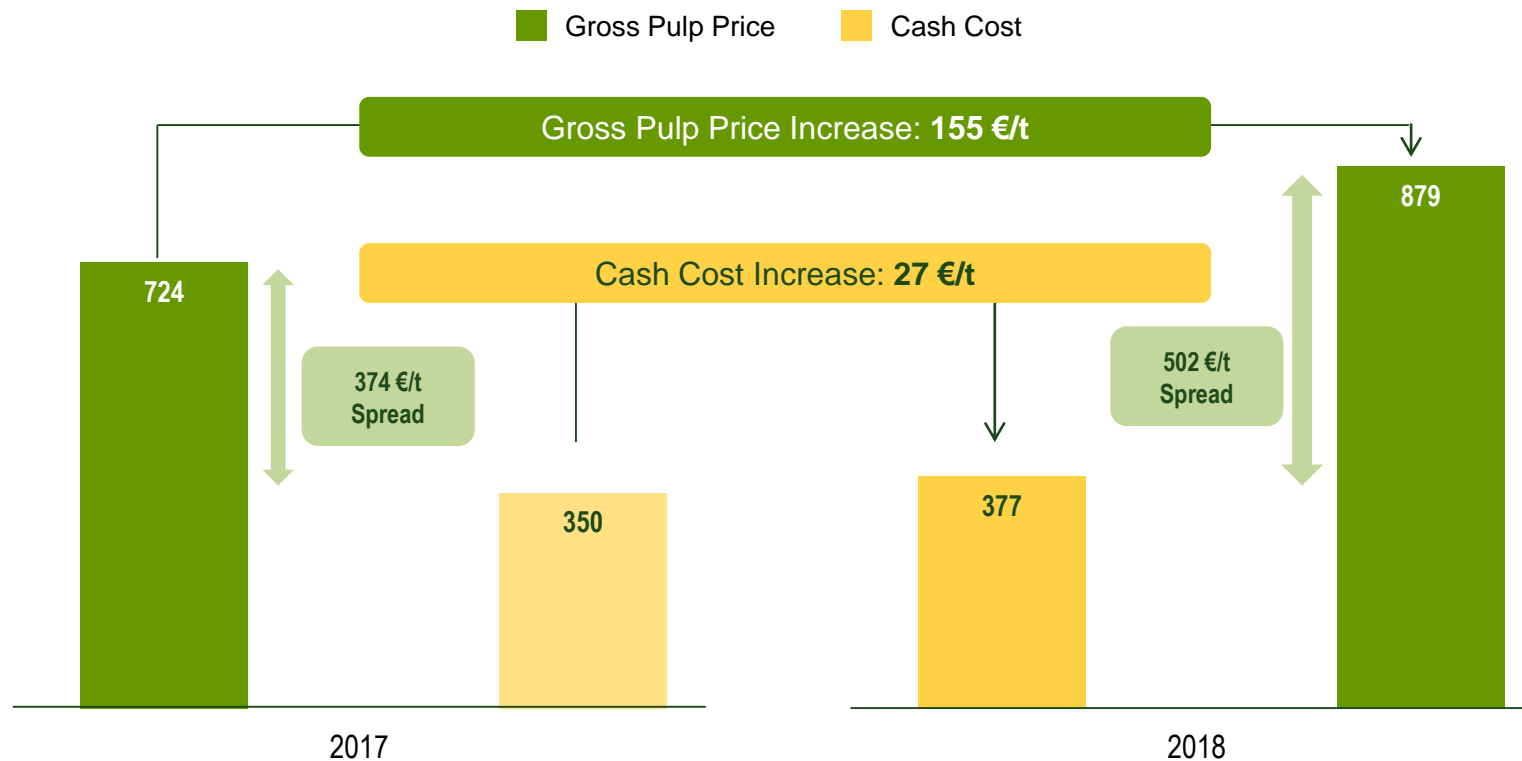
69% Dividend payment increase

- €67 Mn distributed along the year

Increasing margins in the Pulp Business

FY 2018 Cash Cost of 377 €/t

Gross Pulp Price (€/t) vs. Cash Cost (€/t)



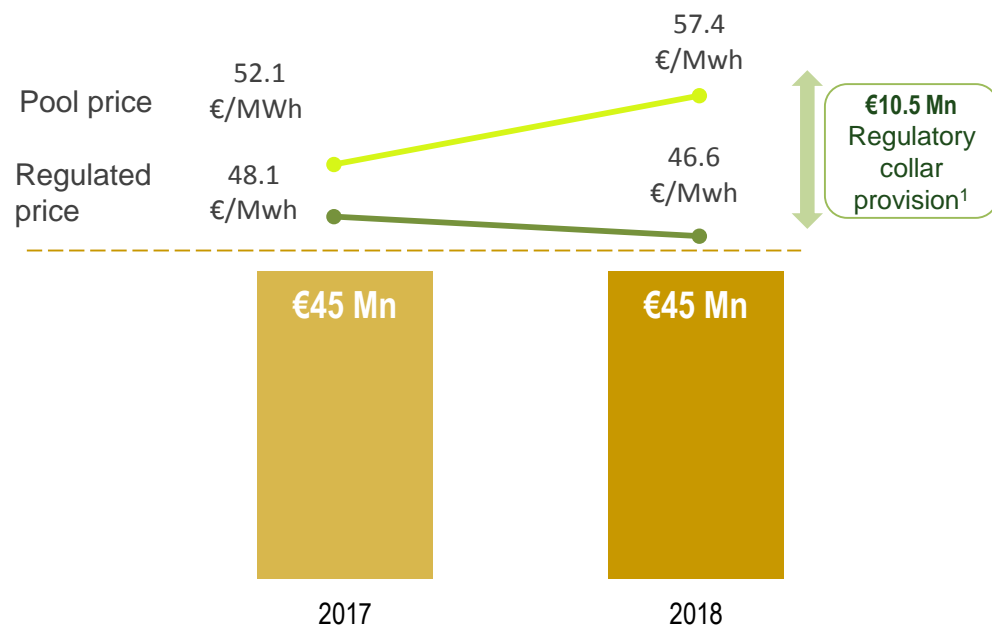
27 €/t Cash Cost increase vs. FY 2017

- **9 €/t** due to wood cost increase (linked to pulp prices)
- **6 €/t** due to higher conversion costs (mostly linked to rising chemicals and fuel cost).
- **10 €/t** due to higher corporate expenses (headcount growth to pursue New Strategic Plan goals)
- **2 €/t** due to higher logistic cost (higher fuel cost)

Renewable Energy business EBITDA stable

€65 Mn EBITDA expected for 2019

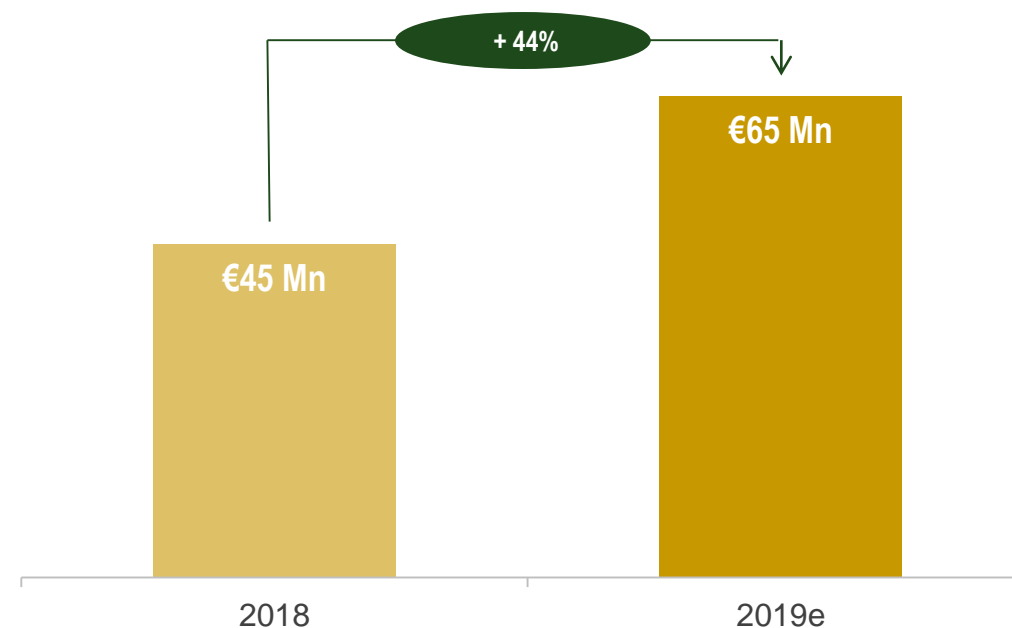
Renewable Energy Business EBITDA



Renewable Energy business EBITDA stable in 2018

- Increasing EBITDA contribution from Cordoba 27 MW and Ciudad Real 50 MW thermosolar plant
- Offset by lower operating performance of biomass plants in 2H18

Expected Renewable Energy EBITDA in 2019



44% EBITDA growth expected for 2019 driven by:

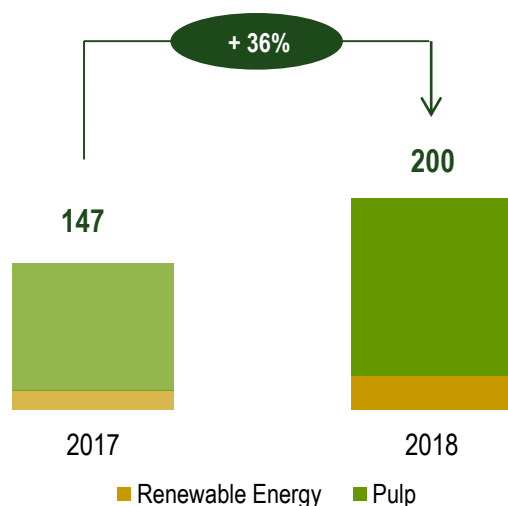
- Ciudad Real 50 MW thermosolar plant acquired in Dec. 2018
- Biomass plants operational recovery

1. Regulatory collar: Adjustment derived from the deviation between the electricity price limits set by the Regulator and the real electricity pool price

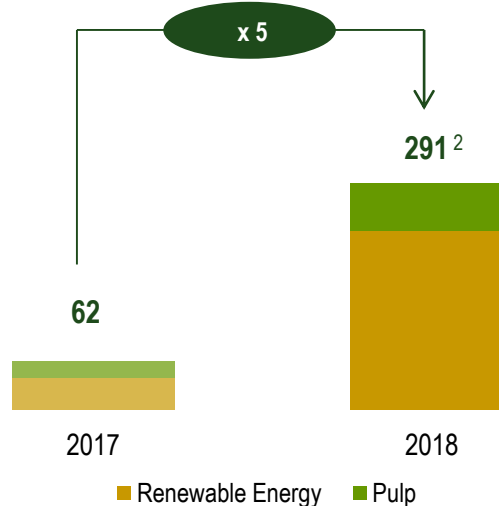
Strong Free Cash Flow generation

Low financial leverage of 1x LTM EBITDA after Strategic Plan investments

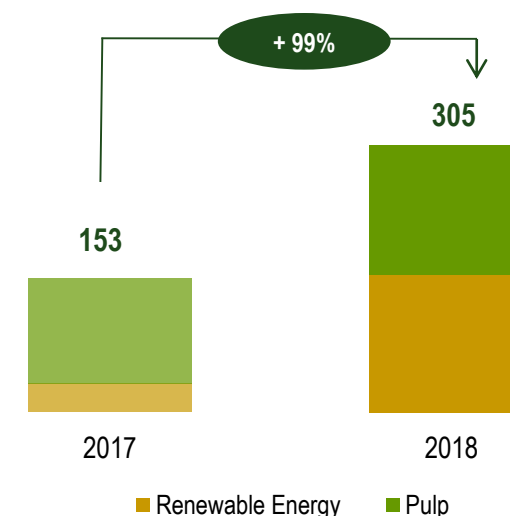
Normalized FCF¹ (€ Mn)



Capex (€ Mn)



Net Debt FY18



Strong Normalized Free Cash Flow generation of €200 Mn

- High EBITDA conversion into FCF: 69% including €13.7 Mn one-off financial payment

Growth and sustainability capex increase according to Strategic Plan:

- Pulp business: €62 Mn** for Pontevedra and Navia capacity expansions
- Renewable Energy business: €231 Mn** for Thermosolar plant acquisition and new biomass power plants construction

Low leverage of 1x Net Debt / LTM EBITDA

- Pulp business: 0.6x Net Debt / LTM EBITDA
- Energy business: 2.5x Net Debt / LTM EBITDA³

Equity contribution of €78 Mn from Pulp to Renewable Energy Business with no effect on consolidated figures

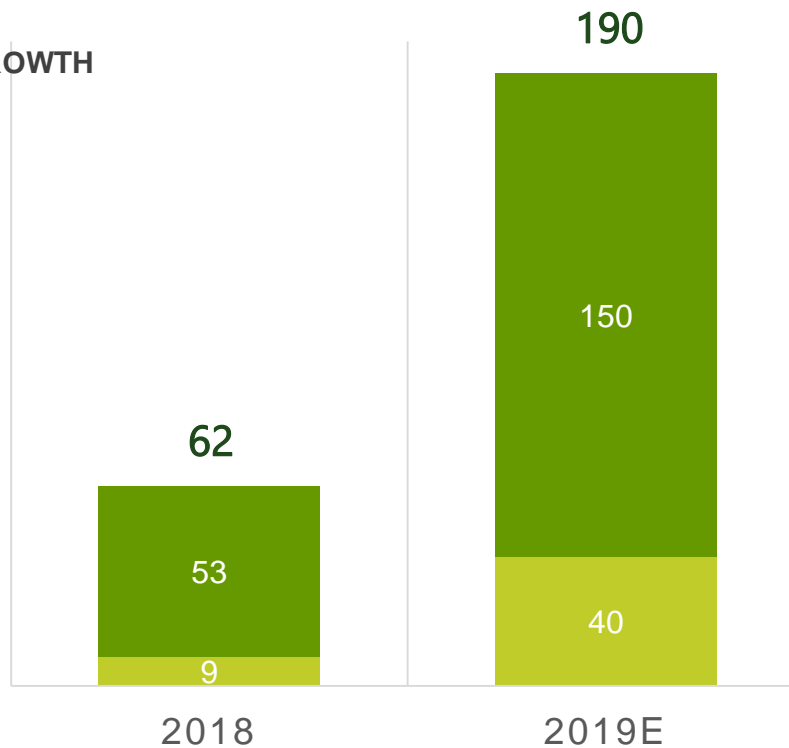
1. FCF before Strategic Plan investments, divestments & dividend payment
 2. Includes €2 Mn consolidation adjustment
 3. Considering 50 MW Thermosolar Plant full year EBITDA

Pulp business Strategic Plan investments

100,000 tons capacity expansion to be delivered during 1H19

Pulp Business Investments

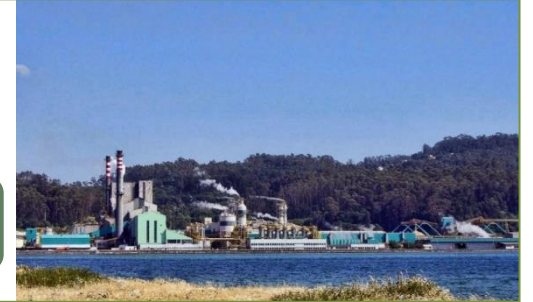
■ EFFICIENCY AND GROWTH
■ SUSTAINABILITY



Pontevedra

Capacity Increase
20,000 t in 1Q 2019

€18 Mn expected annualized EBITDA
contribution ¹



Navia

Capacity Increase
80,000 t in 2Q 2019

€28 Mn expected annualized EBITDA
contribution ¹



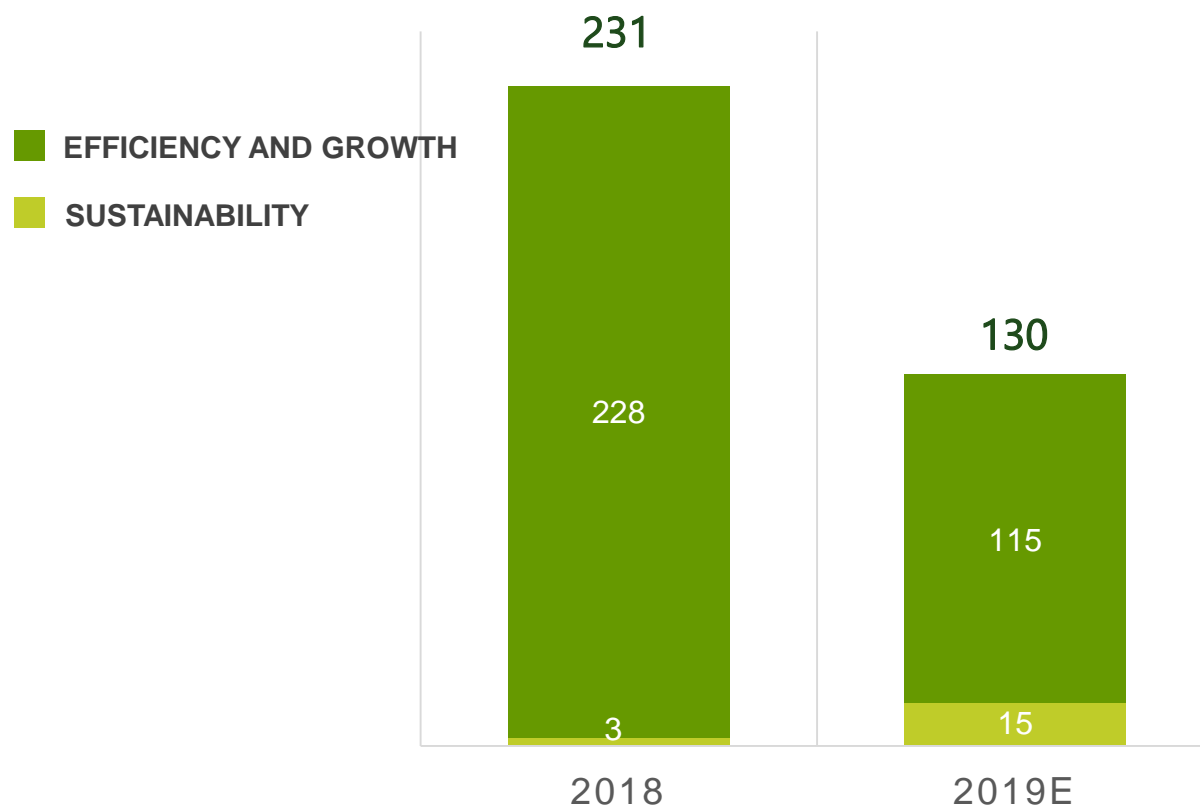
First investments in
fluff and dissolving pulp during 2019
subject to Board reconfirmation before summer

1. At 1.050 \$/t BHKP pulp price and 1,20 \$/€

Renewable Energy business Strategic Plan investments

96 MW of new biomass capacity to be added during 2019

Renewable Energy Business Investments



Thermosolar plant

50 MW Thermosolar Power Plant
acquired in **Dec.18**

€18 Mn annual EBITDA expected



New biomass capacity

Two new biomass power plants under
construction in Huelva and Ciudad Real

Annual EBITDA expected
€30 Mn

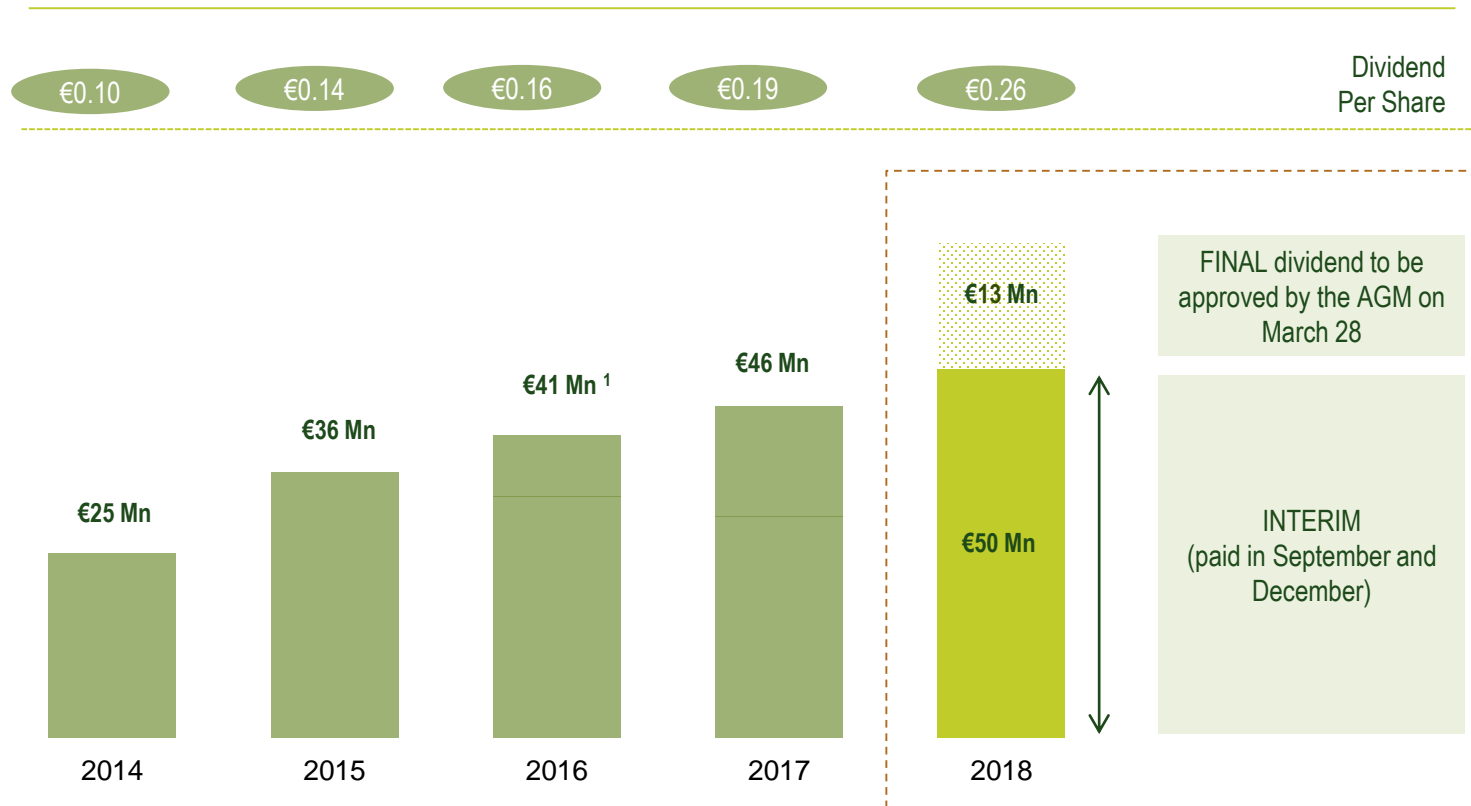
Expected Opening
Dec. 2019



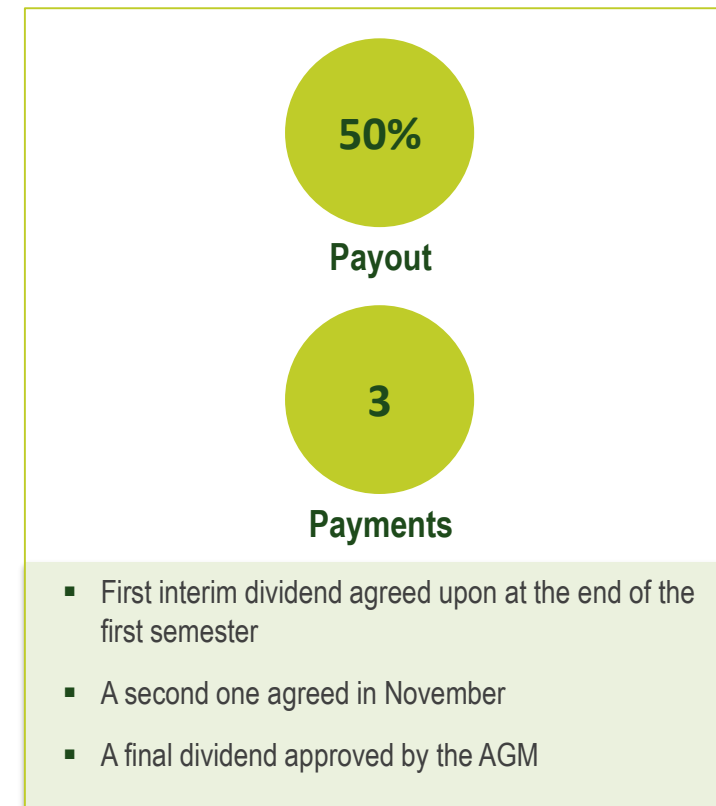
Attractive shareholder remuneration

Final dividend of 0.054 €/share to be approved by the AGM on March 28

Annual Accrued Dividends (€ Mn)



Dividend Policy



First and second interim dividends of 0.104 €/share and 0.105 €/share paid on September 12 and December 18

1. Includes share buyback program

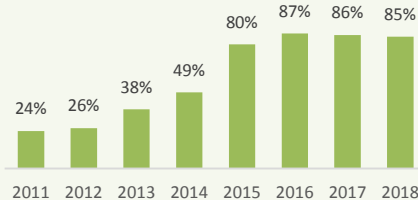
Excellence in sustainability


2018 Highlights



Promoting sustainable forestry

- 85% certified (**FSC/PEFC**) wood, up from 24% in 2011



- Fair Trade Wood** certified 
- Pilot project to obtain the first FSC ecosystem services certification for **biodiversity protection** in Spain
- 22% of own forest land dedicated to **protection**
- Leading R&D projects in **biological pest control** and **forestry improvement** programs



Dynamization of rural areas

- Value creation for suppliers:** almost €182 Mn in wood purchases and over €40.6 Mn in biomass purchases in 2018
- Ence works with **more than 1,800 forest owners**
- 95% of Ence's wood suppliers are **small suppliers**
- 100% of the wood purchased by Ence in 2018 was from **local origin**
- Ence **supports its suppliers**, promoting their development in terms of
 - Sustainable forestry certification
 - Know-how sharing
 - Promoting associations and partnerships between small forest owners to improve management capabilities



Caring for communities

- Ence works to be perceived as a responsible and valued neighbor in our communities, minimizing the impacts of our activities and promoting community involvement activities:
 - Odor reduction:** ↓99.3% vs 2010 in Pontevedra and ↓99.4% vs 2011 in Navia
 - Noise reduction:** ongoing project in Navia with 58% expected noise reduction impact in 2019
 - Community investment:** over €3.2 Mn dedicated to community involvement in 2018, sponsoring over 300 projects.



Excellence in sustainability

2018 Highlights



Water footprint reduction

- ↓10% **water use reduction** in Pontevedra vs 2016 and ongoing project aimed to further reduce up to 40% of water consumption
- Corporate **sustainability targets** include water use reduction plans for all facilities
- **Water discharge reduction** (↓22% in Huelva, ↓21% in Lucena, ↓13% in La Loma and ↓11% in Pontevedra) achieved thanks to Improved treatment technologies and operational efficiency
- Leading performance in terms of **effluent quality**: up to 80% better than BREF reference value in Pontevedra (COD)



Circular economy promotion

- **Circular model for cellulose production**: our plants are almost energy self-sufficient using residual wood elements (bark, lignin) as energy sources
- **95.3% average waste recycle and valorization** rate in our production sites
 - Waste from our production sites is recycled to produce technosols and fertilizers
- Ence contributes to **promote circular business models** in the agricultural and forestry industries
 - Over 1.3 Mn tn **biomass recovered for renewable energy production**, avoiding GHG emissions from fossil fuels and reducing forest fire risk



Transparency and integrity

- Certified Management system for criminal compliance (UNE - 19601:2017)
- Updated Corporate Sustainability Policy
- Improved sustainability reporting using GRI Standards framework in compliance with Directive 2014/95/EU on disclosure of non-financial and diversity information
- 2019 Sustainability targets approved by the Corporate Sustainability Committee
 - Sustainable procurement (wood & biomass)
 - Health & Safety
 - Environmental impact
 - Community involvement
 - Diversity & equal opportunities



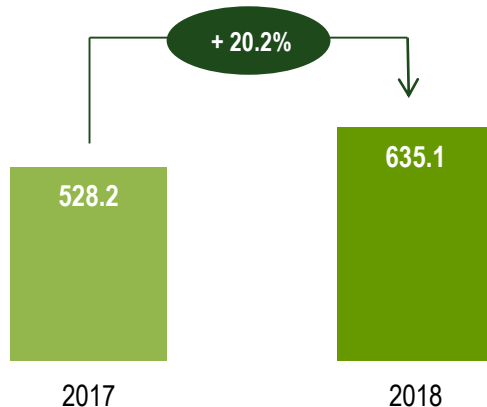
FY 2018 Results by Business



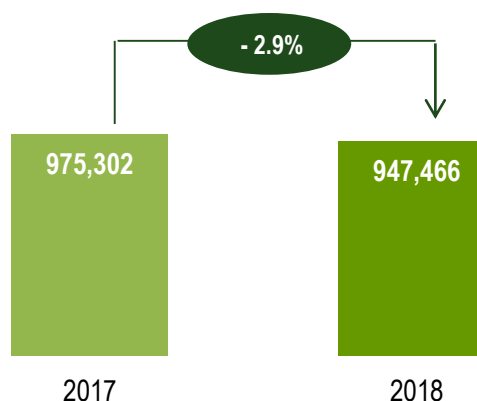
Pulp Business

Operating performance

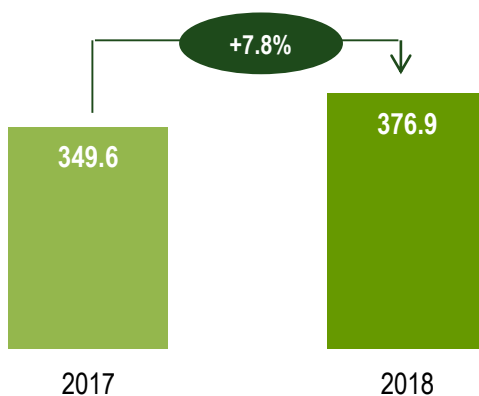
Avg. Net Pulp Price (€/t)



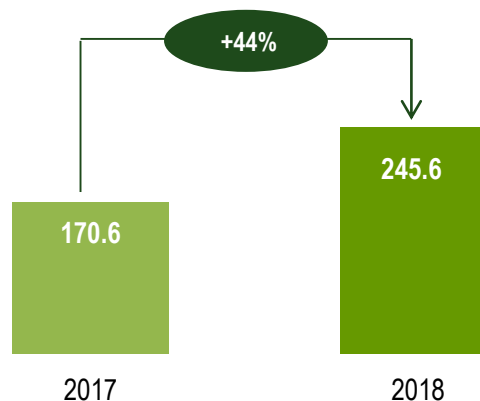
Pulp Sales Volume (t)



Avg. Cash Cost (€/t)



EBITDA (€ Mn)

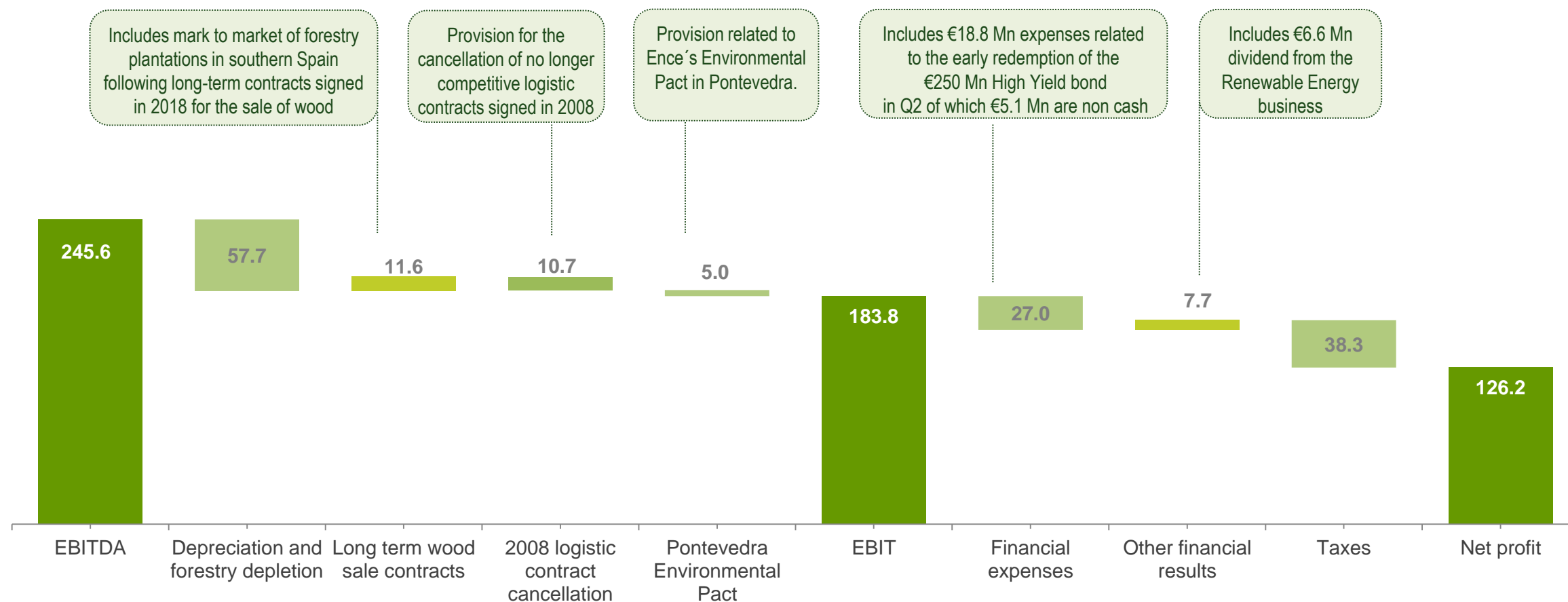


44% EBITDA growth up to €245.6 Mn

- 20.2% net pulp price increase
- 2.9% decrease in pulp sales despite 1% increase in pulp production due to inventories rebuilding ahead of 1H19 capacity expansions
- 7.8% cash cost increase due to higher raw material prices (wood, chemicals, fuel) and corporate expenses



2018 P&L Bridge (€ Mn)



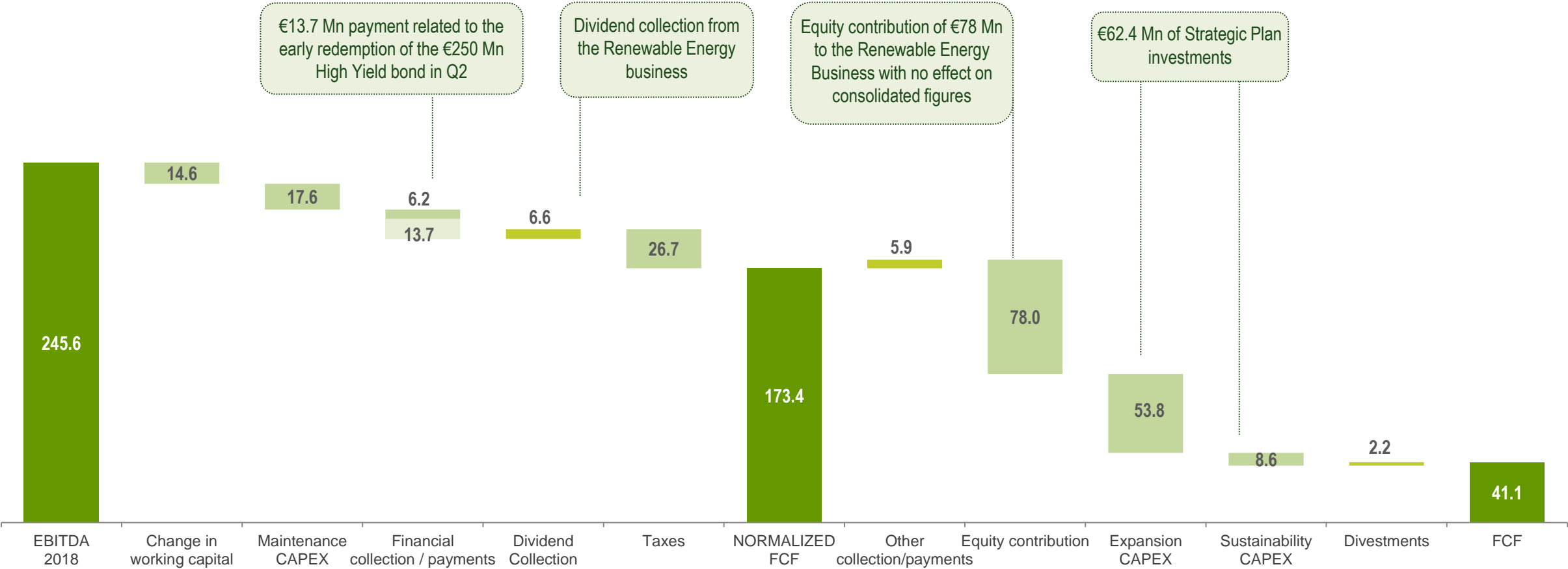


Pulp Business

Cash flow generation



2018 Cash Flow Bridge (€ Mn)



Ongoing FX hedging program

To mitigate FX volatility in the Pulp Business

Dollar/Euro Exchange Rate Evolution



Current Hedges

H1 19: 63% revenues

- Avg. cap: \$ 1.24 €
- Avg. floor: \$ 1.17 €

H2 19: 63% revenues

- Avg. cap: \$ 1.26 €
- Avg. floor: \$ 1.18 €

Q1 20: 48% revenues

- Avg. cap: \$ 1.23 €
- Avg. floor: \$ 1.18 €

Ence has secured an average cap of \$1.25/€ for 63% of its dollar exposure until Dec. 2019



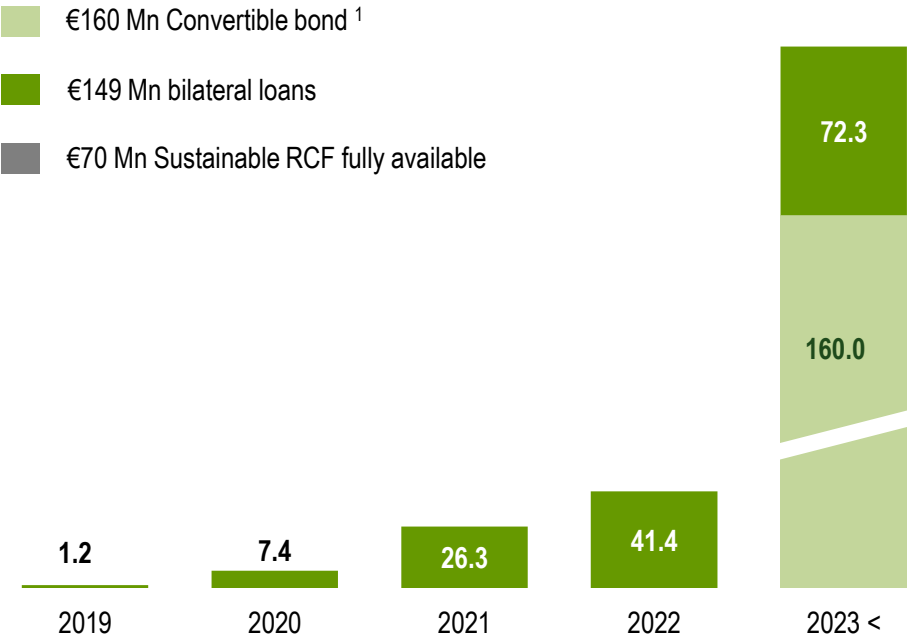
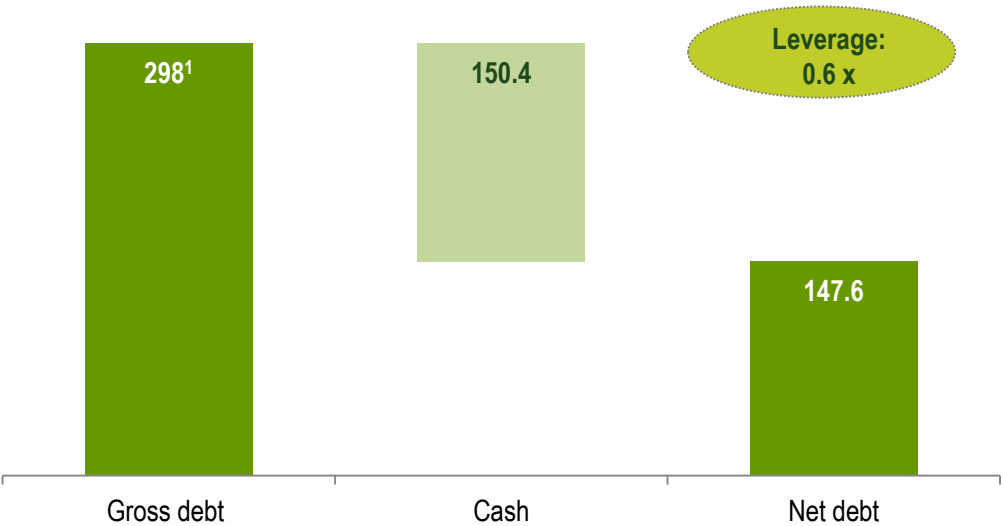
Pulp Business

Solid balance sheet and strong liquidity



Leverage as of December 2018 (€ Mn)

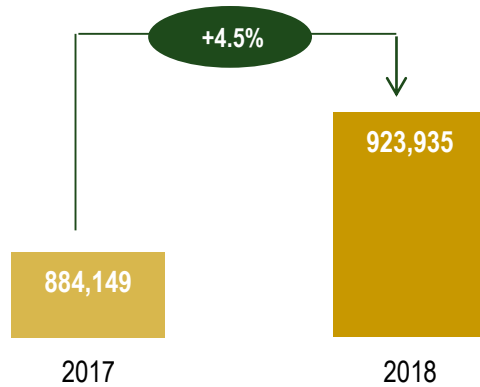
Debt Maturity Calendar (€ Mn)



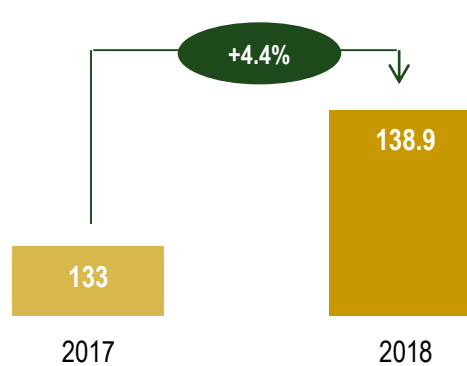
Pulp business leverage at 0.6x Net Debt / LTM EBITDA as of December 2018.

1. €145 Mn out of the €160 Mn Convertible bond accounted as gross debt and remaining €15 Mn accounted as equity, according to IAS 32
Gross debt figure of €298 Mn also includes accrued interests and CO² collaterals for a total of €4 Mn

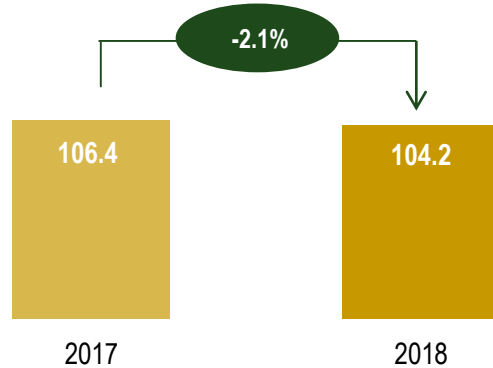
Energy Volume (MWh)



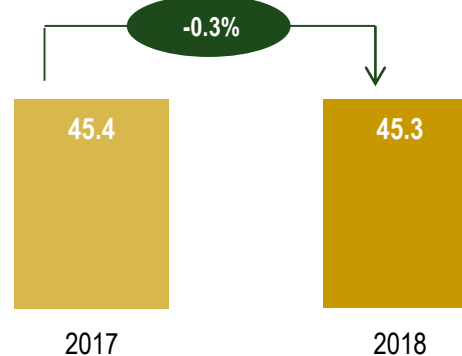
Revenues (€ Mn)



Avg. Selling Price (€/MWh)



EBITDA (€ Mn)



2018 EBITDA stable

- 2.1% decline in average selling price capped by the regulatory collar ¹
- 4.5% increase in energy volume sold
 - Increasing contribution from Cordoba 27 MW plant acquired in August 2017 and 50 MW Thermosolar plant included in December 2018
 - Partially offset by operating incidents in 2H18

2018 Results include **€10.5 Mn provision** for the regulatory collar ¹

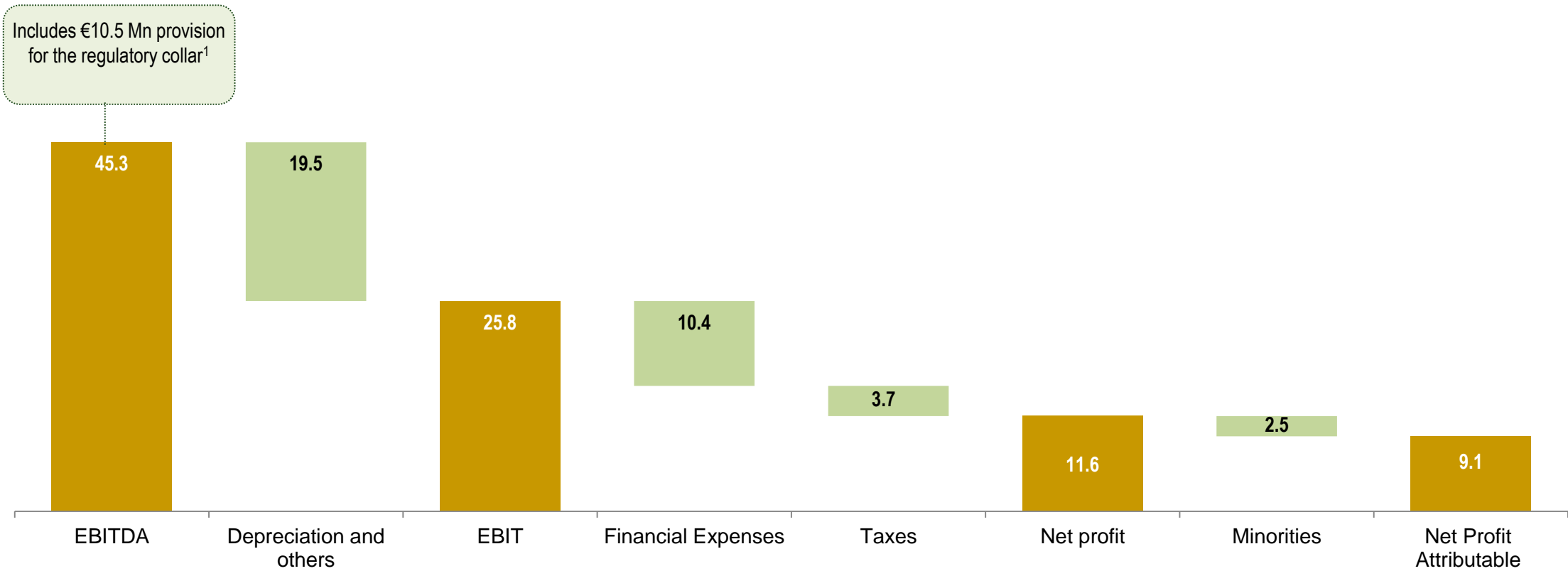
1. Regulatory collar: Adjustment derived from the deviation between the electricity price limits set by the Regulator and the real electricity price



Renewable Energy Business

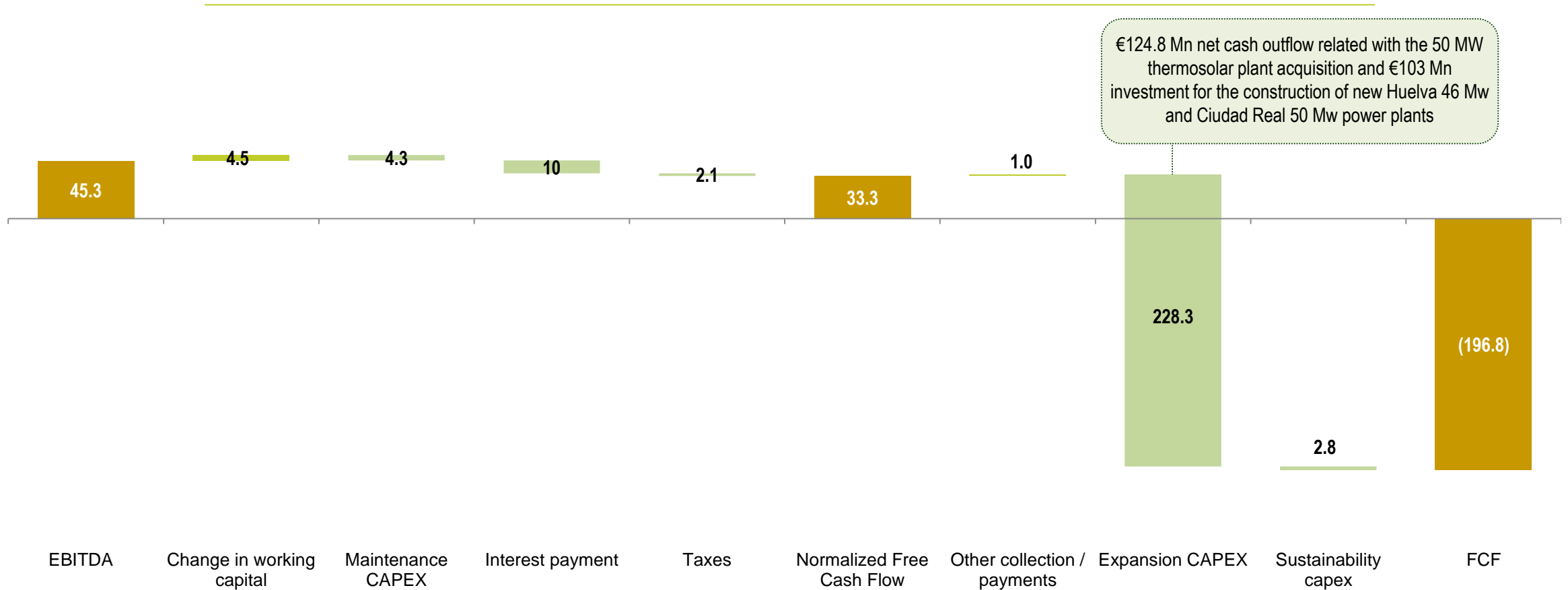
P&L

2018 P&L Bridge (€ Mn)



1. Regulatory collar: Adjustment derived from the deviation between the electricity price limits set by the Regulator and the real electricity price

2018 Cash Flow Bridge (€ Mn)



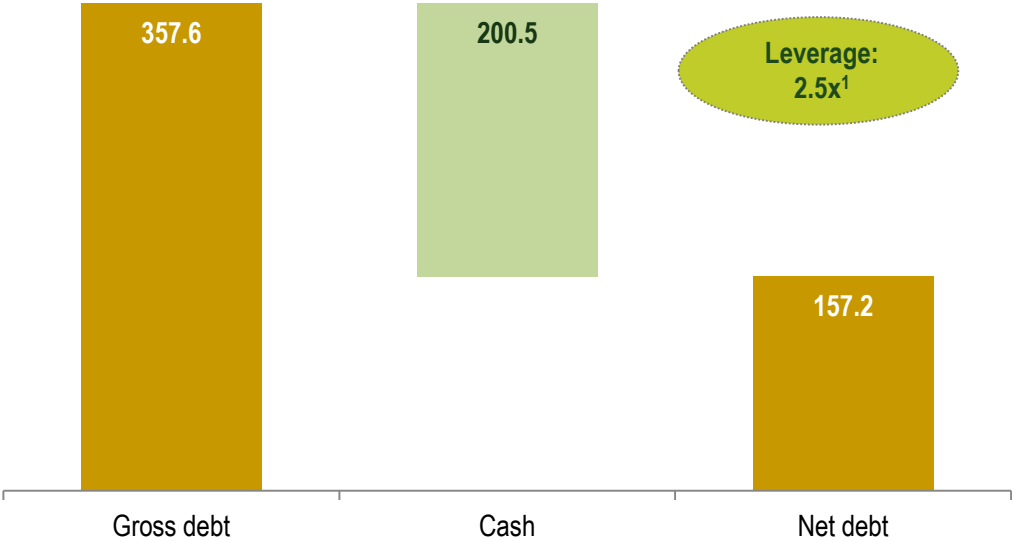


Renewable Energy Business

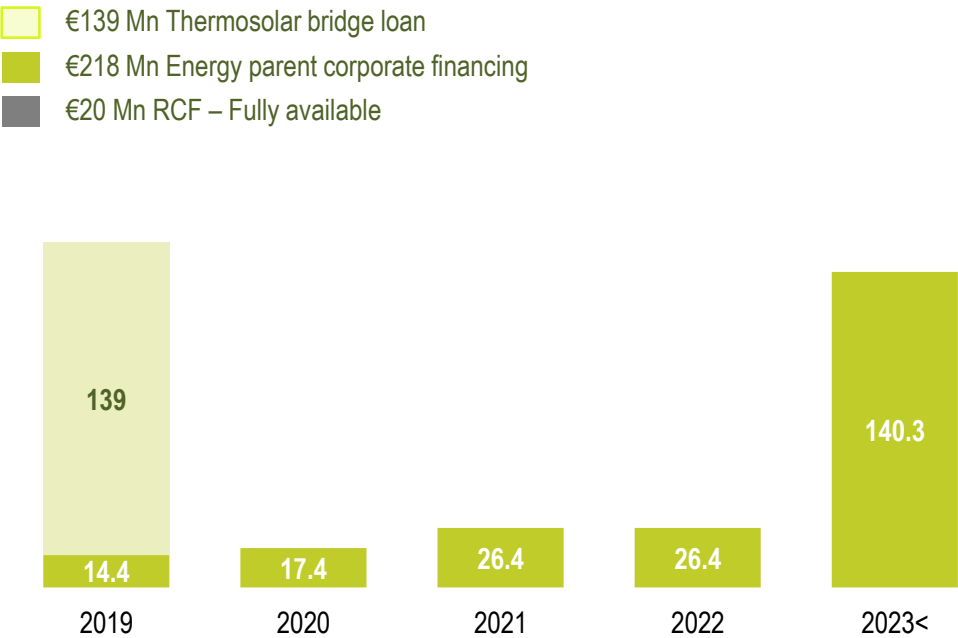
Solid balance sheet and strong liquidity



Leverage as of December 2018 (€ Mn)



Debt Maturity Calendar (€ Mn)



Energy business leverage at 2.5 x Net Debt / LTM EBITDA as of December 2018

1. Considering Thermosolar Plant 50 MW full year EBITDA



Closing Remarks

Closing Remarks



Strong pulp price scenario maintained for the coming years

Tighter supply and demand balance expected until at least 2022

FY2019 pulp sales forecast of more than **1 Mn t**, with capacity expansions of 100,000 t during 1H 2019 and EBITDA target of **€275 Mn** at 1,050\$/t and 1.20 \$/€, despite a weaker 1Q 2019

FY2019 Renewable EBITDA target of **€65 Mn**. New biomass power plants to start in December 2019

Low leverage ratio of **1X Net Debt/LTM EBITDA** after significant growth capex

Increasing shareholder remuneration, with a **50% dividend pay-out**

Ence presents its results in accordance with generally accepted accounting principles, specifically IFRS. In addition, its quarterly earnings report provides certain other complementary metrics that are not defined or specified in IFRS and are used by management to track the company's performance. The alternative performance measures (APMs) used in this presentation are defined, reconciled and explained in the corresponding quarterly earnings report publicly available through the investor section of our web page www.ence.es.

CASH COST

The production cost per tonne of pulp produced, or cash cost, is the key measure used by management to measure its efficiency as a pulp maker.

Cash cost includes of the expenses incurred to produce pulp: timber, conversion costs, corporate overhead, sales and marketing expenses and logistics costs. It excludes fixed-asset depreciation and forest depletion charges, impairment charges and gains/losses on non-current assets, finance costs/income, income tax and certain operating expenses which management deems to be non-recurring, such as ad-hoc consultancy projects, Ence's long-term remuneration plan, the termination benefits agreed with staff or certain social expenses.

As a result, the difference between the average sales price and the cash cost applied to the total sales volume in tonnes yields a figure that is a very close proxy for the EBITDA generated by the Pulp business.

EBITDA

EBITDA is a measure of operating profit before depreciation, amortization and forestry depletion charges, non-current asset impairment charges, gains or losses on non-current assets and specific non-ordinary income and expenses unrelated to the ordinary operating activities of the company, which alter their comparability in different periods.

It provides an initial approximation of the cash generated by the company's ordinary operating activities, before interest and tax payments, and is a measure that is widely used in the capital markets to compare the earnings performances of different companies.

EBITDA is a measure used by the Ence's management to compare the ordinary results of the company over time. For this reason and in order to make it comparable with the rest of the sector, its definition has been updated in 3Q18, in line with the usual practice of the market, to exclude specific income and expenses unrelated to the ordinary operating activities of the company, which alter their comparability in different periods.

NORMALISED FREE CASH FLOW

Ence reports normalised free cash flow within the cash flow metrics for each of its two business units in its quarterly earnings report. Normalised FCF is the sum of EBITDA, the change in working capital, maintenance capital expenditure, net interest payments and income tax payments.

Normalised free cash flow provides a proxy for the cash generated by the company's operating activities before collection of proceeds from asset sales; this cash represents the amount available for investments other than maintenance capex, for shareholder remuneration and for debt repayment.

MAINTENANCE, EFFICIENCY & GROWTH AND SUSTAINABILITY CAPEX

Ence provides the breakdown of its capital expenditure related cash outflows for each of its business units in its quarterly earnings report, distinguishing between maintenance, efficiency & growth and sustainability capex.

Maintenance capex are recurring investments designed to maintain the capacity and productivity of the company's assets. Efficiency & growth capex, meanwhile, are investments designed to increase these assets' capacity and productivity. Lastly, sustainability capex covers investments made to enhance quality standards, occupational health and safety, to improve the environment and to prevent contamination.

Ence's 2019-2023 Business Plan includes a schedule of the amounts it expects to invest annually in efficiency & growth and sustainability capex in order to attain the strategic targets set. The disclosure of capex cash flows broken down by area of investment facilitates oversight of execution of the published 2016-2020 Business Plan.

FREE CASH FLOW

Ence reports free cash flow as the sum of its net cash flows from operating activities and its net cash flows from investing activities of its quarterly earnings report.

Free cash flow provides information about the cash generated by the Group's operating activities that is left over after its investing activities for the remuneration of shareholders and repayment of debt.

NET DEBT

The borrowings recognized on the balance sheet, as detailed in its quarterly earnings report, include bonds and other marketable securities, bank borrowings and other financial liabilities. They do not however include the measurement of financial derivatives.

Net debt is calculated as the difference between current and non-current borrowings on the liability side of the balance sheet and the sum of cash and cash equivalents and short-term financial investments on the asset side.

Net debt provides a proxy for the company's indebtedness and is a metric that is widely used in the capital markets to compare the financial position of different companies.

Delivering value, delivering commitments