

# Delivering value Delivering commitments

June 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.



# Ence at a glance

Resilient business model, powerful CF generation & sustainable growth



**Leading European eucalyptus pulp (BHKP) producer** with 1.1 Mn tons of installed capacity and largest Spanish renewable energy generator with agroforestry biomass (220 MW)

**Global demand growth for wood pulp continues**, driven by increasing living standards in emerging countries

**Positive pulp price scenario for the coming years** due to the lack of large capacity increases

**Strong competitive position in Europe:** highly efficient facilities, JIT service and differentiated offering

**Renewable Energy** earnings secured by **stable regulation** and Ence's **strong expertise**

**Powerful cash flow generation** and **solid balance sheet**

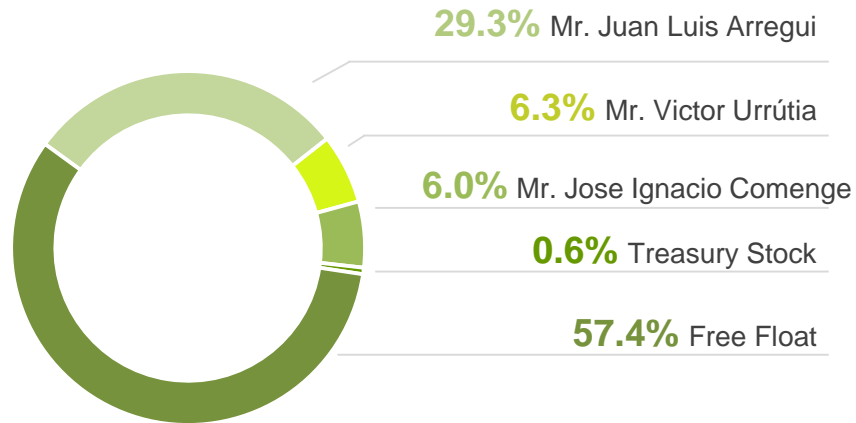
**50% pay out policy** and **financial discipline:** Net debt / EBITDA ratio below 2.5x in the Pulp business and 4.5x in the Renewable Energy business

**Excellence in Sustainability** is an strategic priority for Ence

**New 2019 – 2023 Strategic Plan** focused on growth, diversification, excellence in sustainability, and financial discipline

# Supportive shareholder base And a strong corporate governance

## Shareholding Structure



As of March 2019

## Board of Directors



Juan Luis Arregui, Honorary Chairman and largest shareholder is founder of Gamesa and former Vice Chairman of Iberdrola

# Ence is Pulp & Renewable Energy

Two businesses financially and operationally complementary & independent



## Pulp Business

85%  
EBITDA

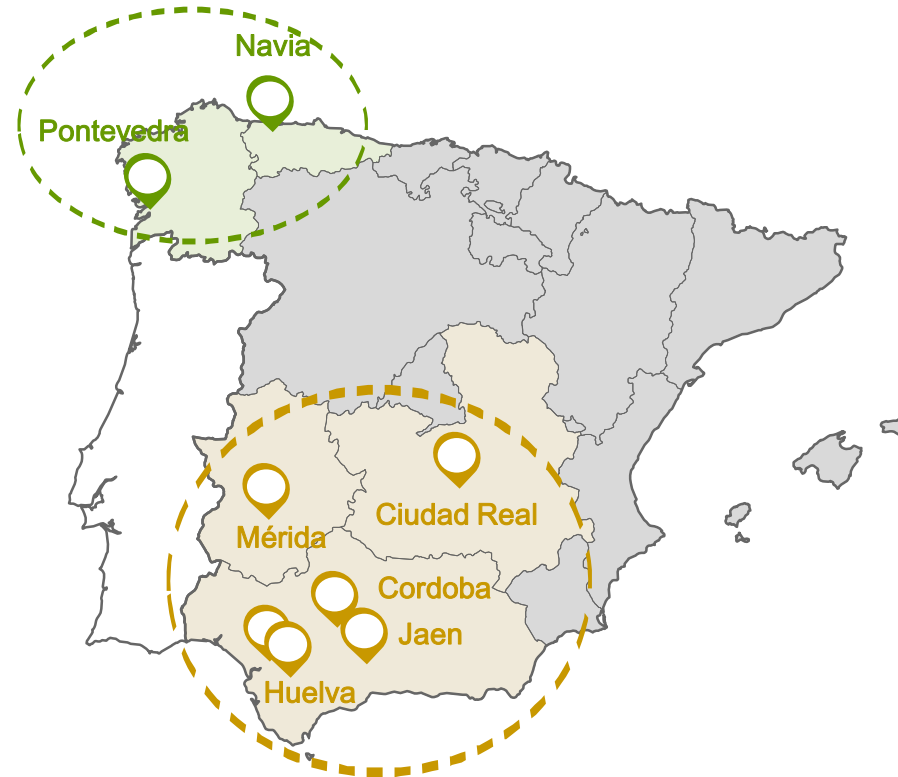
Leading European producer with  
c. 1.1 Mn tons of installed capacity

Cyclical pulp business,  
dependent on the global pulp price  
in dollars

Based on Ence's wood supply  
management expertise

Always maintaining a Net Debt to  
EBITDA ratio below 2.5x & ample  
liquidity

Taylor made long-term fixed rate  
financing in the capital markets



Both business are  
independently financed and  
reported

15%  
EBITDA

## Renewable Energy Business

Largest biomass operator in Spain with  
316 MW of Renewable Energy installed  
capacity by the end of 2019

Regulated Renewable Energy  
business provides stability and  
high visibility of revenues

Based on Ence's agroforestry biomass  
supply management expertise

Net Debt to EBITDA ratio limit of 4.5x  
and efficient liquidity level

Efficient combination of bank and  
capital markets financing



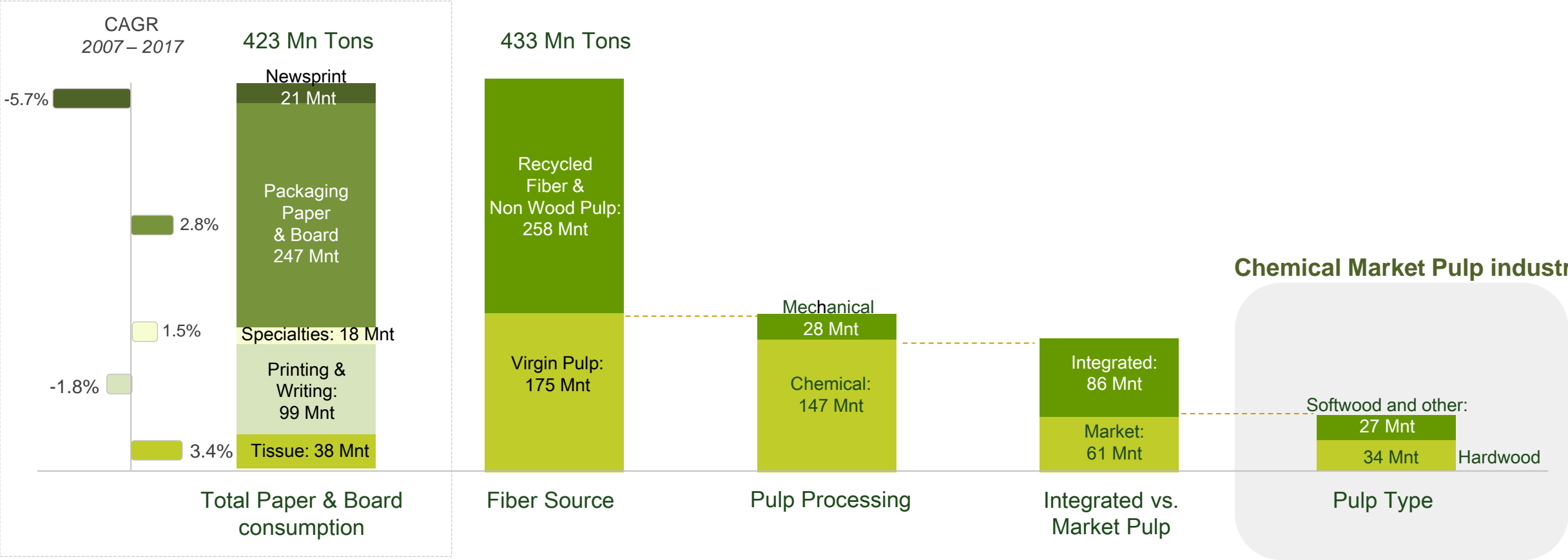


# 1 Pulp Business



# Chemical Market Pulp industry

61 million tons in 2018



Source: RISI – Jan 2019; PPPC G-100 Dec 2018

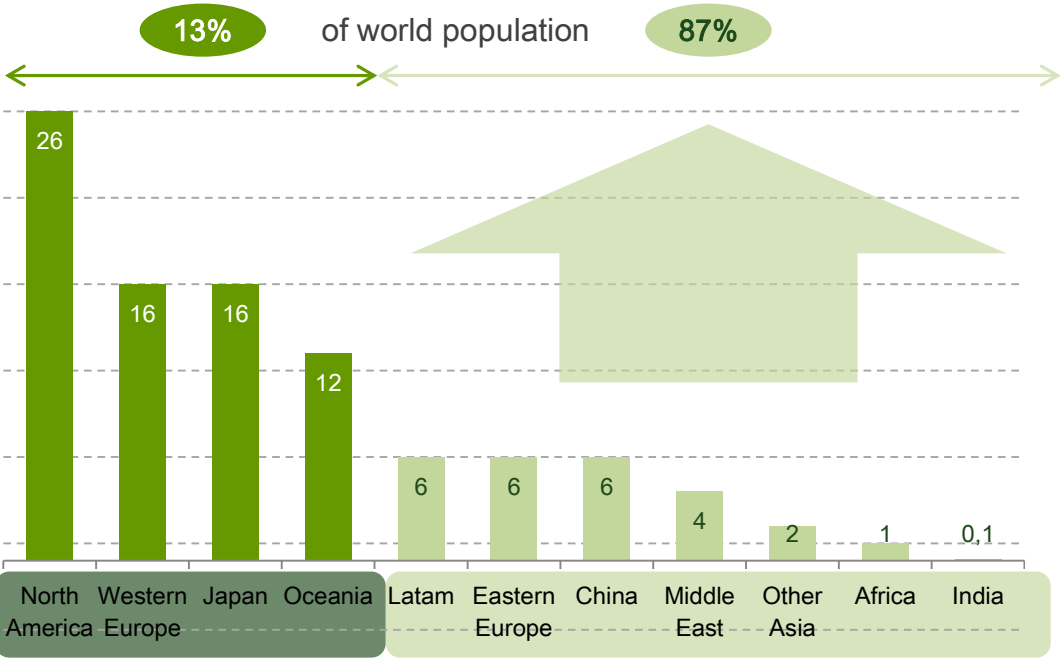
Ence is the leading European hardwood pulp producer with c. 1.1 Mn tons of installed capacity, competing in the global Chemical Market Pulp industry



# Fastest growing tissue segment

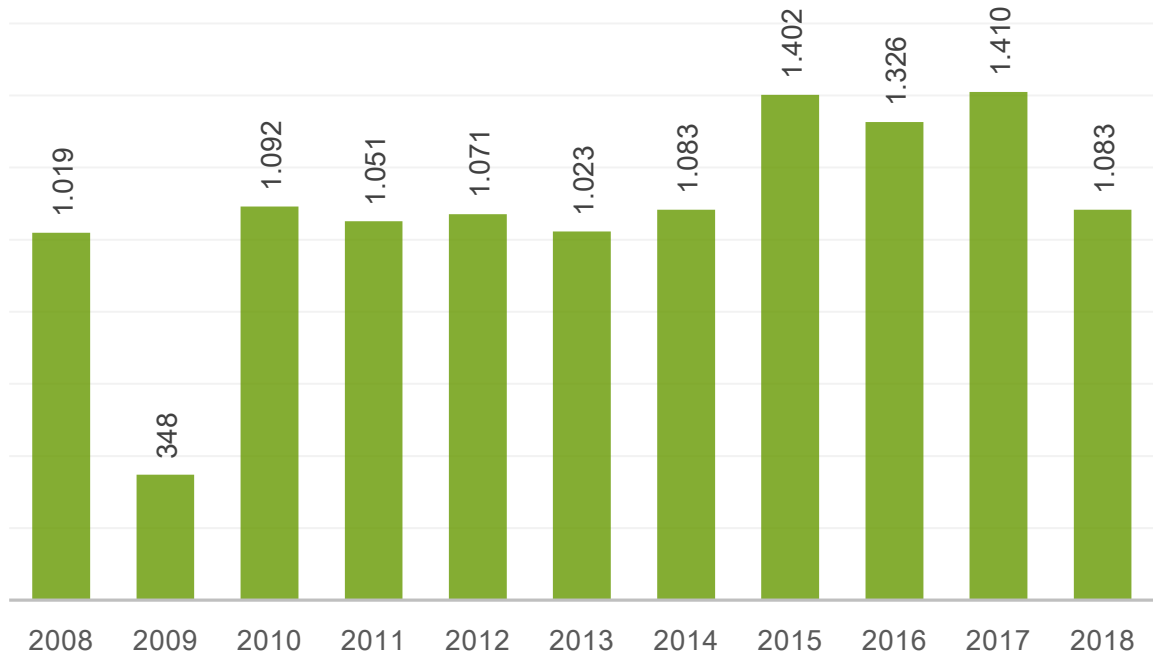
Accounts for close to 50% of pulp demand

Tissue paper per-capita consumption  
Kg/year



Source: RISI

Tissue annual consumption growth  
'000 t



Source: PPPC

Driven by urban growth and increasing living standards in emerging countries

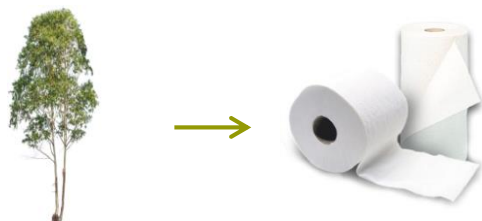




# Hardwood pulp vs. Softwood pulp

Eucalyptus pulp is cheaper to produce and best suited for tissue production

## Hardwood pulp (BHKP)



Most hardwood pulp comes from **eucalyptus wood**

Best suited for paper products with high smoothness, opacity and uniformity (**i.e. tissue**)

### IBERIAN GLOBULUS

- Forestry yield: 12 -18 m<sup>3</sup> / ha / year
- Harvesting cycle: 12 - 15 years
- Industrial yield: 2.6 - 3.0 m<sup>3</sup> / ton of pulp



**Low production cost**

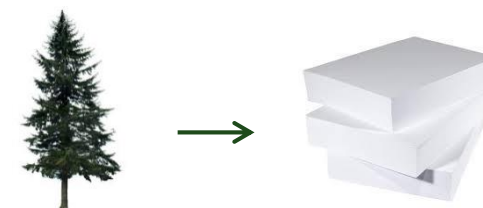
## Substitutive materials

**80%**

of final paper  
products allow for  
different  
proportions of  
both pulp types



## Softwood pulp (BSKP)



Most softwood pulp comes from **pine wood**

Best suited for paper requiring higher durability and strength  
(**i.e. printing & writing**)

### NORDIC SCOTS PINES

- Forestry yield: 2 - 4 m<sup>3</sup> / ha / year
- Harvesting cycle: 50 - 70 years
- Industrial yield: 4.8 - 5.2 m<sup>3</sup> / ton of pulp



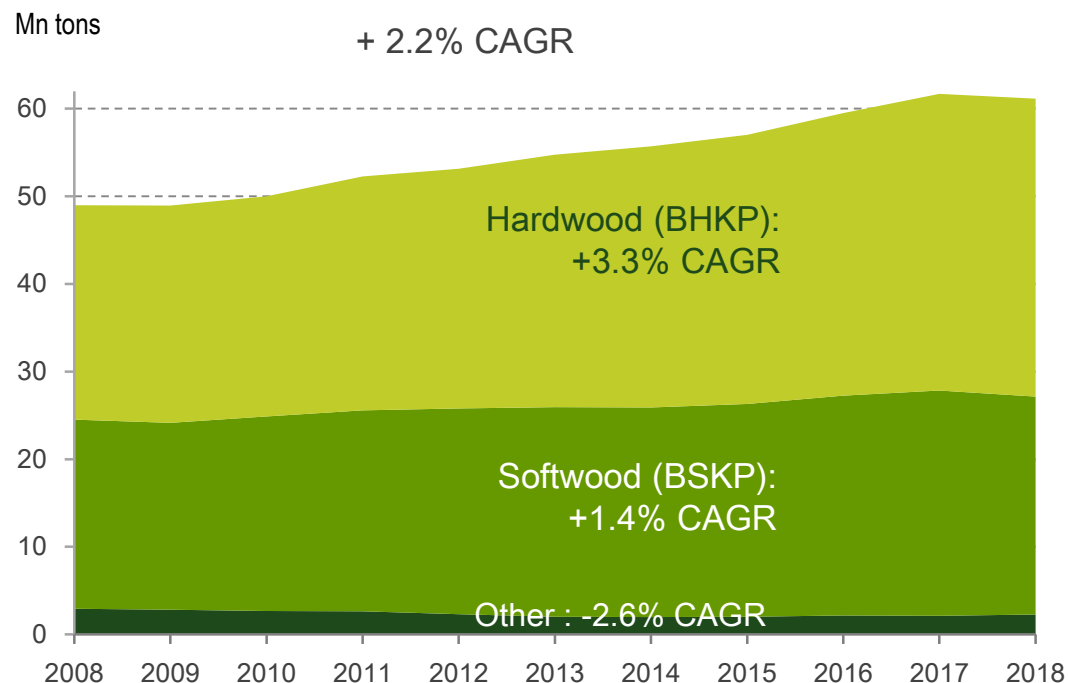
**High production cost**

Eucalyptus only grows under very specific climate conditions, usually in warm subtropical regions  
More abundant pines are better adapted to cold climates

# Superior demand growth for Eucalyptus pulp

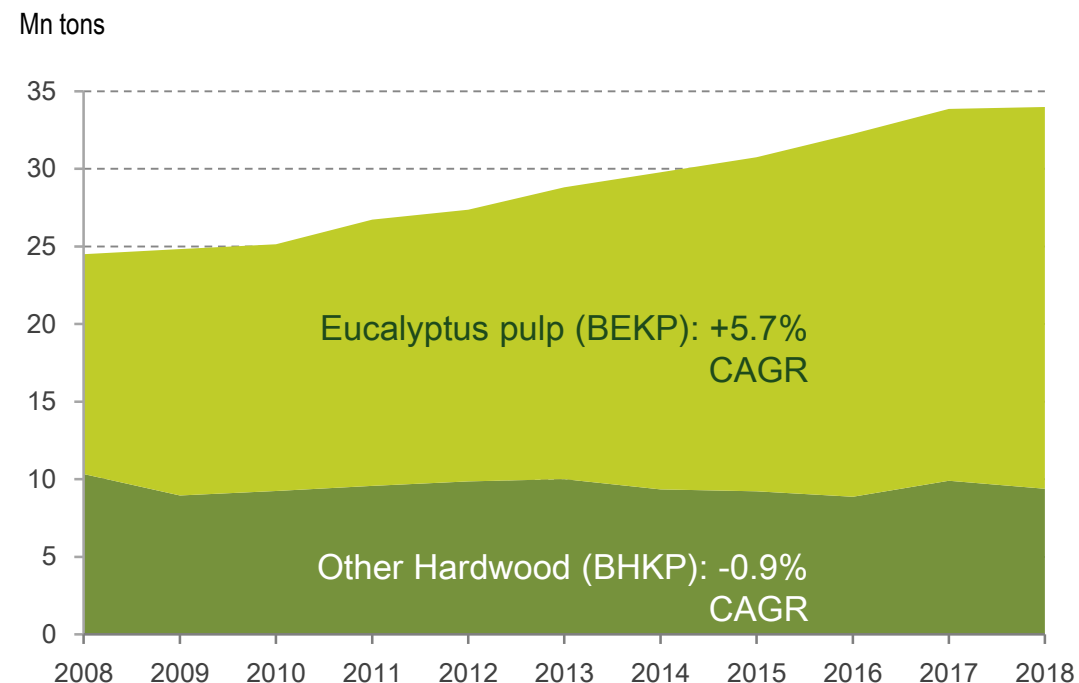
Which is leading global market pulp demand growth

Total market pulp demand evolution  
Last 10 years



Source: PPPC G-100

Hardwood pulp demand evolution  
Last 10 years



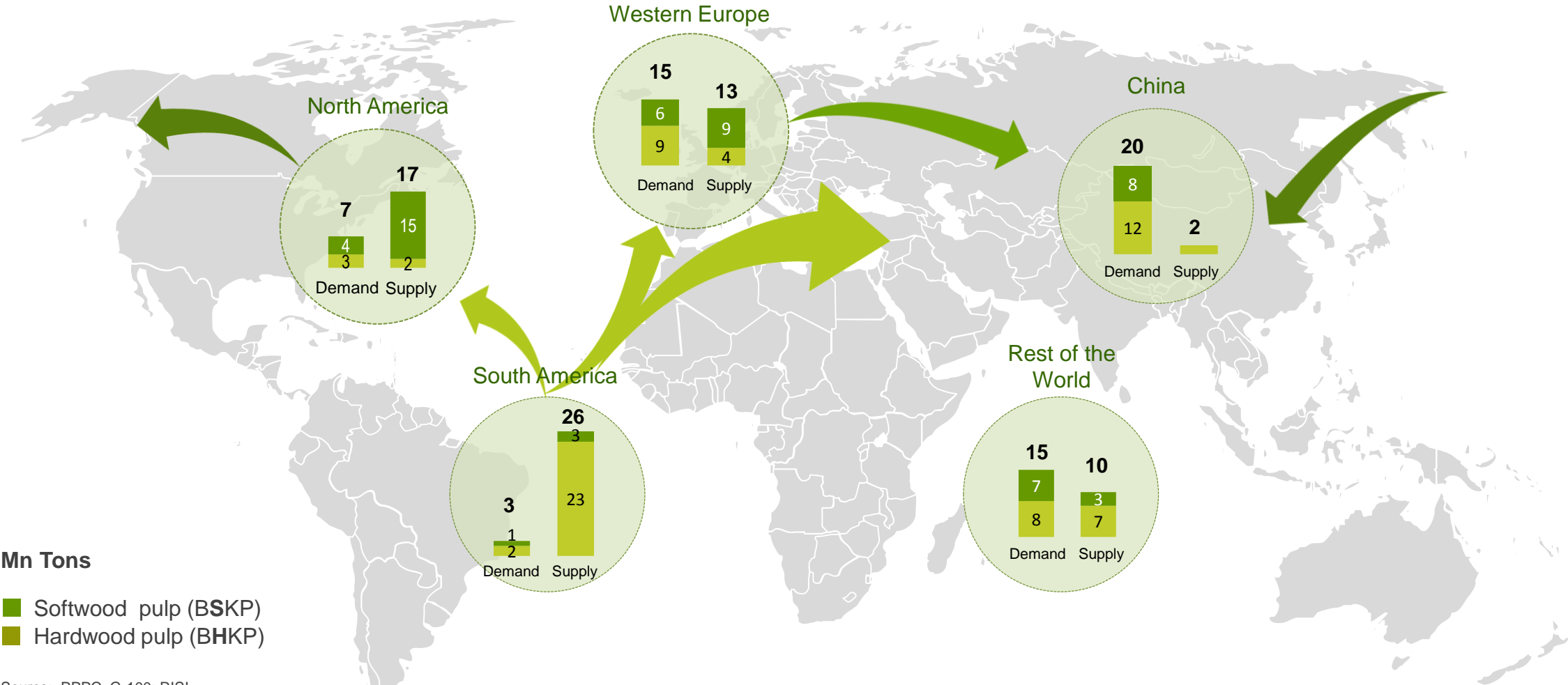
Source: PPPC G-100

The more efficient and best suited eucalyptus pulp is gaining market share against other hardwood and softwood pulp, following a demand increase of over 11 Mn tons in the last 10 years



# Tight global Market Pulp supply and demand balance

Global demand reached 88% of capacity in 2018



Source: PPPC G-100; RISI

China, Europe and North America are net importers of hardwood pulp (BHKP)

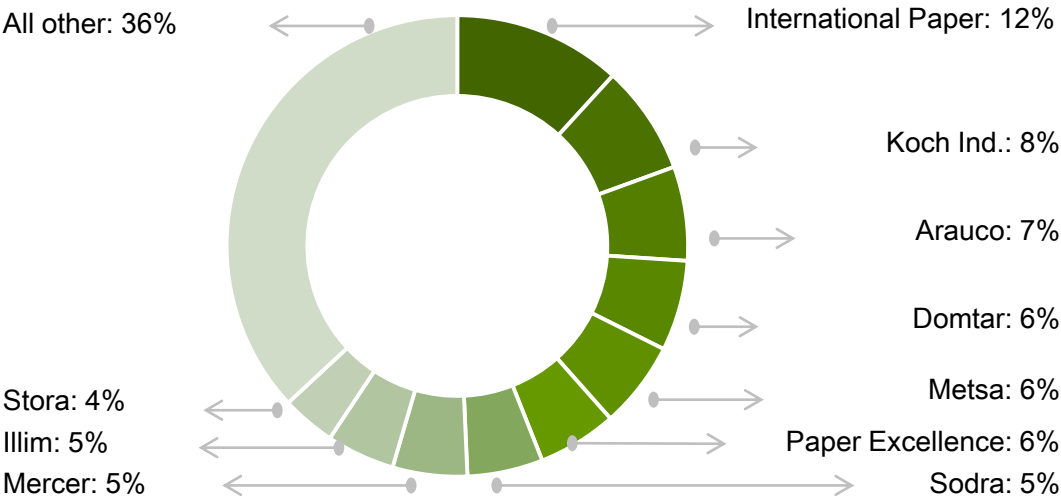




# Concentrated supply markets with high entry barriers

## Next capacity increases are managed by incumbents

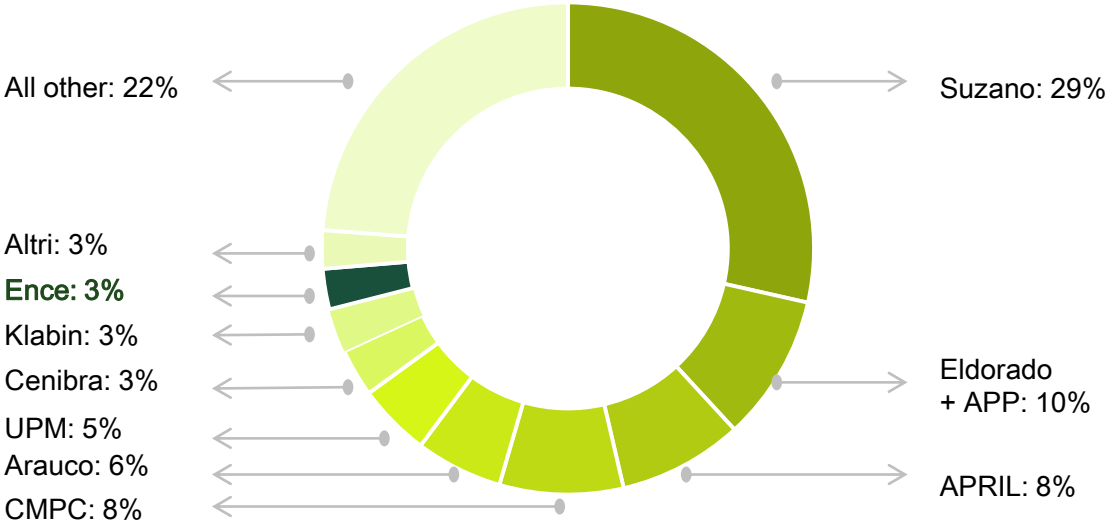
Global market share  
Softwood pulp (BSKP)



Source: RISI 2018

Top 10 softwood pulp producers account for  
**64%**  
of global BSKP market share

Global market share  
Hardwood pulp (BHKP)



Source: RISI 2018

Top 10 hardwood pulp producers account for  
**78%**  
of global BHKP market share

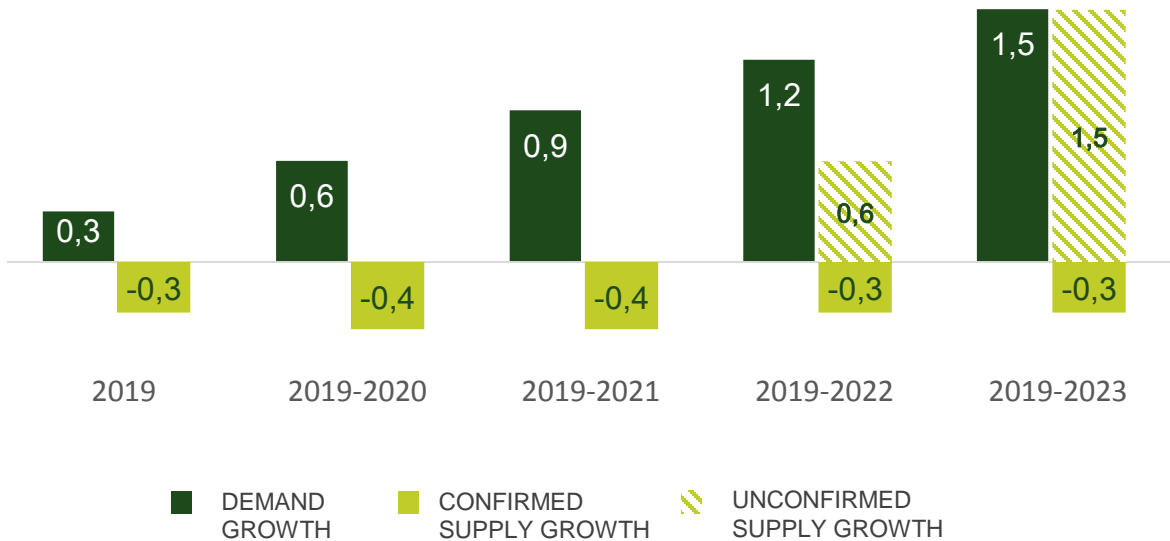
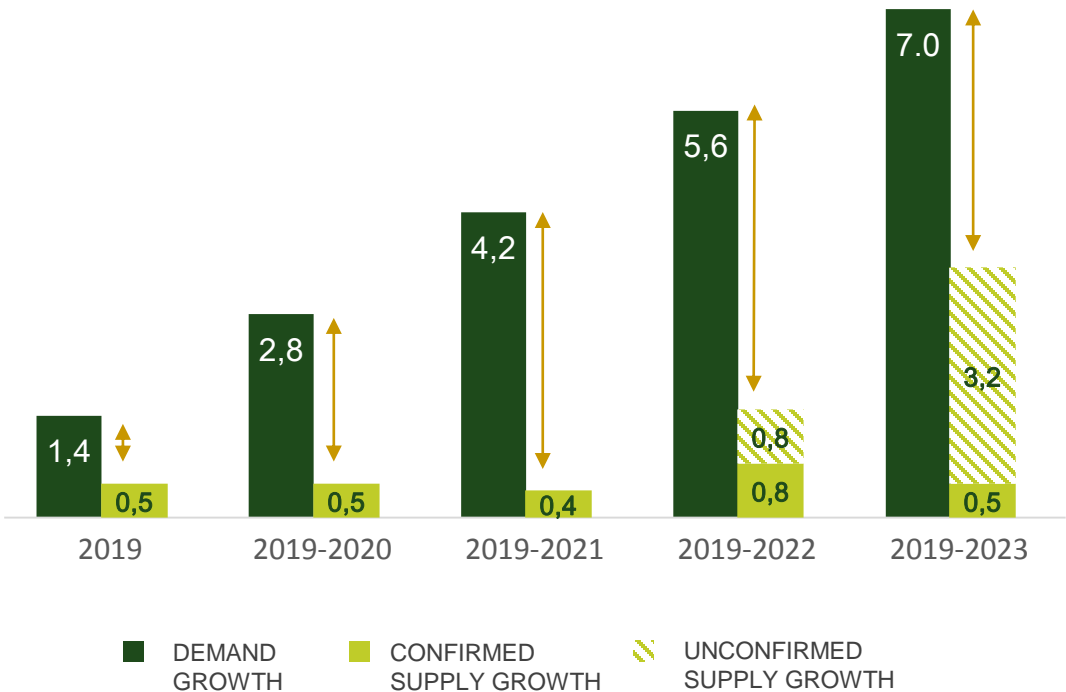


# Market tightness will keep increasing until at least 2022

## Due to the lack of large capacity increases in the coming years

Expected Annual Increase for Global Market  
**Hardwood** Supply and Demand <sup>1</sup>  
Mn t

Expected Annual Increase for Global Market  
**Softwood** Supply and Demand <sup>1</sup>  
Mn t



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



# Expected annual increase for market hardwood supply & demand

## Minimum lead time for new projects close to 3 years

### Expected Annual Increase for Global Market Hardwood Supply & Demand

Mn t<sup>1</sup>

Mn t	2019	2020	2019-20	2021	2019-21	2022	2019-22	2023	2019-23	2024	2019-24
<b>ESTIMATED BHKP DEMAND INCREASE</b>	<b>1.4</b>	<b>1.4</b>	<b>2.8</b>	<b>1.4</b>	<b>4.2</b>	<b>1.4</b>	<b>5.6</b>	<b>1.4</b>	<b>7.0</b>	<b>1.4</b>	<b>8.4</b>
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
<b>ESTIMATED BHKP SUPPLY INCREASE (CONFIRMED)</b>	<b>0.5</b>	<b>0.0</b>	<b>0.5</b>	<b>-0.1</b>	<b>0.4</b>	<b>0.4</b>	<b>0.8</b>	<b>-0.3</b>	<b>0.5</b>	<b>-0.4</b>	<b>0.1</b>
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
MONDI (RUZOMBEROK)		0.1	0.1	-0.1							
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
<b>POTENTIAL BHKP SUPPLY (NOT CONFIRMED)</b>						<b>0.8</b>	<b>0.8</b>	<b>2.4</b>	<b>3.2</b>	<b>2.2</b>	<b>5.4</b>
UPM (URUGUAY)						0.5	0.5	1.0	1.5	0.5	2.0
ELDORADO (BRASIL)								0.5	0.5	1.5	2.0
LWARCEL (BRASIL)								0.8	0.8	0.2	1.0
VIETRACIMEX (VIETNAM)						0.3	0.3	0.1	0.4		0.4
<b>SURPLUS / (DEFICIT)</b>	<b>0.9</b>	<b>1.4</b>	<b>2.3</b>	<b>1.5</b>	<b>3.8</b>	<b>0.2</b>	<b>4.0</b>	<b>-0.7</b>	<b>3.3</b>	<b>-0.4</b>	<b>2.9</b>

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



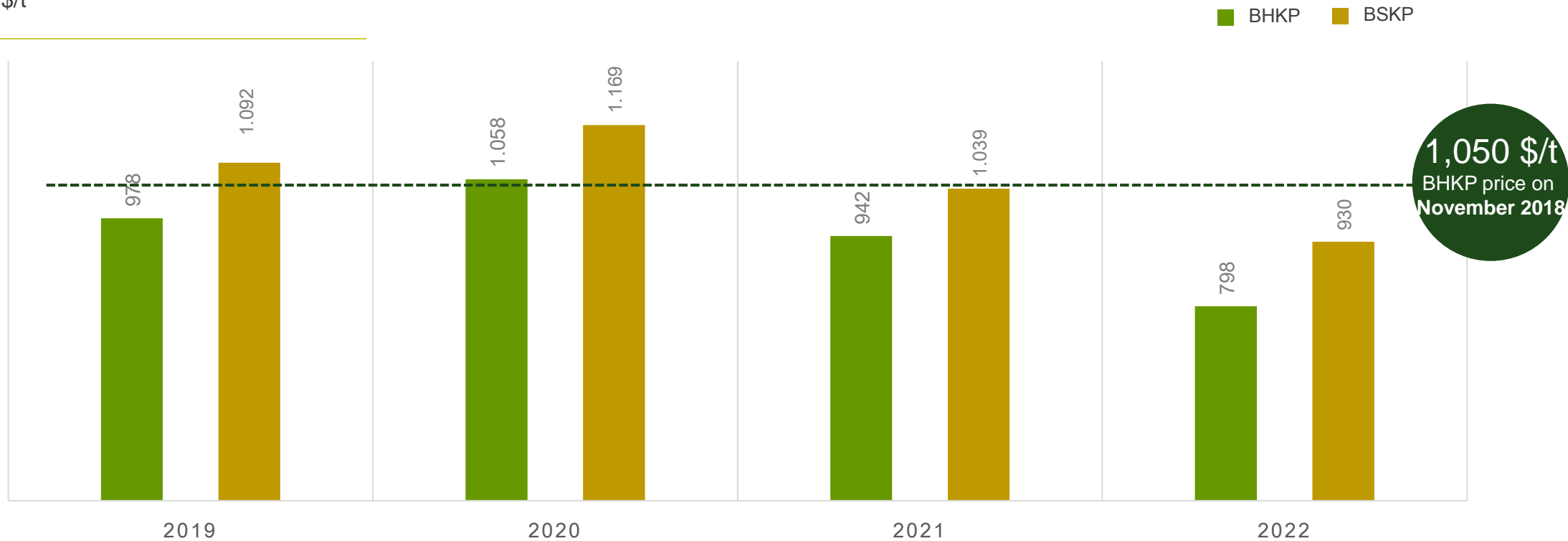


# Strong pulp price scenario for the coming years

Based on continued demand growth and lack of large capacity increases



RISI's Estimates for European Annual Average BHKP and BSKP prices  
\$/t



We used a constant pulp price of **1,050 \$/t** and a constant exchange rate of **1.20 \$/€** for our Strategic Plan forecasts

Source: RISI February 2019 Estimates



# Ence's competitive advantages in the pulp business

## JIT service and differentiated offering to European clients



**Access to eucalyptus plantations around our pulp biofactories**

**Eucalyptus** only grows under very specific climatic conditions

Diversification into **pine**

**Unique supply chain**



**Eucalyptus Pulp is cheaper to produce than softwood Pulp**

**80% of Softwood** products can be produced with Hardwood pulp

Technical team dedicated to pulp usage transformation



**High quality pulp and differentiated offering**

Totally **chlorine free**

**7 de-commoditized** products, not easy to replicate with commodity pulp



**Privileged access to the European market**

**Just in time** service (5-7 days delivery vs. 40 days for Latam deliveries)

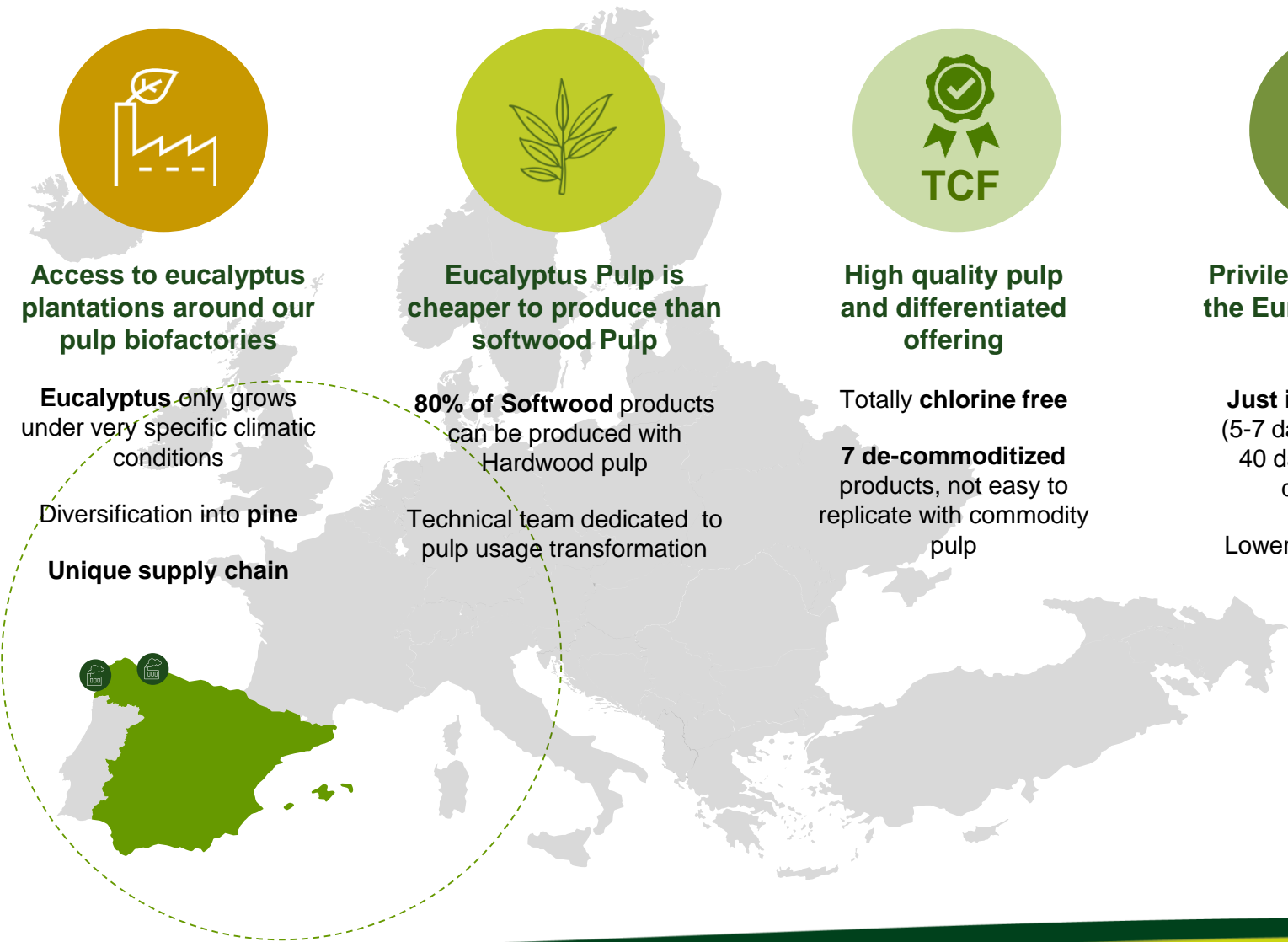
Lower logistics costs



**High client diversification**

Sales force **capillarity** >100 customers

Top customer service



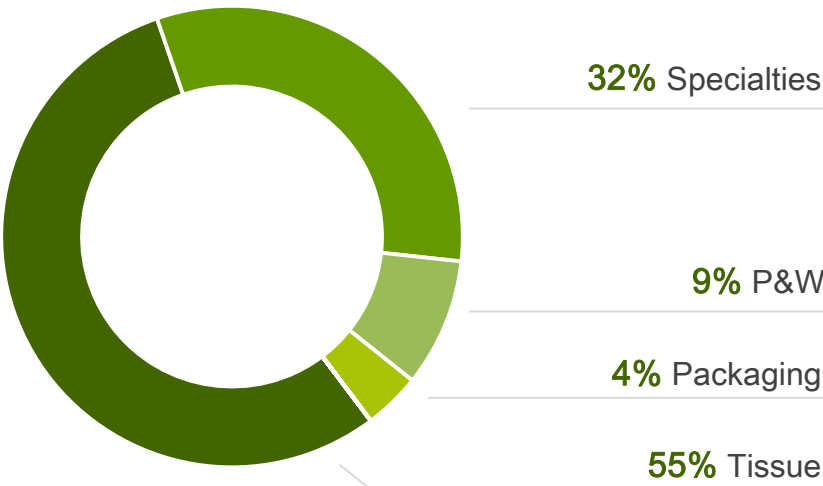


# Ence's 2018 revenue breakdown

Focus on European market & bias toward higher growing segments



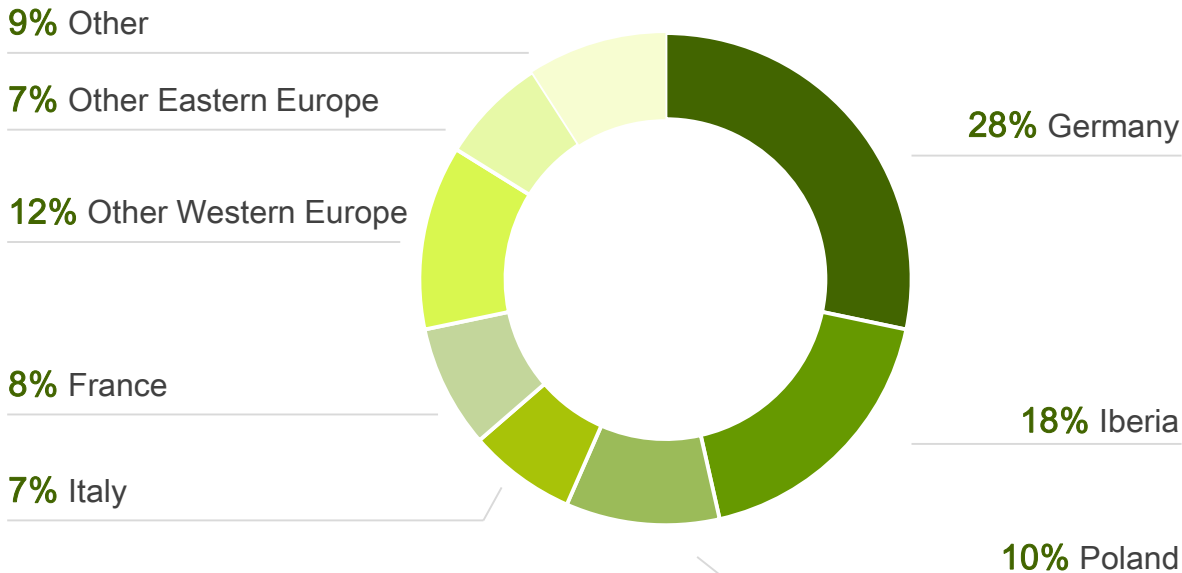
Breakdown of revenue  
by end product



Tissue & Specialties paper remain the main end uses  
given to the pulp sold by Ence

**87%**  
of revenue from pulp sales

Breakdown of revenue  
by geography market



Most of the pulp produced by Ence is sold in Europe

**91%**  
of revenue from pulp sales





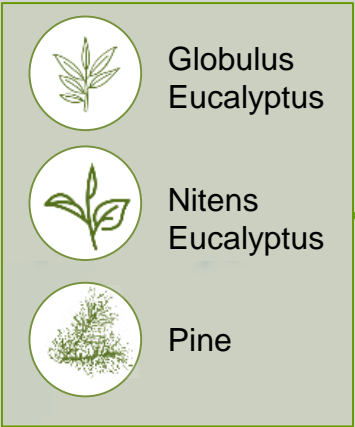
# Ence's Pulp business strategic plan 2019 - 2023

To capture growth opportunities and increase business resiliency

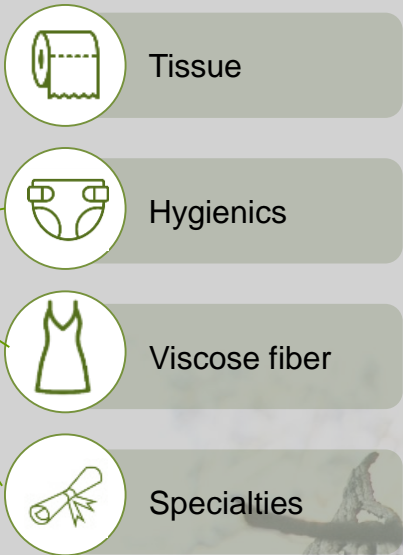


## DIVERSIFICATION

### SOURCES

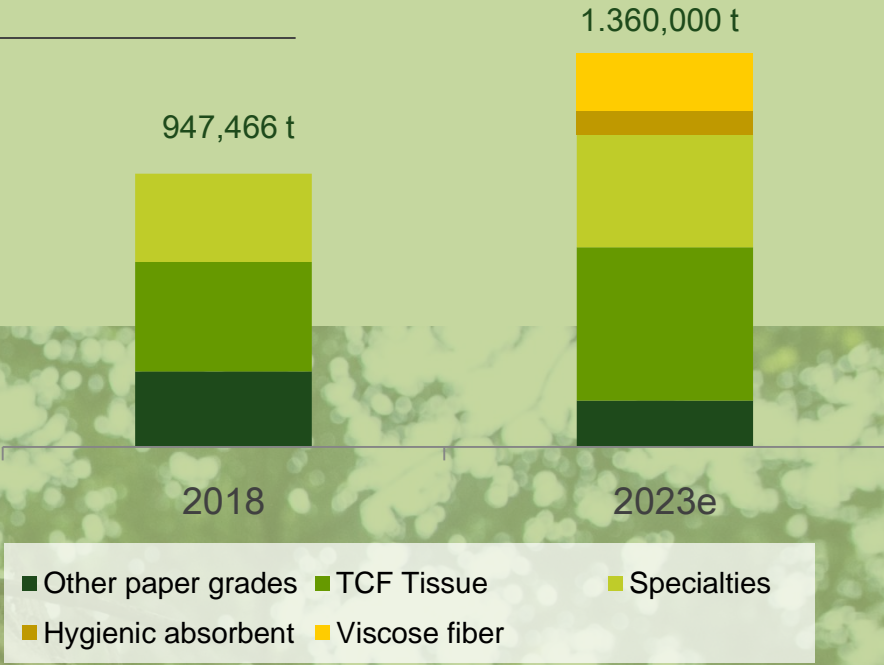


### FINAL PRODUCTS



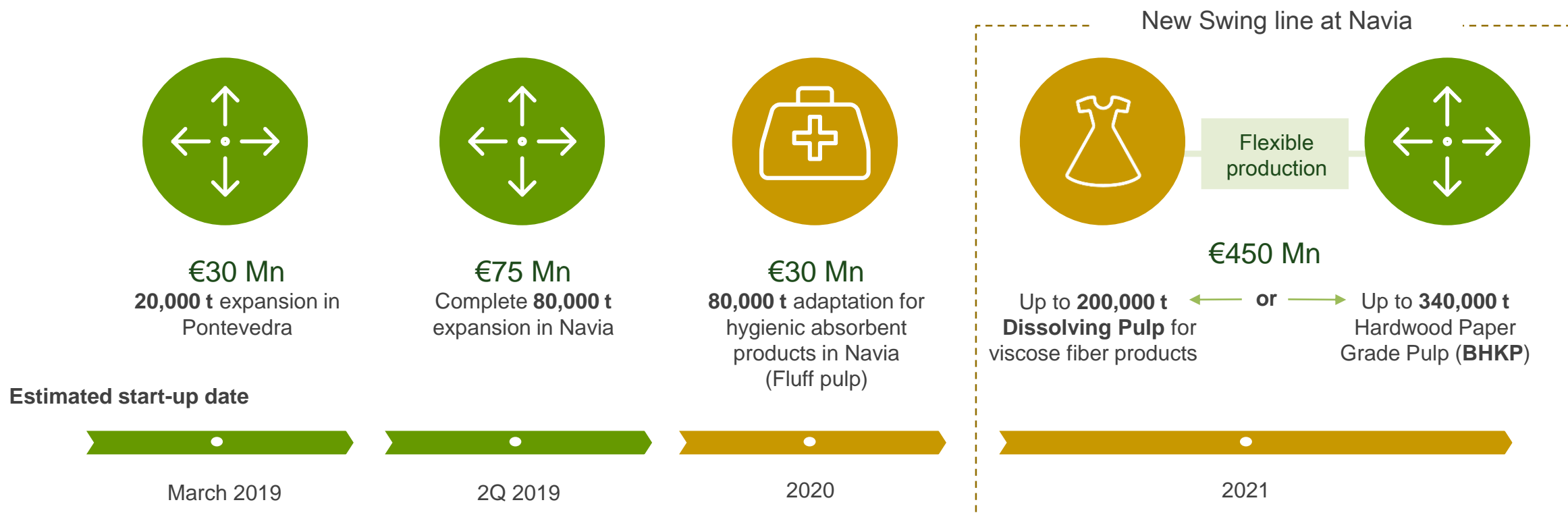
## GROWTH

Pulp sales by end use  
t



# Pulp business investment plan up to € 725 Mn

## Doubling capacity of the new swing line at Navia



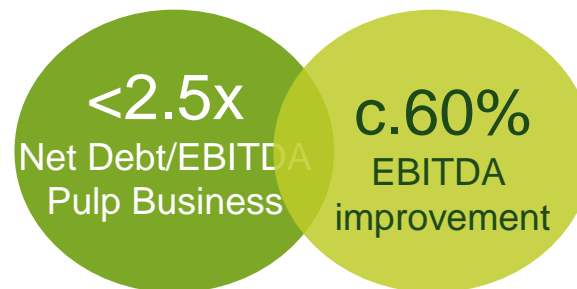
Sustainability Capex up to a maximum of €140 Mn

To strengthen reliability, flexibility, environmental excellence and safety

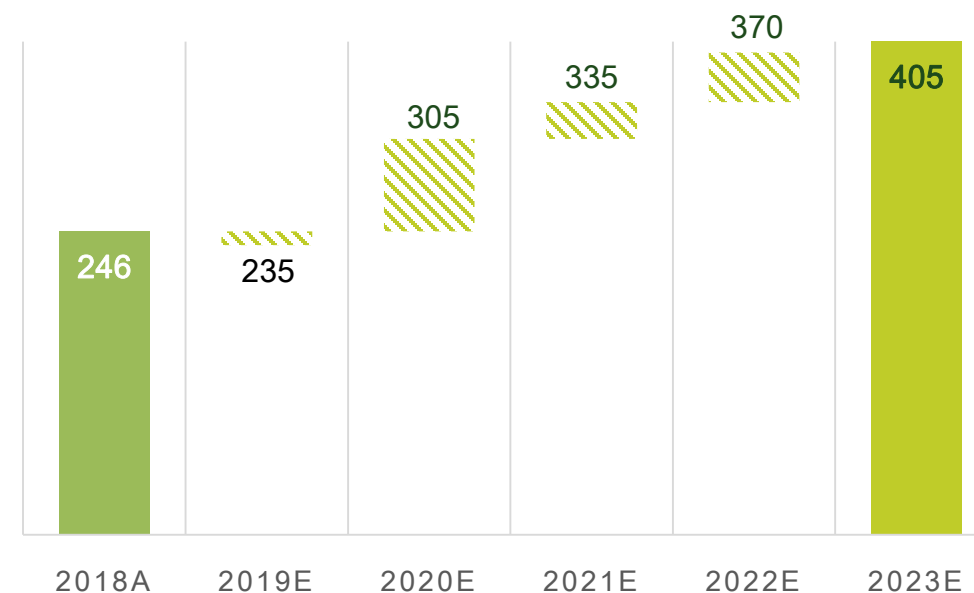
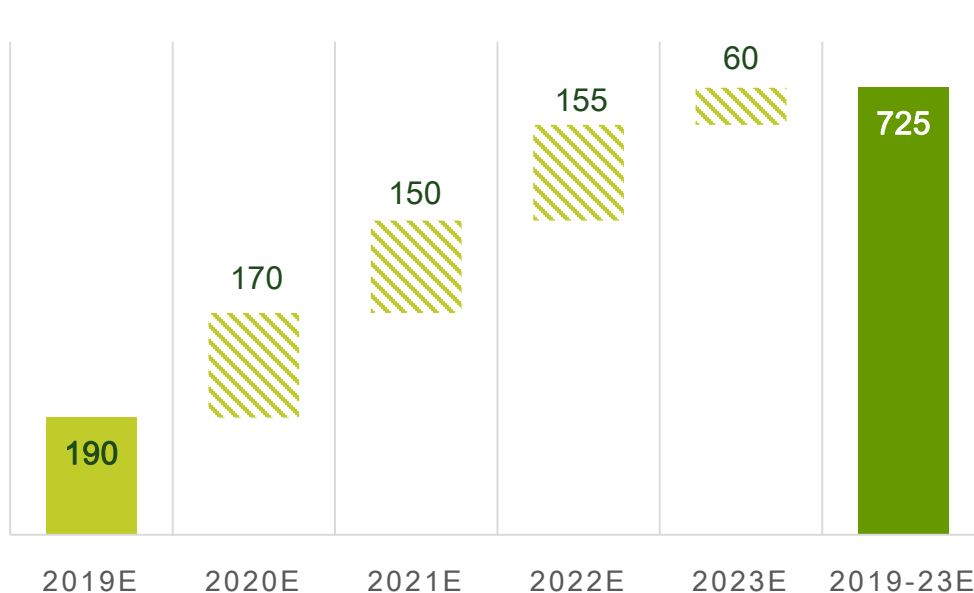
# Stepwise implementation to ensure financial discipline

Net Debt / EBITDA < 2.5x after 50% Dividend Pay-Out

€725 Mn Pulp Business Investment  
€ Mn



Pulp Business EBITDA target  
**€405 Mn<sup>1</sup> in 2023**



1. At constant BHKP prices of 1,050 \$/t and 1.20 \$/€ exchange rate from 2Q19

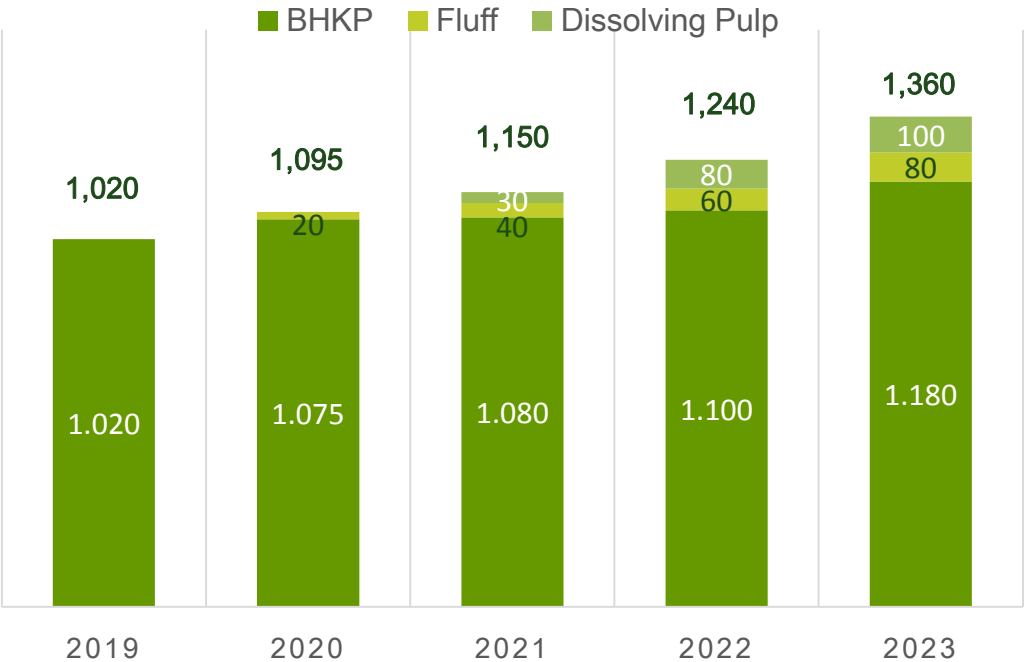




# 2023 operating targets

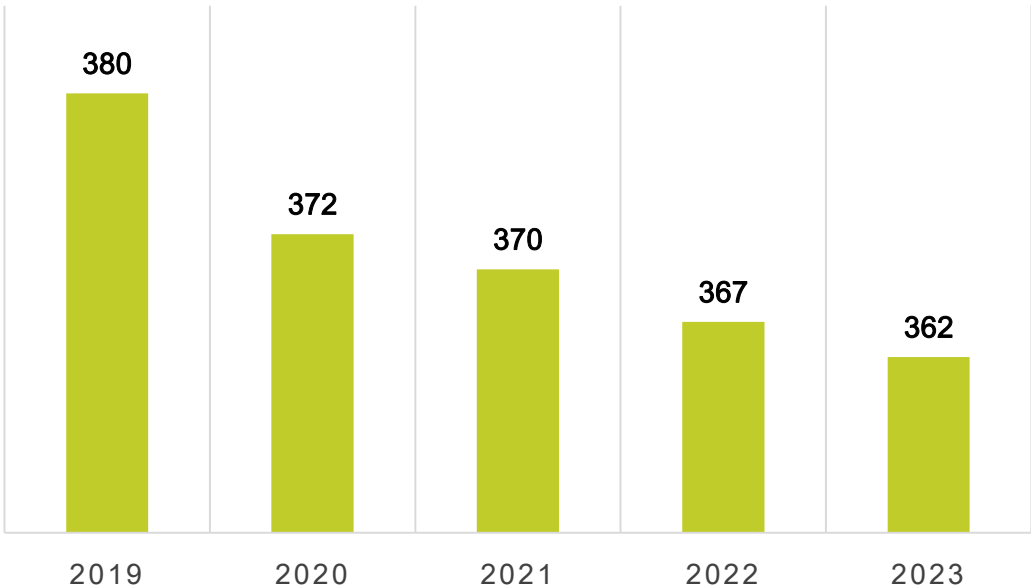
1.36 Mn T pulp sales and BHKP Cash Cost of 362 €/t

Gradual growth of pulp sales  
'000 t



Fixed costs dilution due to sales volume growth and higher proportion of value added products

Gradual reduction of BHKP cash cost  
€/t



New products will have higher sale prices and margins, as well as a higher cash cost

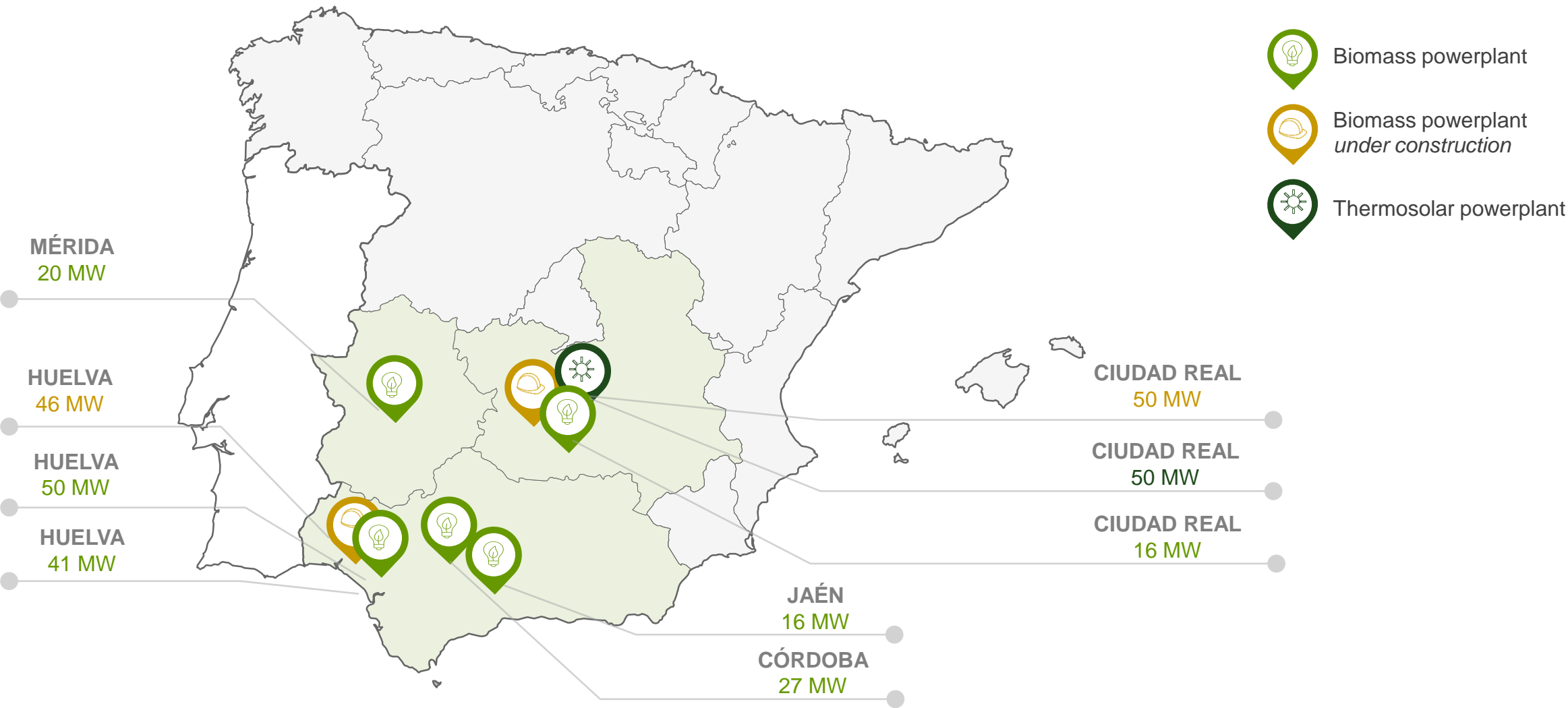


# 2. Renewable Energy Business



# Ence is the largest Spanish Renewable Energy generator with biomass

316 MW of installed capacity





# Competitive advantages of Biomass Energy

A fully manageable renewable technology with capacity to grow in Spain



## Fully manageable

Biomass energy is fully manageable, compared to other renewables, such as solar or wind



## Abundant resource

Biomass is an abundant and local resource in Spain  
25 Mn t annual biomass surplus



## Fire prevention

Solves the problem of biomass uncontrolled burning and prevents fire risk



## Rural development

Is the renewable energy that contributes the most to rural development



## CO<sub>2</sub> Neutral

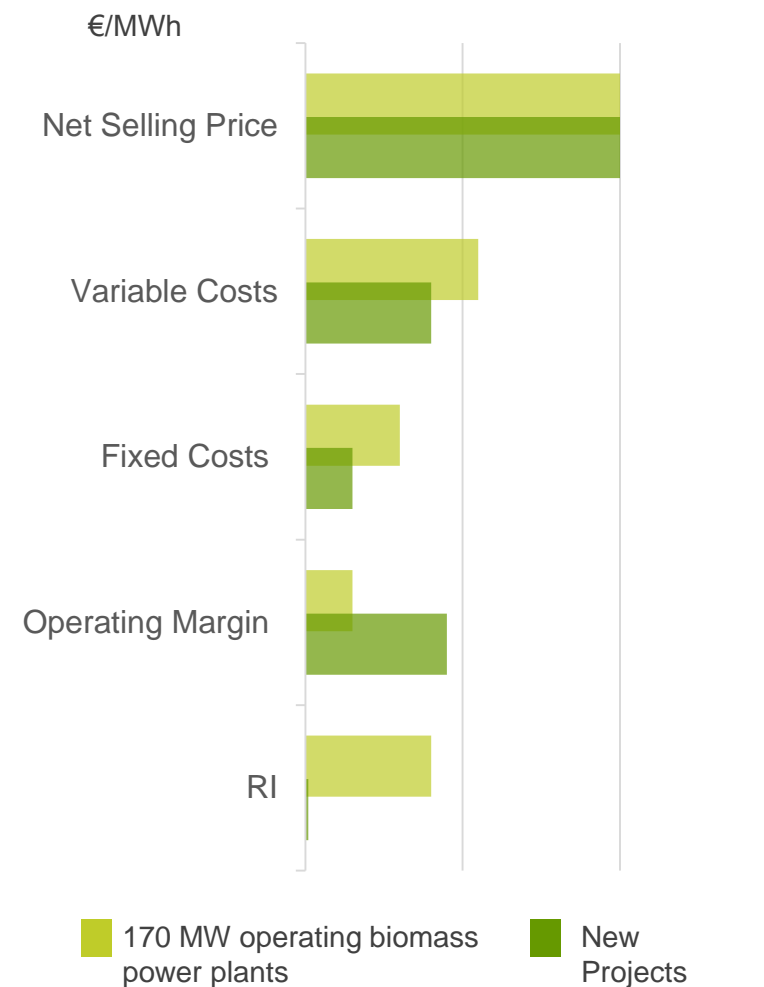
Biomass is neutral in carbon emissions and avoids diffuse emissions of forest and agricultural byproducts



## New biomass power plants are more efficient

Due to fuel flexibility, higher efficiency factor and fixed costs dilution

	Biomass power plant location	Capacity MW	Start-up year	Construction Capex € Mn / MW	Boiler technology	Efficiency factor	Fuel flexibility
OPERATING BIOMASS POWER PLANTS	Huelva	41	2000		Fluidized bed	26%	Limited
	Ciudad Real	16	2002		Pulverized fuel boiler + stoker grate	24%	Inflexible
	Jaén	16	2002		Pulverized fuel boiler + stoker grate	24%	Inflexible
	Córdoba	14	2006		Reciprocating grate	26%	Inflexible
	Huelva	50	2012	2.6	Fluidized bed	30%	Limited
	Mérida	20	2014	3.3	Vibrating grate	32%	Flexible
NEW PROJECTS	Huelva	46	2019	2.2	Vibrating grate	35%	Full Flexibility
	Ciudad Real	50	2019		Vibrating grate	35%	Full Flexibility







# Ence's Renewable Energy business strategic plan 2019 - 2023

To capture growth opportunities and improve business resiliency



## DIVERSIFICATION

### BIOMASS SOURCES



Multiagricultural byproducts



Forestry biomass

### TECHNOLOGIES



Biomass



Thermosolar

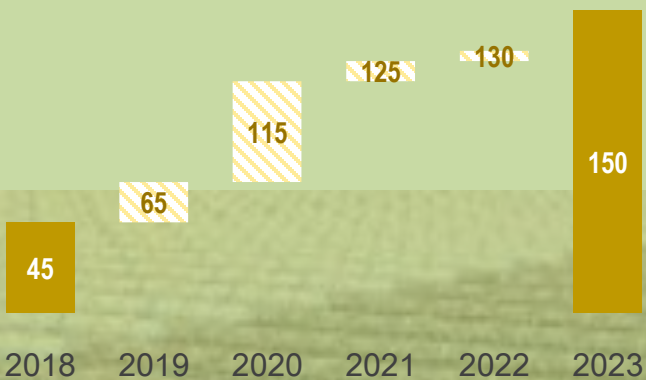


PV

## GROWTH

EBITDA target  
€150 Mn in 2023

3x  
EBITDA  
improvement

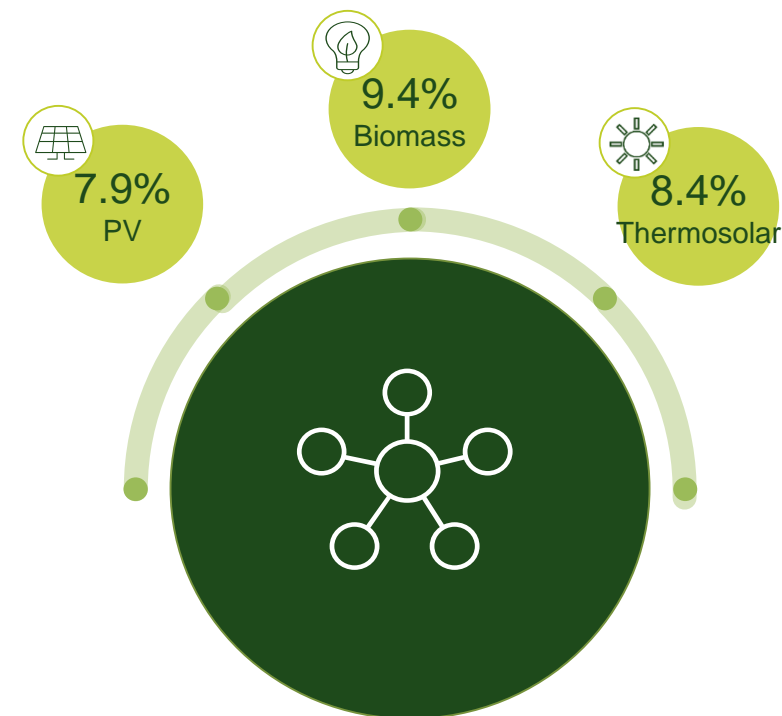
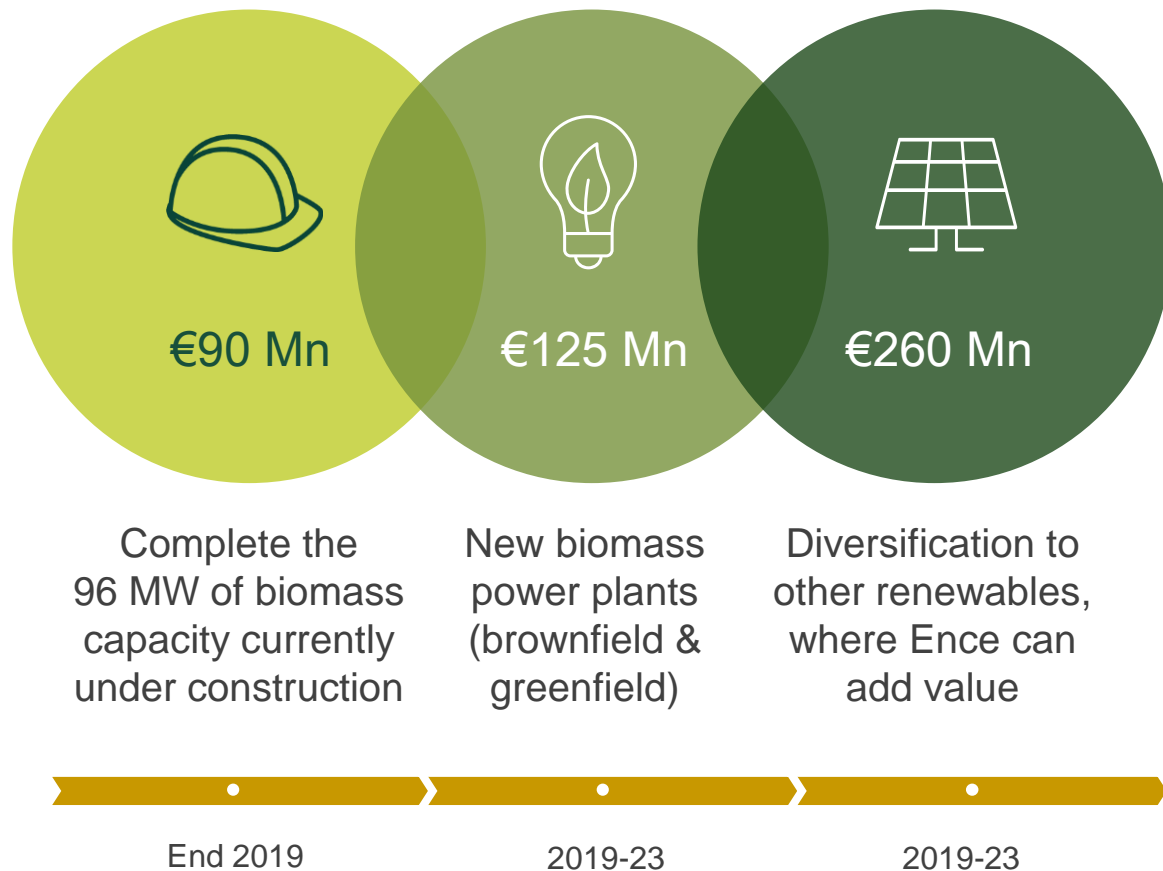


Growth in renewables increases the Group's minimum EBITDA at each stage of the pulp cycle, providing stability and predictability to cash flows



## Stepwise growth investment plan of €475 Mn

To reach a minimum EBITDA of €150 Mn in 2023



Each investment decision will be confirmed by the Board to ensure Net Debt / EBITDA < 4.5x



# 3. Excellence in Sustainability

ence  
ENERGÍA & CELULOSA

ence  
ENERGÍA & CELULOSA

# Excellence in sustainability

## A strategic priority for Ence



### Sustainability Capex up to a maximum of €140 Mn

To strengthen reliability, flexibility, environmental excellence, sustainability & safety in Navia & Pontevedra




# 4 Strategic Plan Financials






# Strategic Plan 2019 - 2023

## Assumptions & forecasts

 PULP	2018a	2019e	2020e	2021e	2022e	2023e
BHKP price (\$/t)	1,037.3	1,000	1,050	1,050	1,050	1,050
Exchange rate (\$/€)	1.18	1.18	1.20	1.20	1.20	1.20
Implied commercial discount (%)	27.7%	28%	27%	27%	27%	27%
Pulp sales ('000 t)	<b>947.5</b>	<b>1,020</b>	<b>1,095</b>	<b>1,150</b>	<b>1,240</b>	<b>1,360</b>
Cash cost (€/t)	376.9	380	372	370	367	362
<b>EBITDA (€ Mn)</b>	<b>245.6</b>	<b>235</b>	<b>305</b>	<b>335</b>	<b>370</b>	<b>405</b>
Net Profit (€ Mn)	126.2	115	155	170	190	210

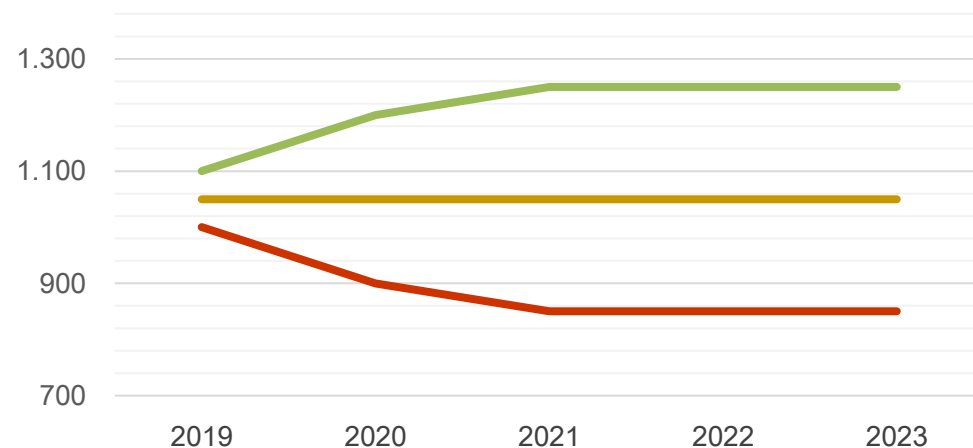
 RENEWABLE ENERGY	2018a	2019e	2020e	2021e	2022e	2023e
Energy sales (MWh)	923,935	1,135,000	1,830,000	2,045,000	2,060,000	2,330,000
Avg. Regulatory Pool price cap (€/MWh)	47	47	48	48	48	48
<b>EBITDA (€ Mn)</b>	<b>45.3</b>	<b>65</b>	<b>115</b>	<b>125</b>	<b>130</b>	<b>150</b>
Net Profit (€ Mn)	13.2	15	40	50	50	60

ENCE GROUP	2018a	2019e	2020e	2021e	2022e	2023e
<b>EBITDA (€ Mn)</b>	<b>290.9</b>	<b>300</b>	<b>420</b>	<b>460</b>	<b>500</b>	<b>555</b>
Net Profit (€ Mn)	129.1	130	195	220	240	270
Net Debt (€/Mn)	304.8	530	640	635	595	390

# Solid Strategic Plan at different pulp prices

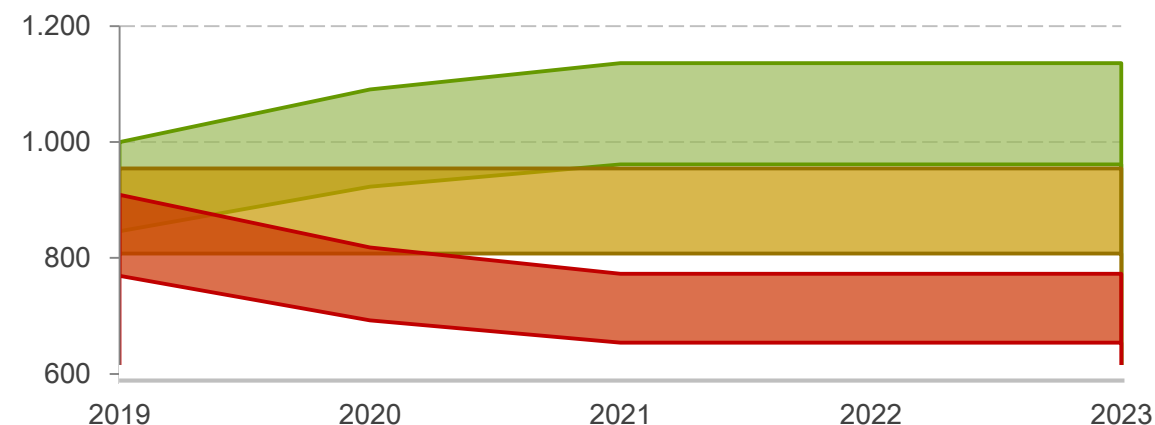
## 2019-2023 sensitivity scenarios

Pulp Price Sensitivity  
\$/t



	2019	2020	2021	2022	2023
Scenario 1	1,100	1,200	1,250	1,250	1,250
Scenario 2	1,050	1,050	1,050	1,050	1,050
Scenario 3	1,000	900	850	850	850

Pulp Price & Forex Sensitivity  
€/t

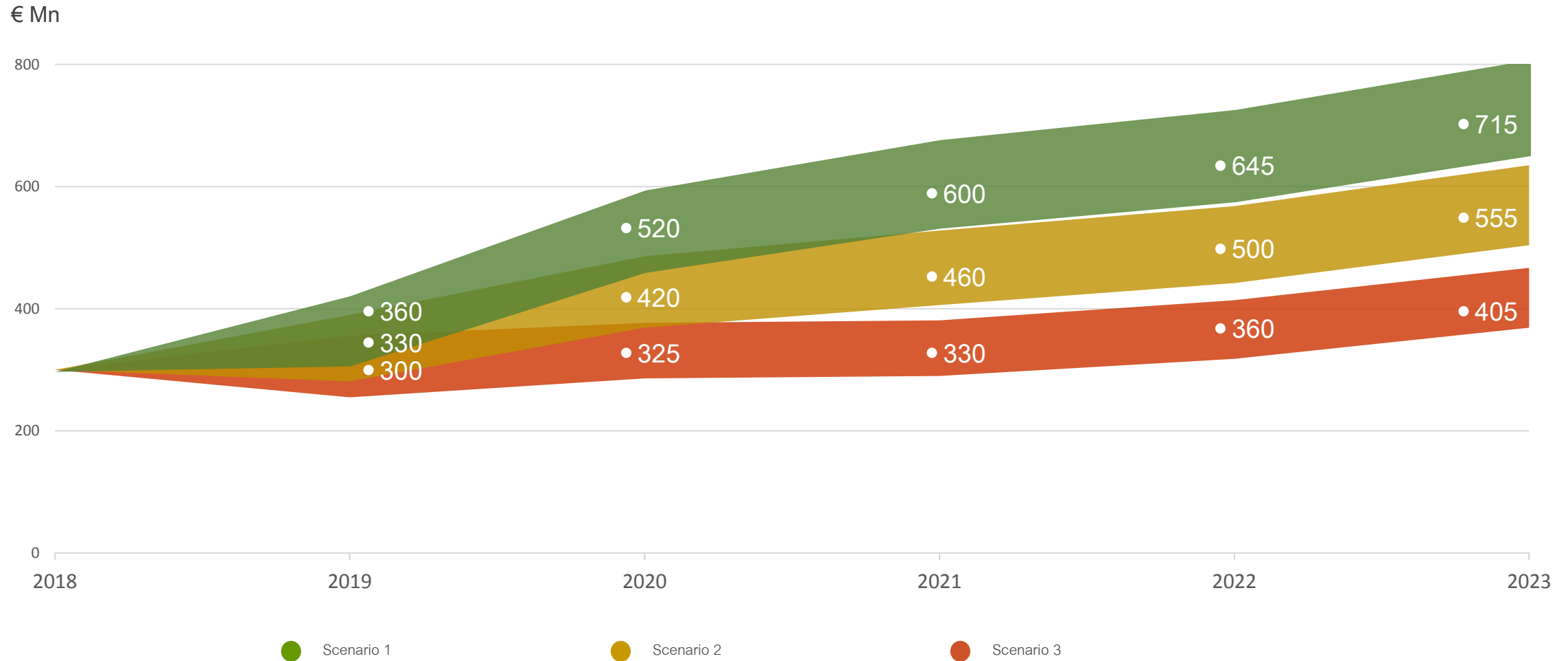


- Scenario 1 @1.1-1.3 \$/€ range
- Scenario 2 @1.1-1.3 \$/€ range
- Scenario 3 @1.1-1.3 \$/€ range

These are the scenarios used to analyse the sensitivity of the main financial figures

# Solid Strategic Plan at different pulp prices

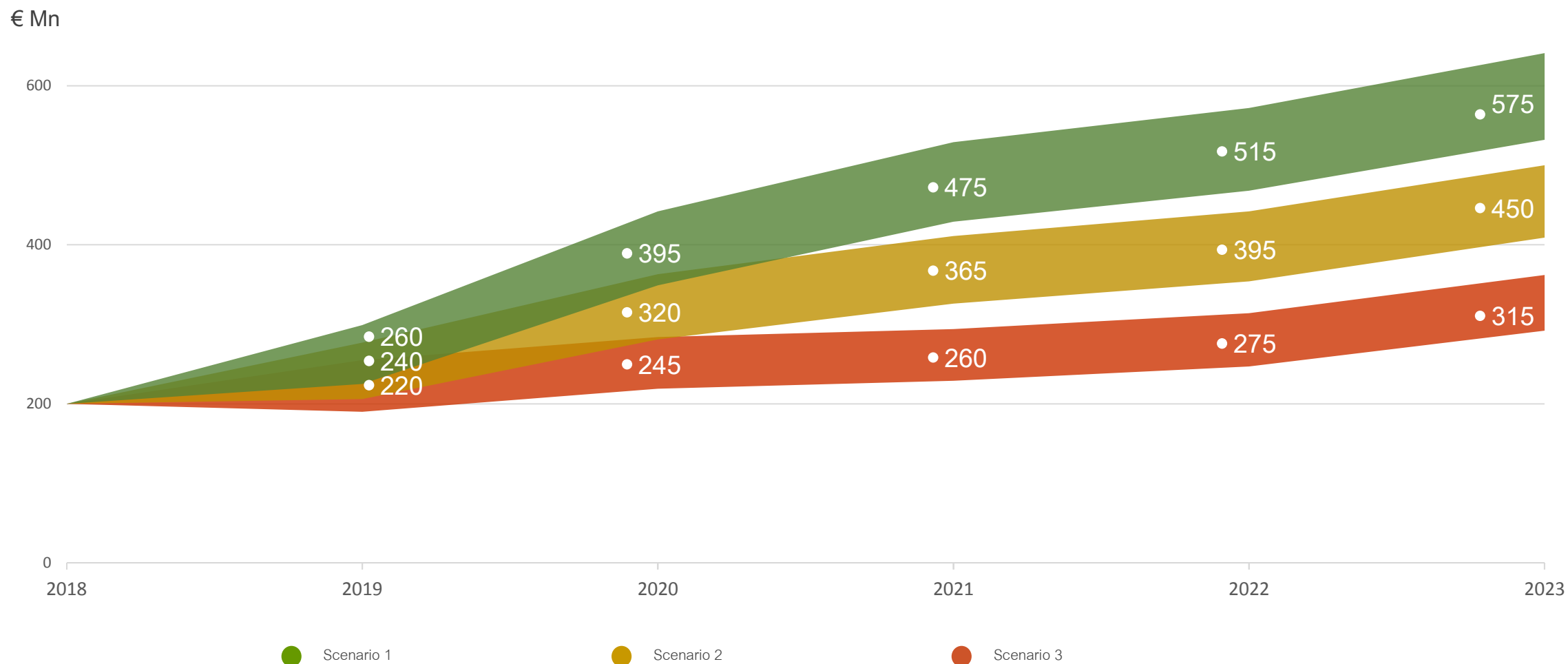
## EBITDA sensitivity 2019-2023



Based on the scenarios described in page 31

# Solid Strategic Plan at different pulp prices

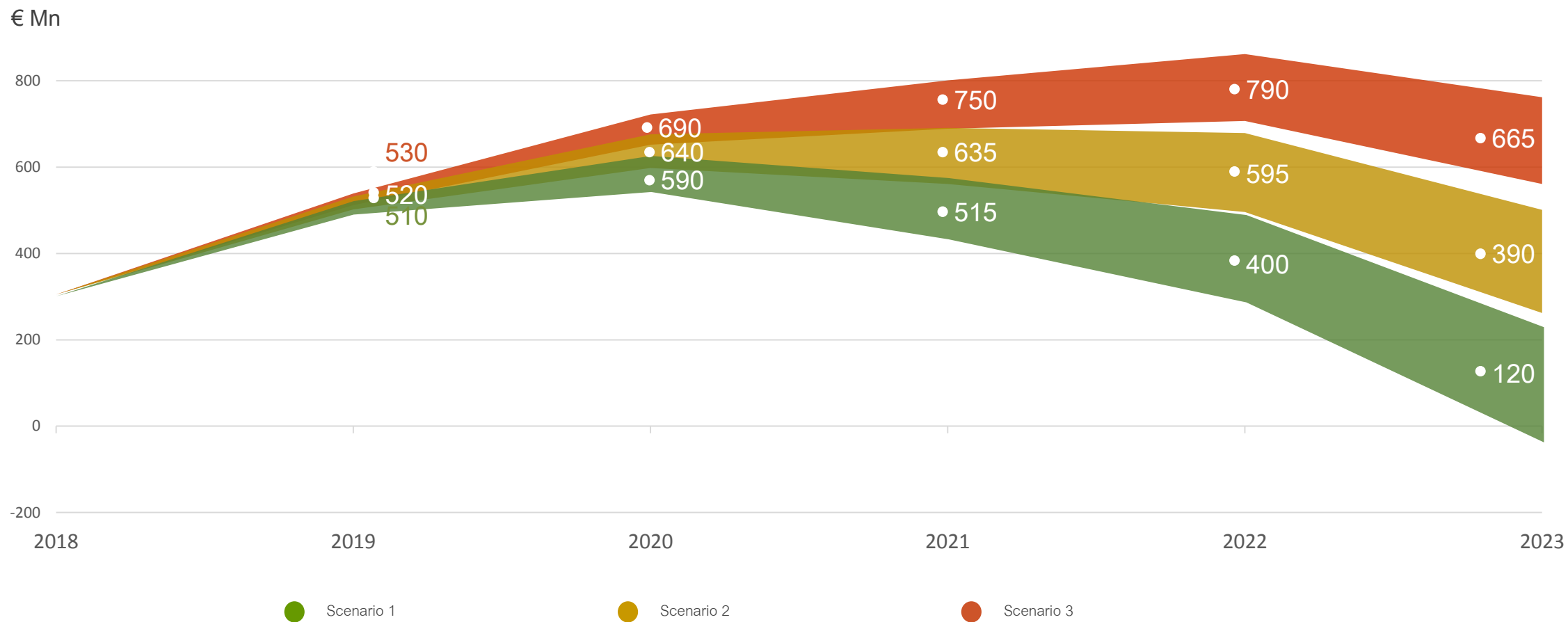
## Normalized FCF sensitivity 2019-2023



Based on the scenarios described in page 31

# Solid Strategic Plan at different pulp prices

## Net Debt sensitivity 2019-2023



Includes IFRS16 impact of €55 Mn starting 2019

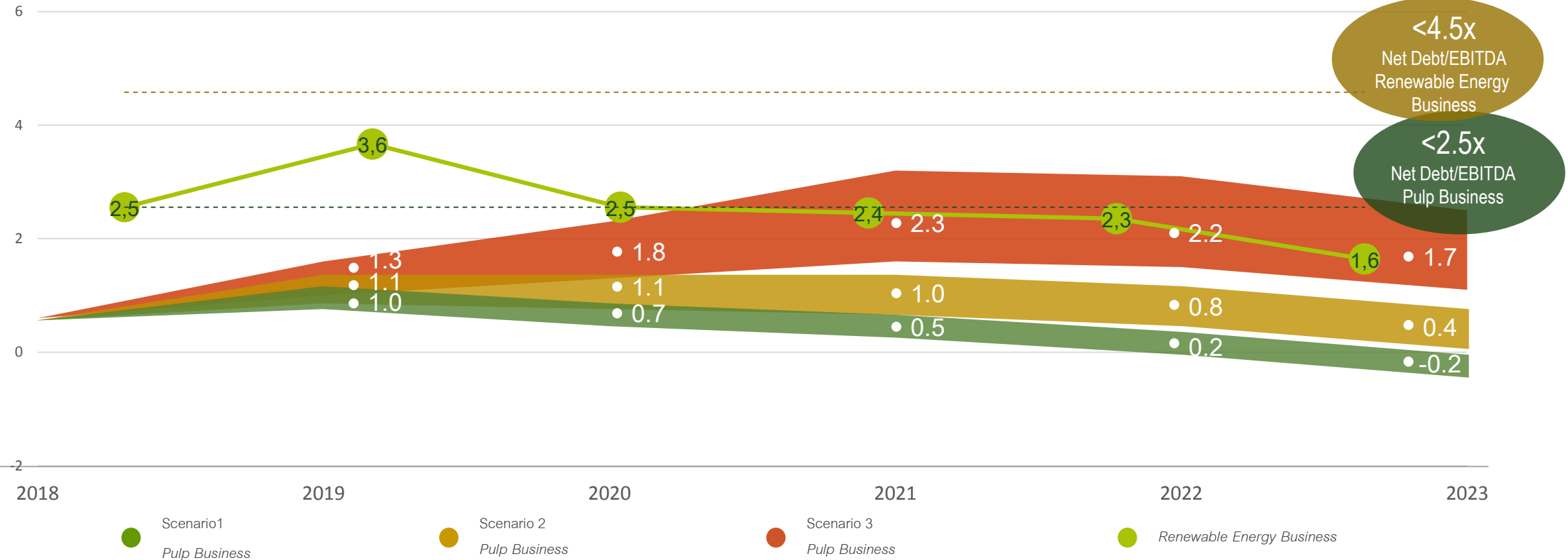
Based on the scenarios described in page 31



# Solid Strategic Plan at different pulp prices

## Financial leverage sensitivity 2019-2023

Net Debt/EBITDA

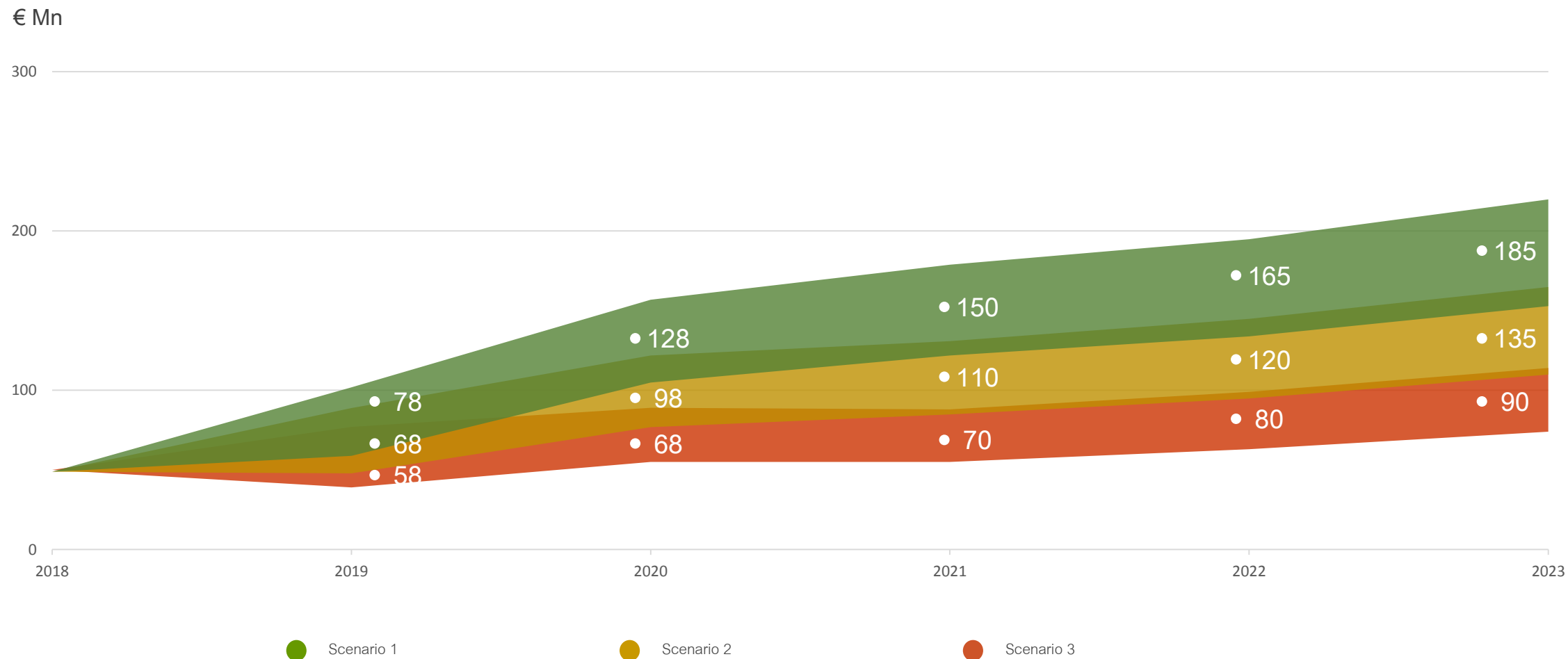


Includes an equity contribution of €78 Mn from Pulp to Renewable Energy Business in 4Q18

Based on the scenarios described in page 31

# Solid Strategic Plan at different pulp prices

## Dividends sensitivity 2019-2023



Based on the scenarios described in page 31

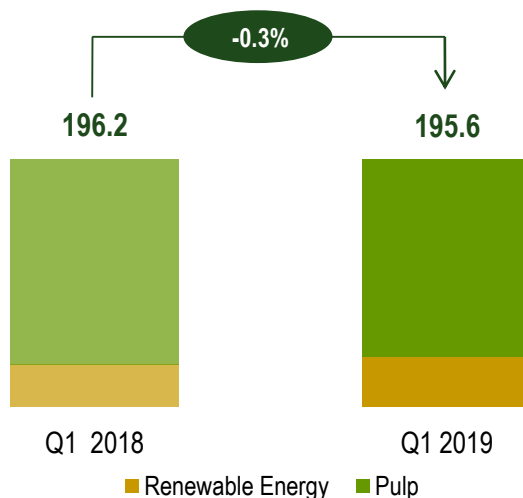


# 5. Q1 2019 Results Summary

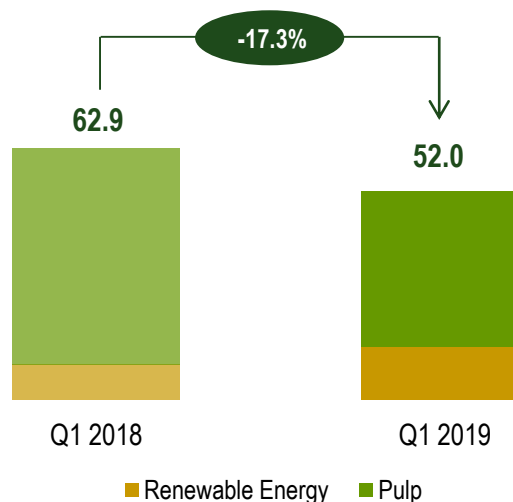
# Q1 2019 Results

Marked by FX hedges, spot sales and pulp restocking, as anticipated

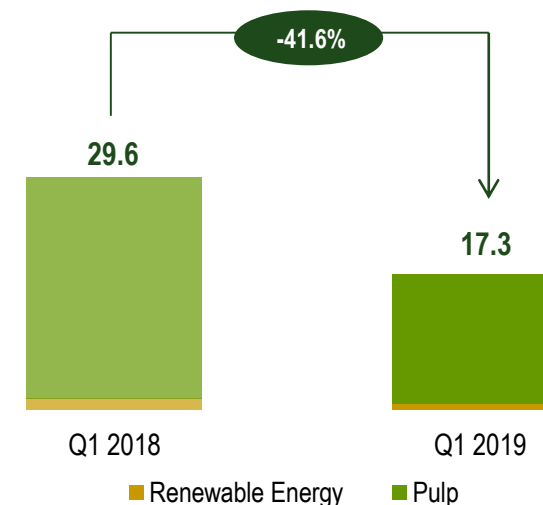
Group Revenues (€ Mn)



Group EBITDA (€ Mn)



Group Net Income (€ Mn)



## Pulp business: 4% lower revenues

- 6% decrease in pulp volume sold due to 20k inventory increase
- Lower spot prices for 29% sales outside Europe

## Renewable Energy business: 18% revenue growth

- 9% increase in energy volume sold, including the new thermosolar plant recently acquired

## Pulp business: 28% EBITDA decrease

- 7.3% cash cost increase
- €9 Mn lower EBITDA due to FX hedging settlements

## Renewable Energy business: 49% EBITDA growth

- Contribution of the new thermosolar plant
- Higher energy output from biomass power plants

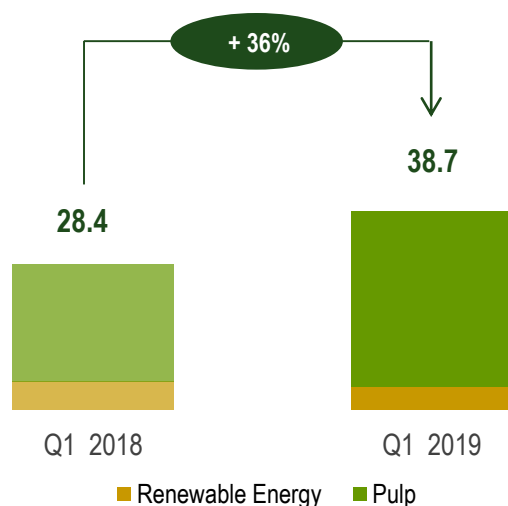
## 42% Net income decrease

- Marked by a weaker 1Q19 in the Pulp business, as anticipated
- To recover during the year with better 2H19 in the Pulp business once expansions are completed and Renewable Energy business growth

# Normalized Free Cash Flow & Capex growth

## Low financial leverage of 1.4x EBITDA after strategic plan investments

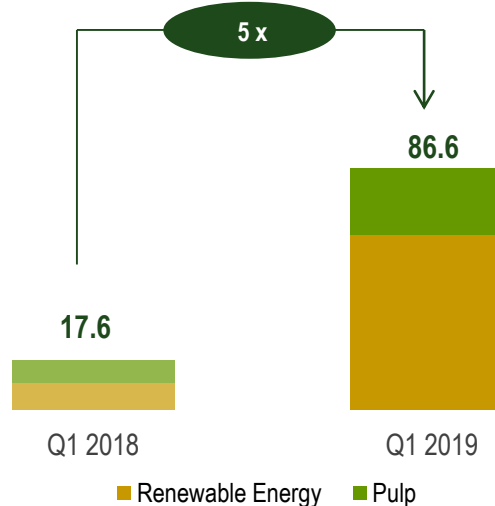
Normalized FCF<sup>1</sup> (€ Mn)



### Strong Normalized Free Cash Flow generation of €38.7 Mn

- Better working capital performance vs. 1Q18

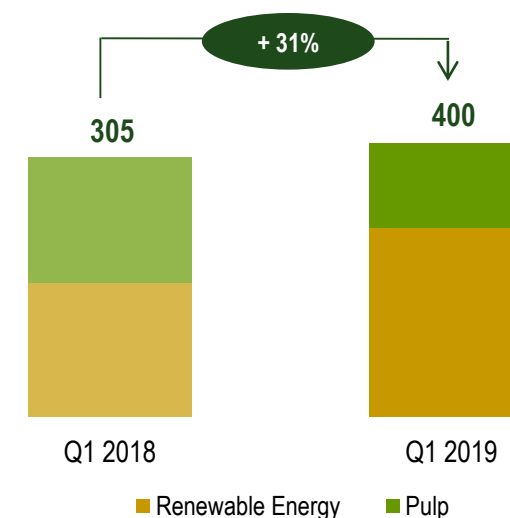
Capex (€ Mn)



### Higher growth and sustainability capex according to Strategic Plan:

- **Pulp business: €23.9 Mn** for Pontevedra and Navia capacity expansions
- **Renewable Energy business: €62.7 Mn** for new biomass power plants construction

Net Debt FY18



### Low leverage of 1.4x Net Debt / LTM EBITDA

- Pulp business: 0.8 Net Debt / LTM EBITDA
- Energy business: 3.5 Net Debt / LTM EBITDA<sup>2</sup>
- **€55 Mn** IFRS 16 effect included as from January 2019

1. FCF before Strategic Plan investments, divestments & dividend payment  
 2. Considering full year contribution of the Ciudad Real 50 MW thermosolar plant

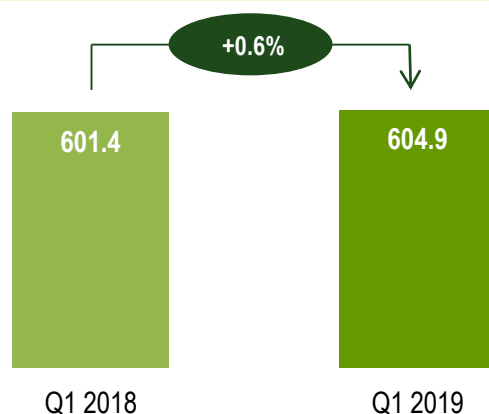




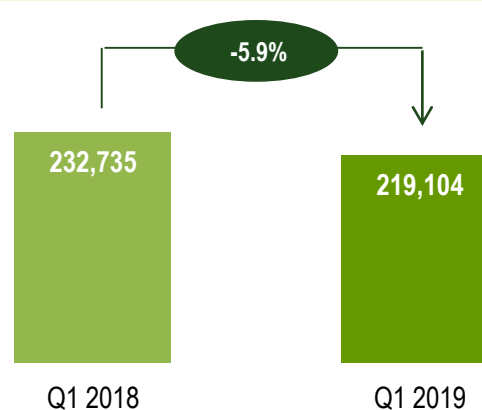
# Pulp Business 1Q19

Marked by FX hedges, spot sales and pulp restocking, as anticipated

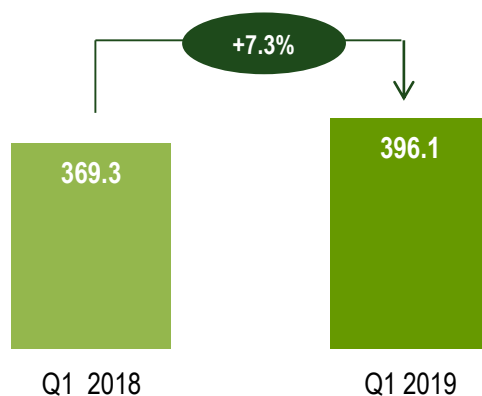
Avg. Net Pulp Price (€/t)



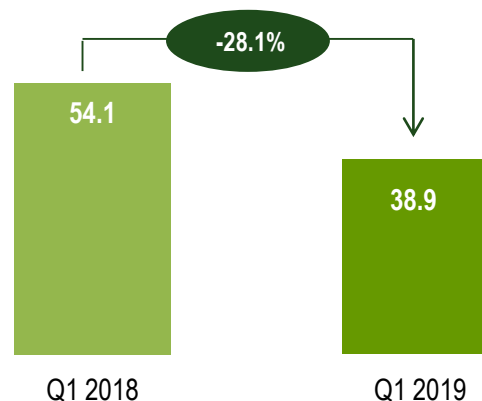
Pulp Sales Volume (t)



Avg. Cash Cost (€/t)



EBITDA (€ Mn)



## EBITDA decreased to €38.9 Mn driven by:

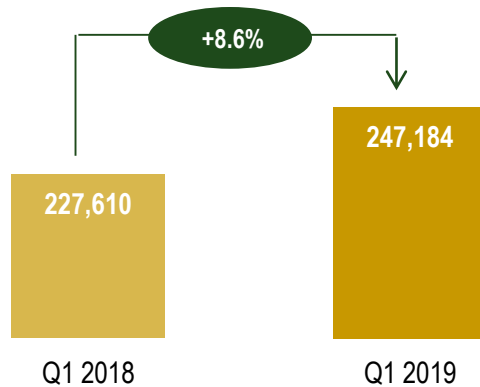
- **€9 Mn** negative settlements on **FX hedging** program.
- Lower than expected net prices with **29% of sales outside Europe at spot prices**
- **6%** decrease in pulp sales volume due to the announced **restocking process (20k tons)**
- **7% cash cost increase** related to:
  - 5% wood cost increase (sourcing from Huelva)
  - 8% higher conversion costs (higher personnel and fuel costs)
  - 26% higher overheads, to be diluted with planned capacity expansions



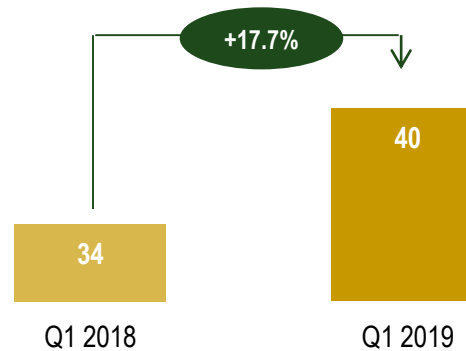
# Renewable Energy Business 1Q19

Including first full quarter of the Ciudad Real 50 MW thermosolar plant

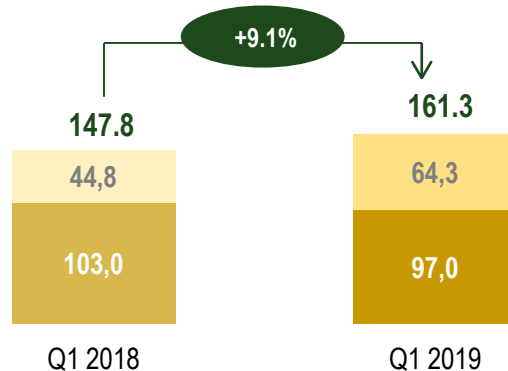
Energy Volume (MWh)



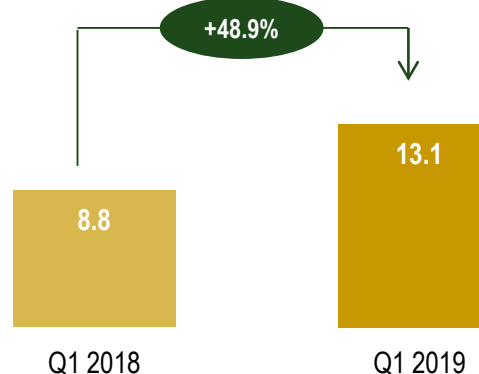
Revenues (€ Mn)



€ Revenue per MWh



EBITDA (€ Mn)



■ Regulated pool price + Ro ■ Ri

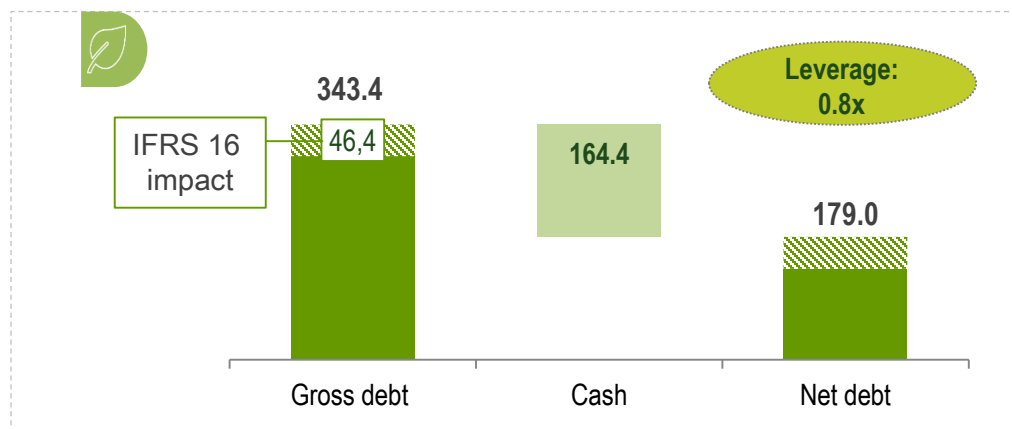
## 49% EBITDA growth driven by:

- 9% increase in energy volume sold
  - Increasing contribution from the 50 MW Thermosolar plant acquired in December 2018
  - Higher energy output from biomass power plants
- 9.1% increase in revenue per MWh due to the addition of the 50 MW Thermosolar plant regulated return on investment of €5.6 Mn in 1Q19

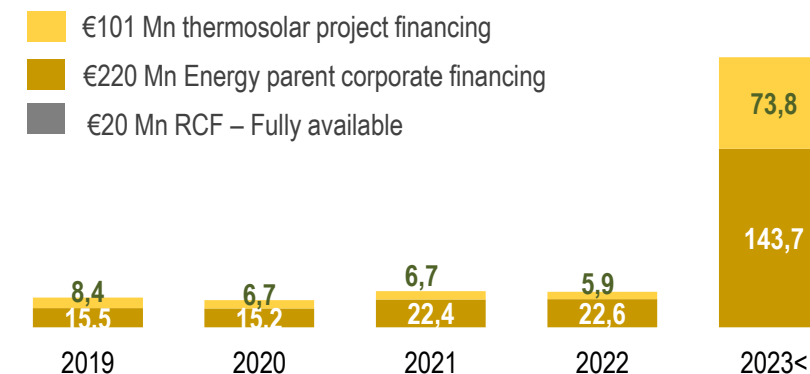
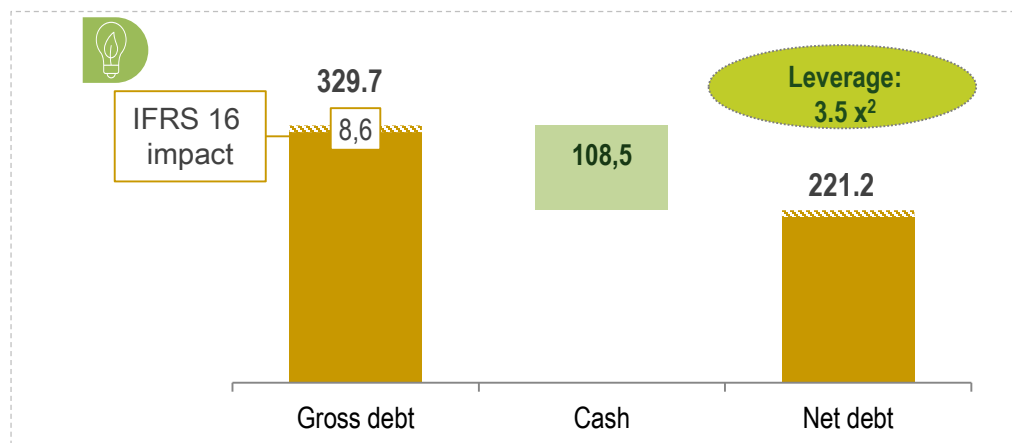
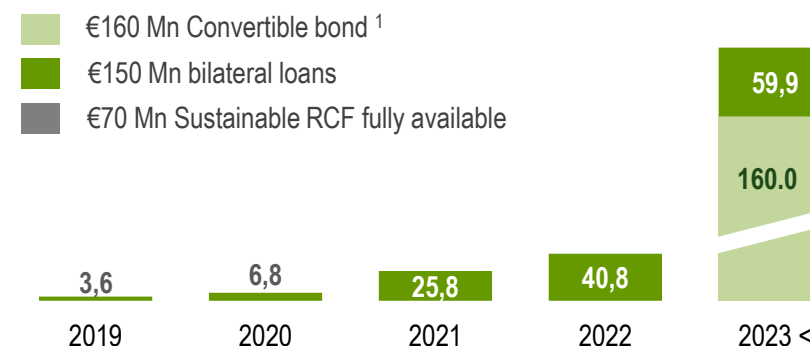
# Group's Debt

## Solid balance sheet and strong liquidity

Leverage as of 31 March 2019 (€ Mn)



Debt Maturity Calendar (€ Mn)

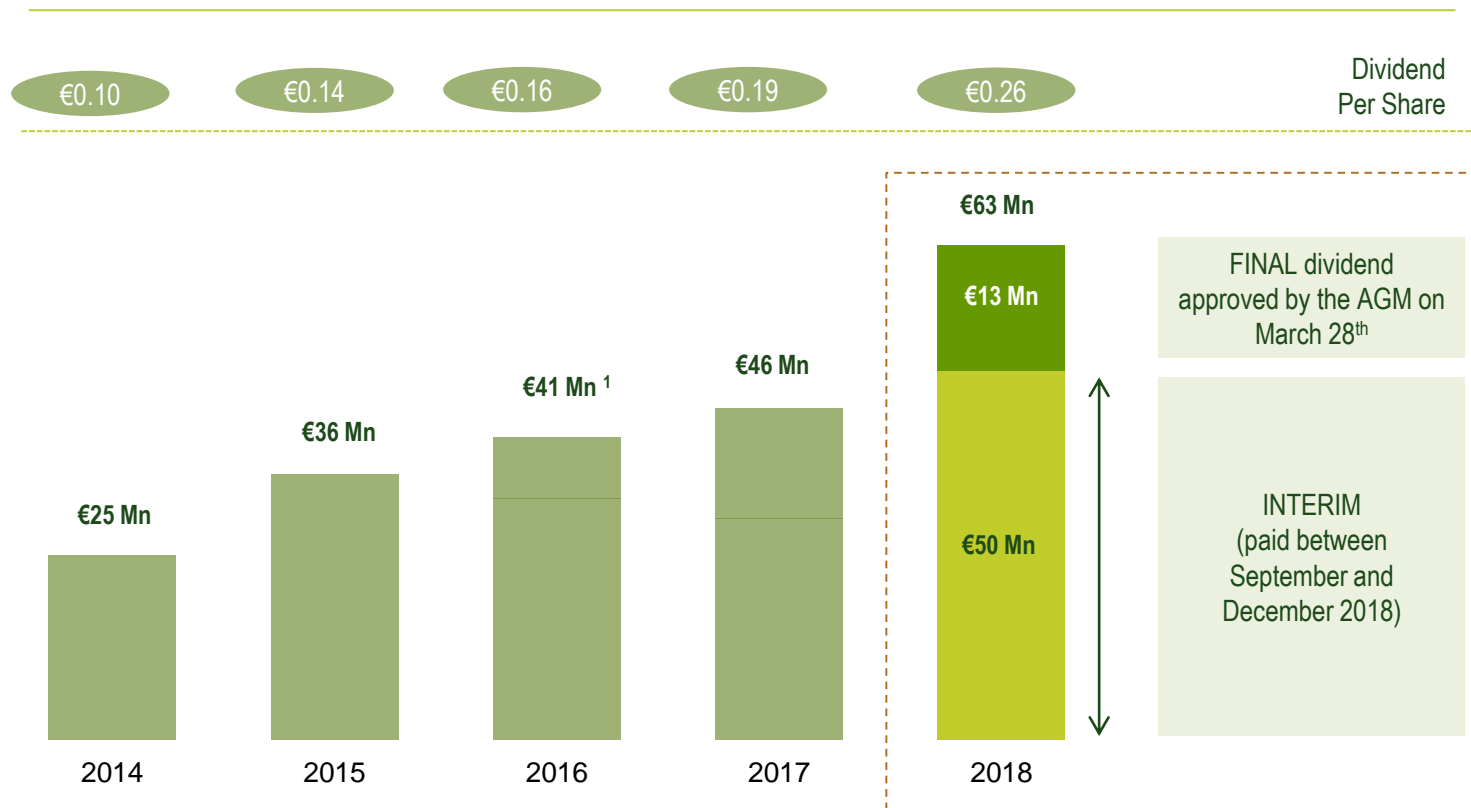


1. €145 Mn accounted as gross debt and €15 Mn accounted as equity, according to IAS 32  
 2. Considering full year contribution of the Ciudad Real 50 MW thermosolar plant

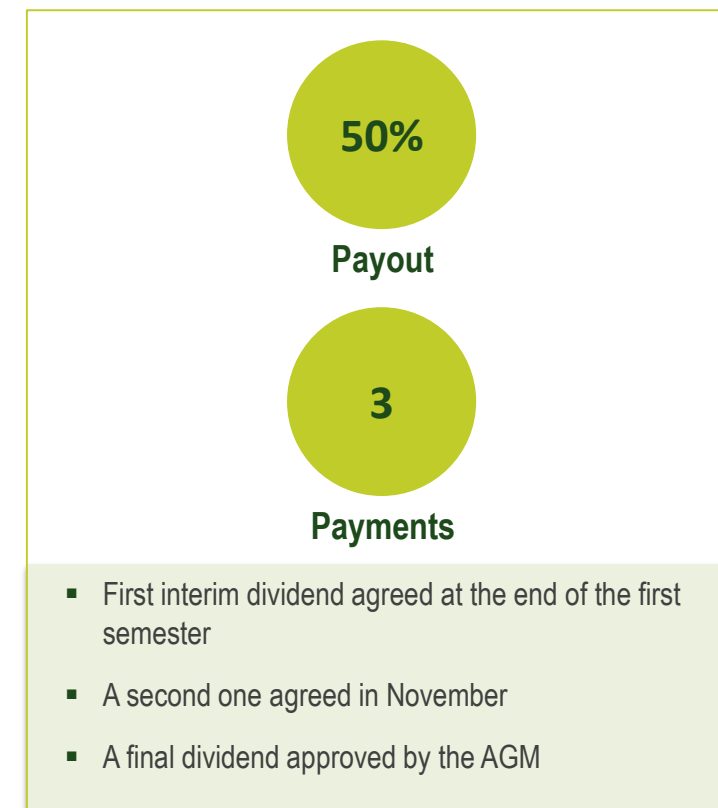
# Attractive shareholder remuneration

Final dividend of 0.054 €/share approved by the AGM on March 28<sup>th</sup>

Annual Accrued Dividends (€ Mn)



Dividend Policy



Final dividend paid on 11th April 2019

1. Includes share buyback program

# Alternative Performance Measures (APMs)

Pg.1

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](http://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.

# Alternative Performance Measures (APMs)

Pg.2

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