



Delivering value Delivering commitments

October 2019



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Ence at a glance

Resilient business model, strong CF generation capacity & 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 (316 MW by December 2019)

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

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**

Strong cash flow generation capacity and **solid balance sheet**

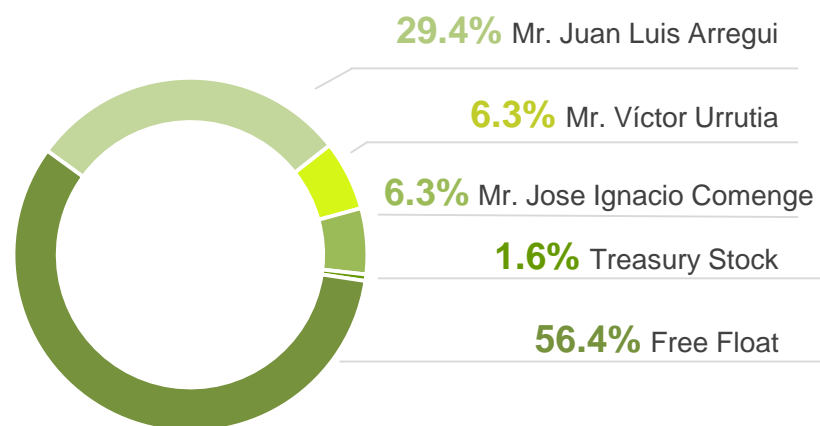
50% pay out policy and **financial discipline:** Net debt / EBITDA ratio below 2.5x in the Pulp business and 4.5x in the Renewable Energy business

Excellence in Sustainability

2019 – 2023 Strategic Plan focused on growth, diversification, excellence in sustainability & financial discipline

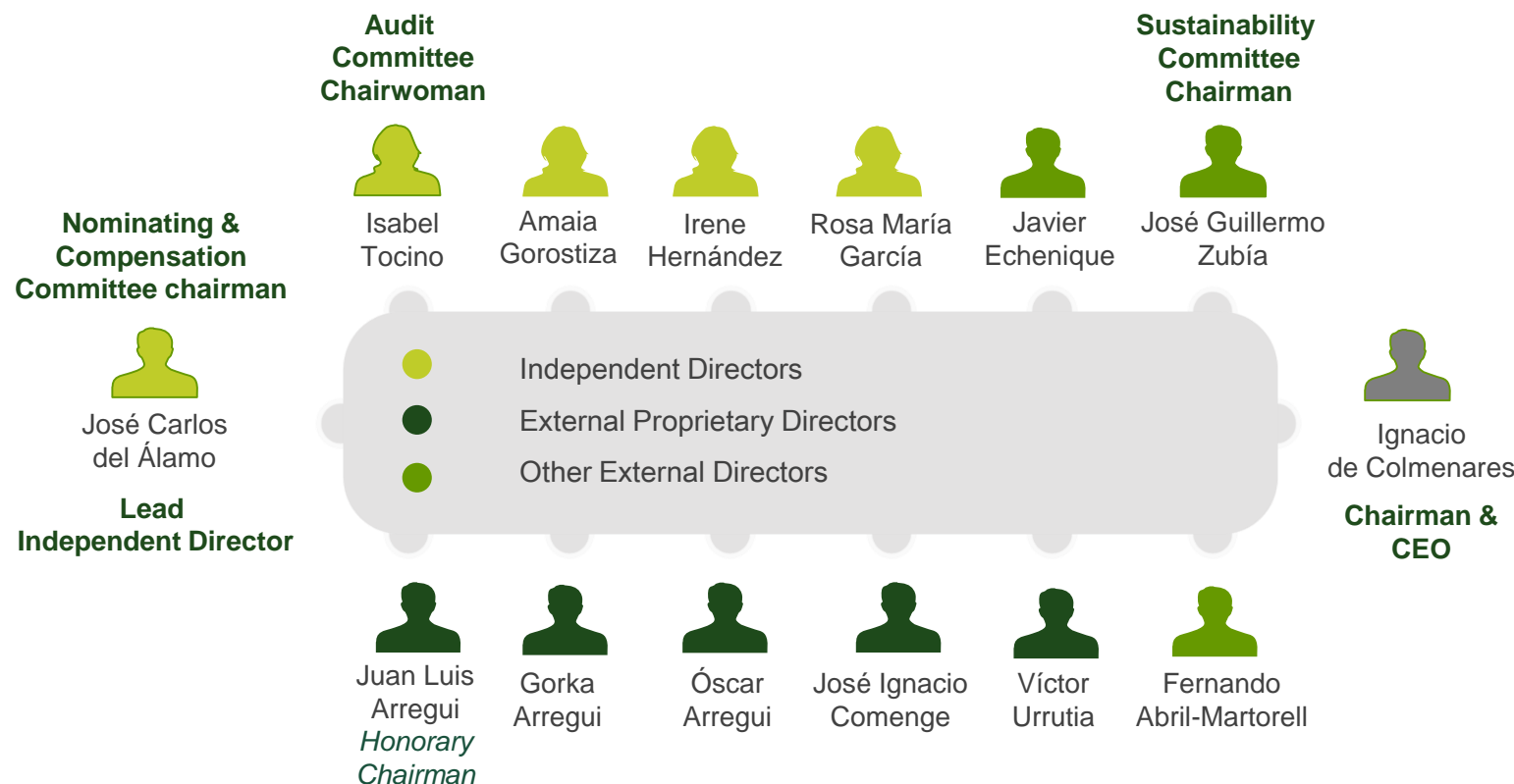
Supportive shareholder base And a strong corporate governance

Shareholding Structure



As of June 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

72%
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

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

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

28%
EBITDA

Renewable Energy Business

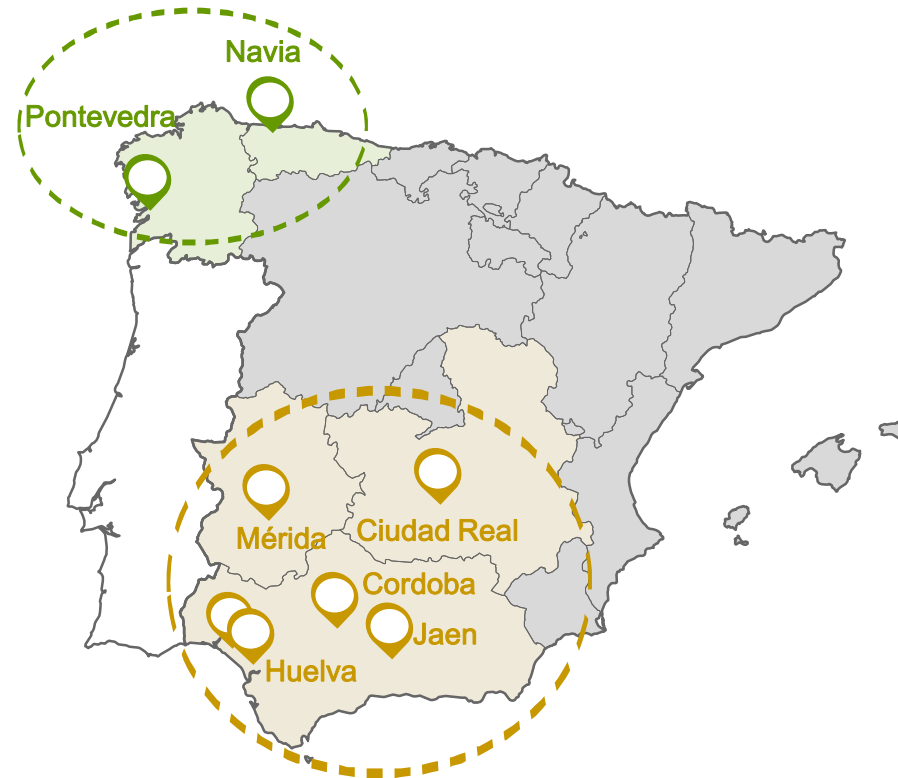
Largest biomass operator in Spain with
316 MW of Renewable Energy installed
capacity by the end of 2019

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



Both business are
independently financed and
reported

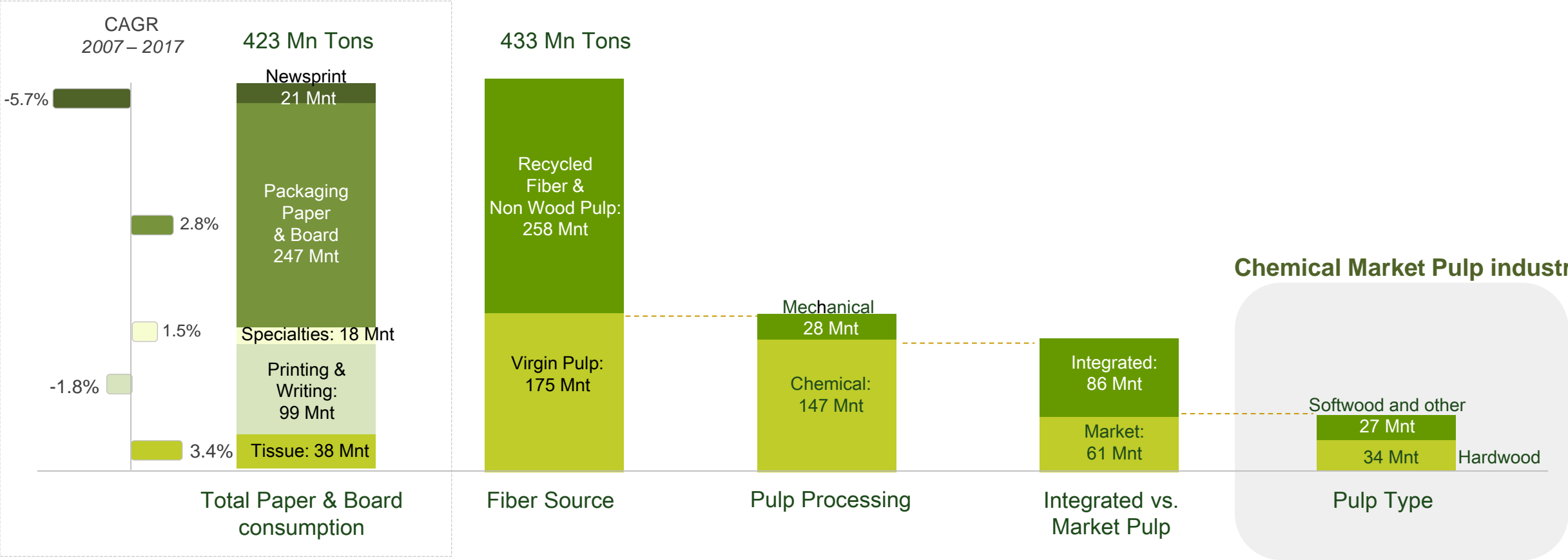


1 Pulp Business



Chemical Market Pulp industry

61 million tons in 2018



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

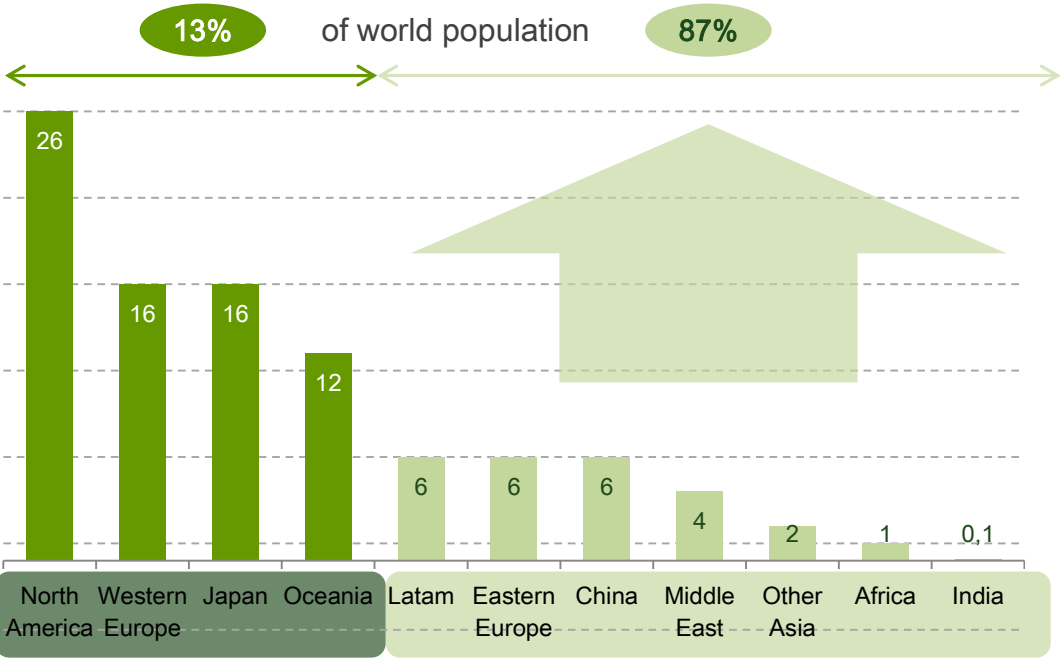
Ence is a leading European hardwood pulp producer with c. 1.1 Mn tons of installed capacity, competing in the global Chemical Market Pulp industry



Fastest growing tissue & hygienic products segments

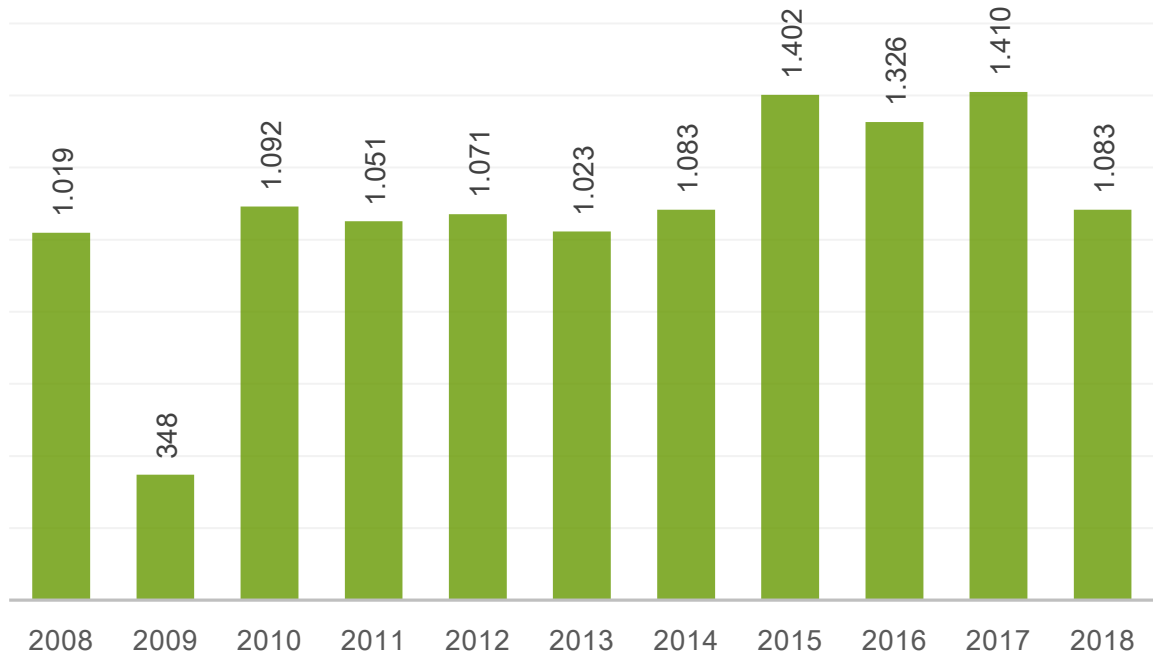
Accounts for close to 50% of global market pulp demand

Tissue paper per-capita consumption
Kg/year



Source: RISI

Tissue annual consumption growth
'000 t



Source: PPPC

3.3%
CAGR
2008-18

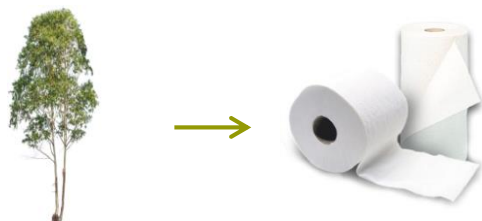
Driven by urban population growth and increasing living standards in emerging countries



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 m³ / ha / year
- Harvesting cycle: 12 - 15 years
- Industrial yield: 2.6 - 3.0 m³ / ton of pulp

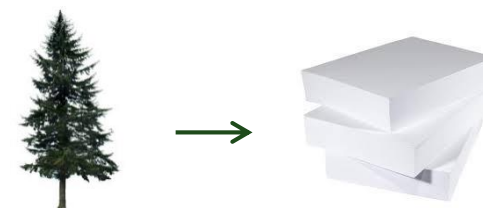


Low production cost

Substitutive materials



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 m³ / ha / year
- Harvesting cycle: 50 - 70 years
- Industrial yield: 4.8 - 5.2 m³ / ton of pulp



High production cost

**Long Term net
average spread of
100 \$/t**

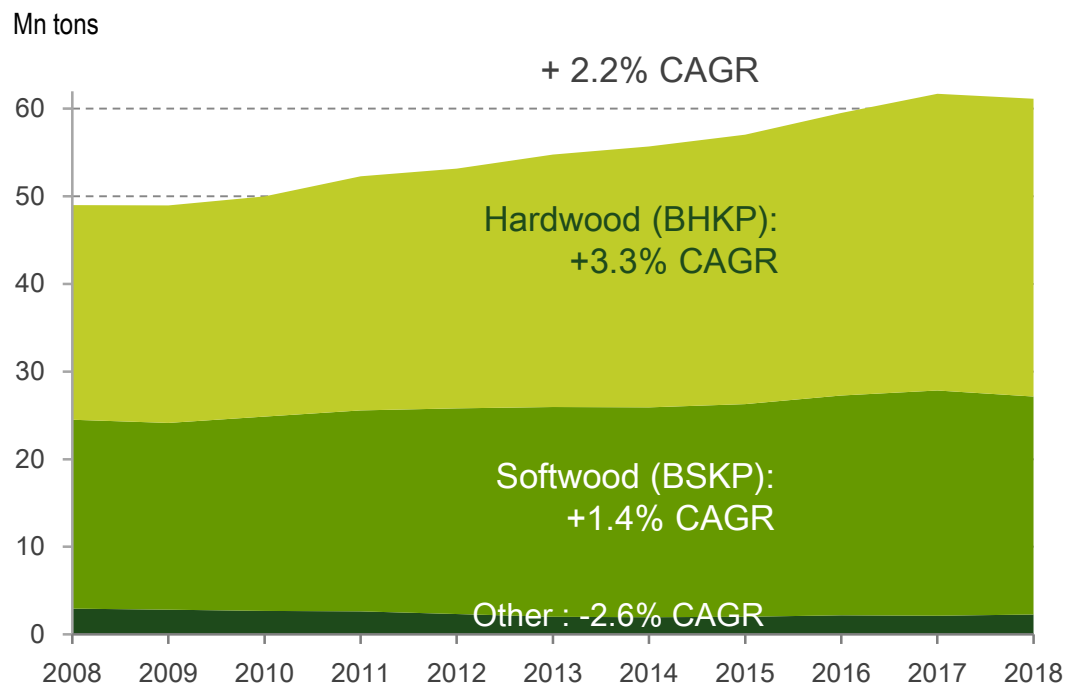


Eucalyptus only grows under very specific climate conditions, usually in warm subtropical regions
More abundant pines are better adapted to cold climates

Superior demand growth for Eucalyptus pulp

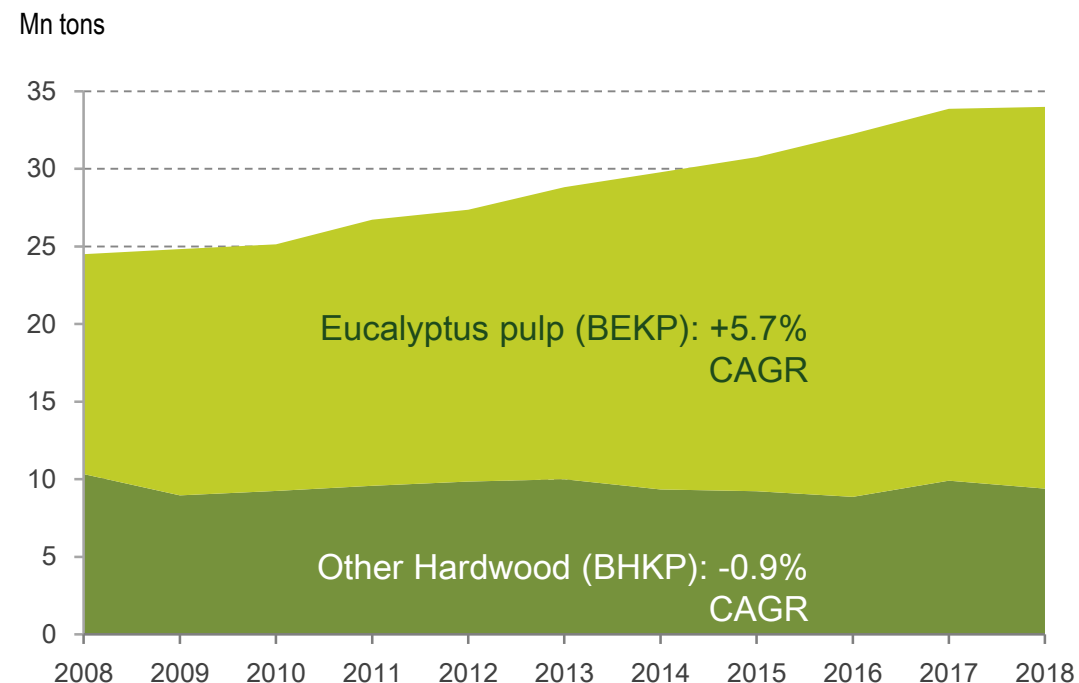
Which is leading global market pulp demand growth

Total market pulp demand evolution
Last 10 years



Source: PPPC G-100

Hardwood pulp demand evolution
Last 10 years



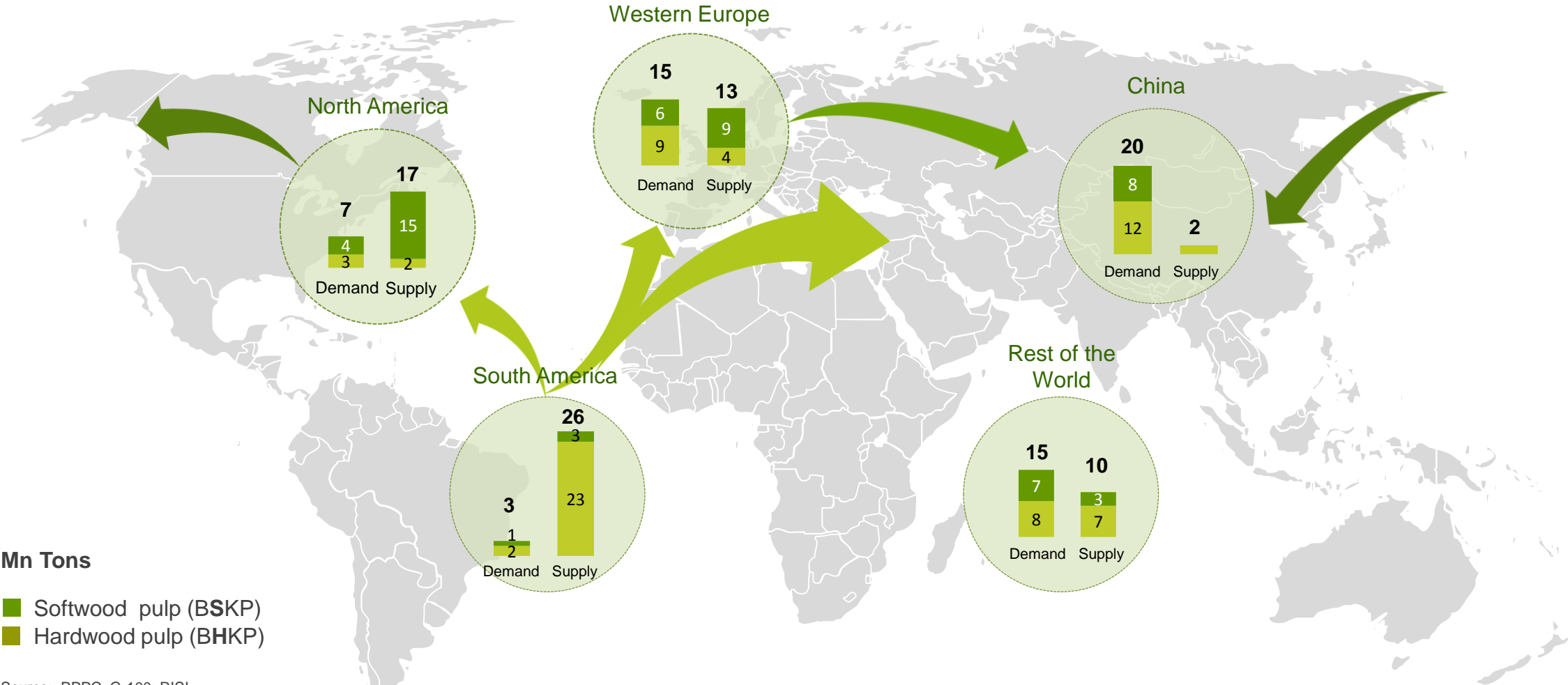
Source: PPPC G-100

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

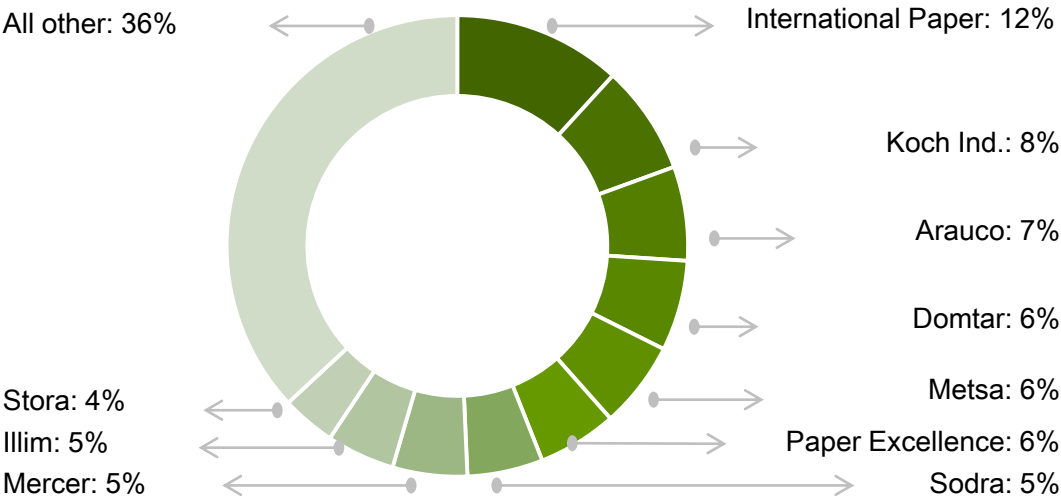
China, Europe and North America are net importers of hardwood pulp (BHKP)



Concentrated supply markets with high entry barriers

Next capacity increases are managed by incumbents

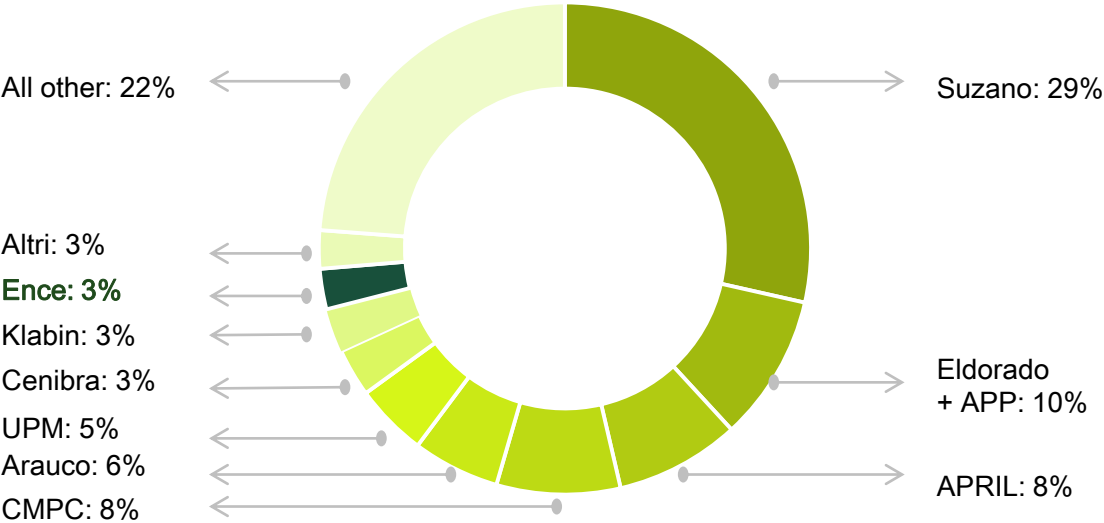
Global market share
Softwood pulp (BSKP)



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



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 t¹

Mn t	2019	2020	2019-20	2021	2019-21	2022	2019-22	2023	2019-23	2024	2019-24
ESTIMATED BHKP DEMAND CHANGE	0,5	1,0	1,5	1,0	2,5	1,0	3,5	1,0	4,5	1,0	5,5
CHINA	0,3	0,6	0,9	0,6	1,5	0,6	2,1	0,6	2,7	0,6	3,3
OTHER ASIA / AFRICA / OCEANIA / MIDDLE EAST	0,1	0,2	0,3	0,2	0,5	0,2	0,7	0,2	0,9	0,2	1,1
EUROPE	-0,1	0,1	0,0	0,1	0,1	0,1	0,2	0,1	0,3	0,1	0,4
NORTH AMERICA	0,1	0,0	0,1	0,0	0,1	0,0	0,1	0,0	0,1	0,0	0,1
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 CHANGE (CONFIRMED)	-0,6	0,2	-0,4	0,7	0,3	1,3	1,6	0,6	2,2	0,1	2,3
SUZANO (PRODUCTION CURTAILMENT)	-1,0	0,5	-0,5	0,5	0,0		0,0		0,0		0,0
SUZANO (IMPERATRIZ, MUCURI & MARANHÃO)				0,3	0,3		0,3		0,3		0,3
ARAUCO (VALDIVIA)	0,2	-0,4	-0,2		-0,2		-0,2		-0,2		-0,2
ARAUCO (HORCONES)				0,4	0,4	0,8	1,2		1,2		1,2
APP (OKI)	0,4	0,1	0,5		0,5		0,5		0,5		0,5
APRIL (KERINCI)	0,1	-0,1	0,0	-0,2	-0,2	-0,2	-0,4	-0,2	-0,6	-0,2	-0,8
APRIL (RIZHAO)	-0,3	-0,1	-0,4	-0,2	-0,6	-0,2	-0,8	-0,2	-1,0	-0,2	-1,2
ENCE (NAVA & PONTEVEDRA)		0,1	0,1		0,1	0,2	0,3		0,3		0,3
ILIM (BRATSK)						0,2	0,2		0,2		0,2
PHOENIX PAPER (WICKLIFFE)	0,1		0,1		0,1		0,1		0,1		0,1
MONDI (RUZOMBEROK)		0,1	0,1	-0,1	0,0		0,0		0,0		0,0
GEORGIA PACIFIC (ALABAMA RIVER)	-0,1		-0,1		-0,1		-0,1		-0,1		-0,1
UPM (PASO DE LOS TOROS)						0,5	0,5	1,0	1,5	0,5	2,0
POTENTIAL BHKP SUPPLY CHANGE (NOT CONFIRMED)						0,3	0,3	0,9	1,2	1,6	2,8
ELDORADO (BRAZIL)								0,5	0,5	1,5	2,0
BRACELL (BRAZIL)						0,3	0,3	0,4	0,7	0,1	0,8
PRODUCERS STOCKS REDUCTION	1,1	0,8	1,9	0,1	2,0		2,0		2,0		2,0
SURPLUS / DEFICIT	0,0	0,0	0,0	-0,2	-0,2	0,6	0,4	0,5	0,9	0,7	1,6

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

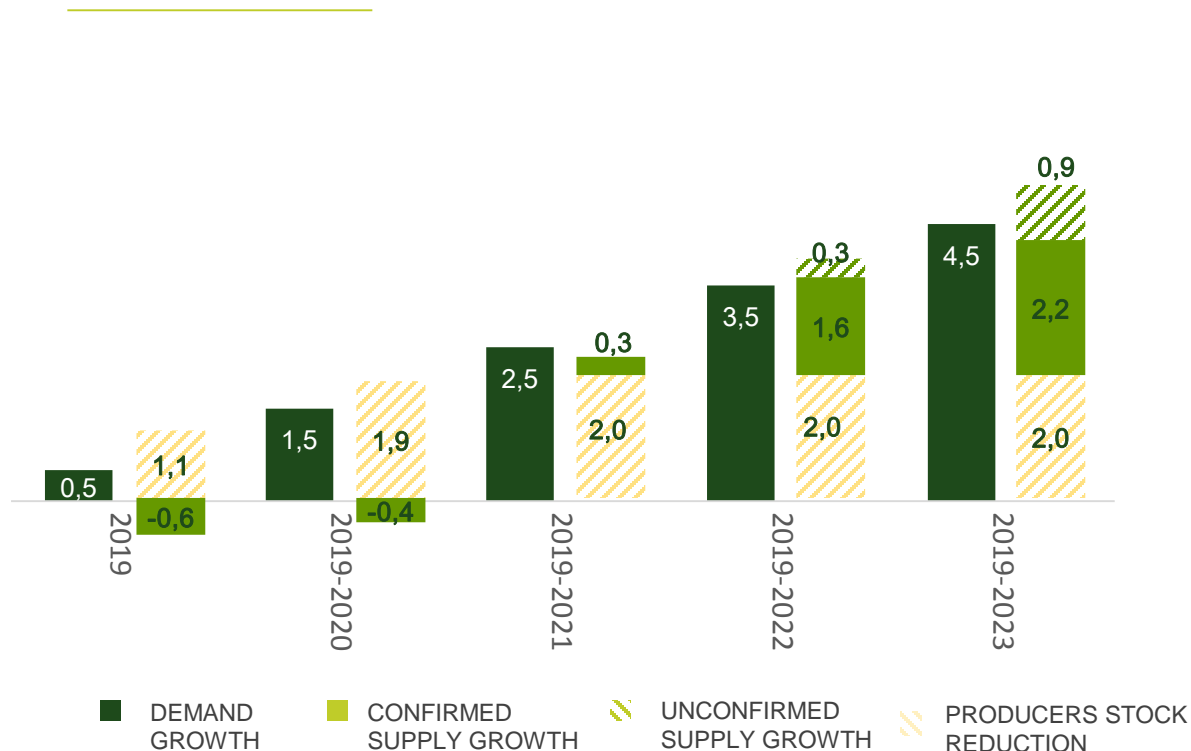
No large capacity increases until 2H 2021

Pulp price stabilization expected in 2H 2019

Expected Annual Increase for Global Market

Hardwood Supply and Demand ¹

Mn t



Source: ENCE estimates

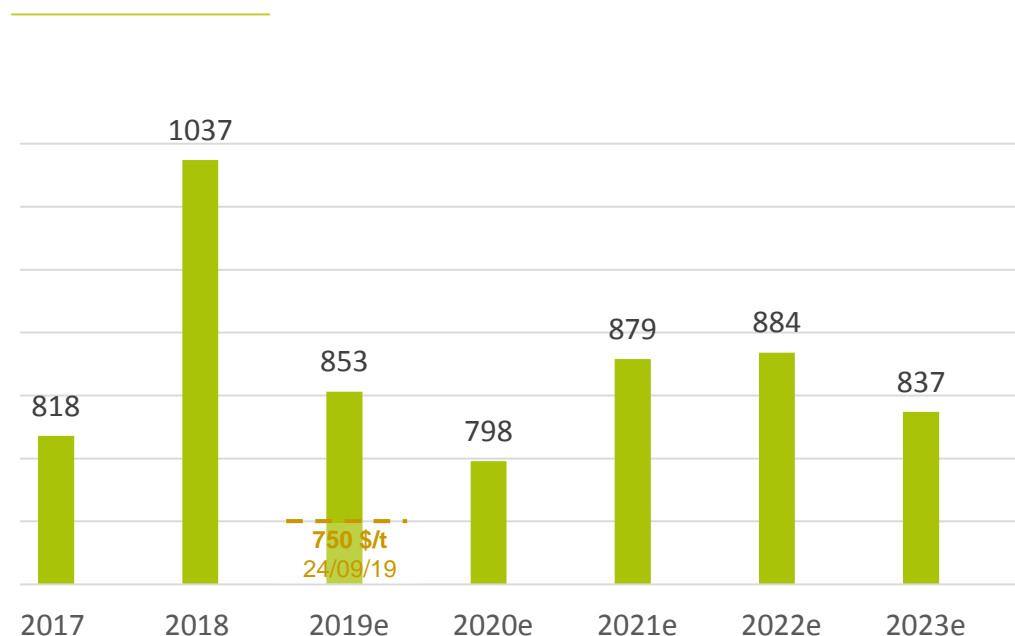
Fuente: estimaciones ENCE

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

European Hardwood (BHKP)

Pulp Price Consensus as of October 2019

\$/t



Source: RISI, Hawkins Wright, Brian McClay



Ence's competitive advantages in the pulp business

JIT service and differentiated offering to European clients



Access to eucalyptus plantations around our pulp biomills

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)

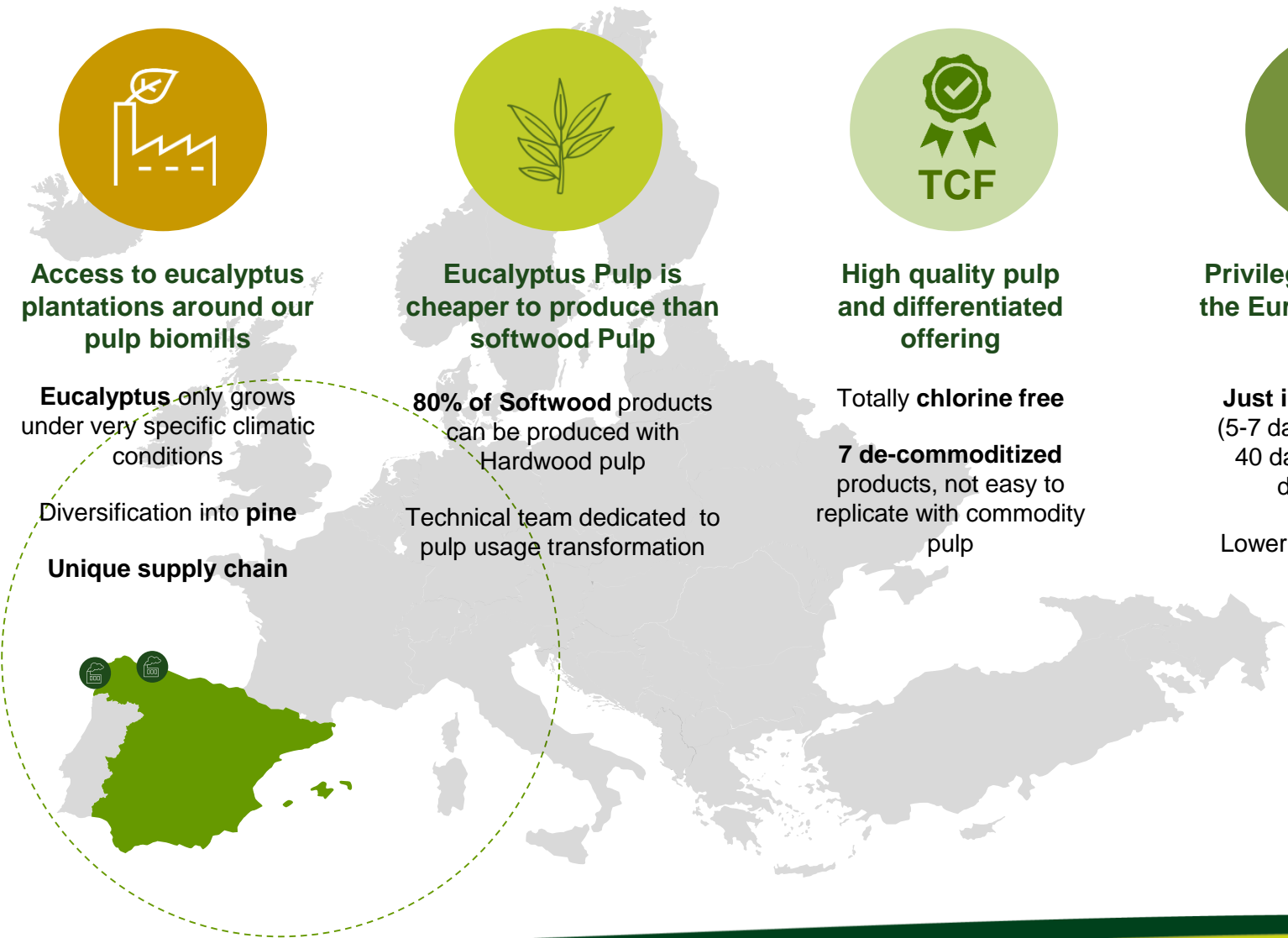
Lower logistics costs



High client diversification

Sales force **capillarity** >100 customers

Top customer service



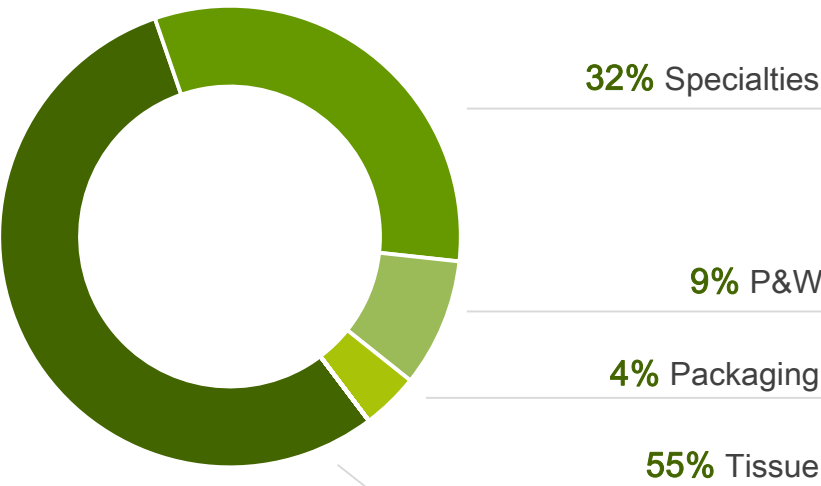


Ence's 2018 revenue breakdown

Focus on European market & bias toward higher growing segments



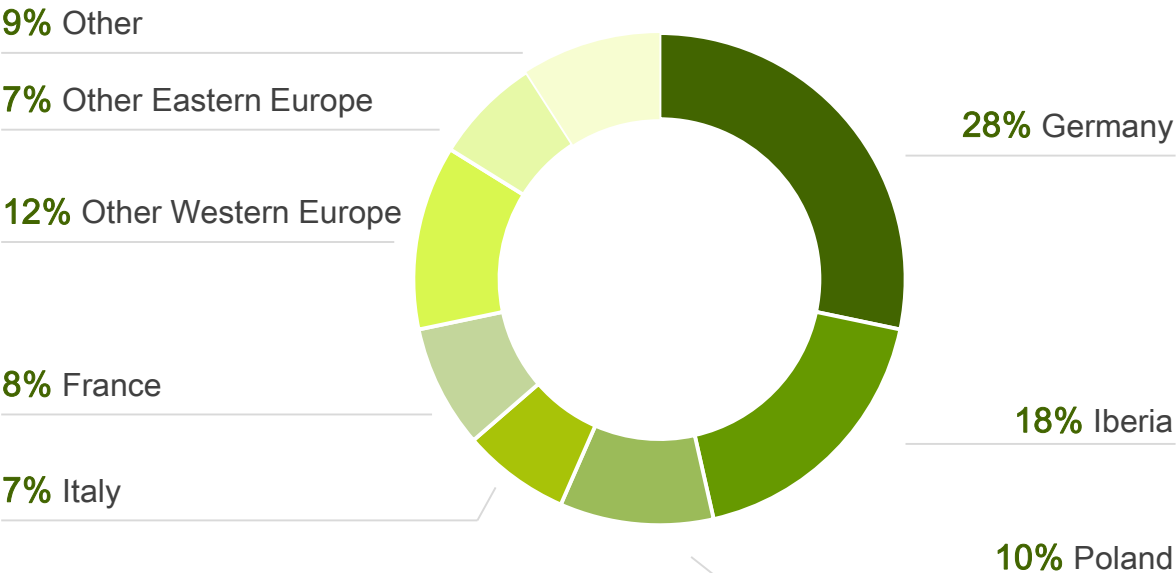
Breakdown of revenue
by end product



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



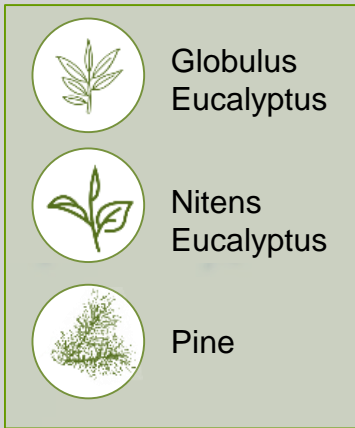
Ence's Pulp business strategic plan 2019 - 2023

To capture growth opportunities and increase business resiliency

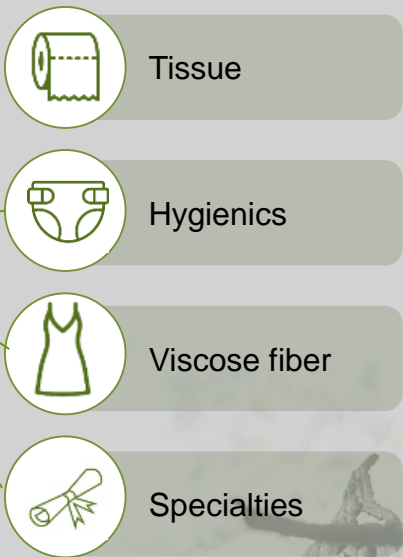


DIVERSIFICATION

SOURCES

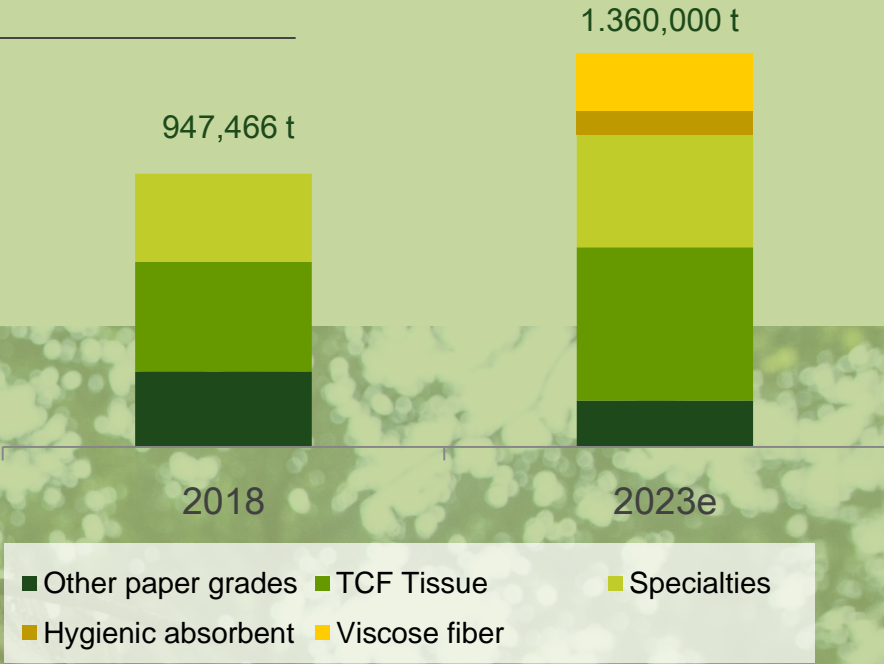


FINAL PRODUCTS



GROWTH

Pulp sales by end use
t





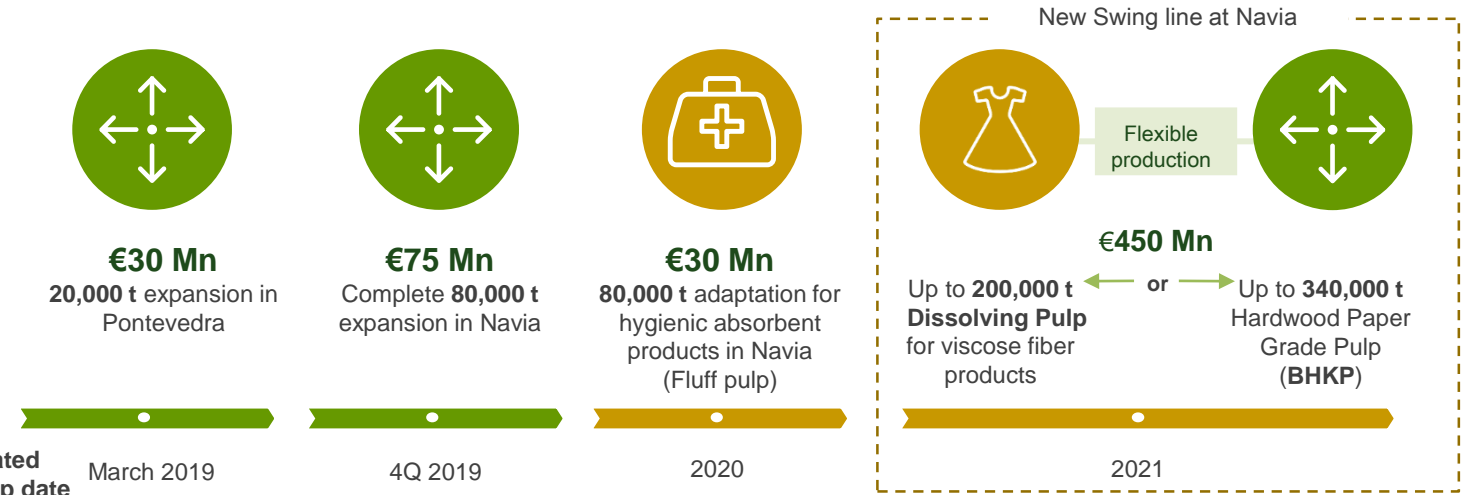
Pulp business stepwise investment plan of €725 Mn

Self-imposed leverage limit of 2.5x ND/EBITDA & 50% Dividend Pay-out



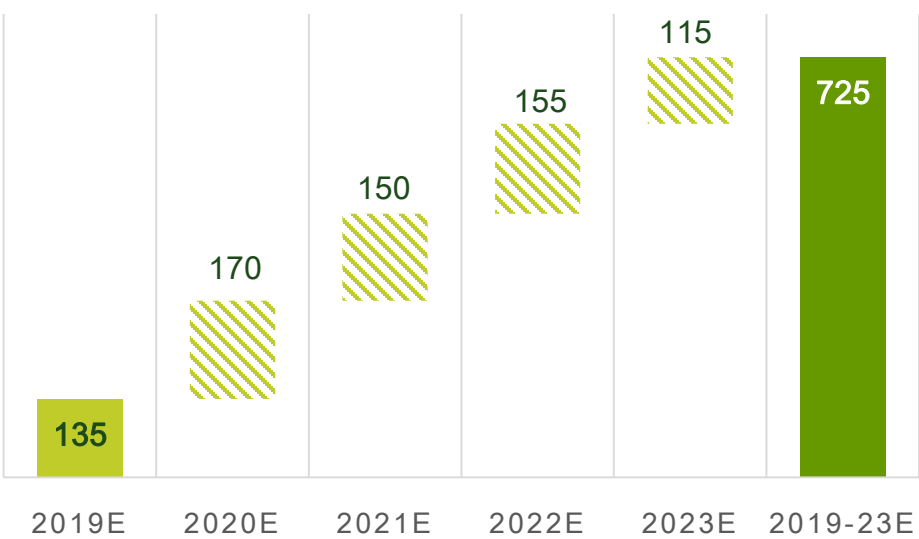
Stepwise investment plant with 4 independent projects

€ Mn



Estimated investment calendar

€ Mn

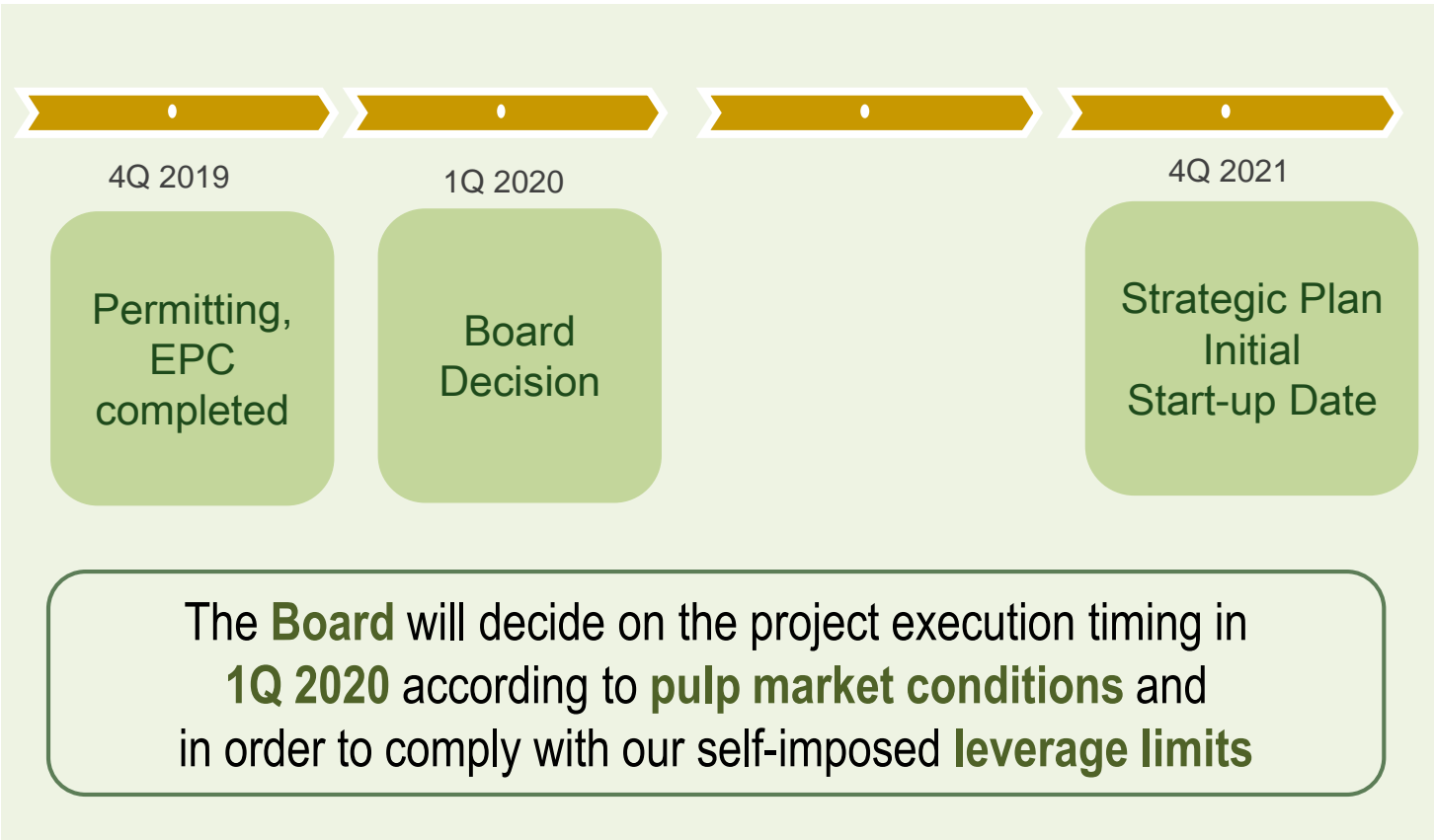
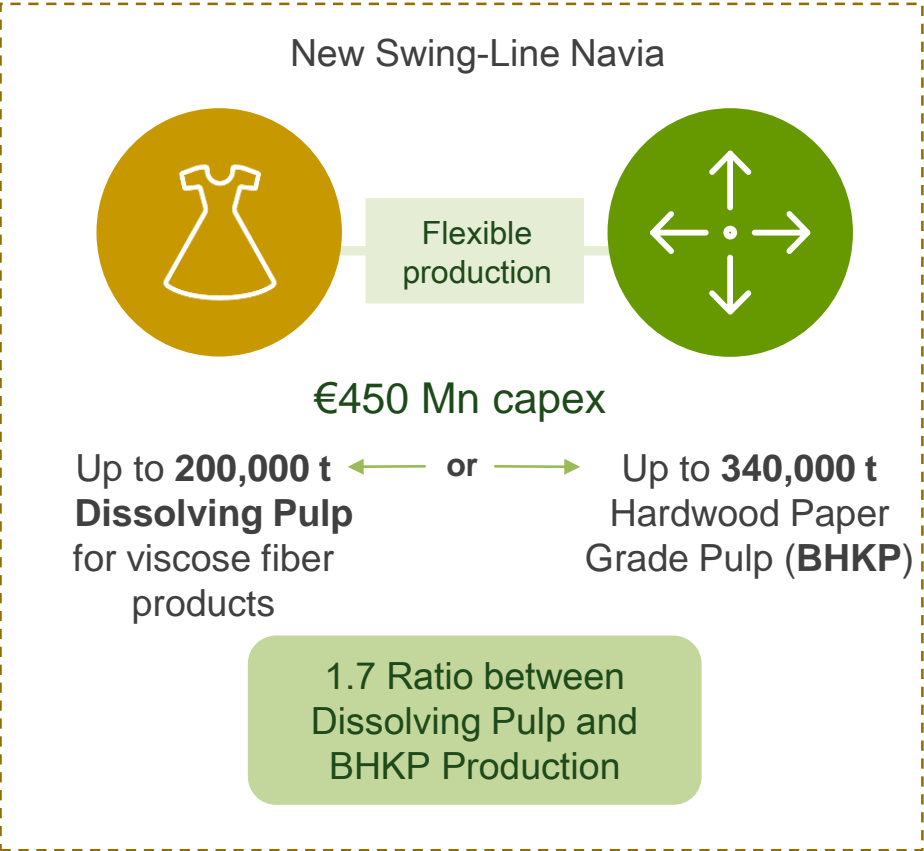


Sustainability Capex up to a maximum of €140 Mn
To strengthen reliability, flexibility, environmental excellence and safety



Navia 340k t Swing-Line project - Board decision in 1Q 2020

Execution depending on pulp market and leverage expectations

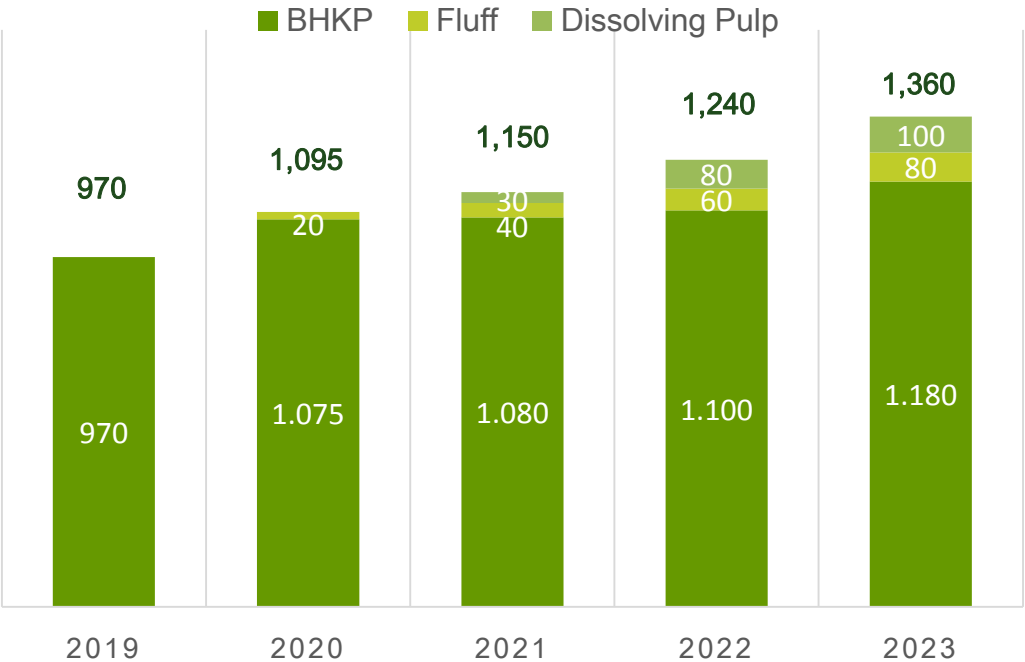




2023 operating targets

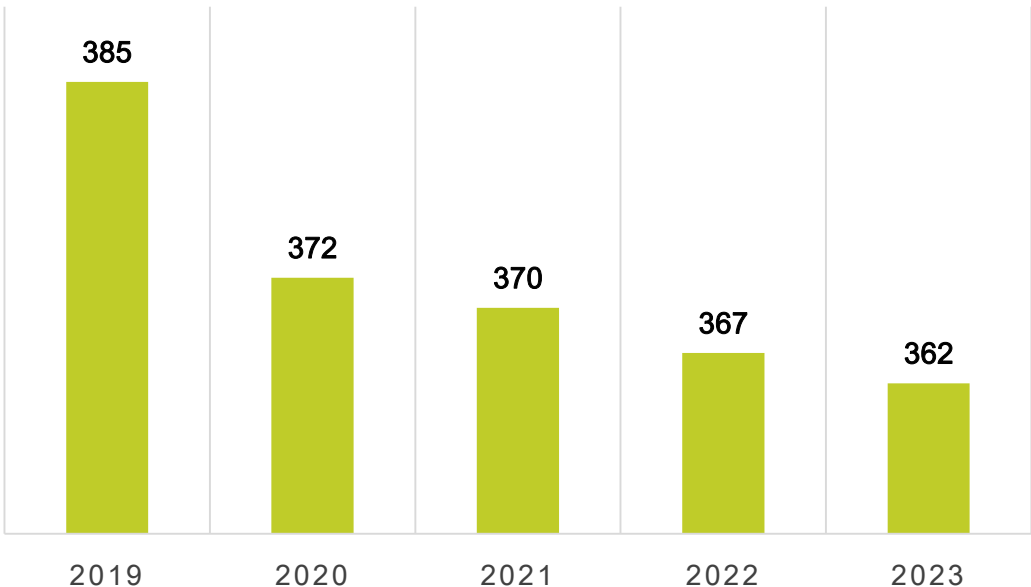
1.36 Mn T pulp sales and BHKP Cash Cost of 362 €/t

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



Pontevedra's Biomill legal status

Ence is defending the legality of the concession extension granted until 2073



On January 2016 the National Directorate of Coasts granted the extension of Pontevedra's concession until 2073

- The 1958 biomill's original concession was extended for 60 years (starting November 8th 2013) by the National Directorate of Coasts via a resolution dated January 20th 2016 by virtue of: (i) Law 2/2013, on coastal protection and sustainability and amending the Coastal Act (22/1988); & (ii) General Coast Regulations enacted (Royal Decree 876/2014)

Although we expect a first resolution from the National Court before year end, the 3 court cases against the extension could last for up to 4 years, including any appeals before higher courts

- 3 court cases initiated by Pontevedra's City Council and two environmental associations (Asociación Pola Defensa da Ría de Pontevedra and Green Peace Spain) before the National Court's Chamber for Contentious Administrative Proceedings, appealing Jan. 20th 2016's resolution
- On March 8th 2019, the National Directorate of Coasts conceded in all three lawsuits, i.e., it requested to have the claims upheld, despite having previously argued throughout all of the proceedings that the Ministerial Order Resolution of January 20th 2016 was totally legal
- On April 10th 2019, the National Court's Chamber for Contentious Administrative allowed Ence to defend the case

An eventual change in the current Coastal Law would allow the concession to run until 2033

- On March 19th, 2019, the National Directorate of coasts began to process draft legislation amending the General Coast Regulations (Royal Decree 876/2014), holding the interpretation that the maximum concession term of 75 years must encompass both the initial term of the concession and any extension thereof. If such interpretation were applicable to Ence, the concession could run until 2033

€130 Mn invested in the biomill since the extension of the concession in 2016

- The investments carried out or committed since the extension of the concession for the period of 2016 – 2019 amount to approximately €130 Mn
- In the unlikely event that operations have to be discontinued, it would have a cash impact of €74 Mn

Given the uncertainty, the Board of Directors decided to concentrate the investments of the Business Plan in Navia's biomill

- Investments of €250 Mn initially planned to increase capacity in Pontevedra will be reallocated to Navia's biomill, in order to double the new swing line up to 200,000 t of dissolving pulp or 340,000 t of BHKP.

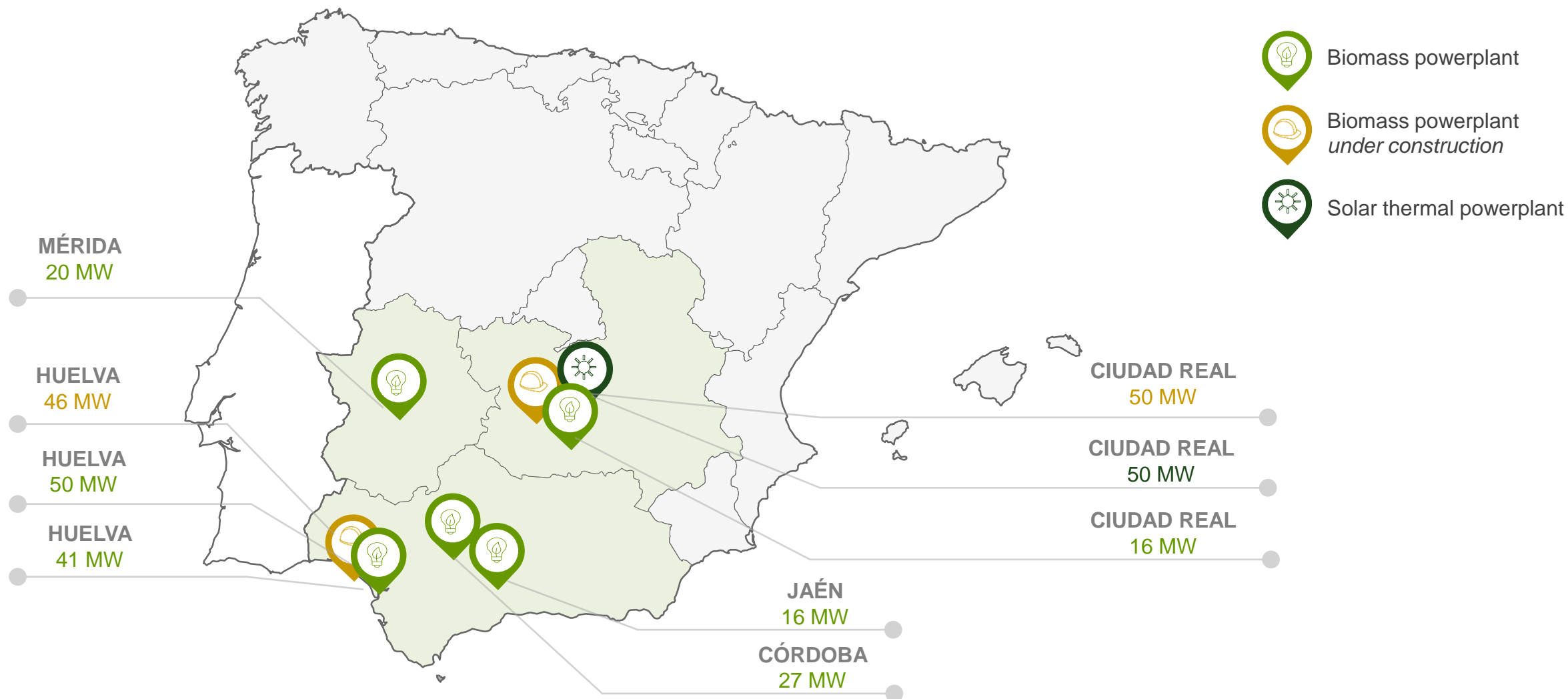


2. Renewable Energy Business



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



CO₂ Neutral

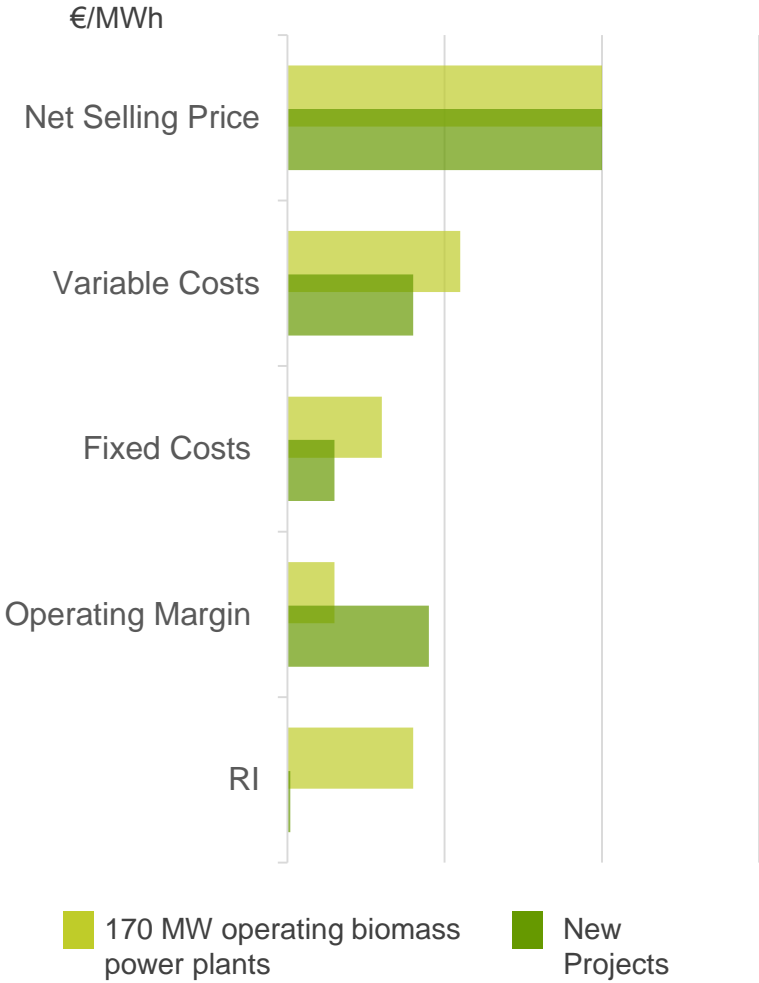
Biomass is neutral in carbon emissions and avoids diffuse emissions of forest and agricultural byproducts



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



Solar thermal

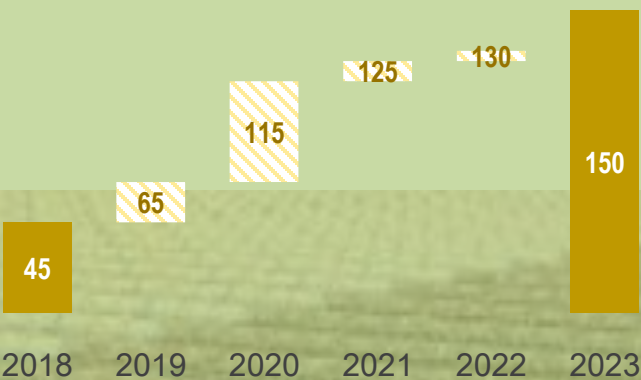


PV

GROWTH

EBITDA target
€150 Mn in 2023

3x
EBITDA
Improvement



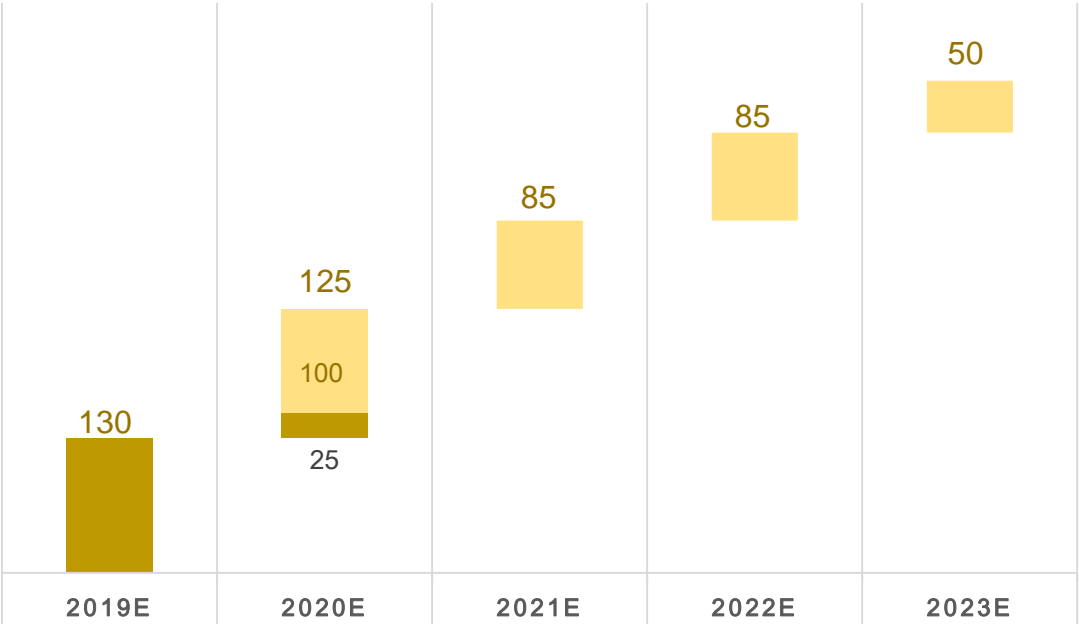
Growth in renewables increases the Group's minimum EBITDA at each stage of the pulp cycle, providing stability and predictability to cash flows



Stepwise growth investment plan of €475 Mn

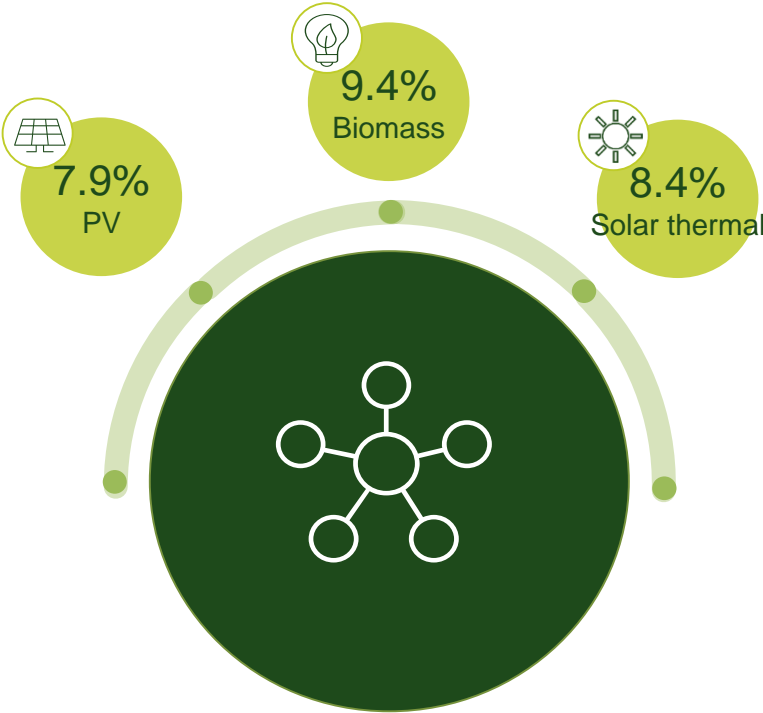
To reach a minimum EBITDA of €150 Mn in 2023

€475 Mn Renewable Energy Business Investment Plan
€ Mn



Completion of the 96 MW of biomass capacity under construction and other repowering

Pending investments in new biomass power plants and other renewables



Each investment decision will be confirmed by the Board to ensure

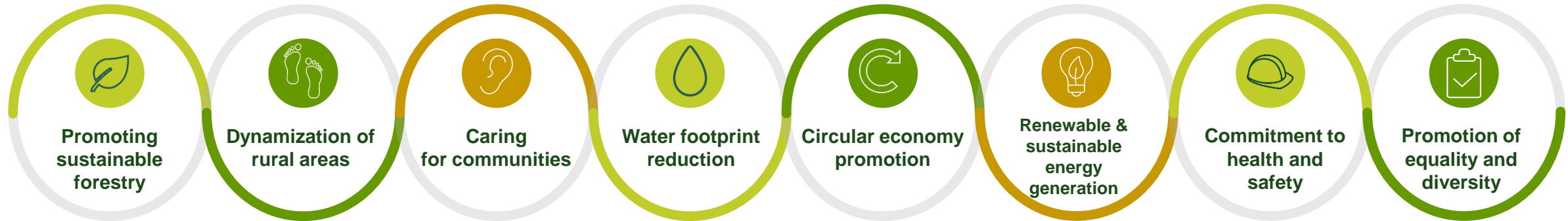
Net Debt / EBITDA < 4.5x



3 - Excellence in Sustainability

Excellence in sustainability

A strategic priority for Ence



Certified wood entries

- **92.4%** Navia
- **73.5%** Pontevedra



- **Value creation for suppliers:** c. **€176 Mn** in wood purchases and c. **€23 Mn** in biomass purchases in 1H 2019.
- **94%** of Ence's wood suppliers in Pontevedra and **86%** in Navia are **small suppliers**.

- **Odour reduction:** **>99%** odour impact reduction since the beginning of the "Olor Cero" project.
- **Noise reduction:** acoustic impact reduction plans.
- **Stakeholder engagement:** new relationship plans with the local communities of Navia, Pontevedra & Huelva.

- **Analysis of water cycle** in the biomills and the energy generation plants to minimize consumption and boost reuse.
- Reduction of **>12%** of water consumption per pulp ton produced in **1H 2019** vs 2018.

- **99.4%** of waste produced in 1H 2019 has been valorised, avoiding its shipment to landfill.
- Pontevedra biomill obtained certification "**Residuo Cero**" (0 residues) from AENOR.
- In 1H 2019, Ence mobilized **c.686,000 t** of biomass.

- Use of **local biomass**, minimizing emissions derived from transport.
- Ence contributes to **forest fires risk reduction** and **prevents CO2** and **particle emissions** from **uncontrolled burning of agro-waste**.

- **"0 accidents"** goal.
- All units **lowered its frequency and severity rates**, vs. Q4 2018.

- **+16% of women** vs 2018.
- **58% of women** in **new hires**.
- **29%** of women in the Board of Directors.

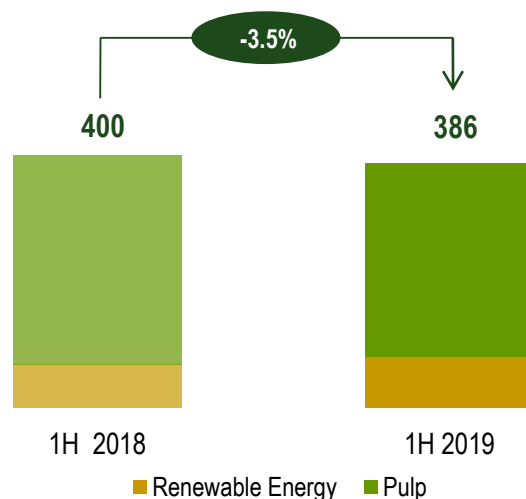
4. 1H 2019 Results Summary



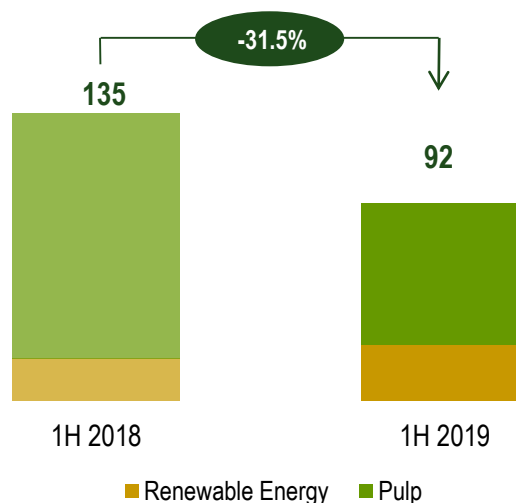
1H 2019 Results

Driven by FX hedging settlements, spot sales and inventory increases

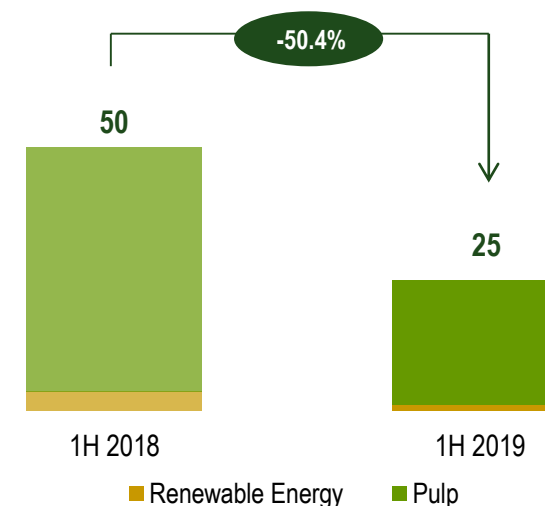
Group Revenues (€ Mn)



Group EBITDA (€ Mn)



Group Net Income (€ Mn)



Pulp business: 7.6% lower revenues

- 5.4% decrease in pulp volume sold due to a 27k inventory increase prior to the October shutdown
- 4.5% lower average selling price due to higher spot sales outside Europe

Renewable Energy business: 18% revenue growth

- 7.8% increase in energy volume sold due to the contribution of the solar thermal plant acquired in Dec.18

Pulp business: 42.1% EBITDA decrease

- €14.7 Mn negative settlements from FX hedging program vs. positive €5.2 Mn in 1H18
- 5.9% cash cost increase

Renewable Energy business: 30.5% EBITDA growth

- Contribution of the new solar thermal plant

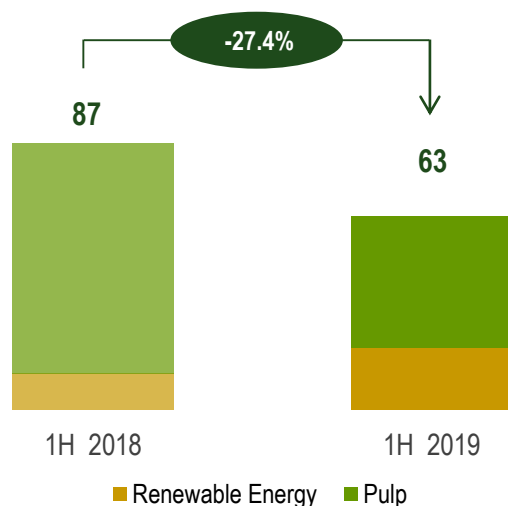
50.4% Net income decrease

- Marked by a weaker 1H19 in the Pulp business, as anticipated
- Final dividend of 0.054 €/share paid in April 2019
- First interim dividend of 0.051 €/share paid on September 19th 2019

Normalized Free Cash Flow & Capex growth

Financial leverage of 1.8x EBITDA after Strategic Plan investments

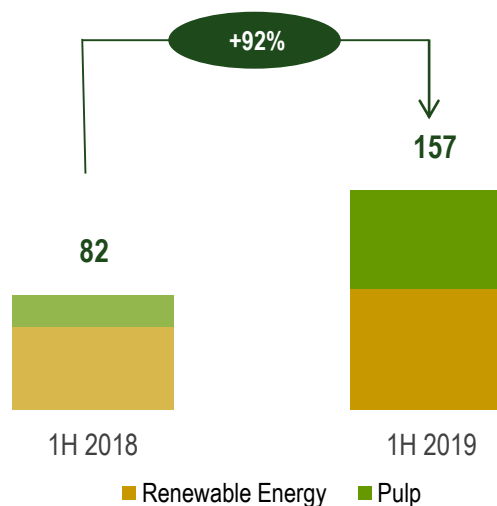
Normalized FCF¹ (€ Mn)



Normalized Free Cash Flow generation of €62.8 Mn

- Lower EBITDA partially offset by lower financial expenses vs. 1H18

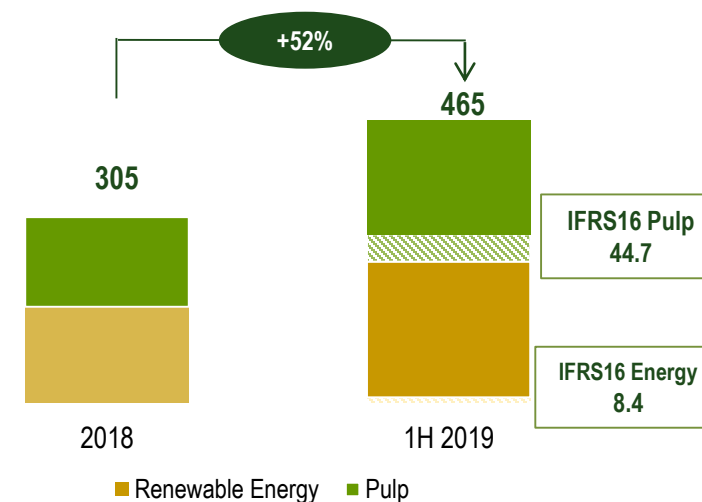
Growth Capex (€ Mn)



Higher growth capex according to Strategic Plan:

- €70.3 Mn in the Pulp business
- €86.8 Mn in the Renewable Energy business

Net Debt (€ Mn)



Leverage of 1.8x Net Debt / LTM EBITDA

- Pulp business: 1.2 Net Debt / LTM EBITDA
- Energy business: 3.9 Net Debt / LTM EBITDA²
- €53.1 Mn** IFRS16 effect included (from January 2019)

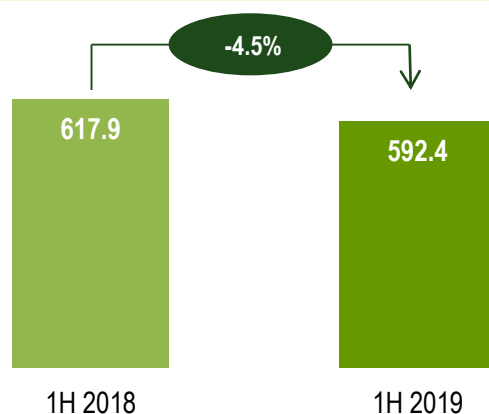
1. FCF before Strategic Plan investments, divestments & dividend payment
2. Considering full year contribution of the Ciudad Real 50 MW solar thermal plant



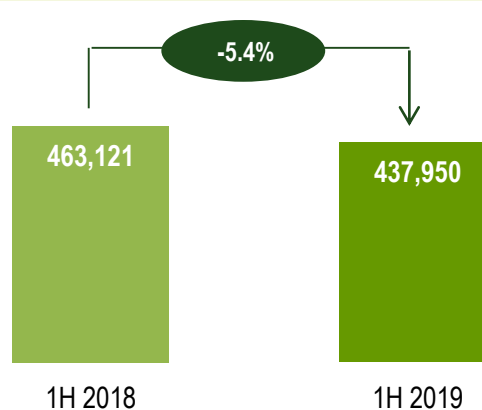
Pulp Business

1H19 impacted by pulp prices, volumes & FX hedges, as anticipated

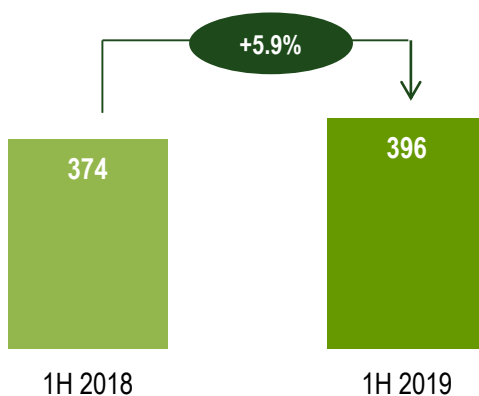
Avg. Net Pulp Price (€/t)



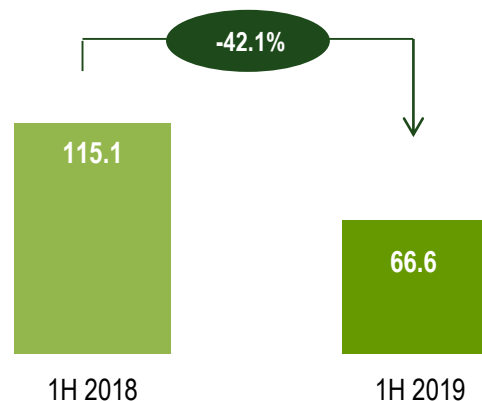
Pulp Sales Volume (t)



Avg. Cash Cost (€/t)



EBITDA (€ Mn)



EBITDA decreased to €66.6 Mn due to:

- **€14.7 Mn** negative settlements from **FX hedging** program vs. positive €5.2 Mn in 1H18
- Lower than expected net prices with **24% of sales outside Europe at spot prices**
- **5.4%** decrease in pulp sales volume due to the announced **restocking process (27k tons)**
- **5.9% cash cost increase** related to:
 - 5.5% wood cost increase
 - 3.8% higher conversion costs (higher personnel and fuel costs)
 - 25.8% higher overheads, to be diluted with planned capacity expansions and more tons sold



Ongoing FX hedging program

To mitigate FX volatility in the Pulp Business

Dollar/Euro Exchange Rate Evolution



Current Hedges

H2 19: 91% revenues

- Avg. cap: \$ 1.26 €
- Avg. floor: \$ 1.19 €

H1 20: 66% revenues

- Avg. cap: \$ 1.22 €
- Avg. floor: \$ 1.16 €

Q3 20: 39% revenues

- Avg. cap: \$ 1.19 €
- Avg. floor: \$ 1.14 €

Ence has secured an average cap of \$1.26/€ and an average floor of \$1.19/€ for 91% of its dollar exposure until December 2019

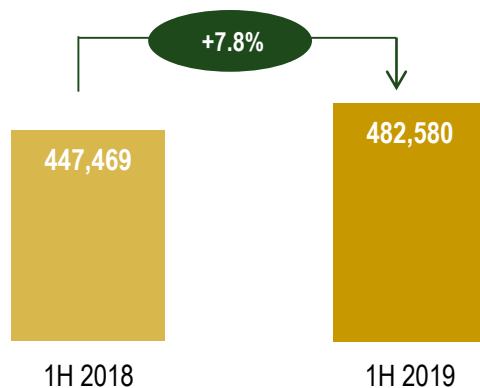
Assuming 1.13 \$/€ in 2H19, full year FX impact would be €25 Mn



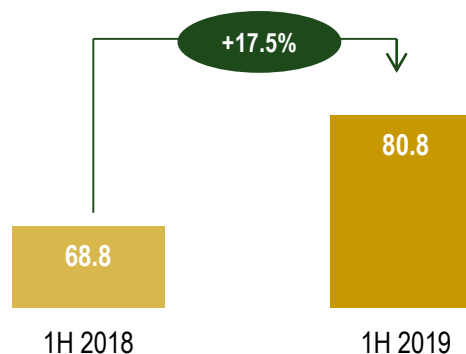
Renewable Energy Business

Including the contribution of Ciudad Real 50 MW solar thermal plant

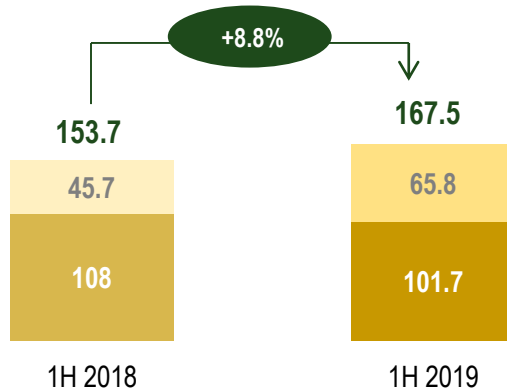
Energy Volume (MWh)



Revenues (€ Mn)

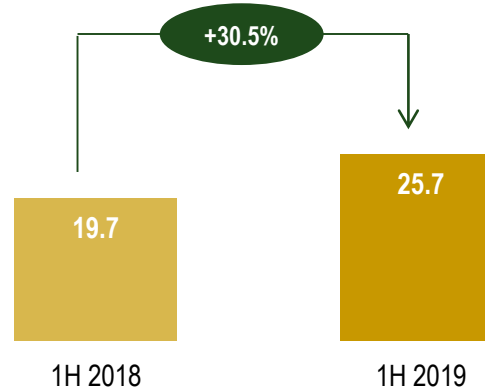


Revenue per MWh (€)



■ Regulated pool price + Ro ■ Ri

EBITDA (€ Mn)



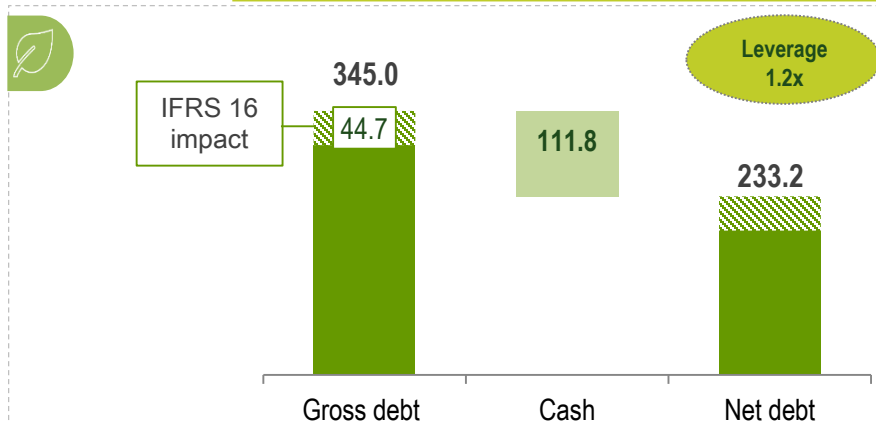
30.5% EBITDA growth driven by:

- **7.8%** increase in energy volume sold
 - Increasing contribution from the 50 MW solar thermal plant acquired in December 2018
- **8.8%** increase in revenue per MWh due to the addition of the 50 MW solar thermal plant regulated return on investment

Group's Debt

Solid balance sheet and strong liquidity

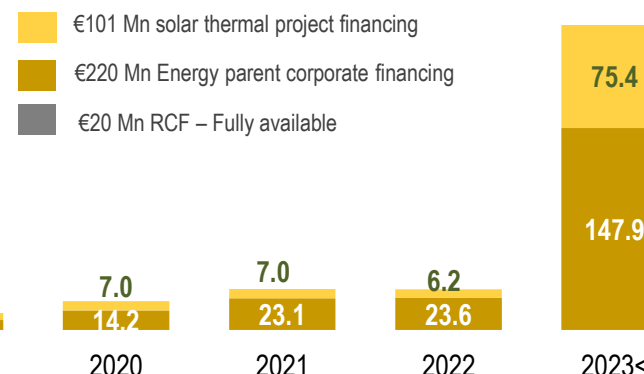
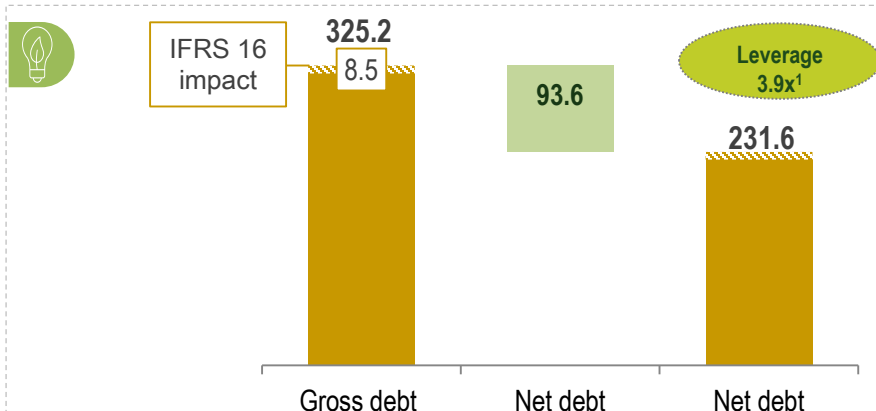
Leverage as of June 2019 (Mn €)



Debt Maturity Calendar (Mn €)



Leverage 1.2x Net Debt / EBITDA
Pulp business June 2019
 NIIF 16 Impact from January 1st is
 €44.7 Mn in the Pulp business



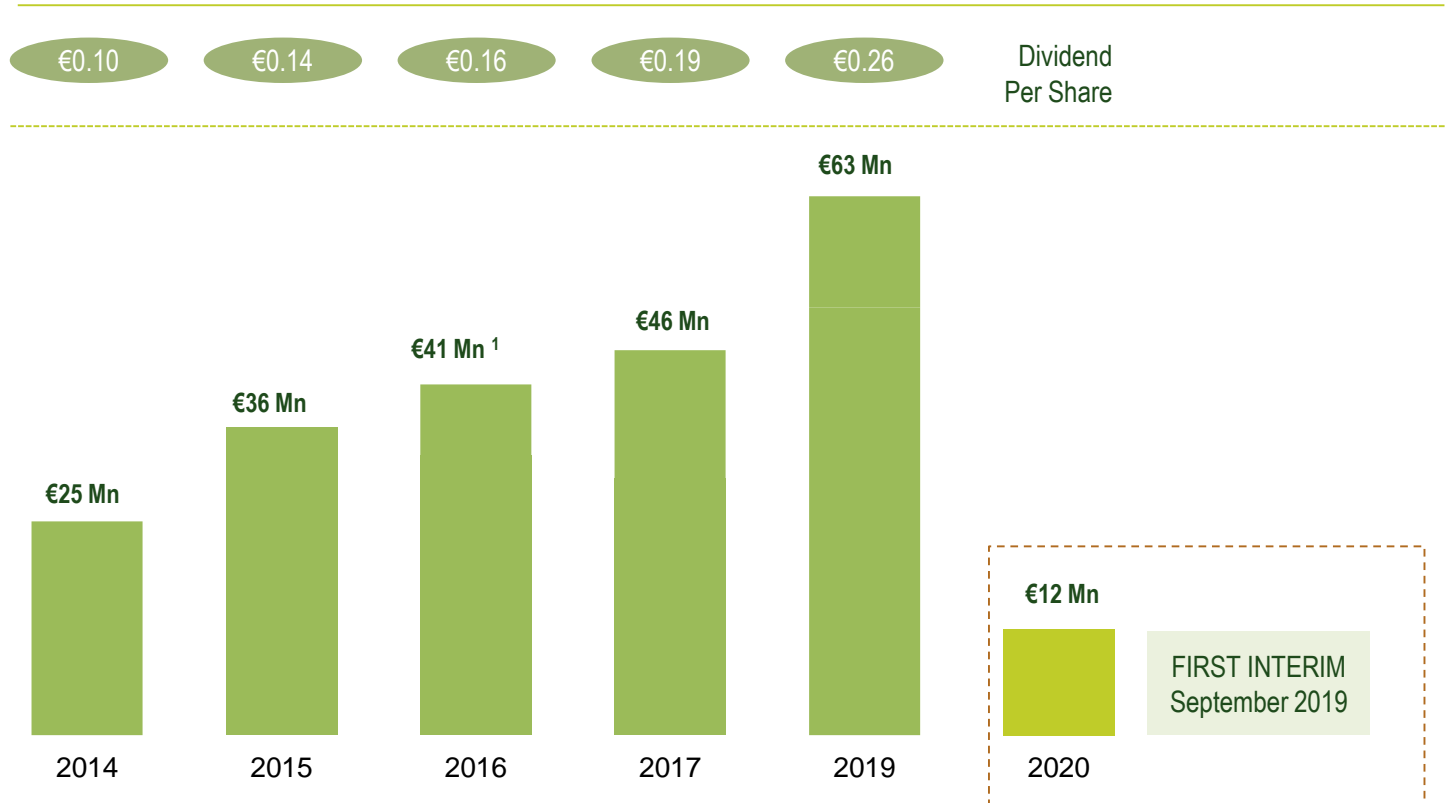
Leverage 3.9x Net Debt / EBITDA
Renewable Energy business June 2019
 NIIF 16 Impact from January 1st is
 €8.4 Mn in the Renewable Energy business

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 solar thermal plant

Attractive shareholder remuneration

First interim dividend of €12 Mn approved and paid in September

Annual Accrued Dividends (€ Mn)



Dividend Policy

50%

Payout

3

Payments

- First interim dividend agreed at the end of the first semester was paid in September
- A second one agreed in November
- A final dividend approved by the AGM

First interim dividend of € 0.051 paid on September 19th 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.

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

