

1H 2016 Results

September 21st 2016



FTSE4Good



Index

Highlights

1H 2016 Results

Summary

Highlights

1

Sustained strong worldwide demand for market pulp with a 4.0% growth in 1H16 vs. 1H15, with China showing a 16.3% YOY growth

2

Pulp sales volume increase by 3.9% mitigating 8.3% lower average selling prices

3

2Q16 cash cost lower than 1Q16 and 2Q15

4

Successful implementation of efficiency improvement and capacity increase investments in Navia, raising the mill's production capacity up to 540,000 tons per year, in line with the Strategic Plan

5

Significant cash inflow expected for 2H16 related to €28.8M receivable collection from the Energy business and €27.6M from asset divestments in the Pulp business

6

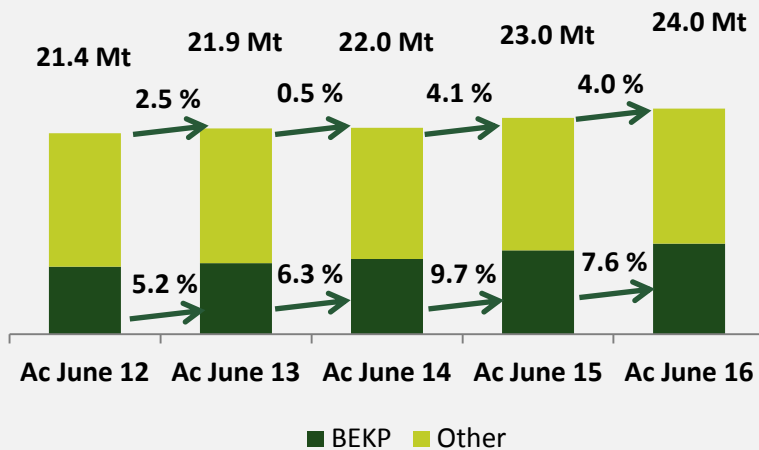
€24.9M dividend payment in 2Q16

7

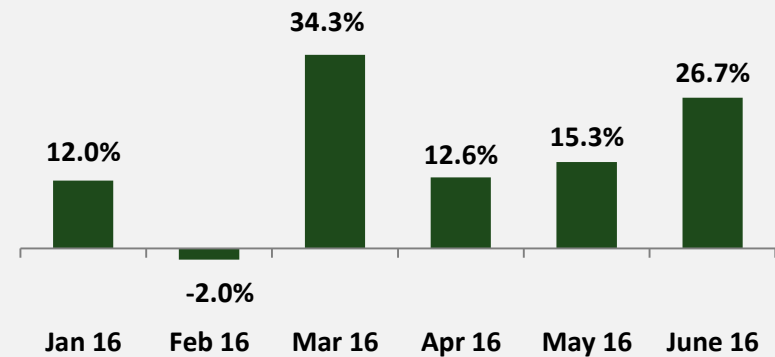
Share buyback program up to €10M or 4M shares on track

Sustained strong market pulp demand growth in 1H16 (+4.0%) Led by eucalyptus pulp (+7.6%)

Market pulp YOY demand evolution (PPPC W20)



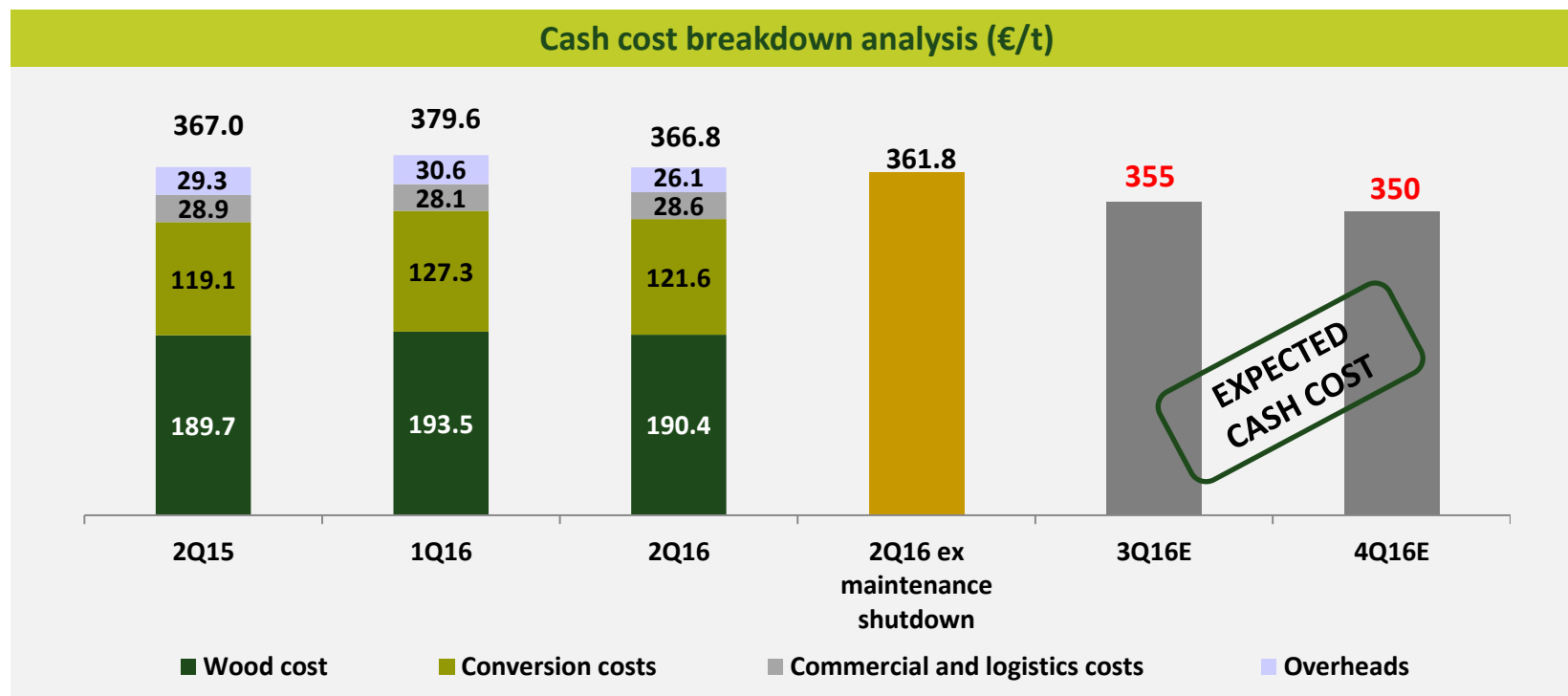
BEKP Chinese demand growth evolution (PPPC W20)



Strong global demand for market pulp with a 4.0% YOY growth in 1H16 driven by China, with an increase of 16.3% YOY in the period

Cash cost downward trend reflected in 2Q16

€362/t excluding Navia annual maintenance shutdown

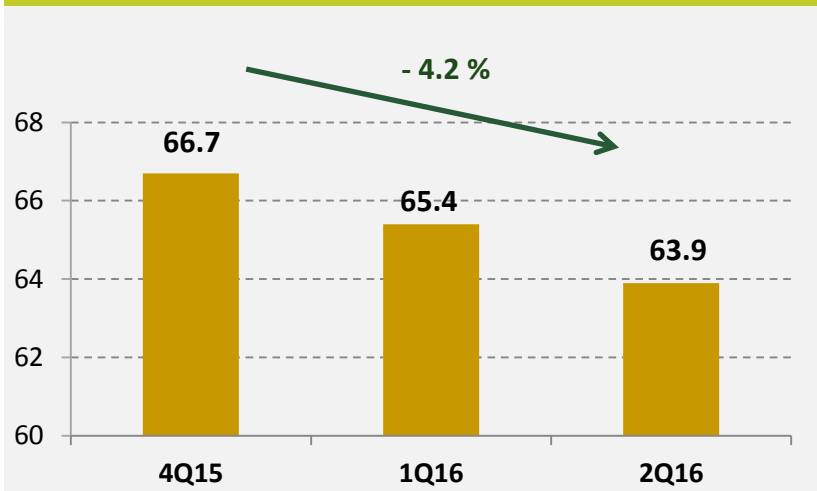


Expected cash cost reduction down to €350/t in 4Q16 after Navia's efficiency and capacity increase investments

Lower wood cost linked to pulp price reduction

Small land owners coordination initiatives to further reduce it

Wood cost (€/m³)



Eucalyptus wood purchase cost has decreased by 2.3%, to 63.9 €/m³ vs 1Q16 and 4.2% vs 4Q15 as a result of Ence's strategy to link the wood price with the pulp price performance

Small land owner coordination initiative (Coto Redondo)

Ence is promoting the coordination of adjoining eucalyptus plantations for harvesting and logistics activities, thus enhancing the efficiency of the supply chain in a fragmented wood market.

With this initiative Ence aims at further reducing wood supply cost, which accounted for 51% of total cash cost in 1H16

With these kinds of initiatives Ence enforces its commitment in gaining efficiency in the local wood market and strengthening its competitive position in the pulp industry

Successful efficiency improvement and capacity increase in Navia will result in lower cash costs in the coming quarters



Ence has successfully implemented in June the efficiency improvement and the 20,000 tons capacity increase planned for Navia mill, raising its production capacity to 540,000 tons per year.

This should result in a lower cash cost through greater efficiency and fixed cost dilution in the coming quarters.

2016 Investments: €27.2M

- €16.9M: Capacity increase
- €7.6M: Efficiency improvement (bleaching and biomass power plant)
- €2.7M: Environmental enhancement (gas emissions and noise reduction)

€28.8M cash inflow expected for 2H16

related to receivable collection from the Energy business



In 2Q16 the Ministry of Industry, Energy and Tourism (MINETUR) has resolved the pending classification of Huelva 41MW biomass plant into the Specific Remuneration Regime as a hybrid plant (85% biomass and 15% black liquor), according to its condition prior to the closure of the Huelva pulp mill in 3Q14

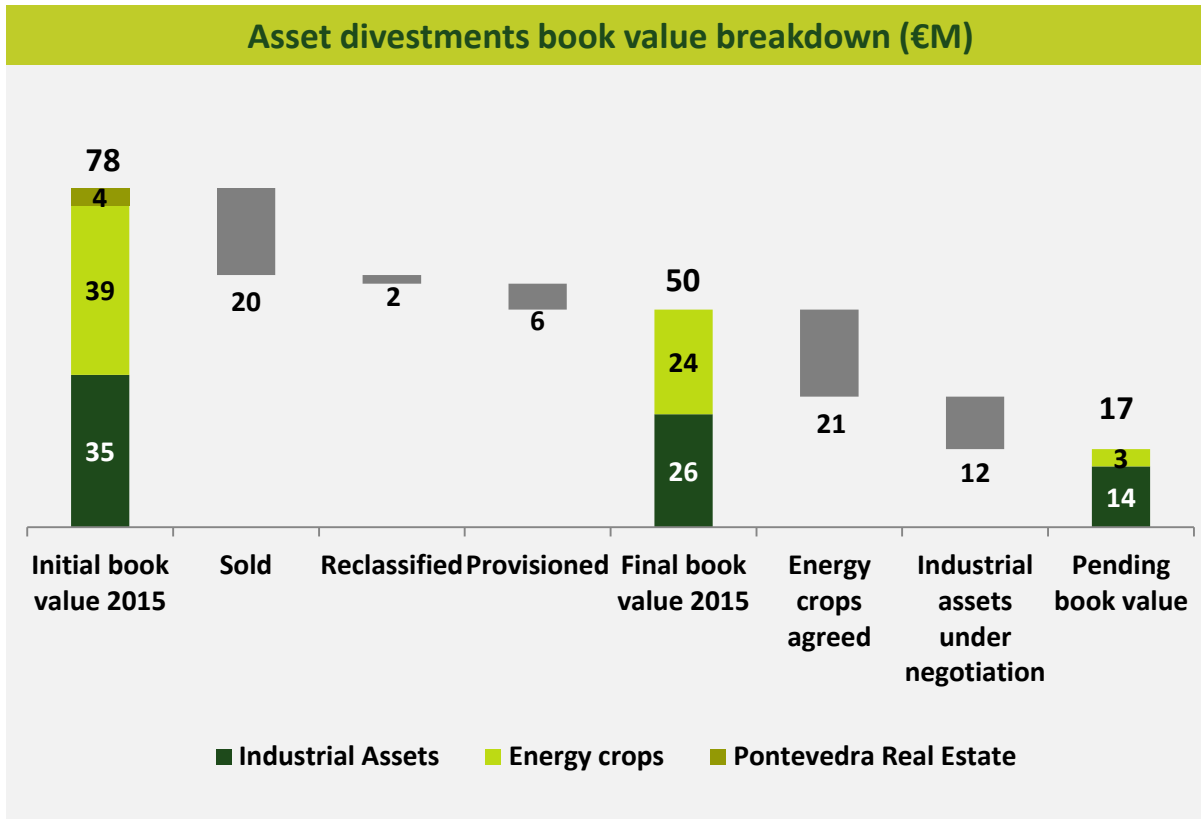
Effects of MINETUR decision

The decision of the Ministry of Industry, Energy and Tourism involves:

- €28.8M collection of pending receivables (€18.7M in 3Q16 and €10.1M in 4Q16)
- €1.8M annual adjustment on HU 41MW Ri as from January 2016 (€0.9M in 1H16) which should be compensated from 2017 through lower agro biomass costs
- €2.9M one-off provision on HU 41MW accrued revenues from July 14, 2013

Asset divestments in 1H16 for a total amount of €34.9M

€27.6M to be collected in 2H16



- In 1H16 Ence agreed the sale of 1,547 hectares for a total amount of €34.9M with an estimated capital gain of €14M.
- €7.3M already collected in 1H16 and the remaining €27.6 M to be collected in 2H16.
- Additionally, Ence continues negotiation of the sale of Huelva industrial assets at their estimated book values

86% of initial book value realized with just 62% of the assets, generating capital gains of €26M.
38% of remaining assets to be divested in the coming quarters

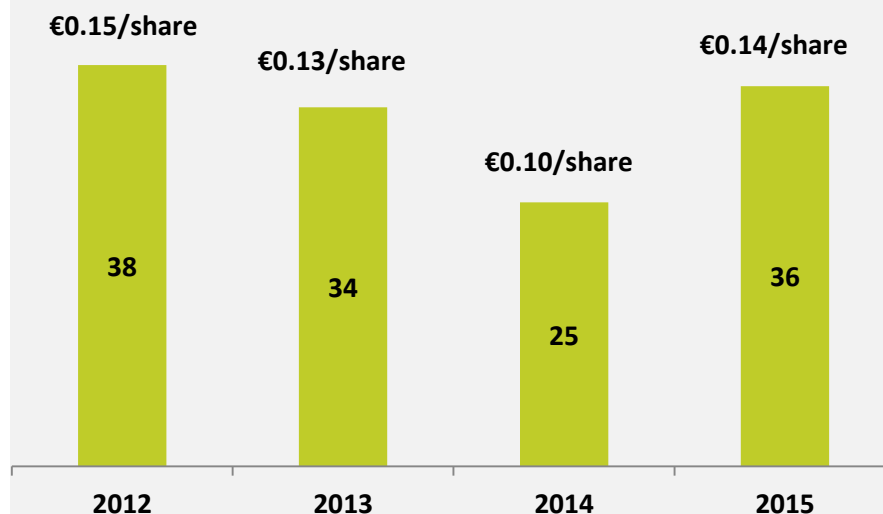
Share buyback program up to €10M or 4M shares on track

€25M dividend payment in 2Q16

Maximizing shareholder remuneration

- On June 23 Ence approved a share buyback program up to €10 M or 4M shares with the purpose of increasing future shareholder remuneration by the subsequent capital reduction.
- On April 14 Ence distributed among our shareholders € 24.9M for the final dividend of 0.1 euros per share for the financial year 2015, which, added to the interim dividend paid last October of 0.044 euros per share, implies a dividend yield of 4.7% on the average market price in 2015.
- Maintaining a conservative leverage position below 2.5x at mid-cycle levels. Current leverage of the Pulp business is 1.4x.

Annual accrued dividends (€M)



Note. Includes dividend paid in shares for years 2012 and 2013

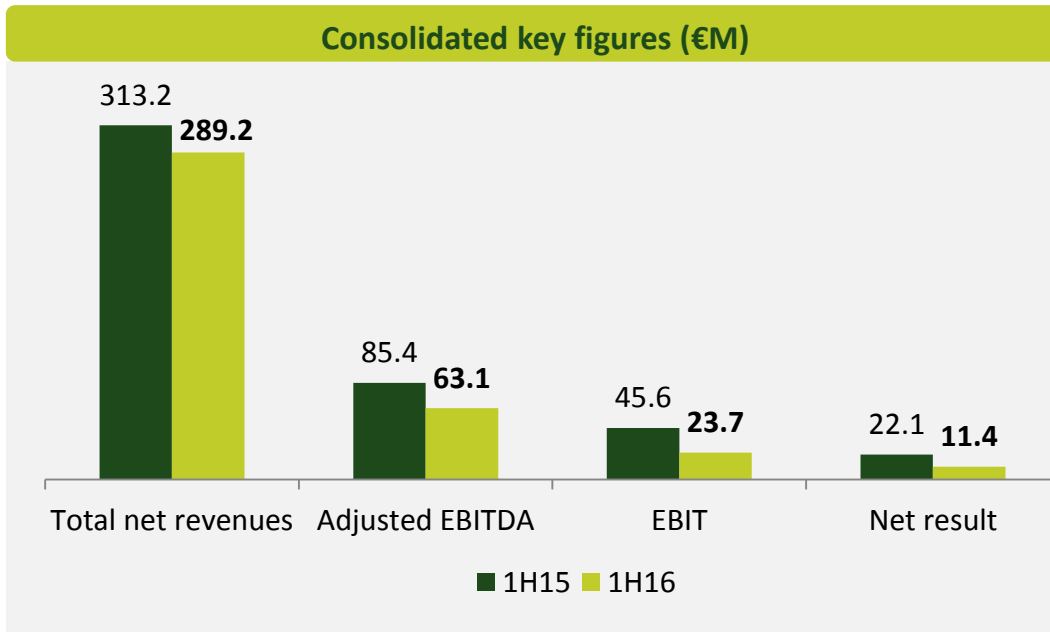
Index

Highlights

1H 2016 Results

Summary

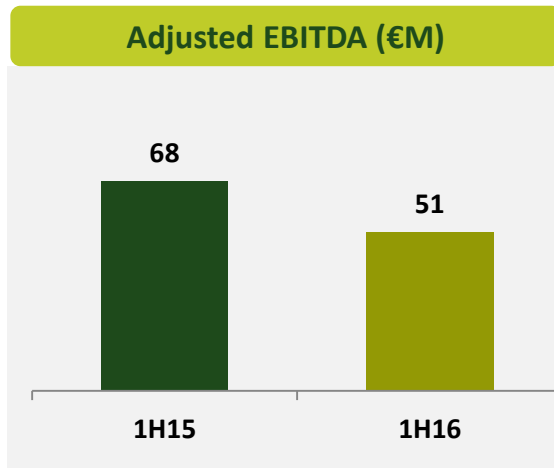
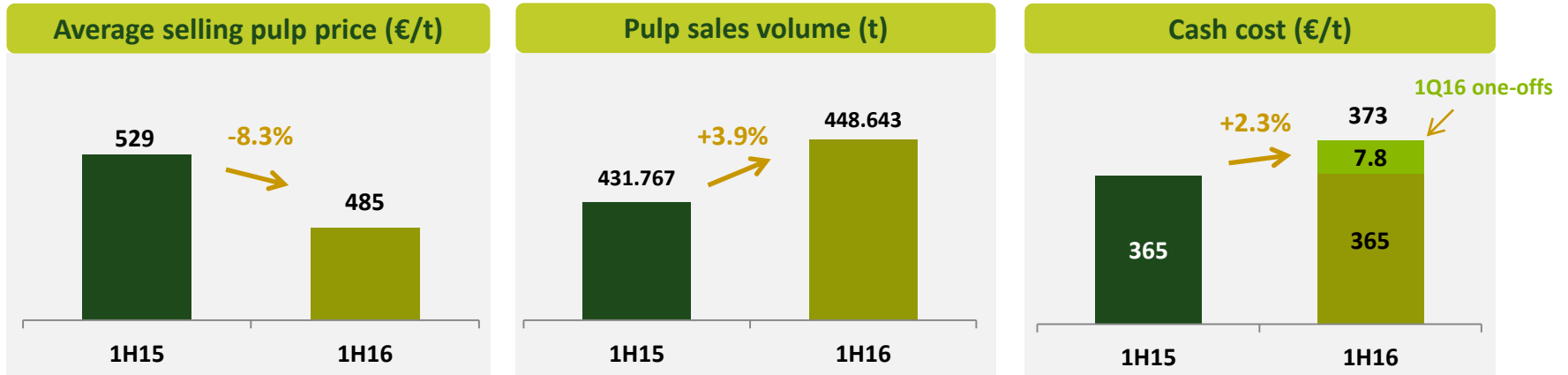
Key Figures 1H 2016



€24M YOY difference at the revenue level reduced to €10.7M at the net result level, mainly due to lower financial expenses as well as lower taxes

Pulp business

Operating performance



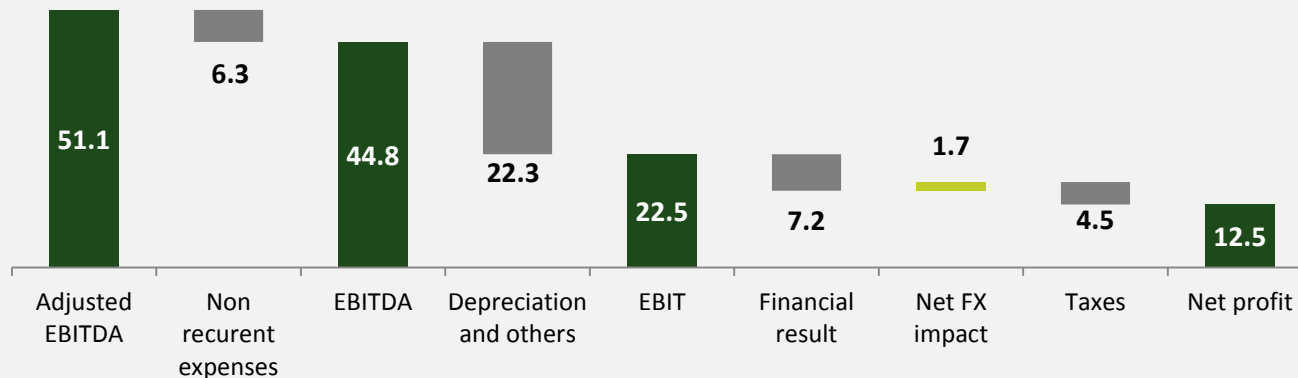
€17M YOY reduction in Adjusted EBITDA following:

- 8.3% Lower average selling pulp price
- 2.3% cash cost increase mainly due to operating one-offs in 1Q16
- Partially offset by a 3.9% increase in pulp sales volume resulting from 20,000 t capacity increase in Navia in 2015 and a higher utilization rate achieved at Pontevedra

Pulp business

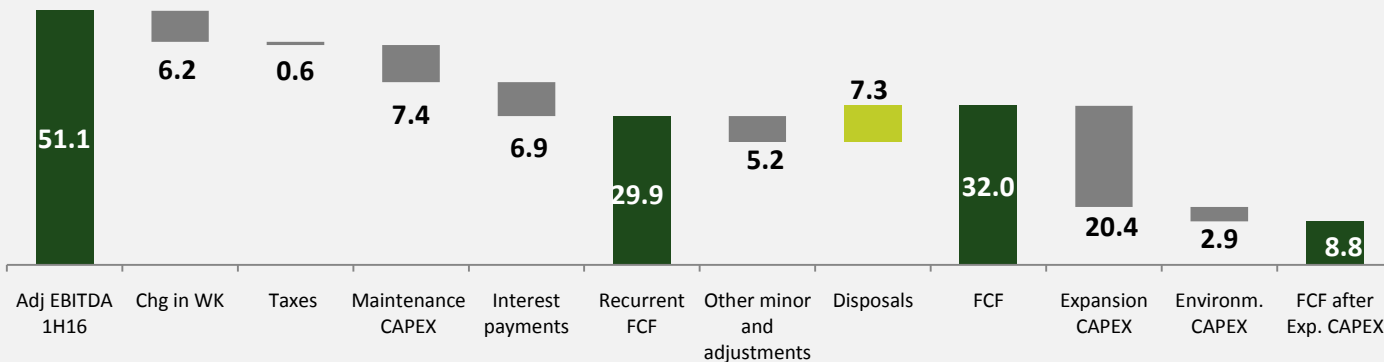
P&L and Cash Flow generation

P&L (€M)



- Lower non-recurrent expenses by -19.2% YOY
- Lower depreciation charges by -14.5% YOY due to the extension of Pontevedra concession
- Lower financial result by -38.7% due to 2015 refinancing

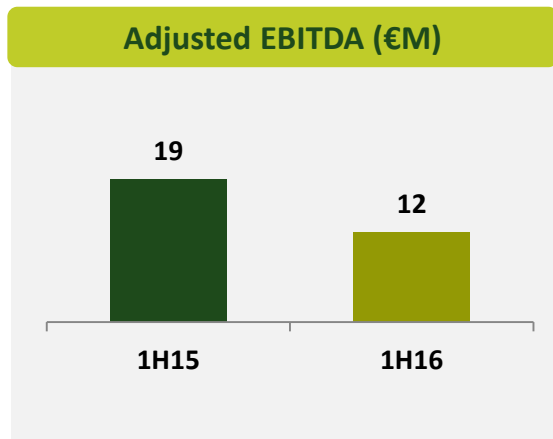
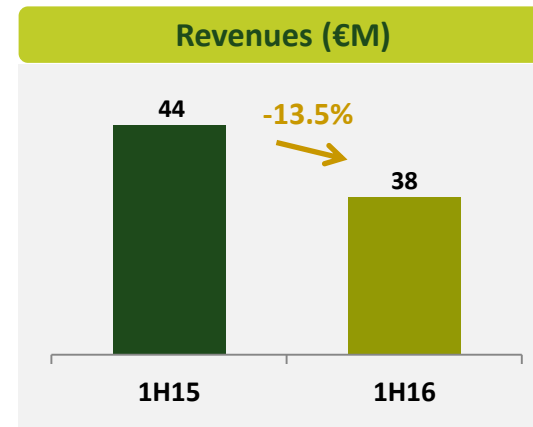
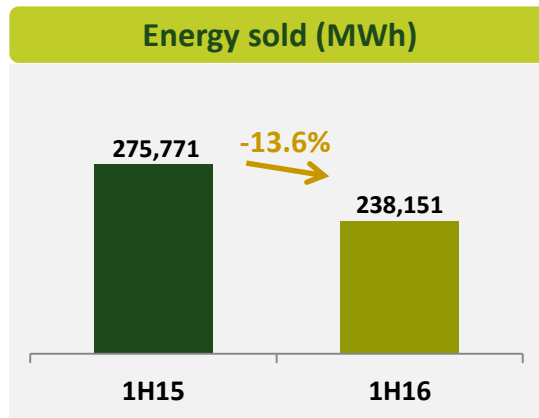
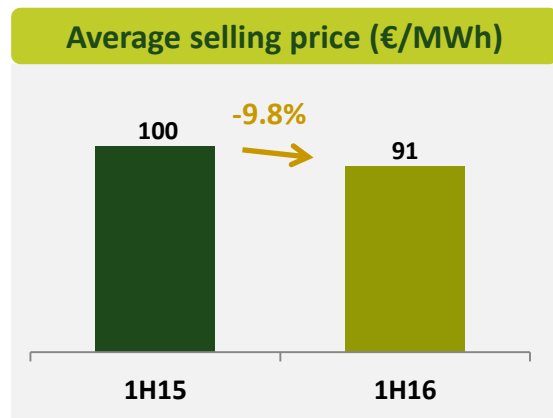
Cash Flow (€M)



- €8.8M FCF after €23.3M of expansion and environmental CAPEX
- Collection of €27.6M from disposals expected in 2H16

Energy business

Operating performance

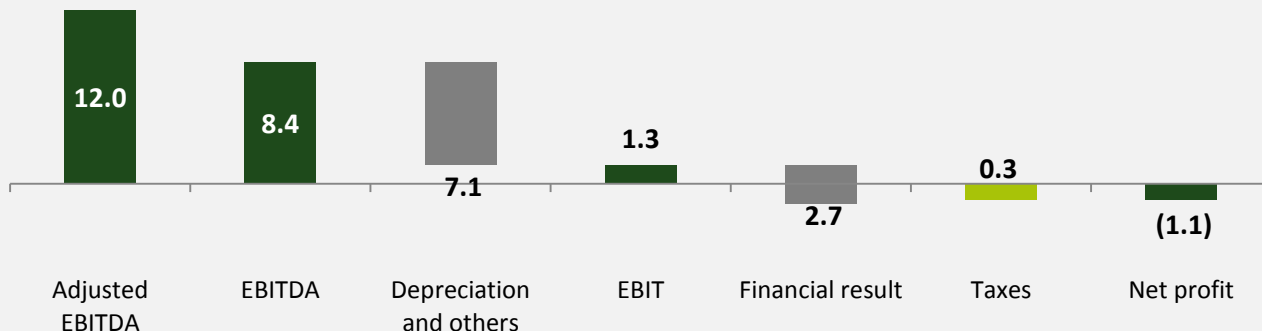


- 9.8% lower average selling price due to lower pool prices, partially mitigated through our hedging policy (+€2.4M in 1H16)
- Ence has reduced the number of energy generation hours in response to lower electricity prices in order to maximize the regulatory cap of 6,500h.
- €0.9M adjustment of HU 41MW Ri following its final classification, which should be compensated from 2017 through lower agro biomass costs
- Lower Adjusted EBITDA should be partially recovered in 2H16 through higher energy sold

Energy business

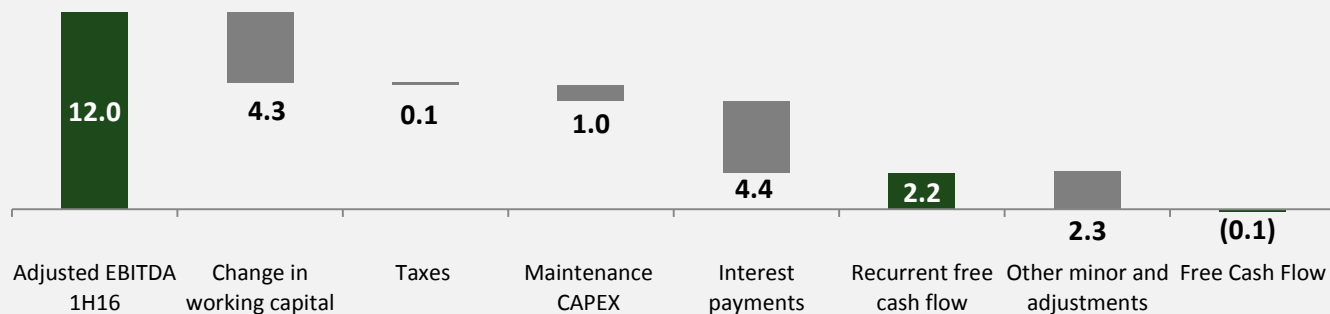
P&L and Cash Flow generation

P&L (€M)



- Lower net profit as a consequence of €2.9M one-off provision on HU 41 MW
- Partially offset by lower depreciation charges (-42.8% YOY) and lower financial result (-40.6%)

Cash Flow (€M)



- Negative working capital to be more than compensated by €28.8M collection of pending receivables in 2H16 (€18.7M in 3Q16 and €10.1M in 4Q16)

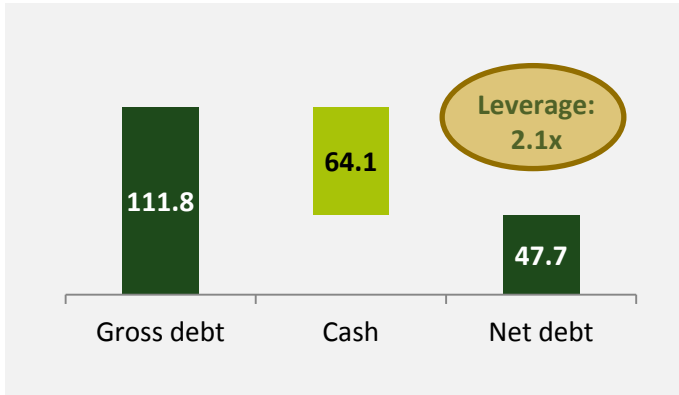
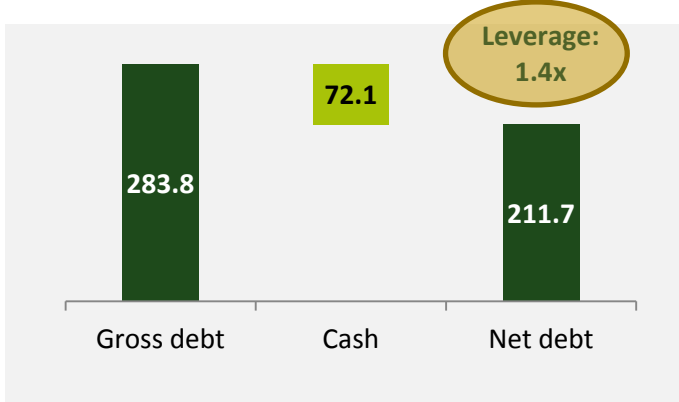
Solid balance sheet and strong liquidity sustained

Group leverage at 1.5x Net Debt / Adjusted EBITDA as of 30/06/2016

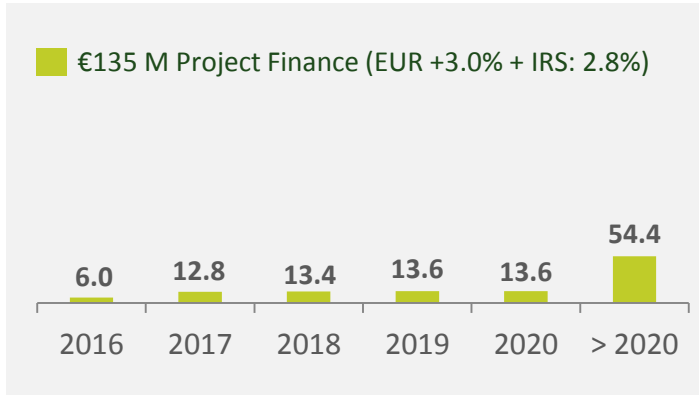
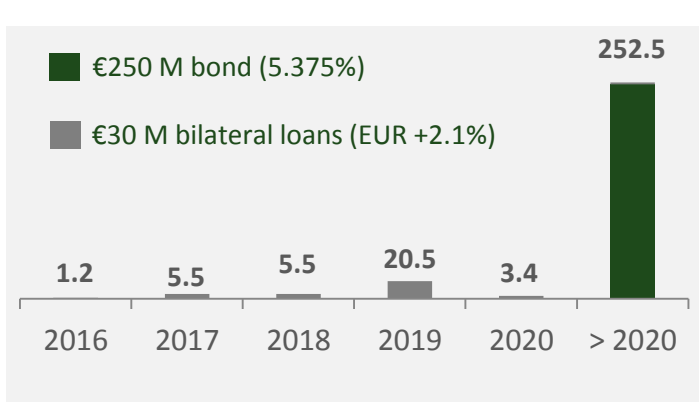
Pulp business

Energy business

Leverage (€M)



Debt maturity calendar (€M)



€56.4M cash inflow expected for 2H16 related to €28.8M receivable collection from the Energy business and €27.6M from asset divestments in the Pulp business, significantly reducing Net Debt

Index

Highlights

1H 2016 Results

Summary

Summary

- 1** Sustained strong worldwide demand for market pulp with a 4.0% growth in 1H16 vs. 1H15, with China showing a 16.3% YOY growth
- 2** Pulp sales volume increase by 3.9% mitigating 8.3% lower average selling prices
- 3** 2Q16 cash cost lower than 1Q16 and 2Q15
- 4** Successful implementation of efficiency improvement and capacity increase investments in Navia, raising the mill's production capacity up to 540,000 tons per year, in line with the Strategic Plan
- 5** Significant cash inflow expected for 2H16 related to €28.8M receivable collection from the Energy business and €27.6M from asset divestments in the Pulp business
- 6** €24.9M dividend payment in 2Q16
- 7** Share buyback program up to €10M or 4M shares on track

Delivering value, delivering commitments

THANK YOU



FTSE4Good

