



1Q 2017 Results

26 April 2017

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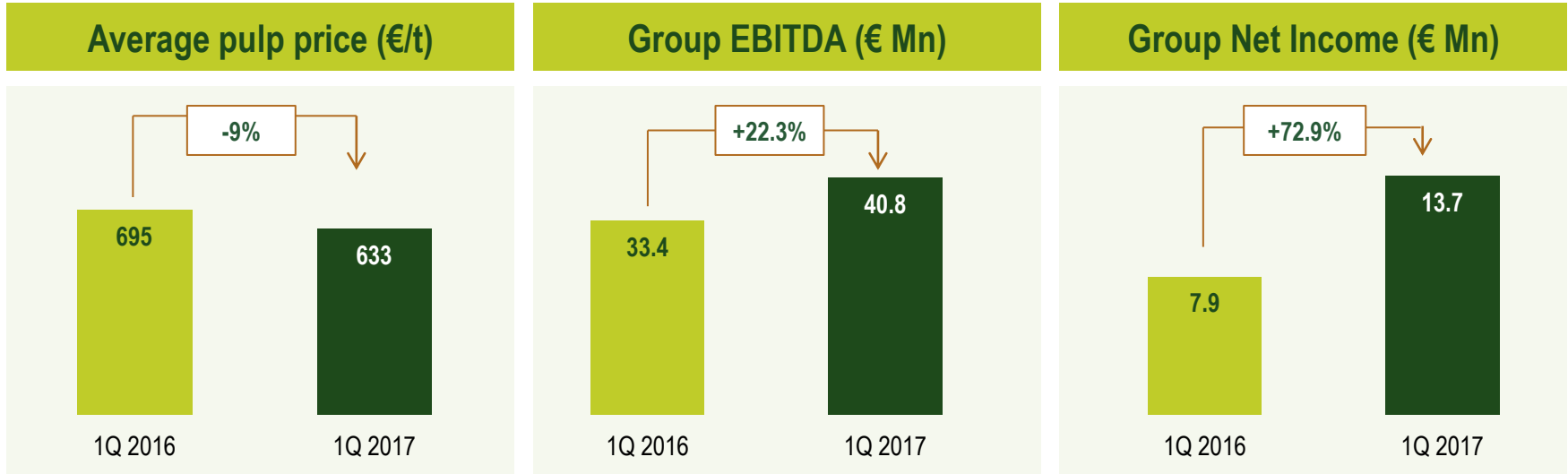
Highlights

- 🌿 **22% EBITDA growth** and **73% Net Income growth** despite **9% lower pulp prices**
- 🌿 **32 €/t cash cost reduction** vs.1Q16 to **343.6 €/t** in the quarter
- 🌿 Strong **recurrent free cash flow** generation which allows **5% Net Debt reduction**, keeping a **low leverage position (1.6x Net Debt / EBITDA)**
- 🌿 Continued growing **demand** for eucalyptus pulp (**+8,5%** in 1Q17) with **favorable supply and demand balance** expected.
- 🌿 **Pulp prices on the rise**. We have announced price increases up to 810 \$/t as from May
- 🌿 New **Huelva 40 Mw biomass power plant project on track** to start up in 2H 2019 aiming to **€11 Mn annual EBITDA**.

1Q17 Results confirm Ence's resilient business model and successful Strategic Plan execution

Resilient Business Model

Strong EBITDA and Net Income despite lower pulp prices in the quarter



Market Pulp Price evolution:
-9% 1Q2017 vs. 1Q2016

EBITDA growth +22.3% due to:

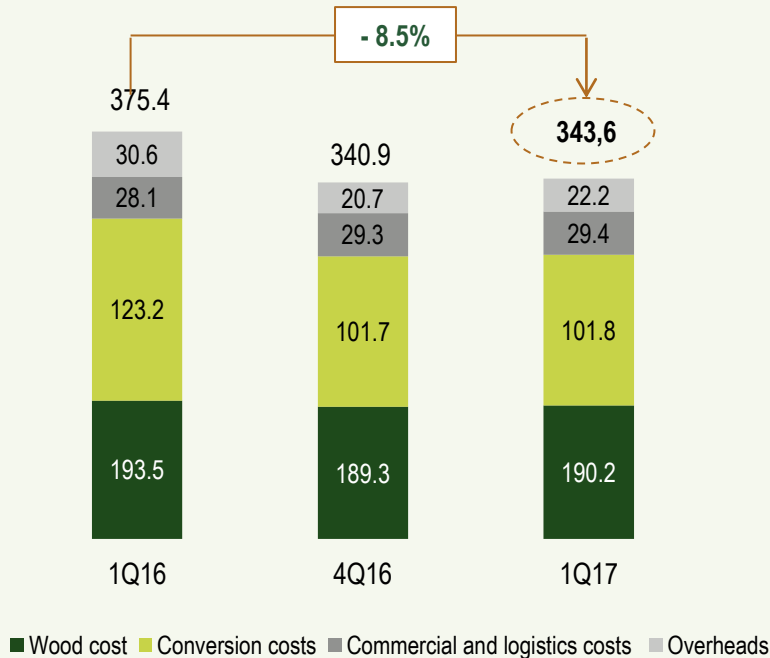
- - 32 €/t Cash Cost improvement
- +13% Pulp sales increase
- +51% Energy sales growth

+73% Net income increase in
1Q17 vs 1Q16

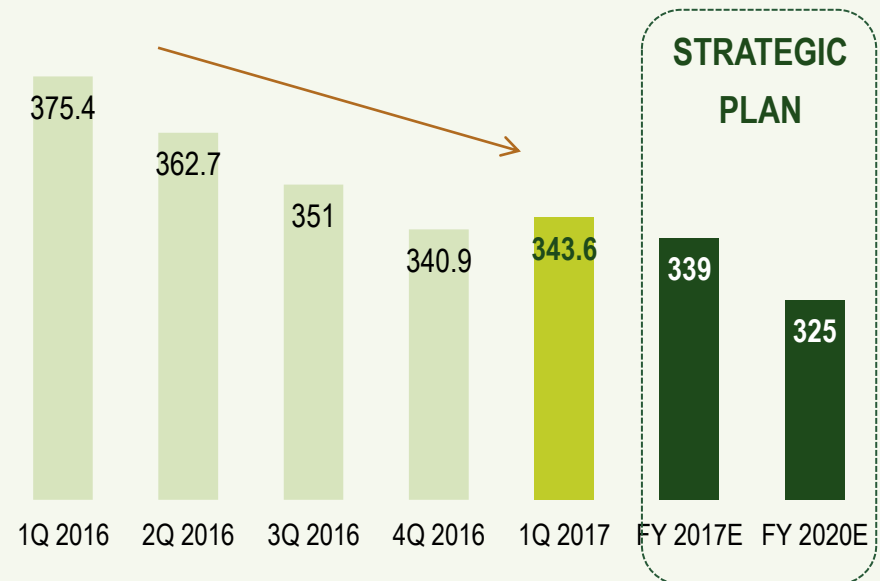
Cash cost evolution

Focus on reducing cash cost to achieve strategic plan targets

Cash Cost Evolution in 1Q 2017



Cash Cost on track to achieve strategic plan



- 32 €/t Cash cost improvement vs 1Q16
- Wood cost linked to the PIX price may increase during the year

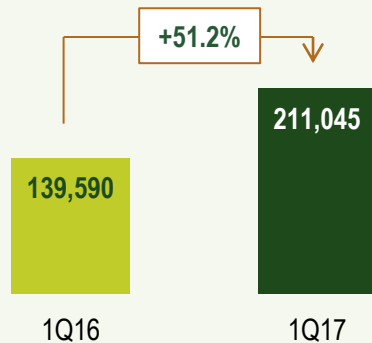
- On track to achieve our 339 €/t target for 2017

Note: Quarterly cash cost figures in 2016 include the lower conversion costs by the energy component due to the adjustment derived from the deviation between the pool price estimated by the Regulator and the real pool price in 2016, recognized in the P&L in 4Q16

51% higher Energy volume sold vs 1Q16

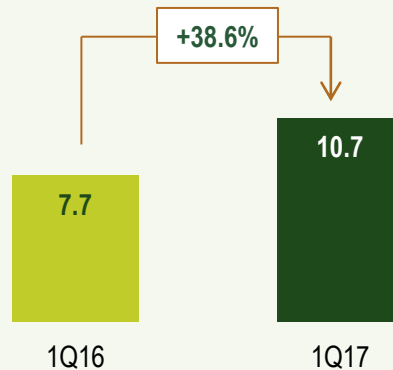
Following 32 Mw acquisition in December 2016

Energy volume (MWh)



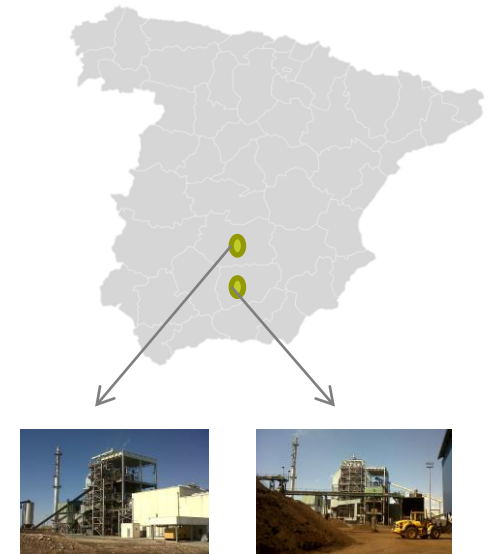
- 🌿 **+51% Energy volume increase**

EBITDA (€ Mn)



- 🌿 **+39% EBITDA increase driven by:**
 - Higher pool price
 - Higher production in our plants
 - New capacity from olive marc plants recently acquired
 - Continued reduction of biomass cost

December 2016 Acquisitions



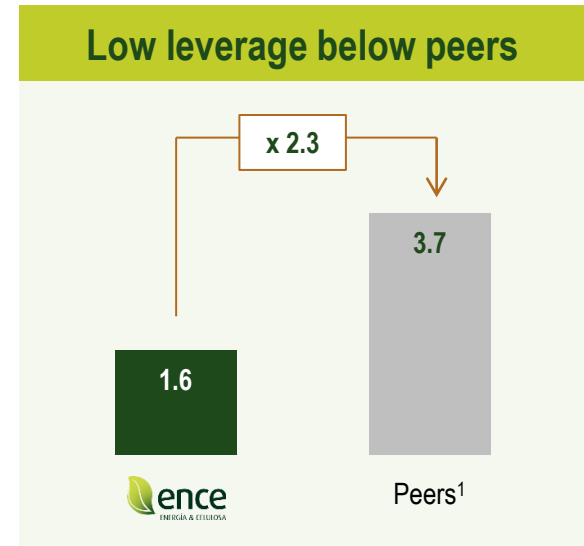
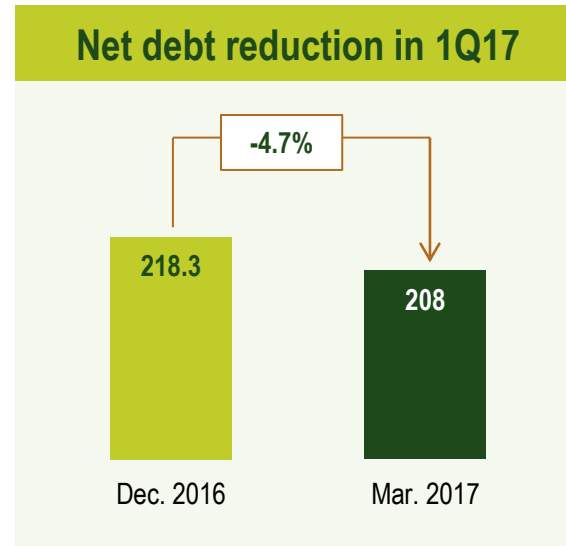
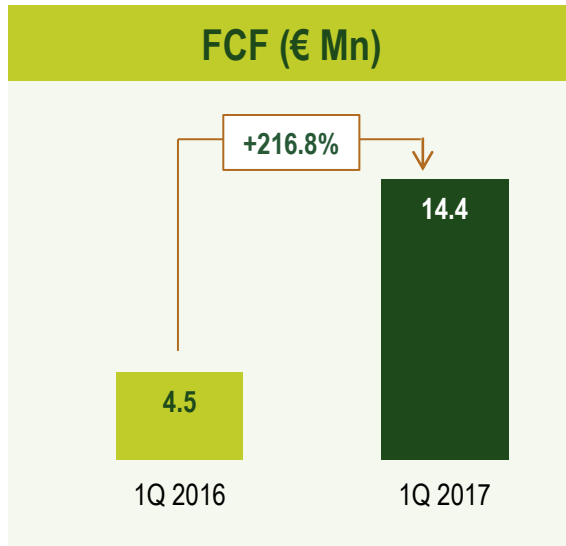
Ciudad Real 16 Mw & Jaen 16 Mw

- Fuel: Agro waste

On track to meet the €45Mn EBITDA target for 2017

Strong Free Cash Flow generation

Net debt reduction, maintaining a lower leverage than peers



- Strong Free Cash Flow despite lower pulp prices vs 1Q16
- Recurrent Free Cash Flow increase in the quarter up to €18.7 Mn

- Net debt reduction thanks to strong FCF generation

- Low leverage and below peers

Note: Recurrent free cash flow includes EBITDA, change in WC, taxes, maintenance CAPEX and interest payments

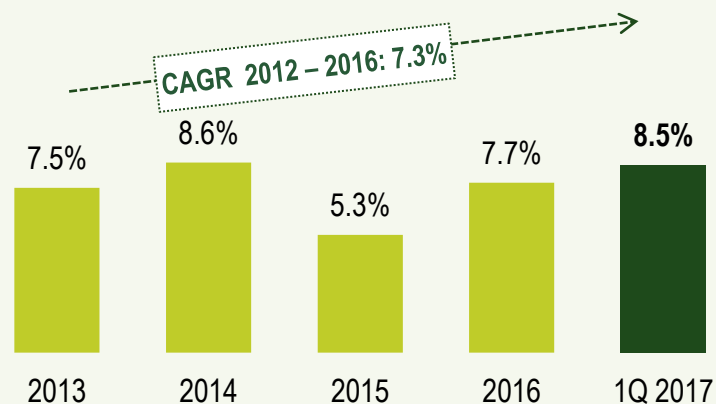
1 Average from Altri (Dec-16), Fibria (Dec-16), Suzano (Dec-16), El Dorado (Sep-16), Klabin (Dec-16), and CMPC (Dec-16)

Growing demand for Eucalyptus pulp

China demand growth fueled by the tissue consumption mega-trend

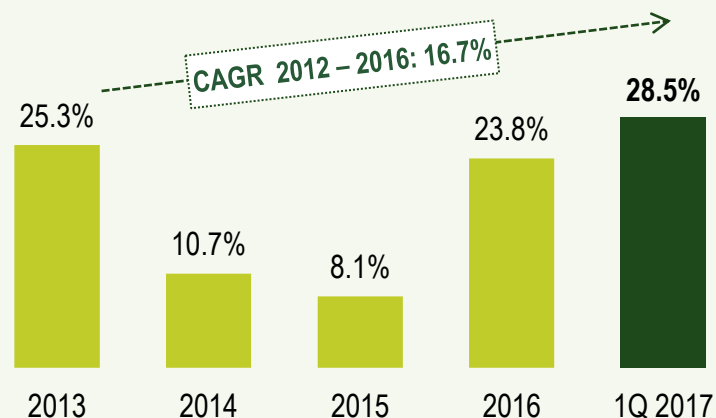
Global Demand for Eucalyptus Pulp (growth rate)

- +8.5% global eucalyptus pulp demand growth in 1Q 2017
- Above 2012 – 2016 CAGR of 7.3%



Chinese Demand for Eucalyptus Pulp (growth rate)

- + 28.5% eucalyptus pulp demand growth in China
- Above 2012-2016 CAGR of 16.7%



Source: PPPC

Favorable demand and supply balance expected

Outperforming industry analysts initial expectations

Expected Annual Increase for Market BHKP Pulp Supply and Demand (Mn t)

Mn t	2017	2018	2019	2017 - 2019
ESTIMATED BHKP DEMAND INCREASE	1.5	1.5	1.4	4.4
China	1.0	1.0	1.0	3.0
Other Asia / Africa / Oceania / Middle East	0.2	0.2	0.2	0.6
Europe	0.1	0.1	0.1	0.3
North America	0.1	0.1	0.0	0.2
Latin America	0.1	0.1	0.1	0.3
ESTIMATED BHKP SUPPLY INCREASE	0.5	1.3	0.4	2.2
FIBRIA (TRES LAGOAS)	0.4	1.3	0.2	1.9
APP (OKI)	0.8	0.7	0.3	1.8
EI DORADO (TRES LAGOAS) 2,3 Mnt	0.0	0.0	0.0	0.0
KLABIN (PUMA)	0.5			0.5
SUZANO (IMPERATRIZ & MUCURI)			0.2	0.2
METSA (AANEKOSKI)	0.1			0.1
UPM (KYMI)	0.1			0.1
ALTRI (CELTEJO + CELBI)	0	0.1		0.1
TAIWAN P&P and RFP (Calhoun)	-0.1			-0.1
APRIL (RIZHAO)	-0.4	-0.2		-0.6
APRIL (KERINCI)	-0.5	-0.3		-0.8
OTHER UNEXPECTED DOWNTIME / CLOSURES AND CONVERSIONS	-0.4	-0.3	-0.3	-1
BALANCE	1.0	0.2	1.0	2.2

- Favorable supply and demand balance for the coming years
- APP OKI project ramp up is proving to be more gradual than analyst expectations
- Capacity conversions to other pulp grades accelerating
- Recurrent unexpected downtime / closures and conversions
- BHKP prices in Europe have recovered over \$90/t since the beginning of the year
- Main BHKP producers have announced additional price increases up to 810 - 820 \$/t in Europe as from May

Favorable demand and supply balance expected

Outperforming industry analysts initial expectations

Expected Annual Increase for Market BSKP Pulp Supply and Demand (Mn t)

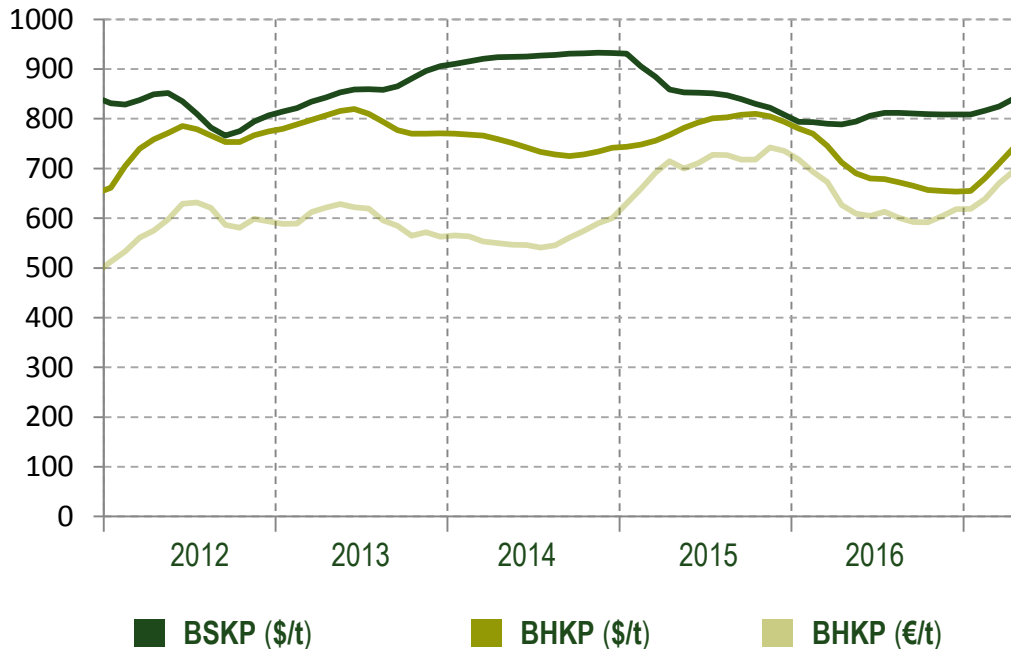
Mn t	2017	2018	2019	2017 - 2019
ESTIMATED BSKP DEMAND INCREASE	0.6	0.6	0.6	1.8
China	0.5	0.5	0.5	1.5
Other Asia / Africa / Oceania / Middle East	0.1	0.1	0.1	0.3
Europe	0.0	0.0	0.0	0.0
North America	0.0	0.0	0.0	0.0
Latin America	0.0	0.0	0.0	0.0
ESTIMATED BSKP SUPPLY INCREASE	0.7	0.6	0.4	1.7
METSA (AANEKOSKI)	0.1	0.6		0.7
FINNPULP (KUPIO 1,2 Mnt)				0.0
SCA (OSTRAND)		0.1	0.4	0.5
ILIM (RUSSIA)		0.2	0.2	0.4
SVETLOGORSK (BELARUS)		0.2	0.1	0.3
APRIL (RIZHAO Conv: HW - SW)	0.2			0.2
SODRA (VARO)	0.2			0.2
DOMTAR (ASHDOWN) (FLUFF - BSKP)	0.2			0.2
IP (RIEGELWOOD) (FLUFF - BSKP)	0.2			0.2
KLABIN (PUMA) (FLUFF - BSKP)	0.1			0.1
ZELLSTOFF POLS	0.1			0.1
STORA (SKUTSKAR) (BSKP - FLUFF)		-0.2		-0.2
PCA (WALLULA)	-0.1			-0.1
OTHER UNEXPECTED DOWNTIME / CLOSURES AND CONVERSIONS	-0.3	-0.3	-0.3	-0.9
BALANCE	-0.1	0.0	0.2	0.1

- BSKP supply and demand will also remain balanced for the coming years
- BSKP prices in Europe have recovered over \$30/t since the beginning of the year
- BHQP-BSKP gap reached 104 \$/t by the end of March 2017

Pulp prices recovery to continue

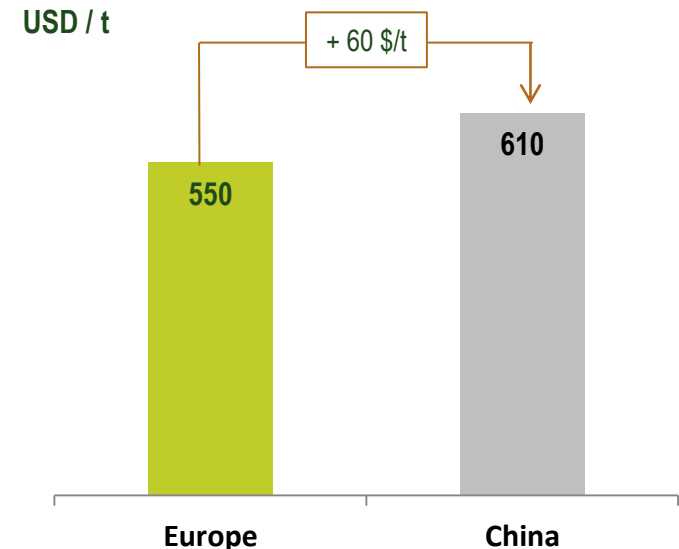
Net BHKP prices in China still 60 \$/t above those in Europe

European Pulp Prices



- Price increase of +20 \$/t in January
- Price increase of +35 \$/t in February
- Price increase of +30 \$/t in March
- Price increase of +30 \$/t in Abril

Net BHKP Prices China vs. Europe



Prices as of April 25th

Ence has announced a list price increase of +40 \$/t, up to 810 \$/t, as from May

Ongoing FX hedging program

To mitigate FX volatility on the Pulp business

Dollar/Euro Exchange Rate Evolution



Current Hedges

- 1 - 6 months \ 65% revenues:
 - Avg. floor: \$ 1.07 €
 - Avg. cap: \$ 1.15 €
- 6 - 12 months \ 61% revenues:
 - Avg. floor: \$ 1.09 €
 - Avg. cap: \$ 1.16 €
- 12 - 18 months \ 47% revenues:
 - Avg. floor: \$ 1.07 €
 - Avg. cap: \$ 1.15 €
- 18 - 24 months \ 30% revenues:
 - Avg. floor: \$ 1.09 €
 - Avg. cap: \$ 1.12 €

Ence consistently maintains a FX hedging program of at least 50% of its dollar exposure for the following 18 months

2016-2020 Strategic Plan

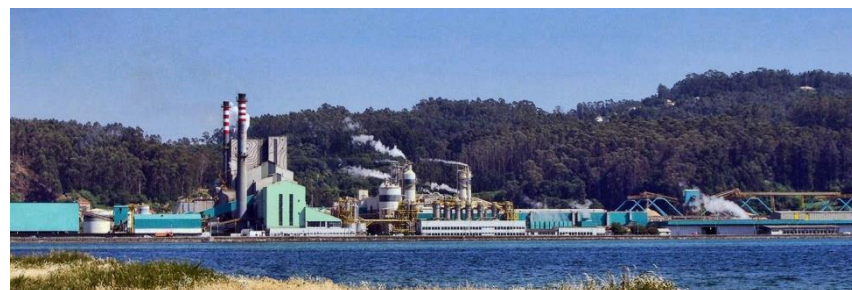
Huelva 40 Mw power plant and 30,000 t capacity expansion in Pontevedra

New Huelva 40 Mw biomass power plant



- 🌿 New Huelva 40 Mw biomass power plant project **on track** to start up in **2H 2019**
- 🌿 **€11 Mn annual EBITDA target**
- 🌿 EPC closing expected in July and early works in October
- 🌿 Synergies with our 50 Mw and 41 Mw plants already operating in the same location
 - Capex: **€87 Mn**
 - Financing: **60%**

30,000 t capacity expansion in Pontevedra in 2018



- 🌿 During this quarter's maintenance pause in Pontevedra, we have prepared part of the capacity expansion that will be implemented during **March 2018** annual maintenance shutdown
- 🌿 Pontevedra 2018 Cash Cost target: 371 €/t
- 🌿 Pulp production target 2018: 452 Mn t

CAPEX	2017e	2018e
Efficiency capex	8	3
Expansion capex	8	8
Environmental capex	10	12

- 🌿 Additional **40,000 t capacity expansion** in 2019



1Q 2017 Results

Consolidated Key Figures

1Q17 Results confirm Ence's resilience and Strategic Plan delivery

- ▶ **+22.3% EBITDA in 1Q17 vs 1Q 2016 fueled by both Pulp and Energy businesses**
- ▶ **9% pulp price decline in 1Q17 vs 1Q 2016 offset by:**
 - **+13.2% increase in pulp sales volume**
 - **- €32/t cash cost reduction vs.1Q16**
- ▶ **+38.6% EBITDA growth in Energy business thanks to better prices and bigger volumes, with 2 new plants acquired in December 2016**
- ▶ **Strong recurrent free cash flow of €18.7 Mn**
- ▶ **€10 Mn Net Debt reduction**

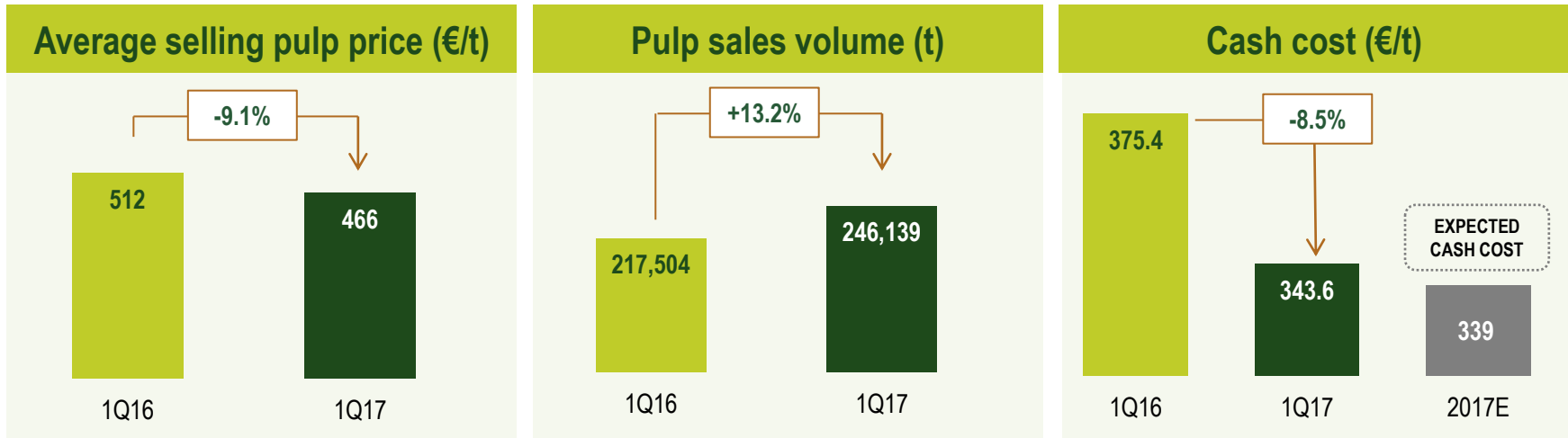
P&L			
€ Mn	1Q17	1Q16	% Change
Revenue	174.2	150.2	16.0%
Pulp Business EBITDA	30.1	25.6	17.4%
Energy Business EBITDA	10.7	7.7	38.6%
Group EBITDA	40.8	33.4	22.3%
EBIT	25.1	17.9	40.4%
Net Profit	13.7	7.9	72.9%

FCF			
€ Mn	1Q17	1Q16	% Change
Recurrent FCF	18.7	11.0	69.9%
Strategic Plan Investments	8.7	7.9	10.1%
Divestments	-	3.4	n.s
FCF	14.4	4.5	216.8%

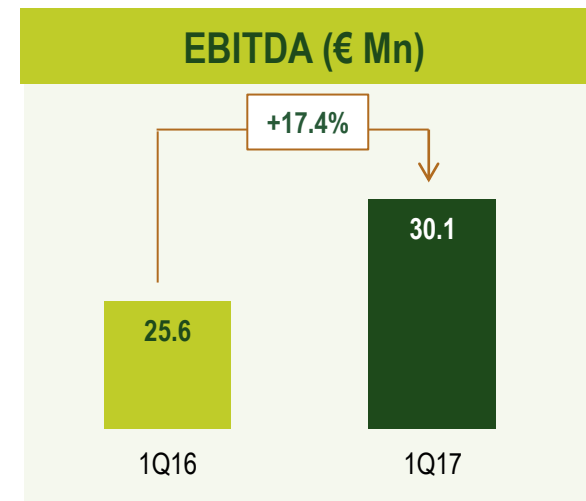
Net Debt			
€ Mn	Mar-17	Dec-16	% Change
Net Financial Debt	208.0	218.3	(4.7%)

Pulp Business

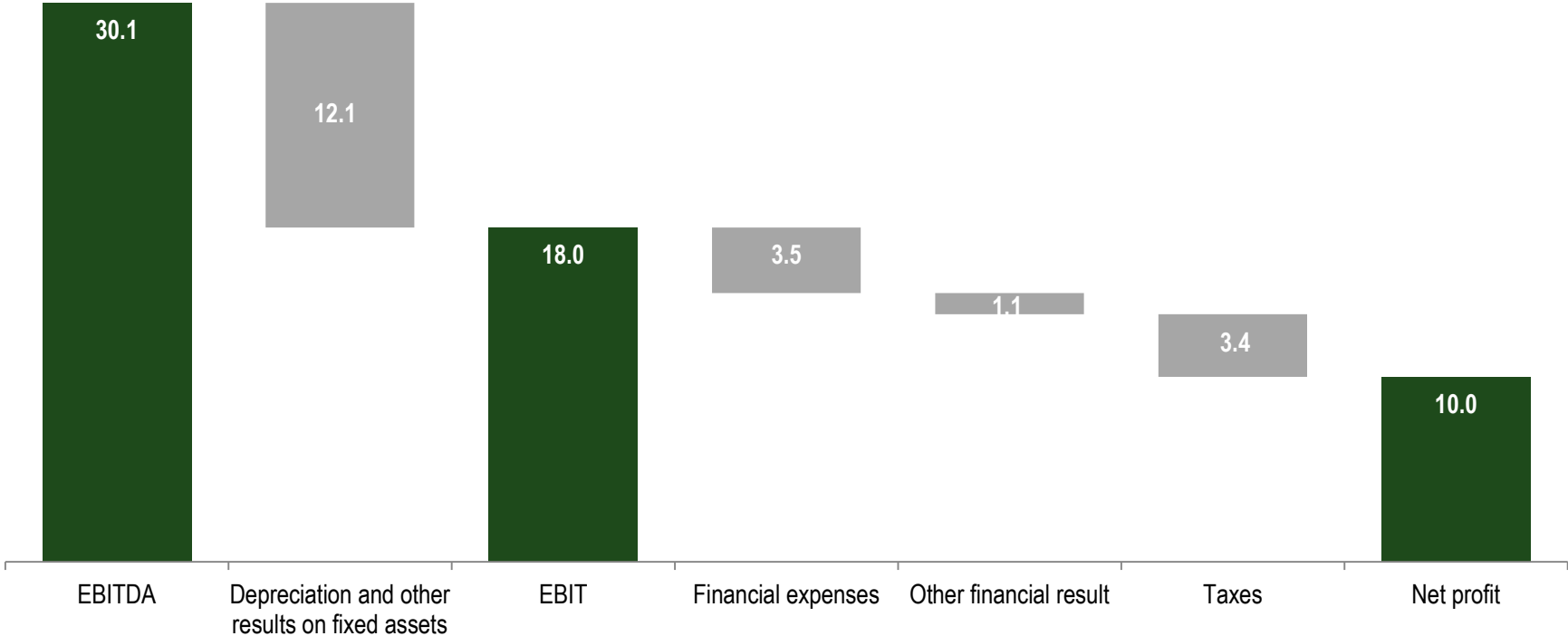
Operating performance



- 9.1% pulp price decline in 1Q17 vs 1Q16 partially offset by:
 - + 13.2% increase in pulp sales volume
 - €32/t cash cost reduction in 1Q17 vs. 1Q16
- Expected cash cost reduction in 2017 down to €339/t
 - In line with the Strategic Plan
- +17.4% EBITDA increase despite lower pulp prices



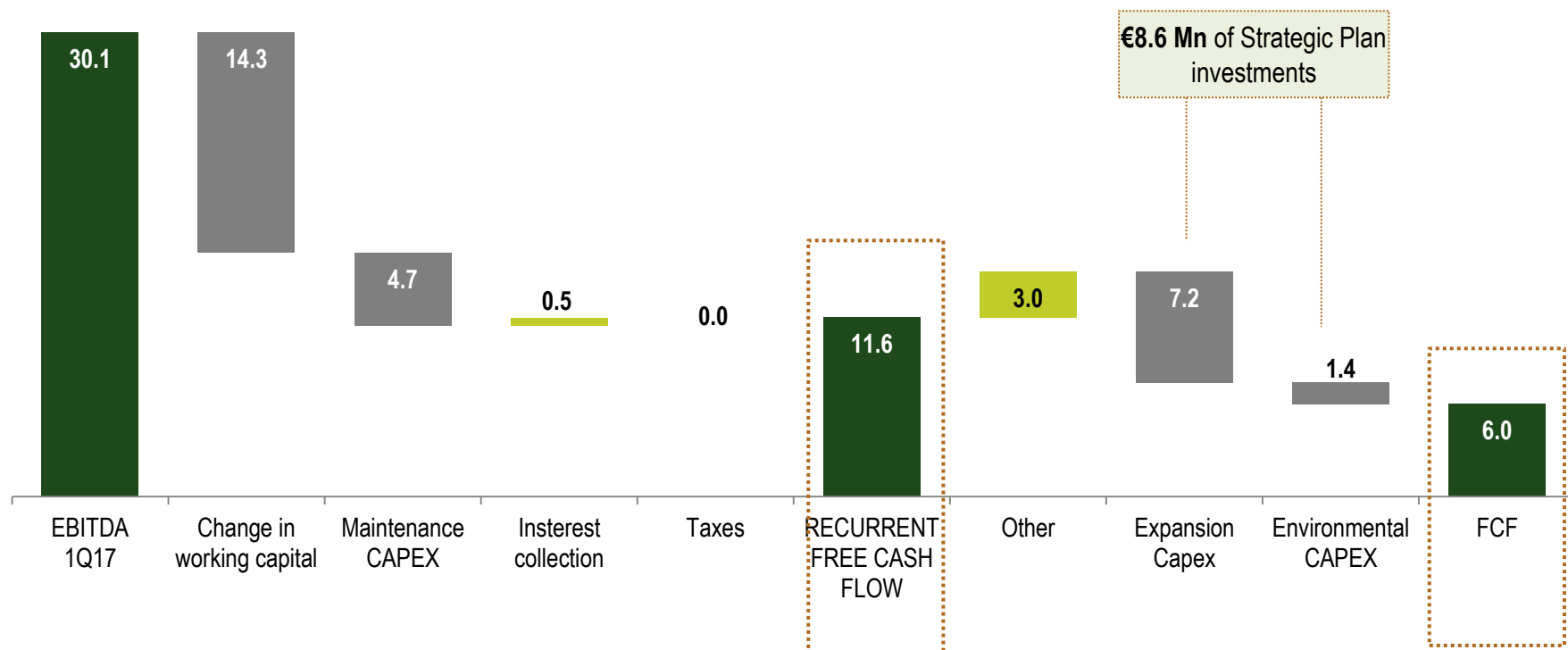
1Q17 P&L Bridge (€ Mn)



Pulp Business

Cash Flow generation

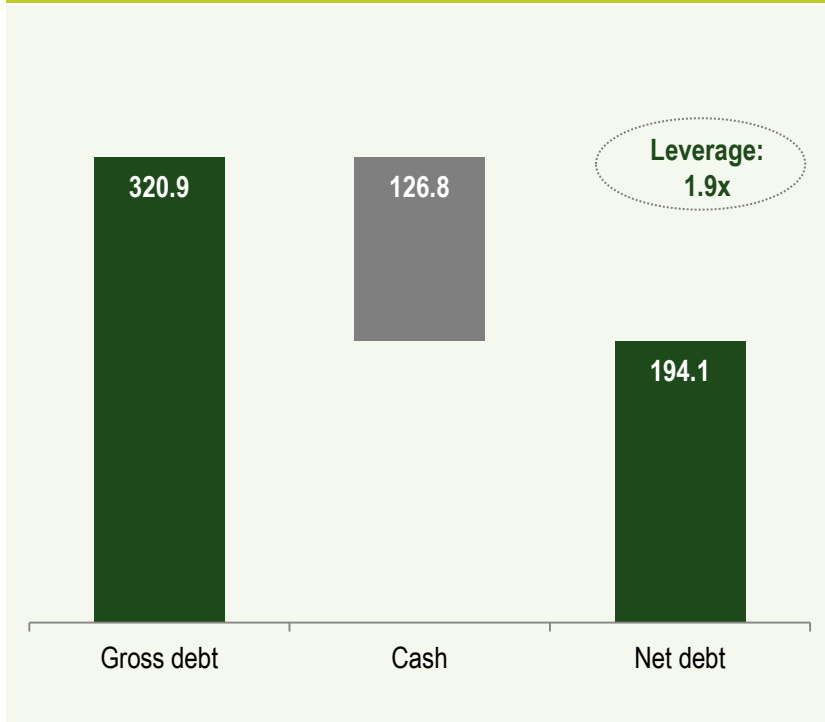
2017 Cash Flow Bridge (€ Mn)



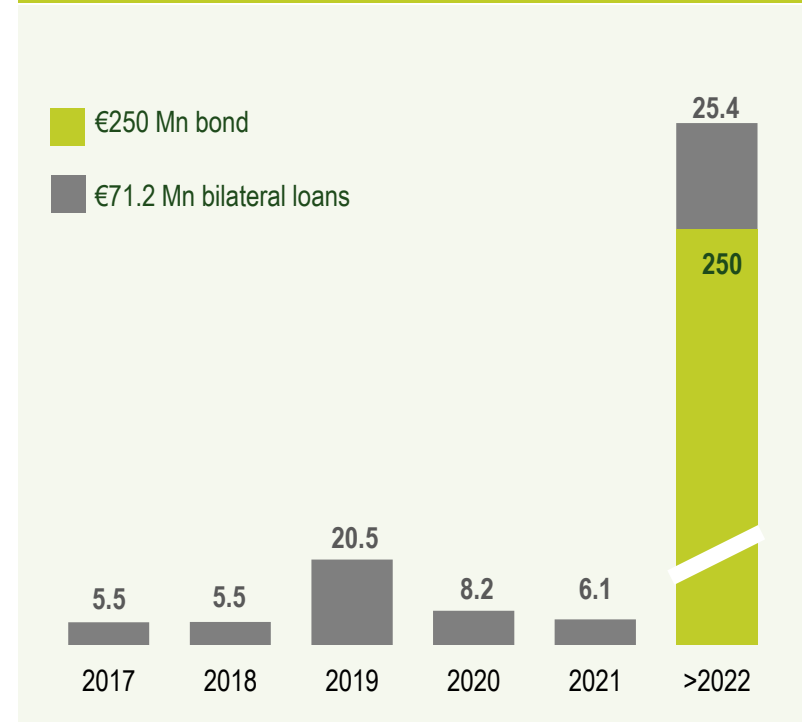
Pulp Business

Solid balance sheet and strong liquidity

Leverage as of March 2017 (€ Mn)



Debt maturity calendar (€ Mn)

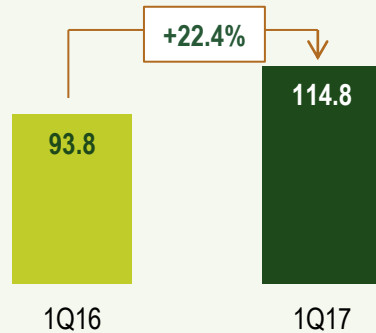


🌿 Pulp business leverage at 1.9x Net Debt / adjusted EBITDA as of March 2017

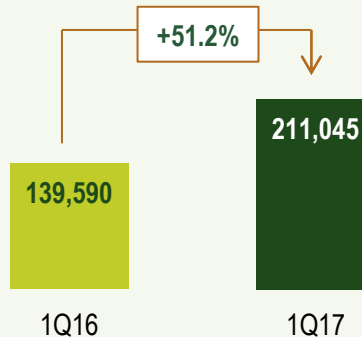
Energy Business

Operating performance

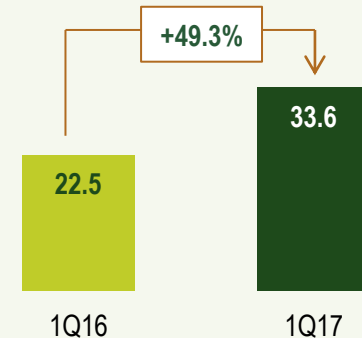
Average selling price (€/MWh)



Energy volume (MWh)

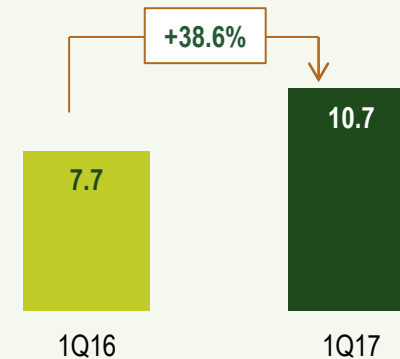


Revenues (€ Mn)



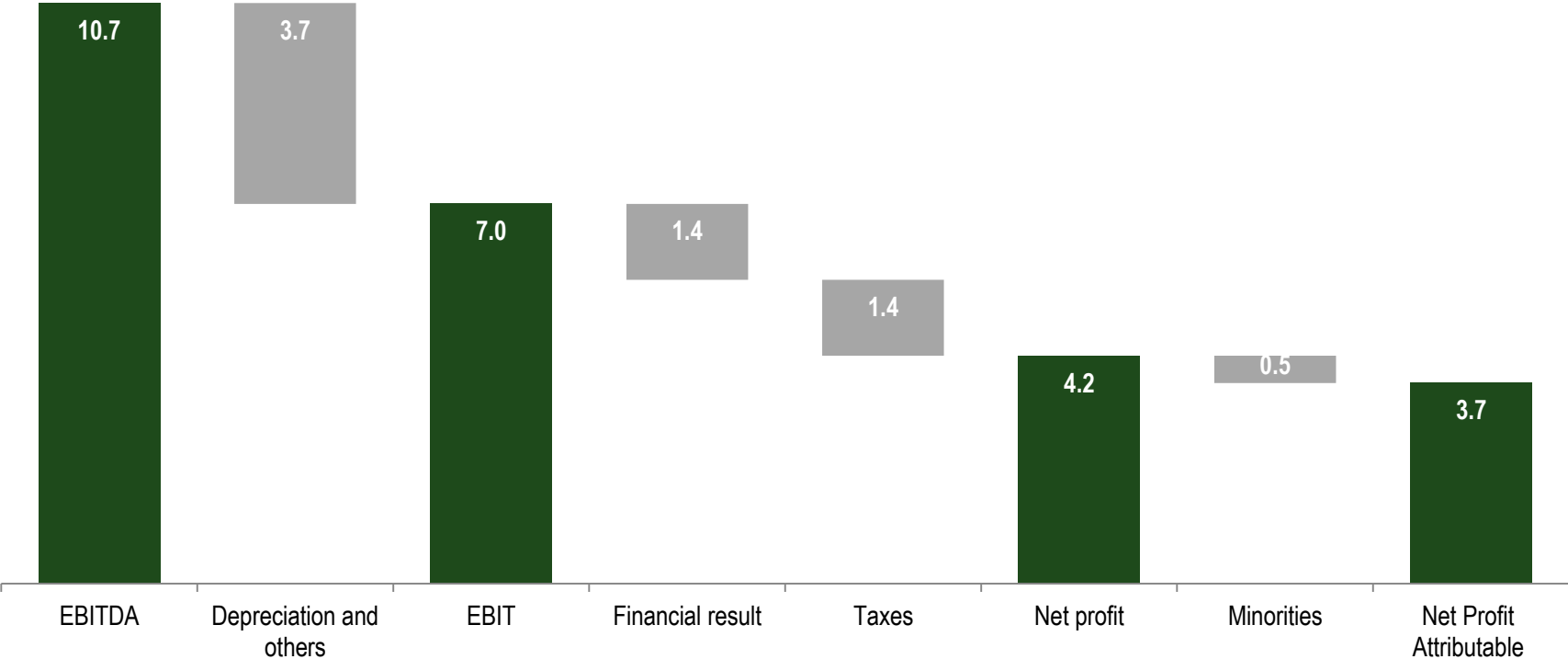
- **+22.4%** increase in average selling price mainly due to higher pool prices
- **+51.2%** energy production increase driven by higher generating hours and additional production from new olive marc plants
- RoI increases by 20% due to incorporation of the new olive marc plants; partially offset by the effect of the regulatory collar in the quarter (€0.3 Mn)
- **+49.3%** increase in revenues and **+38.6%** higher EBITDA

EBITDA (€ Mn)



Note: In 2016 the adjustment derived from the deviation between the pool price limits set by the Regulator (regulatory collar) and the real pool price was recognized in the P&L in 4Q16. If adjusted monthly, the average return on investment (RoI) earned in 1Q16 would have increased by 1 M€.

1Q 2017 P&L Bridge (€ Mn)

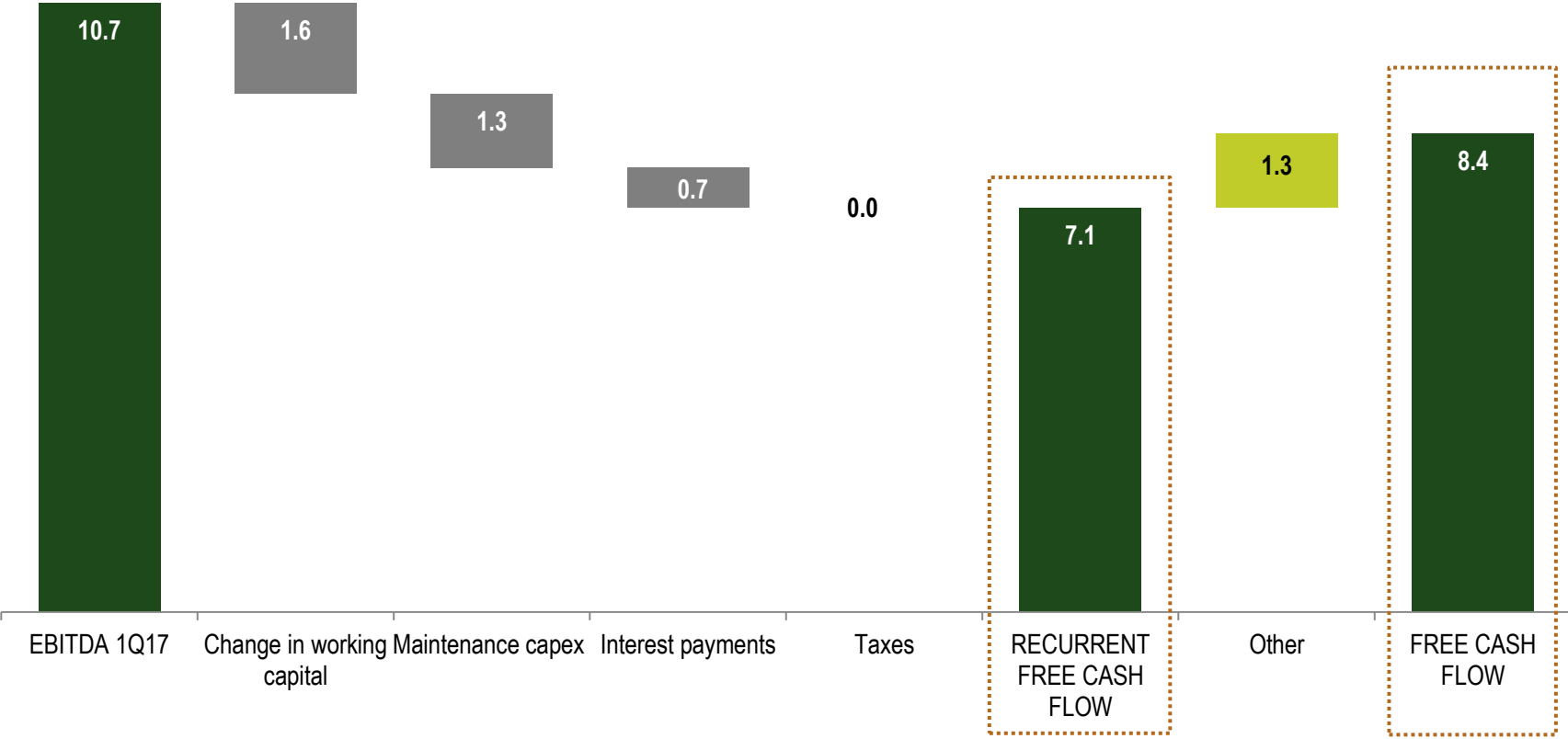


Energy Business

Cash Flow generation



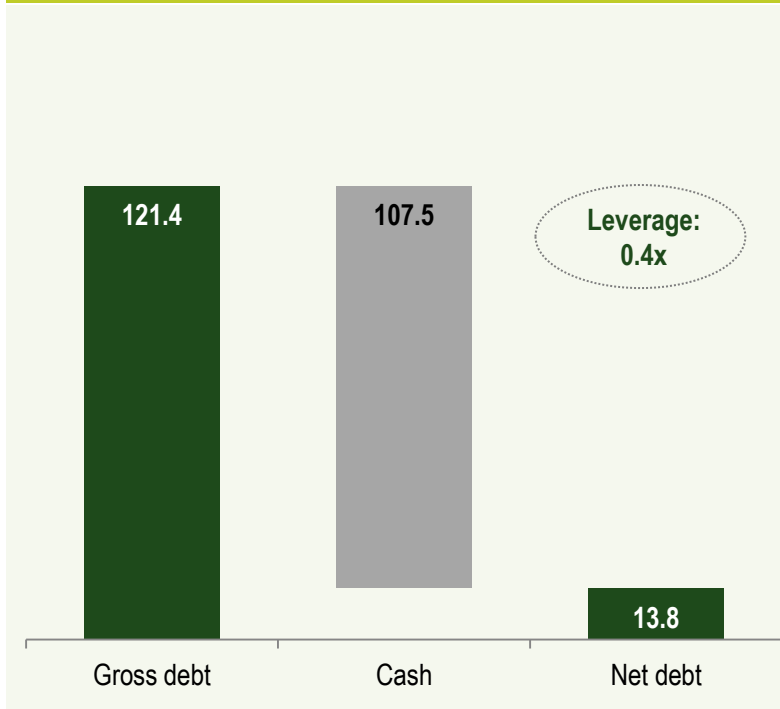
2017 Cash Flow Evolution Bridge (€ Mn)



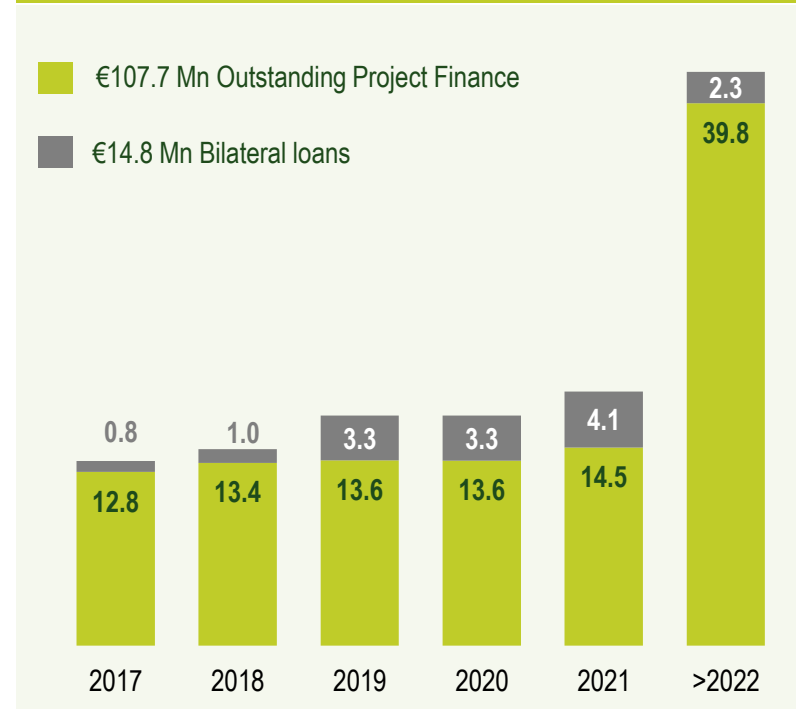
Energy Business

Solid balance sheet and strong liquidity

Leverage as of March 2017 (€ Mn)



Debt maturity calendar (€ Mn)



🌿 Energy business leverage at 0.4x Net Debt / adjusted EBITDA as of December 2016



Closing Remarks

- 🌿 Strong business model with high EBITDA conversion
- 🌿 Excellent results driven by cash cost reduction and higher volumes
- 🌿 Continued focus on the delivery of the Strategic Plan
- 🌿 Supporting industry fundamentals for the short and medium term
- 🌿 Investment Plan on track to push ENCE's organic growth

1Q17 Results confirm Ence's resilient business model and successful Strategic Plan execution



Delivering value, delivering commitments