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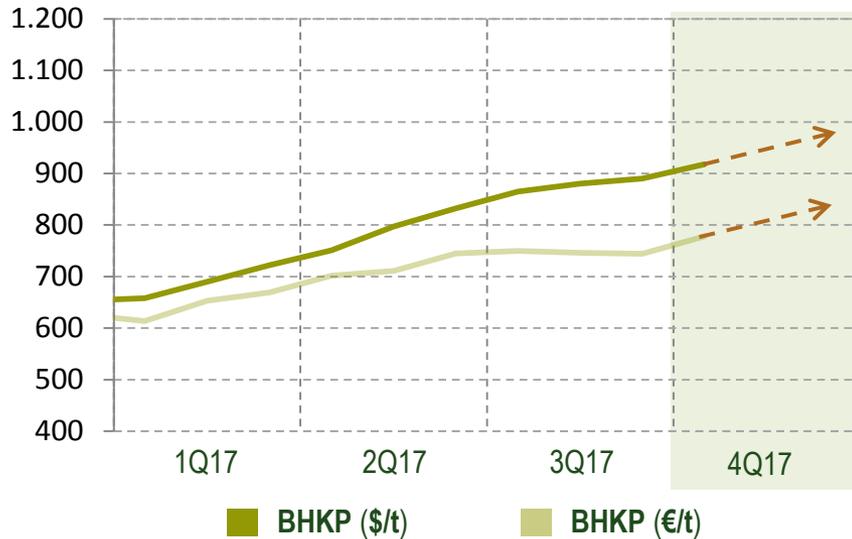
# Highlights

- **Positive outlook for pulp prices** both in the short and long term
  - Ence has announced an additional pulp price increase up to **\$ 970 / t for November**
  - Short term momentum in **Q417 and Q118 supported by the limitation of mixed recovered paper imports in China** and the **cancellation of 40% of Kerinci's plantations concessions in Indonesia**
  - The **absence of new large projects** to increase production capacity indicates **high pulp prices for the next 3 years**
- Outstanding 9M17 results due to **successful Strategic Plan execution** and pulp price increase
  - **77% EBITDA** growth and **183% Net Income** growth vs. 9M16
  - **16 €/t cash cost reduction in the Pulp business** vs. 9M16 to 346.7 €/t despite 9 €/t wood cost increase linked to PIX pulp price performance
  - **Successful M&A and strong track record in the Energy business**, reaching an annualized **EBITDA of over €50 Mn** in 2017e
  - **Recurrent free cash flow** generation of €92 Mn
- **Low leverage position** (1.0x Net Debt / LTM EBITDA) adds comfort to the Strategic Plan's pending investments
  - **Pulp capacity increase of 150,000 t** in 2018 - 2019 on track, aiming at **€22 EBITDA increase** in the Pulp business
  - **New Huelva 40 Mw biomass power plant** project on track to start up in 2H 2019, aiming at €11 Mn annual EBITDA and pushing the Energy business **annualized EBITDA up to over €61Mn**

# Positive outlook for pulp prices

Ence has announced another price increase up to 970 \$/t in November

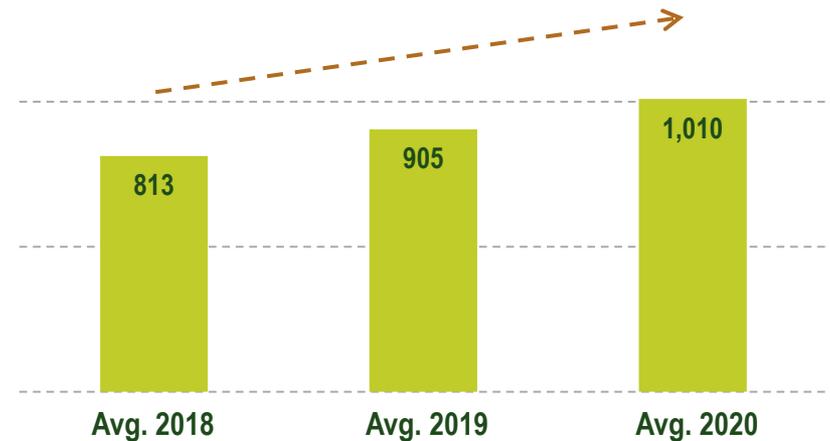
## European BHKP Pulp Prices



### Tight supply and demand balance in 2017 driven by:

- Capacity integrations and conversions to other pulp grades in Asia
- Unplanned production outages
- Progressive ramp-ups of new capacity

## RISI's European BHKP Pulp Price Estimates (\$/t)



Source: RISI estimates (September 2017)

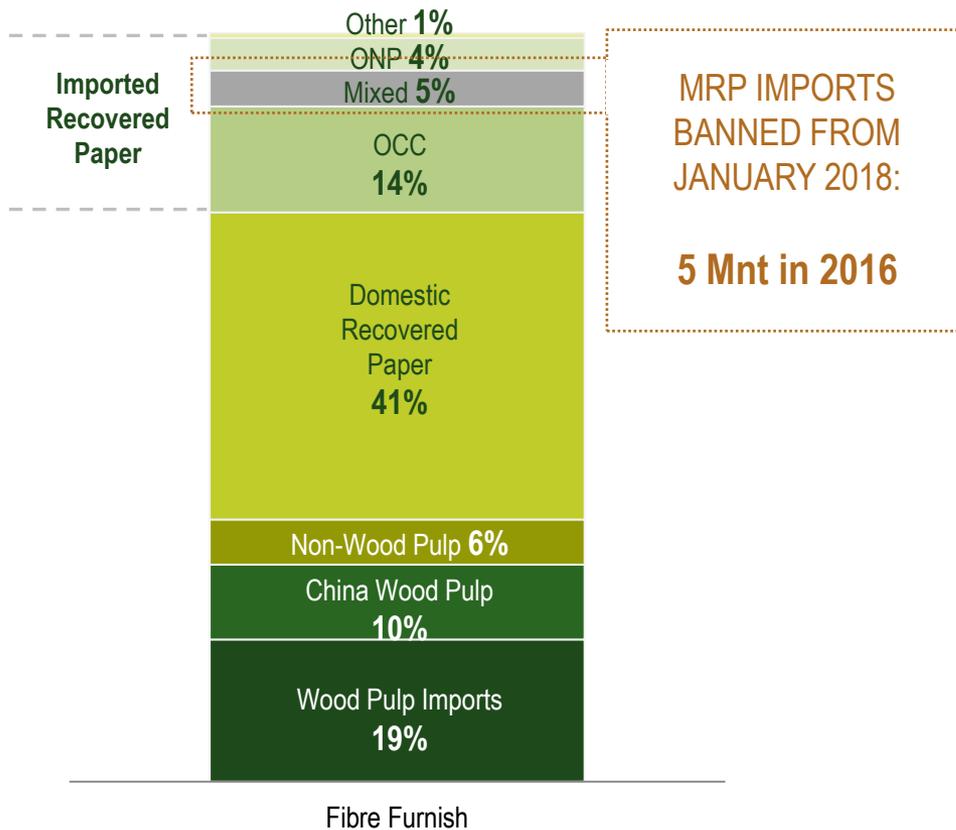
### High pulp prices expected for the next 3 years:

- No more large capacity increases in the pipeline
- Continued demand growth based on tissue consumption mega-trend
- Virgin pulp demand growth in China underpinned by increasing environmental standards

# Short term momentum

Supported by the ban of MRP imports in China and the halt at 2.8 Mnt Kerinci mill

## 2016 China's Fibre Sources: 97.78 Mnt



Source: Brian McClay

## Virgin pulp demand growth in China underpinned by increasing environmental standards:

- ❖ Ban of mixed recovered paper (MRP) imports in China as from 2018
- ❖ Imports of mixed recovered paper in China accounted for 5 Mnt of fiber consumption in 2016
- ❖ Ongoing substitution of old paper mills based on non wood pulp and recovered paper

## APRIL halts operations at Kerinci mill in Indonesia after government cancels concessions

- ❖ Kerinci mill houses three pulp lines with a total capacity of 2.8 million tonnes/yr,
- ❖ Affected Kerinci's plantations account for approximately 40% of its wood supply

# Increased market tightening in the long run

No new large project starts expected for next 3 years

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

Mn t	2017	2018	2019	2020	2017 - 2020
<b>ESTIMATED BHKP DEMAND INCREASE</b>	<b>1,4</b>	<b>1,6</b>	<b>1,4</b>	<b>1,4</b>	<b>5,8</b>
China	1,0	1,1	1,0	1,0	4,1
Other Asia / Africa / Oceania / Middle East	0,2	0,2	0,2	0,2	0,8
Europe	0,0	0,1	0,1	0,1	0,3
North America	0,0	0,1	0,0	0,0	0,1
Latin America	0,1	0,1	0,1	0,1	0,4
<b>ESTIMATED BHKP SUPPLY INCREASE</b>	<b>0,3</b>	<b>1,0</b>	<b>-0,3</b>	<b>-0,5</b>	<b>0,5</b>
APP (OKI)	1,2	0,6	0,2	0,2	2,2
FIBRIA (TRES LAGOAS)	0,5	1,4			1,9
FIBRIA (ARACRUZ)	-0,1	-0,2			-0,3
KLABIN (PUMA)	0,5				0,5
SUZANO (IMPERATRIZ, MUCURI & MARANHAO)	-0,1		0,3		0,2
ENCE (NAVIA & PONTEVEDRA)			0,1	0,1	0,2
METSA (AANEKOSKI)	0,1				0,1
UPM (KYMI)	0,1				0,1
CMPC (GUAIBA)	-0,6	0,6			0
TAIWAN P&P and RFP (Calhoun)	-0,1				-0,1
ARAUCO (VALDIVIA)			-0,1		-0,1
APRIL (RIZHAO)					
APRIL (KERINCI)	-1,0	-1,2	-0,6	-0,6	-3,4
<b>OTHER UNEXPECTED CLOSURES / CONVERSIONS</b>	<b>-0,2</b>	<b>-0,2</b>	<b>-0,2</b>	<b>-0,2</b>	<b>-0,8</b>
<b>SURPLUS / (DEFICIT)</b>	<b>(1,1)</b>	<b>(0,6)</b>	<b>(1,7)</b>	<b>(1,9)</b>	<b>(5,3)</b>

Source: ENCE estimates

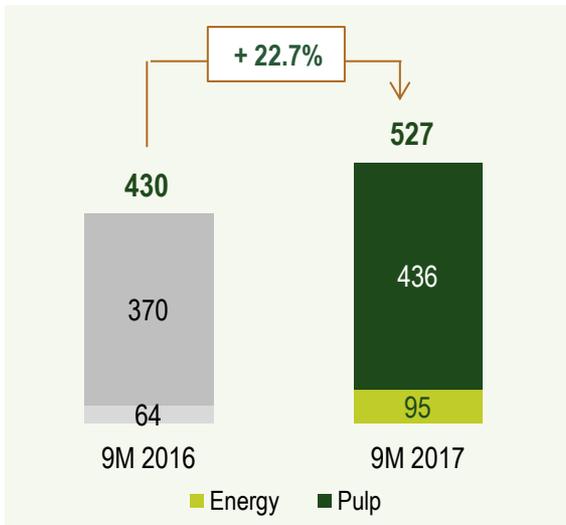
- Continued demand growth based on global tissue consumption mega-trend
- No new large project starts expected for next 3 years
- Ongoing capacity conversions to other pulp grades
- Recurring unplanned production outages

<sup>1</sup> 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

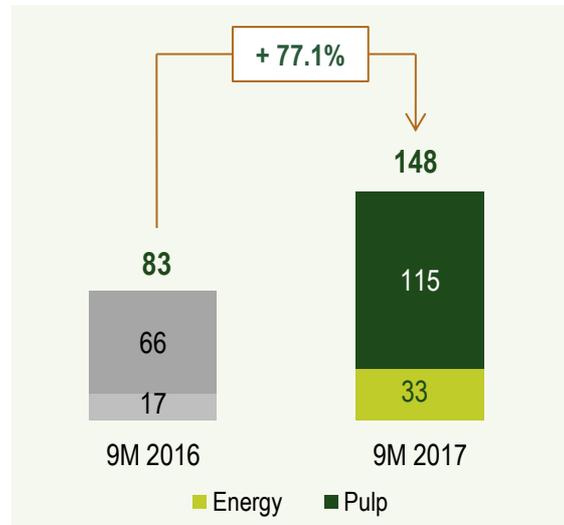
# Outstanding 9M17 Results

Due to successful Strategic Plan execution and pulp price increase

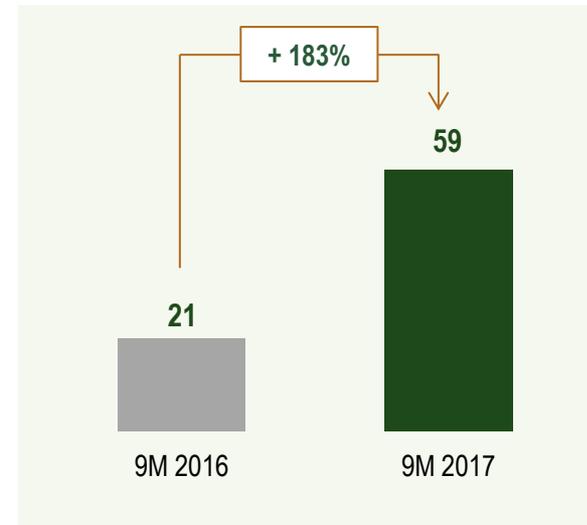
## Revenues (€/t)



## Group EBITDA (€ Mn)



## Group Net Income (€ Mn)



- 18% revenue growth in the Pulp business:
  - 8% increase in pulp volume sold
  - 7% rise in pulp net selling price
- 48% revenue growth in the Energy business:
  - 44% increase in energy volume sold following **strong M&A track record**

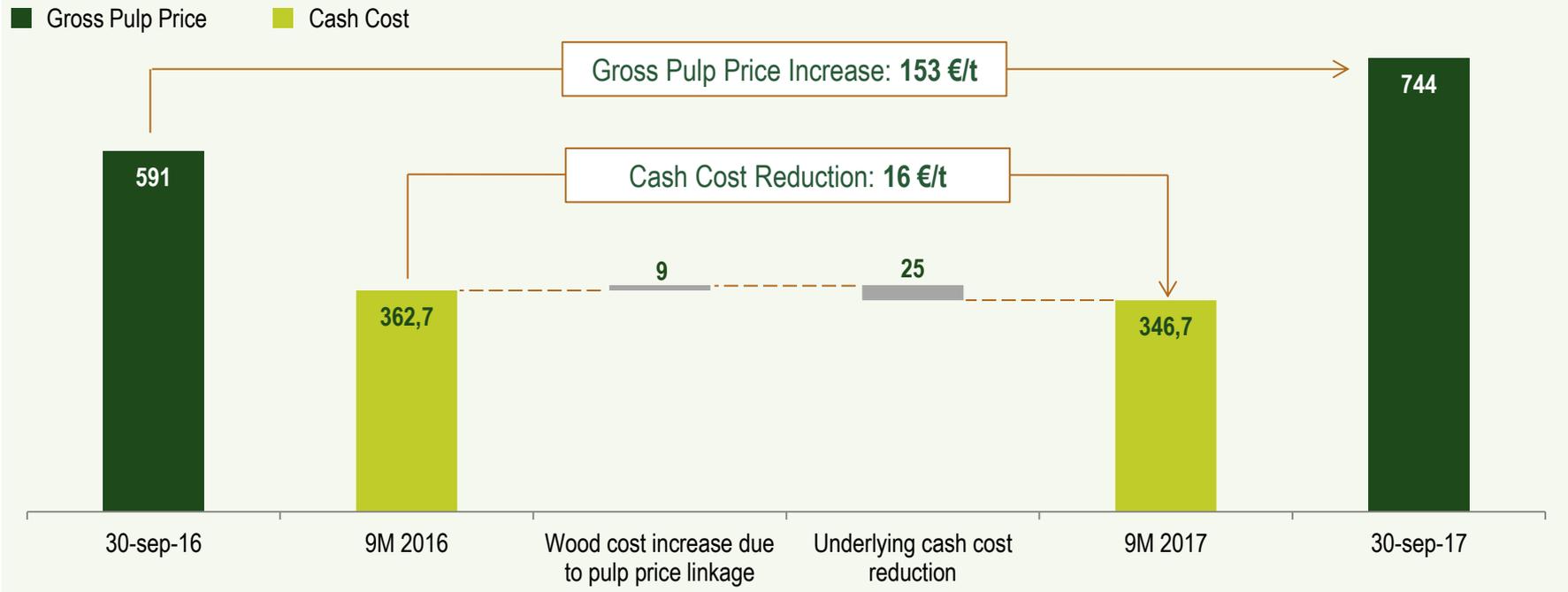
- 74% EBITDA growth in the Pulp business:
  - **16 €/t Cash Cost improvement** despite + €9/t wood cost increase
- 90% EBITDA growth in the Energy business:
  - **Successful biomass diversification**

- 183% Net income increase**

# Successful cash cost reduction in the Pulp business

Despite wood cost linkage to pulp price performance

## Gross Pulp Price Increase (€/t) & Cash Cost Reduction (€/t)



🌿 **9 €/t wood cost increase** since September 2016 due its **automatic linkage to the pulp price performance**

- Every 50 €/t pulp price step up or down 3 €/t of pulp are automatically passed through to wood suppliers

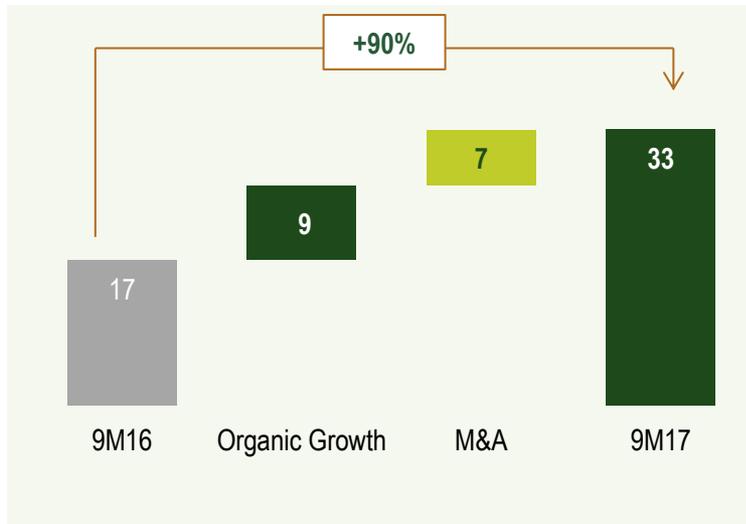
🌿 **25 €/t Cash cost reduction** in the last 12 months following:

- 40.000 t capacity expansion and efficiency investments: **13 €/t**
- Wood cost saving initiatives: **9 €/t**
- Lower corporate expenses: **2 €/t**

# Biomass diversification and M&A in the Energy business

Reaching an annualized EBITDA of over €50 Mn in 2017e

## Energy business EBITDA (€ Mn)



- 51% strong organic EBITDA growth
  - 7% increase in organic energy volume sold
  - 8% rise in average energy selling price
  - Successful biomass diversification
- 39% EBITDA growth following 53% capacity expansion in the last twelve months

## Successful M&A Track Record

### Ciudad Real 16 Mw



### Jaen 16 Mw



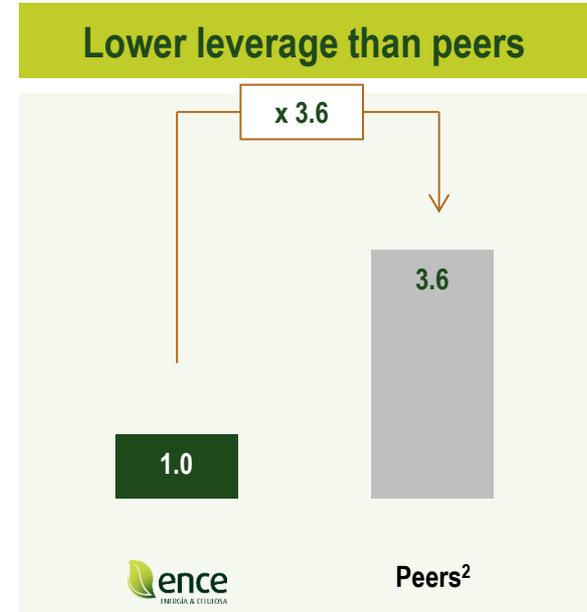
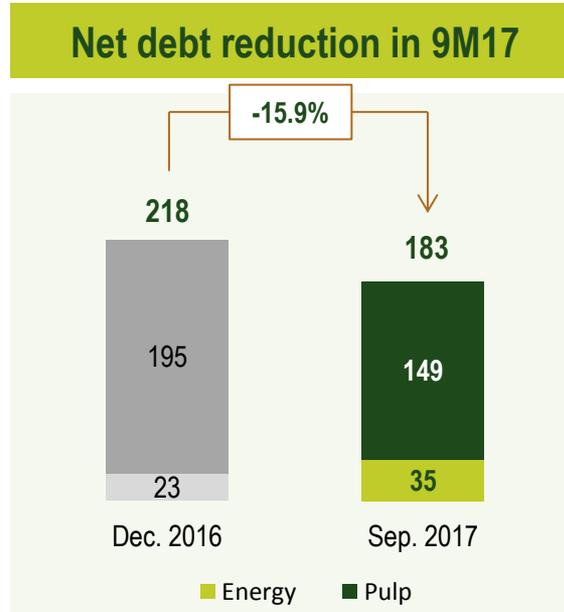
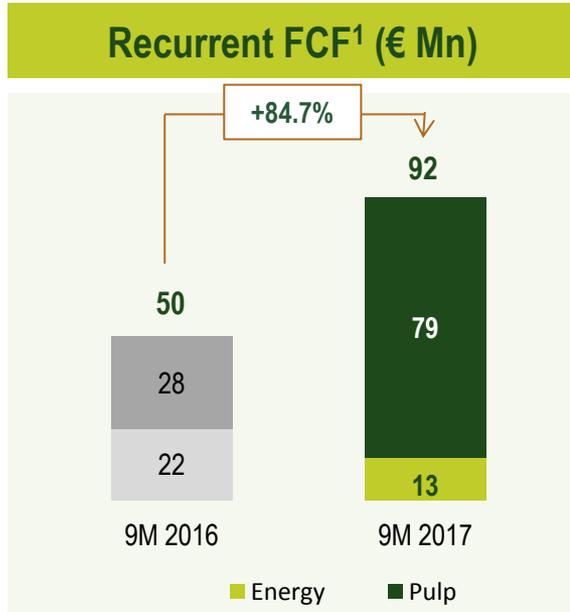
### Cordoba 27 Mw



- Acquisition date: **December 2016**
  - EV: **€34 Mn** (€22 Mn Ence stake)
  - 2016 EBITDA: €5.5 Mn
  - 2017 Expected EBITDA: **€7.5 Mn**
- 
- Acquisition date: **August 2017**
  - EV: **€29 Mn** (€26 Mn Ence stake)
  - 2016 EBITDA: €4 Mn
  - 2017 Expected EBITDA: **€5 Mn**

# Strong Free Cash Flow generation of €92 Mn

Low leverage position adds comfort to the Strategic Plan's pending investments



- Strong Recurrent Free Cash Flow generation of €92 Mn
- High EBITDA conversion into FCF: 62%

- €35Mn Net debt reduction after:
  - €24Mn dividend payment
  - €46Mn Strategic Plan investments

- Lowering leverage down to 1.0 x Net Debt / EBITDA LTM
- 3.6 x less than peer average

1) FCF before Strategic Plan investments and dividend payment

2) Average from Altri, Fibria, Suzano, Klabin, and CMPC at 2Q17

# Next steps for the Pulp business

150,000 t capacity expansion in 2018 - 2019 aiming at €22 Mn EBITDA growth

## 70,000 t capacity expansion in Pontevedra between 2018 and 2019



- During 1Q17 maintenance downtime in Pontevedra, we have prepared **30,000 t** capacity expansion that will be completed during **March 2018** annual maintenance downtime
- Additional 40,000 t** expansion in Pontevedra **between 2018 and 2019** maintenance downtimes

## 80,000 t capacity expansion in Navia between 2H18 and 1H19



- Between **winter 2018** and **spring 2019**, we will expand capacity by **80,000 t** in Navia
- Total capacity expansion will be done **with just one shutdown**

### Pulp Business Strategic Plan Summary (at 720 \$/t pulp price and 1.25 \$ exchange rate)

	2015 a	2016 a	2017e	2018e	2019e	2020e	Total
<b>Net Capex (€ Mn) <sup>2</sup></b>	-2	-1	35	41	52	-8	<b>117</b>
<b>Production sold (000, t)</b>	898	931	972	991	1,040	<b>1,120</b>	
<b>Cash cost (€/t)</b>	358	357	339	337	329	<b>325</b>	

1) €22 Mn EBITDA growth vs 2017 resulting from 150,000 t capacity expansion, under a conservative assumption of 720 \$/t pulp price and 1.25 \$ exchange rate

2) After non core forestry assets Divestment Plan

# Next steps for the Energy business

New Huelva 40 Mw power plant pushing annualized EBITDA up to €61 Mn

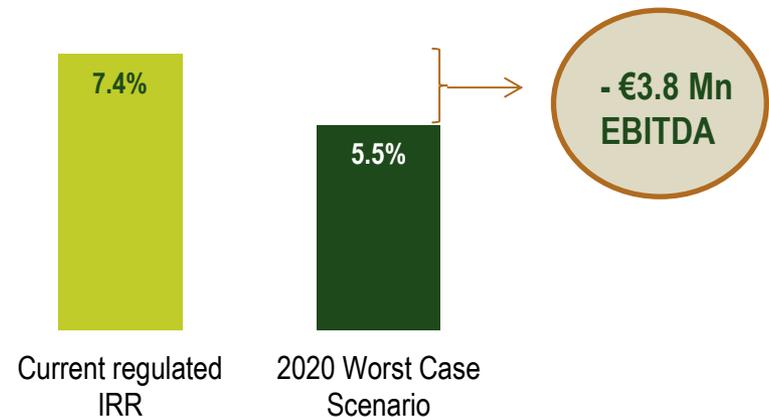
## New Huelva 40 Mw biomass power plant



- 🌿 New Huelva 40 Mw biomass power plant project on track to start up in 2H 2019
- 🌿 €11 Mn annual EBITDA target, without regulated IRR
- 🌿 EPC closed in July and early works agreed in October
- 🌿 Synergies with our 50 Mw and 41 Mw plants already operating in the same location
  - Capex: €87 Mn
  - Financing: 60%

## Low exposure to regulated IRR

- 🌿 Our worst case scenario is a regulated IRR of 5.5% from 2020 with an spread of 300 bp
- 🌿 EBITDA impact of just €3.8 Mn for our 6 operating plants and new Huelva project
- 🌿 Ongoing cost cutting initiatives to offset this impact



Currently analyzing opportunities to accelerate the Energy business growth through acquisitions in Spain and Europe to reach an EBITDA target of €78 Mn by 2020



# 9M 2017 Results

# Consolidated Key Figures

Outstanding 9M17 Results due to successful Strategic Plan execution

77% EBITDA growth in 9M17 vs 9M 2016 fueled by both Pulp and Energy businesses

74% EBITDA growth in the Pulp business driven by:

- €16/t cash cost reduction vs.9M16
- 8.4% increase in pulp sales volume
- 7.4% net pulp price recovery in 9M17

90% EBITDA growth in Energy business driven by:

- 51% strong organic growth
- 39% from new olive pulp plants acquired in the last twelve months

Strong recurrent free cash flow generation of €92 Mn

€35 Mn Net Debt reduction

P&L				
	€ Mn	9M17	9M16	% Change
<b>Revenue</b>		<b>527.4</b>	<b>429.7</b>	<b>23%</b>
Pulp Business EBITDA		114.7	66.0	74%
Energy Business EBITDA		33.0	17.4	90%
<b>Group EBITDA</b>		<b>147.7</b>	<b>83.4</b>	<b>77%</b>
EBIT		99.4	43.9	127%
<b>Net Profit</b>		<b>59.5</b>	<b>21</b>	<b>183%</b>

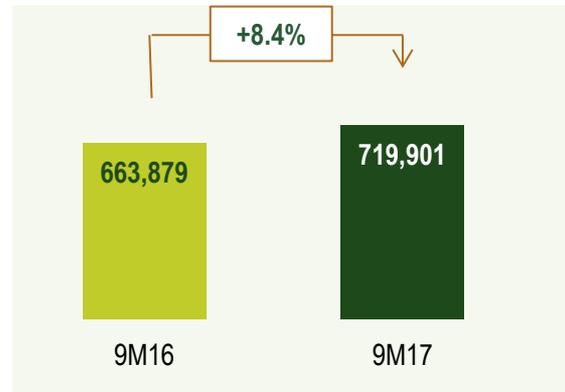
FCF				
	€ Mn	9M17	9M16	% Change
<b>Recurrent FCF</b>		<b>92.1</b>	<b>49.9</b>	<b>174%</b>
Strategic Plan Investments		46.0	35.4	30%
Divestments		3.2	24.9	(87%)
<b>FCF</b>		<b>59.5</b>	<b>45.1</b>	<b>32%</b>

Net Debt				
	€ Mn	Sep-17	Dec-16	% Change
<b>Net Financial Debt</b>		<b>183.5</b>	<b>218.3</b>	<b>(16%)</b>

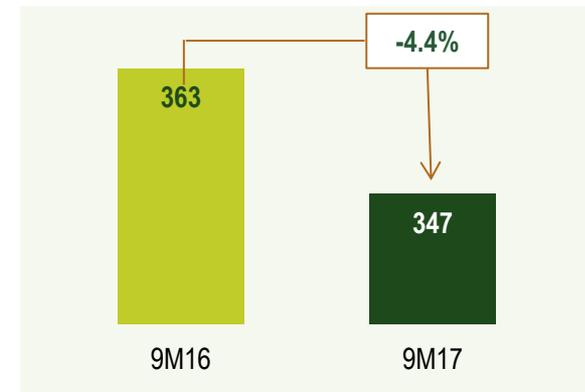
### Average net pulp price (€/t)



### Pulp sales volume (t)



### Cash cost (€/t)

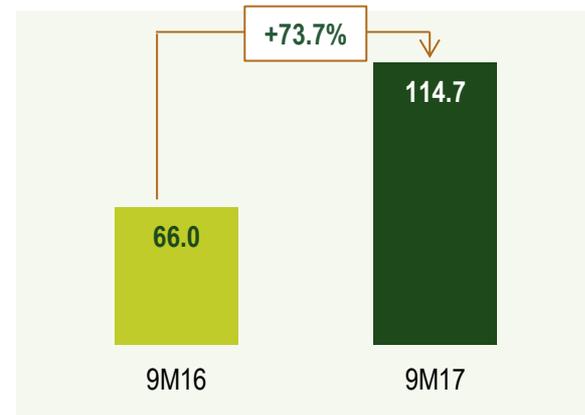


- 74% EBITDA growth driven by:
  - €16/t cash cost reduction vs.9M16
  - 8.4% increase in pulp sales volume
  - 7.4% net pulp price recovery in 9M17

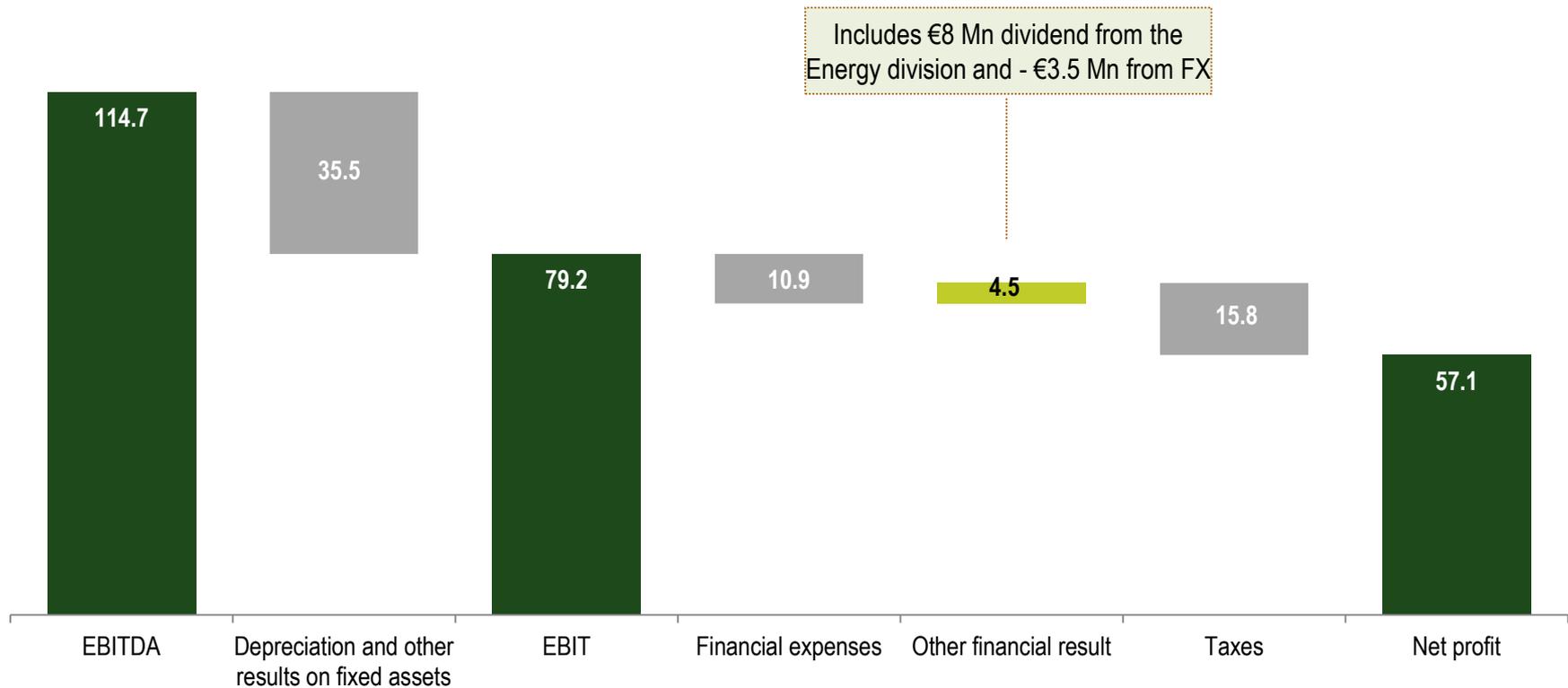
### 2017 cash cost impacted by strong pulp prices

- €9/t wood cost increase vs. 9M16 due its automatic linkage to pulp price performance

### EBITDA (€ Mn)



### 9M17 P&L Bridge (€ Mn)

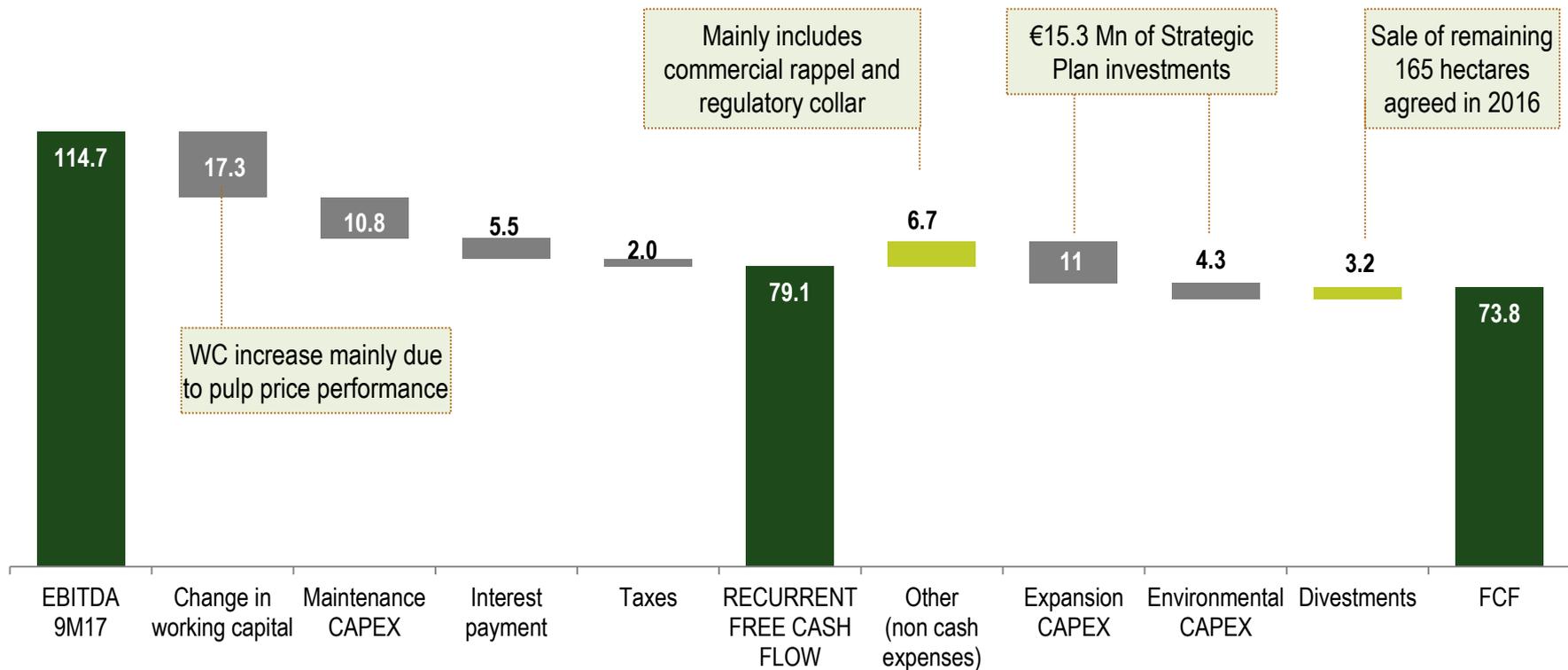


 Negligible P&L impact in 4Q17 from recent fires in the north of Spain

# Pulp Business

## Cash Flow generation

### 9M17 Cash Flow Bridge (€ Mn)



1) *Rappel: Commercial discount conditioned to reaching a certain annual pulp volume already included in the P&L*

2) *Regulatory collar: Adjustment derived from the deviation between the electricity price limits set by the Regulator and the real electricity price already included in the P&L*

# Ongoing FX hedging program

To mitigate FX volatility on the Pulp business

## Dollar/Euro Exchange Rate Evolution



## Current Hedges

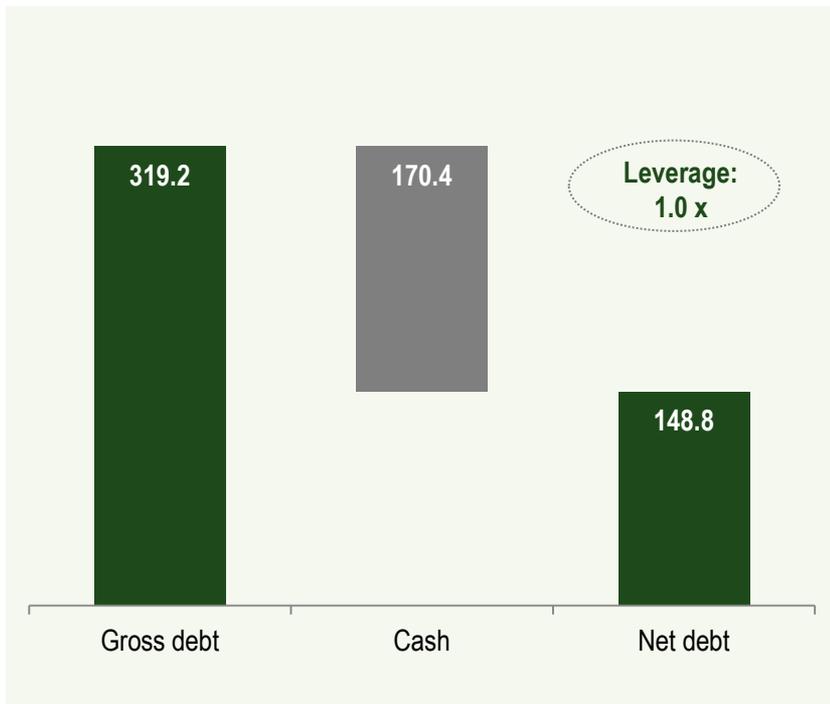
- 4T17: 68% revenues
  - Avg. cap: \$ 1.15 €
  - Avg. floor: \$ 1.09 €
- 1H18: 55% revenues:
  - Avg. cap: \$ 1.16 €
  - Avg. floor: \$ 1.08 €
- 2H18 : 46% revenues:
  - Avg. cap: \$ 1.14 €
  - Avg. floor: \$ 1.09 €

Ence has secured an average cap of \$1.15/€ for >50% of its dollar exposure until Dec. 2018

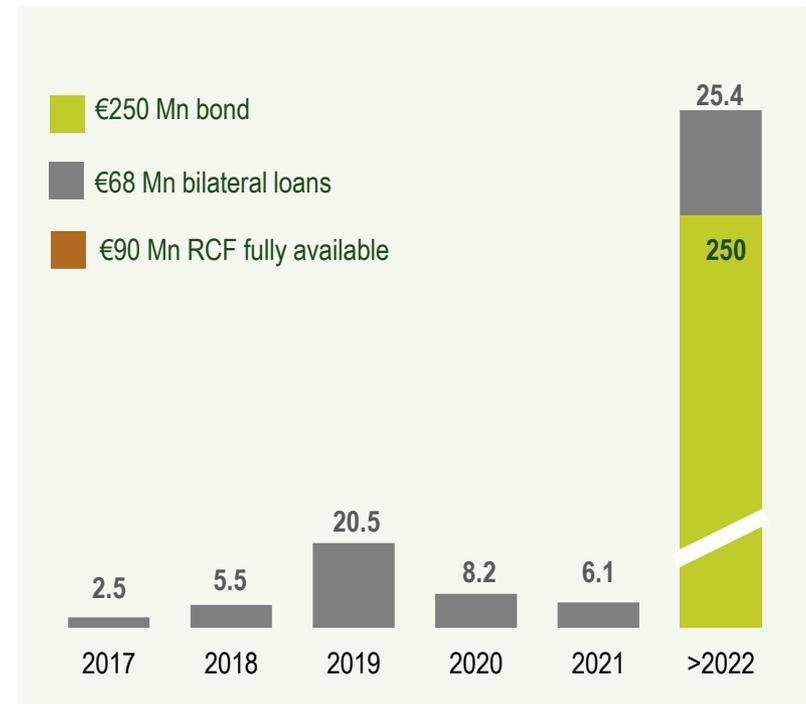
# Pulp Business

Solid balance sheet and strong liquidity

## Leverage as of September 2017 (€ Mn)



## Debt maturity calendar (€ Mn)



🌿 Pulp business leverage at 1x Net Debt / EBITDA as of September 2017

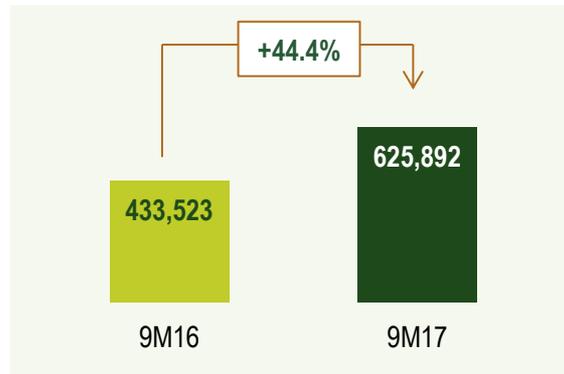
# Energy Business

## Operating performance

### Average selling price (€/MWh)



### Energy volume (MWh)



### Revenues (€ Mn)



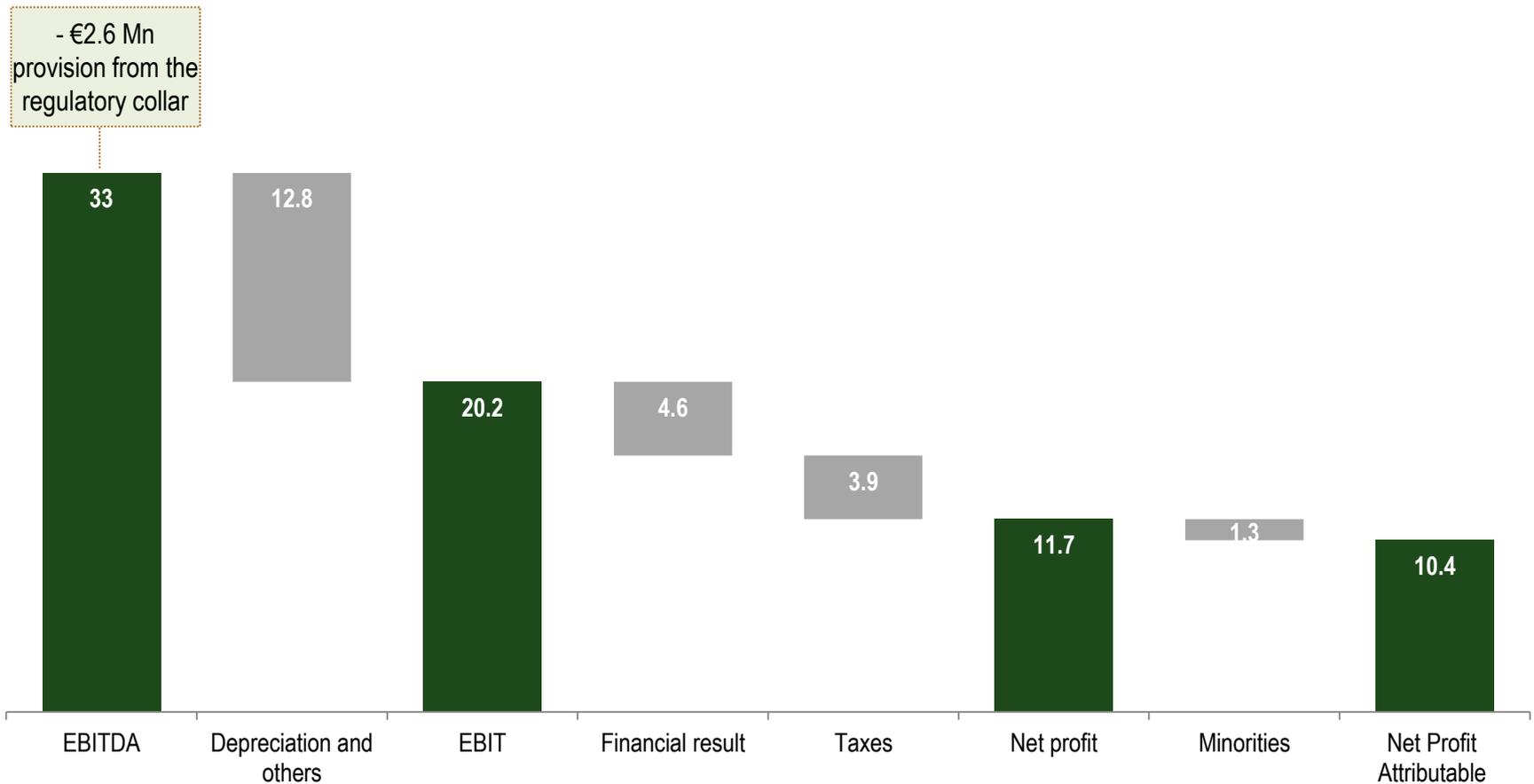
- 🌿 **51.3% strong organic EBITDA growth** driven by:
  - 7.4% organic energy volume
  - 8.1% average selling price due to higher pool prices
  - 10.2% biomass cost reduction
- 🌿 **38.5% EBITDA growth from new olive pulp plants** acquired in the last twelve months
- 🌿 On track to reach an **annualized EBITDA** of over €50 Mn in 2017

### EBITDA (€ Mn)

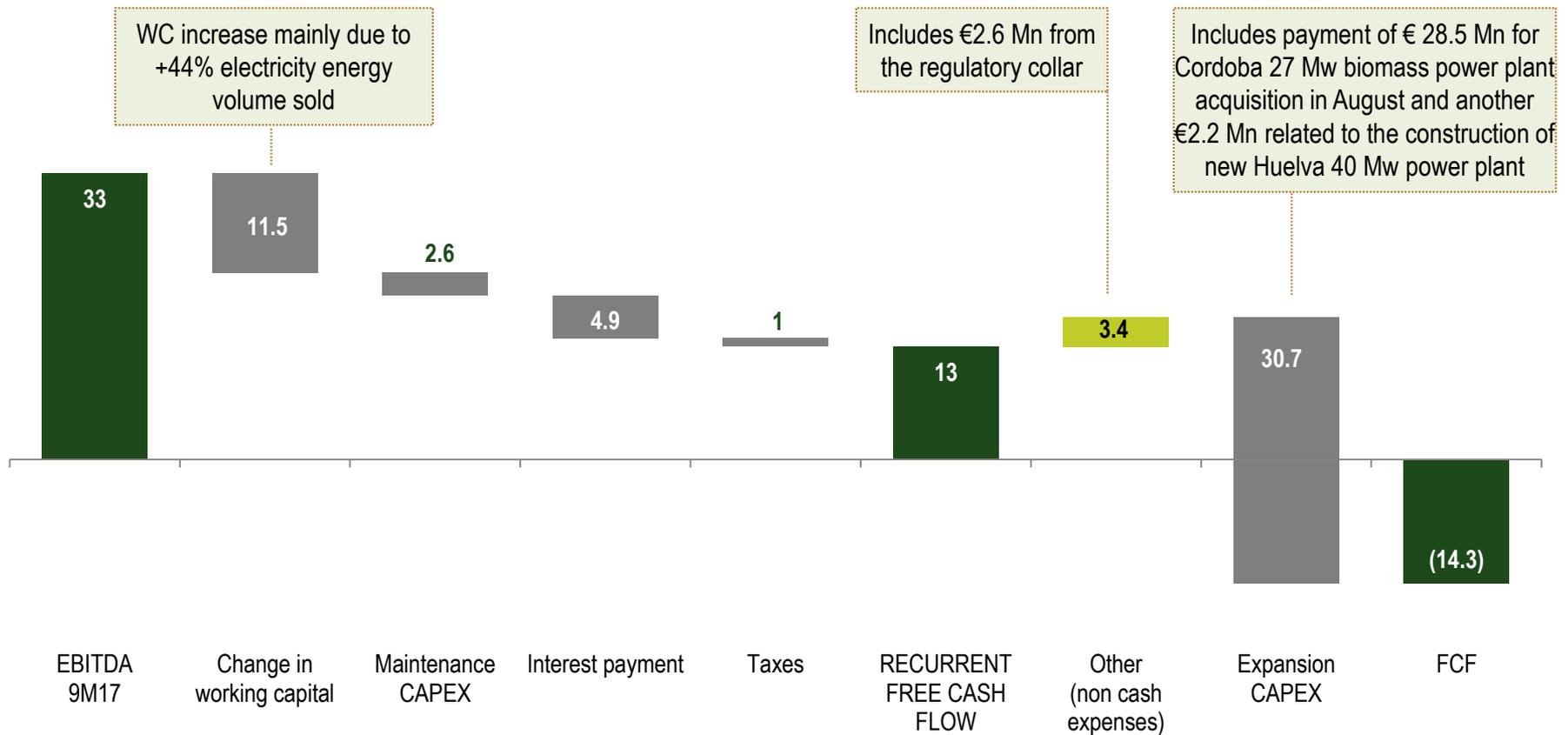


Note: In 2016 the adjustment derived from the deviation between the electricity price limits set by the Regulator and the real electricity price (regulatory collar) was recognized in the P&L in 4Q16. If adjusted monthly, the average revenues in 9M16 would have increased by €2.9 Mn.

### 9M17 P&L Bridge (€ Mn)



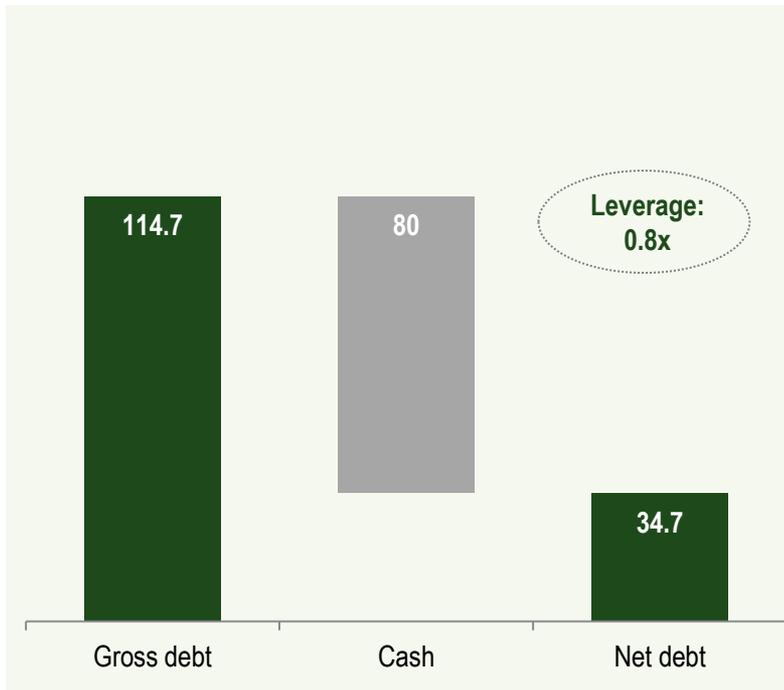
### 9M17 Cash Flow Bridge (€ Mn)



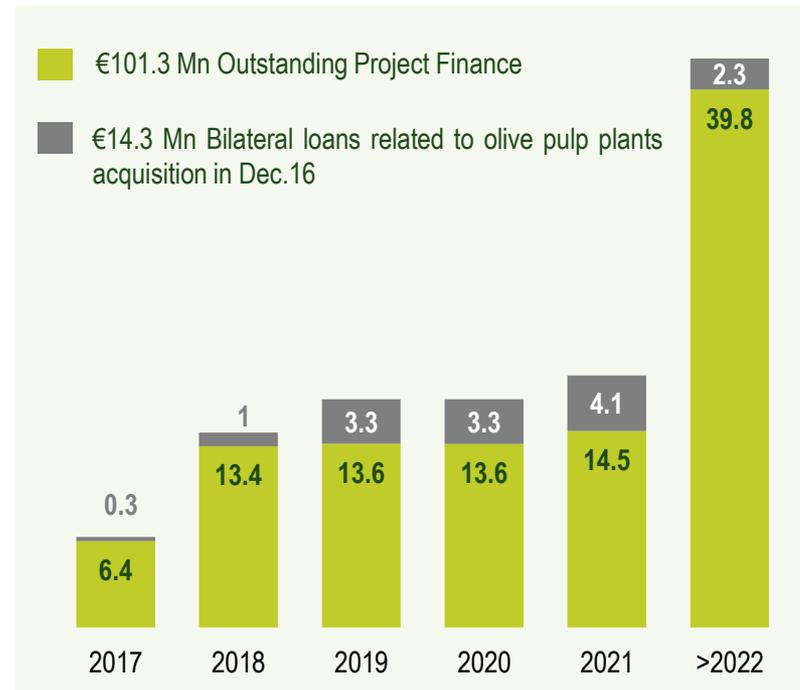
# Energy Business

Solid balance sheet and strong liquidity

## Leverage as of September 2017 (€ Mn)



## Debt maturity calendar (€ Mn)



🌿 Energy business leverage at 0.8x Net Debt / EBITDA as of September 2017



# Closing Remarks

- 🌿 Outstanding 9M17 results due to **successful Strategic Plan execution** and pulp price increase
- 🌿 Over **€210 Mn EBITDA** expected for **FY2017** following last price increases
- 🌿 **Next steps** in the Strategic Plan execution aiming at **€33 Mn EBITDA growth**
  - €22 Mn<sup>1</sup> resulting from **150,000 t capacity increase** during 2018 – 2029 in the Pulp business
  - €11 Mn from **new Huelva 40 MW plant** on track to start up in 2H19
- 🌿 **Upside potential** from positive outlook for **pulp prices** both in the **short** and **long term**

1) €22 Mn EBITDA growth vs 2017 resulting from 150,000 t capacity expansion, under a conservative assumption of 720 \$/t pulp price and 1.25 \$ exchange rate



# Delivering value, delivering commitments