



FY 2017 Results

February 21st 2018

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Highlights

Highlights FY 2017 Results

Upside potential for pulp prices

- **Demand:** Strong growth fueled by tissue consumption globally & increasing environmental standards in Asia
- **Supply:** No large capacity increases before 2021
- Additional pulp price increases up to **\$ 1.030 / t** for February

Outstanding 2017 results, due to Strategic Plan execution & pulp price increases

- **72% EBITDA** growth and **139% Net Income** growth vs. 2016
- Normalized **free cash flow** generation of **€147 Mn** and **€65 Mn Net Debt reduction**
- **Pulp** business: **7 €/t cash cost reduction** to **349.6 €/t**, despite 12 €/t wood cost increase linked to PIX pulp price performance
- **Energy** business: **Successful M&A** & biomass diversification, to reach an annualized **EBITDA** of **€50 Mn**

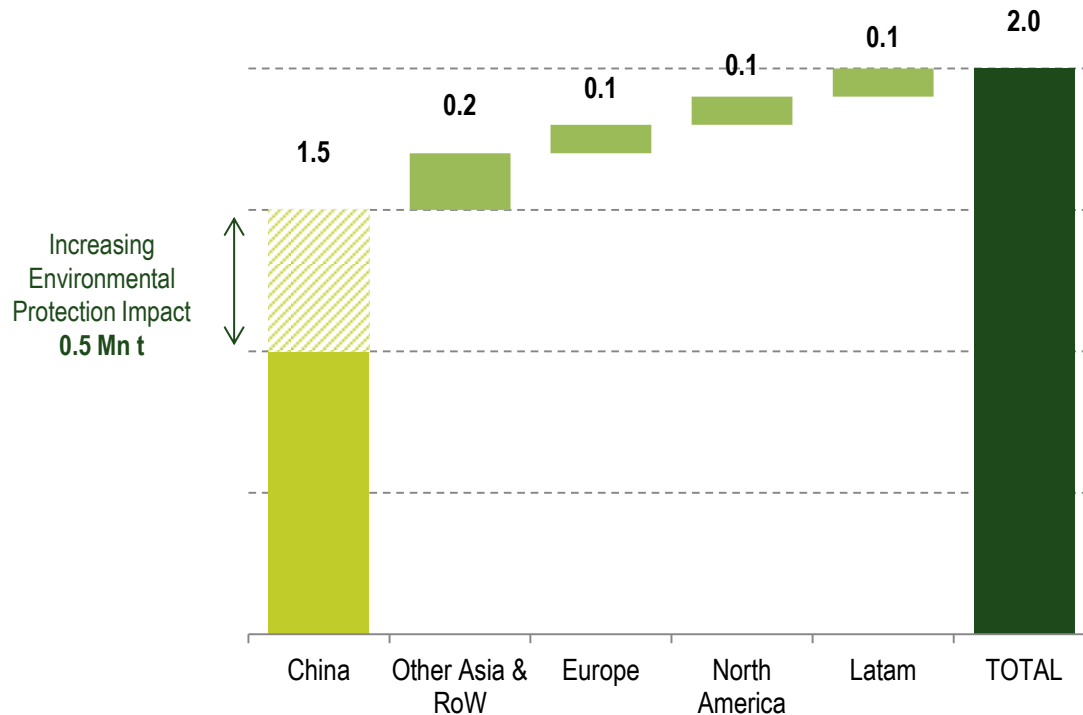
Speeding up Strategic Plan's pending investments

- **Pulp capacity increase** of **150k t** during 2018 & 2019, in Navia & Pontevedra, to achieve pulp sales of **1.120.000 t** in 2020
- **New Huelva 40 Mw** biomass power plant to start up in Dec. 2019 and further biomass diversification, pushing annualized EBITDA of the Energy business up to over **€70 Mn**
- Maintaining an attractive shareholder remuneration (**50% dividend pay-out**) and a low leverage ratio to ensure Strategic Plan pending investments

Strong demand growth

Fueled by tissue consumption and increasing environmental standards in China

Expected BHKP global demand growth in 2018 (Mn t)



Source: ENCE estimates

Global BHKP demand growth in 2018 should be driven by all regions

- Widespread global demand growth based on tissue consumption megatrend
- Synchronized global growth momentum

Virgin pulp demand growth in China should accelerate with increasing environmental protection

- Ongoing substitution of high polluting paper mills based on non wood pulp and recovered paper
- Ban of mixed recovered paper (MRP) imports from 2018
- Limits to recovered paper import quotas

No large capacity increases expected in the industry

Implies a tighter market during the next three years

Expected Annual Increase for Global Market Hardwood Supply and Demand (Mn t)¹

Mn t	2017	2018	2017-18	2019	2017-19	2020	2017-20
ESTIMATED BHKP DEMAND INCREASE	1.6	2.0	3.6	1.4	5.0	1.4	6.4
CHINA	1.0	1.0	2.0	1.0	3.0	1.0	4.0
Increasing Environmental Protection Impact	0.4	0.5	0.9	0.0	0.9	0.0	0.9
OTHER ASIA / AFRICA / OCEANIA / MIDDLE EAST	0.2	0.2	0.4	0.2	0.6	0.2	0.8
EUROPE	0.0	0.1	0.1	0.1	0.2	0.1	0.3
NORTH AMERICA	0.0	0.1	0.1	0.0	0.1	0.0	0.1
LATIN AMERICA	0.0	0.1	0.1	0.1	0.2	0.1	0.3
ESTIMATED BHKP SUPPLY INCREASE	0.2	1.4	1.6	0.4	2.0	(0.7)	1.3
APP (OKI)	1.0	0.6	1.6	0.4	2.0	0.2	2.2
FIBRIA (TRES LAGOAS)	0.5	1.3	1.8	0.1	1.9		1.9
FIBRIA (ARACRUZ)	-0.1	-0.3	-0.4		-0.4		-0.4
KLABIN (PUMA)	0.5		0.5		0.5		0.5
SUZANO (IMPERATRIZ, MUCURI & MARANHAO)	-0.1		-0.1	0.3	0.2		0.2
ENCE (NAVIA & PONTEVEDRA)			0.0	0.1	0.1	0.1	0.2
METSA (AANEKOSKI)	0.1		0.1		0.1		0.1
UPM (KYMI)		0.1	0.1		0.1		0.1
SVETLOGORSK (BELARUS)		0.1	0.1		0.1		0.1
CMPC (GUAIBA)	-0.6	0.6	0		0		0
TAIWAN P&P and RFP (Calhoun)	-0.1		-0.1		-0.1		-0.1
ARAUCO (VALDIVIA)			0	-0.1	-0.1	-0.1	-0.2
APRIL (KERINCI)	-0.2	-0.4	-0.6	0.2	-0.4	-0.2	-0.6
APRIL (RIZHAO)	-0.6	-0.4	-1.0	-0.4	-1.4	-0.4	-1.8
OTHER UNEXPECTED CLOSURES / CONVERSIONS	-0.2	-0.2	-0.4	-0.2	-0.6	-0.2	-0.8
SURPLUS / (DEFICIT)	(1.4)	(0.6)	(2.0)	(1.0)	(3.0)	(2.1)	(5.1)

Source: ENCE estimates

OKI mill operating at 60% of its capacity

- Due to the breakdown of power turbines in December

Kerinci mill operating at 70% of its capacity

- Affected by new peatland protection policies in Indonesia

Ongoing capacity conversions to Dissolving Pulp

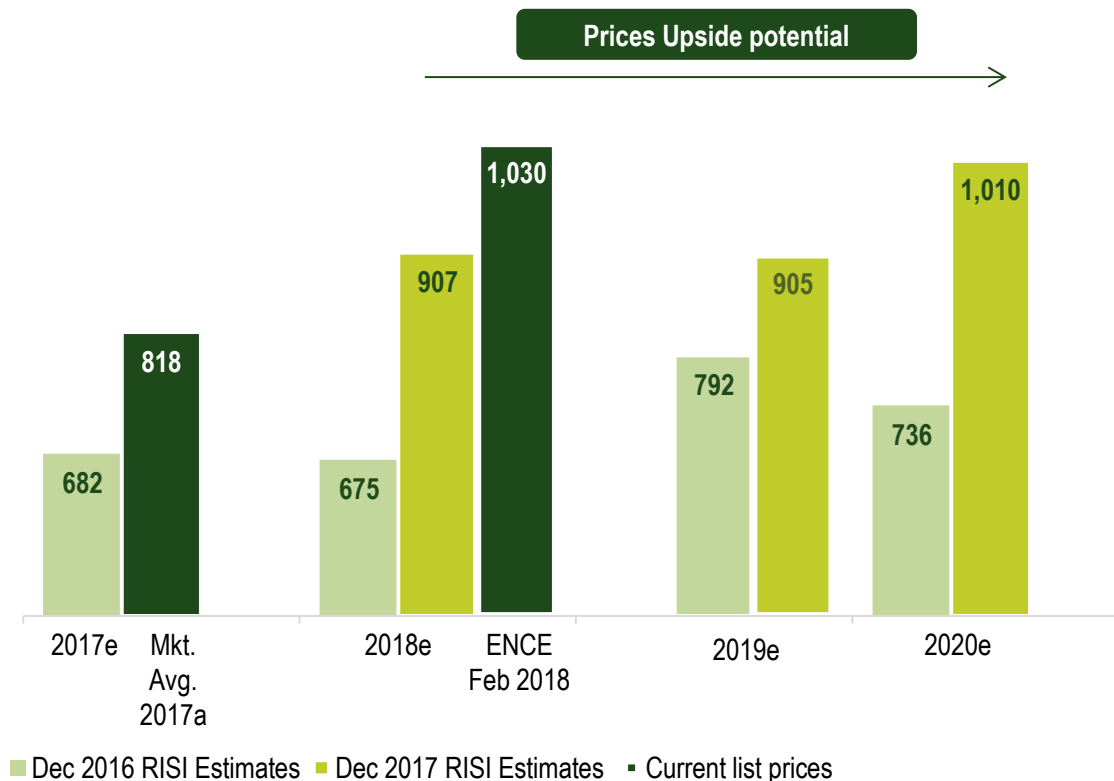
Recurring unplanned production outages

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

Upside potential for pulp prices

Short and long term

RISI's European Average BHKP Pulp Price Estimates (\$/t) as of December



Market estimates for future pulp prices evolved positively along FY2017

Additional pulp price increases up to \$ 1,030 / t for February

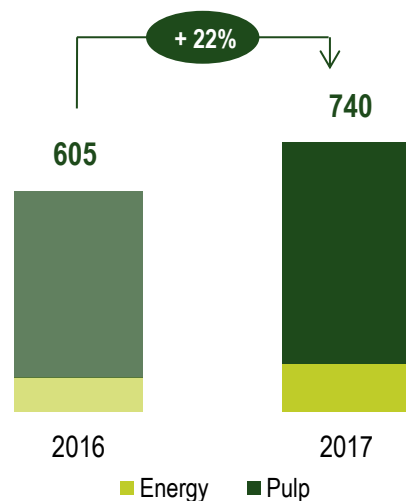
- Low pulp inventories across the value chain
- 12 Latin American pulp mills to take scheduled downtime in 1H18
- Strong demand growth
- Limited supply from Indonesian pulp mills

Source: RISI estimates (December 2016 & 2017), ENCE

Outstanding FY2017 Results

Due to successful Strategic Plan execution and pulp price increase

Revenues (€ Mn)



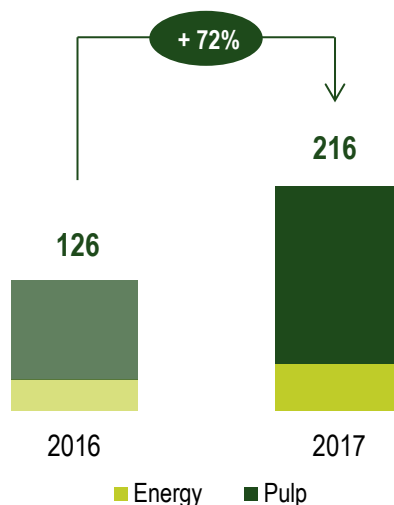
19% revenue growth in the Pulp business

- 6% increase in pulp volume sold
- 14% rise in pulp net selling price

39% revenue growth in the Energy business

- Strong M&A track record at attractive multiples

Group EBITDA (€ Mn)



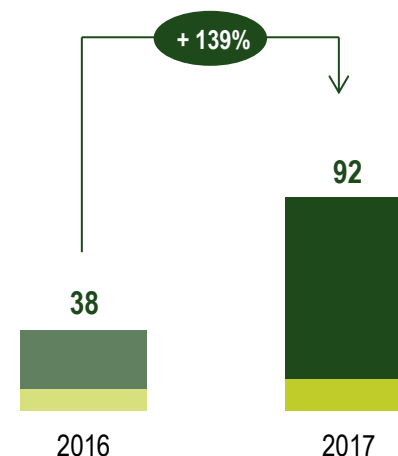
79% EBITDA growth in the Pulp business

- 7 €/t Cash Cost improvement despite €12/t wood cost increase

51% EBITDA growth in the Energy business:

- Successful biomass diversification

Group Net Income (€ Mn)



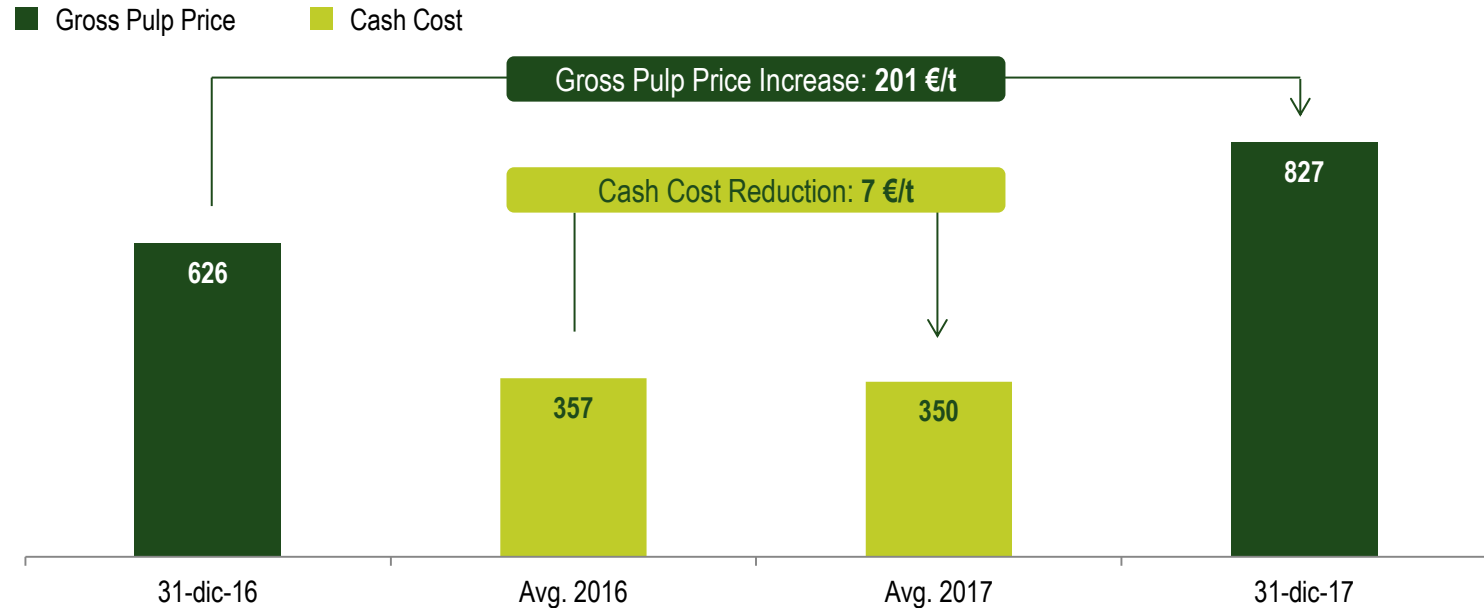
139% Net income increase

- EPS increase from 0.15 to 0.37 €/share, **142% growth**, including the amortization of 4 million shares

Increasing margins in the Pulp Business

Cash cost reduction despite wood cost linkage to pulp price performance

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



12 €/t wood cost increase since December 2016 due its automatic linkage to pulp price performance

- Every 50 €/t pulp prices movement causes a 3 €/t cash cost equivalent that is fed through to wood suppliers

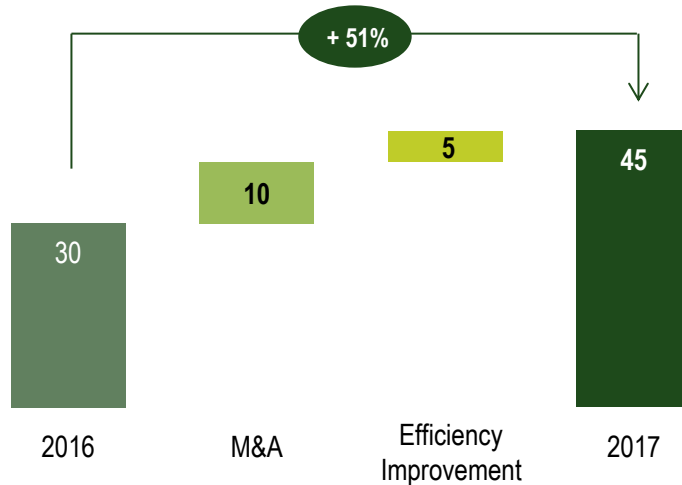
7 €/t Avg. Cash cost reduction in 2017

- 40,000 t capacity expansion and efficiency investments
- Wood cost saving initiatives largely offset automatic wood price increases

Improved Energy Business

Successful M&A and biomass diversification

Energy Business EBITDA (€ Mn)



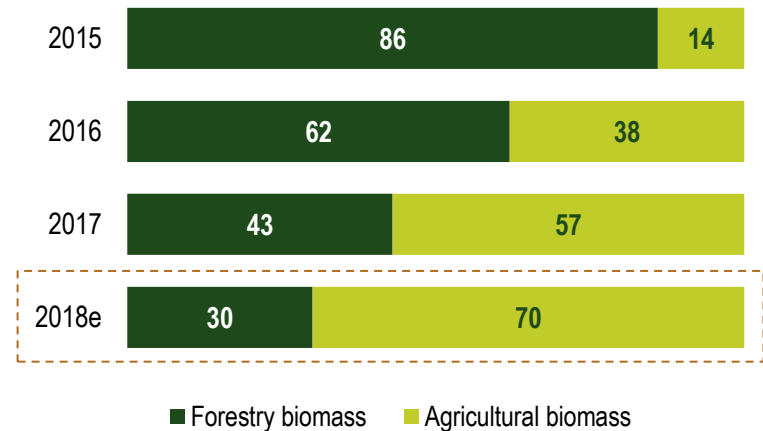
33% EBITDA growth

- following 53% capacity expansion in the last twelve months

17% organic EBITDA growth

- Due to successful biomass diversification

Biomass Diversification



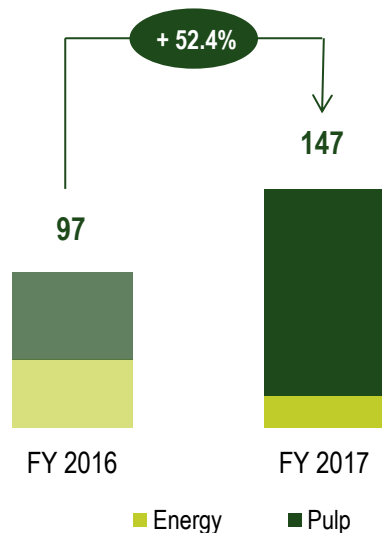
Diversification to agricultural byproducts multiplies biomass availability and reduces its cost

- 10% biomass cost reduction in FY2017

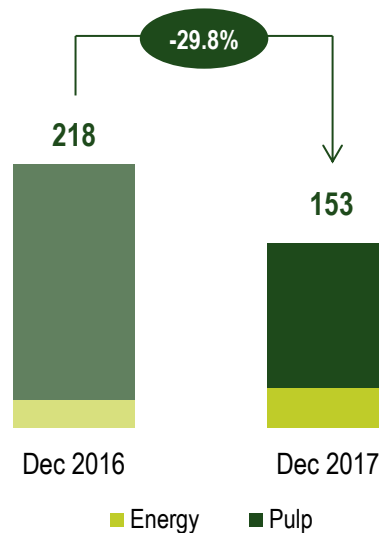
Strong Free Cash Flow and Net Debt reduction

Allowing us to speed up Strategic Plan's pending investments

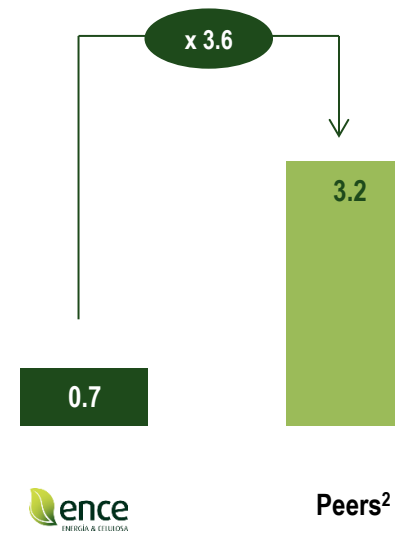
Normalized FCF¹ (€ Mn)



Net Debt Reduction in FY2017



Lower Leverage than Peers



Strong Normalized Free Cash Flow generation of €147 Mn

- High EBITDA conversion into FCF: 68%

€65Mn Net debt reduction after

- € 40 Mn dividend payment
- € 62 Mn Strategic Plan investments

Reducing leverage multiple

- Financial leverage down to **0.7 x Net Debt / EBITDA LTM**
- 3.6 x less than peer average

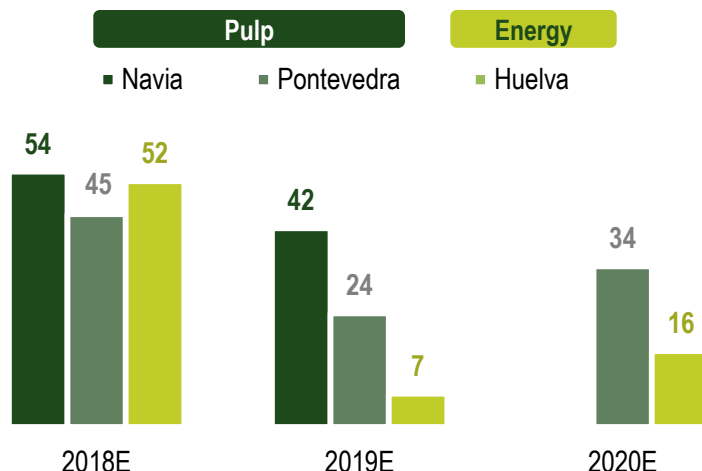
1. FCF before Strategic Plan investments, divestments & dividend payment

2. Average from Altri (Sep 17), Fibria (Dec 17), Suzano (Dec 17), Klabin (Dec 17), and CMPC (Sep 17)

Speeding up Strategic Plan's pending investments

Navia & Pontevedra Capacity expansions and new Huelva 40 Mw power plant

Investment Plan (€ Mn) ¹



Pulp Business Strategic Plan Summary

(at 720 \$/t pulp price and 1.25 \$ exchange rate)

	2018e	2019e	2020e
Divestments (€ Mn)	30	30	35
Net Capex (€ Mn) ²	69	36	-1
Production sold (000, t)	991	1,040	1,120
Cash cost (€/t)	337	329	325

Next Steps

March 18	30,000 t	Pontevedra	PULP
March 19	40,000 t	Pontevedra	
April 19	80,000 t	Navia	
Dec. 19	40 Mw	Huelva	ENERGY
Analyzing further acquisition opportunities to reach an EBITDA target of €78 Mn by 2020			

Energy Business Strategic Plan Summary

(assuming 2017 electricity price levels)

	2018e	2019e	2020e
Capex (€ Mn) ²	52	7	16
Production sold (MWh)	1,000,000	1,000,000	1,260,000
EBITDA Exp. (€ Mn)	55	60	71

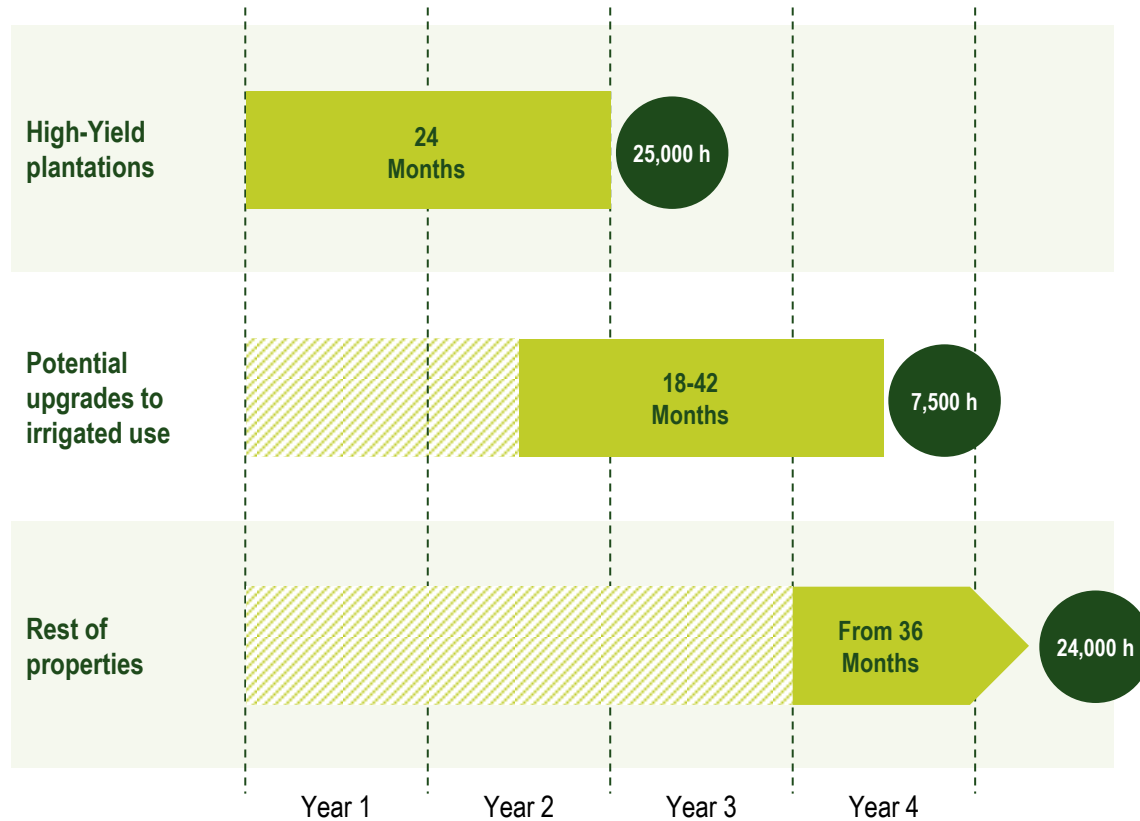
1. Before further acquisitions in the Energy business

2. After non core forestry assets Divestment Plan

Forestry Divestment Plan

Monetizing 56,500 hectares of non core eucalyptus plantations

56,500 Hectares of Eucalyptus Plantations in Southern Spain with a Book Value of €125 Mn



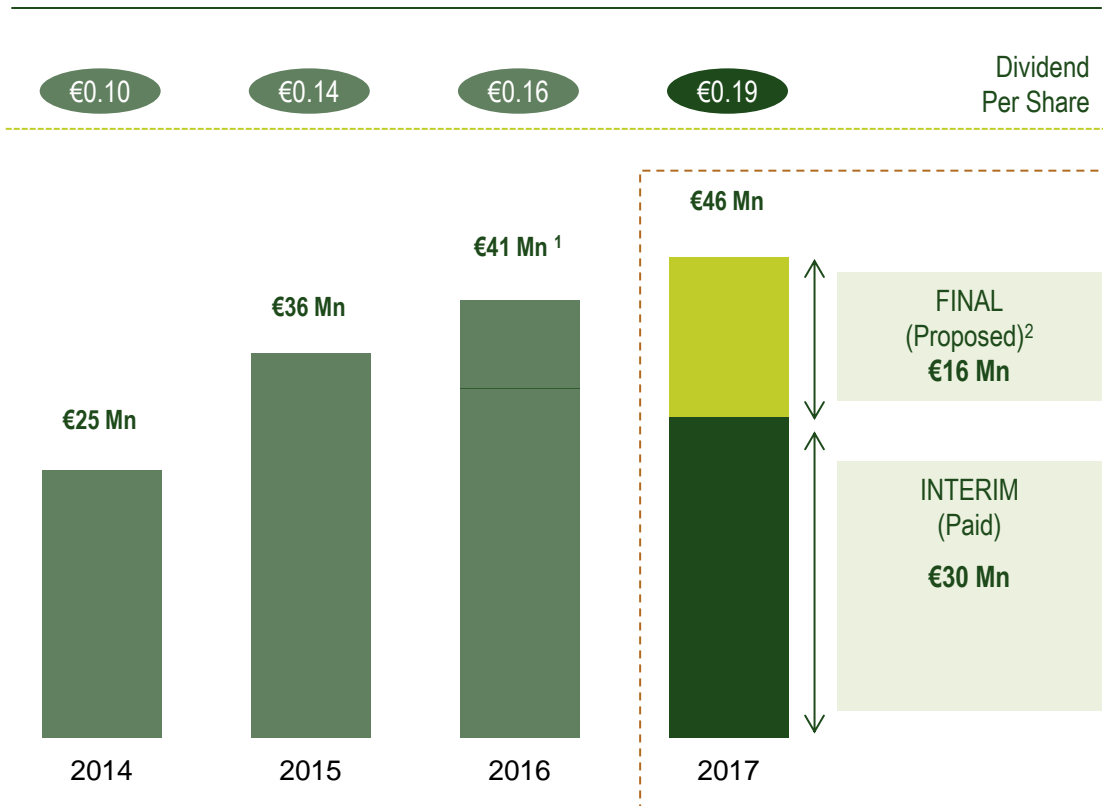
Dedicated team for the monetization of this assets



Maintaining an attractive shareholder remuneration

50% dividend pay-out policy as from 2017

Annual Accrued Dividends (€ Mn)



Dividend Policy

50%

Payout

3

Payments

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

The Board of Directors has proposed a final dividend of 0.066 €/share, equivalent to €16 Mn, to be approved by the AGM on March 22nd 2018

1. Includes share buyback program
2. To be approved by the AGM

Environmental excellence

Improving all environmental parameters beyond highest regulatory standards



Wood Certification

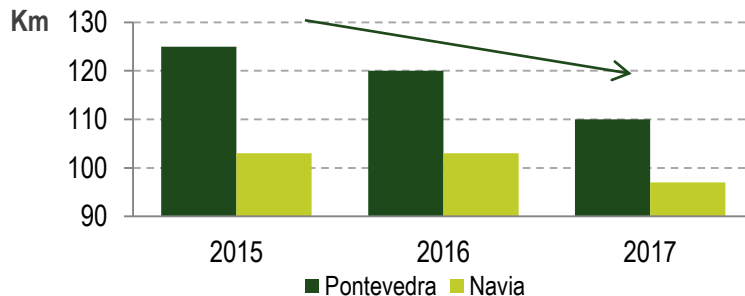
Double-Certified entries in Navia 85%

Double-Certified entries in Pontevedra 77%

Wood Purchases



Avg. Supply Distance



Biomass Sustainability

Ence has been a pioneer with its 10-point declaration guaranteeing its commitment with the sustainability of biomass as a fuel.

Odorous Impact

Pontevedra

45%

Odorous Impact Index Improvement vs FY16

Navia

73%

Odorous Impact Index Improvement vs FY16

Due to the expansion of the installation for diluted odorous gases treatment

Liquid Effluents

✓ All of effluents improve the established limits by more than 50%

Atmospheric Effluents

✓ All plants fully comply with the limits established by the regulation

Noise Impact

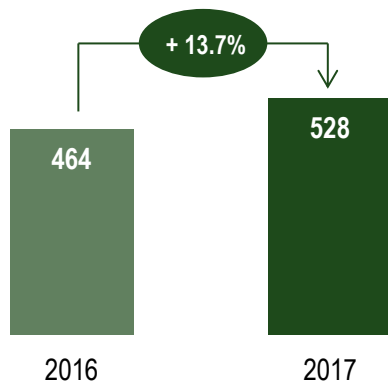
✓ Environmental Noise Reduction Plan
Attenuation of noise generating points greater than 15 dBA

Our plants exceed all values set in the regulation

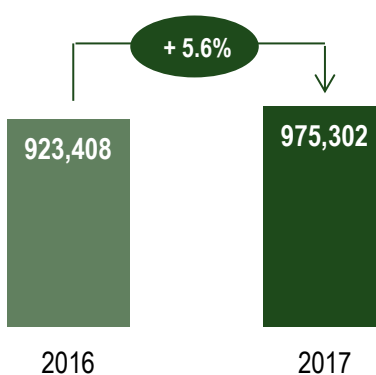


FY 2017 Results by Business

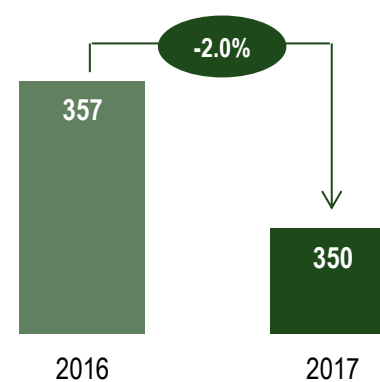
Avg. Net Pulp Price (€/t)



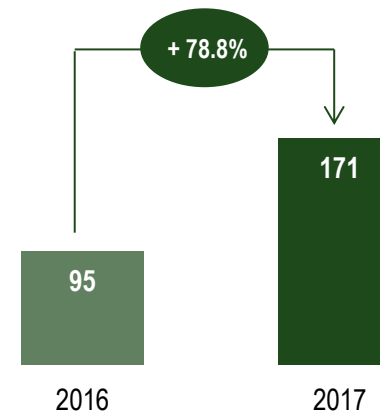
Pulp Sales Volume (t)



Avg. Cash Cost (€/t)



EBITDA (€ Mn)



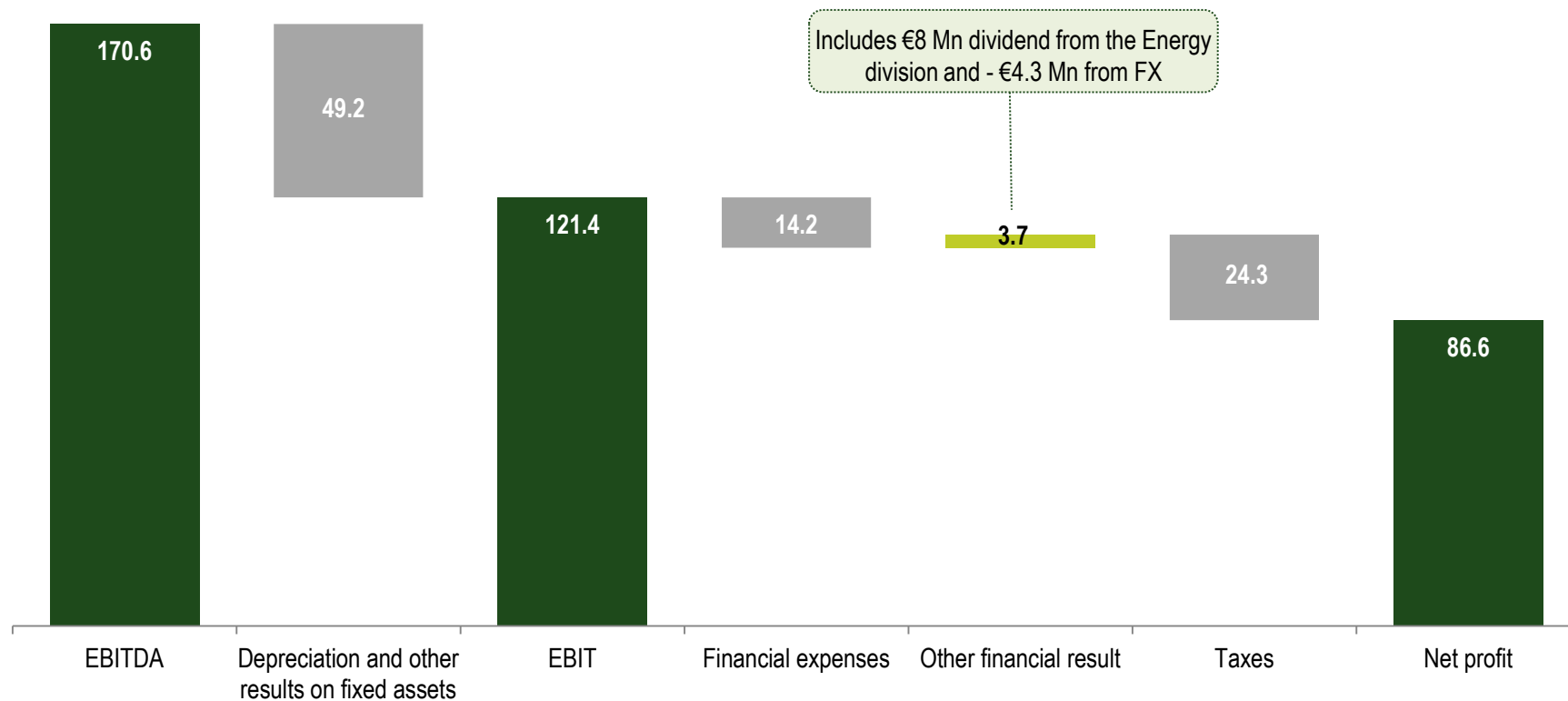
79% EBITDA growth driven by:

- 13.7% net pulp price recovery in 2017
- 5.6% increase in pulp sales volume
- €7/t cash cost reduction, impacted by Wood Cash Cost increase

Cash cost impacted by strong pulp prices

- €12/t wood cost increase since December 2016 due its automatic linkage to pulp price performance

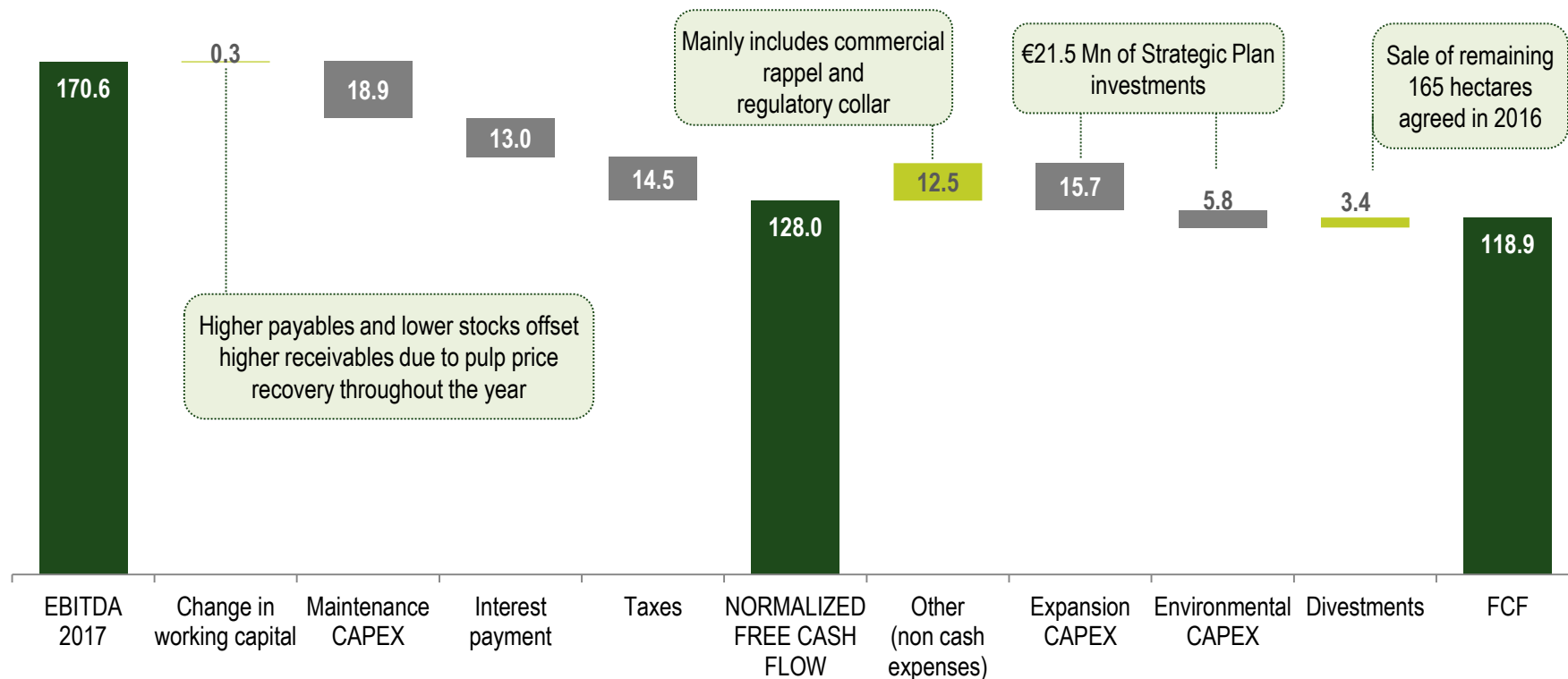
2017 P&L Bridge (€ Mn)



Pulp Business

Cash Flow generation

2017 Cash Flow Bridge (€ Mn)



19 Mn€ lower Strategic Plan investments in 2017 to be recouped in 2018

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 in the Pulp Business

Dollar/Euro Exchange Rate Evolution



Current Hedges

1H18: 50% revenues

- Avg. cap: \$ 1.17€
- Avg. floor: \$ 1.10 €

2H18: 50% revenues

- Avg. cap: \$ 1.16 €
- Avg. floor: \$ 1.11 €

1T19 : 23% revenues

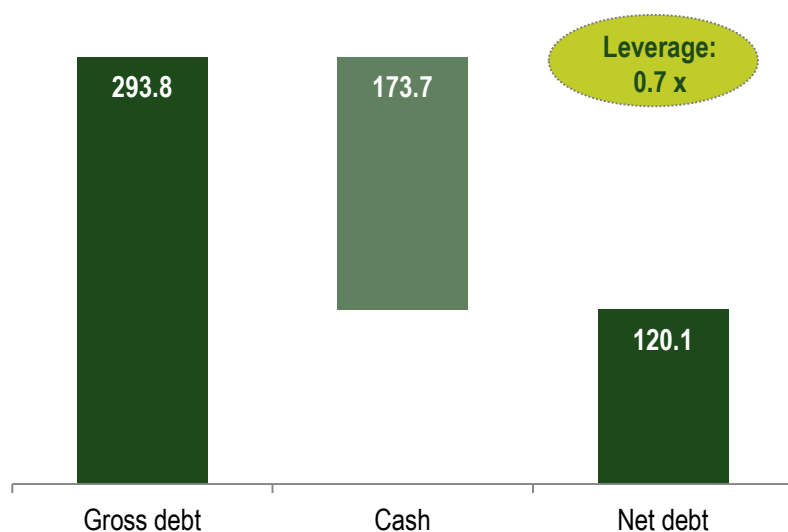
- Avg. cap: \$ 1.16 €
- Avg. floor: \$ 1.13 €

Ence has secured an average cap of \$1.16/€ for >50% of its dollar exposure until Dec. 2018

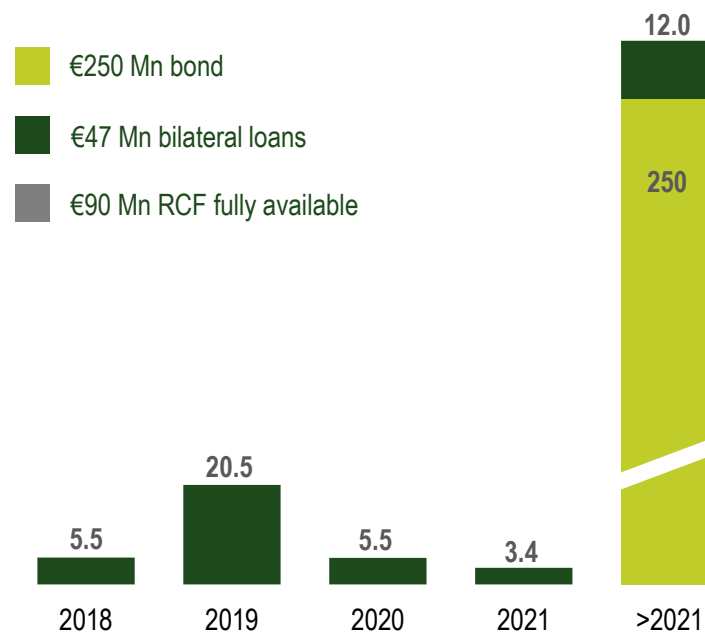
Pulp Business

Solid balance sheet and strong liquidity

Leverage as of December 2017 (€ Mn)

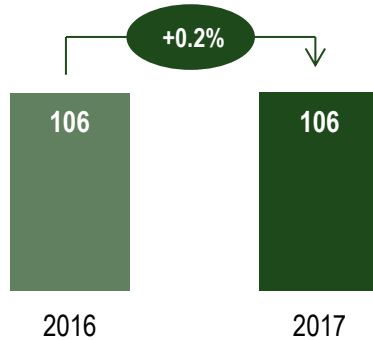


Debt Maturity Calendar (€ Mn)

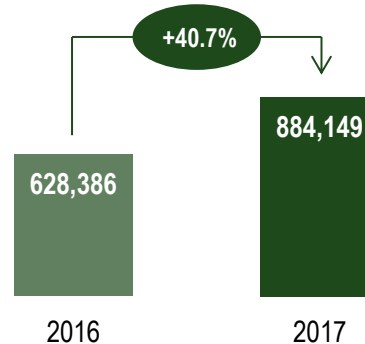


Pulp business leverage at 0.7x Net Debt / EBITDA as of December 2017

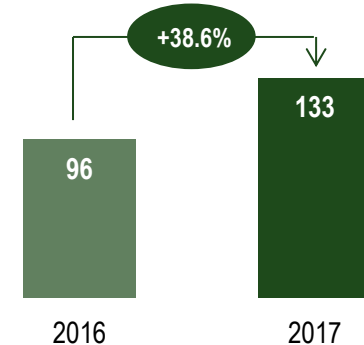
Avg. Selling Price (€/MWh)



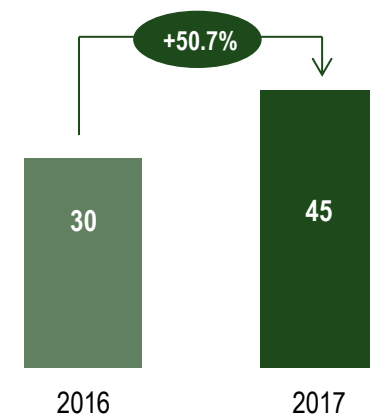
Energy Volume (MWh)



Revenues (€ Mn)



EBITDA (€ Mn)



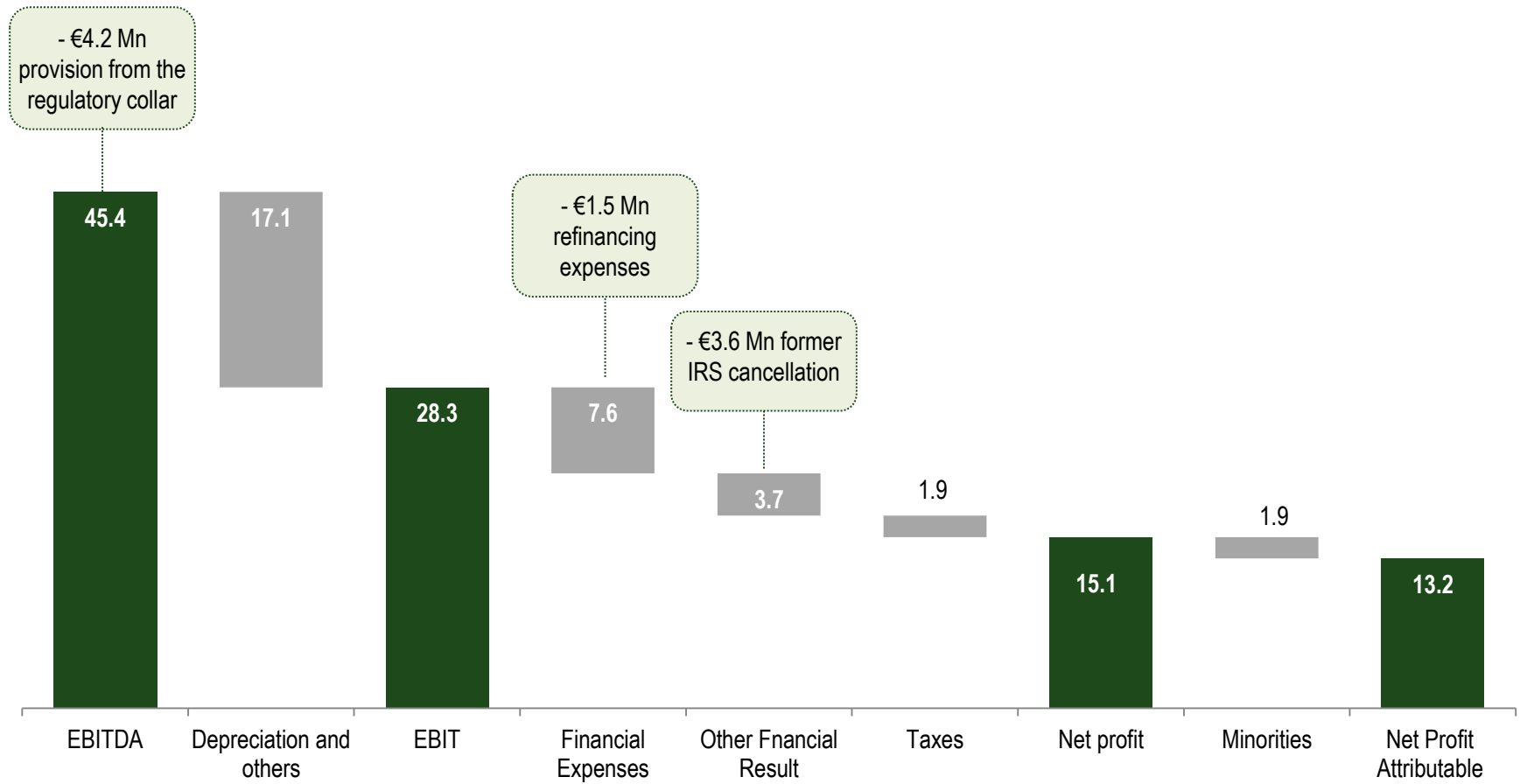
17.9% strong organic EBITDA growth driven by:

- 1% organic energy volume
- 10% biomass cost reduction

32.8% EBITDA growth from new olive pulp plants acquired in the last twelve months

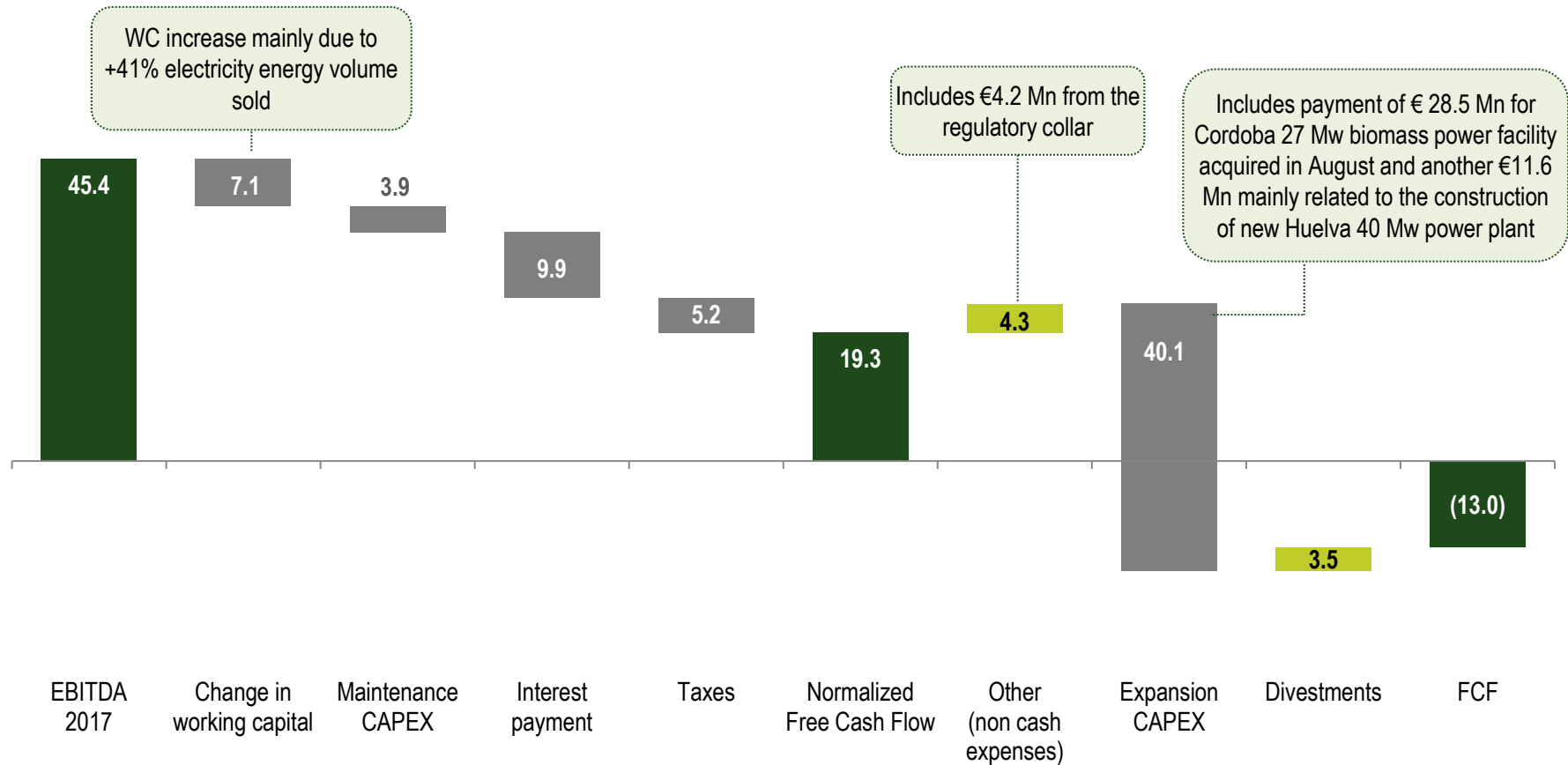
€55 Mn EBITDA target for 2018

2017 P&L Bridge (€ Mn)

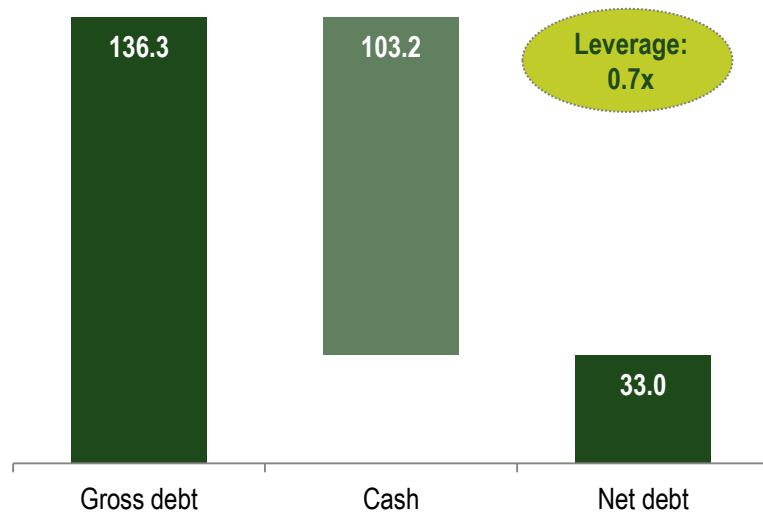


1. Regulatory collar: Adjustment derived from the deviation between the electricity price limits set by the Regulator and the real electricity price already included in the P&L

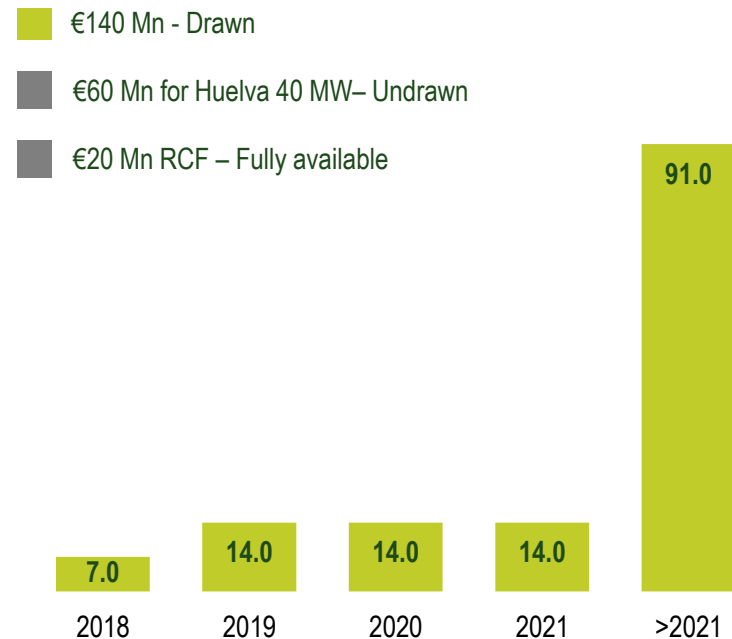
2017 Cash Flow Bridge (€ Mn)



Leverage as of December 2017 (€ Mn)



Debt Maturity Calendar (€ Mn)



Energy business leverage at 0.7x Net Debt / EBITDA as of December 2017



Closing Remarks

Closing Remarks



Upside potential from pulp prices and Strategic Plan delivery

2018 Results should beat 2017 across the board

Speeding up our Strategic Plan investments to meet 2020 targets

Maintaining an attractive shareholder remuneration (50% dividend pay-out) and a low leverage ratio to ensure Strategic Plan pending investments

Working on a new Strategic Plan to continue delivering value, environmental excellence and security beyond 2020

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 and the termination benefits agreed with staff.

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 forest depletion charges, non-current asset impairment charges and gains or losses on non-current assets.

It provides an initial approximation of the cash generated by the company's 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.

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.

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.

Alternative Performance Measures (APMs) Pg.2

MAINTENANCE, EFFICIENCY & GROWTH AND ENVIRONMENTAL 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 environmental 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, environmental capex covers investments made to enhance quality standards, occupational health and safety and environmental performance and to prevent contamination.

Ence's 2016-2020 Business Plan includes a schedule of the amounts it expects to invest annually in efficiency & growth and environmental 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