



1H 2017 Results

26th July 2017

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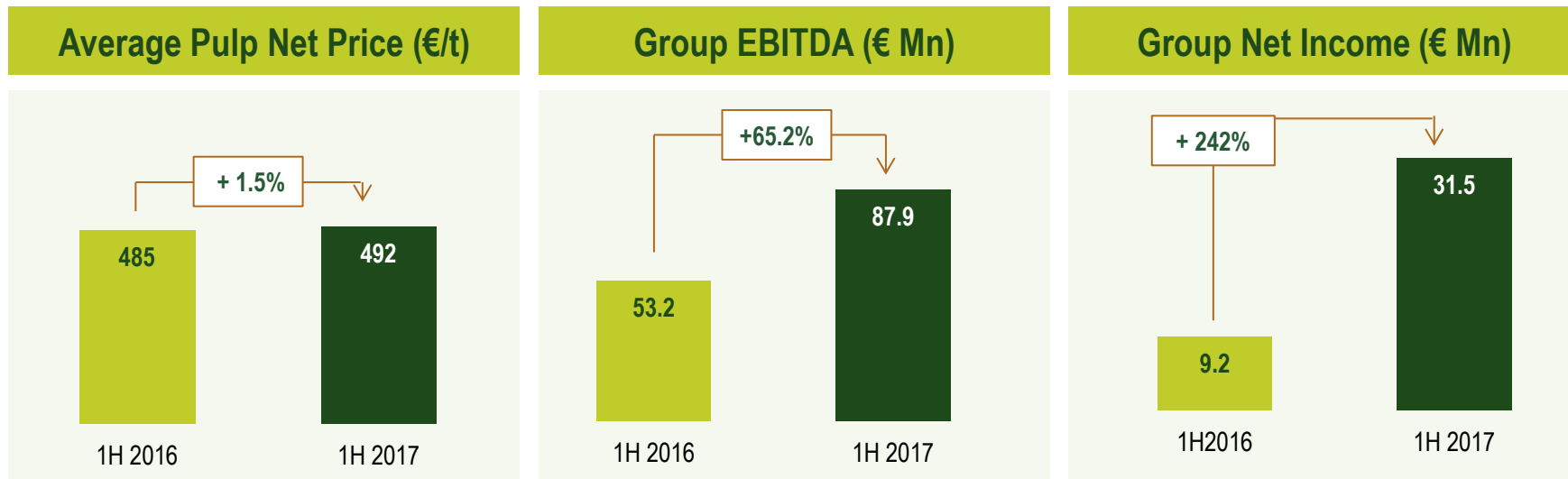


Highlights

- 🍃 **65% EBITDA growth** and **242% Net Income growth** vs. 1H16, with **only 1.5% pulp price** increase
- 🍃 **25 €/t cash cost reduction** vs. 1H16 to **344.5 €/t**
- 🍃 **54% higher Energy volume sold** vs. 1H16
- 🍃 Strong **free cash flow** generation which allows a **14% Net Debt reduction** (30 Mn€), reducing the Group **leverage position to 1.2x Net Debt / LTM EBITDA**
- 🍃 **Strong pulp price to continue in 2H17 and 2018** on a favorable supply and demand balance
- 🍃 **New Dividend Policy** approved by the Board: **50% Pay-out** ratio in 3 payments
- 🍃 New **Huelva 40 Mw biomass power plant project on track** to start up in 2H 2019 aiming at **€11 Mn annual EBITDA**, without Ri
- 🍃 Currently analyzing several **opportunities to accelerate the growth of our Energy business** through acquisitions in Spain

Solid business model

Strong EBITDA and Net Income growth despite incipient pulp price recovery



- 🌿 Pulp Price recovery will be more visible in 2H17: +1.5% in 1H17 vs. 1H16

- 🌿 Pulp price increases up to 880 \$/t as from July 17

- 🌿 Strong pulp prices to continue

- 🌿 EBITDA growth +65.2% due to:
 - - 25 €/t Cash Cost improvement
 - +7% Pulp sales increase
 - +54% Energy sales growth

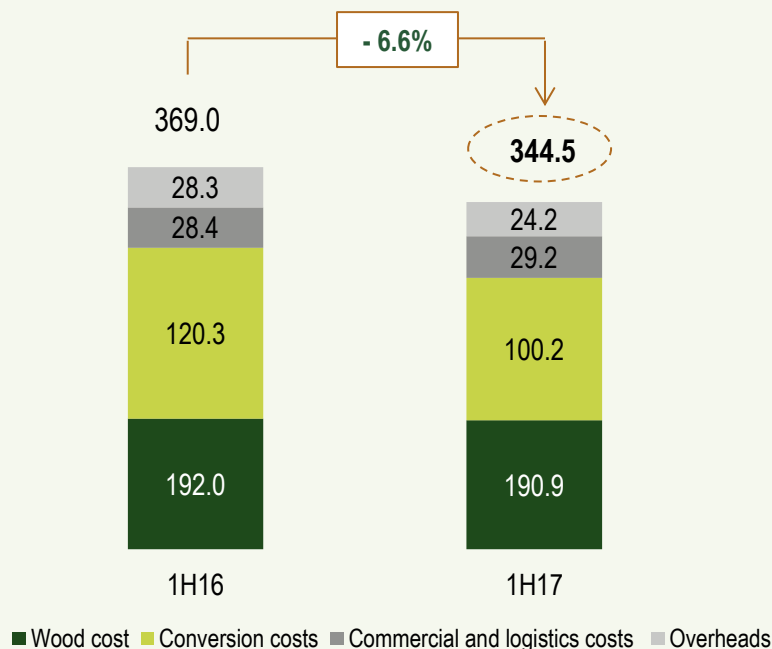
- 🌿 +242% Net income increase in 1H17 vs 1H16

1H17 Results confirm Ence's solid business model and successful Strategic Plan execution

Successful cash cost reduction

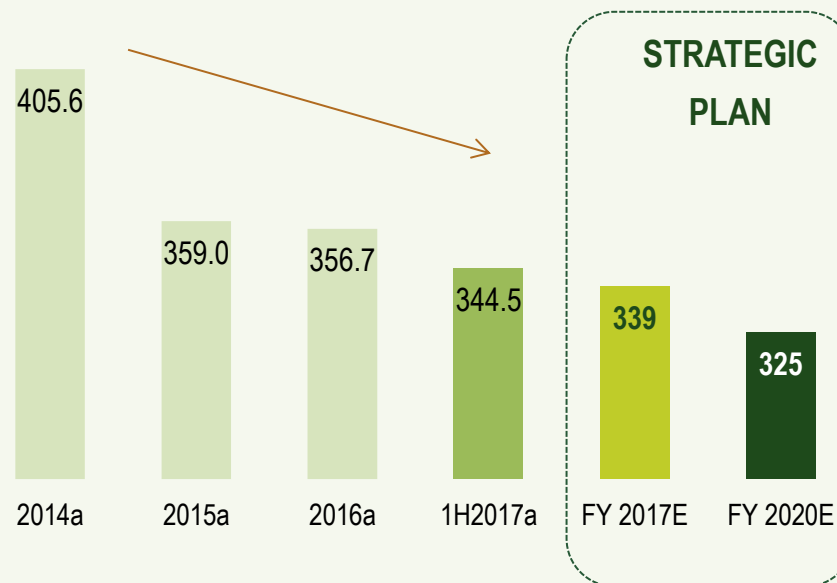
Focus on reducing cash cost to achieve Strategic Plan targets

Cash Cost Evolution in 1H 2017



🌿 **25 €/t cash cost improvement** vs 1H16

Cash Cost on track to achieve strategic plan



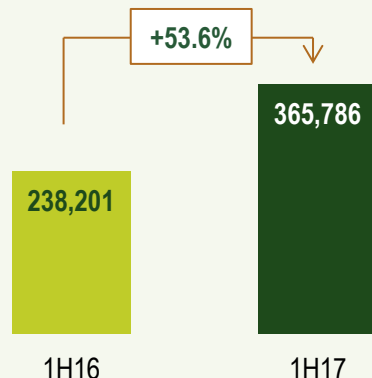
- 🌿 **2017 cash cost may increase** due to strong PIX price performance and its automatic wood price linkage
- 🌿 **6 €/t cash cost increase** after 2 €/t increase already applied in the wood price (March and May), not yet fully reflected in 1H17 cash cost

Note: Cash cost figures in 1H16 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

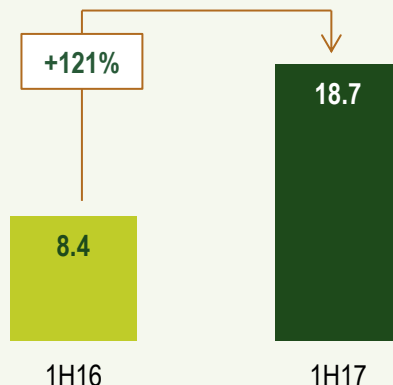
54% higher Energy volume sold vs 1H16

Following 32 Mw acquisition in December 2016

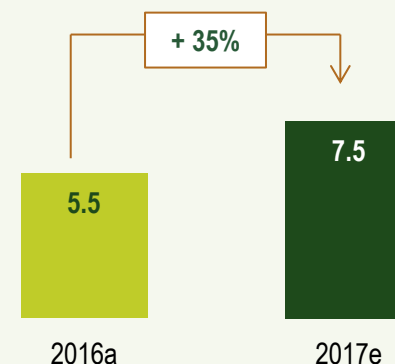
Energy volume (MWh)



EBITDA (€ Mn)



Ciudad Real & Jaen 2017 EBITDA Target



■ +54% Energy volume increase

- +18% organic growth
- +35% from new olive pulp plants acquired in December

■ +121% EBITDA increase

- +77% organic growth
- +44% from new olive pulp plants acquired in December

- Including €1 Mn provision for the regulatory collar

- Positive operating performance of Ciudad Real & Jaen olive pulp plants in 1H17

■ On track to meet €7.5 Mn EBITDA target for 2017

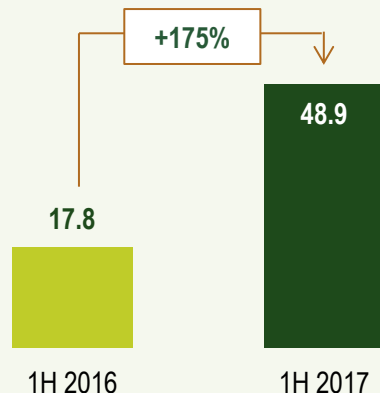
- Acquisition EV: €34 Mn (€22.5 Mn for Ence stake)

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

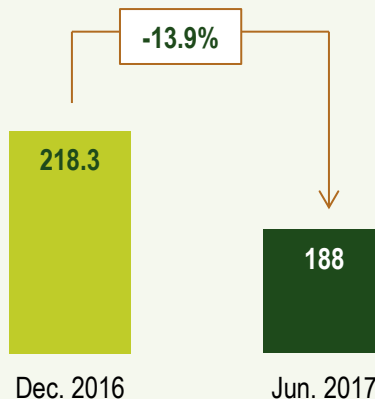
Strong Free Cash Flow generation

14% Net debt reduction, down to 1.2 x EBITDA

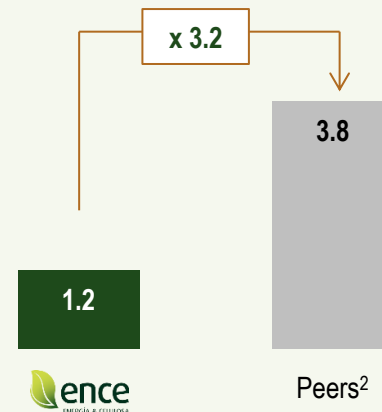
Recurrent FCF¹ (€ Mn)



Net debt reduction in 1Q17



Low leverage below peers



- Strong Recurrent Free Cash Flow generation of €49 Mn

- High EBITDA conversion into FCF: 56%

- €30Mn Net debt reduction

- After €11.6Mn dividend payment

- Lowering leverage down to 1.2 x Net Debt / EBITDA LTM

- 3 x less than peer average

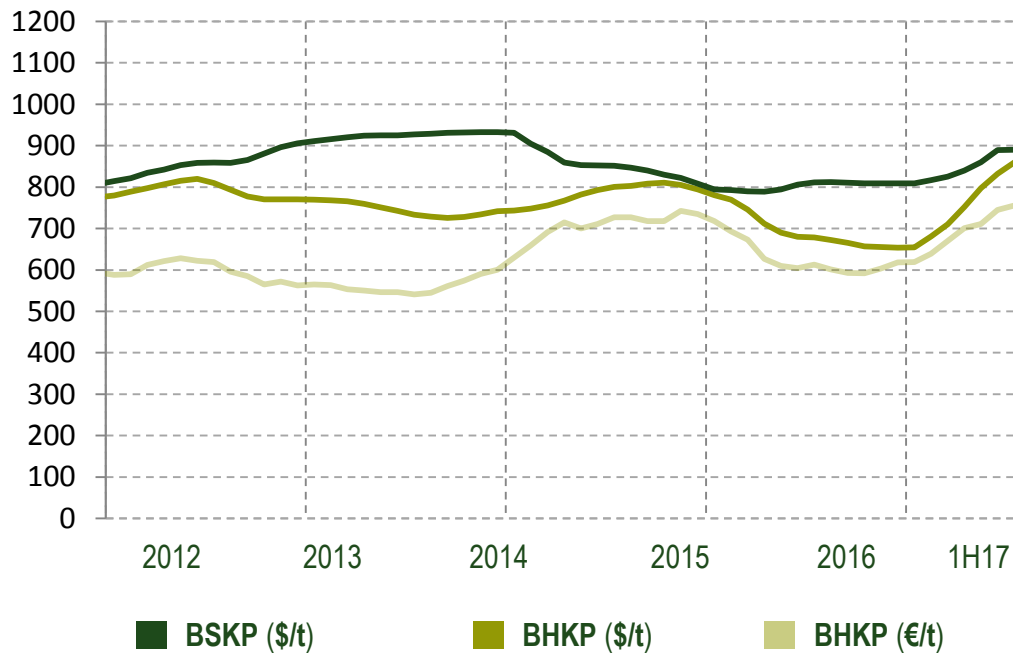
1) FCF before Strategic Plan investments and dividend payment

2) Average from Altri, Fibria, Suzano, El Dorado, Klabin, and CMPC at 1Q17

Increasing pulp prices

On favorable supply and demand balance

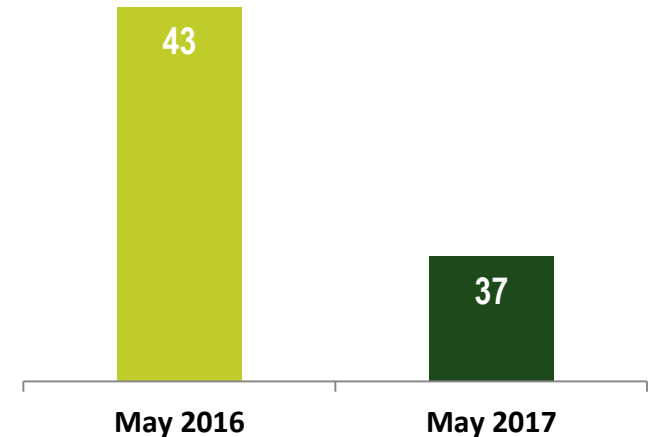
European Pulp Prices



- 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 April
- Price increase of +40 \$/t in May
- Price increase of +50 \$/t in June

Global BHKP producer inventories

Days of supply



Source: PPPC - W20

- Global eucalyptus pulp producers inventories at minimum levels

Main producers have announced a list price increase up to 880 \$/t, as from July
ENCE has announced additional list price increases up to 900 \$/t, as from September

Favorable demand and supply balance expected

On continued demand growth and limited supply additions

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

Mn t	2017	2018	2019	2017 - 2019
ESTIMATED BHKP DEMAND INCREASE	1.4	1.6	1.4	4.4
China	1.0	1.1	1.0	3.1
Other Asia / Africa / Oceania / Middle East	0.1	0.2	0.2	0.5
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	0.4	1.3	0.1	1.8
APP (OKI)	0.8	0.8	0.6	2.2
FIBRIA (TRES LAGOAS)	0.4	1.3	0.2	1.9
FIBRIA (ARACRUZ)		-0.3		-0.3
KLABIN (PUMA)	0.5			0.5
ENCE (NAVIA & PONTEVEDRA)			0.1	0.1
SUZANO (IMPERATRIZ, MUCURI & MARANHÃO)	-0.1		0.2	0.1
METSA (AANEKOSKI)	0.1			0.1
UPM (KYMI)	0.1			0.1
CMPC (GUAIBA)	-0.3	0.3		0
TAIWAN P&P and RFP (Calhoun)	-0.1			-0.1
APRIL (RIZHAO)	-0.8	-0.6	-0.8	-2.2
APRIL (KERINCI)				
OTHER UNEXPECTED CLOSURES / CONVERSIONS	-0.2	-0.2	-0.2	-0.6
BALANCE	1.0	0.3	1.3	2.6

Source: ENCE estimates

- Favorable supply and demand balance expected 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 closures and conversions
- Global eucalyptus pulp producers inventories at minimum levels

No new project starts expected for next three years

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

Softwood supply and demand will also remain balanced

On continued demand growth and limited supply additions

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

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	0.4	0.5	0.3	1.2
METSA (AANEKOSKI)	0.1	0.6		0.7
SCA (OSTRAND)		0.1	0.4	0.5
SVETLOGORSKY (BELARUS)		0.2	0.1	0.3
SODRA (VARO)	0.2			0.2
DOMTAR (ASHDOWN + PLYMUTH)	0.1			0.1
IP (RIEGELWOOD)	0.1			0.1
CLEARWATER (LEWINSTON)		0.1		0.1
KLABIN (PUMA)	0.1	-0.1		0.0
STORA (SKUTSKAR)		-0.2		-0.2
OTHER UNEXPECTED CLOSURES / CONVERSIONS	-0.2	-0.2	-0.2	-0.6
BALANCE	0.2	0.1	0.3	0.6

Source: ENCE estimates

- BSKP supply and demand will also remain balanced for the coming years
- BSKP prices in Europe have recovered over \$80/t since the beginning of the year

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.

Ongoing FX hedging program

To mitigate FX volatility on the Pulp business

Dollar/Euro Exchange Rate Evolution



Current Hedges

- 2H17: 68% revenues
 - Avg. cap: \$ 1.15 €
 - Avg. floor: \$ 1.08 €
- 1H18: 55% revenues:
 - Avg. cap: \$ 1.16 €
 - Avg. floor: \$ 1.08 €
- 2H18 : 46% revenues:
 - Avg. cap: \$ 1.14 €
 - Avg. floor: \$ 1.09 €

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

New dividend policy

First interim dividend announced

New dividend policy¹ applicable as from 2017



50%
pay-out

FY EPS



3

Annual payments:

- Two interim dividends: one agreed upon at the end of the first semester and a second one agreed in November;
- A final dividend to be proposed to the AGM

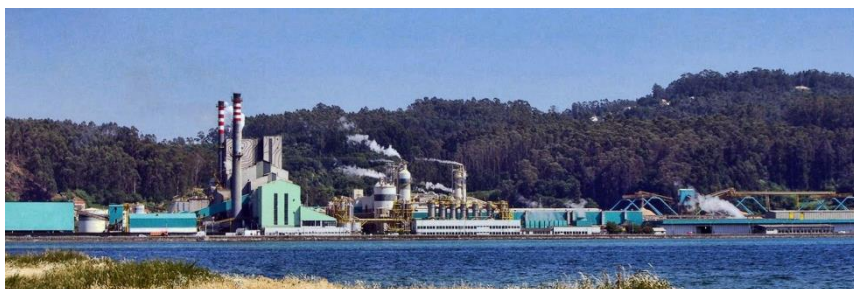
First interim dividend of €14.9 Mn (€0.061 p.s) to be paid in September 6th 2017

¹) Subject to compliance with the criteria of financial discipline established in the Strategic Plan and the legal and contractual obligations of the Company.

2016-2020 Pulp Business Strategic Plan: Next Steps

Capacity expansion of 70,000 t in Pontevedra and 80,000 t in Navia

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



- During 1Q17 shutdown in Pontevedra, we have prepared 30,000 t capacity expansion that will be implemented during **March 2018** annual maintenance shutdown
- Additional 40,000 t** expansion in Pontevedra in **2019** during maintenance shutdown

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 **in just one shutdown**

Pulp Business Strategic Plan Summary

	2017e	2018e	2019e	2020e
Net Capex (€ Mn) ¹	35	41	52	-8
Production (000, t)	972	991	1.040	1.120
Cash cost (€/t)	339	337	329	325

¹) After non core forestry assets Divestment Plan

2016-2020 Energy Business Strategic Plan: Next Steps

Low exposure to regulated Return on Investment (Ri)

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 Ri
- EPC closed 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%**

Low exposure to regulated Ri

- Our worst case scenario is an **Ri of 5.5% from 2020** with an spread of 300 bp
- **EBITDA impact of just 3.5 Mn€** for our 5 operating plants and new Huelva project



Currently analyzing several opportunities to accelerate the Energy business growth through acquisitions in Spain

Ongoing cost cutting initiatives to offset this impact



1H 2017 Results

Consolidated Key Figures

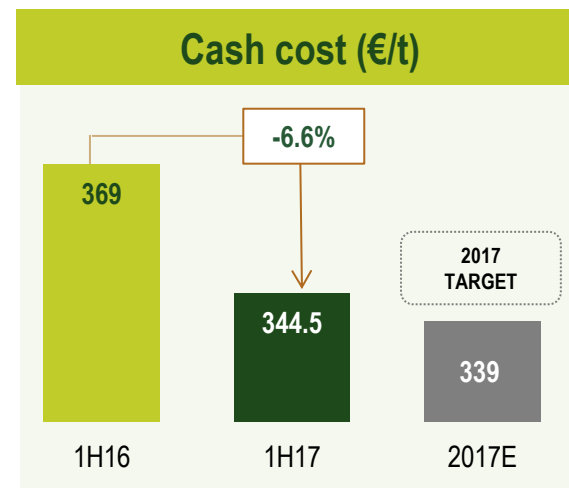
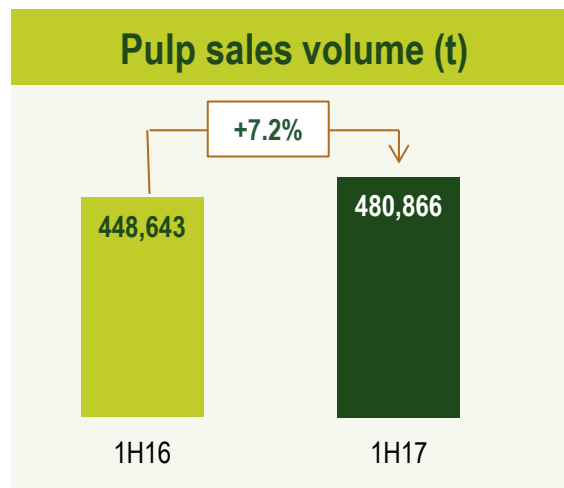
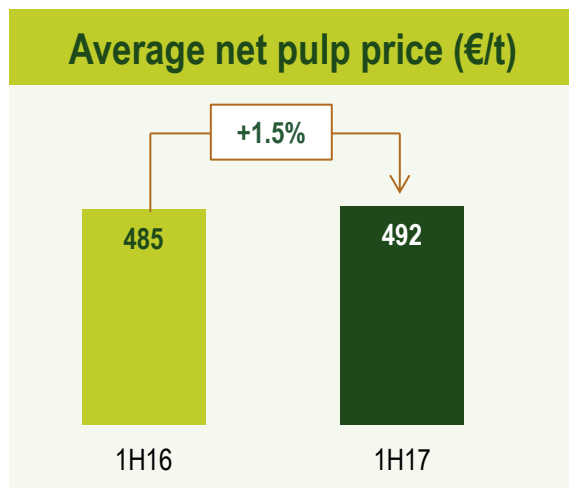
1H17 Results confirm Ence's resilience and Strategic Plan delivery

- **+65%** EBITDA in 1H17 vs 1H 2016 fueled by both Pulp and Energy businesses
- **55%** EBITDA growth in the Pulp business driven by:
 - **- €25/t** cash cost reduction vs.1H16
 - **+7%** increase in pulp sales volume
 - **+1.5%** pulp price recovery in 1H17
- **+121%** EBITDA growth in Energy business driven by:
 - **+77%** organic growth
 - **+44%** from new olive pulp plants acquired in December
- Strong free cash flow generation of **€43 Mn**
- **€30 Mn** Net Debt reduction

P&L			
€ Mn	1H17	1H16	% Change
Revenue	341.8	289.2	18.2%
Pulp Business EBITDA	69.2	44.8	54.7%
Energy Business EBITDA	18.7	8.4	120.9%
Group EBITDA	87.9	53.2	65.2%
EBIT	56.7	23.7	138.8%
Net Profit	31.5	9.2	241.9%

FCF			
€ Mn	1H17	1H16	% Change
Recurrent FCF	48.9	17.8	174.3%
Strategic Plan Investments	12.9	23.3	(44,6%)
Divestments	2.7	7.3	(63%)
FCF	43.0	6.0	n.s.

Net Debt			
€ Mn	Jun-17	Dec-16	% Change
Net Financial Debt	188.0	218.3	(13.9%)

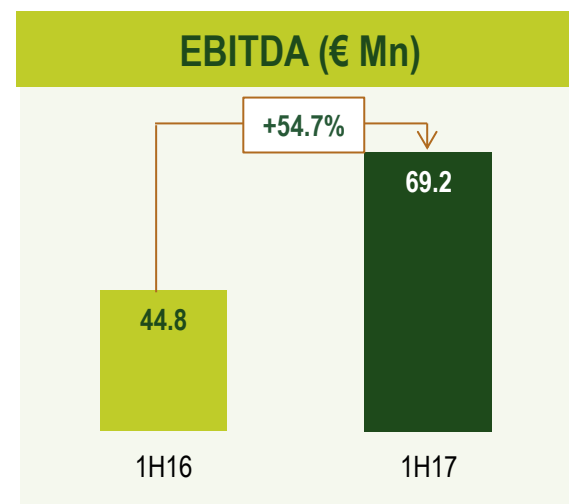


🌿 +54.7% EBITDA growth driven by:

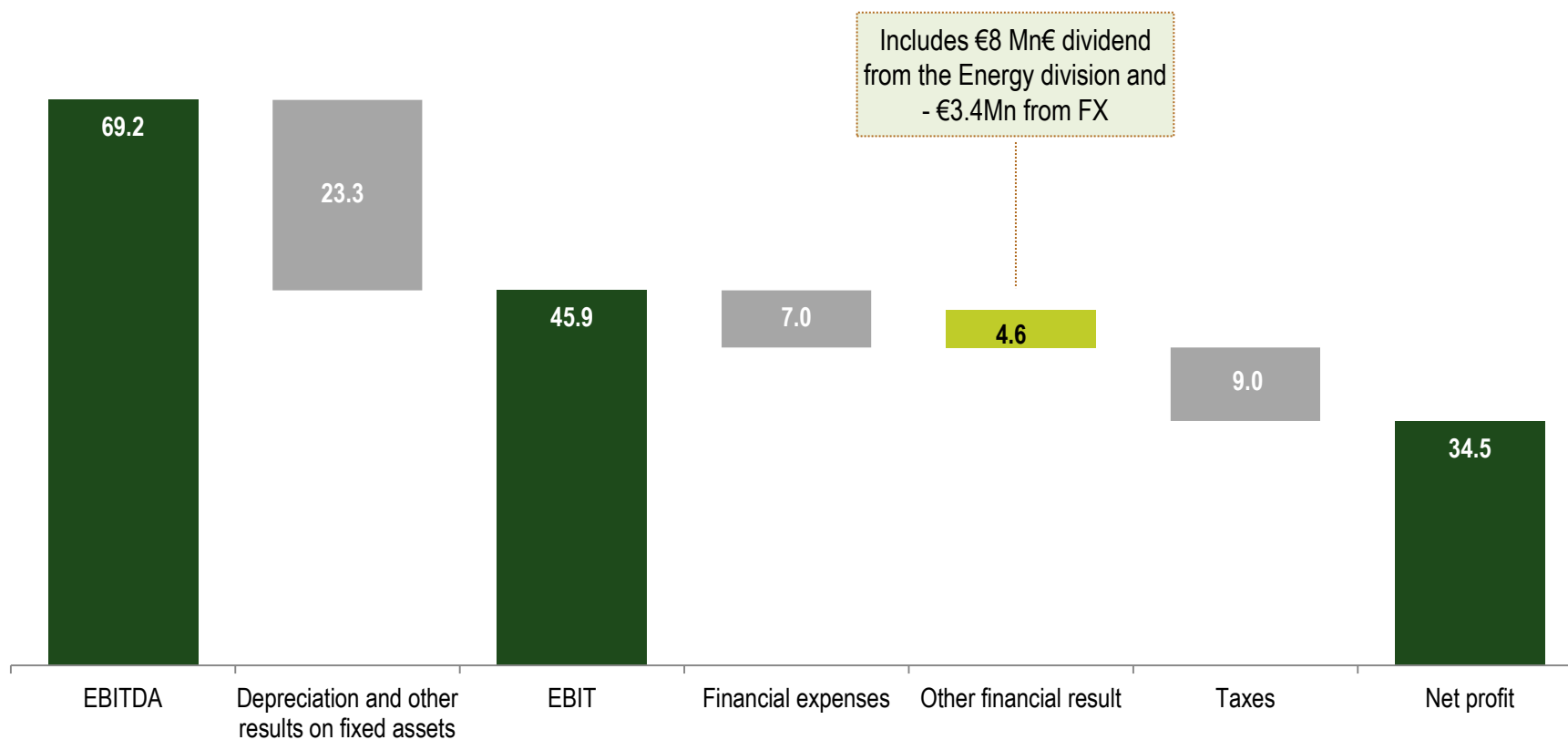
- - €25/t cash cost reduction vs. 1H16
- + 7.2% increase in pulp sales volume
- Incipient net pulp price recovery (+1.5%)

🌿 2017 cash cost may increase due to strong PIX price performance and its automatic wood price linkage

🌿 **6 €/t cash cost increase** after 2 €/t increase already applied in the wood price (March and May), not yet fully reflected in 1H17 cash cost



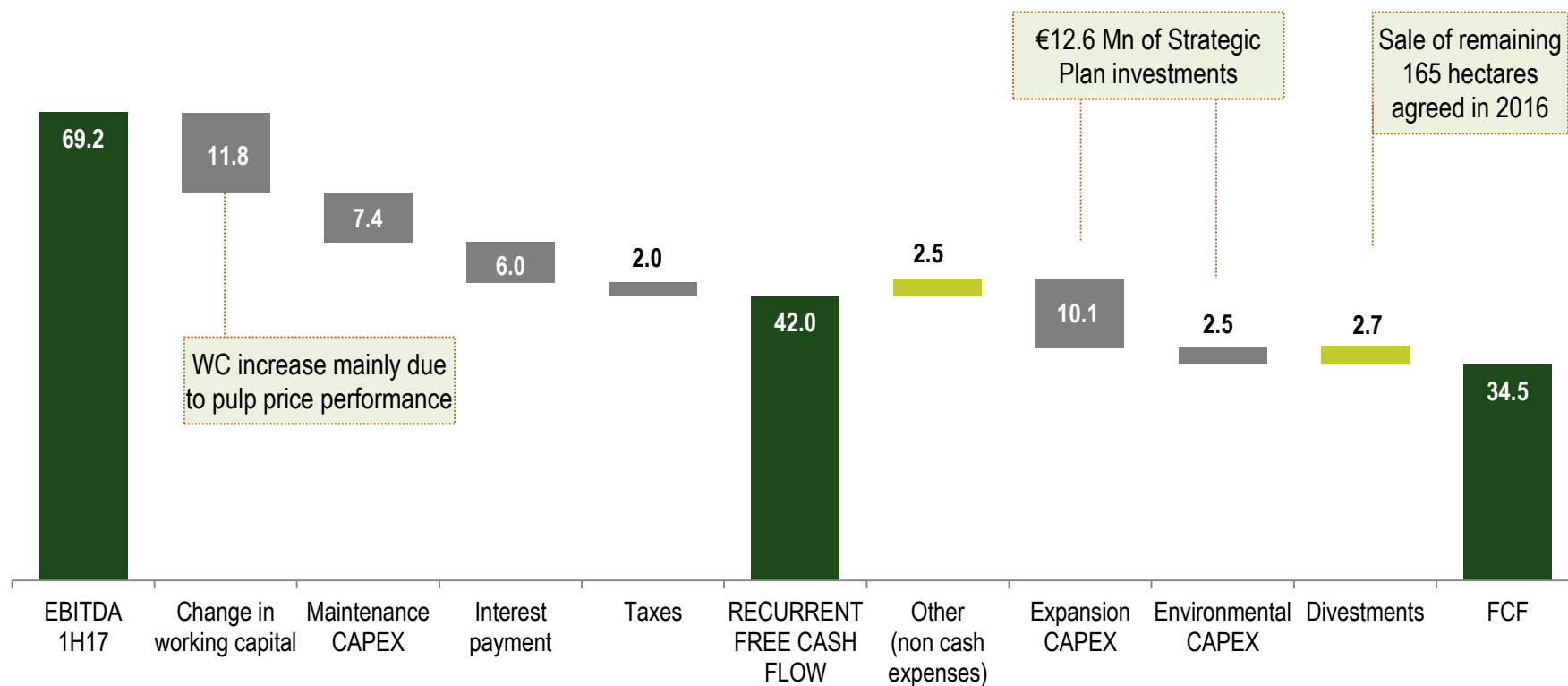
1H17 P&L Bridge (€ Mn)



Pulp Business

Cash Flow generation

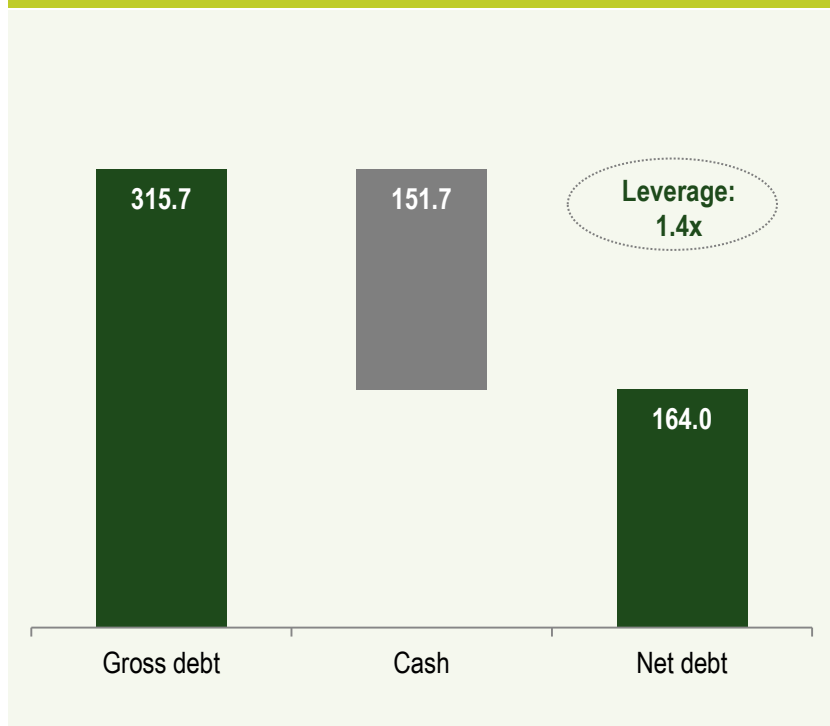
2017 Cash Flow Bridge (€ Mn)



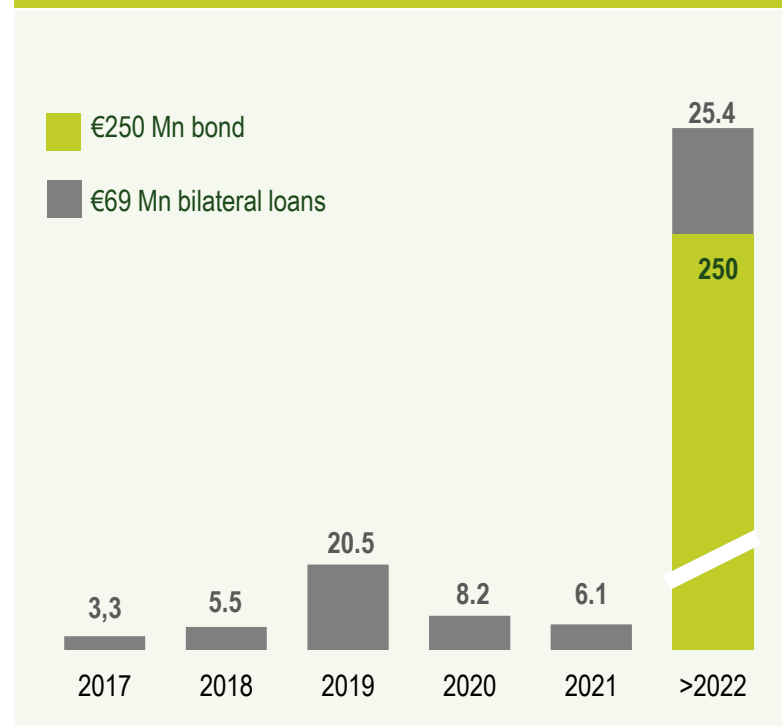
Pulp Business

Solid balance sheet and strong liquidity

Leverage as of June 2017 (€ Mn)



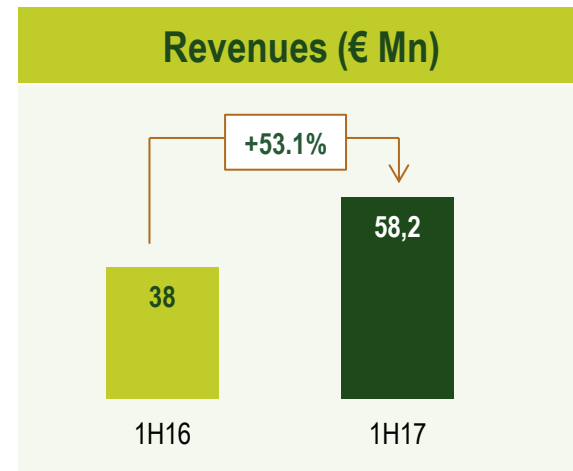
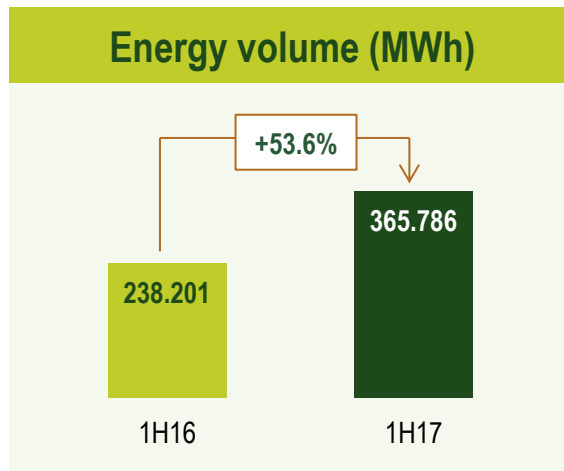
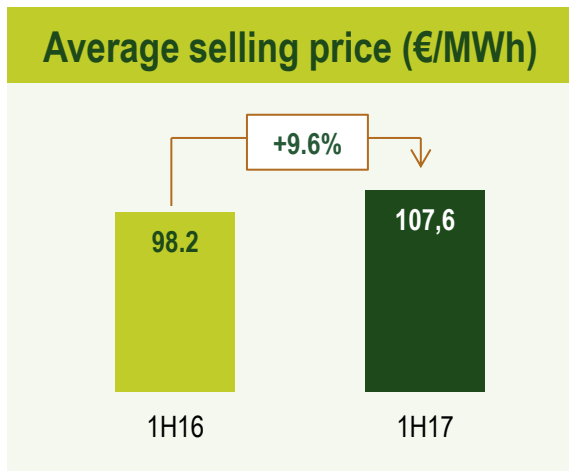
Debt maturity calendar (€ Mn)



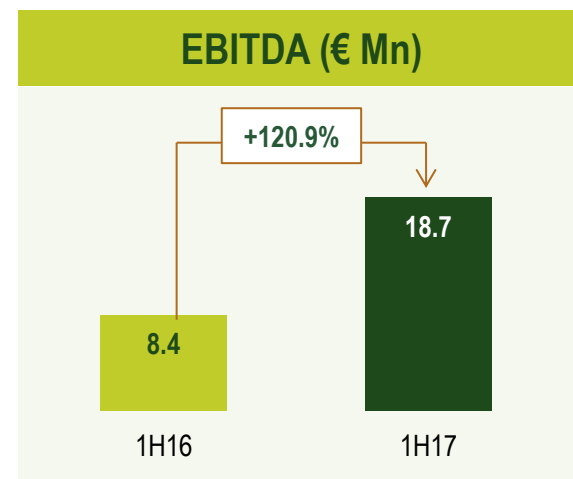
🌿 Pulp business leverage at 1.4x Net Debt / EBITDA as of June 2017

Energy Business

Operating performance

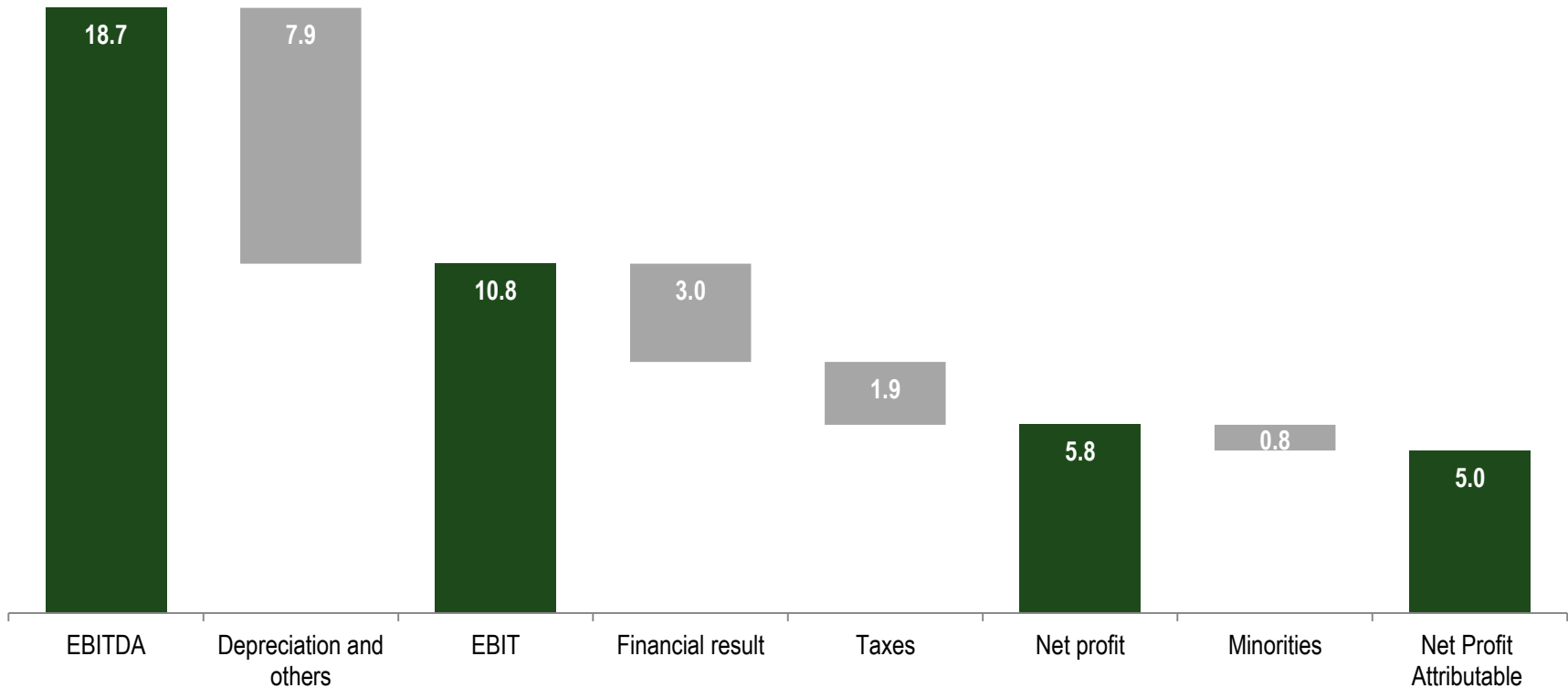


- +76.9% organic EBITDA growth** driven by:
 - **+18.4%** energy volume
 - **+9.6%** average selling price due to higher pool prices
 - **-10.3%** biomass cost reduction
 - **€2.9 Mn** one-off adjustment in 2Q16 due to Huelva 41 Mw plant classification as an hybrid plant
- +44.2% EBITDA growth from new olive pulp plants** acquired in December
- Lower energy volumes in 1H than in 2H due to annual maintenance shutdown of the plants in 2Q



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 revenues in 1H16 would have increased by €1.9 Mn.

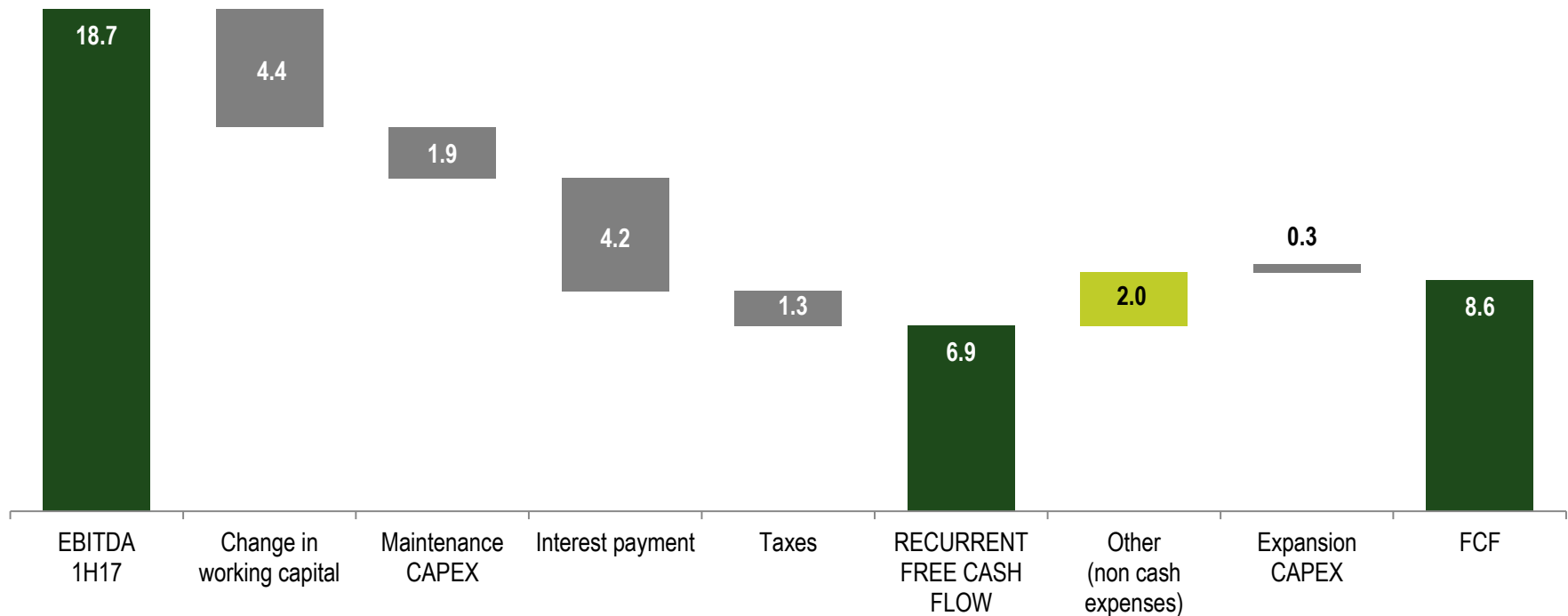
1H 2017 P&L Bridge (€ Mn)



Higher EBITDA expected for 2H17 on higher energy volumes.

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

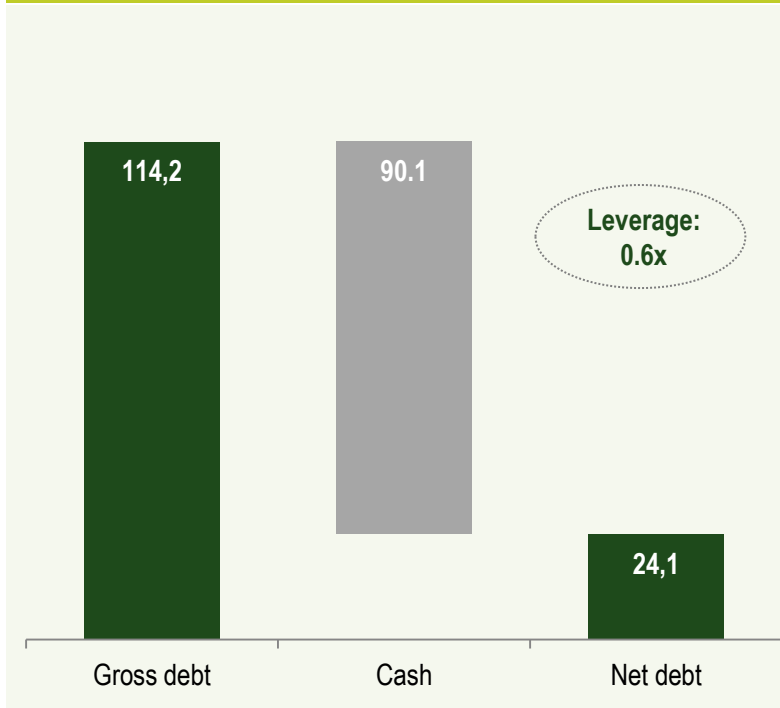
2017 Cash Flow Evolution Bridge (€ Mn)



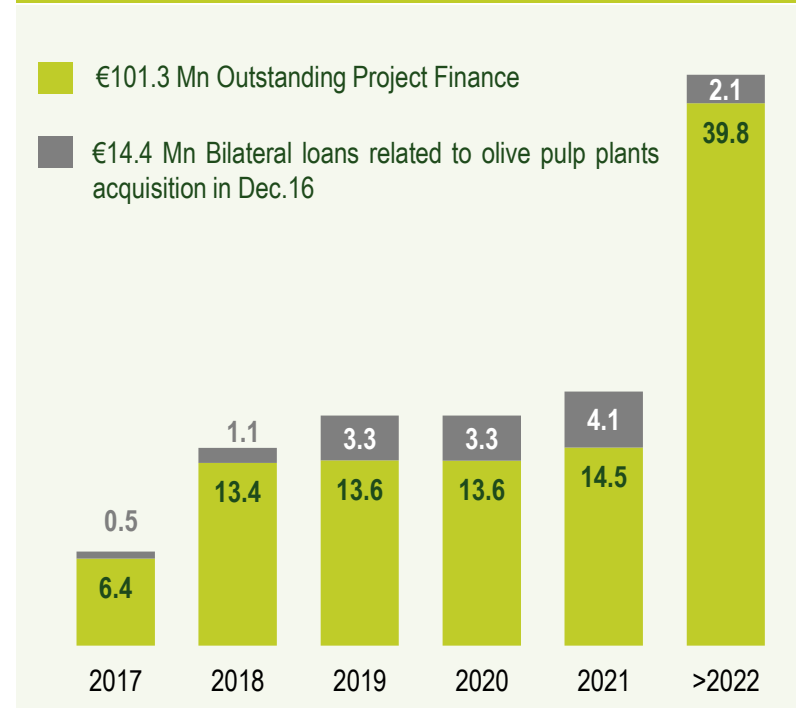
Energy Business

Solid balance sheet and strong liquidity

Leverage as of June 2017 (€ Mn)



Debt maturity calendar (€ Mn)



📌 Energy business leverage at 0.6x Net Debt / EBITDA as of June 2017



Closing Remarks

- Solid business model with high EBITDA conversion to FCF
- Excellent results driven by cash cost reduction and higher volumes
- Tight pulp demand and supply will support strong prices for the short and medium term
- Outstanding growth of our Energy business

1H17 Results confirm Ence's solid business model and successful Strategic Plan execution



Delivering value, delivering commitments