

Ence Energía y Celulosa

9M15 Results

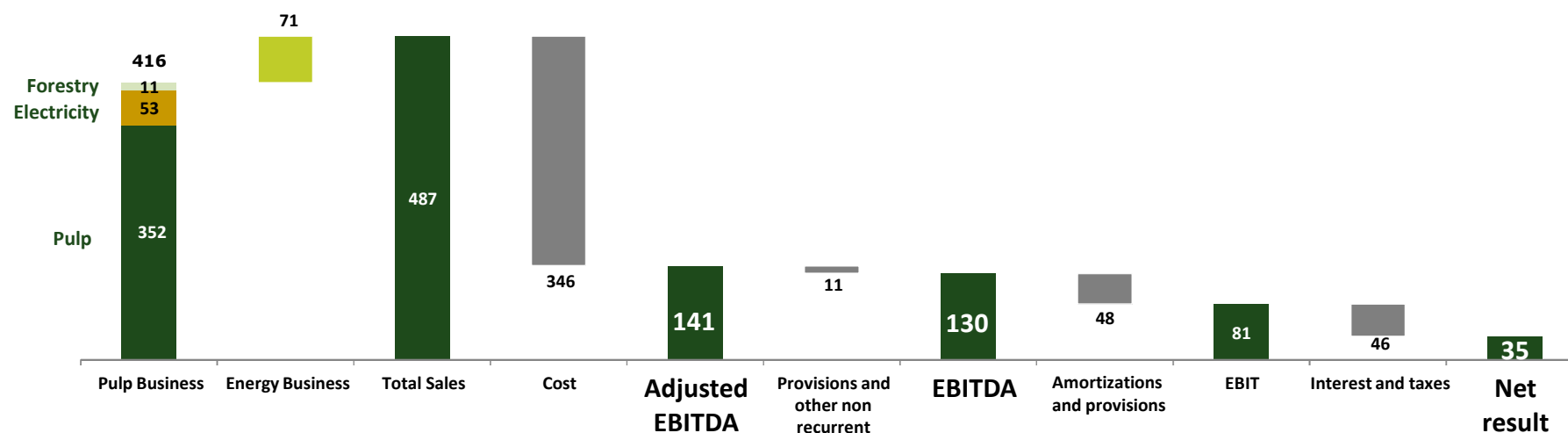
November 12th, 2015



Ence 3Q15: Main Highlights

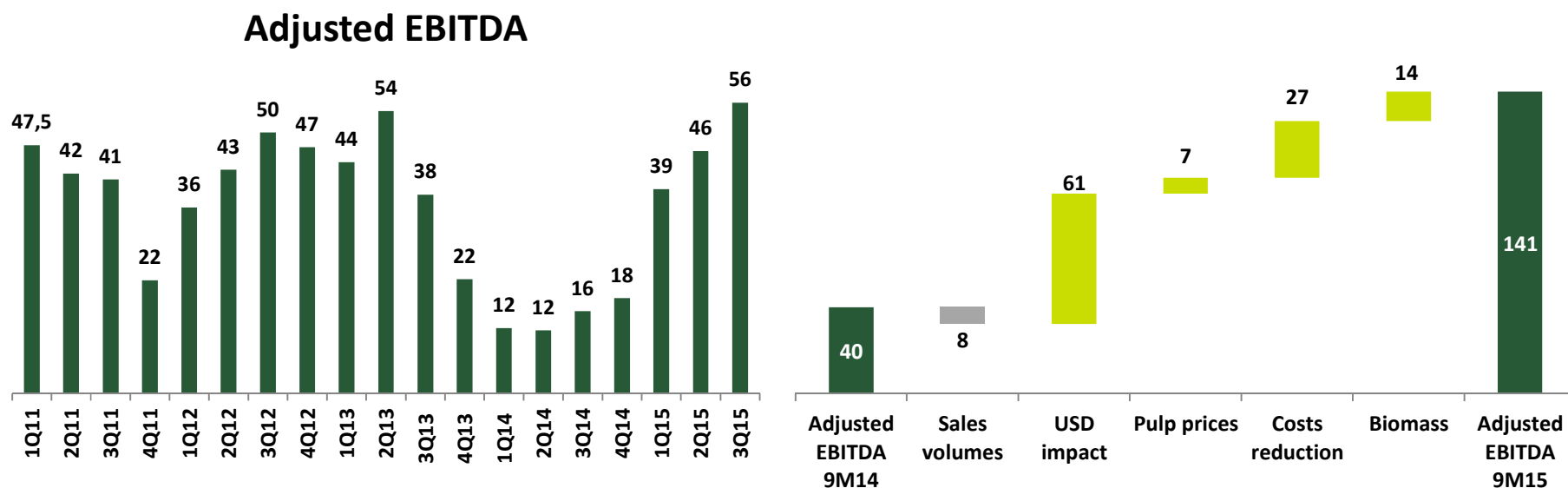
- 1 9M15 Adjusted EBITDA of €141 M, €56 M in the quarter. On track to achieve €200 M Adjusted EBITDA target - Unleveraged Operating Cash Flow of €85 M**
- 2 Successful financial restructuring of the Company and ring-fencing the two businesses: Pulp and Energy**
- 3 Cash Cost during 3Q15 of €363/t with Navia already on €345/t in 3Q15**
- 4 Pulp price improvement to \$810/t in September and €/\$ benefitting again.**

9M15 Consolidated Results (€M)



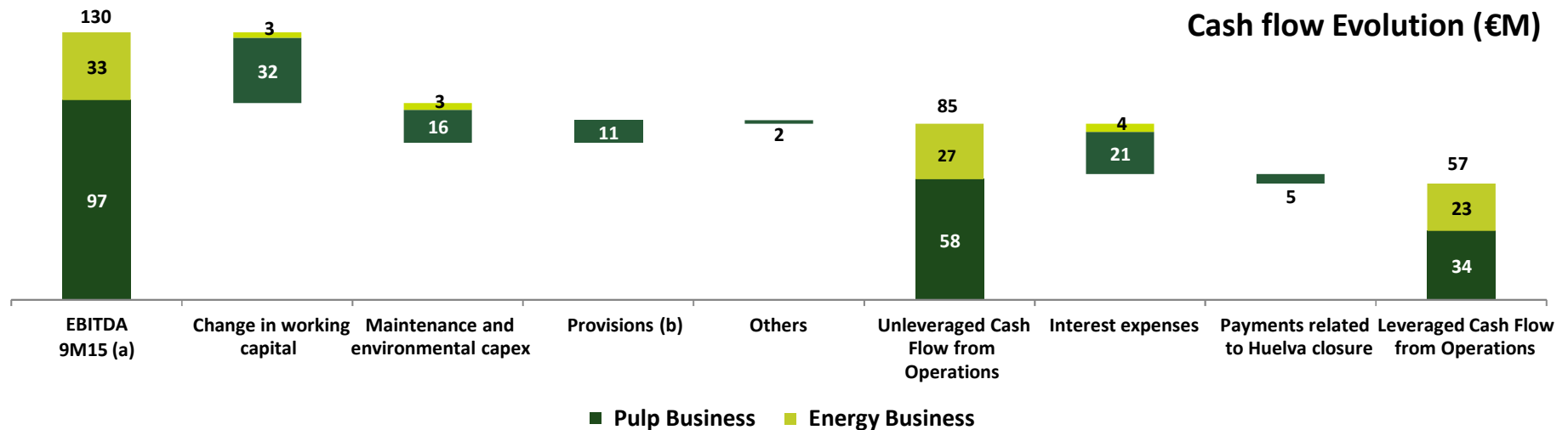
- Sales reached €487 M
- Strong 9M15 Adjusted EBITDA reached by €141 M, on track to achieve our target
- Net profit for 9M15 stands at €35 M

Strong Adjusted EBITDA level



- ✓ 3Q15 Adjusted EBITDA of €56 M, €141 M for 9M15, based on **strong worldwide demand**, favorable **exchange rate** and positive execution of **Competitiveness Recovery Plan**.
- ✓ Currently **covering up to 50% of USD dollar exposure** for the coming 18 months, using a tunnel structure at 1.15/1.07 average levels
- ✓ **We reiterate our €200 M Adjusted EBITDA target for the end of the year.**

Solid Cash flow generation



(a) Intragroup adjustments have proportionally been distributed into both businesses
 (b) Mainly related to long term bonus plan and consultants hired

- High conversion of **€130 M EBITDA** into **€85 M Unleveraged Free Cash Flow**
- Increasing **liquidity** up to **€218 M**
- **Reducing** total financial Group **Debt** down to **€257 M**
- While investing for **efficiencies** and pulp **capacity increases** and further improvement to come from **assets disposals**

Successful Ring-fencing of Pulp and Energy Businesses

- ✓ Pulp business refinanced: issuing a new **bond €250 M at 5.375%, due end of 2022.**
- ✓ **Reduction** of the financial cost: **187.5 bps in the new bond and 175 bps on the RCF**
- ✓ Taking benefit of low interest rates, Improved conditions and adjusting guarantees

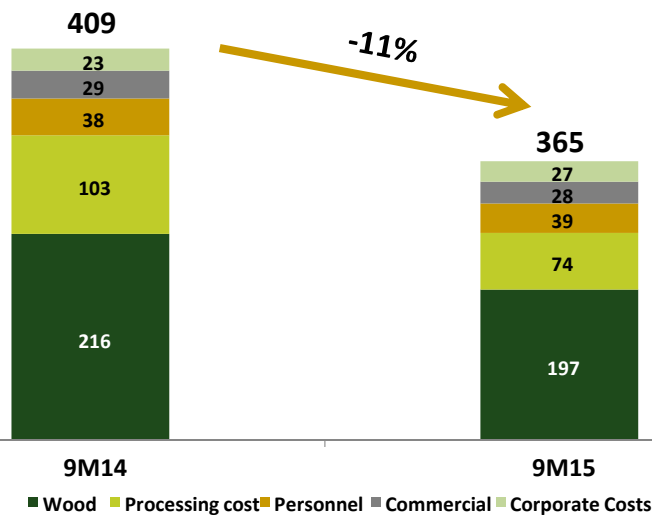
- ✓ **Increasing cash available** in the Biomass business by **€30 M**
- ✓ **Reduction** of the financial cost: **110 bps in the new Project Finance**
- ✓ **Non recourse** to the parent company

	Previous Bond	New Bond
Size	€250 M	€250 M
Interest cost	7.25%	5.375%
Maturity	February 2020	November 2022
Ranking	Senior Secured	Senior Unsecured
Restricted group	Includes all consolidated group	Excludes the biomass subsidiaries
Optional Redemption	Non call 3 years; 10% call during first 3 years	Non call 3 years
RCF (Credit Facility)	€90 M at Euribor + 4% maturing in February 2018	€90 M at Euribor + 2.25% maturing in October 2020

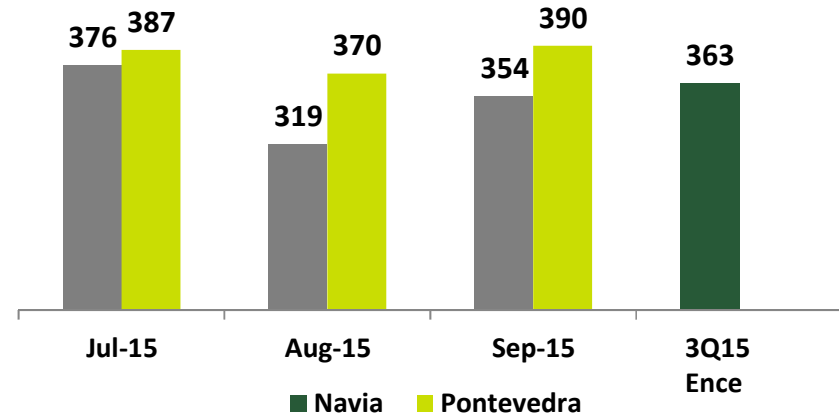
	Previous PF	New PF
Drawn	€105 M	€135 M
Avg. Interest cost	EUR+3.6%	EUR+3.0%
IRS fix cost	3.3%	2.8%
Maturity	2022-2026	August 2025
Recourse to parent company	Limited recourse	Non recourse
Biomass stocks required	18-24 months	4 months
Biomass supply scheme	Above 50% from energy crops, requiring high capex commitments	100% from forestry and agro waste, sourced from third party suppliers

Reduced average cash cost levels

Cash Cost Evolution (€/t)



Monthly Cash Cost Evolution (€/t)

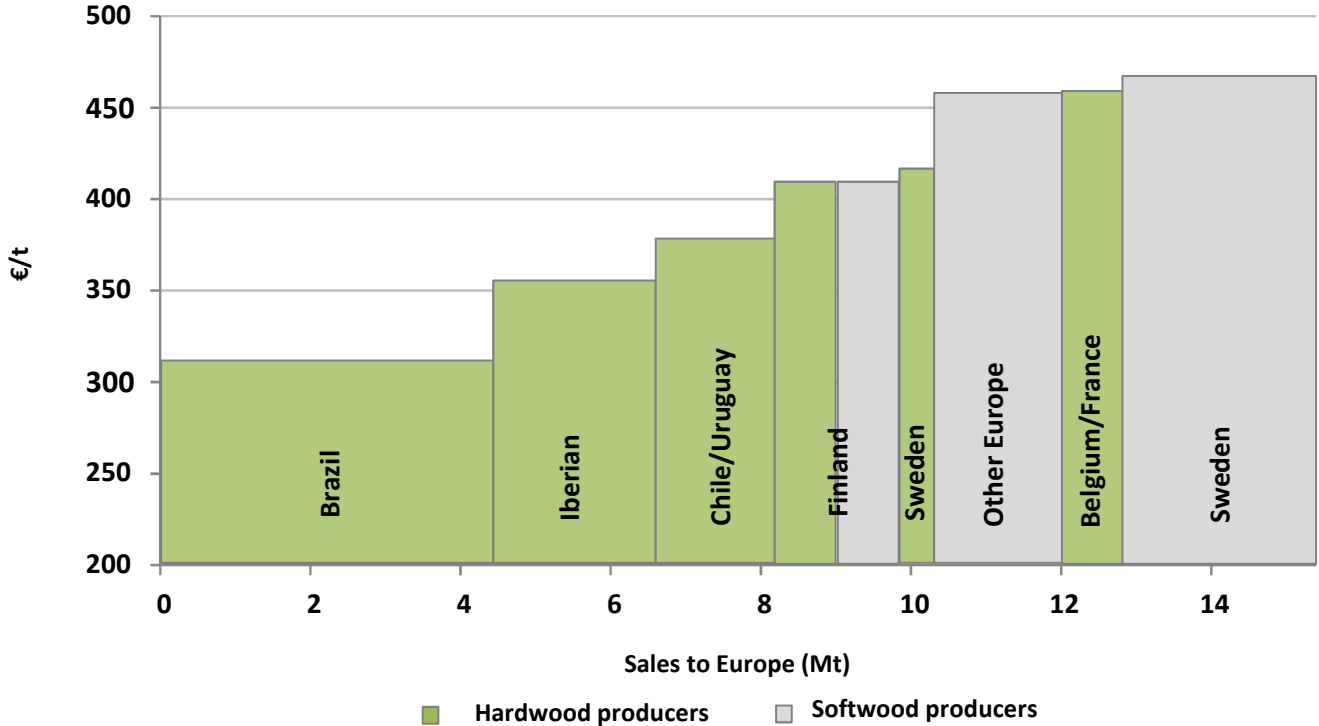


Note: figures in €/t

- ✓ **Cash cost** continues its **reduction**, once investments on **Efficiency and Increased capacity** programs are completed. Certain extraordinary impacts are causing some unexpected **delays**.
- ✓ Initial calendar is currently under review due to **longer and more difficult than expected Navia ramp-up** and **lower** than initially planned **reductions on the wood price** due to strategic negotiations to automatically link the wood price to the pulp price evolution.
- ✓ Technical and strategic support of hired **consultants** continues, redefining calendars, although **targets remain**.
- ✓ Despite this delay, **Adjusted EBITDA target for 2015** remains.

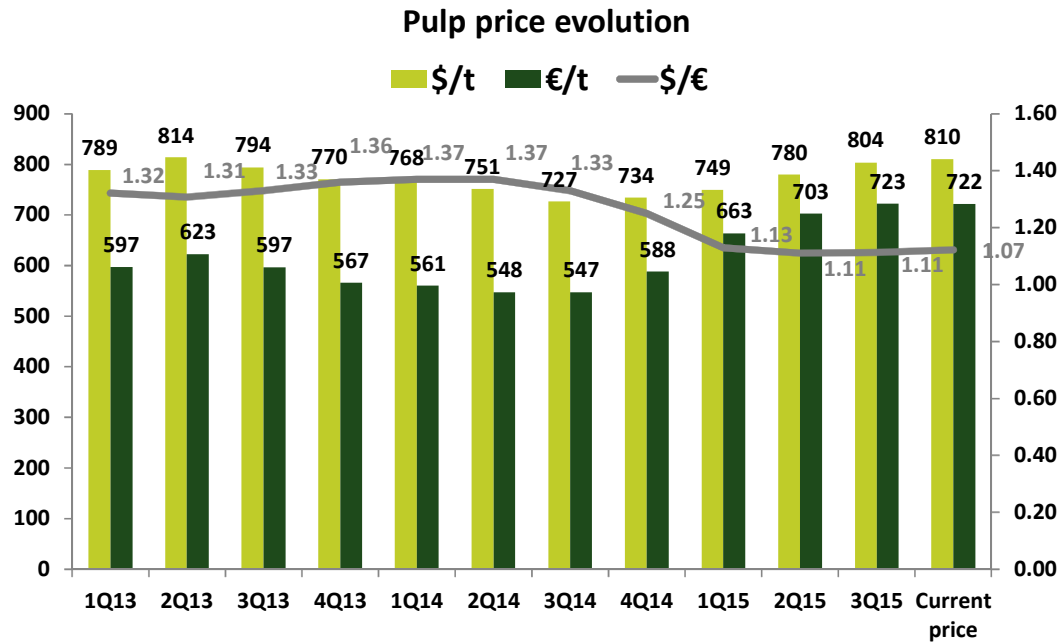
Production Delivered Cash Cost (excludes overhead costs)

BSKP and BHKP supply curve (€/t), cif North Europe



Source: Ence; Hawkins Wright
Based on 1.08 \$/€ and 3.1 R\$/€ exchange ratios

Pulp sales benefits from exchange rate appreciation & higher prices



Source: Ence; Foex; PPPC

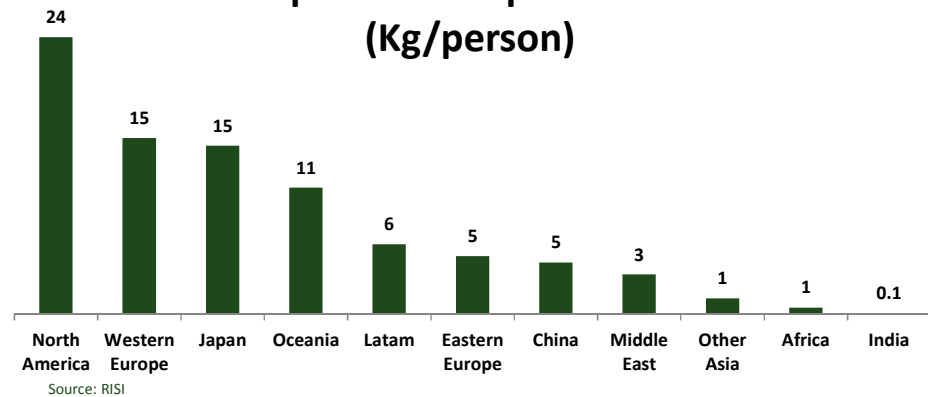
Ence has implemented a **hedging program**, currently **covering up to 50% of its USD dollar exposure** for the coming 18 months, using a tunnel structure at 1.15/1.07 average levels.

A 5% US\$ appreciation or a 5% pulp price increase would have a €20 M positive impact on ENCE's EBITDA

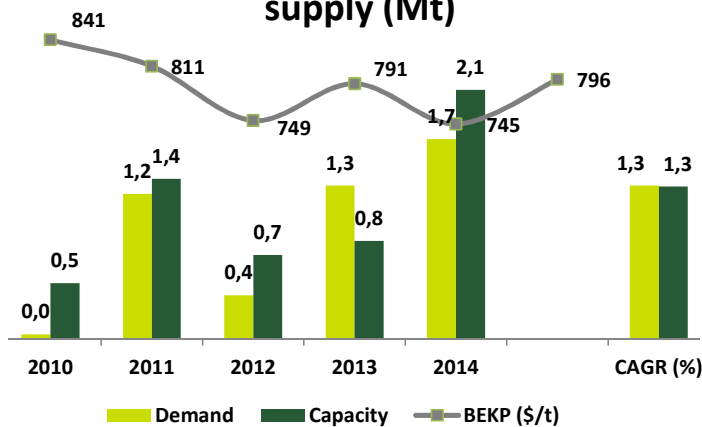
Pulp prices continue their recovery, rising to 810\$/t levels, due to strong demand and low inventories

- ✓ The new supply announced by Maranhao (1.5 Mt), Montes del Plata (1.3 Mt) and Oji (0.4 Mt) will be offset as demand is expected to maintain a growth trend above 2% in line with last 5 years.
- ✓ Strong Chinese BEKP demand growing at 16% January to August 2014 vs January to August 2015. Total pulp demand growing approx. 1.5Mt per year equivalent to a new pulp mill per year.
- ✓ Pulp price increase up to \$830/t announced by market players including Ence, effective as of beginning of September, with consumer stocks at 20 days historical lows

Per-capita consumption of tissue (Kg/person)

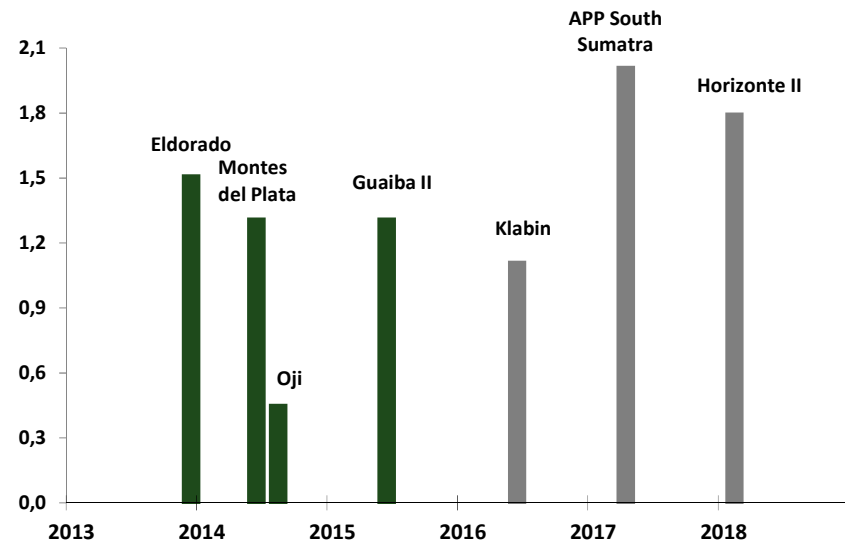


Increase in Eucalyptus demand and supply (Mt)



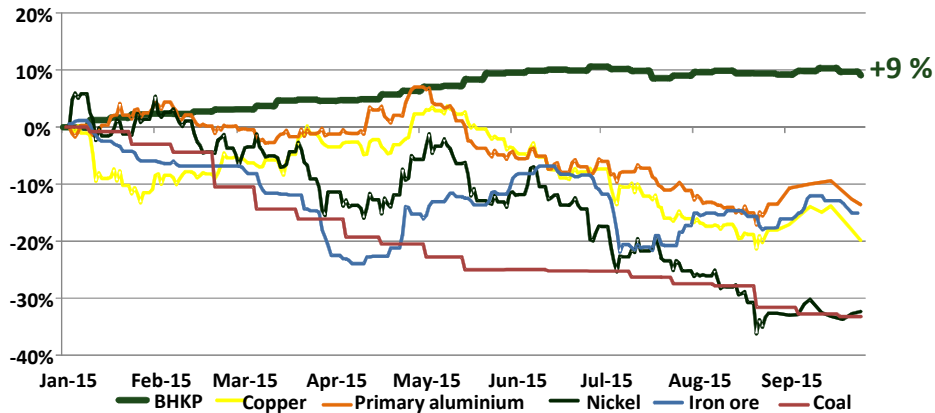
Source: PPPC; Hawkins Wright (Dec-14) estimates; data in million tons

Capacity start-up (Mt)



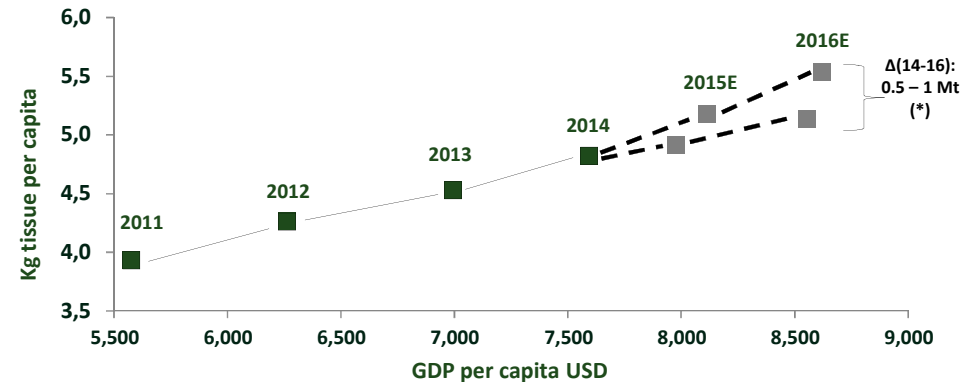
Pulp prices are solidly supported by increasing demand linked to consumption patterns of the Asian middle class population...

Pulp Price Evolution



Source: Reuters. Figures based in \$ terms

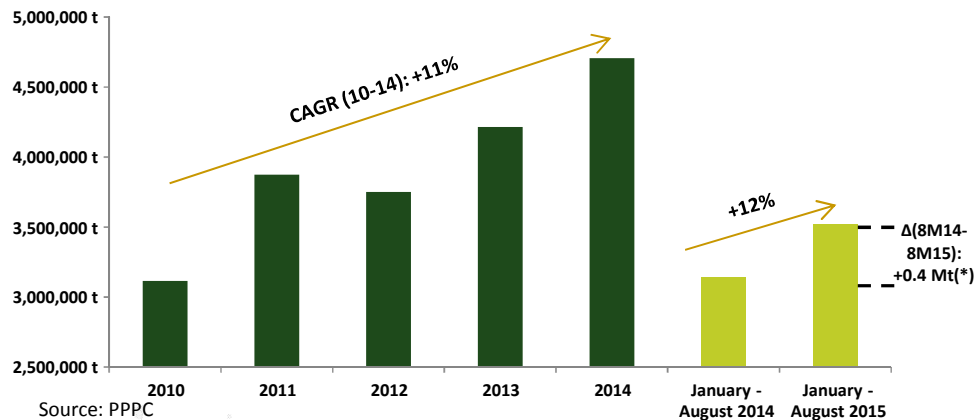
Chinese Tissue Consumption will increase in 2015 and 2016 between 0.5 - 1 Mt



(*) GDP growth will increase by +5.0% and +5.5% in 2015 and 2016, respectively, in a base scenario and +6.8% and +6.3% in 2015 and 2016, respectively, in optimistic scenario

Source: RISI, China Government

BHKP Chinese demand has grown more in 8M15 than previously despite commodity crisis



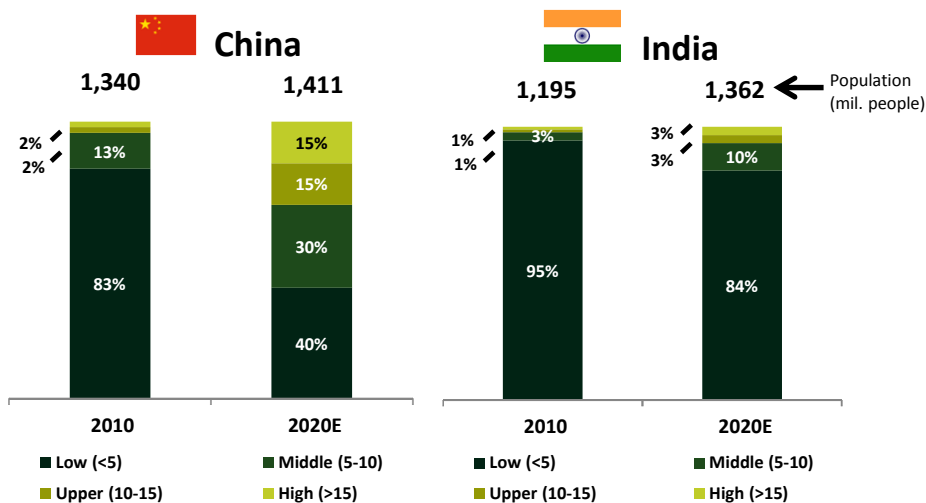
Source: PPPC

(*)Despite the higher demand in 2H

- ✓ Tissue consumption per capita has risen in China driven by increasing GDP per capita, as well as growing consumer goods demand within urban areas
- ✓ Chinese BHKP demand has increased at double digit levels. 8M14 vs 8M15 shows a +12% increase in demand
- ✓ Pulp demand is driven by increasing Asian middle class consumption, which has led to sustainable price increases and differentiated pulp from other commodities
- ✓ Tissue consumption directly linked to consumer goods within urban society

...expecting to continue its growth trend

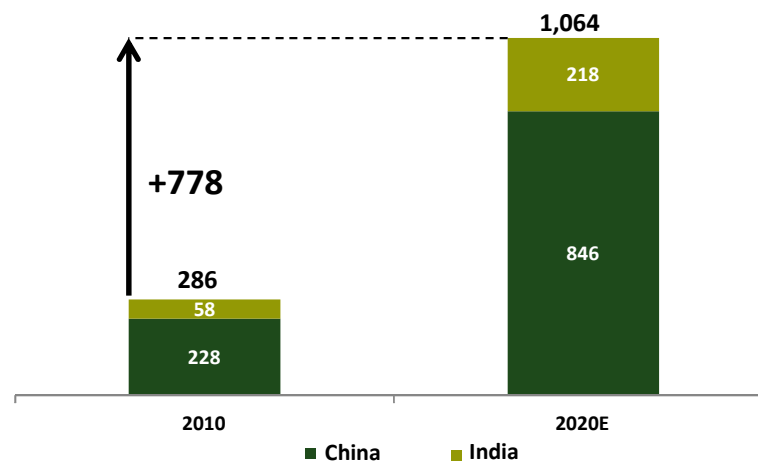
Income Distribution ('000 USD)



Source: Accenture

- ✓ China is expected to increase its upper-middle-class (income) > 5,000USD from 17% to 60% of its population by 2020
- ✓ India will follow from 5% to 16%

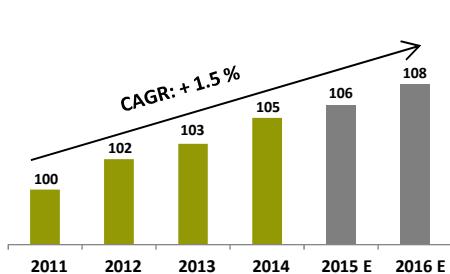
Population with income >5,000 USD (million people)



Source: Accenture

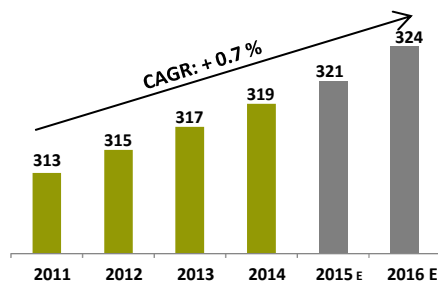
- ✓ 778M people are expected to increase income and paper consumption
- ✓ Other countries (Indonesia, Brazil,..) are expected to follow similar trend

Tissue Demand in US (indexed)

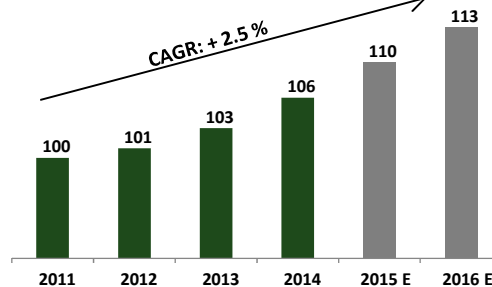


Source: Accenture

US Population (mill. people)

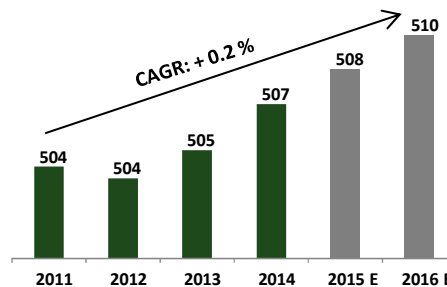


Tissue Demand in Europe (indexed)



Source: RISI; Eurostat

Europe Population (mill. people)



Index



1 9M15 Results

1.1 Pulp Business

1.2 Energy business

2 Cost Cutting Program on track

3 Solid Cash Flow generation and liquidity position

Index



1 9M15 Results

1.1 Pulp Business

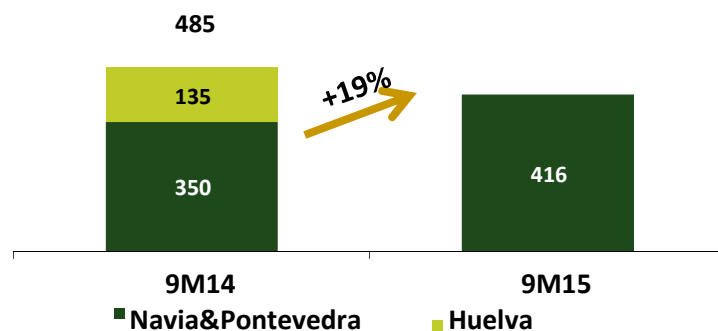
1.2 Energy business

2 Cost Cutting Program on track

3 Solid Cash Flow generation and liquidity position

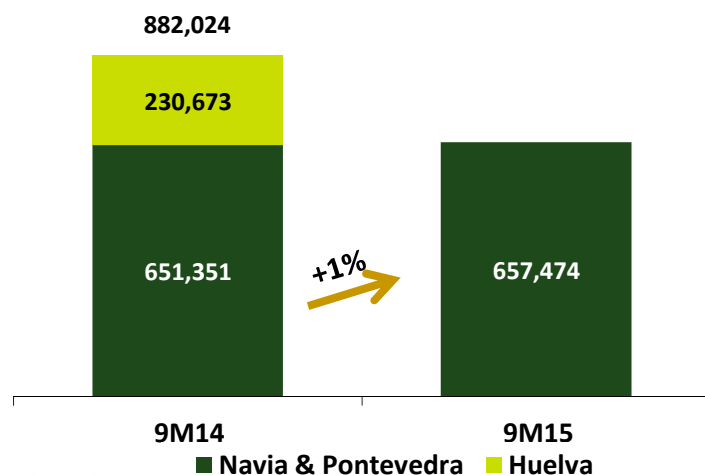
Pulp mills increased sales due to higher pulp prices ...

Pulp, Forestry and Electricity sales at pulp mills (€M)

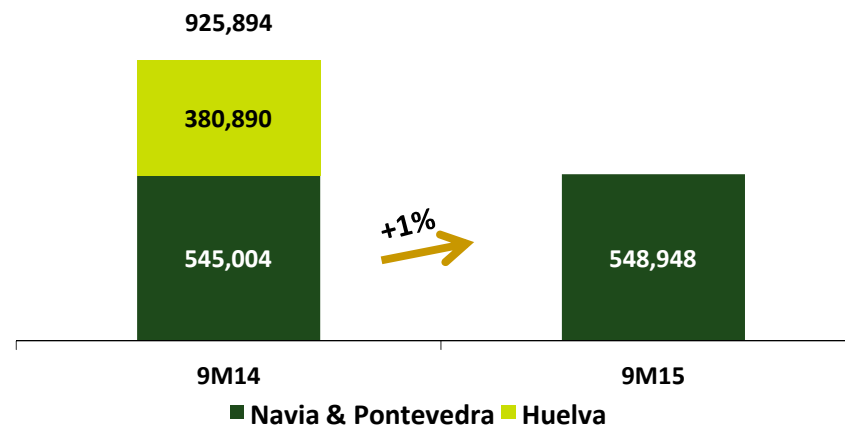


- ✓ Our current **Northern mills sales** increased by 19% from €350 M in 9M14 up to **€416 M in 9M15**, mainly due to higher pulp prices and a more favourable exchange rate as well as better production rates.
- ✓ Pulp **Production was penalized by a longer maintenance stop** (21 days in 2015 vs 12 days in 2014) in order to execute the investments for efficiency and capacity increase, leading to a loss of **15,000 t and 10,000 MWh**. Adjusting for this impact, growth for pulp and energy production would have improved **+3%**

Pulp production per plant (tons)

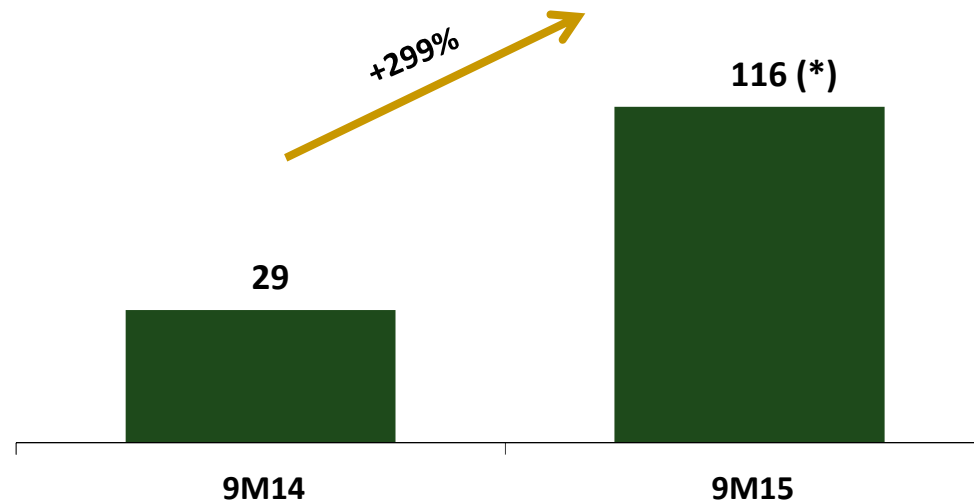


Electricity production at pulp mills (MWh)



... also increasing its Adjusted EBITDA contribution and margin.

Pulp Business Adjusted EBITDA (€M)



(*) includes a positive adjustment of €8M related to the cost of the boiler and other ancillary equipment supporting the operating of Huelva 41MW (hold by the energy business) and that will be transferred to the energy business in the coming months

- ✓ **Pulp Adjusted EBITDA strongly increased** due to a **positive execution of the Competitiveness Recovery Plan, strong exchange rate and strong worldwide demand**. Pulp business generated **€116 M** or **82%** of the total €141 M Adjusted EBITDA level
- ✓ **Adjusted EBITDA margin** grew from 6% in 9M14 up to **28% in 9M15**

Index



1 9M15 Results

1.1 Pulp Business

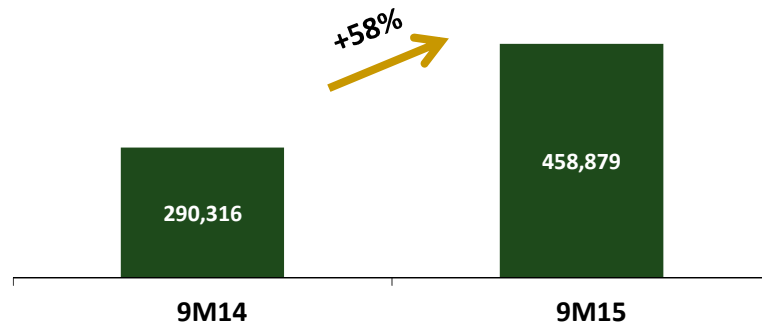
1.2 Energy business

2 Cost Cutting Program on track

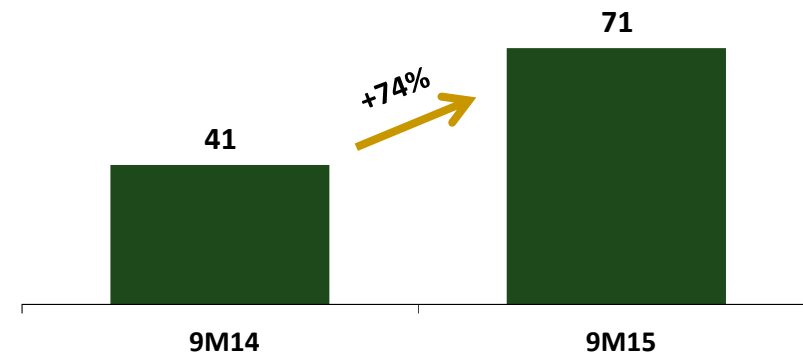
3 Solid Cash Flow generation and liquidity position

Energy business continues to significantly increase sales after additions of new biomass power plants and higher energy prices...

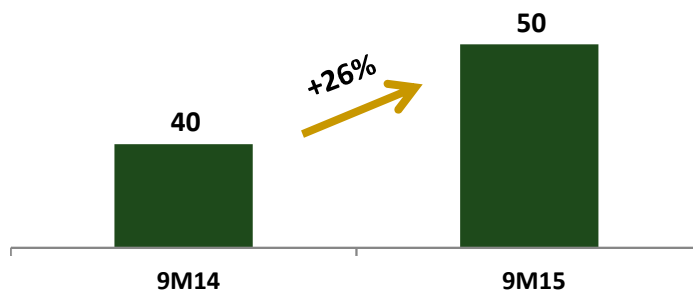
Energy sales (MWh)



Energy Sales (€M)

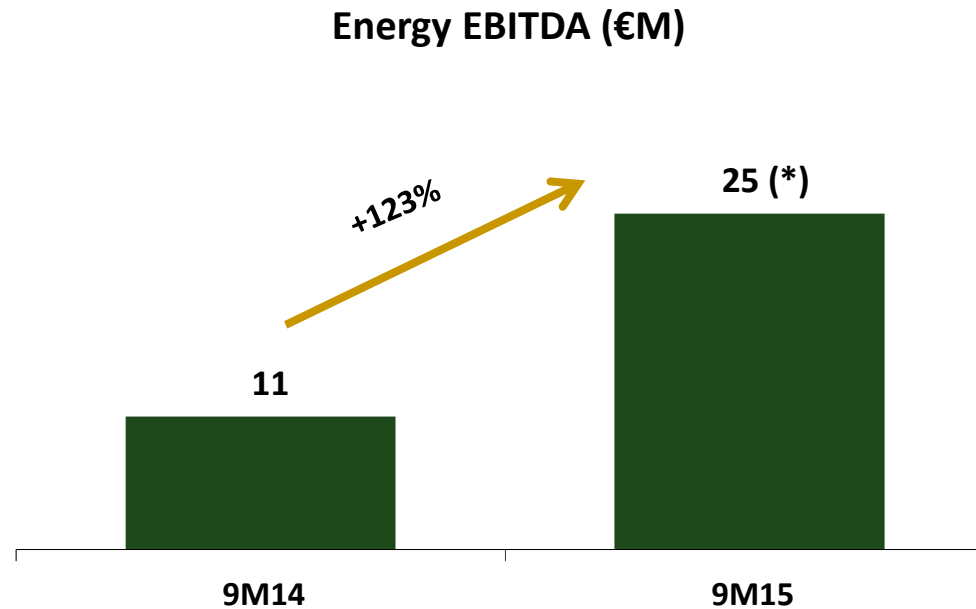


Average pool price (€/MWh)



- ✓ Energy sales in MWh increased by 58% from 9M14 to 9M15 due to the contribution of the new Mérida 20MW and Huelva 41 MW plants
- ✓ Sales increased by 74% or €30 M up to a total €71 M also pushed by higher electricity prices that reached €50/MWh in 9M15, 26% above 9M14 levels
- ✓ Ence has implemented a hedging program over pool prices for 75% of the production of the 4Q15 at €49/MWh and 27% of the production of the 1H16 at €46/MWh

...also reflecting a higher EBITDA contribution



(*) includes a negative adjustment of €8M related to the cost of the boiler and other ancillary equipment supporting the operating of Huelva 41MW (hold by the energy business) and that will be transferred to the energy business in the coming months

- ✓ **Energy Business EBITDA increased strongly after new plant additions** compared to 9M14, pushed by a 10% increased of the average income from **€140/MWh to €155/MWh**
- ✓ **Energy Business EBITDA margin** also grew from 27% in 9M14 up to **35% in 9M15**

Index



1 9M15 Results

1.1 Pulp Business

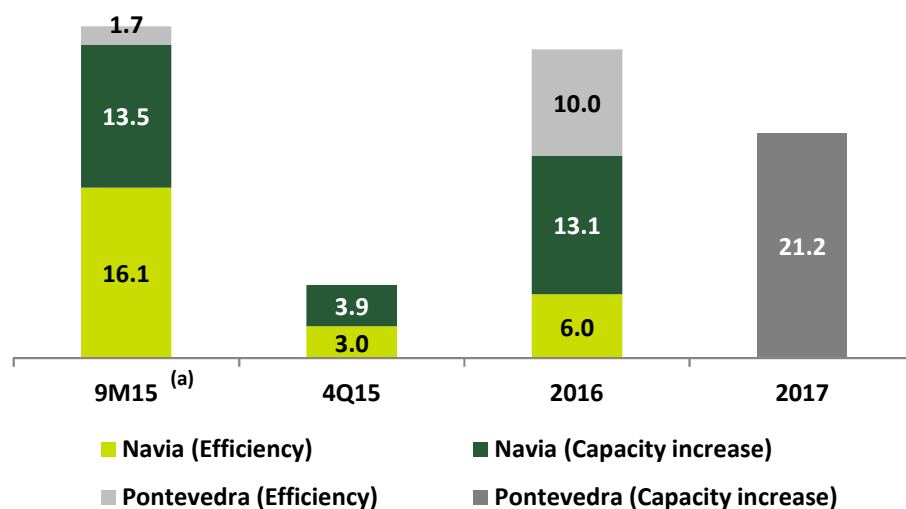
1.2 Energy business

2 Cost Cutting Program on track

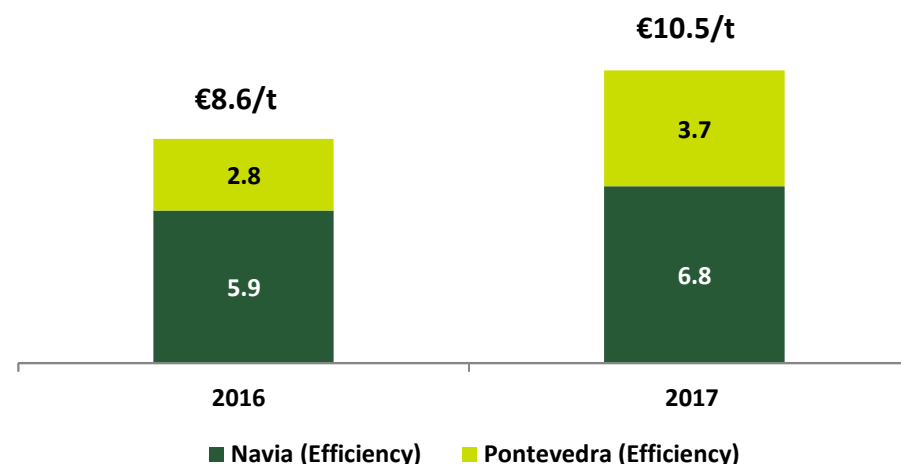
3 Solid Cash Flow generation and liquidity position

Successful execution of efficiency investments and capacity increase in Navia...

Pulp Mills Investment Program (M€)



Annual Expected Savings (M€) (b)

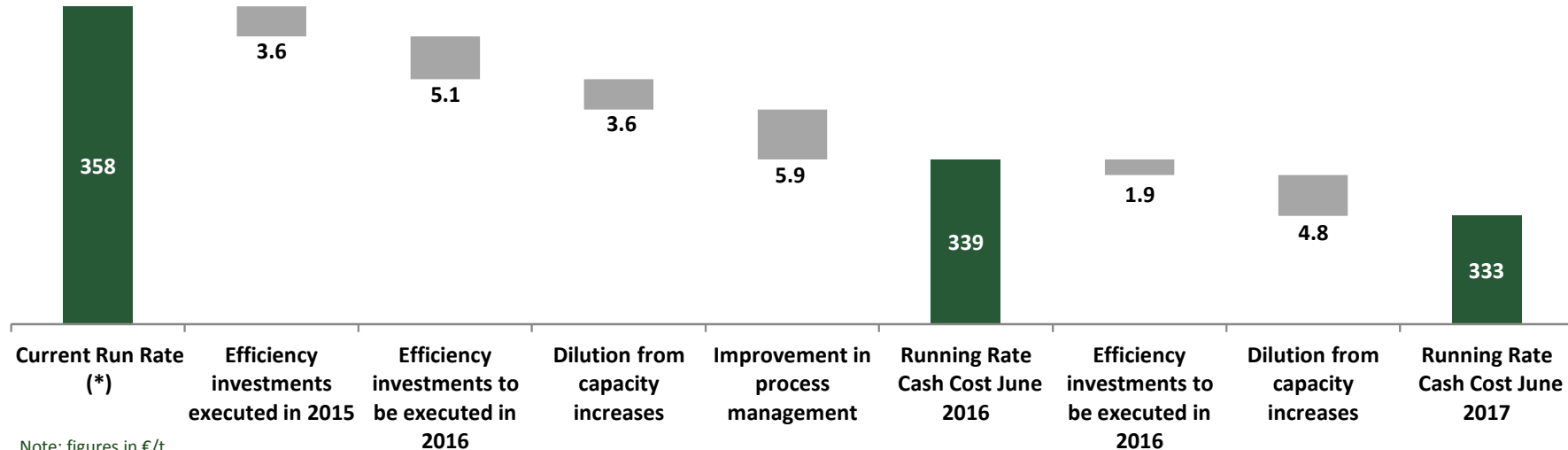


(a) Only €23 M has been accounted in 9M15 financial statements

(b) Savings from capacity increase not included

- ✓ Main 4 year pay back investments (PB4) implemented in Navia during maintenance stop
- ✓ Phase I of the **capacity increase for 20,000 tons (50%)** in Navia executed in **June**
- ✓ **€10.5/t cash cost reduction** or **€10.5 M annual estimated EBITDA**
- ✓ Poyry, Andritz and Falconi consultants hired to achieve cash cost targets

...within a two year timeframe.



Note: figures in €/t

(*) Includes additional €5/t in wood cost or €15/t in cash cost as wood price is directly linked to pulp price

Cash cost reduction will come from:

- ✓ **€10.6/t from Efficiency Investments** executed in 2015 and to be executed in 2016
- ✓ **€8.4/t coming from fix cost dilution** of capacity increases
- ✓ **€5.9/t coming from improvements** in the manufacturing process supported by our external consultants

All these actions pushed by a reinforced operating team.

Index



1 9M15 Results

1.1 Pulp Business

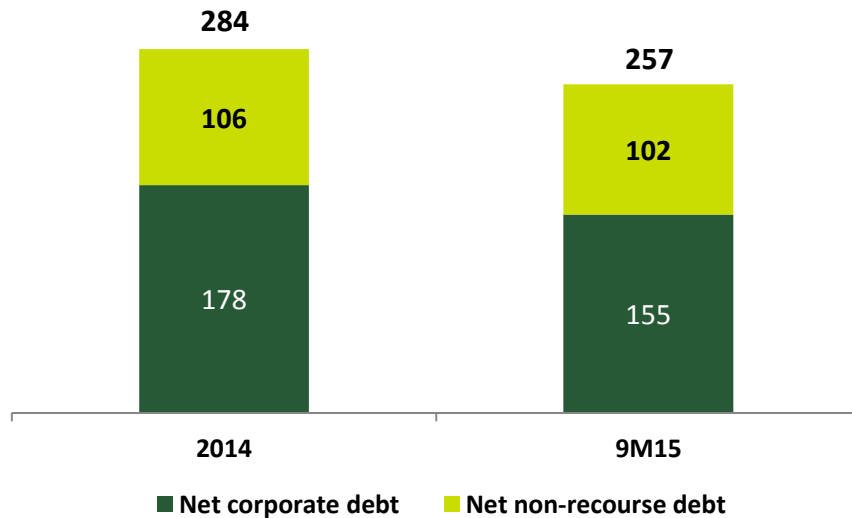
1.2 Energy business

2 Cost Cutting Program on track

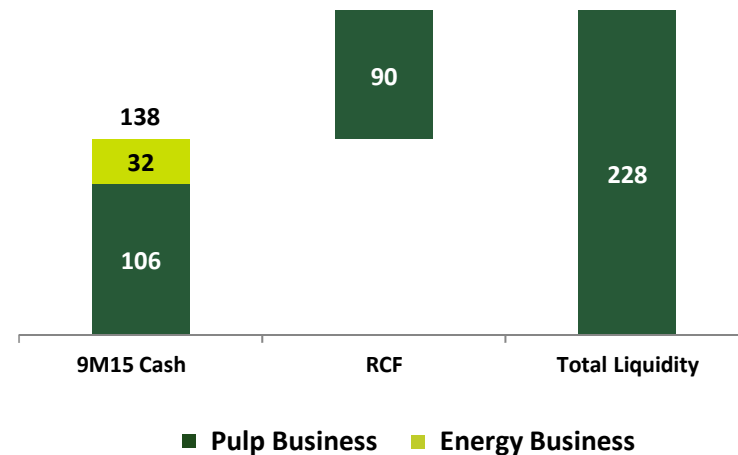
3 Solid Cash Flow generation and liquidity position

Net Debt and Liquidity

Net debt evolution (€M)



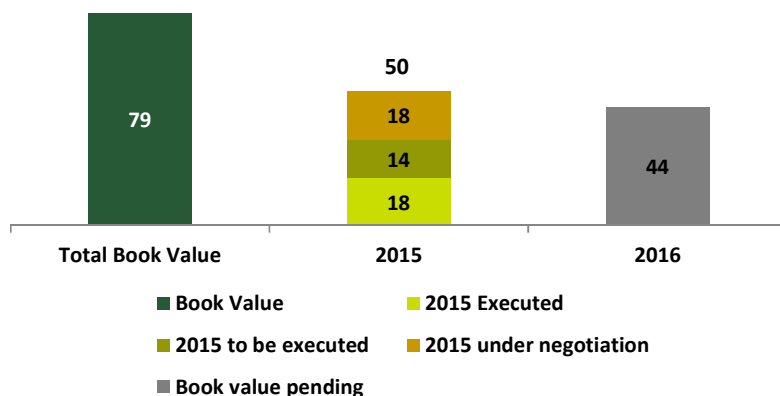
Liquidity position (€M)



- Reducing its net debt position by €28 M during 9M15, after a **€25 M dividend payment** and a **€25 M early redemption** of 10 % of the bond, and increasing liquidity position up to €228 M based on solid Operating Cash Flow
- **Maintaining its long term profile:**
 - **€250 M Bond maturing in 2022** after full refinancing of bond issued in 2013
 - **€90 M RCF fully undrawn, maturing in 2020**
 - **€135 M Project Finance Facilities maturing in 2025**

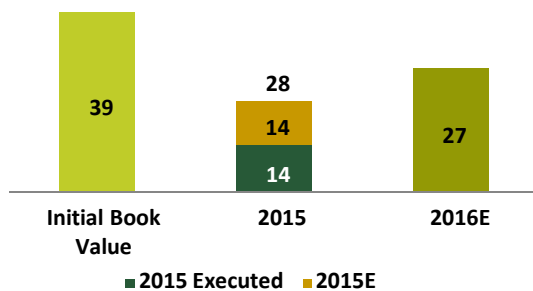
Benefitting from the Asset Disposal Program

Asset Disposal Program (€M)

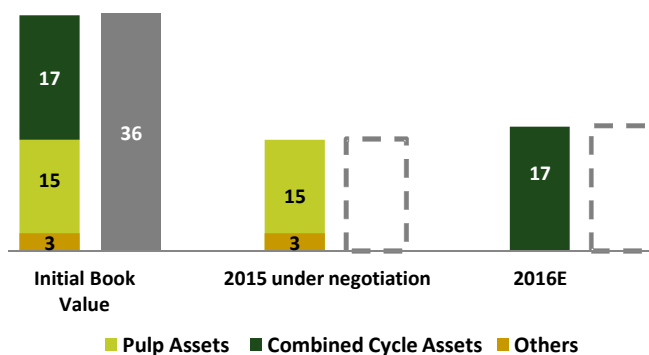


- ✓ Ence has sold 562 hectares of former irrigated energy crops for €14.1 M and has signed promissory contracts for additional 620 irrigated hectares for a total consideration of €14.4 M, having received in advance €1.7M of cash.
- ✓ Ence has also sold Pontevedra Real Estate Assets for €3.7 M in November
- ✓ Huelva industrial assets disposal program (€36 M book value) currently under negotiation for €18 M

Energy Crops Plantations (€M)



Huelva Mill Industrial Assets (€M)



Pontevedra Real Estate Assets (€M)



Summary (I) ...

- 1 Strong quarterly Adjusted EBITDA**, increasing the cumulative figure up to €141 M and **approaching the €200 M target.**
- €85 M of Unleveraged Operating Cash Flow**, increasing liquidity up to €218 M and Net Debt to Adjusted annualized EBITDA down to 1.0x in the pulp business and 3.0x in the energy business
- €339/t and €333/t running rate cash cost as targets maintained** as of June-16 and June-17, respectively, within an **adjusted timeframe.**
- Pulp prices continue to remain strong:** announced \$830/t level pushed by worldwide strong demand.

Summary (II) ...

- 5 **Currency Hedging Program** being enlarged up to 18 months on a **50% basis** ensuring the benefit of additional strengthening of the USD dollar.
- 6 **Successful financial restructuring of the Company and ring-fencing of the businesses**, having refinanced the energy business increasing availability by €30 M, and refinanced the pulp business issuing a new bond €250 M at 5.375%, due 2022.
- 7 **Pontevedra Concession Extension on track.**
- 8 Distribution of an **interim gross dividend** against 2015 earnings of **€0.044/share** or €11 M in October 7th.

Disclaimer

The information contained in this presentation has been prepared by Ence Energía y Celulosa, S.A. (hereinafter, "Ence").

This presentation includes data relating to future forecasts. Any data included in this presentation which differ from other data based on historical information, including, in a merely expository manner, those which refer to the financial situation of Ence, its business strategy, estimated investments, management plans, and objectives related to future operations, as well as those which include the words "anticipate", "believe", "estimate", "consider", "expect" and other similar expressions, are data related to future situations and therefore have various inherent risks, both known and unknown, and possess an element of uncertainty, which can lead to the situation and results both of Ence and its sector differing significantly from those expressly or implicitly noted in said data relating to future forecasts.

The aforementioned data relating to future forecasts are based on numerous assumptions regarding the current and future business strategy of Ence and the environment in which it expects to be situated in the future. There is a series of important factors which could cause the situation and results of Ence to differ significantly from what is expounded in the data relating to future forecasts, including fluctuation in the price of wood pulp or wood, seasonal variations in business, regulatory changes to the electricity sector, fluctuation in exchange rates, financial risks, strikes or other kinds of action carried out by the employees of Ence, competition and environmental risks, as well as any other factors described in the document. The data relating to future forecasts solely refer to the date of this presentation without Ence being under any obligation to update or revise any of said data, any of the expectations of Ence, any modification to the conditions or circumstances on which the related data are based, or any other information or data included in this presentation.

The information contained in this document has not been verified by independent experts and, therefore, Ence neither implicitly nor explicitly gives any guarantee on the impartiality, precision, completeness or accuracy of the information, opinions and statements expressed herein.

This document does not constitute an offer or invitation to acquire or subscribe to shares, in accordance with the provisions of Law 24/1998, of 28 July, on the Securities Market and its regulations. Furthermore, this document does not constitute a purchase, sale or swap offer, nor a request for a purchase, sale or swap offer for securities, or a request for any vote or approval in any other jurisdiction.

