

Ence Energía y Celulosa 2015 Results

February 12th, 2016



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ENCE 2015 Results: DELIVERING VALUE, DELIVERING COMMITMENTS

Business Results

2016-2020 Strategic Plan: Launched & On-track

Conclusions

DELIVERING VALUE, DELIVERING COMMITMENTS

- 1 Delivery: Pontevedra concession extension granted and 40MW biomass power plant awarded**
- 2 Adjusted EBITDA target delivered: €200 M**
- 3 Recurrent Free Cash Flow totalled: €110 M**
- 4 Cash cost down from €406/t in 2014 to €355/t in 4Q15**
- 5 Successful financial restructuring and businesses ring-fencing delivered**
- 6 Attractive shareholder remuneration for FY 2015: €36 M**
- 7 Pulp prices remain strong fuelled by solid demand**
- 8 Strategic Plan 2016-2020 launched and on track**
- 9 Over 2015 pulp production already committed for 2016**

Delivery

Pontevedra concession extension approved and 40MW biomass power plant awarded



- The Ministry of Agriculture and Environment has granted Ence the extension of the concession of its pulp mill in Pontevedra.
- The extension is granted for 60 years with an investment commitment for €61M at the facility already included in our Strategic Plan.
- Ence has been awarded 40MW biomass power generation capacity in Spain, also foreseen in our Strategic Plan.

Investments: €61 M

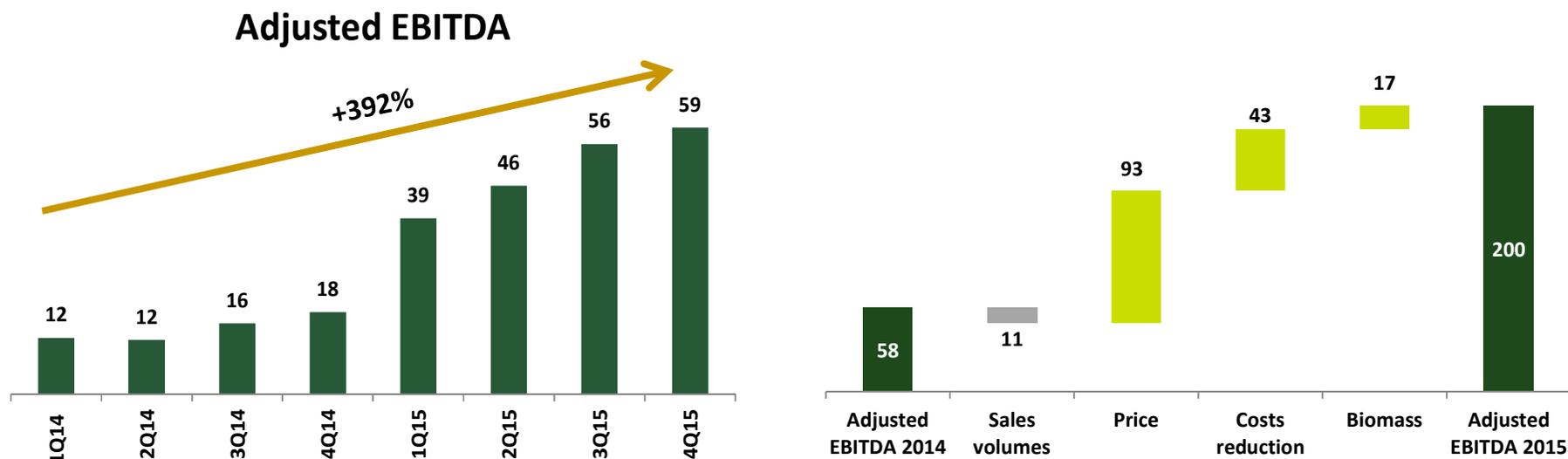
The Company intends to achieve the **same pulp production costs level as at Navia's mill**, one of the two most competitive pulp mills in Europe.

- Efficiency improvement and capacity increase: €30 M
- New water treatment cycle : €15 M
- Environment improvement: €12 M
- Landscape integration project: €4 M

Installation of a 40MW biomass power plant

- After the recent public tendering of biomass capacity in Spain, Ence is considering the **installation of a 40 MW biomass power plant in Spain**.
- The company has **four potential sites** to conduct the investment:
 - Pontevedra
 - Villaturiel (León)
 - Huelva
 - Mérida
- Ongoing conversations with local administrations are being held in order to decide the final location.

Adjusted EBITDA target delivered: €200 M



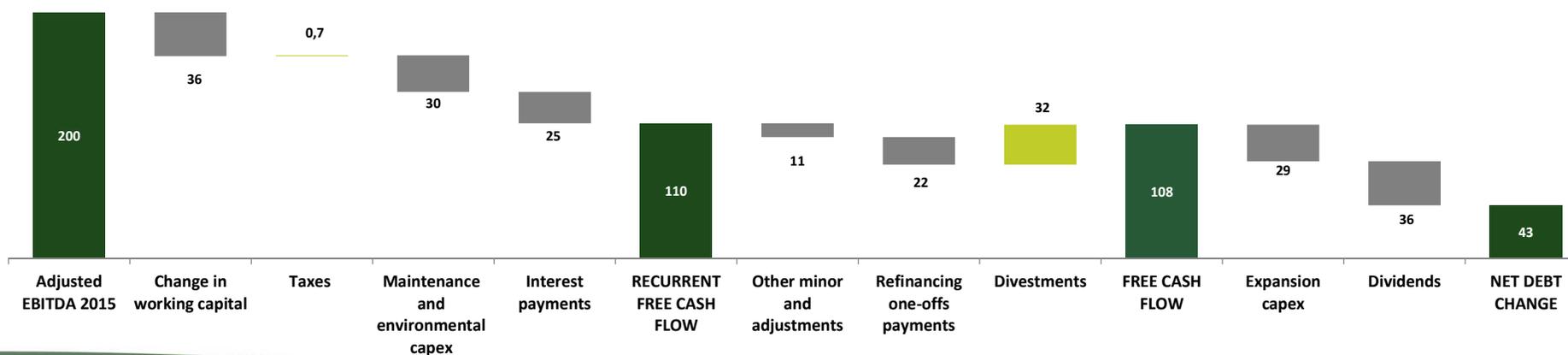
- 4Q15 Adjusted EBITDA of €59 M, €200 M for full year 2015, based on solid **worldwide demand**, favorable **exchange rate** and positive execution of **Competitiveness Recovery Plan**.
- Currently **hedging up to 50% of USD dollar exposure** for the coming 18 months, using a tunnel structure at 1.15/1.07 average levels

ENCE 2015 Results

Recurrent Free Cash flow totalled €110 M

- High conversion of €200 M Adjusted EBITDA into €110 M of Recurrent Free Cash Flow
- Allowing for:
 - € 29 M expansion capex, mainly in efficiency gains and pulp capacity increases according to the announced restructuring plan
 - € 36 M dividend payments
 - € 43 M Net Debt reduction down to €241 M
- Refinancing one-off payments offset by €32 M asset divestments inflows
- €36 M working capital increase due to higher AR ending balance because of stronger pulp prices and USD dollar and because of the delay in energy payments from the CNMC with a total outstanding figure of €33 M

Cash Flow Evolution (€M)

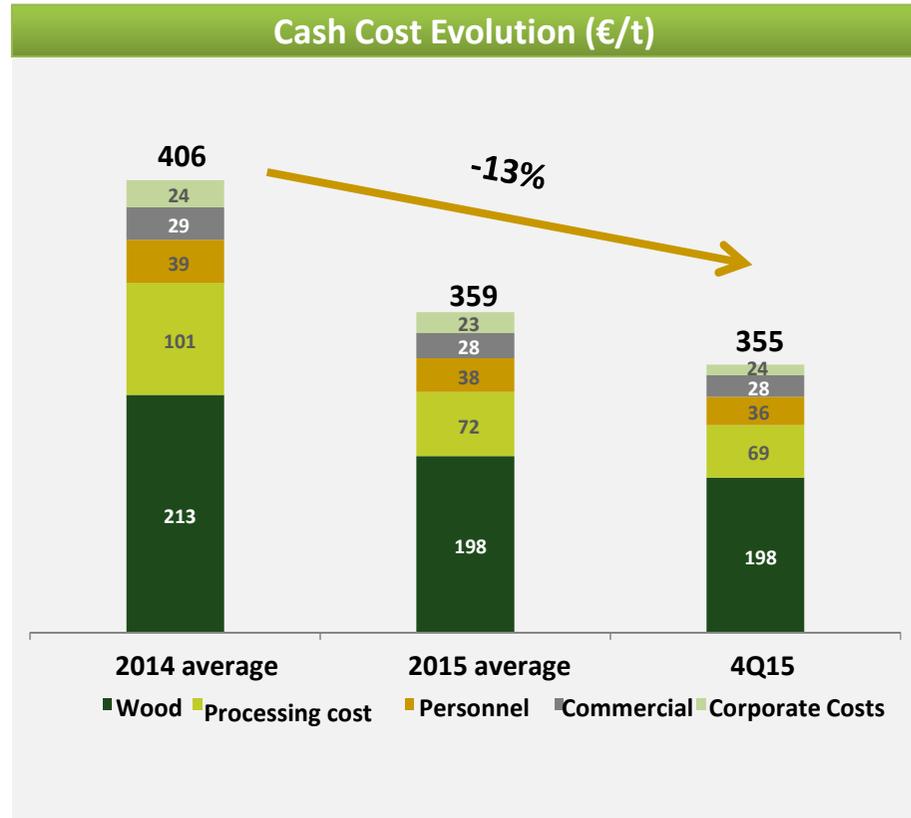


Reducing cash cost quarter on quarter from €406/t down to €355/t in 4Q15

€355/t Cash Cost in 4Q15

- 🌿 **Cash cost** continues its **reduction**, once investments on **efficiency gains and capacity increases** are completed.
- 🌿 Technical support of hired **consultants** continues.
- 🌿 Now that Pontevedra concession has been extended, we will resume investments in the mill so as to continue driving cash cost down to targeted levels

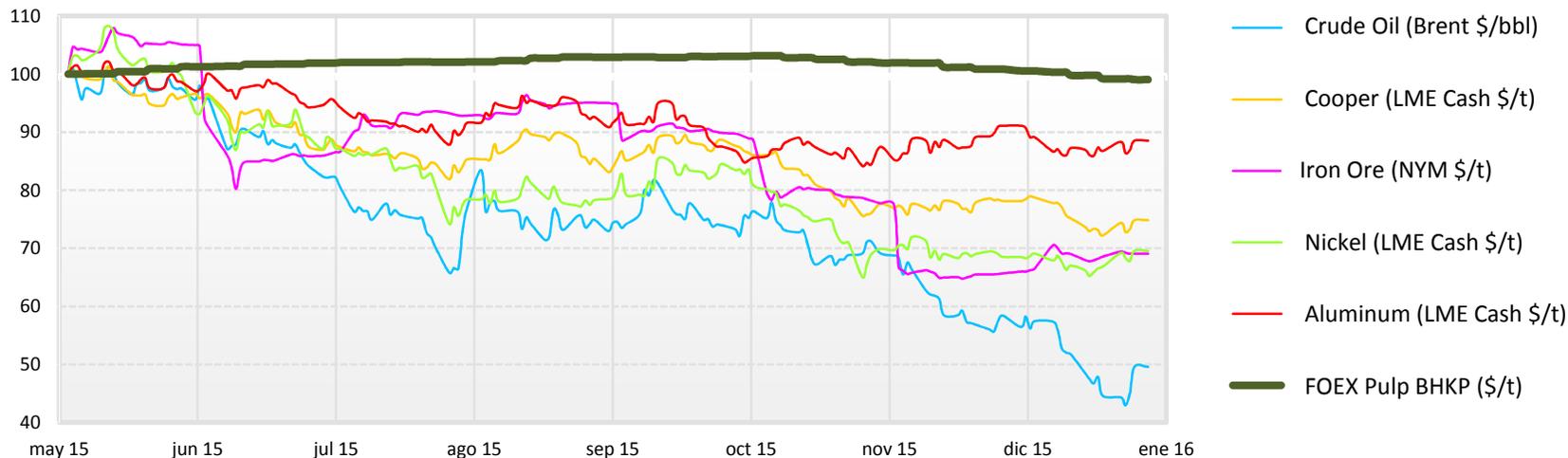
Cash Cost Evolution (€/t)



Pulp environment

Pulp prices remain strong fuelled by solid demand...

Stability of Pulp price vs other Commodities



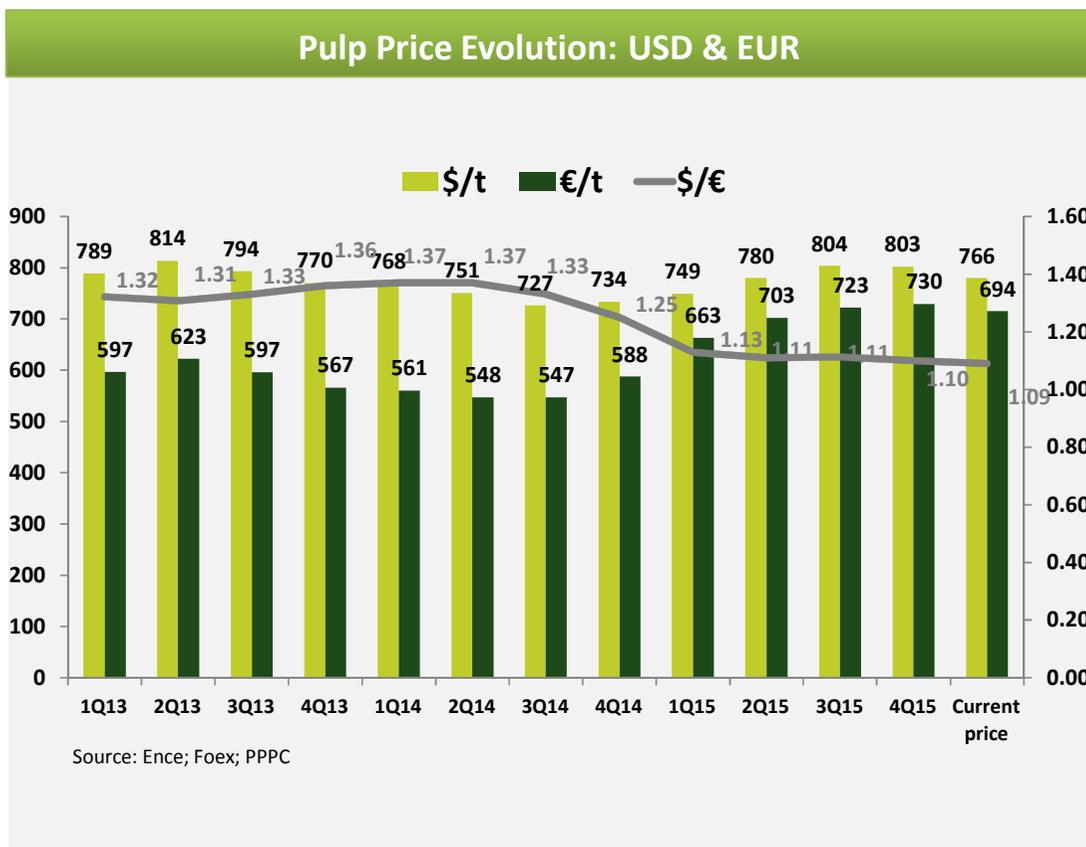
Chinese Tissue Consumption will increase in 2015 and 2016 between 0.5 - 1 Mt

- 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 a +8% in November 2015 y-o-y
- Pulp demand is driven by increasing Asian middle class consumption, which has led to sustainable price increases and differentiated pulp from other commodities



(*) 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

Pulp environment ...benefiting from a favorable exchange rate...



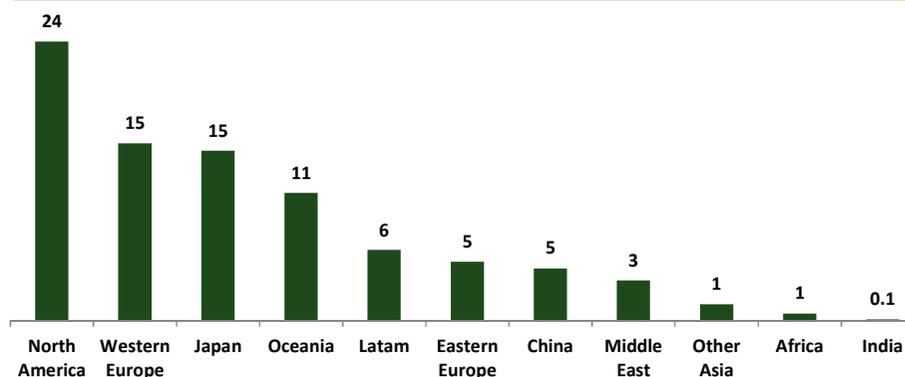
- Ence has implemented a hedging program, **currently covering up to 50% of its USD dollar exposure** for the coming 18 months, using a tunnel structure at 1.15/1.07 average levels.

Pulp environment

...and a balanced supply – demand market structure

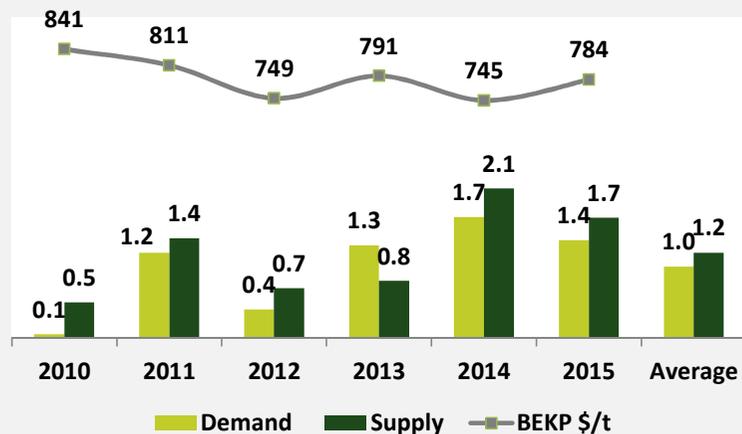
- The **new supply** mainly announced by Latam players **will be offset** as demand is expected to maintain a growth trend above 2% in line with last 5 years.
- Strong Chinese BEKP demand is still growing** at 10% up to November 2015 y-o-y. Total pulp demand growing approx. 1.3 Mt per year equivalent to a new pulp mill per year.

Per-capita consumption of tissue (Kg/person)



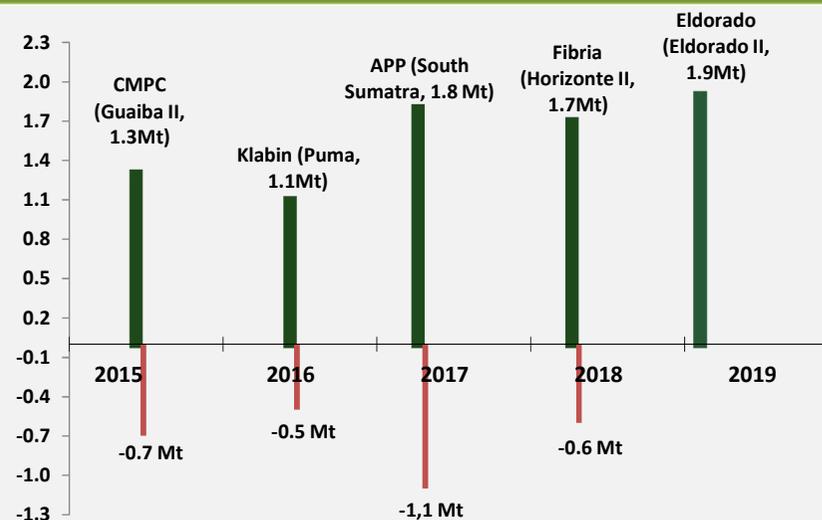
Source: RISI

Increase in Eucalyptus demand and supply (Mt)



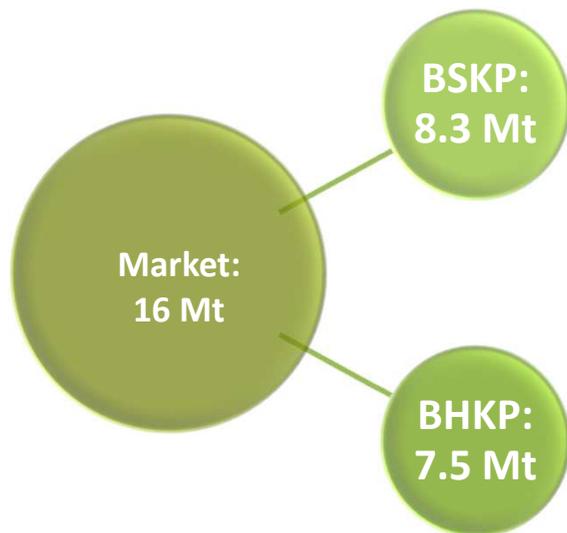
Source: PPPC; Hawkins Wright (Dec-15) ; data in million tons

100% capacity start-up (Mt) excluding ramp-ups

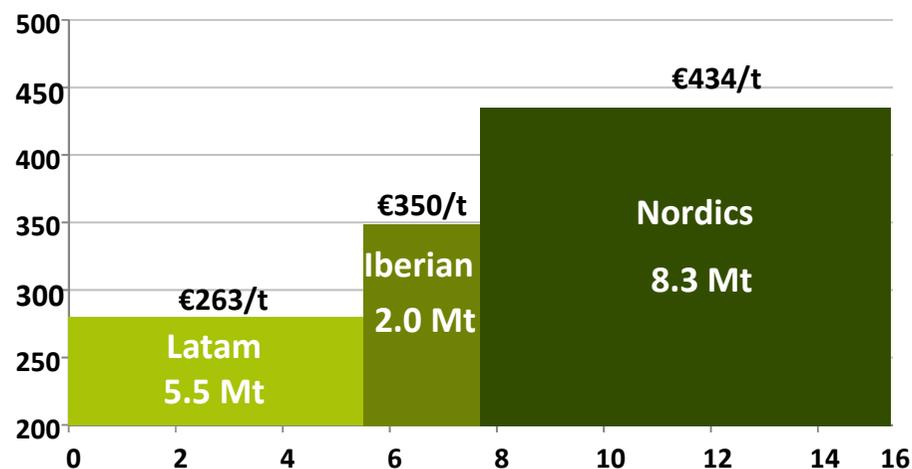


Source: Hawkins Wright (Dec-15), Brian McClay estimates; data in million tons

Industry players estimated average cash cost



European Pulp Market share and delivered cash costs



(*) Exchange rate R/\$: 4.05, \$/€ 1.08

The average cash cost of the pulp mills has consistently reduced through effective operational management

Debt Structure

Successful financial restructuring and business ring-fencing accomplished

- 🌿 **New bond €250 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
- 🌿 **Improved conditions** and adjusting guarantees
- 🌿 Increasing **cash available in the Biomass business by €30 M**
- 🌿 **Reduction of the financial cost:** 110 bps
- 🌿 **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
Size	€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

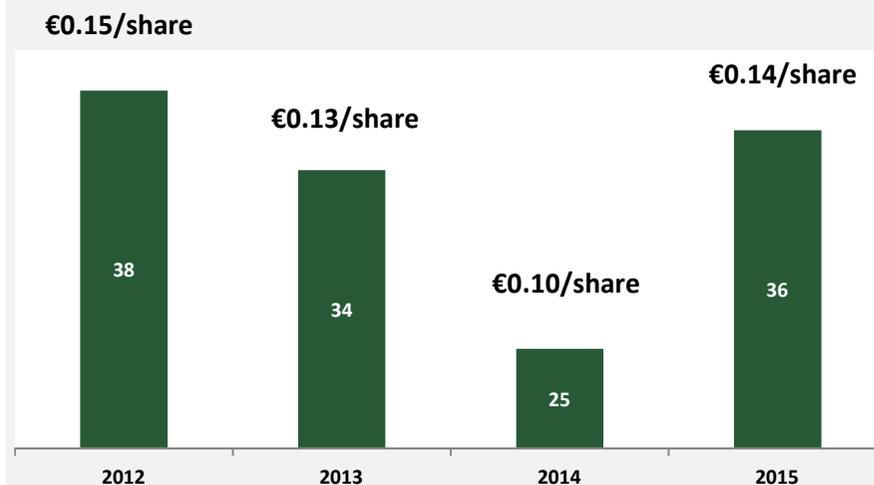
Dividend Policy

Attractive shareholder remuneration

Maximizing shareholder remuneration

- Maintaining the debt position down to conservative consolidated leverage levels of **1.2x Net Debt/Adjusted EBITDA** at the end of 2015
- **Value creation growth projects** ruled by a stringent and a selected criteria
- **Maintaining an attractive shareholder remuneration** according to the increased earnings and free cash flow generation

Annual accrued dividends (€M)



Note. Includes dividend paid in shares for years 2012 and 2013

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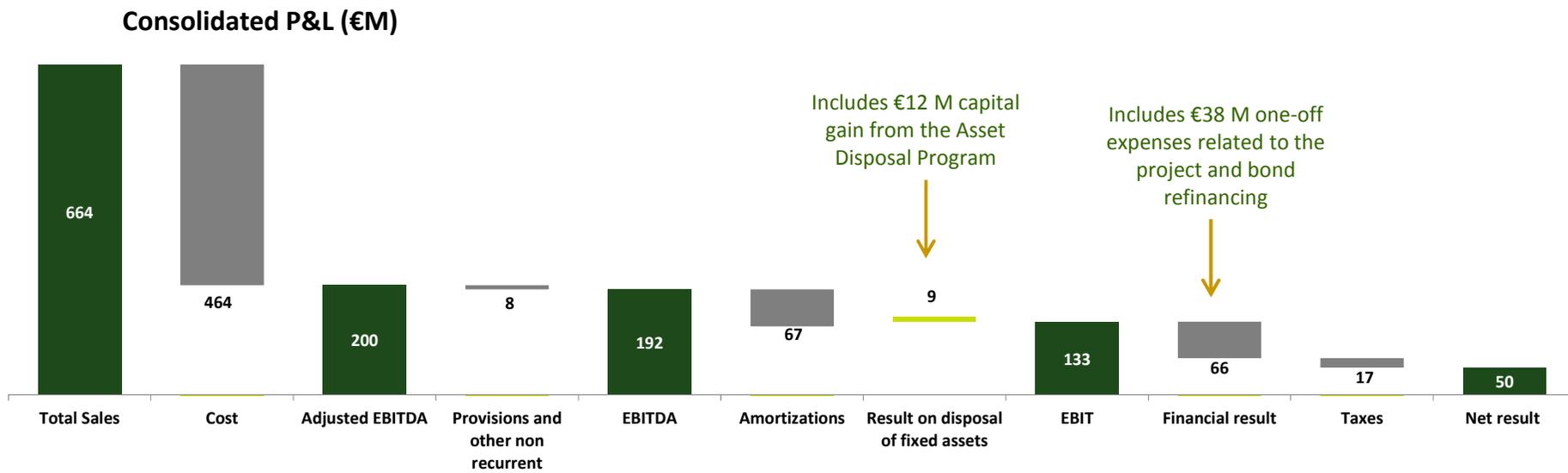
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2015 Consolidated Results (€M)

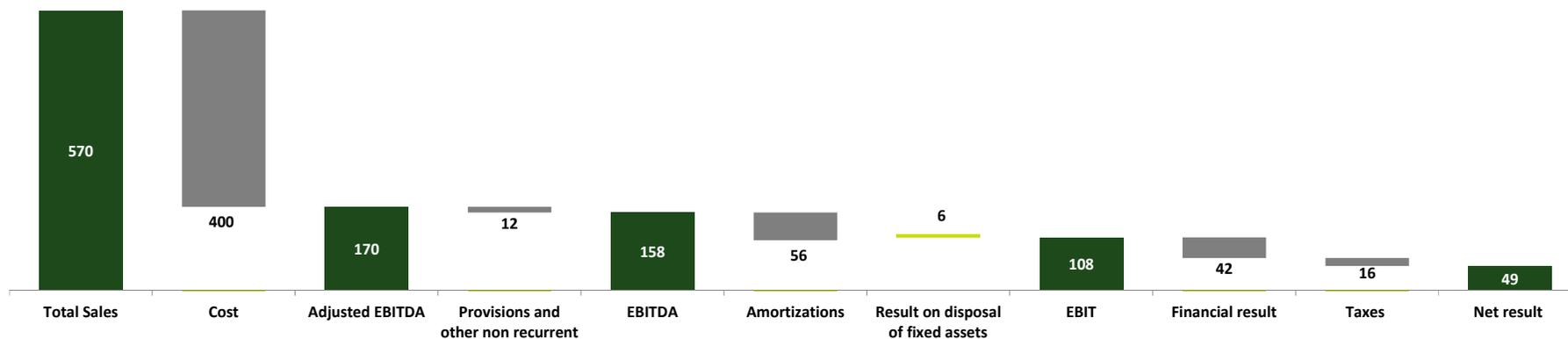


- 🌿 Sales reached €664 M
- 🌿 2015 Adjusted EBITDA reached €200 M
- 🌿 EBIT increased up to €133 M boosted by €12 M capital gains related to our asset disposal program
- 🌿 Net profit for 2015 was €50 M

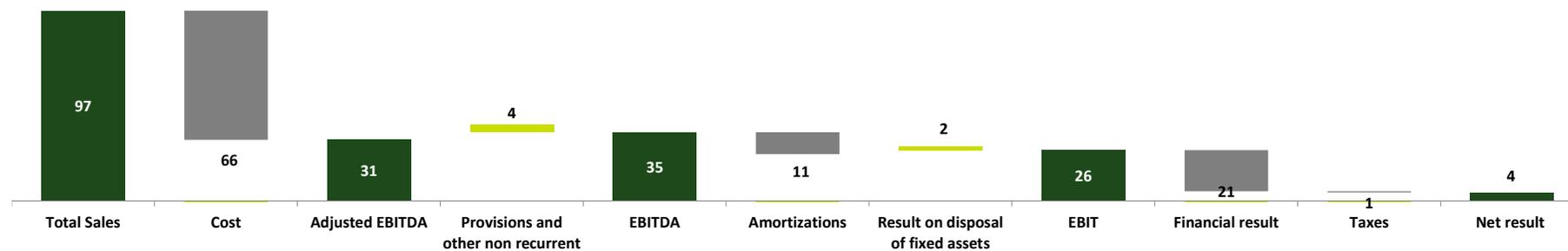
2015 Business Results

2015 Results by business (€M)

Pulp Business P&L (€M)



Energy Business P&L (€M)



Note: Main differences between the two business segment results and the consolidated ones are due to consolidation adjustments

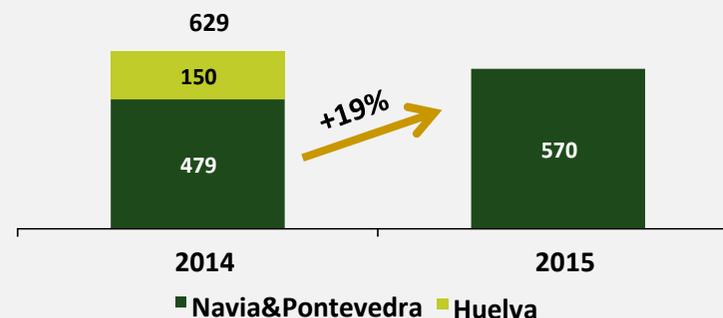
Pulp Business

Pulp mills increased sales by 19%...

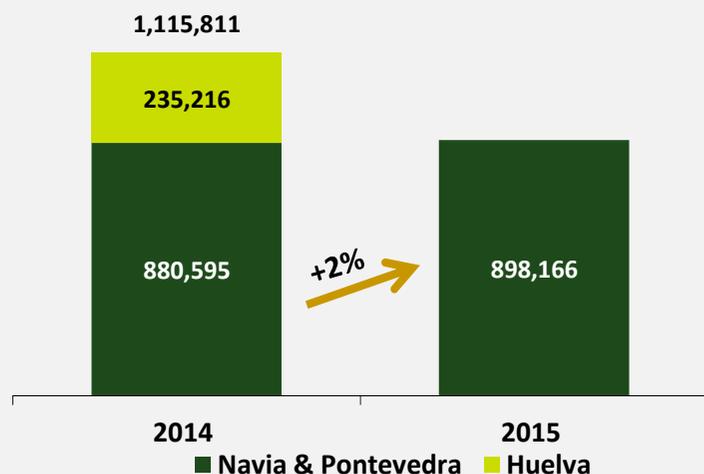
2015 revenues up to €570 M

- Our current **Northern mills** sales increased by 19% from €479 M in 2014 up to **€570 M in 2015**, mainly due to higher pulp prices and a more favourable exchange rate as well as better production rates.
- Pulp production increased by +2% despite a **longer maintenance** stop (21 days in 2015 vs 12 days in 2014) in order to execute the investments for efficiency and capacity increase, and the breakdown already solved at Navia bleaching section.

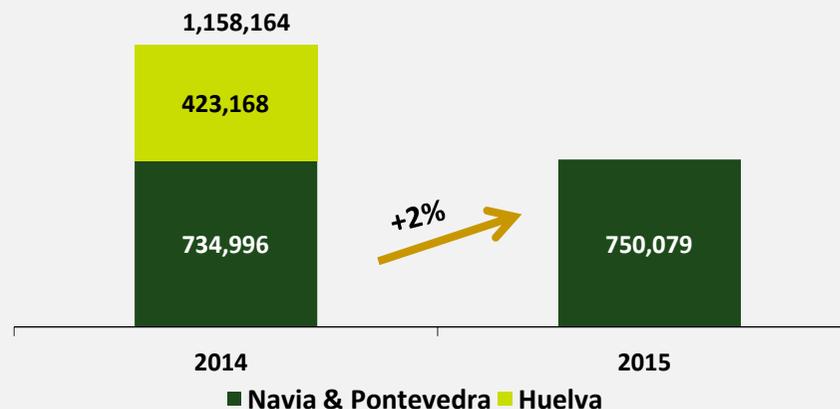
Pulp, Forestry and Electricity sales at pulp mills (€M)



Pulp production per plant (tons)



Electricity production at pulp mills (MWh)

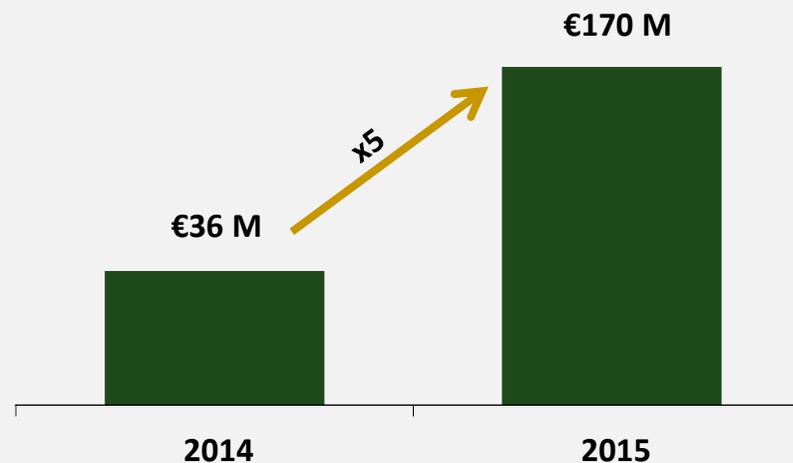


... also increasing its Adjusted EBITDA contribution

Adjusted EBITDA x5 up to €170 M

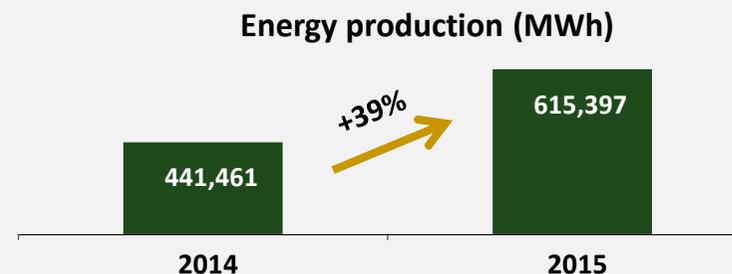
- 🌿 Pulp Adjusted EBITDA strongly increased due to a positive execution of the Competitiveness Recovery Plan, strong exchange rate and strong worldwide demand
- 🌿 Pulp business generated **€170 M** or **85%** of the total **€200 M** Adjusted EBITDA level

Pulp Business Adjusted EBITDA (€M)

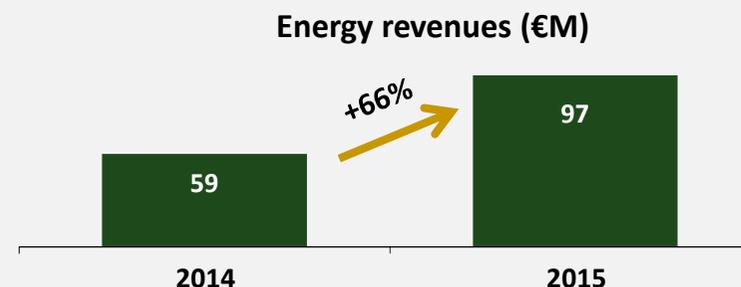


Continues to significantly increase sales by 66%...

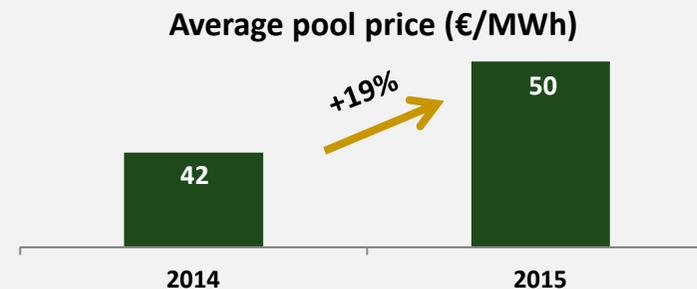
- Energy production sold in MWh increased by 39% from 2014 to 2015 due to the contribution of the new Mérida 20MW and Huelva 41 MW plants



- Revenues increased by 66% or €38 M up to a total €97 M also pushed by higher electricity prices that reached €50/MWh in 2015, 19% above 2014 levels



- Ence has implemented a hedging program over pool prices for 75% of the production of the 1Q16 at €47/MWh, and 24% of the 2Q16 and 3Q16 at €43/MWh and €48/MWh, respectively



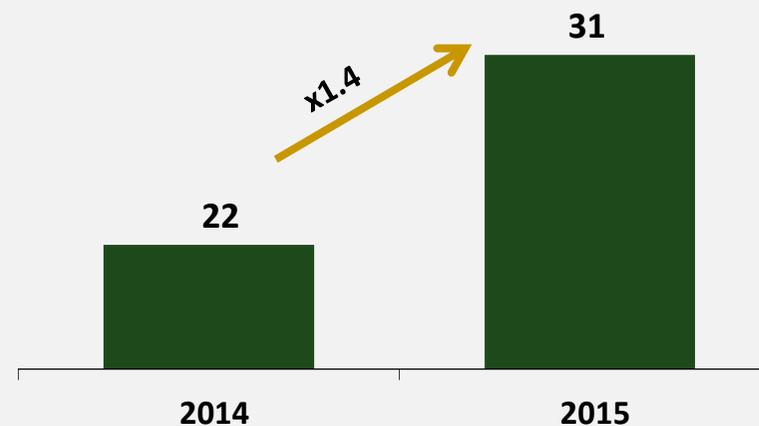
Energy Business

...also reflecting a higher EBITDA contribution

Adjusted EBITDA x1.4 up to €31 M

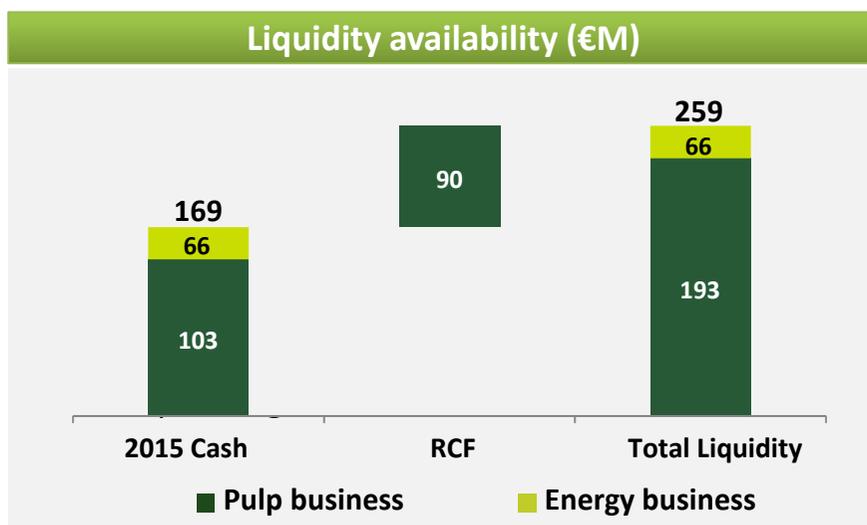
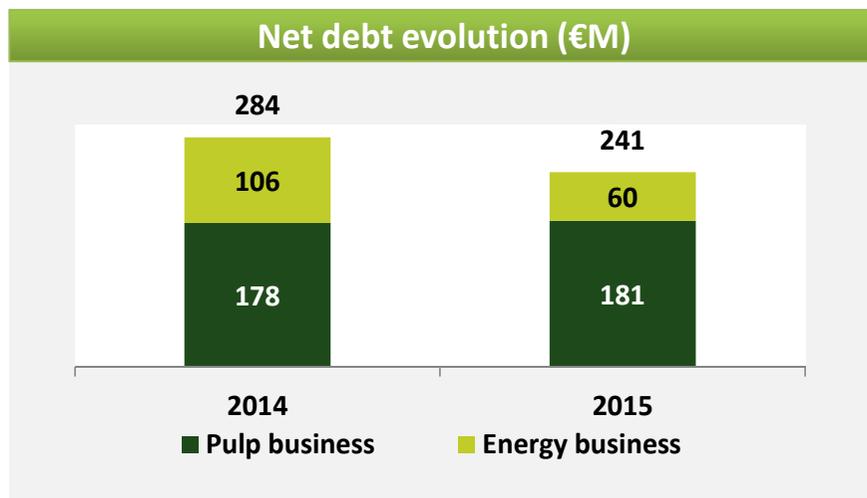
- Energy Business EBITDA increased after new plant additions compared to 2014, pushed by a 19% increase of the average income from €132/MWh to €158/MWh

Energy Business Adjusted EBITDA (€M)



Debt Structure

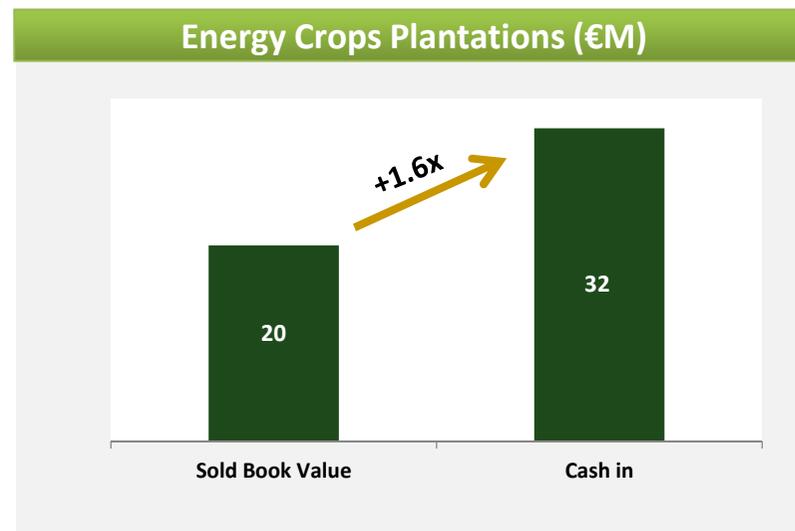
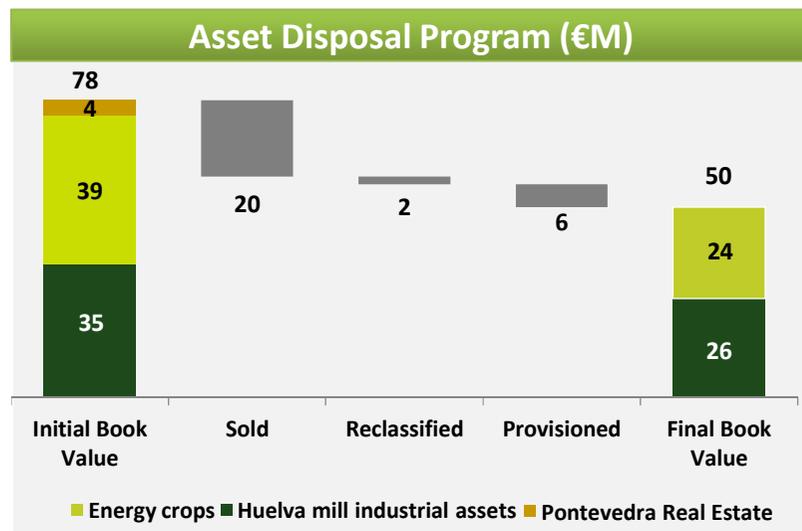
€43 M net debt reduction maintaining a strong liquidity



- Reducing its net debt position by €43 M during 2015, after a €36 M dividend payment
- Increasing liquidity position up to €259M based on a strong free 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
 - €45 M Factoring Facilities drawn
 - €58 M Confirming Facilities drawn

Asset Disposal Program

€32 M cash from the Asset Disposal Program in 2015



- **Total cash in** from the Asset Disposal Program has been **€32 M** in 2015 with a **capital gain of €12 M**.
- **€50 M pending disposals as of December 2015**.
- As of today, Ence has agreed the sale of additional, 95 hectares signing promissory contracts for a total consideration of €2.4 M, receiving **€0.4 M of cash in advance**.

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ENCE 2016-2020 Strategic Plan Launched & on-track

	Scenario at \$720/t and 1.25\$/€						Scenario at \$800/t and 1.05 \$/€					
	2015 ⁽¹⁾	2016	2017	2018	2019	2020	2015 ⁽¹⁾	2016	2017	2018	2019	2020
Cash Cost €/t⁽²⁾	362	344	339	337	329	329	362	344	339	337	329	329
EBITDA (M€)	111	132	145	153	180	209	201	269	294	308	338	367
Pulp	79	100	113	121	131	131	169	237	262	276	289	289
Energy	32	32	32	32	49	78	32	32	32	32	49	78
Net Debt (M€)	241	203	338	468	503	444	241	108	173	232	192	60
Pulp	168	169	284	307	286	222	168	75	119	71	(25)	(162)
Energy	73	33	54	161	217	222	73	33	54	161	217	222
Debt/EBITDA	2.2x	1.5x	2.3x	3.1x	2.8 x	2.1x	1.2x	0.4x	0.6x	0.8x	0.6x	0.2x
Pulp	2.1x	1.7x	2.5x	2.5x	2.2x	1.7x	1.0x	0.3x	0.5x	0.3x	-0.1x	-0.6x
Energy	2.3x	1.0x	1.7x	5.0x	4.4x	2.9x	2.3x	1.0x	1.7x	5.0x	4.4x	2.92x

(1) Estimated

(2) Cash Cost evolution based on stress case

ENCE 2016-2020 Strategic Plan
Pulp Business Strategic Plan

- ✓ Pontevedra Concession extension granted
- ✓ Optionally 40 MW biomass power plant awarded

	NAVIA	PONTEVEDRA
Pulp investments: €337 M Net debt / EBITDA ≤ 2.5	€ 33 M in process improvements and cost reductions	€12 M in process improvements and cost reductions
	€ 131 M investment in debbotlenecking	€ 26 M investment in debottlenecking
		€61 M investment in Pontevedra for concession renewal
		€74 M potential investment for replicating Navia in Pontevedra

ENCE 2016-2020 Strategic Plan

Energy Business Strategic Plan

Energy
Investments: €325 M

- Net debt / EBITDA ≤ 5
- EPC + Project Finance
- Countries "investment grade" and high energy prices



- New Partners in the new projects to reduce equity contribution and gain local knowledge

✓ **Optionally 40 MW biomass power plant awarded in January 2016 to be developed**

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