



Q1 2019 Results

May 7th, 2019

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Highlights

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1Q19

2019-2023 Strategic Plan : Pulp sales and EBITDA growth targets maintained

- **2019-2023 Strategic Plan review** following the Spanish Administration change of criteria regarding the 60 year extension of Ence's concession in Pontevedra, granted back in 2016
- Transferring to Navia most of the investments initially planned for Pontevedra, **doubling the capacity of the new swing line at Navia's biofactory.**

Strong pulp price scenario maintained for the coming years

- **Tighter supply and demand balance** expected until at least 2022
- Pulp prices already bottomed in China in 1Q19

Q1 2019 Results marked by FX hedges, spot sales and pulp restocking, as anticipated

- **49% EBITDA growth** in the **Renewable Energy business**
- **28% EBITDA slowdown** in the **Pulp Business** marked by FX hedging settlements, higher spot sales outside Europe and pulp inventory rebuilding ahead of Navia's 2Q planned shutdown

€87 Mn Strategic Plan capex in 1Q19

- **€63 Mn** in the **96 MW biomass power capacity** that will start operating in December, improving **annualized EBITDA** by c.€30 Mn
- **€24 Mn** for **20k t capacity increase in Pontevedra** in Q1 2019 and **80k t in Navia** in Q2 2019, improving **annualized EBITDA** by c.€46 Mn¹

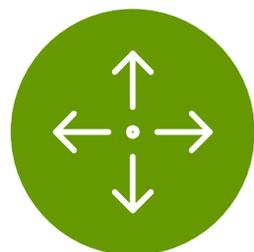
2019 targets

- **FY2019 Pulp Business EBITDA target of €235 Mn** assuming an average pulp price of **1,050 \$/t in 2H 2019**
- **FY2019 Renewable Energy EBITDA target of €65 Mn** confirmed

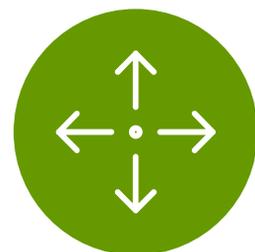
1. At constant BHKP prices of 1,050 \$/t and 1.20 \$/€ exchange rate

Pulp business investment plan still up to € 725 Mn

Doubling capacity of the new swing line at Navia



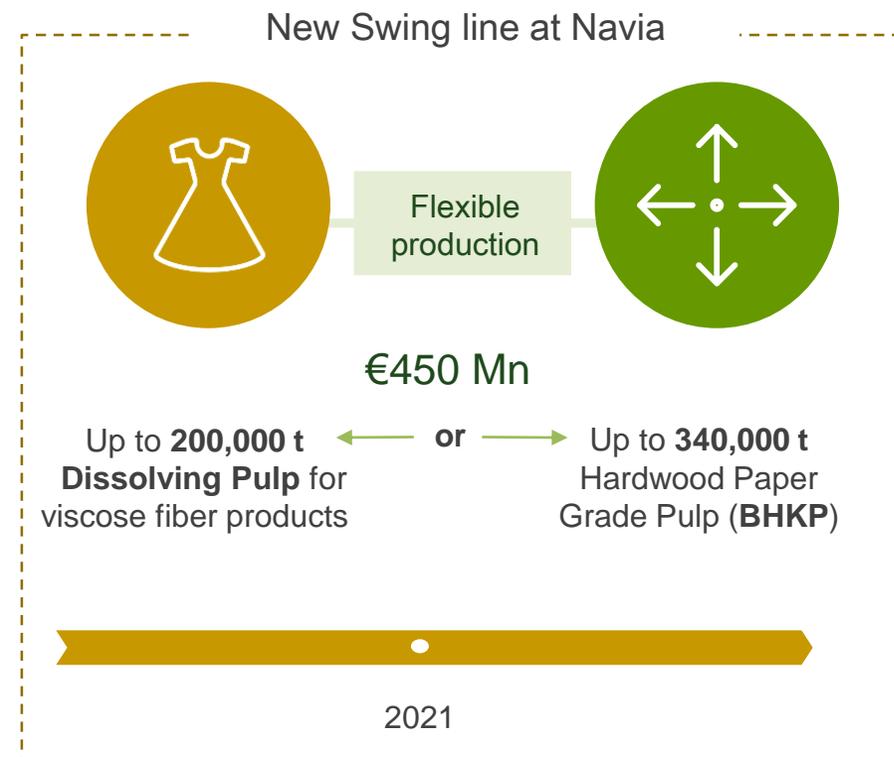
€30 Mn
20,000 t expansion in Pontevedra



€75 Mn
Complete 80,000 t expansion in Navia



€30 Mn
80,000 t adaptation for hygienic absorbent products in Navia (Fluff pulp)



Estimated start-up date



March 2019



2Q 2019



2020



2021



Sustainability Capex up to a maximum of €140 Mn

To strengthen reliability, flexibility, environmental excellence and safety

2019 – 2023 Strategic Plan review

Pulp sales and EBITDA growth targets maintained

 PULP	2018a	2019e	2020e	2021e	2022e	2023e
BHKP price (\$/t)	1,037.3	1,000	1,050	1,050	1,050	1,050
Exchange rate (\$/€)	1.18	1.18	1.20	1.20	1.20	1.20
Implied commercial discount (%)	27.7%	28%	27%	27%	27%	27%
Pulp sales ('000 t)	947.5	1,020	1,095	1,150	1,240	1,360
Cash cost (€/t)	376.9	380	372	370	367	362
EBITDA (€ Mn)	245.6	235	305	335	370	405
Net Profit (€ Mn)	126.2	115	155	170	190	210

 RENEWABLE ENERGY	2018a	2019e	2020e	2021e	2022e	2023e
Energy sales (MWh)	923,935	1,135,000	1,830,000	2,045,000	2,060,000	2,330,000
Avg. Regulatory Pool price cap (€/MWh)	47	47	48	48	48	48
EBITDA (€ Mn)	45.3	65	115	125	130	150
Net Profit (€ Mn)	13.2	15	40	50	50	60

ENCE GROUP	2018a	2019e	2020e	2021e	2022e	2023e
EBITDA (€ Mn)	290.9	300	420	460	500	555
Net Profit (€ Mn)	129.1	130	195	220	240	270
Net Debt (€/Mn)	304.8	530	640	635	595	390

Stepwise implementation to ensure financial discipline

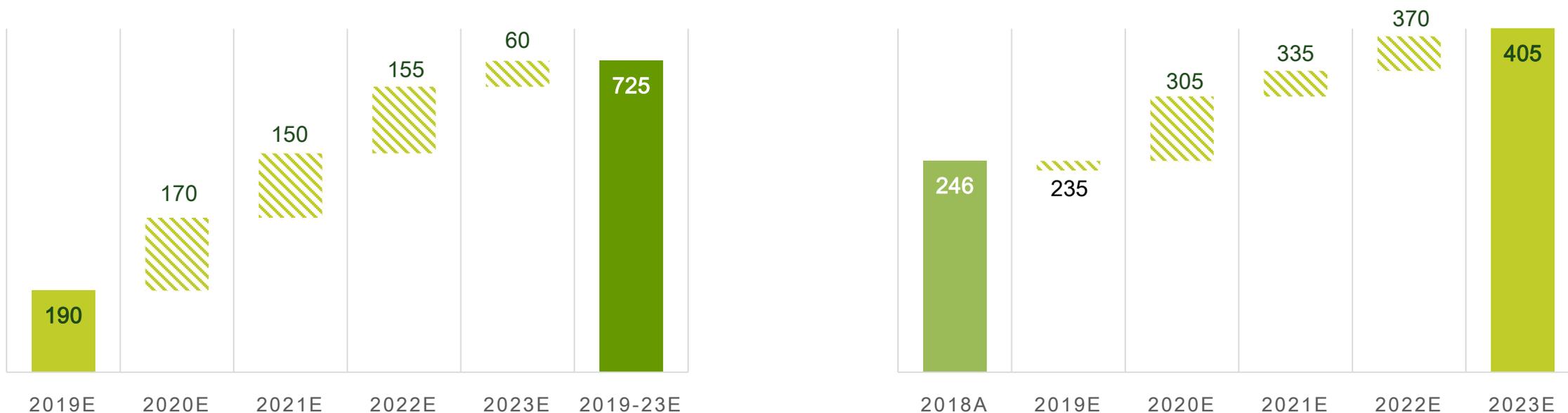
Net Debt / EBITDA < 2.5x after 50% Dividend Pay-Out

<2.5x
Net Debt/EBITDA
Pulp Business

c.60%
EBITDA
improvement

€725 Mn Pulp Business Investment
€ Mn

Pulp Business EBITDA target
€405 Mn¹ in 2023



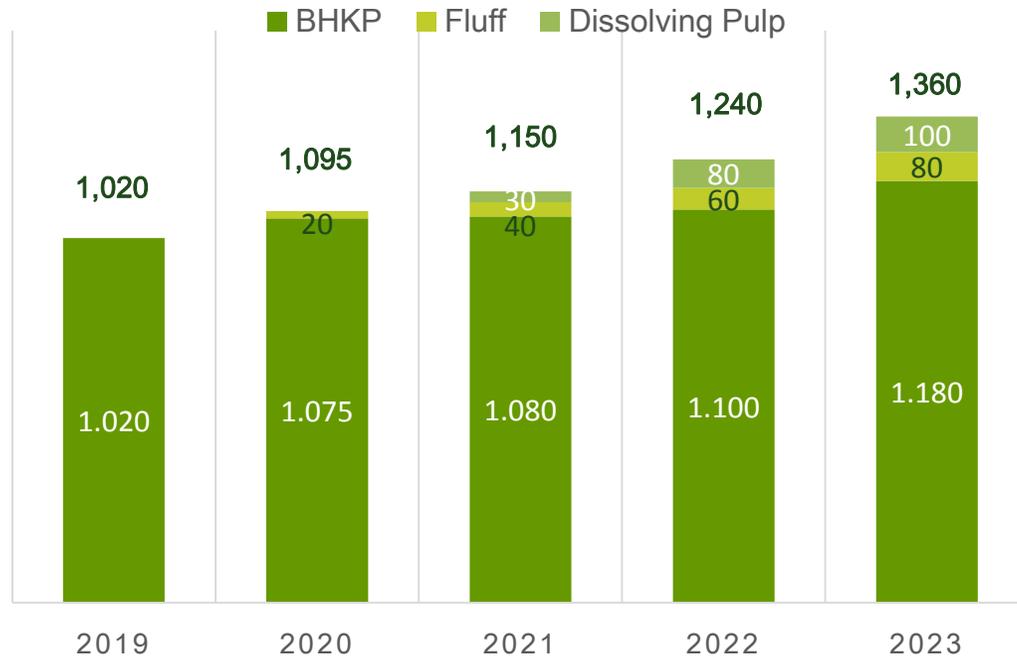
1. At constant BHKP prices of 1,050 \$/t and 1.20 \$/€ exchange rate from 2Q19

2023 operating targets

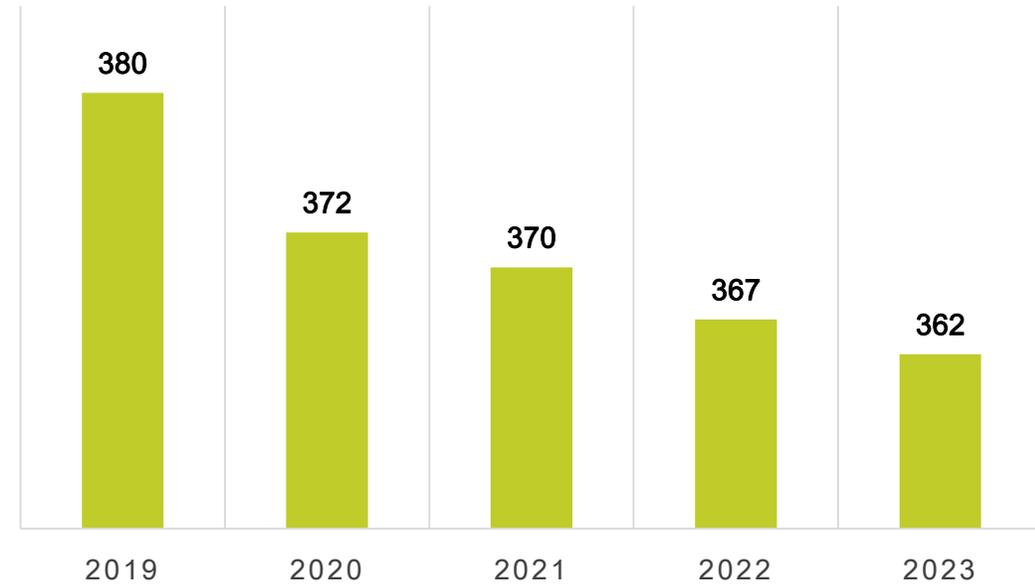
1.36 Mn T pulp sales and BHKP Cash Cost of 362 €/t



Gradual growth of pulp sales '000 t



Gradual reduction of BHKP cash cost €/t



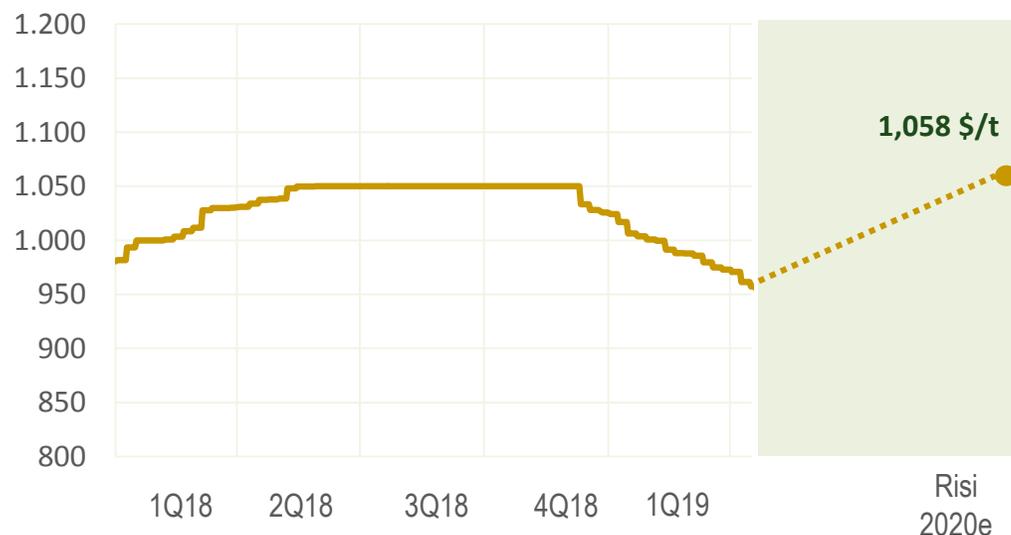
Fixed costs dilution due to sales volume growth and higher proportion of value added products

New products will have higher sale prices and margins, as well as a higher cash cost

Strong pulp price scenario for the coming years

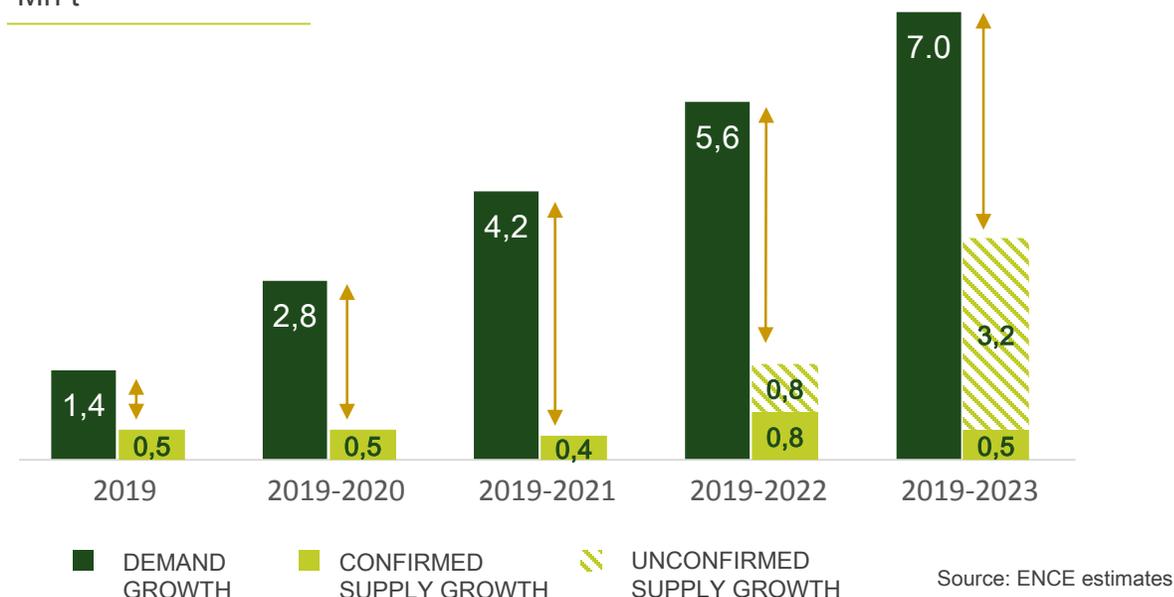
Tighter supply and demand balance expected until at least 2022

European Hardwood (BHKP) Pulp Prices \$/t



- Short term price volatility due to paper industry destocking process during the end of 4Q18 and the beginning of 1Q19
- Pulp prices already bottomed-out in China in 1Q19

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



- Tighter supply and demand balance supports a price improvement scenario for the coming years
- Just one large capacity increase confirmed for 2H 2021

1. Estimates corresponds 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

Tighter supply and demand balance expected until at least 2022

Minimum lead time for new projects close to 3 years

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

Mn t	2019	2020	2019-20	2021	2019-21	2022	2019-22	2023	2019-23	2024	2019-24
ESTIMATED BHKP DEMAND INCREASE	1.4	1.4	2.8	1.4	4.2	1.4	5.6	1.4	7.0	1.4	8.4
CHINA	1.0	1.0	2.0	1.0	3.0	1.0	4.0	1.0	5.0	1.0	6.0
OTHER ASIA / AFRICA / OCEANIA / MIDDLE EAST	0.2	0.2	0.4	0.2	0.6	0.2	0.8	0.2	1.0	0.2	1.2
EUROPE	0.1	0.1	0.2	0.1	0.3	0.1	0.4	0.1	0.5	0.1	0.6
NORTH AMERICA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LATIN AMERICA	0.1	0.1	0.2	0.1	0.3	0.1	0.4	0.1	0.5	0.1	0.6
ESTIMATED BHKP SUPPLY INCREASE (CONFIRMED)	0.5	0.0	0.5	-0.1	0.4	0.4	0.8	-0.3	0.5	-0.4	0.1
APP (OKI)	0.2	0.3	0.5		0.5		0.5		0.5		0.5
FIBRIA (TRES LAGOAS)	0.1		0.1		0.1		0.1		0.1		0.1
ARAUCO (HORCONES)				0.4	0.4	0.8	1.2		1.2		1.2
SUZANO (IMPERATRIZ MUCURI & MARANHAO)		0.3	0.3		0.3		0.3		0.3		0.3
ENCE (NAVIA & PONTEVEDRA)	0.1	0.1	0.2		0.2		0.2	0.1	0.3		0.3
MONDI (RUZOMBEROK)		0.1	0.1	-0.1							
GEORGIA PACIFIC (PERDUE)	-0.1		-0.1		-0.1		-0.1		-0.1		-0.1
ARAUCO (VALDIVIA)	0.2	-0.4	-0.2		-0.2		-0.2		-0.2		-0.2
APRIL (KERINCI)	0.2	-0.2	0.0	-0.2	-0.2	-0.2	-0.4	-0.2	-0.6	-0.2	-0.8
APRIL (RIZHAO)	-0.2	-0.2	-0.4	-0.2	-0.6	-0.2	-0.8	-0.2	-1.0	-0.2	-1.2
POTENTIAL BHKP SUPPLY (NOT CONFIRMED)						0.8	0.8	2.4	3.2	2.2	5.4
UPM (URUGUAY)						0.5	0.5	1.0	1.5	0.5	2.0
ELDORADO (BRASIL)								0.5	0.5	1.5	2.0
LWARCEL (BRASIL)								0.8	0.8	0.2	1.0
VIETRACIMEX (VIETNAM)						0.3	0.3	0.1	0.4		0.4
SURPLUS / (DEFICIT)	0.9	1.4	2.3	1.5	3.8	0.2	4.0	-0.7	3.3	-0.4	2.9

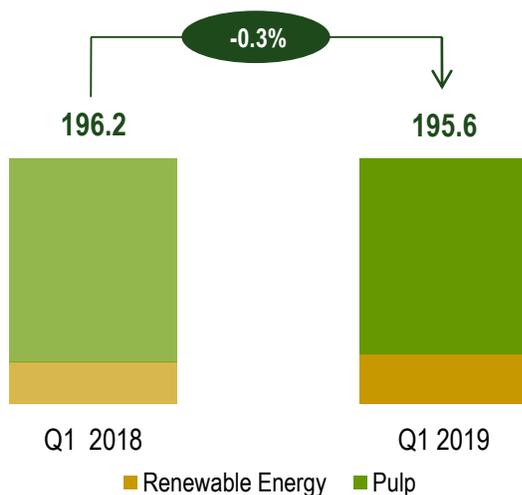
Source:
ENCE estimates

1. Estimates corresponds 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

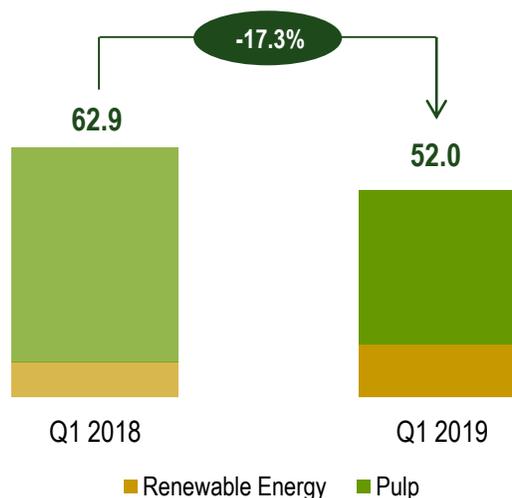
Q1 2019 Results

Marked by FX hedges, spot sales and pulp restocking, as anticipated

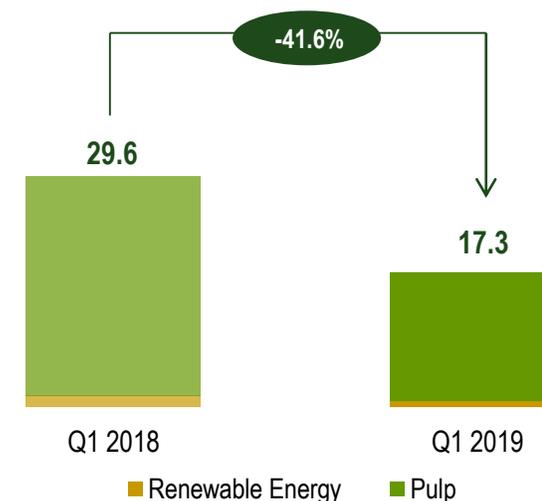
Group Revenues (€ Mn)



Group EBITDA (€ Mn)



Group Net Income (€ Mn)



Pulp business: 4% lower revenues

- 6% decrease in pulp volume sold due to 20k inventory increase
- Lower spot prices for 29% sales outside Europe

Renewable Energy business: 18% revenue growth

- 9% increase in energy volume sold, including the new solar thermal plant recently acquired

Pulp business: 28% EBITDA decrease

- 7.3% cash cost increase
- €9 Mn lower EBITDA due to FX hedging settlements

Renewable Energy business: 49% EBITDA growth

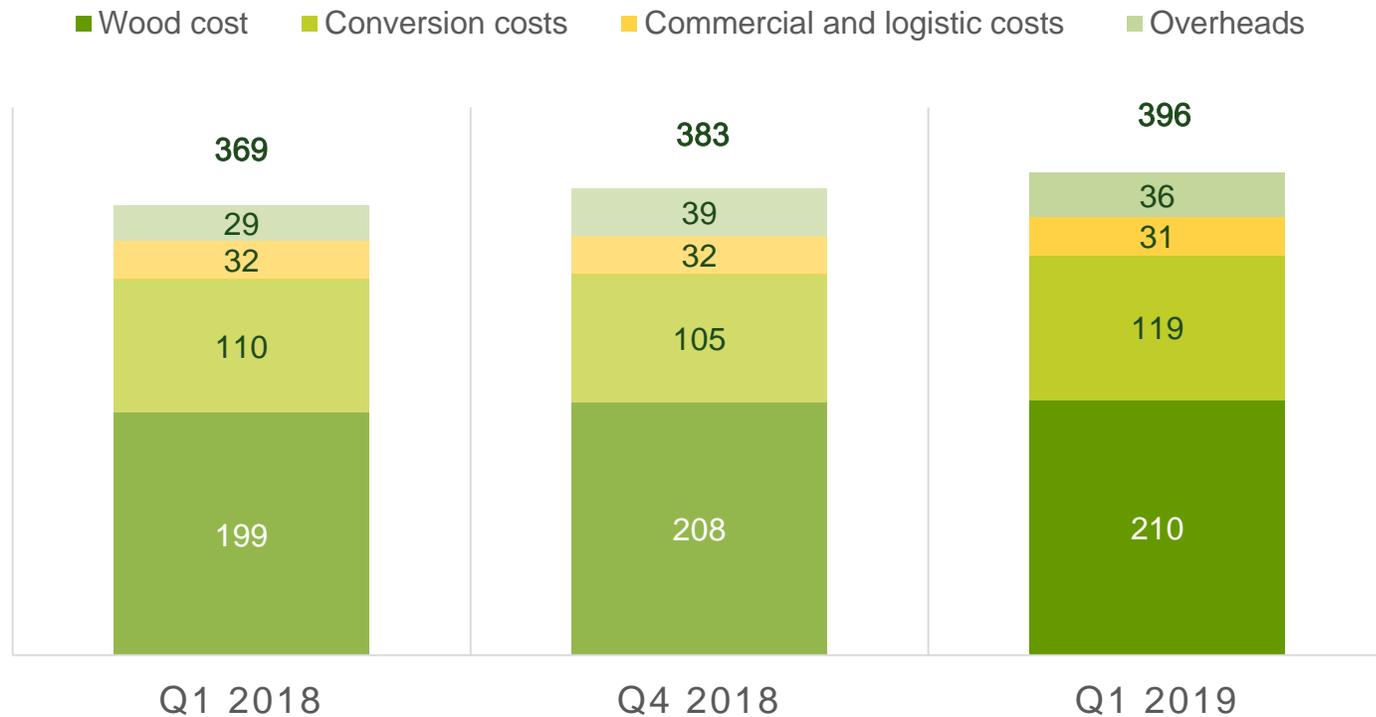
- Contribution of the new solar thermal plant
- Higher energy output from biomass power plants

42% Net income decrease

- Marked by a weaker 1Q19 in the Pulp business, as anticipated
- To recover during the year with better 2H19 in the Pulp business once expansions are completed and Renewable Energy business growth

1Q19 Pulp business cash cost of 396 €/t +13 €/t vs. 4Q18 due to lower fixed cost dilution

Cash Cost breakdown €/t



€13 Cash Cost increase vs. Q4 2018 mainly due to:

- **14 €/t** higher conversion costs (lower fixed costs dilution and lower contribution of the energy cogeneration component in the quarter).
- **2 €/t** wood cost increase
- **3 €/t** overhead cost improvement

Renewable Energy business EBITDA growth

€65 Mn EBITDA expected for 2019

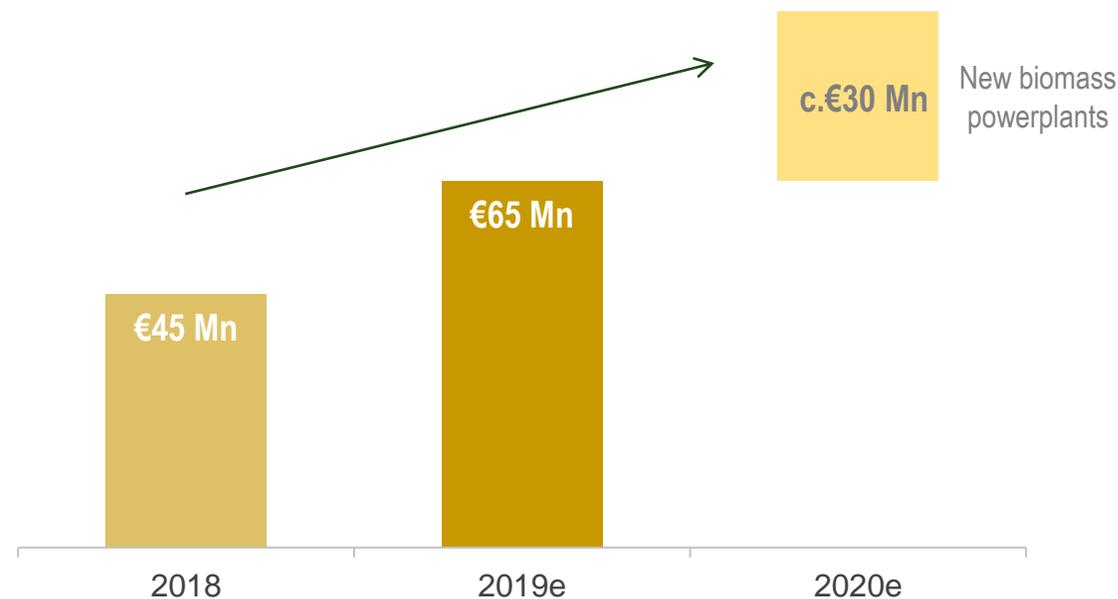
Renewable Energy Business EBITDA



49% EBITDA growth driven by:

- Ciudad Real 50 MW solar thermal plant acquired in December 2018
- Higher energy output from biomass power plants

Expected Renewable Energy EBITDA in 2019 & 2020



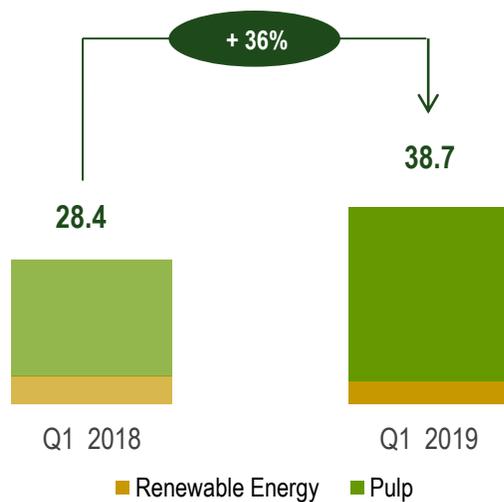
€65 Mn EBITDA target for 2019

- Additional c.€30 Mn EBITDA from new biomass power plants to start in Dec.19

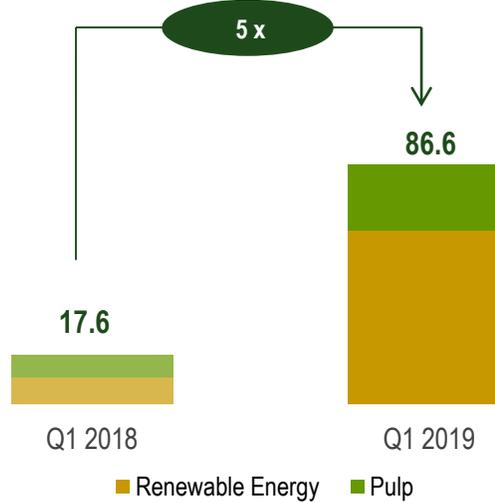
Normalized Free Cash Flow & Capex growth

Low financial leverage of 1.4x EBITDA after strategic plan investments

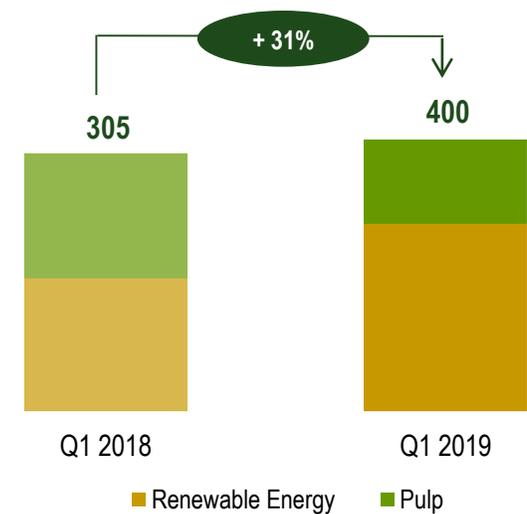
Normalized FCF¹ (€ Mn)



Capex (€ Mn)



Net Debt



Strong Normalized Free Cash Flow generation of €38.7 Mn

- Better working capital performance vs. 1Q18

Higher growth and sustainability capex according to Strategic Plan:

- **Pulp business: €23.9 Mn** for Pontevedra and Navia capacity expansions
- **Renewable Energy business: €62.7 Mn** for new biomass power plants construction

Low leverage of 1.4x Net Debt / LTM EBITDA

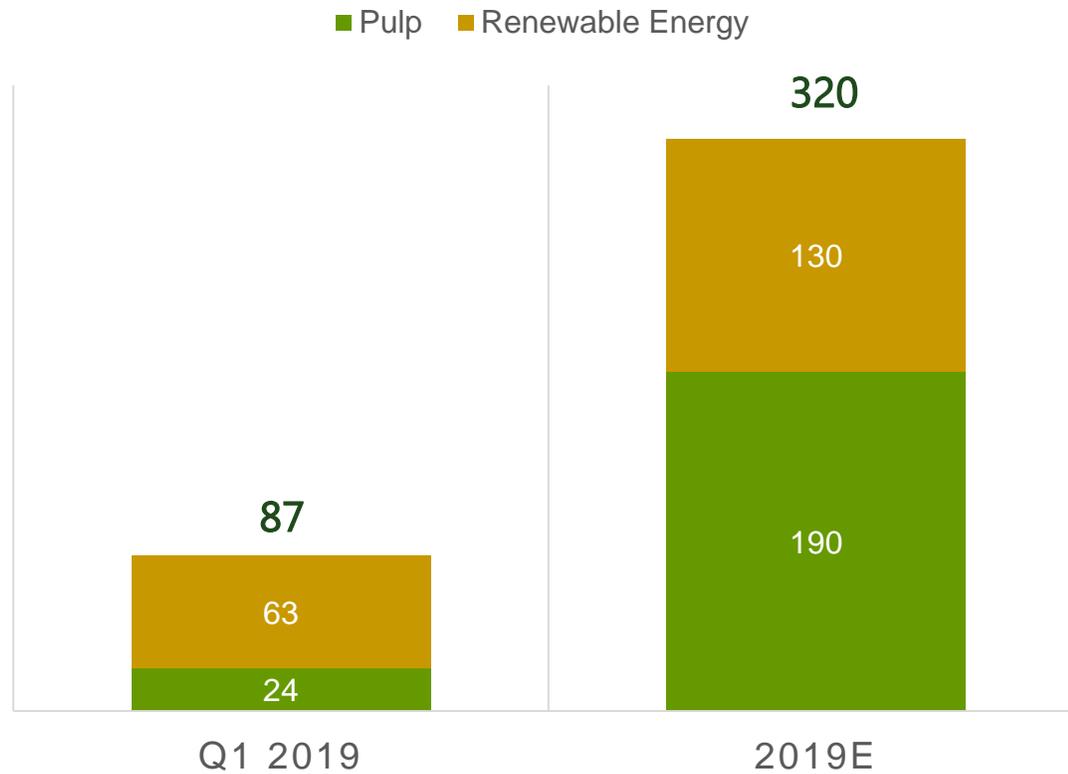
- Pulp business: 0.8 Net Debt / LTM EBITDA
- Energy business: 3.5 Net Debt / LTM EBITDA²
- **€55 Mn IFRS 16 effect** included as from January 2019

1. FCF before Strategic Plan investments, divestments & dividend payment
 2. Considering full year contribution of the Ciudad Real 50 MW solar thermal plant

Strategic Plan investments 2019

100k tons pulp capacity expansion and 96 MW new biomass power plants

Investments



Pontevedra

Capacity Increase
20,000 t in 1Q 2019

€18 Mn expected annualized EBITDA contribution¹



Navia

Capacity Increase
80,000 t in 2Q 2019

€28 Mn expected annualized EBITDA contribution¹



New biomass capacity

Two new biomass power plants under construction in Huelva and Ciudad Real

Annual EBITDA expected
€30 Mn



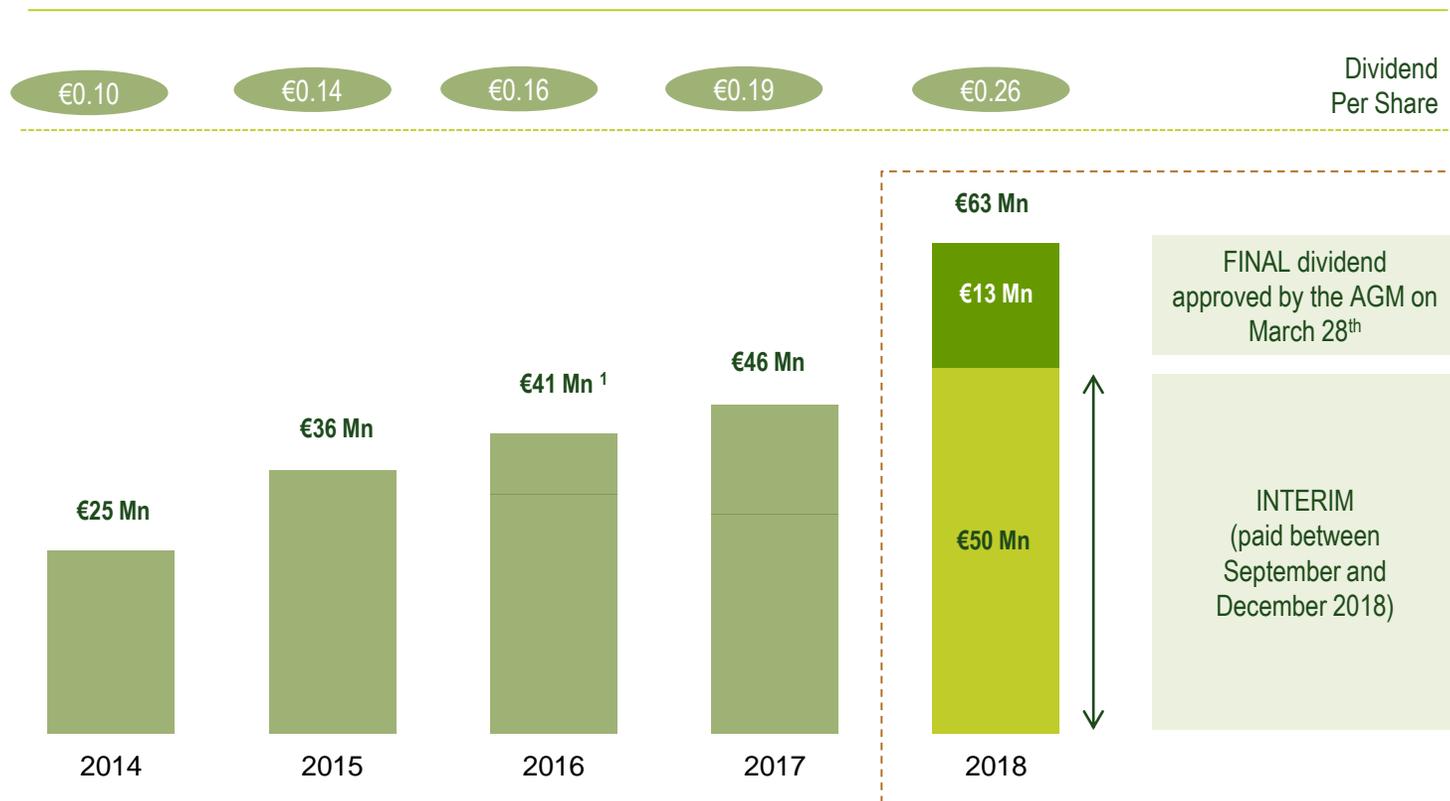
Expected Opening
Dec. 2019

1. At 1.050 \$/t BHKP pulp price and 1,20 \$/€

Attractive shareholder remuneration

Final dividend of 0.054 €/share approved by the AGM on March 28th

Annual Accrued Dividends (€ Mn)



Dividend Policy

50%

Payout

3

Payments

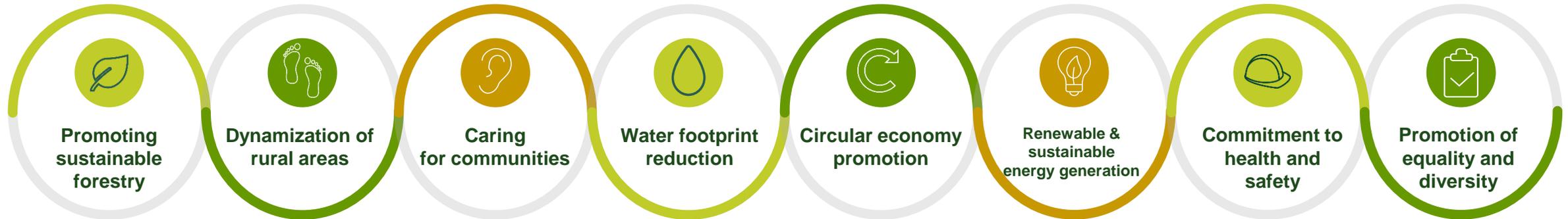
- First interim dividend agreed at the end of the first semester
- A second one agreed in November
- A final dividend approved by the AGM

Final dividend paid on 11th April 2019

1. Includes share buyback program

Excellence in sustainability

A strategic priority for Ence



Certified wood entries

- **94%** Navia.
- **75%** Pontevedra.



- **Value creation for suppliers:** c.€4 Mn in wood purchases and c.€7 Mn in biomass purchases in Q1 2019.
- **92%** of Ence's wood suppliers in Pontevedra and **93%** in Navia are **small suppliers**.

- **Odour reduction:** >**99%** odour impact reduction since the beginning of the "Olor Cer0" project.
- **Noise reduction:** acoustic impact reduction plans.
- **Stakeholder engagement:** dialogue with local communities.

- **New water cycle project** in the Pontevedra biofactory.
- Reduction of >**12%** of water consumption per pulp ton produced in Q1 2019 vs Q4 2018.

- **99.5%** of waste produced in Q1 2019 has been valorised, avoiding its shipment to landfill.
- In Q1 2019, Ence mobilized **c.193,000 t** of biomass (22% agricultural, 33% industrial and 44% forest).

- Use of **local biomass**, minimizing emissions derived from transport.
- Ence contributes to **forest fires risk reduction** and **prevents CO2 and particle emissions** from **uncontrolled burning of agro-waste**.

- **"0 accidents"** goal.
- All units **lowered its frequency and severity rates**, vs. Q4 2018.
- No Ence personnel accidents with time away from work have been registered.

- **+10.8% of women** vs Q4 2018.
- **60% of women** in new hires.
- **29%** of women in the Board of Directors



Q1 2019 Results by Business



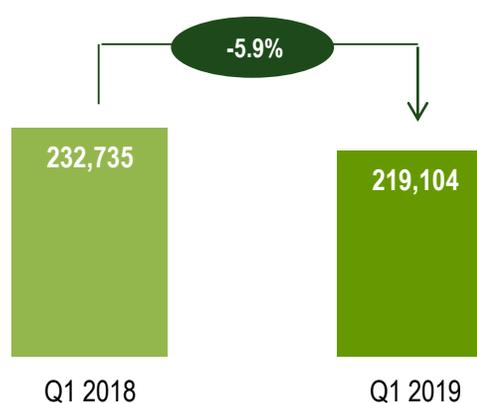
Pulp Business

1Q19 marked by FX hedges, spot sales and pulp restocking, as anticipated

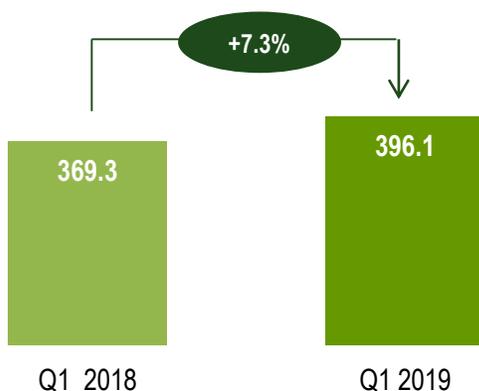
Avg. Net Pulp Price (€/t)



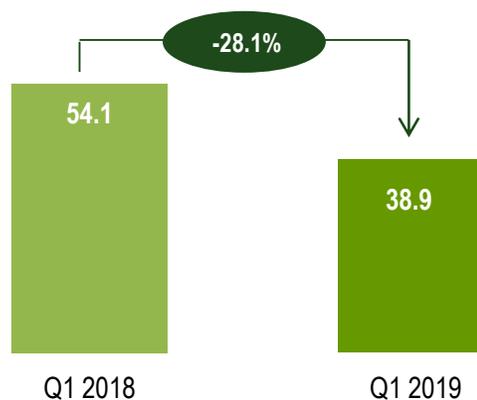
Pulp Sales Volume (t)



Avg. Cash Cost (€/t)



EBITDA (€ Mn)

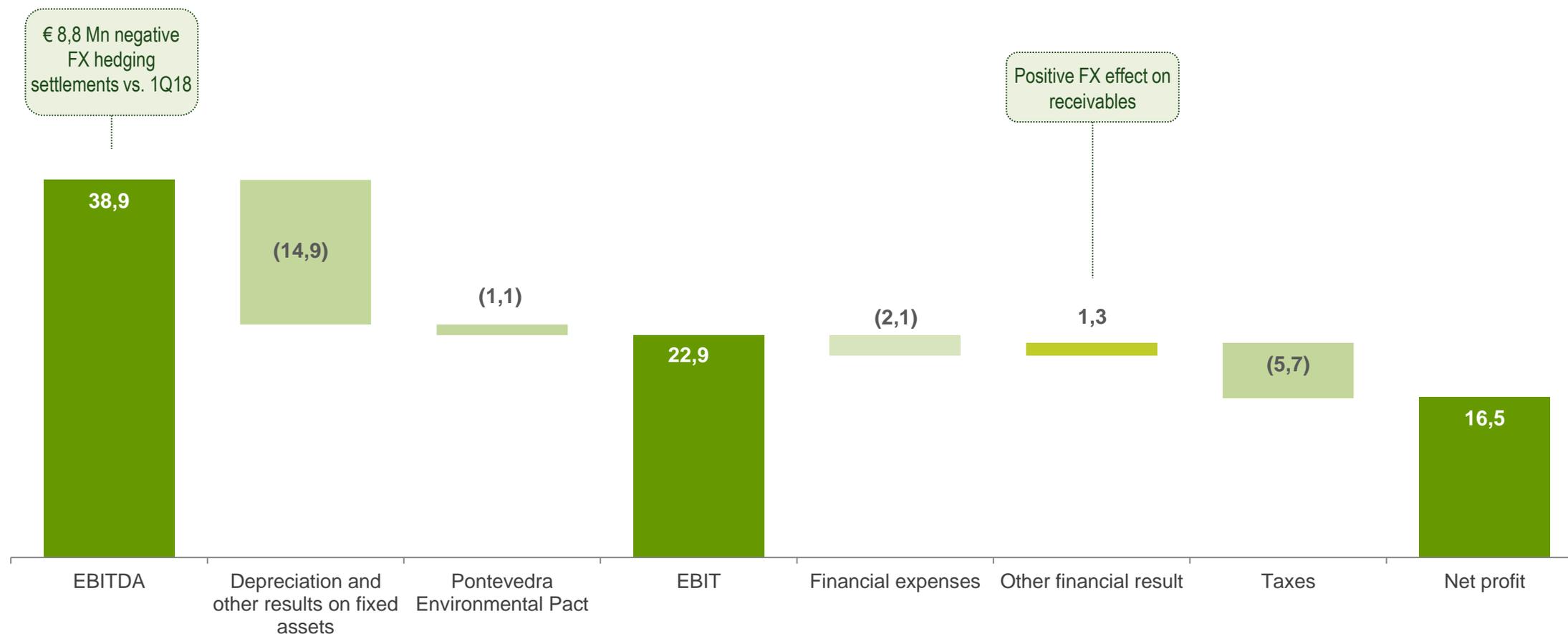


EBITDA decreased to €38.9 Mn driven by:

- **€9 Mn** negative settlements on **FX hedging** program.
- Lower than expected net prices with **29% of sales outside Europe at spot prices**
- **6%** decrease in pulp sales volume due to the announced **restocking process (20k tons)**
- **7% cash cost increase** related to:
 - 5% wood cost increase (sourcing from Huelva)
 - 8% higher conversion costs (higher personnel and fuel costs)
 - 26% higher overheads, to be diluted with planned capacity expansions



Q1 2019 P&L Bridge (€ Mn)

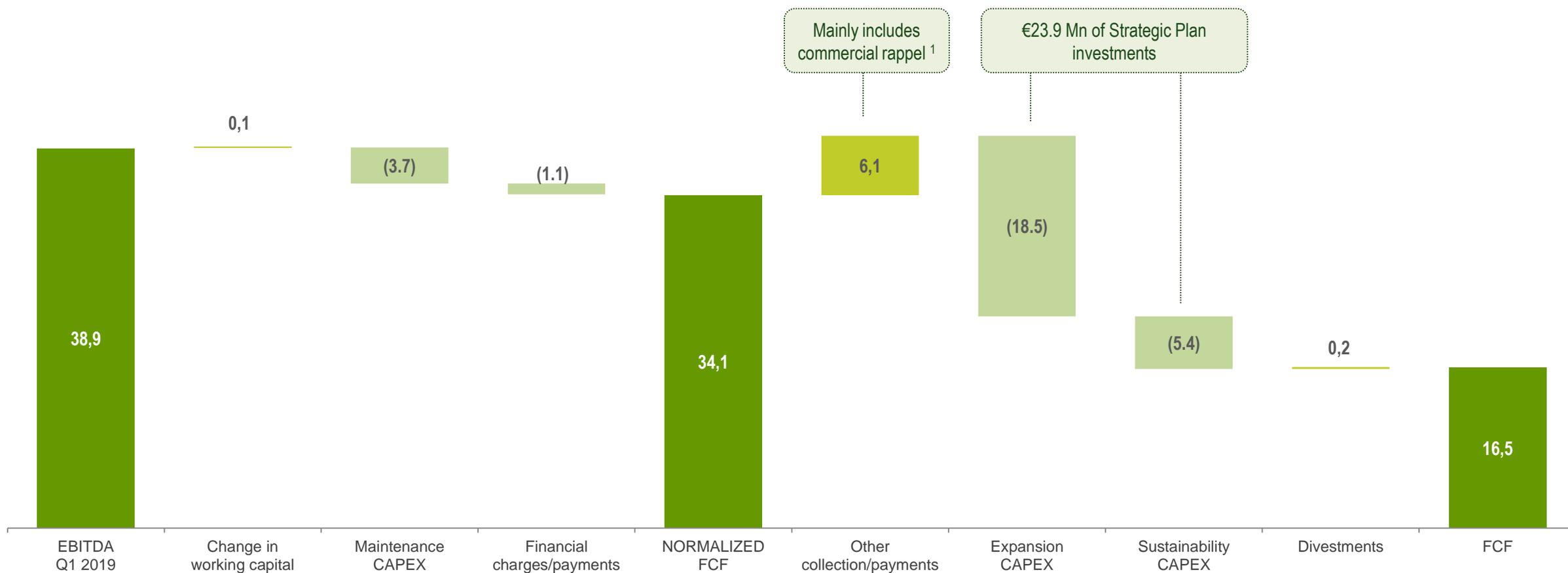




Pulp Business

Cash flow generation

Q1 2019 Cash Flow Bridge (€ Mn)



1. Rappel: Commercial discount conditioned to reaching a certain annual pulp volume, 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

Q2 19: 86% revenues

- Avg. cap: \$ 1.26 €
- Avg. floor: \$ 1.20 €

H2 19: 68% revenues

- Avg. cap: \$ 1.26 €
- Avg. floor: \$ 1.19 €

H1 20: 52% revenues

- Avg. cap: \$ 1.22 €
- Avg. floor: \$ 1.16 €

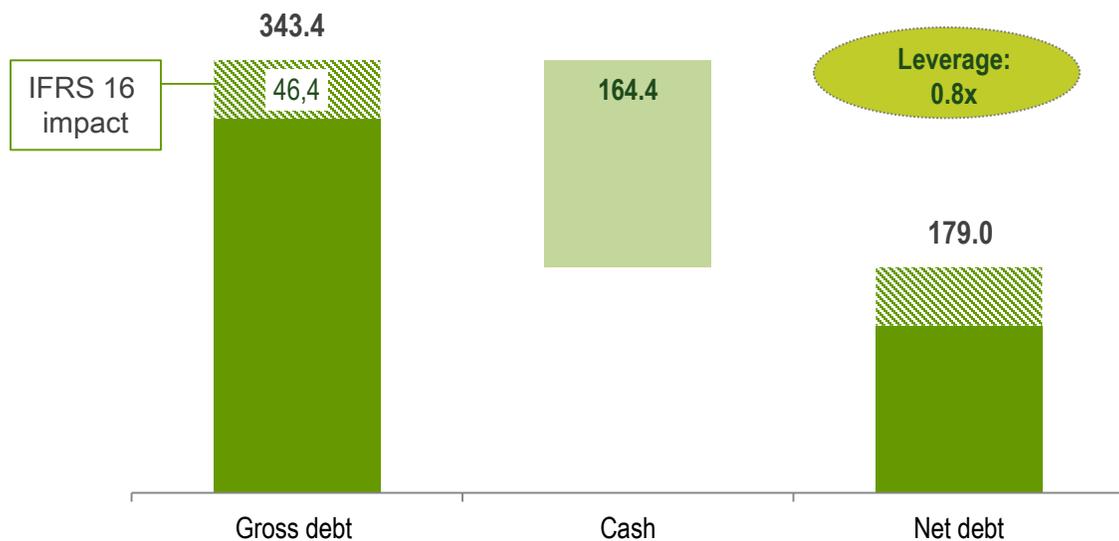
Ence has secured an average cap of \$1.26/€ and an average floor of \$1.19/€ for 75% of its dollar exposure until Dec. 2019



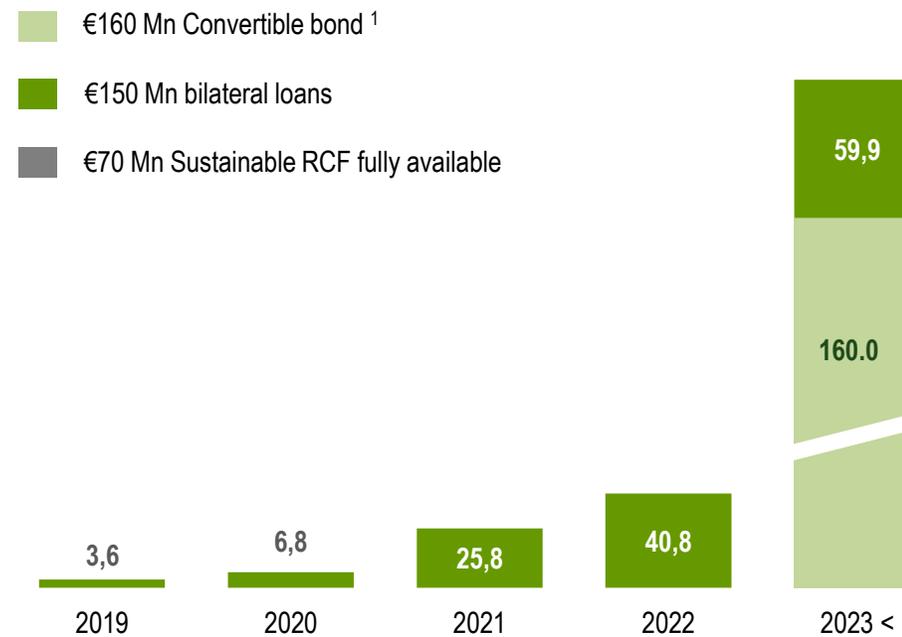
Pulp Business

Solid balance sheet and strong liquidity

Leverage as of 31 March 2019 (€ Mn)



Debt Maturity Calendar (€ Mn)



Pulp business leverage at 0.8x Net Debt / LTM EBITDA as of March 2019

The application of IFRS 16 on leases from January 1st led to the recognition of a financial liability of €46.4 Mn in the Pulp business

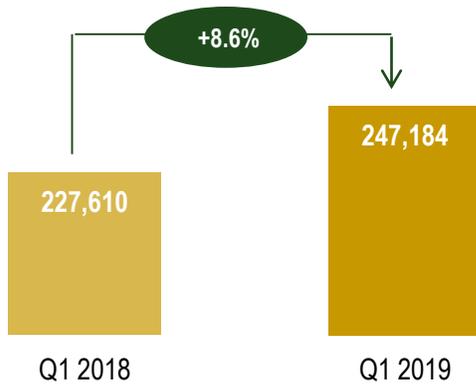
1. €145 Mn accounted as gross debt and €15 Mn accounted as equity, according to IAS 32



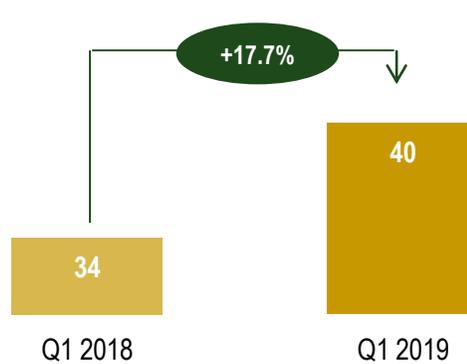
Renewable Energy Business

Including first full quarter of the Ciudad Real 50 MW solar thermal plant

Energy Volume (MWh)



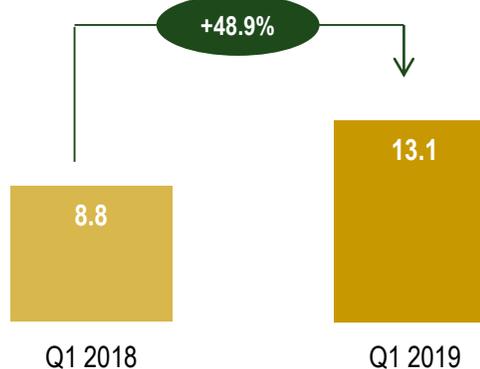
Revenues (€ Mn)



€ Revenue per MWh



EBITDA (€ Mn)



■ Regulated pool price + Ro ■ Ri

49% EBITDA growth driven by:

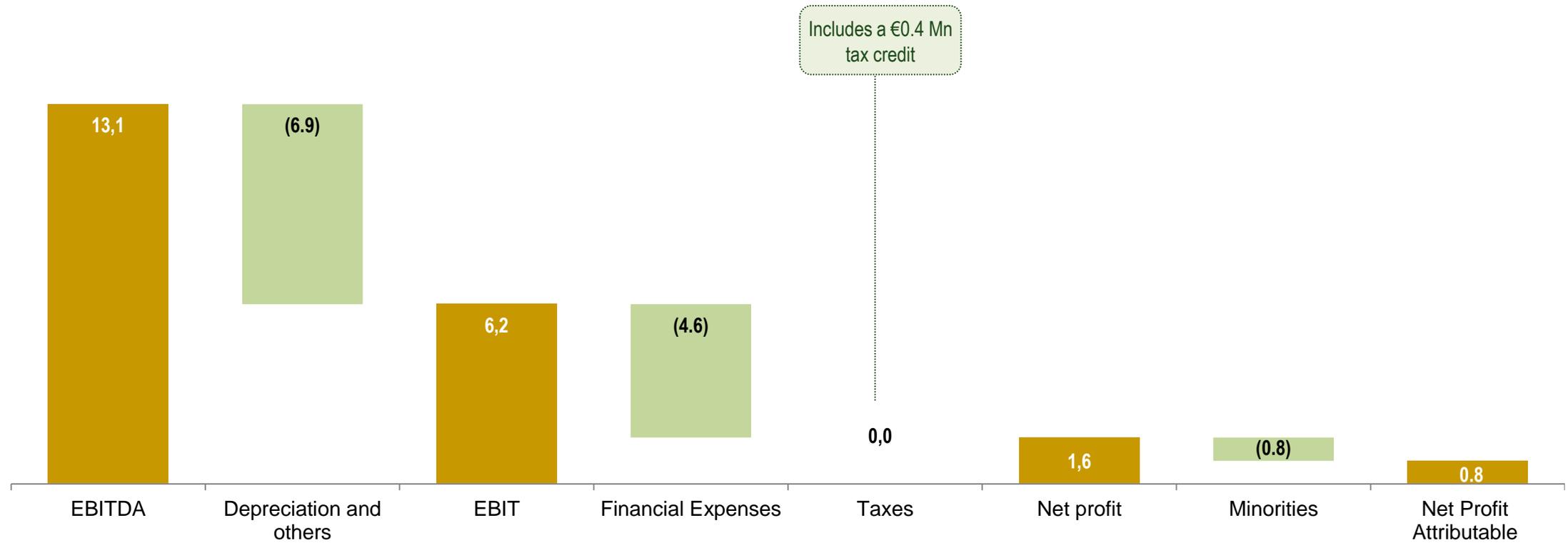
- **8.6%** increase in energy volume sold
 - Increasing contribution from the 50 MW solar thermal plant acquired in December 2018
 - Higher energy output from biomass power plants
- **9.1%** increase in revenue per MWh due to the addition of the 50 MW solar thermal plant regulated return on investment of €5.6 Mn in 1Q19



Renewable Energy Business

P&L

Q1 2019 P&L Bridge (€ Mn)

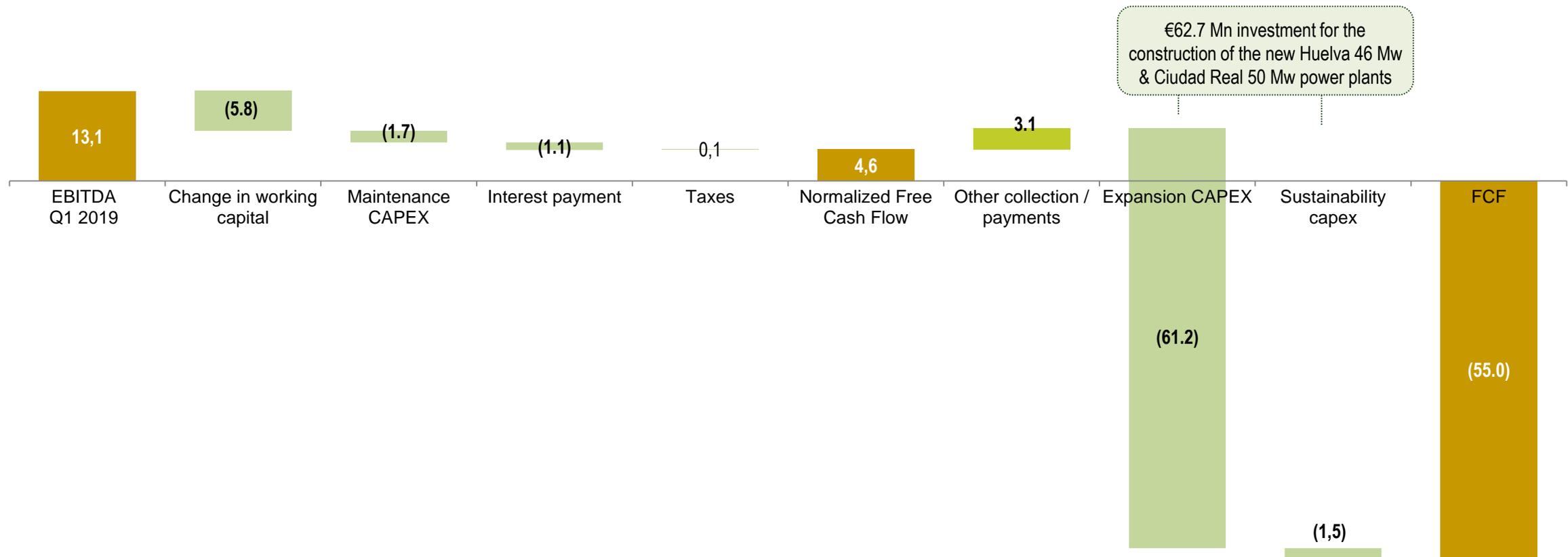




Renewable Energy Business

Cash flow generation

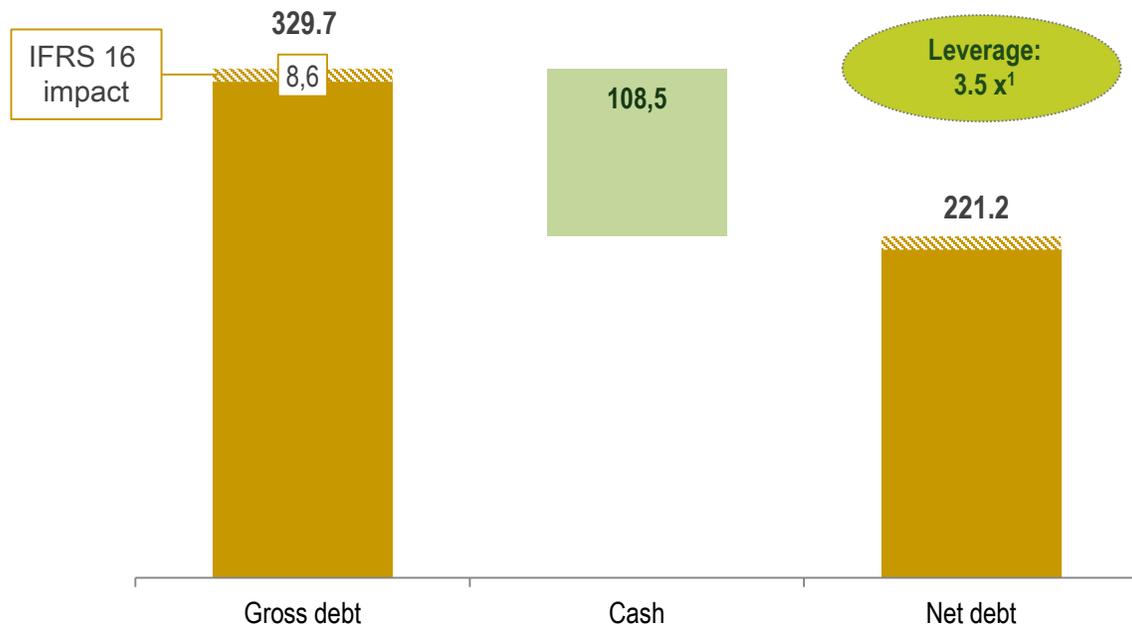
Q1 2019 Cash Flow Bridge (€ Mn)



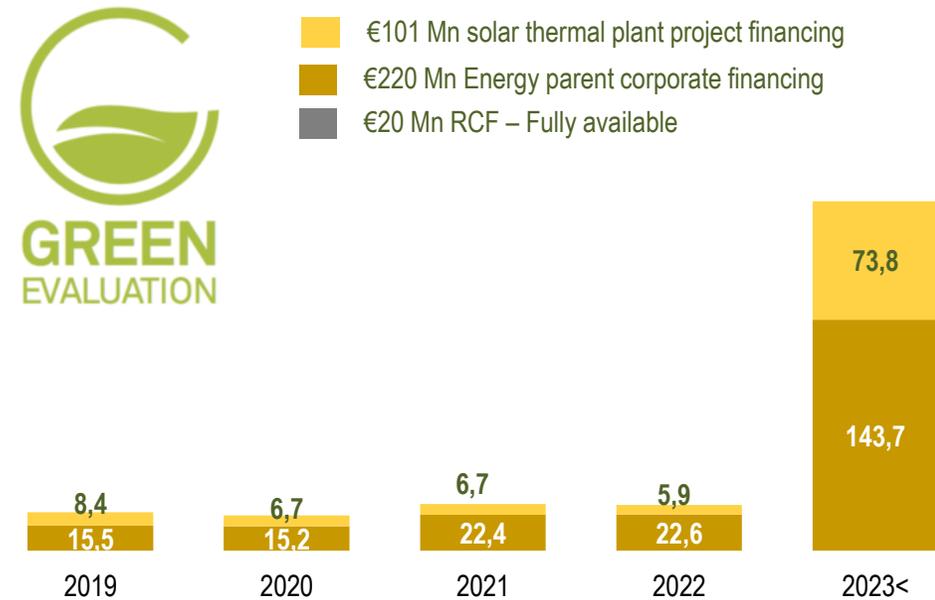
Renewable Energy Business

Asset growth upon Strategic Plan execution

Leverage as of 31 March 2019 (€ Mn)



Debt Maturity Calendar (€ Mn)



Energy business leverage at 3.5x¹ Net Debt / LTM EBITDA as of March 2019

The application of IFRS 16 on leases from January 1st led to the recognition of a financial liability of €8.6 Mn in the Renewable Energy business

1. Considering full year contribution of the Ciudad Real 50 MW solar thermal plant



Closing Remarks

Closing Remarks



Strong pulp price scenario maintained for the coming years, with **tighter supply and demand** balance expected until at least 2022

Strategic Plan targets maintained, doubling the capacity of the **new swing line at Navia's biofactory**

FY2019 Group EBITDA target of c. **€300 Mn** assuming avg. 1,050 \$/t in 2H 2019

FY2019 Renewable Energy EBITDA target of **€65 Mn**. New biomass power plants on track to start in December 2019 and operational improvement of the existing plants.

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, the termination benefits agreed with staff or certain social expenses.

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 forestry depletion charges, non-current asset impairment charges, gains or losses on non-current assets and specific non-ordinary income and expenses unrelated to the ordinary operating activities of the company, which alter their comparability in different periods.

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

EBITDA is a measure used by the Ence's management to compare the ordinary results of the company over time. For this reason and in order to make it comparable with the rest of the sector, its definition has been updated in 3Q18, in line with the usual practice of the market, to exclude specific income and expenses unrelated to the ordinary operating activities of the company, which alter their comparability in different periods.

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.

Alternative Performance Measures (APMs)

Pg.2

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.

MAINTENANCE, EFFICIENCY & GROWTH AND SUSTAINABILITY 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 sustainability 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, sustainability capex covers investments made to enhance quality standards, occupational health and safety, to improve the environment and to prevent contamination.

Ence's 2019-2023 Business Plan includes a schedule of the amounts it expects to invest annually in efficiency & growth and sustainability 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