

1Q 2016 Results

April 21st 2016



Index

Highlights

1Q 2016 Results

Summary

Highlights

1

Eucalyptus pulp demand maintains its growth speed (+8.5% y-o-y in January and February) despite declining prices

2

Prices have continued adjusting in 1Q16 and should bottom out in 2Q16

3

1Q16 cash cost affected by operational one-offs and Pontevedra annual maintenance shutdown

4

€6 Mn positive financial result impact due to FX hedging policy

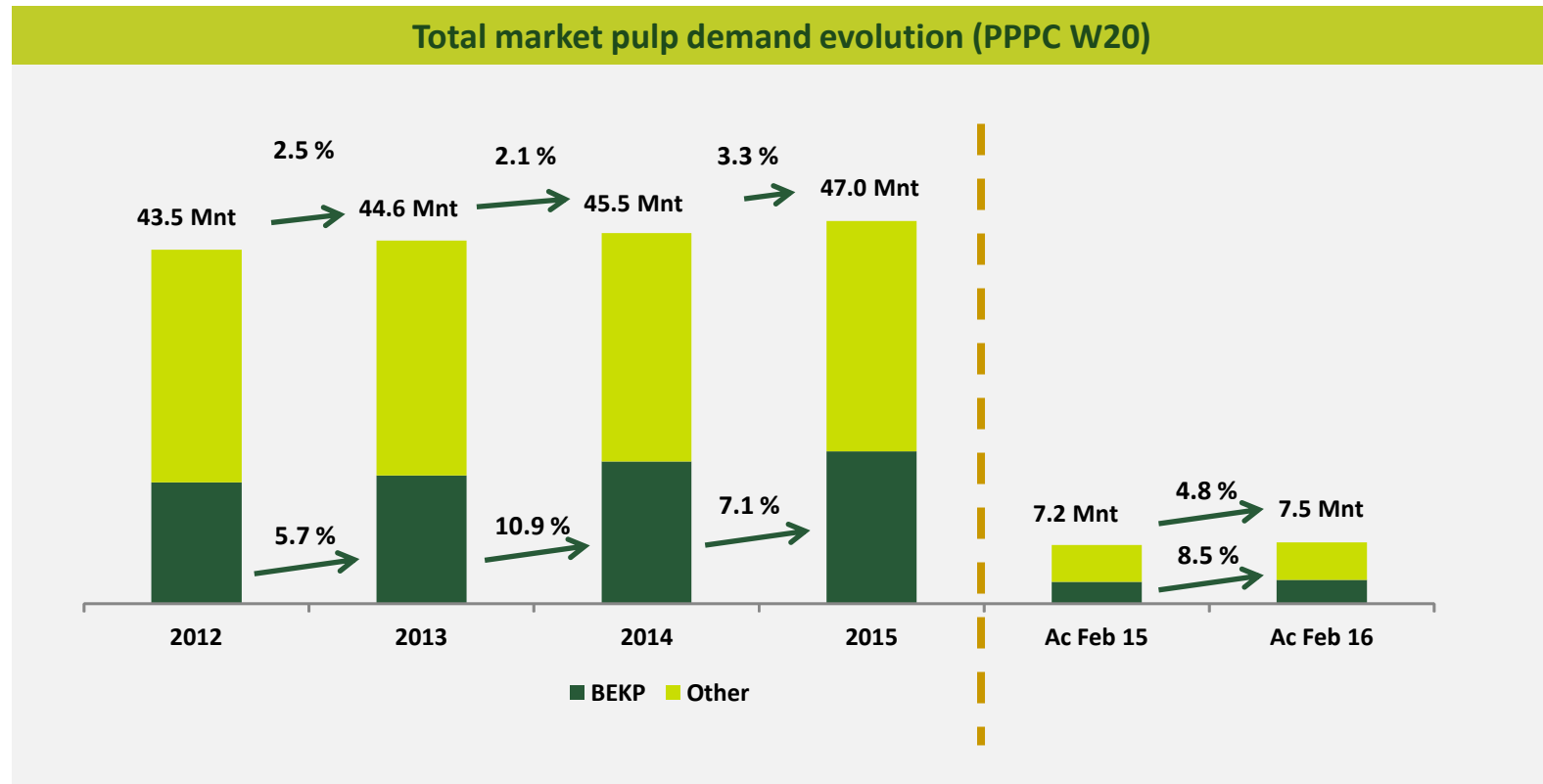
5

Net income increases by 43.9% vs 1Q15

6

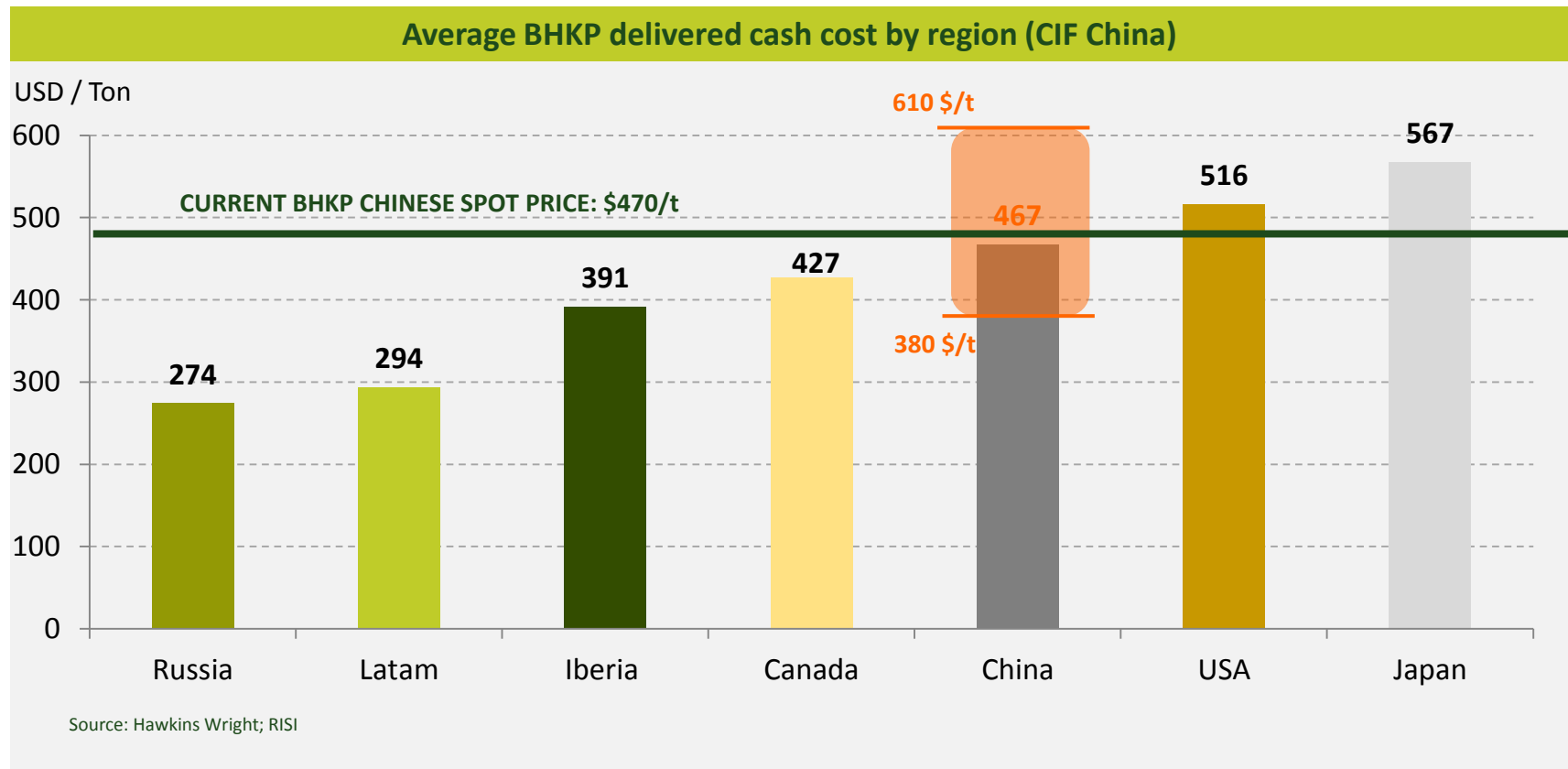
Promissory contracts signed for up to €30 Mn worth of assets with €3.4 Mn downpayments

Strong chemical market pulp demand growth in 1Q16 (+4.8%) Led by eucalyptus pulp (+8.5%)



- A 4.8% annual demand growth would imply an estimated demand increase of around 2.8 Mn tons of total chemical market pulp in 2016

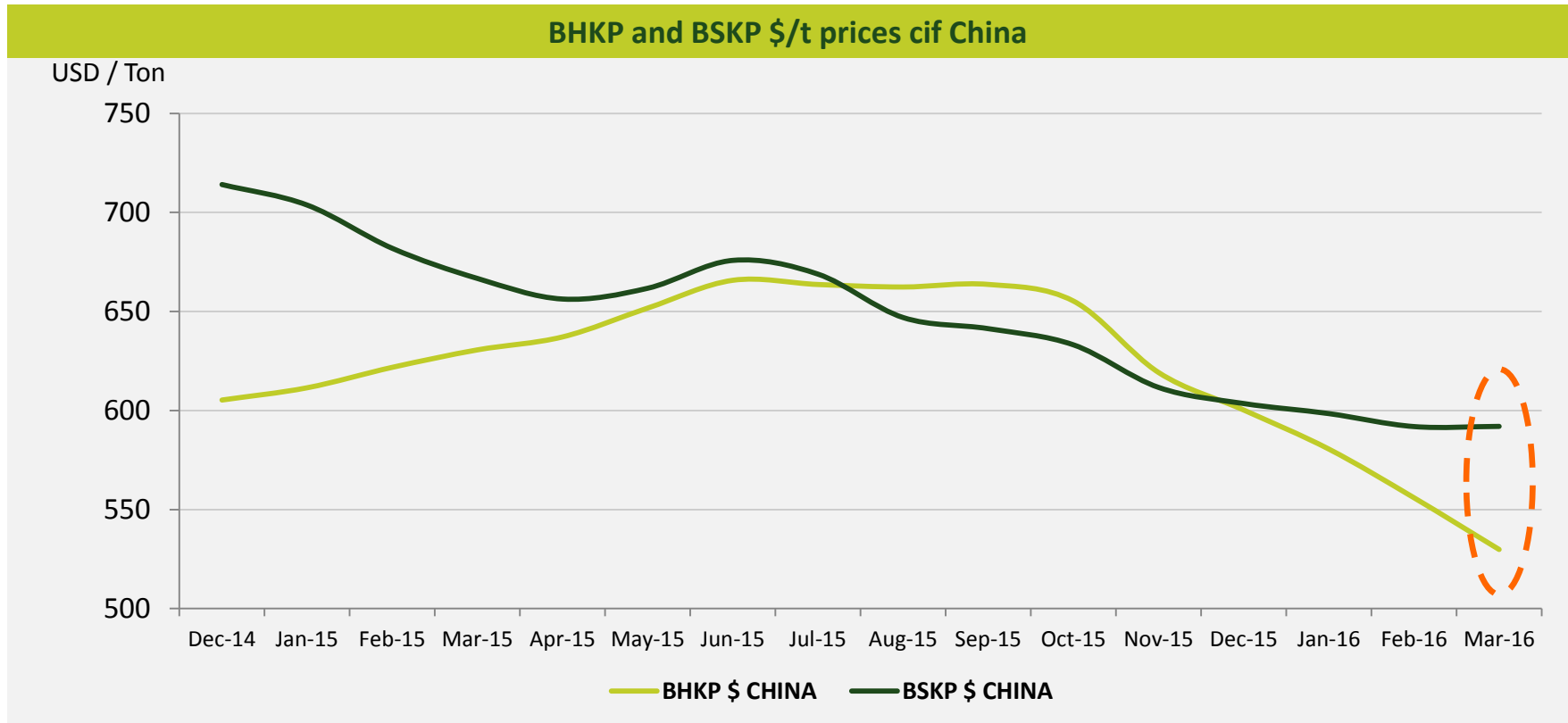
Current hardwood price levels in China should force significant production curtailment



At current hardwood price levels in China over 2 Mn tons capacity is below breakeven

Price gap between BHKP and BSKP is again in its long term average

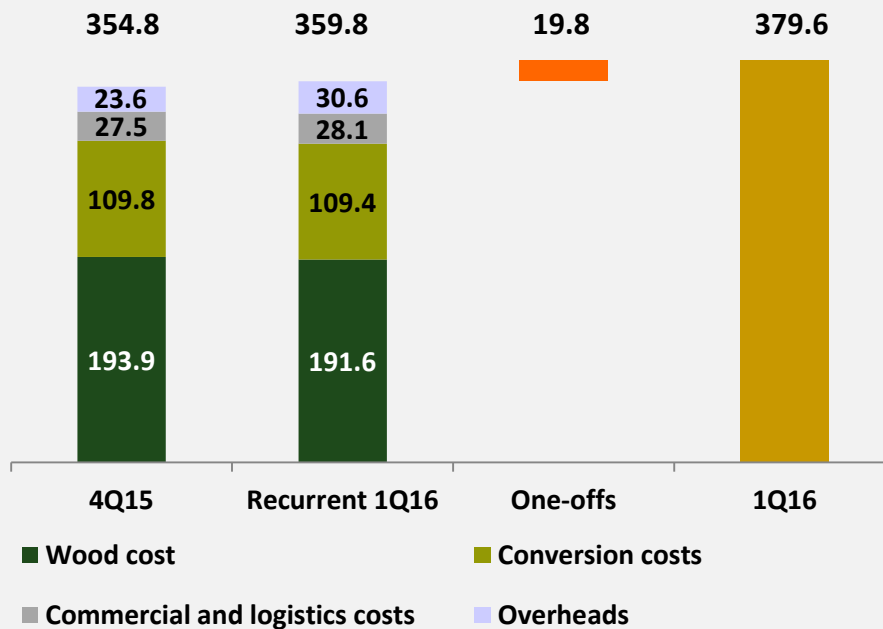
Pulp prices should bottom out in 2Q16



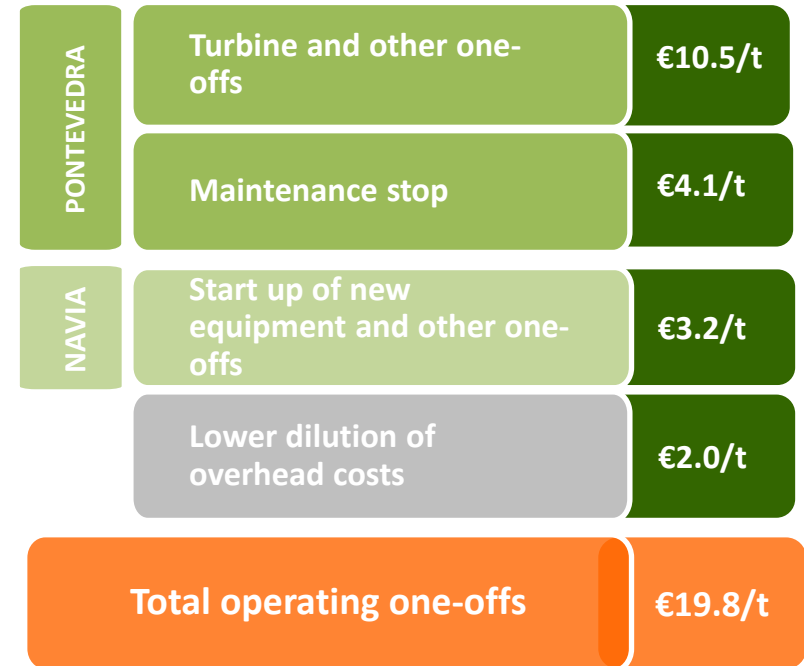
- Hardwood pulp price has continued adjusting in 1Q16 after the decline of softwood pulp prices and the price gap between them is again close to its 10 year average of 90 USD/t, thus supporting demand

Cash cost in 1Q16 affected by operating one-offs And Pontevedra annual maintenance shutdown

Cash cost breakdown analysis



One-off breakdown



1Q16 Cash cost excluding non-recurrent impacts would have been €360/t

Pontevedra

The facts / last update

- On January 25th 2016, the Ministry of Agriculture and Environment **granted Ence the extension of the concession of its pulp mill in Pontevedra for 60 years.**
- The Environment Commission of the Parliament approved on April 6th 2016 a Non-Legislative Proposal requesting the Government to cancel the extension of the concession.
- The **current parliamentary situation in Spain is causing excessive politicization of Ence's concession.**
- The concession renewal process has rigorously followed all procedures established by the Law.
- A Non-Legislative Proposal in the Spanish legal system is a political declaration, without legal or binding effect on the Government



Investments: €135 Mn included in our Strategic Plan

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

Pontevedra's mill needs investments which will be **subject to the approval of permits by the authorities.** Final decision on investments will be delayed until year-end when those permits are expected.

Therefore, **final investment should materialize in 2017.**

- Efficiency improvement and capacity increase: €30 Mn
- New water treatment cycle : €15 Mn
- Environment improvement: €12 Mn
- Landscape integration project: €4 Mn
- Installation of a 31MW biomass (harvesting waste) power plant: € 74 Mn

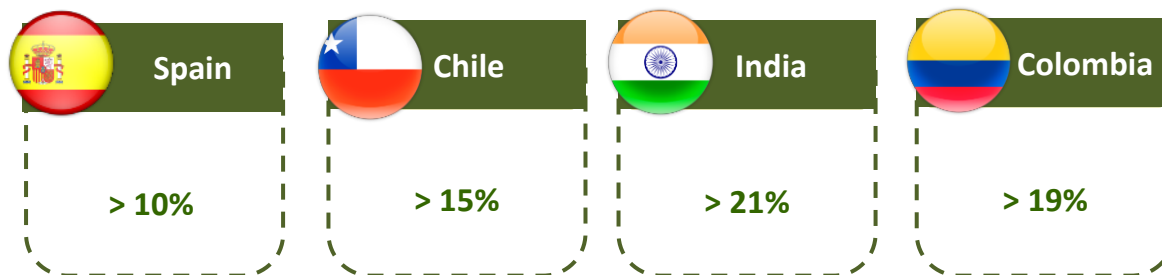
Biomass energy development advancing

Stable earnings based on our agroforestry management expertise

Strategy

- Globally we aim to **develop biomass energy projects where regulatory environment is favorable and electricity prices are structurally high**, with project financing and local partnering
- We have made progress on our negotiations and a **final agreement is to be reached in 2016**

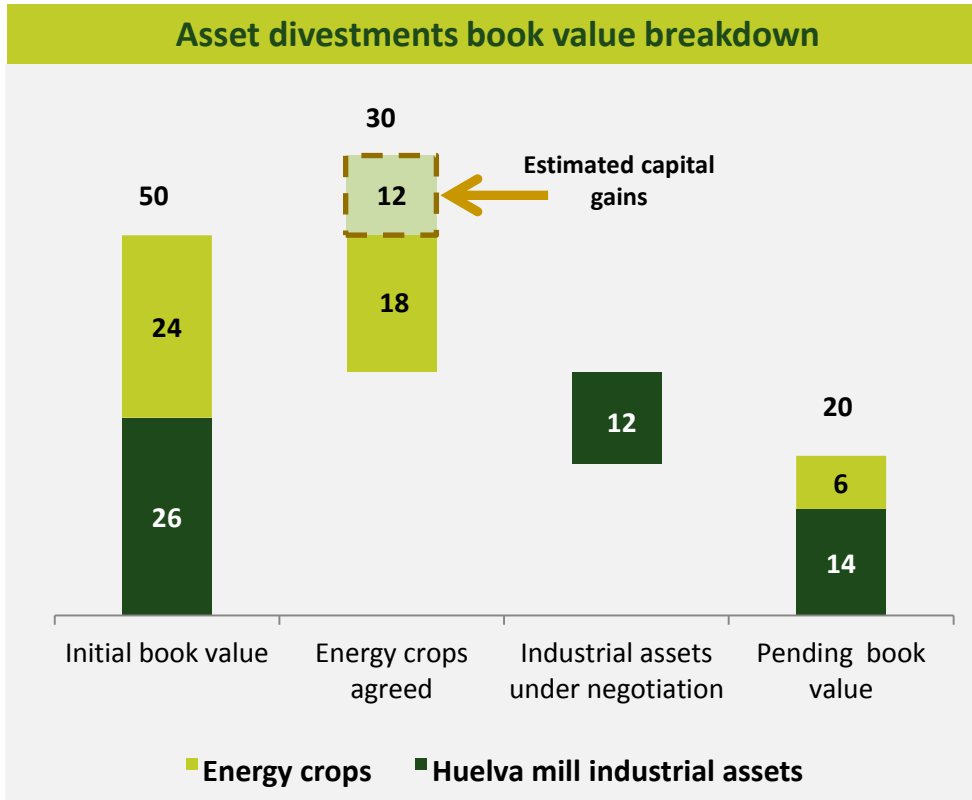
Required Post Tax Equity IRR



Targets

- Planned investment in energy: **€325 Mn**
- 2020 Installed capacity target: **383 MW**
- Energy Business 2020 EBITDA target: **€78 Mn**
- Maximum Leverage Ratio: **5x**

Asset divestments in 2016



In 1Q16 Ence has agreed the sale of **1,305 hectares** for a total amount of **€30 Mn**, with estimated **capital gain of €12 Mn** and having received €3.4 Mn of cash in advance.

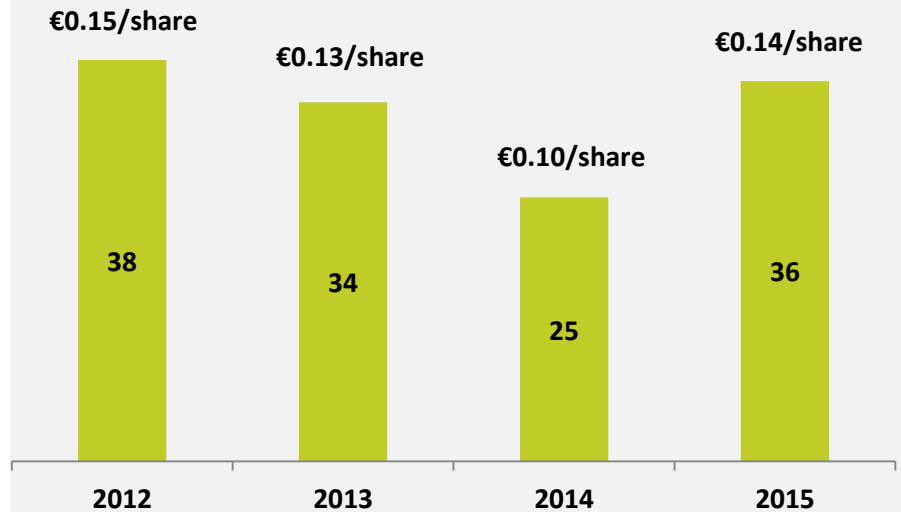
Additionally, Ence keeps on negotiating the sale of Huelva industrial assets at their estimated book values

Attractive shareholder remuneration

Maximizing shareholder remuneration

- Maintaining a conservative leverage position below 2.5x at mid cycle levels. Current leverage is **1.2x**.
- **Value creation growth projects** ruled by stringent and selected criteria
- **Maintaining an attractive shareholder remuneration** according to the increased earnings and free cash flow generation, due to our financial strength

Annual accrued dividends (€M)



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

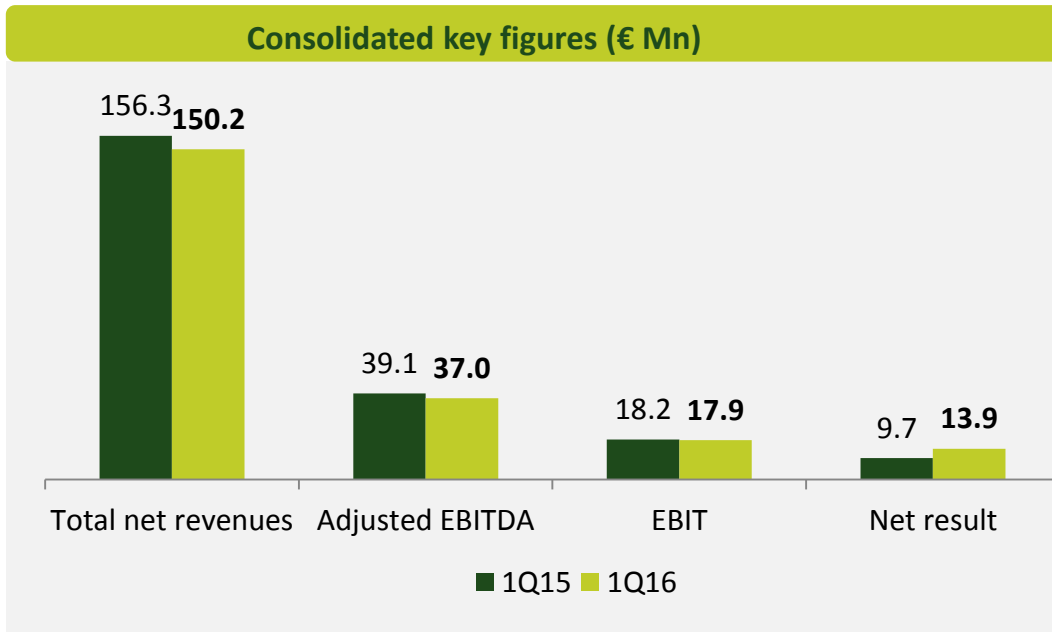
Index

Highlights

1Q 2016 Results

Summary

Key Figures 1Q 2016



Total net revenues reaches **€150.2 Mn** in 1Q16

Adjusted Ebitda stands at **€37.0 Mn** while EBIT figure reaches €17.9 Mn

1Q16 **net profit** grows by 43.9% vs 1Q15 reaching **€13.9 Mn**

Pulp business

Operating performance

Pulp sales volume (t)

220,397 -1.3% → 217,504

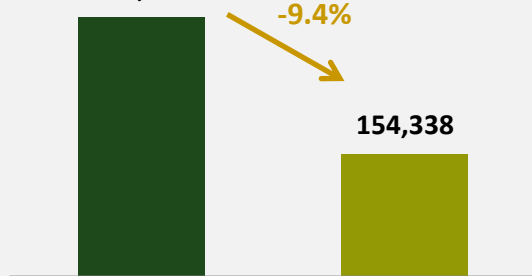


1Q15

1Q16

Electricity sold (MWh)

170,404 -9.4% → 154,338

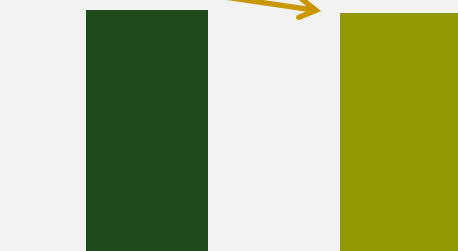


1Q15

1Q16

Pulp business revenues (€ Mn)

130.8 -1.0% → 129.6



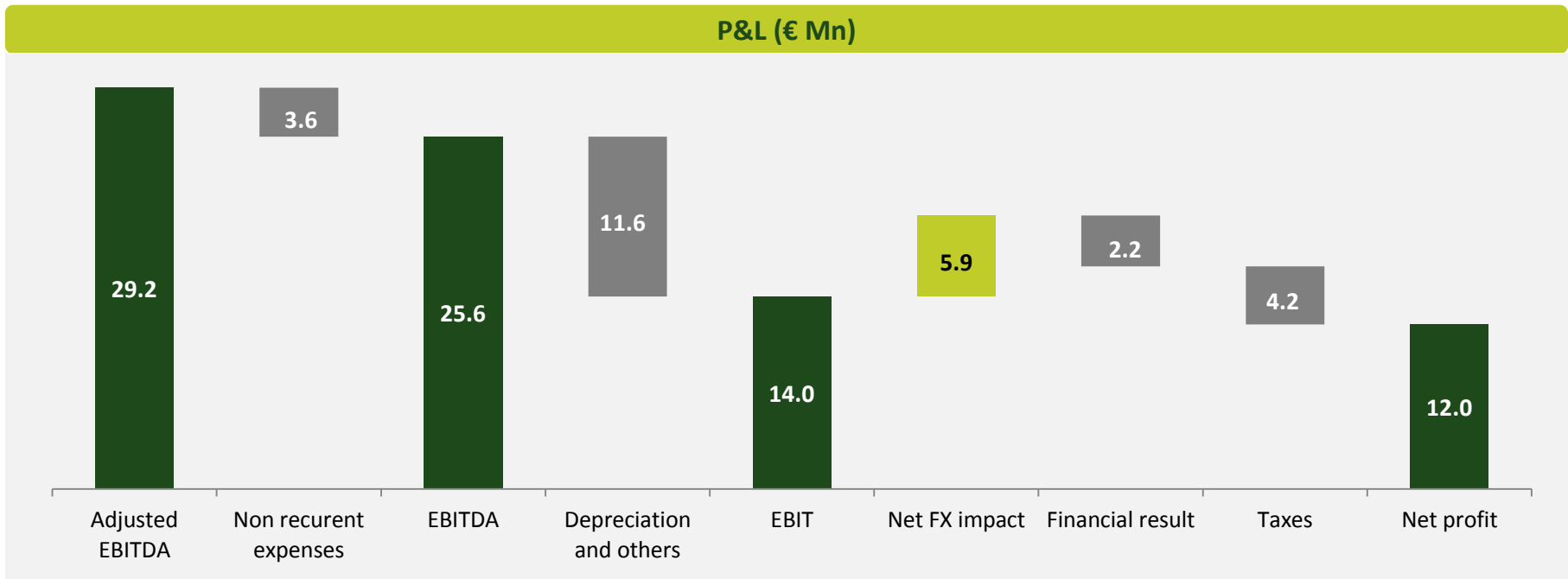
1Q15

1Q16

- 📌 Pulp business revenues have decreased by 1.0% in 1Q16, negatively impacted by:
 - Lower pulp sales volume
 - Lower electricity cogeneration due to operating one offs
 - Lower pool price in the period reaching an average of €31/MWh vs €46/MWh in 1Q15. Partially offset by our hedging policy with a positive effect of €0.7 Mn in 1Q16

Pulp business

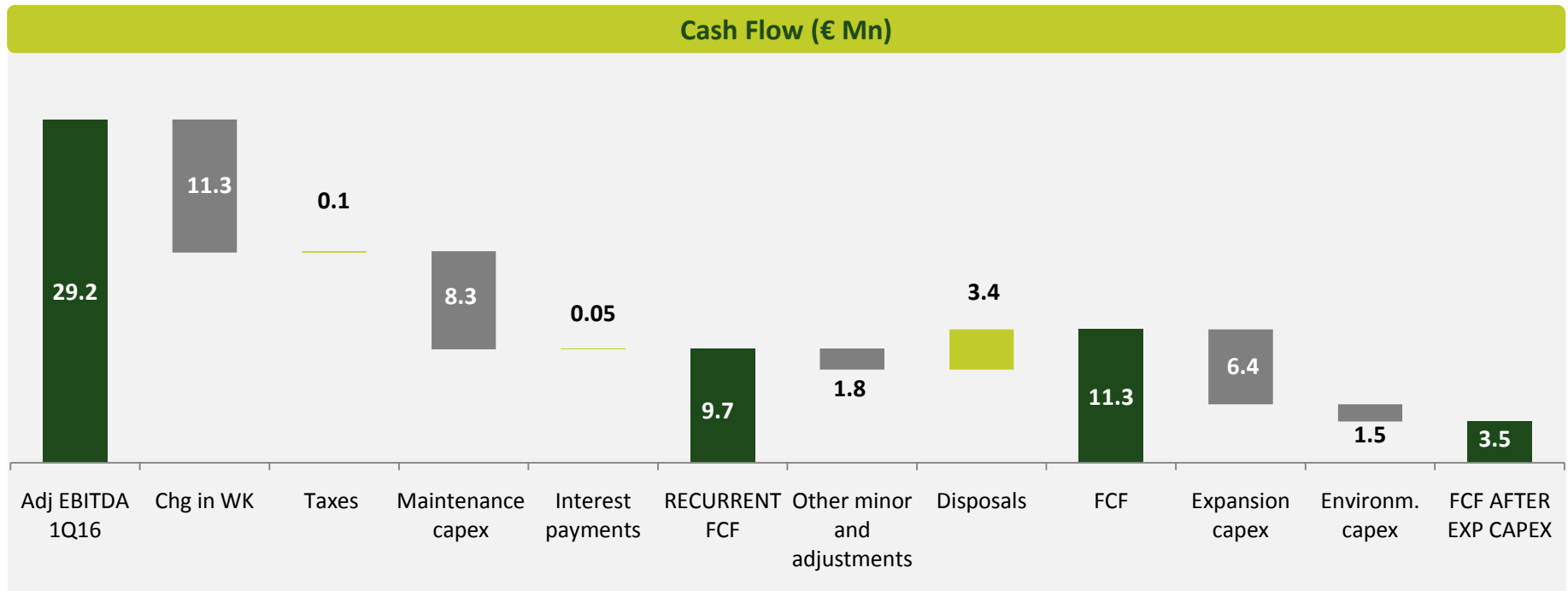
P&L



- 🌿 Pulp business **Adjusted EBITDA reaches €29.2 Mn**
- 🌿 Pulp business **EBITDA increases by +3.9%** up to €25.6 Mn despite operational one-offs in our pulp mills
- 🌿 **€ 5.9 Mn positive FX impact** from our hedging policy
- 🌿 1Q16 pulp business **net profit reaches €12.0 Mn**, a 82.6% higher than 1Q15

Pulp business

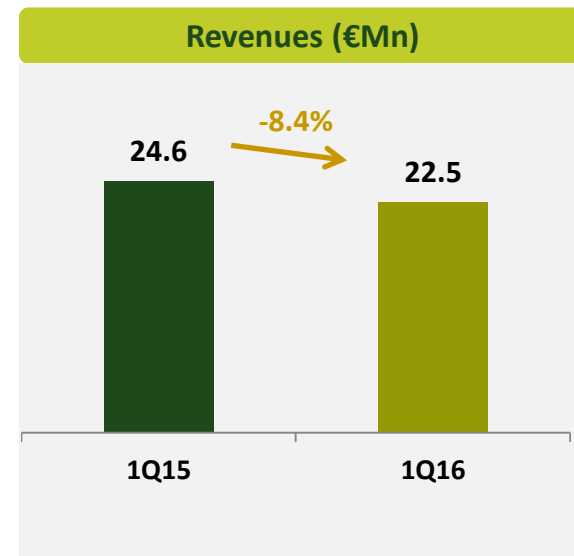
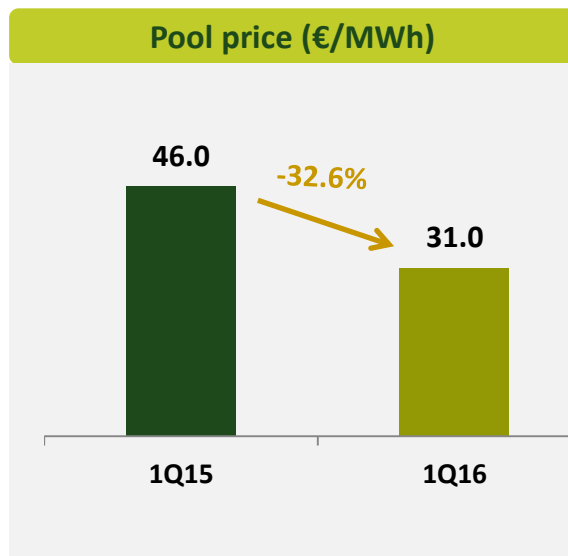
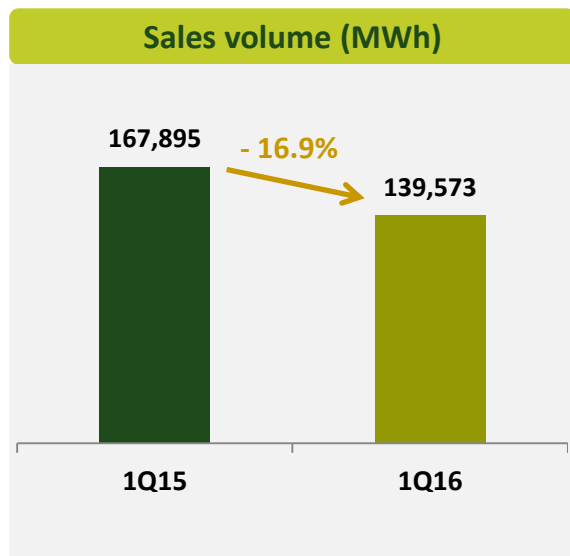
Cash Flow



- Pulp business **recurrent free cash flow reaches €9.7 Mn**
- **Free cash flow reaches €11.3 Mn**, including € 3.4 Mn from asset disposals
- **Free cash flow after expansion and environmental capex stands at €3.5 Mn**

Energy business

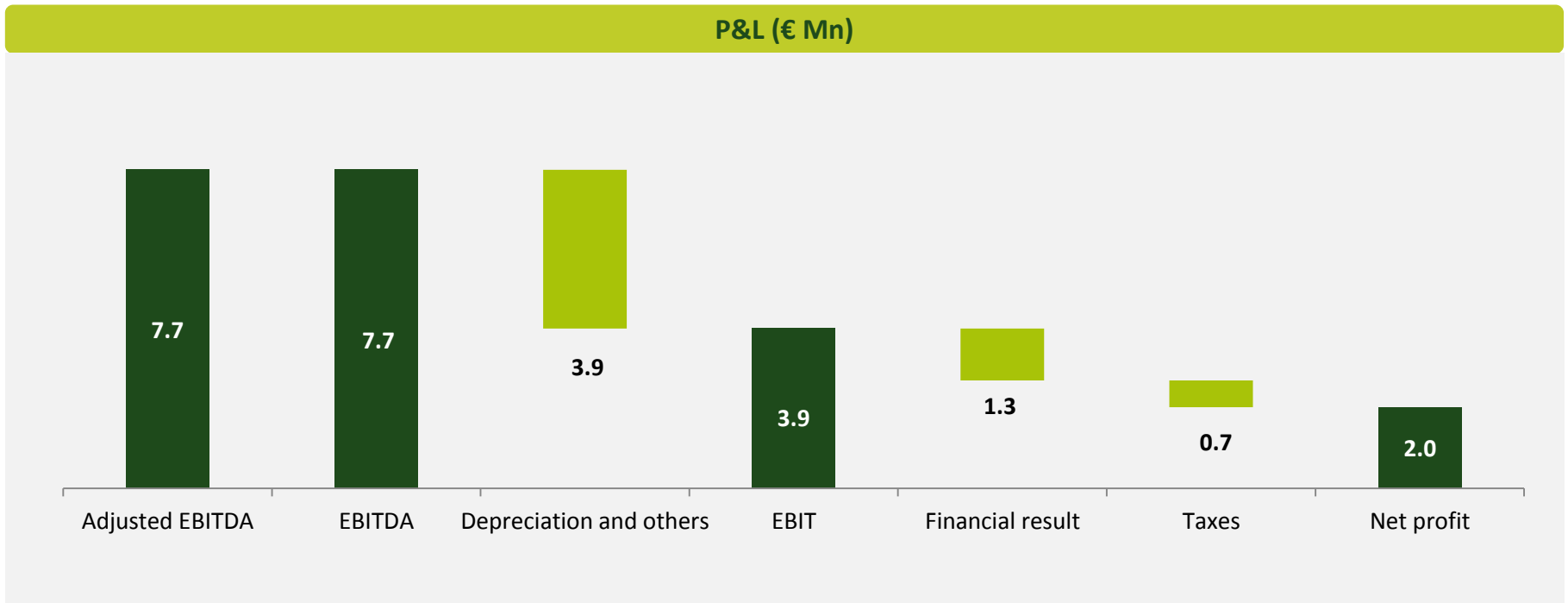
Operating performance



- Ence has **reduced the number of energy generation hours** from 1,499 h in 1Q15 to 1,246 h in 1Q16 to maximize the regulatory cap of 6,500h. Lower volume will be recovered along 2016.
- Energy hedges had a positive impact of €1.7Mn in 1Q16**
- Current energy hedges:
 - 56% of 2Q16 estimated generation at €41.1/MWh
 - 57% of 3Q16 estimated generation at €45.8/MWh
 - 20% of 4Q16 estimated generation at €42.0/MWh

Energy business

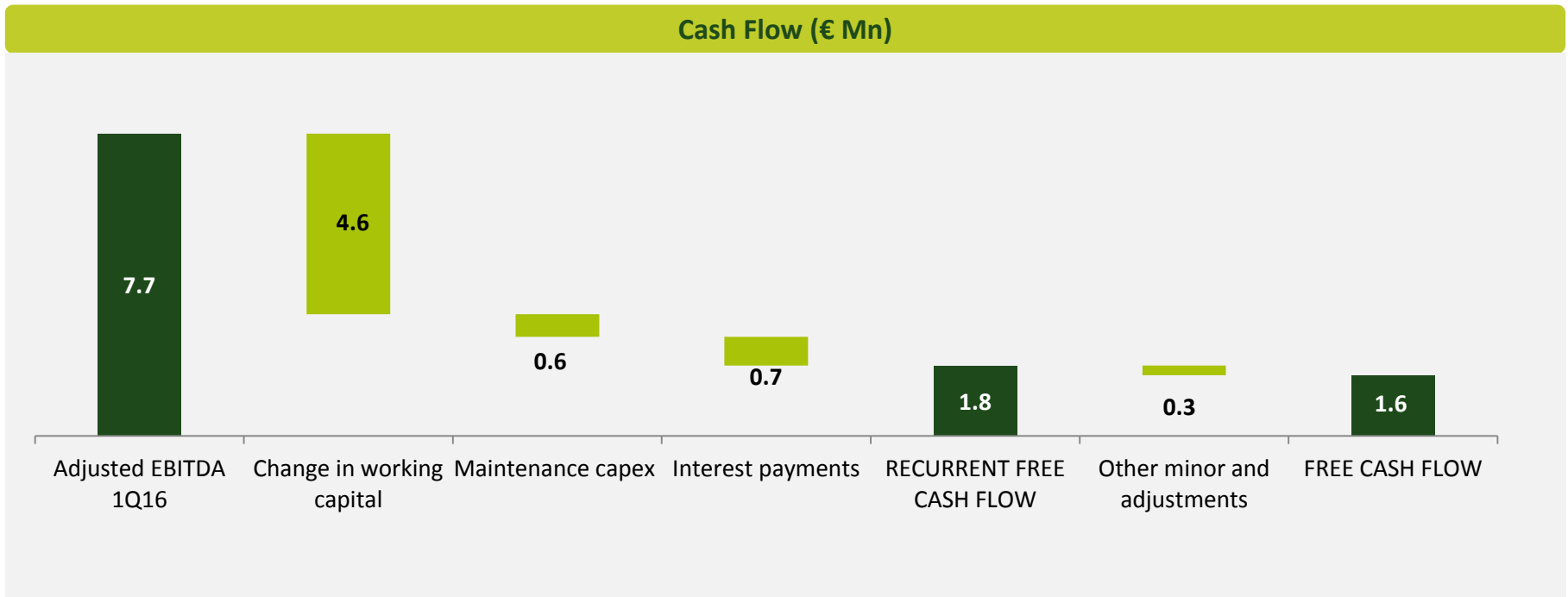
P&L



- Energy business Adjusted EBITDA reaches €7.7 Mn, -20.7% vs 1Q15 due to management decisions
- Lower EBITDA to be recouped during the year

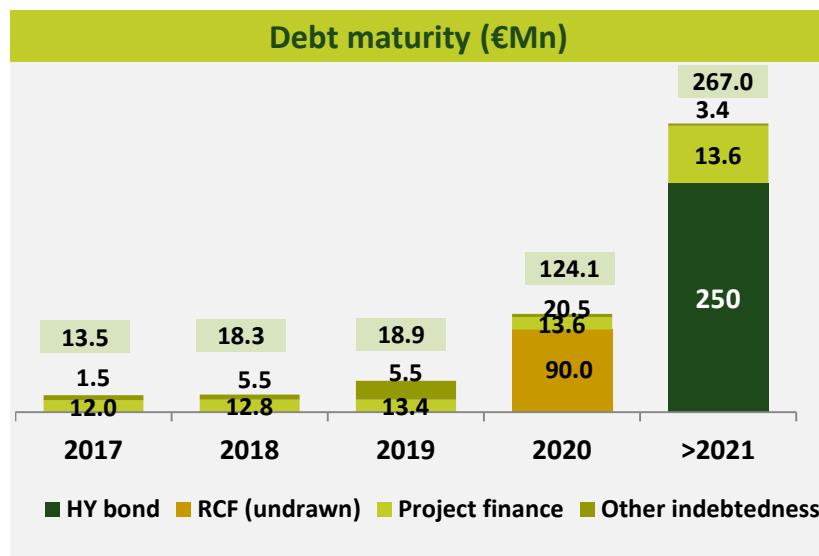
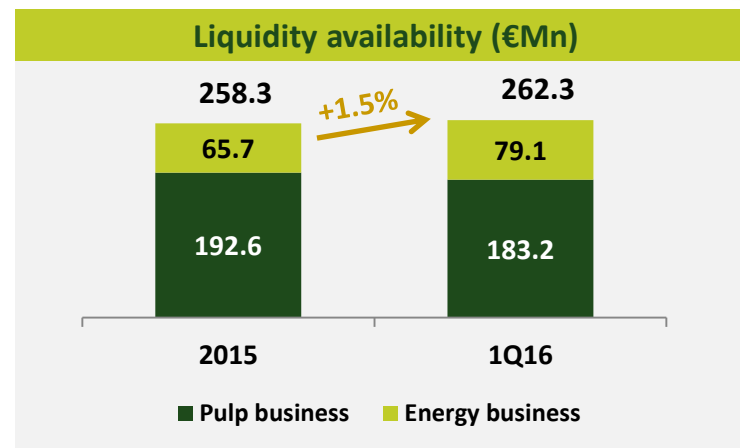
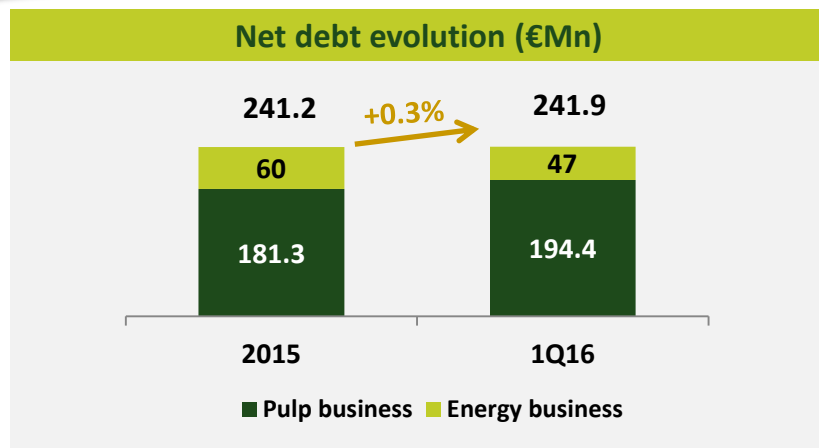
Energy business

Cash Flow



- Energy business recurrent free cash flow reaches €1.8 Mn
- Lower free cash flow to be recouped during the year

Net debt position and maturity



- Ence maintains its net debt position in **€241.9 Mn** in March and **increases its liquidity**.
- Maintaining its **long term profile of €250 Mn Bond maturing in 2022** after full refinancing of bond issued in 2013, **€90 Mn RCF fully undrawn maturing in 2020** and **€135 Mn Project Finance Facilities maturing in 2025**.

Index

Highlights

1Q 2016 Results

Summary

Highlights

1

Eucalyptus pulp demand maintains its growth speed (+8.5% y-o-y in January and February) despite declining prices

2

Prices have continued adjusting in 1Q16 and should bottom out in 2Q16

3

1Q16 cash cost affected by operational one-offs and Pontevedra annual maintenance shutdown

4

€6 Mn positive financial result impact due to FX hedging policy

5

Net income increases by 43.9% vs 1Q15

6

Promissory contracts signed for up to €30 Mn worth of assets with 3.4 Mn€ downpayments

Delivering value, delivering commitments

THANK YOU

