



2016-2020 Outlook and Strategic Vision
"Delivering value, delivering commitments"

Ignacio de Colmenares
CEO

Ence Investor Day 2015
19th November 2015



Introduction and Welcome

Agenda

CEO Ignacio Colmenares: Outlook and Strategic Vision 2016-2020

CPO Alvaro Eza: Forestry Supply

CMO Josep Cortina: Pulp Market

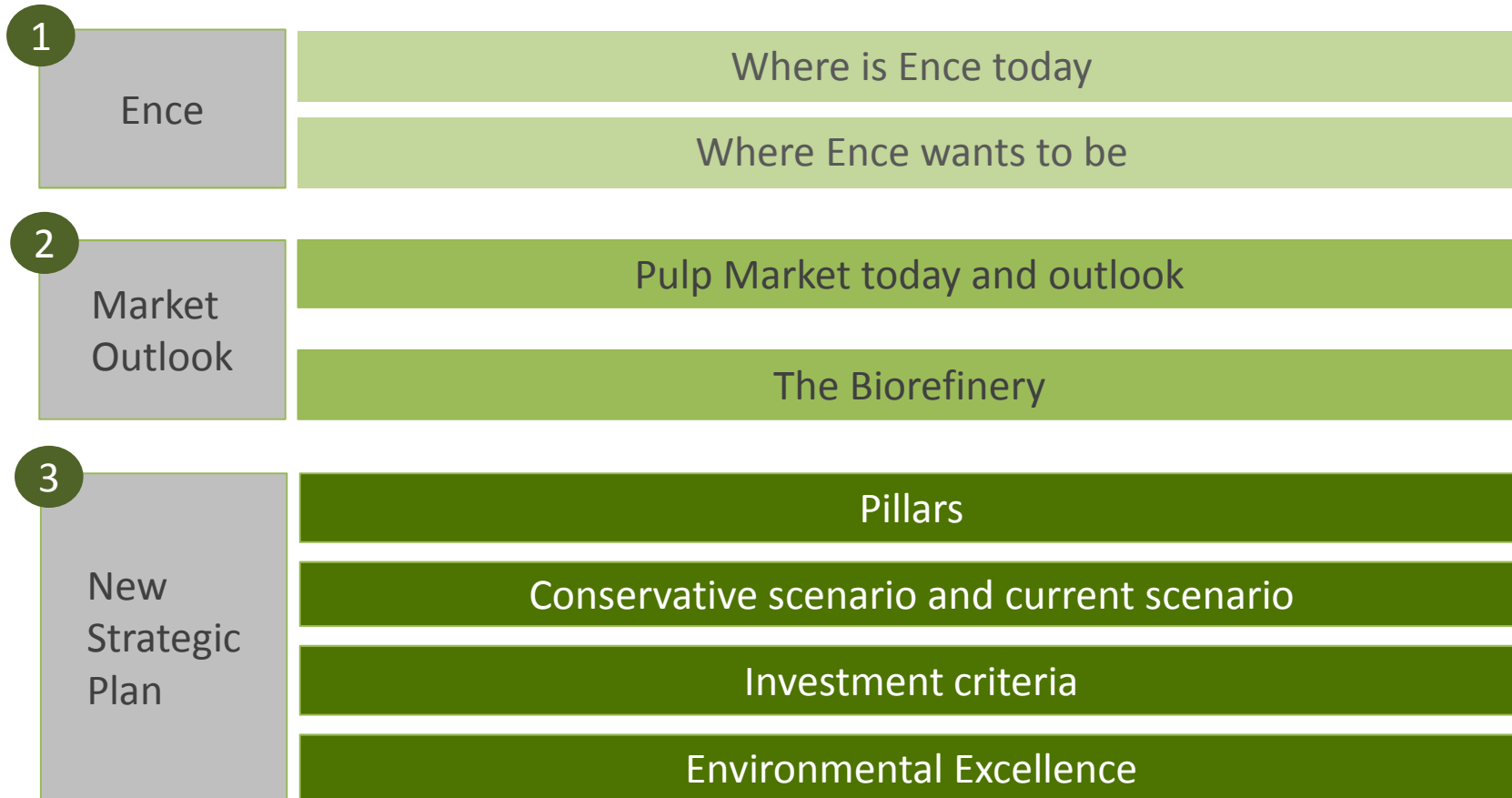
COO Jaime Argüelles: Pulp Business

CCDO Fernando Schwartz: New Energy Business Development

CFO Alfredo Avello: Financial Profile

CEO Ignacio Colmenares: Conclusions

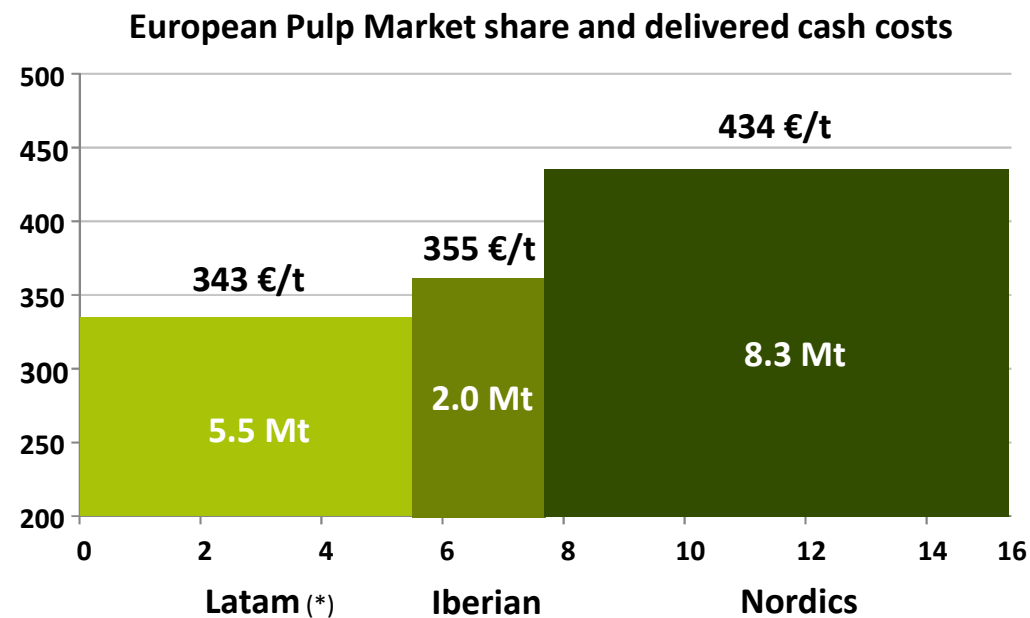
CEO Presentation



Where is Ence today

- 🌿 **RNC 50%: high Cost Cash (362 €/t)**
- 🌿 **Pontevedra: almost renewed the Licence**
- 🌿 **Competitiveness to improve:**
 - ✓ **Brazilians benefit from devaluated real and cheap wood**
 - ✓ **Portuguese: benefit from low labor cost and black liquor cogen subsidized**
 - ✓ **Scandinavians: very high wood costs, high labor costs**
- 🌿 **Financial Strength: 1x Net Debt / LTM EBITDA**
- 🌿 **Stable shareholders base: Mr. Arregui, Mr. Comenge, Mr. Urrutia, Mr. Cortina, Mr. Alcocer**
- 🌿 **Market capitalization ≈ €900 M**
- 🌿 **Dividends: €20/30 M year**

Iberian Pulp: Competitive Position in Europe



(*) Exchange rate R/\$: 3.10, \$/€ 1.08

Where Ence wants to be in 5 years

1

Consolidated Results

EBITDA increase between 97 and 120 M€ (*)

Exch. \ Price	800 \$/t	720 \$/t
1.25 \$/€	€263 M	€209 M
1.05 \$/€	€367 M	€302 M

2

Pulp

- Δ 20% Volume: + 184,000 t
- ∇ 9% Cash Cost: -€33/t
- Δ EBITDA: €51/74 M
- Pulp debt < 2.5 EBITDA

3

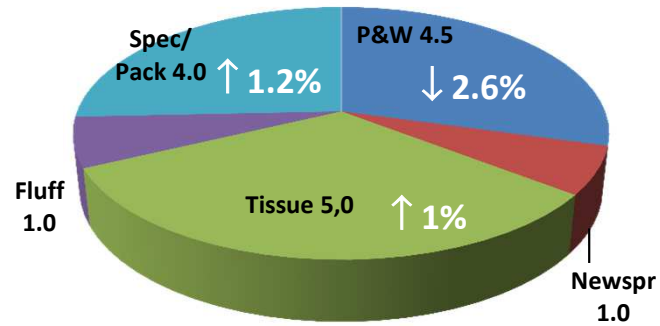
Energy

- Δ 233% Capacity: +260 MW
- Δ 130% EBITDA: +€46 M
- Energy Debt < 5 EBITDA

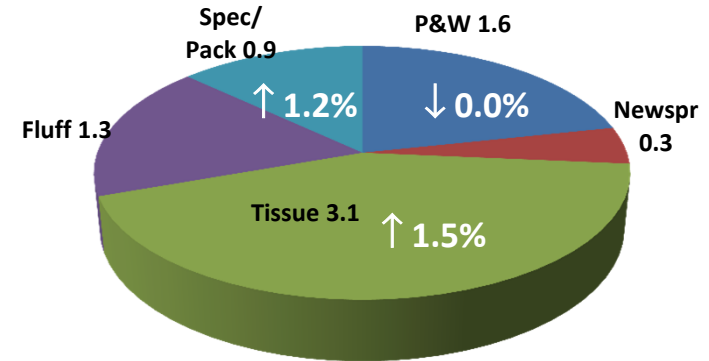
(*) according to pulp prices and dollar

The pulp market today

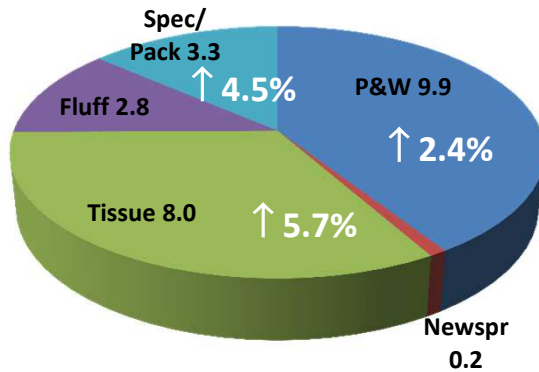
EUROPE: 15.6 M Tons



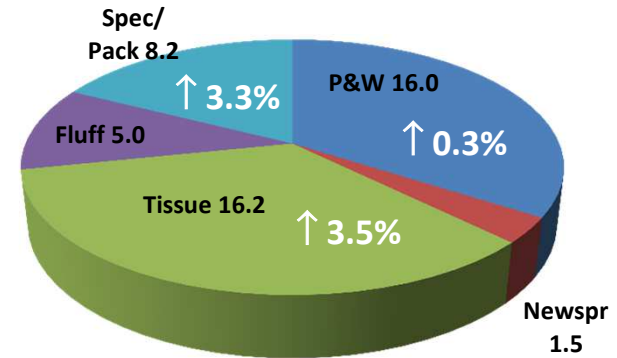
USA + Canada: 7.7 M Tons



ROW: 32.4 M Tons



WORLD: 55.7 M Tons



Source: Hawkins Wright

The pulp market in 5 years time

Europe	15.5 M Tons	} 62.7 M Tons
USA + Canada	7.8 M Tons	
ROW	39.4 M Tons	

An increase of 7 M Tons (Δ 13% in 5 years)

- New Pulp Mills
 - 2016: Klabin = 1.3 M Tons
 - 2017: APP = 1.8 M Tons
 - 2018: Brasil = 1.2 M Tons
 - 2019: Brasil = 1.2 M Tons
 - 2020: Not confirmed
- Compensated with closures

Conclusion: Solid Pulp Prices

Biorefinery: The future of the pulp industry

- 🌿 **Power generation with lignine and forestry waste**
 - ✓ Ence is actively present in this profitable and synergistic business - technically mature
- 🌿 **Transformation of lignin in marketable biofuel**
 - ✓ Ence is monitoring the progress of new experimental plants.
- 🌿 **Nanocellulose**
 - ✓ Ence is closely following the development of these products which are not yet commercially viable.

Ence will profit in the future thanks to developments in these last two fields, as it did in power generation

Strategic Plan: Pillars

- 🌿 **Lowest European Cash Cost**
- 🌿 **Growth leveraged in:**
 - ✓ **Depth knowledge of wood and biomass market**
 - ✓ **Debottlenecking pulp facilities**
- 🌿 **Replicate Navia in Pontevedra.**
- 🌿 **Maintain product leadership of Navia and Pontevedra**
- 🌿 **JIT service for pulp in Europe**
- 🌿 **Build Power Plants in EPC, financed with project finance**
- 🌿 **Local partners in power plants outside Spain**
- 🌿 **Financial discipline**
- 🌿 **Improving environmental performance**

Strategic Plan: Summary

Pulp Business

- Investments: €337 M
- Process improvement and cost reduction: €45 M
- Debottlenecking and capacity increase: €157 M
- Replicate Navia industrial model (pulp + biomass generation) in Pontevedra: €74 M
- Environmental reliability: €61 M



Capacity 2020: 1.090.000 tAD

EBITDA: €131 / 289 M

Debt net < 2.5x

Energy Business

- Investments: €325 M
- Growth overseas and seize Spain opportunities
- Forest & agricultural wastes, bagasse and energy crop
- Investment grade countries
- Structural expensive energy
- Local industrial partners
- Minimum by country: 100 MW



Capacity 2020: 383 MW

EBITDA: €78 M

Debt net < 5x

Strategic Vision 2016-2020

Main projections – Conservative Scenario ⁽¹⁾

	2015	2016	2017	2018	2019	2020
Cash Cost €/t⁽²⁾	362	344	339	337	329	329
EBITDA (M€)	111	132	145	153	180	209
Pulp	79	100	113	121	131	131
Energy	32	32	32	32	49	78
Net Debt (M€)	241	203	338	468	503	444
Pulp	168	169	284	307	286	222
Energy	73	33	54	161	217	222
Debt/EBITDA	2.2x	1.5x	2.3x	3.1x	2.8 x	2.1x
Pulp	2.1x	1.7x	2.5x	2.5x	2.2x	1.7x
Energy	2.3x	1.0x	1.7x	5.0x	4.4x	2.9x

(1) Pulp price 720 \$/t; 1.25 \$/€

(2) Cash Cost evolution based on stress case

Strategic Vision 2016-2020

Main projections – Current Scenario ⁽¹⁾

	2015 ⁽²⁾	2016	2017	2018	2019	2020
Cash Cost €/t⁽³⁾	362	344	339	337	329	329
EBITDA (M€)	201	269	294	308	338	367
Pulp	169	237	262	276	289	289
Energy	32	32	32	32	49	78
Net Debt (M€)	241	108	173	232	192	60
Pulp	168	75	119	71	(25)	(162)
Energy	73	33	54	161	217	222
Debt/EBITDA	1.2x	0.4x	0.6x	0.8x	0.6x	0.2x
Pulp	1.0x	0.3x	0.5x	0.3x	-0.1x	-0.6x
Energy	2.3x	1.0x	1.7x	5.0x	4.4x	2.92x

(1) Pulp price 800 \$/t; 1.05 \$/€

(2) Estimated

(3) Cash Cost evolution based on stress case

Strategic Plan: Investment Criteria

**Pulp
Investments: €337 M**

- Net Debt / EBITDA ≤ 2.5
- Pulp Capacity Increase: IRR $> 16\%$
- Pulp Cost Reduction: IRR $> 12.4\%$
- Not stress the price of wood

**Energy
Investments: €325 M**

- Net debt / EBITDA ≤ 5
- EPC + Project Finance
- Countries "investment grade" and high energy prices
- New Projects Spain IRR $> 10\%$
- New Projects Chiles IRR $> 15\%$
- New Projects Colombia IRR $> 19.3\%$
- New Projects India IRR $> 21.06\%$
- Partners in the new projects to reduce equity contribution and gain local knowledge

Total investments: €662 M

Strategic Pillar: Environmental

Environmental performance improvement

- Investments in advanced facilities to **minimize environmental impact** (water treatment, odor and water steam)
- Investments in biomass power plants**, a renewable power which highly contributes to climate change mitigation
- Promotion of **forest sustainability certification and best practices** in the forestry sector
- Cellulose accredited** to access to European environmental demanding customers

Ence wants to be best in class in environmental performance

Thank you

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Forestry supply

Álvaro Eza

Chief Procurement Officer

Ence Investor Day 2015

19th November 2015



Agenda

- **High quality wood** availability 2015 - 2020
- **Efficient**, sustainable, and affordable wood supply
- **Committed** to sustainability with FSC/PEFC
- **Professional** forestry supply management
- **Latest technology** in forestry management
- **Leader in Biomass sourcing** in the Iberian Peninsula

Enough wood of highest quality for future expansions 2015-2020

- Ence consumes **2.8 million m³/year** of **eucalyptus** wood, **100% sourced domestically**
- 66 M m³ of eucalyptus plantations in NW Spain; abundance of Globulus, **best eucalyptus for pulp** production
- > **600,000** of landowners in the NW Spain with a plantation surface of < **0.5 Ha**



Wood (,000 m ³ sc/yr)	Growth	Harvested	Excess
Asturias + Galicia	6,000	4,500	1,500
Portugal	6,700	6,600	0,1

Wood	Spain	Nordic Countries	Brazil
Age (years)	12-15	60	7-9
Spec. Cons. (m ³ /tAD)	3	5	4

Efficient, sustainable, and affordable wood supply



Efficient, sustainable, and affordable wood supply

('000 m3/year)	2015	%	2020	%
Own plantations	66	2%	0	0%
Direct purchases landowners	827	30%	1,300	39.5%
Suppliers				
Small	1,270	45%	1,300	39.5%
Big	637	23%	700	21%

Wood Certification FSC/PEFC: Ence is firmly Committed to sustainability

- 1 **Ence is committed to sustainability**, and this is translated to the different stages of pulp production , **from our plantations to the final product**
- 2 An increasing number of our **European pulp customers are requesting certified pulp** and, as the origin of our activity, **wood certification is a priority**
- 3 **FSC (Forest Stewardship Council)** and **PEFC (Program for Endorsement of Forest Certification Schemes)** are voluntarily certification systems that aim to ensure a high level of forest management techniques by checking sustainability indicators
- 4 Both systems are divided into two subsystems: **SFM (Sustainable forest management)** and **CoC (Chain of Custody)**. Both link the forest products from the forest to the consumer

Wood Certification FSC/PEFC: Ence is firmly Committed to sustainability II

FSC	PEFC
<ul style="list-style-type: none"> Protection and increase of the certified areas 10% of the total surface dedicated to natural ecosystems Certification for 5 years, with annual auditing Management plan required Covers both certified and non certified surfaces (last ones with general regulation) 	<ul style="list-style-type: none"> Protection of the certified areas Surface dedicated to natural ecosystems is not required Certification for 5 years, with annual auditing Management plan required Covers only certified surface

Certified wood (m3sc/yr)	2014	2015	(% incr)
FSC	645,000	974,000	51%
PEFC	572,000	730,000	28%

Professional forestry supply management

Ence Capabilities

- Ence has over **60 years of experience** in forestry supply management
- Leading procurement and operations team** on the ground and located in different areas of Spain
- Management of all the different stages** of the supply chain (procurement + harvesting + logistics) increases flexibility and market knowledge



Forestry Supply Team (personnel)

Forestry supply	10
Direct purchases to landowners	35
+	
Operations/planning	9
Harvesting	40
+	
Logistics	6

||
 Total forestry personnel = **100 people**

Latest technology in Forestry Management

Direct Purchases to landowners

- 🌿 **Mobile App** for landowners and wood suppliers
- 🌿 **On-line registration of landowners and plantations info** (tablet + Xone system)
- 🌿 **Customized CRM** for commercial optimization of plantations
- 🌿 **GIS registration** of all plantations
- 🌿 **Call center** + marketing actions

Logistics

- 🌿 **Daily wood deliveries to pulp mills of almost 600 trucks**
- 🌿 **> 950 trucks with GPS** to track the origin of the wood
- 🌿 **Central console + logistics App** for direct communication with truck drivers and planning of deliveries

Leader in Biomass sourcing in the Iberian Peninsula

Biomass		(green ton/year)
Navia	37 MW	219,000
Pontevedra	16 MW	104,000
Mérida	20 MW	215,000
Huelva	40 MW	158,000
Huelva	50 MW	390,000

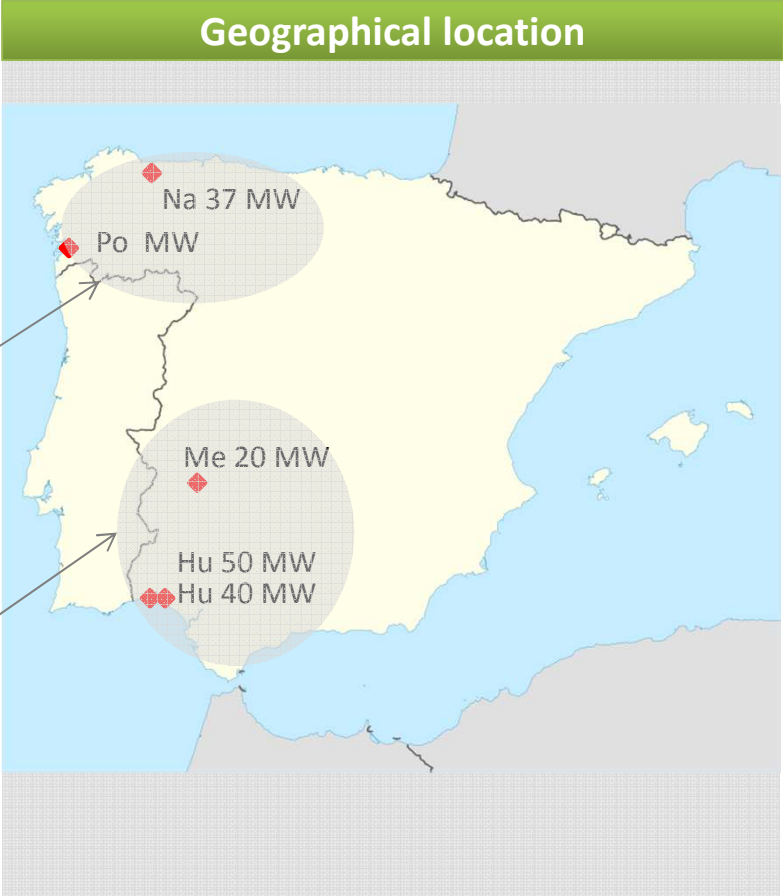
North of Spain

Total utilization of the tree: wood (pulp production) + biomass (bark, branches for energy production)

South of Spain

Waste Wood (pine, olive tree, orange tree)

Waste wood + **waste from agriculture** (corn and wheat straw)



As a summary: Ence's advantages

- 1 **Excess wood availability in NW Spain TRIPLES our growth requirements** (500,000 m³/year during 2015-2020)
- 2 **FSC/PEFC certified eucalyptus globulus surrounding our pulp mills (lower logistics costs)** avoids expensive imports from South America
- 3 **In House Forestry know-how, skilled team and newest technology** provides great information about wood location, productivity and growth
- 4 **Management of the entire supply chain** allows us better flexibility and competitiveness
- 5 **Leader in biomass energy** with a wide range of sources of supply

Thank you

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Pulp Market & ENCE

**Josep Cortina
Chief Marketing Officer**

Ence Investor Day 2015
19th November 2015



Agenda

Market Outlook

World Pulp Consumption Trend 2005-2015

Global and European Pulp Demand/Supply

Pulp Demand Market Trends in Western Europe

ENCE in the Pulp Market

Differentiated Pulp Grades

ENCE – Top Environmental Performance

ENCE Vs Europe: Pulp Demand by Segment

Commercial Profile

Sales Strategy

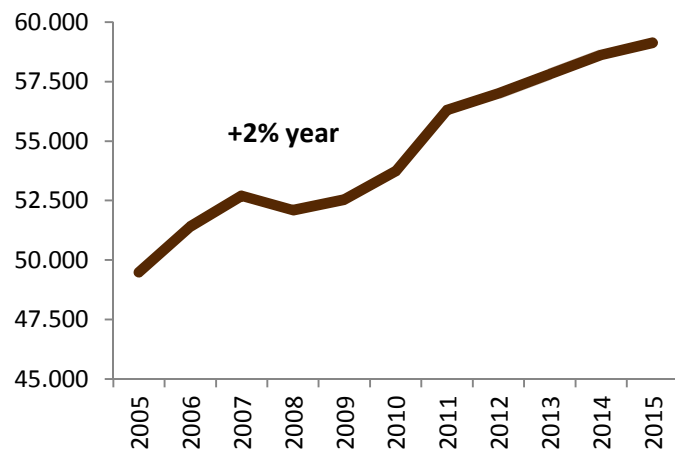
Logistics Set Up in Europe

Conclusions

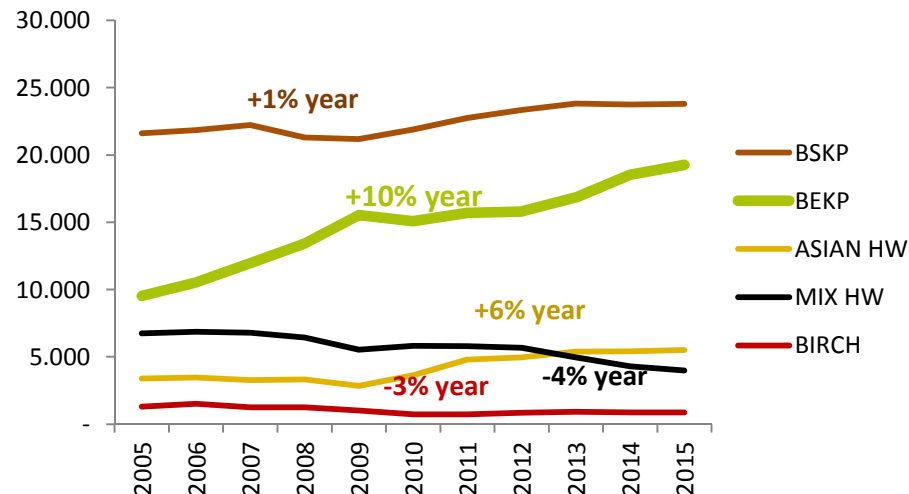
Pulp Consumption Trend 2005-2015



TOTAL CHEMICAL PULP



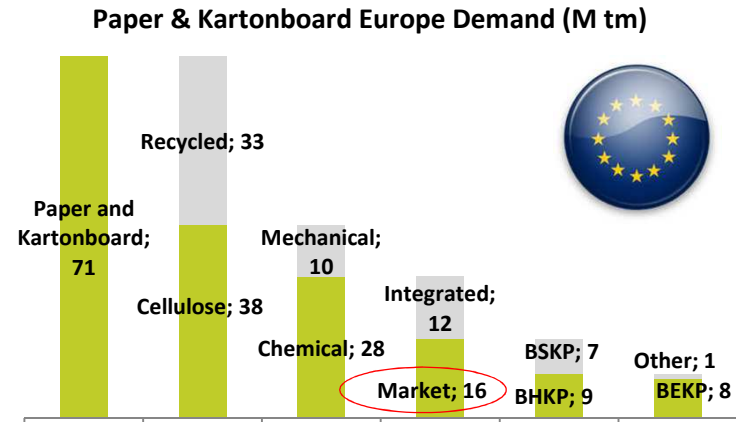
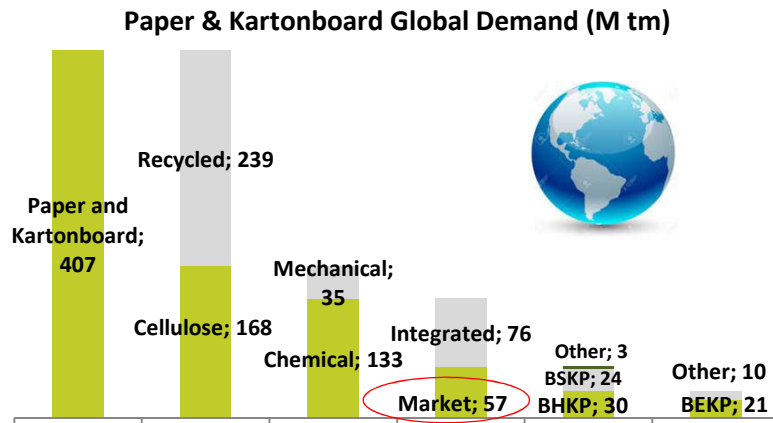
TOTAL CHEMICAL PULP BY FIBRE



In the last 10 years, Chemical Pulp consumption has grown on average a 2% yearly, while annual average growth in the **BEKP pulp consumption has grown 10% in the last 10 years**, and is now recognised as the future fiber. 2 main drivers:

- Most producers (particularly Tissue makers) aim to **change to Euka**; more efficiency in their processes & better product properties
- **Tissue Global demand has been growing significantly in the last 5 years (+3.5% yearly)**

Pulp and Paper - Global & Europe demand

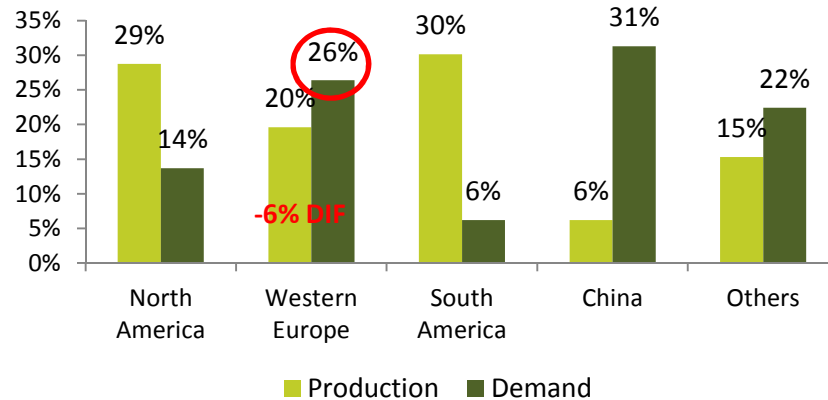


- Global Market Pulp accounts for 57MM tpy while Europe Demand is 16MM.
- Global BEKP demand (Ence's Fiber) amounts to 21MM tpy. In Europe BEKP demand is 8MM.
- BEKP properties allow paper makers to **substitute any other fibre in the 80% of the cases**
- BEKP is the fibre with highest growth rate in the market: 10% yearly

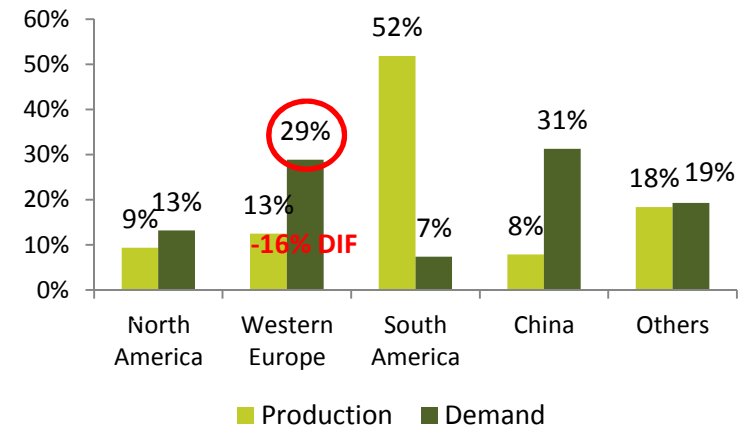
Global Pulp – Demand/Supply Balance



Market Total Pulp Production vs Demand



Market BHKP Production vs Demand

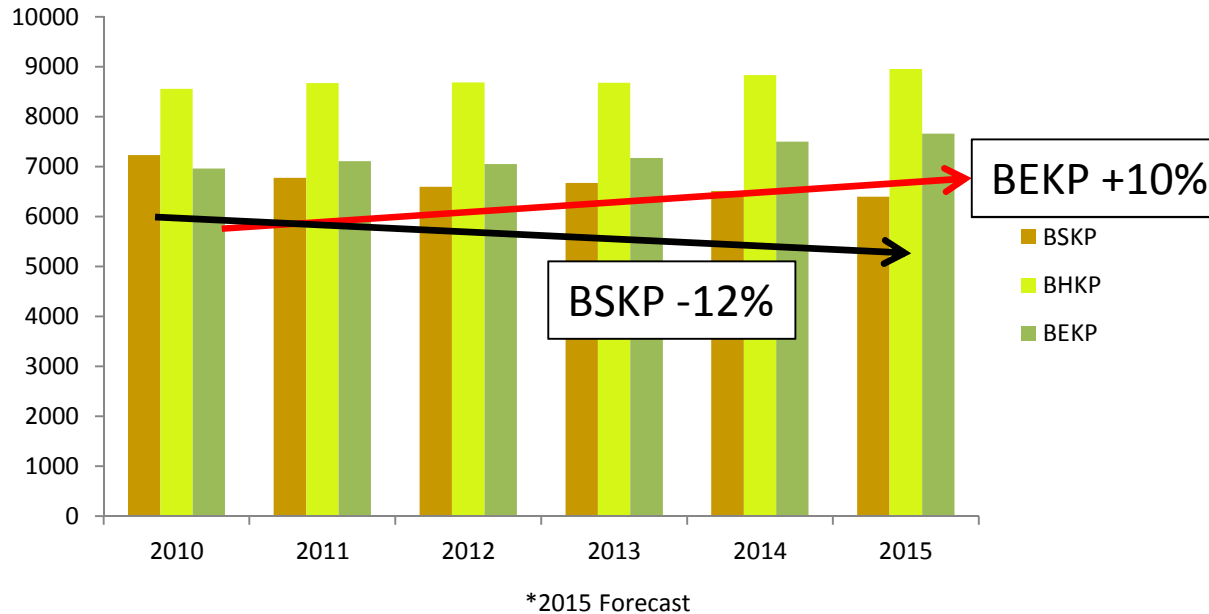


- W.Europe and China are the 2 main drivers for Market Pulp, and represent the 60% BHKP Pulp (30% each)
- W.Europe lacks structurally in Pulp Production:** demand 16MM > Prod 14.1MM, specially in **EUKA (demand 8MM > Prod 2.3MM)**
- BEKP growth over BSKP will worsen the future Demand-Supply balance in Europe, unless BEKP new capacity is installed in the domestic market

W.Europe - Pulp Demand Trends



Market Pulp Demand WE (Thousands of tm)



- As in the Global market, EUKA in Europe grows steadily and more than other fibres
- In the last 5 years BEKP (+10% yearly) has replaced BSKP demand (-12% yearly)**
- BEKP provides better efficiency rates and better product properties (smooth, bulky, and uniform papers)
- BSKP costs are ca.23% higher than BEKP

ENCE High Grades – Differentiated Pulp Grades

1

ENCE Grades are considered “**Premium Grades**” in the market:

NAVIA

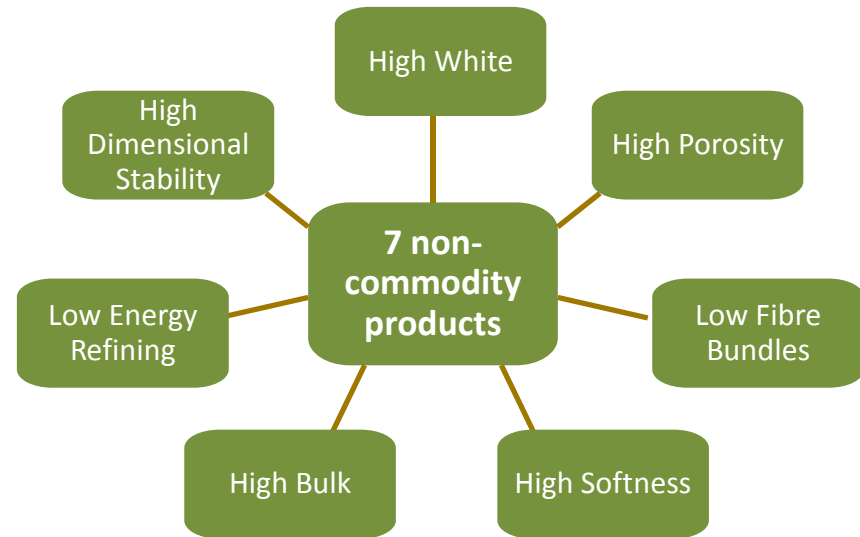
Specialties/Fine P&W: Best mechanical properties in the market + highest tensile

PONTEVEDRA

Exclusively TCF pulp (Total Chlorine Free) highly appreciated in Germany and neighbours, specially sensitive with the environment

2

ENCE specially developed **7 non-commodity products** on top of its standard grades:



3

Premium Pulp:
2 differential facts

Iberian Globulus wood



special production features

allows ENCE to achieve a Premium price on its sales

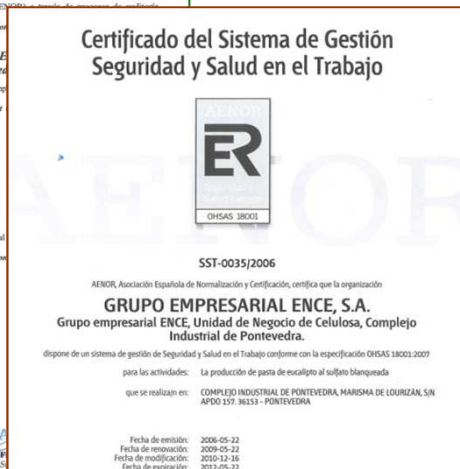
ENCE – Top Environmental Performance



**Environmental Management
According to ISO 14001 since 1997**



EMAS regulation in 1998

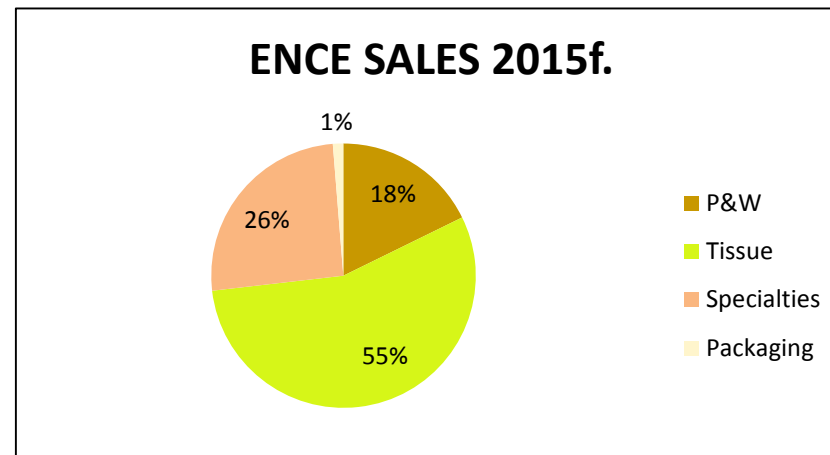
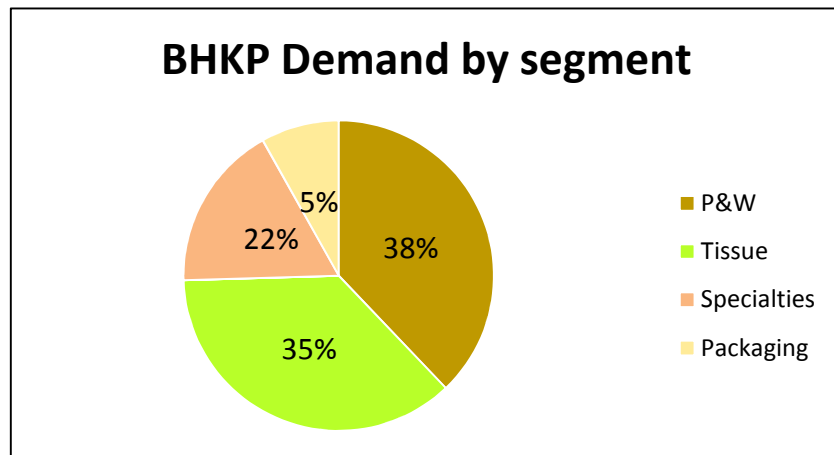


**Management System
Certification Safety and
Health according to
OHSAS 18001 since 2006**



**Evaluates Product's
impact on the
Environment
- Since 2014**

Europe - Market Pulp by segment



Demand of Tissue & Specialties keep growing steadily:

- > 1% W.Europe
- > 3% Global

Demand of P&W slows due to new technologies:

- 2.6% W.Europe
- +0.3% Global

ENCE reoriented its commercial strategy after closing Huelva mill

81% Sales 2015 in Tissue (55%) & Specialties (26%).
68% Sales 2014 in Tissue (51%) & Specialties (17%)

ENCE – Commercial Profile

#1

Market Euka producer in Europe (1MM tpy)

#1

Market TCF Euka Worldwide producer (430k tpy)

#3

Euka seller in Europe

98% of sales in Europe

Mkt share in Europe 11%

- High Sales fragmentation (150 customers) → lowest commercial risk in the Pulp industry
- Premium Pulp quality & European quick response times
- Low cost pulp makers in Europe

ENCE – Sales Strategy

Ence's Sales Strategy is based on 3 main pillars:



Logistic set up in Europe



... whose capillarity and proximity to customers can offer quick delivery of product for their needs



CONCLUSIONS

- ❧ **BEKP demand steadily grows at 10%** while **Total Pulp Demand only at 2%**, and **BSKP in Europe drops by 12%**
- ❧ In **Europe** the continuous net increase on **Pulp demand widens the gap with local pulp production**
- ❧ **Tissue & Specialties** are the two market segments with **solid growth (ca.+3%)**
- ❧ **ENCE pulp is recognized** in the market as **Premium Pulp**, which enables a Premium on the price accordingly
- ❧ **80% of ENCE sales** are made on the 2 **market segments** steadily **on growth**
- ❧ ENCE **commercial approach** based on **Capillarity and Diversification** provides the lowest sales risk in the Pulp industry

Thank you

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19 th november 2015



Pulp Business

Jaime Argüelles

Pulp and Energy Operations General Director

Ence Investor Day 2015

19th November 2015



Pulp Business

Successful business model in Pulp Manufacturing

AGENDA:

- 1. Ence's BEKP competitive in the global market: High quality pulp**
- 2. Cash cost reduction:**
 - 🌿 Investments in competitiveness
 - 🌿 Investments in debottlenecking
 - 🌿 Other investments: Pontevedra to replicate Navia
- 3. Environmental improvements**

Pulp Business

Successful business model in Pulp Manufacturing

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Pulp Business – Ence features

Business Strategy

BSKP

BEKP

vs.

- Ence´s BEKP competitive in the global market: High quality pulp optimal for substitution BSKP, which has higher costs.
- Ence´s BEKP has highest quality; well appreciated by customers & demanded by special products
- Ence´s flexibility production mills and capillarity up & downstream supply chain
- Ence´s privilege situation for European Market. Lower transportation costs than South American producers

Ence Features- Operations

High Competitiveness → Operational excellence

- 🌿 Flexible production sites to offer non-commodity product, tailor made to client needs and capillarity services
- 🌿 Continuous improvement → TQM in our factories
- 🌿 Process oriented → Reduction of variability
- 🌿 Investments in Savings & Capacity increase → Cash cost reduction objective

Efficiency improvements

Main focus – How?

- Excellence in operation → TQM fully implemented
- Production process optimisation → 6-sigma. Support by top industry technologists
- Increase of availability → Maintenance improvement
- Reduction of variability → Mills stabilisation at higher production rate

OEE EVOLUTION	2010	2015	2020
NAVIA	85%	89%	95%
PONTEVEDRA	83%	92%	95%

OEE: Overall Equipment Effectiveness

Pulp Business

Successful business model in Pulp Manufacturing

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Capacity 2020: 1.090.000 tAD

EBITDA: €131 / 289 M

Debt net < 2.5x

Process improvement and cost reduction

Investment in Process improvement and cost reduction: €45 M

Navia
Investments
33 M €

- Implemented: € 12 M
- In execution: € 21 M
- Savings € 5,7 M p.a.

Pontevedra
Investments
12 M€

- 4-year payback investments: € 12 M
- Savings € 3,3 M p.a.

Poyry & Falconi contribute to consolidate Process improvement and operational excellence

Debottlenecking and capacity increase

Investment in debottlenecking of : €157 M

Navia
Investment
€131 M

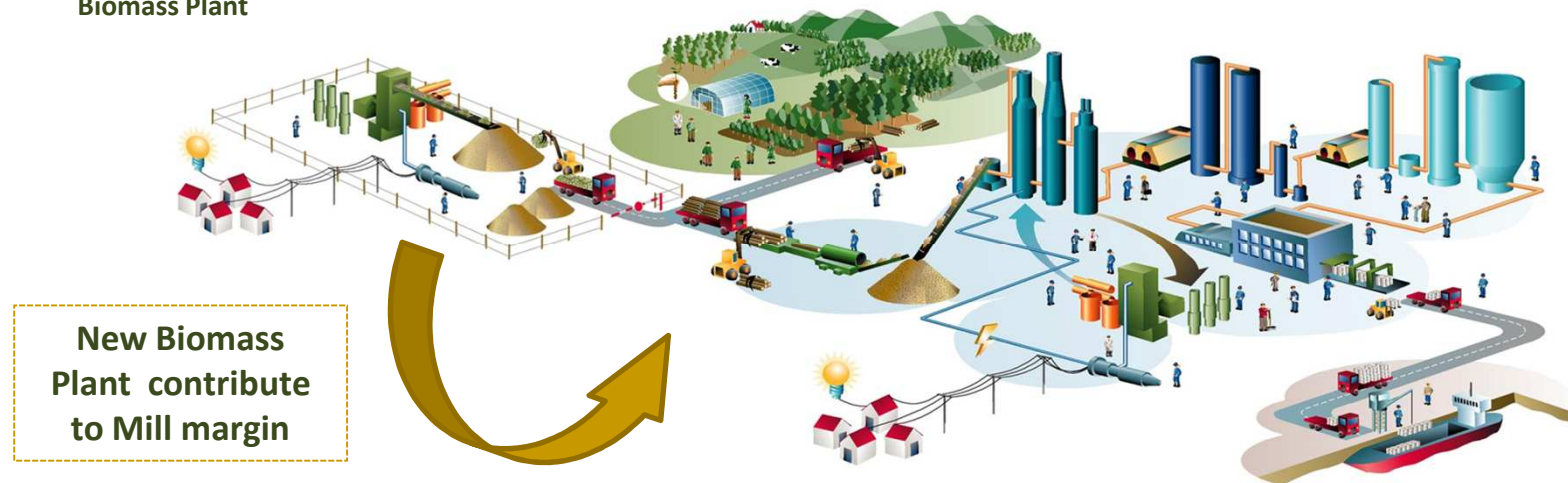
- Capacity increase of 40 ktAD to 540 ktAD
- Executed 50%, expected to finish July 2016
 - Savings 4 €/tAD p.a. in Cash Cost (dilution fixed costs)
 - EBITDA: €9 M p.a. (assuming 720\$ ton & 1,25 \$/€)
- Capacity increase: 100 ktAD to 640 ktAD
 - Savings 7 €/tAD p.a. in Cash Cost (dilution fixed costs)
 - Increase EBITDA: €21 M p.a. (assuming 720\$ ton & 1,25 \$/€)

Pontevedra
Investments
€26 M

- Capacity increase: 30 ktAD to 450 ktAD
 - Savings 4 €/tAD p.a. in Cash Cost (dilution fixed costs)
 - Increase EBITDA: €5 M p.a. (assuming 720\$ ton & 1,25 \$/€)

Replicate Navia industrial model (pulp + biomass generation) in Pontevedra

Biomass Plant



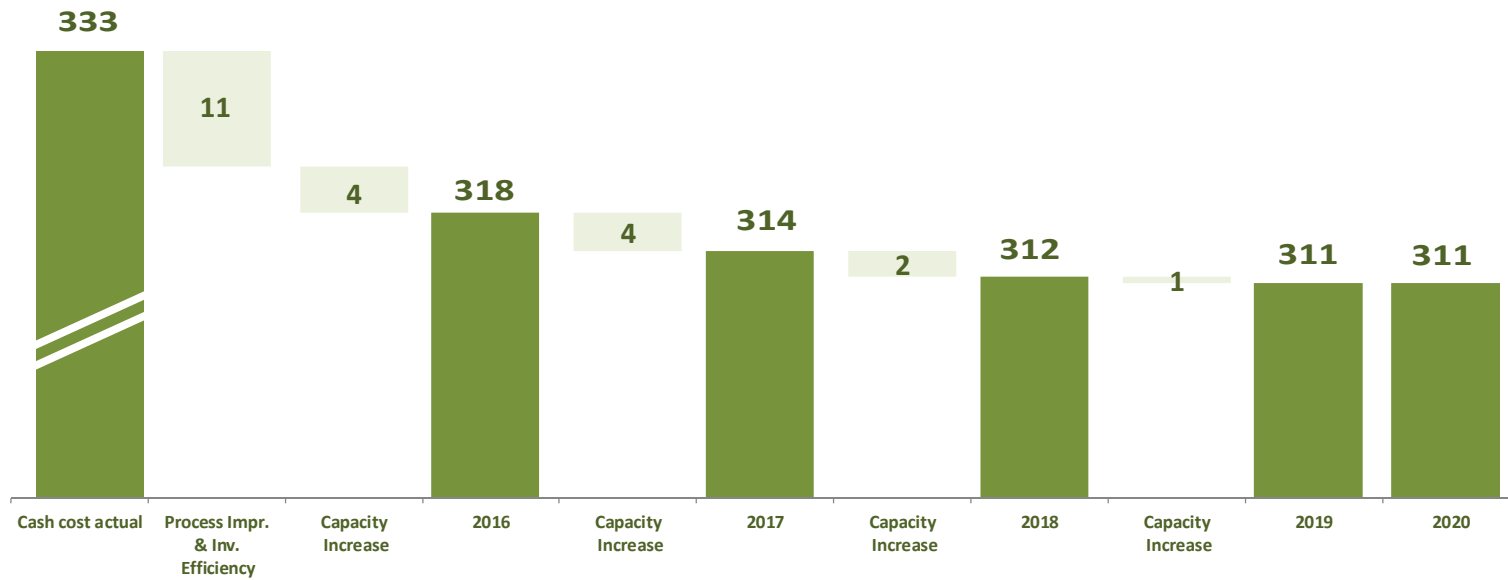
New Biomass Plant contribute to Mill margin

Investment
74 M €

- Energy Capacity increase: 25 MW
- EBITDA €7 M p.a.
- Savings 16 €/tAD p.a. in Cash cost

Cash cost evolution. Navia

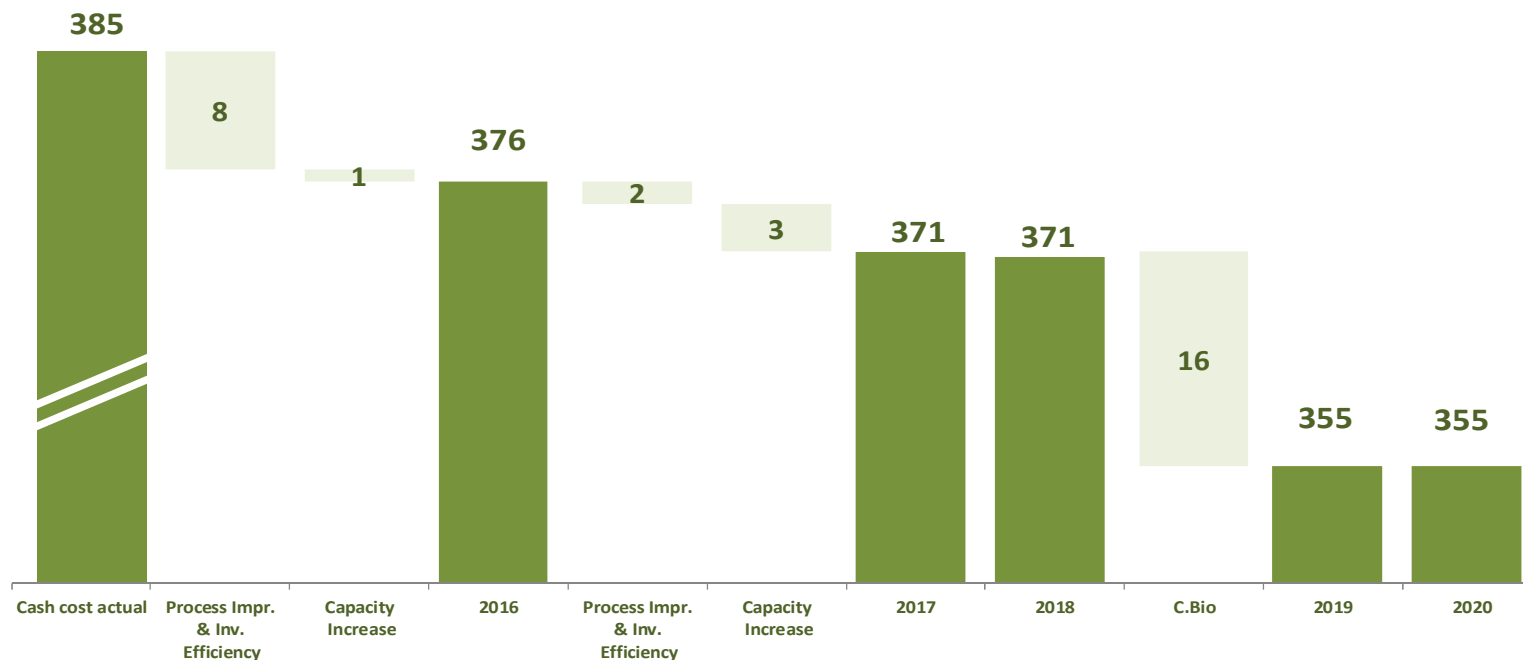
CASH COST REDUCTION 2016 -2020: 22€ /tAD



- Investment in efficiency & Process improvement: 11 €/tAD (9 €/tAD Inv. & 2 €/tAD Pr. Impr.)
- Debottlenecking and capacity increase : 11 €/tAD

Cash cost evolution. Pontevedra

CASH COST REDUCTION 2016 -2020: 30 € /tAD



- 🍃 Investment in efficiency & Process improvement: 10 €/tAD (8 €/tAD Inv. & 2 €/tAD Pr. Impr.)
- 🍃 Debottlenecking and capacity increase : 4 €/tAD
- 🍃 Replicate Navia industrial model in Pontevedra (Bio Gen.): 16 €/tAD

Pulp Business

Successful business model in Pulp Manufacturing

AGENDA:

1. Ence's BEKP competitive in the global market: High quality pulp
2. Cash cost reduction:
 - 🌿 Investments in competitiveness
 - 🌿 Investments in debottlenecking
 - 🌿 Other investments: Pontevedra to replicate Navia
3. Environmental improvements

Environmental improves

Ence Plus Project → Pulp Mills World Reference

- 🌿 Zero Odour
- 🌿 Dust & Noise projects
- 🌿 Water effluent recirculation. Reduction of 90% water consumption
- 🌿 Elimination of water steams

Total investments of €61 M

Conclusions

Ence strong Pulp Business position → €337 M Investment

- 🌿 **Ence on track to be a European Cash cost leader**
- 🌿 **High returns from our investments in pulp mills: Debottlenecking and efficiency improves**
- 🌿 **New model in Pontevedra, copying Navia and benefiting from a reduction in Cash cost**
- 🌿 **Achieving excellence in operation → TQM**

Total Pulp Volume → 1,090 MtAD & Cash cost 329 €/tAD

Thank you

Ence Investor Day 2015

19th November 2015



New Energy Business Development

Fernando Schwartz

Director of New Energy Development

Ence Investor Day 2015

19th November 2015



Agenda

- 🌿 **Biomass Energy in ENCE**
- 🌿 **Why Biomass Energy? Why in ENCE?**
- 🌿 **Where? Consolidate locally and push for a global presence**
- 🌿 **Analysis of opportunities**
- 🌿 **CAPEX and Development Plan**
- 🌿 **Conclusions**

Agenda

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Biomass Energy in ENCE

- We are leaders in biomass energy generation (>200 MW*), with decades of experience, strong development and engineering teams, and complete value chain expertise, in order to guarantee success.



Mérida 20MW



** All biomass power (cogeneration and generation) included*

Biomass Energy in ENCE

- We are leaders in biomass energy generation (>200 MW*), with decades of experience, strong development and engineering teams, and complete value chain expertise, in order to guarantee success.



Huelva 50MW



** All power (cogeneration and generation) included*

Biomass Energy in ENCE

- We are leaders in biomass energy generation (>200 MW*), with decades of experience, strong development and engineering teams, and complete value chain expertise, in order to guarantee success.



Huelva 41MW



** All power (cogeneration and generation) included*

Agenda

- 🌿 Biomass Energy in ENCE
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Why Biomass Energy?

- **Sustainable modern energy for a modern world:** by 2040, the world's new power requirement will be 7 200 GW*, with a yearly sustained effort of \$740.000 M (total final of \$18,5 bn), increasing 35% annually from now. Nearly 60% of this new capacity will come from Renewable Energy.
- **Biomass will play a large part in this. Why? Because ...**
 - Biomass-to-power is the only renewable that is firm and dispatchable;
 - Biomass is abundant;
 - Creates rural jobs (>50x other RE's) and invigorates local economies, garnering strong support from governments, community ... and investors;
 - Beneficial to environment: CO₂ neutral, keeps forests and fields clean.
- **ENCE has a proven track record in developing, building and operating biomass power plants.**

** Source IEA 2015*

Why in ENCE?

- **Makes sense:** reducing cash cost of cellulose operations (in Spain), while continue strengthening our EBITDA with a stable source of income (will not accept market price variability);
- **Knowledge:** with an energy that is inherent and intimate to our expertise, a field where we are leading experts.
- **Social responsibility** to future generations to contribute to this revolution. ENCE is an expert in generating a firm, dispatchable, CO₂ neutral source of clean energy.
- **Opportunity:** ... and because there is a clear opportunity for ENCE.
 - High entry barrier for other companies.
 - Low-risk approach (non-recourse finance in stable markets).



Agenda

- 🌿 Biomass Energy in ENCE
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Where? Consolidate locally and push for a global presence

Spain:

- Government has successfully addressed **the energy deficit** (from -€5 000 M to +€650 M)...
- ... which has created a **stable environment for energy development**.
- Spain still far from European Energy Directives regarding RE for 20% by 2020 (**15,4%** en 2013, little change today). 6 600 MW needed*.
- ENCE has extremely deep knowledge of market. We are market leaders. There is clear opportunity in Spain, ENCE should lead it.
- Government to **launch tender** under RD 947/2015.

** Government estimation*

Where? Consolidate locally and push for a global presence

International markets: strong stable markets, with high energy needs, high energy prices, where biomass makes sense.

Return	High international IRR: 15% to 20% depending on country
Leverage	< 5x EBITDA
Country strength	Stable investment environment: Investment grade (BBB or higher)
Market size	>100MW (> 3 - 4 plants)
Biomass	Available (logistics), abundant, in-price, secure/diversified (% of energy crops + % agro waste + % forestry)
Stability energy market	FiT / PPA that make sense, where tariffs are sustainable and not uncoupled from base energy generation price
Partner	Well-positioned, strong partner to help us navigate local reality. Helps de-risk equity investments, and creates opportunities.

Wide range of opportunities in carefully selected countries: **Chile, Colombia or India.**

Agenda

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Analysis of international opportunities: LATAM

Chile

- 20 GW of installed power and growing. **High demand for renewables, backed by Governmental policies.** Country needs energy to continue growth.
- Solar and wind have been strongly developed, but **firm energy is needed** as a back up.
- Available biomass** in the south of Santiago. Much still being burned in fields.
- Upcoming tender of 12,000 GWh.
- Partner: in negotiation (owners of forestry & agro + crop management).



Target IRR Chile \geq 15%

Colombia

- Colombia's energy mix **highly dependent on hydro** (affected by El Niño phenomenon).
- Government is strongly pushing policy to increase non-hydro renewables (**Ley 1715**).
- We see a huge opportunity: **in associated water from oil extraction operations** (may be replicated around the world). Disposal + Energy + Environment + Brent = success equation.
- Partner: already in place with a **large industrial group**.



Target IRR Colombia \geq 19.3%

Analysis of international opportunities: ASIA

India:



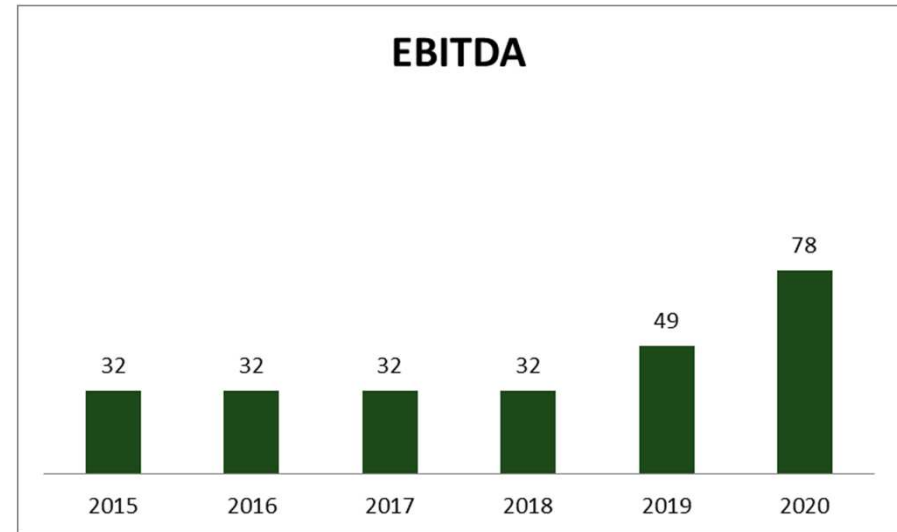
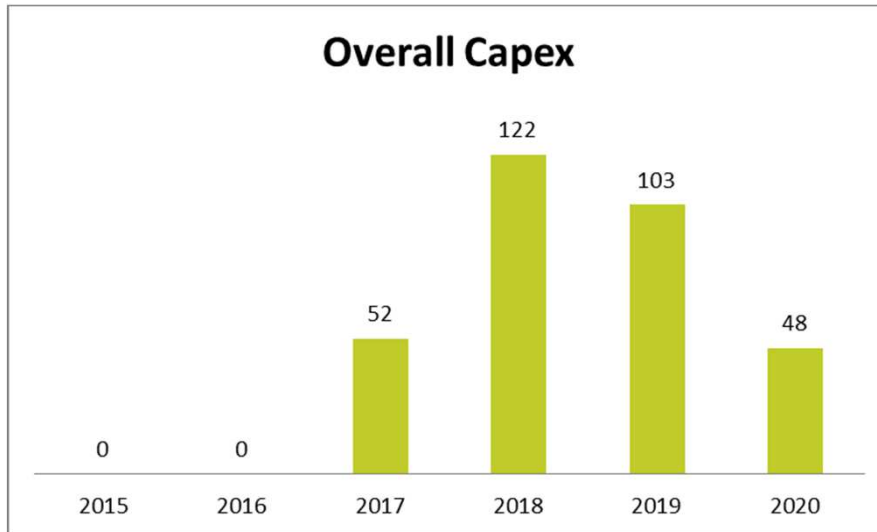
- India will account for a major portion of the growth in global energy to 2040.
- India has aggressively pushed renewables, and is increasing its targets.
- Opportunity in agro waste sector (especially sugar industry, where failing market pushes mills to complement sugar production with energy, ethanol). India is the 2nd largest sugar producer in the world.
- Bagasse and straw** to cogenerate (steam + energy to mill, excess to grid). 4GW already in place, 7 GW available, to be developed.
- Partner:** ongoing (interest from strong local parties).

Target IRR India \geq 20.26%

Agenda

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- 🌿 **CAPEX and Development Plan**
- 🌿 Conclusions

CAPEX and Development Plan



- Development of Spain and International projects ongoing.
- Construction to start in 2 years time.
- A **€325M investment** will materialize in additional **€78M annual EBITDA** by 2020.

Agenda

- 🌿 Biomass Energy in ENCE
- 🌿 Why Biomass Energy? Why in ENCE?
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- 🌿 **Conclusions**

Conclusions

- We see **biomass developing strongly** over the next 5 years, and ENCE stands out in the field with deep experience in the complete value chain, from fuel management to kWh sales.
- Biomass is an **attractive business**, that generates attractive returns for the company. A **€325M investment** will materialize in additional **€78M annual EBITDA** by 2020.
- Strategy: **consolidate locally**, and sensibly **push globally**.
- We are working in Spain and abroad in several high-value projects; with **strong partners** that help us **de-risk investments**, while creating **opportunities**.

Thank you

Ence Investor Day 2015

19th November 2015





Ence's Financial Profile Ready for the New Investment Cycle

**Alfredo Avello
CFO & Corporate Development Officer**

Ence Investor Day 2015
19th November 2015



Agenda

- 🌿 **Two Business: Pulp & Energy**
- 🌿 **Financing the New Investment Cycle**
- 🌿 **Risk Management**
- 🌿 **Shareholder Remuneration Policy**
- 🌿 **Ready for the New Investment Cycle**

Agenda

- 🌿 **Two Business: Pulp & Energy**
- 🌿 Financing the New Investment Cycle
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- 🌿 Ready for the New Investment Cycle

Two Business: Pulp & Energy

Pulp Business

Energy Business

ACTIVITIES



Pulp production



Energy co-generation and generation linked to pulp production



Forest management



Energy generation from agroforestry biomass

GEOGRAPHIC PRESENCE

Two locations in the Asturias and Galicia regions in the North of Spain: Navia and Pontevedra

Sales to customers throughout Europe



Currently, three locations in the South of Spain: Two in Huelva and one in Merida

Two Business: Pulp & Energy

Pulp Business

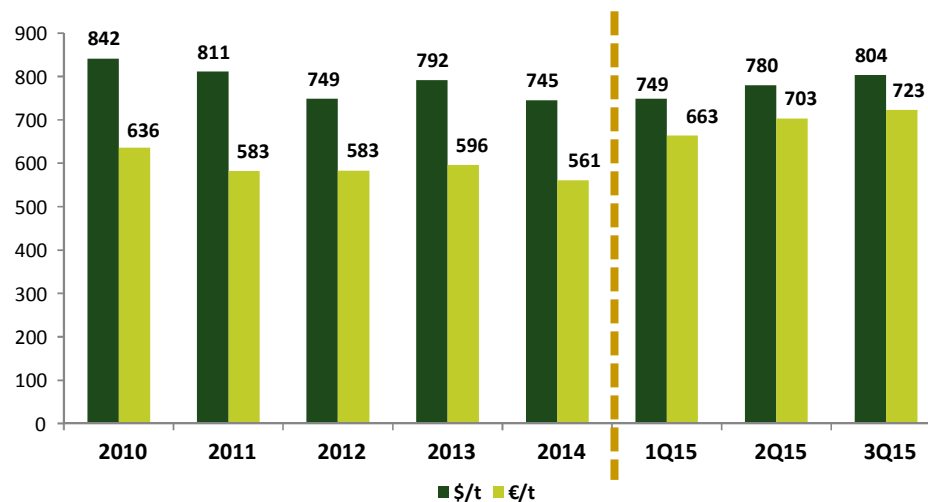
Energy Business

REVENUES

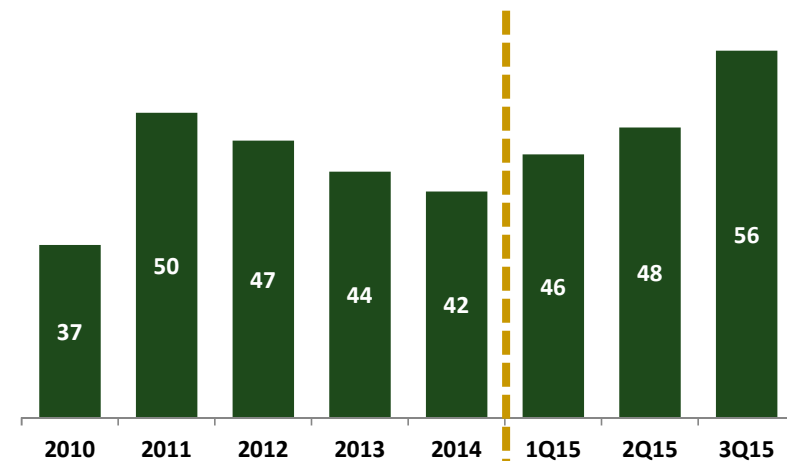
- Cyclical business also with an important USD exchange rate component
- Low parts of the cycle are limited

- Regulated business with high visibility on earnings and no exchange rate impact
- Feed in tariffs highly mitigates revenue volatility

Pulp Price / FX Evolution



Pool Price Evolution (€/MWh)



Two Business: Pulp & Energy

Pulp Business

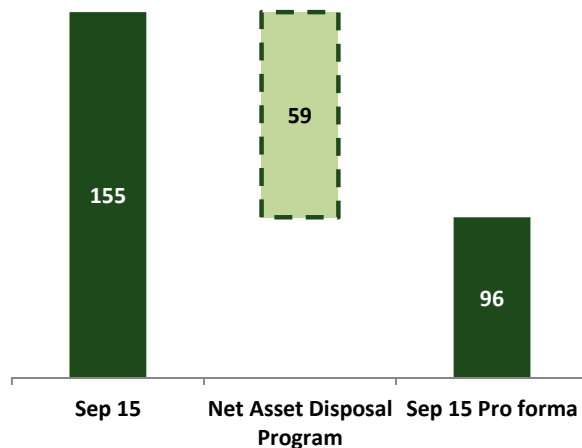
Energy Business

FINANCIAL STRENGTH (€M)

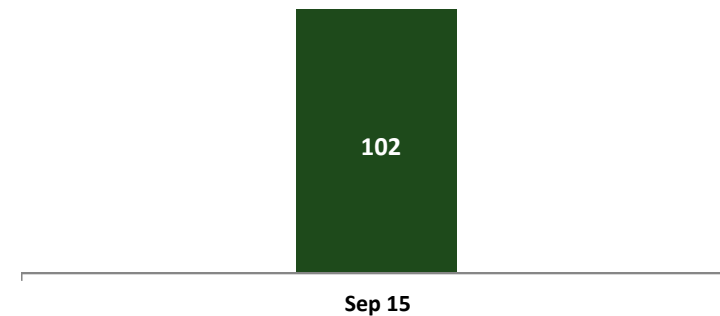
- Access to capital markets with incurrence covenant structures best matching a cyclical business profile
- Low leverage and high liquidity policies to better manage low market situations.

- Best suited for long term Bank Loans under non-recourse Project Finance Structures
- Permits higher leverage levels

Net Corporate Financial Debt (€M)



Net Non-Recourse Financial Debt (€M)



Two Business: Pulp & Energy

Pulp Business

Energy Business

SUCCESSFUL RING-FENCING STRUCTURE

- 🍃 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
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

Two Business: Pulp & Energy

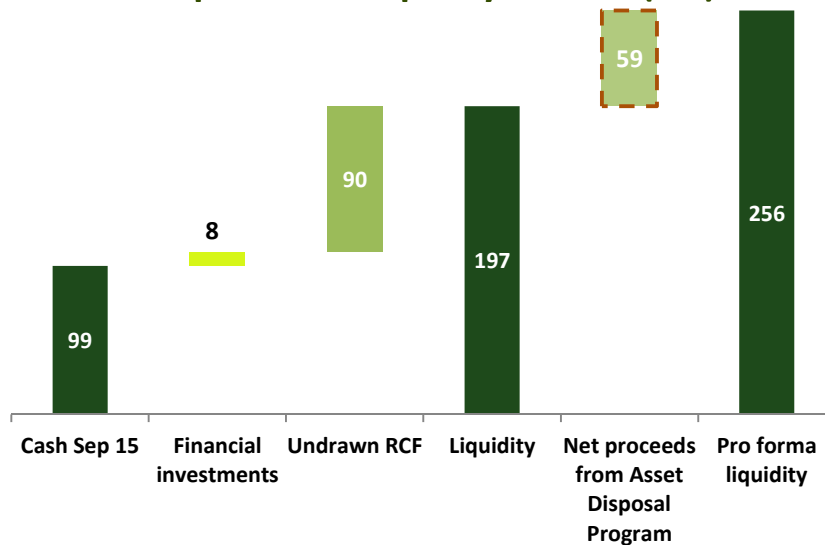
Pulp Business

Energy Business

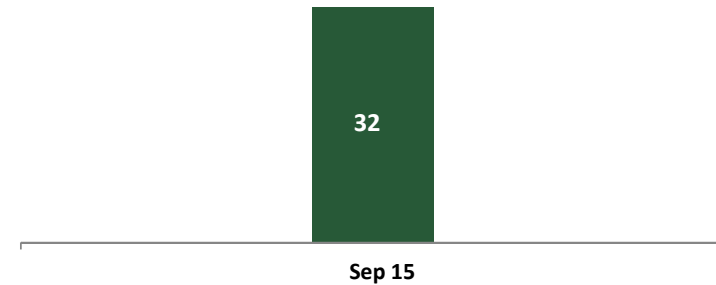
LIQUIDITY (€M)

- Each business division enjoys a solid liquidity situation ensuring the adequate implementation of its growth strategies.

Pulp Business Liquidity Position (€M)



Energy Business Liquidity Position (€M)

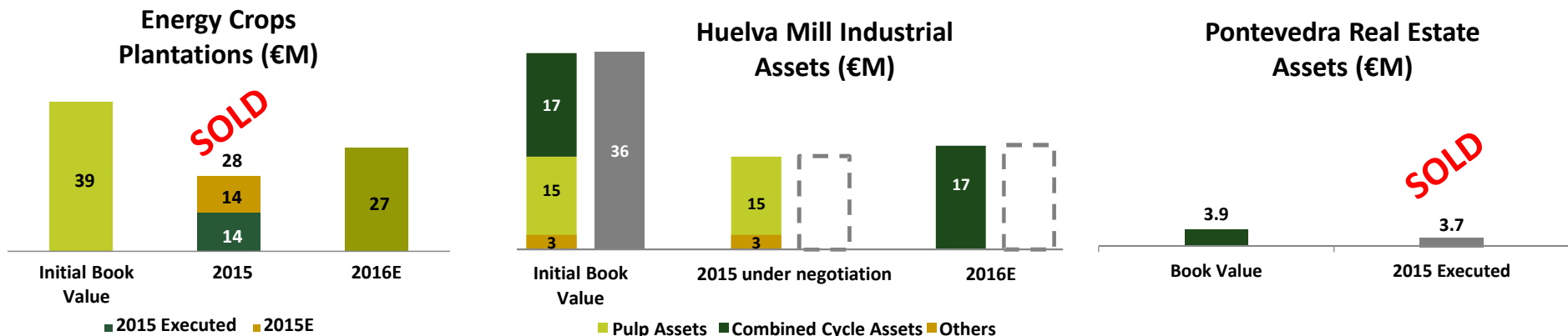


Extraordinary Divestiture Program

Pulp Business

€79 M OF BOOK VALUE ASSETS AVAILABLE FOR SALE. €32 M EXPECTED TO CASH IN 2015

- 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 negotiating the first phase for €18 M of book value



Agenda

- 🌿 Two Business: Pulp & Energy
- 🌿 **Financing the New Investment Cycle**
- 🌿 Risk Management
- 🌿 Shareholder Remuneration Policy
- 🌿 Ready for the New Investment Cycle

Two Business: Pulp & Energy

Pulp Business

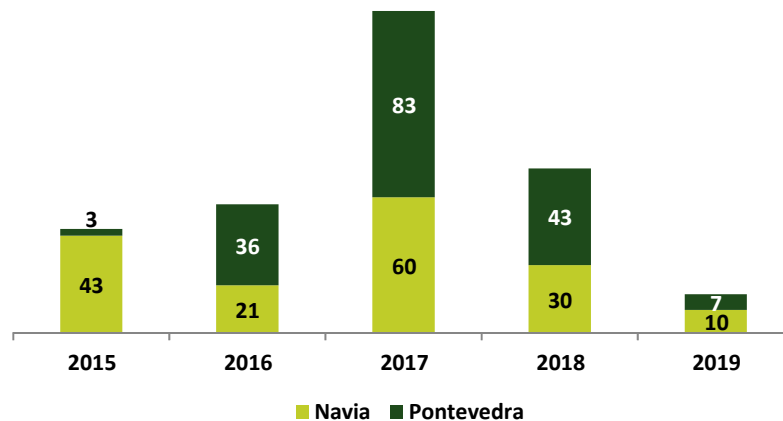
Energy Business

GROWTH STRATEGY: INVESTING IN THE ENVIRONMENTAL SUSTAINABILITY

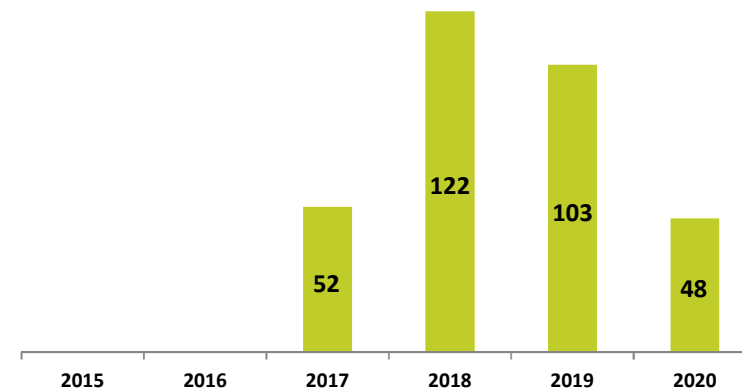
- Expand capacity in existing mills, on a conservative basis, based on local wood availability.
- Become cost leader and remain quality leader across Europe

- Selective development of biomass energy projects, where regulatory environment is favourable, with good visibility on electricity infrastructure and prices, using EPC and project financing non-recourse structures and co-investing with local partners

Gross Capex Pulp Business (€M)



Gross Capex Energy Business (€M)



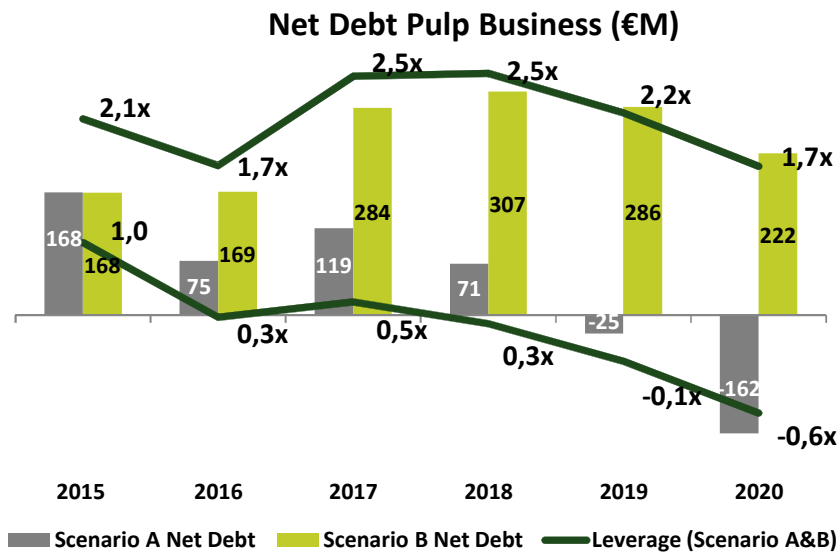
Two Business: Pulp & Energy

Pulp Business

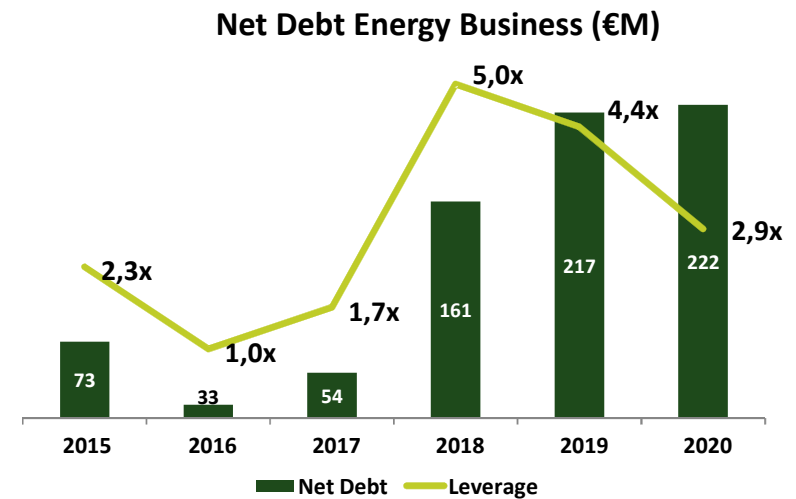
Energy Business

FINANCING STRATEGY. LEVERAGE LEVELS

- Investments within the Pulp Business will be made never exceeding a 2,5x Net debt to EBITDA ratio



- Investments in the Energy Business will be made along with local partners, never exceeding a 5x Net debt to EBITDA ratio



Note. Scenario A figures based on 800\$/t pulp price and 1.05 \$/€ exchange ratio and Scenario B figures based on 720\$/t pulp price and 1.25\$/€ exchange ratio

Two Business: Pulp & Energy

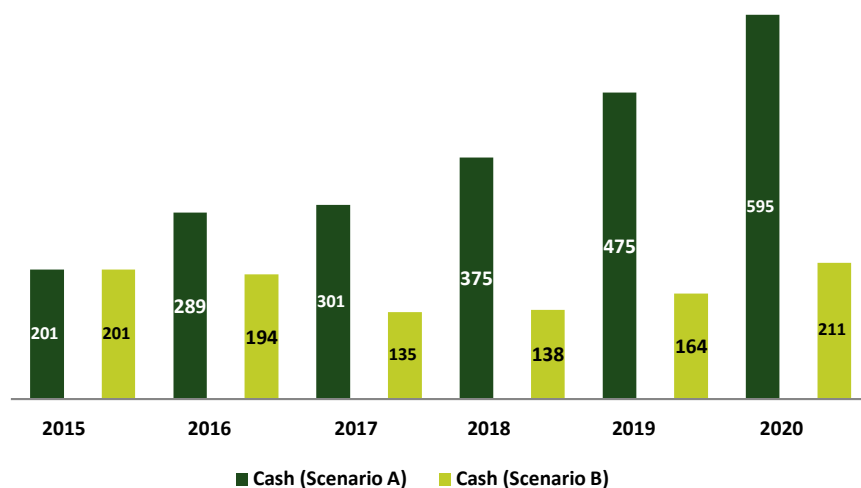
Pulp Business

Energy Business

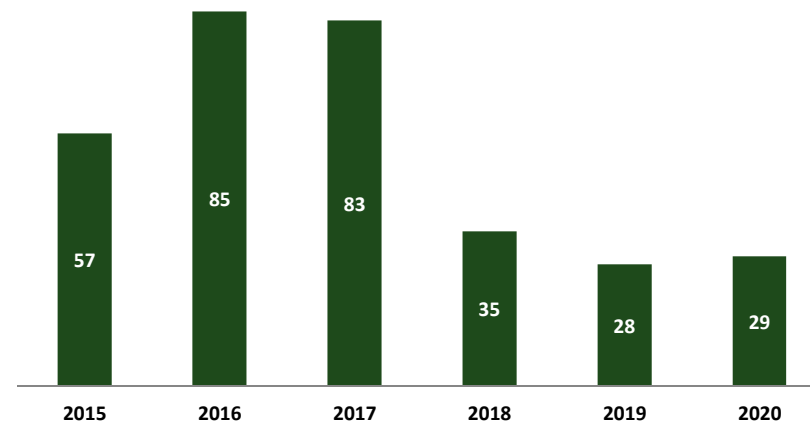
FINANCING STRATEGY. LIQUIDITY

- Ensuring conservative liquidity levels to manage both businesses along the new cycle

Cash Availability Pulp Business (€M)



Cash Availability Energy Business (€M)



Note. Scenario A figures based on 800\$/t pulp price and 1.05 \$/€ exchange ratio and Scenario B figures based on 720\$/t pulp price and 1.25\$/€ exchange ratio

Agenda

- 🌿 Two Business: Pulp & Energy
- 🌿 Financing the New Investment Cycle
- 🌿 **Risk Management**
- 🌿 Shareholder Remuneration Policy
- 🌿 Ready for the New Investment Cycle

Risk management

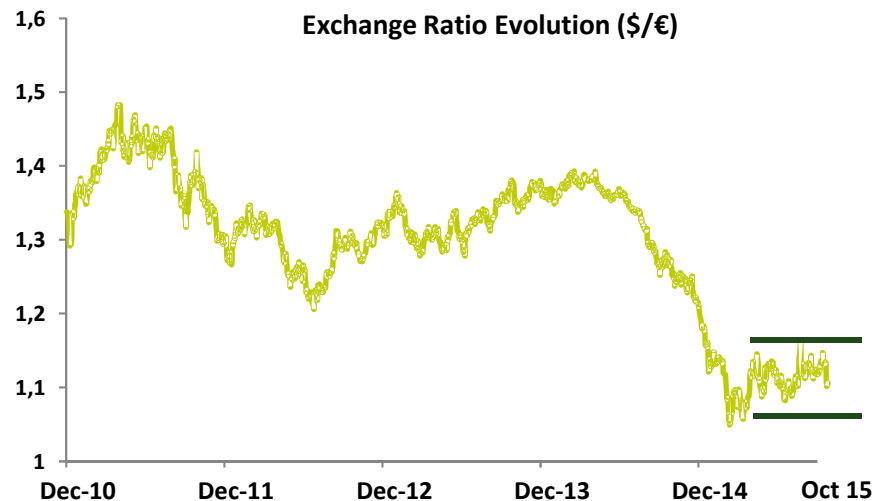
Pulp Business

Energy Business

POTENTIAL RISKS

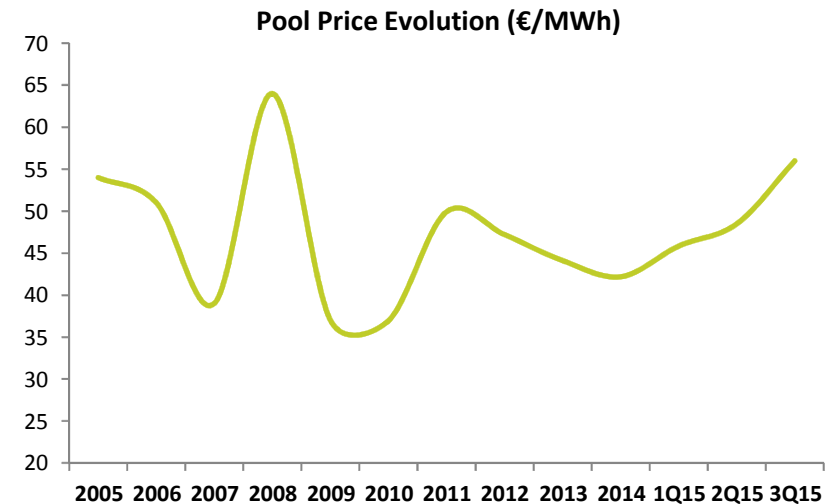
🌿 Hedging the Exchange Ratio Exposure

Ence is implementing 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 levels.



🌿 Pool prices

A hedging program over electricity prices implemented: 75% of the production of the 4Q15 at €49/MWh and 27% of the production of the 1H16 at €46/MWh



Risk management

Pulp Business

Energy Business

POTENTIAL RISKS

- Potential changes in cogeneration regulation are mitigated:
 - ✓ Current net effect on EBITDA is limited to c. €2 M
 - ✓ If feed-in-tariffs are again reduced on cogeneration, our mills can be “unplugged” from the grid and consume the energy needed directly straight from its own cogeneration activities
- Reducing cash costs ensures the best hedging for Ence against pulp price volatility
- Operation Costs are naturally hedged by the regulation (Ro)
- Investment return also has a floor set by the regulation (Ri), maximized through our mills size
- Biomass Supply Risks
 - ✓ Long term agreements with multiple wood and agricultural residues suppliers

Risk management

Pulp Business

Energy Business

FINANCIAL DISCIPLINE

- The Company will ensure a leverage not higher than 2.5x Debt to EBITDA on mid-cycle pulp prices and USD Exchange rates
- The Company will ensure a leverage not higher than 5x Debt to EBITDA on non-recourse to the pulp business financial structures

COMMERCIAL DISCIPLINE

- Covered by Insurance Program and monitored by the Risks Committee
- Minimum risk since ENCE sells to the grid

WOOD & BIOMASS SUPPLY

- Strong purchasing team with long experience backed by managed plantations on situations needed
- Long term agreements with multiple wood and agricultural residues suppliers

Agenda

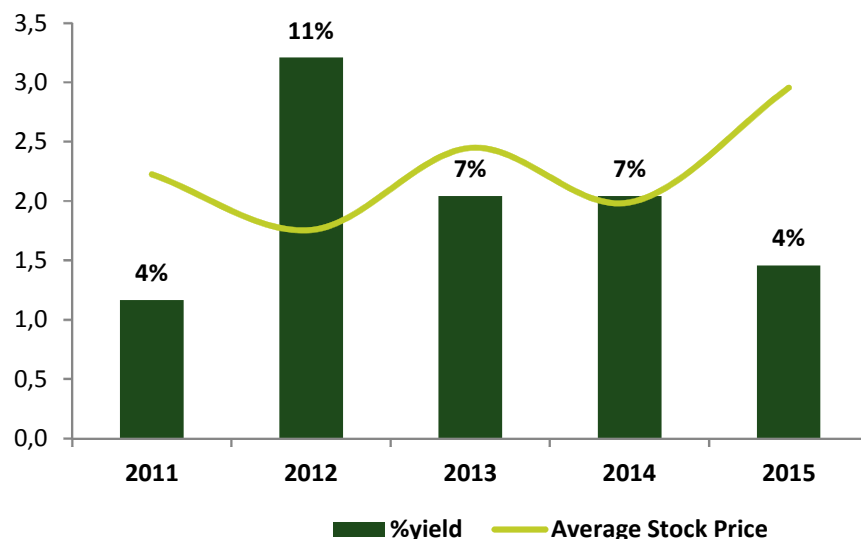
- 🌿 Two Business: Pulp & Energy
- 🌿 Extraordinary Divestiture Program
- 🌿 Risk Management
- 🌿 **Shareholder Remuneration Policy**
- 🌿 Ready for the New Investment Cycle

Shareholder Remuneration Policy

Pulp Business

Energy Business

DIVIDEND PAYMENTS



Note. % Yields have been calculated based on the day of the dividend payment

Maximizing shareholder remuneration through:

- Maintaining the debt position down to conservative leverage levels, target of maximum 2.5x and 5.0x Net Debt/EBITDA in Pulp Business and Energy Business, respectively
- 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

Agenda

- 🌿 Two Business: Pulp & Energy
- 🌿 Extraordinary Divestiture Program
- 🌿 Risk Management
- 🌿 Shareholder Remuneration Policy
- 🌿 **Ready for the New Investment Cycle**

Ready for the new investment cycle, gaining scale and generating value for Investors

- 🌿 **Corporate Structure designed to manage operations and risks on an isolated basis, using tailor made financial structures to specifically adapt future growth per business division**
- 🌿 **Solid financial and strong liquidity position, conservatively managed to ensure its maintenance in the long run, as main driver to support the execution of the strategic growth plan, strengthened by an extraordinary asset divestiture program**
- 🌿 **Stringent risk policy across the Company**
- 🌿 **Maximizing shareholder remuneration through value creation and steady dividend policy**
- 🌿 **A defined strategic growth plan, with clear financing policies per business, mitigating execution risks and ensuring environmentally sustainable growth to create value and gain scale**

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Thank you

Ence Investor Day 2015

19th November 2015





2016-2020 Outlook and Strategic Vision
"Delivering value, delivering commitments"

Ignacio de Colmenares
CEO

Ence Investor Day 2015
19th November 2015



Conclusions

- 🌿 **Ence wants to double its EBITDA:**
 - ✓ **Maintaining the dividend**
 - ✓ **Maintaining financial discipline: low leverage**

- 🌿 **How:**
 - ✓ **Replicating the business model of Navia in Pontevedra, reducing the Cash Cost.**
 - ✓ **Reducing pulp bottlenecks.**
 - ✓ **Growing in power generation, providing stability to Ence's EBITDA**
 - **Spain: harnessing its knowledge of the biomass market**
 - **Overseas: replicating its business model in one of the three selected countries**
 - ✓ **Improving environmental performance**

Thank you

Ence Investor Day 2015

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