

3Q 2016 Results

27 October 2016



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Sustained strong worldwide demand for market pulp with a 2.8% growth in 9M16 vs. 9M15, with China showing a 12.4% YOY growth

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Continued cash cost improvement in 3Q16, down to €354.8/t, following the successful implementation of efficiency investments and capacity increase in Navia, in line with the Strategic Plan

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Strong performance of the Energy business, doubling 3Q16 volumes vs. 2Q16, in line with Ence's strategy to maximize the regulatory cap of 6,500h and following a 40.9% increase in pool price

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25.1% Adjusted EBITDA increase in 3Q16 vs. 2Q16, up to €32.7M and €34.2 Recurrent Free Cash Flow in the quarter

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€7.7M Net Debt reduction vs. 31 December 2015, down to €233.5M after dividend payment of €24.9M and €8.6M share buyback program

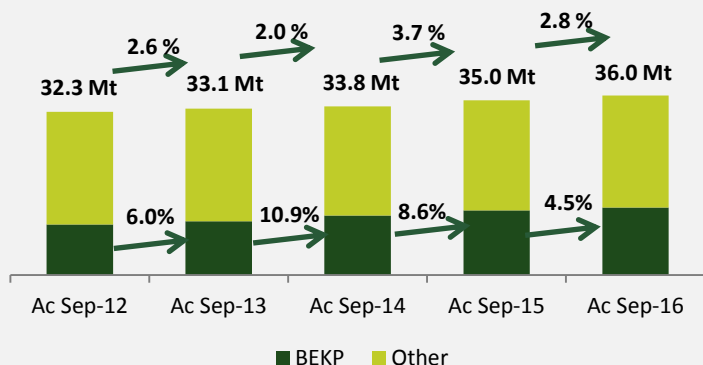
6

Asset divestments in 9M16 for a total of €38M. €17.6M collected in 3Q16

Sustained strong market pulp demand growth in 9M16 (+2.8%)

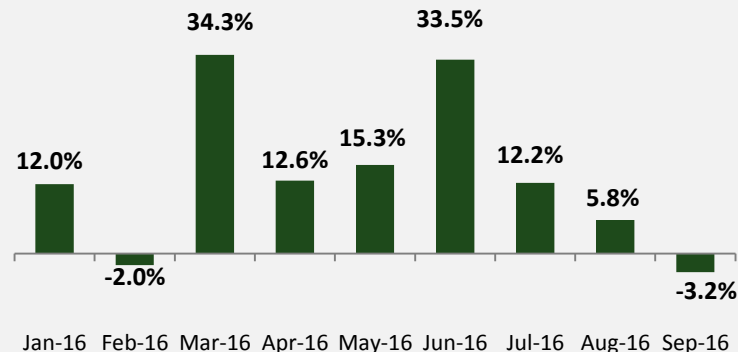
Led by eucalyptus pulp (+4.5%)

Market pulp YOY demand evolution



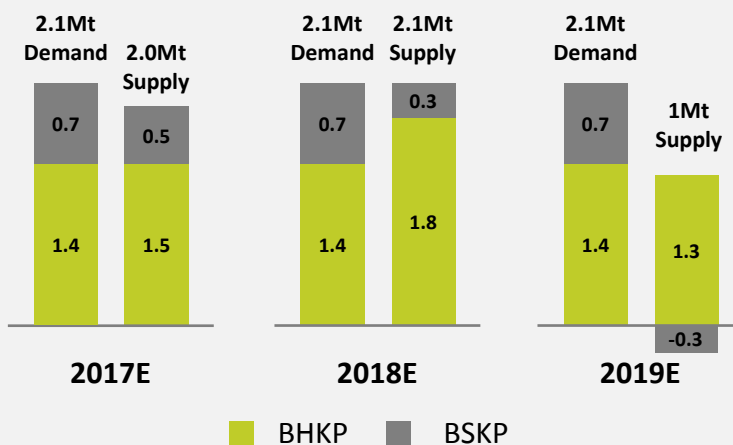
Source: PPPC w20

BEKP Chinese demand growth evolution



Source: PPPC w20

Expected BHKP and BSKP supply and demand (Mt)



Source: ENCE estimates

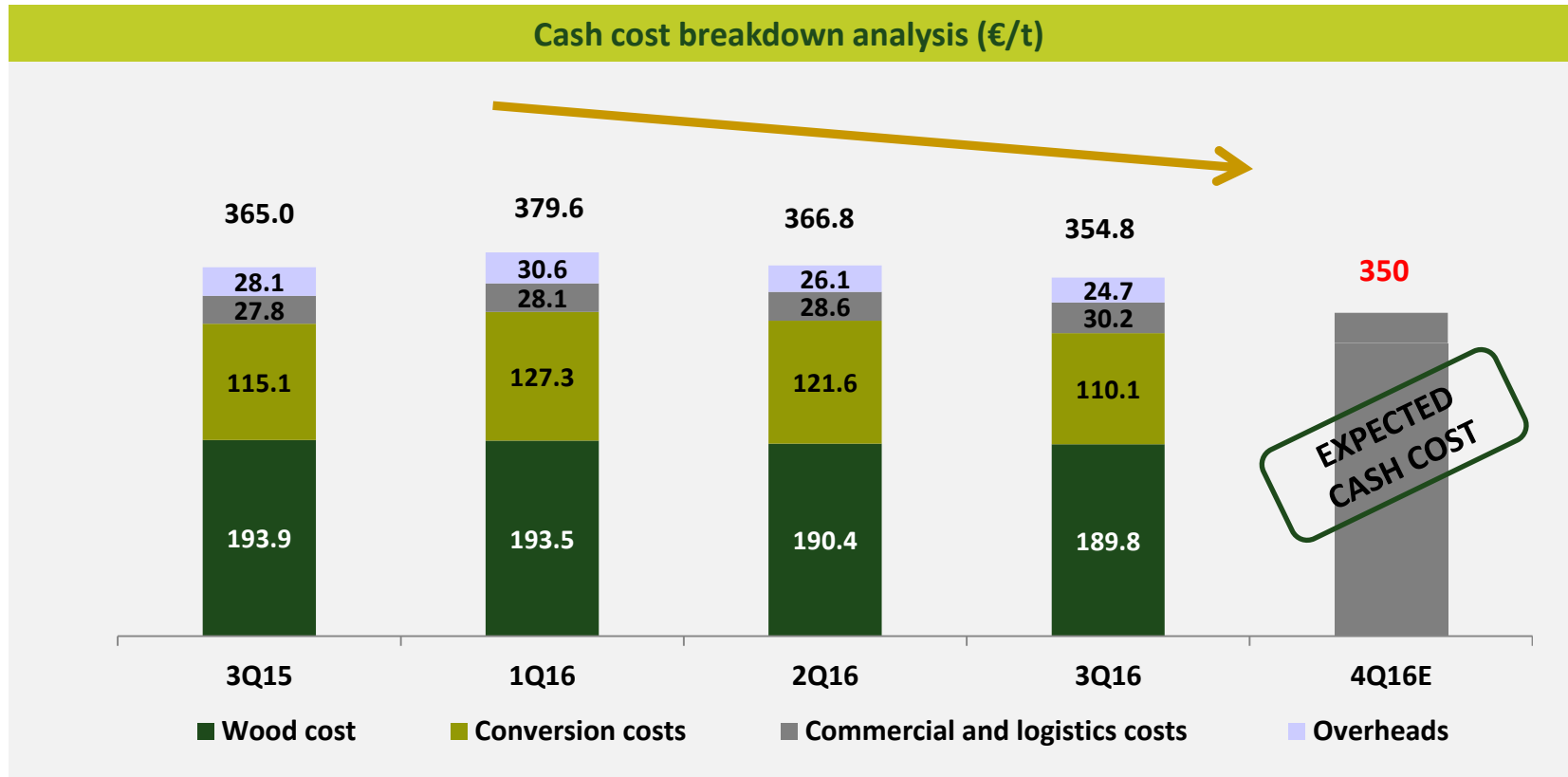
Expected BHKP and BSKP supply (Mt)

	2017	2018	2019
BHKP (Mt)			
APP	1.0	0.8	0.6
Fibria	0.5	0.8	0.5
Vietracimex		0.2	0.2
Total	1.5	1.8	1.3
BSKP (Mt)			
Arauco		-0.6	
Clearwater	0.1		
AV Terrace Bay			-0.3
SCA (Ostrand)		0.5	
Chenming	0.1	0.1	
Metsa Fibre	0.4	0.4	
Total	0.5	0.3	-0.3

Source: ENCE estimates

Continued cash cost improvement in 3Q16, down to €354.8/t

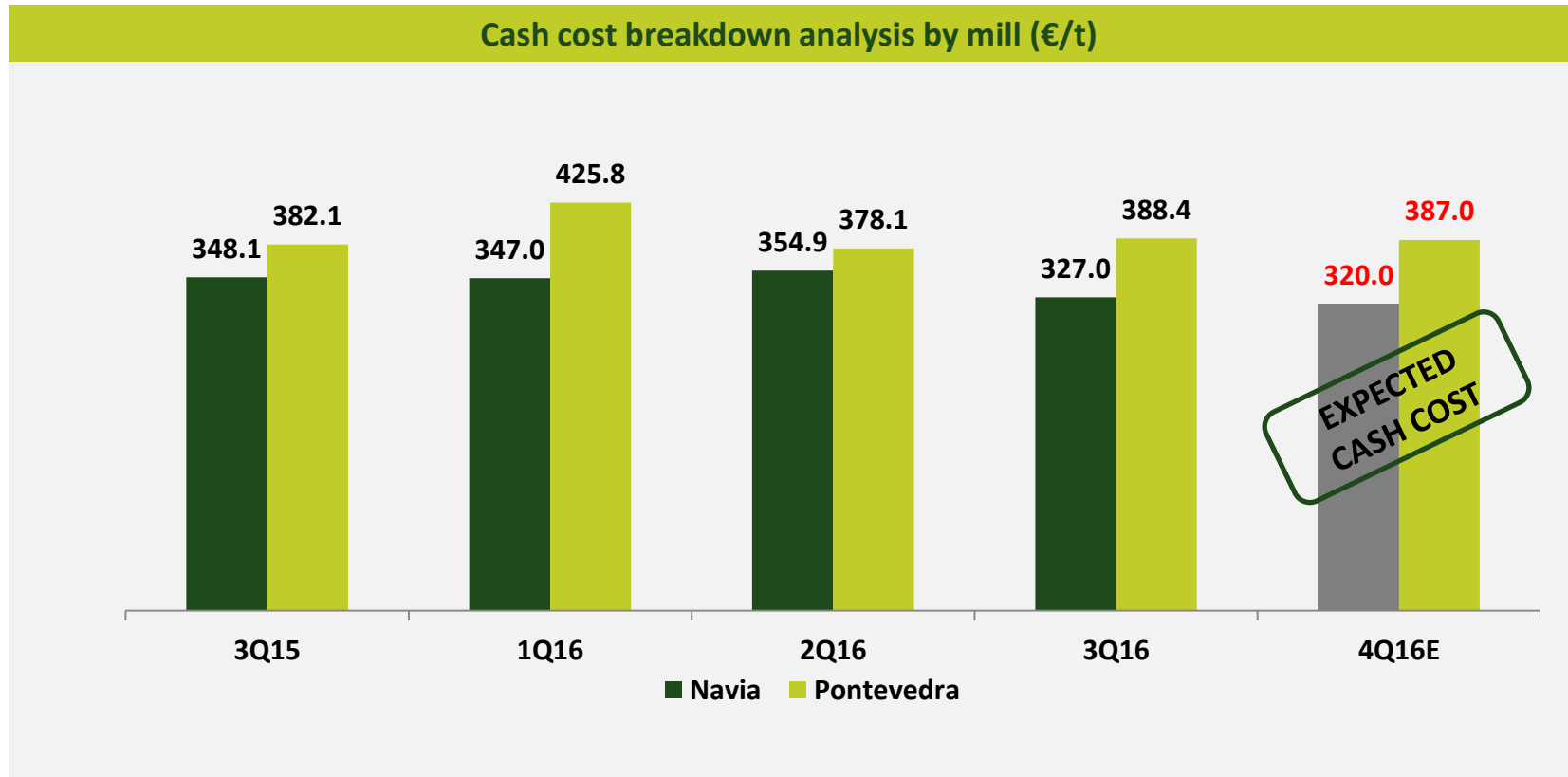
€350/t cash cost expected for 4Q16



€ 11.5 /t conversion cost reduction in 3Q16
following efficiency investments and capacity increase in Navia

Navia is already one of the most competitive pulp mills in Europe

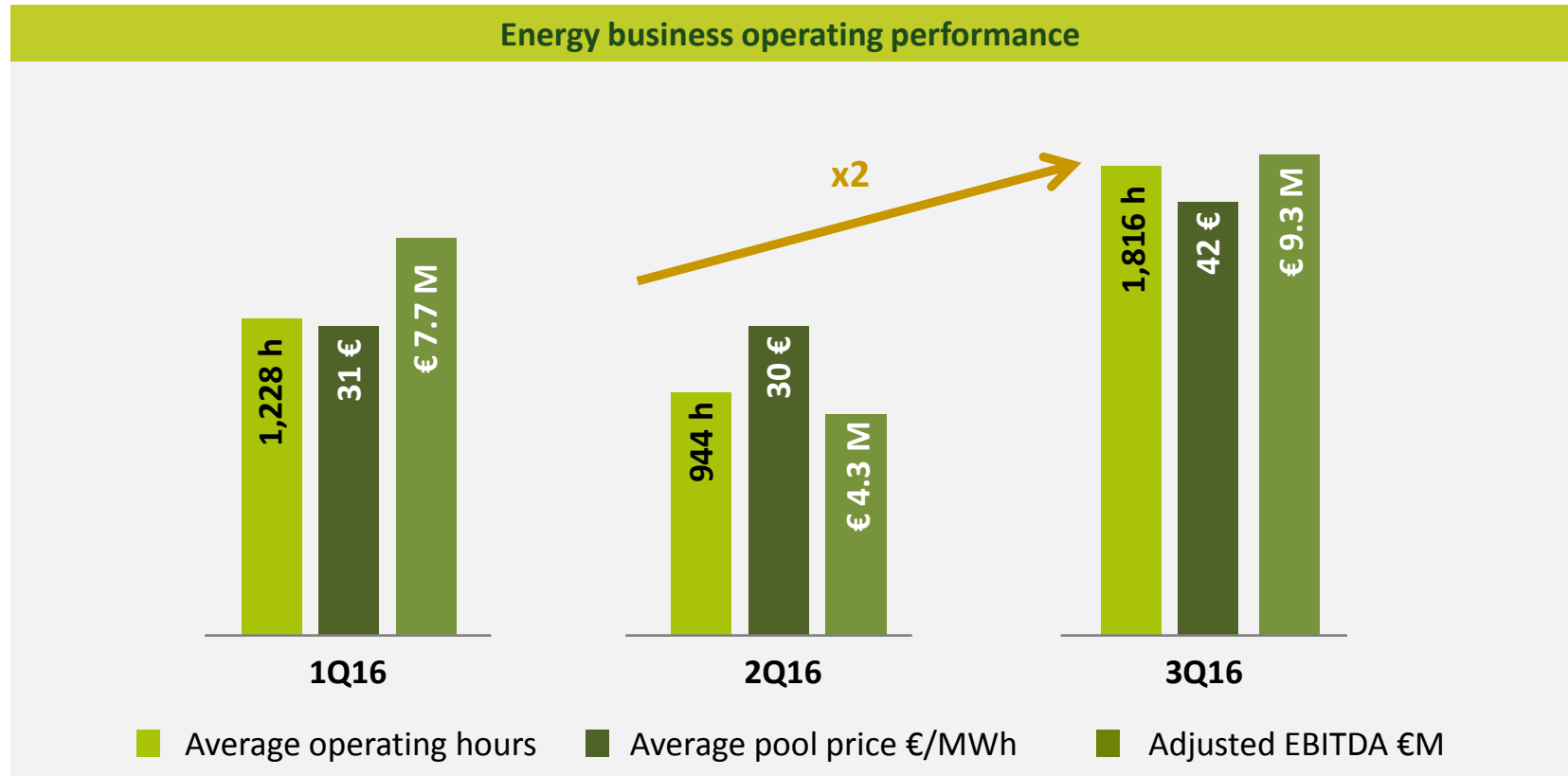
Downward trend in Pontevedra's cash cost should follow as from 2017



The 2016-2020 Strategic Plan includes €173M investments in Pontevedra mill, replicating the investments already implemented successfully in Navia to reduce its cash cost

Strong operating performance of the Energy business in 3Q16

In line with Ence's strategy to maximize the regulatory cap of 6,500h

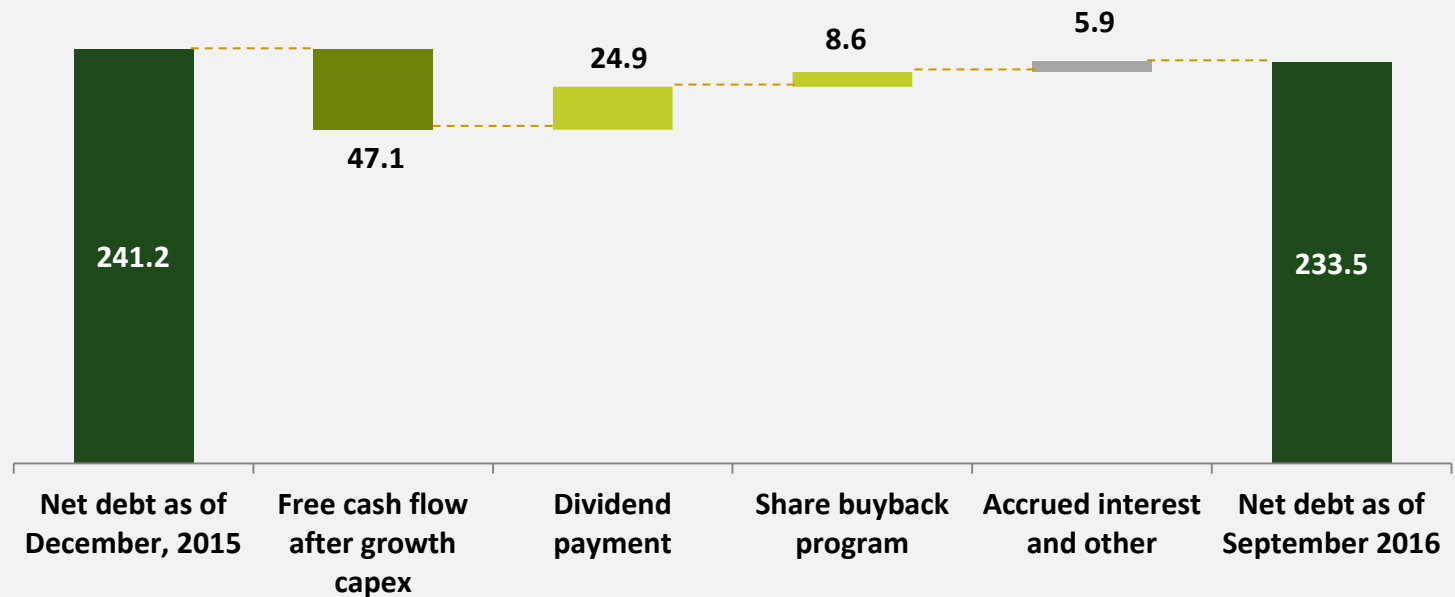


75% of 4Q16 expected output secured at €44.3/MWh
€30M Adjusted EBITDA expected for 2016

€7.7M Net Debt reduction vs. 31 December 2015, down to €233.5M

After dividend payment of €24.9M and €8.6M share buyback program

Annual Net Debt reduction as of September 30th, 2016

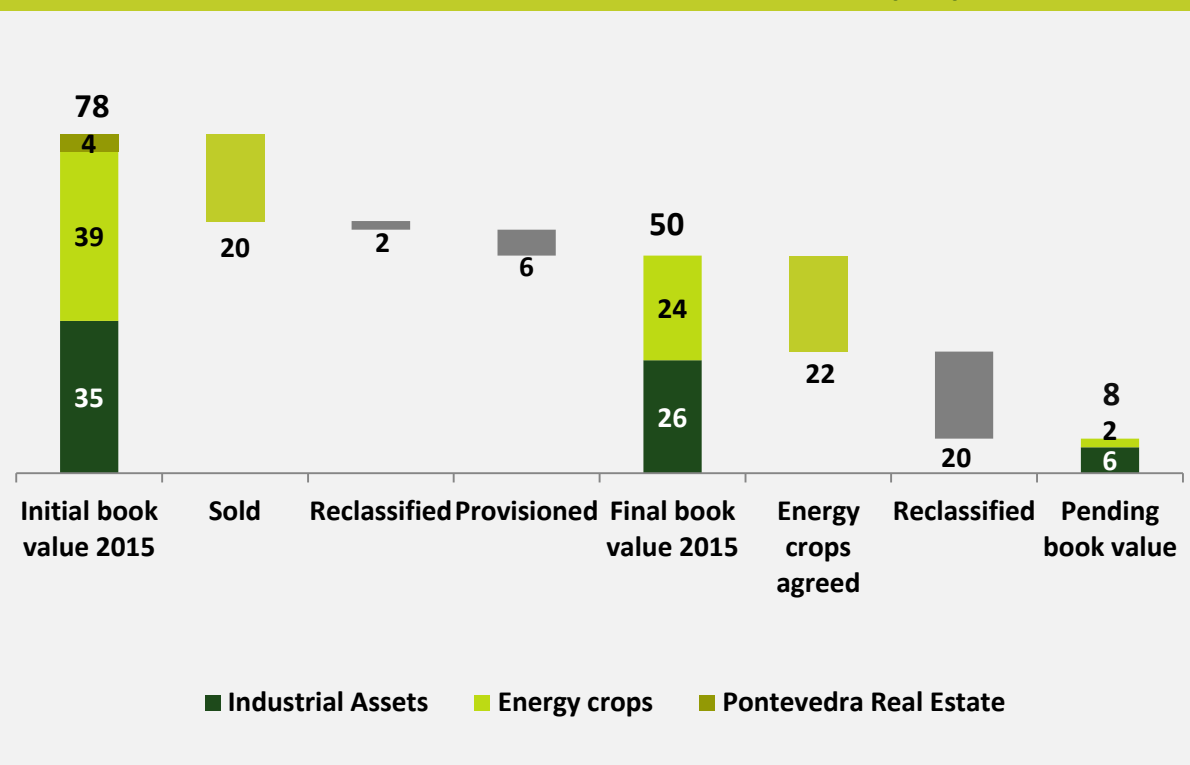


Strong free cash flow generation of € 47.1M in 9M16 after €35.4M of expansion and environmental investments

Asset divestments in 9M16 for a total amount of €38M

€17.6M collected in 3Q16

Asset divestments book value breakdown (€M)



- In 9M16 Ence agreed the sale of 1,739 hectares for a total amount of €38M with an estimated capital gain of €16M.
- €25M already collected in 9M16 and the remaining €13M to be collected in the coming months
- Remaining €6M of industrial assets to be divested in the coming months
- €20M book value of Huelva industrial assets reclassified as fixed assets

90% of initial book value realized up to 9M16, including capital gains of €28M.
10% of remaining assets to be divested in the coming months

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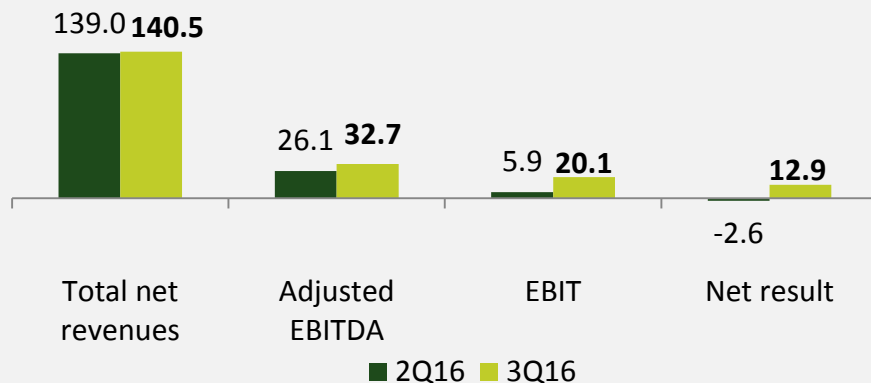
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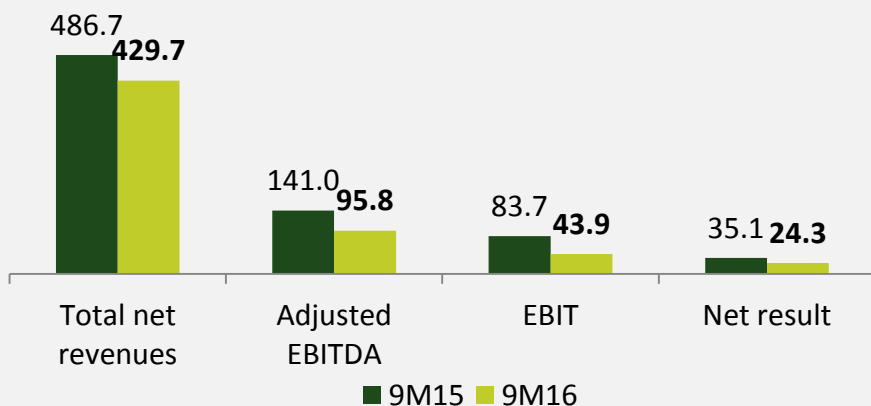
Key Figures 3Q 2016

Consolidated 3Q key figures (€M)



Adjusted EBITDA was up 25.1% quarter-over-quarter in 3Q16 at €32.7m, fuelled by both Pulp and Energy businesses.

Consolidated 9M figures (€M)

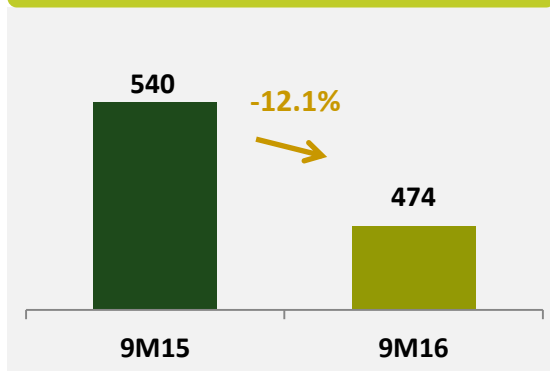


€57.1M YOY difference at the revenue level reduced to €10.8M at the net result level, mainly due to capital gains and lower financial expenses

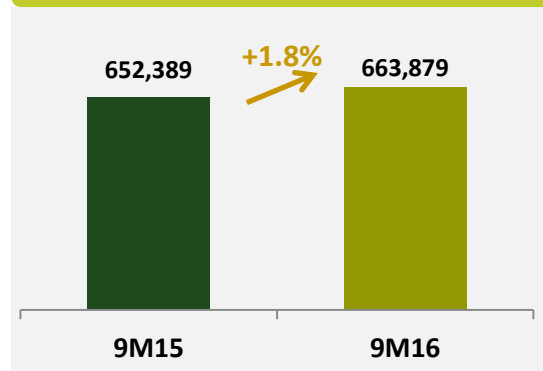
Pulp business

Operating performance

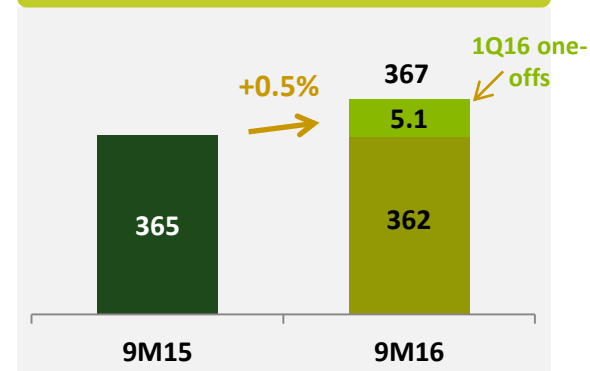
Average selling pulp price (€/t)



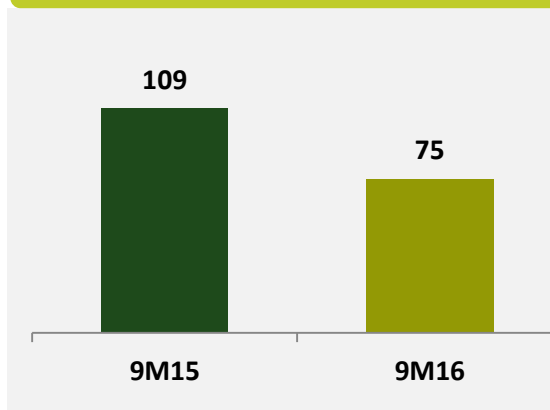
Pulp sales volume (t)



Cash cost (€/t)



Adjusted EBITDA (€M)

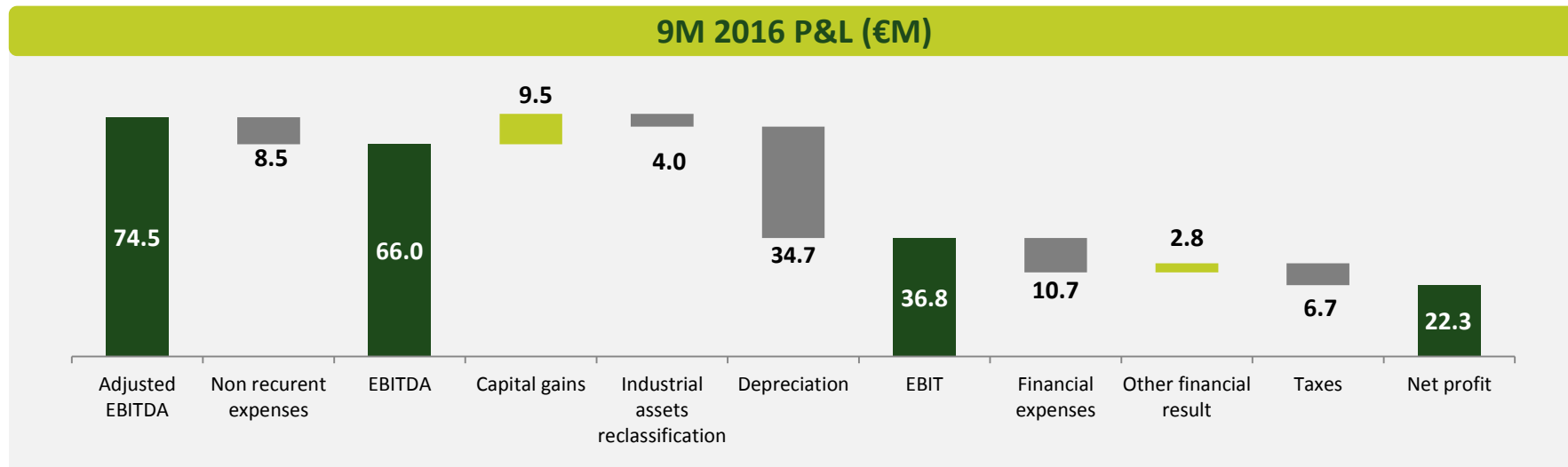


€34M YOY reduction in Adjusted EBITDA following:

- 12.1% lower average selling pulp price
- Partially offset by a 1.8% increase in pulp sales volume
- 0.5% cash cost increase mainly due to operating one-offs in 1Q16

Pulp business

P&L

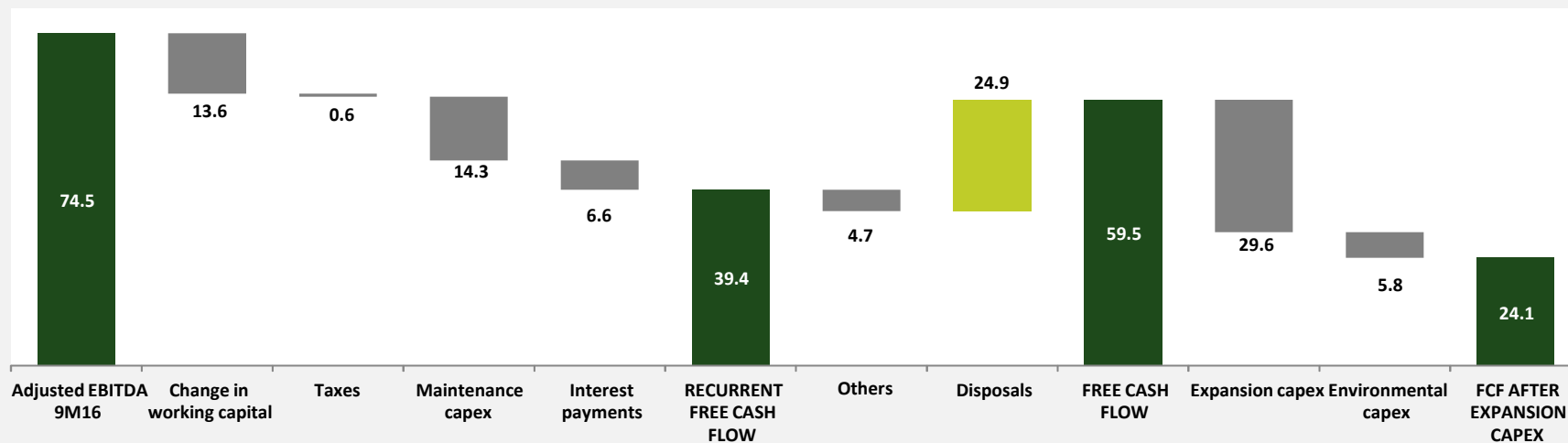


- €9.5M capital gains from the asset divestment program
- €4M negative one-off from Huelva industrial assets reclassification to fixed assets in 3Q16
- Lower financial result by -37.6% after 2015 refinancing

Pulp business

Cash Flow generation

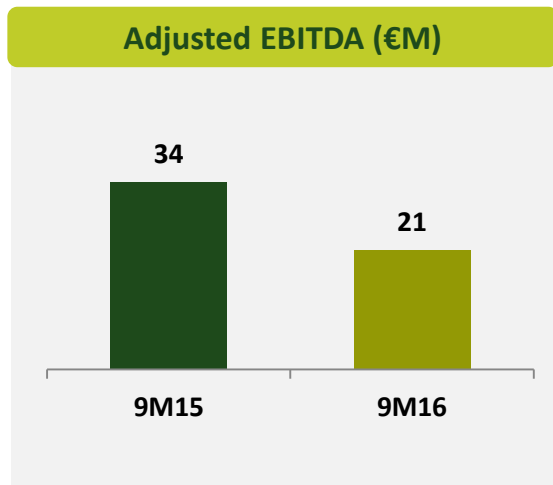
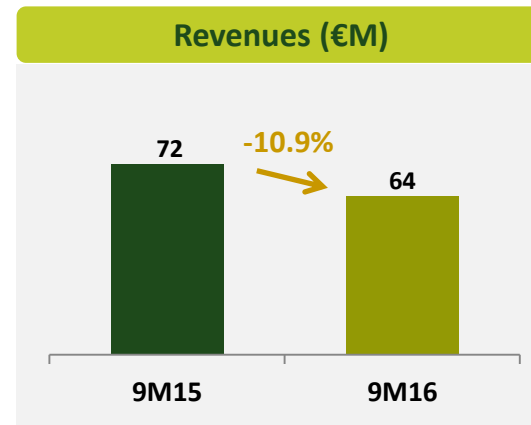
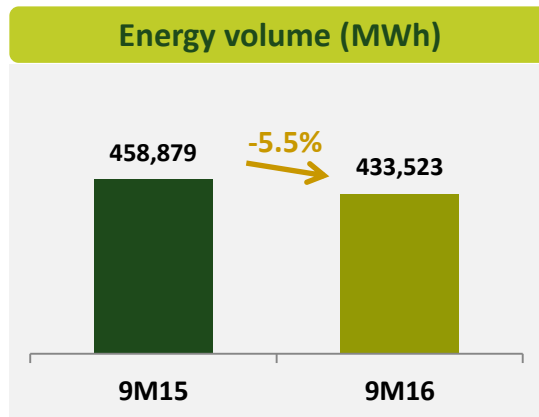
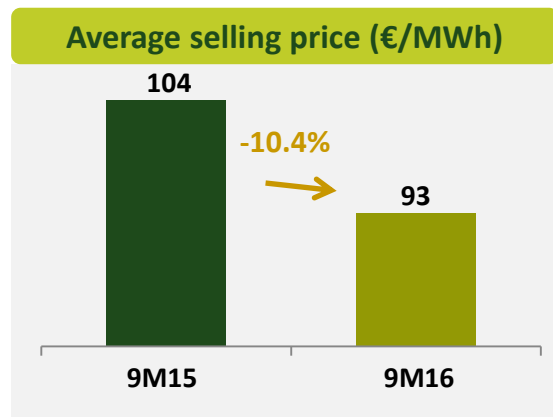
9M 2016 Cash Flow (€M)



- €39.4M Recurrent Free Cash Flow in 9M16. Just 5.9% below 9M15
- Collection of €24.9M from asset divestments
- €24.1M FCF after €35.4M of expansion and environmental investments

Energy business

Operating performance

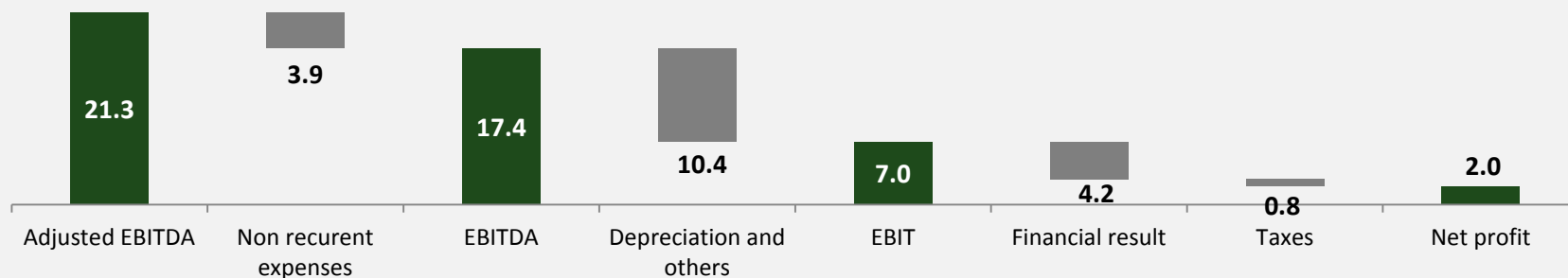


- 10.4% lower average selling price due to lower pool prices, partially mitigated through our hedging policy (+€2.9M in 9M16)
- 5.5% lower energy volume as a result of Ence's strategy to maximize the regulatory cap of 6,500h to be recouped in 4Q16
- €30M Adjusted EBITDA expected for 2016, in line with 2015
- € 3,9 M of overhead expenses registered in 4Q15

Energy business

P&L

9M 2016 P&L (€M)

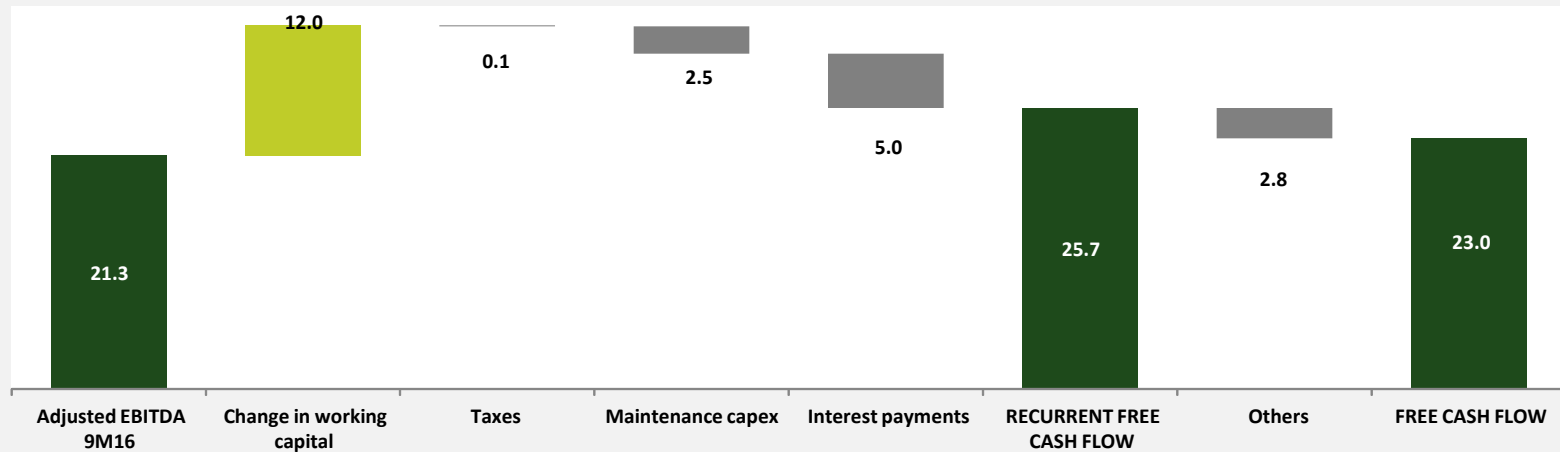


- €3.9M of non recurrent expenses include €2.9M one-off provision on HU 41 MW
- 46.1% higher depreciation charges following the business split in 2015
- 79% lower financial expenses vs. 9M15, which included €15M from refinancing one-offs

Energy business

Cash Flow generation

9M 2016 Cash Flow (€M)



- Positive working capital after €18.7M collection of pending receivables from the Energy System in 3Q16
- Additional €10.1M expected to be collected in 4Q16

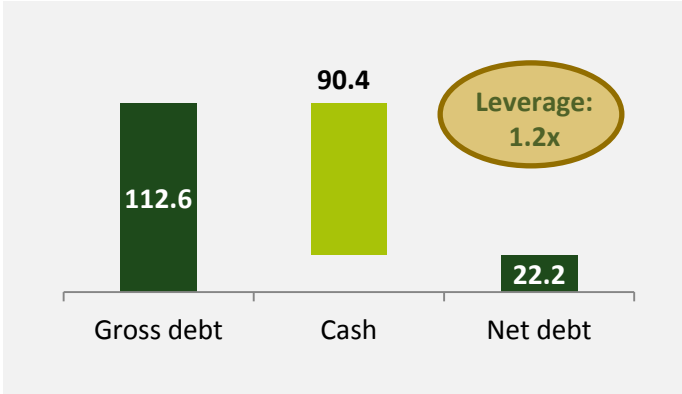
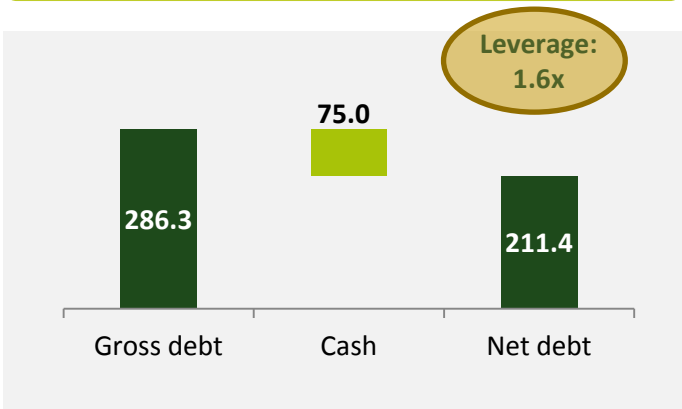
Solid balance sheet and strong liquidity sustained

Group leverage at 1.5x Net Debt / Adjusted EBITDA as of 30/09/2016

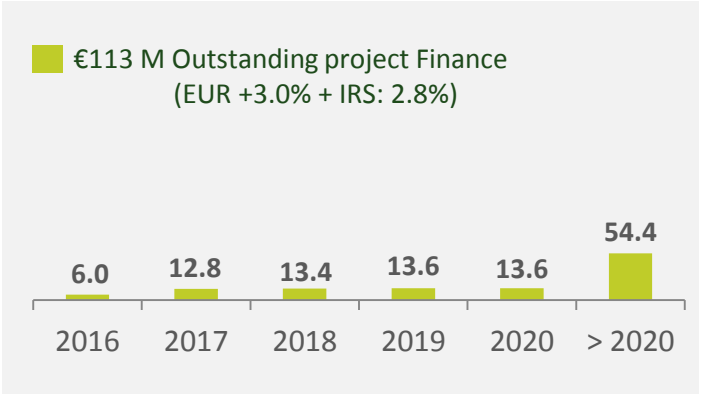
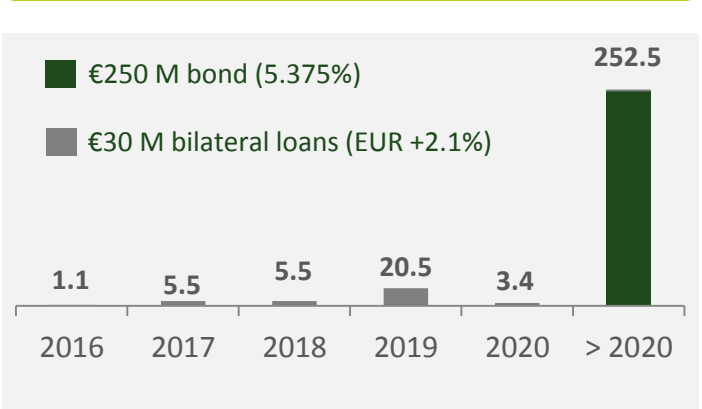
**Pulp
business**

**Energy
business**

Leverage (€M)



Debt maturity calendar (€M)



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Delivering value, delivering commitments

THANK YOU



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