



FY 2019 Results

February 27th, 2020



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Highlights

Pulp demand improvement in 4Q19

- **2.3 Mn t pulp demand growth** in 2019 (15% YoY increase in 4Q19)
- Pulp **producers inventories** already close to **normalized** levels
- **Pulp prices bottoming out** in 1Q20, turning from their minimum for the last 10 years reached in 4Q19
- Pulp demand is set to outgrow supply over 2020-24

FY2019 Results driven by lower pulp prices and €263 Mn Strategic Plan investments

▪ Pulp business:

- €75 Mn EBITDA (-69% vs. 2018)
- €141 Mn Strategic Plan investments
- €306 Mn Net Debt at 31st Dec 2019

▪ Renewable Energy Business:

- €52 Mn EBITDA (+15% vs. 2018)
- €122 Mn Strategic Plan investments
- €207 Mn Net Debt at 31st Dec 2019

New capacity successfully operating in 1Q20

- **Navia: >10% production** rate vs. Jan. & Feb. 2019 following **80,000 t capacity expansion in 4Q19**
- **Pontevedra: > 3% production** rate vs. Jan. & Feb. 2019 following **20,000 t capacity expansion in 1Q19**
- **New biomass power plants commissioned in 1Q20** to boost renewable energy generation by **>50% in FY2020**

Renewable pipeline: 405 MW with grid access and locations secured

- **240 MW in PV** with grid access and high irradiation locations secured. Environmental authorizations in progress
- **140 MW in biomass** with grid access and locations secured. Awaiting European and Spanish Renewable Energy Plans
- **25 MW in solar thermal hybridization** using biomass. Awaiting European and Spanish Renewable Energy Plans

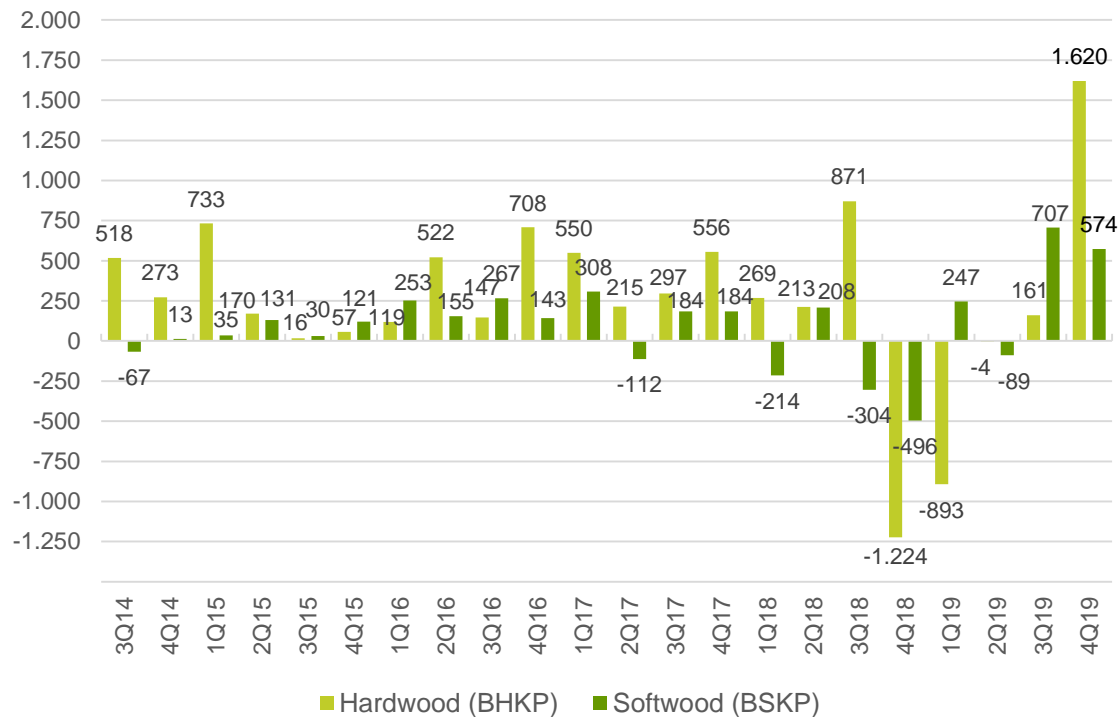
Pending investments in pulp postponed

- The Board has confirmed the postponement of pending Strategic Plan Investments in the Pulp business, aiming at a Net Debt to EBITDA ratio below 2.5 times in this business at average cycle prices
- **Focus on the cost optimization program** launched in 2019 to achieve the Strategic Plan annual cash cost targets

Pulp demand improvement in 4Q19

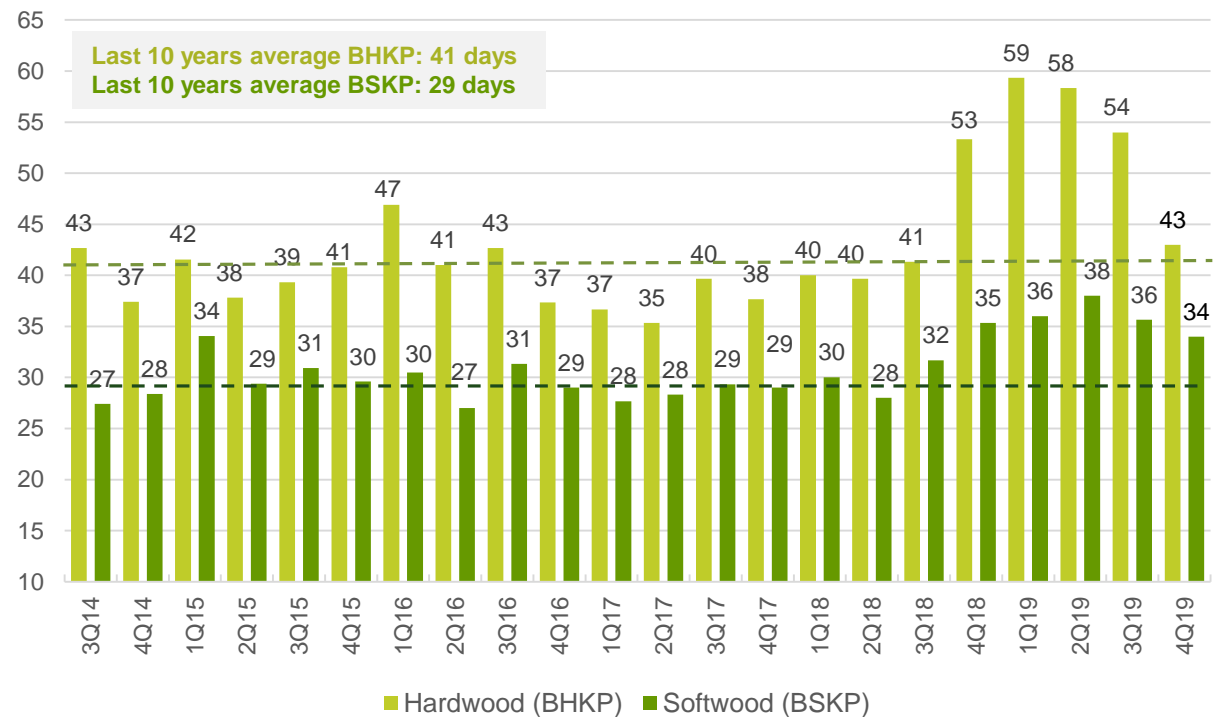
Pulp producers inventories already close to normalized levels

BHKP Demand Evolution (YoY)
000's t



Source: Ence, PPPC GL-100 (W-20 report for December data)

Producers Inventories BHKP & BSKP
Days (quarter average)

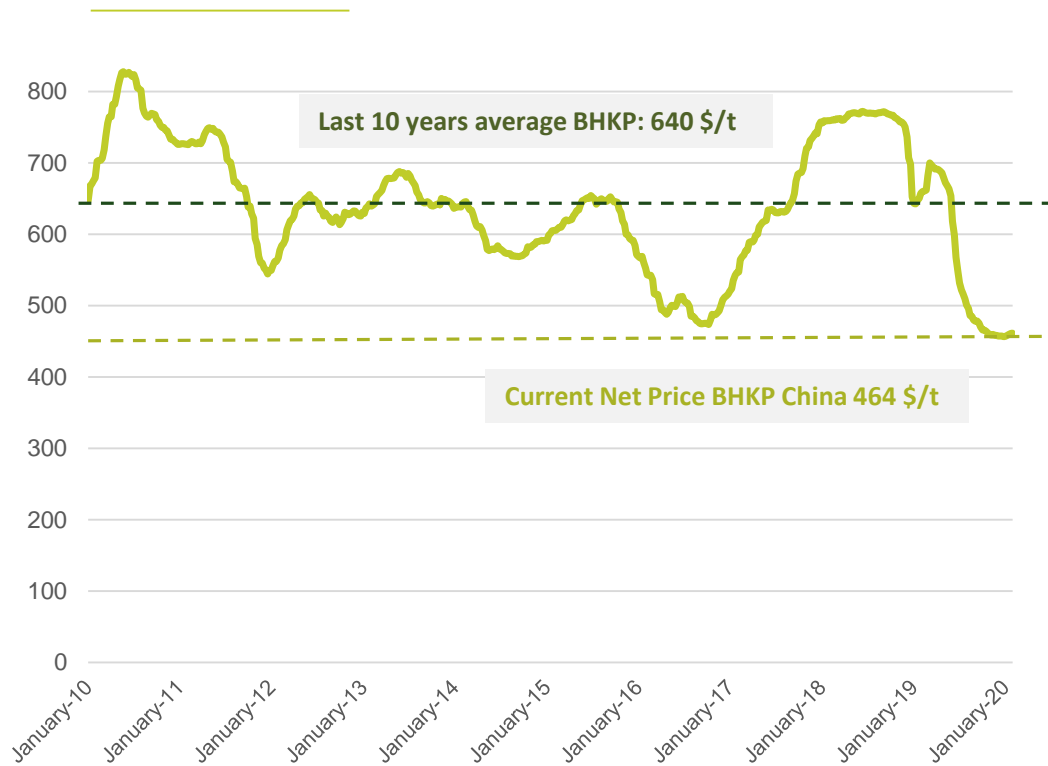


Source: Ence, PPPC GL-100 (W-20 report for December data)

Pulp prices bottoming out in 1Q20

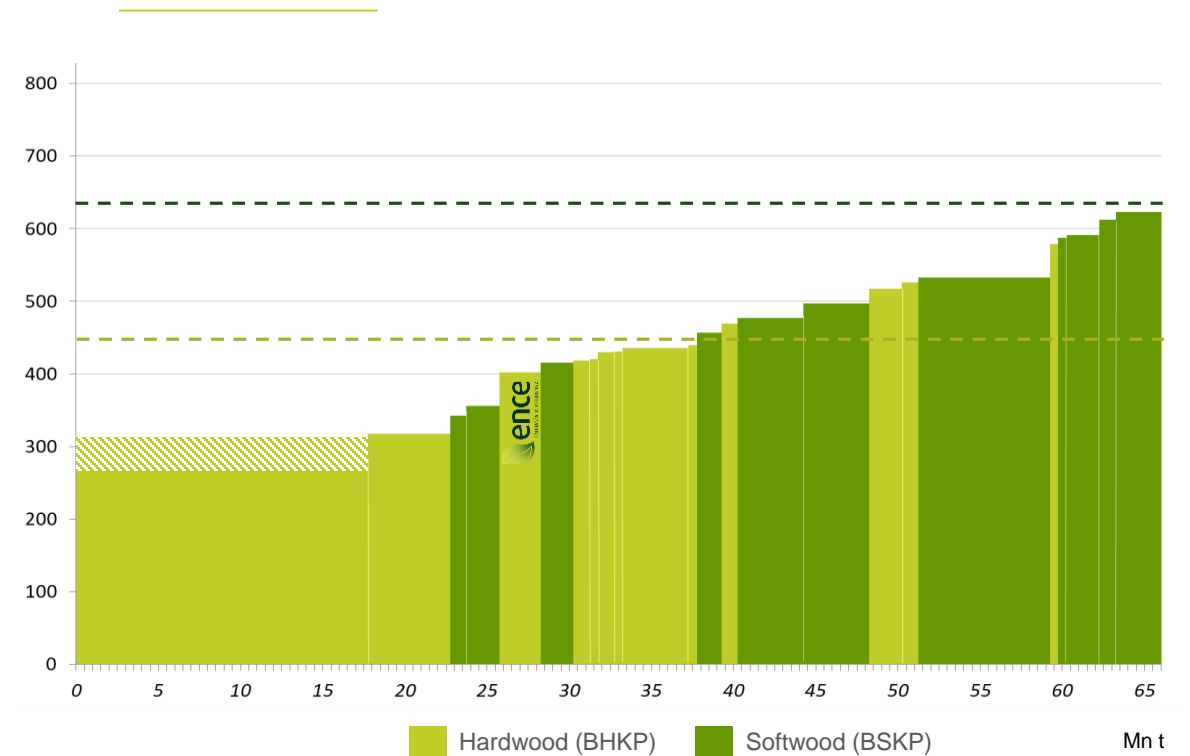
From their 10 year lows reached in 4Q19

Net BHKP Prices China
\$/t



Source: FOEX

Global Market Pulp Industrial Cash Cost Curve (CIF Europe) ¹
\$/Mn t



Source: Hawkins Wright and Ence

Ence's expected Free Cash Flow Break Even (Cash Cost + Maintenance Capex + Financial Expenses) of 435 \$/t in 2020

Pulp demand set to outgrow supply over 2020-24

Structural pulp demand growth of 1.5 Mn t per year and only 2 new projects confirmed



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

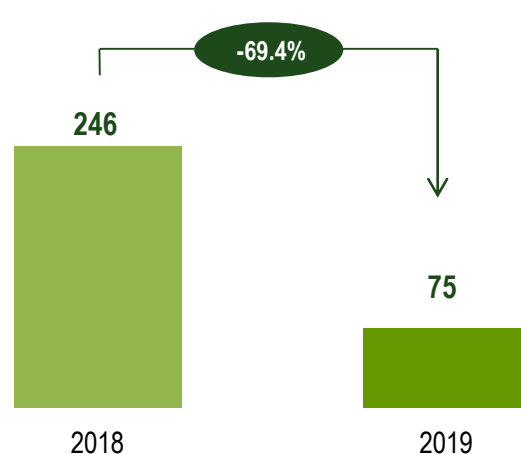
Mn t		2020	2021	2019-21	2022	2019-22	2023	2019-23	2024	2019-24
ESTIMATED ANNUAL MARKET PULP DEMAND INCREASE		1,5	1,5	3,0	1,5	4,5	1,5	6,0	1,5	7,5
ESTIMATED ANNUAL MARKET PULP SUPPLY CHANGE (CONFIRMED)		0,1	-0,7	-0,6	0,9	0,3	0,6	0,9	-0,9	0,0
SUZANO (SALES RECOVERY)	BHKP	0,9		0,9		0,9		0,9		0,9
SUZANO (ARACRUZ)	BHKP				0,3	0,3		0,3		0,3
ARAUCO (VALDIVIA)	BHKP	-0,4		-0,4		-0,4		-0,4		-0,4
ARAUCO (HORCONES)	BHKP		0,3	0,3	0,9	1,2		1,2		1,2
UPM (PASO DE LOS TOROS)	BHKP				0,5	0,5	1,5	2,0		2,0
APP (OKI)	BHKP	-0,2	0,2	0,0		0,0		0,0		0,0
APRIL (KERINCI)	BHKP	-0,1	-0,2	-0,3	-0,2	-0,5	-0,2	-0,7	-0,2	-0,9
APRIL (RIZHAO)	BHKP	-0,1	-0,2	-0,3	-0,2	-0,5	-0,2	-0,7	-0,2	-0,9
ILIM (BRATSK)	BHKP	0,2		0,2		0,2		0,2		0,2
ENCE (NAVA & PONTEVEDRA)	BHKP	0,1		0,1		0,1		0,1		0,1
MONDI (RUZOMBEROK)	BHKP	0,1	-0,1	0,0		0,0		0,0		0,0
ILIM GROUP (UST-ILIMSK)	BSKP				0,1	0,1		0,1		0,1
SCA (OSTRAND)	BSKP	0,2		0,2		0,2		0,2		0,2
STORA (ENOCCELL)	BSKP	-0,1	-0,2	-0,3		-0,3		-0,3		-0,3
UNEXPECTED & NON COMPETITIVE ANNUAL CAPACITY CLOSURES		-0,5	-0,5	-1,0	-0,5	-1,5	-0,5	-2,0	-0,5	-2,5
SURPLUS / DEFICIT		-1,4	-2,2	-3,6	-0,6	-4,2	-0,9	-5,1	-2,4	-7,5

Source: ENCE estimates 1. Estimates correspond to the expected increase in supply and demand of market pulp for paper production. It therefore excludes the production of integrated pulp and other pulp grades such as Dissolving Pulp or Fluff. We assume BRACEL's project in Sao Paulo will be mainly focused on Dissolving Pulp.

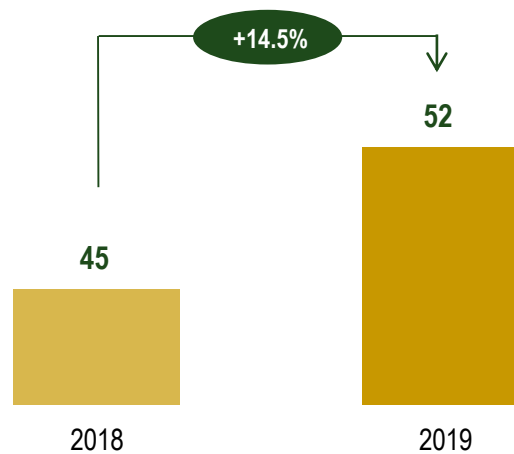
FY 2019 Results

Driven by lower pulp prices, FX settlements and capacity expansions

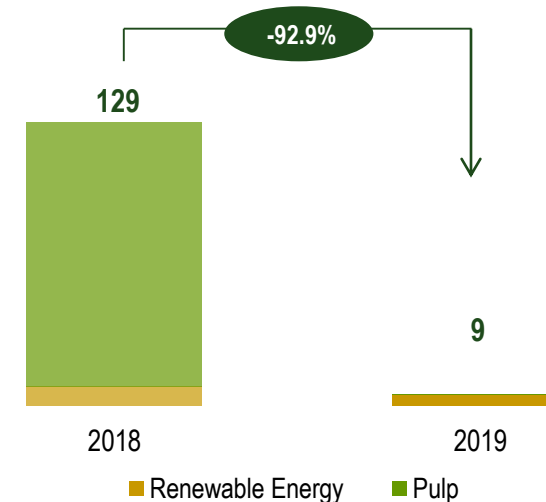
Pulp Business EBITDA (€ Mn)



Renewable Energy Business EBITDA (€ Mn)



Group Net Income (€ Mn)



69.4% EBITDA decrease in the Pulp business:

- 42% explained by lower average selling price due to PIX evolution and higher commercial discounts
- 14% explained by the negative settlements of our hedging program
- 14% due to lower volumes and higher costs mainly related to capacity expansions

14.5% EBITDA growth in the Renewable business:

Increasing EBITDA contribution from the new solar thermal plant partially offset by:

- Exceptional shutdowns for the repowering of 3 plants successfully executed in 2019
- Higher biomass processing costs and lower average electricity price

92.9% Net income decrease

- First interim dividend of 0.051 €/share paid in September 2019.
- No final dividend payment from 2019 Results should be expected in accordance with our 50% payout policy.

Sustainability Plan 2019 – 2023

FY2019 Highlights



Secure and ecologically efficient operations



Expansion projects and construction of new plants were all completed **without any serious accidents.**



99.3%
Value of waste

Certification
“Residue 0”



Sustainable agro-forestry management



85%
82%

Patrimonial area certified FSC®
Licence code FSC-C099970 /PEFC
Wood inputs certified FSC®
Licence code FSC-C081854 /PEFC



69% Wood bought from small producers
Implantation of the **Decalogue of biomass sustainability for combustibles**



Sustainable products



Development of sustainable products with reduced environmental footprint and with potential for plastic substitution



European Ecolabel for primary material for cellulose at Navia and at Pontevedra



Commitment to Communities



+3.2M€

The Pontevedra Social Plan and other investments in the community



Involvement with the local community: the plants received nearly **600** organized visits, by the neighbourhoods or by interest groups.



People and Values



↑ 17%
0%

Increase in women employed
Gender salary gap



26.4 Hours of training per employee
↑ 22.2% Increase on previous year



Good Governance



Specific Sustainability Committee in the Board of Directors
Certified penal compliance
UNE – 19601:2017

25%

Long term incentive plan linked to **ESG targets**

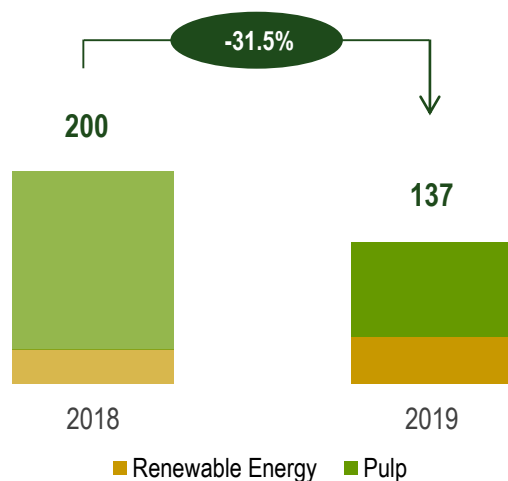
↑ 22%

Women present in the Board of Directors vs. 2017

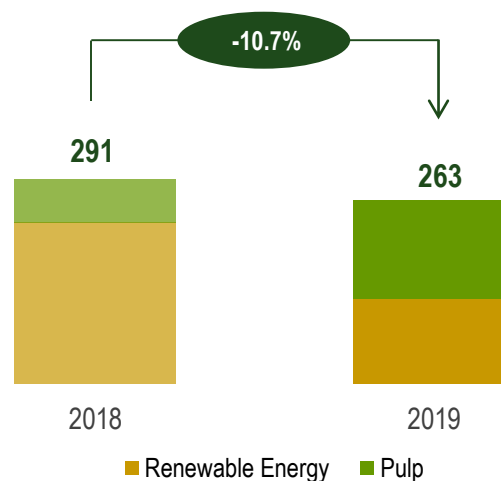
Strategic Plan Investments of €263 Mn in FY2019

100k t pulp capacity expansions and two new biomass plants (96 MW)

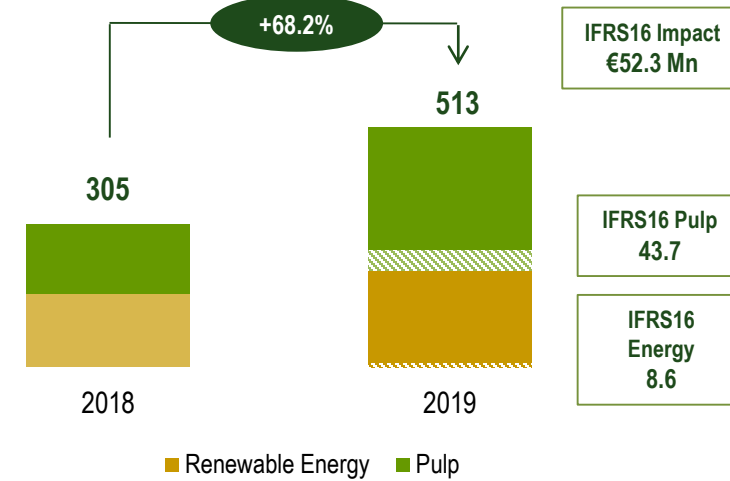
Normalized FCF¹ (€ Mn)



Growth Capex (€ Mn)



Net Debt (€ Mn)



Normalized Free Cash Flow generation of €137 Mn

Lower EBITDA vs 2018 partially offset by:

- Working capital reduction
- Lower financial expenses, following Pulp business refinancing in 2018
- Lower taxes

Strategic Plan investments up to €263 Mn:

- **€141 Mn in the Pulp business** including 100k t capacity expansions and sustainability improvements
- **€122 Mn in the Renewable Energy business** including two new biomass plants with 96 MW of combined capacity and sustainability improvements

€208 Mn Net Debt increase including:

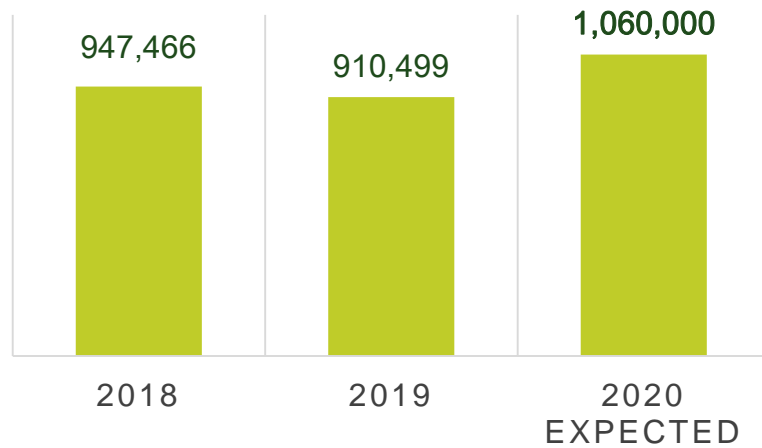
- IFRS 16 accounting impact of €52 Mn
- Dividends of €26 Mn

1. FCF before Strategic Plan investments, divestments & dividend payment

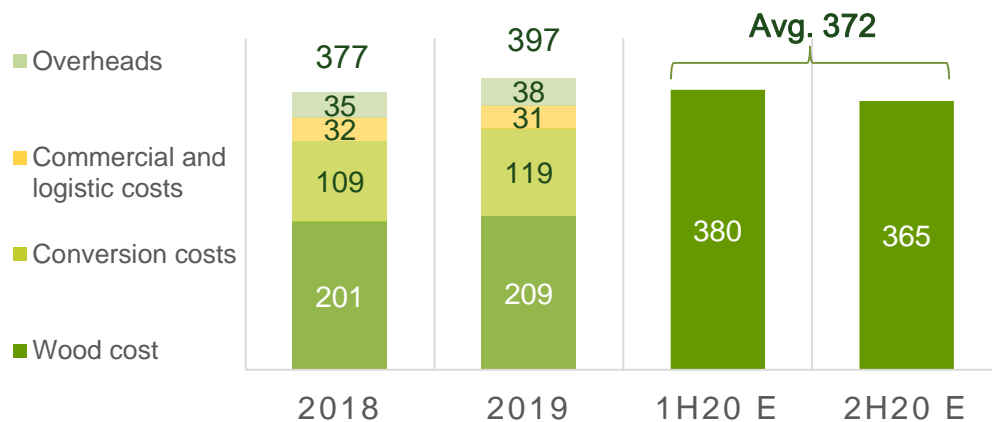
Pulp capacity expansion successfully operating in 1Q20

Higher volumes and lower cash cost expected in FY2020

Pulp Sales Evolution (t)



Cash Cost breakdown (€/t)



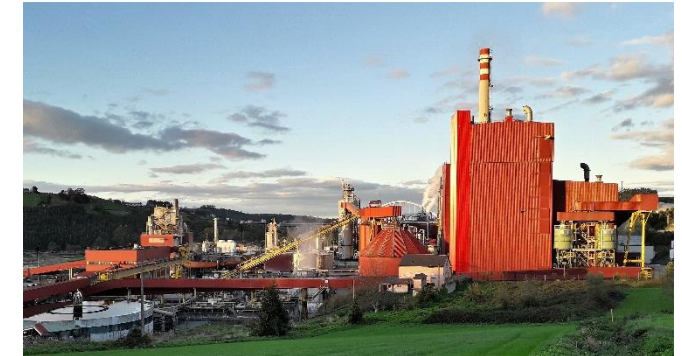
Pontevedra Biomill

- **20,000 t** capacity expansion in 1Q19
- **> 3% production rate** vs. January and February 2019
- Next annual maintenance shutdown in 2Q20



Navia Biomill

- **80,000 t** capacity expansion in 4Q19
- **> 10% production rate** vs. January and February 2019
- Next annual maintenance shutdown in 2Q20



- **2019 cash cost** would have been **387 €/t** excluding the impact of Navia's **80,000 t** capacity expansion in 4Q19

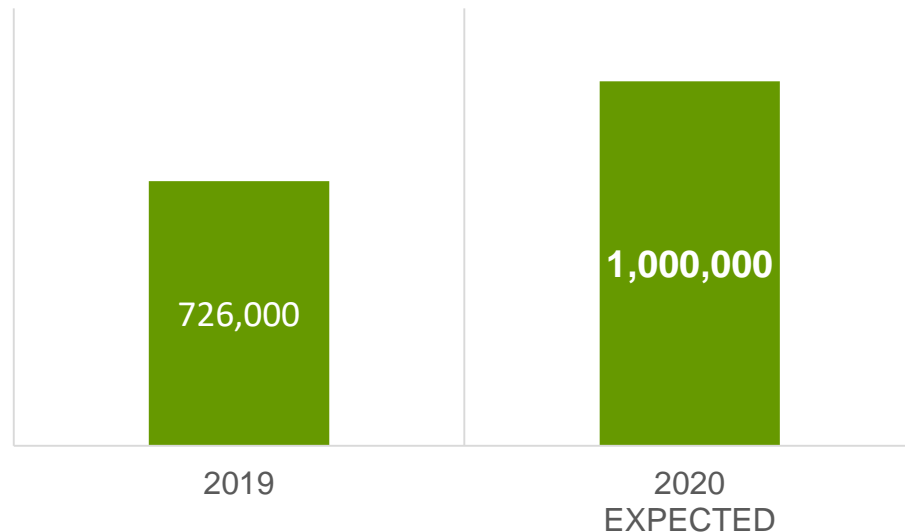
Cost optimization program launched in 2019, in order to achieve the Strategic Plan's annual cash cost targets

2020 sale agreements with a better commercial mix

Increasing value of the European market and ENCE's differentiated offer

Sales to the European market

Tons

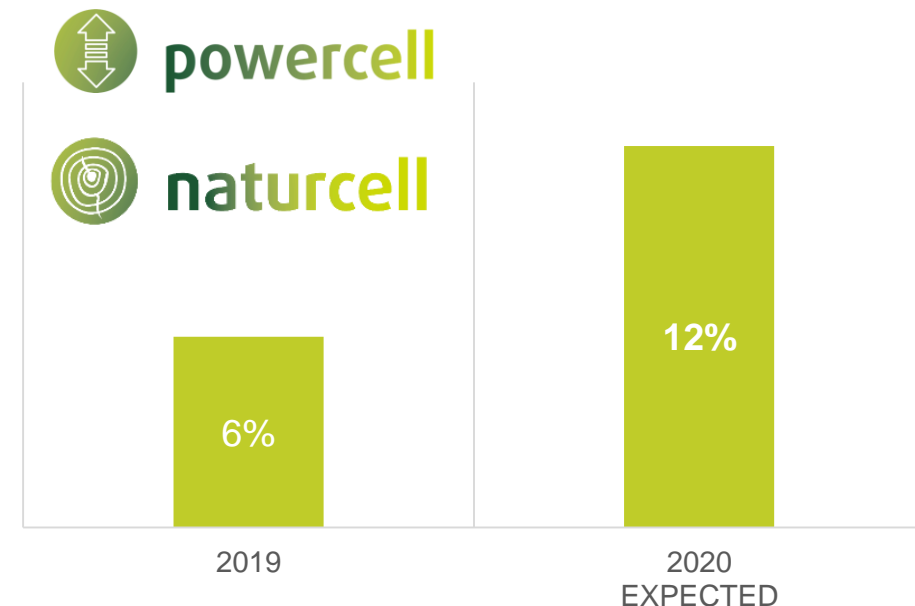


Source: Ence

38% increase of expected pulp sales in the European market, where Ence has strong logistic and service competitive advantages

Differentiated offer

% of pulp sales



Source: Ence

Our aim is to double the sale of our differentiated products up to 12% of expected pulp sales

New biomass plants commissioned in 1Q20

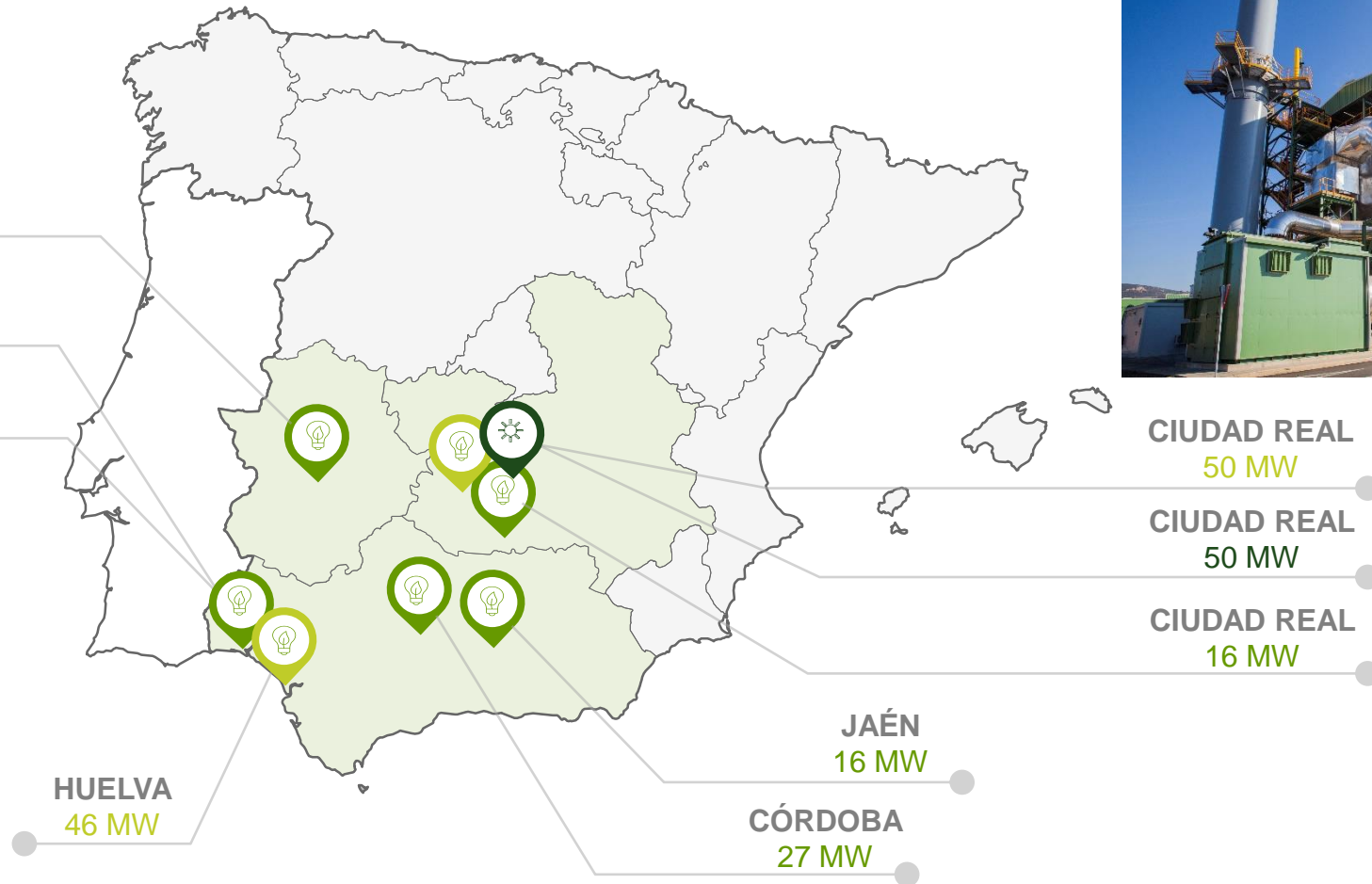
To boost renewable energy generation by >50% in FY2020

316 MW
Installed capacity

New Biomass Plant CIUDAD REAL 50 MW

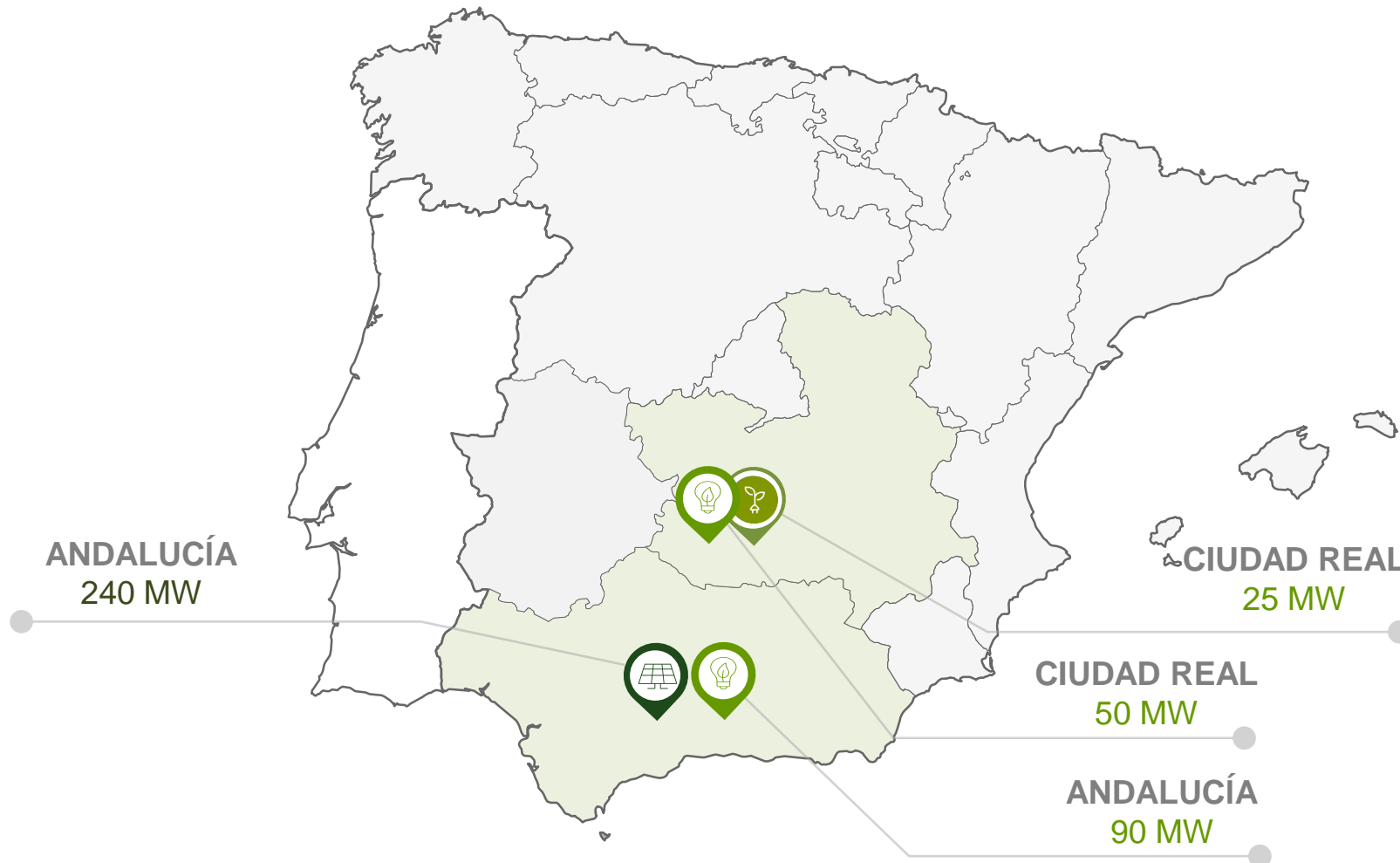





New Biomass Plant HUELVA 46 MW



Renewable energy pipeline: 405 MW with grid access and locations

Laying the foundations for future growth

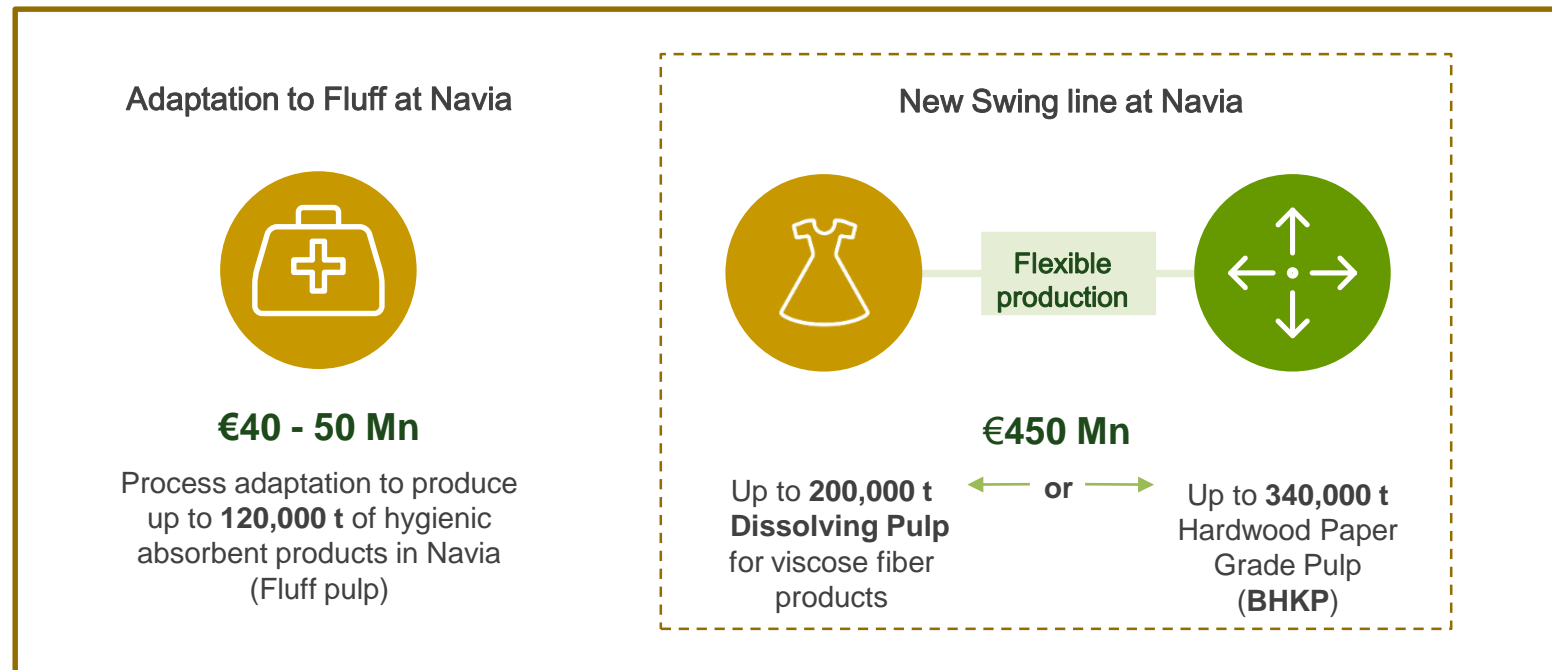


Pipeline	ROE target
 240 MW in PV <ul style="list-style-type: none">✓ Access to the grid secured✓ High irradiation locations✓ Environmental authorizations in progress	7.9%
 140 MW in Biomass <ul style="list-style-type: none">✓ Access to the grid secured✓ Location secured✓ Awaiting European and Spanish Renewable Energy Plan	9.4%
 25 MW in Hybridization <ul style="list-style-type: none">✓ Access to the grid secured✓ Location secured✓ Awaiting European and Spanish Renewable Energy Plan	8.4%

Board postpones pending investments in the Pulp business

To focus on the cost optimization program launched in 2019

Investments pending in the pulp business
€ Mn



The Board has confirmed the postponement of Strategic Plan Investments pending in the Pulp business, aiming at a Net Debt to EBITDA ratio below 2.5 times at average cycle prices

Pontevedra's Biomill legal status

A first resolution from the National Court is expected in the coming months

On January 2016 the National Directorate of Coasts granted the extension of Pontevedra's concession until 2073

- The 1958 biomill's original concession was extended for 60 years (starting November 8th 2013) by the National Directorate of Coasts via a resolution dated January 20th 2016 by virtue of: (i) Law 2/2013, on coastal protection and sustainability and amending the Coastal Act (22/1988); & (ii) General Coast Regulations enacted (Royal Decree 876/2014)

We expect a first resolution from the National Court in the coming months

The legal case against the extension could last for up to 4 years, including any appeals before higher courts

- 3 court cases initiated by Pontevedra's City Council and two environmental associations before the National Court's Chamber for Contentious Administrative Proceedings, appealing Jan. 20th 2016's resolution
- On March 8th 2019, the National Directorate of Coasts conceded in all 3 lawsuits, i.e., it requested to have the claims upheld, despite having previously argued throughout all of the proceedings that the Ministerial Order Resolution of January 20th 2016 was totally legal
- On April 10th 2019, the National Court's Chamber for Contentious Administrative allowed Ence to defend the case
- Court case in its final stage. The National Court's first resolution is expected in the coming months.

€130 Mn invested in the biomill since the extension of the concession in 2016

- The investments carried out or committed since the extension of the concession for the period of 2016 – 2019 amount to approx. €130 Mn
- In the unlikely event of operations being discontinued, the cash impact would amount to €74 Mn (€43 Mn corresponding to dismantling actions, €15 Mn to the cost of employment regulation of total extinction and €16 Mn to the cancellation of existing contracts)

Given the uncertainty, the Board of Directors decided to concentrate the investments of the Business Plan in Navia's biomill

- Investments of €250 Mn initially planned to increase capacity in Pontevedra will be reallocated to Navia's biomill, in order to double the initially planned swing line up to 340,000 t of BHKP or 200,000 t of dissolving pulp.



FY 2019 Results by Business

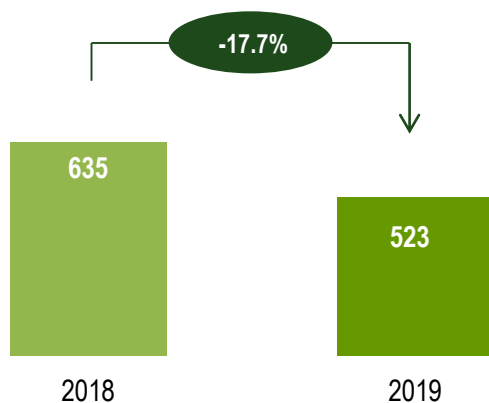


Pulp Business

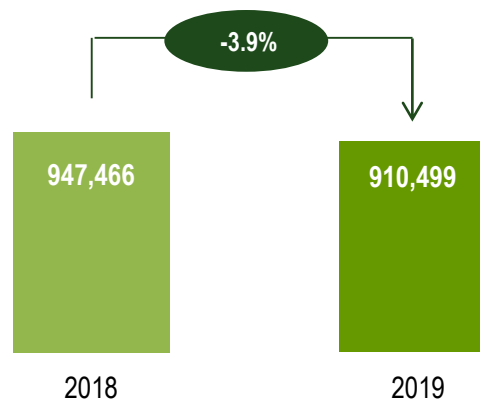
FY 2019 Results driven by lower pulp prices, FX settlements and capacity expansions



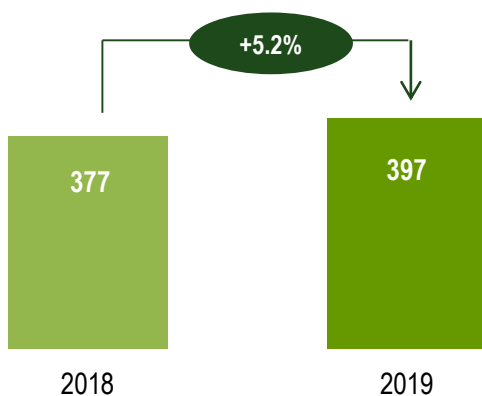
Avg. Net Pulp Price (€/t)



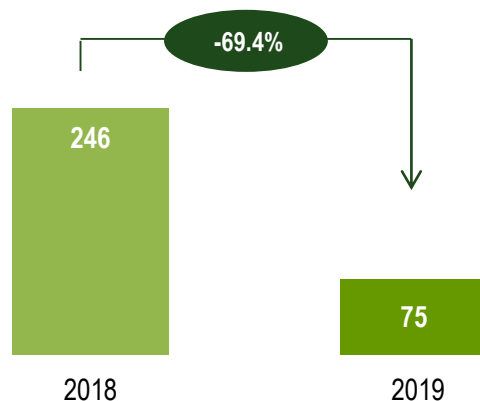
Pulp Sales Volume (t)



Avg. Cash Cost (€/t)



EBITDA (€ Mn)

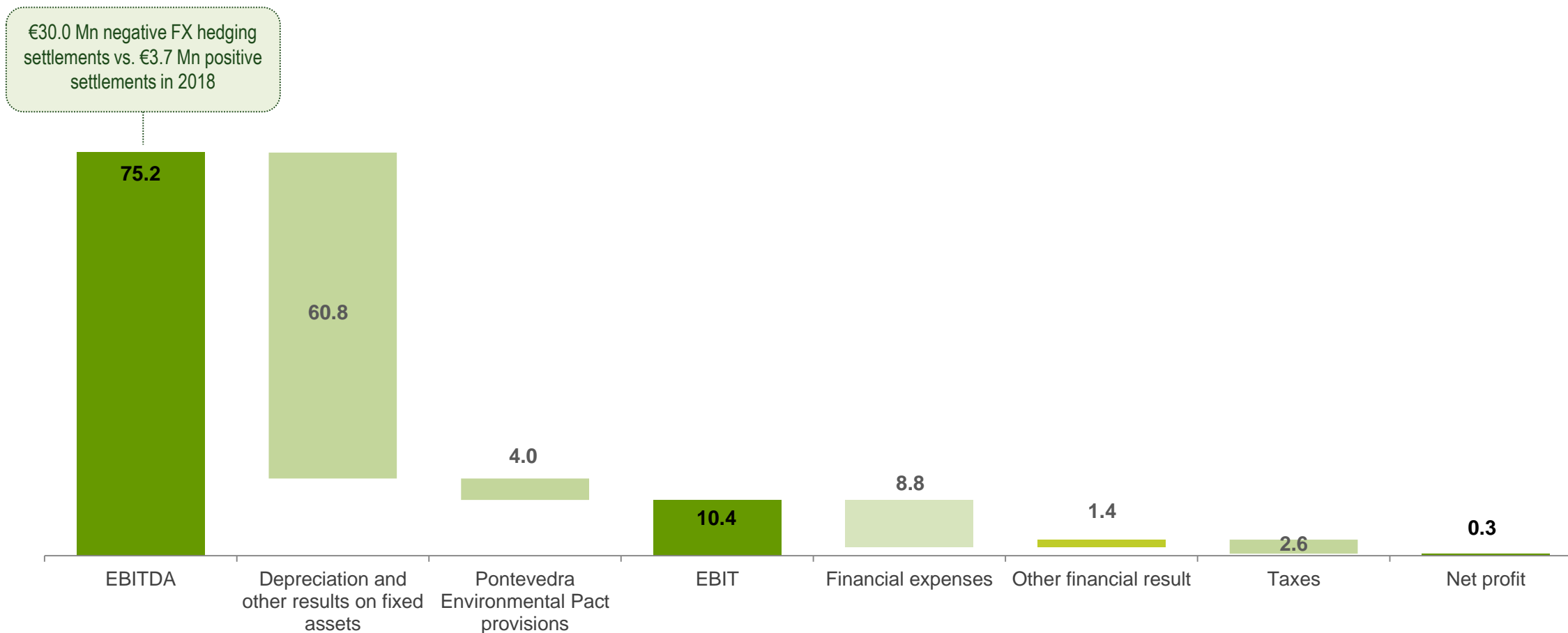


EBITDA decreased to €75 Mn, of which:

- 42% is attributable to lower average selling prices, due to PIX evolution and higher commercial discounts
- 14% is attributable to the negative settlements of our hedging program
- 14% is due to lower volumes and higher costs mainly related to capacity expansions



FY 2019 P&L Bridge (€ Mn)

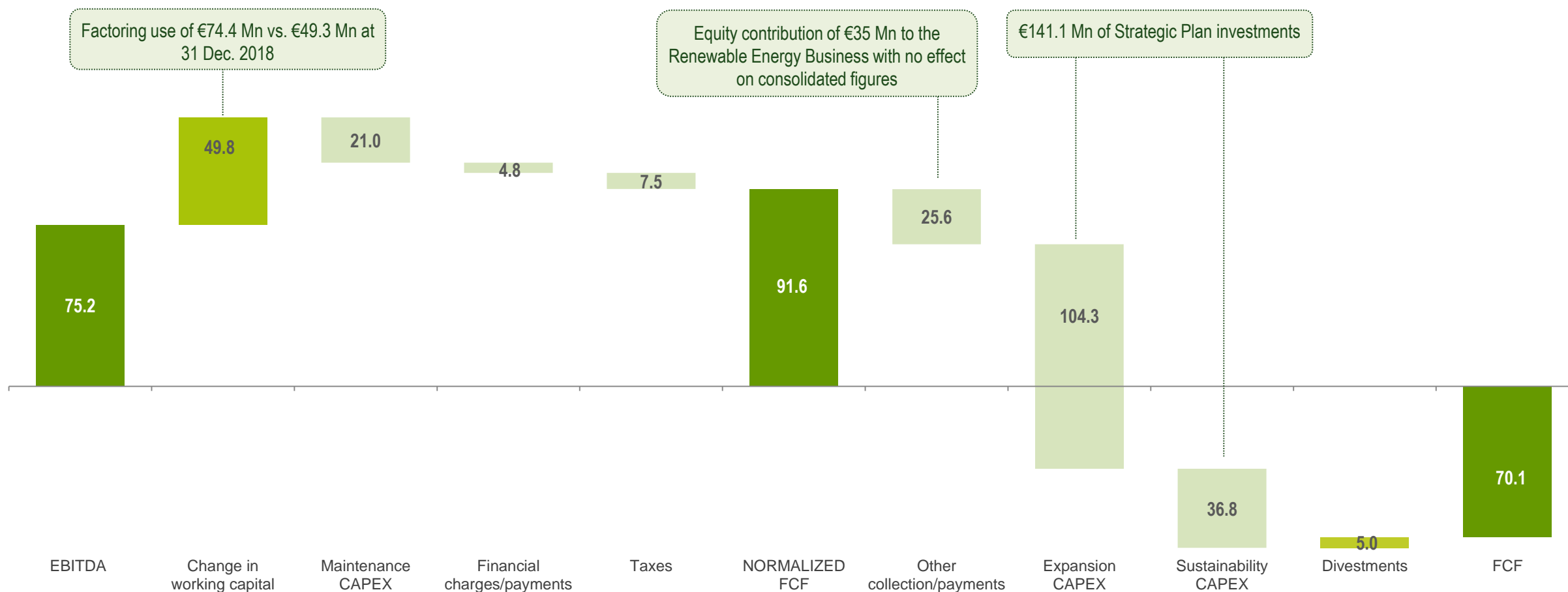




Pulp Business

Cash flow generation

FY 2019 Cash Flow Bridge (€ Mn)





Ongoing FX hedging program

To mitigate FX volatility in the Pulp Business

Dollar/Euro Exchange Rate Evolution



Current Hedges

Q1 2020: 79% revenues

- Avg. cap: \$ 1.23 €
- Avg. floor: \$ 1.16 €

Q2 2020: 82% revenues

- Avg. cap: \$ 1.20 €
- Avg. floor: \$ 1.16 €

Q3 2020: 76% revenues

- Avg. cap: \$ 1.20 €
- Avg. floor: \$ 1.14 €

Q4 2020: 57% revenues

- Avg. cap: \$ 1.19 €
- Avg. floor: \$ 1.13 €

Ence has secured an average cap of \$1.21/€ and an average floor of \$1.15/€ for 74% of its dollar exposure until December 2020

Assuming a flat 1.10 \$/€ for 2020, full year FX settlements would amount to €15 Mn

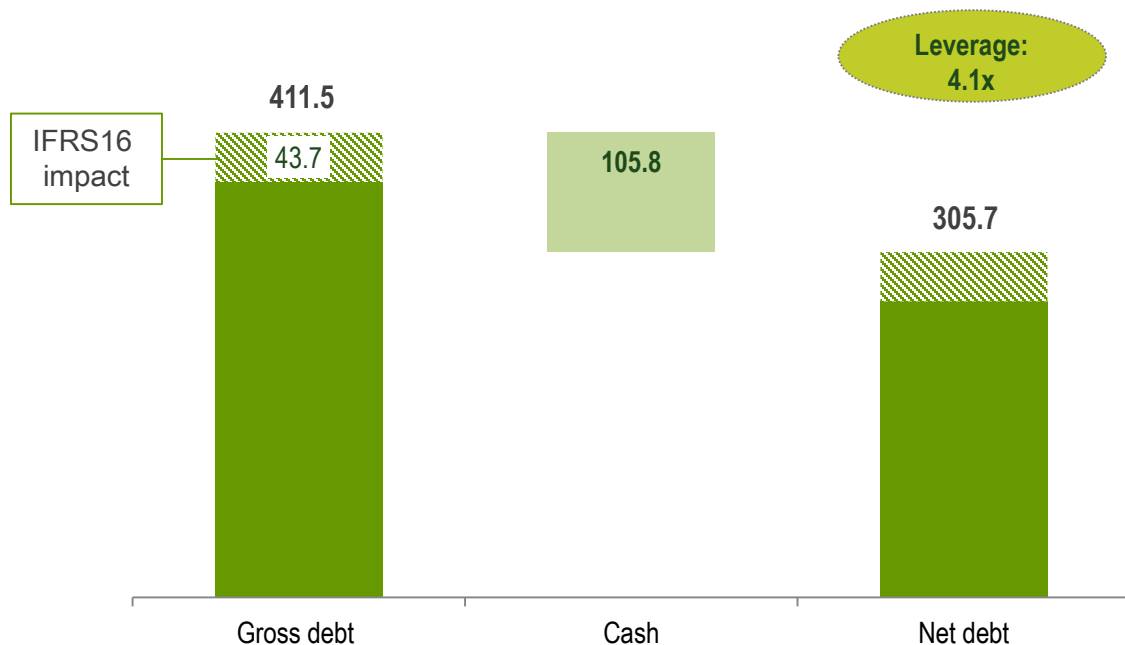


Pulp Business

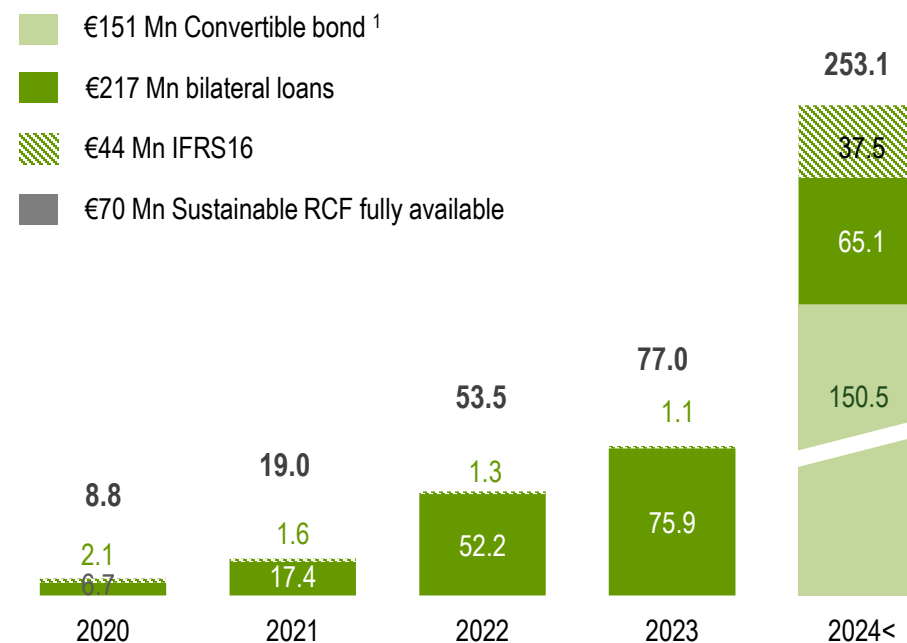
Long term financing without maintenance covenants and ample liquidity



Leverage as of December, 31st (€ Mn)



Debt Maturity Calendar (€ Mn)



Pulp business leverage at 4.1x Net Debt / LTM EBITDA as of December 2019

The application of IFRS16 on leases (from January 1st) led to the recognition of a financial liability of €43.7 Mn in the Pulp business

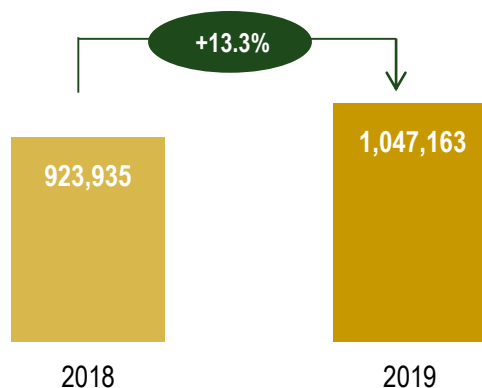
1. €151 Mn accounted as gross debt and €9 Mn accounted as equity as of December 31st2019, according to IAS 32



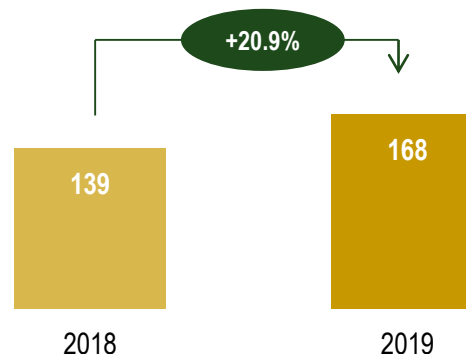
Renewable Energy Business

Including the contribution of Ciudad Real 50 MW solar thermal plant

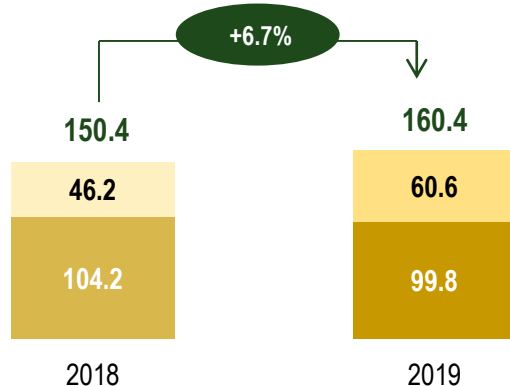
Energy Volume (MWh)



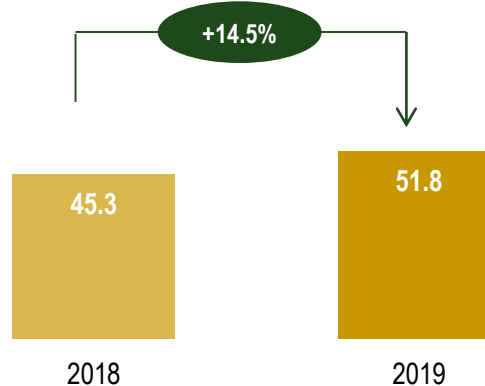
Revenues (€ Mn)



Revenue per MWh (€)



EBITDA (€ Mn)



■ Pool Regulated Price + Ro ■ Ri

14.5% EBITDA growth was driven by:

Increasing contribution from the 50 MW solar thermal plant acquired in December 2018

- 13.3% increase in energy volume sold
- 6.7% increase in revenue per MWh resulting from higher Ri contribution

Partially offset by:

- Exceptional shutdowns for the repowering of 3 plants successfully executed in 2019
- Higher biomass processing costs and lower average electricity price

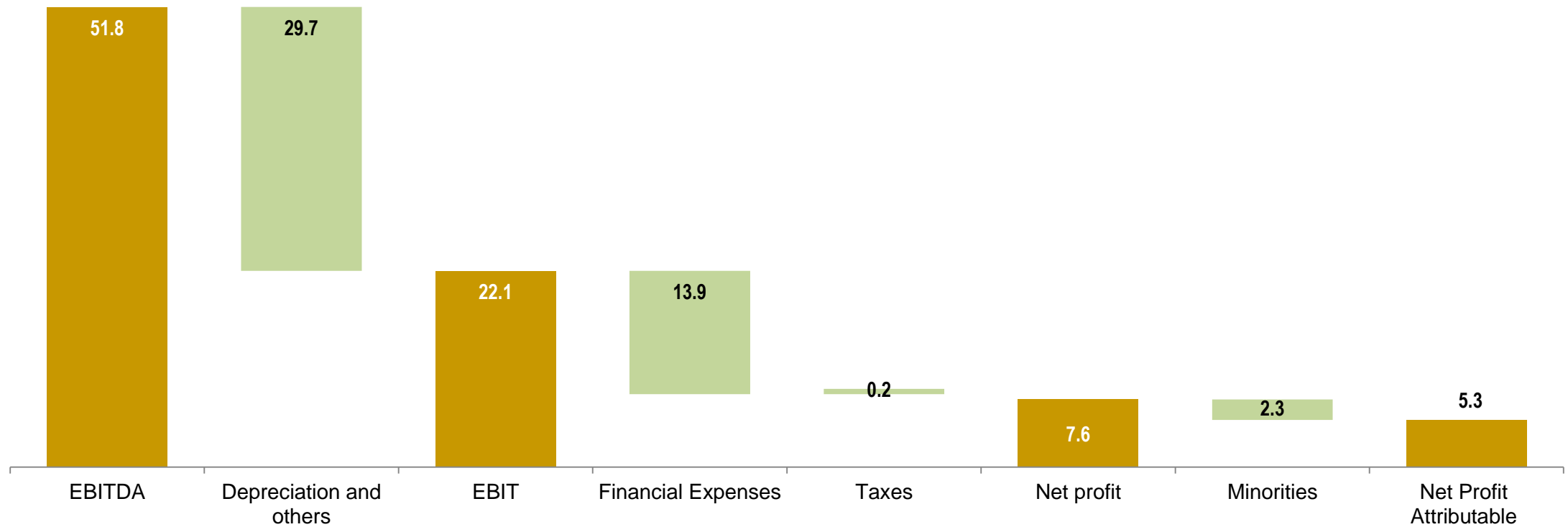


Renewable Energy Business

P&L

FY 2019 P&L Bridge (€ Mn)

Includes a provision of €6.7 Mn related to the regulatory collar

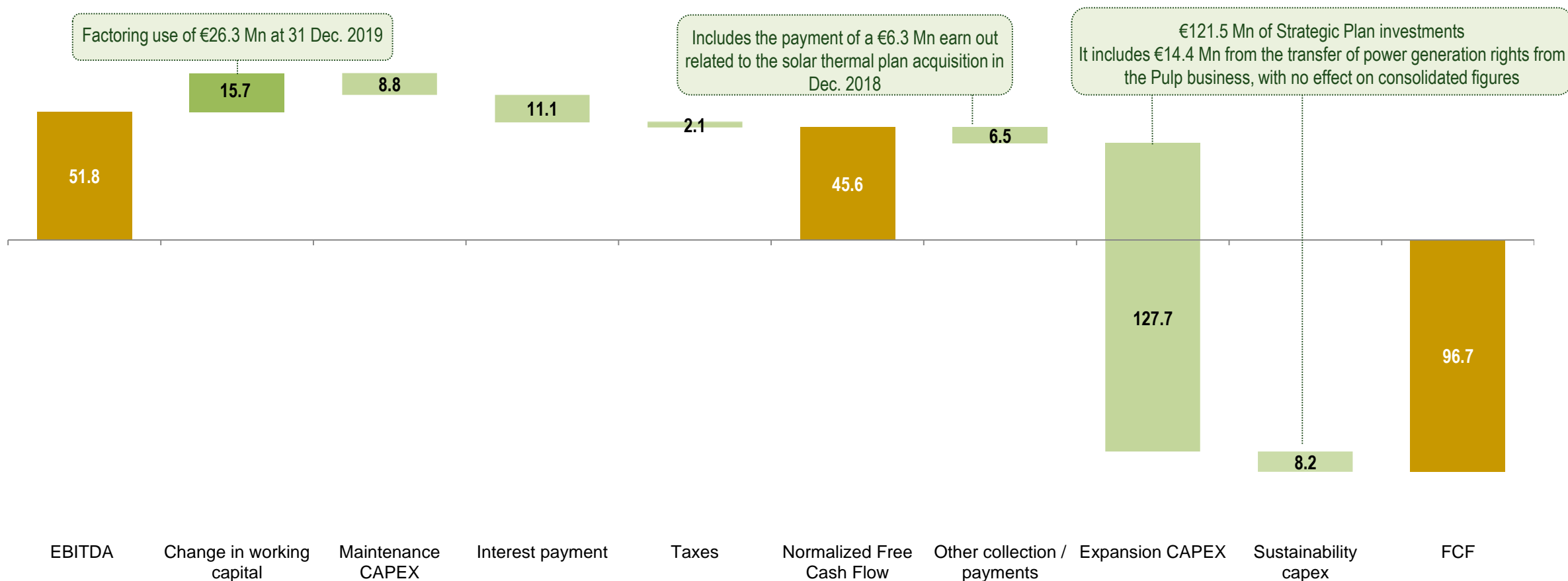




Renewable Energy Business

Cash flow generation

FY 2019 Cash Flow Bridge (€ Mn)

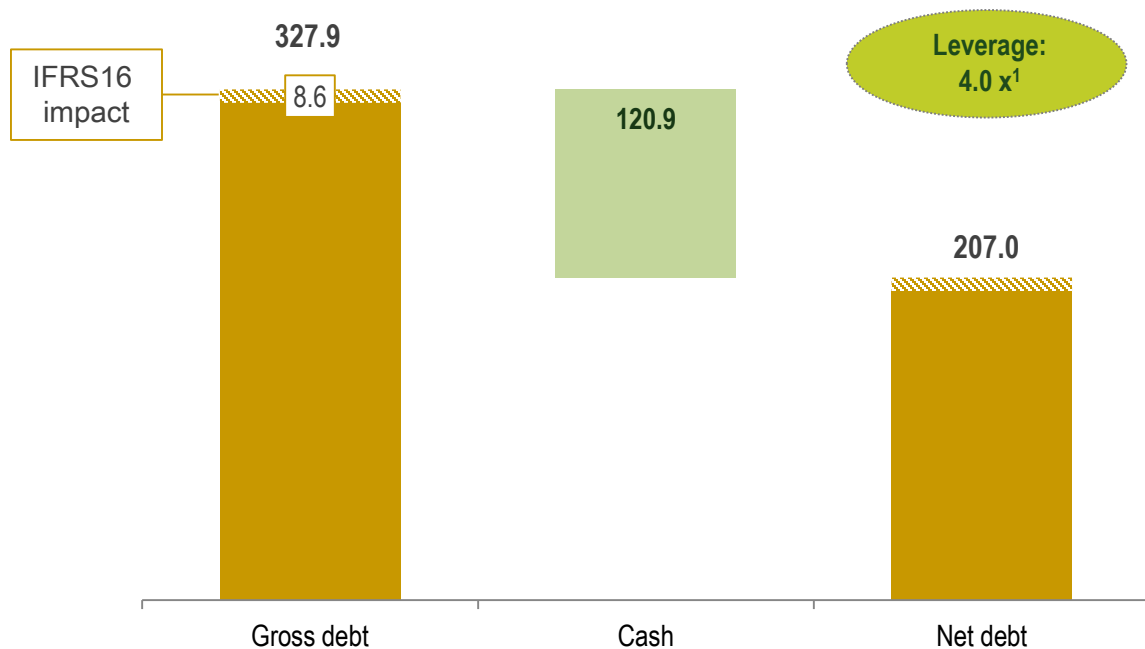




Renewable Energy Business

Long term green financing and ample liquidity

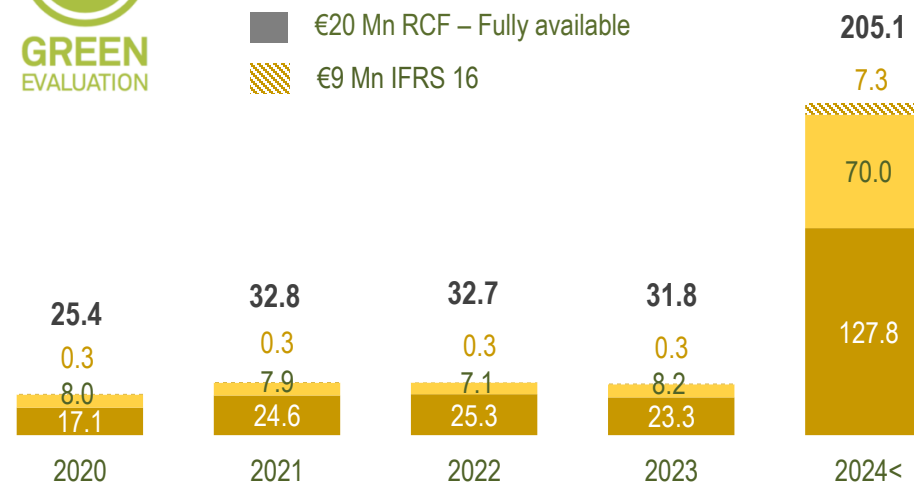
Leverage as of December 31st, 2019 (€ Mn)



Debt Maturity Calendar (€ Mn)



- €101 Mn solar thermal plant project financing
- €218 Mn Energy parent corporate financing
- €20 Mn RCF – Fully available
- €9 Mn IFRS 16



Energy business leverage at 4.0x Net Debt / LTM EBITDA as of December 2019

The application of IFRS16 on leases (from January 1st) led to the recognition of a financial liability of €8.6 Mn in the Renewable Energy business



Closing Remarks

Closing Remarks

2019 has been a transitional year with sizable investments in both businesses



17% higher pulp sales and 6% lower cash cost expected in FY2020

2020 Expected Pulp Sales (t)	2020 Expected Cash Cost (€/t)	FX average floor (\$/€)
1,060,000	372	1,15

Increasing value of the European market and ENCE's differentiated offer

Pending Strategic Plan investments in Pulp postponed. Focus is now on cost cutting and deleveraging

Pulp prices bottoming out in 1Q20

New biomass power plants commissioned in 1Q20

>50% renewable energy generation expected in FY2020

2020 Expected Renewable Energy Sales (MWh)
1,600,000

Renewable pipeline: 405 MW with grid access and locations secured

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 all 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.

EBITDA is a measure used by the Ence's management to compare the ordinary results of the company over time. 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.

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.

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 and 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 the 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 the 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