1H22 Results

27th July, 2022

SUSTAINALYTICS Global ESG score: 91/100

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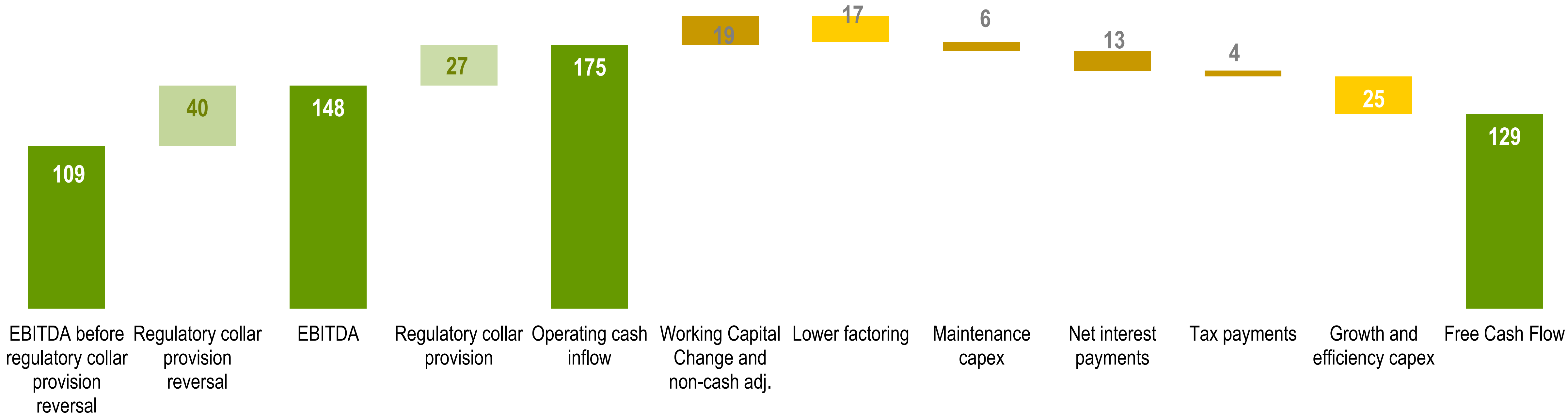
1H22 business highlights
Continued strong Free Cash Flow generation and Net Debt reduction

- **€129m free cash flow generation** and €112m Net Debt reduction in 1H22. **€10m Net Cash** position as of June 30 provides full flexibility to **seize growth opportunities**
- New dividend policy allows for a **100% pay-out ratio in 1H22,** equivalent to €45m
- **Group comparable EBITDA** raised by 85% vs. 1H21 **up to €109m**, before positive impact of the **€40m regulatory collar provision reversal** in 2Q which was offset by a €36m impairment, with no cash flow impact
- **Tight supply continues to drive pulp prices higher.** Main pulp producers have announced further price hikes up to **1,380 USD/t**
- **High operating margin of the pulp business** despite the widespread inflation in raw materials and transport
- Ence's differentiated and **high value-adding products** accounted for **19% of pulp sales** vs. 14% in 1H21
- **High operating cash inflow in the Renewable business** underpinned by high energy prices and a good operating performance
- ENCE remains the **most sustainable player** in the global Pulp industry, according to Sustainalytics
- **Supreme Court to decide in October** about the extension of the Pontevedra concession until 2073
- "**Navia Excelente**" project on track to promote the sale of its differentiated products, diversify its production towards fluff pulp and to decarbonize the plant
- Ence and Galicia Regional Government announced a **new project** in the town of **As Pontes.** We have started to analyse the first phase of the project to produce recycled fiber and biomaterials from recovered paper.

€129m FCF generation and 112 Net Debt reduction in 1H22

Net Cash position provides full flexibility to seize growth opportunities

Short Cash Flow Statement 1H22
(€m)



€112m Net Debt reduction in 1H22 despite €13m dividend payment, €17m factoring reduction and €25m growth and efficiency capex

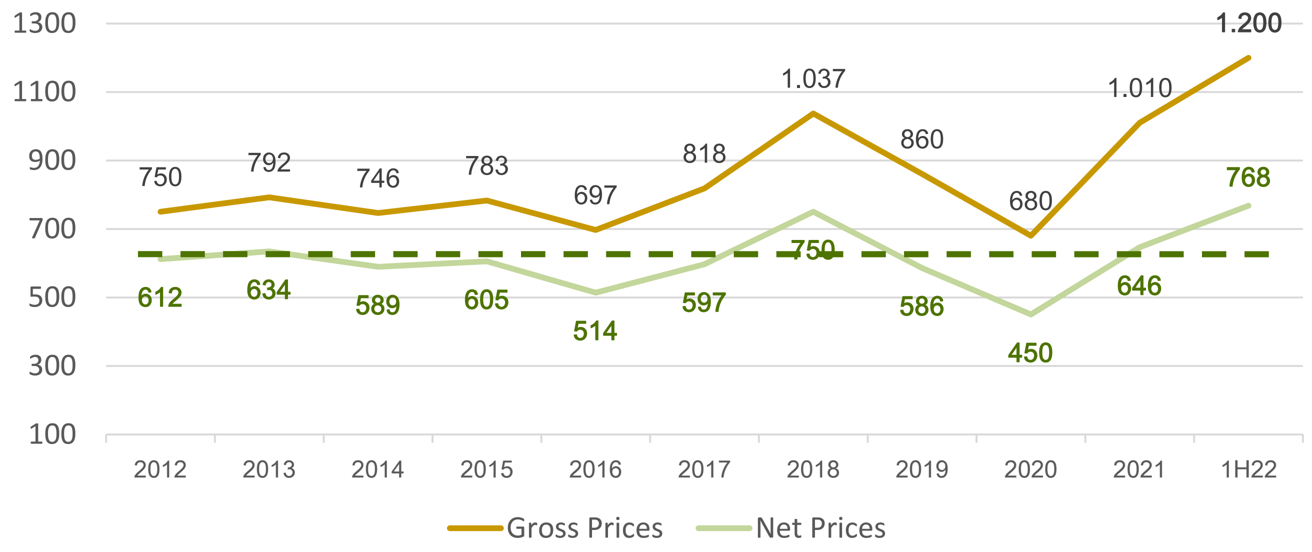
€10m Net Cash position as of June 30 provides full flexibility to **seize growth opportunities**

Tight supply continues to drive pulp prices higher

Main pulp producers have announced further price hikes up to 1,380 USD/t

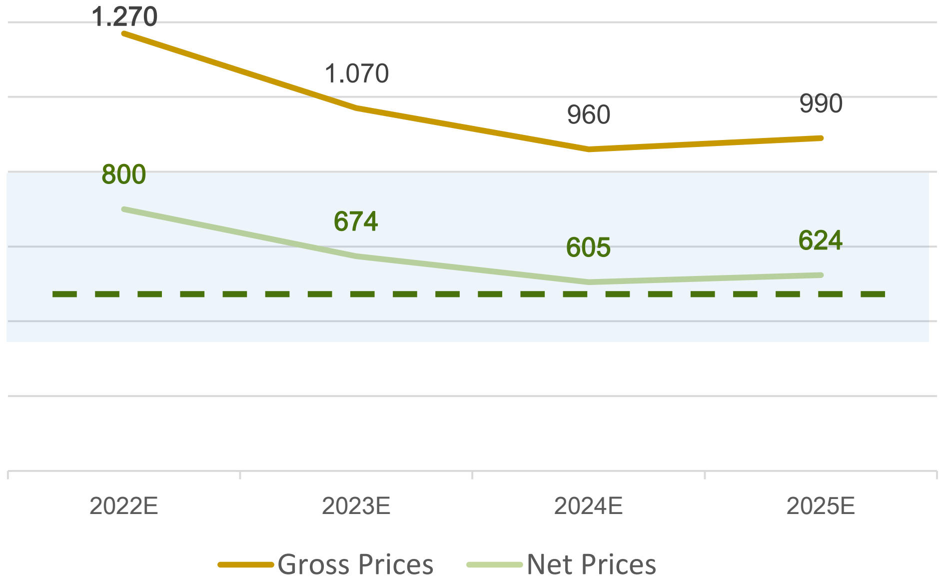
Avg. annual Pulp Prices Europe
US$/t

Sources: - Annual average FOEX gross price in Europe
- Net price provided by Ence



Avg. annual BHKP Price Europe Consensus
as of July 2022, in US$/t

Source: RISI, Hawkins Wright, Brian McClay and Norexeco



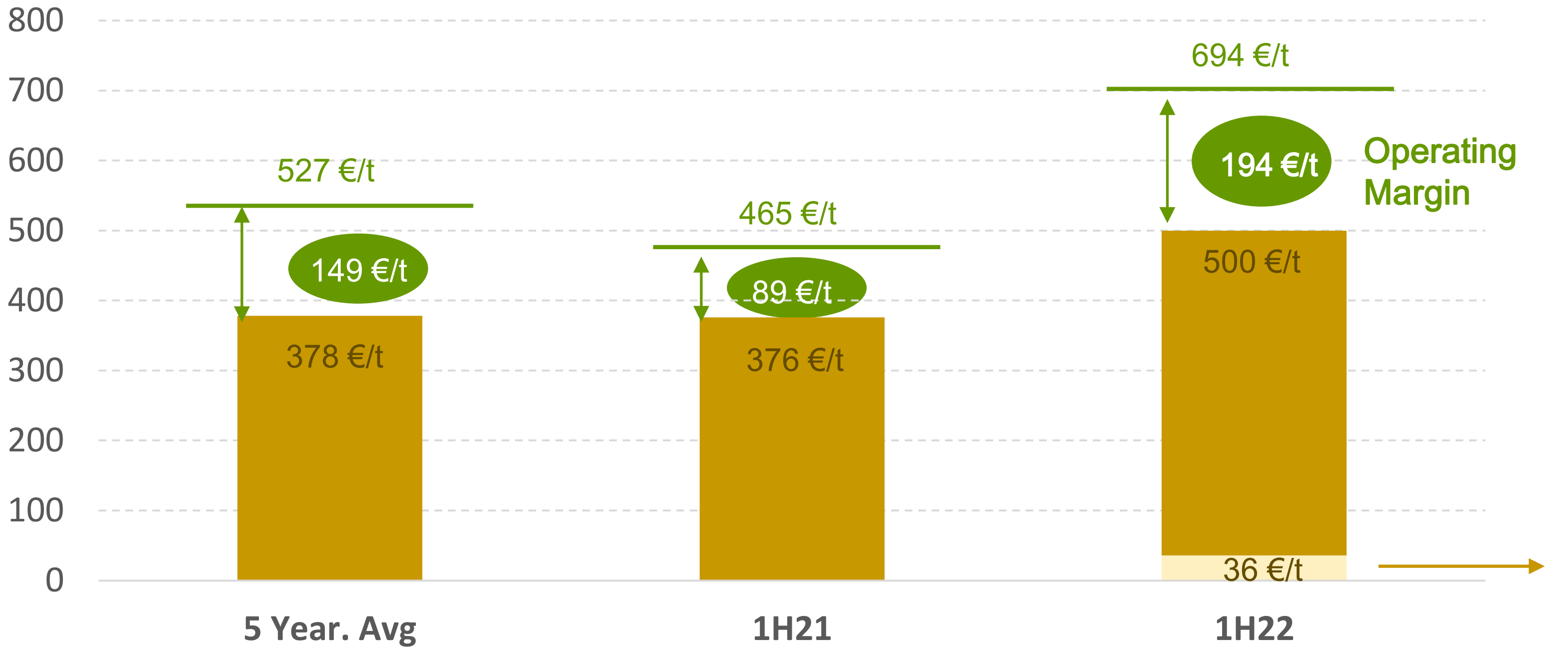
- Average GROSS pulp price in Europe of US$ 1,200/t in 1H22
- It reached US$ 1,350/t in July 2022 and main pulp producers have announced a **further price hikes up to 1.380 $/t in Europe**

- Industry specialists have raised their **price forecasts** up to an average price of over **1.270 USD/t in 2022**
- They also expect above average net prices for the next year

High operating margins in the Pulp business

Despite the widespread inflation in raw materials and logistics

Net pulp price, cash cost and operating margin (€/t)



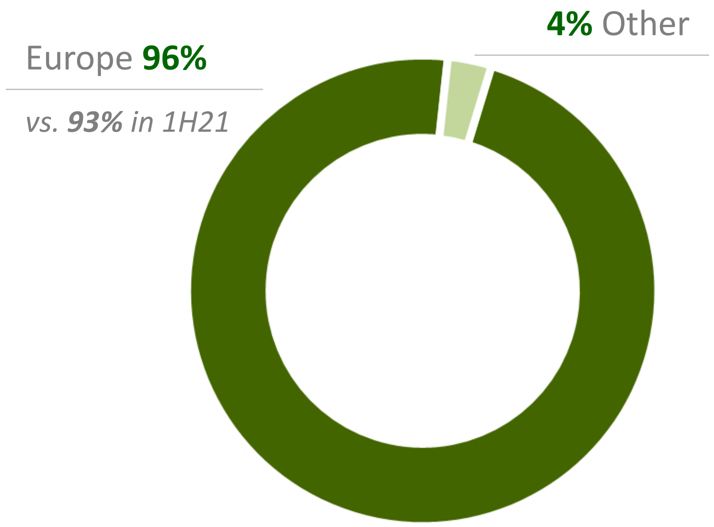
- The **change in the remuneration parameters applicable to renewables in 2022** implied a **36 €/t higher cash cost** in 1H22, mostly offset in EBITDA by a lower regulatory collar provision
- This change has **no negative FCF impact vs. the guidance given in the CMD**, which already anticipated a similar change.

- **Operating margin** of the pulp business boosted **up to 194 €/t in 1H22** despite the widespread inflation in raw materials and transport
- Our bio-mills are **energy self-sufficient** and have **no gas dependence**
- Raw materials are **locally sourced**

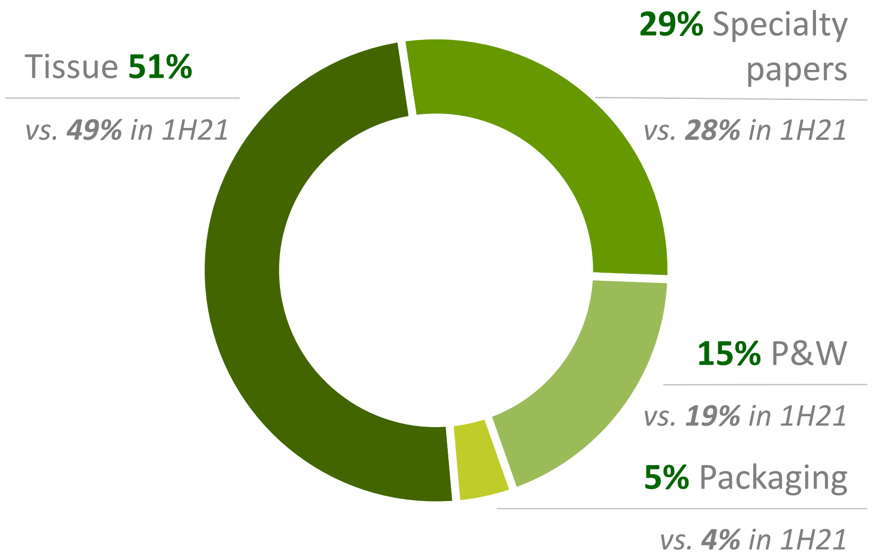
487,000 tons sold in 1H22

Differentiated and higher value-added products accounted for 19% of sales

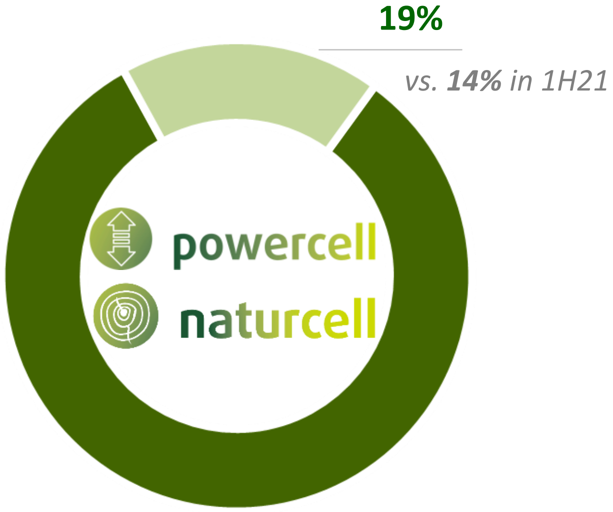
Geographical sales breakdown
% of pulp sales



Breakdown by end product
% of pulp sales



Differentiated products
% of pulp sales



96% of ENCE´s pulp sales delivered to Iberian and European markets, where it has strong logistics- and service-related competitive advantages.

51% of ENCE´s pulp sales go to the fastest growing tissue and hygiene products segment

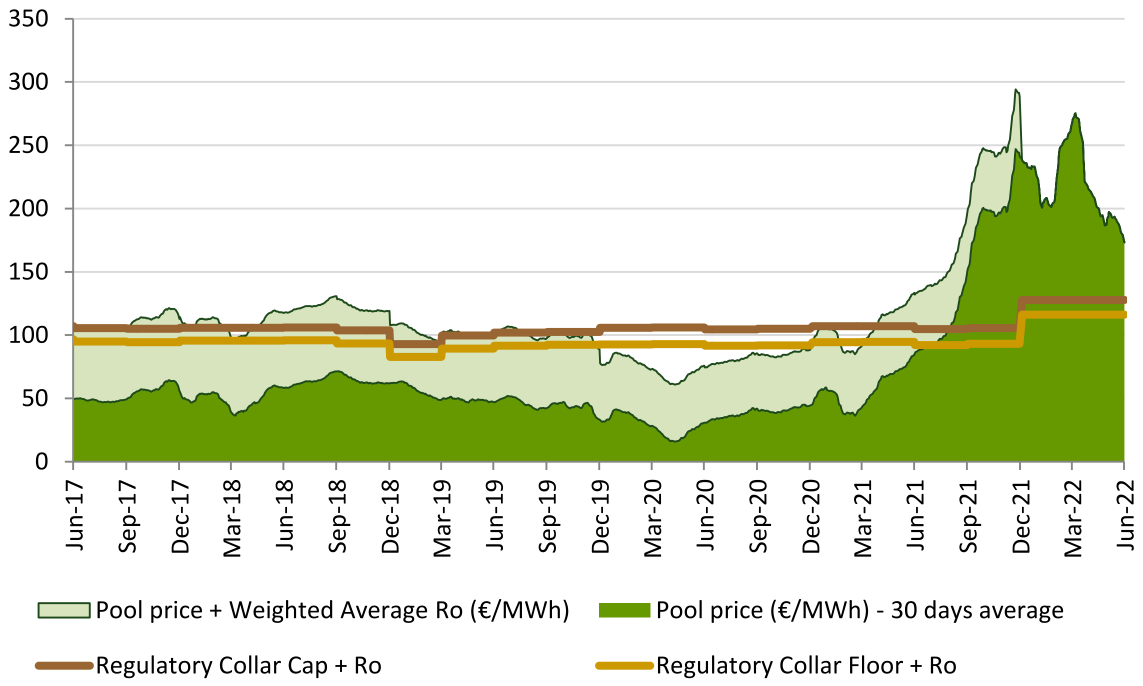
Ence's differentiated products accounted for 19% of pulp sales vs. 14% in 1H21

These higher value-added products **with higher margins** are more environmentally friendly and well suited to replace softwood pulp

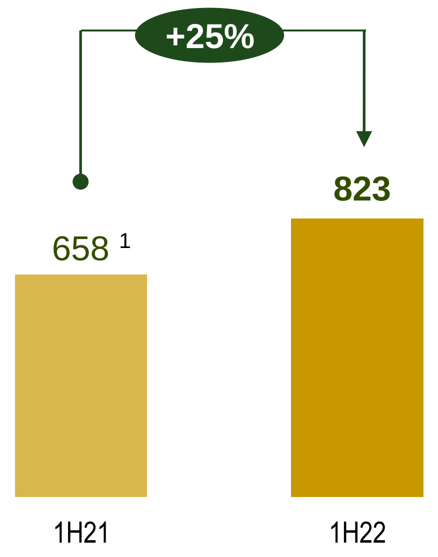
High operating cash flow in the Renewable business

Underpinned by high energy prices and a better operating performance

Pool price + Return on the operations (Ro) + Regulatory Collar
(€/MWh)

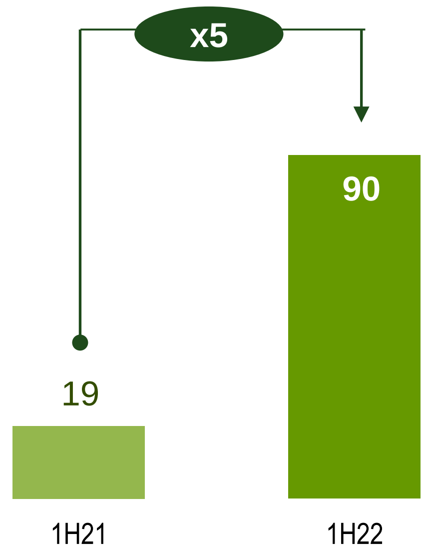


Energy Sales
(GWh)



1H21 affected by Huelva 50 MW downtime

Operating cash inflow
(€m)



Growth in renewables based on the development of our **biomass (140 MW**) and **PV (300MW**) pipeline, as well as on **new opportunities** under analysis

Development of the 373 MW PV pipeline pre-sold to Naturgy for €62m on track to be cashed between 2022-24 upon RTB status being reached

First 140 MW biomass auction called for 25 October 2022

Leader in sustainability
1H 2022 Highlights

SUSTAINALYTICS
Global ESG score: 91/100

FTSE4Good

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Production cost reduction

Safe & efficient operations

Protecting Health and Safety of employees and contractors

- ✓ **0 lost work days** in the Pulp and Forestry business lines
- ✓ **>1 year without accidents** with sick leave in Navia
- ✓ Annual shutdowns carried out without accidents with sick leave
- ✓ **Benchmark company 1S 22 in EPIS** (European Pulp Industry Sector)

Advancing towards a circular economy

- ✓ **99%** of waste recovered (2021)
- ✓ **75% plants** certified to **ZERO WASTE**

Odour reduction (vs 2021)

- ✓ **-55%** odour minutes in Navia 1S 22 (best historical performance)

Leadership and differentiation

Climate action

Committed to mitigate climate change

- ✓ **-9% Scope 1 GHG Emissions** (2021 vs. 2020), in line with the Group's targets
- ✓ Ongoing climate risk analysis following **TCFD Recommendations**

Sustainable products

Differentiated products with higher added value

- ✓ **18.5%** (1S 22 vs 16% in FY21) of total sales with higher and growing margins
- ✓ **1st Pulp EPD* published**: Encell TCF and Naturcell
- ✓ **1st Carbon neutral product** (Naturcell Zero)
- ✓ Feasibility study for **Recycled Pulp** project

License to operate

People & Values

Talent as a competitive advantage

- ✓ **Great Place to Work** certification
- ✓ Quality jobs: **92.2 % permanent contracts**
- ✓ **+5.7% female employees** vs 2021
- ✓ **50% female new hires** under 30 with college degrees

Commitment to communities

Adding value to society:

- ✓ **>45.500 beneficiaries of community Engagement plans** (Navia, Huelva & Pontevedra) in 2021
- ✓ **800 visits** to our facilities in 1S22

Risk minimisation

Sustainable agroforestry

Certified supply chain

- ✓ **>83%** of managed land certified
- ✓ **72%** of supplied wood certified
- ✓ **>98%** wood & biomass suppliers homologated
- ✓ **100% plants SURE System certified** (Sustainable biomass)

Corporate governance

Transparent management

- ✓ Virtual AGM with 100% of resolutions approved
- ✓ **38.5%** female directors
- ✓ **60% independent female directors** on Committees (Audit, Nomination and Remuneration and Sustainability)

*EPD: Environmental Product Declaration

Defending the legality of Pontevedra concession

Supreme Court ruling announced for October 2022

Update

On July 2021, the Spanish National Court has annulled the land concession on which our Pontevedra bio-mill is located

The Supreme Court has admitted two appeals by Ence against the annulment of its concession. The decision about the admission of the third appeal has been suspended until the Court rules on the first two appeals.

Ruling announced for October 2022

Prudent financial scenario adopted with a potential closure already provisioned in 2021.

Potential related cash outflow of ~€72m.

Significance

Pontevedra pulp mill accounts for:

1/3 **of the Pulp Business** average cycle EBITDA as it is smaller and less efficient than Navia

1/4 **of the Group** average cycle EBITDA

2 available alternatives

Navia 100

Build a new line at Navia mill with a capacity of 100,000 t of Hardwood Paper Grade Pulp (BHKP) using equipment from the potential dismantling of Pontevedra mill with an estimated capex of €100m

Navia 340

Build a new swing line at Navia mill with a capacity of 340,000 t of Hardwood Paper Grade Pulp (BHKP) or alternatively up to 200,000 t of Dissolving Pulp for viscose fiber products with an estimated capex of €450m. Engineering and environmental permits well advanced.

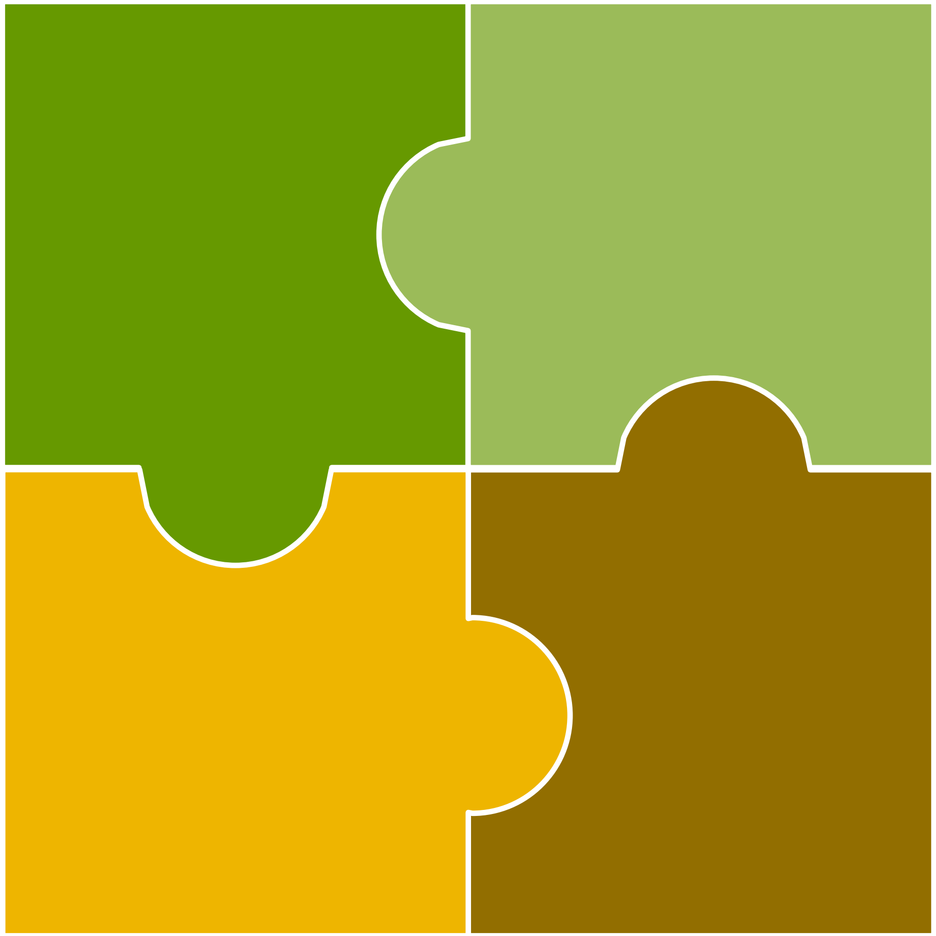
Annual FCF contribution from Pontevedra would be **more than offset by Navia Excelente** and any of the **two alternatives** to expand capacity at Navia

Ence Adopts A New Returns-Based Framework

Capital allocation priorities clearly defined

I. Strong balance sheet:
Prudent average cycle leverage limits per business

II. Fund organic Investment:
Drive growth & technology leadership



III. Shareholder remuneration:
Continue to align dividend pay-out to FCF

IV. M&A:
Disciplined, selective & opportunistic

Ence Adopts A New Returns-Based Framework

Incorporated into guidance

Ence ROCE calculation clearly defined

$$\text{ROCE} = \frac{\text{EBIT}}{\text{Shareholders' Equity + Net Debt}}$$

ROCE measures the profits the company generates (before interests and tax) with the average capital employed (liability side of balance sheet)

Ence incorporates ROCE into its guidance

1	Group through the cycle ROCE Avg. 5Y	> 10% [1]
2	ROCE New Projects	Pulp > 12% [2] Renewable Energy > 7% [3]
3	Average cycle Leverage	Pulp < 2.5x Renewable Energy < 5.0x

(1): 2021 ROCE calculation excludes Pontevedra related impairments and provisions as well as the impact of pulp and electricity prices hedges signed exceptionally during the pandemic

(2): Assuming a leverage ratio of 50% for the business, with targeted project ROCE dependent on project type (cost reduction and growth) and geography

(3): Assuming a leverage ratio of 60% for the business, with targeted project ROCE dependent on project type (Biomass, Thermosolar and PV)

New dividend policy allows for a 100% pay-out ratio in 1H22

€32m second interim dividend to be paid on August 12

Amount based on cash available for distribution

Ensuring a **leverage** of:

- **2.5 x** — Net Debt / EBITDA for the **Pulp** business, at average cycle prices
- **5.0 x** — Net Debt / EBITDA for the **Energy** business, at average cycle prices

And considering capex plans and commitments

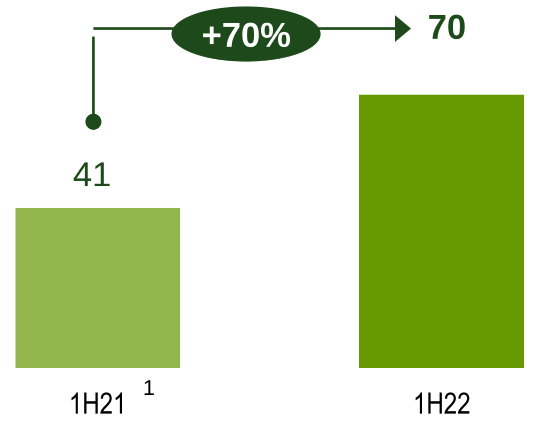
3 Annual Payments

1. First interim dividend of gross **0.054 euros per share already paid in May**
2. Second interim dividend of gross **0.13 euros per share to be paid on August 12**
3. Third interim dividend to be proposed with the third quarter results in **October**

Group comparable EBITDA +85% up to €109m

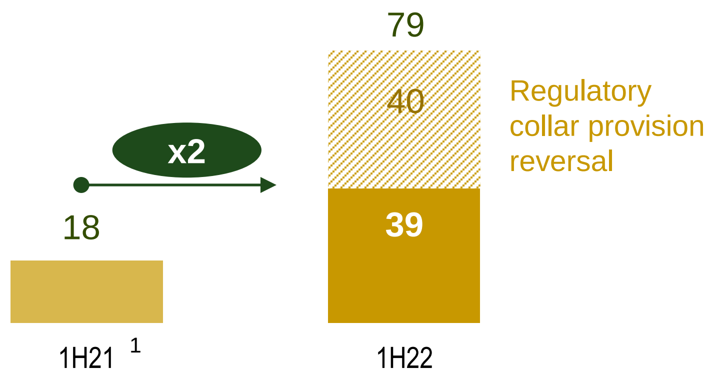
Boosted by strong pulp and energy prices

Pulp Business EBITDA (€ m)



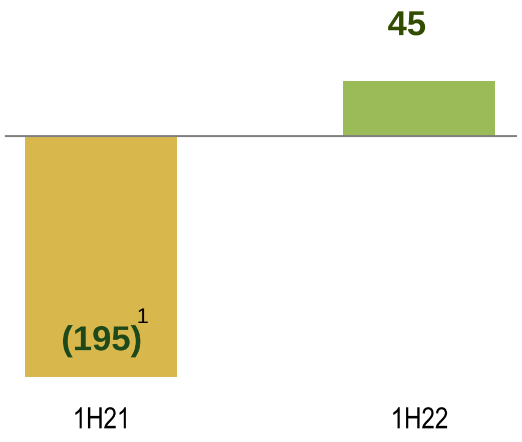
1H21 figures includes the effect of pulp price hedges for a net €10m

Renewable Business EBITDA (€ m)



1H21 figures includes the effect of energy price hedges for a net €4m

Attributable Net Income (€ m)



1H21 figures includes Pontevedra impairments and provisions for a net €200m

Pulp business EBITDA +70% up to €70m

- +49% average selling price vs. 1H21
- -2% pulp sales vs.1H21 mainly due to the 3-week transport strike in March
- +33% cash cost vs. 1H21 mainly due to widespread inflation in raw materials and transport

Energy comparable EBITDA x2 up to €39m:

- +25% energy sales vs. 1H21 which was affected by Huelva 50 MW downtime
- +40% in the average selling price due to higher electricity market prices and the increase of the regulatory price applicable in 2022
- EBITDA includes €40m regulatory collar provision reversal with no cash flow impact

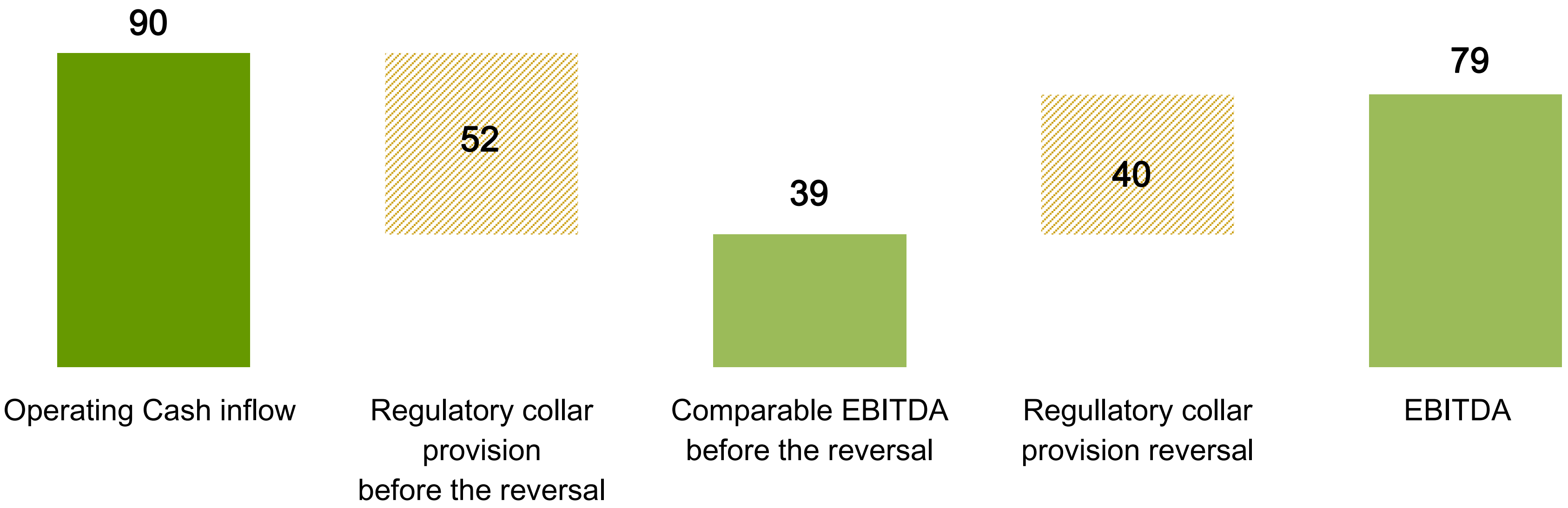
Group attributable net income up to €45m

- Depreciation: €44m
- Impairments: €37m
- Financials: €11m
- Taxes: €9m
- Minorities: €2m

Renewable business EBITDA reached €79m in 1H22

€40m regulatory collar provision reversal in 2Q with no cash flow impact

Operating cash inflow and EBITDA bridge
(€ m)

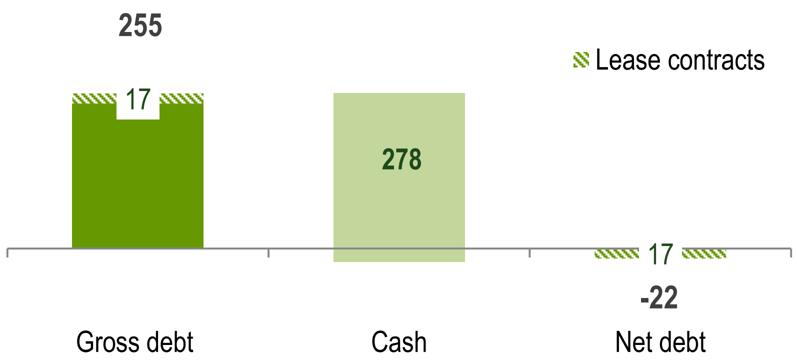


€40 m regulatory collar provision reversal offset by an impairment of €36 m in the book value of the plants without any effect on the cash flow generated in the period

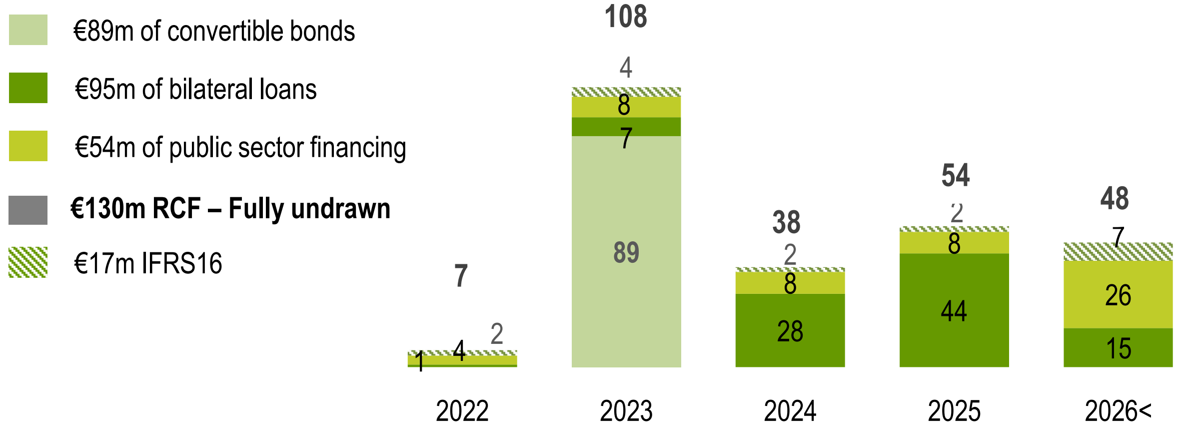
€10m Net Cash position at the end of the first half

€430m cash in balance

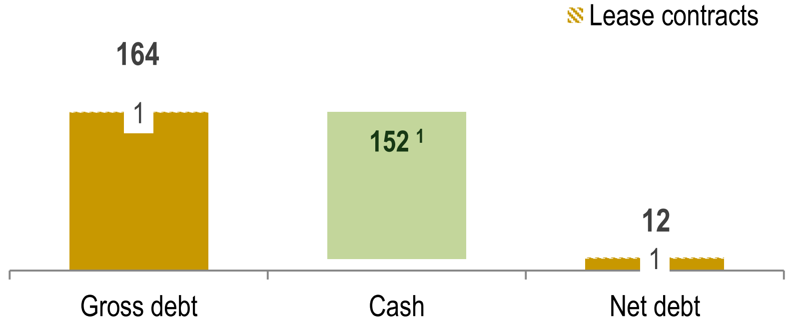
Pulp business net debt as of 30 Jun. 2022 (€ m)



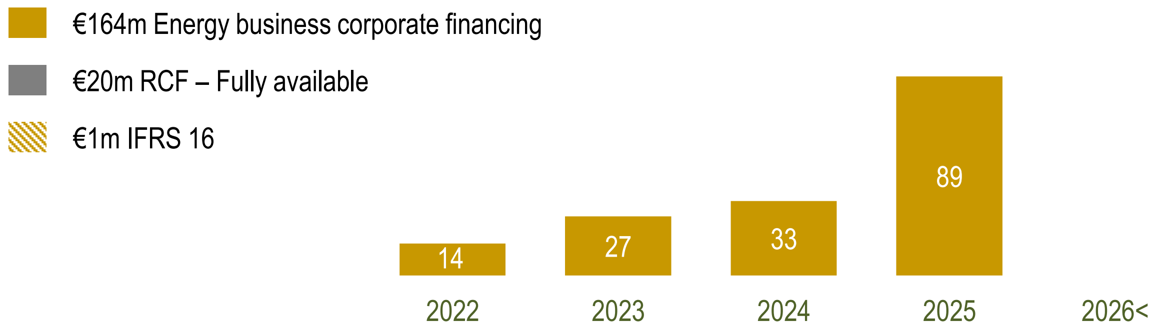
Pulp business debt maturity schedule (€ m)



Renewables business net debt as of 30 Jun. 2022 (€ m)



Renewables business debt maturity schedule (€ m)



1) Energy business cash balance includes €34m of pending payments to the electricity system which will result in cash payments during the second half of the year

Full flexibility to seize growth opportunities

Modular and adaptable investments with a targeted ROCE >12%

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Navia Excelente project

Differentiated Products

+

Diversification into Fluff

+

Decarbonization

+

As Pontes project

Diversification into Recovered Fibers

First phase

+

Biomass cogeneration plant

€155m

Integrated paper line

€75m

	Differentiated Products	Diversification into Fluff	Decarbonization	Diversification into Recovered Fibers (First phase)
Targeted Startup:	**2023**	**2024**	**2024**	**2026**
Estimated Capex:	€15m	€30m	€60m	€125m

Strong balance sheet and a clear **strategy focused on** shareholder value creation through **growth**, **diversification** and **sustainability**

We have started to analyze the first phase of the recovered fibers project at As Pontes. Additional phases will be decided in future due course

Appendix 1:
Consolidated P&L

P&L € m	2Q22	2Q21	Δ%	1Q22	Δ%	1H22	1H21	Δ%
Revenue from Pulp business	221,5	164,1	*35,0%*	158,5	*39,8%*	380,0	287,9	*32,0%*
Revenue from Renewable Energy business	59,4	42,2	*41,0%*	76,2	*(22,0%)*	135,6	86,0	*57,6%*
Regulatory collar provision reversal	39,6	-	*n.s.*	-	*n.s.*	39,6	-	*n.s.*
Consolidation adjustments	(1,0)	(0,9)		(0,6)		(1,5)	(1,5)	
Total revenue	**319,6**	**205,4**	*55,6%*	**234,1**	*36,5%*	**553,7**	**372,4**	*48,7%*
Pulp business EBITDA	49,0	32,7	*49,7%*	20,8	*135,3%*	69,8	41,0	*70,4%*
Renewable business EBITDA before de collar reversion	13,3	9,4	*40,5%*	25,6	*(48,2%)*	38,9	18,0	*116,6%*
EBITDA before de regulatory collar reversion	**62,3**	**42,2**	*47,6%*	**46,5**	*34,0%*	**108,7**	**58,9**	*84,5%*
Pulp business EBITDA	49,0	32,7	*49,7%*	20,8	*135,3%*	69,8	41,0	*70,4%*
Renewable Energy business EBITDA	52,9	9,4	*n.s.*	25,6	*106,4%*	78,6	18,0	*n.s.*
EBITDA	**101,9**	**42,2**	*141,6%*	**46,5**	*119,4%*	**148,4**	**58,9**	*151,8%*
Depreciation, amortisation and forestry depletion	(22,9)	(25,5)	*(10,4%)*	(21,0)	*8,9%*	(43,9)	(50,8)	*(13,6%)*
Other gains/(losses)	(36,6)	(182,9)	*(80,0%)*	(0,8)	*n.s.*	(37,4)	(184,6)	*(79,7%)*
EBIT	**42,4**	**(166,2)**	*n.s.*	**24,7**	*71,9%*	**67,1**	**(176,5)**	*n.s.*
Net finance cost	(8,2)	(4,9)	*66,5%*	(5,5)	*49,2%*	(13,7)	(10,5)	*30,5%*
Other finance income/(cost) results	1,6	(0,1)	*n.s.*	0,7	*134,6%*	2,3	1,7	*35,3%*
Profit before tax	**35,8**	**(171,3)**	*n.s.*	**19,8**	*80,4%*	**55,7**	**(185,3)**	*n.s.*
Income tax	(5,1)	(12,9)	*(60,5%)*	(3,6)	*40,5%*	(8,7)	(9,6)	*(8,7%)*
Consolidated Net income	**30,7**	**(184,2)**	*n.s.*	**16,2**	*89,3%*	**46,9**	**(194,9)**	*n.s.*
Non-controlling interests	0,9	(1,4)	*n.s.*	(3,1)	*n.s.*	(2,2)	(0,4)	*n.s.*
Atributable Net Income	**31,6**	**(185,6)**	*n.s.*	**13,1**	*140,2%*	**44,7**	**(195,2)**	*n.s.*
Earnings per share (Basic EPS)	0,13	(0,76)	*n.s.*	0,05	*140,2%*	0,18	(0,80)	*n.s.*

Appendix 2:
Consolidated Cash Flow

Cash flow € m	**2Q22**	2Q21	Δ%	1Q22	Δ%	1H22	1H21	Δ%
EBITDA	**101,9**	**42,2**	*141,6%*	**46,5**	*119,4%*	**148,4**	**58,9**	*151,8%*
Change in working capital	4,9	7,3	*(32,6%)*	(1,5)	*n.s.*	3,4	(23,8)	*n.s.*
Maintenance capex	(0,3)	(3,8)	*(93,1%)*	(5,2)	*(95,0%)*	(5,5)	(7,5)	*(27,5%)*
Net interest Payment	(7,6)	(7,2)	*5,0%*	(5,5)	*38,2%*	(13,1)	(10,2)	*28,4%*
Income tax received/(paid)	(4,4)	(0,1)	*n.s.*	0,1	*n.s.*	(4,3)	0,3	*n.s.*
Normalised free cash flow	94,5	38,3	*146,6%*	34,3	*175,5%*	128,9	17,6	*n.s.*
Energy regulation adjustment (regullatory collar)	**(13,8)**	**1,8**		**40,3**		**26,5**	**1,2**	
Other collection (payments) and non cash adjustments	3,7	0,2	*n.s.*	(5,7)	*n.s.*	(2,0)	(0,1)	*n.s.*
Efficiency and expansion capex	(11,3)	(8,1)	*39,1%*	(8,9)	*27,6%*	(20,2)	(29,0)	*(30,5%)*
Sustainability capex and other	(2,2)	(4,3)	*(47,3%)*	(2,4)	*(4,8%)*	(4,6)	(11,0)	*(58,0%)*
Disposals	0,0	0,2	*(98,8%)*	0,4	*(99,2%)*	0,4	0,4	*(6,4%)*
Free cash flow	**71,0**	**28,2**	*151,4%*	**58,0**	*22,3%*	**129,0**	**(20,9)**	*n.s.*
Dividends from the parent	(13,1)	-	*n.s.*	-	-	(13,1)	-	*n.s.*

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.

EBITDA

EBITDA is a measure of operating profit before depreciation, amortisation and forest depletion charges, non-current asset impairment charges, gains or losses on non-current assets and other non-operating items that undermine the comparability of the numbers.

EBITDA is an indicator used by management to track the Group's recurring profitability over time. This metric 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.

OTHER NON-OPERATING ITEMS

Other non-operating items refers to ad-hoc income and expenses unrelated to the Company’s ordinary business activities that render two reporting periods less comparable.

In the first half of 2022, this heading includes legal expenses related to the Company’s defense of its concession in Pontevedra in the amount of €0.1m. In the first half of 2021, it included changes in the provisions derived from the National Appellate Court rulings annulling the concession in Pontevedra. More specifically, it included the reversal of the provision accumulated as of the June close to cover the Company’s commitments under the Pontevedra Environmental Pact in the amount of €14m; a €2.9m provision to cover the potential devaluation of spare parts at the biomill; and a €6m provision to cover the termination of contracts outstanding following the potential discontinuation of operations at the biomill.

CASH COST

The production cost per tonne of pulp, or cash cost, is the key measure used by management to measure and benchmark its efficiency as a pulp maker. The cash cost includes all of the costs directly related with the production of pulp. It does not include asset depreciation and amortisation charges, impairment losses on non-current assets and gains or losses on their disposal, other non-operating items, finance income and costs or income tax.

It can be measured as the difference between revenue from the sale of pulp and EBITDA in the Pulp business, adjusted for the settlement of hedges, the effect of the regulatory collar on energy sales and the forest depletion charge. The cash cost is also adjusted for other smaller items of income and expenses which mainly comprise the income from the sale of wood to third parties, provisions for the impairment of receivables, banking charges, long-term staff remuneration and termination benefits and advisory service costs that are not attributable to the biomills.

Alternative Performance Measures (APMs)
Pg.2

OPERATING PROFIT PER TONNE OF PULP

The operating profit is a yardstick for the operating profit generated by the Pulp business without taking into account asset depreciation and amortisation charges, impairment losses on non-current assets and gains or losses on their disposal and other non-operating items, adjusted for the settlement of hedges, the effect of the regulatory collar on energy sales and forest depletion charges.

It provides a comparable measure of the business's profitability and is measured as the difference between the average sales price per tonne, calculated by dividing revenue from the sale of pulp by the number of tonnes sold, and the cash cost.

NET FINANCE COST AND OTHER FINANCIAL ITEMS

Net finance cost encompasses the various items of finance income and finance costs, while other financial items encompasses exchange differences, the change in the fair value of financial instruments and impairment losses on financial instruments and gains or losses on their disposal.

MAINTENANCE, EFFICIENCY, GROWTH AND SUSTAINABILITY CAPEX

ENCE provides the breakdown of the capital expenditure included in its statement of cash flows for each of its business classifying its investments into the following categories: maintenance capex, efficiency and growth capex, sustainability capex and financial investments.

Ence's technical experts classify its capital expenditure using the following criteria: Maintenance capex are recurring investments designed to maintain the capacity and productivity of the Company's assets. Efficiency and growth capex, meanwhile, are investments designed to increase those assets' capacity and productivity. Lastly, sustainability capex covers investments made to enhance quality standards, occupational health and safety and environmental performance and to prevent contamination. Financial investments correspond to payments for investments in financial assets.

The disclosure of capex cash flows broken down by area of investment facilitates oversight of execution of the published Business Plan.

OPERATING CASH FLOW

The operating cash flow coincides with the net cash from operating activities presented in the statement of cash flows. However, operating cash flow is arrived at by starting from EBITDA, whereas net cash from operating activities is arrived at by starting from profit before tax. As a result, the adjustments to profit do not coincide in the two calculations.

Alternative Performance Measures (APMs)
Pg.3

FREE CASH FLOW

Ence reports free cash flow as the sum of its net cash flows from operating activities and its net cash flows from investing activities. 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.

NORMALISED FREE CASH FLOW

Normalised FCF is the sum of EBITDA, the change in working capital, maintenance capex, net interest payments and income tax payments. It 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.

NET DEBT / (CASH)

The borrowings recognised on the balance sheet, include bonds and other marketable securities, bank borrowings and other financial liabilities. They do not include, however, the measurement of derivatives or borrowings from Group companies and associates.

Net debt/(cash) 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, the debt service cash reserve (included with non-current financial assets) and other financial investments within current assets.

Net debt/(cash) provides a proxy for the Group's net indebtedness or liquidity and is a metric that is widely used in the capital markets to compare the financial position of different companies.

SUSTAINALYTICS
Global ESG score: 91/100

Delivering value
Delivering commitments