ENCE ENERGÍA & CELULOSA

2022 Results

1st March 2023

SUSTAINALYTICS Global ESG score: 91/100

MSCI ESG RATINGS A

FTSE4Good

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Today's presenters

Ignacio de Colmenares

Chairman & CEO
Ence Energía y Celulosa

Alfredo Avello

CFO and Chief Forestry Officer
Ence Energía y Celulosa

Highlights & Key Messages

Ence well positioned to capture growth opportunities following strong 2022

Strategic Highlights & Developments

- The Supreme Court backs the legality of Pontevedra concession until 2073
- Pontevedra´s biomill resumed its activity in November
- Differentiated and higher value-added products accounts for 18% of sales
- “Navia Excelente” investment plan on track to deliver a ROCE >12%
- As Pontes project to continue growing and diversifying without increasing the consumption of wood
- 9 biogas projects currently under development targeting a ROCE>12%
- New opportunities to monetize carbon credits in the CO_2 markets
- Ence continues to be the leading company in sustainability

FY22 Financial Highlights

- Revenue of €1bn (up 23% y/y) and FCF of €250m boosted by solid pulp & energy prices
- Pulp prices more than offset inflation in raw materials
- Net cash position offers substantial flexibility to seize multiple growth opportunities
- Exceptional interim dividend of €0.29 per share (€70m) to be paid on 16 March.

2023 Outlook

- Pulp production expected to normalize above 1 million tons
- Solid energy prices expected to continue with a regulated price >200 €/MWh
- The difference between regulated and market energy prices in 2023 generates future cash collection rights
- PV projects sold in 2021 will achieve RTB status in 2023-24 further boosting our Renewables EBITDA by over €50m in those years

The Supreme Court backs the legality of Pontevedra concession until 2073

Net Income of €247m after registering positive impact of €169m

- The Spanish Supreme Court has endorsed the legality of the Pontevedra concession´s extension until 2073
- Concessions prior to the General Coastal Law of 1988 may be extended, provided they have favorable environmental reports from the Administration, as in this case
- Any future modification of the Spain´s coastal regulations would not apply to the Pontevedra concession
- The reversal of asset impairments and expense provisions, which we recorded in 2021 as a result of the National Court rulings, had an estimated positive impact of €169m on 2022 net profit
- The full content of the rulings will be known in the coming days

Agenda

1. Strategic Highlights and Developments
2. FY22 Financial Highlights
3. 2023 Outlook
4. Q&A

1. Strategic Highlights and Developments

Pontevedra resumed activity November 2022 – After 4 months' downtime

Combining the river sourcing with our innovative water recovery solution

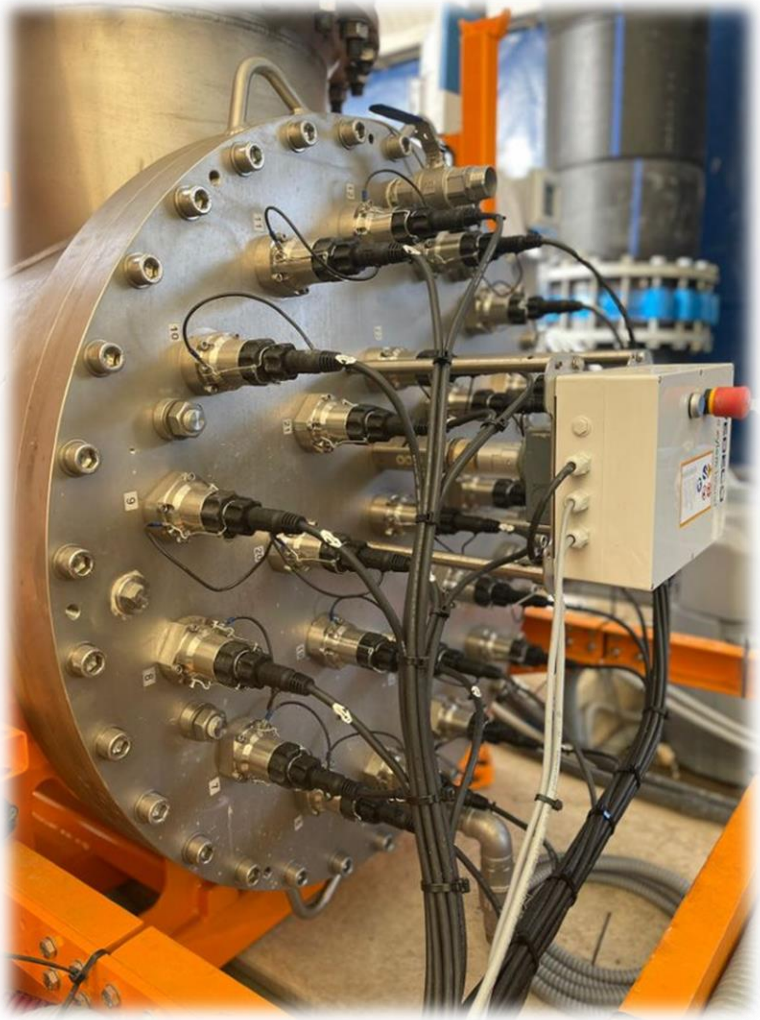
- We have developed an innovative solution for drought situations at Pontevedra that will allow us to regenerate the water from the biomill´s effluent and that from the adjacent public wastewater treatment plant (WWTP) to minimize the river water consumption when its flow level drops

- After 4 month of downtime, Pontevedra resumed activity in November using this new solution in its testing phase, while repair work was carried out on the river water collection infrastructure

- Lower volumes and higher cash cost in 2H22 were mitigated by higher pulp prices and FX improvement, with an EBITDA in 2H similar to that of 1H despite the temporary downtime

Volume and cash cost impact	4Q22	FY22
Lower pulp production:	- 94,000 t	- 184,000 t
Higher cash cost:	+ 89 €/t	+ 34 €/t

- **Pontevedra will continue with this new solution during 1H23** in order to optimize the water recovery process.



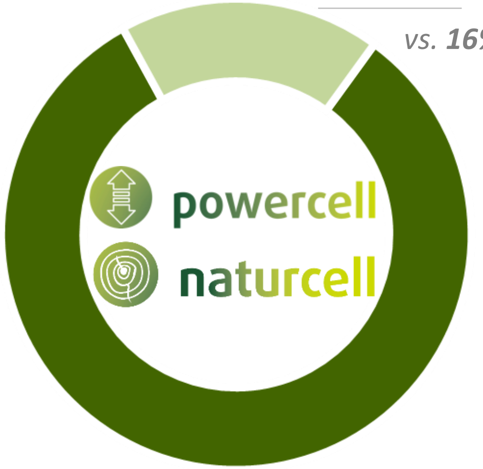
Differentiated & higher value-added products accounted for 18% of sales

827,000 tons Pulp sold in 2022

Differentiated products
% of pulp sales

18%

*vs. **16%** in 2021*

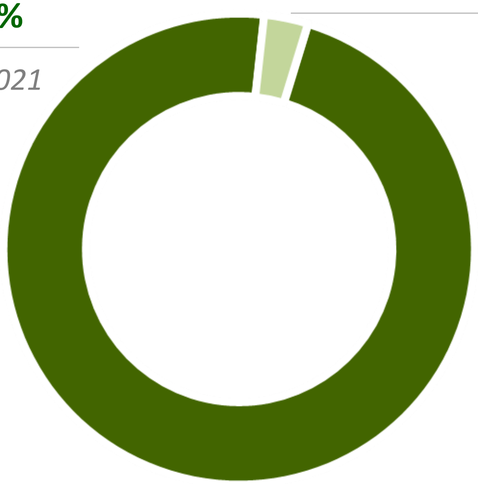


Geographical sales breakdown
% of pulp sales

Europe **94%**

*vs. **94%** in 2021*

6% Other



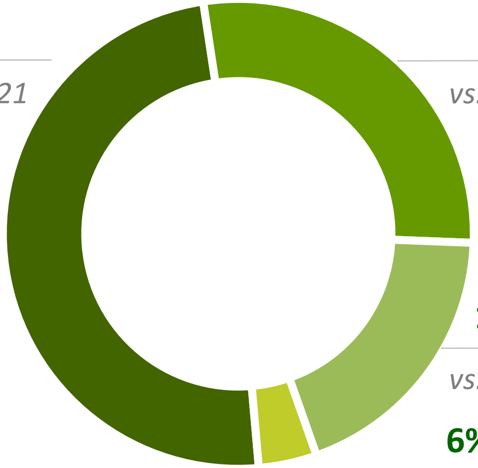
Breakdown by end product
% of pulp sales

Tissue **47%**

*vs. **49%** in 2021*

31% Specialty papers

*vs. **29%** in 2021*



16% P&W

*vs. **17%** in 2021*

6% Packaging

*vs. **5%** in 2021*

Ence's differentiated products accounted for 18% of pulp sales vs. 16% in 2021 despite Pontevedra downtime

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

94% of ENCE´s pulp is sold to Iberian and European markets, where we have strong logistic and service-related competitive advantages.

47% of ENCE´s pulp sales are in the fast-growing tissue and hygiene products segment

Navia Excelente investment plan

Modular investments adaptable to the cycle with a targeted ROCE[1] >12%

DIFFERENTIATED PRODUCTS

Improvement of the eco-efficiency and flexibility of the differentiated pulp production in Navia to substitute softwood and plastic products

Estimated Capex (€m)	15	2024-25
Substitution of BHKP (t)	+250K [2]	2023-27
Targeted incremental margin (€/t)	20	2023-27

FLUFF

To diversify Navia product range into Fluff pulp production for the absorbent hygienic products industry in Europe, substituting imported Fluff

Estimated Capex (€m)	30	2024-25
Substitution by Fluff (t)	100K	2026-27
Targeted incremental margin (€/t)	40	2026-27

DECARBONIZATION

Use of lignin to replace natural gas in lime kilns and its use in high value-added products. Reduction of up to 50.000 tons of CO_2 emissions by 2027

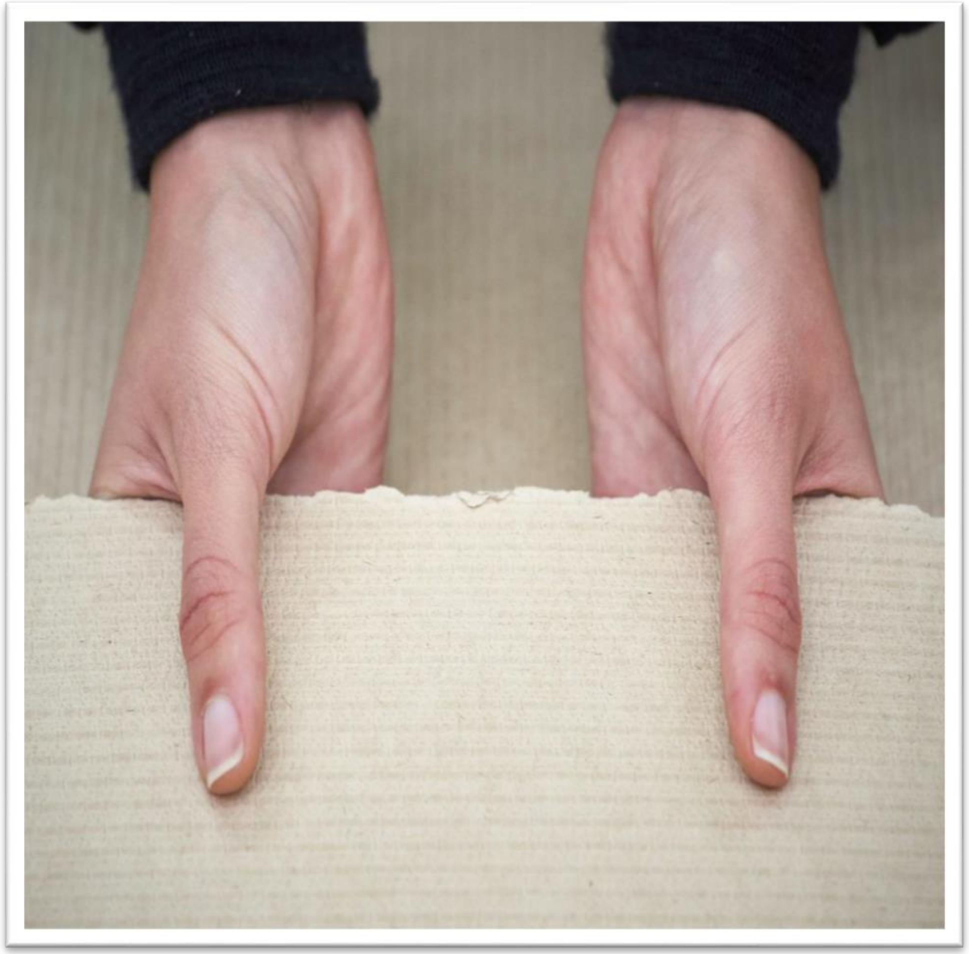
Estimated Capex (€m)	60	2024-27
Annual Pulp Production boost (t)	+30K	2027
Navia cash-cost reduction (€/t)	5	2027

[1] ROCE = EBIT / Equity + Net Debt (including leases)
[2] Up to +400,000 by 2027

As Pontes project

Growth and diversification opportunity without increasing the consumption of wood

- Ence continues to make progress on the project it is studying to launch in the town of **As Pontes** in Galicia.
- The first phase of the project consists of a line for the production of bleached mixed fiber from recovered cardboard and paper and from virgin cellulose produced by Ence, with a capacity of **100,000 tons per year** and an estimated investment of **€125m**.
- In January 2023, the purchase option for the land where the project would be located was signed. This first phase **could be operational in 2027**. The expected return (**ROCE**[1]) of the project is over **12%.**
- This project constitutes an example of fair transition and circular bioeconomy by transforming land that is part of a thermal power plant into an innovative facility based on the recovery and reuse of natural resources, **without increasing the consumption of wood**.
- Subsequent phases of the project include the installation of a cogeneration plant with certified biomass that will cover all the heat and electricity needs of the installation and a line for the manufacture of 30,000 tons of paper products per year.



[1] ROCE = EBIT / FFPP + Net Debt (including leases)

813 MW under development in Ence Renewables

Biomass plants, PV projects and industrial heating opportunities

Biomass Power Generation

- Developed 3 projects with a combined capacity of **140 MW** to participate in future public auctions
- Specific capacity auctions are scheduled until 2030 for a combined capacity of 655 MW.

Industrial Heating

- Biomass has a great potential to help decarbonize the industry
- We are **analysing several opportunities** in Spain to replace gas industrial heating with biomass.

PV Projects

- **373 MW PV projects sale**, agreed in 2021, will be closed in 2023-24 for ~€62m, as RTB status is reached
- Another 300 MW are at an early stage of development

Ence Biogas: a new business based on the circular bioeconomy

9 projects now under development with a targeted ROCE[1] >12%

- Ence has incorporated a new subsidiary in 2022, Ence Biogas, for the development and operation of biomethane plants.
- This new business is based on the circular bioeconomy which also supports our two main businesses, and it has a **high growth potential** in Spain.
- These plants will recycle **local organic waste** into biomethane, the associated sustainability certificate and a high-quality organic fertilizer.
- Ence Biogas already has a portfolio of **9 projects under development in Spain** with a combined capacity to supply 560 GWh per year.
- Mid term target: **20 biomethane plants** under operation with a capacity of >1,000 GWh per year.

[1] ROCE = EBIT / Equity + Net Debt (including leases)

Ence's managed forests constitute an important carbon sink

Offering additional growth opportunities in the voluntary CO2 markets

- Our managed forests not only produce pulp wood, but also **remove over 600,000 tons of CO2 annually** from the atmosphere and yield other environmental benefits such as biodiversity promotion, water cycle regulation and soil protection
- Part of our managed forests **produce carbon credits which may be sold in the voluntary CO2 markets** to help other companies to offset their carbon footprint
- We have **already registered 387 hectares** with the Spanish Climate Change Office, equivalent to the **removal of over 60,000 tons of CO2** during the life of the plantations
- We have identified another 3,000 hectares which are eligible to produce carbon credits and we aim to register even more hectares over the next 5 years.
- European carbon removal regulation is currently under development

ENCE continues to lead the industry in sustainability

2022 Achievements

SUSTAINALYTICS
Global ESG score: 91/100

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Production cost reduction

Safe & efficient operations

Protecting Health and Safety

- ✓ **-23% Ence's global Severity Index** (2022 vs. 2021)

Water footprint reduction

- ✓ **Water use reduction in both biofactories** (-11% in Navia vs. 2021 and -2% in Pontevedra vs. 2021)

Advancing towards a circular economy

- ✓ **>98%** of waste recovered (2022)
- ✓ **100% plants ZERO WASTE certified**

Odour reduction (vs 2021)

- ✓ **-65%** odour time (minutes) in Navia in 2022 vs 2021 (best historical performance) and **-25%** in Pontevedra

Leadership and differentiation

Climate action

Committed to mitigate climate change

- ✓ Ongoing climate risk analysis following **TCFD Recommendations**

Sustainable products

Differentiated products with higher added value

- ✓ **18%** (vs 16% in 2021) **of total sales.** Products 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 for the third year in a row
- ✓ Quality jobs: **93,4% permanent contracts**
- ✓ **+6,8% female employees** vs 2021
- ✓ **51% of new hires** in 2022 were women

Commitment to communities

Adding value to society:

- ✓ **More than 1000 visits** from our local stakeholders to our facilities in 2022

Risk minimisation

Sustainable agroforestry

Certified supply chain

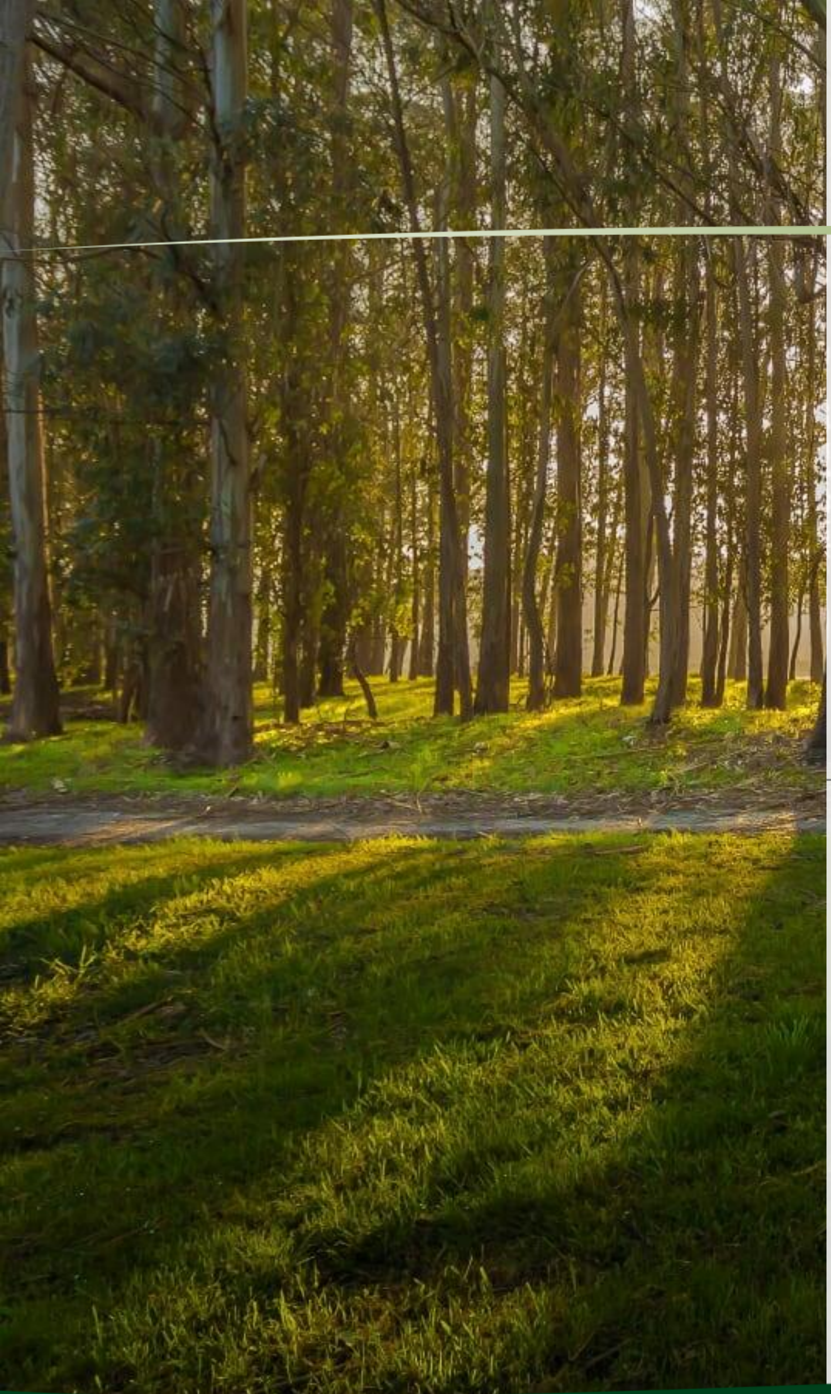
- ✓ **>83%** of managed land certified
- ✓ **73%** of supplied wood certified
- ✓ **>98%** wood & biomass suppliers homologated
- ✓ **100% plants SURE System certified** (Sustainable biomass)

Corporate governance

Transparent management

- ✓ Virtual AGM with 100% of resolutions approved
- ✓ **38,5%** female directors
- ✓ **60% independent female directors** on our Committees (Audit, Nomination and Remuneration and Sustainability)

*EPD: Environmental Product Declaration



2. FY22 Financial Highlights

2022 Financial Highlights

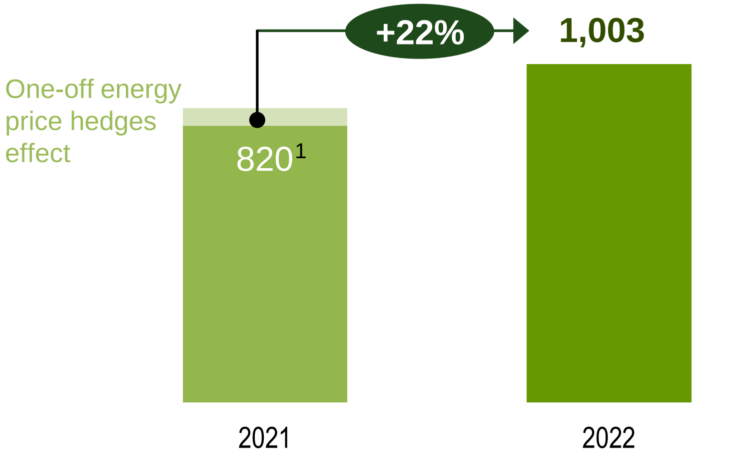
Strong pulp & energy prices drive outstanding EBITDA growth & FCF generation

1. 23% Group revenue growth, boosted by continued high pulp & energy prices, drove a material EBITDA rebound (€248m vs. €107m in 2021)
2. Pulp prices more than offset inflation in raw materials
3. Net cash position offers substantial flexibility to seize multiple growth opportunities
4. Exceptional interim dividend of €0.29 per share (€70m) to be paid on 16 March

Strong Group EBITDA recovery, up to €248m

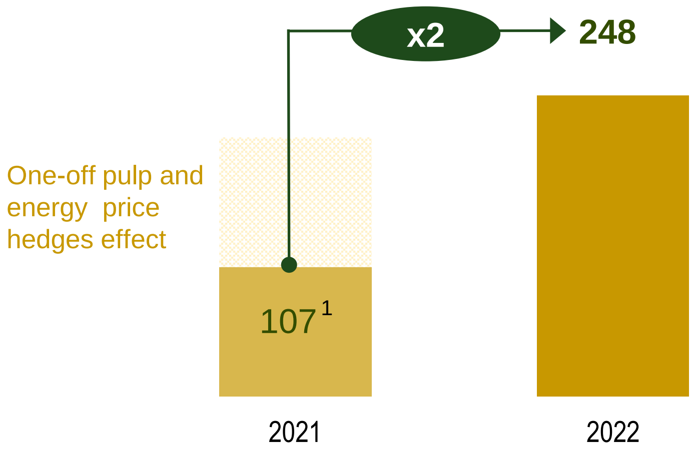
Driven by solid pulp and energy prices

Group Revenues (€ m)



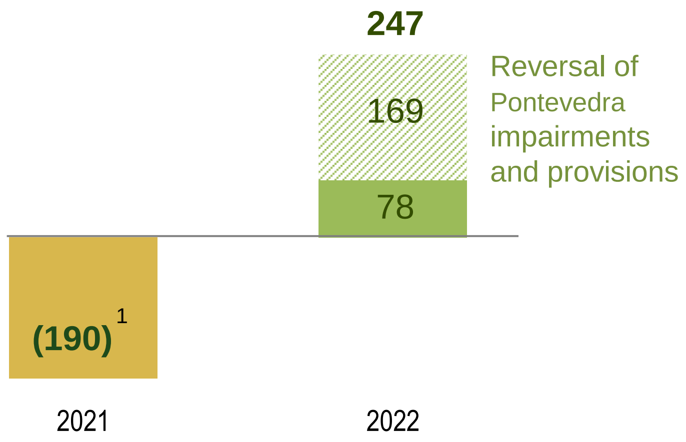
1) 2021 figures includes the effect of energy price hedges for a net €53m

Group EBITDA (€ m)



1) 2021 figures includes the effect of pulp and energy price hedges for a net €106m

Attributable Net Income (€ m)



1) 2021 figures includes Pontevedra impairments and provisions for a net €200m

Group Revenues +22% up to €1,003m **Group EBITDA x2 up to €248m**

- **Pulp business** boosted by a 38% increase in the average sales price which more than offset a 17% decrease in pulp volumes due to Pontevedra biomill downtime
- **Renewables business** boosted by a 110% increase in the average sales price due to higher electricity market prices, lower capped capacity and the impact of one-off hedges in 2021

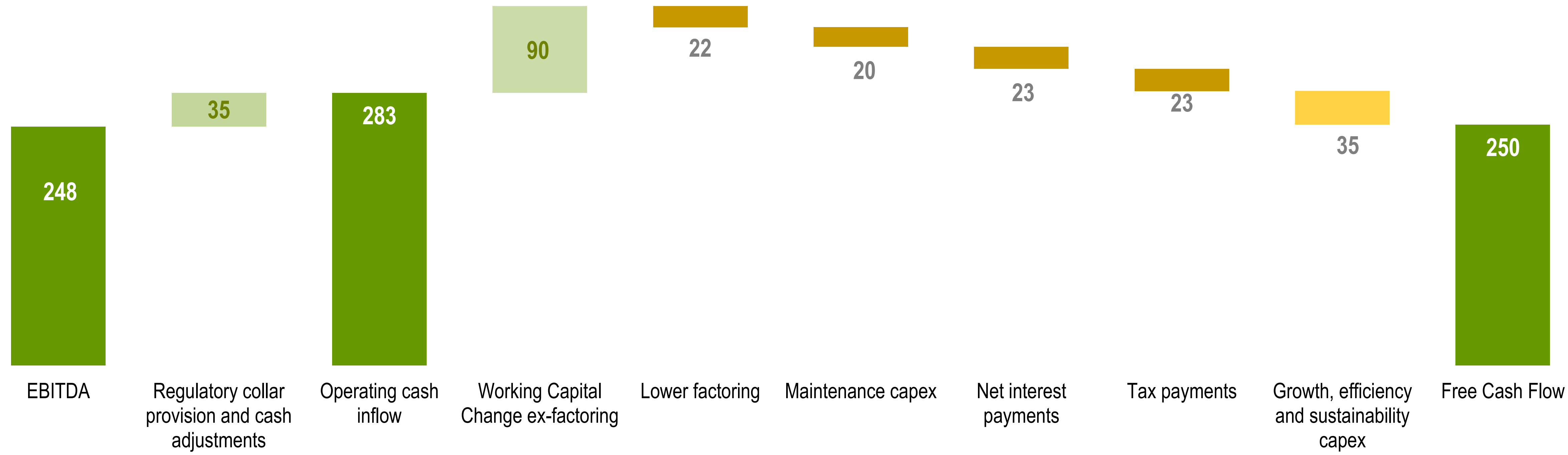
  2022 includes €33m regulatory collar provision reversal offset by a €38m impairment with no cash flow impact

Group attributable net income up to €247m

- The Spanish Supreme Court has endorsed the legality of the Pontevedra concession´s extension until 2073
- The reversal of asset impairments and expense provisions recorded in 2021, as a result of the National Court rulings, had an estimated positive impact of €169m on 2022 net profit

EBITDA performance drives outstanding Group FCF generation
WC figure includes pending payments to the electricity system amounting to €85m

Short Cash Flow Statement 2022
(€m)



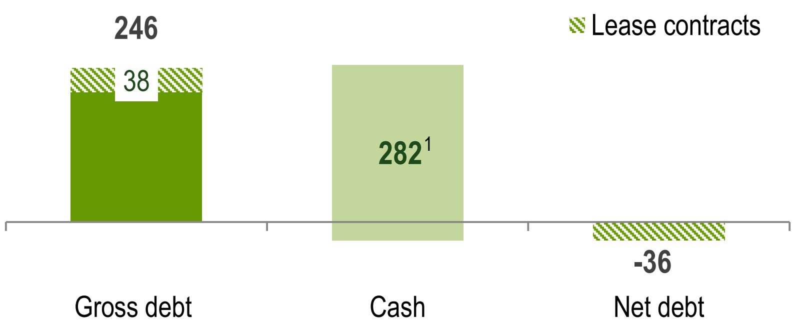
€90m working capital inflow includes **pending payments to the electricity system** amounting to **€85m**

Net debt was reduced by €132m at the end of the period, with a net cash position of €30m

Net cash position offers flexibility to seize multiple growth opportunities

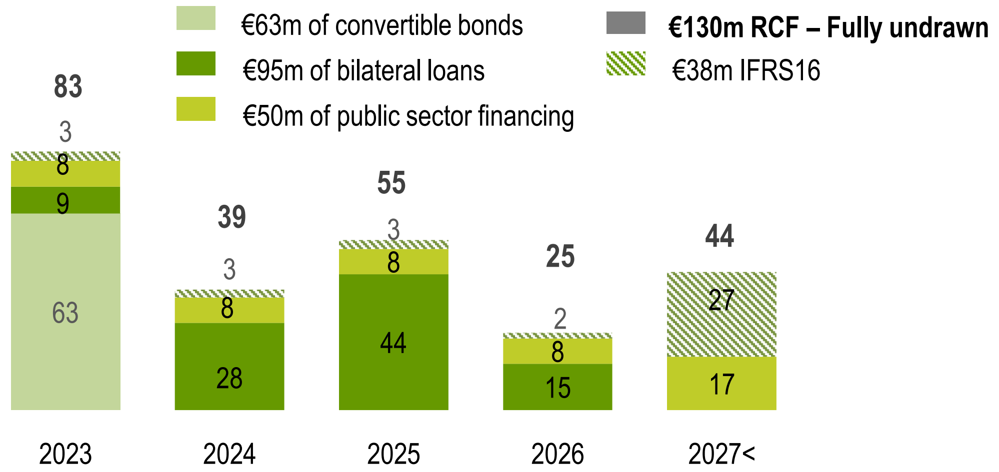
60% of the convertible bond already repurchased at the end of the period

Pulp business net debt as of 31 Dec. 2022 (€ m)

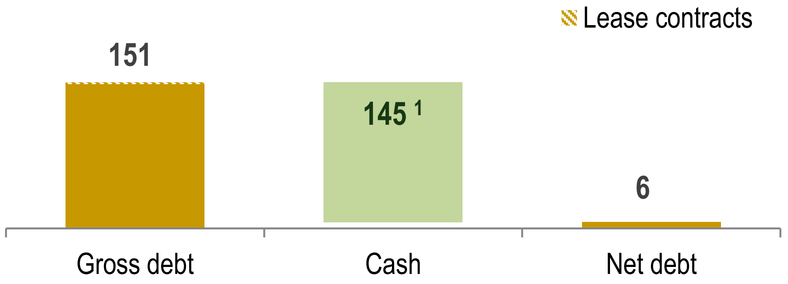


1) Before pending payments to the electricity system for an amount of €23m

Pulp business debt maturity schedule (€ m)

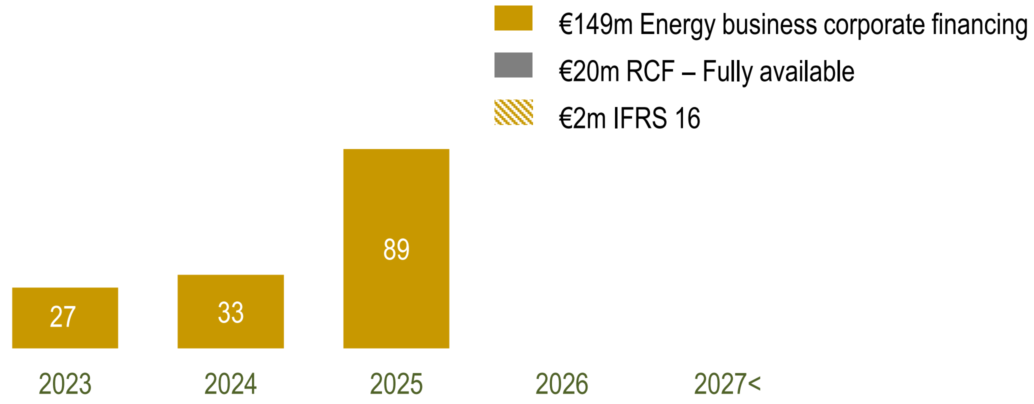


Renewables business net debt as of 31 Dec. 2022 (€ m)



1) Before pending payments to the electricity system for an amount of €62m

Renewables business debt maturity schedule (€ m)



An exceptional interim dividend of €70m will be paid on 16 March 2023

Based on strong FCF generation

Dividend policy

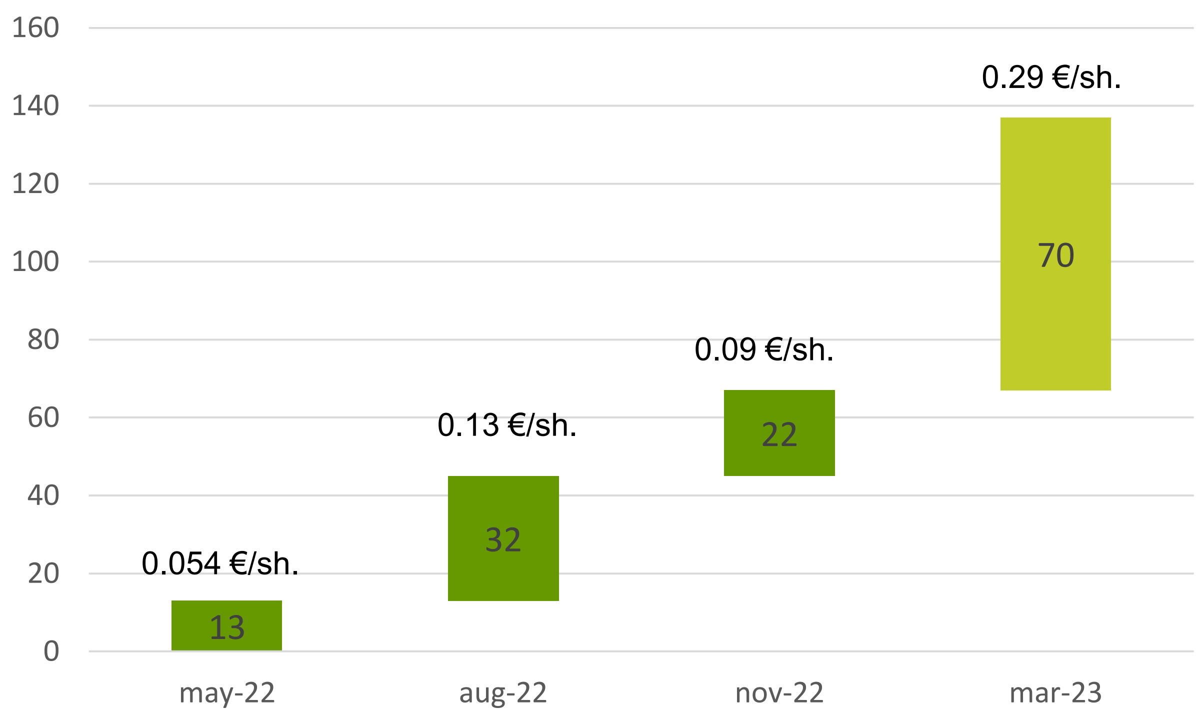
Amount based on cash available for distribution

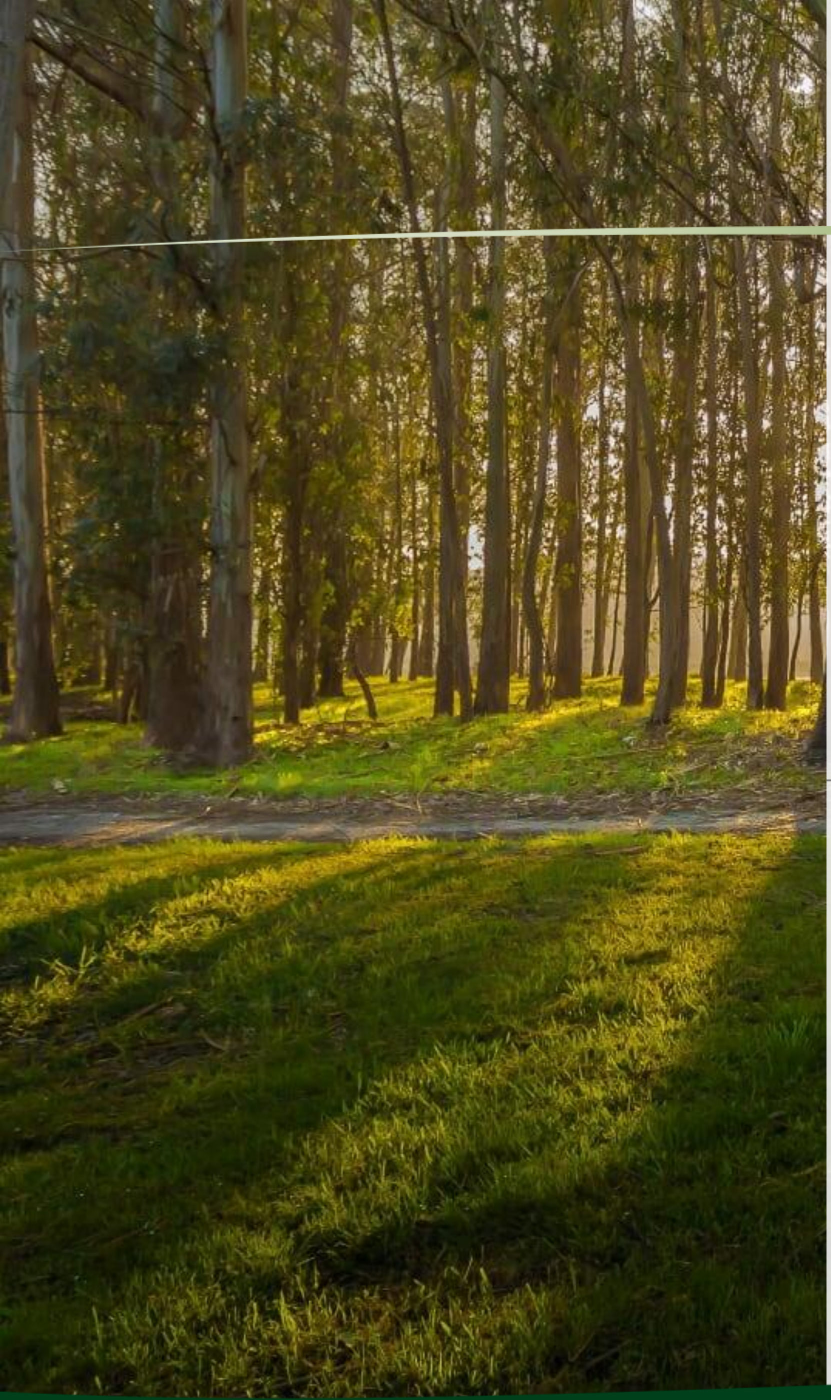
Ensuring a **leverage** below:

- **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

Considering capex plans and commitments

Dividend payment against FY2022 results (€m)



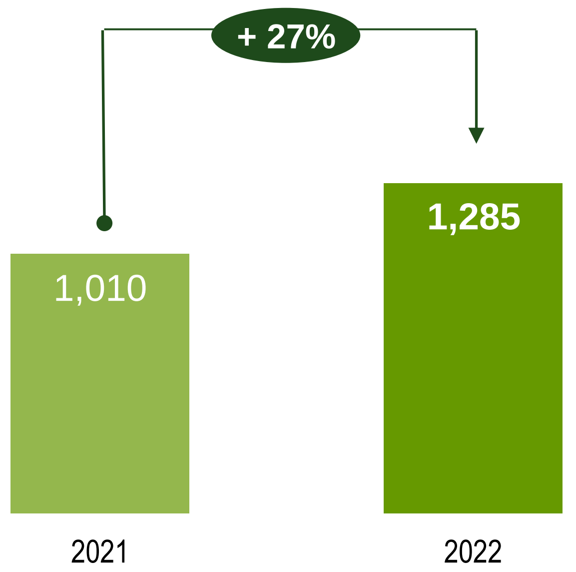


2a. Pulp Financial Results

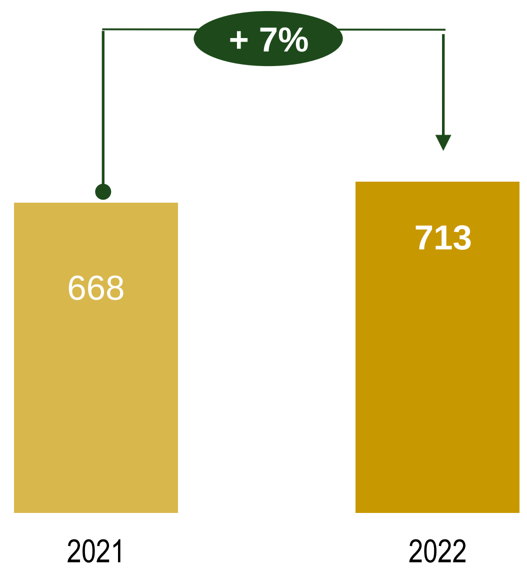
Pulp business boosted by solid prices

Gross price in 2022 was US$1,285/t vs. US$1,010/t in 2021

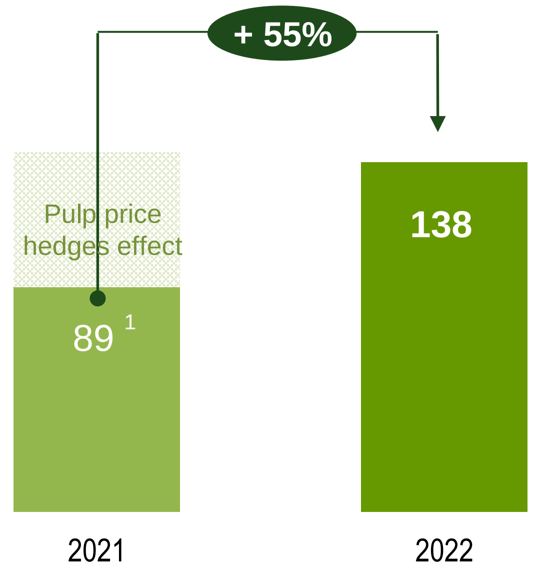
Avg. annual Europe Pulp price
(US$/t)



Pulp Sales
(€m)



Pulp EBITDA
(€m)



1) 2021 figures includes the effect of pulp price hedges for a net €53m

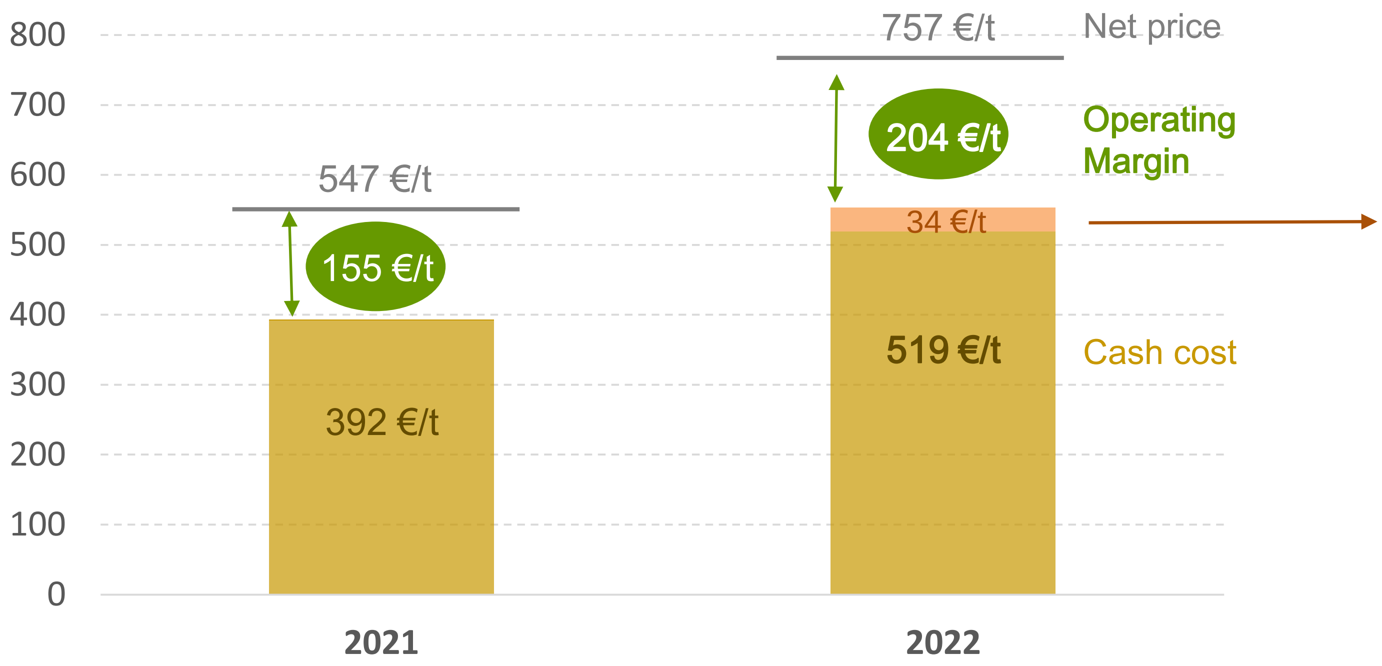
Solid pulp prices more than offset inflation in raw materials and Pontevedra´s downtime

GROSS pulp price in Europe reached **US$ 1,380/t in 4Q22.** Industry specialists expect an avg. price of **US$ 1,340/t in 1Q23**

Higher operating margins in the Pulp business

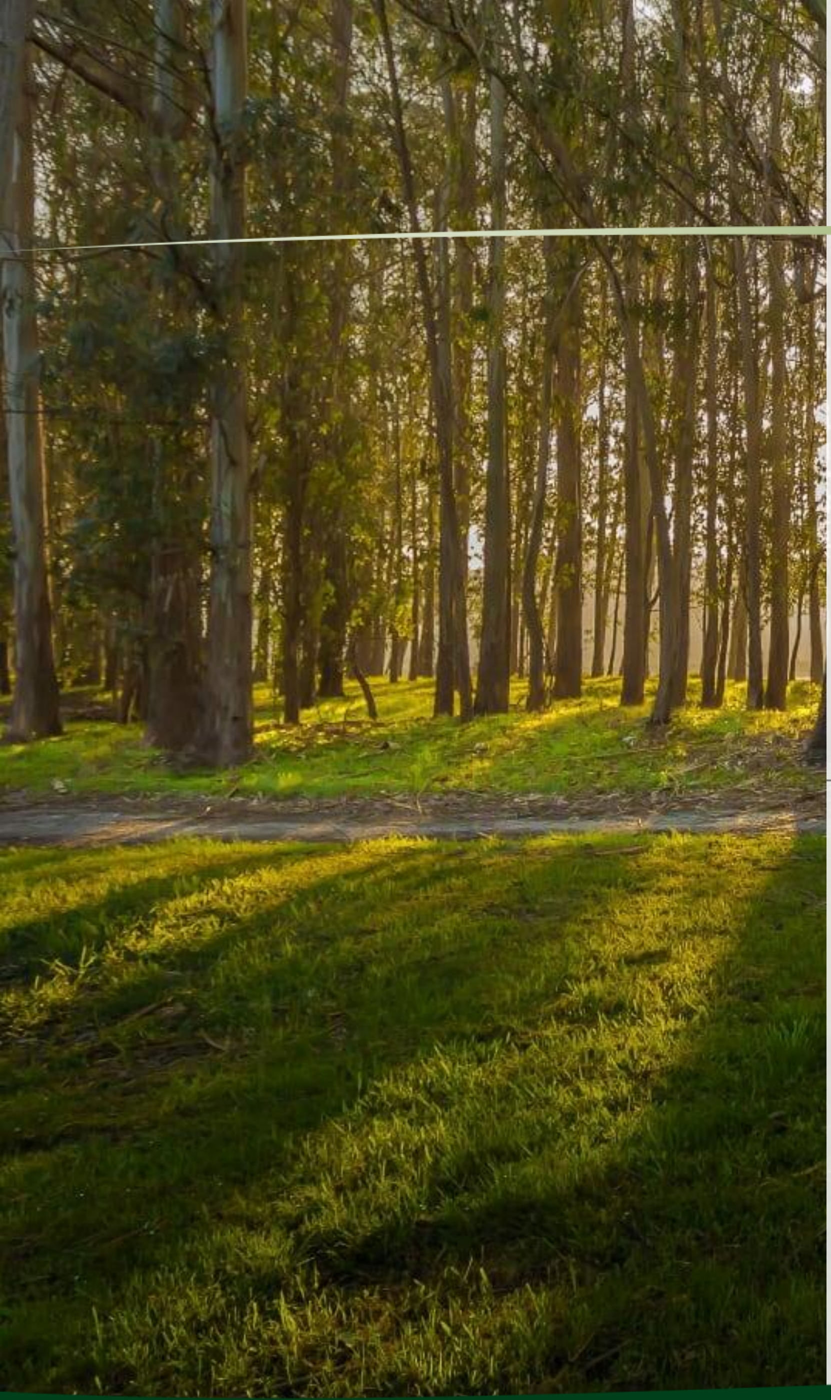
Despite Pontevedra´s downtime and raw material inflation

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



- The **temporary downtime at Pontevedra´s** biomill and the **extra-costs associated with the new water recovery solution** had an estimated impact of 34 €/t on 2022 cash cost.
- **Expected 35 €/t extra cash cost in 1H23** related to Pontevedra´s water recovery solution together with repair works in its energy turbine

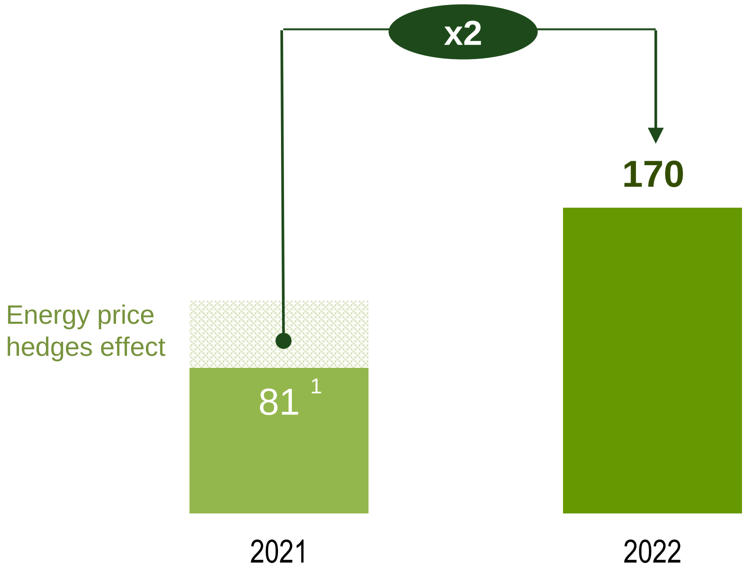
- **Operating margin** of the pulp business rose to **204 €/t in 2022** despite Pontevedra´s downtime and inflation in raw materials
- **519 €/t cash cost in 2022**, excluding Pontevedra´s downtime impact
- Our bio-mills are **electricity self-sufficient** and have **no natural gas dependence.** Raw materials are largely **locally sourced**



2b. Renewables Financial Results

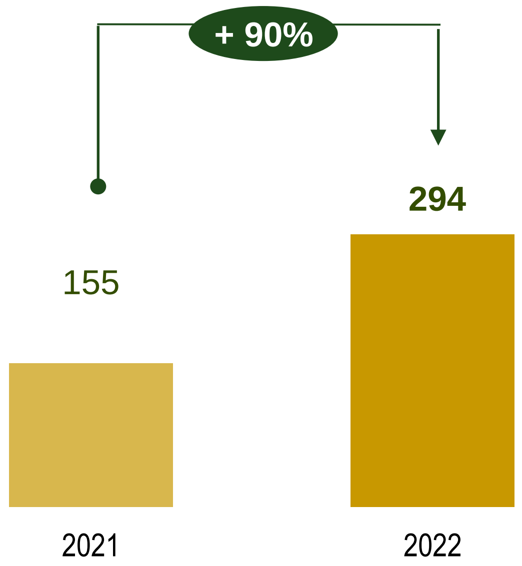
Renewable business boosted by solid prices
Regulated energy price above 200 €/MWh to drive EBITDA in 2023

Average selling price
(€/MWh)

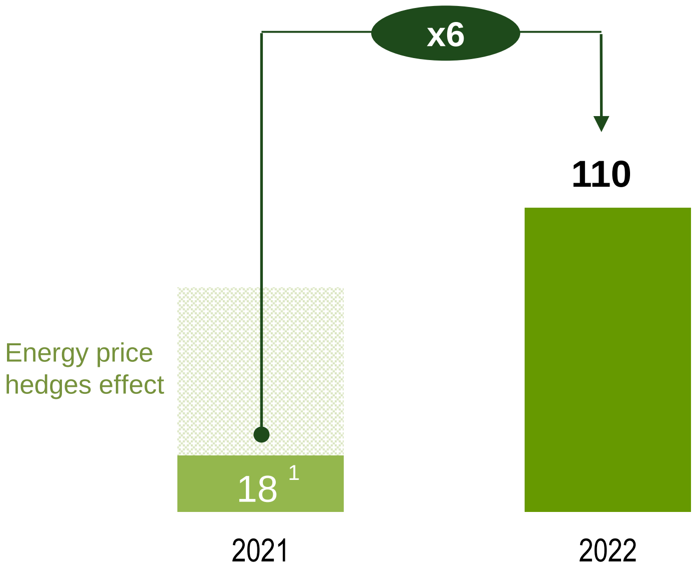


1) 2021 figures includes the effect of energy price hedges for a net €53m

Renewables Sales
(€m)



Renewables EBITDA
(€m)



1) 2021 figures includes the effect of energy price hedges for a net €53m

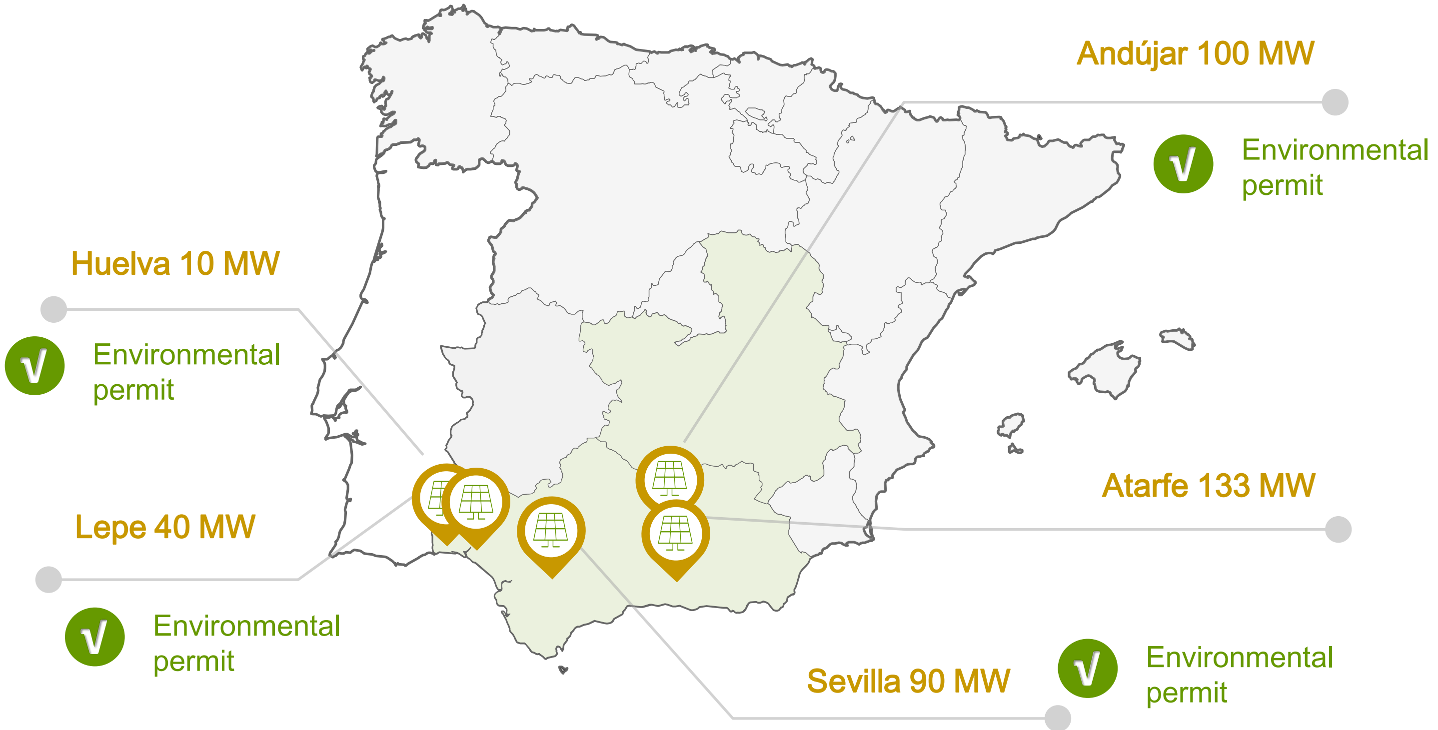
Higher regulated energy price (>200 €/MWh) will drive EBITDA in 2023

The difference between the regulated and market energy prices in 2023 generates future cash collection rights

373 MW PV projects sale will be closed in 2023-24 for ~€62m

Providing a one-off boost to our renewable business EBITDA of over €50m over 2023-24

Portfolio location



In Dec. 2021 Magnon agreed to sell 5 PV assets with a combined capacity of 373 MW for ~€62m.

Transaction to be closed in 2023-24 as the projects reach their ready to build status

3. 2023 Outlook

2023 Outlook

1. Pulp production expected to normalize above 1 million tons

2. Solid energy prices expected to continue with a regulated price >200 €/MWh

3. The difference between the regulated and market energy prices in 2023 generates future cash collection rights

4. PV projects sold in 2021 and achieving their RTB status in 2023-24 will further boost Renewables EBITDA by over €50m in those years

Highlights & Key Messages

Ence well positioned to capture growth opportunities following strong 2022

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- 9 biogas projects currently under development targeting a ROCE>12%
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- Ence continues to be the leading company in sustainability

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- Solid energy prices expected to continue with a regulated price >200 €/MWh
- The difference between the regulated and market energy prices in 2023 generates future cash collection rights
- PV projects sold in 2021 will achieve RTB status in 2023-24 further boosting our Renewables EBITDA by over €50m in those years

4. Q&A

Group Financial Review

P&L

Figures in € m	2022 Pulp	2022 Renewables	2022 Adjustments	2022 Consolidated	2021 Pulp	2021 Renewables	2021 Adjustments	2021 Consolidated
Total revenue	**712,9**	**294,3**	**(3,8)**	**1.003,4**	**667,6**	**154,9**	**(2,8)**	**819,7**
Other income	20,5	4,3	(1,2)	23,6	14,8	19,3	(1,4)	32,6
Foreign exchange hedging operations results	(20,3)	-	-	(20,3)	(88,2)	-	-	(88,2)
Cost of sales and change in inventories of finished produ	(307,8)	(92,7)	3,8	(396,7)	(286,2)	(73,5)	2,8	(356,9)
Personnel expenses	(75,4)	(17,8)	-	(93,2)	(70,6)	(13,6)	-	(84,2)
Other operating expenses	(192,2)	(78,2)	1,2	(269,2)	(148,4)	(69,3)	1,4	(216,3)
EBITDA	**137,7**	**109,8**	**-**	**247,6**	**89,0**	**17,8**	**-**	**106,8**
Depreciation and amortisation	(52,1)	(40,2)	0,9	(91,4)	(47,8)	(36,7)	2,7	(81,9)
Depletion of forestry reserves	(7,0)	(0,0)	-	(7,0)	(11,4)	(0,1)	-	(11,6)
Impairment of and gains/(losses) on fixed-asset disposals	184,5	(41,3)	0,7	143,9	(192,4)	(1,1)	-	(193,5)
Other non-ordinary operating gains/(losses)	(14,9)	-	-	(14,9)	4,2	-	-	4,2
EBIT	**248,3**	**28,3**	**1,6**	**278,2**	**(158,4)**	**(20,1)**	**2,7**	**(175,9)**
Net finance cost	(9,9)	(16,3)	-	(26,3)	(9,6)	(11,9)	-	(21,5)
Other finance income/(costs)	1,4	0,3	-	1,6	3,7	1,1	-	4,9
Profit before tax	**239,8**	**12,2**	**1,6**	**253,6**	**(164,3)**	**(30,9)**	**2,7**	**(192,5)**
Income tax	3,7	(8,2)	-	(4,7)	(19,1)	6,3	3,3	(9,4)
Net Income	**243,5**	**3,9**	**1,5**	**248,9**	**(183,4)**	**(24,6)**	**6,0**	**(202,0)**
Non-controlling interests	-	0,6	(2,3)	(1,7)	-	(1,0)	12,5	11,6
Atributable Net Income	**243,5**	**4,5**	**(0,8)**	**247,2**	**(183,4)**	**(25,5)**	**18,5**	**(190,4)**
Earnings per Share (EPS)	1,00	0,02	(0,0)	1,02	(0,75)	(0,11)	0,08	(0,78)

Group Financial Review
Cash Flow

	2022				2021			
Figures in € m	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
Consolidated profit/(loss) for the period before tax	**239,8**	**12,2**	**1,6**	**253,6**	**(164,3)**	**(30,9)**	**2,7**	**(192,5)**
Depreciation and amortisation	59,0	40,3	(0,9)	98,4	59,3	36,9	(2,7)	93,5
Changes in provisions and other deferred expense	23,4	2,1	-	25,5	(0,5)	2,1	-	1,6
Impairment of gains/(losses) on disposals intangible assets	(184,5)	41,2	(0,7)	(144,0)	192,4	1,1	-	193,5
Net finance result	8,6	16,0	-	24,6	7,2	10,8	-	18,0
Energy regulation adjustment (regulatory collar)	14,5	10,4	-	25,0	24,1	65,0	-	89,1
Government grants taken to income	(0,5)	(0,1)	-	(0,7)	(0,6)	(0,3)	-	(0,9)
Adjustments to profit	**(79,5)**	**109,9**	**(1,6)**	**28,8**	**282,0**	**115,4**	**(2,7)**	**394,7**
Inventories	(24,3)	(10,3)	-	(34,6)	(11,5)	(2,0)	-	(13,5)
Trade and other receivables	8,2	0,6	11,7	20,5	(43,1)	(6,3)	-	(49,4)
Current financial and other assets	2,4	(0,0)	-	2,3	2,4	0,0	-	2,4
Trade and other payables	10,7	80,3	(11,7)	79,3	29,3	(2,3)	-	27,0
Changes in working capital	**(3,0)**	**70,6**	**-**	**67,6**	**(23,0)**	**(10,6)**	**-**	**(33,6)**
Interest paid	(6,3)	(17,0)	-	(23,3)	(6,9)	(12,3)	-	(19,2)
Dividends received	-	-	-	-	0,0	-	-	0,0
Income tax received/(paid)	(13,9)	(8,6)	-	(22,6)	(1,3)	(6,9)	-	(8,2)
Other collections/(payments)	(0,4)	-	-	(0,4)	-	(0,0)	-	(0,0)
Other cash flows from operating activities	**(20,6)**	**(25,7)**	**-**	**(46,3)**	**(8,2)**	**(19,2)**	**-**	**(27,4)**
Net cash flow from operating activities	**136,7**	**167,0**	**-**	**303,7**	**86,5**	**54,8**	**-**	**141,3**
Property, plant and equipment	(41,7)	(10,1)	-	(51,8)	(49,9)	(18,4)	-	(68,3)
Intangible assets	(2,8)	(0,3)	-	(3,1)	(2,6)	(0,2)	-	(2,7)
Other financial assets	0,2	-	-	0,2	(0,3)	0,0	-	(0,3)
Disposals	0,4	0,4	-	0,8	13,7	5,5	(13,3)	6,0
Net cash flow used in investing activities	**(43,9)**	**(10,0)**	**-**	**(53,9)**	**(39,1)**	**(13,0)**	**(13,3)**	**(65,4)**
Free cash flow	**92,8**	**157,0**	**-**	**249,8**	**47,4**	**41,8**	**(13,3)**	**75,9**
Buyback/(disposal) of own equity instruments	0,1	-	-	0,1	(2,2)	-	-	(2,2)
Proceeds from and repayments of financial liabilities	(66,5)	(82,9)	-	(149,4)	(174,8)	(28,2)	-	(203,1)
Dividends payments	(66,6)	(1,0)	-	(67,6)	-	(26,6)	13,3	(13,4)
Net cash flow from/ (used in) financing activities	**(132,9)**	**(83,9)**	**-**	**(216,8)**	**(177,0)**	**(54,8)**	**13,3**	**(218,6)**
Net increase/(decrease) in cash and cash equivalents	**(40,1)**	**73,1**	**-**	**32,9**	**(129,6)**	**(13,1)**	**-**	**(142,7)**

Group Financial Review
Balance Sheet

Figures in € m	Dec - 22 Pulp	Dec - 22 Renewables	Dec - 22 Adjustments	Dec - 22 Consolidated	Dic. - 21 Pulp	Dic. - 21 Renewables	Dic. - 21 Adjustments	Dic. - 21 Consolidated
Intangible assets	15,6	35,0	(12,7)	37,9	13,2	38,1	(13,3)	37,9
Property, plant and equipment	603,4	389,0	(8,5)	983,9	436,9	456,3	(9,6)	883,6
Biological assets	60,4	0,2	-	60,5	59,6	0,1	(0,0)	59,7
Non-current investments in Group companies	112,6	0,0	(112,5)	0,0	112,6	0,0	(112,5)	0,0
Non-current borrowings to Group companies	18,6	-	(18,6)	-	38,3	-	(38,3)	-
Non-current financial assets	20,8	5,4	-	26,1	14,6	1,9	0,0	16,5
Deferred tax assets	30,5	19,4	3,2	53,1	20,1	22,1	3,3	45,6
Cash reserve for debt service	-	10,0	-	10,0	-	10,0	-	10,0
Total non-current assets	**861,8**	**459,0**	**(149,1)**	**1.171,6**	**695,2**	**528,5**	**(170,4)**	**1.053,3**
Inventories	80,5	21,9	-	102,3	53,6	12,1	-	65,7
Trade and other accounts receivable	59,4	40,5	(29,2)	70,6	70,2	42,2	(17,5)	94,9
Income tax	6,8	1,3	-	8,0	1,5	0,3	0,0	1,8
Other current assets	7,5	0,4	-	7,9	10,7	(0,0)	0,0	10,7
Hedging derivatives	0,0	2,6	-	2,6	0,0	-	-	-
Current financial investments in Group companies	0,4	0,0	(0,4)	0,0	-	0,0	-	0,0
Current financial investments	4,2	0,0	-	4,3	6,6	0,0	-	6,6
Cash and cash equivalents	278,4	134,5	-	412,9	318,5	61,5	(0,0)	380,0
Total current assets	**437,1**	**201,2**	**(29,6)**	**608,7**	**461,1**	**116,1**	**(17,5)**	**559,7**
TOTAL ASSETS	**1.298,9**	**660,2**	**(178,8)**	**1.780,3**	**1.156,2**	**644,6**	**(187,9)**	**1.613,0**
Equity	**719,8**	**228,9**	**(130,6)**	**818,2**	**539,0**	**218,6**	**(132,1)**	**625,5**
Non-current borrowings	163,2	122,9	-	286,1	289,4	162,9	(0,0)	452,3
Non-current loans with Group companies and associates	-	36,4	(18,6)	17,8	-	75,2	(38,3)	36,8
Non-current derivatives	-	-	-	-	-	2,2	-	2,2
Deferred tax liabilities	-	-	-	-	-	-	-	-
Non-current provisions	27,9	0,1	-	28,0	51,1	0,1	0,0	51,2
Other non-current liabilities	38,2	75,8	-	114,0	23,7	68,0	-	91,8
Total non-current liabilities	**229,2**	**235,3**	**(18,6)**	**445,9**	**364,2**	**308,4**	**(38,3)**	**634,2**
Current borrowings	83,3	27,8	-	111,1	16,2	29,8	-	46,0
Current derivatives	0,4	-	-	0,4	7,0	2,6	-	9,6
Trade and other account payable	226,4	164,4	(29,2)	361,6	213,7	81,3	(17,5)	277,5
Short-term debts with group companies	0,0	0,7	(0,4)	0,4	0,0	1,3	(0,0)	1,3
Income tax	0,0	-	-	0,0	0,0	0,1	-	0,1
Current provisions	39,8	3,0	-	42,8	16,1	2,7	-	18,8
Total current liabilities	**349,9**	**196,0**	**(29,6)**	**516,2**	**253,0**	**117,7**	**(17,5)**	**353,2**
TOTAL EQUITY AND LIABILITIES	**1.298,9**	**660,2**	**(178,8)**	**1.780,3**	**1.156,2**	**644,6**	**(187,9)**	**1.613,0**

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 2021 and 2022, this heading reflects the movements in the provisions derived from the Appellate Court rulings annulling the concession in Pontevedra in July 2022 and the subsequent Supreme Court rulings of February 2023 upholding the validity of the concession in Pontevedra until 2073. In 2022, it includes a €21m provision recognised to cover commitments under Ence's Pontevedra Environmental Pact and the reversal of a €6.1m provision covering the termination of onerous contracts. In 2021, it included the reversal of the provision accumulated to cover commitments under the Environmental Pact in the amount of €14m, coupled with recognition of a €6.1m provision to cover the termination of contracts in effect and of €3.7m to cover the potential impairment of biomill spare parts and other contingencies.

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 and sale of pulp that impact cash flows. Therefore, it does not include asset depreciation and amortisation charges, impairment losses on non-current assets or gains or losses on their disposal, other non-operating items, finance income or costs or income tax.

The cash cost 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 adjustments for tariff shortfall/surplus (the regulatory collar) on energy sales, forest depletion charges and the change in inventories. To calculate the cash cost, the related production costs are divided by the volume of tonnes produced, while overhead and sales and logistics costs are divided by the volume of tonnes sold.

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. This APM is provided to reconcile EBITDA and operating cash flow.

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, the adjustments related with electricity sector regulations and other adjustments to profit. It 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 statement of financial position and unrestricted cash on the asset side, which includes 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.

ROCE

ROCE stands for the return on capital employed and is used by management as a key profitability performance indicator. It is calculated by dividing EBIT for the last 12 months by average capital employed during the period, capital employed being the sum of equity and net debt. For the Pulp business, equity is calculated as the difference between consolidated equity and the equity recognised by the Renewable Energy business.

ROCE is widely used in the capital markets to measure and compare the earnings performance of different companies.

SUSTAINALYTICS Global ESG score: 91/100

Delivering value
Delivering commitments