ENERGÍA & CELULOSA

1H23 Results

27 July 2023

SUSTAINALYTICS Global ESG score: 90/100

MSCI ESG RATINGS

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

1H23 Results Summary

1. Financial Highlights

- 100 €/t cash cost reduction in 2Q23 vs. 1Q23 partially mitigated a 24% net pulp price decline over the same period
- Accounting (non cash) impact of the updated regulated energy price in 2023 is offset by a higher Ri cashed annually from 2023
- €105m working capital normalization in 1H23 following the return of €85m excess Ro collected in 2022 and the production normalization at Pontevedra.
- €140 m dividend paid in 1H23 against FY2022, based on strong FCF generation and low leverage
- Low leverage position relative to our average cycle EBITDA offers flexibility to seize multiple growth opportunities
- We confirm our leadership in sustainability according to Sustainalytics and Ecovadis

2. 2023 Outlook

- Cash cost improvement to continue in the coming quarters. Cash cost expected to improve below €500/t over 2H23
- 2023 Pulp production expected to normalize at close to 1 million tons
- Pulp price in Europe is expected to bottom out in 3Q23, following its correction in 2Q23
- We expect pulp demand growth to exceed supply growth over the coming years, providing a strong support for an improving pulp price outlook
- €26m estimated positive cash impact in 2023 from the regulated energy price update
- €27m expected positive contribution to EBITDA from pending PV projects sale in 2H23-2024

3. Growth & Diversification Initiatives Update

- First phase of Navia Excelente project on track to continue diversifying our production towards our differentiated pulp products and Fluff pulp, with a target ROCE>12%
- As Pontes project to continue growing and diversifying the business, without increasing the consumption of wood
- Our unique competitive advantage: over 95% of our wood is locally sourced
- 15 biogas projects currently under development, targeting a ROCE>12%
- Working with potential industrial customers in Spain to replace fossil-fuel heating with renewable heating
- New opportunities to monetize carbon credits in the CO2 markets

1. 1H23 Financial Highlights

1H23 Financial Highlights

1 **100 €/t cash cost reduction** in 2Q23 vs. 1Q23, partially mitigated the **24% net pulp price decline** during the same quarter.

2 Accounting (non cash) impact of the **updated regulated energy price** in 2023 is offset by a **higher Ri cashed annually from 2023**

3 **€140 m dividend payment against 2022 Results,** based on strong FCF generation and low leverage

4 **Working capital normalization in 1H23** following the return of €85m excess Ro collected in 2022 and the production normalization at Pontevedra

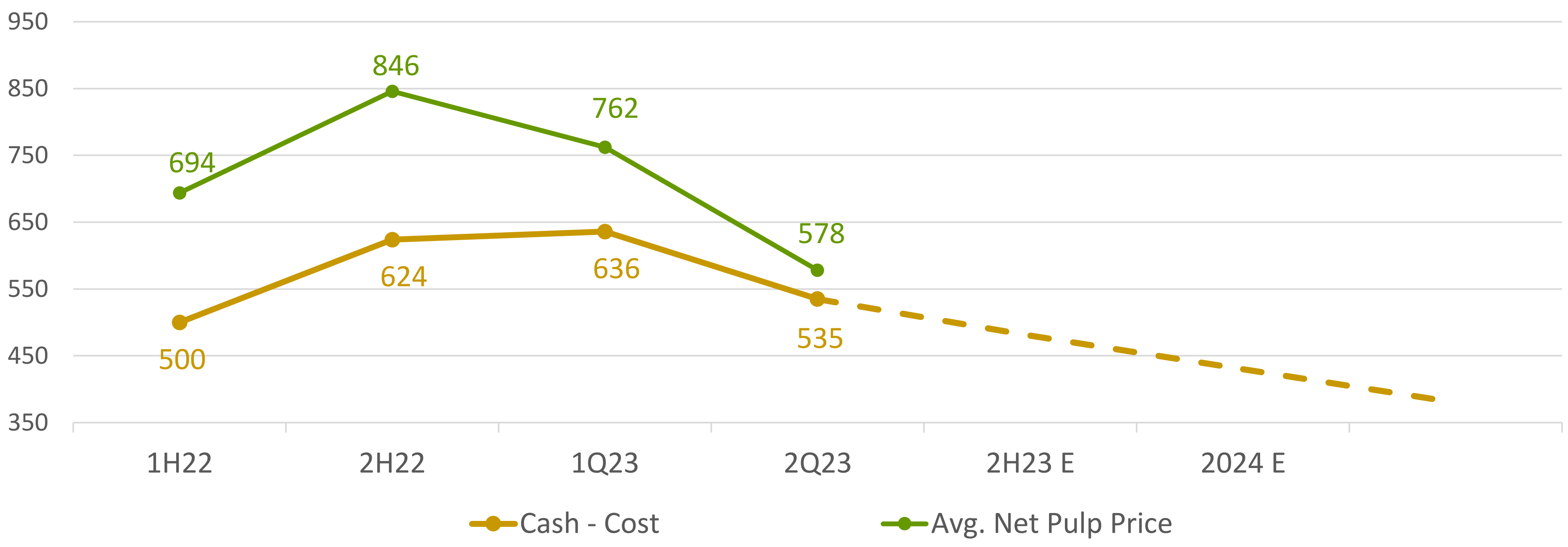
5 **Low leverage position relative to our average cycle EBITDA** offers flexibility to seize multiple growth opportunities

6 **Solid cash balance of €376 m** at 30 June 2023

100 €/t cash cost reduction in 2Q23 vs. 1Q23

Partially mitigated the 24% decline in net pulp prices during the same quarter

Avg. NET Pulp Price & Cash-Cost (€/t)



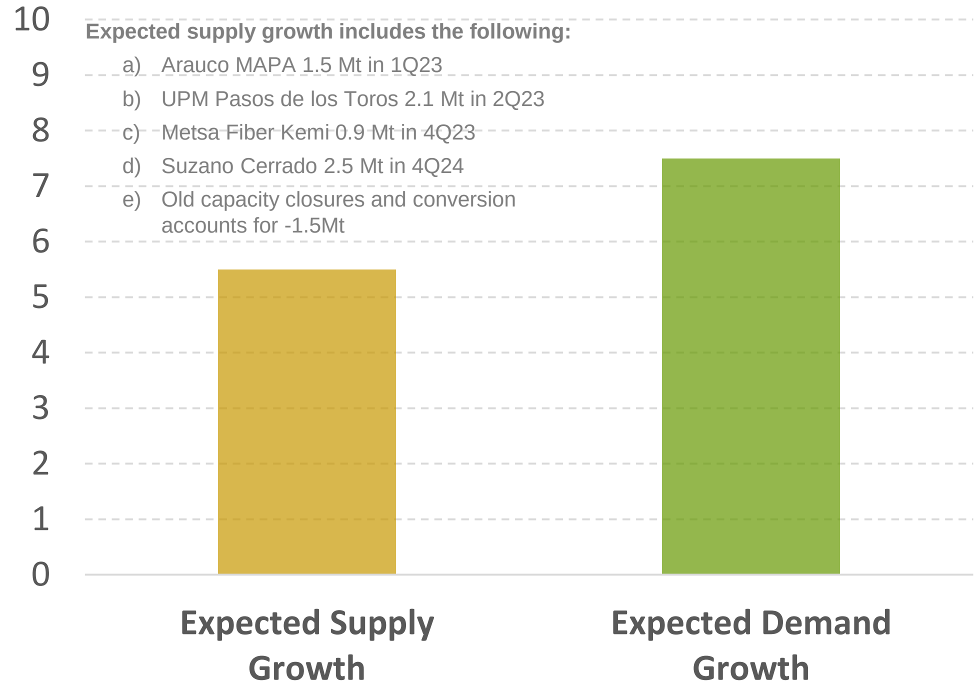
Pulp price in Europe is expected to bottom out in 3Q23, following its correction in 2Q23

Cash cost improvement to continue in the coming quarters

Pulp price in Europe is expected to bottom out in 3Q23

We expect pulp demand to exceed supply over 2023-27

Market Pulp Expected Supply and Demand Growth over 2023 - 2027 (Mn tons)



Main market pulp demand growth drivers:

- ✓ The end of the current destocking in the paper industry and the displacement of the higher cost integrated pulp capacity at current net price levels, should stimulate a market pulp demand recovery in 2H23-2024
- ✓ Growing paper segments (tissue, packaging and specialities) now account for over 80% of market pulp demand
- ✓ Boosted by structural growth trends such as urban population growth, increasing living standards in emerging markets and e-commerce
- ✓ Plastic and synthetic fiber substitution will accelerate pulp demand growth in the coming years
- ✓ Lower recycled fiber availability due to declining P&W paper consumption will increase virgin fiber demand

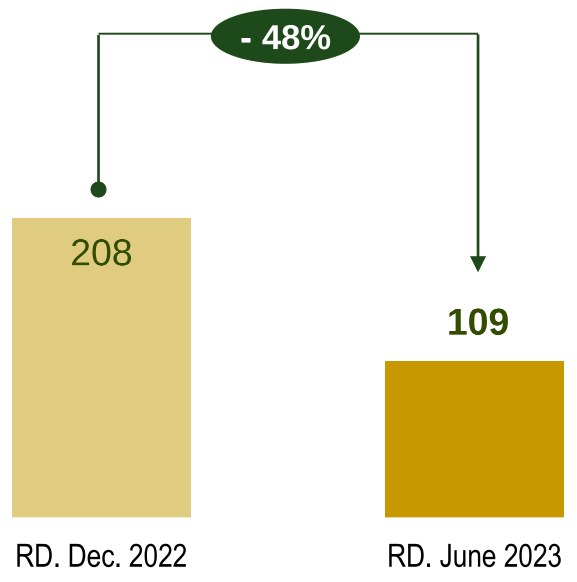
Wood availability will limit further competitive pulp capacity additions (market or integrated)

Despite short term destocking in the paper industry, **we expect pulp demand to exceed supply over 2023-2027**

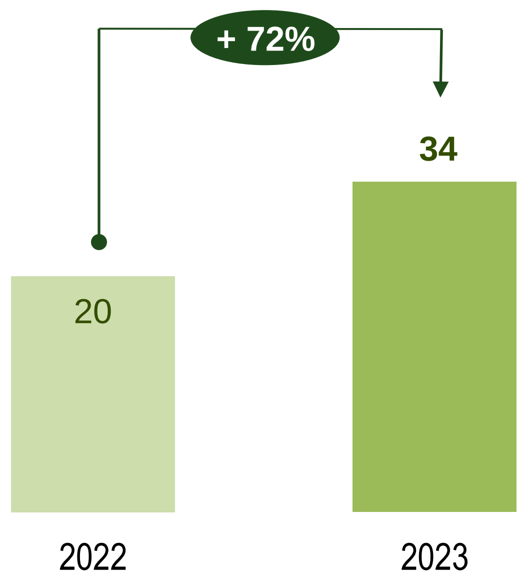
The regulated energy price applicable from 1 Jan. 2023 was updated in June

Accounting (non cash) impact in 2023 is offset by a higher Ri cashed annually from 2023

Regulatory energy price
(**€/MWh**)



Annual remuneration for investment (Ri)
for the Group Plants (**€m per year**)

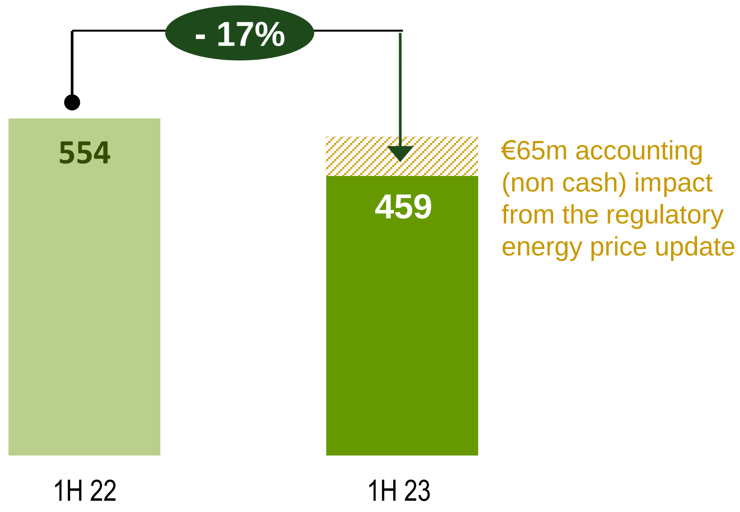


- Accounting (non cash) impact from the regulated energy price update is offset by **€14m higher remuneration for investment** (Ri) **cashed annually from 2023**
- Biomass plants regulation ensures a **minimum return of 7.4%** during the life of the plants

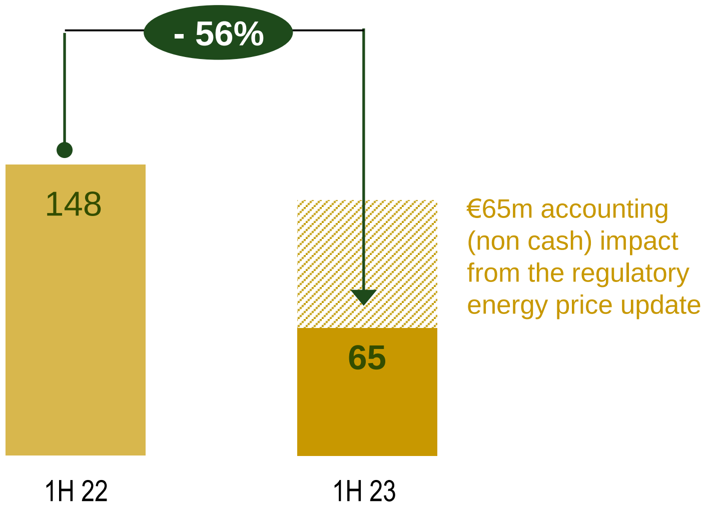
1H23 Consolidated Results

Driven by the pulp price correction and the accounting impact of the regulated energy price update

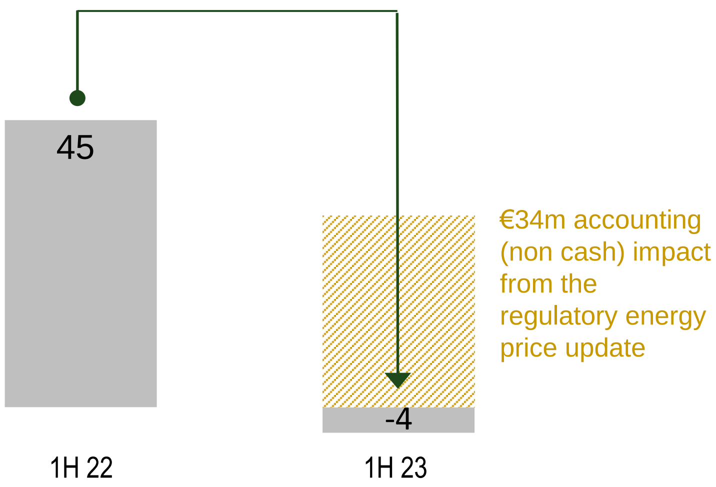
Group Revenues (€ m)



Group EBITDA (€ m)



Attributable Net Income (€ m)



Group Revenues - 17% to €459m

Group EBITDA - 56% to €65m

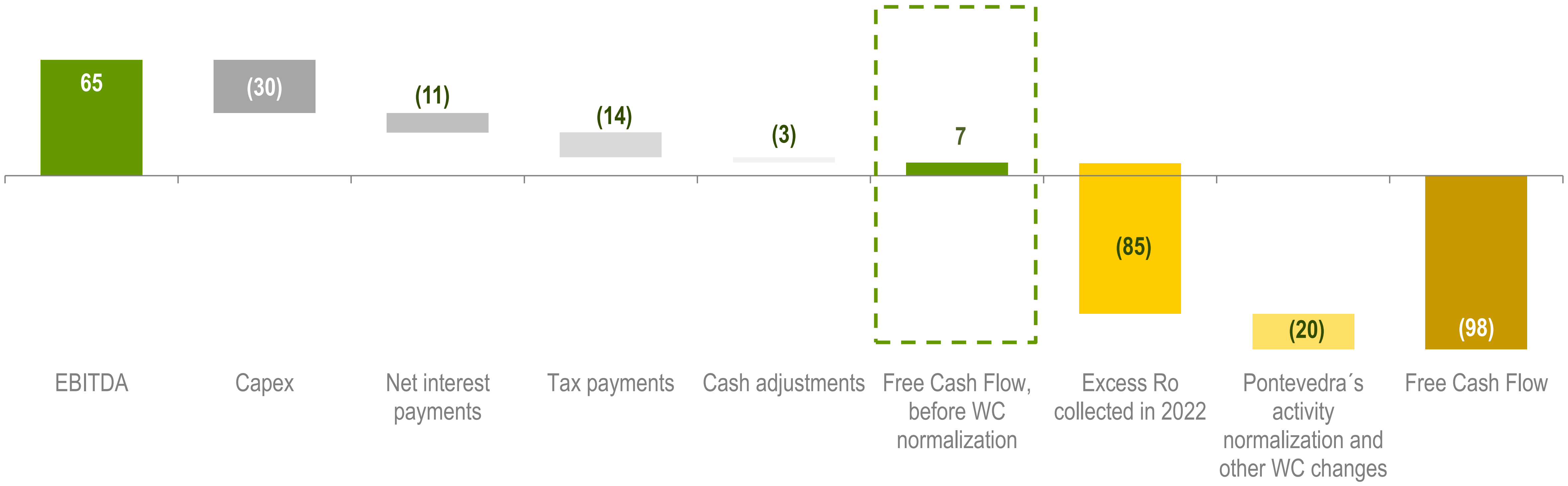
Group attributable net income to €(4)m

- **Accounting (non cash) impact of the regulatory energy price update**, applicable as from 1 January 2023, is **offset by €14m higher remuneration for investment** (Ri) **cashed annually from 2023**
- **-4% net average sales pulp price** and +17% cash cost vs. 1H22 due to the **delayed effect of inflation** in raw material and energy costs
- **100 €/t cash cost improvement in 2Q23** vs. 1Q23 due to declining raw material and energy costs
- **First PV project sale** contributed €23m to EBITDA 1Q23

Working capital normalization in 1H23

Free Cash Flow was positive in 1H23, before the working capital normalization

Short Cash Flow Statement 1H23
(€m)



- **€105m working capital outflow** includes the **return of €85m from the excess remuneration** collected in 2022 following the adjustment of the regulation applicable to renewables in 2022 and the impact of renewed activity at **Pontevedra**

€140m dividend paid in 1H23, against 2022 Results

Based on strong FCF generation and low leverage

Dividend policy

Amount based on cash available for distribution

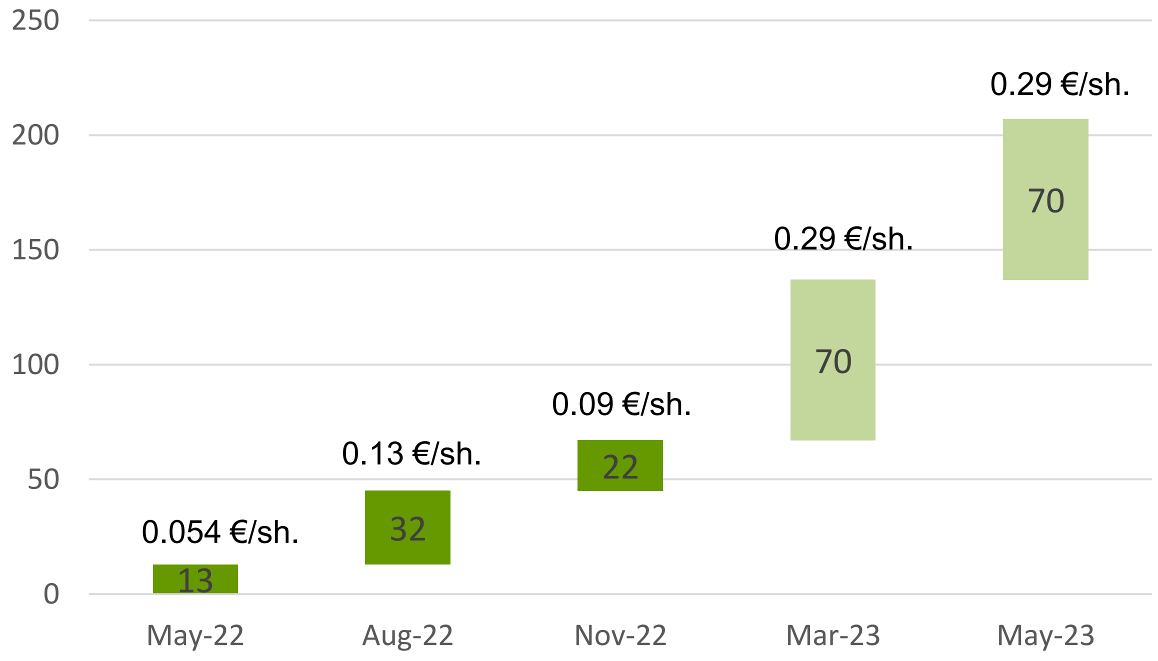
Ensuring a **leverage** below:

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

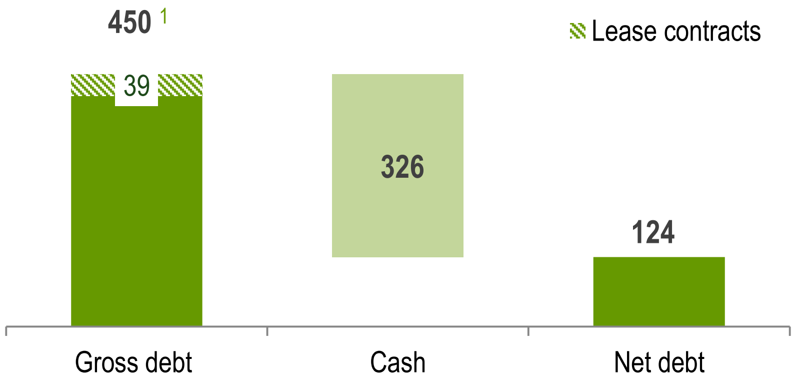
Dividend payment against FY2022 results (€m)



Low leverage position relative to our average cycle EBITDA

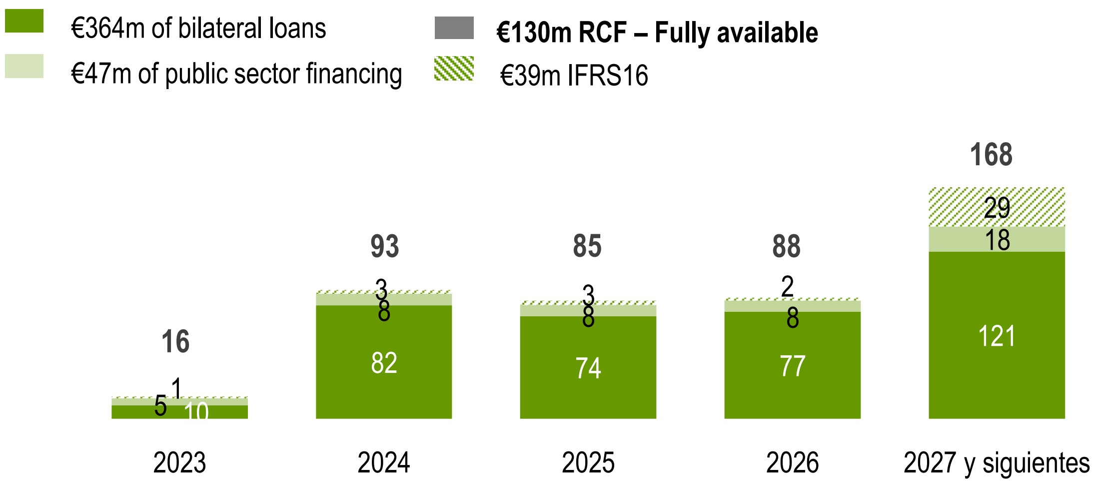
Solid cash balance of €376m at 30 June 2023

Pulp business net debt as of 30 Jun. 2023 (€ m)

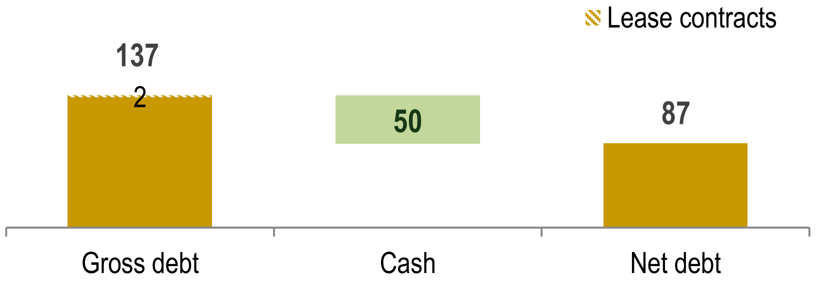


1) Pulp business financial debt is covenant free

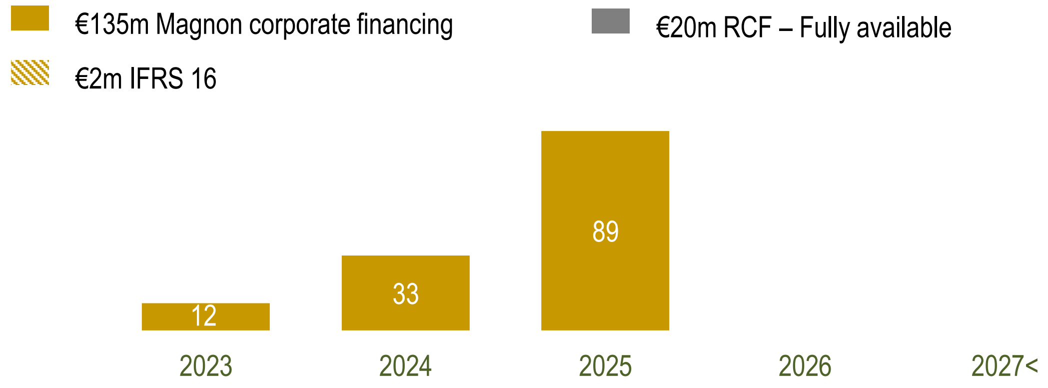
Pulp business debt maturity schedule (€ m)



Renewables business net debt as of 30 Jun. 2023 (€ m)



Renewables business debt maturity schedule (€ m)

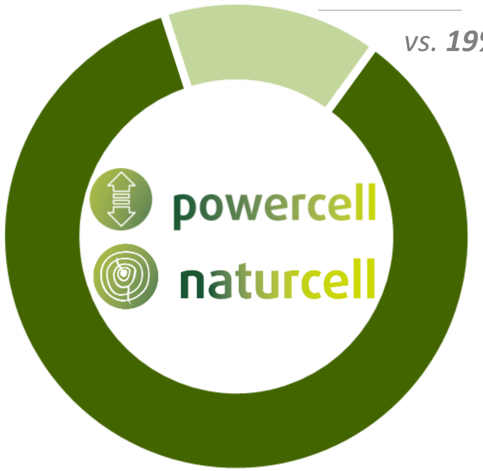


1a. Pulp Business

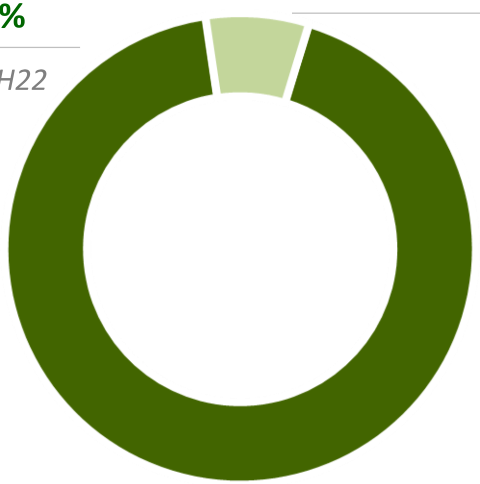
Differentiated & higher value-added products accounted for 16% of sales

461,500 tons Pulp sold in 1H23. Annual maintenance shutdowns at both biomills in 2Q23

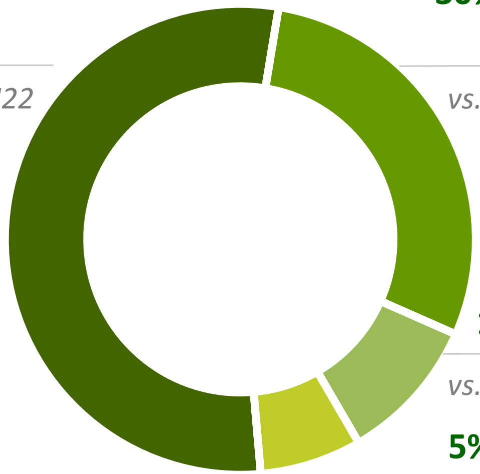
Differentiated products
% of pulp sales



Geographical sales breakdown
% of pulp sales



Breakdown by end product
% of pulp sales



Differentiated products accounted for 16% of pulp sales in 1H23 vs. 19% in 1H22 due to a **temporary narrowing of the price spread vs. softwood**

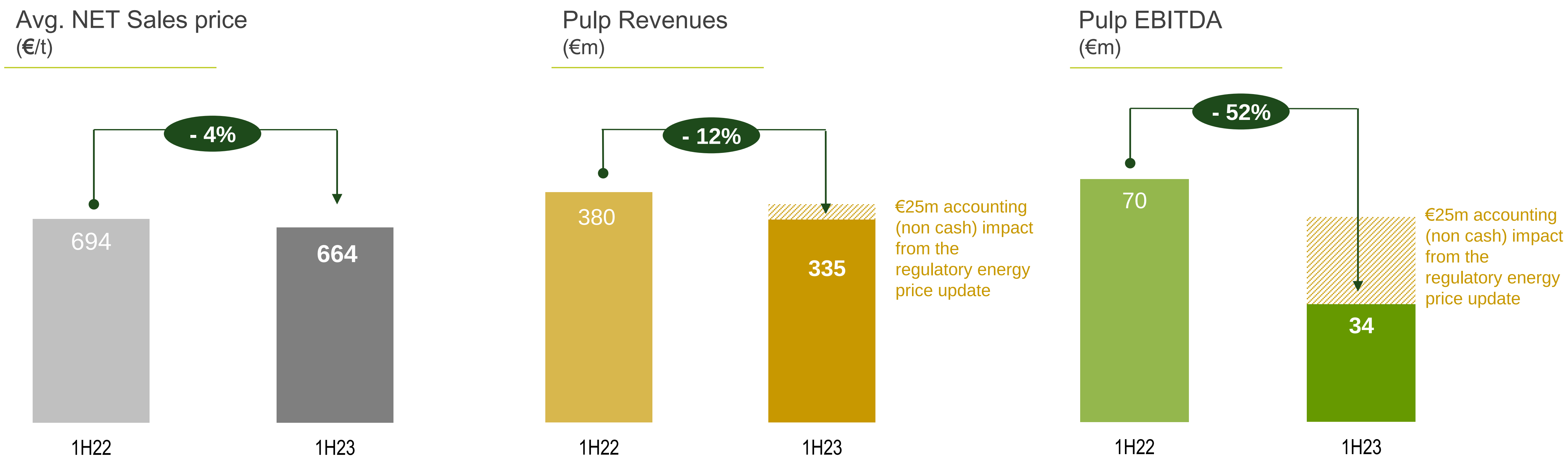
These higher value-added products **allow higher margins**. They are more environmentally friendly and are well suited to replace softwood pulp

92% of ENCE´s pulp is sold to Iberian and European markets, where we have strong logistic and service-related competitive advantages.

55% of ENCE´s pulp sales are in the fast-growing tissue and hygiene products segment

Pulp business impacted by lower operating margins over 1H23

And by the €25m accounting (non cash) impact of the regulated energy price update



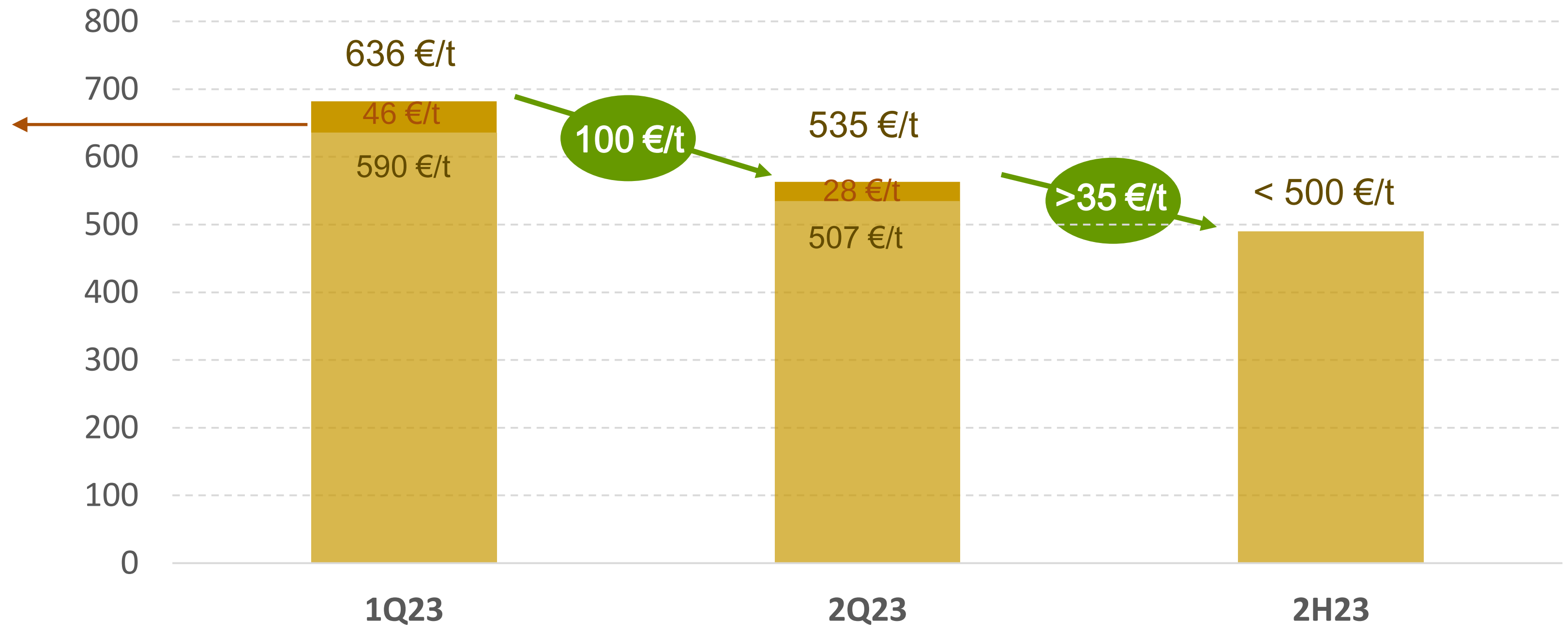
- **-4% net average sales pulp price** and +17% cash cost vs. 1H22, due to the **delayed effect of inflation** in raw material and energy costs
- **-5% pulp sales**, despite +3% production due to higher inventories
- **€25m accounting (non cash) impact** of the regulatory energy price update will be offset by **€5m higher remuneration for investment cashed annually from 2023**

100 €/t cash cost reduction in 2Q23 vs. 1Q23

Partially mitigated the decline in pulp prices

Cash cost (€/t)

- **Extra-costs** of the repairs to the Pontevedra energy turbine, and the new water recovery solution amounted to 46 €/t in 1Q23 and 28 €/t in 2Q23
- Repair works in Pontevedra energy turbine concluded in July

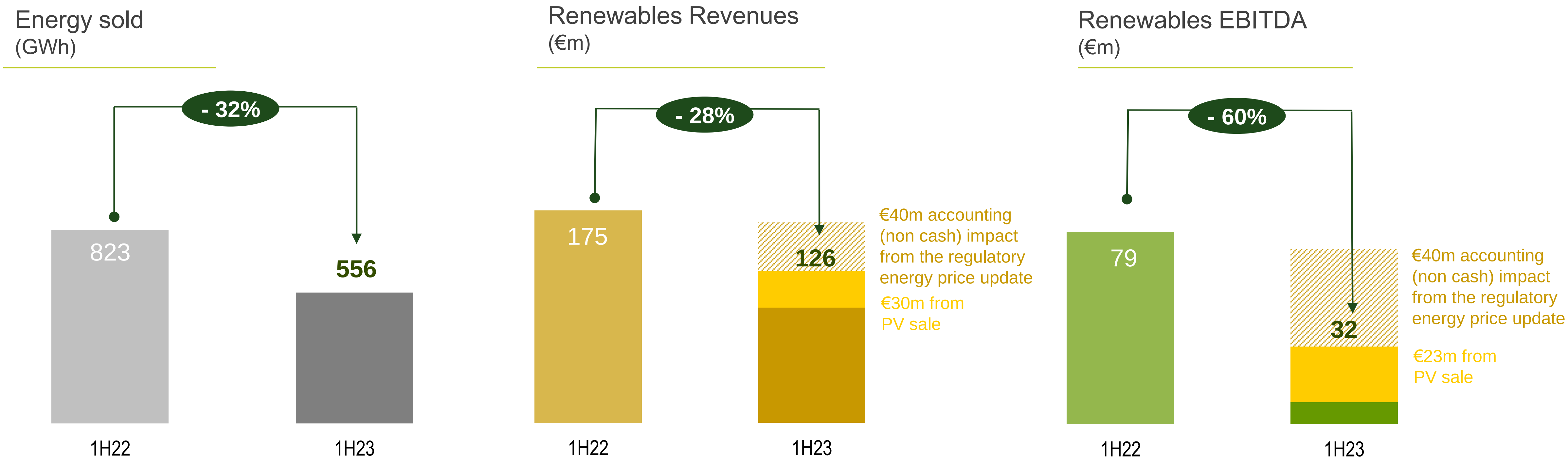


- **Cash cost improved by 100 €/t in 2Q23** vs. 1Q23 down to 535 €/t. mainly due to lower energy, wood and chemicals costs
- Pontevedra´s water recovery solution and repairs to its energy turbine implied an **extra cash cost of 28 €/t in 2Q23** vs. 46 €/t in 1Q23
- **Cash cost improvement is expected to continue** in the coming quarters

1b. Renewables Business

Renewables results were driven by the regulated energy price update

€40m accounting (non cash) impact in 2023 is offset by a higher Ri cashed annually from 2023



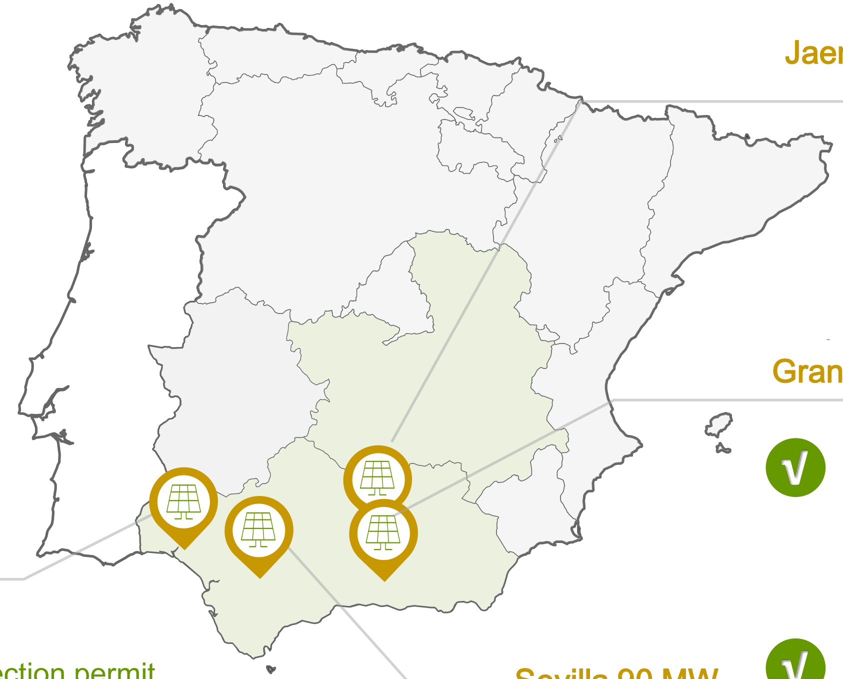
- **Regulatory energy price was updated, down from 208 €/MWh in 2022, to 109 €/MWh in 2023.**
- €40m accounting (non cash) impact is **offset by €9m higher remuneration for investment cashed annually from 2023**
- **32% lower energy sales in 1H23** due to maintenance works at Huelva 50 MW plant, lower biomass availability and lower energy market prices.

ENCE's first PV project sale in 1Q23 added €23m to EBITDA

Another €27m EBITDA expected from the remaining PV project sales in 2H23-24

ence ENERGÍA & CELULOSA

Portfolio location



TRANSACTION CLOSED

Jaen 100 MW

Granada 133 MW

√ Land
Grid connection permit
Engineering

Huelva 40 MW

√ Land
Grid connection permit
Engineering
Environmental permit

Sevilla 90 MW

√ Land
Grid connection permit
Engineering
Environmental permit

In Dec. 2021 Magnon agreed to sell its PV pipeline to Naturgy as it reached its RTB status in 2023 – 2024

ENCE: industry leader in sustainability

1H23 Highlights

SUSTAINALYTICS Global ESG score: 90/100

PLATINUM Top 1% 2023 ecovadis Sustainability Rating

FTSE4Good

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Production cost reduction

Safe & efficient operations

Protecting Health and Safety

- ✓ **9 months without sick leave accidents** in the energy plants and biomass supply chain

Water footprint reduction

- ✓ **Water use reduction in both biomills** (-4,7% in Navia vs. 2022 and -7,2% in Pontevedra vs. 2022) and energy plants* (-5,8%)

Advancing towards a circular economy

- ✓ **High levels of waste recovery,** in line with 2022 results (>98%)
- ✓ **100% plants ZERO WASTE certified**

Odour reduction (vs 2022)

- ✓ **-70,5%** odour minutes in Navia and **-56,2%** in Pontevedra

*Huelva, Mérida, Jaén and Puertollano

Leadership and differentiation

Climate action

Committed to mitigate climate change

- ✓ **-10% total GHG emissions** (2022 vs. 2021)
- ✓ Ongoing climate risk analysis following **TCFD Recommendations**

Sustainable products

Differentiated products with higher added value

- ✓ **19,1% of total sales.** Products with higher and growing margins
- ✓ **1st Pulp EPD* published**: Encell TCF and Naturcell
- ✓ **1st Carbon neutral product** (Naturcell Zero)

*EPD: Environmental Product Declaration

License to operate

People & Values

Talent as a competitive advantage

- ✓ **Great Place to Work** certification for the third year in a row
- ✓ Offering quality jobs: **93% permanent contracts**
- ✓ **+13% female employees** vs 2022

Commitment to communities

Adding value to society:

- ✓ **Launch of the Ence Pontevedra 2023 Social Plan,** endowed with 3 million euros
- ✓ **52 sponsorship actions** in Q2

Risk minimisation

Sustainable agroforestry

Certified supply chain

- ✓ **86%** of managed land certified
- ✓ **>71%** of supplied wood certified
- ✓ **>99%** wood & biomass suppliers homologated
- ✓ **100% plants SURE System certified** (Sustainable biomass)

Corporate governance

- ✓ **Adaptation of Ence's internal regulations** to the new Law 2/2023, regulating the protection of people who report on regulatory violations and the fight against corruption. Approval of the Internal Information System Policy and the internal information channel Procedure

2. 2023 Outlook

2023 Outlook

1 Cash cost improvement to continue in the coming quarters. Cash cost expected to improve below €500/t over 2H23

2 Pulp production is expected to normalize at close to 1 million tons

3 Pulp price in Europe is expected to bottom out in 3Q23, following its correction in 2Q23

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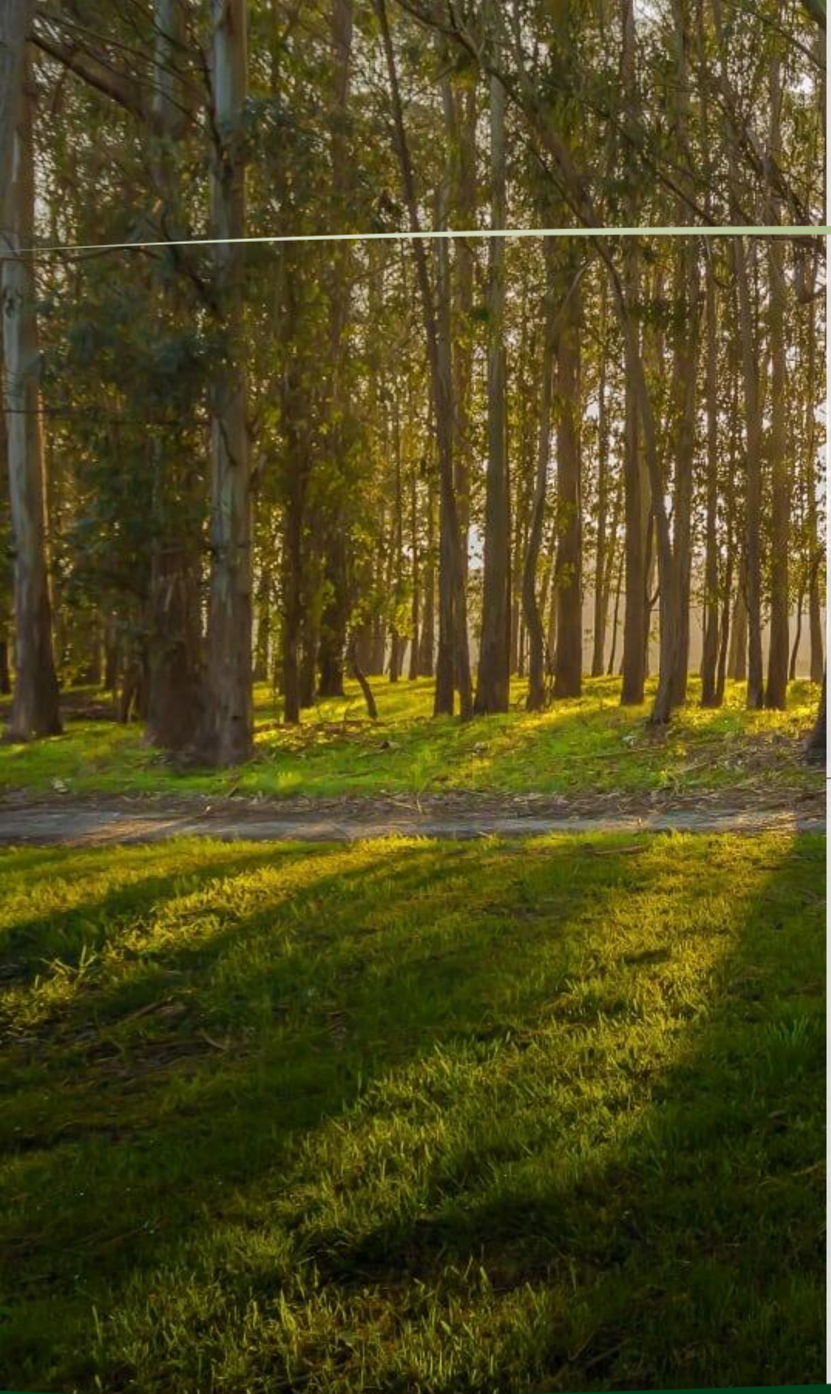
6 €27m expected positive contribution to EBITDA from pending PV projects sale in 2H23-2024



3. Growth & Diversification Initiatives Update

1st phase of Navia Excelente on track to deliver targeted ROCE[1] >12%

Continuing to diversify our production towards our differentiated pulp products and Fluff pulp

1st phase 2024 - 25

2nd phase 2026 - 27

DIFFERENTIATED PRODUCTS

R&D in plastic substitution and in the development of our higher value-added products, which are environmentally friendly and well suited to replace softwood pulp

Estimated Capex (€m)	-	-
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

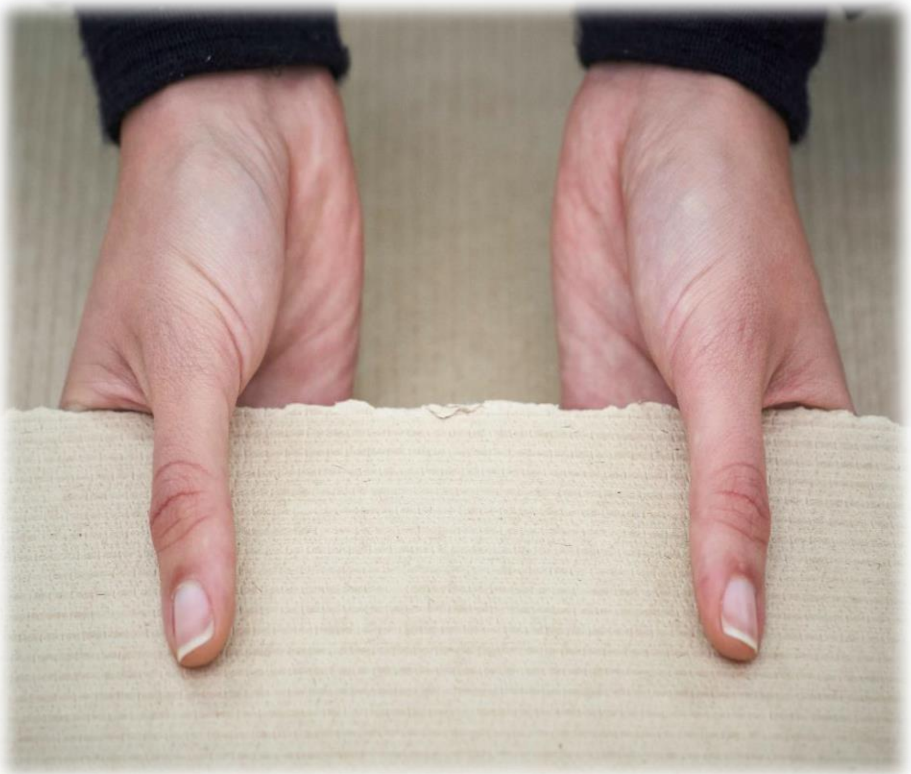
Estimated Capex (€m)	60	2026-27
Annual Pulp Production boost (t)	+30K	2027
Navia cash-cost reduction (€/t)	5	2027

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

As Pontes project

An opportunity for growth and diversification, 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, which has been declared as a **project of strategic importance** by the Regional Government.
- The first phase of the project consists of a line for the production of bleached mixed fiber using recovered cardboard and paper and 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 is an example of fair transition and the 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.

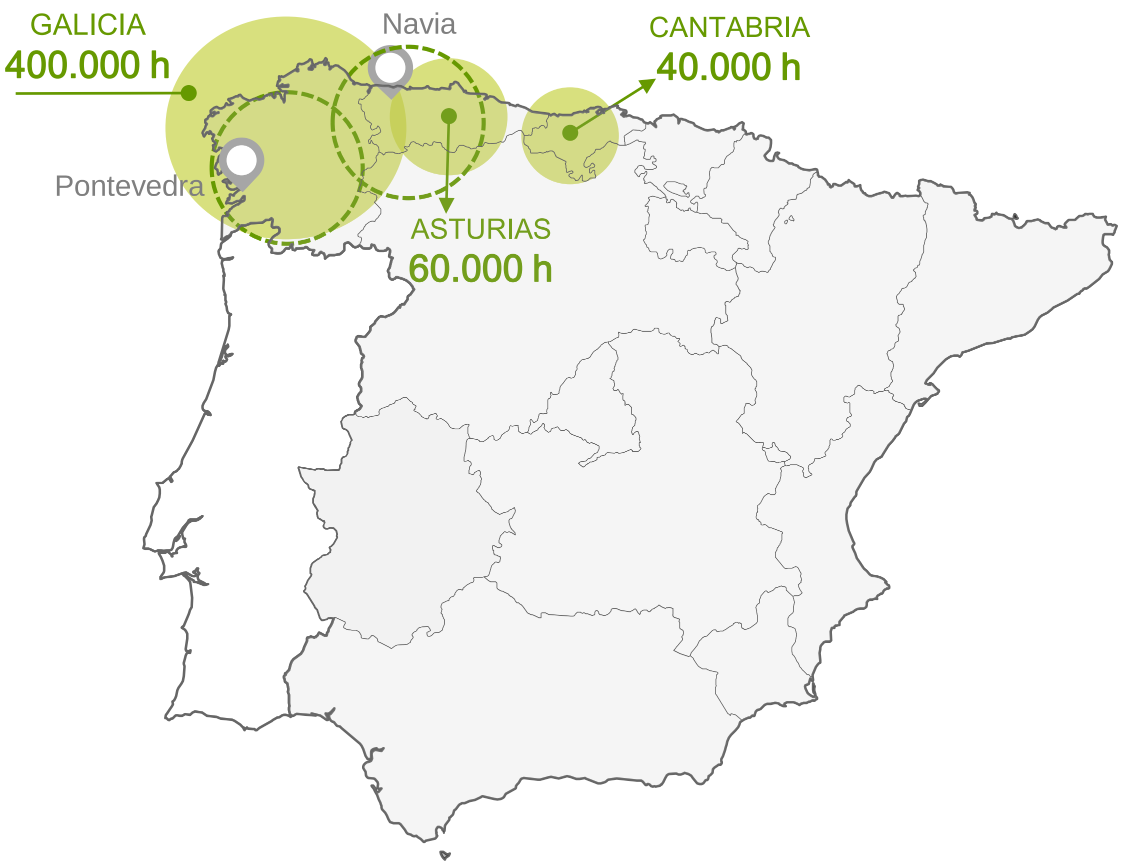


[1] ROCE = EBIT / FFPP + Net Debt (including leases)

Unique competitive advantage: over 95% of our wood is locally sourced

We benefit from our close access to eucalyptus plantations around our biomills

Eucalyptus plantations surface in N.W. Spain



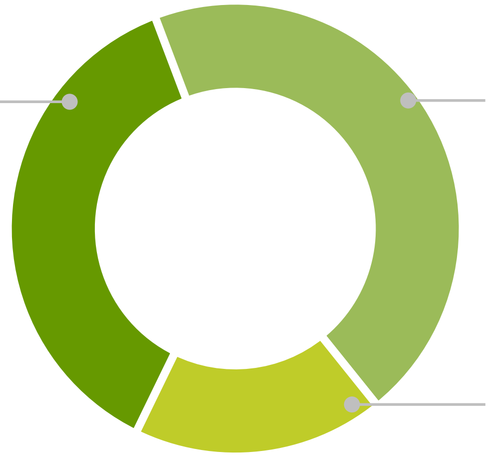
Main figures (FY2022):

- ✓ **2.8 million m3** of wood purchased in 2022
- ✓ **96%** sourced locally in Spain
- ✓ **73%** of supplied wood certified
- ✓ **100%** wood suppliers homologated
- ✓ **<110 Km** of average supply distance

Supplier split (%)

37%
Directly to landowners [1]

- Landowner search
- Direct purchases
- Permitting processing
- Harvesting
- Transportation
- Technical assistance



45%
Capillarized network of local small suppliers with a long term relationship

18%
Other Suppliers

1 Includes Ence´s managed plantations

Ence Biogas: a new business based on the circular bioeconomy

15 projects 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.
- These plants will recycle **local organic waste** into biomethane, attracting the associated sustainability certificate, and generating a high-quality organic fertiliser.
- Ence Biogas aims at developing 20 biomethane plants during the next 5 years, with a capacity of > 1.000 GWh per year.
- It already has a portfolio of 15 projects under development in Spain, **6 of them are at their engineering phase with expected COD by 2026.**
- Initially estimated investment of around **€15-20 Mn** on average **per plant**, with a targeted **ROCE >12%**

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

Other growth opportunities in Renewables

Biomass plants, renewable industrial heating and PV projects

Biomass Energy

- Developed 3 projects with a combined capacity of **140 MW**
- Specific capacity auctions are scheduled until 2030 for a combined capacity of 655 MW

Renewable Industrial Heating

- Working with potential industrial customers in Spain to help them decarbonize by replacing fossil fuel heating with renewable heating
- **First O&M and biomass supply contract signed in June.**

PV Projects

- 100 MW sold in 1Q23 with an €23m EBITDA contribution
- **Another 263 MW to be sold in 2H23-24** with an expected EBITDA contribution of > €27 m
- Another 300 MW at an early stage of development

ENCE is the largest private forest manager in Spain

Which offers additional growth opportunities in the voluntary CO_2 markets

>65,000 hectares managed in Spain:

- ✓ Annual production: **0,4 million m3/year**
- ✓ Book value (FY2022): **€144m** (€84m land + €60m standing timber)

Sustainability certification and biodiversity (FY2022):

- ✓ **84%** of the forest land is certified
- ✓ **22%** of hectares (c. 14.000 ha) dedicated to preserving ecosystems

Innovation:

- ✓ **Pioneers in the clonal reproduction** of eucalyptus globulus adapted to recent climate change and local plague conditions
- ✓ **3 Eucalyptus nurseries** in Spain and 12 million of improved clone seedlings are produced annually.

Carbon sink:

- ✓ **>600,000 tons of CO_2 removed annually** from the atmosphere
- ✓ Parts of our managed forests produce **carbon credits** which may be sold in the voluntary CO_2 markets for others to offset
- ✓ **387 hectares registered with Spanish Climate Change Office**, equivalent to the removal of over 60,000 tons of CO_2 over the plantation life
- ✓ >**4,000 hectares eligible to produce carbon credits**. Plan to increase them in the next 5 years
- ✓ **Estimated 200 tons of CO2 per hectare** during the life of the plantation (avg. 30 years) with an estimated price between 30 and 45 €/ton

Closing remarks

1. Financial Highlights

- 100 €/t cash cost reduction in 2Q23 vs. 1Q23 partially mitigated a 24% net pulp price decline over the same period
- Accounting (non cash) impact of the updated regulated energy price is offset by a higher annual Ri cashed from 2023
- €105m working capital normalization in 1H23 following the return of €85m excess Ro collected in 2022 and the production normalization at Pontevedra.
- €140 m dividend paid in 1H23 against FY2022, based on strong FCF generation and low leverage
- Low leverage position relative to our average cycle EBITDA offers flexibility to seize multiple growth opportunities
- We confirm our leadership in sustainability according to Sustainalytics and Ecovadis

2. 2023 Outlook

- Cash cost improvement to continue in the coming quarters. Cash cost expected to be below €500/t in 2H23.
- 2023 Pulp production expected to normalize at close to 1 million tons
- Pulp price in Europe is expected to bottom out in 3Q23, following its correction in 2Q23
- We expect pulp demand growth to exceed supply growth over the coming years, providing a strong support for an improving pulp price outlook
- €26m estimated positive cash impact in 2023 from the regulated energy price update
- €27m expected positive contribution to EBITDA from pending PV projects sale in 2H23-2024

3. Growth & Diversification Initiatives Update

- First phase of Navia Excelente project on track to continue diversifying its production towards our differentiated pulp products and Fluff pulp, with a target ROCE>12%
- As Pontes project to continue growing and diversifying the business, without increasing the consumption of wood
- Our unique competitive advantage: over 95% of our wood is locally sourced
- 15 biogas projects currently under development, targeting a ROCE>12%
- Working with potential industrial customers in Spain to replace fossil-fuel heating with renewable heating
- New opportunities to monetize carbon credits in the CO_2 markets

Appendix

Group Financial Review
Short P&L

	1H23				1H22			
Figures in € m	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
Total revenue	**335,1**	**125,7**	**(2,0)**	**458,8**	**380,0**	**175,2**	**(1,5)**	**553,7**
Other income	14,8	3,3	(0,6)	17,5	8,2	3,8	(0,5)	11,4
Foreign exchange hedging operations results	(0,7)	-	-	(0,7)	(11,3)	-	-	(11,3)
Cost of sales and change in inventories of finished produ	(179,2)	(47,4)	2,0	(224,6)	(178,8)	(55,3)	1,5	(232,5)
Personnel expenses	(43,3)	(10,1)	-	(53,3)	(36,7)	(8,6)	-	(45,3)
Other operating expenses	(92,9)	(39,9)	0,6	(132,2)	(91,6)	(36,6)	0,5	(127,6)
EBITDA	**33,8**	**31,6**	**-**	**65,4**	**69,8**	**78,6**	**-**	**148,4**
Depreciation and amortisation	(26,2)	(17,5)	0,8	(43,0)	(20,4)	(20,0)	0,5	(39,9)
Depletion of forestry reserves	(5,0)	-	-	(5,0)	(4,0)	(0,0)	-	(4,0)
Impairment of and gains/(losses) on fixed-asset disposals	(0,5)	0,3	-	(0,3)	(1,1)	(37,0)	-	(37,3)
Other non-ordinary operating gains/(losses)	(6,6)	-	-	(6,6)	(0,1)	-	-	(0,1)
EBIT	**(4,5)**	**14,3**	**0,8**	**10,6**	**44,2**	**21,6**	**1,2**	**67,1**
Net finance cost	(6,6)	(6,4)	-	(13,0)	(4,5)	(9,2)	-	(13,7)
Other finance income/(costs)	(0,4)	-	-	(0,4)	2,0	0,3	-	2,3
Profit before tax	**(11,5)**	**7,9**	**0,8**	**(2,8)**	**41,7**	**12,7**	**1,2**	**55,6**
Income tax	2,9	1,2	(0,1)	4,0	(1,4)	(7,3)	-	(8,7)
Net Income	**(8,6)**	**9,1**	**-**	**1,2**	**40,4**	**5,4**	**1,2**	**46,9**
Non-controlling interests	-	(1,2)	(4,2)	(5,4)	-	1,0	(3,2)	(2,2)
Atributable Net Income	**(8,6)**	**7,9**	**(3,5)**	**(4,2)**	**40,4**	**6,4**	**(2,1)**	**44,7**
Earnings per Share (EPS)	(0,04)	0,03	(0,01)	(0,02)	0,17	0,03	(0,01)	0,18

Group Financial Review
Short Cash Flow

	1H23				1H22			
Figures in € m	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
Consolidated profit/(loss) for the period before tax	**(11,5)**	**7,9**	**0,8**	**(2,8)**	**41,7**	**12,7**	**1,2**	**55,7**
Depreciation and amortisation	31,3	17,5	(0,8)	48,0	24,4	20,0	(0,5)	43,9
Changes in provisions and other deferred expense	12,9	1,7	-	14,7	(2,4)	0,6	-	(1,8)
Impairment of gains/(losses) on disposals intangible assets	0,6	(0,3)	-	0,3	1,1	37,0	(0,7)	37,3
Net finance result	6,5	6,4	-	12,9	2,9	8,9	-	11,7
Energy regulation adjustment (regulatory collar)	(2,5)	(8,1)	-	(10,6)	14,4	12,1	-	26,5
Government grants taken to income	(0,4)	(0,1)	-	(0,5)	(0,3)	(0,1)	-	(0,3)
Adjustments to profit	**48,4**	**17,3**	**(0,8)**	**64,8**	**40,1**	**78,5**	**(1,2)**	**117,3**
Inventories	(9,6)	(6,0)	-	(15,7)	8,6	(1,2)	-	7,4
Trade and other receivables	(1,2)	13,8	(26,8)	(14,3)	(23,2)	(1,3)	-	(24,5)
Current financial and other assets	0,8	0,0	-	0,8	0,6	(0,0)	-	0,6
Trade and other payables	(10,9)	(92,6)	26,8	(76,7)	(17,3)	37,2	-	19,9
Changes in working capital	**(20,9)**	**(84,9)**	**-**	**(105,8)**	**(31,2)**	**34,6**	**-**	**3,4**
Interest paid	(4,5)	(6,4)	-	(10,9)	(3,3)	(9,8)	-	(13,1)
Dividends received	-	-	-	-	-	-	-	-
Income tax received/(paid)	(3,9)	(10,1)	-	(14,1)	(1,9)	(2,5)	-	(4,3)
Other collections/(payments)	-	-	-	-	-	-	-	-
Other cash flows from operating activities	**(8,4)**	**(16,6)**	**-**	**(25,0)**	**(5,2)**	**(12,2)**	**-**	**(17,4)**
Net cash flow from operating activities	**7,5**	**(76,3)**	**-**	**(68,7)**	**45,4**	**113,5**	**-**	**158,9**
Property, plant and equipment	(24,5)	(2,626)	-	(27,2)	(23,8)	(4,7)	-	(28,5)
Intangible assets	(2,5)	(0,285)	-	(2,8)	(1,6)	(0,1)	-	(1,7)
Other financial assets	(0,1)	0,400	0,3	0,6	(0,0)	-	-	(0,0)
Disposals	(0,5)	-	0,4	(0,1)	0,0	0,4	-	0,4
Net cash flow used in investing activities	**(27,6)**	**(2,511)**	**0,7**	**(29,4)**	**(25,5)**	**(4,4)**	**-**	**(29,9)**
Free cash flow	**(20,1)**	**(78,8)**	**0,7**	**(98,2)**	**19,9**	**109,1**	**-**	**129,0**

Group Financial Review
Short Balance Sheet

Figures in €Mn	Jun-23 Celulosa	Jun-23 Renovables	Jun-23 Ajustes	Jun-23 Consolidado	Dic-22 Celulosa	Dic-22 Renovables	Dic-22 Ajustes	Dic-22 Consolidado
Intangible assets	16,5	34,4	(12,4)	38,5	15,6	35,0	(12,7)	37,9
Property, plant and equipment	601,4	377,9	(8,0)	971,3	603,4	389,0	(8,5)	983,9
Biological assets	60,2	0,2	-	60,3	60,4	0,2	-	60,5
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	19,4	-	(19,4)	-	18,6	-	(18,6)	-
Non-current financial assets	23,6	10,0	-	33,7	20,8	5,4	-	26,1
Deferred tax assets	32,8	21,5	3,1	57,4	30,5	19,4	3,2	53,1
Cash reserve for debt service	-	10,0	-	10,0	-	10,0	-	10,0
Total non-current assets	**866,5**	**454,0**	**(149,2)**	**1.171,3**	**861,8**	**459,0**	**(149,1)**	**1.171,6**
Inventories	82,3	22,5	-	104,8	80,5	21,9	-	102,3
Trade and other accounts receivable	56,7	34,8	(2,4)	89,1	59,4	40,5	(29,2)	70,6
Income tax	6,8	1,3	-	8,0	6,8	1,3	-	8,0
Other current assets	6,5	2,5	-	9,0	7,5	0,4	-	7,9
Hedging derivatives	1,2	3,7	-	4,9	0,0	2,6	-	2,6
Current financial investments in Group companies	0,3	0,1	(0,4)	0,0	0,4	0,0	(0,4)	0,0
Current financial investments	3,4	0,0	-	3,4	4,2	0,0	-	4,3
Cash and cash equivalents	323,3	41,1	-	364,4	278,4	134,5	-	412,9
Total current assets	**480,5**	**106,0**	**(2,8)**	**583,8**	**437,1**	**201,2**	**(29,6)**	**608,7**
TOTAL ASSETS	**1.347,0**	**560,0**	**(152,0)**	**1.755,0**	**1.298,9**	**660,2**	**(178,8)**	**1.780,3**
Equity	**572,3**	**234,2**	**(129,8)**	**676,6**	**719,8**	**228,9**	**(130,6)**	**818,2**
Non-current borrowings	367,6	111,4	-	479,0	163,2	122,9	-	286,1
Non-current loans with Group companies and associates	-	37,2	(19,4)	17,8	-	36,4	(18,6)	17,8
Non-current derivatives	0,1	-	-	0,1	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-
Non-current provisions	28,9	0,1	-	29,0	27,9	0,1	-	28,0
Other non-current liabilities	40,8	72,3	-	113,1	38,2	75,8	-	114,0
Total non-current liabilities	**437,3**	**221,1**	**(19,4)**	**639,1**	**229,2**	**235,3**	**(18,6)**	**445,9**
Current borrowings	82,9	25,6	-	108,5	83,3	27,8	-	111,1
Current derivatives	0,0	-	-	0,0	0,4	-	-	0,4
Trade and other account payable	218,4	75,0	(2,4)	291,0	226,4	164,4	(29,2)	361,6
Short-term debts with group companies	0,1	0,5	(0,4)	0,3	0,0	0,7	(0,4)	0,4
Income tax	0,0	0,9	-	0,9	0,0	-	-	0,0
Current provisions	36,0	2,7	-	38,7	39,8	3,0	-	42,8
Total current liabilities	**337,4**	**104,8**	**(2,8)**	**439,4**	**349,9**	**196,0**	**(29,6)**	**516,2**
TOTAL EQUITY AND LIABILITIES	**1.347,0**	**560,0**	**(152,0)**	**1.755,0**	**1.298,9**	**660,2**	**(178,8)**	**1.780,3**

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.

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.

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.

Alternative Performance Measures (APMs)
Pg.2

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.

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.

Alternative Performance Measures (APMs)
Pg.3

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: 90/100

Delivering value
Delivering commitments

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