Third-quarter 2021 earnings report

26 October 2021

CONTENTS

1. EXECUTIVE SUMMARY

Market figures	**3Q21**	3Q20	*Δ%*	2Q21	*Δ%*	9M21	9M20	*Δ%*
BHKP (USD/t) average price	1,136.2	680.0	*67.1%*	998.7	*13.8%*	966.8	680.1	*42.2%*
Average exchange rate (USD/€)	1.18	1.16	*1.4%*	1.20	*(2.0%)*	1.20	1.12	*6.6%*
BHKP (€/t) average price	962.1	584.0	*64.7%*	829.0	*16.1%*	808.4	606.4	*33.3%*
Average pool price (€/MWh)	121.9	37.6	*224.2%*	76.3	*59.8%*	82.7	31.9	*159.3%*

Source: Bloomberg

Operating Metrics	**3Q21**	3Q20	*Δ%*	2Q21	*Δ%*	9M21	9M20	*Δ%*
Pulp production (t)	**264,780**	**221,802**	***19.4%***	**269,496**	***(1.7%)***	**758,688**	**742,423**	***2.2%***
Pulp sales (t)	**259,230**	**236,438**	***9.6%***	**251,610**	***3.0%***	**756,996**	**756,258**	***0.1%***
Average sales pulp price (€/t)	613.3	383.6	*59.9%*	525.5	*16.7%*	516.0	406.9	*26.8%*
Cash cost (€/t)	380.2	372.8	*2.0%*	367.7	*3.4%*	377.4	376.2	*0.3%*
Renewable Energy sales volume (MWh)	**344,787**	**384,170**	***(10.3%)***	**331,697**	***3.9%***	**1,002,242**	**997,115**	***0.5%***
Average sales price - Pool + Ro (€/MWh)	68.9	100.1	*(31.2%)*	95.6	*(27.9%)*	88.7	98.3	*(9.7%)*
Remuneration for investment (€ m)	8.8	15.9	*(44.5%)*	10.2	*(13.9%)*	29.3	47.6	*(38.5%)*

P&L € m	**3Q21**	3Q20	*Δ%*	2Q21	*Δ%*	9M21 pre rullings	Rullings impact	9M21	9M20	*Δ%*
Revenue from Pulp business	183.9	110.7	*66.1%*	164.1	*12.0%*	471.8	-	471.8	378.5	*24.6%*
Revenue from Renewable Energy business	32.8	54.6	*(40.0%)*	42.2	*(22.2%)*	118.8	-	118.8	150.6	*(21.1%)*
Consolidation adjustments	(0.5)	(0.4)		(0.9)		(2.1)	-	(2.1)	(2.3)	
Total revenue	**216.1**	**164.9**	*31.1%*	**205.4**	*5.2%*	**588.5**	**-**	**588.5**	**526.9**	*11.7%*
Pulp business EBITDA	51.8	(1.5)	*n.s.*	42.1	*22.9%*	98.3	1.5	99.8	16.9	*n.s.*
Margin %	*28%*	*-1%*	*29.5 p.p.*	*26%*	*2.5 p.p.*	*21%*		*21%*	*4%*	*16.7 p.p.*
Renewable Energy business EBITDA	11.5	15.5	*(26.1%)*	13.8	*(17.0%)*	34.1	-	34.1	42.4	*(19.7%)*
Margin %	*35%*	*28%*	*6.6 p.p.*	*33%*	*2.2 p.p.*	*29%*		*29%*	*28%*	*0.5 p.p.*
EBITDA before hedges	**63.3**	**14.0**	*n.s.*	**56.0**	*13.0%*	**132.4**	**1.5**	**133.9**	**59.2**	*125.9%*
Margin %	*29%*	*9%*	*20.8 p.p.*	*27%*	*2.0 p.p.*	*22%*		*23%*	*11%*	*11.5 p.p.*
Pulp business EBITDA	30.5	(1.8)	*n.s.*	32.7	*(6.9%)*	69.9	1.5	71.4	7.1	*n.s.*
Margin %	*17%*	*-2%*	*18.2 p.p.*	*7%*	*9.9 p.p.*	*15%*		*15%*	*2%*	*13.3 p.p.*
Renewable Energy business EBITDA	(3.6)	15.5	*n.s.*	9.4	*n.s.*	14.4	-	14.4	42.4	*(66.1%)*
Margin %	*-11%*	*28%*	*(39.4) p.p.*	*19%*	*(30.4) p.p.*	*12%*		*12%*	*28%*	*(16.1) p.p.*
EBITDA	**26.9**	**13.7**	*95.8%*	**42.2**	*(36.3%)*	**84.3**	**1.5**	**85.8**	**49.4**	*73.5%*
Margin %	*12%*	*8%*	*4.1 p.p.*	*21%*	*(8.1) p.p.*	*14%*		*15%*	*9%*	*5.2 p.p.*
Depreciation, amortisation and forestry depletion	(21.4)	(25.4)	*(15.7%)*	(25.5)	*(16.1%)*	(72.2)	-	(72.2)	(79.9)	*(9.6%)*
Impairment of and gains/(losses) on fixed-asset disposal	(1.7)	0.0	*n.s.*	(189.2)	*(99.1%)*	(2.8)	(188.5)	(191.4)	0.5	*n.s.*
Other non-ordinary results of operations	-	(1.3)	*(100.0%)*	6.3	*(100.0%)*	(1.3)	6.3	5.0	(3.8)	*n.s.*
EBIT	**3.8**	**(12.9)**	*n.s.*	**(166.2)**	*n.s.*	**8.0**	**(180.7)**	**(172.8)**	**(33.7)**	*n.s.*
Net finance cost	(7.2)	(8.0)	*(9.3%)*	(4.9)	*46.7%*	(17.7)	-	(17.7)	(20.7)	*(14.2%)*
Other finance income/(cost) results	1.7	(0.5)	*n.s.*	(0.1)	*n.s.*	3.4	-	3.4	(0.3)	*n.s.*
Profit before tax	**(1.8)**	**(21.4)**	*(91.6%)*	**(171.3)**	*(98.9%)*	**(6.4)**	**(180.7)**	**(187.1)**	**(54.7)**	*241.9%*
Income tax	(1.3)	5.4	*n.s.*	(12.9)	*(89.7%)*	4.8	(15.7)	(10.9)	14.2	*n.s.*
Net income	**(3.1)**	**(15.9)**	*(80.3%)*	**(184.2)**	*(98.3%)*	**(1.5)**	**(196.5)**	**(198.0)**	**(40.6)**	*n.s.*
Non-controlling interests	5.3	(0.5)	*n.s.*	(0.8)	*n.s.*	5.6	-	5.6	(1.3)	*n.s.*
Atributable Net Income	**2.2**	**(16.5)**	*n.s.*	**(185.0)**	*n.s.*	**4.0**	**(196.5)**	**(192.4)**	**(41.8)**	*n.s.*
Earnings per share (Basic EPS)	0.01	(0.07)	*n.s.*	(0.76)	*n.s.*	0.03	(0.81)	(0.78)	(0.17)	*n.s.*

Cash flow € m	**3Q21**	3Q20	*Δ%*	2Q21	*Δ%*	9M21	9M20	*Δ%*
EBITDA	**26.9**	**13.7**	*95.8%*	**42.2**	*(36.3%)*	**85.8**	**49.4**	*73.5%*
Change in working capital	(22.3)	16.1	*n.s.*	7.3	*n.s.*	(46.1)	27.0	*n.s.*
Maintenance capex	(3.1)	(4.2)	*(25.8%)*	(3.8)	*(18.3%)*	(10.6)	(13.2)	*(19.6%)*
Net interest Payment	(2.8)	(4.0)	*(29.8%)*	(7.2)	*(61.2%)*	(13.0)	(13.7)	*(5.3%)*
Income tax received/(paid)	(6.6)	(0.2)	*n.s.*	(0.1)	*n.s.*	(6.4)	0.9	*n.s.*
Normalised free cash flow	**(8.0)**	**21.5**	*n.s.*	**38.3**	*n.s.*	**9.6**	**50.3**	*(80.9%)*
Other collection (payments) and non cash expenses (re	36.5	(8.8)	*n.s.*	2.0	*n.s.*	37.6	(17.2)	*n.s.*
Pending payments for expansion capex	(4.8)	(12.4)	*(61.4%)*	(8.1)	*(40.9%)*	(33.8)	(48.6)	*(30.4%)*
Sustainability capex and other	(4.1)	(8.2)	*(50.1%)*	(4.3)	*(3.9%)*	(15.1)	(13.6)	*11.0%*
Disposals	-	0.3	*(100.0%)*	0.2	*(100.0%)*	0.4	0.7	*(39.6%)*
Free cash flow	**19.6**	**(7.7)**	*n.s.*	**28.2**	*(30.5%)*	**(1.3)**	**(28.5)**	*(95.5%)*

Net debt € m	**Sep-21**	Dec-20	*Δ%*
Net financial debt Pulp business	18.2	43.4	*(58.0%)*
Net financial debt Renewable Energy business	144.0	134.5	*7.1%*
Net financial debt	**162.2**	**177.8**	*(8.8%)*

- ✓ **Pulp prices are recovering sharply in 2021, steady at $1,140 per tonne (gross) since July, driving EBITDA in the business, before hedge impacts, to €52m in 3Q21 and to €100m in 9M21, six times the 9M20 figure.**

- ✓ **Third-quarter pulp production was 19% higher than in the comparable period of 2020, when both biomills were idled for maintenance work. In the first nine months of the year, pulp production was 2% higher year-on-year, while the cash cost was steady at €377 per tonne. The reduction in conversion costs and the savings eked out in overhead offset the impact of raw material inflation.**

- ✓ **The rise in electricity prices, within the limits set by the regulator, also trickled down to EBITDA, before hedge effects, in the Renewable Energy business, which totalled €11m in the third quarter and €34m in the first nine months of the year, up 21% year-on-year (stripping out the impact of the solar thermal plant sold in December 2020).**

- ✓ **The pulp and electricity price hedges, arranged exceptionally in 2020, at a time of record low prices and high uncertainty on account of the pandemic, implied an outflow of €36m in 3Q21 and of €48m in 9M21. Elsewhere, the difference between the pool price and the cap set by the regulator (regulatory collar) implied the recognition of a €29m provision in 9M21, with no impact on cash generation.**

- ✓ **With consolidated EBITDA of €27m in 3Q21 and of €86m in 9M21, the Group would have returned to profitability, even after the impact of the hedges, were it not for the accounting effect of the sentences issued by the National Court, annulling the extension of the concession in Pontevedra.**

- ✓ **The Company has filed appeals against the two first sentences before the Supreme Court. Likewise, it will appeal against the third sentence and will exhaust all legal avenues to defend the lawfulness of the concession extension. Nevertheless, in keeping with applicable accounting rules, the Group recognised asset impairment losses and provisions for expenditures that will not imply an outflow of cash in a net amount of €148m in its second-quarter financial statements, in addition to a €42m provision to cover the estimated cost of the potential dismantling of the biomill and a €6m provision for the costs of possibly having to terminate certain contracts. The Group has not recorded any provisions for potential redundancies as the related recognition requirements have not been met.**

- ✓ **The Group's net debt declined by €16m in 9M21 to €162m, despite a €19m reduction in the drawdown of its receivables factoring facilities and €49m of payments for investments made in prior years. Net debt in the Pulp business declined to €18m at 30 September, while net debt in the Renewable Energy business stood at €144m.**

- ✓ **Cash and cash equivalents amounted to €375m at 30 September 2021, of which €65m corresponded to the Renewable Energy business and the remaining €310m to the Pulp business, despite the prepayment of €115m of bilateral loans. In the third quarter, the Group also refinanced its renewable credit facility (RCF) in the Pulp business, increasing the limit to €130m. It also refinanced bilateral loans with a combined balance of €80m, extending their maturity dates until 2026.**

- ✓ **The Company has embarked on a process of evaluating offers for the potential sale of its portfolio of five photovoltaic developments with aggregate capacity of 373 MW. That process is at a preliminary stage and so far there are no negotiations underway with any potentially interested parties.**

- ✓ **In addition, Ence has a pipeline of three biomass plants with aggregate capacity of 140 MW. It will participate in upcoming auctions and will continue to pursue new developments, in both biomass and photovoltaic technology, in order to continue to grow in renewables.**

- ✓ **Ence is the leading sustainability player in the global pulp market, according to its most recent Sustainalytics score, having lifted its overall ESG performance score to 91/100 in 2Q21.**

2. PULP BUSINESS

Ence has two eucalyptus hardwood pulp (BHKP) biomills in Spain: a 685,000-tonne-capacity facility located on a site owned by the Company in the town of Navia, Asturias, and a 515,000-tonne-capacity complex located on a site held under concession in Pontevedra, Galicia. Both biomills use eucalyptus wood procured locally from sources that can certify sustainable forest management.

Ence's Pulp business encompasses all the activities related to the production of pulp for sale to third parties. It therefore includes not only the production and sale of pulp but also the generation and co-generation of energy using renewable biomass at the plants involved in the productive process, as well as the supply and sale of wood from the plantations managed sustainably by the Company.

2.1. National Court Sentences affecting the concession in Pontevedra

The two first sentences issued by Spain's National Court in July 2021 and the last one in October 2021 annulled the extension of the concession over the public-domain land on which ENCE's biomill in Pontevedra is located.

Ence has filed appeals against the two first sentences before the Supreme Court. Likewise, it will appeal against the third sentence and will exhaust all legal avenues to defend the lawfulness of the concession extension.

If the Supreme Court does not agree to hear, or dismisses, the appeals, it would fall to the Ministry of Green Transition and Demographic Challenges to determine (at the behest of the National Court) the deadline for potentially discontinuing activities at the biomill.

2.2. Pulp market trends

Rapid growth in urban populations and improving living standards in emerging markets are the key factors driving growth in global demand for pulp for tissue paper and hygiene products. Those demographic trends are being complemented by a substitution effect: pulp is a natural, sustainable, recyclable and biodegradable raw material that is a good substitute for less environmentally-friendly materials such as plastics and synthetic fibres.

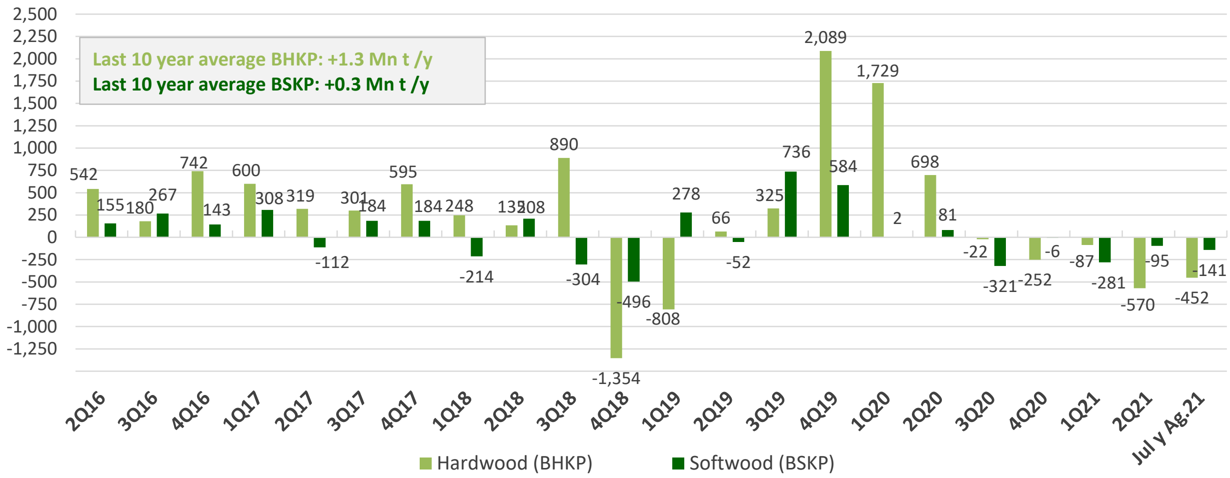
These demand dynamics are very consistent over time and contrast with the abrupt destocking observed in the paper industry at the end of 2018 (although inventories went on to recover at the end of 2019). That destocking by the paper industry put pressure on pulp prices which hit a 10-year low at the end of 2019, a trough in which they stayed for a year. Prices began to recover towards the end of 2020.

In 2020, demand for pulp increased by 3% (equivalent to 1.9m tonnes, compared to average annual growth of 1.6m tonnes during the last decade), driven by strong demand for tissue paper and restocking by the paper industry, which offset the decline in demand for printing and writing papers as a result of the pandemic.

Demand for pulp eased by 2.8% year-on-year in the first eight months of 2021 (equivalent to 1.2m tonnes), shaped largely by paper industry destocking and a tough comparison, as the same period of 2020 was marked by sharp growth in demand for tissue paper and logistical restrictions.

By region, demand for pulp in China fell back to 6.5% year-on-year in August, rising to 3.9% in Europe and staying steady at 4.9% in the US and rest of the world.

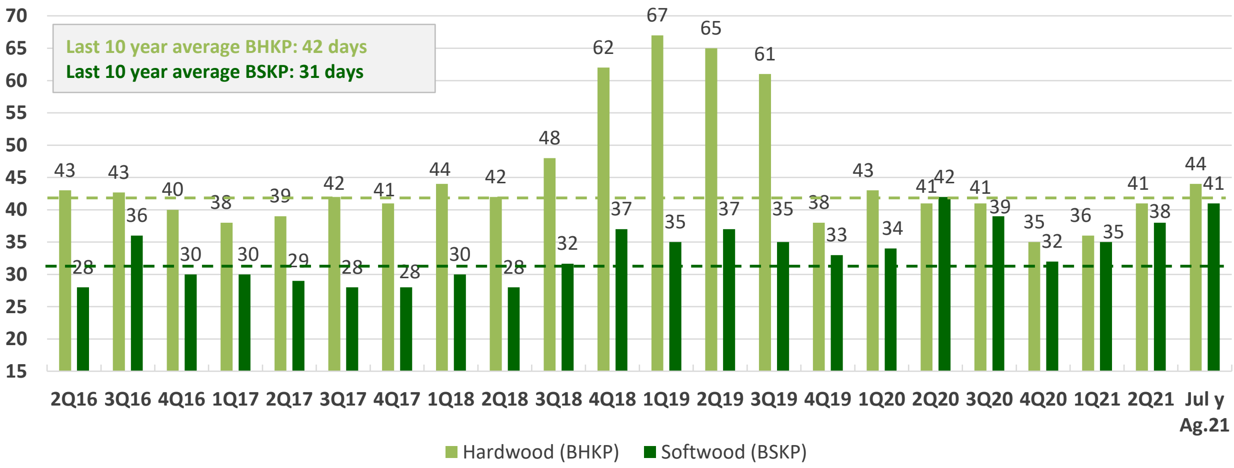
Year-on-year change in global demand for pulp, last five years (tonnes, 000)



Source: Ence, PPPC–G100

Pulp producer inventories were higher in August than in December 2020 due mainly to pulp destocking in the paper industry. Hardwood pulp inventories increased by nine days, to 44, compared to an average of 42 days in the last 10 years, and softwood pulp inventories also increased by nine days, to 41, which is higher than the 10-year average of 31 days.

Pulp producer inventories during the last five years (at end of quarter, in no. of days)

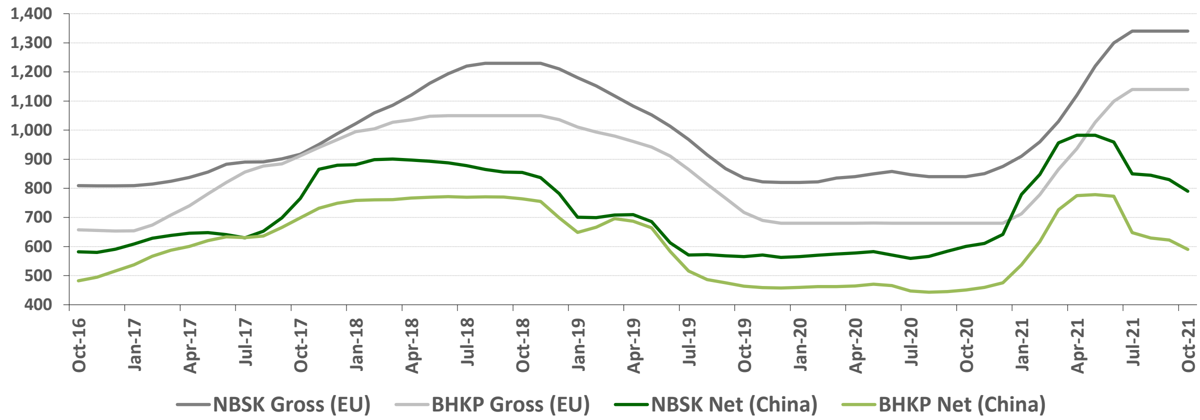


Source: Ence, PPPC–G100

Pulp prices have rebounded swiftly since the end of 2020, having hovered at record lows for a year. In China, hardwood pulp prices peaked at $780 (net) per tonne in May, marking a recovery of 70% from their lows, and are currently trading at close to $590 per tonne. In Europe, hardwood pulp prices have been steady at $1,140 (gross) per tonne since July, a recovery of 68% from trough levels.

The strength of demand in Europe, coupled with logistics restrictions, is temporarily shaping pulp price decoupling between China and Europe.

Net pulp prices in China and gross prices in Europe during the last five years (US$)



Source: FOEX

2.3. Revenue from pulp sales

Pulp sales volumes increased by 9.6% year-on-year in 3Q21, to 259,230 tonnes, while production jumped 19.4%; those comparative growth figures are shaped by the fact that both biomills were stopped for maintenance in 3Q20. In 9M21, pulp sales amounted to 756,996 tonnes, flat year-on-year.

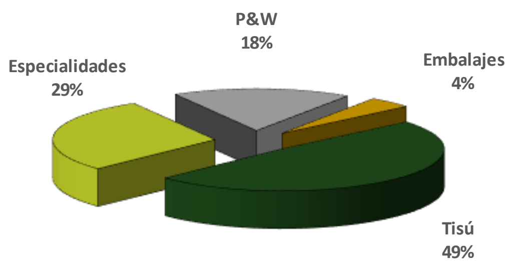
	3Q21	3Q20	Δ%	2Q21	Δ%	9M21	9M20	Δ%
Pulp sales (t)	**259,230**	**236,438**	*9.6%*	**251,610**	*3.0%*	**756,996**	**756,258**	*0.1%*
Average sales price (€/t)	613.3	383.6	*59.9%*	525.5	*16.7%*	516.0	406.9	*26.8%*
Pulp sales revenue (€ m)	**159.0**	**90.7**	*75.3%*	**132.2**	*20.2%*	**390.6**	**307.7**	*26.9%*

The average sales price increased by 59.9% in 3Q21 to €613.3 per tonne, thanks to growth of 67.1% in average benchmark prices, partially offset by the dollar's 1.4% slide against the euro and the impact of the sales made on the spot market, outside of Europe. In 9M21, average sales prices improved by 26.8% year-on-year, to €516 per tonne.

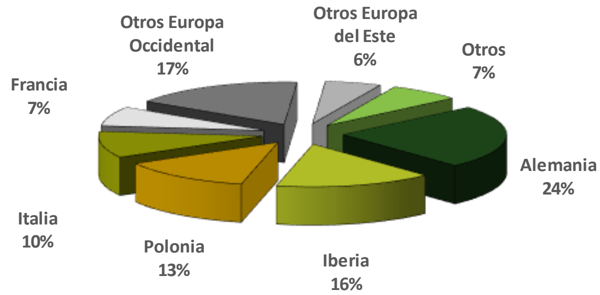
The combination of the two factors drove year-on-year growth in revenue from pulp sales of 75.3% to €159m in 3Q21 and of 26.9% to €390.6m in 9M21.

Ence's differentiated products, such as Naturcell and Powercell, which are more sustainable and better suited for replacing softwood pulp, accounted for 15% of 9M21 sales, up from 9% in 2020.

Breakdown of revenue by end product



Breakdown of revenue by geographic market



The tissue paper segment remains the main end use given to the pulp sold by Ence, accounting for 49% of revenue from pulp sales in 9M20, followed by the specialty paper segment, at 29%. The printing and writing paper segment accounted for 18% of sales and packaging, the remaining 4%.

By geography, most of the pulp produced by Ence is sold in Europe, namely 93% of revenue from pulp sales in 9M21. Germany and Iberia accounted for 24% and 16% of total revenue, respectively, followed by Poland (13%), Italy (10%) and France (7%). The other western European countries accounted for 17% of the total, with the rest of Eastern Europe representing 6%.

2.4. Pulp production and the cash cost

Rigorous and ongoing application of Ence's internal protocols for the prevention and minimisation of Covid-19 risks for the Group's people and operations have enabled it to operate without interruption throughout the initial outbreak and subsequent waves of the health crisis, with no jobs lost.

	3Q21	3Q20	Δ%	2Q21	Δ%	9M21	9M20	Δ%
Navia pulp production	152,629	135,652	*12.5%*	152,937	*(0.2%)*	435,221	421,973	*3.1%*
Pontevedra pulp production	112,151	86,150	*30.2%*	116,559	*(3.8%)*	323,466	320,450	*0.9%*
Pulp production (t)	**264,780**	**221,802**	*19.4%*	**269,496**	*(1.7%)*	**758,688**	**742,423**	*2.2%*

Third-quarter pulp production was 19.4% higher than in the comparable period of 2020, at 264,780 tonnes, shaped by the fact that both biomills were idled for maintenance work in 3Q20. Pulp production increased by 2.2% year-on-year in 9M21 to 758,688 tonnes, thanks to higher production at the Navia biomill following the capacity expansion work done at the end of 2019.

Ence's cash cost was €380.2/tonne in the third quarter, up 2% (or €7.4/tonne) year-on-year, due to higher wood costs, which were largely offset by lower conversion costs. The 9M21 cash cost was virtually flat (+0.3%) year-on-year as the reduction in conversion costs and overhead offset the higher cost of raw materials and logistics operations.

Figures in €/t	3Q21	3Q20	Δ%	2Q21	Δ%	9M21	9M20	Δ%
Wood cost	220.4	201.4	*9.4%*	211.0	*4.5%*	212.8	204.0	*4.3%*
Conversion costs	95.9	108.9	*(11.9%)*	96.0	*(0.1%)*	103.5	111.1	*(6.9%)*
Sales and logistic costs	33.9	27.6	*22.7%*	32.9	*3.1%*	33.1	29.5	*12.3%*
Overheads	29.9	34.9	*(14.2%)*	27.8	*7.5%*	28.0	31.6	*(11.3%)*
Total cash cost	**380.2**	**372.8**	*2.0%*	**367.7**	*3.4%*	**377.4**	**376.2**	*0.3%*

Wood costs were 9.4% higher year-on-year in 3Q21 (equivalent to €19/tonne) as a result of the increase in the premium tied to pulp prices and the higher cost of transportation from proprietary plantations in southern in Spain in order to mitigate the temporary reduction in felling capacity in Galicia. In 9M21, wood costs increased by 4.3% year-on-year (equivalent to €8.8/tonne).

Conversion costs decreased by 11.9% year-on-year in 3Q21 (equivalent to €13/tonne) due largely to the fact that in the same period of 2020 both biomills were idled for maintenance work. However, conversion costs were 6.9% lower year-on-year in 9M21 (equivalent to €7.6/tonne) thanks to efficiency gains eked out and a bigger contribution by the energy component excluding the regulatory collar, which has no impact on cash, offsetting the rise in gas and chemicals prices.

Logistics costs were 22.7% higher year-on-year in 3Q21 (equivalent to €6.3/tonne) due to higher freight costs. In 9M21, those costs increased by 12.3% year-on-year (equivalent to €3.6/tonne).

Lastly, overhead declined by 14.2% year-on-year in 3Q21 (equivalent to €5/tonne) as a result of the cost savings plan embarked on last year and greater dilution over higher sales volumes. In 9M21, overhead decreased by 11.3% year-on-year (equivalent to €3.6/tonne).

2.5. Revenue from the sale of energy in connection with pulp production

Ence uses the lignin and forest biomass derived from its manufacturing activities to generate renewable energy. Specifically, it operates a 34.6-MW lignin-fired CHP plant, integrated within the Pontevedra biomill, and a 40.3-MW CHP lignin-fired plant and a 36.7-MW biomass generation plant, both of which are integrated within the pulp production process at the Navia biomill.

All of the energy generated at those plants is sold to the grid at a regulated prices, whereas the energy consumed in the course of the pulp production process is repurchased at market prices. The price per MWh sold by Ence is determined by the market (pool) price plus the remuneration for operations (Ro) earned by each plant, within the ceiling and floor set by the regulator (regulatory collar).

	3Q21	3Q20	Δ%	2Q21	Δ%	9M21	9M20	Δ%
Navia energy sales	151,279	137,043	*10.4%*	155,523	*(2.7%)*	424,163	419,528	*1.1%*
Pontevedra energy sales	71,195	51,118	*39.3%*	71,241	*(0.1%)*	196,647	180,136	*9.2%*
Energy sales linked to the pulp process (MWh)	**222,474**	**188,161**	*18.2%*	**226,764**	*(1.9%)*	**620,810**	**599,664**	*3.5%*
Average sales price - Pool + Ro (€/MWh)	94.8	82.1	*15.6%*	104.4	*(9.2%)*	95.3	79.6	*19.7%*
Remuneration for investment (€ m)	2.6	2.6	*(0.0%)*	2.6	-	7.7	7.7	*(0.0%)*
Revenues from energy sales linked to pulp (€ m)	**23.7**	**18.0**	*31.4%*	**26.2**	*(9.9%)*	**66.9**	**55.4**	*20.6%*

The sale of energy in connection with pulp production increased by 18.2% year-on-year in 3Q21 to 222,474 MWh, in line with the growth in pulp production. In 9M21, the sale of energy in connection with pulp production increased by 3.5% year-on-year to 620,810 MWh, boosted by higher pulp output and efficiency gains at the Pontevedra turbine.

The average sales price improved by 15.6% year-on-year in 3Q21 to €94.8/MWh, fuelled by higher pool prices, within the limits set by the regulator. In 9M21, average sales prices improved by 19.7% year-on-year, to €95.3/MWh, driven by the same factors.

Ence adjusts its average sales price monthly as a function of the limits set by the regulator (regulatory collar). That adjustment implied the recognition of a provision of €10.8m against revenue in 3Q21, with no impact on cash generation however.

As a result, revenue from energy sales in the Pulp business, factoring in remuneration for investment - unchanged - increased by 31.4% year-on-year in 3Q21 to €23.7m and by 20.6% year-on-year in 9M21 to €66.9m.

2.6. Revenue from forestry and other activities

In addition to the sale of pulp and energy, the Pulp business encompasses other activities, notable among which the sale of wood sourced from proprietary eucalyptus plantations located in southern Spain.

	3Q21	3Q20	Δ%	2Q21	Δ%	9M21	9M20	Δ%
Forestry and other revenue (€ m)	**1.2**	**2.0**	*(37.6%)*	**5.6**	*(78.3%)*	**14.3**	**15.4**	*(6.7%)*

Revenue from forestry activities amounted to €1.2m in 3Q21, down 37.6% from 3Q20, due to higher internal consumption of wood in order to offset the temporary reduction in felling capacity in Galicia. In 9M21, revenue from forestry activities declined by 6.7% year-on-year.

2.7. Statement of profit or loss

As a result of the sentences issued by the National Court in July 2021, annulling the extension of the concession in Pontevedra, in keeping with applicable accounting rules, in 2Q21, the Group recognised asset impairment losses and provisions for expenditures that will not imply an outflow of cash in a net amount of €148.2m, in addition to a

€42.3m provision to cover the estimated cost of the potential dismantling of the biomill and a €6m provision for the costs of possibly having to terminate certain contracts.

The cost of restructuring the surplus manpower, including some of the Group's corporate services staff, as a result of the potential discontinuation of business in Pontevedra, has not been provided for, given that the related recognition requirements under prevailing accounting rules have not been met.

Excluding the impact of those sentences, the Pulp business would have reported a net profit of €7.8m in 3Q21 and of €10.6m in 9M21, compared to net losses of €16.8m and €41.2m in the same periods of 2020, respectively.

Figures in € m	3Q21	3Q20	Δ%	2Q21	Δ%	9M21 pre rullings	Rullings impact	9M21	9M20	Δ%
Total net revenue	**183.9**	**110.7**	*66.1%*	**164.1**	*12.0%*	**471.8**	**-**	**471.8**	**378.5**	*24.6%*
EBITDA before hedges	**51.8**	**(1.5)**	*n.s.*	**42.1**	*22.9%*	**98.3**	**1.5**	**99.8**	**16.9**	*n.s.*
EBITDA margin	*28%*	*-1%*	*29.5 p.p.*	*26%*	*2.5 p.p.*	*21%*		*21%*	*4%*	*16.7 p.p.*
EBITDA	**30.5**	**(1.8)**	*n.s.*	**32.7**	*(6.9%)*	**69.9**	**1.5**	**71.4**	**7.1**	*n.s.*
EBITDA margin	*17%*	*-2%*	*18.2 p.p.*	*20%*	*(3.4) p.p.*	*15%*		*15%*	*2%*	*13.3 p.p.*
Depreciation and amortisation	(10.8)	(13.8)	*(21.8%)*	(13.2)	*(18.2%)*	(37.9)	-	(37.9)	(41.8)	*(9.4%)*
Depletion of forestry reserves	(2.1)	(0.7)	*191.7%*	(3.4)	*(37.4%)*	(8.5)	-	(8.5)	(7.4)	*15.5%*
Impairment of and gains/(losses) on fixed-asset disp.	(1.6)	(0.4)	*n.s.*	(189.0)	*(99.1%)*	(2.5)	(188.5)	(191.0)	0.5	*n.s.*
Other non-recurring gains/(losses)	-	(1.3)	*(100.0%)*	6.3	*(100.0%)*	(1.3)	6.3	5.0	(3.8)	*n.s.*
EBIT	**15.9**	**(18.0)**	*n.s.*	**(166.6)**	*n.s.*	**19.8**	**(180.7)**	**(161.0)**	**(45.5)**	*n.s.*
EBIT margin	*9%*	*-16%*	*24.9 p.p.*	*-102%*	*110.2 p.p.*	*4%*		*-34%*	*-12%*	*(22.1) p.p.*
Net finance cost	(4.2)	(3.5)	*19.4%*	(2.4)	*74.6%*	(8.9)	-	(8.9)	(8.9)	*0.2%*
Other financial results	1.1	(0.8)	*n.s.*	(0.3)	*n.s.*	2.6	-	2.6	(0.3)	*n.s.*
Profit before tax	**12.9**	**(22.3)**	*n.s.*	**(169.3)**	*n.s.*	**13.5**	**(180.7)**	**(167.2)**	**(54.6)**	*206.1%*
Income tax	(5.1)	5.5	*n.s.*	(16.0)	*(68.5%)*	(2.9)	(15.7)	(18.6)	13.5	*n.s.*
Net Income	**7.8**	**(16.8)**	*n.s.*	**(185.4)**	*n.s.*	**10.6**	**(196.5)**	**(185.9)**	**(41.2)**	*n.s.*

EBITDA in the Pulp business, before hedges, amounted to €51.8m in 3Q21, compared to a loss of €1.5m in 3Q20, thanks to growth of 59.9% in the average sales price and of 9.6% in sales volumes, which more than offset the 2% increase in the unit cash cost as a result of higher raw material costs. 9M21 EBITDA, again excluding the impact of hedges, amounted to €99.8m, which is 5.9 times that of 9M20.

Ence has an ongoing hedging policy designed to mitigate the impact of exchange rate volatility on its earnings. Those hedges did not entail any cash flows in 3Q21 and implied a cash inflow of €3m in 9M21, compared to outflows €0.3m and €9.8m in 3Q20 and 9M20.

Elsewhere, in 2020, Ence took the exceptional decision of locking in a price of $773/tonne for the sale of 247,200 tonnes of pulp in 2021, at a time when prices were at record lows and the uncertainty sparked by the COVID-19 pandemic was high. Those hedges implied a cash outflow of €21.3m in 3Q21 and of €31.4m in 9M21.

Layering in the impact of those hedges, EBITDA in the Pulp business amounted to €30.5m in 3Q21 and €71.4m in 9M21, 10 times the EBITDA posted in 9M20.

Note, lastly, that EBITDA includes other income and expenses not included in the cash cost with a net negative impact of €8.7m in 3Q21 and of €4.8m in 9M21. Those items of income and expenses include, among other things, the impact of the regulatory collar on sales of energy in connection with pulp production, the EBITDA generated from forestry activities, charges for community work in the vicinity of the Group's biomills, working capital provisions, non-recurring staff costs and *ad-hoc* advisory service costs. In 2Q21, the Company reversed the €1.5m provision recognised in respect of the 2021 Pontevedra Community Plan in 1H21 as a result of the above-mentioned National Court sentences.

Below the EBITDA line, depreciation and amortisation charges declined by 9.4% year-on-year to €37.9m in 9M21, due mainly to the impairment losses recognised against assets associated with the Pontevedra biomill in 2Q21; forest depreciation charges decreased by 15.5% to €8.5m due to the higher use of wood sourced from proprietary plantations.

"Impairment of and gains/(losses) on fixed asset disposals", in the amount of €191m in 9M21, mainly reflects the impairment losses recognised against assets associated with the Pontevedra biomill (€146.3m) and a provision for the estimated cost of dismantling the biomill (€42.3m).

"Other non-recurring operating items" includes (i) the reversal of the provision accumulated to the June close to cover the Company's commitments under the Pontevedra Environmental Pact in the amount of €15.2m; and (ii) 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.

Elsewhere, the net finance cost in the Pulp business amounted to €8.9m in 9M21, in line with that of 9M20, while other finance income includes the impact of exchange rate movements on working capital during the period, specifically a net gain of €2.6m.

Lastly, the 9M21 income tax charge of €18.6m includes the derecognition of deferred taxes of €13.4m, along with the tax effect of the reversal of the Environmental Pact provision, in the amount of €2.3m.

In all, the Pulp business reported a net profit of €7.8m in 3Q21 and a net loss of €185.9m in 9M21, mainly as a result of the net €196.5m of asset impairment charges and provisions recognised in the wake of the National Court sentences, in keeping with applicable accounting rules.

2.8. Cash flow analysis

Cash flow from operations totalled €35m in 3Q21 and €46m in 9M21, compared to a net cash outflow of €4.2m in 3Q20 and a net inflow of €17.4m in 9M20. The sharp growth in EBITDA was partially eroded by the opposite trend in working capital.

Figures in € m	3Q21	3Q20	Δ%	2Q21	Δ%	9M21	9M20	Δ%
EBITDA	**30.5**	**(1.8)**	*n.s.*	**32.7**	*(6.9%)*	**71.4**	**7.1**	*n.s.*
Non cash expenses / (income)	17.8	(2.0)	*n.s.*	(0.6)	*n.s.*	14.6	(0.4)	*n.s.*
Other collections / (payments)	0.6	(0.7)	*n.s.*	0.1	*n.s.*	0.7	(0.5)	*n.s.*
Change in working capital	(11.8)	3.2	*n.s.*	(5.8)	*103.4%*	(34.7)	16.5	*n.s.*
Income tax received / (paid)	-	(0.0)	*(100.0%)*	-	*n.s.*	-	(0.0)	*(100.0%)*
Net interest received / (paid)	(2.2)	(2.8)	*(22.6%)*	(1.5)	*41.0%*	(6.0)	(5.2)	*16.6%*
Net cash flow from operating activities	**35.0**	**(4.2)**	*n.s.*	**25.0**	*40.2%*	**46.0**	**17.4**	*164.9%*

The non-cash charges, in the amount of €17.8m in 3Q21 and €14.6m in 9M21 include the aforementioned provision for the regulatory collar, in the amount of €10.9m, in 3Q21.

Working capital movements implied a cash outflow of €11.8m in 3Q21 and of €34.7m in 9M21, due the impact of the improvement in pulp prices on receivables, coupled with a €13.4m reduction in the drawdown of receivables factoring facilities.

Figures in €Mn	3T21	3T20	Δ%	2T21	Δ%	9M21	9M20	Δ%
Inventories	(4.1)	3.5	*n.s.*	(0.0)	*n.s.*	2.2	(1.3)	*n.s.*
Trade and other receivables	(10.2)	2.4	*n.s.*	(10.1)	*0.3%*	(40.9)	(6.4)	*n.s.*
Financial and other current assets	1.3	2.9	*(54.9%)*	1.8	*(28.7%)*	1.4	1.2	*23.0%*
Trade and other payables	1.2	(5.5)	*n.s.*	2.6	*(52.2%)*	2.6	23.0	*(88.8%)*
Change in working capital	**(11.8)**	**3.2**	*n.s.*	**(5.8)**	*103.4%*	**(34.7)**	**16.5**	*n.s.*

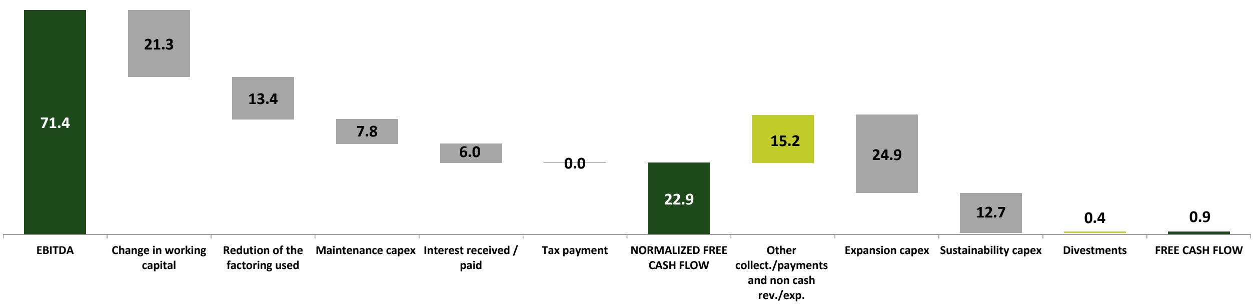
At 30 September 2021, the Pulp business had drawn down €52.7m under its receivable factoring facilities, down from €66.1m at year-end 2020. The Company has reduced its use of discounting facilities in a bid to lower the associated financial cost. Ence has also arranged several non-recourse reverse factoring facilities, which were drawn down by €83.5m at the September close, compared to €104.6m at year-end.

Figures in € m	3Q21	3Q20	Δ%	2Q21	Δ%	9M21	9M20	Δ%
Maintenance capex	(2.6)	(2.6)	*(1.9%)*	(3.1)	*(16.8%)*	(7.8)	(9.3)	*(15.6%)*
Sustainability capex and other	(3.0)	(7.6)	*(60.3%)*	(3.9)	*(22.9%)*	(12.7)	(10.7)	*18.8%*
Efficiency and expansion capex	(2.5)	(1.1)	*120.5%*	(5.6)	*(55.2%)*	(24.9)	(28.8)	*(13.6%)*
Financial investments	0.0	(0.0)	*n.s.*	(0.0)	*n.s.*	(0.0)	0.0	*n.s.*
Investments	**(8.1)**	**(11.3)**	*(29.0%)*	**(12.6)**	*(35.9%)*	**(45.5)**	**(48.8)**	*(6.8%)*
Disposals	-	0.3	*(100.0%)*	0.2	*(100.0%)*	0.4	0.7	*(39.6%)*
Net cash flow used in investing activities	**(8.1)**	**(11.1)**	*(27.3%)*	**(12.3)**	*(34.6%)*	**(45.1)**	**(48.1)**	*(6.3%)*

Maintenance capex was flat at €2.6m in 3Q21 and amounted to €7.8m in 9M21, compared to €9.3m in 9M20.

Investments in sustainability initiatives, meanwhile, amounted to €3.0m in 3Q21 and €12.7m in 9M21, compared to €7.6m and €10.7m in the same periods of 2020, respectively, and were mainly earmarked to reinforcing facility safety and reducing odour, noise and water consumption at the biomills, bolstering Ence's competitiveness in the long term.

Lastly, the outlay for efficiency and growth capex totalled €2.5m in 3Q21 and €24.9m in 9M21, compared to €1.1m and €28.8m in the same periods of 2020, respectively. Those payments were largely related with the capacity increases implemented in 2019, for which €22.4m remains outstanding.



As a result, normalised free cash flow in the Pulp business amounted to €22.9m in 9M21, while free cash flow net of the impact of the regulatory collar and of efficiency, growth and sustainability capex came in at €0.9m.

2.9. Change in net debt

Net debt in the Pulp business stood at €18.2m at 30 September 2021, down €25.1m from year-end 2020. Free cash flow was boosted by the derecognition of lease liabilities related with the concession fee in Pontevedra in the amount of €28.8m, reducing lease liabilities to €15.1m as of the September close.

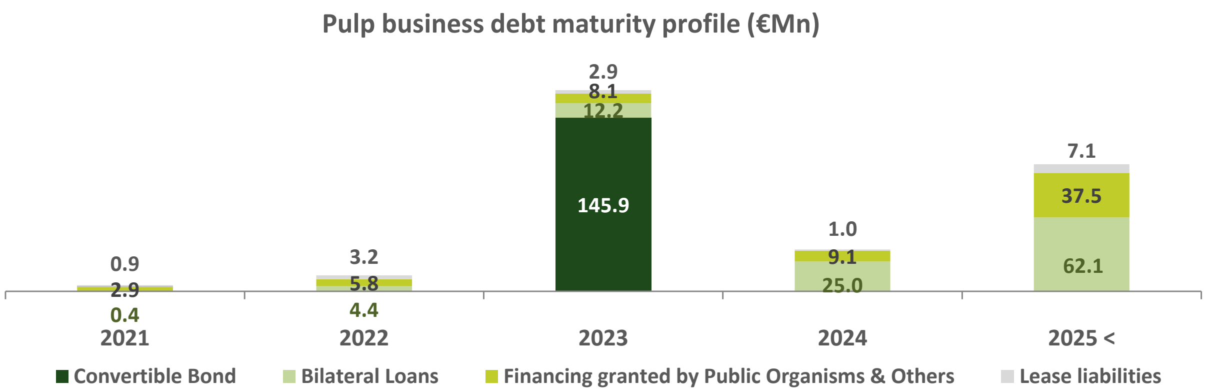
Figures in € m	Sep-21 pre rullings	Rullings impact	Sep-21	Dec-20	Δ%
Non-current financial debt	301.4		301.4	401.2	*(24.9%)*
Current financial debt	12.0		12.0	54.4	*(77.9%)*
Gross financial debt	**313.4**		**313.4**	**455.6**	*(31.2%)*
Non-current lease contracts	41.9	(30.0)	11.9	42.8	*(72.2%)*
Current lease contracts	2.1	1.2	3.2	2.0	*59.9%*
Financial liabilities related to lease contracts	**44.0**	**(28.8)**	**15.1**	**44.8**	*(66.2%)*
Cash and cash equivalents	302.8		302.8	448.1	*(32.4%)*
Short-term financial investments	7.5		7.5	9.0	*(16.1%)*
Net financial debt Pulp business	**47.1**	**(28.8)**	**18.2**	**43.4**	*(58.0%)*

Due to the cyclical nature of the Pulp business, it is financed with covenant-free, long-term debt and ample liquidity. At the reporting date, the Pulp business had cash and cash equivalents of €310.3m.

In light of heightened uncertainty regarding the direction of COVID-19 and following the sale of a 49% equity interest in Ence Energía in December 2020, the Company prepaid €115m of bilateral loans and reduced the use of its receivables factoring facilities by €13.4m in the first nine months of 2021 in order to reduce the associated financial cost.

In addition, in 3Q21, it refinanced the business's revolving credit facility (RCF), increasing the limit to €130m, and refinanced €80m of bilateral loans, extending their maturity to 2026.

The gross debt of €313.4m at the September close corresponds mainly to the €145.9m of convertible bonds (deducted by the value of the equity component), the outstanding balance of €104.1m on bilateral loans and a series of loans totalling €63.4m awarded by the CDTI (acronym in Spanish for the Centre for the Development of Industrial Technology) and Spanish Ministry of Industry to finance investments in efficiency upgrades and capacity expansion work; the maturities on these loans range to 2030. Debt arrangement fees are deducted from gross borrowings on the statement of financial position.



3. RENEWABLE ENERGY BUSINESS

Ence's Renewable Energy business encompasses the generation of power from renewable sources at plants that have no relation to the pulp production process. Ence has eight power plants fuelled by forestry and agricultural biomass with aggregate installed capacity of 266 MW: three plants in Huelva (with capacity of 50 MW, 46 MW and 41 MW); two in Ciudad Real (50 MW and 16 MW); one in Merida (20 MW); one in Jaen (16 MW); and a complex in Cordoba (27 MW).

The new agricultural and forestry biomass plants in Huelva (46 MW) and Puertollano (Ciudad Real) (50 MW) were brought on line on 31 January and 31 March 2020, respectively. In December 2020, Ence Energía, S.L. sold its 50-MW solar thermal plant in Puertollano (Ciudad Real).

The Company has embarked on a process of evaluating offers for the potential sale of its portfolio of five photovoltaic developments with aggregate capacity of 373 MW. That process is at a preliminary stage and so far there are no negotiations underway with any potentially interested parties.

In addition, Ence has a pipeline of three biomass plants with aggregate capacity of 140 MW with which it will participate in upcoming auctions and the Company plans to continue to pursue new developments, in both biomass and photovoltaic technology, in order to continue to grow in renewables.

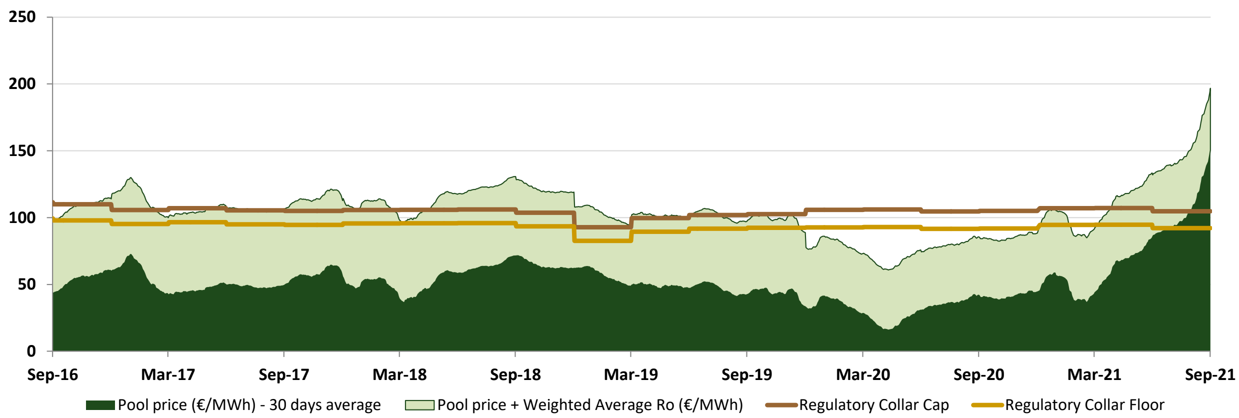
3.1. Electricity market trends

Electricity pool prices averaged €121.9/MWh in 3Q21, which is 3.2 times the 3Q20 level, and €82.7/MWh in 9M20, 2.6 times 9M20 prices.

Market figures	3Q21	3Q20	Δ%	2Q21	Δ%	9M21	9M20	Δ%
Average pool price (€/MWh)	121.9	37.6	*224.2%*	76.3	*59.8%*	82.7	31.9	*159.3%*

The price per MWh sold by Ence is determined by the market (pool) price plus the remuneration for operations (Ro) earned by each plant, within the ceiling and floor set by the regulator (regulatory collar). Those parameters were updated for the 2020-2022 regulatory stub period on 28 February 2020, as contemplated in applicable legislation.

Pool price, average Ro and regulatory collar, last 5 years (€/MWh)



In addition, the remuneration for investment (Ri) for the universe of power plants comprising Ence's Renewable Energy business was set at 7.4% for 2020-2031 by Spanish Royal Decree-Law 17/2019. That remuneration concept implies annual income of €40.9m (excluding the solar thermal plant sold in December 2020).

Both the remuneration for investment and the regulated sale price are subject to a levy on the value of electric energy produced of 7%. That tax was suspended temporarily from July by Royal Decree 12/2021, such that Ence has reduced its plants' 3Q21 remuneration for operations accordingly, with no significant impact on EBITDA.

The plants' remuneration parameters are outlined in greater detail in Appendix 2.

3.2. Energy sales

Rigorous and ongoing application of Ence's internal protocols for the prevention and minimisation of Covid-19 risks for the Group's people and operations have enabled it to operate without interruption throughout the initial outbreak and subsequent waves of the health crisis, with no jobs lost.

Energy sales volumes declined by 10.3% year-on-year in 3Q21 to 344,787 MWh, due mainly to the sale of the solar thermal power plant in Puertollano in December 2020.

On a like-for-like basis, i.e., excluding the plant sold, the volume of energy sold in the third quarter narrowed 3.2% year-on-year. Higher capacity utilisation at the new Huelva 46-MW and Ciudad Real 50-MW plants, coupled with a higher contribution by the Huelva 41-MW plant, partially offset the reduced contributed by the Huelva 50-MW plant, which was taken offline in 2Q21 and 3Q21 due to an incident detected at the generator in the course of its annual review. That plant was successfully restarted in October.

In 9M21, energy sales volumes, on like-for-like terms, i.e., excluding the solar thermal plant, increased by 6.1%, driven by a bigger contribution from the two new plants commissioned during the first quarter of 2020 and from the Huelva 41-MW plant, more than offsetting the lower contribution by the 50-MW Huelva plant.

None of the plants was stopped for maintenance in 3Q21. In 2Q21, the 50-MW Ciudad Real, 20-MW Merida, 16-MW Ciudad Real and 16-MW Jaen plants were stopped for their annual maintenance work. The 50-MW, 41-MW and 46-MW Huelva plants had been stopped for maintenance in 1Q21. The 27-MW Cordoba plant has pushed its maintenance stoppage back to the fourth quarter.

Operating figures	3Q21	3Q20	Δ%	2Q21	Δ%	9M21	9M20	Δ%
Huelva 41 MW - Biomass	52,860	24,695	*114.1%*	48,531	*8.9%*	138,701	52,833	*162.5%*
Jaén 16 MW - Biomass	23,284	24,622	*(5.4%)*	21,779	*6.9%*	66,915	70,730	*(5.4%)*
Ciudad Real 16 MW - Biomass	25,843	22,990	*12.4%*	24,158	*7.0%*	75,326	56,260	*33.9%*
Córdoba 27 MW - Biomass	49,290	50,852	*(3.1%)*	50,571	*(2.5%)*	143,899	148,331	*(3.0%)*
Ciudad Real 50 MW - CSP plant	-	27,843	*(100.0%)*	-	*n.s.*	-	52,676	*(100.0%)*
Huelva 50 MW - Biomass	-	64,154	*(100.0%)*	-	*n.s.*	39,336	232,249	*(83.1%)*
Mérida 20 MW - Biomass	41,726	41,527	*0.5%*	35,902	*16.2%*	112,978	110,781	*2.0%*
Huelva 46 MW - Biomass	75,793	60,319	*25.7%*	79,805	*(5.0%)*	212,217	145,106	*46.2%*
Ciudad Real 50 MW - Biomass	75,992	67,170	*13.1%*	70,951	*7.1%*	212,871	128,148	*66.1%*
Energy sales (MWh)	**344,787**	**384,170**	*(10.3%)*	**331,697**	*3.9%*	**1,002,242**	**997,115**	*0.5%*
Energy sales excluding the CSP plant (MWh)	*344,787*	*356,328*	*(3.2%)*	*331,697*	*3.9%*	*1,002,242*	*944,439*	*6.1%*
Average sales price - Pool + Ro + Collar + Hedges (€/MWh)	68.9	100.1	*(31.2%)*	95.6	*(27.9%)*	88.7	98.3	*(9.7%)*
Remuneration for investment (€m)	8.8	15.9	*(44.5%)*	10.2	*(13.9%)*	29.3	47.6	*(38.5%)*
Remuneration for investment excluding the CSP plant (€m)	*8.8*	*10.2*	*(13.9%)*	*10.2*	*(13.9%)*	*29.3*	*30.7*	*(4.6%)*
Revenue (€ m)	**32.8**	**54.6**	*(40.0%)*	**42.2**	*(22.2%)*	**118.8**	**146.4**	*(18.9%)*
Capitalized revenues (€ m)	-	-	-	-	-	-	4.1	-
Total revenue (€ m)	**32.8**	**54.6**	*(40.0%)*	**42.2**	*(22.2%)*	**118.8**	**150.6**	*(21.1%)*

Despite the rise in pool prices, Ence's average sales price narrowed by 31.2% year-on-year in 3Q21 as a result of the sales arranged at a fixed price, in addition to the impact of the regulatory collar limits. In 9M21, average sales prices declined by 9.7% year-on-year.

Ence adjusts its average sales price monthly as a function of the limits set by the regulator (regulatory collar). The regulatory collar implied the recognition of a provision of €16.9m in 3Q21 and of €18.1m in 9M21, compared to income of €7.4m in 3Q20 and €22.4m in 9M20, all of which without any impact on cash generation.

Elsewhere, in 2020, Ence decided to lock in an average price of €44.5/MWh for the sale of 732,063 MWh of energy in 2021, at a time when prices were at record lows and the uncertainty sparked by the COVID-19 pandemic was high. Those fixed-price agreements implied a cash outflow of €15.1m in 3Q21 (equivalent to €43.8/MWh) and of €19.7m in 9M21 (equivalent to €19.7/MWh) and were accounted for as a reduction in the average sales price.

Lastly, remuneration on investment decreased by €7.1m in 3Q21 and by €18.3m in 9M21 as a result, mainly, of the sale of the solar thermal plant in December 2020. The incident at the 50-MW Huelva plant had the effect of eroding remuneration on investment by €1.4m in 3Q21.

As a result, revenue in the Renewable Energy business decreased by 40% year-on-year in 3Q21 to €32.8m and by 21.1% year-on-year in 9M21, to €118.8m.

3.3. Statement of profit or loss

Figures in € m	3Q21	3Q20	Δ%	2Q21	Δ%	9M21	9M20	Δ%
Total revenue	**32.8**	**54.6**	*(40.0%)*	**42.2**	*(22.2%)*	**118.8**	**150.6**	*(21.1%)*
EBITDA	**11.5**	**15.5**	*(26.1%)*	**13.8**	*(17.0%)*	**34.1**	**42.4**	*(19.7%)*
EBITDA margin	*35%*	*28%*	*6.6 p.p.*	*33%*	*2.2 p.p.*	*29%*	*28%*	*0.5 p.p.*
EBITDA before hedges and excluding the CSP plant	***11.5***	***10.1***	***13.8%***	***13.8***	***(17.0%)***	***34.1***	***28.2***	***20.6%***
EBITDA	**(3.6)**	**15.5**	*n.s.*	**9.4**	*n.s.*	**14.4**	**42.4**	*(66.1%)*
EBITDA margin	*-11%*	*28%*	*(39.4) p.p.*	*22%*	*(33.4) p.p.*	*12%*	*28%*	*(16.1) p.p.*
EBITDA excluding the CSP plant	***-3.6***	***10.1***	***n.s.***	***9.4***	***n.s.***	***14.4***	***28.2***	***(49.2%)***
Depreciation and amortisation	(9.0)	(11.3)	*(19.8%)*	(9.4)	*(4.3%)*	(27.8)	(31.6)	*(12.2%)*
Depletion of forestry reserves	-	(0.0)	*(100.0%)*	(0.0)	*(100.0%)*	(0.1)	(0.3)	*(52.4%)*
Impairment of and gains/(losses) on fixed-asset disposals	(0.1)	(0.1)	*(54.1%)*	(0.2)	*(61.3%)*	(0.3)	(1.7)	*(80.3%)*
EBIT	**(12.7)**	**4.1**	*n.s.*	**(0.2)**	*n.s.*	**(13.9)**	**8.8**	*n.s.*
EBIT margin	*-39%*	*7%*	*(46.2) p.p.*	*0%*	*(38.3) p.p.*	*-12%*	*6%*	*(17.5) p.p.*
Net finance cost	(3.1)	(4.2)	*(26.5%)*	(2.5)	*20.5%*	(8.9)	(11.8)	*(25.0%)*
Other finance income/(cost)	0.5	0.0	*n.s.*	0.2	*129.3%*	0.8	(0.0)	*n.s.*
Profit before tax	**(15.2)**	**(0.1)**	*n.s.*	**(2.5)**	*n.s.*	**(22.0)**	**(3.0)**	*n.s.*
Income tax	3.8	0.0	*n.s.*	(0.3)	*n.s.*	4.4	0.8	*n.s.*
Net Income	**(11.5)**	**(0.0)**	*n.s.*	**(2.8)**	*n.s.*	**(17.6)**	**(2.3)**	*n.s.*
Non-controlling interests	(0.1)	(0.5)	*(74.2%)*	(0.3)		(0.7)	(1.3)	*(41.8%)*
Atributable Net Income	**(11.6)**	**(0.6)**	*n.s.*	**(3.1)**	*n.s.*	**(18.4)**	**(3.5)**	*n.s.*

The increase in pool prices drove EBITDA in the Renewable Energy business, before hedge effects, 13.8% higher year-on-year to €11.5m in 3Q21 and 20.6% higher to €34.1m in 9M21.

The above-mentioned fixed-price hedges had a negative impact of €15.1m in 3Q21 and of €19.7m in 9M21.

As a result, 3Q21 EBITDA came in at a negative €3.6m, compared to positive EBITDA of €10.1m in 3Q20 (excluding the EBITDA corresponding to the solar thermal power plant sold in December 2020). By the same token, 9M21 EBITDA amounted to €14.4m, compared to a like-for-like €28.2m in 9M20.

Below the EBITDA line, it is worth highlighting the 12.2% decline in depreciation charges to €27.8m in 9M21, again as a result of the sale of the solar thermal plant.

Net finance costs decreased by 25% to €8.9m in 9M21, due to the deconsolidation of the solar thermal power plant.

As a result, the net loss attributable to the Renewable Energy business amounted to €11.6m in 3Q21 and €18.4m in 9M21, compared to net losses of €0.6m and €3.5m in the same periods of 2020, respectively.

3.4. Cash flow analysis

Ence's Renewable Energy business used a net €3.4m of cash in operating activities in 3Q21 and generated net cash of €12m in 9M21, compared to net cash inflows of €21m and €28.9m from operating activities in 3Q20 and 9M20, respectively, shaped mainly by diverging trends in working capital between the two periods and the sale of the solar thermal plant.

Figures in € m	3Q21	3Q20	Δ%	2Q21	Δ%	9M21	9M20	Δ%
EBITDA	**(3.6)**	**15.5**	*n.s.*	**9.4**	*n.s.*	**14.4**	**42.4**	*(66.1%)*
Non cash expenses / (incomes)	18.1	(6.0)	*n.s.*	2.6	*n.s.*	22.5	(16.3)	*n.s.*
Other collections / (payments)	(0.0)	0.0	*n.s.*	0.0	*n.s.*	(0.1)	(0.0)	*144.5%*
Change in working capital	(10.5)	12.9	*n.s.*	13.0	*n.s.*	(11.5)	10.5	*n.s.*
Income tax received / (paid)	(6.6)	(0.2)	*n.s.*	(0.1)	*n.s.*	(6.4)	0.8	*n.s.*
Net interest received / (paid)	(0.6)	(1.2)	*(46.5%)*	(5.7)	*(88.7%)*	(7.0)	(8.6)	*(18.6%)*
Net cash flow from operating activities	**(3.4)**	**21.0**	*n.s.*	**19.3**	*n.s.*	**12.0**	**28.9**	*(58.5%)*

The non-cash charges, in the amount of €18.1m in 3Q21 and €22.5m in 9M21, include the aforementioned provision for the regulatory collar, in the amounts of €16.9m in 3Q21 and €18.1m in 9M21.

Working capital movements implied a net cash outflow of €10.5m in 3Q21 and of €11.5m in 9M21, due mainly to the reduction in trade payables, which includes the effect of the temporary suspension of the generation levy from July.

Figures in € m	3Q21	3Q20	Δ%	2Q21	Δ%	9M21	9M20	Δ%
Inventories	(0.2)	1.1	*n.s.*	(5.7)	*(96.8%)*	(6.6)	(3.5)	*92.0%*
Trade and other receivables	1.4	(1.6)	*n.s.*	12.0	*(88.0%)*	6.7	(9.0)	*n.s.*
Current financial and other assets	(0.1)	-	*n.s.*	-	*n.s.*	(0.1)	-	*n.s.*
Trade and other payables	(11.7)	13.4	*n.s.*	6.7	*n.s.*	(11.4)	22.9	*n.s.*
Change in working capital	**(10.5)**	**12.9**	*n.s.*	**13.0**	*n.s.*	**(11.5)**	**10.5**	*n.s.*

As of the September close, the Renewable Energy business had drawn down its factoring lines by €16.4m, which is €5.8m less than the €22.2m drawn at year-end 2020. Ence has also arranged several non-recourse reverse factoring facilities, which were drawn down by €22.5m at the September close, compared to €27.4m at year-end.

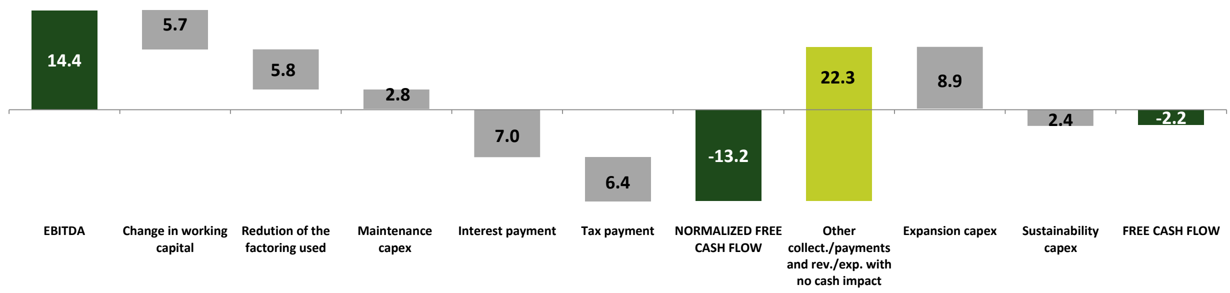
Figures in € m	3Q21	3Q20	Δ%	2Q21	Δ%	9M21	9M20	Δ%
Maintenance capex	(0.5)	(1.5)	*(66.2%)*	(0.7)	*(24.8%)*	(2.8)	(3.9)	*(29.0%)*
Sustainability capex and other	(1.1)	(0.7)	*66.5%*	(0.4)	*193.3%*	(2.4)	(2.9)	*(17.9%)*
Efficiency and expansion capex	(2.3)	(11.3)	*(79.7%)*	(2.5)	*(9.6%)*	(8.9)	(46.8)	*(80.9%)*
Financial investments	-	0.0	*(100.0%)*	(0.1)	*(100.0%)*	(0.1)	0.0	*n.s.*
Investments	**(3.9)**	**(13.5)**	*(71.0%)*	**(3.7)**	*5.7%*	**(14.2)**	**(53.5)**	*(73.5%)*
Disposals	-	-	*n.s.*	-	*n.s.*	-	-	*n.s.*
Net cash flow from investing activities	**(3.9)**	**(13.5)**	*(71.0%)*	**(3.7)**	*5.7%*	**(14.2)**	**(53.5)**	*(73.5%)*

Maintenance capex was pared back to €0.5m in 3Q21 and to €2.8m in 9M21, compared to €1.5m and €3.9m in the same periods of 2020, respectively.

Investments in sustainability initiatives, meanwhile, amounted to €1.1m in 3Q21 and €2.4m in 9M21, compared to €0.7m and €2.9m in the same periods of 2020, respectively,

Lastly, efficiency and growth capex amounted to €2.3m in 3Q21 and €8.9m in 9M21, mainly on account of construction payments outstanding on the two biomass plants commissioned in 1Q21, for which €3.7m remains outstanding.

The efficiency and growth investments of €46.8m recognised in 9M20 notably included the transfer of the remaining Huelva assets by the Pulp business at a value of €26.9m, thus completing the separation of the two units' assets; the transfer had no impact on the Group's consolidated cash flows.



As a result, the Renewable Energy business generated negative normalised free cash flow of €13.2m in 9M21, while free cash flow net of the impact of the regulatory collar and of growth, efficiency and sustainability capex came in at a negative €2.2m.

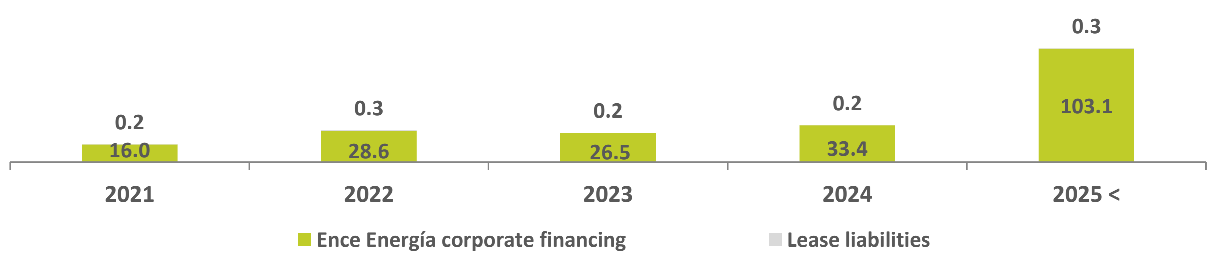
3.5. Change in net debt

Net debt in the Renewable Energy business increased by €9.5m from year-end 2020 to €144m at 30 September 2021, €1.2m of which corresponds to lease liabilities.

Figures in € m	Sep-21	Dec-20	Δ%
Non-current financial debt	176.6	189.2	*(6.7%)*
Current financial debt	31.0	28.6	*8.3%*
Gross financial debt	**207.6**	**217.8**	*(4.7%)*
Non-current lease contracts	0.7	0.7	*(0.1%)*
Current lease contracts	0.5	0.4	*9.6%*
Financial liabilities related to lease contracts	**1.2**	**1.2**	*3.6%*
Cash and cash equivalents	64.7	84.5	*(23.5%)*
Short-term financial investments	0.2	0.0	*n.s.*
Net financial debt Renewable Energy business	**144.0**	**134.5**	*7.1%*

Gross - long-term - debt at the September close stood at €207.6m, while cash amounted to €64.9m.

Energy debt maturity profile (€Mn)



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4. CONSOLIDATED FINANCIAL STATEMENTS

4.1. Statement of profit or loss

	9M21						9M20			
Figures in € m	Pulp pre rullings	Rullings impact	Pulp	Energy	Adjustments	Consolidated	Pulp	Energy	Adjustments	Consolidated
Total revenue	**471.8**	**-**	**471.8**	**118.8**	**(2.1)**	**588.5**	**378.5**	**150.6**	**(2.3)**	**526.9**
Other income	8.4	-	8.4	6.8	(1.2)	14.0	7.4	1.8	(1.7)	7.5
Foreign exchange hedging operations results	(41.9)	-	(41.9)	-		(41.9)	(9.9)	-		(9.9)
Cost of sales and change in inventories of finished produ	(207.3)	-	(207.3)	(50.8)	2.0	(256.1)	(211.3)	(44.7)	2.3	(253.8)
Personnel expenses	(52.3)	-	(52.3)	(9.9)		(62.2)	(57.0)	(10.1)		(67.1)
Other operating expenses	(108.7)	1.5	(107.2)	(50.6)	1.2	(156.6)	(100.8)	(55.1)	1.7	(154.2)
EBITDA	**69.9**	**1.5**	**71.4**	**14.4**		**85.8**	**7.1**	**42.4**		**49.4**
EBITDA margin	*15%*		*15%*	*12%*		*15%*	*2%*	*28%*		*9%*
Depreciation and amortisation	(37.9)	-	(37.9)	(27.8)	2.1	(63.6)	(41.8)	(31.6)	1.2	(72.3)
Depletion of forestry reserves	(8.5)	-	(8.5)	(0.1)		(8.7)	(7.4)	(0.3)		(7.7)
Impairment of and gains/(losses) on fixed-asset disposals	(2.5)	(188.5)	(191.0)	(0.3)		(191.4)	0.5	(1.7)	1.7	0.5
Other non-ordinary operating gains/(losses)	(1.3)	6.3	5.0	-		5.0	(3.8)	-		(3.8)
EBIT	**19.8**	**(180.7)**	**(161.0)**	**(13.9)**	**2.1**	**(172.8)**	**(45.5)**	**8.8**	**2.9**	**(33.7)**
EBIT margin	*4%*		*-34%*	-12%		-29%	*-12%*	6%		*-6%*
Net finance cost	(8.9)	-	(8.9)	(8.9)		(17.7)	(8.9)	(11.8)		(20.7)
Other finance income/(costs)	2.7	-	2.7	0.8		3.4	(0.3)	(0.0)		(0.3)
Profit before tax	**13.5**	**(180.7)**	**(167.2)**	**(22.0)**	**2.1**	**(187.1)**	**(54.6)**	**(3.0)**	**2.9**	**(54.7)**
Income tax	(2.9)	(15.7)	(18.6)	4.4	3.4	(10.9)	13.5	0.8	(0.1)	14.2
Net Income	**10.6**	**(196.5)**	**(185.9)**	**(17.6)**	**5.5**	**(198.0)**	**(41.2)**	**(2.3)**	**2.8**	**(40.6)**
Non-controlling interests	-	-	-	(0.7)	6.3	5.6	-	(1.3)		(1.3)
Atributable Net Income	**10.6**	**(196.5)**	**(185.9)**	**(18.4)**	**11.8**	**(192.4)**	**(41.2)**	**(3.5)**	**2.8**	**(41.8)**
Earnings per Share (EPS)	0.05	(0.81)	(0.76)	(0.08)	0.05	(0.79)	(0.17)	(0.01)	0.01	(0.17)

4.2. Balance sheet

	Sep- 21						Dec - 20			
Figures in € m	Pulp pre rullings	Rullings impact	Pulp	Energy	Adjustments	Consolidated	Pulp	Energy	Adjustments	Consolidated
Intangible assets	15.2	(2.2)	12.8	38.5	(13.4)	37.8	15.8	40.0	(13.9)	41.9
Property, plant and equipment	622.7	(175.7)	439.8	461.6	(10.0)	891.3	627.7	476.8	(11.7)	1,092.9
Biological assets	65.0	(2.5)	60.5	0.1		60.6	71.0	0.2		71.3
Non-current investments in Group companies	125.8	-	125.8	0.0	(125.8)	-	125.8	0.0	(125.8)	-
Non-current borrowings to Group companies	38.3	-	38.3	-	(38.3)	-	38.3	-	(38.3)	-
Non-current financial assets	18.9	-	15.3	2.0		17.3	17.6	6.6		24.2
Deferred tax assets	69.1	(26.0)	39.0	21.9	3.4	64.3	56.2	15.8		72.0
Total non-current assets	**955.0**	**(206.4)**	**731.5**	**524.1**	**(184.2)**	**1,071.4**	**952.4**	**539.5**	**(189.7)**	**1,302.2**
Inventories	36.1	(2.9)	40.0	14.8		54.8	43.3	9.5	(1.0)	51.8
Trade and other accounts receivable	55.8	-	65.2	27.5	(12.2)	80.6	61.7	23.2	(26.7)	58.2
Income tax	0.0	-	0.0	0.1		0.1	0.0	0.9		1.0
Other current assets	15.3	-	10.6	(1.0)		9.6	1.3	0.1		1.3
Hedging derivatives	0.0	-	0.0	-		-	6.8	-		6.8
Current financial investments	8.8	-	7.5	0.2		7.7	18.2	0.0		18.2
Cash and cash equivalents	298.2	-	302.8	64.7		367.5	448.1	84.5		532.6
Total current assets	**414.2**	**(2.9)**	**426.2**	**106.3**	**(12.2)**	**520.4**	**579.4**	**118.3**	**(27.7)**	**669.9**
TOTAL ASSETS	**1,369.1**	**(209.3)**	**1,157.7**	**630.5**	**(196.4)**	**1,591.8**	**1,531.8**	**657.8**	**(217.5)**	**1,972.1**
Equity	**697.3**	**(206.8)**	**503.0**	**250.6**	**(145.9)**	**607.8**	**733.0**	**268.5**	**(151.3)**	**850.1**
Non-current borrowings	358.1	(30.0)	313.3	177.3		490.7	444.0	190.0		634.0
Non-current loans with Group companies and associates	-	-	-	75.2	(38.3)	36.8	-	75.2	(38.3)	36.8
Non-current derivatives	-	-	-	4.7		4.7	0.1	5.5		5.6
Deferred tax liabilities	18.2	-	18.2	1.5		19.8	19.9	1.8		21.7
Non-current provisions	7.4	43.0	50.3	0.1		50.3	2.7	0.1		2.8
Other non-current liabilities	3.5	-	11.7	20.7		32.4	4.5	8.8		13.3
Total non-current liabilities	**387.2**	**13.0**	**393.5**	**279.5**	**(38.4)**	**634.7**	**471.2**	**281.3**	**(38.3)**	**714.2**
Current borrowings	21.0	1.2	15.2	31.5		46.7	56.4	29.0		85.5
Current derivatives	47.4	-	43.5	2.6		46.2	4.9	3.2		8.1
Trade and other account payable	187.8	(1.5)	187.7	62.3	(12.1)	237.8	238.0	68.2	(26.8)	279.3
Short-term debts with group companies	0.0	-	0.0	0.9		0.9	0.0	(0.0)		-
Income tax	0.0	-	0.0	0.8		0.8	0.0	5.6		5.6
Current provisions	28.3	(15.3)	14.7	2.2		17.0	28.4	1.9	(1.0)	29.4
Total current liabilities	**284.6**	**(15.6)**	**261.2**	**100.3**	**(12.2)**	**349.3**	**327.8**	**108.0**	**(27.8)**	**407.9**
TOTAL EQUITY AND LIABILITIES	**1,369.1**	**(209.3)**	**1,157.7**	**630.5**	**(196.4)**	**1,591.8**	**1,531.9**	**657.8**	**(217.5)**	**1,972.2**

4.3. Cash flow statement

	9M21						9M20			
Figures in € m	Pulp pre rullings	Rullings impact	Pulp	Energy	Adjustments	Consolidated	Pulp	Energy	Adjustments	Consolidated
Consolidated profit/(loss) for the period before tax	**0.6**	**(180.7)**	**(167.2)**	**(22.0)**	**2.1**	**(187.1)**	**(54.6)**	**(3.0)**	**2.9**	**(54.7)**
Depreciation and amortisation	33.5		46.4	27.9	(2.1)	72.2	49.2	31.9	(1.2)	79.9
Changes in provisions and other deferred expense	(0.1)	(7.8)	(0.8)	4.6		3.8	13.1	6.3		19.4
Impairment of gains/(losses) on disposals intangible assets	0.9	188.5	191.0	0.3	0.0	191.4	(0.6)	1.7	(1.7)	(0.6)
Net finance result	3.3		6.9	8.1		15.0	8.8	11.8		20.6
Energy regulation adjustment (regulatory collar)	(0.0)		10.8	18.1		28.9	(9.0)	(22.4)		(31.4)
Government grants taken to income	(0.4)		(0.5)	(0.2)		(0.7)	(0.7)	(0.2)		(0.9)
Adjustments to profit	**37.1**	**180.7**	**253.9**	**58.8**	**(2.1)**	**310.6**	**60.7**	**29.1**	**(2.9)**	**86.9**
Inventories	6.3		2.2	(6.6)		(4.4)	(1.3)	(3.5)		(4.7)
Trade and other receivables	(30.8)		(40.9)	6.7		(34.3)	(6.4)	(9.0)		(15.4)
Current financial and other assets	0.1		1.4	(0.1)		1.3	1.2	-		1.2
Trade and other payables	1.4		2.6	(11.4)		(8.8)	23.0	22.9		45.9
Changes in working capital	**(22.9)**		**(34.7)**	**(11.5)**		**(46.1)**	**16.5**	**10.5**		**26.9**
Interest paid	(3.9)		(6.0)	(7.0)		(13.0)	(5.2)	(8.6)		(13.7)
Dividends received	0.0		0.0	(0.0)		0.0	-	-		-
Income tax received/(paid)	-		-	(6.4)		(6.4)	(0.0)	0.8		0.8
Other collections/(payments)	-		-	-		(0.0)	-	-		-
Other cash flows from operating activities	**(3.9)**		**(6.0)**	**(13.4)**		**(19.4)**	**(5.2)**	**(7.7)**		**(12.9)**
Net cash flow from operating activities	**11.0**		**46.0**	**12.0**		**57.9**	**17.3**	**28.9**		**46.2**
Property, plant and equipment	(36.5)		(44.1)	(14.0)		(58.1)	(45.2)	(53.2)	26.9	(71.5)
Intangible assets	(0.9)		(1.3)	(0.1)		(1.4)	(3.6)	(0.3)		(3.9)
Other financial assets	(0.0)		(0.0)	(0.1)		(0.1)	0.0	0.0		0.0
Disposals	0.4		0.4	-		0.4	0.7	-		0.7
Net cash flow used in investing activities	**(37.0)**		**(45.1)**	**(14.2)**		**(59.2)**	**(48.1)**	**(53.5)**	**26.9**	**(74.7)**
Free cash flow	**(26.0)**		**0.9**	**(2.2)**		**(1.3)**	**(30.8)**	**(24.7)**	**26.9**	**(28.5)**
Buyback/(disposal) of own equity instruments	(1.3)		(2.4)	-		(2.4)	(1.7)	26.9	(26.9)	(1.7)
Proceeds from and repayments of financial liabilities	(122.6)		(143.8)	(17.0)		(160.8)	165.2	0.4		165.7
Dividends payments	-		-	(0.6)		(0.6)	-	(1.2)		(1.2)
Net cash flow from/ (used in) financing activities	**(123.9)**		**(146.2)**	**(17.6)**		**(163.8)**	**163.5**	**26.2**	**(26.9)**	**162.8**
Net increase/(decrease) in cash and cash equivalents	**(149.9)**		**(145.3)**	**(19.9)**		**(165.1)**	**132.8**	**1.5**		**134.3**

5. KEY DEVELOPMENTS

National Court Sentences affecting the concession in Pontevedra

The two first sentences issued by Spain's National Court in July 2021 and the last one in October 2021 annulled the extension of the concession over the public-domain land on which ENCE's biomill in Pontevedra is located.

Ence has filed appeals against the two first sentences before the Supreme Court. Likewise, it will appeal against the third sentence and will exhaust all legal avenues to defend the lawfulness of the concession extension

If the Supreme Court does not agree to hear, or dismisses, the appeals, it would fall to the Ministry of Green Transition and Demographic Challenges to determine (at the behest of the National Court) the deadline for potentially discontinuing activities at the biomill.

In keeping with applicable accounting rules, assuming a scenario in which operations at the biomill have to be discontinued between 2023 and 2024, the Group recognised asset impairment losses and provisions for expenditures that will not imply an outflow of cash in a net amount of €148.2m in its second-quarter financial statements, along with a €42.3m provision to cover the estimated cost of the potential dismantling of the biomill and a €6m provision for the cost of possibly having to terminate certain contracts.

The cost of restructuring the surplus manpower, including some of the Group's corporate services staff, as a result of the potential discontinuation of business in Pontevedra, has not been provided for, given that the related recognition requirements under prevailing accounting rules have not been met.

If, having exhausted all appeal options, the annulment of the extension of the Pontevedra biomill concession extension is upheld, the Company will seek damages from the state in respect of all the losses caused to it as a result.

Moody's credit ratings

On 14 October 2021, Moody's reiterated Ence's credit rating of Ba3 in light of the improvement in its credit ratios thanks to the recovery in pulp prices, as well as on account of its strong liquidity position. It did, however, change its outlook from Stable to Negative to reflect the risk of annulment of the Pontevedra pulp biomill concession.

Evaluation of offers with a view to the potential sale of a portfolio of photovoltaic developments

On 13 October 2021, Ence announced that it had embarked on a process of evaluating offers in order to assess the potential sale of its 373-MW portfolio of photovoltaic developments.

That portfolio comprises five developments located in regions of Spain with the highest levels of solar radiation. All of the developments have already obtained grid connection authorisation and have locked in sites; the permitting process is expected to finish over the coming quarters.

The process is at a preliminary stage - that of receiving non-binding offers - and so far there are no negotiations underway with any potentially interested parties.

Improvement in ESG score

Ence's noteworthy performance along environmental, social and governance (ESG) dimensions is echoed in its assessments by prestigious ESG agencies and indices.

In May 2021, Sustainalytics increased Ence's overall ESG score to 91 points out of 100, which ranks it has the global leader in the pulp and paper sector.

In January 2021, Ence received an AA rating (on a scale from AAA to CCC) on MSCI's ESG Rating Assessment.

Lastly, the Company has been part of the prestigious FTSE4Good Index Series since January 2021.

2021 Annual General Meeting

Ence held its Annual General Meeting remotely on 26 March 2021. It was attended by shareholders representing 60% of its share capital who ratified all of the agenda items. The motions were carried with over 82% of votes in favour on average. The items ratified included:

- ✓ Approval of the 2020 financial statements, management report and sustainability report.
- ✓ Approval of the Board of Directors' performance and proposed appropriation of profit for 2020.
- ✓ Re-election of Ms. Rosa María García Piñeiro as independent director.
- ✓ Appointment of Mr. Javier Arregui Abendivar as proprietary director.
- ✓ Appointment of Mr. Oscar Arregui Abendivar as proprietary director.
- ✓ Appointment of Mr. Gorka Arregui Abendivar as proprietary director.
- ✓ Ratification of the appointment of Mr. José Ignacio Comenge Sánchez-Real as proprietary director.
- ✓ Appointment of Ms. María de la Paz Robina Rosat as independent director.
- ✓ Establishment of the number of members of the Board of Directors at 13.
- ✓ Appointment of the auditor of the Company and its consolidated group.

Measures taken to prevent and minimise the spread of Covid-19

Maintenance of activity and jobs

Ence continues to apply and update its internal COVID-19 protocol rigorously. That protocol has proven effective at preventing transmission of the virus in our places of work, making it possible to continue our business activities and preserve jobs.

COVID-19 protocol

The protocol is applicable in all of Ence's places of work and to all of its employees, as well as its service providers. To ensure stringent compliance, daily audits are carried out in each work centre, with all activities reviewed every three days at most.

Among other things, the protocol stipulates the following:

- ✓ Limits on travel and factory visits.
- ✓ Preventive quarantines for anyone with symptoms and anyone who has had close contact with people who have or may have the virus.
- ✓ A periodic test regime and health and protocol quizzes for all staff, with a frequency that depends on a series of indicators, including the accumulated case incidence numbers in each region. That regime is managed by means of a mobile-friendly electronic COVID Passport application.
- ✓ Specific measures governing travel to work and temperature checks before entering.
- ✓ Mandatory use of face masks at all times (certified, washable hygienic masks, surgical masks or FFP2-grade masks, depending on risk levels and the level of protection required).
- ✓ Social distancing.
- ✓ 15-minute long ventilation intervals every hour.
- ✓ Preventive measures with respect to workplace and personal hygiene, and the provision of materials at all workplaces.

- ✓ Specific measures for the various classes of contractors and suppliers who need access to Ence's places of work.
- ✓ Promotion of the use of remote working arrangements such as video conference calls to facilitate social distancing; widespread use of walkie talkies with intercoms for field work to enable employee interaction without breaching the 2-metre distance rule.

The protocol is updated constantly to layer in new scientific knowledge, prevailing legislation and other pandemic developments. In recent months the approach has been to adapt progressively to the new low levels of transmission by gradually rolling back remote working arrangements, resuming business travel and in-person meetings and revising meeting room capacity limits.

COVID-19 related costs

In the first nine months of 2021, the costs induced by Covid-19 amounted to €1.3m. Those costs include extra staff costs to implement the new safety and hygiene measures put in place and the provision of disinfectants, face masks, tests and equipment to facilitate working from home.

APPENDIX 1: MASTER SUSTAINABILITY PLAN

Sustainability is intrinsic to Ence's business activities as a leading player in the sustainable use of natural resources for the production of differentiated pulp and renewable energy. It is fully embedded within the Company's purpose and constitutes a strategic priority, as is evident in Ence's 2019-2023 Business Plan.

Ence's noteworthy performance along environmental, social and governance (ESG) dimensions is echoed in its assessments by prestigious ESG agencies and indices. In 2021, Sustainalytics increased Ence's overall ESG score to 91 points out of 100, which ranks it has the global leader in the pulp and paper sector. Also in 2021, Ence received an AA rating (on a scale from AAA to CCC) on MSCI's ESG Rating Assessment. Lastly, the Company joined the prestigious FTSE4Good Index Series in 2021.

To articulate its sustainability strategy, Ence has defined a Sustainability Master Plan with the same time horizon as its Business Plan. The Plan constitutes the roadmap for advancing towards excellence in sustainability and fostering the creation of shared value with its stakeholders. That Master Plan is articulated around seven priority lines of initiative:

1. People and values

Ence's commitment to its people has guided the Company's actions since the onset of the pandemic induced by COVID-19 in 2020. Throughout 2021, the Company continued to revise and fine-tune its general protocols, as well as the protocols addressing stoppages and restriction easing, to adapt them for the circumstances prevailing at all times.

In addition to responding swiftly to the pandemic, the Company's human capital management priorities remain focused on the provision of quality work; improvement of the workplace climate; stimulation, management and development of talent; promotion of training and learning; fostering of diversity; and creation of a sustainability culture within the organisation, among others.

In terms of the generation of quality work, note that, in addition to preserving all jobs throughout the pandemic, as of September 2021, 86.6% of Ence employees had indefinite employment contracts and 98.3% were working full time.

The workplace climate improvement plan is a top priority, not only for the human resources team but for all of the professionals who work at Ence. Thanks to the efforts the Company has been making since embarking on this project, the last annual workplace climate survey (2020) revealed an improvement in the aggregate workplace climate score of over 13% from 2019, topping the sector average. And for the first time, the Company secured Great Place to Work certification.

On the talent development front, Ence is striving to ensure that it attracts, develops and retains the professionals it needs to ensure that the organisation has the human capital required to successfully execute its 2019-2023 Business Plan. To that end, Ence is focusing on the reinforcement of internal promotions as the basis for the professional development of its employees, specifically raising the profile of all internal vacancies. During the first nine months of the year, it promoted 48 professionals, 17 of whom are women.

As for training and learning, the overriding goal of Ence's professional training strategy is to encourage personal and professional development at all levels with a view to improving employee integration in the Company and commitment to the organisation's strategic goals. The aim is to give employees the skills they need to do their jobs, while fostering a culture of development, value creation and continuous improvement and preparing them to assume new responsibilities in the future.

Training is an important aspect of the Strategic Human Resources Plan, which contemplates the following corporate training initiatives in addition to each Operations Centre's specific training plans:

- ✓ Occupational Health and Safety Policy
- ✓ Sustainability
- ✓ Digital Transformation
- ✓ Environmental Awareness
- ✓ Compliance

- ✓ Operations and Maintenance Services
- ✓ Development of Leadership Skills

In 3Q21, the Company imparted 15,470 hours of training, i.e., 13.27 hours per employee, adapting the formats for remote working arrangements and other safety protocols derived from the health crisis.

In terms of its effort to bring about effective equality and diversity, Ence remains strategically committed to hiring a higher percentage of women and lifted female representation by 10.3% in 9M21. Moreover, 54% of new hires were female.

Under its Equality Plan, Ence offers measures that go beyond its obligations under prevailing labour legislation. In line with those commitments, its remuneration policy is likewise designed to guarantee non-discrimination in pay, compensating employees competitively. Remuneration is articulated around market criteria and a variable component based on objective job performance evaluation informed by equality and efficiency criteria.

Elsewhere, as part of the drive to create sustainability awareness, Ence has launched equality and sustainability related training programmes addressed at the entire organisation. Some 13,198 people participated in the various online courses offered in the first nine months of 2021.

Ence works to build management-employee relations based on dialogue and joint responsibility, the idea being to foster a climate that is propitious to achieving efficiency and productivity gains. To that end it engages in open and continuous dialogue with its employees' various representatives at all of its places of work. Ence updates its safety protocol regularly and meets periodically to monitor Covid-19 developments.

2. Climate action

On the climate action front, Ence is working on two lines of initiative: (i) **climate change mitigation**, by adapting its productive processes to minimise its carbon footprint; and (ii) **climate change adaptation**, by taking action to make the Company more resilient.

In the mitigation area, Ence has approved specific GHG reduction targets, which call for the reduction of specific scope 1 and 2 emissions in the Pulp segment by 25% by 2025 compared to the base year, defined as 2018. To deliver that target, Ence has devised emission-cutting plans based on continuous improvement and the substitution of fossil fuels at the biomills. In the first nine months of the year, it has been implementing the measures set down in those plans, starting with the substitution of fossil fuels (coke) with biomass at the Pontevedra biomill.

In 9M21, Ence also updated its inventory of greenhouse gas emissions to include, for the first time, the analysis of the net carbon balance of the forests owned by the Company. That analysis, which was performed in keeping with the IPCC guidelines, showed that in 2020 the forests managed by Ence sequestered nearly 230,000 tonnes of carbon, net of that withdrawn in the form of wood and biomass. The most recent emissions inventory data reveal that Ence's carbon footprint has decreased by 17% with respect to the base year (2018).

In the adaptation area, Ence is following the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD) around the governance and management of climate-related risks and opportunities. More specifically, Ence is focusing its efforts on the development of *ad-hoc* climate models which provide a tool for analysing the potential impacts of climate change on the Company's facilities and wood and biomass supply areas. To develop those models, Ence is using two IPCC climate scenarios: a more pessimistic scenario (RCP 8.5) and a scenario more closely aligned with current emissions (RCP 4.5). It is analysing the changes in the climate over three time horizons: the near future (until 2040), medium term (until 2070) and a more distant future (2100). For Ence, the impact of the physical risks derived from climate change is more relevant than the impact of the regulatory risks, to which end it has selected scenarios in which the physical impacts are more noteworthy, rather than a scenario that contemplates global warming of less than 1.5ºC, for its analysis.

3. Safe and eco-friendly operations

Ence is working to achieve zero workplace accidents. In parallel, it is striving to run exemplary business operations in environmental terms by upholding the most ambitious benchmark international standards to ensure it earns the social licence to operate in its business communities.

The positive momentum of recent quarters continued in 3Q21, evidencing the Company's **robust workplace health and safety effort**. That translated into good accident metrics in all business units and a significant improvement with respect to year-end 2020 levels. Overall, the accident frequency rate was 3.73 in 9M21, down substantially from the 2020 equivalent (7.40) and in line with benchmark readings in the long-run series.

Indeed, all of the business units (Pulp, Independent Power Plants, Forestry Purchases, Biomass Supplies and Forest Assets) improved their frequency readings in the first nine months and two of them (Independent Power Plants and Biomass Supplies) were accident-free (i.e., frequency rate = 0), That is a noteworthy milestone considering the fact that all operating centres were stopped for maintenance interventions during the reporting period. Moreover, all units outperformed the key benchmark accident indicators in Spain (general industry and the pulp and paper and the chemicals industries).

It is also worth highlighting the fact that the Navia biomill completed the transfer and certification of its health and safety management system from OSHAS 18001:2007 to the ISO 45001:2018 standard.

On the **health front**, the situation remains marked by the crisis induced by COVID-19, although the progress made on the vaccination front in Spain has led to a reduction in transmission in the regions in which Ence operates. Nevertheless, the Group has remained proactive, an approach that has made it a benchmark for many other companies due to speed of its responsiveness and the innovative nature of its strategies for combating the virus. Indeed, the Company has prioritised the ongoing health and safety of the entire Ence family throughout. Pandemic-related developments are monitored by a high-level committee, which, advised by a panel of scientific experts, continually updates and fine-tunes the existing protocols with a view to continuing to prevent transmission. Those protocols encompass initiatives on different fronts, including: the organisation of work; ventilation and air renewal; the use of specific personal protection equipment; regular disinfection; screening tests; training, education and communication; the provision of health resources; and the preparation of emergency response plans.

As for Ence's **environmental performance**, both biomills improved their odour emission readings compared to last year, with the Navia biomill standing out with a year-on-year reduction in its ratio of 41%. Odour emissions at Pontevedra came down by 19%.

Particle emissions from prime sources also came down at both biomills: by 24% at the recovery furnace and by 47% at the causticizing kilns in Pontevedra; and by 77% at the recovery furnace and by 21% at the causticizing kilns in Navia.

In the Renewable Energy business, completion of the Water Consumption Rationalisation Study has brought to light measures for saving on water consumption and improving wastewater quality.

In terms of Ence's **circular economy** effort, both biomills continue to report high levels of waste recycling, recovery and reuse (96.7% in Navia and 99.9% in Pontevedra), allowing them to hold on their AENOR Zero Waste certificates a seal only given to facilities that send less than 10% of their waste to landfill. The Energy plants present reuse ratios of over 90% and the rollout of plant certification continues.

As for the implementation of environmental management systems in the Renewable Energy business, due progress is being made on the planned milestones, with implementation completed at the La Loma and Enemansa plants.

In 9M21, Ence also made progress on the implementation of environmental management enhancement tools such as the environmental observations preventive tool, designed to deliver tighter control over the facilities' environmental aspects and promote a culture of environmental awareness among its employees. Another example is the 'Works of Particular Environmental Risk' tool, which ensures detailed analysis and planning of any environmentally-risky work to be undertaken by the Company.

It is also worth noting the advances made to digitalise the safety and environmental management tools by developing, using in-house resources, IT tools that enable the management of: Preventive Health & Safety and Environmental Observations; Works of Particular Risk for Health & Safety and Environmental Reasons; and the Registration and Analysis of Accidents and Incidents.

4. Rural and forest development

Ence works to ensure the sustainability and traceability of the raw materials it sources (wood and biomass) and create value for land owners, suppliers and other stakeholders in the agricultural and forestry sectors, generating positive knock-on effects based on sustainable business models.

Indeed, Ence has cemented itself as a benchmark in **sustainable forest management** in Spain, applying internationally-recognised standards of excellence, such as the FSC® (Forest Stewardship Council®, with license numbers FSC®-C099970 and FSC®-C081854) and PEFC™ (Program for the Endorsement of Forest Certification, with licence numbers PEFC/14-22-00010 and PEFC/14-33-00001) schemes, to the forest assets it manages and encouraging their adoption by its supply chain. In 9M21, around 85.3% of its forest assets were certified under one or other of those standards and a little over 74.6% of the wood that entered its biomills from its proprietary forests, suppliers and forest owners during the period came with one or both certifications.

Ence's sustainable forest management effort extends to the promotion of **biodiversity conservation** in its forests. Indeed, the Company has set itself the target to studying biodiversity in its owned forests in 2021 in collaboration with Huelva University; during the first nine months, it conducted 51 flora biodiversity studies in its forests in southern Spain and a further 13 in northern Spain. During the last quarter of the year, the Company plans to document the potential fauna living in its owned forest tracts.

As regards its effort to **create value for forest owners and suppliers**, Ence lends particular support to small firms: in the case of wood supplies, 71.7% of the volume purchased came from small suppliers, while in the case of standing wood purchases, 78% corresponded to small-scale owners (including forest associations). In 9M21, the Company purchased over €26.2 million worth of wood from 1,180 forest owners. As for biomass, Ence mobilised over 1,230,000 tonnes, worth €50.2 million, through its independent plants. It supplied more than 226,500 tonnes of biomass worth over €7.6 million to its biomills.

Ence also strives to **contribute to development** in the areas in which it operates.. To that end it encourages the purchase of local timber; in 9M21, most of the timber bought came from Galicia, Asturias, Cantabria, Andalusia and northern Portugal. Local wood purchasing not only helps generate value in the vicinity of its business operations, it also reduces transport requirements, so lowering the Company's (scope-3) carbon footprint. All of the biomass procured by the Company is similarly sourced nearby (including from Portugal in the case of the plants in Huelva and Merida).

In addition to generating value for its biomass suppliers, Ence is working to drive the **sustainability of the biomass** used in its plants to generate energy, framed by two major projects: the voluntary 10-Point Declaration on the Sustainability of Biomass and plant certification under the European Renewable Energy Directive (RED II).

Compliance with the 10-Point Declaration in respect of agricultural biomass was 72.5% in 9M21, the target for all of 2021 being 75%. For industrial biomass, 9M21 compliance was running very close to the target for 2021 of 65%.

During the third quarter, Ence launched the process for certifying its facilities in accordance with the sustainability requirements established for biomass in EU Directive 2018/2001 on the promotion of the use of energy from renewable sources, specifically by means of the SURE-EU system. Having satisfactorily concluded the required audits in July, the Merida and Pontevedra facilities became the first to obtain that certificate in all of Europe. Following that first milestone, Ence is forging ahead with its certification plan with the aim of ending the year with all facilities certified, moving on to expand certification to its universe of suppliers in the early months of 2022.

Certification of Ence’s producers of wood and agricultural-forestry biomass stands at 100% in both instances. Certification of gardening and industrial biomass suppliers topped 71% for pruning waste and 80.65% for industrial biomass in 9M21.

5. Sustainable products

Ence's strategic commitment to sustainable products crystallised in the launch of the Ence Advanced trademark in 2019, the result of years of R&D and industrial and product development work.

Under the umbrella of that platform, Ence is working to develop **products with a lower carbon footprint** as alternatives to hardwood pulp (which has a larger wood consumption requirement): adapted products and unbleached pulp for the manufacture of bags and packaging apt for substituting materials such as plastic. In this sense, it is worth highlighting our unbleached Naturcell pulp, which in addition to having an improved environmental profile, the CO2 emissions derived from its production have been offset by credits from the voluntary market to make it a Carbon Zero product.

In order to be transparently accountable for its products' sustainability attributes, Ence is working to develop Product Category Rules (PCR) and the Environmental Product Declarations (EPD), framed by the International EPD System. The PCR establishes the rules for performing like-for-like analysis so as to yield comparable results, while the EPD contains verified information about a product's environmental performance. The EDP for unbleached pulp - Naturcell - was published on the corporate website in 1Q21, as was the EDP for the standard bleached pulp produced in Pontevedra. At present, we continue to work with Environdec on drafting the PCR for the manufacture of pulp, a process which is currently at the stage of stakeholder consultation. Ence's products are the first pulp products on the market to obtain Environmental Product Declarations.

Increasing **sales of its greener products** is one of Ence's sustainability targets: in 9M21, sales of those sustainable products accounted for 15% of overall pulp sales. Ence backed the creation in 2021 of a cluster comprising 30 of its customers who produce products that are **good potential substitutes for plastic**. The target is for that cluster to account for 40% of the Company's sales, a target that was attained in 9M21. Going forward, Ence plans to continue to work to increase the volumes sold to that cluster and to participate in other joint substitution projects.

As for its customer outreach effort, so far this year Ence has held seven sustainability interviews, which is already more than the target of six set for the entire year. The suggestions and feedback provided by customers during those meetings will be taken into consideration in setting the sales department's sustainability targets for 2022.

6. Community commitment

On the community work front, Ence remains committed to **investing in its local communities** under the umbrella of the ongoing third edition of its Pontevedra Community Plan, endowed with €3 million for social, environmental, sports and entrepreneurship projects, and initiatives aimed at addressing social exclusion, among others. Ence has agreements with the town councils of Navia and San Juan del Puerto, endowed with €100,000 per annum apiece, for the sponsorship and patronage of social and other community activities.

Ence has had to adapt the timeline for the execution of the Pontevedra Community Plan in response to the ongoing health crisis, having sought fit to grant the beneficiaries extra time to present their project credentials. It has also been flexible about changes in the use of proceeds so long as so doing did not modify the ultimate purpose. In this manner it has strived to demonstrate, once again, its support for society and its empathy with the beneficiaries affected by the health crisis.

In addition to the above community investments, Ence continues to roll out **specific relations plans** for its communities in Huelva, Navia and Pontevedra, with the aim of educating local residents and other stakeholders about the Company's activities. Under the umbrella of those plans, it organised a total of 550 visits to the facilities in Navia, Pontevedra and Huelva in the first nine months of 2021, reconfiguring them as online visits after the onset of the pandemic. In parallel to those facility tours, Ence carried out numerous training, education and volunteering activities with the help of its employees.

Institutional and community relations and proximity are one of the articulating thrusts of Ence's sustainability policy. Against that backdrop, in the third quarter of the year, it rolled out a number of initiatives in collaboration with a host of entities to promote local social, cultural, education, sports and economic development, as well as environmental care. In addition to the activities designed to improve community relations, it is worth highlighting the knock-on effects and impact on socioeconomic development Ence's activities have in communities such as Asturias and Galicia. It is estimated that Ence's biomill in Navia generates more than 6,900 direct, indirect and induced jobs, of which more than 400 are at the facility itself. The Navia biomill also has a significant positive impact on local forestry, where it is responsible for an estimated 2,900 jobs, and on industries related with Ence's activities, such as wood harvesting, transportation and transformation. Ence's activities in Asturias also serve as a growth engine, creating wealth indirectly in other sectors such as the hospitality, food and independent retailing sectors.

Ence's biomill in Pontevedra is similarly an important source of job and wealth creation in the area. Over 5,100 families depend on the mill directly and indirectly, including 400 employees, around 2,700 contractor jobs in the industrial, logistics and transportation areas and over 2,100 jobs in the Galician forestry sector. In transport alone, the hundreds of trucks that enter the biomill daily paint a picture of the significance of the complex's activities for the local business landscape.

7. Corporate governance

On the corporate governance front, Ence boasts a comprehensive and effective system which incorporates prevailing regulatory requirements and recommendations with respect to best practices in the field. Ence continuously assesses its stakeholders' legitimate expectations, engaging openly with shareholders, investors and proxy advisors and responding transparently to requests for information from research analysts, rating agencies and ESG consultants.

In sum, the objectives being pursued on the corporate governance front are aimed at upholding the interests of its shareholders and other stakeholders in the long term.

The recent ratification of all the resolutions submitted to its shareholders at the last Annual General Meeting endorses Ence’s commitment to delivering on its objectives, with those related with **diversity on the Company’s governing bodies** standing out. Specifically, the Company has appointed a new independent director, so lifting female representation in its boardroom from 7% in 2017 to 38.5% in 2021. One of the Company's female directors was also appointed lead independent director. Following those appointments, Ence's commitment to diversity is similarly tangible in the composition of its board committees: 60% of the members of both the Audit and Compliance and Appointments and Remuneration Committees are women; and they are all independent directors. Moreover, those committees are chaired by women.

During the first nine months, the Company’s governing entities also analysed the changes emanating from publication of Law 5/2021, amending the consolidated text of the Corporate Enterprises Act (enacted by Legislative Royal Decree 1/2010) and other financial regulations as regards the encouragement of long-term shareholder engagement at listed companies, to ensure all the measures are duly implemented at Ence.

Lastly, the Company updated its **Director Training Programme** for 2021 to focus primarily on cybersecurity and sustainability.

APPENDIX 2: REMUNERATION PARAMETERS APPLICABLE TO THE GROUP'S POWER PLANTS

Facility	Type of facility	MW	Annual Remuneration for investment (Ri; €/MW) *	Type of fuel	Remuneration for operation 2021 (Ro; €/MWh)	Cap on sale hours under tariff per MW	Regulatory life (year of maturity)
Pontevedra	Biomass co-generation	34.6	-	Lignin	28.4	-	2032
			55,318	Agroforestry biomass	39.9	-	
Navia	Biomass co-generation	40.3	-	Lignin	24.2	-	2034
	Biomass generation	36.2	230,426	Agroforestry biomass	50.1	7,500	
Huelva 41MW	Biomass generation	41.0	246,318	Agroforestry biomass	58.0	7,500	2025
Jaen 16MW	Biomass generation	16.0	261,059	Olive Pulp	35.3	7,500	2027
Ciudad Real 16MW	Biomass generation	16.0	261,059	Olive Pulp	36.7	7,500	2027
Cordoba 27MW	Biomass generation	14.3	229,620	Olive Pulp	39.8	7,500	2031
	Gas co-generation	12.8	-	Natural Gas	39.0	-	2030
Huelva 50MW	Biomass generation	50.0	214,119	Agroforestry biomass	46.4	7,500	2037
Mérida 20MW	Biomass generation	20.0	293,608	Agroforestry biomass	47.9	7,500	2039
Huelva 46 MW	Biomass generation	46.0	-	Agroforestry biomass	46.4	7,500	2044
Ciudad Real 50 MW	Biomass generation	50.0	-	Agroforestry biomass	46.3	7,500	2044

* Original Ri: Does not include subsequent adjustments by regulatory collar, which Ence adjusts monthly on its revenue figure.

Power plants fuelled by renewable sources of energy, combined heat and power (CHP) systems or waste are regulated by Spanish Royal Decree 413/2014. These plants are remunerated via two concepts, one fixed and the other variable, in order to ensure a reasonable return:

1. The **remuneration for investment (€/MW)** parameter guarantees the recovery of the initial investment plus a return of 7.4% on the estimated cost of building a 'standard' plant. It takes the form of a sum per MW installed (gross), which in the case of Ence implies annual revenue of €41m in the Renewable Energy business (having excluded the solar thermal plant sold in December 2020) and €10m in the Pulp business.

   Royal Decree-Law 17/2019 has established that 'reasonable return' at 7.4% for the regulatory period elapsing between 2020 and 2031 for all Ence plants entitled to its receipt. Note that the two new biomass plants commissioned in 2020 do not receive that remuneration for investment.

2. The **regulated sales price (€/MWh)** enables plant owners to cover all the costs of operating a 'standard' plant, including fuel costs. It is made up of the electricity market (pool) price, subject to the ceiling and floor set by the regulator, plus the remuneration for operation (Ro) earned by each plant.

   The pool prices estimated by the regulator for the purpose of determining the 'Ro' complement are reviewed every three years. Any deviations between actual pool prices and the prices estimated by the regulator at the start of each period are compensated as a function of certain annual ceilings and floors (regulatory collar).

   Below are the pool prices estimated by the regulator for 2020-2022, along with the corresponding ceilings and floors:

Eur / MWh	2020	2021	2022
LS2	63,1	60,5	56,6
LS1	58,8	56,3	52,7
Precio estimado del pool	54,4	52,1	48,8
LI1	50,1	48,0	44,9
LI2	45,7	43,8	41,0

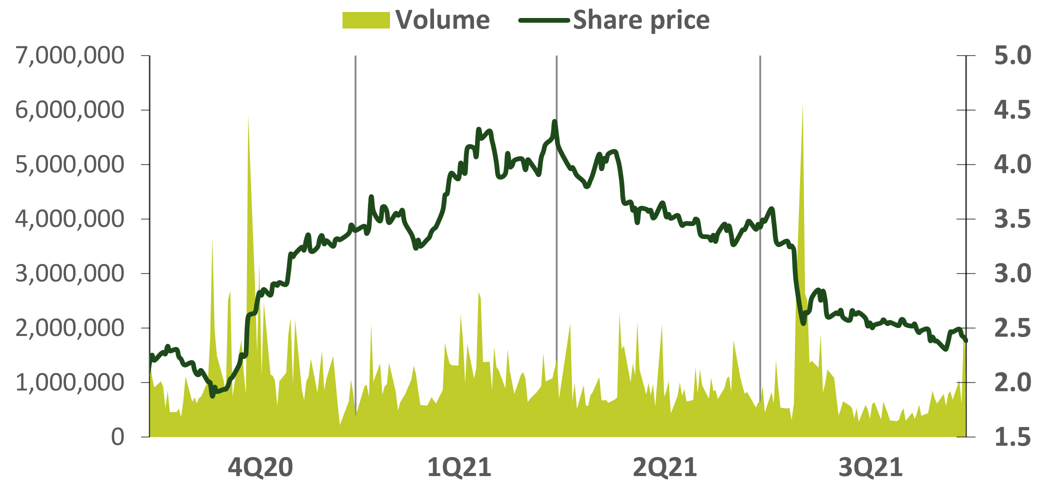
   Sales volumes in MWh may not exceed the product of a facility's gross installed capacity (MW) and the annual cap on hourly output, which is 7,500 hours in the case of power generated using biomass and 2,016 hours for solar thermal electric power (there is no cap in the case of CHP). Output above this cap is sold at pool prices, with no entitlement to additional premiums.

3. Both the remuneration for investment and the regulated sale price are subject to a levy on the value of electric energy produced of 7%. That tax was suspended temporarily from July 2021 by Royal Decree 12/2021 and the Company has accordingly has reduced its plants' remuneration for operations.

APPENDIX 3: SHARE PRICE PERFORMANCE

Ence's share capital consists of 246,272,500 shares with a unit par value of €0.90. They are represented by book entries and all carry identical voting and dividend rights. The Company's shares have been traded on the Spanish stock exchanges and on the continuous market since it was privatised in 2001 and are part of the Ibex Medium Cap index.

Ence's share price ended September at €2.38, which is down 30% from year-end 2020, shaped mainly by the publication in July of the National Court sentences annulling the extension of the Pontevedra biomill's concession. Over the same timeframe, the Company's peers' share prices gained 3.8% on average.



Source: Bloomberg

SHARES	3Q20	4Q20	1Q21	2Q21	3Q21
Share price at the end of the period	2.19	3.40	4.26	3.43	2.38
Market capitalization at the end of the period	539.8	836.1	1,047.9	843.7	587.1
Ence quarterly evolution	(24.8%)	54.9%	25.3%	(19.5%)	(30.4%)
Daily average volume (shares)	1,149,625	1,272,577	1,145,084	960,860	862,883
Peers quarterly evolution *	(1.4%)	34.4%	18.5%	(11.3%)	(8.5%)

(*) Altri, Navigator, Suzano, CMPC and Canfor Pulp – prices in euros

On 5 March 2018, Ence issued €160m of convertible bonds due 5 March 2023. The bonds carry a fixed annual coupon of 1.25%, payable semi-annually, and are convertible into shares of the Company, at the option of the bondholders, at an initial conversion price of €8.0901 per share (adjusted on 1 July 2021). The convertible bonds are traded on the Frankfurt stock exchange.

CONVERTIBLE BOND	3Q20	4Q20	1Q21	2Q21	3Q21
Bond price at the end of the period (ask)	87.73	94.49	97.60	98.14	97.96
Yield to worst at the end of the period*	6.387%	3.553%	2.063%	2.075%	2.208%

*Yield to maturity

The following table shows the current credit ratings awarded to the Ence Group by Moody's and S&P:

	RATING	OUTLOOK	DATE
Moody's	**Ba3**	**Negative**	**14/10/2021**
S&P	**BB-**	**Stable**	**24/11/2020**

APPENDIX 4: ALTERNATIVE PERFORMANCE MEASURES (APMs)

Ence presents its results in accordance with generally accepted accounting principles, specifically IFRS. In addition, this report provides certain other complementary metrics that are not defined or specified in IFRS and are used by management to track its performance. The alternative performance measures (APMs) used in this report are defined, reconciled and explained below:

CASH COST

The production cost per tonne of pulp produced, or cash cost, is the key measure used by management to measure its efficiency as a pulp maker. Cash costs are analysed in section 2.3 of this report.

Cash cost includes all of the expenses incurred to produce pulp: wood, conversion costs, corporate overhead, sales and marketing expenses and logistics costs. It excludes fixed-asset depreciation and forest depletion charges, impairment charges and gains/losses on non-current assets, finance costs/income, income tax and certain operating expenses which management deems to be non-recurring, such as *ad-hoc* consultancy projects, ENCE's long-term remuneration plan, the termination benefits agreed with staff and the cost of certain benefits.

As a result, the difference between the average sales price and the cash cost applied to the total sales volume in tonnes yields a figure that is a very close proxy for the EBITDA generated by the Pulp business before the impact of hedges, which are not included in the cash cost calculations either.

EBITDA

EBITDA is a measure used in the statements of profit or loss presented in this report, in sections 2.6, 3.3 and 4.1, and 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 one-off items of income and expense that are not part of the Company's ordinary operating activities and therefore undermine the comparability of the numbers.

EBITDA is an indicator used by management to track the Company'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.

MAINTENANCE, EFFICIENCY, GROWTH AND SUSTAINABILITY CAPEX

Ence provides the breakdown of its capex-related cash outflows for each of its business units in sections 1, 2.7 and 3.4, distinguishing between maintenance, efficiency, growth and sustainability capex.

Maintenance capex are recurring investments designed to maintain the capacity and productivity of the Company's assets. Efficiency 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.

Ence's 2019-2023 Business Plan includes a schedule of the amounts it expects to invest annually in efficiency, growth and sustainability in order to attain the strategic targets set. The disclosure of capex cash flows broken down by area of investment facilitates oversight of execution of the published Business Plan.

CASH FLOWS

The Cash Flow Analysis presented in sections 1, 2.7 and 3.4 of this report differs from the cash flow movements presented in the statement of cash flows included in section 4.3 and also presented in the annual financial statements.

The difference stems from the fact that the former analyses the movements in Free Cash Flow starting from EBITDA, whereas the Cash Flow Statement presents the movements in the Group's cash and cash equivalents starting from profit before tax, using the indirect method.

As a result, the headings, 'Other receipts/(payments)' and 'Expenses/(income) with no impact on cash' do not coincide exactly with 'Consolidated profit/(loss) for the period - Adjustments' and 'Other receipts/(payments)', albeit in both instances arriving at net cash from operating activities.

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 in sections 2.7, 3.4 and 4.3 of this report.

Free cash flow provides information about the cash generated by the Group's operating activities that is left over after its investing activities for the remuneration of shareholders and repayment of debt.

NORMALISED FREE CASH FLOW

Ence reports normalised free cash flow within the cash flow analysis provided for each of its two business units in sections 1, 2.7 and 3.4 of this report. Normalised FCF is the sum of EBITDA, the change in working capital, maintenance capital expenditure, net interest payments and income tax payments.

Normalised free cash flow provides a proxy for the cash generated by the Company's operating activities before collection of proceeds from asset sales; this cash represents the amount available for investments other than maintenance capex, for shareholder remuneration and for debt repayment.

NET DEBT

The borrowings recognised on the balance sheet, as detailed in section 4.2 of this report, 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 is calculated as the difference between current and non-current borrowings on the liability side of the balance sheet and the sum of cash and cash equivalents and other financial investments within current assets, as outlined in sections 2.8 and 3.5 of this report.

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

DISCLAIMER

The information contained in this report was prepared by Ence and includes forward-looking statements.

Any statements made in this report other than those based on historical information, including, merely for illustrative purposes, those referring to Ence's financial situation, business strategy, planned capital expenditure, management plans and objectives related to future operations, as well as statements including words such as “anticipate”, “believe”, “estimate”, “consider”, “expect” and other similar expressions, constitute forward-looking statements that reflect the current outlook of Ence or its management team with respect to future events and involve known and unknown risks and uncertainties. As a result, the actual situation and results of Ence and its sector could differ substantially from those depicted expressly or implicitly in these forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding Ence's current and future business strategy and the environment it expects to encounter in the future. A series of material factors could cause Ence's situation and results to differ materially from those reflected in these forward-looking statements, including fluctuations in pulp and/or wood prices, business seasonality, exchange rate fluctuations, financial risks, strikes or other action taken by Ence's employees, the competitive landscape, environmental risks and any of the other factors detailed in this document. The forward-looking statements are made only as of the date of this presentation. Ence disclaims any obligation or undertaking to update or revise these statements, whether as a result of any change in Ence's expectations or the conditions or circumstances underlying these statements, or any other information or data contained in this presentation.

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Earnings Report
3Q21

Global ESG score: 91/100