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ENERGÍA & CELULOSA

9M21 Results

October 27th, 2021

Residuo Cero AENOR conform

FSC www.fsc.org FSC® C081854 The mark of responsible forestry

EU Ecolabel www.ecolabel.eu

PEFC

NORDIC ECOLABEL

EMAS

UN GLOBAL COMPACT

MSCI ESG RATINGS AA

CCC | B | BB | BBB | A | AA | AAA

SUSTAINALYTICS
Global ESG score: 91/100

FTSE4Good

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9M21 business highlights

Strong EBITDA recovery driven by pulp prices and cost control

Strong pulp price recovery is boosting the business operating margin in 2021

- Average gross BHKP price in Europe of **US$1,140/t in 3Q21** and US$ 967/t in 9M21
- **Temporary decoupling** between Europe and China due to strong demand in Europe and logistic constraints

Cost savings and efficiencies offset inflation in raw materials during 9M21

- **Pulp production:** + 2% in 9M21 to 759 Kt
- **Cash cost** maintained at €377/t in 9M21

Higher renewable energy sales from the two new biomass plants

- **Renewable Energy sales:** +6% in 9M21 (excluding Puertollano CSP)
- **Huelva 50-MW** biomass power plant restarted in mid October

+125% EBITDA growth before hedges in 9M21 up to €134m

- **Pulp business** EBITDA before hedges**: x6** in 9M21 to **€100m**
- **Renewable business** EBITDA before hedges**: +21%** in 9M21 (excluding Puertollano CSP) to **€34m**
- **Regulatory collar** implied non-cash provisions of €11m in the Pulp business and €18m in the Energy business

€40m underlying net income, before one-off hedges and the impact of the ruling on the Pontevedra concession

- **Hedges signed in 2020** had a negative impact of €28m in Pulp and €20m Energy in 9M21
- The **National Court´s ruling on the Pontevedra concession** had a non-cash net impact of €196m in 2Q21

€16m Net debt reduction despite lower factoring usage and carry-over payments

- **€16m** net debt reduction to €162m despite a **€19m** reduction in the usage of factoring facilities and **€49m** of carry over payments
- **€375m of cash on the balance sheet**
- **Prepayment of €115m of gross debt** in the Pulp business in 9M21
- €130m **RCF** and €80m **bilateral loans refinanced** in 3Q21

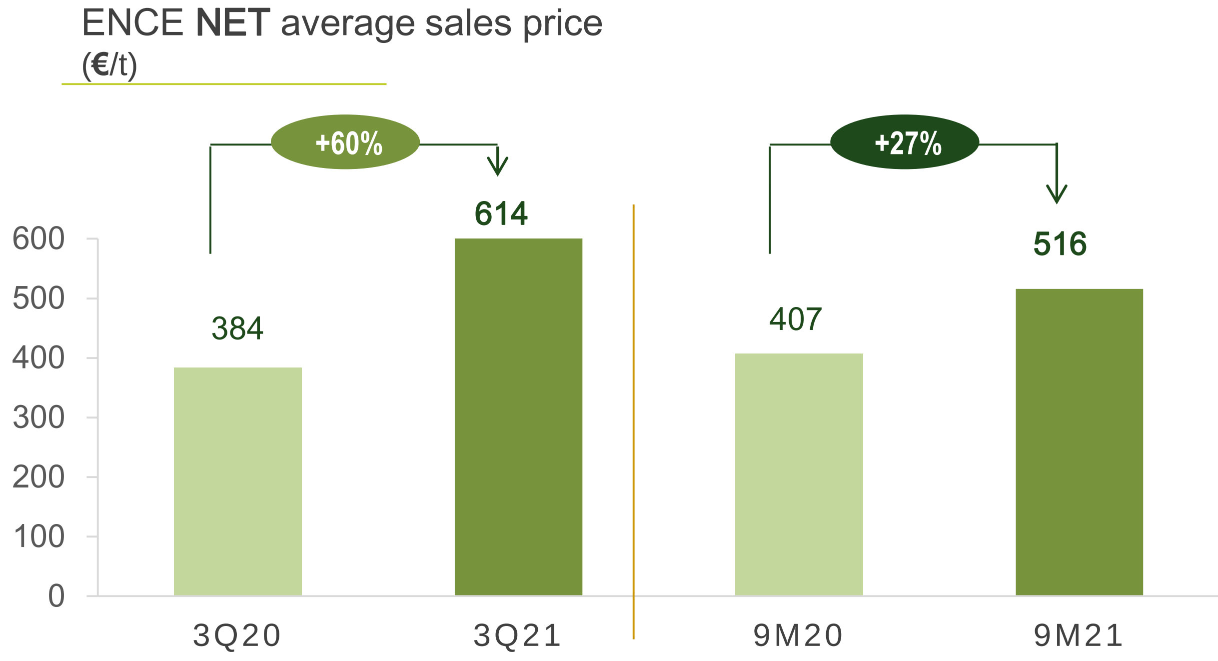
Ence is a leader in sustainability in the global Pulp industry, according to Sustainalytics

- Ence ranked as the world leader in sustainability in the pulp and paper sector by Sustainalytics, which lifted Ence's **overall ESG score to 91/100** in 2Q21

Strong pulp price recovery

Boosting the Pulp business operating margin in 2021

Source: FOEX



- **GROSS** pulp prices in Europe at **US$ 1,140/t in 3Q21** and US$ 967/t in 9M21
- **Temporary decoupling** between Europe and China due to strong demand in Europe and logistic constraints

- Ence´s **NET** selling price **improved by 60%** in 3Q21 and by 27% in 9M21
- Boosting the pulp business operating margin

No mayor supply increases in 2021

Pulp demand set to outgrow supply over 2022-25

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Key Expected Annual Changes in Global Market Pulp Demand and Supply (m t)[1]

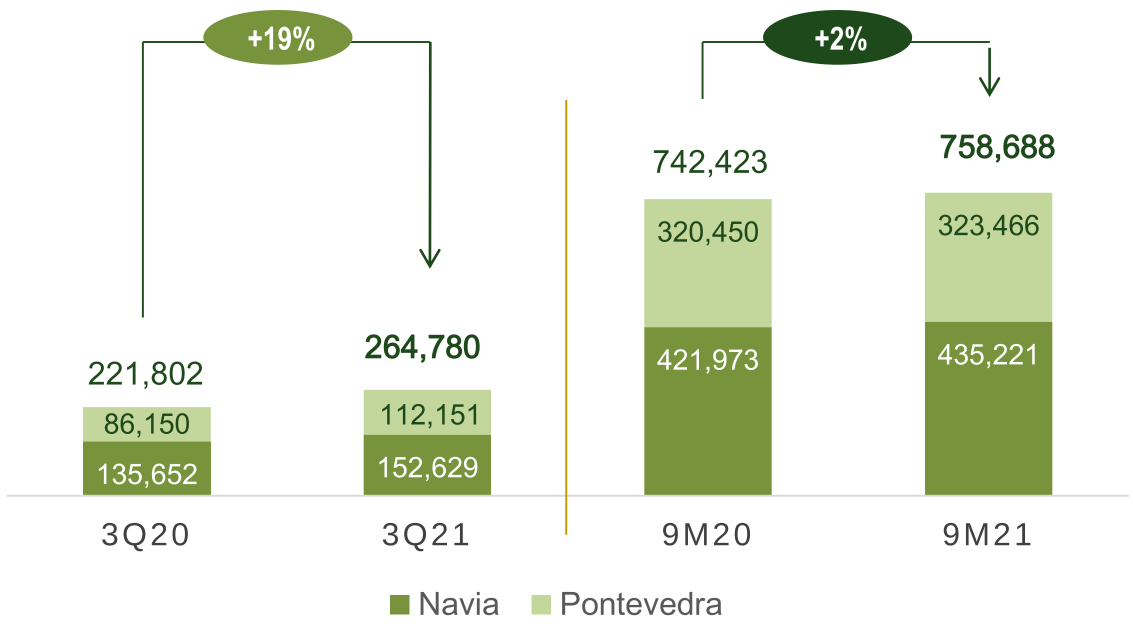
Mn t		2022	2023	2022-23	2024	2022-24	2025	2022-25
EXPECTED ANNUAL MARKET PULP DEMAND GROWTH		1,9	1,9	3,8	1,9	5,7	1,9	7,6
EXPECTED ANNUAL MARKET PULP SUPPLY GROWTH (CONFIRMED)		0,5	1,7	2,2	1,8	4,0	1,3	5,3
SUZANO (Brasil)	BHKP				0,7	***0,7***	1,4	***2,1***
UPM (Uruguay)	BHKP		1,4	***1,4***	0,6	***2,0***		***2,0***
ARAUCO (Chile)	BHKP	***0,7***	0,5	***1,2***		***1,2***		***1,2***
BRACELL (Brasil)	BHKP	***0,2***	0,2	***0,4***		***0,4***		***0,4***
METSA FIBER (Finland)	BSKP				0,6	***0,6***	0,3	***0,9***
CMPC (Brasil)	BHKP				0,3	***0,3***		***0,3***
NON COMPETITIVE CAPACITY AVERAGE ANNUAL CLOSURES		(0,4)	(0,4)	*(0,8)*	(0,4)	*(1,2)*	*(0,4)*	*(1,6)*
SURPLUS / (DEFICIT)		***(1,4)***	***(0,2)***	***(1,6)***	***(0,1)***	***(1,7)***	***(0,6)***	***(2,3)***

Source: ENCE estimates

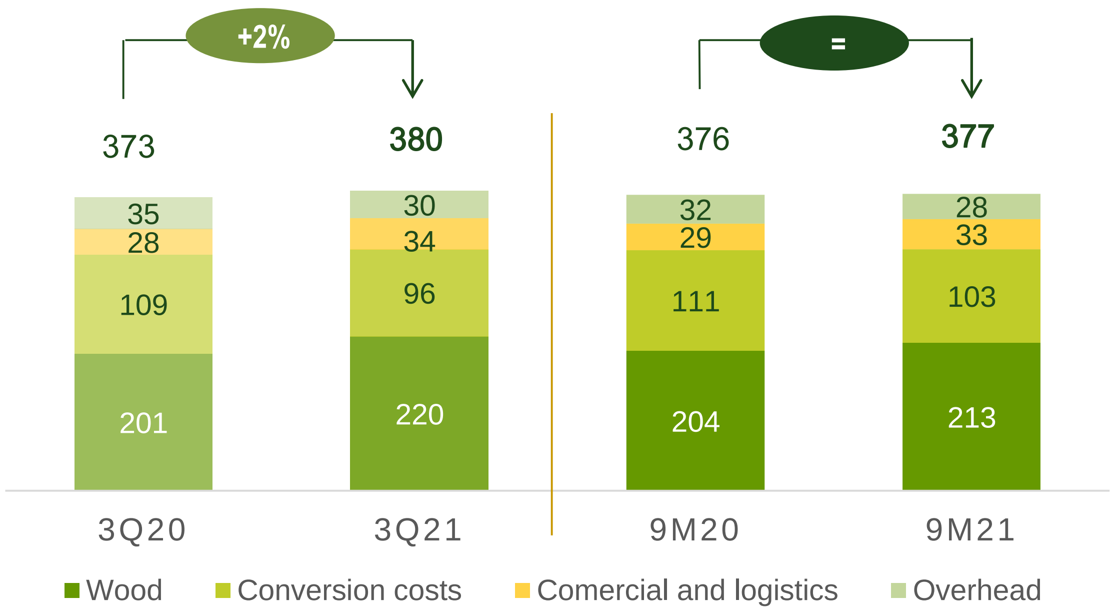
1. Estimates correspond to the expected increase in supply and demand for market pulp for paper production. They therefore exclude the production of integrated pulp and other pulp grades such as Dissolving Pulp or Fluff.
We assume one of the two lines of the Bracell project in Sao Paulo will produce Dissolving Pulp for the Group´s internal use and the other line will by mostly destined to the expansion of the Group paper and cardboard capacity in China.

Higher pulp production, cost savings and efficiency gains offset inflation in raw materials during 9M21

Pulp Production (t)



Cash Cost breakdown (€/t)



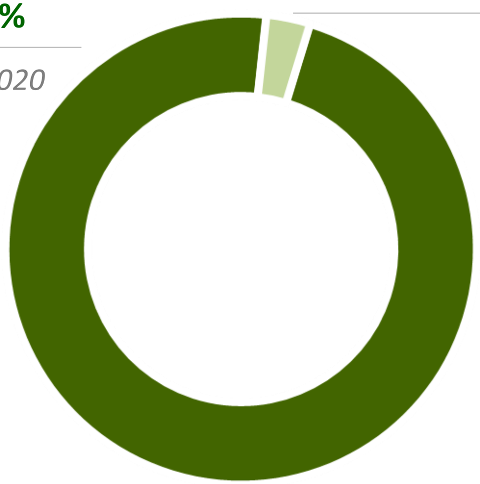
- **Pulp production improved by 2% in 9M21 due to higher production from the Navia biofactory** after the capacity increase made at the end of 2019.

- **Efficiency gains and cost savings offset inflation in raw materials during 9M21.**
- Cash cost in 3Q21 increased by 2% to 380 €/t due to higher wood and logistic costs, which were mostly offset by lower conversion costs and overheads.

Pulp sales of 757 Kt in 9M21

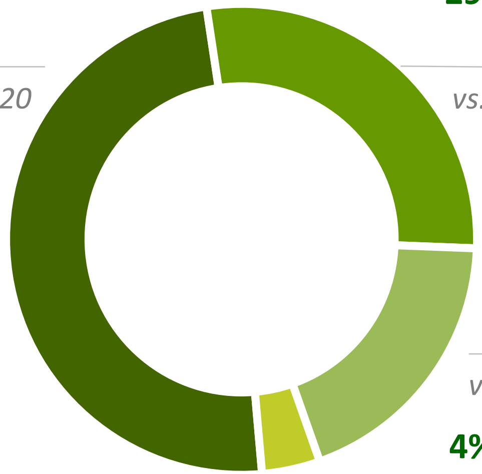
Higher value-added products accounted for 15% of pulp sales

Geographical breakdown of sales
% of pulp sales



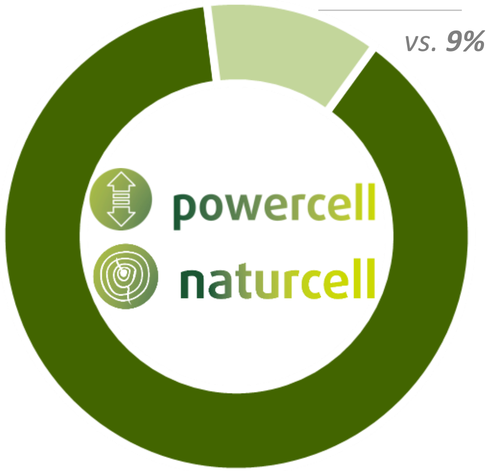
Source: Ence 9M21

Breakdown by end product
% of pulp sales



Source: Ence 9M21

Differentiated products
% of pulp sales



Source: Ence 9M21

93% of ENCE´s pulp sales go to Spanish and European markets, where it has strong logistics- and service-related competitive advantages.

49% of ENCE's pulp sales go to the growing tissue and hygiene products segment

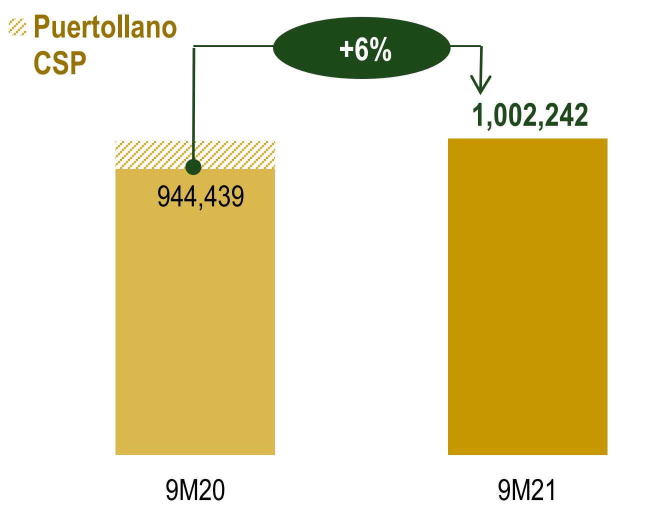
Demand recovery in P&W segment in 2021

Ence's differentiated products accounted for 15% of pulp sales

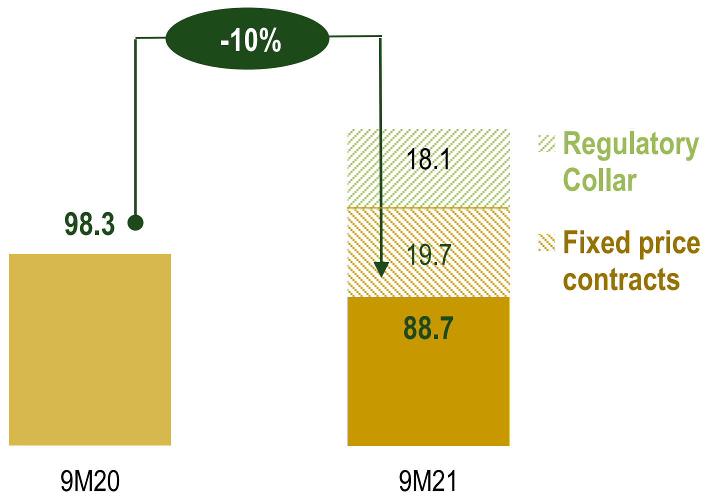
These higher value-added products **with higher margins** are more environmentally friendly and well suited to replace softwood pulp

Higher renewable energy sales from the two new biomass plants in 9M21
Partially offset by the Huelva 50-MW shutdown

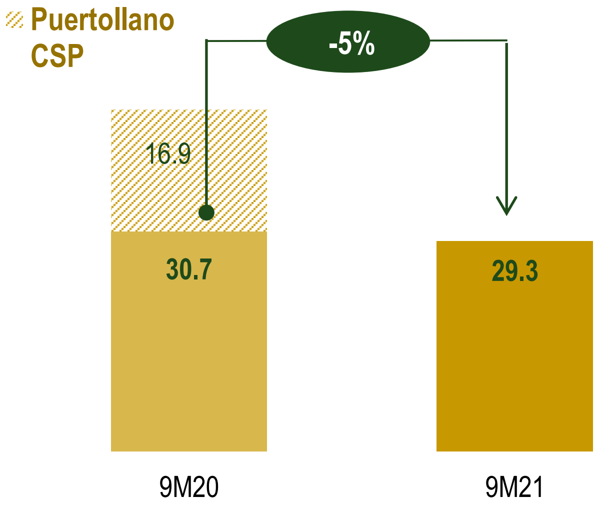
Energy sales volumes (MWh)



Average sale price (€/MWh)



Remuneration for investment (€ m)



6% higher renewable energy sales (ex. CSP)**:**

- Larger contribution from the two new biomass plants commissioned in 1Q20, and from Huelva 41-MW.
- Partially offset by the **Huelva 50-MW** shutdown for repair in 2Q21 and 3Q21. It **restarted in mid October**

10% lower sales price due to the regulatory collar and fixed price contracts signed in 2020:

- Regulatory collar implied non-cash provision of €18.1/MWh in 9M21
- Fixed price contracts signed in 2020 had a negative impact of €19.7/MWh in 9M21

5% lower Ri (ex CSP) **due to the Huelva 50-MW shutdown**

- The remuneration from the investment of the Puertollano CSP plant sold in December was €16.9m in 9M20

Renewables pipeline: 513 MW with grid access and locations secured

We are considering rotating the PV pipeline at attractive valuations

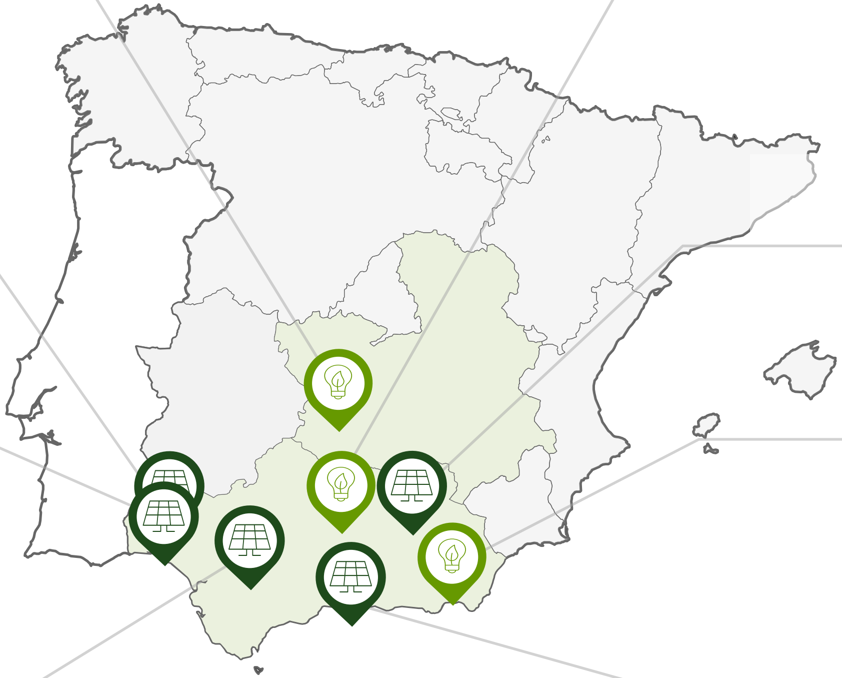
PUERTOLLANO II 50 MW
Biomass
Expected RTB in 1Q22

√ Environmental permit

HUELVA 40 MW
Solar PV
Expected RTB in 2Q22

HUELVA 10 MW
Solar PV
Expected RTB in 2Q22

SEVILLA 90 MW
Solar PV
Expected RTB in 3Q22



CÓRDOBA 50 MW
Biomass
Expected RTB in 4Q22

JAÉN 100 MW
Solar PV
Expected RTB in 2Q22

ALMERÍA 40 MW
Biomass
Expected RTB in 1Q22

GRANADA 133 MW
Solar PV
Expected RTB in 2H2023

RTB = Ready to build

Auctions Scheme Spanish Royal Decree-Law 23/2020

- Specific **by technology**
- Price mechanism: **Pay as bid** (€/MWh)

Biomass and PV Auction calendar 2021-2025

PV (MW):

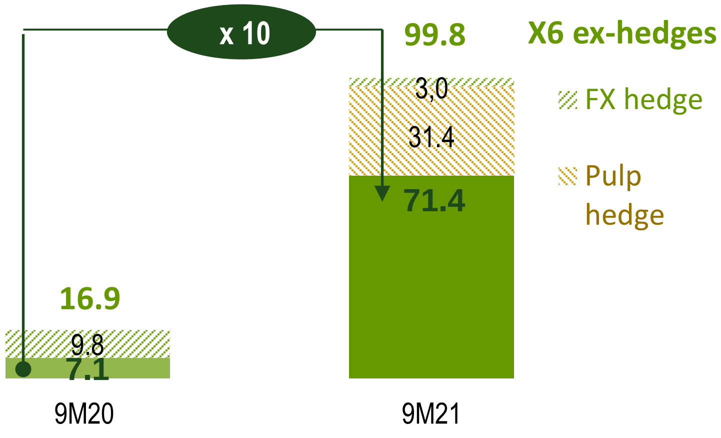
2021	2022	2023	2024	2025
2,800	1,800	1,800	1,800	1,800

Biomass (MW):

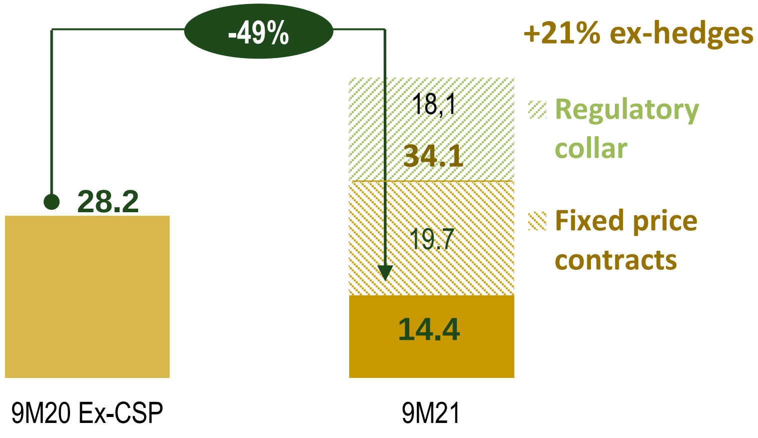
2021	2022	2023	2024	2025
140		120		120

Strong EBITDA recovery driven by pulp prices
Net profit includes Pontevedra-related impairments and provisions of €196m

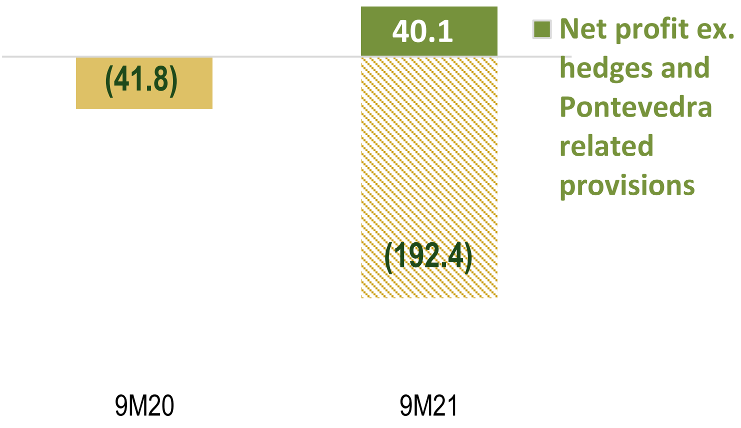
Pulp Business EBITDA (€ m)



Renewable Energy Business EBITDA (€ m)



Group Net Profit (€ m)



€100m EBITDA before hedges:

- X6 vs. 9M20 driven by the strong recovery in pulp prices
- **One-off pulp price hedges** had a negative impact of €31.4m in 9M21
- FX hedges had a positive impact of €3m vs. a negative impact of €9.8m in 9M20

€34m EBITDA before hedges:

- **+21% vs. 9M20** excluding Puertollano CSP, driven by growth in energy prices to its regulatory cap
- **Regulatory collar** implied **non-cash** provisions of €18.1m in 9M21
- **Fixed price contracts signed in 2020** had a negative impact of €19.7m in 9M21

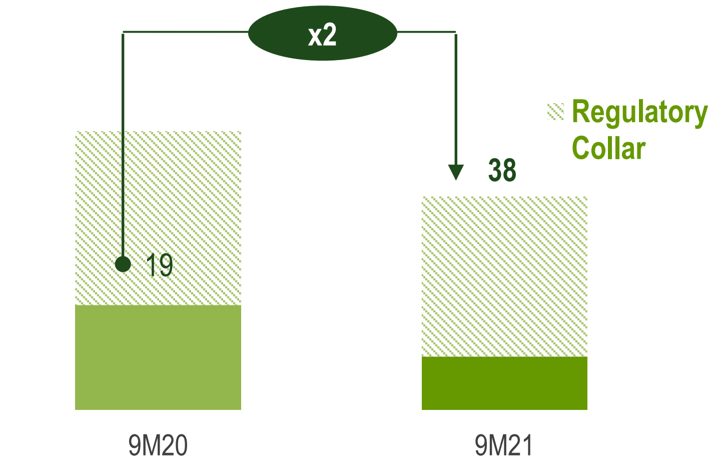
€40m net profit before hedges and Pontevedra-related provisions:

- **€148m** asset impairment charges and provisions which will not imply any cash outflow
- **€42m** provision to cover the estimated cost of the potential dismantling of the bio-mill
- **€6m** provision for the potential cost of terminating outstanding contracts.

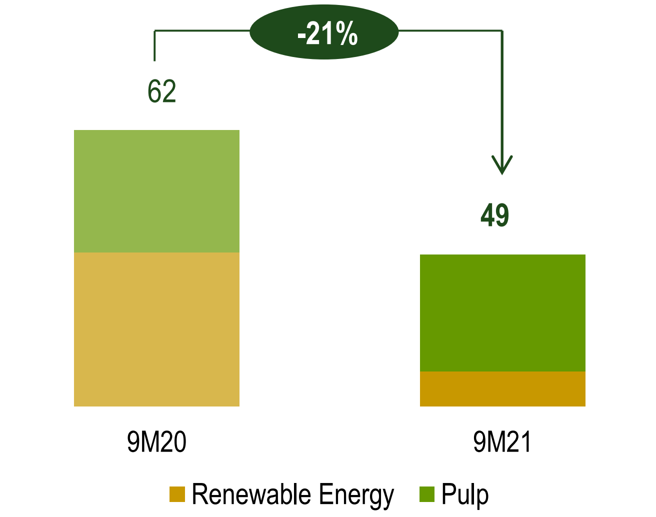
€16m net debt reduction to €162m

Despite lower factoring usage and carry-over payments

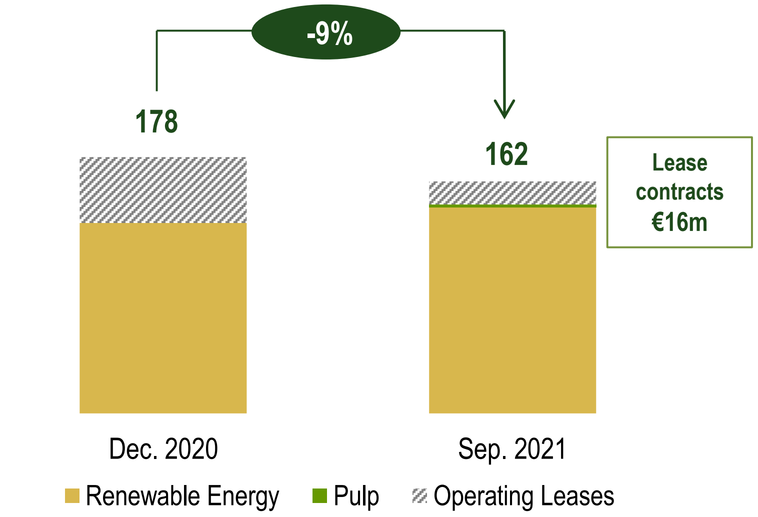
Normalized FCF[1] post collar (€ Mn)



Strategic Plan payments (€ Mn)



Net Debt (€ Mn)



Normalized free cash flow generation of €38m including the regulatory collar:

- Positive cash contribution of €29m from the regulatory collar in 9M21 vs. a negative one of €31m in 9M20
- €26m working capital increase in 9M21
- **€19m reduction in the usage of factoring facilities**

Strategic Plan carry-over payments of €49m:

- €38m of carry-over payments in the Pulp business, mainly from capacity expansions and sustainability improvements dating to 2019
- €11m of capex in the Renewable business, mainly carry-over payments from two new biomass plants commissioned in 1Q20

€162m of net debt (- €16m vs. Dec. 20):

- Including €16m related to lease contracts**,** after the **write-off of the annual Pontevedra concession lease of €29m**
- **€375m cash** on the balance sheet

1. FCF before Strategic Plan investments

€375m liquidity after a €115m debt prepayment in the Pulp business

€130m RCF and €80m bilateral loans in the Pulp business refinanced in 3Q21

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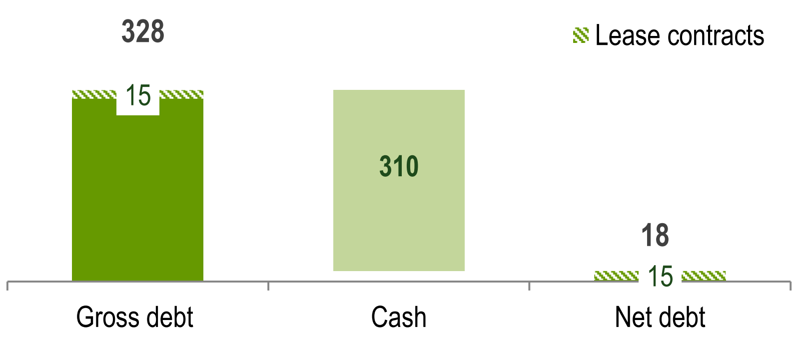
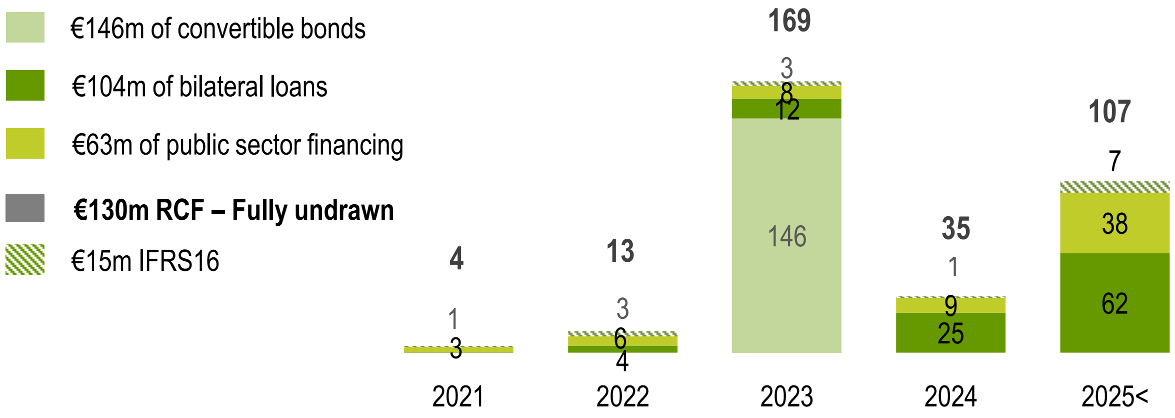
Pulp business net debt as of 30 Sep. 2021 (€ m)

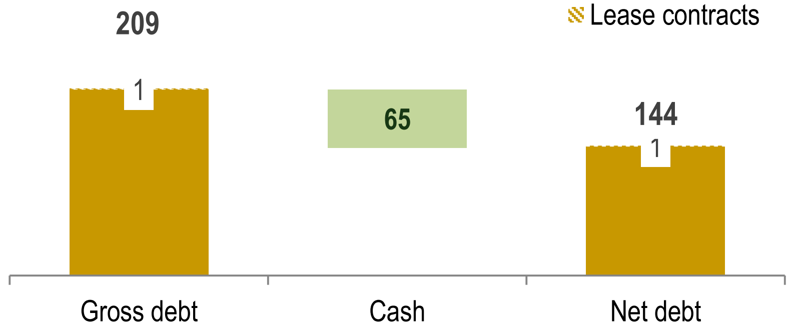


GREEN
EVALUATION

Pulp business debt maturity schedule (€ m)



Renewables business net debt as of 30 Sep. 2021 (€ m)



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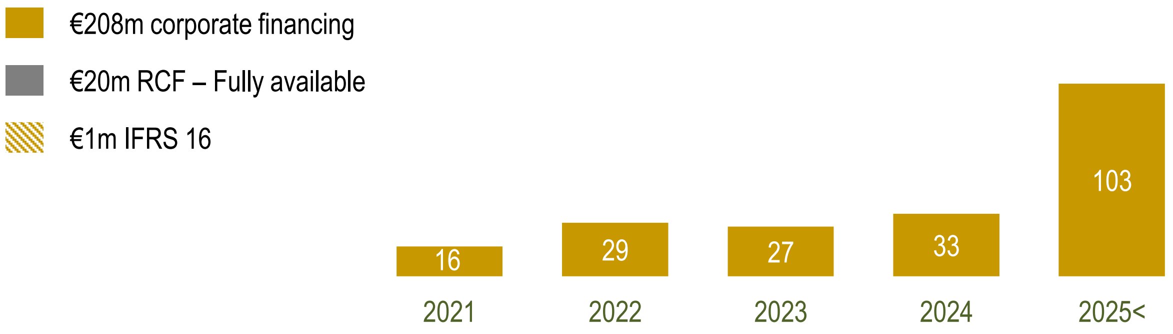
EVALUATION

Renewables business debt maturity schedule (€ m)



2021 hedges

Pulp and Energy price hedges closed exceptionally in 2020

Dollar/Euro FX

1Q21: USD77m
- Avg. cap: $1.17/€
- Avg. floor: $1.09/€

2Q21: USD75m
- Avg. cap: $1.19/€
- Avg. floor: $1.12/€

3Q21: USD75m
- Avg. cap: $1.22/€
- Avg. floor: $1.16/€

4Q21: USD75m
- Avg. cap: $1.25/€
- Avg. floor: $1.19/€

1Q22: USD86m
- Avg. cap: $1.23/€
- Avg. floor: $1.18/€

2Q22: USD86m
- Avg. cap: $1.22/€
- Avg. floor: $1.18/€

Average cap of $1.21/€ for USD302m in 2021

Positive impact of €3m in 9M21

Estimated negative impact of €2Mn in 4Q21 assuming an average exchange rate of $1.16/€

Pulp Prices

1Q21: 55,500 t
- Avg. price: $772/t

2Q21: 55,500 t
- Avg. price: $772/t

3Q21: 68,100 t
- Avg. price: $775/t

4Q21: 68,100 t
- Avg. price: $775/t

No hedges in 2022

Avg. price of $773/t for 247,200 tones in 2021

Negative impact of €31.4m in 9M21

Estimated negative impact of €21m in 4Q21 assuming an average pulp price of $1,140 t

Energy Prices

1Q21: 166,302
- Avg. price: €43.9/MWh

2Q21: 157,248
- Avg. price: €43.8/MWh

3Q21: 205,344
- Avg. price: €44.5/MWh

4Q21: 203,169
- Avg. price: €45.5/MWh

No hedges in 2022

Avg. price of €44.5/MWh for 732,063 MWh in 2021

Negative impact of €19.7m in 9M21

Estimated negative impact of €31m in 4Q21 assuming an average pool price of €200 Mwh

Leader in sustainability
3Q21 Highlights

MSCI ESG RATINGS AA

SUSTAINALYTICS Global ESG score: 91/100

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Production cost reduction

Safe & ecologically efficient operations

Protecting Health and Safety

- ✓ **Important reduction in the Group's accident frequency rate** (3.73 3Q21 vs. 7.40 1H20)
- ✓ **0 accidents** with sick leave in the Energy and biomass supply chain areas during the first nine months of the year (Frequency rate = 0)

Contribution to the circular economy

- ✓ **98.5%** of waste recovered (overall 3Q21 results)
- ✓ 4 plants **ZERO WASTE** certified

Odour reduction (13Q21 vs 2020)

- ✓ **-41%** odour minutes in Navia
- ✓ **-19%** odour minutes in Pontevedra

Leadership and differentiation

Climate action

Committed to mitigate climate change

- ✓ **-17% reduction of the Group's Carbon footprint** (2020 vs. base year). We continue making progress in 2021, in line with the set targets
- ✓ Ongoing climate risk analysis following **TCFD Recommendations**

Sustainable products

Differentiated products with higher added value

- ✓ **15%** (in Q321 vs 9% in FY20) of total sales with higher and growing margins
- ✓ **1st Pulp Environmental Product Declaration**: Encell TCF and Naturcell
- ✓ Projects under development with customers to **replace plastic**

License to operate

People & Values

Talent as a competitive advantage

Great Place to Work certification

- ✓ Maintaining job quality during the pandemic: **87% permanent contracts**
- ✓ **+10.3% female employees**
- ✓ **54% female new hires**

Commitment to communities

Adding value to society:

- ✓ **€3.2m** invested in our communities since 2020
- ✓ III Edition of Pontevedra **Social Plan**
- ✓ **>500 virtual visits** to our facilities in 2021

Risk minimisation

Sustainable agroforestry

Certified supply chain

- ✓ **>85%** of managed land certified
- ✓ **>74%** of wood certified
- ✓ **100%** wood & biomass suppliers homologated
- ✓ 4 plants **SURE System certified**

Corporate governance

Transparent management

- ✓ Virtual AGM with 100% of resolutions approved
- ✓ **38.5%** female directors
- ✓ **60% independent female directors** on Audit and Appointment and Remuneration Committees

Alternative Performance Measures (APMs)
Pg.1

Ence presents its results in accordance with generally accepted accounting principles, specifically IFRS. In addition, its quarterly earnings report provides certain other complementary metrics that are not defined or specified in IFRS and are used by management to track the company's performance. The alternative performance measures (APMs) used in this presentation are defined, reconciled and explained in the corresponding quarterly earnings report publicly available through the investor section of our web page www.ence.es.

CASH COST

The production cost per tonne of pulp produced, or cash cost, is the key measure used by management to measure its efficiency as a pulp maker.

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

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

EBITDA

EBITDA is a measure of operating profit before depreciation, amortisation and forestry depletion charges, non-current asset impairment charges, gains or losses on non-current assets and specific non-ordinary income and expenses unrelated to the ordinary operating activities of the company, which alter their comparability in different periods.

EBITDA is a measure used by Ence’s management to compare the ordinary results of the company over time. It provides an initial proxy for the cash generated by the company's ordinary operating activities, before interest and tax payments, and is a measure that is widely used in the capital markets to compare the earnings performances of different companies.

NORMALISED FREE CASH FLOW

Ence reports normalised free cash flow within the cash flow metrics for each of its two business units in its quarterly earnings report. Normalised FCF is the sum of EBITDA, the change in working capital, maintenance capital expenditure, net interest payments and income tax payments.

Alternative Performance Measures (APMs)
Pg.2

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

MAINTENANCE, EFFICIENCY & GROWTH AND SUSTAINABILITY CAPEX

Ence provides the breakdown of its capital expenditure and related cash outflows for each of its business units in its quarterly earnings report, distinguishing between maintenance, efficiency & growth and sustainability capex.

Maintenance capex are recurring investments designed to maintain the capacity and productivity of the company's assets. Efficiency & growth capex, meanwhile, are investments designed to increase these assets' capacity and productivity. Lastly, sustainability capex covers investments made to enhance quality standards, occupational health and safety, to improve the environment and to prevent contamination.

Ence's 2019-2023 Business Plan includes a schedule of the amounts it expects to invest annually in efficiency & growth and sustainability capex in order to attain the strategic targets set. The disclosure of capex cash flows broken down by area of investment facilitates oversight of the execution of the published 2016-2020 Business Plan.

FREE CASH FLOW

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

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

NET DEBT

The borrowings recognised on the balance sheet, as detailed in its quarterly earnings report, include bonds and other marketable securities, bank borrowings and other financial liabilities. They do not however include the measurement of financial derivatives as well as loans with 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 short-term financial investments on the asset side.

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

Global ESG score: 91/100

Delivering value
Delivering commitments

ENERGÍA & CELULOSA