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ENERGÍA & CELULOSA

2021 Results

March 1st, 2022

MSCI ESG RATINGS AA

SUSTAINALYTICS
Global ESG score: 91/100

FTSE4Good

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2021 business highlights

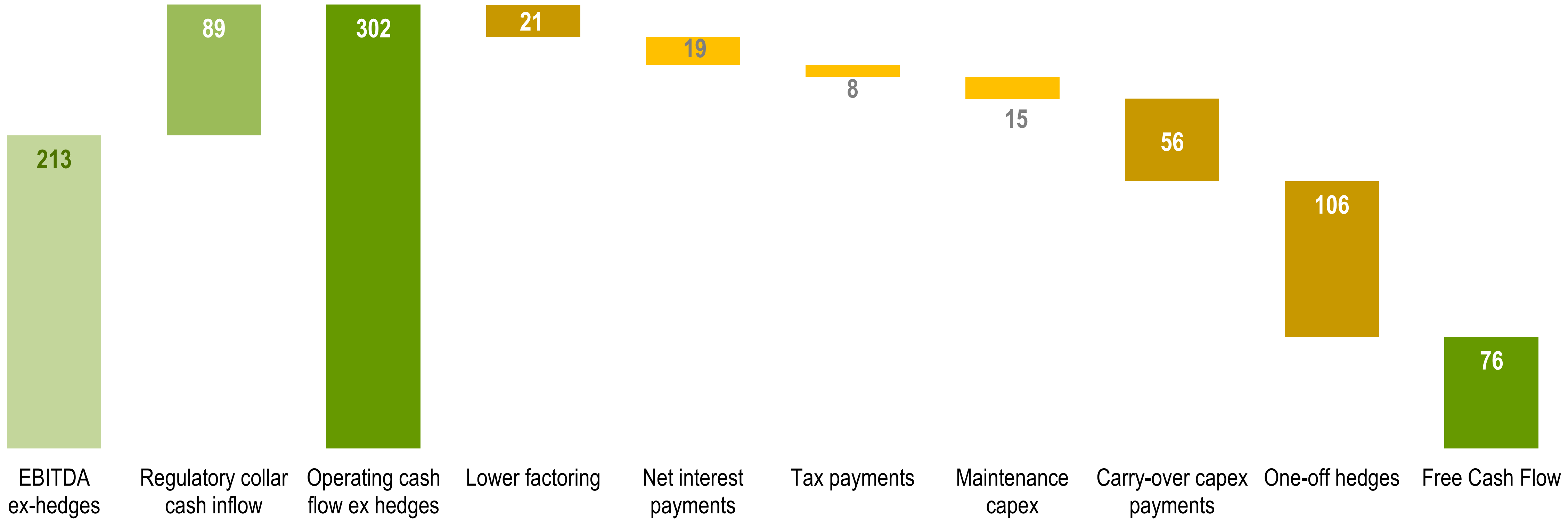
Strong Free Cash Flow generation and Net Debt reduction despite one-off hedges

- **Operating cash flow generation** before hedges up to **€302m in 2021**
- **€76m Free Cash Flow generation and Net Debt reduction in 2021**, even after €106m negative settlements from one-off hedges, €21m reduction in the use of factoring lines and €56m carry-over capex payments
- **No pulp or electricity price hedges have been contracted for 2022**
- **Strong pulp prices have more than offset the temporary inflation in raw materials and logistics**, boosting the operating margin of the Pulp business to 155 €/t in 2021 and 207 €/t in 4Q21
- Main pulp producers have announced **pulp price increases up to 1,200 USD/t from March 2022** and industry specialists are improving their price forecasts
- On July and October 2021 the National Court issued 3 rulings that annul the extension of **Pontevedra concession**. As a result, Ence recognized asset impairment charges and provisions in a net amount of €200m in 2021 financial statements
- Excluding the accounting impact of those rulings, **Net Income attained €10m**
- **Strong balance sheet** with €102m Net Debt at year end (including IFRS 16) and €397m cash in balance
- On Dec. 2021 we agreed to **rotate 5 PV assets** with a combined capacity of 373 MW for an amount of up to **€62m**
- Ence is the **leader in sustainability** in the global Pulp industry, according to Sustainalytics
- **New dividend policy** based on free cash flow generation and prudent leverage ratios per business
- **Capital Markets Day** to be held on March 17th 2022

Strong Free Cash Flow generation and Net Debt reduction in 2021

Operating cash flow generation before hedges up to €302m

Short Cash Flow Statement 2021 (€m)



No more pulp or electricity price hedges for 2022

They were closed exceptionally in 2020, during the worst months of the pandemic

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/€

3Q22: USD39m
- Avg. cap: $1.20/€
- Avg. floor: $1.17/€

4Q22: USD26m
- Avg. cap: $1.16/€
- Avg. floor: $1.13/€

Average cap of $1.21/€ and average floor of $1.14/€ para USD302m in 2021

Positive impact of €0.4m in 2021

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 €53.2m in 2021

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

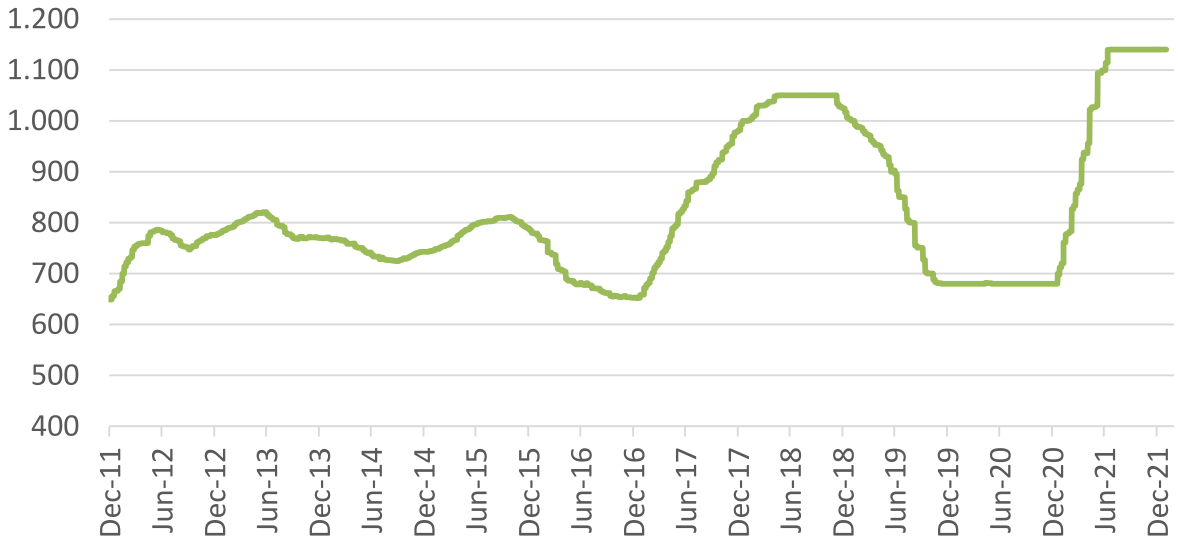
No hedges in 2022

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

Negative impact of €53.3m in 2021

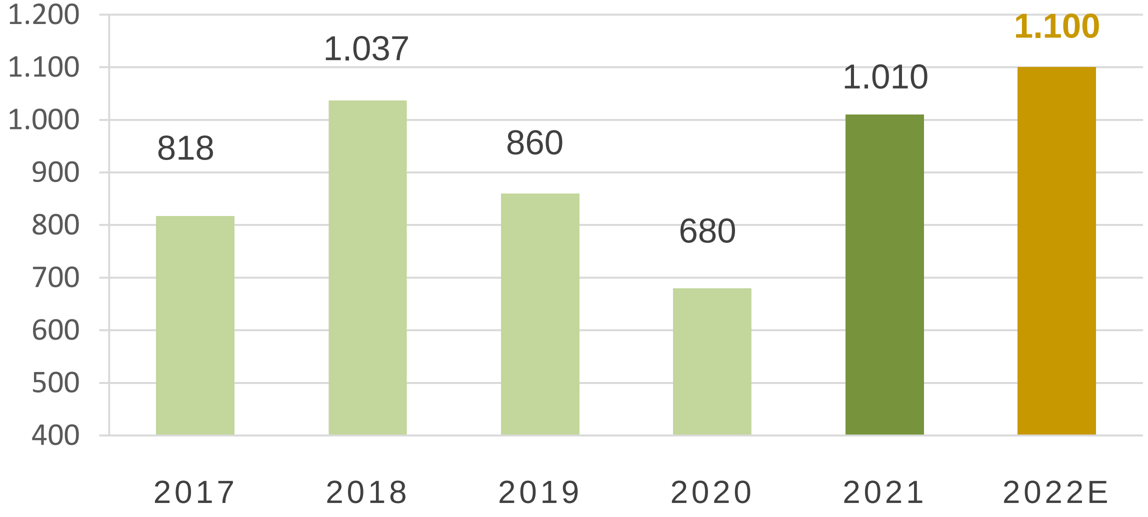
Strong pulp prices in Europe in 2021
Expected to continue in 2022

GROSS BHKP Prices in Europe
(**US$** / t)



Source: FOEX

AVERAGE GROSS BHKP Price in Europe
(US$ / t)



Source: FOEX and average estimate of RISI, Hawkins Wright, Brian McClay and Norexeco

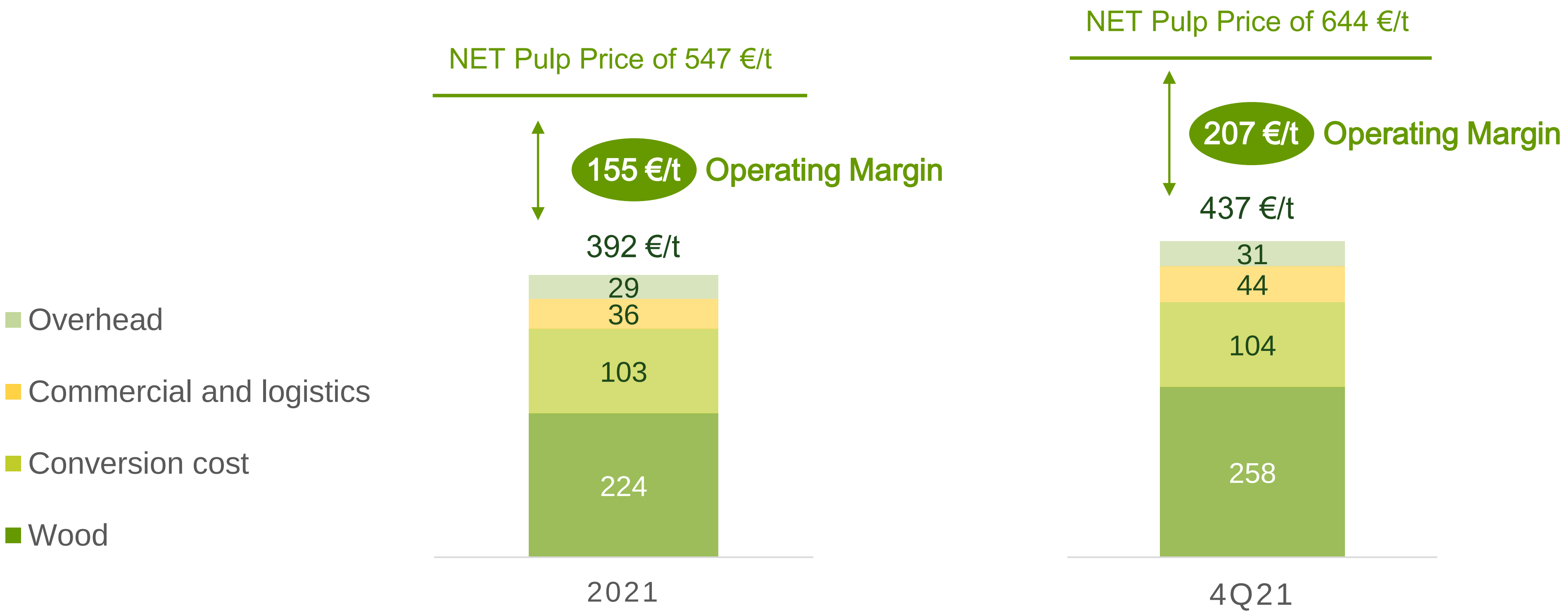
- GROSS pulp prices in Europe at **US$ 1,140/t since July 2021**
- Main pulp producers have announced a **new price hike in Europe as from March, up to 1.200 $/t**

- Industry specialists are also **raising** their **price forecasts** up to an average price of over **1.100 USD/t in 2022**

High operating margins in the Pulp business

Despite the temporary inflation in raw materials and logistic cost

Cash Cost breakdown and operating margin (€/t)



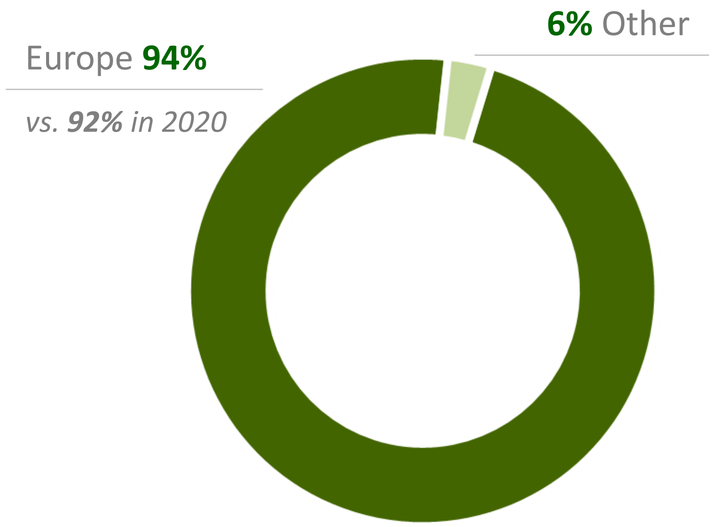
- Strong pulp prices more than offset the temporary inflation in raw materials and logistics, boosting the operating margin of the Pulp business to 155 €/t in 2021 and 207 €/t in 4Q21
- Higher cash cost in 4Q21 mainly due to non recurrent wood imports and the rise in logistic costs

Pulp sales of 1 Mn tons

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

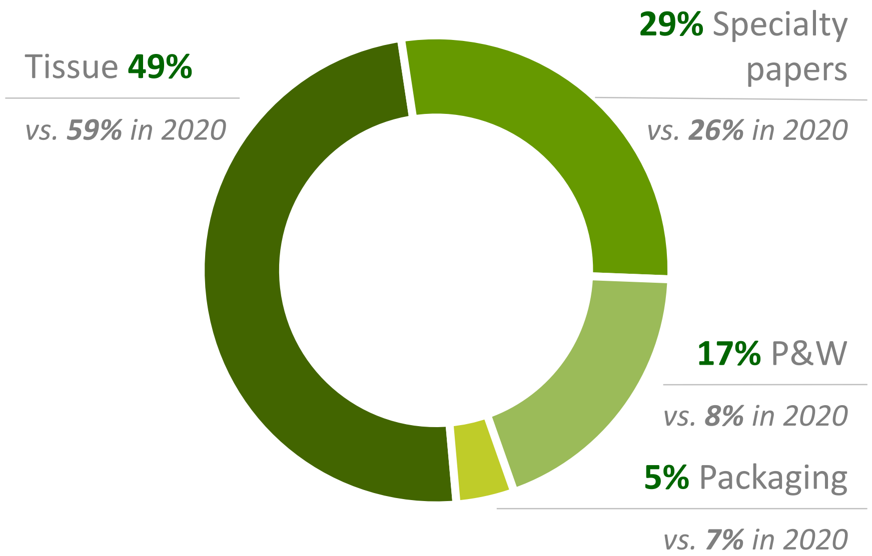
Geographical sales breakdown

% of pulp sales



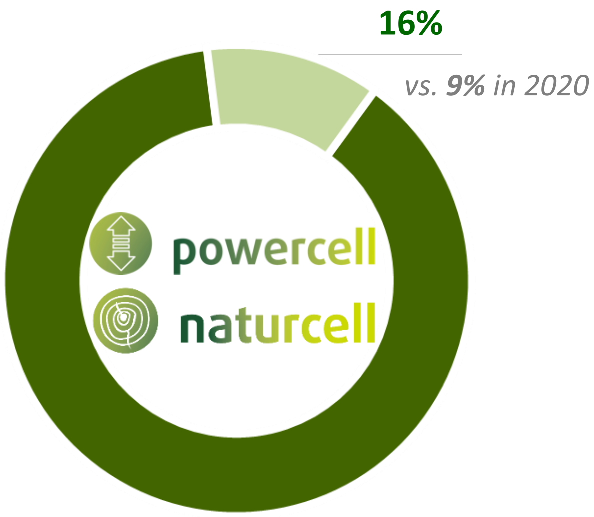
Breakdown by end product

% of pulp sales



Differentiated products

% of pulp sales



94% of ENCE´s pulp sales delivered to Spanish and European markets, where it has strong logistics- and service-related competitive advantages.

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

Strong demand recovery in P&W segment in 2021

Ence's differentiated products accounted for 16% of pulp sales vs. 9% in 2020

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

Pontevedra's worst case already reflected in 2021 accounts
The Supreme Court admits our appeal against the rulings of the National Court

On January 2016 the National Directorate of Coasts granted the extension of Pontevedra concession until 2073

- The 1958 biomill's original concession was extended for 60 years (starting November 8th 2013) by the National Directorate of Coasts via a resolution dated January 20th 2016 by virtue of: (i) Law 2/2013, on coastal protection and sustainability and amending the Coastal Act (22/1988); & (ii) General Coast Regulations enacted (Royal Decree 876/2014).

On March 2019 the National Directorate of Coasts accepted the appeals against the concession extension, despite previously arguing that it was totally legal

- 3 appeals presented by Pontevedra's City Council and by two environmental associations to the National Court´s Chamber for Contentious Administrative Proceedings against the Jan. 20th 2016 resolution.
- On March 8th 2019, the National Directorate of Coasts accepted all 3 appeals, despite having previously argued at all stages that the Ministerial Order Resolution of January 20th 2016 was totally legal.

On July and October 2021 the National Court issued 3 rulings that annul the extension of Pontevedra concession

- As a result of the rulings and in accordance with the applicable accounting regulations, Ence recognized asset impairment charges and provisions which won't imply any cash outflow in a net amount of €152m in 2021, together with a provision of €48m to cover the estimated cost of the potential dismantling of the bio-mill and the termination of outstanding contracts.
- The cost of restructuring the surplus workforce (including the associated corporate overhead) that would be caused by the potential closure of the bio-mill has not been provisioned yet as the requirements for its accounting have not been fulfilled.

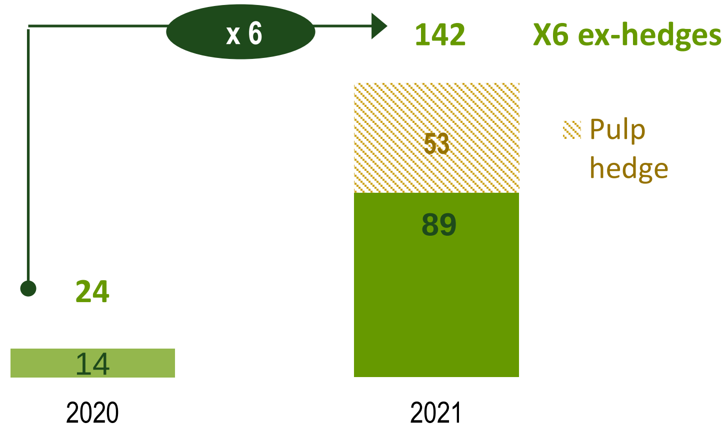
Ence has appealed this rulings before the Supreme Court

On March 2022, **the Supreme Court has admitted the first of our appeals**

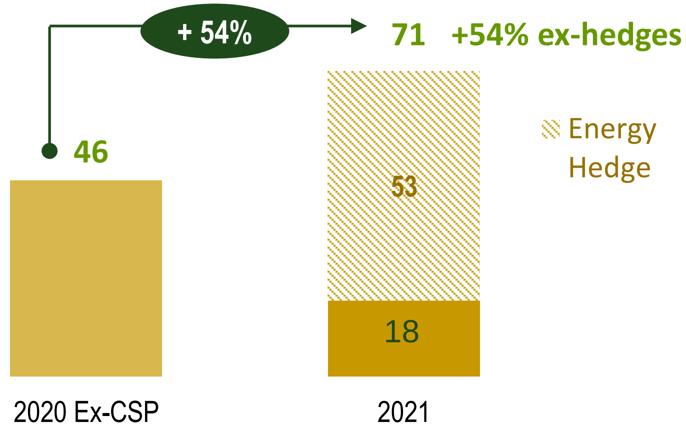
- If the Supreme Court rules in favor of our appeal, Pontevedra concession extension until 2073 would be maintained
- If the Supreme Court does not admit the appeal or if it rules against it, the Ministry of Ecological Transition will determine (in a decision endorsed by the National Court) the deadline for a potential discontinuation of activity at the bio-mill.

2021 strong underlying operating results
Before one-off hedges and Pontevedra related impairments and provisions

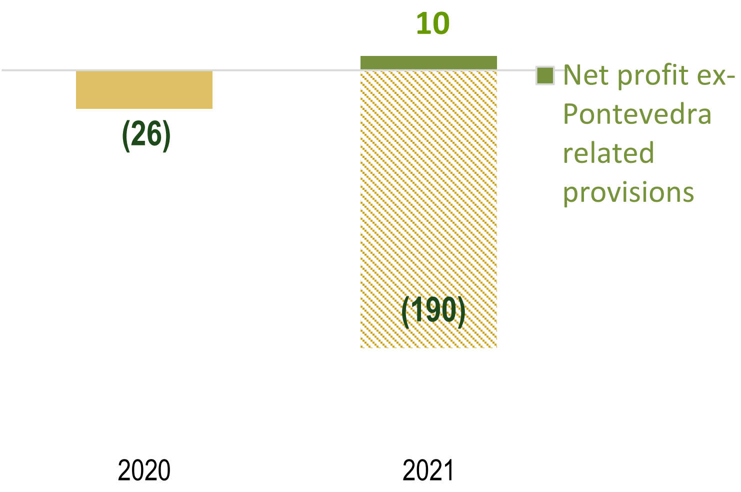
Pulp Business EBITDA (€ m)



Renewable Energy Business EBITDA (€ m)



Group Net Profit (€ m)



Pulp: €142m EBITDA before hedges

- **X6 vs. 2020** driven by the strong recovery in pulp prices
- One-off pulp price **hedges** had a negative impact of €53m
- The **regulatory collar** implied an additional cash inflow of €24m, not included in EBITDA

Energy: €71m EBITDA before hedges

- **+54% vs. 2020** excluding Puertollano CSP, driven by the recovery in energy prices
- One-off energy price **hedges** had a negative impact of €53m
- The **regulatory collar** implied an additional cash inflow of €65m, not included in EBITDA

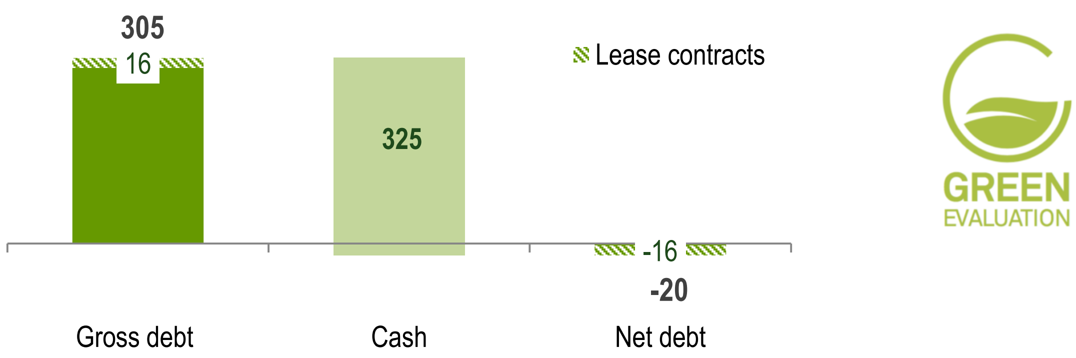
€10m net profit before Pontevedra-related provisions:

- **€152m** asset impairment charges and provisions which will not imply any cash outflow
- **€48m** provision to cover the estimated cost of the potential dismantling of the bio-mill and termination of outstanding contracts

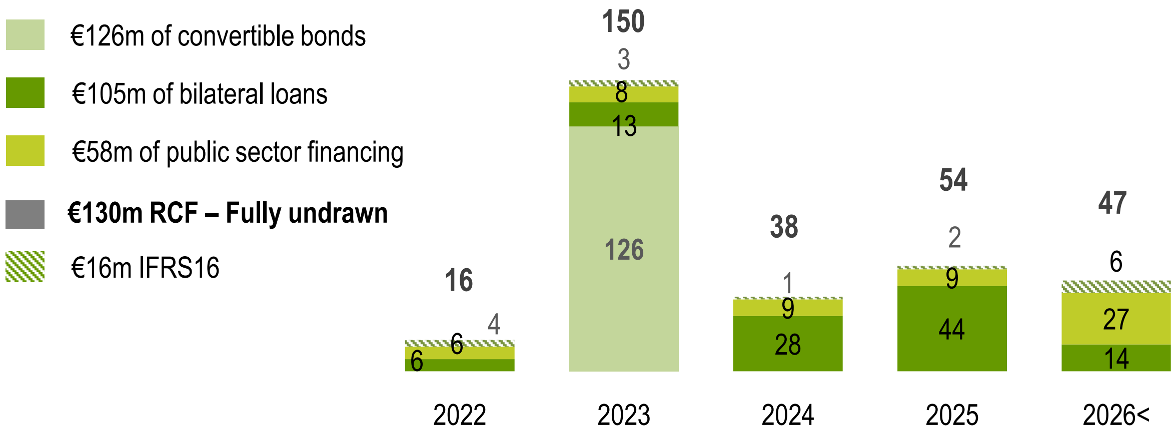
€76m Net Debt reduction to €102m

€397m cash on balance

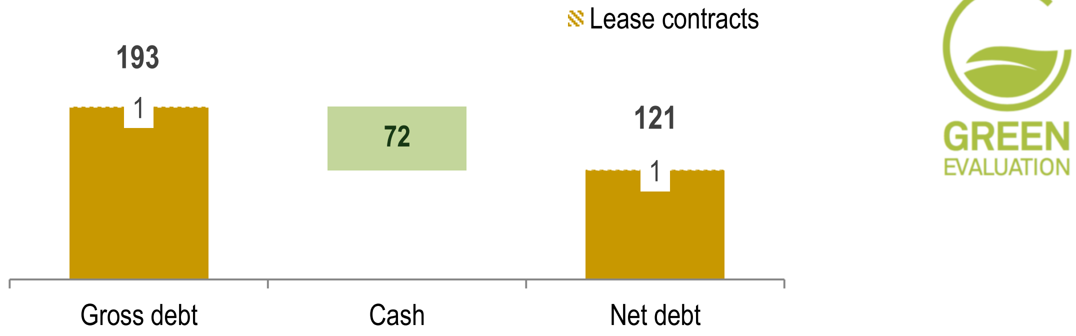
Pulp business net debt as of 31 Dec. 2021 (€ m)



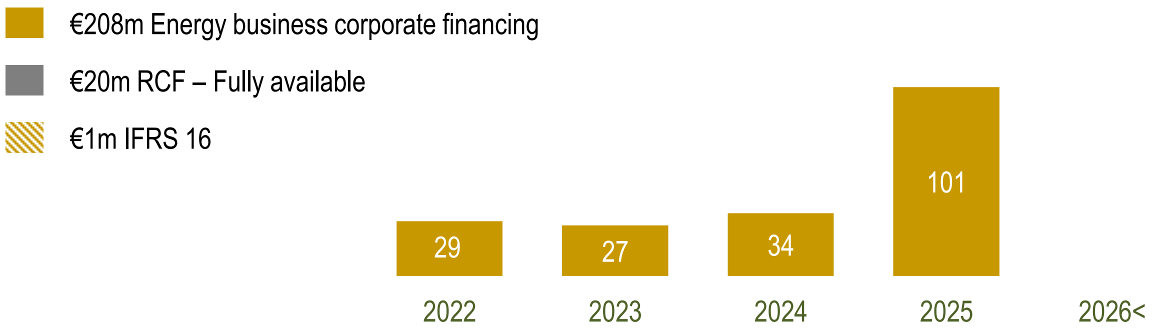
Pulp business debt maturity schedule (€ m)



Renewables business net debt as of 31 Dec. 2021 (€ m)



Renewables business debt maturity schedule (€ m)



Leader in sustainability
2021 Highlights

MSCI ESG RATINGS AA

SUSTAINALYTICS Global ESG score: 91/100

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Production cost reduction

Safe & efficient operations

Protecting Health and Safety

- ✓ **Important reduction in the Group's Injury frequency rate** (-39% vs 2020)
- ✓ **0 lost work days** in Energy and biomass supply chain areas
- ✓ **Effective Covid protocols:** no activity interruptions

Advancing towards a circular economy

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

Odour reduction (vs 2020)

- ✓ **-52%** odour minutes in Navia
- ✓ **-25%** odour minutes in Pontevedra

Leadership and differentiation

Climate action

Committed to mitigate climate change

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

Sustainable products

Differentiated products with higher added value

- ✓ **16%** (vs 9% in FY20) of total sales with higher and growing margins
- ✓ **1st Pulp EPD published**: Encell TCF and Naturcell
- ✓ Projects under development with customers to **replace plastic**
- ✓ **1st Carbon neutral product** (Naturcell Zero)

License to operate

People & Values

Talent as a competitive advantage

Great Place to Work certification

- ✓ Maintaining job quality during the pandemic: **90% permanent contracts**
- ✓ **+3% female employees** vs 2020
- ✓ **80% female new hires** under 30 with college degrees

Commitment to communities

Adding value to society:

- ✓ **>45.500 beneficiaries of community Engagement plans** (Navia, Huelva & Pontevedra)
- ✓ **>750 virtual visits** to our facilities in 2021

Risk minimisation

Sustainable agroforestry

Certified supply chain

- ✓ **>85%** of managed land certified
- ✓ **>74%** of supplied wood certified
- ✓ **>99%** wood & biomass suppliers homologated
- ✓ **100% plants SURE System certified** (Sustainable biomass)

Corporate governance

Transparent management

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

New dividend policy

Based on free cash flow generation and subject to prudent leverage ratios per business

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3 Annual Payments

1. First interim dividend agreed at the **end of the first semester**
2. Second interim dividend agreed at the **end of the third quarter**
3. A final dividend approved by the **AGM**

Amount based on **cash** available for distribution

Ensuring a **leverage** of:

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

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

And considering capex plans and commitments

Ence Capital Markets Day

Thursday, March 17th 2022 at 3:00 pm (CET)

Appendix 1:
Consolidated P&L

P&L € m	4Q21	4Q20	Δ%	3Q21	Δ%	2021	2020	Δ%
Revenue from Pulp business	195,8	125,9	*55,5%*	183,9	*6,5%*	667,6	504,5	*32,3%*
Revenue from Renewable Energy business	36,1	55,4	*(34,8%)*	32,8	*10,0%*	154,9	206,0	*(24,8%)*
Consolidation adjustments	(0,8)	(0,5)		(0,5)		(2,8)	(2,7)	
Total revenue	**231,1**	**180,8**	*27,8%*	**216,1**	*6,9%*	**819,7**	**707,7**	*15,8%*
Pulp business EBITDA	42,0	6,3	*n.s.*	51,8	*(18,9%)*	141,8	23,2	*n.s.*
Renewable Energy business EBITDA	37,0	17,4	*113,4%*	11,5	*222,2%*	71,1	59,7	*18,9%*
EBITDA before hedges	**79,0**	**23,7**	*234,1%*	**63,3**	*24,9%*	**212,9**	**82,9**	*156,8%*
Pulp business EBITDA	17,6	6,8	*158,6%*	30,5	*(42,2%)*	89,0	13,9	*n.s.*
Renewable Energy business EBITDA	3,4	17,4	*(80,2%)*	(3,6)	*n.s.*	17,8	59,7	*(70,2%)*
EBITDA	**21,0**	**24,2**	*(12,9%)*	**26,9**	*(21,7%)*	**106,8**	**73,6**	*45,1%*
Depreciation, amortisation and forestry depletion	(21,2)	(27,2)	*(22,1%)*	(21,4)	*(1,0%)*	(93,5)	(107,1)	*(12,8%)*
Impairment of and gains/(losses) on fixed-asset disposal	(2,1)	(2,1)	*2,6%*	(1,7)	*28,4%*	(193,5)	(1,6)	*n.s.*
Other non-ordinary results of operations	(0,8)	(1,3)	*(35,2%)*	-	*n.s.*	4,2	(5,0)	*n.s.*
EBIT	**(3,1)**	**(6,4)**	*(51,2%)*	**3,8**	*n.s.*	**(175,9)**	**(40,1)**	*n.s.*
Net finance cost	(3,8)	(7,9)	*(52,5%)*	(7,2)	*(48,0%)*	(21,5)	(28,3)	*(23,9%)*
Other finance income/(cost) results	1,5	32,4	*(95,4%)*	1,7	*(11,3%)*	4,9	31,8	*(84,7%)*
Profit before tax	**(5,4)**	**18,1**	*n.s.*	**(1,8)**	*200,0%*	**(192,5)**	**(36,7)**	*n.s.*
Income tax	1,5	(2,2)	*n.s.*	(1,3)	*n.s.*	(9,4)	11,9	*n.s.*
Net income	**(3,9)**	**15,8**	*n.s.*	**(3,1)**	*25,5%*	**(202,0)**	**(24,7)**	*n.s.*
Non-controlling interests	6,0	(0,4)	*n.s.*	5,3	*12,4%*	11,6	(1,7)	*n.s.*
Atributable Net Income	**2,0**	**15,4**	*(86,9%)*	**2,2**	*(6,5%)*	**(190,4)**	**(26,4)**	*n.s.*
Earnings per share (Basic EPS)	0,01	0,06	*(86,9%)*	0,01	*(5,3%)*	(0,78)	(0,11)	*n.s.*

Appendix 2:
Consolidated Cash Flow

Cash flow € m	4Q21	4Q20	Δ%	3Q21	Δ%	2021	2020	Δ%
EBITDA	**21,0**	**24,2**	*(12,9%)*	**26,9**	*(21,7%)*	**106,8**	**73,6**	*45,1%*
Change in working capital	12,6	15,5	*(18,8%)*	(22,3)	*n.s.*	(33,6)	42,5	*n.s.*
Maintenance capex	(4,4)	(3,0)	*48,8%*	(3,1)	*43,4%*	(15,1)	(16,2)	*(7,1%)*
Net interest Payment	(6,2)	(8,3)	*(25,1%)*	(2,8)	*120,3%*	(19,2)	(22,0)	*(12,8%)*
Income tax received/(paid)	(1,8)	5,1	*n.s.*	(6,6)	*(73,2%)*	(8,2)	5,9	*n.s.*
Normalised free cash flow	21,2	33,5	*(36,6%)*	(8,0)	*n.s.*	30,9	83,8	*(63,2%)*
Energy regulation adjustment (regullatory collar)	**60,2**	**(4,7)**		**30,3**		**89,1**	**(36,2)**	
Other collection (payments) and non cash adjustments	(2,7)	(18,8)	*n.s.*	6,2	*n.s.*	5,9	(4,7)	*n.s.*
Pending payments for expansion capex	(5,2)	(15,9)	*(67,0%)*	(4,8)	*9,0%*	(39,1)	(64,5)	*(39,4%)*
Sustainability capex and other	(1,8)	(2,8)	*(34,8%)*	(4,1)	*(55,7%)*	(16,9)	(16,3)	*3,2%*
Disposals	5,5	58,6	*(90,5%)*	-	*n.s.*	6,0	59,2	*(89,9%)*
Free cash flow	**77,2**	**49,9**	*54,9%*	**19,6**	*n.s.*	**75,9**	**21,4**	*n.s.*

Alternative Performance Measures (APMs)
Pg.1

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

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 together with the sum of cash and cash equivalents, cash for financial debt coverage 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.

MSCI ESG RATINGS AA

SUSTAINALYTICS Global ESG score: 91/100

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