



Q1 2020 Results

April 29th, 2020



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Highlights

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1Q 2020

Early preventive measures taken against COVID-19 allow ENCE to operate normally

- **Early measures taken since February 24th** to protect its people and its operations is allowing ENCE to keep its people safe and to operate normally despite spread of COVID-19
- **All ENCE's activities have been declared essential** according to the Royal Decree 463/2020 approved on March 14th

Global pulp demand growth and stable prices in 1Q20

- **Global pulp demand grew by 7% YoY in Jan. and Feb**, equivalent to 0.6 million tons
- **Higher consumption of tissue** and hygiene products offset the incipient decrease in the consumption of printing and writing papers
- **Stable pulp prices** in 1Q20, at their **lowest level in the last 10 years**. Price hikes announced in China as from April

Strong operating improvement in 1Q20

▪ **Pulp business:**

- Production: +9% YoY
- Sales (t): +25% YoY
- Cash cost: -4% YoY (-16 €/t)

▪ **Renewable Energy Business:**

- Sales (MWh): +5% YoY
- New biomass plants commissioned on Jan. 31 and Mar. 31 2020: +44% installed capacity

Financial results driven by lower pulp and energy prices

▪ **€5 Mn EBITDA in the Pulp business:**

- +15 Mn€ vs. 4Q19 due to operating improvement
- -86% vs. 1Q19 due to a **31% decrease in the average sales price**

▪ **€11 Mn EBITDA in the Renewable Business:**

- +10% vs. 4Q19 due to lower costs
- -14% vs. 1Q19 due to a **11% decrease in the average sales price**

€281 Mn cash in balance, long term maturities and no covenants

- **€281 Mn cash in balance** at 31 March 2020 (€156 Mn in the Pulp business and €125 Mn in the Renewable business)
- **€534 Mn Net Debt** position at 31 March 2020 (€326 Mn in the Pulp business and €208 Mn in the Renewable business)
- **Long-term maturities** in both businesses and **no covenants** in the Pulp business

Early preventive measures taken against COVID-19 since February 24th

Allowing ENCE to keep its people safe and to operate normally



PEOPLE

- COVID-19 Prevention Protocol:
 - ✓ Entrance and exit temperature checks
 - ✓ Strict personal hygiene measures
 - ✓ Social distancing (meetings, reception of goods) and no visits
 - ✓ Disinfection every 2 hours
 - ✓ Masks and COVID-19 tests
- Just 11% of Ence employees working in its facilities at any one time.

0 infections registered in our plants

OPERATIONS

- Implementation of Ence's COVID-19 Prevention Protocol in all areas, as well as subcontractors and logistic services
- Adverse scenario analysis and action plans to mitigate risks
- 2 full back-up teams in reserve at home for each plant
- Increasing wood/raw material stocks at our biomills and intermediate sites

No changes to our pulp production and cash cost targets for now

LIQUIDITY

- Use of the € 70 Mn RCF available in the Pulp business, maturing in May 2023.
- €60 Mn in long term back-up credit facilities with no covenants signed in April
- € 35 Mn capex payments postponed to 2021
- Optimization of factoring and confirming lines

€281 Mn cash in balance at 31 March 2020

All ENCE's activities have been declared essential according to the Royal Decree 463/2020 approved on March 14th

Sustainability Plan 2019 – 2023

Highlights 1Q20



Secure and ecologically efficient operations



99% Waste valorised
"0 Waste" Certification



Lower water consumption YoY
Pontevedra: -3%
Navia: -12%



-28% YoY Accident Frequency Index



-44% YoY Odor Impact in Pontevedra



Emissions
 < 10 mg /Nm3 in all our biomass plants



Sustainable agro-forestry management



85% Patrimonial area certified FSC®
 Licence code FSC-C099970 /PEFC

82% Wood inputs certified FSC®
 Licence code FSC-C081854 /PEFC



99% Certified wood and biomass suppliers



68% Wood bought from small producers
 Implantation of the **Decalogue of biomass sustainability for combustibles**



Sustainable products



powercell **10%**
naturcell of Pulp Sales

Development of sustainable products with reduced environmental footprint and with potential for plastic substitution



European Ecolabel for primary material for cellulose at Navia and at Pontevedra



Commitment to Communities



+3.2M€

The Pontevedra Social Plan and other investments in the community



Involvement with the local community: the plants received more than **400** organized visits, from the local stakeholders.



People and Values



0% Gender salary gap



+4% Women employed
75% of hires < 30y are women
60% of management hires are women



+7% in 2019
 Happy Index



Governance



2020 Telematic AGM
>88% approval of all proposed resolutions



Sustainability Committee in the Board of Directors
 Certified penal compliance **UNE – 19601:2017**

25%

Long term incentive plan linked to **ESG targets**

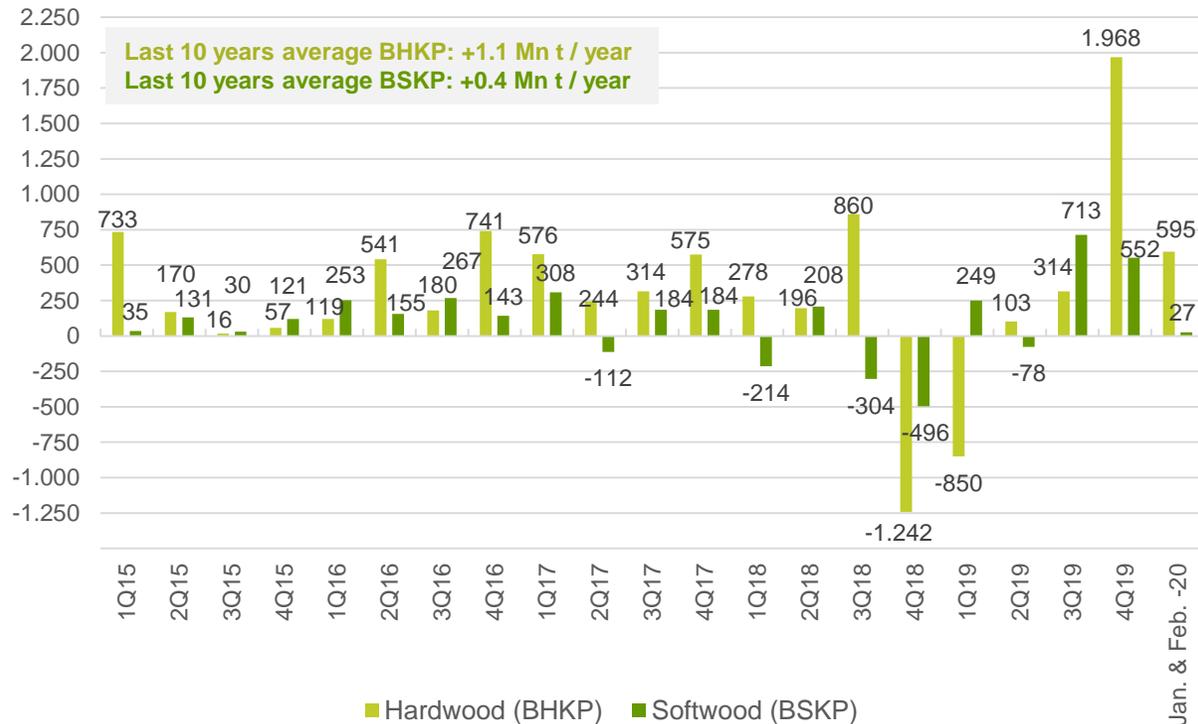
↑ 22%

Women present in the Board of Directors vs. 2017

7% Global pulp demand growth in January and February

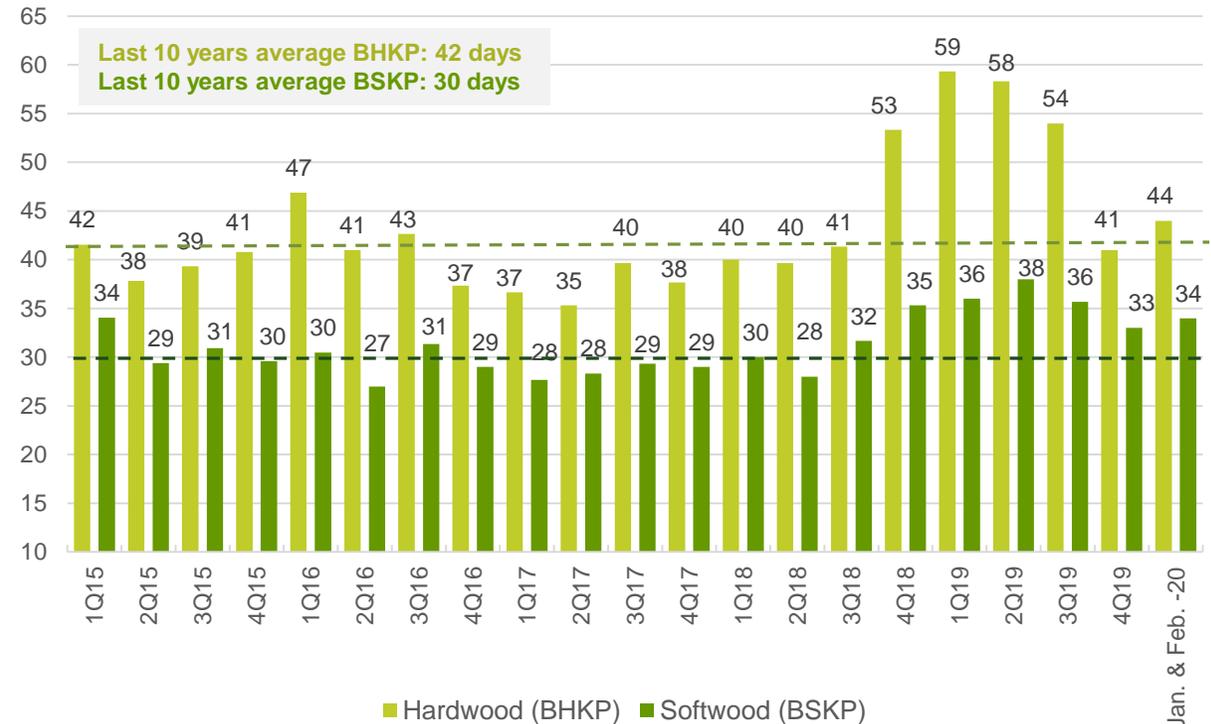
Pulp inventories remain close to their 10 year average

BHKP and BSKP Demand Evolution (YoY)
000's t



Source: Ence, PPPC G-100

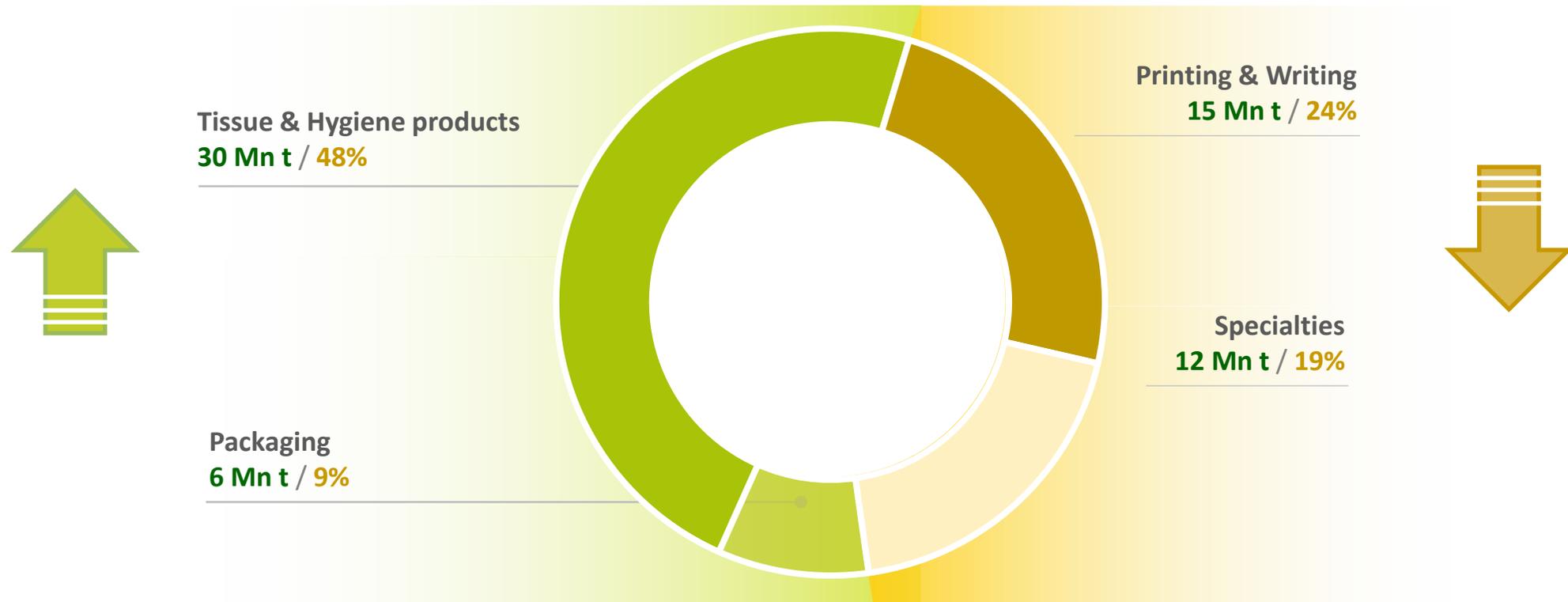
Producers Inventories BHKP and BSKP
Days (quarter average)



Source: Ence, PPPC G-100

Higher consumption of tissue and hygiene products in 1Q20 Offset the incipient decrease in Printing and Writing

Global market pulp demand breakdown by end use 2019
Mn t



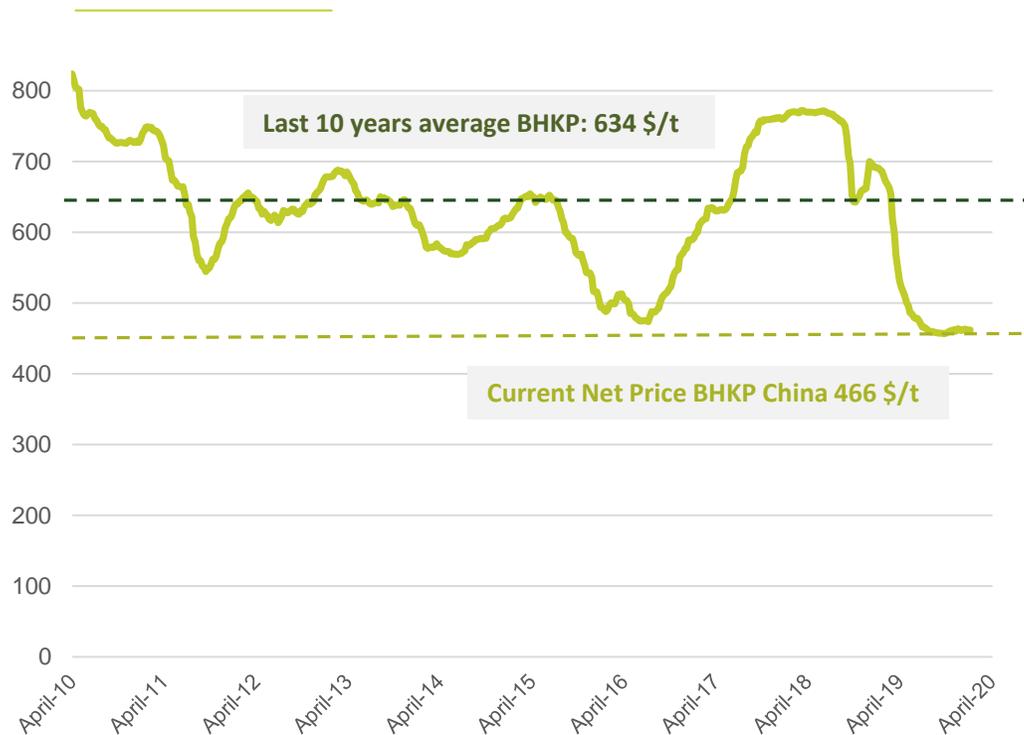
Source: Ence estimates

7% Global pulp demand growth in January and February, equivalent to 0.6 Mn t

Pulp prices remained stable in 1Q20, at their lowest levels in the last 10 y

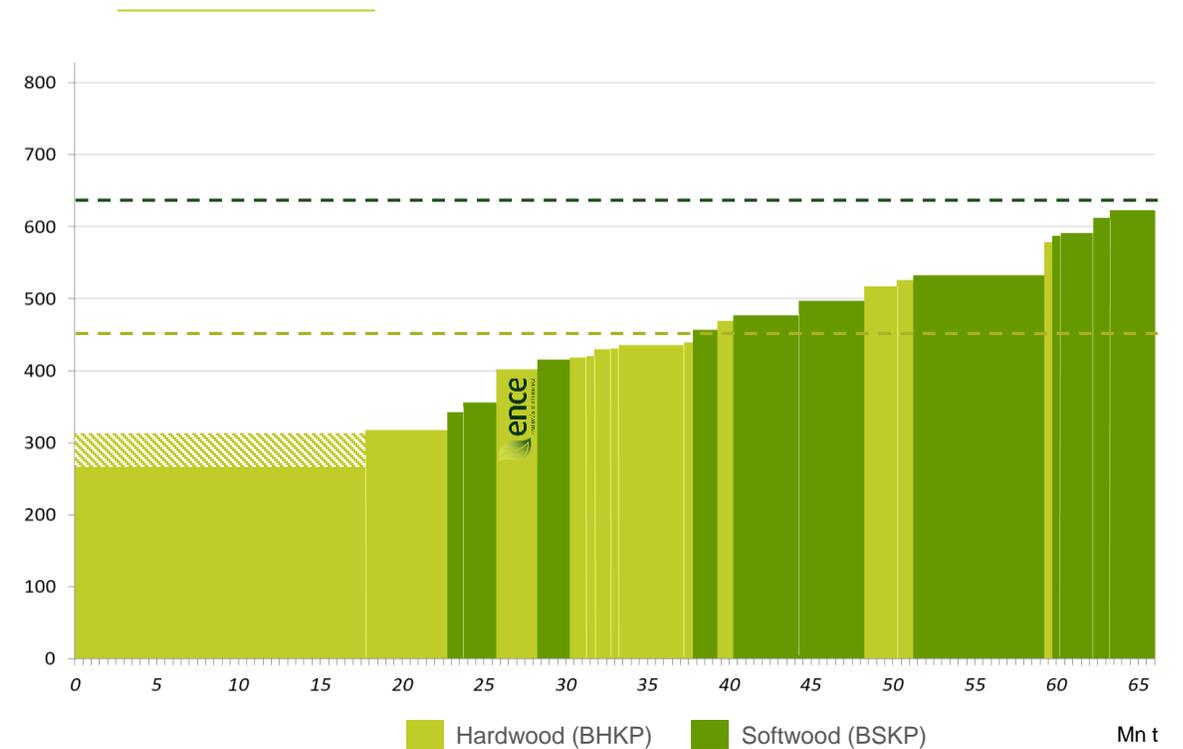
Price hikes announced in China as from April

Net BHKP Prices China
\$/t



Source: FOEX

Global Market Pulp Industrial Cash Cost Curve (CIF Europe) ¹
\$/Mn t



Source: Ence, Hawkins Wright

Ence's expected Free Cash Flow Break Even (Cash Cost + Maintenance Capex + Financial Expenses) of 435 USD/t in 2020

¹ Brazil only includes the cost of wood harvesting and transportation plus third party wood purchases. On a like for like basis, Brazilian cash cost would be around 50 US\$ / t higher.

Pulp demand set to outgrow supply over 2020-24

Average annual pulp demand growth of 1.5 Mn t during the last 10 years

Expected Annual Increase in Global Market Supply and Demand (Mn t)¹

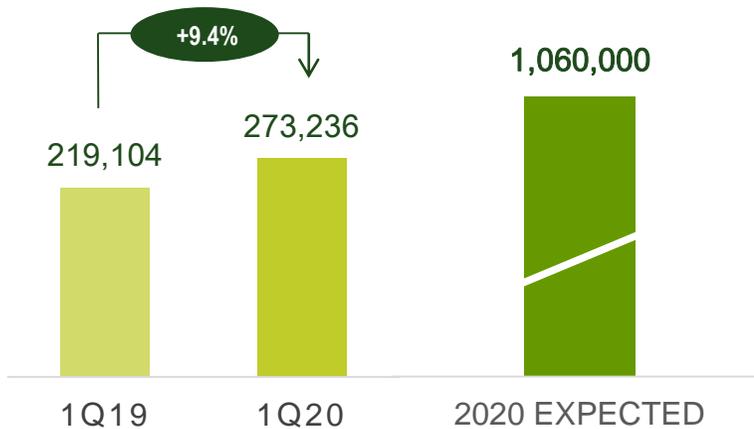
Mn t		2020	2021	2019-21	2022	2019-22	2023	2019-23	2024	2019-24
ESTIMATED ANNUAL MARKET PULP DEMAND INCREASE		0,0	1,5	1,5	1,5	3,0	1,5	4,5	1,5	6,0
ESTIMATED ANNUAL MARKET PULP SUPPLY CHANGE (CONFIRMED)		0,1	-0,7	-0,6	0,9	0,3	0,6	0,9	-0,9	0,0
SUZANO (SALES RECOVERY)	BHKP	0,9		0,9		0,9		0,9		0,9
SUZANO (ARACRUZ)	BHKP				0,3	0,3		0,3		0,3
ARAUCO (VALDIVIA)	BHKP	-0,4		-0,4		-0,4		-0,4		-0,4
ARAUCO (HORCONES)	BHKP		0,3	0,3	0,9	1,2		1,2		1,2
UPM (PASO DE LOS TOROS)	BHKP				0,5	0,5	1,5	2,0		2,0
APP (OKI)	BHKP	-0,2	0,2	0,0		0,0		0,0		0,0
APRIL (KERINCI)	BHKP	-0,1	-0,2	-0,3	-0,2	-0,5	-0,2	-0,7	-0,2	-0,9
APRIL (RIZHAO)	BHKP	-0,1	-0,2	-0,3	-0,2	-0,5	-0,2	-0,7	-0,2	-0,9
ILIM (BRATSK)	BHKP	0,2		0,2		0,2		0,2		0,2
ENCE (NAVIA & PONTEVEDRA)	BHKP	0,1		0,1		0,1		0,1		0,1
MONDI (RUZOMBEROK)	BHKP	0,1	-0,1	0,0		0,0		0,0		0,0
ILIM GROUP (UST-ILIMSK)	BSKP				0,1	0,1		0,1		0,1
SCA (OSTRAND)	BSKP	0,2		0,2		0,2		0,2		0,2
STORA (ENOCCELL)	BSKP	-0,1	-0,2	-0,3		-0,3		-0,3		-0,3
UNEXPECTED & NON COMPETITIVE ANNUAL CAPACITY CLOSURES		-0,5	-0,5	-1,0	-0,5	-1,5	-0,5	-2,0	-0,5	-2,5
SURPLUS / DEFICIT		0,1	-2,2	-2,1	-0,6	-2,7	-0,9	-3,6	-2,4	-6,0

Source: ENCE estimates 1. Estimates correspond to the expected increase in supply and demand of market pulp for paper production. It therefore excludes the production of integrated pulp and other pulp grades such as Dissolving Pulp or Fluff. We assume BRACEL's project in Sao Paulo will be mainly focused on Dissolving Pulp.

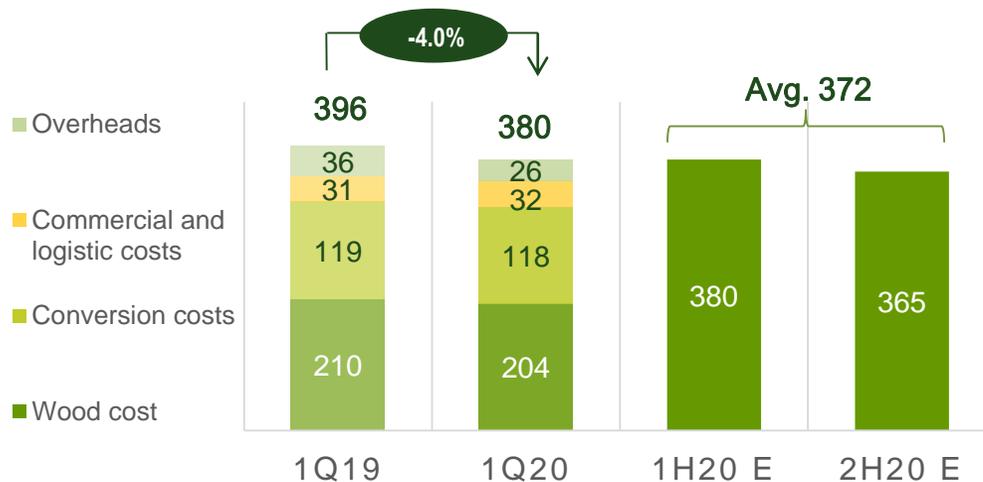
Strong operating improvement in 1Q20

9% higher pulp production and 4% lower cash cost

Pulp Production (t)



Cash Cost breakdown (€/t)



Pontevedra Biomill

- > 11% production vs. 1Q19
- 20,000 t capacity expansion in 1Q19
- Annual maintenance planned for 2Q20 (subject to COVID-19's evolution)



Navia Biomill

- > 8% production vs. 1Q19
- 80,000 t capacity expansion in 4Q19
- Annual maintenance planned for 2Q20 (subject to COVID-19's evolution)



16€/t Cash cost reduction vs. 1Q19, driven by:

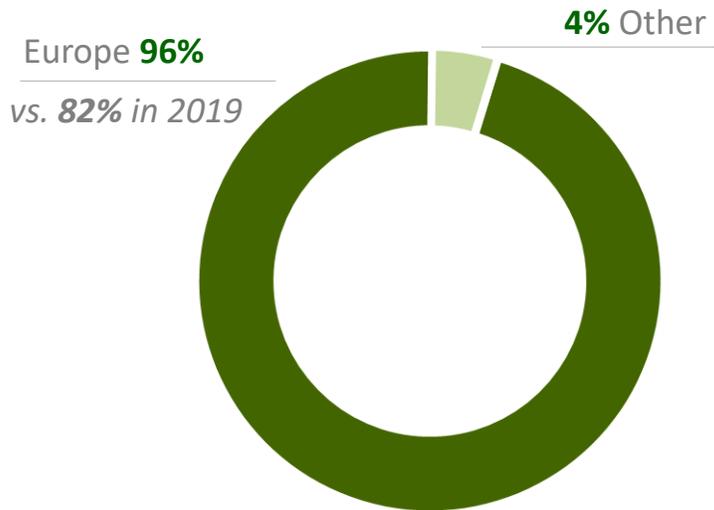
- Lower overheads driven by cost savings and 2019 bonus reversion in 1Q19
- Lower wood premiums linked to pulp price performance
- Higher dilution of fixed conversion costs, partially offset by lower energy cogeneration contribution

25% Higher pulp sales in 1Q20

Increasing the value of the European market and ENCE's differentiated offer

Geographical distribution of sales

% of pulp sales

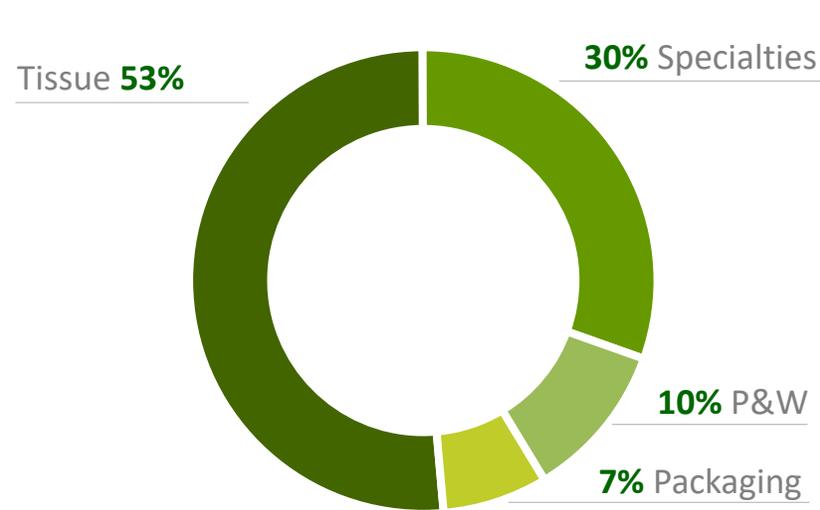


Source: Ence 1Q20

96% of ENCE's pulp sales to Spanish and European markets, where it has strong logistic and service related competitive advantages.

Breakdown by end product

% of pulp sales

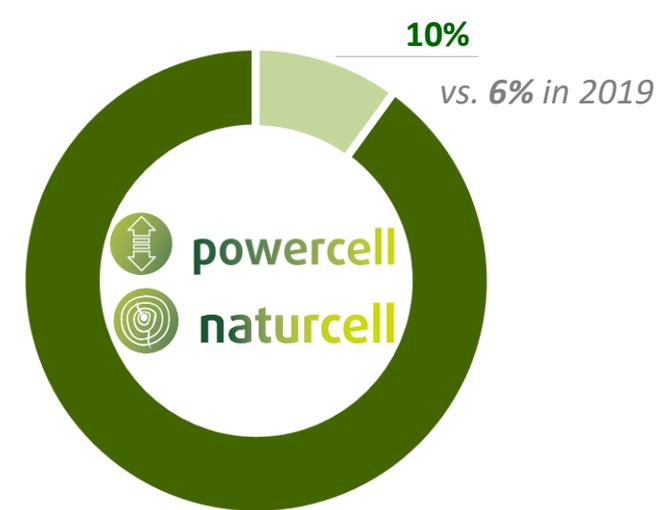


Source: Ence 1Q20

53% of ENCE's pulp sales to the growing tissue and hygiene products segment, which has remained very robust during the COVID-19 crisis.

Differentiated offer

% of pulp sales



Source: Ence 1Q20

Ence's differentiated products already account for 10% of pulp sales.

These value-added products are environmentally friendly and better adapted to replace softwood pulp in specialty segments.

New biomass plants commissioned in 1Q20

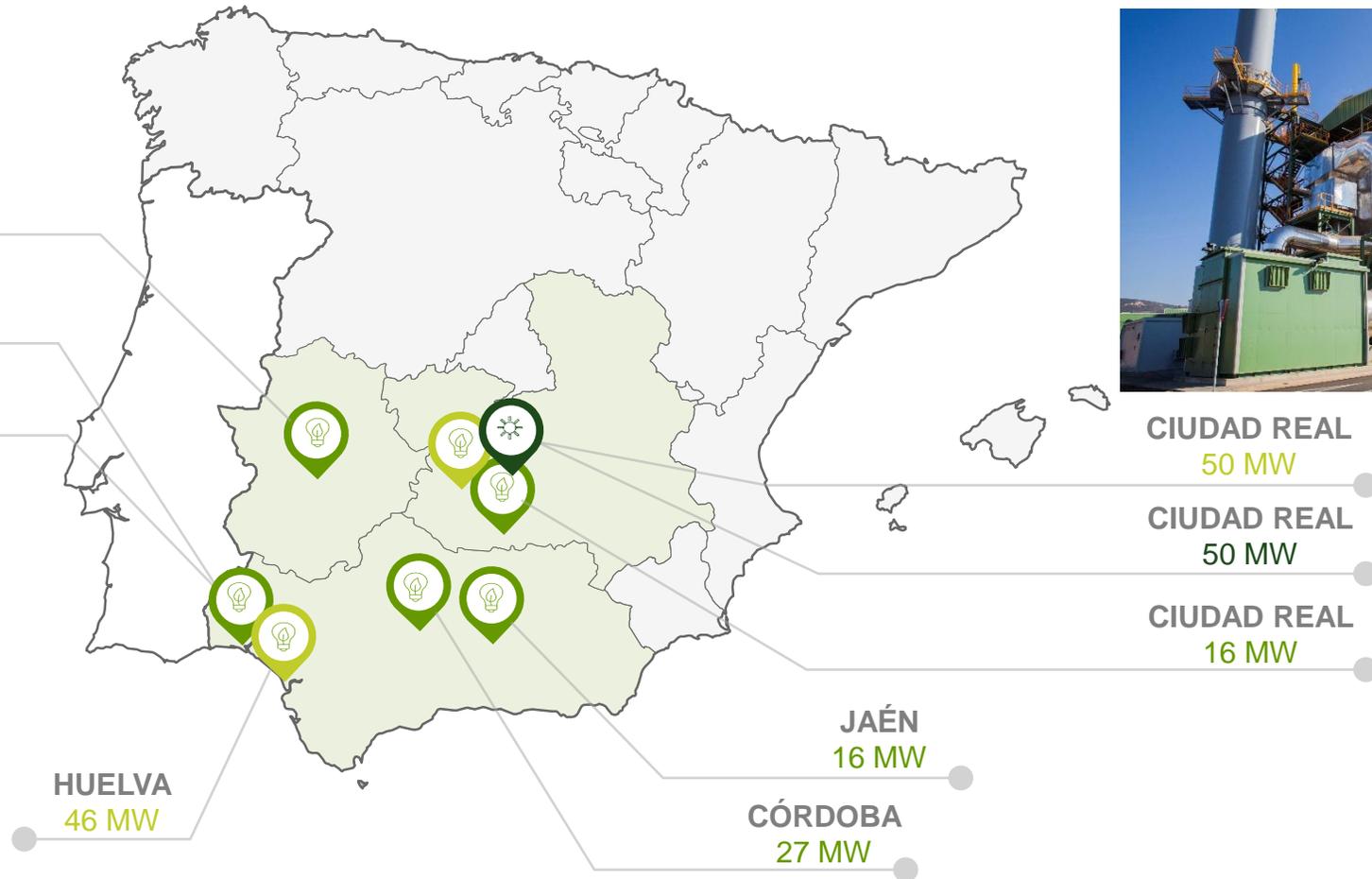
Increasing installed capacity by 44% up to 316 MW

316 MW
Installed capacity

New Biomass Plant CIUDAD REAL 50 MW
31st MARCH



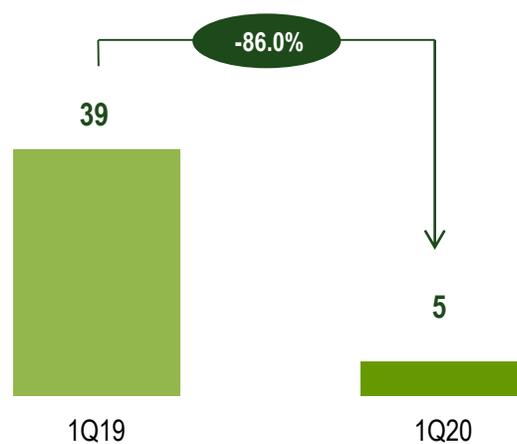
New Biomass Plant HUELVA 46 MW
31st JANUARY



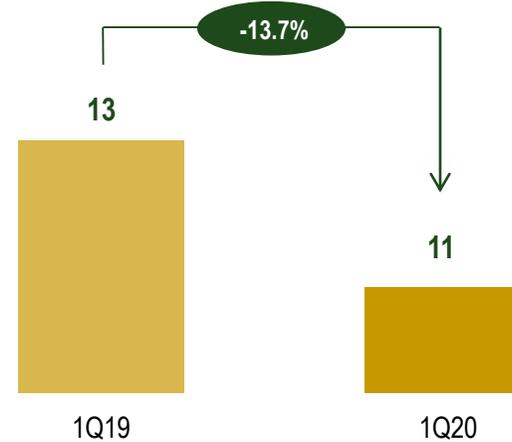
1Q20 Financial Results

Driven by lower pulp and energy prices

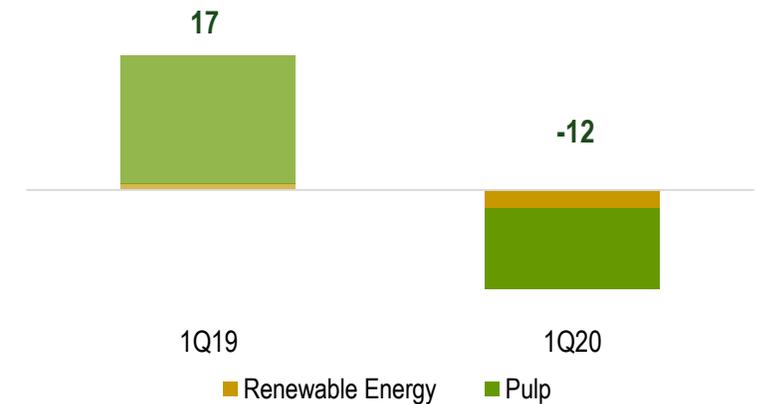
Pulp Business EBITDA (€ Mn)



Renewable Energy Business EBITDA (€ Mn)



Group Net Income (€ Mn)



€5 Mn EBITDA in the Pulp business:

- + €15 Mn vs. 4Q19 due to the better operating performance
- 86% vs. 1Q19 due to a **31% decrease in the average sales price** and partially offset by the better operating performance

€11 Mn EBITDA in the Renewable business:

- +10% vs. 4Q19 due to lower costs
- 14% vs. 1Q19 due to a **11% decrease in the average sales price** and partially offset by the better operating performance

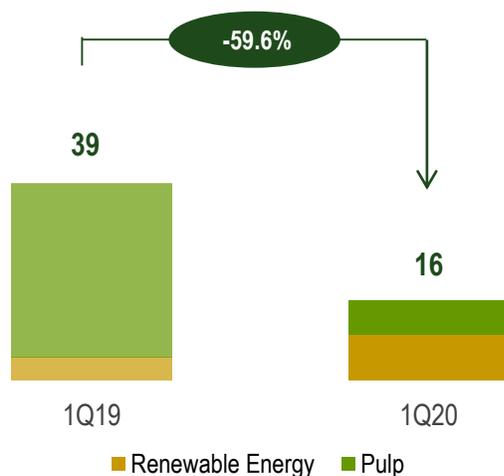
Net result of €-12 Mn following:

- €26 Mn Depreciation
- €6 Mn Net finance cost
- €4 Mn Income tax

€16 Mn Normalized FCF and €32 Mn carry over payments in 1Q20

€281 Mn cash in balance, long term maturities and no covenants

Normalized FCF¹ (€ Mn)

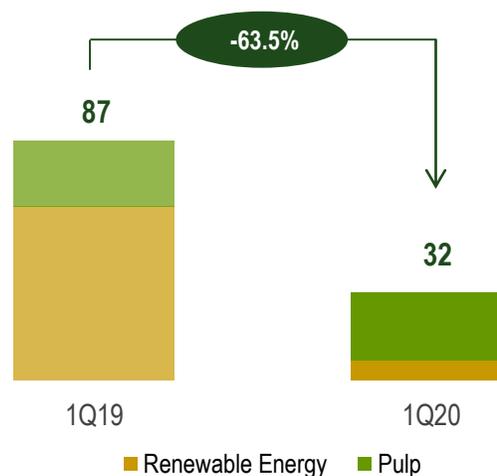


Normalized Free Cash Flow generation of €16 Mn

Lower EBITDA vs. 1Q19 partially offset by:

- Working capital reduction
- Lower taxes

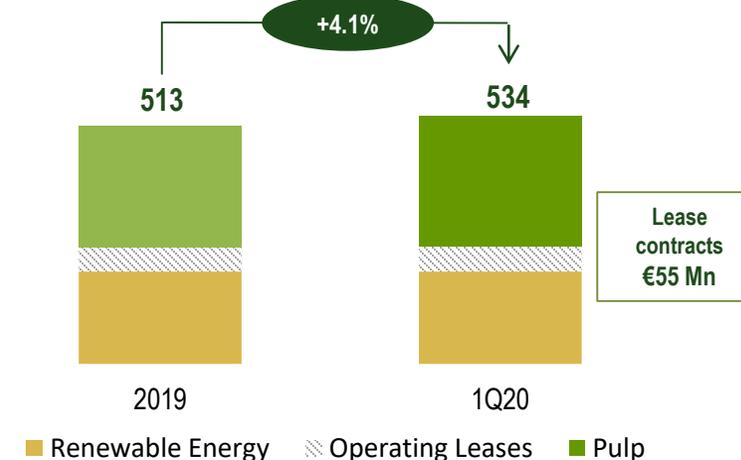
Strategic Plan Capex (€ Mn)



Strategic Plan carry over payments of €32 Mn (-64% vs. €87 Mn capex in 1Q19):

- €24 Mn carry over payments in the Pulp business from 100k t capacity expansions and sustainability improvements in 2019
- €7 Mn carry over payments in the Renewable Energy business from two new biomass plants with 96 MW of combined capacity and sustainability improvements

Net Debt (€ Mn)



€534 Mn Net Debt (+21 Mn vs. 31Dec.19):

- Including €55 Mn related to lease contracts (+ €3 Mn vs. 31Dec.19)
- €281 Mn cash in balance (+ €54 Mn vs. 31Dec.19)
- Long-term maturities in both businesses and covenant free in the Pulp business

1. FCF before Strategic Plan investments, divestments & dividend payment

Pontevedra's Biomill legal status

A first resolution from the National Court could be delayed due to COVID-19

On January 2016 the National Directorate of Coasts granted the extension of Pontevedra's 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)

We expect a first resolution from the National Court in the coming months

- 3 court cases initiated by Pontevedra's City Council and two environmental associations against the resolution of Jan. 20th 2016, to the National Court's Chamber for Contentious Administrative Proceedings
- On March 8th 2019, the National Directorate of Coasts conceded in all 3 lawsuits, i.e., it asked for the appeals be accepted, despite having previously argued throughout all of the proceedings that the Ministerial Order Resolution of January 20th 2016 was totally legal
- On April 10th 2019, the National Court's Chamber for Contentious Administrative allowed Ence to defend the case
- Court case is now in its final stage. The National Court's first resolution could experience a delay due to COVID-19

The legal case against the extension could last for up to 4 years, including any appeals before higher courts

€130 Mn invested in the biomill since the extension of the concession in 2016

- The investments carried out or committed since the extension of the concession for the period of 2016 – 2019 amount to approx. €130 Mn
- In the unlikely event of operations being discontinued, the cash impact would amount to €74 Mn (€43 Mn corresponding to dismantling actions, €15 Mn to the cost of staff reductions and €16 Mn to the cancellation of existing contracts)

Given the uncertainty, the Board of Directors decided to concentrate the investments of the Business Plan in Navia's biomill

- Investments of €250 Mn initially planned to increase capacity in Pontevedra will be reallocated to Navia's biomill, in order to double the initially planned swing line by up to 340,000 t of BHKP or 200,000 t of dissolving pulp



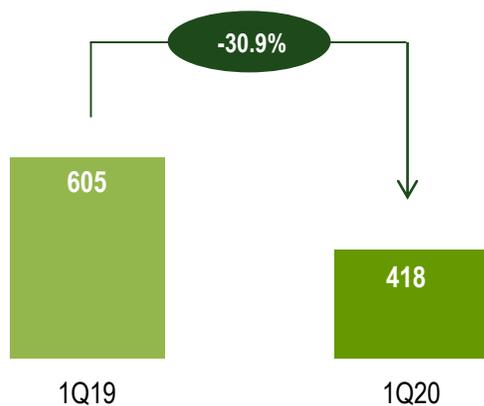
Q1 2020 Results by Business



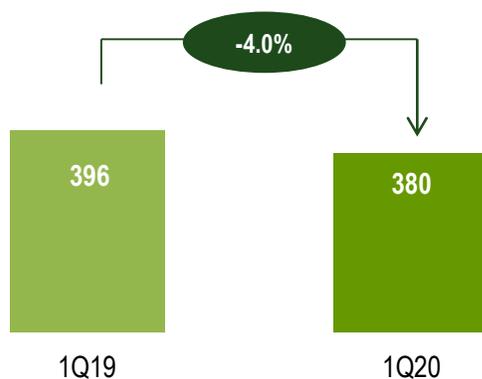
Pulp Business

1Q20 Results driven by lower pulp prices

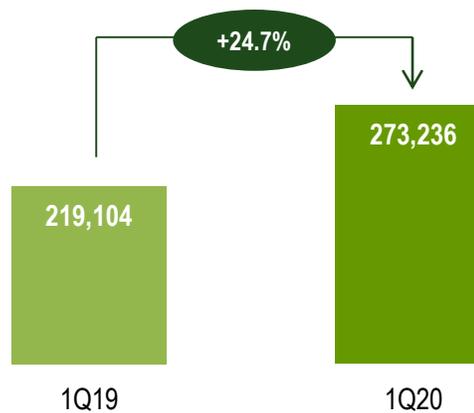
Avg. Net Pulp Price (€/t)



Avg. Cash Cost (€/t)



Pulp Sales Volume (t)



EBITDA (€ Mn)



€15.2 Mn EBITDA improvement vs. 4Q19

86.0% EBITDA decrease vs. 1Q19:

- Resulting from the 31% drop in the average sale price.
- Partially offset by 25% higher sales and 4% lower cash cost



1Q20 P&L Bridge (€ Mn)

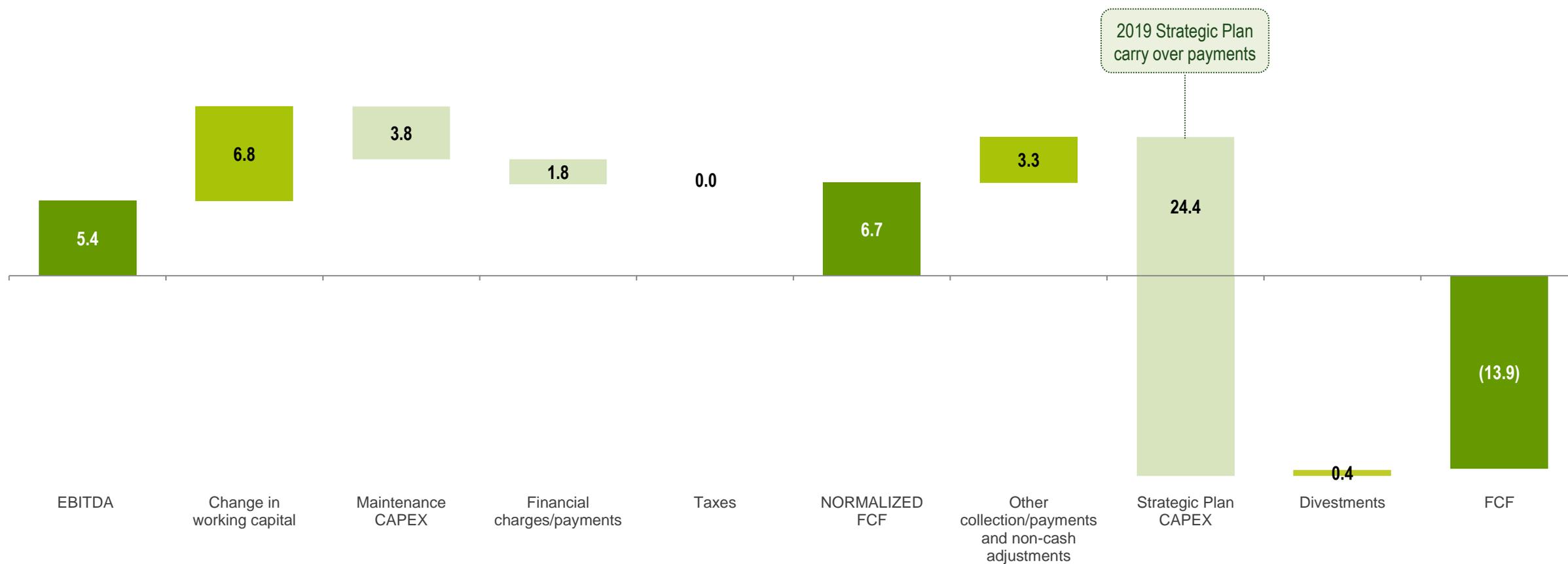




Pulp Business

Cash flow generation

1Q20 Cash Flow Bridge (€ Mn)





Ongoing FX hedging program

To mitigate FX volatility in the Pulp Business

Dollar/Euro Exchange Rate Evolution



Current Hedges

Q2 2020: 89% revenues

- Avg. cap: \$ 1.20 €
- Avg. floor: \$ 1.16 €

Q3 2020: 80% revenues

- Avg. cap: \$ 1.20 €
- Avg. floor: \$ 1.14 €

Q4 2020: 62% revenues

- Avg. cap: \$ 1.19 €
- Avg. floor: \$ 1.13 €

Q1 2021: 45% revenues

- Avg. cap: \$ 1.18 €
- Avg. floor: \$ 1.10 €

Ence secured an average cap of \$1.20/€ and an average floor of **\$1.15/€** for **79%** of its dollar exposure in **FY2020**

Assuming a flat 1.10 \$/€ for 2020, full year FX settlements would amount to €15 Mn

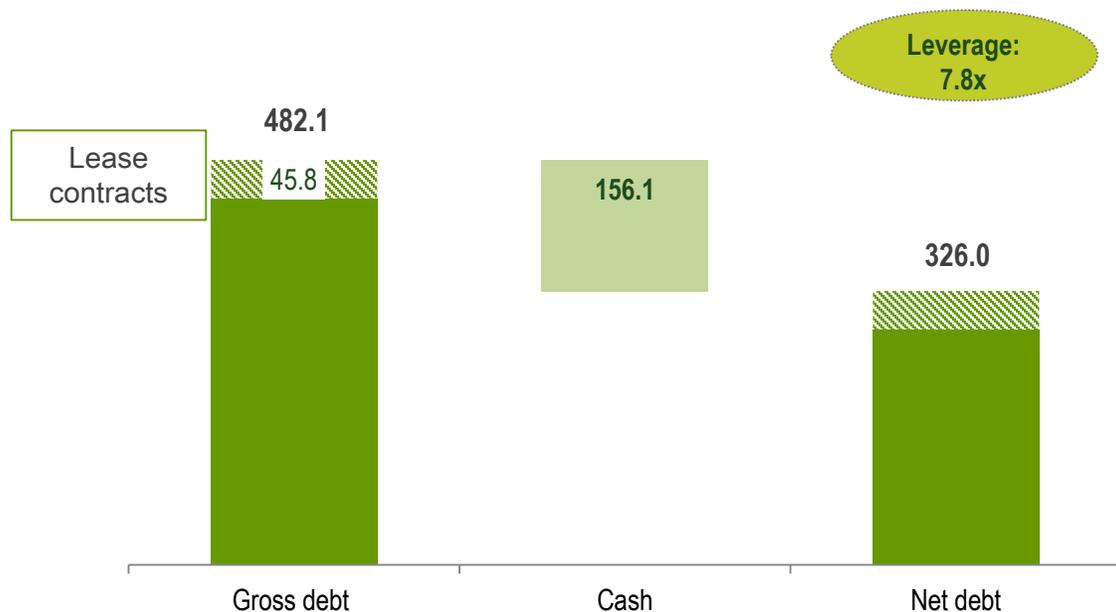


Pulp Business

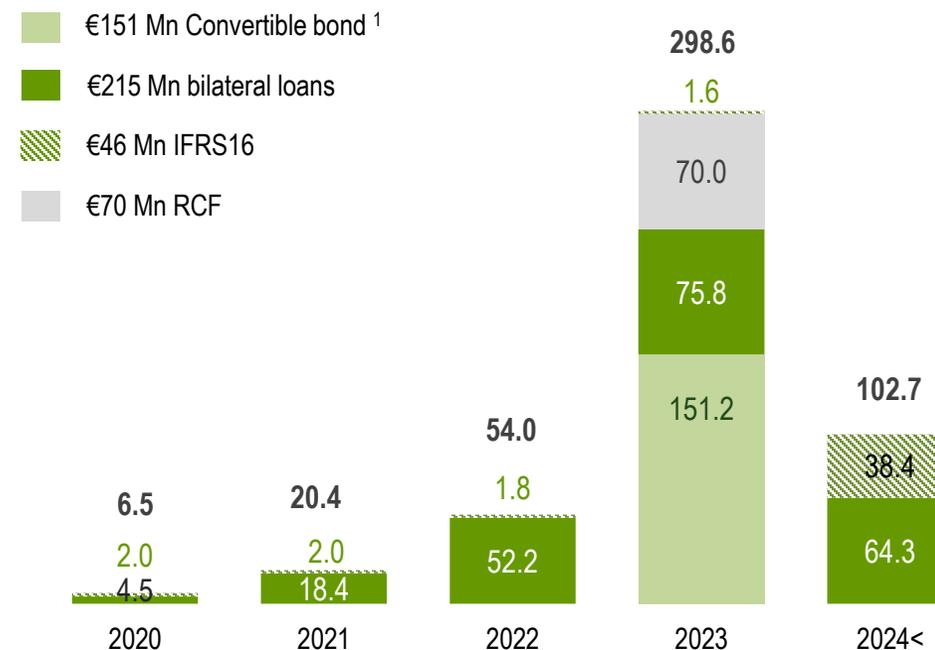
High liquidity and long term financing without covenants



Leverage as of March 31st 2020 (€ Mn)



Debt Maturity Calendar (€ Mn)



Pulp business leverage at 7.8x Net Debt / LTM EBITDA as of March 2020

Financial liability of €45.8 Mn in the Pulp business related to the application of IFRS16 on leases

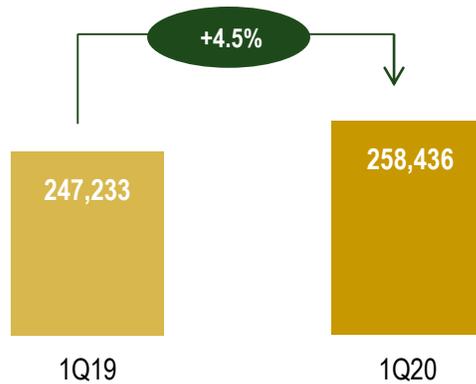
1. €151 Mn accounted as gross debt and €9 Mn accounted as equity as of March 31st 2020, according to IAS 32



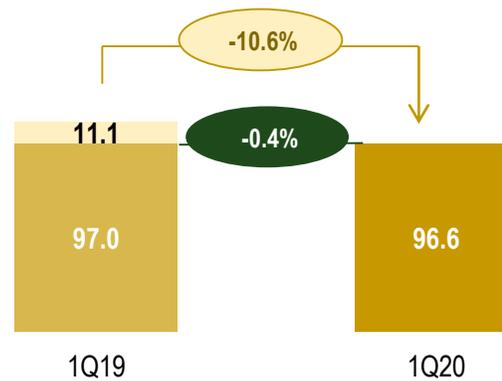
Renewable Energy Business

1Q20 Results driven by lower electricity prices

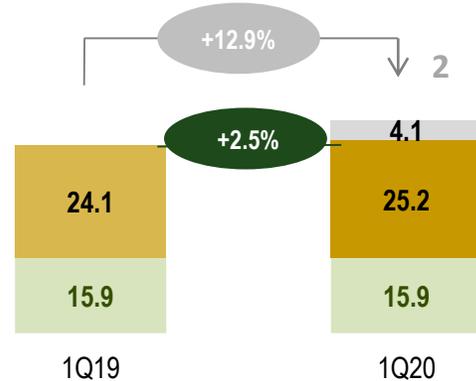
Energy Volume (MWh)



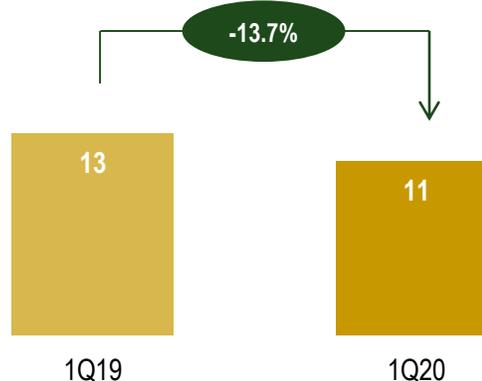
Average sale price (€/MWh) ¹



Revenues (€ Mn)



EBITDA (€ Mn)



■ Ri ■ Pool + Collar + Ro ■ Capitalized

13.7% EBITDA decrease was driven by:

- 10.6% lower comparable average sale price (YoY)
- Partially offset by lower costs and 5% higher energy sales.

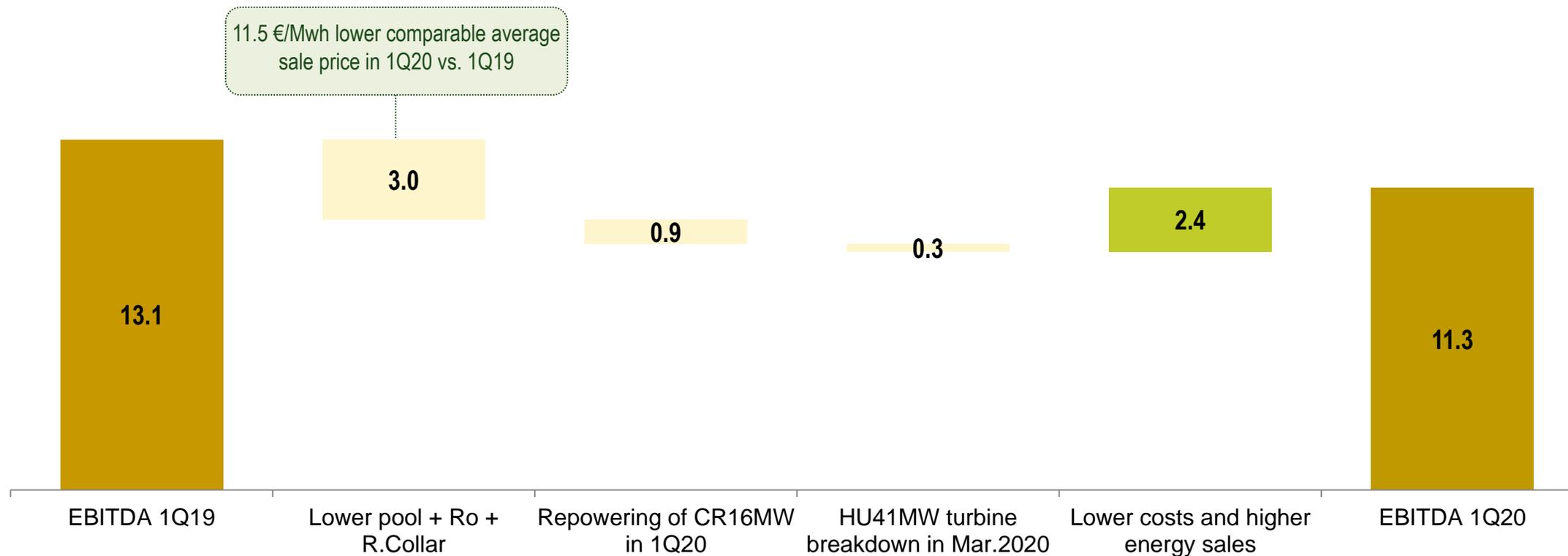
¹ Note that the average sale price of 97 €/MWh in 1Q19 included an adjustment of 11.1 €/MWh related to the temporary suspension of the electricity generation tax and the attendant adjustment to the plants Ro with no effect on EBITDA.

² Revenues for the quarter include € 4.1 Mn from the energy sales of the new biomass plants during their testing phase, which have been capitalized together with their corresponding expenses, neutralizing their impact in EBITDA



Renewable Energy Business

EBITDA Bridge 1Q20 vs. 1Q19 (€ Mn)

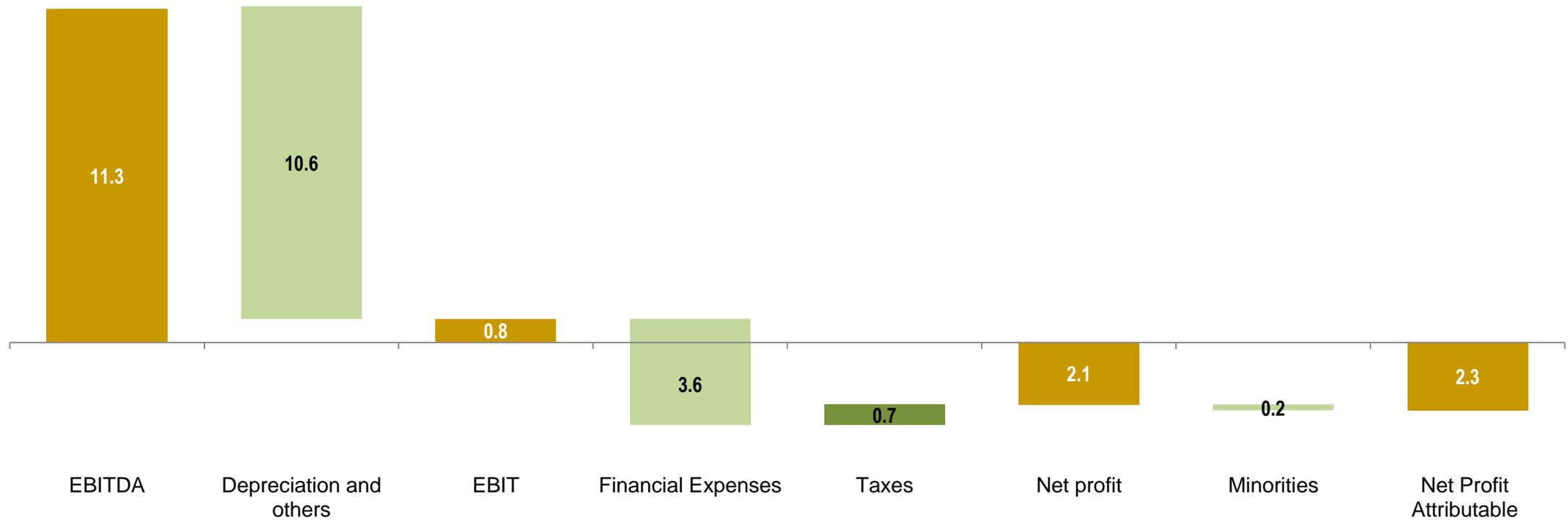




Renewable Energy Business

P&L

1Q20 P&L Bridge (€ Mn)

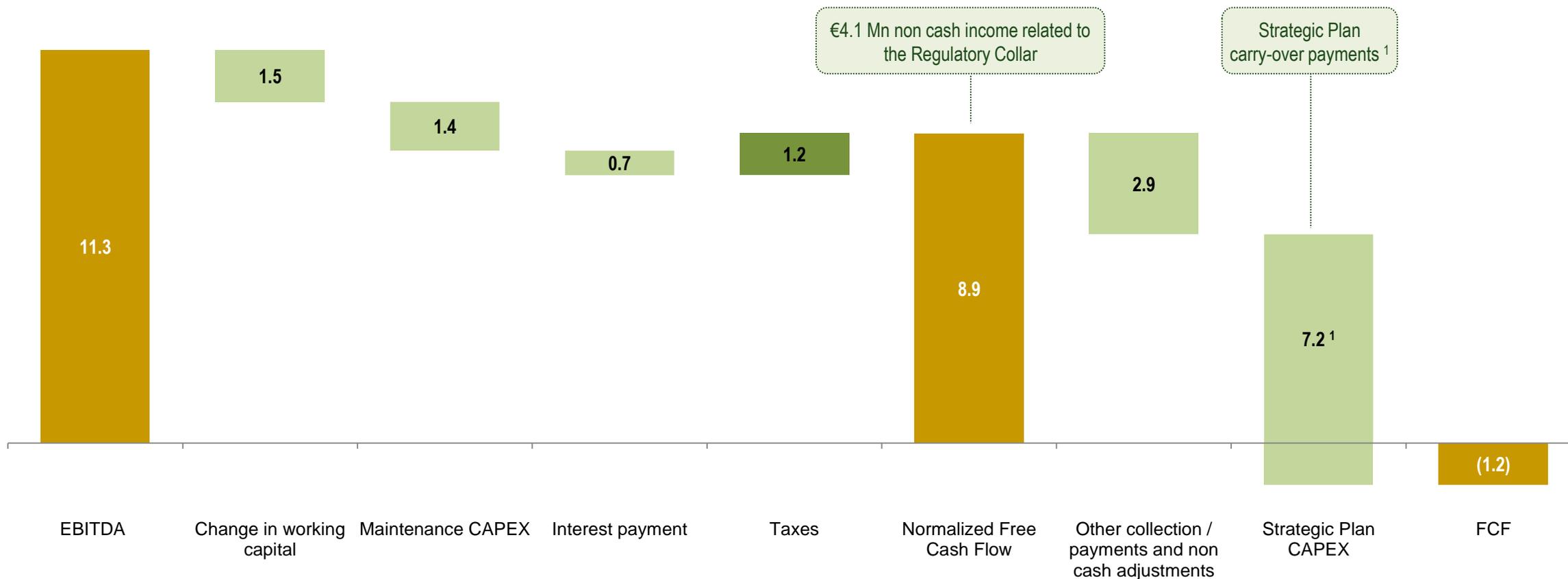




Renewable Energy Business

Cash flow generation

1Q20 Cash Flow Bridge (€ Mn)



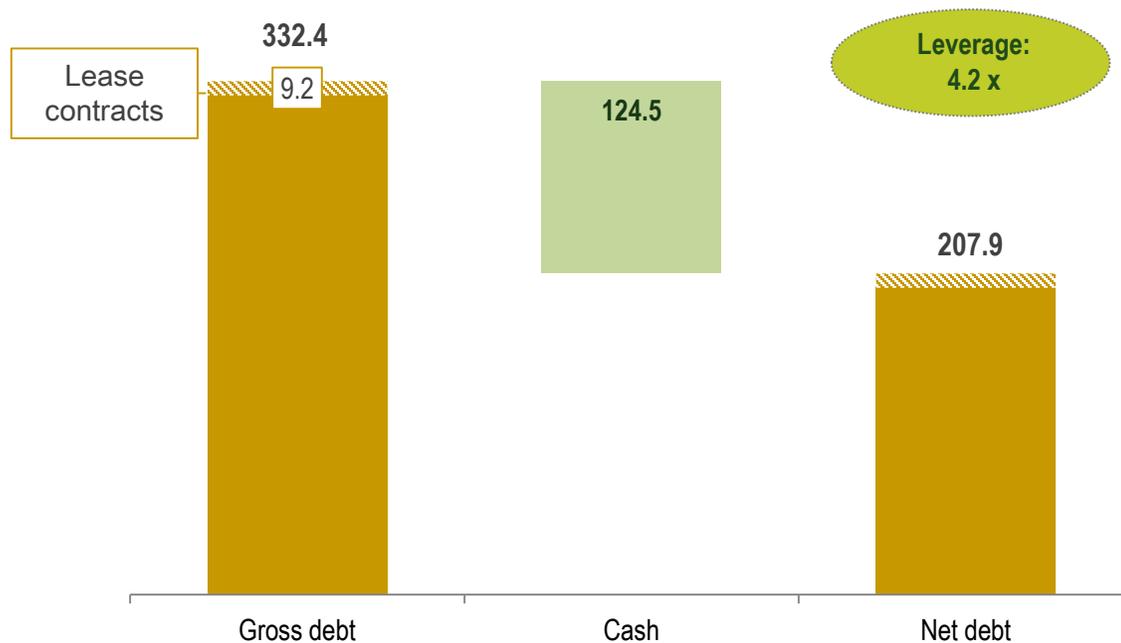
1. Expansion Capex excludes the contribution of the remaining pulp business assets in Huelva valued at € 26.9 Mn, with no impact on the Group's consolidated cash flow.



Renewable Energy Business

Long term green financing and high liquidity

Leverage as of March 31st 2020 (€ Mn)



Debt Maturity Calendar (€ Mn)



- €101 Mn solar thermal plant project financing
- €222 Mn Energy parent corporate financing
- €20 Mn RCF – Fully available
- ▨ €9 Mn IFRS 16



Energy business leverage at 4.2x Net Debt / LTM EBITDA as of March 2020

Financial liability of €9.2 Mn in the Renewable Energy business related to the application of IFRS16 on leases



Closing Remarks

Closing Remarks

Strong operating improvement despite COVID-19



- Early preventive measures taken are allowing us to keep our people safe and to operate normally despite spread of COVID-19
- All ENCE's activities have been declared essential
- Strong order backlog should allow us to switch from P&W to tissue clients
- No changes to our pulp production and cash cost targets for now:

2020 Expected Pulp volume (t)	2020 Expected Cash Cost (€/t)	2020 FX average floor (\$/€)
1,060,000 (+15% vs. 2019)	372 (-6% vs. 2019)	1,15

- New biomass plants commissioned in Jan. 31 and Mar. 31 2020 increasing our renewable installed capacity by 44%
- Regulated annual return on investment of € 63 Mn, subject to a minimum operation of 3.000 hours per power plant.
- €281 Mn cash in balance, long term maturities and no covenants in the Pulp business

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.

EBITDA

EBITDA is a measure of operating profit before depreciation, amortization 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 the Ence's management to compare the ordinary results of the company over time. It 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.

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 recognized 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.

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.



Delivering value Delivering commitments