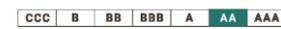




1H21 Results

September 29th, 2021



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The National Court annuls the Pontevedra concession extension

Ence will appeal before the Supreme Court

- On 15 July 2021, the National Court issued a ruling that annuls the extension of the concession over the public domain lands on which the Pontevedra biomill is located, which was granted in 2016 by the today's Ministry of Ecological Transition.
- Ence will appeal this ruling before the Supreme Court and will exhaust all legal avenues to defend the legality of the 2016 extension.
- If the Supreme Court does not admit our 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.
- As a result of the ruling and in accordance with the applicable accounting regulations, the Group has recognised asset impairment charges and provisions which won't imply any cash outflow in a net amount of €148m, together with a provision of €42m to cover the estimated cost of the potential dismantling of the bio-mill and a provision of €6m to cover the estimated cost of the potential termination of outstanding contracts.
- The cost of restructuring the surplus labor (including the associated corporate overhead) that would be caused by the potential closure of the bio-mill has not been provisioned yet in the financial statements, as the requirements for its accounting have not been fulfilled.
- If the annulment of the extension to the concession is confirmed, once all legal avenues and appeals have been exhausted, Ence will claim the patrimonial responsibility of the Administration and seek compensation for all damages caused by a concession previously granted and subsequently annulled and for all investments that were committed and completed.

1H21 business highlights

Strong pulp and energy price recovery

Strong pulp and energy price recovery in 1H21

Higher average prices expected in 2H21

Positive operating performance at the Pulp business in 2Q

+56% EBITDA growth in 1H21 before hedges, to €71m

Net profit of 12 Mn€ in 2Q21 before the impact of the ruling

Strong balance sheet

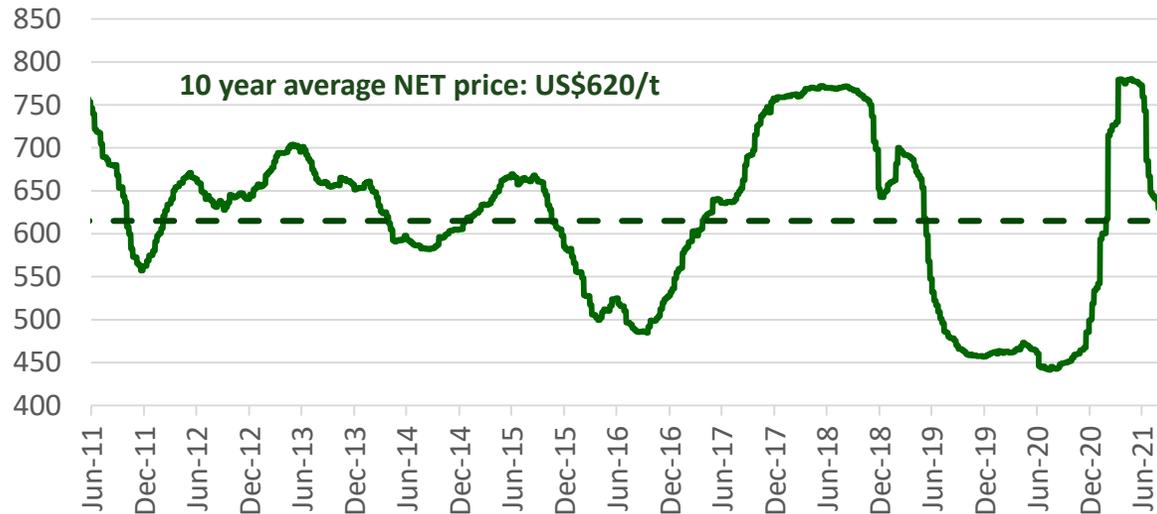
Leaders in sustainability in the Pulp & Paper industry according to Sustainalytics

- Average gross BHKP price in Europe of US\$880/t in 1H21,
 - **Gross BHKP price in Europe at US\$1,140/t in 3Q21, up 68% from the low of 2020**
 - Average pool price in Spain increased by 114% year-on-year in 1H21 to €62/MWh
 - **Energy price futures point to average prices of above €120/MWh in 2H21**
- **Pulp production: -5% vs. 1H20 to 494 Kt (+4% vs. 2Q20 to 270 Kt)** due to the maintenance shutdowns in Q1
 - **Cash cost: -1% vs. 1H20 to €376/t (-2% vs. 2Q20 to €368/t)**
 - **Renewable Energy sales: +12% vs. 1H20 to 657 GWh** (excluding Puertollano CSP)
- **Pulp business EBITDA before hedges: +162% vs. 1H20 to €48m**
 - **Renewable business EBITDA before hedges: +24% vs. 1H20** (excluding Puertollano CSP) to €22m
 - **Hedges** had a negative impact of €7m in the Pulp business and €5m in the Renewables business in 1H21
- **Underlying business returns to net profits** of €12m in 2Q21, before the impact of the ruling on Pontevedra concession
- **€176m net debt** at 30 Jun. 2021 (€43m in the Pulp business including €16m of IFRS16 and €133m in the Renewables business) after a €19m reduction in the use of discounting facilities and €40m of carry over payments
 - **€381m of cash on the balance sheet** at 30 Jun. 2021 (€307m in the Pulp business and €74m in Renewables)
 - Prepayment of €95m of gross debt in the Pulp business in 1H21
- 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 in 1H21

Temporary decoupling between Europe and China due to logistic constraints

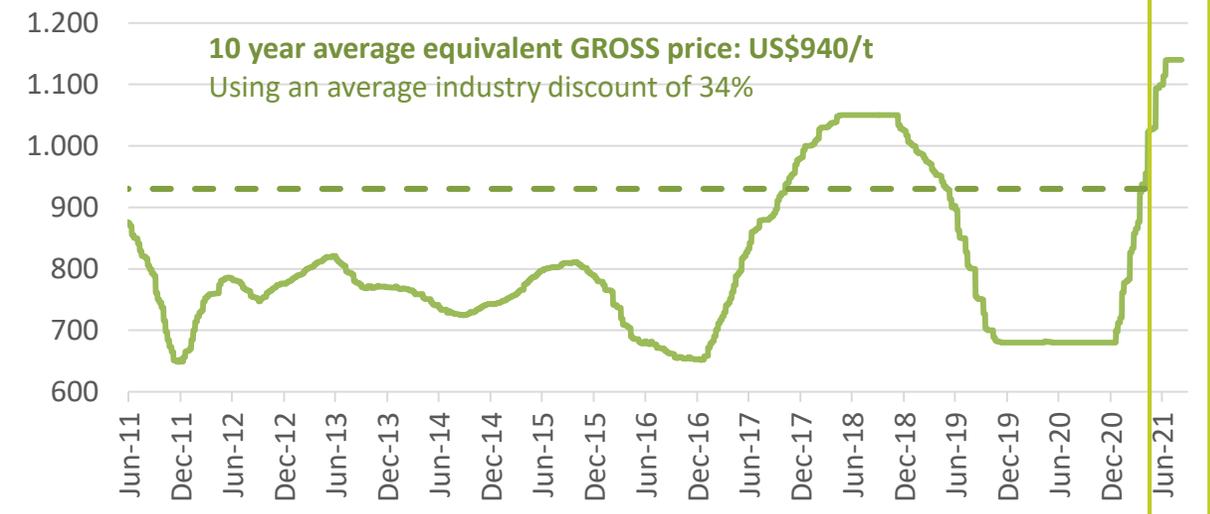
NET BHKP Prices in China
\$/t



Source: FOEX

- **NET** pulp prices in China recovered by 70% from their 2020 lows to **US\$780/t in May**
- Net pulp prices in China have corrected by 20% since June, falling to US\$620/t in September, to average cycle levels

GROSS BHKP Prices in Europe
\$/t



Source: FOEX

- **GROSS** pulp prices in Europe have recovered by 68% from their 2020 lows to **US\$ 1,140/t since July**
- Gross pulp prices in Europe tend to follow net pulp prices in China with a lag of 2/3 months.
- **Temporary decoupling between Europe and China due to logistic constraints**

No supply increases in 2021

Pulp demand set to outgrow supply over 2022-25

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)	BSPK				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)

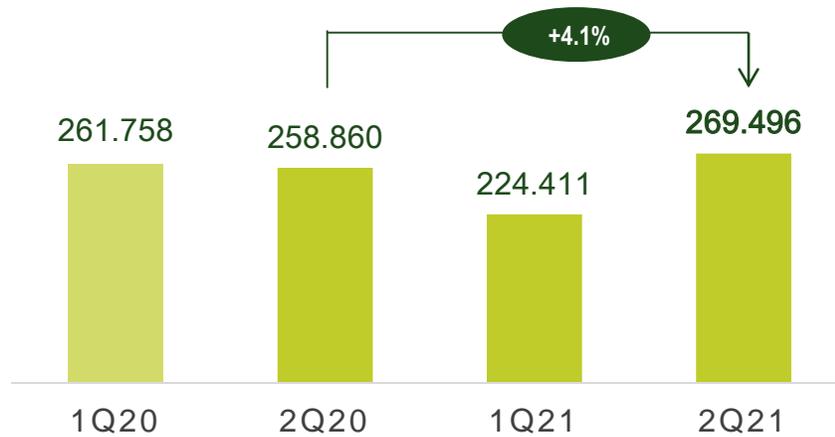
Source: ENCE estimates

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 be mostly destined to the expansion of the Group paper and cardboard capacity in China.

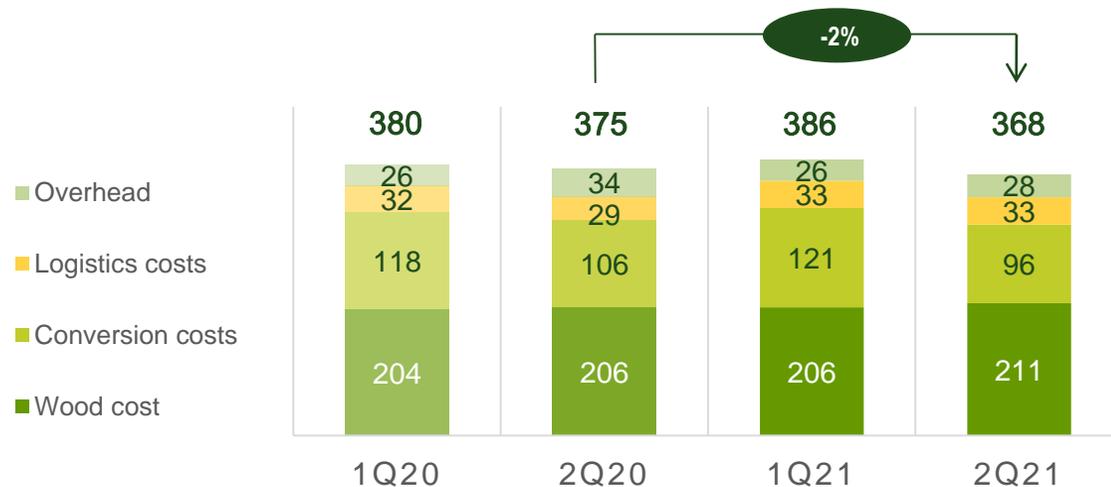
Positive operating performance at the Pulp business in 2Q21

Higher production and cost savings offset inflation in raw materials

Pulp Production (t)



Cash Cost breakdown (€/t)



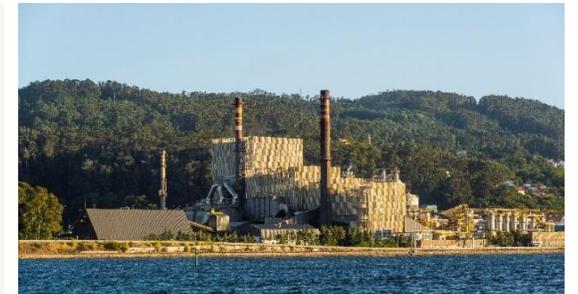
Navia biomill

- +7% production vs. 2Q20
- -1% production vs. 1H20
- 12 days' maintenance shutdown in 1Q21 (vs. 7 days in 3Q20)



Pontevedra biomill

- +1% production vs. 2Q20
- -10% production vs. 1H20
- 12 days' maintenance shutdown in 1Q21 (vs. 25 days in 3Q20)



€7/t cash cost reduction vs. 2Q20

- €6/t lower overhead
- €4/t higher logistics costs
- €10/t lower conversion costs
- €5/t higher wood costs

€/2t Cash cost reduction vs. 1H20

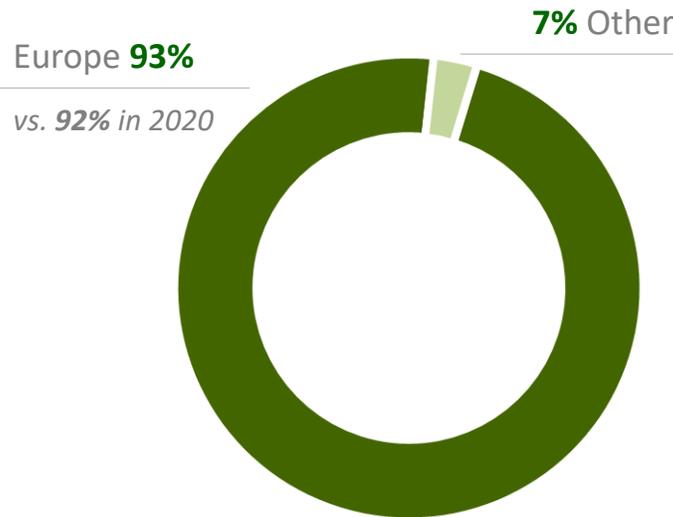
- €3/t lower overhead
- €2/t higher logistics costs
- €5/t lower conversion costs
- €4/t higher wood costs

Extra margin differentiated products account for 14% of pulp sales

4% reduction in pulp sales in 1H21 due to annual shutdowns in 1Q21

Geographical breakdown of sales

% of pulp sales

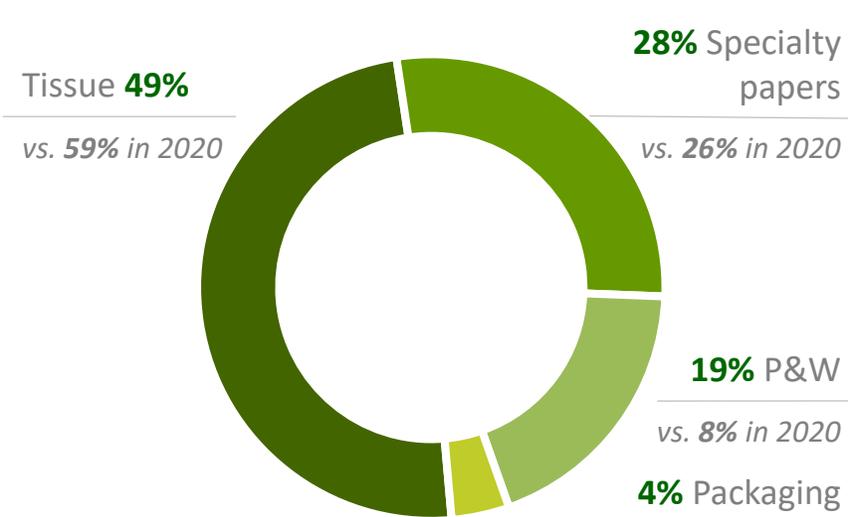


Source: Ence 1H21

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

Breakdown by end product

% of pulp sales



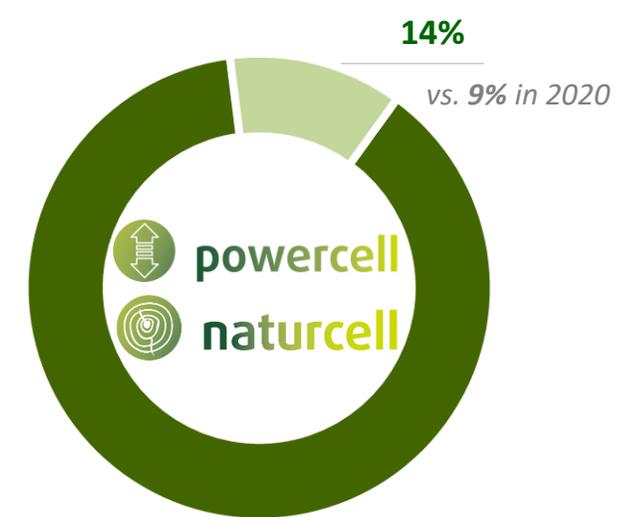
Source: Ence 1H21

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

Demand recovery in P&W segment in 2021

Differentiated products

% of pulp sales



Source: Ence 1H21

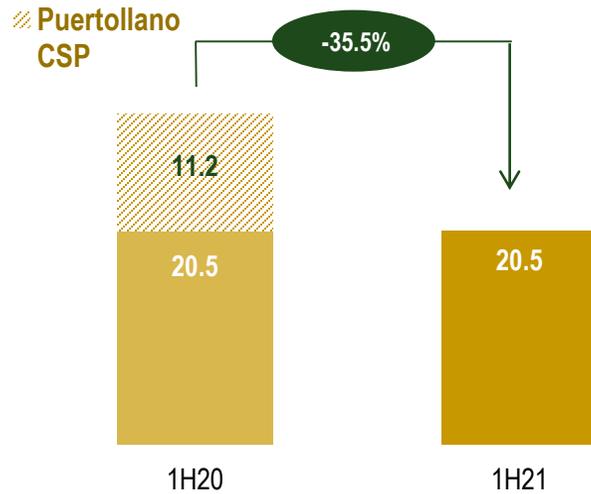
Ence's differentiated products accounted for 14% of pulp sales

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

Higher renewable energy sales from the two new biomass plants

Offset by CSP sale in 2020, Huelva 50-MW shutdown in 2Q and one-off hedges

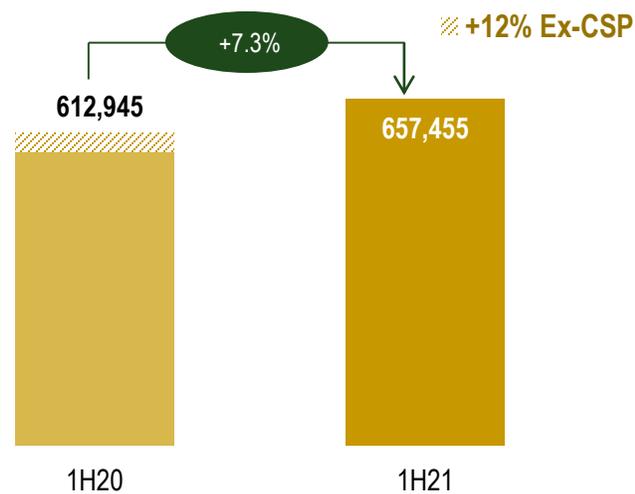
Remuneration for investment (€ m)



Following the sale of the Puertollano CSP plant in Dec. 2020:

- Remuneration for investment declined by €11.2m vs. 1H20
- EBITDA declined by €8.7m vs. 1H20

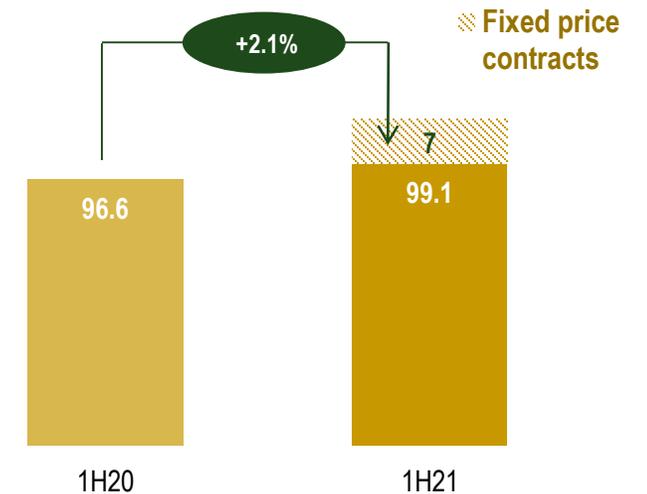
Energy sales volumes (MWh)



12% higher renewable energy sales (ex. CSP):

- Larger contribution by the two new biomass plants commissioned in 1Q20, and by Huelva 41-MW power plants.
- Partially offset by Huelva 50-MW shutdown for repair in 2Q21

Average sale price (€/MWh)

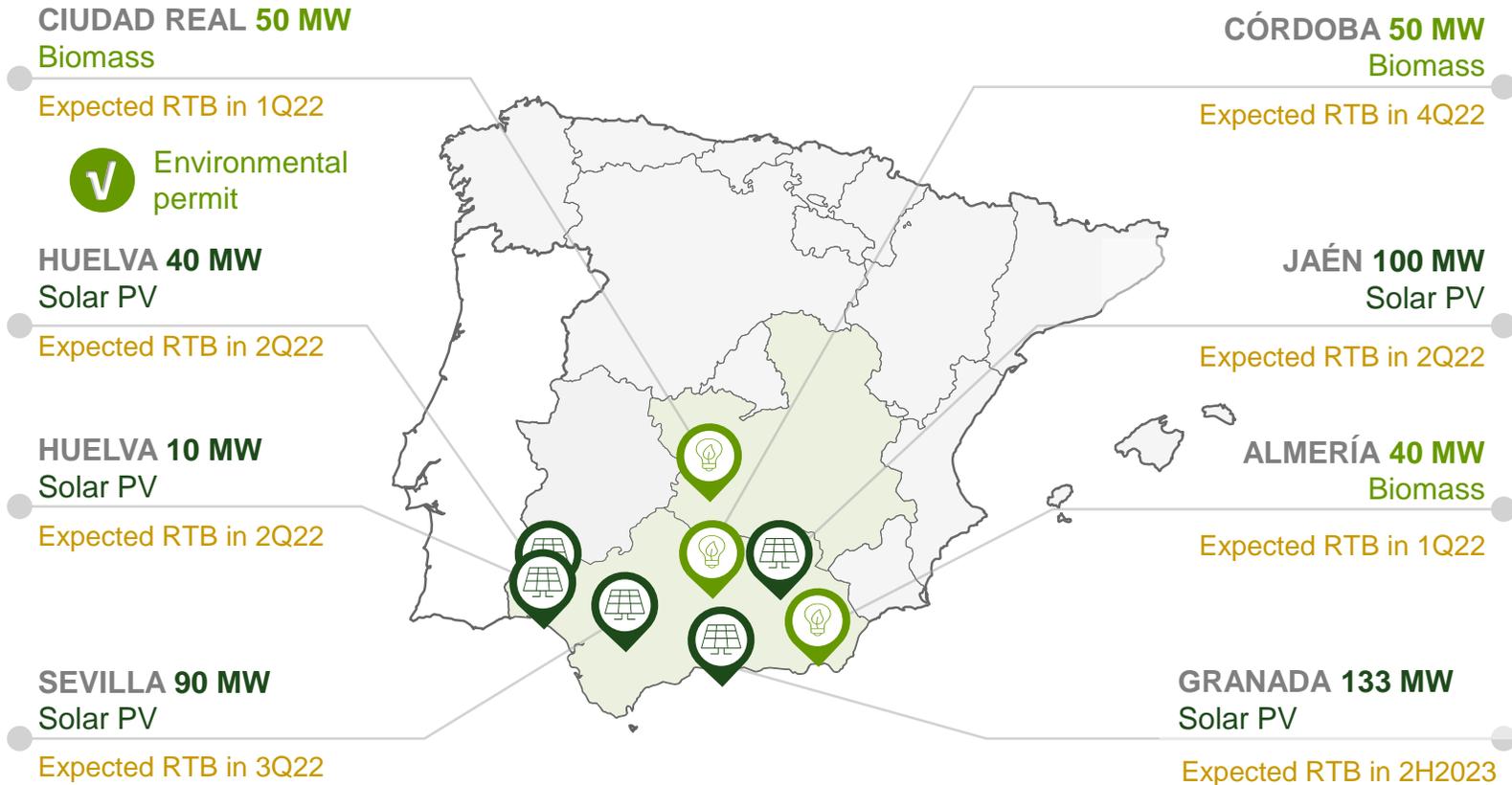


2% higher sales price:

- Driven by the strong increase in market energy prices
- Fixed price contracts** had a negative impact of €4.6m in 1H21, equivalent to €7/MWh

Renewables pipeline: 513 MW with grid access and locations secured

RTB expected during the coming quarters



RTB = Ready to build

Auctions Scheme Spanish Royal Decree-Law 23/2020

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

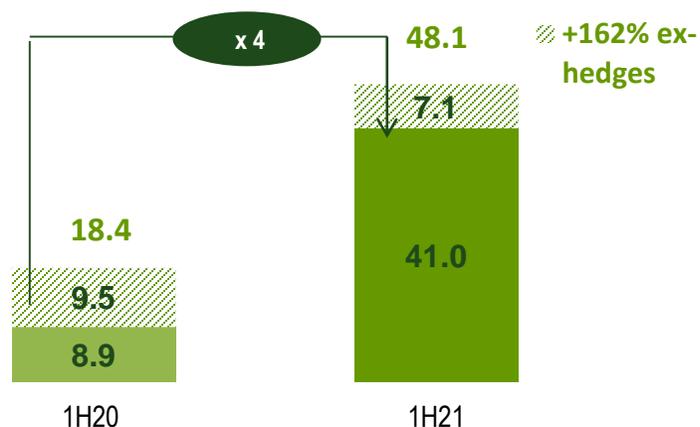
Biomass and PV Auction calendar 2021-2025

	2021	2022	2023	2024	2025
PV (MW):	2,800	1,800	1,800	1,800	1,800
Biomass (MW):	140		120		120

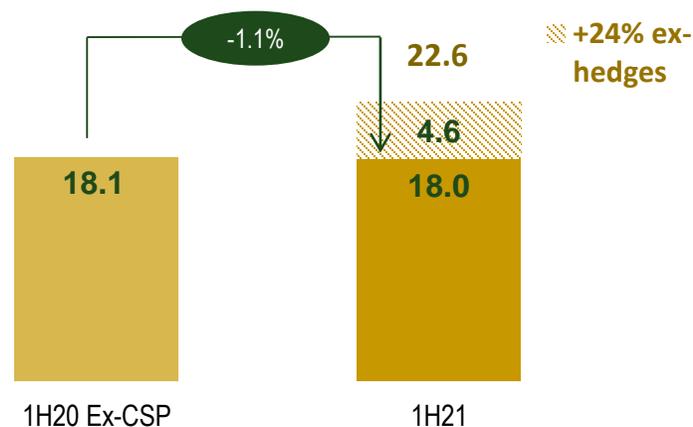
Strong EBITDA recovery driven by pulp prices

Net profit includes Pontevedra-related impairments and provisions of €196m

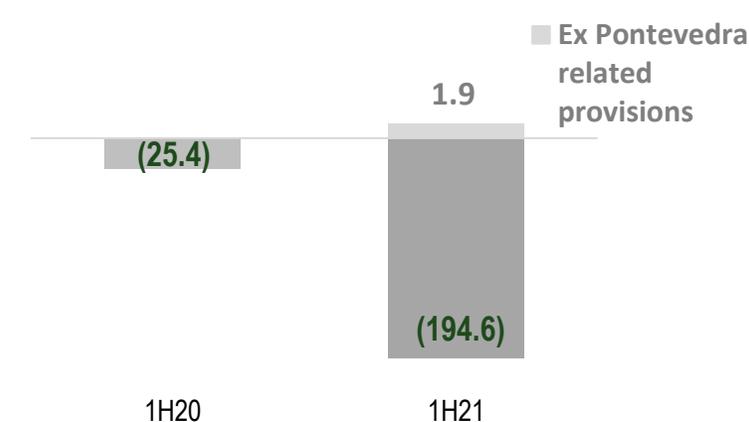
Pulp Business EBITDA (€ m)



Renewable Energy Business EBITDA (€ m)



Group Net Profit (€ m)



€48m EBITDA before hedges:

- +162% vs. 1H20 driven by the strong recovery in pulp prices
- **One-off pulp price hedges** had a negative impact of €10.1m
- FX hedges had a positive impact of €3m vs. a negative impact of €9.5m in 1H20

€23m EBITDA before hedges:

- +24% vs. 1H20 excluding Puertollano CSP, driven by strong growth in energy prices
- **Fixed price contracts** had a negative impact of €4.6m

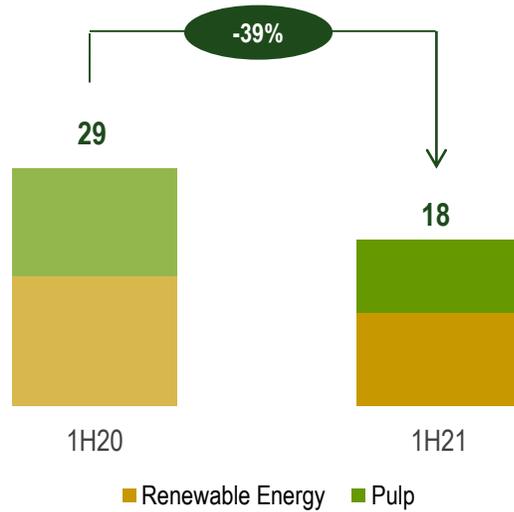
€2m net profit before Pontevedra related provisions:

- **€196m of impairment losses and provisions following the adverse rulings on the Pontevedra concession**

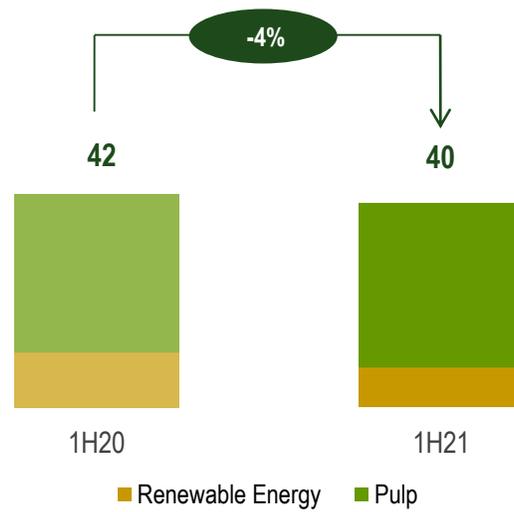
€176m net debt position maintained

After lower factoring usage, carry-over payments and Pontevedra concession lease write-off

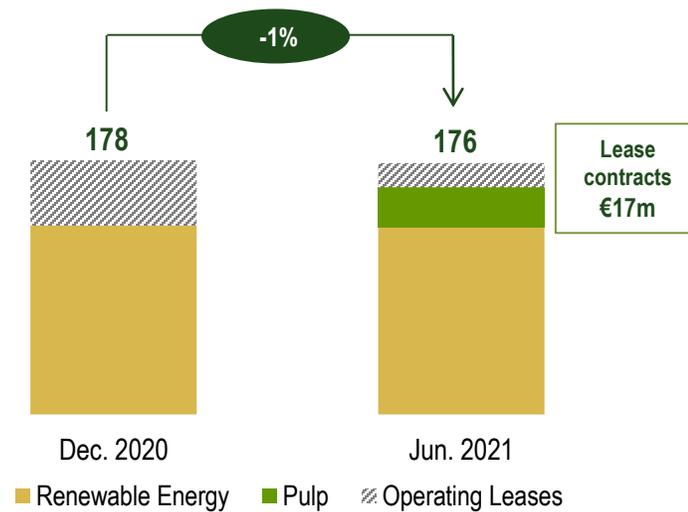
Normalized FCF¹ (€ Mn)



Strategic Plan payments (€ Mn)



Net Debt (€ Mn)



Normalised free cash flow generation of €18m

- Working capital reduction of €24m
- Including €19m reduction in the use of factoring facilities

Strategic Plan carry-over payments of €40m:

- €32m of carry-over payments in the Pulp business, mainly from **capacity expansions and sustainability improvements dating to 2019**
- €8m of capex in the Renewable business, mainly carry-over payments from two new biomass plants commissioned in 1Q20

€176m of net debt (- €2m vs. Dec. 20):

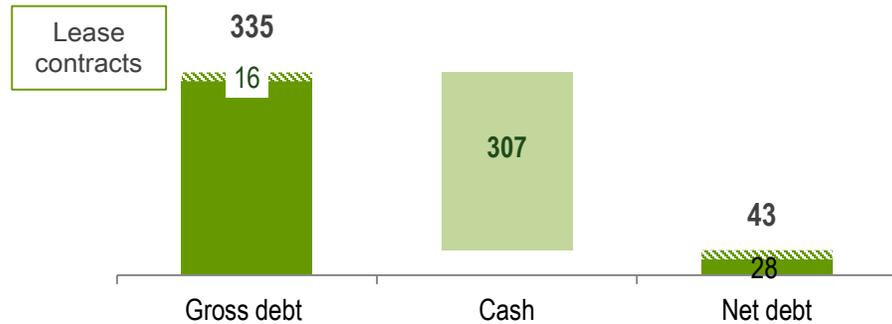
- Including €17m related to lease contracts, after the **write-off of the annual Pontevedra concession lease of €29m**
- €381m cash on the balance sheet
- €95m debt prepayment in the Pulp business

1. FCF before Strategic Plan investments and regulatory collar

Strong balance sheet

Low leverage, high liquidity, long-term maturities and no covenants in the Pulp business

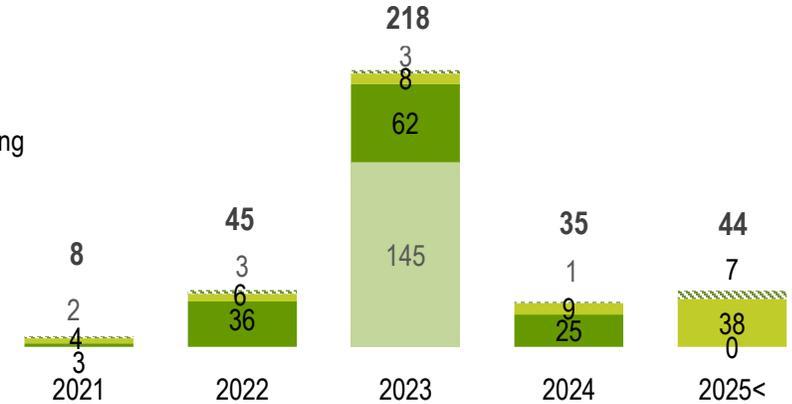
Pulp business leverage as of 30 Jun. 2021 (€ m)



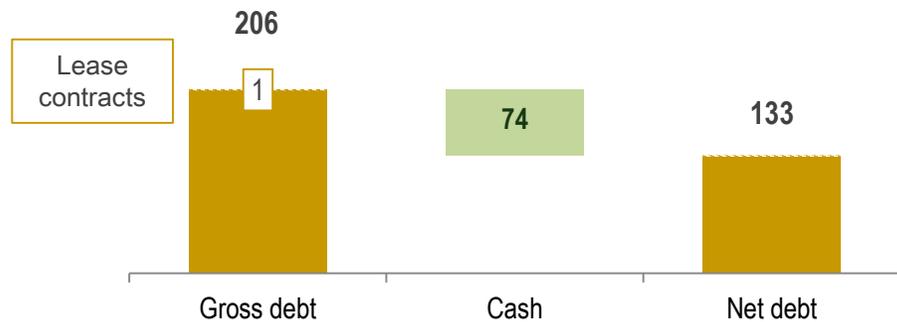
Pulp business debt maturity schedule (€ m)



- €145m of convertible bonds
- €125m of bilateral loans
- €64m of public sector financing
- €70m RCF – Fully undrawn
- €16m IFRS16



Renewables business leverage as of 30 Jun. 2021 (€ m)



- €206m corporate financing
- €20m RCF – Fully available
- €1m IFRS 16



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/€

Average cap of \$1.21/€
for USD302m in 2021

**Positive impact of
€3m in 1H21**

No estimated impact in 2H21
assuming an average exchange
rate of \$1,18/€

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

Avg. price of \$773/t for 247,200
tonnes of pulp sales in 2021

**Negative impact of €10.1m in
1H21**

**Estimated negative impact of
€41m in 2H21** 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

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

**Negative impact of
€4.6m in 1H21**

**Estimated negative impact of
€31m in 2H21** assuming an
average pool price of €120 Mwh

Amongst the leaders in sustainability

1H21 Highlights



Production cost reduction



Safe & ecologically efficient operations

Protecting Health and Safety among the Ence family

- ✓ Important reduction in the Group's accident frequency rate (2.98 1H21 vs. 7.40 1H20)
- ✓ 0 accidents with sick leave in the Energy and biomass supply chain areas
- ✓ Entirely safe annual shutdowns in Navia, Pontevedra and Huelva in 1H21

Contribution to circular economy

- ✓ 98% of waste recovered (1H)
- ✓ 4 plants ZERO WASTE certified

Odour reduction (1H21 vs 2020)

- ✓ -52% odour minutes in Navia
- ✓ -8% odour minutes in Pontevedra

Leadership and differentiation



Climate action

Committed to mitigate climate change

- ✓ Emission reduction targets established for 2025
- ✓ Ongoing climate risk analysis following to TCFD Recommendations



Sustainable products

Differentiated products with higher added value

- ✓ 14% (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
- ✓ +7.7% female employees
- ✓ 65.2% female new hires



Commitment to communities

Adding value to society:

- ✓ €3.2m invested in our communities in 2020
- ✓ III Edition of Pontevedra Social Plan
- ✓ >500 virtual visits to our facilities in 1H21

Risk minimisation



Sustainable agroforestry

Certified supply chain

- ✓ 85% of managed land certified
- ✓ >74% of timber certified
- ✓ 100% local timber & biomass
- ✓ 100% timber suppliers homologated



Corporate governance

Transparent management

- ✓ Virtual AGM with 100% of resolutions approved
- ✓ 38.5% female directors (vs. 7% in 2017)
- ✓ 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.



MSCI
ESG RATINGS



CCC B BB BBB A AA AAA



Global ESG score:
91/100



FTSE4Good

Delivering value Delivering commitments