1Q22 Results

27th April, 2022

SUSTAINALYTICS
Global ESG score: 91/100

MSCI ESG RATINGS

FTSE4Good

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1Q22 business highlights

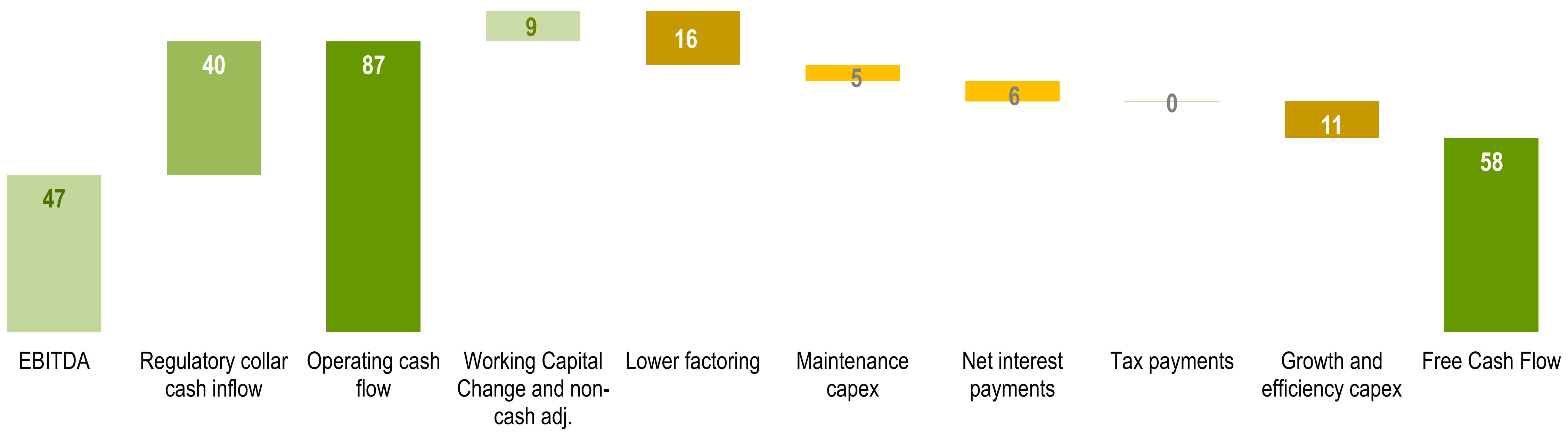
Continued strong Free Cash Flow generation and Net Debt reduction

- €87m operating cash flow, **€58m free cash flow generation** and 54% net debt reduction, down to €47m
- €13m attributable net income in 1Q22. **First interim dividend for the same amount, equivalent to 0.054 €/share, to be paid on May 11**
- **Pulp prices continued improving** up to 1,200 USD/t. Main pulp producers have announced further price hikes up to **1,250 USD/t from April 2022**
- **Operating margin of the pulp business boosted up to 137 €/t** despite the impact on sale volumes of the 3-week transport strike in March and the inflation in raw materials and logistics
- **Ence's differentiated and higher value added products accounted for 18% of pulp sales** vs. 12% in 1Q21
- **Group EBITDA improved by 2.8 times vs. 1Q21, up to €47m**
- These results already include the **estimated change in the remuneration parameters applicable to renewables in 2022 and the limited consequences of the transport strike in the annual pulp sales**, with a positive impact vs. the cash flow guidance for 2022 given in the Capital Markets Day .
- The **Supreme Court has admitted two of our appeals filed against the National Court rulings** annulling the extension of the Pontevedra concession until 2073
- Our **strong balance sheet** with €47m Net Debt (including IFRS 16) and €430m cash in balance provides full flexibility in any scenario
- We have launched ***Navia Excelente* project,** which comprises an investment of €105 million over the next two years to foster our differentiated products, to diversify our production towards fluff pulp and to decarbonize the mill with a reduction of 50,000 tons of CO_2 per year. This project is **independent from the outcome of Pontevedra concession** and would contribute to offset the impact of a potential closure of the biomill.

Continued strong FCF generation and Net Debt reduction in 1Q22

Operating cash flow generation up to €87m

Short Cash Flow Statement 1Q22 (**€m**)



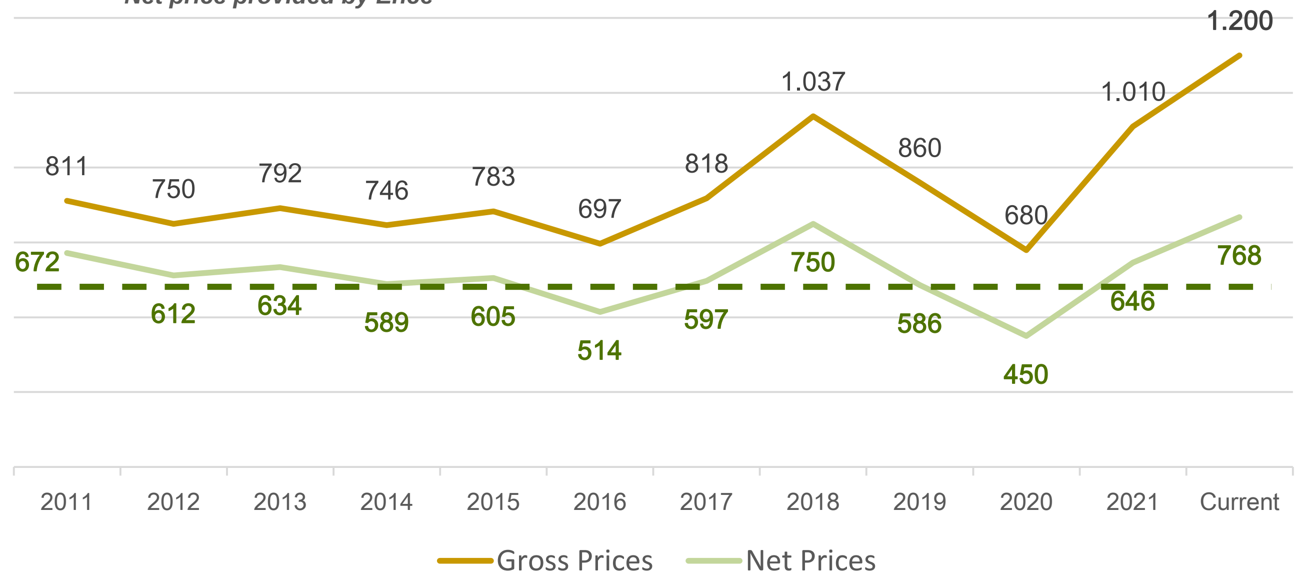
€58m FCF in 1Q22 despite €16m factoring reduction and €11m of growth and efficiency capex payments

Pulp prices continued improving in 1Q22

Main pulp producers have announced further price hikes up to 1,250 USD/t

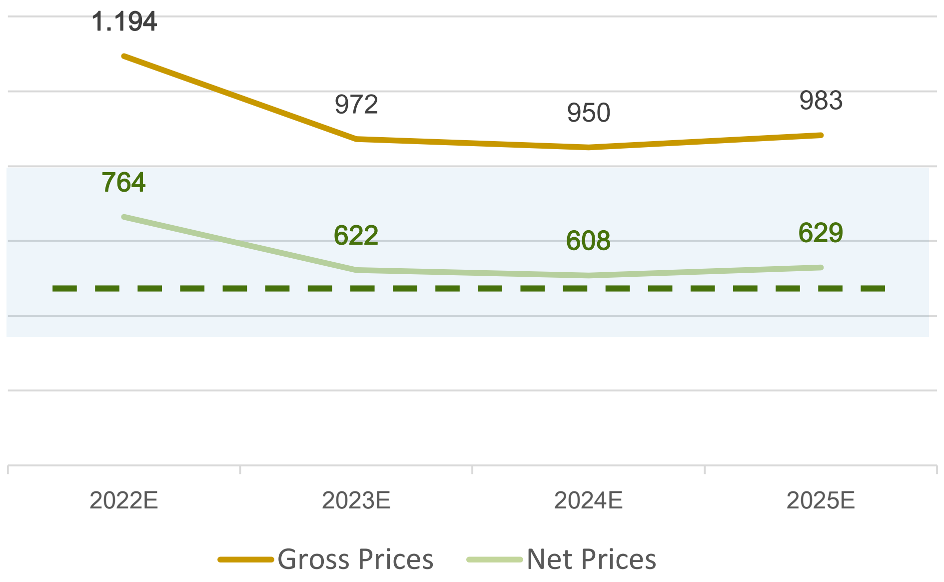
Avg. annual Pulp Prices Europe
US$/t

Sources: - Annual average FOEX gross price in Europe
- Net price provided by Ence



Avg. annual BHKP Price Europe Consensus
as of April 2022, in US$/t

Source: RISI, Hawkins Wright, Brian McClay and Norexeco



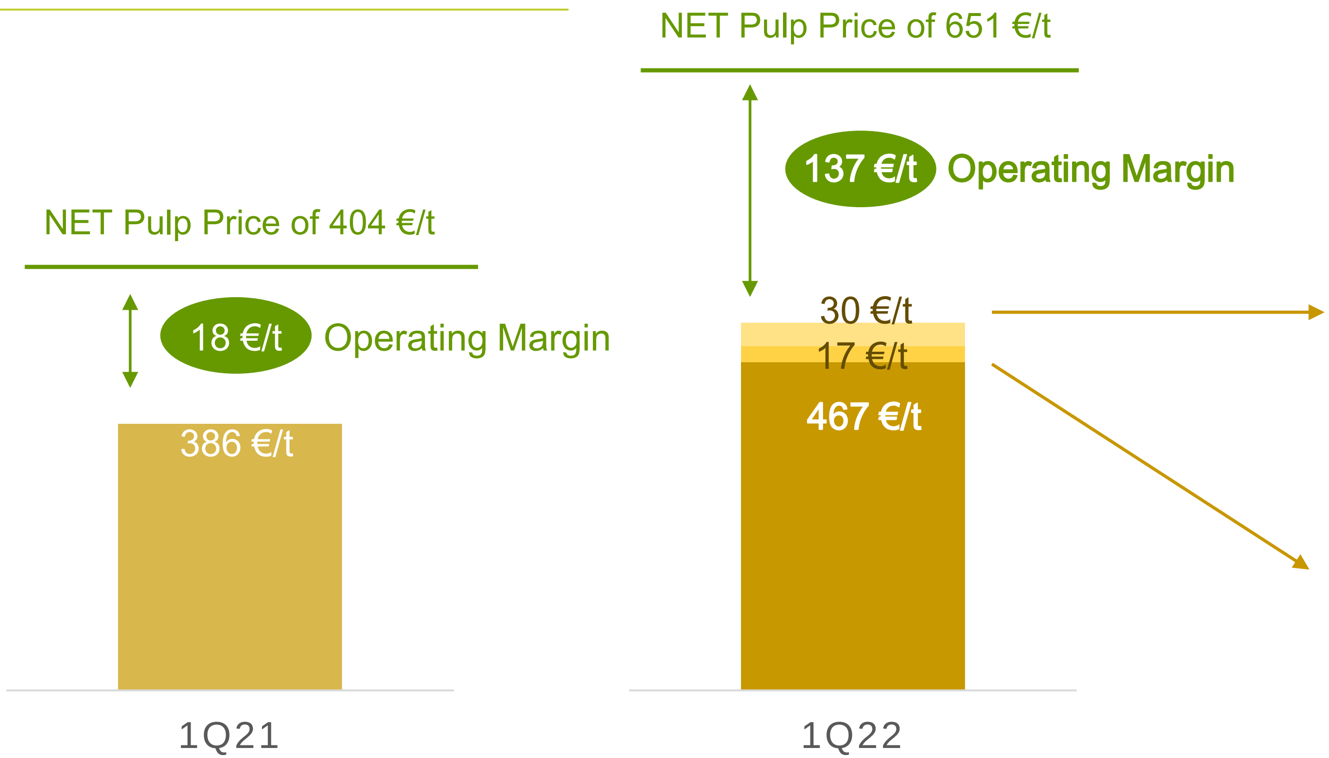
- GROSS pulp prices in Europe at **US$ 1,200/t in April 2022**
- Main pulp producers have announced a **new price hikes up to 1.250 $/t in Europe**

- Industry specialists have raised their **price forecasts** up to an average price of over **1.194 USD/t in 2022**
- They also expect above average net prices for the next years

High operating margins in the Pulp business

Despite the transport strike in March and the inflation in raw materials and logistics

Cash Cost and operating margin (€/t)



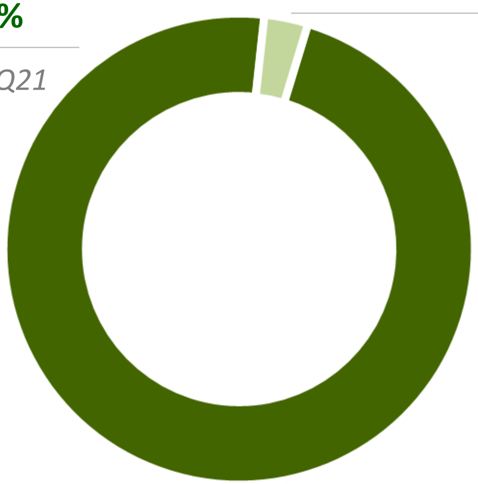
- The **change in the remuneration parameters applicable to renewables in 2022** implied a 30 €/t higher cash cost in the quarter, mostly offset in EBITDA by a lower regulatory collar provision
- This change has **no negative FCF impact vs. the guidance given in the CMD**, which already anticipated a similar change, assuming a market electricity price of 48 €/MWh as from April without any additional cash inflow from the regulatory collar

- The **3 week transport strike** in March implied 17 €/t higher cash cost in the quarter

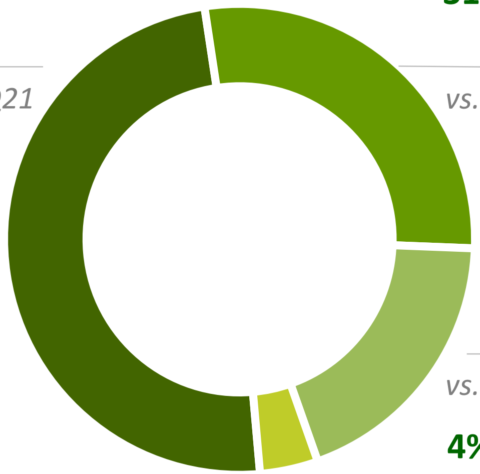
- **Operating margin of the pulp business boosted up to 137 €/t** despite the impact on sale volumes of the 3-week transport strike in March and the inflation in raw materials and logistics
- Pulp volume unsold in 1Q22 due to the transport strike will be partially recovered in 2Q22, without any negative impact on the cash flow forecasts given in our Capital Markets Day

Pulp sales down to 200,000 tons in 1Q21 due to the transport strike
Differentiated and higher value-added products accounted for 18% of sales

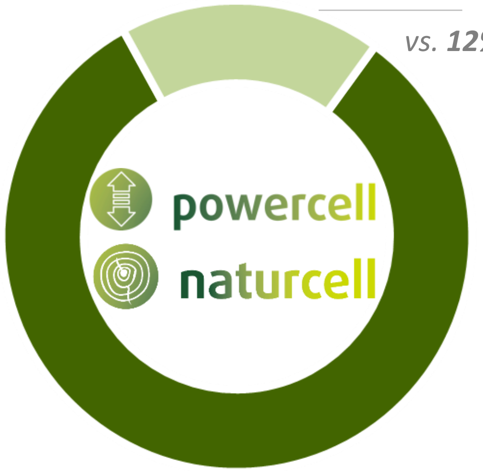
Geographical sales breakdown
% of pulp sales



Breakdown by end product
% of pulp sales



Differentiated products
% of pulp sales



97% of ENCE´s pulp sales delivered to Iberian and European markets, where it has strong logistics- and service-related competitive advantages.

48% of ENCE's pulp sales to the growing tissue and hygiene products segment

Strong demand recovery in P&W segment vs. 1Q21

Ence's differentiated products accounted for 18% of pulp sales vs. 12% in 1Q21

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

No direct impact in 1Q22 from the war in Ukraine

Ence faces this situation with high liquidity and a strong financial position

- Our pulp bio-mills & renewable energy plants are located in Spain
  Wood & biomass are locally sourced
- Chemicals locally sourced or imported from Western Europe
- Our pulp bio-mills are energy self-sufficient. They cogenerate all the renewable energy required for the pulp production process
- No gas dependence
- Our commercial activities are mainly located in the Atlantic region
  Eastern Europe served through the Atlantic coast

We are defending the legality of Pontevedra concession

The Supreme Court admitted our appeals against the rulings of the National Court

Update

On July 2021, the Spanish National Court has annulled the land concession on which our Pontevedra bio-mill is located

Supreme Court has admitted two appeals by Ence against the annulment of its concession. The decision about the admission of the third appeal has been suspended until the Court rules on the first two appeals. This ruling is expected by year end.

Significance

Pontevedra pulp mill accounts for:

1/3 **of the Pulp Business** average cycle EBITDA => smaller/less efficient than Navia

1/4 **of the Group** average cycle EBITDA

Annual FCF contribution from Pontevedra would be more than **offset by Navia Excelente project** and any of the two alternatives available to expand Navia production

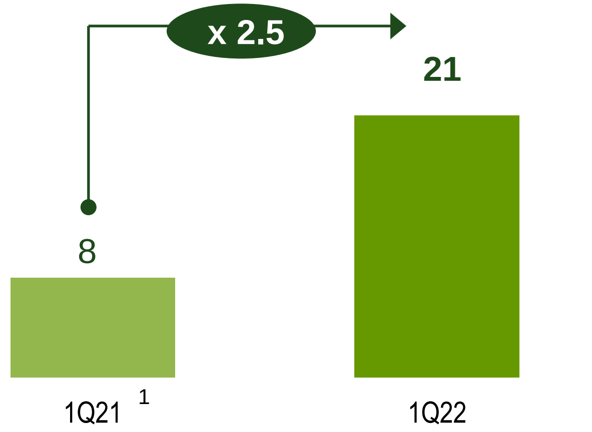
PRUDENT FINANCIAL SCENARIO ADOPTED

- Potential closure already provisioned as of 2021
- Potential related cash outflow of ~€72 Mn

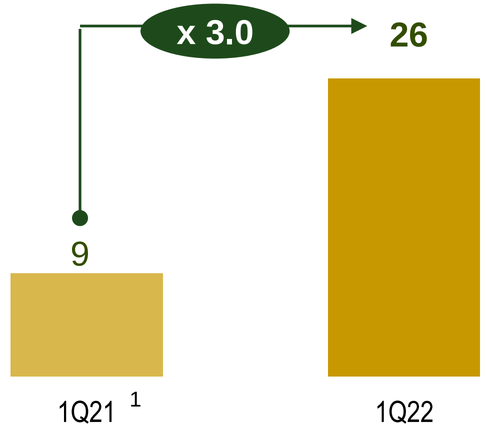
Group EBITDA x 2.8 vs. 1Q21 up to €47m

Restarting shareholder returns with a first interim dividend of €13m in May

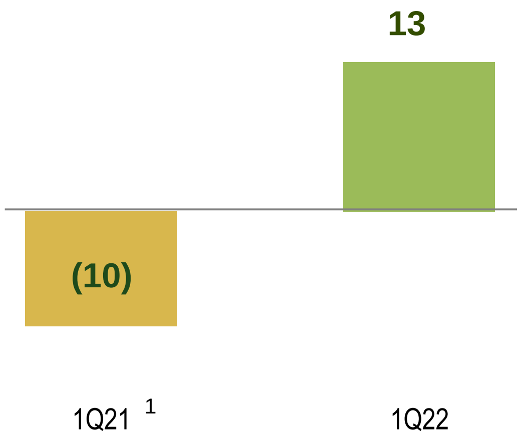
Pulp Business EBITDA (€ m)



Renewable Business EBITDA (€ m)



Attributable Net Income (€ m)



1Q21 figures includes the effect of pulp and electricity price hedges for a net €0,2m

Pulp business EBITDA x 2.5 up to €21m

- +61% average selling price vs. 1Q21
- -19% pulp sales vs.1Q21 mainly due to the 3-week transport strike in March, to be partially recovered in 2Q22
- +25% cash cost vs. 1Q21 mainly due to inflation in raw materials and logistics

Energy business EBITDA x3 up to €26m:

- +35% energy sale vs. 1Q21 as a result of the operational improvement achieved in virtually all plants
- +45% in the average selling price due the increase of the regulatory price applicable in 2022 together with higher electricity market prices

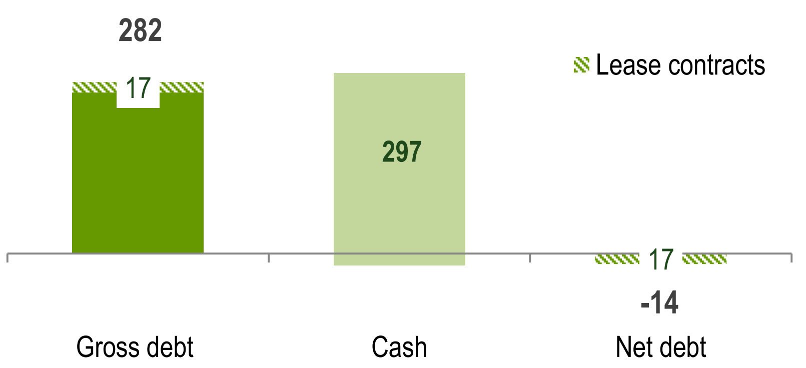
Group attributable net income up to €13m

- New dividend policy based on cash flow available for distribution and subject to prudent leverage ratios per business
- **First interim dividend of €13m, equivalent to 0.054 €/share to be paid on May 11**

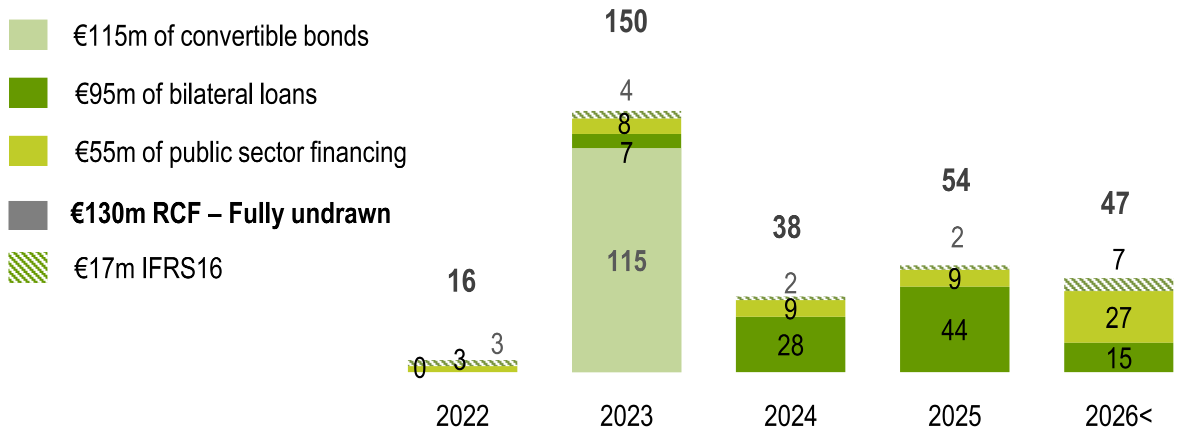
€55m Net Debt reduction to €47m

€430m cash in balance

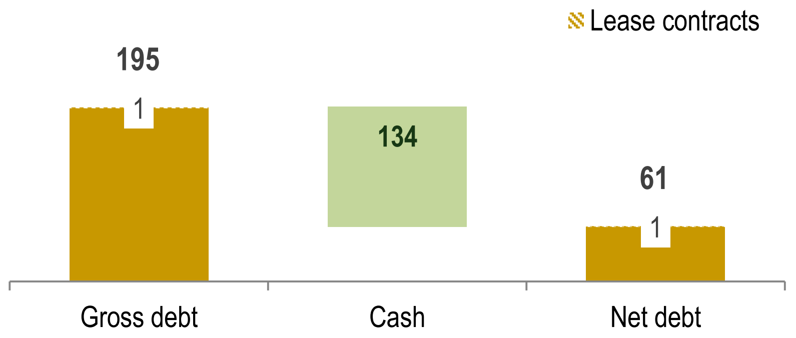
Pulp business net debt as of 31 Mar. 2022 (€ m)



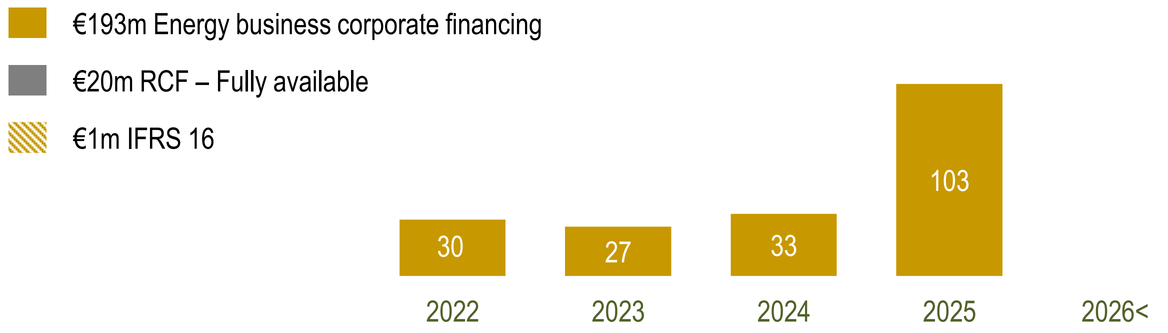
Pulp business debt maturity schedule (€ m)



Renewables business net debt as of 31 Mar. 2022 (€ m)



Renewables business debt maturity schedule (€ m)



Change in the remuneration parameters applicable to renewables in 2022

With a positive impact vs. the guidance given in the Capital Markets Day for 2022

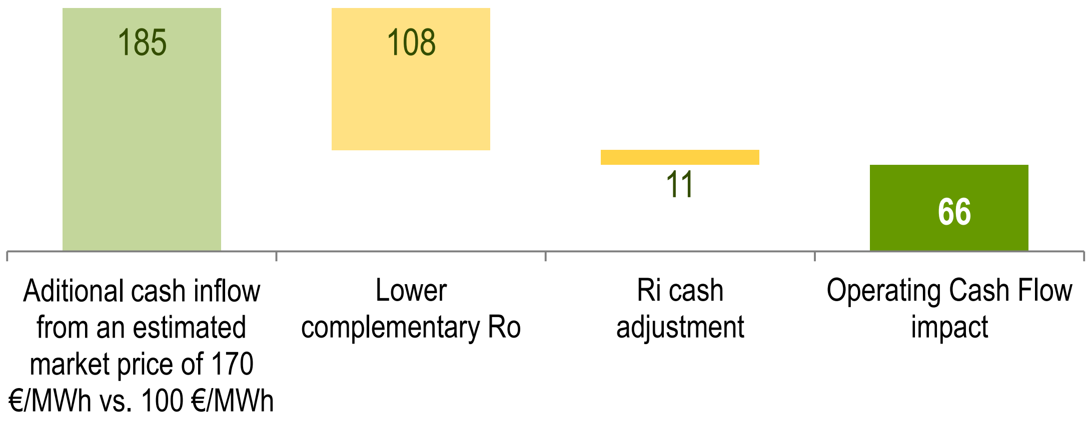
Expected new remuneration parameters applicable for 2022 (€/MWh)

	CMD assumptions	Expected new remuneration parameters
Regulatory price	48	122
Complementary Ro	52	-
Estimated average market price in 2022	100 [1]	170 [2]

[1] Assuming *48 €/MWh as from April 2022*

[2] Assuming a gas price of 50 €/MWh as from May 2022, which means an estimated electricity price of 140 €/MWh

Estimated impact vs. CMD consolidated cash flow guidance for 2022 (€m)



Any electricity market price above 100 €/MWh as from April 2022 (ie. Above 140 €/MWh in 2022) **would improve the FCF guidance for 2022 given in the CMD,** which already anticipated a similar change, assuming a market price of 48 €/MWh as from April, without any regulatory collar cash inflow

Every 10 €/MWh in the average annual electricity market price above 140 €/MWh would improve the Group operating cash flow by €20m aprox.

Leader in sustainability

1Q 2022 Highlights

SUSTAINALYTICS Global ESG score: 91/100

MSCI ESG RATINGS: CCC | B | BB | BBB | A | AA | AAA

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ence ENERGÍA & CELULOSA

Production cost reduction

Safe & efficient operations

Protecting Health and Safety

- ✓ **0 lost work days** in the Pulp business
- ✓ **1 year without accidents** with sick leave in Navia
- ✓ Annual shutdowns carried out without accidents with sick leave
- ✓ **Effective Covid protocols:** no activity interruptions

Advancing towards a circular economy

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

Odour reduction (vs 2021)

- ✓ **-82%** odour minutes in Navia (best historical performance)

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

- ✓ **18%** (vs 16% in FY21) 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

- ✓ Quality jobs: **93,4% permanent contracts**
- ✓ **+1,5% female employees** vs 2021
- ✓ **50% 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) in 2021
- ✓ **Aprox. 400 visits** to our facilities in 1Q22

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 Committees (Audit, Nomination and Remuneration and Sustainability)

*EPD: Environmental Product Declaration

Appendix 1:
Consolidated P&L

P&L € m	1Q22	1Q21	Δ%	4Q21	Δ%
Revenue from Pulp business	158,5	123,8	*28,0%*	195,8	*(19,1%)*
Revenue from Renewable Energy business	76,2	43,9	*73,6%*	36,1	*111,1%*
Consolidation adjustments	(0,6)	(0,6)		(0,8)	
Total revenue	**234,1**	**167,0**	*40,1%*	**231,1**	*1,3%*
Pulp business EBITDA	20,8	8,2	*152,7%*	17,6	*18,3%*
Renewable Energy business EBITDA	25,6	8,5	*201,0%*	3,4	*n.s.*
EBITDA	**46,5**	**16,8**	*177,2%*	**21,0**	*120,9%*
Depreciation, amortisation and forestry depletion	(21,0)	(25,3)	*(16,9%)*	(21,2)	*(1,0%)*
Other gains/(losses)	(0,8)	(1,7)	*(54,4%)*	(3,0)	*(73,0%)*
EBIT	**24,7**	**(10,3)**	*n.s.*	**(3,1)**	*n.s.*
Net finance cost	(5,5)	(5,6)	*(2,1%)*	(3,8)	*46,2%*
Other finance income/(cost) results	0,7	1,8	*(62,6%)*	1,5	*(53,3%)*
Profit before tax	**19,8**	**(14,0)**	*n.s.*	**(5,4)**	*n.s.*
Income tax	(3,6)	3,4	*n.s.*	1,5	*n.s.*
Consolidated Net income	**16,2**	**(10,7)**	*n.s.*	**(3,9)**	*n.s.*
Non-controlling interests	(3,1)	1,0	*n.s.*	6,0	*n.s.*
Atributable Net Income	**13,1**	**(9,6)**	*n.s.*	**2,0**	*n.s.*
Earnings per share (Basic EPS)	0,05	(0,04)	*n.s.*	0,01	*n.s.*

Appendix 2:
Consolidated Cash Flow

Cash flow € m	1Q22	1Q21	Δ%	4Q21	Δ%
EBITDA	**46,5**	**16,8**	*177,2%*	**21,0**	*120,9%*
Change in working capital	(1,5)	(31,1)	*(95,1%)*	12,6	*n.s.*
Maintenance capex	(5,2)	(3,8)	*38,1%*	(4,4)	*17,7%*
Net interest Payment	(5,5)	(3,0)	*85,4%*	(6,2)	*(11,2%)*
Income tax received/(paid)	0,1	0,3	*(78,8%)*	(1,8)	*n.s.*
Normalised free cash flow	34,3	(20,7)	*n.s.*	21,2	*61,6%*
Energy regulation adjustment (regullatory collar)	**40,3**	**(3,4)**		**60,2**	
Other collection (payments) and non cash adjustments	(5,7)	2,4	*n.s.*	(2,7)	*111,3%*
Efficiency and expansion capex	(8,9)	(20,9)	*(57,6%)*	(5,2)	*69,4%*
Sustainability capex and other	(2,4)	(6,7)	*(64,7%)*	(1,8)	*29,9%*
Disposals	0,4	0,2	*130,3%*	5,5	*(93,2%)*
Free cash flow	**58,0**	**(49,1)**	*n.s.*	**77,2**	*(24,8%)*

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.

Global ESG score: 91/100

Delivering value
Delivering commitments