Leaders in the sustainable use of natural resources

Corporate Presentation
September 2020
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Ence at a glance
Resilient business model, strong CF generation potential & sustainable growth

**Leaders in the sustainable use of natural resources** for the eco-efficient production of special pulp and renewable energy.

**A reference in sustainable agro-forestry management, circular economy, safety, community involvement and equality**

**Our activity contributes to tackle upcoming global challenges** and it is an important driver for employment and wealth in rural areas

**Leading European eucalyptus pulp (BHKP) producer** with 1.2 Mn tons of installed capacity and **largest Spanish renewable energy generator with agroforestry biomass** with 316 MW of installed capacity

**Global demand growth for wood pulp** driven by increasing living standards in emerging countries and the substitution of plastics and synthetic fibers

**Strong competitive position in Europe**: highly efficient facilities, JIT service and differentiated offering

**Renewable Energy earnings secured by stable regulation** and Ence’s strong expertise

**Spanish Renewable Energy Plan 2020 – 2030**: to double the national renewable energy capacity in 10 years

**2019 – 2023 Strategic Plan** focused on growth, diversification and excellence in sustainability. Stepwise investment plan **subject to financial discipline**
Leaders in the sustainable use of natural resources
For the eco-efficient production of special pulp and renewable energy

Sustainable forestry and biomass

- Ence is a reference regarding the responsible and sustainable management of the agricultural and forestry sector in Spain
- 2.7 Mn tons of wood acquired in the surroundings of our biomills from certified responsible sources: 80% are FSC® (Licence code: FSC-C081854) / PEFC certified
- 1.5 Mn tons of biomass acquired in the surroundings of our power plants, while applying our voluntary decalogue that guarantees its sustainable use in energy generation
- Ence manages ca. 66,000 hectares of forest land in the Iberian Peninsula: 85% of them are FSC® (Licence code: FSC-C099970) / PEFC certified and 22% are dedicated to protecting and preserving ecosystems

Eco-efficient production of special pulp

- Ence is the leading European eucalyptus pulp producer, with 1.2 Mn tons of installed capacity
- Wood used for pulp production is 100% locally sourced
- Its production process is environmentally friendly and constitutes a great example of energy efficiency (100% self-generated renewable energy) and circular economy (less than 1% of the waste generated is sent to landfill)
- The environmental parameters of our biomills are well beyond those of European regulations (BREF)
- We produce natural, renewable and biodegradable materials, substitutes for plastic

Renewable energy generation

- Ence is the largest renewable energy producer with forestry and agricultural biomass in Spain, with an installed capacity of 316 MW and a 405 MW pipeline
- Our biomass plants are fully manageable and contribute to the EU’s decarbonisation goals
- We draw upon local agricultural and forest by-products, mitigating their environmental impact and reducing fire risk
- The new plants are an example of fair energy transition, by reusing sites previously occupied by other industrial activities and maintaining local employment
## Sustainability as a competitive advantage

### Sustainability Plan

<table>
<thead>
<tr>
<th>Priority</th>
<th>Goal</th>
<th>1H20 Highlights</th>
<th>Contribution to the SDG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safe and ecologically efficient operations</td>
<td><strong>Safely development of our activities with exemplary environmental performance</strong></td>
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<tr>
<td>Sustainable agro-forestry management</td>
<td><strong>Promote responsible forest and agricultural management as a driver for sustainable socio-economic development in rural areas</strong></td>
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<td>Sustainable products</td>
<td><strong>Develop sustainable products as a key for generating value</strong></td>
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<tr>
<td>People &amp; values</td>
<td><strong>Promote talent development, ensure equal opportunities and commitment to sustainability in the entire Ence team</strong></td>
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<tr>
<td>Commitment to communities</td>
<td><strong>Proactively contribute to the economic and social development of the environment in which we operate</strong></td>
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<tr>
<td>Governance</td>
<td><strong>Robust corporate governance with long-term vision</strong></td>
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### 1H20 Highlights

- **AENOR “0 Waste” Certification**
- **Industry reference Covid-19 Prevention Protocols**
- **80%** wood inputs certified
- **>84%** Wood bought from small producers
- **powercell 10% of Pulp Sales**
- **naturcell Ecolabel**
- **0%** Gender Salary Gap
- **69%** of hires < 30y are women
- **+3.2M€** Investments in the community
- **More than 400 organized visits to our plants**
- **25%** Long-term incentive plan linked to ESG targets
- **22%** Women present in the Board of Directors vs. 2017
Our activity contributes to tackle upcoming global challenges
It is an important driver for employment and wealth in rural areas

Global challenges
- Climate change
- Plastic pollution
- Increased social awareness on sustainability
- Waste management
- Biodiversity loss and deforestation
- Rural exodus
- Deindustrialisation

Ence’s solution
- Renewable energy
- Special pulp products
- Lower environmental footprint products
- Circular economy
- Sustainable forest management
- Opportunities for rural areas
- Fair transition

Contribution to the SDG (2030 Agenda)
Supportive shareholder base
And strong corporate governance

Shareholding Structure

- 29.4% D. Juan Luis Arregui
- 7.3% D. Víctor Urrutia
- 6.4% D. Jose Ignacio Comenge
- 1.4% Autocartera
- 55.5% Free Float

As of June 2020

Board of Directors

Audit Committee Chairwoman
- Isabel Tocino
- Amaia Gorostiza
- Irene Hernández
- Rosa María García
- Javier Echenique
- José Guillermo Zubia

Sustainability Committee Chairman
- Ignacio de Colmenares

Nominating & Compensation Committee chairmain
- José Carlos del Álamo

Lead Independent Director
- Independent Directors
- External Proprietary Directors
- Other External Directors
- Juan Luis Arregui
- Gorka Arregui
- Óscar Arregui
- José Ignacio Comenge
- Víctor Urrutia
- Fernando Abril-Martorell

Juan Luis Arregui, Honorary Chairman and largest shareholder is founder of Gamesa and former Vice Chairman of Iberdrola
Pulp & Renewable Energy
Two businesses financially and operationally complementary & independent

Pulp Business
- Leading European producer with 1.2 Mn tons of installed capacity:
  - Navia: 685,000 t
  - Pontevedra: 515,000 t
- Cyclical pulp business, dependent on the global pulp price in dollars
- Based on Ence’s wood supply management expertise

Renewable Energy Business
- Largest biomass operator in Spain with 316 MW of Renewable Energy installed capacity & 405 MW pipeline with access to the grid
- Regulated Renewable Energy business provides stability and high visibility of revenues
- Based on Ence’s agroforestry biomass supply management expertise

Both businesses are independently financed and reported

Net Debt to EBITDA target below 2.5x
Net Debt to EBITDA limit of 4.5x
1. Pulp Business
Ence is a leading European hardwood pulp producer with 1.2 Mn tons of installed capacity, competing in the global Chemical Market Pulp industry.
Fastest growing tissue & hygienic products segments
Account for close to 50% of global market pulp demand

Tissue paper per-capita consumption
Kg/year

Tissue annual consumption growth
‘000 t

Driven by urban population growth and increasing living standards in emerging countries

Source: RISI 2018

Source: PPPC

3.3% CAGR 2009-19

North America
Western Europe
Japan
Oceania
Latin America
Eastern Europe
China
Middle East
Other Asia
Africa
India

13% of world population
87%
Eucalyptus only grows under specific climate conditions, usually in warm subtropical regions. More abundant pines are better adapted to cold climates.

**Hardwood pulp (BHKP)**

Most hardwood pulp comes from **eucalyptus wood**. Best suited for paper products with high smoothness, opacity and uniformity (i.e. tissue).

- **IBERIAN GLOBULUS**
  - Forestry yield: 12 -18 m³/ha/year
  - Harvesting cycle: 12 - 15 years
  - Industrial yield: 2.6 - 3.0 m³/ton of pulp

- **Low production cost**

**Long Term net average spread of 100 $/t**

**Softwood pulp (BSKP)**

Most softwood pulp comes from **pine wood**. Best suited for paper requiring higher durability and strength (i.e. printing & writing).

- **NORDIC SCOTS PINES**
  - Forestry yield: 2 - 4 m³/ha/year
  - Harvesting cycle: 50 - 70 years
  - Industrial yield: 4.8 - 5.2 m³/ton of pulp

- **High production cost**

**Substitutive materials**
Eucalyptus only grows under specific climatic conditions. Iberia is amongst the most efficient locations for pulp production.

Global Market Pulp Cash Cost Curve by geography (CIF Europe)

USD / t

Hardwood Pulp (BHKP)  Softwood Pulp (BSKP)

Source: “Outlook for Market Pulp August 2020 report”. Hawkins Wright
Superior demand growth for Eucalyptus pulp
Which is leading global market pulp demand growth

Average annual pulp demand growth of 1.5 Mn t during the last 10 years
The more efficient and best suited eucalyptus pulp is gaining market share against other hardwood and softwood pulp
China, Europe and North America are net importers of hardwood pulp (BHKP)

Source: PPPC G-100; RISI
Concentrated supply markets with high entry barriers
Next capacity increases are managed by incumbents

Top 10 softwood pulp producers account for 67% of global BSKP market share

Top 10 hardwood pulp producers account for 76% of global BHKP market share
Pulp demand set to outgrow supply over 2020-24
Minimum lead time for new projects close to 3 years

Expected Annual Increase for Global Market Pulp Supply & Demand
Mn t¹

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<thead>
<tr>
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<tbody>
<tr>
<td>ESTIMATED ANNUAL MARKET PULP DEMAND INCREASE</td>
<td>-1.5</td>
<td>1.5</td>
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<td>1.5</td>
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<td>3.0</td>
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<td>ESTIMATED ANNUAL MARKET PULP SUPPLY CHANGE (CONFIRMED)</td>
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<td>SUZANO (SALES RECOVERY)</td>
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<tr>
<td>BHKP</td>
<td>0.9</td>
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<tr>
<td>ARAUCO (VALDIVIA)</td>
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<td>-0.3</td>
<td>-0.5</td>
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<td>-0.5</td>
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<td>-0.5</td>
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<tr>
<td>ARAUCO (HORCONES)</td>
<td>BHKP</td>
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<td>0.5</td>
<td>0.7</td>
<td>1.2</td>
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<tr>
<td>UPM (PASO DE LOS TOROS)</td>
<td>BHKP</td>
<td>0.3</td>
<td>0.3</td>
<td>1.5</td>
<td>1.8</td>
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<td>0.2</td>
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<tr>
<td>BRACELL (LENÇOIS PAULISTA)</td>
<td>BHKP / DP</td>
<td>0.5</td>
<td>0.5</td>
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<tr>
<td>APRIL (KERINCI)</td>
<td>BHKP</td>
<td>-0.1</td>
<td>-0.2</td>
<td>-0.3</td>
<td>-0.2</td>
<td>-0.5</td>
<td>-0.2</td>
<td>-0.7</td>
<td>-0.2</td>
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<tr>
<td>APRIL (RIZHAO)</td>
<td>BHKP</td>
<td>-0.1</td>
<td>-0.2</td>
<td>-0.3</td>
<td>-0.2</td>
<td>-0.5</td>
<td>-0.2</td>
<td>-0.7</td>
<td>-0.2</td>
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<tr>
<td>ENCE (NAVIA &amp; PONTEVEDRA)</td>
<td>BHKP</td>
<td>0.1</td>
<td>-0.1</td>
<td>0.0</td>
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<tr>
<td>MONDI (RUZMBEROK)</td>
<td>BHKP</td>
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<td>0.1</td>
<td>0.1</td>
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<tr>
<td>SCA (OSTRAND)</td>
<td>BSKP</td>
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<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
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</tr>
<tr>
<td>STORA (ENOCELL)</td>
<td>BSKP</td>
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<td>-0.2</td>
<td>-0.2</td>
<td>-0.2</td>
<td>-0.2</td>
<td>-0.2</td>
<td>-0.2</td>
<td>-0.2</td>
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<tr>
<td>STORA (OULLU)</td>
<td>BSKP</td>
<td>-0.1</td>
<td>-0.1</td>
<td>-0.1</td>
<td>-0.1</td>
<td>-0.1</td>
<td>-0.1</td>
<td>-0.1</td>
<td>-0.1</td>
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<tr>
<td>NORDIC KRAFT (LEBEL-SUR-QUEVILLON)</td>
<td>BSKP</td>
<td>0.1</td>
<td>0.2</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td></td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td>SURPLUS / DEFICIT</td>
<td>1.4</td>
<td>-2.2</td>
<td>-0.8</td>
<td>-0.9</td>
<td>-1.7</td>
<td>-0.9</td>
<td>-2.6</td>
<td>-2.2</td>
<td>-4.8</td>
</tr>
</tbody>
</table>

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 70% of BRACELL’s project in Sao Paulo will be focused on Dissolving Pulp production.
Ence’s competitive advantages in the pulp business
JIT service and differentiated offering to European clients

- **Access to eucalyptus plantations around our pulp biomills**
- **Eucalyptus Pulp is cheaper to produce than softwood Pulp**
- **High quality pulp and differentiated offering**
- **Privileged access to the European market**
- **High client diversification**

**Eucalyptus** only grows under specific climatic conditions

**Diversification into pine**

**Unique supply chain**

- **80% of Softwood products can be produced with Hardwood pulp**
- **Technical team dedicated to pulp usage transformation**
- **Totally chlorine free**
- **7 de-commoditized products, not easy to replicate with commodity pulp**

**Just in time service**
(5-7 days delivery vs. 40 days for Latam deliveries)

**Lower logistics costs**

**Sales force capillarity**
>100 customers

**Top customer service**
Ence’s revenue breakdown

Focus on European market and on higher growing segments

Geographical distribution of sales

% of pulp sales

- Europe 94%
  vs. 82% in 2019
- Other 6%

Source: Ence 1H20

Most of the pulp produced by Ence is sold in Europe 94% of revenue from pulp sales

Breakdown by end product

% of pulp sales

- Tissue 57%
  vs. 58% in 2019
- Specialties 27%
  vs. 31% in 2019
- P&W 9%
  vs. 8% in 2019
- Packaging 7%
  vs. 3% in 2019
- Other 6%

Source: Ence 1H20

Tissue & Specialties paper remain the main end uses given to the pulp sold by Ence 84% of revenue from pulp sales

Differentiated products

% of pulp sales

- Ence’s differentiated products already account for 10%
  vs. 6% in 2019

Source: Ence 1H20

Ence’s differentiated products already account for 10% of revenue from pulp sales
Pulp prices bottoming out in 2020
From their lowest levels in the last 10 years

Global pulp demand recovered by 9% vs. the first six months of 2019, which were affected by the destocking of pulp in the paper industry. Its restocking in 1H20 together with higher demand for tissue paper and hygiene products has offset lower demand for P&W papers during the lockdown.

Source: FOEX

BHKP prices as of 25/08/2020: $443/t Net (China); $680/t Gross (Europe)
Pulp business stepwise investment plan
Subject to our financial discipline

Stepwise investment plan with 4 independent projects
€ Mn

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Cost</th>
<th>Capacity</th>
<th>Start-up Date</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>€30 Mn 20,000 t expansion in Pontevedra</td>
<td></td>
<td></td>
<td>March 2019</td>
<td></td>
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<tr>
<td>€75 Mn 80,000 t expansion in Navia</td>
<td></td>
<td></td>
<td>4Q 2019</td>
<td></td>
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<tr>
<td>€40 - 50 Mn 120,000 t adaptation for hygienic absorbent products in Navia (Fluff pulp)</td>
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<tr>
<td>€450 Mn New Swing line at Navia</td>
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<tr>
<td>€450 Mn Flexible production</td>
<td></td>
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<tr>
<td>€450 Mn Up to 300,000 t Dissolving Pulp for viscose fiber products</td>
<td></td>
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<tr>
<td>€450 Mn Up to 340,000 t Hardwood Paper Grade Pulp (BHKP)</td>
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</table>

Navia 80,000 t and Pontevedra 20,000 t capacity expansions successfully executed in 2019

The Board has confirmed the postponement of Strategic Plan Investments pending in the Pulp business, aiming at a Net Debt to EBITDA ratio below 2.5 times at average cycle prices

Gradual reduction of BHKP cash cost €/t

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Cost €/t</th>
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<tbody>
<tr>
<td>2020</td>
<td>372</td>
</tr>
<tr>
<td>2021</td>
<td>370</td>
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<tr>
<td>2022</td>
<td>367</td>
</tr>
<tr>
<td>2023</td>
<td>365</td>
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</table>

Cost optimization program launched in 3Q19, in order to achieve the Strategic Plan’s annual cash cost targets.
Pontevedra’s biomill legal status
The first resolution of the National Court is expected in the coming months

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 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 April 10th 2019, the National Court’s Chamber for Contentious Administrative allowed Ence to defend the case.
- The court case is now in its final stage. COVID-19 may delay the National Court’s first resolution.

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

- 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.
2. Renewable Energy Business
Largest Spanish renewable energy generator with agroforestry biomass
316 MW of installed capacity

Current Power Plants Portfolio
- Biomass power plants
  - 170 MW
- New biomass power plants commissioned in 1Q 2020
  - 96 MW
- Solar thermal power plant
  - 50 MW

Coalitions:
- MÉRIDA 20 MW
- HUELVA 50 MW
- HUELVA 41 MW
- HUELVA 46 MW
- CIUDAD REAL 50 MW
- CIUDAD REAL 16 MW
- CIUDAD REAL 50 MW
- JAÉN 16 MW
- CÓRDOBA 27 MW
A regulated business which adds stability to the Group

€ 63 Mn annual return on investment and regulated sales price

- The regulated annual return on investment of our power plants was confirmed at 7.4% for 2020 – 2031 by Spanish Royal Decree-Law 17/2019.
- Implies an annual revenue of € 63 Mn subject to a minimum operation of just 3,000 hours per biomass power plant.

Our renewable energy sales price is supported by its regulatory minimum, that covers all the operating costs of a standard biomass power plant.

Ro and regulatory collar applicable during the sanitary crisis will be reviewed, according to Spanish Royal Decree-Law 23/2020.
New biomass power plants are more efficient
Due to fuel flexibility, higher efficiency factor and fixed costs dilution

<table>
<thead>
<tr>
<th>Biomass power plant location</th>
<th>Capacity MW</th>
<th>End of regulatory life</th>
<th>Construction Capex € Mn / MW</th>
<th>Boiler technology</th>
<th>Efficiency factor</th>
<th>Fuel flexibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRE 2014</td>
<td></td>
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<tr>
<td>Huelva</td>
<td>41</td>
<td>2025</td>
<td>Fluidized bed</td>
<td>26%</td>
<td>Limited</td>
<td></td>
</tr>
<tr>
<td>Ciudad Real</td>
<td>16</td>
<td>2027</td>
<td>Pulverized fuel boiler + stoker grate</td>
<td>24%</td>
<td>Inflexible</td>
<td></td>
</tr>
<tr>
<td>Jaén</td>
<td>16</td>
<td>2027</td>
<td>Pulverized fuel boiler + stoker grate</td>
<td>24%</td>
<td>Inflexible</td>
<td></td>
</tr>
<tr>
<td>Córdoba</td>
<td>14</td>
<td>2031</td>
<td>Reciprocating grate</td>
<td>26%</td>
<td>Inflexible</td>
<td></td>
</tr>
<tr>
<td>Huelva</td>
<td>50</td>
<td>2037</td>
<td>Fluidized bed</td>
<td>30%</td>
<td>Limited</td>
<td></td>
</tr>
<tr>
<td>Mérida</td>
<td>20</td>
<td>2039</td>
<td>Vibrating grate</td>
<td>32%</td>
<td>Flexible</td>
<td></td>
</tr>
<tr>
<td>NEW BIOMASS PLANTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Huelva</td>
<td>46</td>
<td>2044</td>
<td>Vibrating grate</td>
<td>35%</td>
<td>Full Flexibility</td>
<td></td>
</tr>
<tr>
<td>Ciudad Real</td>
<td>50</td>
<td>2044</td>
<td>Vibrating grate</td>
<td>35%</td>
<td>Full Flexibility</td>
<td></td>
</tr>
</tbody>
</table>

Net Selling Price
Variable Costs
Fixed Costs
Operating Margin
Operating Margin

170 MW biomass power plants pre 2014
New biomass power plants: 96 MW
Renewables pipeline: 405 MW with grid access and locations secured
Awaiting upcoming public auctions of the National Renewable Energy Plan

**National Renewable Energy Plan 2020 – 2030**

- **Solar PV**: +30.1 GW
- **Wind**: +22.3 GW
- **CSP**: +5.0 GW
- **Hydro**: +3.5 GW
- **Biomass**: +0.8 GW

**Upcoming Auctions Scheme**
Spanish Royal Decree-Law 23/2020

- **Annual actions 2020 – 2025**
- **Specific by technology**
- **Price mechanism**: Pay as bid (€/MWh)

**ICIAD REAL 50 MW**
Biomass
RTB in 3Q21

**HUELVA 40 MW**
Solar PV
RTB in 4Q21

**HUELVA 10 MW**
Solar PV
RTB in 3Q21

**SEVILLA 90 MW**
Solar PV
RTB in 4Q21

**CÓRDOBA 50 MW**
Biomass
RTB in 1Q22

**JAÉN 100 MW**
Solar PV
RTB in 3Q21

**ALMERÍA 40 MW**
Biomass
RTB in 3Q21

**RTB = Ready to build**
3. 1S 2020 Results Summary
**1H 2020 Financial Results**

Driven by lower pulp and energy prices

---

### Pulp Business EBITDA (€ Mn)

- **1H19**: 67
- **1H20**: 9

-86.7% decrease

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### Renewable Energy Business EBITDA (€ Mn)

- **1H19**: 26
- **1H20**: 27

+4.7%

---

### Group Net Income (€ Mn)

- **1H19**: 25
- **1H20**: -25

---

**€9 Mn EBITDA in the Pulp business:**
- -87% vs. 1H19 driven by a **29% decrease in the average sales price**
- Partially offset by a 19% increase in pulp sales and 5% reduction in cash cost

**€27 Mn EBITDA in the Renewable business:**
- +5% vs. 1H19 driven by 27% higher energy sales
- Offsetting a 7% decline in the average sales price down to its regulatory minimum

**Net consolidated result of -€25 Mn following:**
- €57 Mn Depreciation and other
- €13 Mn Net financing costs
- + €9 Mn Income tax
€29 Mn Normalized FCF and €42 Mn carry-over payments in 1H20
€342 Mn cash in balance, long-term debt maturities and no covenants

Normalized FCF\(^1\) (€ Mn)

<table>
<thead>
<tr>
<th></th>
<th>1H19</th>
<th>1H20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable Energy</td>
<td>69</td>
<td>29</td>
</tr>
<tr>
<td>Pulp</td>
<td></td>
<td></td>
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</tbody>
</table>

Strategic Plan Capex (€ Mn)

<table>
<thead>
<tr>
<th></th>
<th>1H19</th>
<th>1H20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable Energy</td>
<td>172</td>
<td>42</td>
</tr>
<tr>
<td>Pulp</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Net Debt (€ Mn)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>1H20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable Energy</td>
<td>513</td>
<td>540</td>
</tr>
<tr>
<td>Pulp</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Normalized Free Cash Flow generation of €29 Mn

Lower EBITDA vs. 1H19 partially offset by:
- Working capital reduction
- Lower taxes

Strategic Plan carry over payments of €42 Mn:
- €31 Mn carry-over payments in the Pulp business from capacity expansions and sustainability improvements in 2019
- €11 Mn carry over payments in the Renewable Energy business from two new biomass plants commissioned in 1Q20 and sustainability improvements

€540Mn Net Debt (+ €27 Mn vs. Dec.19):
- Including €55 Mn related to lease contracts (+ €2 Mn vs. Dec.19)
- €342 Mn cash in balance (+ €116 Mn vs. Dec.19)
- Long-term maturities in both businesses and covenant free in the Pulp business

1. FCF before Strategic Plan investments, divestments & dividend payment
Pulp Business
1H 2020 results driven by lower pulp prices

- Avg. Net Pulp Price (€/t)
  - 1H19: 590
  - 1H20: 418
  - Change: -29.3%

- Pulp Sales Volume (t)
  - 1H19: 437,950
  - 1H20: 519,820
  - Change: +18.7%

- Avg. Cash Cost (€/t)
  - 1H19: 396
  - 1H20: 378
  - Change: -4.7%

- EBITDA (€ Mn)
  - 1H19: 67
  - 1H20: 9
  - Change: -86.7%

86.7% EBITDA decrease vs. 1H19:

- Resulted from the 29% drop in the average sales price.
- Partially offset by 19% higher sales and 5% lower cash cost following the 100,000 t capacity increase carried out in 2019
- Annual maintenance shutdowns delayed to 3Q20 due to COVID-19
Ence has secured an average cap of $1.19/€ and an average floor of $1.14/€ for 73% of its dollar exposure in 2H20.

Assuming a flat 1.14 $/€ for 2S20, full year FX settlements would amount to €10 Mn.


**Pulp Business**

High liquidity and long-term financing without covenants

---

**Leverage as of June 30th 2020 (€ Mn)**

- **Gross debt**: 556.0
- **Cash**: 234
- **Net debt**: 322.1

**Debt Maturity Calendar (€ Mn)**

- **€152 Mn Convertible bond**: 1
- **€228 Mn Bilateral loans**: 33.8
- **€61 Mn Public sector financing**: 67.4
- **€70 Mn RCF**: 117.7
- **€46 Mn IFRS16**: 313.8

---

**€ 234 Mn cash in balance, long-term maturities and no covenants**

Financial liability of €45.7 Mn in the Pulp business related to the application of IFRS16 on leases

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1. €152 Mn accounted as gross debt and €8 Mn accounted as equity as of June 30th 2020, according to IAS 32
Renewable Energy Business
Higher contribution of new biomass power plants offset lower electricity prices

4.7% EBITDA increase was driven by:

- 27.0% higher energy sales from new biomass power plants commissioned in 1Q20
- Which has offset a 7.1% decline in the average sale price, down to its regulatory minimum

---

Note that the average sale price of 101.7 €/MWh in 1H19 included an adjustment of 3.8 €/MWh related to the temporary suspension of the electricity generation tax in 1Q19 and the attendant adjustment to the plants Ro with no effect on EBITDA. Comparable sale price decline would have been 7.1% or 7.5 €/MWh.

1H20 revenues include € 4.1 Mn from the energy sales of the new biomass plants during their testing phase in 1Q20, which have been capitalized together with their corresponding expenses, neutralizing their impact in EBITDA.
Renewable Energy Business
Long-term green financing and high liquidity

Leverage as of June 30th 2020 (€ Mn)

Debt Maturity Calendar (€ Mn)

Energy business leverage at 4.1x Net Debt / LTM EBITDA as of June 2020
Financial liability of €8.9 Mn in the Renewable Energy business related to the application of IFRS16 on leases
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 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.
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 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 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 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