

1Q21 Results

April 28th, 2021



MSCI
ESG RATINGS

CCC B BB BBB A AA AAA



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Highlights of 1Q21

Rapid pulp price recovery now underway

Rapid pulp price recovery now underway amidst a tight supply and demand balance

- **NET** BHKP pulp prices in China have recovered over 70% from their minimum in 2020 and is already **at 780 US\$/t**
- **GROSS** BHKP pulp prices in Europe have already recovered 38% from their minimum in 2020, up to **936 US\$/t**
- **Additional pulp price increases are expected in Europe** to match current NET BHKP prices in China (equivalent to a GROSS price above 1,100 US\$/t)

Annual maintenance shutdowns at both pulp biomills in 1Q21 vs. 3Q20

- **Pulp sales: -10%** vs. 1Q20 to 246 Kt
- **Cash cost: +2%** vs. 1Q20 to 386 €/t
- **EBITDA: +51%** vs. 1Q20 to **€8 Mn**

Puertollano CSP plant deconsolidation partially offset by 29% higher Renewable Energy sales and better regulated sale price

- **Regulated remuneration of investments: -36%** (-€5.7 Mn) vs. 1Q20 following Puertollano CSP plant sale in Dec. 20
- **Energy sales: +29%** vs. 1Q20 to 326 Gwh (excluding Puertollano CSP)
- **EBITDA: +13%** vs. 1Q20 to **€9 Mn** (excluding Puertollano CSP)

Strong balance sheet

- **€20Mn reduction in factoring lines**
- **€227 Mn Net Debt position** at 31 Mar. 2020 (€75 Mn in the Pulp business and €152 Mn in the Renewables business)
- **€475 Mn cash in balance** at 31 Mar. 2020 (€407 Mn in the Pulp business and €68 Mn in the Renewables business)

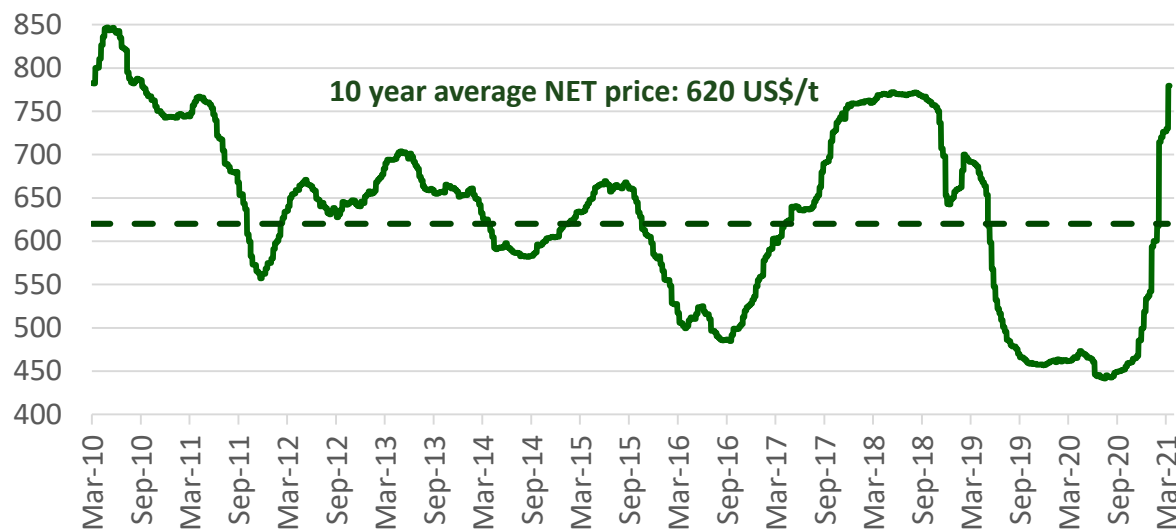
We continue operating safely despite COVID-19

- Rigorous application of Ence's protocols against Covid-19 enabled us to continue operating safely, with **no jobs lost**.
- **Successful annual maintenance shutdowns** with no accidents and no COVID infections

Rapid pulp price recovery amidst a tight supply and demand balance

Additional price increases expected in Europe, to match current pulp prices in China

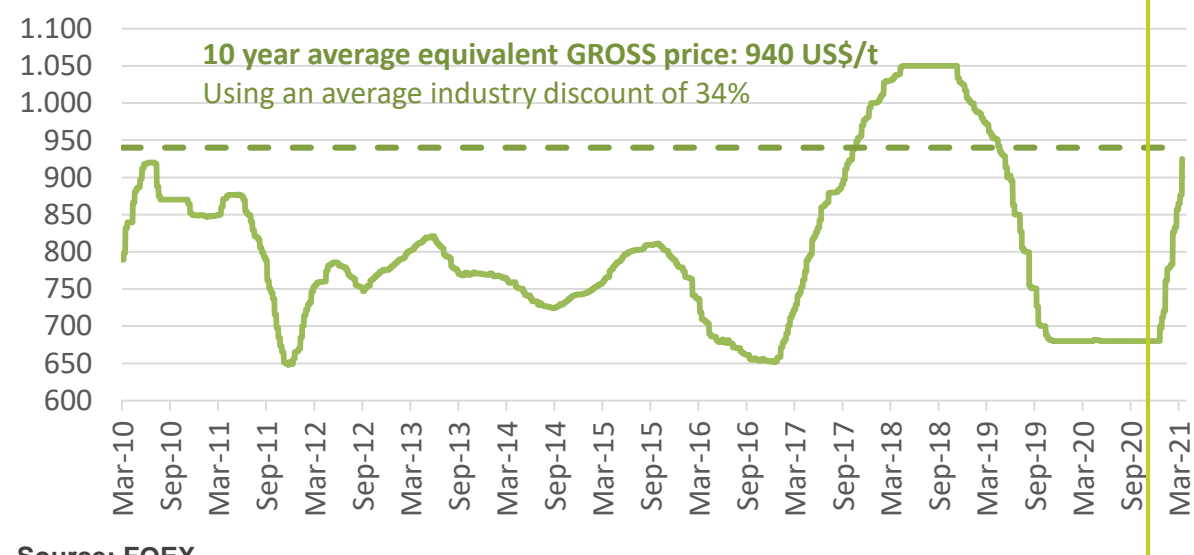
NET BHKP Prices in China
\$/t



Source: FOEX

- **NET** pulp prices in China have recovered over 70% from their minimums in 2020 and are already **at 780 US\$/t**

GROSS BHKP Prices in Europe
\$/t



Source: FOEX

- **GROSS** pulp prices in Europe have recovered 38% from their minimum in 2020 up to **936 US\$/t**
- **Additional price increases are expected in Europe** to match current NET prices in China (equivalent to a GROSS price above 1,100 US\$/t) .

No new capacity additions in 2021

Pulp demand set to outgrow supply over 2020-25

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

Mn t		2021	2022	2020-22	2023	2020-23	2024	2020-24	2025	2020-25
ESTIMATED ANNUAL MARKET PULP DEMAND CHANGE		1.9	1.9	3.8	1.9	5.7	1.9	7.6	1.9	9.5
ESTIMATED ANNUAL MARKET PULP SUPPLY CHANGE (CONFIRMED)		(0.4)	0.8	0.4	1.1	1.5	0.5	2.0	-	2.0
UPM (PASO DE LOS TOROS)	BHKP				1.2	1.2	0.5	1.7	0.3	2.0
ARAUCO (MAPA/ HORCONES)	BHKP		0.7	0.7	0.5	1.2		1.2		1.2
METSA FIBER (KEMI)	BSKP						0.6	0.6	0.3	0.9
BRACELL (LENÇOIS PAULISTA)	BHKP / DP		0.5	0.5		0.5		0.5		0.5
PAPER EXCELLENCE (PRINCE ALBERT)	BSKP	0.2	0.1	0.3		0.3		0.3		0.3
NORDIC KRAFT (LEBEL-SUR-QUEVILLON)	BSKP	0.3		0.3		0.3		0.3		0.3
DOMTAR (ASHDOWN)	BHKP	0.2		0.2		0.2		0.2		0.2
SODRA (VARO)	BSKP		0.1	0.1		0.1		0.1		0.1
ARAUCO (VALDIVIA)	BHKP	(0.3)		(0.3)		(0.3)		(0.3)		(0.3)
APRIL (KERINCI)	BHKP	(0.1)	(0.1)	(0.2)	(0.1)	(0.3)	(0.1)	(0.4)	(0.1)	(0.5)
APRIL (RIZHAO)	BHKP	(0.1)	(0.1)	(0.2)	(0.1)	(0.3)	(0.1)	(0.4)	(0.1)	(0.5)
NEW-INDY CONTAINERBOARD (CATAWBA)	BSKP	(0.2)		(0.2)		(0.2)		(0.2)		(0.2)
NON COMPETITIVE CAPACITY ANNUAL CLOSURES		(0.4)	(0.4)	(0.8)	(0.4)	(1.2)	(0.4)	(1.6)	(0.4)	(2.0)
SURPLUS / (DEFICIT)		(2.3)	(1.1)	(3.4)	(0.8)	(4.2)	(1.4)	(5.6)	(1.9)	(7.5)

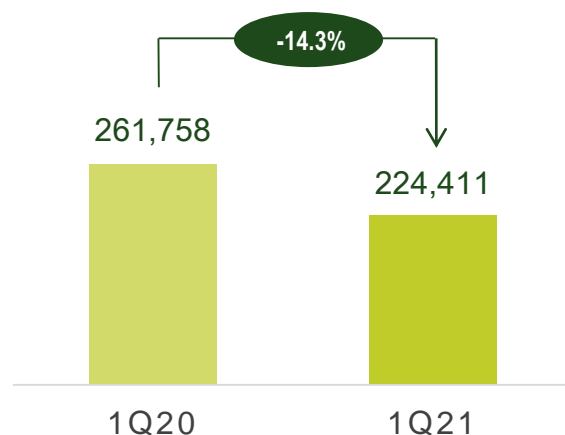
Source: ENCE estimates

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 65% of BRACELL's project in Sao Paulo will be focused on Dissolving Pulp production.

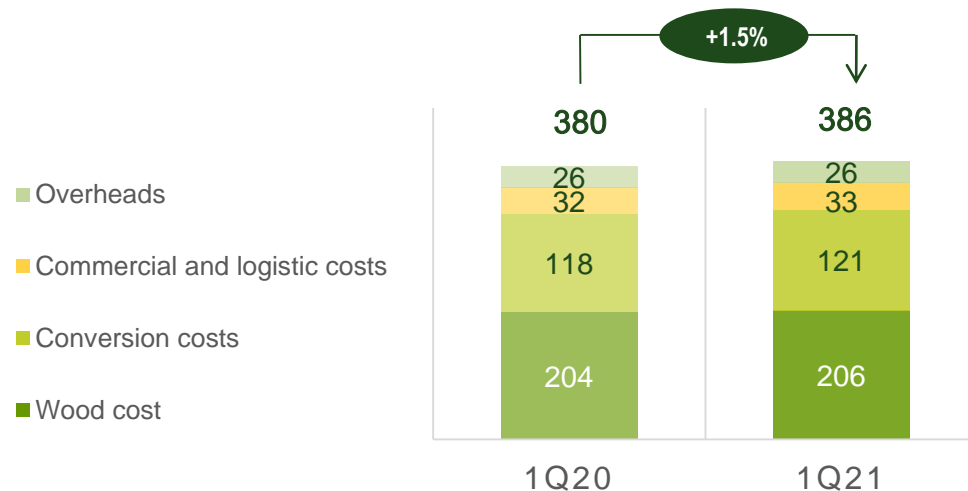
Annual maintenance shutdowns at both pulp biomills in 1Q21 vs. 3Q20

Resulted in lower pulp production and higher cash cost

Pulp Production (t)

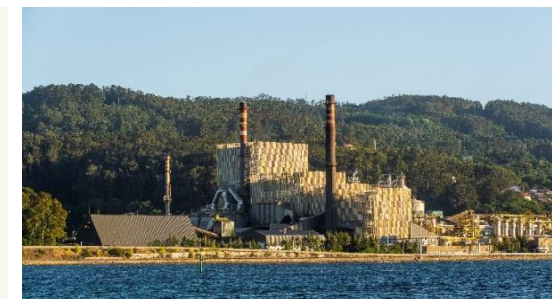


Cash Cost breakdown (€/t)



Pontevedra biomill

- **-20% production** vs. 1Q20
- 12 days maintenance shutdown in 1Q21 (vs. 25 days in 3Q20)
- Next maintenance shutdown in 2022



Navia biomill

- **-9% production** vs. 1Q20
- 12 days maintenance shutdown in 1Q21 (vs. 7 days in 3Q20)
- Next maintenance shutdown in 2022



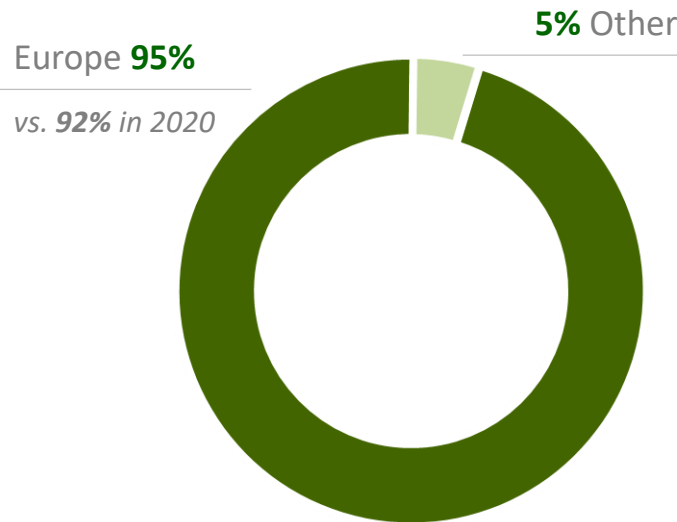
6 €/t Cash cost increase vs. 1Q20

- 3 €/t higher conversion costs due to lower costs dilution and energy cogeneration
- 2 €/t higher wood costs
- 1 €/t higher logistic costs

10% lower pulp sales with a better commercial mix

Higher sales to the European market and of Ence's differentiated products

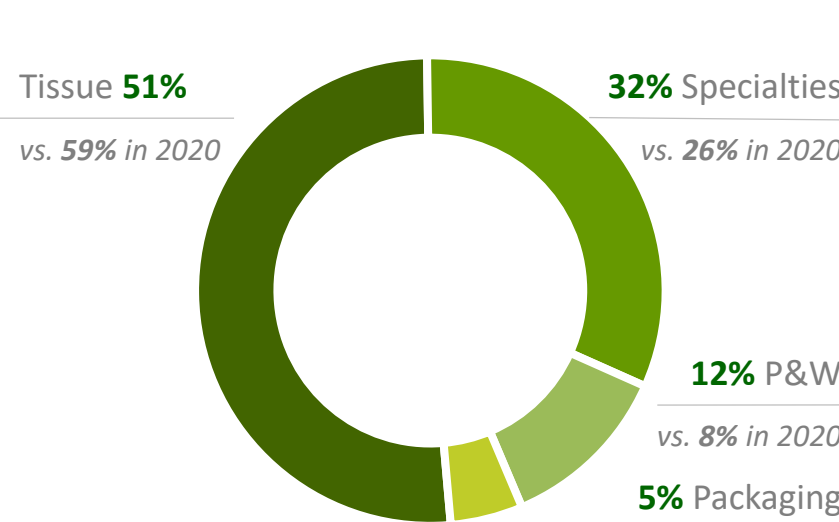
Geographical distribution of sales
% of pulp sales



Source: Ence 1Q21

95% of ENCE's pulp sales are to Spanish and European markets, where it has strong logistic and service related competitive advantages.

Breakdown by end product
% of pulp sales

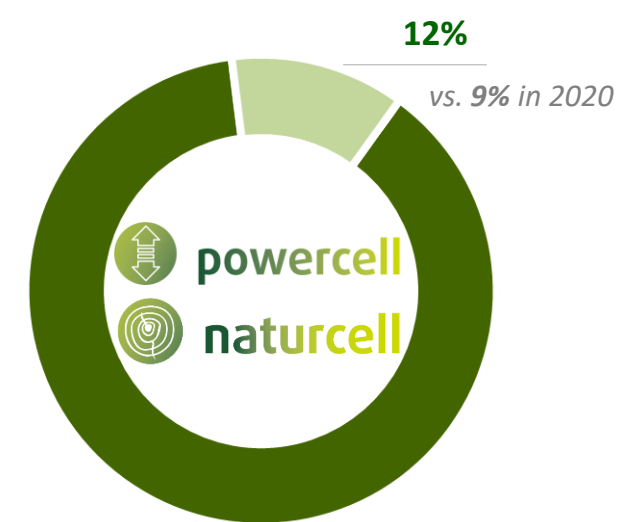


Source: Ence 1Q21

51% of ENCE's pulp sales are to the growing tissue and hygiene products segment.

Strong order backlog for 2021.

Differentiated products
% of pulp sales



Source: Ence 1Q21

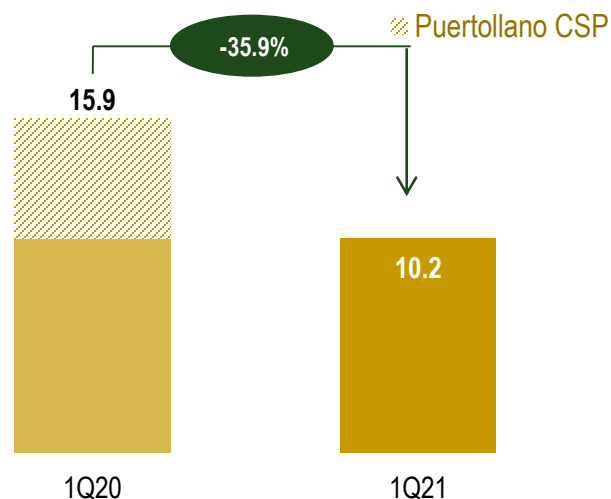
Ence's differentiated products accounted for 12% of pulp sales.

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

Deconsolidation of Puertollano CSP plant

Partially offset by 29% higher Renewable Energy sales and better regulated sale price

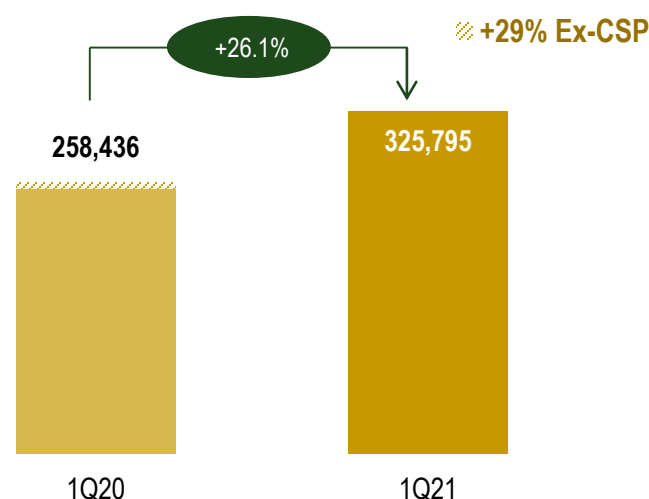
Return on Investment (Mn€)



€5.7 Mn lower return on investment per quarter:

- Due to the **deconsolidation of the Puertollano CSP plant**, after its sale in Dec. 2020

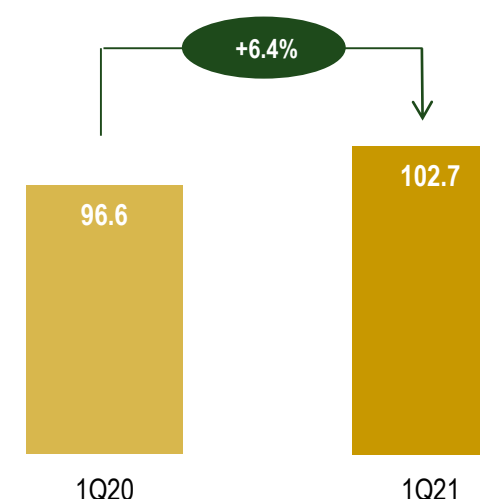
Energy Volume Sold (MWh)



29% higher renewable energy sales (Ex. CSP):

- Larger contribution by the two new biomass plants commissioned in 1Q20, and by the Ciudad Real 16 MW and Huelva 41 MW power plants.
- Huelva 50 MW major overall in 1Q21

Average sale price (€/MWh)

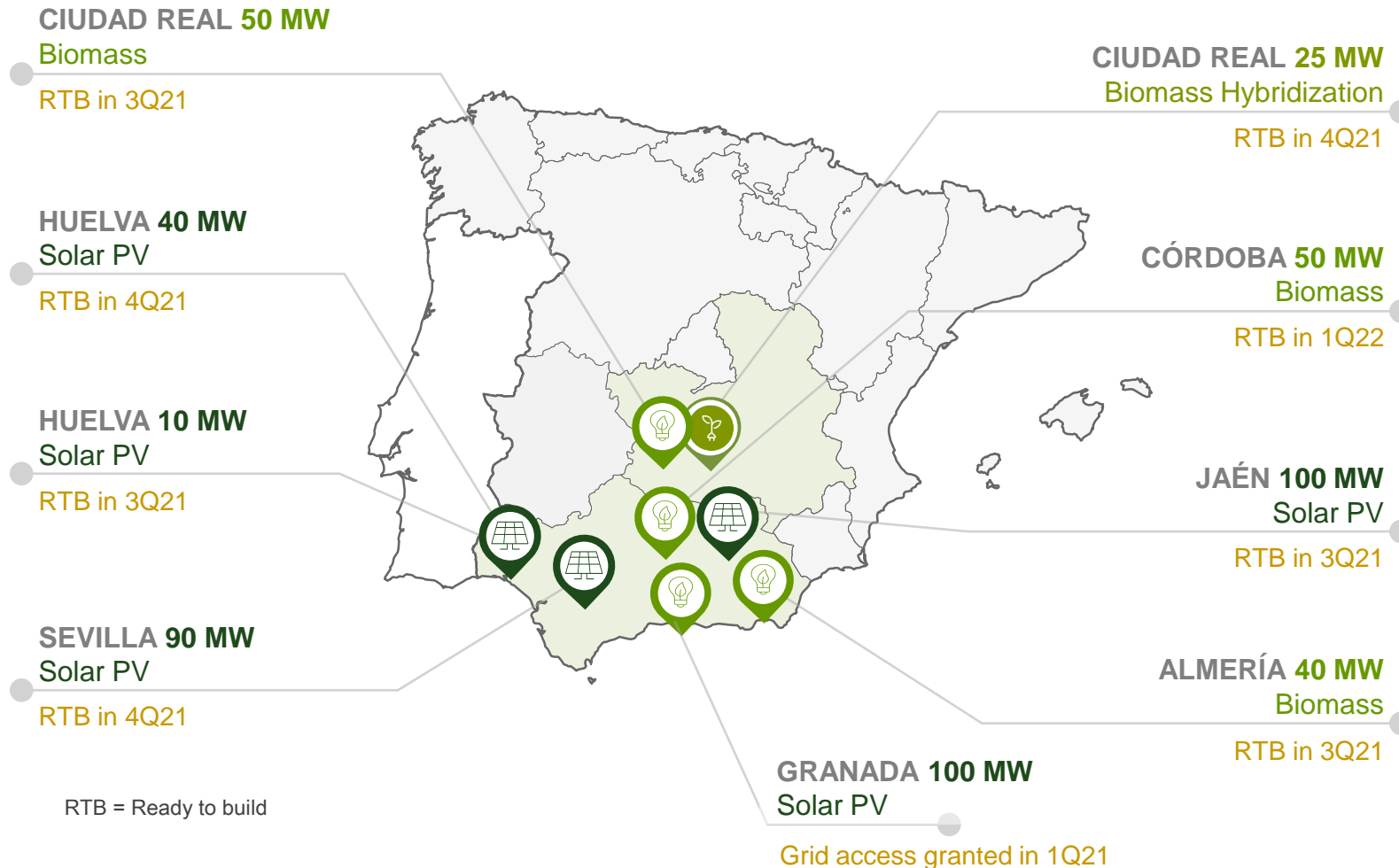


6% higher sales price:

- Ro and regulatory collar revision in 1Q21 to compensate for low energy prices during the state of emergency in Spain (RDL 23/2020)

Renewables pipeline: 505 MW

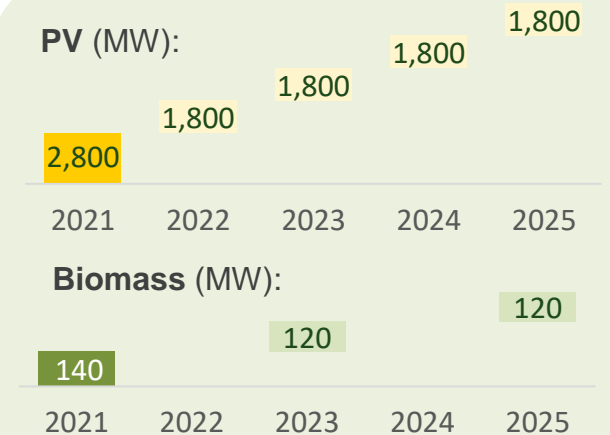
To be progressively built as from 2022, subject to public auctions or PPA's



Auctions Scheme Spanish Royal Decree-Law 23/2020

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

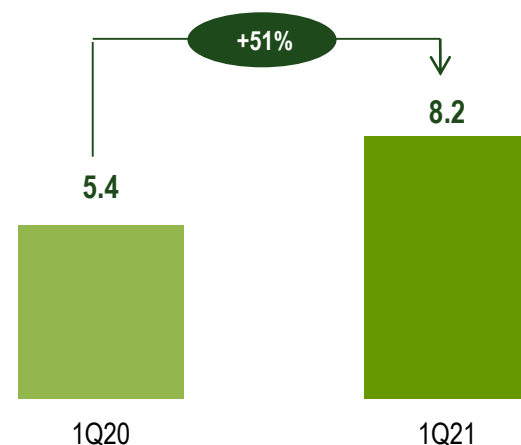
Biomass and PV Auction calendar 2021-2025



1Q21 Financial Results

Driven by annual shutdowns and the Puertollano CSP plant deconsolidation

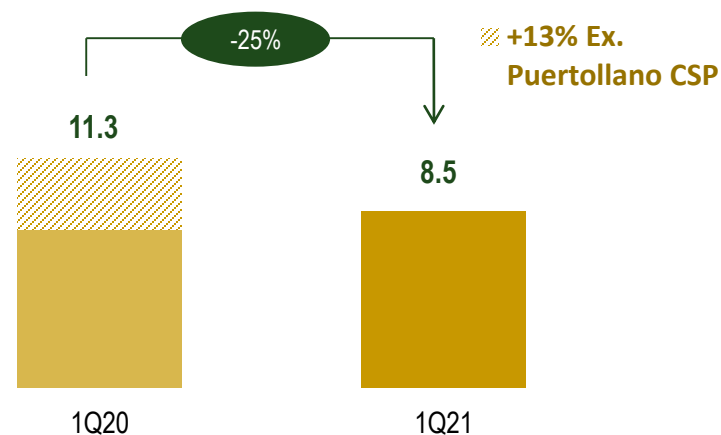
Pulp Business EBITDA (€ Mn)



€8.2 Mn EBITDA in the Pulp business:

- +51% vs. 1Q20 due to the **positive impact of FX hedges**
- Partially offset by 10% lower pulp sales and 2% higher cash cost due to annual maintenance shutdowns at both biomills in 1Q21

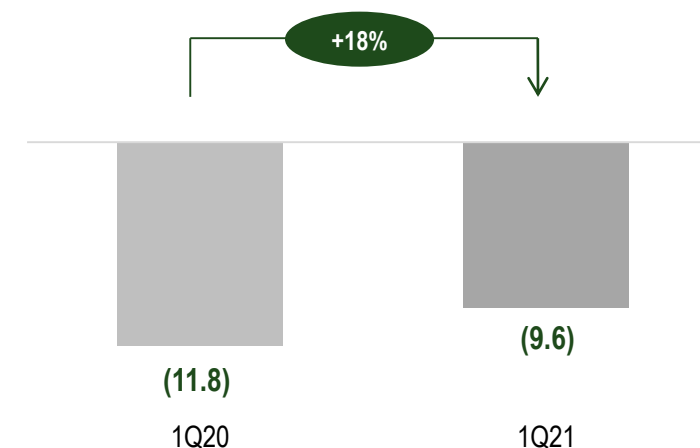
Renewable Energy Business EBITDA (€ Mn)



€8.5 Mn EBITDA in the Renewable business:

- **+13% vs. 1Q20 excluding Puertollano CSP**
- Higher energy sales, better regulated price and compensation for HU-41 turbine breakdown in 2020.
- Partially offset by higher biomass costs

Group Net Income (€ Mn)



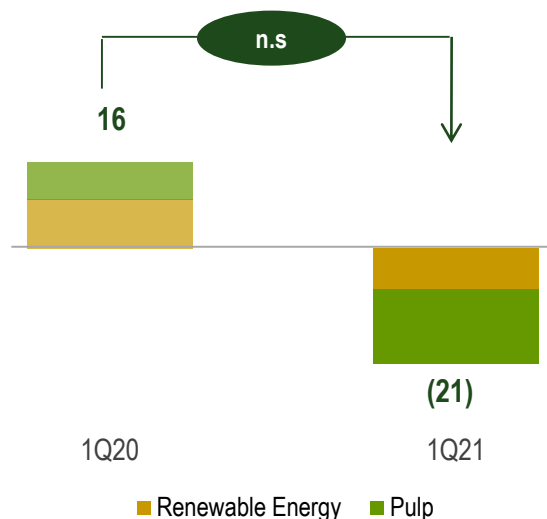
Net consolidated result of - €9.6 Mn following:

- - €27 Mn Depreciation and other
- - €3.8 Mn Net financing costs
- +€3.4 Mn Income tax
- +€1 Mn minority interest

1Q21 Free Cash Flow and Net Debt change

Driven by the reduction of factoring lines and carry over payments

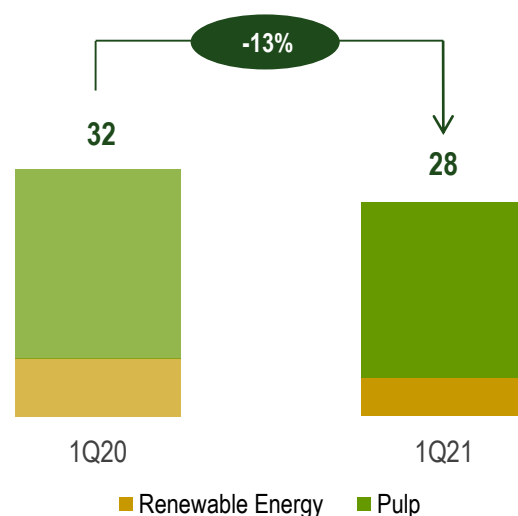
Normalized FCF¹ (€ Mn)



Normalized Free Cash Flow generation of -€21 Mn

- Working capital reduction of €31 Mn
- Including **€20 Mn reduction of factoring lines**

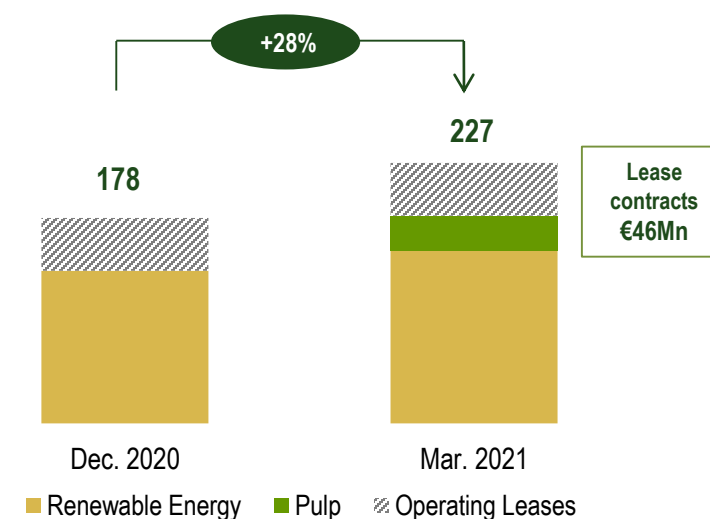
Strategic Plan payments (€ Mn)



Strategic Plan carry over payments of €28 Mn:

- €23 Mn carry-over payments in the Pulp business, mainly from **capacity expansions and sustainability improvements in 2019**
- €5 Mn capex in the Renewable Energy business mainly from carry over payments from two new biomass plants commissioned in 1Q20

Net Debt (€ Mn)



€227 Mn Net Debt (+€49 Mn vs. Dec.20):

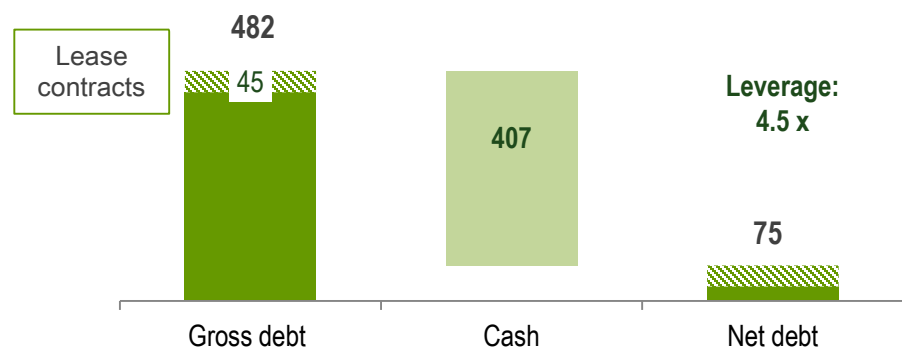
- Including **€46 Mn related to lease contracts**
- €475 Mn cash in balance**

1. FCF before Strategic Plan investments and regulatory collar

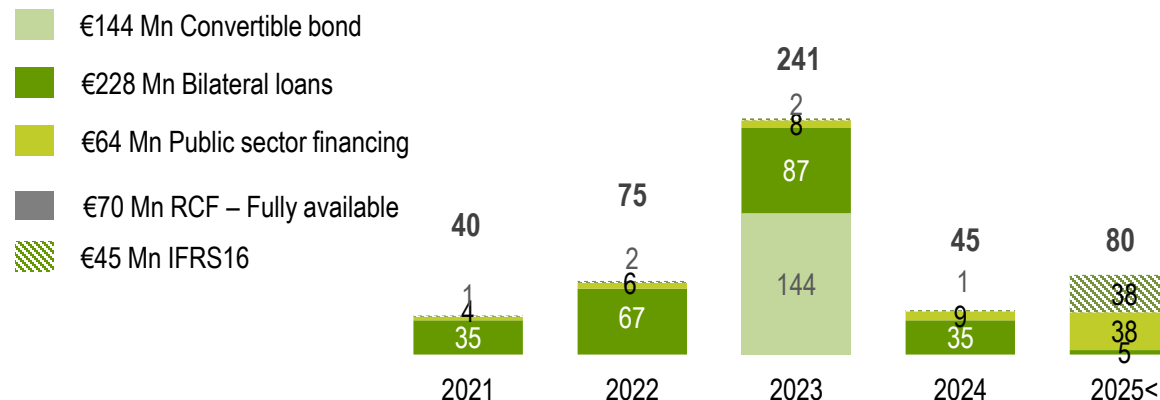
Strong balance sheet

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

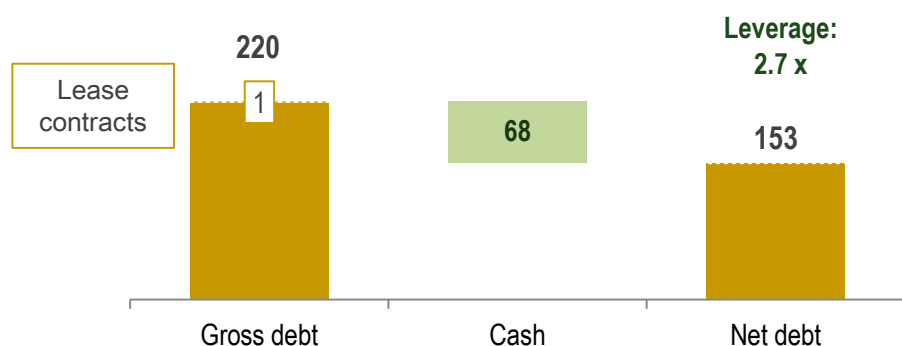
Pulp business leverage as of 31 Mar. 2021 (€ Mn)



Pulp business Debt Maturity Calendar (€ Mn)



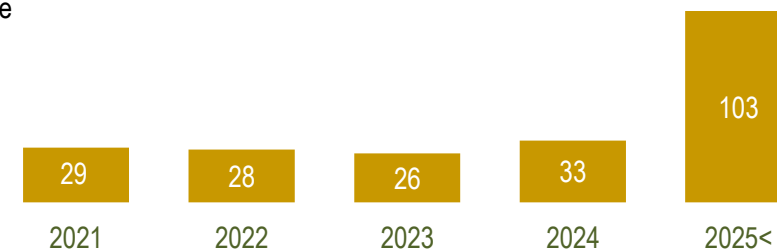
Renewables business leverage as of 31 Mar. 2021 (€ Mn)



Renewables business Debt Maturity Calendar (€ Mn)



- €220 Mn Energy parent corporate financing
- €20 Mn RCF – Fully available
- €1 Mn IFRS 16



Current hedges

To mitigate the volatility in the Pulp and Energy businesses

Dollar/Euro FX

Q1 2021: USD 77 Mn

- Avg. cap: 1.17 \$ /€
- Avg. floor: 1.09 \$ /€

Q2 2021: USD 75 Mn

- Avg. cap: 1.19 \$ /€
- Avg. floor: 1.12 \$ /€

Q3 2021: USD 75 Mn

- Avg. cap: 1.22 \$ /€
- Avg. floor: 1.16 \$ /€

Q4 2021: USD 75 Mn

- Avg. cap: 1.25 \$ /€
- Avg. floor: 1.19 \$ /€

Average cap of 1.21 \$/€ for over 45% of expected pulp sales in 2021

**Positive impact of
€1.9 Mn in 1Q21**

Pulp Price

Q1 2021: 55,500 t

- Avg. price: 772 \$/t

Q2 2021: 55,500 t

- Avg. price: 772 \$/t

Q3 2021: 68,100 t

- Avg. price: 775 \$/t

Q4 2021: 68,100 t

- Avg. price: 775 \$/t

Avg. price of 773 \$/t for 24% of expected pulp sales in 2021

**Positive impact of
€0.4 Mn in 1Q21**

Energy Price

Q1 2021: 127,381

- Avg. price: 43.4 €/MWh

Q2 2021: 128,856

- Avg. price: 43.4 €/MWh

Q3 2021: 130,272

- Avg. price: 43.4 €/Mwh

Q4 2021: 130,331

- Avg. price: 43.4 €/Mwh

Avg. price of 43.4 €/MWh for 33% of expected renewable energy sales in 2021

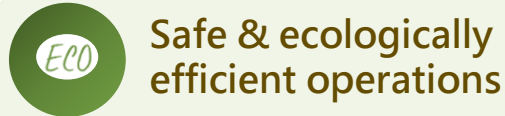
**Negative impact of
€0.2 Mn in 1Q21**

Amongst the leaders in sustainability

Highlights 1Q21



Production cost reduction



Protecting Health and Safety among the Ence family

- ✓ **0 accidents** (own staff) in Q1
- ✓ Fully safe annual shutdowns in Navia, Pontevedra and Huelva in Q1 without Covid-19 transmission
- ✓ Ca. 15.000 Antigen tests
- ✓ Ca. 50.000 FFP2 facemasks for employees and contractors

Contribution to circular economy

- ✓ **97%** recovered waste (Q1)
- ✓ 4 plants **ZERO WASTE** certified

Odor reduction (Q121 vs Q120)

- ✓ **-92%** odor minutes in Navia
- ✓ **-23%** odor minutes in Pontevedra

Leadership and differentiation



Committed to mitigate climate change

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



Differentiated products with higher added value

- ✓ **12%** (vs 9% 2020 year-end) of total sales with better margins and growing
- ✓ **1st Pulp Environmental Product Declaration:** Encell TCF and Naturcell
- ✓ Projects under development with customers to **replace plastic**

License to operate



Talent as a competitive advantage - Q1 results

- ✓ **Great Place to Work** certification
- ✓ Maintaining quality Jobs during the pandemic: **88% permanent contracts**
- ✓ **+3% female employees**
- ✓ **67% female new hires** (among individual contracts)



Adding value to society:

- ✓ **€3.2 Mn** invested in our communities in 2020
- ✓ III Edition of Pontevedra **Social Plan**
- ✓ **>400 virtual visits** to our facilities in Q1

Risk minimization



Certified supply chain – Q1 results

- ✓ **86%** certified managed land
- ✓ **>75%** certified wood
- ✓ **100%** local wood & biomass
- ✓ **100%** wood and biomass suppliers homologated
- ✓ **>22%** managed land dedicated to ecosystem conservation



Transparent management – Q1 results

- ✓ Virtual general shareholder meeting with 100% proposals approved
- ✓ **38,5%** female Directors
- ✓ **60% independent female directors** in Audit and Appointment and Remunerations committees

Legal status of Pontevedra's biomill

The first resolution of the National Court is expected in the coming months

In January 2016 the National Directorate of Coasts granted an 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

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

- 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.

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

- Investments carried out or committed since the extension of the concession amount to approximately €130 Mn.
- In the unlikely event of operations being discontinued, the cash impact would amount to €74 Mn (€43 Mn corresponding to dismantling operations, €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.

Closing Remarks

Rapid pulp price recovery now underway



- Pulp prices are recovering rapidly in 2021
- Additional pulp price increases are expected in Europe
- Pulp business operating improvements should continue in 2021

2021 Expected Pulp sales (t)	2021 Expected Cash Cost (€/t)
1,050,000 (+3% vs. 2020)	365* (-2% vs. 2020)

- Higher regulated sale price will partially offset the deconsolidation of Puertollano CSP plant in 2021

2021 Expected Energy sales (GWh)
1,450 (+2% vs. 2020)

- 505 MW renewables pipeline to be built progressively as from 2022, subject to public auctions or PPA's

* 365 €/t cash cost target at constant pulp prices vs. 2020. Ence's wood price is partially linked to reference pulp prices in Europe

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 ton 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 tons 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 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 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.



Delivering value Delivering commitments