

Leaders in the sustainable use of natural resources

Corporate Presentation
May 2021



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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
- **3.1 Mn tons of wood** acquired in the surroundings of our biomills from certified responsible sources: over 78% are FSC® (Licence code: FSC-C081854) and/ or PEFC certified
- **1.7 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: Almost 86% of them are FSC® (Licence code: FSC-C099970) and/or PEFC certified and **22.5% are dedicated to ecosystem protection**



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** from responsible sources
- Its production process is environmentally friendly and constitutes a great example of **energy efficiency** (100% self-generated renewable energy) and **circular economy** (less than 2% of total waste generated is sent to landfill)
- The **environmental parameters** of our biomills are well below 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 266 MW and a 505 MW pipeline
- Our biomass plants are **fully manageable** and contribute to the EU 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**, since they have been located in sites previously occupied by other industrial activities (such as coal-based power generation) and contribute to maintain local jobs

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)



Sustainability as a competitive advantage

Sustainability Master Plan



Safe and eco-efficient operations

- ✓ Zero accidents
- ✓ Circular economy
- ✓ Water footprint
- ✓ Energy efficiency
- ✓ Odour
- ✓ Air quality



Climate action

- ✓ Carbon footprint
- ✓ Climate change adaptation



Sustainable products

- ✓ Special pulp products with higher added value
- ✓ Renewable energy



Community engagement

- ✓ Social plans
- ✓ Job creation in rural areas



People & values

- ✓ Talent promotion
- ✓ Equality & diversity



Sustainable agroforestry

- ✓ Sustainable sourcing
- ✓ Certified supply chain



Corporate Governance

- ✓ Transparency
- ✓ Best practices

Reduced Production costs

Leadership and differentiation

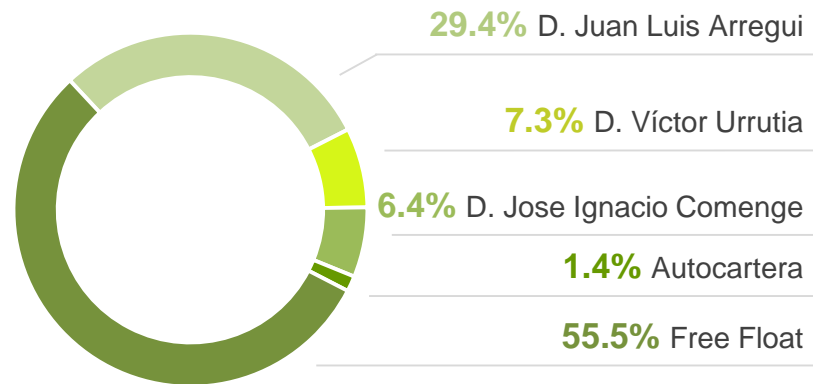
Social license to operate

Risk minimization

Supportive shareholder base

And strong corporate governance

Shareholding Structure



As of December 2020

Board of Directors



Transparency and best practices

Pulp & Renewable Energy

Two independent and complementary businesses



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

Long-term financing without maintenance
covenants and ample **liquidity**

Net Debt to EBITDA target below 2.5x

100% owned by Ence

Renewable Energy Business



Largest biomass operator in Spain with
266 MW of **Renewable Energy** installed
capacity & **505 MW pipeline** with access
to the grid

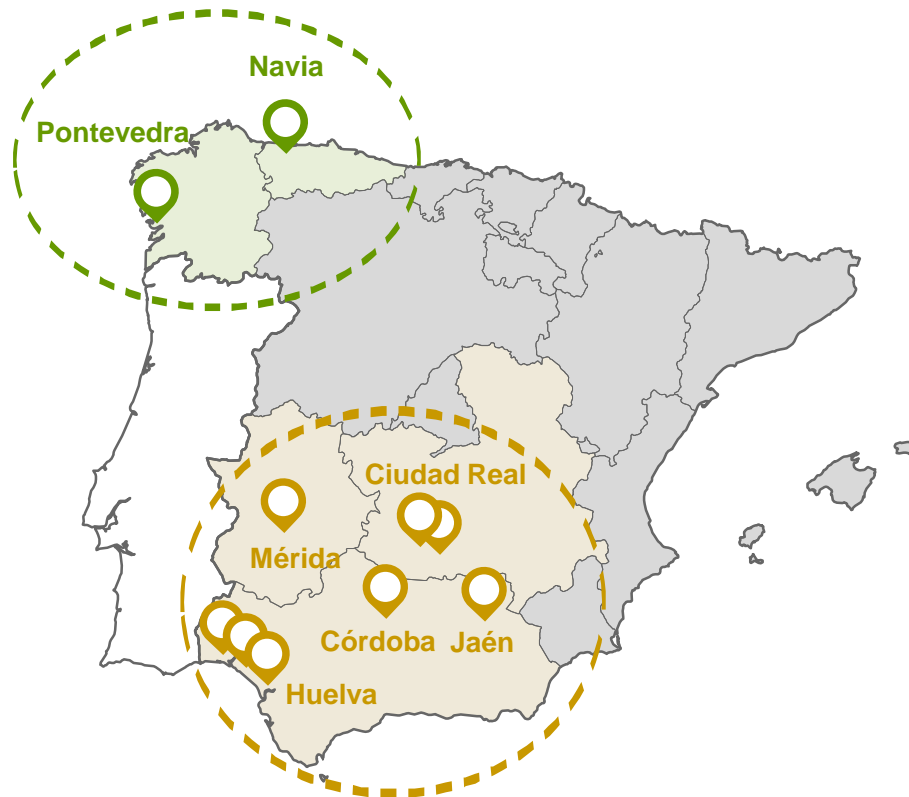
Regulated Renewable Energy
business provides stability and high
visibility of revenues

Based on Ence's agroforestry biomass
supply management expertise

Long-term financing and
ample liquidity

Net Debt to EBITDA limit of 4.5x

51% owned by Ence (49% sold to Ancala
Partners in Dec. 2020 for an equity value of 223
Mn€ + Earn Out of up to 134 Mn€)



**Both business are
independently structured,
financed and reported**



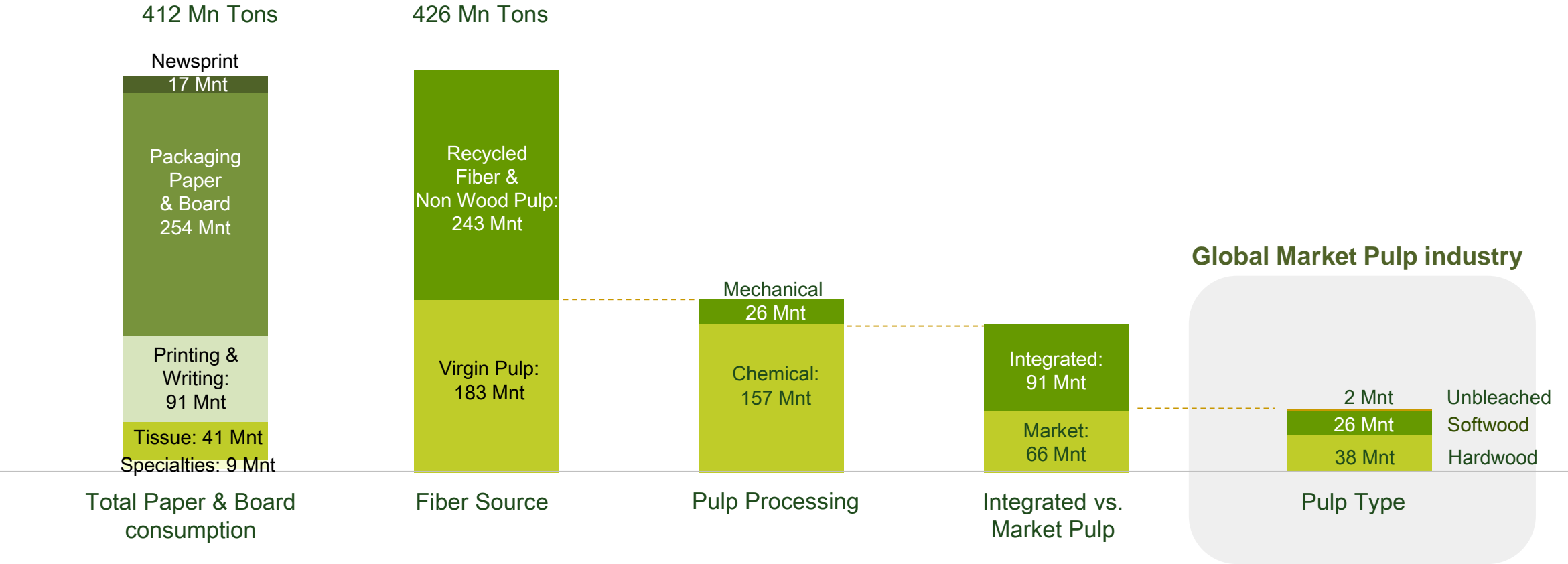
1 Pulp Business





Global Market Pulp industry

66 million tons in 2020



Source: RISI 2019; PPPC G-100 Dec 2020

Ence is a leading European hardwood pulp producer with 1.2 Mn tons of installed capacity, competing in the Global Chemical Market Pulp industry



Resilient global market pulp demand

65% comes from fastest growing tissue and packaging segments

Estimated global market pulp demand breakdown by end use 2021
Mn t

Source: Ence

Tissue & Hygiene products

36 Mn t / 55%

CAGR 2010 – 2020: 3.4%

Source: PPPC

Continued tissue demand growth driven by:

- ✓ Urban population growth and
- ✓ Increasing living standards in emerging countries
- ✓ Post-pandemic consumption habits

Packaging

7 Mn t / 10%

CAGR 2009 – 2019: 2.1%

Source: RISI

Packaging growth driven by:

- ✓ Global trade
- ✓ E – commerce
- ✓ Single use plastic substitution

Printing & Writing

13 Mn t / 20%

CAGR 2010 – 2020: - 4.0% (-15.6% in 2020)

Source: PPPC

P&W secular decline driven by digitalization

Specialties

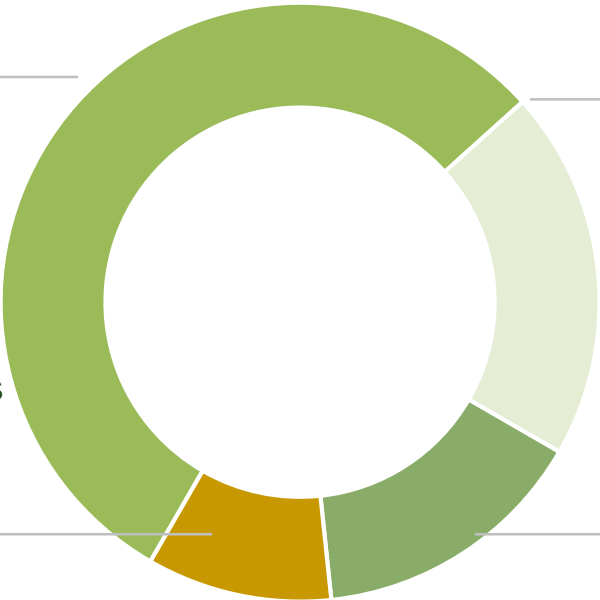
9 Mn t / 15%

CAGR 2009 – 2019: 1.1%

Source: RISI

Specialties growth driven by:

- ✓ Single use plastic substitution
- ✓ Industrial output
- ✓ Household consumption

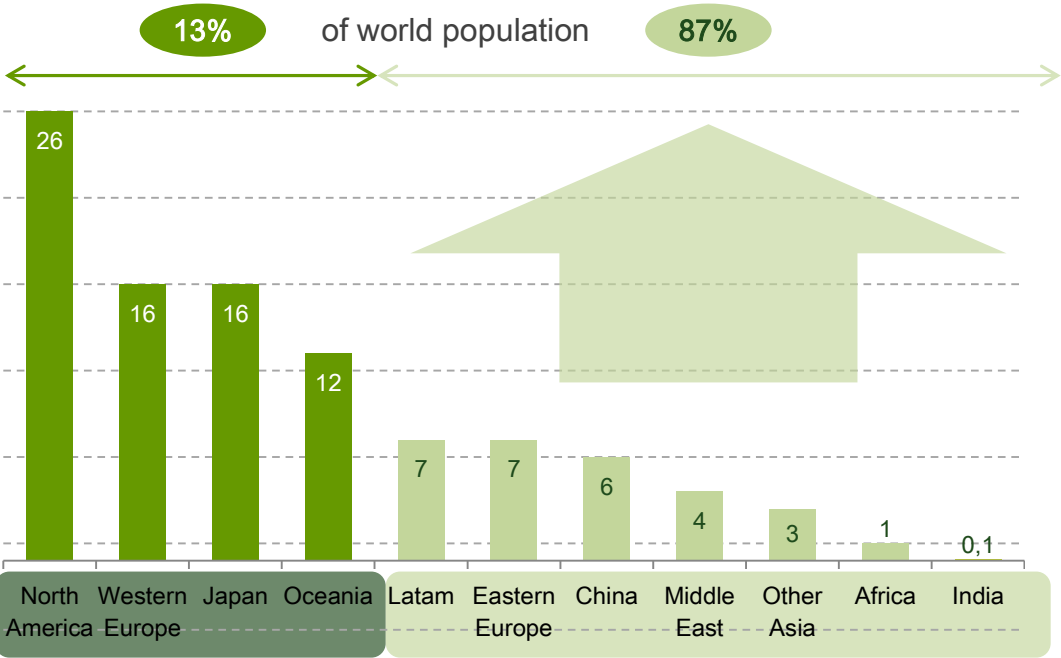




3.4% annual tissue consumption growth, equivalent to 1.1 Mn tons

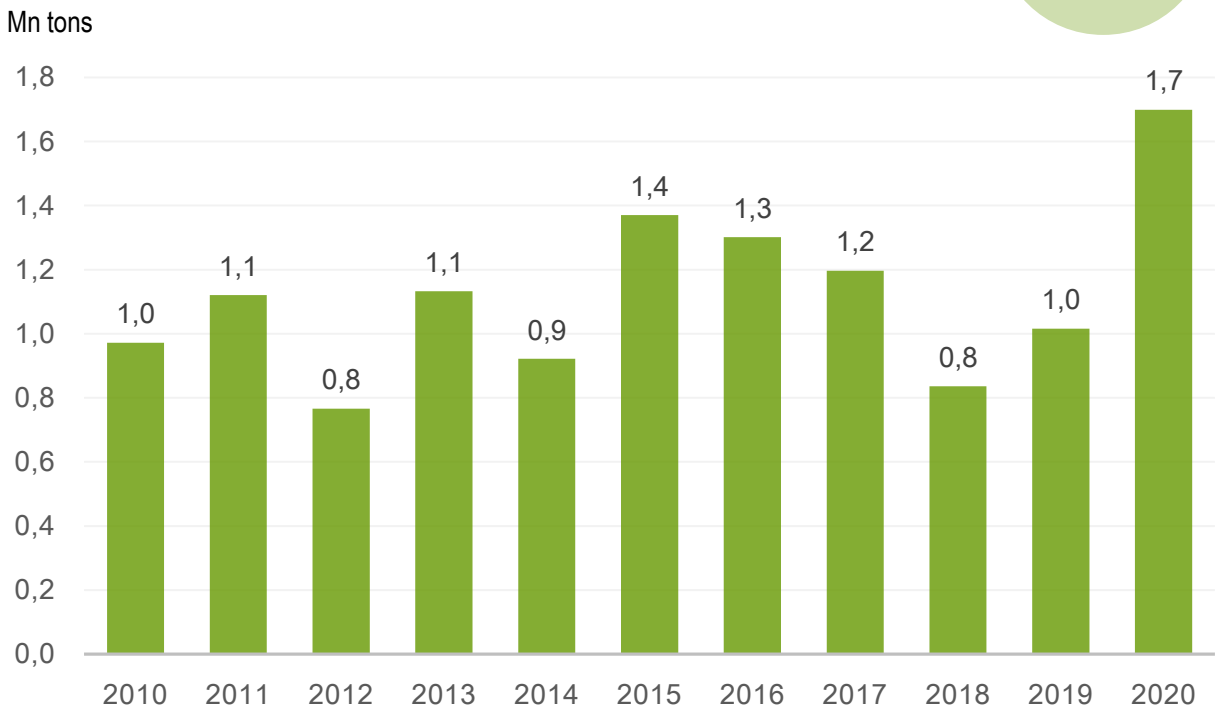
Driven by urban growth and increasing living standards in emerging countries

Tissue paper per-capita consumption
Kg/year



Source: RISI 2019

Tissue annual consumption growth
Last 10 years (Mn tons)



Source: PPPC

3.4%
CAGR
2010-20

87% of the world population is starting to use tissue and hygiene products

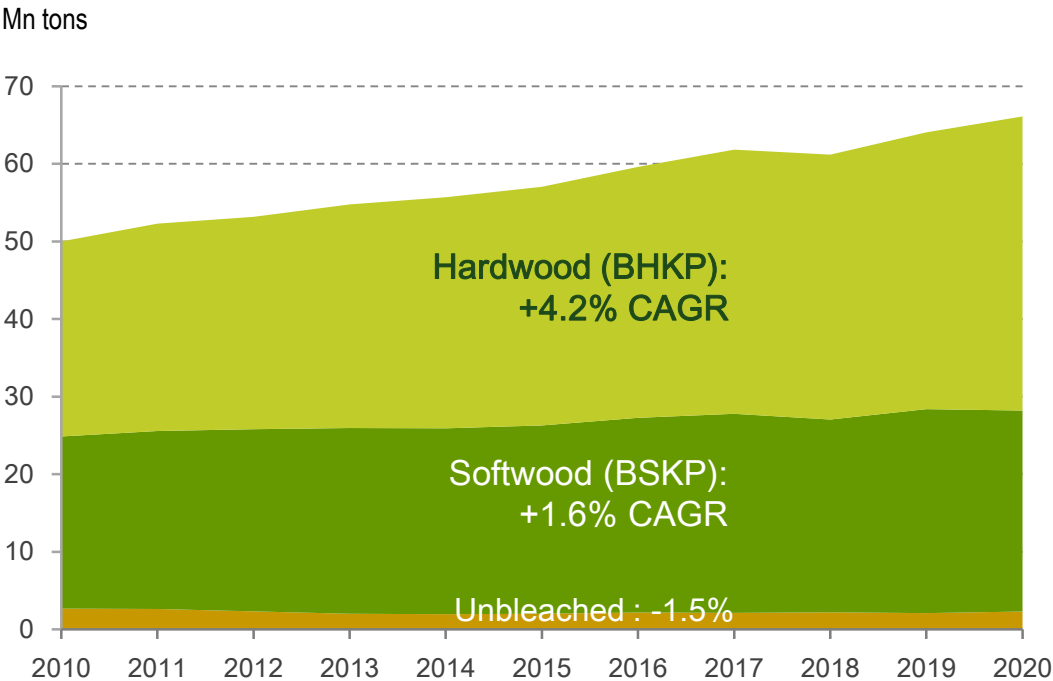


2.9% annual market pulp demand growth, equivalent to 1.6 Mn tons

Superior demand growth for hardwood pulp

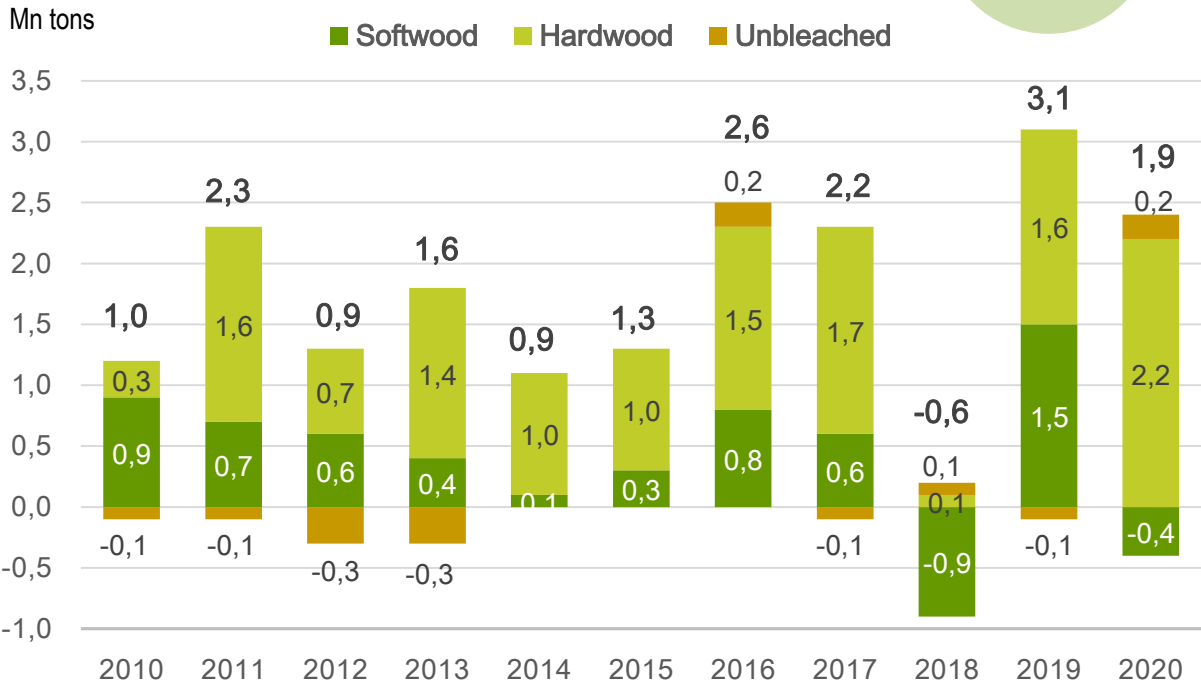


Total market pulp demand evolution
Last 10 years (Mn tons)



Source: PPPC G-100

Total market pulp annual demand growth
Last 10 years (Mn tons)



Source: PPPC G-100

2.9%
CAGR
2010-20

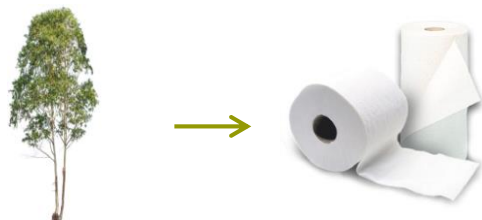
Changes in pulp inventories along the paper value chain add volatility to annual market pulp demand (e.g. 2018 - 2019)



Hardwood pulp vs. Softwood pulp

Eucalyptus pulp is cheaper to produce and best suited for tissue production

Hardwood pulp (BHKP)



Most hardwood pulp comes from **eucalyptus wood**

Best suited for paper products with high smoothness, opacity and uniformity (**e.g. 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

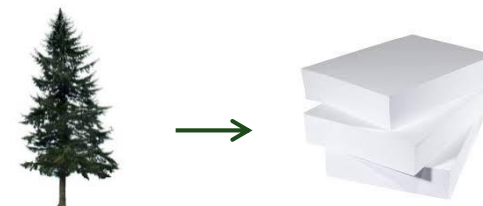


Low production cost

Substitutive materials



Softwood pulp (BSKP)



Most softwood pulp comes from **pine wood**

Best suited for paper requiring higher durability and strength (**e.g. 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

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



Eucalyptus only grows under specific climate conditions, usually in warm subtropical regions
More abundant pines are better adapted to cold climates

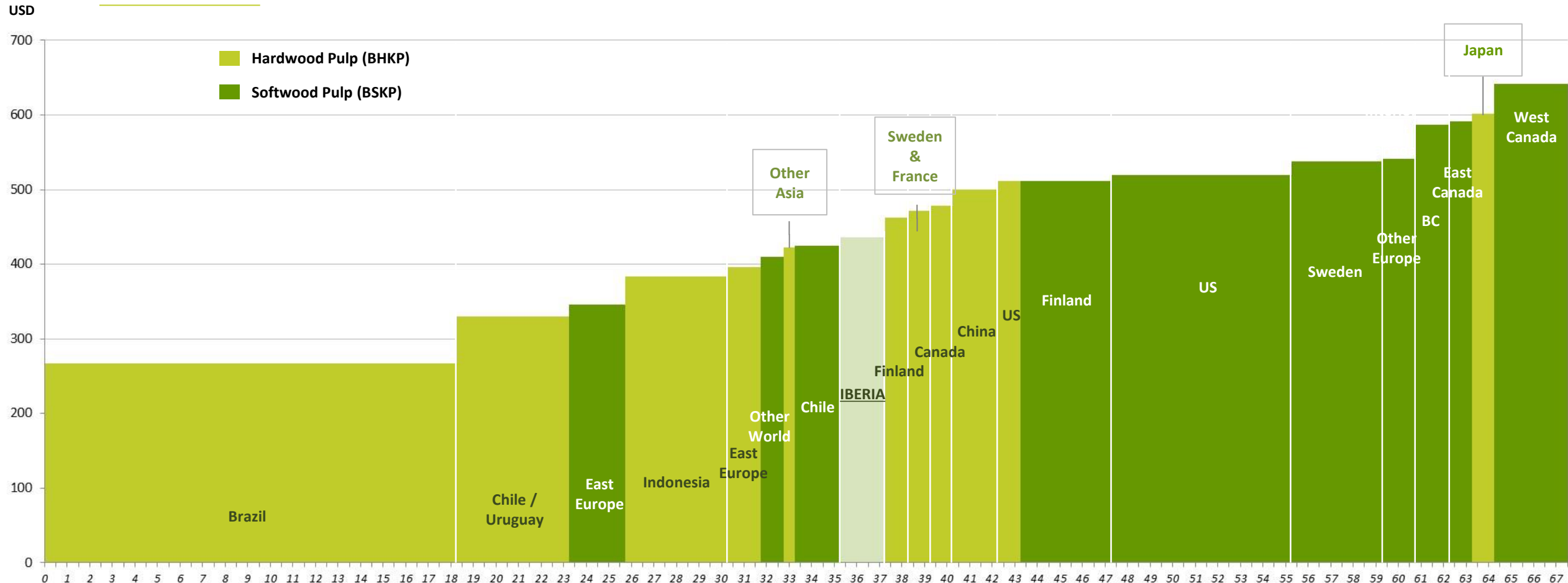


The mill location and the type of wood determine pulp production costs

Iberia has a strong competitive position against northern European countries



Global Market Pulp Cash Cost Curve by geography (CIF Europe)
US\$ / t

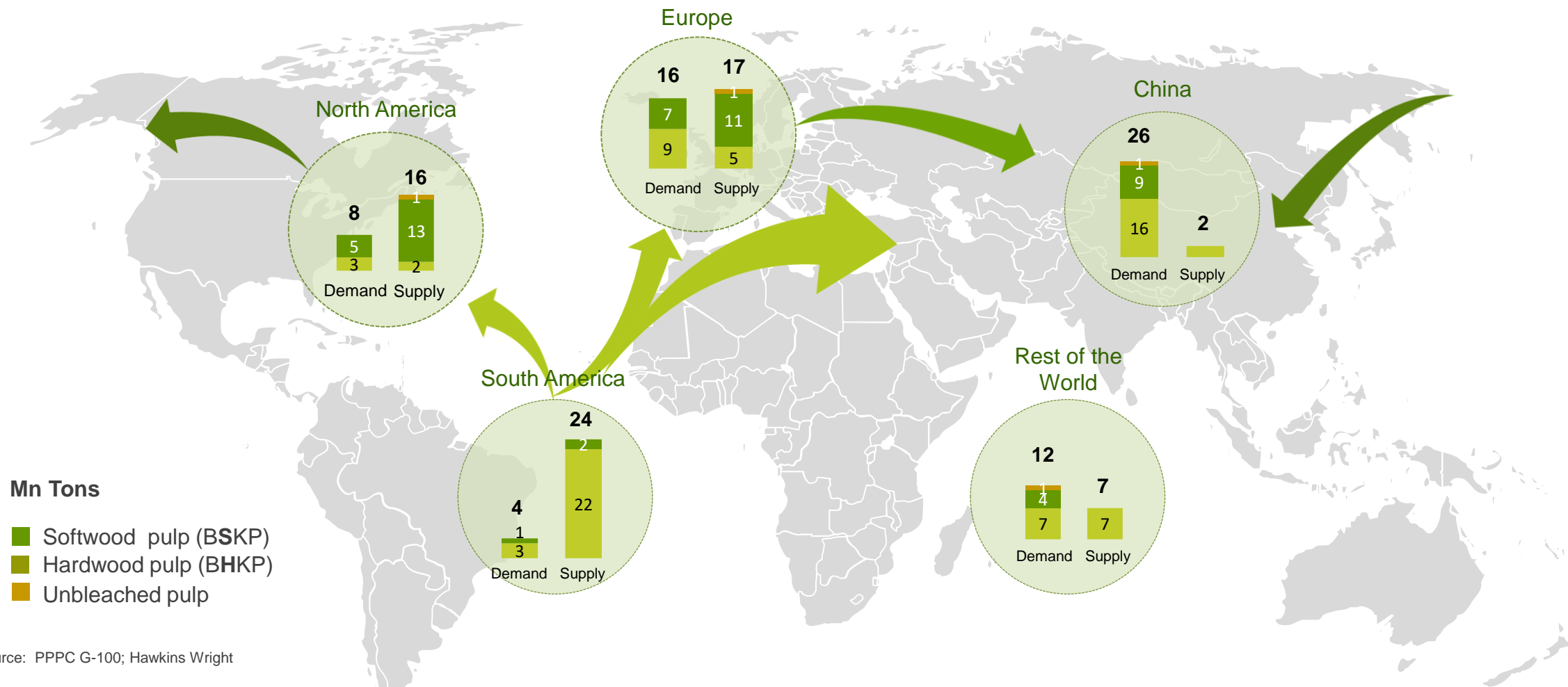


Source: "Outlook for Market Pulp December 2020 report". Hawkins Wright



A global market

60% of hardwood pulp is produced in South America and exported to China and Europe



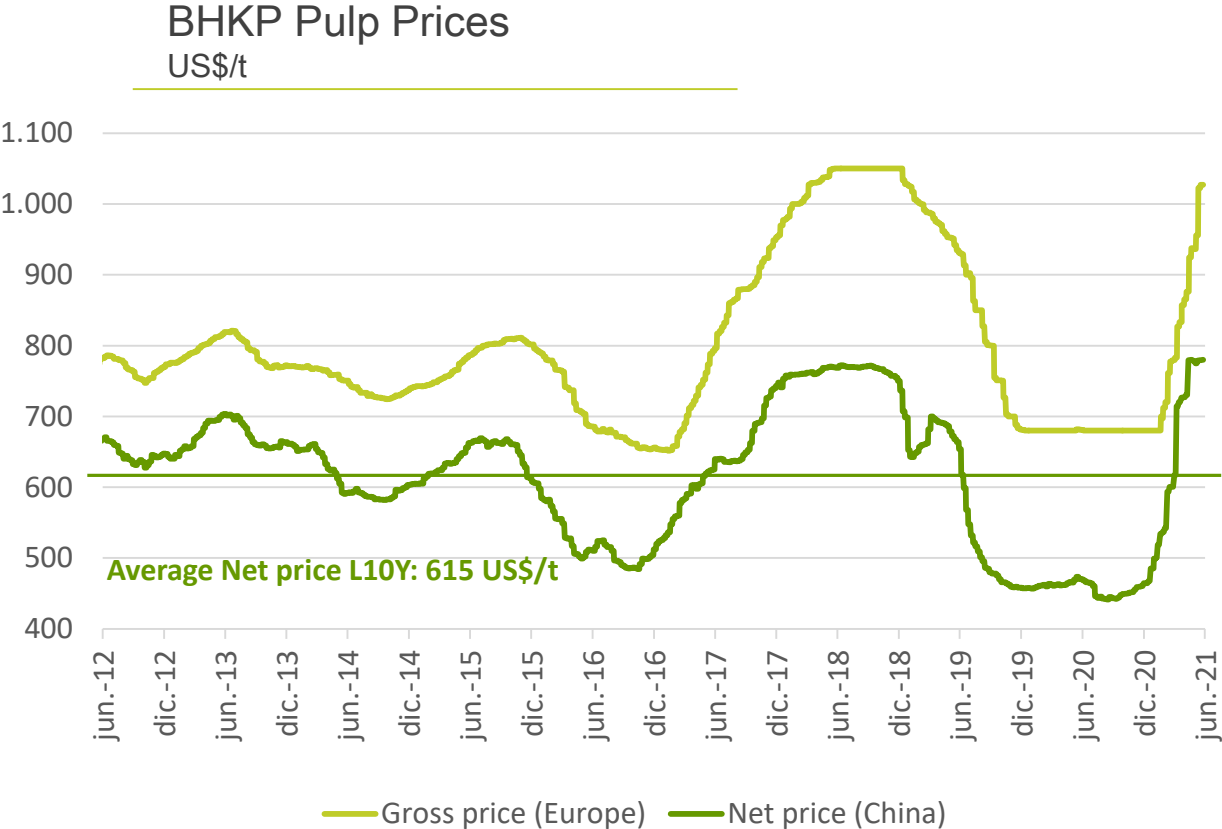
Source: PPPC G-100; Hawkins Wright

China represents 40% of global market pulp demand and has been growing at a 9.6% CAGR during the last 10 years

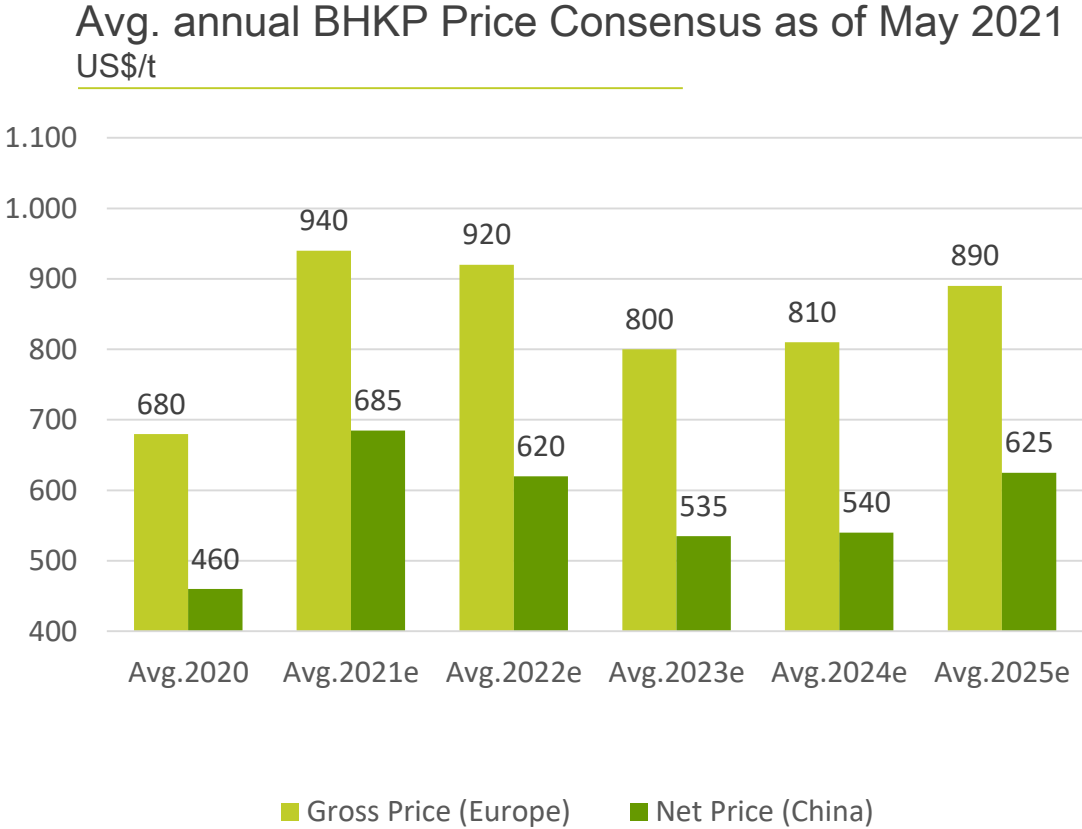


Pulp prices are set in dollars and arbitrated globally

Prices in Europe tend to follow those in China with a lag of two months



Source: FOEX



Source: RISI, Hawkins Wright, Brian McClay

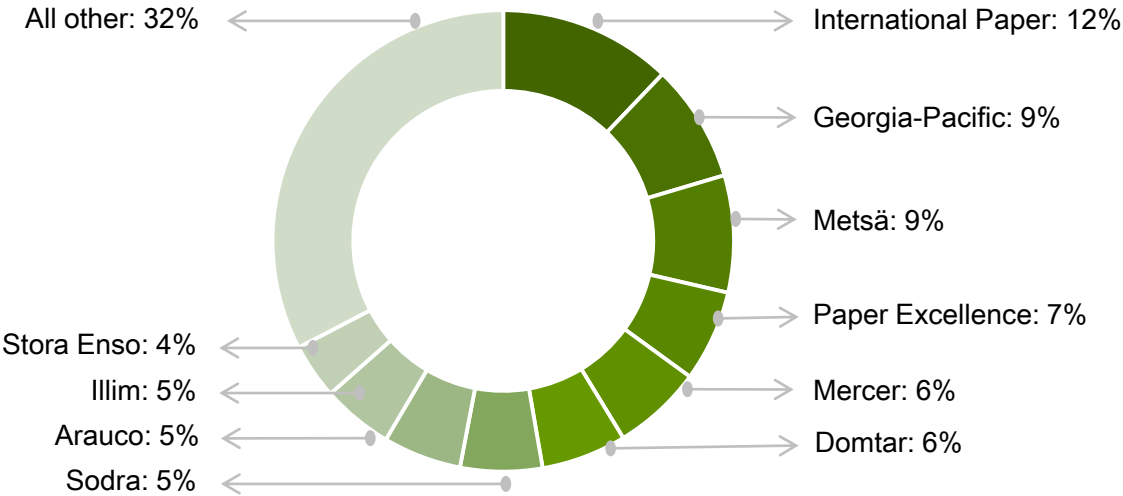
Commercial discounts in Europe have been progressively increasing from 15% in 2010 to 34% in 2021



Global pulp market share

Concentrated supply market with high entry barriers

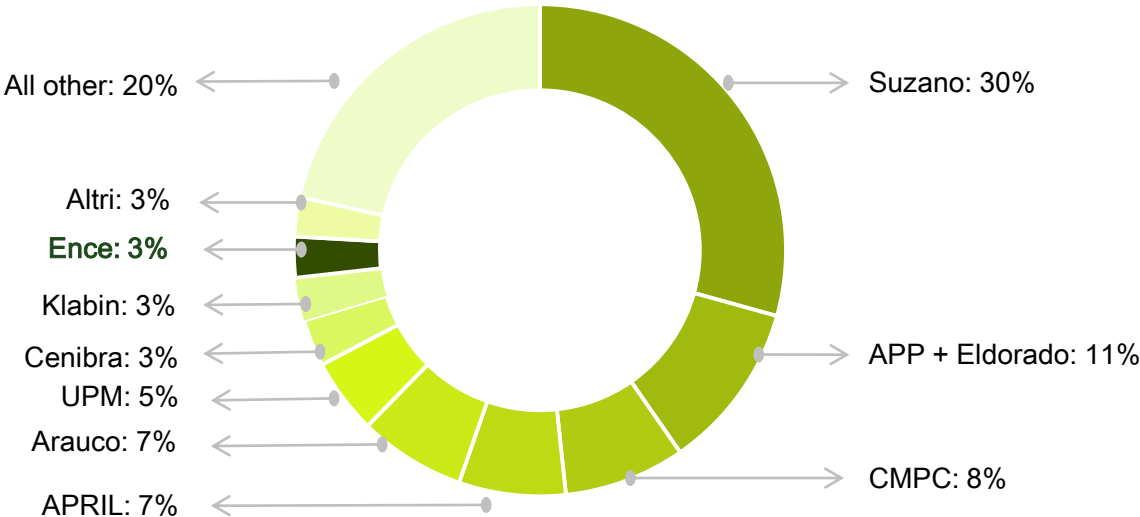
Softwood pulp market share
(BSKP)



Source: RISI 2019

Top 10 softwood pulp producers account for
68%
of global BSKP market share

Hardwood pulp market share
(BHKP)



Source: RISI 2019

Top 10 hardwood pulp producers account for
80%
of global BHKP market share



Ence's competitive advantages in the pulp business

JIT service and differentiated products to European clients



Access to eucalyptus plantations around our pulp biomills

Eucalyptus only grows under specific climatic conditions

Diversification into **pine**

Unique supply chain



Eucalyptus Pulp is cheaper to produce than softwood Pulp

Technical team dedicated to pulp usage transformation



High quality pulp and differentiated products

Totally **chlorine free**

Differentiated products with higher value added and lower environmental footprint

Environmental product declarations



powercell



naturcell



Privileged access to the European market

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

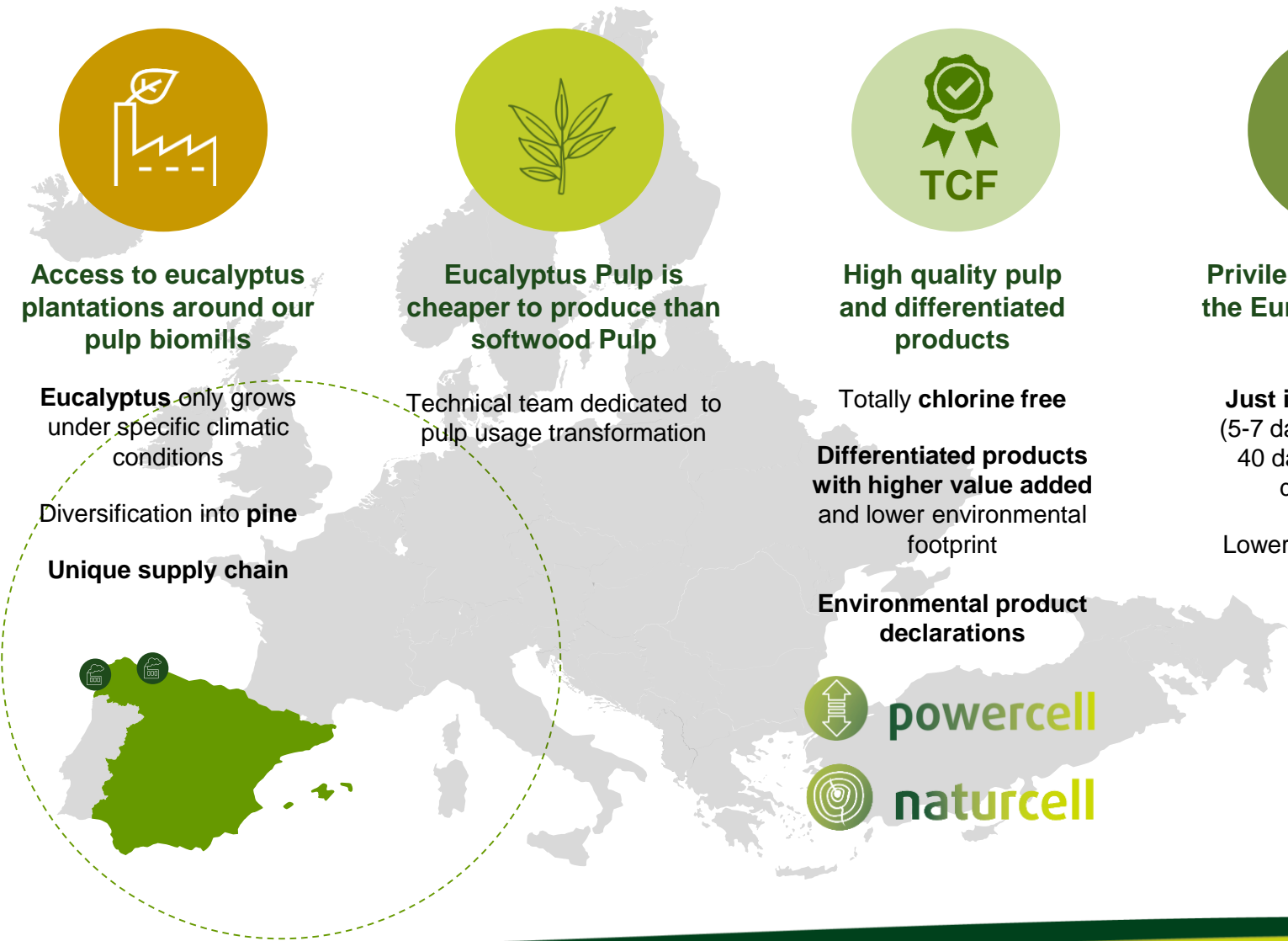
Lower logistics costs



High client diversification

Sales force **capillarity** >100 customers

Top customer service



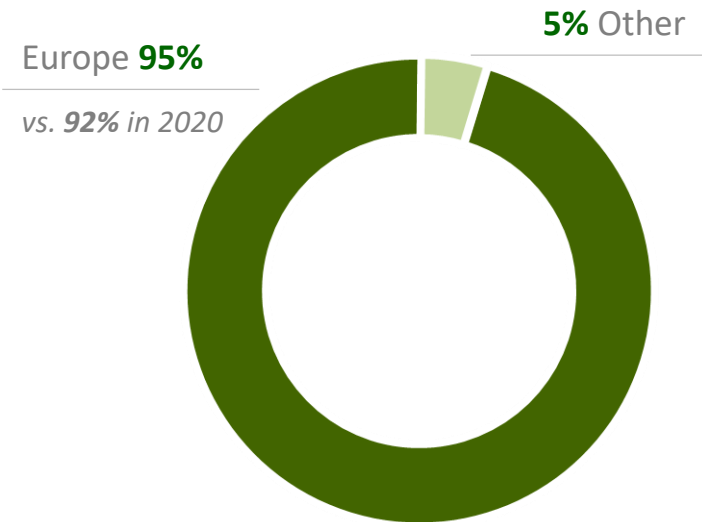


Ence's revenue breakdown

Focus on the European market and on growing segments with differentiated products



Geographical distribution of sales
% of pulp sales



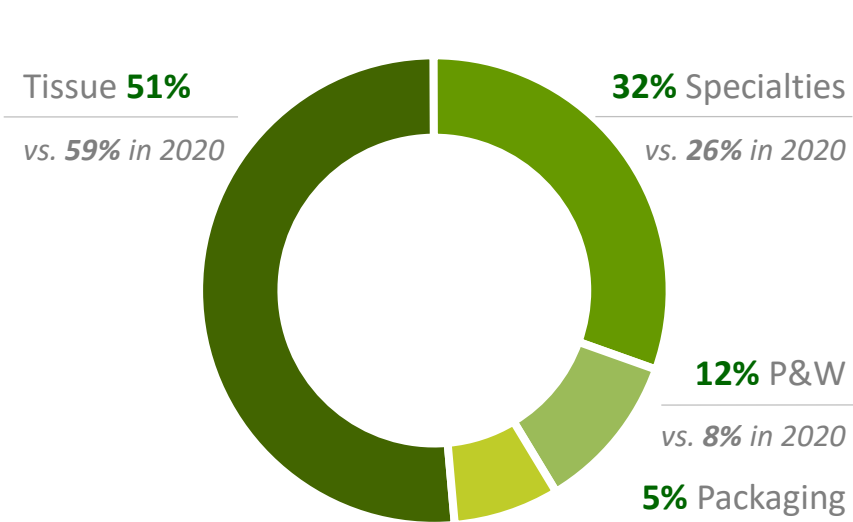
Source: Ence 1Q21

Most of the pulp produced by Ence is sold in Europe

95%

of revenue from pulp sales

Breakdown by end product
% of pulp sales



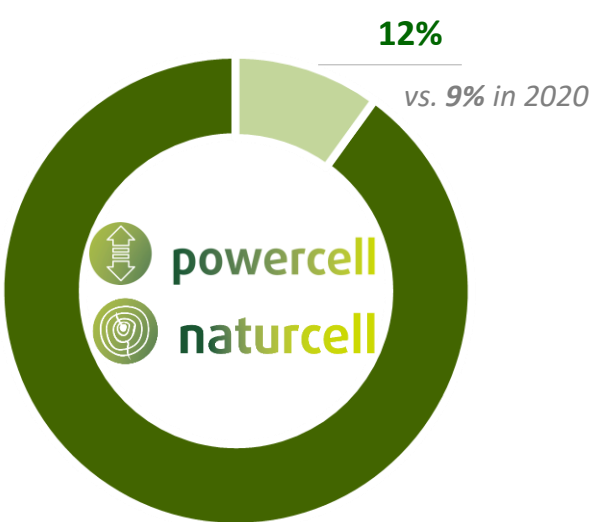
Source: Ence 1Q21

Tissue & Specialties paper remain the main end uses given to the pulp sold by Ence

83%

of revenue from pulp sales

Differentiated products
% of pulp sales



Source: Ence 1Q21

Ence's differentiated products already account for

12%

of revenue from pulp sales



Pulp demand set to outgrow supply over 2021-2025

Minimum lead time for new projects close to 3 years

Expected Annual Increase in Global Market Pulp Supply & Demand

Mn t¹

Mn t		2021	2022	2021-22	2023	2021-23	2024	2021-24	2025	2021-25
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)

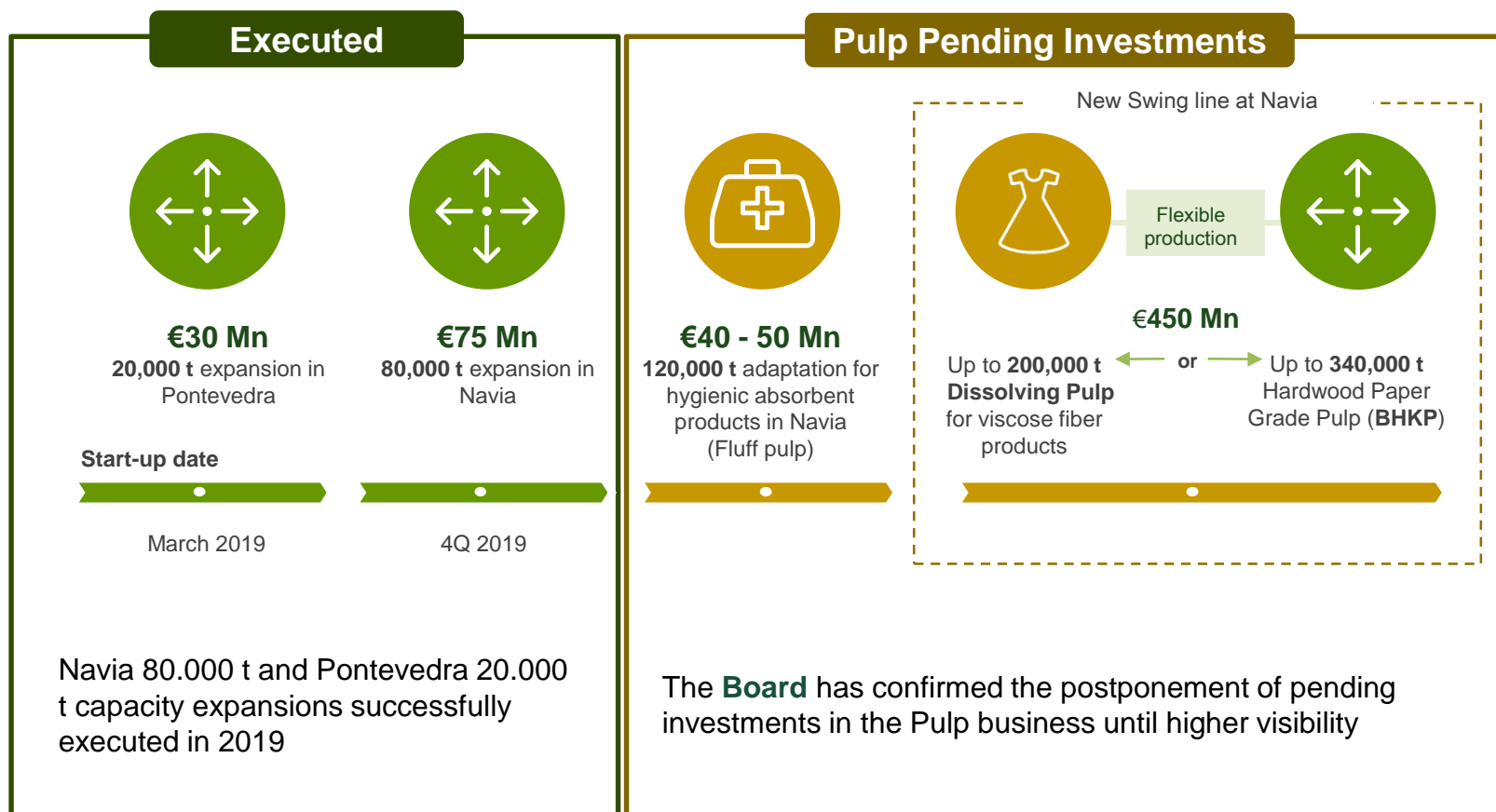
Source: ENCE estimates

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.

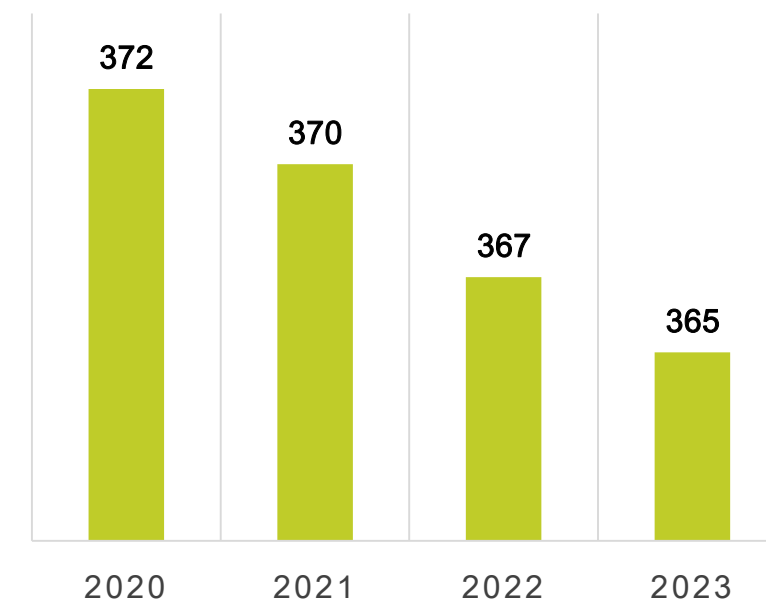
Ence's investment plan in the Pulp business

On hold until higher visibility

Stepwise investment plan with 4 independent projects
€ Mn



Gradual reduction of BHKP cash cost
€/t



Cost optimization program launched in 2019, 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

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 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.

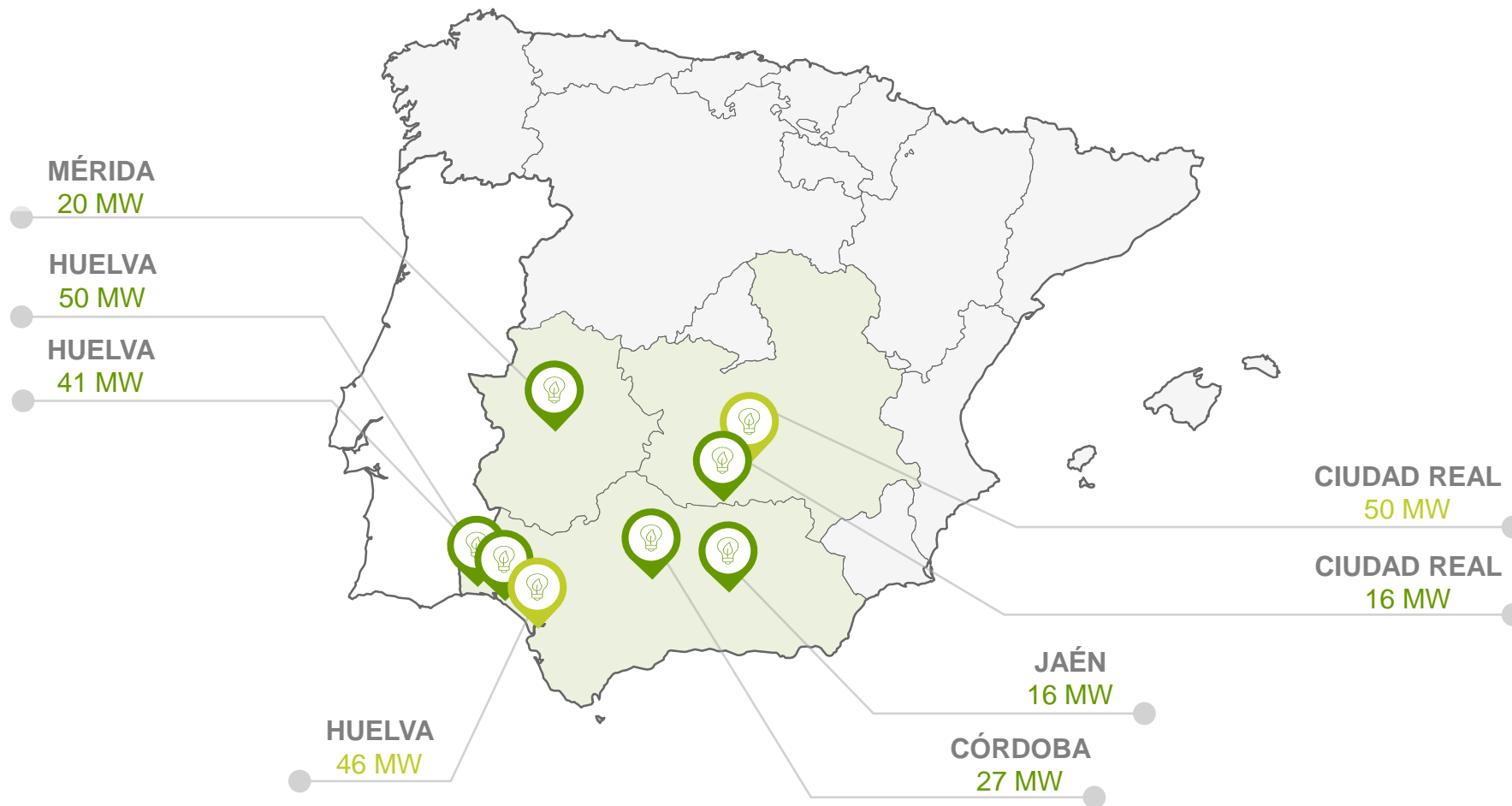


2. Renewable Energy Business



Largest Spanish renewable energy generator with agroforestry biomass

266 MW of installed capacity



Current Power Plants Portfolio



Biomass power plants
170 MW



New biomass power plants
commissioned in 1Q 2020
96MW



A regulated business which adds stability to the Group

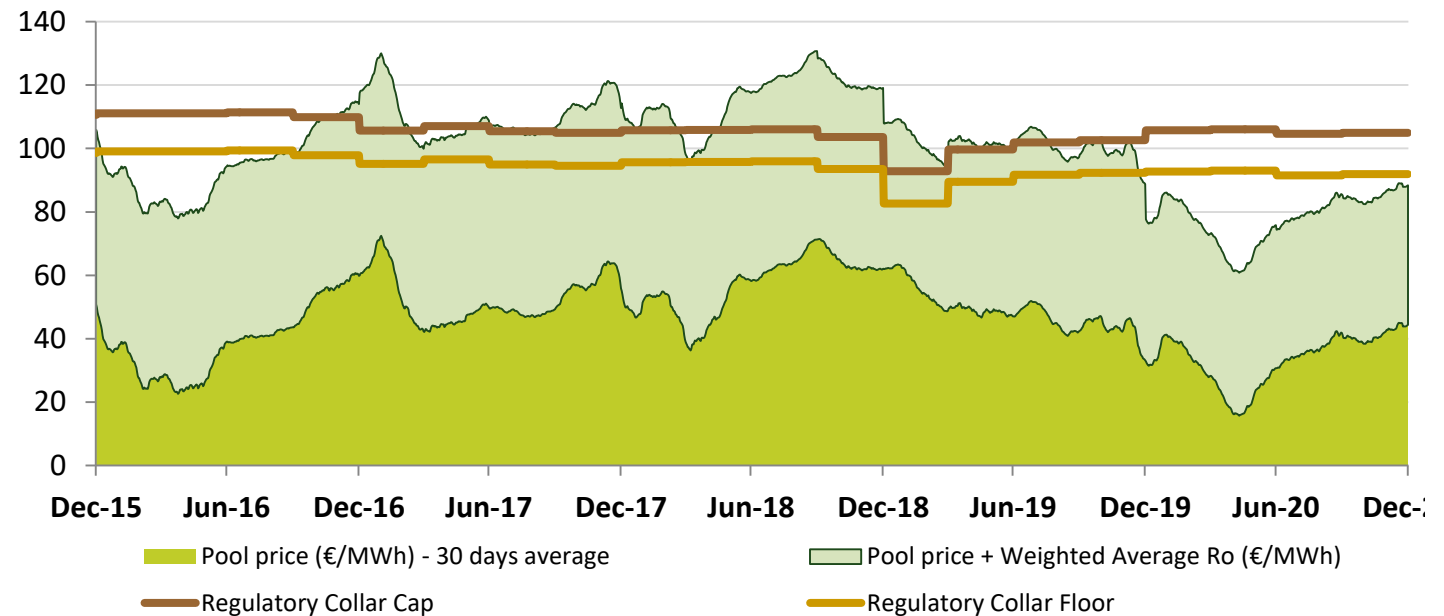
€ 40 Mn annual return on investment and regulated sales price

Annual return on investment
(€ Mn)

€ 40 Mn
Annual Return
on Investment

- ✓ 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 € 40 Mn subject to a minimum operation of just 3.000 hours per biomass power plant.

Regulated sales price: Pool price + Return on the operations (Ro) + Regulatory Collar
(€/MWh)



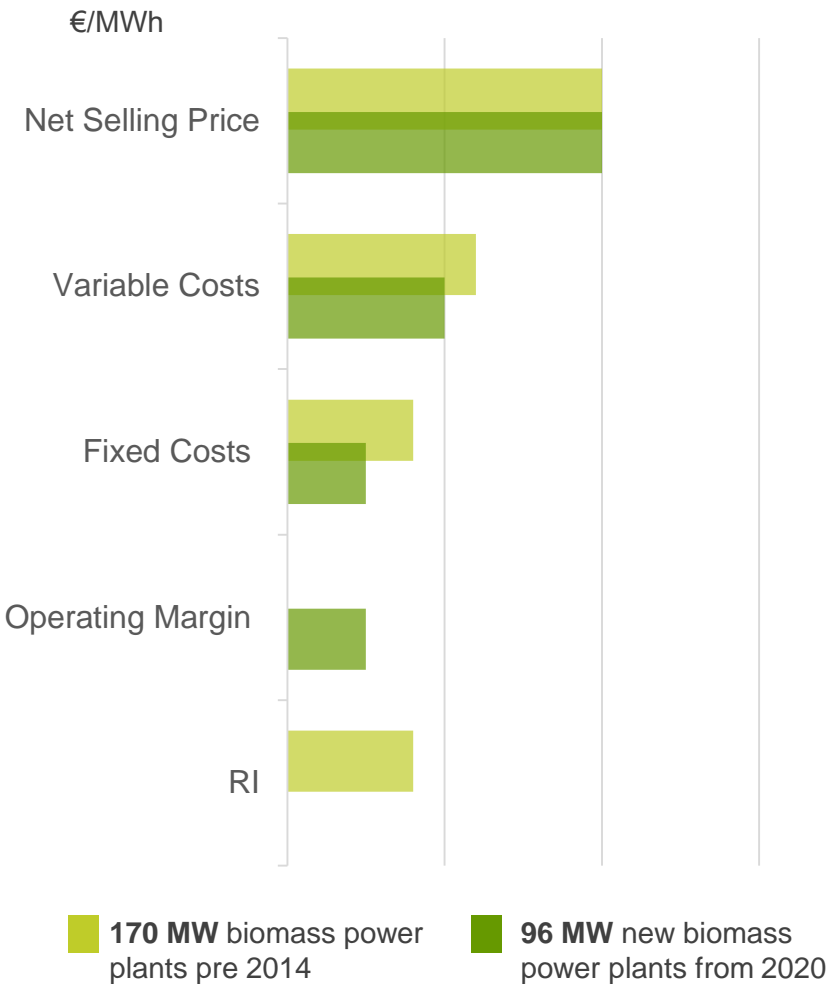
- ✓ Our renewable energy sales price is supported by its **regulatory minimum, that covers all the operating costs of a standard biomass power plant**
- ✓ Ro and regulatory collar applicable during the sanitary crisis will be reviewed, according to Spanish Royal Decree-Law 23/2020.



New biomass power plants are more efficient

Due to fuel flexibility, higher efficiency factor and fixed costs dilution

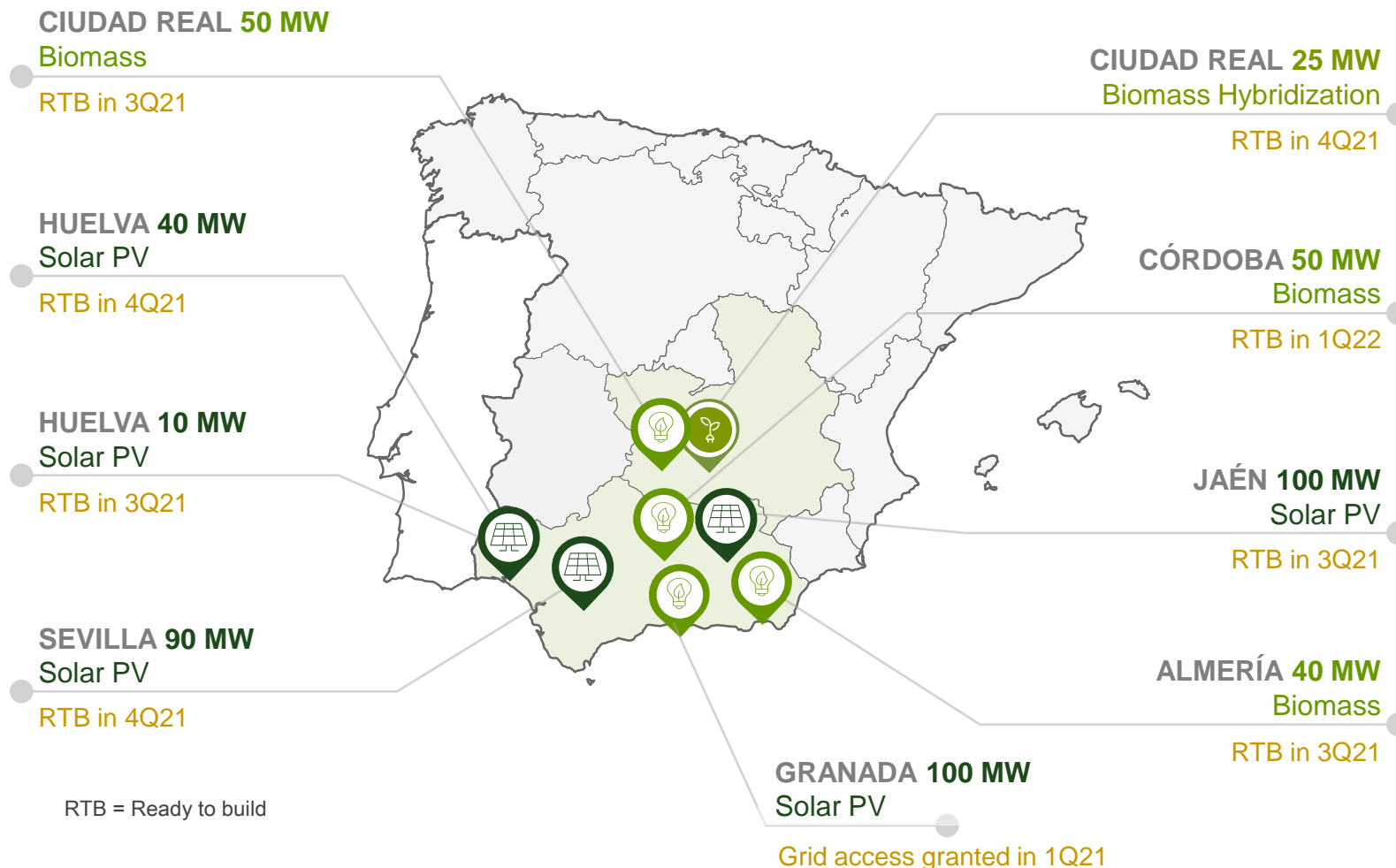
	Biomass power plant location	Capacity MW	End of regulatory life	Construction Capex € Mn / MW	Boiler technology	Efficiency factor	Fuel flexibility
BIOMASS POWER PLANTS PRE 2014	Huelva	41	2025		Fluidized bed	26%	Limited
	Ciudad Real	16	2027		Pulverized fuel boiler + stoker grate	24%	Inflexible
	Jaén	16	2027		Pulverized fuel boiler + stoker grate	24%	Inflexible
	Córdoba	14	2031		Reciprocating grate	26%	Inflexible
	Huelva	50	2037	2.6	Fluidized bed	30%	Limited
	Mérida	20	2039	3.3	Vibrating grate	32%	Flexible
NEW BIOMASS PLANTS	Huelva	46	2044	2.2	Vibrating grate	35%	Full Flexibility
	Ciudad Real	50	2044		Vibrating grate	35%	Full Flexibility





Renewables pipeline: 505 MW with grid access and locations secured

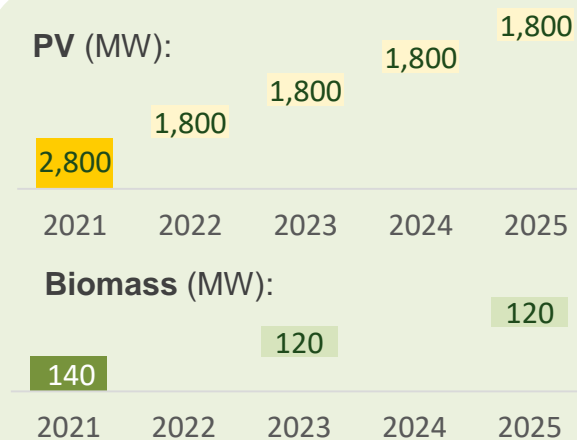
Awaiting upcoming public auctions of the National Renewable Energy Plan



Auctions Scheme Spanish Royal Decree-Law 23/2020

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

Biomass and PV Auction calendar 2021-2025

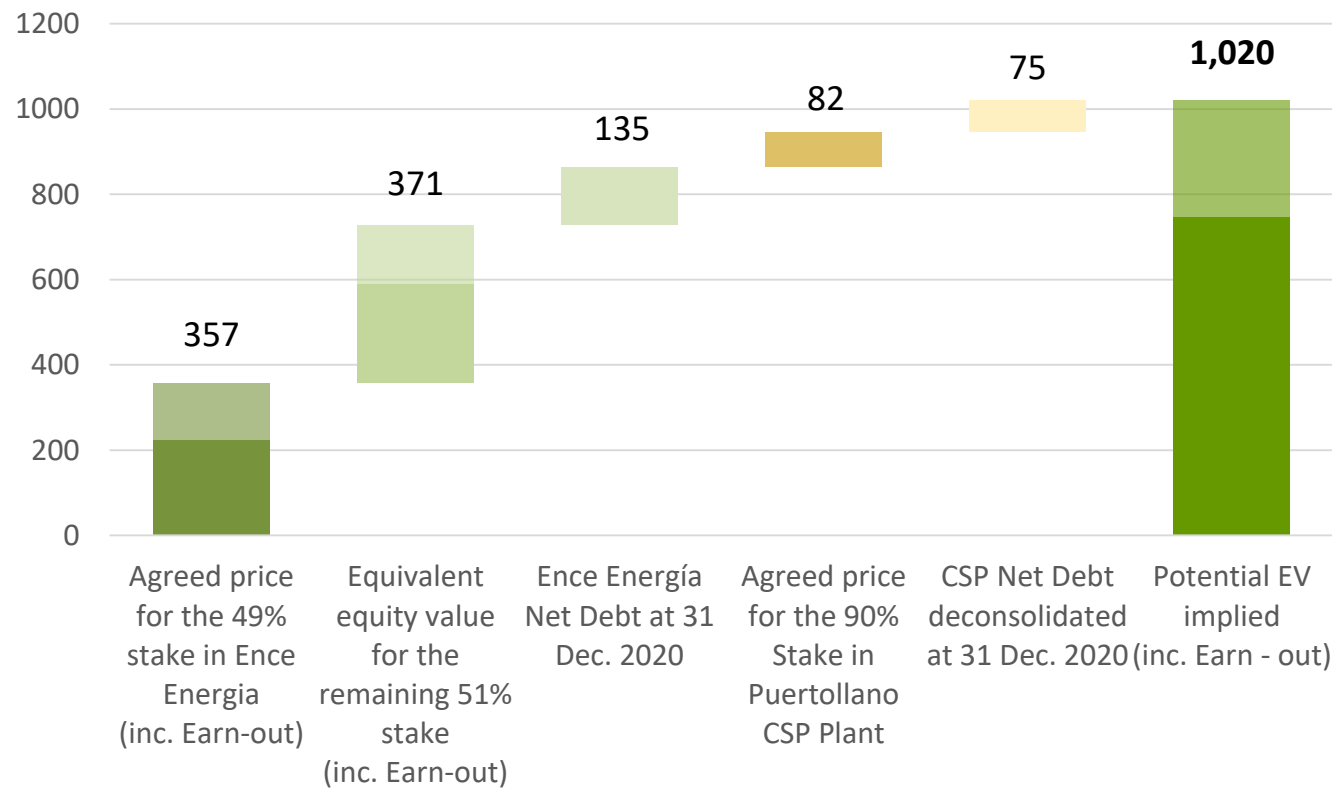




Value crystallization in the Renewables business in 4T20

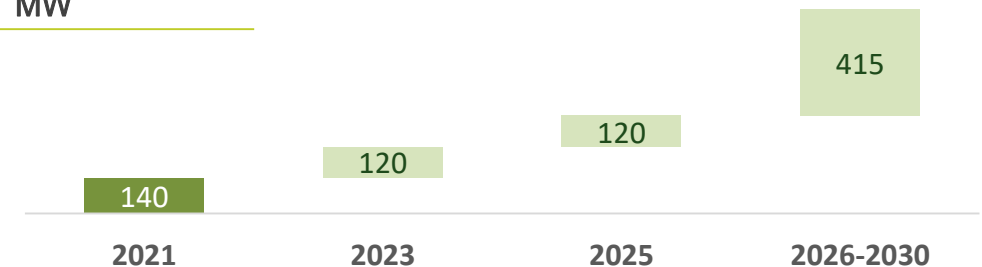
With the sale of a minority stake and Puertollano 50 MW CSP plant

Potential EV implied in the transactions up to €1 Bn
Mn€



- **€ 305 Mn cashed in December 2020**
- **Up to € 134 Mn earn-out** linked to the development of the 140 MW biomass pipeline with the following milestones:
 1. Call for biomass auctions with a capacity of up to 140 MW
 2. Capacity allocated to Ence and the price obtained in the auctions
 3. Price obtained in the auctions combined with the final capex for these plants
 4. Cash distributed by the business during the next eight years and its valuation at the end of that period
- **The main determinant of the earn-out will be the price obtained in the biomass auctions**

Biomass auctions calendar
MW

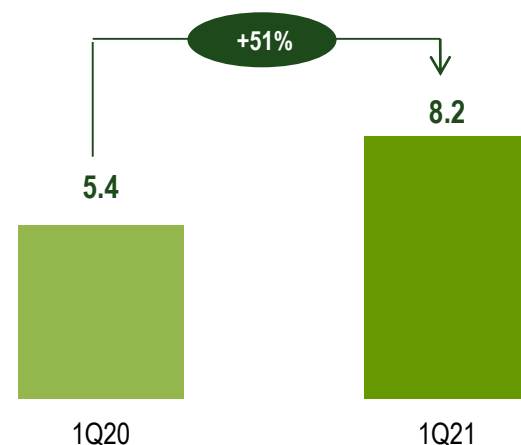


3 1Q21 Results - Summary

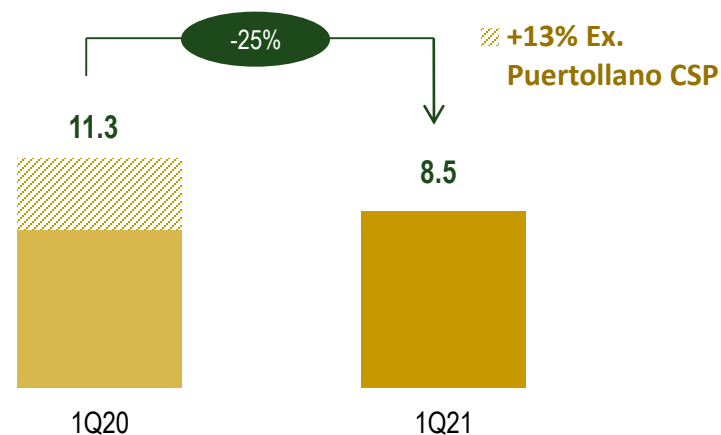
1Q21 Financial Results

Driven by annual shutdowns and the Puertollano CSP plant deconsolidation

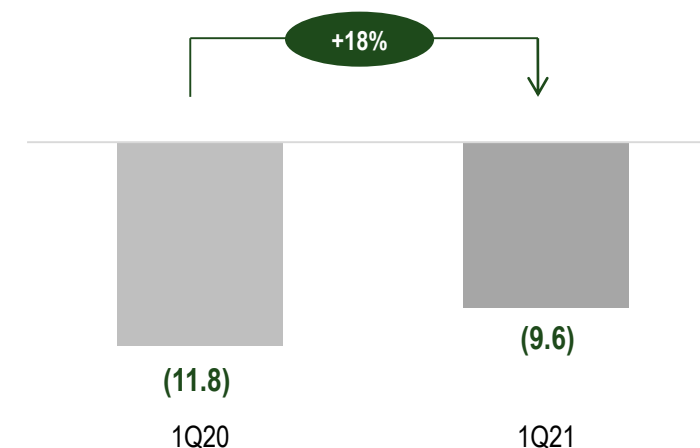
Pulp Business EBITDA (€ Mn)



Renewable Energy Business EBITDA (€ Mn)



Group Net Income (€ 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

€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

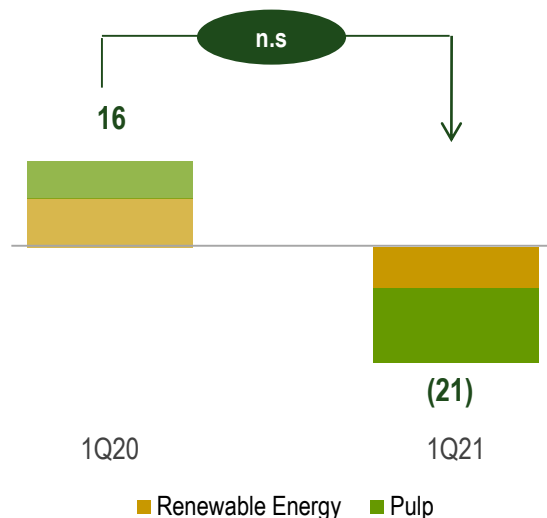
Net consolidated result of - €9.6 Mn following:

- - €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

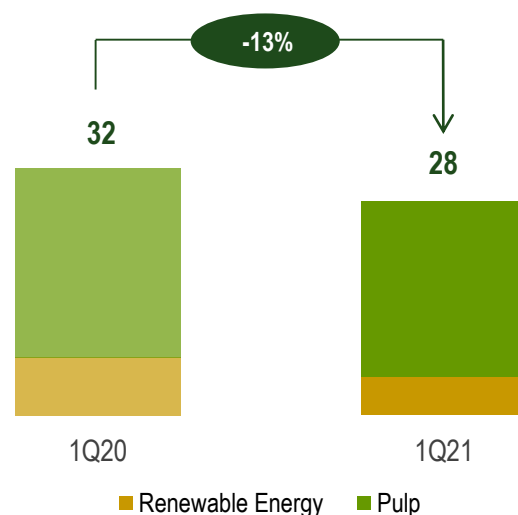
Normalized FCF¹ (€ Mn)



Normalized Free Cash Flow generation of -€21 Mn

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

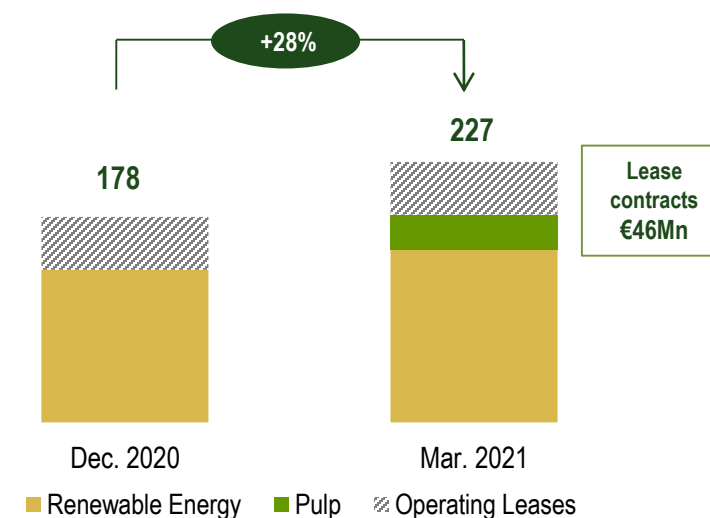
Strategic Plan payments (€ Mn)



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):

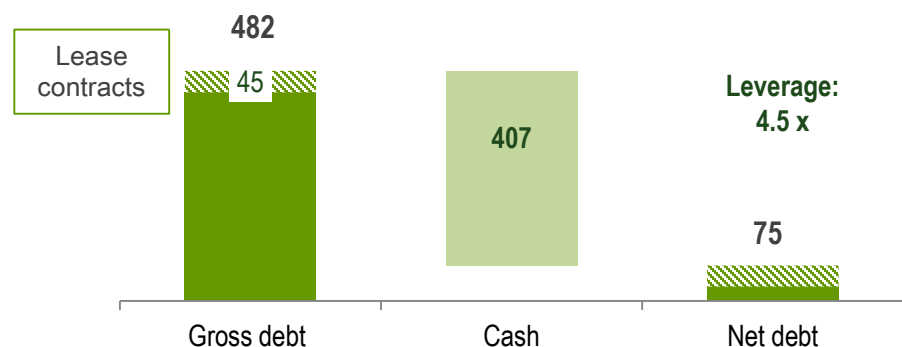
- Including **€46 Mn related to lease contracts**
- €475 Mn cash in balance**

1. FCF before Strategic Plan investments and regulatory collar

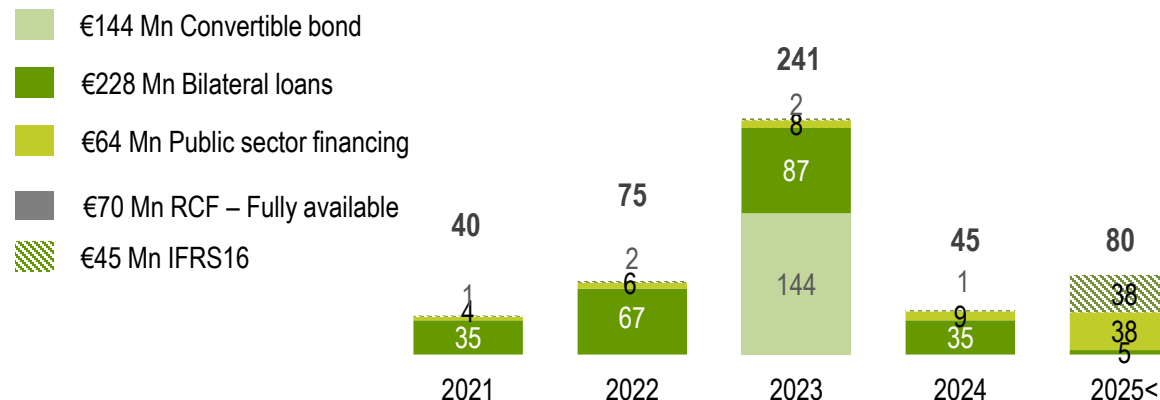
Strong balance sheet

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

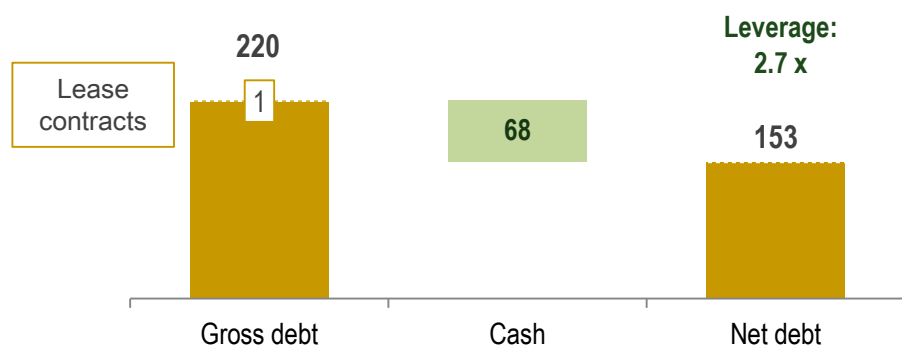
Pulp business leverage as of 31 Mar. 2021 (€ Mn)



Pulp business Debt Maturity Calendar (€ Mn)



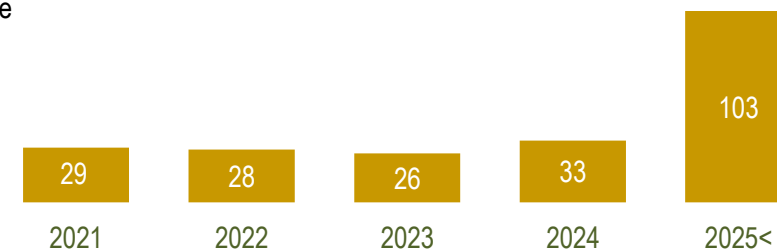
Renewables business leverage as of 31 Mar. 2021 (€ Mn)



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**

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.

Alternative Performance Measures (APMs)

Pg.2

Normalised free cash flow provides a proxy for the cash generated by the company's operating activities before collection of proceeds from asset sales; this cash represents the amount available for investments other than maintenance capex, for shareholder remuneration and for debt repayment.

MAINTENANCE, EFFICIENCY & GROWTH AND SUSTAINABILITY CAPEX

Ence provides the breakdown of its capital expenditure and related cash outflows for each of its business units in its quarterly earnings report, distinguishing between maintenance, efficiency & growth and sustainability capex.

Maintenance capex are recurring investments designed to maintain the capacity and productivity of the company's assets. Efficiency & growth capex, meanwhile, are investments designed to increase these assets' capacity and productivity. Lastly, sustainability capex covers investments made to enhance quality standards, occupational health and safety, to improve the environment and to prevent contamination.

Ence's 2019-2023 Business Plan includes a schedule of the amounts it expects to invest annually in efficiency & growth and sustainability capex in order to attain the strategic targets set. The disclosure of capex cash flows broken down by area of investment facilitates oversight of the execution of the published 2016-2020 Business Plan.

FREE CASH FLOW

Ence reports free cash flow as the sum of its net cash flows from operating activities and its net cash flows from the investing activities of its quarterly earnings report.

Free cash flow provides information about the cash generated by the Group's operating activities that is left over after its investing activities for the remuneration of shareholders and repayment of debt.

NET DEBT

The borrowings recognized on the balance sheet, as detailed in its quarterly earnings report, include bonds and other marketable securities, bank borrowings and other financial liabilities. They do not however include the measurement of financial derivatives 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



SUSTAINALYTICS

Global ESG score:
91/100



FTSE4Good

Delivering value Delivering commitments

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