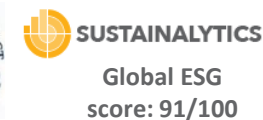


# Leading the Circular Bioeconomy

April 2023



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# Vision

*“To be leaders in the sustainable use of natural resources to produce **special pulp** and **renewable energy** in competitive bio-factories and plants integrated into their environment”*

# Purpose

*“...to contribute to the development of society through the sustainable and responsible use of the natural resources available in our environment, offering pulp to replace polluting products and manageable green energy”*

# Strategy

*“To continue growing and diversifying our businesses towards the circular bioeconomy”*



## Contents:

1. Ence Overview
2. Why Invest in Ence
3. Market Positioning & Competitive Advantage
4. Growth Opportunities
5. FY22 Financial Results & Outlook



# 1. Ence Overview

# Leading the Circular Bioeconomy

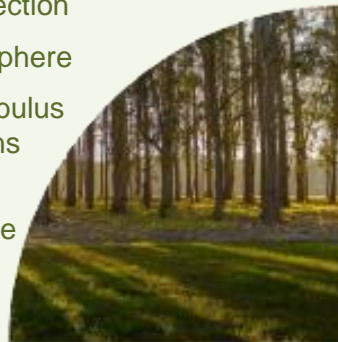
4 activities, 2 reporting segments, 1 vision

## PULP Business

### Sustainable Forestry Management

1

- Ence manages >65,000 hectares of forest land in the Iberian Peninsula. 22% dedicated to ecosystem protection
- >600.000 t of CO2 annually removed from the atmosphere
- Pioneers in the clonal reproduction of eucalyptus globulus adapted to climate change and local plague conditions
- 3 Mn tons of wood acquired annually from the surroundings of our biomills, from certified responsible sources by way of our unique supply chain



2

### Eco-efficient Production of Special Pulp

- We are a leading European eucalyptus pulp producer, with 1.2 Mn tons of installed capacity
- Our production process is environmentally friendly and is an important example of energy efficiency, decarbonization and the circular bioeconomy
- We produce natural, renewable and biodegradable materials, which are substitutes for plastic used in multiple applications
- A growing portfolio of differentiated and more sustainable products, allowing for higher margins



## RENEWABLES Business

### Biogas & other renewables

- Ence has incorporated a new subsidiary in 2022 for the development and operation of biomethane plants.
- Our plants will recycle local organic waste into biomethane, with its associated sustainability certificate, and a high-quality organic fertilizer.
- Target to reach 20 plants with a combined capacity of >1TWh per year by 2030
- Ence has also developed 373 MW in PV projects that will be sold in 2023-2024. Another 300 MW at an early stage of development.



4

3

### Biomass electrical and thermal Energy

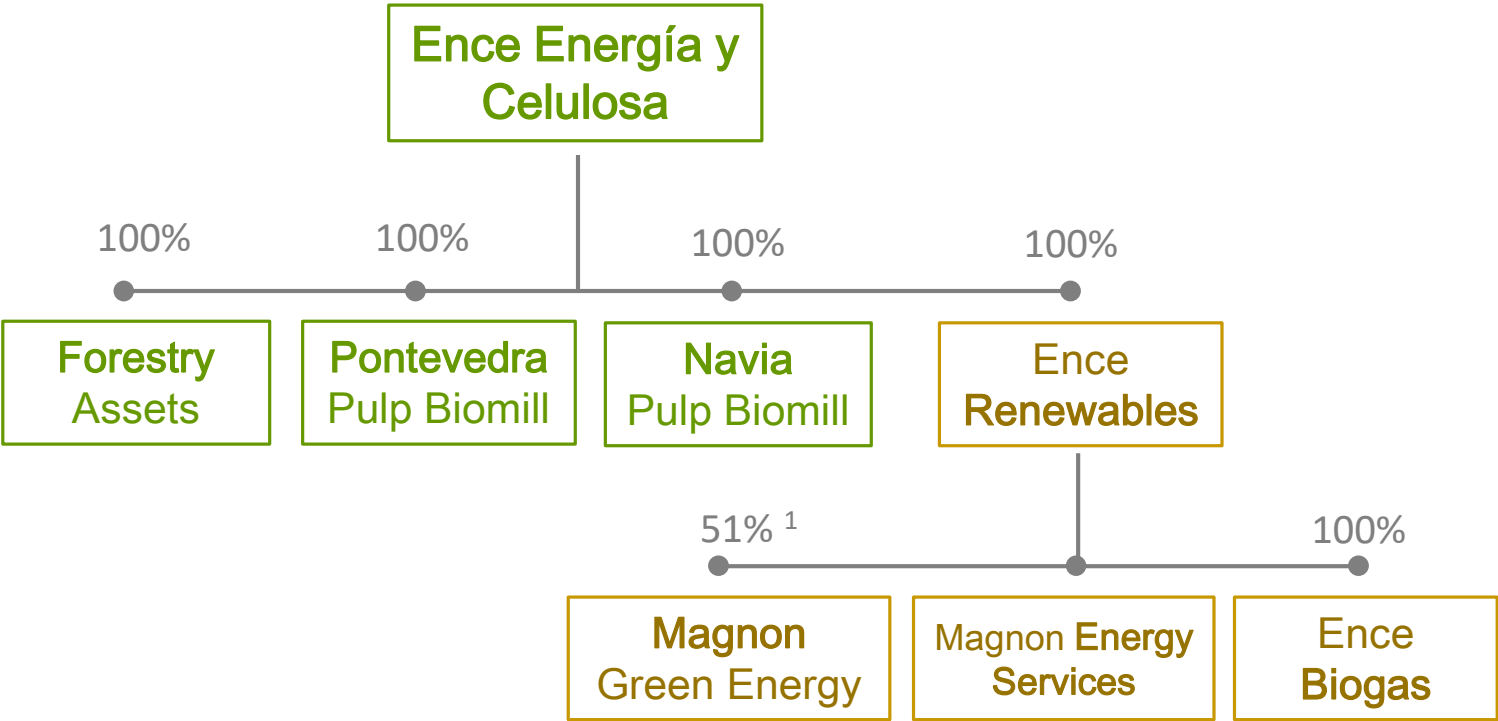
- We are the largest renewable energy producer with agricultural and forestry biomass in Spain, with an installed capacity of 266 MW (43% market share) and 140 MW growth pipeline
- Our biomass plants are fully manageable and contribute to EU decarbonisation goals
- We draw upon local agricultural and forest by-products, mitigating their environmental impact and reducing fire risk
- Our new plants are an example of fair energy transition, since they have been located in sites previously occupied by other industrial activities and help to preserve local jobs





# Pulp & Renewables – 2 Independent reporting segments

The regulated Biomass business complements the cyclicity of the Pulp business



1 Ancala Partners: 49%

# Ence main figures

In FY22



Revenues  
€1bn

↑ **+22%**  
vs. FY21



Normalized  
FCF<sup>1,2,3</sup>  
€250m

↑ **>2x**  
vs. FY21



Dividends paid  
€67m (€0.27ps)



Net Debt (Cash)  
€(30)m



EBITDA<sup>3</sup>  
€248m

↑ **+16%**  
vs. FY21



Net Income<sup>6</sup>  
€247m



ROCE<sup>4</sup>  
13%



Market Cap  
€957m<sup>5</sup>

1 Normalised FCF = EBITDA +/- change in working capital - maintenance capex - net interest payments - income tax payments.  
Measure of the cash flow available for growth capex, net debt reduction and dividends.

2 FY22 WC figure includes pending payments to the electricity system amounting to €85m

3 2021 excludes the impact one-off pulp and energy price hedges arranged in 2020, during the pandemic

4 ROCE = EBIT / Average (Equity + Net Debt). Excludes accounting impact of the Supreme Court ruling

5 As of 8/3/2023

6 Includes Reversal of Pontevedra impairments and provisions of €169m



# Ence Management Team



**Ignacio de Colmenares**

*Chairman & CEO*



**Alfredo Avello**

*CFO & Chief Forestry Officer*



**Jordi Aguiló**

*CEO of Pulp business*



Magnon

**Guillermo Negro**

*CEO of Biomass business*



## 2. Why invest in Ence

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# Why invest in Ence

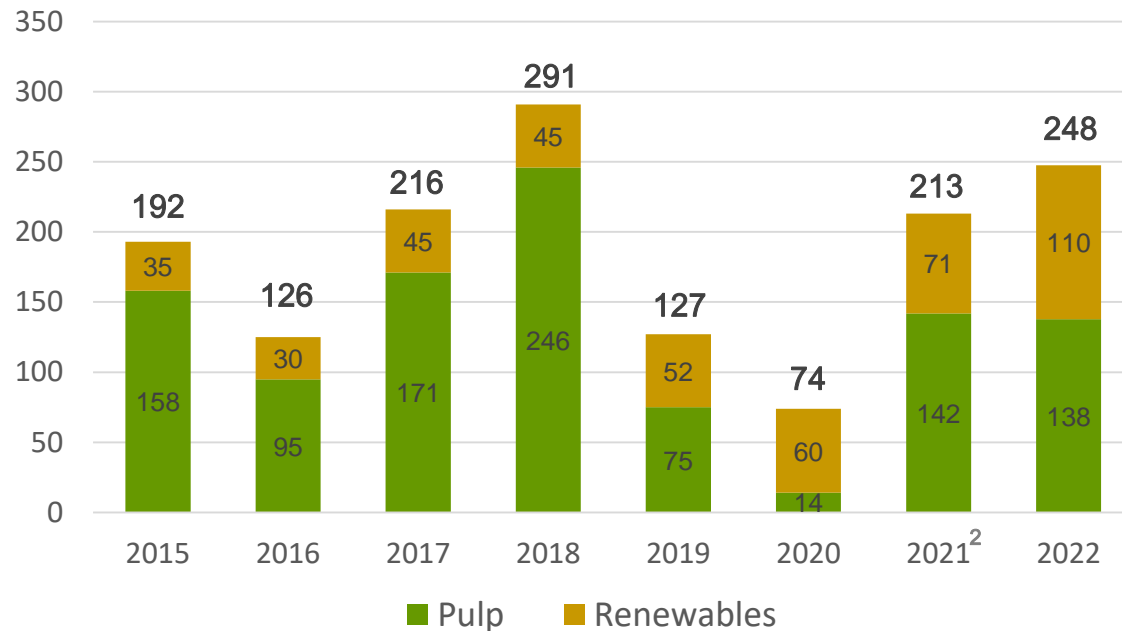
- 1** We are leaders in the **circular Bioeconomy**, addressing structural growth markets with 4 complementary activities
- 2** We enjoy **competitive advantages** in both Pulp & Renewables
- 3** We focus on **value creation for our shareholders**, the generation of strong profitability, and attractive returns & cash
- 4** Our solid balance sheet **funds organic growth and returns for shareholders**, whilst adhering to strict capital allocation policies
- 5** We lead the industry on **Sustainability**, in view of our commitment to the circular bioeconomy
- 6** Our strategy is clear and **our leadership team is highly experienced**, with a strong track record

# Strong & consistent delivery of EBITDA & cash flow through the cycle

Our regulated Biomass business complements the cyclical nature of the Pulp business

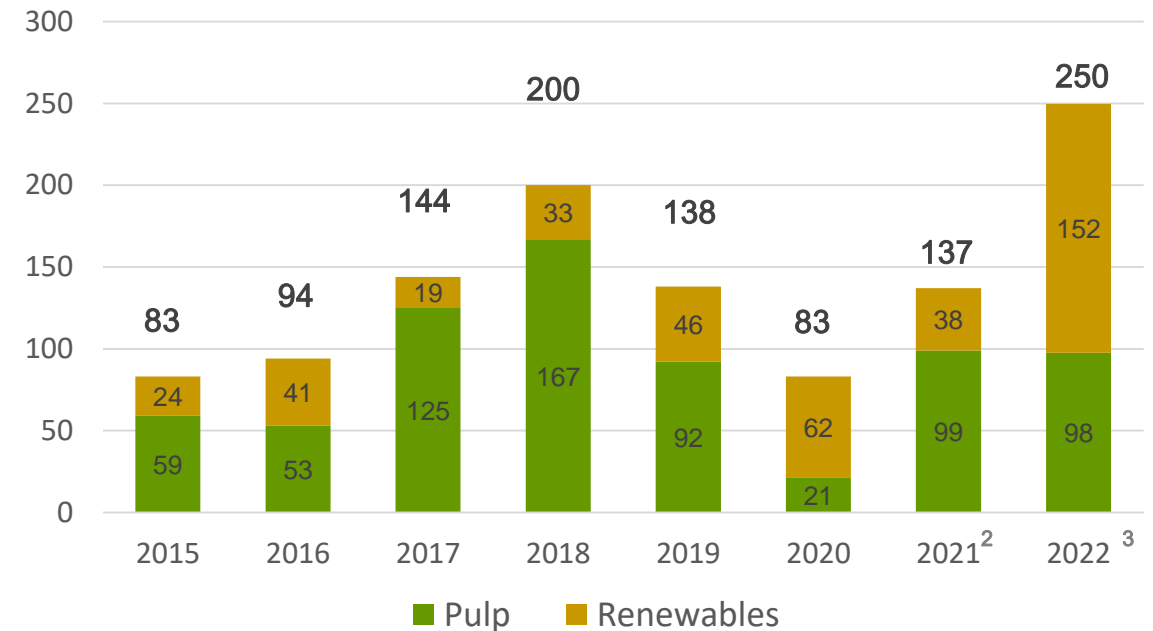


2015 – 2022 LTM EBITDA per business  
€m



Average EBITDA 2015 - 2022: €186m

2015 – 2022 LTM normalized FCF per business <sup>1</sup>  
€m



Average normalized FCF1 2015 - 2022: €141m

<sup>1</sup> Normalized FCF = EBITDA +/- change in working capital - maintenance capex - net interest payments - income tax payments.  
Measure of the cash flow available for growth capex, net debt reduction and dividends

<sup>2</sup> 2021 excludes the impact one-off pulp and energy price hedges arranged in 2020, during the pandemic

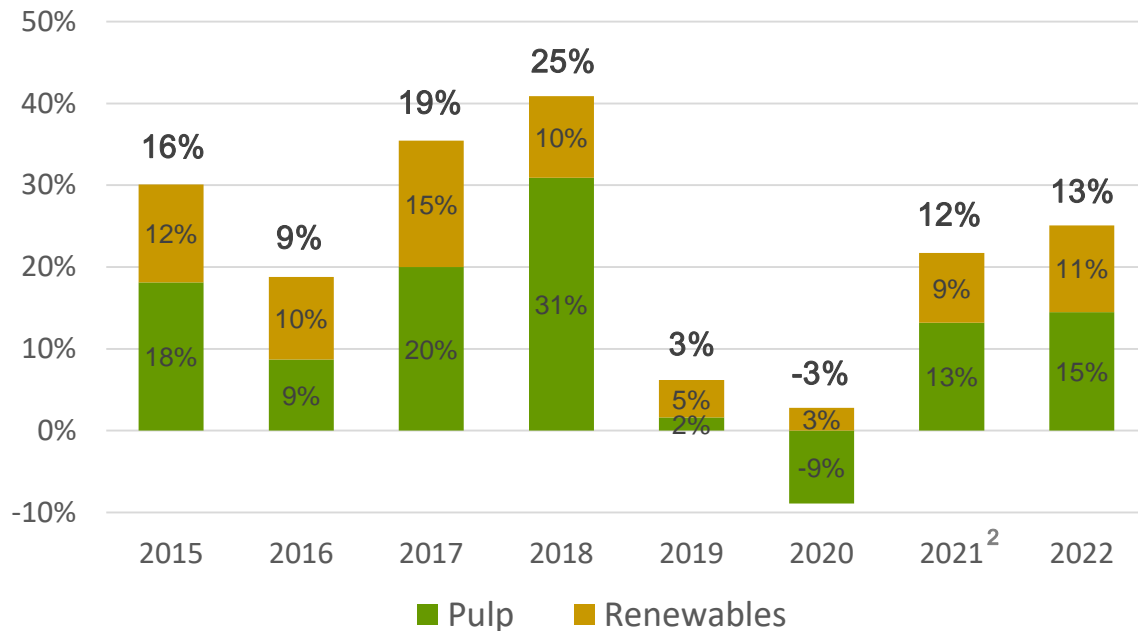
<sup>3</sup> FY22 WC figure includes pending payments to the electricity system amounting to €85m



# Focus on profitability

Returns-based framework drives decision-making with ROCE targets for each business

2015 – 2022 LTM ROCE per business  
€m



Average ROCE 2015 - 2022: 12%

- 1 Normalized FCF = EBITDA +/- change in working capital - maintenance capex - net interest payments - income tax payments.  
Measure of the cash flow available for growth capex, net debt reduction and dividends
- 2 2021 excludes the impact one-off pulp and energy price hedges arranged in 2020, during the pandemic
- 3 FY22 WC figure includes pending payments to the electricity system amounting to €85m

## ROCE framework

1	"Through the cycle" ROCE	> 10%	<ul style="list-style-type: none"> <li>Good measure of capital efficiency</li> <li>Focuses the business on cash generation and optimal asset allocation</li> <li>Value generation for shareholders</li> </ul>
2	ROCE New Project	Pulp > 12% <sup>1</sup> RE > 7% <sup>2</sup>	<ul style="list-style-type: none"> <li>Projects prioritized in line with strategic interests &amp; target annualized Rate of Return</li> <li>Investments reviewed quarterly to monitor progress, costs, benefits</li> </ul>
3	Leverage	Pulp < 2.5x RE < 5.0x	<ul style="list-style-type: none"> <li>Optimize capital structure for shareholders' value creation</li> <li>Drives company decisions in relation to the overall market and industry</li> </ul>

**Structural Long Term Growth Drivers**  
**Improving Efficiency (Operating Leverage)**  
**Optimal Capital Allocation**

# Our dividend policy is aligned with cash available for distribution & leverage

Typically payable in 3 annual payments

## DIVIDEND POLICY



### CASH

Amount is based on cash available for distribution after considering capex plans

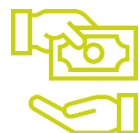
Ensuring a **leverage** below:

2.5x

Net Debt / EBITDA for **Pulp** business<sup>1</sup>

5.0x

Net Debt / EBITDA for **Energy**<sup>1</sup> business



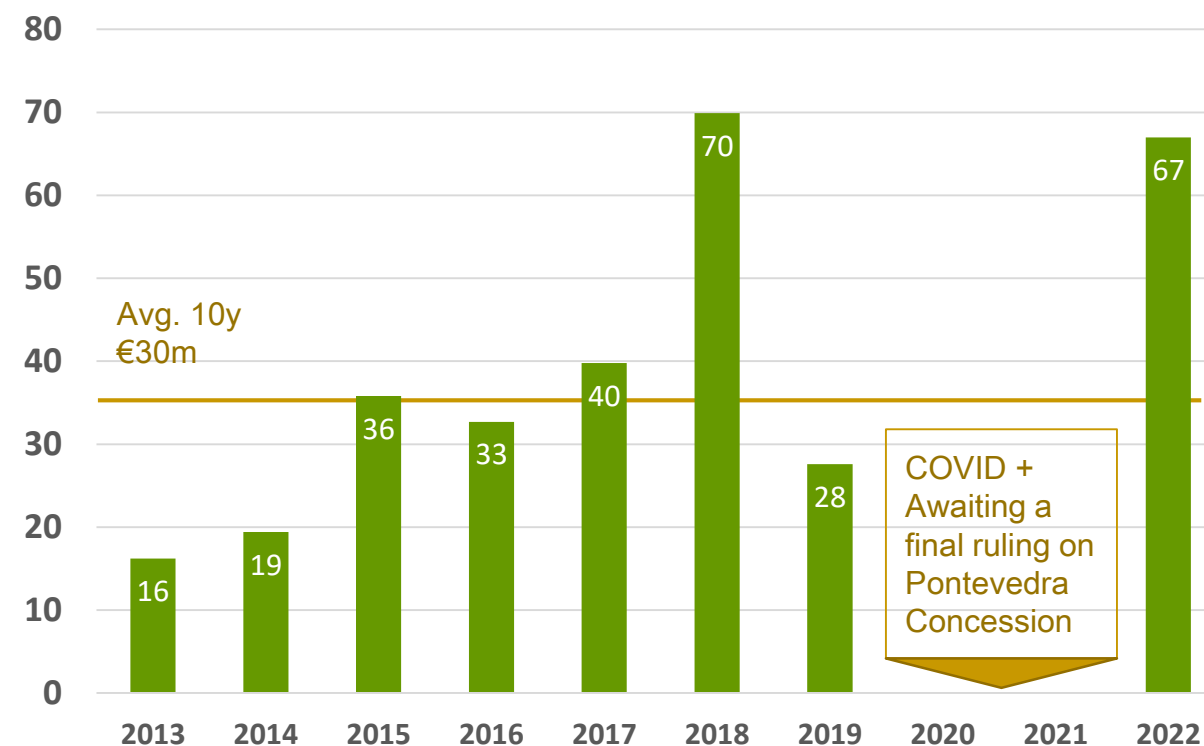
### 3 Annual payments

1. Complimentary dividend paid in May post AGM
2. First interim dividend paid in August post H1
3. Second interim dividend paid in October post 9M

<sup>1</sup>At average cycle prices

<sup>2</sup> Share price As of 8/3/2023

Average of €30m dividend paid per year  
(€m)



# Sustainability industry leader

The most sustainable company in our sector (Sustainalytics)



## Safe & efficient operations

- ✓ Protecting Health and Safety
- ✓ Water footprint reduction
- ✓ Circular Economy
- ✓ Odour reduction

Reduces  
production cost



## Climate Action

- ✓ Decarbonization
- ✓ Climate change adaptation



## Sustainable Products

- ✓ Differentiated products with higher added value
- ✓ Renewable energy

Drives Leadership  
& Differentiation



## People & Values

- ✓ Quality employment
- ✓ Equality & diversity
- ✓ Talent promotion



## Commitment to Communities

- ✓ Social plans
- ✓ Job creation in rural areas

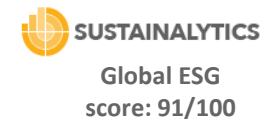
Operates a  
Social License



## Corporate Governance

- ✓ Transparency and best practices
- ✓ 38% independent and female directors
- ✓ Management remuneration aligned with shareholder interests
- ✓ Sustainability targets included in management variable compensation

Ensures correct  
decision-making



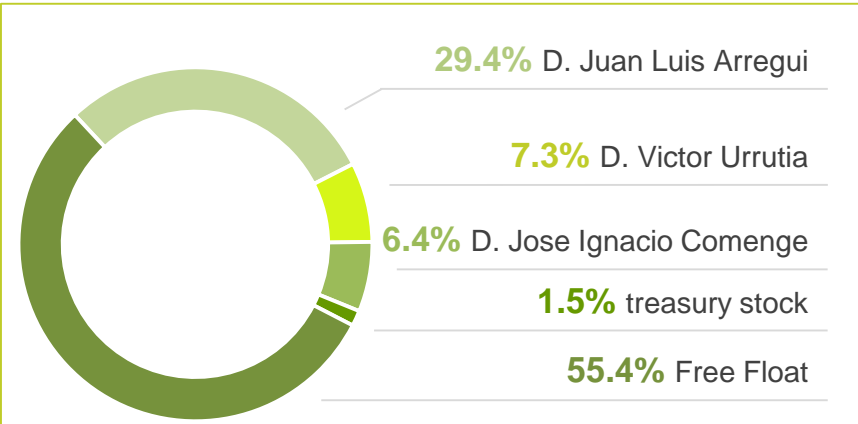


# Robust corporate governance with a supportive shareholder base

Management remuneration aligned with shareholder interests

## Shareholding Structure

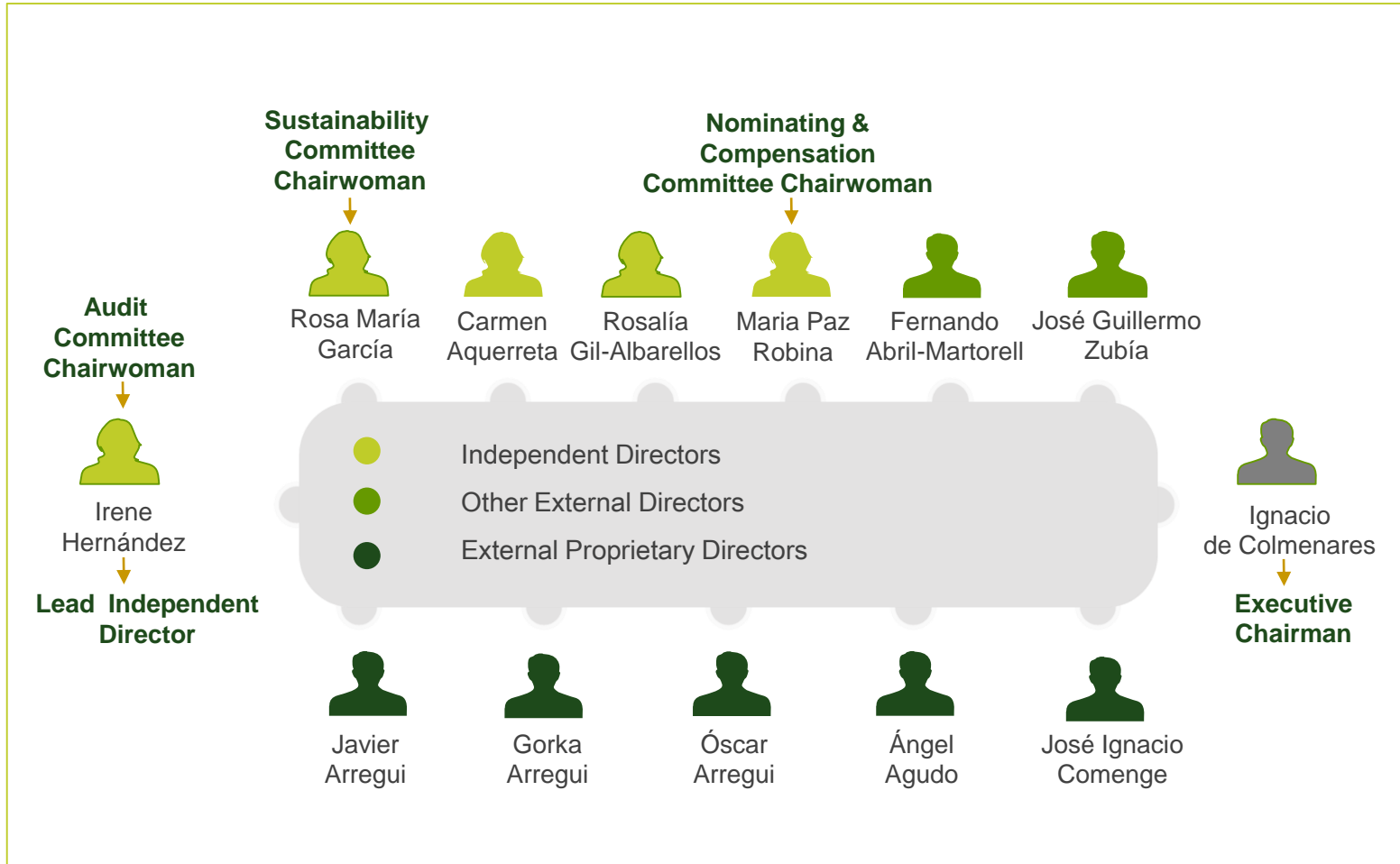
As of Dec. 2022



### Transparency & best practices

- 38% independent and female directors
- Audit, Remuneration and Sustainability committee chaired by independent directors
- 60% of independent directors at the Audit and Remuneration committees
- Management remuneration aligned with shareholder interests
- Sustainability targets account for 15% of management short-term bonus and 25% of the long-term bonus

## Board of Directors

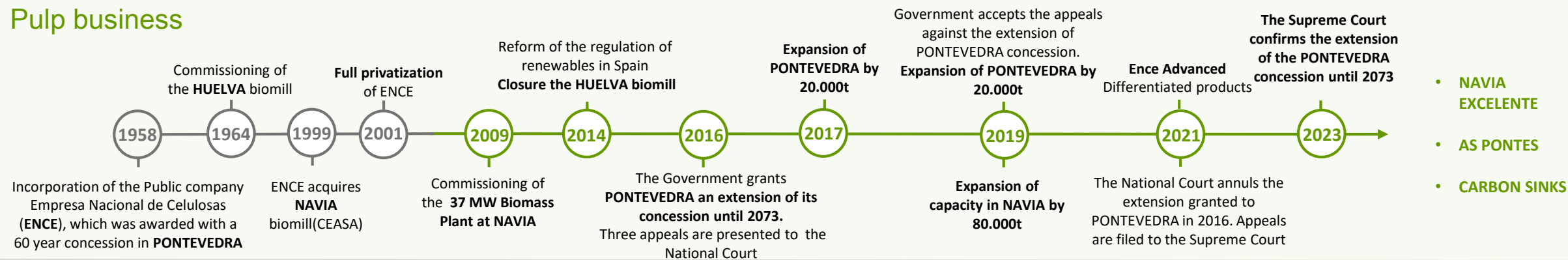


# Clear strategy towards growth and diversification

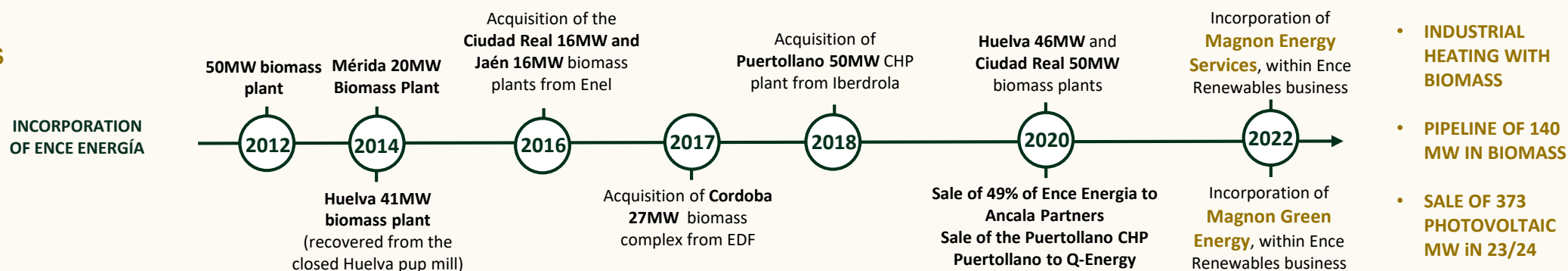
Highly experienced management team, with a strong track record



## Pulp business



## Biomass business



## Biogas business

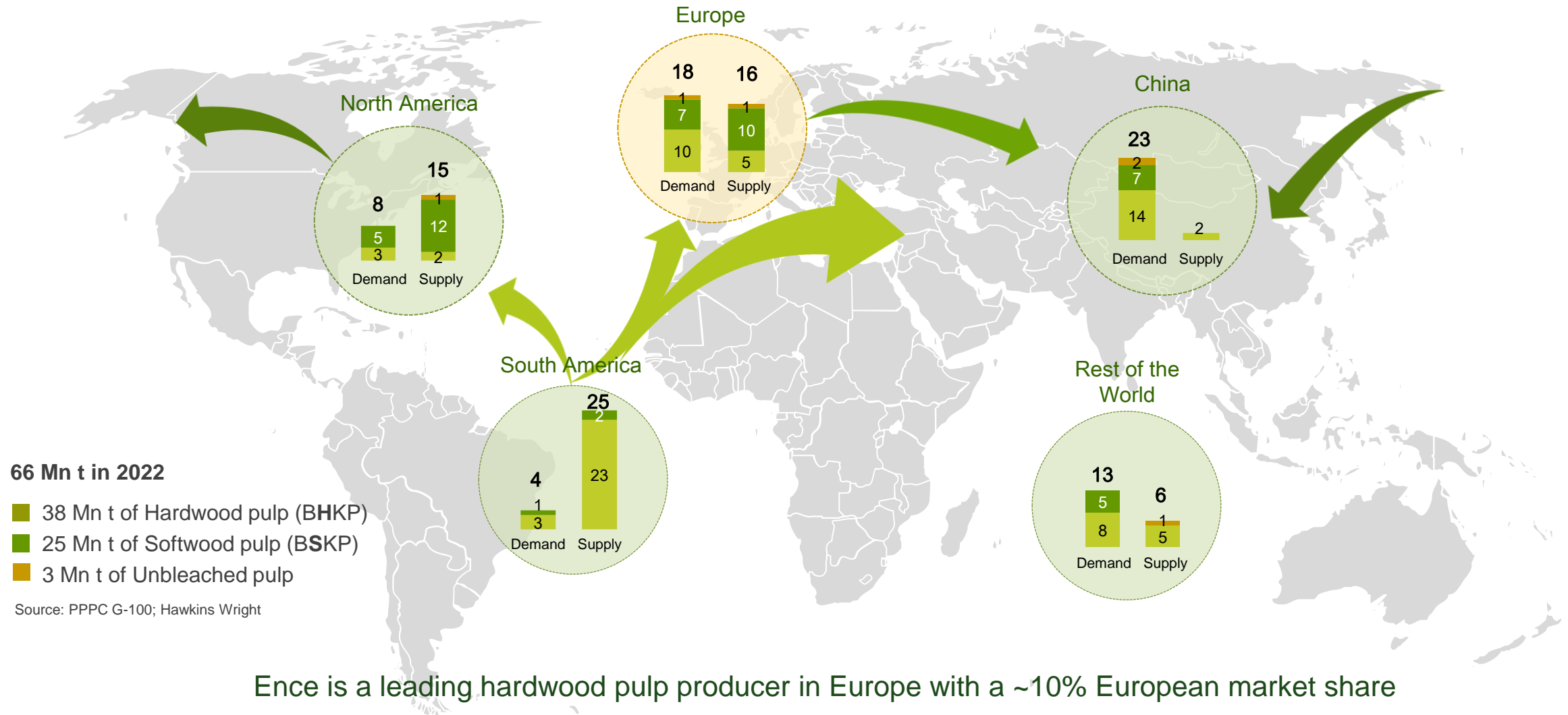


# 3a. Pulp Market Positioning & Competitive Advantage



# The global market pulp industry

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



# Market pulp demand grows at a 3% average annual rate

Boosted by structural megatrends

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

Source: Ence

**Tissue & Hygiene products: 36 Mn t**

**CAGR 2010 –20: 3.9%**

Source: RISI

Continued tissue demand growth driven by:

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

**Packaging: 7 Mn t**

**CAGR 2010 –2020: 2.3%**

Source: RISI

Packaging growth driven by:

- ✓ E-commerce
- ✓ Plastic products substitution

**Printing & Writing: 13 Mn t**

**CAGR 2010 –2020: - 3.3%**

Source: RISI

P&W secular decline driven by digitalization

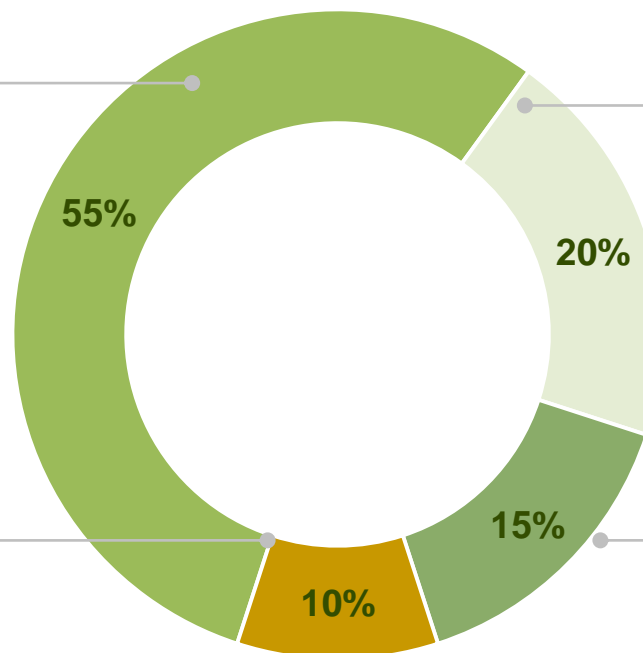
**Specialties: 10 Mn t**

**CAGR 2010 –2020: 0.8%**

Source: RISI

Specialties growth driven by:

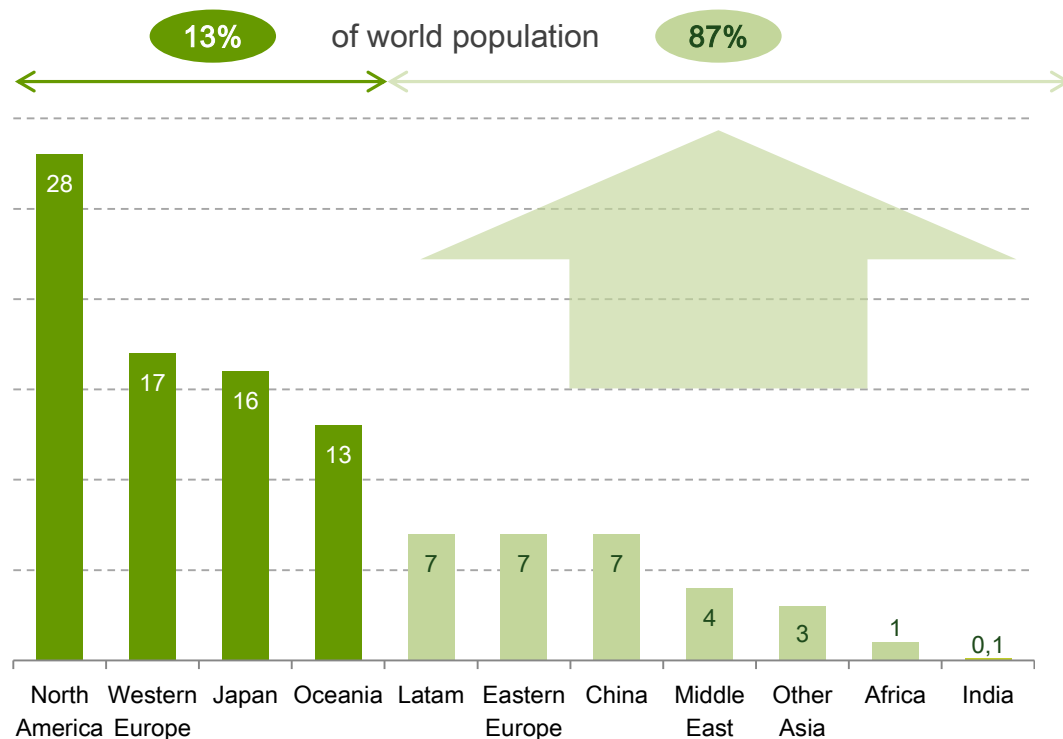
- ✓ Industrial output
- ✓ Household consumption
- ✓ Plastic products substitution



# Tissue is the fastest growing paper segment

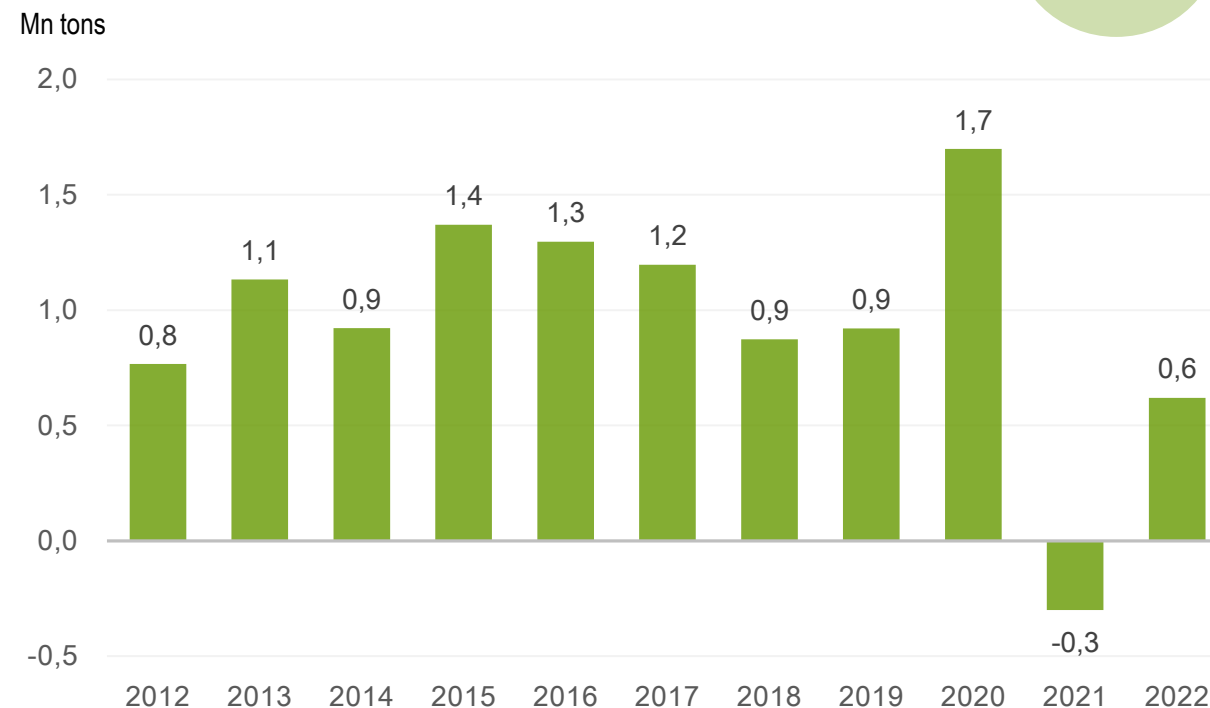
Driven by urban growth and increasing living standards in emerging countries

Tissue paper per-capita consumption  
Kg/year



Source: RISI 2020

Tissue annual consumption growth  
Last 10 years (Mn tons)



Source: PPPC

**3.9%**  
CAGR  
2010-20

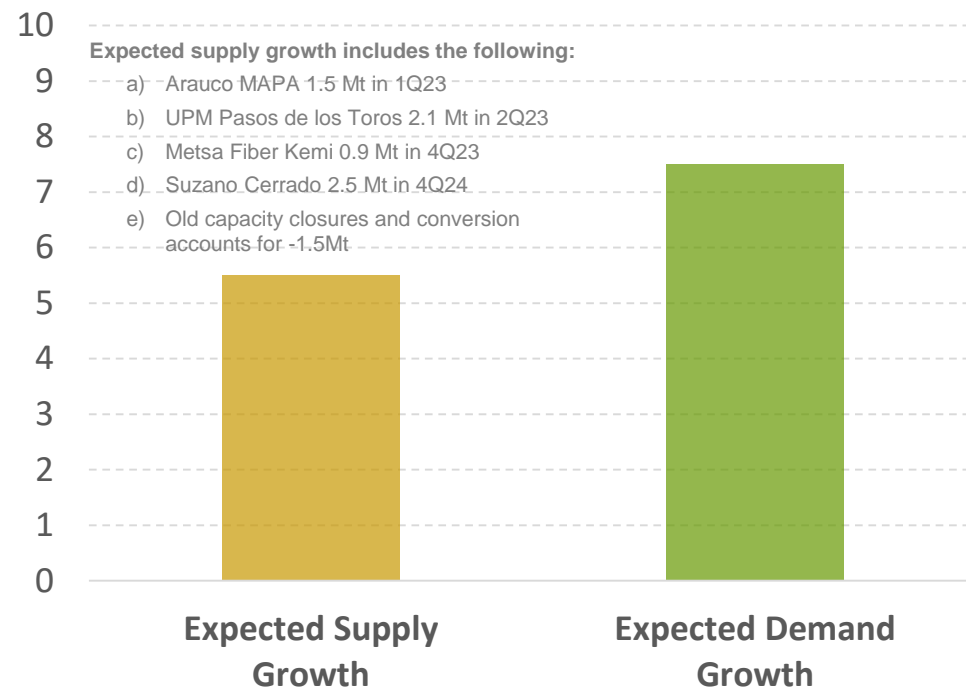
87% of the world population is starting to use tissue and hygiene products



# We expect pulp demand to outgrow supply over 2023-27

Wood availability to limit further pulp capacity additions (market or integrated)

## Market Pulp Expected Supply and Demand Growth over 2023 - 2027 (Mn tons)



## Main market pulp demand growth drivers

- ✓ China reopening and the displacement of its integrated pulp capacity at current net price levels, should incentivize strong market pulp demand growth in 2023-24
- ✓ Growing paper segments (tissue, packaging and specialties) now account for over 80% of market pulp demand
- ✓ Boosted by structural growth trends such as urban population growth, increasing living standards in emerging markets and e-commerce
- ✓ Plastic and synthetic fiber substitution to accelerate pulp demand growth in the coming years
- ✓ Lower recycled fiber availability due to declining P&W paper consumption to increase virgin fiber demand

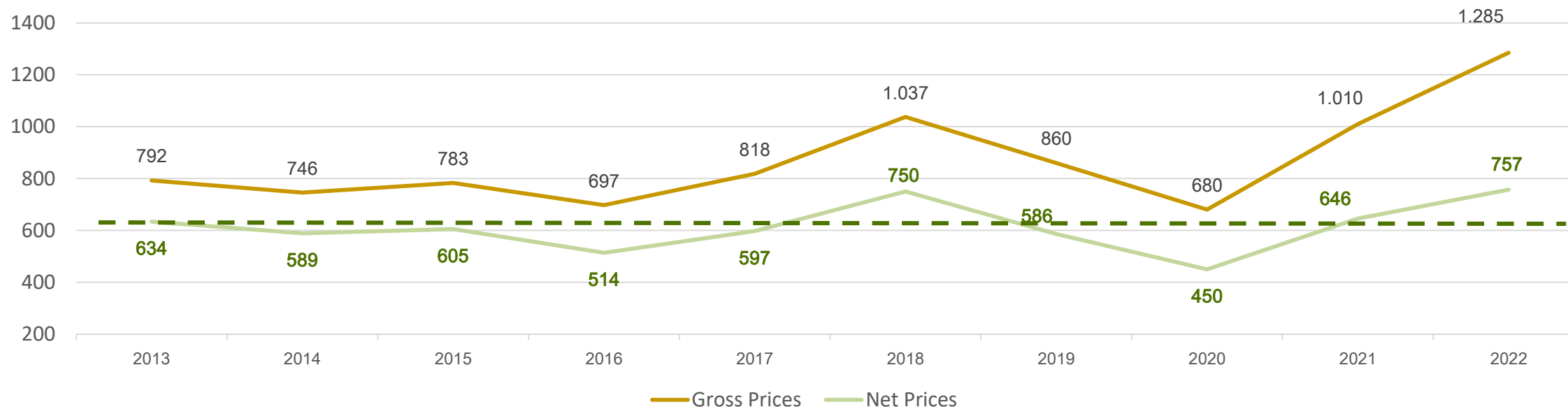
Despite short term destocking in the paper industry, we expect pulp demand to outgrow supply over 2023-2027

# Keeping a tight supply & demand balance

Prices expected to normalize along 2023 and 2024 before rising materially again as from 2025

## Avg. annual Pulp Prices Europe BHKP US\$/t

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



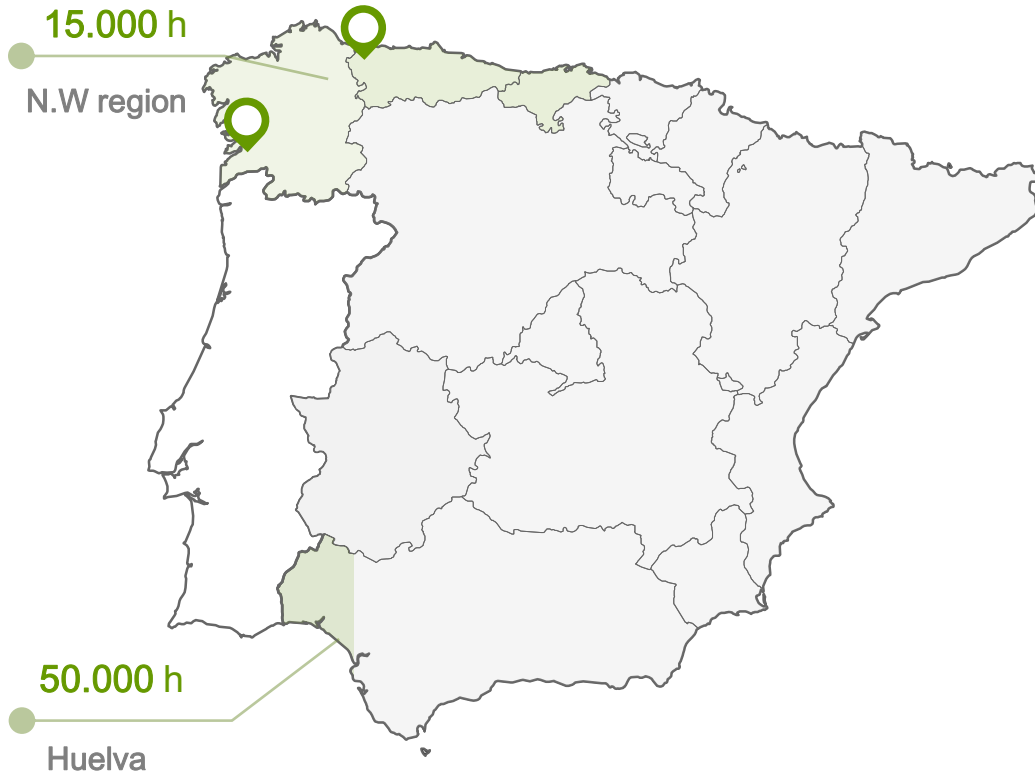
Industry specialists expect pulp price to normalize over 2023 – 2024 before rising materially as from 2025

# Competitive advantage 1: Largest private forest manager in Spain

Wood back-up, carbon credits & innovation within our own eucalyptus plantations

## Ence eucalyptus plantations

Hectares



## Annual production and book value 2022:

- ✓ Annual production: **0,4 million m<sup>3</sup>/year**
- ✓ Book value: **€144m** (€84m land + €60m standing timber)

## Sustainability certification and biodiversity 2022:

- ✓ **84%** of the forest land is certified
- ✓ **22%** of hectares (c. 14.000 ha) dedicated to preserving ecosystems

## Carbon sink:

- ✓ Our plantations annually remove **>600.000 t of CO<sub>2</sub>** from the atmosphere
- ✓ **> 4,000 hectares** eligible to produce carbon credits. Plan to increase them in the following years

## Innovation:

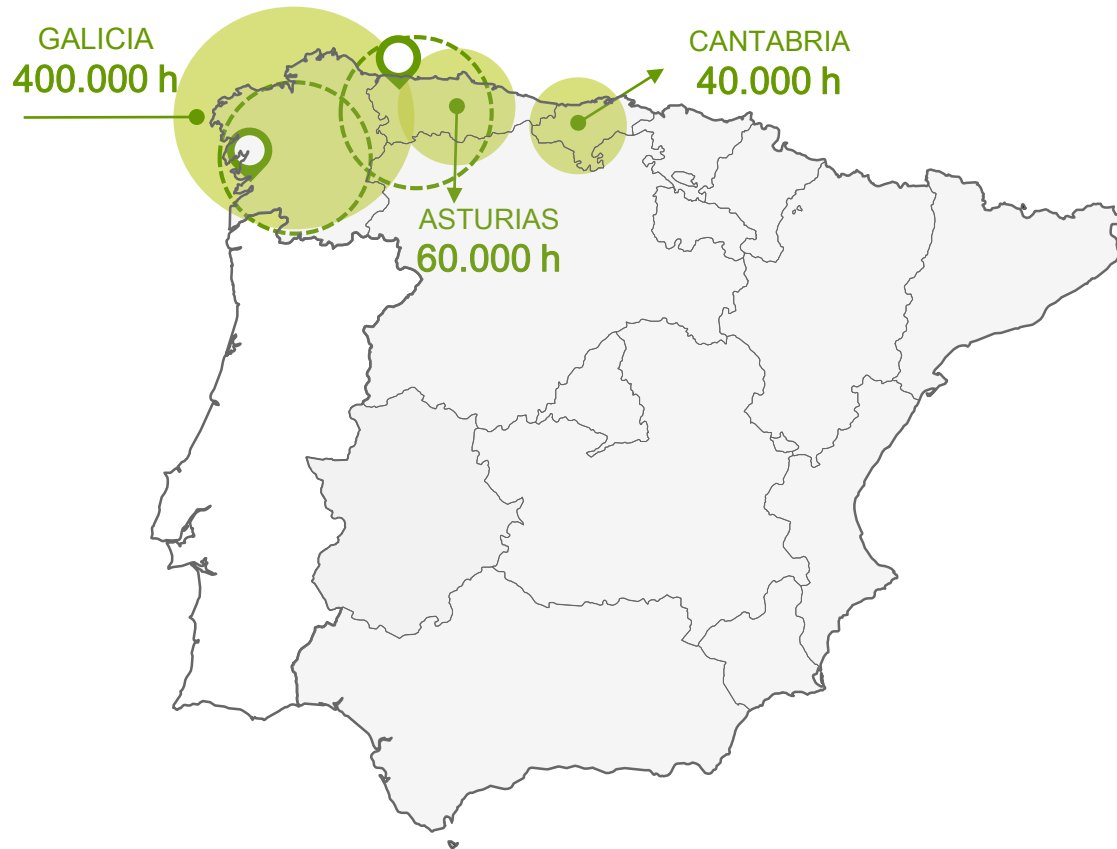
- ✓ **Pioneers in the clonal reproduction** of eucalyptus globulus adapted to recent climate change and local plague conditions
- ✓ **3 Eucalyptus nurseries** in Spain and 12 million improved clones and seedlings production are produced annually.



## Competitive advantage 2: Local wood sourcing

Eucalyptus plantations available at short distances through our unique supply chain

### Eucalyptus plantations surface in N.W. Spain



### Main figures in 2022:

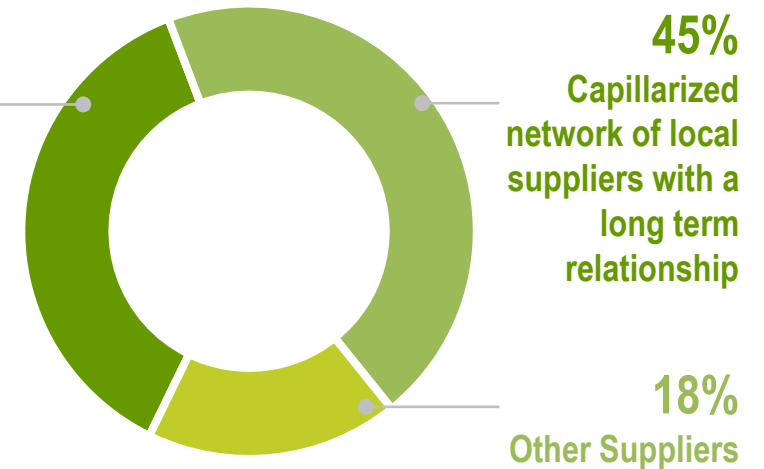
- ✓ 2.8 million m<sup>3</sup> of wood purchased in 2022
- ✓ 96% sourced locally in Spain
- ✓ 73% of supplied wood certified
- ✓ 100% wood suppliers homologated

### Supplier split (%)

**37%**

Directly to landowners <sup>1</sup>

- Landowner search
- Direct purchases
- Permitting processing
- Harvesting
- Transportation



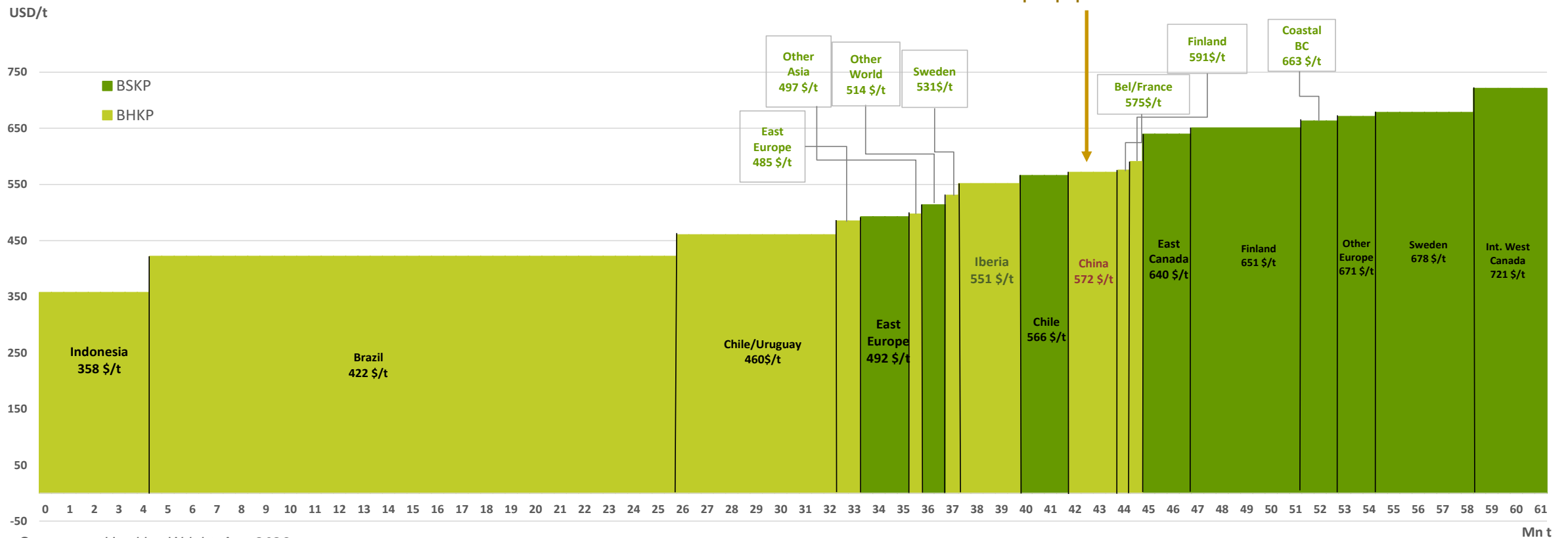
We benefit from our close access to eucalyptus plantations around our biomills

<sup>1</sup> Includes Ence's managed plantations

# China has the highest production costs due to its lack of local wood

Its 6 Mn tons of integrated capacity act as a floor mechanism for pulp prices

Market pulp industry total cost curve  
US\$/t

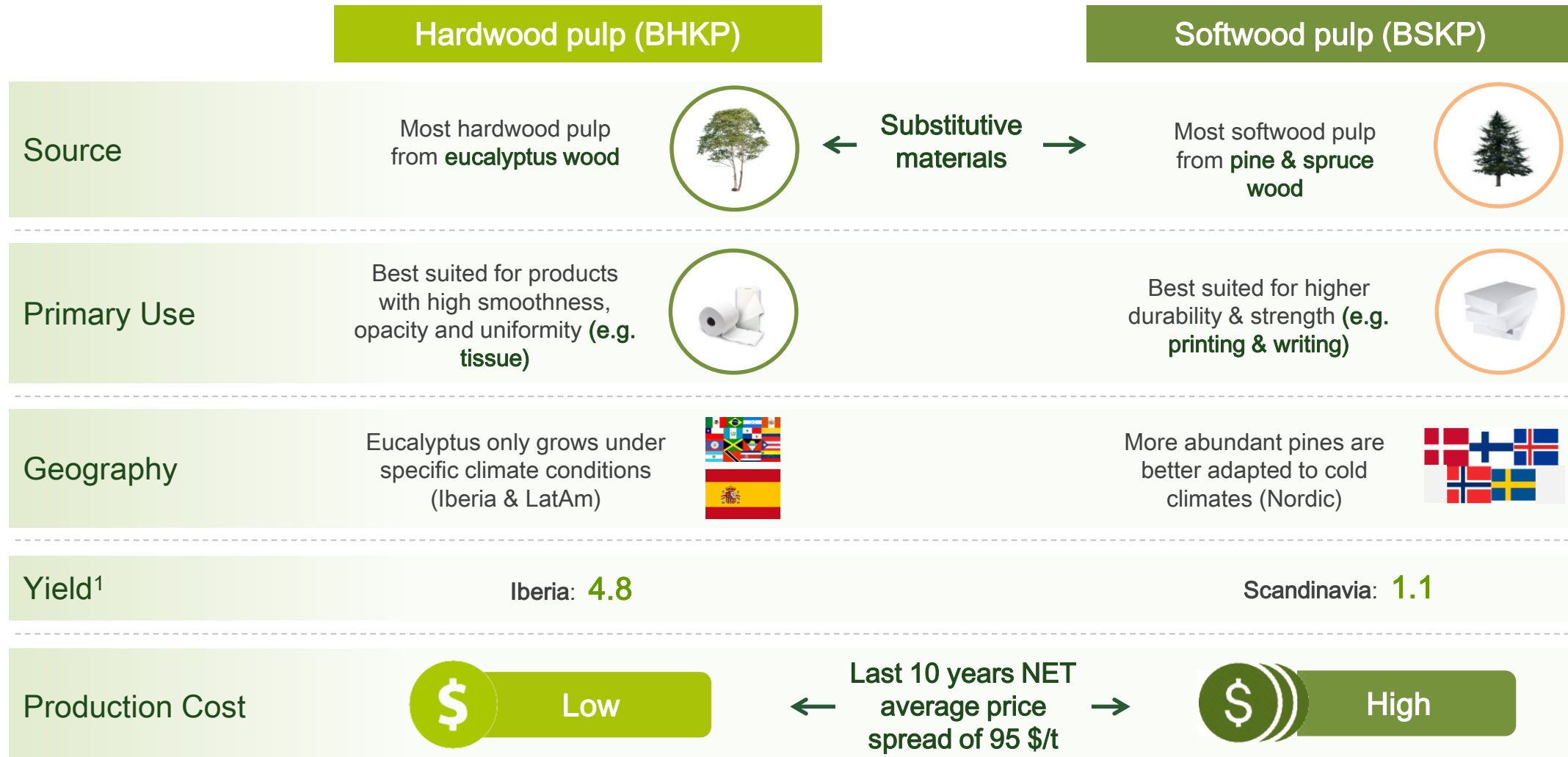


Source: - Hawkins Wright. Apr. 2023

China's market pulp imports increase when pulp prices reach the variable production cost of its integrated capacity

# Competitive advantage 3: Lower costs vs. softwood pulp producers

Substitutive materials with an average price spread of 95 US\$/t



<sup>1</sup> Tons of pulp / ha / year

# Competitive advantage 4: Circular, sustainable & self-sufficient processes

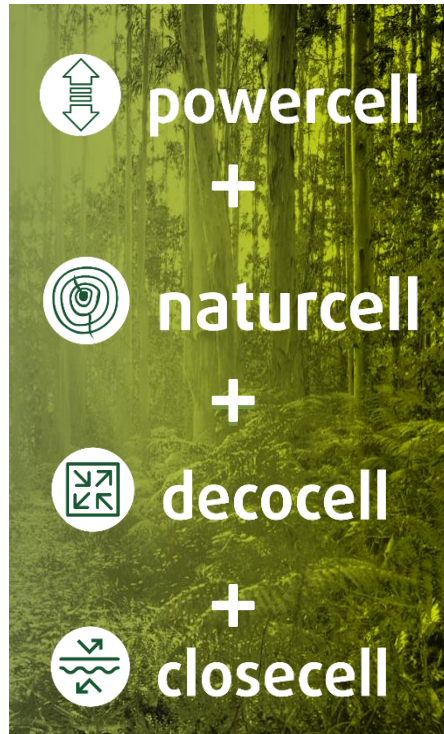
Producing renewable & recyclable products capable of replacing plastics





# Competitive advantage 5: A growing portfolio of differentiated products

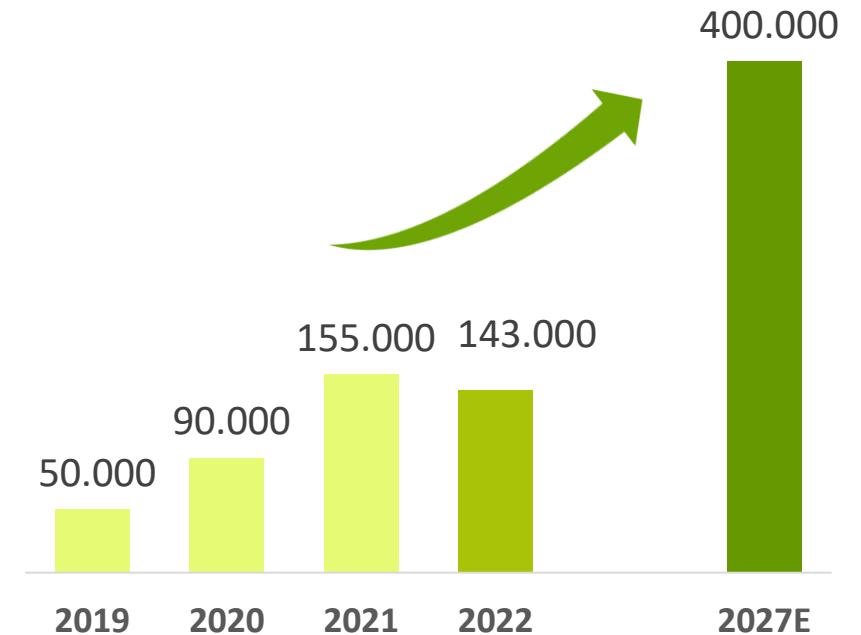
Aimed at softwood pulp & plastic substitution...with higher operating margins



- ✓ Aimed to replace softwood pulp
  - ✓ Targeted for demanding customers in terms of sustainability
  - ✓ Certified life cycle analysis
- 
- ✓ First unbleached short-fiber cellulose on the market
  - ✓ Minimization of refining energy
  - ✓ Softer products
- 
- ✓ Used as a plastic alternative in multiple uses
  - ✓ Low wet-expansion cellulose suitable for decor paper applications
  - ✓ Results in significant energy savings in the refining process
- 
- ✓ Used as a plastic alternative in packaging for food & beverage industry
  - ✓ Low porosity material

+ Others such as  photocell,  high white,  softcell and  porocell

Differentiated pulp sales  
Tons



Ence's advanced differentiated products offer a lower environmental footprint and enhanced technical properties with a higher operating margin

## Competitive advantage 6: Just-in-time service with 5-7 days delivery

Compared to 40 days from LatAm producers



Ence has a privileged access to the European market with a capillarized sales force and a top customer service





# 3<sub>b</sub> ■ Renewables Market Positioning & Competitive Advantage

# Spain's biomass installed capacity x2 by 2030

A unique growth opportunity for Ence



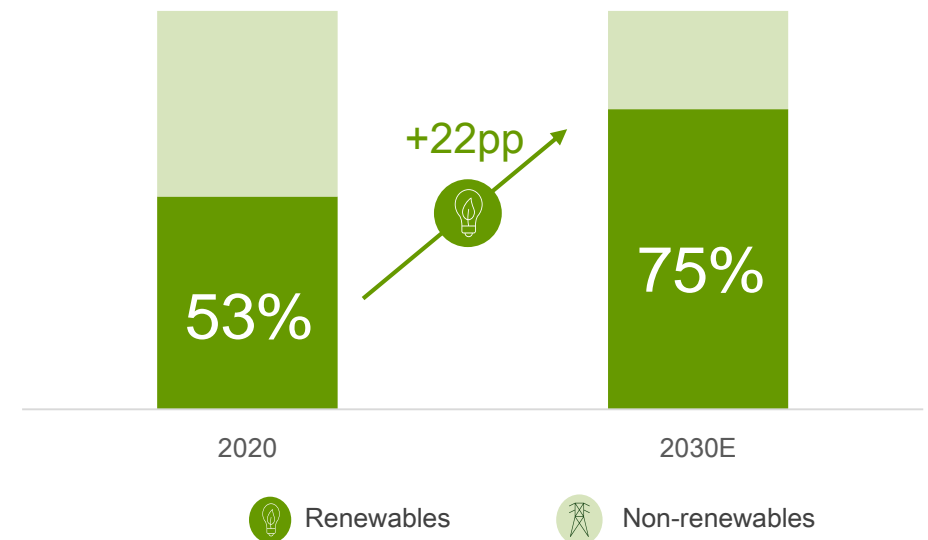
EU's target of energy from  
renewable sources by 2030...

32%

Spain expected renewable energy to double by 2030<sup>1</sup>  
MW

Technology (MW)	2020	2025E	2030E
Wind	28,033	40,633	50,333
Solar PV	9,071	21,713	39,181
Hydraulic	14,109	14,359	14,609
Pumping	6,024	6,899	9,524
Solar thermoelectric	2,303	4,803	7,303
Biomass	613	815	1,408
Biogas & Other RES	211	281	321
<b>Total (MW)</b>	<b>60,364</b>	<b>89,503</b>	<b>122,679</b>

Spain renewable electric energy share  
to rise >20pp by 2030<sup>1</sup>  
In % of total MW

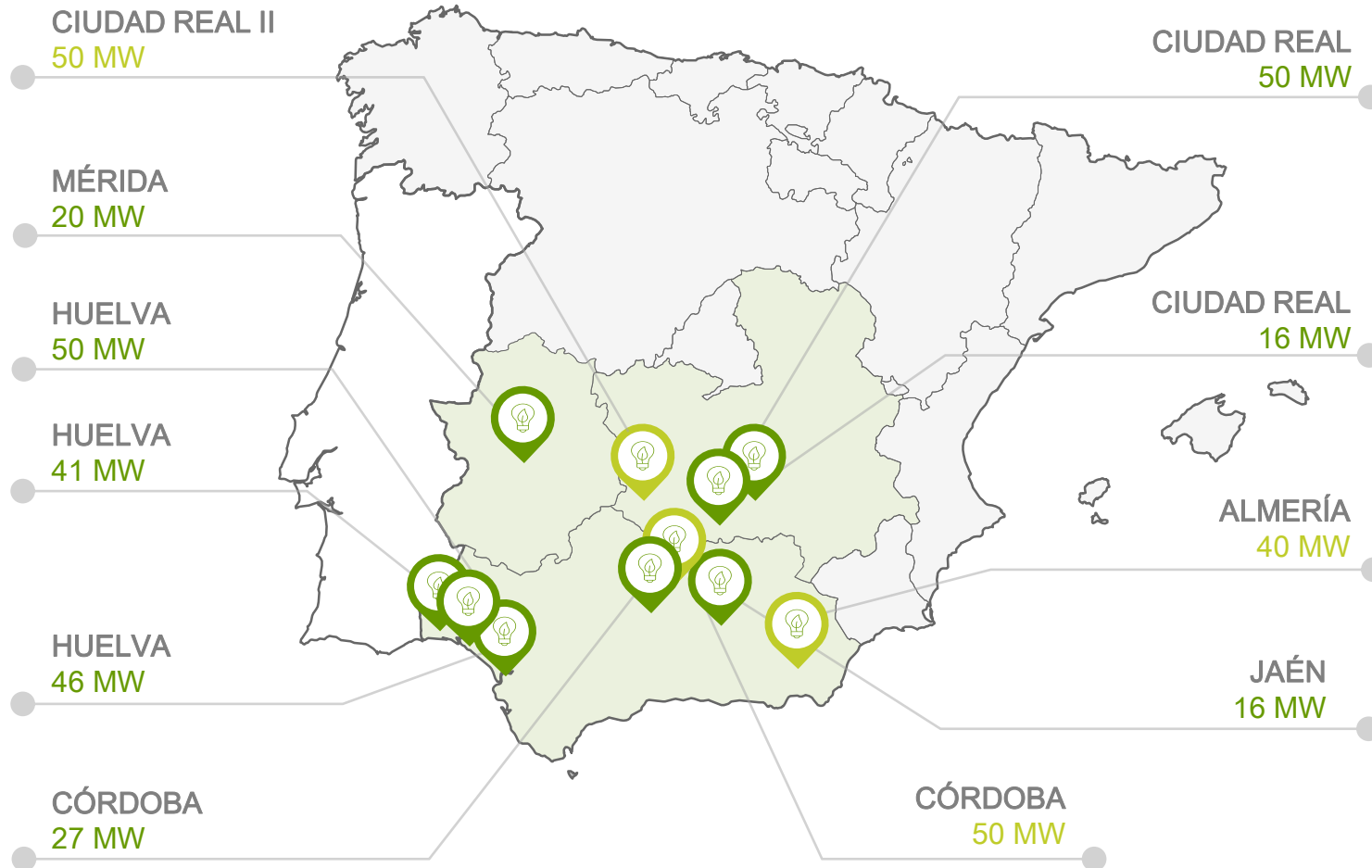


<sup>1</sup>Source: Draft of the Integrated National Energy and Climate Plan 2021-2030



# Ence is the largest biomass operator in Spain with 40% market share

Benefitting from economies of scale



## Current Power Plants Portfolio



Biomass operating  
power plants  
**266 MW**

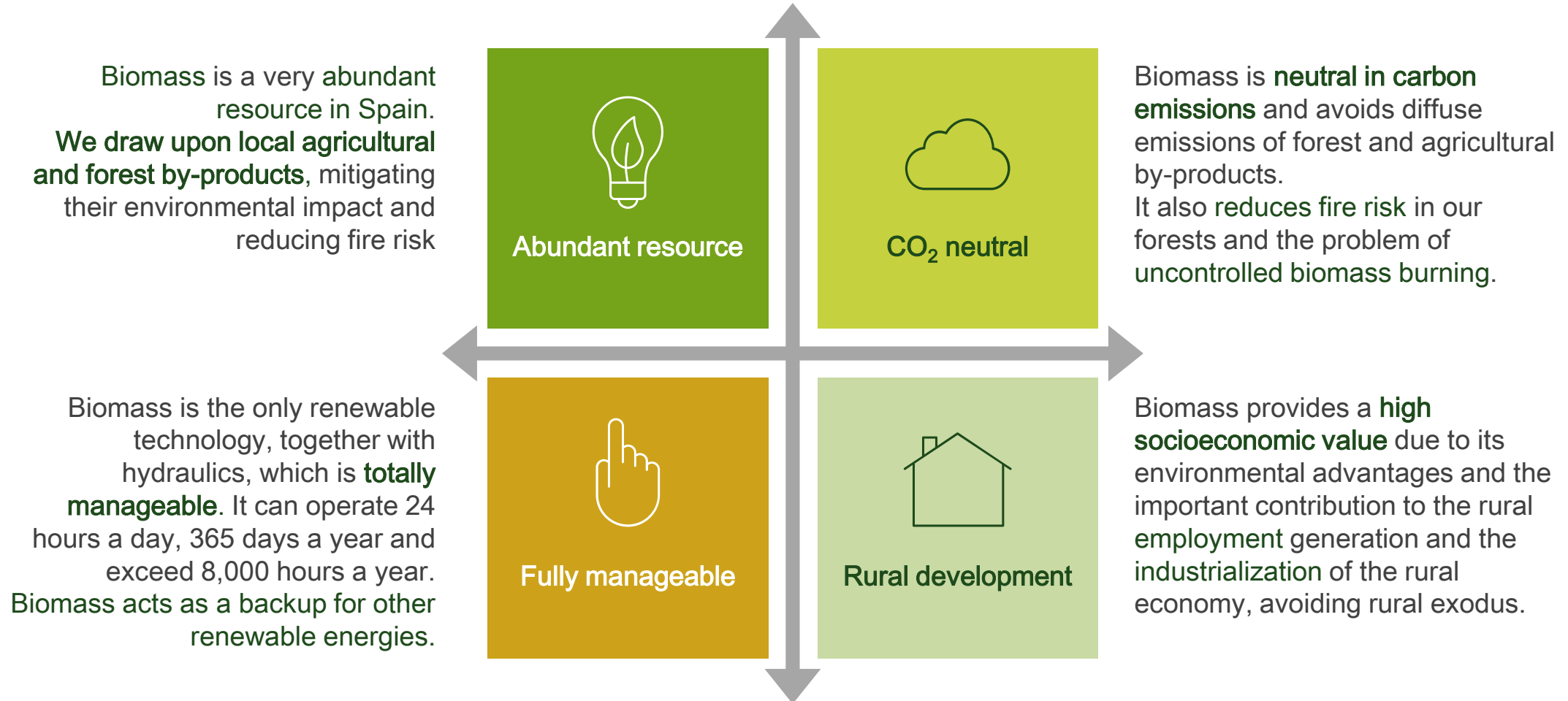


Biomass Pipeline  
**140 MW**

To participate in future  
public auctions

# Biomass is the only fully manageable, renewable technology

Ence provides backup services to the Spanish electricity network operator at a higher price

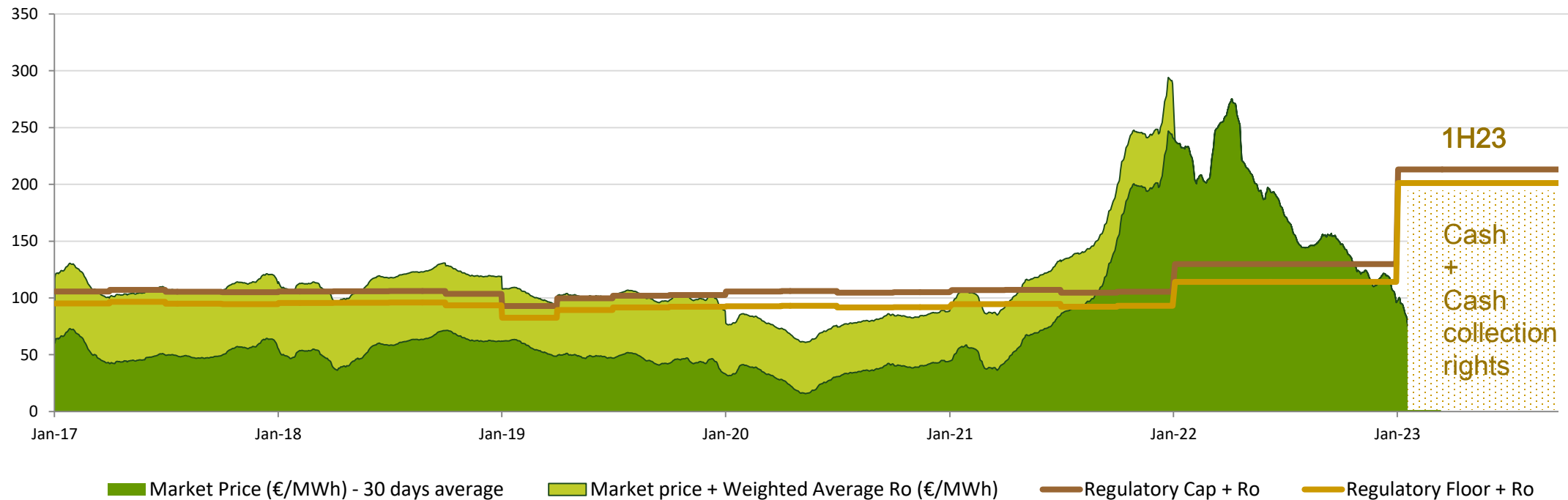


# Biomass regulation ensures a minimum return of 7.4%<sup>1</sup>

Biomass plants sell their output at a regulated price

## Regulated price (€/MWh)

Regulatory price + Return on the operations (Ro)



The difference between the regulated and market energy prices in 1H23 generates cash collection rights which will be fully cashed in 2024

<sup>1</sup>Return was set at 7.4% until 2031 via Spanish Royal Decree 17/2019

# 4. Growth Opportunities



# Capital allocation priorities

With clear leverage limits and ROCE targets for each business

## 1) Maintain a strong balance sheet

with prudent **leverage limits** per business:

- **Pulp** business  
Net Debt / EBITDA < **2.5x**
- **Renewable** Energy business  
Net debt / EBITDA < **5.0x**

Note: leverage calculated with the average cycle EBITDA

## 3) Shareholder remuneration:

Enhanced dividend policy linked to

- FCF generation
- and leverage limits per business

3 annual payments

Note: leverage limits considering capex plans and commitments



## 2) Fund organic investments

with clear **ROCE targets** per business:

- **Pulp** business: >**12%**
- **Renewable** Energy business: >**7%**

ROCE = EBIT / Average (Equity + Net Debt)

## 4) M&A opportunities

Strong track record creating value through M&A and selective asset rotation in the Renewable Energy business

# Navia Excelente investment plan

Modular investments adaptable to the cycle with a targeted ROCE<sup>1</sup> >12%

## DIFFERENTIATED PRODUCTS

R&D for plastic substitution and improvement of the eco-efficiency and flexibility of the differentiated pulp production in Navia to substitute softwood and plastic products

Estimated Capex (€m)	15	2024-25
Substitution of BHKP (t)	+250K <sup>2</sup>	2023-27
Targeted incremental margin (€/t)	20	2023-27



## FLUFF

To diversify Navia product range into Fluff pulp production for the absorbent hygienic products industry in Europe, substituting imported Fluff

Estimated Capex (€m)	30	2024-25
Substitution by Fluff (t)	100K	2026-27
Targeted incremental margin (€/t)	40	2026-27



## DECARBONIZATION

Use of lignin to replace natural gas in lime kilns and its use in high value-added products. Reduction of up to 50.000 tons of CO2 emissions by 2027

Estimated Capex (€m)	60	2024-27
Annual Pulp Production boost (t)	+30K	2027
Navia cash-cost reduction (€/t)	5	2027



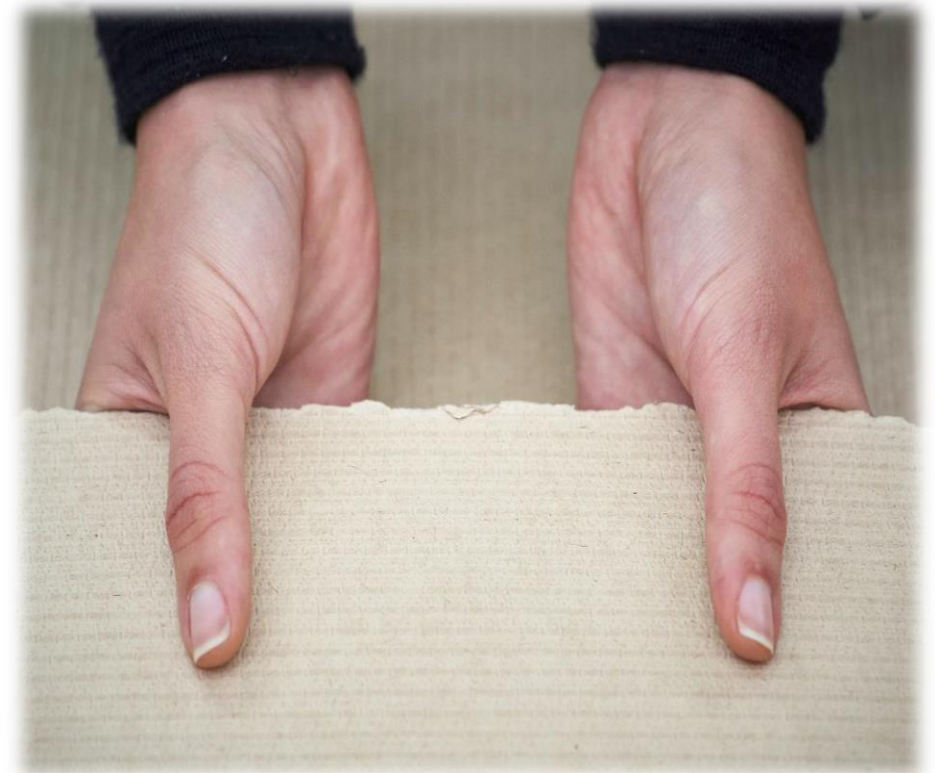
<sup>1</sup> ROCE = EBIT / Equity + Net Debt (including leases)

<sup>2</sup> Up to +400,000 by 2027

# As Pontes project

Pulp growth and diversification opportunity, without increasing the consumption of wood

- Ence continues to make progress on the project it is studying to launch in the town of **As Pontes** in Galicia.
- The first phase of the project consists of a line for the production of bleached mixed fiber from recovered cardboard and paper and from virgin cellulose produced by Ence, with a capacity of **100,000 tons per year** and an estimated investment of **€125m**.
- In January 2023, the purchase option for the land where the project would be located was signed. This first phase **could be operational in 2027**. The expected return (**ROCE<sup>1</sup>**) of the project is over **12%**.
- This project constitutes an example of fair transition and circular bioeconomy by transforming land that is part of a thermal power plant into an innovative facility based on the recovery and reuse of natural resources, **without increasing the consumption of wood**.
- Subsequent phases of the project include the installation of a cogeneration plant with certified biomass that will cover all the heat and electricity needs of the installation and a line for the manufacture of 30,000 tons of paper products per year.



<sup>1</sup> ROCE = EBIT / FFPP + Net Debt (including leases)

# Ence Biogas: a new business based on the circular bioeconomy

15 projects now under development with a targeted ROCE<sup>1</sup> >12%

- Ence has incorporated a new subsidiary in its **Renewable business**, Ence Biogas, for the development and operation of biomethane plants.
- These plants will recycle **local organic waste** into biomethane, attracting the associated sustainability certificate, and generating a high-quality organic fertiliser.
- Ence Biogas aims at developing 20 biomethane plants during the next 5 years, with a capacity of > 1.000 GWh per year.
- It already has a portfolio of 15 projects under development in Spain, **6 of them are at their engineering phase with expected COD by the end of 2025 and 2026.**
- Initially estimated investment of around **€20 Mn** on average **per plant**, with a targeted **ROCE >12%**



<sup>1</sup> ROCE = EBIT / Equity + Net Debt (including leases)



# Other growth opportunities in Renewables

Biomass plants, industrial heating and PV projects

## Biomass Energy

- Developed 3 projects with a combined capacity of **140 MW**
- Specific capacity auctions are scheduled until 2030 for a combined capacity of 655 MW



## Industrial Heating

- Biomass has a great potential to help decarbonize the industry
- We are **analysing several opportunities** in Spain to replace fossil fuel industrial heating with biomass or renewable electricity



## PV Projects

- 100 MW sold in 1Q23 with an €23m EBITDA contribution
- **Another 263 MW to be sold in 2023-24** with an expected EBITDA contribution of > €27 m
- Another 300 MW at an early stage of development



# Largest private forest manager in Spain...

...offers additional growth opportunities in the voluntary CO<sub>2</sub> markets

- **>600,000 tons of CO<sub>2</sub> is removed annually** from the atmosphere and yield other environmental benefits: biodiversity promotion, water cycle regulation and soil protection
- Part of our managed forests **produce carbon credits which may be sold in the voluntary CO<sub>2</sub> markets** for others to offset
- **387 hectares registered** with Spanish Climate Change Office, equivalent to **the removal of over 60,000 tons of CO<sub>2</sub>** over plantation life
- Another 4,000 hectares identified as eligible to produce carbon credits, within our current plantations. We aim to register even more hectares over the next 5 years.
- **Estimated 200 tons of CO<sub>2</sub> per hectare** during the life of the plantation (avg. 30 years) with an estimated price between 30 and 45 €/ton.





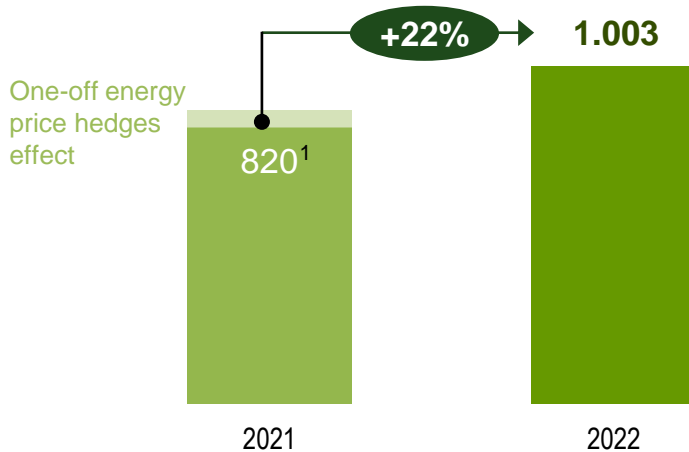
# 5. FY22 Financial Results & Outlook



# Strong Group EBITDA recovery, up to €248m

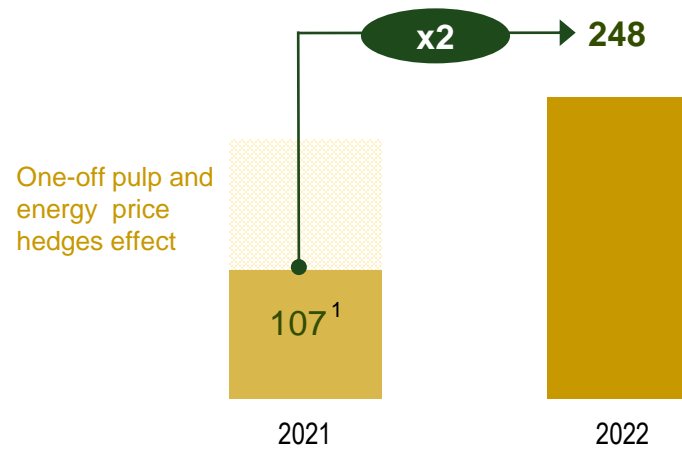
Driven by solid pulp and energy prices

## Group Revenues (€ m)



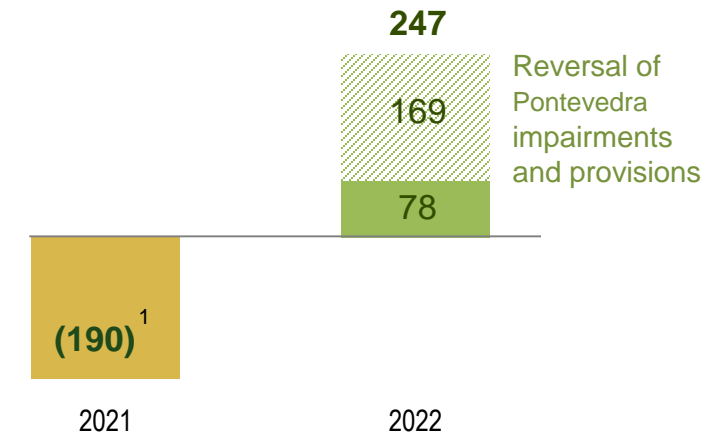
1) 2021 figures includes the effect of energy price hedges for a net €53m

## Group EBITDA (€ m)



1) 2021 figures includes the effect of pulp and energy price hedges for a net €106m

## Attributable Net Income (€ m)



1) 2021 figures includes Pontevedra impairments and provisions for a net €200m

### Group Revenues +22% up to €1.003m:

- **Pulp business** boosted by a 38% increase in the average sales price which more than offset a 17% decrease in pulp volumes due to the Pontevedra biomill's downtime
- **Renewables business** boosted by a 110% increase in the average sales price due to higher electricity market prices, lower capped capacity and the impact of one-off hedges in 2021

2022 includes €33m regulatory collar provision reversal offset by a €38m impairment with no cash flow impact

### Group EBITDA x2 up to €248m:

### Group attributable net income up to €247m

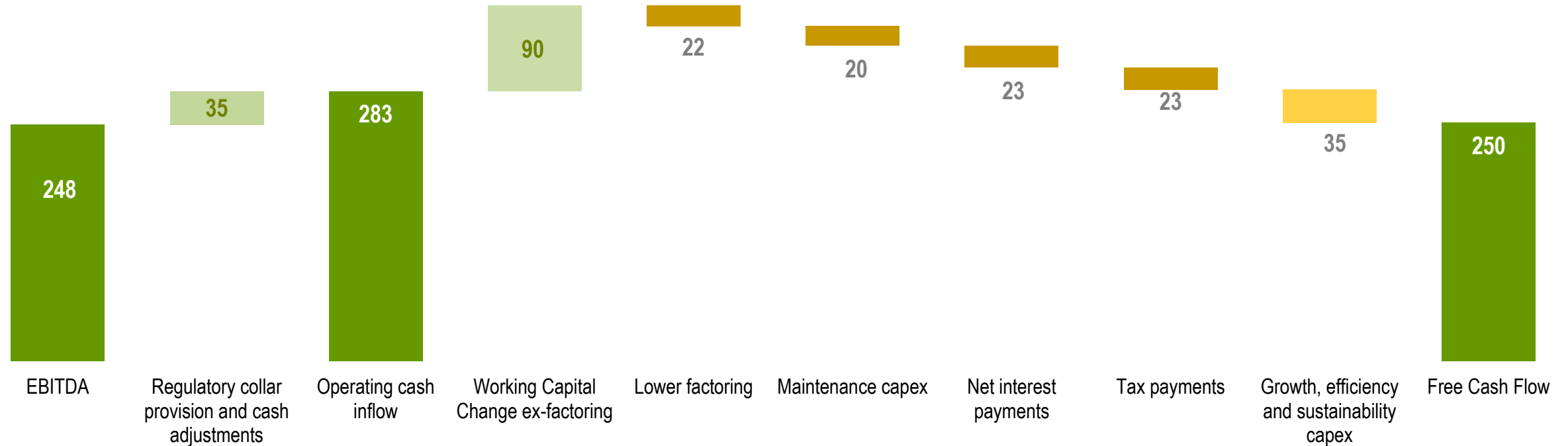
- The Spanish Supreme Court has endorsed the legality of the Pontevedra concession's extension until 2073
- The reversal of asset impairments and expense provisions recorded in 2021, as a result of the National Court rulings, had an estimated positive impact of €169m on 2022 net profit



# EBITDA performance drives outstanding Group FCF generation

WC figure includes pending payments to the electricity system amounting to €85m

## Short Cash Flow Statement 2022 (€m)



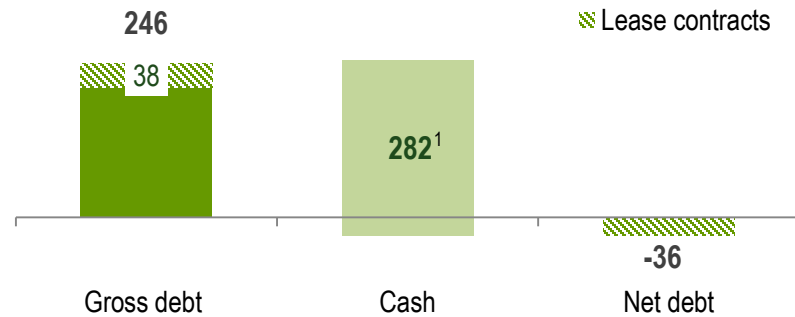
€90m working capital inflow includes **pending payments to the electricity system** amounting to **€85m**

**Net debt was reduced by €132m** at the end of the period, with a net cash position of €30m,  
which includes **€17m from Pontevedra related leases**

# Solid balance sheet offers flexibility to seize multiple growth opportunities

60% of the convertible bond already repurchased at the end of the period

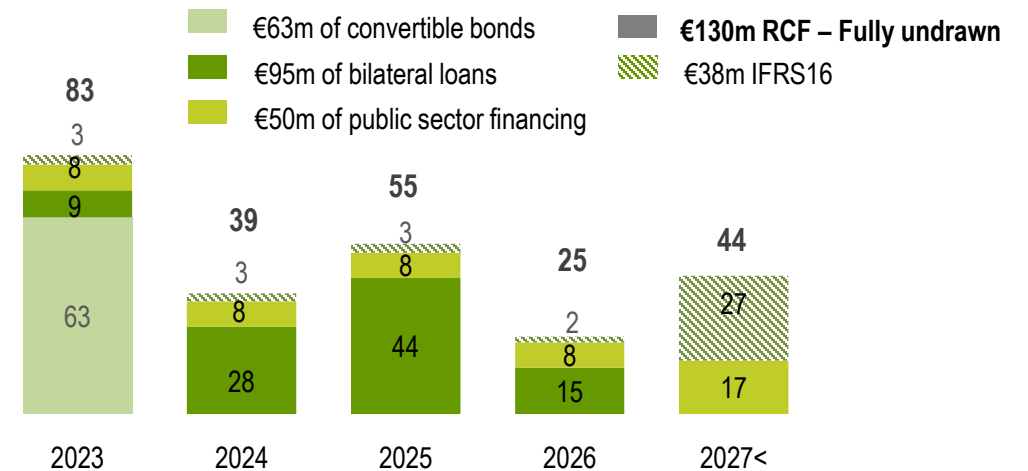
Pulp business net debt as of 31 Dec. 2022 (€ m)



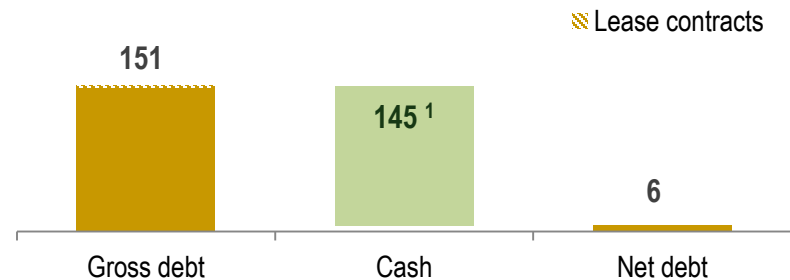
1) Before pending payments to the electricity system for an amount of €23m



Pulp business debt maturity schedule (€ m)



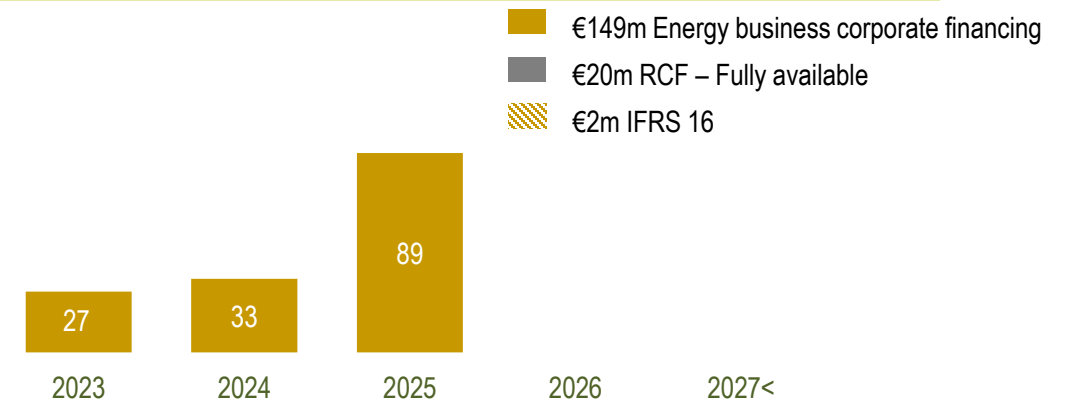
Renewables business net debt as of 31 Dec. 2022 (€ m)



1) Before pending payments to the electricity system for an amount of €62m



Renewables business debt maturity schedule (€ m)



# 2023 outlook

1

Pulp production expected to normalize close to 1 million tons

2

Industry specialists forecast average pulp prices of US\$1,060/t in 2023

3

Cash cost expected to improve by 135€/t during 2H23 vs. 1Q23 to below €500/t

4

Regulated energy price 207 €/MWh in 1H23 and 144 €/MWh in 2H23

5

The difference between the regulated and market energy prices in 2023 generates future cash collection rights which will be fully cashed along 2024

6

PV projects sale to boost Renewables EBITDA by an estimated €50m in 2023-24 (including €23m in 1Q23)

# Thank You!



**Alberto Valdes**

*Head of Investor Relations*

## Investor Relations contact details:

Email: [ir@ence.es](mailto:ir@ence.es)

Phone: (+34) 91 337 85 53



# 6. Appendix



# Group Financial Review

## Short P&L

Figures in € m	2022			
	Pulp	Renewables	Adjustments	Consolidated
<b>Total revenue</b>	<b>712,9</b>	<b>294,3</b>	<b>(3,8)</b>	<b>1.003,4</b>
Other income	20,5	4,3	(1,2)	23,6
Foreign exchange hedging operations results	(20,3)	-	-	(20,3)
Cost of sales and change in inventories of finished produ	(307,8)	(92,7)	3,8	(396,7)
Personnel expenses	(75,4)	(17,8)	-	(93,2)
Other operating expenses	(192,2)	(78,2)	1,2	(269,2)
<b>EBITDA</b>	<b>137,7</b>	<b>109,8</b>	<b>-</b>	<b>247,6</b>
Depreciation and amortisation	(52,1)	(40,2)	0,9	(91,4)
Depletion of forestry reserves	(7,0)	(0,0)	-	(7,0)
Impairment of and gains/(losses) on fixed-asset disposals	184,5	(41,3)	0,7	143,9
Other non-ordinary operating gains/(losses)	(14,9)	-	-	(14,9)
<b>EBIT</b>	<b>248,3</b>	<b>28,3</b>	<b>1,6</b>	<b>278,2</b>
Net finance cost	(9,9)	(16,3)	-	(26,3)
Other finance income/(costs)	1,4	0,3	-	1,6
<b>Profit before tax</b>	<b>239,8</b>	<b>12,2</b>	<b>1,6</b>	<b>253,6</b>
Income tax	3,7	(8,2)	-	(4,7)
<b>Net Income</b>	<b>243,5</b>	<b>3,9</b>	<b>1,5</b>	<b>248,9</b>
Non-controlling interests	-	0,6	(2,3)	(1,7)
<b>Atributable Net Income</b>	<b>243,5</b>	<b>4,5</b>	<b>(0,8)</b>	<b>247,2</b>
Earnings per Share (EPS)	1,00	0,02	(0,0)	1,02

2021			
Pulp	Renewables	Adjustments	Consolidated
<b>667,6</b>	<b>154,9</b>	<b>(2,8)</b>	<b>819,7</b>
14,8	19,3	(1,4)	32,6
(88,2)	-	-	(88,2)
(286,2)	(73,5)	2,8	(356,9)
(70,6)	(13,6)	-	(84,2)
(148,4)	(69,3)	1,4	(216,3)
<b>89,0</b>	<b>17,8</b>	<b>-</b>	<b>106,8</b>
(47,8)	(36,7)	2,7	(81,9)
(11,4)	(0,1)	-	(11,6)
(192,4)	(1,1)	-	(193,5)
4,2	-	-	4,2
<b>(158,4)</b>	<b>(20,1)</b>	<b>2,7</b>	<b>(175,9)</b>
(9,6)	(11,9)	-	(21,5)
3,7	1,1	-	4,9
<b>(164,3)</b>	<b>(30,9)</b>	<b>2,7</b>	<b>(192,5)</b>
(19,1)	6,3	3,3	(9,4)
<b>(183,4)</b>	<b>(24,6)</b>	<b>6,0</b>	<b>(202,0)</b>
-	(1,0)	12,5	11,6
<b>(183,4)</b>	<b>(25,5)</b>	<b>18,5</b>	<b>(190,4)</b>
(0,75)	(0,11)	0,08	(0,78)

# Group Financial Review

## Short Cash Flow

Figures in € m	2022				2021			
	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
<b>Consolidated profit/(loss) for the period before tax</b>	<b>239,8</b>	<b>12,2</b>	<b>1,6</b>	<b>253,6</b>	<b>(164,3)</b>	<b>(30,9)</b>	<b>2,7</b>	<b>(192,5)</b>
Depreciation and amortisation	59,0	40,3	(0,9)	98,4	59,3	36,9	(2,7)	93,5
Changes in provisions and other deferred expense	23,4	2,1	-	25,5	(0,5)	2,1	-	1,6
Impairment of gains/(losses) on disposals intangible assets	(184,5)	41,2	(0,7)	(144,0)	192,4	1,1	-	193,5
Net finance result	8,6	16,0	-	24,6	7,2	10,8	-	18,0
Energy regulation adjustment (regulatory collar)	14,5	10,4	-	25,0	24,1	65,0	-	89,1
Government grants taken to income	(0,5)	(0,1)	-	(0,7)	(0,6)	(0,3)	-	(0,9)
<b>Adjustments to profit</b>	<b>(79,5)</b>	<b>109,9</b>	<b>(1,6)</b>	<b>28,8</b>	<b>282,0</b>	<b>115,4</b>	<b>(2,7)</b>	<b>394,7</b>
Inventories	(24,3)	(10,3)	-	(34,6)	(11,5)	(2,0)	-	(13,5)
Trade and other receivables	8,2	0,6	11,7	20,5	(43,1)	(6,3)	-	(49,4)
Current financial and other assets	2,4	(0,0)	-	2,3	2,4	0,0	-	2,4
Trade and other payables	10,7	80,3	(11,7)	79,3	29,3	(2,3)	-	27,0
<b>Changes in working capital</b>	<b>(3,0)</b>	<b>70,6</b>	<b>-</b>	<b>67,6</b>	<b>(23,0)</b>	<b>(10,6)</b>	<b>-</b>	<b>(33,6)</b>
Interest paid	(6,3)	(17,0)	-	(23,3)	(6,9)	(12,3)	-	(19,2)
Dividends received	-	-	-	-	0,0	-	-	0,0
Income tax received/(paid)	(13,9)	(8,6)	-	(22,6)	(1,3)	(6,9)	-	(8,2)
Other collections/(payments)	(0,4)	-	-	(0,4)	-	(0,0)	-	(0,0)
<b>Other cash flows from operating activities</b>	<b>(20,6)</b>	<b>(25,7)</b>	<b>-</b>	<b>(46,3)</b>	<b>(8,2)</b>	<b>(19,2)</b>	<b>-</b>	<b>(27,4)</b>
<b>Net cash flow from operating activities</b>	<b>136,7</b>	<b>167,0</b>	<b>-</b>	<b>303,7</b>	<b>86,5</b>	<b>54,8</b>	<b>-</b>	<b>141,3</b>
Property, plant and equipment	(41,7)	(10,1)	-	(51,8)	(49,9)	(18,4)	-	(68,3)
Intangible assets	(2,8)	(0,3)	-	(3,1)	(2,6)	(0,2)	-	(2,7)
Other financial assets	0,2	-	-	0,2	(0,3)	0,0	-	(0,3)
Disposals	0,4	0,4	-	0,8	13,7	5,5	(13,3)	6,0
<b>Net cash flow used in investing activities</b>	<b>(43,9)</b>	<b>(10,0)</b>	<b>-</b>	<b>(53,9)</b>	<b>(39,1)</b>	<b>(13,0)</b>	<b>(13,3)</b>	<b>(65,4)</b>
<b>Free cash flow</b>	<b>92,8</b>	<b>157,0</b>	<b>-</b>	<b>249,8</b>	<b>47,4</b>	<b>41,8</b>	<b>(13,3)</b>	<b>75,9</b>

# Group Financial Review

## Short Balance Sheet

Dec - 22					Dic. - 21			
Figures in € m	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
Intangible assets	15,6	35,0	(12,7)	37,9	13,2	38,1	(13,3)	37,9
Property, plant and equipment	603,4	389,0	(8,5)	983,9	436,9	456,3	(9,6)	883,6
Biological assets	60,4	0,2	-	60,5	59,6	0,1	(0,0)	59,7
Non-current investments in Group companies	112,6	0,0	(112,5)	0,0	112,6	0,0	(112,5)	0,0
Non-current borrowings to Group companies	18,6	-	(18,6)	-	38,3	-	(38,3)	-
Non-current financial assets	20,8	5,4	-	26,1	14,6	1,9	0,0	16,5
Deferred tax assets	30,5	19,4	3,2	53,1	20,1	22,1	3,3	45,6
Cash reserve for debt service	-	10,0	-	10,0	-	10,0	-	10,0
<b>Total non-current assets</b>	<b>861,8</b>	<b>459,0</b>	<b>(149,1)</b>	<b>1.171,6</b>	<b>695,2</b>	<b>528,5</b>	<b>(170,4)</b>	<b>1.053,3</b>
Inventories	80,5	21,9	-	102,3	53,6	12,1	-	65,7
Trade and other accounts receivable	59,4	40,5	(29,2)	70,6	70,2	42,2	(17,5)	94,9
Income tax	6,8	1,3	-	8,0	1,5	0,3	0,0	1,8
Other current assets	7,5	0,4	-	7,9	10,7	(0,0)	0,0	10,7
Hedging derivatives	0,0	2,6	-	2,6	0,0	-	-	-
Current financial investments in Group companies	0,4	0,0	(0,4)	0,0	-	0,0	-	0,0
Current financial investments	4,2	0,0	-	4,3	6,6	0,0	-	6,6
Cash and cash equivalents	278,4	134,5	-	412,9	318,5	61,5	(0,0)	380,0
<b>Total current assets</b>	<b>437,1</b>	<b>201,2</b>	<b>(29,6)</b>	<b>608,7</b>	<b>461,1</b>	<b>116,1</b>	<b>(17,5)</b>	<b>559,7</b>
<b>TOTAL ASSETS</b>	<b>1.298,9</b>	<b>660,2</b>	<b>(178,8)</b>	<b>1.780,3</b>	<b>1.156,2</b>	<b>644,6</b>	<b>(187,9)</b>	<b>1.613,0</b>
<b>Equity</b>	<b>719,8</b>	<b>228,9</b>	<b>(130,6)</b>	<b>818,2</b>	<b>539,0</b>	<b>218,6</b>	<b>(132,1)</b>	<b>625,5</b>
Non-current borrowings	163,2	122,9	-	286,1	289,4	162,9	(0,0)	452,3
Non-current loans with Group companies and associates	-	36,4	(18,6)	17,8	-	75,2	(38,3)	36,8
Non-current derivatives	-	-	-	-	-	2,2	-	2,2
Deferred tax liabilities	-	-	-	-	-	-	-	-
Non-current provisions	27,9	0,1	-	28,0	51,1	0,1	0,0	51,2
Other non-current liabilities	38,2	75,8	-	114,0	23,7	68,0	-	91,8
<b>Total non-current liabilities</b>	<b>229,2</b>	<b>235,3</b>	<b>(18,6)</b>	<b>445,9</b>	<b>364,2</b>	<b>308,4</b>	<b>(38,3)</b>	<b>634,2</b>
Current borrowings	83,3	27,8	-	111,1	16,2	29,8	-	46,0
Current derivatives	0,4	-	-	0,4	7,0	2,6	-	9,6
Trade and other account payable	226,4	164,4	(29,2)	361,6	213,7	81,3	(17,5)	277,5
Short-term debts with group companies	0,0	0,7	(0,4)	0,4	0,0	1,3	(0,0)	1,3
Income tax	0,0	-	-	0,0	0,0	0,1	-	0,1
Current provisions	39,8	3,0	-	42,8	16,1	2,7	-	18,8
<b>Total current liabilities</b>	<b>349,9</b>	<b>196,0</b>	<b>(29,6)</b>	<b>516,2</b>	<b>253,0</b>	<b>117,7</b>	<b>(17,5)</b>	<b>353,2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1.298,9</b>	<b>660,2</b>	<b>(178,8)</b>	<b>1.780,3</b>	<b>1.156,2</b>	<b>644,6</b>	<b>(187,9)</b>	<b>1.613,0</b>



# 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](http://www.ence.es).

## EBITDA

EBITDA is a measure of operating profit before depreciation, amortisation and forest depletion charges, non-current asset impairment charges, gains or losses on non-current assets and other non-operating items that undermine the comparability of the numbers.

EBITDA is an indicator used by management to track the Group's recurring profitability over time. This metric 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.

## OTHER NON-OPERATING ITEMS

Other non-operating items refers to ad-hoc income and expenses unrelated to the Company's ordinary business activities that render two reporting periods less comparable.

In 2021 and 2022, this heading reflects the movements in the provisions derived from the Appellate Court rulings annulling the concession in Pontevedra in July 2022 and the subsequent Supreme Court rulings of February 2023 upholding the validity of the concession in Pontevedra until 2073. In 2022, it includes a €21m provision recognised to cover commitments under Ence's Pontevedra Environmental Pact and the reversal of a €6.1m provision covering the termination of onerous contracts. In 2021, it included the reversal of the provision accumulated to cover commitments under the Environmental Pact in the amount of €14m, coupled with recognition of a €6.1m provision to cover the termination of contracts in effect and of €3.7m to cover the potential impairment of biomill spare parts and other contingencies.

## CASH COST

The production cost per tonne of pulp, or cash cost, is the key measure used by management to measure and benchmark its efficiency as a pulp maker. The cash cost includes all of the costs directly related with the production and sale of pulp that impact cash flows. Therefore, it does not include asset depreciation and amortisation charges, impairment losses on non-current assets or gains or losses on their disposal, other non-operating items, finance income or costs or income tax.

The cash cost can be measured as the difference between revenue from the sale of pulp and EBITDA in the Pulp business, adjusted for the settlement of hedges, the effect of adjustments for tariff shortfall/surplus (the regulatory collar) on energy sales, forest depletion charges and the change in inventories. To calculate the cash cost, the related production costs are divided by the volume of tonnes produced, while overhead and sales and logistics costs are divided by the volume of tonnes sold.

### OPERATING PROFIT PER TONNE OF PULP

The operating profit is a yardstick for the operating profit generated by the Pulp business without taking into account asset depreciation and amortisation charges, impairment losses on non-current assets and gains or losses on their disposal and other non-operating items, adjusted for the settlement of hedges, the effect of the regulatory collar on energy sales and forest depletion charges.

It provides a comparable measure of the business's profitability and is measured as the difference between the average sales price per tonne, calculated by dividing revenue from the sale of pulp by the number of tonnes sold, and the cash cost.

### NET FINANCE COST AND OTHER FINANCIAL ITEMS

Net finance cost encompasses the various items of finance income and finance costs, while other financial items encompasses exchange differences, the change in the fair value of financial instruments and impairment losses on financial instruments and gains or losses on their disposal.

### MAINTENANCE, EFFICIENCY, GROWTH AND SUSTAINABILITY CAPEX

ENCE provides the breakdown of the capital expenditure included in its statement of cash flows for each of its business classifying its investments into the following categories: maintenance capex, efficiency and growth capex, sustainability capex and financial investments.

Ence's technical experts classify its capital expenditure using the following criteria: Maintenance capex are recurring investments designed to maintain the capacity and productivity of the Company's assets. Efficiency and growth capex, meanwhile, are investments designed to increase those assets' capacity and productivity. Lastly, sustainability capex covers investments made to enhance quality standards, occupational health and safety and environmental performance and to prevent contamination. Financial investments correspond to payments for investments in financial assets.

The disclosure of capex cash flows broken down by area of investment facilitates oversight of execution of the published Business Plan.

### OPERATING CASH FLOW

The operating cash flow coincides with the net cash from operating activities presented in the statement of cash flows. However, operating cash flow is arrived at by starting from EBITDA, whereas net cash from operating activities is arrived at by starting from profit before tax. As a result, the adjustments to profit do not coincide in the two calculations. This APM is provided to reconcile EBITDA and operating cash flow.

### 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. 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.

### NORMALISED FREE CASH FLOW

Normalised FCF is the sum of EBITDA, the change in working capital, maintenance capex, net interest payments and income tax payments. It provides a proxy for the cash generated by the Company's operating activities before collection of proceeds from asset sales, the adjustments related with electricity sector regulations and other adjustments to profit. It represents the amount available for investments other than maintenance capex, for shareholder remuneration and for debt repayment.

### NET DEBT / (CASH)

The borrowings recognised on the balance sheet, include bonds and other marketable securities, bank borrowings and other financial liabilities. They do not include, however, the measurement of derivatives or borrowings from Group companies and associates.

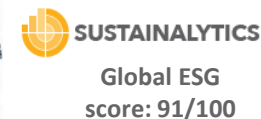
Net debt/(cash) is calculated as the difference between current and non-current borrowings on the liability side of the statement of financial position and unrestricted cash on the asset side, which includes cash and cash equivalents, the debt service cash reserve (included with non-current financial assets) and other financial investments (within current assets).

Net debt/(cash) provides a proxy for the Group's net indebtedness or liquidity and is a metric that is widely used in the capital markets to compare the financial position of different companies.

### ROCE

ROCE stands for the return on capital employed and is used by management as a key profitability performance indicator. It is calculated by dividing EBIT for the last 12 months by average capital employed during the period, capital employed being the sum of equity and net debt. For the Pulp business, equity is calculated as the difference between consolidated equity and the equity recognised by the Renewable Energy business.

ROCE is widely used in the capital markets to measure and compare the earnings performance of different companies.



# Delivering value Delivering commitments