First-quarter 2021
Earnings report

27 April 2021

Global ESG score:
82/100

CONTENTS

1. EXECUTIVE SUMMARY

Market figures	1Q21	1Q20	Δ%	4Q20	Δ%
BHKP (USD/t) average price	759.9	680.0	*11.7%*	680.0	*11.7%*
Average exchange rate (USD/€)	1.21	1.10	*9.6%*	1.19	*1.7%*
BHKP (€/t) average price	628.9	617.1	*1.9%*	572.3	*9.9%*
Average pool price (€/MWh)	48.1	35.9	*34.0%*	41.7	*15.3%*

Source: Bloomberg

Operating Metrics	1Q21	1Q20	Δ%	4Q20	Δ%
Pulp production (t)	**224,411**	**261,758**	***(14.3%)***	**264,860**	***(15.3%)***
Pulp sales (t)	**246,157**	**273,236**	***(9.9%)***	**259,224**	***(5.0%)***
Average sales pulp price (€/t)	403.7	418.2	*(3.5%)*	384.4	*5.0%*
Cash cost (€/t)	385.8	380.1	*1.5%*	366.8	*5.2%*
Renewable Energy sales volume (MWh)	**325,795**	**258,436**	***26.1%***	**424,339**	***(23.2%)***
Average sales price - Pool + Ro (€/MWh)	102.7	96.6	*6.4%*	94.0	*9.3%*
Remuneration for investment (€ m)	10.2	15.9	*(35.5%)*	15.3	*(33.2%)*

P&L € m	1Q21	1Q20	Δ%	4Q20	Δ%
Revenue from Pulp business	123.8	139.1	*(11.0%)*	125.9	*(1.7%)*
Revenue from Renewable Energy business	43.9	45.2	*(2.9%)*	55.4	*(20.8%)*
Consolidation adjustments	(0.6)	(0.7)		(0.5)	
Total revenue	**167.0**	**183.5**	*(9.0%)*	**180.8**	*(7.6%)*
Pulp business EBITDA	8.2	5.4	*51.2%*	6.8	*21.1%*
Margin %	**7%**	**4%**	*2.7 p.p.*	**5%**	*1.3 p.p.*
Renewable Energy business EBITDA	8.5	11.3	*(24.8%)*	17.4	*(50.9%)*
Margin %	**19%**	**25%**	*(5.6) p.p.*	**31%**	*(11.9) p.p.*
EBITDA	**16.8**	**16.8**	*(0.1%)*	**24.2**	*(30.6%)*
Margin %	*10%*	*9%*	*0.9 p.p.*	*13%*	*(3.3) p.p.*
Depreciation, amortisation and forestry depletion	(25.3)	(26.5)	*(4.7%)*	(27.2)	*(7.2%)*
Impairment of and gains/(losses) on fixed-asset disposals	(0.5)	0.5	*n.s.*	(2.1)	*(76.1%)*
Other non-ordinary results of operations	(1.3)	(1.3)	-	(1.3)	-
EBIT	**(10.3)**	**(10.6)**	*(2.8%)*	**(6.4)**	*59.9%*
Net finance cost	(5.3)	(6.1)	*(13.3%)*	(7.6)	*(30.3%)*
Other finance income/(cost) results	1.5	1.0	*59.0%*	32.1	*(95.3%)*
Profit before tax	**(14.0)**	**(15.7)**	*(10.6%)*	**18.1**	*n.s.*
Income tax	3.4	4.1	*(18.4%)*	(2.2)	*n.s.*
Net income	**(10.7)**	**(11.6)**	*(7.9%)*	**15.8**	*n.s.*
Non-controlling interests	1.0	(0.2)	*n.s.*	(0.4)	*n.s.*
Atributable Net Income	**(9.6)**	**(11.8)**	*(18.4%)*	**15.4**	*n.s.*
Earnings per share (Basic EPS)	(0.04)	(0.05)	*(18.4%)*	0.06	*n.s.*

Cash flow € m	1Q21	1Q20	Δ%	4Q20	Δ%
EBITDA	**16.8**	**16.8**	*(0.1%)*	**24.2**	*(30.6%)*
Change in working capital	(31.1)	5.3	*n.s.*	15.5	*n.s.*
Maintenance capex	(3.8)	(5.2)	*(27.3%)*	(3.0)	*26.9%*
Net interest Payment	(3.0)	(2.5)	*21.0%*	(8.3)	*(64.1%)*
Income tax received/(paid)	0.3	1.2	*(71.0%)*	5.1	*(93.1%)*
Normalised free cash flow	**(20.7)**	**15.7**	*n.s.*	**33.5**	*n.s.*
Other collection (payments) and non cash expenses (reve	(1.0)	0.4	*n.s.*	(20.4)	*(95.3%)*
Pending payments for expansion capex	(20.9)	(22.3)	*(6.2%)*	(15.9)	*31.9%*
Sustainability capex and other	(6.7)	(9.3)	*(28.4%)*	(2.8)	*140.1%*
Disposals	0.2	0.4	*(60.0%)*	58.6	*(99.7%)*
Free cash flow	**(49.1)**	**(15.1)**	*225.1%*	**53.1**	*n.s.*
Dividends from the parent	-	-	-	-	*n.s*

Net debt € m	Mar-21	Dec-20	Δ%
Net financial debt Pulp business	74.7	43.4	*72.4%*
Net financial debt Renewable Energy business	152.6	134.5	*13.5%*
Net financial debt	**227.4**	**177.8**	*27.9%*

- ✓ **Pulp prices have been staging a rapid recovery in 2021, having hovered at record lows for all of 2020. Hardwood pulp prices (BHKP) in Europe have already recovered by 38% from their lows and are currently trading at $936/tonne (gross). The leading producers have announced additional price increases to $1,010 per tonne (gross) applicable to orders negotiated from April; moreover, prices would have to increase above $1,100 to level with the prices prevailing in China.**

- ✓ **Ence carried out its annual maintenance stoppages at both biomills during the first quarter, in contrast to 2020, when they took place in the third quarter. That timing mismatch translated into a 10% drop in sales volumes and a 2% increase in the cash cost compared to the first quarter of 2020.**

- ✓ **However, EBITDA in the Pulp business was 51% higher year-on-year in 1Q21, at €8m. The reduction in volumes and increase in costs derived from the first-quarter stoppages were offset by the positive effect of the currency hedges in place.**

- ✓ **Like-for-like EBITDA in the Renewable Energy business increased by 13% year-on-year to €9m in 1Q21, boosted by generation volume growth of 29% and better regulated sale price. Compared with reported EBITDA in 1Q20, which included the Puertollano CSP plant sold in December 2020, it decreased by 25%.**

- ✓ **To further its growth in renewables, Ence has an advanced pipeline of 505 MW that would ultimately multiply the Company's current installed capacity nearly three-fold. This pipeline is comprised by 405 MW which already have a grid connection permit and secured locations, along with another 100 MW for which a connection permit was granted in the first quarter of 2021. Their permitting is underway and the expectation is that they will be ready to start construction on a staggered basis from 2022, depending on the outcome of the upcoming capacity auctions and potential PPA agreements.**

- ✓ **The Group's net debt ended March at €227.4m. Both businesses are financed using long-term debt with no leverage-related covenants in the Pulp business. The Group reported over €475m of cash at the close. The €49m increase in net debt this quarter was related to the reduced use of factoring lines (by €20m) and the payment of €28m associated with the Strategic Plan capex undertaken in prior years.**

- ✓ **Ence is one of the most sustainable players in its sector according to the scores awarded by MSCI and Sustainalytics. During the first quarter the Company managed to improve its occupational safety metrics by a further 60%, putting it well ahead of the manufacturing industry and sector averages in Spain.**

- ✓ **Rigorous and ongoing application of Ence's internal protocols for the prevention and minimisation of Covid-19 risks for the Group's people and operations have enabled it to operate fully throughout the initial outbreak and subsequent waves of the health crisis, with no jobs lost.**

- ✓ **The Company continues to defend the legality of the extension of its concession in Pontevedra until 2073 in the courts. An initial ruling is expected in the coming months. The legal proceedings could take as long as four years, including appeals taken to the highest possible level.**

2. PULP BUSINESS

Ence has two eucalyptus hardwood pulp (BHKP) biomills in Spain: a 685,000-tonne-capacity facility in the town of Navia, Asturias, and a 515,000-tonne-capacity complex in Pontevedra, Galicia. Both biomills use eucalyptus timber procured locally from sources that can certify sustainable forest management.

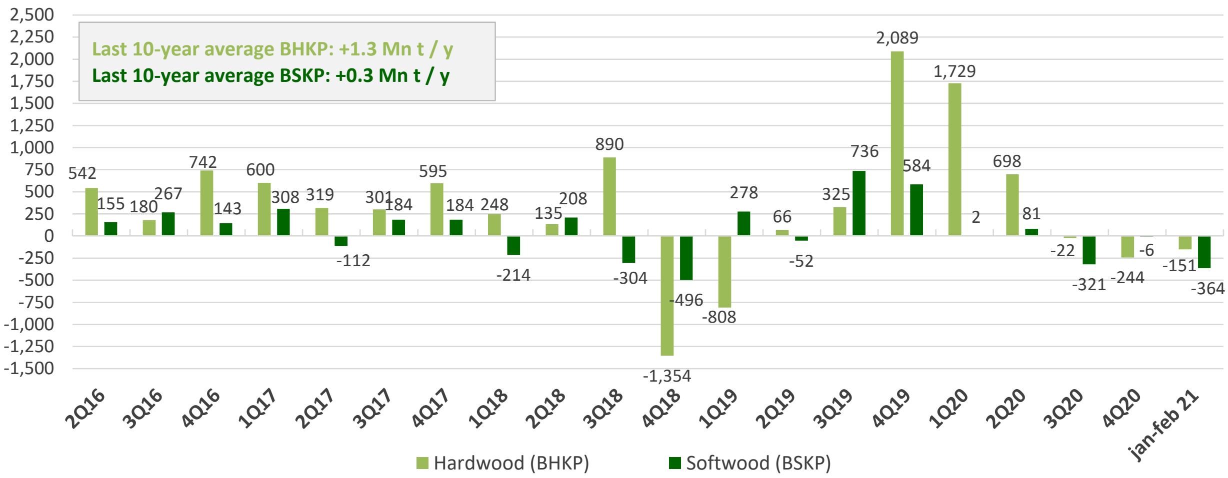
Ence's Pulp business encompasses all the activities related to the production of pulp for sale to third parties. It therefore includes not only the production and sale of pulp but also the generation and co-generation of energy using renewable biomass at the plants involved in the productive process, as well as the supply and sale of timber from the plantations managed sustainably by the Company.

2.1. Pulp market trends

Rapid growth in urban populations and improving living standards in emerging markets are the key factors driving growth in global demand for pulp for tissue paper and hygiene products. Those demographic trends are being complemented by a substitution effect: pulp is a natural, sustainable, recyclable and biodegradable raw material that is a good substitute for less environmentally-friendly materials such as plastics and synthetic fibres.

These demand dynamics are very consistent over time and contrast with the abrupt destocking observed in the paper industry at the end of 2018 (although inventories went on to recover at the end of 2019). That destocking by the paper industry put pressure on pulp prices which hit a 10-year low at the end of 2019, a trough in which they stayed for a year. Prices began to recover towards the end of 2020.

Year-on-year change in global demand for pulp, last five years (tonnes, 000)

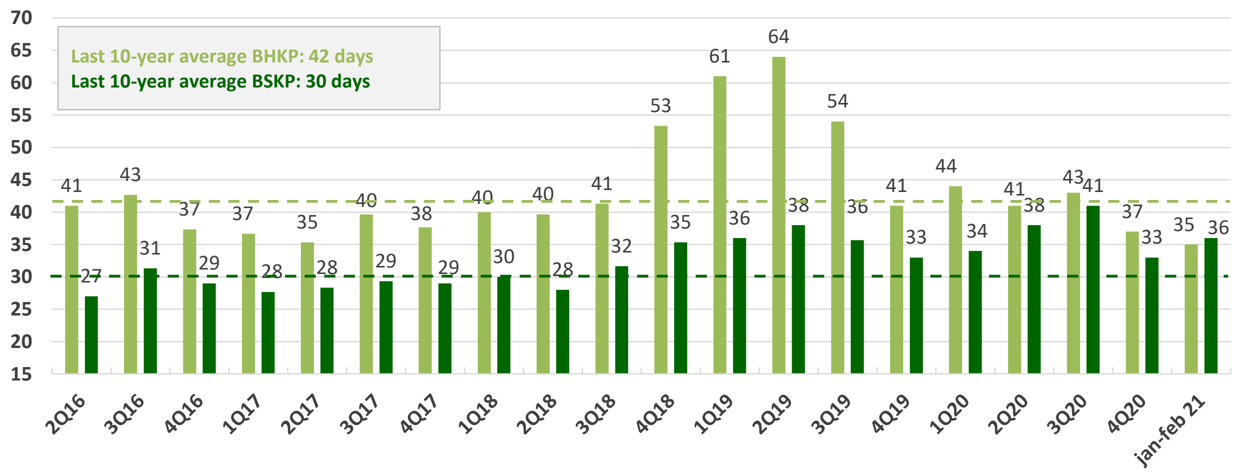


Source: Ence, PPPC–G100

In 2020, demand for pulp increased by 3% (equivalent to 1.9m tonnes, compared to average annual growth of 1.6m tonnes during the last decade), driven by strong demand for tissue paper and restocking by the paper industry, which offset the decline in demand for printing and writing papers as a result of the pandemic.

Demand for pulp eased by 4% year-on-year in the first two months of 2021 (equivalent to 0.5m tonnes), shaped largely by the paper industry restocking that characterised the first two months of 2020.

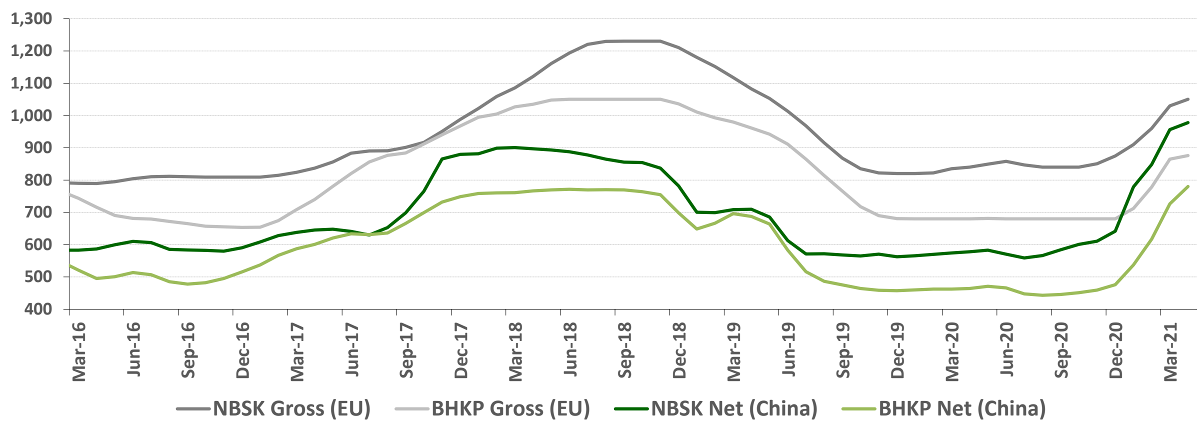
Pulp producer inventories during the last five years (quarterly average in no. of days)



Source: Ence, PPPC–G100

Pulp producer inventories remain broadly level with year-end 2020. Hardwood (BHKP) inventories had fallen to 35 days by February, compared to a 10-year average of 42 days, while softwood inventories had increased to 36 days, above the 10-year average of 30 days.

Net pulp prices in China and gross prices in Europe during the last five years (US$)



Source: FOEX

Pulp prices have been recovering rapidly since the end of 2020, having hovered at record lows throughout the year. Hardwood pulp prices (BHKP) in China have already recovered by over 70% from their lows and are currently trading at around $780/tonne (net). Those price increases are having a knock-on effect in the European market, where hardwood prices have gained 38% since their lows and are currently trading at over $936 tonne (gross). The leading producers have announced additional price increases in Europe to $1,010 per tonne (gross) applicable to orders negotiated from April; prices would have to increase above $1,100 to reach the prices currently prevailing in China.

2.2. Revenue from pulp sales

Pulp sales volumes declined by 9.9% year-on-year in 1Q21 to 246,157 tonnes, shaped by the fact that the annual maintenance stoppages took place at both biomills in the first quarter of this year, compared to the third quarter of 2020.

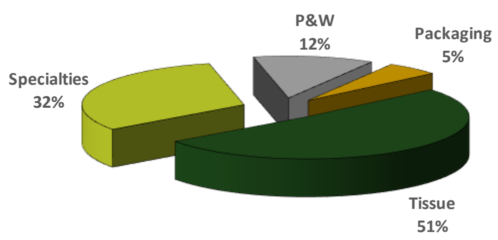
	1Q21	1Q20	Δ%	4Q20	Δ%
Pulp sales (t)	**246,157**	**273,236**	*(9.9%)*	**259,224**	*(5.0%)*
Average sales price (€/t)	403.7	418.2	*(3.5%)*	384.4	*5.0%*
Pulp sales revenue (€ m)	**99.4**	**114.3**	*(13.0%)*	**99.7**	*(0.3%)*

The Company decreased its pulp inventories by 21,700 tonnes during the quarter to 24,600 tonnes in order to provide continued service during the maintenance stoppages carried out at both biomills. By comparison, inventories decreased by 11,500 tonnes in 1Q20.

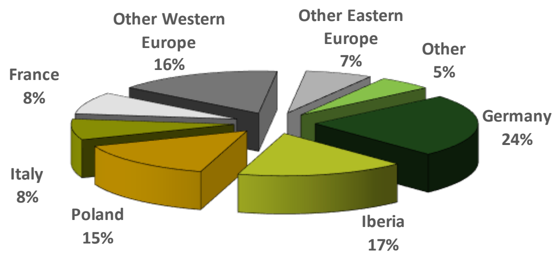
Meanwhile, despite a recovery of 11.7% in average benchmark pulp prices during the first quarter, Ence's average sales price narrowed by 3.5% year-on-year due to appreciation of the euro against the dollar of 9.6% and also the fact that Ence's monthly sales are for the most part benchmarked against the previous month's average benchmark price.

The combination of the two factors drove a 13% reduction in revenue from pulp sales compared to the first quarter of 2020.

Breakdown of revenue by end product



Breakdown of revenue by geographic market



The tissue paper segment remains the main end use given to the pulp sold by Ence, accounting for 51% of revenue from pulp sales in 1Q21, followed by the specialty paper segment, at 32%. The printing and writing paper segment accounted for 12% of sales and packaging, the remaining 5%.

Most of the pulp produced by Ence is sold in Europe, namely 95% of revenue from pulp sales in 1Q21. Germany and Iberia accounted for 24% and 17% of total revenue, respectively, followed by Poland (15%), Italy (8%) and France (8%). The other western European countries accounted for 16% of the total, with the rest of Eastern Europe representing 7%.

Ence's differentiated products, such as Naturcell and Powercell, which are more sustainable and better suited for replacing softwood pulp, accounted for 12% of 1Q21 sales.

2.3. Pulp production and the cash cost

Rigorous and ongoing application of Ence's internal protocols for the prevention and minimisation of Covid-19 risks for the Group's people and operations have enabled it to operate fully throughout the initial outbreak and subsequent waves of the health crisis, with no jobs lost.

	1Q21	1Q20	Δ%	4Q20	Δ%
Navia pulp production	129,655	142,968	*(9.3%)*	150,592	*(13.9%)*
Pontevedra pulp production	94,756	118,789	*(20.2%)*	114,268	*(17.1%)*
Pulp production (t)	**224,411**	**261,758**	*(14.3%)*	**264,860**	*(15.3%)*

Pulp production decreased by 14.3% year-on-year to 224,411 tonnes in 1Q21 as a result of the 12-day maintenance stoppages carried out at both biomills during the month of March. In 2020, those stoppages took place in July at both complexes.

In addition to maintenance investments, the Company took advantage of the stoppages to make investments designed to boost safety and reduce emissions, odour levels and water consumption.

Figures in €/t	1Q21	1Q20	Δ%	4Q20	Δ%
Wood cost	206.2	204.3	*0.9%*	205.6	*0.3%*
Conversion costs	120.9	117.9	*2.5%*	102.1	*18.4%*
Sales and logistic costs	32.6	31.6	*3.1%*	28.4	*14.8%*
Overheads	26.1	26.3	*(0.6%)*	30.7	*(14.8%)*
Total cash cost	**385.8**	**380.1**	*1.5%*	**366.8**	*5.2%*

The 1Q21 cash cost was €385.8/tonne, up 1.5% (or €5.7/tonne) year-on-year and up 5.2% (€19/tonne) compared to 4Q20, due mainly to growth of 18.4% (€18.8/tonne) in conversion costs as a result of reduced power generation and a loss of economies of scale on the back of lower production and sales volumes. Logistics costs also increased by 14.8% (equivalent to €4.2/tonne) as a result of higher shipping costs, whereas overhead was 14.8% (or €4.6/tonne) lower.

2.4. Revenue from the sale of energy in connection with pulp production (included in the cash cost)

Ence uses the lignin and forest biomass derived from its manufacturing activities to generate the renewable energy needed for the process. Specifically, it operates a 34.6-MW lignin-fired CHP plant, integrated within the Pontevedra biomill, and a 40.3-MW CHP lignin-fired plant and a 36.7-MW biomass generation plant, both of which are integrated within the pulp production process at the Navia biomill.

The renewable energy generated at these power plants is sold to the grid and subsequently repurchased. The operating profit from this activity is included in the above-mentioned conversion costs within the cash cost metric.

	1Q21	1Q20	Δ%	4Q20	Δ%
Navia energy sales	117,361	139,405	*(15.8%)*	149,033	*(21.3%)*
Pontevedra energy sales	54,180	61,721	*(12.2%)*	67,747	*(20.0%)*
Energy sales linked to the pulp process (MWh)	**171,541**	**201,126**	*(14.7%)*	**216,780**	*(20.9%)*
Average sales price - Pool + Ro (€/MWh)	84.0	78.3	*7.3%*	80.9	*3.8%*
Remuneration for investment (€ m)	2.6	2.6	*0.1%*	2.6	*(0.0%)*
Revenues from energy sales linked to pulp (€ m)	**17.0**	**18.3**	*(7.3%)*	**20.1**	*(15.6%)*

The sale of energy in connection with pulp production decreased by 14.7% year-on-year in the first quarter, to 171,541 MWh, as a result of the annual stoppages undertaken at both biomills in March.

Average energy sales prices increased by 7.3% year-on-year in 1Q21 to €84/MWh as a result of higher pool prices and the revision during the quarter of the remuneration for operations (Ro) and the limits set by the regulator (regulatory collar) applicable during the state of alarm in Spain, as per Ministerial Order TED/260/2021, which implements Royal Decree-Law 23/2020.

As a result, revenue from energy sales in the Pulp business, factoring in remuneration for investment - unchanged - , decreased by 7.3% year-on-year in 1Q21 to €17.0m.

2.5. Revenue from forestry and other activities

In addition to the sale of pulp and energy, the Pulp business encompasses other activities, notable among which the sale of timber sourced from proprietary eucalyptus plantations located in southern Spain.

	1Q21	1Q20	Δ%	4Q20	Δ%
Forestry and other revenue (€ m)	**7.5**	**6.5**	*14.9%*	**6.2**	*20.9%*

Revenue from forestry activities amounted to €7.5m in 1Q21, up 14.9% from 1Q20.

2.6. Statement of profit or loss

Figures in € m	1Q21	1Q20	Δ%	4Q20	Δ%
Total net revenue	**123.8**	**139.1**	*(11.0%)*	**125.9**	*(1.7%)*
EBITDA	**8.2**	**5.4**	*51.2%*	**6.8**	*21.1%*
EBITDA margin	*7%*	*4%*	*2.7 p.p.*	*5%*	*1.3 p.p.*
Depreciation and amortisation	(13.9)	(13.9)	*(0.2%)*	(15.4)	*(10.2%)*
Depletion of forestry reserves	(3.0)	(3.4)	*(11.6%)*	(2.4)	*28.0%*
Impairment of and gains/(losses) on fixed-asset disp(	(0.4)	0.9	*n.s.*	(0.2)	*55.5%*
Other non-recurring gains/(losses)	(1.3)	(1.3)	-	(1.3)	-
EBIT	**(10.3)**	**(12.2)**	*(15.5%)*	**(12.5)**	*(17.7%)*
EBIT margin	*-8%*	*-9%*	*0.5 p.p.*	*-10%*	*1.6 p.p.*
Net finance cost	(2.3)	(2.6)	*(9.3%)*	(3.2)	*(28.7%)*
Other financial results	1.8	1.0	*89.5%*	(0.8)	*n.s.*
Profit before tax	**(10.8)**	**(13.8)**	*(21.7%)*	**(16.6)**	*(34.9%)*
Income tax	2.5	3.4	*(27.6%)*	5.4	*(54.3%)*
Net Income	**(8.3)**	**(10.4)**	*(19.7%)*	**(11.1)**	*(25.5%)*

EBITDA in the Pulp business increased by 51.2% from 1Q20 to €8.2m, despite the drop in sales volumes and in the average sales price, thanks mainly to the impact of the foreign currency hedges.

Ence has an ongoing hedging policy designed to mitigate the impact of exchange rate volatility on its earnings. Those hedges implied a gain of €1.9m in 1Q21, compared to a loss of €4.5m in 1Q20.

In addition, Ence locked in 2020 a price of $773/tonne for the sale of 247,200 tonnes of pulp in 2021, arrangements that generated a gain of €0.4m during the first quarter.

First-quarter EBITDA also included other income, net of other expenses, that are not included in the cash cost of €1.5m. Those income and expenses include the EBITDA generated on the sale of timber to third parties, charges for community work in the vicinity of the Group's biomills, working capital provisions, the cash cost difference in respect of inventories sold, non-recurring staff costs and *ad-hoc* advisory service costs.

Below the EBITDA line, depreciation and amortisation charges were flat year-on-year at €13.9m, while forest depreciation charges decreased by 11.6% to €3m due to the lower cost of the timber procured from proprietary plantations.

Impairment and gains/(losses) on the disposal of assets, in the amount of €0.4m, mainly includes impairment losses recognised on proprietary forest assets. Other non-recurring operating charges include a €1.3m provision for expenses under Ence's Environmental Pact in Pontevedra, signed in June 2016.

Lastly, the net finance cost declined by 9.3% to €2.3m, thanks partly to finance income of €0.5m associated with the contingent price agreed as part of the sale of 49% of the Renewable Energy business in December 2020. 'Other finance income/costs' includes €1.8m of exchange rate gains on working capital.

As a result, the Pulp business posted a net loss of €8.3m in 1Q21, compared to a loss of €10.4m in 1Q20.

2.7. Cash flow analysis

Ence used €14m of cash in operating activities in 1Q21, having generated €13.8m in 1Q20, mainly due to contrasting working capital trends.

Figures in € m	1Q21	1Q20	Δ%	4Q20	Δ%
EBITDA	**8.2**	**5.4**	*51.2%*	**6.8**	*21.1%*
Non cash expenses / (income)	(2.7)	3.0	*n.s.*	(7.8)	*(65.1%)*
Other collections / (payments)	(0.0)	0.3	*n.s.*	0.1	*n.s.*
Change in working capital	(17.2)	6.8	*n.s.*	2.3	*n.s.*
Income tax received / (paid)	-	(0.0)	*(100.0%)*	6.3	*(100.0%)*
Net interest received / (paid)	(2.4)	(1.8)	*33.3%*	(1.3)	*86.0%*
Net cash flow from operating activities	**(14.0)**	**13.8**	*n.s.*	**6.6**	*n.s.*

Movements in working capital implied a cash outflow of €17.2m in 1Q21, shaped mainly by the reduced use of the Company's factoring lines. The increase in accounts receivable as a result of the recovery in prices compared to December was offset by the reduction in inventories during the quarter.

Figures in € m	1Q21	1Q20	Δ%	4Q20	Δ%
Inventories	6.4	7.2	*(11.3%)*	3.7	*71.2%*
Trade and other receivables	(20.7)	(2.2)	*n.s.*	(1.6)	*n.s.*
Financial and other current assets	(1.7)	(1.7)	*(2.1%)*	(5.7)	*(70.8%)*
Trade and other payables	(1.2)	3.5	*n.s.*	5.9	*n.s.*
Change in working capital	**(17.2)**	**6.8**	*n.s.*	**2.3**	*n.s.*

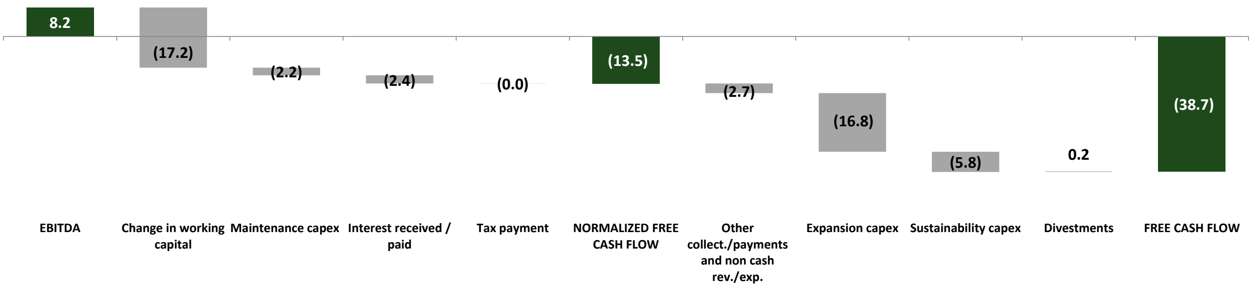
As of the March close, Ence had drawn down €52.1m of non-recourse factoring facilities in the Pulp business, compared to €66.1m at year-end 2020. Ence has also arranged several non-recourse reverse factoring facilities, which were drawn down by €85.1m at the March close, compared to €104.6m at year-end.

Figures in € m	1Q21	1Q20	Δ%	4Q20	Δ%
Maintenance capex	(2.2)	(3.8)	*(41.9%)*	(1.8)	*20.4%*
Expansion capex	(16.8)	(17.0)	*(1.0%)*	(3.4)	*n.s.*
Sustainability capex and other	(5.8)	(7.4)	*(21.6%)*	(2.2)	*159.0%*
Financial investments	(0.0)	0.0	*n.s.*	(3.2)	*(99.5%)*
Investments	**(24.8)**	**(28.1)**	*(11.7%)*	**(10.7)**	*132.9%*
Disposals	0.2	0.4	*(60.0%)*	82.8	*(99.8%)*
Net cash flow used in investing activities	**(24.7)**	**(27.7)**	*(11.0%)*	**72.1**	*n.s.*

Cash used in investing activities amounted to €24.7m, down 11% from 1Q20.

Maintenance capex was pared back to €2.2m, while sustainability-related investments amounted to €5.8m. The sustainability investments are largely related with a range of initiatives targeted at reinforcing safety and reducing odour, noise and water consumption at the biomills, an effort that will make Ence more competitive in the long run.

Investments in efficiency and growth - €16.8m - were largely flat compared to 1Q20 and mostly related to payments associated with the capacity added in 2019.



As a result, normalised free cash flow in the Pulp business amounted to a negative €13.5m in 1Q21, while free cash flow net of efficiency, growth and sustainability capex came in at a negative €38.7m.

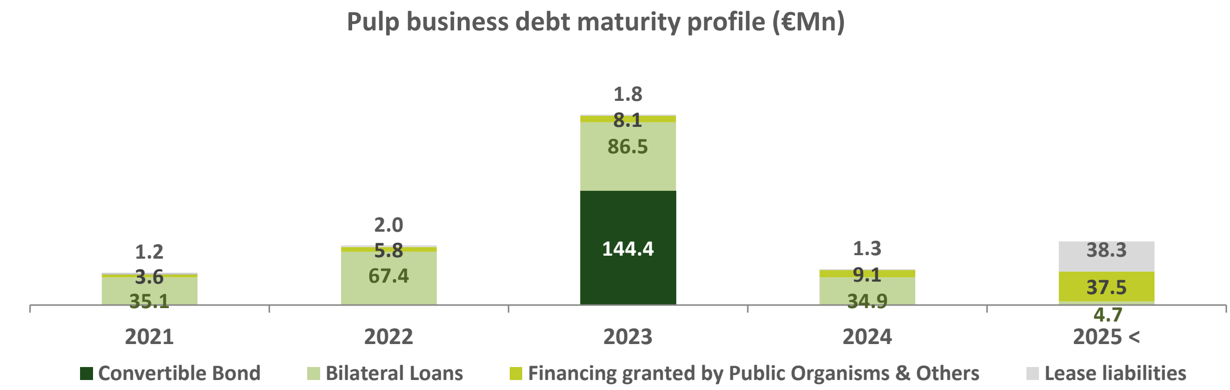
2.8. Change in net debt

Net debt in the Pulp business increased by €31.3m from year-end 2020 to €74.7m at 31 March 2021, €44.6m of which corresponds to lease liabilities.

Figures in € m	Mar-21	Dec-20	Δ%
Non-current financial debt	388.1	401.2	*(3.3%)*
Current financial debt	49.0	54.4	*(10.0%)*
Gross financial debt	**437.0**	**455.6**	*(4.1%)*
Non-current lease contracts	43.0	42.8	*0.5%*
Current lease contracts	1.6	2.0	*(20.3%)*
Financial liabilities related to lease contracts	**44.6**	**44.8**	*(0.4%)*
Cash and cash equivalents	396.3	448.1	*(11.6%)*
Short-term financial investments	10.6	9.0	*18.6%*
Net financial debt Pulp business	**74.7**	**43.4**	*72.4%*

The ratio of net debt-to-LTM EBITDA in the Pulp business stood at 4.5x at the March 2021 close. Due to the cyclical nature of the Pulp business, it is financed with covenant-free, long-term debt and ample liquidity. At the reporting date, the Pulp business had cash and cash equivalents of €406.9m.

The gross debt of €437m at the March close corresponds mainly to the €144.4m of convertible bonds (deducted by the value of the equity component), the outstanding balance of €228.5m on bilateral loans and a series of loans totalling €64.1m awarded by the CDTI (acronym in Spanish for the Centre for the Development of Industrial Technology) and Spanish Ministry of Industry to finance investments in efficiency upgrades and capacity expansion work; the maturities on these loans range to 2030. Debt arrangement fees are deducted from gross borrowings on the statement of financial position.



3. RENEWABLE ENERGY BUSINESS

Ence's Renewable Energy business encompasses the generation of power from renewable sources at plants that have no relation to the pulp production process. Ence has eight power plants fuelled by forestry and agricultural biomass with aggregate installed capacity of 266 MW: three plants in Huelva (with capacity of 50 MW, 46 MW and 41 MW); two in Ciudad Real (50 MW and 16 MW); one in Merida (20 MW); one in Jaen (16 MW); and a complex in Cordoba (27 MW).

The new agricultural and forestry biomass plants in Huelva (46 MW) and Puertollano (Ciudad Real) (50 MW) were brought on line on 31 January and 31 March 2020, respectively, In December 2020, Ence Energía, S.L. sold its 50-MW CSP plant in Puertollano (Ciudad Real).

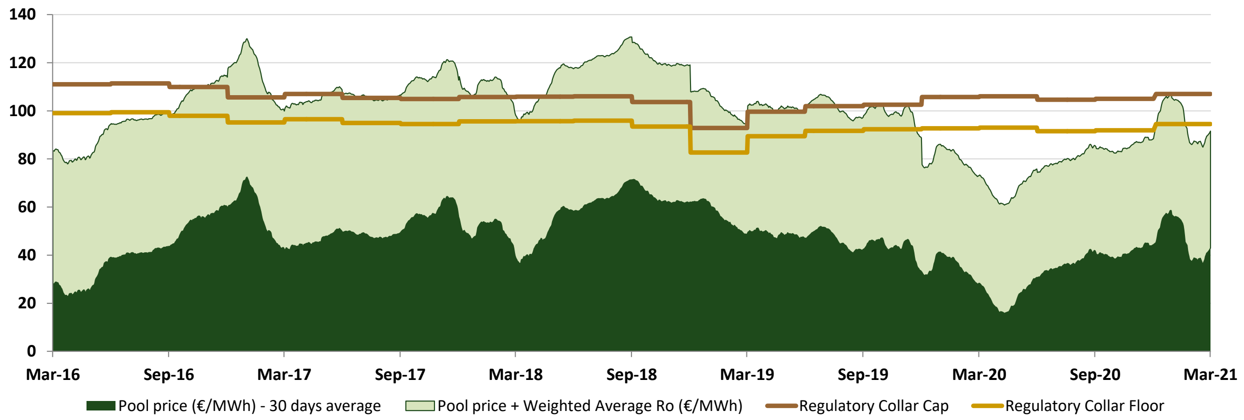
3.1. Electricity market trends

The average pool price in Spain increased by 34% year-on-year in 1Q21 to €48.1/MWh.

	1Q21	1Q20	*Δ%*	4Q20	*Δ%*
Average pool price (€/MWh)	48.1	35.9	*34.0%*	41.7	*15.3%*

The price per MWh sold by Ence is determined by the market (pool) price plus the remuneration for operations (Ro) earned by each plant, within the ceiling and floor set by the regulator (regulatory collar). Those parameters were updated for the 2020-2022 regulatory stub period on 28 February 2020, as contemplated in applicable legislation.

Pool price, average Ro and regulatory collar, last 5 years (€/MWh)



In addition, the remuneration for investment (Ri) for the universe of power plants comprising Ence's Renewable Energy business was set at 7.4% for 2020-2031 by Spanish Royal Decree-Law 17/2019. That remuneration concept implies annual income of €40.9m (already excluding the solar thermal plant sold in December 2020).

The plants' remuneration parameters are outlined in greater detail in Appendix 2.

3.2. Energy sales

Rigorous and ongoing application of Ence's internal protocols for the prevention and minimisation of Covid-19 risks for the Group's people and operations have enabled it to operate fully throughout the initial outbreak and subsequent waves of the health crisis, with no jobs lost.

The volume of energy sold in the first quarter increased by 26.1% year-on-year to 325,795 MWh, thanks to the contributions made by the two new biomass plants, the 46-MW plant in Huelva and the 50-MW plant in Ciudad Real, commissioned on 31 January and 31 March 2020, respectively; a higher contribution by the 16-MW plant in Ciudad Real, which was idled for repowering in 1Q20; and higher output at the 41-MW plant in Huelva, which suffered turbine damage in March 2020.

The growth in production at those plants offset the deconsolidation of the CSP plant in Puertollano from December 2020 and lower output at the 50-MW plant in Huelva, which was stopped for most of the quarter, as scheduled, for its major overhaul revision which is carried out every five years.

The 41-MW and 46-MW plants in Huelva were also idled for maintenance work during the quarter. The annual stoppages of the 50-MW Ciudad Real, 20-MW Merida, 16-MW Ciudad Real and 16-MW Jaen plants are programmed for the second quarter, with the stoppage of the 27-MW Cordoba plant due to take place during the third quarter.

On a like-for-like basis, excluding the solar thermal plant in Puertollano from the 1Q20 numbers, the volume of energy sold in the first quarter increased by 28.9%.

	1Q21	1Q20	*Δ%*	4Q20	*Δ%*
Huelva 41 MW - Biomass	37,310	28,139	*32.6%*	53,900	*(30.8%)*
Jaén 16 MW - Biomass	21,852	24,182	*(9.6%)*	17,913	*22.0%*
Ciudad Real 16 MW - Biomass	25,325	7,360	*244.1%*	25,400	*(0.3%)*
Córdoba 27 MW - Biomass	44,038	50,293	*(12.4%)*	48,040	*(8.3%)*
Ciudad Real 50 MW - CSP plant	-	5,707	*(100.0%)*	7,198	*(100.0%)*
Huelva 50 MW - Biomass	39,336	86,973	*(54.8%)*	98,302	*(60.0%)*
Mérida 20 MW - Biomass	35,350	35,478	*(0.4%)*	37,082	*(4.7%)*
Huelva 46 MW - Biomass	56,655	20,305	*179.0%*	69,254	*(18.2%)*
Ciudad Real 50 MW - Biomass	65,928		-	67,250	*(2.0%)*
Energy sales (MWh)	**325,795**	**258,436**	*26.1%*	**424,339**	*(23.2%)*
Average sales price - Pool + Collar + Ro (€/MWh)	102.7	96.6	*6.4%*	94.0	*9.3%*
Remuneration for investment (€ m)	10.2	15.9	*(35.5%)*	15.3	*(33.2%)*
Revenue (€ m)	**43.9**	**41.0**	*6.9%*	**55.4**	*(20.8%)*
Capitalized revenues (€ m)	-	4.1	-	0.0	-
Total revenue (€ m)	**43.9**	**45.2**	*(2.9%)*	**55.4**	*(20.8%)*

Average energy sales prices increased by 6.4% year-on-year in 1Q21 to €102.7/MWh as a result the revision during the quarter of the remuneration for operations (Ro) and the limits set by the regulator (regulatory collar) applicable during the duration of the state of alarm in Spain, as per Ministerial Order TED/260/2021, which implements Royal Decree-Law 23/2020.

Ence adjusts its average sales price monthly as a function of the limits set by the regulator (regulatory collar). That accounting treatment implied the recognition of revenue of €2.3m in 1Q21, compared to revenue of €4.1m in that same connection in 1Q20.

In addition, Ence has hedged pool prices to mitigate the impact of price volatility on its earnings. Those hedges implied a loss of €0.2m, which is recognised as a reduction in revenue.

Elsewhere, Ence's remuneration for investment decreased by €5.7m during the quarter due to the sale of the Puertollano CSP plant in December 2020.

Lastly, 1Q20 revenue included €4.1m corresponding to the energy sold by the new biomass plants during testing; that revenue was recognised along with the corresponding expenses so that the impact at the EBITDA level was neutral.

In all, revenue in the Renewable Energy business narrowed by 2.9% year-on-year to €43.9m. On a like-for-like basis, excluding the solar thermal plant in Puertollano, revenue increased by 13.8% compared to 1Q20.

3.3. Statement of profit or loss

Figures in € m	1Q21	1Q20	Δ%	4Q20	Δ%
Total revenue	**43.9**	**45.2**	*(2.9%)*	**55.4**	*(20.8%)*
EBITDA	**8.5**	**11.3**	*(24.8%)*	**17.4**	*(50.9%)*
EBITDA margin	*19%*	*25%*	*(5.6) p.p.*	*31%*	*(11.9) p.p.*
Depreciation and amortisation	(9.3)	(9.3)	*0.1%*	(12.1)	*(23.3%)*
Depletion of forestry reserves	(0.1)	(0.2)	*(53.2%)*	(0.0)	*110.5%*
Impairment of and gains/(losses) on fixed-asset disposals	(0.1)	(1.1)	*(89.2%)*	(0.1)	*4.4%*
EBIT	**(1.0)**	**0.8**	*n.s.*	**5.1**	*n.s.*
EBIT margin	*-2%*	*2%*	*(3.9) p.p.*	*9%*	*(11.4) p.p.*
Net finance cost	(3.3)	(3.6)	*(8.1%)*	(4.3)	*(24.8%)*
Other finance income/(cost)	(0.0)	(0.0)	*75.0%*	32.9	*n.s.*
Profit before tax	**(4.2)**	**(2.8)**	*52.4%*	**33.6**	*n.s.*
Income tax	0.9	0.7	*26.9%*	(3.7)	*n.s.*
Net Income	**(3.4)**	**(2.1)**	*60.9%*	**29.9**	*n.s.*
Non-controlling interests	(0.3)	(0.2)	*40.2%*	(0.4)	
Atributable Net Income	**(3.7)**	**(2.3)**	*58.9%*	**29.5**	*n.s.*

The Renewable Energy business reported first-quarter EBITDA of €8.5m, down 24.8% from 1Q20, due mainly to the deconsolidation of the CSP plant sold.

Like-for-like, i.e., excluding the solar thermal plant in Puertollano, EBITDA in the Renewable Energy business increased by 12.6% year-on-year, fuelled by higher volumes and average sales prices, as well as the collection of an insurance claim of €2.4m in connection with the turbine at the 41-MW Huelva plant that broke down in 2020, all of which was mitigated by higher biomass costs.

Below the EBITDA line, it is worth highlighting the 23.3% decrease in depreciation charges in 1Q21 to €9.3m, due mainly to the deconsolidation of the CSP plant since December 2020.

By the same token, the net finance cost was 24.8% lower year-on-year as a result of the deconsolidation of the CSP plant in December 2020.

As a result, the Renewable Energy business posted a net loss of €3.7m in 1Q21, compared to a loss of €2.3m in 1Q20.

3.4. Cash flow analysis

Net cash flows used in operating activities amounted to €3.9m in 1Q21, compared to net cash generation of €7.5m in 1Q20, due primarily to differing working capital trends in the two periods.

Figures in € m	1Q21	1Q20	Δ%	4Q20	Δ%
EBITDA	**8.5**	**11.3**	*(24.8%)*	**17.4**	*(50.9%)*
Non cash expenses / (incomes)	1.8	(2.9)	*n.s.*	(12.7)	*n.s.*
Other collections / (payments)	(0.0)	(0.0)	*95.4%*	0.0	*n.s.*
Change in working capital	(14.0)	(1.5)	*n.s.*	13.2	*n.s.*
Income tax received / (paid)	0.3	1.2	*(71.0%)*	(1.2)	*n.s.*
Net interest received / (paid)	(0.6)	(0.7)	*(10.8%)*	(7.0)	*(91.3%)*
Net cash flow from operating activities	**(3.9)**	**7.5**	*n.s.*	**9.6**	*n.s.*

Movements in working capital implied a cash outflow of €14m in 1Q21, including a €6m reduction in the use of factoring facilities and a €6.4m reduction in trade payables.

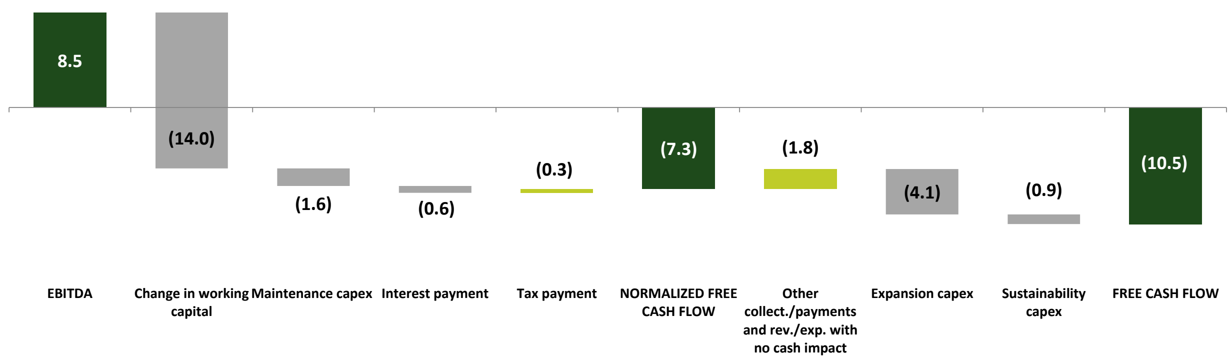
Figures in € m	1Q21	1Q20	Δ%	4Q20	Δ%
Inventories	(0.8)	(3.7)	*(78.5%)*	4.5	*n.s.*
Trade and other receivables	(6.8)	2.3	*n.s.*	6.2	*n.s.*
Trade and other payables	(6.4)	(0.1)	*n.s.*	2.5	*n.s.*
Change in working capital	**(14.0)**	**(1.5)**	*n.s.*	**13.2**	*n.s.*

As of the March close, the Renewable Energy business had drawn down its factoring facilities by €16.2m, compared to €22.2m at year-end 2020. Ence has also arranged several non-recourse reverse factoring facilities, which were drawn down by €22.9m at the March close, compared to €27.4m at year-end.

Figures in € m	1Q21	1Q20	Δ%	4Q20	Δ%
Maintenance capex	(1.6)	(1.4)	*11.6%*	(1.2)	*37.0%*
Efficiency and expansion capex	(4.1)	(32.2)	*(87.3%)*	(12.5)	*(67.2%)*
Sustainability capex and other	(0.9)	(1.9)	*(54.7%)*	(0.5)	*61.4%*
Financial investments	(0.0)	0.0	*n.s.*	(0.0)	-
Investments	**(6.5)**	**(35.5)**	*(81.6%)*	**(14.2)**	*(53.8%)*
Disposals	-	-	*n.s.*	58.3	*(100.0%)*
Net cash flow from investing activities	**(6.5)**	**(35.5)**	*(81.6%)*	**44.1**	*n.s.*

Investments in efficiency and growth - €4.1m - corresponded mainly to payments outstanding on the construction of the two new biomass plants commissioned in 1Q20. The €32.2m of efficiency and growth investments recognised in 1Q20 included the transfer of the remaining Huelva assets by the Pulp business at a value of €26.9m, thus completing the separation of the two units' assets; the transfer had no impact on the the Group's consolidated cash flows.

Maintenance capex amounted to €1.6m (vs. €1.4m in 1Q20), while sustainability capex totalled €0.9m (€1.9m in 1Q20).



As a result, the Renewable Energy business generated negative normalised free cash flow of €7.3m in 1Q21, while free cash flow net of growth, efficiency and sustainability capex came in at a negative €10.5m.

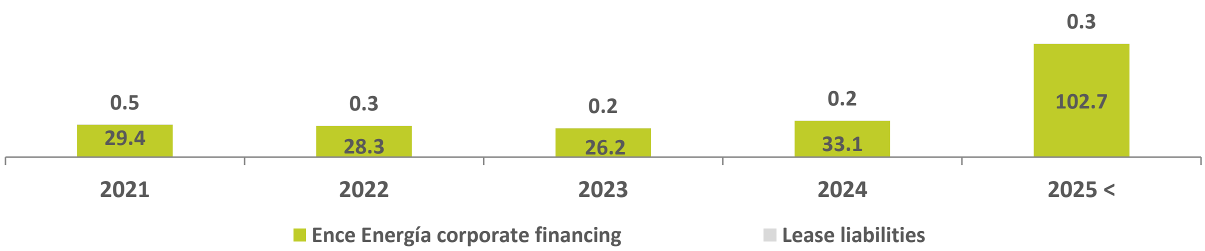
3.5. Change in net debt

Net debt in the Renewable Energy business increased by €18.1m from year-end 2020 to €152.6m at 31 March 2021, €1.4m of which corresponds to lease liabilities.

Figures in € m	Mar-21	Dec-20	Δ%
Non-current financial debt	189.7	189.2	*0.2%*
Current financial debt	30.0	28.6	*4.9%*
Gross financial debt	**219.7**	**217.8**	*0.9%*
Non-current lease contracts	0.9	0.7	*19.5%*
Current lease contracts	0.5	0.4	*14.5%*
Financial liabilities related to lease contracts	**1.4**	**1.2**	*17.6%*
Cash and cash equivalents	68.4	84.5	*(19.1%)*
Short-term financial investments	0.0	0.0	-
Net financial debt Renewable Energy business	**152.6**	**134.5**	*13.5%*

Cash amounted to €68.4m at year-end and the ratio of net debt-to-LTM EBITDA in the Renewable Energy business stood at 2.7x.

Energy debt maturity profile (€Mn)



4. CONSOLIDATED FINANCIAL STATEMENTS

4.1. Statement of profit or loss

Figures in € m	1Q21 Pulp	1Q21 Energy	1Q21 Adjustments	1Q21 Consolidated	1Q20 Pulp	1Q20 Energy	1Q20 Adjustments	1Q20 Consolidated
Total revenue	**123.8**	**43.9**	**(0.6)**	**167.0**	**139.1**	**45.2**	**(0.7)**	**183.5**
Other income	2.7	3.0	(0.7)	5.1	2.5	(1.4)	(0.9)	0.2
Foreign exchange hedging operations results	2.1	-		2.1	(4.5)	-		(4.5)
Cost of sales and change in inventories of finished produ	(72.2)	(16.5)	0.6	(88.1)	(78.1)	(14.3)	0.7	(91.6)
Personnel expenses	(15.8)	(3.0)		(18.7)	(18.9)	(3.0)		(21.9)
Other operating expenses	(32.4)	(18.9)	0.7	(50.6)	(34.7)	(15.1)	0.9	(48.9)
EBITDA	**8.2**	**8.5**		**16.8**	**5.4**	**11.3**		**16.8**
EBITDA margin	*7%*	*19%*		*10%*	*4%*	*25%*		*9%*
Depreciation and amortisation	(13.9)	(9.3)	1.0	(22.2)	(13.9)	(9.3)	0.2	(22.9)
Depletion of forestry reserves	(3.0)	(0.1)		(3.1)	(3.4)	(0.2)		(3.6)
Impairment of and gains/(losses) on fixed-asset disposals	(0.4)	(0.1)		(0.5)	0.9	(1.1)	0.6	0.5
Other non-ordinary operating gains/(losses)	(1.3)	-		(1.3)	(1.3)	-		(1.3)
EBIT	**(10.3)**	**(1.0)**	**1.0**	**(10.3)**	**(12.2)**	**0.8**	**0.9**	**(10.6)**
EBIT margin	*-8%*	*-2%*		*-6%*	*-9%*	*2%*		*-6%*
Net finance cost	(2.3)	(3.3)	0.3	(5.3)	(2.6)	(3.6)		(6.1)
Other finance income/(costs)	1.8	(0.0)	(0.3)	1.5	1.0	(0.0)		1.0
Profit before tax	**(10.8)**	**(4.2)**	**1.0**	**(14.0)**	**(13.8)**	**(2.8)**	**0.9**	**(15.7)**
Income tax	2.5	0.9		3.4	3.4	0.7		4.1
Net Income	**(8.3)**	**(3.4)**	**1.0**	**(10.7)**	**(10.4)**	**(2.1)**	**0.9**	**(11.6)**
Non-controlling interests	-	(0.3)	1.3	1.0	-	(0.2)		(0.2)
Atributable Net Income	**(8.3)**	**(3.7)**	**2.3**	**(9.6)**	**(10.4)**	**(2.3)**	**0.9**	**(11.8)**
Earnings per Share (EPS)	(0.03)	(0.01)		(0.04)	(0.04)	(0.01)		(0.05)

4.2. Balance sheet

Figures in € m	Mar - 21 Pulp	Mar - 21 Energy	Mar - 21 Adjustments	Mar - 21 Consolidated	Dec - 20 Pulp	Dec - 20 Energy	Dec - 20 Adjustments	Dec - 20 Consolidated
Intangible assets	15.5	39.5	(13.7)	41.3	15.8	40.0	(13.9)	41.9
Property, plant and equipment	620.2	472.4	(10.8)	1,081.8	627.7	476.8	(11.7)	1,092.9
Biological assets	68.1	0.2		68.3	71.0	0.2		71.3
Non-current investments in Group companies	125.8	0.0	(125.8)	0.0	125.8	0.0	(125.8)	-
Non-current borrowings to Group companies	38.3	-	(38.3)	-	38.3	-	(38.3)	-
Non-current financial assets	18.8	7.0		25.9	17.6	6.6		24.2
Deferred tax assets	66.9	16.9		83.8	56.2	15.8		72.0
Total non-current assets	**953.8**	**536.0**	**(188.7)**	**1,301.0**	**952.4**	**539.5**	**(189.7)**	**1,302.2**
Inventories	37.9	10.3	(1.0)	47.2	43.3	9.5	(1.0)	51.8
Trade and other accounts receivable	65.3	36.7	(26.8)	75.2	61.7	23.2	(26.7)	58.2
Income tax	0.0	0.6		0.6	0.0	0.9		1.0
Other current assets	15.0	1.2	(2.1)	14.1	1.3	0.1		1.3
Hedging derivatives	0.0	-		-	6.8	-		6.8
Current financial investments	10.6	0.0		10.6	18.2	0.0		18.2
Cash and cash equivalents	396.3	68.4		464.7	448.1	84.5		532.6
Total current assets	**525.1**	**117.2**	**(29.9)**	**612.5**	**579.4**	**118.3**	**(27.7)**	**669.9**
TOTAL ASSETS	**1,478.8**	**653.2**	**(218.5)**	**1,913.5**	**1,531.8**	**657.8**	**(217.5)**	**1,972.1**
Equity	**697.3**	**265.3**	**(150.3)**	**812.2**	**733.0**	**268.5**	**(151.3)**	**850.1**
Non-current borrowings	431.0	190.6		621.6	444.0	190.0		634.0
Non-current loans with Group companies and associates	-	75.2	(38.3)	36.8	-	75.2	(38.3)	36.8
Non-current derivatives	0.2	6.2		6.4	0.1	5.5		5.6
Deferred tax liabilities	18.7	1.7		20.4	19.9	1.8		21.7
Non-current provisions	2.1	0.1		2.3	2.7	0.1		2.8
Other non-current liabilities	3.6	7.2		10.8	4.5	8.8		13.3
Total non-current liabilities	**455.7**	**281.0**	**(38.3)**	**698.4**	**471.2**	**281.3**	**(38.3)**	**714.2**
Current borrowings	50.6	30.5		81.1	56.4	29.0		85.5
Current derivatives	35.9	2.9		38.9	4.9	3.2		8.1
Trade and other account payable	208.9	64.6	(28.9)	244.7	238.0	68.2	(26.8)	279.3
Income tax	0.0	5.9		5.9	0.0	5.6		5.6
Current provisions	30.4	2.6	(1.0)	32.0	28.4	1.9	(1.0)	29.4
Total current liabilities	**325.9**	**106.9**	**(29.9)**	**402.9**	**327.8**	**108.0**	**(27.8)**	**407.9**
TOTAL EQUITY AND LIABILITIES	**1,478.8**	**653.2**	**(218.5)**	**1,913.5**	**1,531.9**	**657.8**	**(217.5)**	**1,972.2**

4.3. Statement of cash flows

	1Q21				1Q20			
Figures in € m	Pulp	Energy	Adjustments	Consolidated	Pulp	Energy	Adjustments	Consolidated
Consolidated profit/(loss) for the period before tax	**(10.7)**	**(4.3)**	**1.0**	**(14.0)**	**(13.8)**	**(2.8)**	**0.8**	**(15.7)**
Depreciation and amortisation	16.9	9.4	(1.0)	25.3	17.3	9.5	(0.2)	26.5
Changes in provisions and other deferred expense	(0.6)	4.6		4.0	6.9	1.3		8.1
Impairment of gains/(losses) on disposals intangible assets	(0.2)	0.2		0.0	(1.0)	1.1	(0.6)	(0.6)
Net finance result	0.9	3.3		4.2	2.0	3.6		5.5
Energy regulation adjustment (regulatory collar)	(0.6)	(2.8)		(3.4)	(2.3)	(4.1)		(6.4)
Government grants taken to income	(0.2)	(0.1)		(0.3)	(0.2)	(0.1)		(0.3)
Adjustments to profit	**16.2**	**14.6**	**(1.0)**	**29.8**	**22.5**	**11.2**	**(0.9)**	**32.9**
Inventories	6.4	(0.8)		5.6	7.2	(3.7)		3.5
Trade and other receivables	(20.7)	(6.8)		(27.4)	(2.2)	2.3		0.1
Current financial and other assets	(1.7)	-		(1.7)	(1.7)	-		(1.7)
Trade and other payables	(1.2)	(6.4)		(7.6)	3.5	(0.1)		3.4
Changes in working capital	**(17.2)**	**(14.0)**		**(31.1)**	**6.8**	**(1.5)**		**5.3**
Interest paid	(2.4)	(0.6)		(3.0)	(1.8)	(0.7)		(2.5)
Dividends received	-	-		-	-	-		-
Income tax received/(paid)	-	0.3		0.3	-	1.2		1.2
Other collections/(payments)	-	-		-	(0.0)	-		-
Other cash flows from operating activities	**(2.4)**	**(0.3)**		**(2.6)**	**(1.8)**	**0.5**		**(1.2)**
Net cash flow from operating activities	**(14.0)**	**(3.9)**		**(17.9)**	**13.8**	**7.5**		**21.2**
Property, plant and equipment	(24.4)	(6.5)		(30.8)	(26.9)	(35.2)	26.9	(35.2)
Intangible assets	(0.5)	(0.0)		(0.5)	(1.3)	(0.4)		(1.6)
Other financial assets	(0.0)	-		(0.0)	0.0	0.0		0.0
Disposals	0.2	-		0.2	0.4	-		0.4
Net cash flow used in investing activities	**(24.7)**	**(6.5)**		**(31.2)**	**(27.7)**	**(35.5)**	**26.9**	**(36.3)**
Free cash flow	**(38.7)**	**(10.5)**		**(49.1)**	**(13.9)**	**(28.1)**	**26.9**	**(15.1)**
Buyback/(disposal) of own equity instruments	1.6	-		1.6	(1.2)	26.9	(26.9)	(1.2)
Proceeds from and repayments of financial liabilities	(14.7)	(5.7)		(20.4)	63.8	4.7		68.5
Dividends payments	-	-		-	-	-		-
Net cash flow from/ (used in) financing activities	**(13.2)**	**(5.7)**		**(18.8)**	**62.6**	**31.6**	**(26.9)**	**67.4**
Net increase/(decrease) in cash and cash equivalents	**(51.8)**	**(16.1)**		**(67.9)**	**48.7**	**3.6**		**52.3**

5. KEY DEVELOPMENTS

Measures taken to prevent and minimise the spread of Covid-19

Maintenance of activity and jobs

Ence continues to apply and update its internal COVID-19 protocol rigorously. That protocol has proven effective at preventing transmission of the virus in our places of work, making it possible to continue our business activities and preserve jobs.

COVID-19 protocol

The protocol is applicable in all of Ence's places of work and to all of its employees as well as its service providers. To ensure stringent compliance, daily audits are carried out in each work centre, with all activities reviewed every three days at most.

Among other things, the protocol stipulates the following:

- ✓ The suspension of all travel and factory visits.
- ✓ Preventive quarantines for anyone with symptoms and anyone who has had close contact people who have or may have the virus.
- ✓ A periodic test regime and health and protocol quizzes for all staff, with a frequency that depends on a series of indicators, including the accumulated case incidence numbers in each region. That regime is managed by means of a mobile-friendly electronic COVID passport.
- ✓ Specific measures governing travel to work and temperature checks before entering.
- ✓ Mandatory use of face masks at all times (certified, washable hygienic masks, surgical masks or FFP2-grade masks, depending on risk levels and the level of protection required).
- ✓ Social distancing.
- ✓ 15-minute long ventilation intervals every hour.
- ✓ Preventive measures with respect to workplace and personal hygiene, and the provision of materials at all workplaces.
- ✓ Specific measures for the various classes of contractors and suppliers who need access to Ence's places of work.
- ✓ Promotion of the use of remote working arrangements such as video conference calls to facilitate social distancing; widespread use of walkie-talkies with intercoms for field work to enable employee interaction without breaching the 2-metre distance rule.

Maintenance stoppages

Ence successfully completed the annual stoppages of its two pulp biomills and its renewable energy complex in Huelva in March. The strict prevention measures applied proved effective, as there were no incidents of transmission inside the facilities.

Access to the plants is controlled from a mobile app, which ensures that anyone entering has first obtained a negative COVID-19 test result and is familiar with the prevention measures, evaluated by means of a COVID-19 quiz. The Company completed over 15,000 lateral flow tests on in-house and outsourced staff and distributed more than 50,000 FFP2 to the various people entering its facilities, who were obliged to wear them inside the biomills at all times.

In addition, the people involved were divided into independent work groups, with their own essential services: spacious and ventilated dressing areas and lunchrooms in large-format marquees. Each of those work groups comprised a 'bubble', independent from the rest of the facility, so that they could perform their work without having to interact or have any contact whatsoever with the other groups. As a result, Ence limited interpersonal contacts, ensured the ability to comply with the social distancing requirements and guaranteed the safety of everyone involved in the maintenance work.

Audits were carried out to ensure that all of the safety measures were being stringently applied and all of the people involved were similarly implored to be extra careful outside of work.

COVID-19 related costs

In the first quarter of 2021 the costs induced by COVID-19 amounted to €0.9m. Those costs include extra staff costs to implement the new safety and hygiene measures put in place and the provision of disinfectants, face masks, tests and equipment to facilitate working from home.

2021 Annual General Meeting

Ence held its Annual General Meeting remotely on 26 March 2021. It was attended by shareholders representing 60% of its share capital who ratified all of the agenda items. The motions were carried with over 82% of votes in favour on average. The items ratified included:

- Approval of the 2020 financial statements, management report and sustainability report.
- Approval of the Board of Directors' performance and proposed appropriation of profit for 2020.
- Re-election of Ms. Rosa María García Piñeiro as independent director.
- Appointment of Mr. Javier Arregui Abendivar as proprietary director.
- Appointment of Mr. Oscar Arregui Abendivar as proprietary director.
- Appointment of Mr. Gorka Arregui Abendivar as proprietary director.
- Ratification of the appointment of Mr. José Ignacio Comenge Sánchez-Real as proprietary director.
- Appointment of Ms. María de la Paz Robina Rosat as independent director.
- Determination of the number of members of the Board of Directors at 13.
- Appointment of the auditor of the Company and its consolidated group.

Moody's credit ratings

On 6 April 2021, Moody's affirmed Ence's Ba3 rating with a stable outlook. Moody's believes the recovery in pulp prices in 2021 will allow Ence to reduce its credit ratios to levels that are compatible with its current credit rating. It also highlighted the Company's liquidity position following the disposals completed in the Renewable Energy business towards the end of 2020.

APPENDIX 1: MASTER SUSTAINABILITY PLAN

Sustainability is intrinsic to Ence's business activities as a leading player in the sustainable use of natural resources for the production of differentiated pulp and renewable energy. It is fully embedded within the Company's purpose and constitutes a strategic priority, as is evident in Ence's 2019-2023 Business Plan.

To articulate its sustainability strategy, Ence has defined a Sustainability Master Plan with the same time horizon as its Business Plan. It constitutes the roadmap for advancing towards excellence in sustainability and fostering the creation of shared value with its stakeholders. In 2020, the Company revised the Plan to include initiatives related with employee health, as well as a specific line of initiative related with climate action, so that it is now articulated around seven priority lines of action:

1. People and values

Ence's commitment to its people has guided its response to the Covid-19 crisis. As early as February it approved and implemented a specific, Group-wide protocol in response Covid-19, which establishes the measures and conduct to be observed to prevent transmission. Those measures included protocols designed to facilitate working from home. During the first quarter of 2021 the Company continued to revise and fine-tune its general protocols, as well as the protocols addressing stoppages and restriction easing, to adapt them for the circumstances prevailing at all times.

In addition to responding swiftly to the pandemic, the Company's human capital management priorities remain focused on the provision of quality work; improvement of the workplace climate; stimulation, management and development of talent; promotion of training and learning; fostering of diversity; and creation of a sustainability culture within the organisation, among others.

In terms of the generation of quality work, note that, in addition to preserving all jobs throughout the pandemic, as of March 2021, 88% of Ence employees had indefinite employment contracts and 98.3% were working full time.

The workplace climate improvement plan is a top priority, not only for the human resources team but for all of the professionals who work at Ence. Thanks to the efforts the Company has been making since embarking on this project, the last annual workplace climate survey (2020) revealed an improvement in the aggregate workplace climate score of over 13% from 2019, topping the sector average. And for the first time, the Company secured Great Place to Work certification.

On the talent development front, Ence is striving to ensure that it attracts, develops and retains the professionals it needs to ensure that the organisation has the human capital required to successfully execute its 2019-2023 Business Plan. To that end, Ence is focusing on the reinforcement of internal promotions as the basis for the professional development of its employees, specifically raising the profile of all internal vacancies. Specifically, during the first three months of the year, it promoted six professionals.

As for training and learning, the overriding goal of Ence's professional training strategy is to encourage personal and professional development at all levels with a view to improving employee integration in the Company and commitment to the organisation's strategic goals. The aim is to give employees the skills they need to do their jobs, while fostering a culture of development, value creation and continuous improvement and preparing them to assume new responsibilities in the future.

Training is an important aspect of the Strategic Human Resources Plan, which contemplates the following corporate training initiatives in addition to each Operations Centre's specific training plans:

- ✓ Occupational Health and Safety Policy
- ✓ Sustainability
- ✓ Digital Transformation
- ✓ Environmental Awareness
- ✓ Regulatory Compliance
- ✓ Operations and Maintenance Services
- ✓ Development of Leadership Skills

In 1Q21, the Company imparted 2,656.5 hours of training, i.e., 2.28 hours per employee, adapting the formats for remote working arrangements and other safety protocols derived from the health crisis.

In terms of its effort to bring about effective equality and diversity, Ence remains strategically committed to hiring a higher percentage of women and lifted female representation by 2.94% in 1Q21. Moreover, 67% of executive and individual contract hires were female.

Under its Equality Plan, Ence offers measures that go beyond its obligations under prevailing labour legislation. In line with those commitments, its remuneration policy is likewise designed to guarantee non-discrimination in pay, compensating employees competitively articulated around market criteria and a variable component based on objective job performance evaluation informed by equality and efficiency criteria.

Elsewhere, as part of the drive to create sustainability awareness, Ence has launched equality and sustainability related training programmes addressed at the entire organisation. Some 2,640 people participated in the various online courses offered in the first quarter of 2021.

Ence works to build management-employee relations based on dialogue and joint responsibility, the idea being to foster a climate that is propitious to achieving efficiency and productivity gains. To that end it engages in open and continuous dialogue with its employees' various representatives at all of its places of work. Ence updates its safety protocol regularly and meets periodically to monitor Covid-19 developments.

2. Climate action

On the climate action front, Ence is working on two lines of initiative: (i) climate change mitigation by adapting its productive processes to minimise its carbon footprint; and (ii) climate change adaptation by taking action to make the Company more resilient.

In the mitigation area, Ence has approved specific GHG reduction targets, which call for the reduction of specific scope 1 and 2 emissions in the Pulp segment by 25% by 2025 compared to the base year, defined as 2018. To deliver that target, Ence has devised emission-cutting plans based on continuous improvement and the substitution of fossil fuels at the biomills. The projects being executed to enable that substitution continued throughout the first quarter of 2021.

In the adaptation area, Ence is following the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD) around the governance and management of climate-related risks and opportunities. More specifically, Ence is focusing its efforts on the development of *ad-hoc* climate models which provide a tool for analysing the potential impacts of climate change on the Company's facilities and timber and biomass supply areas. To develop those models, Ence is using two IPCC climate scenarios: a more pessimistic scenario (RCP 8.5) and a scenario more closely aligned with current emissions (RCP 4.5). It is analysing the changes in the climate over three time horizons: the near future (until 2040), medium term (until 2070) and a more distant future (2100). For Ence, the impact of the physical risks derived from climate change is more relevant than the impact of the regulatory risks, to which end it has selected scenarios in which the physical impacts are more noteworthy, rather than a scenario that contemplates global warming of less than 1,5ºC, for its analysis.

3. Safe and eco-friendly operations

Ence is working to achieve zero workplace accidents. In parallel, it is striving to run exemplary business operations in environmental terms by upholding the most ambitious benchmark international standards to ensure it earns the social licence to operate in its business communities.

During the first quarter of 2021, the health and safety measures continued to be shaped by the health crisis induced by the global COVID-19 pandemic and, more specifically, the safe management of the annual maintenance stoppages undertaken at the Company's biggest facilities in terms of employees (Navia, Pontevedra and Huelva).

The stringent safety measures applied proved robust and effective as there were no incidents of transmission inside the facilities and no lost-time injuries. During the stoppages, the Company conducted around 4,000 rapid tests at each of the biomills and 6,600 in Huelva on employees and subcontractors and gave out over 10,000 FFP2 face masks at each biomill and more than 28,000 in Huelva to all the people entering the complexes; use of those masks was mandatory at all times.

The 'bubble' concept was also applied, setting up independent work areas with independent teams to minimise interpersonal contact, facilitate social distancing and provide an extra layer of safety for workers. Each of those bubbles was provided with their own basic services: spacious and well-ventilated spaces for changing and eating, independent toolboxes, services and supervisors and staggered work shifts, etc.

That effort evidences how the Company is constantly reviewing and updating its protocols to ensure the prevention of transmission. Those protocols encompass a number of aspects: the organisation of work; ventilation and air renewal; the use of specific protective gear; screening tests; training, briefing and communication; health supplies; and emergency management plans. Among those measures it is worth highlighting the COVID Passport, an app that makes access to the Company's facilities conditional upon worker familiarity with the safety protocols and screening tests results. In parallel, Ence continues to apply social distancing, hygiene and disinfection measures and to fine-tune the ventilation and air conditioning systems by means of CO_2 concentration metering. The Company continues to organise its working arrangements around job requirements and to audit the hotels used for business travel and the food service firms that supply its work centres.

On the safety front, the main performance indicators improved significantly during the first quarter of the year by comparison with the 2020 readings. Specifically, Ence ended the first quarter with an overall injury frequency rate of 2.96, compared to 7.40 at year-end 2020.

Three business units (pulp, independent energy plants and the supply of biomass) recorded zero lost-time injuries (therefore putting their frequency rates at 0). That is a noteworthy milestone considering the fact that the annual maintenance stoppages were carried out in Pontevedra, Navia and Huelva during the quarter. Moreover, no direct Ence employees have had to take leave for injuries so far this year and all of the Company's business units' readings were better than the main benchmark indicators (the manufacturing industry in Spain, the pulp and paper sector, and the chemicals industry in Spain).

As for the Company's environmental performance, the annual stoppages at the biomills and Huelva complex were used to make significant investments in efficiency and sustainability, as well as maintenance.

Water consumption per tonne of pulp produced continued to fall in Pontevedra, to 28.4m^3/ADt.

Navia cut its minutes of odour emissions by 92% year-on-year, while Pontevedra reduced that specific impact by 23%.

The Pontevedra biomill also managed to cut particle emissions from the recovery furnace by 58% and from the lime kilns by 35% during the quarter.

On the circular economy front, it is worth noting that waste recycling and recovery levels averaged 97%, with the Pontevedra biomill standing out for its recovery rate of 99.9%. Both biomills and the Enemansa and La Loma independent energy plants have earned AENOR's Zero Waste certificate, which is only awarded to companies that send less than 10% of the waste they generate to landfill.

During 1Q21, Ence also made progress on the implementation of the preventive environmental observations tool designed to enhance control of the facilities' environmental performance. Specifically, the Navia biomill made 300 such observations during the quarter (over 340% of the target set), while the Pontevedra complex performed 261. Lastly, the facilities continued to use the 'Works of Particular Environmental Risk' tool with a compliance level of 100%.

During the first quarter of 2021, the new biomass energy plant in Puertollano (Biollano) obtained UNE EN ISO 14001 certification for its environmental management system.

4. Rural and forest development

Ence works to ensure the sustainability and traceability of the raw materials it sources (timber and biomass) and create value for land owners, suppliers and other stakeholders in the agricultural and forestry sectors, generating positive knock-on effects on the area based on sustainable business models.

Indeed, Ence has cemented itself as a benchmark in sustainable forest management in Spain, applying internationally-recognised standards of excellence, such as the FSC® (Forest Stewardship Council®, license code FSC®-C099970) and PEFC™ (Program for the Endorsement of Forest Certification) schemes to the forest assets it manages and encouraging their adoption by its supply chain. In 1Q21, around 86% of its forest assets were certified under one or other of those standards and a little over 75% of the timber that entered its biomills during the period came with one or both certifications.

The Company successfully completed two external FSC® chain of custody audits during the first quarter: an extraordinary audit, in January, as part of the FSC®-ASI programme for monitoring certification bodies, and the regularly scheduled audit, in March. Both audits were passed without non-conformities or observations; the audit teams provided very encouraging feedback about the integrity and strength of the system and the Company's efforts to constantly improve it and engage its partners.

Ence's sustainable forest management effort also extends to the promotion of biodiversity conservation in its forests. The Company has set itself the target to studying biodiversity in its owned forests in 2021; during the first quarter, it conducted seven flora biodiversity studies in its forests in southern Spain in collaboration with the University of Huelva. During the second half of the year the Company plans to document a study of the potential fauna living in its owned forest tracts.

As regards its effort to create value for forest owners and suppliers, Ence lends particular support to small firms: in the case of timber supplies, 76.3% of the volume purchased came from small suppliers, while in the case of standing timber purchases, 76.7% of the volume purchased corresponded to small-scale owners. In 1Q21, the Company purchased almost €5 million worth of timber from nearly 380 forest owners. As for biomass, Ence mobilised over 392,000 tonnes, worth €14.6 million, through its independent plants. It supplied more than 72,500 tonnes of biomass worth €2.5 million to its biomills.

Ence also strives to contribute to development in the areas in which it operates. To that end it encourages the purchase of local timber; in 1Q21, all of the timber bought came from Galicia, Asturias, Cantabria and the Basque region. Local timber purchasing not only helps generate value in the vicinity of its business operations, it also reduces transport requirements, so lowering the Company's (scope-3) carbon footprint. All of the biomass procured by the Company is similarly sourced nearby (including from Portugal in the case of the plants in Huelva and Merida). Through its renewable energy activities, Ence not only contributes to minimising the environmental impacts of inappropriate management of agricultural and forestry waste, it actually creates value for the suppliers of these materials, while helping to invigorate the economy in the supply areas and stem the tide of rural depopulation.

As well as generating value for its biomass suppliers, Ence contributes to fostering more sustainable agricultural management. Against that backdrop, during the first quarter Ence continued to make progress on the application of its 10-Point Declaration on the Sustainability of Biomass. First-quarter delivery of the sustainability criteria amounted to 63%, down a little from year-end 2020 due to the adaptation of the Declaration indicators to reflect the requirements stipulated in the European Renewable Energy Directive (RED II). The compliance target for 2021 is 71%. In terms of gardening and industrial biomass, following the formulation and implementation of specific indicators in the Declaration, sustainable biomass totalled 44%, compared to the target for all of 2021 of 60%. Ence made progress on implementation of its RED II certification system during the first quarter. That system's documentation base has been developed and outside training has been provided to farming and forestry owner and operator associations. The IT systems for monitoring and assessing source sustainability (standing timber purchases and loading), tracing certifications (for suppliers) and monitoring material transportation distances have been developed. The certification regime for industrial biomass has also been put in place.

The expansion of sustainability efforts to suppliers, in addition to training, briefing and inspection work, requires a certification effort. Having worked in recent years to certify the producers of timber and agricultural and forestry biomass (reaching levels of 100% and 99.7%, respectively), in 2021 Ence is working on the certification of gardening and industrial biomass suppliers, attaining levels of 70.8% and 62.5%, respectively, in the first quarter.

5. Sustainable products

Ence's strategic commitment to sustainable products crystallised in the launch of the Ence Advanced trademark in 2019, the result of years of R&D and industrial and product development work.

Under the umbrella of that platform, Ence is working to develop products with a lower carbon footprint as alternatives to hardwood pulp (which has a higher timber consumption requirement): adapted and special products and unbleached pulp for the manufacture of bags and packaging suitable for substituting materials such as plastic.

The Environmental Product Declaration (EDP) for that unbleached pulp - Naturcell - was translated into English and published on the corporate website in 1Q21, as was the EDP for the standard bleached pulp produced in Pontevedra. The EDP contains verified information about a product's environmental performance and Ence's products are the first pulp products to obtain that certification.

Increased sales of its greener products is one of Ence's sustainability targets: in 1Q21, sales of those sustainable products accounted for 12% of overall pulp sales. In 2021 Ence has also backed the creation of a cluster comprising 30 of its customers who produce products that are good potential substitutes for plastic. The target is for that cluster to account for 40% of the Company's sales, a target that was attained during the first quarter. Going forward, Ence plans to continue to work to increase the volumes sold to that cluster and to participate in other joint substitution projects.

6. Community commitment

On the community work front, Ence remains committed to investing in its local communities, having launched the third edition of its Pontevedra Community Plan, endowed with €3 million for social, environmental, sports and entrepreneurship projects, and initiatives aimed at addressing social exclusion. Ence has agreements with the town councils of Navia and San Juan del Puerto, endowed with €200,000 per annum, for the sponsorship and patronage of social and other community activities.

Ence has had to adapt the timeline for the execution of the Pontevedra Community Plan in response to the ongoing health crisis. The Company sought fit to grant the beneficiaries an extra three months (until 1 March 2021), the duration of the state of alarm in Spain, to present their project credentials. It has also been flexible about changes in the use of proceeds so long as so doing did not modify the ultimate purpose. In this manner it has strived to demonstrate, once again, its support for society and its empathy with the beneficiaries affected by the health crisis.

In addition to the above community investments, in 2021, Ence continues to roll out specific relations plans for its communities in Huelva, Navia and Pontevedra, with the aim of educating local residents and other stakeholders about the Company's activities. Under the umbrella of those plans, it organised a total of 440 visits to the facilities in Navia, Pontevedra and Huelva in the first quarter of 2021, reconfiguring them as online visits after the onset of the pandemic. In parallel to those facility tours, Ence carried out numerous training, education and volunteering activities with the help of its employees.

Institutional and community relations and proximity are one of the articulating thrusts of Ence's sustainability policy. Against that backdrop, during the first quarter, the Company organised an online event at the Huelva complex to mark International Women's Day. That event put male and female students from four schools in contact with female employees at Ence, with the president of Huelva Port participating and acting as female ambassador/role model.

In addition to the activities designed to improve community relations, it is worth highlighting the knock-on effects and impact on socioeconomic development Ence's activities have in communities such as Asturias and Galicia. It is estimated that Ence's biomill in Navia generates more than 6,900 direct, indirect and induced jobs, of which more than 400 are at the facility itself. The Navia biomill also has a significant positive impact on local forestry, where it is responsible for an estimated 2,900 jobs, and on industries related with Ence's activities, such as timber harvesting, transportation and transformation. Ence's activities in Asturias also serve as a growth engine, creating wealth indirectly in other sectors such as the hospitality, food and independent retailing sectors.

Ence's biomill in Pontevedra is similarly an important source of job and wealth creation in the area. Over 5,100 families depend on the mill directly and indirectly, including 400 employees, around 2,700 contractor jobs in the industrial, logistics and transportation areas and over 2,100 jobs in the Galician forestry sector. In transport alone, the hundreds of trucks that enter the biomill daily paint a picture of the significance of the complex's activities for the local business landscape.

7. Corporate governance

On the corporate governance front, Ence boasts a comprehensive and effective system which incorporates prevailing regulatory requirements and recommendations with respect to best practices in the field. Ence continuously assesses its stakeholders' legitimate expectations, engaging openly with shareholders, investors and proxy advisors and responding transparently to requests for information from research analysts, rating agencies and ESG consultants.

In sum, the objectives being pursued on the corporate governance front are aimed at upholding the interests of its shareholders and other stakeholders in the long term.

One of the Company's specific corporate governance goals is to increase diversity on its governance bodies. During the first quarter, Ence appointed a new female independent director to its board, so that female boardroom representation has increased from 7% in 2017 to 38.5% this year. One of the Company's female directors was also appointed lead independent director. Following those appointments, Ence's commitment to diversity is similarly tangible in the composition of its board committees: 60% of the members of both the Audit and Compliance and Appointments and Remuneration Committees are women; and they are all independent directors. Moreover, those committees are chaired by women.

The Company held its Annual General Meeting on 26 March 2021, which, in light of the ongoing health crisis, was conducted entirely remotely, in keeping with Spanish Royal Decree-Law 34/2020 (as amended by Royal Decree-Law 5/2021) and Ence's in-house rules and regulations.

All of the resolutions submitted to the Company's shareholders for ratification were carried. Those motions included the approval of the financial statements and the non-financial statement (Sustainability Report) for 2020, and, in relation to the Board of Directors, the re-election of Rosa María Garcia Piñeiro as independent director, the appointment of Javier Arregui Abendivar, Oscar Arregui Abendivar and Gorka Arregui Abendivar as proprietary directors, the ratification of the appointment of José Ignacio Comenge Sánchez-Real as proprietary director (designated via cooption on 22 December 2020), the appointment of María de la Paz Robina Rosat as independent director and the setting of the number of members at 13.

APPENDIX 2: REMUNERATION PARAMETERS APPLICABLE TO THE GROUP'S POWER PLANTS

Facility	Type of facility	MW	Annual Remuneration for investment (Ri; €/MW) *	Type of fuel	Remuneration for operation 2020 (Ro; €/MWh)	Cap on sale hours under tariff per MW	Regulatory life (year of maturity)
Pontevedra	Biomass co-generation	34.6	-	Lignin	29.1	-	2032
			55,319	Agroforestry biomass	52.5	-	
Navia	Biomass co-generation	40.3	-	Lignin	27.4	-	2034
	Biomass generation	36.2	230,425	Agroforestry biomass	53.9	7,500	
Huelva 41MW	Biomass generation	41.0	246,313	Agroforestry biomass	60.0	7,500	2025
Jaen 16MW	Biomass generation	16.0	261,058	Olive Pulp	38.7	7,500	2027
Ciudad Real 16MW	Biomass generation	16.0	261,059	Olive Pulp	39.5	7,500	2027
Cordoba 27MW	Biomass generation	14.3	229,620	Olive Pulp	40.5	7,500	2031
	Gas co-generation	12.8	-	Natural Gas	36.5	-	2030
Huelva 50MW	Biomass generation	50.0	266,483	Agroforestry biomass	51.9	7,500	2037
Mérida 20MW	Biomass generation	20.0	293,608	Agroforestry biomass	50.8	7,500	2039
Huelva 46 MW	Biomass generation	46.0	-	Agroforestry biomass	47.6	7,500	2044
Ciudad Real 50 MW	Biomass generation	50.0	-	Agroforestry biomass	47.7	7,500	2044

* Original Ri: Does not include subsequent adjustments by regulatory collar, which Ence adjusts monthly on its revenue figure.

Power plants fuelled by renewable sources of energy, combined heat and power (CHP) systems or waste are regulated by Spanish Royal Decree 413/2014. These plants are remunerated via two concepts, one fixed and the other variable, in order to ensure a reasonable return:

1. The **remuneration for investment (€/MW)** parameter guarantees the recovery of the initial investment plus a return of 7.4% on the estimated cost of building a 'standard' plant. It takes the form of a sum per MW installed (gross), which in the case of Ence implies annual revenue of €41m in the Renewable Energy business (having excluded the solar thermal plant sold in December 2020) and €10m in the Pulp business.

   Royal Decree-Law 17/2019 has established that 'reasonable return' at 7.4% for the regulatory period elapsing between 2020 and 2031 for all Ence plants entitled to its receipt. Note that the two new biomass plants commissioned in 2020 do not receive that remuneration for investment.

2. **The regulated sales price (€/MWh)** enables plant owners to cover all the costs of operating a 'standard' plant, including fuel costs. It is made up of the electricity market (pool) price, subject to the ceiling and floor set by the regulator, plus the remuneration for operation (Ro) earned by each plant.

   The pool prices estimated by the regulator for the purpose of determining the 'Ro' complement are reviewed every three years. Any deviations between actual pool prices and the prices estimated by the regulator at the start of each period are compensated as a function of certain annual ceilings and floors (regulatory collar).

   Below are the pool prices estimated by the regulator for 2020-2022, along with the corresponding ceilings and floors:

Eur / MWh	2020	2021	2022
LS2	63,1	60,5	56,6
LS1	58,8	56,3	52,7
Estimated pool price	54,4	52,1	48,8
LI1	50,1	48,0	44,9
LI2	45,7	43,8	41,0

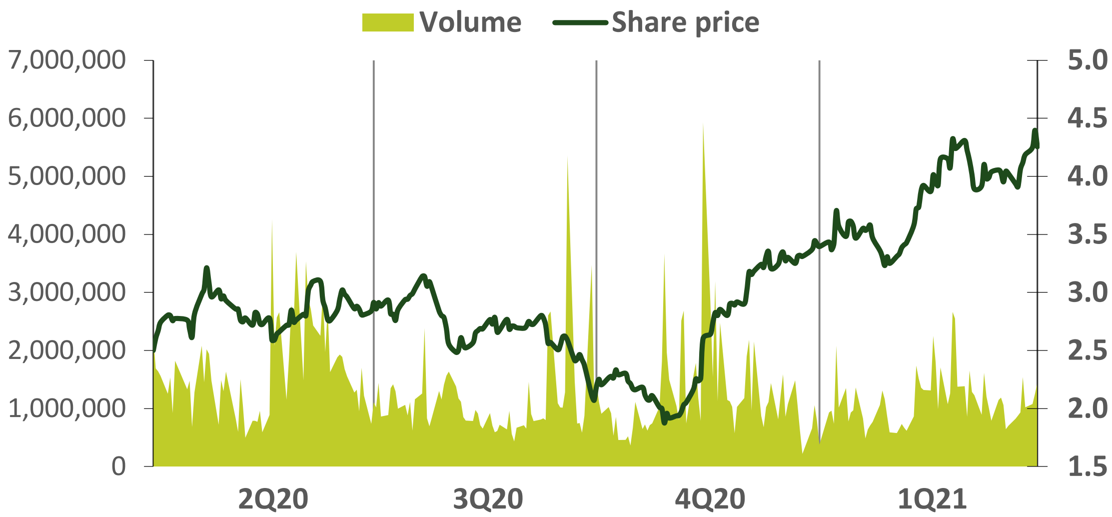
   Sales volumes in MWh may not exceed the product of a facility's gross installed capacity (MW) and the annual cap on hourly output, which is 7,500 hours in the case of power generated using biomass and 2,016 hours for solar thermal electric power (there is no cap in the case of CHP). Output above this cap is sold at pool prices, with no entitlement to additional premiums.

3. Both the remuneration for investment and the regulated sale price are subject to a levy on the value of electric energy produced of 7%.

APPENDIX 3: SHARE PRICE PERFORMANCE

Ence's share capital consists of 246,272,500 shares with a unit par value of €0.90. They are represented by book entries and all carry identical voting and dividend rights. The Company's shares have been traded on the Spanish stock exchanges and on the continuous market since it was privatised in 2001 and are part of the Ibex Medium Cap index.

Ence's share price ended March 2021 at €4.25/share, up 25.3% from year-end 2020, buoyed by the recovery in pulp prices. Over the same timeframe, the Company's peers' share prices gained 17.5% on average.



Source: Bloomberg

SHARES	1Q20	2Q20	3Q20	4Q20	1Q21
Share price at the end of the period	2.50	2.91	2.19	3.40	4.26
Market capitalization at the end of the period	615.7	717.6	539.8	836.1	1,047.9
Ence quarterly evolution	(31.9%)	16.6%	(24.8%)	54.9%	25.3%
Daily average volume (shares)	2,288,921	1,677,385	1,149,625	1,272,577	1,145,084
Peers quarterly evolution *	(25.3%)	3.3%	0.6%	32.2%	17.5%

(*) Altri, Navigator, Suzano, CMPC and Canfor Pulp

On 5 March 2018, Ence issued €160m of convertible bonds due 5 March 2023. The bonds carry a fixed annual coupon of 1.25%, payable semi-annually, and are convertible into shares of the Company, at the option of the bondholders, at an initial conversion price of €7.5517 per share (adjusted on 1 July 2020). The convertible bonds are traded on the Frankfurt stock exchange.

CONVERTIBLE BOND	1Q20	2Q20	3Q20	4Q20	1Q21
Bond price at the end of the period	87.82	93.26	88.62	95.24	98.48
Yield to worst at the end of the period*	5.841%	3.927%	6.387%	3.553%	2.063%

*Yield to maturity

The following table shows the current credit ratings awarded to the Ence Group by Moody's and S&P:

	RATING	OUTLOOK	DATE
Moody's	**Ba3**	**Stable**	**06/04/2021**
S&P	**BB-**	**Stable**	**24/11/2020**

APPENDIX 4: ALTERNATIVE PERFORMANCE MEASURES (APMs)

Ence presents its results in accordance with generally accepted accounting principles, specifically IFRS. In addition, this report provides certain other complementary metrics that are not defined or specified in IFRS and are used by management to track its performance. The alternative performance measures (APMs) used in this report are defined, reconciled and explained below:

CASH COST

The production cost per tonne of pulp produced, or cash cost, is the key measure used by management to measure its efficiency as a pulp maker. Cash costs are analysed in section 2.3 of this report.

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 and the cost of certain benefits.

As a result, the difference between the average sales price and the cash cost applied to the total sales volume in tonnes yields a figure that is a very close proxy for the EBITDA generated by the Pulp business.

EBITDA

EBITDA is a measure used in the statements of profit or loss presented in this report, in sections 2.6, 3.3 and 4.1, and 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 one-off items of income and expense that are not part of the Company's ordinary operating activities and therefore undermine the comparability of the numbers.

EBITDA is an indicator used by management to track the Company'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.

MAINTENANCE, EFFICIENCY, GROWTH AND SUSTAINABILITY CAPEX

Ence provides the breakdown of its capex-related cash outflows for each of its business units in sections 1, 2.7 and 3.4, 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 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.

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

CASH FLOW

The Cash Flow Analysis presented in sections 1, 2.7 and 3.4 of this report differs from the cash flow movements presented in the statement of cash flows included in section 4.3 and also presented in the annual financial statements.

The difference stems from the fact that the former analyses the movements in Free Cash Flow starting from EBITDA, whereas the Cash Flow Statement presents the movements in the Group's cash and cash equivalents starting from profit before tax, using the indirect method.

As a result, the headings, 'Other receipts/(payments)' and 'Expenses/(income) with no impact on cash' do not coincide exactly with 'Consolidated profit/(loss) for the period - Adjustments' and 'Other receipts/(payments)', albeit in both instances arriving at net cash from operating activities.

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 in sections 2.7, 3.4 and 4.3 of this 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.

NORMALISED FREE CASH FLOW

Ence reports normalised free cash flow within the cash flow analysis provided for each of its two business units in sections 1, 2.7 and 3.4 of this 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.

NET DEBT

The borrowings recognised on the balance sheet, as detailed in section 4.2 of this report, 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 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 other financial investments within current assets, as outlined in sections 2.8 and 3.5 of this report.

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

DISCLAIMER

The information contained in this report was prepared by Ence and includes forward-looking statements.

Any statements made in this report other than those based on historical information, including, merely for illustrative purposes, those referring to Ence's financial situation, business strategy, planned capital expenditure, management plans and objectives related to future operations, as well as statements including words such as “anticipate”, “believe”, “estimate”, “consider”, “expect” and other similar expressions, constitute forward-looking statements that reflect the current outlook of Ence or its management team with respect to future events and involve known and unknown risks and uncertainties. As a result, the actual situation and results of Ence and its sector could differ substantially from those depicted expressly or implicitly in these forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding Ence's current and future business strategy and the environment it expects to encounter in the future. A series of material factors could cause Ence's situation and results to differ materially from those reflected in these forward-looking statements, including fluctuations in pulp and/or timber prices, business seasonality, exchange rate fluctuations, financial risks, strikes or other action taken by Ence's employees, the competitive landscape, environmental risks and any of the other factors detailed in this document. The forward-looking statements are made only as of the date of this presentation. Ence disclaims any obligation or undertaking to update or revise these statements, whether as a result of any change in Ence's expectations or the conditions or circumstances underlying these statements, or any other information or data contained in this presentation.

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