



1Q24 Results

23 April 2024



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Today's presenters



Ignacio de Colmenares

*Chairman & CEO
Ence Energía y Celulosa*



Alfredo Avello

*Chief Financial Officer
Ence Energía y Celulosa*

1Q24 Operating Highlights

- Pulp price recovery continued in 1Q24 boosted by strong pulp demand growth and supply constraints
- 15% improvement in the pulp average sales price vs. 4Q23 up to 601 EUR/t
- 32 €/t cash cost increase in 1Q24 to 487 €/t due to temporary factors which should be offset in the coming quarters
- 70% pulp operating margin improvement, up to 114 €/t
- Huelva 46 MW and Ciudad Real 50 MW biomass power plants were back online in Feb. 2024
- Sustainability Master Plan 2024 – 2028, including decarbonization and water resilience plans

1Q24 Financial Results

- 66% QoQ EBITDA growth in the Pulp business, up to €31m, driven by the improvement in pulp prices
- Renewables EBITDA x2 QoQ, up to €14m boosted by higher energy output
- 78% QoQ consolidated EBITDA growth, up to €45m
- €19m FCF in 1Q24 before WC and the regulatory collar adjustment
- €44m WC outflow linked to pulp price improvement and higher pulp inventories ahead of Navia's shutdown at the beginning of April
- €43m Net Debt increase up to €323m (including leases) at 31 Mar. 2024 with a cash balance of €252m

2Q24 Outlook

- European pulp prices currently at 1,380 GROSS USD/t (750 NET EUR/ton aprox.)
- Main pulp producers have announced further price increases of up to 1,440 GROSS USD/ton (780 NET EUR/ton aprox.)
- Cash cost reduction trend in the coming quarters
- Pulp business operating margin should continue improving
- Biomass regulation change expected by the end of 2Q24 or the beginning of 3Q24 will align cash generation with accounting EBITDA
- Closing the sale of the remaining 2 PV projects expected in 2024

Growth and Diversification Projects

- Ence Advanced pulp sales continue gaining market share YoY. Aim: to reach 50% by 2028
- Fluff diversification project on track. Commissioning expected in 4Q25
- Advancing with the engineering to boost the efficiency and flexibility of Pontevedra biomill
- The permitting of the As Pontes project is progressing. Final investment decision in 2025
- 8 biomethane plants now in their engineering and permitting phase. 12 more plants with the location and feasibility study
- Final bidder in 5 contracts to provide renewable thermal energy
- Advancing with the engineering to capture the biogenic CO₂ released by our activities



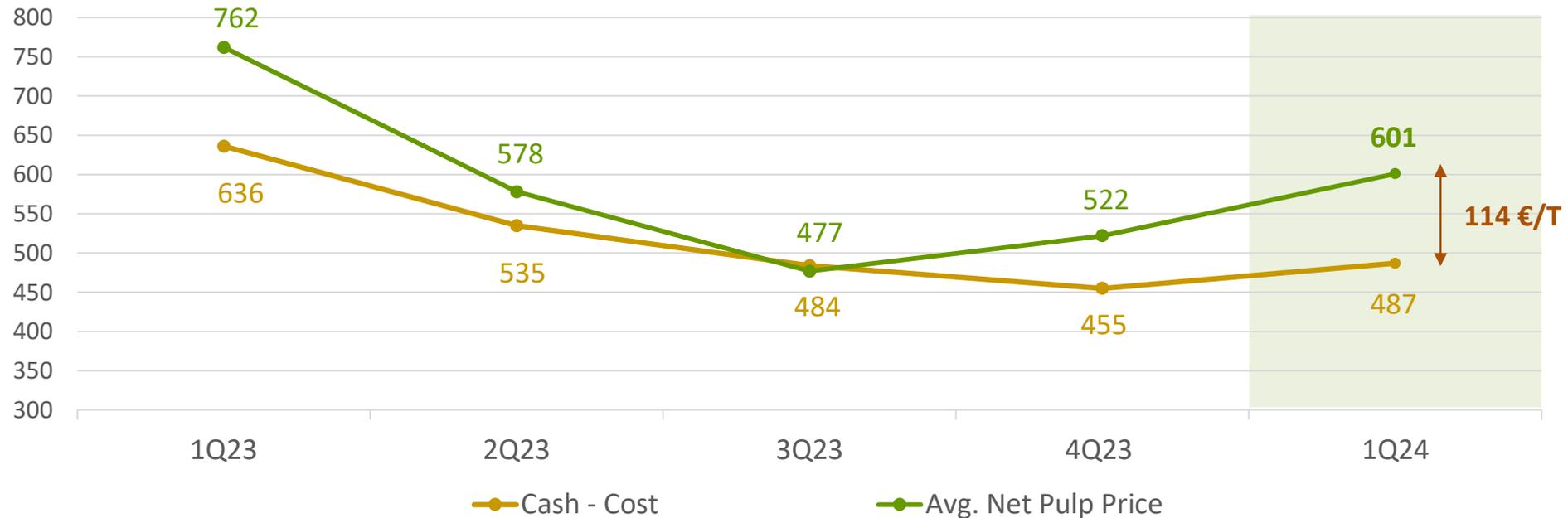
1.

1Q24 Operating Highlights

Pulp price recovery continued in 1Q24

Boosted by strong pulp demand growth and supply constraints

Avg. NET Pulp Price & Cash-Cost
(€/t)



15% improvement in the average sales price vs. 4Q23 up to 601 €/t

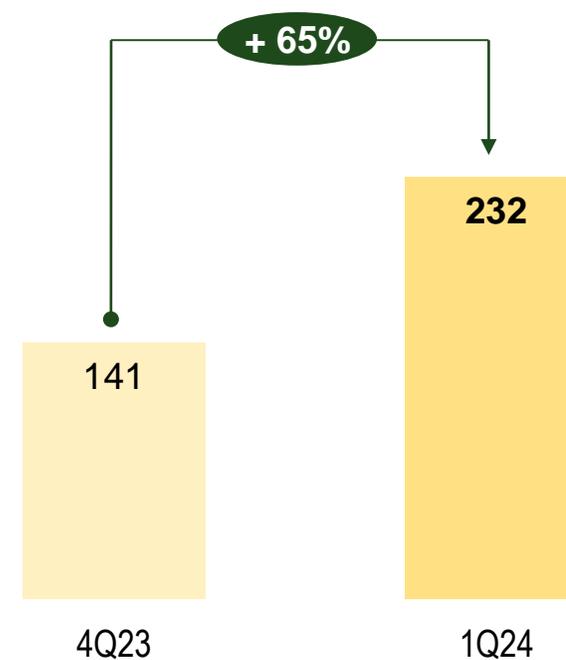
7% cash cost increase vs. 4Q23 to 487 €/t due to temporary factors which should be offset in the coming quarters

70% operating margin improvement vs. 4Q23, up to 114 €/t. This positive trend to continue in 2Q24

Huelva 46 MW and Ciudad Real 50 MW were back online in Feb. 2024

Boosting the renewable energy output in 1Q24

Renewable energy generation at Magnon (GWh)



Huelva 46 MW and Ciudad Real 50 MW biomass power plants were back online in Feb. 2024 following their extraordinary maintenance shutdown during 4Q23



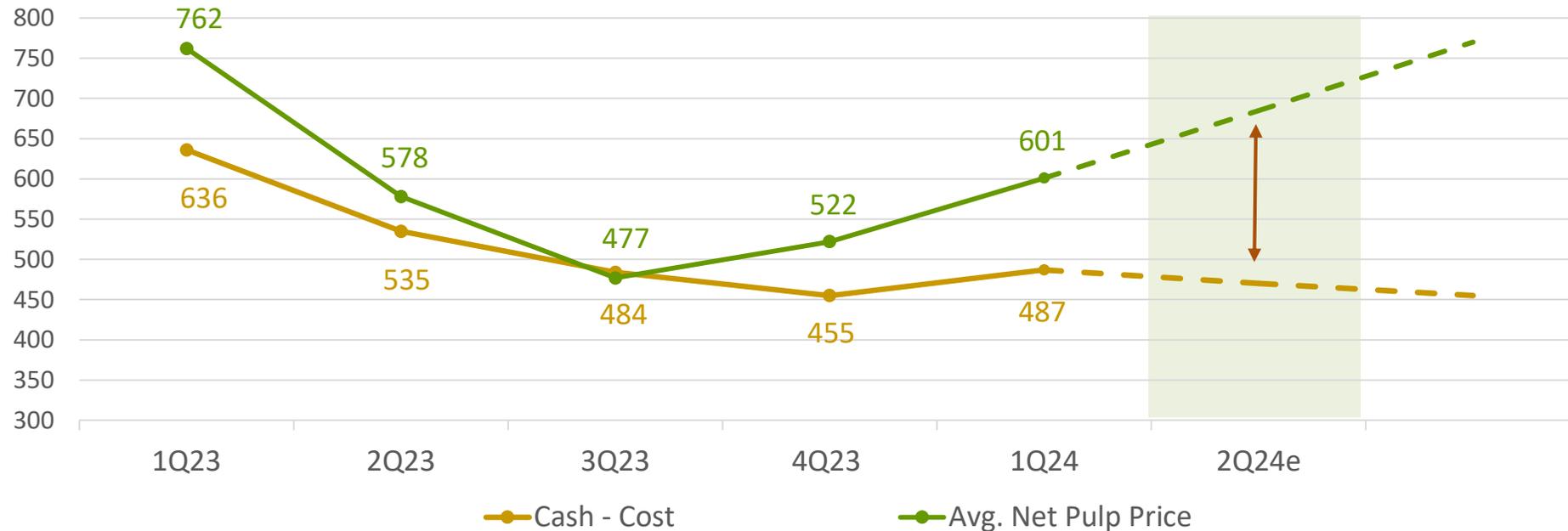
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2Q24 Outlook

Pulp price improvement continues in 2Q24

Cash cost reduction trend in the coming quarters

Avg. NET Pulp Price & Cash-Cost
(€/t)

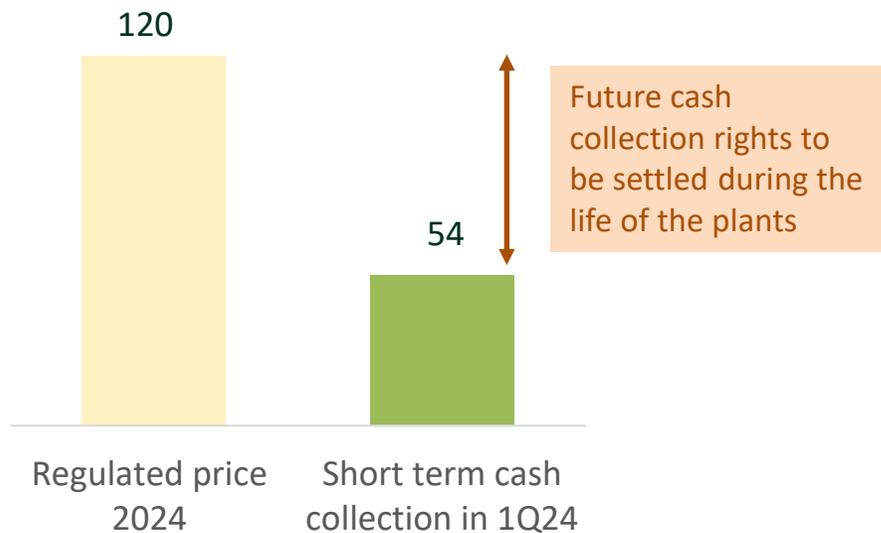


European pulp prices currently at 1,380 GROSS USD/ton (equivalent to NET 750 EUR/ton approx.)
Main pulp producers have announced a further price increase of up to 1,440 GROSS USD/ton (equivalent to NET 780 EUR/ton approx.)

Expected change in the regulation for biomass plants in 2024

Will align cash generation with accounting EBITDA

Biomass power regulated price and cash conversion
Current regulation (€ / MWh)



Biomass power regulated price and cash conversion
Expected new regulation (€ / MWh)



- Under the current regulation, electricity prices are estimated prior to the beginning of each 3-year regulatory stub period (regulatory price) and the supplementary remuneration for operation (Ro) is set accordingly
- The difference between the electricity market price and the regulatory price generates future cash collection rights based on a standard production rate and settled during the life of the plants (regulatory collar)

- With the expected change in the regulation for biomass plants, electricity prices would be estimated prior to the beginning of each quarter and the supplementary remuneration for operation (Ro) would be set accordingly
- **As a result, accounting and cash EBITDA would be aligned and there would be no regulatory collar adjustment, starting in 2024**



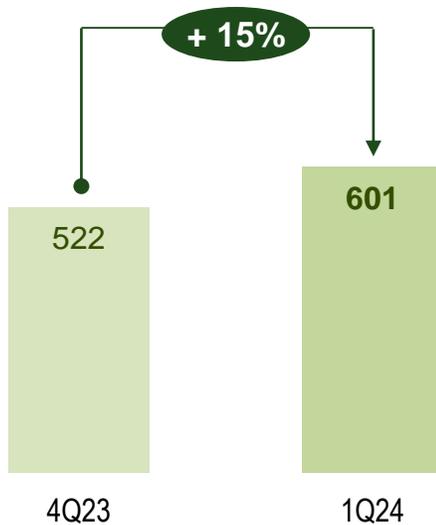
3.

1Q24 Financial Results

66% QoQ EBITDA growth in the pulp business

Boosted by the improvement in pulp prices

Avg. NET Sales price
(€/t)



79 €/t avg. net pulp price improvement vs. 4Q23

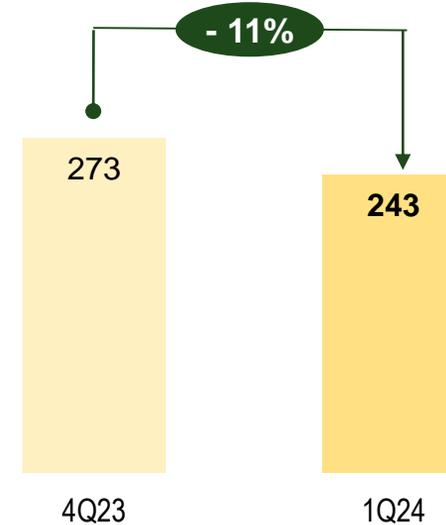
Cash Cost
(€/t)



32 €/t cash cost increase vs. 4Q23

- Lower energy revenues
- Lower fixed costs dilution on the back of lower sales volume
- Temporary increase in logistics

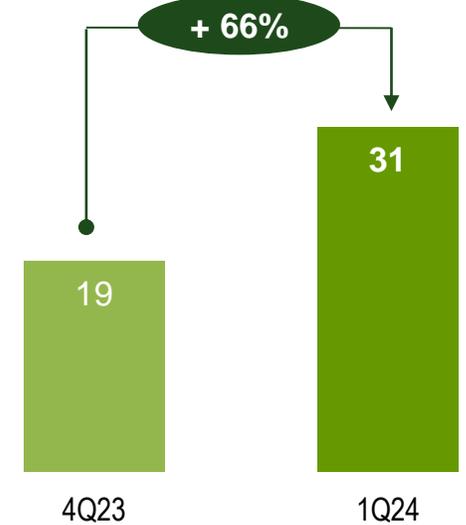
Pulp sales volume
(,000 t)



30 Kt lower sales vs. 4Q23

- 12 Kt pulp inventory increase in 1Q24 ahead of Navia's annual maintenance shutdown in April
- 7 Kt inventory drawdown in 4Q23

Pulp EBITDA
(€m)



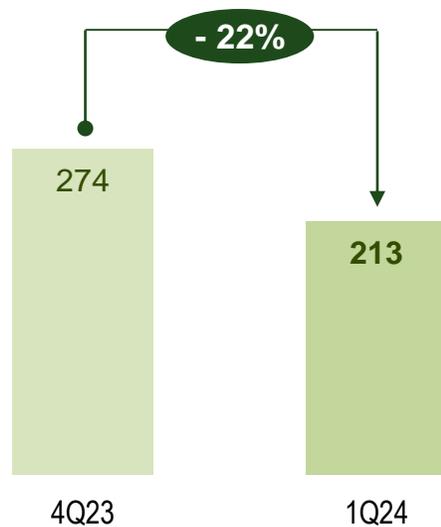
€12m EBITDA increase vs. 4Q23

Pulp price improvement more than offset the temporary increase in cash cost boosting the operating margin to 114 €/t

Renewables EBITDA x2 QoQ

Huelva 46 MW and Ciudad Real 50 MW biomass power plants back online in Feb. 2024

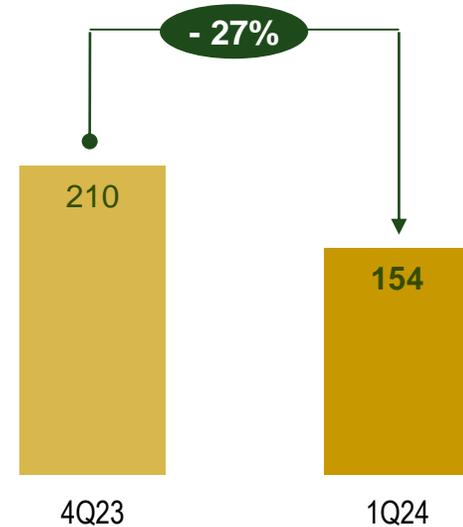
Average revenue per MWh
(€/MWh)



+35% revenue growth vs. 4Q23, up to €50m

Lower earnings per MWh vs. 4Q23 due to higher regulatory collar dilution on back of higher energy output

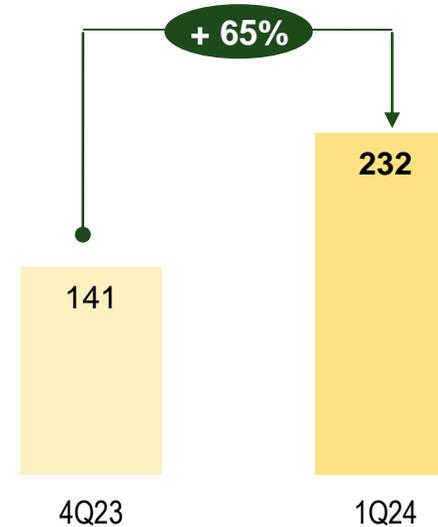
Net operating costs per MWh
(€/MWh)



56 €/MWh lower operating cost vs. 4Q23

Higher fixed cost dilution on back of higher energy output

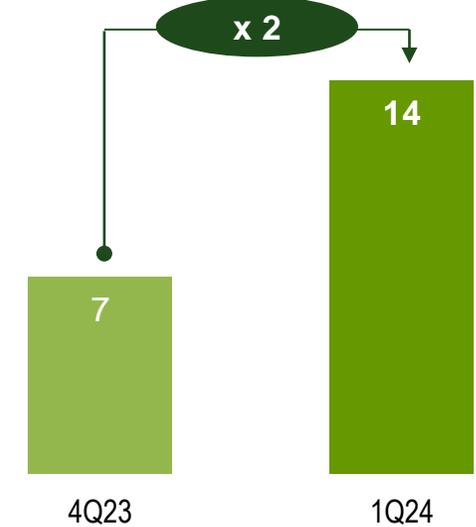
Energy volume sold
(GWh)



91 GWh output improvement

Start of HU46MW and CR50MW biomass power plants in Feb. 2024, following their extraordinary maintenance shutdown during 4Q23

Renewables EBITDA
(€m)



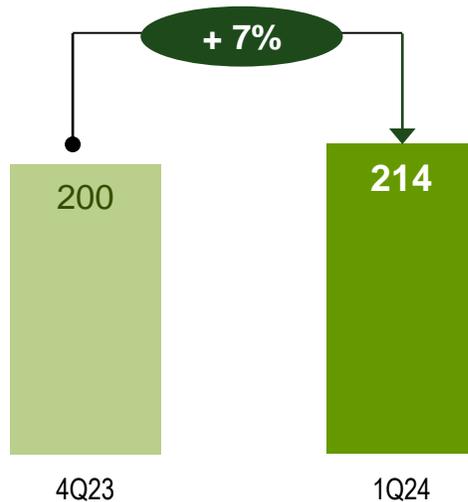
Renewables EBITDA x 2 vs. 4Q23

Includes €0.7m EBITDA contribution from the sale of a 10 MW PV project in Huelva

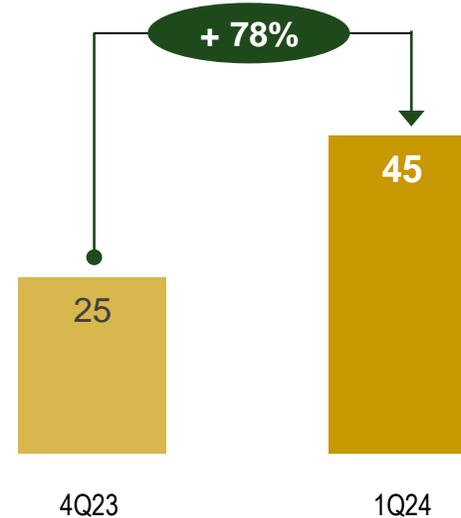
78% QoQ consolidated EBITDA growth

Driven by the pulp price improvement and higher renewable energy output

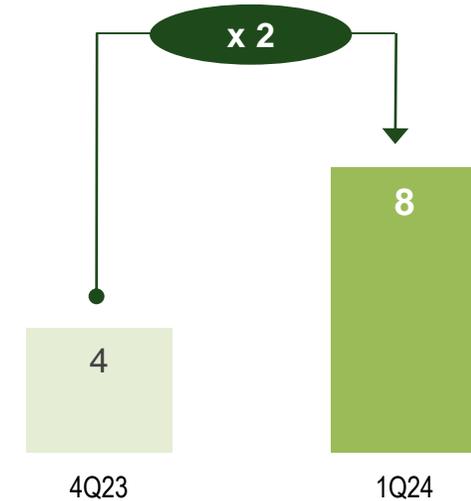
Group Revenues (€ m)



Group EBITDA (€ m)



Attributable Net Income (€ m)



€14m consolidated revenue growth vs. 4Q23

- Same revenues in the Pulp business as higher pulp prices were offset by lower sales volumes due to pulp stocking ahead of Navia's maintenance shutdown in April
- +35% revenue growth in the Renewable business boosted by higher generation

€20m consolidated EBITDA growth vs. 4Q23

- + €12m in the Pulp business
- + €7m in the Renewable business

+ €4m Attributable Net Income growth

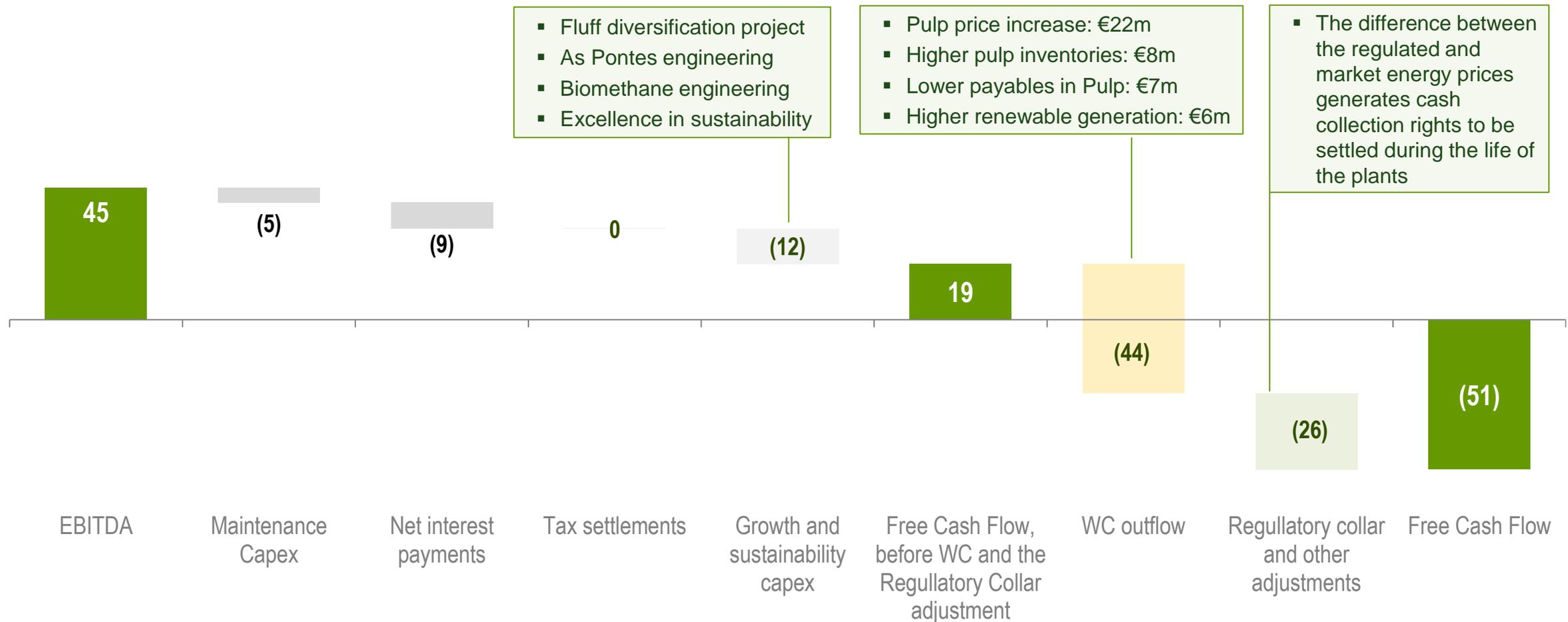
4Q23 net income included two positive one-offs below EBITDA amounting to €18m

Positive FCF in 1Q24 before WC and the regulatory collar adjustment

WC outflow linked to pulp price improvement and higher pulp inventories ahead of Navia's shutdown



Cash Flow Statement 1Q24
(€m)



Low leverage position vs. our average cycle EBITDA

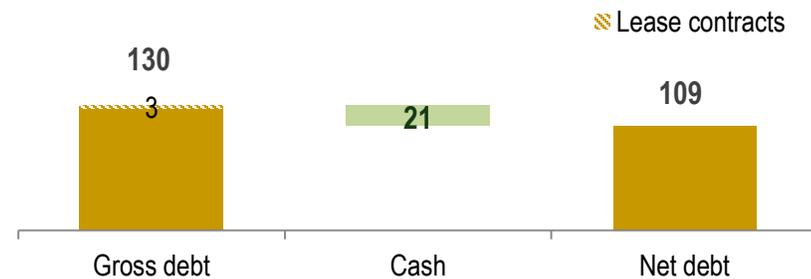
Solid cash balance of €252m at 31 Mar. 2024

Pulp business net debt as of 31 Mar. 2024 (€ m)

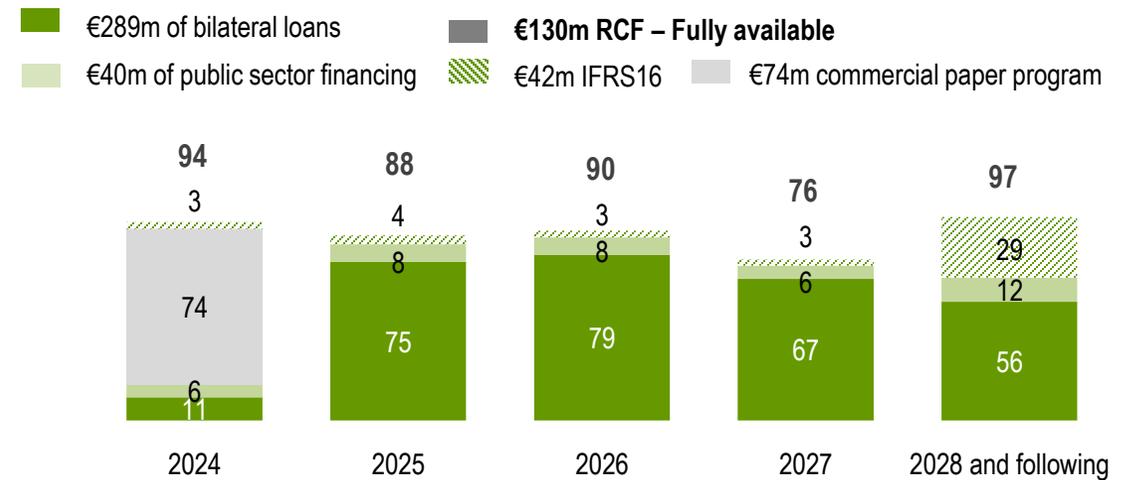


1) Pulp business financial debt is covenant free

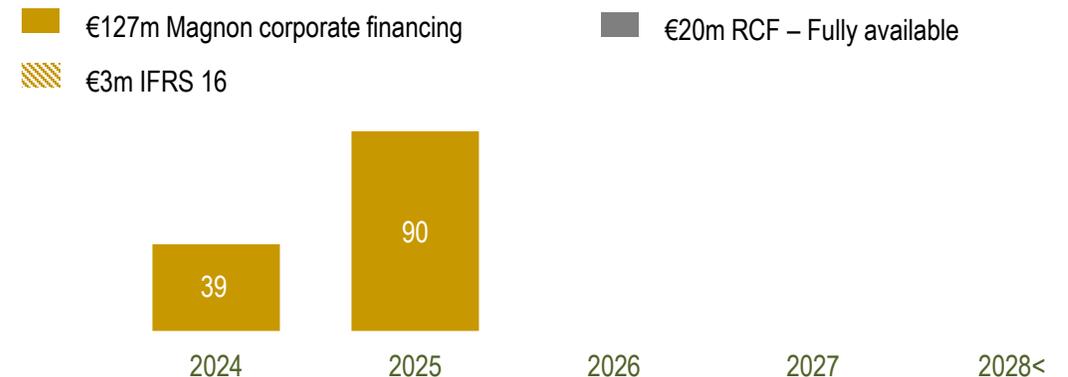
Renewables business net debt as of 31 Mar. 2024 (€ m)



Pulp business debt maturity schedule (€ m)



Renewables business debt maturity schedule (€ m)



Sustainability Master Plan 2024 - 2028

Includes decarbonization and water resilience plans

Eco-efficient operations

1. Health and safety
2. Social license to operate (odour, noise and dust)
3. Water consumption
4. GHG emission reduction
5. Climate change
6. Biodiversity

Bio-products and ecosystem services

1. Ence Advanced pulp
2. Bleached recycled pulp
3. Carbon sinking and ecosystem services
4. Improved forestry material
5. Biomethane
6. Renewable industrial heating
7. Biogenic CO₂

Responsible Supply Chain

1. Sustainable forestry certification
2. Due diligence in the value chain

Positive social impact

1. Equality, talent development and retention
2. Professional development in local communities
3. Social Investment Plan
4. Relation with stakeholders

Governance

Cross-cutting objectives

Strengthen governance in each area

Strengthen the *ethics and compliance* function

A. Stakeholder Engagement policy

A. Climate policy

B. Biodiversity policy

C. Environmental policy





4.

Growth and diversification projects

Growth and diversification projects in the Pulp business

Without increasing the consumption of wood

Status: **On track**
ROCE target: **>12%**

Status: **On track**
ROCE target: **>12%**

Status: **Engineering and permitting phase**
ROCE target: **>12%**

ENCE ADVANCED PULP

To develop and sell our differentiated products, with a lower environmental footprint and enhanced technical properties at a higher price

Substitution target > 500 Kt by 2028

Estimated Capex 0



FLUFF

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

Substitution target 125 Kt

Estimated Capex €30m in 24-25

Exp. commissioning 4Q 2025



BLEACHED RECYCLED PULP

To produce bleached recycled pulp in As Pontes (Galicia) using recovered cardboard and paper, recovered water and recovered land, without increasing the consumption of wood

Production target +100 Kt

Expected Decision 2025

Estimated Capex >€125m

Exp. commissioning 2027



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

Pontevedra Avanza

Project to boost the efficiency and flexibility of Pontevedra biomill



- Project to boost the efficiency and flexibility of Pontevedra biomill:
 - ✓ Reduce its cash-cost by 50 €/ton
 - ✓ Improve its flexibility to use different species of eucalyptus
 - ✓ Continue moving from standard pulp to Ence Advanced pulp products

Current Status	Engineering phase
Expected Investment Decision	4Q24
Estimated Capex	€120m in 2025 - 2030
ROCE Target	>12%

Execution of this project will be adapted and aligned to our cash flow generation throughout the pulp cycle and to our leverage policy

Growth and diversification projects in Renewables

Biogas, renewable thermal energy, and green fuels

Status: **8 plants in engineering and permitting**
+12 plants with location and feasibility

ROCE target: **>12%**

BIOGAS

Biomethane generation from the recycling of local organic waste, including the associated sustainability certificate and a high-quality organic fertilizer as a byproduct

Target	1 TWh by 2030
Estimated production	50 GWh / plant
Estimated capex	€20m / plant



Status: **Final bidder in 5 contracts**
+ 15 contracts in progress

ROCE target: **>11%**

RENEWABLE THERMAL ENERGY

Development and operation of comprehensive thermal energy solutions based on biomass for industrial applications

Target	2 TWh by 2030
Estimated production	60–200 GWh / plant
Estimated capex	€6–20m / plant



Status: **Engineering and permitting to capture biogenic CO₂**

GREEN FUELS

As the leading player in Iberia in eucalyptus pulp and biomass energy, Ence Group annually produces around 6 million tons of biogenic CO₂ in its different businesses

This biogenic CO₂ could be used to produce green fuels, such as e-methanol or sustainable aviation fuel



Closing Remarks

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Appendix

Group Financial Review

P&L

Figures in € m	1Q24				Proforma 1Q23*			
	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
Total revenue	161,0	53,3	(0,8)	213,6	179,6	82,0	(1,4)	260,2
Other income	4,7	0,6	(0,3)	5,0	4,8	1,3	(0,3)	5,8
Foreign exchange hedging operations results	0,0	-	-	0,0	(0,9)	-	-	(0,9)
Cost of sales and change in inventories of finished products	(83,0)	(17,4)	0,8	(99,6)	(87,0)	(32,7)	1,4	(118,3)
Personnel expenses	(21,9)	(5,1)	-	(27,1)	(22,5)	(4,2)	-	(26,7)
Other operating expenses	(30,2)	(17,2)	0,3	(47,1)	(48,4)	(19,0)	0,3	(67,1)
EBITDA	30,7	14,2	-	44,9	25,6	27,4	-	53,1
Depreciation and amortisation	(15,1)	(8,2)	0,4	(22,9)	(13,2)	(8,8)	0,4	(21,7)
Depletion of forestry reserves	(2,8)	-	-	(2,8)	(2,3)	-	-	(2,3)
Impairment of and gains/(losses) on fixed-asset disposals	(0,3)	(0,0)	-	(0,4)	(0,2)	(0,0)	-	(0,2)
Other non-ordinary operating gains/(losses)	-	-	-	-	-	-	-	-
EBIT	12,4	6,0	0,4	18,8	9,9	18,6	0,4	28,9
Net finance cost	(5,4)	(2,9)	-	(8,3)	(2,3)	(3,1)	-	(5,4)
Other finance income/(costs)	0,6	(0,0)	-	0,5	(0,4)	0,0	-	(0,4)
Profit before tax	7,6	3,1	0,4	11,1	7,2	15,5	0,4	23,1
Income tax	(0,6)	(1,0)	-	(1,6)	(2,0)	(0,6)	-	(2,6)
Net Income	7,0	2,1	0,4	9,5	5,2	14,9	0,4	20,5
Non-controlling interests	-	(1,6)	-	(1,6)	0,0	(1,2)	(6,7)	(7,9)
Atributable Net Income	7,0	0,5	0,4	7,9	5,2	13,7	(6,3)	12,6
Earnings per Share (EPS)	0,03	0,00	-	0,03	0,02	0,06	(0,03)	0,05

***Pro forma 1Q23:** The financial statements for 1Q23 include the impact for accounting purposes of the update of the remuneration parameters applicable to the Group's renewable energy plants approved in June 2023, with retroactive effect to 1 January 2023.

Group Financial Review

Cash Flow Statement

Figures in € m	1Q24				Proforma 1Q23*			
	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
Consolidated profit/(loss) for the period before tax	7,6	3,1	0,4	11,1	7,2	15,5	0,4	23,1
Depreciation and amortisation	17,9	8,2	(0,4)	25,7	15,5	8,8	(0,4)	24,0
Changes in provisions and other deferred expense	6,3	0,4	-	6,7	7,1	0,8	-	7,9
Impairment of gains/(losses) on disposals intangible assets	0,3	0,0	-	0,3	0,2	0,0	-	0,2
Net finance result	4,8	2,9	-	7,7	2,2	3,1	-	5,3
Energy regulation adjustment (regulatory collar)	(5,8)	(27,3)	-	(33,1)	(1,7)	(4,0)	-	(5,8)
Government grants taken to income	(0,2)	(0,0)	-	(0,3)	(0,1)	(0,0)	-	(0,2)
Adjustments to profit	23,4	(15,9)	(0,4)	7,1	23,2	8,8	(0,4)	31,4
Inventories	(7,5)	2,3	-	(5,1)	(7,7)	(0,5)	-	(8,2)
Trade and other receivables	(21,8)	(5,7)	(0,4)	(27,9)	(44,7)	(0,1)	(21,7)	(66,5)
Current financial and other assets	(1,1)	(0,0)	-	(1,1)	(0,3)	0,0	-	(0,3)
Trade and other payables	(7,9)	(2,5)	0,4	(9,9)	(17,1)	(66,3)	21,7	(61,7)
Changes in working capital	(38,2)	(5,8)	-	(44,0)	(69,8)	(66,9)	-	(136,7)
Interest paid	(7,5)	(1,6)	-	(9,1)	(2,8)	(1,8)	-	(4,6)
Dividends received	-	-	-	-	-	-	-	-
Income tax received/(paid)	-	0,3	-	0,3	-	-	-	-
Other collections/(payments)	-	-	-	-	-	-	-	-
Other cash flows from operating activities	(7,5)	(1,3)	-	(8,9)	(2,8)	(1,8)	-	(4,6)
Net cash flow from operating activities	(14,7)	(19,9)	-	(34,6)	(42,2)	(44,5)	-	(86,8)
Property, plant and equipment	(13,4)	(2,6)	-	(16,0)	(10,6)	(1,3)	-	(11,9)
Intangible assets	(1,0)	(0,0)	-	(1,0)	(0,7)	(0,1)	-	(0,8)
Other financial assets	(0,3)	0,7	0,4	0,8	0,5	-	-	0,5
Disposals	-	-	-	-	-	-	-	-
Net cash flow used in investing activities	(14,7)	(2,0)	0,4	(16,3)	(10,8)	(1,4)	-	(12,2)
Free cash flow	(29,4)	(21,8)	0,3	(51,0)	(53,0)	(45,8)	-	(98,8)

***Pro forma 1Q23:** The financial statements for 1Q23 include the impact for accounting purposes of the update of the remuneration parameters applicable to the Group's renewable energy plants approved in June 2023, with retroactive effect to 1 January 2023.

Group Financial Review

Balance Sheet

Figures in € m	Mar-24				Dec-23			
	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
Intangible assets	17,9	33,3	(12,0)	39,2	17,7	33,7	(12,1)	39,3
Property, plant and equipment	610,2	375,0	(7,2)	978,0	617,5	379,0	(7,5)	989,0
Biological assets	66,0	0,2	-	66,2	66,9	0,2	-	67,1
Non-current investments in Group companies	114,0	0,0	(114,0)	0,1	114,0	0,0	(114,0)	0,0
Non-current borrowings to Group companies	22,5	-	(22,5)	-	22,3	-	(22,3)	-
Deferred tax assets	37,9	26,4	3,0	67,4	38,0	27,0	3,0	68,0
Non-current financial assets	33,4	52,5	-	86,0	27,7	24,9	-	52,6
Cash reserve for debt service	-	10,0	-	10,0	-	10,0	-	10,0
Total non-current assets	902,0	497,5	(152,7)	1.246,8	904,0	474,8	(152,8)	1.226,0
Inventories	62,1	15,1	-	77,2	54,8	17,3	-	72,1
Trade and other accounts receivable	55,2	10,2	(1,6)	63,9	39,5	7,5	(2,0)	45,1
Income tax	4,8	9,9	-	14,7	4,8	10,1	-	15,0
Other current assets	4,5	3,0	-	7,5	3,8	0,2	-	4,0
Hedging derivatives	0,5	0,6	-	1,2	1,1	1,7	-	2,8
Current financial investments in Group companies	0,3	0,1	(0,4)	0,0	0,2	0,1	(0,3)	0,0
Current financial investments	3,6	0,0	-	3,6	2,5	0,0	-	2,5
Cash and cash equivalents	227,8	11,1	-	238,9	311,2	21,8	-	333,0
Total current assets	358,9	50,0	(1,9)	407,0	418,0	58,7	(2,3)	474,5
TOTAL ASSETS	1.260,9	547,6	(154,6)	1.653,8	1.322,0	533,5	(155,1)	1.700,5
Equity	561,0	229,6	(130,2)	660,4	552,5	227,7	(130,5)	649,6
Non-current borrowings	340,0	91,2	-	431,2	349,6	90,6	-	440,2
Non-current loans with Group companies and associates	-	36,6	(22,5)	14,0	-	27,1	(22,3)	4,9
Non-current derivatives	2,0	-	-	2,0	3,4	-	-	3,4
Deferred tax liabilities	-	-	-	-	-	-	-	-
Non-current provisions	27,9	0,1	-	28,0	28,1	0,1	-	28,3
Other non-current liabilities	33,6	67,8	-	101,4	35,9	69,6	-	105,5
Total non-current liabilities	403,5	195,7	(22,5)	576,7	417,0	187,5	(22,3)	582,3
Current borrowings	105,3	39,2	-	144,5	150,3	34,7	-	185,0
Current derivatives	0,0	-	-	0,0	0,6	-	-	0,6
Trade and other account payable	152,0	78,0	(1,6)	228,4	162,8	79,7	(2,0)	240,6
Short-term debts with group companies	0,1	0,6	(0,4)	0,3	0,1	0,5	(0,3)	0,2
Income tax	0,7	0,4	(0,1)	1,1	0,0	0,0	-	0,0
Current provisions	38,2	4,1	-	42,3	38,8	3,4	-	42,2
Total current liabilities	296,3	122,3	(2,0)	416,7	352,5	118,3	(2,3)	468,6
TOTAL EQUITY AND LIABILITIES	1.260,9	547,6	(154,7)	1.653,8	1.322,0	533,5	(155,1)	1.700,5

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.

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.

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.

Alternative Performance Measures (APMs)

Pg.2

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