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ENERGÍA & CELULOSA

Earnings Report
First quarter 2023

5 May 2023

SUSTAINALYTICS Global ESG score: 91/100

MSCI ESG RATINGS A

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1. EXECUTIVE SUMMARY

Market figures	1Q23	1Q22	Δ%	4Q22	Δ%
BHKP (USD/t) average price	1.338,8	1.150,4	16,4%	1.380,0	(3,0%)
Average exchange rate (USD/€)	1,07	1,12	(4,7%)	1,01	5,9%
BHKP (€/t) average price	1.249,8	1.023,6	22,1%	1.364,6	(8,4%)

Source: Bloomberg & OMIE

Operating Metrics	1Q23	1Q22	Δ%	4Q22	Δ%
Pulp production (t)	**252.679**	**198.934**	**27,0%**	**178.891**	**41,2%**
Navia pulp production	153.866	114.715	34,1%	157.739	(2,5%)
Pontevedra pulp production	98.812	84.219	17,3%	21.152	n.s.
Pulp sales (t)	**216.618**	**199.459**	**8,6%**	**150.345**	**44,1%**
Average sales pulp price (€/t)	762,4	650,6	17,2%	864,5	(11,8%)
Cash cost (€/t)	635,8	513,8	23,8%	678,8	(6,3%)
Operating margin per ton (€/t)	126,6	136,9	(7,5%)	185,7	(31,8%)
Renewable Energy sales volume (MWh)	**305.608**	**440.684**	**(30,7%)**	**291.599**	**4,8%**
Average sales price (€/MWh)	239,6	149,0	60,8%	165,0	45,2%
Remuneration for investment (€ m)	3,8	10,2	(62,5%)	10,2	(62,5%)

P&L € m	1Q23	1Q22	Δ%	4Q22	Δ%
Revenue from Pulp business	190,8	158,5	20,4%	159,1	19,9%
Revenue from Renewable Energy business	106,6	76,2	40,0%	58,5	82,4%
Consolidation adjustments	(1,4)	(0,6)		(1,3)	
Total revenue	**296,1**	**234,1**	26,5%	**216,3**	36,9%
Pulp business EBITDA	36,9	20,8	77,1%	26,5	39,0%
Renewable Energy business EBITDA	52,1	25,6	103,0%	13,5	n.s.
EBITDA	**88,9**	**46,5**	91,4%	**40,1**	121,9%
Margin %	*30%*	*20%*	*10,2 p.p.*	*19%*	*11,5 p.p.*
Depreciation, amortisation and forestry depletion	(24,0)	(21,0)	14,1%	(26,7)	(10,4%)
Impairment of and gains/(losses) on fixed-asset disposal	(0,2)	(0,7)	(69,8%)	182,9	n.s.
Other non-ordinary results of operations	-	(0,1)	(100,0%)	(14,9)	(100,0%)
EBIT	**64,8**	**24,7**	162,6%	**181,3**	(64,3%)
Net finance cost	(5,4)	(5,5)	(2,3%)	(6,9)	(22,3%)
Other finance income/(cost) results	(0,4)	0,7	n.s.	(2,1)	(81,2%)
Profit before tax	**59,0**	**19,9**	197,1%	**172,3**	(65,8%)
Income tax	(11,6)	(3,6)	219,9%	7,8	n.s.
Consolidated Net income	**47,4**	**16,2**	192,0%	**180,1**	(73,7%)
Non-controlling interests	(16,9)	(3,1)	n.s.	0,1	n.s.
Atributable Net Income	**30,4**	**13,1**	131,5%	**180,2**	(83,1%)
Earnings per share (Basic EPS)	0,13	0,05	131,5%	0,74	(83,1%)

Cash flow € m	1Q23	1Q22	Δ%	4Q22	Δ%
EBITDA	**88,9**	**46,5**	91,4%	**40,1**	121,9%
Change in working capital	(136,7)	(1,5)	n.s.	5,0	n.s.
Maintenance capex	(2,0)	(5,2)	(60,8%)	(4,7)	(56,4%)
Net interest Payment	(4,6)	(5,5)	(16,1%)	(5,7)	(18,8%)
Income tax received/(paid)	0,0	0,1	(80,3%)	(18,2)	n.s.
Normalised free cash flow	**(54,4)**	**34,3**	**n.s.**	**16,5**	**n.s.**
Energy regulation adjustment (regullatory collar)	(41,6)	40,3	n.s.	(8,4)	n.s.
Other cash adjustments	7,8	(5,7)	n.s.	7,2	8,0%
Efficiency and expansion capex	(2,9)	(8,9)	(67,3%)	(3,6)	(19,5%)
Sustainability capex and other	(7,8)	(2,4)	228,5%	(7,7)	0,9%
Disposals	-	0,4	(100,0%)	0,3	(100,0%)
Free cash flow	**(98,8)**	**58,1**	n.s.	**4,3**	n.s.
Dividends from the parent	(62,9)	-	n.s.	(21,9)	-

Net debt € m	Mar-23	Dec-22	Δ%
Net financial debt Pulp business	72,3	(36,1)	n.s.
Net financial debt Renewable Energy business	55,4	6,1	n.s.
Net financial debt	**127,7**	**(30,0)**	n.s.

	1Q23	1Q22	Δ%
ROCE LTM *	**18,2%**	**4,5%**	n.s.

* ROCE LTM = EBIT LTM / Average Equity + Net Debt (including leases). Adjusted for impairments and provisions related to the Pontevedra concession in 2021 and 2022.

- ✓ **Strong first-quarter earnings growth fuelled by ongoing high pulp prices, still close to record levels, reinstatement of normal production at the Pontevedra biomill, higher regulated energy prices and completion of the sale of the first photovoltaic solar plant under construction.**
- ✓ **First-quarter revenue increased by 26% year-on-year to €296m, with EBITDA rising 91% to €89m and net profit doubling to €30m.**
- ✓ **The Group's return on capital employed (ROCE) was 18% (16% in the Pulp business and 21% in Renewables).**
- ✓ **The Company paid out an interim dividend of €0.29 per share (€70m) in March, providing its shareholders with a yield of 8%. The Board is also submitting a motion for the payment of a final dividend of another €0.29 per share (€70m) from 2022 earnings at the upcoming Annual General Meeting. If that motion is ratified, that dividend will be paid out on 18 May 2023.**
- ✓ **Business-wise it is worth highlighting the 41% growth in pulp output compared to 4Q22 thanks to full reinstatement of activity at the Pontevedra biomill, where production was interrupted in the second half of 2022 due to the reduced flow from the river that supplies it. Ence has developed an innovative solution that enables it to regenerate its own wastewater, as well as the wastewater from the treatment facility adjacent to the biomill, during times of drought.**
- ✓ **The average sales price increased by 17% year-on-year in 1Q23, offsetting the inflation accumulated in the cost of raw materials.**
- ✓ **The cash cost decreased by 6% from 4Q22 thanks to normalisation of production at the Pontevedra biomill and an incipient reduction in raw material costs, which is expected to continue over the coming quarters.**
- ✓ **On 26 April 2023, the Ministry of Green Transition published a draft remuneration parameter Order, still subject to pleadings, which proposes new methodology for calculating and settling deviations between the regulatory energy price and the electricity market price. Erring on the side of caution, as is customary at the company, Ence has accounted for its first-quarter earnings using the proposed new methodology. Under the old methodology, 1Q23 EBITDA would have been approximately €14m higher. The company will file all suitable pleadings in due course.**
- ✓ **The difference between the regulatory energy price of €207/MWh and the electricity market price implied the generation of a collection claim of €40m in 1Q23m, to be settled over the course of 2024, under the new methodology proposed by the Ministry for Green Transition.**
- ✓ **Completion of the sale of the first photovoltaic power plant under construction in Jaén added €23m to EBITDA in 1Q23. That transaction is part of the agreement reached with Naturgy in December 2021 for the sale of the Company's photovoltaic pipeline in Jaén, Huelva, Seville and Granada. Completion of the sale of the rest of those assets in 2023 and 2024 is expected to generate a further €27m of EBITDA.**
- ✓ **The €137m increase in working capital in 1Q23 reflects normalisation of activity at the Pontevedra biomill, as well as the reimbursement by the Company of surplus remuneration collected following the adjustments made to renewable energy remuneration for 2022, with an impact of €65m this quarter.**
- ✓ **In 1Q23, Ence redeemed the remaining €63m of convertible bonds issued in March 2018 and arranged a number of bilateral loans with several financial institutions, raising €145m, to leave the Group's cash balance at €350m as of 31 March 2023.**
- ✓ **The Group's net debt stood at €128m at the close, implying leverage of just 0.4 times trailing 12-month EBITDA.**
- ✓ **The Company's financial strength gives it flexibility to take advantage of growth and diversification opportunities in its two core businesses.**
  - **In the Pulp business, Ence continues to execute the "Navia Excellence" project to boost the sale of differentiated products, diversify production into pulp for absorbent personal care products (fluff pulp) and decarbonise the facility.**
  - **It also continues to analyse the project planned for As Pontes, Coruña for the production of mixed bleached fibre made from recovered board and paper and virgin pulp produced by Ence, without increasing its wood consumption.**
  - **In the Renewables business, Ence Biogas aims to develop 20 biomethane plants in the next five years. That subsidiary already has a pipeline of 15 projects under development in Spain and in 1Q23 it hired Sener to perform the conceptual engineering work for six of those facilities, which are expected to be commissioned between the end of 2025 and 2026.**
  - **Likewise in the Renewables business, the Group also has a 140-MW portfolio of rights for participating in upcoming biomass capacity auctions and is exploring opportunities for generating industrial heat from biomass and generating and selling carbon allowances.**
- ✓ **Ence remains the leading sustainability player in the global pulp market, according to its most recent Sustainalytics score, having defended its overall ESG performance score of 91/100 in 2022.**

2. PULP BUSINESS

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

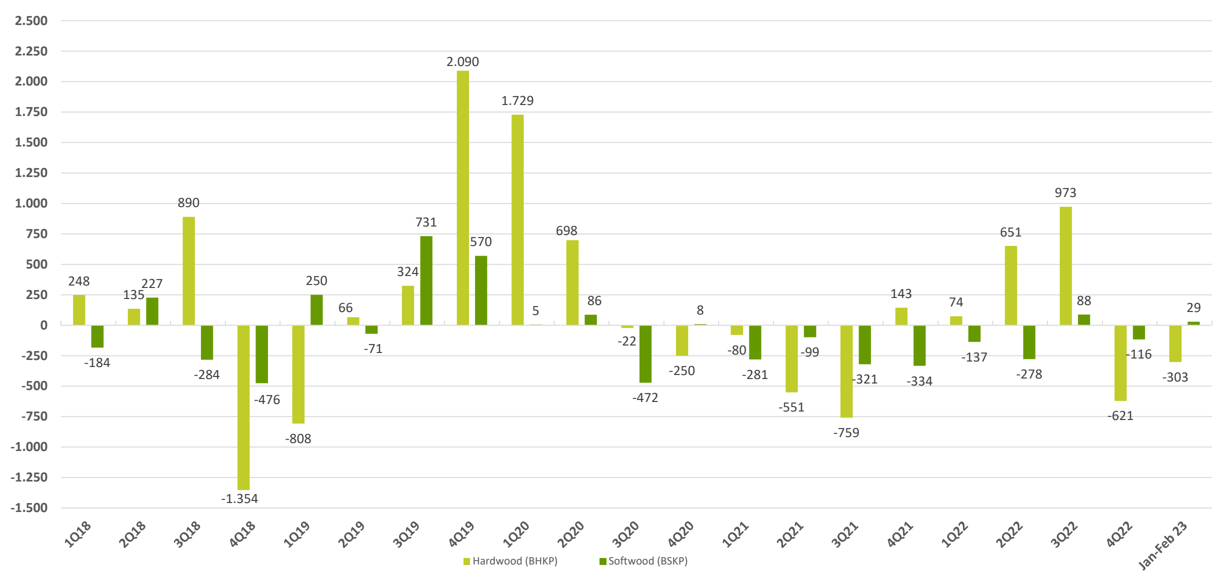
On 7 February 2023, Spain's Supreme Court upheld the legality of the extension of the Pontevedra biomill concession until 2073.

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 wood 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 solid in the long term and contrast with the movements observed in inventories in the paper industry.

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

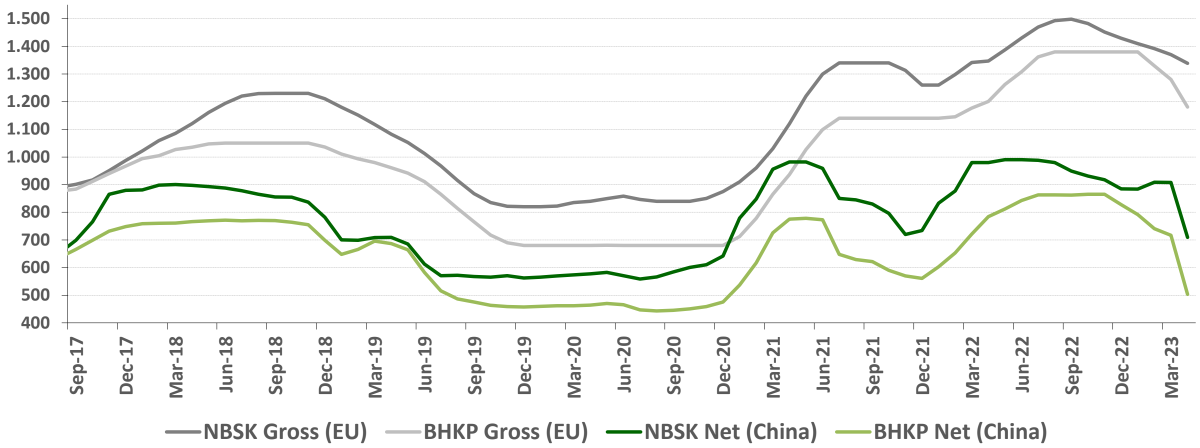


Source: PPPC–G100

Demand for pulp eased by 3% in early 2023, due mainly to destocking by the paper industry, coupled with expectations for growth in the supply of pulp from two new mills in Chile and Uruguay. Demand shrank in all markets except for China, where it increased by 9%, boosted by the removal of Covid-related restrictions.

The dip in demand implied a 5-day increase in pulp producers' inventories to 48 days as of the end of February.

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



Source: FOEX

Against that backdrop, pulp prices began to ease during the first quarter, falling back from the record levels recorded in 2022. The benchmark price for hardwood pulp (BHKP) in Europe averaged $1,339/tonne in 1Q23, down 3% from 4Q22 but still up 16.4% from 1Q22.

Market figures	**1Q23**	1Q22	*Δ%*	4Q22	*Δ%*
BHKP (USD/t) average price	1.338,8	1.150,4	*16,4%*	1.380,0	*(3,0%)*
Average exchange rate (USD/€)	1,07	1,12	*(4,7%)*	1,01	*5,9%*
BHKP (€/t) average price	1.249,8	1.023,6	*22,1%*	1.364,6	*(8,4%)*

Source: Bloomberg & OMIE

2.2. Revenue from pulp sales

Pulp sales volumes jumped 44.1% quarter-on-quarter in 1Q23 thanks to resumption of activity at the Pontevedra biomill, where production was interrupted in the second half of 2022 due to the reduced flow from the river that supplies that biomill while the Company worked on an innovative solution for use during episodes of drought.

By comparison with 1Q22, pulp sales increased by 8.6%, shaped by higher production volumes, partially mitigated by the increase in pulp inventories in anticipation of the maintenance stoppages planned for the second quarter.

Average sales prices improved by 17.2% year-on-year in 1Q23, to €762.4 per tonne. However, that average was 11.8% below the 4Q22 equivalent due mainly to the dip in average benchmark prices in Europe, coupled with euro appreciation against the dollar.

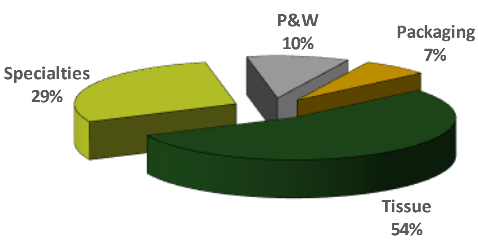
	1Q23	1Q22	*Δ%*	4Q22	*Δ%*
Pulp sales (t)	**216.618**	**199.459**	*8,6%*	**150.345**	*44,1%*
Average sales price (€/t)	762,4	650,6	*17,2%*	864,5	*(11,8%)*
Pulp sales revenue (€ m)	**165,2**	**129,8**	*27,3%*	**130,0**	*27,1%*

The combination of the two factors drove revenue from pulp sales to €165.2m in 1Q23, marking growth of 27.1% compared to 4Q22 and 27.3% compared to 1Q22.

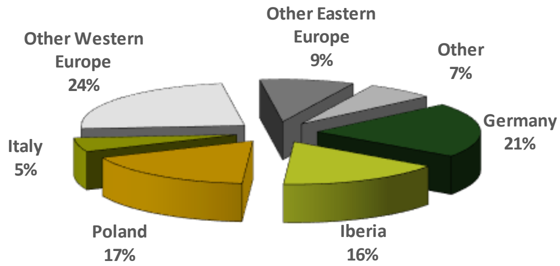
Ence's differentiated products, such as Naturcell and Powercell, which are more sustainable and better suited for replacing softwood pulp, accounted for 15% of revenue from pulp sales in 1Q23, compared to 18% in 1Q22. That drop in contribution is attributable to the temporary narrowing of the gap between hardwood and softwood pulp prices observed in 1Q23.

The tissue paper segment remains the main end use given to the pulp sold by Ence, accounting for 54% of revenue from pulp sales in 1Q23, followed by the specialty paper segment, at 29%. The printing and writing paper segment accounted for 10% and packaging, the remaining 7%.

Breakdown of revenue by end product



Breakdown of revenue by geographic market



By geography, most of the pulp produced by Ence is sold in Europe, namely 93% of revenue from pulp sales in 1Q23. Germany and Iberia accounted for 21% and 16% of total revenue, respectively, followed by Poland (17%), and Italy (5%). The other western European countries accounted for 24% of the total, with the rest of Eastern Europe representing 9%.

2.3. Pulp production and cash cost

Pulp production increased by 41.2% quarter-on-quarter to 252,679 tonnes in 1Q23, driven by normalisation of activity at the Pontevedra biomill.

Year-on-year, pulp production was 27% higher due to the different timing of the maintenance stoppages in both reporting periods. Last year those stoppages took place in the first quarter, whereas this year they are scheduled for the second quarter.

	1Q23	1Q22	Δ%	4Q22	Δ%
Navia pulp production	153.866	114.715	*34,1%*	157.739	*(2,5%)*
Pontevedra pulp production	98.812	84.219	*17,3%*	21.152	*n.s.*
Pulp production (t)	**252.679**	**198.934**	*27,0%*	**178.891**	*41,2%*

Ence has developed an innovative solution that enables it to regenerate its own wastewater, as well as the wastewater from the treatment facility adjacent to the Pontevedra biomill, in order to minimise water withdrawal from the river during periods of drought. The Pontevedra biomill continued to operate that solution throughout the first quarter, minimising water withdrawal from the river during the period, in order to fine-tune its innovative new water recovery process.

Figures in €/t	**1Q23**	1Q22	Δ%	4Q22	Δ%
Total cash cost	635,8	513,8	*23,8%*	678,8	*(6,3%)*
Operating margin	**126,6**	**136,9**	*(7,5%)*	**185,7**	*(31,8%)*

The 1Q23 cash cost decreased by 6.3% from 4Q22 to €636/tonne as a result of the economies of scale unlocked by the resumption of production in Pontevedra, as well as an incipient reduction in raw material costs.

The reduction in the cash cost in 1Q23 was partially offset by extraordinary costs, estimated at €46/tonne, associated with the new water recovery solution and the work done to repair the turbine at the Pontevedra biomill. Those repairs are expected to finalise at the end of the second quarter. Stripping out those transient additional costs, the 1Q23 cash cost would have been €590/tonne, down 13% from 4Q22.

By comparison with 1Q22, the cash cost, excluding the above-mentioned additional costs of €46/tonne, would have increased by 15%, due mainly to the inflation accumulated in raw material costs.

The increase in pulp prices by comparison with those of 1Q22 largely offset the increase in costs to yield a unit operating profit of €127/tonne, compared to €137/tonne in 1Q22.

2.4. Other income

Ence's pulp production operations are self-sufficient electricity-wise. Ence uses the lignin and forest biomass derived from its manufacturing activities to generate renewable energy. 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 Navia biomill. Surplus energy production is sold to the grid.

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

Figures in € m	**1Q23**	1Q22	*Δ%*	4Q22	*Δ%*
Revenues from energy sales linked to pulp (€ m)	18,7	25,7	*(27,3%)*	23,0	*(18,8%)*
Forestry and other revenue (€ m)	7,0	3,0	*131,1%*	6,1	*13,9%*
Other income	**25,6**	**28,7**	*(10,6%)*	**29,1**	*(11,9%)*

2.5. Statement of profit or loss

The growth in revenue from pulp sales, together with the increase in regulated energy prices in 2023, drove 1Q23 EBITDA in the Pulp business to €36.9m, up 77.1% year-on-year and 39% above the 4Q22 figure.

The difference between the regulatory electricity price and the electricity market price implied €12m of income in 1Q23. That sum is not part of the cash cost and has no impact on cash flow during the quarter as it will be collected in 2024, under the new methodology proposed by the Ministry of Green Transition. Erring on the side of caution, as is customary at the company, Ence has accounted for its first-quarter earnings using the proposed new methodology, still subject to pleadings. Under the old methodology, the difference between the regulatory price and the electricity market price would have implied €3m of additional revenue. The company will file all suitable pleadings in due course.

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

Figures in € m	1Q23	1Q22	Δ%	4Q22	Δ%
Pulp sales revenue	165,2	129,8	*27,3%*	130,0	*27,1%*
Other income	25,6	28,7	*(10,6%)*	29,1	*(11,9%)*
Total net revenue	**190,8**	**158,5**	*20,4%*	**159,1**	*19,9%*
EBITDA	**36,9**	**20,8**	*77,1%*	**26,5**	*39,0%*
Depreciation and amortisation	(13,2)	(9,5)	*38,7%*	(20,5)	*(35,7%)*
Depletion of forestry reserves	(2,3)	(1,7)	*34,1%*	(1,8)	*27,9%*
Impairment of and gains/(losses) on fixed-asset d	(0,2)	(0,8)	*(71,1%)*	187,2	*n.s.*
Other non-recurring gains/(losses)	-	(0,1)	*(100,0%)*	(14,9)	*(100,0%)*
EBIT	**21,1**	**8,8**	*141,2%*	**176,5**	*(88,0%)*
Net finance cost	(2,3)	(1,0)	*118,1%*	(3,5)	*(35,8%)*
Other financial results	(0,4)	0,6	*n.s.*	(2,1)	*(81,0%)*
Profit before tax	**18,5**	**8,3**	*123,0%*	**170,9**	*(89,2%)*
Income tax	(4,8)	0,1	*n.s.*	8,6	*n.s.*
Net Income	**13,7**	**8,4**	*63,1%*	**179,5**	*(92,4%)*

Elsewhere, Ence has an ongoing hedging policy designed to mitigate the impact of exchange rate volatility on its earnings. Those hedges implied a loss of €0.9m in 1Q23, compared to a loss of €3.7m in 1Q22. For the rest of 2023, Ence has arranged hedges over a notional amount of $68.6m with a weighted average ceiling of $/€1.09 and a weighted average floor of $/€1.03.

	1Q23	2Q23	3Q23	4Q23
Nominal hedged (USD Mn)	**25,0**	24,0	22,2	22,4
Average cap (USD / EUR)	**1,14**	1,10	1,08	1,08
Average floor (USD / EUR)	**1,11**	1,04	1,00	1,05

Below the EBITDA line, depreciation and amortisation charges increased to €13.2m in 1Q23, compared to €9.5m in 1Q22, due to the resumption of depreciation of the Pontevedra biomill following the Supreme Court ruling upholding its continuity until 2073.

Forest depletion charges increased to €2.3m in 1Q23 from €1.7m in 1Q22 due to higher wood consumption.

Elsewhere, the business's net finance cost increased to €2.3m in 1Q23 from €1m in 1Q22 due largely to the increase in interest rates. Other finance income presents the effect of movements in exchange rates on working capital during the period: a net loss of €0.4m in 1Q23.

Lastly, tax expense amounted to €4.8m in 1Q23, compared to €0.1m of income in 1Q22, when the Company utilised tax credits related with the impairment losses recognised in respect of the Pontevedra biomill.

In all, the Pulp business reported €13.7m of net profit in the first quarter, year-on-year growth of 63.1%.

2.6. Cash flow analysis

The significant growth in 1Q23 EBITDA was offset by the impact on working capital of resumption of business as usual at the Pontevedra biomill and adjustment of the collection claim generated, resulting in a net outflow of cash from operating activities of €42.2m.

Under the new methodology proposed by the Ministry, still at the pleading stage, the difference between the regulatory energy price and electricity market price implies revenue for the quarter of €12m, to be collected in 2024.

Figures in € m	1Q23	1Q22	Δ%	4Q22	Δ%
EBITDA	**36,9**	**20,8**	*77,1%*	**26,5**	*39,0%*
Energy regulation adjustment (regullatory collar)	(13,0)	6,6	*n.s.*	(3,6)	*n.s.*
Other cash adjustments	6,5	(6,6)	*n.s.*	6,0	*9,0%*
Change in working capital	(69,8)	(8,5)	*n.s.*	1,7	*n.s.*
Income tax received / (paid)	-	0,0	*(100,0%)*	(12,0)	*(100,0%)*
Net interest received / (paid)	(2,8)	(2,3)	*23,2%*	(0,8)	*228,7%*
Net cash flow from operating activities	**(42,2)**	**10,1**	*n.s.*	**17,7**	*n.s.*

Elsewhere, the 1Q23 working capital requirement amounted to €69.8m, shaped by the increase in trade receivables derived from the resumption of activity at the Pontevedra biomill, as well as a reduction in accounts payable related with the reimbursement of surplus remuneration collected following adjustment of the remuneration applicable to renewable energy in 2022 and the increase in pulp inventories.

Figures in € m	1Q23	1Q22	Δ%	4Q22	Δ%
Inventories	(7,7)	0,2	*n.s.*	(16,5)	*(53,2%)*
Trade and other receivables	(44,7)	19,3	*n.s.*	14,5	*n.s.*
Financial and other current assets	(0,3)	-	*n.s.*	1,2	*n.s.*
Trade and other payables	(17,1)	(28,0)	*(39,0%)*	2,5	*n.s.*
Change in working capital	**(69,8)**	**(8,5)**	*n.s.*	**1,7**	*n.s.*

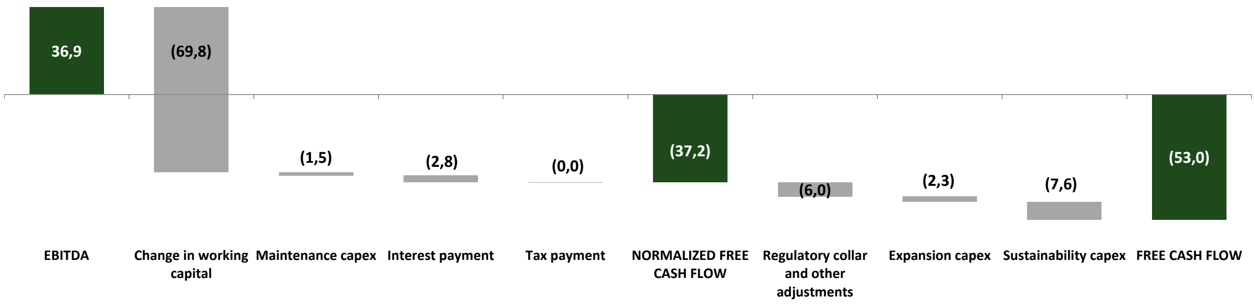
At 31 March 2023, the Pulp business had drawn down €50m under its non-recourse receivable discounting facilities, compared to €45.2m at year-end 2022.

Ence has also arranged several reverse factoring facilities, which were drawn down by €76m at the March close, compared to €76.5m at year-end. The reverse factoring facilities do not entail the provision of guarantees, do not alter the average payment term agreed with the corresponding suppliers and do not accrue interest.

Figures in € m	1Q23	1Q22	Δ%	4Q22	Δ%
Maintenance capex	(1,5)	(4,5)	*(67,3%)*	(3,6)	*(58,8%)*
Sustainability capex and other	(7,6)	(2,0)	*n.s.*	(6,5)	*16,5%*
Efficiency and expansion capex	(2,3)	(7,7)	*(70,3%)*	(1,9)	*20,8%*
Financial investments	0,5	0,0	*n.s.*	0,2	*136,0%*
Investments	**(10,8)**	**(14,2)**	*(24,1%)*	**(11,8)**	*(8,1%)*
Disposals	-	-	*n.s.*	0,3	*(100,0%)*
Net cash flow used in investing activities	**(10,8)**	**(14,2)**	*(24,1%)*	**(11,5)**	*(5,7%)*

Maintenance capex fell to €1.5m in 1Q23, while investments in efficiency and growth decreased to €2.3m and sustainability capex amounted to €7.6m. The latter were largely related with the new water recovery system in Pontevedra for use during periods of drought, as well as a range of initiatives targeted at reinforcing safety and reducing odour, noise and water consumption at the biomills, all of which will make Ence more competitive in the long run.

Normalised free cash flow and free cash flow were therefore negative by €37.2m and €53m in 1Q23, affected by the impact of resumption of activity in Pontevedra on working capital.



2.7. Change in net debt

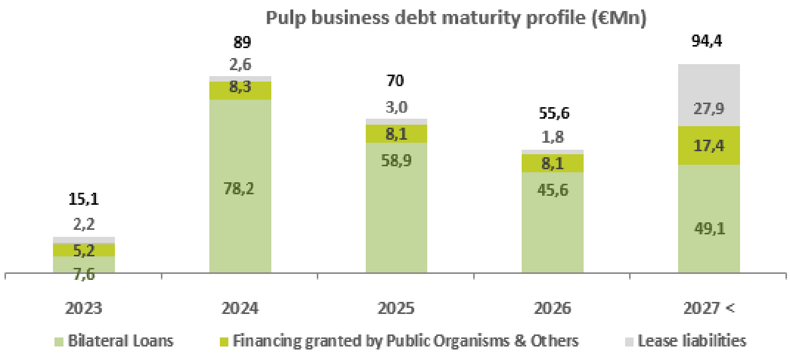
The Pulp business ended March with net debt of €72.3m, compared to net cash of €36.1m at year-end 2022. In addition to the negative cash flow outlined above, the Company paid out €62.9m in dividends during the first quarter.

Figures in € m	Mar-23	Dec-22	Δ%
Non-current financial debt	210,4	128,6	*63,6%*
Current financial debt	76,2	80,3	*(5,1%)*
Gross financial debt	**286,6**	**208,9**	*37,2%*
Non-current lease contracts	34,5	34,6	*(0,3%)*
Current lease contracts	2,9	3,0	*(2,3%)*
Financial liabilities related to lease contracts	**37,4**	**37,6**	*(0,4%)*
Cash and cash equivalents	247,3	278,4	*(11,2%)*
Short-term financial investments	4,5	4,2	*6,1%*
Net financial debt Pulp business	**72,3**	**(36,1)**	*n.s.*

Due to the cyclical nature of the Pulp business, it is financed with covenant-free debt and ample liquidity. At the reporting date, the Pulp business had cash and cash equivalents of €251.8m.

In 1Q23, Ence redeemed the remaining €63.3m of the €160m of convertible bonds issued in March 2018 and arranged a number of bilateral loans with several financial institutions, raising €145m of new financing due in 2030 at the latest.

The gross debt of €286.6m at the March close corresponds to the outstanding balance of €239.4m of bilateral loans and a series of loans totalling €47.2m 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. Finance lease liabilities stood at €37.4m at the March close. Debt arrangement fees are deducted from gross borrowings on the statement of financial position.



2.8. Growth and diversification opportunities

Ence's strategy in the Pulp business encompasses growth, decarbonisation and diversification into new types of pulp and specialty products, leveraging its competitive advantages in the European market.

In 2022, Ence launched its "Navia Excellence" plan, designed to boost the sale of differentiated products, diversify production into pulp for absorbent personal care products (fluff pulp) and decarbonise the facility by cutting its annual GHG emissions by 50,000 tonnes. That project entails investments of an estimated €105m between 2024 and 2027, with a projected ROCE of over 12%.

Last year, Ence and the regional government of Galicia also announced a new project that is currently under analysis in the local town of As Pontes for the production of mixed bleached fibre made from recovered board and paper and virgin pulp produced by Ence.

The project embodies the fair transition and circular bioeconomy thrusts by transforming land that is part of a fossil fuel power plant into an innovative facility that will recover and reuse natural resources, without increasing wood consumption.

Phase one of that project, which could be commissioned in 2027, consists of a production line with annual capacity of 100,000 tonnes, entailing an estimated investment of €125m and a projected ROCE of over 12%.

3. RENEWABLES BUSINESS

Ence's Renewables business comprises the generation of renewable energy from biomass at independent plants that have no relation with the pulp production process, the development of photovoltaic power generation facilities and incipient new businesses related with the generation of biomethane, the generation of industrial heat from biomass and the generation and sale of carbon allowances.

Through its subsidiary, Magnon Green Energy, 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).

Magnon is also developing a pipeline of 373 MW of photovoltaic facilities in Jaen, Huelva, Seville and Granada. In December 2021, it agreed to sell those assets as they obtain the required permits for up to €62m. The sale of one 100-MW capacity facility under construction in Jaen closed in March 2023, generating revenue of €29.6m, proceeds of €27.7m and EBITDA of €22.8m in 1Q23. The sale of the rest of the assets is expected to close in 2023 and 2024, generating additional EBITDA of an estimated €27m.

3.1. Electricity market trends

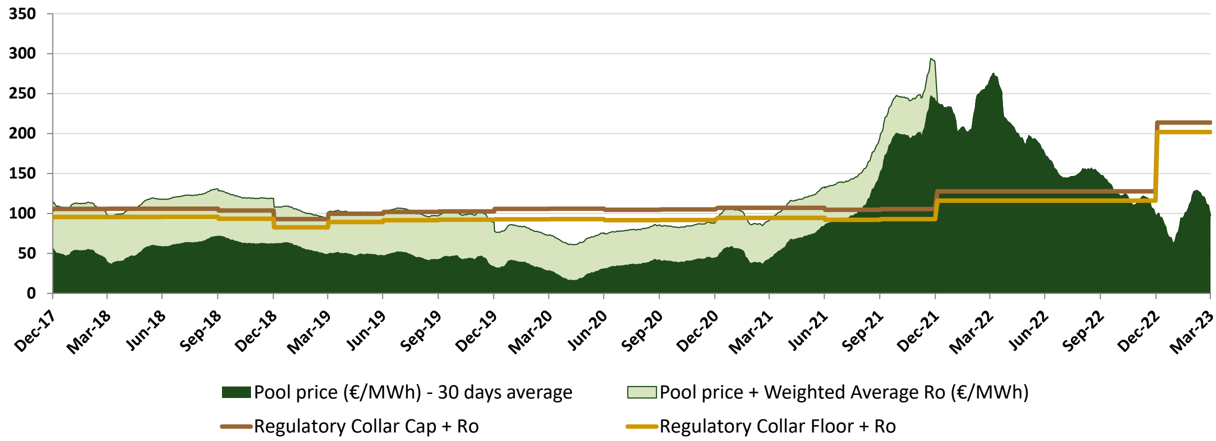
The average price on the day-ahead market (pool price) declined by 57.3% year-on-year to €97.6/MWh in 1Q23.

Market figures	1Q23	1Q22	Δ%	4Q22	Δ%
Average pool price (€/MWh)	97,6	228,4	*(57,3%)*	113,2	*(13,8%)*

Source: OMIE

The price that Ence recognises in its financial statements is a regulated price made up of the regulatory price plus the supplementary remuneration for operations (Ro) earned by each plant, where applicable.

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



The difference between the regulatory price and electricity market price is settled during the following year under the new methodology proposed by the Ministry of Green Transition, which is still at the pleading stage. That difference generated a collection claim of €28m in the first quarter, which will be collected over the course of 2024, and is expected to continue to increase during the year if current market conditions prevail. Erring on the side of caution, as is customary at the company, Ence has accounted for the difference between the regulatory price and electricity market price using the proposed new methodology. Under the old methodology, that amount would have been €11m higher. The company will file all suitable pleadings in due course.

On top of that, Ence's renewable energy plants earn remuneration for investment (Ri), which amounted to €3.8m in 1Q23.

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

3.2. Revenue from energy sales

Energy sales volumes amounted to 305,608 MWh in 1Q23, down 30.7% year-on-year, mainly due to the reduced availability of olive pomace, as well as the drop in pool prices.

Operating figures	1Q23	1Q22	Δ%	4Q22	Δ%
Huelva 41 MW - Biomass	34.712	52.164	*(33,5%)*	-	*n.s.*
Jaén 16 MW - Biomass	16.836	26.152	*(35,6%)*	14.369	*17,2%*
Ciudad Real 16 MW - Biomass	-	25.239	*(100,0%)*	3.047	*(100,0%)*
Córdoba 27 MW - Biomass	29.122	48.341	*(39,8%)*	35.871	*(18,8%)*
Huelva 50 MW - Biomass	79.306	95.171	*(16,7%)*	76.673	*3,4%*
Mérida 20 MW - Biomass	31.852	41.546	*(23,3%)*	31.650	*0,6%*
Huelva 46 MW - Biomass	62.431	75.387	*(17,2%)*	69.588	*(10,3%)*
Ciudad Real 50 MW - Biomass	51.350	76.685	*(33,0%)*	60.402	*(15,0%)*
Energy sales (MWh)	**305.608**	**440.684**	*(30,7%)*	**291.599**	*4,8%*
Average sales price - (€/MWh)	239,6	149,0	*60,8%*	165,0	*45,2%*
Remuneration for investment (€m)	3,8	10,2	*(62,5%)*	10,2	*(62,5%)*
Revenue from energy sales (€ m)	**77,1**	**75,9**	*1,5%*	**58,3**	*32,1%*

Note: The numbers shown in green include the impact of the annual maintenance stoppage

The average sales price was €239.6/MWh in 1Q23, driven essentially by the increase in the regulatory price to €207/MWh that quarter, coupled with supplementary remuneration for operations (Ro) at the gas-fired CHP plant in Cordoba (pending analysis of the adjustment for the new regulations) and the contribution of back-up services provided to the electricity system

Remuneration for investment decreased to €3.8m from €10.2m in 1Q22 due to: (i) the cumulative effect of the adjustments for deviations between the pool price and the regulatory collar as of year-end 2022; and (ii) the adjustment applied for the difference between the price estimated by the Ministry of Green Transition and the estimated cost of operating a standard facility in the current regulatory stub period.

As a result, revenue from energy sales increased by 16% year-on-year to €88.3m in 1Q23.

3.3. Statement of profit or loss

The sale of a 100-MW photovoltaic development under construction in Jaen closed in 1Q23, generating revenue of €29.6m and EBITDA of €22.8m.

The sale of that photovoltaic development and the improvement in the average energy sales price drove EBITDA in the Renewables business 103% higher year-on-year to €52.1m, despite the higher cost of biomass and loss of economies of scale on the back of lower generation volumes.

Figures in € m	1Q23	1Q22	Δ%	4Q22	Δ%
Revenue from energy sales	77,1	75,9	*1,5%*	58,3	*32,1%*
Other revenues	29,6	0,3	*n.s.*	0,1	*n.s.*
Total revenue	**106,6**	**76,2**	*40,0%*	**58,5**	*82,4%*
EBITDA	**52,1**	**25,6**	*103,0%*	**13,5**	*n.s.*
EBITDA margin	*49%*	*34%*	*15,1 p.p.*	*23%*	*25,7 p.p.*
Depreciation and amortisation	(8,8)	(10,0)	*(11,7%)*	(4,7)	*87,2%*
Impairment of and gains/(losses) on fixed-asset disposals	(0,0)	0,0	*n.s.*	(4,3)	*(99,9%)*
EBIT	**43,2**	**15,6**	*176,2%*	**4,5**	*n.s.*
EBIT margin	*41%*	*21%*	*20,0 p.p.*	*8%*	*32,9 p.p.*
Net finance cost	(3,1)	(4,5)	*(30,1%)*	(3,4)	*(8,4%)*
Other finance income/(cost)	0,0	0,1	*(99,3%)*	(0,0)	*n.s.*
Profit before tax	**40,1**	**11,3**	*n.s.*	**1,0**	*n.s.*
Income tax	(6,7)	(3,7)	*83,7%*	(0,7)	*n.s.*
Net Income	**33,3**	**7,6**	*n.s.*	**0,3**	*n.s.*
Non-controlling interests	(1,2)	0,8	*n.s.*	0,5	
Atributable Net Income	**32,1**	**8,4**	*n.s.*	**0,8**	*n.s.*

Below the EBITDA line, depreciation charges decreased to €8.8m in 1Q23 following the asset restatements recognised in 2022.

Finance costs fell to €3.1m from €4.5m in 1Q22, due mainly to the lower gross debt balance.

Lastly, income tax expense amounted to €6.7m in 1Q23, compared to €3.7m in 1Q22.

In all, the net profit attributable to the Renewables business amounted to €32.1m in the first quarter, which is five times the level reported in 1Q22.

3.4. Cash flow analysis

The significant growth in 1Q23 EBITDA was offset by the reimbursement of the surplus remuneration (Ro) collected following subsequent adjustment of the remuneration applicable to renewable energy in 2022 and adjustment of the collection claim generated, resulting in a net outflow of cash from operating activities of €44.5m.

Figures in € m	1Q23	1Q22	Δ%	4Q22	Δ%
EBITDA	**52,1**	**25,6**	*103,0%*	**13,5**	*n.s.*
Energy regulation adjustment (regulatory collar)	(28,6)	33,6	*n.s.*	(4,8)	*n.s.*
Other cash adjustments	0,8	0,9	*(10,6%)*	1,0	*(24,4%)*
Change in working capital	(66,9)	7,0	*n.s.*	3,3	*n.s.*
Income tax received / (paid)	0,0	0,1	*(79,5%)*	(6,2)	*n.s.*
Net interest received / (paid)	(1,8)	(3,2)	*(43,4%)*	(4,8)	*(62,1%)*
Net cash flow from operating activities	**(44,5)**	**64,0**	*n.s.*	**2,1**	*n.s.*

Under the new methodology proposed by the Ministry, still at the pleading stage, the difference between the regulatory price and electricity market price implied quarterly revenue of €28m to be collected in 2024.

Elsewhere, the working capital requirement amounted to €66.9m in 1Q23 due to the decrease in trade payables, shaped mainly by the reimbursement of the surplus remuneration (Ro) collected in light of subsequent adjustment of the remuneration applicable to renewable energy in 2022.

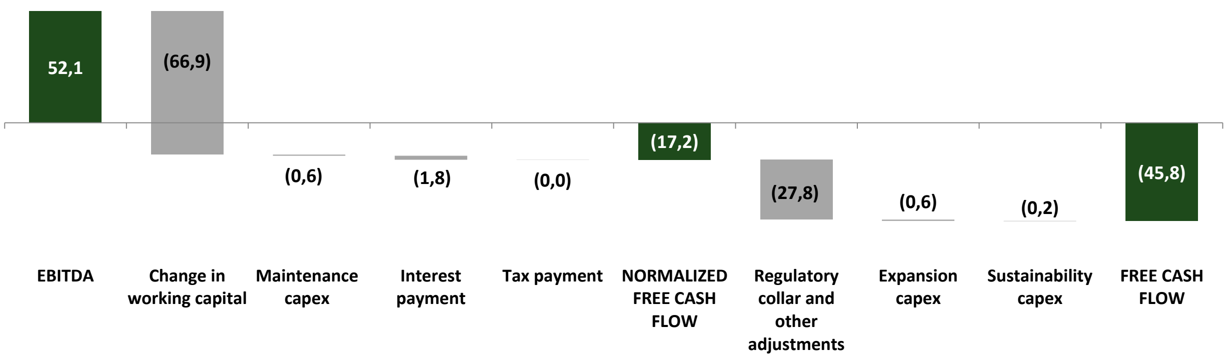
Figures in € m	1Q23	1Q22	Δ%	4Q22	Δ%
Inventories	(0,5)	1,1	*n.s.*	(8,9)	*(94,3%)*
Trade and other receivables	(0,1)	18,1	*n.s.*	(5,4)	*(98,9%)*
Current financial and other assets	-	-	*n.s.*	2,0	*(100,0%)*
Trade and other payables	(66,3)	(12,1)	*n.s.*	15,6	*n.s.*
Change in working capital	**(66,9)**	**7,0**	*n.s.*	**3,3**	*n.s.*

The Renewables business has not made any drawdown under its receivable discounting lines. Ence has arranged several non-recourse reverse factoring facilities, which were drawn down by €21.1m at the March close, compared to €23m at year-end 2022. The reverse factoring facilities do not entail the provision of guarantees, do not alter the average payment term agreed with the corresponding suppliers and do not accrue interest.

Figures in € m	1Q23	1Q22	Δ%	4Q22	Δ%
Maintenance capex	(0,6)	(0,7)	*(16,9%)*	(1,1)	*(48,0%)*
Sustainability capex and other	(0,2)	(0,4)	*(47,0%)*	(1,2)	*(83,8%)*
Efficiency and expansion capex	(0,6)	(1,2)	*(47,6%)*	(1,7)	*(64,4%)*
Financial investments	-	(0,0)	*(100,0%)*	-	*n.s.*
Investments	**(1,4)**	**(2,2)**	*(38,2%)*	**(4,0)**	*(65,9%)*
Disposals	-	0,4	*(100,0%)*	-	*n.s.*
Net cash flow from investing activities	**(1,4)**	**(1,8)**	*(25,2%)*	**(4,0)**	*(65,9%)*

Maintenance capex decreased to €0.6m in 1Q23, while sustainability capex narrowed to €0.2m and investments in efficiency and growth declined to €0.6m.

As a result, normalised free cash flow in the Renewables business was negative by €17.2m in 1Q23, and free cash flow, after the adjustment for the tariff shortfall and efficiency, growth and sustainability capex, was negative by €45.8m.

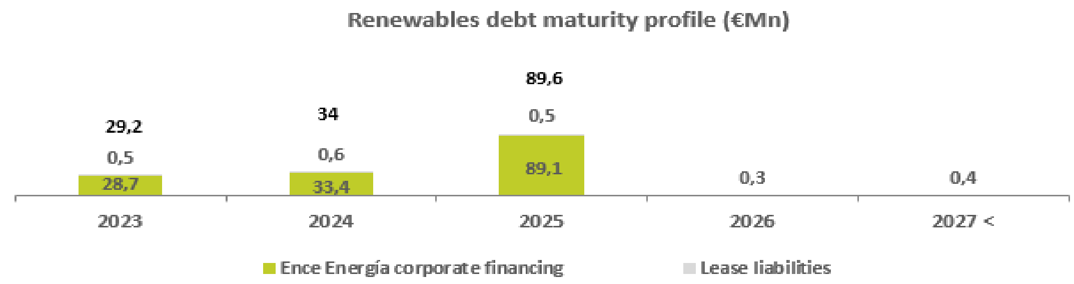


3.5. Change in net debt

Net debt in the Renewables business increased by €49.3m from year-end 2022 to €55.4m.

Figures in € m	Mar-23	Dec-22	Δ%
Non-current financial debt	122,0	121,9	*0,1%*
Current financial debt	29,1	27,1	*7,6%*
Gross financial debt	**151,2**	**149,0**	*1,5%*
Non-current lease contracts	1,5	1,0	*46,7%*
Current lease contracts	0,8	0,7	*15,1%*
Financial liabilities related to lease contracts	**2,3**	**1,7**	*34,4%*
Cash reserve for debt service	10,0	10,0	-
Cash and cash equivalents	88,1	134,5	*(34,5%)*
Net financial debt Renewable Energy business	**55,4**	**6,1**	*n.s.*

Gross debt, due by 2025, stood at €151.2m at the March close, while lease liabilities amounted to €1.7m. The Renewables business had €98.1m of cash at 31 March 2023.



3.6. Growth and diversification opportunities

In 2022, Ence created a new subsidiary, Ence Biogas, to develop and operate biomethane and fertiliser plants, underpinned by a model based on sustainable and circular management of organic waste (agricultural, breeding and industrial waste).

Ence Biogas plans to develop 20 plants in the next five years with the capacity to supply more than 1 TWh of biomethane a year. To do so, it already has a pipeline of 15 projects under development in Spain and in 1Q23 it hired Sener to perform the conceptual engineering work for six of those facilities, which are expected to be commissioned between the end of 2025 and 2026.

The Group also has a 140-MW portfolio of rights with which it can participate in upcoming biomass capacity auctions and is exploring opportunities for generating industrial heat from biomass and generating and selling carbon allowances.

4. CONSOLIDATED FINANCIAL STATEMENTS

4.1. Summarised statement of profit or loss

	1Q23				1Q22			
Figures in € m	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
Total revenue	**190,8**	**106,6**	**(1,4)**	**296,1**	**158,5**	**76,2**	**(0,6)**	**234,1**
Other income	4,8	1,3	(0,3)	5,8	3,9	1,3	(0,3)	5,0
Foreign exchange hedging operations results	(0,9)	-	-	(0,9)	(3,7)	-	-	(3,7)
Cost of sales and change in inventories of finished produ	(87,0)	(32,7)	1,4	(118,3)	(71,6)	(29,9)	0,6	(101,0)
Personnel expenses	(22,5)	(4,2)	-	(26,7)	(18,1)	(4,3)	-	(22,5)
Other operating expenses	(48,4)	(19,0)	0,3	(67,1)	(48,2)	(17,6)	0,3	(65,5)
EBITDA	**36,9**	**52,1**	**-**	**88,9**	**20,8**	**25,6**	**-**	**46,5**
Depreciation and amortisation	(13,2)	(8,8)	0,4	(21,7)	(9,5)	(10,0)	0,3	(19,3)
Depletion of forestry reserves	(2,3)	-	-	(2,3)	(1,7)	-	-	(1,7)
Impairment of and gains/(losses) on fixed-asset disposal	(0,2)	(0,0)	-	(0,2)	(0,8)	0,0	-	(0,7)
Other non-ordinary operating gains/(losses)	-	-	-	-	(0,1)	-	-	(0,1)
EBIT	**21,1**	**43,2**	**0,4**	**64,8**	**8,8**	**15,6**	**0,3**	**24,7**
Net finance cost	(2,3)	(3,1)	-	(5,4)	(1,0)	(4,5)	-	(5,5)
Other finance income/(costs)	(0,4)	0,0	-	(0,4)	0,6	0,1	-	0,7
Profit before tax	**18,5**	**40,1**	**0,4**	**59,0**	**8,3**	**11,3**	**0,3**	**19,9**
Income tax	(4,8)	(6,7)	-	(11,6)	0,1	(3,7)	(0,0)	(3,6)
Net Income	**13,7**	**33,3**	**0,4**	**47,4**	**8,4**	**7,6**	**0,2**	**16,2**
Non-controlling interests	0,0	(1,2)	(15,7)	(16,9)	-	0,8	(3,9)	(3,1)
Atributable Net Income	**13,7**	**32,1**	**(15,4)**	**30,4**	**8,4**	**8,4**	**(3,7)**	**13,1**
Earnings per Share (EPS)	0,06	0,13	(0,1)	0,13	0,03	0,03	(0,02)	0,05

4.2. Summarised statement of financial position

	Mar-23				Dec-22			
Figures in € m	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
Intangible assets	15,6	34,6	(12,6)	37,6	15,6	35,0	(12,7)	37,9
Property, plant and equipment	599,3	382,3	(8,3)	973,3	603,4	389,0	(8,5)	983,9
Biological assets	60,3	0,2	-	60,4	60,4	0,2	(0,0)	60,5
Non-current investments in Group companies	112,6	0,0	(112,5)	0,0	112,6	0,0	(112,5)	0,0
Non-current borrowings to Group companies	18,6	-	(18,6)	-	18,6	-	(18,6)	-
Non-current financial assets	33,0	32,8	0,0	65,8	20,8	5,4	-	26,1
Deferred tax assets	28,8	17,7	3,2	49,7	30,5	19,4	3,2	53,1
Cash reserve for debt service	-	10,0	-	10,0	-	10,0	-	10,0
Total non-current assets	**868,1**	**477,5**	**(148,8)**	**1.196,9**	**861,8**	**459,0**	**(149,1)**	**1.171,6**
Inventories	89,3	21,6	0,0	110,9	80,5	21,9	-	102,3
Trade and other accounts receivable	97,7	37,2	(7,5)	127,5	59,4	40,5	(29,2)	70,6
Income tax	6,8	1,3	0,0	8,0	6,8	1,3	-	8,0
Other current assets	1,2	3,6	-	4,9	7,5	0,4	0,0	7,9
Hedging derivatives	1,3	3,3	-	4,5	0,0	2,6	-	2,6
Current financial investments in Group companies	0,1	0,0	(0,1)	0,0	0,4	0,0	(0,4)	0,0
Current financial investments	4,5	0,0	-	4,5	4,2	0,0	(0,0)	4,3
Cash and cash equivalents	247,3	88,1	-	335,4	278,4	134,5	(0,0)	412,9
Total current assets	**448,2**	**155,2**	**(7,6)**	**595,8**	**437,1**	**201,2**	**(29,6)**	**608,7**
TOTAL ASSETS	**1.316,3**	**632,7**	**(156,3)**	**1.792,6**	**1.298,9**	**660,2**	**(178,8)**	**1.780,3**
Equity	**665,2**	**262,2**	**(130,2)**	**797,2**	**719,8**	**228,9**	**(130,6)**	**818,2**
Non-current borrowings	244,9	123,6	-	368,5	163,2	122,9	-	286,1
Non-current loans with Group companies and associates	-	36,4	(18,6)	17,8	-	36,4	(18,6)	17,8
Non-current derivatives	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-
Non-current provisions	28,2	0,1	-	28,3	27,9	0,1	0,0	28,0
Other non-current liabilities	36,3	74,2	-	110,5	38,2	75,8	-	114,0
Total non-current liabilities	**309,3**	**234,3**	**(18,6)**	**525,1**	**229,2**	**235,3**	**(18,6)**	**445,9**
Current borrowings	79,2	29,9	-	109,1	83,3	27,8	-	111,1
Current derivatives	0,0	-	-	0,0	0,4	-	-	0,4
Trade and other account payable	216,8	96,6	(7,5)	306,0	226,4	164,4	(29,2)	361,6
Short-term debts with group companies	0,0	0,2	(0,1)	0,1	0,0	0,7	(0,4)	0,4
Income tax	3,6	5,0	-	8,6	0,0	-	-	0,0
Current provisions	42,2	4,5	-	46,7	39,8	3,0	(0,0)	42,8
Total current liabilities	**341,8**	**136,2**	**(7,6)**	**470,4**	**349,9**	**196,0**	**(29,6)**	**516,2**
TOTAL EQUITY AND LIABILITIES	**1.316,3**	**632,7**	**(156,3)**	**1.792,6**	**1.298,9**	**660,2**	**(178,8)**	**1.780,3**

4.3. Statement of cash flows

Figures in € m	1Q23 Pulp	1Q23 Renewables	1Q23 Adjustments	1Q23 Consolidated	1Q22 Pulp	1Q22 Renewables	1Q22 Adjustments	1Q22 Consolidated
Consolidated profit/(loss) for the period before tax	**18,5**	**40,1**	**0,4**	**59,0**	**8,3**	**11,3**	**0,3**	**19,8**
Depreciation and amortisation	15,5	8,8	(0,4)	24,0	11,2	10,0	(0,3)	21,0
Changes in provisions and other deferred expense	7,1	0,8	-	7,9	(6,6)	0,9	-	(5,7)
Impairment of gains/(losses) on disposals intangible asset	0,2	0,0	-	0,2	0,8	(0,0)	-	0,7
Net finance result	2,2	3,1	-	5,3	0,7	4,3	-	5,0
Energy regulation adjustment (regulatory collar)	(13,0)	(28,6)	-	(41,6)	6,6	33,6	-	40,3
Government grants taken to income	(0,1)	(0,0)	-	(0,2)	(0,1)	(0,0)	-	(0,2)
Adjustments to profit	**11,9**	**(15,9)**	**(0,4)**	**(4,4)**	**12,6**	**48,9**	**(0,3)**	**61,2**
Inventories	(7,7)	(0,5)	-	(8,2)	0,2	1,1	-	1,3
Trade and other receivables	(44,7)	(0,1)	(21,7)	(66,5)	16,0	4,5	-	20,5
Current financial and other assets	(0,3)	0,0	-	(0,3)	0,0	(0,0)	-	(0,0)
Trade and other payables	(17,1)	(66,3)	21,7	(61,7)	(24,7)	1,5	-	(23,3)
Changes in working capital	**(69,8)**	**(66,9)**	**-**	**(136,7)**	**(8,5)**	**7,0**	**0,0**	**(1,5)**
Interest paid	(2,8)	(1,8)	-	(4,6)	(2,3)	(3,2)	0,0	(5,5)
Dividends received	-	-	-	-	-	-	-	-
Income tax received/(paid)	-	0,0	-	0,0	0,0	0,1	(0,0)	0,1
Other collections/(payments)	-	-	-	-	-	-	-	-
Other cash flows from operating activities	**(2,8)**	**(1,8)**	**-**	**(4,6)**	**(2,3)**	**(3,2)**	**0,0**	**(5,4)**
Net cash flow from operating activities	**(42,2)**	**(44,5)**	**-**	**(86,7)**	**10,1**	**64,0**	**-**	**74,1**
Property, plant and equipment	(10,6)	(1,3)	-	(11,9)	(13,5)	(2,1)	0,0	(15,7)
Intangible assets	(0,7)	(0,1)	-	(0,8)	(0,7)	(0,1)	0,0	(0,8)
Other financial assets	0,5	-	-	0,5	0,0	(0,0)	0,0	(0,0)
Disposals	-	-	-	-	-	0,4	-	0,4
Net cash flow used in investing activities	**(10,8)**	**(1,4)**	**-**	**(12,2)**	**(14,2)**	**(1,8)**	**0,0**	**(16,1)**
Free cash flow	**(53,0)**	**(45,8)**	**-**	**(98,8)**	**(4,1)**	**62,2**	**0,0**	**58,0**
Buyback/(disposal) of own equity instruments	6,6	-	-	6,6	1,8	-	0,0	1,8
Proceeds from and repayments of financial liabilities	78,2	(0,6)	(0,0)	77,6	(26,0)	0,1	-	(26,0)
Dividends payments	(62,9)	-	-	(62,9)	-	-	-	-
Net cash flow from/ (used in) financing activities	**21,9**	**(0,6)**	**(0,0)**	**21,3**	**(24,3)**	**0,1**	**(0,0)**	**(24,2)**
Net increase/(decrease) in cash and cash equivalents	**(31,1)**	**(46,4)**	**-**	**(77,6)**	**(28,4)**	**62,2**	**-**	**33,8**

5. KEY DEVELOPMENTS

Spain's Supreme Court upholds the validity of the extension of the Pontevedra biomill's concession to 2073

On 7 February 2023, the Supreme Court announced a favourable ruling on the appeals presented by Ence and other entities against the National Appellate Court rulings of July 2021 annulling the Resolution issued by the Directorate General of Coastal and Marine Sustainability on 20 January 2016, extending Ence's concession at the Pontevedra biomill until 2073.

The Supreme Court has concluded that concessions awarded prior to the 1988 Coastal Act can be extended so long as they are accompanied by favourable environmental reports, as is the case in this instance.

Any subsequent amendment of coastal regulations would not apply to the extended concession in Pontevedra.

The reversal of the asset impairment charges and provisions recognised in the 2021 financial statements in the wake of those Appellate Court rulings implied a gain of €169m in 2022.

As expected, the town council of Pontevedra and the state attorney have applied to have the Supreme Court rulings declared null and void. It is likely that the Supreme Court will dismiss their claims. It is conceivable, however, that they will present appeals before the Constitutional Court of Spain.

Motion to distribute a final dividend of €0.29 per share on 18 May

Framed by the Company's shareholder remuneration policy, the Board of Directors has agreed to submit a motion for the payment of a final cash dividend from 2022 profits of €0.29 per share (before withholding tax) at the upcoming Annual General Meeting, payable on 18 May 2023.

That final dividend comes on top of the interim dividends of €0.29 per share paid out on 16 March 2023 and of €0.27 per share paid in 2022.

New draft methodology for calculating and settling deviations between the regulatory energy price and the electricity market price

On 26 April, Spain's Ministry of Green Transition published a draft remuneration parameter Ministerial Order, still at the pleading stage, which proposes a new methodology for calculating and settling deviations between electricity market prices and the price estimated by that Ministry at the start of each period (regulatory price), applicable to our biomass and gas-fired CHP plants.

Erring on the side of caution, as is customary at the company, Ence has accounted for its first-quarter earnings using the proposed new methodology. Under the old methodology, 1Q23 EBITDA would have been approximately €14m higher. The company will file all suitable pleadings in due course.

According to that draft, estimated electricity prices (regulatory price) and the corresponding supplementary remuneration for operating each plant (Ro) will be determined at the start of each year, instead of at the start of each three-year regulatory stub period.

In addition, any deviations between the electricity market price and the price estimated by the Ministry at the start of each year (regulatory price) will be settled during the following year, instead of during the plants' remaining useful lives for regulatory purposes.

Those deviations will no longer be calculated as a function of annual ceilings and floors (the regulatory collar) but rather by direct comparison between regulatory and market prices.

Settlement of any deviations, positive or negative, will be independent of the remuneration for investment established for each plant and proportionate to the plants' actual production rather than their theoretical production of 7,500 hours per year. Annual production at our independent biomass plants during the last five years, under the former regulations, averaged approximately 5,500 hours. On the basis of such regulation, the company sought to optimise its hours of production in order to maximise its remuneration. The company is currently analysing how to adjust and optimise its hours of production in order to maximise its remuneration under the proposed new methodology.

For the first half of 2023, the estimated electricity price (regulatory price) has been left at €207/MWh and, exceptionally, the Ministry is proposing a regulatory price of €144/MWh for the second half of 2023.

Sale of the first photovoltaic development under construction

On 28 March 2023, Magnon Green Energy closed the sale of one of its photovoltaic solar facilities under construction in the town of Andújar (Jaen), with capacity of 100 MW, generating proceeds of €27.7m.

That transaction is part of the agreement entered into with Naturgy Renovables SLU in December 2021 for the sale of the photovoltaic pipeline in Jaen, Huelva, Seville and Granada for up to €62m.

The sale of the remaining photovoltaic assets is expected to close between 2023 and 2024.

Ence Biogas hires Sener to carry out the engineering work for six biomethane plants

On 28 March 2023, Ence Biogas mandated Sener to perform the conceptual engineering work for six biomethane plants in Spain, which are expected to be commissioned between the end of 2025 and 2026.

Ence Biogas is planning to develop 20 biomethane plants in the next five years and already has a portfolio of 15 under development in Spain, including the six mentioned above.

Repayment at maturity of the remainder of the convertible bonds issued in 2018 and new bilateral loans

On 6 March 2023, Ence redeemed the remaining €63.3m of the €160m of convertible bonds issued in 2018 and arranged a number of bilateral loans with several financial institutions, raising €145m of new financing due in 2030 at the latest.

2023 Annual General Meeting

Ence will hold its Annual General Meeting on 5 May 2023 which may be attended in person or remotely. The motions on the agenda are:

1) Examination and ratification of the annual financial statements and management reports of ENCE ENERGÍA Y CELULOSA, S.A. and of its consolidated group for the year ended 31 December 2022.
2) Examination and ratification of the group's non-financial statement (2022 Sustainability Report) for the year ended 31 December 2022.
3) Examination and ratification of the motion for the appropriation of the profit of ENCE ENERGÍA Y CELULOSA, S.A. for the year ended 31 December 2022.
4) Examination of and grant of discharge for the performance of the Board of Directors of ENCE ENERGÍA Y CELULOSA, S.A. during the year ended 31 December 2022.
5) The offset of retained losses with a charge against voluntary reserves.
6) The re-election of Ignacio de Colmenares Brunet as executive director.

7) Examination and ratification of the director remuneration policy for 2024, 2025 and 2026.
8) Examination and ratification of the new long-term incentive plan for 2023-2027.
9) Delegation of powers in the Board of Directors to interpret, supplement, rectify, execute and formalise the resolutions ratified at the Annual General Meeting.
10) Advisory vote on the annual report on director remuneration for 2022.

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.

Ence’s noteworthy performance along environmental, social and governance (ESG) dimensions is echoed in its assessments by prestigious ESG agencies and indices. In 2022, Sustainalytics reiterated Ence’s overall ESG score of 91 points out of 100, ranking it as a global leader in the pulp and paper sector for the second year running. Lastly, the Company joined the prestigious FTSE4Good Index Series in 2021.

To articulate its sustainability strategy, Ence has defined a Sustainability Master Plan with the same time horizon as its Business Plan. The Plan constitutes the roadmap for advancing towards excellence in sustainability and fostering the creation of shared value with its stakeholders. Ence has started work on updating that plan, which terminates this year, in order to build a new sustainability roadmap for the coming years. That work includes a double-materiality assessment in order to identify the material matters on which to focus and help pin down the next universe of targets.

The current master plan (2019-2023) is articulated around seven priority lines of initiative:

1. People and values

The Company's human capital management priorities are 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, among others.

In terms of the generation of **quality work**, note that as of March 2023, 94.1% of Ence employees had indefinite employment contracts and 96.9% were working full time. Moreover, the headcount increased by 4.3% in the first quarter of 2023.

The **workplace climate improvement plan** is a top cross-cutting priority. Thanks to the efforts the Company has been making since embarking on this project, in 2022 the Company secured Great Place to Work certification for the third year in a row.

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. In 1Q23, it promoted 13 professionals, six of whom are women.

As for **training and development**, the overriding goal of Ence’s professional training strategy is to encourage personal and professional development at all levels with a view to improving employees’ sense of belonging 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:

- ✓ Environmental Awareness
- ✓ Compliance
- ✓ Leadership Skills
- ✓ Health and Safety
- ✓ Sustainability
- ✓ Operations and Maintenance Services
- ✓ Digital Transformation

In the first quarter of 2023, the Company imparted 4,275 hours of training, adapting the formats to make them compatible with remote working arrangements. The training effort focused on health and safety, O&M services, compliance, leadership skills, and digital transformation.

In terms of its effort to bring about effective **equality and diversity**, Ence remains strategically committed to its female hiring thrust, lifting female representation by over 4.7% so far in 2023 to account for 26.2% of the workforce as of the March close. Moreover, so far in 2023, 43% of new positions have been covered by women.

Under its equality programme, 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. Remuneration is articulated around market criteria and a variable component based on objective job performance evaluation informed by equality and efficiency criteria.

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. It is currently in the process of renegotiating the collective bargaining agreement in place at the Pontevedra biomill. It is also in the course of negotiating the Company's Equality Plan.

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 decarbonisation plans based on continuous improvement and the substitution of fossil fuels at the biomills. The Company began to implement the measures established in those plans in 2021, beginning with the replacement of fossil fuel (coke) with biomass at the Pontevedra biomill and consolidation of operation of the photovoltaic facilities put in place to enable self-generation at the Merida and Huelva plants. As a result, the Group managed to lower its total GHG emissions by 9% year-on-year in 2022. In 2023, Ence continues to work on the roadmap devised for decarbonising its biomills, making progress on the engineering details for the project for replacing fossil fuels with renewable sources in Navia, which will cut annual GHG emissions by around 50,000 tonnes.

Ence updates its inventory of greenhouse gas emissions annually, most recently including, for the first time, an analysis of the net carbon balance of the forests owned by the Company. That analysis, performed in keeping with the IPCC guidelines, showed that in 2022 the forests managed by Ence sequestered around 90,000 tonnes of carbon, net of that withdrawn in the form of wood and biomass.

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 wood 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 pronounced, 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.

Magnon had a strong first quarter from the **health and safety** standpoint, not having recorded any lost-time injuries at any of its power plants or in its biomass supply chain, marking the second quarter in a row of zero lost-time injuries. Although the pulp biomills recorded two lost-time injuries, their safety metrics were four times better than the sector average. In the timber purchasing area, the injury metrics improved by 30% year-on-year in the first quarter.

Ence's biomills and power generation plants continue to rank well below the key benchmark accident metrics in Spain (general industry, chemicals industry and the pulp and paper and wood industries). Nevertheless, the Company plans to continue to work to further improve its safety performance, which is a top priority for Ence.

As for Ence's **environmental performance**, the pulp biomills made further progress in 1Q23, cutting monthly odour emissions by 41% year-on-year in Navia and by 16% in Pontevedra, with both biomills continuing to etch out record lows in that respect. Also noteworthy is the fact that both biomills managed to reduce their unit water consumption ratios year-on-year, by 5.1% in Navia and 10.1% in Pontevedra, similarly recording new lows.

In the Renewables business, this year the Group has continued to execute and monitor its plans for delivering the unit water consumption targets across its plants, eking out overall savings across the Huelva, Merida, Jaen and Puertollano plants of 12.8% in 1Q23 compared to the 2022 average.

As for its circular economy transition, Ence continues to present high waste recovery and recycling readings (above 90% of all waste at year-end 2022), enabling it to expand the scope of its AENOR Zero Waste management certification (a seal only given to facilities that send less than 10% of their waste to landfill). As of 2023, all of the Group's facilities boast that certification.

At Magnon, it is worth highlighting the improved management of fine materials returned to the soil, at the sites from which the biomass was originally sourced whenever possible. That initiative returns a natural material of value in combatting desertification and soil degradation. In 1Q23, 40% of the fine materials produced at the plants in Huelva, Puertollano and Merida were processed so as to enable their return to the original farming land.

The Renewables business has also obtained approval for a pilot production test to research the reuse of wood crate waste at the Merida plant.

4. Rural and forest development

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

Indeed, Ence has cemented itself as a benchmark in **sustainable forest management** in Spain, applying internationally-recognised criteria and standards of excellence, such as the FSC® (Forest Stewardship Council®, with license numbers FSC®-C099970 and FSC®-C081854) and PEFC® (Program for the Endorsement of Forest Certification, with licence numbers PEFC/14-22-00010 and PEFC/14-33-00001) schemes, to the forest assets it manages and encouraging their adoption by its supply chain. As of March 2023, over 83% of its forest assets were certified under one or other of those standards and over 71% of the wood that entered its biomills during the period from its proprietary forests, suppliers and forest owners came with one or both certifications.

Ence's sustainable forest management effort extends to the promotion of **biodiversity conservation** in its forests. In 2021, Ence conducted studies to analyse biodiversity encompassing 85% of its forest assets, notably including the first documented study of the fauna potentially present in its woodlands. Further progress is planned for 2023 in the form of new fauna and flora biodiversity studies.

In order to **create value** for land owners and suppliers, Ence lends particular support to smaller sized companies. In 1Q23, the Company purchased almost €10 million worth of wood from over 390 forest owners. In its energy plants, Ence purchased over half a million tonnes of biomass in 1Q23, generating over €24m of value for its supply chain.

Ence also strives to **contribute to development** in the areas in which it operates. To that end, it encourages the purchase of local raw materials; indeed, most of the wood and biomass bought comes from Galicia, Asturias, Cantabria, the Basque region, Andalusia, Extremadura, Castile La Mancha and Portugal. Local wood and biomass 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.

In addition to generating value for its biomass suppliers, Ence is working to drive the **sustainability of the biomass** used in its plants to generate energy by means of complementary tools: the 10-Point Declaration on the Sustainability of Biomass (a voluntary self-regulation scheme) and plant certification under the SUstainable REsources Verification Scheme (SURE) to comply with the European Renewable Energy Directive (RED II).

Some 92.5% of the agricultural biomass used in 1Q23 was compliant with the 10-Point Plan criteria, so far ahead of the target of 80% for this year. In industrial biomass, compliance stands at 89.9%, which is likewise ahead of target.

As for implementation of SURE to comply with RED II, the energy plants and biomills will undergo audits to renew their certifications during the second quarter of 2023. In addition to renewing its own facilities' certifications, Ence is working to get its entire supply chain certified. By the March 2023 close, more than 150 of its suppliers were SURE certified. Turning to the use of certified biomass, around 95% of the energy plants' biomass was certified in 1Q23, compared to 98% at the biomills.

Elsewhere, Ence continued to apply its supply chain supervision procedures, an effort that extends to the **certification** of wood and agricultural biomass producers, with certification levels of over 98% in 1Q23.

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 larger wood consumption requirement): adapted products and unbleached pulp for the manufacture of bags and packaging apt for substituting materials such as plastic.

Within that effort, it is worth flagging the Company's unbleached pulp, Naturcell, which is not only more environmentally-friendly to make, the GHG emissions derived from its life cycle are offset with credits purchased on the voluntary market, such that all sales of the Naturcell made in Pontevedra last year comprised the zero carbon product, Naturcell Zero, so topping the related sustainability target set by the Company for 2022.

On the carbon footprint front, the Company is currently working on a project to enable its pulp customers ascertain the GHG emissions derived from the manufacture and transport of the products they buy directly from Ence's website.

Similarly in order to transparently evidence its products' sustainability attributes, Ence has worked together with Environdec to draft the Product Category Rule (PCR) needed to complete the standardised life cycle assessment (LVA) and Environmental Product Declaration (EPD) for pulp, so that the results are comparable with those of similar products. The EDPs for the pulp made in Pontevedra, ENCELL, TCF and Naturcell, were published on Environdec's website in 2021, making them **the first pulp products in the market to obtain an Environmental Product Declaration**. The new PCR(1) and the revised and updated EDPs(2) have been available for consultation since March and August 2022, respectively. In 2023, we are working on the EDPs for Navia, starting with ENCELL ECF, whose EDP is due to be published in the coming weeks.

Growth in the sale of **sustainable products** is one of Ence's key priorities, to which end it has set new and very ambitious sales targets for Naturcell, Powercell and Naturcell Zero for 2023. Sales of those products accounted for 15% of total pulp sales in 1Q22.

In parallel, Ence continues to work to have pulp manufacturing at both of its biomills certified for food safety purposes under ISO 22000.

(1) https://www.environdec.com/product-category-rules-pcr/get-involved-in-pcr-development#recentlypublishedpcrs.
(2) https://www.environdec.com/library/epd6638 y https://www.environdec.com/library/epd6639

6. Community commitment

As part of its community engagement effort, Ence has continued to invest in its business communities, framed by the agreements in place with local councils in the towns where it has its main facilities. Ence supports projects of a social, environmental and sporting nature, including work to prevent social exclusion, and fosters entrepreneurship. Notably in 1Q23, the Company called a new tender for the Ence Pontevedra Community Plan, endowed with €3 million at each call. That Community Plan is one of the largest of its kind for a private company in Spain. The Company also renewed its collaboration agreement with the San Juan del Puerto town council for the fifth year running.

In addition to the above community investments, in 1Q23 Ence continued to roll out specific community relations plans with the aim of educating local residents and other stakeholders about the Company's activities. Under the umbrella of those plans, it hosted a total of 550 visits to the facilities in Navia, Pontevedra and Huelva in the first quarter of 2023. In parallel with those facility tours, the Company, with the help of its employees, carried out a number of training and education projects and met with representatives of its various stakeholders in order to foster open communication with all of them. A good example is the "Industrial Forum from a Female Perspective" organised in Huelva.

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 Asturias, Galicia, Andalusia and its other business communities. The Group's activities generate an estimated 19,000 jobs between direct, indirect and induced jobs. Ence's positive impact is particularly important in the agricultural (owners, harvesting firms and carriers) and forestry sectors (forest owners, forest service providers, wood harvesting firms and carriers, etc.), both of which with deep roots in the rural economy. As a result, Ence not only generates wealth for those stakeholders but also constitutes an important economic engine in those regions, contributing to the effort to stem depopulation and deindustrialisation in rural Spain.

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.

Below is a snapshot of the sustainability milestones attained in 1Q23:

Safe & efficient operations

Protecting Health and Safety

- ✓ **6 months without sick leave accidents** in the energy plants and biomass supply chain

Water footprint reduction

- ✓ **Water use reduction in both biofactories** (-5% in Navia vs. 2022 and -10% in Pontevedra vs. 2022) and energy plants* (-13%)

Advancing towards a circular economy

- ✓ **>98%** of waste recovered (2022)
- ✓ **100% plants ZERO WASTE certified**

Odour reduction (vs 2022)

- ✓ **-41%** odour minutes in Navia and **-16%** in Pontevedra

Climate action

Committed to mitigate climate change

- ✓ **-10% total GHG emissions** (2022 vs. 2021)
- ✓ Ongoing climate risk analysis following **TCFD Recommendations**

Sustainable products

Differentiated products with higher added value

- ✓ **15% of total sales.** Products with higher and growing margins
- ✓ **1st Pulp EPD* published:** Encell TCF and Naturcell
- ✓ **1st Carbon neutral product** (Naturcell Zero)

People & Values

Talent as a competitive advantage

- ✓ **Great Place to Work** certification for the third year in a row
- ✓ Quality jobs: **94% permanent contracts**
- ✓ **+4,7% female employees** vs 2022
- ✓ **43% of new hires** in 1Q23 were women

Commitment to communities

Adding value to society:

- ✓ **Launch of the Ence Pontevedra 2023 Social Plan,** endowed with 3 million euros
- ✓ **23 sponsorship actions** in Q1

Sustainable agroforestry

Certified supply chain

- ✓ **>83%** of managed land certified
- ✓ **>71%** of supplied wood certified
- ✓ **>98%** wood & biomass suppliers homologated
- ✓ **100% plants SURE System certified** (Sustainable biomass)

Corporate governance

- ✓ **60% independent female directors** on Committees (Audit, Nomination and Remuneration and Sustainability)
- ✓ **Publication of Annual Reports :** Corporate Governance Report, Directors Remunerations Report, and Non-Financial Information Report

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

Facility	Type of facility	MW	2023 Remuneration for investment in P&L (Ri; €/MW) *	Type of fuel	Remuneration for operation 2023 (Ro; €/MWh)	Cap on sale hours under regulated price	Regulatory life (year of maturity)
Pontevedra	Biomass co-generation	34,6	-	Lignin	-	6.500	2032
	Biomass generation		24.389	Agroforestry biomass	-	7.500	
Navia	Biomass co-generation	40,3	-	Lignin	-	6.500	2034
	Biomass generation	36,2	100.154	Agroforestry biomass	-	7.500	
Huelva 41MW	Biomass generation	41,0	25.074	Agroforestry biomass	-	7.500	2025
Jaen 16MW	Biomass generation	16,0	66.074	Olive Pulp	-	7.500	2027
Ciudad Real 16MW	Biomass generation	16,0	66.074	Olive Pulp	-	7.500	2027
Cordoba 27MW	Biomass generation	14,3	96.383	Olive Pulp	-	7.500	2031
	Gas co-generation	12,8	-	Natural Gas	278,6	6.537	2030
Huelva 50MW	Biomass generation	50,0	145.936	Agroforestry biomass	-	7.500	2037
Mérida 20MW	Biomass generation	20,0	177.091	Agroforestry biomass	-	7.500	2039
Huelva 46 MW	Biomass generation	46,0	-	Agroforestry biomass	-	7.500	2044
Ciudad Real 50 MW	Biomass generation	50,0	-	Agroforestry biomass	-	7.500	2044

Our plants' remuneration is regulated under Royal Decree 413/2014. They are remunerated via two concepts, one fixed and the other variable, in order to ensure a reasonable return:

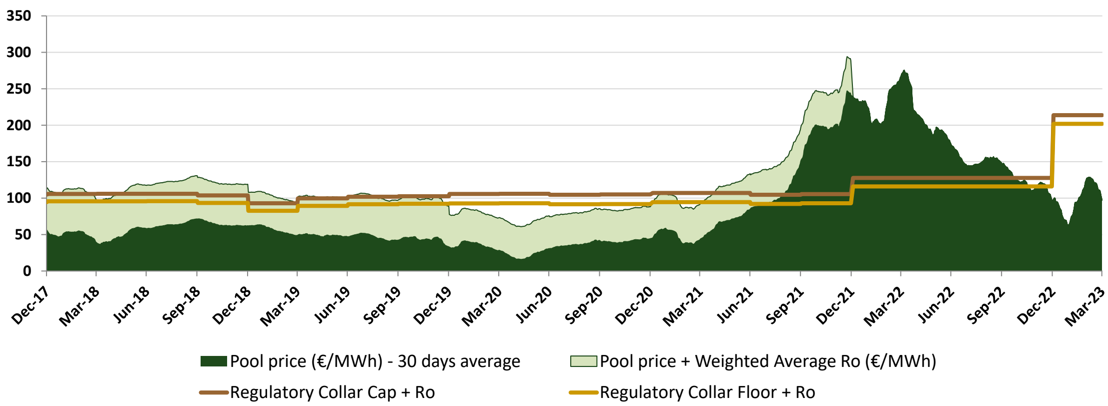
1. The **remuneration for investment (€/MW)** parameter guarantees the recovery of the initial investment plus a minimum return on the estimated cost of building a 'standard' plant. That return was set at 7.4% for 2020–2031 via Royal Decree-Law 17/2019 (22 November 2019).

2. The **regulated sales price (€/MWh)** enables plant owners to cover all the estimated costs of operating a 'standard' plant, including fuel costs. That price is made up of the regulatory price plus the supplementary remuneration for operations (Ro) earned by each plant, where applicable.

   The Ministry of Green Transition determines the supplementary remuneration for operation of each plant (Ro) as a function of the estimated costs of operating a 'standard' plant, which are updated annually, and the electricity prices estimated at the start of each year (regulatory price). Any deviations between the electricity market price and the price estimated by the Ministry at the start of each year (regulatory price) will be settled during the following year.

   When estimating electricity market prices, the Ministry will rely on the weighted average value of a basket of prices made up of day-ahead market prices and market prices gleaned from futures markets.

   If the price estimated by the Ministry (regulatory price) is higher than the estimated cost of operating a 'standard' plant, that difference also triggers an adjustment to be settled during the following year.



Under the new methodology proposed by the Ministry, the estimated electricity price (regulatory price) for the first half of 2023 is €207/MWh and, exceptionally, the proposed regulatory price for the second half of 2023 is €144/MWh.

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%**. That tax has been suspended temporarily since July 2021 and the Ministry has accordingly reduced the Company's plants' remuneration for operations.

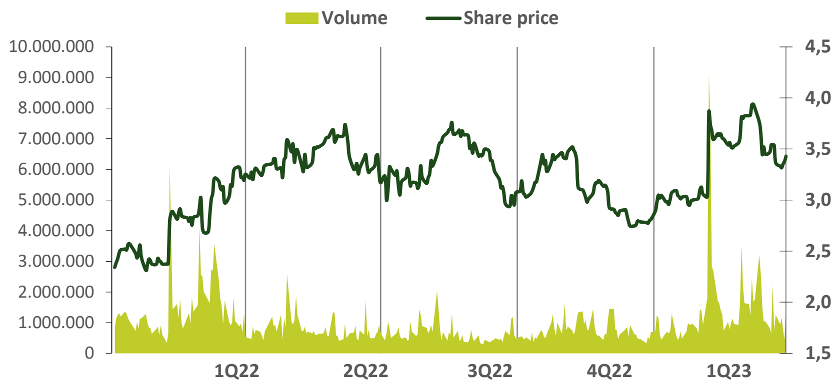
APPENDIX 3: SHARE PRICE PERFORMANCE

Ence's share capital consists of 246,272,500 shares with a unit par value of €0.90. The shares 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 at €2.43, a gain of 22.1% from year-end 2022. Over the same timeframe, the Company's peers' share prices corrected by 10.5% on average.

On 7 February 2023, Spain’s Supreme Court upheld the validity of the extension of the Pontevedra biomill concession until 2073. That day the Company’s share price jumped 27%.

On 16 March, the Company paid out a dividend of €0.29 per share.



SHARES	1Q22	2Q22	3Q22	4Q22	1Q23
Share price at the end of the period	3,19	3,26	3,07	2,81	3,43
Market capitalization at the end of the period	786,6	803,3	756,1	692,0	844,7
Ence quarterly evolution	41,1%	2,1%	(5,9%)	(8,5%)	22,1%
Daily average volume (shares)	1.457.945	793.780	657.916	745.786	1.455.322
Peers quarterly evolution *	3,3%	(1,0%)	(8,6%)	(4,0%)	(10,5%)

(*) Altri, Navigator, Suzano, CMPC and Canfor Pulp – prices in euros

Source: Bloomberg

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 the Company's performance. The alternative performance measures (APMs) used in this report are defined, reconciled and explained below:

EBITDA

EBITDA is a metric used in the statements of profit or loss presented in this report, in sections 1, 2.5, 2.6, 3.3, 3.4 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 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 Group'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.

Below is a reconciliation between this APM and the amounts presented in the financial statements for the first quarter of 2023 and the comparison with the 1Q22 figure. The criteria used to determine this metric were the same in both periods:

			1Q23				1Q22			
	Unit	Source Financial Statement	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
OPERATING PROFIT/(LOSS)	€ m	P&L	21,1	43,2	0,4	64,8	8,8	15,6	0,3	24,7
Depreciation and amortisation charges	€ m	P&L	13,2	8,8	(0,4)	21,7	9,5	10,0	(0,3)	19,3
Depletion of forest reserve	€ m	P&L	2,3	-	-	2,3	1,7	-	-	1,7
Impairment of and gains/(losses) on disposal of fixed assets	€ m	P&L	0,2	0,0	-	0,2	0,8	(0,0)	-	0,7
Other non-recurring items	€ m	APM	-	-	-	-	0,1	-	-	0,1
EBITDA	**€ m**		**36,9**	**52,1**	**-**	**88,9**	**20,8**	**25,6**	**-**	**46,5**

The line item **other non-recurring items**, presented in sections 1, 2.5 and 4.1 of this report, refers to *ad-hoc* income and expenses unrelated to the Company's ordinary business activities that render two reporting periods less comparable. Non-current items were not significant in 1Q23 or 1Q22.

CASH COST

The 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. Cash costs are analysed in section 2.3 of this report.

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 deviations in electricity market prices (the regulatory collar), 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.

Below is a reconciliation between this APM and the amounts presented in the financial statements for the first quarter of 2023 and the comparison with the 1Q22 figure. The criteria used to determine this metric were the same in both periods:

	Unit	Source Financial Statement	1Q23 Pulp	1Q22 Pulp
Revenue from pulp sales	€ m	P&L	165,2	129,8
EBITDA	€ m	APM	(36,9)	(20,8)
Total costs (Revenue - EBITDA)	€ m		128,3	108,9
Gains/(losses) on hedging transactions	€ m	APM	(0,9)	(3,7)
Adjustments for tariff shortfall/surplus (electricity market)	€ m		13,0	(6,6)
Depletion of forest reserve	€ m	P&L	2,3	1,7
Change in inventories	€ m	P&L	14,6	2,9
Other income and expenses	€ m		(0,4)	(1,0)
ADJUSTED CASH COST	€ m		156,9	102,3
Pulp production costs	€ m		135,7	84,0
No. of tonnes produced	Unit		252.679	198.934
PRODUCTION-RELATED COSTS PER TONNE	€/tonne		**537,0**	**422,0**
Overhead, sales and logistics costs			21,4	18,3
No. of tonnes sold	Unit		216.618	199.459
OVERHEAD, SALES AND LOGISTICS COSTS PER TONNE	€/tonne		**98,8**	**91,7**
CASH COST	**€/tonne**		**635,8**	**513,8**

OPERATING PROFIT PER TONNE OF PULP

The operating profit referred to in sections 1 and 2.3 of this report 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 or gains or losses on their disposal or other non-operating items, adjusted for the settlement of hedges, the effect of the regulatory collar on energy sales and forest depletion charges.

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

Below is a reconciliation between this APM and the amounts presented in the financial statements for the first quarter of 2023 and the comparison with the 1Q22 figure. The criteria used to determine this metric were the same in both periods:

	Unit	Source Financial Statement	1Q23 Pulp	1Q22 Pulp
Revenue from pulp sales	€ m	P&L	165,2	129,8
No. of tonnes sold	Unit		216.618	199.459
Average sales price per tonne (Revenue / # tonnes)	€/tonne		762,4	650,6
Cash cost (€)	€/tonne	APM	635,8	513,8
TOTAL OPERATING PROFIT PER TONNE OF PULP	**€/tonne**		**126,6**	**136,8**

NET FINANCE COST AND OTHER FINANCIAL ITEMS

Net finance cost and other financial items are included in the statement of profit or loss analysis presented in this report in sections 2.5, 3.3 and 4.1. They aggregate statement of profit or loss headings in order to facilitate their comparison.

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.

Below is a reconciliation between this APM and the amounts presented in the financial statements for the first quarter of 2023 and the comparison with the 1Q22 figure. The criteria used to determine this metric were the same in both periods:

	Unit	Source Financial Statement	1Q23 Pulp	1Q23 Renewable Energy	1Q23 Adjustments & Eliminations	1Q23 CONSOLIDATED TOTAL	1Q22 Pulp	1Q22 Renewable Energy	1Q22 Adjustments & Eliminations	1Q22 CONSOLIDATED TOTAL
Finance income	€ m	P&L	0,8	0,2	(0,2)	0,9	2,2	0,1	(0,3)	1,9
Finance costs	€ m	P&L	(3,1)	(3,4)	0,2	(6,3)	(3,2)	(4,5)	0,3	(7,4)
NET FINANCE COST	**€ m**		**(2,3)**	**(3,1)**	**-**	**(5,4)**	**(1,0)**	**(4,5)**	**(0,0)**	**(5,5)**
Change in fair value of financial instruments	€ m	P&L	-	-	-	-	-	0,1	-	0,1
Exchange differences	€ m	P&L	(0,4)	0,0	-	(0,4)	0,6	(0,0)	-	0,6
OTHER FINANCIAL ITEMS	**€ m**		**(0,4)**	**0,0**	**-**	**(0,4)**	**0,6**	**0,1**	**-**	**0,7**
NET FINANCE INCOME/(COST)	€ m	P&L	(2,7)	(3,1)	-	(5,8)	(0,5)	(4,3)	-	(4,8)

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 units in sections 1, 2.6 and 3.4, 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 Group'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 and raise occupational health and safety and environmental performance. Financial investments correspond to payments for investments in financial assets.

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. Capex-related cash flows are broken down by area of investment to make it easier to track execution of the published Business Plan.

Below is a reconciliation between this APM and the amounts presented in the financial statements for the first quarter of 2023 and the comparison with the 1Q22 figure. The criteria used to determine this metric were the same in both periods:

	Unit	Source Financial Statement	1Q23 Pulp	1Q23 Renewable Energy	1Q23 Adjustments & Eliminations	1Q23 CONSOLIDATED TOTAL	1Q22 Pulp	1Q22 Renewable Energy	1Q22 Adjustments & Eliminations	1Q22 CONSOLIDATED TOTAL
Maintenance capex	€ m		(1,5)	(0,6)	-	(2,0)	(4,5)	(0,7)	-	(5,2)
Efficiency and growth capex	€ m		(7,6)	(0,2)	-	(7,8)	(2,0)	(0,4)	-	(2,4)
Sustainability capex	€ m		(2,3)	(0,6)	-	(2,9)	(7,7)	(1,2)	-	(8,9)
Financial investments	€ m		0,5	-	-	0,5	0,0	(0,0)	-	(0,0)
TOTAL CAPITAL EXPENDITURE	**€ m**		**(10,8)**	**(1,4)**	**-**	**(12,2)**	**(14,2)**	**(2,2)**	**-**	**(16,4)**

OPERATING CASH FLOW

The operating cash flow analysed in sections 1, 2.6 and 3.4 of this report coincides with the net cash from operating activities presented in the statement of cash flows included in section 4.3. 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.

Below is a reconciliation between this APM and the amounts presented in the financial statements for the first quarter of 2023 and the comparison with the 1Q22 figure. The criteria used to determine this metric were the same in both periods:

	Unit	Source Financial Statement	1Q23 Pulp	1Q23 Renewable Energy	1Q23 Adjustments & Eliminations	1Q23 CONSOLIDATED TOTAL	1Q22 Pulp	1Q22 Renewable Energy	1Q22 Adjustments & Eliminations	1Q22 CONSOLIDATED TOTAL
EBITDA	€ m	APM	36,9	52,1	-	88,9	20,8	25,6	-	46,5
Other non-recurring items	€ m	APM	-	-	-	-	(0,1)	-	-	(0,1)
Adjustments to reconcile profit before tax to net cash flows:					-				-	
Changes in provisions and other deferred expense (net)	€ m	CF	7,1	0,8	-	7,9	(6,6)	0,9	-	(5,7)
Adjustments for tariff shortfall/surplus (electricity market)	€ m	CF	(13,0)	(28,6)	-	(41,6)	6,6	33,6	-	40,3
Grants taken to profit and loss	€ m	CF	(0,1)	(0,0)	-	(0,2)	(0,1)	(0,0)	-	(0,2)
Exchange differences with an impact on cash	€ m		(0,4)	0,0	-	(0,4)	0,2	(0,0)	-	0,2
Change in working capital	€ m		(69,8)	(66,9)	-	(136,7)	(8,5)	7,0	-	(1,5)
Interest paid, net (including right-of-use assets)	€ m	CF	(2,8)	(1,8)	-	(4,6)	(2,3)	(3,2)	-	(5,5)
Dividends received	€ m	CF	-	-	-	-	-	-	-	-
Income tax paid	€ m	CF	-	0,0	-	0,0	0,0	0,1	-	0,1
Other collections/(payments)	€ m	CF	-	-	-	-	-	-	-	-
OPERATING CASH FLOW			**(42,2)**	**(44,5)**	**-**	**(86,7)**	**10,1**	**64,0**	**-**	**74,1**

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 1, 2.6, 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.

Below is a reconciliation between this APM and the amounts presented in the financial statements for the first quarter of 2023 and the comparison with the 1Q22 figure. The criteria used to determine this metric were the same in both periods:

	Unit	Source Financial Statement	1Q23 Pulp	1Q23 Renewable Energy	1Q23 Adjustments & Eliminations	1Q23 CONSOLIDATED TOTAL	1Q22 Pulp	1Q22 Renewable Energy	1Q22 Adjustments & Eliminations	1Q22 CONSOLIDATED TOTAL
Net cash flows from/(used in) operating activities	€ m	CF	(42,2)	(44,5)	-	(86,7)	10,1	64,0	-	74,1
Net cash flows from/(used in) investing activities	€ m	CF	(10,8)	(1,4)	-	(12,2)	(14,2)	(1,8)	-	(16,1)
FREE CASH FLOW	**€ m**		**(53,0)**	**(45,8)**	**-**	**(98,8)**	**(4,1)**	**62,2**	**-**	**58,0**

NORMALISED FREE CASH FLOW

Ence reports normalised free cash flow within the cash flow metrics for each of its two business units in sections 1, 2.6 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 Group'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.

Below is a reconciliation between this APM and the amounts presented in the financial statements for the first quarter of 2023 and the comparison with the 1Q22 figure. The criteria used to determine this metric were the same in both periods:

	Unit	Source Financial Statement	1Q23 Pulp	1Q23 Renewable Energy	1Q23 Adjustments & Eliminations	1Q23 CONSOLIDATED TOTAL	1Q22 Pulp	1Q22 Renewable Energy	1Q22 Adjustments & Eliminations	1Q22 CONSOLIDATED TOTAL
Net cash flows from/(used in) operating activities	€ m	CF	(42,2)	(44,5)	-	(86,7)	10,1	64,0	-	74,1
Net cash flows from/(used in) investing activities	€ m	CF	(10,8)	(1,4)	-	(12,2)	(14,2)	(1,8)	-	(16,1)
FREE CASH FLOW	**€ m**		**(53,0)**	**(45,8)**	**-**	**(98,8)**	**(4,1)**	**62,2**	**-**	**58,0**
EBITDA	€ m	APM	36,9	52,1	-	88,9	20,8	25,6	-	46,5
Changes in working capital:					-				-	
Inventories	€ m	CF	(7,7)	(0,5)	-	(8,2)	0,2	1,1	(0,0)	1,3
Trade and other receivables	€ m	CF	(44,7)	(0,1)	(21,7)	(66,5)	16,0	4,5	0,0	20,5
Short-term investments	€ m	CF	(0,3)	0,0	-	(0,3)	0,0	(0,0)	-	(0,0)
Trade payables, other payables and other liabilities	€ m		(17,1)	(66,3)	21,7	(61,7)	(24,7)	1,5	-	(23,3)
Maintenance capex	€ m	APM	(1,5)	(0,6)	-	(2,0)	(4,5)	(0,7)	-	(5,2)
Interest paid, net (including right-of-use assets)	€ m	CF	(2,8)	(1,8)	-	(4,6)	(2,3)	(3,2)	0,0	(5,5)
Income tax paid	€ m	CF	-	0,0	-	0,0	0,0	0,1	(0,0)	0,1
NORMALISED FREE CASH FLOW	**€ m**		**(37,2)**	**(17,2)**	**-**	**(54,4)**	**5,5**	**28,8**	**-**	**34,3**

NET DEBT/(CASH)

The borrowings recognised on the statement of financial position, 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/(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), as outlined in sections 2.7 and 3.5 of this report.

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.

Below is a reconciliation between this APM and the amounts presented in the financial statements for the first quarter of 2023 and the comparison with the 1Q22 figure. The criteria used to determine this metric were the same in both periods:

			Mar. 2023				Mar. 2022			
	Unit	Source Financial Statement	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
Non-current borrowings:										
Bonds and other maketable securities	€ m	BS	-	78,5		78,5	-	78,4		78,4
Bank borrowings	€ m	BS	167,7	43,2		210,9	96,9	43,7		140,6
Other financial liabilities	€ m	BS	77,2	1,8		79,0	66,3	0,8		67,0
Current borrowings:	€ m									
Bonds and other maketable securities	€ m	BS	-	1,2		1,2	64,1	0,0		64,1
Bank borrowings	€ m	BS	71,7	28,2		99,9	13,0	27,2		40,1
Other financial liabilities	€ m	BS	7,4	0,5		7,9	6,3	0,6		6,9
Cash and cash equivalents	€ m	BS	247,3	88,1		335,4	278,4	134,5		412,9
Current financial assets - Other financial investments	€ m		4,5	0,0		4,5	4,2	0,0		4,3
Cash reserve for debt service	€ m		-	10,0		10,0	-	10,0		10,0
NET DEBT/(CASH)	€ m		**72,3**	**55,4**		**127,7**	**(36,1)**	**6,1**		**(30,0)**

ROCE

ROCE stands for the return on capital employed and is used by management as a key profitability performance indicator. It is provided in section 1 of this report.

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 Renewables business.

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

Below is a reconciliation between this APM and the amounts presented in the financial statements for the first quarter of 2023 and the comparison with the 1Q22 figure. The criteria used to determine this metric were the same in both periods:

			1Q23				1Q22			
	Unit	Source Financial Statement	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
EBIT, last 12 months	€ m	P&L	96,7	55,8	1,8	154,3	44,7	(3,5)	1,9	43,1
Average capital employed, last 12 months					-					
Average equity	€ m	BS	599,4	235,2	-	834,6	574,3	245,1	-	819,4
Average net debt	€ m	BS	(15,1)	27,5	-	12,4	20,5	122,3	-	142,8
ROCE	**%**		**16,5%**	**21,3%**	**n.s.**	**18,2%**	**7,5%**	**(1,0%)**	**n.s.**	**4,5%**

For ROCE calculation purposes, adjustments have been made for the impairment losses and provisions recognised in 2021 in the wake of the National Appellate Court sentences which annulled the extension of the Pontevedra biomill concession and their subsequent reversal following the Supreme Court ruling upholding the validity of the original extension to 2073.

In 2Q21, the Company recognised impairment losses and provisions with a net effect on EBIT and equity of €184m and €200m, respectively. In 4Q22, the Company reversed impairment losses and provisions with a net effect on EBIT and equity of €167m and €169m.

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.

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