



First-quarter 2022 earnings report

26 April 2022



CONTENTS

1. EXECUTIVE SUMMARY	3
2. PULP BUSINESS	5
2.1. LEGAL STATUS OF THE PONTEVEDRA CONCESSION.....	5
2.2. PULP MARKET TRENDS.....	5
2.3. REVENUE FROM PULP SALES.....	6
2.4. PULP PRODUCTION AND CASH COST	7
2.5. REVENUE FROM THE SALE OF ENERGY IN CONNECTION WITH PULP PRODUCTION	8
2.6. REVENUE FROM FORESTRY AND OTHER ACTIVITIES.....	8
2.7. STATEMENT OF PROFIT OR LOSS.....	8
2.8. STATEMENT OF CASH FLOWS.....	9
2.9. CHANGE IN NET DEBT.....	11
3. RENEWABLE ENERGY BUSINESS (MAGNON GREEN ENERGY)	12
3.1. ELECTRICITY MARKET TRENDS.....	12
3.2. KEY CHANGES DERIVED FROM ROYAL DECREE-LAW 6/2022.....	13
3.3. REVENUE FROM ENERGY SALES	13
3.4. STATEMENT OF PROFIT OR LOSS.....	14
3.5. STATEMENT OF CASH FLOWS.....	14
3.6. CHANGE IN NET DEBT.....	15
4. CONSOLIDATED FINANCIAL STATEMENTS	17
4.1. STATEMENT OF PROFIT OR LOSS	17
4.2. BALANCE SHEET	17
4.3. STATEMENT OF CASH FLOWS	18
5. KEY DEVELOPMENTS.....	19
APPENDIX 1: MASTER SUSTAINABILITY PLAN	21
APPENDIX 2: REMUNERATION PARAMETERS APPLICABLE TO THE GROUP'S POWER PLANTS	27
APPENDIX 3: SHARE PRICE PERFORMANCE	29
APPENDIX 4: ALTERNATIVE PERFORMANCE MEASURES (APMS)	30

1. EXECUTIVE SUMMARY

Market figures	1Q22	1Q21	Δ%	4Q21	Δ%
BHKP (USD/t) average price	1,150.4	759.9	51.4%	1,140.0	0.9%
Average exchange rate (USD/€)	1.12	1.21	(7.0%)	1.15	(2.0%)
BHKP (€/t) average price	1,023.6	628.9	62.8%	994.2	3.0%
Average pool price (€/MWh)	228.4	44.7	n.s.	210.9	8.3%

Source: Bloomberg & OMIE

Operating Metrics	1Q22	1Q21	Δ%	4Q21	Δ%
Pulp production (t)	198,934	224,411	(11.4%)	250,005	(20.4%)
Pulp sales (t)	199,459	246,157	(19.0%)	239,061	(16.6%)
Average sales pulp price (€/t)	650.6	403.7	61.2%	644.2	1.0%
Cash cost (€/t)	483.8	385.8	25.4%	437.4	10.6%
Cash cost post RDL 6/2022 (€/t)	513.8				
Operating margin per ton (€/t)	136.9	17.9	n.s.	206.8	(33.8%)
Renewable Energy sales volume (MWh)	440,684	325,758	35.3%	427,957	3.0%
Average sales price (€/MWh)	149.0	102.8	45.0%	63.7	133.8%
Remuneration for investment (€ m)	10.2	10.2	-	8.6	19.5%

P&L € m	1Q22	1Q21	Δ%	4Q21	Δ%
Revenue from Pulp business	158.5	123.8	28.0%	195.8	(19.1%)
Revenue from Renewable Energy business	76.2	43.9	73.6%	36.1	111.1%
Consolidation adjustments	(0.6)	(0.6)		(0.8)	
Total revenue	234.1	167.0	40.1%	231.1	1.3%
Pulp business EBITDA	20.8	8.2	152.7%	17.6	18.3%
Renewable Energy business EBITDA	25.6	8.5	201.0%	3.4	n.s.
EBITDA	46.5	16.8	177.2%	21.0	120.9%
Depreciation, amortisation and forestry depletion	(21.0)	(25.3)	(16.9%)	(21.2)	(1.0%)
Other gains/(losses)	(0.8)	(1.7)	(54.4%)	(3.0)	(73.0%)
EBIT	24.7	(10.3)	n.s.	(3.1)	n.s.
Net finance cost	(5.5)	(5.6)	(2.1%)	(3.8)	46.2%
Other finance income/(cost) results	0.7	1.8	(62.6%)	1.5	(53.3%)
Profit before tax	19.8	(14.0)	n.s.	(5.4)	n.s.
Income tax	(3.6)	3.4	n.s.	1.5	n.s.
Consolidated Net income	16.2	(10.7)	n.s.	(3.9)	n.s.
Non-controlling interests	(3.1)	1.0	n.s.	6.0	n.s.
Attributable Net Income	13.1	(9.6)	n.s.	2.0	n.s.
Earnings per share (Basic EPS)	0.05	(0.04)	n.s.	0.01	n.s.

Cash flow € m	1Q22	1Q21	Δ%	4Q21	Δ%
EBITDA	46.5	16.8	177.2%	21.0	120.9%
Change in working capital	(1.5)	(31.1)	(95.1%)	12.6	n.s.
Maintenance capex	(5.2)	(3.8)	38.1%	(4.4)	17.7%
Net interest Payment	(5.5)	(3.0)	85.4%	(6.2)	(11.2%)
Income tax received/(paid)	0.1	0.3	(78.8%)	(1.8)	n.s.
Normalised free cash flow	34.3	(20.7)	n.s.	21.2	61.6%
Energy regulation adjustment (regulatory collar)	40.3	(3.4)		60.2	
Other collection (payments) and non cash adjustments	(5.7)	2.4	n.s.	(2.7)	111.3%
Efficiency and expansion capex	(8.9)	(20.9)	(57.6%)	(5.2)	69.4%
Sustainability capex and other	(2.4)	(6.7)	(64.7%)	(1.8)	29.9%
Disposals	0.4	0.2	130.3%	5.5	(93.2%)
Free cash flow	58.0	(49.1)	n.s.	77.2	(24.8%)
Dividends from the parent	-	-	-	-	-

Net debt € m	Mar-22	Dec-21	Δ%
Net financial debt Pulp business	(14.3)	(19.5)	(26.6%)
Net financial debt Renewable Energy business	60.8	121.2	(49.8%)
Net financial debt	46.5	101.7	(54.3%)

- ✓ Ence ushers in 2022 with net attributable first-quarter profit of €13m. The Board has agreed to pay out a first interim dividend in that same amount, which translates into €0.054 per share (before withholding tax), on 11 May 2022.
- ✓ The first quarter was marked by strong free cash flow generation - €58m - enabling a 54% reduction in the Group's net debt to €47m.
- ✓ Pulp prices continue to rise throughout the first quarter, topping \$1,200 per tonne (gross) in April; the main producers have already announced additional increases to \$1,250.
- ✓ The improvement in average sales prices drove the operating margin in the Pulp business to €137/tonne, compared to €18/tonne in 1Q21, easily offsetting the reduction in sales volumes as a result of the national carrier strike in March and higher raw material and logistics costs. The restoration of transport services in early April will allow the Company to make up for a portion of the pulp not sold during the strike so that there will be no negative impact on the cash flow or EBITDA forecasts provided during the Capital Markets Day.
- ✓ Ence's differentiated products, such as Naturcell and Powercell, which are more sustainable and better suited for replacing softwood pulp, accounted for 18% of 1Q22 sales, compared to 12% in 1Q21.
- ✓ EBITDA in the Pulp business amounted to €21m in 1Q22, 2.5 times more than in 1Q21 and up 18% from 4Q21.
- ✓ Elsewhere, Renewable Energy output increased by 35% year-on-year in 1Q22, helping to push EBITDA in this business to €26m, 3 times more than in 1Q21.
- ✓ Consolidated EBITDA of €47m was boosted by the €40m corresponding to the difference between pool price and regulated electricity prices (regulatory collar), which has no impact on the statement of profit or loss but does affect the statement of cash flows, lifting cash from operations to €87m.
- ✓ These results already include the estimated impact of the change in regulatory parameters applicable to the remuneration of energy generated from renewable sources in 2022. Those changes will not have an adverse impact on the guidance provided during the Capital Markets Day which, out of precaution, had factored in a similar scenario, specifically assuming electricity prices of €48/MWh from April and no additional cash inflow from the regulatory collar.
- ✓ Indeed, at the Capital Markets Day held on 17 March, Ence unveiled its growth and cash generation guidance for the next five years:
 - In the Pulp business, Ence's strategy entails concentrating growth at Navia while continuing to defend the extension of its concession in Pontevedra in the courts. The "Navia Excellence" project contemplates the investment of €105m in the next two years to boost the manufacture of differentiated product, diversify production into fluff pulp and decarbonise the facility by slashing its annual GHG emissions by 50,000 tonnes.
 - In the Renewable Energy business, through Ence's subsidiary Magnon Green Energy, the Group will continue to develop its pipeline of biomass and photovoltaic projects while pursuing other growth opportunities related with the management and storage of energy and biofuels.
 - The forecasts underpinning the guidance provided at the Capital Markets Day assume conservative pulp prices and factor in an adjustment to regulatory remuneration in renewables akin to that introduced and therefore remain valid.
- ✓ In February and March 2022 the Supreme Court agreed to hear two of the appeals lodged against the National Court sentences annulling the extension of the Pontevedra biomill concession until 2073. The decision as to whether to hear the third appeal has been suspended until the first two appeals have been ruled on.
- ✓ Ence is the leading sustainability player in the global pulp market, according to its most recent Sustainability score, having lifted its overall ESG performance score to 91/100 in 2021.

2. PULP BUSINESS

Ence has two eucalyptus hardwood pulp (BHKP) biomills in 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 biomills use eucalyptus wood procured locally from sources that can certify sustainable forest management.

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

2.1. Legal status of the Pontevedra concession

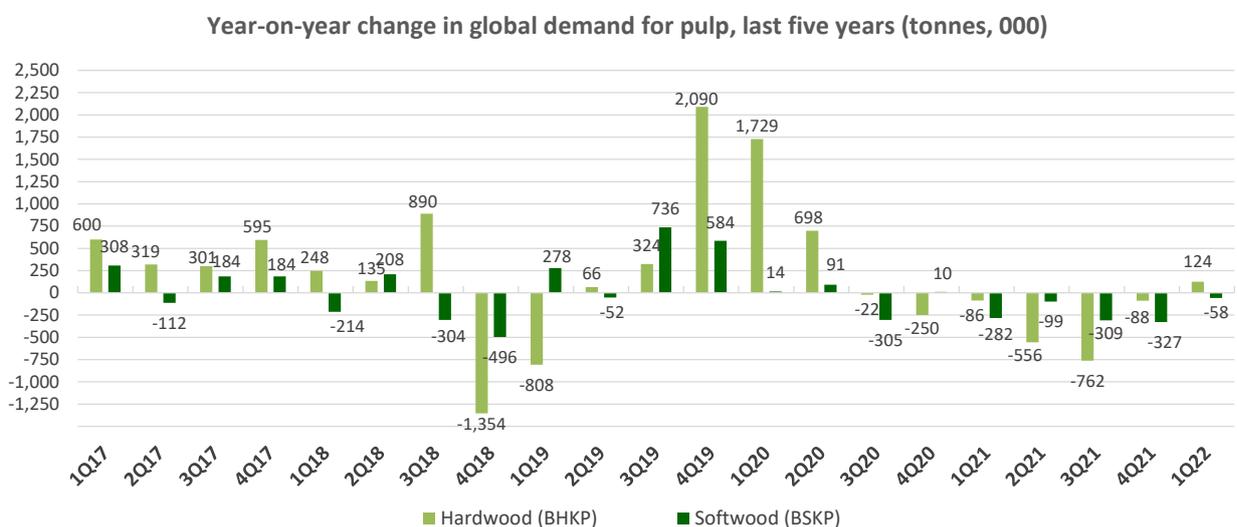
Three sentences issued by Spain's National Court in July and October 2021 annulled the extension until 2073 of the concession over the public-domain land on which ENCE's biomill in Pontevedra is located. Ence lodged appeals against all three sentences before the Supreme Court, which agreed to hear two of those appeals in February and March 2022. The decision as to whether to hear the third appeal has been suspended until the first two appeals have been ruled on.

As a result of those sentences, Ence recognised net asset impairment losses and provisions for expenses of €200m in its 2021 financial statements.

If the Supreme Court rules against the Company's appeals, it would fall to the Ministry of Green Transition and Demographic Challenges to determine (at the behest of the Appellate Court) the deadline for potentially discontinuing activities at the biomill.

2.2. Pulp market trends

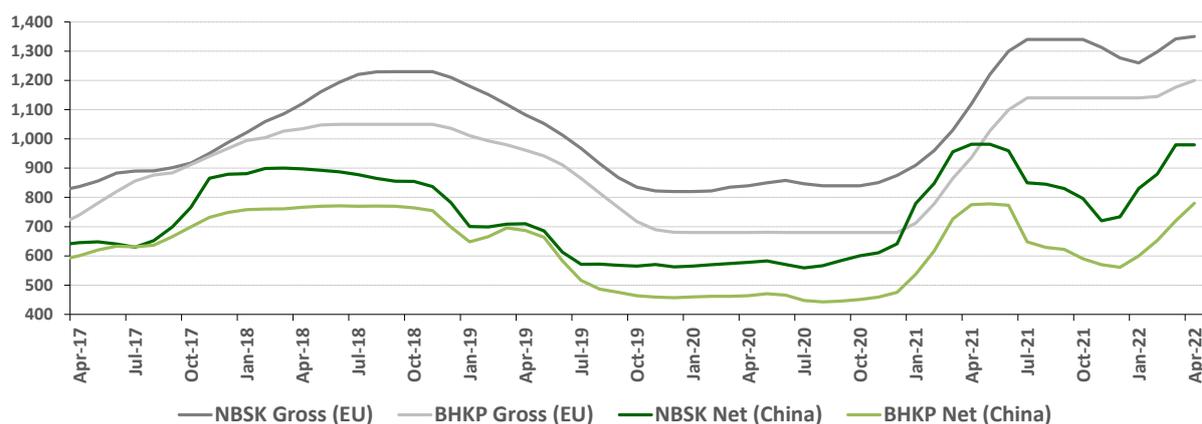
Rapid growth in urban populations and improving living standards in emerging markets are the key factors driving growth in global demand for pulp for tissue paper and hygiene products. Those demographic trends are being complemented by a substitution effect: pulp is a natural, sustainable, recyclable 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, especially in China, which affected demand for pulp between 2018 and 2021.



Source: Ence, PPPC-G100

In the first two months of 2022, demand for pulp increased by 0.6% year-on-year, with all markets except for China registering growth. Meanwhile, pulp supply continued to be curtailed by logistics restrictions, a strike at one of the leading European producers during the first quarter, the interruption of wood exports from Russia to northern Europe and delays in commissioning new capacity.

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



Source: FOEX

The strength of demand, coupled with the supply-side friction and widespread increases in production and transportation costs, continued to drive hardwood pulp (BHKP) prices higher, to over \$1,200 per tonne (gross) in April. The main producers have announced additional increases to \$1,250. In China, meanwhile, hardwood pulp prices have recovered by over 40% so far this year and were trading at over \$780 per tonne in April.

2.3. Revenue from pulp sales

Pulp sales volumes declined by 19% year-on-year in 1Q22 to 199,459 tonnes, due mainly to the consequences of the national transportation strike on pulp production and sales during 20 days of March. The restoration of transport services in early April will allow the Company to make up for some of the pulp not sold during the strike so that there will be no negative impact on the EBITDA and cash flow guidance presented at the Capital Markets Day.

Average sales prices improved by 61.2% year-on-year, to €650.6 per tonne.

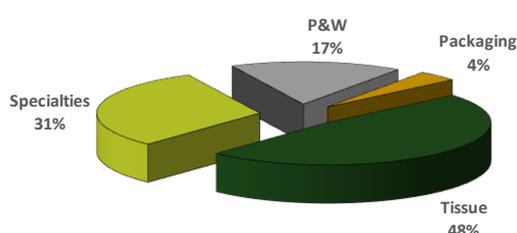
	1Q22	1Q21	Δ%	4Q21	Δ%
Pulp sales (t)	199,459	246,157	(19.0%)	239,061	(16.6%)
Average sales price (€/t)	650.6	403.7	61.2%	644.2	1.0%
Pulp sales revenue (€ m)	129.8	99.4	30.6%	154.0	(15.7%)

The combination of the two factors drove a 30.6% increase in revenue from pulp sales compared to the first quarter of 2021, to €129.8m.

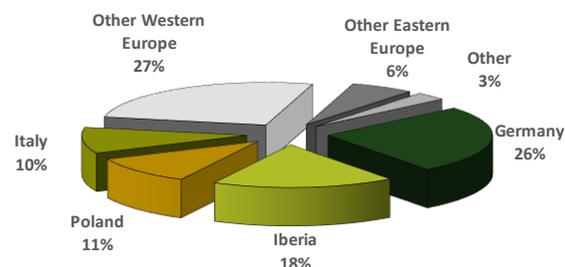
Ence's differentiated products, such as Naturcell and Powercell, which are more sustainable and better suited for replacing softwood pulp, accounted for 18% of 1Q22 sales, compared to 12% in 1Q21.

The tissue paper segment remains the main end use given to the pulp sold by Ence, accounting for 48% of revenue from pulp sales in 1Q22, followed by the specialty paper segment, at 31%. The printing and writing paper segment accounted for 17% of sales and packaging, the remaining 4%.

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 97% of revenue from pulp sales in 1Q22. Germany and Iberia accounted for 26% and 18% of total revenue, respectively, followed by Poland (11%), and Italy (10%). The other western European countries accounted for 27% of the total, with the rest of Eastern Europe representing 6%.

2.4. Pulp production and cash cost

Pulp production declined by 11% year-on-year in 1Q22 to 198,934 tonnes, shaped primarily by the consequences of the national transportation strike on the supply of wood to the biomills during the month of March.

The Pontevedra and Navia biomills were stopped for annual maintenance work in January and February, respectively. Both stoppages took place in the month of March in 2021.

	1Q22	1Q21	Δ%	4Q21	Δ%
Navia pulp production	114,715	129,655	(11.5%)	142,214	(19.3%)
Pontevedra pulp production	84,219	94,756	(11.1%)	107,791	(21.9%)
Pulp production (t)	198,934	224,411	(11.4%)	250,005	(20.4%)

As expected, the first-quarter cash cost increased by 25.4% year-on-year to €483.8/tonne, due to higher raw material and transportation costs, coupled with reduced economies of scale on the back of lower production and sales volumes during the period, a phenomenon expected to be largely offset in the second quarter.

Figures in €/t	1Q22	1Q21	Δ%	4Q21	Δ%
Total cash cost	483.8	385.8	25.4%	437.4	10.6%
Impact of RDL 6/2022	30.0	-		-	
Cash cost post RDL 6/2022	513.8	385.8	33.2%	437.4	17.5%

Note that the first-quarter results already reflect the estimated impact of the change in remuneration parameters applicable to renewable sources of energy in 2022, so that they won't have an adverse impact on the guidance provided at the Capital Markets Day.

The remuneration adjustments imply an estimated increase in the cash cost for the quarter of €30/tonne due to the reduction in remuneration for operation (Ro), largely offset at the EBITDA level by a lower provision for the regulatory collar.

It is important to stress that this change will not have any adverse impact on the guidance given at the Capital Markets Day, which, out of precaution, had factored in a similar scenario, specifically assuming electricity prices of €48/MWh from April and no additional cash inflow from the regulatory collar.

2.5. Revenue from the sale of energy in connection with pulp production

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 pulp production process at the Navia biomill.

	1Q22	1Q21	Δ%	4Q21	Δ%
Navia energy sales	108,770	117,361	(7.3%)	141,412	(23.1%)
Pontevedra energy sales	49,965	54,211	(7.8%)	69,961	(28.6%)
Energy sales linked to the pulp process (MWh)	158,734	171,572	(7.5%)	211,373	(24.9%)
Average sales price - Pool + Collar + Ro (€/MWh)	145.6	84.0	73.4%	176.2	(17.4%)
Remuneration for investment (€ m)	2.6	2.6	0.1%	2.6	0.1%
Revenues from energy sales linked to pulp (€ m)	25.7	17.0	51.3%	39.8	(35.5%)

The sale of energy in connection with pulp production decreased by 7.5% year-on-year in 1Q22 to 158,734 MWh, in line with the reduction in pulp production.

The average sales price improved by 73.4% year-on-year in 1Q22 to €145.6/MWh, fuelled by higher market prices fetched by the CHP plants and prices within the limits set by the regulator at the biomass generation plants.

Ence adjusts its average sales price monthly as a function of the limits set by the regulator (regulatory collar). That accounting treatment implied the recognition of a provision of €6.6m in 1Q22, based on the changes to the remuneration parameters applicable in 2022, compared to €13.3m in 4Q21.

As a result, revenue from energy sales in the Pulp business, factoring in remuneration for investment, increased by 51.3% year-on-year in 1Q22 to €25.7m.

2.6. Revenue from forestry and other activities

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

	1Q22	1Q21	Δ%	4Q21	Δ%
Forestry and other revenue (€ m)	3.0	7.5	(59.6%)	2.0	49.7%

Revenue from forestry activities amounted to €3m in 1Q22, down 59.6% from 1Q21, due to higher internal consumption of wood in order to offset the temporary reduction in felling capacity in Galicia.

2.7. Statement of profit or loss

EBITDA in the Pulp business amounted to €20.8m in 1Q22, which is 2.5 times that of 1Q21. The 61.2% improvement in average sales prices drove operating margin in the Pulp business to €137/tonne, compared to €18/tonne in 1Q21, easily offsetting the reduction in sales volumes as a result of the national carrier strike and higher raw material and logistics costs.

Note that the first-quarter results already reflect the estimated impact of the change in remuneration parameters applicable to renewable sources of energy in 2022, so that they won't have an adverse impact on the guidance provided at the Capital Markets Day.

Figures in € m	1Q22	1Q21	Δ%	4Q21	Δ%
Total net revenue	158.5	123.8	28.0%	195.8	(19.1%)
EBITDA	20.8	8.2	152.7%	17.6	18.3%
<i>EBITDA margin</i>	<i>13%</i>	<i>7%</i>	<i>6.5 p.p.</i>	<i>9%</i>	<i>4.2 p.p.</i>
Depreciation and amortisation	(9.5)	(13.9)	(31.3%)	(9.9)	(4.1%)
Depletion of forestry reserves	(1.7)	(3.0)	(43.4%)	(2.9)	(40.5%)
Impairment of and gains/(losses) on fixed-asset disp.	(0.8)	(0.3)	153.5%	(1.4)	(46.8%)
Other non-recurring gains/(losses)	(0.1)	(1.3)	(95.4%)	(0.8)	(93.0%)
EBIT	8.8	(10.2)	<i>n.s.</i>	2.5	245.4%
<i>EBIT margin</i>	<i>6%</i>	<i>-8%</i>	<i>13.8 p.p.</i>	<i>1%</i>	<i>4.2 p.p.</i>
Net finance cost	(1.0)	(2.3)	(55.4%)	(0.7)	47.4%
Other financial results	0.6	1.8	(69.3%)	1.1	(49.7%)
Profit before tax	8.3	(10.7)	<i>n.s.</i>	2.9	181.4%
Income tax	0.1	2.5	(96.9%)	(0.5)	<i>n.s.</i>
Net Income	8.4	(8.2)	<i>n.s.</i>	2.5	237.7%

Ence has an ongoing hedging policy designed to mitigate the impact of exchange rate volatility on its earnings. Those hedges implied a loss of €3.7m in 1Q22, compared to a gain of €1.9m in 1Q21. For the rest of the year, the company has hedged a nominal amount of USD 163m dollars with a weighted average cap of \$/€1.20 and a weighted average floor of \$1.16/€.

In addition, EBITDA this quarter includes other expenses, net of other income, that are not included in the cash cost, of €2.7m. Those items of income and expenses include, among other things, the impact of the regulatory collar on sales of energy, the EBITDA generated from forestry activities, charges for community work in the vicinity of the Group's biomills, working capital provisions, non-recurring staff costs and *ad-hoc* advisory service costs.

Below the EBITDA line, depreciation and amortisation charges declined by 31.3% year-on-year to €9.5m in 1Q22, due mainly to the impairment losses recognised against assets associated with the Pontevedra biomill in 2Q21; forest reserve depletion charges decreased by 43.4% to €1.7m.

"Impairment of and gains/(losses) on fixed asset disposals" in the amount of €0.8m mainly reflects the unwind of the impairment charges against the Pontevedra biomill recognised in 2Q21 following the National Court sentences annulling the extension of the concession there.

Net finance cost amounted to €1m in 1Q22, down 55.4% year-on-year, due largely to the reduction in gross debt. Other finance income presents the effect of movements in exchange rates on working capital during the period: a net gain of €0.6m in 1Q22 compared to a gain of €1.8m in 1Q21.

Lastly, tax income amounted to €0.1m due to tax credits related with the impairment losses recognised against the Pontevedra biomill in 2021.

As a result, the Pulp business posted a net profit of €8.4m in 1Q22, compared to a loss of €8.2m in 1Q21.

2.8. Statement of cash flows

Net cash from operating activities amounted to €11.3m in 1Q22, compared to a net outflow of €14m in 1Q21, fuelled by the sharp growth in EBITDA and more favourable working capital trends.

Figures in € m	1Q22	1Q21	Δ%	4Q21	Δ%
EBITDA	20.8	8.2	152.7%	17.6	18.3%
Energy regulation adjustment (regulatory collar)	6.6	(0.6)	<i>n.s.</i>	13.3	(50.2%)
Non cash expenses / (income)	(6.8)	(2.1)	227.3%	(0.6)	<i>n.s.</i>
Other collections / (payments)	0.2	(0.0)	<i>n.s.</i>	0.7	(68.4%)
Change in working capital	(7.3)	(17.2)	(57.4%)	8.0	<i>n.s.</i>
Income tax received / (paid)	0.0	-	<i>n.s.</i>	(1.3)	<i>n.s.</i>
Net interest received / (paid)	(2.3)	(2.4)	(4.0%)	(0.9)	159.2%
Net cash flow from operating activities	11.3	(14.0)	<i>n.s.</i>	36.9	(69.4%)

Working capital movements implied a net cash outflow of €7.3m in the first quarter, as the reduction in trade payables, due largely to lower wood purchases, was partially offset by the reduction in trade receivables on the back of lower sales volumes.

Figures in €Mn	1T22	1T21	Δ%	4T21	Δ%
Inventories	0.2	6.4	(96.5%)	(13.7)	<i>n.s.</i>
Trade and other receivables	16.9	(20.7)	<i>n.s.</i>	(3.0)	<i>n.s.</i>
Financial and other current assets	0.0	(1.7)	<i>n.s.</i>	0.9	(99.9%)
Trade and other payables	(24.5)	(1.2)	<i>n.s.</i>	23.8	<i>n.s.</i>
Change in working capital	(7.3)	(17.2)	(57.4%)	8.0	<i>n.s.</i>

At 31 March 2022, the Pulp business had drawn down €51.1m under its non-recourse receivable discounting facilities, down from €53.7m at year-end 2021.

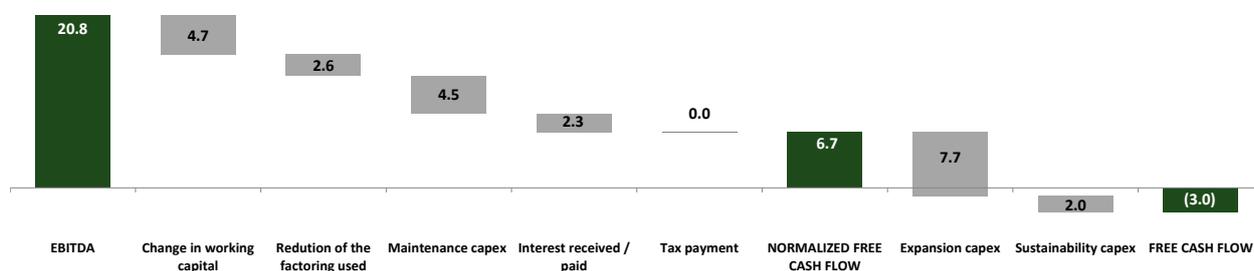
Ence has also arranged several reverse factoring facilities, which were drawn down by €83.1m at the March close, compared to €79.5m at year-end.

Figures in €Mn	1T22	1T21	Δ%	4T21	Δ%
Maintenance capex	(4.5)	(2.2)	107.3%	(3.9)	17.0%
Sustainability capex and other	(2.0)	(5.8)	(65.7%)	(1.2)	60.4%
Efficiency and expansion capex	(7.7)	(16.8)	(54.2%)	(1.9)	<i>n.s.</i>
Financial investments	0.0	(0.0)	<i>n.s.</i>	(0.3)	<i>n.s.</i>
Investments	(14.2)	(24.8)	(42.7%)	(7.3)	94.4%
Disposals	-	0.2	(100.0%)	13.3	(100.0%)
Net cash flow used in investing activities	(14.2)	(24.7)	(42.3%)	5.9	<i>n.s.</i>

Maintenance capex amounted to €4.5m (vs. €3.9m in 1Q21), while sustainability capex totalled €2.0m (€1.2m in 1Q21) and were mainly earmarked to reinforcing facility safety and reducing odour, noise and water consumption at the biomills, bolstering Ence's competitiveness in the long term.

Investments in efficiency and growth amounted to €7.7m, compared to €16.8m in 1Q21. Those payments are mainly related to the capacity added in 2019 and the purchase of new equipment to increase wood-cutting capacity in Galicia.

As a result, normalised free cash flow in the Pulp business amounted to €6.7m in 1Q22, while free cash flow net of efficiency, growth and sustainability capex came in at a negative €3m.



2.9. Change in net debt

The Pulp business ended the first quarter with net cash of €14.3m, down from €19.5m at year-end.

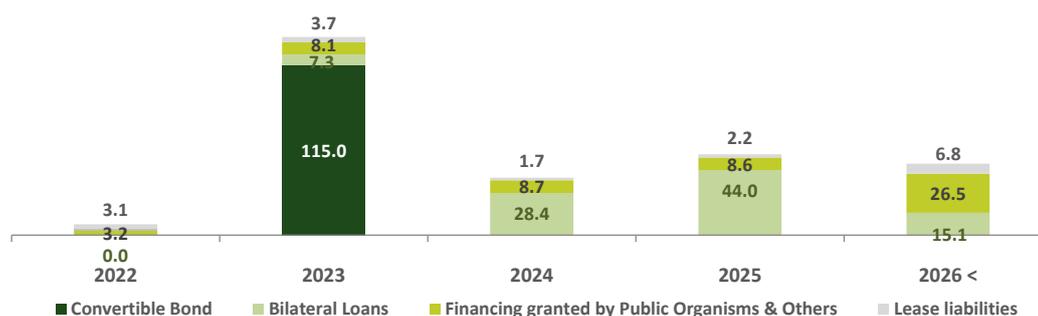
Figures in € m	Mar-22	Dec-21	Δ%
Non-current financial debt	143.2	276.5	(48.2%)
Current financial debt	121.7	12.6	n.s.
Gross financial debt	264.9	289.1	(8.4%)
Non-current lease contracts	13.5	12.8	5.5%
Current lease contracts	3.9	3.6	8.2%
Financial liabilities related to lease contracts	17.4	16.4	6.1%
Cash and cash equivalents	290.1	318.5	(8.9%)
Short-term financial investments	6.6	6.6	(0.0%)
Net financial debt Pulp business	(14.3)	(19.5)	(26.6%)

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 €296.7m.

Ence prepaid €10m of bilateral loans, bought back €11.8m of convertible bonds and reduced its use of receivable discounting lines by €2.6m during the first quarter.

The gross debt of €264.9m at 31 March 2022 corresponds mainly to the €115m of convertible bonds (adjusted for the value of the equity component) due March 2023, the outstanding balance of €94.5m on bilateral loans and a series of loans totalling €55.1m awarded by the CDTI (acronym in Spanish for the Centre for the Development of Industrial Technology) and Spanish Ministry of Industry to finance investments in efficiency upgrades and capacity expansion work; the maturities on these loans range to 2030. Debt arrangement fees are deducted from gross borrowings on the statement of financial position.

Pulp business debt maturity profile (€Mn)



3. RENEWABLE ENERGY BUSINESS (MAGNON GREEN ENERGY)

Ence's Renewable Energy business encompasses the generation of power from renewable sources at independent plants that have no relation to the pulp production process and is carried on through its 51% ownership interest in Magnon Green Energy ("Magnon"). Magnon 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).

In December 2021, Magnon agreed the sale of five photovoltaic solar power developments with aggregate capacity of 373 MW for up to €62m. The sale of those assets is expected to close one by one between the last quarter of 2022 and the fourth quarter of 2024.

Magnon has a pipeline of three biomass plants with aggregate capacity of 140 MW with which it will be able to participate in upcoming auctions, framed by its plans to continue to pursue new developments, in biomass, photovoltaic and other power generation technology.

3.1. Electricity market trends

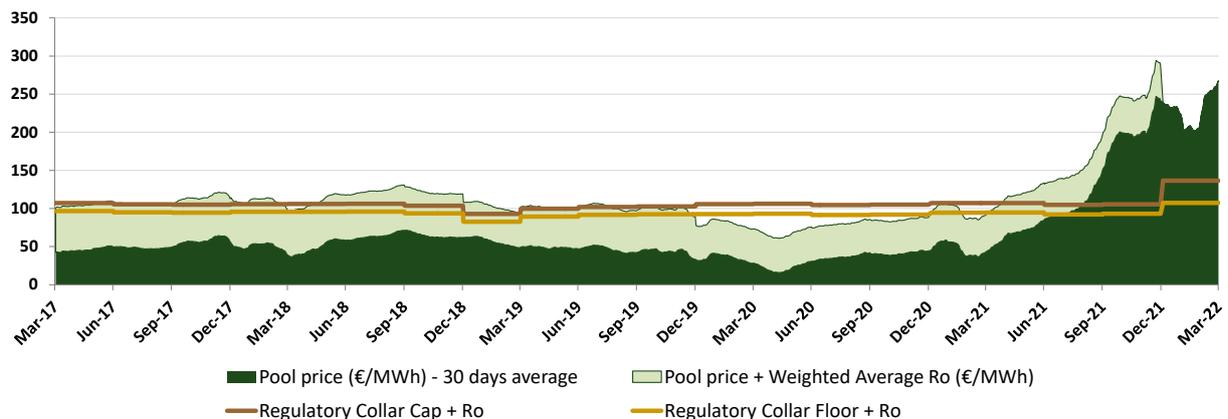
Electricity pool prices averaged €228.4/MWh in 1Q22, which is 5 times the 1Q21 level, due mainly to the impact of the surge in gas prices on the electricity market.

Market figures	1Q22	1Q21	Δ%	4Q21	Δ%
Average pool price (€/MWh)	228.4	44.7	n.s.	210.9	8.3%

Source: OMIE

The price per MWh recognised by Ence in its statement of profit or loss is determined by the market price (pool price), within the cap and floor set by the regulator (regulatory collar), plus the remuneration for the operation of each facility (Ro), with the exception of the two newest biomass plants, commissioned in 2020, which are not currently subject to the regulatory collar.

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



Elsewhere, the remuneration for investment (Ri) for the universe of power plants comprising Ence's Renewable Energy business was set at 7.4% for 2020-2031 by Spanish Royal Decree-Law 17/2019. That implies annual income of €40.9m.

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

3.2. Key changes derived from Royal Decree-Law 6/2022

Spanish Royal Decree-Law 6/2022 (of 29 March 2022) includes measures that affect the remuneration regime applicable to the renewable energy, CHP and waste-fuelled power plants regulated in Royal Decree 413/2014, enacted in response to the prevailing electricity price climate, while guaranteeing that those facilities obtain the reasonable return initially contemplated.

The new measures consist primarily of bringing forward to 2022 the adjustment for the deviation between market electricity prices and the prices estimated by the regulator (the regulatory collar) in 2020 and 2021 by means of the annual collection of the remuneration for investment (Ri) parameter; and the adjustment of the regulatory price estimate and the remuneration for operation (Ro) parameter applicable in 2022. That adjustment will be implemented by means of a Ministerial Order by 31 May 2022 and will be applicable with effect from 1 January 2022.

Ence's first-quarter 2022 results already factor in the estimated impact of those measures, specifically management's current estimate that the pool price estimated by the regulator for 2022 will be around €122/MWh, compared to the previous estimate of €48/MWh; since that price is higher than the cost of operating a standard facility, the remuneration for operations parameter will not apply.

It is important to stress that these measures do not have a negative impact on the guidance provided during the Capital Markets Day, which, out of precaution, had factored in a similar scenario, specifically assuming electricity prices of €48/MWh from April and no cash inflow as a result of the regulatory collar.

3.3. Revenue from energy sales

Ence sold 440,684 MWh of energy in 1Q22, year-on-year growth of 35.3%, thanks to operational improvements eked out at virtually all of the plants. In addition, the 41-MW, 46-MW and 50-MW Huelva plants had been stopped for their annual maintenance work in 1Q21.

Operating figures	1Q22	1Q21	Δ%	4Q21	Δ%
Huelva 41 MW - Biomass	52,164	37,310	39.8%	54,537	(4.4%)
Jaén 16 MW - Biomass	26,152	21,852	19.7%	25,113	4.1%
Ciudad Real 16 MW - Biomass	25,239	25,325	(0.3%)	26,319	(4.1%)
Córdoba 27 MW - Biomass	48,341	44,038	9.8%	39,572	22.2%
Huelva 50 MW - Biomass	95,171	39,336	141.9%	86,540	10.0%
Mérida 20 MW - Biomass	41,546	35,350	17.5%	38,967	6.6%
Huelva 46 MW - Biomass	75,387	56,619	33.1%	80,902	(6.8%)
Ciudad Real 50 MW - Biomass	76,685	65,928	16.3%	76,006	0.9%
Energy sales (MWh)	440,684	325,758	35.3%	427,957	3.0%
Average sales price - Pool + Collar + Ro (€/MWh)	149.0	102.8	45.0%	63.7	133.8%
Remuneration for investment (€m)	10.2	10.2	-	8.6	19.5%
Revenue (€ m)	76.2	43.9	73.6%	36.1	111.1%

Average sales prices increased by 45% year-on-year to €149/MWh in 1Q22 as a result of the restatement of the remuneration parameters applicable in 2022 and the impact of higher pool prices on the two biomass plants commissioned in 2020, which are not subject to the regulatory collar ceiling.

Ence adjusts its average sales price monthly as a function of the limits set by the regulator (regulatory collar). That accounting treatment implied the recognition of a provision of €33.6m in 1Q22, compared to a provision of €46.9m in 1Q21.

As a result, revenue in the Renewable Energy business, factoring in remuneration for investment, increased by 73.6% year-on-year to €76.2m in 1Q22.

3.4. Statement of profit or loss

The growth in the average sales price coupled with the operational improvements attained during the quarter drove EBITDA in this business to €25.6m, 3 times more than that of 1Q21.

Figures in € m	1Q22	1Q21	Δ%	4Q21	Δ%
Total revenue	76.2	43.9	73.6%	36.1	111.1%
EBITDA	25.6	8.5	201.0%	3.4	n.s.
<i>EBITDA margin</i>	<i>34%</i>	<i>19%</i>	<i>14.2 p.p.</i>	<i>10%</i>	<i>24.1 p.p.</i>
Depreciation and amortisation	(10.0)	(9.4)	6.9%	(9.0)	11.7%
Impairment of and gains/(losses) on fixed-asset disposals	0.0	(0.2)	n.s.	(0.7)	n.s.
EBIT	15.6	-1.1	n.s.	(6.3)	n.s.
<i>EBIT margin</i>	<i>21%</i>	<i>-2%</i>	<i>22.9 p.p.</i>	<i>-17%</i>	<i>37.9 p.p.</i>
Net finance cost	(4.5)	(3.3)	36.9%	(3.1)	46.0%
Other finance income/(cost)	0.1	(0.0)	n.s.	0.4	(63.6%)
Profit before tax	11.3	(4.3)	n.s.	(8.9)	n.s.
Income tax	(3.7)	0.9	n.s.	2.0	n.s.
Net Income	7.6	(3.4)	n.s.	(7.0)	n.s.
Non-controlling interests	0.8	(0.3)	n.s.	(0.2)	
Atributable Net Income	8.4	(3.7)	n.s.	(7.2)	n.s.

Below the EBITDA line it is worth highlighting the 36.9% increase in the net finance cost, to €4.5m, as a result of the unwinding of the discount of the regulatory collar recognised in 2021.

As a result, the Renewable Energy business posted a net attributable profit of €8.4m in 1Q22, compared to a loss of €3.7m in 1Q21.

3.5. Statement of cash flows

Net cash from operating activities amounted to €62.8m in 1Q22, compared to a net cash outflow of €3.9m in 1Q21. In addition to the sharp growth in first-quarter EBITDA, cash was influenced by the inflow related with the regulatory collar and contrasting working capital trends.

Figures in € m	1T22	1T21	Δ%	4T21	Δ%
EBITDA	25.6	8.5	201.0%	3.4	n.s.
Energy regulation adjustment (regulatory collar)	33.6	(2.8)	n.s.	46.9	(28.2%)
Non cash expenses / (incomes)	0.9	4.6	(80.7%)	(2.6)	n.s.
Other collections / (payments)	(0.0)	(0.0)	(62.5%)	(0.0)	(86.2%)
Change in working capital	5.8	(14.0)	n.s.	4.5	27.5%
Income tax received / (paid)	0.1	0.3	(79.1%)	(0.5)	n.s.
Net interest received / (paid)	(3.2)	(0.6)	n.s.	(5.3)	(39.1%)
Net cash flow from operating activities	62.8	(3.9)	n.s.	46.5	35.2%

The difference between actual and regulated electricity prices (the regulatory collar), which does not impact the statement of profit or loss but does affect the statement of cash flows, had a positive impact of €33.6m in 1Q22, compared to an outflow of €2.8m in 1Q21.

Elsewhere, movements in working capital implied a cash inflow of €5.8m in 1Q22, due mainly to the impact of the adjustment of the remuneration parameters for 2022 on trade receivables, partially mitigated by reduced use of the receivable discounting facilities. In 1Q22, working capital movements implied a net cash outflow of €14m.

Figures in € m	1T22	1T21	Δ%	4T21	Δ%
Inventories	1.1	(0.8)	n.s.	4.6	(76.4%)
Trade and other receivables	3.5	(6.8)	n.s.	(12.2)	n.s.
Current financial and other assets	(0.0)	-	n.s.	0.1	n.s.
Trade and other payables	1.2	(6.4)	n.s.	12.0	(90.0%)
Change in working capital	5.8	(14.0)	n.s.	4.5	27.5%

The Renewable Energy business decreased its use of receivable discounting lines by €13.3m so that at the March close the balance drawn stood at zero.

Magnon has also arranged several non-recourse reverse factoring facilities, which were drawn down by €20m at the March close, compared to €18.1m at year-end 2021.

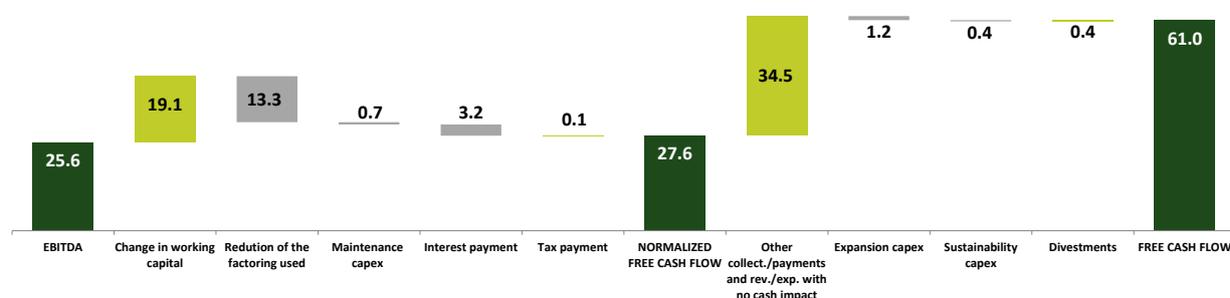
Figures in € m	1Q22	1Q21	Δ%	4Q21	Δ%
Maintenance capex	(0.7)	(1.6)	(57.6%)	(0.5)	23.0%
Sustainability capex and other	(0.4)	(0.9)	(58.1%)	(0.6)	(36.1%)
Efficiency and expansion capex	(1.2)	(4.1)	(71.7%)	(3.3)	(65.3%)
Financial investments	(0.0)	-	n.s.	0.1	n.s.
Investments	(2.2)	(6.5)	(66.5%)	(4.3)	(49.5%)
Disposals	0.4	-	n.s.	5.5	(93.2%)
Net cash flow from investing activities	(1.8)	(6.5)	(72.3%)	1.2	n.s.

Maintenance capex amounted to €0.7m (vs. €1.6m in 1Q21), while sustainability capex totalled €0.4m (down from €0.9m in 1Q21)

Lastly, efficiency and growth capex amounted to €1.2m in 1Q22 and corresponded to small investments designed to boost efficiency across a number of plants.

Proceeds from disposals included the collection of €0.4m related with progress on the permitting of the photovoltaic projects under development.

As a result, normalised free cash flow in the Renewable Energy business amounted to €27.6m in 1Q22, while free cash flow, after the regulatory collar and efficiency, growth and sustainability capex, came in at €61m.



3.6. Change in net debt

Net debt in the Renewable Energy business decreased by €60.4m from year-end 2021 to €60.8m as at 31 March 2022.

Figures in € m	Mar-22	Dec-21	Δ%
Non-current financial debt	162.4	162.2	0.1%
Current financial debt	30.9	29.4	4.9%
Gross financial debt	193.2	191.6	0.9%
Non-current lease contracts	0.6	0.7	(15.7%)
Current lease contracts	0.7	0.4	91.3%
Financial liabilities related to lease contracts	1.4	1.1	20.5%
Cash reserve for debt service	10.0	10.0	-
Cash and cash equivalents	123.7	61.5	101.2%
Short-term financial investments	0.0	0.0	
Net financial debt Renewable Energy business	60.8	121.2	(49.8%)

Gross - long-term - debt stood at €193.2m at the March close, while cash amounted to €133.7m.

Energy debt maturity profile (€Mn)



4. CONSOLIDATED FINANCIAL STATEMENTS

4.1. Statement of profit or loss

Figures in € m	1Q22				1Q21			
	Pulp	Energy	Adjustments	Consolidated	Pulp	Energy	Adjustments	Consolidated
Total revenue	158.5	76.2	(0.6)	234.1	123.8	43.9	(0.6)	167.0
Other income	3.9	1.3	(0.3)	5.0	2.7	3.0	(0.7)	5.1
Foreign exchange hedging operations results	(3.7)	-	-	(3.7)	2.1	-	-	2.1
Cost of sales and change in inventories of finished produ	(71.6)	(29.9)	0.6	(101.0)	(72.2)	(16.5)	0.6	(88.1)
Personnel expenses	(18.1)	(4.3)	-	(22.5)	(15.8)	(3.0)	-	(18.7)
Other operating expenses	(48.2)	(17.6)	0.3	(65.5)	(32.4)	(18.9)	0.7	(50.6)
EBITDA	20.8	25.6		46.5	8.2	8.5		16.8
<i>EBITDA margin</i>	<i>13%</i>	<i>34%</i>		<i>20%</i>	<i>7%</i>	<i>19%</i>		<i>10%</i>
Depreciation and amortisation	(9.5)	(10.0)	0.3	(19.3)	(13.9)	(9.3)	1.0	(22.2)
Depletion of forestry reserves	(1.7)	-	-	(1.7)	(3.0)	(0.1)	-	(3.1)
Impairment of and gains/(losses) on fixed-asset disposals	(0.8)	0.0	-	(0.7)	(0.3)	(0.2)	-	(0.5)
Other non-ordinary operating gains/(losses)	(0.1)	-	-	(0.1)	(1.3)	-	-	(1.3)
EBIT	8.8	15.6	0.3	24.7	(10.2)	(1.1)	1.0	(10.3)
<i>EBIT margin</i>	<i>6%</i>	<i>21%</i>		<i>11%</i>	<i>-8%</i>	<i>-2%</i>		<i>-6%</i>
Net finance cost	(1.0)	(4.5)	-	(5.5)	(2.3)	(3.3)	-	(5.6)
Other finance income/(costs)	0.6	0.1	-	0.7	1.8	(0.0)	-	1.8
Profit before tax	8.3	11.3	0.3	19.8	(10.7)	(4.3)	1.0	(14.0)
Income tax	0.1	(3.7)	-	(3.6)	2.5	0.9	-	3.4
Net Income	8.4	7.6	0.2	16.2	(8.2)	(3.4)	1.0	(10.7)
Non-controlling interests	-	0.8	-3.9	(3.1)	-	(0.3)	1.3	1.0
Attributable Net Income	8.4	8.4	(3.6)	13.1	(8.2)	(3.7)	2.3	(9.6)
Earnings per Share (EPS)	0.03	0.03	(0.01)	0.05	(0.03)	(0.02)	0.01	(0.04)

4.2. Balance sheet

Figures in €Mn	Mar - 22				Dic - 21			
	Celulosa	Energía	Ajustes	Consolidado	Celulosa	Energía	Ajustes	Consolidado
Intangible assets	13.2	37.6	(13.1)	37.6	13.2	38.1	(13.3)	37.9
Property, plant and equipment	439.3	448.3	(9.5)	878.2	436.9	456.3	(9.6)	883.6
Biological assets	59.0	0.2	-	59.1	59.6	0.1	-	59.7
Non-current investments in Group companies	112.5	0.0	(112.5)	0.0	112.6	0.0	(112.5)	0.0
Non-current borrowings to Group companies	38.3	-	(38.3)	-	38.3	-	(38.3)	-
Non-current financial assets	14.9	2.0	-	16.8	14.6	1.9	-	16.5
Deferred tax assets	20.3	20.4	3.3	44.0	20.1	22.1	3.3	45.6
Cash reserve for debt service	-	10.0	-	10.0	-	10.0	-	10.0
Total non-current assets	697.6	518.3	(170.2)	1,045.7	695.2	528.5	(170.4)	1,053.3
Inventories	60.4	11.0	-	71.4	53.6	12.1	-	65.7
Trade and other accounts receivable	48.8	21.0	(1.2)	68.6	70.2	42.2	(17.5)	94.9
Income tax	1.5	0.2	-	1.8	1.5	0.3	-	1.8
Other current assets	20.9	2.8	-	23.7	10.7	(0.0)	-	10.7
Current financial investments in Group companies	0.3	0.0	(0.3)	0.0	-	0.0	-	0.0
Current financial investments	6.6	0.0	-	6.6	6.6	0.0	-	6.6
Cash and cash equivalents	290.1	123.7	-	413.8	318.5	61.5	-	380.0
Total current assets	428.6	158.9	(1.6)	585.9	461.1	116.1	(17.5)	559.7
TOTAL ASSETS	1,126.2	677.2	(171.8)	1,631.6	1,156.2	644.6	(187.9)	1,613.0
Equity	548.3	228.3	(131.9)	644.8	539.0	218.6	(132.1)	625.5
Non-current borrowings	156.7	163.0	-	319.7	289.4	162.9	-	452.3
Non-current loans with Group companies and associates	-	75.2	(38.3)	36.8	-	75.2	(38.3)	36.8
Non-current derivatives	-	1.0	-	1.0	-	2.2	-	2.2
Deferred tax liabilities	-	-	-	-	-	-	-	-
Non-current provisions	51.4	0.1	-	51.5	51.1	0.1	-	51.2
Other non-current liabilities	34.2	93.1	-	127.3	23.7	68.0	-	91.8
Total non-current liabilities	242.3	332.5	(38.3)	536.4	364.2	308.4	(38.3)	634.2
Current borrowings	125.7	31.6	-	157.2	16.2	29.8	-	46.0
Current derivatives	6.5	1.3	-	7.8	7.0	2.6	-	9.6
Trade and other account payable	185.2	76.2	(1.2)	260.2	213.7	81.3	(17.5)	277.5
Short-term debts with group companies	0.0	0.6	(0.3)	0.3	0.0	1.3	-	1.3
Income tax	0.0	2.7	-	2.7	0.0	0.1	-	0.1
Current provisions	18.2	4.1	-	22.3	16.1	2.7	-	18.8
Total current liabilities	335.6	116.4	(1.6)	450.4	253.0	117.7	(17.5)	353.2
TOTAL EQUITY AND LIABILITIES	1,126.2	677.2	(171.8)	1,631.6	1,156.2	644.6	(187.9)	1,613.0

4.3. Statement of cash flows

Figures in € m	1Q22				1Q21			
	Pulp	Energy	Adjustments	Consolidated	Pulp	Energy	Adjustments	Consolidated
Consolidated profit/(loss) for the period before tax	8.3	11.3	0.3	19.8	(10.7)	(4.3)	1.0	(14.0)
Depreciation and amortisation	11.2	10.0	(0.3)	21.0	16.9	9.4	(1.0)	25.3
Changes in provisions and other deferred expense	(6.6)	0.9		(5.7)	(0.6)	4.6		4.0
Impairment of gains/(losses) on disposals intangible assets	0.8	(0.0)		0.7	(0.2)	0.2		0.0
Net finance result	0.7	4.3		5.0	0.9	3.3		4.2
Energy regulation adjustment (regulatory collar)	6.6	33.6		40.3	(0.6)	(2.8)		(3.4)
Government grants taken to income	(0.1)	(0.0)		(0.2)	(0.2)	(0.1)		(0.3)
Adjustments to profit	12.6	48.9	(0.3)	61.2	16.2	14.6	(1.0)	29.8
Inventories	0.2	1.1		1.3	6.4	(0.8)		5.6
Trade and other receivables	16.9	3.5		20.5	(20.7)	(6.8)		(27.4)
Current financial and other assets	0.0	(0.0)		(0.0)	(1.7)	-		(1.7)
Trade and other payables	(24.5)	1.2		(23.3)	(1.2)	(6.4)		(7.6)
Changes in working capital	(7.3)	5.8		(1.5)	(17.2)	(14.0)		(31.1)
Interest paid	(2.3)	(3.2)		(5.5)	(2.4)	(0.6)		(3.0)
Dividends received	-	-		-	-	-		-
Income tax received/(paid)	0.0	0.1		0.1	-	0.3		0.3
Other cash flows from operating activities	(2.3)	(3.2)		(5.4)	(2.4)	(0.3)		(2.6)
Net cash flow from operating activities	11.3	62.8		74.1	(14.0)	(3.9)		(17.9)
Property, plant and equipment	(13.5)	(2.1)		(15.7)	(24.4)	(6.5)		(30.8)
Intangible assets	(0.7)	(0.1)		(0.8)	(0.5)	(0.0)		(0.5)
Other financial assets	0.0	(0.0)		(0.0)	(0.0)	-		(0.0)
Disposals	-	0.4		0.4	0.2	-		0.2
Net cash flow used in investing activities	(14.2)	(1.8)		(16.1)	(24.7)	(6.5)		(31.2)
Free cash flow	(3.0)	61.0		58.0	(38.7)	(10.5)		(49.1)
Buyback/(disposal) of own equity instruments	1.8	-		1.8	1.6	-		1.6
Proceeds from and repayments of financial liabilities	(27.2)	1.3		(26.0)	(14.7)	(5.7)		(20.4)
Dividends payments	-	-		-	-	-		-
Net cash flow from/ (used in) financing activities	(25.4)	1.3		(24.2)	(13.2)	(5.7)		(18.8)
Net increase/(decrease) in cash and cash equivalents	(28.4)	62.2		33.8	(51.8)	(16.1)		(67.9)

5. KEY DEVELOPMENTS

Spain's Supreme Court agrees to hear two of the appeals lodged against the National Appellate Court rulings annulling the extension of the concession in Pontevedra until 2073

On 23 February and 23 March 2022, the Supreme Court agreed to hear two of the appeals lodged by the Company and other entities against the National Appellate Court rulings annulling the extension of the concession over the use of the public-domain coastal land on which the Pontevedra biomill sits, in the wake of proceedings brought by Greenpeace Spain and the town council of Pontevedra, respectively.

On 30 March 2022, the Supreme Court decided to delay its decision on whether to hear the third appeal filed by the Company and other entities against the National Appellate Court ruling on the case brought by a local Pontevedra association, the ADPR, until it issues its ruling on the first two appeals.

Capital Markets Day 2022

On 17 March, Ence presented the market with its growth and cash generation guidance for the next five years.

In the Pulp business, Ence's strategy entails concentrating growth at Navia while continuing to defend the extension of its concession in Pontevedra in the courts. The "Navia Excellence" project contemplates the investment of €105m in the next two years to boost the manufacture of differentiated product, diversify production into pulp for absorbent personal care products (fluff pulp) and decarbonise the facility by slashing its annual GHG emissions by 50,000 tonnes.

In the Renewable Energy business, carried on through Ence's subsidiary Magnon Green Energy, the Group will continue to develop its pipeline of biomass and photovoltaic projects while pursuing other growth opportunities related with the management and storage of energy and biofuels.

Key changes derived from Royal Decree-Law 6/2022

Spanish Royal Decree-Law 6/2022 (of 29 March 2022) includes measures that affect the remuneration regime applicable to the renewable energy, CHP and waste-fuelled power plants regulated in Royal Decree 413/2014, enacted in response to the prevailing electricity price climate, while guaranteeing that those facilities obtain the reasonable return initially contemplated.

The new measures consist primarily of bringing forward to 2022 the adjustment for the deviation between market electricity prices and the prices estimated by the regulator (the regulatory collar) in 2020 and 2021 by means of the annual collection of the remuneration for investment (Ri) parameter; and the adjustment of the regulatory price estimate and remuneration for operation (Ro) parameter applicable in 2022. That adjustment will be implemented by means of a Ministerial Order by 31 May 2022 and will be applicable with effect from 1 January 2022.

It is now estimated that the regulated price for 2022 will be around €122/MWh, compared to the previous estimate of €48/MWh. Since that price is higher than the cost of operating a standard facility, the remuneration for operations parameter will not apply.

It is important to stress that these measures do not have a negative impact on the guidance provided at the Capital Markets Day held on 17 March 2022, which, out of precaution, had factored in a similar scenario, specifically assuming electricity prices of €48/MWh from April and no cash inflow as a result of the regulatory collar.

Lastly, the new legislation includes, among other measures, an 80% reduction in 2022 in the tolls charged to access the power transmission and distribution networks for electricity-intensive industries.

2022 Annual General Meeting

Ence held its Annual General Meeting on 31 March 2022. It was attended - in-person and remotely - by shareholders representing 57% of its share capital, who ratified all of the agenda items. The motions were carried with over 89% of votes in favour on average. The items ratified included:

- ✓ Approval of the 2021 financial statements, management report and sustainability report and of the motion for the appropriation of profit for 2021
- ✓ Approval of the Board of Directors' performance and the Director Remuneration Policy for 2022, 2023 and 2024
- ✓ Re-election of Irene Hernández Álvarez as independent director
- ✓ Re-election of Fernando Abril-Martorell as external director
- ✓ Re-election of José Guillermo Zubía Guinea as external director
- ✓ Appointment of Ángel Agudo Valenciano as proprietary director, in representation of Asua Inversiones S.L.
- ✓ Appointment of Carmen Aquerreta Ferraz as independent director
- ✓ Appointment of Rosalía Gil- Albarellos Marcos as independent director
- ✓ Amendment of the Bylaws and General Meeting Regulations
- ✓ Authorisation of the Board of Directors to buy back own shares and debt instruments

First interim dividend against 2022 profit

The Board of Directors agreed on 26 April 2021 to pay out a first interim dividend from 2022 profits of €0.054 per share (before withholding tax) on 11 May.

The plan is to pay out another two interim dividends this year, to be approved in July and October, respectively.

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 2021, Sustainalytics increased Ence's overall ESG score to 91 points out of 100, which ranks it as the global leader in the pulp and paper sector. 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. That Master Plan is articulated around seven priority lines of initiative:

1. People and values

Ence's commitment to its people has guided the Company's actions since the onset of the pandemic induced by COVID-19 in 2020. During the first quarter of 2022, the Company continued to revise and fine-tune its general protocols, as well as the protocols addressing stoppages and restriction easing, to adapt them for the circumstances prevailing at all times.

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

In terms of the generation of **quality work**, note that, in addition to preserving all jobs throughout the pandemic, as of March 2022, 93.42% of Ence employees had indefinite employment contracts and 98% were working full time.

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 2021 the Company secured Great Place to Work certification for the second 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 1Q22, it promoted 12 professionals, five 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 2022, the Company imparted 4,807.5 hours of training, adapting the formats for remote working arrangements and other safety protocols deriving from the health crisis. Against the backdrop of the Group's digitalisation thrust, it is worth highlighting the 734 hours of training sessions provided on SAP Ariba.

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 3% in 2021 to account for 25%. In the first quarter of 2022, 50% of the new university graduate hires under the age of 30 were women, while female representation in the overall headcount increased a further 1.5%.

Framed by its Equality Plan, Ence offers measures that go beyond its obligations under prevailing labour legislation. In line with those commitments, its remuneration policy is likewise designed to guarantee non-discrimination in pay, compensating employees competitively. 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. Ence updates its safety protocol regularly and meets periodically to monitor how the Covid-19 pandemic is unfolding.

2. Climate action

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

In the mitigation area, Ence has approved specific GHG reduction targets, which call for the reduction of specific scope 1 and 2 emissions in the Pulp segment by 25% by 2025 compared to the base year, defined as 2018. To deliver that target, Ence has devised emission-cutting plans based on continuous improvement and the substitution of fossil fuels at the biomills. In 2021, the Company implemented the measures established in those plans, 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 scope 1 GHG emissions by 9% year-on-year in 2021. In the first quarter of 2022, Ence continued to work on the established roadmap, advancing in the engineering work for the plans to decarbonise the Navia biomill.

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, which was performed in keeping with the IPCC guidelines, showed that in 2021 the forests managed by Ence sequestered over 92,000 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 1.5°C, 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.

On the **health and safety** front, Ence reported a significant improvement in its key accident indicators in 2021 compared to 2020, bringing the overall frequency index down by 39% year-on-year and not recording a single lost-time injury all year long in either the energy or biomass supply areas. Continuing in that same vein, in the first quarter of 2022, Ence carried out its annual maintenance stoppages at both pulp biomills without any accidents or major incidents, a remarkable achievement considering the fact that the various activities had to be adapted for the restrictions emanating from the health protocols.

Indeed, the Navia biomill completed a full year without lost-time injuries in March, having completed two maintenance stoppages in the interim (2021 and 2022). The overall Pulp business unit has been eight months without lost-time injuries.

All units outperformed the key benchmark accident indicators in Spain (general industry and the pulp and paper and the chemicals industries). The Company plans to continue to work to further improve its safety performance, which is a top priority for Ence.

In the **health** arena, despite the improvement in general health situation, the first quarter continued to be marked by the fallout from the Covid-19 pandemic. Against that backdrop, the Company continued to prioritise the health and safety of the entire Ence Family, sticking with the proactive stance that has made it a benchmark for other companies. It continued to improve and update its protocols, which encompass action on several fronts, including: the organisation of work and social distancing; ventilation and air renewal; the use of specific individual protective gear; periodic disinfection; testing and screening; training, information and communication; the provision of health resources; and emergency management plans.

As for its **environmental performance**, it is worth highlighting the trend in the key performance indicators in Navia, which reduced its odour emissions by 82% year-on-year in 1Q22 to a record low.

In the Renewable Energy business, the targets for 2022 include unit water consumption reduction targets across the plants and work was done during the first quarter on the underlying rationalisation plans.

As for its **circular economy** transition, Ence continues to present high waste recovery and recycling readings (above 99% of all waste at year-end 2021), 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). By the end of the first quarter, six of the Group's eight industrial facilities had obtained that certificate and the idea is for all facilities to be Zero Waste certified by the end of 2022.

As for the implementation of environmental management systems in the Renewable Energy business, progress is being made on the planned roadmap, with implementation completed at the La Loma, Enemansa and Lucena plants, with a view to achieving certification over the course of 2022.

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 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 2022, over 85% of its forest assets were certified under one or other of those standards and nearly 74% of the wood that entered its biomills during the quarter 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 biodiversity analyses encompassing 85% of its forest assets, notably including the first documented study of the fauna potentially present in its woodlands. So far in 2022, the Group has continued that effort, completing new fauna and flora biodiversity studies.

As for the **generation of value for forest owners and suppliers**, Ence goes to lengths to support smaller-sized firms: in 1Q22, 93% of wood suppliers and 69% of forest owners were small players. In 1Q22, the Company purchased almost €11 million worth of wood from nearly 500 forest owners. As for biomass, Ence mobilised over 412,000 million tonnes through its plants in 1Q22, generating over €17m of value for its biomass 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; in 2021, most of the wood and biomass bought came from Galicia, Asturias, Cantabria, 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, framed by two major projects: the voluntary 10-Point Declaration on the Sustainability of Biomass and plant certification under the European Renewable Energy Directive (RED II).

Over 77% of the agricultural biomass used in 1Q22 was compliant with the 10-Point Plan criteria, close to the target of 80% for all of 2022.

Ence also certifies its facilities in accordance with the sustainability requirements established for biomass in EU Directive 2018/2001 on the promotion of the use of energy from renewable sources, specifically by means of the SURE-EU scheme. Having satisfactorily concluded the required audits in July 2021, the Merida and Pontevedra facilities became the first to obtain SURE certification in all of Europe. Following that first milestone, Ence continued to execute its certification plan to end 2021 with all its facilities certified. It has begun to expand SURE certification to its universe of suppliers in early 2022.

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 99% by March 2022.

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 to make some of its production a Zero Carbon product.

In order to transparently demonstrate the sustainability attributes of its products, Ence has developed, together with Environdec, the Product Category Rule (PCR) for pulp, which is was posted on its website⁽¹⁾ at the end of March 2022, and the Environmental Product Declarations (EDP), framed by the International EDP System. The PCR establishes the rules for performing like-for-like analysis so as to yield comparable results, while the EPD contains verified information about a product's environmental performance. The EDPs for Ence's unbleached pulp, Naturcell, and for the standard bleached pulp made in Pontevedra were published on Environdec's website in 2021, making these Ence products the first pulp products in the market to obtain an **Environmental Product Declaration**. Ence has started to revise its DAPs to verify that they comply with all of the requirements stipulated in the new PCR.

Growth in the sale of **sustainable products** is one of Ence's key sustainability priorities, to which end it has set sales targets for Naturcell, Powercell and Naturcell Carbon Zero for 2022. In 1Q22, sales of these products accounted for 18% of total pulp sales, up 2 percentage points from 1Q21.

Elsewhere, Ence has set itself the target of carrying out the pre-assessment required to obtain biodegradability certification for its pulp in 2022 in order to shine the spotlight on this product sustainability attribute.

(1) <https://www.environdec.com/product-category-rules-pcr/get-involved-in-pcr-development#recentlypublishedpcrs>.

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. In 1Q22 it signed a new agreement with the town council of Puertollano, adding to the agreements already in place with the local authorities in Navia and San Juan del Puerto.

In addition to the above community investments, in 2022 Ence has continued to roll out **specific relations plans** for its communities in Huelva, Navia and Pontevedra, with the aim of educating local residents and other stakeholders about the Company's activities. Under the umbrella of those plans, it hosted a total of 400 visits to the facilities in Navia, Pontevedra and Huelva in the first quarter of 2022. In parallel with those facility tours, the Company, with the help of its employees, carries out a number of training, education and volunteering projects and meets with representatives for its various stakeholders in order to foster open communication with all of them.

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.

The Company held its Annual General Meeting, in person - with online attendance permitted - on 31 March 2022, as provided for in the Corporate Enterprises Act and Ence's internal regulations.

All of the resolutions submitted to the Company's shareholders for ratification were carried. Among the motions ratified, it is worth highlighting approval of the financial statements and non-financial statement (Sustainability Report) for 2021, approval of a new Director Remuneration Policy for 2022-2024, approval of the proposed amendments to the Company's Bylaws and General Meeting Regulations, giving rise to recast texts and, in relation to the Board of Directors, the re-election of Irene Hernández Álvarez as independent director, Fernando Abril-Martorell and José Guillermo Zubía as 'other external' directors, the appointment of Ángel Agudo Valenciano as proprietary director and the appointments of Carmen Aquerreta Ferraz and Rosalía Gil-Albarellos Marcos as independent directors.

Note that, following analysis by the Company of the amendments deriving from publication of Law 5/2021, amending the consolidated text of the Corporate Enterprises Act (enacted by Legislative Royal Decree 1/2010) and other financial regulations as regards the encouragement of long-term shareholder engagement at listed companies, all of the required measures, including those subject to shareholder approval, have been duly implemented at Ence.

The recent ratification of all the resolutions submitted to its shareholders at the last Annual General Meeting endorses Ence's unwavering commitment to meeting its objectives, notably including those related with the diversity and independence of its Board and Board committees. Here it is worth highlighting the fact that female boardroom representation at Ence has increased from 7% in 2017 to 38.5% in 2022. Moreover, one of the female directors has been acting as lead independent director since 2019. Ence's commitment to shaping a diverse and markedly independent boardroom is likewise evident in the make-up of its Board committees: all of those committees, with the exception of the executive committee, boast female representation of 60% and all female committee members are independent directors, including their chairwomen. The committee compositions approved by the Board of Directors implies full compliance with Code of Good Governance recommendations #52 and #53, with which Ence was only partially compliant in 2021.

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

Facility	Type of facility	MW	Annual Remuneration for investment (Ri; €/MW) *	Type of fuel	Remuneration for operation 2021 (Ro; €/MWh)	Cap on sale hours under tariff per MW	Regulatory life (year of maturity)
Pontevedra	Biomass co-generation	34.6	- 55,317	Lignin Agroforestry biomass	- -	- -	2032
Navia	Biomass co-generation	40.3	-	Lignin	-	-	2034
	Biomass generation	36.2	230,477	Agroforestry biomass	-	7,500	
Huelva 41MW	Biomass generation	41.0	246,305	Agroforestry biomass	-	7,500	2025
Jaen 16MW	Biomass generation	16.0	261,046	Olive Pulp	-	7,500	2027
Ciudad Real 16MW	Biomass generation	16.0	261,046	Olive Pulp	-	7,500	2027
Cordoba 27MW	Biomass generation	14.3	229,611	Olive Pulp	-	7,500	2031
	Gas co-generation	12.8	-	Natural Gas	49.5	-	2030
Huelva 50MW	Biomass generation	50.0	266,475	Agroforestry biomass	-	7,500	2037
Mérida 20MW	Biomass generation	20.0	293,601	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

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

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

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

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

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

The pool prices estimated by the regulator for the purpose of determining the 'Ro' supplement are reviewed every three years and deviations between market pool prices and the prices estimated by the regulator at the start of each period are compensated as a function of certain annual cap and floor (regulatory collar), except in the case of the last two biomass plants commissioned in 2020, whose remuneration is not subject to that cap.

Regulated sales volumes in MWh may not exceed the product of a facility's gross installed capacity (MW) and the annual cap on hourly output, which is 7,500 hours in the case of power generated using biomass (there is no cap in the case of CHP generation).

Spanish **Royal Decree-Law 6/2022** (of 29 March 2022) includes measures that affect the remuneration regime applicable to the renewable energy, CHP and waste-fuelled power generation plants regulated in Royal Decree 413/2014, in response to the prevailing electricity market price climate, while guaranteeing that those facilities obtain the reasonable return initially contemplated.

The new measures consist primarily of bringing forward to 2022 the adjustment for the deviation between market electricity prices and the prices estimated by the regulator (the regulatory collar) in 2020 and 2021 by means of the annual collection of the remuneration for investment (Ri) parameter; and the adjustment of the regulatory price estimate and the supplementary remuneration for operation (Ro) parameter applicable in 2022. That adjustment will be implemented by means of a Ministerial Order by 31 May 2022 and will be applicable with effect from 1 January 2022.

It is now estimated that the regulated pool price for 2022 will be around €122/MWh, compared to the previous estimate of €48/MWh. Since that price is higher than the cost of operating a standard facility, the remuneration for operation (Ro) parameter will not apply.

Below are the pool prices estimated by the regulator for 2020-2022, along with the corresponding ceilings and floors and the expected update for 2022 in the wake of Royal Decree-Law 6/2022:

Eur / MWh	2020	2021	2022 inicial	Act. 2022 est.
LS2	63,1	60,5	56,6	141,4
LS1	58,8	56,3	52,7	131,6
Estimated pool price	54,4	52,1	48,8	121,9
LI1	50,1	48,0	44,9	112,1
LI2	45,7	43,8	41,0	102,4

It is important to stress that these measures do not have a negative impact on the guidance provided at the Capital Markets Day held on 17 March 2022, which, out of precaution, had factored in a similar scenario, specifically assuming electricity prices of €48/MWh from April and no cash inflow as a result of the regulatory collar.

- 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 Company has accordingly reduced its plants' remuneration for operation income.

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 privatized in 2001 and are part of the Ibex Medium Cap index.

Ence's share price ended March at €3.19, a gain of 41.1% from year-end 2021. Over the same timeframe, the Company's peers' share prices gained 3.3% on average.



Source: Bloomberg

SHARES	1Q21	2Q21	3Q21	4Q21	1Q22
Share price at the end of the period	4.26	3.43	2.38	2.26	3.19
Market capitalization at the end of the period	1,047.9	843.7	587.1	557.6	786.6
Ence quarterly evolution	25.3%	(19.5%)	(30.4%)	(5.0%)	41.1%
Daily average volume (shares)	1,145,084	960,860	862,883	1,220,887	1,457,945
Peers quarterly evolution *	18.5%	(11.3%)	(8.5%)	4.1%	3.3%

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

On 5 March 2018, Ence issued €160m of convertible bonds due 5 March 2023. The bonds carry a fixed annual coupon of 1.25%, payable semi-annually, and are convertible into shares of the Company, at the option of the bondholders, at an initial conversion price of €8.0901 per share (adjusted on 1 July 2021). The convertible bonds are traded on the Frankfurt stock exchange.

CONVERTIBLE BOND	1Q21	2Q21	3Q21	4Q21	1Q22
Bond price at the end of the period (ask)	97.60	98.14	97.96	99.15	100.28
Yield to worst at the end of the period*	2.063%	2.075%	2.208%	1.515%	0.945%

*Yield to maturity

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:

CASH COST

The production cost per tonne of pulp produced, or cash cost, is the key measure used by management to measure its efficiency as a pulp maker. Cash costs are analysed in section 2.4 of this report.

Cash cost includes all of the expenses incurred to produce pulp: wood, conversion costs, corporate overhead, sales and marketing expenses and logistics costs. It excludes fixed-asset depreciation and forest depletion charges, impairment charges and gains/losses on non-current assets, finance costs/income, income tax and certain operating expenses which management deems to be non-recurring, such as *ad-hoc* consultancy projects, ENCE's long-term remuneration plan, the termination benefits agreed with staff and the cost of certain benefits.

As a result, the difference between the average sales price and the cash cost applied to the total sales volume in tonnes yields a figure that is a very close proxy for the EBITDA generated by the Pulp business before the impact of hedges, which are not included in the cash cost calculations either.

EBITDA

EBITDA is a measure used in the statements of profit or loss presented in this report, in sections 2.7, 3.3 and 4.1, and is a measure of operating profit before depreciation, amortisation and forest depletion charges, non-current asset impairment charges, gains or losses on non-current assets and one-off items of income and expense that are not part of the Company's ordinary operating activities and therefore undermine the comparability of the numbers.

EBITDA is an indicator used by management to track the Group's recurring profitability over time. This metric provides an initial approximation of the cash generated by the Company's ordinary operating activities, before interest and tax payments, and is a measure that is widely used in the capital markets to compare the earnings performances of different companies.

MAINTENANCE, EFFICIENCY, GROWTH AND SUSTAINABILITY CAPEX

Ence provides the breakdown of its capex-related cash outflows for each of its business units in sections 1, 2.8 and 3.4, distinguishing between maintenance, efficiency, growth and sustainability capex.

Maintenance capex are recurring investments designed to maintain the capacity and productivity of the Company's assets. Efficiency and growth capex, meanwhile, are investments designed to increase those assets' capacity and productivity. Lastly, sustainability capex covers investments made to enhance quality standards, occupational health and safety and environmental performance and to prevent contamination.

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

CASH FLOWS

The Cash Flow Analysis presented in sections 1, 2.8 and 3.4 of this report differs from the cash flow movements presented in the statement of cash flows included in section 4.3 and also presented in the annual financial statements.

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

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

FREE CASH FLOW

Ence reports free cash flow as the sum of its net cash flows from operating activities and its net cash flows from investing activities in sections 2.8, 3.4 and 4.3 of this report.

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

NORMALISED FREE CASH FLOW

Ence reports normalised free cash flow within the cash flow analysis provided for each of its two business units in sections 1, 2.8 and 3.4 of this report. Normalised FCF is the sum of EBITDA, the change in working capital, maintenance capital expenditure, net interest payments and income tax payments.

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

NET DEBT

The borrowings recognised on the balance sheet, as detailed in section 4.2 of this report, include bonds and other marketable securities, bank borrowings and other financial liabilities. They do not include, however, the measurement of derivatives or borrowings from Group companies and associates.

Net debt is calculated as the difference between current and non-current borrowings on the liability side of the balance sheet and the sum of cash and cash equivalents, the debt service cash reserve and other financial investments within current assets, as outlined in sections 2.9 and 3.5 of this report.

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

DISCLAIMER

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

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

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

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Earnings Report 1Q22

