



2Q24 Results

31 July 2024



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Today's presenters



Ignacio de Colmenares

*Chairman & CEO
Ence Energía y Celulosa*



Alfredo Avello

*Chief Financial Officer
Ence Energía y Celulosa*

2Q24 Operating Highlights

- Pulp price improvement continued in 2Q24 boosted by strong pulp demand growth and supply constraints
- Ence Advanced pulp sales accounted for 28% of total pulp sales in 2Q24
- 26% improvement in the pulp average sales price vs. 2Q23 up to 728 EUR/t
- 60 €/t cash cost reduction vs. 2Q23 and 13 €/t vs. 1Q24, down to 474 €/t
- Pulp operating margin x6 vs. 2Q23 up to 254 €/t
- New biomass plants regulation approved in 2Q24 align cash generation with accounting EBITDA
- 24% higher energy volume and 20% lower operating costs in Renewables

2Q24 Financial Results

- x7 YoY EBITDA growth in the Pulp business, up to €61m, boosted by the improvement in pulp prices and cash cost reduction
- +10% YoY EBITDA growth in Renewables, up to €5m driven by higher energy output and lower operating costs
- x5 YoY consolidated EBITDA growth, up to €66m and €24m FCF generation
- €12m WC outflow in 2Q24 linked to pulp price improvement partially offset by the factoring of the Ro accrued in Renewables
- Low leverage position with €279m Net Debt at the end of 2Q24 and a cash balance of €281m

3Q24 Outlook

- European PIX pulp prices flattening out in 3Q24. Spot transactions affected by lower prices in China
- Cash cost expected to stabilize, despite the Pontevedra biomill maintenance shutdown in 3Q24
- Strong pulp operating margin and cash flow expected in 3Q24
- New biomass plants regulation improves our initial FY2024 cash flow forecast by over €60m
- Biomass operating costs reduction should continue in 3Q24
- First interim dividend of €26m to be paid on 7 Aug. A second interim dividend will be decided by the end of October

Growth and Diversification Projects

- Ence Advanced pulp sales continue to gain market share. Aim: to reach 50% by 2028
- Fluff diversification project on track. Commissioning expected in 4Q25
- Finalizing the engineering to boost the efficiency and flexibility of Pontevedra biomill
- The permitting of the As Pontes project is progressing. Final investment decision in 2025
- 42 biomethane projects under development. 13 plants already in their engineering and permitting phase
- 1 renewable thermal energy contract in operation and 14 projects under negotiation. 3 plants already in their engineering and permitting phase



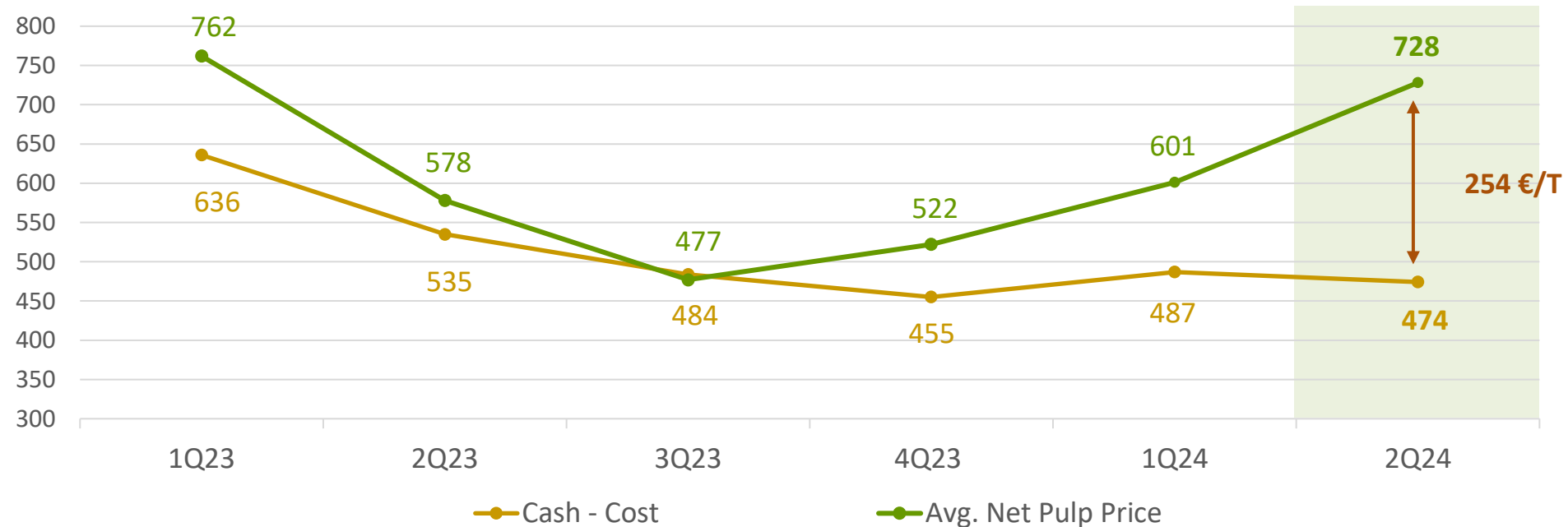
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2Q24 Operating Highlights

254 €/t operating margin in 2Q24

Boosted by the pulp price improvement and cash cost reduction

Avg. NET Pulp Price & Cash-Cost
(€/t)

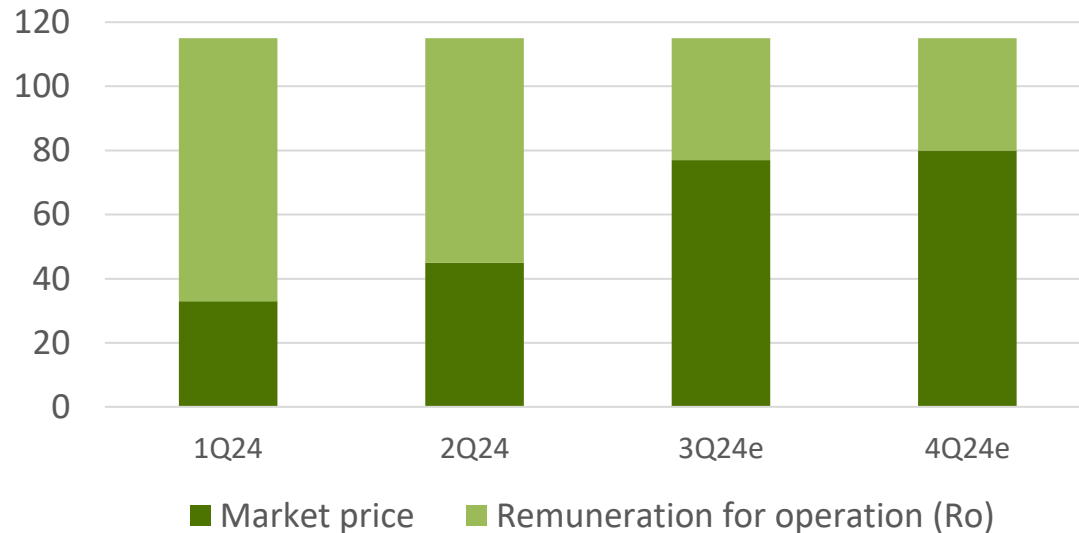


- 26% improvement in the average sales price vs. 2Q23, up to 728 €/t
- 60 €/t cash cost reduction vs. 2Q23, down to 474 €/t
- Operating margin up to 254 €/t, x 6 vs. 2Q23

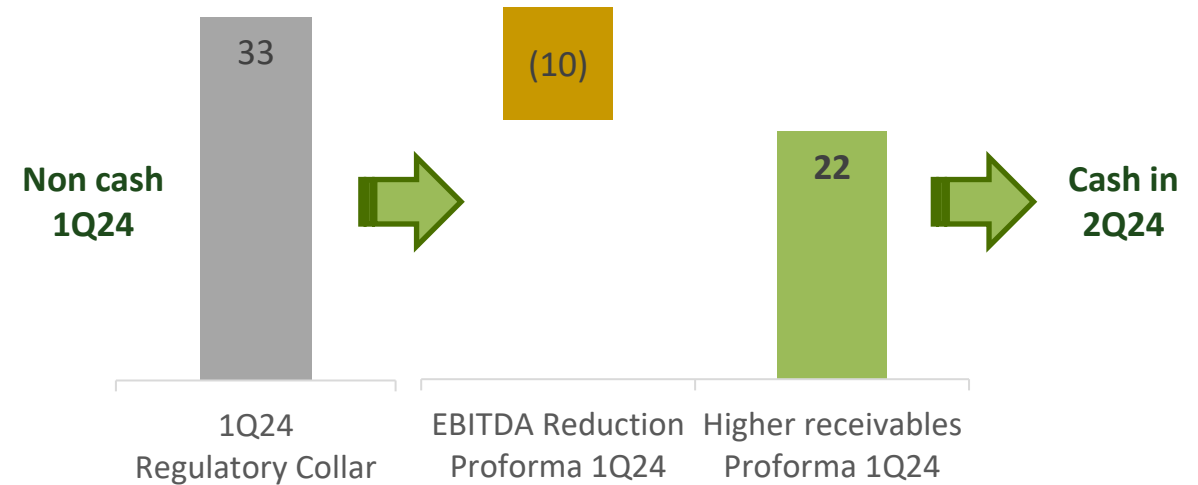
New methodology to update quarterly the Ro cashed by biomass plants

The former regulatory collar is eliminated, improving the cash generation profile

Magnon regulated sales price (€/MWh)



Accounting impact on 1Q24 consolidated results (Mn€)



- According to the new methodology approved, **the remuneration for operation (Ro) is updated quarterly and settled monthly**, based on the difference between the standard cost of operating the plants (around €115/MWh for Magnon operating biomass plants) and the electricity market price estimated in the immediately preceding quarter
- Consequently, the former adjustments for deviations between regulated and market prices (**regulatory collar**) are **eliminated, aligning cash flow generation with EBITDA and improving cash generation profile in the short term**

- We have assigned to each quarter the accounting effect of this new methodology which was published in June, with **retroactive effect from January 1, 2024**
- **1Q24 regulatory collar** (€33 million) turns into higher receivables (€22 million) due to the **increase in the remuneration for the operation (Ro)** and a lower EBITDA (€10 million) as a result of the regulated price being applied to the real power output instead of the theoretical one
- **New methodology aligns cash flow generation with EBITDA in FY2024, improving our initial cash flow forecast by over €60m**



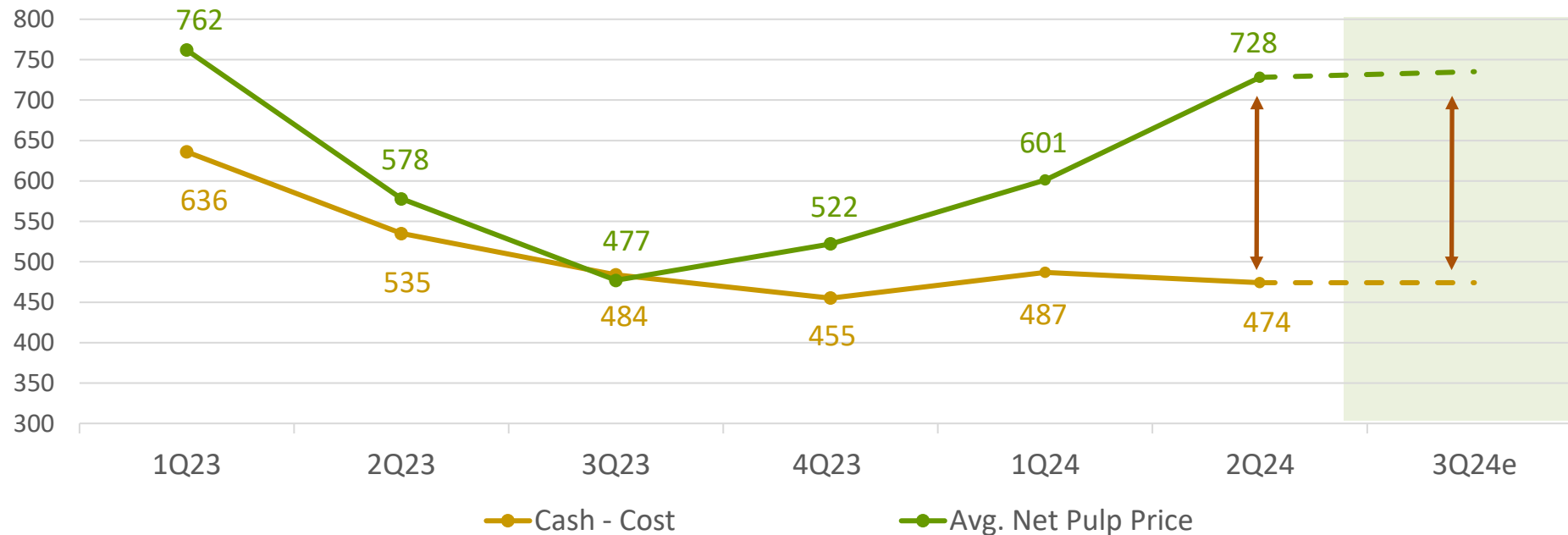
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3Q24 Outlook

Pulp price and cash cost flattening out in 3Q24

Pointing to a strong operating margin and cash flow generation in 3Q24

Avg. NET Pulp Price & Cash-Cost
(€/t)



- European PIX pulp price persists at 1,440 GROSS USD/ton (equivalent to NET 750 EUR/ton approx.) Spot transactions affected by lower prices in China
- Pulp cash cost expected to stabilize, despite the Pontevedra biomill maintenance shutdown in 3Q24
- Biomass operating costs reduction should continue in 3Q24

First interim dividend of €26m against 2024 Results

A second interim dividend to be decided by the end of October

Dividend policy

Amount based on **cash**

available for distribution

Ensuring a **leverage** below:

2.5 x

Net Debt / average cycle EBITDA for the **Pulp** business

5.0 x

Net Debt / average cycle EBITDA for the **Renewable** business

Considering capex plans and commitments

First interim dividend against 2024 results:

- Total gross amount €26m
- Equivalent to a gross **€ 0,107 /share**
- **Payment date: 7 August 2024**
- Ex- Dividend Date: 5 August 2024
- **Dividend yield: 3.4%** (over Ence closing price on 30/07/24)



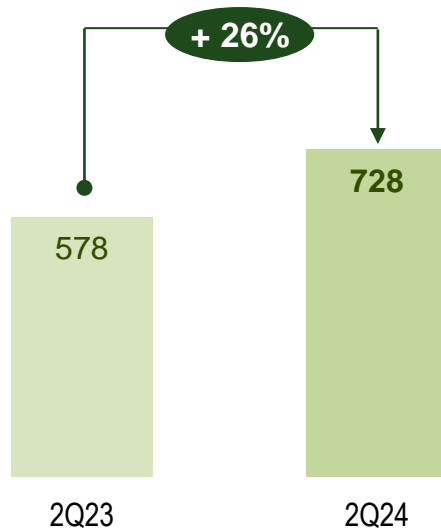
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2Q24 Financial Results

x7 YoY EBITDA growth in the Pulp business

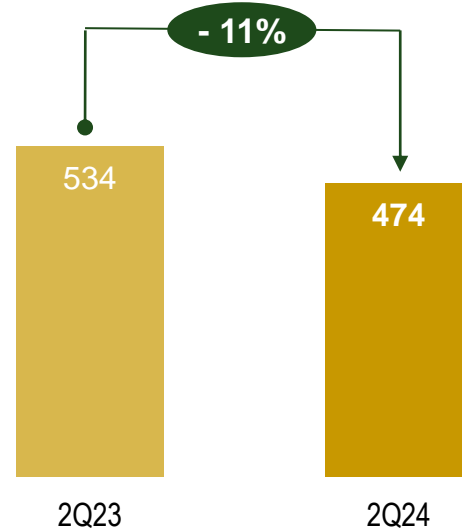
Boosted by the improvement in pulp prices and cash cost reduction

Avg. NET Sales price
(€/t)



150 €/t avg. net pulp price improvement vs. 2Q23

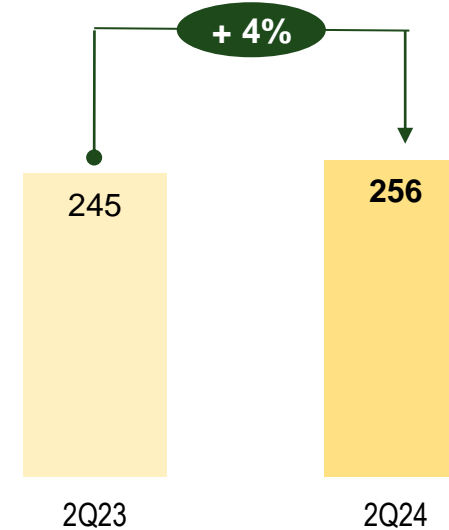
Cash Cost
(€/t)



60 €/t cash cost decrease vs. 2Q23

- Lower raw material and logistic costs
- Extra-cost of 28 €/t in 2Q23 related to Pontevedra's water recovery solution and energy turbine

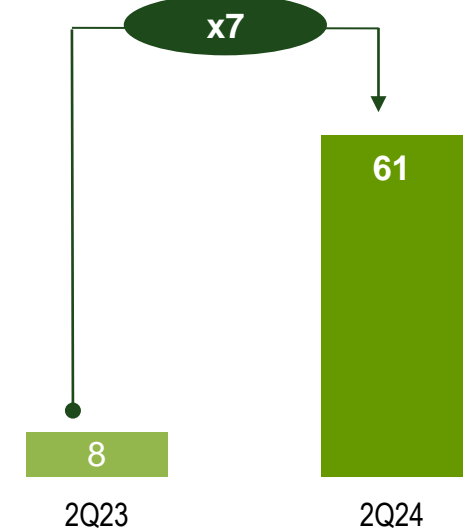
Pulp sales volume
(,000 t)



+11 Kt higher sales vs. 2Q23

- Pontevedra's annual maintenance scheduled for 3Q24 vs. 2Q23

Pulp EBITDA
(€m)



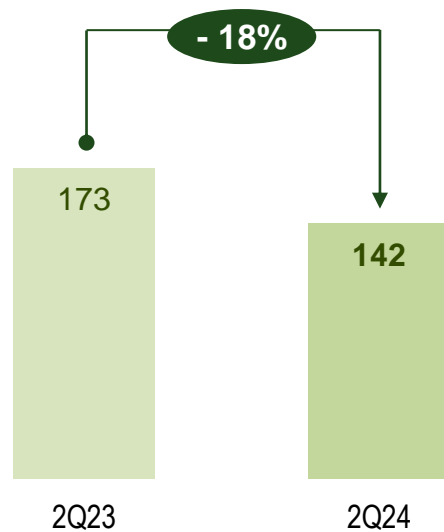
€53m EBITDA increase vs. 2Q23

- Pulp price improvement and cash cost reduction boosted the operating margin up to 254 €/t vs. 43 €/t in 2Q23

10% YoY EBITDA growth in the Renewables business

Driven by higher energy volumes and lower operating costs

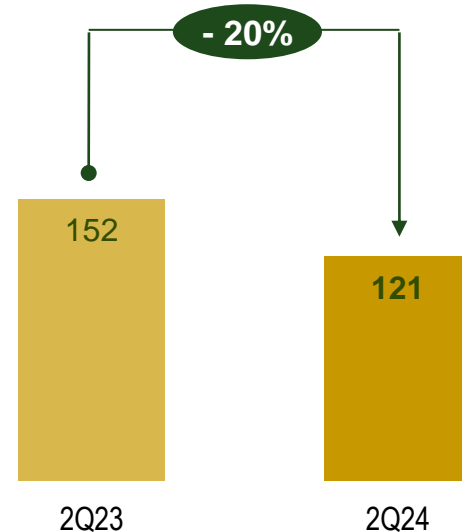
Average revenue per MWh
(€/MWh)



31 €/MWh lower revenues vs. 2Q23

- Elimination of the regulatory collar as from 2024. It was calculated on a theoretical power generation, instead of the real one

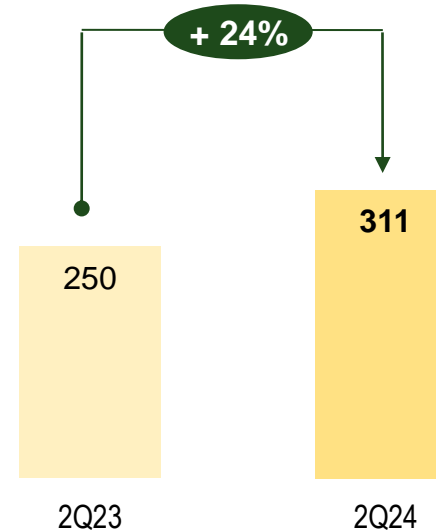
Net operating costs per MWh
(€/MWh)



31 €/MWh lower operating cost vs. 2Q23

- Higher fixed cost dilution on back of higher energy output
- Lower biomass cost

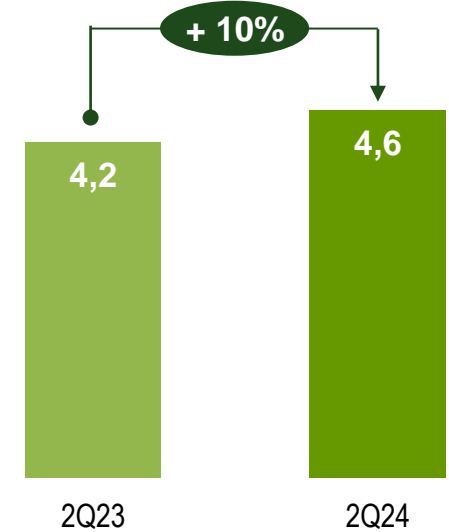
Energy volume sold
(GWh)



61 GWh output improvement

- Hu 50 MW biomass power plant was idle for maintenance in 2Q23

Renewables EBITDA
(€m)



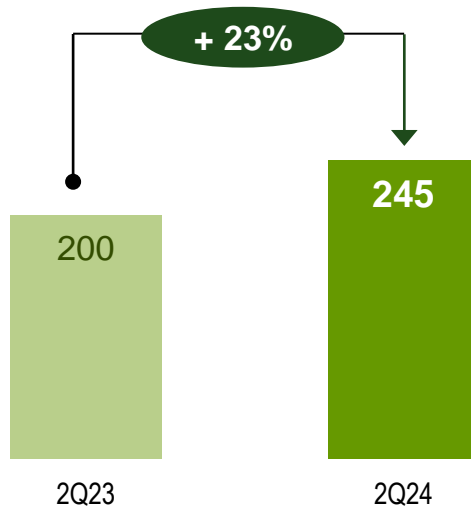
10% EBITDA growth vs. 2Q23

- Boosted by higher energy volumes and lower operating costs

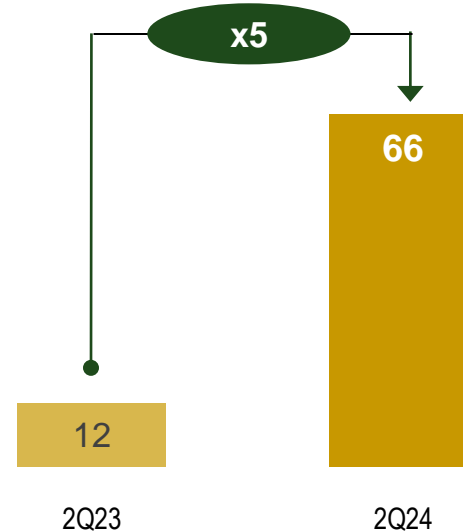
x5 YoY consolidated EBITDA growth

Boosted by the improvement in pulp prices and the reduction of operating costs

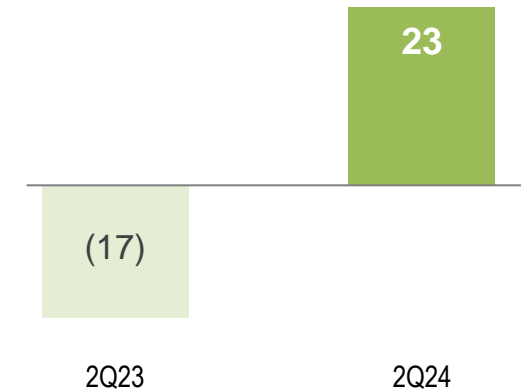
Group Revenues (€ m)



Group EBITDA (€ m)



Attributable Net Income (€ m)



€45m consolidated revenue growth vs. 2Q23

- +€43m in the Pulp business boosted by 26% higher pulp price and 4% higher sales volume
- +€2m in the Renewable business boosted by 24% higher energy output

€54m consolidated EBITDA growth vs. 2Q23

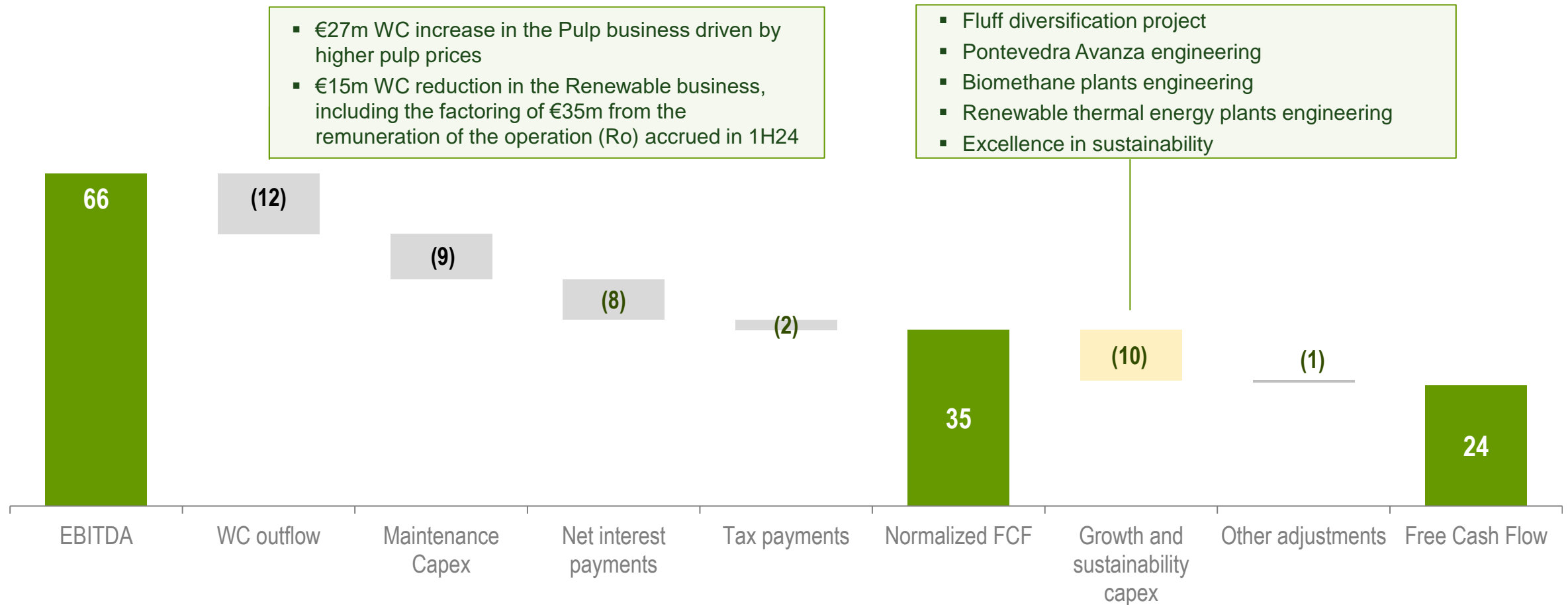
- + €53m in the Pulp business Boosted by the improvement in pulp prices and cash cost reduction
- + €0.4m in the Renewable business

+ €40m Attributable Net Income improvement vs. 2Q23

€24m FCF 2Q24

Including €12m WC outflow and €10m growth capex

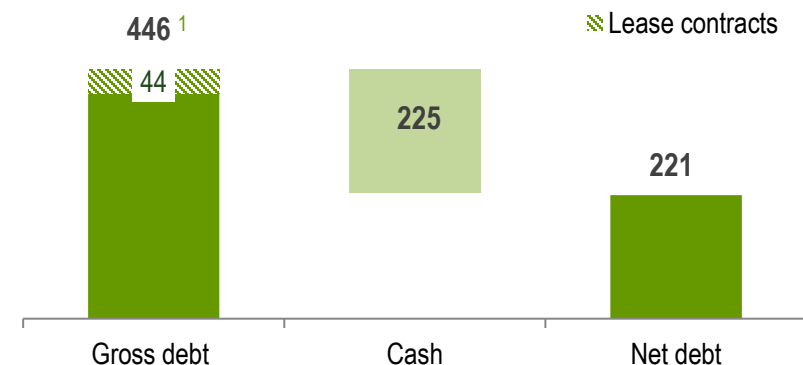
Cash Flow Statement 2Q24 (€m)



Low leverage position vs. our average cycle EBITDA of €175m¹

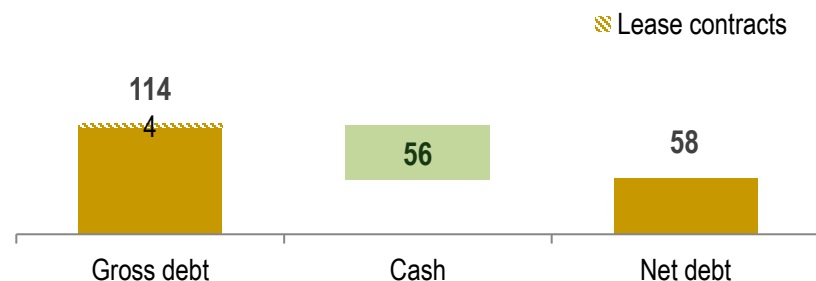
Net debt down to €279m with a solid cash balance of €281m at 30 Jun. 2024

Pulp business net debt as of 30 Jun. 2024 (€ m)



1) Pulp business financial debt is covenant free

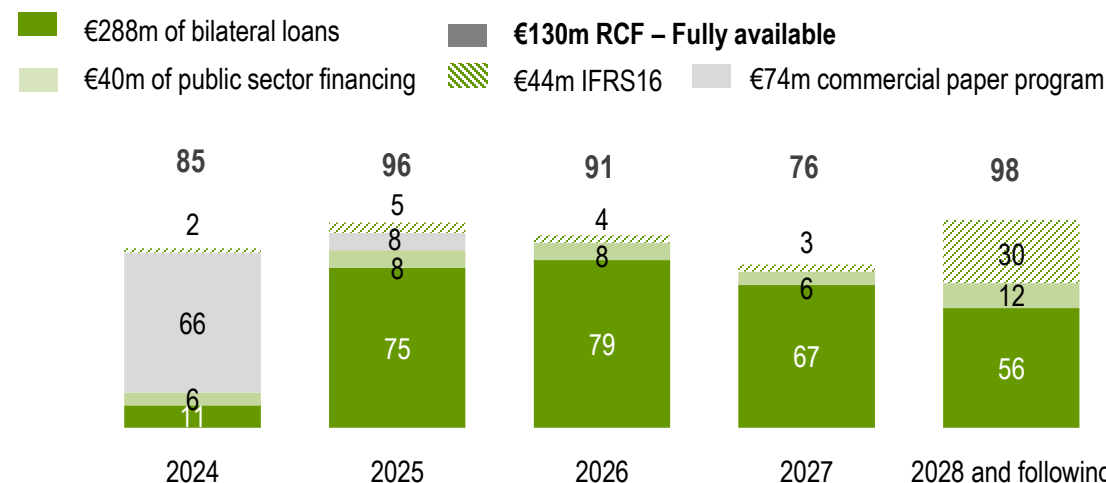
Renewables business net debt as of 30 Jun. 2024 (€ m)



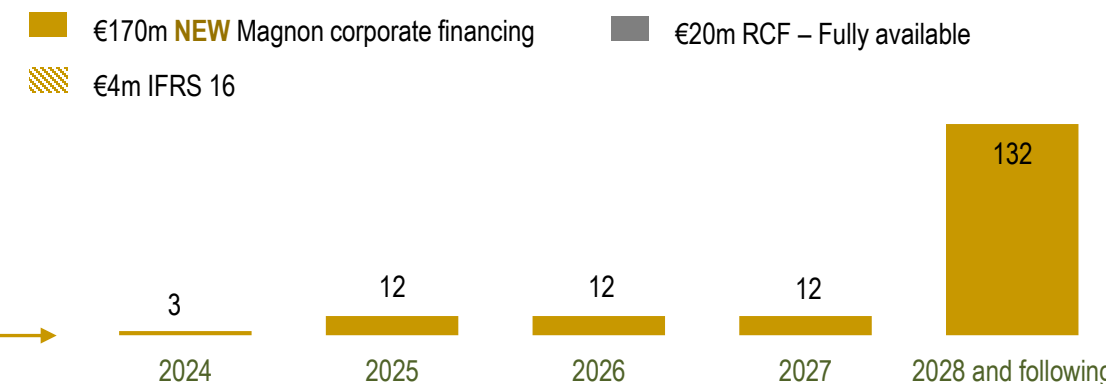
Note: Magnon refinancing closed in July, increasing its gross debt balance to €170 million and extending its final maturities until January 2032



Pulp business debt maturity schedule (€ m)



Magnon NEW debt maturity schedule (€ m)



1) Average consolidated EBITDA 2015 – 2023, excluding the impact in 2021 of one-off pulp and energy price hedges arranged in 2020, during the pandemic

ENCE: industry leader in sustainability

Highlights Q2 2024



Safe and Eco-efficient operations

For operational cost reduction

Protecting Health and Safety of employees and contractors

- ✓ 47% reduction of LTIR* vs. 2023
- ✓ 0 accidents with leave in Magnon in the first half of the year

Water use reduction

- ✓ - 3% Navia (vs 2023, best historical performance)

Odour reduction (vs. 2023)

- ✓ - 26% Navia and - 55% Pontevedra

Advancing towards a circular economy

- ✓ 100% sites ZERO WASTE certified

Committed to mitigate climate change

- ✓ Climate Neutrality Plan designed for the Pontevedra biofactory in H1



Bioproducts & ecosystem services

Potential for topline improvement

Differentiated pulp products with higher added value

- ✓ 28% of total sales in T2. Products with higher and growing margins
- ✓ 1st Carbon neutral product (Naturcell Zero)

Forestry bioproducts and ecosystem services

- ✓ Improved plant material, better adapted to climate change: 1 new Eucalyptus clone in commercial phase
- ✓ 1.800 ha Forest sinks registered in voluntary carbon markets



Responsible supply chain

To become preferred supplier

Certified supply chain

- ✓ 87% of managed land certified
- ✓ >77% of wood certified
- ✓ 100% sites SURE System certified (Sustainable biomass)

Supply chain supervision

- ✓ Deployment of the new Third Party Due Diligence Procedure, in order to avoid human rights violations and negative environmental impacts risks along the supply chain
- ✓ Implementation of tools to comply with the EUDR Regulation against deforestation



Positive social impact

To grant business sustainability

Talent as a competitive advantage

- ✓ 27,2% female employees
- ✓ 27,7% females in managerial positions
- ✓ Great Place to Work certification (4th year in a row)

Creating positive social impact in local communities

- ✓ Agreements with town councils and preparation of the new edition of Ence's Pontevedra Social Plan (3M€)

Promoting professional development in rural communities

- ✓ New edition of the Forestry machinery training program
- ✓ 500+ technical advice sessions with Forest owners

*Lost time incident rate (LTIR) = nº accidents/worked hours x 10⁶



4.

Growth and diversification projects

Diversification projects in the Pulp business

Without increasing the consumption of wood

Status: **On track**

ENCE ADVANCED PULP

To develop and sell our Ence Advanced products, with enhanced technical properties and higher margins

% / total pulp sales	28% in 2Q24
Substitution target	50% by 2028
Estimated capex	0



Status: **On track**

ROCE target: **>15%**

FLUFF

To diversify Navia's product range into Fluff pulp for the absorbent hygienic products industry in Europe, substituting imported Fluff based on more expensive softwood

Substitution target	125 Kt
Estimated capex	€30m in 2024-25
Exp. commissioning	4Q 2025



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

Efficiency and diversification projects in the Pulp business

Without increasing the consumption of wood

Status: **Engineering and permitting**
ROCE target: **>15%**

RENEWABLE PACKAGING SOLUTIONS

To develop and produce a portfolio of renewable packaging solutions, capable of replacing single-use plastic packaging in the food sector

Production target: 40 m units

Estimated capex: €12m in 2025

Investment decision: 4Q24



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

PONTEVEDRA AVANZA

Integral project to boost the efficiency and flexibility of Pontevedra biomill

Pontevedra cash cost reduction target: 50 €/t

Estimated capex: €120m in 2025-30

Investment decision: 1Q25



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

BLEACHED RECYCLED PULP

To produce bleached recycled pulp in As Pontes (Galicia) using recycled fibers, without increasing the consumption of wood

Production target: + 100 Kt

Estimated capex: > €125m

Investment decision: 2025



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

Growth and diversification projects in Renewables

42 biomethane projects with a required ROCE >12%

BIOMETHANE BUSINESS

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

Production Target: 1,000 GWh by 2030

Estimated Capex: €0.4m / GWh

ROCE Target: > 12%



BIOMETHANE PIPELINE STATUS

Working on **42** biomethane projects in Spain

28 plants with secured location and feasibility study completed

13 plants in the engineering and permitting phase

6 plants expected RTB in 2025

Working on 42 biomethane projects in Spain for our own development and rotation at RTB (ready to build status)

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

Growth and diversification projects in Renewables

14 renewable thermal energy projects with a required ROCE >11%

RENEWABLE THERMAL ENERGY

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

Production Target: 2,000 GWh by 2030

Estimated Capex: €0.1m / GWh

ROCE Target: > 11%



RENEWABLE THERMAL ENERGY PIPELINE STATUS

1 renewable thermal energy contract in operation and 14 projects under negotiation

8 projects under advanced negotiations

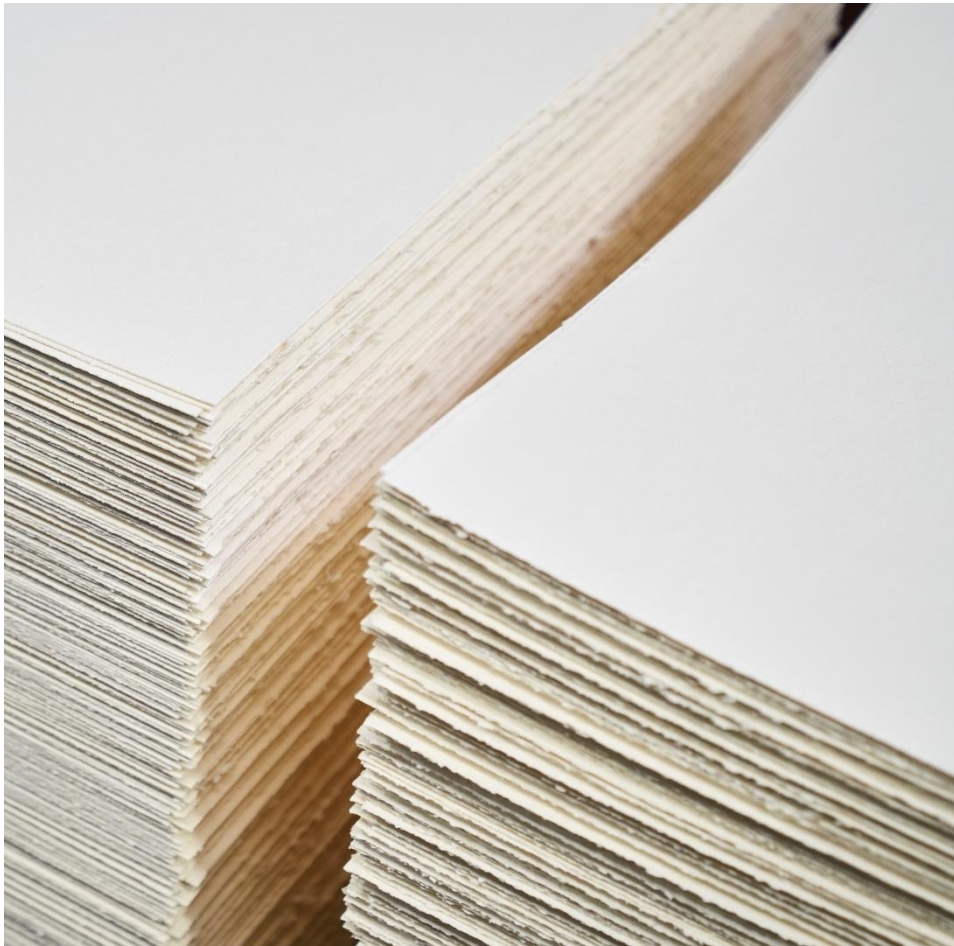
3 plants under exclusivity in their engineering and permitting phase
€4m grants awarded

3 plants expected RTB in 2025

Working on 14 renewable thermal energy projects in Spain for our own development

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

Closing Remarks



- We expect a strong pulp operating margin and cash flow generation in 3Q24
 - The new regulation for biomass plants improves our cash flow generation profile
 - Biomass operating costs reduction should continue in 3Q24
 - A first interim dividend of €26m will be paid on 7 Aug. A second interim dividend will be decided by the end of October
-
- Ence is well positioned to pursue its growth, whilst maintaining a prudent leverage and an attractive shareholder remuneration
 - The accomplishment of our goals should allow us to improve significantly our recurrent EBITDA in the pulp business and more than double the recurrent EBITDA in the Renewable business over the next five years



Appendix

Group Financial Review

P&L

Figures in € m	1H24				1H23			
	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
Total revenue	358.9	91.4	(1.8)	448.5	335.1	125.7	(2.0)	458.8
Other income	10.9	2.6	(0.6)	12.9	14.8	3.3	(0.6)	17.5
Foreign exchange hedging operations results	0.3	-	-	0.3	(0.7)	-	-	(0.7)
Cost of sales and change in inventories of finished produ	(176.2)	(34.4)	1.8	(208.8)	(179.2)	(47.4)	2.0	(224.6)
Personnel expenses	(45.8)	(11.4)	-	(57.2)	(43.3)	(10.1)	-	(53.3)
Other operating expenses	(58.4)	(36.9)	0.6	(94.7)	(92.9)	(39.9)	0.6	(132.2)
EBITDA	89.7	11.2	-	100.9	33.8	31.6	-	65.4
Depreciation and amortisation	(28.7)	(16.4)	0.8	(44.3)	(26.2)	(17.5)	0.8	(43.0)
Depletion of forestry reserves	(6.3)	-	-	(6.3)	(5.0)	-	-	(5.0)
Impairment of and gains/(losses) on fixed-asset disposal:	(0.7)	1.1	-	0.4	(0.5)	0.3	-	(0.3)
Other non-ordinary operating gains/(losses)	(1.3)	(4.5)	-	(5.7)	(6.6)	-	-	(6.6)
EBIT	52.8	(8.6)	0.8	45.0	(4.5)	14.3	0.8	10.6
Net finance cost	(9.5)	(6.5)	-	(16.1)	(6.6)	(6.4)	-	(13.0)
Other finance income/(costs)	0.9	(0.0)	-	0.9	(0.4)	-	-	(0.4)
Profit before tax	44.2	(15.1)	0.8	29.9	(11.5)	7.9	0.8	(2.8)
Income tax	(10.1)	0.2	(0.1)	(10.0)	2.9	1.2	(0.1)	4.0
Net Income	34.0	(14.9)	0.7	19.8	(8.6)	9.1	0.7	1.2
Non-controlling interests	-	6.6	-	6.6	-	(1.2)	(4.2)	(5.4)
Atributable Net Income	34.0	(8.3)	0.7	26.5	(8.6)	7.9	(3.5)	(4.2)
Earnings per Share (EPS)	0.14	(0.03)	-	0.11	(0.04)	(0.02)	-	(0.02)

Group Financial Review

Cash Flow Statement

Figures in € m	1H24				1H23			
	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
Consolidated profit/(loss) for the period before tax	44.2	(15.1)	0.8	29.9	(11.5)	7.9	0.8	(2.8)
Depreciation and amortisation	35.0	16.4	(0.8)	50.6	31.3	17.5	(0.8)	48.0
Changes in provisions and other deferred expense	7.1	1.2	-	8.3	12.9	1.7	-	14.7
Impairment of gains/(losses) on disposals intangible asset	0.7	(1.1)	-	(0.4)	0.6	(0.3)	-	0.3
Net finance result	8.9	6.6	-	15.4	6.5	6.4	-	12.9
Energy regulation adjustments	0.2	1.8	-	2.0	(2.5)	(8.1)	-	(10.6)
Government grants taken to income	(0.5)	(0.1)	-	(0.6)	(0.4)	(0.1)	-	(0.5)
Adjustments to profit	51.3	24.8	(0.8)	75.3	48.4	17.3	(0.8)	64.8
Inventories	(1.7)	(0.6)	-	(2.3)	(9.6)	(6.0)	-	(15.7)
Trade and other receivables	(60.6)	(16.4)	6.0	(71.0)	(1.2)	13.8	(26.8)	(14.3)
Current financial and other assets	(1.5)	(0.0)	-	(1.6)	0.8	0.0	-	0.8
Trade and other payables	(4.8)	8.1	(6.0)	(2.7)	(10.9)	(92.6)	26.8	(76.7)
Changes in working capital	(68.5)	(9.0)	-	(77.5)	(20.9)	(84.9)	-	(105.8)
Interest paid	(10.6)	(6.7)	-	(17.3)	(4.5)	(6.4)	-	(10.9)
Dividends received	-	-	-	-	-	-	-	-
Income tax received/(paid)	(1.7)	(0.3)	-	(2.0)	(3.9)	(10.1)	-	(14.1)
Other collections/(payments)	-	-	-	-	-	-	-	-
Other cash flows from operating activities	(12.3)	(7.0)	-	(19.3)	(8.4)	(16.6)	-	(25.0)
Net cash flow from operating activities	14.7	(6.3)	-	8.4	7.5	(76.3)	-	(68.7)
Property, plant and equipment	(24.6)	(8.1)	-	(32.6)	(24.5)	(2.6)	-	(27.2)
Intangible assets	(2.4)	(0.9)	-	(3.2)	(2.5)	(0.3)	-	(2.8)
Other financial assets	(21.9)	(0.7)	22.5	(0.2)	(0.1)	0.4	0.3	0.6
Disposals	0.2	0.9	-	1.1	(0.5)	-	0.4	(0.1)
Net cash flow used in investing activities	(48.7)	(8.8)	22.5	(35.0)	(27.6)	(2.5)	0.7	(29.4)
Free cash flow	(34.0)	(15.1)	22.5	(26.6)	(20.1)	(78.8)	0.7	(98.2)

Group Financial Review

Balance Sheet

Figures in € m	Jun-24				Dec-23			
	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
Intangible assets	18.4	33.7	(11.8)	40.2	17.7	33.7	(12.1)	39.3
Property, plant and equipment	611.0	371.5	(6.9)	975.5	617.5	379.0	(7.5)	989.0
Biological assets	65.4	0.2	-	65.6	66.9	0.2	-	67.1
Non-current investments in Group companies	114.0	0.0	(114.0)	0.0	114.0	0.0	(114.0)	0.0
Non-current borrowings to Group companies	44.4	-	(44.4)	-	22.3	-	(22.3)	-
Deferred tax assets	30.7	27.0	3.0	60.6	38.0	27.0	3.0	68.0
Non-current financial assets	27.1	20.0	-	47.1	27.7	24.9	-	52.6
Cash reserve for debt service	-	10.0	-	10.0	-	10.0	-	10.0
Total non-current assets	910.9	462.4	(174.2)	1,199.1	904.0	474.8	(152.8)	1,226.0
Inventories	53.3	15.9	-	69.2	54.8	17.3	-	72.1
Trade and other accounts receivable	95.6	22.6	(8.0)	110.2	39.5	7.5	(2.0)	45.1
Income tax	4.8	9.9	-	14.7	4.8	10.1	-	15.0
Other current assets	9.6	2.0	-	11.6	3.8	0.2	-	4.0
Hedging derivatives	0.6	1.8	-	2.4	1.1	1.7	-	2.8
Current financial investments in Group companies	0.0	0.8	(0.6)	0.2	0.2	0.1	(0.3)	0.0
Current financial investments	4.0	0.0	-	4.1	2.5	0.0	-	2.5
Cash and cash equivalents	220.6	46.6	-	267.2	311.2	21.8	-	333.0
Total current assets	388.6	99.6	(8.6)	479.6	418.0	58.7	(2.3)	474.5
TOTAL ASSETS	1,299.5	561.9	(182.8)	1,678.6	1,322.0	533.5	(155.1)	1,700.5
Equity	590.4	212.0	(129.8)	672.6	552.5	227.7	(130.5)	649.6
Non-current borrowings	338.3	90.2	-	428.5	349.6	90.6	-	440.2
Non-current loans with Group companies and associates	-	80.4	(44.4)	36.0	-	27.1	(22.3)	4.9
Non-current derivatives	1.2	-	-	1.2	3.4	-	-	3.4
Deferred tax liabilities	-	-	-	-	-	-	-	-
Non-current provisions	28.6	0.1	-	28.7	28.1	0.1	-	28.3
Other non-current liabilities	37.0	66.8	-	103.7	35.9	69.6	-	105.5
Total non-current liabilities	405.0	237.5	(44.4)	598.1	417.0	187.5	(22.3)	582.3
Current borrowings	107.8	24.0	-	131.7	150.3	34.7	-	185.0
Current derivatives	0.8	-	-	0.8	0.6	-	-	0.6
Trade and other account payable	159.8	85.6	(8.0)	237.4	162.8	79.7	(2.0)	240.6
Short-term debts with group companies	0.6	0.6	(0.6)	0.6	0.1	0.5	(0.3)	0.2
Income tax	3.2	0.1	0.0	3.2	0.0	0.0	-	0.0
Current provisions	32.1	2.2	-	34.2	38.8	3.4	-	42.2
Total current liabilities	304.1	112.4	(8.6)	407.9	352.5	118.3	(2.3)	468.6
TOTAL EQUITY AND LIABILITIES	1,299.5	561.9	(182.8)	1,678.6	1,322.0	533.5	(155.1)	1,700.5

Alternative Performance Measures (APMs)

Pg.1

Ence presents its results in accordance with generally accepted accounting principles, specifically IFRS. In addition, its quarterly earnings report provides certain other complementary metrics that are not defined or specified in IFRS and are used by management to track the company's performance. The alternative performance measures (APMs) used in this presentation are defined, reconciled and explained in the corresponding quarterly earnings report publicly available through the investor section of our web page www.ence.es.

EBITDA

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

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

OTHER NON-OPERATING ITEMS

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

CASH COST

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

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

OPERATING PROFIT PER TONNE OF PULP

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

Alternative Performance Measures (APMs)

Pg.2

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

NET FINANCE COST AND OTHER FINANCIAL ITEMS

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

MAINTENANCE, EFFICIENCY, GROWTH AND SUSTAINABILITY CAPEX

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

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

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

OPERATING CASH FLOW

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

FREE CASH FLOW

Ence reports free cash flow as the sum of its net cash flows from operating activities and its net cash flows from investing activities. Free cash flow provides information about the cash generated by the Group's operating activities that is left over after its investing activities for the remuneration of shareholders and repayment of debt.

NORMALISED FREE CASH FLOW

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

NET DEBT / (CASH)

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

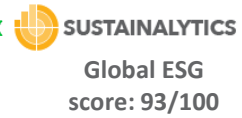
Net debt/(cash) is calculated as the difference between current and non-current borrowings on the liability side of the statement of financial position and unrestricted cash on the asset side, which includes cash and cash equivalents, the debt service cash reserve (included with non-current financial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

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

ROCE

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

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



Delivering value Delivering commitments