ENERGÍA & CELULOSA

Earnings Report 2Q24

30 July 2024

SUSTAINALYTICS
Global ESG score: 93/100

MSCI ESG RATINGS

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CONTENTS

EXECUTIVE SUMMARY

Market figures	2Q24	2Q23	Δ%	1Q24	Δ%	1H24	1H23	Δ%
BHKP (USD/t) average price	1,350.6	1,101.6	*22.6%*	1,116.7	*20.9%*	1,233.7	1,220.2	*1.1%*
Average exchange rate (USD/€)	1.08	1.09	*(1.0%)*	1.09	*(0.9%)*	1.08	1.08	*0.3%*
BHKP (€/t) average price	1,253.0	1,012.1	*23.8%*	1,026.7	*22.0%*	1,139.9	1,131.0	*0.8%*

Operating Metrics	2Q24	2Q23	Δ%	1Q24	Δ%	1H24	1H23	Δ%
Pulp production (t)	**238,069**	**225,324**	***5.7%***	**254,865**	***(6.6%)***	**492,933**	**478,003**	***3.1%***
Navia pulp production	132,278	137,085	*(3.5%)*	146,601	*(9.8%)*	278,879	290,951	*(4.1%)*
Pontevedra pulp production	105,791	88,240	*19.9%*	108,264	*(2.3%)*	214,055	187,052	*14.4%*
Pulp sales (t)	**255,847**	**244,875**	***4.5%***	**242,726**	***5.4%***	**498,573**	**461,493**	***8.0%***
Ence Advanced pulp sales (%)	28%	19%	*9 p.p.*	19%	*9 p.p.*	23%	17%	*7 p.p.*
Average sales pulp price (€/t)	728.0	577.7	*26.0%*	600.9	*21.1%*	666.1	664.4	*0.3%*
Cash cost (€/t)	474.0	534.5	*(11.3%)*	487.0	*(2.7%)*	480.6	587.4	*(18.2%)*
Operating margin per ton (€/t)	254.0	43.2	*n.s.*	114.0	*122.9%*	185.5	77.0	*140.8%*
Renewable Energy sales volume (MWh)	**311,227**	**250,145**	***24.4%***	**232,483**	***33.9%***	**543,710**	**555,753**	***(2.2%)***
Average sales price (€/MWh)	122.3	148.2	*(17.5%)*	152.7	*(19.9%)*	135.3	149.9	*(9.7%)*
Remuneration for investment (€ m)	6.1	6.2	*(1.8%)*	6.2	*(1.6%)*	12.3	12.4	*(1.0%)*

P&L € m	Proforma * 2Q24	2Q23	Δ%	Proforma * 1Q24	Δ%	1H24	1H23	Δ%
Revenue from Pulp business	199.9	155.6	*28.5%*	159.0	*25.7%*	358.9	335.1	*7.1%*
Revenue from Renewable Energy business	45.9	43.7	*5.1%*	45.5	*1.0%*	91.4	125.7	*(27.3%)*
Consolidation adjustments	(1.0)	(0.6)		(0.8)		(1.8)	(2.0)	
Total revenue	**244.8**	**198.6**	*23.2%*	**203.7**	*20.2%*	**448.5**	**458.8**	*(2.3%)*
Pulp business EBITDA	60.9	8.2	*n.s.*	28.8	*111.8%*	89.7	33.8	*165.3%*
Renewable Energy business EBITDA	4.6	4.2	*10.3%*	6.6	*(30.4%)*	11.2	31.6	*(64.4%)*
EBITDA	**65.5**	**12.4**	*n.s.*	**35.4**	*85.2%*	**100.9**	**65.4**	*54.3%*
Depreciation, amortisation and forestry depletion	(24.9)	(24.0)	*3.5%*	(25.7)	*(3.3%)*	(50.6)	(48.0)	*5.4%*
Impairment of and gains/(losses) on fixed-assets	0.8	(0.0)	*n.s.*	(0.4)	*n.s.*	0.4	(0.3)	*n.s.*
Other non-ordinary results of operations	(5.7)	(6.6)	*(12.8%)*	-	*n.s.*	(5.7)	(6.6)	*(12.8%)*
EBIT	**35.7**	**(18.3)**	*n.s.*	**9.3**	*n.s.*	**45.0**	**10.6**	*n.s.*
Net finance cost	(7.8)	(7.6)	*2.2%*	(8.3)	*(6.1%)*	(16.1)	(13.0)	*23.7%*
Other finance income/(cost) results	0.3	(0.0)	*n.s.*	0.5	*(36.4%)*	0.9	(0.4)	*n.s.*
Profit before tax	**28.3**	**(25.9)**	*n.s.*	**1.6**	*n.s.*	**29.9**	**(2.8)**	*n.s.*
Income tax	(9.7)	6.6	*n.s.*	(0.3)	*n.s.*	(10.0)	4.0	*n.s.*
Consolidated Net income	**18.5**	**(19.3)**	*n.s.*	**1.3**	*n.s.*	**19.8**	**1.2**	*n.s.*
Non-controlling interests	4.5	2.5	*80.9%*	2.1	*114.8%*	6.6	(5.4)	*n.s.*
Attributable Net Income	**23.1**	**(16.8)**	*n.s.*	**3.4**	*n.s.*	**26.5**	**(4.2)**	*n.s.*
Earnings per share (Basic EPS)	0.09	(0.07)	*n.s.*	0.01	*n.s.*	0.11	(0.02)	*n.s.*

Cash flow € m	Proforma * 2Q24	2Q23	Δ%	Proforma * 1Q24	Δ%	1H24	1H23	Δ%
EBITDA	**65.5**	**12.4**	*n.s.*	**35.4**	*85.2%*	**100.9**	**65.4**	*54.3%*
Change in working capital	(11.7)	30.9	*n.s.*	(65.7)	*(82.1%)*	(77.5)	(105.8)	*(26.8%)*
Maintenance capex	(8.9)	(3.2)	*181.1%*	(5.5)	*60.8%*	(14.4)	(5.2)	*177.4%*
Net interest Payment	(8.2)	(6.3)	*29.8%*	(9.1)	*(10.8%)*	(17.3)	(10.9)	*58.7%*
Income tax received/(paid)	(2.2)	(14.1)	*(84.2%)*	0.3	*n.s.*	(2.0)	(14.1)	*(86.0%)*
Normalised free cash flow	**34.5**	**19.7**	***75.3%***	**(44.8)**	***n.s.***	**(10.3)**	**(70.6)**	***(85.4%)***
Energy regulation adjustment (regullatory collar)	-	(4.8)	*n.s.*	-	*n.s.*	-	(10.6)	*(100.0%)*
Other cash adjustments	(1.3)	(0.1)	*n.s.*	5.3	*n.s.*	4.0	7.8	*(47.8%)*
Efficiency and expansion capex	(7.5)	(10.6)	*(29.4%)*	(8.0)	*(6.4%)*	(15.4)	(13.5)	*14.6%*
Sustainability capex and other	(2.4)	(3.5)	*(30.2%)*	(3.6)	*(31.1%)*	(6.0)	(11.3)	*(46.7%)*
Disposals	1.1	(0.1)	*n.s.*	-	*n.s.*	1.1	(0.1)	*n.s.*
Free cash flow	**24.3**	**0.6**	*n.s.*	**(51.0)**	*n.s.*	**(26.6)**	**(98.2)**	*(72.9%)*
Dividends from the parent	-	(77.7)	*(100.0%)*	-	*n.s.*	-	(140.6)	*(100.0%)*
Proceeds/(payments) of equity instruments	0.3	(0.6)	*n.s.*	1.2	*(77.5%)*	1.4	5.9	
Other movements in borrowings	19.6	(4.3)	*n.s.*	6.3	*212.4%*	25.8	(6.8)	
Net increase/(decrease) in net financial debt (€ m	**44.2**	**(82.0)**	*n.s.*	**(43.5)**	*n.s.*	**0.7**	**(239.6)**	

Net debt € m	Jun-24	Dec-23	Δ%
Net financial debt Pulp business	221.4	186.1	*18.9%*
Net financial debt Renewable Energy business	57.6	93.5	*(38.4%)*
Net financial debt	**279.0**	**279.6**	*(0.2%)*

* **Pro forma 1Q24 and 2Q24**: Each quarter has been assigned the accounting effect of the new methodology for updating the biomass facilities' remuneration for operation (Ro), which is applicable with retroactive effect from 1 January 2024. Compared to the previously reported 1Q24 consolidated results, the new methodology has the effect of reducing revenue by €9.8m and attributable net profit by €4.9m, as a result of the regulated price being applied to the real power output instead of the theoretical one under the previous methodology. In terms of cash flow, elimination of the regulatory collar (+€33.1m) is offset by a reduction in EBITDA (-€9.5m) and higher working capital requirement (-€21.7m), due to the increase in the Ro, in addition to other adjustments to profit and loss (-€1.9m).

- ✓ The Group's profit increased to €23m in the second quarter thanks to the recovery in pulp prices and lower costs.
- ✓ Ence agree to pay a first interim dividend from 2024 profits of €26m, or €0.107 per share (before withholding tax), payable on 7 August. Under the terms of the shareholder remuneration policy, a second interim dividend will be determined at the end of October.
- ✓ Strong growth in demand for pulp continued to drive prices higher in Europe, to $1,440 per tonne (gross) in June, which together with the new biomass plants regulation foreshadows a strong cash generation in the third quarter.
- ✓ Ence's net sales price reached €728 per tonne in the second quarter, marking growth of 21% from 1Q24 and of 26% from 2Q23.
- ✓ The Ence Advanced products, including Powercell and Naturcell, which fetch higher margins than standard pulp, continue to gain market share. In 2Q24 they accounted for 28% of pulp sales, compared to 19% in 2Q23.
- ✓ Operating-wise, it is worth highlighting the year-on-year growth of 5% in pulp sales volumes and the reduction in the cash cost to €474 in 2Q24, which implies an improvement of €13/tonne from 1Q24 and of €60/tonne compared to 2Q23.
- ✓ The combination of higher pulp prices and a lower cash cost drove the operating profit per tonne to €254 in the second quarter, which is an improvement of €140/tonne from the first quarter and of €211/tonne compared to 2Q23.
- ✓ EBITDA in the Pulp business amounted to €61m in 2Q24, which is more than double the 1Q24 figure and 7 times more than was reported in 2Q23.
- ✓ A key development in the Renewables business was the publication in June of new methodology for the quarterly update of the remuneration for operation awarded to the biomass facilities, with retroactive effect to 1 January 2024. This new methodology aligns the accrual and collection of the regulated energy price and improves the expected cash generation in 2024 by over €60m. In 2Q24, Ence already collected €35m of the remuneration for operation accrued under the new methodology. The remainder will be collected in the second half of the year.
- ✓ Operating-wise, renewable energy generation volumes increased by 34% quarter-on-quarter and 24% year-on-year to 311,227 MWh in the second quarter.
- ✓ The growth in generation volumes, coupled with operating cost-cutting, lifted EBITDA in the Renewables business to €5m in 2Q24, year-on-year growth of 10%, despite the drop in the average sales price as a result of the elimination of the regulatory collar.
- ✓ The Group's consolidated EBITDA therefore amounted to €66m in 2Q24, which is 85% above the 1Q24 figure and 5 times more than in 2Q23.
- ✓ Consolidated free cash flow amounted to €24m in 2Q24, including a €12m working capital outflow as a result of higher pulp prices, partially offset by the factoring of the remuneration for operation accrued by the biomass facilities under the new methodology published in June.
- ✓ Investment in growth and sustainability amounted to €10m in 2Q24.
    - o In the Pulp business, the Company ordered the equipment for diversifying production in Navia into pulp for absorbent personal care products (fluff pulp), which is expected to come on stream towards the end of 2025. The Company is also nearly finished the engineering work for the comprehensive project for improving flexibility and efficiency at the Pontevedra biomill.
    - o In the Renewables business, the Group already has a portfolio of 13 biomethane plants and 3 renewable thermal energy plants at the engineering and permitting phase.
- ✓ The Group's net debt ended June at €279m, down €44m from the March close, in part due to a bridge loan provided to Magnon Green Energy by its shareholders until the collection of the remuneration for operation accrued under the new methodology published in June.
- ✓ In July, Magnon refinanced its corporate debt with a pool of financial institutions and institutional investors, increasing the gross amount to €170m and extending the final maturities until January 2032. The new facility qualifies as green financing and is non-recourse to the parent of the Renewables business, evidencing the financial community's confidence in the regulated biomass-powered electricity market.
- ✓ Ence has been the leading sustainability player in the global pulp market for four years in a row, according to its most recent Sustainalytics score, having improved its overall ESG performance score to 93 points out of 100 in the second quarter 2024. The Company was also included in the FTSE4Good index for the fourth year in a row during the second quarter.

1. PULP BUSINESS

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

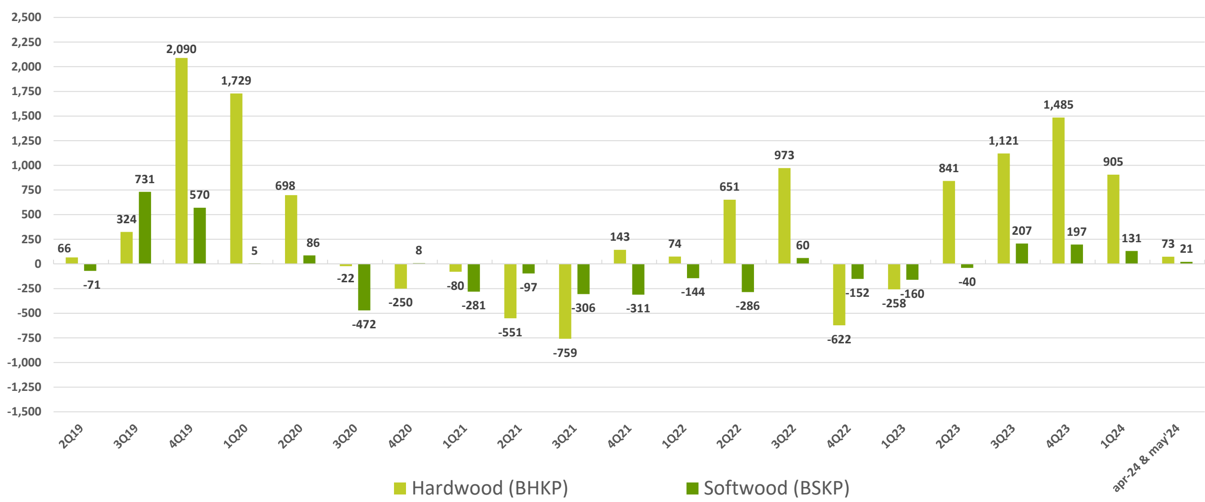
On 7 February 2023, Spain's Supreme Court upheld the legality of the extension of the Pontevedra biomill concession until 2073.

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

2.1. Pulp market trends

Rapid growth in urban populations and improving living standards in emerging markets are the key factors driving growth in global demand for pulp for tissue paper and hygiene products, particularly in developing countries, where per-capita consumption of these products is well below the average observed in developed economies. Those demographic trends are being complemented by a substitution effect: pulp is a natural, sustainable, recyclable and biodegradable raw material that is a good substitute for less environmentally-friendly materials such as plastics and synthetic fibres. These demand dynamics are very solid in the long term and contrast with the movements observed in inventories in the paper industry.

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

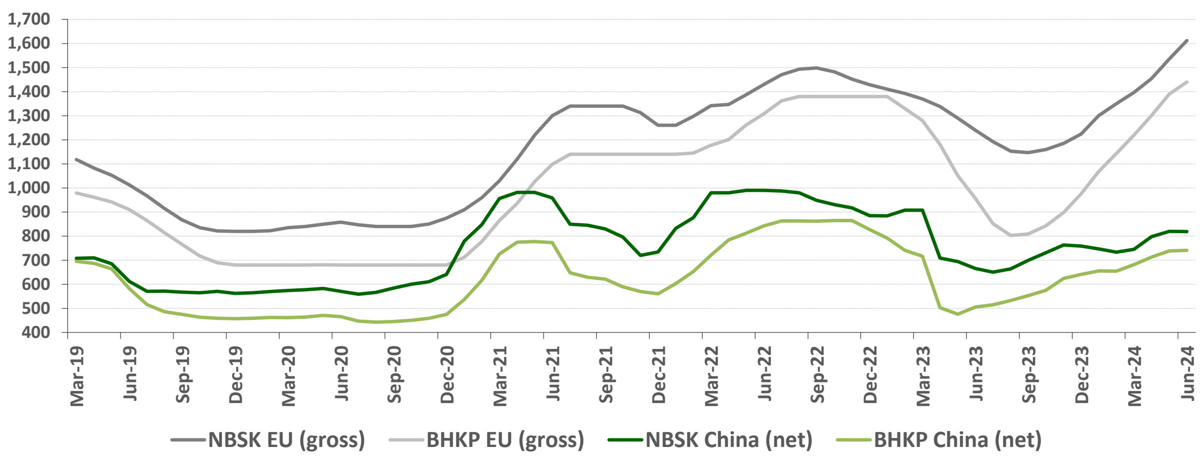


Source: PPPC–G100

Global demand for pulp remained strong in the first half of 2024, increasing by 3.9% (1.0 million tonnes) year-on-year in the first five months of the year, fuelled by a recovery in demand in the West. Demand for pulp in Europe and North America increased by 11% compared to the first five months of 2023, which were shaped by destocking by the paper industry. Elsewhere, demand for pulp in China and the rest of the world was virtually flat compared to the first five months of 2023, when demand rose sharply in the wake of removal of the last COVID restrictions in China.

Growth in demand during the first half, coupled with the closure of less efficient plants in North America, offset the growth in production as a result of new capacity brought online in 2023, leaving pulp inventories flat at 41 days in May.

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



Source: FOEX

Against that backdrop, pulp prices in Europe have continued to rise, reaching $1,440 (gross) in June.

Market figures	2Q24	2Q23	Δ%	1Q24	Δ%	1H24	1H23	Δ%
BHKP (USD/t) average price	1,350.6	1,101.6	*22.6%*	1,116.7	*20.9%*	1,233.7	1,220.2	*1.1%*
Average exchange rate (USD/€)	1.08	1.09	*(1.0%)*	1.09	*(0.9%)*	1.08	1.08	*0.3%*
BHKP (€/t) average price	1,253.0	1,012.1	*23.8%*	1,026.7	*22.0%*	1,139.9	1,131.0	*0.8%*

The benchmark price for hardwood pulp (BHKP) in Europe averaged $1,351/tonne (gross) in 2Q24, up 20.9% from 1Q24 and 22.6% from the 2Q23 average. The average benchmark price in the first half was $1,234 (gross), virtually unchanged (+1%) from the first half of 2023.

2.2. Revenue from pulp sales

Second-quarter pulp sales volumes amounted to 255,847 tonnes, up 4.5% from 2Q23, thanks to higher output at the Pontevedra biomill, which carried out its annual maintenance stoppage in the second quarter in 2023, whereas it plans to carry it out in the third quarter this year.

By comparison with the first quarter, sales volumes increased by 5.4%, thanks to the sale of pulp inventories, more than offsetting the reduction in production at the Navia biomill, which carried out its annual maintenance stoppage in the second quarter.

In the first-half, pulp sales volumes amounted to 498,573 tonnes, year-on-year growth of 8%. In addition to higher output at the Pontevedra biomill in the second quarter, the trend in inventories was contrasting in the two reporting periods.

	2Q24	2Q23	Δ%	1Q24	Δ%	1H24	1H23	Δ%
Pulp sales (t)	**255,847**	**244,875**	*4.5%*	**242,726**	*5.4%*	**498,573**	**461,493**	*8.0%*
Average sales price (€/t)	728.0	577.7	*26.0%*	600.9	*21.1%*	666.1	664.4	*0.3%*
Pulp sales revenue (€ m)	**186.3**	**141.5**	*31.7%*	**145.9**	*27.7%*	**332.1**	**306.6**	*8.3%*

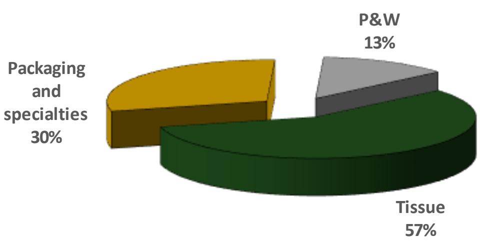
Elsewhere, the average sales price increased by 21.1% (or €127/tonne) in the second quarter compared to 1Q24 and by 26% (€150/tonne) compared to 2Q23, to €728 per tonne. In the first half, the average sales price was virtually the same as in the first six months of 2023.

The combination of the two factors left revenue from pulp sales at €186.3m in 2Q24, up 27.7% from 1Q24 and 31.7% versus 2Q23. Revenue from energy sales totalled €332.1m in the first half, marking growth of 8.3% from 1H23.

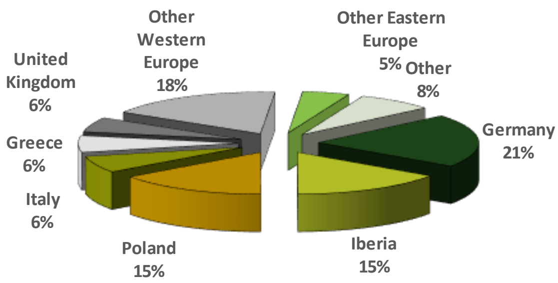
The Ence Advanced products, including Powercell and Naturcell, which fetch higher margins than standard pulp, continue to gain market share. In 2Q24 and 1H24, these products accounted for 28% and 23% of pulp sales, respectively, compared to 19% and 17% in 2Q23 and 1H23, respectively.

The tissue paper segment remains the main end use given to the pulp sold by Ence, accounting for 57% of revenue from pulp sales in 1H24, followed by the packaging and specialty paper segment, at 30%. The printing and writing paper segment accounted for the remaining 13%.

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 92% of revenue from pulp sales in 1H23. Germany, Spain and Poland accounted for 21%, 15% and 15% of total revenue, respectively, followed by Italy (6%) and the UK (6%). The other western European countries accounted for 18% of the total, with the rest of Eastern Europe representing 5%.

2.3. Pulp production and cash cost

Second-quarter pulp production amounted to 238,069 tonnes, up 5.7% from 2Q23, thanks to higher output at the Pontevedra biomill, which carried out its annual maintenance stoppage in the second quarter in 2023, whereas it plans to carry it out in the third quarter this year. On the other hand, the Navia biomill carried out its annual maintenance stoppage in the second quarter of both 2024 and 2023.

In the first six months of the year, pulp production increased by 3.1% year-on-year to 492,933 tonnes, with higher production in Pontevedra offsetting the drop in production in Navia.

	2Q24	2Q23	Δ%	1Q24	Δ%	1H24	1H23	Δ%
Navia pulp production	132,278	137,085	*(3.5%)*	146,601	*(9.8%)*	278,879	290,951	*(4.1%)*
Pontevedra pulp production	105,791	88,240	*19.9%*	108,264	*(2.3%)*	214,055	187,052	*14.4%*
Pulp production (t)	**238,069**	**225,324**	*5.7%*	**254,865**	*(6.6%)*	**492,933**	**478,003**	*3.1%*

The 2Q24 cash cost amounted to €487/tonne, down 11.3% (or €60/tonne) year-on-year, as a result of a significant reduction in the cost of raw materials and transportation. In addition, in the first half of 2023, the Pontevedra biomill incurred significant additional costs as a result of the breakdown of the co-generation turbine and testing at the new water treatment facility. The 1H24 cash cost was 18.2% (€107/tonne) lower year-on-year.

By comparison with 1Q24, the cash cost decreased in line with expectations, by 2.7% (€13/tonne), thanks mainly to further dilution of fixed costs over higher sales volumes and normalisation of logistics costs.

Figures in €/t	2Q24	2Q23	Δ%	1Q24	Δ%	1H24	1H23	Δ%
Total cash cost	474.0	534.5	*(11.3%)*	487.0	*(2.7%)*	480.6	587.4	*(18.2%)*
Operating margin	**254.0**	**43.2**	*n.s.*	**114.0**	*122.9%*	**185.5**	**77.0**	*140.8%*

The combination of higher average sales prices and a lower cash cost per tonne drove the operating profit to €254 per tonne in the second quarter, which is an improvement of €140/tonne from the first quarter and of €210/tonne compared to 2Q23.

In the first half, the operating margin amounted to €185.5 per tonne, marking an improvement of €108/tonne from 1H23.

2.4. Other income

Ence's pulp production operations are self-sufficient electricity-wise. Ence uses the lignin and forest biomass derived from its manufacturing activities to generate renewable energy. Specifically, it operates a 34.6-MW lignin-fired CHP plant, integrated within the Pontevedra biomill, and a 40.3-MW CHP lignin-fired plant and a 36.7-MW biomass generation plant, both of which are integrated within the Navia biomill. Surplus energy production is sold to the grid.

Figures in € m	Proforma * 2Q24	2Q23	Δ%	Proforma * 1Q24	Δ%	1H24	1H23	Δ%
Revenues from energy sales linked to pulp (€ m)	7.3	8.8	*(17.2%)*	8.7	*(16.9%)*	16.0	16.2	*(1.2%)*
Forestry and other revenue (€ m)	6.4	5.3	*19.2%*	4.4	*43.7%*	10.8	12.3	*(12.4%)*
Other income	**13.6**	**14.4**	*(5.4%)*	**13.2**	*3.5%*	**26.8**	**28.5**	*(6.1%)*

* Compared to the previously reported 1Q24 earnings, the new methodology for updating the biomass facilities' remuneration for operation (Ro) has the effect of reducing revenue from energy sales associated with the Pulp business by €2m, as a result of the regulated price being applied to the real power output instead of the theoretical one under the previous methodology.

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.

2.5. Statement of profit or loss

EBITDA in the Pulp business amounted to €60.9m in 2Q24, which is more than double the 1Q24 figure and 7 times more than was reported in 2Q23, thanks to higher pulp prices together with lower costs.

In 1H24, EBITDA increased by 165% year-on-year to €89.7m, fuelled by the 18.2% (€106/tonne) year-on-year reduction in the cash cost.

Figures in € m	Proforma * 2Q24	2Q23	Δ%	Proforma * 1Q24	Δ%	1H24	1H23	Δ%
Pulp sales revenue	186.3	141.5	*31.7%*	145.9	*27.7%*	332.1	306.6	*8.3%*
Other income	13.6	14.1	*(3.5%)*	13.2	*3.5%*	26.8	28.5	*(6.1%)*
Total net revenue	**199.9**	**155.6**	*28.5%*	**159.0**	*25.7%*	**358.9**	**335.1**	*7.1%*
EBITDA	**60.9**	**8.2**	*n.s.*	**28.8**	*111.8%*	**89.7**	**33.8**	*165.3%*
Depreciation and amortisation	(13.6)	(13.0)	*4.3%*	(15.1)	*(10.3%)*	(28.7)	(26.2)	*9.4%*
Depletion of forestry reserves	(3.5)	(2.7)	*27.3%*	(2.8)	*23.1%*	(6.3)	(5.0)	*25.0%*
Impairment of and gains/(losses) on fixed-asset dis	(0.3)	(0.3)	*8.0%*	(0.3)	*(10.7%)*	(0.7)	(0.5)	*29.7%*
Other non-ordinary results from operations	(1.3)	(6.6)	*(80.7%)*	-	*n.s.*	(1.3)	(6.6)	*(0.8) p.p.*
EBIT	**42.3**	**(14.4)**	*n.s.*	**10.5**	*n.s.*	**52.8**	**(4.5)**	*n.s.*
Net finance cost	(4.2)	(4.3)	*(3.5%)*	(5.4)	*(22.7%)*	(9.5)	(6.6)	*45.3%*
Other financial results	0.4	(0.0)	*n.s.*	0.6	*(36.1%)*	0.9	(0.4)	*n.s.*
Profit before tax	**38.5**	**(18.7)**	*n.s.*	**5.7**	*n.s.*	**44.2**	**(11.5)**	*n.s.*
Income tax	(10.1)	4.9	*n.s.*	(0.1)	*n.s.*	(10.1)	2.9	*n.s.*
Net Income	**28.4**	**(13.8)**	*n.s.*	**5.6**	*n.s.*	**34.0**	**(8.6)**	*n.s.*

* Compared to the previously reported 1Q24 earnings, the new methodology for updating the biomass facilities' remuneration for operation (Ro) has the effect of reducing revenue from pulp sales by €2m and total net revenue from pulp business by €1,4m, as a result of the regulated price being applied to the real power output instead of the theoretical one under the previous methodology.

Ence has an ongoing hedging policy designed to mitigate the impact of exchange rate volatility on its earnings. There were no significant settlements in 1H24. For the rest of 2024, Ence has arranged hedges over a notional amount of $66m with a weighted average ceiling of $/€1.10 and a weighted average floor of $/€1.07.

FX Hedges	1Q24	2Q24	3Q24	4Q24
Nominal hedged (USD Mn)	28.5	**63.5**	33.0	33.0
Average cap (USD / EUR)	1.11	**1.09**	1.10	1.11
Average floor (USD / EUR)	1.06	**1.07**	1.07	1.08

Below the EBITDA line, amortisation and depreciation charges increased to €13.6m in 2Q24 and €28.7m in 1H24 on the back of higher fixed assets. Forest depletion charges also increased to €3.5m in 2Q24 and €6.3m in 1H24 due to higher own wood consumption.

The Group recorded a loss of €1.3m under other non-operating items related with the adjustments made to the biomass facilities' remuneration parameters in 2023, which were published in April 2024.

The net finance cost narrowed to €4.2m in 2Q24 and increased to €9.5m in 1H24 due to the increase in the average borrowing cost. "Other finance income/(cost)" mainly presents the effect of movements in exchange rates on working capital during the period: a net gain of €0.4m in 2Q24 and one of €0.9m in 1H24.

Lastly, income tax expense amounted to €10.1m in the second quarter and first half, implying an effective tax rate of 23%.

As a result, the Pulp business reported a net profit of €28.4m in 2Q24 and of €34m in 1H24, compared to net losses of €13.8m and €8.6m in the same periods of 2023, respectively.

2.6. Cash flow analysis

Operating cash flow totalled €29.4m in 2Q24 and €14.7m in 1H24, despite a sharp increase in working capital as a result of the growth in pulp prices.

Figures in € m	Proforma * **2Q24**	2Q23	Δ%	Proforma * 1Q24	Δ%	1H24	1H23	Δ%
EBITDA	**60.9**	**8.2**	*n.s.*	**28.8**	*111.8%*	**89.7**	**33.8**	*165.3%*
Energy regulation adjustment (regullatory collar)	-	(0.7)	*(100.0%)*	-	*n.s.*	-	(2.5)	*(100.0%)*
Other cash adjustments	0.3	(1.0)	*n.s.*	5.5	*(94.4%)*	5.8	5.5	*5.6%*
Change in working capital	(27.0)	48.9	*n.s.*	(41.5)	*(34.8%)*	(68.5)	(20.9)	*227.5%*
Income tax received / (paid)	(1.7)	(3.9)	*(57.1%)*	-	*n.s.*	(1.7)	(3.9)	*(57.1%)*
Net interest received / (paid)	(3.1)	(1.7)	*87.8%*	(7.5)	*(57.9%)*	(10.6)	(4.5)	*138.0%*
Net cash flow from operating activities	**29.4**	**49.7**	*(41.0%)*	**(14.7)**	*n.s.*	**14.7**	**7.5**	*94.7%*

* Compared to the previously reported 1Q24 earnings, the new methodology for updating the biomass facilities' remuneration for operation (Ro) effectively eliminates the regulatory collar (+€5.8m), an impact that is offset by a reduction in EBITDA (-€2m) and a higher working capital requirement (-€3.3m), due to the increase in the Ro, in addition to other adjustments to profit and loss (-€5.0m), with no impact on cash flows from operating activities.

The change in working capital implied a cash outflow of €27m in 2Q24 and of €68.5m in 1H24, due mainly to the impact of higher pulp prices on trade receivables, which increased by €35.6m in the second quarter and by €60.6m in the first half.

Figures in € m	Proforma * **2Q24**	2Q23	Δ%	Proforma * 1Q24	Δ%	1H24	1H23	Δ%
Inventories	5.8	(1.9)	*n.s.*	(7.5)	*n.s.*	(1.7)	(9.6)	*(82.7%)*
Trade and other receivables	(35.6)	43.5	*n.s.*	(25.0)	*42.1%*	(60.6)	(1.2)	*n.s.*
Financial and other current assets	(0.5)	1.1	*n.s.*	(1.1)	*(57.9%)*	(1.5)	0.8	*n.s.*
Trade and other payables	3.2	6.2	*(49.1%)*	(7.9)	*n.s.*	(4.8)	(10.9)	*(56.2%)*
Change in working capital	**(27.0)**	**48.9**	*n.s.*	**(41.5)**	*(34.8%)*	**(68.5)**	**(20.9)**	*227.5%*

* Compared to the previously reported 1Q24 earnings, the new methodology for updating the biomass facilities' remuneration for operation (Ro) has the effect of increasing trade and other receivables by €3.3m.

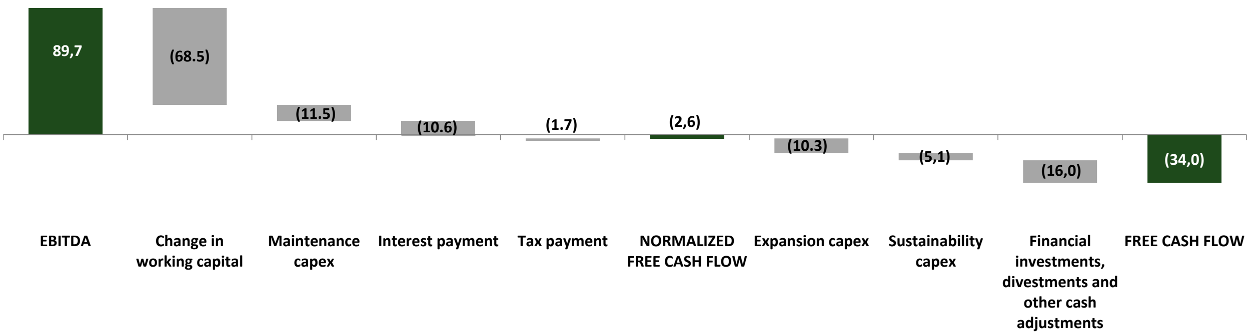
At 30 June 2024, the Pulp business had drawn down €87.3m under its non-recourse receivable discounting facilities, compared to €83.9m at year-end 2023. Ence has also arranged several reverse factoring facilities, which were drawn down by €62.2m at the June close, compared to €58.9m at year-end. The reverse factoring facilities do not entail the provision of guarantees, do not alter the average payment term agreed with the corresponding suppliers and do not accrue interest.

Figures in € m	2Q24	2Q23	Δ%	1Q24	Δ%	1H24	1H23	Δ%
Maintenance capex	(6.3)	(2.7)	*132.9%*	(5.1)	*23.4%*	(11.5)	(4.2)	*172.8%*
Sustainability capex and other	(1.9)	(3.4)	*(43.7%)*	(3.2)	*(39.9%)*	(5.1)	(11.0)	*(53.3%)*
Efficiency and expansion capex	(4.3)	(9.6)	*(55.2%)*	(6.1)	*(29.3%)*	(10.3)	(11.9)	*(12.7%)*
Financial investments	(21.6)	(0.6)	*n.s.*	(0.3)	*n.s.*	(21.9)	(0.1)	*n.s.*
Investments	**(34.2)**	**(16.3)**	*109.2%*	**(14.7)**	*132.7%*	**(48.9)**	**(27.1)**	*80.0%*
Disposals	0.2	(0.5)	*n.s.*	-	*n.s.*	0.2	(0.5)	*n.s.*
Net cash flow used in investing activities	**(34.0)**	**(16.8)**	*102.3%*	**(14.7)**	*131.6%*	**(48.7)**	**(27.6)**	*76.3%*

Net cash flows used in investing activities amounted to €34m in 2Q24, including the provision of a bridge loan of €22.5m to the Group's Renewables subsidiary, which is eliminated from the consolidated statement of cash flows.

Maintenance capex amounted to €6.3m in 2Q24 and €11.5m in 1H24, while sustainability and other capex totalled €1.9m in 2Q24 and €5.1m in 1H24. The sustainability investments were earmarked to reinforcing facility safety and reducing odour, noise and water consumption at the biomills, bolstering Ence's competitiveness in the long term.

Lastly, investments in efficiency and growth amounted to €4.3m in 2Q24 and €10.3m in 1H24 and notably included the effort to diversify pulp production at the Navia biomill into pulp for absorbent personal care products (fluff pulp), which is expected to come online towards the end of 2025, and the comprehensive re-engineering project underway at the Pontevedra biomill in order to increase its flexibility and efficiency. Ence is also investing in equipment to increase wood-cutting capacity in the vicinity of its biomills.



As a result, normalised free cash flow in the Pulp business was negative by €2.6m in 1H24, affected by the sharp increase in working capital derived from the growth in pulp prices. Free cash flow after growth and sustainability capex was negative by €34m in 1H24, including the provision of a bridge loan of €22.5m to the Group's Renewables subsidiary, which is eliminated from the consolidated statement of cash flows.

2.7. Change in net debt

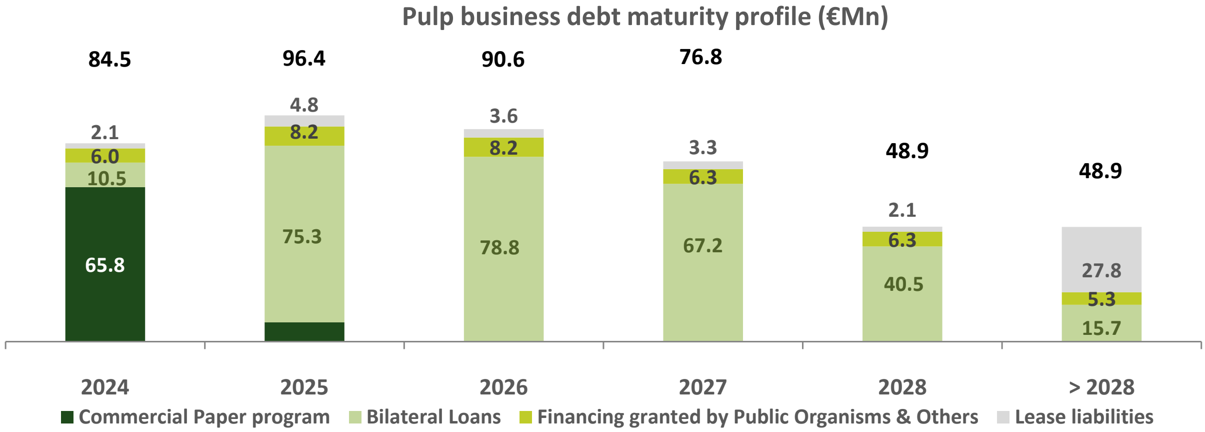
The Pulp business ended the second quarter with net debt of €221.4m, compared to net debt of €186.1m at year-end 2023 (i.e., an increase of €35.3m). In addition to the negative cash flow outlined above (€34m), other movements (related with equity instruments, leases and the provision for interest, mainly) increased net debt by €1.3m.

Figures in € m	Jun-24	Dec-23	Δ%
Non-current financial debt	299.7	311.6	*(3.8%)*
Current financial debt	102.6	146.2	*(29.8%)*
Gross financial debt	**402.3**	**457.8**	*(12.1%)*
Non-current lease contracts	38.6	38.0	*1.6%*
Current lease contracts	5.1	4.0	*28.1%*
Financial liabilities related to lease contracts	**43.7**	**42.0**	*4.1%*
Cash and cash equivalents	220.6	311.2	*(29.1%)*
Short-term financial investments	4.0	2.5	*62.0%*
Net financial debt Pulp business	**221.4**	**186.1**	*18.9%*

In the first half of 2024, Ence prepaid €74m of bilateral loans. The balance outstanding under the MARF commercial paper programme increased by €21m in 1H24 to €74m.

Due to the cyclical nature of the Pulp business, it is financed with covenant-free debt and ample liquidity. Cash and cash equivalents stood at €224.6m at 30 June 2024.

The gross debt of €402.3m at the June close corresponds to the outstanding balances of: (i) bilateral loans (€288m); (ii) a series of loans totalling €40.3m 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, whose maturities range to 2030; and (iii) the €74m outstanding under Ence's sustainable commercial paper programme. Finance lease liabilities stood at €43.7m at the June close. Debt arrangement fees are deducted from gross borrowings on the statement of financial position.



2.8. Efficiency and diversification opportunities

Ence's growth strategy in the Pulp business entails lifting its cost competitiveness and diversifying into the production of higher-margin pulp and products, leveraging its competitive advantages in the European market.

In recent years, Ence has developed a range of pulp products under the Ence Advanced trademark, such as Powercell and Naturcell, adapted to its customers' needs. These are pulp products with enhanced technical properties and a smaller environmental footprint, designed to replace softwood pulp. These value-adding, higher-margin products accounted for 23% of pulp sales in 1H24 and the goal is to lift that figure to over 50% by 2028.

In addition, in 2023 Ence started work on the project for diversifying into the production of pulp for absorbent personal care products (fluff pulp) in Navia, which is expected to entail an investment of around €30m and deliver a targeted ROCE of over 12%. The Navia facilities will be ready to replace up to 125,000 tonnes of standard pulp with this higher-margin product progressively from 2026.

On the efficiency front, the Company is nearly finished the engineering work for the comprehensive re-engineering project underway to boost flexibility and efficiency at the Pontevedra biomill. The goal of this project is to reduce the cash cost at this biomill by €50 per tonne (€20/tonne at the Group level), render it more flexible so that it can use different types of eucalyptus and continue the process of shifting production into higher-margin, advanced pulp products. The budgeted investment is €120m and the ROCE hurdle is 12%. The idea is to execute the project gradually during the annual maintenance stoppages programmed between 2025 and 2030.

Elsewhere, the Company continues to make progress on the engineering and permitting work for an innovative project under development in the Coruña town of As Pontes for the production of 100,000 tonnes of recycled and bleached fibre from recovered paper and board, without increasing its wood consumption. The investment decision around this project is scheduled for the second half of 2025.

Lastly, Ence has begun to develop a new range of sustainable packaging solutions for replacing single use plastic packaging in the food industry, so furthering the circularity of its business model.

2. RENEWABLES BUSINESS

Ence conducts its renewable energy business through its subsidiary, Ence Renovables, which owns 51% of Magnon Green Energy, 75.5% of Magnon Energy Services (50% directly and 25.5% through Magnon Green Energy) and 100% of Ence Biogas.

Magnon Green Energy is the largest generator of renewable energy from biomass in Spain. With eight facilities in operation, it has aggregate installed capacity of 266 MW, as well as two developments in the pipeline with combined capacity of 100 MW with which it is entitled to participate in the future capacity tenders scheduled between now and 2030.

Magnon also has an internal platform for the development and sale of photovoltaic developments. It has developed a pipeline of 373 MW of photovoltaic developments, of which 140 MW were sold in 2023, with the remaining 233 MW slated for sale in 4Q24.

Magnon Energy Services provides end-to-end solutions for the generation termal energy from renewable sources, specifically biomass, for industrial customers in Spain. This company signed its first services agreement in 2023 and has 3 projects at the engineering and permitting phase.

Ence Biogas is the Group subsidiary devoted to developing and operating biomethane and organic fertiliser plants, underpinned by a model based on sustainable and circular management of agricultural and breeding biomass. It has a portfolio of 13 biomethane plants at the engineering and permitting phase.

Ence's Renewables business therefore comprises the sale of renewable energy generated using biomass at independent energy plants, unrelated with the pulp production process, the sale of biomass to third parties, the sale of photovoltaic developments and incipient businesses related with the sale of renewable thermal energy and biomethane.

3.1. Developments in the electricity market and regulation of biomass plants

The average price on the day-ahead market (pool price) declined by 58.4% year-on-year to €33.4/MWh in 2Q24 and by 56% year-on-year to €39.1/MWh in 1H24.

Market figures	**2Q24**	2Q23	*Δ%*	1Q24	*Δ%*	1H24	1H23	*Δ%*
Average pool price (€/MWh)	33.4	80.3	*(58.4%)*	44.8	*(25.5%)*	39.1	88.9	*(56.0%)*

Source: OMIE

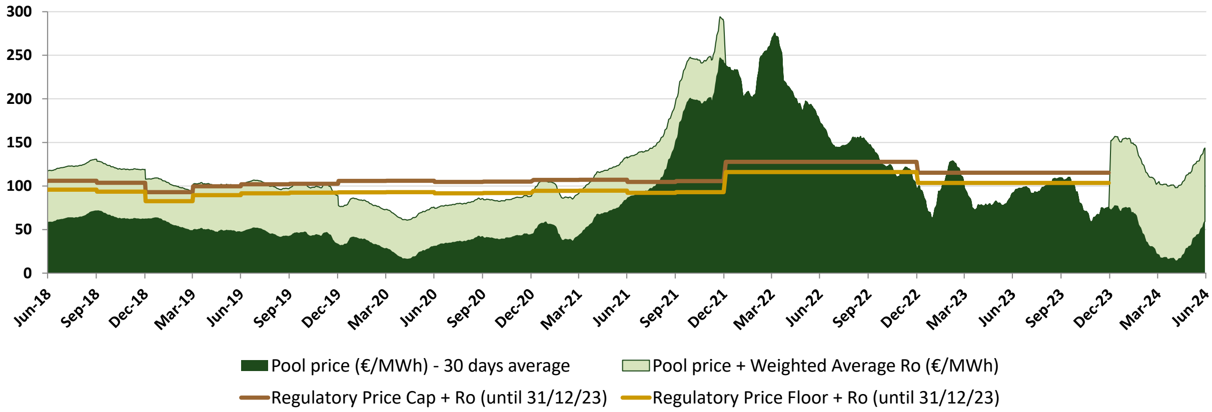
However, the price at which Ence sells the energy it generates is a regulated price designed to cover all of the estimated costs of operating a standard facility, including fuel costs. That price is made up of the pool price plus the corresponding supplementary remuneration for operation (Ro) earned by each plant.

Under the new methodology approved in 2024, the remuneration for operation (Ro) parameter is updated quarterly, as a function of the difference between the standard cost of operating the plants (around €115/MWh) and the pool price estimated the immediately previous quarter. As result, the system of adjustments for deviations between market and regulated prices (regulatory collar) in place until the end of 2023 has been eliminated.

All of Magnon's plants are also prepared to provide the electricity system operator with back-up services, so generating an additional source of income.

Lastly, some of Magnon's biomass plants are entitled to remuneration for investment (Ri) at an annual rate of 7.4%, implying an estimated revenue of €24.8m in 2024.

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



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

3.2. Revenue from energy sales

Energy sales volumes in 2Q24 totalled 311,227 MWh, growth of 33.9% from 1Q24 and of 24.4% from 2Q23 (when the 50-MW plant in Huelva was idled for maintenance work). During 2Q24, the 41-MW Huelva plant and the 16-MW Ciudad Real plant were inactive in order to make optimal use of available biomass.

In 1H24, energy sales volumes amounted to 543,710 MWh, down a slight 2.2% from 1H23.

Operating figures	2Q24	2Q23	Δ%	1Q24	Δ%	1H24	1H23	Δ%
Huelva 41 MW - Biomass	-	34,319	*(100.0%)*	25,698	*(100.0%)*	25,698	69,031	*(62.8%)*
Jaén 16 MW - Biomass	19,792	18,972	*4.3%*	20,541	*(3.6%)*	40,332	35,807	*12.6%*
Ciudad Real 16 MW - Biomass	-	-	*n.s.*	-	*n.s.*	-	-	*n.s.*
Córdoba 27 MW - Biomass	42,131	35,885	*17.4%*	43,467	*(3.1%)*	85,598	65,007	*31.7%*
Huelva 50 MW - Biomass	83,842	-	*n.s.*	69,399	*20.8%*	153,241	79,306	*93.2%*
Mérida 20 MW - Biomass	28,735	29,345	*(2.1%)*	21,556	*33.3%*	50,291	61,197	*(17.8%)*
Huelva 46 MW - Biomass	66,292	64,751	*2.4%*	20,165	*228.7%*	86,457	127,182	*(32.0%)*
Ciudad Real 50 MW - Biomass	70,435	66,873	*5.3%*	31,658	*122.5%*	102,093	118,222	*(13.6%)*
Energy sales (MWh)	**311,227**	**250,145**	*24.4%*	**232,483**	*33.9%*	**543,710**	**555,753**	*(2.2%)*
Average sales price - (€/MWh)	122.3	148.2	*(17.5%)*	152.7	*(19.9%)*	135.3	149.9	*(9.7%)*
Remuneration for investment (€m)	6.1	6.2	*(1.8%)*	6.2	*(1.6%)*	12.3	12.4	*(1.0%)*
Revenue from energy sales (€ m)	**44.2**	**43.3**	*2.1%*	**41.7**	*5.9%*	**85.9**	**95.7**	*(10.3%)*

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

The sales price averaged €122.3/MWh in the second quarter, down 17.5% year-on-year due to the elimination of the adjustment for deviations between estimated and actual electricity prices (regulatory collar) from 2024. Under the outgoing methodology, the deviations were calculated based on theoretical generation of 7,500 hours, as opposed to actual hours.

By the same token, the average sales price in 1H24 was €135.3/MWh, a year-on-year decrease of 9.7%.

As a result of the two offsetting factors, revenue from energy sales amounted to €44.2m in 2Q24, factoring in remuneration for investment, growth of 5.9% from 1Q24 and of 2.1% compared to 2Q23. First-half revenue came to €85.9m, down 10.3% year-on-year.

3.3. Statement of profit or loss

EBITDA in the Renewables business amounted to €4.6m in 2Q24, year-on-year growth of 10.3%, thanks to the Company's effort to reduce unit operating costs across its plants and the growth in volumes, which more than offset the impact of lower average sales prices following elimination of the regulatory collar, as well as higher costs associated with new business development.

In 1Q24, EBITDA included €0.7m from the sale of a 10-MW photovoltaic plant in Huelva. Leaving that impact aside, 2Q24 EBITDA decreased by 22% from 1Q24 due to the lower average sales price and higher new business development costs, partially offset by lower unit operating costs.

In 1H24, EBITDA amounted to €11.2m, a decrease of 64.4% compared to 1H23, which included €22.8m from the sale of a 100-MW photovoltaic plant in Jaen. On a like-for-like basis, 1H24 EBITDA registered year-on-year growth of 27.3%, thanks to a significant reduction in the plants' unit operating costs, which more than offset the reduction in the average sales price as a result of elimination of the regulatory collar.

Figures in € m	Proforma * 2Q24	2Q23	Δ%	Proforma * 1Q24	Δ%	1H24	1H23	Δ%
Revenue from energy sales	44.2	43.3	*2.1%*	41.7	*5.9%*	85.9	95.7	*(10.3%)*
Other revenues	1.7	0.4	*n.s.*	3.8	*(53.9%)*	5.5	30.0	*(81.6%)*
Total revenue	**45.9**	**43.7**	*5.1%*	**45.5**	*1.0%*	**91.4**	**125.7**	*(27.3%)*
EBITDA from energy sales	6.6	5.4	*22.5%*	6.9	*(4.0%)*	13.5	32.8	*(59.0%)*
EBITDA from new businesses	(2.0)	(1.2)		(0.2)		(2.2)	(1.2)	
EBITDA	**4.6**	**4.2**	*10.3%*	**6.6**	*(30.4%)*	**11.2**	**31.6**	*(64.4%)*
Depreciation and amortisation	(8.2)	(8.7)	*(5.3%)*	(8.2)	*0.8%*	(16.4)	(17.5)	*(6.5%)*
Impairment of and gains/(losses) on fixed-asset disp.	1.1	0.3	*n.s.*	(0.0)	*n.s.*	1.1	0.3	*n.s.*
Other non-ordinary results from operations	(4.5)	-		-	*n.s.*	(4.5)	-	
EBIT	**(7.0)**	**(4.3)**	*64.9%*	**(1.5)**	*n.s.*	**(8.6)**	**14.3**	*n.s.*
Net finance cost	(3.6)	(3.3)	*9.6%*	(2.9)	*24.5%*	(6.5)	(6.4)	*1.7%*
Other finance income/(cost)	(0.0)	(0.0)	*200.0%*	(0.0)	*50.0%*	(0.0)	-	*n.s.*
Profit before tax	**(10.6)**	**(7.6)**	*40.7%*	**(4.5)**	*138.6%*	**(15.1)**	**7.9**	*n.s.*
Income tax	0.4	1.8	*(79.1%)*	(0.2)	*n.s.*	0.2	1.2	*(83.0%)*
Net Income	**(10.3)**	**(5.8)**	*77.8%*	**(4.6)**	*121.7%*	**(14.9)**	**9.1**	*n.s.*
Non-controlling interests	4.5	-	*n.s.*	2.1		6.6	(1.2)	*n.s.*
Attributable Net Income	**(5.8)**	**(5.8)**	*(0.4%)*	**(2.5)**	*127.4%*	**(8.3)**	**7.9**	*n.s.*

* Compared to the previously reported 1Q24 earnings, the new methodology for updating the biomass facilities' remuneration for operation (Ro) has the effect of reducing revenue and net profit in the Renewables business by €7.9m and €3.0m, respectively, as a result of the regulated price being applied to the real power output instead of the theoretical one under the previous methodology.

Below the EBITDA line, amortisation and depreciation charges decreased to €8.2m in 2Q24 and to €16.4m in 1H24.

The gain of €1.1m recognised under impairment and gains/(losses) on the disposal of non-current assets in 2Q24 originated from the reversal of an asset impairment charge. Meanwhile, the Group recorded a loss of €4.5m under other non-recurring items related with the adjustments made to the biomass facilities' remuneration parameters in 2023, which were published in April 2024.

The net finance cost amounted to €3.6m in 2Q24 and €6.5m in 1H24, very much in line with the amounts reported in the same periods of 2023.

As a result, the loss attributable to the Renewables business amounted to 5.8m in 2Q24 and €8.3m in 1H24, compared to a loss of €5.8m in 2Q23 and a profit of €7.9m in 1H23, shaped by the sale of a 100-MW photovoltaic development in Jaen.

3.4. Cash flow analysis

Operating cash flow came to €13.6m in 2Q24, including a €15m reduction in working capital, while net cash used in operating activities in 1H24 amounted to €6.3m, as working capital increased by €8.9m during that reporting period.

Figures in € m	Proforma * 2Q24	2Q23	Δ%	Proforma * 1Q24	Δ%	1H24	1H23	Δ%
EBITDA	**4.6**	**4.2**	*10.3%*	**6.6**	*(30.4%)*	**11.2**	**31.6**	*(64.4%)*
Energy regulation adjustment (regulatory collar)	-	(4.1)	*(100.0%)*	-	*n.s.*	-	(8.1)	*(100.0%)*
Other cash adjustments	(0.6)	0.9	*n.s.*	(0.9)	*(30.5%)*	(1.6)	1.6	*n.s.*
Change in working capital	15.3	(18.0)	*n.s.*	(24.2)	*n.s.*	(8.9)	(84.9)	*(89.5%)*
Income tax received / (paid)	(0.5)	(10.2)	*(94.6%)*	0.3	*n.s.*	(0.3)	(10.1)	*(97.2%)*
Net interest received / (paid)	(5.1)	(4.6)	*11.1%*	(1.6)	*219.6%*	(6.7)	(6.4)	*4.2%*
Net cash flow from operating activities	**13.6**	**(31.8)**	*n.s.*	**(19.9)**	*n.s.*	**(6.3)**	**(76.3)**	*(91.8%)*

* Compared to the previously reported 1Q24 earnings, the new methodology for updating the biomass facilities' remuneration for operation (Ro) effectively eliminates the regulatory collar (+€27.3m), an impact that is offset by a reduction in EBITDA (-€7.6m) and a higher working capital requirement (-€18.4m), due to the increase in the Ro, in addition to other adjustments to profit and loss (-€1.3m), with no impact on cash flows from operating activities.

The movement in working capital implied a cash inflow of €15.3m in 2Q24, including the factoring of €35m of the remuneration for operation accrued under the new methodology published in June, which is reflected in trade and other receivables.

In the first half of the year, working capital increased by €8.9m as a result of the growth in trade receivables as a result of the increase in the plants' remuneration for operation.

Figures in € m	2Q24	2Q23	Δ%	1Q24	Δ%	1H24	1H23	Δ%
Inventories	(3.0)	(5.5)	*(46.4%)*	2.3	*n.s.*	(0.6)	(6.0)	*(89.4%)*
Trade and other receivables	10.3	13.8	*(25.5%)*	(26.8)	*n.s.*	(16.4)	13.8	*n.s.*
Trade and other payables	7.9	(26.3)	*n.s.*	0.2	*n.s.*	8.1	(92.6)	*n.s.*
Change in working capital	**15.3**	**(18.0)**	*n.s.*	**(24.2)**	*n.s.*	**(8.9)**	**(84.9)**	*(89.5%)*

At the June close, the Renewables business had drawn down its non-recourse receivable discounting facilities by €44.4m (compared to €4.4m at year-end 2023), including the factoring of the remuneration for operation accrued under the new methodology published in June.

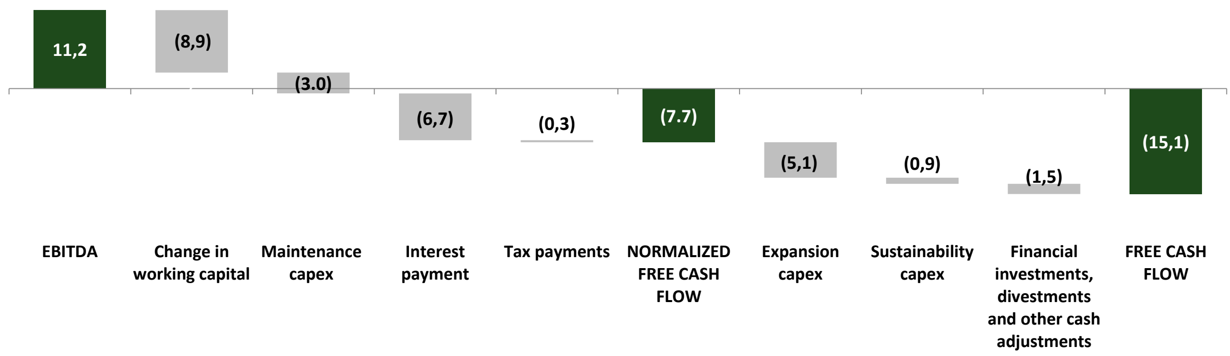
Magnon has also arranged several non-recourse reverse factoring facilities, which were drawn down by €26.7m at 30 June 2024, compared to €19.8m at year-end 2023. The reverse factoring facilities do not entail the provision of guarantees, do not alter the average payment term agreed with the corresponding suppliers and do not accrue interest.

Figures in € m	2Q24	2Q23	Δ%	1Q24	Δ%	1H24	1H23	Δ%
Maintenance capex	(2.6)	(0.5)	*n.s.*	(0.4)	*n.s.*	(3.0)	(1.0)	*196.4%*
Sustainability capex and other	(0.5)	(0.1)	*n.s.*	(0.3)	*49.6%*	(0.9)	(0.3)	*210.4%*
Efficiency and expansion capex	(3.2)	(1.0)	*211.7%*	(1.9)	*66.1%*	(5.1)	(1.6)	*213.4%*
Financial investments	(1.4)	0.4	*n.s.*	0.7	*n.s.*	(0.7)	0.4	*n.s.*
Investments	**(7.7)**	**(1.2)**	*n.s.*	**(2.0)**	*n.s.*	**(9.7)**	**(2.5)**	*n.s.*
Disposals	0.9	-	*n.s.*	-	*n.s.*	0.9	-	*n.s.*
Net cash flow from investing activities	**(6.8)**	**(1.2)**	*n.s.*	**(2.0)**	*246.9%*	**(8.8)**	**(2.5)**	*249.9%*

Net cash flows used in investing activities amounted to €6.8m in 2Q24 and €8.8m in 1H24, including the collection of €0.9m related with the sale of a photovoltaic development in Huelva during the first quarter.

Maintenance capex amounted to €2.6m in 2Q24 and €3m in 1H24, while sustainability capex totalled €0.5m in 2Q24 and €0.9m in 1H24. The sustainability investments were earmarked to reinforcing facility safety and reducing dust, odour, noise and water consumption at the energy plants, bolstering their competitiveness in the long term.

Lastly, investments in efficiency and growth amounted to €3.2m in 2Q24 and €5.1m in 1H24. Ence currently has a portfolio of three renewable heat plants and eight biomethane plants at the engineering and permitting phase which are expected to begin to operate in 2026.



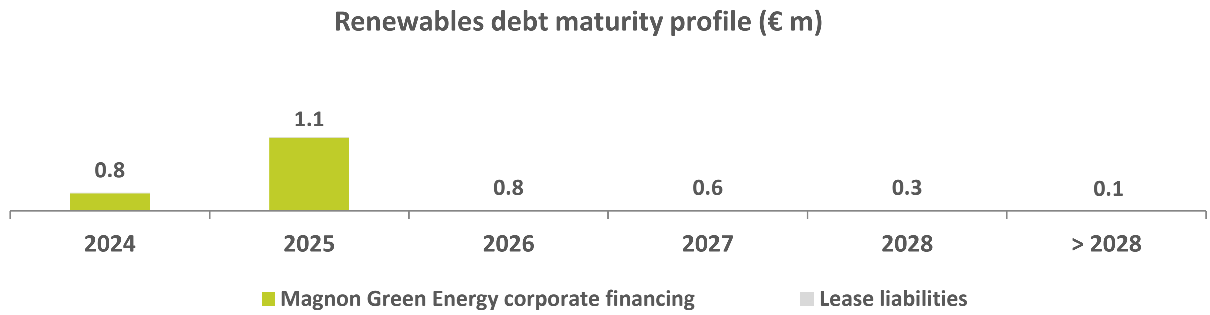
Normalised free cash flow in the Renewables business was negative by €7.7m in 1H24, affected by the increase in working capital derived from higher remuneration for the operation of the plants. Free cash flow after growth and sustainability capex was negative by €15.1m.

3.5. Change in net debt

Net debt in the Renewables business decreased by €35.9m from year-end 2023 to €57.6m, which includes a €31m bridge loan extended to Magnon by its non-controlling shareholder and a loan of €22.5m from the Group parent, which is eliminated from the consolidated statement of cash flows. This shareholder loan was provided to cover Magnon's liquidity requirements until it collected the remuneration for operation accrued under the new methodology published in June.

Figures in € m	Jun-24	Dec-23	Δ%
Non-current financial debt	87.3	88.9	*(1.8%)*
Current financial debt	23.0	33.6	*(31.5%)*
Gross financial debt	**110.3**	**122.5**	*(9.9%)*
Non-current lease contracts	2.9	1.7	*64.9%*
Current lease contracts	1.0	1.1	*(11.7%)*
Financial liabilities related to lease contracts	**3.8**	**2.8**	*35.1%*
Cash reserve for debt service	10.0	10.0	-
Cash and cash equivalents	46.6	21.8	*113.5%*
Net financial debt Renewable Renewable business	**57.6**	**93.5**	*(38.4%)*

Gross debt at the June close stood at €110.3m, lease liabilities amounted to €3.8m and cash stood at €56.6m.



In July, Magnon Green Energy refinanced its corporate debt with a pool of financial institutions and institutional investors, increasing the balance to €170m and extending the final maturities until January 2032.

Magnon has also been extended a €20m revolving credit facility which is currently undrawn.

The financing is non-recourse to the parent of the Renewables business, evidencing the financial community's confidence in the regulated biomass-powered electricity market.

Moreover, it qualifies as "green" financing and is structured in keeping with the Green Loan Principles defined by the Loan Syndications and Trading Association (LTSA).

3.6. Growth and diversification opportunities

Ence's strategy in the Renewables business is to continue to pursue growth and business diversification, specifically into the sale of renewable thermal energy and biomethane, leveraging its leadership position in biomass management in Spain.

Biomass has a mayor role to play in industry decarbonisation. Thermal energy generated from biomass is not only carbon-neutral but may be also more stable and competitive than the thermal energy generated using fossil fuels.

Through its subsidiary, Magnon Energy Services, the Group provides end-to-end solutions for the generation of thermal energy from renewable sources, specifically biomass, for industrial customers in Spain. This company plans to develop the capacity to produce 2 TWh of termal energy by 2030, a project with a targeted ROCE of at least 11%. At 30 June 2024, Magnon Energy Services already had a portfolio of 3 projects at the engineering and permitting phase.

Elsewhere, in 2022, Ence incorporated a new subsidiary, Ence Biogas, to develop and operate biomethane and organic fertiliser plants, underpinned by a model based on sustainable and circular management of agricultural and breeding biomass. Ence Biogas plans to develop the capacity to produce over 1 TWh of biomethane by 2030, a project with an expected ROCE of at least 12%. At the June close, Ence Biogas had a portfolio of 13 developments at the engineering and permitting phase.

Note, lastly, that agricultural, forestry and breeding biomass is the main source of biogenic CO_2, a raw material needed to produce green fuels. The Group produces over 4 million tonnes of biogenic CO_2 annually and it is studying the viability of using it to produce renewable fuels in the future.

3. CONSOLIDATED FINANCIAL STATEMENTS

4.1. Statement of profit or loss: 1Q24 reported and 2Q24

	1Q24				2Q24			
Figures in € m	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
Total revenue	**161.0**	**53.3**	**(0.8)**	**213.6**	**197.9**	**38.0**	**(1.0)**	**234.9**
Other income	4.7	0.6	(0.3)	5.0	6.2	1.9	(0.3)	7.8
Foreign exchange hedging operations results	0.0	-	-	0.0	0.3	-	-	0.3
Cost of sales and change in inventories of finished produ	(83.0)	(17.4)	0.8	(99.6)	(93.2)	(17.0)	1.0	(109.3)
Personnel expenses	(21.9)	(5.1)	-	(27.1)	(23.9)	(6.3)	-	(30.1)
Other operating expenses	(30.2)	(17.2)	0.3	(47.1)	(28.3)	(19.7)	0.3	(47.6)
EBITDA	**30.7**	**14.2**	**-**	**44.9**	**59.0**	**(3.0)**	**-**	**56.0**
Depreciation and amortisation	(15.1)	(8.2)	0.4	(22.9)	(13.6)	(8.2)	0.4	(21.4)
Depletion of forestry reserves	(2.8)	-	-	(2.8)	(3.5)	-	-	(3.5)
Impairment of and gains/(losses) on fixed-asset disposal:	(0.3)	(0.0)	-	(0.4)	(0.3)	1.1	-	0.8
Other non-ordinary operating gains/(losses)	-	-	-	-	(1.3)	(4.5)	-	(5.7)
EBIT	**12.4**	**6.0**	**0.4**	**18.8**	**40.4**	**(14.6)**	**0.4**	**26.2**
Net finance cost	(5.4)	(2.9)	-	(8.3)	(4.2)	(3.6)	-	(7.8)
Other finance income/(costs)	0.6	(0.0)	-	0.5	0.4	(0.0)	-	0.4
Profit before tax	**7.6**	**3.1**	**0.4**	**11.1**	**36.6**	**(18.2)**	**0.4**	**18.8**
Income tax	(0.6)	(1.0)	-	(1.6)	(9.6)	1.2	-	(8.4)
Net Income	**7.0**	**2.1**	**0.4**	**9.5**	**27.0**	**(17.0)**	**0.4**	**10.3**
Non-controlling interests	-	(1.6)	-	(1.6)	-	8.2	-	8.2
Atributable Net Income	**7.0**	**0.5**	**0.4**	**7.9**	**27.0**	**(8.8)**	**0.4**	**18.6**
Earnings per Share (EPS)	0.03	0.00	-	0.03	0.11	(0.04)	-	0.08

4.2. Summarised statement of profit or loss for 1H24

	1H24				1H23			
Figures in € m	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)

4.3. Summarised statement of financial position

Figures in € m	Jun-24 Pulp	Jun-24 Renewables	Jun-24 Adjustments	Jun-24 Consolidated	Dec-23 Pulp	Dec-23 Renewables	Dec-23 Adjustments	Dec-23 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**

4.4. Statement of cash flows for 1H24

Figures in € m	1H24 Pulp	1H24 Renewables	1H24 Adjustments	1H24 Consolidated	1H23 Pulp	1H23 Renewables	1H23 Adjustments	1H23 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)**
Buyback/(disposal) of own equity instruments	1.4	-	-	1.4	5.9	-	-	5.9
Proceeds from and repayments of financial liabilities	(58.0)	39.8	(22.5)	(40.6)	199.7	(14.6)	-	184.3
Dividends payments	-	-	-	-	(140.6)	-	(0.0)	(140.6)
Net cash flow from/ (used in) financing activities	**(56.5)**	**39.8**	**(22.5)**	**(39.2)**	**65.0**	**(14.6)**	**-**	**49.7**
Net increase/(decrease) in cash and cash equivalents	**(90.6)**	**24.8**	**-**	**(65.8)**	**44.9**	**(93.4)**	**-**	**(48.5)**

4. KEY DEVELOPMENTS

First interim dividend against 2024 profit

On 30 July 2024, the Company agree to distribute a first interim dividend from 2024 profits of €26m, or €0.107 per share (before withholding tax), payable on 7 August.

Under the terms of the shareholder remuneration policy, a second interim dividend will be determined at the end of October.

New methodology for updating the remuneration for operation (Ro) at the biomass plants with effect from 1 January 2024

On 4 June 2024, Spain's Ministry of Green Transition and Demographic Challenges published a new methodology for updating the remuneration for operation (Ro) parameter applicable to the plants that generate electricity from biomass under which, with retroactive effect to 1 January 2024, the Ro applicable to the electricity sold by the biomass plants will be updated quarterly as a function of the difference between the regulated price and pool price estimated the immediately preceding quarter.

The Company estimates that application of this new methodology will have a positive impact of over €60m on the cash generation forecast in 2024, depending on the volume of energy effectively generated this year, due to the elimination of the regulatory collar, a development that aligns the accrual of income with cash generation.

From an accounting perspective, the fact of invoicing the regulated price as a function of the hours effectively generated (instead of 7,500 theoretical hours under the previous methodology) implies a reduction in the revenue reported in the first quarter of an estimated €9.8m.

Magnon Green Energy refinances its corporate debt, extending it to January 2032

On 30 July 2024, Magnon Green Energy closed the refinancing of its corporate debt with a pool of financial institutions and institutional investors, increasing the balance to €170m and extending the final maturities until January 2032.

Magnon has also been extended a €20m revolving credit facility which is currently undrawn.

The financing is non-recourse to the parent of the Renewables business, evidencing the financial community's confidence in the regulated biomass-powered electricity market.

Moreover, it qualifies as "green" financing and is structured in keeping with the Green Loan Principles defined by the Loan Syndications and Trading Association (LTSA).

2024 Annual General Meeting

Ence held its Annual General Meeting on 4 April 2024. The agenda motions ratified were:

1) Examination and ratification of the annual financial statements and management reports of ENCE ENERGÍA Y CELULOSA, S.A. and of its consolidated group for the year ended 31 December 2023.
2) Examination and ratification of the group's non-financial statement (2023 Sustainability Report) for the year ended 31 December 2023.
3) Examination and ratification of the motion for the appropriation of the earnings of ENCE ENERGÍA Y CELULOSA, S.A. for the year ended 31 December 2023.
4) Examination of and grant of discharge for the performance of the Board of Directors of ENCE ENERGÍA Y CELULOSA, S.A. during the year ended 31 December 2023.

5) Re-election of the following directors:
    - Mr. José Ignacio Comenge Sánchez-Real as proprietary director.
    - Mr. Gorka Arregui Abendivar as proprietary director.
    - Mr. Javier Arregui Abendivar as proprietary director.
    - Mr. Oscar Arregui Abendivar as proprietary director.
    - Ms. Rosa María García Piñeiro as independent director.
    - Ms. María de la Paz Robina Rosat as independent director.
6) Re-election of the auditor of the Company and its consolidated group.
7) Delegation of powers in the Board of Directors to interpret, supplement, rectify, execute and formalise the resolutions ratified at the Annual General Meeting.
8) Advisory vote on the annual report on director remuneration for 2023.

2024-2028 Sustainability Master Plan

In 1Q24, the Company officially updated its Sustainability Master Plan for 2024-2028, based on a double materiality assessment. The new master plan includes a new decarbonisation plan which will allow the Group to cut its Scope 1 and 2 emissions by 70% by 2035.

APPENDIX 1: SUSTAINABILITY MASTER 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. Sustainability is fully integrated into the Company's purpose and is one of its strategic priorities.

To articulate this commitment strategically, in 2018, the Company formulated its first Sustainability Master Plan, covering 2019-2023. At the end of 2023, the Company approved an update of that Master Plan, for 2024-2028, in line with its new strategic framework.

The 2024-2028 Sustainability Master Plan is structured into four priority action areas: operations, products & services, supply chain and social impact. In addition to these four areas, the plan includes a cross-cutting line of initiative designed to reinforce the governance of ESG aspects and the ethics and compliance function. An account is provided on the progress made on each in the following sections.

Preparation of the new plan included a double materiality assessment - through the dual lenses of impact materiality and financial materiality - in order to identify the most material aspects on which to focus the next round of initiatives and associated targets. Furthermore, this assessment constitutes the first step in Ence's effort to adapt for its new reporting requirements under the incoming Corporate Sustainability Reporting Directive (CSRD). More specifically, during the first half of the year, the Company worked on a CSRD gap analysis in order to detect new information requirements and adapt its internal control system over sustainability reporting accordingly.

Ence's noteworthy performance along environmental, social and governance (ESG) dimensions is echoed in its assessments by prestigious ESG agencies and indices. In its last assessment (received during the first half of 2024), Sustainalytics gave Ence an overall ESG score of 93 points out of 100, a year-on-year improvement of three points and ranking it as a global leader in the pulp and paper sector for the fourth year running. During the first half of 2024, Ence also validated its place on the FTSE4Good Index, in which it has been traded since 2021. Ence is also a recipient of Ecovadis' platinum medal, the highest accolade given by this platform specialised in assessing companies' sustainability performance. It has also been included in the IBEX ESG, a sustainability index recently launched by BME. To be eligible for this index, in addition to being traded as part of the main IBEX 35 or IBEX Medium Cap indices, candidates must have an ESG rating of C+ or higher (out of 12 possible ratings which run from A+ to D-). Moreover, they must uphold the principles enshrined in the United Nations Global Compact and revenue from certain critical activities may not exceed specific thresholds.

1. Safe and eco-friendly operations

Ence strives to carry out its business activities in a manner that is safe for its employees and contractors and to serve as an example in terms of its environmental performance by upholding the most ambitious international standards to ensure it earns the social licence to operate in its business communities.

On the **health and safety front**, in 1H24 the Company's injury metrics improved notably, marked by 57% fewer lost-time injuries by comparison with 1H23, thanks to accident prevention dynamics implemented across all areas. Thanks to this performance, in 1H24, the Group's injury frequency rate decreased by 47% from year-end 2023. All of the business units improved on their injury metrics in the first half of the year with Magnon and the Biomass Supply division not recording any lost-time injuries so far in 2024.

Magnon is working to improve its safety culture, an effort that has been acknowledged in the form of the Escolástico Zaldívar prize in the "Talking about Prevention" category, awarded by Fraternidad Muprespa.

In the Pulp business, work has begun to implement Process Safety Management (PSM) methodology, which will be carried out over the next three years (2024-2026) and will constitute another key lever in the unwavering effort to prevent potentially serious accidents in the workplace and on the environmental front.

As for its **environmental performance**, it is worth highlighting the completion of environmental risk studies at all of the energy plants, the industrial heat plant and in the procurement area during the first half. The results of those studies will allow the Group to prioritise its investments and ensure familiarity with existing risks at the plant level and with the preventive measures in place to reduce them to tolerable levels. These risk assessments have been extended to include the safety and operations area so that Magnon has obtained a full picture of its exposure.

Likewise in the Renewables business, the Company is working to update its water map and draw up carbon emissions reduction plans for the plants so as to set targets tailored for the situation and needs of each facility.

In the Pulp business, the biomills continued to improve their odour emissions in the first half, specifically cutting the related metrics by 26% in Navia and 55% in Pontevedra by comparison with 2023 levels, despite the fact that last year was marked by all-time records in this regard. Both biomills also continued to rationalise their consumption of water, particularly the Navia biomill, which managed to reduce its consumption ratios by over 3% year-on-year in 1H24, having already improved these metrics in 2023.

Likewise with water resource management in mind, the ultimate goal being to enhance the Pontevedra biomill's resilience to episodes of reduced flow in the Lérez River, a reverse osmosis system has been installed. That system, which is currently in the process of being commissioned, will enable the recirculation of some industrial wastewater for use in the manufacturing process.

As for its circular economy transition, Ence continues to present high waste recovery and recycling readings, enabling it to renew its AENOR Zero Waste management certification (a seal only given to facilities that send less than 10% of their waste to landfill). As of the 1H24 close, all of the Group's facilities boasted that certification.

In tandem, this year Magnon is working to obtain AENOR's "Circular Strategy" certification, a milestone it hopes to achieve in the last quarter. To that end, the Management Committee approved Magnon's circular economy strategy, which is aligned with the above standard, during the first half of the year.

Turning to **environmental and safety management**, in addition to maintaining their ISO 14001, ISO 45001, ISO 50001 and EMAS certifications, in early 2024, the biomills achieved their goal of securing ISO 22000 food safety management certification, so ensuring its products can be used to safely replace plastic materials to package food products. In 1H24, the Pontevedra biomill completed its ISO 45001 re-certification audit, with the auditor attesting to the improvement in compliance with safety requirements.

At Magnon, management of the ISO 14001 and ISO 45001 certifications has been unified to use corporate resources more efficiently, so reducing the number of audits and simplifying the management system by unlocking the synergies between the two standards.

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 analysing its climate risks and opportunities and taking action to make the Company more resilient.

On the mitigation front, under the scope of the new 2024-2028 Sustainability Master Plan, the Group has established a new decarbonisation plan which will reduce its Scope 1 and 2 emissions by 70% by 2035 compared to the base year (2018). To achieve this target, it is working on projects for replacing fossil fuels at its biomills with other renewable sources. A first step has been taken at the Navia biomill where some of the natural gas used in the lime furnace has been replaced by biomethanol obtained in the production process. As a result, this facility ended 2023 with its lowest-ever fossil fuel emissions ratio per tonne of pulp produced. Also, permitting is complete for a new initiative to replace more fossil fuel with biomass in the furnaces. In 1H24, the Group drew up the climate neutrality plan for the biomill in Pontevedra.

In the Renewables business, following the workshops organised at all the plants in 2023, a carbon footprint reduction plan has been drawn up to set specific reduction targets for 2028.

During the first half of the year, work also continued on the analysis and proposal of Scope 3 emissions abatement targets for the Company which are pending approval.

Ence also 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 2023 the forests managed by Ence sequestered over 200,000 tonnes of CO_2, net of that withdrawn in the form of wood and biomass. During the first half, the Company had its 2023 Greenhouse Gas Emissions Report successfully verified at the reasonable assurance level. That report is available for all Ence stakeholders on the corporate website.

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. In developing those models, in order to analyse its physical risks, in the first half of 2024, Ence implemented the new climate scenarios from the IPCC's sixth report, specifically scenario SSP245 (which can be seen as an update of the previous RCP4.5 scenario, representing the medium pathway of future greenhouse gas emissions) and scenario SSP585 (which can be seen as an update of the RCP8.5 scenario, now combined with socio-economic aspects and representing the upper end of the scenario pathway). For these scenarios, Ence 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 transition risks, to which end it has selected scenarios in which the physical impacts are more pronounced, rather than a scenario that contemplates global warming of less than 1.5ºC, for its analysis.

In addition to updating the scenarios modelled, in the first half of 2024, Ence started to analyse the financial impacts of the main climate risks that could affect the Company and revise the mitigation measures in place for each risk factor to prevent the materialisation of significant impacts.

As for **biodiversity**, in the first half of 2024, Ence designed an action plan for preserving and nurturing biodiversity in the forest tracts it manages. That plan is focused on protecting biodiversity in designated conservation areas in Spain, improving connectivity between the areas flagged for conservation work, shielding existing biodiversity in productive forest assets and analysing and developing new methodologies for safeguarding and enhancing natural capital. Among the latter it is worth highlighting certification of the Biodiversity Ecosystem Service, whose certified land area now stretches to nearly 1,500 hectares. The biodiversity plan also includes awareness and communication initiatives so as to create a culture of biodiversity protection among all employees. To accompany the plan, Ence has drawn up a Corporate Biodiversity Plan, which will be approved by its Board of Directors during the second half of the year. During the second half, Ence will also define the specific metrics and targets to be used to monitor the plan until 2028.

2. Bioproducts and ecosystem services

Under the scope of its bioproducts and ecosystem services line of action, Ence defines its targets for increasing its supply of sustainable products based on biomaterials (ranging from products derived from pulp to biomethane and biogenic CO_2) and for unlocking the value implicit in the ecosystem services generated by the forest tracts managed by the Company, with a particular focus on carbon capture.

Ence's strategic commitment to sustainable bioproducts crystallised in the launch of the Ence Advanced trademark in 2019, the result of years of R&D and industrial and product development work. Under the umbrella of that platform, Ence is working to develop **products with a lower carbon footprint** as alternatives to hardwood pulp (which has a higher wood consumption requirement): adapted products and unbleached pulp for the manufacture of bags and packaging apt for substituting materials such as plastic.

Within this product line, it is worth flagging the Company’s unbleached pulp, Naturcell, which is not only more environmentally-friendly to make, but also offers customers the possibility of offsetting the residual GHG emissions derived from its life cycle via credits purchased on the voluntary market so as to make the product carbon-neutral (Naturcell Zero). One of the key thrusts of this line of initiative is to increase penetration of the products that carry the Ence Advanced label. By the end of the first half of 2024, customer certifications of these products numbered 108. Sales of special pulp products accounted for 28% of total pulp sales in 1H24.

Ence is likewise committed to providing its customers with objective and transparent product information. To that end, it has provided them with a carbon emissions calculator for the products they purchase: that tool calculates emissions from raw material supply through manufacture, transportation and final delivery. Customers can get this information directly from Ence's website. Ence also shares the Environmental Product Declarations (EDP) obtained by its pulp products made in Pontevedra (Encell TCF and Naturcell) and the bleached pulp made in Navia (Encell ECF[3]) with its customers.

(1) https://www.environdec.com/product-category-rules-pcr/get-involved-in-pcr-development#recentlypublishedpcrs.
(2) https://www.environdec.com/library/epd6638 y https://www.environdec.com/library/epd6639
(3) https://www.environdec.com/library/epd7965

With the aim of meeting the most exacting requirements and demonstrating a solid commitment to the safety of its customers and the entire supply chain, Ence has implemented an ISO 22000 certified food safety management system at its two pulp biomills. That project culminated in 2024 with AENOR awarding the Company the corresponding certifications.

Besides the work done on these special products, in the first few months of 2024, Ence continued to advance on development of **moulded pulp** products for the manufacture of containers and trays apt for replacing the plastic products currently used in the food and retail sectors.

It also made progress on the engineering work and permitting process for the bioplant under study in Galicia (As Pontes) that would produce bleached **recycled pulp** and biomaterials. This project marks a clear commitment to the circular economy as, instead of using wood, the plant will use recovered paper and board to produce pulp, closing the loop and preventing this waste from being sent to landfill. The project's blueprints layer in Ence's decarbonisation commitments, which means that the plant will be fuelled by renewable energy (biomass) and not fossil fuels. This initiative is also a good example of Ence's contribution to a fair transition, as it will be located on the industrial site of a formal thermal power plant, providing an opportunity to revitalise the area and generate new jobs. Permitting of this project continued during the first half, a process that included its public presentation and introductory meetings with representatives from several associations in the town of As Pontes.

Another aspect of the bioproducts line of initiative relates to implementation of the plan for developing **biomethane** plants at Ence Biogas, the subsidiary set up by Ence to create facilities capable of transforming agricultural and breeding waste collected locally into renewable gas and organic fertiliser. The biomethane generated at these plants will contribute to the decarbonisation of the heavy ground and maritime shipping industries, sectors that currently have few opportunities for reducing their carbon emissions. Ence Biogas' medium-term target is to put 20 biomethane plants into operation with the capacity to produce >1,000 GWh per year. At the end of the first half of 2024, the Company already had six developments at the permitting phase, with a further seven preparing their permit documentation for presentation during the third quarter. During the first half of 2024, framed by its transparency commitment, Ence Biogas held meetings with local stakeholders in several towns in which these plants will be located to introduce the Company and project and address their concerns and comments.

This chapter of the Master Plan also includes Ence's goal of developing **renewable industrial heat** projects, through Magnon Energy Services (MSE), a company set up to leverage biomass to offer end-to-end decarbonisation solutions with industrial heat applications. As a result, MSE's customers can decarbonise industrial processes that are hard to electrify, such as the generation of industrial heat, using an alternative renewable source and generating environmental as well as economic advantages for their companies by reducing exposure to fossil fuel price volatility and lowering their emission allowances costs. Under this business model, Magnon manages the entire renewable thermal energy value chain for its customers, from the supply of sustainable biomass, the logistics, the treatment of the biomass, plant design and construction through to its operation and maintenance and the management of the resulting waste. MSE already has one facility in operation and during the first half of the year continued the process of permitting and doing the engineering work for another three projects, one of which has been selected by the ministry of industry to receive NGEU funds.

Lastly, this chapter encompasses the development of forestry products and services, including the **development of enhanced plant material**, adapted for emerging climate conditions, which Ence will use in the forests it manages and also offer to other forest owners to help them adapt for climate change and increase the productivity of their plantations. During the first half of 2024, the Company completed the development and marketing of a new eucalyptus clone and set itself the target of ending the year with a total of three new clones.

Lastly, Ence is looking to monetise the **ecosystem services** provided by the forests it owns, with a focus on carbon capture. To that end, Ence is working on the design and registry of forest sinks in voluntary carbon markets, generating credits it can sell so that other companies can offset emissions they cannot forego. By the June close, Ence had registered almost 1,800 hectares of forest sinks in different voluntary schemes and is working on increasing that surface area by adopting additional biodiversity criteria.

3. Responsible supply chain

In this line of initiative, Ence aims to ensure the **sustainability of the raw materials** it procures by participating in benchmark certification schemes and carrying out the **due diligence** required to prevent, detect and mitigate potential sustainability-related risks in its supply chain, focusing on human rights protection and the prevention of adverse environmental impacts.

On the certification front, Ence has cemented itself as a benchmark in **sustainable forest management** in Spain, applying internationally-recognised criteria and standards of excellence, such as the FSC® (Forest Stewardship Council®, with license numbers FSC®-C099970 and FSC®-C081854) and PEFC (Program for the Endorsement of Forest Certification, with licence numbers PEFC/14-22-00010 and PEFC/14-33-00001) schemes, to the forest assets it manages and encouraging their adoption by its supply chain. As of June 2024, close to 87% of its forest assets (out of total certifiable assets) were certified under one or other of those schemes and over 77% of the wood that entered its biomills during the period from its proprietary forests, suppliers and forest owners came with one or both certifications. That marked growth of over 5% from year-end 2023 and was above the target set for all of this year (75%).

Ence also ensures that the **biomass** used in its energy generation plants is sustainable by means of the SUstainable REsources Verification Scheme (SURE), thereby complying with the European Renewable Energy Directive (RED II). All of its facilities were SURE-certified as of 30 June 2024.

As for **supply chain supervision**, in 2023, Ence approved its Sustainability Due Diligence Policy which sets down the commitments and guidelines for preventing, detecting and mitigating human rights violations and adverse environmental impacts all along its supply chain. Derived from this new policy, Ence drew up a procedure for articulating these commitments in its business relationships with its suppliers and other third parties, and, in 1H24, embarked on the plan for deploying this procedure so that it gradually encompasses its entire value chain. The target is that by 2028, over 90% of the Company's purchases will be analysed using the new procedure. In order to reinforce its supervisory capacity, in 1H24 Ence worked to deploy technological devices that facilitate supplier compliance with the European Regulation on deforestation-free products (EUDR).

4. Positive social impact

This chapter of the Master Plan encompasses all the lines of initiative designed to have a positive social impact both internally (on Ence employees) and on the Company's local business communities.

The Company's **human capital management** priorities pivot around championing equality and developing and retaining talent.

In terms of its effort to bring about effective **equality and diversity**, Ence remains strategically committed to its female hiring thrust, lifting female representation to 27.2% of the workforce as of the June 2024 close. In addition to increasing female representation in general, Ence is placing the spotlight on increasing the number of women in executive positions. By the end of the first half, the percentage of female executives (including managers) stood at 27.7%, which is very close to the target for 2024 (29%).

In 1H24, Ence also worked to develop methodology for calculating the gender pay gap at the Company that meets the requirements stipulated in the new Corporate Sustainability Reporting Directive (CSRD). The Company's target is to keep the gender pay gap at under 2%.

On the **talent development** front, Ence is striving to ensure that it attracts, develops and motivates the professionals it needs to ensure that the organisation has the human capital required to execute its strategic objectives. To that end, Ence is reinforcing internal promotions as the basis for the professional development of its employees, specifically publicising all internal vacancies.

Ence is also committed to providing its employees with ongoing training with the overriding goal of encouraging personal and professional development at all levels with a view to improving employee integration in the Company and commitment to the organisation's strategic goals. The aim is to give employees the skills they need to do their jobs, while fostering a culture of development, value creation and continuous improvement and paving the way for them to assume new responsibilities in the future. In 1H24, the Group imparted 10,205 hours of training, i.e., 8.10 hours per employee. The training effort focused particularly on technical operations matters, health and safety and compliance.

Thanks to all these efforts, Ence was once again rated as a Great Place to Work in 2023, obtaining this accolade for the fourth year in a row.

In its bid to have a **positive social impact on its local communities**, Ence continues to invest in them, framed by the agreements in place with local councils in the towns where it has its main facilities. Ence supports projects of a social, environmental and sporting nature, including work to prevent social exclusion, and fosters entrepreneurship. Notably in 1H24, Ence, through its subsidiary, Magnon Green Energy, renewed the collaboration agreement with San Juan del Puerto, a town located near its plant in Huelva, for the sixth year in a row. Under this agreement, social groups in this town receive €100,000 of aid every year.

In addition to the above community investments, Ence rolls out specific community relations plans with the aim of educating local residents and other stakeholders about the Company's activities. In 1H24, Ence welcomed over 500 visitors to its facilities in Navia, Pontevedra, Puertollano and Huelva and held almost 30 meetings with representatives from a range of stakeholders.

Another line of action within this chapter of the Master Plan is to facilitate **professional development** in the Company's local communities by giving young people living in rural areas job skills and ensuring the next generation is ready to take on work in the forestry sector, so helping to stem depopulation in these areas. Ence runs a number of initiatives, including the provision of training to forest machine operators and internships in its operations under its Talent Programme. The first machine operator course got underway in the first half of this year with 15 students, while two new interns joined Ence under the Talent Programme. Ence also prioritises local hiring: almost 90% of new hires in 1H24 were local hires.

Ence likewise helps forest owners to professionalise their operations by lending forestry management consultancy services under the scope of Ence Terra, specifically sharing best practices in management techniques and recommending what trees to plant to best suit soil conditions and shifting climate conditions. In 1H24, Ence provided advice to close to 550 forest owners in northern Spain, topping the related target (of 400).

5. Governance and compliance

This cross-cutting line of initiative is designed to reinforce ESG governance and bolster the ethics and compliance function.

On the ESG governance front, Ence has set itself the goal of defining corporate policies for the aspects for which the Company wants to establish specific lines of initiative and targets that are not itemised in the Sustainability Master Plan. In 2023, Ence approved the new Due Diligence Policy and in the first half of this year it drew up three new corporate policies (Climate Change, Biodiversity and Environment) which are scheduled for approval by the Board of Directors at the start of the third quarter.

Also as part of its effort to update its internal rules and regulations, in 1H24, the Board of Directors approved the Anti-Corruption and Fraud Policy. A new corporate procedure for preventing and managing conflicts of interest was also published, while the procedures governing donations, collective bargaining agreements and recruitment and hiring were all updated.

As for the compliance function, following the recent creation of the Corporate Ethics and Compliance Department, during the first half of the year the Company organised a host of communication and training initiatives and activities designed to strengthen the Group's ethics and compliance culture. Specifically, compliance-related training was provided to over 80% of the workforce via online and in-person training sessions in the first half of 2024. On the communication front, some 29 internal memos were published during the first half about different compliance topics, including reminders about existing rules and the importance of upholding them and about the Whistleblowing Channel and infographics and vignettes touching on a range of matters related with ethics and compliance and key aspects of the new and updated procedures. Ence also began to publish a bi-monthly newsletter targeted at all employees. A new Ethics and Compliance section was set up on the corporate intranet to provide the entire team with ready access to a broad range of documentation and information related with the new department.

A new awareness initiative was also launched in 1H24 articulated around short and informal sessions in small groups. The idea is to make all areas of the Company familiar with the functions of the Ethics and Compliance Department in a format that sparks conversation and helps resolve employees' questions. This initiative involved visits to all of the Group's plants, biomills and offices and the provision of training to over 300 people.

Ongoing compliance with Ence's certified criminal compliance management system under UNE 19601:2017 was audited during the first half, with no non-conformities detected. In terms of the update of the criminal risk map and related controls, the Company exhaustively analysed all of the risks that apply to the Company with input from the various areas and reviewed all of the controls in place with their respective owners in order to ensure ongoing compliance. After analysing all of the Group's activities, two new criminal risks were added to the map, along with new controls. Ence also analysed and supervised the newer businesses (energy services, biomass trading, biogas and moulded pulp). It also implemented a tool for digitalising management of the risks and controls which encompasses all of the risks to which it is exposed and all of the mitigating controls in place, the individuals responsible for executing the controls and the evidence that has to be presented to substantiate their performance.

Lastly, following approval of the Due Diligence Procedure with third parties, work began on the implementation of a new Due Diligence tool which will provide support for the analysis, assessment and monitoring of the third parties Ence engages with, including its business partners, customers, suppliers and intermediaries. By the end of June, a total of 200 companies had registered with the new tool.

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 10^6

APPENDIX 2: REMUNERATION PARAMETERS APPLICABLE TO THE POWER GENERATION PLANTS

Facility	Type of facility	MW	FY24 Remuneration for investment in P&L (Ri; €/MW)	Type of fuel	Remuneration for operation 1H24 (Ro; €/MWh)	Sale hours limit under regulated price	Regulatory life (year of maturity)
Pontevedra	Biomass co-generation	34.6	-	Lignin	-	6,500	2032
	Biomass generation		46,281	Agroforestry biomass	-	7,500	
Navia	Biomass co-generation	40.3	-	Lignin	-	6,500	2034
	Biomass generation	36.2	208,346	Agroforestry biomass	77.9	7,500	
Huelva 41MW	Biomass generation	41.0	37,216	Agroforestry biomass	73.9	7,500	2025
Jaen 16MW	Biomass generation	16.0	123,452	Olive Pulp	76.2	7,500	2027
Ciudad Real 16MW	Biomass generation	16.0	66,074	Olive Pulp	76.2	7,500	2027
Cordoba 27MW	Biomass generation	14.3	183,899	Olive Pulp	77.9	7,500	2031
	Gas co-generation	12.8	-	Natural Gas	132.0	6,537	2030
Huelva 50MW	Biomass generation	50.0	242,373	Agroforestry biomass	80.8	7,500	2037
Mérida 20MW	Biomass generation	20.0	267,220	Agroforestry biomass	82.3	7,500	2039
Huelva 46 MW	Biomass generation	46.0	-	Agroforestry biomass	87.2	7,500	2044
Ciudad Real 50 MW	Biomass generation	50.0	-	Agroforestry biomass	87.5	7,500	2044

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:

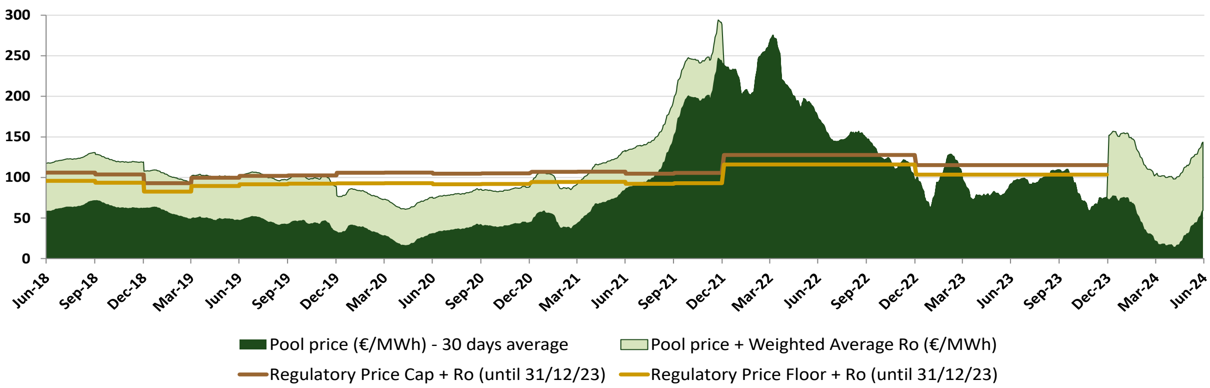
1. The **remuneration for investment (€/MW)** parameter guarantees the recovery of the initial investment plus a minimum return on the estimated cost of building a 'standard' plant. That return was set at 7.4% for 2020–2031 via Royal Decree-Law 17/2019 (22 November 2019).

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

   Under the new methodology approved in 2024, the remuneration for operation (Ro) parameter is updated quarterly, as a function of the difference between the standard cost of operating the plants (around €115/MWh in the case of Magnon Green Energy's biomass plants) and the pool price estimated the immediately previous quarter. As result, the system of adjustments for deviations between market and regulated prices (regulatory collar) in place until the end of 2023 has been eliminated.

   The pool price estimated for the third quarter of 2024 is €77.4/MWh.

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



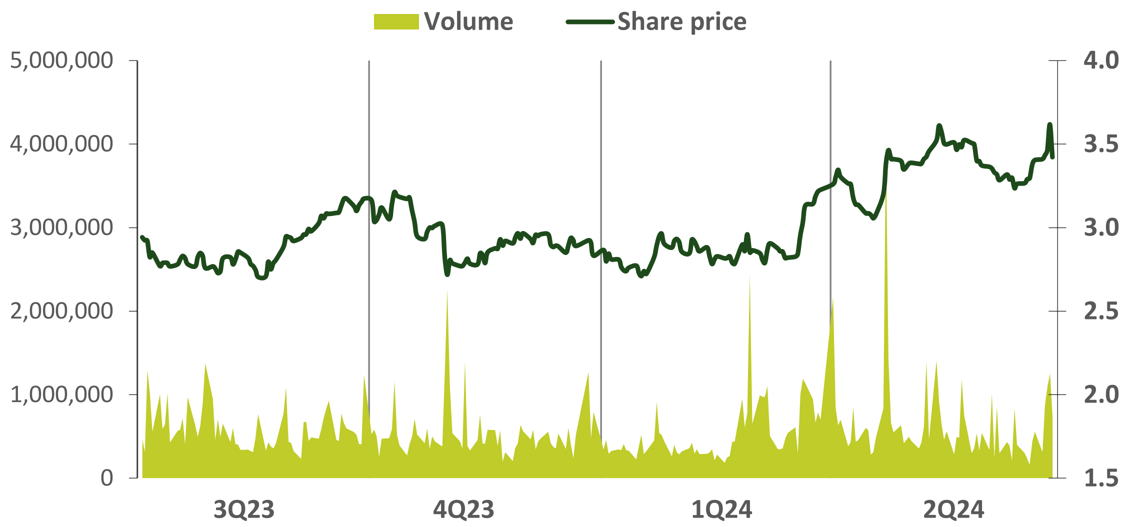
3. All of Magnon Green Energy's plants are also prepared to provide the electricity system operator with back-up services, so generating and additional source of income.

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

APPENDIX 3: SHARE PRICE PERFORMANCE

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

Ence's share price ended June 2024 at €3.422/share, up 20.8% from year-end 2023, buoyed by the recovery in pulp prices.



SHARES	2Q23	3Q23	4Q23	1Q24	2Q24
Share price at the end of the period	2.89	3.17	2.83	3.23	3.42
Market capitalization at the end of the period	710.7	781.7	697.4	794.5	842.7
Ence quarterly evolution	(15.9%)	10.0%	(10.8%)	13.9%	6.1%
Daily average volume (shares)	1,222,432	605,663	551,485	531,313	670,165
Peers quarterly evolution *	2.0%	9.6%	2.0%	12.6%	(6.8%)

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

Source: Bloomberg

APPENDIX 4: ALTERNATIVE PERFORMANCE MEASURES (APMs)

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

EBITDA

EBITDA is a metric used in the statements of profit or loss presented in this report, in sections 1, 2.5, 2.6, 3.3, 3.4, 4.1 and 4.2, and is a measure of operating profit before depreciation, amortisation and forest depletion charges, non-current asset impairment charges, gains or losses on non-current assets and other non-operating items that undermine the comparability of the numbers.

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

Below is a reconciliation between both headings and the amounts presented in the financial statements for the first half of 2024 and the comparison with the 1H23 figure. The criteria used to determine these APMs were the same in both periods:

			1H24				1H23			
	Unit	Source Financial Statement	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
OPERATING PROFIT/(LOSS)	€ m	P&L	52.8	(8.6)	0.8	45.0	(4.5)	14.3	0.8	10.6
Depreciation and amortisation charges	€ m	P&L	28.7	16.4	(0.8)	44.3	26.2	17.5	(0.8)	43.0
Depletion of forest reserve	€ m	P&L	6.3	-	-	6.3	5.0	-	-	5.0
Impairment of and gains/(losses) on disposal of fixed assets	€ m	P&L	0.7	(1.1)	-	(0.4)	0.5	(0.3)	-	0.3
Other non-ordinary results from operations	€ m	APM	1.3	4.5	-	5.7	6.6	-	-	6.6
EBITDA	**€ m**		**89.7**	**11.2**	**-**	**100.9**	**33.8**	**31.6**	**-**	**65.4**

Other non-ordinary results from operations, presented in sections 1, 2.5 and 4.1 of this report, refers to ad-hoc income and expenses unrelated to the Company's ordinary business activities that render two reporting periods less comparable. The balance of €5.7m recognised in 1H24 related with the adjustments made to the biomass facilities' remuneration parameters in 2023, which were published in April 2024. The balance of €6.6m recognised in 1H23 related mainly with inventory impairment losses in the Pulp business, as net pulp prices were below the amount at which the Group's inventories were carried as at the June 2023 close.

CASH COST

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

The cash cost includes all of the costs directly related with the production and sale of pulp that impact cash flows, without considering asset depreciation and amortisation charges, impairment losses on non-current assets or gains or losses on their disposal, other non-operating items, finance income or costs or income tax.

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

Below is a reconciliation between both headings and the amounts presented in the financial statements for the first half of 2024 and the comparison with the 1H23 figure. The criteria used to determine these APMs were the same in both periods:

	Unit	Source Financial Statement	1H24 Pulp	1H23 Pulp
Revenue from pulp sales	€ m	P&L	332.1	306.6
EBITDA	€ m	APM	(89.7)	(33.8)
Total costs (Revenue - EBITDA)	€ m		242.4	272.8
Gains/(losses) on hedging transactions	€ m	APM	0.3	(0.7)
Adjustments for tariff shortfall/surplus (electricity market)	€ m		(0.2)	2.5
Depletion of forest reserve	€ m	P&L	6.3	5.0
Change in inventories	€ m	P&L	(0.9)	4.3
Other income and expenses	€ m		(10.6)	(4.6)
ADJUSTED CASH COST	€ m		237.3	279.3
Pulp production costs	€ m		199.9	236.8
No. of tonnes produced	Unit		492,933	478,003
PRODUCTION-RELATED COSTS PER TONNE	€/tonn		**405.5**	**495.4**
Overhead, sales and logistics costs			37.4	42.5
No. of tonnes sold	Unit		498,573	461,493
OVERHEAD, SALES AND LOGISTICS COSTS PER TONNE	€/tonn		**75.0**	**92.0**
CASH COST	**€/tonne**		**480.5**	**587.4**

"Other income and expenses" includes the gain/(loss) on the sale of wood to third parties (-€1.1m in 1H24 and -€0.4m in 1H22), nursery costs (-€0.9m in 1H24 and -€0.4m in 1H23), long-term remuneration and termination benefits (-€4.2m in 1H24 and -€1.4m in 1H23), receivables impairment allowances (-€2.2m in 1H24 and -€0.8m in 1H23) and bank charges (-€1.7m in 1H24 and -€0.7m in 1H23). The remaining items implied costs of €0.6m in 1H24 and of €0.9m in 1H23.

OPERATING PROFIT PER TONNE OF PULP

The operating profit referred to in sections 1 and 2.3 of this report is a yardstick for the operating profit generated by the Pulp business without taking into account asset depreciation and amortisation charges, impairment losses on non-current assets or gains or losses on their disposal or other non-operating items, adjusted for the settlement of hedges, the effect of the regulatory collar on energy sales and forest depletion charges.

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

Below is a reconciliation between this APM and the amounts presented in the financial statements for the first quarter of 2024 and the comparison with the 1Q23 figure. The criteria used to determine this metric were the same in both periods:

	Unit	Source Financial Statement	1H24 Pulp	1H23 Pulp
Revenue from pulp sales	€ m	P&L	332.1	306.6
No. of tonnes sold	Unit		498,573	461,493
Average sales price per tonne (Revenue / # tonnes)	€/tonne		666.1	664.4
Cash cost (€)	€/tonne	APM	480.5	587.4
TOTAL OPERATING PROFIT PER TONNE OF PULP	**€/tonne**		**185.6**	**77.0**

NET FINANCE COST AND OTHER FINANCIAL ITEMS

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

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

Below is a reconciliation between both headings and the amounts presented in the financial statements for the first half of 2024 and the comparison with the 1H23 figure. The criteria used to determine these APMs were the same in both periods:

			1H24				1H23			
	Unit	Source Financial Statement	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
Finance income	€ m	P&L	5.1	0.9	(0.5)	5.5	1.8	0.5	(0.3)	2.0
Finance costs	€ m	P&L	(14.6)	(7.4)	0.5	(21.5)	(8.4)	(6.9)	0.3	(14.9)
NET FINANCE COST	**€ m**		**(9.5)**	**(6.5)**	**(0.0)**	**(16.1)**	**(6.6)**	**(6.4)**	**-**	**(13.0)**
Change in fair value of financial instruments	€ m	P&L	0.1	-	-	0.1	-	-	-	-
Exchange differences	€ m	P&L	0.9	(0.0)	-	0.9	(0.5)	-	-	(0.5)
OTHER FINANCIAL ITEMS	**€ m**		**0.9**	**(0.0)**	**-**	**0.9**	**(0.5)**	**-**	**-**	**(0.5)**
NET FINANCE INCOME/(COST)	€ m	P&L	(8.6)	(6.6)	-	(15.1)	(7.0)	(6.4)	-	(13.4)

MAINTENANCE, EFFICIENCY, GROWTH AND SUSTAINABILITY CAPEX

Ence provides the breakdown of the capital expenditure included in its statement of cash flows for each of its business units in sections 1, 2.6 and 3.4, classifying its investments into the following categories: maintenance capex, efficiency and growth capex, sustainability capex and financial investments.

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

Below is a reconciliation between both headings and the amounts presented in the financial statements for the first half of 2024 and the comparison with the 1H23 figure. The criteria used to determine these APMs were the same in both periods:

			1H24				1H23			
	Unit	Source Financial Statement	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
Maintenance capex	€ m		(11.5)	(3.0)	-	(14.4)	(4.2)	(1.0)	-	(5.2)
Efficiency and growth capex	€ m		(5.1)	(0.9)	-	(6.0)	(11.0)	(0.3)	-	(11.3)
Sustainability capex	€ m		(10.3)	(5.1)	-	(15.4)	(11.9)	(1.6)	-	(13.5)
Financial investments	€ m		(21.9)	(0.7)	22.5	(0.2)	(0.1)	0.4	0.3	0.6
TOTAL CAPITAL EXPENDITURE	**€ m**		**(48.9)**	**(9.7)**	**22.5**	**(36.1)**	**(27.1)**	**(2.5)**	**0.3**	**(29.4)**

OPERATING CASH FLOW

The operating cash flow analysed in sections 1, 2.6 and 3.4 of this report coincides with the net cash from operating activities presented in the statement of cash flows included in section 4.3. However, operating cash flow is arrived at by starting from EBITDA, whereas net cash from operating activities is arrived at by starting from profit before tax. As a result, the adjustments to profit do not coincide in the two calculations. This APM is provided to reconcile EBITDA and operating cash flow.

Below is a reconciliation between this APM and the amounts presented in the financial statements for the first quarter of 2024 and the comparison with the 1Q23 figure. The criteria used to determine this metric were the same in both periods:

	Unit	Source Financial Statement	1H24 Pulp	1H24 Renewable Energy	1H24 Adjustments & Eliminations	1H24 CONSOLIDATED TOTAL	1H23 Pulp	1H23 Renewable Energy	1H23 Adjustments & Eliminations	1H23 CONSOLIDATED TOTAL
EBITDA	€ m	APM	89.7	11.2	-	100.9	33.8	31.6	-	65.4
Other non-recurring items	€ m	APM	(1.3)	(4.5)	-	(5.7)	(6.6)	-	-	(6.6)
Adjustments to reconcile profit before tax to net cash flows:					-				-	
Changes in provisions and other deferred expense (net)	€ m	CF	7.1	1.2	-	8.3	12.9	1.7	-	14.7
Adjustments for tariff shortfall/surplus (electricity market)	€ m	CF	0.2	1.8	-	2.0	(2.5)	(8.1)	-	(10.6)
Grants taken to profit and loss	€ m	CF	(0.5)	(0.1)	-	(0.6)	(0.4)	(0.1)	-	(0.5)
Exchange differences with an impact on cash	€ m		0.2	0.0	-	0.2	(0.5)	(0.0)	-	(0.5)
Change in working capital	€ m		(68.5)	(9.0)	-	(77.5)	(20.9)	(84.9)	-	(105.8)
Interest paid, net (including right-of-use assets)	€ m	CF	(10.6)	(6.7)	-	(17.3)	(4.5)	(6.4)	-	(10.9)
Dividends received	€ m	CF	-	-	-	-	-	-	-	-
Income tax paid	€ m	CF	(1.7)	(0.3)	-	(2.0)	(3.9)	(10.1)	-	(14.1)
Other collections/(payments)	€ m	CF	-	-	-	-	-	-	-	-
OPERATING CASH FLOW			**14.7**	**(6.3)**	**-**	**8.4**	**7.5**	**(76.3)**	**-**	**(68.7)**

FREE CASH FLOW

Ence reports free cash flow as the sum of its net cash flows from operating activities and its net cash flows from investing activities in sections 1, 2.6, 3.4 and 4.3 of this report.

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

Below is a reconciliation between both headings and the amounts presented in the financial statements for the first half of 2024 and the comparison with the 1H23 figure. The criteria used to determine these APMs were the same in both periods:

	Unit	Source Financial Statement	1H24 Pulp	1H24 Renewable Energy	1H24 Adjustments & Eliminations	1H24 CONSOLIDATED TOTAL	1H23 Pulp	1H23 Renewable Energy	1H23 Adjustments & Eliminations	1H23 CONSOLIDATED TOTAL
Net cash flows from/(used in) operating activities	€ m	CF	14.7	(6.3)	-	8.4	7.5	(76.3)	-	(68.7)
Net cash flows from/(used in) investing activities	€ m	CF	(48.7)	(8.8)	22.5	(35.0)	(27.6)	(2.5)	0.7	(29.4)
FREE CASH FLOW	**€ m**		**(34.0)**	**(15.1)**	**22.5**	**(26.6)**	**(20.1)**	**(78.8)**	**0.7**	**(98.2)**

NORMALISED FREE CASH FLOW

Ence reports normalised free cash flow within the cash flow metrics for each of its two business units in sections 1, 2.6 and 3.4 of this report. Normalised FCF is the sum of EBITDA, the change in working capital, maintenance capital expenditure, net interest payments and income tax payments.

Normalised free cash flow provides a proxy for the cash generated by the Group's operating activities before collection of proceeds from asset sales, the adjustments related with electricity sector regulations and other adjustments to profit. It represents the amount available for investments other than maintenance capex, for shareholder remuneration and for debt repayment.

Below is a reconciliation between both headings and the amounts presented in the financial statements for the first half of 2024 and the comparison with the 1H23 figure. The criteria used to determine these APMs were the same in both periods:

	Unit	Source Financial Statement	1H24 Pulp	1H24 Renewable Energy	1H24 Adjustments & Eliminations	1H24 CONSOLIDATED TOTAL	1H23 Pulp	1H23 Renewable Energy	1H23 Adjustments & Eliminations	1H23 CONSOLIDATED TOTAL
EBITDA	€ m	APM	89.7	11.2	-	100.9	33.8	31.6	-	65.4
Changes in working capital:					-				-	
Inventories	€ m	CF	(1.7)	(0.6)	-	(2.3)	(9.6)	(6.0)	-	(15.7)
Trade and other receivables	€ m	CF	(60.6)	(16.4)	6.0	(71.0)	(1.2)	13.8	(26.8)	(14.3)
Short-term investments	€ m	CF	(1.5)	(0.0)	-	(1.6)	0.8	0.0	-	0.8
Trade payables, other payables and other liabilities	€ m	CF	(4.8)	8.1	(6.0)	(2.7)	(10.9)	(92.6)	26.8	(76.7)
Maintenance capex	€ m	APM	(11.5)	(3.0)	-	(14.4)	(4.2)	(1.0)	-	(5.2)
Interest paid, net (including right-of-use assets)	€ m	CF	(10.6)	(6.7)	-	(17.3)	(4.5)	(6.4)	-	(10.9)
Income tax paid	€ m	CF	(1.7)	(0.3)	-	(2.0)	(3.9)	(10.1)	-	(14.1)
NORMALISED FREE CASH FLOW	**€ m**		**(2.6)**	**(7.7)**	**-**	**(10.3)**	**0.3**	**(70.9)**	**-**	**(70.6)**

NET DEBT/(CASH)

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

Net debt/(cash) is calculated as the difference between current and non-current borrowings on the liability side of the statement of financial position and unrestricted cash on the asset side, which includes cash and cash equivalents, the debt service cash reserve (included within non-current financial assets) and other financial investments (within current assets), as outlined in sections 2.7 and 3.5 of this report.

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

Below is a reconciliation between both headings and the amounts presented in the financial statements for the first half of 2024 and the comparison with the 1H23 figure. The criteria used to determine these APMs were the same in both periods:

			Jun. 2024				Dec. 2023			
	Unit	Source Financial Statement	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
Non-current borrowings:										
Bonds and other maketable securities	€ m	BS	-	78.8		78.8	-	78.7		78.7
Bank borrowings	€ m	BS	268.2	8.6		276.7	283.3	11.2		294.5
Other financial liabilities	€ m	BS	70.1	2.9		73.0	66.3	0.8		67.0
Current borrowings:	€ m									
Bonds and other maketable securities	€ m	BS	74.0	0.0		74.0	-	0.0		0.0
Bank borrowings	€ m	BS	19.8	23.0		42.8	144.0	34.1		178.1
Other financial liabilities	€ m	BS	13.9	1.0		14.9	6.3	0.6		6.9
Cash and cash equivalents	€ m	BS	220.6	46.6		267.2	311.2	21.8		333.0
Current financial assets - Other financial investments	€ m		4.0	0.0		4.1	2.5	0.0		2.5
Cash reserve for debt service	€ m		-	10.0		10.0	-	10.0		10.0
NET DEBT/(CASH)	€ m		**221.4**	**57.6**		**278.9**	**186.1**	**93.5**		**279.6**

ROCE

ROCE stands for the return on capital employed and is used by management as a key profitability performance indicator. It is provided in section 1 of this report. ROCE is widely used in the capital markets to measure and compare the earnings performance of different companies.

It is calculated by dividing EBIT for the last 12 months by average capital employed during the period, capital employed being the sum of equity and net debt. For the Pulp business, equity is calculated as the difference between consolidated equity and the equity recognised by the Renewables business.

Below is a reconciliation between both headings and the amounts presented in the financial statements for the first half of 2024 and the comparison with the 1H23 figure. The criteria used to determine these APMs were the same in both periods:

			1H24				1H23			
	Unit	Source Financial Statement	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
EBIT, last 12 months	€ m	P&L	41.8	(11.0)	1.6	32.4	35.6	21.0	1.2	57.8
Average capital employed, last 12 months					-					
Average equity	€ m	BS	431.9	229.8	-	661.7	564.6	236.4	-	801.0
Average net debt	€ m	BS	187.1	88.0	-	275.0	12.6	32.6	-	45.0
ROCE	%		**6.8%**	**-3.5%**	**-**	**3.5%**	**6.2%**	**7.8%**	**-**	**6.8%**

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
2Q24

SUSTAINALYTICS
Global ESG score: 93/100