Earnings Report
First quarter 2024

22 April 2024

Global ESG score: 90/100

CONTENTS

1. EXECUTIVE SUMMARY

Market figures	1Q24	1Q23	Δ%	4Q23	Δ%
BHKP (USD/t) average price	1,116.7	1,338.8	*(16.6%)*	904.5	*23.5%*
Average exchange rate (USD/€)	1.09	1.07	*1.5%*	1.07	*1.4%*
BHKP (€/t) average price	1,026.7	1,249.8	*(17.9%)*	843.4	*21.7%*

Operating Metrics	1Q24	1Q23	Δ%	4Q23	Δ%
Pulp production (t)	**254,865**	**252,679**	***0.9%***	**266,556**	***(4.4%)***
Pulp sales (t)	**242,726**	**216,618**	***12.1%***	**273,082**	***(11.1%)***
Special pulp products sales volume (%)	19%	14%	*5 p.p.*	28%	*(9 p.p.)*
Average sales pulp price (€/t)	600.9	762.4	*(21.2%)*	522.2	*15.1%*
Cash cost (€/t)	487.0	635.8	*(23.4%)*	455.2	*7.0%*
Operating margin per ton (€/t)	114.0	126.6	*(10.0%)*	67.0	*70.0%*
Renewable Energy sales volume (MWh)	**232,483**	**305,608**	***(23.9%)***	**140,690**	***65.2%***
Average sales price (€/MWh)	186.5	151.3	*23.3%*	230.4	*(19.1%)*
Remuneration for investment (€ m)	6.2	6.2	-	6.2	-

P&L € m	1Q24	Pro forma * 1Q23	Δ%	4Q23	Δ%
Revenue from Pulp business	161.0	179.6	*(10.3%)*	160.9	*0.1%*
Revenue from Renewable Energy business	53.3	82.0	*(35.0%)*	39.6	*34.7%*
Consolidation adjustments	(0.8)	(1.3)		(0.5)	
Total revenue	**213.6**	**260.2**	*(17.9%)*	**200.0**	*6.8%*
Pulp business EBITDA	30.7	25.6	*19.7%*	18.5	*65.9%*
Renewable Energy business EBITDA	14.2	27.4	*(48.2%)*	6.7	*113.6%*
EBITDA	**44.9**	**53.1**	*(15.4%)*	**25.1**	*78.5%*
Depreciation, amortisation and forestry depletion	(25.7)	(24.0)	*7.3%*	(27.2)	*(5.4%)*
Impairment of and gains/(losses) on fixed-assets	(0.4)	(0.2)	*56.7%*	8.3	*n.s.*
Other non-ordinary results of operations	-	-	*n.s.*	9.3	*(100.0%)*
EBIT	**18.8**	**28.9**	*(34.7%)*	**15.6**	*20.9%*
Net finance cost	(8.3)	(5.4)	*54.2%*	(9.4)	*(11.7%)*
Other finance income/(cost) results	0.5	(0.4)	*n.s.*	(0.9)	*n.s.*
Profit before tax	**11.1**	**23.1**	*(51.9%)*	**5.3**	*109.6%*
Income tax	(1.6)	(2.6)	*(38.7%)*	(0.4)	*n.s.*
Consolidated Net income	**9.5**	**20.5**	*(53.6%)*	**4.8**	*96.0%*
Non-controlling interests	(1.6)	(7.9)	*(79.5%)*	(1.4)	*18.5%*
Attributable Net Income	**7.9**	**12.6**	*(37.4%)*	**3.5**	*126.3%*
Earnings per share (Basic EPS)	0.03	0.05	*(37.4%)*	0.01	*126.3%*

Cash flow € m	1Q24	Pro forma * 1Q23	Δ%	4Q23	Δ%
EBITDA	**44.9**	**53.1**	*(15.4%)*	**25.1**	*78.5%*
Change in working capital	(44.0)	(136.7)	*(67.8%)*	48.0	*n.s.*
Maintenance capex	(5.5)	(2.0)	*171.7%*	(15.5)	*(64.3%)*
Net interest Payment	(9.1)	(4.6)	*98.1%*	(8.9)	*2.6%*
Income tax received/(paid)	0.3	0.0	*n.s.*	7.4	*(96.5%)*
Normalised free cash flow	**(13.5)**	**(90.2)**	***(85.0%)***	**56.1**	***n.s.***
Energy regulation adjustment (regullatory collar)	(33.1)	(5.8)	*n.s.*	(21.2)	*56.2%*
Other cash adjustments	7.2	7.8	*n.s.*	(2.0)	*n.s.*
Efficiency and expansion capex	(8.0)	(2.9)	*175.3%*	(14.8)	*(46.1%)*
Sustainability capex and other	(3.6)	(7.8)	*(54.2%)*	(11.1)	*(68.2%)*
Disposals	-	-	*n.s.*	0.5	*(100.0%)*
Free cash flow	**(51.0)**	**(98.8)**	*(48.4%)*	**7.5**	*n.s.*
Dividends from the parent	-	(62.9)	*(100.0%)*	-	*n.s.*
Buyback/(disposal) of own equity instruments	1.2	6.6	*(82.2%)*	(1.2)	*n.s.*
Other variations in debt	6.3	(2.5)	*n.s.*	(5.0)	*n.s.*
Net increase/(decrease) in net financial debt (€ m)	**(43.5)**	**(157.6)**	*(72.4%)*	**3.9**	*n.s.*

Net debt € m	Mar-24	Dec-23	Δ%
Net financial debt Pulp business	214.0	186.1	*14.9%*
Net financial debt Renewable Energy business	109.2	93.5	*16.8%*
Net financial debt	**323.2**	**279.6**	*15.6%*

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

- ✓ **Ence Group extends its profits in the first quarter thanks to the recovery in pulp prices and higher renewable energy generation volumes.**
- ✓ **Strong growth in demand for pulp extended the recovery in pulp prices in Europe, which currently stand at $1,380 per tonne (gross). The leading producers have already announced additional price increases to $1,440 per tonne (gross), above the high recorded in 2022.**
- ✓ **Growth of 15% in average sales prices from 4Q23 easily offset the 7% quarterly spike in the cash cost, which was expected, unlocking growth of 70% in unit operating profit to €114 per tonne. The Company expects its cash cost to start to come down again from the second quarter on.**
- ✓ **EBITDA in the Pulp business amounted to €31m in 1Q24, up 66% from 4Q23.**
- ✓ **Elsewhere, EBITDA in the Renewables business increased to €14m, which is more than double the 4Q23 figure, thanks to the restart of the Huelva 46-MW and Ciudad Real 50-MW plants, having completed their extraordinary maintenance stoppages. In addition, the Company closed the sale of a 10-MW photovoltaic development in Huelva in 1Q24, generating revenue of €2.2m and EBITDA of €0.7m.**
- ✓ **As a result, Group EBITDA amounted to €45m in 1Q24, up 78% from 4Q23.**
- ✓ **First-quarter cash flow generation, meanwhile, was affected by a higher working capital requirement as a result of the considerable increase in pulp prices and an increase in pulp inventories so as to be able to continue to service customers during the annual stoppage of the Navia biomill during the month of April. Cash flow generation was also affected by the activation of a future cash collection right of €33m related to the deviation between the regulated and the market energy price in 1Q24 (regulatory collar).**
- ✓ **As announced, the Ministry for the Ecological Transition and Demographic Challenge (MITECO) is working on a new proposed methodology in order to quarterly adapt the complementary remuneration for the operation (Ro) of biomass plants to the electricity market price, thus aligning the accrual and collection of the regulated energy price applicable from 1 January 2024. In this sense, the MITECO has sent the said proposal to the Council of State, who has forwarded it to the affected sectoral associations so that they can submit their allegations before 25 April 2024. This proposal is expected to be approved by the end of the second quarter or beginning of the third.**
- ✓ **Investments in growth and sustainability amounted to €12m in 1Q24.**
    - **In the Pulp business, Ence continues to bolster the sale of its special pulp products and has started work on its project for diversifying into the production of pulp for absorbent personal care products (fluff pulp), which is expected to begin in at the end of 2025. In addition, the Company continues to make progress on the engineering and permitting work for the project under development in the town of As Pontes for the production of recycled and bleached fibre from recovered paper and board, without increasing its wood consumption.**
    - **In the Renewables business, the Group continues to diversify its activities into the sale of renewable thermal energy and biomethane, principally, leveraging its leadership position in biomass management in Spain. Ence Biogas already has a portfolio of eight biomethane plants at the engineering and permitting phase, which are expected to begin operations from 2026. Magnon Energy Services closed its first services agreement in 2023 and is in talks with potential industrial customers to replace their fossil-fuel thermal energy with renewable thermal energy.**
- ✓ **The Group's net debt stood at €323m at the March close, implying leverage of 1.8 times its average cycle EBITDA (2015-2023). Its unrestricted cash balance stood at €252m.**
- ✓ **Ence has been the leading sustainability player in the global pulp market for three years in a row, according to its most recent Sustainalytics score, having defended its overall ESG performance score of 90/100 in 2023.**
- ✓ **The Company has updated its Sustainability Master Plan for 2024-2028, based on a double materiality assessment. The new plan includes a new decarbonisation plan which will allow the Group to cut its Scope 1 and 2 emissions by 70% by 2035.**

2. PULP BUSINESS

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

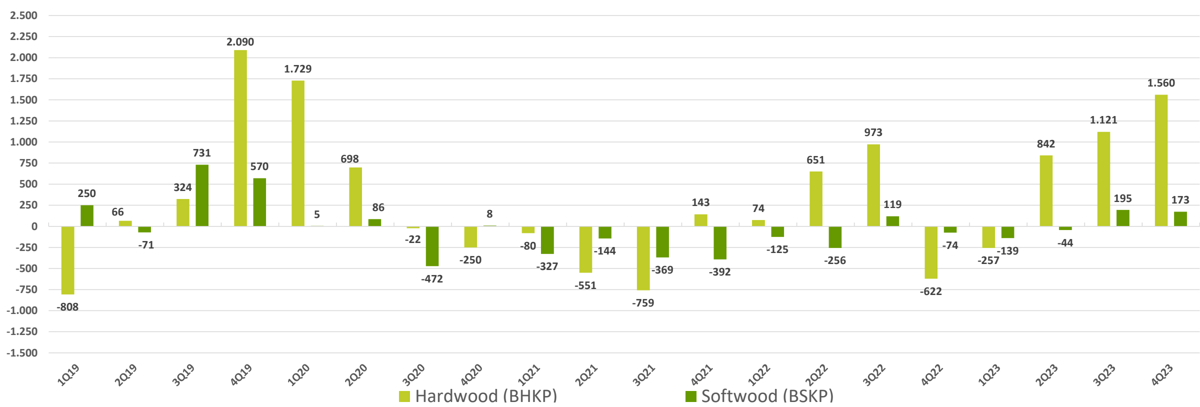
On 7 February 2023, Spain's Supreme Court upheld the legality of the extension of the Pontevedra biomill concession until 2073.

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

2.1. Pulp market trends

Rapid growth in urban populations and improving living standards in emerging markets are the key factors driving growth in global demand for pulp for tissue paper and hygiene products, 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)

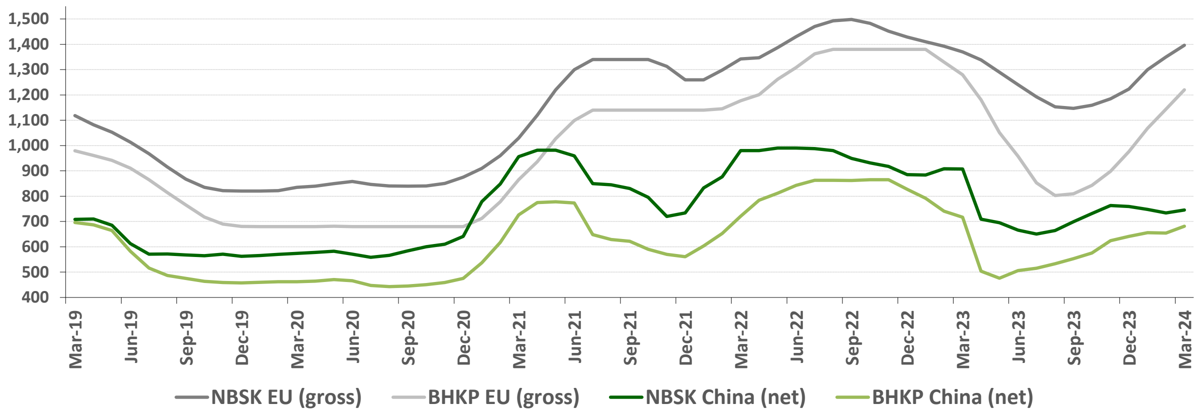


Source: PPPC–G100

Global demand for pulp remained strong in the first quarter of 2024, increasing by 6.5% (0.7 million tonnes) year-on-year in the first two months of the year, fuelled by China, where demand jumped by 9.4% (0.4 million tonnes) year-on-year. Demand for pulp in the West increased by 4.7% (0.2 million tonnes) year-on-year in January and February, in contrast to early 2023, which was marked by destocking by the paper industry. Lastly, demand for pulp in the rest of the world also increased by 4.7% year-on-year (0.1 million tonnes) during those same months.

Sharp growth in demand during the first quarter, 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 39 days in February.

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 continued to recover, reaching $1,380 per tonne (gross, equivalent to approximately $800 per tonne on a net basis) in April, and the leading producers have announced additional increases to $1,440 per tonne (gross, equivalent to approximately $835, net).

Market figures	1Q24	1Q23	Δ%	4Q23	Δ%
BHKP (USD/t) average price	1,116.7	1,338.8	*(16.6%)*	904.5	*23.5%*
Average exchange rate (USD/€)	1.09	1.07	*1.5%*	1.07	*1.4%*
BHKP (€/t) average price	1,026.7	1,249.8	*(17.9%)*	843.4	*21.7%*

The benchmark price for hardwood pulp (BHKP) in Europe averaged $1,117/tonne (gross) in 1Q24, up 23.5% from 4Q23 but still 16.6% below the 1Q23 average.

2.2. Revenue from pulp sales

First-quarter pulp sales volumes totalled 242,726 tonnes, year-on-year growth of 12.1%. 1Q23 was marked by an increase in pulp inventories of 36,000 tonnes in anticipation of the maintenance stoppages programmed for both biomills in the second quarter.

Compared to 4Q23, pulp sales volumes decreased by 11.1% due mainly to contrasting trends in pulp inventories: an increase of 12,100 tonnes in 1Q24 in anticipation of the annual maintenance stoppage at the Navia biomill in April, compared to a reduction of 6,500 tonnes in 4Q23.

	1Q24	1Q23	Δ%	4Q23	Δ%
Pulp sales (t)	**242,726**	**216,618**	*12.1%*	**273,082**	*(11.1%)*
Average sales price (€/t)	600.9	762.4	*(21.2%)*	522.2	*15.1%*
Pulp sales revenue (€ m)	**145.9**	**165.2**	*(11.7%)*	**142.6**	*2.3%*

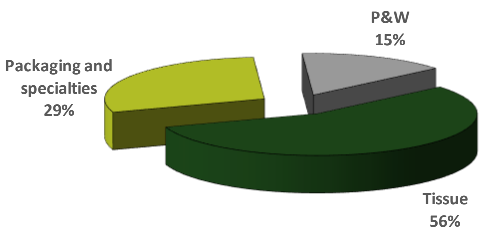
Elsewhere, the first-quarter average sales price increased by 15.1% quarter-on-quarter to €600.9 per tonne, thanks to the recovery in benchmark prices in Europe. Nevertheless, the average sales price in 1Q24 was still 21.2% below the 1Q23 equivalent.

The combination of the two factors left revenue from pulp sales at €145.9m in 1Q24, up 2.3% from 4Q23 but down 11.7% versus 1Q23.

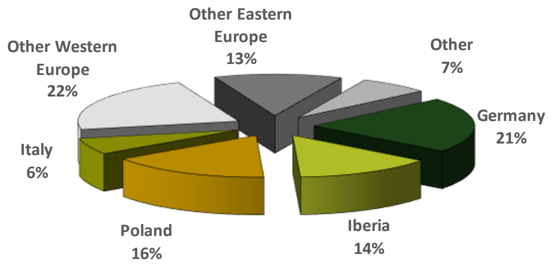
Ence's special pulp products, including Powercell and Naturcell, which are more sustainable and better suited for replacing softwood pulp, accounted for 19% of 1Q24 pulp sales, compared to 14% in 1Q23.

The tissue paper segment remains the main end use given to the pulp sold by Ence, accounting for 56% of revenue from pulp sales in 1Q24, followed by the packaging and specialty paper segment, at 29%. The printing and writing paper segment accounted for the remaining 15%.

Breakdown of revenue by end product



Breakdown of revenue by geographic market



By geography, most of the pulp produced by Ence is sold in Europe, namely 93% of revenue from pulp sales in 1Q24. Germany and Iberia accounted for 21% and 14% of total revenue, respectively, followed by Poland (16%), and Italy (6%). The other western European countries accounted for 22% of the total, with the rest of Eastern Europe representing 13%.

2.3. Pulp production and cash cost

First-quarter pulp production amounted to 254,865 tonnes, up 0.9% year-on-year. Higher production at the Pontevedra biomill offset the drop in output at the Navia biomill in 1Q24.

	1Q24	1Q23	*Δ%*	4Q23	*Δ%*
Navia pulp production	146,601	153,866	*(4.7%)*	160,584	*(8.7%)*
Pontevedra pulp production	108,264	98,812	*9.6%*	105,972	*2.2%*
Pulp production (t)	**254,865**	**252,679**	*0.9%*	**266,556**	*(4.4%)*

The 1Q24 cash cost amounted to €487/tonne, down 23.4% year-on-year (1Q23: €149/t), primarily as a result of a significant reduction in the cost of raw materials and transportation.

Quarter-on-quarter, the cash cost increased by 7% (€32/t), as anticipated, due mainly to the reduction in revenue from the sale of surplus renewable energy output, lower economies of scale due to lower sales volumes in anticipation of the annual maintenance stoppage at Navia and a transient increase in logistics costs related with the customer mix.

Figures in €/t	**1Q24**	1Q23	*Δ%*	4Q23	*Δ%*
Total cash cost	487.0	635.8	*(23.4%)*	455.2	*7.0%*
Operating margin	**114.0**	**126.6**	*(10.0%)*	**67.0**	*70.0%*

The 15.1% recovery in the average sales price from 4Q23 easily offset the 7% increase in the cash cost, unlocking growth of 70% in unit operating profit to €114 per tonne.

1Q24 unit operating profit was just 10% below that of 1Q23 thanks to the significant year-on-year reduction in the cash cost, which largely mitigated the lower average sales price.

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.

		Pro forma *			
Figures in € m	**1Q24**	1Q23	*Δ%*	4Q23	*Δ%*
Revenues from energy sales linked to pulp (€ m)	10.7	7.4	*44.5%*	13.1	*(18.0%)*
Forestry and other revenue (€ m)	4.4	7.0	*(36.5%)*	5.2	*(15.3%)*
Other income	**15.1**	**14.4**	*5.3%*	**18.3**	*(17.2%)*

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

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

		Pro forma *			
Figures in € m	**1Q24**	1Q23	*Δ%*	4Q23	*Δ%*
Pulp sales revenue	145.9	165.2	*(11.7%)*	142.6	*2.3%*
Other income	15.1	14.4	*5.3%*	18.3	*(17.2%)*
Total net revenue	**161.0**	**179.6**	*(10.3%)*	**160.9**	*0.1%*
EBITDA	**30.7**	**25.6**	*19.7%*	**18.5**	*65.9%*
Depreciation and amortisation	(15.1)	(13.2)	*14.4%*	(14.9)	*1.1%*
Depletion of forestry reserves	(2.8)	(2.3)	*22.2%*	(1.9)	*50.4%*
Impairment of and gains/(losses) on fixed-asset disp	(0.3)	(0.2)	*58.0%*	(0.2)	*56.6%*
Other non-recurring gains/(losses)	-	-	*n.s.*	9.3	*(100.0%)*
EBIT	**12.4**	**9.9**	*25.4%*	**10.8**	*15.1%*
Net finance cost	(5.4)	(2.3)	*138.6%*	(6.1)	*(12.1%)*
Other financial results	0.6	(0.4)	*n.s.*	(0.9)	*n.s.*
Profit before tax	**7.6**	**7.2**	*4.8%*	**3.8**	*102.0%*
Income tax	(0.6)	(2.0)	*(72.0%)*	(0.8)	*(32.5%)*
Net Income	**7.0**	**5.2**	*34.7%*	**2.9**	*140.7%*

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

EBITDA in the Pulp business amounted to €30.7m in 1Q24, growth of 65.9% from 4Q23, driven by the recovery in pulp prices. Year-on-year, EBITDA improved by 19.7%, thanks to a significant reduction in the cash cost, as well as higher sales volumes, which more than offset the lower average sales price.

Ence has an ongoing hedging policy designed to mitigate the impact of exchange rate volatility on its earnings. There were no significant settlements in 1Q24. For the rest of 2024, Ence has arranged hedges over a notional amount of $59.5m with a weighted average ceiling of $/€1.11 and a weighted average floor of $/€1.07.

FX Hedges	1Q24	2Q24	3Q24	4Q24
Nominal hedged (USD Mn)	**28.5**	28.5	17.5	13.5
Average cap (USD / EUR)	**1.11**	1.11	1.10	1.11
Average floor (USD / EUR)	**1.06**	1.06	1.07	1.09

Below the EBITDA line, amortisation and depreciation charges increased by 14.4% year-on-year to €15.1m in 1Q24 on the back of higher fixed assets. Forst depletion charges increased by 22.2% year-on-year to €2.8m, reflecting higher consumption of proprietary wood.

Elsewhere, the business's net finance cost increased to €5.4m in 1Q24 from €2.3m in 1Q23, due mainly to a higher gross debt balance and the increase in average interest rates. "Other finance income/(cost)" mainly presents the effect of movements in exchange rates on working capital during the period: a net gain of €0.6m in 1Q24 compared to a net loss of €0.4m in 1Q23.

Lastly, income tax expense amounted to €0.6m in 1Q24, compared to €2.0m in 1Q23.

As a result, net profit in the Pulp business amounted to €7m in 1Q24, growth of 24.7% from 1Q23 and up 140.7% from 4Q23.

2.6. Cash flow analysis

Cash used in operating activities amounted to €14.7m in 1Q24, shaped by a €38.2m increase in working capital.

		Pro forma *			
Figures in € m	**1Q24**	1Q23	Δ%	4Q23	Δ%
EBITDA	**30.7**	**25.6**	*19.7%*	**18.5**	*65.9%*
Energy regulation adjustment (regullatory collar)	(5.8)	(1.7)	*230.0%*	(4.9)	*17.2%*
Other cash adjustments	6.1	6.5	*(6.8%)*	(0.9)	*n.s.*
Change in working capital	(38.2)	(69.8)	*(45.3%)*	30.4	*n.s.*
Income tax received / (paid)	-	-	*n.s.*	6.5	*(100.0%)*
Net interest received / (paid)	(7.5)	(2.8)	*168.1%*	(3.9)	*93.5%*
Net cash flow from operating activities	**(14.7)**	**(42.2)**	*(65.2%)*	**45.7**	*n.s.*

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

Changes in working capital implied a cash outflow of €38.2m in 1Q24, mainly due to the impact of higher pulp prices on trade receivables, which increased by €21.8m, and an increase in inventories of €7.5m in anticipation of the annual maintenance stoppage of the Navia biomill in April. In addition, trade payables decreased by €7.9m in 1Q24.

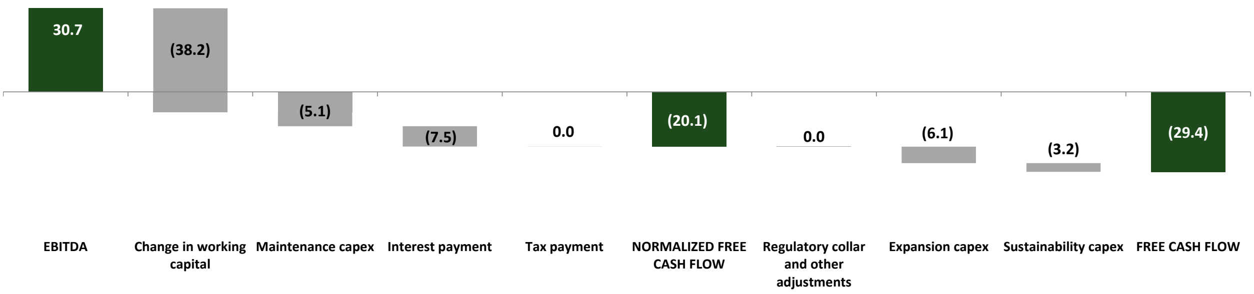
Figures in € m	**1Q24**	1Q23	Δ%	4Q23	Δ%
Inventories	(7.5)	(7.7)	*(3.2%)*	26.0	*n.s.*
Trade and other receivables	(21.8)	(44.7)	*(51.3%)*	24.0	*n.s.*
Financial and other current assets	(1.1)	(0.3)	*n.s.*	2.0	*n.s.*
Trade and other payables	(7.9)	(17.1)	*(54.0%)*	(21.7)	*(63.7%)*
Change in working capital	**(38.2)**	**(69.8)**	*(45.3%)*	**30.4**	*n.s.*

At 31 March 2023, the Pulp business had drawn down €85m 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 €55.6m at the March 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	1Q24	1Q23	Δ%	4Q23	Δ%
Maintenance capex	(5.1)	(1.5)	*246.1%*	(11.2)	*(54.3%)*
Sustainability capex and other	(3.2)	(7.6)	*(57.6%)*	(8.9)	*(64.1%)*
Efficiency and expansion capex	(6.1)	(2.3)	*164.4%*	(13.1)	*(53.6%)*
Financial investments	(0.3)	0.5	*n.s.*	(1.8)	*(83.4%)*
Investments	**(14.7)**	**(10.8)**	*35.9%*	**(35.0)**	*(58.0%)*
Disposals	-	-	*n.s.*	0.5	*(100.0%)*
Net cash flow used in investing activities	**(14.7)**	**(10.8)**	*35.9%*	**(34.5)**	*(57.5%)*

Cash used in investing activities totalled €14.7m in 1Q24. Maintenance capex came to €5.1m, while investment in sustainability and other areas amounted to €3.2m. The latter were largely related with the new water recovery system in Pontevedra for use during periods of drought, as well as a range of initiatives targeted at reinforcing safety and reducing odour, noise and water consumption at the biomills, all of which will make Ence more competitive in the long run.

Investments in efficiency and growth totalled €6.1m in 1Q24, notably including the work underway at the Navia biomill to diversify production into pulp for absorbent personal care products (fluff pulp); that new capacity is expected to come online in 4Q25.



As a result, normalised free cash flow in the Pulp business was negative by €20.1m in 1Q24, affected by the movements in working capital. Free cash flow after growth and sustainability capex was negative by €29.4m.

2.7. Change in net debt

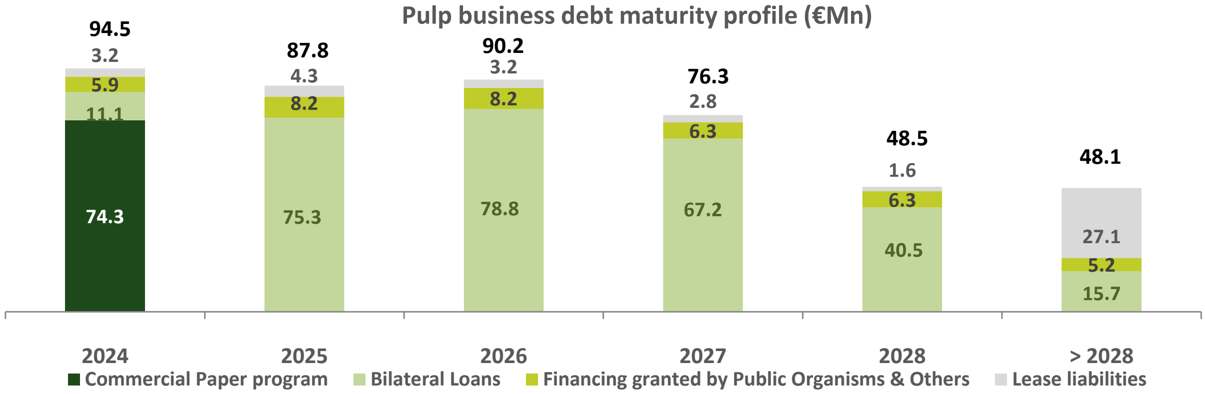
The Pulp business ended the quarter with net debt of €214m, compared to net debt of €186.1m at year-end 2023 (i.e., an increase of €27.9m). In addition to the negative cash flow outlined above (€29.4m), other movements (related with equity instruments, leases and the provision for interest, mainly) reduced net debt by €1.5m.

Figures in € m	Mar-24	Dec-23	Δ%
Non-current financial debt	302.8	311.6	*(2.8%)*
Current financial debt	100.3	146.2	*(31.4%)*
Gross financial debt	**403.0**	**457.8**	*(12.0%)*
Non-current lease contracts	37.2	38.0	*(2.0%)*
Current lease contracts	5.0	4.0	*25.5%*
Financial liabilities related to lease contracts	**42.3**	**42.0**	*0.6%*
Cash and cash equivalents	227.8	311.2	*(26.8%)*
Short-term financial investments	3.6	2.5	*43.6%*
Net financial debt Pulp business	**214.0**	**186.1**	*14.9%*

In the first quarter of 2024, Ence prepaid €73.3m of bilateral loans. The balance outstanding under the MARF commercial paper programme increased by €21.2m in 1Q34 to €74.3m.

Due to the cyclical nature of the Pulp business, it is financed with covenant-free debt and ample liquidity. At the reporting date, the Pulp business had cash and cash equivalents of €231.4m.

The gross debt of €445.3m at the March close corresponds to the outstanding balances of: (i) bilateral loans (€288.6m); (ii) a series of loans totalling €40.1m awarded by the CDTI (acronym in Spanish for the Centre for the Development of Industrial Technology) and Spanish Ministry of Industry to finance investments in efficiency upgrades and capacity expansion work, whose maturities range to 2030; and (iii) the €74.3m outstanding under the Company's sustainable commercial paper programme. Finance lease liabilities stood at €42.3m at the March close. Debt arrangement fees are deducted from gross borrowings on the statement of financial position.



2.8. Growth and diversification opportunities

Ence's growth strategy in the Pulp business entails remaining cost-competitive and diversifying into the production of higher value-added types of pulp and products in response to growing demands from society, leveraging its competitive advantages in the European market.

In recent years, Ence has developed a range of special pulp products, 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. The value-adding, higher-margin products accounted for 19% of pulp sales in 1Q24 and the goal is to lift that figure to over 50% by 2028.

In parallel, 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.

In parallel, 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 plan is to decide whether to make this investment in 2025, subject to its ability to exceed a ROCE hurdle rate of 12%.

Lastly, Ence is in the process of developing a new range of moulded pulp products apt for replacing plastic packaging in the food industry, so furthering the circularity of its business model.

3. RENEWABLES BUSINESS

Through its subsidiary, Magnon Green Energy, Ence is the largest generator of renewable energy from biomass in Spain. It has installed capacity of 266 MW and 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 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 2024. Magnon also has a portfolio of a further 300 MW at an earlier stage of development.

Ence's Renewables business comprises the sale of renewable energy generated from 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, biomethane and CO_2.

3.1. Electricity market trends

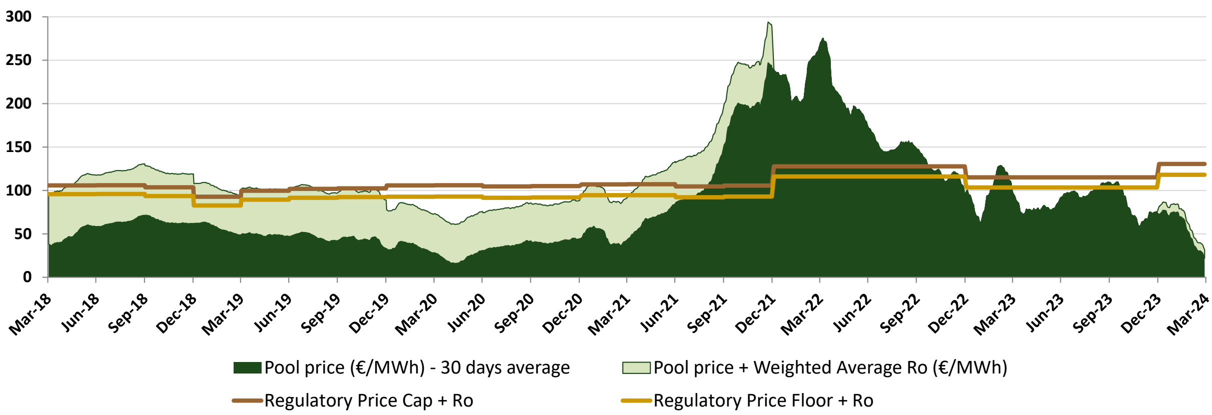
The average price on the day-ahead market (pool price) declined by 40.5% quarter-on-quarter and by 54.1% year-on-year to €44.8/MWh in 1Q24.

Market figures	**1Q24**	1Q23	*Δ%*	4Q23	*Δ%*
Average pool price (€/MWh)	44.8	97.6	*(54.1%)*	75.3	*(40.5%)*

Source: OMIE

However, the price recognised by Ence in its statement of profit or loss 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 regulatory price, which is set at the start of each 3-year regulatory stub period, plus the supplementary remuneration for operations (Ro) earned by each plant, where applicable.

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



The remuneration for investment (Ri) for Magnon's biomass power plants was set at 7.4% for 2020-2031 under Spanish Royal Decree-Law 17/2019. That remuneration will imply an estimated €24.8m of revenue in 2024.

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

3.2. Revenue from energy sales

The Company sold 232,483 MWh tonnes of energy in 1Q24, which is 65.2% more than it sold in 4Q23, due largely to the restart of the Huelva 46-MW and Ciudad Real 50-MW plants in mid-February, upon completion of their extraordinary stoppages. The rest of the plants also generated more energy than in 4Q23, despite the drop in pool prices, in light of the expectation that the remuneration regulations applicable to plants that generate electricity using biomass will be modified in 2024 to adjust their remuneration for operations (Ro) supplement on a quarterly basis for electricity market prices, so aligning the accrual and collection of the regulatory energy price in the same reporting period.

By comparison with 1Q23, energy sales volumes decreased by 23.9%, due mainly to the stoppage of the Huelva 46-MW and Ciudad Real 50-MW plants until mid-February.

Operating figures	1Q24	1Q23	Δ%	4Q23	Δ%
Huelva 41 MW - Biomass	25,698	34,712	*(26.0%)*	27,171	*(5.4%)*
Jaén 16 MW - Biomass	20,541	16,836	*22.0%*	13,956	*47.2%*
Ciudad Real 16 MW - Biomass	-	-	*n.s.*	-	*n.s.*
Córdoba 27 MW - Biomass	43,467	29,122	*49.3%*	27,997	*55.3%*
Huelva 50 MW - Biomass	69,399	79,306	*(12.5%)*	51,826	*33.9%*
Mérida 20 MW - Biomass	21,556	31,852	*(32.3%)*	19,740	*9.2%*
Huelva 46 MW - Biomass	20,165	62,431	*(67.7%)*	-	*n.s.*
Ciudad Real 50 MW - Biomass	31,658	51,350	*(38.3%)*	-	*n.s.*
Energy sales (MWh)	**232,483**	**305,608**	*(23.9%)*	**140,690**	*65.2%*
Average sales price - (€/MWh)	186.5	151.3	*23.3%*	230.4	*(19.1%)*
Remuneration for investment (€m)	6.2	6.2	-	6.2	-
Revenue from energy sales (€ m)	**49.6**	**52.4**	*(5.5%)*	**38.6**	*28.3%*

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

The sales price averaged €186.5/MWh in 1Q24, up 23.3% year-on-year, due mainly to the adjustment for deviations between the pool price and the regulatory price (regulatory collar) in respect of theoretical standard output. By comparison with 4Q23, the average sales price decreased by 19.1%, as the regulatory collar adjustments were spread over higher generation volumes, and also due to a lower contribution from back-up services provided to the grid in secondary markets this year.

The combination of the two factors left revenue from energy sales of €49.6m in 1Q24, factoring in remuneration for investment, which was flat. That figure marks a decrease of 5.5% year-on-year but growth of 28.3% from 4Q23.

3.3. Statement of profit or loss

The Renewables business posted EBITDA of €14.2m in 1Q24, which is more than twice the 4Q23 figure, thanks to the resumption of activity at the Huelva 46-MW and Ciudad Real 50-MW plants. In addition, the Company closed the sale of a 10-MW photovoltaic development in Huelva in 1Q24, generating revenue of €2.2m and EBITDA of €0.7m.

Compared to 1Q23, EBITDA in the Renewables business decreased by 48.2% due to the sale last year of a 100-MW photovoltaic plant in Jaén, which generated revenue of €29.6m and EBITDA of €22.8m that quarter. Excluding that non-recurring effect, EBITDA in this business would have tripled thanks to higher average sales prices coupled with lower costs.

Figures in € m	1Q24	Pro forma * 1Q23	Δ%	4Q23	Δ%
Revenue from energy sales	49.6	52.4	*(5.5%)*	38.6	*28.3%*
Other revenues	3.8	29.6	*(87.2%)*	1.0	*n.s.*
Total revenue	**53.3**	**82.0**	*(35.0%)*	**39.6**	*34.7%*
EBITDA from energy sales	14.5	27.4	*(47.3%)*	9.1	*58.3%*
EBITDA from new businesses	(0.2)	-		(2.5)	
EBITDA	**14.2**	**27.4**	*(48.2%)*	**6.7**	*113.6%*
Depreciation and amortisation	(8.2)	(8.8)	*(7.7%)*	(10.7)	*(23.9%)*
Impairment of and gains/(losses) on fixed-asset disp.	(0.0)	(0.0)	*(20.0%)*	8.5	*n.s.*
EBIT	**6.0**	**18.6**	*(67.5%)*	**4.4**	*37.0%*
Net finance cost	(2.9)	(3.1)	*(6.7%)*	(3.3)	*(10.9%)*
Other finance income/(cost)	(0.0)	0.0	*n.s.*	0.0	*n.s.*
Profit before tax	**3.1**	**15.5**	*(79.8%)*	**1.1**	*174.6%*
Income tax	(1.0)	(0.6)	*69.8%*	0.4	*n.s.*
Net Income	**2.1**	**14.9**	*(85.8%)*	**1.6**	*35.7%*
Non-controlling interests	(1.6)	(1.2)	*35.5%*	(1.4)	
Attributable Net Income	**0.5**	**13.7**	*(96.4%)*	**0.2**	*155.9%*

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

Below the EBITDA line, depreciation and amortisation expense decreased by 7.7% year-on-year to €8.2m, while net finance expense decreased by 6.7% year-on-year, to €2.9m, thanks to a smaller gross debt balance.

Lastly, income tax expense totalled to €1m in 1Q24 and profit attributable to non-controlling interests amounted to €1.6m.

As a result, net profit in the Renewables business (attributable to equity holders of the parent) amounted to €0.5m in 1Q24.

3.4. Cash flow analysis

Cash flows used in operating activities totalled €19.9m in 1Q24 due mainly to the recognition of an account receivable related with deviations between the pool price and regulatory price (regulatory collar) of €27.3m.

The Company expects the regulated remuneration of its biomass plants to be modified between the second and third quarter of 2024 so as to adjust, on a quarterly basis, the plants' remuneration for operations (Ro) for electricity market prices and, thereby, align the accrual and collection of regulated energy prices in the same reporting period. Those modifications would prevent adjustments for deviations between pool and regulatory prices.

Figures in € m	1Q24	Pro forma * 1Q23	Δ%	4Q23	Δ%
EBITDA	**14.2**	**27.4**	*(48.2%)*	**6.7**	*113.6%*
Energy regulation adjustment (regulatory collar)	(27.3)	(4.0)	*n.s.*	(16.3)	*68.0%*
Other cash adjustments	0.4	0.8	*(52.0%)*	0.3	*18.5%*
Change in working capital	(5.8)	(66.9)	*(91.3%)*	17.4	*n.s.*
Income tax received / (paid)	0.3	0.0	*n.s.*	0.9	*(72.7%)*
Net interest received / (paid)	(1.6)	(1.8)	*(12.9%)*	(5.1)	*(68.4%)*
Net cash flow from operating activities	**(19.9)**	**(44.5)**	*(55.3%)*	**4.0**	*n.s.*

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

The movements in working capital implied a cash outflow of €5.8m in 1Q24 as a result of the increase in trade receivables, as the reduction in trade payables was almost entirely offset by the reduction in inventories.

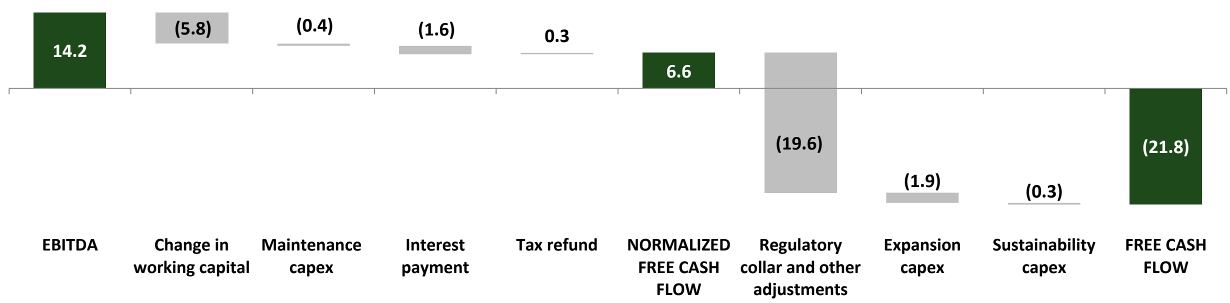
Figures in € m	1Q24	1Q23	Δ%	4Q23	Δ%
Inventories	2.3	(0.5)	*n.s.*	(2.4)	*n.s.*
Trade and other receivables	(5.7)	(0.1)	*n.s.*	12.2	*n.s.*
Trade and other payables	(2.5)	(66.3)	*(96.3%)*	7.6	*n.s.*
Change in working capital	**(5.8)**	**(66.9)**	*(91.3%)*	**17.4**	*n.s.*

At 31 March 2024, the Renewables business had drawn down €9.4m under its non-recourse receivable discounting facilities, compared to €4.4m at year-end 2023. Magnon has also arranged several non-recourse reverse factoring facilities, which were drawn down by €25.6m at 31 March 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	1Q24	1Q23	Δ%	4Q23	Δ%
Maintenance capex	(0.4)	(0.6)	*(26.4%)*	(4.3)	*(90.5%)*
Sustainability capex and other	(0.3)	(0.2)	*78.9%*	(2.2)	*(84.5%)*
Efficiency and expansion capex	(1.9)	(0.6)	*216.4%*	(1.7)	*10.4%*
Financial investments	0.7	-	*n.s.*	0.1	*n.s.*
Investments	**(2.0)**	**(1.4)**	*45.0%*	**(8.2)**	*(76.1%)*
Disposals	-	-	*n.s.*	-	*n.s.*
Net cash flow from investing activities	**(2.0)**	**(1.4)**	*45.0%*	**(8.2)**	*(76.1%)*

Cash used in investing activities totalled €2m in 1Q24. Maintenance capex decreased to €0.4m, while payments for sustainability-related investments amounted to €0.3m. The sustainability investments were mainly 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 €1.9m in 1Q24. Ence Biogas currently has a portfolio of eight biomethane plants at the engineering and permitting phase which are expected to begin to operate in 2026.



As a result, normalised free cash flow in the Renewables business amounted to €6.6m in 1Q24, while free cash flow, after the adjustment for the tariff shortfall and efficiency, growth and sustainability capex, was negative by €21.8m.

3.5. Change in net debt

Net debt in the Renewables business increased by €15.7m from year-end 2023 to €109.2m. In addition to the negative free cash flow outlined above (€21.8m), other movements (related with loans to associates, leases and the provision for interest, mainly) reduced net debt by €6.1m.

Figures in € m	Mar-24	Dec-23	Δ%
Non-current financial debt	89.0	88.9	*0.1%*
Current financial debt	38.1	33.6	*13.4%*
Gross financial debt	**127.1**	**122.5**	*3.7%*
Non-current lease contracts	2.2	1.7	*27.7%*
Current lease contracts	1.1	1.1	*(4.3%)*
Financial liabilities related to lease contracts	**3.3**	**2.8**	*15.3%*
Cash reserve for debt service	10.0	10.0	-
Cash and cash equivalents	11.1	21.8	*(49.3%)*
Net financial debt Renewable Renewable business	**109.2**	**93.5**	*16.8%*

Gross debt, due by 2025, stood at €127.1m at the March close, while lease liabilities amounted to €3.3m. Cash stood at €21.1m at the March close.

3.6. Growth and diversification opportunities

Biomass has a major role to play in industry decarbonisation. Thermal energy generated from biomass is not only carbon-neutral but is also more stable and competitive than the thermal energy generated using fossil fuels. Through its subsidiary Magnon Energy Services, in 2023, Ence closed its first services agreement with an important player in the food sector in Spain and is in talks with other potential industrial customers to replace their fossil-fuel thermal energy with renewable thermal energy.

In addition, 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 organic waste, mainly agricultural and breeding waste. Ence Biogas plans to develop installed annual biomethane capacity of over 1 TWh by 2030, a project with an expected ROCE of at least 12%. At 31 March 2024, Ence Biogas already had a portfolio of eight developments at the engineering and permitting phase, which are expected to begin to operate from 2026.

Lastly, Ence's forestry assets, in addition to producing wood for pulp, also capture over 600,000 tonnes of CO_2 annually. Some of these forestry assets produce carbon credits that can be sold in the voluntary carbon markets to help other companies offset their carbon footprints.

Note, additionally, that agricultural and forestry biomass is the main source of biogenic CO_2, a raw material needed to produce green fuels. The Group produces close to 6 million tonnes of biogenic CO_2 annually and it is studying the viability of using it to produce green fuels in the future.

4. CONSOLIDATED FINANCIAL STATEMENTS

4.1. Summarised statement of profit or loss

Figures in € m	1Q24 Pulp	1Q24 Renewables	1Q24 Adjustments	1Q24 Consolidated	Pro forma 1Q23* Pulp	Pro forma 1Q23* Renewables	Pro forma 1Q23* Adjustments	Pro forma 1Q23* Consolidated
Total revenue	**161.0**	**53.3**	**(0.8)**	**213.6**	**179.6**	**82.0**	**(1.4)**	**260.2**
Other income	4.7	0.6	(0.3)	5.0	4.8	1.3	(0.3)	5.8
Foreign exchange hedging operations results	0.0	-	-	0.0	(0.9)	-	-	(0.9)
Cost of sales and change in inventories of finished produ	(83.0)	(17.4)	0.8	(99.6)	(87.0)	(32.7)	1.4	(118.3)
Personnel expenses	(21.9)	(5.1)	-	(27.1)	(22.5)	(4.2)	-	(26.7)
Other operating expenses	(30.2)	(17.2)	0.3	(47.1)	(48.4)	(19.0)	0.3	(67.1)
EBITDA	**30.7**	**14.2**	**-**	**44.9**	**25.6**	**27.4**	**-**	**53.1**
Depreciation and amortisation	(15.1)	(8.2)	0.4	(22.9)	(13.2)	(8.8)	0.4	(21.7)
Depletion of forestry reserves	(2.8)	-	-	(2.8)	(2.3)	-	-	(2.3)
Impairment of and gains/(losses) on fixed-asset disposals	(0.3)	(0.0)	-	(0.4)	(0.2)	(0.0)	-	(0.2)
Other non-ordinary operating gains/(losses)	-	-	-	-	-	-	-	-
EBIT	**12.4**	**6.0**	**0.4**	**18.8**	**9.9**	**18.6**	**0.4**	**28.9**
Net finance cost	(5.4)	(2.9)	-	(8.3)	(2.3)	(3.1)	-	(5.4)
Other finance income/(costs)	0.6	(0.0)	-	0.5	(0.4)	0.0	-	(0.4)
Profit before tax	**7.6**	**3.1**	**0.4**	**11.1**	**7.2**	**15.5**	**0.4**	**23.1**
Income tax	(0.6)	(1.0)	-	(1.6)	(2.0)	(0.6)	-	(2.6)
Net Income	**7.0**	**2.1**	**0.4**	**9.5**	**5.2**	**14.9**	**0.4**	**20.5**
Non-controlling interests	-	(1.6)	-	(1.6)	0.0	(1.2)	(6.7)	(7.9)
Atributable Net Income	**7.0**	**0.5**	**0.4**	**7.9**	**5.2**	**13.7**	**(6.3)**	**12.6**
Earnings per Share (EPS)	0.03	0.00	-	0.03	0.02	0.06	(0.03)	0.05

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

4.2. Summarised statement of financial position

Figures in € m	Mar-24 Pulp	Mar-24 Renewables	Mar-24 Adjustments	Mar-24 Consolidated	Dec-23 Pulp	Dec-23 Renewables	Dec-23 Adjustments	Dec-23 Consolidated
Intangible assets	17.9	33.3	(12.0)	39.2	17.7	33.7	(12.1)	39.3
Property, plant and equipment	610.2	375.0	(7.2)	978.0	617.5	379.0	(7.5)	989.0
Biological assets	66.0	0.2	-	66.2	66.9	0.2	-	67.1
Non-current investments in Group companies	114.0	0.0	(114.0)	0.1	114.0	0.0	(114.0)	0.0
Non-current borrowings to Group companies	22.5	-	(22.5)	-	22.3	-	(22.3)	-
Deferred tax assets	37.9	26.4	3.0	67.4	38.0	27.0	3.0	68.0
Non-current financial assets	33.4	52.5	-	86.0	27.7	24.9	-	52.6
ɔt service	-	10.0	-	10.0	-	10.0	-	10.0
Total non-current assets	**902.0**	**497.5**	**(152.7)**	**1,246.8**	**904.0**	**474.8**	**(152.8)**	**1,226.0**
Inventories	62.1	15.1	-	77.2	54.8	17.3	-	72.1
Trade and other accounts receivable	55.2	10.2	(1.6)	63.9	39.5	7.5	(2.0)	45.1
Income tax	4.8	9.9	-	14.7	4.8	10.1	-	15.0
Other current assets	4.5	3.0	-	7.5	3.8	0.2	-	4.0
Hedging derivatives	0.5	0.6	-	1.2	1.1	1.7	-	2.8
Current financial investments in Group companies	0.3	0.1	(0.4)	0.0	0.2	0.1	(0.3)	0.0
Current financial investments	3.6	0.0	-	3.6	2.5	0.0	-	2.5
ɿalents	227.8	11.1	-	238.9	311.2	21.8	-	333.0
Total current assets	**358.9**	**50.0**	**(1.9)**	**407.0**	**418.0**	**58.7**	**(2.3)**	**474.5**
TOTAL ASSETS	**1,260.9**	**547.6**	**(154.6)**	**1,653.8**	**1,322.0**	**533.5**	**(155.1)**	**1,700.5**
Equity	**561.0**	**229.6**	**(130.2)**	**660.4**	**552.5**	**227.7**	**(130.5)**	**649.6**
Non-current borrowings	340.0	91.2	-	431.2	349.6	90.6	-	440.2
Non-current loans with Group companies and associates	-	36.6	(22.5)	14.0	-	27.1	(22.3)	4.9
Non-current derivatives	2.0	-	-	2.0	3.4	-	-	3.4
Deferred tax liabilities	-	-	-	-	-	-	-	-
Non-current provisions	27.9	0.1	-	28.0	28.1	0.1	-	28.3
Other non-current liabilities	33.6	67.8	-	101.4	35.9	69.6	-	105.5
Total non-current liabilities	**403.5**	**195.7**	**(22.5)**	**576.7**	**417.0**	**187.5**	**(22.3)**	**582.3**
Current borrowings	105.3	39.2	-	144.5	150.3	34.7	-	185.0
Current derivatives	0.0	-	-	0.0	0.6	-	-	0.6
Trade and other account payable	152.0	78.0	(1.6)	228.4	162.8	79.7	(2.0)	240.6
Short-term debts with group companies	0.1	0.6	(0.4)	0.3	0.1	0.5	(0.3)	0.2
Income tax	0.7	0.4	(0.1)	1.1	0.0	0.0	-	0.0
Current provisions	38.2	4.1	-	42.3	38.8	3.4	-	42.2
Total current liabilities	**296.3**	**122.3**	**(2.0)**	**416.7**	**352.5**	**118.3**	**(2.3)**	**468.6**
TOTAL EQUITY AND LIABILITIES	**1,260.9**	**547.6**	**(154.7)**	**1,653.8**	**1,322.0**	**533.5**	**(155.1)**	**1,700.5**

4.3. Statement of cash flows

Figures in € m	1Q24 Pulp	1Q24 Renewables	1Q24 Adjustments	1Q24 Consolidated	Pro forma 1Q23* Pulp	Pro forma 1Q23* Renewables	Pro forma 1Q23* Adjustments	Pro forma 1Q23* Consolidated
Consolidated profit/(loss) for the period before tax	**7.6**	**3.1**	**0.4**	**11.1**	**7.2**	**15.5**	**0.4**	**23.1**
Depreciation and amortisation	17.9	8.2	(0.4)	25.7	15.5	8.8	(0.4)	24.0
Changes in provisions and other deferred expense	6.3	0.4	-	6.7	7.1	0.8	-	7.9
Impairment of gains/(losses) on disposals intangible assets	0.3	0.0	-	0.3	0.2	0.0	-	0.2
Net finance result	4.8	2.9	-	7.7	2.2	3.1	-	5.3
Energy regulation adjustment (regulatory collar)	(5.8)	(27.3)	-	(33.1)	(1.7)	(4.0)	-	(5.8)
Government grants taken to income	(0.2)	(0.0)	-	(0.3)	(0.1)	(0.0)	-	(0.2)
Adjustments to profit	**23.4**	**(15.9)**	**(0.4)**	**7.1**	**23.2**	**8.8**	**(0.4)**	**31.4**
Inventories	(7.5)	2.3	-	(5.1)	(7.7)	(0.5)	-	(8.2)
Trade and other receivables	(21.8)	(5.7)	(0.4)	(27.9)	(44.7)	(0.1)	(21.7)	(66.5)
Current financial and other assets	(1.1)	(0.0)	-	(1.1)	(0.3)	0.0	-	(0.3)
Trade and other payables	(7.9)	(2.5)	0.4	(9.9)	(17.1)	(66.3)	21.7	(61.7)
Changes in working capital	**(38.2)**	**(5.8)**	-	**(44.0)**	**(69.8)**	**(66.9)**	**-**	**(136.7)**
Interest paid	(7.5)	(1.6)	-	(9.1)	(2.8)	(1.8)	-	(4.6)
Dividends received	-	-	-	-	-	-	-	-
Income tax received/(paid)	-	0.3	-	0.3	-	-	-	-
Other collections/(payments)	-	-	-	-	-	-	-	-
Other cash flows from operating activities	**(7.5)**	**(1.3)**	**-**	**(8.9)**	**(2.8)**	**(1.8)**	**-**	**(4.6)**
Net cash flow from operating activities	**(14.7)**	**(19.9)**	**-**	**(34.6)**	**(42.2)**	**(44.5)**	**-**	**(86.8)**
Property, plant and equipment	(13.4)	(2.6)	-	(16.0)	(10.6)	(1.3)	-	(11.9)
Intangible assets	(1.0)	(0.0)	-	(1.0)	(0.7)	(0.1)	-	(0.8)
Other financial assets	(0.3)	0.7	0.4	0.8	0.5	-	-	0.5
Disposals	-	-	-	-	-	-	-	-
Net cash flow used in investing activities	**(14.7)**	**(2.0)**	**0.4**	**(16.3)**	**(10.8)**	**(1.4)**	**-**	**(12.2)**
Free cash flow	**(29.4)**	**(21.8)**	**0.3**	**(51.0)**	**(53.0)**	**(45.8)**	**-**	**(98.8)**
Buyback/(disposal) of own equity instruments	1.2	-	-	1.2	6.6	-	-	6.6
Proceeds from and repayments of financial liabilities	(55.2)	11.1	(0.3)	(44.4)	78.2	(0.6)	-	77.6
Dividends payments	-	-	-	-	(62.9)	-	-	(62.9)
Net cash flow from/ (used in) financing activities	**(54.1)**	**11.1**	**(0.3)**	**(43.2)**	**21.9**	**(0.6)**	**-**	**21.3**
Net increase/(decrease) in cash and cash equivalents	**(83.4)**	**(10.7)**	**-**	**(94.2)**	**(31.1)**	**(46.5)**	**-**	**(77.6)**

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

5. KEY DEVELOPMENTS

Proposal for a new methodology for updating the remuneration for the operation (Ro) of biomass plants as of 1 January 2024

On 16 April 2024, the Ministry for the Ecological Transition and Demographic Challenge (MITECO) sent to the Council of State a proposal establishing a new methodology for updating the remuneration for the operation (Ro) of renewable power plants whose operating costs depend essentially on the price of the fuel.

According to this proposal, the complementary remuneration for the operation (Ro) applicable to the energy sold by biomass plants will be updated quarterly, coinciding with calendar quarters; based on the deviation between the estimated operating cost of a standard plant and the estimate of the electricity market price based on futures prices during the immediately preceding quarter.

This new methodology will allow biomass facilities to operate with an operating remuneration (Ro) calculated very close to the period of time in which it will be applied and which, by being based on futures prices, will largely prevent the facilities from being affected by the volatility that may occur in the spot markets. Likewise, due to the proximity of the estimate to the application period, the need to make a posterior adjustment of any of the prices involved in the calculation of the remuneration for the operation (regulatory collar) is eliminated.

The Council of State has transferred this proposal to the affected sectoral associations so that they can submit their allegations before 25 April 2024. This proposal is expected to be approved by the end of the second quarter or beginning of the third. If finally approved, this new methodology would apply from 1 January 2024.

The company estimates that the application of this new methodology, instead of the current one, would mean a greater cash inflow during this year as a consequence of the collection of the deviations between the regulatory and the market price of electricity (regulatory collar), instead of their compensation during the rest of the regulatory life of the plants, as from December 2025. On the other hand, from an accounting point of view, it would mean a downward adjustment in revenues based on the number of hours actually generated instead of the 7,500 theoretical hours of the current regulation.

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 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. Preparation of the new plan included a double materiality assessment in order to identify the most material sustainability - by evaluating their impact on environmental and social factors, while also considering how these factors influence the organisation - on which to focus the next round of initiatives and associated targets. The new plan constitutes the roadmap for continuing to move towards excellence in sustainability and fostering the creation of shared value with all of the Company's stakeholders.

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.

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 (2023), Sustainalytics gave Ence an overall ESG score of 90 points out of 100, ranking it as a global leader in the pulp and paper sector for the third year running. The Company has been part of the prestigious FTSE4Good Index Series since 2021. Ence is also a recipient of Ecovadis' platinum medal, the highest accolade given by this platform specialised in assessing companies' sustainability performance. Ence 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 be an example for 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 1Q24 the Company's injury metrics improved notably, marked by 67% fewer lost-time injuries by comparison with 1Q23, thanks to accident prevention dynamics implemented across all areas. Thanks to this performance, in 1Q24, the Group's overall injury frequency rate decreased by 63% from year-end 2023. All of the business units improved on their 2023 metrics and Magnon and the Forestry Assets division have not recorded any lost-time injuries so far in 2024.

The Pulp business developed its strategic plan for the implementation of process safety management (PSM), for execution in 2024-2026, as a lever for continuing to improve management of potentially serious incidents in the OHS or environmental areas.

As for its **environmental performance**, it is worth highlighting the start of environmental risk studies at all of the energy plants and in the procurement area. 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 those risks to tolerable levels. These risk assessments have been extended to include the safety and operations area so that Magnon will gain a full picture of its exposure.

In the Renewables business, this year the Company is working to update its water map and draw up water 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 reduce their odour emissions in 1Q24, specifically by 54% in Navia and by 28% in Pontevedra, relative to 2023 levels. Note that in both cases, the 2023 readings were all-time records.

Both biomills also continued to rationalise their consumption of water, particularly the Navia biomill, which managed to reduce its consumption ratios by nearly 6% year-on-year in 1Q24, having already improved these metrics in 2023.

As for its circular economy transition, Ence continues to present high waste recovery and recycling readings (above 95% of all waste at year-end 2023), 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 1Q24 close, all of the Group's facilities boasted that certification.

In tandem, this year Magnon is working to obtain AENOR's "100% Circular Strategy" certification, a milestone it hopes to achieve in the last quarter.

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 1Q24, 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 various certifications has been unified to use corporate resources more efficiently, specifically reducing the number of audits without undermining the quality of the audit results.

Last year, the Group also embarked on a project for unifying and digitalising the management system which will soon be available for all Ence employees on a common platform, ensuring access to all current documentation.

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. Permitting is underway for a new initiative to replace fossil fuel with biomill in the furnaces. In 1Q24, the Group also worked on the climate neutrality plan for the biomill in Pontevedra.

In the Renewables business, workshops took place at all the plants and a carbon footprint reduction plan, which will set specific reduction targets for 2028, is under development.

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.

In the adaptation area, Ence is following the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD) around the governance and management of climate-related risks and opportunities. More specifically, Ence is focusing its efforts on the development of *ad-hoc* climate models which provide a tool for analysing the potential impacts of climate change on the Company's facilities and wood and biomass supply areas. To develop those models and analyse its physical risks, Ence is using two IPCC climate scenarios: a more pessimistic scenario (RCP 8.5) and a scenario more closely aligned with current emissions (RCP 4.5). It is analysing the changes in the climate over three time horizons: the near future (until 2040), medium term (until 2070) and a more distant future (2100). For Ence, the impact of the physical risks derived from climate change is more relevant than the impact of the 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 2024, Ence will 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**, Ence has 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, protecting forest assets under management, shielding biodiversity in productive forest assets and analysing and developing new methodologies for safeguarding and enhancing natural capital. The biodiversity plan also includes awareness and communication initiatives so as to create a culture of biodiversity protection among all employees. The new plan and the Corporate Diversity Policy are expected to be approved in the first half of 2024, with the specific performance indicators and targets to be used to monitor the plan through to 2028 defined by the end of the year.

2. Bioproducts and ecosystemic services

Under the scope of its bioproducts and ecosystemic 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 ecosystemic 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 quarter, customer certifications of these products numbered 104. Sales of special pulp products accounted for 19% of total pulp sales in 1Q24.

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, in 2023, Ence articulated a food safety management system around ISO 22000 at its two pulp biomills. That project culminated in 1Q24 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.

Another aspect of the bioproducts line of initiative relates to implementation of the plan for developing **biomethane** plants at Ence Biogás, 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 Biogás' medium-term target is to put 20 biomethane plants into operation with capacity to produce >1,000 GWh per year. At the end of the first quarter of 2024, the company already had eight developments at the engineering and permitting phase, which are expected to come online in 2026.

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. As of the end of the first quarter of 2024, MSE already had one project in operation.

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 quarter of 2024 the Company completed the development and marketing of a new eucalyptus clone and set itself the target of ending the year with three new clones.

Lastly, Ence is looking to monetise the **ecosystemic services** provided by the forests it owns, with a focus on carbon capture. To that end, Ence has been working since 2022 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 end of 1Q24, Ence had registered nearly 1,800 hectares of carbon sinks in different voluntary schemes.

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 March 2024, close to 87% of its forest assets (out of total certifiable assets) were certified under one or other of those schemes and over 76% 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 nearly 4% 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 31 March 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 also drew up a procedure for articulating these commitments in its business relationships with its suppliers and other third parties, and, following a pilot test carried out at the end of 2023, in 1Q24, formulated 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.

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 27.3% of the workforce as of the March 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 quarter, the percentage of female executives (including managers) stood at 27.9%, which is very close to the target for 2024 (29%).

This year, Ence is also working 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 1Q24, the Group imparted 3,416 hours of training, i.e., 2.72 hours per employee, adapting the formats to make them compatible with remote working arrangements. The training effort focused particularly on technical operations matters, health and safety and compliance.

Thanks to this effort, 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 1Q24, 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 1Q24, Ence welcomed over 240 visitors to its facilities in Navia, Pontevedra and Huelva and held 13 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 2024 machine operator course got underway in the first quarter with 15 students, while two new interns joined Ence under the Talent Programme. Ence also prioritises local hiring: 92% of new hires in 1Q24 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 1Q24, Ence provided advice to 275 forest owners in northern Spain.

5. Governance and compliance

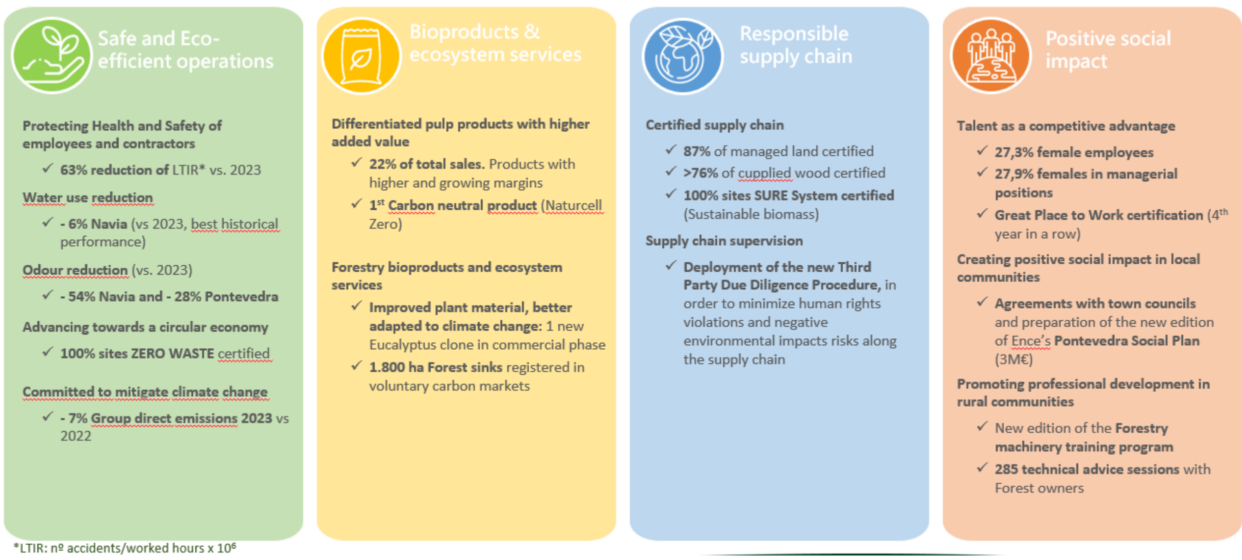
This cross-cutting line of initiative is designed to reinforce ESG governance and bolster the ethics and compliance function.

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, it approved the new Due Diligence Policy and in 2024 it will approve as many as four additional policies, starting with a Biodiversity Policy.

As for the compliance function, Ence's main goal for 2024, following the recent creation of the Corporate Ethics and Compliance Department, is to reinforce employee compliance training. The target is to provide compliance training content to over 90% of the workforce in 2024.

On the corporate governance front, Ence boasts a comprehensive and effective system which incorporates prevailing regulatory requirements and recommendations with respect to best practices in the field. Ence continuously assesses its stakeholders' legitimate expectations, engaging openly with shareholders, investors and proxy advisors and responding transparently to requests for information from research analysts, rating agencies and ASG consultants.

In the first quarter of 2024, in keeping with its reporting requirements under Spain's Non-Financial Reporting Act, Ence published its Non-Financial Statement for 2023 (sustainability report), along with its annual corporate governance and director remuneration reports. All of this information is available to Ence's stakeholders through its corporate website.



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

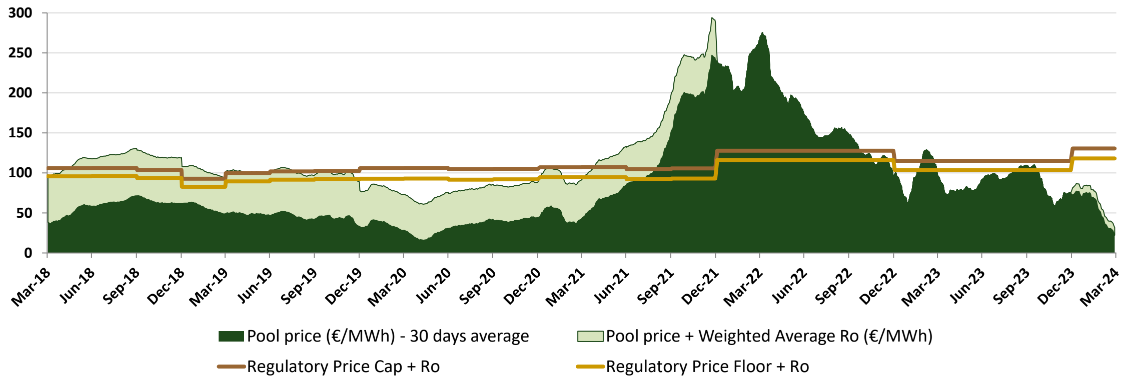
Facility	Type of facility	MW	2024 Remuneration for investment in P&L (Ri; €/MW)	Type of fuel	Remuneration for operation 2024 (Ro; €/MWh)	Sale hours limit under regulated price	Regulatory life (year of maturity)
Pontevedra	Biomass co-generation	34.6	-	Lignin	-	6,500	2032
	Biomass generation		46,362	Agroforestry biomass	-	7,500	
Navia	Biomass co-generation	40.3	-	Lignin	-	6,500	2034
	Biomass generation	36.2	210,395	Agroforestry biomass	-	7,500	
Huelva 41MW	Biomass generation	41.0	39,644	Agroforestry biomass	12.6	7,500	2025
Jaen 16MW	Biomass generation	16.0	123,452	Olive Pulp	8.0	7,500	2027
Ciudad Real 16MW	Biomass generation	16.0	66,074	Olive Pulp	-	7,500	2027
Cordoba 27MW	Biomass generation	14.3	183,899	Olive Pulp	8.7	7,500	2031
	Gas co-generation	12.8	-	Natural Gas	160.6	6,537	2030
Huelva 50MW	Biomass generation	50.0	242,373	Agroforestry biomass	9.2	7,500	2037
Mérida 20MW	Biomass generation	20.0	267,220	Agroforestry biomass	9.0	7,500	2039
Huelva 46 MW	Biomass generation	46.0	-	Agroforestry biomass	9.0	7,500	2044
Ciudad Real 50 MW	Biomass generation	50.0	-	Agroforestry biomass	9.0	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 regulatory price plus the supplementary remuneration for operations (Ro) earned by each plant, where applicable.

   The Ministry of Green Transition determines the supplementary remuneration for operation of each plant (Ro) as a function of the estimated costs of operating a 'standard' plant, which are updated annually, and the electricity prices estimated at the start of each 3-year regulatory stub period (regulatory price). Any deviations between the electricity market price and the price estimated by the Ministry at the start of each period (regulatory price) are settled by adjusting the remuneration for investment to be collected during the plants' remaining regulatory useful lives.



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

   If the price estimated by the Ministry (regulated price) is higher than the estimated cost of operating a 'standard' plant, that difference also triggers an adjustment to the remuneration for investment due to the plants over their remaining useful lives.

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

Royal Decree-Law 5/2023 and the Ministerial Order updating the regulatory energy price and remuneration parameters applicable to the Group's power generation plants for the regulatory stub period elapsing between 1 January 2023 and 31 December 2025 were published on 29 June and 30 June, respectively.

These new regulations establish the regulatory prices for 2023, 2024 and 2025 at €109.31/MWh, €108.86/MWh and €89.37/MWh, respectively, compared to the prices of €207.88/MWh, €129.66/MWh and €78.19/MWh published in the draft Order dated 28 December 2022, now defunct.

Below are the **pool prices estimated by the regulator for 2023-2025**, along with the corresponding annual ceilings and floors:

Eur / MWh	2023	2024	2025
LS2	117.1	116.7	97.2
LS1	113.2	112.8	93.3
Regulatory Price	109.3	108.9	89.4
LI1	105.4	105.0	85.5
LI2	101.5	101.1	81.6

Proposal for a new methodology for updating the remuneration for the operation (Ro) of biomass plants as of 1 January 2024

On 16 April 2024, the Ministry for the Ecological Transition and Demographic Challenge (MITECO) sent to the Council of State a proposal establishing a new methodology for updating the remuneration for the operation (Ro) of renewable power plants whose operating costs depend essentially on the price of the fuel.

According to this proposal, the complementary remuneration for the operation (Ro) applicable to the energy sold by biomass plants will be updated quarterly, coinciding with calendar quarters; based on the deviation between the estimated operating cost of a standard plant and the estimate of the electricity market price based on futures prices during the immediately preceding quarter.

This new methodology will allow biomass facilities to operate with an operating remuneration (Ro) calculated very close to the period of time in which it will be applied and which, by being based on futures prices, will largely prevent the facilities from being affected by the volatility that may occur in the spot markets. Likewise, due to the proximity of the estimate to the application period, the need to make a posterior adjustment of any of the prices involved in the calculation of the remuneration for the operation (regulatory collar) is eliminated.

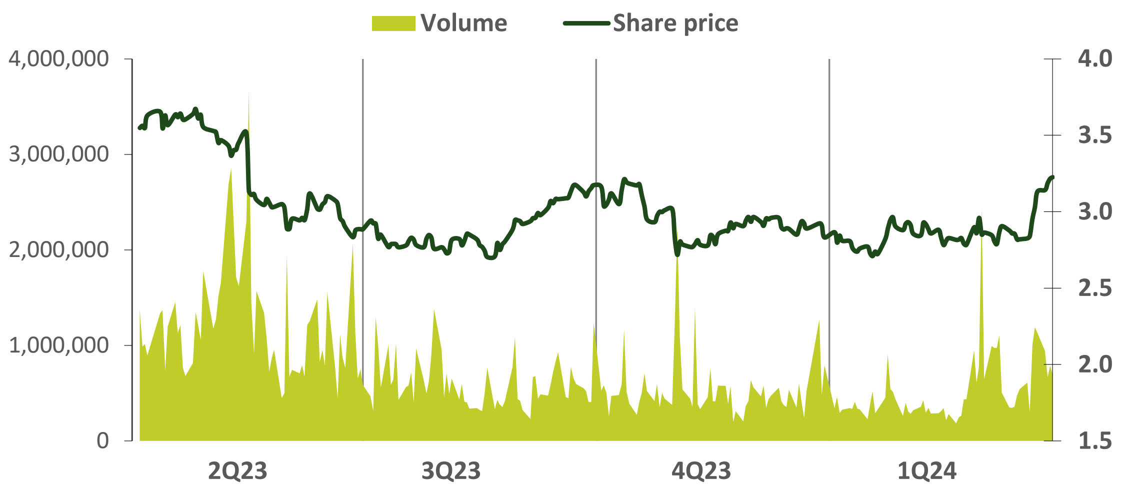
The Council of State has transferred this proposal to the affected sectoral associations so that they can submit their allegations before 25 April 2024. This proposal is expected to be approved by the end of the second quarter or beginning of the third. If finally approved, this new methodology would apply from 1 January 2024.

The company estimates that the application of this new methodology, instead of the current one, would mean a greater cash inflow during this year as a consequence of the collection of the deviations between the regulatory and the market price of electricity (regulatory collar), instead of their compensation during the rest of the regulatory life of the plants, as from December 2025. On the other hand, from an accounting point of view, it would mean a downward adjustment in revenues based on the number of hours actually generated instead of the 7,500 theoretical hours of the current regulation.

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 March 2024 at €3.23/share, up 13.9% from year-end 2023, buoyed by the recovery in pulp prices.



SHARES	1Q23	2Q23	3Q23	4Q23	1Q24
Share price at the end of the period	3.43	2.89	3.17	2.83	3.23
Market capitalization at the end of the period	844.7	710.7	781.7	697.4	794.5
Ence quarterly evolution	22.1%	(15.9%)	10.0%	(10.8%)	13.9%
Daily average volume (shares)	1,455,322	1,222,432	605,663	551,485	535,384
Peers quarterly evolution *	(10.5%)	(4.4%)	7.0%	(0.3%)	8.8%

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

Source: Bloomberg

APPENDIX 4: ALTERNATIVE PERFORMANCE MEASURES (APMs)

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

EBITDA

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

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

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

			1Q24				1Q23			
	Unit	Source Financial Statement	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
OPERATING PROFIT/(LOSS)	€ m	P&L	12.4	6.0	0.4	18.8	9.9	18.6	0.4	28.9
Depreciation and amortisation charges	€ m	P&L	15.1	8.2	(0.4)	22.9	13.2	8.8	(0.4)	21.7
Depletion of forest reserve	€ m	P&L	2.8	-	-	2.8	2.3	-	-	2.3
Impairment of and gains/(losses) on disposal of fixed assets	€ m	P&L	0.3	0.0	-	0.4	0.2	0.0	-	0.2
Other non-operating items	€ m	APM	-	-	-	-	-	-	-	-
EBITDA	**€ m**		**30.7**	**14.2**	**-**	**44.9**	**25.6**	**27.4**	**-**	**53.1**

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 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	1Q24 Pulp	1Q23 Pulp
Revenue from pulp sales	€ m	P&L	145.9	165.2
EBITDA	€ m	APM	(30.7)	(25.6)
Total costs (Revenue - EBITDA)	€ m		115.2	139.5
Gains/(losses) on hedging transactions	€ m	APM	0.0	(0.9)
Adjustments for tariff shortfall/surplus (electricity market)	€ m		2.3	1.7
Depletion of forest reserve	€ m	P&L	2.8	2.3
Change in inventories	€ m	P&L	6.6	14.6
Other income and expenses	€ m		(3.8)	(0.2)
ADJUSTED CASH COST	€ m		123.2	157.1
Pulp production costs	€ m		104.3	135.7
No. of tonnes produced	Unit		254,865	252,679
PRODUCTION-RELATED COSTS PER TONNE	€/tonn		**409.2**	**537.0**
Overhead, sales and logistics costs			18.9	21.4
No. of tonnes sold	Unit		242,726	216,618
OVERHEAD, SALES AND LOGISTICS COSTS PER TONNE	€/tonn		**77.7**	**98.8**
CASH COST	**€/tonne**		**487.0**	**635.8**

"Other income and expenses" includes the gain/(loss) on the sale of wood to third parties (loss of €0.6m in 1Q24), nursery costs (€0.6m in 1Q24), long-term remuneration and termination benefits (€0.8m in 1Q24), receivables impairment allowances (€1.3m in 1Q24 and €0.1m in 1Q23) and bank charges (€0.5m in 1Q24).

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	1Q24 Pulp	1Q23 Pulp
Revenue from pulp sales	€ m	P&L	145.9	165.2
No. of tonnes sold	Unit		242,726	216,618
Average sales price per tonne (Revenue / # tonnes)	€/tonne		600.9	762.4
Cash cost (€)	€/tonne	APM	487.0	635.8
TOTAL OPERATING PROFIT PER TONNE OF PULP	**€/tonne**		**113.9**	**126.6**

NET FINANCE COST AND OTHER FINANCIAL ITEMS

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

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

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

			1Q24				1Q23			
	Unit	**Source Financial Statement**	**Pulp**	**Renewable Energy**	**Adjustments & Eliminations**	**CONSOLIDATED TOTAL**	**Pulp**	**Renewable Energy**	**Adjustments & Eliminations**	**CONSOLIDATED TOTAL**
	€ m	P&L	2.3	0.5	(0.2)	2.6	0.8	0.2	(0.2)	0.9
	€ m	P&L	(7.7)	(3.4)	0.2	(10.9)	(3.1)	(3.4)	0.2	(6.3)
NET FINANCE COST	**€ m**		**(5.4)**	**(2.9)**	**(0.0)**	**(8.3)**	**(2.3)**	**(3.1)**	**(0.0)**	**(5.4)**
	€ m	P&L	0.1	-	-	0.1	-	-	-	-
	€ m	P&L	0.5	(0.0)	-	0.5	(0.4)	0.0	-	(0.4)
OTHER FINANCIAL ITEMS	**€ m**		**0.6**	**(0.0)**	**-**	**0.5**	**(0.4)**	**0.0**	**-**	**(0.4)**
NET FINANCE INCOME/(COST)	€ m	P&L	(4.8)	(2.9)	-	(7.7)	(2.7)	(3.1)	-	(5.8)

MAINTENANCE, EFFICIENCY, GROWTH AND SUSTAINABILITY CAPEX

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

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

Ence's 2019-2023 Business Plan includes a schedule of the amounts it expects to invest annually in efficiency, growth and sustainability in order to attain the strategic targets set. Capex-related cash flows are broken down by area of investment to make it easier to track execution of the published Business Plan.

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

			1Q24				1Q23			
	Unit	**Source Financial Statement**	**Pulp**	**Renewable Energy**	**Adjustments & Eliminations**	**CONSOLIDATED TOTAL**	**Pulp**	**Renewable Energy**	**Adjustments & Eliminations**	**CONSOLIDATED TOTAL**
Maintenance capex	€ m		(5.1)	(0.4)	(24.1)	(29.7)	(16.9)	(2.7)	-	(19.6)
Efficiency and growth capex	€ m		(3.2)	(0.3)	(29.1)	(32.6)	(11.8)	(2.3)	-	(14.1)
Sustainability capex	€ m		(6.1)	(1.9)	(25.5)	(33.4)	(15.8)	(5.4)	-	(21.2)
Financial investments	€ m		(0.3)	0.7	(0.4)	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE	**€ m**		**(14.7)**	**(2.0)**	**(79.1)**	**(95.7)**	**(44.5)**	**(10.4)**	**-**	**(54.9)**

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:

			1Q24				1Q23			
	Unit	Source Financial Statement	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
EBITDA	€ m	APM	30.7	14.2	-	44.9	25.6	27.4	-	53.1
Other non-recurring items	€ m	APM	-	-	-	-	-	-	-	-
Adjustments to reconcile profit before tax to net cash flows:					-				-	
Changes in provisions and other deferred expense (net)	€ m	CF	6.3	0.4	-	6.7	7.1	0.8	-	7.9
Adjustments for tariff shortfall/surplus (electricity market)	€ m	CF	(5.8)	(27.3)	-	(33.1)	(1.7)	(4.0)	(0.1)	(5.8)
Grants taken to profit and loss	€ m	CF	(0.2)	(0.0)	-	(0.3)	(0.1)	(0.0)	-	(0.2)
Exchange differences with an impact on cash	€ m		(0.0)	(0.0)	0.1	(0.0)	(0.4)	0.0	-	(0.4)
Change in working capital	€ m		(38.2)	(5.8)	(0.0)	(44.0)	(69.8)	(66.9)	-	(136.7)
Interest paid, net (including right-of-use assets)	€ m	CF	(7.5)	(1.6)	(0.1)	(9.1)	(2.8)	(1.8)	-	(4.6)
Dividends received	€ m	CF	-	-	-	-	-	-	-	-
Income tax paid	€ m	CF	-	0.3	-	0.3	-	-	-	-
Other collections/(payments)	€ m	CF	-	-	-	-	-	-	-	-
OPERATING CASH FLOW			**(14.7)**	**(19.9)**	**-**	**(34.6)**	**(42.2)**	**(44.5)**	**-**	**(86.8)**

FREE CASH FLOW

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

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

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

			1Q24				1Q23			
	Unit	Source Financial Statement	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
Net cash flows from/(used in) operating activities	€ m	CF	(14.7)	(19.9)	-	(34.6)	(42.2)	(44.5)	-	(86.8)
Net cash flows from/(used in) investing activities	€ m	CF	(14.7)	(2.0)	-	(16.3)	(10.8)	(1.4)	-	(12.2)
FREE CASH FLOW	**€ m**		**(29.4)**	**(21.8)**	**-**	**(51.0)**	**(53.0)**	**(45.8)**	**-**	**(98.9)**

NORMALISED FREE CASH FLOW

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

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

Below is a reconciliation between this APM and the amounts presented in the financial statements for the first quarter of 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	1Q24 Pulp	1Q24 Renewable Energy	1Q24 Adjustments & Eliminations	1Q24 CONSOLIDATED TOTAL	1Q23 Pulp	1Q23 Renewable Energy	1Q23 Adjustments & Eliminations	1Q23 CONSOLIDATED TOTAL
EBITDA	€ m	APM	30.7	14.2	-	44.9	25.6	27.4	-	53.1
Changes in working capital:					-				-	
Inventories	€ m	CF	(7.5)	2.3	-	(5.1)	(7.7)	(0.5)	-	(8.2)
Trade and other receivables	€ m	CF	(21.8)	(5.7)	(0.4)	(27.9)	(44.7)	(0.1)	(21.7)	(66.5)
Short-term investments	€ m	CF	(1.1)	(0.0)	-	(1.1)	(0.3)	0.0	-	(0.3)
Trade payables, other payables and other liabilities	€ m	CF	(7.9)	(2.5)	0.4	(9.9)	(17.1)	(66.3)	-	(61.7)
Maintenance capex	€ m	APM	(5.1)	(0.4)	(24.1)	(29.7)	(16.9)	(2.7)	-	(19.6)
Interest paid, net (including right-of-use assets)	€ m	CF	(7.5)	(1.6)	(0.1)	(9.1)	(2.8)	(1.8)	-	(4.6)
Income tax paid	€ m	CF	-	0.3	-	0.3	-	-	-	-
NORMALISED FREE CASH FLOW	**€ m**		**(20.1)**	**6.6**	**-**	**(37.7)**	**(63.8)**	**(44.0)**	**-**	**(107.8)**

NET DEBT/(CASH)

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

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

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

Below is a reconciliation between this APM and the amounts presented in the financial statements for the first quarter of 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	Mar. 2024 Pulp	Mar. 2024 Renewable Energy	Mar. 2024 Adjustments & Eliminations	Mar. 2024 CONSOLIDATED TOTAL	Dec. 2023 Pulp	Dec. 2023 Renewable Energy	Dec. 2023 Adjustments & Eliminations	Dec. 2023 CONSOLIDATED TOTAL
Non-current borrowings:										
Bonds and other maketable securities	€	BS	-	78.7		78.7	-	78.7		78.7
Bank borrowings	€	BS	266.8	10.4		278.6	283.3	11.2		294.5
Other financial liabilities	€	BS	73.2	2.1		73.9	66.3	0.8		67.0
Current borrowings:	€									
Bonds and other maketable securities	€	BS	74.3	1.8		54.8	-	0.0		0.0
Bank borrowings	€	BS	21.9	36.2		74.0	144.0	34.1		178.1
Other financial liabilities	€	BS	9.1	1.2		13.8	6.3	0.6		6.9
Cash and cash equivalents	€	BS	227.8	11.1		238.9	311.2	21.8		333.0
Current financial assets - Other financial investments	€		3.6	0.0		3.6	2.5	0.0		2.5
Cash reserve for debt service	€		-	10.0		10.0	-	10.0		10.0
NET DEBT/(CASH)	**€**		**214.0**	**109.2**		**321.4**	**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 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	1Q24 Pulp	1Q24 Renewable Energy	1Q24 Adjustments & Eliminations	1Q24 CONSOLIDATED TOTAL	1Q23 Pulp	1Q23 Renewable Energy	1Q23 Adjustments & Eliminations	1Q23 CONSOLIDATED TOTAL
EBIT, last 12 months	€ m	P&L	(13.0)	(0.6)	1.6	(12.0)	85.4	31.2	1.8	118.5
Average capital employed, last 12 months					-					
Average equity	€ m	BS	448.6	238.0	-	686.6	599.4	235.2	-	834.6
Average net debt	€ m	BS	157.3	87.6	-	244.7	(15.1)	27.5	-	12.4
ROCE	**%**		**-2.1%**	**-0.2%**	**n.s.**	**-1.3%**	**14.6%**	**11.9%**	**n.s.**	**14.0%**

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Earnings Report
1Q24

Global ESG
score: 90/100