ENCE Energía y Celulosa, S.A. and subsidiaries

Interim condensed consolidated financial statements for the first half of 2024 prepared under the International Financial Reporting Standards adopted by the European Union and the corresponding Interim Management Report

Interim condensed consolidated financial statements for the first half of 2024

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2024

€ 000	Note	30 June 2024 (*)	31 Dec. 2023 (**)
NON-CURRENT ASSETS:			
Intangible assets	11	40,249	39,266
Property, plant and equipment	12	975,527	988,999
Biological assets	14	65,607	67,111
Investments accounted for using the equity method	19	4	34
Non-current financial assets			
Hedging derivatives	19 & 25	302	1,310
Other financial assets	19 & 22.2	56,765	61,274
Deferred tax assets	27	60,599	67,998
		1,199,053	**1,225,992**
CURRENT ASSETS:			
Inventories	16	69,168	72,102
Trade and other receivables	19 & 20	88,000	36,742
Other taxes receivable	27	22,207	8,313
Income tax receivable	27	14,736	14,993
Current financial assets			
Loans to group companies and related parties	19 & 29	226	12
Hedging derivatives	19 & 25	2,375	2,775
Other financial assets	19 & 22.2	6,714	5,163
Cash and cash equivalents	19 & 22.1	267,205	333,032
Other current assets		8,959	1,350
		479,590	**474,482**
TOTAL ASSETS		**1,678,643**	**1,700,474**
EQUITY:			
Share capital	17.1	221,645	221,645
Share premium		170,776	170,776
Reserves	17.2	113,097	137,249
Translation differences		33	13
Own shares - parent company shares	17.3	(12,104)	(12,980)
Valuation adjustments	17.4	40,591	40,751
Other equity instruments	17.5	3,537	1,328
Profit/(loss) for the year attributable to equity holders of the parent		26,470	(24,720)
Equity attributable to equity holders of the parent		**564,045**	**534,062**
Non-controlling interests	17.6	**108,541**	**115,527**
TOTAL EQUITY		**672,586**	**649,589**
NON-CURRENT LIABILITIES:			
Borrowings	19 & 23	428,500	440,231
Derivative financial instruments	19 & 25	1,196	3,441
Grants		8,553	6,018
Non-current provisions	26	28,717	28,288
Non-current accruals and deferred income		2,679	2,713
Other non-current liabilities	19 & 24	92,502	96,727
Non-current borrowings from group companies and related parties	19 & 29	35,974	4,868
		598,121	**582,286**
CURRENT LIABILITIES:			
Borrowings	19 & 23	131,742	184,954
Derivative financial instruments	19 & 25	770	593
Current borrowings from group companies and related parties	19 & 29	555	244
Trade and other payables	19 & 21	216,476	224,014
Income tax payable	27	3,220	44
Other taxes payable	27	13,141	9,165
Other current liabilities	19 & 24	7,784	7,402
Current provisions	26	34,248	42,183
		407,936	**468,599**
TOTAL EQUITY AND LIABILITIES		**1,678,643**	**1,700,474**

The accompanying notes 1 to 31 and the Appendix are an integral part of the condensed consolidated statement of financial position at 30 June 2024.

(*) Unaudited figures

(**) The consolidated statement of financial position at 31 December 2023 is presented exclusively for comparative purposes.

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2024

€ 000	Note	First half 2024 (*)	First half 2023 (**)
Continuing operations:			
Revenue	5	442,741	458,813
Gains/(losses) on hedging transactions	25	300	(730)
Changes in inventories of finished goods and work in progress	16	(1,839)	(2,441)
Self-constructed assets	12 & 14	7,406	6,613
Other operating income		1,114	5,503
Grants taken to profit and loss		4,341	5,361
Operating income		454,063	473,119
Cost of sales	6	(206,998)	(222,150)
Employee benefits expense	7	(57,209)	(53,325)
Depreciation and amortisation charges	11 & 12	(44,268)	(42,950)
Depletion of forest reserve	14	(6,289)	(5,033)
Impairment of and gains/(losses) on disposal of fixed assets	15	407	(251)
Impairment of financial assets	20	(554)	(681)
Other operating expenses	8	(94,122)	(138,119)
Operating expenses		(409,033)	(462,509)
OPERATING PROFIT		**45,030**	**10,610**
Finance income	9	5,458	1,982
From equity investments:			
Third parties	9	-	29
From marketable securities and other financial instruments			
Group companies and associates	9	-	19
Third parties	9	5,458	1,934
Finance costs	9	(21,523)	(14,939)
Group companies and associates	9 & 29	(311)	(295)
Third-party borrowings	9	(20,798)	(13,628)
Unwinding of discount	9	(414)	(1,016)
Change in fair value of financial instruments	25.2	89	-
Exchange differences	9	852	(457)
NET FINANCE COST		**(15,124)**	**(13,414)**
Share of profit/(loss) of entities accounted for using the equity method		(43)	2
PROFIT/(LOSS) BEFORE TAX		**29,863**	**(2,802)**
Income tax	27	(10,014)	4,025
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**19,849**	**1,223**
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD (***)		**19,849**	**1,223**
Profit/(loss) for the period attributable to non-controlling interests	17.6	6,621	(5,392)
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**26,470**	**(4,169)**
Earnings/(loss) per share attributable to owners of the parent			**€/share**
Basic	10	**0.11**	**(0.02)**
Diluted	10	**0.11**	**(0.02)**

The accompanying notes 1 to 31 and Appendix are an integral part of the condensed consolidated statement of profit or loss for the six months ended 30 June 2024

(*) Unaudited figures

(**) Unaudited figures The condensed consolidated statement of profit or loss for the six months ended 30 June 2023 is presented exclusively for comparison purposes

(***) 100% from continuing operations

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2024

€ 000	Note	First half 2024 (*)	First half 2023 (**)
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD (****)		**19,849**	**1,223**
Profit/(loss) recognised directly in consolidated equity			
- Cash flow hedges (***)		1,820	2,081
- Translation differences (***)		20	(34)
- Tax effect		(455)	(520)
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN CONSOLIDATED EQUITY	21	**1,385**	**1,527**
Expense / (income) reclassified to profit or loss			
- Cash flow hedges (***)		(2,520)	(805)
- Tax effect		630	201
TOTAL AMOUNTS TRANSFERRED TO PROFIT OR LOSS	21	**(1,890)**	**(604)**
TOTAL COMPREHENSIVE INCOME		**19,344**	**2,146**
Attributable to:			
Owners of the parent		**25,965**	**(3,246)**
Non-controlling interests		**(6,621)**	**5,392**

The accompanying notes 1 to 31 and Appendix are an integral part of the condensed consolidated statement of comprehensive income for the six months ended 30 June 2024
(*) Unaudited figures
(**) Unaudited figures The condensed consolidated statement of comprehensive income for the six months ended 30 June 2023 is presented exclusively for comparison purposes.
(***) Items that may be subsequently be reclassified to profit or loss.
(****) Corresponds to "Profit/(loss) for the period from continuing operations" in the condensed consolidated statement of profit or loss.

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2024

€ 000	Issued capital	Own shares	Share premium	Reserves (**)	Interim dividend	Profit/(loss) for the year	Translation differences	Valuation adjustments	Other equity instruments	**Total equity attributable to equity holders of the parent**	Non-controlling interests	**Total equity**
Balance at 31 December 2022 (*)	221,645	(12,958)	170,776	93,918	(66,553)	247,220	1	42,998	3,753	**700,800**	117,236	**818,036**
Total recognised income/(expense)	-	-	-	-	-	(4,169)	(34)	957	-	**(3,246)**	5,392	**2,146**
Appropriation of prior-year profit/(loss)	-	-	-	40,058	136,857	(176,915)	-	-	-	**-**	-	**-**
Dividends distributed	-	-	-	-	(70,304)	(70,305)	-	-	-	**(140,609)**	(4,054)	**(144,663)**
Trading in own shares	-	34	-	278	-	-	-	-	-	**312**	-	**312**
Non-controlling interests, transfers and other movements	-	-	-	3,147	-	-	-	97	(2,395)	**849**	(96)	**753**
Balance at 30 June 2023 (**)	**221,645**	**(12,924)**	**170,776**	**137,401**	-	**(4,169)**	**(33)**	**44,052**	**1,358**	**558,106**	**118,478**	**676,584**
Balance at 31 December 2023	221,645	(12,980)	170,776	137,249	-	(24,720)	13	40,751	1,328	**534,062**	115,527	**649,589**
Total recognised income/(expense)	-	-	-	-	-	26,470	20	(525)	-	**25,965**	(6,621)	**19,344**
Appropriation of prior-year profit/(loss)	-	-	-	(24,720)	-	24,720	-	-	-	**-**	-	**-**
Trading in own shares	-	876	-	568	-	-	-	-	-	**1,444**	-	**1,444**
Non-controlling interests, transfers and other movements	-	-	-	-	-	-	-	365	2,209	**2,574**	(365)	**2,209**
Balance at 30 June 2024 (*)	**221,645**	**(12,104)**	**170,776**	**113,097**	-	**26,470**	**33**	**40,591**	**3,537**	**564,045**	**108,541**	**672,586**

The accompanying notes 1 to 31 and Appendix are an integral part of the condensed consolidated statement of changes in equity for the six months ended 30 June 2024
(*) Unaudited figures
(**) Unaudited figures The condensed consolidated statement of changes in equity for the six months ended 30 June 2023 is presented exclusively for comparison purposes

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2024

€ 000	Note	First half 2024 (*)	First half 2023 (**)
OPERATING ACTIVITIES:			
Profit/(loss) before tax from continuing operations		29,863	(2,802)
Adjustments for:			
Depreciation, amortisation and depletion (PP&E, intangible assets and forest reserve)	11, 12 &	50,557	47,983
Changes in provisions and other deferred expense (net)		8,289	14,668
Impairment of and gains/(losses) on disposals of intangible assets, PP&E and financial assets	15	(407)	306
Adjustments for tariff shortfall/surplus and sector regulations	24	2,022	(10,557)
Finance income and costs (net)	9	15,415	12,900
Grants taken to profit and loss		(564)	(463)
		75,312	**64,837**
Change in working capital			
Inventories	16	(2,305)	(15,661)
Trade and other receivables	20	(70,977)	(14,299)
Financial and other current assets	22	(1,551)	821
Trade payables, other payables and other liabilities	21	(2,658)	(76,663)
		(77,491)	**(105,802)**
Other cash flows used in operating activities			
Interest paid (net)		(17,296)	(10,896)
Income tax received/(paid)	27	(1,974)	(14,081)
		(19,270)	**(24,977)**
Net cash flows from/(used in) operating activities		**8,414**	**(68,744)**
INVESTING ACTIVITIES:			
Payments for investments:			
Property, plant and equipment and biological assets	12 & 14	(32,640)	(27,169)
Intangible assets	11	(3,240)	(2,768)
Group companies and associates	29	(214)	-
		(36,094)	**(29,937)**
Proceeds from disposals:			
Property, plant and equipment	12	-	(79)
Financial assets	22	1,057	579
		1,057	**500**
Net cash flows used in investing activities		**(35,037)**	**(29,437)**
FINANCING ACTIVITIES:			
Proceeds from/(payments for) equity instruments:			
Transactions with non-controlling interests		-	5,630
Buyback of own equity instruments	17.3	(15,239)	(34,068)
Disposal of own equity instruments	17.3	16,678	34,380
		1,439	**5,942**
Proceeds from/(repayments of) financial liabilities:			
Borrowings from related parties	29	31,106	-
Notes (net of arrangement fees)	23	21,600	(63,301)
Increase/(decrease) in bank borrowings, net of issuance costs	23	(86,344)	252,575
Increase/(decrease) in other borrowings	23	(2,651)	(2,259)
Payments for right-of-use assets	13	(4,354)	(3,318)
Grants received, net		-	636
		(40,643)	**184,333**
Dividends paid			
Dividends paid to ENCE shareholders	18	-	(140,608)
		-	**(140,608)**
Net cash flows (used in)/from financing activities		**(39,204)**	**49,667**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(65,827)**	**(48,514)**
Cash and cash equivalents - opening balance	22.1	333,032	412,913
Cash and cash equivalents - closing balance	22.1	267,205	364,399

The accompanying notes 1 to 31 and Appendix are an integral part of the condensed consolidated statement of cash flows for the six months ended 30 June 2024

(*) Unaudited figures

(**) Unaudited figures The condensed consolidated statement of cash flows for the six months ended 30 June 2023 is presented exclusively for comparison purposes

Notes to the condensed consolidated financial statements for the first half of 2024

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ENCE Energía y Celulosa, S.A. and subsidiaries

Notes to the interim condensed consolidated financial statements for the first half of 2024

1. Group business activity, basis of preparation and scope of consolidation of the interim condensed consolidated financial statements, accounting policies used therein and other information

1.1. Business activity

Ence Energía y Celulosa, S.A. (hereinafter, the "Company" or the "Parent") was incorporated in 1968. Its registered office is located at Calle Beatriz de Bobadilla, 14 in Madrid. It formerly went by the name of Empresa Nacional de Celulosas, S.A. until 1999 and Grupo Empresarial ENCE, S.A. until 2012.

Its corporate purpose, as per its bylaws, consists of:

a) The manufacture of cellulose pulp and derivatives thereof, the obtainment of the products and other elements necessary to this end and the use of the sub-products of both;

b) The production by any means, sale and use of electric energy and other sources of energy and of the materials and primary energies needed for its generation, as permitted under prevailing legislation; and the marketing, sale-purchase and supply thereof under any of the formulae permitted under law;

c) The cultivation, exploitation and use of forests and forest land, afforestation work and the provision of expert forestry-related services and works. The preparation and transformation of forestry products. The use and exploitation for commercial and business purposes of all manner of forestry products (including biomass and forest energy crops), their derivatives and their by-products. Forestry studies and projects.

d) The planning, development, construction, operation and maintenance of the facilities referred to in sections a), b) and c) above.

Ence Energía y Celulosa, S.A. and its group of companies (hereinafter, the "Group", "ENCE" or the "ENCE Group") has articulated its activities around two businesses:

The Pulp business:

Encompasses the production from eucalyptus timber of bleached eucalyptus kraft pulp (BEKP), by means of elementary chlorine free (ECF) and totally chlorine free (TCF) bleaching sequences, and of unbleached eucalyptus kraft pulp (UEKP).

To carry out this activity, the Group has two biomills in Spain (located in Asturias and Pontevedra) with combined nominal capacity of approximately 1,200,000 tonnes per annum.

Both mills use the kraft process to produce pulp. That productive process includes the co-generation of electric power fuelled by the parts of timber that cannot be transformed into pulp: lignin or biomass. The Group's aggregate nominal installed electric power generation capacity (integrated within the Asturias and Pontevedra pulp biomills) is 111 megawatts (MW).

The Group also manages a gross 67,841 hectares of forest in Spain, 45,804 hectares of which it owns (64,166 hectares net, 43,289 hectares of which it owns).

The Renewables business

Encompasses the businesses held and carried on under Ence Renovables, S.L., comprising the following activities:

Biomass

ENCE Renewables, through the subgroup whose parent is Magnon Green Energy, S.L. (MAGNON), has developed and acquired several renewable power generation facilities that are fuelled by biomass obtained from agricultural and forestry sub-products; these plants operate on a standalone basis, separately to the pulp business. Operational renewable power-generating capacity currently stands at 266 MW, broken down as follows:

Location	Capacity MW	Regulatory useful life
Huelva	50	2037
Huelva	41	2028
Huelva	46	2045
Merida	20	2039
Jaen	16	2027
Ciudad Real	16	2027
Cordoba	14	2031
Cordoba	13	2030
Ciudad Real	50	2045

The Group has also completed the permitting for two biomass power generation developments with aggregate capacity of 100 MW.

Photovoltaic solar power

MAGNON is developing two photovoltaic facilities with aggregate capacity of 223 MW, located in Seville and Granada, which it will sell to third parties once their construction begins.

In addition, the sale of a third development, located in Huelva, with capacity of 10 MW, closed in the first half of 2024. It was sold for €2.2 million and generated a gain of €690 thousand, which has been recognised within "Revenue" on the accompanying consolidated statement of profit or loss.

ENCE is also developing new photovoltaic power generation assets for which it has secured sites and is in the process of obtaining grid connection, all with the aim of continuing to diversify its range of renewable technologies.

Biogas

In 2022, ENCE Renewables began to develop the business of producing renewable gas, specifically biomethane, made from farming and breeding by-products, for injection into the natural gas network, by arranging permits for a range of projects.

The plan is to create a platform in the next five years with the capacity to supply more than 1 TWh of biomethane a year. To that end, at 30 June 2024, the Group already had a portfolio of 13 projects at the engineering and permitting phase.

Energy services

In 2023, the Group, through its subsidiary, Magnon Energy Services (Magnon Servicios Energéticos, SL, or MSE), began to hold and operate biomass furnaces to replace equipment fuelled by fossil fuels in industrial facilities, to allow them to generate heat from renewable sources. At 30 June 2024, this business had one services provision agreement in operation and three projects at the engineering and permitting phase.

ENCE CO2

ENCE's forestry assets, in addition to producing timber for pulp, also capture 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.

Moreover, agricultural and forestry biomass is the only source of biogenic CO_2, a raw material needed to produce green fuels. ENCE is Spain's largest producer of biogenic CO_2 and is studying the viability of using it to produce green fuels in the future.

Other:

ENCE's bylaws and other public information are available on its corporate website, at www.ence.es.

All of the Company's shares are represented by book entries and are listed on the Spanish stock exchanges and traded on the continuous market (SIBE for its acronym in Spanish).

1.2. Basis of presentation of the interim condensed consolidated financial statements under the IFRS adopted by the European Union

The accompanying interim condensed consolidated financial statements were prepared from the accounting records of the Group companies and are presented under the International Financial Reporting Standards adopted by the European Union as of 30 June 2024 and, specifically, in accordance with IAS 34 - Interim Financial Information, the standard which establishes the accounting principles applicable to condensed financial statements, as provided for in article 12 of Royal Decree 1362/2007, and factoring in the disclosures required under CNMV Circular 3/2018 (of 28 June 2018), issued by Spain's securities market regulator.

In keeping with IAS 34, the interim financial information has been prepared solely for the purpose of providing an update with respect to the last complete set of annual consolidated financial statements authorised for issue and accordingly focuses on new activities, events and circumstances arising in the six-month period and does not include all of the information and disclosures required in annual consolidated financial statements under IFRS. Accordingly, for adequate reader comprehension, the information included in these interim condensed consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for 2023, which were ratified by the Company's shareholders at the Annual General Meeting held on 4 April 2024 and are available for consultation at www.ence.es.

The accompanying interim condensed consolidated financial statements were authorised for issue by the Board of Directors of Ence Energía y Celulosa, S.A. on 30 July 2024.

1.3. Accounting policies applied and basis of consolidation

In drawing up the accompanying interim condensed consolidated financial statements, ENCE has applied the same accounting policies and consolidation rules as were used to prepare the 2023 consolidated financial statements, as detailed in notes 2 and 3 thereof, modified solely as outlined in section 2 below.

1.4. Comparison of information and transaction seasonality

The information provided in these interim condensed consolidated financial statements in respect of the first half of 2023 is presented solely and exclusively to allow the reader to compare the figures with those corresponding to the first half of 2024. In the case of the consolidated statement of financial position, the comparative data correspond to 31 December 2023.

Given the nature of the Group companies' business activities, its transactions are not intrinsically cyclical or seasonal. Note, however, that the production of pulp and the generation of energy from renewable sources require annual stoppages of between 10 and 15 days for maintenance purposes. The Group carried out the maintenance stoppages at its pulp biomill in Navia during the first half of 2024. The Pontevedra biomill will be stopped for maintenance during the second half of 2024.

1.5. Materiality

In determining the information to be disclosed in the explanatory notes for the various headings of the interim condensed consolidated financial statements, the Group assessed materiality in relation to the financial statements themselves, in accordance with IAS 34 - Interim Financial Information.

1.6. Changes in the Group's consolidation scope and business combinations

Appendix I of the Group's annual consolidated financial statements for 2023 provides relevant information about the Group's scope of consolidation. The changes in that scope of consolidation during the first half of 2024 were as follows:

- Ten companies were incorporated, all of which 100%-owned by Ence Biogás, S.L.U., for the purpose of developing and building a series of biomethane plants.

- Ence Energía y Celulosa, S.A. sold its subsidiary, Ence Biogás, S.L.U., all of its shares in Ence Biomasa, S.L.U., Ence PV, S.L.U. and Ence Servicios Energéticos, S.L.U., which have changed their registered names to Biogás San Esteban, S.L.U., Biogás Almacelles, S.L.U. and Biogás Carmona, S.L.U., respectively.

2. Accounting policies and measurement criteria

2.1 New and amended standards taking effect during the reporting period

The accounting standards used to prepare these interim consolidated annual financial statements are the same as those used in the year ended 31 December 2023, except for the application of the following standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union for application in Europe from 1 January 2024:

Standard	Contents
Amendments and/or interpretations applicable from 1 January 2024:	
Amendments to IAS 1 - Classification of liabilities with covenants as current or non-current	These amendments clarify aspects of how entities classify liabilities as current or non-current; in particular, how an entity makes that distinction when settlement is subject to compliance with covenants.
Amendment to IFRS 16 - Lease liability in a sale and leaseback	These amendments clarify the subsequent measurement of lease liabilities arising from sale and leaseback transactions.
Amendments to IAS 7 and IFRS 7 - Supplier finance arrangements	These amendments introduce specific disclosure requirements for supplier finance arrangements and their effects on an entity’s liabilities, cash flows and exposure to liquidity risk.

None of these standars, interpretations and amendments have been applied in advance. The application of these standards, interpretations and amendments has not had a material impact on these condensed interim consolidated financial statements.

2.2 Standards and interpretations issued but not yet effective

At the date of authorising the accompanying interim condensed consolidated financial statements for issue, the most significant standards and interpretations published by the International Accounting Standard Board (IASB) but not yet effective, either because they have yet to be adopted by the European Union or because their date of effectiveness is subsequent to that of authorisation, are the following:

Standard	Contents
Amendments and/or interpretations applicable from 1 January 2025:	
Amendments to IAS 21 - Lack of exchangeability	These amendments specify how to assess whether a currency is exchangeable and how to determine a spot exchange rate if it is not.
Amendments and/or interpretations applicable from 1 January 2026:	
Amendments to IFRS 7 and IFRS 9 - Classification and measurement of financial liabilities	These amendments clarify the criteria for classifying certain financial assets and for derecognising financial liabilities settled using electronic payment systems. They also introduce additional disclosure requirements.
New standards:	
IAS 18 - Presentation and disclosure in financial statements	The purpose of this new standard is to establish requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements. It will replace IAS 1.
IFRS 19 - Subsidiaries without public accountability	This new standard specifies reduced disclosure requirements that an eligible entity is permitted to apply instead of the disclosure requirements in other IFRS accounting standards.

Application of these amendments is not expected to have a significant impact on the Group as they will be applied prospectively, modify presentation or disclosure requirements only and/or address matters that are not applicable or not material to the Group’s operations.

3. Key accounting estimates and judgements

Preparation of these interim condensed consolidated financial statements in accordance with generally accepted accounting principles requires the use of assumptions and estimates that affect the measurement of recognised assets and liabilities, the presentation of contingent assets and liabilities and the amounts of income and expense recognised during the reporting period.

The accounting policies and transactions entailing assumptions and estimates that have a material impact on these condensed consolidated financial statements are the following (for further information, refer to note 4 of ENCE's annual consolidated financial statements for 2023):

- Control over the Renewables business.
- Contingent consideration derived from the sale of interests in subsidiaries without losing control.
- Useful lives of property, plant and equipment and intangible assets and dismantling costs.
- Right-of-use assets.
- Recoverable amount of non-financial assets.
- Revenue from energy sales Regulated activity settlement.
- Provisions for liabilities and charges.
- Income tax calculation (in interim reporting periods, tax expense is recognised at the best estimate of the Group's effective tax rate for the year) and the recognition of deferred tax assets.
- Climate change impacts.

These assumptions and estimates are made considering historical experience, the information provided by expert consultants, forecasts and other circumstances and expectations as at 30 June 2024. It is possible, however, that events or circumstances arising after issuance of this financial report could oblige the Group to revise its assumptions and estimates (in either direction). The effect of any change in estimates would be recognised prospectively in the statement of profit or loss for the year in which they are changed.

In the first half of 2024, there were no significant changes in these estimates with respect to those used in 2023.

4. Operating segments

The Group has defined the following reporting segments for which detailed and discrete financial information is available and reviewed regularly by senior management, along with the operating results, to make decisions about resources to be allocated to the segments and to assess their performance. Those reporting segments are articulated around the two core lines of business, namely:

ENCE Pulp -

This business line encompasses the following reportable segments:

- Pulp. This segment includes the pulp production and sale activities carried out at the biomills located in Pontevedra (Galicia) and Navia (Asturias) and the power co-generation and generation activities integrated into the pulp production process, using the timber parts that cannot be transformed into pulp, essentially lignin and biomass, as inputs.
- Forest Assets & Other. This operating segment essentially includes the forest cover that supplies raw materials that are used in the pulp production process (forest assets located in northern Spain) or sold to third parties (forest assets located in southern Spain), as well as residual forest activities.

ENCE Renewables -

This business line encompasses the following reportable segments:

- Biomass: includes the plants that generate and sell electric power from renewable sources, specifically agricultural and forestry biomass; they are developed and operated independently. Operational renewable power-generating capacity currently stands at 266 MW.

- Biogas: the production of renewable gas, specifically biomethane, made from farming and breeding by-products, for injection into the natural gas network.
- Energy Services: the operation of biomass furnaces to replace equipment fuelled by fossil fuels in industrial facilities, which can in turn reduce the cost of their GHG emissions.
- ENCE CO2: Generation and sale of carbon credits.

The Biogas, Energy Services and ENCE CO2 businesses are currently under development and their metrics are scantly material as defined in IFRS 8, so that they are included within the Biomass segment for segment reporting purposes.

In order to expand on the disclosures provided in this note, the appendices attached to these interim condensed consolidated financial statements include the condensed consolidated statement of financial position at 30 June 2024 and 31 December 2023 and the condensed consolidated statement of profit or loss and the condensed consolidated statement of cash flows for the six-month periods then ended broken down between the Pulp and Renewables businesses.

4.1 Operating segment reporting

The table below details the earnings performance by operating segment in the first six months of 2024 and 2023, based on the management information reviewed regularly by senior management:

	€ 000						
	PULP business						
30 June 2024	Pulp	Forest Assets & Other	Adjustments & Eliminations	Total PULP	Renewables	Adjustments & Eliminations	Total
Revenue:							
Third parties	346,937	8,910	-	355,847	86,894	-	442,741
Inter-segment revenue	9,661	139,138	(147,035)	1,764	(171)	(1,593)	-
Total revenue	**356,598**	**148,048**	**(147,035)**	**357,611**	**86,723**	**(1,593)**	**442,741**
Earnings:							
EBITDA (*)	**79,431**	**10,239**	**-**	**89,670**	**11,243**	**1**	**100,914**
Impairment of and gains/(losses) on fixed asset disposals	(559)	(68)	(29)	(656)	1,063	-	407
Operating profit/(loss)	**49,981**	**2,798**	**-**	**52,779**	**(8,561)**	**812**	**45,030**
Finance income	5,302	1,128	(1,317)	5,113	884	(539)	5,458
Finance costs	(15,382)	(570)	1,317	(14,635)	(7,427)	539	(21,523)
Hedging derivatives	89	-	-	89	-	-	89
Exchange differences	857	-	-	857	(5)	-	852
Impairment of financial instruments	-	-	-	-	-	-	-
Share of profit/(loss) of investees accounting for using equity method	-	(43)	-	(43)	-	-	(43)
Income tax	(9,261)	(885)	-	(10,146)	204	(72)	(10,014)
Profit/(loss) for the period	**31,586**	**2,428**	**-**	**34,014**	**(14,905)**	**740**	**19,849**
Profit/(loss) attributable to non-controlling interests	-	-	-	-	6,621	-	6,621
Profit/(loss) attributable to equity holders of the parent	**31,586**	**2,428**	**-**	**34,014**	**(8,284)**	**740**	**26,470**
Capital expenditure (**)	18,594	6,229	-	24,823	6,797	-	31,620
Accumulated depreciation and depletion of forest reserves (**)	(970,518)	(79,754)	-	(1,050,272)	(362,953)	(12,666)	(1,425,891)
Impairment (**)	(7,575)	(4,378)	-	(11,953)	(25,414)	(84)	(37,451)

(*) This measure is not disclosed in the consolidated statement of profit or loss and is not defined in IFRS. For its definition and a reconciliation with the amounts reported in the consolidated statement of profit or loss, refer to the "SECOND-QUARTER 2024 EARNINGS REPORT" appended to the Interim Consolidated Management Report for the six months ended 30 June 2024.
(**) Capital expenditure during the first half of 2024, accumulated depreciation and depletion of forest reserves and impairment of the assets included under "Property, plant and equipment", "Intangible assets" and "Biological assets". Does not include the balances corresponding to "Right-of-use assets" (note 13) or "Goodwill" (note 11).

	€ 000						
	PULP business						
30 June 2024	Pulp	Forest Assets & Other	Adjustments & Eliminations	Total PULP	Renewables	Adjustments & Eliminations	Total
Assets							
Non-current	805,690	202,499	(127,938)	880,251	435,382	(177,179)	1,138,454
Current	372,075	40,439	(23,883)	388,631	99,568	(8,609)	479,590
Total assets (a)	**1,177,765**	**242,938**	**(151,821)**	**1,268,882**	**534,950**	**(185,788)**	**1,618,044**
Liabilities							
Non-current	434,617	(951)	(28,617)	405,049	237,497	(44,425)	598,121
Current	234,860	92,434	(23,130)	304,164	112,374	(8,602)	407,936
Total liabilities (a)	**669,477**	**91,483**	**(51,747)**	**709,213**	**349,871**	**(53,027)**	**1,006,057**

(a) Does not include either equity or deferred tax assets/liabilities.

	€ 000						
	PULP business						
First half 2023	Pulp	Forest Assets & Other	Adjustments & Eliminations	Total PULP	Renewables	Adjustments & Eliminations	Total
Revenue:							
Third parties	332,359	769	-	333,128	125,685	-	458,813
Inter-segment revenue	1,408	9,268	(8,687)	1,989	-	(1,989)	-
Total revenue	**333,767**	**10,037**	**(8,687)**	**335,117**	**125,685**	**(1,989)**	**458,813**
Earnings:							
EBITDA (*)	**27,601**	**6,203**	**-**	**33,804**	**31,614**	**2**	**65,420**
Impairment of and gains/(losses) on fixed asset disposals	126	(603)	(28)	(505)	253	-	(252)
Operating profit/(loss)	**(4,729)**	**203**	**-**	**(4,526)**	**14,326**	**810**	**10,610**
Finance income	1,939	5	(85)	1,859	456	(334)	1,981
Finance costs	(8,382)	(83)	85	(8,380)	(6,892)	334	(14,938)
Hedging derivatives	-	-	-	-	-	-	-
Exchange differences	(453)	(4)	-	(457)	-	-	(457)
Impairment of financial instruments	-	-	-	-	-	-	-
Share of profit/(loss) of investees accounting for using equity method	-	2	-	2	-	-	2
Income tax	2,928	(31)	-	2,897	1,200	(72)	4,025
Profit/(loss) for the period	**(8,697)**	**92**	**-**	**(8,605)**	**9,090**	**738**	**1,223**
Profit/(loss) attributable to non-controlling interests	-	-	-	-	(1,195)	(4,197)	(5,392)
Profit/(loss) attributable to equity holders of the parent	**(8,697)**	**92**	**-**	**(8,605)**	**7,895**	**(3,459)**	**(4,169)**
Capital expenditure (**)	26,248	5,725	-	31,973	2,705	-	34,678
Accumulated depreciation and depletion of forest reserves (**)	(920,026)	(72,633)	-	(992,659)	(327,632)	(14,295)	(1,334,586)
Impairment (**)	(7,153)	(3,891)	-	(11,044)	(38,418)	(84)	(49,546)

(*) This measure is not disclosed in the consolidated statement of profit or loss and is not defined in IFRS. For its definition and a reconciliation with the amounts reported in the consolidated statement of profit or loss, refer to the "SECOND-QUARTER 2024 EARNINGS REPORT" appended to the Interim Consolidated Management Report for the six months ended 30 June 2024.
(**) Capital expenditure during the first half of 2023, accumulated depreciation and depletion of forest reserves and impairment of the assets included under "Property, plant and equipment", "Intangible assets" and "Biological assets". Does not include the balances corresponding to "Right-of-use assets" (note 13) or "Goodwill" (note 11).

	€ 000						
	PULP business						
30 June 2023	Pulp	Forest Assets & Other	Adjustments & Eliminations	Total PULP	Renewables	Adjustments & Eliminations	Total
Assets							
Non-current	776,657	167,923	(110,889)	833,691	432,519	(152,346)	1,113,864
Current	478,035	7,455	(4,991)	480,499	106,015	(2,752)	583,762
Total assets (b)	**1,254,692**	**175,378**	**(115,880)**	**1,314,190**	**538,534**	**(155,098)**	**1,697,626**
Liabilities							
Non-current	431,080	17,666	(11,399)	437,347	221,104	(19,400)	639,051
Current	334,049	8,139	(4,805)	337,383	104,750	(2,741)	439,392
Total liabilities (b)	**765,129**	**25,805**	**(16,204)**	**774,730**	**325,854**	**(22,141)**	**1,078,443**

(b) Does not include either equity or deferred tax assets/liabilities.

5. Revenue

Revenue corresponds to revenue from contracts with customers. The breakdown of Group revenue by segment in the first six months of 2024 and 2023 is as follows:

	First half 2024			**First half 2023**		
€ 000	Pulp	Renewables	Consol. Group	Pulp	Renewables	Consol. Group
Business metrics						
Pulp sales volume (tonnes)	498,573	-	498,573	461,493	-	461,493
Energy sales volume (MWh)	115,752	543,710	659,462	108,390	555,753	664,143
Revenue						
Pulp	332,110	-	332,110	306,621	-	306,621
Electric energy	15,990	85,855	101,845	16,192	95,706	111,898
Timber and forestry services	9,016	3,253	12,269	10,315	480	10,795
Sale of PV developments (note 1)	-	2,250	2,250	-	29,499	29,499
Other non-recurring income	(1,269)	(4,464)	(5,733)	-	-	-
Inter-segment sales	1,764	(171)	-	1,989	-	-
	357,611	**86,723**	**442,741**	**335,117**	**125,685**	**458,813**

(*) The difference between the figures presented under "Consolidated Group" for the first halves of 2024 and 2023 and the addition of the figures corresponding to the "Pulp" and "Renewables" businesses corresponds to the elimination of transactions performed between these business segments in the two interim reporting periods in the amounts of €1,593 thousand and €1,989 thousand, respectively.

Ministerial Order TED/526/2024, of 31 May 2024, was published on 4 June 2024. It establishes new methodology for updating the remuneration for operation (Ro) applicable to standard power generation facilities whose operating costs depend essentially on the price of their fuel and updates the remuneration for operation amounts applicable from 1 January 2024.

It applies to all of the Group's Renewables facilities except for the 13-MW Cordoba plant and the 37-MW Navia plant, which is part of the Pulp business.

The facilities falling under the scope of this Ministerial Order are thereby excluded from application of the system of adjustments for tariff shortfalls/surpluses regulated in article 22 of Royal Decree 413/2014, with effect from 1 January 2024.

5.1 Geographic revenue split

All of the revenue from energy sales was generated in Spain. The breakdown of Group revenue by geographic segment in the first six months of 2024 and 2023 is as follows:

Percentage of pulp sales	First half 2024	First half 2023
Germany	20.8	21.8
Poland	14.9	15.3
Spain	13.5	14.0
Italy	6.5	6.3
Greece	6.4	5.7
United Kingdom	5.8	5.5
France	4.5	4.0
Netherlands	4.3	3.5
Turkey	4.2	4.6
Other	19.1	19.3
	100.0	**100.0**

(*) Breakdown considering place of delivery

During the first six months of 2024, the Group companies made sales in currencies other than the euro, mainly US dollars, totalling €105 million (1H23: €80 million).

5.2 Energy sector regulations

At the European level, Directive (EU) 2024/1711 of the European Parliament and of the Council of 13 June 2024 amending Directives (EU) 2018/2001 and (EU) 2019/944 as regards improving the Union's electricity market design and Regulation (EU) 2024/1747 of the European Parliament and of the Council of 13 June 2024 amending Regulations (EU) 2019/942 and (EU) 2019/943 as regards improving the Union's electricity market design were published in the first half of 2024.

This Directive regulates, among other things: 1) flexible connection agreements in areas where there is limited or no network capacity availability for new connections; 2) certain considerations concerning supply contracts; 3) the right to energy sharing; 4) the rights of customers and vulnerable customers; 5) supplier risk management; and 6) access to affordable energy during an electricity price crisis.

Meanwhile, the Regulation introduces measures for improving the electricity market design to prevent overly high prices and render the market more transparent and efficient. Those measures include: 1) the introduction of peak-shaving products to alleviate electricity price crises; 2) encouraging the use of PPAs to achieve the EU's decarbonisation targets; 3) the establishment of voluntary templates for PPAs; and 4) the establishment of direct price support systems in the form of two-way contracts for difference.

Ministerial Order TED/353/2024 of 11 April 2024 was published on 23 April 2024; it established the remuneration for operation values corresponding to the second six months of 2023, applicable to certain electricity-producing facilities that use co-generation, renewable energy sources or waste and approved new standard facilities and their corresponding remuneration parameters.

It established the remuneration for the operation of the standard facilities whose operating costs depend essentially on their fuel prices for the second half of 2023 and introduced a correction to Ministerial Order TED/741/2023, of 30 June 2023, clarifying that the upper and lower limits applicable in 2023, 2024 and 2025 for tariff adjustment purposes should consider the estimated adjusting coefficients rather than the real adjustments.

This amendment has had the effect of reducing the asset recognised at year-end 2023 by way of Tariff Adjustment by €5,733 thousand, an amount that has been recognised under "Other non-recurring operating income" in the statement of profit or loss for the six months ended 30 June 2024.

Ministerial Order TED/526/2024, of 31 May 2024, was published on 4 June 2024. It establishes new methodology for updating the remuneration for operation (Ro) applicable to standard power generation facilities whose operating costs depend essentially on the price of their fuel and updates the remuneration for operation amounts applicable from 1 January 2024.

It replaces Ministerial Order IET/1345/2015, of 2 July 2025, and implements article 20.3 of Royal Decree 413/2014, of 6 July 2014, establishing new methodology for updating the remuneration for operation (Ro) applicable to the above standard facilities, specifically the standard facilities encompassed by groups a.1, b.6 and b.8 and the facilities availing themselves of transitional provision one of Royal Decree RD 413/2014 that had in turn been availing themselves of transitional provision two of Royal Decree 661/2007, which regulated the generation of power from renewable sources, known in Spain as the 'special' regime.

The main changes introduced by the new methodology:

- The Ro values will be updated quarterly, in tandem with calendar quarters.
- New variables have been established for updating the Ro. Specifically:
    - The market price for electricity (pool price) will be estimated on the basis of the quoted prices for annual, quarterly and monthly futures contracts published by OMIP.
    - The price of emissions allowances will be estimated on the basis of the quoted prices for the quarterly futures contracts published by the International Exchange Endex European Union Allowance.
    - Natural gas prices will be estimated on the basis of the quoted prices for annual, quarterly and monthly futures contracts published by MIBGAS.
    - Biomass prices will be estimated on the basis of the quarter-on-quarter movements in the industrial price index (IPRI) for capital goods, ground freight transportation costs and the minimum wage.
- The new Order stipulates that the facilities falling under the scope of this Ministerial Order are thereby excluded from application of the system of adjustments for tariff shortfalls/surpluses regulated in article 22 of Royal Decree 413/2014, with effect from 1 January 2024.

In addition to the new methodology for determining the Ro, the Order established the Ro values for the first half of 2024 and introduced two transitional remuneration adjustments applicable exclusively to the first half of 2024 in order to offset the deviations in the pool price and in the price of fuel during those six months. Those transitional adjustments implied the recognition of €47,241 thousand of revenue (€40,623 thousand in the Renewables business and €6,619 thousand in the Pulp business).

The table below itemises the net asset values and remuneration for investment (Ri) and remuneration for operation amounts applicable to the facilities managed by ENCE in 2024:

			2024		
Facility	**IT**	**End of regulatory life**	**Ro First (**) half (€/MWh)**	**Ri (€ 000)**	**NAV (€ 000) (*)**
Renewables:					
50-MW Huelva	IT-00841	2037	80.8	7,739	73,799
41-MW Huelva	IT-00829 / IT-00832	2025	79.9	597	3,771
20-MW Merida	IT-00843	2039	82.3	3,683	37,504
16-MW Jaen	IT-00831 / IT-00855	2027	76.2	918	4,382
16-MW Ciudad Real	IT-00831 / IT-00855	2027	-	918	4,382
14-MW Cordoba - Biomass	IT-00859	2031	77.9	1,251	8,921
13-MW Cordoba - Gas		2030	132.1	-	-
50-MW Puertollano - Biomass	IT-04005	2044	87.5	-	-
46-MW Huelva	IT-04005	2044	87.2	-	-
Pulp business:					
37-MW Navia	IT-00838	2034	77.1	3,980	33,711
40-MW Navia	IT-01035	2034	-	-	-
35-MW Pontevedra	IT-00836-7 / IT-01035	2033	13.0	757	6,182

(*) Values at the start of the 2023-2025 stub period
(**) Including the transitional adjustments contemplated in Ministerial Order TED/526/2024

6. Cost of sales

Cost of sales in the first six months of 2024 and 2023 breaks down as follows:

	First half 2024			First half 2023		
€ 000	Pulp	Renewables	Consolidated Group	Pulp	Renewables	Consolidated Group
Purchases	141,076	26,997	166,480	166,722	34,191	200,094
Change in raw materials and other inventories	(1,360)	(1,670)	(3,030)	(5,356)	(6,200)	(11,556)
Other external expenses	35,618	7,930	43,548	22,182	12,601	33,612
	175,334	**33,257**	**206,998**	**183,548**	**40,592**	**222,150**

(*) The difference between the figures presented under "Consolidated Group" for the first halves of 2024 and 2023 and the addition of the figures corresponding to the "Pulp" and "Renewables" businesses corresponds to the elimination of transactions performed between these business segments in the two interim reporting periods in the amounts of €1,593 thousand and €1,990 thousand, respectively.

This heading mainly includes the cost of acquiring timber, chemical products, fuel and other variable costs, as well as the cost of timber harvesting and transport services.

7. Employee benefits expense

The breakdown of the employee benefits expense incurred in the businesses carried on by ENCE in the first six months of 2024 and 2023 is provided below:

	First half 2024			First half 2023		
€ 000	Pulp	Renewables	Consolidated Group	Pulp	Renewables	Consolidated Group
Wages and salaries	31,065	8,458	39,523	31,908	7,480	39,388
Social security	8,599	2,260	10,859	8,209	1,942	10,151
Contributions to pension plans	1,127	191	1,318	1,085	183	1,268
Other benefit expense	787	123	910	671	91	762
	41,578	11,032	52,610	41,873	9,696	51,569
Long-term remuneration plans	3,509	(22)	3,487	1,228	20	1,248
Termination benefits	722	390	1,112	163	345	508
	45,809	**11,400**	**57,209**	**43,264**	**10,061**	**53,325**

7.1 Headcount

The average Group headcount during the first six months of 2024 and 2023:

	Average headcount during the year					
	First half 2024			First half 2023		
Job category	Men	Women	Total	Men	Women	Total
Executives	58	20	78	57	16	73
Managers	71	29	100	67	26	93
Team leaders	69	4	73	68	5	73
Skilled professionals	222	154	376	211	139	350
Clerical staff	17	35	52	14	37	51
Workers	297	46	343	286	42	328
Support and upgrade	46	45	91	46	44	90
Maintenance staff	133	1	134	131	3	134
	913	**334**	**1,247**	**880**	**312**	**1,192**

The Board of Directors was made up of 13 members at 30 June 2024, eight men and five women.

7.2 Long-term remuneration plans

2023-2027 long-term incentive plan

At the Annual General Meeting held on 5 May 2023, the Parent's directors approved the "2023-2027 long-term incentive plan" for executives, including the Company's Chairman & CEO, and other Group employees (the "LTIP"). The LTIP entitles the beneficiaries to receive, following the passage of a specific period of time, an incentive payable in a combination of ENCE shares and cash, insofar as certain multi-year targets are met, along with the other requirements contemplated in the LTIP Rules.

The LTIP's initial potential beneficiaries include the Company's top executives and other key management personnel who, either on account of their duties or background, have the ability to directly influence the outcome of the Group's business plans. The LTIP will run for five years, from 1 January 2023 to 31 December 2027 divided into three overlapping, independent three-year cycles to be settled within the 90 days following the last year of each cycle. Cycle I of the LTIP represents 60% of the total incentive and cycles II and III each represent 20% of the total incentive.

The amount of the incentive corresponding to each cycle depends on the degree of delivery of a series of financial, non-financial and shareholder value creation targets, which are approved by the Board of Directors on the basis of a proposal from its Appointments and Remuneration Committee.

The incentive contemplated in this LTIP consists of a percentage of average fixed remuneration during the period spanned by each cycle depending on the beneficiary's job category and will be settled 70% in shares and 30% in cash, other than for the members of the Management Committee, who will receive all of their bonuses in shares. The Chairman and CEO and the rest of the members of the Management Committee have also agreed to certain lock-up periods for the shares received.

The number of shares to be delivered will be determined using a benchmark share price calculated as the average share price during the 20 days before and after 31 December in the first year of each cycle. The benchmark prices for Cycles I and II are €3.24 per share and €2.86 per share, respectively.

At 30 June 2024, Cycles I and II of the plan covered a total of 83 professionals from the Pulp business and Corporate areas and the maximum expected cost of Cycle I and Cycle II, combined, assuming delivery levels of 100%, amounts to €14,761 thousand (€2,360 thousand in cash and 3,948 thousand shares).

The expense accrued in this respect in the first six months of 2024, broken down by counterbalancing entry, is shown in the table below:

€ 000	**First half 2024**
Other equity instruments (note 17.5)	2,947
Current and non-current provisions (note 26)	562
	3,509

2019-2023 long-term incentive plan | ENCE Pulp and Corporate

As contemplated in the plan rules, Cycle II of 2019-2023 long-term bonus plan was settled in July 2024 and implied the payment of €236 thousand in cash (after tax) and 95 thousand ENCE shares.

2021-2025 long-term incentive plan | Magnon Green Energy

At 30 June 2024, ENCE Renewables' LTIP covered a total of 26 professionals from that business, and the maximum expected cost, assuming delivery levels of 100%, amounted to €3,039 thousand.

The Group accrued €22 thousand of expense in respect of this plan in the first half of 2024 (1H23: €20 thousand) and the liability accumulated as of the reporting date stood at €92 thousand and is recognised under "Non-current provisions" in the accompanying consolidated statement of financial position (note 26).

Extraordinary long-term incentive | Magnon Green Energy

On 24 March 2022, the Board of Directors of Magnon Green Energy, S.L. approved a long-term incentive for certain of its key employees. This incentive will entitle its beneficiaries to receive an extraordinary bonus payable in cash tied to the return obtained by this subsidiary's shareholders between 18 December 2020 and 18 December 2028. This bonus will be paid during the 90 days following the date on which the 2028 financial statements are authorised for issue.

To accrue this bonus, the shareholder must have accrued a minimum internal rate of return (IRR) of 10% and the beneficiaries must remain in the employment of or party to an equivalent arrangement with MAGNON until the payment date, subject to the exceptions customary in incentive schemes such as these.

At 30 June 2024, this extraordinary bonus scheme covered a total of five professionals and the maximum expected cost, assuming delivery levels of 100%, amounted to €4,938 thousand.

The Group did not accrue any expense in respect of this scheme in the first half of 2024; nor had it recognised any accumulated liability at year-end.

2024-2028 long-term incentive plan | ENCE Moulded Pulp

During the first half of 2024, the management of Ence Energía y Celulosa, S.A. approved a long-term incentive plan targeted at certain key employees of the Parent who are involved in the new Moulded Pulp business. This LTIP has a duration of 4.5 years, namely from 1 June 2024 until 31 December 2028. The bonus will be settled in cash and it will vest depending on delivery of a series of targets associated with the development of the moulded pulp business.

At 30 June 2024, this bonus scheme covered three professionals and the maximum expected cost, assuming delivery levels of 100%, amounted to €828 thousand. The Group did not accrue any expense in respect of this scheme in the first half of 2024; nor had it recognised any accumulated liability at year-end.

2024-2028 long-term incentive plan | ENCE Biogas

During the first half of 2024, the management of Ence Energía y Celulosa, S.A. approved a long-term incentive plan targeted at certain key employees of Ence Biogás, S.L.U. This LTIP has a duration of 4.5 years, namely from 1 June 2024 until 31 December 2028. The bonus will be settled in cash and it will vest depending on delivery of a series of targets associated with the development of the biomethane business.

At 30 June 2024, this bonus scheme covered three professionals and the maximum expected cost, assuming delivery levels of 100%, amounted to €894 thousand. The Group did not accrue any expense in respect of this scheme in the first half of 2024; nor had it recognised any accumulated liability at year-end.

8. Other operating expenses

The breakdown of this heading of the condensed consolidated statement of profit or loss for the six months ended 30 June 2024 and 2023 by ENCE's business lines:

€ 000	First half 2024			First half 2023		
	Pulp	Renewables	Consolidated Group	Pulp	Renewables	Consolidated Group
External services	50,925	30,212	80,512	86,333	36,202	121,909
Use of emission allowances	4,613	1,880	6,493	3,994	2,541	6,535
Taxes other than income tax	2,063	4,728	6,791	1,552	1,100	2,652
Change in trade and other provisions	373	(47)	326	378	69	447
Other non-recurring operating expenses (note 5)	-	-	-	6,576	-	6,576
	57,974	**36,773**	**94,122**	**98,833**	**39,912**	**138,119**

(*) The difference between the figures presented under "Consolidated Group" for the first halves of 2024 and 2023 and the addition of the figures corresponding to the "Pulp" and "Renewables" businesses corresponds to the elimination of transactions performed between these business segments in the two interim reporting periods in the amounts of €625 thousand and €626 thousand, respectively.

8.1 External services

The breakdown of "External services" in the first six months of 2024 and 2023 is as follows:

€ 000	First half 2024			First half 2023		
	Pulp	Renewables	Consolidated Group	Pulp	Renewables	Consolidated Group
Transport, freight and business expenses	25,266	2,191	27,457	33,645	2,163	35,808
Utilities	2,005	1,433	3,346	9,097	2,597	11,598
Repairs and upkeep	7,052	5,760	12,812	9,864	9,751	19,615
Independent professional services	2,350	(9)	2,341	3,516	700	4,216
Insurance premiums	2,296	1,638	3,934	2,566	1,763	4,329
Banking and similar services	791	740	1,534	660	183	843
Rent and fees (note 13.3)	308	142	450	337	107	444
Advertising, publicity and public relations	1,738	8	1,746	1,697	4	1,701
Research and development costs	93	-	93	63	-	63
Other services	9,026	18,309	26,799	24,888	18,934	43,292
	50,925	**30,212**	**80,512**	**86,333**	**36,202**	**121,909**

(*) The difference between the figures presented under "Consolidated Group" for the first halves of 2024 and 2023 and the addition of the figures corresponding to the "Pulp" and "Renewables" businesses corresponds to the elimination of transactions performed between these business segments in the two interim reporting periods in the amounts of €625 thousand and €626 thousand, respectively.

ENCE has arranged director and officer liability insurance which covers all its directors and executives against damages caused by acts or omissions in the course of discharging their duties. That coverage cost the Group €82 thousand in the first six months of 2024.

8.2 Services provided by the auditor

The non-audit services provided by the statutory auditor during the first half of 2024 mainly related to a financial ratio review as part of the Group's obligations under its financing agreements, the review of certain financial metrics in order to certify the fact that several Group facilities qualify as "electro-intensive consumers" and review services to certify compliance with the average payment term.

9. Finance income and costs

The breakdown of these headings of the consolidated statement of profit or loss in the first six months of 2024 and 2023 was as follows:

	First half 2024			First half 2023		
€ 000	Pulp	Renewables	Total	Pulp	Renewables	Total
Finance costs:						
Convertible bonds	-	-	-	(193)	-	(193)
Notes	-	(2,936)	(2,936)	-	(2,467)	(2,467)
Loans, credit facilities & other	(11,968)	(1,994)	(13,962)	(5,384)	(1,739)	(7,123)
Unwinding of discount - Tariff Adjustment (note 24)	(1,027)	(1,999)	(3,026)	(1,270)	(2,799)	(4,069)
Unwinding of discount - Provisions	(414)	-	(414)	(414)	-	(414)
Fees and other charges	(481)	(658)	(1,139)	(477)	(511)	(988)
Inter-business finance income/costs	602	(850)	(248)	333	(609)	(276)
Right-of-use assets (note 13)	(1,106)	(62)	(1,168)	(905)	(31)	(936)
	(14,394)	(8,499)	(22,893)	(8,310)	(8,156)	(16,466)
Finance income:						
Contingent consideration (note 22)	721	63	784	589	78	667
Other finance income	3,619	205	3,824	954	360	1,314
	4,340	268	4,608	1,543	438	1,981
Hedging derivatives:						
Settlement of IR swap (note 25)	532	1,688	2,220	246	1,282	1,528
	532	1,688	2,220	246	1,282	1,528
	(9,522)	**(6,543)**	**(16,065)**	**(6,521)**	**(6,436)**	**(12,957)**

10. Earnings per share

The basic and diluted earnings per share calculations for the six months are shown below:

Earnings/(loss) per share	Unit	First half 2024	First half 2023
Consolidated profit/(loss) for the period attributable to equity holders of the parent	€ 000	26,470	(4,169)
Weighted average ordinary shares outstanding (*)	Millions of shares	242.6	242.5
Weighted average diluted shares	Millions of shares	246.5	242.5
Basic earnings per share	**€**	**0.11**	**(0.02)**
Diluted earnings per share	**€**	**0.11**	**(0.02)**

(*) Number of shares outstanding less those held as treasury stock

The diluted earnings per share figures for the first six months of 2024 do not include the potential ordinary shares associated with the Group's long-term incentive plans for 2019-2023 (0.4 million shares at 30 June 2024) and 2023-2027 (3.8 million shares at 30 June 2024).

The diluted earnings per share figures for the first six months of 2023 did not include the potential ordinary shares associated with the Group's long-term incentive plans for 2019-2023 (1.2 million shares at 30 June 2023) and 2023-2027 (2.9 million shares at 30 June 2023) - as their inclusion would have had an anti-dilutive effect.

11. Goodwill and other intangible assets

The reconciliation of the carrying amounts of goodwill and the various components of intangible assets and amortisation and impairment in the first half of 2024 is as follows:

	€ 000				
First half 2024	Balance at 01/01/2024	Additions/ (charges)	Derecognitions or decreases	Transfers	Balance at 30/06/2024
Goodwill	2,737	-	-	-	2,737
Software	37,603	20	-	959	38,582
Development costs	18,452		-	-	18,452
Prepayments	4,448	3,017	-	(974)	6,491
Electric power generation rights	21,002		-	-	21,002
Watering rights	4,787	32	-	15	4,834
Other intangible assets	6,185	171	-	-	6,356
Total cost	**95,214**	**3,240**	**-**	**-**	**98,454**
Software	(29,656)	(1,406)	-	-	(31,062)
Development costs	(14,348)	(242)	-	-	(14,590)
Electric power generation rights	(3,170)	(421)	-	-	(3,591)
Watering rights	(475)	(121)	-	-	(596)
Other intangible assets	(1,950)	(72)	-	-	(2,022)
Total amortisation	**(49,599)**	**(2,262)**	**-**	**-**	**(51,861)**
Impairment (note 15)	**(6,349)**	**-**	**5**		**(6,344)**
Total	**39,266**				**40,249**

The additions include investments in a pilot plant for the production of recycled and bleached fibre from recovered paper and board in the amount of €670 thousand.

The goodwill recognised originated from the acquisition of ENCE's shareholdings in Loma, S.A. and Energías de la Mancha ENEMAN, S.A., the companies that own 16-MW biomass energy plants in Jaén and Ciudad Real, respectively. That goodwill was fully written down for impairment at 30 June 2024 (note 15).

12. Property, plant and equipment

The reconciliation of the carrying amounts of the various components of property, plant and equipment and accumulated depreciation in the first half of 2024 is as follows:

	€ 000					
First half 2024	Balance at 01/01/2024	Additions/ (charges)	Derecognitions or decreases	Transfers	Translation differences and other	Balance at 30/06/2024
Forest land	87,856	-	-	-	-	87,856
Other land	16,705	58	-	-	23	16,786
Buildings	166,250	61	-	828	-	167,139
Plant and machinery	1,878,461	1,286	(6,064)	10,141	14	1,883,838
Other PP&E	59,599	-	(59)	196	2	59,738
Prepayments and PP&E in progress	43,642	21,630	-	(11,165)	-	54,107
Right-of-use assets (note 13)	53,928	4,900	(393)	-	-	58,435
Total cost	**2,306,441**	**27,935**	**(6,516)**	**-**	**39**	**2,327,899**
Buildings	(78,818)	(2,629)	-	-	-	(81,447)
Plant and machinery	(1,157,573)	(36,014)	4,474	-	(14)	(1,189,127)
Other PP&E	(36,997)	(1,134)	-	-	(2)	(38,133)
Right-of-use assets (note 13)	(11,637)	(2,572)	305	-	-	(13,904)
Total depreciation	**(1,285,025)**	**(42,349)**	**4,779**	**-**	**(16)**	**(1,322,611)**
Impairment (note 15)	**(32,417)**	**-**	**2,656**	**-**	**-**	**(29,761)**
Carrying amount	**988,999**					**975,527**

The Group's productive assets are mostly located in Spain.

"Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails"

12.1 Additions

The Group invested in its productive facilities in both the Pulp and Renewable Energy businesses in the first half of 2024 with a view to making its production processes more efficient, boosting power generation and making them more environmentally friendly. That capital expenditure breaks down as follows:

	€ 000
	30 June 2024
Pulp business:	
Pontevedra & Corporate	5,048
Navia	11,073
Other	982
Renewables business:	
46-MW Huelva	998
50-MW Huelva	2,305
50-MW Puertollano	820
Other	1,809
Subtotal	**23,035**
Right-of-use assets (note 13)	4,900
	27,935

Capital expenditure at the Navia biomill included the investments to adapt the productive process to accommodate the production of fluff pulp in the amount of €3.5 million in the first half of 2024.

A portion of that figure, specifically €2,580 thousand, corresponds to costs capitalised during the first half of 2024, which have been recognised under "Self-constructed assets" in the accompanying consolidated statement of profit or loss.

Capital commitments

The Group was contractually committed to capital expenditure of approximately €45 million at 30 June 2024.

12.2 Insurance cover

It is Group policy to take out the insurance policies necessary to cover the potential risks to which the various items of property, plant, and equipment are exposed. The Parent's directors and their insurance advisors believe that the coverage provided by those policies at the reporting date is sufficient.

13. Right-of-use assets

13.1 Right-of-use assets

The reconciliation of the carrying amounts of the various components of "Right-of-use assets" and the corresponding accumulated depreciation charges at the beginning and end of the first half of 2024:

		€ 000			
First half 2024	Note	Balance at 01/01/2024	Additions/ (charges)	Derecognitions	Balance at 30/06/2024
Cost:					
Pontevedra biomill land	12	19,898	-	-	19,898
Forest leases	12	10,132	512	(13)	10,631
Other (*)	12	23,898	4,388	(380)	27,906
Cost		**53,928**	**4,900**	**(393)**	**58,435**
Depreciation:					
Pontevedra biomill land	12	775	192	-	967
Forest leases	12	2,288	343	(3)	2,628
Other (*)	12	8,574	2,037	(302)	10,309
Depreciation		**11,637**	**2,572**	**(305)**	**13,904**
Carrying amount		**42,291**			**44,531**

(*) Mainly includes offices, vehicles and other equipment.

13.2 Lease liabilities

The reconciliation of the carrying amount of this consolidated statement of financial position heading at the beginning and end of the first half of 2024 is as follows:

		€ 000						
First half 2024	Note	Balance at 01/01/2024	Additions	Instalments paid	Derecognitions	Transfers	Interest	Balance at 30/06/2024
Current debt	23.2	5,107	-	(4,354)	(53)	4,064	1,340	6,104
Non-current debt	23.2	39,728	5,813	-	(15)	(4,064)	-	41,462
		44,835	**5,813**	**(4,354)**	**(68)**	**-**	**1,340**	**47,566**

ENCE believes it is not potentially exposed to significant future cash outflows that are not reflected in the measurement of its lease liabilities.

13.3 Amounts recognised in the consolidated statement of profit or loss

The table below depicts the impact of the Group's leases on "Depreciation and amortisation" and "Finance costs" in the consolidated statement of profit or loss for the six months ended 30 June 2024:

First half 2024	Note	€ 000 Depreciation	 Finance costs	 Lease payments
Depreciation of right-of-use assets:				
Pontevedra biomill land	9 & 12	192	768	785
Other land	9 & 12	343	172	570
Other assets	9 & 12	2,037	400	2,999
		2,572	**1,340**	**4,354**
Costs capitalised		(343)	(172)	-
		2,229	**1,168**	**4,354**

The expenses recognised in connection with short-term leases and variable lease payments not included in the measurement of the lease liability amounted to €449 thousand in the first half of 2024.

14. Biological assets

"Biological assets" exclusively comprises the Group's forest cover; the forest land owned by the Group is presented under "Property, plant and equipment - Forest land". The movement in this heading during the first half of 2024:

First half 2024	€ 000 Balance at 01/01/2024	 Additions/(charges)	 Derecognitions or decreases	 Balance at 30/06/2024
Pulp business:				
Forest cover	128,782	5,392	(1,216)	132,958
Depletion of forest reserve	(58,366)	(6,289)	1,074	(63,581)
Impairment (note 15)	(3,508)	(489)	-	(3,997)
	66,908	**(1,386)**	**(142)**	**65,380**
Renewables business:				
Forest cover	2,051	24	-	2,075
Depletion of forest reserve	(1,752)	-	-	(1,752)
Impairment (note 15)	(96)	-	-	(96)
	203	**24**	**-**	**227**
	67,111			**65,607**

In the first half of 2024, the Group planted 790 hectares of land and carried out forest preservation and protection work on 13,435 hectares, work which entailed investments totalling €5,416 thousand. A portion of the amount capitalised - €4,826 thousand - has been recognised within "Self-constructed assets" in the consolidated statement of profit or loss.

In the first half of 2024, the Group capitalised €566 thousand corresponding to payments for the right to use land earmarked for the development of biological assets and associated borrowing costs.

15. Impairment of non-financial assets

The impairment losses recognised by the Group against non-financial assets at 30 June 2024 are shown in the table below:

		€ 000				
	Note	1 January 2024	Additions	Amounts used	Amounts reversed	30 June 2024
Goodwill	11	2,737	-	-	-	2,737
Other intangible assets	11	3,612	-	-	(5)	3,607
Property, plant and equipment	12	32,417	-	-	(2,656)	29,761
Biological assets	14	3,604	489	-	-	4,093
Inventories						
Spare parts	16	13,189	529	(38)	-	13,680
Net realisable amount & other	16	165	-	(165)	-	-
		55,724	**1,018**	**(203)**	**(2,661)**	**53,878**

The breakdown of "Impairment of and gains/(losses) on disposal of fixed assets" in the consolidated statement of profit or loss for the six months ended 30 June 2024 is shown below:

		First half 2024		
€ 000	Note	Impairment losses (*)	Gains/(losses) on derecognition/sale	Total
Goodwill	11	-	-	-
Other intangible assets	11	(5)	-	(5)
Property, plant and equipment	12	(2,656)	1,765	(891)
Biological assets	14	489	-	489
		(2,172)	**1,765**	**(407)**

(*) Additions to impairment net of reversals. Charge / (Income).

The Group ran impairment tests for these assets using the criteria and methodology outlined in notes 3.5 and 19 of the Group's annual consolidated financial statements for 2023. In determining their value in use, it relied on expected cash flow projections until the end of life of each cash-generating unit (CGU), without considering any terminal value. Those projections incorporate assumptions about output, costs and other fundamental variables substantiated by specific studies prepared by experts or borne out by historical data, assumptions regarding future energy prices based on available information gleaned from the futures markets and assumptions regarding macroeconomic developments based on data sourced from reliable independent sources.

At 30 June 2024, the Group tested its renewable energy generation facilities fuelled by biomass and gas within ENCE Renewables for impairment as a result of the trend in energy futures, changes in the regulatory environment and the trend in certain macroeconomic variables, including inflation and interest rates, all of which were considered potential indicators of impairment. The Pulp business is a cyclical business so that the assessment of whether there are indications of impairment spans periods of over one year. The forecasts for pulp prices published by specialist sector analysts, which have increased considerably since the third quarter of 2023, together with our estimate for production costs in the medium term, reveal no indications that the various CGUs comprising the Pulp business could be impaired.

As a result of this updated assessment, during the first half of 2024, the Group reversed impairment losses recognised in prior reporting periods against its 41-MW Huelva, 27-MW Cordoba, 16-MW Jaen and 16-MW Ciudad Real facilities in a total amount of €2,628 thousand.

The recoverable amount and carrying amount of the cash generating units tested for impairment in the first half of 2024 amounted to €453 million and €356 million, respectively (year-end 2023: €438 million and €358 million, respectively).

The Group also conducted sensitivity analysis around its impairment tests, varying the pool price curve and biomass price assumptions. Note that a decrease in the energy price curve would not have a significant impact on existing impairment losses, while an increase the biomass price curve of 5% would increase the amount of impairment losses recognised by €4.3 million.

16. Inventories

The breakdown of the Group's inventories at 30 June 2024 and year-end 2023 is as follows:

€ 000	30 June 2024	31 Dec. 2023
Timber and biomass	18,048	17,000
Other raw materials	4,912	3,861
High-turnover spare parts (*)	14,918	14,610
Greenhouse gas emission allowances	6,780	10,909
Finished goods and work in progress	18,200	20,034
Advances to suppliers	1,236	911
Projects under development	5,074	4,942
Impairment (note 15)	-	(165)
	69,168	**72,102**

(*) Presented net of impairment allowances of €13,680 thousand and €13,189 thousand at 30 June 2024 and 31 December 2023, respectively.

There are no restrictions on title to inventories.

It is Group policy to take out the insurance policies necessary to cover the potential risks to which its inventories are exposed and management believes that the coverage at the reporting date is adequate.

16.1 Emission allowances

The reconciliation of the opening and closing Group-owned greenhouse gas (GHG) emission allowance balances for the first half of 2024 is provided in the next table:

	First half 2024	
	Number of allowances	€ 000
Opening balance	171,762	10,909
Allocations	93,968	6,876
Delivered (*)	(182,469)	(11,750)
Purchased	11,000	745
Closing balance	**94,261**	**6,780**

(*) Corresponds to the allowances used during the previous period.

"Current provisions" on the liability side of the consolidated statement of financial position includes €7,183 thousand in this respect at 30 June 2024, corresponding to the liability derived from the consumption of 100,878 allowances in the first half of the year (note 26).

17. Equity

17.1 Share capital

The share capital of ENCE Energía y Celulosa, S.A. at 30 June 2024 was represented by 246,272,500 fully subscribed and paid bearer shares, each with a par value of €0.90.

Since ENCE's shares are represented by the book entry method, it is not possible to ascertain its precise shareholder structure. The table below presents significant direct and indirect holdings in the share capital and financial instruments issued by ENCE at 30 June 2024 and 31 December 2023 as reported by the holders of those securities to the official registers of Spain's securities market regulator, the CNMV for its acronym in Spanish, or to the Company itself, in keeping with Spanish Royal Decree 1362/2007:

	%	
Shareholder	30 June 2024	31 Dec. 2023
Juan Luis Arregui / Retos Operativos XXI, S.L.	29.44	29.44
Víctor Urrutia / Asúa Inversiones, S.L.	7.56	7.29
Jose Ignacio Comenge / La Fuente Salada S.L.	6.38	6.38
Own shares	1.42	1.57
Directors with ownership interest of < 3%	0.62	0.62
Free float	54.58	54.70
Total	**100.00**	**100.00**

The Company's shares are officially listed on the Spanish stock exchanges and traded on the continuous market. All of its shares confer equal voting and dividend rights.

17.2 Reserves

Below is the reconciliation of the opening and closing reserve balances for the first six months of 2024 and 2023:

€ 000	Parent company reserves: Legal reserve	Cancelled capital reserve	Capitalisation reserve	Voluntary reserves	Retained earnings (prior-year losses)	Reserves in fully-consolidated investees	Reserves in equity-accounted investees	**Total reserves**
Balance at 31 December 2022	**45,049**	**10,566**	**19,701**	**155,533**	**(181,378)**	**44,553**	**(106)**	**93,918**
Distribution of prior-period profit	-	-	-	-	21,494	18,564	-	40,058
Trading in own shares	-	-	-	278	-	-	-	278
Non-controlling interests and other movements	-	-	(9,584)	(147,153)	159,884	-	-	3,147
Balance at 30 June 2023	**45,049**	**10,566**	**10,117**	**8,658**	**-**	**63,117**	**(106)**	**137,401**
Balance at 31 December 2023	45,049	10,566	773	19,118	-	61,849	(106)	137,249
Distribution of prior-period profit	-	-	-	-	(34,455)	9,735	-	(24,720)
Trading in own shares	-	-	-	568	-	-	-	568
Balance at 30 June 2024	**45,049**	**10,566**	**773**	**19,686**	**(34,455)**	**71,584**	**(106)**	**113,097**

17.3 Own shares

The reconciliation of "Own shares - parent company shares" at the beginning and end of the six-month period ended 30 June 2024 is as follows:

	First half 2024	
	Number of shares	€ 000
Opening balance	3,871,111	12,980
Purchases	4,833,552	15,201
Sales	(5,268,552)	(16,077)
Closing balance	**3,436,111**	**12,104**

The own shares held by the Parent at 30 June 2024 represent 1.4% of its share capital and were carried at €3,092 thousand. Those shares were acquired at an average price of €3.52 per share. The own shares held as treasury stock are intended for trading in the market and for delivery under the long-term incentive plans arranged by ENCE (note 7).

ENCE has a liquidity agreement with a financial broker the object of which is to foster the frequency and regularity with which ENCE's shares are traded, within the limits established at the Annual General Meeting and prevailing legislation, specifically, CNMV Circular 2/2019 on liquidity agreements.

17.4 Valuation adjustments

The breakdown of "Valuation adjustments" at 30 June 2024 is provided below:

€ 000	30 June 2024 Fair value	Tax effect	Adjustment in equity	31 Dec. 2023 Fair value	Tax effect	Adjustment in equity
Land revaluation	54,102	13,510	40,592	54,102	13,510	40,592
Hedging transactions (note 25)						
IR swap	765	191	574	(846)	(212)	(634)
Exchange rate	(770)	(193)	(575)	1,057	264	793
	54,097	**13,508**	**40,591**	**54,313**	**13,562**	**40,751**

17.5 Other equity instruments

The reconciliation of the movement in the carrying amount of "Other equity instruments" on the consolidated statement of financial position during the first half of 2024 is as follows:

€ 000	Balance at 01/01/2024	Additions	Tax effect	Balance at 30 June 2024
Long-term incentive plan (note 7.2)	1,328	2,947	(738)	3,537
	1,328	**2,947**	**(738)**	**3,537**

17.6 Non-controlling interests

The reconciliation of the carrying amount of this consolidated statement of financial position heading at the beginning and end of the first half of 2024 is as follows:

30 June 2024 Company	€ 000 Balance at 01/01/2024	Profit/(loss) attributable to non-controlling interests	Other changes	Balance at 30/06/2024
Energía de la Loma, S.A.	3,350	815	-	4,165
Energías de la Mancha Eneman, S.A.	600	(94)	-	506
Bioenergía Santamaría, S.A.	3,889	65	-	3,954
MAGNON	107,441	(7,272)	(365)	99,804
BioCH4 Developments, S.L.	247	(135)	-	112
Total	**115,527**	**(6,621)**	**(365)**	**108,541**

18. Shareholder remuneration

At a meeting held on 30 July 2024, the Parent's Board of Directors resolved to pay an interim cash dividend from 2024 profits of €0.107 per share (before withholdings), payable on 7 August 2024.

The related forecast liquidity statement required under article 277 of the Consolidated Text of the Corporate Enterprises Act, evidencing the existence of sufficient liquidity at Ence Energía y Celulosa, S.A. to justify payment of the above dividend, will be provided in the separate annual financial statements of Ence Energía y Celulosa, S.A. for 2024.

19. Financial instruments by category

The table below reconciles the Group's financial instruments by category and the consolidated statement of financial position headings at 30 June 2024:

30 June 2024 Thousands of euros	Note	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Total at 30 June 2024
Investments accounted for using the equity method		-	-	4	4
Derivative financial instruments	25	-	2,677	-	2,677
Trade and other receivables	20	87,309	-	-	87,309
Trade receivables and other financial assets - Group companies and related parties	20 & 29	917	-	-	917
Other financial assets	22.2	44,883	-	18,596	63,479
Cash and cash equivalents	22.1	267,205	-	-	267,205
Total financial assets		**400,314**	**2,677**	**18,600**	**421,591**
Derivative financial instruments	25	-	1,966	-	1,966
Trade and other payables	21	210,884	-	-	210,884
Other non-current and current liabilities	24	100,286	-	-	100,286
Trade payables and other financial liabilities - Group companies and related parties	21 & 29	42,121	-	-	42,121
Notes and other marketable securities	23.1	152,764	-	-	152,764
Bank borrowings	23.1	319,600	-	-	319,600
Other financial liabilities	23.2	87,878	-	-	87,878
Total financial liabilities		**913,533**	**1,966**	**-**	**915,499**

The fair value of the financial assets and liabilities carried at amortised cost, which include financing arranged at fixed rates of interest (note 23), is not significantly different from the amounts at which they are carried.

20. Trade and other receivables

The breakdown at 30 June 2024 and 31 December 2023 of "Trade and other receivables" in the condensed consolidated statement of financial position is as follows:

€ 000	30 June 2024	31 Dec. 2023
Trade receivables:		
Pulp	63,605	28,009
Renewables	18,334	3,373
Other	4,868	3,058
Trade receivables, group companies and related parties (note 29)	691	1,767
Other receivables	5,106	4,585
Provision for impairment	(4,604)	(4,050)
	88,000	**36,742**

The credit period on pulp sales averages around 60 days.

The line item "Provision for impairment" in the table above included additions for the period of€554 thousand with a charge against "Impairment of financial assets" in the consolidated statement of profit or loss.

20.1 Discounting facilities

The Group has arranged the following non-recourse receivables discounting facilities:

	30 June 2024	
	Undrawn limit	Drawn down
Pulp	109,000	87,324
Renewables	58,400	44,407
	167,400	**131,731**

The trade receivables not discounted under those facilities at 30 June 2024 are expected to be collected from the corresponding debtors, rather than via sale.

21. Trade and other payables

The breakdown at 30 June 2024 and 31 December 2023 of "Trade and other payables" in the consolidated statement of financial position is as follows:

€ 000	30 June 2024	31 Dec. 2023
Trade and other payables	182,152	186,556
Trade payables, group companies and related parties (note 29)	5,592	1,094
Payable to fixed-asset suppliers	22,566	27,366
Employee benefits payable	6,166	8,998
	216,476	**224,014**

The Group has arranged the following non-recourse reverse factoring facilities:

	30 June 2024	
	Undrawn limit	Drawn down
Pulp	134,500	62,243
Renewables	49,000	26,701
	183,500	**88,944**

The balances arising from the use of reverse factoring facilities are classified as trade accounts payable. The reverse factoring facilities arranged by ENCE do not entail the provision of guarantees, do not alter the average payment term agreed with the corresponding suppliers and do not earn interest for the banks that extend the facilities.

22. Financial assets

22.1 Cash and cash equivalents

"Cash and cash equivalents" includes the Group's cash on hand and short-term bank deposits with original maturities of three months or less. The carrying amount of these assets approximates their fair value.

A portion of the cash balance at 30 June 2024, specifically €36,990 thousand, has been retained to guarantee performance of certain business obligations and will be released during the second half of 2024.

At 30 June 2024, the Group had €16,229 thousand of cash in dollars.

22.2 Other financial assets

The breakdown of this consolidated statement of financial position heading at 30 June 2024 and 31 December 2023:

	30 June 2024		31 Dec. 2023	
€ 000	Current	Non-current	Current	Non-current
Adjustments for tariff shortfall/surplus (note 24)	-	22,050	-	27,129
ENCE's share liquidity agreement (note 17.3)	2,504	-	1,039	-
Contingent consideration (note 29)	2,657	16,512	2,657	16,518
Receivable under equipment sub-leases	-	4,983	-	4,689
Debt cash reserve	-	10,000	-	10,000
Security deposits and other accounts receivable	1,553	3,220	1,467	2,938
	6,714	**56,765**	**5,163**	**61,274**

The “Debt service reserve account” includes cash held to cover the obligation, stipulated in the financing taken on by the Renewables business, to maintain a minimum cash balance of €10 million, a sum that could rise to €30 million depending on the extent to which it uses the credit facility contemplated in tranche 4 of its financing (note 23), which was fully undrawn at 30 June 2024.

On 20 December 2020, Ence Energía y Celulosa, S.A. completed the sale to Woodpecker Acquisitions S.a.r.l, an entity controlled by Ancala Partners LLP, of a minority interest of 49% in its subsidiary, Magnon Green Energy, S.L., the holding company for ENCE's Renewables business. A portion of the sale price - €134 million - is variable and depends on successful development of the pipeline of biomass renewable energy projects over the next eight years. At 30 June 2024, ENCE recognised a balance receivable of €17,800 thousand, which is the present value, discounted using the business’s cost of capital of 8.4%, of the amount of the contingent consideration it expects to collect by 2028.

Elsewhere, “Contingent consideration” includes a receivable in the amount of €1,289 thousand at 30 June 2024 corresponding to the present value of the contingent price agreed on the sale in 2020 of the Group’s investment in Ence Energía Termollano, S.A., a company that owned a solar thermal electric generation plant. A portion of that contingent consideration, specifically €789 thousand, was collected during the first half of 2024.

23. Borrowings

The breakdown of financial borrowings at 30 June 2024 and 31 December 2023 is as follows:

	Non-current liabilities		Current liabilities	
€ 000	30 June 2024	31 Dec. 2023	30 June 2024	31 Dec. 2023
Notes and other marketable securities	78,794	78,697	73,970	53,047
Bank borrowings	276,704	287,658	42,896	118,063
Other financial liabilities	73,002	73,876	14,876	13,844
Total	**428,500**	**440,231**	**131,742**	**184,954**

23.1 Bank borrowings and capital markets issues

The breakdown of bank borrowings at 30 June 2024 corresponding to loans and discounting facilities, classified by their respective maturities, is as follows:

30 June 2024			Maturity					
€ 000	Limit	Drawn down	2024	2025	2026	2027	2028	Beyond
Borrowings - Pulp business								
Notes issued	73,970	73,970	65,813	8,157	-	-	-	-
Revolving credit facility	130,000	-	-	-	-	-	-	-
Bank loans	286,523	286,523	8,341	75,598	78,957	67,306	40,576	15,745
Arrangement fees	-	(745)	(129)	(261)	(184)	(106)	(44)	(21)
Interest and coupons payable and	-	2,272	2,272	-	-	-	-	-
	490,493	**362,020**	**76,297**	**83,494**	**78,773**	**67,200**	**40,532**	**15,724**
Borrowings - Renewables business								
Notes issued	79,000	79,000	-	79,000	-	-	-	-
Revolving credit facility	20,000	-	-	-	-	-	-	-
Bank loans	31,618	31,618	21,367	10,251	-	-	-	-
Arrangement fees	-	(314)	(73)	(241)	-	-	-	-
Interest and coupons payable and	-	40	40	-	-	-	-	-
	130,618	**110,344**	**21,334**	**89,010**	-	-	-	-
	621,111	**472,364**	**97,631**	**172,504**	**78,773**	**67,200**	**40,532**	**15,724**

Each of ENCE's two core businesses finances itself independently of the other. There are no significant cross-guarantees or other recourse mechanisms.

ENCE’s average borrowing cost was 4.55% in the first half of 2024. The average borrowing cost in the Pulp business was 4.53%, compared to 4.60% in the Renewables business.

At 30 June 2024, ENCE and its subsidiaries were in full compliance with their financial obligations, including any covenants that could trigger the prepayment of their borrowings.

ENCE’s borrowings do not carry any clauses that would imply their modification or renegotiation as a result of a change in its credit ratings.

Borrowings - Pulp business

Revolving credit facility

ENCE has a €130 million revolving credit facility with a syndicate of Spanish and international banks which is due in 2026. This revolving credit facility accrues interest at a rate of interest benchmarked to Euribor. The interest rate may vary annually as a function of the Sustainalytics environmental sustainability rating obtained by ENCE, which has assessed that debt as "green" financing. The revolving credit facility was fully undrawn at 30 June 2024.

Loans

At 30 June 2024, ENCE had arranged several loans in a combined amount of €286.5 million; those loans fall due between 2024 and 2030. A portion of those loans, with a face value of €29.5 million, accrues interest at fixed rates ranging between 1.95% and 4.6%. The remainder accrue interest, mainly at Euribor plus a spread ranging from 1.35% to 2.0%. The interest rate on 76% of the loans arranged may vary annually by 25 basis points as a function of the Sustainalytics environmental sustainability rating obtained by ENCE.

In order to hedge the risk associated with these floating-rate borrowings, ENCE has arranged interest-rate swaps over 58% of the balance drawn down, locking in a fixed rate of 3.32% (note 25).

Other financing

On 9 October 2023, ENCE registered a sustainable commercial paper programme with Spain's alternative fixed-income market, MARF, under which is can issue up to €200 million of paper with maturities of up to 24 months. The balance of commercial paper outstanding at 30 June 2024 stood at €75 million and falls due between the second half of 2024 and the first half of 2025.

Borrowings - Renewables business

Recourse borrowings

On 24 November 2017, Magnon Green Energy, S.L. (hereinafter, "MAGNON"), the holding company for ENCE's Renewables business, arranged a senior loan with a syndicate of 12 banks and one Spanish insurance company with a drawdown limit of €170 million, initially structured into four tranches; it also placed €50 million of notes in a private placement which was subscribed by a fixed-income fund.

On 8 December 2018, MAGNON arranged to increase the limit on that senior loan by €17 million and placed an additional €43 million of notes in a private placement, which was subscribed by two fixed-income funds.

The key terms of those loans are as follows:

	€ 000			Interest
	Undrawn	Drawn	Maturity	rate (*)
Senior notes (iv)	36,000	36,000	Dec. 2025 (ii)	3.45%
Tranche 1	4,668	4,668	Dec-2024	1.75% - 3.25%
Tranche 2	6,000	6,000	Dec. 2025 (ii)	3.45%
Tranche 3 (iii)	15,000	15,000	Dec-2024	1.75% - 3.25%
Tranche 4	20,000	-	Dec-2024	1.25% - 2.75%
Senior notes (iv) and (v)	43,000	43,000	Dec. 2025 (ii)	3.45%
Tranche 5 (v)	5,950	5,950	Dec-2025	1.75% - 3.25%
	130,618	**110,618**		

(i) 6-month Euribor plus a spread. For the bank loan tranches, the spread varies depending on the leverage ratio (net debt / EBITDA) in the Renewables business (as defined in the financing agreement).

(ii) Due in a single bullet payment on the date indicated.

(iii) Financed the construction of the 46-MW Huelva plant.

(iv) The notes have been admitted to trading on the Frankfurt exchange (Freiverkehr).

(v) Financed the construction of the 50-MW Puertollano plant.

In order to hedge the risk deriving from this floating-rate facility, MAGNON has arranged interest rate swaps. The swaps cover 93% of the financing drawn down and lock in an average rate of 0.95% (note 25).

23.2 Other financial liabilities

The reconciliation of the carrying amount of this consolidated statement of financial position heading at the beginning and end of the reporting period is as follows:

First half 2024		Maturity					
€ 000	Drawn down	2024	2025	2026	2027	2028	Beyond
Other financial liabilities - Pulp business							
Financing granted by public organisms	40,312	6,032	8,161	8,161	6,305	6,316	5,337
Liabilities for right-of-use assets (note 13)	43,740	2,146	4,788	3,636	3,278	2,078	27,814
	84,052	**8,178**	**12,949**	**11,797**	**9,583**	**8,394**	**33,151**
Other financial liabilities - Renewables business							
Liabilities for right-of-use assets (note 13)	3,826	839	1,135	802	613	326	111
	3,826	**839**	**1,135**	**802**	**613**	**326**	**111**
	87,878	**9,017**	**14,084**	**12,599**	**10,196**	**8,720**	**33,262**

24. Other current and non-current assets and liabilities:

The breakdown of this consolidated statement of financial position heading at 30 June 2024 and 31 December 2023:

	30 June 2024		31 Dec. 2023	
€ 000	Current	Non-current	Current	Non-current
Assets:				
Tariff Adjustment - reg. stub period: 2023-2025 (note 22.2)	-	22,050	-	27,129
	-	**22,050**	**-**	**27,129**
Liabilities:				
Tariff Adjustment - prior reg. stub periods	7,784	91,531	7,402	95,757
Other	-	971	-	970
	7,784	**92,502**	**7,402**	**96,727**

The "Adjustment for tariff shortfall/surplus" account includes the Group's non-current payables to the sector regulator, the CNMC, under the scope of Spanish Royal Decree 413/2014, regulating the production of electric power using renewable sources, co-generation and waste, in respect of the Tariff Adjustment concept (note 5).

The breakdown of the liability in respect of the “Adjustment for tariff shortfall/surplus” at 30 June 2024, classified by the year in which the balances are due settlement (which happens when a facility enters its last regulatory stub period) and/or reclassification to profit or loss, is provided below:

30 June 2024	Maturity						
€ 000	Total	2024	2025	2026	2027	2028	Beyond
Balances payable:							
Pulp business:	31,213	1,037	2,217	2,381	2,557	2,746	20,275
Renewables business:	68,102	2,665	5,917	5,604	6,019	4,286	43,611
	99,315	**3,702**	**8,134**	**7,985**	**8,576**	**7,032**	**63,886**
Net position	**99,315**	**3,702**	**8,134**	**7,985**	**8,576**	**7,032**	**63,886**

25. Derivative financial instruments

The breakdown of this consolidated statement of financial position heading at 30 June 2024 and 31 December 2023, which corresponds with the fair value of the derivatives at the reporting dates, is provided in the next table:

	Non-current assets		Current assets		Non-current liabilities		Current liabilities	
€ 000	30 June 2024	31 Dec. 2023	30 June 2024	31 Dec. 2023	30June 2024	31 Dec. 2023	30 June 2024	31 Dec. 2023
Cash flow hedges:								
IR swap	292	1,283	2,375	1,718	1,196	3,441	-	593
IR swap arrangement fee	10	27	-	-	-	-	-	-
Currency hedges	-	-	-	1,057	-	-	770	-
Total	**302**	**1,310**	**2,375**	**2,775**	**1,196**	**3,441**	**770**	**593**

The changes in the fair value of the derivative financial instruments that were reclassified to profit or loss in the first half of 2024 are shown below:

€ 000 - Gain/(loss)	First half 2024	First half 2023
Impact on operating profit:		
Currency hedges	300	(730)
Subtotal	300	(730)
Impact on net finance costs:		
IR swap (note 9)	2,220	1,528
Total	**2,520**	**798**

All of the derivatives arranged by ENCE at 30 June 2024 qualify for hedge accounting.

25.1 Currency hedges

ENCE hedges its exposure to fluctuations in the dollar-euro exchange rate, which have a significant impact on pulp sales prices, using tunnel options (Asian options). The breakdown at 30 June 2024:

Underlying	Maturity	Strike price Call	Strike price Put	Notional amount (USD m)
EUR/USD	3Q24	1.067	1.100	33.0
EUR/USD	4Q24	1.076	1.105	33.0
EUR/USD	1Q25	1.077	1.104	33.0
EUR/USD	2Q25	1.074	1.105	22.0
				121.0

The contracts outstanding at 30 June 2024 cover approximately 20% of forecast pulp sales in the second half of 2024 and the first half of 2025, respectively.

Those instruments presented a positive market value of €770 thousand at 30 June 2024 (€1,057 thousand at year-end 2023).

The sensitivity of operating profit and equity to dollar appreciation or depreciation against the euro as a result of the impact on the derivative financial instruments arranged by ENCE at 30 June 2024 is shown below:

€ 000	**Change in USD/EUR exchange rate**	**Operating profit (-)/+**	**Impact on equity (-)/+**
	5% depreciation	(4,716)	(3,537)
	5% appreciation	3,852	2,889

25.2 Interest rate swaps:

The interest rate derivatives arranged by the Group and outstanding at the reporting date are shown below:

€ 000	Fair value	Notional amount at reporting date: 2024	2025	2026	2027
Pulp	(602)	154,325	136,539	91,809	46,813
Renewables (*)	2,073	101,029	1,913	-	-

(*) Balance receivable

There were no hedge inefficiencies in respect of these derivatives in the first half of 2024.

The sensitivity of operating profit and equity to interest rate movements as a result of the impact on the derivative financial instruments arranged by the Group at 30 June 2024 is shown below:

€ 000	**Change in interest rates**	**Impact on finance cost (-)/+**	**Impact on equity (-)/+**
	50bp increase	1,877	1,408
	50bp decrease	(1,902)	(1,426)

26. Provisions, guarantees and contingent liabilities

26.1 Provisions

The reconciliation of the opening and closing balances of current and non-current provisions during the reporting period is as follows:

First half 2024	Balance at 01/01/2024	Additions/ (charges)	Derecognitions or decreases	Balance at 30/06/2024
Non-current:				
Long-term incentive plan (note 7.2)	345	540	-	885
Dismantling provision	25,425	416	-	25,841
Other	2,518	73	(600)	1,991
	28,288	**1,029**	**(600)**	**28,717**
Current				
Short-term incentive plan (note 7.2)	242	-	-	242
Emission allowances (notes 8 & 16.1)	12,441	7,183	(12,441)	7,183
Pontevedra Community Plan & other	29,500	-	(2,677)	26,823
	42,183	**7,183**	**(15,118)**	**34,248**

26.2 Guarantees extended to third parties

At 30 June 2024, several financial institutions had extended the various Group companies the following guarantees:

	€ 000
Government permitting of renewable energy power generation plants	23,838
Subsidised loans (note 23.2)	9,000
Grid access - Pre-allocations	23,034
Receivable discounting lines	9,000
Execution of forest projects	5,835
Pontevedra concession	3,050
Electricity market	5,500
Environment related	1,629
Payments to suppliers	516
Other	5,230
	86,632

The directors do not expect the amounts guaranteed or the guarantees extended to result in material liabilities for the Group other than those recognised in these interim condensed consolidated financial statements.

26.3 Contingent assets and liabilities

At 30 June 2024, the Group was party to legal claims and controversies that arose in the ordinary course of its business. The most significant claims are detailed below:

Energy crops:

In 2013 and 2014, a package of implementing regulations were enacted in Spain: Ministerial Order IET/1045/2014 (16 June 2014), enacting the standard facility remuneration parameters applicable to certain electricity producing facilities that use co-generation, renewable energy sources or waste, so implementing Royal Decree 413/2014 (6 June 2014), both of which emanated from implementation and application of the Electricity Sector Act (Law 24/2013, of 26 December 2013) and Royal Decree-Law 9/2013, adopting urgent measures towards guaranteeing the financial stability of the electricity system, which had the effect of modifying the remuneration and tax regime applicable to the generation of energy from renewable sources, including generation and co-generation facilities fuelled by biomass. Those new regulations, which put energy crops in the same category as forest and agricultural waste for remuneration purposes, obliged ENCE to embark on the process of abandoning the management of its energy crop plantations in a definitive and orderly fashion, including the termination of leases, with the attendant impairment of the investments it had made, requiring the recognition of the corresponding provisions.

As a result, on 14 July 2014, the Parent and certain Group companies (hereinafter, “ENCE”) presented a claim for damages from the Spanish state (the “Claim”) before the then Ministry of Industry, Energy and Tourism. The award sought was ultimately quantified at €63,300 thousand on the basis of reports compiled by an independent expert.

On 17 February 2021, ENCE presented a new written deed before the now Ministry of Ecological Transition and Demographic Challenges, currently tasked with energy matters, urging the state to issue an express ruling on the claim filed, with a view to evaluating next steps.

On 15 November 2021, ENCE received notice from the General Technical Secretariat of the Ministry of Ecological Transition and Demographic Challenges providing it with a report from the General Directorate of Energy Policy and Mining (the Report) concluding that its claim for damages was not admissible. On 29 November 2023, the ENCE Group presented arguments against the considerations set out in the Report, asking to have access to and see the file, a request the government has yet to answer.

In addition, ENCE has reiterated and recalled on several occasions the government’s duty to rule on the Claim submission presented in 2014 in due form and time.

Given the lack of response to its Claim submission, on 10 February 2023, ENCE lodged an appeal (subsequently presenting the statement of claim on 21 June 2023) arguing the total non-viability, generated by the new regulatory framework, from 2013-2014, of the model of generating electricity from energy crops, generating a real, effective and economically quantifiable loss for ENCE related directly to the full termination of the entire production process using energy crops. A date has yet to be set for hearing and ruling on this appeal.

Electricity market regulations:

The Group companies whose business activities are in any way subject to the electricity sector regulatory framework have lodged appeals before the Supreme Court’s Chamber for Contentious Administrative Proceedings against a series of ministerial orders (Orders TED/1232/2022, TED/1295/2022, TED/741/2023 and TED/353/2024) which establish the standard facility remuneration parameters applicable to certain electricity-producing facilities that use renewable energy sources, co-generation or waste for application in the first and second halves of 2022 and 2023.

With respect to the appeals lodged against Order TED/1232/2022, the Supreme Court agreed to process several appeals by technology category, including the four lodged by ENCE, on a preferential basis. A date is in the process of being set for voting and ruling on those appeals.

The appeals lodged against Order TED/1295/2022 have all been suspended to make room for the processing of other appeals. With respect to the appeals filed against Order TED/741/2023, the Supreme Court has processed all of the appeals lodged, presenting its conclusions in writing.

Lastly, the appeals against Order TED/353/2024 are still at the earliest stage, with the related suits still pending presentation.

The challenge mounted by ENCE is based on (i) the fact that the new regulations have retroactive effect, which is prohibited in the Spanish legal system; (ii) the failure to uphold the deadlines stipulated in relation to the remuneration regime contained in the Electricity Sector Act and Royal Decree 413/2014; and (iii) the fact that the regulations are arbitrary and contrary to the principles of good regulatory practice. The challenge also certifies violation of the principle of sufficiency of remuneration. Lastly, the Group has directly challenged Order IET/1345/2015 and asked the Supreme Court to consider the constitutionality of Royal Decree-Law 6/2022. In addition to arguments of a legal character, the challenge is based on an expert analysis determining the existence of a significant economic impact, insofar as the challenged Orders set remuneration for operation parameters that are removed from current real operating costs, so violating the Group's right to receive a remuneration regime on the legally and regulatory contemplated terms.

Public-domain concession – ENCE's biomill in Pontevedra

The resolution of 20 January 2016 granting an extension of the public-domain concession over the land on which ENCE's biomill in Pontevedra is located was challenged firstly through administrative channels and subsequently in court by the town council of Pontevedra and two associations: Greenpeace Spain and Asociación Pola Defensa da Ría de Pontevedra or the APDR.

Those challenges gave rise to three consecutive court proceedings before the National Appellate Court's Chamber for Contentious Administrative Proceedings, which issued its rulings on 15 July 2021 and 21 September 2021, upholding the appeals lodged by Greenpeace Spain, the town council of Pontevedra and ADPR and annulling the ministerial resolution of 16 January 2016 extending the concession, based on the Court's understanding that the resolution had failed to substantiate the fact that ENCE's biomill in Pontevedra necessarily had to be located on the public-domain coastal land or to provide reasons of public interest in defence of the biomill's current location.

ENCE lodged appeals against those Appellate Court rulings before the Supreme Court on 28 September 2021 and 29 November 2021, receiving rulings in its interests on 6 March 2023, when the Supreme Court upheld the appeals lodged by the Company against the two National Appellate Court rulings of 15 July 2021 in response to cases brought by Greenpeace Spain and the town council of Pontevedra.

The two Supreme Court rulings annul the above-mentioned National Appellate Court rulings and uphold the legality of the concession extension and, thereby, its 60-year term, which runs from the day on which the extension was originally applied for. The Supreme Court rulings are not subject to ordinary appeal.

The state attorney, the town council of Pontevedra and Green Peace applied to have the Supreme Court rulings annulled. The Supreme Court denied their applications, so confirming the validity of its original rulings.

An appeal brought by ENCE and other entities against the National Appellate Court ruling on the case filed by the APDR, likewise related with the extension of the concession (that case having been suspended at the behest of the Supreme Court until it ruled on the other two suits, since ruled on in favour of ENCE's interests), is currently being processed. The Group expects the ruling to coincide with that handed down in the other two Supreme Court appeals.

Both the town council of Pontevedra and the state attorney have filed appeals before Spain's Constitutional Court, which has yet to rule on their admissibility.

27. Tax matters

The balances receivable from and payable to the tax authorities at 30 June 2024 and 31 December 2023 are shown below:

	30 June 2024		31 Dec. 2023	
€ 000	Assets	Liabilities	Assets	Liabilities
Non-current:				
Deferred tax assets	88,400	-	94,996	-
Deferred tax liabilities	(27,801)	-	(26,998)	-
Total	**60,599**	-	**67,998**	-
Current:				
VAT	18,813	4,600	7,931	3,791
Current tax on profits for the year	14,736	3,220	14,993	44
Sundry other taxes	3,394	8,541	382	5,374
Total	**36,943**	**16,361**	**23,306**	**9,209**

ENCE pays its corporate income tax through two tax consolidation groups:

- ENCE Energía y Celulosa, S.A. has been filing its income tax returns under the consolidated tax regime provided for in Chapter VI of Title VII of the Spanish Corporate Income Tax Act (Tax Group 149/02), along with all the Spanish companies in which it has a shareholding of over 75%, since 2002.
- Magnon Green Energy, S.L. has been filing its income tax returns under the consolidated tax regime provided for in Chapter VI of Title VII of the Spanish Corporate Income Tax Act (Tax Group 410/21), along with all the Spanish companies in which it has a shareholding of over 75%, since 2021.

The rest of the Group companies file individual tax returns.

The statutory income tax rate in Spain is 25%. Corporate income is taxed at 21% and 25% in Portugal and Uruguay, respectively.

Under the consolidated tax regime, taxable income is not determined on the basis of consolidated accounting profit but rather the aggregate of the individual taxable incomes of the companies comprising the tax group, determined in accordance with their respective individual tax regimes, which are then restated for eliminations and adjustments applicable under the tax consolidation regime.

27.1 Recognised deferred tax assets and liabilities

The reconciliation of this consolidated statement of financial position heading at the beginning and end of the interim reporting period:

	Deferred tax assets				Deferred tax liabilities
€ 000	Unused tax losses and tax credits (*)	Hedging instruments	Other deferred tax assets	Total	
Opening balance	71,554	441	23,001	94,996	26,998
2024 corporate income tax	(6,991)	-	(912)	(7,903)	-
Change in fair value of hedging instruments	-	(73)	-	(73)	-
Consolidation adjustments	-	-	242	242	446
Other	1,185	-	(47)	1,138	357
	65,748	**368**	**22,284**	**88,400**	**27,801**

Spanish Law 27/2014 on Corporate Income Tax eliminated, with effect from 1 January 2015, the deadline for utilising tax losses, and extended the general term for utilising tax credits by at least 15 years.

The deferred tax assets recognised correspond to asset impairment charges, provisions, unused tax credits, unused tax losses and differences between depreciation charges for accounting and tax purposes, due mainly to the temporary limit on the deductibility of depreciation charges introduced in 2013 and 2014.

ENCE only recognises deferred tax assets insofar as it is deemed probable that the entities (individually or on a consolidated basis) that have generated them will generate sufficient taxable profit in the future to enable their utilisation. Most of the certified tax losses and tax credits will be recoverable within the indicated tax groups. The balance of unused tax credits and unused tax losses certified but not recognised in the statement of financial position at 30 June 2024 amounts to €8.4 million.

On 18 January 2024, Spain's Constitutional Court, in plenary session, unanimously ruled that several of the income tax modifications introduced via Royal Decree-Law 3/2016, including the limit on the utilisation of tax losses, were unconstitutional, rendering them void. Framed by that ruling, the Group has presented claims seeking application of its tax losses in its tax returns for 2018 - 2020 which are pending resolution by the National Economic-Administrative Court.

27.2 Years open to inspection and tax inspections

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by the tax authorities or until the inspection period in effect in each tax jurisdiction has prescribed (four years in Spain and Portugal and five years in Uruguay). The Tax Groups have their returns open to inspection for 2021 and 2022.

All of the Group's relevant decisions have been analysed internally and also by external advisors, in 2021 and in prior years, and the conclusion reached is that those decisions are lawful and based on reasonable interpretations of tax regulations. The Group also analyses the existence of uncertainty over tax treatments. As a general rule, it takes a prudent approach to factoring any such uncertainty into determination of its tax. ENCE has not identified any uncertain tax positions requiring assessment.

28. Director and key management personnel pay and other benefits

Note 33 of the Group's annual consolidated financial statements for 2023 and Appendix III of the Consolidated Management Report that accompanies those annual financial statements, which includes the Annual Corporate Governance Report and the Annual Report on Director Remuneration, detail the existing agreements with respect to the remuneration and other benefits provided to the Parent's Board of Directors and key management personnel.

At the Annual General Meeting held on 5 May 2023, the Company's shareholders approved the Director Remuneration Policy of Ence Energía y Celulosa, S.A. for 2023-2026 (retrievable from www.ence.es). The cap on annual remuneration payable to the directors as a whole in their capacity as such, as set down in that policy, is €1.9 million.

The table below summarises the most significant items of remuneration and benefits accrued in the first six months of 2024 and 2023:

	€ 000	
	First half 2024	First half 2023
Board of Directors:		
Remuneration for Board membership:		
Fixed remuneration	334	334
Per diems & other	369	324
	703	**658**
Remuneration for performance of executive duties (*)	**405**	**508**
Key management personnel:		
Total remuneration (*)	**1,159**	**1,073**

(*) These amounts do not include any variable remuneration as those bonuses will be determined, subsequent to year-end, as a function of the degree of delivery of the established targets.

28.1 Remuneration of the members of the Board of Directors

Remuneration for membership of the Board of Directors

The non-executive directors only receive a fixed stipend consisting of fixed remuneration and fees for attending the meetings of the Board of Directors and its committees; they are excluded from the Company's short- and long-term performance-based bonus schemes.

ENCE has arranged insurance to cover its directors as a group against the following accident risks: death, permanent outright disability and permanent partial disability. In addition, the Company offers its directors and their spouses an annual medical check-up.

The members of the Parent's Board of Directors did not receive any remuneration whatsoever for sitting on the boards of other Group subsidiaries or associates in the first half of 2024.

Remuneration for the performance of executive duties

Ence Energía y Celulosa, S.A.'s Director Remuneration Policy stipulates fixed remuneration for the Chairman & CEO in 2024 of €750 thousand and an annual bonus of up to 120% of his fixed remuneration. ENCE also provides its Chairman & CEO with a range of in-kind compensation, including a company car, health insurance and an annual medical check-up.

Ignacio de Colmenares Brunet accrued fixed remuneration for the performance of his executive duties of €375 thousand in the first half of 2024.

In addition to the above-mentioned remuneration, ENCE's Chairman & CEO is the beneficiary of a mixed savings, life and accident insurance policy and a retirement insurance policy (the benefit payable under the plan is one year's fixed and variable remuneration, to be received upon termination of his contract).

The Chairman & CEO was also a beneficiary under Cycle II of the 2019-2023 long-term incentive plan (note 7), which was settled in July 2024. Under that plan he received €53 thousand and 21 thousand ENCE shares.

The Chairman & CEO is also a beneficiary under Cycles I and II of the 2023-2027 long-term incentive plan (note 7). Assuming 100% delivery of the targets associated with Cycles I and II of that plan, he would receive (before tax) 694 thousand ENCE shares in 2026 corresponding to Cycle I and 262 thousand ENCE shares in 2027 corresponding to Cycle II.

Other considerations

The Group companies have not extended ENCE's directors any advances or loans. Nor have ENCE's directors received any termination benefits. The directors did not conclude any transactions with ENCE or any of its subsidiaries outside the ordinary course of business or on terms other than on an arm's length basis in the first half of 2024.

ENCE has no pension or alternative insurance related obligations to its directors, except for its CEO, the latter in connection with the performance of his executive duties.

There were no changes to the composition of the Board of Directors in 2024.

Key management personnel remuneration

Key management personnel (KMP) comprise the executives who report directly to the Chairman & CEO or the Board of Directors or any of its committees and any other executives the Board of Directors deems as such. The breakdown at 30 June 2024:

Name	Position
Ignacio de Colmenares y Brunet	Chairman & Chief Executive Officer
Alfredo Avello de la Peña	Finance and Corporate Development Officer
Jordi Aguiló Jubierre	Pulp Business Officer
Guillermo Negro Maguregui	Managing Director of Magnon Green Energy, S.L.
Reyes Cerezo Rodríguez-Sedano	General Secretary | Sustainability and Regulation Officer
Isabel Vallejo de la Fuente	Human Capital Officer
Modesto Saiz Suárez	Pulp Sales and Logistics Manager
Fernando González-Palacios Carbajo	Planning and Control Manager
Carla Morenés Basabe (*)	Ethics and Compliance Manager
Ángel J. Mosquera López-Leyton	Internal Audit Manager

(*) As stipulated in the Board Regulations, specifically the criteria for determining the members of its key management personnel, it has been decided to include Carla Morenés, as she reports directly to the Audit Committee.

The key management personnel are the beneficiaries of a mixed savings, life and accident insurance policy. Elsewhere, ENCE provides its key management personnel with a range of in-kind compensation, including company cars, health insurance and an annual medical check-up.

The key management personnel were also beneficiaries under Cycle II of the 2019-2023 long-term incentive plan (note 7). Under that cycle they received €75 thousand and 30 thousand ENCE shares.

The key management personnel are also beneficiaries under Cycles I and II of the 2023-2027 long-term incentive plan (note 7). Assuming 100% delivery of the targets associated with Cycles I and II of that plan, they would receive 947 thousand ENCE shares and €77 thousand in cash in 2026 corresponding to Cycle I and 365 thousand ENCE shares and €28 thousand in cash in 2027 corresponding to Cycle II.

Elsewhere, the key management personnel in the Renewables business are beneficiaries under the Magnon Group's 2021-2025 long-term incentive plan (note 7). Assuming full delivery of the targets to which that incentive scheme is tied, they stand to receive €1,082 thousand in 2026. They are also beneficiaries of an extraordinary bonus associated with the value of the business being developed by Magnon Green Energy, S.L. and its subsidiaries in 2028. If the targets to which that incentive is tied are fully met, those executives stand to receive €2,450 thousand.

29. Transactions with Group companies and related parties

29.1 Transactions with investees accounted for using the equity method and resulting balances

The period-end balances outstanding with investees accounted for using the equity method:

	€ 000		
30 June 2024	Current loans	Current receivables (note 20)	Current payables (note 21)
Oleoenergía de Puertollano, S.L.	12	-	-
Capacitación de Servicios Forestales, S.L.	-	643	1,649
	12	**643**	**1,649**

The transactions performed with investees accounted for using the equity method of consolidation in the first half of 2024 were as follows:

	€ 000		
First half 2024	Services rendered	Purchases	Operating expenses
Capacitación de Servicios Forestales, S.L.	455	87	1,847
	455	**87**	**1,847**

29.2 Balances and transactions with related parties

The balances outstanding with non-controlling interests at 30 June 2024 are as follows:

	€ 000						
30 June 2024	Non-current financial assets (note 22.2)	Current financial assets (note 22.2)	Current loans	Current receivables (note 20)	Non-current borrowings	Current borrowings	Current payables (note 21)
Woodpecker Acquisitions S.á r.l.	15,223	2,657	-	-	35,974	555	-
San Miguel Arcángel, S.A.	-	-	-	-	-	-	2,224
Aceites y Energía Santamaría, S.A.	-	-	-	48	-	-	1,719
Ancen Solar IV, S.L.	-	-	214	-	-	-	-
	15,223	**2,657**	**214**	**48**	**35,974**	**555**	**3,943**

Woodpecker Acquisitions, S.á.r.l. extended its subsidiary, MAGNON, a loan in the amount of €31,106 thousand in the first half of 2024.

The transactions carried out with non-controlling shareholders in the first half of 2024:

	€ 000			
First half 2024	Sales	Purchases	Operating expenses	Finance costs
Woodpecker Acquisitions S.á r.l.	-	-	-	311
San Miguel Arcángel, S.A.	-	1,785	-	-
Aceites y Energía Santamaría, S.A.	309	2,503	252	-
	309	**4,288**	**252**	**311**

29.3 Transactions with directors

ENCE had no balances outstanding with its directors at 30 June 2024. Moreover, ENCE did not perform any transactions with its directors in the first half of 2024.

30. Environmental management

Respect for the environment is intrinsic to ENCE's purpose and is embedded in the commitments and rules of engagement set down in its Code of Conduct and Sustainability Policy.

ENCE's environmental commitments are borne out, first and foremost, in its strategic approach to its business activities.

- ✓ The production of pulp from timber sourced locally from forests managed sustainably has positive impacts on the environment by bringing to market products that are natural, renewable, recyclable and good substitutes for fossil-fuel-based products such as plastics. Moreover, ENCE's forestry activity not only helps capture carbon from the atmosphere, it also protects biodiversity and other forestry ecosystem services.

- ✓ In designing new products, ENCE strives to reduce their environmental footprint and help reduce the environmental impacts derived from its customers' manufacturing process. A good example of that approach is the development of Naturcell, a pulp product which does not require bleaching, thanks to which it consumes smaller amounts of materials, water and energy per unit of output than standard pulp.

- ✓ 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.

- ✓ With its renewable energy activities, ENCE contributes to the decarbonisation of the national generation mix. Moreover, the recovery and reuse of agricultural biomass prevents the harmful diffuse emissions associated with uncontrolled burning of crop waste in the rural environment. In the first half of 2024, ENCE also continued to develop its industrial heat business which provides industrial customers with decarbonisation solutions based on the generation of heat from renewable sources. With this business, ENCE is helping sectors that are hard to electrify to reduce their carbon footprints.

- ✓ Framed by its diversification strategy, ENCE looks for business opportunities aligned with its circular bioeconomy model. That was what prompted it to set up a new subsidiary (Ence Biogás) to produce biomethane and fertilisers from organic waste. This new business line, based on the recovery of farming and breeding waste, will not only address the waste management issue but will transform it into value-added products such as organic fuels and fertilisers with smaller environmental footprints than their chemical counterparts.

In addition to helping protect the environment through its business activities, ENCE is committed to framing its manufacturing processes with environmental considerations: it uses best available techniques and continuous improvement methodology to reduce the environmental impact of its activities in terms of material consumption, waste generation, emissions, effluents, noise and odours.

ENCE's commitment translates into significant investments to introduce prevailing best available techniques and improve process efficiency. The amount of capital expenditure incurred in each line of business during the first half of 2024 is shown below:

	€ 000
Pulp	3,278
Renewables	648
	3,926

The Group also strives to continually improve its environmental performance, an effort which is spearheaded by its senior management and shared by the entire organisation. However, ENCE is aware that its environmental footprint transcends its direct operations, which is why it extends its environmental commitment to every link in its value chain: from its forestry activities to its pulp production and energy generation activities, emphasising the potential environmental impacts of its supply chain and urging its suppliers to similarly meet the highest standards of environmental excellence.

Compliance and best available techniques

Although the Company's ambition is to go beyond its legal obligations, ENCE's environmental commitment first and foremost entails stringent and exhaustive compliance with prevailing legislation, which stipulates the requirements to be met by all of the activities related with the production of pulp and the generation of power from renewable sources, and to adapt for the best available techniques (BAT) defined in the sector BREF (Best Available Techniques Reference Document for the pulp and paper industry, 2014) approved by the European Parliament's ENVI Committee and the Best Available Techniques (BAT) Reference Document for Large Combustion Plants (LCPs) - Industrial Emissions Directive 2010/75/EU (2017).

All of ENCE's industrial facilities have integrated environmental or sector permits, which establish facility operating requirements from an environmental standpoint. Those permits also set emissions limits for each facility, as well as surveillance plans in respect of all relevant environmental parameters. ENCE deploys all measures within its reach to meet or even surpass the limits set in the permits and reports to the corresponding authorities on its performance in this respect on a regular basis. ENCE's integrated permits are on public record in the corresponding regional government registers.

Environmental management model and system

ENCE's environmental management principles are set down in its Management Policy and aim to lift its performance beyond compliance with prevailing legislation, prioritising prevention, taking a precautionary stance and upholding continuous improvement principles. ENCE implemented its total quality management (TQM) programme over 15 years ago as its standard for cultural and management transformation, addressing matters related to sustainability, quality, health and safety, environmental protection and pollution prevention as one. Under the scope of that model it has a dedicated environmental policy, which defines the Group's general objectives in this area and a series of annual key improvement targets focused on a range of environmental thrusts:

- Reducing odour pollution
- Reducing noise
- Reducing air quality impact
- Reducing wastewater impact
- Lifting energy efficiency

- Reducing water consumption
- Reducing the consumption of raw materials
- Reducing waste generation and increasing recovery ratios
- Improving the management governance

Under the scope of this TQM model, the Group has developed the operating standards (procedures, etc.) needed to control and manage potential environmental impacts. Under the scope of that model, and in line with the annual improvement targets, the Group executes improvement plans in response to specific issues (PDCA cycle) or to generally improve day-to-day management and control over process stability (SDCA cycle) so as to improve its facilities' environmental performance.

ENCE also has an integrated management system to ensure all of its business activities are aligned with its Management Policy. That system complies with the following international standards:

- UNE-EN-ISO 9001 - quality management
- UNE-EN-ISO 14001 - environmental management
- UNE-EN-ISO 45001 - workplace health and safety management
- UNE-EN-ISO 50001 - energy management

It is certified by an accredited organism that carries out the corresponding audits.

The Pontevedra and Navia biomills were pioneers in their respective regions in obtaining certification under Regulation (EC) No. 1221/2009 on the Community eco-management and audit scheme (EMAS). To be included in that register, facilities have to have their environmental statements audited by a certified independent verifier every year; those statements provide an account of their key performance indicators, annual targets and delivery thereof. In early 2024, both pulp biomills also obtained ISO 22001 certification for their food safety management.

Other environmental excellence certifications

ENCE's biomills' excellent environmental records allow them to affix the Nordic Swan Ecolabel to their pulp products. Obtained following a rigorous assessment of the environmental impact of ENCE's products throughout their entire life cycle, this ecolabel promises compliance with the seal's stringent requirements in the areas of climate change mitigation, energy efficiency and resource consumption (water, chemical products and raw materials). The pulp made at ENCE's biomills has also been certified as a qualifying raw material in accordance with Commission Decision (EU) 2019/70 of 11 January 2019 establishing the EU Ecolabel criteria for graphic paper and the EU Ecolabel criteria for tissue paper and tissue products.

Attesting to its circular economy achievements, all of ENCE's industrial facilities boast AENOR Zero Waste management certification. That seal distinguishes facilities that stand out for their waste management and recovery efforts, recouping at least 90% of their waste.

ENCE has had a management system to demonstrate the sustainability criteria of the biomass consumed in its facilities under the SURE scheme since 2021. That certification system is one of the tools developed to ensure compliance with its requirements under the Renewable Energy Directive (Directive (EU) 2018/2001), the European rules stipulating stringent sustainability criteria for biomass used to generate power.

In 2023, Ecovadis awarded ENCE its platinum medal, the highest accolade given by this platform specialised in assessing companies' sustainability performance. The score obtained by ENCE puts it at the global forefront in sustainability matters. Indeed, ENCE ranked in the 99th percentile, out ahead of its sector peers. During the first half of 2024, ENCE once again proved its credentials as a global sector leader around environmental, social and governance matters when Morningstar Sustainalytics, a leading independent ESG research, ratings and analytics firm, awarded it an ESG score of 93 out of 100 points.

Transitioning to a circular economy

ENCE is contributing to the transition to a circular economy by selling products made using renewable sources of energy, such as pulp, that its customers then use to make end products that are recyclable and biodegradable. In addition, in its Renewables business, it provides a solution for managing agricultural and forestry waste by recovering biomass to generate energy and close the loop in sectors of tantamount importance to the rural economy.

ENCE applies circular economy principles in its own productive processes, searching for new ways to reduce its unit consumption of materials, particularly water, and recover as much waste as possible. It is also working to recover waste such as slag and ash by converting them into subproducts and find niches to give these products a new lease of life.

Climate change and carbon footprint mitigation

ENCE's business model helps combat climate change directly: thanks to the power it generates from renewable sources (electricity and industrial heat), it is supporting Spain’s energy model transition, contributing a type of energy - that generated from biomass - that is not only renewable but is also manageable, a trait other renewable generation technologies do not present. Moreover, the use of surplus biomass represents a sustainable energy alternative with major environmental and emissions-reducing benefits and contributes to the transition towards a low-carbon energy model, in line with European Union guidelines and Spanish energy policy.

Meanwhile, with its pulp-making business, ENCE is helping to change society's consumption patterns by offering renewable, recyclable products with smaller carbon footprints than alternative big-footprint products such as plastic.

In parallel to the contribution it makes through its business model, ENCE is working to reduce the greenhouse gas emissions generated by its operations. To that end, in 2023 it defined a new decarbonisation roadmap to 2035, setting reduction targets aligned with the milestones set in the Paris Agreement. Framed by this plan, the Navia biomill has managed to replace some of its fossil fuel consumption in its lime furnaces with biomethanol, a renewable biofuel produced from the anaerobic digestion of biomass, and is researching how to replace more of that consumption with biomass that is shredded to further reduce the facility’s direct emissions. At the Pontevedra biomill similar lines of work are underway with the aim of similarly reducing the use of fossil fuels in its lime furnaces.

Sustainable forestry management

ENCE is as the leading private forest manager and a key player in the timber-based product market in Spain, with close to 70,000 hectares of forest land under its management.

ENCE manages the forest value chain end-to-end (from plantation to harvesting of forest assets); those assets include forest land it owns and acreage operated under consortia and leased from third parties. ENCE makes sizeable investments in the forests its manages every year. Those investments encompass forestry care, reforestation, infrastructure upgrade and fire protection work and income payments and constitute a significant contribution to rural communities.

Complementing the management of its own forest land, ENCE continues to reinforce its policy of purchasing standing timber (where ENCE is responsible for purchase from the owner, administrative and regulatory certification, harvesting and transport of the timber), as well as timber straight from suppliers (where ENCE purchases directly from timber traders).

In both cases - forest management and purchases from third parties - the management and sustainability requirements are identical and are framed by an integrated forest management system, which is in turn articulated around applicable regulatory requirements and the benchmark sustainable forestry management and chain of custody standards: FSC® (Forest Stewardship Council®) (with license numbers FSC®-C099970 and FSC®-C081854) and PEFC (Programme for the Endorsement of Forest Certification) (with license numbers PEFC/14-22-00010 and PEFC/14-33-00001).

ENCE ensures that all the raw materials sourced for the production of timber and energy, whether produced on owned forests or purchased from third parties (standing timber and directly from traders), comply with prevailing legal and regulatory requirements. ENCE applies the European due diligence regulation with respect to the legal origin of timber (EUTR) and drives its adoption all along its supply chain, ensuring that end products always come from traceable sources in stringent compliance with applicable legal requirements. More specifically, ENCE is working intensely with all the sector players to implement best oversight techniques in this respect and to share them with its partners, with which it engages continuously with the aim of communicating the desirable and expected management requirements, including voluntary aspects (essentially social and environmental) aimed at achieving forest asset longevity, impact minimisation, structural and specific diversity preservation, alternative uses for goods and services, ongoing innovation, forestry extension principles in rural areas, active engagement with stakeholders and forest certification. In 2024, ENCE is also preparing for compliance with the new European Regulation on deforestation-free products (EUDR), collaborating at all levels of government on its deployment, while implementing the new due diligence procedure.

As a result of these efforts, the percentage of certified timber has been increasing steadily and stood at over 77% by the end of the first half. As for the forests under its management, around 87% of the certifiable land area managed by ENCE is certified under one or other scheme.

In addition to fostering certified sustainable forestry management, ENCE undertakes research and development work in the following areas: best forestry care practices; enhanced plants suited for emerging climate conditions; and innovative methods for waging biological warfare against the pests and diseases that affect the eucalyptus.

The universe of R&D activities undertaken in fields related with ENCE's direct business interests constitute an important source of technical support and know-how which ENCE strives to share with the sector via forums and talks. Specifically, the Company shares know-how related with aspects such as forest care, plant selection, pest control, legal compliance and forestry certification with owners, suppliers and the sector in general, feeding a continuous debate about how to improve the sector, to which end the authorities and civil society are similarly engaged.

Sustainable management of biomass procurement

In 2024, ENCE reinforced its position as a benchmark buyer of agricultural and forestry biomass for power generation purposes. It ensures that the biomass it supplies to its facilities meets the required standards designed to ensure it is used sustainably. In the first half of 2024, ENCE renewed SURE certification at all its facilities (biomills and independent energy plants), so complying with its requirements under the Renewable Energy Directive (Directive (EU) 2018/2001). The latter stipulates the criteria to be met by all biomass used in the bioenergy sector with the aim of ensuring its sustainability, an appropriately balanced mix, the reduction of greenhouse gas emissions and energy efficiency.

SURE certification encompasses the entire biomass management process end to end, specifically including biomass sourcing (agricultural land, forests or industrial waste), the supply chain itself, logistics at the facilities and plants and the production of renewable energy. All of which well-oiled to ensure maximum efficiency.

In the first half, in addition to renewing this certification at all its facilities, ENCE continued to work on encouraging its suppliers to obtain certification, so achieving the certified biomass consumption milestones required by law.

ENCE Pulp

Navia biomill

In 2019, the Navia biomill upgraded and optimised the facility's technology. That work included the implementation of best available practices in a significant number of productive processes, increasing its nominal capacity by 80,000 ADt, while also improving the biomill's environmental performance by enhancing equipment and system technology throughout the productive process, framed by the BREF best available techniques. The results of that environmental upgrade effort have materialised over the course of the project's execution in the form of higher-quality discharges and lower emissions.

As for wastewater volumes, ENCE's Master Sustainability Plan prioritises management and improvement of its water footprint in terms of both its consumption and the quality of its discharges. The biomills have been working towards specific unit consumption reduction targets (m^3 per tonne of pulp produced) for several years already. Since 2022, the Navia biomill has been executing an ambitious plan for reducing its water consumption, notably including the following process improvement initiatives: circuit closures; reuse of condensates; recovery of water from backwashing; reuse of water from the scrubbers, among others. Thanks to these initiatives, the Navia biomill has recorded its best ever performance in this KPI, reducing its unit water consumption by around 21% in the first half of 2024 by comparison with year-end 2021 levels.

In terms of wastewater quality, improvements were introduced at the treatment plant in order to facilitate water filtering by enhancing the biological system, while also improving the aeration and refrigeration systems. The investments also included a new primary effluent treatment system comprising a new dissolved air flotation (DAF) unit (replacing the existing decanter), enabling more efficient separation of particles suspended in the effluents by injecting tiny air bubbles, whereby the suspended matter adheres to the bubbles on their way up, floating towards the upper separation system. This investment has unlocked a significant reduction in the ratio of total suspended and organic matter in this biomill's wastewater per tonne of pulp produced.

The pulp production process generates reduced sulphur compounds which, if not properly treated, can leave a pungent smell in the vicinity of the biomills. Aware of the importance of adequately managing this environmental impact in order to maintain its social licence to operate, ENCE is prioritising minimisation of those smells around its biomills, having launched its Zero Odour Plan a decade ago already. Thanks to the initiatives undertaken under the scope of that plan, both biomills have continued to mark new records. Nevertheless, ENCE continues to set new targets year after year and in the first half of 2024 further improved on its 2023 metrics at both facilities.

In the first half of 2024, the Navia biomill carried out a project for controlling diffuse odour sources with measures such as odour abatement in the vicinity of the DAF unit and in the neutralisation sump by placing hoods over the tanks in these facilities and channelling their condensation to dedicated processing systems. Thanks to these initiatives and improved process operation and controls, in the first half of 2024 the related indicators continued to improve palpably: odour, measured in minutes, decreased by 26% from year-end 2023 levels.

In 2023, the Navia biomill renewed certification of its management system in accordance with the Zero Waste Regulation requirements stipulated by AENOR, Spain's certification body. Navia was one of the first companies in Spain to obtain this certificate, with recovery ratios of close to 97%. That certification complements the others already constituting the externally audited integrated management system. The latest renewal reviews did not reveal any shortcomings and endorse ENCE's excellent environmental process management.

In the first half of 2024, the biomill’s environmental management system was also successfully audited under ISO 14001/2015; compliance was verified with the requirements stipulated in Regulation (EC) No. 1221/2009 of the European Parliament and of the Council on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS), Regulation (EC) No. 1505/2017 and Regulation (EU) No. 2026/2018, which amend the former; and its 2023 Environmental Statement was verified. That audit confirmed the validity of the statement and compliance with those regulatory requirements, evidencing the organisation's strategic commitment to continuous improvement and its determination to comply with environmental regulations and adapt for best available practices (BREF), and demonstrating that the active involvement of the entire organisation in the environmental control and performance areas is translating into tangible results.

Energy efficiency is another top priority at the Navia biomill. To that end, in the first half of 2024, it re-audited its energy management system under the international ISO 50001 standard, renewing its certification. That certification endorses ENCE's energy policy and its ability to adequately manage the energy aspects related with the biomill's activities, translating into real and quantifiable savings in energy costs.

In 2021, the Navia biomill implemented a management system to demonstrate the sustainability criteria of its biomass under the SURE scheme. That certification system is one of the tools developed to ensure compliance with its requirements under the Renewable Energy Directive (Directive (EU) 2018/2001) (RED II), the European rules stipulating stringent sustainability criteria for biomass used to generate power.

The monitoring and improvement of emissions metrics is another of ENCE's environmental management targets across all its facilities. The Navia biomill has continuous measurement systems to monitor the main emissions parameters and ensure not only that they not do breach the limits set in the integrated permit but actually come down steadily over time, framed by the integrated management system predicated on continuous improvement.

The most noteworthy development in relation to the emissions from the lime furnaces at the Navia biomill is that since July 2023, the facility has been using technology for the use of biomethanol produced via the anaerobic digestion of waste streams as an alternative biofuel, partly replacing the fossil fuels traditionally used there, so reducing the biomill’s greenhouse gas emissions. Work is currently underway to reduce additional fossil fuel consumption in the furnaces with other biofuels.

Pontevedra biomill

The Pontevedra biomill strategically prioritises harmonious coexistence with and respect for the communities surrounding its facilities to ensure its social licence to operate. That is why its priority environmental targets include aspects that could affect the neighbouring communities, such as noise impact, air quality and odour impacts.

It therefore continues to execute Zero Odour Plan initiatives, an effort that delivered a 55% reduction in odour measured in minutes by comparison with 2022. That means the odour perceived from the complex continues improve: emissions from channelled sources have declined by over 99% since the project got underway in 2010.

Responsible management of water resources is a cornerstone of the sustainability strategy, to which end ENCE is working to rationalise consumption and improve the quality of its wastewater. Thanks to the TQM methodology and process fine-tuning to boost efficiency and maximise the reuse of water, a new milestone was attained in 2023 when the facility recorded consumption of 26.0m³ per tonne of pulp, a new record low in the biomill's history.

Also, to enhance the Pontevedra biomill's resilience to episodes of reduced flow in the Lérez River, ENCE has installed a reverse osmosis system, which is currently in the process of being commissioned and will enable the recirculation of some industrial wastewater for use in the manufacturing process. These measures are designed to ensure business continuity at the biomill during episodes of drought, so mitigating this risk.

As for its wastewater, in the first half of 2024, the Pontevedra biomill defended the results attained in prior years. All of the biomill's wastewater readings came in well below the limits set in its permit, notable among which its chemical oxygen demand (COD) - the key measure of wastewater quality - which outperformed the limit set in the corresponding permit by 57%, coming in at 3.0 kg/ADt, compared to the stipulated cap of 7 kg/ADt.

The trend in that metric confirms the progress the biomill has made on improving the quality of its end wastewater. Note, additionally, that COD in Pontevedra is 85% better than the upper end of the reference range set for this parameter in the pulp sector BREF.

As for the circular economy thrust, given that the raw materials used are natural and renewable, the vast majority of the waste generated can be recovered and used to make technical flooring. That enabled the Pontevedra biomill to renew its AENOR's Zero Waste certification, which distinguishes organisations that reuse the various waste fractions they generate, avoiding the use of landfills, in 2024. The Pontevedra biomill was the first of ENCE's facilities to obtain that seal. In the first half of 2024, it recovered 99% of its waste.

Emissions abatement is another key environmental target at ENCE. Therefore, another of the biomill's targets is to monitor and improve its emissions metrics. To that end, it has been equipped with continuous measurement systems that monitor the main emissions parameters, ensuring not only that they do not breach the limits set in the integrated environmental permit but actually come down steadily over time, framed by the integrated management system predicated on continuous improvement.

ENCE's commitment to environmental sustainability is also evident in the fact that the Pontevedra biomill is certified under ISO 50001. That certification attests to the fact that ENCE as an organisation takes a systematic approach to the performance, acquisition and consumption of energy during its production process and endorses the biomill's environmental excellence.

The Pontevedra biomill also has a management system to demonstrate the sustainability criteria of its biomass under the SURE scheme.

Renewables business

In the first half of 2024, the Renewable Energy business worked on a number of key environmental improvement targets, leveraging its TQM methodology. Those targets included re-certifying all of the plants' environmental management systems under the UNE 14001 standard in May. Targets were set for reducing water consumption, improving air quality and waste management and cutting noise levels.

The risks at all of the energy plants were analysed during the first half of 2024 paving the way for their management and mitigation (taking the "as low as reasonably practicable" (ALARP) approach).

Progress was made in parallel on several waste recovery projects that will give a second use to non-hazardous waste generated at the plants.

Framed by the Master Sustainability Plan, the following initiatives undertaken in the first half stand out:

- Preparation of the Decarbonisation Plan, setting carbon emissions reduction targets and identifying abatement actions

- Update of the air quality plans at all of the plants
- Preparation of the corporate water map, identifying the key lines of initiative requiring prioritisation and setting a water consumption reduction pathway to 2028

Circular economy

The first half of 2024 was marked by continuation of the milestones achieved in 2023 to recover more waste and give the non-hazardous waste generated at the energy plants a new life.

The Management Committee also approved the Circular Economy Policy, a fundamental pillar for continuing the work underway to certify ENCE under AENOR's Circular Economy Strategy Model.

At the energy plants, work has continued on several research projects for the recovery of slag and ash for the purpose of giving them a new use, for example as organic improvers or artificial gravel, among others. The following initiatives stand out:

- ✓ Further steps were taken to get the ash generated in Huelva classified as a subproduct to replace the paste fill used in underground mining operations. After the regional government of Andalusia indicated its intention to give this permission in the fourth quarter of 2023, progress was made with the company that will offtake the subproduct to establish the two companies' operating terms and conditions. Steps have also been taken to have the ash at another plant Huelva (HU-41) classified as a subproduct.
- ✓ Work also continued with a number of associations from other sectors (manufacturers of aggregates, asphalts and cement and mining companies) to analyse the scope for incorporating ENCE's materials into different productive processes, so sparking cross-sector industrial symbiosis.
- ✓ Within its continuous improvement thrust, ENCE continues to champion high-potential RDI projects such as its pilot plant for the creation of technical flooring designed to remedy the area surrounding mining operations thanks to artificial flooring created mainly from waste products at ENCE's facilities.
- ✓ The initiative launched in 2022 for returning the fine materials that come with biomass to where they came from, in order to prevent soil degradation as a result of farming and forestry activities, continued. That initiative returns a natural material of value in combatting desertification and soil degradation. In the first half of 2024, a new strategy was devised for minimising the volume of fine materials incoming into the plant, so reducing the need to return these materials to where they came from.
- ✓ Tests have begun with different companies that will offtake our ash and slag throughout the year under new collaboration agreements.

The Group carries out studies in partnership with specialist entities, such as CSIC (Upper Council of Scientific Research) in order to continue to explore the scope for using the waste produced in the combustion of biomass in other processes, such as the production of artificial and/or technical flooring, mortar, construction material reinforcements and resin additives, among others.

Attesting to its circular economy achievements, since 2022, ENCE has held AENOR Zero Waste management certification at all its facilities. That seal distinguishes facilities that stand out for their waste management and recovery efforts, recouping at least 90% of their waste.

Huelva Operations Centre

The Huelva operations centre is a prime example of the production of power from biomass as it is home to two of the most important plants (HU41 and HU50), along with the new build (HU46).

On the environmental front, all of this facility's wastewater readings, both the volume discharged and the main effluents and air quality readings, remained below the thresholds stipulated in the environmental permit.

Merida Operations Centre

In the first half of 2024, Merida kept its environmental readings at the levels stipulated in its environmental permit and at the levels targeted for 2024.

Enemansa operations centre

Although this facility was not operative in the first half of 2024 it did comply with its applicable environmental parameters.

This plant has adapted for the BATs for large combustion plants. Its advanced NOx emission filtering system, called a selective catalytic reduction (SCR) system, stands out.

La Loma operations centre

This facility continued to meet its environmental parameters in the first half of 2024.

As for emissions, aware of the air quality situation in the nearby town, Villanueva del Arzobispo, the plant boasts excellent results in terms of the particle emissions from the biomass plant. The plant reported noteworthy improvements in all its key environmental performance indicators: emissions, effluents and waste management.

Lucena operations centre

The work to modify the discharge point continued during the first half of 2024 and this centre continued to comply with the parameters stipulated in its environmental permit.

Biollano operations centre (Puertollano)

Work continued to focus on reducing emissions at Biollano in 2024.

31. Events after the reporting date

On 11 July 2024, Magnon Green Energy, S.L. (“MAGNON”) entered into a loan agreement with a syndicate of 14 entities in the amount of €170 million, additionally obtaining a revolving credit facility of €20 million, broken down as follows:

	€ 000			Interest
	Undrawn	Drawn	Maturity	rate
Tranche 1	68,000	68,000	Jul-2031	2.00%-2.75% (i)
Tranche 2	72,000	72,000	Jan-2032 (ii)	3% (i)
Tranche 3	30,000	30,000	Jan-2032 (ii)	5.82%
Tranche 4	20,000	-	Jul-2031	1.25%-2.00% (i)
	190,000	**170,000**		

(i) 6-month Euribor plus a spread. In the tranches provided by the banks, the rate varies as a function of the leverage ratio across the entities comprising the scope of the financing agreement.

(ii) Due in a single bullet payment on the date indicated.

This financing is secured mainly by pledges over the shares in Celulosa Energía S.A.U., Ence Energía Puertollano, S.L.U., ENCE Energía Huelva, S.L.U., Ence Energía Huelva Dos S.L.U., ENCE Energía Extremadura, S.L.U. and Magnon Biomasa, S.L., as well as their current and future assets and credit claims.

The financing similarly includes certain obligations, which are customary in these types of facilities, mainly related to the disclosure of specific business and financial information and compliance with certain solvency and profitability ratios. The covenants include compliance with ratios tied with borrowings, equity and cash flow generation (in order to be able to pay dividends).

The commissions paid and other charges incurred to arrange this funding totalled €5.5 million.

In order to hedge the risk deriving from this floating-rate facility, MAGNON will arrange interest rate swaps that cover 70% of the balance drawn down. The interest rate swaps arranged to hedge the refinanced borrowings have been cancelled (note 23).

The transaction is expected to close and fund between 30 July 2024 and 2 August 2024. The proceeds will be used to cancel the financing drawn down by MAGNON, which was arranged in 2018, and to finance MAGNON's operations and general needs. The terms and conditions permit the distribution of €25 million to offset the bridge loan extended by MAGNON's shareholders in order to tide this subsidiary over until implementation of the energy sector regulatory changes applicable to MAGNON's plants.

No other significant events have taken place since 30 June 2024, other than those already disclosed in these interim condensed consolidated financial statements, that would imply having to modify them.

Appendix I – Condensed Consolidated Financial Information for the PULP and RENEWABLES Businesses

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY BUSINESS AT 30 JUNE 2024 AND 31 DECEMBER 2023

	30 June 2024				31 Dec. 2023			
€ 000	Pulp	Renewables	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewables	Adjustments & Eliminations	CONSOLIDATED TOTAL
NON-CURRENT ASSETS:								
Intangible assets	18,440	33,656	(11,847)	40,249	17,657	33,744	(12,135)	39,266
Property, plant and equipment	610,994	371,477	(6,944)	975,527	617,490	378,977	(7,468)	988,999
Biological assets	65,379	228	-	65,607	66,907	204	-	67,111
Investments accounted for using the equity method	(5)	9	-	4	33	1	-	34
Non-current financial assets:								
Securities portfolio	113,963	-	(113,963)	-				
Loans to group companies and associates	44,425	-	(44,425)	-				
Hedging derivatives	-	302	-	302	-	1,310	-	1,310
Other financial assets	27,055	29,710	-	56,765	27,684	33,590	-	61,274
Deferred tax assets	30,664	26,962	2,973	60,599	37,990	26,963	3,045	67,998
	910,915	**462,344**	**(174,206)**	**1,199,053**	**903,994**	**474,789**	**(152,791)**	**1,225,992**
CURRENT ASSETS:								
Inventories	53,281	15,887	-	69,168	54,831	17,271	-	72,102
Trade and other receivables	76,053	19,960	(8,013)	88,000	33,406	5,308	(1,972)	36,742
Other taxes receivable	19,556	2,651	-	22,207	6,107	2,206	-	8,313
Income tax receivable	4,844	9,892	-	14,736	4,844	10,149	-	14,993
Current financial assets:								
Loans to group companies and associates	14	808	(596)	226	230	68	(286)	12
Hedging derivatives	593	1,782	-	2,375	1,056	1,719	-	2,775
Other financial assets	6,676	38	-	6,714	5,138	25	-	5,163
Cash and cash equivalents	220,649	46,556	-	267,205	311,227	21,805	-	333,032
Other current assets	6,965	1,994	-	8,959	1,184	166	-	1,350
	388,631	**99,568**	**(8,609)**	**479,590**	**418,023**	**58,717**	**(2,258)**	**474,482**
TOTAL ASSETS	**1,299,546**	**561,912**	**(182,815)**	**1,678,643**	**1,322,017**	**533,506**	**(155,049)**	**1,700,474**

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY BUSINESS AT 30 JUNE 2024 AND 31 DECEMBER 2023

	30 June 2024				31 Dec. 2023			
€ 000	Pulp	Renewables	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewables	Adjustments & Eliminations	CONSOLIDATED TOTAL
EQUITY:								
Share capital	221,645	22,795	(22,795)	221,645	221,645	22,795	(22,795)	221,645
Share premium	170,776	91,168	(91,168)	170,776	170,776	91,168	(91,168)	170,776
Reserves	132,944	(3,282)	(16,565)	113,097	159,687	(4,393)	(18,045)	137,249
Translation differences	33	-	-	33	13	-	-	13
Own shares - parent company shares	(12,104)	-	-	(12,104)	(12,980)	-	-	(12,980)
Valuation adjustments	39,488	1,103	-	40,591	39,268	1,483	-	40,751
Other equity instruments	3,537	-	-	3,537	1,328	-	-	1,328
Consolidated profit/(loss) for the period	34,014	(8,284)	740	26,470	(27,309)	1,111	1,478	(24,720)
Equity attributable to equity holders of the parent	**590,333**	**103,500**	**(129,788)**	**564,045**	**552,428**	**112,164**	**(130,530)**	**534,062**
Non-controlling interests	**-**	**108,541**	**-**	**108,541**	**-**	**115,527**	**-**	**115,527**
TOTAL EQUITY	**590,333**	**212,041**	**(129,788)**	**672,586**	**552,428**	**227,691**	**(130,530)**	**649,589**
NON-CURRENT LIABILITIES:								
Borrowings	338,300	90,200	-	428,500	349,586	90,645	-	440,231
Derivative financial instruments	1,196	-	-	1,196	3,441	-	-	3,441
Grants	7,879	674	-	8,553	5,535	483	-	6,018
Non-current provisions	28,600	117	-	28,717	28,149	139	-	28,288
Non-current accruals and deferred income	11	2,668	-	2,679	11	2,702	-	2,713
Other non-current liabilities	29,063	63,439	-	92,502	30,320	66,407	-	96,727
Borrowings from group companies and associates	-	80,399	(44,425)	35,974	-	27,138	(22,270)	4,868
	405,049	**237,497**	**(44,425)**	**598,121**	**417,042**	**187,514**	**(22,270)**	**582,286**
CURRENT LIABILITIES:								
Borrowings	107,768	23,974	-	131,742	150,251	34,703	-	184,954
Derivative financial instruments	770	-	-	770	593	-	-	593
Current borrowings from related parties	582	569	(596)	555	53	477	(286)	244
Trade and other payables	149,793	74,689	(8,006)	216,476	153,621	72,356	(1,963)	224,014
Income tax payable	3,170	50	-	3,220	30	14	-	44
Other taxes payable	7,879	5,262	-	13,141	7,161	2,004	-	9,165
Other current liabilities	2,150	5,634	-	7,784	2,073	5,329	-	7,402
Current provisions	32,052	2,196	-	34,248	38,765	3,418	-	42,183
	304,164	**112,374**	**(8,602)**	**407,936**	**352,547**	**118,301**	**(2,249)**	**468,599**
TOTAL EQUITY AND LIABILITIES	**1,299,546**	**561,912**	**(182,815)**	**1,678,643**	**1,322,017**	**533,506**	**(155,049)**	**1,700,474**

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS BY BUSINESS FOR THE SIX MONTHS ENDED 30 JUNE 2024 AND 2023

	First half 2024				First half 2023			
€ 000	Pulp	Renewables	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewables	Adjustments & Eliminations	CONSOLIDATED TOTAL
Continuing operations:								
Revenue	357,611	86,723	(1,593)	442,741	335,117	125,685	(1,989)	458,813
Gains/(losses) on hedging transactions	300	-	-	300	(730)	-	-	(730)
Changes in inventories of finished goods and work in progress	(874)	(965)	-	(1,839)	4,320	(6,761)	-	(2,441)
Self-constructed assets	6,087	1,319	-	7,406	5,216	1,397	-	6,613
Other operating income	1,338	397	(621)	1,114	5,757	371	(625)	5,503
Grants taken to profit and loss	3,500	841	-	4,341	3,845	1,516	-	5,361
Operating income subtotal	367,962	88,315	(2,214)	454,063	353,525	122,208	(2,614)	473,119
Cost of sales	(175,334)	(33,257)	1,593	(206,998)	(183,548)	(40,592)	1,990	(222,150)
Employee benefits expense	(45,809)	(11,400)	-	(57,209)	(43,264)	(10,061)	-	(53,325)
Depreciation and amortisation charges	(28,676)	(16,400)	808	(44,268)	(26,216)	(17,542)	808	(42,950)
Depletion of forest reserve	(6,289)	-	-	(6,289)	(5,033)	-	-	(5,033)
Impairment of and gains/(losses) on disposal of fixed assets	(656)	1,063	-	407	(505)	254	-	(251)
Impairment of financial assets	(445)	(109)	-	(554)	(652)	(29)	-	(681)
Other operating expenses	(57,974)	(36,773)	625	(94,122)	(98,833)	(39,912)	626	(138,119)
Operating expenses subtotal	(315,183)	(96,876)	3,026	(409,033)	(358,051)	(107,882)	3,424	(462,509)
OPERATING PROFIT	**52,779**	**(8,561)**	**812**	**45,030**	**(4,526)**	**14,326**	**810**	**10,610**
Finance income	5,113	884	(539)	5,458	1,859	456	(333)	1,982
Finance costs	(14,635)	(7,427)	539	(21,523)	(8,380)	(6,892)	333	(14,939)
Change in fair value of financial instruments	89	-	-	89	(457)	-	-	(457)
Exchange differences	857	(5)	-	852	-	-	-	-
NET FINANCE INCOME/(COST)	**(8,576)**	**(6,548)**	**-**	**(15,124)**	**(6,978)**	**(6,436)**	**-**	**(13,414)**
Share of profit/(loss) of entities accounted for using the equity method	(43)	-	-	(43)	2	-	-	2
PROFIT/(LOSS) BEFORE TAX	**44,160**	**(15,109)**	**812**	**29,863**	**(11,502)**	**7,890**	**810**	**(2,802)**
Income tax	(10,146)	204	(72)	(10,014)	2,897	1,200	(72)	4,025
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**34,014**	**(14,905)**	**740**	**19,849**	**(8,605)**	**9,090**	**738**	**1,223**
Profit/(loss) for the period attributable to non-controlling interests	-	6,621	-	6,621	-	(1,195)	(4,197)	(5,392)
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE	**34,014**	**(8,284)**	**740**	**26,470**	**(8,605)**	**7,895**	**(3,459)**	**(4,169)**

(*) 100% from continuing operations

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS BY BUSINESS FOR THE SIX MONTHS ENDED 30 JUNE 2024 AND 2023

	First half 2024			
€ 000	Pulp	Renewables	Adjustments & Eliminations	CONSOLIDATED TOTAL
OPERATING ACTIVITIES:				
Profit/(loss) before tax from continuing operations	44,160	(15,109)	812	29,863
Adjustments for:				
Depreciation, amortisation and depletion (PP&E, intangible assets and forest reserve)	34,969	16,400	(812)	50,557
Changes in provisions and other deferred expense (net)	7,116	1,173	-	8,289
Impairment of and gains/(losses) on disposals of intangible assets, PP&E and financial	654	(1,061)	-	(407)
Adjustments for tariff shortfall/surplus and sector regulations	222	1,800	-	2,022
Finance income and costs (net)	8,865	6,550	-	15,415
Grants taken to profit and loss	(493)	(71)	-	(564)
	51,333	**24,791**	**(812)**	**75,311**
Changes in working capital:				
Inventories	(1,667)	(638)	-	(2,305)
Trade and other receivables	(60,568)	(16,450)	6,041	(70,977)
Financial and other current assets	(1,538)	(13)	-	(1,551)
Trade payables, other payables and other liabilities	(4,754)	8,137	(6,041)	(2,658)
	(68,527)	**(8,964)**	**-**	**(77,490)**
Other cash flows from/(used in) operating activities:				
Interest paid (net)	(10,596)	(6,700)	-	(17,296)
Income tax received/(paid)	(1,687)	(287)	-	(1,974)
	(12,283)	**(6,987)**	**-**	**(19,270)**
Net cash flows from/(used in) operating activities	**14,683**	**(6,269)**	**-**	**8,414**
INVESTING ACTIVITIES:				
Payments for investments:				
Group companies and associates	(21,940)	(740)	22,466	(214)
Property, plant and equipment and biological assets	(24,549)	(8,091)	-	(32,640)
Intangible assets	(2,385)	(855)	-	(3,240)
	(48,874)	**(9,686)**	**22,466**	**(36,094)**
Proceeds from disposals:				
Property, plant and equipment	-	-	-	-
Financial assets	160	899	(2)	1,057
	160	**899**	**(2)**	**1,057**
Net cash flows used in investing activities	**(48,714)**	**(8,787)**	**22,464**	**(35,037)**
FINANCING ACTIVITIES:				
Proceeds from/(payments for) equity instruments:				
Transactions with non-controlling interests	-	-	-	-
Buyback of own equity instruments	(15,239)	-	-	(15,239)
Disposal of own equity instruments	16,678	-	-	16,678
	1,439	**-**	**-**	**1,439**
Proceeds from/(repayments of) financial liabilities:				
Borrowings from related parties	527	53,043	(22,464)	31,106
Notes (net of arrangement fees)	21,600	-	-	21,600
Increase/(decrease) in bank borrowings, net of issuance costs	(73,976)	(12,368)	-	(86,344)
Increase/(decrease) in other borrowings	(2,651)	-	-	(2,651)
Payments for right-of-use assets	(3,486)	(868)	-	(4,354)
Grants received, net	-	-	-	-
	(57,986)	**39,807**	**(22,464)**	**(40,643)**
Net cash flows (used in)/from financing activities	**(56,547)**	**39,807**	**(22,464)**	**(39,204)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(90,578)**	**24,751**	**-**	**(65,827)**
Cash and cash equivalents - opening balance	311,227	21,805	-	333,032
Cash and cash equivalents - closing balance	220,649	46,556	-	267,205

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS BY BUSINESS FOR THE SIX MONTHS ENDED 30 JUNE 2024 AND 2023

	First half 2023			
€ 000	Pulp	Renewables	Adjustments & Eliminations	CONSOLIDATED TOTAL
OPERATING ACTIVITIES:				
Profit/(loss) before tax from continuing operations	(11,502)	7,890	810	(2,802)
Adjustments for:				
Depreciation, amortisation and depletion (PP&E, intangible assets and forest reserve)	31,251	17,542	(810)	47,983
Changes in provisions and other deferred expense (net)	12,940	1,728	-	14,668
Impairment of and gains/(losses) on disposals of intangible assets, PP&E and financial	559	(253)	-	306
Adjustments for tariff shortfall/surplus and sector regulations	(2,470)	(8,087)	-	(10,557)
Finance income and costs (net)	6,465	6,435	-	12,900
Grants taken to profit and loss	(392)	(71)	-	(463)
	48,353	**17,294**	**(810)**	**64,837**
Changes in working capital:				
Inventories	(9,636)	(6,025)	-	(15,661)
Trade and other receivables	(1,237)	13,775	(26,837)	(14,299)
Financial and other current assets	821	-	-	821
Trade payables, other payables and other liabilities	(10,871)	(92,629)	26,837	(76,663)
	(20,923)	**(84,879)**	**-**	**(105,802)**
Other cash flows from/(used in) operating activities:				
Interest paid (net)				
Income tax received/(paid)	(4,452)	(6,444)	-	(10,896)
Long-term remuneration and other plans	(3,932)	(10,149)	-	(14,081)
	(8,384)	**(16,593)**	**-**	**(24,977)**
Net cash flows from/(used in) operating activities	**7,544**	**(76,288)**	**-**	**(68,744)**
INVESTING ACTIVITIES:				
Payments for investments:				
Property, plant and equipment and biological assets	(24,543)	(2,626)	-	(27,169)
Intangible assets	(2,483)	(285)	-	(2,768)
	(27,026)	**(2,911)**	**-**	**(29,937)**
Proceeds from disposals:				
Property, plant and equipment	(79)	-	-	(79)
Financial assets	(522)	406	695	579
	(601)	**406**	**695**	**500**
Net cash flows used in investing activities	**(27,627)**	**(2,505)**	**695**	**(29,437)**
FINANCING ACTIVITIES:				
Proceeds from/(payments for) equity instruments:				
Transactions with non-controlling interests	5,630	-	-	5,630
Buyback of own equity instruments	(34,068)	-	-	(34,068)
Disposal of own equity instruments	34,380	-	-	34,380
	5,942	**-**	**-**	**5,942**
Proceeds from/(repayments of) financial liabilities:				
Borrowings from related parties	1	694	(695)	-
Notes (net of arrangement fees)	(63,300)	(1)	-	(63,301)
Increase/(decrease) in bank borrowings, net of issuance costs	267,275	(14,700)	-	252,575
Increase/(decrease) in other borrowings	(2,259)	-	-	(2,259)
Payments for right-of-use assets	(2,702)	(616)	-	(3,318)
Grants received, net	636	-	-	636
	199,651	**(14,623)**	**(695)**	**184,333**
Dividends and payments on other equity instruments				
Dividends paid to ENCE shareholders	(140,608)	-	-	(140,608)
	(140,608)	**-**	**-**	**(140,608)**
Net cash flows (used in)/from financing activities	**64,985**	**(14,623)**	**(695)**	**49,667**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**44,902**	**(93,416)**	**-**	**(48,514)**
Cash and cash equivalents - opening balance	278,376	134,537	-	412,913
Cash and cash equivalents - closing balance	323,278	41,121	-	364,399

ENCE Energía y Celulosa, S.A. and subsidiaries

Interim Consolidated Management Report for the six months ended30 June 2024

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ENCE Energía y Celulosa, S.A. and subsidiaries

Interim Consolidated Management Report for the six months ended 30 June 2024

1. Introduction

This Consolidated Management Report has been drawn up in keeping with the recommendations included in CNMV (Spain's securities market regulator) Circular 3/2018 on interim reporting by issuers with securities admitted to trading on organised exchanges with respect to half-yearly financial statements, interim management reports and, as warranted, quarterly financial reports. It should be read in conjunction with the Group Management Report for 2023.

An integral part of this interim consolidated management report, and appended thereto, is the Group earnings report for the second quarter of 2024, which includes an analysis of ENCE's business performance during the first half of the year and provides additional details about the markets it operates in and the key trends in the main earnings, cash flow and capital structure indicators. That same report also includes information about ENCE's recent share price performance and the alternative performance measures (APMs) used, which are defined and reconciled with the amounts presented in the condensed consolidated financial statements for the six months ended 30 June 2024.

The reader should also note that the information provided in this interim consolidated management report is complemented by the environmental disclosures provided in note 30.

2. Governance structure

Except for matters reserved for approval by the shareholders in general meeting, the Board of Directors is the highest decision-making body of Ence Energía y Celulosa, S.A. (the "Company"). The Board's policy is to delegate the management of the Company in its executive team and to concentrate its activities on its general supervisory role, without prejudice to the duties that cannot be so delegated, such as approval of the Company's general strategies, investing and financing policies and the remuneration policy applicable to the directors and most senior officers. The Board's actions are guided at all times by the criteria of maximising the value of the Company in the interest of its shareholders, framed by observation of ENCE's sustainability principles, defence of its stakeholders' legitimate interests and surveillance of the impacts its activities have on the community and environment.

The Board of Directors is entitled to delegate duties falling under its purview in committees made up of directors and/or chief executive officer(s), albeit exercising due oversight over such bodies and setting the guidelines under which they should operate.

The Board of Directors is made up of executive, proprietary, external and independent directors. The Board has an Executive Chairman; the chairmanship is currently held by the CEO. The positions of Board Secretary and Vice-Secretary are currently held by two individuals who are not directors.

The Board is supported by an Executive Committee (in which it has delegated all of the powers that can be delegated) and three advisory committees tasked with providing it with information, advice and proposals on the matters falling under their respective remits: the Audit Committee, the Appointments and Remuneration Committee and the Sustainability Committee.

The Chairman & CEO is responsible for the Company's everyday management. He is supported in this work by the Management Committee, specifically the heads of the various business units and corporate departments: the Pulp Operations Officer, the CEO of Magnon Green Energy, S.L., the Financial & Corporate Development Officer, the Human Capital Officer, the Pulp Sales and Logistics Manager, the Financial Controller, the Sustainability Officer and the General Secretary. These officers report directly to the CEO, who sets the guiding lines of initiative within each officer's area of responsibility.

The Company also has an Internal Audit Department and an Ethics & Compliance Department. Both report to the Audit Committee. The Ethics & Compliance Department is tasked with continuously controlling, supervising, evaluating and reviewing compliance with the standards and procedures described in ENCE's Corporate Crime Prevention Protocol. It is also in charge of drawing up plans for remedying, updating, creating or modifying the measures and controls that constitute ENCE's Corporate Crime Prevention and Detection Protocol. Its job is also to analyse and duly record the risks and controls that could affect the Company's departments.

The Operational Excellence Committee is made up of the Chairman & CEO, who chairs it, the members of the Management Committee and the management teams at the pulp biomills and at the energy plants. That committee meets weekly to monitor the pulp biomills' and the independent energy plants' key performance indicators with respect to employee safety, environmental matters, workplace climate, sales matters related with customers and products, operational and cost indicators and matters related with the procurement of timber and biomass.

The Company is the parent of a group of companies (the "Group"), whose management is fully integrated and centralised within the former. In this respect, the Company is the sole director of all of the companies within its Group, except for Magnon Green Energy, S.L., Magnon Servicios Energéticos, S.L. and BIOCH4 DEVELOPMENTS, S.L, which have boards of directors, Ence Biogás, S.L.U. and ENCE CO2, S.L.U. whose sole director is Ence Renovables, S.L., and Silvasur Agroforestal S.A.U. which has two directors, who act joint and severally.

Ence Energía y Celulosa, S.A. owns 51% of the share capital of Magnon Green Energy, S.L. through its subsidiary, Ence Renovables, S.L., and 60% of BIOCH4 DEVELOPMENTS, S.L., through Ence Biogás, S.L.U. (which is 100%-owned by Ence Renovables, S.L.), exercising control over these investees.

Also, Ence Energía y Celulosa, S.A., through Ence Renovables, S.L., owns 50% of Magnon Servicios Energéticos, S.L., with Magnon Green Energy, S.L. owning the other 50%.

Magnon Green Energy, S.L. is governed by a board of directors to which the non-controlling shareholder appoints two members. Magnon Green Energy, S.L. is in turn the sole director of its group companies, with the exception of Energía la Loma, S.A., Energías de la Mancha ENEMAN, S.A. and Bioenergía Santamaría, S.A., in which it has ownership interests of 60.07%, 68.42% and 70%, respectively. Energía la Loma, S.A. and Bioenergía Santamaría, S.A. are governed by boards on which their respective non-controlling shareholders are represented.

BIOCH4 DEVELOPMENTS, S.L. has a board of directors made up of five members, two of whom are designated by the non-controlling shareholders.

3. Key risks and sources of uncertainty

ENCE’s enterprise risk management (ERM) system is a process that is embedded within the organisation. It is designed to identify, assess, prioritise, address, manage and monitor situations that pose a threat to the Company's activities and objectives. It actively involves all of the areas of the organisation with specific responsibilities for each phase of the process.

The ERM encompasses the Parent and all of its Group companies, all of its businesses - pulp, renewable energy and forest management - and the activities of its corporate departments. It is governed by the Risk Management and Control Policy and the Risk Management Procedure, approved at the Board level.

ENCE's ERM follows the guidelines provided in benchmark international risk frameworks, specifically the Internal Control Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). It is reviewed periodically in order to incorporate best practices in risk management.

ENCE's Board of Directors, with the help of the company’s Management Committee, defines the organisation's risk management policies as a function of the risk factors to which it is exposed, establishing internal control systems designed to keep the impact and probability of occurrence of the risk events within the risk appetite thresholds accepted and defined by ENCE.

Meanwhile, the Internal Audit Department verifies that the risk management and control principles and policies defined and approved by the Board of Directors are properly implemented and oversees due compliance with the internal control systems in place throughout the organisation.

ENCE identifies and evaluates emerging risks continuously and systematically. It then monitors developments with respect to the risks so identified. When updating the risk map, it can also determine certain risks to have dissipated or materialised. The purpose of that monitoring and control process is to ensure execution and effectiveness of the agreed-upon action plans and guarantee continuous supervision of the Group's key risk factors.

The result of this process is the Risk Register and Map, which is presented to the Management Committee for joint debate and review. Subsequently, the Risk Register and Map are presented to the Audit Committee for approval and subsequent reporting to the Board of Directors.

ENCE's risk control and management process assigns the following specific roles and responsibilities:

1. The executives and managers in charge of the various areas and departments are risk owners: their job is to continuously manage the various risks, implementing action plans and establishing controls in response to the risks identified within their areas of responsibility.
2. ENCE's Internal Audit Department is responsible for supervising everyday risk management, to which end it draws up the Group's risk management criteria and procedures and presents them to the Board of Directors through the Audit Committee periodically.
3. The Ethics & Compliance Department is responsible for defining and updating ENCE's corporate crime risk map, which identifies the organisation's activities that are susceptible to criminal conduct.
4. The Audit Committee assists the Board in supervising effectiveness of the organisation's internal controls and the internal control and risk management systems, including the internal control over financial and non-financial reporting systems and the systems controlling environmental and health and safety risks.

5. Lastly, the Board of Directors is responsible for ensuring the integrity and overseeing the correct working of ENCE's ERM system, monitoring to that end both the risks identified and the controls and action plans agreed to manage the threats to delivery of the Group's strategic objectives.

This general *modus operandi* ensures that all those participating in executing, reporting, monitoring, controlling and supervising the risk management measures taken are duly coordinated.

ENCE's ERM system takes into consideration the possible threats to delivery of the strategic objectives of all of the Group's businesses (pulp, renewable energy and forestry) as well as other activities undertaken by the organisation's various support areas.

That system encompasses the entire Group, understood as each and every one of the companies in which Ence Energía y Celulosa, S.A. holds, directly or indirectly, a majority shareholding, a majority of the voting rights or in which it has appointed or has the power to appoint the majority of the members of their boards of directors, giving it effective control over the investees.

The ERM contemplates threats to the various types of objectives established by the organisation. Specifically it refers to objectives classified as:

1. Strategic
2. Operational
3. Financial and Non-Financial Reporting
4. Reporting
5. Regulatory Compliance

The risks addressed by ENCE's ERM model are in turn classified as follows:

1. Environmental Risks
2. Risks associated with Decision-Making Information
3. Financial Risks
4. Organisational Risks
5. Operational Risks
6. Criminal Risks
7. Tax Risks
8. Climate Change Related Risks

In keeping with the Risk Management and Control Policy, the Group has a methodology for assigning specific risk appetite thresholds depending on the activities involved. Its risk tolerance levels are contingent upon ensuring that rewards and potential risks are fully understood before decisions are made, to which end it establishes mitigating measures as required.

ENCE analyses each situation based on the risk-reward trade-off. That analysis contemplates multiple factors including strategy, stakeholder expectations, prevailing legislation, the environment and third-party relations.

1. ENCE takes a zero-tolerance stance towards any situation which could compromise the health or safety of its own employees and partners and workers that are not employees.
2. It similarly takes a zero-tolerance stance towards any situation in which the performance of any of activity could cause any damage whatsoever to its surroundings, the environment, the continuity of the business or the Group's reputation vis-a-vis third parties.

3. Its approach is to minimise its exposure to situations related with compliance with the laws and regulations applicable to the Company.
4. ENCE has a team of external advisors and expert in-house staff who lay down the guidelines for ensuring compliance with tax requirements so that it assumes no risk whatsoever in this arena.
5. ENCE's appetite for risks related to product research, development and innovation can be described as moderate, the aim being to provide solutions that fully satisfy its customers' needs so that the Company remains a benchmark in the pulp market.
6. In addition, aware of prevailing economic complexity, ENCE is committed to the pursuit of financial discipline such that it can control the organisation's overall debt and maintain enough liquidity to ensure its ability to service its payment obligations and fund its priority investments. Against this backdrop, its risk appetite for speculative financial trades is low.
7. Nevertheless, a significant percentage of ENCE's transactions expose it to the exchange rate between the dollar ($) and the euro (€). ENCE, knowledgeable of the prevailing economic situation and trends in the rate of exchange between these two currencies, has defined a low risk appetite strategy in this arena, managing its currency exposure rigorously in keeping with the guidelines set by the Executive Committee of the Board of Directors and the Finance Department, as warranted.

The chief risks to delivery of the organisation’s fundamental objectives and the associated response plans for mitigating their potential impact are detailed in this section:

Objective: Financial Discipline

In complex economic environments, such as that in which ENCE does business and operates, demands in terms of business profitability and development tend to increase. Against this backdrop, ENCE is aware of the need to impose financial discipline so that it is capable of maintaining the ability to finance potential investments within reasonable leverage thresholds. Delivery of this objective is exposed to the following risk factors:

a) PULP PRICE VOLATILITY

Pulp prices are formed in an active market. Trends in pulp prices have a significant influence on ENCE’s revenue and profits. Global pulp prices have been volatile in recent years, fluctuating significantly over short periods of time, as a result of continual imbalances between supply and demand in the pulp and paper industries. A significant decline in the price of one or more pulp products could have an adverse impact on the organisation’s revenue, cash flows and net profit. To mitigate this risk factor, first and foremost, ENCE goes to lengths to reduce its production costs. In addition, ENCE has a Global Risk Committee (Derivatives Committee) which is tasked with continually monitoring the pulp market on account of its highly cyclical nature. This Committee is in constant contact with financial entities with the aim of arranging, if necessary and the prices are right, financial hedges and/or futures in order to mitigate potential fallout from pulp price volatility, in the short and medium term.

b) EXCHANGE RATE VOLATILITY

Revenue from the sale of pulp is directly tied to the trend in the dollar/euro exchange rate. Insofar as the Company’s cost structure is denominated in euros, potential changes in the rate of exchange between the two currencies can have an adverse effect on the Company's earnings.

The Global Risk Committee, also the main body tasked with controlling this risk factor, monitors the currency markets and the trend in the dollar/euro exchange rate periodically, from the short-, medium- and long-term perspectives, with the aim of arranging financial hedges to mitigate currency exposure if necessary.

At 30 June 2024, the Group had arranged a number of currency forwards hedging approximately 20% of forecast pulp sales in 2024 and 16% of the sales forecast for the first few months of 2025.

c) POOL PRICE VOLATILITY

The remuneration earned by the Group's power generation plants can be affected by a decrease in pool prices, both futures prices and intraday and day-ahead prices, with an impact on cash.

As a result, deviations in costs, or possible inefficiencies, constitute a risk that could condition the operation of the plants from the standpoint of their expected return, even jeopardising the viability of the plants themselves.

To mitigate this risk, ENCE has developed a strategy for managing its plants efficiently with the aim of optimising their output.

d) TRADE CREDIT RISK - PULP BUSINESS

In the pulp market is it possible that the odd customer, due to the adverse performance of its own business, could delay or fail to make payments on the terms agreed on orders fulfilled by ENCE.

ENCE has a credit insurance policy, which has been renewed until 31 December 2025, that covers, depending on the country in which the customer is located, between 80% and 90% of the balances receivable. This insurance policy assigns credit limits according to the creditworthiness of the customer and covers virtually all of the Group's pulp sales. Under the policy, pulp customer-specific credit limits cannot be overstepped.

To mitigate this risk, ENCE also has a Credit Committee which is tasked with continuously monitoring outstanding receivables balances and available insurance coverage.

e) LIQUIDITY AND CAPITAL RISK

Adverse conditions in the debt and equity markets could make it hard or impossible for the Group to raise the funding needed in the course of its business operations or to execute its 2024-2028 Framework Strategy.

This is one of the risk factors monitored most closely by the Group. To mitigate this risk, it has established a series of key financial targets, articulated around various short-, medium- and long-term scenarios:

1. Guaranteed business continuity in any pulp price scenario
2. Supporting the growth plans in the various business segments by means of a solid capital structure and adequate liquidity level
3. Establishing leverage targets (based on net debt) tailored for each business unit's revenue volatility profile Against this backdrop, the leverage cap set for the Pulp business is around 2.5 times recurring EBITDA, the latter derived using mid-cycle pulp prices and average exchange rates. The leverage cap established for the Renewable Energy business is 5 times.
4. Diversifying sources of financing and tailoring the mix for each business.

Each of the Group's two businesses is financed and managed separately and optimally in light of their unique characteristics. The debt of each is non-recourse to that of the other and there are no cross-guarantees.

The Group's Finance Department draws up a financial plan annually that addresses all financing needs and how they are to be met. Funding needs for the most significant cash requirements, such as forecast capital expenditure, debt repayments and working capital requirements, as warranted, are identified sufficiently in advance.

There are also policies establishing the maximum amount of equity that can be committed to projects under development before the associated long-term financing has been arranged.

f) REGULATORY CHANGES (INCLUDING TAX REGULATIONS)

It is feasible that the state, regional and/or local tax authorities could make further changes to current tax regulations, such as changes/reforms to corporate and/personal income tax, which could directly affect ENCE and its earnings. ENCE makes sure that all of its activities and operations are carried out in compliance with prevailing applicable tax law.

To mitigate this risk, there is a team of in-house specialists who work together with external tax advisors and experts and have established internal rules for tax compliance and guidelines for minimising exposure to risk in this respect. In addition, the Audit Committee continually and meticulously monitors the Group's tax-related risks with a view to assisting the Board with its task of determining tax risk management and control policy. However, because this is an exogenous risk factor, the teams follow the main tax-related developments closely in order to be ready to react whenever they may materialise.

g) REGULATORY DEVELOPMENTS IN THE ENERGY MARKET

Changes to the regulations governing the production of energy that affect the remuneration assigned to the renewable energy plants operated by the Group, specifically the remuneration for investment and remuneration for operation parameters, could undermine future remuneration and thereby affect the Group's profitability.

ENCE strives to calibrate its output levels as necessary to achieve the initially-estimated returns despite possible changes in energy market regulations. The Regulatory Compliance Department, with the support of the Regulation Committee, made up of the Company's officers and in-house experts, defines the criteria for ensuring compliance with applicable regulations and the assumption of zero risk in this area.

Objective: Enhancing the Company's Productive Capacity

ENCE embeds the best available techniques (BATs) set down in the sector Best Available Techniques Reference Document (BREF) in respect of environmental performance, into all its processes, framed by its total quality management (TQM) methodology, designed to boost its competitive positioning and the quality of its products. However, the Group's maintenance, refurbishment and investment plans could affect the correct operation, performance and/or useful lives of its pulp-making machinery and equipment and its productive facilities.

This target is exposed to productive facility obsolescence risk. In the absence of an investment and maintenance plan to address facility obsolescence, ENCE cannot guarantee delivery of the various operations centres' targets and the biomills' and energy plants' installations, machinery and equipment could become impaired.

In order to manage the risks that could jeopardise delivery of this strategic objective, ENCE works to reduce the relative age of its machinery, equipment and facilities by means of three specific lines of initiative: (i) review of the public works supporting its facilities, replacing obsolete equipment; (ii) new investments to address any areas for improvement detected; and (iii) the design of maintenance programmes to guarantee efficient production.

Objective: New Product Development

ENCE attempts to differentiate its products from those of its competitors while building a globally recognised brand in parallel. Here the main risks include that of not being able to stock the products its customers are looking for or not being able to meet customers' expectations in terms of quality.

The strategy adopted to satisfy customers' needs is to reduce risk by enhancing productive processes and maintaining a customer complaints/claims management system. In the first half of 2024, ENCE continued to raise the profile of and assign new resources to its Customer Service Department. In addition, it upgraded its salesforce with a view to identifying customers' specific needs in order to factor them into the Company's product range.

Objective: Minimising the Cash Cost

In the volatile environment in which ENCE does business, given the intrinsic characteristics of its businesses and the prevailing economic crisis, the Group has set itself the priority of making its operations more efficient by minimising its cash cost.

Several situations could threaten delivery of this objective, thus translating into a loss of competitiveness for ENCE: inflation in the cost of acquiring raw materials such as timber and biomass, chemical products, fuel, gas, industrial supplies and spare parts, logistics and transport costs, strike action, economic fallout from sector and environmental regulations and technological developments in the sector. Meanwhile, the prices of timber and biomass can also fluctuate as a result of changes in the balance of supply and demand in the regions in which the factories are located.

ENCE attempts to mitigate the risk of price changes by having the respective buying areas periodically monitor the performance of its main suppliers (industrial, forestry and biomass suppliers) with a view to taking the corresponding action (search for alternative products, identification of more competitive goods and services, enhancement of the firm's bargaining power and additions to the pool of suppliers) in the event of significant incidents.

The risk of a shortfall of timber supply in the regions in which the Group's factories are located is managed mainly by means of reliance on alternative markets, usually with higher logistics costs, an increased market presence via standing timber purchases, contingency plans and inventory buffers to guarantee business continuity. ENCE's response to the risk of an insufficient supply of biomass for use as an input at its energy plants is focused on closing supply agreements with suppliers, developing the purchase of biomass from traders and continuously searching for new fuels.

To mitigate the risk of third-party strikes that could affect ENCE, the Group has drawn up supplier communication plans that anticipate these situations so as to enable timely identification of alternatives. A specific joint management-work policy has been defined to address the risk of strike action by carriers. Meanwhile, management and control has been enhanced by means of the provision of mobile computer devices to carriers, the drafting of contingency plans, maintenance of minimum stock buffers, enhanced communication with transport providers and analysis of the current logistics model.

The primary measure taken to reduce the potential cost of specific environmental regulations is to remain in ongoing contact and dialogue with the main stakeholders (mainly the various government offices and sector/environmental associations) with a view to ensuring adequate oversight of the Group's environmental permits and the corresponding paperwork.

Lastly, in order to stay ahead of technological developments in the sector, management closely follows market technology developments, learning about emerging technologies and production process improvements with a view to assessing their suitability/feasibility for the Group. ENCE's technical experts likewise work continually on alternatives for incorporation into its productive processes with a view to further differentiating its products from those of its competitors.

Objective: Increasing ENCE's Market Share

One of ENCE's priorities is to increase the market share commanded by its pulp products, namely to sell higher volumes of pulp to a greater number of customers. However, certain developments could threaten delivery of this objective, such as a deterioration in contractual sales terms, a shift in customers' production mixes, a contraction in demand for its products and evolving market preferences.

ENCE's Marketing Plan for 2024 was designed to reinforce the presence and positioning of the Company's products in the European market and materialised in initiatives aimed at: (i) increasing the customer base in order to reduce concentration risk; (ii) differentiating ENCE's products by means of plans to enhance the properties and qualities of its pulp; and (iii) improving customer service.

In addition, ENCE continually monitors market trends in respect of pulp preferences. In addition, the production and sales teams work closely with ENCE's customers to ensure that the pulp it sells meets or surpasses their needs.

Objective: Streamlining of Post-Production Logistics

Once the product is ready, it is crucial to deliver it to the end customer as cost-effectively as possible and on the contractual terms established in the related sales agreements. Two specific situations could threaten delivery of this objective: stockouts and shipping costs.

End product stockouts can occur as a result of *ad-hoc* technical incidents in the productive process (breakdowns, quality defects, bottlenecks, etc.) resulting in lower than initially-planned product availability. This situation can lead to the failure to deliver within the agreed-upon deadlines, causing damage to the end customer and to ENCE's reputation, generating costs deriving from contract non-performance and ultimately adversely impacting the Company's earnings. Such events can also trigger the cancellation of orders by customers thereby increasing stock levels. To minimise this risk, the Pulp Business reviews the production, sales and logistics areas' plans as a whole in order identify potential shortfalls and devote the resources needed to address them. Sales and end product stock levels are also monitored by means of the corresponding scorecards and supervision of trends in key production and logistics variables.

Objective: Minimising the Impact of our Operations on the Environment

Generally speaking, the activities performed by ENCE in both its Pulp and Renewable Energy businesses are carried out in industrial facilities in which a number of different raw materials and pieces of machinery and equipment interact in a manner that generates risks that are intrinsic to all industrial activities.

ENCE is very strongly committed to minimising all risky activities that could have adverse ramifications for its natural surroundings, the environment or the communities in which it does business. The main threats to delivery of this objective include potential accidental emissions of contaminating particles, possible accidental spills and potential noise or aesthetic contamination as a result of its industrial activities.

ENCE mitigates this risk by reducing the impact its operations have on the environment by means of its integrated quality, environment and safety management system which is certified under the UNE-EN-ISO 14001 environmental management standard, by providing education about how to prevent environmental risks, writing insurance policies, conducting regular internal and external audits and implementing inspection, oversight and control measures, framed by a preventive approach. Note that in the first half of 2024, the Group continued to invest to make its facilities more environmentally-friendly.

Objective: Business Continuity

One of ENCE's key objectives is that of maintaining its business operations and availing of all the measures needed to guarantee the continuity of these operations and all supporting activities. Generally speaking, the main threats in this respect include natural catastrophes and disasters, adverse meteorological conditions (drought, frost, etc.), unexpected geological conditions and other factors of a physical nature, fires, floods or any other emergency situation that could affect ENCE's productive and storage facilities.

Because of the diverse range of risks in this arena, ENCE takes individual actions to address each risk factor with a view to preventing them from materialising and/or mitigating their impact in the event they do: fire safety training, insurance policies, regular audits, preventative inspections, surveillance and control of business operations and a corporate policy for controlling the main pests to which the Group's biological assets are exposed.

Given that the risk of water restrictions in the vicinity of our operations materialised in the second half of 2022, significantly affecting the supply of water to our facilities and therefore eroding the Company's revenue, the Group has set ambitious targets for reducing its facilities' water consumption, which are reviewed monthly by the Management Committee and the Board of Directors. That effort has translated into a significant decrease in unit water consumption in recent years. In addition, due to materialisation of that risk factor at its biomill in Pontevedra, ENCE launched a pioneering pilot test in Spain at that biomill consisting of the installation of equipment that allows it to regenerate water sourced from the adjacent urban wastewater treatment facility for use in the pulp production process, so complementing its regular water supply. In parallel, ENCE has launched a project for the recovery and recirculation of process waters in order to reduce incoming water requirements. In addition, at the Navia biomill, measures have been designed to reduce the risk of a shortage of water so as to reduce its dependence on current sources of supply. To that end, ENCE plans to invest around €5 million in the engineering work for this project in 2024 and in subsequent years will approve additional investments for mitigating this risk in Navia.

In rulings issued on 6 March 2023, the Supreme Court upheld the appeals lodged by ENCE, confirming the legality of the 60-year extension of the concession over the land on which the Pontevedra biomill is located, i.e., until 2073.

Subsequently, the state attorney, town council of Pontevedra and Greenpeace applied to have the Supreme Court rulings annulled. The Supreme Court has since denied their applications, so confirming the validity of its original rulings.

An appeal brought by ENCE and other entities against the National Appellate Court ruling on the case filed by the APDR, likewise related with the extension of the concession (that case having been suspended at the behest of the Supreme Court until it ruled on the other two suits, since ruled on in favour of ENCE's interests), is currently being processed. The Group expects the ruling to coincide with that handed down in the other two Supreme Court appeals.

Both the town council of Pontevedra and the state attorney have filed appeals before Spain's Constitutional Court, which has yet to rule on their admissibility.

Objective: Guaranteeing Worklife Quality and Workplace Health and Safety

ENCE is aware of the importance of providing a workplace that guarantees the best conditions in terms of occupational health and safety, inspired by stringent compliance with prevailing legislation in Spain. Certain situations could pose a threat to delivery of this objective as some jobs come with intrinsic risks, with the attendant health or safety ramifications for the employees performing them.

To minimise this risk, the Group has accident prevention plans predicated on safety training, the maintenance of integrated health and safety management systems and certification under benchmark standards such as ISO, OSHAS and FSC. In parallel, it has drawn up contingency plans over different time horizons for specific situations to ensure safety compliance in the field.

The key risks intrinsic to social matters and issues related to ENCE's own staff and the employees of the firms that collaborate with it at its production facilities include: potential harm to worker health; workplace accidents; the organisation of strike action; staff dissatisfaction; and talent management and retention. Those risks are analysed from the perspective of their probability of occurrence in the short, medium and long term.

Objective: Regulatory and Reporting Compliance

The sector's Best Available Techniques (BAT) reference document (BREF) is more stringent in terms of production and emissions requirements depending on process types, geographic location and local environmental conditions, triggering the need for new environmental investments and control systems.

The strategy employed by ENCE to tackle this risk factor is two-fold. Firstly, ENCE staff reached out to the government, key sector associations and other stakeholders and participated in establishing the definitive standard requirements so that all the players' views could be taken into account. In parallel, the most important environmental investments required at all of the operations centres to adapt to the new regulations were analysed and approved by ENCE's Investment Committee in 2022.

In addition, following effectiveness of Spanish Law 1/2015 (of 30 March 2015), amending the Criminal Code and regulating in greater detail the criminal liability of legal persons, in 2015, ENCE implemented a Corporate Crime Detection and Prevention Risk Management and Control System which includes a plethora of measures and controls designed to prevent or at least mitigate to the extent possible the risk of commission of any form of crime at the organisation and ensure the lawfulness of all actions taken by the Company's staff and executives in the course of discharging their professional duties.

In the first half of 2024, ENCE formulated and implemented policies and procedures for mitigating its exposure to specific crimes, framed by its commitment to complying with the corporate crime prevention model certified by AENOR in accordance with the UNE 19601:2017 standard on criminal compliance management systems.

Elsewhere, in compliance with the Corporate Sustainability Reporting Directive (CSRD), ENCE will start to publish the sustainability reports it needs to issue in accordance with the European Sustainability Reporting Standards (ESRS) in 2025. ENCE has embarked on the process of aligning its sustainability reporting effort with that incoming European standard.

Objective: Tax Risk Control

The Audit Committee monitors the Group's tax-related risks with a view to assisting the Board with its task of determining its tax risk management and control policy.

ENCE has a dedicated tax division and receives specific tax counselling to ensure its in-house guidelines guarantee compliance with prevailing tax regulations, framed by a zero risk tolerance approach in this arena.

4. Events after the reporting date

No significant events have occurred between the reporting date and the date of authorising the interim condensed consolidated financial statements for issue that have not been disclosed therein.

5. Corporate governance

Complete information about ENCE's corporate governance system is available on its website: www.ence.es.

6. Purchase and sale of own shares

The disclosures concerning own shares and related transactions in the first half of 2024 are provided in note 17 of the accompanying condensed consolidated interim financial statements for the six months ended 30 June 2024.

Appendix I – Second-Quarter 2024 Earnings Report

Earnings Report
2Q24

30 July 2024

Global ESG
score: 93/100

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EXECUTIVE SUMMARY

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

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

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

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

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

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

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

1. **PULP BUSINESS**

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

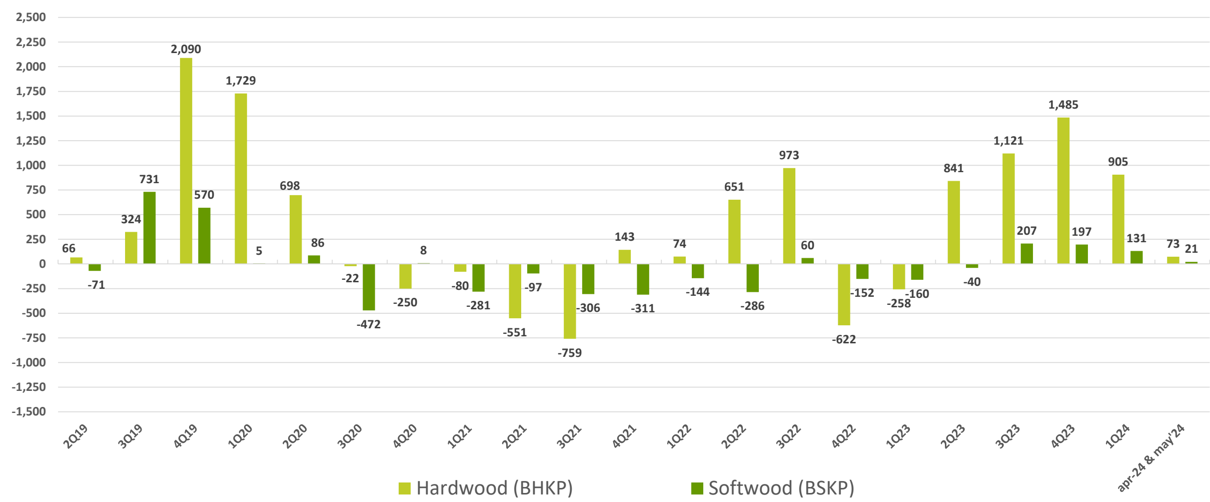
On 7 February 2023, Spain's Supreme Court upheld the legality of the extension of the Pontevedra biomill concession until 2073.

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

2.1. Pulp market trends

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

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

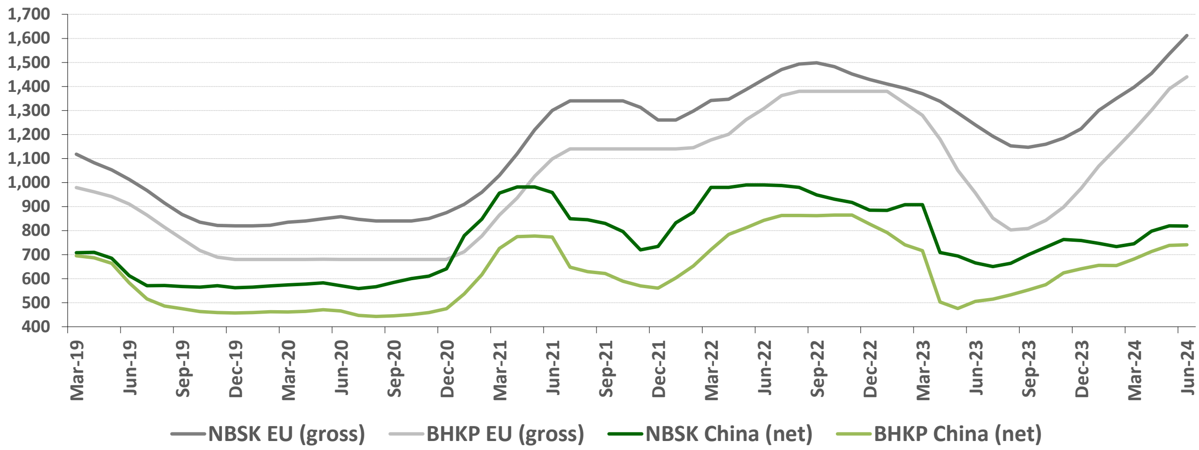


Source: PPPC–G100

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

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

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



Source: FOEX

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

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

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

2.2. Revenue from pulp sales

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

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

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

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

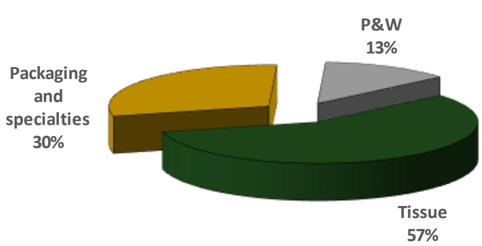
Elsewhere, the average sales price increased by 21.1% (or €127/tonne) in the second quarter compared to 1Q24 and by 26% (€150/tonne) compared to 2Q23, to €728 per tonne. In the first half, the average sales price was virtually the same as in the first six months of 2023.

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

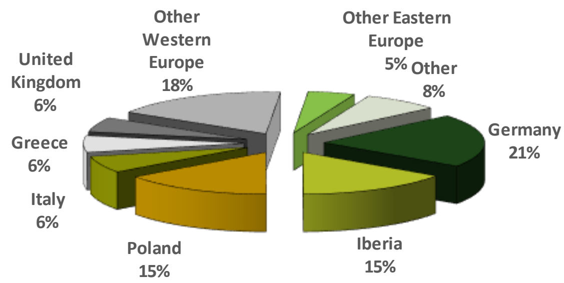
The Ence Advanced products, including Powercell and Naturcell, which fetch higher margins than standard pulp, continue to gain market share. In 2Q24 and 1H24, these products accounted for 28% and 23% of pulp sales, respectively, compared to 19% and 17% in 2Q23 and 1H23, respectively.

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

Breakdown of revenue by end product



Breakdown of revenue by geographic market



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

2.3. Pulp production and cash cost

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

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

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

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

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

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

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

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

2.4. Other income

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

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

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

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

2.5. Statement of profit or loss

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

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

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

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

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

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

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

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

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

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

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

2.6. Cash flow analysis

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

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

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

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

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

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

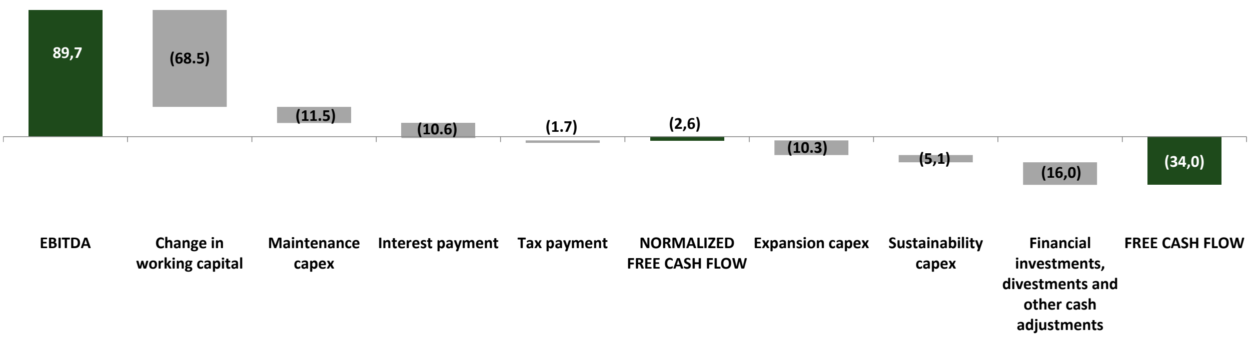
At 30 June 2024, the Pulp business had drawn down €87.3m under its non-recourse receivable discounting facilities, compared to €83.9m at year-end 2023. Ence has also arranged several reverse factoring facilities, which were drawn down by €62.2m at the June close, compared to €58.9m at year-end. The reverse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

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

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

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

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



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

2.7. Change in net debt

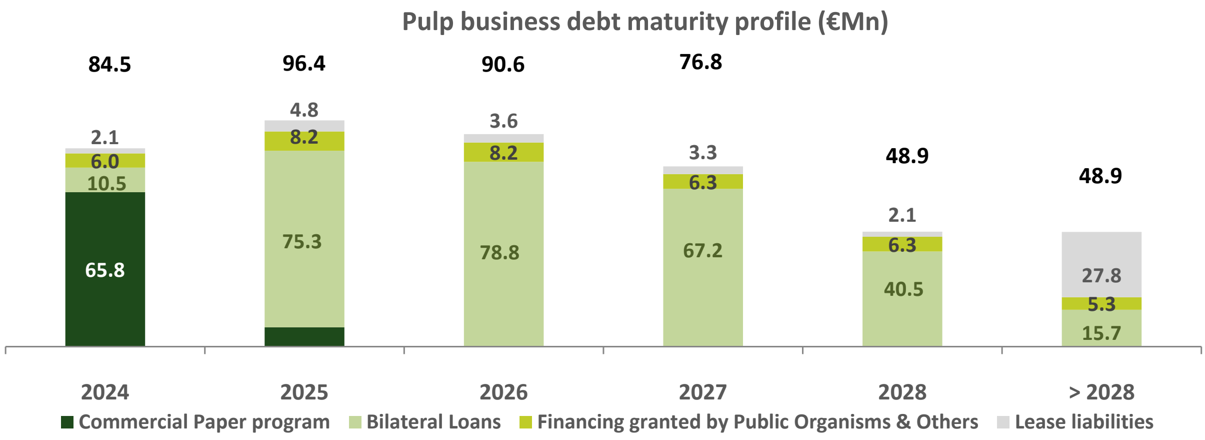
The Pulp business ended the second quarter with net debt of €221.4m, compared to net debt of €186.1m at year-end 2023 (i.e., an increase of €35.3m). In addition to the negative cash flow outlined above (€34m), other movements (related with equity instruments, leases and the provision for interest, mainly)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

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

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

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

The gross debt of €402.3m at the June close corresponds to the outstanding balances of: (i) bilateral loans (€288m); (ii) a series of loans totalling €40.3m awarded by the CDTI (acronym in Spanish for the Centre for the Development of Industrial Technology) and Spanish Ministry of Industry to finance investments in efficiency upgrades and capacity expansion work, whose maturities range to 2030; and (iii) the €74m outstanding under Ence's sustainable commercial paper programme. Finance lease liabilities stood at €43.7m at the June close. Debt arrangement fees are deducted from gross borrowings on the statement of financial position.



2.8. Efficiency and diversification opportunities

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

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

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

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

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

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

2. RENEWABLES BUSINESS

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

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

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

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

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

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

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

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

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

Source: OMIE

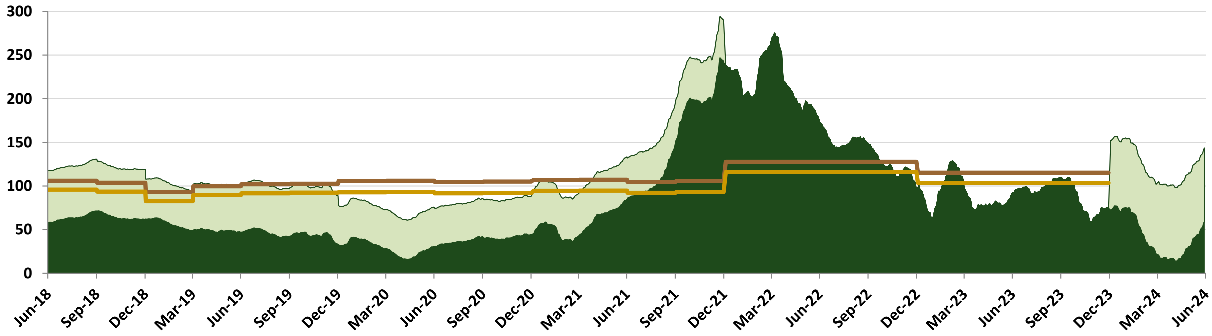
However, the price at which Ence sells the energy it generates is a regulated price designed to cover all of the estimated costs of operating a standard facility, including fuel costs. That price is made up of the pool price plus the corresponding supplementary remuneration for operation (Ro) earned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

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

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

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

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



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

3.2. Revenue from energy sales

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

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

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

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

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

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

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

3.3. Statement of profit or loss

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

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

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

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

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

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

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

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

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

3.4. Cash flow analysis

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

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

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

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

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

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

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

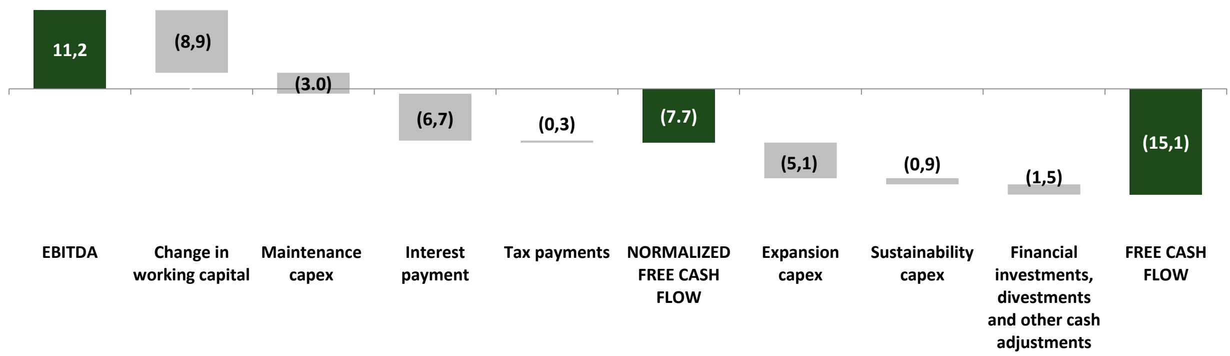
Magnon has also arranged several non-recourse reverse factoring facilities, which were drawn down by €26.7m at 30 June 2024, compared to €19.8m at year-end 2023. The reverse factoring facilities do not entail the provision of guarantees, do not alter the average payment term agreed with the corresponding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

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

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

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

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



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

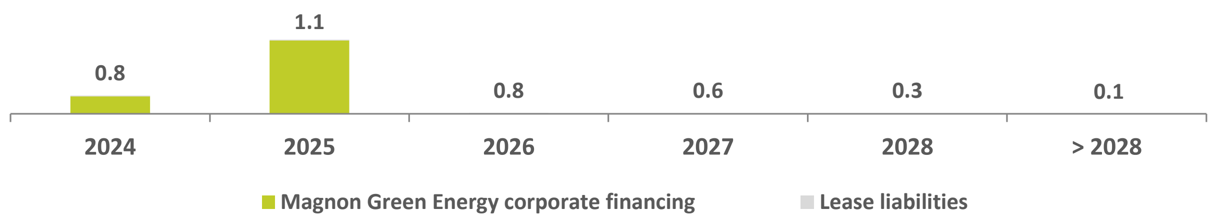
3.5. Change in net debt

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

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

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

Renewables debt maturity profile (€ m)



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

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

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

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

3.6. Growth and diversification opportunities

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

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

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

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

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

3. CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.2. Summarised statement of profit or loss for 1H24

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

4.3. Summarised statement of financial position

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

4.4. Statement of cash flows for 1H24

Figures in € m	1H24 Pulp	1H24 Renewables	1H24 Adjustments	1H24 Consolidated	1H23 Pulp	1H23 Renewables	1H23 Adjustments	1H23 Consolidated
Consolidated profit/(loss) for the period before tax	**44.2**	**(15.1)**	**0.8**	**29.9**	**(11.5)**	**7.9**	**0.8**	**(2.8)**
Depreciation and amortisation	35.0	16.4	(0.8)	50.6	31.3	17.5	(0.8)	48.0
Changes in provisions and other deferred expense	7.1	1.2	-	8.3	12.9	1.7	-	14.7
Impairment of gains/(losses) on disposals intangible asset	0.7	(1.1)	-	(0.4)	0.6	(0.3)	-	0.3
Net finance result	8.9	6.6	-	15.4	6.5	6.4	-	12.9
Energy regulation adjustments	0.2	1.8	-	2.0	(2.5)	(8.1)	-	(10.6)
Government grants taken to income	(0.5)	(0.1)	-	(0.6)	(0.4)	(0.1)	-	(0.5)
Adjustments to profit	**51.3**	**24.8**	**(0.8)**	**75.3**	**48.4**	**17.3**	**(0.8)**	**64.8**
Inventories	(1.7)	(0.6)	-	(2.3)	(9.6)	(6.0)	-	(15.7)
Trade and other receivables	(60.6)	(16.4)	6.0	(71.0)	(1.2)	13.8	(26.8)	(14.3)
Current financial and other assets	(1.5)	(0.0)	-	(1.6)	0.8	0.0	-	0.8
Trade and other payables	(4.8)	8.1	(6.0)	(2.7)	(10.9)	(92.6)	26.8	(76.7)
Changes in working capital	**(68.5)**	**(9.0)**	-	**(77.5)**	**(20.9)**	**(84.9)**	**-**	**(105.8)**
Interest paid	(10.6)	(6.7)	-	(17.3)	(4.5)	(6.4)	-	(10.9)
Dividends received	-	-	-	-	-	-	-	-
Income tax received/(paid)	(1.7)	(0.3)	-	(2.0)	(3.9)	(10.1)	-	(14.1)
Other collections/(payments)	-	-	-	-	-	-	-	-
Other cash flows from operating activities	**(12.3)**	**(7.0)**	**-**	**(19.3)**	**(8.4)**	**(16.6)**	**-**	**(25.0)**
Net cash flow from operating activities	**14.7**	**(6.3)**	**-**	**8.4**	**7.5**	**(76.3)**	**-**	**(68.7)**
Property, plant and equipment	(24.6)	(8.1)	-	(32.6)	(24.5)	(2.6)	-	(27.2)
Intangible assets	(2.4)	(0.9)	-	(3.2)	(2.5)	(0.3)	-	(2.8)
Other financial assets	(21.9)	(0.7)	22.5	(0.2)	(0.1)	0.4	0.3	0.6
Disposals	0.2	0.9	-	1.1	(0.5)	-	0.4	(0.1)
Net cash flow used in investing activities	**(48.7)**	**(8.8)**	**22.5**	**(35.0)**	**(27.6)**	**(2.5)**	**0.7**	**(29.4)**
Free cash flow	**(34.0)**	**(15.1)**	**22.5**	**(26.6)**	**(20.1)**	**(78.8)**	**0.7**	**(98.2)**
Buyback/(disposal) of own equity instruments	1.4	-	-	1.4	5.9	-	-	5.9
Proceeds from and repayments of financial liabilities	(58.0)	39.8	(22.5)	(40.6)	199.7	(14.6)	-	184.3
Dividends payments	-	-	-	-	(140.6)	-	(0.0)	(140.6)
Net cash flow from/ (used in) financing activities	**(56.5)**	**39.8**	**(22.5)**	**(39.2)**	**65.0**	**(14.6)**	**-**	**49.7**
Net increase/(decrease) in cash and cash equivalents	**(90.6)**	**24.8**	**-**	**(65.8)**	**44.9**	**(93.4)**	**-**	**(48.5)**

4. KEY DEVELOPMENTS

First interim dividend against 2024 profit

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

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

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

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

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

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

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

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

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

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

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

2024 Annual General Meeting

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

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

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

2024-2028 Sustainability Master Plan

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

APPENDIX 1: SUSTAINABILITY MASTER PLAN

Sustainability is intrinsic to Ence's business activities as a leading player in the sustainable use of natural resources for the production of differentiated pulp and renewable energy. Sustainability is fully integrated into the Company's purpose and is one of its strategic priorities.

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

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

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

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

1. Safe and eco-friendly operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ence also updates its inventory of greenhouse gas emissions annually, most recently including, for the first time, an analysis of the net carbon balance of the forests owned by the Company. That analysis, which was performed in keeping with the IPCC guidelines, showed that in 2023 the forests managed by Ence sequestered over 200,000 tonnes of CO_2, net of that withdrawn in the form of wood and biomass. During the first half, the Company had its 2023 Greenhouse Gas Emissions Report successfully verified at the reasonable assurance level. That report is available for all Ence stakeholders on the corporate website.

In the adaptation area, Ence is following the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD) around the governance and management of climate-related risks and opportunities. More specifically, Ence is focusing its efforts on the development of *ad-hoc* climate models which provide a tool for analysing the potential impacts of climate change on the Company's facilities and wood and biomass supply areas. In developing those models, in order to analyse its physical risks, in the first half of 2024, Ence implemented the new climate scenarios from the IPCC's sixth report, specifically scenario SSP245 (which can be seen as an update of the previous RCP4.5 scenario, representing the medium pathway of future greenhouse gas emissions) and scenario SSP585 (which can be seen as an update of the RCP8.5 scenario, now combined with socio-economic aspects and representing the upper end of the scenario pathway). For these scenarios, Ence is analysing the changes in the climate over three time horizons: the near future (until 2040), medium term (until 2070) and a more distant future (2100). For Ence, the impact of the physical risks derived from climate change is more relevant than the impact of the transition risks, to which end it has selected scenarios in which the physical impacts are more pronounced, rather than a scenario that contemplates global warming of less than 1.5ºC, for its analysis.

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

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

2. Bioproducts and ecosystem services

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

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

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

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

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

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

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

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

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

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

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

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

3. Responsible supply chain

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

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

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

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

4. Positive social impact

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

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

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

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

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

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

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

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

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

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

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

5. Governance and compliance

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

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

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

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

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

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

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

Safe and Eco-efficient operations
For operational cost reduction

Protecting Health and Safety of employees and contractors
- ✓ **47% reduction of** LTIR* vs. 2023
- ✓ **0 accidents** with leave in Magnon in the first half of the year

Water use reduction
- ✓ **- 3% Navia** (vs 2023, best historical performance)

Odour reduction (vs. 2023)
- ✓ **- 26% Navia and - 55% Pontevedra**

Advancing towards a circular economy
- ✓ **100% sites ZERO WASTE** certified

Committed to mitigate climate change
- ✓ **Climate Neutrality Plan** designed for the Pontevedra biofactory in H1

Bioproducts & ecosystem services
Potential for topline improvement

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

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

Responsible supply chain
To become preferred supplier

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

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

Positive social impact
To grant business sustainability

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

Creating positive social impact in local communities
- ✓ **Agreements with town councils** and preparation of the new edition of Ence's **Pontevedra Social Plan** (3M€)

Promoting professional development in rural communities
- ✓ New edition of the **Forestry machinery training program**
- ✓ **500+ technical advice sessions** with Forest owners

*Lost time incident rate (LTIR) = nº accidents/worked hours x 10^6

APPENDIX 2: REMUNERATION PARAMETERS APPLICABLE TO THE POWER GENERATION PLANTS

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

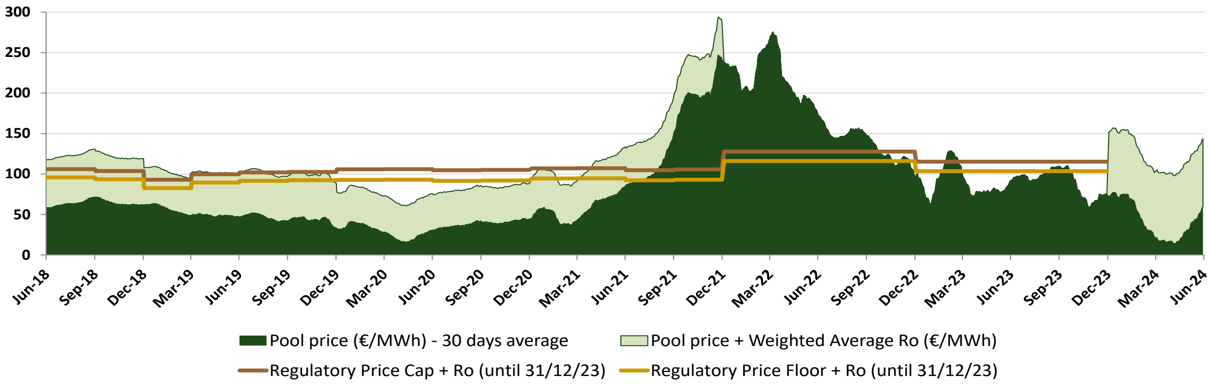
Power plants fuelled by renewable sources of energy, combined heat and power (CHP) systems or waste are regulated by Spanish Royal Decree 413/2014. These plants are remunerated via two concepts, one fixed and the other variable, in order to ensure a reasonable return:

1. The **remuneration for investment (€/MW)** parameter guarantees the recovery of the initial investment plus a minimum return on the estimated cost of building a 'standard' plant. That return was set at 7.4% for 2020–2031 via Royal Decree-Law 17/2019 (22 November 2019).
2. The **regulated sales price (€/MWh)** enables plant owners to cover all the estimated costs of operating a 'standard' plant, including fuel costs. That price is made up of the pool price plus the corresponding supplementary remuneration for operation (Ro) earned by each plant.

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

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

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

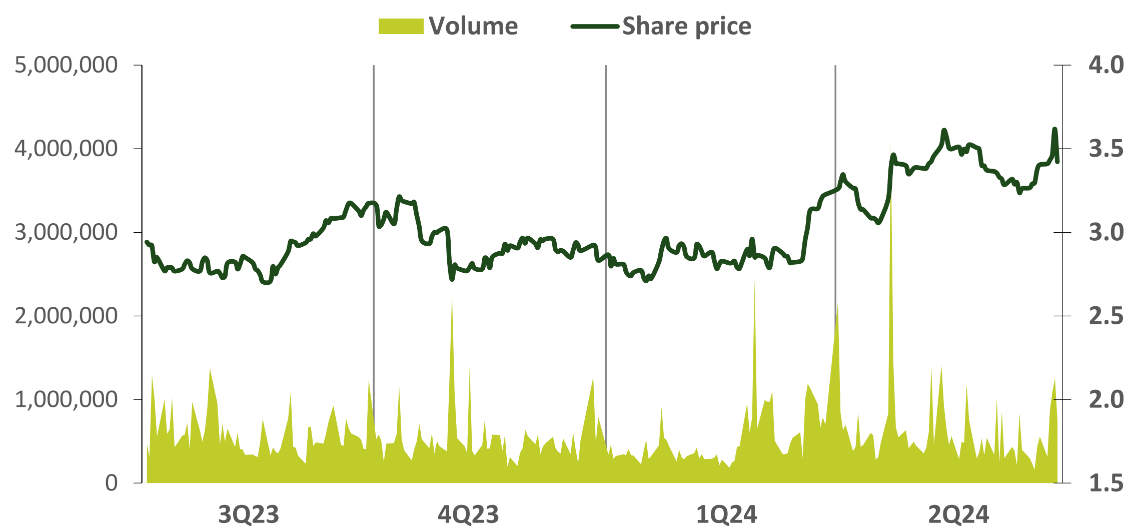


3. All of Magnon Green Energy's plants are also prepared to provide the electricity system operator with back-up services, so generating and additional source of income.
4. Both the remuneration for investment and the regulated sale price are subject to a **levy on the value of electric energy produced of 7%**.

APPENDIX 3: SHARE PRICE PERFORMANCE

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

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



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

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

Source: Bloomberg

APPENDIX 4: ALTERNATIVE PERFORMANCE MEASURES (APMs)

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

EBITDA

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

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

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

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

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

CASH COST

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

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

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

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

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

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

OPERATING PROFIT PER TONNE OF PULP

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

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

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

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

NET FINANCE COST AND OTHER FINANCIAL ITEMS

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

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

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

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

MAINTENANCE, EFFICIENCY, GROWTH AND SUSTAINABILITY CAPEX

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

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

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

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

OPERATING CASH FLOW

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

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

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

FREE CASH FLOW

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

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

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

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

NORMALISED FREE CASH FLOW

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

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

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

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

NET DEBT/(CASH)

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

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

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

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

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

ROCE

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

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

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

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

DISCLAIMER

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

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

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

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Earnings Report 2Q24

Global ESG score: 93/100