Auditor's Report on Ence Energía y Celulosa, S.A. and Subsidiaries

(Together with the consolidated annual accounts and consolidated Management Report of Ence Energía y Celulosa, S.A. and subsidiaries for the year ended 31 December 2024)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the shareholders of Ence Energía y Celulosa, S.A.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Ence Energía y Celulosa, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated statement of financial position at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of intangible assets and property, plant and equipment See notes 3.2, 3.3., 3.5, 4, 15, 16 and 19 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
At 31 December 2024 the Group has intangible assets and property, plant and equipment totalling Euros 1,039 million, allocated to the corresponding cash-generating units (CGUs). At the reporting date the Group assesses the existence of indications of impairment of the assets allocated to the CGUs for the purpose of determining their recoverable amount. During 2024, the Group calculated the recoverable amount of the assets in which indications of impairment have been identified through their value in use and consequently recognised impairment losses of Euros 228 thousand and reversals of impairment of these assets amounting to Euros 3,702 thousand. Value in use is calculated by applying valuation techniques which require the exercising of judgement by the Directors and management and the use of estimates. Due to the high level of judgement, the uncertainty associated with these estimates and the significance of the carrying amount of the aforementioned assets, this has been considered a key audit matter.	Our audit procedures included the following: - Understanding the processes followed by the Group in evaluating and identifying indications of impairment and in estimating the recoverable amount of intangible assets and property, plant and equipment, as well as the design and implementation of the key controls of this process. - Evaluating the reasonableness of the methodology and assumptions used by the Group when estimating the recoverable amount, with the involvement of our valuation and sustainability specialists. - Comparing the cash flow forecasts estimated in prior years with the actual cash flows obtained. - Moreover, we assessed the sensitivity of the recoverable amount to changes in the key assumptions that can be considered reasonable, in order to determine their potential impact on the valuation. - We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

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Measurement of biological assets See notes 3.4, 3.5, 4 and 18 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
At 31 December 2024, the Group has recognised biological assets of Euros 66 million under biological assets in the consolidated statement of financial position. These consist of forest species, mainly eucalyptus, which is used as raw material for pulp production and for its sale to third parties. As mentioned in note 3.4 to the consolidated annual accounts, the Group measures its biological assets at purchase price or cost of production, less depletion of forest areas and impairment losses. The Group has developed a pricing model for its forestry assets based on discounted expected future cash flows. The key assumptions are detailed in note 3.4 to the consolidated annual accounts and the consistent application of this model over time enables value ranges and trends to be identified, which are considered when assessing the existence of potential impairment of biological assets. Due to the high degree of judgement associated with these estimates, this has been considered a key audit matter.	Our audit procedures included the following: - We have assessed the design and implementation of the key controls related to the process of estimating the value of biological assets. - In connection with the pricing model, we have considered the reasonableness of the methodology used by management and assessed whether future cash flow projections are consistent with the cutting periods of the biological assets based on their age and expected growth. - We have assessed the key assumptions related to the projected cash flows, in particular the timber price and the discount rate. - We have checked that the model used is consistent with the model used in prior years. - We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

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Other Information: Consolidated Management Report

Other information solely comprises the 2024 consolidated Management report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility regarding the information contained in the consolidated Management Report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the consolidated non-financial information statement, certain information included in the Annual Corporate Governance Report and the Annual Report on Directors’ Remuneration, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the consolidated Management Report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated annual accounts. Also, assess and report on whether the content and presentation of this part of the consolidated Management Report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated Management Report is consistent with that disclosed in the consolidated annual accounts for 2024, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts_

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.

– Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

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– Plan and execute the audit of the Group to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units of the Group as the basis to form an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and review of the work performed for the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those of independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, safeguarding measures adopted to eliminate or reduce the threat.

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital files of Ence Energía y Celulosa, S.A. and subsidiaries for 2024 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the consolidated annual accounts for the aforementioned year and the XBRL files tagged by the Company, which will form part of the annual financial report.

The Directors of Ence Energía y Celulosa, S.A. are responsible for the presentation of the 2024 annual financial report in accordance with the format and mark-up requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the “ESEF Regulation”). In this regard, they have incorporated the Annual Corporate Governance Report and the Annual Report on Director Remuneration by means of a reference thereto in the consolidated Management Report .

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Our responsibility consists of examining the digital files prepared by the Directors of the Parent, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the consolidated annual accounts included in the aforementioned digital files fully corresponds to the consolidated annual accounts we have audited, and whether the consolidated annual accounts and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital files examined fully correspond to the audited consolidated annual accounts, and these are presented and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 27 February 2025.

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 4 April 2024 for a period of one year, for the year ended 31 December 2024.

Previously, we had been appointed for a period of three years, by consensus of the shareholders at their ordinary general meeting and have been auditing the annual accounts since the year ended 31 December 2021.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors (“ROAC”) with No. S0702

(Signed on original in Spanish)

On the Spanish Official Register of Auditors (“ROAC”) with No. 20,435

This report corresponds to stamp number 01/25/02428 issued by the Spanish Institute of Registered Auditors (ICJCE)

ENCE Energía y Celulosa, S.A. and subsidiaries

Consolidated annual financial statements and management report for 2024, along with the independent auditor's report

Consolidated financial statements for 2024

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2024

€ 000	Note	31 Dec. 2024	31 Dec. 2023 (*)
NON-CURRENT ASSETS:			
Intangible assets	15	64,852	39,266
Property, plant and equipment	16	974,620	988,999
Biological assets	18	66,322	67,111
Investments accounted for using the equity method	24	77	34
Non-current financial assets			
Hedging derivatives	24 & 30	-	1,310
Other financial assets	24 & 27.2	50,409	61,274
Deferred tax assets	32	61,987	67,998
		1,218,267	**1,225,992**
CURRENT ASSETS:			
Inventories	20	94,606	72,102
Trade and other receivables	24 & 25	50,884	36,742
Other taxes receivable	32	18,555	8,313
Income tax receivable	32	6,569	14,993
Current financial assets			
Loans to group companies and related parties	24 & 34	12	12
Hedging derivatives	24 & 30	-	2,775
Other financial assets	24 & 27.2	26,526	5,163
Cash and cash equivalents	24 & 27.1	263,942	333,032
Other current assets	29	3,086	1,350
		464,180	**474,482**
TOTAL ASSETS		**1,682,447**	**1,700,474**
EQUITY:			
Share capital	21.1	221,645	221,645
Share premium	21.2	170,776	170,776
Reserves	21.3	112,895	137,249
Interim dividend	22.2	(33,972)	-
Translation differences		20	13
Own shares - parent company shares	21.5	(12,205)	(12,980)
Valuation adjustments	21.6	32,421	40,751
Other equity instruments	21.7	2,438	1,328
Profit/(loss) for the year attributable to equity holders of the parent		31,551	(24,720)
Equity attributable to equity holders of the parent		**525,569**	**534,062**
Non-controlling interests	21.8	**97,051**	**115,527**
TOTAL EQUITY		**622,620**	**649,589**
NON-CURRENT LIABILITIES:			
Borrowings	24 & 28	446,441	440,231
Derivative financial instruments	24 & 30	4,029	3,441
Grants	23	10,535	6,018
Non-current provisions	31	29,505	28,288
Non-current accruals and deferred income		3,087	2,713
Other non-current liabilities	24 & 29	92,061	96,727
Non-current borrowings from group companies and related parties	24 & 34	29,015	4,868
		614,673	**582,286**
CURRENT LIABILITIES:			
Borrowings	24 & 28	162,208	184,954
Derivative financial instruments	24 & 30	7,974	593
Current borrowings from group companies and related parties	24 & 34	876	244
Trade and other payables	24 & 26	217,854	224,014
Income tax payable	32	26	44
Other taxes payable	32	14,565	9,165
Other current liabilities	24 & 29	8,166	7,402
Current provisions	31	33,485	42,183
		445,154	**468,599**
TOTAL EQUITY AND LIABILITIES		**1,682,447**	**1,700,474**

The accompanying notes 1 to 36 and Appendices are an integral part of the consolidated statement of financial position at 31 December 2024.
(*) The consolidated statement of financial position at 31 December 2023 is presented exclusively for comparative purposes.

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2024

€ 000	Note	2024	2023 (*)
Continuing operations:			
Revenue	9	870,438	829,603
Gains/(losses) on hedging transactions	30	(3,407)	(378)
Changes in inventories of finished goods and work in progress	20	17,078	(20,656)
Self-constructed assets	16 & 18	14,779	11,753
Other operating income	9.1	8,829	14,670
Grants taken to profit and loss	23	7,988	9,378
Operating income		915,705	844,370
Cost of sales	10	(425,203)	(416,888)
Employee benefits expense	11	(113,098)	(103,972)
Depreciation and amortisation charges	15 & 16	(90,798)	(93,088)
Depletion of forest reserve	18	(9,725)	(8,797)
Impairment of and gains/(losses) on disposal of fixed assets	19	(7)	7,823
Impairment of financial assets	25	(963)	(1,177)
Other operating expenses	12	(212,590)	(230,251)
Operating expenses		(852,384)	(846,350)
OPERATING PROFIT/(LOSS)		**63,321**	**(1,980)**
Finance income			
From marketable securities and other financial instruments			
Group companies and associates	13	63	29
Third parties	13	10,770	6,533
Other finance income	13	17	29
Finance costs			
Group companies and associates	13	(1,024)	(538)
Third-party borrowings	13	(41,276)	(35,230)
Unwinding of discount	13	(969)	(1,016)
Change in fair value of financial instruments	30	355	-
Exchange differences		1,243	(932)
Impairment of and gains/(losses) on disposal of financial assets		(163)	(51)
NET FINANCE COST		**(30,984)**	**(31,176)**
Share of profit/(loss) of entities accounted for using the equity method		13	(13)
PROFIT/(LOSS) BEFORE TAX		**32,350**	**(33,169)**
Income tax	32	(12,230)	12,099
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**20,120**	**(21,070)**
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR (**)		**20,120**	**(21,070)**
Profit/(loss) for the year attributable to non-controlling interests	21.8	(11,431)	3,650
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (**)		**31,551**	**(24,720)**
Earnings/(loss) per share attributable to owners of the parent			**€/share**
Basic	14	**0.13**	**(0.10)**
Diluted	14	**0.13**	**(0.10)**

The accompanying notes 1 to 36 and Appendices are an integral part of the 2024 consolidated statement of profit or loss.
(*) The consolidated statement of profit or loss for the year ended 31 December 2023 is presented exclusively for comparative purposes.
(**) 100% from continuing operations

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

€ 000	Note	2024	2023 (*)
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR (***)		**20,120**	**(21,070)**
Profit/(loss) recognised directly in consolidated equity			
- Cash flow hedges (**)		(12,103)	(1,651)
- Translation differences (**)		7	12
- Tax effect		3,026	412
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN CONSOLIDATED EQUITY	21	**(9,070)**	**(1,227)**
Expense / (income) reclassified to profit or loss			
- Cash flow hedges (**)		(2,010)	(2,867)
- Tax effect		502	717
TOTAL AMOUNTS TRANSFERRED TO PROFIT OR LOSS	21	**(1,508)**	**(2,150)**
TOTAL COMPREHENSIVE INCOME		**9,542**	**(24,447)**
Attributable to:			
Equity holders of the parent		**23,228**	**(28,097)**
Non-controlling interests		**(13,686)**	**3,650**

The accompanying notes 1 to 36 and Appendices are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2024.
(*) The consolidated statement of comprehensive income for the year ended 31 December 2023 is presented exclusively for comparative purposes.
(**) Items that may be subsequently be reclassified to profit or loss
(***) Corresponds to "Profit/(loss) for the year from continuing operations" in the consolidated statement of profit or loss.

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

€ 000	Share 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)	-	-	-	-	-	(24,720)	12	(3,389)	-	**(28,097)**	3,650	**(24,447)**
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	-	(22)	-	220	-	-	-	-	-	**198**	-	**198**
Redemption of convertible bonds	-	-	-	3,147	-	-	-	-	(3,147)	**-**	-	**-**
Non-controlling interests, transfers and other movements	-	-	-	(94)	-	-	-	1,142	722	**1,770**	(1,305)	**465**
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)	-	-	-	-	-	31,551	7	(8,330)	-	**23,228**	(13,686)	**9,542**
Appropriation of prior-year profit/(loss)	-	-	-	(24,720)	-	24,720	-	-	-	**-**	-	**-**
Dividends	-	-	-	-	(33,972)	-	-	-	-	**(33,972)**	(225)	**(34,197)**
Trading in own shares	-	775	-	169	-	-	-	-	-	**944**	-	**944**
Non-controlling interests, transfers and other movements	-	-	-	197	-	-	-	-	1,110	**1,307**	(4,565)	**(3,258)**
Balance at 31 December 2024	**221,645**	**(12,205)**	**170,776**	**112,895**	**(33,972)**	**31,551**	**20**	**32,421**	**2,438**	**525,569**	**97,051**	**622,620**

The accompanying notes 1 to 36 and Appendices are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2024.
(*) The consolidated statement of changes in equity for the year ended 31 December 2023 is presented exclusively for comparative purposes.
(**) Includes: the legal reserve; cancelled capital reserve; capitalisation reserve; voluntary reserves; retained earnings (prior-year losses); and reserves in consolidated companies (note 21.3).

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

€ 000	Note	2024	2023 (*)
OPERATING ACTIVITIES:			
Profit/(loss) before tax from continuing operations		32,350	(33,169)
Adjustments for:			
Depreciation, amortisation and depletion (PP&E, intangible assets and forest reserve)	15, 16 &	100,523	101,885
Changes in provisions and other deferred expense (net)		13,518	8,216
Impairment of and gains/(losses) on disposals of intangible assets, PP&E and financial assets	19	178	(7,618)
Adjustments for tariff shortfall/surplus and sector regulations	9 & 29	(1,680)	(33,962)
Finance income and costs (net)	13	31,373	30,483
Grants taken to profit and loss	23	(1,073)	(1,025)
		142,839	**97,979**
Change in working capital			
Inventories	20	(29,391)	25,339
Trade and other receivables	25	(32,790)	20,412
Financial and other current assets	27	-	1,762
Trade payables, other payables and other liabilities	26	(3,865)	(125,618)
		(66,046)	**(78,105)**
Other cash flows used in operating activities			
Interest paid (net)		(33,449)	(26,190)
Dividends received		17	-
Income tax received/(paid)	32	3,124	(6,641)
Long-term remuneration and other plans	11.2	(236)	-
		(30,544)	**(32,831)**
Net cash flows from/(used in) operating activities		**78,599**	**(46,126)**
INVESTING ACTIVITIES:			
Payments for investments:			
Property, plant and equipment and biological assets	16 & 18	(70,887)	(89,802)
Intangible assets	15	(5,971)	(5,934)
Business combination	6	(17,442)	
Financial assets		(12,750)	(291)
		(107,050)	**(96,027)**
Proceeds from disposals:			
Financial assets		2,205	-
		2,205	**-**
Net cash flows used in investing activities		**(104,845)**	**(96,027)**
FINANCING ACTIVITIES:			
Proceeds from/(payments for) equity instruments:			
Transactions with non-controlling interests		(245)	5,630
Buyback of own equity instruments	21.5	(27,736)	(50,571)
Disposal of own equity instruments	21.5	28,676	50,769
		695	**5,828**
Proceeds from/(repayments of) financial liabilities:			
Borrowings from related parties	34.2	24,147	(12,975)
Notes (net of arrangement fees)	28	(57,400)	(9,900)
Increase/(decrease) in bank borrowings, net of issuance costs	28	35,636	237,771
Increase/(decrease) in other borrowings	28	(2,176)	(7,047)
Payments for right-of-use assets	17	(9,050)	(7,381)
Grants received, net	23	4,401	636
		(4,442)	**201,104**
Dividends paid			
Dividends paid to ENCE shareholders	22	(33,972)	(140,609)
Dividends paid to non-controlling interests	21.8	(5,125)	(4,051)
		(39,097)	**(144,660)**
Net cash flows (used in)/from financing activities		**(42,844)**	**62,272**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(69,090)**	**(79,881)**
Cash and cash equivalents - opening balance	27.1	333,032	412,913
Cash and cash equivalents - closing balance	27.1	263,942	333,032

The accompanying notes 1 to 36 and Appendices are an integral part of the consolidated statement of cash flows for the year ended 31 December 2024.
(*) The consolidated statement of cash flows for the year ended 31 December 2023 is presented exclusively for comparative purposes.

Notes to the 2024 consolidated financial statements

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ENCE Energía y Celulosa, S.A. and subsidiaries

Notes to the 2024 consolidated financial statements

1. Group information

Ence Energía y Celulosa, S.A. (hereinafter, the “Company” or the “Parent”) was incorporated in 1968. Its registered office is located at Calle Estébanez Calderón, 3-5 in Madrid, Spain. The Parent moved its registered office from Calle Beatriz de Bobadilla, 14 in Madrid, Spain in 2024. Ence Energía y Celulosa, S.A. 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 products), their derivatives and their sub-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 1.2 million 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 (hereinafter, “MW”).

The Group also manages 70,100 hectares of forest in Spain, 45,983 hectares of which it owns. Of that total, 54,006 hectares are productive forests and the remaining 16,094 hectares are earmarked for forestry conservation and biodiversity.

The Renewables business

This business encompasses the following activities, held and carried on under Ence Renovables, S.L.:

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	2025
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 is also completing the permitting for two biomass renewable energy generation developments with aggregate capacity of 100 MW that are located in Castile La Mancha and Andalusia.

Biofertilisers and biomethane

ENCE is developing biomethane and organic fertiliser plants articulated around a model based on the sustainable and circular management of agricultural and breeding waste with the aim of building annual biomethane production capacity of over 1 TWh by 2030. At the end of the reporting period, the Group had a portfolio of 16 developments at the engineering and permitting phase and one recently-acquired commercially operational plant (note 6) with annual capacity of 50 GWh of biomethane.

Energy services

Through its subsidiary, Magnon Energy Services, ENCE provides end-to-end solutions for the generation of renewable thermal energy from biomass for industrial customers in Spain. These solutions allow this company's customers to decarbonise industrial processes that are hard to electrify, like the generation of industrial heat, using a renewable alternative.

The Group's goal is to achieve 2 TWh of renewable energy production in 2030. At the end of the reporting period, the Group had one project in operation, another under construction and three at the permitting phase (having obtained exclusivity).

Other

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.

ENCE's forestry assets, in addition to producing timber for pulp, also act as a carbon sink, capturing over 700,000 tonnes of CO_2 annually. These forestry assets also produce carbon credits that can be registered and sold in the voluntary carbon trading markets to help other companies offset their carbon footprints. At 31 December 2024, the Group had registered 39,637 tonnes of carbon credits.

Moreover, agricultural and forestry biomass is the only source of biogenic CO_2, a raw material needed to produce green fuels. ENCE produces close to 4 million tonnes of biogenic CO_2 annually and it is studying the viability of using it to produce green fuels in the future.

Other:

Appendix I itemises Ence Energía y Celulosa, S.A.'s investees at year-end.

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).

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

2. Basis of preparation and consolidation

2.1 Basis of preparation

Ence Energía y Celulosa, S.A.'s 2024 consolidated annual financial statements were prepared from its accounting records and annual financial statements and those of its Group companies. They were prepared in accordance with the prevailing financial reporting framework, specifically the International Financial Reporting Standards adopted by the European Union (IFRS-EU), as provided for in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, and other financial reporting framework provisions to present fairly the Group's financial position at 31 December 2024 and its financial performance and cash flows for the year then ended. They were also prepared considering the electronic format reporting requirements set out in Commission Delegated Regulation (EU) 2018/815.

The Group's consolidated financial statements for 2024, which have been authorised for issue by the Parent's directors, will be submitted for shareholder approval at the Annual General Meeting, at which they are expected to be ratified without modification. The Group's consolidated financial statements for 2023 were approved at the Annual General Meeting held by the Parent on 4 April 2024.

Note 3 summarises the most significant accounting policies and measurement criteria used to prepare the accompanying consolidated financial statements.

The Parent's functional and presentation currency is the euro. The consolidated financial statements and accompanying notes are therefore expressed in euros.

2.2 Basis of consolidation

Appendix I lists the subsidiaries, jointly ventures and associates ENCE is invested in, also itemising the consolidation or measurement bases used, along with other salient information.

Subsidiaries

Subsidiaries are entities over which ENCE exercises control either directly or indirectly. Control is evidenced, in general albeit not exclusively, when the Parent owns, either directly or indirectly, at least 50% of the voting rights of the investee. The ENCE Group deems that it controls an entity when it has existing rights that give it the current ability to direct its relevant activities and it is exposed, or has rights, to variable returns from its involvement with that investee and has the ability to affect those returns through its power over it. Subsidiaries are consolidated using the "full consolidation" method.

The subsidiaries' income, expenses and operating cash flows are consolidated from the acquisition date, i.e., the date on which the Group obtains effective control over them. Subsidiaries are deconsolidated from the date on which such control is relinquished.

Non-controlling interests are initially recognised at an amount equivalent to their proportionate interest in the net identifiable assets recognised on the date control is obtained. The shares of non-controlling interests in fully-consolidated subsidiaries' equity and earnings are presented, respectively, in "Non-controlling interests" within equity on the accompanying consolidated statement of financial position and in "Profit/(loss) attributable to non-controlling interests" in the accompanying consolidated statement of profit or loss.

Changes in ownership interests in subsidiaries that do not give rise to a loss of control are accounted for as equity transactions, i.e., any gain or loss obtained is recognised directly in equity.

If the Group loses control of a subsidiary, that subsidiary's assets and liabilities and any non-controlling interests are derecognised. The resulting gain or loss is recognised in the consolidated statement of profit or loss. Any interest retained in the former subsidiary when control is lost is measured at its fair value on the date on which control was lost, that amount being its deemed cost for subsequent remeasurement purposes.

Joint operations

When the Group shares management of a joint arrangement with third parties and it is determined that as joint operator it has rights to the assets, and obligations for the liabilities, relating to the arrangement, it accounts for the assets, liabilities, revenues and expenses relating to its interest in the joint operation in its consolidated financial statements. The investees consolidated using this method are itemised in Appendix I.

Investments consolidated using the equity method

The Group's investments in associates and joint ventures (joint arrangements that give the Group rights to the net assets of the arrangement) are consolidated using the equity method.

Associates are entities over which ENCE exercises significant influence, either directly or indirectly. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over that entity. Significant interest is generally accompanied by an ownership interest of between 20% and 50% of the entity's voting rights.

Investments in associates and joint ventures are recognised using the equity method from the date on which the Group obtains significant influence or joint control, respectively. Such investments are initially recognised at cost.

Any surplus between the cost of the investment and the Group's share of the net fair value of the investee's identifiable net assets is recognised as goodwill and included in the carrying amount of the investment. In contrast, any excess of the Group's share of the fair value of the investee's net identifiable assets over the cost of the investment is included as income in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

The Group's share of the profits or losses of its associates earned after the acquisition date is recognised as an increase or decrease in the carrying amount of the investment with a balancing entry under "Share of profit/(loss) of entities accounted for using the equity method" in the consolidated statement of profit or loss. Any dividends distributed by equity-accounted investees reduce the carrying amount of those investments. The carrying amount of such investments is also adjusted to reflect the Group's share of changes in the equity of those entities that have not been recognised in profit and loss.

Financial statement translation

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into euros as follows: assets and liabilities are translated at the closing rate at each reporting date; equity items are translated at historical rates; and income and expenses are translated at average rates for the period in which they accrued. The resulting exchange differences are recognised in other comprehensive income and are reclassified to profit or loss in the period in which the foreign operation is disposed of.

None of the Group companies is located in a hyperinflationary economy.

Uniformity and other adjustments

The consolidation of the entities comprising the scope of consolidation was carried out on the basis of their respective separate financial statements, which are prepared under the Spanish General Accounting Plan for companies resident in Spain and local accounting standards for the other investees.

The subsidiaries' accounting policies have been aligned with those used by the Group. The financial statements of the subsidiaries refer to the same presentation date (i.e., 31 December) and reporting period as those of the Parent.

Upon consolidation, intragroup balances and transactions are eliminated in full, as are unrealised profits and losses from intragroup transactions.

Own work capitalised is recognised at production cost and any profits or losses on intragroup transactions are eliminated.

Note 6 itemises the changes in the universe of fully-consolidated and equity-accounted entities in 2024 and 2023. Where material, the notes to the accompanying consolidated financial statements show the relevant effects of additions to and exits from the consolidation scope under the table heading, "Changes in consolidation scope".

2.3 Comparison of information and transaction seasonality

The information provided in these notes in respect of 2023 is presented for comparison purposes only. Note that the comparative information in respect of 2023 coincides with the consolidated financial statements for the year ended 31 December 2023.

When comparing the two years, the reader should note the changes in the scope of consolidation disclosed in note 6.

Given the nature of the Group companies' business operations, its transactions are not seasonal in nature. 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.

2.4 Key IFRS-related decisions

In presenting the consolidated financial statements and accompanying notes, the Group took the following decisions: 1) the presentation of the consolidated statement of financial position distinguishes between current and non-current amounts; 2) the consolidated statement of profit or loss is presented using the nature-of-expense method; and 3) the consolidated statement of cash flows is presented using the indirect method.

2.5 Changes in accounting estimates and policies and correction of fundamental errors

The impact of any change in accounting estimates is accounted for prospectively in the same statement of profit or loss heading in which the previously estimated item of expense or income is recognised.

Meanwhile, changes in accounting policies and the correction of fundamental errors are accounted for as follows insofar as material: the accumulated impact at the beginning of the year is adjusted in reserves and the impact in the year of the restatement is recognised in profit or loss for the year. In such instances, the financial information for the comparative year presented alongside that corresponding to the reporting period is restated.

There were no significant changes in accounting policies in 2024 or 2023, except as indicated in note 2.6 below, and it was not necessary to correct for any errors.

2.6 New and amended standards taking effect during the reporting period

The accounting standards used to prepare these consolidated annual financial statements are the same as those used in the year ended 31 December 2023, except for application of the following standards 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.
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.

None of these standards, interpretations or amendments has been applied early. Application of these standards, interpretations and amendments has not had any material impacts on these consolidated annual financial statements.

2.7 Standards and interpretations issued but not yet effective

At the date of authorising the accompanying 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 of the accompanying statements, are the following:

Standard	Contents
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 the requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements. It will replace the current 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. However, the Company is reviewing what impacts their application will have on its financial information, mainly via the changes introduced in IFRS 18 to the statement of profit or loss in order to distinguish between operating, investing and financing activities.

3. Summary of material accounting policies

The main accounting policies used to prepare these consolidated financial statements, in keeping with the International Financial Reporting Standards and interpretations adopted by the European Union (IFRS-EU), are summarised below:

3.1 Business combinations

Business combinations in which the Group acquires control of one or more businesses are accounted for using the acquisition method, in keeping with the provisions of IFRS 3 - Business combinations. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of (i) providing goods or services to customers; and/or (ii) generating investment income or other income from ordinary activities.

As a general rule, the acquisition method implies recognising, on the date on which ENCE obtains control of the acquired business, the identifiable assets acquired, liabilities assumed, equity instruments issued and any contingent consideration that depends on future events or delivery of certain conditions, at their acquisition-date fair values, insofar as they can be measured reliably. Acquisition-related costs are expensed as incurred.

The difference between the consideration transferred for the interest acquired plus the measured amount of any non-controlling interest in the acquiree and the net assets acquired, including any contingent liabilities, coupled with the fair value of any previously held equity interest in the business acquired, is recognised under “Goodwill”. If that difference is negative it is recognised as a gain from a bargain purchase in the year of the acquisition.

If the initial accounting for a business combination is incomplete by the end of the reporting period, the identified net assets are initially recognised at provisional amounts; any adjustments to those amounts are recognised during the 'measurement period', which cannot exceed one year from the acquisition date, as if the information about the facts and circumstances underlying the adjustments had been known on the acquisition date, restating the prior-year comparative figures as required. Provisional amounts are only adjusted for new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. After the measurement period ends, the acquirer revises the initial accounting to correct any errors.

Goodwill is allocated to each CGU or group of CGUs expected to benefit from the synergies of a business combination.

Goodwill is only recognised when it is purchased as part of a business combination and it is not amortised. Rather, it is tested for impairment annually. The Group recognises a goodwill impairment loss if the recoverable amount falls below the initially recognised amount. Goodwill impairment losses cannot be reversed in subsequent years. Goodwill is tested for impairment in-house; the related calculation methodology is detailed in note 3.5.

Goodwill is not amortised but it is tested for impairment annually; it is recognised in the consolidated statement of financial position at its cost less any accumulated impairment losses.

In each transaction, the Group evaluates whether it has acquired a business or group of assets, analysing whether the group of assets acquired meets the definition of a 'business’ provided in IFRS 3.

The Group recognises any non-controlling interest in an acquiree at that shareholders' proportionate share of the identifiable net assets acquired, measured at their fair value.

3.2 Other intangible assets

The intangible assets recognised on the consolidated statement of financial position mainly include software, development costs and permits and licences for the generation of electricity and are initially recognised at acquisition or production cost. Subsequent to initial recognition, they are measured at acquisition cost less accumulated amortisation and any impairment losses (note 3.5).

The Group’s intangible assets have finite useful lives and are accordingly amortised on a straight-line basis over those estimated useful lives, based on the length of time they are expected to generate income.

R&D expenditure:

Research expenditure is recognised as an expense in the year it is incurred.

Development costs, which include the costs of developing new business projects, are capitalised when their cost is separately identifiable at the project level and it is probable that the project will be technically feasible and commercially viable. Development costs that do not meet these criteria are recognised as an expense in the year in which they are incurred.

To the extent capitalised, these costs are amortised on a straight-line basis over the longer of five years or the period of time they are expected to generate revenue, up to a limit of 10 years.

Computer software:

The Group recognises the cost of acquiring software programmes and multi-year licences under this heading. Costs that are directly associated with the internal development of software are recognised as intangible assets insofar as there is a clearly defined project whose cost is separately identifiable and it is deemed probable that the developments will generate future economic benefits for the Group. All other internal and external costs associated with software maintenance and development are charged to profit and loss in the year incurred.

Software is amortised on a straight-line basis over five years from when each programme is brought into use.

Licences and permits for generating electricity:

The permits and licences that allow an energy generation facility to operate under the special remuneration regime regulated in Royal Decree 413/2014 (of 6 June 2014), on the generation of electricity by means of renewable energy sources, co-generation and waste, are recognised at their acquisition cost or the costs incurred to obtain them and are amortised over the years of regulatory useful life of the renewable energy generation facilities in which they are used, if that useful life is limited for regulatory purposes, or during the years the facility is expected to generate profits for the Group.

3.3 Property, plant and equipment

These assets are measured at purchase or construction cost, net of accumulated depreciation and any impairment losses (note 3.5). Cost can include the following items:

- The interest accrued during the construction period, to the extent longer than one year, on borrowings attributable to the asset being built (capitalised borrowing costs). The interest rate used for this purpose is either that corresponding to the specific borrowings financing the asset or, if there is no such funding, the Group's average borrowing cost (note 28).

- Own work performed by the Group on property, plant and equipment is recognised at cumulative cost, which is the sum of external costs plus internal costs, mainly labour costs, warehouse materials and other operating costs. In 2024, the Group capitalised €5,864 thousand of own work (2023: 1,558 thousand); that balance is recognised under "Self-constructed assets" in the consolidated statement of profit or loss.

- In the event the Group is obliged to dismantle its facilities and restore the sites on which they are located, the present value of the amount of such costs are added to the carrying amount of those assets with a balancing entry under "Provisions" in the consolidated statement of financial position. Any subsequent changes in estimated dismantling costs are accounted for by increasing or decreasing the corresponding assets' carrying amounts in the year in which the estimates change.

  The Group only expects to incur costs of this nature with respect to its biomill in Pontevedra, which is located on public domain land used under a government concession; according to the terms of that concession, the facilities built on that land will revert to the state or the latter will require their dismantling at the end of the concession term.

- Prior to its transition to IFRS-EU (on 1 January 2004), the ENCE Group revalued the land recognised within "Property, plant and equipment" on the consolidated statement of financial position to its market value at the time (note 16); that revalued amount was deemed part of the cost of those assets, as provided for in IFRS 1.

Asset extension, upgrade or improvement costs that represent an increase in productivity, capacity or efficiency or an extension of the useful life of assets are capitalised as an increase in the cost of the corresponding assets. The investments made to minimise the environmental impact of the Group's operations and/or enhance environmental protection also form part of property, plant and equipment. ENCE transfers work in progress to property, plant and equipment when the corresponding test period is finished.

Elsewhere, preservation and maintenance expenses incurred during the year are recognised in the consolidated statement of profit or loss.

The replacement of capitalisable items of property, plant and equipment implies the derecognition of the carrying amounts of the assets replaced. If the items replaced are not depreciated separately and it is not practicable to determine their carrying amount, the cost of the replacement assets is used as an indication of what the cost of the replaced part was at the time it was acquired or constructed. The gain or loss on the disposal of any replaced items is calculated as the difference between the sum received for the sale and the carrying amount of the asset disposed of.

Depreciation and impairment charges

In 2024 and 2023, the Group depreciated its property, plant and equipment using the straight-line method, distributing the cost of the assets over their estimated useful lives, broken down as follows:

	2024	
	Depreciation rate	Estimated years of useful life
Buildings	2%-3%	33-50
Plant		
Biomass generation plants	4%	25
Other plant	5%-8.3%	8-20
Machinery & equipment	5%-12.5%	8-20
Tools and furniture	8.3%-12.5%	8-12
Computer equipment	20%	5
Vehicles	10%	10
Other PP&E	10%	10

The Group reviews its assets' residual values, useful lives and depreciation methods periodically. Any changes in the initially established criteria are recognised as a change in accounting estimate.

Land is recognised separately from the buildings or facilities that may reside on it and is deemed to have an indefinite useful life; accordingly it is not depreciated.

As a general rule, investment in buildings erected on land used under a concession arrangement is recognised under "Buildings". That cost, coupled with that corresponding to the rest of the permanent facilities located on the land held under concession, is depreciated over the buildings' remaining useful lives, limited by the remaining concession term.

In ENCE Renewables, applicable regulations establish a regulatory life for the operating assets that varies depending on the technology used and currently stands at 25 years for biomass facilities. The regulatory life is the period for which the facility will be entitled to the remuneration regime provided for in applicable energy sector regulations and, therefore to earn the applicable financial returns (remuneration for investment or for operation via the minimum return mechanism provided for). As a result, the assets associated with these facilities are depreciated over their useful lives up to the limit implied by their regulatory lives, unless they are expected to generate positive economic flows beyond their regulatory lives.

The Group companies evaluate periodically, and at least at every year-end, their assets or groups of assets for indications of impairment, adjusting as warranted, as indicated in section 3.5 below, their carrying amounts to their recoverable amounts through impairment losses, or the reversal thereof, albeit limited in the case of reversals to the extent of previously recognised impairment loss. Any impairment losses are recognised under "Impairment of and gains/(losses) on disposal of fixed assets" in the consolidated statement of profit or loss.

3.4 Biological assets

The Group grows several species of trees, mainly the *Globulus* and *Nitens* species of eucalyptus. The timber is used as the raw material for ENCE’s productive processes, or for sale to third parties. The trees in a forest plantation - or forest cover - are considered a biological asset. Forest land is measured in keeping with IAS 16 - Property, plant and equipment and is recognised within the corresponding heading of the consolidated statement of financial position (note 3.3).

The Group measures its biological assets at purchase or production cost, net of forest depletion charges and any impairment losses.

Investment in forest assets is measured by capitalising all the costs incurred directly in acquiring and developing them, including land rents, site clearing and preparation costs, plantation costs, fertilisers and forest care and preservation expenses. In addition, because these assets take more than one year to ready for use, borrowing costs accrued until the time the trees are felled are capitalised in respect of the portion of the investment funded with external borrowings (currently not very material). The interest rate used is the Group’s average borrowing cost (note 28).

The carbon sinks certified as a result of sustainable forest management and the conservation of ecosystems are considered a complementary product of the forestry management activity and are measured, as they are certified, at their fair value, which a charge against “Inventories” and a credit to “Other non-current liabilities - Deferred income”. When they are sold, the previously recognised liability is derecognised.

The time elapsing from when a eucalyptus grove is planted in the Iberian Peninsula until it is economically advisable to extract the stumps and subsequently replant varies by species. For the *Globulus* species, that period is approximately 35-40 years (if cut properly the stumps grow back at least two times after harvest). The costs incurred to develop biological assets are grouped into two categories: (i) cycle costs, which include the incurred costs, mainly associated with the plantation process, that will contribute to development of the biological assets over the entire 35-40 year cycle; and (ii) yield/harvest costs, which are those that contribute to development of the biological assets in the harvest in question until they are harvested/felled. For the *Nitens* species, the cycle and harvest periods coincide at around 11-15 years as there is no efficient regrowth, such that all development costs are considered cycle costs in this instance.

When the plantations are harvested, the value of the forest cover is reduced with a charge to “Biological assets – Depletion of forest reserve” along with recognition of a corresponding expense under “Depletion of forest reserve” in the consolidated statement of profit or loss at incurred production costs. The amount of that charge corresponds to 100% of incurred harvest costs and the proportional share of cycle costs estimated on the basis of the number of harvests expected per cycle. In addition, when forest cover comes to the end of its productive cycle, the total amount of recognised forest cover net of accumulated depletion is derecognised.

There is no active market for eucalyptus plantations in Spain and the characteristics of the related transactions have not to date enabled the identification of market price references valid for extrapolation to ENCE's forest assets. Elsewhere, the use of the alternative methods contemplated in IFRS 13 for determining fair value does not enable a reliable quantification of the fair value of these biological assets due to the assumptions and estimates required and their impact on the results of the estimation, among other factors. As a result, the Group does not measure its biological assets at fair value.

ENCE has developed a model for valuing its forest assets based on discounted cash flow methodology which it does not consider sufficiently reliable to use as a proxy for the fair value of its biological assets. However, consistent use of this model over time does provide valuation ranges and enable the identification of trends that are considered when testing its biological assets for potential indications of impairment.

The carrying amounts of the biological assets recognised in ENCE's 2024 consolidated financial statements are not significantly different from the fair values that would result from valuing the assets using that discounted cash flow methodology, specifically that outlined in note 3.5, assuming timber prices in line with current sales prices in the case of the timber earmarked for sale to third parties and the prices at which the pulp biomills procure timber in the case of forest cover earmarked for pulp-making.

3.5 Impairment of non-financial assets

At least at the end of each reporting period, the ENCE Group reviews the value of its non-financial assets, including its property, plant and equipment, right-of-use assets, goodwill and other intangible assets, biological assets and equity-accounted investments, to determine whether there are any indications of impairment, namely any indications that the amount recoverable through use has fallen below their carrying amount.

ENCE uses internal and external sources of information to tests its assets for impairment. The external sources used include declines in market value based on comparable transactions, the outlook for pulp and renewable energy prices, possible future adverse developments in the legal, economic or technology environments that could materialise in a decline in the realisable value of its assets, unexpected and persistent shortfalls in production and trends in macroeconomic variables such as inflation and interest rates. Internally, the Group tests for the physical damage or obsolescence of its assets as well as verifying whether they are performing economically in line with expectations.

If it detects indications of impairment, the recoverable amount of the asset in question is estimated to determine the amount of the related impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In the case of goodwill, ENCE tests its recoverable amount systematically at least once a year.

Value in use amounts are calculated for each cash-generating unit (CGU). Goodwill is allocated to each of the CGUs expected to benefit from the synergies arising from the business combination in question. As a general rule, each of the facilities where the Group carries out its activities is a CGU.

To determine the value in use of the assets tested for impairment, management estimates the present value of the net cash flows projected for each CGU to which the assets belong, excluding cash inflows or outflows from financing activities, income tax payments and future net cash flows from initiatives to improve or enhance the performance of the assets belonging to the related CGUs.

The projected cash flows are based on the projections prepared by the management of each CGU, which typically cover a 3-5 year period, except where specific business characteristics justify longer projection periods. The growth rates, sales price forecasts and direct costs modelled are based on binding contractual commitments, publicly available information, sector-specific forecasts and ENCE's experience. In addition, management performs sensitivity analyses, varying revenue growth inputs, margin assumptions and the discount rates in order to assess the impact of potential changes in these variables (note 19).

In the case of the energy generation plants associated with ENCE Renewables, for which cash flows during the construction and operating phases can be estimated with a certain degree of reliability (assets with stable production, market data series that go back far in time and stable operating costs), the recoverable amount is calculated using estimated cash flows projected until the end of each plant's regulatory useful life; the terminal value is not significant. For biological assets, projected cash flows encompass a productive cycle of up to 40 years and no terminal value is factored in.

The cash flows are discounted to present value using a rate that reflects current market assessments of the time value of money and the risks specific to each CGU.

If the estimated recoverable amount of an asset is lower than its carrying amount, the latter is written down to the former by recognising the corresponding impairment loss in "Impairment of and gains/(losses) on disposal of fixed assets" in the consolidated statement of profit or loss. Impairment losses other than those recognised against goodwill are reversible.

When an impairment loss subsequently reverts, the carrying amount of the corresponding CGU is written up to its recoverable amount, so long as the restated carrying amount does not exceed the carrying amount that would have been recognised had no impairment loss been recognised against the CGU in prior years.

3.6 Leases

ENCE holds certain assets, notably industrial and forest land, industrial equipment and vehicles, under leases and concessions. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases are recognised at the inception of the lease term as a right-of-use asset along with the corresponding lease liability, at the present value of the outstanding lease payment obligations.

To determine the lease term, it considers the initial duration of the lease agreement and any extension options that ENCE has the power and reasonably expects to exercise.

Lease liabilities are recognised at the present value of outstanding lease payment obligations, less any incentives receivable, plus any variable lease payments that depend on an index or rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option that the lessee is reasonably certain to exercise and payments for terminating the lease if the lease term reflects early termination. Variable lease payments not included in the initial measurement of the lease liability are recognised in profit or loss in the year they accrue. The payment obligations are discounted to present value using the estimated incremental borrowing rate, which is the rate of interest a lessee would have to pay, at the start of the lease, to borrow a similar amount over a similar term, and with a similar security.

After initial recognition, the Group measures its lease liabilities by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications and revised fixed lease payments.

Right-of-use assets, meanwhile, are initially recognised at the amount of the lease liability at its initial recognition plus lease payments made at or before the commencement of the lease (less any lease incentives received), any initial direct costs incurred by the lessee and, if applicable, as estimation of the costs to be incurred to dismantle the asset (initial cost). They are subsequently measured at initial cost less accumulated depreciation and any impairment losses, in keeping with IAS 16 - Property, plant and equipment (notes 3.2 and 3.5).

Right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease term. If ownership is transferred to the lessee or it is virtually certain that the lessee will exercise a purchase option, the asset is depreciated over its useful life.

Payments under short-term leases (with terms of less than 12 months) and low-value leases are expensed directly as accrued. Contingent rents subject to the occurrence of a specific event and variable lease payments that depend on the revenue earned from or the use of the underlying asset, which are residual in the lease agreements entered into by the Group, are recognised as incurred under "External services - Leases" in the consolidated statement of profit or loss, rather than as part of the lease liability.

ENCE subleases leased forestry equipment. When it does, it analyses whether it has transferred substantially all the risks and rewards of ownership of the subleased asset. If so, it derecognises the associated rights-of-use asset and recognises a receivable at an amount equal to the net investment in the sublease.

ENCE classifies its right-of-use assets in accordance with the nature of the leased assets within "Property, plant and equipment" on the consolidated statement of financial position and classifies the lease liability under “Borrowings - Other financial liabilities” within non-current and current liabilities on the consolidated statement of financial position.

In its statement of cash flows, the Group recognises payments of principal under lease agreements within “Net cash flows from financing activities”, and the interest expense under those agreements under “Net cash flows from operating activities”.

3.7 Financial assets and liabilities

ENCE measures its financial instruments in keeping with IFRS 9 - Financial instruments. Specifically:

Financial assets

Upon initial recognition, ENCE measures its financial assets at fair value, which includes the transaction costs directly attributable to their acquisition. Exceptionally, transaction costs associated with financial assets measured at fair value through profit or loss are expensed in the consolidated statement of profit or loss.

Subsequent to initial recognition, ENCE classifies its financial assets into the following categories: 1) at amortised cost; 2) at fair value through other comprehensive income; or 3) at fair value through profit and loss. Classification depends on the business model used by ENCE to manage the financial assets and the characteristics of their contractual cash flows:

i. Amortised cost using the effective interest rate method: assets that are held in order to collect their contractual cash flows and whose contractual cash flows represent solely payments of principal and interest are classified into this category.

   A gain or loss on an investment measured at amortised cost that is not part of a hedging relationship is recognised in profit or loss in the year in which the asset is derecognised or written down for impairment. Interest income from these financial assets is recognised in finance income in the consolidated statement of profit or loss as accrued, using the effective interest rate method.

   This category mainly includes the Group's "Trade and other receivables", “Other financial assets”, “Deposits, guarantees and other” and “Cash and cash equivalents”. "Cash and cash equivalents" includes cash balances and short-term, highly-liquid investments readily convertible into cash within a maximum of three months, the value of which is not subject to significant risks.

The trade accounts receivable arising in the ordinary course of the Group's business are recognised at their face value, as they tend to mature within less than 12 months, corrected for expected credit losses. The Group uses the simplified approach to calculate expected credit loss for its trade receivables based on its historical credit loss experience.

ii. Fair value through profit or loss: this category includes derivatives that don't quality as hedges under IFRS 9 - Financial instruments; financial assets that must be measured at fair value through profit or loss pursuant to other standards (such as contingent consideration in business combinations); and financial assets that, if measured differently, would result in an accounting mismatch.

Changes in the fair value of such instruments are recognised when they arise in "Finance costs", "Finance income" or “Change in the fair value of financial instruments”, as warranted, in the consolidated statement of profit or loss.

Equity investments in unlisted securities that are not very material and whose fair value cannot always be determined reliably are measured at their acquisition cost, less any impairment losses.

Transaction costs that are directly attributable to the purchase or issuance of this class of financial assets are recognised in the consolidated statement of profit or loss as they are incurred.

iii. Financial assets at fair value through other comprehensive income: the Group does not have any assets in this category.

No financial assets were reclassified between the above financial asset categories in either 2024 or 2023.

Regular way purchases or sales of financial assets are recognised using trade date accounting.

Impairment losses

ENCE tests its financial assets at amortised cost for impairment on an expected credit loss basis. More specifically, ENCE uses the general approach to calculate expected losses on its non-current financial assets, except for its trade and other accounts receivable without a significant financing component, for which it uses the simplified approach.

Under the general approach, the Group considers the credit losses expected to materialise in the next 12 months, unless credit risk has increased significantly since initial recognition of the asset.

Under the simplified approach, the Group recognises lifetime expected credit losses. This approach factors in the type of customer, any credit insurance coverage in place and historical experience with credit risk in the last five years. The model considers that payment is past due when it is in arrears by more than 180 days. Those criteria are applied in the absence of other objective evidence of non-performance such as bankruptcy proceedings, etc. The Group did not recognise significant amounts of expected credit loss in its consolidated statement of profit or loss in either 2024 or 2023.

The recognition of impairment allowances against trade receivables and any reversals thereof are presented within “Impairment of financial assets” in the consolidated statement of profit or loss.

Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the related cash flows have expired or when the risks and rewards incidental to ownership of the asset have been substantially transferred. When a financial asset is derecognised, the Group recognises the difference between its carrying amount and the amount of consideration received, net of transaction costs, including any assets obtained or liabilities assumed and any loss or gain deferred in other comprehensive income, in the consolidated statement of profit or loss.

Depending on its prevailing cash requirements, the Group sells its trade receivables to financial institutions (factoring) and occasionally securitises them. When it transfers its collection claims in that manner, it transfers substantially all of the risks and rewards of ownership, including control thereover; it does not enter into repurchase agreements with the factor banks (i.e., non-recourse factoring). In keeping with IFRS, the receivables sold in this manner are derecognised.

In contrast, the Group does not derecognise financial asset transfers in which it retains substantially all the risks and rewards of ownership, recognising instead a financial liability in the amount of any consideration received.

Financial liabilities

Financial liabilities are trade and other accounts payable by the Group deriving from the purchase of goods and services in the ordinary course of business and other liabilities that are not commercial in origin and that cannot be considered derivatives (bank borrowings, issued bonds, etc.).

ENCE classifies its financial liabilities into the following categories subsequent to initial recognition: 1) at amortised cost; and 2) at fair value through profit or loss. The latter category essentially includes the contingent consideration associated with business combinations and financial derivatives that are not designated as hedging instruments in accordance with IFRS 9 - Financial instruments.

ENCE derecognises a financial liability (or a part of it) when it discharges the obligation specified in the contract or has been legally released from primary responsibility for the liability.

Notes, bonds and bank borrowings

Loans, notes and similar financial liabilities are initially recognised at fair value, which usually coincides with the amount of cash received, net of any transaction costs incurred. All those liabilities are subsequently measured at amortised cost using the effective interest rate method. Finance costs and arrangement fees are recognised on an accrual basis in the consolidated statement of profit or loss using the effective interest rate method.

When issuing convertible bonds, ENCE analyses whether the instruments constitute a compound financial instrument or a liability. When issuing compound financial instruments with liability and equity components, the equity component is measured as the difference between the fair value of the instrument as a whole less the amount of the liability component. The liability component is determined by estimating the fair value of a similar standalone liability at the date of issuance with no equity component. Transaction costs associated with the issuance of compound financial instruments are allocated between the equity and liability components in proportion to their relative carrying amounts at the time of classification.

Refinancing transactions are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, insofar as the contractual terms of the instruments are substantially different, a circumstance that arises if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Any arrangement fees associated with the liabilities derecognised still pending reclassification to profit and loss are taken to profit and loss upon derecognition.

If the terms of the instruments are not substantially different such that the refinanced transaction does not quality for derecognition, the new cash flows are discounted at their original effective interest rate and any difference with respect to the previous carrying amount is recognised in profit or loss. Finance costs and arrangement fees are recognised on an accrual basis in the consolidated statement of profit or loss using the effective interest rate method.

The repurchase of debt instruments implies that the debt has been extinguished, even if the issuer plans to try to resell it in the immediate future.

Trade and other payables

Trade and other accounts payable as a result of the Group's business operations are financial liabilities that, for the most part, fall due in the short term and do not explicitly accrue interest. They are recognised initially at fair value and measured subsequently at amortised cost.

The Group has reverse factoring arrangements in place with a number of banks for the management of its supplier payments. The trade liabilities whose settlement is managed by those banks are presented under "Trade and other account payable" and are classified within cash flows from operations in its consolidated statement of cash flows insofar as ENCE only transfers the management function to the banks and continues to be the primary obligor vis-a-vis the trade creditors (non-recourse reverse factoring). In the event any of the banks is the primary obligor, such transfers are accounted for as bank borrowings.

Equity instruments

An equity instrument is a contract that evidences a residual interest in the Parent's assets after deducting all of its liabilities.

The equity instruments issued by ENCE are recognised in equity at the amount received net of any issuance costs.

Own shares acquired by ENCE are recognised at their acquisition cost and are presented as a deduction from equity. The gains and losses resulting from the purchase, sale, issuance or cancellation of own equity instruments are recognised directly in equity and are not reclassified to profit or loss under any circumstances.

The cancellation of any ENCE shares gives rise to a reduction in capital equivalent to the par value of those shares and the gain or loss arising from the difference between their par value and the price at which were repurchased is recognised within reserves.

Interim dividends declared against profits for the year and final dividends paid by the Group are deducted from equity when they are approved.

3.8 Derivative financial instruments and hedging transactions

The Group's activities expose it mainly to financial and market risks deriving from: (i) variability in the dollar/euro exchange rate (which affects its revenue from pulp sales as benchmark pulp prices are quoted internationally in dollars); (ii) other exchange rate fluctuations insofar as they affect currency-denominated sales; (iii) changes in the prices of pulp, biomethane, fuel-oil, gas and electricity; and (iv) movements in interest rates. The Group may arrange derivative financial instruments to hedge these exposures. The Group does not arrange derivative financial instruments for speculative purposes.

Those financial instruments are recognised under “Derivative financial instruments” on the liability side of the consolidated statement of financial position if they present a negative balance and under “Hedging derivatives” on the asset side if they present a positive balance.

Gains and losses resulting from fair value changes are recognised as finance income or cost in the consolidated statement of profit or loss, unless the derivative, or a portion thereof, has been designated as a hedging instrument that is deemed highly effective, in which case they are recognised as follows:

1. Fair value hedges: the hedged item is measured at fair value, as is the hedging instrument, and the changes in the fair value of both are recognised in the consolidated statement of profit or loss.

2. Cash flow hedges: the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in "Valuation adjustments" in the consolidated statement of comprehensive income. The gains or losses associated with the ineffective portion are recognised immediately in profit or loss under "Change in the fair value of financial instruments".

When option contracts are used to hedge forecast transactions, the Group tests whether those transactions are highly probable; if they are, it designates both the intrinsic value and the time value of the option contract as a hedging instrument.

At the inception of the hedge, ENCE formally designates and documents the hedging relationship, as well as its risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how hedge effectiveness will be tested.

ENCE tests whether its hedges are effective at their inception and on an ongoing basis. Specifically, it verifies whether it is expected, prospectively, that the changes in the fair value or in the cash flows from the hedged item (attributable to the hedged risk) will be reasonably offset by the changes in the fair value/cash flows of the hedging instrument. The fair value of derivatives includes adjustments for credit risk so that changes in their fair value attributable to changes in creditworthiness are included in the effectiveness assessment.

The Group tests effectiveness using the qualitative method if the critical terms of the hedging instrument and the hedged item match. Whenever the principal terms do not fully match, the Group uses a hypothetical derivative with critical terms equivalent to the hedged item to identify and measure ineffectiveness.

ENCE discontinues hedge accounting prospectively only when some or all of the hedging relationship ceases to meet the hedge accounting requirements. That can occur when the hedging instrument expires, is sold or is exercised, the risk management objective has changed, the credit risk effect dominates the changes in value, the hedging instrument matures or is settled, or the underlying hedged item ceases to exist. For such purposes, the substitution or the renewal of a hedging instrument does not imply expiration or termination so long as the transaction remains consistent with the Group's documented risk management objective.

In cash flow hedges, following the discontinuation of hedge accounting, the gain or loss accumulated in other comprehensive income is not reclassified to profit or loss until the forecast transaction occurs. However, the amounts deferred in other comprehensive income are reclassified as finance income or costs when the Group no longer expects a forecast transaction to take place.

Derivatives embedded in other financial instruments are treated as separate derivatives when the Group believes that their characteristics and risks are not closely related to those of the host contracts, so long as the financial instrument in question as a whole is not being accounted for at fair value through profit or loss. The Group does not have any embedded derivatives requiring separate accounting treatment.

Fair value of derivative financial instruments

The fair value of the various financial instruments is determined in accordance with the hierarchy established in IFRS 13 as follows:

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs: unobservable inputs, namely valuation techniques.

To determine the fair value of each of the main classes of derivative financial instruments, the Group relies on the advice of external experts in each type of instrument, using information provided by information providers or official data bodies, as follows:

- The fair value of interest rate swaps is determined by discounting future payments in respect of the differences between the fixed and floating legs using implied interest rates gleaned from long-term swap rate curves. Implied volatility is used to calculate their fair value.
- The fair value of exchange rate futures contracts is determined using spot prices and forward yield curves for the currencies in question, additionally factoring in implied volatility until maturity in the case of options.
- The fair value of contracts for the purchase-sale of non-financial assets and liabilities to which IFRS 9 applies (mainly pulp and energy price contracts) is calculated based on the best estimate of the future price curves for those non-financial items at the reporting date, using the prices formed in the futures markets to the extent possible.

Fair value is adjusted for the expected impact of observable counterparty credit risk in positive exposure positions and by the impact of observable own credit risk in liability negative exposure positions.

The metrics obtained using the above-listed techniques are cross-checked with the financial institutions with which the Group arranges the financial instruments being measured.

The fair values of the various derivative financial instruments are obtained using level 2 inputs according to the fair value hierarchy stipulated in IFRS 13, as they are based on quoted prices in active markets for a similar instrument (other than level 1), quoted prices for identical or similar instruments in markets that are not active and valuation techniques for which all the significant inputs are observable in the market or can be corroborated using market-observable data. That classification considered the fact that the credit risk adjustments use level 3 inputs, namely direct or comparable company credit ratings, to determine own credit risk and counterparty credit risk, which in turn determine the probability of default, concluding that the adjustments are not material with respect to the overall measurement. Contingent consideration and the fair values of the assets and liabilities recognised as a result of business combinations are classified as level 3 inputs (notes 4 and 6).

3.9 Distinction between current and non-current

In the consolidated statement of financial position, assets and liabilities are classified by maturity, i.e. as current if they mature within 12 months of the reporting date and as non-current if they mature in more than 12 months.

Cash and cash equivalents are classified as current assets unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

To classify its liabilities as non-current, the Group assesses whether it has an unconditional right at the reporting date to defer settlement of the liability for at least 12 months from that date.

3.10 Inventories

Raw material inventories are measured at purchase cost, which includes the amount invoiced plus all costs incurred until the goods are located within ENCE's facilities. Inventories of finished products and work in progress are measured at production cost, which includes the cost of direct materials, the cost of direct labour and general manufacturing overhead.

The Group values its inventories using the weighted average cost method.

The Group writes its inventories down for impairment, with a charge against operating profit, to align their carrying amount with their realisable amount when the latter is lower than cost. Inventory impairment charges are reversed whenever the originating circumstances dissipate.

Greenhouse gas emission allowances for own use

Emission allowances acquired primarily for use in the Group's productive processes are recognised as inventories, at their acquisition cost, calculated at the lower of their weighted average cost and estimated realisation value.

Emission allowances received free of charge under the emission allowance trading scheme are recognised at their deemed cost, recognising a grant in the same amount as the balancing entry. That grant is reclassified to profit or loss as the allowances received are used.

The consumption of allowances during the year is recognised as an expense under "Other operating expenses" in the consolidated statement of profit or loss by means of a provision calculated as a function of the allowances used, valued at their acquisition cost, which is their carrying amount in the case of allowances held at year-end, the purchase price stipulated in any forward contracts in effect and year-end market value for the remaining allowances.

When the emission allowances used are delivered to the authorities, both the allowance inventories and the provision set up in respect of the use of those allowances are derecognised.

Renewable Energy Guarantees of Origin

The Renewable Energy Guarantees of Origin certificates generated in the course of producing energy in the Group's own facilities that use renewable sources are recognised under "Inventories" on the consolidated statement of financial position and are measured that their fair value at the time of their certification. They are subsequently measured at the lower of cost and their net realisable value.

3.11 Grants

Non-repayable grants awarded to subsidise investments in productive assets (grants related to assets) are measured at the fair value of the amount awarded, net of any costs incurred to secure them, and they are recognised when all the conditions attaching to their grant have been met. They are recognised in profit or loss under “Other operating income” over the periods and in the proportions in which depreciation expense on the related subsidised assets is recognised or, when appropriate, when the asset is derecognised or written down for impairment.

Grants related to income are credited to the consolidated statement of profit or loss under “Other operating income” at the time of grant unless they are granted to finance specific expenses, in which case they are deducted in reporting the related expense.

Government assistance taking the form of interest-free loans or loans at below-market rates, granted primarily to fund R&D projects and investments in productive assets, is initially recognised at fair value in "Other financial liabilities" in the consolidated statement of financial position. The difference between the loan proceeds received and their fair value is recognised initially in “Grants” in the consolidated statement of financial position and is reclassified to profit and loss within “Grants reclassified to profit or loss” as the assets financed by the loan are depreciated.

3.12 Facilities assigned to third parties

The cash consideration received from third parties for assigning the right to use grid connection facilities is accounted for with a credit to “Non-current prepayments and accrued income” in the consolidated statement of financial position and reclassified to “Other operating income” in the consolidated statement of profit or loss on a straight-line basis over the term of the entitlement.

The Group recognised €2,565 thousand of accrued income in this connection at 31 December 2024 (year-end 2023: €2,713 thousand).

3.13 Provisions and contingencies

ENCE recognises provisions for present obligations, whether legal or constructive, arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits, the amount of which can be estimated reliably.

Provisions are recognised when the liability or obligation arises, with a charge to the relevant profit or loss heading, depending on the nature of the obligation, discounted to present value when the effect of the time value of money is significant. The unwinding of the discount is recognised every year within "Finance costs" in the consolidated statement of profit or loss.

Provisions, which are quantified using the best information available regarding the consequences of the obligating event, are re-estimated at each reporting date (note 4). Provisions are discounted to present value using a risk-free rate.

Contingent liabilities are possible obligations with third parties and present obligations that are not recognised either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed in the accompanying notes, unless the possibility of an outflow of resources embodying economic benefits is considered remote.

Termination benefits

In keeping with prevailing labour regulations, ENCE is required to pay benefits to employees whose contracts are terminated under certain circumstances. Termination benefits are recognised on the date on which there is a detailed formal plan for the restructuring and Group has raised a valid expectation among those affected that the plan will be implemented. The Group has not recognised any provisions for termination benefits at either year-end.

Legal proceedings and/or claims underway

At both year-ends, ENCE was party to a number of legal proceedings and claims arising in the ordinary course of its business activities. The Parent's directors, based on the opinion of their legal counsel, believe that resolution of those proceedings and claims will not have any significant effects beyond those already recognised in these financial statements.

3.14 Post-employment and other benefits

Most of the Group companies have defined benefit commitments to employees who remain in employment at year-end consisting of the contribution by the employer and the employee of a pre-defined percentage of his or her pensionable salary to the "Joint Contribution Pension Plan" offered by the ENCE Group under the provisions of article 40 d) of Spain's Pension Plan and Pension Fund Regulations (defined contribution). This pension plan is part of the SERVIRENTA II F.P. pension plan and provides retirement benefits as well as permanent disability cover and life insurance. The Group has no material defined benefit obligations.

In terms of the savings portion of that policy, as a general rule, the beneficiaries contribute 1% of their fixed remuneration and ENCE contributes around 5% of the latter. The risk component is structured as a life and accident insurance policy and is financed 50/50 by the parties. The contingencies covered by the policy include retirement, total permanent disability, full permanent disability and death. The capital underwritten is equivalent to 35 times' their fixed monthly remuneration (twice that in the event the contingencies result from an accident).

Certain Group executives, including its Chairman and team of officers, are beneficiaries of an executive pension plan that complements the standard plan; the executive plan, structured as a group insurance policy, covers the beneficiaries' retirement and the risks of permanent disability and death.

Contributions to the defined contribution post-employment pension plans are recognised in "Employee benefits expense" in the consolidated statement of profit or loss as they accrue.

Elsewhere, a group of former employees of Celulosas de Asturias, S.A. is entitled to benefits in the form of life and disability insurance. That commitment was externalised through an insurance company in 2014.

Long-term bonus plan

The Group measures these employee commitments at each measurement date at the estimated value of the commitment at maturity and the period of time elapsed relative to the vesting period.

Those commitments are recognised under "Employee benefits expense" in the consolidated statement of profit or loss on a straight-line basis during the plan's vesting period; the balancing entry varies depending on the manner of settlement. Specifically, for commitments that are settled in ENCE shares, the expense accrued is recognised in "Equity - Other equity instruments" in the consolidated statement of financial position using the fair value of the equity instruments on the grant date. Elsewhere, the liability accrued in connection with commitments that are settled in cash is recognised with a credit to "Provisions" on the liability side of the consolidated statement of financial position.

The estimates made to measure the commitments assumed with employees are reviewed at the end of each reporting period and the impact of any estimate changes are recognised prospectively during the remaining accrual period.

3.15 Revenue and expense recognition

Revenue from contracts with customers is recognised as the Group satisfies its performance obligations and represents the amounts received or receivable in exchange for the goods delivered and services rendered in the ordinary course of the Group's activities, net of returns and discounts and amounts received but due to third parties, such as value added tax. Revenue is recognised when it can be measured reliably and it is probable that the economic benefits embodied by the transaction will flow to the Group. It is measured at the fair value of the consideration received or receivable.

Revenue from the sale of goods is recognised when control of the goods has been transferred to the buyer, which in the case of pulp sales is determined on the basis of the Incoterms (international commerce terms) applied to each transaction and in the case of timber sales is normally when the goods are delivered at the customer's facilities. ENCE's performance obligations to its customers are met when the goods are delivered; customer returns are the exception.

Elsewhere, revenue from the sale of electric power includes the pool price received in the market plus the legally-established premiums applicable to power generated from renewable sources and the various mechanisms in place for adjusting that regulated remuneration (Tariff Adjustment) and is recognised when it is generated and delivered to the customer, as a function of the amounts supplied and at the gross sale price, to the extent the Group acts as principal.

ENCE has arranged several biomethane and power purchase agreements. These contracts, which imply the physical delivery of energy, are classified, as a general rule, as contracts earmarked to cover the Group's purchase, sale or usage needs; they fall outside the scope of IFRS 9 and are recognised for accounting purposes as the Group receives or transfers the rights and obligations originated by them.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the reporting date, whenever the outcome of the transaction can be estimated reliably.

Interest income is recognised using financial criteria with reference to the principal outstanding, the remaining term to maturity and the applicable effective interest rate.

Dividend income is recognised when the right to receive payment is established.

Expenses are recognised in the consolidated statement of profit or loss as they accrue. If future economic benefits are no longer expected, the Group recognises an expense immediately.

Revenue from electricity sales:

As provided in Royal Decree 413/2014, renewable energy generation plants in Spain receive certain incentives: in addition to the remuneration earned from the sale of electricity in the pool at market prices, eligible facilities are entitled to specific remuneration consisting of an amount per unit of capacity (remuneration for investment) designed to cover the costs of investing in a so-called standard facility not recoverable from the sale of power; and an amount in respect of operations (remuneration for operation) designed to cover the difference, if any, between operating expenses and revenue from participation in the market by that facility. That Royal Decree also stipulates the update, for every three-year regulatory stub period, of certain remuneration parameters, via ministerial orders (Appendix III – Energy sector regulatory framework).

One of the matters regulated in that Royal Decree is the treatment of any differences arising in a given year between the revenue earned from the sale of energy at the estimated price (as determined by the regulator at the start of each three-year regulatory stub period) and the revenue obtained from the sale of energy at actual pool prices each year: any such differences are corrected in the remuneration obtained in future years by means of an adjustment to the "Remuneration for investment" parameter. Those adjustments for tariff shortfalls/surpluses ("Tariff Adjustment") are regulated in article 22 of the Royal Decree (note 9 and Appendix III).

The manner in which the Group accounts for the Tariff Adjustment is that set down in a document titled "Criteria for accounting for adjustments for tariff shortfalls/surpluses ("Tariff Adjustment") pursuant to article 22 of Royal Decree 413/2014" published by the CNMV on 22 October 2021:

- As a general rule, the Group recognises each shortfall or surplus arising under Royal Decree 413/2014 in its consolidated statement of financial position with a balancing entry under revenue.

  Tariff Adjustments generated by positive net pool price deviations over the course of a given regulatory stub period that will imply an increase in remuneration receivable from the sector watchdog in the future are recognised as an asset within "Other financial assets" and as incremental revenue from the sale of electricity. That net asset is reversed at the end of the regulatory stub period by reducing the revenue associated with the sale of electricity over the facility's remaining regulatory useful life.

  Tariff Adjustments generated by negative net pool price deviations over the course of a given regulatory stub period that will imply a decrease in remuneration receivable from the sector watchdog in the future are recognised, depending on their maturity, as a liability within "Other non-current liabilities" or "Other current liabilities" and deducted from revenue from the sale of electricity. That net liability is reversed at the end of the regulatory stub period by increasing the revenue associated with the sale of electricity over the facility's remaining regulatory useful life. The amount of the liability is limited to the amount of the facility's net asset value.

- Notwithstanding the foregoing, if, over the course of the assets' residual regulatory useful lives, it is deemed highly probable, based on best estimates of the outlook for pool prices and other qualitative factors, that the facilities will earn higher returns in the market than those established in the Royal Decree and that, therefore, abandoning the remuneration regime would not have significantly more adverse financial consequences than remaining under the regime, only the asset associated with positive pool price deviations is recognised.

  At 31 December 2024 and 2023, considering the situation in the energy market at year-end 2023, the trend in short- and medium-term energy futures and prevailing regulations, the Group recognised the asset and the liability derived from the cumulative positive and negative differences as of the reporting date for all of the standard facilities it operated.

Ministerial Order TED/526/2024, of 31 May 2024, was published on 4 June 2024, establishing 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. That piece of legislation excludes the facilities included under the Order, which include the biomass power generation plants operated by ENCE, from application of the Tariff Adjustment regulated in article 22 of Royal Decree 413/2014 with effect from 1

January 2024. However, the Tariff Adjustments corresponding to the years up to and including 2023 continue to be recognised in accordance with the outgoing regulatory regime.

3.16 Income tax

The Group pays income tax through two tax consolidation groups under the regime provided for in Chapter VII of Title VI of the consolidated text of Spain's Corporate Income Tax Act); the parent companies of those two groups are Ence Energía y Celulosa, S.A. and Magnon Green Energía, S.L and the groups include the subsidiaries with tax domicile in Spain in which the tax group parent holds an equity interest of 75% or more.

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income). Current and deferred tax is recognised as income or expense in the consolidated statement of profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, directly in equity, or a business combination.

Current tax assets or liabilities are measured at the amounts expected to be paid to or recovered from the tax authorities using the tax rates and tax laws that have been enacted or substantively enacted in the countries where the Group companies operate.

Deferred tax assets and liabilities are determined on the basis of differences between the carrying amounts of its assets and liabilities and their tax bases, using the tax rates objectively expected to be prevailing when the assets and liabilities are realised and incurred, respectively, as embodied by prevailing rates. Deferred taxes are recognised in the consolidated statement of financial position as non-current assets and non-current liabilities, irrespective of the expected date of recovery or settlement.

The Group recognises a deferred tax liability for all taxable temporary differences. It only recognises a deferred tax asset, however, to the extent that it is probable that the consolidated entities will generate sufficient taxable profit in the future against which the assets can be utilised. The ability to utilise any deferred tax assets recognised is reassessed at each reporting date and they are written down as necessary on the basis of the outcome of the analyses performed.

It does not recognise deferred tax assets or liabilities if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, or when they relate to a temporary difference arising on investments in subsidiaries, branches and associates and interest in joint ventures if the Group can control the timing of its reversal and it is probable that it will not reverse in the foreseeable future.

If the Group believes it is not probable that the tax authorities will accept an uncertain tax treatment or group of uncertain tax treatments, it factors that uncertainty into determination of its taxable profit, tax bases, unused tax losses, unused tax credits and tax rates.

3.17 Non-current assets held for sale and discontinued operations

The Group classifies a non-current asset (or disposal group) as held for sale when its carrying amount is to be recovered principally through a sale transaction insofar as a sale is considered highly probable and the asset is available for immediate sale in its present condition.

These assets (or disposal groups) are measured at the lower of their carrying amount or their estimated sale price less the estimated costs necessary to make the sale. Depreciation of these assets ceases as soon as they are classified as held for sale. Management tests that their carrying amount does not exceed their fair value less costs to sell every year. If this occurs, any required impairment losses are recognised in

"Impairment of and gains/(losses) on disposals of fixed assets" in the consolidated statement of profit or loss.

Non-current assets held for sale are presented in the consolidated statement of financial position as follows: the assets are presented in a single line item called "Non-current assets held for sale", while the related liabilities are similarly presented in a single line item called "Liabilities associated with non-current assets held for sale".

In addition, the Group classifies any component (cash-generating units or groups of cash-generating units) that either represents a separate major line of business or geographical area of operations, has been sold or otherwise disposed of or qualifies for classification as held for sale as discontinued operations.

The after-tax results of discontinued operations are presented in a single line item in the consolidated statement of profit or loss called "Profit/(loss) after tax for the period from discontinued operations".

3.18 Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary equity holders of the Parent by the weighted average number of ordinary Parent shares outstanding during the period (not including the average number of Parent shares held as treasury stock by the Group companies).

Diluted EPS amounts are calculated by dividing "Profit/(loss) for the year attributable to owners of the parent" by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. To this end, management assumes that conversion takes place at the beginning of the period or when the dilutive potential shares are issued in the event of issuance during the year.

3.19 Related-party transactions

The Group conducts all related-party transactions on an arm's length basis.

3.20 Foreign currency transactions and balances

The consolidated financial statements are presented in euros, which is the Parent's functional and presentation currency.

Credits and debits denominated in a currency other than the euro are translated to euros using the exchange rate prevailing at the transaction date; these amounts are adjusted at every reporting date, until they are cancelled, as function of exchange rate trends. Non-monetary assets denominated in foreign currency, which are scantly material for ENCE, are translated using the exchange rate prevailing on the date on which the asset was recognised by the Group.

Exchange differences resulting from the collection and payment of loans and debts in currencies other than the euro and those deriving from the measurement of accounts receivable and payable denominated in foreign currency at each reporting date at prevailing exchange rates are recognised as finance cost or income in profit or loss in the reporting period in which they arise.

3.21 Statement of cash flows

The consolidated statement of cash flows was prepared using the indirect method and the following definitions:

1. Cash flows: inflows and outflows of cash and cash equivalents, the latter understood as short-term (< 3 months), highly liquid investments which are subject to an insignificant risk of changes in value.

2. Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.

3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

4. Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group.

3.22 Activities with an environmental impact

Environmental activities are those undertaken by the Group with the primary aim of protecting the environment or reducing or repairing damage caused to the environment by its business activities.

Expenses derived from environmental activities are recognised as other operating expenses in the period in which they are incurred.

Items of property, plant and equipment acquired for the purpose of sustained use in its business operations whose main purpose is to minimise environmental damage and/or enhance environmental protection, including the reduction and elimination of future pollution from the Group’s activities, are recognised as assets, applying the measurement, presentation and disclosure criteria outlined in notes 3.2 and 3.3 above.

Provisions for probable or certain liabilities, lawsuits in process and pending settlements or obligations of an unspecified amount of an environmental nature that are not covered by insurance are recognised when the liability or payment/award obligation arises. The Group had not recognised any provisions in this regard at either year-end.

4. Key accounting estimates and judgements

The preparation of these 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. Actual results may differ significantly from these estimates.

The accounting policies and transactions that incorporate assumptions and estimates that are material in respect of the accompanying consolidated financial statements are:

Control over MAGNON

On 20 December 2020, Ence Energía y Celulosa, S.A. completed the sale of a minority interest of 49% in Magnon Green Energía, S.L., ENCE's Renewable Energy holding company.

Through ENCE Renovables, S.L., ENCE controls Magnon Green Energía, S.L.U. and its subsidiaries in accordance with IFRS 10 *Consolidated financial statements*, as it has the power to direct its relevant activities, is exposed to variable returns from its involvement with that investee and has the ability to use its power over the investee to affect the amount of its returns.

In assessing the existence of control, the following factors were taken into consideration:

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

ENCE is the majority shareholder, which, as a general rule, gives it the majority vote in the substantive resolutions of its board and shareholders, including the ability to appoint the majority of the board members.

A shareholder agreement has been entered into between ENCE and the non-controlling shareholder in order to give the latter a series of minimum protection rights that are customary in transactions of this nature and are designed to protect its 49% interest (the non-controlling shareholder does not have substantive rights). Specifically: 1) Business plan and annual budget: the non-controlling shareholder has accepted the business plan prepared by ENCE which contemplates annual budgets until 2080; it will have a veto right if there are proposals to alter the annual budget by at least 15% of the budget items deemed essential; 2) Appointment of the management team: ENCE appoints the chief executive and the non-controlling shareholder appoints the CFO, whose responsibilities are tied to execution of above-mentioned business plan; 3) Material contracts (associated with plant investments, procurements and operations): the non-controlling shareholder may only veto such agreements in situations in which the contracts could seriously adversely affect that shareholder's interests (protective right); 4) Investment and financing decisions not contemplated in the ENCE business plan accepted by the non-controlling shareholder: decisions involving more than €20 million not contemplated in the plan require a qualified majority; 5) ENCE's policies apply to any matters not specifically contemplated in the shareholder agreement; and 6) Management of the Renewable Energy business relies on ENCE for its technical and managerial expertise (the non-controlling shareholder does not have equivalent experience).

Contingent consideration

Contingent consideration arrangements between parties as a result of the purchase and sale of ownership interests in subsidiaries that to not imply the loss of control are measured at fair value at all times.

The Group has contingent consideration balances receivable associated with the sale in 2020 of 49% of Magnon Green Energy, S.L. and Ence Energía Solar, S.L. in the amount of €18,595 thousand and €1,341 thousand, respectively, and balances payable in the amount of €3,642 thousand in connection with the acquisition of 98% of Biometagás la Galera, S.L. (notes 6, 27 and 29).

The Group has estimated that fair value of each contingent consideration balance by modelling the cash flows contemplated in the various scenarios, which it weighted by the estimated probability of occurrence of each scenario. The key assumptions used to estimate those cash flows include the probability of attaining each of the milestones on which the contingent consideration is conditional and the estimated timeframes for doing so. Changes in those assumptions could have an impact on the amount of contingent consideration recognised in the financial statements. In that respect, the recoverability of the consideration associated with the sale of a 49% equity interest in Magnon Green Energy, S.L. is subject to the organisation of regulatory auctions in the medium term, with the Group being adjudicated two developments and the outcome of the adjudicated terms for both developments reaching a certain return threshold.

Changes in the assumptions used to determine the amount of consideration would be recognised as finance income or cost, as appropriate, in the consolidated statement of profit or loss (note 13).

Useful lives of property, plant and equipment and intangible assets and dismantling costs

The tangible and intangible assets held by the Group tend to be used for very extended periods of time. The Group estimates their useful lives, using in-house experts, based on the technical specifications of each asset, the period of time for which they are expected to generate benefits for the Group and applicable legislation (notes 3.2 and 3.3).

In addition, ENCE periodically reviews whether it will have to dismantle its business facilities and restore the surrounding land, estimating, as required, the costs it would incur.

Right-of-use assets

In determining the terms of its leases, ENCE considers all of the relevant facts and circumstances that create a significant economic incentive for the lessee to exercise the option to extend the lease or not exercise the option to terminate it. Options to extend or terminate a lease are only included in the lease term determination if extension is reasonably certain or the lessee is reasonably certain not to terminate. It also estimates the incremental borrowing cost used to measure its lease agreements (note 3.6).

Recoverable amount of non-financial instruments

ENCE tests the cash-generating units to which goodwill has been allocated for impairment annually (note 3.5). ENCE believes its estimates are appropriate and consistent with the current economic climate; that they reflect its investment plans and the best available estimate of their future expenses and income; and that the discount rates adequately reflect the risks specific to each cash-generating unit (note 19).

Revenue from energy sales Regulated activity settlement

At every year-end, ENCE estimates how much revenue it has accrued and will receive from the regulator as a result of its power generation activities, in keeping with the prevailing regulatory framework. It also estimates the net asset value and remuneration for investment receivable by each of the standard facilities operated by the Group when recalculating the parameters for the next regulatory stub period. It bases those estimates on the provisional settlement parameters already published and available sector information (note 9 and Appendix III).

Provisions for liabilities and charges

ENCE recognises provisions for present obligations arising from past events, mainly lawsuits and claims, as well as certain undertakings made that meet the definition of a liability, and provides disclosures around certain commitments whose characteristics mean they do not meet the requirements for recognition as provisions.

To do so it has to evaluate, using the best information available at every reporting date, the outcome of certain legal, tax and other proceedings that are not final at the date of authorising its consolidated financial statements for issue, as well as the probability of having to uphold certain contractual commitments and their impact. To perform that assessment, ENCE relies on its in-house counsel and independent experts (notes 3.13 and 31).

Fair value estimation

The fair value of financial instruments traded on active markets is based on market prices at each reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. ENCE uses its judgement to select a variety of methods and make assumptions that are mainly based on the market conditions existing at the end of each reporting period (note 3.8).

For disclosure purposes, it is assumed that the carrying amount of the Group’s trade payables and trade receivables less expected credit loss impairment is a proxy for their fair value. Elsewhere, for financial information disclosure purposes, the fair value of the rest of the Group’s financial liabilities is estimated by discounting the instruments’ future contractual cash flows using the risk-free interest rate.

Calculation of income tax and recognition of deferred tax assets

The correct measurement of income tax expense depends on several factors, including estimates regarding the ability to utilise tax credits and other deferred tax assets within certain timeframes and the tax rates expected to prevail at the time of their utilisation, etc. Actual receipts and payments may differ materially from those estimates as a result of changes in the business outlook or in tax regulations or the interpretation thereof, or as a result of unforeseen future transactions.

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 (notes 3.16 and 32).

Climate change

The Group's strategy factors in the targets agreed at the Paris Agreement in an attempt to keep global warming at under 1.5ºC and attain climate neutrality by 2050. Specifically, they have been taken into consideration in preparing the consolidated financial statements.

Note that the useful life estimates, the facility closure and restoration cost estimates and the non-financial asset impairment tests incorporate the effects of that strategy (notes 7, 16, 19 and 31).

Those assumptions and estimates are made considering historical experience, the advice of expert consultants, forecasts, existing circumstances and expectations as of year-end with respect to future events and developments. 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 impact of which would be recognised prospectively.

5. Financial risk management

The varies activities carried out by ENCE expose it to certain financial risks: (i) market risk; (ii) credit risk; and (iii) liquidity risk. Section 3 of the consolidated management report provides further information about the risks faced by the Group.

ENCE has a risk management structure and systems that enable it to identify, measure and control the risks to which the Group is exposed, framed by the following basic lines of intervention: (i) ensuring that the most important risks are correctly identified, assessed, managed and monitored; (ii) segregating the risk management functions at the operating level; and (iii) ensuring the existence of internal risk management and control systems that allow the Group to keep the probability of occurrence and impact of materialisation of key risk events within the established tolerance thresholds. The overriding goal is to ensure that the level of risk to which ENCE is exposed is consistent with its targeted risk profile and delivery of its annual and strategic targets.

5.1 Market risk

Market risk is the risk of a loss due to adverse changes in market prices. The Group is exposed to different classes of market risk: pulp sales and renewable energy price risk; interest rate risk; regulatory risk; and price risk with respect to the commodities used in its manufacturing processes.

ENCE monitors its exposure to market risk via ongoing sensitivity analysis. That analysis is complemented by other risk management measures when the nature of the exposures so warrants; those measures include the establishment of maximum exposure limits, which are defined by the Management Committee.

Pulp prices

BEKP prices are formed in an active market. The trend in pulp prices is a significant driver of the Group's revenue and profitability. Changes in pulp prices affect the cash flows generated by pulp sales.

In addition, pulp prices tend to be markedly cyclical in nature and have exhibited substantial volatility in recent years. Price trends are primarily shaped by shifts in supply and demand and the financial situation and cost competitiveness of the various sector players.

To mitigate this risk, in recent years the Group has invested significantly in reducing its cash cost, increasing productivity, enhancing the quality of the products it sells and diversifying into differentiated and value-added products. Management also continually monitors the scope for using derivatives to hedge pulp prices on future sales, although the availability of these hedging instruments is limited.

The sensitivity of operating profit and equity (before tax) to changes in pulp prices is shown in the table below:

€ 000	Change in pulp prices	Impact on operating profit (-)/+	Impact on equity (-)/+
2024	5% increase	31,311	31,311
	5% decrease	(31,311)	(31,311)
2023	5% increase	28,280	28,280
	5% decrease	(28,280)	(28,280)

Renewable energy prices and regulations

With respect to the price of the renewable energy sold by the Group on the Spanish electricity market, Royal Decree 413/2014, on the generation of electricity by means of renewable energy sources, co-generation and waste, guarantees the facilities included within the so-called specific remuneration scheme that are entitled to remuneration for investment a minimum return of 7.398% over their regulatory useful lives, until 2031, thereby eliminating a lot of the uncertainty associated with the revision of the remaining remuneration parameters (Appendix III).

The Group monitors regulatory developments meticulously in order to duly reflect their impact in its financial statements and on its assessment of potential investments.

The Group sells all the power it generates for third parties through the grid operator, OMEL. All of the Group's electricity generation capacity is subject to regulated remuneration.

Supply of timber

Eucalyptus timber is the main raw material used in making pulp and its price can fluctuate as a result of changes in the balance between supply and demand in the regions in which the pulp biomills are located.

The risk of a shortfall in supply is mitigated mainly by means of inventory management, diversification of supply sources, including, in certain circumstances, purchases from alternative international markets, usually at higher logistics costs. Insofar as it is not common practice to arrange long-term purchase agreements, purchase price risk is managed by benchmarking purchase prices to pulp prices whenever possible.

The sensitivity of operating profit and equity (before tax) to changes in timber sales prices is shown in the table below:

€ 000	Change in timber prices	Impact on operating profit (-)/+	Impact on equity (-)/+
2024	5% increase	(12,729)	(12,729)
	5% decrease	12,729	12,729
2023	5% increase	(12,280)	(12,280)
	5% decrease	12,280	12,280

Foreign currency risk

Although the Group sells its pulp primarily in Europe, revenue from pulp sales is affected by the USD/EUR exchange rate as sales prices are linked to benchmark international pulp prices quoted in USD. Since the Group's functional currency is the euro and its cost and financial structure is mainly denominated in euros, changes in the rate of exchange between the dollar and the euro can affect the Group's earnings significantly.

To manage and minimise that risk, ENCE monitors its exposure to fluctuations in the exchange rate constantly, tracks forecasts for the USD/EUR exchange rate closely and, on occasion, uses hedging strategies.

The Group had the following assets and liabilities denominated in foreign currency, mainly US dollars, at year-end 2024 and 2023:

€ 000	2024	2023
Cash	17,174	14,102
Accounts receivable	20,794	26,395
Accounts payable	(558)	(4,060)
	37,410	**36,437**

The sensitivity of operating profit and equity (before tax) to appreciation or depreciation of the dollar against the euro is shown in the table below:

€ 000	Change in USD/EUR exchange rate	Impact on operating profit (-)/+	Impact on equity (-)/+
2024	5% appreciation	18,494	18,494
	5% depreciation	(21,347)	(21,347)
2023	5% appreciation	25,610	25,610
	5% depreciation	(25,415)	(25,415)

Interest rate risk

Fluctuations in interest rates can affect interest income and expense via the financial assets and liabilities that carry or bear floating rates; they can also affect the fair value of financial assets and liabilities arranged at fixed rates. Moreover, interest rate movements can affect the carrying amounts of assets and liabilities via changes in the applicable cash flow discount rates, returns on investments and the future cost of raising finance.

Management of this risk is aimed at maintaining a balance between floating-rate and fixed-rate debt so as to keep borrowing costs within the thresholds stipulated in the Group's risk management policies.

ENCE's borrowing profile is the result of arranging the financial instruments that are most competitive at any moment in time; it raises money in the capital markets or with banks depending on where market conditions are more attractive. ENCE mitigates this risk by writing interest derivatives that swap floating rates for fixed rates.

The Group's financial structure at year-end 2024 and 2023, factoring in the hedges arranged, is as follows:

	Pulp		Renewables	
€ 000	**2024**	**2023**	**2024**	**2023**
Fixed-rate	175,534	234,500	126,286	111,371
Floating-rate	176,209	179,047	41,266	11,612
Fees and interest	1,533	1,401	(5,133)	(467)
Total gross borrowings (note 28)	**353,276**	**414,948**	**162,419**	**122,516**

The floating rates are exposed to oscillations in Euribor.

The sensitivity of pre-tax operating profit and equity to a 50 basis point change in interest rates is shown below:

€ 000	**Change in interest rates**	**Impact on profit before tax (-)/+**	**Impact on equity (-)/+**
2024	50bp increase	(1,172)	1,537
	50bp decrease	1,172	(1,958)
2023	50bp increase	(1,318)	767
	50bp decrease	1,318	(793)

5.2 Credit risk

Credit risk is defined as the possibility that a third party fails to uphold its payment obligations, generating a loss for the Group. For the most part, the Group assesses and monitors credit risk on an individual customer basis, as exposure to this risk is concentrated in a relatively small number of customers in the Pulp business.

After the Group recognises a financial asset, it checks regularly for objective indications of impairment. The factors considered include the balances pending collection customer by customer, the availability of credit insurance cover, the age of the debt, the existence of bankruptcy proceedings and the conclusions drawn from customer solvency analyses.

Trade and other receivables

Trade receivables are presented on the consolidated statement of financial position net of impairment. Accumulated receivables impairment amounted to €4,991 thousand at year-end 2024 (year-end 2023: €4,050 thousand). The table below provides a breakdown of the age of ENCE's trade debt and the impairment provisions recognised (including expected credit losses):

€ 000	31 Dec. 2024 Receivable	31 Dec. 2024 Impairment	31 Dec. 2023 Receivable	31 Dec. 2023 Impairment
Not past due	41,619	-	21,974	-
Past due by 0 - 30 days	7,983	611	14,564	-
Past due by 30 - 180 days	1,960	53	325	121
Past due by > 180 days	4,312	4,326	3,929	3,929
	55,874	**4,990**	**40,792**	**4,050**

ENCE has its own systems for continually assessing the credit risk of all of its debtors and determining exposure limits by counterparty. Those systems are based on available solvency information, deep knowledge of the Pulp business's customer base and the credit scoring analysis conducted by prestigious credit underwriters.

Pulp sales

This business recognised €29,993 thousand under "Trade and other receivables" at 31 December 2024, and associated accumulated impairment allowances of €4,795 thousand.

Credit risk is spread across 100-200 customers and other counterparties. ENCE's biggest single customer accounted for 12% of pulp sales in 2024 (10% in 2023).

To mitigate credit risk, ENCE does business with creditworthy customers with no history of default; also, it mostly sells to customers covered by the credit insurance programmes arranged by ENCE, which cover approximately 90% of invoiced amounts. Those measures are complemented by periodic specific financial solvency assessments of the Group's biggest customers and the addition of certain contractual clauses designed to guarantee the collection of receivables.

The credit scores of the Group's customers with balances outstanding at year-end, factoring in the assessments performed by our credit underwriters, are as follows:

	2024	2023
Risk level:		
Low	52%	58%
Medium	30%	25%
Medium-high	15%	15%
High	3%	2%

Energy sales

This business recognised €31,925 thousand under "Trade and other receivables" at 31 December 2024, and associated accumulated impairment allowances of €195 thousand.

Under the regulatory framework in effect, in 2024 and 2023, the power generated was sold on the spot market, MIBEL for its acronym in Spanish, collecting the related revenue from the market operator, OMIE, which has a payment guarantee scheme, and from the energy sector regulator, the CNMC, which falls under the Spanish Ministry of Industry. Most of the accounts receivable in this business line are due from these organisations. As those balances are ultimately backed by the Spanish state, the expected loss is considered to be insignificant.

Cash

The average ratings of the counterparties with which the Group holds the balances recognised under "Cash and cash equivalents" on the consolidated statement of financial position, as provided by Standard & Poor's, are shown below:

	2024	2023
Rating:		
A	46%	50%
BBB	54%	42%
BB	0%	8%

5.3 Liquidity and capital risk

Adverse conditions in the debt and capital 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 business plan.

ENCE's liquidity management policy is designed to guarantee the availability of the funds needed to ensure fulfilment of the obligations assumed and the ability to execute its business plans, keeping an optimal amount of liquid assets at all times and striving to manage its financial resources as efficiently as possible.

Each of ENCE'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.

This is one of the risks monitored most closely by ENCE. To that end it controls and monitors its financing needs by drawing up short-term liquidity forecasts and financial plans to accompany the annual budgets and business plan. ENCE's sources of financing are diversified and stable.

The Group has an economic and budget control system for each business, tailored for each, which provides it with the information needed by its business managers to control the possible risks and take the most appropriate management decisions.

In keeping with this prudent financial policy, at year-end 2024, ENCE held sufficient cash and cash equivalents and undrawn credit lines to cover a significant percentage of its short-term obligations (notes 27 and 28).

The Group has also set leverage targets to match the revenue volatility profile of its different businesses. Against this backdrop, the leverage target set for the Pulp business is 2.5 times recurring EBITDA, the latter derived using mid-cycle pulp prices and average exchange rates. The leverage target for the Renewable business is 5 times.

Net debt and EBITDA are alternative performance measures that are not disclosed in the financial statements. They are quantified in Appendix I of the 2024 Management Report- Fourth-quarter 2024 earnings report, where a reconciliation with the financial statement amounts is also provided. The two businesses' net debt/EBITDA ratios at 31 December 2024 and 2023 are shown in the table below:

€ million	Pulp		Renewables	
	2024	2023	2024	2023
Net debt	255.9	186.1	78.8	93.5
EBITDA	138.2	46.2	26.3	42.6
Net debt/EBITDA	1.9x	4.0x	3.0x	2.2x

In addition, at 31 December 2024, the Group had €10m of short-term financial investments due in January 2025.

The contractual maturity analysis in respect of the financial liabilities referred to in IFRS 7 is provided in note 28, along with the disclosures required around compliance with covenants.

6. Main acquisitions, disposals and other changes in the scope of consolidation

2024

Changes in the scope of consolidation

On 18 December 2024, Biofertilizantes y Biometano Camarles, S.L.U., a 100%-owned investee of Ence Biogás, S.L.U., the holding company for ENCE's Biogas business, acquired 98% of the share capital and control of Biometagás La Galera, S.L., a company that owns a biomethane generation facility in the municipality of La Galera (Tarragona). That facility is designed to produce up to 50 GWh of biomethane a year.

The acquisition price was €17.6 million. The purchase agreement includes an earnout of up to €4.1 million, conditional upon the amount of normalised EBITDA generated following the start of fertiliser sales or the 2028 EBITDA figure if that activity has not started up by then. That condition is expected to be met in 2028, triggering payment of the full amount.

The breakdown of the net assets acquired and their fair value at the acquisition date, including the goodwill generated by the transaction, are provided below:

€ 000	Note	Fair value	Carrying amount in target's financial statements(*)
Goodwill	15	4,813	-
Intangible assets	15	18,966	-
Property, plant and equipment	16	5,832	5,832
Non-current financial assets		6	6
Deferred tax assets	32	986	986
Cash and cash equivalents		198	198
Other current assets		415	415
Total assets		**31,216**	**7,437**
Deferred tax liabilities	32	4,742	-
Earnout		3,642	-
Non-current borrowings from group companies		1,859	1,859
Borrowings		1,716	1,716
Other current liabilities		1,282	1,282
Total liabilities		**13,241**	**4,857**
NET ASSETS ACQUIRED		**17,975**	**2,580**

(*) Data corresponding to 100% of the acquiree's net assets

The ENCE Group has recognised the assets acquired and liabilities assumed at their estimated acquisition-date fair values (using level 3 valuation inputs for IFRS 13 purposes). The identified intangible asset, recognised at €19 million, reflects the licences and permits needed to operate the biomethane plant. That asset qualifies for recognition under the applicable accounting rules and was measured by discounting the cash flows forecast for this facility to present value at a rate of between 7.4% and 7.8%. Input was obtained from independent experts in valuing the asset. The Group has also recognised a deferred tax liability of €4.7m to reflect the difference between the carrying and tax amounts of that asset.

The resulting goodwill, of €4.8 million, will not be deductible for tax purposes. Elsewhere, the business combination accounting implied the recognition of €336 thousand of non-controlling interests in this company.

The revenue and earnings of the acquiree since the acquisition date included in the consolidated statement of profit or loss for the year were zero. Had this acquiree been acquired on 1 January 2024, it would have contributed approximately €2 million of revenue and a loss of €0.6 million to the Group's consolidated earnings.

This business combination has been accounted for provisionally as the prescribed 12-month period - starting from the acquisition date - has yet to elapse; although the accounting treatment would be revised if necessary, no significant additional adjustments are anticipated.

The transaction costs totalled €0.1 million and have been expensed in the accompanying 2024 consolidated statement of profit or loss.

Complementing this business combination, ENCE has signed an agreement with an important gas supplier for the sale of the biomethane produced by the plant for a period of 15 years.

In 2024, the Group additionally incorporated 10 companies, all of which wholly-owned by Ence Biogás, S.L.U., in order to develop and build biomethane plants. It also acquired 100% of the share capital of Biofertilizantes y Biometano Sertogal Xunqueira, S.L.U. for €10 thousand.

Other

Ence Energía y Celulosa, S.A. sold its subsidiary, Ence Biogás, S.L.U., all of its shares in three special-purpose vehicles which have since changed their registered names to Biogás San Esteban, S.L.U., Biogás Almacelles, S.L.U. and Biofertilizantes y Biometano Laguna de Negrillos, S.L.U.

2023

Changes in the scope of consolidation

In 2023, Ence Energía y Celulosa, S.A. incorporated a wholly-owned subsidiary called Ence Renovables, S.L.U., as the holding company for the Group's various renewable energy businesses. After its incorporation, the Group carried out an organisational structuring to bring all of the subsidiaries devoted to businesses related with the generation of renewable energy under Ence Renovables, S.L. To that end, the Parent sold Ence Renovables, S.L. its interests in Ence Biogás, S.L. and Ence CO2, S.L. for €3 thousand apiece and also contributed its 51% interest in Magnon Green Energy, S.L. by fully subscribing for the capital increase undertaken by Ence Renovables, S.L.

The size of the capital increase was €113,960 thousand, the carrying amount of the assets and liabilities contributed in the Group's consolidated financial statements drawn up under Spanish GAAP as of the transaction date; the carrying amount of the contributed investment in the financial statements of Energía y Celulosa, S.A. was €112,528 thousand. The difference between the two amounts, of €1,432 thousand, was recognised in a reserve account.

In addition, on 20 April 2023, Ence Renovables, S.L. acquired 50% of Magnon Servicios Energéticos, S.L., a company that was dormant at the time, at the amount of its share capital.

Also in 2023, Ence Energía y Celulosa, S.A. incorporated several wholly-owned subsidiaries: Biofibras de Galicia, S.L.U., for the purpose of carrying out the production of cellulosic pulp from recovered board and paper, Ence Biomasa, S.L.U., Ence PV, S.L.U. and Ence Servicios Energéticos, S.L.U., all of which were dormant in 2023.

Other

In 2023, Magnon Green Energy, S.L. sold 62.3% of Ancen Solar IV, S.L.U., a company that was dormant at the time of its sale, to a third party at its carrying amount. After that transaction, that company embarked on the facility development work needed to connect a number of renewable energy developments, including one being developed by ENCE in Seville, to the electricity grid (note 1).

Also in 2023, Magnon Green Energy, S.L., together with third parties, set up an Economic Interest Grouping called Promotores Atarfe 220 KV, AIE in order to obtain the connection rights at a substation to which the one of the photovoltaic facilities under development will be connected (note 1).

Lastly, Sierras Calmas, S.A., the subsidiary located in Uruguay and dormant in recent years, was liquidated in 2023.

7. Climate change and the Paris Agreement

Since the Group bases its business model on natural capital, ENCE is keenly aware of its exposure to climate change risks. The ENCE Group is also convinced that the decarbonisation challenge and transition to an economic model free from fossil fuels brings opportunities and is incorporating them into its growth strategy.

To that end, ENCE believes it is crucial to analyse the risks and opportunities derived from climate change that could affect the Company and its value chain. To tackle that analysis in a systematic manner, ENCE followed the recommendations issued by the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD).

The governing body tasked with supervising the management of climate change risks is ENCE’s Board of Directors, which, through its Audit Committee, supervises the related risk identification and management systems and mitigation strategies as an integral part of its overall enterprise risk management system. Those same bodies likewise supervise the scenarios and time horizons used in that risk assessment and the relevant information ENCE reports to the market.

The Sustainability Committee, meanwhile, is in charge of establishing the applicable analytical methodologies and guidelines. At the executive level, the business areas, meanwhile, coordinated by the corporate Sustainability Department, work to identify and prioritise specific risks and opportunities, define mitigation plans and assess the potential impact of the risks on their key business metrics as the basis for calculating their financial impact. As a function of the estimated financial impact after the mitigation measures designed by the Company for each risk (net exposure), a risk level is assigned in accordance with the levels defined in the corporate risk map. Risk assessment assumes execution of all of the mitigation measures contemplated (including those for which investments have already been committed and other measures contemplated in the short, medium and long term). Implementation of these measures is subject to approval of the corresponding investment proposals by the Parent's Board of Directors.

ENCE has selected a range of physical and transition scenarios and different time horizons for analysing the impact of climate risks on its business model (for further information on the scenarios and time horizons modelled, refer to the section of the Sustainability Statement titled “Climate change”). Below is a description of the risks identified as presenting a higher degree of risk:

ENCE has identified the following physical risks:

Chronic physical risks

The main risks identified in this category are: changes in precipitation patterns and temperatures that could lead to a decrease in the availability of timber and alter the productivity of forest plantations; the impact on ENCE’s assets of reduced growth of the *E. Globulus* in southern Spain; the impact of climate change on the availability of biomass; and lower equipment performance on account of higher temperatures. These risks were studied in detail as part of the risk assessment and, considering the mitigation measures in place or planned, they were ruled out as critical risks.

Acute physical risks

The risks identified in this category were: poorer staff performance on account of episodes of extreme heat; structural damage to the biomills from flooding; a higher incidence of fires in ENCE’s owned forests; reduced water availability; and increased salinity at the Navia biomill.

Following their assessment, considering the mitigation measures in place or planned, they were ruled out as critical risks.

Note in relation to the risk of reduced water availability, this risk materialised at the Pontevedra biomill in 2022. That facility was temporarily exposed to this risk due when the lack of rainfall, coupled with high summer temperatures, reduced the flow of water in the Lérez River which supplies the biomill. To ensure an environmentally-safe flow and prioritise the population’s water supply, ENCE temporarily idled the biomill until water levels recovered. It then conducted a pilot project to recirculate the wastewater from the biomill itself and regenerate the wastewater from the nearby municipal treatment facility. That pilot test finalised in 2023, since when progress is being made on the engineering and permitting work for the definitive industrial project. The proposed solution involves subjecting the wastewater from the biomill and from the nearby municipal treatment facility to a reverse osmosis treatment to attain sufficient water quality to allow its use in the industrial process. With this sector-pioneering solution, ENCE will reduce its dependence on water from the Lérez River during periods of drought or scarcity in which the river’s flow is insufficient to supply the biomill. Thanks to the measures already implemented and those slated for implementation out to the end of 2026, the level of this risk has been brought below the critical threshold.

The main transition risks identified by ENCE have been classified into three categories: current regulation risks, market risks and future regulation risks:

Current regulation risks

This category includes the risk of an increase in the price of emission allowances in the European emissions trading system (EU-ETS). Following the assessment, the direct impact of this risk was considered critical for the Group. Next is a description of this risk factor and the mitigation measures deployed by ENCE to reduce its potential severity.

The increase in emission allowance prices in the EU-ETS could increase ENCE’s costs directly by increasing the cost of allowance purchases. To assess this risk, the Group evaluated the facilities included in the trading system (Lucena, Navia and Pontevedra). The impact was calculated using estimates for the trend in prices and ENCE’s own estimates for the emissions from each facility, factoring in the Group’s decarbonisation plan and the useful lives of the three facilities. In the short- and medium-term horizons, the level of this risk is below the critical risk threshold; however, its impact increases over time due to the anticipated gradual increase in carbon prices and the staggered reduction in the volume of allowances to be allocated free of charge between now and 2030, at which point their free allocation will stop altogether, making this risk potentially critical in the long term.

Indirectly, an increase in the cost of carbon allowances could increase demand for olive pomace from cement makers and other industries that need to reduce their emissions. An increase in demand could translate into an increase in olive pomace prices and reduced availability of this input for our energy plants. The indirect impact was estimated based on internal analysis using olive pomace price estimates and the needs of the main plants that are dependent on this input. The results of the related analysis point to a correction in olive pomace prices on the back of higher availability, underpinned by the healthy outlook for olive harvests, so leaving this risk below the critical risk threshold.

In addition to the risks related with carbon prices, this category includes risks identified with competition for water resources. To analyse this risk for the biomills, a hypothetical scenario was modelled assuming a reduction in the volume of water available for offtake from the rivers currently relied on, forcing ENCE to increase the use of regenerated water, with a higher associated cost. As a result of that analysis, factoring in the water savings measures contemplated, the resulting net risk is below the critical threshold. In the case of the energy plants, a potential risk was identified in relation with competition for water at the Huelva plant but the analysis also revealed a less-than-critical impact.

Market risk

This category includes the risk of an increase in raw material costs (particularly at facilities that use electricity intensively and those included within the emissions trading system), in borrowing costs or in biomass prices as a result of more intense competition for its procurement. These risks were analysed and determined not to be critical.

New regulation risks

This category includes the risk of an increase in logistics costs as a result of inclusion of the shipping industry in the emissions trading system, other potential regulatory changes (such as tighter sustainability criteria for biomass in the new renewable energies directive) and higher water costs derived from new policies or regulatory frameworks contemplating higher water prices in the current climate of water shortages. Having analysed the potential impacts and considered the mitigation measures underway or planned at ENCE, none of these risks was considered critical.

Opportunities

Albeit aware of the risks, ENCE believes that adapting for climate change, specifically transitioning to a lower-carbon economy, presents more opportunities than risks for the Group. The main opportunities identified by ENCE, around which it is articulating its business strategy, are the following:

1. Growth in renewable energies: the push at the EU level for the rollout of clean energies, which is translating into ever more ambitious renewable generation targets, represents an opportunity for ENCE, prompting the Company to include growth in renewable power generation in its growth strategy.
2. Decarbonisation in sectors not conducive to electrification: the decarbonisation of activities or sectors that currently use fossil fuels such as natural gas and are not easy to electrify is an opportunity for ENCE, which it is seeking to tap through Ence Biogas, set up to produce renewable gas to replace these fossil fuels. Ence Biogas plans to transform agricultural and breeding waste into renewable gas (biomethane) for injection into the grid to support decarbonisation in sectors not apt for electrification.
3. Demand for low-emissions industrial heat: again in the context of industrial sectors not suited to electrification, ENCE is also looking to produce renewable industrial heat, as its experience managing

biomass facilities puts it in a privileged position to become a benchmark player in this segment. Through Magnon Energy Services, ENCE offers end-to-end industry decarbonisation solutions, developing biomass facilities to replace fossil fuel furnaces so that customers can reduce their emissions and the costs associated with emissions allowances.

4. Carbon offsetting: in line with the roadmap established by the European institutions, a growing number of organisations are committing to net zero pathways that are only achievable by offsetting the emissions they are not able to eliminate. Against that backdrop, as the leading private forest manager in Spain, ENCE has a magnificent opportunity to develop carbon sinks and sell the resulting carbon credits. In fact, at the end of 2024, ENCE had registered 59 projects spanning 3,740 hectares as carbon sinks with the Spanish climate change office (OECC).
5. Biogenic CO_2: Against the backdrop of the decarbonisation thrust, biogenic carbon dioxide has emerged as a high-interest raw material for use, in combination with green hydrogen, to produce biofuels and other products that can replace fossil materials. ENCE is also in a privileged position to take advantage of this opportunity as both its biomills and its independent energy plants produce significant volumes of biogenic CO_2 every year. ENCE is already working with a number of potential partners on the development of projects for different uses of the carbon dioxide released from biomass.
6. Low carbon pulp products: within the Pulp business, ENCE has also identified interesting business opportunities related with the decarbonisation of the paper market. Specifically, ENCE is developing low- and even carbon-neutral pulp products that can help its customers reduce the carbon footprints of their end products. ENCE's reduced carbon unbleached pulp, Naturcell, and its carbon-neutral version, Naturcell Zero, are clear examples of how the Group is taking advantage of this opportunity.
7. Production of pulp-based sustainable packaging solutions: other areas of the pulp business have been identified as presenting opportunities for replacing plastic packaging materials. One of the lines of research being pursued by ENCE is the production of moulded-pulp products for the manufacture of containers and trays designed as substitutes for plastic products made using fossil fuels.
8. *E. Globulus* - better suited for the emerging climate conditions: the climate change models used by ENCE suggest that the changes anticipated in temperature patterns in northern Spain mean that areas where this species cannot currently be grown will become viable locations because temperatures will no longer be too low for their cultivation. This implies an opportunity for ENCE as it will increase the productivity of eucalyptus plantations in these areas and, therefore, increase the availability of timber from this species for its biomills.
9. Sale of biomass: Through Ence Biomass, ENCE offers its customers biomass to cover growing demand for supplies for renewable heat, biofuel and other uses. Since ENCE is one of the largest agricultural and forestry biomass managers in Spain, its biomass procurement know-how and reach give it a competitive advantage when it comes to addressing this need.
10. Sale of biofertiliser: the biogas business, whose purpose is to decarbonise sectors that are ill suited to electrification, also generates digestate during the anaerobic digestion process. ENCE plans to transform this digestate into biofertilisers for sale, generating another new business opportunity.
11. Production of secondary raw materials: the subproducts obtained in the course of manufacturing pulp, such as methanol and sulphuric acid, can be used to make secondary raw materials apt for reuse in the Group's plants or potentially sold to third parties.

In drawing up these consolidated financial statements, the Group factored in the above-listed risks and opportunities, specifically in relation to its assets' useful life estimates (notes 2.3 and 3.3), the extent of usage of its biological assets, investment commitments (notes 16 and 18), the assessment of potential dismantling costs (note 31) and its non-financial asset impairment tests (note 19) and the related sensitivity analyses.

8. Operating segments

The segment information referred to in this note is presented in accordance with the disclosure requirements prescribed in IFRS 8 - Operating segments.

The Group has defined the following reporting segments, based on the different activities it carries out and their relative importance, for which detailed and discrete financial information is available and reviewed regularly by senior management, along with the operating results, to make decisions about the 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:

- The generation of renewable energy from biomass (Biomass): includes the plants that generate and sell electricity from renewable sources, specifically agricultural and forestry biomass; they are developed and operated independently. Operational renewable power-generating capacity currently stands at 266 MW.
- Production of renewable gas (Biomethane): specifically biomethane, made from farming and breeding by-products, for injection into the natural gas network.
- Production of renewable industrial heat (Industrial Heat): the supply of renewable thermal energy generated from biomass to decarbonise industrial processes.

The Biomethane and Industrial Heat businesses are currently at the early stages of 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, Appendix II attached to these consolidated financial statements provides the consolidated statement of financial position at 31 December 2024 and 2023 and the consolidated statement of profit or loss and consolidated statement of cash flows for the years then ended broken down between the Pulp and Renewables businesses.

8.1 Operating segment reporting

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

2024	€ 000						
	PULP business						
	Pulp	Forest Assets & Other	Adjustments & Eliminations	Total PULP	Renewables	Adjustments & Eliminations	Total
Revenue:							
Third parties	662,844	15,170	-	678,014	192,424	-	870,438
Inter-segment revenue	9,871	290,471	(296,467)	3,875	(190)	(3,685)	-
Total revenue	**672,715**	**305,641**	**(296,467)**	**681,889**	**192,234**	**(3,685)**	**870,438**
Earnings:							
EBITDA (*)	**130,221**	**7,939**	**(1)**	**138,159**	**26,319**	**5**	**164,483**
Impairment of and gains/(losses) on fixed asset disposals	(1,550)	36	(199)	(1,713)	-	-	(1,713)
Operating profit/(loss)	**76,659**	**(4,025)**	**(1)**	**72,633**	**(10,937)**	**1,625**	**63,321**
Finance income	10,405	1,817	(2,273)	9,949	2,498	(1,597)	10,850
Finance costs	(29,457)	(1,357)	2,273	(28,541)	(16,325)	1,597	(43,269)
Hedging derivatives	89	-	-	89	266	-	355
Exchange differences	1,318	(74)	-	1,244	(1)	-	1,243
Impairment of financial instruments	(2,881)	(163)	2,881	(163)	-	-	(163)
Share of profit/(loss) of investees accounting for using equity method	-	13	-	13	-	-	13
Income tax	(12,208)	815	-	(11,393)	(693)	(144)	(12,230)
Profit/(loss) for the year	**43,925**	**(2,974)**	**2,880**	**43,831**	**(25,192)**	**1,481**	**20,120**
Profit/(loss) attributable to non-controlling interests	-	-	-	-	11,431	-	11,431
Profit/(loss) attributable to equity holders of the parent	**43,925**	**(2,974)**	**2,880**	**43,831**	**(13,761)**	**1,481**	**31,551**
Capital expenditure (**)	47,517	11,751	-	59,268	37,519	-	96,787
Accumulated depreciation and depletion of forest reserves (**)	(987,528)	(78,712)	-	(1,066,240)	(381,262)	(11,854)	(1,459,356)
Impairment (**)	(4,052)	(7,224)	-	(11,276)	(24,618)	(84)	(35,978)

(*) 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 "Fourth-quarter 2024 earnings report" appended to the Group's 2024 Management Report.
(**) Acquisitions during the year, 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 17) or "Goodwill" (note 15).

31 Dec. 2024	€ 000						
	PULP business						Total
	Pulp	Forest Assets & Other	Adjustments & Eliminations	Total PULP	Renewables	Adjustments & Eliminations	
Assets							
Non-current	812,095	241,380	(160,393)	893,082	460,859	(197,661)	1,156,280
Current	336,806	62,686	(58,827)	340,665	130,385	(6,870)	464,180
Total assets (a)	**1,148,901**	**304,066**	**(219,220)**	**1,233,747**	**591,244**	**(204,531)**	**1,620,460**
Liabilities							
Non-current	374,195	45,687	(63,646)	356,236	324,156	(65,719)	614,673
Current	299,627	112,134	(58,077)	353,684	98,334	(6,864)	445,154
Total liabilities (a)	**673,822**	**157,821**	**(121,723)**	**709,920**	**422,490**	**(72,583)**	**1,059,827**

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

2023	€ 000						
	PULP business						
	Pulp	Forest Assets & Other	Adjustments & Eliminations	Total PULP	Renewables	Adjustments & Eliminations	Total
Revenue:							
Third parties	618,972	1,489	-	620,461	209,142	-	829,603
Inter-segment revenue	2,044	16,503	(16,195)	2,352	-	(2,730)	(378)
Total revenue	**621,016**	**17,992**	**(16,195)**	**622,813**	**209,142**	**(2,730)**	**829,225**
Earnings:							
EBITDA (*)	**41,888**	**4,277**	**-**	**46,165**	**42,645**	**(2)**	**88,808**
Impairment of and gains/(losses) on fixed asset disposals	201	(1,108)	(60)	(967)	8,790	-	7,823
Operating profit/(loss)	**(14,136)**	**(1,377)**	**-**	**(15,513)**	**11,911**	**1,622**	**(1,980)**
Finance income	6,698	1,469	(1,753)	6,414	964	(787)	6,591
Finance costs	(25,215)	(319)	1,753	(23,781)	(13,790)	787	(36,784)
Hedging derivatives	-	-	-	-	-	-	-
Exchange differences	(942)	(5)	-	(947)	15	-	(932)
Impairment of financial instruments	346	-	(397)	(51)	-	-	(51)
Share of profit/(loss) of investees accounting for using equity method	-	(13)	-	(13)	-	-	(13)
Income tax	6,527	55	-	6,582	5,661	(144)	12,099
Profit/(loss) for the year	**(26,722)**	**(190)**	**(397)**	**(27,309)**	**4,761**	**1,478**	**(21,070)**
Profit/(loss) attributable to non-controlling interests	-	-	-	-	(3,650)	-	(3,650)
Profit/(loss) attributable to equity holders of the parent	**(26,722)**	**(190)**	**(397)**	**(27,309)**	**1,111**	**1,478**	**(24,720)**
Capital expenditure (**)	71,081	12,055	-	83,136	17,108	-	100,244
Accumulated depreciation and depletion of forest reserves (**)	(947,670)	(73,406)	-	(1,021,076)	(348,541)	(13,478)	(1,383,095)
Impairment (**)	(7,119)	(4,385)	-	(11,504)	(28,030)	(84)	(39,618)

(*) 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 “Fourth-quarter 2023 earnings report" appended to the Group’s 2023 Management Report.
(**) Acquisitions during the year, 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 17) or “Goodwill” (note 15).

31 Dec. 2023	€ 000 PULP business Pulp	Forest Assets & Other	Adjustments & Eliminations	Total PULP	Renewables	Adjustments & Eliminations	Total
Assets							
Non-current	796,878	181,531	(112,405)	866,004	447,826	(155,836)	1,157,994
Current	414,842	6,915	(3,734)	418,023	58,717	(2,258)	474,482
Total assets (b)	**1,211,720**	**188,446**	**(116,139)**	**1,284,027**	**506,543**	**(158,094)**	**1,632,476**
Liabilities							
Non-current	402,370	27,659	(12,987)	417,042	187,514	(22,270)	582,286
Current	344,161	11,465	(3,079)	352,547	118,301	(2,249)	468,599
Total liabilities (b)	**746,531**	**39,124**	**(16,066)**	**769,589**	**305,815**	**(24,519)**	**1,050,885**

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

8.2 Disclosures by productive plant

To complement the operating segment disclosures, the table below provides relevant metrics and statement of profit or loss items for the Pontevedra and Navia biomills reconciled with the consolidated statement of profit or loss of ENCE Pulp (note 8.1 and Appendix II):

2024	€ 000 Pontevedra biomill	Navia biomill	Corporate	Other (a)	Total PULP Business
Business metrics:					
Pulp output (ADt)	418,888	578,067	-	-	996,955
Pulp sales volume (ADt)	413,896	553,732	-	-	967,628
Energy sales volume (MWh)	9,215	237,845	-	-	247,060
Continuing operations:					
Revenue	282,786	393,450	-	5,087	681,322
Cost of sales and other costs	(160,068)	(202,673)	-	20,570	(342,171)
GROSS PROFIT	**122,718**	**190,776**	**-**	**25,657**	**339,151**
Employee benefits expense	(24,209)	(31,105)	(29,742)	(4,564)	(89,619)
Other operating expenses	(34,363)	(36,570)	(48,918)	8,478	(111,374)
Overhead passed on	(16,099)	(33,637)	78,659	(28,924)	-
EBITDA (*)	**48,047**	**89,464**	**-**	**647**	**138,159**
Asset depreciation/amortisation and impairment	(17,851)	(46,915)	-	(4,593)	(69,359)
Other non-recurring operating expenses	(966)	4,802	-	-	3,835
OPERATING PROFIT/(LOSS)	**29,230**	**47,351**	**-**	**(3,946)**	**72,635**
Net finance income/(cost)	(7,310)	(10,520)	-	406	(17,424)
Share of profit/(loss) of equity-accounted investees	-	-	-	13	13
PROFIT/(LOSS) BEFORE TAX	**21,919**	**36,831**	**-**	**(3,526)**	**55,224**
Income tax	(4,525)	(7,602)	-	734	(11,393)
PROFIT/(LOSS) FOR THE YEAR	**17,395**	**29,229**	**-**	**(2,792)**	**43,831**
Profit/(loss) attributable to non-controlling interests	-	-	-		-
Profit/(loss) attributable to equity holders of the parent	**17,395**	**29,229**	**-**	**(2,792)**	**43,831**

(a) Includes the forestry activity and dormant companies

(*) 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 "Fourth-quarter 2024 earnings report" appended to the Group's 2024 Management Report.

	€ 000				
2023	Pontevedra biomill	Navia biomill	Corporate	Other (a)	Total PULP Business
Business metrics:					
Pulp output (ADt)	361,313	614,032	-	-	975,345
Pulp sales volume (ADt)	355,949	622,551	-	-	978,500
Energy sales volume (MWh)	6,315	259,140	-	-	265,455
Continuing operations:					
Revenue	231,435	402,222	-	(10,844)	622,813
Cost of sales and other costs	(138,854)	(241,986)	-	19,116	(361,724)
GROSS PROFIT	**92,581**	**160,236**	**-**	**8,272**	**261,089**
Employee benefits expense	(20,054)	(28,075)	(28,983)	(6,169)	(83,281)
Other operating expenses	(63,884)	(59,745)	(11,391)	(3,426)	(138,446)
Overhead passed on	(21,480)	(12,091)	40,374	-	6,803
EBITDA (*)	**(12,837)**	**60,325**	**-**	**(1,323)**	**46,165**
Asset depreciation/amortisation and impairment	(11,870)	(41,484)	-	(12,003)	(65,357)
Other non-recurring operating expenses	1,760	1,919	-	-	3,679
OPERATING PROFIT/(LOSS)	**(22,947)**	**20,760**	**-**	**(13,326)**	**(15,513)**
Net finance income/(cost)	(8,103)	(11,673)	-	1,411	(18,365)
Share of profit/(loss) of equity-accounted investees	-	-	-	(13)	(13)
PROFIT/(LOSS) BEFORE TAX	**(31,050)**	**9,087**	**-**	**(11,928)**	**(33,891)**
Income tax	2,133	2,057	-	2,392	6,582
PROFIT/(LOSS) FOR THE YEAR	**(28,917)**	**11,144**	**-**	**(9,536)**	**(27,309)**
Profit/(loss) attributable to non-controlling interests	-	-	-		-
Profit/(loss) attributable to equity holders of the parent	**(28,917)**	**11,144**	**-**	**(9,536)**	**(27,309)**

(a) Includes the forestry activity and dormant companies

(*) 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 "Fourth-quarter 2024 earnings report" appended to the Group's 2024 Management Report.

9. Revenue

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

€ 000	2024			2023		
	Pulp	Renewables	Consol. Group	Pulp	Renewables	Consol. Group
Business metrics						
Pulp sales volume (tonnes)	967,628	-	967,628	978,500	-	978,500
Energy sales volume (MWh)	247,060	1,167,089	1,414,149	265,455	947,253	1,212,708
Revenue						
Pulp	626,224	-	626,224	565,593	-	565,593
Electric energy	37,852	189,200	227,052	38,190	169,942	208,132
Timber and forestry services	15,283	3,012	18,295	16,678	35	16,713
Industrial heat	-	2,350	2,350	-	1,109	1,109
Sale of PV developments (note 20)	-	2,250	2,250	-	38,056	38,056
Other non-recurring income (**)	(1,269)	(4,464)	(5,733)	-	-	-
Inter-segment sales	3,801	(116)	-	2,730	-	-
	681,891	**192,232**	**870,438**	**623,191**	**209,142**	**829,603**

(*) The difference between the figures presented under "Consolidated Group" for 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 2024 and 2023 in the amounts of €3,685 thousand and €2,730 thousand, respectively.

(**) Reflects the effects of the modified method for calculating the 2023 Tariff Adjustment due to an error in Ministerial Order TED/741/2023, published in 2023, which was fixed via Order TED/353/2024.

Ministerial Order TED/526/2024, of 31 May 2024, was published on 4 June 2024, establishing 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. In addition, in the first half of 2024, a transitional adjustment was introduced with a market price component and a fuel price component.

Ministerial Order TED/526/2024 replaced IET/1345/2015 and implemented article 20.3 of Royal Decree 413/2014, establishing 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 (mainly the standard facilities in groups a.1, b.6 and b.8). Most notably, under the new methodology: 1) these facilities' Ro amounts will be updated quarterly, coinciding with the four calendar quarters, along with the income and cost parameters (under the outgoing methodology, the regulatory pool price variable used to calculate the Ro was estimated every three years and the cost variables were estimated every six months); and 2) the facilities falling under the scope of this Ministerial Order were excluded from application of the Tariff Adjustment system regulated in article 22 of Royal Decree 413/2014, with effect from 1 January 2024 (notes 3.15 and 29 and Appendix III).

The accounting treatment of the Tariff Adjustment for 2023 implied an increase in revenue from the sale of renewable energy of €22,837 thousand with a balancing entry under "Non-current financial assets - Other financial assets" in the consolidated statement of financial position.

Elsewhere, ENCE has written contracts for the sale of 140,160 MWh of electricity under a physical bilateral contract for delivery in 2025. The price negotiated ranges between €52 and €74/MWh.

In 2024, the Group companies made sales in currencies other than the euro, mainly US dollars, totalling €192 million (2023: €171 million).

9.1 Other operating income

This heading of the consolidated statement of profit or loss mainly includes income derived from grants related to income, lease income, the reversal of provisions for liabilities and charges (note 31) and claims settled by insurance companies. This income heading also includes €5,823 thousand of "Other non-recurring income".

9.2 Geographic revenue split

All of the revenue from energy sales was generated in Spain. The breakdown of revenue from pulp sales by geographic market is as follows:

Percentage of pulp sales	2024	2023
Germany	23.6	21.3
Poland	14.4	15.0
Spain	13.3	13.2
Italy	6.2	6.1
United Kingdom	5.7	5.4
Greece	5.4	5.7
France	4.5	3.7
Netherlands	4.5	5.7
Turkey	3.4	5.0
Other	19.0	18.9
	100.0	**100.0**

(*) Breakdown considering place of delivery

10. Cost of sales

Cost of sales in 2024 and 2023 breaks down as follows:

	2024			**2023**		
€ 000	Pulp	Renewables	Consolidated Group	Pulp	Renewables	Consolidated Group
Purchases	303,474	52,659	352,448	292,620	50,875	342,926
Change in raw materials and other inventories	(7,885)	(456)	(8,341)	23,574	(1,180)	22,394
Other external expenses	64,941	16,155	81,096	35,301	18,428	51,568
	360,530	**68,358**	**425,203**	**351,495**	**68,123**	**416,888**

(*) The difference between the figures presented under "Consolidated Group" for 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 2024 and 2023 in the amounts of €3,685 thousand and €2,730 thousand, respectively.

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

11. Employee benefits expense

The breakdown of employee benefits expense in 2024 and 2023 is provided below:

€ 000	2024 Pulp	2024 Renewables	2024 Consolidated Group	2023 Pulp	2023 Renewables	2023 Consolidated Group
Wages and salaries	64,468	17,160	81,628	61,839	15,477	77,316
Social security	17,090	4,378	21,468	16,351	4,019	20,370
Contributions to pension plans	2,362	453	2,815	2,204	365	2,569
Other benefit expense	1,791	232	2,023	1,602	201	1,803
	85,711	22,223	107,934	81,996	20,062	102,058
Long-term remuneration plans	2,536	485	3,021	1,086	37	1,123
Termination benefits	1,372	771	2,143	199	592	791
	89,619	**23,479**	**113,098**	**83,281**	**20,691**	**103,972**

11.1 Headcount

The average Group headcount by job category and gender in 2024 and 2023:

	Average headcount during the year					
	2024			2023		
Job category	Men	Women	Total	Men	Women	Total
Executives	57	20	77	57	17	74
Managers	71	31	102	68	27	95
Team leaders	67	4	71	68	5	73
Skilled professionals	221	150	371	216	147	363
Clerical staff	16	35	51	15	37	52
Workers	298	50	348	292	46	338
Support and upgrade	45	45	90	47	45	92
Maintenance staff	134	1	135	133	2	135
	909	**336**	**1,245**	**896**	**326**	**1,222**

The breakdown of the year-end Group headcount by job category and gender:

	Year-end headcount					
	2024			2023		
Job category	Men	Women	Total	Men	Women	Total
Executives	57	19	76	57	19	76
Managers	75	34	109	69	31	100
Team leaders	56	2	58	69	5	74
Skilled professionals	217	152	369	226	160	386
Clerical staff	16	35	51	17	40	57
Workers	303	60	363	299	47	346
Support and upgrade	47	35	82	49	43	92
Maintenance staff	136	1	137	130	1	131
	907	**338**	**1,245**	**916**	**346**	**1,262**

At year-end 2024, 11 employees had a disability of a severity of 33% or higher (year-end 2023: 12).

The Board of Directors was made up of 13 members, eight men and five women, at both reporting dates.

11.2 Long-term incentive plans

The next table itemises the number of beneficiaries at year-end 2024 and the maximum commitments, assuming target delivery of 100%, under the long-term incentive plans in effect:

LTIP	Number of beneficiaries	Maximum cost (€ 000) Cash	Shares	Total
Pulp business:				
2023-2027 LTIP (*)	84	2,365	12,387	14,751
Moulded Pulp	3	828	-	828
Renewables:				
2021-2025 LTIP	24	2,726	-	2,726
Biogas	3	894	-	894
Industrial Heat	2	557	-	557
	116	**7,370**	**12,387**	**19,756**

(*) Reflects the commitments outstanding at 31 December 2024 associated with Cycles I and II of the plan

The expenses accrued at both year-ends under the different remuneration plans, noting where the balancing entries have been recorded, are shown in the next table:

€ 000	31 Dec. 2024 Employee benefits expense (note 11)	31 Dec. 2024 Current and non-current provisions (note 31)	31 Dec. 2024 Other equity instruments (note 21.7)	31 Dec. 2023 Employee benefits expense (note 11)	31 Dec. 2023 Current and non-current provisions (note 31)	31 Dec. 2023 Other equity instruments (note 21.7)
Pulp business:						
2019-2023 LTIP	-	-	-	(349)	(105)	(244)
2023-2027 LTIP	2,437	392	2,045	1,435	230	1,205
Moulded Pulp	99	99	-	-	-	-
Renewables:						
Magnon 2021-2025	301	301	-	37	37	-
Biomethane	139	139	-	-	-	-
Industrial Heat	45	45	-	-	-	-
	3,021	**975**	**2,045**	**1,123**	**162**	**961**

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 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 the three cycles are €3.24 per share, €2.86 per share and €3.1 per share, respectively.

At 31 December 2024, the three cycles covered 83, 84 and 84 professionals, respectively, from the Pulp business and Corporate areas and the maximum expected cost of the three cycles, combined, assuming target delivery levels of 100%, amounts to approximately €18.5 million (€3.0 million in cash and 5.1 million shares).

Other long-term incentive plans and other commitments

In 2024, the Group approved three new long-term incentive plans for certain key employees working in the Moulded Pulp, Biogas and Industrial Heat businesses. Those plans run for 4.5 years and will be settled in cash; the bonuses are subject to delivery of a series of targets tied specifically to the development of each of those new businesses.

In addition, in 2021, the Group approved a long-term incentive plan targeted at certain key employees from the Renewables business. That plan has a duration of five years, will be settled in cash and will vest depending on the delivery of certain financial and non-financial targets.

In keeping with the terms of the long-term incentive plan of ENCE Energía y Celulosa, S.A. for 2019-2023, Cycle II of the plan was settled in July 2024, implying the payment, after tax, of €235 thousand and 95 thousand ENCE shares.

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. 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 31 December 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.

12. Other operating expenses

The breakdown of this consolidated statement of profit or loss heading in 2024 and 2023 for the businesses carried on by ENCE was as follows:

	2024			2023		
€ 000	Pulp	Renewables	Consolidated Group	Pulp	Renewables	Consolidated Group
External services	118,862	61,900	179,479	147,288	66,894	212,962
Use of emission allowances (note 31)	9,158	2,636	11,794	8,344	3,288	11,632
Levies	4,808	12,601	17,409	2,993	2,021	5,014
Change in trade and other provisions	637	2,552	3,189	(511)	126	(385)
Other non-recurring operating expenses	719	-	719	619	409	1,028
	134,184	**79,689**	**212,590**	**158,733**	**72,738**	**230,251**

(*) The difference between the figures presented under "Consolidated Group" for 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 2024 and 2023 in the amounts of €1,283 thousand and €1,220 thousand, respectively.

Royal Decree 8/2023, enacting measures to tackle the economic and social consequences of the conflicts in Ukraine and the Middle East and mitigate the effects of the drought in Spain, approved on 27 December 2023, reintroduced the Levy on the Value of Electricity Output, on a staggered basis, from 1 January 2024, resetting it definitively at 7% from 1 July 2024. The cost associated with this tax is recognised under "Levies".

12.1 External services

The breakdown of "External services" in 2024 and 2023 is as follows:

	2024			2023		
€ 000	Pulp	Renewables	Consolidated Group	Pulp	Renewables	Consolidated Group
Transport, freight and business expenses	45,822	5,590	51,412	62,555	3,262	65,817
Utilities	15,786	3,858	19,454	12,177	5,147	17,134
Repairs and upkeep	15,001	19,534	34,535	16,926	22,225	39,151
Independent professional services	5,378	1,748	7,126	5,531	2,152	7,683
Insurance premiums	4,540	3,278	7,818	4,931	3,712	8,643
Banking and similar services	1,748	1,179	2,922	2,334	669	3,003
Rent and fees (note 17)	542	292	834	678	264	942
Advertising, publicity and public relations	3,741	179	3,919	3,812	158	3,970
Research and development costs	100	-	100	155	7	162
Other services	26,204	26,242	51,359	38,189	29,298	66,457
	118,862	**61,900**	**179,479**	**147,288**	**66,894**	**212,962**

(*) The difference between the figures presented under "Consolidated Group" for 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 2024 and 2023 in the amounts of €1,283 thousand and €1,220 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. The cost of that insurance was €82 thousand in 2024 (2023: €94 thousand).

12.2 Audit fees

The financial statements of the companies comprising the ENCE Group were audited by KPMG Auditores, S.L. in 2024 and 2023 (Appendix I).

The fees paid to the auditor and entities related to the latter for account auditing and other services in 2024 and 2023 are shown in the next table:

€ 000	**2024**	**2023**
Audit services	220	235
Audit-related services	47	25
Other services	75	56

The audit-related services provided by the auditor in 2024 include a review of financial ratios for the purpose of compliance with financial agreement covenants, assurance services related with the internal control over financial reporting system and the review of certain financial metrics to certify several facilities' status as intense users of electricity and their compliance with supplier payment terms. Other services in the table above mainly includes Sustainability Statement assurance services.

13. Finance income and costs

The breakdown of these headings in 2024 and 2023 was as follows:

	2024			**2023**		
€ 000	Pulp	Renewables	Total	Pulp	Renewables	Total
Finance costs:						
Convertible bonds	-	-	-	(193)	-	(193)
Notes	-	(3,399)	(3,399)	-	(5,460)	(5,460)
Loans, credit facilities & other	(22,741)	(6,926)	(29,667)	(16,882)	(3,520)	(20,402)
Unwinding of discount - Tariff Adjustment (note 29)	(2,053)	(4,001)	(6,054)	(2,726)	(5,598)	(8,324)
Unwinding of discount - Provisions	(969)	-	(969)	(829)	-	(829)
Fees and other charges	(985)	(3,544)	(4,529)	(1,280)	(1,471)	(2,751)
Inter-business finance income/costs	1,660	(1,660)	-	787	(787)	-
Right-of-use assets (note 17)	(2,289)	(141)	(2,433)	(1,958)	(81)	(2,039)
	(27,377)	(19,671)	(47,051)	(23,081)	(16,917)	(39,998)
Finance income:						
Contingent consideration (note 27)	1,441	115	1,556	869	156	1,025
Other finance income	6,507	1,153	7,660	4,759	776	5,535
	7,948	1,268	9,216	5,628	932	6,560
Hedging derivatives:						
Settlement of IR swap (note 30)	840	4,576	5,416	86	3,159	3,245
	840	4,576	5,416	86	3,159	3,245
	(18,592)	**(13,827)**	**(32,419)**	**(17,367)**	**(12,826)**	**(30,193)**

"Other finance income" mainly includes the remuneration earned on cash surpluses.

14. Earnings per share

The basic and diluted earnings per share calculations are shown below:

Earnings/(loss) per share	Unit	2024	2023
Consolidated profit/(loss) for the period attributable to equity holders of the parent	€ 000	31,551	(24,720)
Weighted average ordinary shares outstanding (*)	Millions of shares	242.7	242.4
Weighted average diluted shares	Millions of shares	246.5	242.4
Basic earnings per share	**€**	**0.13**	**(0.10)**
Diluted earnings per share	**€**	**0.13**	**(0.10)**

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

The diluted earnings per share figures for 2024 include the potential ordinary shares associated with the Group's long-term incentive plans for 2023-2027 (4 million shares at year-end 2024).

In 2023, the diluted earnings per share figures did not include the potential ordinary shares depending on delivery of the targets set down in the Group's different remuneration plans - approximately 4 million shares - as their inclusion had an anti-dilutive effect.

15. 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 2024 and 2023 is as follows:

	€ 000					
31 Dec. 2024	Balance at 01/01/2024	Changes in consol. scope (note 6)	Additions/ (charges)	Derecognitions or decreases	Transfers	Balance at 31/12/2024
Goodwill	2,737	4,813	-	-	-	7,550
Software	37,603	-	4	-	1,212	38,819
Development costs	18,452	-	77	(3,567)	116	15,078
Advances	4,448	-	5,815	-	(1,372)	8,891
Electric power and biomethane generation rights	21,002	18,966	-	-	-	39,968
Watering rights	4,787	-	80	-	44	4,911
Other intangible assets	6,185	-	172	-	-	6,357
Total cost	**95,214**	**23,779**	**6,148**	**(3,567)**	**-**	**121,574**
Software	(29,656)	-	(2,589)	-	-	(32,245)
Development costs	(14,348)	-	(524)	713	-	(14,159)
Electric power generation rights	(3,170)	-	(843)	-	-	(4,013)
Watering rights	(475)		(243)	-	-	(718)
Other intangible assets	(1,950)	-	(148)	-	-	(2,098)
Total amortisation	**(49,599)**	**-**	**(4,347)**	**713**	**-**	**(53,233)**
Impairment (note 19)	**(6,349)**	**-**		**2,860**	**-**	**(3,489)**
Total	**39,266**					**64,852**

	€ 000				
31 Dec. 2023	Balance at 01/01/2023	Additions/ (charges)	Derecognitions or decreases	Transfers	Balance at 31/12/2023
Goodwill	2,737	-	-	-	2,737
Software	34,767	143	-	2,693	37,603
Development costs	18,452	-	-	-	18,452
Advances	1,758	5,787	-	(3,097)	4,448
Electric power generation rights	21,002	-	-	-	21,002
Watering rights	4,578	-	-	209	4,787
Other intangible assets	6,185	-	-	-	6,185
Total cost	**89,479**	**5,930**	**-**	**(195)**	**95,214**
Software	(26,986)	(2,670)	-	-	(29,656)
Development costs	(13,867)	(480)	-	-	(14,347)
Electric power generation rights	(2,327)	(843)	-	-	(3,170)
Watering rights	(246)	(229)	-	-	(475)
Other intangible assets	(1,809)	(141)	-	-	(1,950)
Total amortisation	**(45,235)**	**(4,363)**	**-**	**-**	**(49,598)**
Impairment (note 19)	**(6,337)**	**-**	**13**	**(25)**	**(6,349)**
Total	**37,906**				**39,266**

The Group did not capitalise any own work within intangible assets in 2024 or 2023.

At 31 December 2024, there were fully-amortised intangible assets still in use with an original cost of €41,860 thousand (year-end 2023: €37,470 thousand).

15.1 *Goodwill*

The goodwill balance, in the amount of €4,813 thousand, derives from the acquisition in December 2024 of a shareholding in Biometagás La Galera, S.L., a company that owns a biomethane generation facility (note 6).

The goodwill originated by 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, in the amount of €2,737 thousand, was fully written down for impairment at 31 December 2024 and 2023 (note 19).

16. Property, plant and equipment

The reconciliation of the carrying amounts of the Group's biological assets and the accumulated depreciation in 2024 and 2023 is as follows:

31 Dec. 2024	€ 000						
	Balance at 01/01/2024	Changes in consol. scope (note 6)	Additions/(charges)	Derecognitions or decreases	Transfers	Translation differences and other	Balance at 31/12/2024
Forest land	87,856	-	16	-	-	-	87,872
Other land	16,705	161	238	-	398	8	17,510
Buildings	166,250	2,970	160	(302)	3,023	-	172,101
Plant and machinery	1,878,461	423	1,821	(16,700)	25,036	5	1,889,046
Other PP&E	59,599	85	-	(1,622)	4,026	1	62,089
Prepayments and PP&E in progress	43,642	-	54,828	(1,235)	(38,138)	-	59,097
Rights of use (note 17)	53,928	3,565	12,347	(4,183)	6,259	-	71,916
Total cost	**2,306,441**	**7,204**	**69,410**	**(24,042)**	**604**	**14**	**2,359,631**
Buildings	(78,818)	(738)	(5,152)	302	-	-	(84,406)
Plant and machinery	(1,157,573)	(107)	(73,984)	13,180	-	(5)	(1,218,489)
Other PP&E	(36,997)	(73)	(3,036)	1,531	15	(1)	(38,561)
Rights of use (note 17)	(11,637)	(454)	(4,917)	1,252	-	-	(15,756)
Total depreciation	**(1,285,025)**	**(1,372)**	**(87,089)**	**16,265**	**15**	**(6)**	**(1,357,212)**
Impairment (note 19)	**(32,417)**	**-**	**(228)**	**4,846**	**-**	**-**	**(27,799)**
Carrying amount	**988,999**						**974,620**

31 Dec. 2023	€ 000					
	Balance at 01/01/2023	Additions/ (charges)	Derecognitions or decreases	Transfers	Translation differences and other	Balance at 31/12/2023
Forest land	83,794	4,062	-	-	-	87,856
Other land	15,262	1,369	-	79	(5)	16,705
Buildings	160,827	425	-	4,998	-	166,250
Plant and machinery	1,835,754	3,171	(1,555)	41,094	(3)	1,878,461
Other PP&E	56,700	93	-	2,806	-	59,599
Prepayments and PP&E in progress	25,169	68,695	(1,871)	(48,351)	-	43,642
Rights of use (note 17)	47,345	9,843	(2,829)	(431)	-	53,928
Total cost	**2,224,851**	**87,658**	**(6,255)**	**195**	**(8)**	**2,306,441**
Buildings	(73,370)	(5,448)	-	-	-	(78,818)
Plant and machinery	(1,081,064)	(76,562)	44	6	3	(1,157,573)
Other PP&E	(34,248)	(2,749)	-	-	-	(36,997)
Right-of-use assets (note 17)	(9,177)	(4,653)	2,193	-	-	(11,637)
Total depreciation	**(1,197,859)**	**(89,412)**	**2,237**	**6**	**3**	**(1,285,025)**
Impairment (note 19)	**(43,116)**	**(2,853)**	**13,527**	**25**	**-**	**(32,417)**
Carrying amount	**983,876**					**988,999**

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

16.1 Additions

The Group invested in its productive facilities in both the Pulp and Renewables businesses 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	
	2024	2023
Pulp business:		
Pontevedra & Corporate	17,138	32,765
Navia	21,533	26,885
Other	2,170	1,781
Renewables business:		
46-MW Huelva	2,175	5,605
50-MW Huelva	2,969	3,381
50-MW Puertollano	1,839	3,235
Other	9,239	4,163
Subtotal	**57,063**	**77,815**
Right-of-use assets (note 17)	12,347	9,843
	69,410	**87,658**

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 €7.4 million in 2024.

16.2 *Capital commitments*

The Group was contractually committed to capital expenditure totalling approximately €47 million at 31 December 2024.

16.3 *Fully-depreciated assets*

The breakdown at year-end of the original cost of fully-depreciated items of property, plant and equipment still in use is shown in the next table:

€ 000	31 Dec. 2024	31 Dec. 2023
Buildings	35,071	28,475
Plant	114,268	130,988
Machinery & equipment	334,725	313,170
Tools	722	717
Furniture	2,240	2,352
Other	11,138	11,902
	498,164	**487,604**

16.4 *Asset revaluations*

The Group restated all its forest land to fair value as of 1 January 2004, the date of transition to IFRS-EU. That value was determined by independent expert appraisers. As permitted under IFRS, the revalued amounts were considered the land's deemed cost. The gain on the revaluation amounted to €54,102 thousand at year-end 2024 and 2023 and is included in “Valuation adjustments” in equity (note 21.6).

16.5 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.

17. Leases

17.1 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 2024 and 2023:

		€ 000					
31 Dec. 2024	Note	Balance at 01/01/2024	Changes in consol. scope (note 6)	Additions/ (charges)	Derecognitions	Transfers	Balance at 31/12/2024
Cost:							
Pontevedra biomill land	16	19,898	-	-	-		19,898
Forest leases	16	10,132	-	1,504	(262)		11,374
Other (*)	16	23,898	3,565	10,843	(3,921)	6,259	40,644
Cost		**53,928**	**3,565**	**12,347**	**(4,183)**	**6,259**	**71,916**
Depreciation:							
Pontevedra biomill land	16	775	-	384	-		1,159
Forest leases	16	2,288	-	619	(132)		2,775
Other (*)	16	8,574	454	3,914	(1,120)		11,822
Depreciation		**11,637**	**454**	**4,917**	**(1,252)**		**15,756**
Carrying amount		**42,291**					**56,160**

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

		€ 000			
31 Dec. 2023	Note	Balance at 01/01/2023	Additions/ (charges)	Derecognitions	Balance at 31/12/2023
Cost:					
Pontevedra biomill land	16	19,898	-	-	19,898
Forest leases	16	9,633	1,581	(1,082)	10,132
Other (*)	16	17,383	8,262	(1,747)	23,898
Cost		**46,914**	**9,843**	**(2,829)**	**53,928**
Depreciation:					
Pontevedra biomill land	16	384	391	-	775
Forest leases	16	2,394	687	(793)	2,288
Other (*)	16	6,399	3,575	(1,400)	8,574
Depreciation		**9,177**	**4,653**	**(2,193)**	**11,637**
Carrying amount		**37,737**			**42,291**

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

17.2 Lease liabilities

The reconciliation of the carrying amount of this consolidated statement of financial position heading at the beginning and end of 2024 and 2023:

		€ 000							
31 Dec. 2024	Note	Balance at 01/01/2024	Changes in consol. scope (note 6)	Additions	Installments paid	Derecognitions	Transfers	Interest	Balance at 31/12/2024
Current lease liabilities	28.2	5,107	440	14	(9,050)	(587)	8,273	2,824	7,021
Non-current lease liabilities	28.2	39,728	1,182	19,633	-	(744)	(8,273)	-	51,526
		44,835	**1,622**	**19,647**	**(9,050)**	**(1,331)**	**-**	**2,824**	**58,547**

		€ 000					
31 Dec. 2023	Note	Balance at 01/01/2023	Additions	Installments paid	Transfers	Interest	Balance at 31/12/2023
Current lease liabilities	28.2	3,676	-	(7,381)	6,420	2,364	5,107
Non-current lease liabilities	28.2	35,624	11,135	-	(6,420)	-	39,728
		39,300	**11,135**	**(7,381)**	**-**	**2,364**	**44,835**

The lease payments are discounted to present value using the estimated incremental borrowing rate. That rate has been estimated, based on available market information, within a range of 5.8%-5.9% for contacts with a term of between one and five years; of 5.9%-6.2% for contracts with a term of between 5 and 10 years; of 6.2%-6.6% for contracts with a term of between 10 and 20 years; and of 6.6%-7.4% for leases with a term of between 20 and 40 years.

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

17.3 Amounts recognised in the consolidated statement of profit or loss

The table below depicts the impact on "Depreciation and amortisation" and "Finance costs" in the consolidated statement of profit or loss for 2024 and 2023 of the leases accounted under IFRS 16 and the lease payments made during those years:

		€ 000		
31 Dec. 2024	Note	Depreciation	Finance costs	Lease payments
Pontevedra biomill land	13 & 16	384	1,535	1,577
Other land	13 & 16	619	391	1,053
Other assets	13 & 16	3,914	898	6,420
		4,917	**2,824**	**9,050**
Costs capitalised		(638)	(391)	-
		4,279	**2,433**	**9,050**

31 Dec. 2023	Note	€ 000 Depreciation	 Finance costs	 Lease payments
Pontevedra biomill land	13 & 16	391	1,538	1,570
Other land	13 & 16	687	325	1,106
Other assets	13 & 16	3,575	501	4,705
		4,653	**2,364**	**7,381**
Costs capitalised		(690)	(322)	-
		3,963	**2,042**	**7,381**

The expenses recognised in connection with short-term leases and variable lease payments not included in the measurement of lease liabilities amounted to €834 thousand in 2024 (2023: €942 thousand) (note 12).

Considering the leases in place at 31 December 2024, depreciation charges and interest expense related to the Group's right-of-use assets will average €5.9 million and €2.6 million, respectively, in the next five years (at year-end 2023: €3.9 million and €2.5 million, respectively).

18. 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 2024 and 2023:

31 Dec. 2024	€ 000 Balance at 01/01/2024	 Additions/ (charges)	 Derecognitions or decreases	 Balance at 31/12/2024
Pulp business:				
Forest cover	128,782	9,945	(5,377)	133,350
Depletion of forest reserve	(58,366)	(9,725)	5,300	(62,791)
Impairment (note 19)	(3,508)	(979)	-	(4,487)
	66,908	**(759)**	**(77)**	**66,072**
Renewables business:				
Forest cover	2,051	47	-	2,098
Depletion of forest reserve	(1,752)	-	-	(1,752)
Impairment (note 19)	(96)	-	-	(96)
	203	**47**	**-**	**250**
	67,111			**66,322**

31 Dec. 2023	€ 000			
	Balance at 01/01/2023	Additions/ (charges)	Derecognitions or decreases	Balance at 31/12/2023
Pulp business:				
Forest cover	116,700	16,450	(4,368)	128,782
Depletion of forest reserve	(53,815)	(8,797)	4,246	(58,366)
Impairment (note 19)	(2,508)	(1,000)	-	(3,508)
	60,377	**6,653**	**(122)**	**66,908**
Renewables business:				
Forest cover	2,002	49	-	2,051
Depletion of forest reserve	(1,752)	-	-	(1,752)
Impairment (note 19)	(96)	-	-	(96)
	154	**49**	**-**	**203**
	60,531			**67,111**

In 2023, ENCE was awarded the forest land of Sniace in Cantabria, which encompasses a total of 3,362 hectares of forest, of which 117 hectares are owned (note 16), five Nitens eucalyptus seed orchards and two commercial *Globulus* eucalyptus species resistant to local pests for a combined sum of €10.8 million.

Elsewhere, in 2024, ENCE planted 1,615 hectares of land (2023: 1,273 hectares) and carried out forest preservation and protection work on 18,901 hectares (2023: 19,878 hectares), work which entailed investments totalling €9,992 thousand (2023: €9,866 thousand). A portion of the above investments - €8,915 thousand in 2024 and €8,779 thousand in 2023 - has been recognised within "Own work capitalised" in the consolidated statement of profit or loss.

In 2024, the Group capitalised €1,029 thousand corresponding to payments for the right to use land earmarked for the development of biological assets and associated borrowing costs (2023: €1,012 thousand) (note 17).

In 2018, ENCE entered into several long-term agreements for the sale of timber produced at its forest plantations in southern Spain. Those agreements are effective until December 2030 and cover annual volumes ranging between 170,000 and 240,000 tonnes.

18.1 *Breakdown of forest cover*

The Group also manages 70,100 hectares of forest in Spain and Portugal with a total owned forest planted area of 45,983 hectares. An analysis of the Group's forest cover at year-end 2024 and 2023 is provided below:

	Spain & Portugal			
	2024		2023	
Age (years)	Hectares (*)	Carrying amount (€ 000)	Hectares (*)	Carrying amount (€ 000)
> 17	1,391	2,626	1,658	2,722
14 - 16	4,677	9,962	5,226	12,135
11 - 13	6,285	12,430	7,135	15,832
8 - 10	5,645	7,239	5,923	7,825
4 - 7	12,212	14,589	11,176	12,524
0 - 3	19,144	24,059	18,072	19,677
Impairment of biological assets	-	(4,583)	-	(3,604)
	49,354	**66,322**	**49,190**	**67,111**

(*) Owned forest area planted

In addition, the land under management includes 2,594 hectares located in Portugal that ENCE sold in 2013, having entered into an agreement with the buyer covering the purchase, at market prices, of the timber produced from the land sold for a period of 20 years.

19. Impairment of non-financial assets

The impairment losses recognised by the Group against non-financial assets at year-end are shown in the table below:

		€ 000				
	Note	1 Jan. 2024	Additions	Amounts used	Amounts reversed	31 Dec. 2024
Goodwill	15	2,737	-	-	-	2,737
Other intangible assets	15	3,612	-	(2,853)	(7)	752
Property, plant and equipment	16	32,417	228	(1,152)	(3,695)	27,798
Biological assets	18	3,604	979	-	-	4,583
Inventories						
Spare parts	20	13,189	1,126	(51)	-	14,264
Net realisable amount & other	20	165	2,279	(165)	-	2,279
		55,724	**4,612**	**(4,221)**	**(3,702)**	**52,413**

		€ 000				
	Note	1 Jan. 2023	Additions	Amounts used	Amounts reversed	31 Dec. 2023
Goodwill	15	2,737	-	-	-	2,737
Other intangible assets	15	3,600	-	-	12	3,612
Property, plant and equipment	16	43,116	2,853	-	(13,552)	32,417
Biological assets	18	2,604	1,000	-	-	3,604
Inventories						
Spare parts	20	11,898	934	(79)	436	13,189
Net realisable amount & other	20	1,841	7,766	(335)	(9,107)	165
		65,796	**12,553**	**(414)**	**(22,211)**	**55,724**

The breakdown of “Impairment of and gains/(losses) on disposal of fixed assets” in the 2024 and 2023 consolidated statements of profit or loss is shown below:

		2024			2023		
€ 000	Note	Impairment losses (*)	Gains/(losses) on derecognition/ sale	Total	Impairment losses (*)	Gains/(losses) on derecognition /sale	Total
Other intangible assets	15	(7)	-	(7)	(13)	-	(13)
Property, plant and equipment	16	(3,467)	2,502	(965)	(10,674)	1,864	(8,810)
Biological assets	18	979	-	979	1,000	-	1,000
		(2,495)	**2,502**	**7**	**(9,687)**	**1,864**	**(7,823)**

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

At least annually, ENCE tests its non-financial assets for indications of impairment. If any are detected, it carries out the corresponding impairment tests for each CGU, using the criteria and methodology outlined in note 3.5 and the assumptions described in this note.

The ENCE Group's CGUs are each of the pulp biomills (which include the forest assets earmarked as a source of supply for those mills) and electricity generation plants it operates and are located on the same sites, as well as the biological assets it earmarks for sale to third parties. Its right-of-use assets are included in the CGU in which they are being used.

At both reporting dates, 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, together with the Group’s estimates for production costs in the medium term, reveal no indications that the various CGUs comprising the Pulp business may be impaired.

19.1 *Impairment test results*

Biomass energy generation plants

The Group facilities written down for impairment in prior years are the HU 41-MW, JA 16-MW, CR 16-MW and CO 27-MW plants (note 1). In 2024, the Group reversed impairment losses recognised in 2022 by a net €3,412 thousand (2023: by €10,592 thousand) as a result, mainly, of regulatory modifications, the trend in electricity prices and the trend in biomass costs. The carrying amount of these facilities at year-end 2024 therefore stood at €12.7 million (2023: €16.1 million).

The recoverable amount and carrying amount of the cash generating units tested for impairment in 2024 amounted to €463 million and €328 million, respectively (year-end 2023: €438 million and €358 million, respectively).

Biological assets

At 31 December 2024, impairment losses on the Group's biological assets stood at €4,583 thousand (year-end 2023: €3,604 thousand). Those losses were calculated on the basis of the analysis and methodology outlined in note 3.4.

Inventories

The Group writes slow-moving parts down for impairment. Specifically, it begins to recognise impairment charges when an asset has not been turned over in the past year, increasing the charges linearly to reach 100% by the time an asset has not been turned over for five years (note 20).

ENCE also writes its finished product inventories down for impairment to align their carrying amount with their net realisable value when pulp sales prices, net of discounts and sales and logistics costs, fall below production cost. With respect to its projects under development, it writes them down for impairment when their net realisable value is below the development costs incurred (note 20).

19.2 *Main assumptions*

The projections used in the impairment tests are based on the best forward-looking information available to ENCE and reflect its investment plans, strategic targets for the generation of renewable energy and environmental protection and the forecast useful lives of its productive assets.

Those projections are underpinned by assumptions regarding production/generation, costs and other key variables that are substantiated by available forward-looking market information, macroeconomic data and specific studies prepared by independent experts and historical data.

Biomass energy generation plants

Generation volumes. The projections assume hours in operation in line with historical output levels and the absence of any incidents with significant effects on production.

Revenue. The projections are based on the prices indicated in the futures market (OMIE) in the order of €70/MWh in 2025, €52/MW in 2026 and within a range of between €56/MWh and €74/MWh from 2027, along with the supplementary mechanisms provided for in prevailing regulations. Regulated revenue is estimated considering the regulations prevailing at year-end, which guarantee, among other things, a minimum reasonable return for a well-managed standard facility of 7.4%

Operating costs and capex. These costs were projected in line with the costs incurred in recent years.

Biomass costs in line with the historical averages for each class of input.

Growth in perpetuity of around 1.7% and a pre-tax discount rate: 7.4%.

19.3 *Sensitivity analysis*

Biomass energy generation plants

Note that a decrease in the energy price curve and an increase in biomass prices of 5% would increase the amount of impairment losses recognised by €0.2 million and €3.4 million, respectively.

Biological assets

A 3% increase in market timber prices would allow the Group to reverse the impairment allowances by €1.3 million. In contrast, a 3% correction in timber sales prices would imply the need to recognise an additional €6.9 million of impairment losses.

20. Inventories

The breakdown of the Group's inventories at 31 December 2024 and year-end 2023 is as follows:

€ 000	31 Dec. 2024	31 Dec. 2023
Timber and biomass	20,296	17,000
Other raw materials	4,462	3,861
High-turnover spare parts (*)	15,809	14,610
Greenhouse gas emission allowances	8,429	10,909
GHG offset credits (note 23)	1,228	-
Finished goods and work in progress	38,547	20,034
Advances to suppliers	1,002	911
Projects under development	7,112	4,942
Impairment (note 19)	(2,279)	(165)
	94,606	**72,102**

(*) Presented net of impairment allowances of €14,264 thousand and €13,189 thousand at 31 December 2024 and 31 December 2023, respectively.

In 2023, Magnon Green Energy S.L. closed the sale of two photovoltaic developments under construction in the towns of Andújar (Jaén) and Huelva, with combined capacity of 140 MW, for €38.1 million. The sale of a third development located in Huelva, with capacity of 10 MW, closed in the first half of 2024 for €2.2 million. The balance recognised under "Projects under development" relates to the investments made in two photovoltaic developments with aggregate capacity of 223 MW located in Seville and Granada (note 1), which have been written down for impairment by €2,279 thousand.

There are no restrictions on title to inventories.

At 31 December 2024, the Group had contractual agreements with suppliers for the acquisition of 0.6 million tonnes of biomass over the next two years for its energy generation plants.

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 coverage at year-end is adequate.

20.1 Emission allowances

The reconciliation of the opening and year-end Group-owned greenhouse gas (GHG) emission allowance balances for 2024 and 2023 is provided in the next table:

	2024		2023	
	Number of allowances	€ 000	Number of allowances	€ 000
Opening balance	171,762	10,909	222,102	11,076
Allocations (note 23)	93,968	6,876	100,411	8,352
Delivered (*)	(182,469)	(11,750)	(170,751)	(10,292)
Purchased	36,000	2,394	20,000	1,773
Closing balance	**119,261**	**8,429**	**171,762**	**10,909**

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

The Spanish government approved a new plan for the free allocation of GHG emission allowances for 2021 to 2025 on 13 July 2021. Under that plan, the Group received allowances equivalent to 93,968 tonnes of carbon emissions, valued at €6,876 thousand, in 2024 (100,411 tonnes valued at €8,352 thousand in 2023).

"Current provisions" on the liability side of the consolidated statement of financial position includes €12,485 thousand at 31 December 2024 (€12,441 thousand at year-end 2023) corresponding to the liability derived from the consumption of 176,926 allowances in 2024 (189,671 allowances in 2023) (note 31).

At 31 December 2024, the Group was contractually committed to the forward purchase of 24,000 allowances at an average price of €68.76/tonne. Those contracts are expected to be executed in 2025.

21. Equity

21.1 Share capital

The share capital of ENCE Energía y Celulosa, S.A. at 31 December 2024 and 2023 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 year-end 2023 and 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	31 Dec. 2024	31 Dec. 2023
Juan Luis Arregui / Retos Operativos XXI, S.L.	29.44	29.44
Víctor Urrutia / Asúa Inversiones, S.L.	10.00	7.29
Jose Ignacio Comenge / La Fuente Salada S.L.	6.38	6.38
Atlas GP Global Holding LLC/ Prometheus IV LLC	4.89	-
Millennium Group Management LLC	1.06	-
Own shares	1.46	1.57
Directors with ownership interest of < 3%	0.63	0.62
Free float	46.14	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.

21.2 Share premium

The Consolidated Text of the Spanish Corporate Enterprises Act expressly permits the use of the share premium account balance to increase capital and provides no specific limitation with respect to the availability of this reserve.

21.3 Reserves

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

	Parent company reserves							
€ 000	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**
Appropriation of prior-year profit/(loss)	-	-	-	-	21,494	18,564	-	40,058
Trading in own shares	-	-	-	220	-	-	-	220
Redemption of convertible bonds	-	-	-	3,147	-	-	-	3,147
Non-controlling interests and other movements	-	-	(18,928)	(139,782)	159,884	(1,268)	-	(94)
Balance at 31 December 2023	**45,049**	**10,566**	**773**	**19,118**	**-**	**61,849**	**(106)**	**137,249**
Appropriation of prior-year profit/(loss)	-	-	-	-	(34,455)	9,735	-	(24,720)
Trading in own shares	-	-	-	169	-	-	-	169
Non-controlling interests and other movements	-	-	-	197	-	-	-	197
Balance at 31 December 2024	**45,049**	**10,566**	**773**	**19,484**	**(34,455)**	**71,584**	**(106)**	**112,895**

Legal reserve

In accordance with the consolidated text of the Spanish Corporate Enterprises Act, 10% of profits must be transferred to the legal reserve each year until it represents at least 20% of share capital. The Parent's legal reserve of €45,049 thousand covers the stipulated 20% of share capital.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase. Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

21.4 Restricted reserves

The balance of reserves in consolidated companies that is restricted stood at €21,077 thousand at year-end 2024 (year-end 2023: €21,143 thousand) and corresponds mainly to the legal reserves endowed by the various Group companies.

21.5 Own shares

The reconciliation of "Own shares" at the beginning and end of 2024 and 2023 is as follows:

	31 Dec. 2024		31 Dec. 2023	
	Number of shares	€ 000	Number of shares	€ 000
Opening balance	3,871,111	12,980	3,843,111	12,958
Purchases	8,960,221	27,661	15,866,484	50,498
2019-2025 LT bonus plan (note 11.2)	(71,679)	(245)	-	-
Sales	(9,154,221)	(28,191)	(15,838,484)	(50,476)
Closing balance	**3,605,432**	**12,205**	**3,871,111**	**12,980**

The own shares held by the Company at 31 December 2024 represent 1.46% of its share capital (1.57% at 31 December 2023) and were carried at €3,245 thousand (€3,484 thousand at 31 December 2023). Those shares were acquired at an average price of €3.35 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 11.2).

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.

21.6 Valuation adjustments

The breakdown of "Valuation adjustments" on the consolidated statement of financial position at year-end is provided below:

	31 Dec. 2024			**31 Dec. 2023**		
€ 000	Fair value	Tax effect	Adjustment in equity	Fair value	Tax effect	Adjustment in equity
Revaluation of land (note 16)	54,102	13,510	40,592	54,102	13,510	40,592
Hedging transactions (note 30)						
IR swap	(4,180)	(1,045)	(3,135)	(846)	(212)	(634)
Energy purchases	(634)	(159)	(475)	-	-	-
Foreign currency risk	(6,081)	(1,520)	(4,561)	1,057	264	793
	43,207	**10,786**	**32,421**	**54,313**	**13,562**	**40,751**

21.7 Other equity instruments

The reconciliation of the carrying amount of "Other equity instruments" on the consolidated statement of financial position at the beginning and end of 2024 and 2023 is as follows:

€ 000	Balance at 1 January 2024	Settlement	Additions	Tax effect	Balance at 31 Dec. 2024
Long-term incentive plan (note 11.2)	1,328	(424)	2,045	(511)	2,438
	1,328	**(424)**	**2,045**	**(511)**	**2,438**

€ 000	Balance at 1 January 2023	Bonds bought back	Additions	Tax effect	Balance at 31 Dec. 2023
Convertible bonds	3,147	(3,147)	-	-	-
Long-term incentive plan (note 11.2)	606	-	961	(239)	1,328
	3,753	**(3,147)**	**961**	**(239)**	**1,328**

21.8 Non-controlling interests

The reconciliation of the carrying amount of this consolidated statement of financial position heading at the beginning and end of 2024 and 2023 is as follows:

2024	€ 000					
Company	Balance at 01/01/2024	Profit/(loss) attributable to non-controlling interests	Dividend payments	Changes in consol. scope (note 6)	Other changes	Balance at 31/12/2024
Energía de la Loma, S.A.	3,350	1,390	-	-	-	4,740
Energías de la Mancha Eneman, S.A.	600	(1,096)	-	-	-	(496)
Bioenergía Santamaría, S.A.	3,889	1	(225)	-	-	3,665
MAGNON	107,441	(11,416)	(4,900)	-	(2,256)	88,869
BioCH4 Developments, S.L.	247	(310)	-	-	-	(63)
Biometagás La Galera, S.L.	-	-	-	336	-	336
Total	**115,527**	**(11,431)**	**(5,125)**	**336**	**(2,256)**	**97,051**

2023	€ 000				
Company	Balance at 01/01/2023	Profit/(loss) attributable to non-controlling interests	Dividend payments	Other changes	Balance at 31/12/2023
Energía de la Loma, S.A.	5,568	(259)	(1,959)	-	3,350
Energías de la Mancha Eneman, S.A.	5,490	(2,798)	(2,092)	-	600
Bioenergía Santamaría, S.A.	(2,729)	6,618	-	-	3,889
MAGNON	108,507	242	-	(1,308)	107,441
BioCH4 Developments, S.L.	400	(153)	-	-	247
Total	**117,236**	**3,650**	**(4,051)**	**(1,308)**	**115,527**

The “Other changes” column mainly reflects the impact on non-controlling interests of the “Valuation adjustments” (note 21.6).

22. Shareholder remuneration and proposed appropriation of the Parent's profit

22.1 Shareholder remuneration

The Board of Directors of ENCE approved a new shareholder remuneration policy on 28 February 2022, applicable from 2022. The purpose of the policy is to establish, within the scope of applicable legislation, the Company's Bylaws and prevailing corporate governance recommendations, a series of remuneration criteria designed to tie its financial performance to the remuneration received by its shareholders, framed by principles of sustainability, profitability and financial prudence.

To that end, the criteria that articulate and guide the policy are cash generation at ENCE and its subsidiaries, coupled with the ability to keep leverage at a level deemed prudent for the types of business carried on by the Group and comply with its legal and contractual obligations.

As a result, annual shareholder remuneration will be determined by the cash available for distribution while ensuring an appropriate level of leverage of, by way of reference, a factor of ENCE's earnings before interest, tax, depreciation and amortisation ("EBITDA") of 2.5 times in the Pulp business and 5 times in the Renewable Energy business, using mid-cycle prices, and considering existing commitments and investment plans.

In order to align remuneration with the Company's actual cash generation, the Board proposed the following dividend payment time schedule: (i) two interim dividends agreed at the end of the second and third quarters of each year, i.e., in the months of July and October; and (ii) a final dividend for submission at the Company's Annual General Meeting within the first six months of the following year.

The Board of Directors may propose the forms of shareholder remuneration it deems most fitting at any given point in time, potentially including the repurchase of shares for cancellation, flexible remuneration schemes or in-kind distributions.

22.2 Dividends paid

In 2024, the Parent's Board of Directors approved two interim cash dividends from 2024 profits in an aggregate amount of €0.14 per share, equivalent to €34 million.

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 dividends is included in the separate annual financial statements of Ence Energía y Celulosa, S.A. for 2024.

22.3 Proposed appropriation of the Parent's profit

In 2024, Ence Energía y Celulosa, S.A. recognised a separate profit of €46,741 thousand. The Parent's directors propose appropriating that profit as follows (i) €33,972 thousand to cover the interim dividends paid out in 2024; and (ii) €12,769 thousand to "Retained earnings/(prior-year losses)". This will be submitted for approval at the Annual General Meeting.

23. Grants

The reconciliation of the carrying amount of this consolidated statement of financial position heading at the beginning and end of 2024 and 2023 is as follows:

€ 000	Subsidised loans (note 28.2) and other	Grants relating to assets	Emission allowances (note 20.1)	GHG offset credits (note 20)	Total
Balance at 31 December 2022	**7**	**6,401**	**-**	**-**	**6,408**
Additions, new grants (*)	-	636	-	-	636
Emission allowances granted	-	-	8,352	-	8,352
Reclassified to profit or loss	-	(1,026)	(8,352)	-	(9,378)
Balance at 31 December 2023	**7**	**6,011**	**-**		**6,018**
Additions, new grants (*)	-	4,362	-	1,228	5,590
Emission allowances granted	-	-	6,876	-	6,876
Reclassified to profit or loss	-	(1,073)	(6,876)	-	(7,949)
Balance at 31 December 2024	**7**	**9,300**	**-**	**1,228**	**10,535**

ENCE has been granted non-repayable grants by several public bodies to finance investments earmarked to enhancing the productive structure with a significant impact on job creation, energy savings and efficiency and recovery of the energy generated.

Also, the Group had been granted aid totalling €13,167 thousand at year-end 2024, earmarked mainly to support investment projects with a strong focus on energy savings; that aid is conditional upon execution and substantiation of those projects.

In addition, in prior years, ENCE received loans on advantageous rates of interest with terms of up to 10 years. These loans finance projects undertaken by the Group to expand and upgrade the productive capacity of its pulp biomills as well as the Group's research, development and innovation (RDI) projects. The difference between market rates and the subsidised rate as per the loan agreement is considered a grant and is being recycled to profit or loss over the life of the loans on a systematic financial basis (note 28.2).

24. Financial instruments by category

The table below reconciles the Group's financial instruments by category and the consolidated statement of financial position headings at year-end:

Year-end 2024 € 000	Note	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Total at 31 December 2024
Investments accounted for using the equity method		-	-	77	77
Derivative financial instruments	30	-	-	-	-
Trade and other receivables	25	49,756	-	-	49,756
Trade receivables and other financial assets - Group companies and related parties	25 & 34	1,140	-	-	1,140
Other financial assets	27.2	56,999	-	19,936	76,935
Cash and cash equivalents	27.1	263,942	-	-	263,942
Total financial assets		**371,837**	**-**	**20,013**	**391,850**
Derivative financial instruments	30	-	12,003	-	12,003
Trade and other payables	26	216,033	-	-	216,033
Other non-current and current liabilities	29	100,227	-	-	100,227
Trade payables and other financial liabilities - Group companies and related parties	26 & 34	31,712	-	-	31,712
Notes and other marketable securities	28.1	73,561	-	-	73,561
Bank borrowings	28.1	442,133	-	-	442,133
Other financial liabilities	28.2	92,955	-	-	92,955
Total financial liabilities		**956,621**	**12,003**	**-**	**968,624**

Year-end 2023 € 000	Note	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Total at 31 December 2023
Investments accounted for using the equity method		-	-	34	34
Derivative financial instruments	30	-	4,085	-	4,085
Trade and other receivables	25	34,975	-	-	34,975
Trade receivables and other financial assets - Group companies and related parties	25 & 34	1,779	-	-	1,779
Other financial assets	27.2	47,262	-	19,175	66,437
Cash and cash equivalents	27.1	333,032	-	-	333,032
Total financial assets		**417,048**	**4,085**	**19,209**	**440,342**
Derivative financial instruments	30	-	4,034	-	4,034
Trade and other payables	26	222,920	-	-	222,920
Other non-current and current liabilities	29	104,129	-	-	104,129
Trade payables and other financial liabilities - Group companies and related parties	26 & 34	6,206	-	-	6,206
Notes and other marketable securities	28.1	131,744	-	-	131,744
Bank borrowings	28.1	405,721	-	-	405,721
Other financial liabilities	28.2	87,720	-	-	87,720
Total financial liabilities		**958,440**	**4,034**	**-**	**962,474**

The derivative financial instruments are valued using level 2 inputs, i.e., different quoted price variables that are observable either directly or indirectly (note 3.8). The fair value of the contingent consideration is measured using level 3 inputs based on the terms of the sale agreement, the Group's knowledge of the business and the effects of the current economic climate.

The fair value of the financial assets and liabilities carried at amortised cost, which include financing arranged at fixed rates of interest (notes 5 and 28), is not significantly different from the amounts at which they are carried.

25. Trade and other receivables

The breakdown at year-end of "Trade and other receivables" on the asset side of the consolidated statement of financial position is as follows:

€ 000	31 Dec. 2024	31 Dec. 2023
Trade receivables:		
Pulp	16,370	28,009
Renewables	27,946	3,373
Other	4,715	3,058
Trade receivables, group companies and related parties (note 34)	1,128	1,767
Other receivables	5,715	4,585
Provision for impairment	(4,990)	(4,050)
	50,884	**36,742**

The credit period on pulp sales averages between 54 and 58 days. With respect to the trend in the balances receivable in exchange for the sale of renewable energy, the reader should note that sales to the pool are usually collected within a period of approximately 10 days, while balances due from the regulator are collected at approximately 60 days. The fair values of these balances do not differ significantly from their carrying amounts.

The line item "Provision for impairment" in the table above included additions for the year totalling €963 thousand (with a charge against "Impairment of financial assets") in the consolidated statement of profit or loss, and amounts used and other movements totalling €23 thousand.

25.1 Discounting facilities

The Group has arranged the following non-recourse discounting facilities (note 3.7):

	31 Dec. 2024		**31 Dec. 2023**	
€ m	**Undrawn limit**	**Drawn down**	**Undrawn limit**	**Drawn down**
Neg. Pulp	119,000	85,977	94,000	83,900
Renewables	43,400	-	33,400	4,455
	162,400	**85,977**	**127,400**	**88,355**

The Group pays interest equivalent to 3-month EURIBOR plus a spread of around 1.10% on the receivables sold under those agreements. The trade receivables not discounted under those facilities at 31 December 2024 are expected to be collected from the corresponding debtors, rather than via sale.

26. Trade and other payables

The breakdown at year-end of "Trade and other payables" on the liability side of the consolidated statement of financial position is as follows:

€ 000	31 Dec. 2024	31 Dec. 2023
Trade and other payables	180,865	186,556
Trade payables, group companies and related parties (note 34)	1,821	1,094
Payable to fixed-asset suppliers	23,263	27,366
Employee benefits payable	11,905	8,998
	217,854	**224,014**

26.1 Reverse factoring

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

€ m	**31 Dec. 2024**		**31 Dec. 2023**	
	Undrawn limit	**Drawn down**	**Undrawn limit**	**Drawn down**
Pulp	134,500	59,745	134,500	58,955
Renewables	49,000	23,441	47,000	19,807
	183,500	**83,186**	**181,500**	**78,762**

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.

26.2 Disclosures regarding average supplier payment term

The average payment term disclosures were prepared in accordance with Law 15/2010, on combating late payment in commercial transactions, the amendments introduced via Law 18/2022, on business creation and growth and final provision two of Law 31/2014, as well as the related Resolution issued by the Spanish Audit and Accounting Institute (ICAC) on 29 January 2016.

The average payment term:

	Days	
	2024	2023
Average supplier payment term (days)	57	63
Paid transactions ratio (days)	59	65
Outstanding transactions ratio (days)	46	45
	€ 000	
Total payments made	750,443	874,664
Total payments outstanding	114,366	122,319

Below are the disclosures regarding the invoices paid within the legally stipulated deadline:

	2024		2023	
€ 000	Amount	%	Amount	%
Payments made	478,233	64%	449,934	51%
No. of invoices paid	41,531	66%	35,127	53%

That criteria underpinning the preparation of those disclosures are as follows:

“Average period of payment to suppliers” is understood as the period that elapses from the delivery of the goods or the provision of the services by the supplier to payment for the transaction. That term is calculated by dividing the sum of the paid transactions ratio times total payments made plus the outstanding transactions ratio times total payments outstanding by the sum of total payments made and total payments outstanding.

Paid transactions ratio: the number of days resulting from dividing the sum of the products of the amounts paid in each transaction by the number of days of payment and the total amount paid during the year.

Outstanding transactions ratio: the number of days resulting from dividing the sum of the products of the amounts of transactions outstanding by the number of days by which they are outstanding and the total amount outstanding.

The figures exclude payment obligations that have been withheld, balances with public entities and standing orders.

The disclosures relate to the Spanish companies consolidated after eliminating accounts payable and receivable between those subsidiaries.

27. Financial assets

27.1 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.

27.2 Other financial assets

The breakdown of this consolidated statement of financial position heading at year-end 2023 and 2023:

	31 Dec. 2024		31 Dec. 2023	
€ 000	Current	Non-current	Current	Non-current
Tariff Adjustment (note 29)	-	22,837	-	27,129
ENCE's share liquidity agreement (note 21.5)	1,786	-	1,039	-
Contingent consideration (note 4)	12,971	6,965	2,657	16,518
Receivable under equipment sub-leases	-	6,606	-	4,689
Debt service reserve account	-	10,000	-	10,000
Security deposits and other accounts receivable	11,769	4,001	1,467	2,938
	26,526	**50,409**	**5,163**	**61,274**

The “Debt service reserve account” includes cash retained to cover the obligation, stipulated in the financing taken on by the Renewables business, to maintain a minimum cash sweep of €15 million as of 1 January 2025, a requirement that will be lowered to €10 million from 1 July 2025.

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 31 December 2024, ENCE recognised a balance receivable of €18,595 thousand (year-end 2023: 17,160 thousand euros), 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 between 2021 and 2028.

Elsewhere, “Contingent consideration” includes a receivable in the amount of €1,341 thousand at 31 December 2024 (€2,015 thousand at year-end 2023) 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.

The movement in the fair value of the contingent consideration, the main financial instrument classified within level 3 of the fair value measurement hierarchy, implied the recognition of finance income, associated with the unwinding of the balance receivable, in the amount of €1,556 thousand in 2024 (2023: €1,025 thousand) (note 13).

At year-end 2024, “Security deposits and other accounts receivable” included €10 million of short-term investments in low-risk assets that matured in early January 2025.

28. Borrowings

The breakdown of borrowings at year-end 2024 and 2023 is as follows:

	Non-current liabilities		Current liabilities	
€ 000	31 Dec. 2024	31 Dec. 2023	31 Dec. 2024	31 Dec. 2023
Notes and other marketable securities	15,574	78,697	57,987	53,047
Bank borrowings	353,390	287,658	88,743	118,063
Other financial liabilities	77,477	73,876	15,478	13,844
Total	**446,441**	**440,231**	**162,208**	**184,954**

28.1 Bank borrowings and capital markets issues

The breakdown of bank borrowings at 31 December 2024 and 2023 corresponding to loans and discounting facilities, classified by their respective maturities, is as follows:

2024			Maturity				
			Current	Non-current			
€ 000	Limit	Drawn down	2025	2026	2027	2028	Beyond
Borrowings - Pulp business							
Notes issued	73,561	73,561	57,987	15,574	-	-	-
Revolving credit facility	130,000	-	-	-	-	-	-
Bank loans	278,182	278,182	75,598	78,957	67,306	40,576	15,746
Arrangement fees	-	(616)	(261)	(184)	(106)	(44)	(21)
Interest and coupons payable and other	-	2,149	2,149	-	-	-	-
	481,743	**353,276**	**135,473**	**94,347**	**67,200**	**40,532**	**15,725**
Borrowings - Renewables business							
Revolving credit facility	20,000	-	-	-	-	-	-
Bank loans	167,647	167,552	11,968	11,968	11,288	15,572	116,756
Arrangement fees	-	(5,228)	(804)	(791)	(791)	(791)	(2,051)
Interest and coupons payable and other	-	95	95	-	-	-	-
	187,552	**162,419**	**11,259**	**11,177**	**10,497**	**14,781**	**114,705**
	669,295	**515,695**	**146,732**	**105,524**	**77,697**	**55,313**	**130,430**

2023			Maturity				
			Current	Non-current			
€ 000	Limit	Drawn down	2024	2025	2026	2027	Beyond
Borrowings - Pulp business							
Notes issued	53,047	53,047	53,047	-	-	-	-
Revolving credit facility	130,000	-	-	-	-	-	-
Bank loans	390,500	360,500	82,444	75,610	78,829	67,301	56,316
Arrangement fees	-	(902)	(285)	(261)	(184)	(106)	(65)
Interest and coupons payable and other	-	2,303	2,303	-	-	-	-
	573,547	**414,948**	**137,509**	**75,349**	**78,645**	**67,195**	**56,251**
Borrowings - Renewables business							
Notes issued	79,000	79,000	-	79,000	-	-	-
Revolving credit facility	20,000	-	-	-	-	-	-
Bank loans	43,983	43,983	33,733	10,250	-	-	-
Arrangement fees	-	(515)	(180)	(335)	-	-	-
Interest and coupons payable and other	-	48	48	-	-	-	-
	142,983	**122,516**	**33,601**	**88,915**	-	-	-
	716,530	**537,464**	**171,110**	**164,264**	**78,645**	**67,195**	**56,251**

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

The amount of interest payments payable in the future in relation to the “Bank borrowings and capital markets issues” and “Other financial liabilities - Financing granted by public organisms”, assuming existing indebtedness and prevailing interest rates, without considering the interest rate hedges arranged, ranges between €10 million and €12 million in the Pulp business and between €8 million and €9 million in the Renewables business.

ENCE's average borrowing cost was 4.7% in 2024 (2023: 4.64%). The average borrowing cost in the Pulp business was 4.50% (2023: 4.68%), compared to 5.25% in the Renewables business (2023: 4.51%).

At 31 December 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

Notes

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 average cost of this commercial paper was 4.53% in 2024.

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 31 December 2024.

Loans

At year-end 2024, ENCE had arranged several loans in a combined amount of €278 million; those loans fall due between 2025 and 2030. A portion of those loans, with a face value of €21.16 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 47% of the balance drawn down, locking in a fixed rate of 3.32% (note 30).

Borrowings - Renewables business

Recourse borrowings

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: The breakdown at 31 December 2024:

	€ 000		Maturity	Interest rate
	Undrawn	Drawn		
Tranche 1	65,552	65,552	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)
	187,552	**167,552**		

(i) (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 30).

The proceeds were used to cancel the financing drawn down by this business that was arranged in 2017 as well as to finance MAGNON's operations and general needs. The terms and conditions permitted 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. This financing meets the requirements for recognition as new financing rather than the modification of previously existing financing.

Financing cancelled

The syndicated loan, which was drawn down by €31,616 thousand on the date it was repaid and was initially structured into four tranches with a limit when it was arranged of €170 million. That loan was due on 30 December 2025; approximately 80% was arranged at a floating rate of interest benchmarked to Euribor plus a spread ranging between 1.25% and 3.25%, with the remaining 20% bearing interest at a fixed rate of 3.45%. The commissions paid in connection with that facility in 2017 totalled €5,813 thousand. The cancelled syndicated loan included standard guarantees and obligations similar to those demanded in the market today.

Two notes issues that were purchased by several debt funds with an outstanding balance on the date of their cancellation of €79,000 thousand. These notes were due on 30 December 2025 and accrued interest at a fixed rate of 3.45%; they were admitted to trading on the Frankfurt securities exchange (Freiverkehr).

28.2 Other financial liabilities

The breakdown of this consolidated statement of financial position heading at year-end 2024 and 2023:

2024 € 000	Drawn down	Maturity Current 2025	Non-current 2026	2027	2028	2029	Beyond
Other financial liabilities - Pulp business							
Financing granted by public organisms	34,407	8,459	8,019	6,279	6,371	3,891	1,388
Liabilities for right-of-use assets (note 17)	52,803	5,251	4,780	4,657	3,509	2,932	31,674
	87,210	**13,710**	**12,799**	**10,936**	**9,880**	**6,823**	**33,062**
Other financial liabilities - Renewables business							
Liabilities for right-of-use assets (note 17)	5,744	1,768	1,628	1,107	786	410	45
	5,744	**1,768**	**1,628**	**1,107**	**786**	**410**	**45**
	92,954	**15,478**	**14,427**	**12,043**	**10,666**	**7,233**	**33,107**

2023 € 000	Drawn down	Maturity Current 2024	Non-current 2025	2026	2027	2028	Beyond
Other financial liabilities - Pulp business							
Financing granted by public organisms	42,885	8,737	8,130	8,161	6,305	6,316	5,236
Liabilities for right-of-use assets (note 17)	42,003	4,005	3,791	3,128	2,667	1,570	26,842
	84,888	**12,742**	**11,921**	**11,289**	**8,972**	**7,886**	**32,078**
Other financial liabilities - Renewables business							
Liabilities for right-of-use assets (note 17)	2,832	1,102	665	516	320	152	77
	2,832	**1,102**	**665**	**516**	**320**	**152**	**77**
	87,720	**13,844**	**12,586**	**11,805**	**9,292**	**8,038**	**32,155**

The line item “Financing granted by public organisms” corresponds mainly to loans obtained, usually at advantageous rates, to finance projects undertaken by ENCE to expand and upgrade the productive capacity of its pulp biomills, as well as its RDI activities. The loans are repayable over a 10-year term and bear interest at fixed rates ranging between 0% and 3.75%. There is a three-year grace period.

28.3 Statement of cash flows

Below is a reconciliation between the changes in the Group's borrowings (bank borrowings, capital markets issues and other financial liabilities) and the cash flows from financing activities presented under “Proceeds from and repayment of financial liabilities” in the 2024 and 2023 statement of cash flows:

2024	Balance at 1 January 2024	Cash flows: Issues and drawdowns (net of fees)	Cash flows: Repayments/ installments paid	Cash flows: Interest paid	Changes in financial liabilities with no impact on statement of cash flows: Interest accrued	Arrangement fees accrued	Changes related to right-of-use assets	Unwinding of discount and other	Balance at 31 December 2024
Borrowings - Pulp business									
Notes and bonds	53,047	215,400	(193,800)	(4,476)	3,390	-	-	-	73,561
Bank loans	359,598	-	(82,317)	-	-	285	-	-	277,566
Other financial liabilities	42,886	6,369	(8,545)	-	(75)	-	(6,259)	31	34,407
Interest and coupons payable and other	2,303	-	-	(16,941)	16,787	-	-	-	2,149
Liabilities related with right-of-use assets	42,003	-	(7,191)		2,294	-	15,700	-	52,806
	499,837	**221,769**	**(291,853)**	**(21,417)**	**22,396**	**285**	**9,441**	**31**	**440,489**
Derivatives associated with financing	(4,035)	-	-	(372)	-	-	-	1,380	(3,027)
	495,802	**221,769**	**(291,853)**	**(21,789)**	**22,396**	**285**	**9,441**	**1,411**	**437,462**
Borrowings - Renewables business									
Notes and bonds	78,697	-	(79,000)	-	-	303	-	-	-
Bank loans	43,771	166,464	(48,510)	-	-	599	-	-	162,324
Interest and coupons payable and other	48	-	-	(5,932)	5,979	-	-	-	95
Liabilities related with right-of-use assets	2,832	-	(1,879)		141	-	4,650	-	5,744
	125,348	**166,464**	**(129,389)**	**(5,932)**	**6,120**	**902**	**4,650**	**-**	**168,163**
Derivatives associated with financing	3,029	-	-	(3,866)	-	-	-	(1,424)	(2,261)
	128,377	**166,464**	**(129,389)**	**(9,798)**	**6,120**	**902**	**4,650**	**(1,424)**	**165,902**
	624,179	**388,263**	**(421,242)**	**(31,587)**	**28,516**	**1,187**	**14,091**	**(13)**	**603,364**

2023	Balance at 1 January 2023	Cash flows: Issues and drawdowns (net of fees)	Cash flows: Repayments/ installments paid	Cash flows: Interest paid	Changes in financial liabilities with no impact on statement of cash flows: Interest accrued	Arrangement fees accrued	Changes related to right-of-use assets	Unwinding of discount and other	Balance at 31 December 2023
Borrowings - Pulp business									
Notes and bonds	63,300	66,400	(76,300)	-	-	-	-	(353)	53,047
Bank loans	94,461	272,339	(7,500)	-	-	298	-	-	359,598
Other financial liabilities	49,973	858	(7,905)	-	(71)	-	-	31	42,886
Interest and coupons payable and other	1,186	-	-	(15,171)	16,289	-	-	-	2,304
Liabilities related with right-of-use assets	37,603	-	(5,953)		2,274	-	8,079		42,003
	246,522	**339,597**	**(97,658)**	**(15,171)**	**18,492**	**298**	**8,079**	**(322)**	**499,837**
Derivatives associated with financing	-	-	-	1,299	-	-	-	(5,334)	(4,035)
	246,522	**339,597**	**(97,658)**	**(13,872)**	**18,492**	**298**	**8,079**	**(5,656)**	**495,802**
Borrowings - Renewables business									
Notes and bonds	78,436	-	-	-	-	261	-	-	78,697
Bank loans	70,520	-	(27,067)	-	-	318	-	-	43,771
Interest and coupons payable and other	23	-	-	(9,742)	9,767	-	-	-	48
Liabilities related with right-of-use assets	1,697	-	(1,429)		90	-	2,474	-	2,832
	150,676	**-**	**(28,496)**	**(9,742)**	**9,857**	**579**	**2,474**	**-**	**125,348**
Derivatives associated with financing	5,910	-	-	2,867	-	-	-	(5,748)	3,029
	156,586	**-**	**(28,496)**	**(6,875)**	**9,857**	**579**	**2,474**	**(5,748)**	**128,377**
	403,108	**339,597**	**(126,154)**	**(20,747)**	**28,349**	**877**	**10,553**	**(11,404)**	**624,179**

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

The breakdown of this consolidated statement of financial position heading at year-end 2024 and 2023:

€ 000	31 Dec. 2024 Current	31 Dec. 2024 Non-current	31 Dec. 2023 Current	31 Dec. 2023 Non-current
Assets:				
Tariff Adjustment - reg. stub period: 2023-2025 (note 24)	-	22,837	-	27,129
Other	3,086	-		
	3,068	**22,837**	**-**	**27,129**
Liabilities:				
Tariff Adjustment - prior reg. stub periods (note 24)	8,166	87,448	7,402	95,757
Accruals and other	-	971	-	970
Contingent consideration (notes 4 & 6)	-	3,642	-	-
	8,166	**92,061**	**7,402**	**96,727**

The "Tariff Adjustment" accounts include the balances held vis-a-vis 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 (notes 3.15, 9 and Appendix III).

Ministerial Order TED/526/2024, of 31 May 2024, was published on 4 June 2024, establishing 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. Among other things, that Order excluded the group a.1, b.6 and b.8 standard facilities, categories which include the Group's biomass energy generation plants, from the Tariff Adjustment system regulated in article 22 of Royal Decree 413/2014, with effect from 1 January 2024, such that the Group will not generate any new balances in respect of the Tariff Adjustment (notes 3.15 and 9 and Appendix III).

Elsewhere, the balances recognised in the consolidated statement of financial position in this respect at 31 December 2024 will be reclassified to profit or loss over the remaining regulatory useful lives of the facilities that generated them, or they will be collected in the event the Tariff Adjustments were generated in the last regulatory stub period, according to the following schedule:

	Maturity							
		Current						
2024	Total	2025	2026	2027	2028	2029	Beyond	Total non-current
Balances payable:								
Pulp business:	30,176	2,226	2,372	2,557	2,746	2,950	17,325	27,950
Renewables business:	65,438	5,940	5,581	6,019	4,286	4,164	39,448	59,498
	95,614	**8,166**	**7,953**	**8,576**	**7,032**	**7,114**	**56,773**	**87,448**
Net position	**95,614**	**8,166**	**7,953**	**8,576**	**7,032**	**7,114**	**56,773**	**87,448**

	Maturity							
		Current						
2023	Total	2024	2025	2026	2027	2028	Beyond	Total non-current
Balances payable:								
Pulp business:	32,391	2,073	2,226	2,391	2,568	2,758	20,375	30,318
Renewables business:	70,551	5,329	5,723	5,590	6,004	4,284	43,621	65,222
	102,942	**7,402**	**7,949**	**7,981**	**8,572**	**7,042**	**63,996**	**95,540**
Net position	**102,942**	**7,402**	**7,949**	**7,981**	**8,572**	**7,042**	**63,996**	**95,540**

30. Derivative financial instruments

In keeping with the financial risk management policy outlined in note 5, the Group arranges derivative financial instruments primarily to hedge its financial risks.

The breakdown of this consolidated statement of financial position heading at 31 December 2024 and 2023 (showing the fair value of the derivatives at year-end), is provided in the next table:

€ 000	Non-current assets 31 Dec. 2024	Non-current assets 31 Dec. 2023	Current assets 31 Dec. 2024	Current assets 31 Dec. 2023	Non-current liabilities 31 Dec. 2024	Non-current liabilities 31 Dec. 2023	Current liabilities 31 Dec. 2024	Current liabilities 31 Dec. 2023
Cash flow hedges:								
IR swap	-	1,283	-	1,718	4,029	3,441	1,260	593
IR swap arrangement fee	-	27	-	-	-	-	-	-
Currency hedges	-	-	-	1,057	-	-	6,081	-
Energy sales price hedges	-	-	-	-	-	-	633	-
Total	**-**	**1,310**	**-**	**2,775**	**4,029**	**3,441**	**7,974**	**593**

The changes in the fair value of the derivative financial instruments that were reclassified to profit or loss in 2024 and 2023 are shown below:

€ 000 - Gain/(loss)	2024	2023
Impact on operating profit:		
Currency hedges	(560)	(378)
Pulp price hedges	(9)	-
Energy sales price hedges	(2,838)	-
Subtotal	(3,407)	(378)
Impact on net finance costs:		
IR swap (note 13)	5,416	3,245
Total	**2,009**	**2,867**

All of the derivatives arranged by ENCE at 31 December 2024 and 2023 qualify for hedge accounting.

30.1 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) and forward contracts. The breakdown at 31 December 2024:

Tunnel options Underlying	Maturity	Strike price Call	Strike price Put	Notional amount (USD m)
EUR/USD	1Q25	1.063	1.096	84.9
EUR/USD	2Q25	1.070	1.101	61.1
EUR/USD	3Q25	1.072	1.101	72.9
EUR/USD	4Q25	1.058	1.084	37.6
				256.5

Forward Underlying	Maturity	Strike price price	Notional amount (USD m)
EUR/USD	1Q25	1.047	12.0
EUR/USD	2Q25	1.052	12.0
			24.0

The contracts outstanding at 31 December 2024 cover approximately 50% and 40% of forecast pulp sales in the first and second halves of 2025, respectively. Those outstanding at 31 December 2023 covered approximately 17% and 8% of forecast pulp sales in the first and second halves of 2024, respectively.

There was no hedge ineffectiveness in respect of the Group's foreign currency derivatives in 2024 or 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 31 December 2024 is shown below:

€ 000	Change in USD/EUR exchange rate	Operating profit (-)/+	Impact on equity (-)/+
2024	5% depreciation	9,965	7,473
	5% appreciation	(12,817)	(9,613)
2023	5% depreciation	2,865	2,148
	5% appreciation	(2,669)	(2,002)

30.2 Energy sale hedges:

ENCE attempts to replicate the regulatory pool price indexation formula established in the new regulations published in 2024. To that end, in 2024, the Group wrote commodity swaps covering the price at which it sells the power it generates to the national electricity system (OMEL). The breakdown of the hedges outstanding at 31 December 2024:

Maturity	Amount (MWh)	Price locked in (€/MWh)
1Q25	107,950	71.36
2Q25	45,864	73.13
3Q25	46,368	73.13
4Q25	46,389	73.13

There was no hedge ineffectiveness in respect of the energy sales price derivatives in 2024 or 2023.

The sensitivity of earnings to energy price changes as a result of the impact on the derivative financial instruments arranged by ENCE at 31 December 2024 is shown below:

€ 000	Change in energy sales prices	Operating profit (-)/+	Impact on equity (-)/+
2024	5% increase	(915)	(687)
	5% decrease	915	687

30.3 Interest rate swaps:

The interest rate derivatives arranged by the Group and outstanding at year-end 2024 and 2023 are shown below:

€ 000	Fair value	Notional principal amounts at year-end: 2024	2025	2026	2027	2028	Beyond
2024							
Pulp	(3,028)	-	136,539	91,809	46,813	-	-
Renewables	(2,261)	-	92,097	83,720	75,581	67,917	164,956
revisar2023							
Pulp	(4,034)	154,325	136,539	91,809	46,813	-	-
Renewables (*)	3,001	3,188	-	-	-	-	-

(*) Balance receivable

There was no hedge ineffectiveness in respect of the Group's interest rate derivatives in 2024 or 2023.

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 31 December 2024 is shown below:

€ 000	**Change in interest rates**	**Impact on finance cost (-)/+**	**Impact on equity (-)/+**
2024	50bp increase	606	(1,481)
	50bp decrease	(606)	(6,768)
2023	50bp increase	518	1,952
	50bp decrease	(518)	(1,972)

31. Provisions, guarantees and contingent liabilities

31.1 Provisions

The reconciliation of the opening and closing balances of current and non-current provisions in 2024 and 2023 is as follows:

2024	Balance at 01/01/2024	Additions/(charges)	Derecognitions or decreases	Balance at 31/12/2024
Non-current:				
Long-term incentive plan (note 11.2)	345	975	-	1,320
Dismantling provision	25,425	831	-	26,256
Other	2,518	149	(738)	1,929
	28,288	**1,955**	**(738)**	**29,505**
Current				
Short-term incentive plan (note 11.2)	242	-	(242)	-
Emission allowances (notes 12 & 20.1)	12,441	12,485	(12,441)	12,485
Pontevedra Community Plan & other	29,500	-	(8,500)	21,000
	42,183	**12,485**	**(21,183)**	**33,485**

2023	Balance at 01/01/2023	Additions/ (charges)	Derecognitions or decreases	Transfers	Balance at 31/12/2023
Non-current:					
Long-term incentive plan (note 11.2)	425	268	(1)	(347)	345
Dismantling provision	24,598	827	-	-	25,425
Other	2,960	467	(909)	-	2,518
	27,983	**1,562**	**(910)**	**(347)**	**28,288**
Current					
Short-term incentive plan (note 11.2)	-	-	(105)	347	242
Emission allowances (notes 12 & 20.1)	11,100	12,339	(10,998)	-	12,441
Pontevedra Community Plan & other	31,700	-	(2,200)	-	29,500
	42,800	**12,339**	**(13,303)**	**347**	**42,183**

In 2016, ENCE entered into an Environmental Pact and Collaboration Agreement with the Environmental Department of the regional government of Galicia, under which it committed, among other things, to enhance the living standards of the residents of Galicia, particularly those living in the Pontevedra Bay area, their safety and their development, the environment and the natural, community and economic surroundings and their sustainability, assuming certain investment and economic contribution commitments. The investment commitments included investments - already executed - totalling €61 million in environmental upgrade and job creation initiatives at the biomill in Pontevedra, as well as investments - currently under analysis - related with the generation of energy using biomass.

The contributions include economic contributions designed to improve the living standards of the people of Galicia totalling €21 million and the rollout of a framework for engaging the population in the vicinity of the Bay area in the benefits of ENCE's corporate social responsibility policy with an annual stipend of up to €3 million during the life of the concession.

In 2023, "Pontevedra Community Plan & other" also included additional potential requirements that were reassessed in 2024, concluding that their likelihood of materialisation was remote.

Provision for dismantling:

The present value of the obligations assumed in connection with the dismantling of the pulp manufacturing plant located in Pontevedra, assuming that this work will begin in 2073, is estimated at €26,256 thousand (year-end 2023: €25,425 thousand).

That obligation was estimated assuming a present dismantling cost of €43 million, annual growth in costs of around 2%-3% and a discount rate of 7%-8%.

31.2 Guarantees extended to third parties

At 31 December 2024, several financial institutions had extended the various Group companies guarantees for an aggregate amount of approximately €88,229 thousand (€96,407 thousand at 31 December 2023), as broken down in the table below.

	€ 000
Government permitting of renewable energy power generation plants	23,523
Grid access - Pre-allocations	22,872
Subsidised loans (note 28)	8,874
Receivable discounting lines	9,000
Execution of forest projects	5,952
Electricity market	5,500
Payments to suppliers	4,027
Pontevedra concession	3,050
Environmental	1,668
Other	3,763
	88,229

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 consolidated financial statements.

31.3 Contingent assets and liabilities

At year-end 2024, the Group was party to legal claims and controversies arising in the ordinary course of its business. The most significant claims are summarised 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.

With respect to the appeals filed against Order TED/353/2024, these are at their initial stages: the statement of claim has been submitted for one appeal and the other statements of claim will be submitted between January and February 2025.

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.

Lastly, an official appeal has been filed against Ministerial Order TED/526/2024, of 31 May 2024, establishing 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. The statement of claim for this appeal has yet to be submitted.

Public-domain concession - The ENCE 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 state attorney and the town council of Pontevedra have filed appeals before Spain's Constitutional Court. The former has been ruled inadmissible. There has been no ruling on the admissibility of the latter yet.

32. Tax matters

The balances receivable from and payable to the tax authorities at year-end 2024 and 2023 are shown below:

	31 Dec. 2024		31 Dec. 2023	
€ 000	Assets	Liabilities	Assets	Liabilities
Non-current:				
Deferred tax assets	93,840	-	94,996	-
Deferred tax liabilities	(31,853)	-	(26,998)	-
Total	**61,987**	-	**67,998**	-
Current:				
VAT	18,134	5,506	7,931	3,791
Current tax on profits for the year	6,569	26	14,993	44
Electricity generation levy	-	4,224	-	-
Sundry other taxes	421	4,835	382	5,374
Total	**25,124**	**14,591**	**23,306**	**9,209**

32.1 Regimes applied and tax groups

<u>Group companies resident in Spain for tax purposes:</u>

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 itemised in Appendix I 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 itemised in Appendix I 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.

Spanish Law 7/2024 (20 December 2024), transposes the Pillar Two rules into Spanish law. That model is designed to ensure that large multinational enterprises pay an effective minimum tax rate of 15% in each of the jurisdictions where they operate. It also reintroduces, with effect from 1 January 2024, several of the measures contemplated in Royal Decree-Law 3/2016 that were nullified in early 2024, including limits on the utilisation of tax losses and tax credits to avoid double taxation, extending to 2024 and 2025 the cap of on the utilisation of tax losses by tax groups (provided for in additional provision 19 of Spain's Income Tax Act), so limiting the amount of the individual tax losses of each of the entities comprising the tax group that can be deducted from income taxable income to 50% (those amounts will be recovered in the tax group's taxable income via equal deductions over each of the following 10 tax years).

32.2 Reconciliation of accounting profit/(loss) to taxable income/(tax loss)

The reconciliation of accounting profit/(loss) to taxable income/(tax loss) in 2024 and 2023 is provided below:

	€ 000	
	2024	**2023**
Accounting profit: Profit/(loss) before tax (*)	32,350	(33,169)
Permanent differences:		
Arising in profit or loss	(3,792)	(15,939)
Arising in equity	(20)	(37)
Temporary differences:		
Arising during the year	10,238	(4,376)
Arising in prior years	(20,833)	(10,194)
Consolidation adjustments	1,041	(1,683)
50% cap on the utilisation of tax losses	15,715	45,303
Utilisation of tax losses	(12,829)	(5,855)
Taxable income/(tax loss)	**21,870**	**(25,950)**

(*) Profit/(loss) before tax was generated exclusively by continuing operations

"Permanent differences" reflect accounting expenses and income that do not compute for income tax purposes. This line item also includes expenses and income that are eliminated as part of the consolidation process but are fully tax deductible or taxable within the scope of the individual tax returns filed by the various Group companies.

The negative permanent differences arising in earnings in 2024 and 2023 relate mainly to the exemption from taxation on 95% of the gain generated on the sale of investments in photovoltaic development holding companies and on dividends received.

Meanwhile, the temporary differences originate mainly from the reversal or utilisation as intended of provisions and impairment losses recognised in prior years.

32.3 Reconciliation of accounting profit/loss and tax expense/income

The reconciliation of accounting profit/(loss) to taxable income/(tax loss) in 2024 and 2023 is provided below:

	€ 000	
	2024	**2023**
Accounting profit: Profit/(loss) before tax (*)	32,350	(33,169)
Permanent differences:		
Arising in profit or loss	(3,792)	(15,939)
Unused tax losses and unused tax credits arising in prior years not recognised as deferred tax assets	30,640	6,851
Elimination of the accounting profit of entities not resident in Spain	328	(168)
Consolidation adjustments and eliminations	1,486	(1,600)
Taxable income/(tax loss)	**61,012**	**(44,025)**
Tax payable / (receivable) before adjustments	**15,253**	**(11,006)**
Deductions and adjustments in respect of prior year	(2,920)	(1,009)
Tax corresponding to entities not resident in Spain	(103)	(84)
Tax expense /(income)	**12,230**	**(12,099)**

(*) Profit/(loss) before tax was generated exclusively by continuing operations

The breakdown of tax expense / (income) in 2024 and 2023:

	€ 000	
	2024	**2023**
Current tax and other	6,827	735
Deferred tax	5,403	(12,834)
Tax expense /(income)	**12,230**	**(12,099)**

32.4 Recognised deferred tax assets and liabilities

The reconciliation of this consolidated statement of financial position heading at the beginning and end of 2024 and 2023:

Deferred tax assets

2024	€ 000					
	Balance at 01/01/2024	Changes in consol. scope (note 6)	Increases	Decreases	Transfers and other	Balance at 31/12/2024
Deferred tax assets recognised in profit or loss:						
Non-current asset depreciation	939	-	-	(940)	1	-
Non-current asset impairment	3,819	-	245	(1,788)	-	2,276
Provisions	2,625	-	927	(2,356)	-	1,196
Commitments to employees	1,889	-	507	(100)	69	2,365
Impairment of current assets	2,457	-	1,362	(65)	(113)	3,641
Limit on deductibility of interest expense and other	60	-	-	(42)	-	18
Leases (IFRS 16)	8,074	-	503	(64)	-	8,513
Non-resident companies and consolidation adjustments	3,139	-	1	(147)	(1)	2,992
						-
Unused tax losses	60,275	917	1,486	(4,280)	(260)	58,138
Unused tax credits	11,278	69	669	(2,819)	2,507	11,704
	94,555	**986**	**5,700**	**(12,601)**	**2,203**	**90,843**
Deferred tax assets recognised in equity:						
Hedging derivatives (note 30)	441	-	2,556	-	-	2,997
	441	**-**	**2,556**	**-**	**-**	**2,997**
Total	**94,996**					**93,840**

2023	€ 000				
	Balance at 01/01/2023	Increases	Decreases	Transfers and other	Balance at 31/12/2023
Deferred tax assets recognised in profit or loss:					
Non-current asset depreciation	1,879	-	(940)	-	939
Non-current asset impairment	5,800	253	(2,769)	535	3,819
Provisions	3,259	-	(635)	1	2,625
Commitments to employees	1,460	336	(1)	94	1,889
Impairment of current assets	2,577	314	(433)	(1)	2,457
Limit on deductibility of interest expense and other	118	-	(42)	(16)	60
Leases (IFRS 16)	7,693	293	-	88	8,074
Non-resident companies and consolidation adjustments	3,374	12	(159)	(88)	3,139
Unused tax losses	44,583	18,375	(1,482)	(1,201)	60,275
Unused tax credits	9,875	4	(6)	1,405	11,278
	80,618	**19,587**	**(6,467)**	**817**	**94,555**
Deferred tax assets recognised in equity:					
Hedging derivatives (note 30)	89	706	(353)	(1)	441
	89	**706**	**(353)**	**(1)**	**441**
Total	**80,707**				**94,996**

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.

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. To that end, it reviews its recognised deferred tax assets at each year-end to check that they continue to qualify for capitalisation and are considered recoverable within a timeframe of approximately 10 years. That analysis is based on: (i) assumptions to test for the existence of sufficient taxable income to enable the utilisation of the tax losses in question, which coincide with those used to test the Group's non-financial assets for impairment (note 19); and (ii) the prescription periods and limits stipulated in prevailing tax legislation for the utilisation of unused tax credits.

The cash flows so estimated indicate that the deferred tax assets recognised by the Group are recoverable within a period of around 10 years. The balance of unused tax credits and unused tax losses certified in Spain but not recognised in the statement of financial position at 31 December 2024 amounts to €42.6 million (year-end 2023: €16.5 million). Nor had the Group recognised assets for tax losses in Portugal of €1.4 million at year-end 2023.

At 31 December 2024, there are unused tax losses of €19.4 million and unused tax credits of €5.3 million originating from before inclusion in the Group.

Deferred tax liabilities

	€ 000				
2024	**Balance at 01/01/2024**	**Increases**	**Decreases**	**Transfers and other**	**Balance at 31/12/2024**
Recognised in profit or loss:					
Accelerated depreciation (RDL 4/2004)	379	-	(121)	-	258
Finance costs	18	-	(16)	-	2
Future dividends	1,926	-	-	(1,926)	-
Leases (IFRS 16)	7,887	399	(70)	-	8,216
Consolidation and other adjustments	1,838	585	(86)	(40)	2,297
	12,048	**984**	**(293)**	**(1,966)**	**10,773**
Recognised in equity:					
Revaluation of forest land (note 16.3)	13,510	-	-	-	13,510
Hedging derivatives (note 30)	968	-	(969)	1	-
Future dividends	-	61		1,926	1,987
Consolidation and other adjustments	472	6,509	(1,398)	-	5,583
	14,950	**6,570**	**(2,367)**	**1,927**	**21,080**
Total	**26,998**				**31,853**

	€ 000				
2023	**Balance at 01/01/2023**	**Increases**	**Decreases**	**Transfers and other**	**Balance at 31/12/2023**
Recognised in profit or loss:					
Accelerated depreciation (RDL 4/2004)	549	-	(170)	-	379
Finance costs	35	-	(16)	(1)	18
Future dividends	-	-	-	1,926	1,926
Leases (IFRS 16)	7,795	95	-	(3)	7,887
Consolidation and other adjustments	3,714	2,281	(2,420)	(1,737)	1,838
	12,093	**2,376**	**(2,606)**	**185**	**12,048**
Recognised in equity:					
Revaluation of forest land (note 16.3)	13,510	-	-	-	13,510
Convertible bonds (note 28)	137	-	(137)	-	-
Hedging derivatives (note 30)	-	1	(777)	1,744	968
Consolidation and other adjustments	1,978	338	(97)	(1,747)	472
	15,625	**339**	**(1,011)**	**(3)**	**14,950**
Total	**27,718**				**26,998**

32.5 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 from 2021 on.

In July 2022, the Spanish tax authorities initiated a review of the corporate income tax of Ence Energía y Celulosa, S.A. (parent of the consolidated tax group), Celulosas de Asturias, S.A. and Magnon Green Energy, S.L. in respect of 2018, 2019 and 2020 and of those same companies' value added tax and personal income tax withholding returns for 2019 and 2020.

That review concluded on 13 September 2023 and all of the assessments handed down were signed uncontested. The total net cost of the review, which did not involve any fines for the items reassessed, for the Group was €0.9 million. As a result, the authorities confirmed the unused tax losses and tax credits certified by the Group companies as well as credit pending appropriation for the years reviewed in the amount of €3.2 million.

Also as part of the inspection process, ENCE and MAGNON reaffirmed their right to challenge certain tax measures contained in Royal Decree-Law 3/2016 by signing assessments under protest so to be able to benefit from the potential declaration of their unconstitutional nature. To that end, 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. The Group estimates that if its appeals prevail it stands to recover approximately €20 million of tax credits, along with the corresponding late-payment interest.

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.

32.6 Other information

Minimum taxation (Pillar Two)

In December 2022, the member states of the European Union approved Directive (EC) 2022/2523, of 14 December 2022, on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union (Pillar II). That Directive was transposed into Spanish law via Law 7/2024 of 20 December 2024. The Group has evaluated the new rules but does not expect their application to have a material impact on it.

Corporate restructurings carried out under the tax neutrality regime provided for in Chapter VII, Title VII of Spain's Corporate Income Tax Act (Law 27/2014, of 27 November 2014).

With effect from 1 January 2024, Magnon Green Energy, S.L. partially demerged a business activity to Magnon Biomasa, S.L.U.; specifically it transferred the business that trades and buys and sells the biomass that constitutes the raw material used to generate electricity, along with the related assets, liabilities, rights, obligations and legal contracts. By way of consideration, Magnon Biomasa, S.L.U. will carry out a capital increase giving all of the newly-created shares to Magnon Green Energy, S.L. The carrying amount of the net assets demerged is €0.1 thousand, compared to an estimated fair value of €7,417 thousand.

ENCE has duly notified the tax authorities of the following transactions undertaken in prior years: 1) the non-monetary contribution to Magnon Green Energy, S.L.U. in 2020 of certain industrial assets (including the “El Sancho” dam) located in Huelva, carried at €13,562 thousand, with a market value, which was the value at which they were contributed, of €26,923 thousand; 2) the non-monetary contribution to Magnon Green Energy, S.L.U. in 2018 of land carried at €779 thousand with a market value, which was the value at which that land was contributed, of €2,460 thousand; and 3) the non-monetary contribution to Ence Renovables S.L. in 2023 of shares of Magnon Green Energy, S.L.U. representing 51% of its share capital with a carrying amount of €112,528 thousand, a contribution value of €113,960 thousand and a market value of €124,925 thousand.

Following the sale of 49% of the shares of Magnon Green Energy, S.L. in 2020, ENCE paid tax on 49% of the gain generated by the first two contributions itemised above.

33. Director and key management personnel pay and other benefits

33.1 Compensation paid to the members of the Board of Directors

As stipulated in article 38 of the Articles of Association, the directors, in their capacity as members of the Board and in exchange for discharging the supervisory and decision-making duties intrinsic to Board membership, are entitled to receive a fixed annual payment and attendance fees that on aggregate may not exceed the ceiling established to that end at the Annual General Meeting; it is up to ENCE's Board of Directors to determine the precise amount payable within that limit and its distribution among the various directors, factoring in the duties and responsibilities attributed to each, membership of the Board's various committees, the positions discharged by each within the Board and any other circumstances they deem pertinent.

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.

Remuneration for membership of the Board of Directors

The remuneration accrued by the members of the Board of Directors in 2024 and 2023 in their capacity as directors:

		€ 000			
		2024			
Board members	Type	Fixed remuneration	Attendance fees & other	Total	2023
Fernando Abril-Martorell Hernández	Other external	45	54	99	93
Ángel Agudo Valenciano	Proprietary	45	35	80	83
Carmen Alicia Aquerreta Ferraz	Independent	45	49	94	91
Gorka Arregui Abendivar	Proprietary	45	59	104	94
Javier Arregui Abendivar	Proprietary	44	60	104	108
Oscar Arregui Abendivar	Proprietary	44	41	85	79
José Ignacio Comenge Sánchez-Real	Proprietary	45	45	90	76
Ignacio de Colmenares Brunet	Executive	135	-	135	135
Rosa María García Piñeiro	Independent	44	64	108	114
Rosalía Gil-Albarellos Marcos	Independent	44	53	97	99
Irene Hernández Álvarez	Independent	44	82	126	127
María Paz Robina Rosat	Independent	45	60	105	105
José Guillermo Zubía Guinea	Other external	44	66	110	105
		669	**668**	**1,337**	**1,309**

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 either 2024 or 2023.

The disclosures regarding average director remuneration broken out by gender are provided in the "Sustainability Statement", which is part of the Management Report.

Remuneration for the performance of executive duties

Ence Energía y Celulosa, S.A.'s Director Remuneration Policy stipulates fixed remuneration for the Chairman & CEO 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.

The remuneration accrued by Ignacio de Colmenares Brunet for the performance of his executive duties in 2024, including his fixed and variable remuneration, totalled €1,605 thousand (2023: €1,295 thousand). The Chairman & CEO is also the beneficiary of a mixed savings, life and accident insurance policy (note 3.14), which is also part of his remuneration package.

In addition to the above-mentioned remuneration, ENCE's Chairman & CEO has a retirement insurance policy (the benefit payable under the plan is one year's remuneration, to be received upon termination of his contract. No contribution was made in this regard in 2024 as the commitment was fully endowed in 2023 (2023: contribution of €22 thousand).

Forming part of his accrued remuneration, the Chairman & CEO was also a beneficiary under Cycle II of the 2019-2023 long-term incentive plan (note 11), which was settled in July 2024. Under that plan he received €53 thousand and 21 thousand ENCE shares.

Lastly, the Chairman & CEO is a beneficiary under Cycles I, II and III of ENCE Energía y Celulosa, S.A.'s 2023-2027 long-term incentive plan (note 11). Assuming 100% delivery of the targets associated with all cycles 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 and 2028 corresponding to Cycles II and III, respectively.

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 either 2024 or 2023.

ENCE has no pension or alternative insurance related obligations to its directors, except for its Chairman & 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 or 2023.

The members of the Board of Directors did not receive any termination benefits in either 2024 or 2023. The termination benefits to which the directors are contractually entitled are disclosed in section C.1.39 of the Annual Corporate Governance Reports for the corresponding years, which are available at www.ence.es.

As per the notifications provided in this respect by the members of the Board of Directors, no direct or indirect conflicts of interest arose during the reporting period on the part of the directors or their related parties vis-a-vis the interests of the Company, as defined in article 229 of Spain's Corporate Enterprises Act.

33.2 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 members of this team at 31 December 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	Head of Internal Audit

(i) With effect from 1 January 2023, the Managing Director of Magnon Green Energy, S.L. (the holding company for ENCE's Renewable Energy business), Guillermo Negro Maguregui, joined the key management personnel team, while Marc Gómez Ferret left it.

(ii) On 15 May 2023, Isabel Vallejo de la Fuente joined the key management personnel team as Chief Human Capital Officer, replacing María José Zueras Saludas.

(iii) 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.

Below is a breakdown of the remuneration and other benefits provided to the Group's key management personnel, excluding that corresponding to the Chairman & CEO, in 2024 and 2023:

€ 000	**2024**	**2023**
Fixed remuneration	2,075	1,931
Variable remuneration	1,155	1,126
Savings schemes (note 3.14)	93	102
In-kind & other remuneration	167	129
2023-2027 LTIP, Cycle I (note 11)	159	-
	3,649	**3,288**

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.

Forming part of their accrued remuneration, the key management personnel were also beneficiaries under Cycle II of ENCE Energía y Celulosa, S.A.'s 2019-2023 long-term incentive plan (note 11). 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 ENCE Energía y Celulosa, S.A.'s 2023-2027 long-term incentive plan (note 11.2). Assuming 100% delivery of the targets associated with Cycles I, II and III 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 and 2028 corresponding to Cycles II and III.

Elsewhere, the key management personnel in the Renewables business are beneficiaries under the Magnon Group's 2021-2025 long-term incentive plan (note 11). Assuming full delivery of the targets to which that incentive scheme is tied, they stand to receive €650 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.

34. Transactions with Group companies and related parties

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

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

	€ 000		
31 Dec. 2024	Current loans	Current receivables (note 25)	Current payables (note 26)
Oleoenergía de Puertollano, S.L.	12	-	-
Capacitación de Servicios Forestales, S.L.	-	830	1,766
	12	**830**	**1,766**

	€ 000		
31 Dec. 2023	Current loans	Current receivables (note 25)	Current payables (note 26)
Oleoenergía de Puertollano, S.L.	12	-	-
Capacitación de Servicios Forestales, S.L.	-	641	1,036
	12	**641**	**1,036**

The transactions performed with investees accounted for using the equity method of consolidation in 2024 and 2023 were as follows:

	€ 000	
2024	Services rendered	Operating expenses
Capacitación de Servicios Forestales, S.L.	1,063	4,336
	1,063	**4,336**

2023	€ 000 Services rendered	Operating expenses
Capacitación de Servicios Forestales, S.L.	879	3,100
	879	**3,100**

34.2 Balances and transactions with non-controlling interests

The balances outstanding with non-controlling interests at 31 December 2024 and 2023 are as follows:

	€ 000					
31 Dec. 2024	Non-current financial assets (note 27.2)	Current financial assets (note 27.2)	Current receivables (note 25)	Non-current borrowings	Current borrowings	Current payables (note 26)
Woodpecker Acquisitions S.á r.l.	5,625	12,971	-	29,015	876	-
San Miguel Arcángel, S.A.	-	-	-	-	-	-
Aceites y Energía Santamaría, S.A.	-	-	298	-	-	55
	5,625	**12,971**	**298**	**29,015**	**876**	**55**

	€ 000					
31 Dec. 2023	Non-current financial assets (note 27.2)	Current financial assets (note 27.2)	Current receivables (note 25)	Non-current borrowings	Current borrowings	Current payables (note 26)
Woodpecker Acquisitions S.á r.l.	14,819	2,657	-	4,868	244	-
San Miguel Arcángel, S.A.	-	-	278	-	-	-
Aceites y Energía Santamaría, S.A.	-	-	848	-	-	58
	14,819	**2,657**	**1,126**	**4,868**	**244**	**58**

The non-current debt corresponds to a loan extended by Woodpecker Acquisitions S.a.r.l . to Magnon Green Energy, S.L. In 2024, Woodpecker Acquisitions, S.á.r.l. extended loans to its subsidiary, MAGNON, totalling €31,106 thousand, €6,959 thousand euros of which has been repaid. The sum of €12,975 thousand was repaid in 2023. This loan accrues interest at a rate of 4.51%.

The transactions carried out with non-controlling shareholders in 2024 and 2023:

	€ 000			
2024	Sales	Purchases	Operating expenses	Finance costs
Woodpecker Acquisitions S.á r.l.	-	-	-	1,024
San Miguel Arcángel, S.A.	-	3,613	-	-
Aceites y Energía Santamaría, S.A.	395	2,483	406	-
	395	**6,096**	**406**	**1,024**

	€ 000			
2023	Sales	Purchases	Operating expenses	Finance costs
Woodpecker Acquisitions S.á r.l.	-	-	-	538
San Miguel Arcángel, S.A.	-	3,508	-	-
Aceites y Energía Santamaría, S.A.	321	2,033	368	-
	321	**5,541**	**368**	**538**

34.3 Transactions with directors

ENCE had no balances outstanding with its directors at either year-end 2024 or 2023. Moreover, ENCE did not perform any transactions with directors in either year.

35. 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 materials made from fossil fuels, such as plastics. Moreover, ENCE's forestry activity not only helps capture carbon from the atmosphere, it also protects biodiversity and provides other 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. Good examples of that approach are 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, and the production of fluff pulp in Spain, which helps reduce the carbon footprint associated with logistical aspects of most of the fluff pulp currently consumed in Spain.

- ✓ Besides the work done on these special products, in 2024, ENCE continued to advance its sustainable pulp-based packaging line, designed to offer an alternative to 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 planned for Galicia (As Pontes) that will 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, preventing this waste from being sent to landfill.

- ✓ With its renewable energy activities, making use of local biomass, 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 2024, ENCE also continued to develop its industrial heat business which provides decarbonisation solutions by generating heat from renewable sources. With this business, ENCE is helping sectors that are hard to electrify to reduce their carbon footprints. It has one plant in operation and an agreement in place for the start of construction of another plant in 2025.

- ✓ 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. 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 December 2024, this new subsidiary acquired its first plant, in La Galera (Tarragona).

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 in 2024 is shown below:

	€ 000
Pulp	9,309
Renewables	1,657
	10,966

The Group is committed to continually improving 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 Environmental Policy, which was approved by its Board of Directors in 2024. Those principles aim to lift its performance beyond compliance with prevailing legislation, prioritising prevention, taking a precautionary stance and upholding continuous improvement principles. Indeed, 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, each year, ENCE sets a series of 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 - occupational 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. Both pulp biomills also had their food safety management systems certified under ISO 22001 in 2024.

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.

ENCE has had a management system to demonstrate the sustainability criteria of the biomass consumed in its facilities under the SURE System 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 2024, for the second consecutive year, Ecovadis awarded ENCE its platinum medal, the highest accolade given by this platform specialised in assessing companies' sustainability performance. The score earned by ENCE puts it at the global forefront in sustainability matters, specifically in the 99th percentile within its sector. In 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, it provides a solution for managing agricultural and forestry waste by recovering biomass to generate renewable energy and close the loop in sectors of tantamount importance to the rural economy.

The biogas business model is another good example of ENCE's circular economy thrust as it is based on the reuse of agricultural waste, helping to address issues around its management by transforming it into value-added products such as organic fuels and fertilisers.

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. The Group is also working to recover waste such as slag and ash by converting it into subproducts and finding niches to give these secondary raw materials a new lease of life; in parallel, it is participating in research projects for the development of new products and projects focused on getting the waste generated at its energy plants classified as subproducts.

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.

Also, Magnon obtained AENOR certification for its Circular Economy Strategy for the first time in 2024, creating visibility around Magnon's Circular Strategy, approved in 2024 and aligned with the Group's 2024-2028 Sustainability Master Plan, which is articulated around four thrusts: renewable and ecoefficient production; sustainable and responsible consumption; circularity-oriented waste management; and knowledge, cooperation, training and circular employment. Under that Circular Strategy, Magnon is promoting the use of renewable resources, minimising the use of fossil fuels and encouraging the adoption of secondary raw materials, framed by its pursuit of excellence in environmental and safety management.

Climate change and carbon footprint mitigation

ENCE's business model helps combat climate change directly as the power it generates from renewable sources (electricity, biogas and industrial heat) supports Spain's energy model transition and contributes 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 products such as plastics.

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 decarbonisation plan out to 2035. In 2024, it revised that plan to make its Scope 1 and 2 emissions reduction targets for 2035 more ambitious, setting interim milestone targets for 2030 and introducing targets for the reduction of Scope 3 emissions. In addition, Magnon's first decarbonisation plan was incorporated in 2024.

The GHG emissions reduction targets included in the Decarbonisation Plan are aligned with the Paris Agreement and the commitments assumed at the European and Spanish levels, all of which informed by the scenario for keeping global warming at no more than 1.5ºC. In defining its decarbonisation pathway, ENCE factored in the key recommendations of the SBTi (industry near-term target). Specifically, taking 2018 as its base year, it has made its target for 2035 more ambitious, increasing it from a reduction in Group-wide absolute Scope 1 and Scope 2 GHG emissions of 70% to 75%. Furthermore, the inclusion of new initiatives for reducing carbon emissions has enabled ENCE to set a target for 2030, thereby complying with its new reporting requirements under the Corporate Sustainability Reporting Directive (CSRD). Specifically, it has set an interim target of reducing Group-wide absolute Scope 1 and Scope 2 GHG emissions by 55% in 2030 compared to 2018 levels.

Against the backdrop of the Decarbonisation Plan, the Navia biomill has replaced some of its fossil fuel consumption in its lime furnaces with biomethanol, a renewable biofuel produced from the anaerobic digestion of biomass, and is testing 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 prepared 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 close to 79% in 2024. As for the forests under its management, around 90% 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.

In the biomass trading business, ENCE is aiming to obtain PEFC certification in 2025.

Sustainable management of biomass procurement

In 2024, ENCE maintained its position as a benchmark buyer of agricultural and forestry biomass for energy purposes (electricity and industrial heat). It ensures that the biomass it supplies to its facilities meets the required standards designed to ensure it is used sustainably. To that end, in 2024, ENCE renewed SURE certification at all of its energy and pulp plants, as well as its certificate for the industrial heat activity. For the first time in 2024, it also certified its biomass trading business, responsible for supplying its energy plants with biomass and selling biomass to third parties. The SURE scheme certifies compliance with requirements under the EU's Renewable Energy Directive. 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 2024, 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 for the sector. The results of that environmental upgrade effort have materialised over the course of the project's execution in the form of higher-quality discharges, lower emissions and less odour.

ENCE's Master Sustainability Plan for 2024-2028 prioritises management and improvement of the Company's water footprint in terms of both its water 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 circuit closures, the reuse of condensates, the recovery of water from backwashing and the reuse of water from the scrubbers, among other initiatives. Thanks to these initiatives, the Navia biomill has reduced its unit water consumption by 18% in recent years (versus 2021).

In terms of wastewater quality, improvements have been 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 biomill has been fine-tuning the performance of its 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 continued to mark new records in 2024. Nevertheless, ENCE continues to set new targets year after year.

In 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 improvements in operations and process control, in 2024, the Navia biomill recorded its best ever performance in terms of odour reduction, improving on its last record by 40% (2023).

In 2024, 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 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).

Energy efficiency is another top priority at the Navia biomill. To that end, in 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.

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.

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 35% reduction in odour measured in minutes by comparison with 2023, marking an all-time record for this biomill in 2024. 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 2024 when the facility recorded consumption of 23.8m³ per tonne of pulp, marking a reduction of 8.5% from 2023 and the lowest level in the biomill's history.

As part of this effort, and specifically to make the Pontevedra more resilient to episodes of low flow in the Lérez River, a reverse osmosis system has been installed, which is enabling the recirculation of some industrial wastewater for use in the manufacturing process. All these measures were designed to ensure business continuity at the biomill during episodes of drought, so mitigating this risk.

As for its wastewater, in 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 60%, coming in at 2.8 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. Indeed, the COD in Pontevedra is 86% better than the upper end of the reference range set for this parameter in the pulp sector BREF, setting it apart as a benchmark installation.

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 reused, to make technical flooring, for example. That has 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. The Pontevedra biomill, which was the first ENCE facility to earn Zero Waste certification, reported a waste recovery rate of 99% in 2024.

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 the biomill does not breach the limits set in its integrated environmental permit but actually improves its performance continually. Notably, this approach has enabled an improvement in particle emissions from the biomass furnace, allowing ENCE get ahead of the new requirements coming into effect in 2025.

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 2024, the Renewables 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 also analysed in 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.

Some of the milestones achieved in 2024 under the scope of ENCE's first Sustainability Master Plan:

- 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

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 Strategy, a fundamental step in the process of certifying ENCE under AENOR's Circular Economy Strategy Model, a milestone achieved in November 2024.

Against this backdrop, work continued in 2024 at the energy plants 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:

- ✓ Completion of the permitting process and purchase of equipment for starting to use the ash from HU-50 to replace the paste fill used in underground mining operations. Work with the ash is expected to be possible from the second quarter of 2025. Analytical testing has begun for giving the ash from HU-46 the same second life.
- ✓ 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 for the recovery of the ash and slag from the energy plants under new collaboration agreements.

The Group also 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 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 2024, it did comply with its applicable environmental parameters while preparing for the start of operations in early 2025.

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 town near 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 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.

36. Events after the reporting date

<u>Financing for the acquisition of a biomethane facility</u>

On 30 January 2025, Biofertilizantes y Biometano Camarles, S.L., 100%-owned by ENCE Biogás, and Biometegás la Galera S.L., 100%-owned by Biofertilizantes y Biometano Camarles, S.L, arranged a project finance loan agreement with a financial institution to fund the acquisition and subsequent expansion of a biomethane facility located in the town of La Galera in Tarragona (note 6).

The amount of the project finance facility is €19,582 thousand and it matures on 30 June 2037. To date, the sum of 14,925 thousand euros has been drawn down. The facility accrues interest at 6-month Euribor plus a spread of 2.25%.

It includes guarantees related exclusively to the asset being financed and is therefore non-recourse to the rest of the Group’s activities and assets. Those guarantees include a pledge over 100% of the shares of the borrowers, over their assets and over their current and future collection claims. It also implies a series of obligations related to the disclosure of certain business and financial information, which are customary in these types of facilities, and the requirement to comply with certain solvency and profitability ratios based on the consolidated financial information of the borrowers. Lastly, the facility includes certain restrictions, mainly related to the ability to pay dividends and obtain new financing and the requirement to maintain a cash sweep equivalent to coverage of six months' debt service.

In order to hedge the risk deriving from this floating-rate financing facility, ENCE has arranged interest-rate hedges with the project financier for a notional amount equivalent to 70% of the drawdowns estimated over the term of the facility.

Note that the new project finance facility qualifies as a green loan under the Green Loan Principles.

Energy savings certificates

ENCE's Pulp business has generated significant energy savings as a result of a series of energy efficiency initiatives. It has sold the related claims to a third party in Spain to obtain Energy Savings Certificates (CAEs for their acronym in Spanish), as provided for in Royal Decree 36/2023 (24 January), establishing the Energy Savings Certificate system, and the implementing Ministerial Order TED/815/2023 (18 July 2023). The sale of those claims closed in February 2025 with their definitive inscription in the National Registry of Energy Savings Certificates and the proceeds are expected to be recognised as revenue on that date.

These energy savings implied the certification of 191 thousand certificates which were sold for €30 million, net of sales costs. The proceeds are expected to be collected during the first quarter of 2025.

No other significant events have taken place since 31 December 2024, other than those already disclosed in the accompanying consolidated financial statements, that would imply having to modify them.

Appendix I - Consolidation scope

The table below provides a list of Ence Energía y Celulosa, S.A.'s direct and indirect investees, indicating its ownership interests in each at year-end 2024 and 2023:

Company	Registered office	Business	Interest held directly or indirectly 2024	Interest held directly or indirectly 2023	Consolidation method (b)
Renewables business:					
Ence Renovables, S.L.U. (c) (e)	Beatriz de Bobadilla, 14 (Madrid)	Holdco	100	100	Full
Magnon Green Energy, S.L. (a)	Estébanez Calderón, 3-5 (Madrid)	Holding company and biomass management	51	51	Full
Celulosa Energía, S.A.U. (a)	Armental s/n Navia (Asturias)	Electricity management	51	51	Full
Ence Energía Huelva, S.L.U. (a)	Estébanez Calderón, 3-5 (Madrid)	Electricity management	51	51	Full
Ence Energía Extremadura, S.L.U. (a)	Estébanez Calderón, 3-5 (Madrid)	Electricity management	51	51	Full
Ence Energía Huelva Dos, S.L.U. (a)	Estébanez Calderón, 3-5 (Madrid)	Electricity management	51	51	Full
Energía de la Loma, S.A. (a)	Villanueva del Arzobispo (Jaen)	Electricity management	32.67	32.67	Full
Energías de la Mancha Eneman, S.A. (a)	Villarta de San Juan (Ciudad Real)	Electricity management	34.89	34.89	Full
Ence Energía Puertollano, S.L.U. (a)	Estébanez Calderón, 3-5 (Madrid)	Electricity management	51	51	Full
Bioenergía Santamaría, S.A. (a)	Lucena (Cordoba)	Electricity management	35.7	35.7	Full
Ence CO2, S.L.U.	Estébanez Calderón, 3-5 (Madrid)	Dormant	100	100	Full
Ence Biogás, S.L. (c) (e)	Estébanez Calderón, 3-5 (Madrid)	Biogas and fertiliser management	100	100	Full
BioCH4 Developments, S.L. (c) (e)	Estébanez Calderón, 3-5 (Madrid)	Development of biogas plants	60	60	Full
Biogás San Esteban, S.L.U. (c) (d) (f)	Estébanez Calderón, 3-5 (Madrid)	Biogas management	100	100	Full
Biogás Almacelles, S.L.U. (c) (d) (f)	Estébanez Calderón, 3-5 (Madrid)	Biogas management	100	100	Full
Biofertilizantes y Biometano Laguna de Negrillos , S.L.U. (c) (d) (f)	Estébanez Calderón, 3-5 (Madrid)	Biogas and biomethane management	100	100	Full
Biofertilizantes y Biometano Sertogal Xunqueiras , S.L.U. (d)	Estébanez Calderón, 3-5 (Madrid)	Biogas and biomethane management	100	-	Full
Biofertilizantes y Biometano ALMACELLES, S.L.U. (d)	Estébanez Calderón, 3-5 (Madrid)	Biogas and biomethane management	100	-	Full
Biofertilizantes y Biometano CARMONA, S.L.U. (d)	Estébanez Calderón, 3-5 (Madrid)	Biogas and biomethane management	100	-	Full
Biofertilizantes y Biometano LUCILLOS, S.L.U. (d)	Estébanez Calderón, 3-5 (Madrid)	Biogas and biomethane management	100	-	Full
Biofertilizantes y Biometano BARBASTRO, S.L.U. (d)	Estébanez Calderón, 3-5 (Madrid)	Biogas and biomethane management	100	-	Full
Biofertilizantes y Biometano Santovenia del Esla, S.L.U. (d)	Estébanez Calderón, 3-5 (Madrid)	Biogas and biomethane management	100	-	Full
Biofertilizantes y Biometano ZUERA, S.L.U. (d)	Estébanez Calderón, 3-5 (Madrid)	Biogas and biomethane management	100	-	Full
Biofertilizantes y Biometano XUNQUEIRAS, S.L.U. (d)	Estébanez Calderón, 3-5 (Madrid)	Biogas and biomethane management	100	-	Full
Biofertilizantes y Biometano PELEAS DE ABAJO, S.L.U. (d)	Estébanez Calderón, 3-5 (Madrid)	Biogas and biomethane management	100	-	Full
Biofertilizantes y Biometano CASTELLAR, S.L.U. (d)	Estébanez Calderón, 3-5 (Madrid)	Biogas and biomethane management	100	-	Full
Biofertilizantes y Biometano CAMARLES, S.L.U. (d)	Estébanez Calderón, 3-5 (Madrid)	Biogas and biomethane management	100	-	Full
Biometagás La Galera, S.L. (d)	Estébanez Calderón, 3-5 (Madrid)	Clean energy management	98	-	Full
Infraestructura de Biometagás, S.L. (d)	Estébanez Calderón, 3-5 (Madrid)	Gas trading	98	-	Full
Magnon Servicios Energéticos, S.L.	Estébanez Calderón, 3-5 (Madrid)	Biomass management	75.5	75.5	Full
Magnon Biomasa, S.L.U.	Estébanez Calderón, 3-5 (Madrid)	Sale of biomass	51	51	Full
Ence Energía Este, S.L.U.	Estébanez Calderón, 3-5 (Madrid)	(**)	51	51	Full
Ence Energía Extremadura 2, S.L.U.	Estébanez Calderón, 3-5 (Madrid)	(**)	51	51	Full
Ence Energía Celta, S.L.U.	Estébanez Calderón, 3-5 (Madrid)	(**)	51	51	Full
Ence Energía Castilla y León, S.L.U.	Estébanez Calderón, 3-5 (Madrid)	(**)	51	51	Full
Ence Energía Castilla y León Dos, S.L.U.	Estébanez Calderón, 3-5 (Madrid)	(**)	51	51	Full
Ence Energía Pami, S.L.U.	Estébanez Calderón, 3-5 (Madrid)	(**)	51	51	Full
Ence Biomasa Córdoba, S.L.U	Estébanez Calderón, 3-5 (Madrid)	(**)	51	51	Full
Huelva 10 Solar, S.L.U (d)	Estébanez Calderón, 3-5 (Madrid)	(**)	-	51	Full
Ancen Solar III, S.L.U.	Estébanez Calderón, 3-5 (Madrid)	(**)	51	51	Full
Granada 133 Solar, S.L.U.	Estébanez Calderón, 3-5 (Madrid)	(**)	51	51	Full
Sevilla 90 Solar, S.L.U.	Estébanez Calderón, 3-5 (Madrid)	(**)	51	51	Full
Ancen Solar IV, S.L.U. (d)	Estébanez Calderón, 3-5 (Madrid)	(**)	19.21	19.21	Full
Ancen Solar V, S.L.U.	Estébanez Calderón, 3-5 (Madrid)	(**)	51	51	Full
Ence Energía Puertollano 2, S.L.U.	Estébanez Calderón, 3-5 (Madrid)	(**)	51	51	Full
Oleoenergía de Puertollano, S.L.	Arruzafa, 21 (Cordoba)	Electricity management	15.3	15.3	EM
Promotores Atarfe 220 KV, AIE	Paseo de la Castellana, 163 (Madrid)	(**)	36.15	36.15	PC
Magnon - Juan María Estevez UTE	Orense, 58 (Madrid)	Management of forest waste	65	65	PC

Company	Registered office	Business	Interest held directly or indirectly 2024	2023	Consolidation method (b)
Pulp business:					
Celulosas de Asturias, S.A.U. (a)	Armental s/n Navia (Asturias) (a)	Pulp production and power generation	100	100	Full
Silvasur Agroforestal, S.A.U. (a)	Estébanez Calderón, 3-5 (Madrid)	Forest land management	100	100	Full
Ibersilva, S.A.U.	Ctra A-5000 Km. 7.5 (Huelva)	Forestry services	100	100	Full
Ence Terra, S.A.U. (a)	Lourizan, s/n (Pontevedra)	Forest land management	100	100	Full
Ence Investigación y Desarrollo, S.A.U.	Lourizán s/n (Pontevedra)	Research and development	100	100	Full
Liptoflor, S.A. (a)	Lisbon (Portugal)	Purchase-sale of timber	100	100	Full
Las Pléyades Uruguay, S.A. – Branch in Argentina	Montevideo (Uruguay)	Dormant	100	100	Full
Las Pléyades Uruguay, S.A.	Montevideo (Uruguay)	Dormant	100	100	Full
Capacitación de Servicios Forestales, S.L.	Curtis (La Coruña)	Forestry work	25	25	EM
Biofibras de Galicia, S.L. (e)	Estébanez Calderón, 3-5 (Madrid)	Pulp production	100	-	Full
Ibersilva Servicios Sucursal em Portugal	Lisbon (Portugal)	Forestry services	100	100	Full
Sostenibilidad y Economía Circular, S.L.U. (c)	Estébanez Calderón, 3-5 (Madrid)	Waste management	100	51	Full

(a) Audited annual financial statements

(b) Consolidation method: Full = full consolidation method; EM. = equity method; PC (proportionate consolidation)

(c) In 2024, Ence Biomasa, Ence PV y Ence Servicios Energéticos were transferred from Ence to Ence Renovables. Also, Sostenibilidad y Economía Circular was transferred from Ence Renovables to Ence.

(d) Changes in consolidation group in 2024 (note 6).

(e) Changes in consolidation group in 2023 (note 6).

(f) Name changed in 2024. Biogás San Esteban, S.L.U., formerly Ence Biomasa, S.L.U.; Biogás Almacelles, S.L.U., formerly Ence PV, S.L.U.; Biofertilizantes y Biometano Laguna de Negrillos, S.L.U., formerly Ence Servicios Energéticos, S.L.U.

(**) New renewable energy plants in the midst of the permitting process.

Appendix II – Financial statements: Pulp & Renewable Energy

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

	2024				2023			
€ 000	Pulp	Renewables	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewables	Adjustments & Eliminations	CONSOLIDATED TOTAL
NON-CURRENT ASSETS:								
Goodwill	-	4,813	-	4,813	-	-	-	-
Intangible assets	19,167	52,431	(11,559)	60,039	17,657	33,744	(12,135)	39,266
Property, plant and equipment	608,602	372,438	(6,420)	974,620	617,490	378,977	(7,468)	988,999
Biological assets	66,071	251	-	66,322	66,907	204	-	67,111
Investments accounted for using the equity method	53	24	-	77	33	1	-	34
Non-current financial assets:								
Securities portfolio	113,963	-	(113,963)	-	113,963	-	(113,963)	-
Loans to group companies and associates	65,719	-	(65,719)	-	22,270	-	(22,270)	-
Hedging derivatives	-	-	-	-	-	1,310	-	1,310
Other financial assets	19,507	30,902	-	50,409	27,684	33,590	-	61,274
Deferred tax assets	35,209	23,877	2,901	61,987	37,990	26,963	3,045	67,998
	928,291	**484,736**	**(194,760)**	**1,218,267**	**903,994**	**474,789**	**(152,791)**	**1,225,992**
CURRENT ASSETS:								
Inventories	82,074	12,532	-	94,606	54,831	17,271	-	72,102
Trade and other receivables	25,194	31,730	(6,040)	50,884	33,406	5,308	(1,972)	36,742
Other taxes receivable	14,280	4,275	-	18,555	6,107	2,206	-	8,313
Income tax receivable	5,285	1,284	-	6,569	4,844	10,149	-	14,993
Current financial assets:								
Loans to group companies and associates	168	674	(830)	12	230	68	(286)	12
Hedging derivatives	-	-	-	-	1,056	1,719	-	2,775
Other financial assets	26,313	213	-	26,526	5,138	25	-	5,163
Cash and cash equivalents	184,582	79,360	-	263,942	311,227	21,805	-	333,032
Other current assets	2,769	317	-	3,086	1,184	166	-	1,350
	340,665	**130,385**	**(6,870)**	**464,180**	**418,023**	**58,717**	**(2,258)**	**474,482**
TOTAL ASSETS	**1,268,956**	**615,121**	**(201,630)**	**1,682,447**	**1,322,017**	**533,506**	**(155,049)**	**1,700,474**

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

€ 000	2024				2023			
	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	132,742	(3,282)	(16,565)	112,895	159,687	(4,393)	(18,045)	137,249
Interim dividend	(33,972)	-	-	(33,972)	-	-	-	-
Translation differences	20	-	-	20	13	-	-	13
Own shares - parent company shares	(12,205)	-	-	(12,205)	(12,980)	-	-	(12,980)
Valuation adjustments	33,761	(1,340)	-	32,421	39,268	1,483	-	40,751
Other equity instruments	2,438	-	-	2,438	1,328	-	-	1,328
Consolidated profit/(loss) for the period	43,831	(13,761)	1,481	31,551	(27,309)	1,111	1,478	(24,720)
Equity attributable to equity holders of the parent	**559,036**	**95,580**	**(129,047)**	**525,569**	**552,428**	**112,164**	**(130,530)**	**534,062**
Non-controlling interests	**-**	**97,051**	**-**	**97,051**	**-**	**115,527**	**-**	**115,527**
TOTAL EQUITY	**559,036**	**192,631**	**(129,047)**	**622,620**	**552,428**	**227,691**	**(130,530)**	**649,589**
NON-CURRENT LIABILITIES:								
Borrowings	291,303	155,138	-	446,441	349,586	90,645	-	440,231
Derivative financial instruments	2,234	1,795	-	4,029	3,441	-	-	3,441
Grants	5,831	4,704	-	10,535	5,535	483	-	6,018
Non-current provisions	28,907	598	-	29,505	28,149	139	-	28,288
Non-current accruals and deferred income	11	3,076	-	3,087	11	2,702	-	2,713
Other non-current liabilities	27,950	64,111	-	92,061	30,320	66,407	-	96,727
Borrowings from group companies and associates	-	94,734	(65,719)	29,015	-	27,138	(22,270)	4,868
	356,236	**324,156**	**(65,719)**	**614,673**	**417,042**	**187,514**	**(22,270)**	**582,286**
CURRENT LIABILITIES:								
Borrowings	149,183	13,025	-	162,208	150,251	34,703	-	184,954
Derivative financial instruments	6,874	1,100	-	7,974	593	-	-	593
Current borrowings from related parties	662	1,044	(830)	876	53	477	(286)	244
Trade and other payables	158,148	65,740	(6,034)	217,854	153,621	72,356	(1,963)	224,014
Income tax payable	20	6	-	26	30	14	-	44
Other taxes payable	6,038	8,527	-	14,565	7,161	2,004	-	9,165
Other current liabilities	2,226	5,940	-	8,166	2,073	5,329	-	7,402
Current provisions	30,533	2,952	-	33,485	38,765	3,418	-	42,183
	353,684	**98,334**	**(6,864)**	**445,154**	**352,547**	**118,301**	**(2,249)**	**468,599**
TOTAL EQUITY AND LIABILITIES	**1,268,956**	**615,121**	**(201,630)**	**1,682,447**	**1,322,017**	**533,506**	**(155,049)**	**1,700,474**

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS BY BUSINESS FOR 2024 AND 2023

€ 000	2024 Pulp	2024 Renewables	2024 Adjustments & Eliminations	2024 CONSOLIDATED TOTAL	2023 Pulp	2023 Renewables	2023 Adjustments & Eliminations	2023 CONSOLIDATED TOTAL
Continuing operations:								
Revenue	681,891	192,232	(3,685)	870,438	623,191	209,142	(2,730)	829,603
Gains/(losses) on hedging transactions	(569)	(2,838)	-	(3,407)	(378)	-	-	(378)
Changes in inventories of finished goods and work in progress	18,359	(1,281)	-	17,078	(10,229)	(10,427)	-	(20,656)
Self-constructed assets	11,822	2,957	-	14,779	9,738	2,015	-	11,753
Other operating income	8,944	1,163	(1,278)	8,829	14,290	1,598	(1,218)	14,670
Grants taken to profit and loss	6,814	1,174	-	7,988	7,792	1,586	-	9,378
Operating income subtotal	727,261	193,407	(4,963)	915,705	644,404	203,914	(3,948)	844,370
Cost of sales	(360,530)	(68,358)	3,685	(425,203)	(351,495)	(68,123)	2,730	(416,888)
Employee benefits expense	(89,619)	(23,479)	-	(113,098)	(83,281)	(20,691)	-	(103,972)
Depreciation and amortisation charges	(57,920)	(34,498)	1,620	(90,798)	(55,593)	(39,115)	1,620	(93,088)
Depletion of forest reserve	(9,725)	-	-	(9,725)	(8,797)	-	-	(8,797)
Impairment of and gains/(losses) on disposal of fixed assets	(1,714)	1,707	-	(7)	(967)	8,790	-	7,823
Impairment of financial assets	(934)	(29)	-	(963)	(1,051)	(126)	-	(1,177)
Other operating expenses	(134,184)	(79,689)	1,283	(212,590)	(158,733)	(72,738)	1,220	(230,251)
Operating expenses subtotal	(654,626)	(204,346)	6,588	(852,384)	(659,917)	(192,003)	5,570	(846,350)
OPERATING PROFIT/(LOSS)	**72,635**	**(10,939)**	**1,625**	**63,321**	**(15,513)**	**11,911**	**1,622**	**(1,980)**
Finance income	9,949	2,498	(1,597)	10,850	6,414	964	(787)	6,591
Finance costs	(28,541)	(16,325)	1,597	(43,269)	(23,781)	(13,790)	787	(36,784)
Change in fair value of financial instruments	87	268	-	355	-	-	-	-
Exchange differences	1,244	(1)	-	1,243	(947)	15	-	(932)
Impairment of and gains/(losses) on disposal of financial assets	(163)	-	-	(163)	(51)	-	-	(51)
NET FINANCE INCOME/(COST)	**(17,424)**	**(13,560)**	**-**	**(30,984)**	**(18,365)**	**(12,811)**	**-**	**(31,176)**
Share of profit/(loss) of entities accounted for using the equity method	13	-	-	13	(13)	-	-	(13)
PROFIT/(LOSS) BEFORE TAX	**55,224**	**(24,499)**	**1,625**	**32,350**	**(33,891)**	**(900)**	**1,622**	**(33,169)**
Income tax	(11,393)	(693)	(144)	(12,230)	6,582	5,661	(144)	12,099
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**43,831**	**(25,192)**	**1,481**	**20,120**	**(27,309)**	**4,761**	**1,478**	**(21,070)**
Profit/(loss) for the year attributable to non-controlling interests	-	(11,431)	-	(11,431)	-	3,650	-	3,650
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE	**43,831**	**(13,761)**	**1,481**	**31,551**	**(27,309)**	**1,111**	**1,478**	**(24,720)**

(*) 100% from continuing operations

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS BY BUSINESS FOR 2024 AND 2023

€ 000	2024 Pulp	Renewables	Adjustments & Eliminations	CONSOLIDATED TOTAL
OPERATING ACTIVITIES:				
Profit/(loss) before tax from continuing operations	55,224	(24,499)	1,625	32,350
Adjustments for:				
Depreciation, amortisation and depletion (PP&E, intangible assets and forest reserve)	67,648	34,498	(1,623)	100,523
Changes in provisions and other deferred expense (net)	8,610	4,908	-	13,518
Impairment of and gains/(losses) on disposals of intangible assets, PP&E and financial	1,885	(1,707)	-	178
Adjustments for tariff shortfall/surplus and sector regulations	(815)	(865)	-	(1,680)
Finance income and costs (net)	17,811	13,562	-	31,373
Grants taken to profit and loss	(932)	(141)	-	(1,073)
	94,207	**50,255**	**(1,623)**	**142,839**
Changes in working capital:				
Inventories	(29,511)	120	-	(29,391)
Trade and other receivables	(8,323)	(28,534)	4,067	(32,790)
Financial and other current assets	-	-	-	-
Trade payables, other payables and other liabilities	1,102	(900)	(4,067)	(3,865)
	(36,732)	**(29,314)**	**-**	**(66,046)**
Other cash flows used in operating activities:				
Interest paid (net)	(19,257)	(14,192)	-	(33,449)
Dividends received	17	-	-	17
Income tax received/(paid)	(6,487)	9,611	-	3,124
Long-term remuneration and other plans	(236)	-	-	(236)
	(25,963)	**(4,581)**	**-**	**(30,544)**
Net cash flows from/used in operating activities	**86,736**	**(8,139)**	**2**	**78,599**
INVESTING ACTIVITIES:				
Payments for investments:				
Group companies and associates	(43,385)	(606)	43,991	-
Property, plant and equipment and biological assets	(52,014)	(18,873)	-	(70,887)
Intangible assets	(4,556)	(1,415)	-	(5,971)
Business combination	-	(17,442)	-	(17,442)
Financial assets	(11,920)	(830)	-	(12,750)
	(111,875)	**(39,166)**	**43,991**	**(107,050)**
Proceeds from disposals:				
Financial assets	1,186	1,019	-	2,205
	1,186	**1,019**	**-**	**2,205**
Net cash flows from/used in investing activities	**(110,689)**	**(38,147)**	**43,991**	**(104,845)**
FINANCING ACTIVITIES:				
Proceeds from/(payments for) equity instruments:				
Transactions with non-controlling interests	(245)	-	-	(245)
Buyback of own equity instruments	(27,736)	-	-	(27,736)
Disposal of own equity instruments	28,676	-	-	28,676
	695	**-**	**-**	**695**
Proceeds from/(repayments of) financial liabilities:				
Borrowings from related parties	609	67,531	(43,993)	24,147
Notes (net of arrangement fees)	21,600	(79,000)	-	(57,400)
Increase/(decrease) in bank borrowings, net of issuance costs	(82,316)	117,952	-	35,636
Increase/(decrease) in other borrowings	(2,176)	-	-	(2,176)
Payments for right-of-use assets	(7,171)	(1,879)	-	(9,050)
Grants received, net	39	4,362	-	4,401
	(69,415)	**108,966**	**(43,993)**	**(4,442)**
Dividends and payments on other equity instruments				
Dividends paid to ENCE shareholders	(33,972)	-	-	(33,972)
Dividends paid to non-controlling interests	-	(5,125)	-	(5,125)
	(33,972)	**(5,125)**	**-**	**(39,097)**
Net cash flows from/used in financing activities	**(102,692)**	**103,841**	**(43,993)**	**(42,844)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**(126,645)**	**57,555**	**-**	**(69,090)**
Cash and cash equivalents - opening balance	311,227	21,805	-	333,032
Cash and cash equivalents - closing balance	184,582	79,360	-	263,942

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS BY BUSINESS FOR 2024 AND 2023

	2023			
€ 000	Pulp	Renewables	Adjustments & Eliminations	CONSOLIDATED TOTAL
OPERATING ACTIVITIES:				
Profit/(loss) before tax from continuing operations	(33,891)	(900)	1,622	(33,169)
Adjustments for:				
Depreciation, amortisation and depletion (PP&E, intangible assets and forest reserve)	64,390	39,115	(1,620)	101,885
Changes in provisions and other deferred expense (net)	5,579	2,637	-	8,216
Impairment of and gains/(losses) on disposals of intangible assets, PP&E and financial	1,171	(8,789)	-	(7,618)
Adjustments for tariff shortfall/surplus and sector regulations	(7,978)	(25,984)	-	(33,962)
Finance income and costs (net)	17,672	12,811	-	30,483
Grants taken to profit and loss	(884)	(141)	-	(1,025)
	79,950	**19,649**	**(1,620)**	**97,979**
Changes in working capital:				
Inventories	25,708	(369)	-	25,339
Trade and other receivables	13,855	33,883	(27,326)	20,412
Financial and other current assets	1,760	2	-	1,762
Trade payables, other payables and other liabilities	(66,059)	(86,883)	27,324	(125,618)
	(24,736)	**(53,367)**	**(2)**	**(78,105)**
Other cash flows used in operating activities:				
Interest paid (net)	(13,032)	(13,158)	-	(26,190)
Income tax received/(paid)	2,566	(9,207)	-	(6,641)
	(10,466)	**(22,365)**	**-**	**(32,831)**
Net cash flows from/used in operating activities	**10,857**	**(56,983)**	**-**	**(46,126)**
INVESTING ACTIVITIES:				
Payments for investments:				
Group companies and associates	(3,539)	-	3,539	-
Property, plant and equipment and biological assets	(76,157)	(13,645)	-	(89,802)
Intangible assets	(5,357)	(577)	-	(5,934)
Financial assets	(791)	453	47	(291)
	(85,844)	**(13,769)**	**3,586**	**(96,027)**
Net cash flows from/used in investing activities	**(85,844)**	**(13,769)**	**3,586**	**(96,027)**
FINANCING ACTIVITIES:				
Proceeds from/(payments for) equity instruments:				
Transactions with non-controlling interests	5,630	-	-	5,630
Buyback of own equity instruments	(50,571)	-	-	(50,571)
Disposal of own equity instruments	50,769	-	-	50,769
	5,828	**-**	**-**	**5,828**
Proceeds from/(repayments of) financial liabilities:				
Borrowings from related parties	44	(9,433)	(3,586)	(12,975)
Notes (net of arrangement fees)	(9,900)	-	-	(9,900)
Increase/(decrease) in bank borrowings, net of issuance costs	264,838	(27,067)	-	237,771
Increase/(decrease) in other borrowings	(7,047)	-	-	(7,047)
Payments for right-of-use assets	(5,952)	(1,429)	-	(7,381)
Grants received, net	636	-	-	636
	242,619	**(37,929)**	**(3,586)**	**201,104**
Dividends and payments on other equity instruments				
Dividends paid to ENCE shareholders	(140,609)	-	-	(140,609)
Dividends paid to non-controlling interests	-	(4,051)	-	(4,051)
	(140,609)	**(4,051)**	**-**	**(144,660)**
Net cash flows from/used in financing activities	**107,838**	**(41,980)**	**(3,586)**	**62,272**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**32,851**	**(112,732)**	**-**	**(79,881)**
Cash and cash equivalents - opening balance	278,376	134,537	-	412,913
Cash and cash equivalents - closing balance	311,227	21,805	-	333,032

Appendix III - Energy sector regulatory framework

This section sets out the most noteworthy aspects of prevailing energy sector regulations in Europe and Spain as they apply to the business activities of the ENCE Group.

European Union

The European Union's energy policy is based on four fundamental principles: **decarbonisation, competitiveness, security of supply and sustainability**. Its objectives include ensuring the functioning of the energy market and a secure energy supply within the EU, as well as promoting energy efficiency and savings, the development of renewable energies and the interconnection of energy networks.

The EU's regulatory framework for energy is based on **article 194 of the Treaty of the Functioning of the European Union (TFEU)**, complemented by key provisions addressing the security of supply (article 122), energy networks (articles 170-172), the internal energy market and external energy policy.

Since the **Energy Union was created in 2015**, the five main aims of the EU's energy policy are to:

- **Diversify Europe's sources of energy, ensuring energy security** through solidarity and cooperation between EU countries.

- **Ensure the functioning of a fully integrated internal energy market**, eliminating technical and regulatory barriers.

- Improve **energy efficiency**, reduce dependence on energy imports and drive growth.

- **Decarbonise the economy** in line with the Paris Agreement.

- **Promote research and innovation** in low-carbon and clean energy technologies.

The current European regulatory framework for energy is based on the **Energy Union strategy** and the '**Fit for 55**' package, subsequently modified by the **REPowerEU** plan in order to rapidly phase out dependency on Russian fossil fuels. The main EU energy targets for 2030 include:

- An **increase in the share of renewable energies in final energy consumption to 42.5%**, with the aim of achieving 45%.

- An **11.7% reduction in energy consumption**, compared to 2020 projections.

- The **interconnection of at least 15% of the EU's electricity systems**.

The regulatory framework addresses key aspects such as renewable energy (**Directive 2018/2001**), energy efficiency (**Directive 2023/1791**), energy market governance (**Regulation 2018/1999**), strategic infrastructures (**Regulation 2022/869**) and specific measures for gas, hydrogen, electricity and biofuels.

An efficient energy market is essential for **guaranteeing competitive prices**, stimulating investment in clean energies and reinforcing security of supply. Development of the regulatory framework has made it possible to advance from the sector's initial deregulation towards a far more resilient model focused on risk mitigation and decarbonisation.

Energy efficiency and renewable energy

Energy efficiency is one of the EU's top priorities, the target being to **reduce consumption by 11.7% by 2030**. The current framework prioritises the integration of energy efficiency solutions into planning and investment decisions.

The cornerstone of EU renewable energy policy is the new Renewable Energy Directive, which establishes a **42.5% target for the share of renewable energies** in 2030. National support and EU financing schemes have been implemented to facilitate the energy transition.

Towards a more sustainable energy model

EU energy policy is advancing towards a more secure, sustainable and competitive model, adapting for geopolitical and climate challenges. The current regulatory framework reinforces **energy resilience**, stimulates investment in renewable energy and promotes the region's energy independence, with the ultimate goal of achieving **climate neutrality in 2050**.

Main European Union publications and communications in 2024

The most noteworthy publications and communications in the European Union in 2024:

- Communication on Europe's 2040 climate target
- Revision of the ETS Directive
- Review of the Market Stability Reserve (MSR)
- Recast of the Energy Efficiency Directive (EED)
- EU hydrogen and gas decarbonisation package
- Reform of the Electricity Market Design (EMD)
- Net Zero Industry Act (NZIA)
- Review of the Energy Taxation Directive (ETD)

Communication on Europe's 2040 climate target

On 6 February 2024, the Commission published an exhaustive impact assessment analysing the possible paths to achieving climate neutrality in the region before 2050.

The Commission recommends reducing the EU's net greenhouse gas emissions by 90% by 2040. The aim is to ensure the EU achieves climate neutrality by 2050, as required under the binding objective set out in the European Climate Law of 2021. The recommendation is based on a report by the European Scientific Advisory Board on Climate Change, signalling the need to reduce emissions in the EU by between 90% and 95% by comparison with 1990 levels.

The report highlights that the energy sector will be fully decarbonised shortly after 2040. This milestone will be enabled by the use of zero- and low-carbon emissions technology, including carbon capture solutions.

After the European elections, the next European Commission will present a legislative proposal for achieving this target in collaboration with the European Parliament and the member states, as stipulated in the European Climate Law.

Once the climate target for 2040 has been adopted, foreseeably in the second quarter of 2025, it will serve as the basis for the EU's new Nationally Determined Contribution (NDC) under the Paris Agreement. The new NDC must be communicated to the United Nations Framework Convention on Climate Change (UNFCCC) in 2025.

Lastly, the legislative proposal for the legally binding 2040 climate target will be published in the first quarter of 2025.

Revision of the ETS Directive

In April 2023, the Council formally adopted the new legislation governing the European Union Emissions Trading System (EU ETS) and in 2024 the following measures were approved:

- **More ambitious target for reducing emissions by 2030** in the sectors covered by the EU ETS, raising the target from 43% to 62%.
- **Two cap reductions (rebasing) have been scheduled before 2030**:
    - 2024: 90 million allowances.
    - 2026: 27 million allowances.
- **The linear reduction factor has been increased**:
    - 2024-2027: 4.3%
    - 2028-2030: 4.4%
- **Conditionality around the free allocation of allowances**, so that an installation will not receive 20% of its free allocation if one of both of the following conditionality points are not met:
    - Implementation of the energy efficiency recommendations from energy audits or certified energy management systems.
    - Achievement of the interim target for 2025 set down in an installation's climate neutrality plan (applicable to installations within the 20th percentile of their benchmark curve).
- **Benchmark updates - increasing the maximum annual reduction rate** from 1.6% to 2.5%.
- **Exclusion from the EU ETS of installations whose emissions come at least 95% from biomass.**
- **Ongoing compensation for indirect carbon costs.**
- **Inclusion of the maritime sector in the EU ETS from 2024.**

The co-legislators also agreed to create a new **scheme for trading emission allowances in the EU (EU ETS2)**, which will apply to emissions from fuel consumption in road transportation, buildings and additional sectors, including the manufacturing sector. This new system will be targeted at fuel distributors.

The EU ETS Directive is in the process of implementation. The European Commission will also launch a public consultation in the first quarter of 2025, as part of the EU ETS review scheduled for 2026.

Review of the Market Stability Reserve (MSR)

On 28 March 2023, the European Union Council adopted a Decision on the Market Stability Reserve (MSR), which came into effect in 2024.

The current regulations maintain the intake rate of 24% and the minimum threshold for allowances placed in the reserve (200 million) until 31 December 2030, which coincides with the end of phase four of the EU ETS reform.

The main aim of the revisions to the MSR is to reduce the volume of allowances in circulation to 833 million as soon as possible. To do that it has introduced a range called the "intake mechanism" of between 833 and 1,096 million allowances. If the total number of allowances in circulation (TNAC) is within that range, the quantity of emission allowances (EUA) to be withdrawn from the government auctions will be the difference between the TNAC and 833 million.

In addition, €20 billion of new grants are being made available to finance REPowerEU measures that member states will be able to include in their recovery and resilience plans. These grants will be financed through the frontloaded sale of Emissions Trading System (ETS) allowances (€8 billion) and ETS Innovation Fund resources (€12 billion). Moreover, a portion of unallocated allowances under the MSR which otherwise would be become cancelled will be used to replenish the Innovation Fund.

Recast of the Energy Efficiency Directive (EED)

The recast version of the Energy Efficiency Directive (EED) took effect on 1 January 2024, introducing the following key provisions:

1. **Energy efficiency targets:**
    - A binding target to reduce primary energy consumption by 40.5% and final energy consumption by 38% in 2030, compared to the projections of the 2007 Reference Scenario,
    - so that final energy consumption amounts to no more than 763 Mtoe and primary energy consumption amounts to no more than 992.5 Mtoe in 2030.
2. **Binding annual savings targets:**
    - The members states must guarantee annual energy savings of 1.3% of final consumption from 2024, increasing gradually reaching 1.9% by the end of 2030.
3. **Modification of the definition of high-efficiency co-generation:**
    - For co-generation units that are built or substantially refurbished after the transposition of this directive, CO_2 emissions from co-generation production that is fuelled with fossil fuels must be less than 270g of CO_2 per 1 kWh of energy output from the combined generation (including heating/cooling, power and mechanical energy).
    - Co-generation units in operation before 10 October 2023 are exempt from this requirement until 1 January 2034 provided that they have a plan to reduce progressively the emissions to meet the threshold of less than 270g of CO_2 per 1 kWh by 1 January 2034. That plan must be notified to the competent authorities.
4. **Amendment of compliance thresholds:**
    - **Energy audits:** Mandatory for companies whose annual average consumption in the last three years exceeds 10 TJ of energy and that do not have an energy management system.
    - **Environmental management systems:** Mandatory for companies whose annual average consumption in the last three years exceeds 85 TJ on average.
5. **District heating and cooling plans:**
    - The member states must ensure that the regional and local authorities prepare local heating and cooling plans at least in municipalities having a total population higher than 45 000 inhabitants.

These measures seek to foster the transition to a more sustainable energy model aligned with the EU's climate targets.

EU hydrogen and gas decarbonisation package

On 21 May 2024, the Council adopted a regulation and a directive establishing common internal market rules for renewable and natural gases and hydrogen and reforming the existing EU gas legislation. These measures form part of the so-called *Hydrogen and Gas Decarbonisation Package*, whose main aim is to set out a regulatory framework for the development of the future hydrogen market, including for dedicated hydrogen infrastructure. The package includes rules for integrated and transparent network planning.

Among the key agreements adopted by the Council and Parliament, the following stand out:

The Directive

- Separation of gas and hydrogen supply and generation from the operation of transmission networks, thus retaining both horizontal and vertical unbundling regime.
- The Directive includes a proposal to introduce provisions on the establishment of plans for the decommissioning of gas networks.

The Regulation

- Creation of a new independent entity in the hydrogen sector: the *EU Entity for Hydrogen Network Operators* (ENNOH).
- Regarding network tariffs in the hydrogen market, each national regulatory authority must consult their peers in neighbouring countries about their proposed tariff methodology and submit it to the Agency for the Cooperation of Energy Regulators (ACER).
- Member states may limit gas imports from Russia or Belarus through both gas pipelines and liquidated natural gas (LBG) terminals.
- Before the end of 2029, the Commission will evaluate the viability of integrating the three European hydrogen, electricity and gas networks (ENTSO).

This regulatory framework reinforces the EU's energy transition and decarbonisation targets, promoting a sustainable and secure energy market.

Reform of the Electricity Market Design (EMD)

In 2024, the Council and Parliament reached a provisional agreement to reform the EU's electricity market design. The reform aims to make electricity prices less dependent on volatile fossil fuel prices, shield consumers from price spikes, accelerate the deployment of renewable energies and improve consumer protection.

The key aspects of the provisional agreement are as follows:

- The introduction of two-way contracts for difference (CfD) for investments in new power-generating facilities that do not use fossil fuel (including nuclear power) that are already benefitting from public funding in the form of direct price support schemes. The rules for two-way CfDs will only apply after a transition period of three years after the entry into force of the regulation.
- The revenues generated by states through two-way CfDs would be redistributed to final customers and may also be used to finance the costs of the direct price support schemes or investments to reduce electricity costs for final customers.
- In a coordinated fashion, the members states must ensure the availability of instruments, such as guarantee schemes at market prices, for customers facing barriers to the uptake of PPAs, so long as they are not in financial difficulties. These instruments may include state-backed guarantee schemes at market prices, private guarantees or facilities pooling demand for PPAs.
- The European Commission will create a market for power purchase agreements (PPAs).

- Capacity mechanisms will be transformed into a structural element of the electricity market. An exceptional derogation from the CO_2 emissions limit (550g CO_2/kWh) is contemplated for already authorised capacity mechanisms, where duly justified.
- Member states that already apply a capacity mechanism are urged to consider the possibility of promoting the participation of non-fossil flexibility such as demand response and energy storage by redesigning the criteria or features of those mechanisms.
- By 31 January 2026 and every two years thereafter, the Commission will assess whether barriers persist, and whether there is sufficient transparency, in the PPA markets.

Net-Zero Industry Act (NZIA)

On 27 May 2024, the Commission definitively adopted the Net-Zero Industry Act (NZIA), putting the EU on track to strengthen its domestic manufacturing capacities of key clean technologies. By creating a unified and predictable business environment for the clean tech manufacturing sector, the NZIA will increase the competitiveness and resilience of the EU's industrial base and support quality jobs creation and a skilled workforce.

Strategic net-zero technologies and their components will receive special support in the form of streamlined permitting processes and the prioritisation of strategic net-zero projects. The goal is for manufacturing capacity of strategic net-zero technologies to meet at least 40% of the EU's annual deployment needs by 2030.

The pulp and paper industry falls under the scope of application of the NZIA to the extent that pulp and paper facilities produce specific components that are used principally, albeit not exclusively, in the net-zero technology supply chain (set out in Recital 9a). The projects designated as "energy-intensive decarbonisation projects" may benefit from the same privileged status as "net-zero technology manufacturing projects" (article 3 (d)). This status would include, for example, streamlined permitting processes of no more than 12-18 months.

- ‘Energy-intensive industry decarbonisation projects’ (article 3(d)(ii)) mean the construction or conversion of the commercial facility of an energy-intensive business, including in the pulp and paper sectors, that are part of the supply chain of a net-zero technology and that are to reduce emission rates of CO_2-eq of industrial processes significantly and permanently to an extent which is technically feasible.

Spain

Royal Decree-Law 9/2013, adopting urgent measures towards guaranteeing the financial stability of the electricity system, was published on 12 July 2013. That piece of legislation made substantial changes to the applicable legal and financial framework, repealing Royal Decree 661/2007 (25 May 2007) and Royal Decree 6/2009 (30 April 2009), which had until then constituted the remuneration regime supporting renewable energies. As a result, ENCE’s electricity-producing facilities became subject to the new regulatory regime.

The new regime provided that, in addition to the remuneration earned from the sale of electricity in the pool at market prices, eligible facilities would be entitled to specific remuneration for two concepts:

- **Remuneration for investment**, calculated to cover the costs of investing in a so-called standard facility not recoverable from the sale of power.

- **Remuneration for operation**, designed to cover the costs of operating an efficient and well-managed undertaking, calculated at the difference between eligible operating expenses and revenue from participation in the market.

The calculation of that specific remuneration factors in, over the course of the regulated useful life of a standard facility, the standard operating costs and the standard upfront investment amount (net asset value or NAV). The parameters are intended to ensure that eligible facilities can compete with the rest of the generation technologies in the market on an even footing, earning a reasonable return.

The reasonable return (on a pre-tax basis) is defined on the basis of the average yield on 10-year Spanish government bonds on the secondary market plus an appropriate spread. Additional provision one of Royal Decree-Law 9/2013 set that spread at 300 basis points for the facilities applying the subsidised financial regime, with scope for review every six years.

Later, **Royal Decree 413/2014** was published on 10 June 2014, regulating the generation of electricity by means of renewable energy sources, co-generation and waste. That legislation established the methodology underpinning the specific remuneration regime applicable to facilities that do not cover their costs by enough of a margin to enable them to compete with other generation technologies on an even footing. Implementing this framework, a **Ministerial Order (IET 1045/2014)** was published on 20 June 2014 setting the definitive remuneration parameters applicable to all existing and prospective renewable energy facilities.

The new remuneration regime, applicable with retroactive effect from 14 July 2013 via **Royal Decree-Law 9/2013**, establishes regulatory periods of six years and stub periods of three years. Against this backdrop:

- The remuneration parameters related with pool price forecasts can be revised every three years, factoring in any mismatches arising during the stub period in question.
- Every six years the authorities can revise the standard facility parameters other than the amount of initial investment and the facilities' regulatory useful lives, which remain unchanged throughout.
- The regime also envisages the possibility of revising the interest rate used for remuneration purposes every six years, albeit prospectively.
- The remuneration provided for operating a given technology depends on fuel prices and can be adjusted at least once a year.

The remuneration system is predicated on earning a reasonable return on investment. That return is defined on the basis of the average yield on 10-year Spanish government bonds in the secondary market during the 24 months prior to the month of May before the start of each regulatory period plus a spread. For the first regulatory period, which ended on 31 December 2019, that spread was set at 300 basis points (i.e., a pre-tax ROI of 7.398%).

That initial reasonable return was determined on the basis of the net asset value (NAV) allocated to each standard facility covered by the specific remuneration regime. Having set the initial NAV amounts and the rest of the parameters referred to in **Royal Decree 413/2014**, the remuneration for investment was calculated following the methodology outlined in Annex VII of the said Royal Decree.

In relation to the remuneration for operation parameter (Ro), as prescribed in **Royal Decree 413/2014**, determination of the specific remuneration to be received by each class of facility in each year of the regulatory period or stub period requires estimating future electricity market prices (hereinafter, the "pool price"). Those estimates are reviewed three years into the regulatory period, i.e., at the end of the regulatory stub period, in order to quantify the Ro for each year in the stub period had the actual pool prices been used.

Article 22 of **Royal Decree 413/2014** establishes an adjustment mechanism for application at the end of each regulatory stub period. That mechanism defines certain ceilings and floors with respect to the pool price estimate in order to generate, annually, a balance receivable or payable by the system, dubbed the "Adjustment for tariff shortfall/surplus" (hereinafter, the "Tariff Adjustment") That balance gets settled over the various facilities' remaining useful lives.

More specifically, Royal Decree 413/2014 sets out, for each year in the regulatory stub period, two annual upper limits (LS1 and LS2) and two annual lower limits (LI1 and LI2) with respect to the pool price estimated for the purpose of calculating the remuneration for operation. Those limits establish a minimum deviation range (between LI1 and LS1) and a maximum range (between the minimum deviation range and the outer LI2 and LS2 limits). The Tariff Adjustment is calculated as function of where actual pool prices end up with respect to those deviation ranges, using the formulae established in that Royal Decree.

In the event the actual annual pool price ends up falling within the minimum deviation range, the Tariff Adjustment is zero. If the pool price lands between the minimum and maximum deviation ranges, the Tariff Adjustment is equivalent to half of the difference between the minimum range limits and the actual price. Lastly, if the actual pool price exceeds the limits of the maximum deviation range, the Tariff Adjustment is equivalent to the entire difference between the maximum range limits and the actual price, plus one half of the sum of the maximum deviation range outer limits.

The amount of the Tariff Adjustment calculated in accordance with the provisions of article 22 of **Royal Decree 413/2014** is settled by modifying, upwards or downwards, the amount of remuneration for investment (Ri) over the remainder of the facility's regulatory useful life.

Once a facility has reached the end of its regulatory useful life, the facility ceases to receive both the remuneration for investment and operation supplements. However, those facilities that earn the contemplated reasonable return within their regulatory useful lives continue to earn remuneration for operation but cease to accrue remuneration for investment.

The reasonable return principle enshrined in the remuneration framework is conceived of as a minimum return, so that facilities are not obliged to reimburse any remuneration received in the event the facility owner generates a return that is higher than that contemplated in the remuneration regime. There are two exceptions to this rule, however: a) when the standard facility reaches the end of its regulatory useful life in the last regulatory stub period; and b) if a facility exits the remuneration regime before the end of its regulatory useful life. In those instances, the maximum amount of the reimbursement is limited to the negative adjustments arising in the stub period in which those circumstances arise.

To implement **Royal Decree 413/2014**, Ministerial **Order IET/1045/2014** (16 June 2014) classified standard facilities as a function of their technology, installed capacity and year of commissioning, establishing the remuneration parameters for standard operational facilities. Subsequently, Ministerial **Order ETU/130/2017** updated the remuneration parameters for 2017-2019 and published the Tariff Adjustment corresponding to 2014-2016.

The **Secretary of State for Energy published a Resolution on 18 December 2015** establishing the criteria for participating in the system adjustment services and enacting certain testing and operation procedures for the purpose of adapting them for the provisions of **Royal Decree 413/2014**, regulating the generation of electricity by means of renewable energy sources, co-generation and waste. That Resolution, in effect since 10 February 2016, permits participation in the system adjustment services by the renewable facilities deemed apt that pass the eligibility tests in place for each class of adjustment service, so entitling them to the corresponding income. Against that backdrop, certain of the ENCE's power generation facilities participate in the "Electricity System Adjustment Services", as provided for in the **TSO's Operating Procedures No. 7.2 and 7.3**.

Elsewhere, **Ministerial Order IET/1345/2015** (2 July 2015) established the methodology for updating remuneration for the operation of facilities entitled to the specific remuneration regime, setting the corresponding amounts for the second half of 2015 resulting from application of that methodology to the standard facilities to which it applies.

Royal Decree-Law 15/2018 (5 October 2018), on urgent measures related to the energy transition and consumer protection, included two measures with an impact on ENCE:

1. Exoneration from the electricity generation levy for a period of six months (October 2018 - March 2019).
2. Amendments to Spanish Law 38/1992 on excise duty exempting energy products earmarked for use in the generation of electricity from the excise duty on hydrocarbons.

In the area of tariffs, Ministerial **Order IET/2735/2015** (17 December 2015) established the access tolls for electricity for 2016 and approved certain remuneration parameters for electricity-producing facilities that use renewable sources, co-generation or waste.

Subsequently, a number of ministerial orders set the remuneration for operation amounts for successive periods:

- Order IET/1209/2016 (20 July 2016) for the second half of 2016.
- Order ETU/1046/2017 (27 October 2017) for the second half of 2017.
- Order ETU/360/2018 (6 April 2018) for the first half of 2018.
- Order TEC/427/2019 (5 April 2019) for the second half of 2018.

Lastly, **Royal Decree-Law 17/2019** (22 November 2019) introduced urgent measures for adapting the electricity system remuneration parameters and tackling the process of closing fossil fuel power generation plants. Specifically, it set the reasonable return applicable to the remuneration for operation amounts for the 2020-2025 regulatory period at 7.09%. However, exceptionally, it contemplated the possibility of leaving the then-prevailing return of 7.398% throughout the period from 2020 to 2031 for the facilities that were awarded remuneration premiums upon effectiveness of Royal Decree-Law 9/2013, so long as certain requirements are met. All ENCE facilities entitled to remuneration for investment are availing themselves of the return of 7.398%.

The energy sector watchdog (hereinafter, the **"CNMV"**) published **Circular 4/2019** in November 2019, modifying the remuneration methodology applicable to the TSO and the prices to be passed on to the agents for financing purposes.

Later, on 24 January 2020, the CNMV published **Circular 3/2020**, establishing the methodology for calculating the electricity transmission and distribution tolls and eliminating the generation toll in place until then of €0.5/MWh.

Also, Ministerial **Order TED/171/2020** updated the remuneration parameters for estimating the regulated remuneration for renewable energy and co-generation technology for the 2020-2022 regulatory stub period and established the **Tariff Adjustment** for 2017-2019. One of the key changes introduced was to increase the number of equivalent hours of operation of biomass facilities from 6,500 to 7,500 hours.

On the legislative front, **Real Decree-Law 23/2020** acknowledged the importance of electrification and the need to ensure the sector's financial equilibrium, establishing a broad package of measures geared towards the energy transition. In the area of renewable energy, this legislation:

1. Introduced measures for managing the high volume of grid access applications.
2. Streamlined the administrative and permitting process.
3. Enabled a revision of transmission infrastructure plans to facilitate the connection of facilities considered strategic for the energy transition.
4. Created a space for hybrid technologies.
5. Created a new regulated remuneration model for renewable energy auctions, determining that remuneration for new facilities would be determined via competitive tendering.

Implementing Royal Decree-Law 23/2020, Ministerial **Order TED/668/2020** (17 July 2020) established the remuneration parameters applicable for the period elapsing between 1 October 2018 and 30 June 2019 in compliance with additional provision eight of **Royal Decree-Law 15/2018** (5 October 2018), also revising the remuneration for operation values corresponding to the first half of 2019.

Royal Decree 960/2020 was approved in November 2020, regulating the legal and financial regime applicable to electricity-producing facilities based on the notion of long-term recognition of a price for the energy produced.

The new remuneration framework so introduced, called the **Renewable Energy Economic Regime** (hereinafter, "**REER**") applies to the facilities whose primary source of energy is solar, wind, geothermal or hydrothermal power and certain hydroelectric and biomass generation plants, including those that combine hybrid technologies or involve storage systems.

Entitlement to the economic rights derived from the **REER** is articulated around an auction mechanism and is conditional upon the facilities being the result of a new investment undertaken subsequent to the adjudication. Pre-existing facilities that are modified or extended can benefit from the REER, albeit exclusively in respect of the new investment, so long as the latter can be quantified using specific measurement systems. As a general rule, collection of this remuneration is incompatible with other specific remuneration regimes or subsidies awarded for the same purpose and investments.

The auction mechanism for awarding the **REER** will be established via a ministerial order from the **Ministry of Green Transition and Demographic Challenges**, which will determine the eligible technologies, participation requirements, product to be auctioned and regime-specific parameters. The adjudications will take the form of the sealed-bid auction method underpinned by a pay-as-bid mechanism in which the product to be auctioned will be installed capacity, electric power or a combination of both and the bid variable will be expressed as a price per unit of electric energy (€/MWh).

Ministerial **Order TED/1161/2020** (4 December 2020) was published in December 2020, regulating the first auction mechanism for awarding the REER and establishing an indicative schedule of auctions for 2020-2025, setting a minimum target of 3,000 MW for that year.

Royal Decree 1106/2020 (15 December 2020) regulates the statute for electricity-intensive consumers, defining the requirements and procedure for obtaining the electricity-intensive consumer certificate. That certificate has been obtained by the Group's two biomills, so providing access to the compensation mechanism contemplated in Title III of that Royal Decree.

Royal Decree 1055/2014 (12 December 2014) introduced a cost compensation mechanism for certain industrial sectors, which covers the pulp business.

The **CNMC Resolution published on 18 March 2021** set the tolls for accessing the electricity transmission and distribution networks applicable from 1 June 2021. Subsequently, via a Resolution dated 16 December 2021, the CNMC set the access tolls applicable since 1 January 2022.

As for remuneration for operation, Ministerial **Order TED/257/2021** (18 March 2021) set the amounts corresponding to the second half of 2019. Also, Order TED/371/2021 (19 April 2021) set the prices for the electricity system "charges" (which cover regulated electricity system costs other than remuneration for the transmission and distribution networks) and the capacity payments applicable from 1 June 2021, while **Order TED/1484/2021** (28 December 2021) defined the prices for the system charges and sundry other regulated systems costs for 2022.

A joint **Resolution issued on 25 March 2021** by the Department of Energy and Mining Policy and Spain's Climate Change Office published the Cabinet Agreement of 16 March 2021, ratifying the final version of the Integrated National Energy and Climate Plan (INECP) for 2021-2030. That Plan set the following targets for 2030: a 23% reduction in greenhouse gas emissions with respect to 1990 levels; a renewable energy share of 42% of final energy consumption; a 39.5% increase in energy efficiency; a share of renewable electricity generation of 74%; and 6 GW of new storage capacity. It likewise established a timeline for the gradual closure of the nuclear power plants and set a target of having 5 million electric vehicles in circulation by 2030.

In line with those objectives, **Law 7/2021** (20 May 2021) on climate change and the energy transition, reinforces the INECP, envisaging a revision in 2023 in which the targets could only be made more stringent. It introduced mechanisms for strengthening consumer participation in the electricity sector, fostering investment in renewable energy, boosting distributed generation and energy storage, optimising use of the electricity networks and propelling the development of pumped-storage hydropower.
It also consolidated the contribution of €450 million of the income obtained from emission allowance auctions to the electricity system and fostered the electrification and development of zero-emission heating systems.

Royal Decree-Law 12/2021 (of 24 June 2021) introduced urgent measures in the area of energy taxation, including suspension of the electricity generation levy of 7% for the third quarter of 2021. Subsequently, **Royal Decree-Law 17/2021** (14 September 2021) extended that suspension until 31 December 2021 and cut electricity excise duty from 5.11% to 0.5%, setting minimum rates of €0.5/MWh for industrial consumers and €1/MWh for all other consumers. By means of several extensions, Royal Decree-Law 11/2022 extended application of the reduced electricity excise duty rate of 0.5% until 31 December 2022.

Royal Decree 148/2021 established the methodology for assigning electricity system charges, including premiums for renewables, historical tariff deficits and cost overruns derived from the non-mainland systems. That assignation is done as a function of capacity purchased (€/kW) and energy consumed (€/kWh). That legislation complements the methodology for calculating transmission and distribution tolls, determined by network remuneration each year, whose regulation is vested in the CNMC and which was approved in January 2020. Both methodologies can be revisited every six years and transition periods of up to four years can be set for gradually implementing the prices resulting from any new methodologies.

Elsewhere, **Royal Decree-Law 6/2022** (29 March 2022) enacting urgent measures under the scope of a national plan addressing the economic and social consequences of the war in Ukraine (hereinafter, "RDL 6/2022"), introduced several provisions with impacts for the energy sector. Those measures included measures for speeding up the execution of renewable energy generation facilities; fiscal measures designed to mitigate the run-up in electricity prices, including the extension until 30 June 2022 of the suspension of the tax levied on the value of electricity output and of the reduced rates of VAT and excise duty levied on electricity until that same date. It also introduced support mechanisms for safeguarding the competitiveness of industrial firms that make intensive use of electricity and lines of support for those that make intensive use of gas via the concession of extraordinary loans to make up for the loss of toll income.

As for the so-called social voucher, it stipulated that its cost be borne by electricity sector players that participate in the supply of electricity (i.e., its production, transmission, distribution and sale) and by direct market consumers. It also introduced the requirement to reduce fuel cycle GHG emission intensities as well as amendments to several sector-specific regulations.

Among the measures with the biggest impact on ENCE's activities, **RDL 6/2022** revisits the remuneration parameters established in **Order TED/171/2020** (24 February 2020), as follows:

- Reliance on the calculation assumptions and parameter values prevailing at the date of effectiveness of RDL 6/2022, with the exception of the estimate of revenue from the sale of energy during the remaining useful life, to be valued at market prices. Adjustment of the directly-related remuneration parameters and, in the case of standard facilities whose operating costs depend on the price of fuel, adjustments for the prices of that fuel and of emission allowances.

- Calculation of the estimated pool price to be used to determine future revenue as the arithmetic average of the quoted prices of annual futures contracts traded in the electricity futures market (OMIP) between 1 June and 30 November of the year prior to the start of the stub period in question.

- Estimation of the price of fossil fuels for each half of 2022 based on the six-monthly changes in the cost of the commodities and, as applicable, in the access tolls contemplated in Ministerial Order IET/1345/2015 (2 July 2015).

- The 2020-2022 regulatory stub period was later sub-divided into two sub-periods: 2020-2021 and 2022. Calculation of the Tariff Adjustment for 2020 and 2021 was based on annual average pool prices of €33.94/MWh and €111.90/MWh, respectively, corrected by the so-called kurtosis coefficients corresponding to each type of technology.

In addition, **RDL 6/2022** mandated the publication of a ministerial order within two months from its enactment to define the remuneration parameters for standard facilities for the new sub-period of 2022. One of the most noteworthy measures of this legislative proposal was the establishment of a regulatory pool price for 2022 of €121.92/MWh, and of new applicable upper and lower band limits. It also introduced the kurtosis coefficients specific for each standard facility and the new remuneration for investment values applicable in 2022.

Royal Decree-Law 10/2022 (13 May 2022) introduced a temporary production cost adjustment mechanism designed to reduce electricity prices in the wholesale market. Specifically, it established an adjustment to the cost of production of marginal fossil-fuel technologies based on the difference between a benchmark gas price and the actual natural gas price in the spot market. That mechanism was introduced for a period of 12 months, until 31 May 2023. In addition, the owners of the purchasing units were exempted from having to pay the adjustment in respect of the portion of their energy that was covered by forward hedging instruments arranged prior to 26 April 2022, an exception which applied to ENCE's biomills in Navia and Pontevedra.

Another of the measures with a significant impact on ENCE's activities was the **amendment of sections 3 and 4 of article 22 of Royal Decree 413/2014** with the aim of stimulating exposure to the forward markets for the legacy renewable facilities known as RECORE facilities (pre-2013 renewable, co-generation and waste facilities under the so-called special regime). This modification implies replacing the annual average price in the day-ahead and intraday market as the benchmark for determining the Tariff Adjustment with the weighted average value of a basket of prices that factors in annual day-ahead and intraday prices as well as annual, quarterly and monthly futures prices.

Lastly, **Royal Decree-Law 11/2022** (25 June 2022) extended certain measures in response to the economic and social consequences of the war in Ukraine, to remedy situations of social and economic vulnerability and to foster economic and social recovery in the Island of La Palma. Among other measures, it introduced an electricity excise duty rate of 0.5% and temporarily suspended the tax levied on the value of electricity output, both until 31 December 2022. It also modified the tax base for calculating the levy on the value of electricity output in respect of related-party transactions.

As regards the regulation of the remuneration regime applicable for certain electricity-producing facilities that use renewable sources, co-generation or waste, a series of regulatory provisions have introduced remuneration parameters applicable in different periods.

Ministerial **Order TED/989/2022** (11 October 2022) defined new standard facilities for the purpose of maintaining the remuneration parameters introduced via Order TED/171/2020 (24 February 2020). It also established the remuneration for operation values corresponding to the second half of 2020 and the first half of 2021.

Meanwhile, Ministerial **Order TED/990/2022** (11 October 2022) established the remuneration parameters applicable for the period elapsing between 1 October 2018 and 30 June 2019 in compliance with additional provision eight of Royal Decree-Law 15/2018 (5 October 2018). The remuneration for operation values corresponding to the first half of 2019 were also revised.

Ministerial **Order TED/995/2022** (14 October 2022) established the remuneration for operation values applicable for the second half of 2021 for certain electricity-producing facilities that use co-generation, renewable sources or waste.

Ministerial **Order TED/1232/2022** (2 December 2022) updated the remuneration parameters for the standard facilities itemised in Annex I of Ministerial Order TED/171/2020 and Order TED/989/2022, with effect for 2022. This update enacted the provisions envisaged in article 5.1 of Royal Decree-Law 6/2022, in response to the economic and social fallout from the war in Ukraine. Specifically, the legislation established average annual pool prices of **€33.94/MWh for 2020** and of **€111.90/MWh for 2021**, set the regulatory pool price for 2022 at **€121.92/MWh**, determined the NAV and remuneration for investment for each standard facility for 2022 and set the remuneration for operation amounts applicable for the first half of 2022.

Ministerial **Order TED/1295/2022** (22 December 2022) established the remuneration for operation values applicable for the second half of 2022 for certain electricity-producing facilities that use co-generation, renewable sources or waste.

Back on the tax front, **Royal Decree-Law 20/2022** (27 December 2022) extended the reduction in excise duty on electricity to 0.5% and the temporary suspension of the levy on the value of electricity output until 31 December 2023, among other measures.

Subsequently, **Royal Decree-Law 5/2023** (28 June 2023) adopted and extended certain measures in response to the economic and social consequences of the war in Ukraine and in support of the reconstruction of La Palma and other situations of vulnerability. It also transposed several European Union directives relating to certain aspects of company law, work-life balance for parents and carers and enforcement of and compliance with European Union Law.

As regards the specific remuneration regime regulated in **Royal Decree 413/2014**, **Royal Decree-Law 5/2023** introduced a range of measures, notably including:

- Establishment of the **regulatory pool price** for 2023-2025 of **€109.31/MWh in 2023**, **€108.86/MWh in 2024** and **€89.37/MWh in 2025**.
- For the calculation of the **Tariff Adjustment** for 2023, applicable to the update of the remuneration parameters for the regulatory stub period beginning on **1 January 2026**, the stipulation that the weighted average value of the basket of electricity market prices for that year would be the lower of the latter and the average annual daily and intraday prices for 2023, as defined in article 22 of Royal Decree 413/2014.
- The inclusion of provisions for the update of the **remuneration for operations** parameter for standard facilities whose operating costs depend essentially on their fuel price for the first and second halves of 2023.

Ministerial **Order TED 741/2023** was published on 30 June 2023, updating the remuneration parameters to standard facilities included under its scope of application for the regulatory stub period elapsing between 1 January 2023 and 31 December 2025. That update was carried out in accordance with article 20.2 of Royal Decree 413/2014 (6 June 2014) on the generation of electricity by means of renewable sources, co-generation and waste. This order also established the remuneration for operation amounts for the first half 2023 for standard facilities whose operating costs depend essentially on the price of their fuel.

The most significant aspects of that order are:

- Regulatory pool prices were set at €109.31/MWh for 2023, €108.86/MWh for 2024 and €89.37/MWh for 2025.
- An annual increase in biomass prices and operating costs of 1%.
- Itemisation of the net asset value (NAV) at 1 January 2023 and future remuneration for investment for each facility.
- Introduction of the remuneration for operation amounts for the first half of 2023, which are zero in the case of all of the Group's facilities, except for the gas co-generation plant in Cordoba, which receives remuneration for operation of €286/MWh.

The **draft Order establishing the remuneration for operations values corresponding to the second half of 2023** applicable to certain electricity-producing facilities that use co-generation, renewable sources or waste was published on 30 June 2023. In that draft order, the remuneration for operations amounts for the second half of 2023 are likewise zero for all Group facilities other than the gas co-generation plant in Cordoba, whose remuneration amounts to €84.39/MWh.

Subsequently, on 22 November 2023, **that draft Order defining the methodology for updating the remuneration for operation parameter** for standard facilities whose operating costs are tied the price of their fuel was sent for public consultation. This new piece of legislation is intended to replace Order IET/1345/2015 (2 July 2015) and introduces the following amendments:

- For biomass facilities, the remuneration for operation parameter will be updated annually, in tandem with the calendar year, on the basis of the estimated electricity pool price (€108.86/MWh in 2023) and fuel price (€50.48/tonne of biomass b6 and €42.92/tonne of b8 in 2023), also updating the rest of the remuneration parameters that derive from these variables.
- In the case of the biomass facilities it was deemed necessary to estimate a fuel price in order to calculate their remuneration for operation and to subsequently make an adjustment on the basis of actual prices to reflect year-on-year changes in transport costs and minimum wages.
- The fuel price is calculated as function of three variables:
  a) 40% is tied to the market price for biomass, increased annually by 1%;
  b) 36% is tied to transport prices; and
  c) 24% is tied to the minimum wage.
- This adjustment will be calculated annually as a function of the energy sold to the production market and will be settled in 12 monthly instalments.
- The basket of prices for determining the regulatory pool price has been structured as follows:
  - 2023: 75% pool price – 25% futures.
  - 2024: 50% pool price – 50% futures.
  - From 2025 on: 20% pool price – 80% futures.

- For gas facilities, the remuneration for operation will be revised quarterly as a function of the trend in electricity market prices (based on OMIP futures), carbon allowance prices (quarterly futures for allowances) and fuel prices (MIBGAS futures).

- Facilities that have a co-generation plant are exempted from application of the tariff adjustment system contemplated in article 22 of Royal Decree 413/2014.

Elsewhere, **Royal Decree-Law 8/2023** (28 December 2023) introduced several measures to mitigate the economic and social impact of the conflicts in Ukraine and the Middle East, as well as the effects of the drought in Spain. The most noteworthy changes were:

1. **Energy tax measures:**
    - VAT of 10% for all of 2024 (5% in 2023).
    - Excise duty on electricity: 2.5% in the first quarter of 2024 and 3.8% in the second quarter (versus 0.5% in 2023).
    - The levy on the value of electricity output: 3.5% in the first quarter; 5.25% in the second quarter and 7% from the third quarter on (zero in 2023).
2. **Modification of access and connection permitting timeframes:**
    - Government construction permit: extension from 43 to 49 months.
    - Government operating permit: extension from 5 to 8 years (9 years for pumped-storage and offshore wind power).
3. **Criteria for the remuneration for operation of facilities dependent on fuel costs from 2024:**
    - Remuneration for operation for the first half of 2024 was set at €685 million for co-generation and waste treatment and €2.23 million for biomass.
    - Extension of the calculation assumptions established in Ministerial Order TED/741/2023 for application from 1 January 2024, introducing the following adjustments:
        - **For co-generation and energy powered from waste:**
            - Market price for the first half of 2024: €104.98/MWh, calculated as the average of OMIP settlement prices for 12-month futures to be settled in 2024 published between 1 January and 30 September 2023.
            - Gas prices: €51.3/MWh GCV.
            - CO_2 prices: €90.72/tonne
        - **For biomass:**
            - The calculation methodology established in Order TED/741/2023 was left intact until the new regulatory framework was put in place, by 31 December 2024.

- The value of the market price adjustment will be determined, as was the case in 2023, as the lower of the annual average daily and intraday prices for 2024 and the price defined in article 22 of Royal Decree 413/2014.

The Secretary of State for Industry **Resolution of 15 January 2024** revised the ratio between consumption and gross added value needed to quality as an 'electricity-intensive consumer', as contemplated in Royal Decree 1106/2020 (15 December 2020), regulating the electricity-intensive consumers statute, stipulating that in 2024, the ratio between annual consumption and gross value added referred to in article 3.2.d) of Royal Decree 1106/2020 must be higher than €0.51/kWh for eligibility.

Royal Decree 203/2024(27 February 2024) implements aspects related with the free allocation of emissions allowances for 2026 -2030 and other aspects related with the installations to be excluded starting from 2026, regulating procedural aspects related with applications for the allocation of emissions allowances and for their allocation free of charge.

- It excludes hospitals and small installations (those emitting fewer than 25,000 tonnes of carbon dioxide equivalent and, where they carry out combustion activities, have a rated thermal input below 35 MW, excluding emissions from biomass, in each of the three years of the reference period of 2021-2023) from the EU emissions trading scheme (ETS) for 2026-2030. The decree also includes the procedure for applying for that exclusion.
- For 2026-2030, it allows these small emitters to carry over allowances notified below the target in one year to compensate for possible surpluses in another year so as to meet that year's targets.
- It establishes the treatment of biomass in relation to the monitoring and notification of greenhouse gas emissions for stationary installations under the EU ETS. For the purpose of applying the emission factor of zero applicable to the biomass fraction of the source stream, installation owners must certify, as necessary, compliance with the GHG savings criteria.

Ministerial **Order TED/268/2024** (20 March 2024) established energy savings obligations, compliance by means of energy savings certificates and a minimum contribution to the National Energy Efficiency Fund in 2024.

- The financial equivalent for 2024 was set at €2.121m/ktoe or €182,373.17/GWh saved.
- It set a final energy savings target for the National System of Energy Efficiency Obligations of 375 ktoe or 4,361.25 GWh for 2024.
- The value of the contribution to the fund was set at €0.000947453/kWh.
- Bound parties have to settle at least 35% of their share of the 2024 savings obligation via economic contributions to the Fund, settling the rest of their obligations through their energy savings certificate settlements.

Ministerial **Order TED/353/2024** (11 April 2024) established the remuneration for operation values corresponding to the second half of 2023 applicable to certain electricity-producing facilities that use co-generation, renewable sources or waste and approved new standard facilities and their corresponding remuneration parameters, this time setting the values for the second half of the year for co-generation, biomass and biofuel facilities.

- The biomass price stipulated in this order for the second half of 2023 was arrived at by applying an increase of 0.5% to the values defined for the first half of the year, in keeping with the prevailing methodology contemplating annual 1% increases.

Type of fuel	Value 1H23	Value 2H23
Cost of biomass, b.6.	€50.85/t	€51.1/t
Cost of biomass, b.6.	€42.39/t	€42.6/t

Secretary of State for Energy **Resolution of 22 April 2024**, published the Council of Ministers Agreement of 16 April 2024, modifying certain specific aspects of the plan for the development of Spain's electricity transmission network for 2021 -2026, approved by a Council of Ministers Agreement dated 22 March 2022, enacting the original grid development plan out to 2026; the amendments include 23 initiatives in response to demand for high capacity; nine addressing storage and renewable energy; three tackling operation needs; and 38 to cover needs arising from execution of the plan itself.

CNMC **Resolution of 19 April 2024**, established the procedure for managing the connection of biomethane generation plants to the transmission or distribution networks with the aim of managing the connections between those plants in the natural gas transportation and distribution networks.

- Scope of application. Applicants to have biomethane plants connected to the gas transportation and distribution networks, the owners of those networks and the technical system manager.
- Management of applications.
    - Producers must send connection applications to the transport operator or distributor.
    - The network owner will act as the sole point of contact.
    - Enabling of web platforms for the management of applications, forms and contract templates.
    - Communications and notifications must be made digitally, ensuring their traceability.
    - Connection applications will be processed in the order they are received.
    - Scope for charging for the costs of preparing a connection quote, to be discounted if the quote is accepted.
- Preliminary information requests. Interested parties can request information before filing their application. The non-binding responses must include details about connection points and network capabilities.
- Application management deadlines.
    - The network owner must confirm admission or non-admission of the application within five working days. If the application has to be corrected, the owner will receive another five working days.
    - Once an application has been admitted for processing, the injection capacity will be assessed, consulting with the rest of the upstream and downstream network owners, within five working days.
- Request responses. Applicants must be informed as to whether their application has been accepted or denied, providing technical, economic and connection details in the event of acceptance. In the event of denial, the reasons must be specified.
- Acceptance of the quote. Applicants have 60 working days to accept the quote and sign the connection contract. Failure to do so within that deadline will be deemed renouncement of the connection.
- Registration of the injection point. Before commissioning the connection, the network owner will request the registration of the new injection point in the SL-ATR system.
- CNMC reporting obligations.

- Before 15 February of each year, network owners must send the CNMC a list of the connection applications received by 31 December of the previous year, detailing their characteristics and their current processing status.
- A list of accepted connections, including the signed connection contracts and technical and budget characteristics of each connection.

Ministerial **Order TED/526/2024** (31 May 2024), establishing new methodology for updating the remuneration for operation applicable to standard power generation facilities whose operating costs depend essentially on the price of their fuel, updating the remuneration for operation amounts applicable from 1 January 2024 and establishing certain aspects related to the remuneration for operation updating methodology itself.

The main features of the new methodology:

- The remuneration for operation parameter will be updated quarterly.
- Biomass facilities are excluded from the three-year Tariff Adjustment. Instead, those adjustments will be made every three months.
- The variables to be considered when updating remuneration for operation are:
  - Estimated electricity pool prices.
  - Estimated price of carbon allowances for co-generation.
  - Estimated fuel prices.
- The pool price estimated for the quarter will consider weighted annual and quarterly futures prices.

Methodology for updating the remuneration for the operation of biomass facilities:

- The estimated fuel price for biomass facilities will consider the trend in the industrial price index, transportation prices and the minimum wage.
- The methodology for updating the remuneration for operation for biomass facilities will consider the 7% levy, fuel costs, operation and maintenance costs and revenue from market sales.
- The adjustment for the impact on the remuneration for investment parameter for biomass facilities will consider the following:
  - The published estimated cash flow values for each regulatory stub period.
  - The quarterly cash flow values associated with each facility will be published quarterly, along with the updated remuneration for operation amounts.
  - The adjustment for the impact on the remuneration for investment parameter will apply from the second half of 2024. Annex II of the Order provides the cash flows for the second half of 2024 and the first and second halves of 2025.
  - The CNMC will compile an electricity and natural gas market monitoring report and a non-binding proposal for the weighting coefficients for price estimation purposes.

Transitional ex-post adjustment for deviations in electricity pool prices and fuel prices from the estimates for biomass facilities in the first half of 2024.

- At the end of the first half of 2024, the organisation tasked with settlement will calculate the value of monthly deviations in electricity pool prices and the value of the deviation in the fuel price (using the most recent kurtosis coefficients for the corresponding technology published by the CNMC).
- The total monthly deviation amount is the sum of the monthly deviation in electricity pool prices and the value of the deviation in the fuel price.

- The monthly sum to be settled by the organisation tasked with settlement will be calculated by multiplying the value of the deviation with respect to the cash flows for the corresponding quarter by the volume of energy sold monthly to the production market.
- The monthly sum of the remuneration for operation, remuneration for investment and adjustment for the impact on the remuneration for investment cannot be negative.
- The facilities may renounce the adjustment procedure so regulated by notifying the settlement organisation before the end of the deadline of 20 working days from the date of effectiveness of the order.

With respect to the estimation of the fuel price for standard biomass facilities, duly applying the related formula, the following values were arrived at for the first half of 2024:

$$Pbiomasa_{2024,3T}=Pbiomasa_{rec,2024,1S}\cdot\left(1+\alpha\cdot\frac{IPRI_{BdE,2024,2T}-IPRI_{BdE,2023}}{IPRI_{BdE,2023}}+\beta\cdot\frac{Ptransporte_{2024,2T}-Ptransporte_{2023}}{Ptransporte_{2023}}+\gamma\cdot\frac{SMI_{2024,2T}-SMI_{2023}}{SMI_{2023}}\right)$$

Price of biomass, group b.6 (€/t)	58.66
Price of biomass, group b.8 (€/t)	48.89

Aspects affecting RECORE facilities and REER auctions.

- The legislation introduces a change that affects certain RECORE facilities (pre-2013 renewable energy facilities for remuneration regime purposes) with respect to the future calculation of their Tariff Adjustment at the end of the various regulatory stub periods in accordance with article 22 of Royal Decree 413/2014. However, this order expressly excludes biomass, co-generation and waste treatment facilities from this calculation. Elsewhere, Royal Decree 413/2014 excludes small facilities, such as PV solar facilities of 10 MW or less, wind farms of 5 MW or less and hydropower facilities of 10 MW or less from application of "price basket" concept. In those instances, the Tariff Adjustment will apply, but only considering the average price on the daily and intraday markets for each year.
- The order includes the weighting coefficient values to be considered for the purposes of article 22 of Royal Decree 413/2014 on the Tariff Adjustment. Those coefficients are used to calculate the price basket contemplated in that Royal Decree. The values published for 2024, 2025 and beyond are itemised in the accompanying table.

Coefficient	Values for 2024	Values for 2025 and beyond
a2024	0.5	0.2
b2024	0.1	0.2
c2024.1	0.1	0.075
c2024.2	0.1	0.075
c2024.3	0.05	0.075
c2024.4	0	0.075
d2024.1	0.05	0.025
d2024.2	0.05	0.025
d2024.3	0.05	0.025
d2024.4 to d2024.12	0	0.025

- For 2024, the price basket will be the lower of the average value of the basket of products and the average annual daily and intraday pool price.
- Lastly, final provision one of this order amends Order TED/1161/2020 in respect of the competition guarantee (article 8) and the auction matching process (article 10).

CNMC **Resolution of 23 May 2024**, approving the rules of operation of the daily and intraday electricity markets so as to adapt them for the European intraday auctions (IDAs).

- The new rules pave the way for introducing the features needed to implement the European intraday auctions that will replace the current regional intraday auctions in Spain and Portugal.
- The new rules also void those approved via the CNMC Resolution of 23 February 2023.

Secretary of State for Energy **Resolution of 27 June 2024**, updating the remuneration for operation values for the third quarter of 2024 for standard power generation facilities whose operating costs depend essentially on the price of their fuel, setting the following estimates for biomass prices for the third quarter of 2024:

- €59.63/t for group b.6, marking an increase of 15.50% from the estimate for the previous half.
- €49.70/t for group b.8, marking an increase of 16.10% from the estimate for the previous half.

The values of the indices used to estimate the biomass price for that period are shown in the following table:

Period	Industrial price index for capital goods	Transportation price	Min. wage (€/in 14 instalments)
2Q24	111	171	1,134
2,023	109	173	1,080

The following price estimates were made for the third quarter of 2024.

- Average futures prices on the organised electricity futures market (OMIP) used to estimate the pool price.
- Estimated carbon allowance price of €69.56/tCO_2
- Natural gas price for the third quarter of 2024:
- Estimated natural gas price in the virtual balancing point of €34.99/MWh GCV.
- Estimated fuel-oil price of €508.24/t.
- Estimated gas-oil and LPG price of €757.95/t.
- Establishment of the cost of the tolls, charges, levies and quotas applied in the local network exit points.

CNMC **Resolution of 27 June 2024** established the detailed specifics for determining the access capacity of the transmission and distribution networks.

- Access capacity for generation facilities connected to the transmission network and the suitability of generation facilities connected to the distribution network, and the corresponding grant or denial of permits by the system operator shall be based on technical criteria around security, regularity, quality of supply and sustainability.
- Assessment of access capacity will consider the type of connection of the storage facility to the network (synchronous or non-synchronous) via node or zone.

- Access capacity for a node or zone of the network for a given type of generation will be determined as the minimum of the capacities resulting from the applicable short circuit capacity, static performance and dynamic performance criteria. Details for calculation of short circuit capacity.
- Establishment of the thresholds the distribution networks can cope with to be evaluated by the network manager applied to for access and connection purposes:

Voltage (kV)	Minimum access capacity application for connection via new position at existing substation (MW)	Minimum access capacity application for opening an existing line (MW)	Minimum access capacity application for connection via substation position (MW)
132-110	10	12	100
66	6	10	60
55-50	5	10	50
45	4	7	40
30	4	2	30
24-25	4	-	20
20	4	-	15
>1>15	4	-	10
Low	-	-	0.1

- The capacity maps will be published at least once a month and will include the information needed to comply with article 12 of CNMC Circular 1/2021; the network manager may publish the corresponding nodes with “0*MW”, signalling nodes without capacity at the time of publishing the capacity map but for which capacity may be obtained conditional upon execution of distribution network reinforcements at the cost of the applicant.

Directorate-General of Energy Planning and Coordination **Resolution of 3 July 2024**, **updating Annex I of Order TED/845/2023**(18 July 2023), approving the catalogue of standardised energy efficiency measures, replacing all of Annex I of Order TED/845/2023 with the Annex titled “Catalogue of technical files for standardised energy efficiency measures” for entitlement to the issuance of Energy Savings Certificates.

- For each file, the savings measure is detailed, along with its calculation method and the minimum documentation required.
- There are 52 files in total.

Directorate-General of Environmental Quality and Assessment **Resolution of 9 September 2024**, formulating the strategic environmental declaration for the Update of the Integrated National Energy and Climate Plan, 2023 - 2030, evaluating the possible environmental impacts of the measures proposed and ensuring that the energy transition is brought about in a sustainable manner.

With respect to biomass, this update is aligned with the sector’s interests and specific objectives, including:

- Reducing greenhouse gas emissions through the use of renewable sources.

- Fostering energy self-sufficiency and diversification of the energy mix.

- Making sustainable use of biomass stocks to ensure efficient and environmentally-friendly production.

- Propelling the circular economy through the use of organic waste as a raw material.

This resolution reinforces the commitment to a cleaner and more sustainable energy model, ensuring that the development of biomass contributes to the country's climate and environmental objectives.

Secretary of State for Energy **Resolution of 27 September 2024**, updating the remuneration for operation values for the fourth quarter of 2024 for standard power generation facilities whose operating costs depend essentially on the price of their fuel, setting the following estimated for biomass prices for the fourth quarter of 2024:

- €60.07/t for group b.6, marking an increase of 0.74% from the estimate for the previous half.
- €50.6/t for group b.8, marking an increase of 0.72% from the estimate for the previous half.

The values of the indices used to estimate the biomass price for that period are shown in the following table:

Period	Industrial price index for capital goods	Transportation price	Min. wage (€/in 14 instalments)
3Q24	111.02	174.2	1,134
2Q24	110.86	171	1,134

The following price estimates were made for the fourth quarter of 2024:

- Average futures prices on the organised electricity futures market (OMIP) used to estimate the pool price.
- Estimated carbon allowance price of €68.66/tCO_2
- Natural gas price for the fourth quarter of 2024:
- Estimated natural gas price in the virtual balancing point of €37.475/MWh GCV.
- Estimated fuel-oil price of €495.90/t.
- Estimated gas-oil and LPG price of €690.79/t.
- Establishment of the cost of the tolls, charges, levies and quotas applied in the local network exit points.

CNMC **Circular 1/2024** (27 September 2024) establishing the methodology and conditions for access and connection to the transmission and distribution networks by demand-side facilities, including the main changes to Circular 1/2021 on access and connection, the most important points being the following:

- Storage-related aspects.
- The web platforms for managing access and connection permits must allow for end-to-end management of self-consumption cases.
- Elimination of point 3.2.c "Content of access and connection application" with respect to projects subject to environmental assessment.

Secretary of State for Energy **Resolution of 26 December 2024**, updating the remuneration for operation values for the first quarter of 2025 for standard power generation facilities whose operating costs depend essentially on the price of their fuel, setting the following estimated for biomass prices for the first quarter of 2025:

- €60.71/t for group b.6, marking an increase of 1.07% from the estimate for the previous half.
- €50.60/t for group b.8, marking an increase of 1.08% from the estimate for the previous half.

The values of the indices used to estimate the biomass price for that period are shown in the following table:

Period	Industrial price index for capital goods	Transportation price	Min. wage (€/in 14 instalments)
4Q24	111.24	179	1,134
3Q24	111.02	174.2	1,134

The following price estimates were made for the first quarter of 2025.

Average futures prices on the organised electricity futures market (OMIP) used to estimate the pool price.

- Estimated carbon allowance price of €66.49/tCO_2
- Natural gas price for the first quarter of 2025:
- Estimated natural gas price in the virtual balancing point of €42.626/MWh GCV.
- Estimated fuel-oil price of €493.70/t.
- Estimated gas-oil and LPG price of €671.14/t.
- Establishment of the cost of the tolls, charges, levies and quotas applied in the local network exit points.

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

Facility	IT	Regulatory life	2023 Ro (€/MWh)	2023 Ri (€ 000)	2023 NAV (*) (€ 000)	2024 Ro (€/MWh) 1H24	2024 Ro (€/MWh) 3Q24	2024 Ro (€/MWh) 4Q24	2024 Ri (€ 000)	2024 NAV (*) (€ 000)
Renewables business:										
50-MW Huelva	IT-00841	2037	-	7,739	73,799	-	41.66	36.62	7,739	73,799
41-MW Huelva	IT-00829 / IT-00832	2025	-	597	3,771	3.53	48.34	43.43	497	3,771
20-MW Merida	IT-00843	2039	-	3,683	37,504	-	39.92	34.87	3,683	37,504
16-MW Jaen	IT-00831 / IT-00855	2027	-	918	4,382	-	26.03	20.91	918	4,382
16-MW Ciudad Real	IT-00831 / IT-00855	2027	-	918	4,382	-	26.03	20.91	-	4,382
14-MW Cordoba - Biomass	IT-00859	2031	-	1,251	8,921	-	30.91	25.83	1,251	8,921
13-MW Cordoba - Gas	IT-00430	2030	286 / 84	-	-	132.06	0.09	0.10	-	-
50-MW Puertollano - Biomass	IT-04005	2044	-	-	-	-	38.07	33.02	-	-
46-MW Huelva	IT-04005	2044	-	-	-	-	38.07	33.02	-	-
Pulp business:										
37-MW Navia	IT-00838	2034	-	3,980	33,711	-	43.88	38.56	3,955	33,711
40-MW Navia	IT-01035	2034	-	-	-	-	-	-	-	-
35-MW Pontevedra	IT-00836-7 / IT-01035	2033	-	757	6,182	-	9.23	8.12	757	6,182

The Group's facilities operate freely in the market, selling their electricity to the pool through Magnon Green Energy, S.L., a Group company, which acts exclusively as representative.

ENCE Energía y Celulosa, S.A. and subsidiaries

2024 Consolidated Management Report

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ENCE Energía y Celulosa, S.A. and subsidiaries

2024 Consolidated Management Report

1. Introduction

This Management Report has been drawn up in keeping with the terms of article 49 of Spain's Code of Commerce, as worded by Spanish Law 16/2007 (of 4 July 2007), revising and adapting the accounting aspects of company law for international harmonisation purposes, article 262 of the Spanish Corporate Enterprises Act and the recommendations issued by the Spanish securities market regulator, the CNMV, in its "Guide for the preparation of management reports for listed companies".

The Management Report also includes the following reports:

- The Non-Financial Information Statement (hereinafter, the "Sustainability Statement"). The information included in this report has been assured by an independent assurance firm.

  The Sustainability Statement forms part of the Management Report and is subject to the same approval, filing and publication criteria as the latter. It is submitted separately to the CNMV and can be retrieved from that entity's website (www.cnmv.es), within the "Other relevant information" filings, and from ENCE's website (www.ence.es).
- The report about the Group's activities in 2024, which includes a detailed assessment of ENCE's business performance during the year, provides additional details about the markets it operates in and the key trends in the main profit and loss, cash flow and capital structure indicators. That report also includes information about ENCE's share price performance.
- The Annual Corporate Governance Report and the Annual Report on Director Remuneration. Both reports are part of this Management Report, as stipulated in article 538 of the Corporate Enterprises Act, and submitted separately to the CNMV; they are available on that entity's website (www.cnmv.es) and on ENCE's website (www.ence.es).

  With the aim of avoiding overlap in the information provided in this Management Report, below is a list of the main sections included in the CNMV's "Guide for the preparation of management reports for listed companies" which are addressed in the Appendices:

  1. The Sustainability Statement provides detailed information about environmental aspects (concentrated in the "Environment" section) and about the Group's people (concentrated in the "Own Workforce" section), along with the main non-financial key performance indicators.
  2. The report providing details about the Group's activities in 2024 provides detailed information about the Group's performance, the key business trends and performance, ENCE's liquidity and financial resources, its share price performance and the alternative performance measures used by ENCE to report on its financial performance.
  3. The annual consolidated financial statements to which this Management Report is attached include disclosures about significant developments occurring since the end of the reporting period (note 36 of the consolidated financial statements), own share transactions (note 21) and the average supplier payment term (note 26).

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 are 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. Corporate Crime Risks
7. Tax Risks
8. Climate Change Related Risks
9. ESG 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 31 December 2024, the Group had arranged a number of forward currency agreements to hedge approximately 47% of forecast pulp sales in 2025.

c) VOLATILITY IN POOL PRICES VERSUS THE REGULATED PRICE

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. The possible existence of divergences between the electricity market sale price (pool price) and the regulated price set at the start of the period (each quarter) using a basket of futures over different terms may generate losses if the pool price is lower than the regulated price.

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. It also mitigates the scope for price gaps by attempting to replicate the formula established in the remuneration regulations to estimate the pool price for regulatory purposes.

As of 31 December 2024, agreements were in place covering approximately 25% of forecast renewable energy generation with a view to mitigating this risk.

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 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 2025 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 2024, the Group also 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.

The concession extended to the Pontevedra biomill in 1958 was extended for 60 years in January 2016 by the then Ministry of Agriculture, Food and Environment via a Resolution which was challenged the City Council of Pontevedra, Greenpeace Spain and *Asociación Pola Defensa da Ría de Pontevedra* (the APDR) in three different cases heard by the National Appellate Court, in which the Ministry, together with ENCE in its capacity as co-defendant, defended the legality of the concession extension. In March 2019, the newly-named Ministry of Ecological Transition presented written deeds effectively acquiescing in all three lawsuits.

The Appellate Court issued three sentences upholding the appeals presented, annulling the Ministerial Resolution extending the concession, based on its 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 location. In response to these sentences, ENCE filed new appeals, with the Supreme Court ruling on the legality of the extraordinary extension of the concession, dissipating all uncertainty and eliminating the risk identified and reported on in 2022.

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 state attorney and the town council of Pontevedra have filed appeals before Spain's Constitutional Court. The former has been ruled inadmissible by that court. A ruling on the admissibility of the second is still pending.

Elsewhere, given that the risk of water restrictions in the vicinity of our operations materialised in the second half of 2023, 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, as a result of materialisation of this risk at the Pontevedra biomill, ENCE has developed a facility and technology for recovering and recirculating processing waters in order to reduce the water it offtakes from the river. 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 invested 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.

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 45001 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 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 that year in accordance with the UNE 19601:2017 standard on criminal compliance management systems.

Lastly, in keeping with the European Corporate Sustainability Reporting Directive (CSRD), ENCE has embarked on the process of aligning its reporting system for these new requirements and is presenting its Sustainability Statement for 2024 in accordance with the European Sustainability Reporting Standards (ESRSs), additionally meeting its disclosure requirements under Law 11/2018 on non-financial reporting applicable in Spain.

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 events have occurred between the reporting date and the date of authorising these consolidated financial statements for 2024 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 regarding the acquisition and sale of own shares in 2024 are provided in note 21 to the accompanying consolidated financial statements for 2024.

APPENDIX I – FOURTH-QUARTER 2024 EARNINGS REPORT

Earnings Report
Fourth quarter 2024

27 February 2025

SUSTAINALYTICS Global ESG score: 93/100

CONTENTS

1. EXECUTIVE SUMMARY

Market figures	4Q24	4Q23	Δ%	3Q24	Δ%	2024	2023	Δ%
BHKP (USD/t) average price	1,099.4	904.5	*21.5%*	1,375.9	*(20.1%)*	1,235.7	1,045.5	*18.2%*
Average exchange rate (USD/€)	1.08	1.07	*0.3%*	1.09	*(1.6%)*	1.084	1.08	*0.4%*
BHKP (€/t) average price	1,022.2	843.4	*21.2%*	1,258.3	*(18.8%)*	1,140.1	968.1	*17.8%*

Operating Metrics	4Q24	4Q23	Δ%	3Q24	Δ%	2024	2023	Δ%
Pulp production (t)	**255,842**	**266,556**	***(4.0%)***	**248,180**	***3.1%***	**996,955**	**975,345**	***2.2%***
Pulp sales (t)	**235,221**	**273,082**	***(13.9%)***	**233,833**	***0.6%***	**967,628**	**978,501**	***(1.1%)***
Ence Advanced pulp sales (%)	24%	28%	*(4 p.p.)*	19%	*5 p.p.*	23%	22%	*1 p.p.*
Average sales pulp price (€/t)	575.7	522.2	*10.2%*	678.7	*(15.2%)*	647.2	578.0	*12.0%*
Cash cost (€/t)	521.4	455.2	*14.5%*	488.7	*6.7%*	493.0	525.5	*(6.2%)*
Operating margin per ton (€/t)	**54.4**	**67.0**	***(18.9%)***	**190.0**	***(71.4%)***	**154.2**	**52.5**	***193.5%***
Renewable Energy sales volume (MWh)	314,953	140,690	*123.9%*	308,426	*2.1%*	1,167,089	947,249	*23.2%*
Average sales price (€/MWh)	155.1	230.5	*(32.7%)*	136.6	*13.5%*	141.0	153.3	*(8.0%)*
Remuneration for investment (€ m)	6.2	6.2	-	6.2	-	24.6	24.8	*(0.5%)*

P&G € Mn	4T24	4T23	Δ%	3T24	Δ%	2024	2023	Δ%
Revenue from Pulp business	152.6	160.9	*(5.2%)*	171.7	*(11.2%)*	683.2	623.2	*9.6%*
Revenue from Renewable Energy business [1]	56.4	39.6	*42.6%*	48.9	*15.3%*	196.7	209.1	*(5.9%)*
Consolidation adjustments	(0.9)	(0.5)		(1.0)		(3.7)	(2.7)	
Total Revenue [1]	**208.1**	**200.0**	*4.0%*	**219.6**	*(5.3%)*	**876.2**	**829.6**	*5.6%*
Pulp business EBITDA	6.3	18.5	*(65.7%)*	42.2	*(85.0%)*	138.2	46.2	*199.3%*
Renewable Energy business EBITDA	5.7	6.7	*(14.7%)*	9.4	*(39.6%)*	26.3	42.6	*(38.3%)*
EBITDA	**12.0**	**25.1**	*(52.2%)*	**51.6**	*(76.7%)*	**164.5**	**88.8**	*85.2%*
Depreciation, amortisation and forestry depletion	(25.4)	(27.2)	*(6.5%)*	(24.6)	*3.4%*	(100.5)	(101.9)	*(1.3%)*
Impairment of and gains/(losses) on fixed-assets	(0.2)	8.3	*n.s.*	(0.2)	*35.2%*	(0.0)	7.8	*n.s.*
Other non-ordinary results of operations	5.8	9.3	*(37.4%)*	(0.7)	*n.s.*	(0.6)	3.3	*n.s.*
EBIT	**(7.8)**	**15.6**	*n.s.*	**26.1**	*n.s.*	**63.3**	**(2.0)**	*n.s.*
Net finance cost	(8.7)	(9.4)	*(7.4%)*	(7.7)	*13.0%*	(32.4)	(30.2)	*7.3%*
Other finance income/(cost) results	2.1	(0.9)	*n.s.*	(1.6)	*n.s.*	1.5	(1.0)	*n.s.*
Profit before tax	**(14.3)**	**5.3**	*n.s.*	**16.8**	*n.s.*	**32.4**	**(33.2)**	*n.s.*
Income tax	1.3	(0.4)	*n.s.*	(3.5)	*n.s.*	(12.2)	12.1	*n.s.*
Consolidated Net income	**(13.1)**	**4.8**	*n.s.*	**13.4**	*n.s.*	**20.1**	**(21.1)**	*n.s.*
Non-controlling interests	3.8	(1.4)	*n.s.*	1.0	*n.s.*	11.4	(3.7)	*n.s.*
Attributable Net Income	**(9.2)**	**3.5**	*n.s.*	**14.3**	*n.s.*	**31.6**	**(24.7)**	*n.s.*
Earnings per share (Basic EPS)	(0.04)	0.01	*n.s.*	0.06	*n.s.*	0.13	(0.10)	*n.s.*

[1] Net Revenue excludes other non-recurring operating income of €5.7m in 2Q24

Cash flow € m	4Q24	4Q23	Δ%	3Q24	Δ%	2024	2023	Δ%
EBITDA	**12.0**	**25.1**	*(52.2%)*	**51.6**	*(76.7%)*	**164.5**	**88.8**	*85.2%*
Change in working capital	(7.0)	48.0	*n.s.*	18.4	*n.s.*	(66.0)	(78.1)	*(15.4%)*
Maintenance capex	(11.9)	(15.5)	*(23.1%)*	(6.4)	*86.3%*	(32.8)	(29.7)	*10.5%*
Net interest Payment	(9.5)	(8.9)	*7.0%*	(6.6)	*43.7%*	(33.4)	(26.2)	*27.7%*
Income tax received/(paid)	5.1	7.4	*(31.5%)*	0.0	*n.s.*	3.1	(6.6)	*n.s.*
Normalised free cash flow	**(11.3)**	**56.1**	***n.s.***	**56.9**	***n.s.***	**35.3**	**(51.8)**	***n.s.***
Energy regulation adjustment (regullatory collar)	-	(21.2)	*n.s.*	-	*n.s.*	-	(34.0)	*(100.0%)*
Other cash adjustments	9.2	(0.3)	*n.s.*	(3.0)	*n.s.*	10.5	10.0	*5.3%*
Efficiency and expansion capex	(10.4)	(14.8)	*(29.8%)*	(5.6)	*84.6%*	(31.5)	(33.4)	*(5.9%)*
Sustainability capex and other	(3.4)	(11.1)	*(69.6%)*	(3.2)	*4.9%*	(12.6)	(32.6)	*(61.3%)*
Financial investments and in Group companies [2]	(20.1)	(1.8)		0.1	*n.s.*	(20.2)	(0.3)	
Disposals [3]	(4.6)	0.5	*n.s.*	5.7	*n.s.*	2.2	-	*n.s.*
Free cash flow	**(40.5)**	**7.5**	*n.s.*	**50.9**	*n.s.*	**(16.2)**	**(142.2)**	*(88.6%)*
Dividends from the parent	(8.0)	-	*n.s.*	(26.0)	*(69.3%)*	(34.0)	(140.6)	*(75.8%)*
Dividend to minorities	-	-	*n.s.*	(5.1)	*(100.0%)*	(5.1)	(4.1)	
Proceeds/(payments) of equity instruments	0.2	(1.2)	*n.s.*	(1.0)	*n.s.*	0.7	5.8	
Other movements in borrowings [3]	5.4	(2.3)	*n.s.*	(18.2)	*n.s.*	13.1	(28.7)	
Net decrease / (increase) in net financial debt (€ m)	**(42.9)**	**3.9**	*n.s.*	**0.7**	*n.s.*	**(41.5)**	**(309.6)**	

[2] Financial Investments in 4Q24 exclude €10m maturing on Jan.25

[3] Equipment leases for €6.3m included as Disposals in 3Q24 and reclassified as other movements in borrowings in 4Q24

Net debt € m	Dec-24	Dec-23	Δ%
Net financial debt Pulp business	242.6	186.1	*30.3%*
Net financial debt Renewable Energy business	78.6	93.5	*(16.0%)*
Net financial debt	**321.2**	**279.6**	*14.8%*

- ✓ The Group reported a profit of €32m in 2024, fuelled by the improvement in pulp prices and lower costs for the year, even though 4Q24 was marked by a pulp price correction and a temporary spike in the cash cost.
- ✓ Sales of Ence Advanced products accounted for 23% of total pulp sales in 2024, fetching a €29 higher margin per tonne than standard pulp. Sales of these products are expected to reach 30% of the total in 2025.
- ✓ Ence's average sales price was €647/t in 2024 (€576/t in 4Q24), up 12% from 2023, while the average cash cost per tonne decreased by 6%, to €493/t, thanks to the reduction in the cost of raw materials and despite the temporary uptick in the cash cost in 4Q24, to €521/t.
- ✓ As a result, the operating profit per tonne amounted to €154 in 2024 and EBITDA in the Pulp business multiplied threefold, to €138m (4Q24: €6m).
- ✓ EBITDA from the sale of energy increased by 50% in 2024 to €32m, boosted by growth in generation volumes and lower operating costs. However, EBITDA in the Renewables business as a whole fell by 38% in 2024 to €26m (4Q24: €6m) due to a tough comp (having recognised the gain on the sale of two PV projects in 2023), as well as new businesses development expenses.
- ✓ Cash flow before working capital movements and growth and sustainability capex amounted to €101m in 2024, up from €26m in 2023.
- ✓ Changes in working capital implied a cash outflow of €66m in 2024 due to higher pulp prices and inventories, coupled with lower remuneration for the operation of biomass plants as a result of the new methodology enacted in 2024.
- ✓ Investment in growth and sustainability amounted to €64m in 2024 (4Q24: €34m).
    - In December 2024, Ence Biogás acquired a biomethane facility in La Galera (Tarragona) with annual production capacity of up to 50 GWh for the sum of €17.4m, signing a 15-year agreement with an important gas merchant for the offtake of the biomethane produced at the plant. In January 2025, Ence Biogás arranged a €20 million project finance facility due 2037 to fund the acquisition and investments planned for the plant. This acquisition accelerates Ence's plans to develop a biomethane platform in Spain with the ability to generate 1,000 GWh per year by 2030, contributing an estimated €60m to EBITDA.
    - At the end of 2024, Magnon Energy Services signed an agreement with a leading beer maker in Spain for the annual supply of 85 GWht of renewable thermal energy for a period of 15 years. This business aims to lift renewable thermal energy production to 2,000 GWh per year by 2030, adding an estimated €40m to EBITDA.
    - In the Pulp business, the new line for the production of up to 125,000 tonnes of fluff pulp for the absorbent hygiene product industry in Europe is expected to start up in 4Q25. Ence also expects to begin production and sale of its pulp-based renewable packaging line in 2025; these products are being designed as substitutes for the plastic packaging used in the food sector. On the efficiency front, Ence has launched its cost reduction and decarbonisation project for its biomill in Navia, which will reduce its Scope 1 emissions by 60% and lower its cash cost by €13/t.
- ✓ In 2024, Ence paid out two interim dividends totalling €34m, implying a dividend yield of 5%, calculated using the Company's share price at the start of the year.
- ✓ The Group's net debt ended 2024 at €321m, including lease liabilities: €242m corresponding to the Pulp business and €79 to the Renewables business. The Group's financial strength and outlook for cash generation form a solid basis for achieving the growth and diversification objectives set for both businesses.
- ✓ Subsequent to year-end, it is worth highlighting the sale in February 2025 of energy savings certificates generated via energy efficiency initiatives for a net sum of €30m, which the company expects to recognise as revenue and collect in the first quarter of 2025.
- ✓ Pulp prices in Europe have already recovered by $100/tonne from their low of $1,000/tonne (gross, equivalent to approximately $550 on a net basis) recorded in December 2024. The leading producers have announced additional price increases to $1,220/tonne (gross, approximately $645 net) from March.
- ✓ 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 2024. The Company was also included in the FTSE4Good index for the fourth year in a row in 2024.

2. PULP BUSINESS

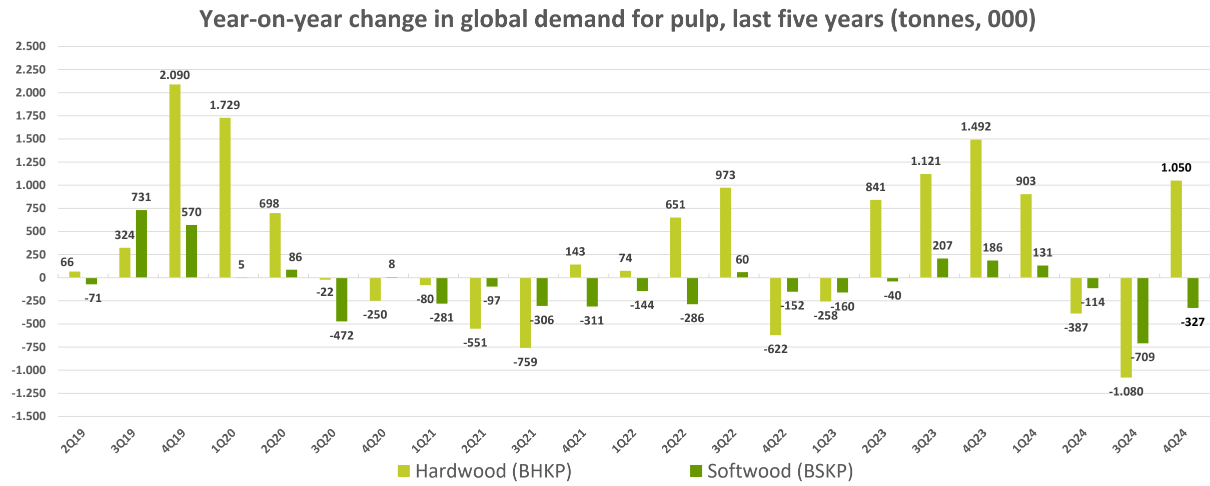
Ence has two eucalyptus hardwood pulp (BHKP) biomills in northeast Spain: a 685,000-tonne-capacity facility located on a site owned by the Company in the town of Navia, Asturias, and a 515,000-tonne-capacity complex located on a site held under concession in Pontevedra, Galicia. Both use eucalyptus timber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

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.

Global demand for paper continued to rise in 2024, led by demand for tissue paper, which increased by 3.1% in 2024, with demand for printing and writing papers also up 0.4%, having been hurt by destocking in the Western world in 2023.

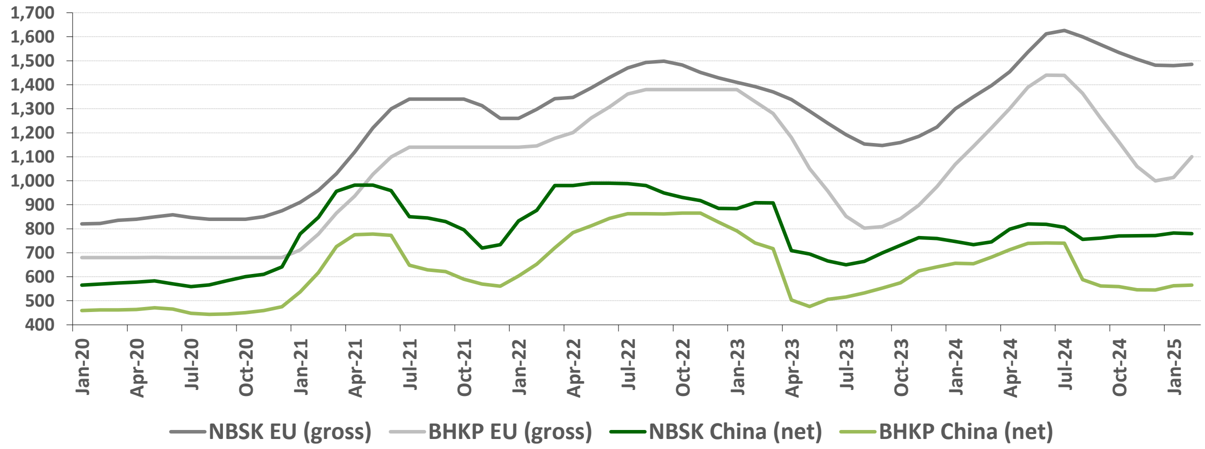


Source: PPPC–G100

The growth in global demand for paper contrasts with a let-up in global demand for pulp, which decreased by 1.0% in 2024 (-0.6m tonnes), shaped by a tough comparison with 2023 (when demand jumped by 2.9m tonnes). In 4Q24, global demand for pulp recorded a strong year-on-year increase, fuelled by inventories recovery in the paper industry in China, after experiencing a reduction in 3Q24.

The growth in demand for pulp in 4Q24 contributed to offset the increase in production related to the start-up of a new pulp mill in Brazil in 3Q24. Pulp producer inventories stood at 39 days at the end of 2024, compared to 40 days at the end of 2023.

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



Source: FOEX

Against this backdrop, European hardwood pulp (BHKP) prices recorded a low of $1,000 per tonne (gross) in December (approximately $550 net). In the first two months of 2025, pulp prices have already recovered by $100 to $1,100 (gross) by February 2025. The leading producers have announced additional price increases to $1,220/tonne (gross, approximately $645 net) from March 2025.

Market figures	4Q24	4Q23	Δ%	3Q24	Δ%	2024	2023	Δ%
BHKP (USD/t) average price	1,099.4	904.5	*21.5%*	1,375.9	*(20.1%)*	1,235.7	1,045.5	*18.2%*
Average exchange rate (USD/€)	1.08	1.07	*0.3%*	1.09	*(1.6%)*	1.084	1.08	*0.4%*
BHKP (€/t) average price	1,022.2	843.4	*21.2%*	1,258.3	*(18.8%)*	1,140.1	968.1	*17.8%*

The average benchmark price for hardwood pulp (BHKP) in Europe averaged $1,236 (gross) in 2024, growth of 18.2% from 2023. The benchmark price was 1,099/tonne (gross) in 4Q24, up 21.5% from 4Q23 and 20.1% below the 3Q24 average.

2.2. Revenue from pulp sales

Pulp sales volumes totalled 967,628 tonnes in 2024, down 1.1% from 2023, due to higher pulp inventories, which more than offset the growth in production volumes. 4Q24 pulp sales volumes totalled 235,221, up 0.6% from 3Q24 and down 13.9% from 4Q23, shaped by the above-mentioned growth in pulp inventories.

	4Q24	4Q23	Δ%	3Q24	Δ%	2024	2023	Δ%
Pulp sales (t)	**235,221**	**273,082**	*(13.9%)*	**233,833**	*0.6%*	**967,628**	**978,501**	*(1.1%)*
Average sales price (€/t)	575.7	522.2	*10.2%*	678.7	*(15.2%)*	647.2	578.0	*12.0%*
Pulp sales revenue (€ m)	**135.4**	**142.6**	*(5.0%)*	**158.7**	*(14.7%)*	**626.2**	**565.6**	*10.7%*

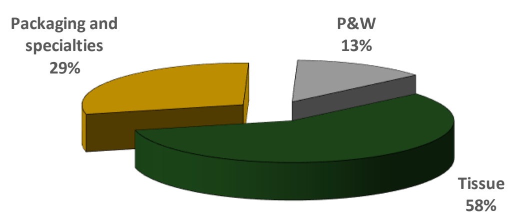
Average sales prices improved by 12% (€69/t) in 2024, to €647.2 per tonne. The average sales price in 4Q24 was €575.7 per tonne, up 10.2% (€53/t) vs. 4Q23.

The combination of the two factors drove growth of 10.7% in revenue from pulp sales in 2024, to €626.2m. In 4Q24, revenue from pulp sales came to €135.4m.

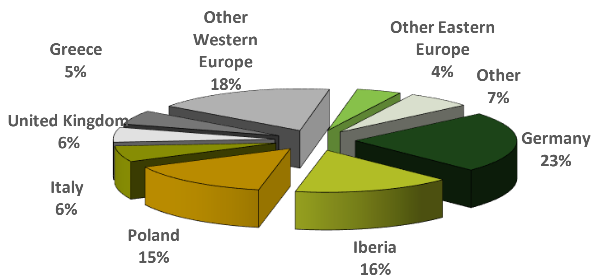
Ence Advanced products accounted for 23% of total pulp sales in 2024 (24% in 4Q24), fetching a €29 higher margin per tonne than standard pulp. Sales of these higher-margin products are expected to reach 30% of total pulp sales in 2025.

The tissue paper segment remains the main end use given to the pulp sold by Ence, accounting for 58% of revenue from pulp sales in 2024, followed by the packaging and specialty paper segment, at 29%. 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 93% of revenue from pulp sales in 2024. In Europe, Ence boasts sizeable competitive advantages in terms of logistics and customer service. Germany accounted for 23% of revenue, followed by Spain and Portugal (16%), Poland (15%), Italy (6%), the UK (6%) and Greece (5%). The other western European countries accounted for 18% of the total, with the rest of Eastern Europe representing 4%.

2.3. Pulp production and cash cost

In 2024, pulp production increased by 2.2% from 2023 to 996,955 tonnes, with higher production in Pontevedra offsetting the drop in production in Navia. Pulp production in 4Q24 amounted to 255,842 tonnes, up 3.1% quarter-on-quarter but down 4% year-on-year.

	4Q24	4Q23	Δ%	3Q24	Δ%	2024	2023	Δ%
Navia pulp production	144,027	160,584	*(10.3%)*	155,161	*(7.2%)*	578,067	614,032	*(5.9%)*
Pontevedra pulp production	111,815	105,972	*5.5%*	93,019	*20.2%*	418,888	361,313	*15.9%*
Pulp production (t)	**255,842**	**266,556**	*(4.0%)*	**248,180**	*3.1%*	**996,955**	**975,345**	*2.2%*

The average cash cost decreased by 6.2% (€32/t) in 2024, to €493/t, favoured by lower raw material and transportation costs.

The cash cost in 4Q24 increased by 6.7% year-on-year to €521/t, shaped by temporary factors related with a smaller contribution by the sale of surplus energy, lower grants to offset CO_2 emissions and higher chemical costs as a result of a temporary stoppage at one of Spain's largest soda producers.

Figures in €/t	4Q24	4Q23	Δ%	3Q24	Δ%	2024	2023	Δ%
	575.7	522.2	*10.2%*	678.7	*(15.2%)*	647.2	578.0	*12.0%*
Total cash cost	521.4	455.2	*14.5%*	488.7	*6.7%*	493.0	525.5	*(6.2%)*
Operating margin	**54.4**	**67.0**	*(18.9%)*	**190.0**	*(71.4%)*	**154.2**	**52.5**	*193.5%*

The growth in the average sales price coupled with the reduction in the cash cost lifted average operating profit to €154/t in 2024, from €52.5/t in 2023. In 4Q24, average profit per tonne dipped to €54.4/t, a year-on-year reduction of 18.9%, as a result of the temporary uptick in the cash cost, partially offset by a higher average sales price.

2.4. Other income

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

Figures in € m	4Q24	4Q23	Δ%	3Q24	Δ%	2024	2023	Δ%
Revenues from energy sales linked to pulp (€ m)	10.7	13.1	*(18.2%)*	11.2	*(4.2%)*	37.9	38.2	*(0.9%)*
Forestry and other revenue (€ m)	6.4	5.2	*23.4%*	1.9	*246.6%*	19.1	19.4	*(1.7%)*
Other income	**17.1**	**18.3**	*(6.3%)*	**13.6**	*25.9%*	**56.9**	**57.6**	*(1.2%)*

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 €138.2m in 2024, which is three times the 2023 figure, boosted by growth in the average sales price and the reduction in the cash cost.

EBITDA in 4Q24 came to €6.3m, after a non-recurring extraordinary cost of €10.4m due to higher energy purchases caused by the idling of the co-generation turbine in Navia; this cost is not included in the cash cost. That incident is expected to be fixed by May 2025, generating an additional impact of approximately €10m in 2025. Excluding this item, 4Q24 EBITDA would have been €16.7m.

Figures in € m	4Q24	4Q23	Δ%	3Q24	Δ%	2024	2023	Δ%
Pulp sales revenue	135.4	142.6	*(5.0%)*	158.7	*(14.7%)*	626.2	565.6	*10.7%*
Other income	17.1	18.3	*(6.3%)*	13.0	*31.6%*	56.9	57.6	*(1.2%)*
Total net revenue	**152.6**	**160.9**	*(5.2%)*	**171.7**	*(11.2%)*	**683.2**	**623.2**	*9.6%*
EBITDA	**6.3**	**18.5**	*(65.7%)*	**42.2**	*(85.0%)*	**138.2**	**46.2**	*199.3%*
Depreciation and amortisation	(14.6)	(14.9)	*(2.5%)*	(14.7)	*(0.6%)*	(57.9)	(55.6)	*4.2%*
Depletion of forestry reserves	(2.2)	(1.9)	*15.6%*	(1.3)	*70.6%*	(9.7)	(8.8)	*10.5%*
Impairment of and gains/(losses) on fixed-asset disp.	(0.8)	(0.2)	*n.s.*	(0.2)	*n.s.*	(1.7)	(1.0)	*77.3%*
Other non-ordinary results from operations	5.8	9.3	*(37.6%)*	(0.7)	*n.s.*	3.8	3.7	*0.0 p.p.*
EBIT	**(5.4)**	**10.8**	*n.s.*	**25.3**	*n.s.*	**72.6**	**(15.5)**	*n.s.*
Net finance cost	(4.5)	(6.1)	*(26.3%)*	(4.6)	*(1.7%)*	(18.6)	(17.4)	*7.0%*
Other financial results	2.2	(0.9)	*n.s.*	(1.9)	*n.s.*	1.2	(1.0)	*n.s.*
Profit before tax	**(7.8)**	**3.8**	*n.s.*	**18.8**	*n.s.*	**55.2**	**(33.9)**	*n.s.*
Income tax	2.4	(0.8)	*n.s.*	(3.7)	*n.s.*	(11.4)	6.6	*n.s.*
Net Income	**(5.3)**	**2.9**	*n.s.*	**15.1**	*n.s.*	**43.8**	**(27.3)**	*n.s.*

Ence has an ongoing hedging policy designed to mitigate the impact of exchange rate volatility on its earnings. In 2024, settlement of those hedges implied a loss of €0.6m. For 2025, Ence has arranged hedges over a notional amount of $289m with a weighted average ceiling of $/€1.09 and a weighted average floor of $/€1.06.

FX Hedges	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
Nominal hedged (USD Mn)	28.5	63.5	33.0	**66.0**	96.9	73.1	72.9	45.9
Average cap (USD / EUR)	1.11	1.09	1.10	**1.10**	1.09	1.09	1.10	1.08
Average floor (USD / EUR)	1.06	1.07	1.07	**1.08**	1.06	1.07	1.07	1.05

Below the EBITDA line, depreciation and amortisation charges increased to €57.9m in 2024 (4Q24: €14.6m) on the back of higher fixed assets. Forest depletion charges also increased to €9.7m in 2024 (4Q24: €2.2m) due to higher own wood consumption.

Impairment losses and gains/(losses) on disposals amounted to a loss of €1.7m in 2024 (4Q24: €0.8m) and reflect a provision for fixed-asset risks. Other non-recurring items - a net gain of €3.8m in 2024 - include a gain of €5.8m in 4Q24 derived from the reversal of non-current provisions for liabilities and charges recognised in prior years, coupled with the effect of the adjustment of the remuneration parameters applicable to the biomass plants and a change in the energy consumption metrics for 2023.

Elsewhere, net finance costs increased by €1.2m to €18.6m in 2024 (4Q24: €4.5m), including €2.4m related to the unwind of the regulatory collar provision. “Other finance income/(cost)” mainly presents the effect of movements in exchange rates on working capital during the period: a net loss of €1.2m in 2024 (4Q24: net loss of €2.2m).

Lastly, income tax expense amounted to €11.4m in 2024 (tax income of €2.4m in 4Q24), implying an effective tax rate of 21%. Note that the 2024 Constitutional Court ruling annulling the limit on offsetting tax losses could lead to the collection, in 2026, of an estimated €15.6m of taxes paid unduly. Also, at year-end 2024, the Pulp business had unused tax losses totalling €21.9m.

As a result, the Pulp business reported a net profit of €43.8m in 2024 (loss of €5.3m in 4Q24), compared to a net loss of €27.3m in 2023.

2.6. Cash flow analysis

Cash flows from operating activities amounted to €86.7m in 2024 (4Q24: €9.2m), despite a €36.7m increase in working capital.

Figures in € m	4Q24	4Q23	Δ%	3Q24	Δ%	2024	2023	Δ%
EBITDA	**6.3**	**18.5**	*(65.7%)*	**42.2**	*(85.0%)*	**138.2**	**46.2**	*199.3%*
Energy regulation adjustment (regullatory collar)	-	(4.9)	*(100.0%)*	-	*n.s.*	-	(8.0)	*(100.0%)*
Other cash adjustments	7.3	(0.9)	*n.s.*	(1.8)	*n.s.*	11.1	7.9	*40.3%*
Change in working capital	4.2	30.4	*(86.1%)*	27.6	*(84.7%)*	(36.7)	(24.7)	*48.5%*
Income tax received / (paid)	(4.8)	6.5	*n.s.*	-	*n.s.*	(6.5)	2.6	*n.s.*
Net interest received / (paid)	(3.9)	(3.9)	*0.4%*	(4.8)	*(19.3%)*	(19.3)	(13.0)	*47.8%*
Net cash flow from operating activities	**9.2**	**45.7**	*(79.9%)*	**63.1**	*(85.5%)*	**86.7**	**10.9**	*n.s.*

Movements in working capital implied a cash outflow of €36.7m in 2024, shaped mainly by the increase in inventories. In 4Q24, the increase in the inventories balance was offset by a reduction in accounts receivable for a net cash inflow of €4.2m that quarter.

Figures in € m	4Q24	4Q23	Δ%	3Q24	Δ%	2024	2023	Δ%
Inventories	(16.1)	26.0	*n.s.*	(11.8)	*36.4%*	(29.5)	25.7	*n.s.*
Trade and other receivables	18.9	24.0	*(21.2%)*	33.4	*(43.4%)*	(8.3)	13.9	*n.s.*
Financial and other current assets	0.7	2.0	*(66.4%)*	0.8	*(18.8%)*	-	1.8	*(100.0%)*
Trade and other payables	0.7	(21.7)	*n.s.*	5.1	*(86.0%)*	1.1	(66.1)	*n.s.*
Change in working capital	**4.2**	**30.4**	*(86.1%)*	**27.6**	*(84.7%)*	**(36.7)**	**(24.7)**	*48.5%*

At year-end, Ence had drawn down €86m of non-recourse receivables discounting facilities in the Pulp business, compared to €83.9m at year-end 2023. Ence has also arranged several reverse factoring facilities, which were drawn down by €59.7m at the December close, compared to €58.9m 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.

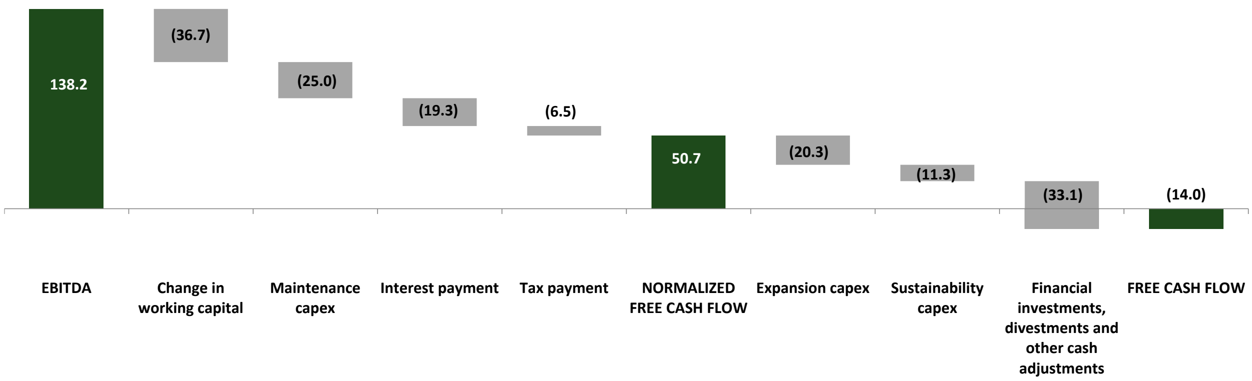
Figures in €Mn	4T24	4T23	Δ%	3T24	Δ%	2024	2023	Δ%
Maintenance capex	(8.1)	(11.2)	*(27.8%)*	(5.4)	*49.1%*	(25.0)	(23.3)	*7.2%*
Sustainability capex and other	(3.1)	(8.9)	*(65.6%)*	(3.1)	*(1.5%)*	(11.3)	(29.6)	*(61.8%)*
Efficiency and expansion capex	(6.3)	(13.1)	*(51.6%)*	(3.6)	*75.8%*	(20.3)	(28.6)	*(29.1%)*
Financial investments in Group companies [1]	(22.5)	(1.8)	*n.s.*	(0.9)	*n.s.*	(45.3)	(4.3)	*n.s.*
Investments	**(40.0)**	**(35.0)**	*14.2%*	**(13.0)**	*207.8%*	**(101.9)**	**(85.845)**	*18.7%*
Disposals [2]	(5.1)	0.5	*n.s.*	6.1	*n.s.*	1.2	-	*n.s.*
Net cash flow used in investing activities	**(45.1)**	**(34.5)**	*30.5%*	**(6.9)**	*n.s.*	**(100.7)**	**(85.8)**	*17.3%*

[1] Financial Investments in 4Q24 exclude €10m maturing on Jan.25
[2] Equipment leases for €6.3m included as Disposals in 3Q24 and reclassified as other movements in borrowings

Capital expenditure in the Pulp business entailed a cash outflow of €101.9m in 2024 (4Q24: €40m), including, by way of financial investment, a €44m loan to the Group's Renewables subsidiary (€21.5m in 4Q24), which gets eliminated in the consolidated statement of cash flows. Excluding that loan, capex in this business amounted to €57.9m in 2024.

Maintenance capex amounted to €25m in 2024 (€8.1m in 4Q24), while sustainability and other capex totalled €11.3m (€3.1m in 4Q24). The sustainability investments were earmarked to reinforcing facility safety and reducing emissions, odour, noise and water consumption at the biomills, bolstering Ence's competitiveness in the long term.

Lastly, investments in efficiency and growth amounted to €20.3m in 2024 (€6.3m in 4Q24) and notably included the effort to diversify pulp production at the Navia biomill into fluff pulp for absorbent personal care products , which is expected to come online towards the end of 2025, as well as the engineering work for the Pontevedra Avanza and As Pontes projects.



As a result, normalised free cash flow in the Pulp business amounted to €50.7m in 2024 (-€6.2m in 4Q24), despite a €36.7m increase in working capital derived from the increase in pulp inventories over the course of the second half of the year. Free cash flow after growth, financial and sustainability capex was negative by €14m in 2024 (-€41.0m in 4Q24), including the provision of a loan of €44m to the Group's Renewables subsidiary (€21.5m in 4Q24), which is eliminated in the consolidated statement of cash flows. Excluding this intragroup loan, free cash flow in the Pulp business would have been €30m in 2024 (-€19.5m in 4Q24).

2.7. Change in net debt

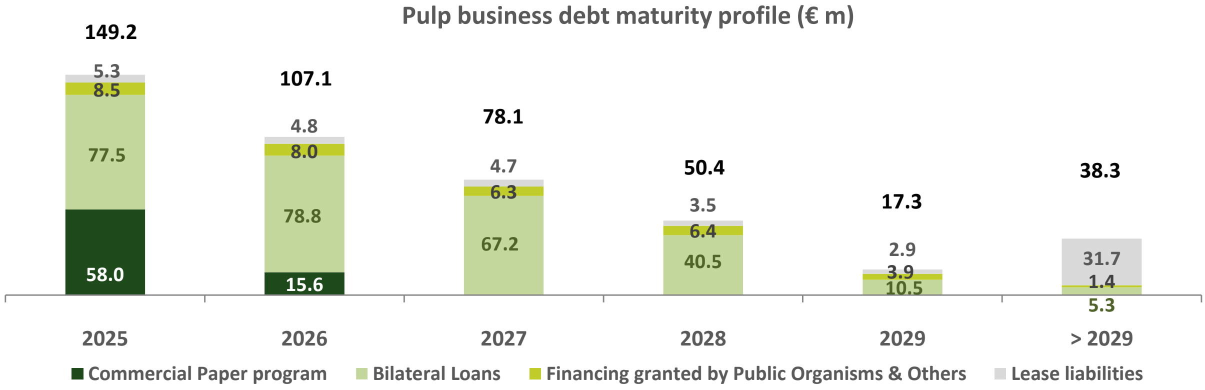
The Pulp business ended 2024 with net debt of €242.6m, compared to net debt of €186.1m at year-end 2023. i.e., an increase of €56.5m, including the €44m loan extended to the Renewables business. The movement in net debt was shaped by the free cash flow generated by the Pulp business in 2024 (-€14m), the payment of €34m of dividends and €8.5m associated with a series of other movements related with equity instruments, leases and the provision for interest.

Figures in € m	Dec-24	Dec-23	Δ%
Non-current financial debt	243.8	311.6	*(21.8%)*
Current financial debt	143.9	146.2	*(1.6%)*
Gross financial debt	**387.7**	**457.8**	*(15.3%)*
Non-current lease contracts	47.5	38.0	*25.1%*
Current lease contracts	5.3	4.0	*31.1%*
Financial liabilities related to lease contracts	**52.8**	**42.0**	*25.7%*
Cash and cash equivalents	184.6	311.2	*(40.7%)*
Short-term financial investments	13.3	2.5	*n.s.*
Net financial debt Pulp business	**242.6**	**186.1**	*30.3%*

In 2024, Ence prepaid €73m of bilateral loans. The balance outstanding under the MARF commercial paper programme increased by €20.5m in 2024 to €73.5m.

Due to the cyclical nature of the Pulp business, it is financed with covenant-free debt and ample liquidity. At the reporting date, the Pulp business had cash and cash equivalents of €197.9m.

The gross debt of €387.7m at the December close corresponds to the outstanding balances of: (i) bilateral loans (€279.7m); (ii) a series of loans totalling €34.4m 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 €73.5m outstanding under Ence's sustainable commercial paper programme, which is being renewed and amended to extend the maturities. Finance lease liabilities stood at €52.8m at year-end. Debt arrangement fees are deducted from gross borrowings on the statement of financial position.



2.8. Diversification and efficiency projects

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.

Firstly, 23% of 2024 pulp sales already originated from the Ence Advanced pulp range. The Ence Advanced products have superior technical properties and a lower environmental footprint and are well suited to replacing softwood pulp, which is more expensive, translating into higher margins relative to standard pulp grades. The goal is to lift this percentage to 50% of total pulp sales by 2028.

Secondly, work is underway to adapt the Navia biomill for the production of up to 125,000 tonnes of fluff pulp for the absorbent hygiene products industry in Europe, substituting imported softwood fluff pulp. In this manner, in addition to selling a higher-margin product than standard pulp, Ence will offer its customers a 'made in Europe' alternative with a smaller carbon footprint. Production is scheduled to start up in the fourth quarter of 2025. The budgeted investment is over €30m between 2024 and 2025 and the expected return (ROCE) is at least 15%.

Thirdly, Ence has developed a pulp-based renewable packaging range designed as a substitute for plastic packaging in the food sector, such as trays for fresh produce and prepared meals. The Company will begin producing and selling this range in 2025 and expects to lift production capacity to 40 million containers by 2026, with scope for scaling up production further in the future. This first facility is expected to require an investment of €12m between 2025 and 2026 and deliver a return (ROCE) of over 15%.

On the efficiency front, the Company has already rolled out its decarbonisation project for its biomill in Navia, which involves retrofitting the lumber yard and replacing natural gas with biomass in the lime furnaces. This project will reduce the biomill's Scope 1 emissions by 60% and its cash cost by €13 per tonne (€8/t at the Group level). The budgeted investment is €35m between 2025 and 2026 and the expected return (ROCE) is at least 15%. That figure already discounts the €13m grant awarded by IDEA (acronym in Spanish for the energy savings and diversification institute), which will be collected when the project is complete.

Also, the Company is putting the finishing touches on the engineering and permitting work for Pontevedra Avanza, the project designed to reduce the cash cost at this biomill by €50 per tonne (€20/t at the Group level), render it more flexible so that it can use different types of wood and continue the process of shifting production into the Ence Advanced range. The budgeted investment in this project is €120m and the expected return (ROCE) is at least 12%. This project will be executed gradually, during the annual maintenance stoppages scheduled between 2025 and 2030.

Lastly, 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 pulp from recovered fibres, without increasing its wood consumption.

3. 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 Energy Services provides end-to-end solutions for the generation of renewable thermal energy from biomass for industrial customers in Spain. In 2023, this company signed its first services provision agreement; it has one development in progress for the supply of 85 GWht per annum from 2026 and another three in permitting for combined production of an estimated 130 GWht/year.

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. In December 2024, this company acquired its first biomethane facility in Tarragona, designed to produce up to 50 GWh per annum, also signing a 15-year agreement with an important gas supplier for the offtake of the biomethane produced at the plant. In addition, as of the reporting date, this subsidiary had a portfolio of 16 biomethane developments at the permitting phase.

3.1. Regulation of the generation of electricity using biomass

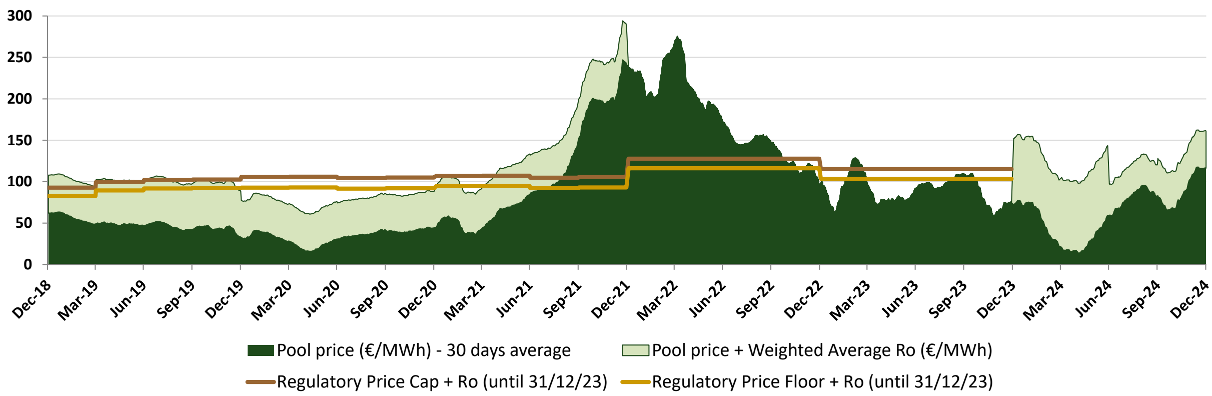
The average price on the day-ahead market (pool price) was €62.9/MWh in 2024 and €94.7/MWh in 4Q24, compared to an estimated pool price for that quarter of €83.2/MWh.

Market figures	4Q24	4Q23	Δ%	3Q24	Δ%	2024	2023	Δ%
Average pool price (€/MWh)	94.7	75.3	*25.9%*	78.7	*20.4%*	62.9	87.4	*(28.1%)*

Source: OMIE

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

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



Under the new methodology approved in 2024 (Ministerial Order TED/526/2024), 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, most of Magnon's biomass plants are entitled to remuneration for investment (Ri) at an annual rate of 7.4%, which boosted revenue by €24.6m in 2024.

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

3.2. Revenue from energy sales

The volume of energy sold in 2024 totalled 1,167,089 MWh, annual growth of 23.2%, having been affected in 2023 by the drop in pool prices under the now defunct methodology for updating the plants' Ro. In 4Q24, energy sales volumes jumped by 123.9% year-on-year, having been affected in 4Q23 by maintenance stoppages and interventions at the 46-MW plant in Huelva and the 50-MW plant in Ciudad Real.

The 16-MW plant in Ciudad Real, which was idle for nearly all of 2024, is expected to start to operate again in 2025.

Operating figures	4Q24	4Q23	Δ%	3Q24	Δ%	2024	2023	Δ%
Huelva 41 MW - Biomass	43,165	27,171	*58.9%*	36,882	*17.0%*	105,745	131,748	*(19.7%)*
Jaén 16 MW - Biomass	21,010	13,956	*50.5%*	21,515	*(2.3%)*	82,857	69,023	*20.0%*
Ciudad Real 16 MW - Biomass	218	-	*n.s.*	-	*n.s.*	218	-	*n.s.*
Córdoba 27 MW - Biomass	38,341	27,997	*36.9%*	20,574	*86.4%*	144,512	108,388	*33.3%*
Huelva 50 MW - Biomass	73,128	51,826	*41.1%*	79,250	*(7.7%)*	305,619	179,638	*70.1%*
Mérida 20 MW - Biomass	10,747	19,740	*(45.6%)*	27,948	*(61.5%)*	88,987	112,994	*(21.2%)*
Huelva 46 MW - Biomass	57,939	-	*n.s.*	60,706	*(4.6%)*	205,102	167,599	*22.4%*
Ciudad Real 50 MW - Biomass	70,405	-	*n.s.*	61,551	*14.4%*	234,049	177,858	*31.6%*
Energy sales (MWh)	**314,953**	**140,690**	*123.9%*	**308,426**	*2.1%*	**1,167,089**	**947,249**	*23.2%*
Average sales price - (€/MWh)	155.1	230.5	*(32.7%)*	136.6	*13.5%*	141.0	153.3	*(8.0%)*
Remuneration for investment (€m)	6.2	6.2	-	6.2	-	24.6	24.8	*(0.5%)*
Revenue from energy sales (€ m)	**55.0**	**38.6**	*42.5%*	**48.3**	*13.9%*	**189.2**	**169.9**	*11.3%*

The average sales price was €141/MWh in 2024 (€155.1/MWh in 4Q24), down 8% from 2023, which included an accounting adjustment for the mismatch between the pool price and the regulatory price (regulatory collar) under the now defunct remuneration calculation methodology.

The combination of the two factors drove revenue from energy sales 11.3% higher €189.2m in 2024 (4Q24: €55m), factoring in remuneration for investment, which was flat.

3.3. Statement of profit or loss

The Renewables business generated €26.3m of EBITDA in 2024 (4Q24: €5.7m), down 38.3% from 2023, which included a positive contribution from other businesses in the amount of €21m, mainly related with the sale of two photovoltaic developments during the first half of that year. The negative contribution by other businesses of €6.1m in 2024 includes an impairment loss of €2.3m recognised against another photovoltaic development in 4Q24.

Excluding those positive and negative contributions by other renewable businesses, EBITDA from the sale of energy increased by 49.8% in 2024 to €32.5m (4Q24: €9m), boosted higher generation volumes and lower operating costs.

Figures in € m	4T24	4T23	Δ%	3T24	Δ%	2024	2023	Δ%
Revenue from energy sales (includes hedges)	55.0	38.6	*42.5%*	48.3	*13.9%*	189.2	169.9	*11.3%*
Other revenues	1.4	1.0	*44.4%*	0.6	*135.2%*	7.5	39.2	*(80.9%)*
Total revenue [1]	**56.4**	**39.6**	*42.6%*	**48.9**	*15.3%*	**196.7**	**209.1**	*(5.9%)*
EBITDA from energy sales	9.0	7.9	*13.6%*	10.3	*(12.9%)*	32.5	21.7	*49.8%*
EBITDA from other businesses	(3.3)	(1.2)	*167.7%*	(1.5)	*115.5%*	(6.1)	21.0	*n.s.*
EBITDA	**5.7**	**6.7**	*(14.7%)*	**9.4**	*(39.6%)*	**26.3**	**42.6**	*(38.3%)*
Depreciation and amortisation	(9.1)	(10.7)	*(15.6%)*	(9.0)	*0.3%*	(34.5)	(39.1)	*(11.8%)*
Impairment of and gains/(losses) on fixed-asset disp.	0.6	8.5	*(93.0%)*	0.1	*n.s.*	1.7	8.8	*(80.6%)*
Other non-ordinary results from operations	-	(0.0)		-	*n.s.*	(4.5)	(0.4)	
EBIT	**(2.8)**	**4.4**	*n.s.*	**0.4**	*n.s.*	**(10.9)**	**11.9**	*n.s.*
Net finance cost	(4.2)	(3.3)	*27.7%*	(3.1)	*34.6%*	(13.8)	(12.8)	*7.8%*
Other finance income/(cost)	(0.0)	0.0	*n.s.*	0.3	*n.s.*	0.3	0.0	*n.s.*
Profit before tax	**(7.0)**	**1.1**	*n.s.*	**(2.4)**	*191.9%*	**(24.5)**	**(0.9)**	*n.s.*
Income tax	(1.1)	0.4	*n.s.*	0.2	*n.s.*	(0.7)	5.7	*n.s.*
Net Income	**(8.1)**	**1.6**	*n.s.*	**(2.1)**	*n.s.*	**(25.2)**	**4.8**	*n.s.*
Non-controlling interests	3.8	(1.4)	*n.s.*	1.0		11.4	(3.7)	*n.s.*
Attributable Net Income	**(4.3)**	**0.2**	*n.s.*	**(1.2)**	*n.s.*	**(13.8)**	**1.1**	*n.s.*

[1] Net Revenue amount in 2Q24 excludes other non-recurring operating income of €5.7m

To mitigate the risk of movements in electricity market prices relative to the pool price estimated in the immediately preceding quarter, Magnon has put in place a hedging policy designed to replicate the formula used by the ministry to estimate market prices covering up to 40% of forecast generation output. In 4Q24, settlement of those hedges implied a loss of €2.8m.

Below the EBITDA line, depreciation and amortisation charges decreased to €34.5m in 2Q24 (1Q24: €9.1m).

The gain of €1.7m recognised under impairment and gains/(losses) on the disposal of non-current assets in 2024 (€0.6m in 4Q24) originated from the reversal of an asset impairment charge. Meanwhile, the Group recorded a loss of €4.5m in 2024 under other non-operating items related with the adjustments made to the biomass facilities' remuneration parameters in 2023, which were published in April 2024.

Finance costs increased to €13.8m in 2024 (4Q24: €4.2m), including €5.2m related to the unwind of the regulatory collar provision.

Tax expense amounted to €0.7m in 2024 (tax income of €1.1m in 4Q24). Note that the Constitutional Court ruling in 2024 annulling the limit on offsetting tax losses could lead to the collection, in 2026, of an estimated €3.1m of taxes paid unduly. Also, at year-end 2024, the Renewables business had unused tax losses totalling €17.5m.

As a result, the Renewables business posted a net attributable loss of €13.8m in 2024 (loss of €4.3m in 4Q24), compared to a profit of €1.1m in 2024.

3.4. Cash flow analysis

The Renewables business used €8.1m of cash in operating activities in 2024 (€0.9m in 4Q24), due mainly to a sharp increase in working capital related with higher remuneration for operation (Ro) of the plants as a result of the new methodology for the quarterly update of that parameter enacted in 2024.

Figures in € m	4Q24	4Q23	Δ%	3Q24	Δ%	2024	2023	Δ%
EBITDA	**5.7**	**6.7**	*(14.7%)*	**9.4**	*(39.6%)*	**26.3**	**42.6**	*(38.3%)*
Energy regulation adjustment (regulatory collar)	-	(16.3)	*(100.0%)*	-	*n.s.*	-	(26.0)	*(100.0%)*
Other cash adjustments	2.2	0.3	*n.s.*	(1.2)	*n.s.*	(0.6)	2.1	*n.s.*
Change in working capital	(11.2)	17.4	*n.s.*	(9.2)	*22.0%*	(29.3)	(53.4)	*(45.1%)*
Income tax received / (paid)	9.9	0.9	*n.s.*	-	*n.s.*	9.6	(9.2)	*n.s.*
Net interest received / (paid)	(5.7)	(5.1)	*12.3%*	(1.8)	*212.3%*	(14.2)	(13.2)	*7.9%*
Net cash flow from operating activities	**0.9**	**4.0**	*(76.8%)*	**(2.8)**	*n.s.*	**(8.1)**	**(57.0)**	*(85.7%)*

Movements in working capital implied a cash outflow of €29.3m in 2024 (and of €11.2m in 4Q24), due mainly to the increase in trade payables as a result of the increase in the plants' remuneration for operation.

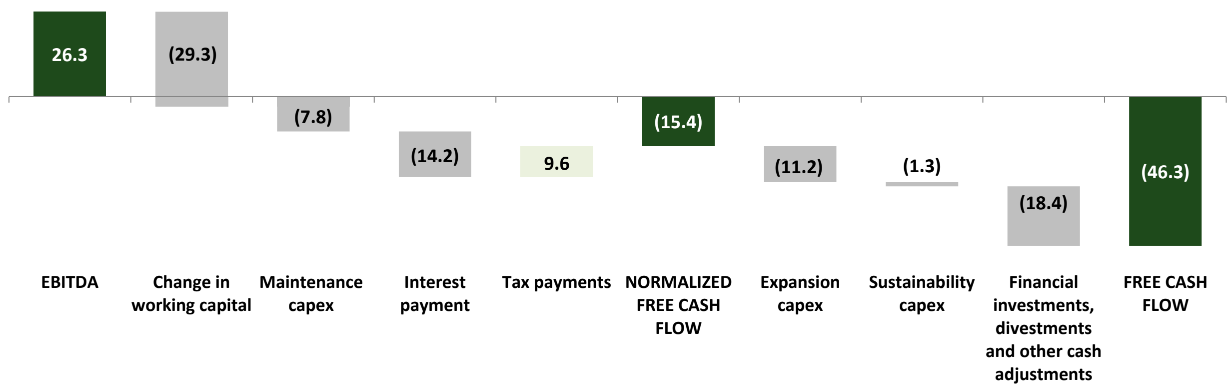
Figures in € m	4Q24	4Q23	Δ%	3Q24	Δ%	2024	2023	Δ%
Inventories	0.1	(2.4)	*n.s.*	0.7	*(87.0%)*	0.1	(0.4)	*n.s.*
Trade and other receivables	(7.5)	12.2	*n.s.*	(4.6)	*62.1%*	(28.5)	33.9	*n.s.*
Current financial and other assets	0.2	-	*n.s.*	(0.1)	*n.s.*	-	-	*n.s.*
Trade and other payables	(4.0)	7.6	*n.s.*	(5.1)	*(22.3%)*	(0.9)	(86.9)	*(99.0%)*
Change in working capital	**(11.2)**	**17.4**	*n.s.*	**(9.2)**	*22.0%*	**(29.3)**	**(53.4)**	*(45.1%)*

This business's non-recourse receivable discounting facilities were fully undrawn at year-end 2024 (drawn down by €4.4m at year-end 2023). Magnon has also arranged several non-recourse reverse factoring facilities, which were drawn down by €23.4m at 31 December 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.

Capital expenditure entailed a cash outflow of €38.1m in 2024 (4Q24: €25.8m), including a financial investment of €17.4m for the acquisition of 98% of a biomethane generation plant located in the town of La Galera, Tarragona in December.

Maintenance capex amounted to €7.8m in 2024 (€3.8m in 4Q24), while sustainability capex totalled €1.3m (€0.3m in 4Q24). 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 €11.2m in 2024 (€4.1m in 4Q24) and were mainly related with the development of the biomethane and renewable thermal energy projects.



Normalised free cash flow in the Renewables business was negative by -€15.4m in 2024 (and -€5.1m in 4Q24), affected by the sharp increase in working capital derived from higher remuneration for plant operation. Free cash flow after growth and sustainability capex was -€46.3m in 2024 (-€24.4m in 4Q24), including a financial investment of €17.4m for the acquisition the biomethane generation plant in Tarragona in December.

3.5. Change in net debt

Net debt in the Renewables business decreased by €14.9m from year-end 2023 to €78.6m.

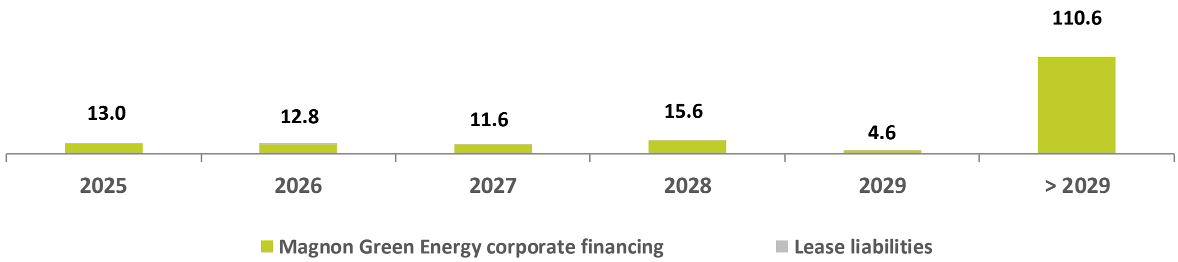
The negative free cash flow in 2024 (€46.3m) was more than offset by the loan of €44m received from the Group parent, in addition to the €24.1m loan provided to Magnon by its non-controlling shareholder. In addition, Ence Renovables paid dividends of €5.1m to its non-controlling shareholders. The remainder of the movement in net debt, an increase of €1.8m, is attributable to the movements in leases and the provision for interest.

Figures in €Mn	Dec-24	Dec-23	Δ%
Deuda financiera a largo plazo	151.2	88.9	*70.0%*
Deuda financiera a corto plazo	11.3	33.6	*(66.5%)*
Deuda financiera bruta	**162.4**	**122.5**	*32.6%*
Arrendamientos a largo plazo	4.0	1.7	*129.9%*
Arrendamientos a corto plazo	1.8	1.1	*60.3%*
Pasivo financiero por arrendamientos	**5.7**	**2.8**	*102.8%*
Efectivo para cobertura de deuda financiera	10.0	10.0	-
Efectivo y equivalentes	79.4	21.8	*n.s.*
Inversiones financieras temporales	0.2	0.0	*n.s.*
Deuda financiera neta del negocio de Renovables	**78.6**	**93.5**	*(16.0%)*

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. Magnon has also been extended a €20m revolving credit facility which is currently undrawn. The new facility is non-recourse to the parent of the Renewables business, evidencing the financial community's confidence in the regulated biomass-powered electricity market.

Gross debt at the September close stood at €162.4m, lease liabilities amounted to €5.7m and cash and cash equivalents stood at €89.6m.

Renewables debt maturity profile (€ m)



Note that on 30 January 2025, Ence Biogas arranged a project finance facility to fund the acquisition of and investments planned at the Galera biomethane plant with a drawdown limit of €19.6m. The new facility qualifies as a green loan, with recourse exclusively to the asset it is financing, and it matures in June 2037.

3.6. Growth and diversification projects

Ence's strategy in the Renewables business is to continue to pursue growth and business diversification, specifically in new renewable energies, leveraging its leadership position in the biomass value chain in Spain.

Firstly, through its subsidiary, Ence Biogas, the Group in the process of developing biomethane and biofertiliser plants, underpinned by a model based on sustainable and circular management of agricultural and breeding biomass. This company aims to build production capacity of 1,000 GWh per year by 2030, at an estimated investment of €0.4m per GWh. This investment is targeting a return (ROCE) of at least 12% and EBITDA of over €60m by 2030.

In December 2024, Ence Biogas acquired its first biomethane facility in Tarragona, designed to produce up to 50 GWh per annum, also signing a 15-year agreement with an important gas merchant for the offtake of the biomethane produced at the plant. At year-end, this company also had a portfolio of 16 other developments at the permitting stage (in Castile and León, Aragon, Catalonia, Castile-La Mancha, Extremadura and Andalusia), plus another 12 initiatives under development for which sites have been located and viability studies performed.

Secondly, through its subsidiary, Magnon Energy Services, the Group provides end-to-end solutions for the generation of renewable thermal energy from biomass for industrial customers in Spain. This company aims to build renewable thermal energy production capacity of 2,000 GWh per year by 2030, at an estimated investment of between €0.1m and €0.2m per GWh. This investment is targeting a return (ROCE) of at least 11% and EBITDA of over €40m by 2030.

At year-end 2024, Magnon signed an agreement with a leading beer maker in Spain for the installation of two 10 MWt biomass furnaces that will supply it with 85 GWht of renewable thermal energy per annum for 15 years in order to decarbonise its operations. This facility is expected to be commissioned during the first half of 2026, entail a budgeted investment of €12m between 2025 and 2026 and deliver an estimated return (ROCE) of over 11%. That figure already discounts the €4m grant awarded under Spain's strategic decarbonisaton plan using NGEU funds, which will be collected when the project is complete.

This company also has a services provision agreement in operation, and three more renewable thermal energy developments in advanced and exclusive negotiations which will imply combined production of an estimated 130 GWht/year. These developments are expected to be ready for the start of construction in the course of 2025. Magnon is also in negotiations with another 10 potential industrial customers in Spain with a view to providing them with renewable thermal heat.

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 Ence Group produces close to 4 million tonnes of biogenic CO_2 annually and is advancing on the engineering and permitting work needed for its potential capture and use in the future.

4. CONSOLIDATED FINANCIAL STATEMENTS

4.1. Summarised statement of profit or loss

Figures in € m	2024 Pulp	2024 Renewables	2024 Adjustments	2024 Consolidated	2023 Pulp	2023 Renewables	2023 Adjustments	2023 Consolidated
Total revenue	**683.2**	**196.7**	**(3.7)**	**876.2**	**623.2**	**209.1**	**(2.7)**	**829.6**
Foreign exchange hedging operations results*	(0.6)	(2.8)	-	(3.4)	(0.4)	-	-	(0.4)
Other income	21.8	5.3	(1.3)	25.8	28.9	5.2	(1.2)	32.8
Cost of sales and change in inventories of finished produ	(342.2)	(69.6)	3.7	(408.1)	(361.7)	(78.6)	2.7	(437.5)
Personnel expenses	(89.6)	(23.5)	-	(113.1)	(83.3)	(20.7)	-	(104.0)
Other operating expenses	(134.4)	(79.7)	1.3	(212.8)	(160.5)	(72.5)	1.2	(231.7)
EBITDA	**138.2**	**26.3**	**0.0**	**164.5**	**46.2**	**42.6**	**-**	**88.8**
Depreciation and amortisation	(57.9)	(34.5)	1.6	(90.8)	(55.6)	(39.1)	1.6	(93.1)
Depletion of forestry reserves	(9.7)	-	-	(9.7)	(8.8)	-	-	(8.8)
Impairment of and gains/(losses) on fixed-asset disposals	(1.7)	1.7	-	(0.0)	(1.0)	8.8	-	7.8
Other non-ordinary operating gains/(losses)	3.8	(4.5)	-	(0.6)	3.7	(0.4)	-	3.3
EBIT	**72.6**	**(10.9)**	**1.6**	**63.3**	**(15.5)**	**11.9**	**1.6**	**(2.0)**
Net finance cost	(18.6)	(13.8)	-	(32.4)	(17.4)	(12.8)	(0.0)	(30.2)
Other finance income/(costs)	1.2	0.3	-	1.5	(1.0)	0.0	-	(1.0)
Profit before tax	**55.2**	**(24.5)**	**1.6**	**32.4**	**(33.9)**	**(0.9)**	**1.6**	**(33.2)**
Income tax	(11.4)	(0.7)	(0.1)	(12.2)	6.6	5.7	(0.1)	12.1
Net Income	**43.8**	**(25.2)**	**1.5**	**20.1**	**(27.3)**	**4.8**	**1.5**	**(21.1)**
Non-controlling interests	-	11.4	-	11.4	-	(3.7)	-	(3.7)
Atributable Net Income	**43.8**	**(13.8)**	**1.5**	**31.6**	**(27.3)**	**1.1**	**1.5**	**(24.7)**
Earnings per Share (EPS)	0.18	(0.06)	0.01	0.13	(0.11)	(0.05)	-	(0.10)

* Net Revenue amount excludes other non-recurring operating income of €5.7m in 2Q24

4.2. Summarised statement of financial position

Figures in € m	Dec-24 Pulp	Dec-24 Renewables	Dec-24 Adjustments	Dec-24 Consolidated	Dec-23 Pulp	Dec-23 Renewables	Dec-23 Adjustments	Dec-23 Consolidated
Intangible assets	19.2	57.2	(11.6)	64.9	17.7	33.7	(12.1)	39.3
Property, plant and equipment	608.6	372.4	(6.4)	974.6	617.5	379.0	(7.5)	989.0
Biological assets	66.1	0.3	-	66.3	66.9	0.2	-	67.1
Non-current investments in Group companies	114.0	0.6	(114.0)	0.7	114.0	0.0	(114.0)	0.0
Non-current borrowings to Group companies	65.7	-	(65.7)	-	22.3	-	(22.3)	-
Deferred tax assets	35.2	23.9	2.9	62.0	38.0	27.0	3.0	68.0
Non-current financial assets	19.5	20.3	-	39.8	27.7	24.9	-	52.6
Cash reserve for debt service	-	10.0	-	10.0	-	10.0	-	10.0
Total non-current assets	**928.3**	**484.7**	**(194.8)**	**1,218.3**	**904.0**	**474.8**	**(152.8)**	**1,226.0**
Inventories	82.1	12.5	-	94.6	54.8	17.3	-	72.1
Trade and other accounts receivable	39.5	36.0	(6.0)	69.4	39.5	7.5	(2.0)	45.1
Income tax	5.3	1.3	-	6.6	4.8	10.1	-	15.0
Other current assets	15.7	0.3	-	16.1	3.8	0.2	-	4.0
Hedging derivatives	0.0	-	-	-	1.1	1.7	-	2.8
Current financial investments in Group companies	0.2	0.7	(0.8)	0.0	0.2	0.1	(0.3)	0.0
Current financial investments	13.3	0.2	-	13.6	2.5	0.0	-	2.5
Cash and cash equivalents	184.6	79.4	-	263.9	311.2	21.8	-	333.0
Total current assets	**340.7**	**130.4**	**(6.9)**	**464.2**	**418.0**	**58.7**	**(2.3)**	**474.5**
TOTAL ASSETS	**1,269.0**	**615.1**	**(201.6)**	**1,682.4**	**1,322.0**	**533.5**	**(155.1)**	**1,700.5**
Equity	**559.1**	**192.6**	**(129.0)**	**622.6**	**552.5**	**227.7**	**(130.5)**	**649.6**
Non-current loans with Group companies and associates	-	94.7	(65.7)	29.0	-	27.1	(22.3)	4.9
Non-current borrowings	291.3	155.1	-	446.4	349.6	90.6	-	440.2
Non-current derivatives	2.2	1.8	-	4.0	3.4	-	-	3.4
Deferred tax liabilities	-	-	-	-	-	-	-	-
Non-current provisions	28.9	0.6	-	29.5	28.1	0.1	-	28.3
Other non-current liabilities	33.8	71.9	-	105.7	35.9	69.6	-	105.5
Total non-current liabilities	**356.2**	**324.2**	**(65.7)**	**614.7**	**417.0**	**187.5**	**(22.3)**	**582.3**
Current borrowings	149.2	13.0	-	162.2	150.3	34.7	-	185.0
Current derivatives	6.9	1.1	-	8.0	0.6	-	-	0.6
Trade and other account payable	166.4	80.2	(6.0)	240.6	162.8	79.7	(2.0)	240.6
Short-term debts with group companies	0.7	1.0	(0.8)	0.9	0.1	0.5	(0.3)	0.2
Income tax	0.0	0.0	-	0.0	0.0	0.0	-	0.0
Current provisions	30.5	3.0	-	33.5	38.8	3.4	-	42.2
Total current liabilities	**353.7**	**98.3**	**(6.9)**	**445.1**	**352.5**	**118.3**	**(2.3)**	**468.6**
TOTAL EQUITY AND LIABILITIES	**1,269.0**	**615.1**	**(201.6)**	**1,682.4**	**1,322.0**	**533.5**	**(155.1)**	**1,700.5**

4.3. Statement of cash flows

Figures in € m	2024				2023			
	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
Consolidated profit/(loss) for the period before tax	**55.2**	**(24.5)**	**1.6**	**32.3**	**(33.9)**	**(0.9)**	**1.6**	**(33.2)**
Depreciation and amortisation	67.6	34.5	(1.6)	100.5	64.4	39.1	(1.6)	101.9
Changes in provisions and other deferred expense	8.6	4.9	-	13.5	5.6	2.6	-	8.2
Impairment of gains/(losses) on disposals intangible assets	1.9	(1.7)	-	0.2	1.2	(8.8)	-	(7.6)
Net finance result	17.8	13.6	-	31.4	17.7	12.8	-	30.5
Energy regulation adjustments	(0.8)	(0.9)	-	(1.7)	(8.0)	(26.0)	-	(34.0)
Government grants taken to income	(0.9)	(0.1)	-	(1.1)	(0.9)	(0.1)	-	(1.0)
Adjustments to profit	**94.2**	**50.3**	**(1.6)**	**142.8**	**80.0**	**19.6**	**(1.6)**	**98.0**
Inventories	(29.5)	0.1	-	(29.4)	25.7	(0.4)	-	25.3
Trade and other receivables	(8.3)	(28.5)	4.1	(32.8)	13.9	33.9	(27.3)	20.4
Current financial and other assets	-	-	-	-	1.8	0.0	-	1.8
Trade and other payables	1.1	(0.9)	(4.1)	(3.9)	(66.1)	(86.9)	27.3	(125.6)
Changes in working capital	**(36.7)**	**(29.3)**	-	**(66.0)**	**(24.7)**	**(53.4)**	**-**	**(78.1)**
Interest paid	(19.3)	(14.2)	-	(33.4)	(13.0)	(13.2)	-	(26.2)
Dividends received	0.0	-	-	0.0	-	-	-	-
Income tax received/(paid)	(6.5)	9.6	-	3.1	2.6	(9.2)	-	(6.6)
Other collections/(payments)	(0.2)	-	-	(0.2)	-	-	-	-
Other cash flows from operating activities	**(26.0)**	**(4.6)**	**-**	**(30.5)**	**(10.5)**	**(22.4)**	**-**	**(32.8)**
Net cash flow from operating activities	**86.7**	**(8.1)**	**-**	**78.6**	**10.9**	**(57.0)**	**-**	**(46.1)**
Property, plant and equipment	(52.0)	(18.9)	-	(70.9)	(76.2)	(13.6)	-	(89.8)
Intangible assets	(4.6)	(1.4)	-	(6.0)	(5.4)	(0.6)	-	(5.9)
Other financial assets and Group comanies [1]	(45.3)	(18.9)	44.0	(20.2)	(4.3)	0.5	3.6	(0.3)
Disposals	1.2	1.0	-	2.2	-	-	-	-
Net cash flow used in investing activities	**(100.7)**	**(38.1)**	**44.0**	**(94.8)**	**(85.8)**	**(13.8)**	**3.6**	**(96.0)**
							-	
Free cash flow	**(14.0)**	**(46.3)**	**44.0**	**(16.2)**	**(75.0)**	**(70.8)**	**3.6**	**(142.2)**
Buyback/(disposal) of own equity instruments	0.7	-	-	0.7	5.8	-	-	5.8
Proceeds from and repayments of financial liabilities	(69.4)	109.0	(44.0)	(4.4)	242.6	(37.9)	(3.6)	201.1
Dividends payments	(34.0)	(5.1)	-	(39.1)	(140.6)	(4.1)	-	(144.7)
Net cash flow from/ (used in) financing activities	**(102.7)**	**103.8**	**(44.0)**	**(42.8)**	**107.8**	**(42.0)**	**(3.6)**	**62.3**
Net increase/(decrease) in cash and cash equivalents	**(116.6)**	**57.6**	**-**	**(59.1)**	**32.9**	**(112.7)**	**-**	**(79.9)**

[1] Financial Investments in 4Q24 exclude €10m maturing on Jan.25

5. KEY DEVELOPMENTS

Sale of energy savings certificates

In February 2025, Ence sold energy savings certificates (CAEs for their acronym in Spanish) generated via energy efficiency initiatives for a net amount of €30.4m, which the company expects to recognise as revenue and collect in the first quarter of 2025.

Acquisition of the Galera biomethane plant

On 18 December 2024, Ence Biogas closed the acquisition of 98% of the shares of Biometagás La Galera for €17.4m. That company owns a biomethane generation plant in the town of La Galera (Tarragona) designed to produce up to 50 GWh of biomethane a year, along with the corresponding sustainability certificates. That company also signed a 15-year agreement with an important gas supplier for the offtake of the biomethane produced by the newly-acquired plant.

On 30 January 2025, Ence Biogas arranged a project financing facility with a limit of €19.6m to fund the acquisition of this plant and the planned investments. The facility qualifies as a green loan, with recourse exclusively to the asset it is financing, and matures on 30 June 2037.

As part of its business plan, this Group company is planning to invest in the new plant to adapt it to its own sustainability standards, boost biomethane production rates and produce high-quality organic fertiliser.

This acquisition marks the first step towards development of a major biomethane platform in Spain with the capacity to generate 1,000 GWh per year by 2030 and contribute an estimated €60m of annual EBITDA. At year-end 2024, Ence Biogas had a portfolio of 16 projects in the process of environmental permitting, located primarily in Castile and Leon, Aragon, Catalonia, Castile-La Mancha, Extremadura and Andalusia. And it had another 12 initiatives under development for which sites have been located and viability studies completed.

Execution of an agreement for the supply of renewable thermal energy

On 11 November 2024, Magnon Energy Services signed a contract with a leading beer maker in Spain for the installation and operation of two 10 MWt biomass furnaces. This facility is expected to be commissioned during the first half of 2026, allowing the supply of 85 GWht of renewable energy per annum for 15 years, so decarbonising the beer maker's operations.

This company is aiming to lift renewable thermal energy production to 2,000 GWh by 2030, adding an estimated €40m of annual EBITDA. At year-end, this company also had a services provision agreement in operation and three more renewable thermal heat developments in advanced and exclusive negotiations, which will imply combined production of an estimated 130 GWht/year. Magnon is also in negotiations with another 10 potential industrial customers in Spain with a view to providing them with renewable thermal energy.

Dividend payments

The Company paid out dividends of €0.107 and €0.033 per share (before withholdings) from 2024 earnings on 7 August and 7 November 2024, respectively, for a total outlay of €34m.

Combined, these dividends imply a yield of 4.9%, calculated using the closing share price at the start of the year.

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 Order TED/526/2024 establishing 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 on cash generation of over €60m 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 for the first time.

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) implied a reduction in the revenue reported in the first quarter of an estimated €9.8m.

Refinancing of Magnon Green Energy's corporate debt until 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 gross 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.

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.

Notification of a significant shareholding by Atlas Holdings LLC

On 3 January 2025, the US fund, Atlas GP Global Holding LLC, lifted its shareholding in Ence to 5.071%, according to its last filing with the CNMV, Spain's securities market regulator.

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 constituted the first step in Ence's effort to adapt to its new reporting requirements under the incoming Corporate Sustainability Reporting Directive (CSRD), which the Company followed voluntarily to prepare its Sustainability Statement for 2024. To that end, throughout 2024, the Company worked to adapt its internal control over sustainability reporting system and other reporting systems and to formulate policies and procedures for addressing the reporting gaps identified so as to have all of the information required under the CSRD by the end of the year.

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, in 2024, Sustainalytics gave Ence an overall ESG score of 93 points out of 100, a year-on-year improvement of three points, ranking it as a global leader in the pulp and paper sector for the fourth year running. In 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 2024, the Company's injury metrics improved notably, marked by 34% fewer lost-time injuries by comparison with 2023, thanks to accident prevention dynamics implemented across all areas. Indeed, thanks to this improved performance, Ence's injury metrics improved on prior readings in 2024. All of Ence's business units reported a year-on-year improvement in their injury severity statistics.

Magnon continues to work 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 in 2024. 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. Magnon has also updated its water map, revising its consumption reduction targets for the various plants, and introduced the Renewables business's GHG emissions reduction plan; those targets have been included in the Group's decarbonisation plan.

In the Pulp business, the biomills continued to improve their odour emissions in 2024, specifically cutting the related metrics by 40% in Navia and 35% in Pontevedra by comparison with 2023 levels, marking new records. The biomills have also continued to reduce their water consumption, particularly in Pontevedra, where consumption per tonne of pulp produced decreased by 89% from 2023, marking an all-time record for this facility. The consumption rationalisation efforts coupled with the new industrial wastewater recirculation and treatment systems made it possible to keep the Pontevedra biomill in operation throughout the dry summer months, so boosting this facility's resilience vis-a-vis the risks derived from climate change, specifically the risk of reduced water availability. To that end, work continued in 2024 on permitting the development for treating wastewater from the municipal treatment facility located close to the biomill; when this measure has been implemented, the Pontevedra biomill will be even less dependent on water from the river.

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 recycle and reused over 90% of their waste). At year-end 2024, all of the Group's facilities boasted that certification. In that same vein, in 2024, Magnon also obtained AENOR's Circular Strategy certificate.

Turning to **environmental and safety management**, in addition to maintaining their ISO 14001, ISO 45001, ISO 50001 and EMAS certifications, in 2024, the biomills secured ISO 22000 food safety management certification, so ensuring their products can be used to safely replace plastic materials to package food products. In 2024, Ence's Board of Directors approved a Corporate Environmental Policy, which sets down the related guiding principles, priority areas of intervention and the associated environmental compliance and monitoring mechanisms, which are applicable all across the Group. That policy has been published on Ence's website and can be consulted by any of its stakeholders.

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. Notably, last year, Ence's Board of Directors also approved a Corporate Climate Change Policy, which lays out the Company's guiding principles and commitments in this area. The new policy has been published on Ence's website.

In terms of mitigation, in 2024, Ence updated its decarbonisation plan, setting new and more ambitious GHG emissions reduction targets for 2030 (a 40% reduction in the Group's Scope 1 and 2 emissions compared to the base year of 2018) and 2035 (a 75% reduction). The new plan likewise includes the plans for cutting emissions across Magnon's plants, which are focused particularly on the reduction of Scope 2 emissions, as the biomass plants have hardly any direct Scope 1 emissions. To achieve these targets, 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; also, permitting is complete for a new initiative to replace more fossil fuel with biomass in the furnaces. At the Pontevedra biomill, similar plans and initiatives are in place for replacing the fuel currently used with renewable fuels.

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 2024 the forests managed by Ence sequestered over 275,000 tonnes of CO_2, net of that withdrawn in the form of wood and biomass. As it has done consistently in prior years, in 2024, Ence had its Greenhouse Gas Emissions Report successfully verified at the reasonable assurance level. That report is available to all Ence stakeholders on the corporate website (https://ence.es/sostenibilidad/informes-gei/)

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 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.

Having updated these base scenarios, in 2024, Ence updated its analysis of the financial impacts of the main climate risks that could affect the Company and revised the mitigation measures in place for each risk factor. It also identified new risks which have been included in the analysis for assessment.

Turning to **biodiversity**, the most important milestone reached by Ence in 2024 was the design and approval of its first biodiversity plan, which aims to preserve and nurture biodiversity in the forest tracts managed by the Company. That plan is articulated around four lines of initiative: 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 over 2,000 hectares. The biodiversity plan also includes awareness and communication initiatives so as to create a culture of biodiversity protection among all employees. Under the scope of this plan, medium-term targets have been set for 2028 along with interim annual targets. Delivery of the targets set for 2025 will be verified at the end of this year. Against this backdrop, Ence’s Board of Directors also approved the new Corporate Biodiversity Policy in 2024.

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. At year-end, customer certifications of these products numbered 119. Sales of special pulp products accounted for 23% of total pulp sales in 2024.

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 implemented an ISO 22000-certified food safety management system at its two pulp biomills in 2024. This project culminated last year with the receipt of the corresponding certificates from AENOR.

Besides the work done on its special products, over the course of 2024, Ence continued to advance on its **sustainable** moulded-pulp **packaging** line, designed to offer an alternative to 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 2024, 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 gas network and sectors that currently have few alternatives for reducing their carbon emissions. The goal is to build 1 TWh of generation capacity by 2030. At year-end 2024, this company had 16 projects in the environmental permitting phase and another 12 initiatives under development and in December 2024, it closed the acquisition of a first biomethane generation plant in the town of La Galera (Tarragona). This facility, which is already operational, is designed to produce up to 50 GWh of biomethane a year, along with the corresponding sustainability certificates. Framed by its commitment to transparency and engagement with its stakeholders, Ence Biogas holds meetings with the local communities in the towns where it plans to locate its plants. By the end of 2024, it had organised five such presentations to introduce the company and its business proposition and to field questions and comments from the various community representatives.

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 project up and running and continued to make progress on the permitting of another four new projects in 2024.

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. In 2024, Ence concluded the development and commercialisation of three new eucalyptus clones, so meeting the target set for the year.

Lastly, Ence is looking to monetise the **ecosystem services** provided by the forests it owns, with a focus on carbon capture. To that end, it 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 year-end, it had registered over 3,700 hectares of forest sinks in different voluntary schemes and continues to work 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. At year-end 2024, close to 90% of its forest assets (out of total certifiable assets) were certified under one or other of those schemes and almost 79% of the wood that entered its biomills during the year from its proprietary forests, suppliers and forest owners came with one or both certifications, so outperforming the related target for the 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 year-end 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 2024, rolled out the plan for implementing 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 addition, throughout 2024, Ence worked, in coordination with the authorities, 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 2024 close. In addition to increasing female representation in general, Ence is placing the spotlight on increasing the number of women in executive positions. At year-end, the percentage of female executives (including managers) stood at 29.4%, above the target for 2024 set down in the Sustainability Master Plan (29%). In 2024, 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).

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. In this respect, Ence is reinforcing internal promotions as the basis for the professional development of its employees, specifically publicising all internal vacancies. Framed by that goal, in 2024, over one-third of its vacancies were covered via internal promotions.

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 2024, the Group imparted 23,141 hours of training, i.e., 18.6 hours per employee. The training effort focused particularly on technical operations matters, health and safety and compliance.

Thanks to all these efforts, Ence managed to obtain Great Place to Work certification for the fifth year in a row, as well as earning Top Employer certification for the first time this year.

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. In 2024, it launched a new edition of the Ence Pontevedra Community Plan, endowed with €3 million, in order to help fund community initiatives in the vicinity of the biomill, with a particular focus on the towns of Pontevedra, Marín and Poio. The Plan is articulated around five lines of initiative: social inclusion; recovery and care for the surroundings; education and culture; support for entrepreneurship and innovation; and the promotion of grassroots and elite sports. The call for tenders closed with nearly 500 projects submitted, which is 30% more than for the last edition. Over the years, the Ence Pontevedra Community Plan has benefitted more than 1,100 projects, which have had a direct impact on improving people's lives, specifically improving the living conditions of most of the groups at risk of exclusion in Pontevedra and its surrounding area.

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 2024, Ence welcomed nearly 900 visitors to its facilities in Navia, Pontevedra, Puertollano and Huelva and held more than 40 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. Two editions of the 2024 machine operator course got underway in 2024 with 38 students enrolled in total, while 15 new interns joined Ence under the Talent Programme. Ence also prioritises local hiring: over 90% of new hires in 2024 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 2024, Ence provided advice to more than 1,000 forest owners in northern Spain, easily topping the target for the year (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. To that end, in 2023 it approved the new Due Diligence Policy and in 2024, Ence's Board of Directors approved four new corporate policies (Climate Change, Biodiversity, Environment and Stakeholder Relations and Positive Social Impact).

Also as part of its effort to update its internal rules and regulations, in 2024, 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, in 2024, 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 almost 88% of the workforce via online and in-person training sessions in 2024. On the communication front, in 2024 the Company published internal memos 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 articulated around short and informal sessions in small groups was set in motion in 2024. 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. Under the umbrella of this initiative, visits took place to the Group's plants, biomills and offices.

Ongoing compliance with Ence's certified criminal compliance management system under UNE 19601:2017 was audited during the reporting period, 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. 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.

Safe and Eco-efficient operations
For operational cost reduction

Protecting Health and Safety of employees and contractors

- ✓ **34% reduction of accidents with leave** vs. 2023
- ✓ **57% reduction** in Severity rate vs. 2023

Water use reduction

- ✓ **-8% Pontevedra** (vs 2023), increasing resilience to climate risks related to droughts

Odour reduction (vs. 2023)

- ✓ **- 40% Navia and -35% Pontevedra**

Advancing towards a circular economy

- ✓ **100% sites ZERO WASTE** certified

Committed to mitigate climate change

- ✓ **New decarbonization plan** with GHG emission reduction targets for 2030

Bioproducts & ecosystem services
Potential for topline improvement

Differentiated pulp products with higher added value

- ✓ **23% of total sales** of 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:** 3 new Eucalyptus clone in commercial phase
- ✓ **>3.700 ha Forest sinks** registered in voluntary carbon markets

Responsible supply chain
To become preferred supplier

Certified supply chain

- ✓ **90%** of managed land certified
- ✓ **79%** 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 minimize 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**
- ✓ **29,4% females in managerial positions**
- ✓ **Great Place to Work certification** (5th year in a row)
- ✓ **Top Employer** certification

Creating positive social impact in local communities

- ✓ New edition of Ence's **Pontevedra Social Plan** (up to3M€), with more than 500 applications

Promoting professional development in rural communities

- ✓ New edition of the **Forestry machinery training program**
- ✓ **1,000+ technical advice sessions** with Forest owners

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 FY2024 (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	207,678	Agroforestry biomass	56.4	7,500	
Huelva 41MW	Biomass generation	41.0	37,216	Agroforestry biomass	53.1	7,500	2025
Jaen 16MW	Biomass generation	16.0	123,452	Olive Pulp	57.1	7,500	2027
Ciudad Real 16MW	Biomass generation	16.0	66,074	Olive Pulp	57.1	7,500	2027
Cordoba 27MW	Biomass generation	14.3	183,899	Olive Pulp	58.0	7,500	2031
	Gas co-generation	12.8	-	Natural Gas	121.4	6,537	2030
Huelva 50MW	Biomass generation	50.0	242,373	Agroforestry biomass	61.2	7,500	2037
Mérida 20MW	Biomass generation	20.0	267,220	Agroforestry biomass	64.8	7,500	2039
Huelva 46 MW	Biomass generation	46.0	-	Agroforestry biomass	60.4	7,500	2044
Ciudad Real 50 MW	Biomass generation	50.0	-	Agroforestry biomass	61.1	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:

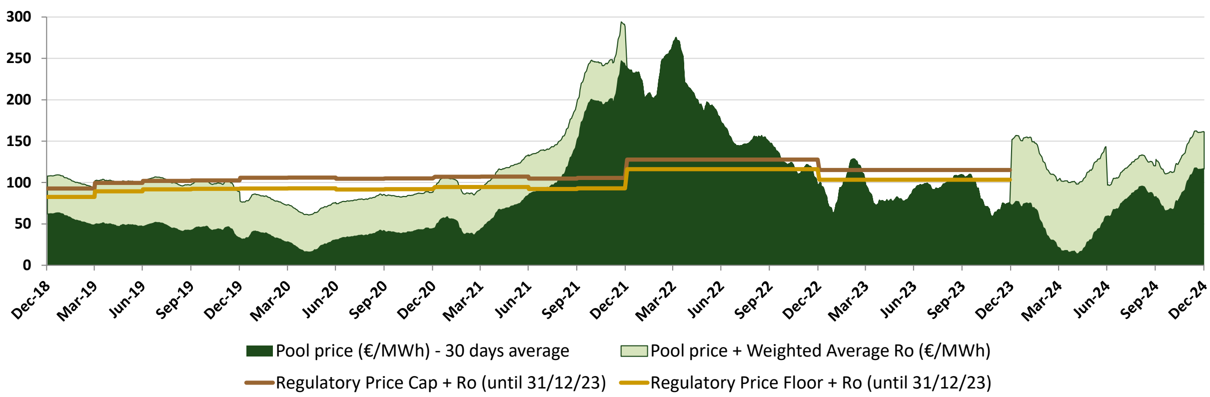
1. The **remuneration for investment (€/MW)** parameter guarantees the recovery of the initial investment plus a minimum return on the estimated cost of building a 'standard' plant. That return was set at 7.4% for 2020–2031 via Royal Decree-Law 17/2019 (22 November 2019).

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 first quarter of 2025 is €73.6/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.

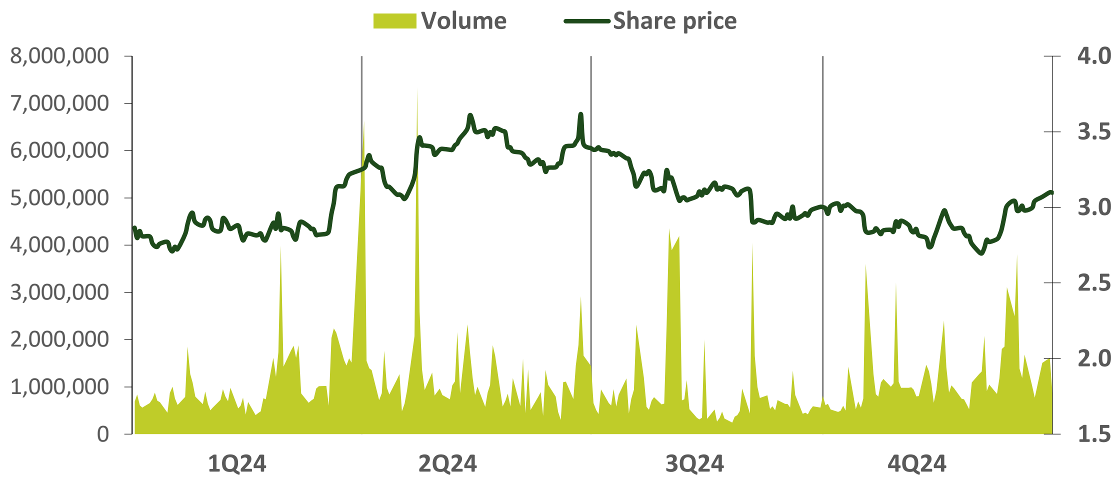
4. Both the remuneration for investment and the regulated sale price are subject to a **levy on the value of electric energy produced of 7%**.

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 Dividend indices.

Ence's share price ended the year at €3.1/share, up 9.4% from year-end 2023. In 2024, the Company’s closest traded comparables sustained a share price correction of 3.2% on average.

In addition to this share price gain, the Company’s shareholders earned a dividend yield of 4.9%, calculated using the share price at the start of the year.



SHARES	4Q23	1Q24	2Q24	3Q24	4Q24
Share price at the end of the period	2,83	3,23	3,42	3,00	3,10
Market capitalization at the end of the period	697,4	794,5	842,7	739,8	763,0
Ence quarterly evolution	(10,8%)	13,9%	6,1%	(12,2%)	3,1%
Daily average volume (shares)	1.098.244	1.037.061	1.319.780	938.414	1.202.424
Peers quarterly evolution *	2,0%	12,6%	(6,8%)	(6,6%)	2,0%

(*) 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 the above amounts and the amounts presented in the financial statements for 2024 and the comparison with the 2022 figures. The criteria used were the same in both periods:

			2024				2023			
	Unit	Source Financial Statement	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
OPERATING PROFIT/(LOSS)	€ m	P&L	72.6	(10.9)	1.6	63.3	(15.5)	11.9	1.6	(2.0)
Depreciation and amortisation charges	€ m	P&L	57.9	34.5	(1.6)	90.8	55.6	39.1	(1.6)	93.1
Depletion of forest reserve	€ m	P&L	9.7	-	-	9.7	8.8	-	-	8.8
Impairment of and gains/(losses) on disposal of fixed assets	€ m	P&L	1.7	(1.7)	-	0.0	1.0	(8.8)	-	(7.8)
Other non-ordinary results from operations	€ m	APM	(3.8)	4.5	-	0.6	(3.7)	0.4	-	(3.3)
EBITDA	**€ m**		**138.2**	**26.3**	**-**	**164.5**	**46.2**	**42.6**	**-**	**88.8**

Other non-recurring items, presented in sections 1, 2.5, 4.1 and 4.2 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 net loss recognised in 2024, of €0.6m, relates to the adjustment of the remuneration parameters applicable to the biomass plants in 2023, which was published in 2024 (Renewables business), partially offset by the reversal of provisions for liabilities and charges recognised in prior years (Pulp business). The net gain of €3.3m recognised in 2023 related mainly to the reversal of inventory impairment losses in the Pulp business and the favourable outcome of the last tax inspection in the Renewables business.

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 the above amounts and the amounts presented in the financial statements for 2024 and the comparison with the 2022 figures. The criteria used were the same in both periods:

	Unit	Source Financial Statement	2024 Pulp	2023 Pulp
Revenue from pulp sales	€ m	P&L	626.2	565.6
EBITDA	€ m	APM	(138.2)	(46.2)
Total costs (Revenue - EBITDA)	€ m		488.1	519.4
Gains/(losses) on hedging transactions	€ m	APM	(0.6)	(0.4)
Adjustments for tariff shortfall/surplus (electricity market)	€ m		0.8	8.0
Depletion of forest reserve	€ m	P&L	9.7	8.8
Change in inventories	€ m	P&L	18.4	(10.2)
Other income and expenses	€ m		(27.1)	(12.8)
ADJUSTED CASH COST	€ m		489.3	512.8
Pulp production costs	€ m		416.1	434.4
No. of tonnes produced	Unit		996,955	975,345
PRODUCTION-RELATED COSTS PER TONNE	€/tonne		**417.4**	**445.4**
Overhead, sales and logistics costs			73.2	78.4
No. of tonnes sold	Unit		967,628	978,501
OVERHEAD, SALES AND LOGISTICS COSTS PER TONNE	€/tonne		**75.6**	**80.1**
CASH COST	**€/tonne**		**493.0**	**525.5**

"Other income and expenses" includes €10m of extra costs derived from the incident affecting the Navia co-generation turbine; the loss on the sale of wood to third parties (-€2.3m in 2024 and -€1.2m in 2023), nursery costs (-€1m in 2024 and -€1.1m in 2023), long-term remuneration and termination benefits (-€3.9m in 2024 and -€1.3m in 2023), receivables impairment allowances (-€3.7m in 2024 and -€2m in 2023) and bank charges (-€3.5m in 2024 and -€2.3m in 2023). The remaining items implied expenses of €2.7m in 2024 and of €4.9m in 2023.

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 the above amounts and the amounts presented in the financial statements for 2024 and the comparison with the 2022 figures. The criteria used were the same in both periods:

	Unit	Source Financial Statement	2024 Pulp	2023 Pulp
Revenue from pulp sales	€ m	P&L	626.2	565.6
No. of tonnes sold	Unit		967,628	978,501
Average sales price per tonne (Revenue / # tonnes)	€/tonne		647.2	578.0
Cash cost (€)	€/tonne	APM	493.0	525.5
TOTAL OPERATING PROFIT PER TONNE OF PULP	**€/tonne**		**154.2**	**52.5**

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 the above amounts and the amounts presented in the financial statements for 2024 and the comparison with the 2023 figures. The criteria used were the same in both periods:

			2024				2023			
	Unit	Source Financial Statement	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
Finance income	€ m	P&L	9.9	2.5	(1.6)	10.8	6.4	1.0	(0.8)	6.6
Finance costs	€ m	P&L	(28.5)	(16.3)	1.6	(43.3)	(23.8)	(13.8)	0.8	(36.8)
NET FINANCE COST	**€ m**		**(18.6)**	**(13.8)**	**0.0**	**(32.4)**	**(17.4)**	**(12.8)**	**(0.0)**	**(30.2)**
Change in fair value of financial instruments	€ m	P&L	0.1	0.3	-	0.4	-	-	-	-
Exchange differences	€ m	P&L	1.2	(0.0)	0.0	1.2	(0.9)	0.0	-	(0.9)
OTHER FINANCIAL ITEMS	**€ m**		**1.3**	**0.3**	**0.0**	**1.6**	**(0.9)**	**0.0**	**-**	**(0.9)**
NET FINANCE INCOME/(COST)	€ m	P&L	(17.3)	(13.6)	-	(30.8)	(18.3)	(12.8)	-	(31.2)

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 the above amounts and the amounts presented in the financial statements for 2024 and the comparison with the 2023 figures. The criteria used were the same in both periods:

			2024				2023			
	Unit	Source Financial Statement	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
Maintenance capex	€ m		(25.0)	(7.8)	-	(32.8)	(23.3)	(6.4)	-	(29.7)
Efficiency and growth capex	€ m		(11.3)	(1.3)	-	(12.6)	(29.6)	(3.0)	-	(32.6)
Sustainability capex	€ m		(20.3)	(11.2)	-	(31.5)	(28.6)	(4.9)	-	(33.4)
Financial investments	€ m		(45.3)	(18.9)	44.0	(20.2)	(4.3)	0.5	3.6	(0.3)
TOTAL CAPITAL EXPENDITURE	**€ m**		**(101.9)**	**(39.2)**	**44.0**	**(97.0)**	**(85.8)**	**(13.8)**	**3.6**	**(96.0)**

**Financial investments in 2024 exclude €10m due 31 January 2025.*

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 the above amounts and the amounts presented in the financial statements for 2024 and the comparison with the 2023 figures. The criteria used were the same in both periods:

	Unit	Source Financial Statement	2024 Pulp	2024 Renewable Energy	2024 Adjustments & Eliminations	2024 CONSOLIDATED TOTAL	2023 Pulp	2023 Renewable Energy	2023 Adjustments & Eliminations	2023 CONSOLIDATED TOTAL
EBITDA	€ m	APM	138.2	26.3	-	164.5	46.2	42.6	-	88.8
Other non-recurring items	€ m	APM	3.8	(4.5)	-	(0.6)	9.3	-	(6.1)	3.3
Adjustments to reconcile profit before tax to net cash flows:					-				-	
Changes in provisions and other deferred expense (net)	€ m	CF	8.6	4.9	-	13.5	5.6	2.6	-	8.2
Adjustments for tariff shortfall/surplus (electricity market)	€ m	CF	(0.8)	(0.9)	-	(1.7)	(8.0)	(26.0)	-	(34.0)
Grants taken to profit and loss	€ m	CF	(0.9)	(0.1)	-	(1.1)	(0.9)	(0.1)	-	(1.0)
Exchange differences with an impact on cash	€ m		0.6	(0.0)	-	0.6	(6.1)	(0.4)	-	(0.5)
Change in working capital	€ m		(36.7)	(29.3)	-	(66.0)	(24.7)	(53.4)	-	(78.1)
Interest paid, net (including right-of-use assets)	€ m	CF	(19.3)	(14.2)	-	(33.4)	(13.0)	(13.2)	-	(26.2)
Dividends received	€ m	CF	0.0	-	-	0.0	-	-	-	-
Income tax paid	€ m	CF	(6.5)	9.6	-	3.1	2.6	(9.2)	-	(6.6)
Other collections/(payments)	€ m	CF	(0.2)	-	-	(0.2)	-	-	-	-
OPERATING CASH FLOW			**86.7**	**(8.1)**	**-**	**78.6**	**10.9**	**(57.0)**	**-**	**(46.1)**

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 the above amounts and the amounts presented in the financial statements for 2024 and the comparison with the 2022 figures. The criteria used were the same in both periods:

	Unit	Source Financial Statement	2024 Pulp	2024 Renewable Energy	2024 Adjustments & Eliminations	2024 CONSOLIDATED TOTAL	2023 Pulp	2023 Renewable Energy	2023 Adjustments & Eliminations	2023 CONSOLIDATED TOTAL
Net cash flows from/(used in) operating activities	€ m	CF	86.7	(8.1)	-	78.6	10.9	(57.0)	-	(46.1)
Net cash flows from/(used in) investing activities	€ m	CF	(100.7)	(38.1)	44.0	(94.8)	(85.8)	(13.8)	3.6	(96.0)
FREE CASH FLOW	**€ m**		**(14.0)**	**(46.3)**	**44.0**	**(16.2)**	**(75.0)**	**(70.8)**	**3.6**	**(142.2)**

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 the above amounts and the amounts presented in the financial statements for 2024 and the comparison with the 2022 figures. The criteria used were the same in both periods:

	Unit	Source Financial Statement	2024 Pulp	2024 Renewable Energy	2024 Adjustments & Eliminations	2024 CONSOLIDATED TOTAL	2023 Pulp	2023 Renewable Energy	2023 Adjustments & Eliminations	2023 CONSOLIDATED TOTAL
EBITDA	€ m	APM	138.2	26.3	-	164.5	46.2	42.6	-	88.8
Changes in working capital:					-				-	
Inventories	€ m	CF	(29.5)	0.1	0.0	(29.4)	25.7	(0.4)	-	25.3
Trade and other receivables	€ m	CF	(8.3)	(28.5)	4.1	(32.8)	13.9	33.9	(27.3)	20.4
Short-term investments	€ m	CF	-	-	-	-	1.8	0.0	-	1.8
Trade payables, other payables and other liabilities	€ m	CF	1.1	(0.9)	(4.1)	(3.9)	(66.1)	(86.9)	27.3	(125.6)
Maintenance capex	€ m	APM	(25.0)	(7.8)	-	(32.8)	(23.3)	(6.4)	-	(29.7)
Interest paid, net (including right-of-use assets)	€ m	CF	(19.3)	(14.2)	-	(33.4)	(13.0)	(13.2)	-	(26.2)
Income tax paid	€ m	CF	(6.5)	9.6	-	3.1	2.6	(9.2)	-	(6.6)
NORMALISED FREE CASH FLOW	**€ m**		**50.7**	**(15.4)**	**-**	**35.3**	**(12.4)**	**(39.4)**	**-**	**(51.8)**

NET DEBT/(CASH)

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

Net debt/(cash) is calculated as the difference between current and non-current borrowings on the liability side of the statement of financial position and unrestricted cash on the asset side, which includes cash and cash equivalents, the debt service cash reserve (included 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 the above amounts and the amounts presented in the financial statements for 2024 and the comparison with the 2022 figures. The criteria used were the same in both periods:

			Dec. 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	15.6	-		15.6	-	78.7		78.7
Bank borrowings	€ m	BS	202.2	151.2		353.4	283.3	11.2		294.5
Other financial liabilities	€ m	BS	73.5	4.0		77.5	66.3	0.8		67.0
Current borrowings:	€ m									
Bonds and other maketable securities	€ m	BS	74.0	-		74.0	-	0.0		0.0
Bank borrowings	€ m	BS	61.5	11.3		72.7	144.0	34.1		178.1
Other financial liabilities	€ m	BS	13.7	1.8		15.5	6.3	0.6		6.9
Cash and cash equivalents	€ m	BS	184.6	79.4		263.9	311.2	21.8		333.0
Current financial assets - Other financial investments	€ m		13.3	0.2		13.6	2.5	0.0		2.5
Cash reserve for debt service	€ m		-	10.0		10.0	-	10.0		10.0
NET DEBT/(CASH)	€ m		**242.6**	**78.6**		**321.2**	**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 the above amounts and the amounts presented in the financial statements for 2024 and the comparison with the 2023 figures. The criteria used were the same in both periods:

			2024				2023			
	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	72.6	(10.9)	1.6	63.3	(15.5)	11.9	1.6	(2.0)
Average capital employed, last 12 months					-					
Average equity	€ m	BS	437.0	212.6	-	649.6	481.5	236.6	-	718.2
Average net debt	€ m	BS	212.9	83.4	-	296.2	107.3	66.9	-	174.1
ROCE	%		**11.2%**	**-3.7%**	**-**	**6.7%**	**-2.6%**	**3.9%**	**-**	**-0.2%**

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.

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4Q24

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Global ESG
score: 93/100

APPENDIX II – SUSTAINABILITY STATEMENT

The Sustainability Statement forms part of the Management Report and is subject to the same approval, filing and publication criteria as the latter. It is submitted separately to the CNMV and can be retrieved from that entity's website (www.cnmv.es), within the "Other relevant information" filings, and from ENCE's website (www.ence.es).

APPENDIX III – ANNUAL CORPORATE GOVERNANCE REPORT AND ANNUAL REPORT ON DIRECTOR REMUNERATION

As stipulated in article 538 of the Corporate Enterprises Act, the Annual Corporate Governance Report and the Annual Report on Director Remuneration are both part of the Management Report. Both reports are submitted separately to the CNMV and are available on that entity's website (www.cnmv.es) and on ENCE's website (www.ence.es).