



ENCE Energía y Celulosa, S.A. and subsidiaries

Interim condensed consolidated financial
statements for the first half of 2025
prepared under the International Financial
Reporting Standards adopted by the
European Union and the corresponding
Interim Management Report

**Interim condensed consolidated
financial statements for the first
half of 2025**

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

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2025

€ 000	Note	30 June 2025 (*)	31 Dec. 2024 (**)
NON-CURRENT ASSETS:			
Intangible assets	11	66,128	64,852
Property, plant and equipment	12	992,545	974,620
Biological assets	14	65,466	66,322
Investments accounted for using the equity method	19	95	77
Non-current financial assets			
Loans to group companies and related parties		967	-
Hedging derivatives	19 & 25	17	-
Other financial assets	19 & 22.2	49,072	50,409
Deferred tax assets	27	59,372	61,987
		1,233,662	1,218,267
CURRENT ASSETS:			
Inventories	16	121,931	94,606
Trade and other receivables	19 & 20	53,309	50,884
Other taxes receivable	27	12,004	18,555
Income tax receivable	27	6,302	6,569
Current financial assets			
Loans to group companies and related parties	19 & 29	12	12
Hedging derivatives	19 & 25	9,253	-
Other financial assets	19 & 22.2	15,758	26,526
Cash and cash equivalents	19 & 22.1	268,776	263,942
Other current assets		16,053	3,086
		503,398	464,180
TOTAL ASSETS		1,737,060	1,682,447
EQUITY:			
Share capital	17.1	221,645	221,645
Share premium		170,776	170,776
Reserves	17.2	110,580	112,895
Interim dividend		-	(33,972)
Translation differences		7	20
Own shares - parent company shares	17.3	(12,974)	(12,205)
Valuation adjustments	17.4	44,296	32,421
Other equity instruments	17.5	3,050	2,438
Profit/(loss) for the year attributable to equity holders of the parent		(6,865)	31,551
Equity attributable to equity holders of the parent		530,515	525,569
Non-controlling interests	18	91,054	97,051
TOTAL EQUITY		621,569	622,620
NON-CURRENT LIABILITIES:			
Borrowings	19 & 23	485,491	446,441
Derivative financial instruments	19 & 25	2,846	4,029
Grants		14,009	10,535
Non-current provisions	26	29,885	29,505
Non-current accruals and deferred income		2,988	3,087
Other non-current liabilities	19 & 24	86,661	92,061
Non-current borrowings from group companies and related parties	19 & 29	29,015	29,015
		650,895	614,673
CURRENT LIABILITIES:			
Borrowings	19 & 23	160,000	162,208
Derivative financial instruments	19 & 25	2,653	7,974
Current borrowings from group companies and related parties	19 & 29	1,678	876
Trade and other payables	19 & 21	236,333	217,854
Income tax payable	27	1,256	26
Other taxes payable	27	13,016	14,565
Other current liabilities	19 & 24	9,028	8,166
Current provisions	26	40,633	33,485
		464,597	445,154
TOTAL EQUITY AND LIABILITIES		1,737,060	1,682,447

The accompanying notes 1 to 31 and the Appendix are an integral part of the condensed consolidated statement of financial position at 30 June 2025.

(*) Unaudited figures

(**) The consolidated statement of financial position at 31 December 2024 is presented exclusively for comparative purposes.

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

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2025

€ 000	Note	First-half 2025 (*)	First-half 2024 (**)
Continuing operations:			
Revenue	5	379,164	442,741
Gains/(losses) on hedging transactions	25	1,473	300
Changes in inventories of finished goods and work in progress	16	2,846	(1,839)
Self-constructed assets	12 & 14	6,800	7,406
Other operating income	5.1	45,945	1,114
Grants taken to profit and loss		4,164	4,341
Operating income		440,392	454,063
Cost of sales	6	(207,821)	(206,998)
Employee benefits expense	7	(58,369)	(57,209)
Depreciation and amortisation charges	11 & 12	(41,555)	(44,268)
Depletion of forest reserve	14	(5,264)	(6,289)
Impairment of and gains/(losses) on disposal of fixed assets	15	(70)	407
Impairment of financial assets	20	(345)	(554)
Other operating expenses	8	(116,881)	(94,122)
Operating expenses		(430,305)	(409,033)
OPERATING PROFIT/(LOSS)		10,087	45,030
Finance income			
From marketable securities and other financial instruments			
Third parties	9	4,445	5,458
Other finance income	9	22	-
Finance costs	9		
Borrowings from group companies and associates	9 & 29	(801)	(311)
Third-party borrowings	9	(23,020)	(20,798)
Unwinding of discount	9	(312)	(414)
Change in fair value of financial instruments	25.2	-	89
Exchange differences	9	(3,741)	852
NET FINANCE COST		(23,407)	(15,124)
Share of profit/(loss) of entities accounted for using the equity method		6	(43)
PROFIT/(LOSS) BEFORE TAX		(13,314)	29,863
Income tax	27	346	(10,014)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(12,968)	19,849
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD (***)		(12,968)	19,849
Profit/(loss) for the period attributable to non-controlling interests	18	(6,103)	6,621
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		(6,865)	26,470
Earnings/(loss) per share attributable to owners of the parent			€/share
Basic	10	(0.03)	0.11
Diluted	10	(0.03)	0.11

The accompanying notes 1 to 31 and Appendix are an integral part of the condensed consolidated statement of profit or loss for the six months ended 30 June 2025

(*) Unaudited figures

(**) Unaudited figures. The condensed consolidated statement of profit or loss for the six months ended 30 June 2024 is presented exclusively for comparison purposes

(***) 100% from continuing operations

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2025

€ 000	Note	First-half 2025 (*)	First-half 2024 (**)
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD (****)		(12,968)	19,849
Profit/(loss) recognised directly in consolidated equity			
- Cash flow hedges (***)		17,786	1,820
- Translation differences (***)		(13)	20
- Tax effect		(4,447)	(455)
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN CONSOLIDATED EQUITY	21	13,326	1,385
Expense/(income) reclassified to profit or loss			
- Cash flow hedges (***)		(1,812)	(2,520)
- Tax effect		453	630
TOTAL AMOUNTS TRANSFERRED TO PROFIT OR LOSS	21	(1,359)	(1,890)
TOTAL COMPREHENSIVE INCOME		(1,001)	19,344
Attributable to:			
Equity holders of the parent		(7,104)	25,965
Non-controlling interests		6,103	(6,621)

The accompanying notes 1 to 31 and Appendix are an integral part of the condensed consolidated statement of comprehensive income for the six months ended 30 June 2025

(*) Unaudited figures

(**) Unaudited figures. The condensed consolidated statement of comprehensive income for the six months ended 30 June 2024 is presented exclusively for comparison purposes.

(***) Items that may be subsequently be reclassified to profit or loss.

(****) Corresponds to "Profit/(loss) for the period from continuing operations" in the condensed consolidated statement of profit or loss.

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2025

€ 000	Issued capital	Own shares	Share premium	Reserves (**)	Interim dividend	Profit/(loss) for the year	Translation differences	Valuation adjustments	Other equity instruments	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 31 December 2023 (*)	221,645	(12,980)	170,776	137,249	-	(24,720)	13	40,751	1,328	534,062	115,527	649,589
Total recognised income/(expense)	-	-	-	-	-	26,470	20	(525)	-	25,965	(6,621)	19,344
Appropriation of prior-year profit/(loss)	-	-	-	(24,720)	-	24,720	-	-	-	-	-	-
Trading in own shares	-	876	-	568	-	-	-	-	-	1,444	-	1,444
Non-controlling interests, transfers and other movements	-	-	-	-	-	-	-	365	2,209	2,574	(365)	2,209
Balance at 30 June 2024 (**)	221,645	(12,104)	170,776	113,097	-	26,470	33	40,591	3,537	564,045	108,541	672,586
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
Total recognised income/(expense)	-	-	-	-	-	(6,865)	(13)	11,981	-	5,103	(6,103)	(1,000)
Appropriation of prior-year profit/(loss)	-	-	-	(2,421)	33,972	(31,551)	-	-	-	-	-	-
Trading in own shares	-	(769)	-	106	-	-	-	-	-	(663)	-	(663)
Non-controlling interests, transfers and other movements	-	-	-	-	-	-	-	(106)	612	506	106	612
Balance at 30 June 2025 (*)	221,645	(12,974)	170,776	110,580	-	(6,865)	7	44,296	3,050	530,515	91,054	621,569

The accompanying notes 1 to 31 and Appendix are an integral part of the condensed consolidated statement of changes in equity for the six months ended 30 June 2025

(*) Unaudited figures

(**) Unaudited figures. The condensed consolidated statement of changes in equity for the six months ended 30 June 2024 is presented exclusively for comparison purposes

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2025

€ 000	Note	First-half 2025 (*)	First-half 2024 (**)
OPERATING ACTIVITIES:			
Profit/(loss) before tax from continuing operations		(13,314)	29,863
Adjustments for:			
Depreciation, amortisation and depletion (PP&E, intangible assets and forest reserve)	11, 12 &	46,819	50,557
Changes in provisions and other deferred expense (net)		2,013	8,289
Impairment of and gains/(losses) on disposals of intangible assets, PP&E and financial assets	15	352	(407)
Adjustments for tariff shortfall/surplus and sector regulations	24	(4,067)	2,022
Finance income and costs (net)	9	21,674	15,415
Grants taken to profit and loss		(348)	(564)
		66,443	75,312
Working capital changes			
Inventories	16	(21,210)	(2,305)
Trade and other receivables	20	263	(70,977)
Financial and other current assets	22	0	(1,551)
Trade payables, other payables and other liabilities	21	3,072	(2,658)
		(17,875)	(77,491)
Other cash flows used in operating activities			
Interest paid (net)		(18,348)	(17,296)
Income tax received/(paid)	27	(2,207)	(1,974)
Long-term remuneration and other plans	7	6	-
		(20,549)	(19,270)
Net cash flows from operating activities		14,705	8,414
INVESTING ACTIVITIES:			
Payments for investments:			
Property, plant and equipment and biological assets	12 & 14	(46,511)	(32,640)
Intangible assets	11	(3,729)	(3,240)
Group companies and associates	29	-	(214)
Financial assets		(551)	-
		(50,791)	(36,094)
Proceeds from disposals:			
Financial assets	22	10,878	1,057
		10,878	1,057
Net cash flows used in investing activities		(39,913)	(35,037)
FINANCING ACTIVITIES:			
Proceeds from/(payments for) equity instruments:			
Buyback of own equity instruments	17.3	(13,700)	(15,239)
Disposal of own equity instruments	17.3	13,038	16,678
		(662)	1,439
Proceeds from/(repayments of) financial liabilities:			
Borrowings from related parties	29	-	31,106
Notes (net of arrangement fees)	23	-	21,600
Increase/(decrease) in bank borrowings, net of issuance costs	23	38,423	(86,344)
Increase/(decrease) in other borrowings	23	(1,875)	(2,651)
Payments for right-of-use assets	13	(5,834)	(4,354)
Grants received, net		(10)	-
		30,704	(40,643)
Net cash flows from/(used in) financing activities		30,042	(39,204)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,834	(65,827)
Cash and cash equivalents - opening balance	22.1	263,942	333,032
Cash and cash equivalents - closing balance	22.1	268,776	267,205

The accompanying notes 1 to 31 and Appendix are an integral part of the condensed consolidated statement of cash flows for the six months ended 30 June 2025

(*) Unaudited figures

(**) Unaudited figures The condensed consolidated statement of cash flows for the six months ended 30 June 2024 is presented exclusively for comparison purposes

**Notes to the condensed
consolidated financial
statements for the first half
of 2025**

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ENCE Energía y Celulosa, S.A. and subsidiaries

Notes to the interim condensed consolidated financial statements for the first half of 2025

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

1.1. Business activity

Ence Energía y Celulosa, S.A. (hereinafter, the “Company” or the “Parent”) was incorporated in 1968. Its registered office is located at Calle Estébanez Calderón, 3-5 in Madrid, Spain. The Parent moved its registered office from Calle Beatriz de Bobadilla, 14, also in Madrid, 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 65,763 hectares of forest in Spain, 45,921 hectares of which it owns. Of that total, 50,432 hectares are productive forests and the remaining 15,331 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	2028
Huelva	46	2045
Merida	20	2039
Jaen	16	2027
Ciudad Real	16	2027
Cordoba	14	2031
Cordoba	13	2030
Ciudad Real	50	2045

The Group 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.

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 17 developments at the engineering and permitting phase and one commercially operational plant, acquired in December 2024, with annual biomethane production capacity of 50 GWh; that plant is located in the town of La Galera (Tarragona).

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 first half, the Group had one project in operation, another under construction and four under advanced negotiations.

Other

MAGNON is developing a photovoltaic facility with capacity of 90 MW, located in Seville, which it will sell to third parties once 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 CO₂ 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 30 June 2025, the Group had registered 66,221 tonnes of carbon credits.

Moreover, agricultural and forestry biomass is the only source of biogenic CO₂, a raw material needed to produce renewable fuels. The Group produces close to 4 million tonnes of biogenic CO₂ annually and is studying the viability of using it to produce renewable fuels in the future.

Other:

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

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

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

The accompanying interim condensed consolidated financial statements were prepared from the accounting records of the Group companies and are presented under the International Financial Reporting Standards adopted by the European Union as of 30 June 2025 and, specifically, in accordance with IAS 34 - Interim Financial Information, the standard which establishes the accounting principles applicable to condensed financial statements, as provided for in article 12 of Royal Decree 1362/2007, and factoring in the disclosures required under CNMV Circular 3/2018 (of 28 June 2018), issued by Spain's securities market regulator.

In keeping with IAS 34, the interim financial information has been prepared solely for the purpose of providing an update with respect to the last complete set of annual consolidated financial statements authorised for issue and accordingly focuses on new activities, events and circumstances arising in the six-month period and does not include all of the information and disclosures required in annual consolidated financial statements under IFRS. Accordingly, for adequate reader comprehension, the information included in these condensed consolidated interim financial statements should be read in conjunction with the Group's 2024 consolidated financial statements, which were ratified by the Company's shareholders at the Annual General Meeting held on 03 April 2025, which are available for consultation at www.ence.es.

The accompanying interim condensed consolidated financial statements were authorised for issue by the Board of Directors of Ence Energía y Celulosa, S.A. on 22 July 2025.

1.3. Accounting policies applied and basis of consolidation

In drawing up the accompanying interim condensed consolidated financial statements, ENCE has applied the same accounting policies and consolidation rules as were used to prepare the 2024 consolidated financial statements, as detailed in notes 2 and 3 thereof, modified solely as outlined in section 2 below.

1.4. Comparison of information and transaction seasonality

The information provided in these interim condensed consolidated financial statements in respect of the first half of 2024 is presented solely and exclusively to allow the reader to compare the figures with those corresponding to the first half of 2025. In the case of the consolidated statement of financial position, the comparative data correspond to 31 December 2024.

Given the nature of the Group companies' business activities, its transactions are not intrinsically cyclical or seasonal. Note, however, that the production of pulp and the generation of energy from renewable sources require annual stoppages of between 10 and 15 days for maintenance purposes. The Group carried out the maintenance stoppages at its pulp biomill in Navia during the first half of 2025. The Pontevedra biomill will be stopped for maintenance during the second half of 2025.

1.5. Materiality

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

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

Appendix I of the Group's annual consolidated financial statements for 2024 provides relevant information about the Group's scope of consolidation. The changes in that scope of consolidation during the first half of 2025 were as follows:

- Five companies were incorporated, all of which 100%-owned by Biofertilizantes CH4, S.L.U. (formerly, Ence Biogás, S.L.U.), for the purpose of developing and building a series of biomethane plants.

2. Accounting policies and measurement criteria

2.1 New and amended standards taking effect during the reporting period

The accounting standards used to prepare these interim consolidated annual financial statements are the same as those used in the year ended 31 December 2024, except for the application of the following standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union for application in Europe from 1 January 2025:

Standard	Contents
Amendments and/or interpretations applicable from 1 January 2025:	
Amendments to IAS 21 - Lack of exchangeability	These amendments specify how to assess whether a currency is exchangeable and how to determine a spot exchange rate if it is not.

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.

2.2 Standards and interpretations issued but not yet effective

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

Standard	Contents
Amendments and/or interpretations applicable from 1 January 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.
Amendments to IFRS 9 and IFRS 7 - Accounting for contracts referencing nature-dependent electricity	These amendments clarify how to account for electricity contracts, differentiating between contracts to buy and sell electricity and those that need to be recognised as financial instruments.
Annual improvements to IFRS (Volume 11)	The aim of these improvements is to enhance the quality of the standards, by amending existing financial standards in order to clarify guidance and wording or correct minor oversights.
New standards:	
IAS 18 - Presentation and disclosure in financial statements	The purpose of this new standard is to establish requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements. It will replace IAS 1.
IFRS 19 - Subsidiaries without public accountability	This new standard specifies reduced disclosure requirements that an eligible entity is permitted to apply instead of the disclosure requirements in other IFRS accounting standards.

Application of these amendments is not expected to have a significant impact on the Group as they will be applied prospectively, modify presentation or disclosure requirements only and/or address matters that are not applicable or not material to the Group's operations. The Group is evaluating what impacts application of IFRS 18 will have on its financial disclosures, which will mainly take the form of the changes in the presentation of the statement of profit or loss in order to distinguish between operating, investing and financing activities.

3. Key accounting estimates and judgements

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

The accounting policies and transactions entailing assumptions and estimates that have a material impact on these condensed consolidated financial statements are the following (for further information, refer to note 4 of ENCE's annual consolidated financial statements for 2024):

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

These assumptions and estimates are made considering historical experience, the information provided by expert consultants, forecasts and other circumstances and expectations as at 30 June 2025. It is possible, however, that events or circumstances arising after issuance of this financial report could oblige the Group to revise its assumptions and estimates (in either direction). The effect of any change in estimates would be recognised prospectively in the statement of profit or loss for the year in which they are changed.

In the first half of 2025, there were no significant changes in these estimates with respect to those used in 2024.

4. Operating segments

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

ENCE Pulp

This business line encompasses the following reportable segments:

- Pulp. This segment includes the pulp production and sale activities carried out at the biomills located in Pontevedra (Galicia) and Navia (Asturias) and the power co-generation and generation activities integrated into the pulp production process, using the timber parts that cannot be transformed into pulp, essentially lignin and biomass, as inputs.

- **Forest Assets & Other.** This operating segment essentially includes the forest cover that supplies raw materials that are used in the pulp production process (forest assets located in northern Spain) or sold to third parties (forest assets located in southern Spain), as well as residual forest activities.

ENCE Renewables

This business line encompasses the following reportable segments:

- **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 scanty material as defined in IFRS 8, so that they are included within the Biomass segment for segment reporting purposes.

In order to expand on the disclosures provided in this note, the appendices attached to these interim condensed consolidated financial statements include the condensed consolidated statement of financial position at 30 June 2025 and 31 December 2024 and the condensed consolidated statement of profit or loss and the condensed consolidated statement of cash flows for the six-month periods then ended broken down between the Pulp and Renewables businesses.

4.1 Operating segment reporting

The table below details the earnings performance by operating segment in the first six months of 2025 and 2024, based on the management information reviewed regularly by senior management:

First half 2025	€ 000						
	PULP business				Renewables	Adjustments & Eliminations	Total
	Pulp	Forest Assets & Other	Adjustments & Eliminations	Total PULP			
Revenue:							
Third parties	267,677	12,343	50	280,070	99,091	79	379,240
Inter-segment revenue	80	138,829	(137,317)	1,592	(27)	(1,641)	(76)
Total revenue	267,757	151,172	(137,267)	281,662	99,064	(1,562)	379,164
Earnings:							
EBITDA (*)	45,336	3,194	3	48,533	9,514	(1)	58,046
Impairment of and gains/(losses) on fixed asset disposals	34	(80)	1	(45)	(25)	-	(70)
Operating profit/(loss)	20,435	(3,840)	3	16,598	(7,323)	812	10,087
Finance income	4,547	537	(863)	4,221	1,681	(1,435)	4,467
Finance costs	(15,627)	(503)	863	(15,267)	(10,301)	1,435	(24,133)
Hedging derivatives	(2)	-	-	(2)	2	-	-
Exchange differences	(3,861)	82	-	(3,779)	38	-	(3,741)
Impairment of financial instruments	-	-	-	-	-	-	-
Share of profit/(loss) of investees accounting for using equity method	-	6	-	6	-	-	6
Income tax	(1,295)	942	(1)	(354)	772	(72)	346
Profit/(loss) for the year	4,197	(2,776)	2	1,423	(15,131)	740	(12,968)
Profit/(loss) attributable to non-controlling interests	-	-	-	-	6,103	-	6,103
Profit/(loss) attributable to equity holders of the parent	4,197	(2,776)	2	1,423	(9,028)	740	(6,865)
Capital expenditure (**)	46,035	5,462	-	51,497	12,264	-	63,761
Accumulated depreciation and depletion of forest reserves (**)	(1,010,243)	(84,083)	-	(1,094,326)	(397,007)	(11,042)	(1,502,375)
Impairment (**)	(4,017)	(4,382)	16	(8,383)	(25,405)	(84)	(33,872)

(*) This measure is not disclosed in the consolidated statement of profit or loss and is not defined in IFRS. For its definition and a reconciliation with the amounts reported in the consolidated statement of profit or loss, refer to the "Second-Quarter 2025 Earnings Report" appended to the Interim Consolidated Management Report for the six months ended 30 June 2025.

(**) Capital expenditure during the first half of 2025, accumulated depreciation and depletion of forest reserves and impairment of the assets included under "Property, plant and equipment", "Intangible assets" and "Biological assets". Does not include the balances corresponding to "Right-of-use assets" (note 13) or "Goodwill" (note 11).

30 June 2025	€ 000						Total
	PULP business						
	Pulp	Forest Assets & Other	Adjustments & Eliminations	Total PULP	Renewables	Adjustments & Eliminations	
Assets							
Non-current	823,465	210,308	(132,249)	901,524	455,117	(182,351)	1,174,290
Current	365,828	67,770	(35,753)	397,845	108,756	(3,203)	503,398
Total assets (a)	1,189,293	278,078	(168,002)	1,299,369	563,873	(185,554)	1,677,688
Liabilities							
Non-current	387,377	36,140	(35,512)	388,005	314,111	(51,221)	650,895
Current	307,881	98,887	(34,994)	371,774	96,019	(3,196)	464,597
Total liabilities (a)	695,258	135,027	(70,506)	759,779	410,130	(54,417)	1,115,492

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

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

(*) This measure is not disclosed in the consolidated statement of profit or loss and is not defined in IFRS. For its definition and a reconciliation with the amounts reported in the consolidated statement of profit or loss, refer to the "Second-Quarter 2025 Earnings Report" appended to the Interim Consolidated Management Report for the six months ended 30 June 2025.

(**) Capital expenditure during the first half of 2024, accumulated depreciation and depletion of forest reserves and impairment of the assets included under "Property, plant and equipment", "Intangible assets" and "Biological assets". Does not include the balances corresponding to "Right-of-use assets" (note 13) or "Goodwill" (note 11).

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

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

5. Revenue

Revenue corresponds to revenue from contracts with customers. The breakdown of Group revenue by segment in the first six months of 2025 and 2024 is as follows:

€ 000	First half 2025			First half 2024		
	Pulp	Renewables	Consol. Group	Pulp	Renewables	Consol. Group
Business metrics						
Pulp sales volume (tonnes)	458,725	-	458,725	498,573	-	498,573
Energy sales volume (MWh)	90,594	579,956	670,550	115,752	543,710	659,462
Revenue						
Pulp	252,033	-	252,033	332,110	-	332,110
Electric energy	15,642	94,945	110,587	15,990	85,855	101,845
Timber and forestry services	12,395	1,852	14,247	9,016	3,253	12,269
Industrial heat	-	1,170	1,170	-	-	-
Biomethane	-	1,127	1,127	-	-	-
Sale of PV developments (note 1)	-	-	-	-	2,250	2,250
Other non-recurring income	-	-	-	(1,269)	(4,464)	(5,733)
Inter-segment sales	1,590	(27)	-	1,764	(171)	-
	281,660	99,067	379,164	357,611	86,723	442,741

(*) The difference between the figures presented under “Consolidated Group” for the first halves of 2025 and 2024 and the addition of the figures corresponding to the “Pulp” and “Renewables” businesses corresponds to the elimination of transactions performed between these business segments in the two interim reporting periods in the amounts of €1,563 thousand and €1,593 thousand, respectively.

During the first six months of 2025, the Group companies made sales in currencies other than the euro, mainly US dollars, totalling €77 million (1H24: €105 million).

Elsewhere, the Group has written contracts for the sale of 57,419 MWh of electricity under a physical bilateral contract for delivery in the second half of 2025. The price negotiated ranges between €66 and €73/MWh.

5.1 Other operating income

This heading of the consolidated statement of profit or loss mainly includes income from the sale of energy savings certificates to third parties, income derived from grants related to income, lease income, the reversal of provisions for liabilities and charges (note 26) and claims settled by insurance companies.

Energy savings certificates

The Pulp business has generated significant energy savings as a result of energy efficiency initiatives undertaken at its biomills in Pontevedra and Navia, which it has sold to a Spanish energy company to obtain energy efficiency savings certificates, also known as white certificates (and as CAEs for their acronym in Spanish), as provided for in Royal Decree 36/2023 (24 January 2023), establishing the Energy Savings Certificate scheme, and the implementing Ministerial Order TED/815/2023 (18 July 2023).

In the first half of 2025, the Group closed two sales, specifically selling 191 million and 61 million certificates for prices, net of transaction costs, of €30 million and €10 million, respectively. At 30 June 2025, it had collected the proceeds from the first sale (€30 million) and expected to collect the remaining €10 million in the second half of 2025.

In the absence of a specific applicable accounting standard, these transactions, only recently regulated, have been recognised within other operating income for the period, based on the Group's best interpretation of prevailing accounting rules. Indeed, the Spanish Institute of Auditors (ICJC) has asked the Spanish Accounting and Audit Institute (ICAC) to confirm this accounting treatment for these transactions, among other matters, and is still waiting for its pronouncement.

5.2 Geographic revenue split

All of the revenue from energy sales was generated in Spain. The breakdown of Group revenue by geographic segment in the first six months of 2025 and 2024 is as follows:

Percentage of pulp sales	First half 2025	First half 2024
Germany	22.7	20.8
Poland	16.4	14.9
Spain	12.0	13.5
France	6.6	4.5
Italy	6.4	6.5
Turkey	4.9	4.2
UK	3.8	5.8
Greece	3.7	6.4
Other	23.5	23.4
	100.0	100.0

(*) Breakdown considering place of delivery

5.3 Energy sector regulations

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.

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

Under the new methodology approved in 2024:

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

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 the first half of 2025:

2025						
Facility	IT	Regulatory life	Ro (€/MWh) 1Q25	Ro (€/MWh) 2Q24	Ri (€ 000)	NAV (€ 000)
Renewables business:						
50-MW Huelva	IT-00841 / IT-00865	2037	47.69	69.36	7,739	73,799
41-MW Huelva	IT-00829 / IT-00832	2025	54.78	76.21	597	3,771
20-MW Merida	IT-00843	2039	45.47	67.12	3,683	37,504
16-MW Jaen	IT-00831 / IT-00855	2027	31.40	53.01	918	4,382
16-MW Ciudad Real	IT-00831 / IT-00855	2027	31.40	53.01	918	4,382
14-MW Cordoba - Biomass	IT-00859/ IT -00835	2031	40.06	58.33	1,251	8,921
13-MW Cordoba - Gas	IT-00430	2030	120.02	143.01	-	-
50-MW Puertollano - Biomass	IT-04005	2044	43.63	65.27	-	-
46-MW Huelva	IT-04005	2044	43.63	65.27	-	-
Pulp business:						
37-MW Navia	IT-00838	2034	48.98	71.01	3,931	33,711
40-MW Navia	IT-01035	2034	-	-	-	-
35-MW Pontevedra	IT-00836-7 / IT-01035	2033	9.82	11.89	757	6,182

6. Cost of sales

Cost of sales in the first six months of 2025 and 2024 breaks down as follows:

€ 000	First half 2025			First half 2024		
	Pulp	Renewables	Consolidated Group	Pulp	Renewables	Consolidated Group
Purchases	150,490	34,442	183,370	141,076	26,997	166,480
Change in raw materials and other inventories	(6,915)	(5,300)	(12,215)	(1,360)	(1,670)	(3,030)
Other external expenses	31,933	4,733	36,666	35,618	7,930	43,548
	175,508	33,875	207,821	175,334	33,257	206,998

(*) The difference between the figures presented under “Consolidated Group” for the first halves of 2025 and 2024 and the addition of the figures corresponding to the “Pulp” and “Renewables” businesses corresponds to the elimination of transactions performed between these business segments in the two interim reporting periods in the amounts of €1,562 thousand and €1,593 thousand, respectively.

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

7. Headcount

The breakdown of the employee benefits expense incurred in the businesses carried on by ENCE in the first six months of 2025 and 2024 is provided below:

€ 000	First half 2025			First half 2024		
	Pulp	Renewables	Consolidated Group	Pulp	Renewables	Consolidated Group
Wages and salaries	32,776	8,769	41,545	31,065	8,458	39,523
Social security	9,276	2,487	11,763	8,599	2,260	10,859
Contributions to pension plans	1,254	284	1,538	1,127	191	1,318
Other benefit expense	719	130	849	787	123	910
	44,025	11,670	55,695	41,578	11,032	52,610
Long-term remuneration plans	1,055	193	1,248	3,509	(22)	3,487
Termination benefits	1,043	383	1,426	722	390	1,112
	46,123	12,246	58,369	45,809	11,400	57,209

7.1 Headcount

The average Group headcount during the first six months of 2025 and 2024:

Job category	Average headcount during the period					
	First half 2025			First half 2024		
	Men	Women	Total	Men	Women	Total
Executives	57	20	77	58	20	78
Managers	68	33	101	71	29	100
Team leaders	67	6	73	69	4	73
Skilled professionals	229	151	380	222	154	376
Clerical staff	16	33	49	17	35	52
Workers	314	50	364	297	46	343
Support and upgrade	47	49	96	46	45	91
Maintenance staff	135	1	136	133	1	134
	933	343	1,276	913	334	1,247

The Board of Directors was made up of 13 members at 30 June 2025, eight men and five women.

7.2 Long-term incentive plans

The next table itemises the number of beneficiaries as of 30 June 2025 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	2,911	15,437	18,348
Moulded Pulp	3	828	-	828
Renewables:				
2021-2025 LTIP	24	2,726	-	2,726
Biogas	4	1,054	-	1,054
Industrial Heat	2	557	-	557
	117	8,076	15,437	23,513

(*) Reflects the commitments outstanding at 30 June 2025 associated with Cycles I, II and III of the plan

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

€ 000	First half 2025		
	Employee benefits expense (note 7)	Current and non-current provisions (note 26)	Other equity instruments (note 17.5)
Pulp business:			
2023-2027 LTIP	970	154	816
Moulded Pulp	85	85	-
Renewables:			
Magnon 2021-2025	52	52	-
Biomethane	119	119	-
Industrial Heat	22	22	-
	1,248	432	816

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 30 June 2025, 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%, amounted to approximately €18.3 million (€2.9 million in cash and 4.9 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.

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 30 June 2025, 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.

8. Other operating expenses

The breakdown of this heading of the condensed consolidated statement of profit or loss for the six months ended 30 June 2025 and 2024 by ENCE's business lines:

€ 000	First half 2025			First half 2024		
	Pulp	Renewables	Consolidated Group	Pulp	Renewables	Consolidated Group
External services	61,684	37,692	98,701	50,925	30,212	80,512
Use of emission allowances	4,917	1,704	6,621	4,613	1,880	6,493
Taxes other than income tax	1,322	837	2,159	2,063	4,728	6,791
Electricity generation levy	933	6,220	7,153	-	-	-
Change in trade and other provisions	1,980	267	2,247	373	(47)	326
	70,836	46,720	116,881	57,974	36,773	94,122

(*) The difference between the figures presented under "Consolidated Group" for the first halves of 2025 and 2024 and the addition of the figures corresponding to the "Pulp" and "Renewables" businesses corresponds to the elimination of transactions performed between these business segments in the two interim reporting periods in the amounts of €675 thousand and €625 thousand, respectively.

8.1 External services

The breakdown of "External services" in the first six months of 2025 and 2024 is as follows:

€ 000	First half 2025			First half 2024		
	Pulp	Renewables	Consolidated Group	Pulp	Renewables	Consolidated Group
Transport, freight and business expenses	22,099	8,310	30,409	25,266	2,191	27,457
Utilities	13,011	2,290	15,204	2,005	1,433	3,346
Repairs and upkeep	7,285	11,322	18,607	7,052	5,760	12,812
Independent professional services	5,148	1,277	6,425	2,350	(9)	2,341
Insurance premiums	2,613	1,679	4,292	2,296	1,638	3,934
Banking and similar services	723	286	1,012	791	740	1,534
Rent and fees (note 13.3)	302	208	510	308	142	450
Advertising, publicity and public relations	1,882	63	1,945	1,738	8	1,746
Research and development costs	90	24	114	93	-	93
Other services	8,531	12,233	20,183	9,026	18,309	26,799
	61,684	37,692	98,701	50,925	30,212	80,512

(*) The difference between the figures presented under "Consolidated Group" for the first halves of 2025 and 2024 and the addition of the figures corresponding to the "Pulp" and "Renewables" businesses corresponds to the elimination of transactions performed between these business segments in the two interim reporting periods in the amounts of €675 thousand and €625 thousand, respectively.

ENCE has arranged director and officer liability insurance which covers all its directors and executives against damages caused by acts or omissions in the course of discharging their duties. That coverage cost the Group €74 thousand in the first six months of 2025.

8.2 Services provided by the auditor

The non-audit services provided by the statutory auditor during the first half of 2025 mainly related to a financial ratio review as part of the Group's obligations under its financing agreements, the review of certain financial metrics in order to certify the fact that several Group facilities qualify as "electro-intensive consumers" and review services to certify compliance with the average payment term.

9. Finance income and costs

The breakdown of these headings of the consolidated statement of profit or loss in the first six months of 2025 and 2024 was as follows:

€ 000	First half 2025			First half 2024		
	Pulp	Renewables	Total	Pulp	Renewables	Total
Finance costs:						
Notes	-	-	-	-	(2,936)	(2,936)
Loans, credit facilities & other	(9,755)	(4,953)	(14,708)	(11,968)	(1,994)	(13,962)
Unwinding of discount - Tariff Adjustment (note 24)	(998)	(1,548)	(2,546)	(1,027)	(1,999)	(3,026)
Unwinding of discount - Provisions	(312)	-	(312)	(414)	-	(414)
Fees and other charges	(2,642)	(1,327)	(3,969)	(481)	(658)	(1,139)
Inter-business finance income/costs	1,585	(1,585)	-	602	(850)	(248)
Right-of-use assets (note 13)	(1,296)	(107)	(1,403)	(1,106)	(62)	(1,168)
	(13,418)	(9,520)	(22,938)	(14,394)	(8,499)	(22,893)
Finance income:						
Contingent consideration (note 22)	781	56	837	721	63	784
Other finance income	1,820	964	2,784	3,619	205	3,824
	2,601	1,020	3,621	4,340	268	4,608
Hedging derivatives:						
Settlement of IR swap (note 25)	(229)	(120)	(349)	532	1,688	2,220
	(229)	(120)	(349)	532	1,688	2,220
	(11,046)	(8,620)	(19,666)	(9,522)	(6,543)	(16,065)

10. Earnings per share

The basic and diluted earnings per share calculations for the six months ended 30 June 2025 and 2024 are shown below:

Earnings/(loss) per share	Unit	First half 2025	First half 2024
Consolidated profit/(loss) for the period attributable to equity holders of the parent	€ 000	(7,266)	26,470
Weighted average ordinary shares outstanding (*)	Millions of shares	242.7	242.6
Weighted average diluted shares	Millions of shares	247.5	246.5
Basic earnings per share	€	(0.03)	0.11
Diluted earnings per share	€	(0.03)	0.11

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

The diluted earnings per share figures for the first six months of 2025 do not include the potential ordinary shares associated with delivery of the targets set in the Group's long-term incentive plans for 2023-2027 (4.9 million shares as of 30 June 2025) as their inclusion would have had an anti-dilutive effect.

The diluted earnings per share figures for the first six months of 2024 did not include the potential ordinary shares associated with the Group's long-term incentive plans for 2019-2023 (0.1 million shares as of 30 June 2024) or 2023-2027 (3.8 million shares as of 30 June 2024).

11. Goodwill and other intangible assets

The reconciliation of the carrying amounts of goodwill and the various components of intangible assets and amortisation and impairment in the first six months of 2025 and 2024 is as follows:

First half 2025	€ 000				
	Balance at 01/01/2025	Additions/ (charges)	Derecognitions or decreases	Transfers	Balance at 30/06/2025
Goodwill	7,550	7	-	-	7,557
Software	38,819	-	-	2,745	41,564
Development costs	15,078	-	-	106	15,184
Advances	8,891	3,665	(15)	(2,873)	9,668
Electric power generation rights	39,968	-	-	-	39,968
Watering rights	4,911	66	-	-	4,977
Other intangible assets	6,357	-	-	-	6,357
Total cost	121,574	3,738	(15)	(22)	125,275
Software	(32,245)	(1,161)	-	-	(33,406)
Development costs	(14,159)	(263)	-	-	(14,422)
Electric power generation rights	(4,013)	(676)	-	-	(4,689)
Watering rights	(718)	(125)	-	-	(843)
Other intangible assets	(2,098)	(201)	-	-	(2,299)
Total amortisation	(53,233)	(2,426)	-	-	(55,659)
Impairment (note 15)	(3,489)	-	1	-	(3,488)
Total	64,852				66,128

The additions include investments in a pilot plant for the production of recycled and bleached fibre from recovered paper and board in the amount of €616 thousand.

11.1 Goodwill

The breakdown of the Group's goodwill at 30 June 2025 by the cash-generating units to which it has been assigned is provided in the table below:

30/06/2025		€ 000		
CGU allocated to	Technology	Goodwill	Impairment (note 15)	Carrying amount
Renewables:				
Jaen 16 MW - Ciudad Real 16 MW (*)	Biomass	2,737	(2,737)	-
Biomethane La Galera (**)	Biomethane	4,820	-	4,820
		7,557	(2,737)	4,820

(*) This goodwill originated from the acquisition of ENCE's shareholdings in Loma, S.A. and Energías de la Mancha ENEMAN, S.A., the companies that own 16-MW biomass energy plants in Jaén and Ciudad Real, respectively. That goodwill was fully written down for impairment at 30 June 2025 (note 15).

(**) This goodwill originated from the acquisition in December 2024 of an equity interest in Biometagás La Galera, S.L., a company that owns a biomethane generation facility.

12. Property, plant and equipment

The reconciliation of the carrying amounts of the various components of property, plant and equipment and accumulated depreciation in the first half of 2025 is as follows:

First half 2025	€ 000					Balance at 30/06/2025
	Balance at 01/01/2025	Additions/ (charges)	Derecognitions or decreases	Transfers	Translation differences and other	
Forest land	87,872	252	-	-	-	88,124
Other land	17,510	42	-	33	(15)	17,570
Buildings	172,101	-	-	2,587	-	174,688
Plant and machinery	1,889,046	755	-	13,110	(9)	1,902,902
Other PP&E	62,089	-	-	2,306	(1)	64,394
Prepayments and PP&E in progress	59,097	54,566	-	(20,528)	-	93,135
Right-of-use assets (note 13)	71,916	4,874	(2,294)	(53)	-	74,443
Total cost	2,359,631	60,489	(2,294)	(2,545)	(25)	2,415,256
Buildings	(84,406)	(1,427)	-	-	-	(85,833)
Plant and machinery	(1,218,489)	(34,424)	-	-	9	(1,252,904)
Other PP&E	(38,561)	(217)	-	-	1	(38,777)
Right-of-use assets (note 13)	(15,756)	(3,385)	1,760	(59)	-	(17,440)
Total depreciation	(1,357,212)	(39,453)	1,760	(59)	10	(1,394,954)
Impairment (note 15)	(27,799)	-	42	-	-	(27,757)
Carrying amount	974,620					992,545

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

12.1 Additions

The Group invested in its productive facilities in both the Pulp and Renewable Energy businesses in the first half of 2025 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
	First half 2025
Pulp business:	
Pontevedra & Corporate	6,826
Navia	35,206
Other	2,648
Renewables business:	
46-MW Huelva	1,170
50-MW Huelva	2,079
50-MW Puertollano	268
Other	7,418
Subtotal	55,615
Right-of-use assets (note 13)	4,874
	60,489

Capital expenditure at the Navia biomill includes the higher cost of the Navia 80 Project, completed in 2019, in the amount of €7.7 million, as a result of an arbitration ruling issued on 17 June 2025, calling on the Group to pay €15.3 million, of which €7.6 million had already been recognised.

Capital expenditure at the Navia biomill also includes the investments carried out in the first half of 2025 to adapt the productive process to accommodate the production of fluff pulp in the amount of €4.5 million.

A portion of that figure, specifically €2,877 thousand, corresponds to costs capitalised during the first half of 2025, which have been recognised under "Self-constructed assets" in the accompanying consolidated statement of profit or loss.

Capital commitments

The Group was contractually committed to capital expenditure of approximately €96 million at 30 June 2025.

12.2 Insurance cover

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

13. Right-of-use assets

13.1 Right-of-use assets

The reconciliation of the carrying amounts of the various components of "Right-of-use assets" and the corresponding accumulated depreciation charges at the beginning and end of the first half of 2025:

		€ 000				
First half 2025	Note	Balance at 01/01/2025	Additions/ (charges)	Derecognitions	Transfers	Balance at 30/06/2025
Cost:						
Pontevedra biomill land	12	19,898	-	-	-	19,898
Forest leases	12	11,374	1,922	(401)	-	12,895
Other (*)	12	40,644	2,952	(1,893)	(53)	41,650
Cost		71,916	4,874	(2,294)	(53)	74,443
Depreciation:						
Pontevedra biomill land	12	1,159	192	-	-	1,351
Forest leases	12	2,775	324	(62)	-	3,037
Other (*)	12	11,822	2,869	(1,698)	59	13,052
Depreciation		15,756	3,385	(1,760)	59	17,440
Carrying amount		56,160				57,003

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

13.2 Lease liabilities

The reconciliation of the carrying amount of this consolidated statement of financial position heading at the beginning and end of the first half of 2025 is as follows:

		€ 000						
First half 2025	Note	Balance at 01/01/2025	Additions	Instalments paid	Derecognitions	Transfers	Interest	Balance at 30/06/2025
Current lease liabilities	23.2	7,021	-	(5,834)	(83)	3,728	1,670	6,502
Non-current lease liabilities	23.2	51,526	6,217	-	(628)	(3,728)	-	53,387
		58,547	6,217	(5,834)	(711)	-	1,670	59,889

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

13.3 Amounts recognised in the consolidated statement of profit or loss

The table below depicts the impact of the Group's leases on "Depreciation and amortisation" and "Finance costs" in the consolidated statement of profit or loss for the six months ended 30 June 2025:

		€ 000		
First half 2025	Note	Depreciation	Finance costs	Lease payments
Depreciation of right-of-use assets:				
Pontevedra biomill land	9 & 12	192	766	786
Other land	9 & 12	325	267	485
Other assets	9 & 12	2,868	637	4,563
		3,385	1,670	5,834
Costs capitalised		(325)	(267)	-
		3,060	1,403	5,834

The expenses recognised in connection with short-term leases and variable lease payments not included in the measurement of the lease liability amounted to €510 thousand in the first half of 2025.

14. Biological assets

“Biological assets” exclusively comprises the Group’s forest cover; the forest land owned by the Group is presented under “Property, plant and equipment - Forest land”. The movement in this heading during the first half of 2025:

First half 2025	€ 000			
	Balance at 01/01/2025	Additions/ (charges)	Derecognitions or decreases	Balance at 30/06/2025
Pulp business:				
Forest cover	133,350	4,385	(609)	137,126
Depletion of forest reserve	(62,791)	(5,232)	609	(67,414)
Impairment (note 15)	(4,487)	-	-	(4,487)
	66,072	(847)	-	65,225
Renewables business:				
Forest cover	2,098	23	-	2,121
Depletion of forest reserve	(1,752)	(32)	-	(1,784)
Impairment (note 15)	(96)	-	-	(96)
	250	(9)	-	241
	66,322			65,466

In the first half of 2025, the Group planted 667 hectares of land and carried out forest preservation and protection work on 7,032 hectares, work which entailed investments totalling €4,408 thousand. A portion of the amount capitalised - €3,923 thousand - has been recognised within “Self-constructed assets” in the consolidated statement of profit or loss.

In the first half of 2025, the Group capitalised €485 thousand corresponding to payments for the right to use land earmarked for the development of biological assets and associated borrowing costs.

15. Impairment of non-financial assets

The impairment losses recognised by the Group against non-financial assets at 30 June 2025 are shown in the table below:

	Note	€ 000			
		01/01/2025	Additions	Amounts used	Amounts reversed
					30/06/2025
Goodwill	11	2,737	-	-	-
Other intangible assets	11	752	-	-	(1)
Property, plant and equipment	12	27,798	-	-	(42)
Biological assets	14	4,583	-	-	-
Inventories					
Spare parts	16	14,264	1,046	(703)	(70)
Net realisable amount	16	2,279	1,272	-	-
& other					
		52,413	2,318	(703)	(113)
					53,915

The breakdown of “Impairment of and gains/(losses) on disposal of fixed assets” in the consolidated statement of profit or loss for the six months ended 30 June 2025 is shown below:

€ 000	Note	First half 2025		Total
		Impairment losses (*)	Gains/(losses) on derecognition/sale	
Other intangible assets	11	(1)	-	(1)
Property, plant and equipment	12	(42)	113	71
		(43)	113	70

(*) 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 notes 3.5 and 19 of the Group’s annual consolidated financial statements for 2024.

At 30 June 2025, the Group reviewed the assumptions made to value the biomass and gas renewable energy generation facilities in the Renewables business. There were no significant changes in the assumptions in terms of the forecast trend in renewable energy prices or the trend in macroeconomic variables such as inflation and interest rates; nor had there been any relevant developments in the regulatory environment. These being the aspects assessed to check for indications of impairment, there were therefore no changes in the impairment losses associated with those facilities.

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.

Elsewhere, 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.

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. In the first half of 2025, the correction in pulp prices in the international markets, coupled with adverse trends in the USD/EUR exchange rate, triggered the recognition of impairment losses related with the net realisable amount of inventories totalling €1,046 thousand.

16. Inventories

The breakdown of the Group's inventories at 30 June 2025 and 2024 is as follows:

€ 000	30 June 2025	31 Dec. 2024
Timber and biomass	32,054	20,296
Other raw materials	3,646	4,462
High-turnover spare parts (*)	15,278	15,809
Greenhouse gas emission allowances	20,254	8,429
GHG offset credits	1,228	1,228
Finished goods and work in progress	41,193	38,547
Advances to suppliers	3,186	1002
Projects under development	8,643	7,112
Impairment (note 15)	(3,551)	(2,279)
	121,931	94,606

(*) Presented net of impairment allowances of €14,537 thousand and €14,264 thousand at 30 June 2025 and 31 December 2024, respectively.

There are no restrictions on title to inventories.

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

16.1 Emission allowances

The reconciliation of the opening and closing Group-owned greenhouse gas (GHG) emission allowance balances for the first half of 2025 is provided in the next table:

	First half 2025	
	Number of allowances	€ 000
Opening balance	119,261	8,429
Allocations	105,000	7,648
Purchases	59,000	4,177
Closing balance	283,261	20,254

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

"Current provisions" on the liability side of the consolidated statement of financial position includes €6,621 thousand in this respect at 30 June 2025, corresponding to the liability derived from the consumption of 91,704 allowances in the first half of the year (note 26).

At 30 June 2025, the Group was contractually committed to the forward purchase of 14,153 allowances at an average price of €70.37/tonne. Those contracts are expected to be executed in the second half of 2025.

17. Equity

17.1 Share capital

The share capital of ENCE Energía y Celulosa, S.A. at 30 June 2025 was represented by 246,272,500 fully subscribed and paid bearer shares, each with a par value of €0.90.

Since ENCE's shares are represented by the book entry method, it is not possible to ascertain its precise shareholder structure. The table below presents significant direct and indirect holdings in the share capital and financial instruments issued by ENCE at 30 June 2025 and 31 December 2024 as reported by the holders of those securities to the official registers of Spain's securities market regulator, the CNMV for its acronym in Spanish, or to the Company itself, in keeping with Spanish Royal Decree 1362/2007:

Shareholder	%	
	30 June 2025	31 Dec. 2024
Juan Luis Arregui / Retos Operativos XXI, S.L.	29.44	29.44
Atlas GP Global Holding LLC/ Prometheus IV LLC	10.01	4.89
Víctor Urrutia / Asúa Inversiones, S.L.	10.00	10.00
Jose Ignacio Comenge / La Fuente Salada S.L.	6.38	6.38
Millennium Group Management LLC	1.06	1.06
Own shares	1.56	1.46
Directors with ownership interest of < 3%	0.63	0.63
Free float	40.92	46.14
Total	100.00	100.00

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

17.2 Reserves

Below is the reconciliation of the opening and closing reserve balances for the first six months of 2025 and 2024:

€ 000	Parent company reserves					Reserves in fully-consolidated investees	Reserves in equity-accounted investees	Total reserves
	Legal reserve	Cancelled capital reserve	Capitalisation reserve	Voluntary reserves	Retained earnings (prior-year losses)			
Balance at 31 Dec. 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	-	-	-	568	-	-	-	568
Balance at 30 June 2024	45,049	10,566	773	19,686	(34,455)	71,584	(106)	113,097
Balance at 31 December 2024	45,049	10,566	773	19,481	(34,455)	71,584	(106)	112,892
Appropriation of prior-year profit/(loss)	-	-	-	-	12,769	(15,190)	-	(2,421)
Trading in own shares	-	-	-	107	-	-	-	107
Balance at 30 June 2025	45,049	10,566	773	19,588	(21,686)	56,394	(106)	110,578

17.3 Own shares

The reconciliation of "Equity - Own shares" at the beginning and end the six-month period ended 30 June 2025 is as follows:

	First half 2025	
	No. of shares	€ 000
Opening balance	3,605,432	12,205
Purchases	4,362,435	13,678
Sales	(4,118,706)	(12,909)
Closing balance	3,849,161	12,974

The own shares held by the Parent at 30 June 2025 represent 1.6% of its share capital and were carried at €3,464 thousand. Those shares were acquired at an average price of €3.37 per share. The own shares held as treasury stock are intended for trading in the market and for delivery under the long-term incentive plans arranged by ENCE (note 7).

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

17.4 Valuation adjustments

The breakdown of "Valuation adjustments" at 30 June 2025 is provided below:

€ 000	30 June 2025			31 Dec. 2024		
	Fair value	Tax effect	Adjustment in equity	Fair value	Tax effect	Adjustment in equity
Land revaluation	54,102	13,510	40,592	54,102	13,510	40,592
Hedging transactions (note 25)						
IR swap	(4,086)	(1,022)	(3,065)	(4,180)	(1,045)	(3,135)
Energy purchases	(229)	(57)	(172)	(634)	(159)	(475)
Exchange rate	9,253	2,313	6,941	(6,081)	(1,520)	(4,561)
	59,040	14,744	44,296	43,207	10,786	32,421

17.5 Other equity instruments

The reconciliation of the movement in the carrying amount of "Other equity instruments" on the consolidated statement of financial position during the first half of 2025 is as follows:

€ 000	Balance at 01/01/2024	Additions	Tax effect	Balance at 30/06/2024
Long-term incentive plan (note 7.2)	2,438	816	(204)	3,050
	2,438	816	(204)	3,050

18. Non-controlling interests

The reconciliation of the carrying amount of this consolidated statement of financial position heading at the beginning and end of the first half of 2025 is as follows:

30 June 2025	€ 000			Balance at 30/06/2025
	Balance at 01/01/2025	Profit/(loss) attributable to non-controlling interests	Other changes	
Company				
Energía de la Loma, S.A.	4,740	243	-	4,983
Energías de la Mancha Eneman, S.A.	(496)	311	-	(185)
Bioenergía Santamaría, S.A.	3,665	224	-	3,889
MAGNON	88,869	(6,626)	106	82,349
BioCH4 Developments, S.L.	(63)	(255)	-	(318)
Biometagás La Galera, S.L.	336	-	-	336
Total	97,051	(6,103)	106	91,054

19. Financial instruments by category

The table below reconciles the Group's financial instruments by category and the consolidated statement of financial position headings at 30 June 2025:

30 June 2025		Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Total at 30 June 2025
Thousands of euros	Note				
Investments accounted for using the equity method		-	-	95	95
Derivative financial instruments	25	-	9,270	-	9,270
Trade and other receivables	20	52,369	-	-	52,369
Trade receivables and other financial assets - Group companies and related parties	20 & 29	952	-	-	952
Other financial assets	22.2	44,052	-	20,778	64,830
Cash and cash equivalents	22.1	268,776	-	-	268,776
Total financial assets		366,149	9,270	20,873	396,292
Derivative financial instruments	25	-	5,499	-	5,499
Trade and other payables	21	233,397	-	-	233,397
Other non-current and current liabilities	24	95,689	-	-	95,689
Trade payables and other financial liabilities - Group companies and related parties	21 & 29	33,629	-	-	33,629
Notes and other marketable securities	23.1	73,192	-	-	73,192
Bank borrowings	23.1	479,824	-	-	479,824
Other financial liabilities	23.2	92,475	-	-	92,475
Total financial liabilities		1,008,206	5,499	-	1,013,705

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

20. Trade and other receivables

The breakdown at 30 June 2025 and 31 December 2024 of “Trade and other receivables” in the consolidated statement of financial position is as follows:

€ 000	30 June 2025	31 Dec. 2024
Trade receivables:		
Pulp	18,398	16,370
Renewables	15,210	27,946
Other	4,614	4,715
Trade receivables, group companies and related parties (note 29)	940	1,128
Other receivables	19,482	5,715
Provision for impairment	(5,335)	(4,990)
	53,309	50,884

The credit period on pulp sales is between 54 and 58 days.

The line item “Provision for impairment” in the table above included additions for the period totalling €477 thousand (with a charge against “Impairment of financial assets” in the consolidated statement of profit or loss), net of provisions reversed in the amount of €132 thousand.

20.1 Discounting facilities

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

	30 June 2025	
	Undrawn limit	Drawn down
Pulp	119,000	102,413
Renewables	43,000	16,187
	162,000	118,600

The trade receivables not discounted under those facilities at 30 June 2025 are expected to be collected from the corresponding debtors, rather than via sale.

21. Trade and other payables

The breakdown at 30 June 2025 and 31 December 2024 of “Trade and other payables” in the consolidated statement of financial position is as follows:

€ 000	30 June 2025	31 Dec. 2024
Trade and other payables	190,039	180,865
Trade payables, group companies and related parties (note 29)	2,936	1,821
Payable to fixed-asset suppliers	36,570	23,263
Employee benefits payable	6,788	11,905
	236,333	217,854

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

	30 June 2025	
	Undrawn limit	Drawn down
Pulp	134,500	66,584
Renewables	50,000	18,668
	184,500	85,252

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

22. Financial assets

22.1 Cash and cash equivalents

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

At 30 June 2025, the Group had €14,458 thousand of cash in dollars.

22.2 Other financial assets

The breakdown of this consolidated statement of financial position heading at 30 June 2025 and 31 December 2024:

€ 000	30 June 2025		31 Dec. 2024	
	Current	Non-current	Current	Non-current
Tariff Adjustment (note 24)	-	19,726	-	22,837
ENCE's share liquidity agreement (note 17.3)	1,137	-	1,786	-
Contingent consideration (note 29)	12,971	7,807	12,971	6,965
Receivable under equipment sub-leases	-	7,118	-	6,606
Debt service reserve account	-	11,451	-	10,000
Security deposits and other accounts receivable	1,650	2,970	11,769	4,001
	15,758	49,072	26,526	50,409

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. It also includes cash earmarked to covering the obligation, stipulated in the financing taken on to fund the acquisition of the biomethane plant in December 2024 (note 23), to maintain a minimum cash sweep of €1.5 million.

On 20 December 2020, Ence Energía y Celulosa, S.A. completed the sale to Woodpecker Acquisitions S.a.r.l, an entity controlled by Ancala Partners LLP, of a minority interest of 49% in its subsidiary, Magnon Green Energy, S.L., the holding company for ENCE's Renewables business. A portion of the sale price - €134 million - is variable and depends on successful development of the pipeline of biomass renewable energy projects over the next eight years. At 30 June 2025, ENCE recognised a balance receivable of €19,382 thousand, which is the present value, discounted using the business's cost of capital of 8.4%, of the amount of the contingent consideration it expects to collect between 2021 and 2028.

Elsewhere, "Contingent consideration" includes a receivable in the amount of €1,396 thousand at 30 June 2025 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.

23. Borrowings

The breakdown of financial borrowings at 30 June 2025 and 31 December 2024 is as follows:

€ 000	Non-current liabilities		Current liabilities	
	30 June 2025	31 Dec. 2024	30 June 2025	31 Dec. 2024
Notes and other marketable securities	13,473	15,574	59,719	57,987
Bank borrowings	394,546	353,390	85,278	88,743
Other financial liabilities	77,472	77,477	15,003	15,478
Total	485,491	446,441	160,000	162,208

23.1 Bank borrowings and capital markets issues

The breakdown of bank borrowings at 30 June 2025 corresponding to loans and discounting facilities, classified by their respective maturities, is as follows:

30 June 2025			Maturity					
€ 000	Limit	Drawn down	2025	2026	2027	2028	2029	Beyond
Borrowings - Pulp business								
Notes issued	73,192	73,192	27,910	34,699	10,584	-	-	-
Revolving credit facility	130,000	-	-	-	-	-	-	-
Bank loans	308,495	308,495	38,180	76,251	66,374	76,092	20,198	31,400
Arrangement fees	-	(1,304)	(155)	(312)	(312)	(238)	(195)	(92)
Interest and coupons payable and	-	1,982	1,982	-	-	-	-	-
	511,687	382,365	67,917	110,638	76,646	75,854	20,003	31,308
Borrowings - Renewables business								
Revolving credit facility	20,000	-	-	-	-	-	-	-
Syndicated loans - Corporate	161,569	161,569	5,984	11,968	11,288	10,608	9,928	111,793
Project finance - Biomethane plant	14,295	14,295	35	41	477	1,007	1,015	11,720
Arrangement fees	-	(5,214)	(327)	(745)	(836)	(836)	(836)	(1,634)
	195,864	170,650	5,692	11,264	10,929	10,779	10,107	121,879
	707,551	553,015	73,609	121,902	87,575	86,633	30,110	153,187

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

ENCE's average borrowing cost was 4.46% in the first half of 2025. The average borrowing cost in the Pulp business was 4.02%, compared to 5.49% in the Renewables business.

At 30 June 2025, 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 it can issue up to €200 million of paper with maturities of up to 24 months. The average cost of this commercial paper was 3.37% in the first half of 2025.

Revolving credit facility

ENCE has a €130 million revolving credit facility with a syndicate of Spanish and international banks. On 5 June 2025, its maturity was extended to 2030. This revolving credit facility accrues interest at a rate of interest benchmarked to Euribor. The interest rate may vary annually as a function of the Sustainalytics environmental sustainability rating obtained by ENCE, which has assessed that debt as "green" financing. The revolving credit facility was fully undrawn at 30 June 2025.

Loans

At 30 June 2025, ENCE had arranged several loans in a combined amount of €308.5 million; those loans fall due between 2025 and 2033. A portion of those loans, with a face value of €50.6 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 1.10% to 2.05%. The interest rate on 48.7% 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 50% of the balance drawn down, locking in a fixed rate of 3.23% (note 25).

Other financing

During the first half of 2025, the Group prepaid loans in a total amount of €35.5 million.

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 (RCF) of €20 million: The breakdown at 30 June 2025:

	€ 000		Maturity	Interest rate (*)
	Undrawn	Drawn		
Tranche 1	59,569	59,569	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)
	181,569	161,569		

- (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 has arranged interest rate swaps. The swaps cover 80% of the financing drawn down and lock in an average rate of 2.8% (note 25).

Project finance - La Galera biomethane plant

On 30 January 2025, Biofertilizantes y Biometano Camarles, S.L., 100%-owned by ENCE, and Biogás and Biometegás la Galera S.L., 100%-owned by Biofertilizantes y Biometano Camarles, S.L., arranged a project finance loan in the amount of €19,582 thousand with a financial institution to fund the acquisition and subsequent expansion of a biomethane facility located in the town of La Galera in Tarragona.

At 30 June 2025, that loan was drawn down by €14,296 thousand. It matures on 30 June 2037. The project finance 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 100% of the drawdowns estimated over the term of the facility at an average fixed rate of 2.58%.

Note that the new project finance facility qualifies as a green loan under the Green Loan Principles.

23.2 Other financial liabilities

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

First half 2025		Maturity					
€ 000	Drawn down	2025	2026	2027	2028	2029	Beyond
Other financial liabilities - Pulp business							
Financing granted by public organisms	32,586	5,794	8,202	6,383	6,409	3,733	2,065
Liabilities for right-of-use assets (note 13)	53,906	4,718	3,423	5,096	3,915	3,288	33,466
	86,492	10,512	11,625	11,479	10,324	7,021	35,531
Other financial liabilities - Renewables business							
Liabilities for right-of-use assets (note 13)	5,983	1,773	1,350	1,302	921	507	130
	5,983	1,773	1,350	1,302	921	507	130
	92,475	12,285	12,975	12,781	11,245	7,528	35,661

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

The breakdown of this consolidated statement of financial position heading at 30 June 2025 and 31 December 2024:

€ 000	30 June 2025		31 Dec. 2024	
	Current	Non-current	Current	Non-current
Assets:				
Tariff Adjustment - reg. stub period: 2023-2025 (note 22.2)	-	19,726	-	22,837
Other	16,053	-	3,086	-
	16,053	19,726	3,086	22,837
Liabilities:				
Tariff Adjustment - prior reg. stub periods	9,028	82,519	8,166	87,448
Accruals and other	-	500	-	971
Contingent consideration	-	3,642	-	3,642
	9,028	86,661	8,166	92,061

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

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 (note 5).

Elsewhere, the balances recognised in the condensed consolidated statement of financial position in this respect at 30 June 2025 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:

30 June 2025 € 000	Maturity						
	Total	2025	2026	2027	2028	2029	Beyond
Balances payable:							
Pulp business:	29,068	1,109	2,381	2,557	2,746	2,950	17,325
Renewables business:	62,480	2,959	5,604	6,019	4,286	4,164	39,448
	91,548	4,068	7,985	8,576	7,032	7,114	56,773
Net position	91,548	4,068	7,985	8,576	7,032	7,114	56,773

25. Derivative financial instruments

The breakdown of this consolidated statement of financial position heading at 30 June 2025 and 31 December 2024, which corresponds with the fair value of the derivatives at the reporting dates, is provided in the next table:

€ 000	Non-current assets		Current assets		Non-current liabilities		Current liabilities	
	30 June 2025	31 Dec. 2024	30 June 2025	31 Dec. 2024	30 June 2025	31 Dec. 2024	30 June 2025	31 Dec. 2024
Cash flow hedges:								
IR swap	17	-	-	-	2,846	4,029	2,424	1,260
Currency hedges	-	-	9,253	-	-	-	-	6,081
Energy sales price hedges	-	-	-	-	-	-	229	633
Total	17	-	9,253	-	2,846	4,029	2,653	7,974

The changes in the fair value of the derivative financial instruments that were reclassified to profit or loss in the first half of 2025 are shown below:

€ 000 - Gain/(loss)	First half 2025	First half 2024
Impact on operating profit:		
Currency hedges	1,008	300
Energy sales price hedges	465	-
Subtotal	1,473	300
Impact on net finance costs:		
IR swap (note 9)	222	2,220
Energy sales price hedges (note 9)	127	-
Subtotal	349	2,220
Total	1,822	2,520

All of the derivatives arranged by ENCE at 30 June 2025 qualify for hedge accounting.

25.1 Currency hedges

ENCE hedges its exposure to fluctuations in the dollar-euro exchange rate, which have a significant impact on pulp sales prices, using tunnel options (Asian options) and forward contracts. The breakdown at 30 June 2025:

Tunnel options - Underlying	Maturity	Strike price	Strike price	Notional amount
		Call	Put	(USD m)
EUR/USD	3Q25	1.072	1.101	72.90
EUR/USD	4Q25	1.052	1.083	54.10
EUR/USD	1Q26	1.098	1.147	8.70
EUR/USD	2Q26	1.143	1.185	5.50
				141.2

Forward - Underlying	Maturity	Strike price	Notional amount
		Call	(USD m)
EUR/USD	4Q25	1.147	3.000
EUR/USD	1Q26	1.152	6.100
EUR/USD	2Q26	1.160	5.500
			14.6

The contracts outstanding at 30 June 2025 cover approximately 42.60% and 9.51% of forecast pulp sales in the second half of 2025 and the first half of 2026, respectively.

There were no hedge inefficiencies in respect of the foreign currency hedges in the first half of 2025.

The sensitivity of operating profit and equity to dollar appreciation or depreciation against the euro as a result of the impact on the derivative financial instruments arranged by ENCE at 30 June 2025 is shown below:

€ 000	Change in USD/EUR exchange rate	Operating profit (-)/+	Impact on equity (-)/+
	5% depreciation	3,039	2,279
	5% appreciation	15,341	11,505

25.2 Energy sale hedges

The Group attempts to replicate the regulatory pool price indexation formula established in the new regulations published in 2024. To that end, in the first half of 2025, it 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 30 June 2025:

Maturity	Amount (MWh)	Price locked in (€/MWh)
3Q25	196,512	73.83
4Q25	46,389	73.13

There were no hedge inefficiencies in respect of the energy sale price hedges in the first half of 2025.

The sensitivity of earnings to energy price changes as a result of the impact on the derivative financial instruments arranged by ENCE at 30 June 2025 is shown below:

€ 000	Change in USD/EUR exchange rate	Operating profit (-)/+	Impact on equity (-)/+
	5% depreciation	823	617
	5% appreciation	(1,279)	(959)

25.3 Interest rate swaps

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

€ 000	Fair value	Notional principal amounts at year-end:				
		2025	2026	2027	2028	Other
Pulp	(3,230)	136,539	91,809	46,813	-	-
Renewables	(2,023)	92,097	83,720	75,581	67,917	164,956

There were no hedge inefficiencies in respect of these derivatives in the first half of 2025.

The sensitivity of operating profit and equity to interest rate movements as a result of the impact on the derivative financial instruments arranged by the Group at 30 June 2025 is shown below:

€ 000	Change in interest rates	Impact on finance cost (-)/+	Impact on equity (-)/+
	50bp increase	(1,783)	(1,337)
	50bp decrease	(8,756)	(6,567)

26. Provisions, guarantees and contingent liabilities

26.1 Provisions

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

First half 2025	Balance at 01/01/2025	Additions/ (charges)	Derecognitions or decreases	Transfers	Balance at 30/06/2025
Non-current:					
Long-term incentive plan (note 7.2)	1,320	432	-	-	1,752
Dismantling provision	26,256	414	-	-	26,670
Other	1,929	199	(190)	(475)	1,463
	29,505	1,045	(190)	(475)	29,885
Current					
Emission allowances (notes 8 & 16.1)	12,485	6,621	-	-	19,106
Pontevedra Community Plan & other	21,000	52	-	475	21,527
	33,485	6,673	-	475	40,633

26.2 Guarantees extended to third parties

At 30 June 2025, several financial institutions had extended the various Group companies the following guarantees:

	€ 000
Government permitting of renewable energy power generation plants	19,923
Subsidised loans (note 23.2)	10,000
Grid access - Pre-allocations	17,385
Receivable discounting lines	10,000
Execution of forest projects	6,996
Pontevedra concession	3,050
Electricity market	5,900
Environmental	1,668
Payments to suppliers	32
Other	12,840
	87,794

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

26.3 Contingent assets and liabilities

At 30 June 2025, the Group was party to legal claims and controversies that arose 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 was 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.

The state attorney, Greenpeace and the town council of Pontevedra lodged appeals before the Constitutional Court of Spain. The appeals lodged by the state attorney and Greenpeace were ruled inadmissible, while the appeal presented by the town council of Pontevedra was admitted for processing via a court order on 26 May 2025. ENCE and its legal advisors believe there are solid legal grounds for upholding the legality of the concession extension ruled on by the Supreme Court in its sentences of 2023.

27. Tax matters

The balances receivable from and payable to the tax authorities at 30 June 2025 and 31 December 2024 are shown below:

€ 000	30 June 2025		31 Dec. 2024	
	Assets	Liabilities	Assets	Liabilities
Non-current:				
Deferred tax assets	94,726	-	93,840	-
Deferred tax liabilities	(35,354)	-	(31,853)	-
Total	59,372	-	61,987	-
Current:				
VAT	8,534	4,149	18,134	5,506
Current tax on profits for the year	6,302	1,256	6,569	26
Electricity levy	-	3,249	-	4,224
Sundry other taxes	3,470	5,618	421	4,835
Total	18,306	14,272	25,124	14,591

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

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

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

The rest of the Group companies file individual tax returns.

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

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

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 annulled 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 50% on the utilisation of individual tax losses in 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).

27.1 Recognised deferred tax assets and liabilities

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

€ 000	Deferred tax assets				Deferred tax liabilities
	Unused tax losses and tax credits	Hedging instruments	Other deferred tax assets	Total	
Opening balance	69,842	2,997	21,000	93,839	31,853
2025 corporate income tax	595	-	886	1,481	-
Change in fair value of hedging instruments	-	(1,482)	-	(1,482)	2,510
Consolidation adjustments	-	-	888	888	(68)
Other	-	-	-	-	1,059
	70,437	1,515	22,774	94,726	35,354

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

The deferred tax assets relate to asset impairment losses, provisions, tax relief, unused tax losses and differences in depreciation schedules for accounting and tax purposes.

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.

The balance of unused tax credits and unused tax losses certified but not recognised in the statement of financial position at 30 June 2025 amounts to €55.3 million.

27.2 Years open to inspection and tax inspections

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by the tax authorities or until the inspection period in effect in each tax jurisdiction has prescribed (four years in Spain and Portugal and five years in Uruguay). The Tax Groups have their returns open to inspection for 2022 and 2023.

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

28. Director and key management personnel pay and other benefits

Note 33 of the Group's annual consolidated financial statements for 2024 and Appendix III of the Consolidated Management Report that accompanies those annual financial statements, which includes the Annual Corporate Governance Report and the Annual Report on Director Remuneration, detail the existing agreements with respect to the remuneration and other benefits provided to the Parent's Board of Directors and key management personnel.

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

The table below summarises the most significant items of remuneration and benefits accrued in the first six months of 2025 and 2024:

	€ 000	
	First half 2025	First half 2024
Board of Directors:		
Remuneration for Board membership:		
Fixed remuneration	334	334
Per diems & other	396	365
	730	699
Remuneration for performance of executive duties (*)	412	405
Key management personnel:		
Total remuneration (*)	1,553	1,160

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

28.1 Remuneration of the members of the Board of Directors

Remuneration for membership of the Board of Directors

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

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

The members of the Parent's Board of Directors did not receive any remuneration whatsoever for sitting on the boards of other Group subsidiaries or associates in the first half of 2025.

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.

Ignacio de Colmenares Brunet accrued fixed remuneration for the performance of his executive duties of €375 thousand in the first half of 2025.

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

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 7). Assuming 100% delivery of the targets associated with Cycles I, II and III of that plan, he would receive (before tax) 694 thousand ENCE shares in 2026 corresponding to Cycle I, 262 thousand ENCE shares in 2027 corresponding to Cycle II and 242 thousand ENCE shares in 2028 corresponding to Cycle III.

Other observations

The Group companies have not extended ENCE's directors any advances or loans. Nor have ENCE's directors received any termination benefits. The directors did not conclude any transactions with ENCE or any of its subsidiaries outside the ordinary course of business or on terms other than on an arm's length basis in the first half of 2025.

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.

Maria Samoilova joined the Parent's Board of Directors as an independent director in the first half of 2025, while Rosalía Gil-Albarellos Marcos stepped down.

Key management personnel remuneration

Key management personnel (KMP) comprise the executives who report directly to the Chairman & CEO or the Board of Directors or any of its committees and any other executives the Board of Directors deems as such. The breakdown at 30 June 2025:

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

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

The key management personnel are also beneficiaries under Cycles I, II and III of ENCE Energía y Celulosa, S.A.'s 2023-2027 long-term incentive plan (note 7.2). 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, 365 thousand ENCE shares and €28 thousand in cash in 2027 corresponding to Cycle II and 352 thousand ENCE shares and €28 thousand in cash in 2028 corresponding to Cycle III.

Elsewhere, the key management personnel in the Renewables business are beneficiaries under the Magnon Group's 2021-2025 long-term incentive plan (note 7). Assuming full delivery of the targets to which that incentive scheme is tied, they stand to receive €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.

29. Transactions with Group companies and related parties

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

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

30 June 2025	€ 000		
	Current loans	Current receivables (note 20)	Current payables (note 21)
Oleoenergía de Puertollano, S.L.	12	-	-
Capacitación de Servicios Forestales, S.L.	-	862	1,634
	12	862	1,634

The transactions performed with investees accounted for using the equity method of consolidation in the first half of 2025 were as follows:

30 June 2025	€ 000		
	Services rendered	Purchases	Operating expenses
Capacitación de Servicios Forestales, S.L.	598	297	2,030
	598	297	2,030

29.2 Balances and transactions with non-controlling interests

The balances outstanding with non-controlling interests at 30 June 2025 are as follows:

30 June 2025	€ 000					
	Non-current financial assets (note 22.2)	Current financial assets (note 22.2)	Current receivables (note 20)	Non-current borrowings	Current borrowings	Current payables (note 21)
Woodpecker Acquisitions S.á r.l.	6,410	12,971	-	29,015	1,678	-
San Miguel Arcángel, S.A.	-	-	-	-	-	715
Aceites y Energía Santamaría, S.A.	-	-	78	-	-	587
	6,410	12,971	78	29,015	1,678	1,302

The non-current debt corresponds to a loan extended by Woodpecker Acquisitions S.a.r.l. to Magnon Green Energy, S.L. This loan accrues interest at a rate of 5.65% and falls due in 2032.

The transactions carried out with non-controlling shareholders in the first half of 2025:

First half 2025	€ 000			
	Sales	Purchases	Operating expenses	Finance costs
Woodpecker Acquisitions S.á r.l.	-	-	-	801
San Miguel Arcángel, S.A.	-	2,572	-	-
Aceites y Energía Santamaría, S.A.	237	638	205	-
	237	3,210	205	801

29.3 Transactions with directors

ENCE had no balances outstanding with its directors at 30 June 2025. Moreover, ENCE did not perform any transactions with its directors in the first half of 2025.

30. Environmental management

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

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

- ✓ The production of pulp using 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 Europe which comes from North America.
- ✓ Besides the work done on these special products (ENCE Advanced), in the first half of 2025, 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 to be built in Galicia (As Pontes) to 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 2025, ENCE also continued to develop its industrial heat business which provides decarbonisation solutions by generating heat from renewable sources. With this business, the Group is helping sectors that are hard to electrify to reduce their carbon footprints. One facility is already up and running and another is under construction.
- ✓ Framed by its diversification strategy, ENCE is looking for business opportunities aligned with its circular bioeconomy model. That was what prompted it to set up a new subsidiary (Ence Biogás) to produce biofertilisers and renewable gas. 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 fertilisers with smaller environmental footprints than their chemical counterparts. This new subsidiary's first plant, in La Galera (Tarragona), was acquired in December 2024 and ENCE has a portfolio of 16 additional developments at the environmental permitting stage plus another 16 initiatives under development for which sites have been located and viability studies performed.

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

ENCE's commitment translates into significant investments to introduce prevailing best available techniques and improve process efficiency. The amount of capital expenditure incurred in each line of business during the first half of 2025 is shown below:

	€ 000
Pulp	6,816
Renewables	760
	7,576

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 ENCE's ambition is to go beyond upholding its legal obligations, its 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 and outperform the limits set in the permits and reports to the corresponding authorities 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. Notably, this integration of the TQM approach into its environmental management governance earned the Navia biomill the Quality Impact Award in the national category and entitled it represent Spain in these same awards in the international category, where it also picked up an award. .

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 operating standards (manuals, procedures, etc.) to allow it 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 is aligned with the following international standards:

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

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

The Pontevedra and Navia biomills were pioneers in their respective regions in obtaining certification under Regulation (EC) No. 1221/2009 on the Community eco-management and audit scheme (EMAS). To be included in that register, facilities have to have their environmental statements audited by a certified independent verifier every year; those statements provide an account of their key performance indicators, annual targets and delivery thereof. 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 means that the pulp they produce is approved by Nordic Swan. 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 certify 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 such that it qualifies as renewable.

ENCE also holds Ecovadis' 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.

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 and potential substitutes for single-use plastics. 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. To that end it is 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.

MAGNON also holds AENOR certification for its Circular Economy Strategy since 2024, creating visibility around its Circular Strategy, approved last year 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. Indeed, in 2024, it revised its Decarbonisation Plan to make its Scope 1 and 2 emissions reduction targets more ambitious and introduce targets for the reduction of Scope 3 emissions. In addition, MAGNON's first decarbonisation plan was added 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 1.5°C. In defining its decarbonisation pathway, ENCE factored in the key recommendations of the Science Based Targets Initiative (SBTi). Specifically, taking 2018 as its base year, its current targets are to cut its Scope 1 and Scope 2 GHG emissions by 55% and 70% by 2030 and 2035, respectively. As for its indirect Scope 3 emissions, ENCE has pledged to reduce them by 10% and 15% by 2030 and 2035, respectively, both by comparison with 2023 levels. In addition to these targets, under the scope of its Climate Change Policy, ENCE has committed to achieving climate neutrality by 2050 by means of offset mechanisms to cover its residual emissions once it has maxed out its ability to reduce them.

Against the backdrop of this 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. In addition, in the first half of 2025, it rolled out phase one of the process of replacing the use of natural gas with biomass (sawdust), which, together with the biomethanol introduced, has reduced the facility's direct emissions even further, replacing fossil fuels with renewable sources. At the Pontevedra biomill similar lines of work are underway with the aim of likewise reducing the use of fossil fuels in its lime furnaces.

ENCE also had its 2024 carbon footprint and product footprint assured in the first half of 2025. That process was carried out in accordance with ISO 14064 and 14067 by an independent expert, which provided the highest level of assurance (reasonable assurance).

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 it manages every year. Those investments encompass forestry care, reforestation, infrastructure upgrade and fire protection work, environmental improvements 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, efficient and sustainable 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 the harvesting of wood cuts in purchases from third parties - the management and sustainability requirements are identical (one of ENCE's main contributions being the transmission of the environmental management standards it uses in its own forests to its suppliers) and are framed by an integrated forest management system. That system is in turn articulated around applicable regulatory requirements and the benchmark sustainable forestry management and chain of custody standards: FSC® (Forest Stewardship Council®) and PEFC (Programme for the Endorsement of Forest Certification), which in the case of forest management is certified under license numbers FSC®-C099970 and FSC®-C081854 and PEFC PEFC/14-22-00010 and PEFC/14-33-00001.

In the first half of 2025, the Group obtained PEFC certification for the trading business, allowing it to begin to operate in the capacity of trader or merchant, so that it can buy and sell certain non-hazardous waste.

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 addition, ENCE has been working to develop a user-friendly app since 2024 and throughout the first half of 2025 whose use by all its suppliers facilitates compliance with their requirements under the due diligence regulation.

ENCE's efforts in this respect meant that 74% of all of the wood that entered its facilities in the first half of 2025 was certified. As for the forests under its management, around 90% of the certifiable land area managed by ENCE is certified under one or other scheme.

Thanks to approval of ENCE's Biodiversity Plan, in the first half of 2025, work began on the plans for restoring forests, creating ecotones (transitional areas designed to protect particularly sensitive habitats), fighting invasive species and formulating specific programmes for protecting birds of prey, pollinators and bats, all framed by the 2025-2028 Biodiversity Strategy.

In addition to fostering certified sustainable forestry management, ENCE undertakes research and development work in the following areas: best forestry care practices; the development of enhanced plants capable of adapting to 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, ENCE shares know-how related with aspects such as forest care, plant selection, pest control, legal compliance and forestry certification with owners, suppliers and the sector in general, feeding a continuous debate about how to improve the sector, to which end the authorities and civil society are similarly engaged.

Sustainable management of biomass procurement

In the first half of 2025, ENCE maintained its position as a benchmark buyer of agricultural and forestry biomass for energy purposes (electricity and industrial heat). It guarantees that the biomass it supplies to its facilities meets the required standards designed to ensure it is used sustainably. To that end, in the first half of 2025, 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 the first half of 2025, in addition to renewing this certification at its facilities, ENCE continued to work on encouraging its suppliers to obtain certification, so achieving the certified biomass consumption milestones required by law. It also began work on adapting its management system for the new SURE requirements, which have been updated to align them with the 2023 Renewable Energy Directive.

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 (m³ 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 19% 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.

Against that backdrop, the Navia biomill has 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 the first half of 2025, the Navia biomill maintained 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 98%. It has also cut onsite waste generation by 25% in the last four years. 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.

Work continues on the Zero Odour Plan, thanks to which ENCE is continuing to dissipate the biomill's odour impact: 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.

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 are designed to ensure business continuity at the biomill during episodes of drought, so mitigating this risk.

As for its wastewater, in the first half of 2025, 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 49%, coming in at 3.6 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 82% 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 earn and hold 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 unlocked an improvement in particle emissions from the biomass furnace, allowing ENCE to meet, in 2024, the new requirements coming into effect from 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 the first half of 2025, 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 June. Based on the water map and decarbonisation plans drawn up in 2024, ENCE is monitoring performance of the initiatives set in motion.

It also continues to make progress on several waste recovery projects that will give a second use to non-hazardous waste generated at the energy plants, having managed to get the ash produced at a second energy plant categorised as a "subproduct" in the first half of 2025.

Work is also underway in 2025 on updating the stakeholder matrices and a number of studies are in progress with a view to bringing the organisation closer to its stakeholders.

Circular economy

2025 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 obtaining certification under AENOR's Circular Economy Strategy Model, a milestone achieved in November 2024.

Against this backdrop, work continues 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.
- ✓ 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 three of the most important plants: HU41, HU50 and HU46.

All of this facility's environmental readings remained below the thresholds stipulated in its environmental permit in the first half of 2025.

Mérida operations centre

In 2025, Merida kept its environmental readings at the levels stipulated in its environmental permit and at the levels targeted for 2025.

Enemansa operations centre

This facility was restarted in the first half of 2025 and duly complied with the applicable environmental parameters.

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

La Loma operations centre

This facility continued to meet its environmental parameters in the first half of 2025.

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 the first half of 2025 and this centre continued to comply with the parameters stipulated in its environmental permit.

Biollano operations centre (Puertollano)

Work focused on reducing emissions at Biollano in the first half of 2025.

31. Events after the reporting date

No significant events have taken place since 30 June 2025, other than those already disclosed in these interim condensed consolidated financial statements, that would imply having to modify them.

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

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY BUSINESS AT 30 JUNE 2025 AND 31 DECEMBER 2024

€ 000	30 June 2025				31 Dec. 2024			
	Pulp	Renewables	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewables	Adjustments & Eliminations	CONSOLIDATED TOTAL
NON-CURRENT ASSETS:								
Goodwill	-	4,820	-	4,820	-	4,813	-	4,813
Intangible assets	20,523	52,056	(11,271)	61,308	19,167	52,431	(11,559)	60,039
Property, plant and equipment	630,320	368,121	(5,896)	992,545	608,602	372,438	(6,420)	974,620
Biological assets	65,224	242	-	65,466	66,071	251	-	66,322
Investments accounted for using the equity method	68	27	-	95	53	24	-	77
Non-current financial assets:								
Securities portfolio	113,966	(3)	(113,963)	-	113,963	-	(113,963)	-
Loans to group companies and associates	51,221	967	(51,221)	967	65,719	-	(65,719)	-
Hedging derivatives	-	17	-	17	-	-	-	-
Other financial assets	20,202	28,870	-	49,072	19,507	30,902	-	50,409
Deferred tax assets	32,359	24,184	2,829	59,372	35,209	23,877	2,901	61,987
	933,883	479,301	(179,522)	1,233,662	928,291	484,736	(194,760)	1,218,267
CURRENT ASSETS:								
Inventories	100,420	21,511	-	121,931	82,074	12,532	-	94,606
Trade and other receivables	37,173	18,015	(1,879)	53,309	25,194	31,730	(6,040)	50,884
Other taxes receivable	6,793	5,211	-	12,004	14,280	4,275	-	18,555
Income tax receivable	5,285	1,017	-	6,302	5,285	1,284	-	6,569
Current financial assets:								
Loans to group companies and associates	174	1,162	(1,324)	12	168	674	(830)	12
Hedging derivatives	9,253	(0)	-	9,253	-	-	-	-
Other financial assets	15,689	69	-	15,758	26,313	213	-	26,526
Cash and cash equivalents	210,120	58,656	-	268,776	184,582	79,360	-	263,942
Other current assets	12,938	3,115	-	16,053	2,769	317	-	3,086
	397,845	108,756	(3,203)	503,398	340,665	130,385	(6,870)	464,180
TOTAL ASSETS	1,331,728	588,057	(182,725)	1,737,060	1,268,956	615,121	(201,630)	1,682,447

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY BUSINESS AT 30 JUNE 2025 AND 31 DECEMBER 2024

€ 000	30 June 2025				31 Dec. 2024			
	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	142,709	(17,044)	(15,085)	110,580	132,742	(3,282)	(16,565)	112,895
Interim dividend	-	-	-	-	(33,972)	-	-	(33,972)
Translation differences	7	-	-	7	20	-	-	20
Own shares - parent company shares	(12,974)	-	-	(12,974)	(12,205)	-	-	(12,205)
Valuation adjustments	45,313	(1,017)	-	44,296	33,761	(1,340)	-	32,421
Other equity instruments	3,050	-	-	3,050	2,438	-	-	2,438
Consolidated profit/(loss) for the period	1,423	(9,028)	740	(6,865)	43,831	(13,761)	1,481	31,551
Equity attributable to equity holders of the parent	571,949	86,874	(128,308)	530,515	559,036	95,580	(129,047)	525,569
Non-controlling interests	-	91,054	-	91,054	-	97,051	-	97,051
TOTAL EQUITY	571,949	177,928	(128,308)	621,569	559,036	192,631	(129,047)	622,620
NON-CURRENT LIABILITIES:								
Borrowings	321,850	163,641	-	485,491	291,303	155,138	-	446,441
Derivative financial instruments	1,629	1,217	-	2,846	2,234	1,795	-	4,029
Grants	8,841	5,168	-	14,009	5,831	4,704	-	10,535
Non-current provisions	28,905	980	-	29,885	28,907	598	-	29,505
Non-current accruals and deferred income	11	2,977	-	2,988	11	3,076	-	3,087
Other non-current liabilities	26,769	59,892	-	86,661	27,950	64,111	-	92,061
Borrowings from group companies and associates	-	80,236	(51,221)	29,015	-	94,734	(65,719)	29,015
	388,005	314,111	(51,221)	650,895	356,236	324,156	(65,719)	614,673
CURRENT LIABILITIES:								
Borrowings	147,006	12,994	-	160,000	149,183	13,025	-	162,208
Derivative financial instruments	1,530	1,123	-	2,653	6,874	1,100	-	7,974
Current borrowings from related parties	1,150	1,852	(1,324)	1,678	662	1,044	(830)	876
Trade and other payables	175,996	62,209	(1,872)	236,333	158,148	65,740	(6,034)	217,854
Income tax payable	1,250	6	-	1,256	20	6	-	26
Other taxes payable	6,566	6,450	-	13,016	6,038	8,527	-	14,565
Other current liabilities	2,299	6,729	-	9,028	2,226	5,940	-	8,166
Current provisions	35,977	4,656	-	40,633	30,533	2,952	-	33,485
	371,774	96,019	(3,196)	464,597	353,684	98,334	(6,864)	445,154
TOTAL EQUITY AND LIABILITIES	1,331,728	588,057	(182,725)	1,737,060	1,268,956	615,121	(201,630)	1,682,447

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS BY BUSINESS FOR THE SIX MONTHS ENDED 30 JUNE 2025 AND 2024

€ 000	First half 2025				First half 2024			
	Pulp	Renewables	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewables	Adjustments & Eliminations	CONSOLIDATED TOTAL
Continuing operations:								
Revenue	281,662	99,064	(1,562)	379,164	357,611	86,723	(1,593)	442,741
Gains/(losses) on hedging transactions	1,008	465	-	1,473	300	-	-	300
Changes in inventories of finished goods and work in progress	2,902	(56)	-	2,846	(874)	(965)	-	(1,839)
Self-constructed assets	5,451	1,349	-	6,800	6,087	1,319	-	7,406
Other operating income	45,537	1,079	(671)	45,945	1,338	397	(621)	1,114
Grants taken to profit and loss	3,628	536	-	4,164	3,500	841	-	4,341
Operating income subtotal	340,188	102,437	(2,233)	440,392	367,962	88,315	(2,214)	454,063
Cost of sales	(175,508)	(33,875)	1,562	(207,821)	(175,334)	(33,257)	1,593	(206,998)
Employee benefits expense	(46,123)	(12,246)	-	(58,369)	(45,809)	(11,400)	-	(57,209)
Depreciation and amortisation charges	(25,586)	(16,777)	808	(41,555)	(28,676)	(16,400)	808	(44,268)
Depletion of forest reserve	(5,232)	(32)	-	(5,264)	(6,289)	-	-	(6,289)
Impairment of and gains/(losses) on disposal of fixed assets	(45)	(25)	-	(70)	(656)	1,063	-	407
Impairment of financial assets	(260)	(85)	-	(345)	(445)	(109)	-	(554)
Other operating expenses	(70,836)	(46,720)	675	(116,881)	(57,974)	(36,773)	625	(94,122)
Operating expenses subtotal	(323,590)	(109,760)	3,045	(430,305)	(315,183)	(96,876)	3,026	(409,033)
OPERATING PROFIT/(LOSS)	16,598	(7,323)	812	10,087	52,779	(8,561)	812	45,030
Finance income	4,221	1,681	(1,435)	4,467	5,113	884	(539)	5,458
Finance costs	(15,267)	(10,301)	1,435	(24,133)	(14,635)	(7,427)	539	(21,523)
Change in fair value of financial instruments	(2)	2	-	-	89	-	-	89
Exchange differences	(3,779)	38	-	(3,741)	857	(5)	-	852
NET FINANCE INCOME/(COST)	(14,827)	(8,580)	-	(23,407)	(8,576)	(6,548)	-	(15,124)
Share of profit/(loss) of entities accounted for using the equity method	6	-	-	6	(43)	-	-	(43)
PROFIT/(LOSS) BEFORE TAX	1,777	(15,903)	812	(13,314)	44,160	(15,109)	812	29,863
Income tax	(354)	772	(72)	346	(10,146)	204	(72)	(10,014)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	1,423	(15,131)	740	(12,968)	34,014	(14,905)	740	19,849
Profit/(loss) for the period attributable to non-controlling interests	-	(6,103)	-	(6,103)	-	(3,650)	-	(3,650)
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE	1,423	(9,028)	740	(6,865)	34,014	(18,555)	740	16,199

(*) 100% from continuing operations

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS BY BUSINESS FOR THE SIX MONTHS ENDED 30 JUNE
2025 AND 2024

€ 000	First half 2025			CONSOLIDATED TOTAL
	Pulp	Renewables	Adjustments & Eliminations	
OPERATING ACTIVITIES:				
Profit/(loss) before tax from continuing operations	1,777	(15,903)	812	(13,314)
Adjustments for:				
Depreciation, amortisation and depletion (PP&E, intangible assets and forest reserve)	30,811	16,815	(807)	46,819
Changes in provisions and other deferred expense (net)	(105)	1,993	125	2,013
Impairment of and gains/(losses) on disposals of intangible assets, PP&E and financial	328	24	-	352
Adjustments for tariff shortfall/surplus and sector regulations	(1,109)	(2,958)	-	(4,067)
Finance income and costs (net)	13,075	8,582	17	21,674
Grants taken to profit and loss	(281)	(67)	-	(348)
	42,719	24,389	(665)	66,443
Working capital changes:				
Inventories	(13,676)	(7,534)	-	(21,210)
Trade and other receivables	(9,470)	14,235	(4,502)	263
Financial and other current assets	-	-	-	-
Trade payables, other payables and other liabilities	5,137	(6,442)	4,377	3,072
	(18,009)	259	(125)	(17,875)
Other cash flows used in operating activities:				
Interest paid (net)	(10,339)	(8,009)	-	(18,348)
Income tax received/(paid)	(2,505)	298	-	(2,207)
Long-term remuneration and other plans	6	-	-	6
	(12,838)	(7,711)	-	(20,549)
Net cash flows from operating activities	13,649	1,034	22	14,705
INVESTING ACTIVITIES:				
Payments for investments:				
Group companies and associates	14,489	(488)	(14,001)	-
Property, plant and equipment and biological assets	(35,826)	(10,685)	-	(46,511)
Intangible assets	(2,681)	(1,048)	-	(3,729)
Financial assets	1,091	(1,666)	24	(551)
	(22,927)	(13,887)	(13,977)	(50,791)
Proceeds from disposals:				
Financial assets	10,766	150	(38)	10,878
	10,766	150	(38)	10,878
Net cash flows used in investing activities	(12,161)	(13,737)	(14,015)	(39,913)
FINANCING ACTIVITIES:				
Proceeds from/(payments for) equity instruments:				
Buyback of own equity instruments	(13,700)	-	-	(13,700)
Disposal of own equity instruments	13,038	-	-	13,038
	(662)	-	-	(662)
Proceeds from/(repayments of) financial liabilities:	(13,700)	-	-	(13,700)
Borrowings from related parties	500	(14,493)	13,993	-
Notes (net of arrangement fees)	-	-	-	-
Increase/(decrease) in bank borrowings, net of issuance costs	30,608	7,815	-	38,423
Increase/(decrease) in other borrowings	(1,875)	-	-	(1,875)
Payments for right-of-use assets	(4,511)	(1,323)	-	(5,834)
Grants received, net	(10)	-	-	(10)
	24,712	(8,001)	13,993	30,704
Net cash flows from/(used in) financing activities	24,050	(8,001)	13,993	30,042
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	25,538	(20,704)	-	4,834
Cash and cash equivalents - opening balance	184,582	79,360	-	263,942
Cash and cash equivalents - closing balance	210,120	58,656	-	268,776

ENCE ENERGÍA Y CELULOSA, S.A. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS BY BUSINESS FOR THE SIX MONTHS ENDED 30 JUNE
2025 AND 2024

€ 000	First half 2024			CONSOLIDATED TOTAL
	Pulp	Renewables	Adjustments & Eliminations	
OPERATING ACTIVITIES:				
Profit/(loss) before tax from continuing operations	44,160	(15,109)	812	29,863
Adjustments for:				
Depreciation, amortisation and depletion (PP&E, intangible assets and forest reserve)	34,969	16,400	(812)	50,557
Changes in provisions and other deferred expense (net)	7,116	1,173	-	8,289
Impairment of and gains/(losses) on disposals of intangible assets, PP&E and financial	654	(1,061)	-	(407)
Adjustments for tariff shortfall/surplus and sector regulations	222	1,800	-	2,022
Finance income and costs (net)	8,865	6,550	-	15,415
Grants taken to profit and loss	(493)	(71)	-	(564)
	51,333	24,791	(812)	75,312
Working capital changes:				
Inventories	(1,667)	(638)	-	(2,305)
Trade and other receivables	(60,568)	(16,450)	6,041	(70,977)
Financial and other current assets	(1,538)	(13)	-	(1,551)
Trade payables, other payables and other liabilities	(4,754)	8,137	(6,041)	(2,658)
	(68,527)	(8,964)	-	(77,491)
Other cash flows used in operating activities:				
Interest paid (net)	(10,596)	(6,700)	-	(17,296)
Income tax received/(paid)	(1,687)	(287)	-	(1,974)
	(12,283)	(6,987)	-	(19,270)
Net cash flows from/(used in) operating activities	14,683	(6,269)	-	8,414
INVESTING ACTIVITIES:				
Payments for investments:				
Group companies and associates	(21,940)	(740)	22,466	(214)
Property, plant and equipment and biological assets	(24,549)	(8,091)	-	(32,640)
Intangible assets	(2,385)	(855)	-	(3,240)
	(48,874)	(9,686)	22,466	(36,094)
Proceeds from disposals:				
Financial assets	160	899	(2)	1,057
	160	899	(2)	1,057
Net cash flows used in investing activities	(48,714)	(8,787)	22,464	(35,037)
FINANCING ACTIVITIES:				
Proceeds from/(payments for) equity instruments:				
Buyback of own equity instruments	(15,239)	-	-	(15,239)
Disposal of own equity instruments	16,678	-	-	16,678
	1,439	-	-	1,439
Proceeds from/(repayments of) financial liabilities:				
Borrowings from related parties	527	53,043	(22,464)	31,106
Notes (net of arrangement fees)	21,600	-	-	21,600
Increase/(decrease) in bank borrowings, net of issuance costs	(73,976)	(12,368)	-	(86,344)
Increase/(decrease) in other borrowings	(2,651)	-	-	(2,651)
Payments for right-of-use assets	(3,486)	(868)	-	(4,354)
	(57,986)	39,807	(22,464)	(40,643)
Net cash flows from/(used in) financing activities	(56,547)	39,807	(22,464)	(39,204)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(90,578)	24,751	-	(65,827)
Cash and cash equivalents - opening balance	311,227	21,805	-	333,032
Cash and cash equivalents - closing balance	220,649	46,556	-	267,205

ENCE Energía y Celulosa, S.A. and subsidiaries

Interim Consolidated Management
Report for the six months ended 30
June 2025

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ENCE Energía y Celulosa, S.A. and subsidiaries

Interim Consolidated Management Report for the six months ended 30 June 2025

1. Introduction

This consolidated management report has been drawn up in keeping with the recommendations included in CNMV (Spain's securities market regulator) Circular 3/2018 on interim reporting by issuers with securities admitted to trading on organised exchanges with respect to half-yearly financial statements, interim management reports and, as warranted, quarterly financial reports. It should be read in conjunction with the Consolidated Management Report for 2024.

An integral part of this interim consolidated management report, and appended thereto, is the Group earnings report for the second quarter of 2025, which includes an analysis of ENCE's business performance during the first half of the year and provides additional details about the markets it operates in and the key trends in the main earnings, cash flow and capital structure indicators. That same report also includes information about ENCE's recent share price performance and the alternative performance measures (APMs) used, which are defined and reconciled with the amounts presented in the condensed consolidated financial statements for the six months ended 30 June 2025.

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

2. Governance structure

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

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

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

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

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

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

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

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

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

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

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

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

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 singly manages all of the companies within its Group, with the exception of Magnon Green Energy, S.L.

The Company holds a 51% ownership interest - and control - in Magnon Green Energy, S.L.

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. Those entities are governed by boards on which their respective non-controlling shareholders are represented.

3. Key risks and sources of uncertainty

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

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

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

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

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

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

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

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

1. The executives and managers in charge of the various areas and departments are risk owners: their job is to continuously manage the various risks, implementing action plans and establishing controls in response to the risks identified within their areas of responsibility.
2. ENCE's Internal Audit Department is responsible for supervising everyday risk management, to which end it draws up the Group's risk management criteria and procedures and presents them to the Board of Directors through the Audit Committee periodically.
3. The Ethics & Compliance Department is responsible for defining and updating ENCE's corporate crime risk map, which identifies the organisation's activities that are susceptible to criminal conduct.
4. The Audit Committee assists the Board in supervising effectiveness of the organisation's internal controls and the internal control and risk management systems, including the internal control over the financial and sustainability reporting systems (ICFR and ICSR systems) and the systems controlling environmental and health and safety risks.
5. Lastly, the Board of Directors is responsible for ensuring the integrity and overseeing the correct working of ENCE's ERM system, monitoring to that end both the risks identified and the controls and action plans agreed to manage the threats to delivery of the Group's strategic objectives.

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

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

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

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

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

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

1. Environmental Risks
2. Risks associated with Decision-Making Information
3. Financial Risks
4. Organisational Risks
5. Operational Risks
6. Criminal Risks

7. Tax Risks
8. Climate Change Related Risks
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 30 June 2025, the Group had arranged a number of forward currency agreements to hedge approximately 42.6% of pulp sales forecast for the second half of 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.

To that end, as of 30 June 2025, the Group had written contracts over approximately 60% of the energy expected to be generated in the Renewables business in the third quarter of 2025 and had begun to work on likewise arranging hedges over 60% of forecast generation in the fourth quarter of 2025 and in 2026.

d) TRADE CREDIT RISK - PULP BUSINESS

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

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

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

e) LIQUIDITY AND CAPITAL RISK

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

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

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

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

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

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

f) REGULATORY CHANGES (INCLUDING TAX REGULATIONS)

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

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

g) REGULATORY DEVELOPMENTS IN THE ENERGY MARKET

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

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

Objective: Enhancing the Company's Productive Capacity

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

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

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

Objective: New Product Development

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

The strategy adopted to satisfy customers' needs is to reduce risk by enhancing productive processes and maintaining a customer complaints/claims management system. In the first half of 2025, 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 to 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.

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, dissipating all uncertainty and eliminating the risk identified and reported on in 2022.

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.

The state attorney, Greenpeace and the town council of Pontevedra lodged appeals before the Constitutional Court of Spain. The appeals lodged by the state attorney and Greenpeace were ruled inadmissible, while the appeal presented by the town council of Pontevedra was admitted for processing via a court order on 26 May 2025.

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 plans to approve additional investments for mitigating this risk in Navia in the years to come.

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 the first half of 2025, 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. It also reinforced its commitment to corporate ethics and compliance by obtaining ISO 37001 certification for its anti-bribery management system focused on the prevention, detection and management of bribery risks.

This international certification attests that ENCE acts in an ethical, legal and responsible manner, that its management system comprises clear internal rules, specific training and a secure internal channel for reporting anomalies, as well as tools for detecting and preventing inappropriate conduct both within the organisation and in dealings with third parties.

Lastly, in keeping with the European Corporate Sustainability Reporting Directive (CSRD), ENCE presented 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 significant events have occurred between the reporting date and the date of authorising the interim condensed consolidated financial statements for issue that have not been disclosed therein.

5. Corporate governance

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

6. Purchase and sale of own shares

The disclosures concerning own shares and related transactions in the first half of 2025 are provided in note 17 of the accompanying condensed consolidated interim financial statements for the six months ended 30 June 2025.

Appendix I – Second-Quarter 2025 Earnings Report



Earnings Report

Second quarter 2025

22 July 2025



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EXECUTIVE SUMMARY

Market figures	2Q25	2Q24	Δ%	1Q25	Δ%	1H25	1H24	Δ%
BHKP (USD/t) average price	1,177.2	1,350.6	(12.8%)	1,065.3	10.5%	1,121.7	1,233.7	(9.1%)
Average exchange rate (USD/€)	1.13	1.08	4.5%	1.05	7.3%	1.09	1.08	0.6%
BHKP (€/t) average price	1,045.5	1,253.0	(16.6%)	1,015.4	3.0%	1,030.6	1,139.9	(9.6%)
Operating Metrics	2Q25	2Q24	Δ%	1Q25	Δ%	1H25	1H24	Δ%
Pulp production (t)	256,450	238,069	7.7%	214,252	19.7%	470,702	492,933	(4.5%)
Navia pulp production	146,204	132,278	10.5%	110,317	32.5%	256,521	278,879	(8.0%)
Pontevedra pulp production	110,246	105,791	4.2%	103,935	6.1%	214,181	214,055	0.1%
Pulp sales (t)	242,710	255,847	(5.1%)	216,016	12.4%	458,725	498,573	(8.0%)
Ence Advanced pulp sales (%)	30%	28%	2 p.p.	35%	(5 p.p.)	32%	23%	9 p.p.
Average sales pulp price (€/t)	541.6	728.0	(25.6%)	558.2	(3.0%)	549.4	666.1	(17.5%)
	48.2%	41.9%	15.0%	45.0%	7.0%	46.7%	41.6%	12.3%
Cash cost (€/t)	487.9	474.0	2.9%	510.3	(4.4%)	498.1	480.6	3.6%
Operating margin per ton (€/t)	53.7	254.0	(78.8%)	47.9	12.3%	51.3	185.5	(72.3%)
Renewable Energy sales volume (MWh)	302,521	311,227	(2.8%)	277,435	9.0%	579,956	543,710	6.7%
Average sales price (€/MWh)	125.0	122.3	2.2%	159.5	(21.6%)	141.5	135.3	4.6%
Remuneration for investment (€ m)	6.4	6.1	5.7%	6.4	-	12.9	12.3	4.8%
P&L € m	2Q25	2Q24	Δ%	1Q25	Δ%	1H25	1H24	Δ%
Revenue from Pulp business	146.4	199.9	(26.8%)	135.3	8.2%	281.7	358.9	(21.5%)
Revenue from Renewable Energy business	46.7	45.9	1.7%	52.4	(10.8%)	99.1	91.4	8.4%
Consolidation adjustments	(0.8)	(1.0)	21.2%	(0.8)	(3.8%)	(1.6)	(1.8)	11.8%
Total revenue	192.3	244.8	(21.4%)	186.9	2.9%	379.2	448.5	(15.5%)
Pulp business EBITDA	20.0	60.9	(67.1%)	28.5	(29.7%)	48.5	89.7	(45.9%)
Renewable Energy business EBITDA	3.5	4.6	(23.7%)	6.0	(41.3%)	9.5	11.2	(15.4%)
EBITDA	23.5	65.5	(64.1%)	34.5	(31.7%)	58.0	100.9	(42.5%)
Depreciation, amortisation and forestry depleti	(24.0)	(24.9)	3.5%	(22.8)	(5.2%)	(46.8)	(50.6)	7.4%
Impairment of and gains/(losses) on fixed-asse	0.1	0.8	(91.3%)	(0.1)	n.s.	(0.1)	0.4	n.s.
Other non-ordinary results of operations	(1.1)	(5.7)	81.3%	-	n.s.	(1.1)	(5.7)	81.3%
EBIT	(1.5)	35.7	n.s.	11.5	n.s.	10.1	45.0	(77.6%)
Net finance cost	(11.2)	(7.8)	(43.6%)	(8.5)	(31.2%)	(19.7)	(16.1)	(22.5%)
Other finance income/(cost) results	(2.5)	0.3	n.s.	(1.2)	(110.4%)	(3.7)	0.9	n.s.
Profit before tax	(15.1)	28.3	n.s.	1.8	n.s.	(13.3)	29.9	n.s.
Income tax	2.2	(9.7)	n.s.	(1.8)	n.s.	0.3	(10.0)	n.s.
Non-controlling interests	3.7	4.5	(18.8%)	2.4	50.4%	6.1	6.6	(7.8%)
Attributable Net Income	(9.3)	23.1	n.s.	2.4	n.s.	(6.9)	26.5	n.s.
Earnings per share (Basic EPS)	(0.04)	0.09	n.s.	0.01	n.s.	(0.03)	0.11	n.s.
Cash flow € m	2Q25	2Q24	Δ%	1Q25	Δ%	1H25	1H24	Δ%
EBITDA	23.5	65.5	(64.1%)	34.5	(31.7%)	58.0	100.9	(42.5%)
Change in working capital	(9.5)	(11.7)	19.0%	(8.4)	(13.4%)	(17.9)	(77.5)	76.9%
Maintenance capex	(12.2)	(8.9)	(36.5%)	(8.1)	(49.6%)	(20.4)	(14.4)	(41.0%)
Net interest Payment	(12.3)	(8.2)	(50.9%)	(6.0)	(103.7%)	(18.3)	(17.3)	(6.1%)
Income tax received/(paid)	(2.5)	(2.2)	(10.9%)	0.3	n.s.	(2.2)	(2.0)	(11.8%)
Normalised free cash flow	(12.9)	34.5	n.s.	12.2	n.s.	(0.7)	(10.3)	92.8%
Other cash adjustments	0.4	(1.3)	n.s.	(5.3)	n.s.	(4.9)	4.0	n.s.
Efficiency and expansion capex	(12.7)	(7.5)	(70.3%)	(6.5)	(97.1%)	(19.2)	(15.4)	(24.1%)
Sustainability capex and other	(6.4)	(2.4)	(159.9%)	(4.4)	(43.3%)	(10.8)	(6.0)	(79.9%)
Financial investments and in Group companie	1.3	-	n.s.	(1.8)	n.s.	(0.6)	-	n.s.
Disposals ¹	(0.0)	1.1	n.s.	0.5	n.s.	0.4	1.1	(58.3%)
Free cash flow	(30.3)	24.3	n.s.	(5.3)	n.s.	(35.7)	(26.6)	(34.2%)
Dividends from the parent	-	-	n.s.	-	n.s.	-	-	n.s.
Dividend to minorities	-	-	n.s.	-	n.s.	-	-	n.s.
Proceeds/(payments) of equity instruments	(0.7)	0.3	n.s.	-	n.s.	(0.7)	1.4	n.s.
Other movements in borrowings	(0.0)	19.6	n.s.	(4.9)	99.0%	(5.0)	25.8	n.s.
Net decrease / (increase) in net debt (€ m)	(31.1)	44.2	n.s.	(10.3)	(202.3%)	(41.3)	0.7	n.s.
Net debt € m	Jun-25	Dec-24	Δ%					
Net debt Pulp business	256.0	242.6	5.5%					
Net debt Renewable business	106.5	78.6	35.5%					
Group net debt	362.5	321.2	12.9%					

¹ Disposals in 1Q25 exclude the maturity in January 2025 of current financial investments amounting to €10m, as they are considered as cash and cash equivalent

- ✓ The Group reported revenues of €192m in the second quarter, year-on-year growth of 3%, boosted by higher sales of both pulp (at 243k tonnes, growth of 12% from 1Q25, when the Navia biomill was idled for maintenance) and energy (303 GWh, up 9% quarter-on-quarter), offsetting weak sales prices.
- ✓ Demand for hardwood pulp (BHKP) was solid (+5% year-on-year between January and May 2025). However, sales prices were affected by uncertainty around the tariff measures announced in the United States. Gross BHKP prices averaged \$1,177/tonne in Europe in the second quarter (down from a high of \$1,218 in April) and stood at \$1,060/tonne in July, which is close to the marginal cost of production. Towards the end of the year, once uncertainty around tariffs has subsided, prices are expected to embark on a recovery, fuelled by restocking.
- ✓ The cash cost decreased by €22/tonne in 2Q25 to €488/tonne, in line with forecasts.
- ✓ Sales volumes of Ence Advanced products, which are higher margin than the standard pulp products, accounted for 32% of the total in 1H25. Sales of these special products are expected to account for more than 62% of the total in 2028, including 125k tonnes from the Group's first fluff pulp line.
- ✓ The Ence Advanced and future fluff products are substitutes for higher-cost softwood pulp (BSKP) and their growing share of the Group's sales mix is positioning Ence as one of the most competitive BSKP producers on the global cash cost curve.
- ✓ EBITDA in the Pulp business amounted to €20m in 2Q25, compared to €29m in 1Q25. The sale of energy savings certificates generated revenue of €10m in 2Q25 and a total of €40m in 1H25. In the absence of a specific applicable accounting standard, these transactions, only recently regulated, have been recognised within other operating income, based on the Group's best interpretation of prevailing accounting rules. Of the €40m recognised as revenue, €30m have already been collected.
- ✓ Elsewhere, EBITDA in the Renewables business amounted to €4m in 2Q25, compared to €5m in 1Q25, affected by lower overall income per MWh sold (-14% vs. 1Q25, at €153 per MWh sold).
- ✓ In the current context of uncertainty around international trade, it is worth noting that virtually all of the Group's pulp sales go to Atlantic and Mediterranean Europe and that all of our supplies in both the Pulp business and Renewables platform are sourced either locally (wood) or come from Western Europe (chemicals) and are denominated in euros.
- ✓ Ence has a hedging policy designed to mitigate the impact of exchange rate volatility on its earnings. For 2025, it has arranged hedges over a notional amount of \$300m with a weighted average ceiling of \$/€1.09 and a weighted average floor of \$/€1.06.
- ✓ Ence continues to make progress on the configuration of a diversified platform of non-conventional renewable energy sources.

In the biomethane business, the goal is to build a platform with the capacity to produce 1TWh and generate €60m of EBITDA by 2030. To that end, our subsidiary, Biofertilizantes CH4, already has one plant up and running (La Galera), a portfolio of 17 developments at the environmental permitting stage and another 20 for which sites have been located and viability studies performed. At La Galera, operations have improved considerably since our investment, with 2Q25 production more than doubling that of 4Q24.

In the renewable industrial heating segment, we expect to lift annual capacity to 2 TWh by 2030, with the business generating EBITDA of €40m. At the June close, Magnon Energy Services had one plant in operation, an initiative with one of Spain's leading brewery which will entail the commissioning and operation of two boilers currently under construction (130 GWht/annum) and another 14 projects under negotiation, of which four with aggregate estimated annual production capacity of 160 GWht are at an advanced stage.

- ✓ Free cash flow, before working capital changes and sustainability and growth capex, was negative by €3m in 2Q25. Working capital changes implied a cash outflow of €10m, concentrated in the Pulp business, driven by higher inventory and trade receivable balances. The trade receivables balance is primarily associated with the energy savings certificates sold in 2Q25, at €13m, including VAT, which will be collected in 3Q25.
- ✓ Investment in growth and sustainability amounted to €19m in 2Q25:
 - In the Pulp business, the fluff and renewable packaging solution lines accounted for the bulk of that capital expenditure. In addition, the decarbonisation and cost-cutting project in Navia, which will reduce its Scope 1 emissions by 60% and lower its cash cost by €13/tonne, continues to advance as scheduled.
 - In the Renewables platform, the investments went mainly to development of the biomethane, biofertiliser and renewable industrial heating projects, all of which are making good progress.
- ✓ The Group's net debt ended June 2025 at €362m (including €60m of IFRS 16 liabilities): €256m in the Pulp business and €106m in the Renewables platform. 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.

1. PULP BUSINESS

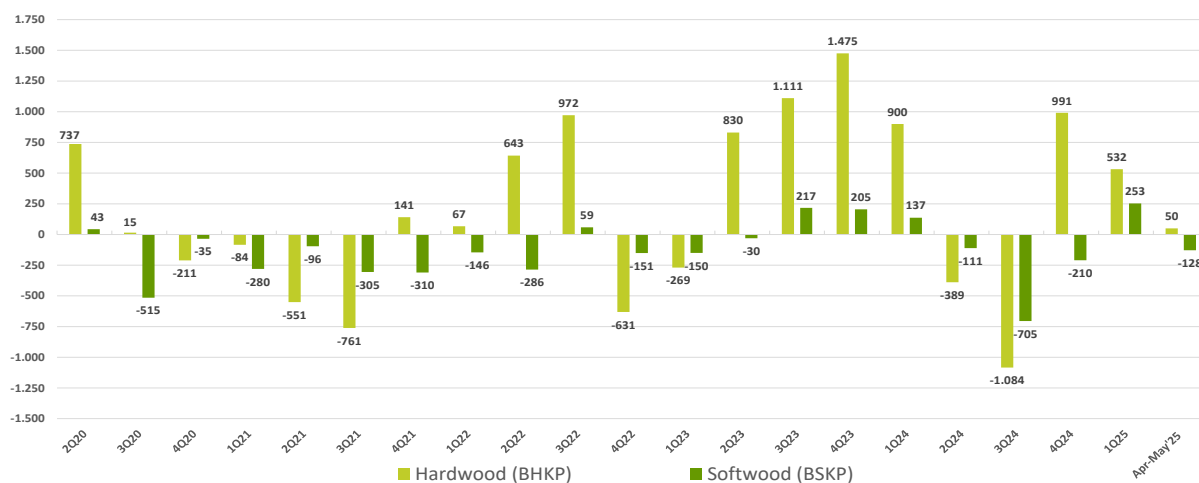
Ence has two eucalyptus hardwood pulp (BHKP) biomills in northeast Spain: a 685,000-tonne-capacity facility located on a site owned by the Company in the town of Navia, Asturias, and a 515,000-tonne-capacity complex located on a site held under concession in Pontevedra, Galicia. Both use eucalyptus timber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

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

2.1. Pulp market trends

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

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



Source: PPPC-G100

Global demand for pulp continued to rise in the first half of 2025, increasing by 3.0% (0.8 million tonnes) year-on-year in the first five months of the year, fuelled by China, where demand jumped by 9% year-on-year, as its paper industry restocked, particularly in the first quarter, despite the uncertainty sparked by the successive tariff announcements. Hardwood pulp (BHKP) gained market share at the expense of softwood pulp, registering year-on-year growth of 4.6%.

Ence is repositioning itself on the global cost curve thanks to the growth of its Ence Advanced product range (32% of 1H25 sales) and the upcoming fluff pulp line (125k tonnes slated for commissioning in 4Q25). These products are substitutes for softwood products and are destined to account for over 62% of the Company's sales in 2028. With a cash cost of €488/tonne (c.\$550/tonne compared to an average of \$659 for the BSKP producers), Ence is positioning itself as a leading player in cost terms relative to its competitors in the softwood space.

2.2. Revenue from pulp sales

Second-quarter pulp sales volumes amounted to 242,710 tonnes, up 12.4% quarter-on-quarter but down 5.1% year-on-year. In the current price environment, Ence added 13,740 tonnes of inventories by comparison with 2Q24, when it ran down inventories, taking advantage of strong prices at the time.

	2Q25	2Q24	Δ%	1Q25	Δ%	1H25	1H24	Δ%
Pulp sales (t)	242,710	255,847	(5.1%)	216,016	12.4%	458,725	498,573	(8.0%)
Average sales price (€/t)	541.6	728.0	(25.6%)	558.2	(3.0%)	549.4	666.1	(17.5%)
Pulp sales revenue (€ m)	131.5	186.3	(29.4%)	120.6	9.0%	252.0	332.1	(24.1%)

Elsewhere, the average second-quarter net sales price was €542 per tonne, down 3.0% (€17/t) quarter-on-quarter and down 25.6% (€186/t) year-on-year, due to lower pulp prices and the annual adjustment of the sales discounts applied across the sector.

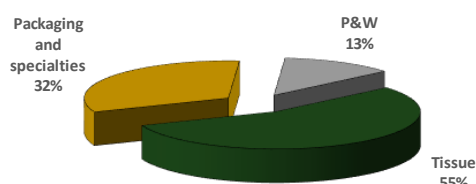
The combination of the two factors left revenue from pulp sales at €131m in 2Q25, up 9.0% from 1Q25 but down 29.4% from 2Q24.

The Ence Advanced product range continued to gain market share, in line with our targets. In 1H25 they accounted for 32% of total pulp sales, compared to 23% in 1H24.

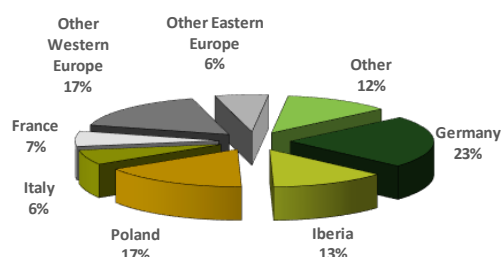
Sales of these higher-margin products are expected to account for over 62% of total pulp sales in 2028, including 125,000 tonnes of fluff pulp for absorbent hygiene products, with the new production line slated for commissioning in 4Q25. The growing share of these products in the Group's sales mix is positioning Ence as one of the most competitive BSKP producers on the global cash cost curve.

The tissue paper segment remains the main end use given to the pulp sold by Ence, accounting for 55% of revenue from pulp sales in 1H25, followed by the packaging and specialty paper segment, at 32%. The printing and writing paper segment accounted for the remaining 13%.

Breakdown of revenue by end product



Breakdown of revenue by geographic market



Virtually all of our sales go to Europe and countries along the Mediterranean Basin, where we boast significant competitive advantages in logistics and customer service and where our pulp is used primarily to make staple products such as tissue paper and hygiene products. Germany accounted for 23% of 1H25 sales revenue, followed by Poland (17%), Iberia (13%), France (7%) and Italy (6%). The other western European countries accounted for 17% of the total, with the rest of Eastern Europe representing 6%.

In the current climate of global trade tensions, Ence is not only exposed to Europe in terms of sales, but its procurement strategy is essentially local. Moreover, the pulp biomills are self-sufficient energy-wise. Likewise, 100%

of the biomass used in our renewable energy businesses is sourced locally and the energy produced is sold in Spain and Europe, helping to reinforce our energy autonomy.

2.3. Pulp production and cash cost

Ence produced 256,450 tonnes of pulp in 2Q25, up 19.7% quarter-on-quarter due to mainly to the fact that this year, the Navia biomill was closed for maintenance in the first quarter, while in 2024 it was stopped during the second quarter. Year-on-year, pulp production was 7.7% higher.

	2Q25	2Q24	Δ%	1Q25	Δ%	1H25	1H24	Δ%
Navia pulp production	146,204	132,278	10.5%	110,317	32.5%	256,521	278,879	(8.0%)
Pontevedra pulp production	110,246	105,791	4.2%	103,935	6.1%	214,181	214,055	0.1%
Pulp production (t)	256,450	238,069	7.7%	214,252	19.7%	470,702	492,933	(4.5%)

Our biomills are fuelled essentially from local certified wood and the rest of our supplies are also sourced in Spain or Europe.

Our average cash cost decreased by 4.4% (€22/t) from 1Q25 to €488/tonne, as the temporary factors that affected this metric in 4Q24, and to a lesser degree in 1Q25, gradually dissipated in 2Q25. For example, the turbine in Navia has been fully operational again since early June. Despite this reduction, the 2Q25 cash cost was still 2.9% (€14/t) above the 2Q24 equivalent.

Figures in €/t	2Q25	2Q24	Δ%	1Q25	Δ%	1H25	1H24	Δ%
Average sales price	541.6	728.0	(25.6%)	558.2	(3.0%)	549.4	666.1	(17.5%)
Total cash cost	487.9	474.0	2.9%	510.3	(4.4%)	498.1	480.6	3.6%
Operating margin	53.7	254.0	(78.8%)	47.9	12.3%	51.3	185.5	(72.3%)

The quarter-on-quarter reduction in the cash cost partially offset the decrease in the average sales price, leaving an operating profit of €54 per tonne, 12.3% (€6/t) above the 1Q25 figure. Compared to 2Q24, unit operating profit was 79% lower (€200/t lower, of which €186/t was attributable to the price effect).

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	2Q25	2Q24	Δ%	1Q25	Δ%	1H25	1H24	Δ%
Revenues from energy sales linked to pulp (€ m)	7.1	7.3	(2.2%)	8.5	(16.9%)	15.6	16.0	(2.2%)
Forestry and other revenue (€ m)	7.8	6.4	22.9%	6.2	26.5%	14.0	10.8	29.7%
Other income	14.9	13.6	9.5%	14.7	1.3%	29.6	26.8	10.7%

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.

Sales of wood generated revenue of €15m in 2Q25, up 1% from 1Q25 and growth of 10% from 2Q24.

2.5. Statement of profit or loss

EBITDA in the Pulp business amounted to €20m in 2Q25, compared to €29m in 1Q25 and €61m in 2Q24.

Ence's Pulp business has generated significant energy savings as a result of energy efficiency initiatives across its operations, which it has sold to a Spanish energy company to obtain energy efficiency certificates (or CAEs for their

acronym in Spanish), as provided for in Royal Decree 36/2023 (24 January 2023), establishing the Energy Savings Certificate scheme, and the implementing Ministerial Order TED/815/2023 (18 July 2023).

In the first half of 2025, the Group closed two sales, specifically selling 191 million certificates (equivalent to savings of 191 GWh) and 61 million certificates (equivalent to savings of 61 GWh) for prices, net of transaction costs, of €30m and €10m, respectively. At 30 June 2025, it had collected the proceeds from the first sale (€30m) and expects to collect the remaining €10m in 2H25.

In the absence of a specific applicable accounting standard, these transactions, only recently regulated, have been recognised within other operating income, based on the Group's best interpretation of prevailing accounting rules. The Spanish Institute of Auditors (ICJC) has asked the Spanish Accounting and Audit Institute (ICAC) to confirm this accounting treatment for these transactions, among other matters, and is still waiting for its pronouncement.

Elsewhere, the non-recurring extraordinary cost of higher energy purchases as a result of the stoppage of the co-generation turbine in Navia was €3m in 2Q25. Note that this effect is not included in the cash cost and that the turbine was restarted at the beginning of June.

Figures in € m	2Q25	2Q24	Δ%	1Q25	Δ%	1H25	1H24	Δ%
Pulp sales revenue	131.5	186.3	(29.4%)	120.6	9.0%	252.0	332.1	(24.1%)
Other income	14.9	13.6	9.5%	14.7	1.3%	29.6	26.8	10.7%
Total net revenue	146.4	199.9	(26.8%)	135.3	8.2%	281.7	358.9	(21.5%)
EBITDA	20.0	60.9	(67.1%)	28.5	(29.7%)	48.5	89.7	(45.9%)
Depreciation and amortisation	(13.6)	(13.6)	(0.3%)	(12.0)	(13.5%)	(25.6)	(28.7)	10.8%
Depletion of forestry reserves	(2.5)	(3.5)	27.8%	(2.7)	8.1%	(5.2)	(6.3)	16.8%
Impairment of and gains/(losses) on fixed-asset dis	0.0	(0.3)	n.s.	(0.1)	n.s.	(0.0)	(0.7)	93.1%
Other non-ordinary results from operations	(1.1)	(1.3)	15.6%	-	n.s.	(1.1)	(1.3)	15.6%
EBIT	2.9	42.3	(93.2%)	13.7	(79.0%)	16.6	52.8	(68.6%)
Net finance cost	(6.7)	(4.2)	(61.9%)	(4.3)	(54.5%)	(11.1)	(9.5)	(16.2%)
Other financial results	(2.6)	0.4	n.s.	(1.2)	(113.5%)	(3.8)	0.9	n.s.
Profit before tax	(6.4)	38.5	n.s.	8.2	n.s.	1.8	44.2	(96.0%)
Income tax	1.7	(10.1)	n.s.	(2.0)	n.s.	(0.3)	(10.1)	96.9%
Net Income	(4.7)	28.4	n.s.	6.2	n.s.	1.5	34.0	(95.7%)

Ence has an ongoing hedging policy designed to mitigate the impact of exchange rate volatility on its earnings. These hedges implied a gain of €2m in 2Q25 (not included in the cash cost). For 2025, it has arranged hedges over a notional amount of \$300m with a weighted average ceiling of \$/€1.09 and a weighted average floor of \$/€1.06.

Note that under the current hedging programme, an average exchange rate of \$/€1.18 in 2H25 would generate a gain of approximately €9m.

FX Hedges	1Q25	2Q25	3Q25	4Q25	FY 2025
Nominal hedged (USD Mn)	97	73	73	57	300
Average cap (USD / EUR)	1.09	1.09	1.10	1.08	1.09
Average floor (USD / EUR)	1.06	1.07	1.07	1.06	1.06

Below the EBITDA line, depreciation charges were flat year-on-year at €14m, while forest depletion charges amounted to €3m.

Elsewhere, the Pulp business's net finance cost amounted to €7m in 2Q25. "Other finance income/(cost)" mainly presents the effect of movements in exchange rates on working capital during the period: a net loss of €3m in 2Q25.

Lastly, the tax loss implied tax income of €2m in 2Q25. 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 €16m of taxes paid unduly. Also, at 30 June 2025, the Pulp business had unused tax losses totalling €16m.

As a result, the Pulp business reported a net loss of €5m in 2Q25, compared to a net profit of €6m in 1Q25 and of €28m in 2Q24.

2.6. Cash flow analysis

Cash flows from operating activities amounted to €0.4m in 2Q25, despite a €12m increase in working capital.

Figures in € m	2Q25	2Q24	Δ%	1Q25	Δ%	1H25	1H24	Δ%
EBITDA	20.0	60.9	(67.1%)	28.5	(29.7%)	48.5	89.7	(45.9%)
Other cash adjustments	0.5	0.3	58.1%	(4.5)	n.s.	(4.0)	5.8	n.s.
Change in working capital	(11.9)	(27.0)	56.0%	(6.1)	(94.5%)	(18.0)	(68.5)	73.7%
Income tax received / (paid)	(2.5)	(1.7)	(48.7%)	-	n.s.	(2.5)	(1.7)	(48.7%)
Net interest received / (paid)	(5.7)	(3.1)	(81.1%)	(4.7)	(22.2%)	(10.3)	(10.6)	2.4%
Net cash flow from operating activities	0.4	29.4	(98.6%)	13.2	(96.9%)	13.6	14.7	(7.2%)

Working capital changes implied a cash outflow of €12m in 2Q25 due mainly to the growth in the pulp inventories and trade receivables balances, the latter associated essentially with the last sale of energy savings certificates for €13m (including VAT), pending collection at the end of the quarter.

Figures in € m	2Q25	2Q24	Δ%	1Q25	Δ%	1H25	1H24	Δ%
Inventories	(6.2)	5.8	n.s.	(7.5)	18.3%	(13.7)	(1.7)	n.s.
Trade and other receivables	(11.1)	(35.6)	68.8%	1.6	n.s.	(9.5)	(60.6)	n.s.
Financial and other current assets	-	(0.5)	100.0%	-	n.s.	-	(1.5)	100.0%
Trade and other payables	5.3	3.2	67.9%	(0.2)	n.s.	5.1	(4.8)	96.0%
Change in working capital	(11.9)	(27.0)	56.0%	(6.1)	(94.5%)	(18.0)	(68.5)	91.1%

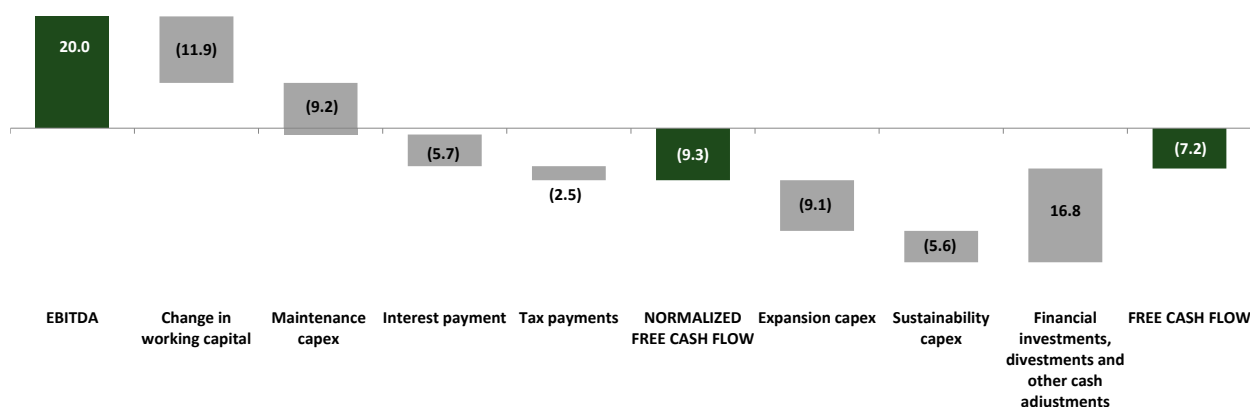
As of the June close, Ence had drawn down €102m of non-recourse receivables discounting facilities in the Pulp business, compared to €82m at the March close. Ence has also arranged several reverse factoring facilities, which were drawn down by €67m at the June close, compared to €63m at the March close. The reverse factoring facilities do not entail the provision of guarantees, do not alter the average payment term agreed with the corresponding suppliers and do not accrue interest.

Figures in € m	2Q25	2Q24	Δ%	1Q25	Δ%	1H25	1H24	Δ%
Maintenance capex	(9.2)	(6.3)	46.1%	(6.2)	49.6%	(15.4)	(11.5)	34.6%
Sustainability capex and other	(5.6)	(1.9)	191.8%	(4.0)	38.9%	(9.7)	(5.1)	88.5%
Efficiency and expansion capex	(9.1)	(4.3)	111.6%	(4.3)	108.8%	(13.4)	(10.3)	29.7%
Financial investments and in Group companies	16.4	(21.6)	n.s.	(0.8)	n.s.	15.6	(21.9)	n.s.
Investments	(7.5)	(34.2)	(78.0%)	(15.4)	(51.1%)	(22.9)	(48.9)	(53.1%)
Disposals ¹	(0.1)	0.2	n.s.	0.4	n.s.	0.3	0.2	82.5%
Net cash flow used in investing activities	(7.6)	(34.0)	(77.6%)	(15.0)	(49.1%)	(22.6)	(48.7)	(53.5%)

¹ Disposals in 1Q25 exclude the maturity in January 2025 of current financial investments amounting to €10m, as they are considered as cash and cash equivalents

Cash used in investing activities in the Pulp business totalled €8m in 2Q25. Maintenance capex came to €9m, while investment in sustainability and other areas amounted to €6m. The sustainability investments were earmarked to reinforcing facility safety and reducing water consumption, emissions, odour and noise at the biomills, bolstering Ence's competitiveness in the long term.

Investments in efficiency and growth amounted to €9m in 2Q25. The main investments included those related with the fluff pulp production line slated for start-up in 4Q25, the cost-cutting and decarbonisation project in Navia, the sustainable packaging initiative and the engineering work related with the Pontevedra Avanza and As Pontes projects.



As a result, normalised free cash flow in the Pulp business was negative by €9m in 2Q25, including the above-mentioned €12m increase in working capital. Free cash flow after growth and sustainability capex, financial investments, disposals and other adjustments was negative by €7m. The positive cash flow generated by financial investments, disposals and other adjustments is related with the repayment of intragroup loans (€15m) and does not impact cash generation at the consolidated level.

2.7. Change in net debt

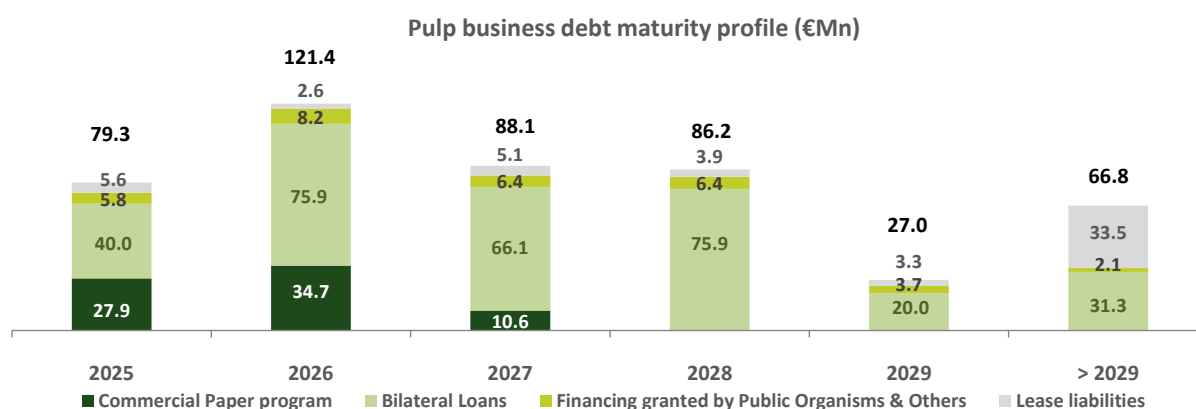
The Pulp business ended the second quarter with net debt of €256m, compared to net debt of €243m at year-end 2024 (i.e., an increase of €13m). In addition to the negative free cash flow outlined above (-€7m), other movements (related with leases, the provision for interest and equity instruments) increased net debt by €6m.

Due to the cyclical nature of the Pulp business, it is financed with covenant-free debt and keeps ample liquid assets. At the reporting date, the Pulp business had cash and cash equivalents of €213m.

Figures in € m	Jun-25	Dec-24	Δ%
Non-current financial debt	272.6	243.8	11.8%
Current financial debt	142.3	143.9	(1.1%)
Gross financial debt	415.0	387.7	7.0%
Non-current lease contracts	49.2	47.5	3.5%
Current lease contracts	4.7	5.3	(10.8%)
Liabilities related to lease contracts	53.9	52.8	2.1%
Cash and cash equivalents	210.1	184.6	13.8%
Short-term financial investments	2.7	13.3	(79.6%)
Net debt Pulp business	256.0	242.6	5.5%

In 2Q25, the Pulp business repaid €43m of loans and arranged new bilateral loans totalling €50m. The balance outstanding under the MARF commercial paper programme ended June at €73m.

The gross debt of €415m at the June close corresponds to the outstanding balances of: (i) bilateral loans (€309m); (ii) a series of loans totalling €33m 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 €73m outstanding under Ence's sustainable commercial paper programme, which is being renewed and amended to extend the maturities. Finance lease liabilities stood at €54m at the June close. 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, 32% of 1H25 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.

Secondly, our first fluff pulp production line (capacity: 125,000 tonnes) targeting the absorbent hygiene products industry in Europe, substituting imported softwood fluff pulp, is due to start up in 4Q25. 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. The budgeted investment is over €30m between 2024 and 2025 and the expected return (ROCE) is at least 15%.

Combined, the Ence Advanced and fluff pulp products are expected to account for over 62% of sales in 2028. Both products, substitutes for softwood products, are positioning Ence as a leading player in cost terms relative to softwood producers.

Thirdly, Ence has developed a moulded 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 plans to begin producing and selling this range already 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 embarked on 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 eucalyptus 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.

2. RENEWABLES BUSINESS

Ence conducts its renewable energy business through its subsidiary, Ence Renovables (100%-owned by Ence Energía y Celulosa), 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 Biofertilizantes CH4.

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.

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 and it has another project in progress for the supply of 85 GWht per annum from 2026. It also has another 14 projects under negotiation, of which four with aggregate estimated annual production capacity of close to 160 GWht are at an advanced stage.

Biofertilizantes CH4 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. At the reporting date, this entity also had a portfolio of 17 developments at the permitting stage plus another 20 initiatives under development for which sites have been located and viability studies performed.

All of the biomass used in our renewable energy businesses is sourced locally and the energy produced is sold in Spain and Europe, helping to reinforce our energy autonomy.

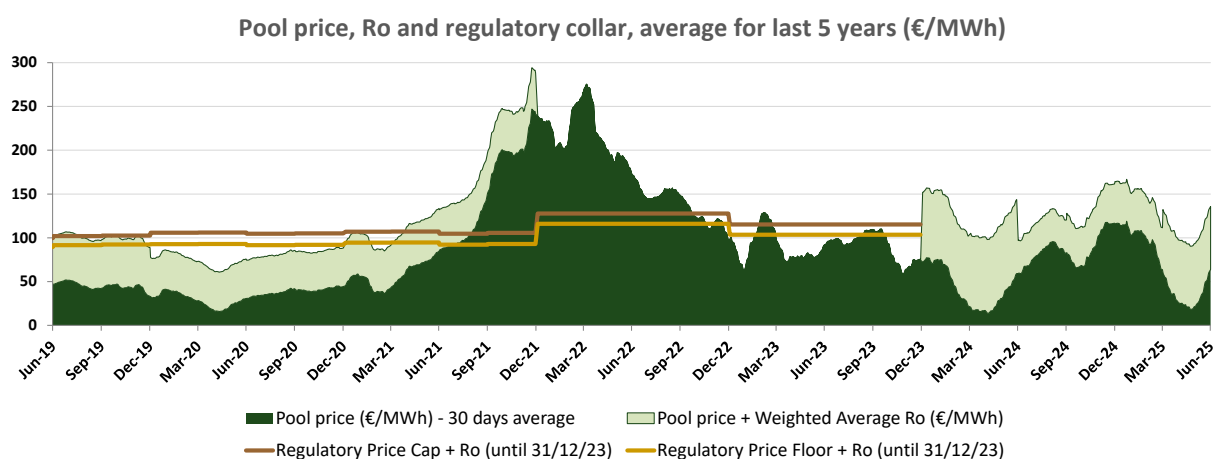
3.1. Regulation of the generation of electricity using biomass

Electricity pool prices averaged €36.8/MWh in 2Q25.

Market figures	2Q25	2Q24	Δ%	1Q25	Δ%	1H25	1H24	Δ%
Average pool price (€/MWh)	36.8	33.4	10.3%	86.0	(57.2%)	61.8	39.1	58.0%

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.



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 €117/MWh, net of the levy on the value of electric energy produced of 7%) 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 €6.4m in 2Q25.

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

3.2. Revenue from energy sales

The Group sold 302,521 MWh of energy in 2Q25, marking growth of 9.0% from 1Q25, due mainly to the annual maintenance stoppages carried out in 1Q25 at the three plants located in Huelva with combined capacity of 137 MW and at the 50 MW plant in Ciudad Real, which between them account for 70% of installed capacity.

Compared to 2Q24, energy sales volumes decreased by 2.8%, due largely to the reduction in production derived from the start-up of the plants following their maintenance stoppages.

Energy operating figures	2Q25	2Q24	Δ%	1Q25	Δ%	1H25	1H24	Δ%
Huelva 41 MW - Biomass	35,545	-	n.s.	24,907	42.7%	60,453	25,698	135.2%
Jaén 16 MW - Biomass	16,524	19,792	(16.5%)	19,603	(15.7%)	36,126	40,332	(10.4%)
Ciudad Real 16 MW - Biomass	17,801	-	n.s.	18,303	(2.7%)	36,105	-	n.s.
Córdoba 27 MW - Biomass	45,293	42,131	7.5%	34,252	32.2%	79,545	85,598	(7.1%)
Huelva 50 MW - Biomass	41,300	83,842	(50.7%)	63,439	(34.9%)	104,738	153,241	(31.7%)
Mérida 20 MW - Biomass	31,722	28,735	10.4%	36,049	(12.0%)	67,771	50,291	34.8%
Huelva 46 MW - Biomass	54,745	66,292	(17.4%)	24,536	123.1%	79,280	86,457	(8.3%)
Ciudad Real 50 MW - Biomass	59,591	70,435	(15.4%)	56,346	5.8%	115,937	102,093	13.6%
Energy sales (MWh)	302,521	311,227	(2.8%)	277,435	9.0%	579,956	543,710	6.7%
Average sales price - (€/MWh)	125.0	122.3	2.2%	159.5	(21.6%)	141.5	135.3	4.6%
Remuneration for investment (€m)	6.4	6.1	5.7%	6.4	-	12.9	12.3	4.8%
Revenue from energy sales (€ m)	44.3	44.2	0.2%	50.7	(12.7%)	94.9	85.9	10.6%

Elsewhere, the average sales price amounted to €125.0/MWh, down 21.6% quarter-on-quarter and up 2.2% year-on-year.

The combination of the two factors drove a 12.7% reduction in revenue from energy sales quarter-on-quarter and growth of 0.2% by comparison with 2Q24.

Total revenue per MWh sold, including remuneration for investment, for operation, for adjustment services and gains on hedges, amounted to €153/MWh, down €25/MWh from 1Q25 but €10/MWh higher year-on-year.

3.3. Biomethane sales

In December 2024, Biofertilizantes CH4 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.

Biomethane operating figures	2Q25	2Q24	Δ%	1Q25	Δ%	1H25	1H24	Δ%
Biomethane sales (MWh)	7,022		n.s.	5,234	34.2%	12,256		n.s.
Average sales price - (€/MWh)	92		n.s.	92	(0.3%)	92		n.s.
Revenue from biomethane sales (€ m)	0.6		n.s.	0.5	33.8%	1.1		n.s.

Revenue from the sale of biomethane at the La Galera plant increased by 34% from 1Q25. Production also increased by 34% quarter-on-quarter and by 124% compared to 4Q24, when the facility was acquired by Ence, thanks to the operational improvements implemented since this investment was made, measures that did not entail any capital expenditure.

Biofertilizantes CH4 is executing an investment plan at this facility to round out its productive process to add the ability to manufacture and sell organic fertilisers from 2027 and implement Ence's stringent operating standards (odour control, safety, etc.).

3.4. Statement of profit or loss

EBITDA in the Renewables business amounted to €4m in 2Q25, including losses of €1m related with the cost of the businesses at the development and ramp-up phase (biomethane and industrial heat). Excluding the negative contribution by those other business, EBITDA in the Renewables business amounted to €5m in 2Q25, compared to €7m in 1Q25 and €7m in 2Q24.

Figures in € m	2Q25	2Q24	Δ%	1Q25	Δ%	1H25	1H24	Δ%
Revenue from energy sales (includes hedges)	44.3	44.2	0.2%	50.7	(12.7%)	94.9	85.9	10.6%
	0.6		n.s.	0.5	33.8%	1.1		n.s.
Other revenues	1.8	1.7	3.5%	1.2	50.4%	3.0	5.5	(45.7%)
Total revenue	46.7	45.9	1.7%	52.4	(10.8%)	99.1	91.4	8.4%
EBITDA from energy sales	4.5	6.6	(31.4%)	7.3	(37.9%)	11.8	13.5	(12.3%)
EBITDA from other businesses	(1.0)	(2.0)	49.4%	(1.3)	22.2%	(2.3)	(2.2)	(3.0%)
EBITDA	3.5	4.6	(23.7%)	6.0	(41.3%)	9.5	11.2	(15.4%)
Depreciation and amortisation	(8.3)	(8.2)	(0.8%)	(8.5)	2.6%	(16.8)	(16.4)	(2.5%)
Impairment of and gains/(losses) on fixed-asset disp.	0.0	1.1	(97.0%)	(0.1)	n.s.	(0.0)	1.1	n.s.
Other non-ordinary results from operations	-	(4.5)	100.0%	-	n.s.	-	(4.5)	100.0%
EBIT	(4.7)	(7.0)	32.4%	(2.6)	(83.9%)	(7.3)	(8.6)	14.5%
Net finance cost	(4.5)	(3.6)	(22.7%)	(4.2)	(6.9%)	(8.6)	(6.5)	(31.7%)
Other finance income/(cost)	0.0	(0.0)	n.s.	-	n.s.	0.0	(0.0)	n.s.
Profit before tax	(9.2)	(10.6)	14.0%	(6.7)	(35.8%)	(15.9)	(15.1)	(5.3%)
Income tax	0.6	0.4	62.1%	0.2	n.s.	0.8	0.2	n.s.
Net Income	(8.5)	(10.3)	16.8%	(6.6)	(29.9%)	(15.1)	(14.9)	(1.5%)
Non-controlling interests	3.7	4.5	(18.8%)	2.4	50.4%	6.1	6.6	(7.8%)
Attributable Net Income	(4.9)	(5.8)	15.1%	(4.1)	(17.8%)	(9.0)	(8.3)	(9.0%)

To mitigate the risk of deviations in electricity market prices relative to the price estimated by the regulator, Magnon has put in place a hedging policy designed to replicate the formula used by the ministry to estimate market prices covering at least 40% of forecast generation output. The deviation between the pool price and the price estimated by the regulator had a net negative impact of €1m in 2Q25, despite a gain of €2m under these hedges.

Below the EBITDA line, asset depreciation and impairment charges totalled €8m, while finance costs came to €4m, including €1m related to the unwind of the regulatory collar provision.

Tax income came to €1m in 2Q25. 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 €3m of taxes paid unduly. Also, at 30 June 2025, the Renewables business had unused tax losses totalling €21m.

As a result, the Renewables business posted an attributable net loss of €5m in 2Q25, compared to a loss of €4m in 1Q25 and of €6m in 2Q24.

3.5. Cash flow analysis

Cash flows from operating activities in the Renewables business were negative by €1m in 2Q25, despite a €3m reduction in working capital.

Figures in € m	2Q25	2Q24	Δ%	1Q25	Δ%	1H25	1H24	Δ%
EBITDA	3.5	4.6	(23.7%)	6.0	(41.2%)	9.5	11.2	(15.4%)
Other cash adjustments	(0.3)	(0.6)	59.8%	(0.8)	66.8%	(1.0)	(1.6)	33.8%
Change in working capital	2.5	15.3	(83.5%)	(2.3)	n.s.	0.3	(8.9)	n.s.
Income tax received / (paid)	0.0	(0.5)	n.s.	0.3	(86.5%)	0.3	(0.3)	n.s.
Net interest received / (paid)	(6.6)	(5.1)	(29.7%)	(1.4)	n.s.	(8.0)	(6.7)	(19.5%)
Net cash flow from operating activities	(0.8)	13.6	n.s.	1.8	n.s.	1.0	(6.3)	n.s.

The reduction in trade receivables coupled with the increase in trade payables amply offset the increase in inventories, yielding a cash inflow from working capital changes of €3m in 2Q25.

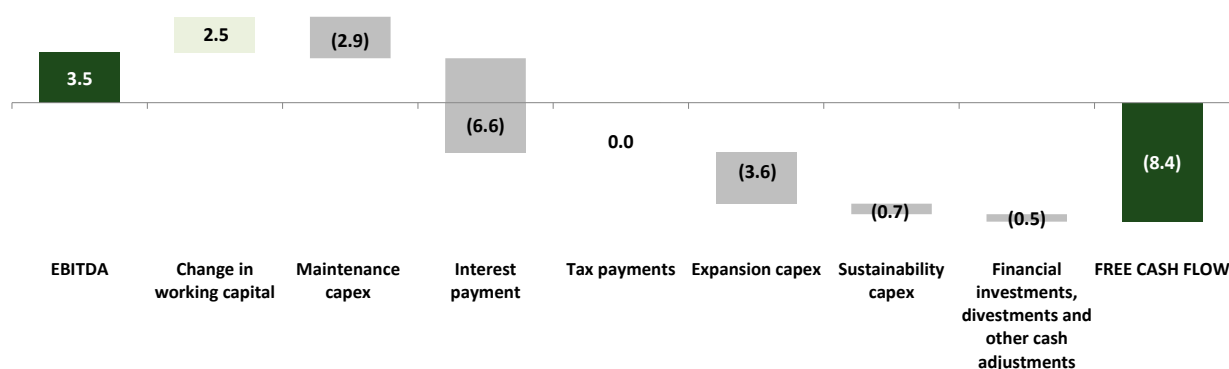
Figures in € m	2Q25	2Q24	Δ%	1Q25	Δ%	1H25	1H24	Δ%
Inventories	(4.8)	(3.0)	(63.5%)	(2.7)	(79.6%)	(7.5)	(0.6)	n.s.
Trade and other receivables	4.3	10.3	(57.9%)	9.9	(56.1%)	14.2	(16.4)	n.s.
Current financial and other assets	-	-	n.s.	-	n.s.	-	-	n.s.
Trade and other payables	3.0	7.9	(62.0%)	(9.5)	n.s.	(6.5)	8.1	n.s.
Change in working capital	2.5	15.3	(83.5%)	(2.3)	n.s.	0.3	(8.9)	n.s.

As of the June close, the Group had drawn down €16m of non-recourse receivables discounting facilities in the Renewables business, whereas at the end of the previous quarter these facilities remained undrawn. Magnon has arranged several non-recourse reverse factoring facilities, which were drawn down by €19m at the June close, compared to €20m at the March close. The reverse factoring facilities do not entail the provision of guarantees, do not alter the average payment term agreed with the corresponding suppliers and do not accrue interest.

Figures in € m	2Q25	2Q24	Δ%	1Q25	Δ%	1H25	1H24	Δ%
Maintenance capex	(2.9)	(2.6)	(13.1%)	(2.0)	(49.3%)	(4.9)	(3.0)	(65.3%)
Sustainability capex and other	(0.7)	(0.5)	(41.4%)	(0.4)	(89.2%)	(1.1)	(0.9)	(29.4%)
Efficiency and expansion capex	(3.6)	(3.2)	(14.6%)	(2.1)	(72.9%)	(5.7)	(5.1)	(12.8%)
Financial investments and in Group companies	(0.3)	(1.4)	76.1%	(1.8)	80.9%	(2.2)	(0.7)	(191.1%)
Investments	(7.6)	(7.7)	1.1%	(6.3)	(22.1%)	(13.9)	(9.7)	(43.4%)
Disposals	0.1	0.9	(91.3%)	0.1	9.9%	0.1	0.9	(83.4%)
Net cash flow from investing activities	(7.6)	(6.8)	(10.8%)	(6.2)	(22.2%)	(13.7)	(8.8)	(56.3%)

Cash used in investing activities in the Renewables business totalled €8m in 2Q25. Maintenance capex amounted to €3m, while payments for sustainability-related investments came to €1m. 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. The investments in efficiency and growth amounted to €4m in 2Q25 and were mainly related with the development of the biomethane and renewable thermal energy projects. Lastly, financial investments and investments in group companies totalled €0.3m in 2Q25.

As a result, free cash flow in the Renewables business was negative by €8m in 2Q25.



3.6. Change in net debt

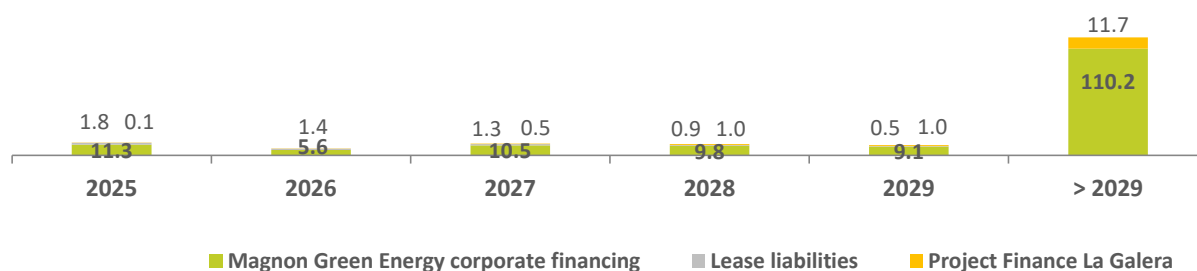
The Renewables business ended the second quarter with net debt of €106m, compared to net debt of €79m at year-end 2024 (i.e., an increase of €28m).

Gross debt at the June close stood at €171m, lease liabilities amounted to €6m and cash and cash equivalents stood at €70m.

Figures in € m	Jun-25	Dec-24	Δ%
Non-current financial debt	159.4	151.2	5.5%
Current financial debt	11.2	11.3	(0.3%)
Gross financial debt	170.7	162.4	5.1%
Non-current lease contracts	4.2	4.0	5.8%
Current lease contracts	1.8	1.8	0.4%
Liabilities related to lease contracts	6.0	5.7	4.2%
Cash reserve for debt service	11.5	10.0	14.5%
Cash and cash equivalents	58.7	79.4	(26.1%)
Short-term financial investments	0.1	0.2	(67.6%)
Net debt Renewable business	106.5	78.6	35.5%

In January 2025, project finance was put in place to fund the acquisition of the Galera biomethane plant and the capital expenditure planned for the facility, which was drawn down by €14m at the June close. The new facility qualifies as a green loan, with recourse exclusively to the asset it is financing, and it matures in June 2037.

Renewables debt maturity profile (€ m)



3.7. Growth and diversification projects

Ence's strategy for its renewable energy platform 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, Biofertilizantes CH4, the Group is 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 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, Biofertilizantes CH4 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. At the June close, the Renewables business also had a portfolio of 17 other developments at the environmental permitting stage (in Castile and León, Aragon, Catalonia, Castile-La Mancha, Extremadura and Andalusia), plus another 20 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 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 decarbonisation plan using NGEU funds, which will be collected when the project is complete.

This company also has a services agreement in operation and another 14 projects under negotiation, of which four with aggregate annual production capacity of an estimated 160 GWht are at an advanced stage.

Note, lastly, that agricultural, forestry and breeding biomass is the main source of biogenic CO₂, a raw material needed to produce green fuels. The Ence Group produces close to 4 million tonnes of biogenic CO₂ annually and is advancing on the engineering and permitting work needed for its potential capture and use in the future.

3. CONSOLIDATED FINANCIAL STATEMENTS

4.1. Summarised statement of profit or loss

Figures in € m	1H25				1H24			
	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
Total revenue	281.7	99.1	(1.6)	379.2	358.9	91.4	(1.8)	448.5
Foreign exchange hedging operations results	1.0	0.5	-	1.5	0.3	-	-	0.3
Other income	54.6	3.0	(0.7)	56.9	10.9	2.6	(0.6)	12.9
Cost of sales and change in inventories of finished produ	(172.6)	(33.9)	1.6	(205.0)	(176.2)	(34.4)	1.8	(208.8)
Personnel expenses	(46.1)	(12.2)	-	(58.4)	(45.8)	(11.4)	-	(57.2)
Other operating expenses	(70.0)	(46.8)	0.7	(116.2)	(58.4)	(36.9)	0.6	(94.7)
EBITDA	48.5	9.5	0.0	58.0	89.7	11.2	0.0	100.9
Depreciation and amortisation	(25.6)	(16.8)	0.8	(41.6)	(28.7)	(16.4)	0.8	(44.3)
Depletion of forestry reserves	(5.2)	(0.0)	-	(5.3)	(6.3)	-	-	(6.3)
Impairment of and gains/(losses) on fixed-asset disposal:	(0.0)	(0.0)	-	(0.1)	(0.7)	1.1	-	0.4
Other non-ordinary operating gains/(losses)	(1.1)	-	-	(1.1)	(1.3)	(4.5)	-	(5.7)
EBIT	16.6	(7.3)	0.8	10.1	52.8	(8.6)	0.8	45.0
Net finance cost	(11.1)	(8.6)	-	(19.7)	(9.5)	(6.5)	-	(16.1)
Other finance income/(costs)	(3.8)	0.0	-	(3.7)	0.9	(0.0)	-	0.9
Profit before tax	1.8	(15.9)	0.8	(13.3)	44.2	(15.1)	0.8	29.9
Income tax	(0.3)	0.8	-	0.3	(10.1)	0.2	-	(10.0)
Net Income	1.5	(15.1)	0.7	(13.0)	34.0	(14.9)	0.7	19.8
Non-controlling interests	-	6.1	-	6.1	-	8.2	(1.6)	6.6
Attributable Net Income	1.5	(9.0)	0.7	(6.9)	34.0	(6.7)	(0.8)	26.5
Earnings per Share (EPS)	0.01	(0.04)	0.00	(0.03)	0.14	(0.03)	(0.00)	0.11

4.2. Summarised statement of financial position

Figures in € m	Jun-25				Dec-24			
	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
Intangible assets	20.5	56.9	(11.3)	66.1	19.2	57.2	(11.6)	64.9
Property, plant and equipment	630.3	368.1	(5.9)	992.5	608.6	372.4	(6.4)	974.6
Biological assets	65.2	0.2	-	65.5	66.1	0.3	-	66.3
Non-current investments in Group companies	114.0	0.0	(114.0)	0.1	114.0	0.6	(114.0)	0.7
Non-current borrowings to Group companies	51.2	1.0	(51.2)	1.0	65.7	-	(65.7)	-
Deferred tax assets	32.4	24.2	2.8	59.4	35.2	23.9	2.9	62.0
Non-current financial assets	20.2	28.9	(11.5)	37.6	19.5	20.3	-	39.8
Cash reserve for debt service	-	-	11.5	11.5	-	10.0	-	10.0
Total non-current assets	933.9	479.3	(179.6)	1,233.7	928.3	484.7	(194.8)	1,218.3
Inventories	100.4	21.5	-	121.9	82.1	12.5	-	94.6
Trade and other accounts receivable	44.0	23.2	(1.9)	65.3	39.5	36.0	(6.0)	69.4
Income tax	5.3	1.0	-	6.3	5.3	1.3	-	6.6
Other current assets	25.9	3.1	-	29.0	15.7	0.3	-	16.1
Hedging derivatives	9.3	0.0	(0.0)	9.3	0.0	-	-	-
Current financial investments in Group companies	0.2	1.2	(1.3)	0.0	0.2	0.7	(0.8)	0.0
Current financial investments	2.7	0.1	-	2.8	13.3	0.2	-	13.6
Cash and cash equivalents	210.1	58.7	-	268.8	184.6	79.4	-	263.9
Total current assets	397.8	108.8	(3.2)	503.4	340.7	130.4	(6.9)	464.2
TOTAL ASSETS	1,331.8	588.1	(182.8)	1,737.1	1,269.0	615.1	(201.6)	1,682.4
Equity attributable to the Parent	572.0	86.8	(128.3)	530.5	559.1	95.6	(129.0)	525.6
Minority interest	-	91.1	-	91.1	-	97.1	-	97.1
Total Equity	572.0	177.9	(128.3)	621.6	559.1	192.6	(129.0)	622.6
Non-current loans with Group companies and associates	-	80.2	(51.2)	29.0	-	94.7	(65.7)	29.0
Non-current borrowings	321.9	163.6	-	485.5	291.3	155.1	-	446.4
Non-current derivatives	1.6	1.2	(0.0)	2.8	2.2	1.8	-	4.0
Deferred tax liabilities	-	-	-	-	-	-	-	-
Non-current provisions	28.9	1.0	-	29.9	28.9	0.6	-	29.5
Other non-current liabilities	35.6	68.0	-	103.7	33.8	71.9	-	105.7
Total non-current liabilities	388.0	314.1	(51.3)	650.8	356.2	324.2	(65.7)	614.7
Current borrowings	147.0	13.0	0.0	160.0	149.2	13.0	-	162.2
Current derivatives	1.5	1.2	-	2.7	6.9	1.1	-	8.0
Trade and other account payable	184.9	75.4	(1.9)	258.4	166.4	80.2	(6.0)	240.6
Short-term debts with group companies	1.2	1.9	(1.4)	1.7	0.7	1.0	(0.8)	0.9
Income tax	1.2	0.0	-	1.3	0.0	0.0	-	0.0
Current provisions	36.0	4.7	-	40.6	30.5	3.0	-	33.5
Total current liabilities	371.8	96.1	(3.2)	464.6	353.7	98.3	(6.9)	445.1
TOTAL EQUITY AND LIABILITIES	1,331.8	588.1	(182.8)	1,737.1	1,269.0	615.1	(201.6)	1,682.4

The pulp business includes, among its investments, the higher relative cost associated with the Navia 80 project, completed in 2019, amounting to €8m. This is due to the arbitration ruling dated June 17, which requires the Group to pay €15m, of which €8m had already been recorded.

4.3. Statement of cash flows

Figures in € m	1H25				1H24			
	Pulp	Renewables	Adjustments	Consolidated	Pulp	Renewables	Adjustments	Consolidated
Consolidated profit/(loss) for the period before tax	1.8	(15.9)	0.8	(13.3)	44.2	(15.1)	0.8	29.9
Depreciation and amortisation	30.8	16.8	(0.8)	46.8	35.0	16.4	(0.8)	50.6
Changes in provisions and other deferred expense	(0.1)	2.0	0.1	2.0	7.1	1.2	-	8.3
Impairment of gains/(losses) on disposals intangible asset	0.3	0.0	-	0.4	0.7	(1.1)	-	(0.4)
Net finance result	13.1	8.6	0.0	21.7	8.9	6.6	-	15.4
Energy regulation adjustments	(1.1)	(3.0)	0.0	(4.1)	0.2	1.8	-	2.0
Government grants taken to income	(0.3)	(0.1)	-	(0.3)	(0.5)	(0.1)	-	(0.6)
Adjustments to profit	42.7	24.4	(0.7)	66.4	51.3	24.8	(0.8)	75.3
Inventories	(13.7)	(7.5)	-	(21.2)	(1.7)	(0.6)	-	(2.3)
Trade and other receivables	(9.5)	14.2	(4.5)	0.3	(60.6)	(16.4)	6.0	(71.0)
Current financial and other assets	-	-	-	-	(1.5)	(0.0)	0.0	(1.6)
Trade and other payables	5.1	(6.4)	4.4	3.1	(4.8)	8.1	(6.0)	(2.7)
Changes in working capital	(18.0)	0.3	(0.1)	(17.9)	(68.5)	(9.0)	-	(77.5)
Interest paid	(10.3)	(8.0)	-	(18.3)	(10.6)	(6.7)	-	(17.3)
Dividends received	-	-	-	-	-	-	-	-
Income tax received/(paid)	(2.5)	0.3	-	(2.2)	(1.7)	(0.3)	-	(2.0)
Other collections/(payments)	0.0	-	-	0.0	-	-	-	-
Other cash flows from operating activities	(12.8)	(7.7)	-	(20.5)	(12.3)	(7.0)	-	(19.3)
Net cash flow from operating activities	13.7	1.0	-	14.7	14.7	(6.3)	-	8.4
Property, plant and equipment	(35.8)	(10.7)	-	(46.5)	(24.6)	(8.1)	-	(32.6)
Intangible assets	(2.7)	(1.0)	-	(3.7)	(2.4)	(0.9)	-	(3.2)
Other financial assets and Group companies	15.6	(2.2)	(14.0)	(0.6)	(21.9)	(0.7)	22.5	(0.2)
Disposals ¹	0.3	0.1	-	0.4	0.2	0.9	(0.0)	1.1
Net cash flow used in investing activities	(22.6)	(13.7)	(14.0)	(50.4)	(48.7)	(8.8)	22.5	(35.0)
Free cash flow	(9.0)	(12.7)	(14.0)	(35.7)	(34.0)	(15.1)	22.5	(26.6)
Buyback/(disposal) of own equity instruments	(0.7)	-	-	(0.7)	1.4	-	-	1.4
Proceeds from and repayments of financial liabilities	24.7	(8.0)	14.0	30.7	(58.0)	39.8	(22.5)	(40.6)
Dividends payments	(0.0)	-	0.0	-	-	-	-	-
Net cash flow from/ (used in) financing activities	24.0	(8.0)	14.0	30.0	(56.5)	39.8	(22.5)	(39.2)
Net increase/(decrease) in cash and cash equivalents	15.1	(20.7)	-	(5.6)	(90.6)	24.8	-	(65.8)

4. KEY DEVELOPMENTS

Sale of energy savings certificates

Ence's Pulp business has generated significant energy savings as a result of energy efficiency initiatives across its operations, which it has sold to a Spanish energy company to obtain energy efficiency certificates, also known as white certificates (or CAEs for their acronym in Spanish), as provided for in Royal Decree 36/2023 (24 January 2023), establishing the Energy Savings Certificate scheme, and the implementing Ministerial Order TED/815/2023 (18 July 2023).

In the first half of 2025, the Group closed two sales, specifically selling 191 million white certificates (equivalent to savings of 191 GWh) and 61 million certificates (equivalent to savings of 61 GWh) for prices, net of transaction costs, of €30m and €10m, respectively. At 30 June 2025, it had collected the proceeds from the first sale (€30m) and expects to collect the remaining €10m in 2H25.

In the absence of a specific applicable accounting standard, these transactions, only recently regulated, have been recognised within other operating income, based on the Group's best interpretation of prevailing accounting rules. The Spanish Institute of Auditors (ICJC) has asked the Spanish Accounting and Audit Institute (ICAC) to confirm this accounting treatment for these transactions, among other matters, and is still waiting for its pronouncement.

2025 Annual General Meeting

Ence held its Annual General Meeting on 3 April 2025. 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 2024.
- 2) Examination and ratification of the Group's non-financial information statement (2024 Sustainability Report) for the year ended 31 December 2024.
- 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 2024.
- 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 2024.
- 5) Re-election of the following directors:
 - Ángel Agudo Valenciano as proprietary director.
 - Fernando Abril-Martorell Hernández as other external director.
 - José Guillermo Zubía Guinea as other external director.
 - Irene Hernández Álvarez as independent director.
 - Carmen Aquerreta Ferraz as independent director.
 - María de la Paz Robina Rosat as independent director.Appointment of María Samoilova as independent director.
- 6) Re-election of the auditor of the Company and its consolidated Group.
- 7) Appointment of the entity engaged to independently assure the non-financial information statement of the Company and its consolidated Group.
- 8) Delegation of powers in the Board of Directors to interpret, supplement, rectify, execute and formalise the resolutions ratified at the Annual General Meeting.
- 9) Advisory vote on the annual report on director remuneration for 2024.

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. In 1H25, the Company embarked on a review of its materiality assessment with a view to incorporating the results in the next reporting season.

Ence's noteworthy performance along environmental, social and governance (ESG) dimensions is echoed in its assessments by prestigious ESG agencies and indices. Ence is a recipient of Ecovadis' platinum medal, the highest accolade given by this platform specialised in assessing companies' sustainability performance. Ence is also included in the FTSE4Good Index, in which it has been traded since 2021. It is also traded as part of BME's IBEX ESG. 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 1H25, Ence's injury metrics were very much in line with the 2024 figures, which were the best in the last 10 years and clearly above the benchmarks in the pulp and paper and broader industrial sectors in Spain. In addition, the Pulp, Forestry Purchases, Biomass Supplies and Forest Assets business units improved on last year's performance in 1H25.

In the Pulp business, the Navia biomill was stopped for its annual maintenance work in March, which was carried out with excellent results safety-wise: 55 particularly risky interventions took place without recording any injuries, thanks to the focus the Company places on discipline and supervision, as evidenced by the 1,195 safety precautions and observations recorded.

In parallel, the work initiated in 2024 to implement Process Safety Management (PSM) methodology continued and will constitute another key lever in the unwavering effort to prevent potentially serious accidents in the workplace and on the environmental front.

At Magnon, the safety metrics deteriorated somewhat from 2024, with three lost-time injuries recorded in 1H25. The 2nd Safety and Environment Day, held in June, focused on analysing the current situation and sharing the investigations into the various accidents (with and without lost time) with the aim of formulating an action plan and reducing injuries, as well as reinforcing key procedures by means of a training programme slated for launch in July.

In terms of the Group's **environmental performance**, it is worth noting the progress on the R&D projects aimed at achieving circular management of the main waste generated at Ence's plants, such as lime sludge, ash and slag. For example, the project to look for a formula for making ecological mortar from these subproducts has begun. In addition, the Group has managed to have the ash produced at a second furnace in Huelva categorised as a 'subproduct' so that it can be used to refill mines.

In the Pulp business, the Navia biomill has embarked on a project with a local cement maker which aims to recover the biomill's lime sludge for making cement. Almost 700 tonnes of sludge were processed in 1H25. The goal of this R&D project is to recover at least 6,000 tonnes. Note, further, that all 1,600 tonnes of the slag generated were recovered as part of a landscape restoration project, preventing the usual treatment of this waste product using a process with a higher carbon footprint (Scope 3).

As part of 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 the June close, all of the Group's facilities boasted that certification. In that same vein, Magnon has also renewed its AENOR's Circular Strategy certificate.

Operationally, the Enemansa energy plant was restarted in January 2025 without any environmental incidents, after several years of inactivity.

Note that the Navia biomill also ended the second quarter without recording a single minute of odour emissions, endorsing the facility's Zero Odour initiatives.

Turning to **environmental and safety management**, in addition to maintaining their ISO 14001, ISO 45001, ISO 50001 and EMAS certifications, since 2024, the biomills hold ISO 22000 food safety management certification, so ensuring their products can be used to safely replace plastic materials to package food products. Work continues in 2025 to secure up to seven more certifications certifying the sustainability of the fluff pulp which the Navia biomill plans to begin to produce towards the end of this year.

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

On the mitigation front, by the end of the second quarter, in line with the Decarbonisation Plan timeline, the Navia biomill had completed phase one, replacing the use of natural gas in the lime kilns with biomass (sawdust), and continues to work on phase two, which calls for substituting more natural gas with sawdust. These initiatives are additional to those already carried out in 2023 and 2024 when the biomill began to use biomethanol obtained in the production process by way of renewable fuel in order to reduce the use of fossil fuels. Elsewhere, at the Pontevedra biomill, similar plans and initiatives to those being carried out in Navia are underway for replacing the fuel currently used with renewable sources. With these measures, Ence is making progress towards delivery of the targets set down in its Decarbonisation Plan for the reduction of absolute Scope 1 and Scope 2 emissions by 55% and 75% by 2030 and 2035, respectively, compared to 2018, the base year. These initiatives reinforce Ence's commitment to climate action, in line with the Climate Change Policy approved by its Board of Directors in 2024 to set down the Company's principles and commitments in this area.

Ence updates its inventory of greenhouse gas emissions annually and in 2Q25 had its 2024 carbon footprint and product footprint assured. That process was carried out in accordance with ISO 14064 and 14067 by an independent expert, which provided the highest level of assurance (reasonable assurance). One of the key takeaways from those assessments is that the Group's Scope 1 emissions decreased by 9.5% from 2023, thanks mainly to lower fuel oil consumption, in turn attributable to greater operational stability in Pontevedra, preventing the use of this fuel during start-up periods, as well as the measures already taken to reduce the use of fossil fuels. Although Ence's direct emissions decreased, the overall footprint increased as a result of the broader scope of the Scope 3 emissions calculation to include emissions from capital goods and the indirect emissions generated in transforming the pulp sold by the Group, among other aspects.

As for the analysis of the net carbon balance of the forests owned by the Company, performed in accordance with IPCC guidelines, it was determined that in 2024, the forest tracts managed by Ence sequestered around 275,000 tonnes of CO₂, net of the carbon withdrawn from the forests in the form of wood or biomass.

In terms of adaptation, Ence assesses its climate risks and opportunities annually. 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 2025, work began on updating this analysis, which studies, over three time horizons (near future, medium term and more distant future) the Group's physical risks, using the most recent climate scenarios published in the sixth IPCC report (SPP245 and SPP585), and its transition risks.

Ence has a **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, Ence has set medium-term targets (for 2028) and incorporated recently approved regulatory developments, including those emanating from the EU Regulation on Deforestation-free products, the CSRD Directive with respect to the prevention and mitigation of impacts on biodiversity and the EU Nature Restoration Regulation.

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 CO₂) 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 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. Sales of those special pulp grades accounted for 32% of the total in 1H25.

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 (EPD) obtained by its pulp products made in Pontevedra (Encell TCF and Naturcell)⁽²⁾ and the bleached pulp made in Navia (Encell ECF⁽³⁾) with its customers.

- (1) <https://www.environdec.com/library/epd6638> y <https://www.environdec.com/library/epd6639>
- (2) <https://www.environdec.com/library/epd7965>

The Company plans to start to produce eucalyptus fluff pulp at the Navia biomill in 2025. Work has begun in 2025 on securing the product sustainability certifications the potential buyers of this new fluff pulp are likely to demand.

Elsewhere, in order to comply with Regulation (EU) 2023/1115 European Regulation on deforestation-free products (EUDR), the Pulp business is in the process of implementing all the requirements for meeting its obligations under this new legislation, generating the codes applicable to pulp sales in the European Union's TRACES platform.

Besides the work done on its special products, over the course of 2025, 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 Ence is planning to build in Galicia (in the town of As Pontes) to produce **recycled fibre**. This project being championed by Ence is a pioneering circular economy initiative as it combines the recovery of paper and textile fibres, the production of renewable energy and carbon capture, all with a meaningful impact in terms of employment and sustainability. In 1H25, the regional government of Galicia officially published its favourable environmental impact statement for this strategic industrial project consisting of a bleached recycled biofibre plant and its auxiliary facilities. Receipt of this environmental green light endorses the project's environmental ambitions and marks decisive progress towards execution of a strategic initiative for the sustainable reindustrialisation of this town.

Another aspect of the bioproducts line of initiative relates to implementation of the plan for developing **biofertiliser** and **biomethane** plants, facilities capable of transforming agricultural and breeding waste collected locally into renewable gas and organic fertiliser. The renewable gas 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. As of the June close, Ence had one plant up and running, 17 projects in the environmental permitting phase and another 20 initiatives under development. Framed by its commitment to stakeholder transparency and engagement, Ence has formulated a community outreach strategy to accompany the development of these facilities under which it contacts the local communities in the towns where they are to be located to introduce the Company and project and address any concerns and enquiries these stakeholders may have.

This chapter of the Master Plan also includes Ence's goal of developing **renewable industrial heat** projects, through Magnon Energy Services (MSE), a company set up to leverage biomass to offer end-to-end decarbonisation solutions with industrial heat applications. As a result, MSE's customers can decarbonise industrial processes that are hard to electrify, such as the generation of industrial heat, using an alternative renewable source and generating environmental as well as economic advantages for their companies by reducing exposure to fossil fuel price volatility and lowering their emission allowances costs. Under this business model, Magnon manages the entire renewable thermal energy value chain for its customers, from the supply of sustainable biomass, the logistics, the treatment of the biomass, plant design and construction through to its operation and maintenance and the management of the resulting waste. MSE already has one facility in operation and in 1Q25 began work on a second facility, while continuing to make progress on permitting another nine projects.

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 that year. In 2025, it is working to develop one more clone.

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 the end of the second quarter 2025, it had registered over 2,000 hectares of forest sinks in the voluntary scheme operated by the Spanish Climate Change Office 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. As of June 2025, close to 90% of its forest assets (out of total certifiable assets) were certified under one or other of those schemes and 74% of the wood that entered its biomills during the period from its proprietary forests, suppliers and forest owners came with one or both certifications.

Ence also ensures that the **biomass** used in its energy generation plants is sustainable by means of the Sustainable REsources Verification Scheme (SURE), thereby complying with the European Renewable Energy Directive (RED II). All of its facilities were SURE-certified as of 30 June 2025. In 1H25, Ence also obtained PEFC certification for its biomass trading activity.

In terms of **supply chain supervision**, in 2Q25, Ence continued to make progress on a digital platform for analysing ESG risks in the value chain, having already added nearly 1,100 entities whose ESG risks are currently being assessed, with the aim of lifting this figure to 1,500 by the end of the year. This initiative falls under the umbrella of the Sustainability Due Diligence Policy, which sets down Ence's commitments and guidelines for preventing, detecting and mitigating human rights violations and adverse environmental impacts all along its supply chain and is aligned with the target of analysing over 90% of its supply chain (in terms of purchase volumes) by 2028. In addition, Ence continues to work, 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 27.3% of the workforce as of the June 2024 close. In addition to increasing female representation in general, Ence is placing the spotlight on increasing the number of women in executive positions. By the end of the second quarter, the percentage of female executives (including managers) stood at 30.4%, in line with the target for the year.

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. Indeed, in 1H25, 37.9% of the Company's vacancies were filled via internal promotions, which is above the associated target.

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. The Group imparted 14,131 hours of training in 1H25. The training effort focused particularly on digital transformation, technical operations matters, health and safety and compliance.

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 and work to foster social inclusion and entrepreneurship. A total of 286 projects benefitted from the grants awarded by the Company under the last edition (2024) of the Ence Pontevedra Community Plan, endowed with €3 million annually. The main goal of this initiative is to foster the development and wellbeing of people in Pontevedra and the surrounding area. As for the types of projects subsidised, the highest number of beneficiaries involved grassroots and elite sports projects (116 projects), followed by cultural initiatives (57) and social inclusion projects (48). Another 45 projects related with environmental recovery and care were approved, while 21 of the winners had to do with entrepreneurship and innovation. The next edition of this plan was launched in 2H25 for completion by year-end.

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 1H25, Ence welcomed over 700 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 this programme were launched in 1H25. Nine calls for the Talento Programme were also organised at different facilities in 1H25.

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 1H25, Ence provided advice to over 500 forest owners in northern Spain.

5. Governance and compliance

This cross-cutting line of initiative is designed to reinforce ESG governance and bolster the ethics and compliance function. On the ESG governance front, Ence has set itself the goal of defining corporate policies for the aspects for which the Company wants to establish specific lines of initiative and targets that are not itemised in the Sustainability Master Plan. During the first half of 2025, the Ethics and Compliance Department undertook a series of activities designed to ensure due compliance with its body of internal rules and regulations and foster a culture of compliance across the organisation.

As part of the annual risk and control review, and to ensure the effectiveness of the Crime Prevention Protocol, the evidence presented by the owners of the 390+ controls applicable across the organisation was analysed. In addition, compliance risks were analysed for the newly-acquired biomethane facility in La Galera, the La Mancha Eneman S.A. energy plant, which was recommissioned in January, and the Recycled Fibre and Moulded Pulp Area, identifying two new criminal risks, along with the corresponding mitigating controls.

Competition defence risks were also analysed, identifying the controls needed to mitigate them at Magnon Green Energy S.L. in the biomass trading activities and in the Ence Biogas business.

On the communication front, 28 internal memos were published on compliance matters tackling issues such as the new European Directive on penalties. The Company also marked World Whistleblower Day, continued its Coffee with Compliance initiative (holding sessions in Madrid and at different plants), reported on real cases involving penalties and issued reminders about the Whistleblowing Channel. It also published six editions of the Ethics and Compliance Newsletter, which is sent to the entire workforce monthly.

On the training front, in 1H25, 59% of the workforce received compliance-related training either in person or online. A course on environmental crimes and liability was provided to the entire workforce through an online platform. Specific training was provided to the professionals responsible for the Crime Prevention Protocol controls and the Board of Directors was given access to courses on the Anti-Corruption and Anti-Fraud Policy and on the Criminal Compliance and Anti-Bribery Policy; that training is also available to Ence professionals. Ence is set to publish training on defence competition based on the new policy to be approved in July, along with a Competition Conduct Manual and Protocol.

The Company also worked on a new project in 1H25 designed to reinforce commitment to a culture of integrity, responsibility and respect at all levels of the organisation. Since June, we have Ethics and Compliance Ambassadors at our biomills in Pontevedra and Navia and at the energy complex in Huelva: their mission is to spread our ethics culture, disseminating the Code of Conduct and our other internal rules and regulations. In addition, in a bid to learn how our employees perceive the compliance culture, the Ethics and Commitment Department launched its Annual Compliance Survey.





A number of actions were also taken on the supervisory front, including a review of contractual terms and conditions, the provision of responses to enquiries about the Code of Conduct with respect to customers and courtesies, the revision of internal questionnaires and the preparation of third-party Due Diligence Reports.

In terms of internal policies and procedures, the Board is scheduled to approve the new Competition Defence Policy and the Criminal Compliance and Anti-Bribery Management System Manual. The In-Person and Remote Meetings with Third Parties Procedure was updated and the Donations, Sponsorships and Alliances Procedure, the Private and Public Sector Gifting and Courtesies Corporate Procedure and the Internal Whistleblowing Procedure are in the process of being updated.

The criminal compliance management system was audited internally, while Ence's anti-bribery management system underwent an external audit. The results of both audits reflect adequate implementation and functioning of the related control mechanisms.

In addition, Ence had its anti-bribery management system, which is ISO 37001 certified, successfully audited by AENOR, verifying that our management system complies with the international regulations in place to prevent, detect and manage bribery risks. The criminal compliance management system certification (UNE 19601) was also renewed. These milestones testify that at Ence we conduct ourselves in an ethical, legal and responsible manner.

Lastly, one of the most important projects on the table for this year is the review and update of the Code of Conduct with a view to adapting it for new ethical and regulatory challenges, reinforcing our commitment to integrity and ensuring that it reflects the values and principles that guide everything that we do.

 <p>Safe and Eco-efficient operations For operational cost reduction</p> <p>Protecting Health and Safety of employees and contractors</p> <ul style="list-style-type: none"> ✓ Accident rates more than four times lower than the industry benchmark ✓ Navia technical shutdown completed without accidents <p>Odour reduction</p> <ul style="list-style-type: none"> ✓ Navia's biofactory closes the first semester with 0 odour minutes <p>Advancing towards a circular economy</p> <ul style="list-style-type: none"> ✓ Pioneering projects for the valorization of ash and limestone sludge in the mining and cement sectors ✓ 100% sites ZERO WASTE certified 	 <p>Bioproducts & ecosystem services Potential for topline improvement</p> <p>Differentiated pulp products with higher added value</p> <ul style="list-style-type: none"> ✓ 32% of total sales of Products with higher and growing margins ✓ 2 new Sustainability certifications for fluff Pulp ✓ 1st Carbon neutral product (Naturcell Zero) <p>Forestry bioproducts and ecosystem services</p> <ul style="list-style-type: none"> ✓ Improved plant material, better adapted to climate change: 1 new Eucalyptus clone in development to be ready for commercial phase in 2025 ✓ More than 2,100 ha of forest sinks registered in the OECC voluntary market 	 <p>Responsible supply chain To become preferred supplier</p> <p>Certified supply chain</p> <ul style="list-style-type: none"> ✓ >89% of managed land certified ✓ 74% of wood certified ✓ 100% sites SURE System certified (Sustainable biomass) <p>Supply chain supervision</p> <ul style="list-style-type: none"> ✓ 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, with more than 1000 suppliers analyzed in the first semester ✓ Implementation of tools to comply with the EUDR Regulation against deforestation 	 <p>Positive social impact To grant business sustainability</p> <p>Talent as a competitive advantage</p> <ul style="list-style-type: none"> ✓ 27,3% female employees ✓ 30,4% females in managerial positions ✓ 37,9% job openings filled with internal promotion ✓ Top Employer certification <p>Creating positive social impact in local communities</p> <ul style="list-style-type: none"> ✓ New edition of Ence's Pontevedra Social Plan (up to 3M€), launched in June for the sponsoring of social projects <p>Promoting professional development in rural communities</p> <ul style="list-style-type: none"> ✓ More than 500 technical advice sessions with Forest owners ✓ New edition of the Forestry machinery training program
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APPENDIX 2: REMUNERATION PARAMETERS APPLICABLE TO THE POWER GENERATION PLANTS

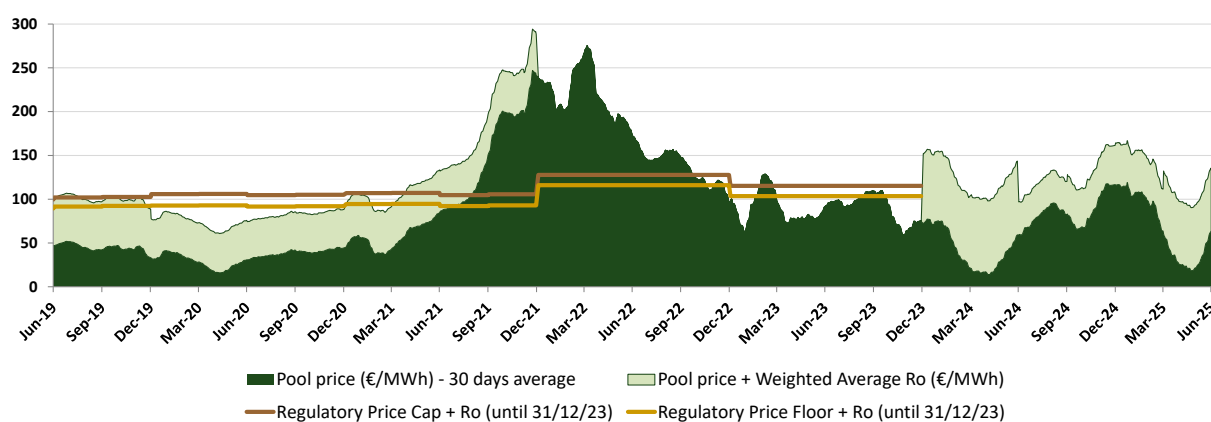
Facility	Type of facility	MW	FY25 Remuneration for investment in P&L (Ri; €/MW)	Type of fuel	Remuneration for operation FY2025 (Ro; €/MWh)	Sale hours limit under regulated price	Regulatory life (year of maturity)
Pontevedra	Biomass co-generation	34.6	-	Lignin	-	6,500	2032
	Biomass generation		45,900	Agroforestry biomass	0.3	7,500	
Navia	Biomass co-generation	40.3	-	Lignin	-	6,500	2034
	Biomass generation	36.2	206,572	Agroforestry biomass	58.7	7,500	
Huelva 41MW	Biomass generation	41.0	41,642	Agroforestry biomass	67.5	7,500	2025
Jaen 16MW	Biomass generation	16.0	124,441	Olive Pulp	41.3	7,500	2027
Ciudad Real 16MW	Biomass generation	16.0	124,441	Olive Pulp	42.8	7,500	2027
Cordoba 27MW	Biomass generation	14.3	184,142	Olive Pulp	52.1	7,500	2031
	Gas co-generation	12.8	-	Natural Gas	133.5	6,537	2030
Huelva 50MW	Biomass generation	50.0	240,787	Agroforestry biomass	55.9	7,500	2037
Mérida 20MW	Biomass generation	20.0	266,931	Agroforestry biomass	55.6	7,500	2039
Huelva 46 MW	Biomass generation	46.0	-	Agroforestry biomass	58.6	7,500	2044
Ciudad Real 50 MW	Biomass generation	50.0	-	Agroforestry biomass	54.8	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 €117/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.

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

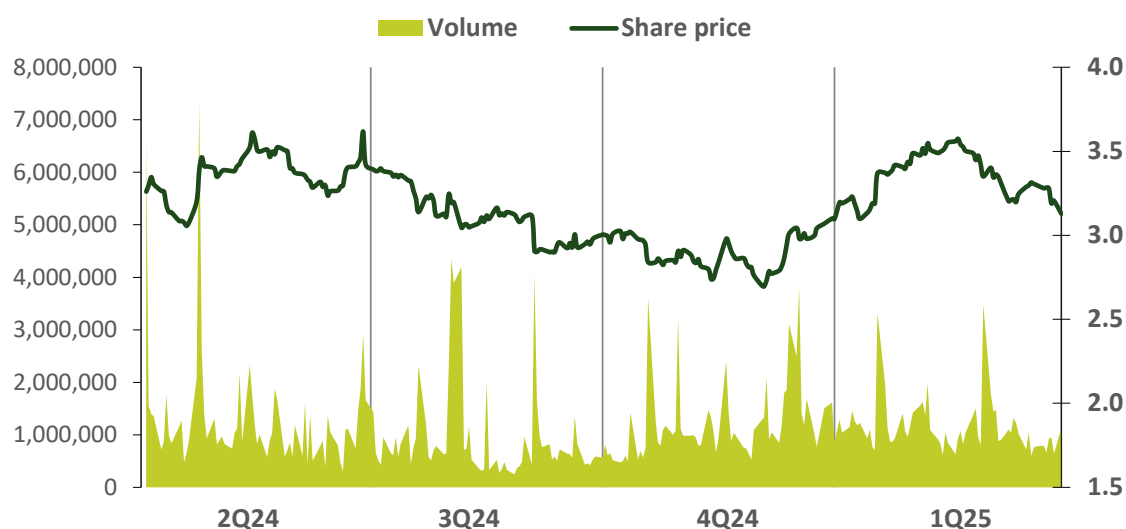


3. All of Magnon Green Energy's plants are also prepared to provide the electricity system operator with **back-up services**, so generating an additional source of income.
4. Both the remuneration for investment and the regulated sale price are subject to a **levy on the value of electric energy produced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

Ence's share price ended the first quarter at €2.90/share, down 7.2% from 31 March 2025, while its closest traded comparables sustained a share price correction of 10.9% on average during that same period.



SHARES	2Q24	3Q24	4Q24	1Q25	2Q25
Share price at the end of the period	3.42	3.00	3.10	3.13	2.90
Market capitalization at the end of the period	842.7	739.8	763.0	770.3	715.2
Ence quarterly evolution	6.1%	(12.2%)	3.1%	1.0%	(7.2%)
Daily average volume (shares)	1,319,780	938,414	1,202,424	1,157,163	1,043,089
Peers quarterly evolution *	(6.8%)	(6.6%)	2.0%	(1.9%)	(10.5%)

(*) 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.

The table below reconciles this APM with the amounts presented in the financial statements for the first half of 2025 and the comparison with the 1H24 figure. The criteria used to determine this metric were the same in both periods:

		Source Financial Statement	1H25				1H24			
			Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATE D TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
OPERATING PROFIT/(LOSS)	€ m	P&L	16.6	(7.3)	0.8	10.1	52.8	(8.6)	0.8	45.0
Depreciation and amortisation charges	€ m	P&L	25.6	16.8	(0.8)	41.6	28.7	16.4	(0.8)	44.3
Depletion of forest reserve	€ m	P&L	5.2	0.0	-	5.3	6.3	-	-	6.3
Impairment of and gains/(losses) on disposal of fixed assets	€ m	P&L	0.0	0.0	-	0.1	0.7	(1.1)	-	(0.4)
Other non-ordinary results from operations	€ m	APM	1.1	-	-	1.1	1.3	4.5	-	5.7
EBITDA	€ m		48.5	9.5	-	58.0	89.7	11.2	-	100.9

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 sections 1, 2.1 and 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, 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.

The table below reconciles this APM with the amounts presented in the financial statements for the first half of 2025 and the comparison with the 1H24 figure. The criteria used to determine this metric were the same in both periods:

			1H25	1H24
	Unit	Source Financial Statement	Pulp	Pulp
Revenue from pulp sales	€ m	P&L	252.0	332.1
EBITDA	€ m	APM	48.5	89.7
Total costs (Revenue - EBITDA)	€ m		203.5	242.4
Gains/(losses) on hedging transactions	€ m	APM	1.0	0.3
Depletion of forest reserve	€ m	P&L	5.2	6.3
Change in inventories	€ m	P&L	2.9	(0.9)
Other income and expenses	€ m		20.9	(10.9)
ADJUSTED CASH COST	€ m		233.5	237.3
Pulp production costs	€ m		197.4	199.9
No. of tonnes produced	Unit		470,702	492,933
PRODUCTION-RELATED COSTS PER TONNE	€/tonne		419.4	405.5
Overhead, sales and logistics costs			36.1	37.4
No. of tonnes sold	Unit		458,725	498,573
OVERHEAD, SALES AND LOGISTICS COSTS PER TONNE	€/tonne		78.6	75.0
CASH COST	€/tonne		498.1	480.5

“Other income and expenses” includes €40m of proceeds from the sale of energy savings certificates, €10m of extra costs derived from the incident affecting the Navia co-generation turbine; the loss on the sale of wood to third parties (-€1m in 1H25 and -€1m in 1H24), nursery costs (-€1m in 1H25 and -€1m in 1H24), long-term remuneration and termination benefits (-€2m in 1H25 and -€4m in 1H24), impairment provisions for trade receivables, spare parts and other assets (-€3m in 1H25 and -€2m in 1H24) and bank charges (-€1m in 1H25 and -€2m in 1H24). The remaining items implied expenditure of €1m in 1H25 and €1m in 1H24.

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 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.

The table below reconciles this APM with the amounts presented in the financial statements for the first half of 2025 and the comparison with the 1H24 figure. The criteria used to determine this metric were the same in both periods:

			1H25	1H24
	Unit	Source Financial Statement	Pulp	Pulp
Revenue from pulp sales	€ m	P&L	252.0	332.1
No. of tonnes sold	Unit		458,725	498,573
Average sales price per tonne (Revenue / # tonnes)	€/tonne		549.4	666.1
Cash cost (€)	€/tonne	APM	498.1	480.5
TOTAL OPERATING PROFIT PER TONNE OF PULP	€/tonne		51.3	185.6

NET FINANCE COST AND OTHER FINANCIAL ITEMS

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

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

The table below reconciles this APM with the amounts presented in the financial statements for the first half of 2025 and the comparison with the 1H24 figure. The criteria used to determine this metric were the same in both periods:

		Source Financial Statement	1H25				1H24			
			Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATE D TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
Finance income	€ m	P&L	4.2	1.7	(1.4)	4.4	5.1	0.9	(0.5)	5.5
Finance costs	€ m	P&L	(15.3)	(10.3)	1.4	(24.1)	(14.6)	(7.4)	0.5	(21.5)
NET FINANCE COST	€ m		(11.1)	(8.6)	-	(19.7)	(9.5)	(6.5)	-	(16.1)
Change in fair value of financial instruments	€ m	P&L	-	-	-	-	0.1	-	-	0.1
Exchange differences	€ m	P&L	(3.8)	-	-	(3.7)	0.9	-	-	0.9
OTHER FINANCIAL ITEMS	€ m		(3.8)	-	-	(3.7)	0.9	-	-	0.9
NET FINANCE INCOME/(COST)	€ m	P&L	(14.8)	(8.6)	-	(23.4)	(8.6)	(6.5)	-	(15.1)

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.

The table below reconciles this APM with the amounts presented in the financial statements for the first half of 2025 and the comparison with the 1H24 figure. The criteria used to determine this metric were the same in both periods:

		Source Financial Statement	1H25				1H24			
			Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATE D TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
Maintenance capex	€ m		(15.4)	(4.9)	-	(20.4)	(11.5)	(3.0)	-	(14.4)
Efficiency and growth capex	€ m		(9.7)	(1.1)	-	(10.8)	(5.1)	(0.9)	-	(6.0)
Sustainability capex	€ m		(13.4)	(5.7)	-	(19.2)	(10.3)	(5.1)	-	(15.4)
Financial investments	€ m		15.6	(2.2)	(14.0)	(0.6)	(21.9)	(0.7)	22.5	(0.2)
TOTAL CAPITAL EXPENDITURE	€ m		(22.9)	(14.0)	(14.0)	(50.9)	(48.9)	(9.7)	22.5	(36.1)

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.

The table below reconciles this APM with the amounts presented in the financial statements for the first half of 2025 and the comparison with the 1H24 figure. The criteria used to determine this metric were the same in both periods:

	Unit	Source Financial Statement	1H25				1H24			
			Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
EBITDA	€ m	APM	48.5	9.5	-	58.0	89.7	11.2	-	100.9
Other non-recurring items	€ m	APM	(1.1)	-	-	(1.1)	(1.3)	(4.5)	-	(5.7)
Adjustments to reconcile profit before tax to net cash flows:										
Changes in provisions and other deferred expense (net)	€ m	CF	(0.1)	2.0	0.1	2.0	7.1	1.2	-	8.3
Adjustments for tariff shortfall/surplus (electricity market)	€ m	CF	(1.1)	(3.0)	-	(4.1)	0.2	1.8	-	2.0
Grants taken to profit and loss	€ m	CF	(0.3)	(0.1)	-	(0.3)	(0.5)	(0.1)	-	(0.6)
Exchange differences with an impact on cash	€ m		(1.5)	(0.0)	-	(1.4)	0.2	0.0	-	0.2
Change in working capital	€ m		(18.0)	0.3	(0.1)	(17.9)	(68.5)	(9.0)	-	(77.5)
Interest paid, net (including right-of-use assets)	€ m	CF	(10.3)	(8.0)	-	(18.3)	(10.6)	(6.7)	-	(17.3)
Dividends received	€ m	CF	-	-	-	-	-	-	-	-
Income tax paid	€ m	CF	(2.5)	0.3	-	(2.2)	(1.7)	(0.3)	-	(2.0)
Other collections/(payments)	€ m	CF	0.0	-	-	0.0	-	-	-	-
OPERATING CASH FLOW			13.7	1.0	-	14.7	14.7	(6.3)	-	8.4

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.

The table below reconciles this APM with the amounts presented in the financial statements for the first half of 2025 and the comparison with the 1H24 figure. The criteria used to determine this metric were the same in both periods:

	Unit	Source Financial Statement	1H25				1H24			
			Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
Net cash flows from/(used in) operating activities	€ m	CF	13.7	1.0	-	14.7	14.7	(6.3)	-	8.4
Net cash flows from/(used in) investing activities	€ m	CF	(22.6)	(13.7)	(14.0)	(50.4)	(48.7)	(8.8)	22.5	(35.0)
FREE CASH FLOW	€ m		(9.0)	(12.7)	(14.0)	(35.7)	(34.0)	(15.1)	22.5	(26.6)

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.

The table below reconciles this APM with the amounts presented in the financial statements for the first half of 2025 and the comparison with the 1H24 figure. The criteria used to determine this metric were the same in both periods:

	Unit	Source Financial Statement	1H25				1H24			
			Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
EBITDA	€ m	APM	48.5	9.5	-	58.0	89.7	11.2	-	100.9
Changes in working capital:										
Inventories	€ m	CF	(13.7)	(7.5)	-	(21.2)	(1.7)	(0.6)	-	(2.3)
Trade and other receivables	€ m	CF	(9.5)	14.2	(4.5)	0.3	(60.6)	(16.4)	6.0	(71.0)
Short-term investments	€ m	CF	-	-	-	-	(1.5)	(0.0)	-	(1.6)
Trade payables, other payables and other liabilities	€ m	CF	5.1	(6.4)	4.4	3.1	(4.8)	8.1	(6.0)	(2.7)
Maintenance capex	€ m	APM	(15.4)	(4.9)	-	(20.4)	(11.5)	(3.0)	-	(14.4)
Interest paid, net (including right-of-use assets)	€ m	CF	(10.3)	(8.0)	-	(18.3)	(10.6)	(6.7)	-	(17.3)
Income tax paid	€ m	CF	(2.5)	0.3	-	(2.2)	(1.7)	(0.3)	-	(2.0)
NORMALISED FREE CASH FLOW	€ m		2.2	(2.9)	(0.1)	(0.7)	(2.6)	(7.7)	-	(10.3)

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, including lease liabilities (under IFRS 16). 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.

The table below reconciles this APM with the amounts presented in the financial statements for the first half of 2025 and the comparison with the 1H24 figure. The criteria used to determine this metric were the same in both periods:

	Unit	Source Financial Statement	Jun. 2025				Dec. 2024			
			Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
Non-current borrowings:										
Bonds and other marketable securities	€ m	BS	13.5	-		13.5	15.6	-		15.6
Bank borrowings	€ m	BS	235.1	159.4		394.5	202.2	151.2		353.4
Other financial liabilities	€ m	BS	73.3	4.2		77.5	73.5	4.0		77.5
Current borrowings:	€ m									
Bonds and other marketable securities	€ m	BS	13.5	-		13.5	15.6	-		15.6
Bank borrowings	€ m	BS	120.3	11.2		131.5	119.9	11.3		131.2
Other financial liabilities	€ m	BS	13.2	1.8		15.0	13.7	1.8		15.5
Cash and cash equivalents	€ m	BS	210.1	58.7		268.8	184.6	79.4		263.9
Current financial assets - Other financial investments	€ m		2.7	0.1		2.8	13.3	0.2		13.6
Cash reserve for debt service	€ m		-	11.5		11.5	-	10.0		10.0
NET DEBT/(CASH)	€ m		256.0	106.5		362.5	242.6	78.6		321.2

ROCE

ROCE stands for the return on capital employed and is used by management as a key profitability performance indicator. It is provided in sections 2.8 and 3.7 of this report. ROCE is widely used in the capital markets to measure and compare the earnings performance of different companies or projects.

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.

	Unit	Source Financial Statement	1H25				1H24			
			Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL	Pulp	Renewable Energy	Adjustments & Eliminations	CONSOLIDATED TOTAL
EBIT, last 12 months	€ m	P&L	36.5	(9.7)	1.6	28.4	41.8	(11.0)	1.6	32.4
Average capital employed, last 12 months										
Average equity	€ m	BS	353.3	151.9	140.7	645.8	433.7	226.3	-	660.1
Average net debt	€ m	BS	233.5	80.9	-	314.4	187.1	88.0	-	275.0
ROCE	%		6.2%	(4.2%)	-	3.0%	6.7%	(3.5%)	-	3.5%

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The information contained in this report was prepared by Ence and includes forward-looking statements.

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